

# GENERAL SWEDISH HULL INSURANCE CONDITIONS OF 1987

amended as from December 1 st 1994

Recommended by The Swedish Association of Marine Underwriters, The Swedish Club and The Swedish Shipowners' Association.

Nothing shall prevent the Insurer and the Insured from reaching agreement on other terms.

## The scope of the insurance

### § 1

The insurance comprises the ship as well as spare parts on board. The insurance also comprises such equipment and spare parts on board the ship which belong to the Assured or which the Assured has borrowed, leased or bought under reservation of title.

Parts of the ship, her equipment and spare parts are comprised by the insurance also during the period when these objects have been temporarily removed from the ship on account of loading, discharging, repairs or reconstruction provided that the objects are to be put on board again before sailing. The insurance also comprises parts of the ship, her equipment and spare parts which are removed from the ship for repairs on account of a casualty provided that the objects are put back on board the ship within a reasonable time.

The insurance, however, does not comprise fuel, provisions or equipment intended for consumption. The same applies to loose shifting boards, extra dunnage, timber and other material intended for shoring, supporting, lashing or separation of cargo.

### § 2

The insured value stated in the insurance contract 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 in such an event the market value of the ship immediately before the casualty did occur, is applied as the insured value.

### § 3

The 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 said times.

### § 4

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 a customary manner. Such prolongation of the insurance is only valid for maximum 14 days. However, if before the expiry of the said period the ship should leave the port or be shifted for departure, the insurance 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, 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 in the above-mentioned case.

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

Where the ship or the majority of the proprietary rights to the ship and/or the shipping company is transferred to another owner or where the existing title is changed so that the determining influence as proprietor is transferred to another subject than the former owner and if the Insurer has not expressly permitted that the insurance be transferred to the new owner, the insurance terminates when the ownership is transferred or when the proprietary rights are changed.

## § 6

Subject to 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, contribution to disbursements as per chapter 17, section 6 Of the Swedish Maritime Code or equivalent legal provision as well as non-payment of contribution in General Average from the cargo interests or any other interested party liable for such a contribution **with regard to damage to the ship** recoverable in the General Average according to adjustment which has been duly drawn up and which has acquired legal force or has been approved by the Insurer, non-payment of contribution from such a party is only reimbursed if the Assured has taken out an average bond and the refusal of the party to pay is due to breach of the contract of affreightment; 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 in substitution for such disbursements; -damage to the ship is compensated according to the provisions about particular damage if these are more advantageous to the Assured;
- d) such damages as the Assured is liable to pay to a third party according to applicable principles governing the law of torts for damage inflicted to property by the ship through direct contact with some other ship or object; and also such damages as the Assured is liable to pay in accordance with contract of towage for damage inflicted to tugboat through direct contact with the ship; where the vessel insured collides with a vessel or an object belonging to the same owner, this circumstance shall not affect the Insurer's liability;
- e) all other perils to which the ship is 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 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 the said damage shall be made good except salvage and adjustment charges. The costs of salving anchor, lifeboat or other equipment of the ship are reimbursed subject to agreed deductible.

Where the vessel insured renders or receives salvage services or other assistance and the assisting/assisted vessel is belonging to the same owner as the vessel insured, this circumstance shall not affect the Insurer's liability.

## § 7

1. For loss other 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;
  - c) reasonable expense, incurred in order to provide security for salvage charge; or for damages;
  - d) reasonable cost of average adjustment;
  - e) interest on the allowed claim in accordance with what is stipulated in § 43 below.
3. The Insurer is entitled to exempt himself, in the case of a casualty, 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 subjects. 1 and 2 above. In the cases provided for in these subsections the Insurer has no right to what may remain of the ship.
4. In addition to what is stipulated above, the insurer is liable, on any one casualty properly payable, for third party damages, including expenses incurred in defending claims by such third party up to the amount insured.

