



1

INTRODUCTION

- Scope of P&I Cover
- Risks not covered
- Underlying principles of marine insurance

2

RISKS COVERED



3

RISKS COVERED – RULE 19

- | | |
|------------------------|---|
| 1. Seamen | 14. Wreck Removal |
| 2. Supernumeraries | 15. Towage |
| 3. Passengers | 16. Contracts, Indemnities & Guarantees |
| 4. Third Parties | 17. Cargo |
| 5. Stowaways | 18. General Average |
| 6. Diversion Expenses | 19. Fines |
| 7. Life Salvage | 20. Legal Costs, Sue & Labour |
| 8. Persons in Distress | 21. Risks Incidental to Ship owning |
| 9. Quarantine | 22. Special Cover (s/c) |
| 10. Collisions | 23. s/c - Salvors |
| 11. Non-contact Damage | 24. s/c - Containers |
| 12. Damage to Property | 25. s/c - Time Charterers. |
| 13. Pollution | |

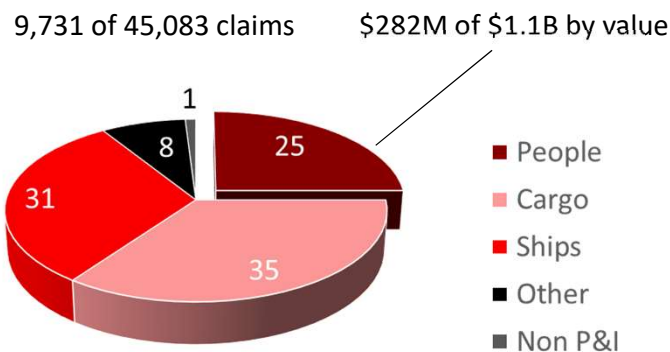
4

RISKS COVERED – RULE 19

	1. Seamen	14. Wreck Removal
	2. Supernumeraries	15. Towage
	3. Passengers	16. Contracts, Indemnities & Guarantees
	4. Third Parties	17. Cargo
People	5. Stowaways	18. General Average
	6. Diversion Expenses	19. Fines
	7. Life Salvage	20. Legal Costs, Sue & Labour
	8. Persons in Distress	21. Risks Incidental to Ship owning
	9. Quarantine	22. Special Cover (s/c)
	10. Collisions	23. s/c - Salvors
Ships	11. Non-contact Damage	24. s/c - Containers
	12. Damage to Property	25. s/c - Time Charterers
	13. Pollution	
	Other	

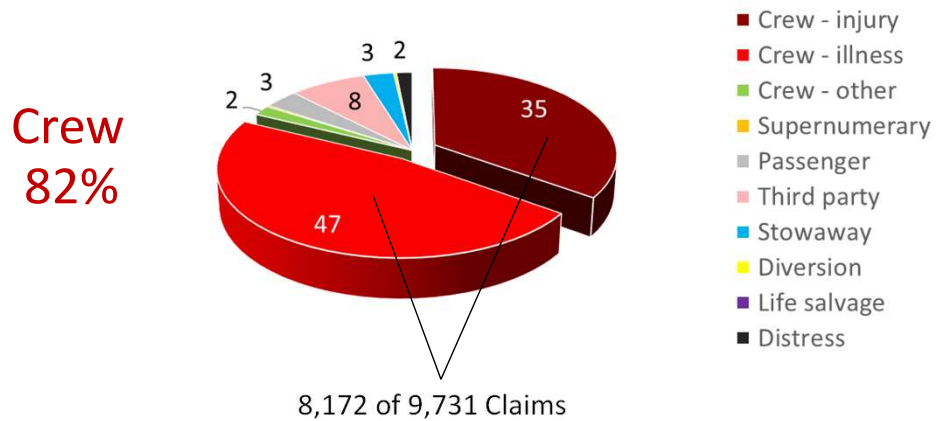
5

PEOPLE CLAIMS BY COST (%)



6

PEOPLE CLAIMS BY NUMBER (%)



7

PEOPLE 19 (1-5)

- Seamen
- Supernumeraries
- Passengers
- Third Parties



8

PEOPLE 19 (1-5)

Pay damages or compensation for death, personal injury or illness

	Statutory	Contractual	Duty of Care
Crew	✓	✓ Contract of employment and crew agreement	✓
Supernumeraries	Depends Some jurisdictions?	X Possibly if stowaway put to work?	✓
Passengers	Possibly Merchant Shipping Act	✓ Passenger ticket	✓
Third Party	Depends Some jurisdiction?	X	✓

