

MARITIME LIEN INSURANCE FOR CHARTERERS DEBTS

FREQUENTLY ASKED QUESTIONS

1. What is the risk that is covered by the Maritime Lien Insurance for Charterers debts?

Under this Policy, Members are insured against financial losses incurred by them by way of "*third party claims*" arising directly from the insolvency of a Charterer of the vessel. "*Third party claims*" is a term defined in the Policy to include two categories of liabilities which Members may suffer as a result of the insolvency of a Charterer;

- i) Any claims being asserted against a declared vessel including, but not limited to statutory rights of action *in rem*, maritime liens and any other maritime claim which it is alleged by the Claimant gives a right against a vessel; and
- ii) Any liability to pay the cost of bunkers, port charges, stevedoring costs and any other costs necessary for the completion of a voyage which would properly be the responsibility of the vessel's Charterer.

It will be seen from the above that the first category of liabilities covered by the Policy can be described as unpaid Charterers debts which the bunker supplier, stevedore or other company seeking payment demands payment of by threatening to arrest the relevant vessel.

The second category of liabilities covered by the Policy can be described as the costs of completing a voyage already commenced prior to the insolvency of a Charterer providing such costs are Charterers responsibility under the terms of the governing Charterparty.

2. Will this policy cover outstanding freight or hire if a charterer goes insolvent before completion of a voyage?

No. Although the Policy will cover the cost of bunkers, port charges, stevedoring costs and any other costs necessary for the completion of a voyage, there is an express exclusion for loss of earnings, whether it be hire, freight, deadfreight, demurrage or indeed running expenses of the vessel.

3. When will a Member be entitled to demand payment under this Policy?

It is a condition of the Policy that the Member concerned has either:

- i) Settled the claim with the third party with the approval of the underwriters; or

- ii) That the claim be the subject of a final Judgment of the relevant Tribunal or Court.

4. Will underwriters put up a guarantee if a vessel is arrested?

No. The Policy specifically warns Members that the underwriters will be under no obligation to put up security if an insured vessel is arrested.

5. If some of my vessels entered with the Association are not entered in the FD&D Class, but others are, can I still buy this insurance for all vessels entered with the North of England?

No. Members can only buy this insurance for vessels which are entered in the FD&D Class of the Association.

6. Am I free to pick and choose the periods for which I buy this insurance cover?

No. The period of the Policy will ordinarily run from 20 February for 12 months, unless a vessel is sold. Otherwise, you can buy this cover when you are purchasing a second-hand vessel or taking delivery of a new building from the date of delivery. If you are a time charterer member, then this insurance must be bought from the date of delivery of the vessel under the head time charter or from 20 February until redelivery under the head charter.

7. Can I buy this insurance for a vessel which is already on charter to a company I think is going bankrupt?

No. If a Member believes a Charterer is about to go bankrupt then this knowledge would have to be disclosed to the underwriters who would be most unlikely to accept to insure the vessel against these risks.

8. If I buy this cover, do I have to tell underwriters every time a Charterer pays hire late?

No. You only need to notify the Association either when you become aware of the insolvency (as defined in the policy) of a Charterer (either existing or previous) of an insured vessel or of a claim demand being made against a declared vessel arising directly from the insolvency of a Charterer.

9. Do I have to buy US\$1m worth of cover, or can I have a lower limit of cover and pay less premium?

The terms of the Policy are not negotiable - Members cannot buy a lower limit of cover for less premium.

10. If I buy this insurance for 9 vessels on 20 February but later buy it for additional vessels purchased during the year am I entitled to the rebate of 10% for all these vessels?

In order to get the rebates on premium, Members need to have 10 (or 20 respectively) vessels or more entered throughout the year pro rata.

- 11. If I buy this insurance for more than 10 vessels on 20 February but subsequently sell vessels during the year do I lose my rebate?**

As with the answer to question (10) above Members will need to have 10 (or 20 respectively) vessels or more entered throughout the year pro rata and rebates will be paid to Members at the end of each policy year to those Members who qualify.