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LEGAL OPINION

Marine Insurance – Utmost good faith

A pleasure yacht was insured; in the contract, it was declared as made of GRP, and also that it was intended for personal use. Marine Insurance Act 1906 applied in the insurance policy.

Following a grounding of the yacht, insurance remuneration was sought. The underwriters refused to pay, on the grounds the yacht proved to be made of wood, not of GRP. Further, when grounded, the vessel was chartered to a third party, so it was not for personal use of the owner.

Accordingly, the suit of the insured seeking insurance remuneration was rejected.

Supreme Court Judgment no 1459/ 2014, Presiding: G. Chrysikos, Rapporteur Judge: A. Kaganis, Attorneys at law: D. Voutsinos, Chr. Plegkas, Maritime Law Review vol. 42, p. 300.

NOTE: The notion of utmost good faith is fundamental in marine insurance. The duty to disclose all material facts to enable the underwriter to decide whether he will enter into the contract and define the premium, fall within the utmost good faith. The latter should be observed at any renewal as well. In the case under examination, the yacht owner failed to disclose material facts, so he was in breach of the duty to utmost good faith. In view of this, the underwriter was entitled to cancel the insurance contract retrospectively from its beginning.

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