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<b>Name of the Clause :</b>	Glasgow Rules		
<b>Subject of the Clause :</b>	These rules provide with common and basic Rules to the Marine Insurance Industry		
<b>Category :</b>	International Regulation		
<b>Number :</b>		<b>Date :</b>	1901
<b>Country :</b>	United Kingdom	<b>Issued by :</b>	International Law Association
<b>Comments :</b>			

The International Law Association (<http://www.ila-hg>) issued these rules in 1901. Up to this date (at our knowledge), it is the only attempt to codify, internationally, the Marine Insurance rules and conditions.

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The text of the Glasgow Marine Insurance Rules of 1901 is as follows :

## GLASGOW MARINE INSURANCE RULES, 1901

### I - TOTAL LOSS.

1. An insurance against total loss includes a constructive as well as an actual total loss unless a different intention is shown in the policy.

#### *Actual total loss*

2. Where by a peril insured against an insured subject is destroyed, or so damaged as to cease to be a thing of the kind insured, there is an actual total loss.

3. Where by a peril insured against the owner of an insured subject has been wholly deprived of it, and either there is no reasonable prospect of recovering it, or it can only be recovered on paying charges upon it exceeding the recovered value, for which the assured is not otherwise liable, there is an actual total loss, although the subject may still exist.

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*Constructive total loss*

4. Where by a peril insured against the owner of an insured subject is deprived of the possession or of the control and use of it indefinitely, there is a constructive total loss of the subject.
5. Where by a peril insured against a ship is so damaged or so placed that the cost of recovering and repairing her would exceed three-fourths of her sound value before the disaster, there is a constructive total loss of the ship.
  - (a) The cost of recovery and repair is to be estimated with reference to the circumstances at the time to which the estimate relates including the cost of prudent temporary repairs and removal to a port of repair, and also any necessary expenses of obtaining money, but not including wages or provisions for the ships' crew at the port of repair.
  - (b) In making the comparison no deduction is to be made from the cost of repairs in respect of new for old, or in respect of general average contributions which have become payable by other interests towards the cost of repairs; but deduction is to be made of contributions which would be payable by other interests to expenses or sacrifices to be incurred or made after the time to which the estimate relates.
  - (c) Where the ship has been valued in the policy that value shall be deemed to be her sound value unless otherwise expressly agreed in the policy.

*Cargo*

6. In the following cases there is a constructive total loss of cargo:
  - (1) Where owing to perils insured against goods are left at a port short of their destination because they cannot be carried forward; or because if carried forward they would not arrive at the destination merchantable as things of the kind insured.
  - (2) Where by perils insured against the goods are lost or damaged to the extent of three-fourths of their insurable value.
  - (3) Where by perils insured against the carrying ship is an actual or constructive total loss, and the goods are not forwarded under the original contract of carriage, and they can only be brought to their destination by incurring expenses which would exceed three-fourths of their gross value on arrival less the expenses of selling.

The estimate of expenses is to include all expenses of recovering and preserving the goods and all forwarding freight which would be incurred after the time to which the estimate relate, but not any salvage or other expenses, or general average contributions, incurred in respect of the goods before that time.

*Time for estimating constructive total loss*

7. Where notice of abandonment has been given to the insurer, as hereinafter required, the estimate of whether the insured subject was a constructive total loss is to be made as at the date of giving that notice. Where notice of abandonment has become unnecessary the estimate is to be made as at the date of the sale or other event which made it unnecessary.

### **NOTICE OF ABANDONMENT.**

8. The assured cannot abandon and claim as for a total loss, unless the insured subject has become an actual or constructive total loss.

9. Where there is a constructive total loss of an insured subject, the assured is entitled to claim payment of the full amount insured if he has, duly given notice that he abandons to the insurer the interest in the subject insured by him. Failing such notice, the assured can only claim as for a partial loss, except in the cases mentioned in Rule 10.

(a) The notice must be given to the insurer with reasonable diligence after receipt by the assured of information of the loss; allowing time for inquiry where the information is doubtful.

(b) The notice may be given in any manner, but must indicate the intention of the assured to abandon the insured interest in the subject insured unconditionally.

*Where notice not necessary*

10. Where the interest of the assured in the insured subject has been justifiably sold before he has had full opportunity of abandoning it to the insurer, and generally where no benefit could arise to the insurer if notice of abandonment were given to him, such notice is not necessary, and the assured may claim payment in full without it.

Also notice of abandonment is not necessary from an insurer to a re-insurer.