## § 8

1. The insurer is not liable for.

a) loss or damage caused by normal use of the ship, her machinery or equipment

b) damage to part or unit as a consequence of wear and tear, age, corrosion, pitting or insufficient maintenance and care;

2. faulty material. However, such damage is compensated when the part or unit in question has been approved by the classification society;

faulty construction. However, such damage is compensated when the part or unit in question has been approved by the classification society and the damage consists of the fracturing or cracking of a boiler or a part of the main engine which is not attributable to wear and tear, corrosion, pitting or insufficient maintenance and care.

2. The insurer is not liable for loss or damage caused by :

a) the ship being used for unlawful purposes except where the Assured was neither aware of, nor ought to have been aware of, that fact at such a time that it would have been possible for him to intervene;

b) war, civil war or similar contingencies covered by the Swedish war risk insurance conditions in force at the time when the insurance was effected;

c) embargo, seizure, confiscation or other measure by civil or military authorities, except for cases that the ship, following a casualty for which the insurer is liable, suffers physical damage through acts by military or civil authorities acting with the aim of preventing or mitigating damage to the environment, provided such acts have not resulted from the assured's intentional or negligent omission to take reasonable measures to prevent or mitigate such damage to the environment and that the event is not covered by current Swedish war risk insurance conditions;

d) requisition by civil or military authorities; nor for damage sustained by the ship while under requisition;

e) Strikes, lockouts, riots, civil commotions, sabotage, plundering or mutiny.

The Insurer is neither liable for

f) damage or liability, directly or indirectly caused by, contributed to by or arising from

1) release of nuclear energy, fission or fusion in connection with explosion or test explosion of nuclear weapons or nuclear charge.

If contamination by means of radioactive material has taken place or if other direct influence of such an explosion has contributed to the damage, the damage in its entirety shall be considered as caused by the explosion;

2) other nuclear damage, which means damage caused by

i) radioactive properties of nuclear fuel;

ii) radioactive products;

iii) radioactive properties in combination with toxic, explosive or other hazardous properties of the fuel or the product, and/or

iv) damage caused by ionising radiations from other source of radiation in a nuclear installation or atomic reactor than nuclear fuel or radioactive product.

The terms nuclear fuel, radioactive product, atomic reactor and nuclear installation shall be defined as per the Swedish Nuclear Liability Act (1968:45).

§ 8.2, f) shall be paramount and shall override anything contained in this insurance inconsistent therewith.

3. The Insurer is not liable for.

a) such third party damages or for such expenses as the Assured has to pay for

1) damage caused by chemicals, oil, gas, steam or similar solid, fluid or volatile substances or for the laying out of booms or for other preventive actions taken in order to prevent such damage, whether constituting General Average or assumed General Average or not. The Insurer has nevertheless to pay expenses incurred in order to prevent damage caused by leakage from the vessel in drydock in connection with survey or repairs of an average damage and expenses for internal cleaning of the drydock after such leakage;

2) damage caused by wash or otherwise by the manoeuvring of the ship, by the use of her anchors, mooring or tow ropes, loading and discharging devices, gangways etc. or by the ship's cargo, unless constituting General Average or assumed General Average;

b) personal injury or for damage to the ship's own cargo or such objects or installations on board which do not belong to the Assured or which the Assured has borrowed, stowed, hired or purchased under a hire-purchase agreement;

c) damages to third party caused by the insured ship towing another ship unless the

towage was occasioned by salvage under such circumstances that it must be held justifiable 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) costs for passengers.

