

Insurance in Foreign Trade

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ZHOU TAI-ZOU

CHUKE LING

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BEIJING

INSURANCE

IN

FOREIGN TRADE

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前 言

随着我国对外贸易的迅速发展，对货物运输保险的需要也在不断增加。对外贸易中的运输，既有海运，又有陆运及空运。它们各有特点，在运输中可能遇到的危险也不尽相同。因此，对保险的需要也有区别。

对外贸易中的运输保险，牵涉到与国外贸易商、航运公司及银行等的关系。经营业务及处理具体工作时，都有必要使用外语，特别是英语。为了供从事保险工作的同志以及大专院校学员熟悉及学习专业的参考，编写了这本《对外贸易运输保险》英语教材。

本书着重介绍运输保险的基础知识。包括运输保险的职能及其与对外贸易的关系、保险责任范围、保险契约、保险手续、保险要点等等。文字简明扼要，并尽量使用专业词汇。这对提高业务及英语水平，特别是熟悉专业词汇，都可有所帮助。

本书承中国保险学会常务理事李嘉华同志校阅，提出修改意见，并曾经美国专家惠廉、勃登和英国专家凯赛琳校阅部份初稿，对此我们表示衷心感谢。

由于我们业务及英语水平有限，缺点错误在所难免，请读者指正。

周泰祚

诸葛霖

Introduction

All tangible objects, be they static or otherwise, are exposed to hazards of one sort or another and to varying extents. Buildings, for instance, may burn down by accidental fire or be inundated as a result of flood, causing destruction or collapse of buildings themselves as well as loss of or damage to properties contained therein. Even properties in open sheds or on open grounds may be damaged or destroyed through various external causes.

When being moved between places, properties have greater chances of being lost or damaged, particularly in course of transit, as the movement cannot be accomplished without the use of conveyances, and accidents to conveyances, which are of frequent occurrence, always result in loss of or damage to properties being carried therein. Such properties almost invariably represent commodities being moved in performance of sales contracts in foreign trade.

Any loss of or damage to properties - buildings, conveyances, manufactured products, raw materials and farm produce, to mention but a few, entails financial loss to whomever concerned, and in the absence of

remedial measures, production will be jeopardised and foreign trade will be at a standstill. The adverse effect on the national economy of a state is thus obvious.

Insurance has long been accepted the world over as a reliable medium to protect all sectors of a community against losses to properties resulting from accident or natural calamities. By paying an appropriate premium, property owners or traders are always able to secure insurance covers geared to their needs, and recover their loss from insurance operators in event of the incidence of an insured peril. Because of its peculiar functions, insurance has become indispensable to industries and commerce and is playing an increasingly important role in economic activities, making a valuable contribution to the growth of economy.

This textbook begins with a brief review of the emergence and subsequent growth of insurance as an important industry in the world as well as an explanation of the benefit derivable from services afforded by insurance operators, dwelling especially on the close relationship between insurance and foreign trade; it covers various aspects ranging from the nature of an insurance contract, insurance perils, different types of covers obtainable from Insurers to procedures for insurance and the filing of claims. It is mainly intended for foreign trade practitioners who desire a general knowledge of insurance as a guide to seeking suitable

covers on commodities to be conveyed by sea, land or air transport.

Included in the book are sections dealing with Salvage, General Average and the functions of P & I Associations. These topics are of secondary importance to traders, but some knowledge of them may prove useful.

To give readers some insight with the status quo of world insurance markets, both sophisticated and still relatively young, a section has been added in which certain recent data are given in connection with the number of operators and volume of premium income in some major markets.

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Section I

Insurance and its Functions

In everyday life, something unexpected will sometimes occur through negligence or other causes, constituting what are usually called accidents. Accidents may often, if not invariably, cause property damage or personal injury or even loss of life.