9

STOWAWAYS 19 (5)



10

PERSONS IN DISTRESS 19 (8)

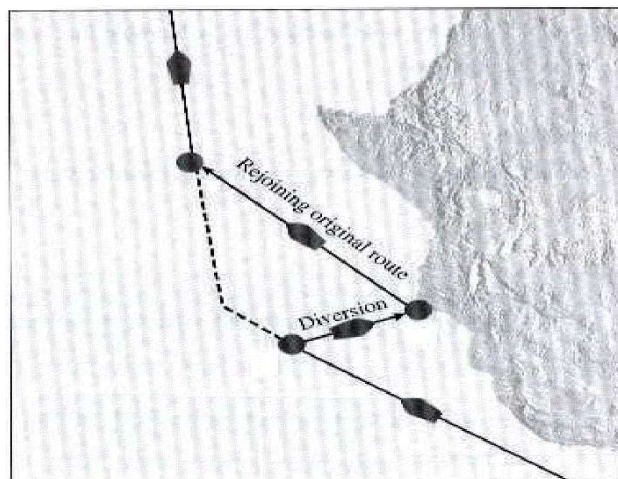


11

DIVERSION EXPENSES 19 (6)

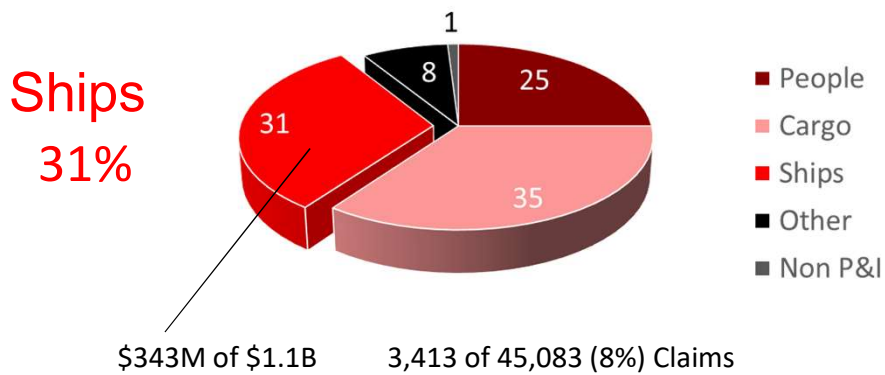
Expenses for:

- Landing injured or sick persons
- Assisting persons in distress
- Landing stowaways or refugees



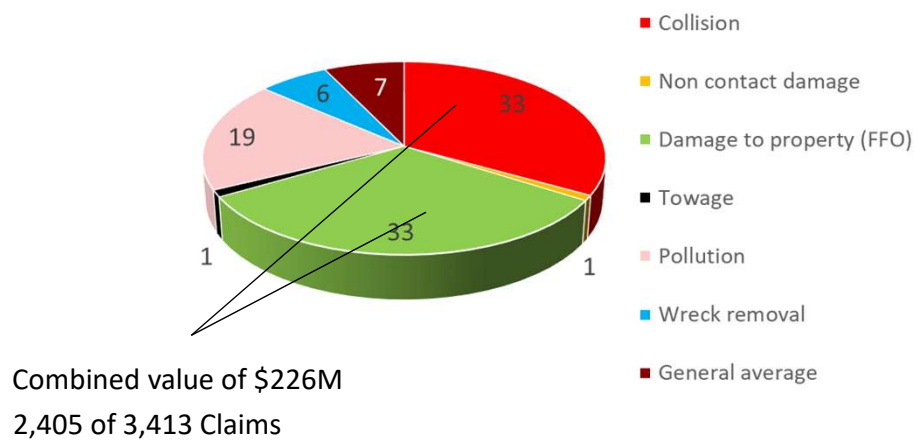
12

SHIPS CLAIMS BY VALUE (%)



13

SHIPS CLAIMS BY TYPE - COST(%)



14

COLLISIONS 19 (10)



15

COLLISIONS 19 (10)

**Institute time clauses hulls 1/10/83 $\frac{3}{4}$ Hull and Machinery
 $\frac{1}{4}$ P&I**

Clause 8 - $\frac{3}{4}$ Collision Liability - Running down clause (RDC)

8.1 - The underwriters agree to indemnify the Assured for three-fourths of any sum or sums paid by the Assured to any other person or persons by reason of the Assured becoming legally liable by way of damages for

