

# Insurance Liability for Ships Sailing Beyond Their Designated Navigation Zones During Construction Activities on Islands in the South China Sea

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**Abstract:** This paper attempts to clarify the definition of ships sailing beyond their designated navigation zones in respect to insurance claims disputes (especially the disputes concerning navigating in the waters adjacent to islands under the jurisdiction of Sansha City) over the past two years. Considered as an illegal act under administrative law, sailing beyond navigation zones will give rise to a corresponding administrative liability; meanwhile, such sailing would likely risk the insurer repudiating any claims made by the insured ship and its owners. In China's maritime judicial practices, ships sailing beyond navigation zones are often identified as unseaworthy. If the insurer intends to refuse claims on these grounds, it should provide evidence to prove that the ship has sailed beyond its navigation zone and should causally link such sailing and the accident under investigation.

**Key Words:** Ships sailing beyond navigation zones; South China Sea Islands; Insurance liability

## I. Introduction

Over the past two years, a series of disputes have occurred concerning insurance claims caused by ships which were sailing beyond their designated navigation zones. After the establishment of Sansha City, such insurance contract disputes have become more common since these ships are navigating or operating near

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the maritime features within the city's jurisdiction, however they are only registered for operation in coastal or offshore navigation zones. These disputes often riddled with controversy between the insurer and the insured concerning issues such as whether the ship has sailed beyond the navigation zone, whether the sailing beyond the navigation zone constitutes a condition unsuitable for navigation, and whether sailing beyond the navigation zone can be causally linked to the incident in question. This paper discusses these issues based on the practical and research experience of the authors.

## **II. Definition of a Ship Which Has Sailed Beyond Its Navigation Zone**

China's maritime management primarily revolves around two categories of navigation zones: navigation zones for ships and navigation zones for seafarers.

### **1. Navigation Zones for Ships**

Navigation zone for ships refers to the area where a ship may sail upon the approval of a ship inspection department and classification society, as indicated on the certificate of the ship, such as a seaworthiness/tow-worthiness certificate or ship classification certificate. It is primarily defined according to the structure, equipment and tonnage of the ship. Generally speaking, a ship's navigation zone is determined during its design and construction since different navigation zones require varied levels of navigational performance, strength, structure, equipment configuration, and staffing of ships.<sup>1</sup> According to the Regulations on Statutory Inspection of Vessels and Marine Installations – Technical Rules on Statutory Inspection of Seagoing Vessels in Domestic Navigation, the navigation zones for seagoing vessels can be classified into four categories: far sea, offshore, coastal and sheltered areas.

### **2. Navigation Zones for Seafarers**

Navigation zone for seafarers refers to the area applicable to the navigation of ships identified in the certificate of competency for seafarers. In accordance with the 2004 Rules for Examination, Assessment and Issuance of a Certificate of Competency for Seafarers of the People's Republic of China, the navigation zones

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1 Chen Wengang and Tian Zhihong, A Brief Analysis of the Reasons for Ships' Sailing within Navigation Zones in Coastal Areas, *China Water Transport*, No. 7, 2010, pp. 51~52. (in Chinese)

for seafarers fall into four categories, whose designations and meanings are not the same with those for seagoing vessels, including: unlimited, offshore, coastal and near-shore areas.

The discussion above shows there are essential differences between navigation zones for seafarers and those for ships,<sup>2</sup> however these two categories are also connected. For example, while a ship sails beyond its navigation zone, its seafarers may also navigate beyond the area applicable to their eligibility. This question will not be elaborated here, since the paper only focuses on issues concerning insurance responsibility with respect to ships' sailing beyond their designated navigation zones. And a ship's sailing beyond its navigation zone hereinafter refers to the ship's sailing or operation beyond the area indicated on the certificate of the vessel upon the approval of the ship inspection department and the classification society.

