

BRITANNIA IS THE OLDEST P&I CLUB IN THE WORLD. TRUSTED BY OUR MEMBERS SINCE 1855, WE'VE BUILT A REPUTATION FOR PROVIDING AN EXCEPTIONAL STANDARD OF SERVICE. OUR CLUB INSURES A SIGNIFICANT FLEET OF BOTH OWNED AND CHARTERED TONNAGE AND HAS MANY OF THE WORLD'S BEST KNOWN SHIPOWNERS AND CHARTERERS AS MEMBERS.

P&I and FD&D (legal expenses) cover for shipowners is central to Britannia's business. Equally importantly, the Association also offers cover for charterers' liabilities. This area of the business has evolved and grown in response to the needs of the Association's Charterer Members. There follows an overview of the Association's covers for Charterer Members, with a particular focus on Members engaged in the bulk trades.

CHARTERERS' LIABILITIES

The Association's charterers' liabilities insurance is a wide-ranging, fixed premium package that can be tailored to a Member's particular requirements.

Cover is afforded on the basis of a combined single limit (CSL) up to USD750m or EUR750m per event.

CHARTERERS' P&I

Standard protection & indemnity insurance in accordance with the Rules of Class 3. Heads of cover include:

- Liabilities in respect of Seamen
- Liabilities arising from Collisions
- Damage to Property
- Pollution
- Removal of Wreck
- Responsibilities in Respect of Cargo
- Fines

CASE STUDY (1)

During the loading of steel coils onto the Entered Ship the luffing wire of the Ship's crane breaks and the crane's jib crashes to the deck, injuring a supercargo and causing the cargo to be lost over the side. It is found that the Ship's crane had been in good working order but that the weight of the steel coil exceeded the Safe Working Load of the crane, causing it to collapse.

P&I insurance will cover the Charterer Member for liability in respect of:

- personal injury to the supercargo
- costs incurred in removing the steel coil from the water
- damage to or loss of the cargo

COMMENT

Where required, the Association is able to offer more comprehensive third party liability cover, either in the form of standard extensions to cover (see below) or on bespoke terms.

CHARTERERS' P&I WAR

The Association's standard P&I cover excludes liabilities arising out of war and terrorism risks. This head of cover reinstates that cover.

CASE STUDY (2)

A product tanker carrying kerosene and naphtha is at anchorage awaiting the charterer's discharge orders. The Entered Ship comes under attack from a rebel terrorist group which fires upon the Ship and eventually gains control. One seaman is killed and several others are injured in the attack. The rebels use ship to ship transfer to pilfer the cargo of naphtha and they threaten the crew, stealing their personal possessions. They then release the Ship.

The Association's P&I war cover would respond to claims against the charterer in respect of liability for:

- repatriation of the dead crew member and subsequent funeral expenses; compensation to the deceased's family
- personal injury and rehabilitation of the crewmembers injured in the attack
- loss of the stolen cargo
- reimbursement of the crew's effects

COMMENT

Our case studies are designed to illustrate one particular aspect of cover. In the above example, had the rebel attack caused the cargo of kerosene to explode, a number of other losses might have resulted that are covered under this head of cover or elsewhere within the Association's charterers' liabilities insurance. Losses that might have arisen and be covered include:

- Injury and death of seamen
- Damage to or loss of cargo
- Damage to or loss of the Entered Ship
- Removal of wreck
- Damage to other ships or property caught up in the explosion



CHARTERERS' LIABILITIES BULK TRADES



CHARTERERS' LIABILITY FOR DAMAGE TO HULL

This section of the Association's cover is wider than the heading might suggest; cover falls into three broad subheadings:

- Liabilities to owners
- Member's own interests
- Member's costs, fees and expenses.

a) Liabilities to owners

Cover includes liability for:

- physical damage to and/or loss of the ship
- ship's proportion of salvage, salvage charges and/or general average
- losses, costs and expenses reasonably incurred by owners for the purpose of averting and/or minimising physical damage to and/or loss of the ship
- demurrage and/or loss of use and/or hire of the ship and/or any similar financial loss arising out of an incident for which the Member is responsible
- surveyors' fees and disbursements, other experts' fees and disbursements, legal fees and disbursements and/or similar expenditure



CASE STUDY (3)

An Entered Ship is forced by the onset of extreme weather to leave port before loading has commenced and seek shelter at the anchorage. However the force of the wind is such that it drives the Ship onto the breakwater where the Ship grounds and eventually breaks in two. The court upholds the owner's claim against the charterer that the port was unsafe.

The Association will cover the Charterer Member for owner's claim for:

- costs incurred in trying to prevent the grounding and subsequent break-up of the Ship
- physical loss of the Ship
- loss of hire
- other expenses incurred in relation to the casualty

b) Member's own interests

While the Association's cover focuses on charterers' liabilities, this head of cover provides indemnity for the following outgoings and costs to which the Member is potentially exposed:

- contributions to general average, salvage, salvage charges in respect of the Member's interest in bunkers, other property on board (excluding cargo and/or containers), hire and/or freight
- losses, costs and expenses reasonably incurred by the Member for the purpose of averting and/or minimising physical damage to and/or loss of the Member's interest in bunkers, other property on board (excluding cargo and/or containers), hire and/or freight

COMMENT

Where a Member has subchartered out an Entered Ship, it may be possible to pursue the subcharterer for the Member's loss; however this will only be effective where the charterparties are 'back-to-back' and where the subcharterer has sufficient financial resources and/or insurance cover to meet the claim.