8.1.1 - Damage to the OTHER ship (includes property/cargo on OTHER ship)

8.1.2 - Delay or loss of use of the OTHER ship

8.1.3 - General average or salvage of the OTHER ship

16

COLLISIONS 19 (10)

Institute time clauses hulls 1/10/83 4/4 P&I

Clause 8 – EXCLUSIONS 3/4 Collision Liability - Running down clause (RDC)

- 8.4 – Provided always that this Clause 8 shall in no case extend to any sum which the Assured shall pay for or in respect of
 - 8.4.1 – Wreck removal
 - 8.4.2 – Property **not on** the OTHER ship
 - 8.4.3 – Cargo on own ship
 - 8.4.4 – Loss of life, personal injury or illness
 - 8.4.5 – Pollution

17

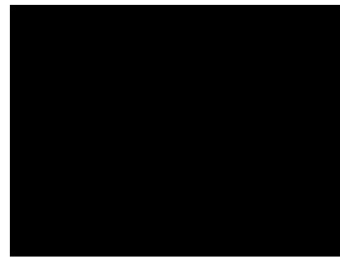
NON-CONTACT DAMAGE 19 (11)

- Wash damage
- Loss of Use
- Prevention of access
- Nuisance

North
Global service
built around you

18

DAMAGE TO PROPERTY 19 (12)



19

POLLUTION 19 (13)

- Damages
- Clean-up costs
- Contractual obligations
- Government Orders
- Salvor's expenses
- Fines (accidental incidents)

North
Global service
built around you

Torrey Canyon (1967)

Amoco Cadiz (1978)

Exxon Valdez (1989)

Braer (1993)

Sea Empress (1996)

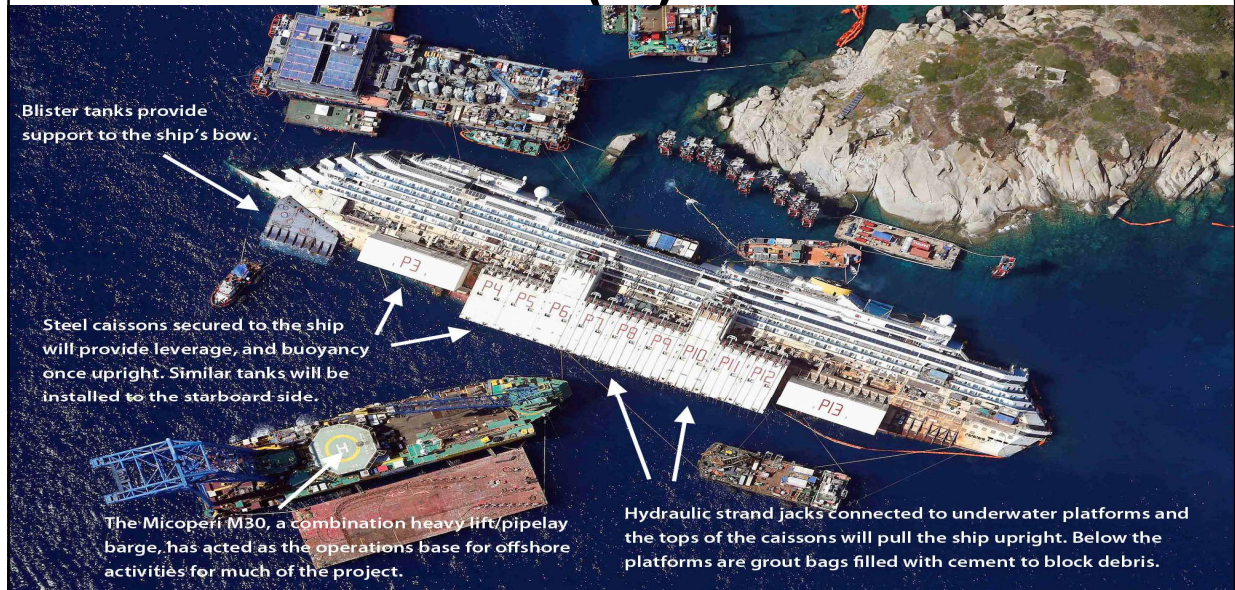
Erika (1999)

Prestige (2002)

Tasman Spirit (2003)

20

WRECK REMOVAL 19 (14)