5. The Insurer is not liable for

- a) wages and maintenance of raw and similar expenses connected with the running of the ship, 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 costs for superintendent or other representative for the Assured 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. The Insurer is not liable for :

- a) costs of bottom painting with toxic paint if more than 6 months have elapsed since the ship undocked after painting until the day when she is again drydocked for bottom painting;

When the ship's bottom has sustained damage attributable to a recoverable casualty, the costs of bottom painting the damaged parts with toxic paint, able to withstand contact with open-air for more than 24 hours, is compensated according to the following :

if the painting, calculated from the latest painting of the damaged part, is made:

- during the first year full compensation
- during the second year 2/3 compensation
- during the third year 1/3 compensation
- during subsequent year nil compensation

b) damage to articles used for mooring, towing etc. and to tarpaulins unless the damage 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 force ;

f) damage to cylinder liner, unless the liner is cracked;

g) loss in consequence of bunkers, lubricating oil or boiler water becoming contaminated, or which do not meet the prescribed quality requirements. unless such measures have been undertaken which with regard to the circumstances may be required to avoid, prevent or reduce the damage;

h) damage to or loss of cargo moving vehicles, unless sustained in connection with or as a consequence of a casualty to the ship or due to the ship encountering heavy weather, nor is the insurer liable to third party for damage caused by such vehicles in use;

i) costs of handling, transportation and destruction of cargo in connection with repairs of the ship after a casualty (particular average).

## § 9

1. The insurance is effective while the ship is trading within the limits mentioned in the insurance contract with the exception of voyages to or from-

a) Arctic waters north of 72° N. Lat. and east of 45° E. Long. including Jan Mayen. Subject to agreement in each special case the insurance may be extended to be in force during voyages to and from Petchora during the period July 1st-September 30th.

b) 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. Against payment of an additional premium the insurance is in force for ships leaving Archangel during the period November 1st-15th

c) Greenland waters unless the Insurer has in advance taken upon himself to accept the risk for the voyage against payment of an additional premium.

d) Northeast American waters north of 52° 10' N. Lat Against payment of an additional premium the insurance is in force during voyages to and from the east coast of Labrador

during such period of time as allowed by the insurer This applies also to voyages to and from Port Churchill, provided that passage of Cape Chidley inward bound takes place after August 9th and departure from Port Churchill takes place prior to October 16th.

e) 1. **The Gulf of St Lawrence and Newfoundland 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 21st-March 31st.** The insurance is, however, in force during the said period of time against payment of an additional premium,

2. **St. Lawrence River within an area west of Baie Comeau/Matane but not west of Montreal during the period December 1st-April 30th.** The insurance is, however, in force during the said period of time against payment of an additional premium.

f) **The Great Lakes and St. Lawrence Seaway west of Montreal.** Against payment of an additional premium the insurance is in force during the period of time during which trading is permitted by the Canal Authorities.

g) **Northwest American waters north of the Aleutian islands.**

h) **East Asiatic waters north of 46°N. Lat.**

i) **Waters south of 50° S. Lat., Kerguelen, Crozet Island and Prince Edward's Island, however, voyages to or from ports in Argentine, Chile or the Falkland Islands are permitted as well as passage around Cape Horn.**

Against payment of an additional premium the insurance is in force during voyages to and from **South Georgia during the period October 15th-June 30th and for the South Shetland islands during the period November 1st-April 30th.**

2. The insurance is in force during voyages to or from the Baltic with adjoining waters east of the line **Hanstholm/ Lindesnes during the period December 1st-May 31st, only if notice of the voyage is given without delay and against payment of required additional premium for ice and navigation ; risks**

### **Duty of disclosure**

#### **§ 10**

1. When the insurance is effected the Assured shall give the insurer all information about the

ship that he may require, or which the Assured realizes to be of importance for the insurer when considering the risk.

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 that 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.

3. Where, at the conclusion of the contract, the Assured has dishonestly presented 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 presented or omitted do disclose any fact under such circumstances that it would be contrary to honour and good faith with knowledge of this condition to invoke the contract, the contract is not binding on the Insurer, who is nevertheless entitled to the whole premium agreed upon.

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.

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 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 referred to 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 for the extent of the damage.

Non-disclosure by the Assured in other cases than mentioned above does not affect the Insurer's 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.

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 circumstances 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

1. Where, after the insurance has been effected, the Assured becomes aware of such circumstances as provided for in § 10, he must without delay inform the insurer.

