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GENERAL SWEDISH HULL INSURANCE CONDITIONS of 1966

adopted by

Sioassuradörernas Förening, Sveriges Redareförening and Sveriges Ångfartygs Assurans Förening

The original Swedish wording of the Rules, of which this is a translation, to be decisive in case of dispute.

The Scope of Insurance

§ 1 – Objects covered by the insurance

The insurance covers the ship as well as spare parts on board and also such equipment and spare parts on board for the ship as belong to the Owners or which they have borrowed, hired or purchased on a hire-purchase agreement.

The insurance also covers such parts of the ship, her equipment and spare parts as are temporarily removed from the ship in the course of running of the ship or on account of repairs, rebuilding, or similar work, provided that the objects are to be put on board again before sailing.

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The insurance does not cover fuel, provisions or other stores intended for consumption, nor loose shifting boards, extra dunnage, timber and other material intended for shoring, supporting, lashing or separation of cargo.

§ 2 - Insurable value

The insurable value stated in the insurance contract is an assessed value. This value is binding on the Insurer unless the Assured when effecting the insurance has given misleading information concerning the ship, which is of importance to the Insurer to know when estimating the value of the ship.

§ 3 - Commencement and termination of liability

Date and hour for the commencement and the termination of the insurance liability shall be governed by the local time at the places, where the ship is at the laid times.

§ 4 - Prolongation

1. Should the insurance expire while the ship is at sea, the insurance shall remain in force until midnight of the day on which the ship arrived at the first port and anchored or moored there in customary manner. However, if before the expiry of said period the ship should leave the port or be shifted for departure, the liability terminates as soon as the ship begins to heave anchor or to let go her moorings.

If the ship at the expiry of the insurance period is undergoing repairs in consequence of a casualty, for which the Insurer is liable, or is, in consequence of such casualty, in an unseaworthy condition, the insurance is extended and remains in force until the ship has again been made seaworthy or has been condemned.

Where at the expiry of the insurance period a new insurance commences to run with the same Insurer, the first insurance is not to be prolonged as mentioned above.

2. Where the ship is missing according to § 26 and the insurance period expires before the right to compensation has arisen, the insurance is extended up to the time when such right has arisen.

3. The Insurer's right to prolongation premium is dealt with in § 13:4.

§ 5 - Premature termination of liability

Where the ship or an insured proportion of a ship is transferred to another Owner and the Insurer has not expressly permitted that the insurance be transferred to the new Owner, the insurance terminates when the ownership is transferred.

§ 6 - The scope of the insurance

With the exceptions stated in these conditions the Insurer is liable for:

a) actual or constructive total loss of the ship;

b) the ship's contribution to general average as well as contribution to disbursements as per § 218 of the Swedish Maritime Law or equivalent legal provision according to adjustment which has been duly drawn up and which has acquired legal force or has been approved by the Insurer. The ship's contribution is recoverable according to the adjustment even if the contributory value exceeds the agreed insured value of the ship;

c) loss incurred for the purpose of completing a voyage in ballast or for saving the ship when carrying no cargo, to the extent that the loss should have been made good in general average, had the ship carried cargo; however, wages and maintenance during time for permanent repairs are not recoverable, nor are expenses substituting such disbursements; damage to the ship is compensated according to the provisions about particular damage if these are more advantageous to the Assured;

d) remuneration that the Assured is liable to pay to a third party for damage caused to properly by the ship or her boats when used in her service through direct contact with another ship or object ;

e) all other perils to which the ship or her boats when used in her service are exposed, third party damages, however, being limited to what is stipulated under d);

f) reasonable expense or sacrifice incurred in good faith to avert a peril for which the Insurer is liable or where a loss has been incurred to prevent further loss, even if the expense or sacrifice is not attributable to general average; where the expense or sacrifice has been incurred jointly for the insured ship and other interest, the Insurer is liable only for such proportion of the expense or sacrifice as can reasonably be considered to fall on the ship.

When damage to the ship is not payable, no expenses arising from said damage shall be made good except salvage and adjustment charges.

§ 7 - Maximum liability

1. For other loss than third party damages, the Insurer is liable up to the amount insured on any one casualty properly payable.

2. Even if the amount insured is exceeded, the Insurer nevertheless compensates:

a) reasonable expense or sacrifice incurred in order to avert or minimize loss or damage;

b) reasonable expense incurred in order to preserve any right against third parties or in defence against claims by third parties;

c) reasonable expense incurred in order to provide security for salvage charges or for damages;

d) reasonable cost of average adjustment;

e) interest on the allowed claim.

3. The Insurer is entitled to exempt himself from further liability by paying the amount insured and compensating such costs as have been incurred or for which liability has arisen before the Assured received notice of the Insurer's decision, and for which the Insurer is liable according to subsects. 1 and 2 above. In the cases provided for in this subsection, the Insurer has no right to what may remain of the ship.

4. In addition to what is stipulated above, the Insurer is liable for third party damages up to the amount insured on any one casualty properly payable.

