



## Marine Cargo Insurance for your Classic Car

### ...the classic insurance

#### Background

The forebears of insurance today were the various parties involved in a marine risk contributing an equal share towards the costs and losses incurred to save a voyage. This was the standard form of risk sharing going way back to the Phoenicians. Some say it started with the Chinese with voyages down the Yangstee River.

Then in about the 1550s with trade between Europe and the East there was the necessity to keep true records and due to Christian doctrine bookkeepers and traders worked closely together to ensure that all trader activities and monies was seen to be handled in a professional manner and thus we started to see documents like invoices, terms of trade etc.

1666 of course was the Great Fire of London which saw the birth of Fire Insurance and thus Insurance was not only for those that shipped products and goods but also for the person who owned property.

#### Today

Insurance for land based risks as well as Marine Transit is as necessary today as it was in the earliest days and in the 1500s and 1600s. In fact in many ways it is needed more as the values of items are increasing with the laws of supply and demand not to mention the laws of diminishing returns. We have to work harder today to regain loss and recover than in our grandparents time.

#### Tomorrow

We never know what is going to happen tomorrow. Therefore the insurance policy is not based on today, it is based on 'tomorrow' using the history of the past to help define what might happen tomorrow - all things being equal.

Thus the decision to buy insurance today is in actual fact protecting you from an event which may occur tomorrow and for which you have no control. This is called risk.

#### Damage whilst in transit

The transit starts from the time the car is picked up from the dealer/ vendor and it finishes when you take possession of the vehicle and/ or at a named place as agreed between you and the freight forwarder. The vehicle can be damaged at any point from a number of different causes such as rolling over of car transporter / trailer, impact damage whilst being driven onto the trailer, fire or impact damage in the place of storage, theft or malicious damage to the vehicle whilst in storage. This can occur here in New Zealand or whilst overseas.

#### Marine Transit (when the vehicle is in the container and is on the ship )

Just because the car is in a container does not mean that it will be safe from damage. There are a whole range of events which often occur:

- Containers and their contents are often dropped by accident whilst being loaded on or off the ship.
- The container could fall off the truck before the container (and its contents) get to the wharf
- Derailment of freight trains causing containers to fall off the rail wagon.
- Containers on the vessel - Container ships do catch fire and they do sink. Containers (especially those sitting at the top of the stack) can be washed overboard and they are not recovered.
- Damage can occur to the cars whilst in the container such as heat damage (blistering of paint) and condensation within the container as the ship goes from one climate to another.
- Movement of the vehicle within the container due to incorrect stowage.

### **The Policy to insure your vehicle**

Once again this is very much based on the history of Marine Insurance. There are three levels of cover which you can buy. However, the vast majority buy the full cover which primarily covers all the risks that are likely to impact upon the item being insured. There are some exclusions but the exclusions relate purely to risks which are within your control and that of your freight forwarder (ie insufficient packaging and stowage, the container/or ship not being seaworthy.)

The Policy also defines how the item is to be insured and to what value. This is a critical aspect as in the event of a claim for loss or damage the Basis of Settlement will define how and what amount is to be paid.

### **General Average and Salvage Charges**

This is an historical clause but it is as alive and well today as it was 2000 years ago. The Marine Cargo Policy pays for this aspect of the marine risk. There is no additional premium to cover the risk. It is all included.

But if you don't have Marine insurance then you don't have the cover for General Average. Refer to the 'Background' section.

Many vessels even these days have events at sea where they incur extra charges or have to go to another port as an emergency to save the voyage. It is costly to do this.

Thus when the ship arrives at the Port of Discharge and it has incurred these costs then the ship owner will place a bond over all those parties that have been involved with the voyage and all parties have to share proportionately in the costs. With marine cargo insurance your insurer pays this bond and you can then recover your vehicle. If however you have no insurance you may find your vehicle in bond, and you must pay before taking delivery of the vehicle - the cost is likely to be much higher than the value of the car. Thus the only way you can get your car is by paying the bond.

### **Ship Owners Liability and Freight Costs**

The Ship Owners Liability is subject to the Hague Visby rules and they can be read on the back of the Bills of Lading. However, Liability for loss against the ship owner and or the management of the ship has to be proven and recovery takes many months. The recovery amount will never be in the same value as your car.

Freight costs do not include insurance on your vehicle. The Freight company does have its own set of Liabilities which will normally follow with the Bill of Lading.

**We trust that you have found this information informative and will assist with your decision making process in relation to insuring your pride and joy whilst in the course of transit.**