Where the ship is requisitioned by government authorities, the Assured must give notice thereof without delay.

The Assured must also without delay give notice of changes with regard to the ship's management.

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 undertakes a voyage, which 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 area, he shall inform the Insurer hereof without delay.

3- On receipt of notice, the Insurer must in cases provided for in § 9,1. and § 11,2. b) 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 damage sustained outside the permitted trading area.

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 outside the permitted trading area

#### Safety regulations

##### §12

1. The ship must be classed and with regard to equipment, outfit, maintenance, manning, 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 Assured shall at the request of the insurer separately send for the classification society for survey when such is deemed necessary with regard to the ship's safety.

Bunkers and lubricating oil must be of the minimum quality proscribed by the manufacturer.

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

3. Inflammable, explosive, corrosive or otherwise dangerous goods must be handled and carried in a safe manner with regard to applicable safety regulations for such cargo.

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 without fully satisfactory arrangements having 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 regulations set out under subsects. 1 and 3 are complied with. The Insurer is furthermore entitled at any time to access to all the ship's classification documents either from the Assured or directly from the Classification society. In the latter case the Assured must give approval to the classification society.

5. In cases of increase of the risk the insurer is entitled to issue such safety regulations as are conducive to averting or minimising a damage

that may arise in consequence of the increase of the risk.

6. Where regulations, 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 regulations had been complied with. Where it appears from the circumstances that such non observance cannot be charged against the person whose duty it was to ensure that the regulations were complied with, the non observance has no effect upon the Insurer's liability.

### **Premiums**

#### **§13**

1. The premium shall be paid quarterly in advance.

2. Where there is a delay in the payment of the premium, the insurer is entitled to cancel the contract to terminate after seven days.

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 the 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 time during which the ship has been insured. Any exceeding part of the premium shall be refunded. However, if the Insurer has incurred or will incur a payment in excess of double the annual premium he is entitled to be credited the entire annual premium.

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 part of the annual premium.

5. Where there is an increase of the risk during the insurance period for which the insurer accepts liability, 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 entire premium agreed.

#### **§ 14**

1. Reduction of the premium can be obtained for the time during which the ship, without undergoing repairs for which the insurer has to compensate the assured, is detained or laid up in a port or at a place accepted by the Insurer and thereby complies with the requirements made by same. Reduction of the premium is not granted for less than 20 consecutive days.

The time is calculated from 00.00h. the day after the ship's arrival to 24.00h. the day before the ship's departure.

Reduction of the premium is not granted if compensation for total loss is paid or if the Insurer has incurred or will incur a payment in excess of double the annual premium.

2, Reduction of the premium is allowed, unless otherwise agreed, under the circumstances provided for in 1. above, by 90 per cent if the ship is laid up without cargo on board and in other cases by 50 per cent of the annual net premium, calculated pro rata part on the time of detention or laying up. The reduction of the premium is, however, limited to the agreed minimal annual net premium, calculated pro rata part on the time of laying up.

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.

### **Certificate of Insurance**

#### **§15**

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 are made without undue delay.

### **Increase of risk and reasons for cancellation**

#### **§16**

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

Where, through the action of the Assured or with 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

Where, without the Assured's action or consent, 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

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

An increase of risk does not affect the insurer's liability where the circumstances that have been altered have been reinstated 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

The insurer is not liable for damage caused by the Assured intentionally or by gross negligence.

Intent 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 of liability.

#### § 22

The insurer is not liable for loss or damage which 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 rests with the Assured that he neither was nor ought to have been aware of the defects.

#### § 23

The insurer may cancel the insurance  
1-Immediately

a) where the Assured has intentionally caused or tried to cause a casualty or has caused a casualty by gross negligence;

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 other cause and the Assured omits to restore her within a reasonable time to a seaworthy condition:

where the ship is requisitioned by government authorities; 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



time that it would have been possible for him to intervene;  
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 in due time 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 intentionally 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 issued regulations will be disregarded also in the future;

c) where the Assured has omitted repeatedly to give the Insurer such notifications about voyages outside the trading limits as is 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 Conditions than at the time of the suspension of the insurance;

e) at transfer to new management.