### **III. Sailing Beyond Its Navigation Zone: An Illegal Act Under Administrative Law**

Article 10 of the Maritime Traffic Safety Law of the People's Republic of China states that, "while navigating, berthing or carrying out operations, vessels and installations must abide by the relevant laws, administrative statutes and rules and regulations of the People's Republic of China." Article 37(2) of the Provisions of the People's Republic of China on Marine and Maritime Administrative Punishment, hereinafter referred to as "Provisions on Punishment", lists the circumstances when "a vessel or installation fails to observe the relevant laws, administrative regulations, and rules, and affects the safety of other vessels and installations in navigation, berthing, and operation," and the 11th circumstance refers to "navigating beyond its ratified navigation zone." Therefore, if a ship is navigating beyond its ratified navigation zone then such an act would be considered illegal under administrative law. Furthermore, Article 37(1) of the Provisions on Punishment stipulates, corresponding fines shall be imposed on the owner, operator or captain of the vessel or any other persons who are directly liable, depending on whether navigating beyond the ratified navigation zone was conducted for the purpose of business or non-business activities and whether or not there are any illegal proceeds.

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2 Jin Yuebo, Discussion on the Meaning and Designation of Navigation Zones for Ships, *China Water Transport*, No. 7, 2006, pp. 14~16. (in Chinese)

Sailing beyond the ratified navigation zone is defined in the Provisions on Punishment as an illegal act that affects the safety of other vessels and installations in navigation, berthing, and operation. In practice, quite a few ships have ignored the hidden dangers and navigated beyond their designated navigation areas to seek economic benefits or shorter sailing routes. Since these ships have sailed beyond their designated navigational areas, the insurer would refuse insurance claims if the ships were to be involved in an accident.

#### **IV. Can Insurers Refuse Claims if a Ship Has Sailed Beyond Its Designated Navigation Zone?**

In China's judicial practices concerning maritime affairs there is controversy between the insurer and the insured concerning insurance liability for ships which have sailed beyond their designated navigation zones, such as whether or not the insured ship has navigated beyond such zones, whether this constitutes its unseaworthiness, and whether there is any causality between the ship's navigating beyond its designated zone and its insurance claims. Particularly, when the insurance coverage agreed upon in the policy (including operation routes) is far beyond the designated navigation zone, is the insurer required to shoulder the insurance responsibility for accidents caused by the ship while in these areas? In practice, insurers often claim exemption from the compensation responsibility on the ground that navigation beyond the designated area constitutes unseaworthiness. Such an exemption depends on the following four issues.: 1) whether the ship has sailed beyond its designated navigation zone, 2) whether this navigation constitutes unseaworthiness, 3) whether this navigation and any incident can be causally linked, and 4) whether the ship's insurance coverage is applicable when the ship is beyond its navigable zone.

##### *A. Has the Insured Ship Navigated Beyond Its Designated Zone?*

In essence, whether or not the ship has sailed beyond its navigable zone is a factual question. As such, this issue is non-controversial especially when the insurance policy clearly defines the scope of navigation with longitudes and

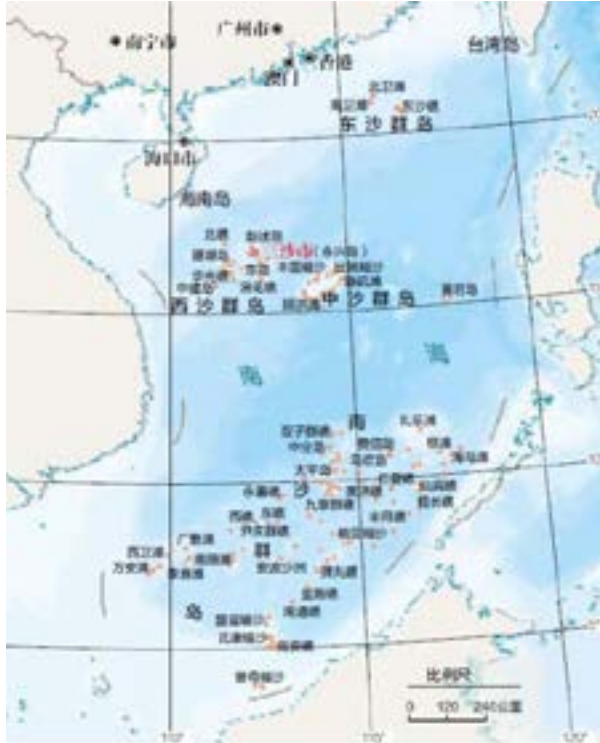
latitudes. However, since the establishment of Sansha City,<sup>3</sup> multiple accidents have occurred near the maritime features under the city's jurisdiction involving vessels which are designated to navigate within coastal and offshore zones. Because of unclear definitions on the navigation areas for vessels in China's laws, regulations and normative documents pertinent to maritime affairs, there is much controversy between the insurer and the insured over whether the ship that has an accident has navigated beyond the designated navigation zone.



