

Table of Contents

HULL INSURANCE

CHAPTER 1 OVERVIEW OF HULL INSURANCE IN JAPAN	1
1. Hull Insurance Class	1
2. The Hull Insurance Market in Japan.....	2
3. The History of Hull Insurance in Japan	3
(1) Development of the shipping and shipbuilding industries.....	3
(2) The beginning of the hull insurance business	4
(3) The Fire and Marine Insurance Rating Association of Japan.....	5
(4) The Japanese Hull Insurers' Union	5
(5) The revision of the Insurance Business Act.....	6
(6) Dissolution of the Japanese Hull Insurers' Union.....	6
4. Insurance Conditions.....	6
(1) General Conditions.....	7
(2) Special Clauses.....	7
5. Co-insurance and Reinsurance Pool.....	7
(1) Co-insurance among the insurers	7
(2) Hull Reinsurance Pool.....	7
6. Distribution of Hull Insurance.....	8
(1) Direct writing	8
(2) Insurance broker system.....	9
(3) Cross-border transactions	9
CHAPTER 2 HULL TIME INSURANCE	11
1. Outline	11
2. Interest Covered	11
3. Parties Concerned	11
(1) Person effecting the insurance.....	11
(2) Assured	12
(3) Beneficiaries	12
4. Insured Value and Insured Amount	13

(1) Insured value.....	13
(2) Insured amount.....	13
5. Period of Insurance.....	13
(1) Period of Hull Time Insurance.....	13
(2) Voyage Insurance	14
(a) Period.....	14
(b) Survey.....	14
(c) Premium rates.....	14
6. Scope of Cover	14
(1) Total loss.....	16
(2) Cost of repairs	16
(3) General Average contribution	16
(4) Collision liability (RDC).....	17
(5) Sue and labour expenses.....	17
7. Exclusions	18
(1) Absolute exclusions	18
(2) Other exclusions.....	19
8. Warranties.....	20
(1) Trading warranties.....	20
(2) Warranties on class maintained.....	20
9. Underwriting.....	20
(1) Vessel.....	20
(2) Deductible.....	21
(3) Premium rates.....	21
10. Payment Terms.....	22
(1) Policy premium.....	22
(2) Additional premium	22
(3) Non-payment of premium	22
11. Lay-up Returns.....	22
(1) Lay-up returns	22
(2) Port Risks Insurance.....	23

CHAPTER 3 BUILDERS' RISKS INSURANCE AND SHIPREPAIRERS' LIABILITY	
INSURANCE.....	25
1. Builders' Risks Insurance	25
(1) Outline.....	25
(2) Assured.....	25

(3) Insured value.....	26
(4) Trading limit	26
(5) Period of insurance.....	26
(6) Scope of cover	27
(7) Exclusions.....	27
(8) Premium rates.....	27
2. Shiprepairers' Liability Insurance	28
(1) Outline.....	28
(2) Limit of liability	29
(3) Scope of cover	29
(4) Exclusions.....	29
(5) Premium rates.....	29
CHAPTER 4 LOSS OF TIME INSURANCE	31
1. Outline	31
2. Policy Interest	31
3. Insured Value and Total Sum Insured	31
4. Scope of Cover	32
5. Premium Rates.....	32
6. Underwriting.....	32
CHAPTER 5 PROTECTION AND INDEMNITY INSURANCE	33
1. Outline	33
2. Scope of Cover	34
3. Advance Call and Supplementary Call.....	35
4. Limits of Coverage.....	36
5. War P&I.....	37
CHAPTER 6 HULL WAR RISK INSURANCE	39
1. Outline	39
2. Scope of Cover	39
3. Blocking and Trapping.....	40
4. Excluded Areas	40
5. Exclusions	41
6. Piracy Risks.....	41
7. War Cancellation and Automatic Termination Clauses	42

CHAPTER 7 INSURANCE FOR ENERGY RISKS	45
1. Introduction.....	45
2. History	45
3. Characteristics of the Venture	46
4. Parties to the Venture	46
(1) Operator and Partners	46
(2) Company and Contractor	47
(a) Hold harmless.....	47
(b) Waiver of subrogation.....	47
(c) Co-assured.....	48
(d) Cross liability	48
5. Risks and Insurance at Each Stage	48
(1) Geophysical prospecting.....	48
(a) Offshore.....	48
(b) Onshore.....	48
(2) Exploration drilling.....	49
(3) Development.....	49
(4) Production	49
6. Cost of Control Insurance	50
(1) Coverage	50
(a) Section A: Cost of Control (“COC”)	50
(b) Section B: Redrilling Expense.....	51
(c) Section C: Seepage & Pollution, Cleanup & Contamination (“S&P”).....	52
(2) Limit of liability	52
(3) Assured’s retention (Deductible / Excess).....	53
(4) Premium rates.....	53
(5) Rating factors	53
7. Energy Insurance Market.....	53