§ 8 - Excluded losses

1. The Insurer is not liable for loss caused by:
 - a) normal use of the ship, her machinery or equipment;
 - b) the ship being used for illegal purposes, unless the Assured either was or ought to have been aware thereof at such a time that it would have been possible for him to intervene;
 - c) war, civil war or other contingencies defined as war perils by the Swedish war risk insurance conditions generally in force at the time when the insurance was effected;
 - d) nuclear perils;
 - e) embargo, seizure - by which is not to be understood arrest for claims for salvage and third party damages according to § 48 - confiscation or other measures by civil or military authorities;
 - f) requisition by civil or military authorities, or for damage sustained by the ship while being under requisition;
 - g) strikes, lockouts, riots, civil commotions, sabotage, plundering, mutiny or piracy.
2. Where the damage is a consequence of faulty construction or faulty material, wear and tear, age, corrosion, vermin or insufficient upkeep and tare, the Insurer is not liable for the costs of renewing or repairing such part as was not in a proper condition. However, such costs are recoverable when the part in question has been approved by the classification society and the damage
 - a) is attributable to faulty material ;
 - b) consists of the fracturing or cracking of a boiler or a part of the main engine and the fracturing or cracking is not attributable to wear and tear, corrosion, or insufficient upkeep.
3. The Insurer is not liable for:
 - a) third party damages, which - not being the consequence of the ship or her boats when used in her service directly colliding with another ship or object - are caused by either swell or by the manoeuvring of the skip, by oil, water, steam etc. escaping or having been pumped out from the ship, by use of her anchors, mooring or towing lines, loading and discharging pipes, gangways etc. or by the ship's cargo;
 - b) personal injury or for damage to the ship's own cargo or such objects or installations on board other than those mentioned in § 1:1, as do not belong to the Owner;
 - c) damage caused by the insured ship towing another ship unless the towage was occasioned by salvage under such circumstances that it must be held justifiable;
 - d) damage sustained when the insured ship has salvaged another ship and received salvage money therefore; where the damage sustained exceeds the salvage money, the exceeding proportion of the damage is, however, allowed as particular average.

4. The Insurer is not liable for:

- a) compensation to a charterer or other person, who has an interest in the insured ship;
- b) damage caused by the fact that the Assured has entered into a contract of affreightment or other agreement containing unusual conditions;
- c) accommodations for passengers.

5. The Insurer is not liable for:

- a) wages and maintenance of crew and similar expenses connected with the running of the skip, except when allowed in general average and as provided for in § 32;
- b) loss of time, interest, profit or market, increase in costs or other indirect loss suffered by the Assured;
- c) the Assured's inconvenience, travelling expenses, costs for agents or for safeguarding the Assured's own interests in connection with the casualty or the repairs.

6. The Insurer is not liable for the costs of removing the wreck of the insured ship.

7. In particular average no compensation is paid for:

- a) bottom painting, if more than 6 months have elapsed since the ship was last undocked after painting until the day when she is again dry-docked for bottom painting;
- b) damage to articles used for mooring, towing etc. and to tarpaulins unless the loss is a consequence of the ship having sunk or is attributable to collision, fire or theft;
- c) objects damaged when being used for the lashing or covering of deck cargo or when being used as bedding therefore;
- d) damage to the ship in connection with discharge or loading, unless the damage is a consequence of an extraordinary event;
- e) damage to zinc slabs, magnesium slabs etc. fitted for protection against corrosion, unless the objects were torn away through external violence;
- f) damage to cylinder liner, unless the liner is cracked;
- g) loss in consequence of lubricating oil or cooling water becoming contaminated, unless cleaning has been undertaken as soon as possible and not later than 3 months after the contamination occurred.

§ 9 -Trading warranties

A. The insurance covers trading within the limits mentioned in the insurance contract with the exception of voyages to or from:

- 1. Arctic waters North of 72° N. Lat. and East of 45° E. Long. including Jan Mayen.

2. The White Sea inside a line drawn between Sviatoi Noss and Kanin Noss for ships passing Honningsvåg eastward bound before May 10th or later than October 31st. (Vide B 1.)

3. Greenland waters.

4. Northeast American waters North of 52° 10' N. Lat.

5. The Great Lakes West of Montreal (St. Lawrence Seaway) during the period when trading on the canals is not permitted by the Canal Authorities. (Vide B 2.)

6. Northwest American waters North of 54° 30' N. Lat. and West of 130° 50' W. Long.

7. East Asiatic waters North of 46° N. Lat. with the exception of voyages to Vladivostok and Nakhodka.

8. Waters South of 50° S. Lat. including Kerguelen, Croset Island and Prince Edward's Island; however, voyages to or from ports in Patagonia, Chile or the Falkland Islands are permitted as well as passage South of 50° S. Lat. en route to or from ports North of this latitude.

B. Against payment of an additional premium, the insurance covers voyages to or from:

1. The White Sea for vessels leaving Archangel during the period November 1 st - November 15th. (Vide A 2.)

2. The Great Lakes West of Montreal (St. Lawrence Seaway) during the period permitted by the Canal Authorities.

3. St. Lawrence and New Foundland with adjoining waters within an area limited by a line drawn between Battle Harbour/Pistolet Bay, Cape Ray/Cape North, Port Hawkesbury / Port Mulgrave and Baie Comeau/Matane during the period December 1st - April 30th.

4. St. Lawrence River within an area West of Baie Comeau/Matane but not West of Montreal during the period November 16th - May 15th.

C. The insurance covers voyages to or from the Baltic with adjoining waters East of the line Hanstholm/Lindesnes during the period December 1 st - May 31 st, only against payment of required additional premium for ice risk.

Duty of Disclosure

§ 10-Duty of disclosure:

On the conclusion of the insurance contract

1. The Assured shall on effecting the insurance give the Insurer every information about the ship that he may require, or which the Assured realizes to be of importance for the Insurer, when considering the risk.