**Fig. 1 Jurisdiction Map of Sansha City<sup>4</sup>**

3 With the approval of China's State Council, Sansha City was officially inaugurated on July 24, 2012 as one of the prefecture-level cities of Hainan Province. Its government is situated in Yongxing Island of the Xisha Islands and it has jurisdiction over the maritime features of and the waters surrounding the Xisha Islands, Nansha Islands and Zhongsha Islands. Please refer to the maps for more details.

4 At [http://www.360doc.com/content/12/0726/12/3008216\\_226552860.shtml](http://www.360doc.com/content/12/0726/12/3008216_226552860.shtml), 15 June 2016. (in Chinese)



**Fig. 2 Maritime Features under the Jurisdiction of Sansha City in the South China Sea<sup>5</sup>**

According to the 2011 Technical Rules on Statutory Inspection of Seagoing Vessels in Domestic Navigation of the Maritime Safety Administration of the P.R.C., General Rules, Article 13 (Demarcation of navigation zones and limitations on operation and navigation), “offshore navigation zone” refers to “the waters in Bohai Sea, Yellow Sea and East China Sea less than 200 nautical miles from the coasts; Taiwan Strait; the waters in the South China Sea less than 120 nautical miles from the coasts (less than 50 nautical miles from the east coast of Taiwan Island, east and south coasts of Hainan Island)”; “coastal navigation zone” refers to “the waters less than 20 nautical miles from the east coast of Taiwan Island, east and west coasts of Taiwan Strait, east and south coasts of Hainan Island, as well as the waters less than 20 nautical miles from the coasts other than those mentioned above; the waters less than 20 nautical miles from the coastal islands capable of

5 At [http://www.360doc.com/content/12/0726/12/3008216\\_226552860.shtml](http://www.360doc.com/content/12/0726/12/3008216_226552860.shtml), 15 June 2016. (in Chinese)

providing shelter from the weather as well as rescue and relief. But as to the islands over 20 nautical miles from the coasts, the Administration will narrow the scope of their surrounding waters from the coasts.”

According to the Policies and Regulations Department of Maritime Safety Administration of the P.R.C., the distance from the coasts in principle refers to the distance from the coastline, including mainland and island coastlines (such as Taiwan Island and Hainan Island). In view that the navigation zones should be capable of providing shelter from weather as well as rescue and relief in accordance with the 2011 Technical Rules on Statutory Inspection of Seagoing Vessels in Domestic Navigation, most maritime features under the jurisdiction of Sansha City do not enjoy such conditions; therefore the distance from the coastlines of these features is not included.

Among the South China Sea islands under the jurisdiction of Sansha City, the Xisha Islands, which is the nearest to Hainan Island, is approximately 180 nautical miles from the east and south Coasts of Hainan Island. It is clear that the areas within the jurisdiction of Sansha City do not fall within the scope of offshore or coastal navigation zones as defined above. As such, whether a ship has navigated beyond the designated navigation zone needs to be determined on a case-by-case basis.