Minor accidents may cause little or no harm, but major accidents may have very serious consequences.¹ Fire, for instance, is an accident which will frequently result in substantial loss of or to property or bodily injury or loss of life. Buildings may burn down completely or be severely damaged, and goods, stores, furniture, equipment, personal effects or valuables, etc. may be lost in or damaged by the fire. There is also the likelihood that tenants² will lose their lives or be injured in the fire.

Fire in a congested area³ may cause heavier loss or damage as buildings or structures adjoining or adjacent⁴ to the place where the fire originates may easily be affected if no immediate steps are taken to put out⁵ the fire.

Fire is an event not only very common on land but can also frequently happen in ships lying in port⁶ or sailing on the high seas.⁷ In case of fire in ships, both the ships themselves and the cargo on board will be imperilled. In most cases, cargo will suffer heavier damage than ships because even if it is not directly affected by fire, it will frequently sustain water damage in the course of fire-fighting operations.

Accidents other than fire, such as collision between land transports or between ships, overturn of conveyances, breakdown of ship engine, collapse of land structures, falling of cargo into water or shiphold or onto wharf when being loaded or discharged, derailment of trains, landslide, explosion, grounding of ships, etc. will also cause property damage, involving, sometimes, loss of life or bodily injury.

Aside from accidents, natural calamities are also the causes of innumerable cases of property damage or death or bodily injury. Natural calamities include earthquake, tidal wave, flood, lightning, typhoon,⁸ cyclone,⁹ tornado,¹⁰ tempest,¹¹ storm or snowstorm, volcanic eruption,¹² etc., all of which may result in loss of or damage to properties or death or personal injury. In some cases, property damage may involve colossal¹³ monetary losses, difficult to estimate, as well as heavy death toll¹⁴ or bodily injury. Also, crops may be destroyed, rendering fields devastated.¹⁵

Losses through either accidents or natural calamities, being sometimes very substantial, always pose serious problems, and in case of exceptionally heavy losses, they can hardly be remedied without government aid or relief from the state. If an extensive area is involved, industrial and agricultural production may be seriously affected.

Preventive measures¹⁶ are, of course, useful in avoiding accidents or in minimizing¹⁷ losses arising therefrom, but a complete elimination of accidents always proves to be almost impossible. In the case of natural calamities, preventive measures do not usually prove remunerative,¹⁹ as in most cases the attack²⁰ is rather too sudden and unexpected and the consequences are serious.

Most countries in the world allocate a certain sum of money from the state budget as the reserve for contingencies,²¹ but there is always a limit to such reserve and it is often used exclusively²² for relief purposes upon the occurrence of serious natural calamities. Losses from accidents do not, generally, qualify for²³ any appropriation from the reserve.

This is especially the²⁴ case in capitalist countries where most of the properties are owned by private sectors, and it is the owners themselves who are to be responsible for the outcome of their activities. Even in socialist countries, the contingency reserve allocated²⁵

by the state cannot be made to cover all losses resulting from accidents or natural calamities except for catastrophic²⁶ losses. Besides, any appropriation from the reserve cannot be expected to meet the losses completely.

For centuries, a certain means known as "Insurance" has been in existence in western countries to provide protection to property owners against loss to their property as a result of accident. In the case of ships and cargo aboard, insurance protection was available to the respective owners who could obtain compensation in the event of any loss to their property in consequence of perils of the sea, inclusive of natural calamities. Protection was later extended and losses incurred by property on land, as a result of natural calamities, were also answerable²⁷ under insurance. The protection was only available at a cost, which was called 'insurance premium'. This term has since remained unchanged.

The practice of insurance commenced in western countries in a comparatively simple form. Nevertheless, the usefulness gradually became manifest when property owners, after payment of a premium, were able to recoup,²⁸ under insurance, losses caused by accidents which would otherwise be solely on their own account.²⁹ This fact alone paved the way³⁰ for the creation of an insurance system which, with the passage of time, found wider application in certain countries, principally in those countries where commerce and industry were rela-

tively developed.

