

Digitalisation of Marine Insurance Industries Leads to Upgrading E Commerce and Trade-A Legal Perspective

J. Hema Latha

Research Scholar, Department of Law, University of Madras, Chennai, India

Abstract

Marine insurance liability issues includes cyber risk can be expected to become considerably wider, especially in shipping through different national waters and jurisdictions. India is no different when it comes to digitalisation. Recent survey conducted by Indian Express establishes the fact that India has one of the largest digital user in the Mobile Subscriptions has going to reach 100 crore by 2020. This is phenomenal considering the data usage and also usage of feature phones in rural areas. Exporters and persons engaged in international trade and commerce for ease of doing business. Digitalisation of Marine insurance creates a positive impact for various enterprises exporters and importers, the operation is also a first step towards the adoption of new technologies in insurance business. Insurers come out with some innovative mechanism to meet the changing needs of the ship-owners in a technologically highly sophisticated environment. In this sense, marine insurance is an aid to the conduct of seaborne international trade.

According to Tope Smart, president of NIA, this measure's objective is to develop marine insurance and further contribute to the country's gross domestic product (GDP). In the current environment, the marine insurance market measures various risk using **standardised static rating factors** - class, flag and tonnage of the vessel as well as the year it was built and yard it was built in. Digitalization in marine reshape the marine insurance market. It will take close monitoring and innovative initiative to serve the needs of the shipping and logistics industries and realise new business opportunities. In other words, digital solutions of marine insurance will help prevent breakdowns and unsafe situations before they happen. In this paper helps to examine the innovative initiative taken by the marine insurance sector by adopting digitalisation to serve the needs of the shipping and logistics industries, higher penetration of digital payments in Insurance Space and realise new business opportunities. Globally, insurance companies are increasing investment in digital technologies, but Indian firms are still lagging because of lack of technological enhancement. Marine insurance in India is therefore an industry in need of modernization through digitalization, automation and increased transparency.

KEYWORDS: Digitalisation, E-commerce, Shipping and logistics.

Introduction:

Insurance industry is going through a significant level of modernisation and digitisation in all over the world. Rapid digitalisation, machine learning or tackling frauds, data analytics to manage risks, digital modes of customer engagement are some of the examples. Digital marketing in the recent times has affected all parts of the industries as a result industries has been reshaped in to modern form of digitalisation, and the way insurers market in the marine sector is no exception. E-commerce is seen as an effective medium to increase insurance penetration and bring financial inclusion in a cost-efficient manner. In the context of globalization, Marine

insurance is an important component of protection of international trade and commerce and it is clearly defined under Marine Insurance Act 1963. In India, more than 80 per cent of international trade is carried by maritime transport. Marine transport involves various risks which is related with the “perils of the sea”. In this aspects, marine insurance is a tool that helps to decrease the risks of financial loss to the property such as ship, goods or other movables, in maritime transport. Therefore thus marine Insurance necessary component of ease of doing business on an international basis and plays an important role in the international trade and commerce. It protect the ship-owner, the buyer and seller of the goods to operate their businesses which causes burdensomeof financial consequences of their property’s being lost or damaged and also it adds the necessary element of financial security so that the risk of an accident happening during the transport. Hence, therefore, digitalisation of marine insurance industries is of key importance for efficient development of countries like India as they integrate into the world economy.

1.1 Marine insurance in India:

Marine insurance in India has a deep-rooted history. It finds are mention in the writings of epic Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra).The writings clearly explains of small amount of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a paved away for the evolution of modern form of insurance in India. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular and hence therefore Marine Insurance policy is considered as one of the oldest forms of insurance and attributed as foundation of all insurance policies in India.