### *B. Does the Ship's Navigation Beyond Its Designated Navigation Zone Constitute Unseaworthiness?*

Article 244 of the Maritime Code of the People's Republic of China provides that, “[u]nless otherwise agreed in the insurance contract, the insurer shall not be liable for the loss of or damage to the insured ship arising from any of the following causes: (1) unseaworthiness of the ship at the time of the commencement of the voyage, unless where under a time policy the insured has no knowledge thereof; ...” As such, the insurer often refuses such claims on the ground that the ship's navigation beyond its designated navigation area constitutes unseaworthiness. Since Chapter XII “Contract of Marine Insurance” of the Maritime Code contains no clear definition of “seaworthiness”, controversy between the insurer and the insured arises, especially when the standards for a ship's seaworthiness are not fixed in the policy or insurance clauses.

#### **1. Insurance Clauses Make It Clear That a Ship Sailing Beyond Its Designated Navigation Area Should Be Deemed Unseaworthy**

Typical examples in this case include Article 6(1) of the Clauses of Insurance for Coastal Ships of PICC Property and Casualty Company Limited (2009) and Article 6(1) of the Clauses of Insurance for Inland Vessels of PICC Property and Casualty Company Limited (2009), which provide that “[w]here the insured ship is unseaworthy or untowworthy, including improper manning of the ship, the inconsistency of the ship’s technical conditions, navigation zone and purpose with provisions relating to navigation (towing), and inappropriate loading of goods.”

## **2. The Interpretations of Insurance Clauses for Coastal and Inland Ships Issued by the People’s Bank of China (Y.F. [1996] No. 459)**

The Interpretations of Insurance Clauses for Coastal and Inland Ships (Y.F. [1996] No.459) issued by the People’s Bank of China on December 27, 1996, provides a detailed interpretation on the seaworthiness of insured ships, holding that navigation beyond the designated navigation zone constitutes unseaworthiness and is categorized as excluded liability in insurance. It states that:

*I. Seaworthiness refers to all kinds of risks that the ships can withstand during its navigation through the navigation zone and is relevant to the suitability of guarantee and etc. There are clear-cut requirements on seaworthiness in relevant laws, international trade law and insurance articles. As for China, its Maritime Traffic Safety Law and Maritime Code have explicitly provided that ships should be seaworthy, and also extended the scope of seaworthiness under ship insurance and made it an important obligation for the insured and its representative. Therefore, among the insurance clauses, the one concerning the ship’s seaworthiness is considered as an implied warranty by the insured, including leasing operator.*

*II. Seaworthiness in insurance contracts involves three aspects: 1) a vessel’s design, structure and equipment should comply with the construction and inspection criteria, and it should obtain the corresponding certificate of conformity upon inspection; 2) seafarers’ eligibility, fueling and supplies should conform to relevant laws and meet the requirements relating to the navigation zone; 3) stowage should fulfill relevant requirements.*

*III. Any of the following circumstances constitutes seaworthiness and the insured ship shall not be indemnified under this insurance, if:*

*(I) The vessel does not hold a statutory certificate of technical qualifications, the certificate is falsified or altered, or the vessel’s actual conditions are inconsistent with those specified in the certificate.*



*(II) The vessel does not sail in the navigation zone defined according to its performance and arbitrarily navigates beyond its navigation zone, or changes its scheduled purpose without the approval from the inspection department...*

It is worth noting that, although the Interpretations was abolished on September 29, 2010,<sup>6</sup> it still has some legal impacts on the determination of seaworthiness of insured vessels in China's maritime judicial practices.

### **3. China's Stance in Maritime Judicial Practices**

Case 1:

In *Sunshine Insurance (Liuzhou City) Company et al. vs. Liuzhou City Yuanlong Shipping Co., Ltd.*<sup>7</sup> concerning an insurance contract for waters connecting to the sea, the Court held that,

*Whether a vessel is seaworthy should be decided based on factors such as its technical conditions, manning and loading. Unseaworthiness mainly refers to:*

*1. Improper manning. The vessel is not well-equipped with eligible seafarers and other crew members in the prescribed quantity.*

*2. Invalidity of seaworthiness certificate. The certificates of nationality, registration or inspection, or fishing license have expired.*