3. after 14 days:

a) where the Assured on effecting the insurance has given incorrect information of 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 a manner other 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 a customary manner in the first port and during her stay there on

the day of arrival. Such prolongation of the insurance cover is limited to fourteen days (vide § 4:1);

## Damage and adjusting of claims

### § 24

1. Where a casualty is feared 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 representative 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 a casualty. 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 intentionally 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 the cause of the damage shall as far as possible 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

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 allowed 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

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 has last been seen,
3. Where the ship has sustained a casualty 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

Where the ship has sustained a casualty and without being attributable to the Assured, the salvage of the ship has not commenced within six months or has not been completed within twelve 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.

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 be expected of him to enable the Insurer to effect the salvage.

#### § 28

1. The Assured is entitled to recover as for total loss (constructive total loss), when the ship is so extensively damaged due to a casualty 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, such unrepaired casualty damage are also 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 compensation.

Costs of repairs include all costs of removal to the place of repair 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, according to the survey report, the ship has sustained so extensive damage 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 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 damage is sustained during the removal, this is to be included in the damage caused by the casualty.

Where the removal has not commenced within six months from the day when the insurer was informed about the casualty, the condemnation remains valid.

#### § 29

1. Where the Assured is entitled to claim for actual or constructive total loss, the compensation -to be paid is the amount insured. No reduction is made for unrepaired damage due to previous casualties.

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

2. Even if the Assured is entitled to claim 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

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, however with maximum 50 per cent of the annual premium per casualty,

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, however with maximum 50 per cent of the annual premium per casualty 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 costs of renewal of steel and other metal parts of the hull or of the machinery is compensated only if the objects involved cannot be faired, welded, joined, cut 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 reduction 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 of 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 extra-ordinary measures, which increase the repair costs, 'the insurer's,

liability for the Costs incurred thereby is limited to half of such increased costs, however with maximum 50 per cent of the annual premium per casualty.

#### § 31

The insurer reimburses the costs of temporary repairs if permanent repairs cannot be effected at the place where the ship is lying and the temporary repairs are required for completion of the voyage or for removal of the ship to the place where repairs can be effected.

In other cases the insurer compensates half the costs of temporary repairs for a recoverable casualty. When temporary repairs result in saved costs for the insurer, compensation is paid out up to the amount saved or with half the repair costs whichever amount is the most favourable to the Assured

#### § 32

Subject to the limitation stated in § 30:2, the insurer is liable for the cost of the ship's deviation to the place where repairs can be effected, including wages and maintenance of the crew on board as well as fuel, engine stores and similar direct expenses of running the ship. Costs of removal after completed repairs are not compensated, except for situations as per § 6 b) or c).

#### § 33

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 with regard to the time required if the two classes of work had been carried out separately. General expenses not depending on the length of the repair time are to be divided equally.

Expenses as mentioned in the first paragraph, directly incurred by a casualty are, however, compensated in full by the insurer, with the exception that the expenses shall be divided as mentioned in the first paragraph when simultaneously repair work for the account of the Assured is carried out regarding seaworthiness or being requested by the classification society.

#### § 34

Compensation for unrepaired damage shall not be payable, unless the insurer has agreed that repair is not to be effected or unless the

Assured proves that on the sale of the ship he has suffered a loss on account of the damage. The compensation is, however, limited to such repair which is requested by the ship's classification society. 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

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, insofar as it has given rise to a new casualty during the insurance period, to be considered as having occurred at the new casualty.

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

Damage which has been directly caused by ice is recoverable subject to agreed ice damage deduction. Where the damage has Caused total loss of the ship or is allowable as General Average as per § 6 b) and c) 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.

