

A GUIDE TO P&I CLUB COVER FOR OSV OWNERS AND CHARTERERS  
JAMIE ROBINSON, OFFSHORE SYNDICATE CLAIMS HANDLER  
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## OUTLINE



- What is P&I Insurance?
- What is the International Group?
- The Shipowners' Club
- The difference between Rules Cover/Extensions/Market Cover
- Common extensions to cover: (i) Specialist Operations, (ii) Contractual Liability Cover, (iii) Extended Towage, and (iv) Others.
- P&I Cover and Chartering
- Contract Review



## WHAT IS P&I INSURANCE? (1)



- P&I stands for Protection & Indemnity Insurance.
- In the event of a range of third party liabilities occurring, it will:
  - Defend the Member's interests in the claim ('Protect').
  - If the claim has to be paid it will reimburse the Member ('Indemnify').
- History of Marine Mutual Insurance:
  - 18th Century – Hull Clubs (vessel insurance)
  - Mid 19th Century – P&I Clubs (vessel liability insurance)
  - End 19th Century – FD&D Cover (vessel legal costs insurance)

## WHAT IS P&I INSURANCE? (2)



**SHIPOWNERS**  
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A typical P&I policy will respond to liabilities in relation to:

- Seafarers
- Passengers
- Other persons onboard
- Diversion expenses
- Deserters, stowaways, refugees
- Life salvage
- Collision
- FFO claims
- Pollution
- Towage
- Wreck Removal
- Quarantine Expenses
- Cargo / Property onboard the vessel
- Unrecoverable / Ship's proportion GA
- SCOPIC
- Fines
- Inquiries and Proceedings
- Sue & Labour costs



THE IG/SHIPOWNERS'



SHIPOWNERS

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## WHAT IS THE INTERNATIONAL GROUP?

- The International Group of P&I Clubs ('IG') is an association based in London which comprises **13** of the world's largest mutual P&I Clubs.
- Between them they underwrite over 90% of the world's ocean-going tonnage.
- The Group provides a platform for the clubs to share ('pool') their very large claims (currently those above US\$ 10 million), spreading exposure to the cost of these claims more widely.
- The IG also oversees a range of subcommittees and working groups, which deal with a range of legal, regulatory, and insurance issues for shipowners and charterers.



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## THE SHIPOWNERS' CLUB

- Founded in 1855, the Club has been insuring vessel liabilities for over 160 years.
- Member of the International Group.
- Free reserves in the region of US\$ 300 million.
- We have a dedicated Offshore Syndicate in London, with 15 Underwriting and Claims staff.

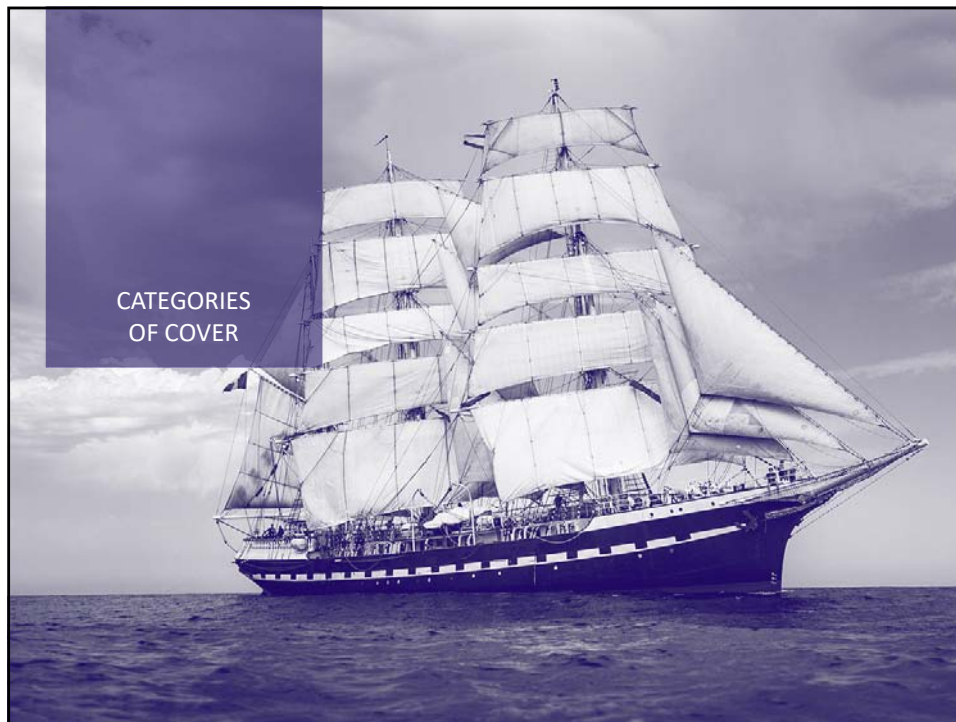
We insure more than

**32,000  
vessels**

more than any other  
P&I Club in the world

We specialise  
in small and  
specialist  
vessels,  
including:





#### RULES COVER/CLUB EXTENSIONS/'MARKET' COVER (1)



- All IG P&I clubs have substantively the same cover, which is based on the 'Pooling Agreement' under which they share large claims. This cover is known as 'poolable', 'mutual' or 'Rules' cover, and is contained in each club's Rule Book.
- Rules cover contains exclusions for activities which are considered non-standard; those risks which are not shared by most shipowners.
- Many of these exclusions can be 'bought back' by a standard extension to cover, which will be added to the Member's Certificate of Entry.
- Sometimes the standard extensions contain further exclusions which can be insured in the commercial insurance market.



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## RULES COVER/CLUB EXTENSIONS/'MARKET' COVER (2)

E.G. A pipe-laying vessel is involved in a collision.

1. If the collision occurred whilst navigating to the site location (**Rules' P&I Cover**).
2. If the collision occurred on-site and was caused by the vessel's restricted manoeuvrability whilst laying pipe (**Extension: Specialist Operations**).
3. Damage caused to the pipe itself (**Market Cover: Damage to Contract Works**).

SPECIALIST  
OPERATIONS





## COMMON EXTENSIONS SPECIALIST OPERATIONS



- Non-exhaustive list: dredging, blasting, pile-driving, well-stimulation, cable or pipe-laying, construction, installation or maintenance work, core sampling, depositing of spoil, professional oil spill response or professional oil spill response training (excluding fire-fighting).
- The liability has to arise out of:
  - a) The 'specialist nature' of the operations, (bought back by additional cover).
  - b) 'Failure to perform', (cannot be covered).
  - c) Loss of or damage to the 'contract works' (market cover can be obtained).
- Recent considerations:
  - Flying a drone – yes, using seismic streamers – no, fishing gear – no, ROVs – yes, anchor handling with grapnel hooks – yes ('disturbs the seabed').



## COMMON EXTENSIONS CONTRACTUAL COVER



- Liabilities which would not exist but for the contract and which do not appear in standard accepted contracts – e.g. a crew contract with ITF limits is acceptable, but a crew contract with 3x ITF limits would be a contractual liability.

### Examples:

- Waiving right to limit liability.
- Agreeing to accept the negligence of another.
- Agreeing to pay even where there was no negligence.
- Contractual removal of wreck.

EXTENDED TOWAGE





## COMMON EXTENSIONS EXTENDED TOWAGE



- Insured vessels are covered for liabilities arising from the towage of other vessels by the Rules when:
  - a) The towage involves saving life at sea ('emergency towage'), or
  - b) The insured vessel is towing under an 'approved contract'.
- \* For the purpose of the Rules, an Approved Contract means a materially unamended:
  - UKSTC (or similar form)
  - Towhire or Towcon
  - LOF
  - Other knock-for-knock terms (e.g. Supplytime)

## OTHER COMMON EXTENSIONS



COMMON EXTENSIONS  
OTHER



- Divers' Cover
- Salvors' Cover
- Damage to ROVs
- PA Cover
- Primary War

CHARTERING



## P&I CLUB COVER AND CHARTERING



- Most clubs will accept Charterers entries only if there is already an owned entry.
- Covers you for all of the same liabilities as an owners' entry, to the extent you are liable for these elements as the time charterer of the insured vessel.
- The level of Calls (premium) will very much depend on your contract and what liabilities you accept.
- E.g. the distinction between Supplytime 1989/2005 makes little difference in risk to the Owner, but a potentially considerable difference to the Charterer.

CONTRACT REVIEW



## OSV CONTRACT REVIEW



- The Club reviews contracts submitted by Members in order to recommend the most suitable cover.
- Some considerations we bear in mind when reviewing contracts:
  - Whether contracts are 'back to back'.
  - Whether standard form contracts have been amended and the effect of those amendments.
  - Whether Members have accepted liabilities which would fall outside their current entry with the Club.
  - Whether any limits on Member's additional covers are appropriate given the limits in the contract.

## CURRENT TRENDS IN OSV CONTRACT REVIEW



- Placing more liability on the OSV Owner (perhaps to save the customer's premium).
- Requiring a waiver of rights of limitation under the LLMC or equivalent.
- Placing an upper limit to match deductibles in own insurance policy (warning, these are usually argued to 'replace' LLMC limits).
- Onerous pollution clauses requiring Members to assume liability for other parties.
- Requirement to remove 'debris' from the field on demand. (also c. wreck removal).
- Unbalanced k4k/restrictive k4k (sometimes restricted to specific property).
- Requirement to accept non-negligence based liabilities.
- Avoiding contractual terms by making claims under local tort law.

THANK YOU.  
ANY QUESTIONS?