*3. Sailing beyond navigation zone or when the wind is higher than the prescribed anti-wind grade. The vessel sails beyond the navigation zone as indicated in seaworthiness certificate or sails when the wind is higher than the prescribed anti-wind grade.*

*4. Improper equipment. The vessel's technical performance does not comply with the standardized requirements corresponding to its class and it has inadequate equipment, fuel, supplies, fresh water and provisions needed for the navigation.*

*5. Improper stowage. The goods are not stowed in accordance with the requirements for that type of vessel or not stowed properly.*

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6 The Interpretations was, on September 29, 2010, abolished upon passing the No. 12 Notice (2010) of the People's Bank of China and China Insurance Regulatory Commission on Annuling Thirty-eight Pieces of Normative Documents with Respect to Recovering Domestic Insurance Businesses and Improving Insurance Agencies.

7 (2014) Gui Min Si Zhong Zi No. 48, (2013) Hai Shang Chu Zi No. 68.

Case 2:

In *ZHU vs. Sinosafe Property Insurance Co., Ltd. Shanghai Branch*<sup>8</sup> concerning a maritime insurance contract dispute, the cause for the dispute was analyzed in the investigation report by Maritime Safety Administration of Tangshan City. It was found that,

*The accident has been directly caused by the typhoon. When the “Ming [Xuan]” vessel encountered heavy waves, a large amount of water got into its cargo hold, after which the vessel sank as it approached the waters surrounding Jingtang Port. The accident had three indirect causes. First, the “Ming [Xuan]” vessel, which navigated beyond its navigation zone, was considered unseaworthy. The vessel was made for inland waters, and its structure, strength, stability and equipment were unable to satisfy the needs for safe navigation at sea, nor guard against the waves at sea. Second, the crew members onboard were considered ineligible since they did not hold seafarer certificates. Nor did they receive relevant training, which is against the laws and regulations concerning maritime traffic and transport. Third, the vessel was improperly managed and those aboard were unaware of the security situation.*

The courts of first and second instances also ruled that the vessel was unsuitable for navigation.

In conclusion, even if a vessel has a seaworthiness/tow-worthiness certificate, it would still be deemed unseaworthy in China’s judicial practices, when it sails beyond its designated zone.

### *C. Is There a Causal Link Between Navigation Beyond the Navigation Zone and the Insurance Accident?*

According to Article 244 of the Maritime Code of the People’s Republic of China, “[u]nless otherwise agreed in the insurance contract, the insurer shall not be liable for the loss of or damage to the insured ship arising from any of the following causes: (1) unseaworthiness of the ship at the time of the commencement of the voyage, unless where under a time policy the insured has no knowledge thereof;

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8 (2014) Hu Gao Min Si (Hai) Zhong Zi No. 117, (2013) Hu Hai Fa Shang Chu Zi No. 1591.

...” Thus, if the insurer intends to claim exemption from insurance liability where a ship sailing beyond its designated navigation zone constitutes unseaworthiness, it still must prove that there is a causal link between such navigation and the insurance accident. This has been widely identified in China’s maritime judicial practices, particularly in the following three cases.

Case 1: *LIU Hefeng vs. CPIC Putuo Branch Company*

In the case of appeal concerning a maritime insurance contract dispute between LIU Hefeng and CPIC Putuo Branch Company (Zhoushan City),<sup>9</sup> the Higher People’s Court of Zhejiang Province held that,

*Since the “Guoliang 108” Vessel was not properly manned, it could be deemed unseaworthy. However, it has not been clearly agreed that the insurer would be exempted from liability for loss attributable to unseaworthiness. Even if it can be identified as an intentional act or gross negligence of the insured and its representative, CPIC Putuo Branch should still provide proof on the causal link between the losses caused by the accident and this act.*

Case 2: *Jiangnan Shipping Co., Ltd vs. CPIC*

In *Jiangnan Shipping Co., Ltd (Leqing City) vs. CPIC* concerning an insurance contract for the sea and the waters connecting the sea,<sup>10</sup> the Higher People’s Court of Shanghai Municipality held that,