Co-insurance

2. Where a proportion of the ship or an interest attaching to the ship is or will be insured with another Insurer, the Assured shall disclose this and state the name of this Insurer. Should this be

omitted, and the omission can be considered detrimental to the Insurer, he is entitled to a reasonable proportional reduction in the amount of compensation, or to complete exemption from liability.

Fraudulent misrepresentation or non disclosure and other dishonest acts

3. Where at the conclusion of the contract, the Assured has dishonestly represented or suppressed any fact which can be assumed to be of importance to the Insurer or where even if a fraudulent act cannot be presupposed, the Assured has represented or omitted to disclose any fact under such circumstances that it would be contrary to honour and good faith to invoke the contract, the contract is not binding on the Insurer, who is nevertheless entitled to the whole premium agreed upon.

Misrepresentation in good faith

4. Where it can be assumed that the Assured neither could nor ought to have realized at the conclusion of the contract that a statement made by him was incorrect, the incorrectness shall have no effect upon the Insurer's liability. The Insurer may, however, terminate the contract 14 days after notice of termination.

Misrepresentation in other cases - Negligent nondisclosure

5. Where in other respects than provided for in subsects. 3 and 4, the Assured has given incorrect information or negligently omitted to disclose any circumstance known to him, the importance of which he must or ought to have realized, and if it can be assumed that the Insurer, knowing the actual circumstances, would not have accepted the insurance at all, the contract is not binding on the Insurer, but he is nevertheless entitled to the whole premium agreed upon. Where it can be assumed that the Insurer might have accepted the insurance but would have demanded a higher premium or stipulated conditions different from those used in the contract, the Insurer is liable for a casualty only to such an extent as it can be proved that the misrepresentation or the non-disclosure has been without importance for the casualty or the extent of the damage. Non-disclosure by the Assured in other cases than mentioned above does not affect the Insurer's liability.

Demand for exemption from liability

6. Where the Insurer becomes aware that such a case exists as provided for in subsects. 4 and 5 and does not without undue delay notify the Assured that and to what extent he demands to be exempted from liability, such exemption cannot subsequently be demanded by him.

Where misrepresentation or nondisclosure otherwise does not affect the Insurer 's liability

7. Misrepresentation or non-disclosure does not affect the Insurer's liability where he knew or ought to have known the actual circumstances, nor where the circumstance to which the misrepresentation or non-disclosure related was without importance for the Insurer or has ceased to be of importance for him after conclusion of the contract.

§ 11 - Duty of disclosure during the insurance period

1. Where after conclusion of the insurance contract, the Assured becomes aware of such circumstance as provided for in § 10, he must without delay inform the Insurer.

Where the ship is transferred to a new Owner, or is requisitioned by government authorities, the Assured must give notice thereof without undue delay.

2. The Assured must notify the Insurer about the ship's voyages where:
 - a) the ship undertakes a voyage to or from areas stated in § 9;
 - b) the ship otherwise undertakes a voyage, considering her type, size and draught, the season and other circumstances affecting the voyage, obviously involves a considerably greater risk than could have been anticipated when the insurance was effected.

Where the Assured becomes aware that the Master without his consent undertakes a voyage outside the trading limits, he shall inform the Insurer hereof without delay.

3. On receipt of notice, the Insurer must in cases provided for in § 9 B and C without undue delay inform the Assured on what conditions he is prepared to assume the risk for the voyage.

Where the Assured fails to give notice as mentioned above, the Insurer is not liable for damages sustained during the voyage.

Damage to a ship that -has undertaken a voyage of the nature referred to here, shall be considered to have been sustained during such voyage unless the Assured proves that the damage was sustained at some other time or it is obvious that it cannot have arisen during the voyage.

Regarding the Insurer's right to cancel the insurance in the cases mentioned above is stated in § 23:1 f).

§ 12 – Safety Regulations

1. The ship must be classed and with regard to equipment, outfit, upkeep, crew, loading and ballasting be seaworthy and provided with the necessary documents and must furthermore comply both with the regulations issued by supervisory authorities and the classification society and with the requirements specified by the Insurer when the insurance was effected. The ship's bottom shall be inspected at least every fifteen months.

2. The ship must have on board a sufficient supply of fuel for the intended voyage, duly considering that on account of weather conditions the voyage may last longer than is normally estimated. The Insurer is not liable for colts caused by negligence in this respect.

3. Inflammable, explosive, corrosive or otherwise dangerous goods must not be taken on board unless expressly permitted by the Insurer. Loading and stowage of such goods must be done in a safe manner with regard to the regulations, which may have been issued by supervisory authorities or may have been given by the Insurer.

Deck cargo must be carried only in such a quantity and stowed in such a manner that the ship is fully seaworthy in all respects.

Cargo having a tendency to shift must not be carried in bulk unless fully satisfactory arrangements have been made in order to prevent shifting.

4. The Insurer is entitled to check, at any time during the period of insurance, by a survey of his own that the requirements and provisions set out under subsects. 1 and 3 are complied with.

5. In cases of increase of the risk the Insurer is entitled to give such safety directions as are conducive to averting or minimizing a damage that may arise in consequence of the increase of the risk.

6. Where directions, the observance of which would be conducive to averting or minimizing damage, are disregarded by the Assured, the Insurer is liable only if and to such extent as it can be assumed that the damage would have occurred even if the directions had been followed: Where it appears from the circumstances that such nonobservance cannot be charged against the person whose duty it was to ensure that the directions were followed the non-observance has no effect upon the Insurer's liability.