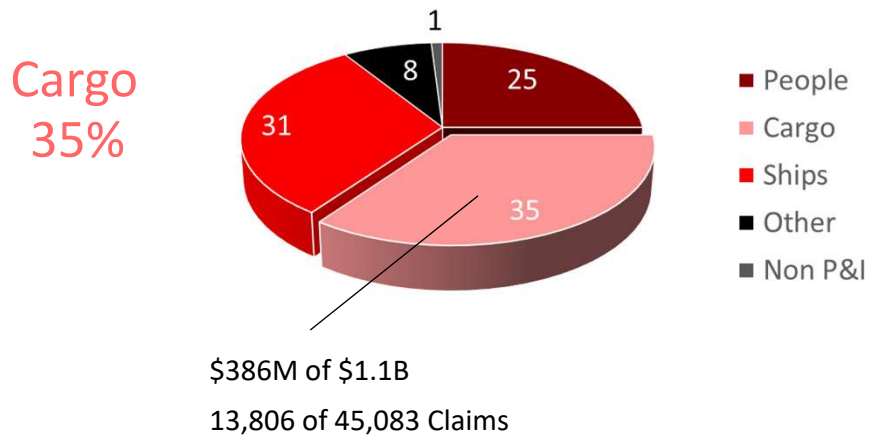
21

DURING TOWAGE 19 (15)



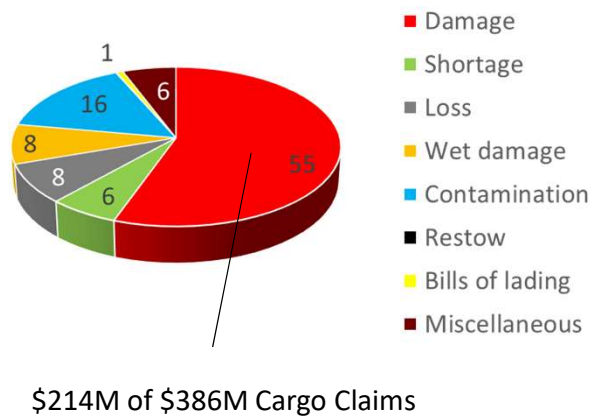
22

CARGO CLAIMS BY VALUE (%)



23

CARGO CLAIMS BY TYPE – VALUE (%)



24

CARGO 19 (17)

- Loss, shortage or damage arising from any breach of the contract of carriage
- Hague Visby Rules
- Care for the cargo
 - Load, Handle
 - Stow, Carry
 - Keep, care for
 - Discharge
- Due diligence to make the ship seaworthy



25

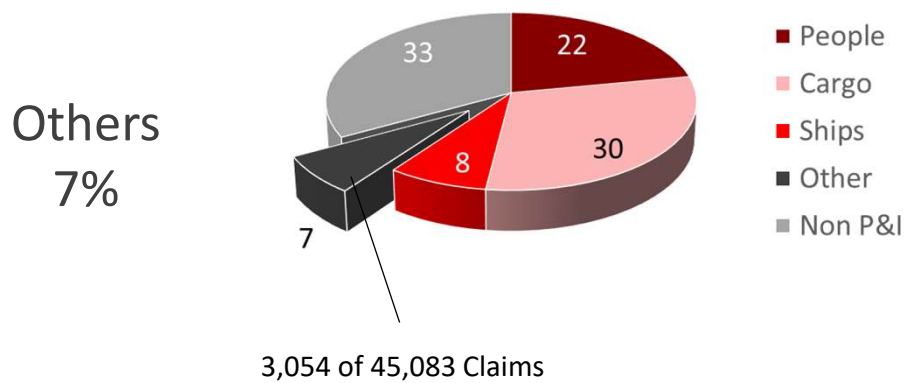
CARGO 19 (17)

- Additional costs
- Discharging or disposing
 - Damaged cargo
 - Worthless cargo



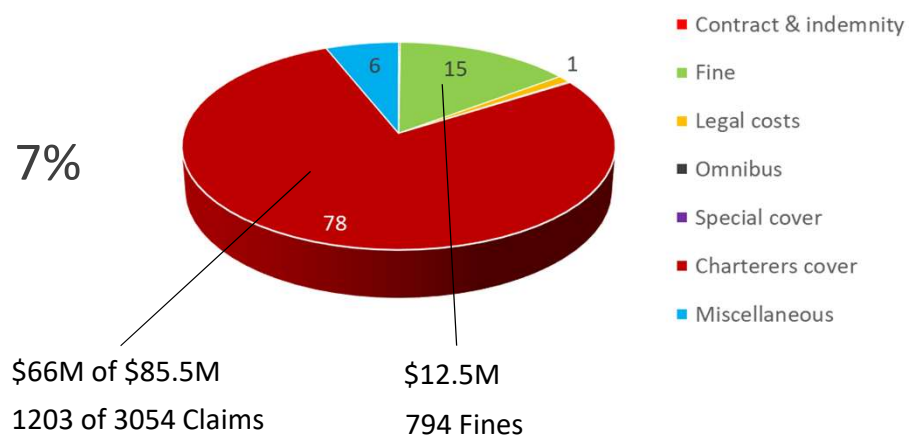
26

OTHERS BY NUMBER (%)