CARGO INSURANCE

CHAPTER 8 OVERVIEW OF CARGO INSURANCE IN JAPAN.....	55
1. Cargo Insurance Classes.....	55
2. The Cargo Insurance Market in Japan	55
3. The History of Cargo Insurance in Japan	57
(1) Coastwise Cargo Insurance and Inland Transit Insurance.....	57
(2) Export and Import Cargo Insurance.....	57

4. Insurance Contracts and the Relevant Laws	58
(1) The Insurance Business Act.....	58
(2) The insurance contract law and insurance clauses	58
(3) Japanese General Conditions	59
(4) English policy forms and clauses	59
5. Cargo Reinsurance Pool.....	60
6. Distribution of Cargo Insurance	60
(1) Direct writing	61
(2) Insurance agents	61
(3) Insurance broker system.....	61
CHAPTER 9 EXPORT AND IMPORT CARGO INSURANCE.....	63
1. Features of Export and Import Cargo Insurance	63
(1) Internationality	63
(2) Variety of risks	64
(3) Difficulties in underwriting	64
(4) Accumulation of risks.....	65
(5) Losses by typhoon.....	65
(6) General trading companies (“Sogo-Shosha”)	65
2. Documentation	65
(1) Policy forms and clauses	65
(2) Provisional policy and cover note.....	66
(3) Open Policy and Open Contract.....	67
3. Basic Understanding on Terms and Conditions	67
(1) Basic conditions and main insured perils.....	67
(2) Typical additional risks.....	69
(3) War and S.R.C.C. risks.....	72
(a) Coverage	72
(b) Premium rates	72
(4) Overage additional premium	72
(a) Institute Classification Clause.....	72
(b) ISM Code and Cargo ISM Endorsement	73
4. Underwriting.....	73
(1) Cargo itself and its packing	74
(a) General cargoes packed in cartons to be carried in containers	74
(b) Heavy cargoes	74
(c) Coal and metal ores	74

(d) Fruits and vegetables	74
(e) Grain and other agricultural merchandise	75
(f) Frozen or chilled foods	75
(g) Bulk oil and liquid chemical in bulk	75
(h) Log and lumber	76
(2) Carrying vessel and other conveyances	76
(3) Voyage route	77
(4) Season of transportation	77
(5) Clients and their past records	78
(6) Insured amount of cargo	78
CHAPTER 10 COASTWISE CARGO INSURANCE	81
1. Definition of Coastwise Cargo Insurance	81
2. Insurance Conditions	81
(1) General Conditions	81
(a) Risks covered	81
(b) Exclusions	82
(2) Special Clauses	82
3. Insured Value	83
4. Duration of Risks	83
5. Method of Application and Premium Rates	84
(1) Open Contract and Open Policy	84
(2) Annual Marine Cargo Policy	84
(3) Premium rates	85
6. F.O.B. Insurance	85
(1) Outline of F.O.B. Insurance	85
(2) Method of application for F.O.B. Insurance	86
(a) Open contract and open policy	86
(b) Annual marine cargo policy	86
CHAPTER 11 INLAND TRANSIT INSURANCE	87
1. Definition of Inland Transit Insurance	87
(1) Categories	87
(2) Features	87
2. Elements of Inland Transit Insurance	88
(1) Subject matter of insurance	88
(2) Insured value	88

(3) Insured amount	88
(4) Commencement and termination of insurance	88
3. Insurance Conditions	88
(1) Risks covered	88
(2) Exclusions	89
4. Method of Application	89
(1) Open Policy	89
(2) Annual Policy	89
5. Underwriting	90
(1) Elements	90
(2) Premium rates	90
6. Special Types of Inland Transit Insurance	90
(1) Annual Transit Policy	90
(2) Carriers' Cargo Liability Insurance	92
(3) Money and Securities	92

CHAPTER 12 LOSS PREVENTION IN CARGO INSURANCE 93

1. Introduction	93
2. Benefit of Loss Prevention and Insurers' Roles	93
3. Loss Prevention Services in Cargo Insurance	94
4. Important Factors for Cargo Loss Prevention in Practice	94
(1) Communication	95
(2) Control	95
(3) Care to cargo	95
(4) Continuity	96
5. Effectiveness of Loss Prevention Services	96
(1) To obtain a commitment from the clients' management	96
(2) To make a clear objective with time frame	97
(3) To examine the cost-effectiveness of each prevention measure	97