Premiums

§ 13 - Premium

1. The premium shall be paid quarterly in Premium advance.
2. Where there is a delay in the payment of the premium, the Insurer is exempted from liability. If the Assured fails to pay the premium for a subsequent period at the proper time, the Insurer's liability does not cease, however, until expiry of one week after notice has been given by the Insurer to the Assured reminding him of the day for payment of the premium.
3. Where the insurance terminates prematurely, the Insurer is entitled to such part of the premium as corresponds to the expired part of the insurance period. Any exceeding part of the premium shall be refunded.
4. Where the insurance is prolonged after termination of the insurance period according to § 4:1, the Insurer is entitled to premium for the prolonged time, calculated pro rata parte of the annual premium.
5. Where there is an increase of the risk during the insurance period for which the Insurer accepts responsibility, he is entitled to an additional premium.
6. Where the Insurer settles a claim for total loss or pays the amount insured in accordance with § 7:3, he is entitled to the whole premium agreed.

§ 14 - Reduction of premium

1. Reduction of the premium can be obtained for the period the ship is detained or laid up in a port or at a place accepted by the Insurer. Reduction of the premium is not granted for less than 20 consecutive days. The time is calculated from 00.00 h. the day after the ship's arrival to 24.00 h. the day before the ship's departure.

Reduction of the premium is not granted if compensation for total loss is paid.

2. Reduction of the premium by 90 per cent is allowed when the ship is laid up without cargo on board and in other cases by 50 per cent of the annual premium, calculated pro rata parte on the time of detention or laying up.

The reduction of the premium must not, however, result in the annual premium retained by the Insurer being less than 0.25 per cent of the amount insured.

3. Request for reduction of premium shall be made in writing to the Insurer. Reduction of premium is credited at the termination of the insurance period.

§ 15 - Certificate of insurance

The Insurer shall issue a certificate of the effected insurance contract. The contract is held to be approved unless objections against the contents of the certificate were made without undue delay.

Increase of risk and reasons for cancellation***§ 16 - Deviation beyond trading limits***

Where the Master, with the consent of the Assured, deviates from the trading area stated in the insurance contract or which must be considered as anticipated, the Insurer's liability ceases. The same applies where the Assured has not given the Master proper instructions concerning said trading area.

The first paragraph does not apply when the deviation takes place on account of a casualty covered by the insurance, or for the purpose of preventing personal injury or damage to property under such circumstances that the measures can be considered justifiable. If the ship does not return as soon as possible to the agreed trading area, the Insurer is exempted from liability for damage that arises in such case.

Where the Insurer's liability has ceased on account of the stipulations in the first or second paragraph but the ship returns to the agreed trading area or proper route, the Insurer is liable for a casualty occurring thereafter but only to such extent as the deviation has been without importance for the casualty or for the extent of the damage.

§ 17 - Increase of risk agreed to by the Assured

Where through the action of the Assured or with agreed to by his consent, the prerequisites of the insurance contract are altered in such a manner that the Insurer's risk is increased in excess of what the Insurer must have taken into account when effecting the insurance, he is exempted from liability if it can be assumed that on such altered basis he would not have accepted the insurance at all.

Where it can be assumed that the Insurer might have accepted the insurance but would have required a higher premium or stipulated other conditions than those included in the insurance contract, the Insurer shall be liable for a casualty, only if it is proved that the Increase of the risk was without importance for the casualty or for the extent of the damage.

§ 18 - Increase of risk not agreed by the Assured

Where, without the Assured's action or consent, not agreed to such circumstances arise that the risk is increased as mentioned in § 17 and the Assured without reasonable cause has omitted to inform the Insurer thereof, the stipulations in § 17 shall apply.

§ 19 - Demand for exemption from liability when the risk is increased

Where the Insurer becomes aware that the risk has increased, he must inform the Assured without undue delay if and to what extent he wishes to be exempted from liability. Where this is not done he cannot later demand such exemption.

§ 20 - Increase of risk not affecting the Insurer's liability

An increase of the risk does not affect the Insurer's liability where the circumstances that have been altered have been restored or where the increase of the risk has otherwise ceased to be of importance.

The same applies where the action causing the increase was intended to prevent personal injury or damage to property and was taken under such circumstances that the action must be considered justifiable.

§ 21 - Effect of willful misconduct or negligence

The Insurer is not liable for damage caused by the Assured willfully or by gross negligence. Willful misconduct or negligence by the Master, a member of the crew, other person in the ship's service or other part-owner of the ship than the managing Owner cannot, however, be pleaded by the Insurer for exemption from or reduction in liability.

§ 22 - Unseaworthiness

The Insurer is not liable for loss that is a consequence of the ship not having been in a seaworthy condition provided the Assured was or ought to have been aware of the ship's defects at such a time that it would have been possible for him to intervene.

The burden of proof is on the Assured that he neither was nor ought to have been aware of the defects. If the ship springs a leak whilst afloat, he has the further burden of proving that the loss was not attributable to unseaworthiness.