27

OTHERS BY VALUE (%)



28

FINES 19 (19)

- Manager's approval:
 - Short or overlanded cargo
 - Smuggling
 - Immigration laws
 - Accidental pollution
- Director's discretion:
 - Others
 - May compensate for confiscation of ship



29

GENERAL AVERAGE 19 (18)

- General Average
- Salvage



- Who contributes?



Bunkers



Ship



Cargo

H&M
Value of ship ✓

Cannot pay!
Bad debt ✗

Will not pay!
Unseaworthy ✓

30

LEGAL COSTS, SUE AND LABOUR 19 (20)

“Costs and expenses which a Member may incur in respect of any liability or expenditure against which the Member is insured under these rules.”

- Sue and Labour

North
Global service
built around you

31

RISKS INCIDENTAL TO SHIPOWNING 19 (21)

The Omnibus Rule



32

SPECIAL COVER FOR TIME CHARTERERS 19 (25)

- P&I - Cargo
- Hull Damage
- Bunkers
- Freight or Hire

33

DEDUCTIBLES

- The first part of each claim paid by the Member
- Effect on premium
- Claims below deductible

34

DEDUCTIBLES

<p>Third party claim</p> <p>US \$100,000</p>	<p>Crew</p> <p>Claim paid by P&I insurer</p> <p>US \$85,000</p> <p>Deductible paid by Member US \$ 15,000</p>	<p>Cargo</p> <p>Claim paid by P&I insurer</p> <p>US \$75,000</p> <p>Deductible paid by Member US \$ 25,000</p>
--	---	--

35



36

PRIMARY EXCLUSIONS

- Risks covered under Hull Policy
- War Risks
- Radioactive Materials
- Imprudent or Hazardous Operations

37

RISKS SPECIFICALLY EXCLUDED

- Damage to entered ship
- Equipment
- Repairs to entered ship
- Freight
- Salvage

38

RISKS SPECIFICALLY EXCLUDED

- Charterparties
- Bad Debts
- Demurrage
- Towage
- Members' other interests

39

SPECIALIST OPERATIONS EXCLUSIONS

- Blasting
- pile-driving
- well stimulation
- dredging
- cable or pipe-laying
- construction
- installation or maintenance work
- core sampling
- depositing of spoil
- professional oil spill response

40

UNDERLYING PRINCIPLES OF MARINE INSURANCE

North
Global service
built around you

41

INTRODUCTION

- Marine Insurance Act
- Seaworthiness
- Payment first by Member
- Provision of security

42

THE MARINE INSURANCE ACT 1906

All contracts of insurance made by the Association are subject to the Marine Insurance Act, 1906.

- Section 17 – Utmost good faith
- Fair representation of risk

43

THE MARINE INSURANCE ACT 1906

- MSA Section 39(5) - Warranties of **Seaworthiness**
- In a time policy:
 - The vessel must be seaworthy at the commencement of the voyage.
 - If the ship is sent to sea in an unseaworthy state, with the knowledge of the assured, the insurer is not liable for any loss attributable to unseaworthiness.

44

PAYMENT FIRST BY THE MEMBER

- Condition precedent – ‘pay to be paid’
- No direct action

45

THIRD PARTIES RIGHTS AGAINST INSURERS

- Intended to give a right of direct action against insurer where insured becomes bankrupt or insolvent
- Third party only takes same rights as insured
- No rights for persons not party to the contract (Contracts (Rights of Third Parties) Act 1999)
- Club's Rules specify “Pay to be Paid”
- Therefore no direct action

46



47

SECURITY

- Discretionary
- Club Letters of Undertaking (CLU)
- Bank Guarantees
- No cash deposits (unless Directors authorise)

48

SUMMARY

- Scope of P&I Cover
 - People
 - Cargo
 - Ships
 - Others
- Risks not covered
- Underlying principles of marine insurance
- Security

49

ANY QUESTIONS?

North
Global service
built around you

www.nepia.com



50