In 1991 the Indian government started its reforms in the financial sector for liberalization to various insurance companies to catch up the opportunities. As the result of reform, Government of India set up an eight-member crew with a chairperson Mr. R. N. Malhotra, to review the insurance sector, whose review were submitted report January 1994. The report recommended two key aspects; first is to allow private players to enter into insurance sector and the second recommendation is to establish a regulatory authority for the insurance sector. Subsequently, the recommendation was implemented. Currently, the legislation regulating the insurance business in India is the insurance Act, 1938, which was amended over decades, regulating life and general insurance. General insurance – includes; fire insurance, marine insurance, and miscellaneous insurance. Some of the existing legislation in insurance are; Insurance Regulatory Development Authority (IRDA) Act 1999, The Marine Act 1963, General Insurance Business Act 1972 and the Life Insurance Corporation Act 1956.

Marine insurance is agreement between the insurer and insured whereby the insurer covers against losses incidental to marine transport loss. According to Section 3 of Indian Marine Insurance Act, a contract of marine insurance is a contract where by the insurer undertakes to indemnify the assured, in a manner and to the extent there by agreed, against marine losses, that is to say, the losses incident to marine adventure, it is governed under Marine insurance Act, 1963 in India is designed to regulate the transactions of marine insurance businesses of hull, cargo and freight. It is guided by various rules which is added by the Institute of London Underwriters and the

International Commercial terms known as 'Incoterms', is formulated to regulate the transaction of marine insurance business which includes Cargo, hull and freight.

Insurance plays an important key aspects of society by providing security and protection to individuals, Communities and businesses. It covers the financial loss incurred by the insured on account of damage to cargo, ships and other means of transport while they are being transported via sea. Most marine insurance policies do provide cover against damages or losses to expensive cargo, some policies may while some may not provide extended cover against cross border civil disturbances or against pirates. However different insurance companies offer multiple types of marine insurance policies for Import or export shipments, Goods which are being transported via sea, rail, air, road or post and Goods being transported by coastal vessels of this reason, there is no standard list of risk against which every marine insurance will provide protection. Marine insurance is a compulsory requirements for all ships which is used for commercial or transportation purpose. Marine insurance has facilitated the development of long-distance trade and as such has influenced economic growth and progress of nations in the early modern period.

2.1 Legal aspects of Marine insurance Business in India:

Maritime law is mother of all insurances business in India. It generally covers laws or rules that govern laws of tort, law of contract, marine commerce, ships, shipping, and worker compensation claims that arise on the world's navigable waters. Marine insurance covers the loss of or damage to a ship or boat, as well as the loss or breakage of cargo over water, land or air. This business carries with it significant risks. The importing and exporting of goods can expose you to massive financial losses should your international shipments be damaged or destroyed in transit.

Maritime insurance is essential for any ship owner or cargo business, it insure property against the economic consequences of its loss or damage. Each country have their own laws dealing with insurance matters however, marine insurance is peculiar in that by the very nature of international marine transit there are common factors governing marine insurance across the world, expressed as 'over the seabed and the ocean floor.

Since independence, Indian shipping has undergone a considerable expansion. Thus, it became mandatory to enact an Indian legislation for the smooth development of marine insurance law in India which would be consistent with the conditions in India. Prior to marine insurance act 1963, questions relating to marine law were decided based on the general law of contract and the English decisions followed by the common law rules of contract. The Indian law on marine insurance is in essence an interpretation of the rules contained in the common form of marine policy. In India, Marine Insurance Act, 1963, regulates various aspects of marine insurance. The General Insurance Business (GIB) (Nationalization) Act, 1972 and the Insurance Regulatory and Development Authority (IRDA) Act, 1999. The provisions of the Indian Contract Act, 1872 are applicable to the contracts of marine insurance. Similarly, the provisions of the Companies Act, 1956 are applicable to the companies carrying on insurance business.

In India the law of marine insurance has been put in a statutory form since 1963. The preamble to the Indian Act states that it is “an Act to codify the law relating to marine insurance.” The canon of construction generally applicable to a codifying statute is well known: the language of the statute must be given its natural meaning, regard being had to the previous state of the law only in cases of doubt or ambiguity.