§ 23 - Reasons for cancellation

The Insurer may cancel the insurance

1. immediately:

- a) where the Assured has willfully caused or tried to cause a casualty or by gross negligence has caused a casualty;
- b) where the ship turns out to be of such a weak or unsuitable construction that she cannot be considered seaworthy for such voyages or for carrying such cargoes for which she is employed;
- c) where the ship has become unseaworthy in consequence of a casualty or otherwise and the Assured does not undertake to restore her to a seaworthy condition without undue delay;
- d) where the ship is requisitioned by government authorities;
- e) where the ship is being used for illegal imports or exports or other illegal purposes and the Assured was or ought to have been aware of the circumstances at such a time that it would have been possible for him to intervene;
- f) where the ship with regard to her type, size, or draught and the season of the year and other circumstances of importance is being employed, in a manner that must be considered to involve a risk different from that which could have been anticipated when the insurance was effected.

2. after 7 days:

- a) where the Assured has not paid the premium without delay and has not brought the insurance into force through a later payment of the premium;

b) where a safety regulation of major importance has been disregarded willfully or by gross negligence by the Assured or by any person responsible for the compliance of said regulation on his behalf and where it can be presumed that given regulations will be disregarded also in the future;

c) where the Assured has omitted repeatedly to give the Insurer such notification about voyages outside the trading limits as stipulated in § 9 and such circumstances are not at hand that the deviation can be considered justifiable according to § 16;

d) where, in cases as stipulated in § 16, the ship when the insurance again attaches is in a substantially inferior condition than at the time of the suspension of the insurance.

3. after 14 days:

a) where the Assured on effecting the insurance has given incorrect information about circumstances of importance to the Insurer which the Assured did not realize or ought not to have realized to be incorrect. The Insurer shall give notice of cancellation without undue delay when he has become aware of the incorrect information;

b) where in another manner than stated above in this section, the Insurer's risk is increased through an act of the Assured or with his consent in excess of what must have been presumed by the Insurer when effecting the insurance contract.

Where notice of cancellation has been given for reasons other than non-payment of premium and should the insurance cease while the ship is at sea, the insurance, however, remains in force until the ship has anchored or moored in customary manner in the first port and during her stay there on the day of arrival.

Damages and adjusting of claims

§ 24 - Measures to be taken in case of casualty

1. Where a casualty is apprehended or has occurred the Assured must as promptly as possible inform the Insurer thereof and at the same time to the best of his ability undertake such measures as the circumstances call for in order to avert and minimize any damage and to protect the rights of the Insurer.

It is the duty of the Assured to comply as far as possible with any directions given by the Insurer on account of the casualty.

2. The Assured must as soon as possible notify the Insurer if a third party makes a claim for damages that may result in liability for the Insurer. Where the Assured agrees to such a claim without the Insurer's consent, the Assured is entitled to remuneration only to such extent as the claim was legally founded and the amount was reasonable.

3. The Assured must instruct the Master to notify him as soon as possible of any casualty which has or might have occurred and further, in case of urgency, to inform the Insurer or the Insurer's nearest agent direct and in the quickest way.

The Insurer may give the Assured or, in case of urgency, the Master instructions how to proceed in case of average. The Assured and the Master must carefully follow the instructions of the Insurer but, pending receipt of instructions, they have themselves to take such steps as required by the circumstances in order to save or preserve the ship, to prevent further damage and to protect the rights of the Insurer.

4. Where the Assured either willfully or by gross negligence disregards his above-mentioned duties and it can be assumed that this has been to the detriment of the Insurer, the latter is entitled to a reasonable proportionate reduction of the amount of compensation that otherwise would have been payable or to full exemption from liability.

5. Where the ship has sustained damage that can be assumed to be covered by the insurance, the damage must be surveyed as soon as possible in such a manner as the Insurer may direct. Where circumstances do not permit such directions being obtained, the Master must, if the damage is of importance, arrange official survey or otherwise have the damage surveyed in a customary manner. At the survey shall as far as possible the cause of the damage be ascertained and also the time of its occurrence, its extent and the most suitable method of repairs and the cost thereof.

Damage caused to the ship by a third party shall, if possible, be surveyed jointly with a representative for him. The same applies to damage which the insured ship has caused to a third party.

§ 25 - General Average Disbursements

The Assured must, as soon as possible, inform the Insurer of expenses or liabilities incurred during a voyage in respect of ship, freight and cargo that can be assumed to be allowable in general average. He must also give the Insurer such other information as is required to enable the latter to arrange customary insurance of average disbursements. Concerning consequences of omissions in these respects, see § 24:4. Where the Insurer, despite having received the necessary information, has omitted to arrange insurance as mentioned in the first paragraph, and should the Assured as a consequence thereof become liable for damages to other parties concerned in the average, the Insurer must indemnify the Assured.

§ 26- Total Loss

There is a total loss:

1. where the ship is an actual total loss;
2. a) where the ship is missing and three months have elapsed since the day on which at the latest she was expected in port;
- b) where the ship has been abandoned by the crew in the open sea and has not been recovered within three months thereafter; if the ship has been observed after the abandonment the time is calculated from the day on which she was last seen;
3. where the ship has sustained an average and cannot be salvaged;
4. where the ship is destroyed with regard to her intrinsic nature and cannot be repaired;
5. where the Assured has been deprived of the ship by arrest, owing to a third party claim or by similar action on account of a casualty for which the Insurer is responsible and a final decision that the ship is to be released has not been taken within six months from the day of the action;

6. where compensation as for total loss can be claimed according to § 28.

Where in the cases mentioned under 2 and 5 above it is manifest already before the expiry of the time limit stated therein that the Assured will not recover the ship, he is entitled to an immediate recovery as for a total loss. If the said period has expired and a claim for total loss has been lodged, the Insurer may not repudiate the claim by pleading that the ship has been recovered or released at a later date.