In the course of application, relevant laws were introduced in a number of countries to define the nature and essence of insurance. As insurance companies increased in their numbers and insurance markets took shape³¹ in such countries, rules and regulations governing the setting up and functions of insurance companies were formulated by government authorities to ensure that transactions were conducted properly and without abuse.

Like other commercial corporations, insurance operators, in fact, are corporations incorporated under the pertinent law of the country in which they are located. They are invariably limited stock companies.³² So long as they observe the regulations and rules governing their activities and conduct their transactions permissible under the relevant law, no undue restriction will be placed on them in running their business.

Insurance is very much likened to some sort of mutual assistance amongst those who look to insurance for the protection of their property or interests. And the cost they all have to bear in return for the protection acquired resembles, to a degree,³³ their contribution towards a pool from which any compensation to be made to a particular person or corporate body for the loss he or it suffers is drawn. In other words, the loss is made³⁴ good by all those who have contributed to the pool, including the sufferer himself.

The insurance system, when properly applied, has the effect of ensuring continuous production or normal running of business of various types without undue interruption, and of affording relief to individuals in cases where personal property is involved. By way of insurance any loss arising from events accidental in nature, which are probabilities rather than certainties, can be recovered at the payment of a fixed premium beforehand, to the extent that³⁵ the loss falls within the scope of the insurance coverage. "*Insurance premium*" is a sum of money ascertained according to the value of the property insured and the scope of the insurance coverage desired. It is calculated at so much per cent or per mill on the value of the property to be insured.

The premium is a fixed outlay³⁶ and is payable at the commencement of a period during which protection is required. When nothing untoward happens,³⁷ the premium would constitute a net outgo, and it may well be³⁸ that the risk to which a particular interest is exposed and which is covered by insurance never presents itself in an unusually long duration. But in the event of an accident covered by insurance, compensation will be readily available for any loss incurred. Insurance, thus, serves to cope with³⁹ possible eventualities at the cost of a pre-determined premium.

"*Insurance companies*" are ones providing insurance protection to whoever desires it. They enter into⁴⁰

insurance contracts with their clients, who are generally called insureds, and in consideration of a premium received from the insureds, undertake to reimburse them for any loss of or to the insured interests during the currency of the insurance coverage.

By granting insurance protection to the general public, insurance companies or insurance operators invariably build up a fund of their own with the premium received from time to time for the specific purpose of paying claims lodged against them. When the claims ratio is low, i.e. when claims paid under a certain type of coverage assume only a small fraction of the aggregate premium received under the corresponding type of cover granted, a good accumulation can usually be made, thereby increasing the amount of the fund in hand.

It is always a wise policy for insurance operators to utilize the fund for various kinds of investment, which will often prove more lucrative⁴¹ than if the money is deposited in banks. In fact, it is also the wish of insureds that insurance operators make good investment of the funds available to them in projects or other fields for good returns⁴² so that their interest will be better protected and future premiums reduced.

In countries where the insurance industry has had a good foundation and people are insurance-conscious,⁴³ the aggregate funds of insurance companies available to

the community can be fairly considerable.

Insurance did not originate in the East, and the insurance industry in China is relatively young. In the old China, the insurance market was under the domination of foreign insurers then operating in China and the bulk of the business was controlled by them with Chinese insurers sharing only a small portion of the portfolio. Foreign insurers were free to transfer their funds and profits out of China and the drain on China's foreign exchange was quite substantial. Besides, the unabated inflation⁴⁴ made insurance lose its significance in that the value covered at the commencement of an insurance contract often turned out to be only a fraction of what it was originally worth when a claim arose and compensation was made.

After the founding of the People's Republic of China, insurance became a state-operated enterprise in China. Since the commencement of operations, the insurance company has adapted to the requirements of various sectors, including individuals.

In China, production is subject to strict planning, and since the various sectors are closely inter-related, any failure in one sector through serious accidents or other disasters, unavoidably affects other sectors with adverse effect⁴⁵ on the national economy as a whole. There is always available a general reserve out of the state budget to meet emergencies, but appropriation from