Damage Caused by Cooling water intakes being obstructed by ice is regarded as ice damage.

#### § 37

Particular average damage to the machinery is recoverable subject to agreed machinery damage deduction. 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 to the machinery as

per a)-c) and reported to the Insurer only after the first three months of the ship's trading after the casualty is, however, recoverable but subject to deduction.

Should the Assured without urgent reasons effect repairs of damage to the engine without giving the Insurer an opportunity to survey the damage, no compensation is paid unless the Assured can prove that the damage is covered by the insurance.

#### § 38

Where ice and machinery damage deductions according to § 36 and 37 are applicable to one 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

Recoverable without ice and machinery damage deduction are:

- a) temporary repairs;
- b) damage and expenditure incurred for preserving the ship as per §6 fl;
- c) such reduction of the ship's value as mentioned in § 30:3
- d) damage to such unused spare parts for the machinery and hull as well as equipment that are stored on board;
- e) loss of time in connection with Invitation of tenders and removal of the ship as stated in § 30:2 and § 32.

#### § 40

1. When settling claims for particular damage to the ship for each accident such deductible is applied which the parties have agreed upon. Damage 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 claim as well as damage through measures to avert or minimize the loss according to § 6 ~ are allowed without deductible.

2. When settling claims for damages to a third party, for each accident such deductible is applied which the parties have agreed upon.

#### §41

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 the documents and information which may be of importance for ascertaining the Insurer's liability and which can reasonably be obtained.

#### § 42

To avoid losing his rights, an Assured, who intends to claim compensation, must ratify 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

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

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

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 demand a reasonable advance payment of the estimated compensation. The insurer must thereby pay in advance to the Assured for expenses which have been paid by the Assured and which fall within the calculated compensation. Other expenses within the compensation which have not yet been paid by the Assured are for the Insurer to pay out in advance at his own discretion either direct to the Assured or to the third party which has a claim on the Assured.

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 of the Sveriges Riksbank's discount rate for 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 or ice damage as well as the deductible. Such 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 week after the day when the total loss was ascertained 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 salve a wrecked ship 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

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 desire, the compensation shall be determined by a Swedish Average Adjuster to whom the required documents and information must be submitted as soon as possible. The compensation is in such cases payable within fourteen days after the average adjustment has acquired legal force, or, if appealed against,

within one month after the Court's judgement has acquired legal force

3. The Insurer is not obliged to pay direct to the Assured other or greater part of the finally agreed or otherwise determined compensation than what corresponds to the part of the damage already paid by the Assured. The Insurer is entitled to pay the compensation for such part of the damage not yet having been paid by the Assured direct to the third party, which in accordance with the statement of claim has an accepted claim on the Assured.

4. The insurer is entitled to set off any claim due from the assured against such advance payment, compensation or refund of premium as the Assured is entitled to receive from the Insurer.

#### § 45

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.

#### § 46

Where a dispute about the insurer's liability to pay compensation 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 unfounded.

#### § 47

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 losses 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 been to the benefit of the insurer.

4. Where the Assured at the request of or with the consent of the insurer has instituted proceedings against a third party, he cannot refuse to accept such amicable settlement of the case which is satisfactory to the insurer, provided the Assured thereby is not placed in a worse position as 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 indemnity from the third party nor the extra expenses arising from the refusal.

#### § 48

Liability for the insurer to provide security to lift or prevent arrest of the ship, property or assets of the Assured is existing only if the Assured can show that the claim causing the arrest is covered by the liability of the insurer under the insurance. When such liability has been shown to exist the insurer has reasonable

time at his disposal to provide satisfactory security,

When the Insurer provides 'security without the duty thereto the Assured shall reimburse any cost or loss arising therefrom.

#### § 49

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. The insurer is entitled to collect the recovery amount arising from such recourse claim.

Where the Insurer recovers from a third party 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 a third party, the insurer is exempted from liability to a corresponding extent

Insurance documents to be available on board

#### § 50

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

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