§ 27 - Total Loss (unsalved ship)

Where the ship has met with a casualty and, without this being attributable to the Assured, has not been salvaged within six months from the day when the Insurer was informed about the casualty or where attempts to salvage her have been previously abandoned, a case of total loss shall be considered to exist. Where ice conditions have prevented the salvage operation, the time limit is extended correspondingly, but at the most to twelve months.

The Insurer is entitled to attempt to salvage the ship at his own expense and responsibility. The Assured must in such a case do what may depend on him to enable the Insurer to effect the salvage.

§ 28 - Constructive Total Loss

1. The Assured is entitled to recover as for total loss (constructive total loss), when the ship has so extensive damages due to average that the repair costs amount to at least 80 per cent of the agreed insured value of the ship.

When deciding whether the Assured is entitled to recover for constructive total loss, also such unrepaired average damages are to be taken into consideration, as have occurred and have been reported to the Insurers concerned and surveyed by them in the course of the last three years prior to the casualty giving rise to the request for recovery.

In the cost of repairs are included all costs of removal to the place of repairs with the exception of salvage remuneration.

2. The right to claim constructive total loss must be established by such survey as mentioned in § 24:5. and by invitation of tenders.

3. Where it is shown in the survey report that the ship has sustained so extensive damages that she cannot be repaired or is not worth repairing, i.e. has been condemned, the Insurer is, nevertheless entitled to decide that the ship shall be removed to such a place where, in his opinion, tenders for repairs are obtainable, by which a constructive total loss may be avoided. If such a tender is obtained, the survey is not binding on the Insurer. The costs of removal shall in such a case be payable by the Insurer and is not included in the cost of repairs.

Where damages are sustained during the removal, these are to be included in the damages caused by the casualty.

Where the removal has not commenced within the time stipulated in § 27, the condemnation remains valid.

§ 29 - Compensation for total loss

1. Where the Assured is entitled to recover for an actual or constructive total loss, the compensation to be paid is the amount insured. No deduction is made for unrepaired damages due to previous casualties.

Where the Insurer pays compensation for total loss, he is subrogated to the Assured's right to the ship with the limitation stated in § 7:3. Where the Insurer does not want to take over the ship, he is not entitled to deduct the remaining value of the ship from the amount to be paid.

2. In spite of the Assured being entitled to recover for constructive total loss, he is instead free to claim compensation according to the stipulations for partial loss. However, in such a case the Insurer's liability is limited to the amount insured less the remaining value of the ship.

§ 30 - Time, place and methods of repairs

1. Before the Assured arranges for repairs of damage for which the Insurer is liable, he must, whenever possible, consult the Insurer with regard to time and place of the repairs and the methods to be applied.
2. The Insurer may request tenders to be invited from those shipyards that he considers suitable. Where the invitation to tender results in a loss of time exceeding 10 days, calculated from the despatch of the invitation to the acceptance of the tender, the Insurer compensates the loss of time with 20 per cent per annum on the insured value for the additional time. When comparing the tenders, the costs of removal, if any, shall be added to the amounts of the tenders. The Insurer is entitled to limit his liability to the lowest tender received together with costs of removal, if any, with addition of 20 per cent per annum on the insured value for the time the Assured saves by accepting another tender. Where the Assured has justifiable reasons for objecting to the repairs being carried out at one of the tendering yards, he may demand that this yard's tender be disregarded.
3. Where complete repairs of the damage would involve unreasonable costs and the ship can be put into a fully seaworthy condition and retain her class by less extensive repairs or by the use of other material than of the original kind, the Insurer's liability is limited to the costs of such repairs. Where repairs in the said manner result in a reduction of the ship's value, the Insurer is liable therefore. The cost of renewal of steel and other metal parts of the hull or of propeller is compensated only if the articles involved cannot be faired, welded, joined or otherwise be repaired more cheaply or if renewal is required by classification or supervising authorities.
4. Where repairs of a damage are carried out in a more elaborate manner or with more expensive materials than required for restoring the ship to the same condition as prior to the casualty, the repair costs are to be compensated by the Insurer only after a reasonable deduction for the increase in costs caused thereby.
5. Where the repairs are deferred without the Insurer's consent, he is not liable for any increase in the repair costs that may arise therefrom.
6. Where the Assured, in order to limit his loss of time, expedites the repairs by incurring overtime or by other extraordinary measures, which increase the repair costs, the Insurer's liability for the costs incurred thereby is limited to 20 per cent per annum on the insured value for the time saved to the Assured.

§ 31 - Temporary repairs

The Insurer compensates without deductions the cost of temporary repairs of recoverable damages if permanent repairs cannot at all or cannot without substantially increased cost be effected at the place where the ship is lying and if the temporary repairs are required for the removal of the ship. In other cases the cost of temporary repairs is compensated only to such extent as other costs are thereby saved to the Insurer.

§ 32 - Removal of ship

With the limitation following from § 30:2, the Insurer is liable for the cost of the ship's removal to repair yard including crew's wages and maintenance, as well as fuel, engine stores and similar direct expenses of running the ship.

§ 33 - Division of general repair costs

Where expenses have been incurred which are common to repair work for which the Insurer is liable and to work which is not covered by the insurance, these expenses are to be divided on a reasonable proportionate basis with due regard to the cost of each class of work. However, general expenses depending on the length of the repair time are to be divided on the basis of the time required if the two classes of work had been carried out separately.