Marine Insurance underpins key aspects of society by providing security and protection to individuals, communities and businesses. It facilitates trade and commerce; development of long-distance trade, generates employment; provides risk sharing; encourages innovation by allowing individuals and businesses to engage in more risky business activities, thereby fostering higher levels of economic activity; and mobilizes domestic savings through the collection of premiums by insurance companies which can help build a country’s financial market.

Marine insurance protect the insurer from the peril of the sea which includes fortuitous accident, fire, war perils , pirates attack, rovers, thieves, barratry etc.

3.1 Digitalisation of Marine insurance:

In recent times many industries are reshaped in to digitalisation and the shipping industries should not be exception. Currently, Business growth, efficiency and effectiveness through digital transformation are top most business priorities for insurance companies which is clearly viewed by the TS Vijayan, chairman of the insurance regulator the Insurance Regulatory and Development Authority of India (IRDA). The Indian insurance sector is set to witness significant growth as well as regulatory challenges from the growing digitisation and technology adoption. Insurance companies and brokers are doing a big business by offering customized insurance packages for e-commerce firms to cover risks such as data theft, online frauds and hacking of websites. With the emergence of new data and increasingly interconnected technologies paved the way for the development marine insurance digitalisation Transitioning into a digital enterprise can help insurers develop new business models, which will address disruptive changes occurring in the economic, social and technological environments and drive profitability and growth. Hence, Digitalisation in shipping industries offers new opportunities for managing and operating different aspects of the shipping operations.

Traditionally, Owners of automated ships could employ management companies to handle the business and operations of the ship, or management companies could lease automated ships on their own account. In contrast to the personal one to one approach of brokers with underwriters nowadays due to the advancement of technology the ship-owners have direct access to information on availability of insurance cover and terms and conditions of cover from all over the world and decide on the insurer who is best suited to the interest of the ship-owners. It has the disadvantage in such a system because of testing the reliability of the insurer by looking into the credit ratings given by the reputed credit rating agencies can solve this tricky issue. The technological development, therefore, constitutes a direct attack on the relationship insurance, which continues to be at the heart of the most marine mutual insurers. Which in turn encourages competition by products on the basis of price rather than historical relationships.

Marine insurance, the effect can be positive as long as the industry embraces the change, another area where digitalisation in marine insurance seems set to develop in electronic payments processing mode and provision of insurance services over the Internet. This is a global phenomenon that will certainly affected the marine mutual industry. Internet, mobile & social media are helping create the popularity for digital insurance like never before. Customers prefer online because of better pricing, increased transparency & convenience of purchase Non- financial firms which means the non-marine insurance providers, who control communication networks and the gateways could set themselves up as brokers directing customers to the best product. The loyalty of the customer would increasingly be to the broker rather than the producer of the product or the one who actually provides the insurance service. Advancement of technology process will squeeze the margins of traditional insurance providers. It is also highly likely that there are non-financial firms offering such services who would be in a position to design a new product by using the information available to them through data mining technology based on digitalisation.

Conclusion

Marine insurance is based on level of uncertainty. The owner of the vessel or ship cannot predict the risk during transport. Marine insurance is a mechanism that helps to mitigate the risks of financial loss to the property such as ship, goods or other movables, in maritime transport. Insurer provides risk cover to the ship-owners or the cargo-owners against loss or damage that the ship or cargo may suffer in transit due to accidents and mishaps in the nature of a financial indemnity. Digital insurance in India is rising. Unlike banks, insurance companies have not reached the digitalization process yet. Digitalisation of marine insurance enables new data-driven business development opportunities that have implications for risk, such as monitoring vessel performance during sea transport and intelligent insurance. Digitalization involves paperless work and is necessary for networked society. In India, rising level of internet, mobile phones and smart phones are bringing tremendous growth for digitalization Therefore, developing an efficient and competitive insurance market is of key importance for developing countries like India as they integrate into the world economy

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