MARINE CLAIMS ADJUSTMENT

CHAPTER 13 HULL CLAIMS ADJUSTMENT 99

1. Introduction	99
2. Hull Damage Repairs	99
(1) Outline	99
(2) Determining specifications of repair works	100

(3) Cost of repairs	100
(4) Calculation of the cost of repairs	101
(5) Unrepaired damage	102
3. Total Loss	102
(1) Actual total loss ("ATL")	102
(2) Constructive total loss ("CTL")	102
(3) 100% Particular Average	103
(4) Compromised (Arranged) total loss	103
(5) Settlement of total loss claims	103
4. Salvage	104
(1) Appointment of salvor	104
(2) Salvage contract	104
(a) The Japan Shipping Exchange Form ("JSE Form")	104
(b) Lloyd's Open Form ("LOF")	105
(c) "Fixed Amount" contract form	105
(3) Assessment of salvage remuneration	106
5. Collision	107
(1) Scope of Collision Liability covered by Hull Policy	107
(2) Apportionment of loss and damage	107
(3) Limitation of shipowners' liability	108
(a) In the case of liability for property damage only	109
(b) In the case of liability for both property damage and personal injury	109
(4) Preservation of right of claim in Japan	109
6. Settlement of Paid Claims with the Co-insurers	110
7. Reserve for Outstanding Claims	111
CHAPTER 14 CARGO CLAIMS ADJUSTMENT	113
1. Introduction	113
2. Procedures for Settlement of Claims on Import Cargoes	113
(1) Notice of claim to insurer	113
(2) Survey of loss and damage	114
(3) Notice of claim to carrier	114
(4) Documents to be produced to insurer	115
3. Adjustment of Claim	117
(1) Total loss	117
(a) Actual total loss	117
(b) Constructive total loss	117

(2) Partial loss	117
(a) Partial loss in quantity	117
(b) Partial loss in quality	118
(3) Charges recoverable from insurer.....	118
(a) Sue and labour charges	118
(b) Particular charges	119
(c) Salvage charges.....	119
(d) Extra charges.....	119
(4) Documents to be collected in exchange for payment of claim	119
4. Procedures for Settlement of Claims on Export Cargoes.....	120
(1) Claim agents and survey network	120
(2) Types of claim agents	120
(3) Appointment of claim settling agents	120
(4) Method of reimbursement and settlement of claim.....	121
(a) Reimbursement by way of letter of credit	121
(b) Settlement by remittance from insurer.....	121
CHAPTER 15 GENERAL AVERAGE.....	123
1. General Average and the York-Antwerp Rules	123
2. Law of General Average in Japan	124
3. General Average and Hull Insurance in Japan	125
(1) General Average contribution	126
(2) General Average sacrifice.....	127
(3) Ballast voyage	127
(4) Common ownership	129
(5) Under-insurance.....	129
(6) Small General Average Clauses	129
4. General Average and Cargo Insurance in Japan	130
5. Average Adjusters and General Average Adjustment in Japan.....	131
(1) Average adjusters	131
(2) Rules of Practice of Association of Average Adjusters of Japan	132
(3) Marine claims staff of insurance companies.....	132
6. Flow Chart of General Average Procedures.....	132
(1) The flow chart on the hull side	132
(2) The flow chart on the cargo side	134
7. Brief Explanation of the York-Antwerp Rules 1994.....	135
(1) Rule of Interpretation and Rule Paramount.....	135

(2) General Principles of General Average (the lettered Rules)	135
(a) Definition of General Average (Rule A)	135
(b) Tug and Tow (Rule B)	136
(c) Causation, Consequences and Damage to the Environment (Rule C)	136
(d) The Effect of Fault (Rule D)	136
(e) Onus of Proof and Time Limit for Notifying Claims and Producing Evidence (Rule E)	137
(f) Substituted Expenses (Rule F).....	137
(g) Adjustment of General Average and Non-Separation Agreement (Rule G)	138
(3) General Average sacrifices	138
(a) Jettison of Cargo (Rule I)	138
(b) Loss or Damage by Sacrifices for the Common Safety (Rule II).....	138
(c) Extinguishing Fire on Shipboard (Rule III)	138
(d) Cutting away Wreck (Rule IV)	139
(e) Voluntary Stranding (Rule V).....	139
(f) Damage to Machinery and Boilers (Rule VII).....	139
(g) Cargo, Ship's Materials and Stores used for Fuel (Rule IX).....	139
(h) Damage to Cargo in Discharging, etc. (Rule VIII and XII)	140
(4) General Average expenditure.....	140
(a) Salvage Remuneration (Rule VI).....	140
(b) Port of Refuge Expenses (Rule X and XI).....	140
(c) Substituted Expenses (Rule F)	141
(d) Cost of Temporary Repairs (Rule XIV).....	141
(e) Commission and Interest (Rule XX and XXI).....	142
(5) Contribution of General Average (Rule G and XVII).....	142
(a) Contributory Value of Ship.....	142
(b) Contributory Value of Cargo.....	142
(c) Contributory Value of Freight	143
(d) Other Properties	143
8. Additional Comments on the York-Antwerp Rules 2004.....	143