§ 34 Unrepaired damages

Compensation for unrepaired damages shall not be payable, unless the Insurer has agreed that repairs are not to be effected or unless the Assured proves that at the sale of the ship he has suffered a loss on account of the damage. Thus compensation for unrepaired damage is not payable, if the ship is sold for breaking up or for other purpose, for which the damage is of no consequence.

§ 35 - Unknown damage

Where the ship at the commencement of the insurance period has an unknown damage or defect due to a casualty, such damage or defect is, in so far as it has given rise to a new casualty during the insurance period, to be considered as having occurred at the new casualty or at the earlier date at which the damage or the defect became known.

The Insurer is not liable for a casualty, which the ship sustains after termination of the insurance period as a consequence of a damage or a defect to the ship, which existed at the termination of the insurance period but was then unknown.

§ 36 - Ice damage deduction

Damage caused by ice is recoverable subject to a deduction of 25 per cent. Where the damage has caused total loss of the ship or is allowable as general average or is due to covering with ice or to collision with iceberg in the open sea, it is nevertheless made good without such deduction.

Damage to a ship that has passed through or been lying in ice is to be considered as ice damage unless the Assured proves that the damage has arisen from some other cause than ice or it is obvious that it could not have been caused by ice.

§ 37 - Machinery damage deduction

Particular average damage to the machinery is recoverable subject to a deduction of 25 per cent. No deduction, however, is made where the damage is a consequence of :

- a) the ship having struck a fixed or floating object;
- b) the engine room having been completely or partially flooded;
- c) fire or explosion having originated outside the engine room.

Damage that has not been discovered in the course of the first three months of the ship's trading after the casualty and thereafter has been reported to the Insurer without undue delay, shall be recoverable subject to deduction.

§ 38 - Non-cumulation

Where ice and machinery damage deductions of deductions according to §§ 36 and 37 are applicable on one and the same casualty, only that deduction should be applied which constitutes the larger of the amounts. The remainder of the damage is reduced by the deductible according to § 40.

§ 39 - Compensation without deduction

Recoverable without ice or machinery damage deduction are:

- a) temporary repairs;
- b) such less extensive repairs as mentioned in § 30:3;
- c) damage to such unused spare parts for the machinery and hull as well as equipment that are stored on board;
- d) loss of time in connection with invitation of tenders and removal of the ship as stated in § 30:2 and § 32.

§ 40 - Deductibles

1. For each casualty an amount equivalent to 2.5 per cent of the annual gross premium for the whole agreed value of the skip shall be deducted from the compensation for particular average damage to the ship.

Damages due to heavy weather and sustained during the period between departure from one port and arrival at the next port shall be considered as one casualty.

Costs in connection with ascertaining the damage and settling the claims as well as damage through measures to avert or minimize the loss according to § 6 are allowed without deductibles.

2. From remuneration payable to a third party an amount equivalent to 1.25 per cent of the annual gross premium for the whole agreed value of the ship shall be deducted.

3. Where the ship is insured with several Insurers, the deductibles stipulated in subsects. 1 and 2 are calculated on the rate of premium charged by the leading Insurer.

§ 41 - Claims. Burden of proof

When the Assured claims compensation on account of a casualty, he must prove that the damage is allowable and also prove its extent.

It is the duty of the Assured to provide the Insurer as soon as possible with all documents and information which may be of importance for ascertaining the Insurer's liability and which can reasonably be obtained.

§ 42 - Time bar of claims

At the risk of losing his rights, an Assured, who intends to claim compensation, must notify the Insurer of his claim in writing within six months after becoming aware that there is a claim for compensation. All rights to compensation become void after ten years from the date when the claim arose, whether or not the Assured had by then become aware of his claim.

Where the Insurer has requested the Assured in writing to submit his claim to an Average Adjuster for decision within a certain time not less than six months from receipt of the request, and the Assured has not complied with the request, he loses all rights to compensation.

§ 43 - Payments on account and allowance of interest

1. The Insurer is entitled to make a payment on account to the Assured up to the full amount of his estimated liability.

The Assured must as soon as possible inform the Insurer about the approximate amount of impending large average expenses and further supply him with necessary information for the calculation of an advance payment.

When the Assured has informed the Insurer as to when and with what amount a certain large average expense is due for payment and when also the amount of the Insurer's minimum liability has been established, the Assured is entitled to receive a reasonable advance payment of the estimated compensation within fourteen days thereafter, but not until the expense is due for payment.

Where either of the parties so demands, the calculation of the payment on account shall be effected by a Swedish Average Adjuster.

2. Interest is calculated at the Sveriges Riksbank's discount rate for three months' trade bills in force at the time of the payment with an addition of 1.5 per cent p. a. This interest is due on the Assured's recoverable average disbursements less deductions for machinery and ice damage as well as the deductible. Same interest is also due on the payments on account made by the Insurer on the estimated allowance. Interest is calculated from the day of payment until the claim is settled.

3. Where compensation for a total loss is payable, the Assured is entitled to interest as stipulated in subsect. 2, from six weeks after the day of the casualty until compensation is paid.

4. Should more than one year elapse from the date of payment of the average accounts until they are submitted to the Insurer or the Average Adjuster, no interest is payable to the Assured for the time in excess of one year, unless the Assured proves that the delay was caused by circumstances beyond his control.

5. Where the Insurer has availed himself of his right to save a ship in distress or to remove a condemned ship to another place of repair, but compensation for total loss will ultimately be paid, the Assured is entitled to interest thereon at the rate stated in subsect. 2 from the date on which compensation for total loss should have been paid, had the Insurer not availed himself of this right.