In the circumstances envisaged in this case study the Association would also indemnify the Member under the P&I section of cover for owner's claim for the removal of the wreck and for the pollution caused by the lost bunkers.

CASE STUDY (4)

The Entered Ship strikes a submerged object on the sea-bed on its passage inwards to a port and suffers bottom damage. The owners arrange for salvage services and declare GA. The owners subsequently allege that the loss occurred because the port was unsafe for the Ship and pursue the Member for repair and other costs.

The Member arranges for a surveyor to ascertain the nature and extent of the damage, instructs lawyers to defend the claim and instructs an expert on navigation.

In the event, evidence shows that the Ship's charts were out of date and owners should have been aware of the obstruction.

The Member can recover:

- salvage costs and GA contributions in respect of the Member's bunkers and any freight at risk
- survey costs
- legal and other costs incurred in defending the claim from owners

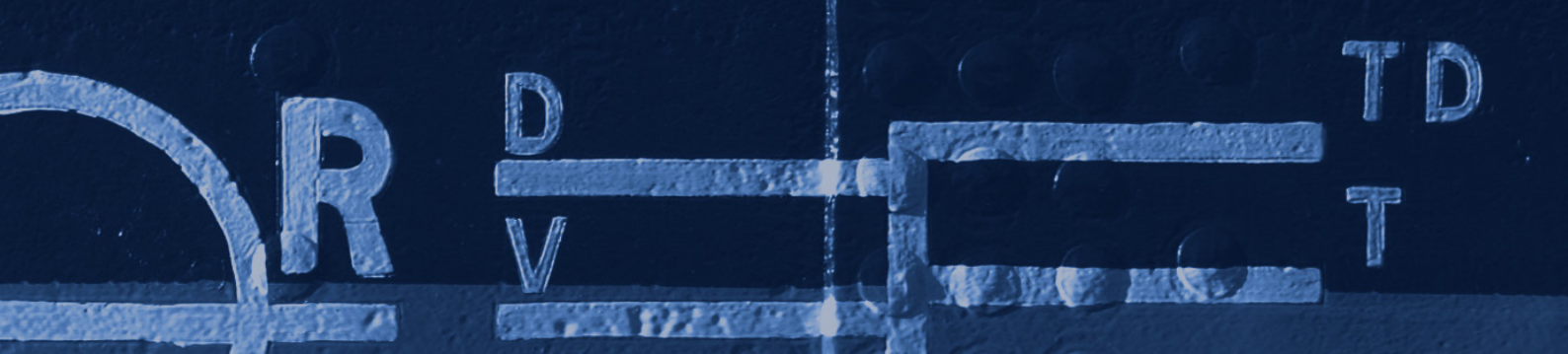
War, terrorism and strikes risks

The Association's cover in (a) and (b) is automatically extended to include:

- war and terrorism risks
- strikes, civil commotion, malicious, political motivated and confiscation risks

COMMENT

Where a Member elects to trade an Entered Ship into an area of perceived enhanced risk for war and terrorism risks, the Member is typically required to pay the owner's hull war additional premium as a term of the owner's agreement. However, in so doing the Member does not automatically avoid liability arising out of the employment of the Ship in such an area. The above extensions ensure that the Member's liability for damage to hull cover is not prejudiced by trading in an area of perceived enhanced risk.



c) Member's costs, fees and, expenses

The Association's insurance also includes cover for the Member's:

- losses, costs and expenses reasonably incurred for the purpose of averting and/or minimising liabilities, losses, costs and expenses otherwise covered by the insurance
- surveyors' fees and disbursements, other experts' fees and disbursements, legal fees and disbursements and/or similar expenditure in relation to the loss.

CASE STUDY (5)

A Charterer Member stems bunkers on an Entered Ship. The master of the Ship refuses to burn the bunkers alleging that they are off spec. The charterer orders the Ship to the nearest bunkering port where an analyst appointed by the charterer confirms that the bunkers cannot be burned without causing damage to the Ship. The bunkers are offloaded and the tanks cleaned so that fresh bunkers can be stemmed.

The Association will cover the Member for the costs incurred in preventing damage to the Ship including:

- the costs of deviation to the port of refuge and associated port costs
- the fees of the analyst
- the costs of de-bunkering the Ship
- the costs of cleaning and making good the bunker tanks

ADDITIONAL COVERS FOR CHARTERERS

The following extensions of and/or additions to cover may be available to Members of the Association engaged in multimodal trades on application to the Managers.

Cargo owners legal liability

Where Charterer Members trade for their own account they may require cover for liabilities as cargo owner in addition to the liabilities they assume as charterer. In certain jurisdictions liabilities as cargo owner arise at law.

