

603 3 2 1 The marine insurance policy provides coverage for loss caused by the perils of the seas, which includes fortuitous losses from extraordinary action of the elements at sea, or any accident or mishap in navigation. This was commercially satisfactory throughout the world until 1887.

This was the age of steam and a hidden defect in a valve caused a boiler explosion aboard the Scottish steam vessel INCHMAREE. The INCHMAREE was covered under a marine hull insurance policy in form of the day, providing coverage for perils of the seas. A claim was filed for the loss sustained by the owners of the INCHMAREE, but the insurers denied the claim on the basis that latent defects in machinery were not perils of the seas and therefore were not covered under the terms of the policy. The owners filed suit and, after several years, the case was decided by the House of Lords.

In the case of Thames & Mersey Marine Ins. Co. v. Hamilton, Frasier & Co., decided in 1887, the House of Lords shocked vessel owners and insurers alike when it held this accident, caused by a latent defect in the machinery of the steamship INCHMAREE, did not arise through a peril of the seas. Many were worried that costly accidents that might be suffered by the expensive machinery on steam vessels were not covered by the standard marine policy.

The insurance industry responded by offering additional coverage for an additional premium. The new coverage was provided in a clause aptly named the INCHMAREE clause, which provided coverage for specially named perils including latent defect in hull or machinery. The INCHMAREE clause covered loss of or damage to the

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vessel directly caused by bursting of boilers, breakage of shafts, or any latent defect in the machinery or hull, (excluding the cost and expense of replacing or repairing the defective part), provided such loss or damage has not resulted from want of due diligence by the Assured.

Today, the INCHMAREE clause including coverage for latent defects, explosions, negligence of master or mariners, and other special perils is now included in marine insurance policies to supplement the coverage under the perils clause.

More next week on The Admiralty Docket. Until then, remember your rights and responsibilities may change as you approach the shore and may God Almighty grant you pleasant sailing. 603

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