§ 44 - Payment of compensation

1. When the Insurer has received the required documents and information he must submit his calculation of compensation to the Assured within fourteen days if the compensation is for total loss, and otherwise within three months thereafter. If the Insurer and the Assured agree on the compensation, same shall be payable within one month thereafter, otherwise subsect. 2 will apply.

2. Where either party so desires, the compensation shall be determined by a Swedish Average Adjuster to whom the required documents and informations must be submitted as soon as possible. The compensation is in such cases payable within fourteen days after the average statement has acquired legal force, or, if appealed against, within one month after the court's judgment has acquired legal force.

§ 45 - Mortgage on ships

Where the insured ship is mortgaged to a third party, the insurance is valid also for the benefit of the Mortgagee but does not in relation to the Insurer provide more extensive rights for the Mortgagee than for the Assured.

Provided that written notice of the mortgage has been given to the Insurer, the following rules apply:

- a) The Insurer must not without consent of the Mortgagee pay to the Assured such proportion of compensation for actual or constructive total loss as is required to cover the debt in respect of which the mortgage has been provided. If required by the Mortgagee, the same applies to average compensation exceeding 10 per cent of the whole agreed value of the ship, provided the compensation has not been used for repairing damage to the ship, or for payment of such average expenses as would otherwise reduce the value of the mortgage.
- b) The Insurer must not without the consent of the Mortgagee agree to cancel the insurance or to alter the conditions in such a manner that the insurance cover is substantially reduced.
- c) Where the Insurer gives notice of cancellation, he must at the same time notify the Mortgagee.

§ 46 - Dispute regarding liability

Where a dispute about the liability incumbent upon the Insurer according to the insurance contract has been submitted to an Average Adjuster for decision, the cost of the average adjustment is payable by the Insurer, provided the Assured's claim is not obviously without foundation.

§ 47 - The Insurer's first-hand liability and legal actions against third party

1. Even though compensation for loss is claimable from a third party by way of damages or by way of contribution in general average, the Assured is entitled, provided he has undertaken all measures necessary for the preservation of the rights against third parties or for the defence against claims by third parties, to receive from the Insurer such compensation as is payable according to the contract of insurance.
2. Where the Insurer so requires, the Assured has to take legal action in his own name, but on behalf of and at the expense of the Insurer in cases concerning claims for damages arising out of the casualty.
3. Where the Assured at the request of or with the consent of the Insurer takes steps against third parties for recovery of damages for which the Insurer is liable, the latter shall make good the expenses arising therefrom. Where such steps also concern losses for which the Insurer is not liable, he has only to make good such expenses as are caused by the action in respect of the Tosses for which he is liable. Where the Assured takes steps as stated above without the Insurer's consent, the Insurer is liable for expenses arising therefrom only to such extent as the steps have benefited the Insurer.
4. Where the Assured at the request of or with the consent of the Insurer has instituted proceedings against third parties, he cannot refuse to accept such amicable settlement of the case as is satisfactory to the Insurer, provided the Assured is not placed in a worse position than if compensation was paid according to the insurance conditions. Where the Assured refuses to accept such an amicable settlement, the Insurer compensates neither the reduction of the remuneration from the third party nor the extra expenses arising from the refusal.

§ 48 - Provision of security for salvage or damages

Where a third party has made a claim for salvage or damages against the Assured and security has to be provided in order to prevent arrest or to secure release of the ship, the Insurer is liable to provide such security, but only to such extent as the claim can be assumed to come within his liability.

Where the ship has been arrested, the Insurer is not liable for loss arising therefrom, unless the loss is caused by the Insurer's neglect in fulfilling his obligations according to the first paragraph.

§ 49 - Right of recourse

Where the Insurer pays compensation to the Assured, he is subrogated to the Assured's rights against third parties to such extent as he indemnifies the Assured.

Where the Insurer recovers from third parties a net amount in excess of the compensation paid by him to the Assured with addition of interest, the Assured is entitled to the excess.

Where the Assured by agreement which cannot be considered as customary in the particular case has relinquished wholly or partly his rights against third parties, the Insurer is exempted from liability to a corresponding extent.

§ 50 - Insurance documents to be available on board

The Assured shall see to it that the insurance conditions as well as instructions and directions issued by the Insurer are available on board and also request the Master to follow carefully instructions and directions given.

Amendment of Art. 6 d) of General Swedish Hull Insurance Conditions of 1966.

Clause in force from January 1st, 1968.

The Insurer's liability for third party damages according to § G d) as compared with § 8 subsect. 3 a) is limited as follows.

The Insurer is liable for damage caused by pollution, fire in or explosion of oil, gas or similar liquid or volatile substances only in so far as the damage has been caused to a ship with which the insured ship has been in direct contact, or to equipment or cargo of such a ship.

Amendment of Art. 7, subsection 4 of General Swedish Hull Insurance Conditions of 1966

Clause in force from July 1st, 1967.

The limitation of the Insurer's liability for remuneration to a third party for damage to property as stipulated in § 7 subsect. 4 of the General Swedish Hull Insurance Conditions of 1966 shall also apply to expense or sacrifice incurred in order to avert or minimize such damage.

The Insurer's liability for damage together with expense or sacrifice is accordingly limited to the amount insured and the stipulation in § 7 subsect. 2 a) of the said Conditions does not entitle the Assured to compensation for any exceeding amount.

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