CASE STUDY (6)

A Member voyage charters a tanker for the carriage of crude from Alaska to Long Beach. While the Entered Ship is transiting Oregon waters there is an explosion on board which ruptures the cargo tanks and results in a major spillage. The cause of the explosion is attributed to the failure of a breather valve on one of the tanks due to poor maintenance.

Notwithstanding that the owner of the Ship is liable for the loss, the State of Oregon also pursues the Charterer Member in his capacity as owner of the cargo.

This extension to the Association's cover indemnifies the Charterer Member for cleanup costs and, for example, the loss of livelihood of local fishermen and those engaged in holiday-related businesses.

CASE STUDY (7)

A Member voyage charters a VLCC for the carriage of crude. While on its passage through the Malacca Straits the Entered Ship collides with another ship in Indonesian waters; the Entered Ship is holed beneath the water line and sinks in 100 metres of water. Cargo escapes from the forward tanks causing widespread pollution to beaches in Indonesia, Malaysia and Singapore but the aft tanks remain intact. The Entered Ship sinks. The initial issue of liability is straightforward in that all three states are parties to the CLC. However, while Malaysia and Singapore are parties to the IOPC Fund Convention and can look to the Fund for further compensation, Indonesia is not a party to the Fund.

The Indonesian authorities are anxious for the remaining cargo to be removed as they fear the Entered Ship's tanks could rupture causing further pollution; they therefore look to the Member as the cargo owner for the reimbursement of the costs incurred in the removal of the oil.

The cargo owner's legal liability extension to the Association's cover indemnifies the Charterer Member for the Member's legal liability for the claim by the Indonesian authorities.

Cover for indemnities

There may be occasions where a Charterer Member wishes to trade an Entered Ship outside the terms of the agreed charterparty; owners may agree but only subject to an indemnity from the charterer. Such indemnities should always be referred to the Association as they may prejudice the Member's cover.

CASE STUDY (8)

A Charterer Member trades the Entered Ship to an African port where there is a shortage of stevedoring services. The Member contracts with the owner to engage the services of the Ship's own crew to open and close the Ship's hatchcovers using the Ship's cranes and a spreader supplied by the Member; the agreement is subject to an indemnity from the charterer holding the owner, master and the crew harmless in respect of loss or damage to the Ship, cargo and third parties during these operations.

Through the inexperience of the crew one of the hatchcovers is dropped, injuring a seaman and damaging the hatch coaming and the hatchcover itself.

As the Association has sighted the indemnity and agreed to extend the Member's cover, it is able to indemnify the Member for both the personal injury to the seaman and the damage to the Ship.





CASE STUDY (9)

A Charterer Member has an LNG carrier under time charter. The Member instructs the Entered Ship to call at an LNG Terminal where the party providing the ship is required to agree to the Terminal's Conditions of Use. This agreement requires the Charterer Member to indemnify the Terminal for:

- physical loss or damage to the property of the Terminal
- personal injury or death of the Terminal's personnel, agents and subcontractors
- claims by third parties against the Terminal arising out of the Entered Ship's call at the Terminal. The indemnity to the Terminal includes those instances where the loss, liability or expense arises out of the Terminal's sole negligence.

The Association is able to arrange insurance cover in respect of the non-poolable indemnities contained in the Terminal's Conditions of Use.

BUNKERS INSURANCE

Bunkers can represent a significant investment for the Member; and when oil prices rise the value of bunkers on board a ship at any one time can in turn rise sharply.

The Association's insurance covers the Member for physical damage to or loss of bunkers while on board an Entered Ship.

Standard cover protects the Member's interest in this valuable commodity/asset up to a maximum sum insured of USD1m but higher sums insured are available.

LOSS OF FREIGHT/LOSS OF HIRE

The Association is able to assist its Members in obtaining commercial market insurance in respect of the risks of loss of freight and/or loss of hire.

CHARTERERS' FD&D COVER

Freight demurrage and defence cover – covering legal costs and expenses arising out of a variety of disputes in which a Charterer Member may be involved – is available from the Association under its Rules of Class 6. This cover does not form part of the Charterers' CSL but is a valuable adjunct to it covering such matters as:

- disputes with owners over the validity of voyage instructions under the charterparty
- disputes over freight, charter hire, demurrage and detention
- disputes with port authorities, ship's agents, customs authorities or terminal owners
- disputes over the loading, stowing and discharge of cargo
- disputes with bunker suppliers over the supply of off spec or inferior bunkers.

Cover is limited to USD10m any one claim; the first USD7,500 of all legal costs and expenses is covered in full; and thereafter the Member contributes one-third of all additional expenses.

CASE STUDY (10)

At the end of a charter a Charterer Member withholds hire otherwise due to the Entered Ship's owner on the grounds that the Ship failed to attain the speed and bunker consumption figures stipulated in the charterparty which had been based on weather conditions up to and including 4 on the Beaufort scale; the Charterer Member further disputes the weather conditions recorded in the Ship's log. The Association accepts that the Member has a valid case and supports the Member instructing external experts in speed and bunker consumption, compiling weather data from independent sources and drawing on its in-house legal expertise.