11. Neither the right to abandon and claim payment in full nor the right to refuse to accept abandonment is prejudiced by efforts made by the assured or insurer to save or diminish the loss of the thing insured.

### **EFFECT OF ABANDONMENT**

12. Where abandonment of the subject insured has been accepted, or where there is an actual or constructive total loss, the insurer becomes entitled on payment of the full amount insured to his rateable proportion of all that remains of the assured's interest in the subject insured, as from the time of the casualty which caused the loss; and also to be subrogated in like proportion to all the rights and remedies of the assured in respect of that interest or the loss thereof.

*Freight earned after Abandonment*

13. Where freight is earned by the ship by continuing a voyage after becoming transferred to the insurer of ship as aforesaid, the freight so earned is to be apportioned between the assured and the insurer of ship, in proportion to the distances run by the ship in earning that freight before and after the casualty. If part of the freight for the voyage has been received in advance, only so much of the freight earned by continuing the voyage will belong to the assured as, having regard to the freight received in advance, will give him his pro rata share of the whole.

### **EFFECT UPON FREIGHT INSURANCES.**

14 For the purposes of an insurance of freight, any freight apportioned to an insurer of ship under the circumstances stated in Rule 13 is to be deemed to be lost.

15. Where freight for a voyage is insured generally, there is a total loss of freight if by perils insured against the cargo has become an actual or constructive total loss, and no goods bearing freight can be profitably substituted and carried to the destination. Where specific or chartered freight is insured, there is a total loss if, having regard to the freight contract, no part of that freight can be earned.

In either case, there is a total loss of the freight if the ship has by perils insured against become an actual or constructive total loss, and no part of the cargo can be forwarded to the destination except at an expense to the shipowner which would exceed the freight there payable. The expense to be estimated for this purpose shall include all expenses of forwarding the goods which would have to be incurred by the shipowner as from the time when the voyage of his ship was given up.

But if in any case pro rata freight has become payable the loss of freight is not total.

## **II-PARTIAL LOSS OF SHIPS: DEDUCTIONS**

16. The deductions from the cost of repairs in respect of new for old, for ascertaining the amount of a partial loss of ship, shall be those allowed by Rule XIII of the York-Antwerp Rules of General Average.

## **III-EFFECT OF UNSEAWORTHINESS, &c**

### *Wilful acts*

17. An insurer is not liable for loss or damage brought about by the wilful act of the assured himself, even although the proximate cause may have been a peril insured against.

### *Inherent vice*

18. An insurer is not liable for loss or damage caused proximately by any inherent vice, weakness or nature, or unsoundness in condition of the subject insured, or of the thing on which the safety of the subject insured depends.

### *Warranty of seaworthiness*

19. Upon any insurance for a voyage of a ship or of any interest dependent upon ship, the assured warrants as follows:

(a) That where the insurance first attaches in port all reasonable care has been taken to make the ship then in a fit condition to lie there,

(b) That all reasonable care will be taken to make the ship fit and properly manned, equipped, and documented for her voyage. Provided that where the voyage includes more than one stage, it will suffice that reasonable care be taken to make the ship fit and properly manned, equipped, and documented at the beginning of each stage for that stage.

In case of any breach of this warranty the insurer is not liable for any loss or damage consequent thereon, although proximately caused by a peril insured against. But the insurance is not conditional on performance of the warranty, and is not affected by a breach thereof, except as above stated; and except as above provided, there is not any warranty of the fitness of the ship by the assured.

In a policy on cargo there is no implied warranty as to the seaworthiness of the ship.

#### **IV.DOUBLE INSURANCES**

20. Where an interest is insured against the same risk for the same assured by two or more insurances for amounts which together exceed the agreed or insurable value of that interest, there is a double insurance. The assured may in such a case recover in respect of a loss under any of the policies covering it, in any order, unless he has already received indemnity for the loss as estimated upon the valuation in that policy.

##### *Contribution*

21. Where in a case of double insurance one or more of the insurers have duly paid a loss they are entitled to contributions thereto from the insurers on the other policies which cover the loss, so that the amount paid shall be distributed over the whole, as follows:

(a) Where the policies are unvalued or agree in their valuations, the contribution is to be in proportion to the amounts insured;

(b) Where the valuations in the policies differ, then:

(1) In case of partial loss, the contribution is to be in proportion to the liabilities under the several policies in respect of that loss;

(2) In case of total loss, so much of the amount paid under any policy as is ascribable to the part of the valuation therein which is covered by other policies, is to be contributed to by those policies in proportion to their liabilities in respect thereof

##### *Premium*

22. The assured cannot claim any return of premium in cases of double insurance where the risk has attached.