



New Cefor trading areas clause

The new clause will be applied to marine contracts of insurance on Nordic Marine Insurance Plan terms and conditions.

Published 26 February 2014

The information provided in this article is intended for general information only. While every effort has been made to ensure the accuracy of the information at the time of publication, no warranty or representation is made regarding its completeness or timeliness. The content in this article does not constitute professional advice, and any reliance on such information is strictly at your own risk. Gard AS, including its affiliated companies, agents and employees, shall not be held liable for any loss, expense, or damage of any kind whatsoever arising from reliance on the information provided, irrespective of whether it is sourced from Gard AS, its shareholders, correspondents, or other contributors.

New Cefor clause

Cefor (The Nordic Association of Marine Insurers) and members of the Nordic shipowners' associations have jointly drafted and agreed a new clause to be applied to marine contracts of insurance on Nordic Marine Insurance Plan (Plan) terms and conditions.[1] [The new Cefor clause](#) replaces Clause 3-15 of the Plan concerning trading areas and also replaces Clause 3-22 sub-clause 3 of the Plan. [2] In addition to the wording of the Clause, the abovementioned parties have provided a detailed commentary explains the legal effects of the clause. The intention is to amend the relevant clauses of the Plan upon its next revision, scheduled for 2016.

Gard is a member of Cefor and has played an active part in the industry discussions leading up to this new clause. Gard believes it improves contract certainty and fairness both for assureds and insurers for trading outside ordinary trading areas. The clause was developed as there were differing views among underwriters and shipowners on how to interpret the effects of Clause 3-22, sub-clause 3 of the Plan. Shipowner representatives argued that the underwriters' interpretation of Clause 3-22, sub-clause 3 made the available cover for vessels trading in conditional areas too unpredictable even though additional premium was paid for such trading. In addition, shipowners preferred the risk related to trading in ice to be assessed on an individual basis.

Vessels with Gard Claims Lead

The new clause introduces a system where the insurer will conduct a risk assessment for each individual voyage into conditional areas. The insurer will have the option to charge additional premium and/or stipulate safety regulations for the voyage based on the prevailing ice conditions, vessel design, experience of the crew etc. The following should be noted for vessels where Gard is Claims Lead:

- The new Cefor clause will be included by reference as part of standard Plan terms and conditions unless otherwise agreed at the time of contract renewal or when a new contract is entered into.
- Gard may amend existing contracts on Plan terms and conditions to include the new Cefor clause at the request of the assured. This has already been done in some cases.
- The assured must observe, as before, the duty to provide timely notification to Gard if the assured is planning to send the vessel into a conditional trading area. Such timely notification is necessary to enable Gard to form a view as to any change in risk which such trade may represent, whether any additional premium needs to be charged as a result and/or whether to exercise the rights to stipulate special conditions (safety regulations) in connection with a planned voyage to a conditional trading area. For ice infested waters this may, for example, be to require the use of ice pilots.
- There are great variations in risk connected to trade in ice infested areas. Different risk factors and mitigation possibilities will play a part in Gard's assessment, e.g. relevant ice conditions, the degree to which the vessel is strengthened for trade in ice, the experience of the crew, as well as applicable local regulations, availability of ice breakers and/or availability of emergency assistance. Each case will be assessed on its own merits by the Gard Underwriting Department.
- Failure to notify Gard as Claims Leader about trade in conditional areas may lead to a deduction of ¼ of any claim occurring within this area^[3] up to a maximum of USD 200,000. An additional premium may be charged and other conditions may be imposed with retroactive effect.

Please note the links below to other Gard information related to operating and trading in ice infested waters:

[1] The Plan is an 'agreed document'. The terms and conditions of the Plan have evolved over time based on joint decisions made by the Plan Revision Committee with representatives of shipowners, underwriters and marine insurance academics/experts. Changes in the terms and conditions deemed necessary before a scheduled Plan revision are made jointly by representatives of shipowners and underwriters in the form of Cefor clauses.

[2] Clause 3-22 sub-clause 3 reads: "The rules prescribed by the classification society regarding ice class constitute a safety regulation under sub-clause 1."

[3] Such claim does not have to be caused by any special or enhanced risk arising from the voyage in the conditional trading area.

The information provided in this article is intended for general information only. While every effort has been made to ensure the accuracy of the information at the time of publication, no warranty or representation is made regarding its completeness or timeliness. The content in this article does not constitute professional advice, and any reliance on such information is strictly at your own risk. Gard AS, including its affiliated companies, agents and employees, shall not be held liable for any loss, expense, or damage of any kind whatsoever arising from reliance on the information provided, irrespective of whether it is sourced from Gard AS, its shareholders, correspondents, or other contributors.