*In insurance contract cases arising from the sinking of ships, the insured only needs to provide preliminary proof on the causal link between the loss and the insured perils; when the insured has already preliminarily proved that the loss is caused by the insured peril, the insurer should present evidence that the loss is brought about by the ship’s unseaworthiness, instead of merely proving the existence of such possibility, if it intends to refuse compensation on the ground of the ship’s unseaworthiness.*

Case 3: *Panama Yongyue Shipping Co., Ltd vs. PICC Qingdao Branch Company*

In the case concerning an appeal over compensation under the insurance

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9 (2012) Zhe Hai Zhong Zi No. 29, (2011) Yong Hai Fa Zhou Shang Chu Zi No. 72.

10 (2008) Hu Gao Min Si (Hai) Zhong Zi No.1, (2006) Hu Hai Fa Shang Chu Zi No. 612.

contract between Panama Yongyue Shipping Co., Ltd and the PICC Qingdao Branch Company,<sup>11</sup> the Higher People's Court of Shandong Province held that,

*As indicated in the policy issued by PICC Qingdao Branch Company to Yongyue Company, all the risks have been covered according to PICC Hull Insurance Clauses (January 1, 1986). The scope of liability is defined in the Clauses as the losses of the insured ship caused by negligent acts of the captain, crew, pilot, ship repairer and charterer. It also provides exclusions, stating that the losses, liabilities, or expenses arising from the following causes are not covered in the insurance: unseaworthiness, including improper manning, equipment or stowing, to the extent the insured knows or should know the unseaworthiness when the ship sails; negligent or intentional acts by the insured and its representatives; normal wear, corrosion, decay, poor maintenance, or material defects (including change or repair of parts in bad condition), which should be discovered by the insured with due diligence. In this case, the PICC claimed exemption from insurance compensation liability on the grounds that the loss in the accident was caused by Yongyue Shipping Company breaching its responsibilities. As such, it should submit evidence to prove the unseaworthiness of the ship or to prove that the Yongyue Shipping Company had acted negligently or that it had breached its responsibilities, and further to prove that the ship's unseaworthiness or Yongyue's negligent acts had led to the accident. As indicated by the technical assessment report on the ship, the accident was caused by the negligent acts of the seafarers which was within the coverage of all risks insurance according to the PICC Hull Insurance Clauses (January 1, 1986). As a result, the PICC Qingdao Branch Company should compensate for the loss. The evidence provided by the PICC Qingdao Branch Company was insufficient to prove that the lubricant oil purifier on the "Haifengdaban" vessel malfunctioned after the vessel's repair in the Ligang Shipyard, as claimed in the Inspection Report by Shuangcheng Consultant Company, and that the vessel also had other problems, as claimed in the Analysis Report by Yuezhi Loss Assessment Company. The evidence is also inadequate to prove that there is any causality between the five problems claimed in the Inspection Report and the problems claimed in the Analysis Report and the accident, or that the accident was due to unseaworthiness of*

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11 (2007) Lu Min Si Zhong Zi No. 65, (2004) Qing Hai Fa Hai Shang Chu Zi No. 32.

*the ship or caused by negligent acts/breach of responsibilities by the Yongyue Company. The claims for exemption from compensation responsibility by PICC Qingdao Branch Company are not well-grounded in fact and law. Therefore, the Court ruled against its claims.*

The burden of proof, however, shouldered by the insurer to establish the cause-and-effect relationship between the unseaworthiness of a ship and an insurance incident in some ship insurance clauses, vanished due to the design of these clauses. Perfect examples in this case include the design of certain exemption clauses in the Clauses of Insurance for Coastal Ships of PICC Property and Casualty Company Limited (2009) and the Clauses of Insurance for Inland Vessels of PICC Property and Casualty Company Limited (2009). Article 6 of both Clauses indicates that:

*Under any of the following circumstances within the period of insurance, the insurer shall not be liable to any responsibility, damage or costs caused by any reasons in circumstances:*

*(1) Where the insured ship is unseaworthy or untowworthy, including improper manning of the ship, the inconsistency of the ship's technical conditions, navigation zone and purpose with provisions relating to navigation (towing), and inappropriate loading of goods.*

In accordance with the insurance clause above, a ship will become unseaworthy if it navigates beyond the zone prescribed in the relevant document. When a ship becomes unseaworthy, the insurer would be absolved from liability for any damages or associated costs. Nevertheless, given that such clauses are standard terms which obviously reduce the insurer's obligation or absolve the insurer of its liability, such clauses shall have no effect if the insurer fails to explicitly state such clauses to the insured when signing the insurance contract. For example, in the *Marine Insurance Contract Dispute Case (Cui Jihao vs. Bengbu Center Branch of Minan Property and Casualty Insurance Company Limited)*,<sup>12</sup> the court held that since Minan Company, the insurer, failed to present evidence which proved it had fulfilled its obligation to clearly inform the insured, the exemption clause of the insurance contract had no effect. Thus, the court decided that the insurer should pay

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12 (2013) Zhe Hai Zhong Zi No. 77, (2012) Yong Hai Fa Shang Chu Zi No. 450.

the relevant compensation.

#### *D. Does a Ship's Insurance Coverage Apply Beyond Its Approved Navigation Zone?*

In practice, a ship's navigation zone as stated in its insurance policy is normally consistent with the navigation zone indicated on its certificate. In order to reduce risks, however, in some cases the insurer reaches agreement with the insured concerning the navigation zone of the insured ship. For example, a ship's navigation zone is limited to specific, agreed upon routes, or is clearly defined by a series of coordinates which often lie within the scope of the navigation zone approved on the ship's certificate. Yet there are also exceptions. For instance, if the approved navigation zone of an insured ship is comprised of the coastal or offshore navigation areas then the coverage under the insurance policy, such as the operating routes, often far exceeds the approved zone. In this case, if a ship navigates beyond its approved zone but within the coverage agreed upon in the ship's insurance policy, may the insurer refuse to pay the relevant compensation on the ground that the ship has navigated beyond its approved zone and has become unseaworthy?

Article 244 of Maritime Code of the People's Republic of China provides that, "[u]nless otherwise agreed in the insurance contract, the insurer shall not be liable for the loss of or damage to the insured ship arising from any of the following causes: (1) unseaworthiness of the ship at the time of the commencement of the voyage, unless where under a time policy the insured has no knowledge thereof;..." This provision indicates that the Maritime Code grants the parties to a marine insurance contract with much freedom of contract. As such, the parties are fully entitled to agree on the insurer's liability for any responsibility, damage or costs caused by the ship's unseaworthiness or navigation beyond its approved navigation zone.

## **V. Conclusion**

In conclusion, China's current laws and maritime judicial practice indicate the following facts: A ship's navigation beyond its approved zone constitutes a breach of administrative laws. In this case, courts tend to assert that the ship becomes unseaworthy. In spite of this, the insurer still bears the burden of proof if it intends to refuse compensation for the insured on the grounds that the insured

ship has navigated beyond its approved navigation zone. Such proof must be provided primarily in two instances: First, in cases where the insurance policy or clauses explicitly state that the insurer shall be exempt from liability when the insured ship becomes unseaworthy due to navigation beyond its approved zone. In such instances the insurer shall prove that it has properly fulfilled its obligation to explain such standard terms or inform the insured of the same. Second, in the absence of specific provisions, the insurer must establish the cause-and-effect relationship between the unseaworthiness of a ship and an insurance incident.

Additionally, as described above, if the coverage specified in the insurance contract exceeds the approved navigation zone of the insured ship, the insurer should bear the liability arising out of all risks covered by the insurance. Therefore, if a ship navigates beyond its approved zone, but within the coverage as agreed in the ship's insurance policy, the insurer may lose the right to raise an exemption defense against the insured.

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