



BRITANNIA P&I

BULK TRADES

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

BRITANNIA IS THE OLDEST P&I CLUB IN THE WORLD. TRUSTED BY OUR MEMBERS SINCE 1855, WE HAVE BUILT A REPUTATION FOR PROVIDING EXCEPTIONAL LEVELS OF SERVICE.

AS ONE OF THE LEADING P&I CLUBS, BRITANNIA INSURES APPROXIMATELY 193 MILLION TONS OF OWNED AND CHARTERED TONNAGE, ACCOUNTING FOR OVER 10% OF THE WORLD MERCHANT FLEET.

MANY OF THE WORLD'S BEST KNOWN SHIPOWNERS ARE MEMBERS.

CHARTERERS' LIABILITIES

Britannia's Charterers' Liabilities Insurance (CLI) and Additional Insurances (AI) are wide-ranging, fixed premium packages that can be tailored to a Member's particular requirements.

Cover is provided on the basis of a combined single limit (CSL) up to USD750 million or EUR750 million per event.

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CHARTERERS' LIABILITIES

STANDARD PROTECTION & INDEMNITY INSURANCE IN ACCORDANCE WITH CLI'S TERMS & CONDITIONS (T&C'S).

HEADS OF COVER INCLUDE:

- liabilities in respect of crew members
- 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

For information about Damage to Hull (DTH) liabilities see case study 3.

Where required, Britannia 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 COVER

BRITANNIA'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 waiting for the charterer's discharge orders. The entered ship comes under attack from a rebel terrorist group which fires on the ship and eventually gains control. One crew member 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.

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

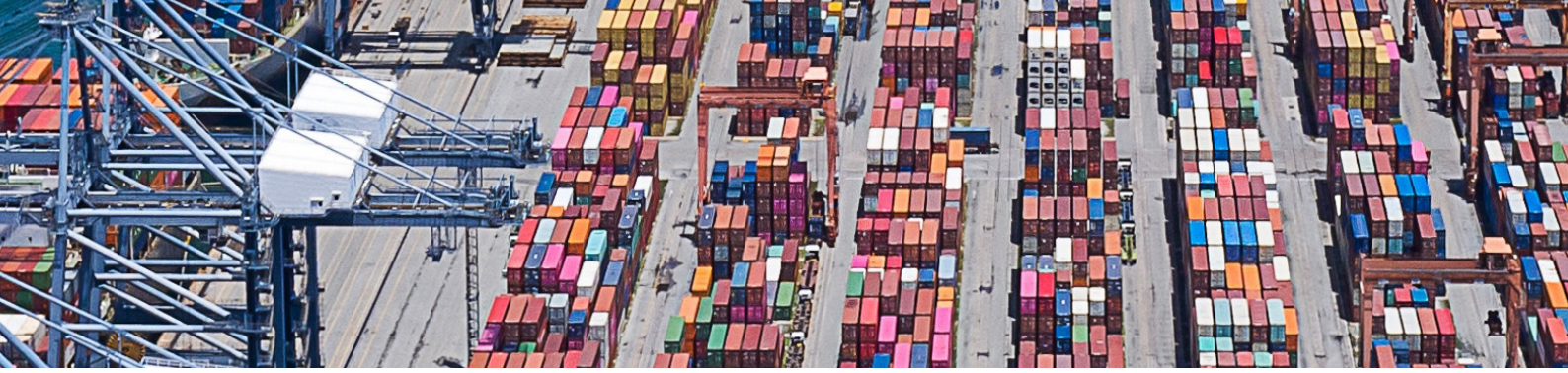
- repatriation of the dead crew member and subsequent funeral expenses and compensation to the deceased's family
- personal injury and rehabilitation of the crew members injured in the attack
- loss of the stolen cargo
- reimbursement of the crew's effects.

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 Britannia's CLI's T&C's. Losses that might have arisen and be covered include:

- injury and death of crew members
- 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.

As is customary with the provision of war risks insurance, this cover is provided subject to Britannia's right to determine prohibited areas at any time.



CHARTERERS' LIABILITY FOR DAMAGE TO HULL

THIS SECTION OF BRITANNIA'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 arrival of extreme weather to leave port before loading has commenced and to 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.

Britannia will cover the charterer Member for the shipowner'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 Britannia'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 sub-chartered out an entered ship, it may be possible to pursue the sub-charterer for the Member's loss. This is only likely to be effective where the charterparties are 'back-to-back' and where the sub-charterer has sufficient financial resources and/or insurance cover to meet the claim.

In the circumstances envisaged in this case study, Britannia would also indemnify the Member under the P&I section of cover for the 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 seabed on its passage inwards to a port and suffers bottom damage. The owners arrange for salvage services and declare general average. 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 general average 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 AND TERRORISM RISKS

Britannia's cover in (a) and (b) above is automatically extended to include (subject to any prohibited areas):

- war and terrorism risks
- strikes, civil commotion, malicious, politically 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

Britannia's CLI's T&C's 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.

Britannia 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
- fees of the analyst
- costs of de-bunkering the ship
- 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 Britannia 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 the cargo owner in addition to the liabilities they assume as the charterer. In certain jurisdictions, liabilities as the 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 its capacity as the owner of the cargo.

This extension to Britannia's cover indemnifies the charterer Member in their capacity as the cargo owner for clean-up costs and, for example, the loss of livelihood of local fishermen and those engaged in holiday-related businesses.



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 Club as they may prejudice the Member's cover.

CASE STUDY 7

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.

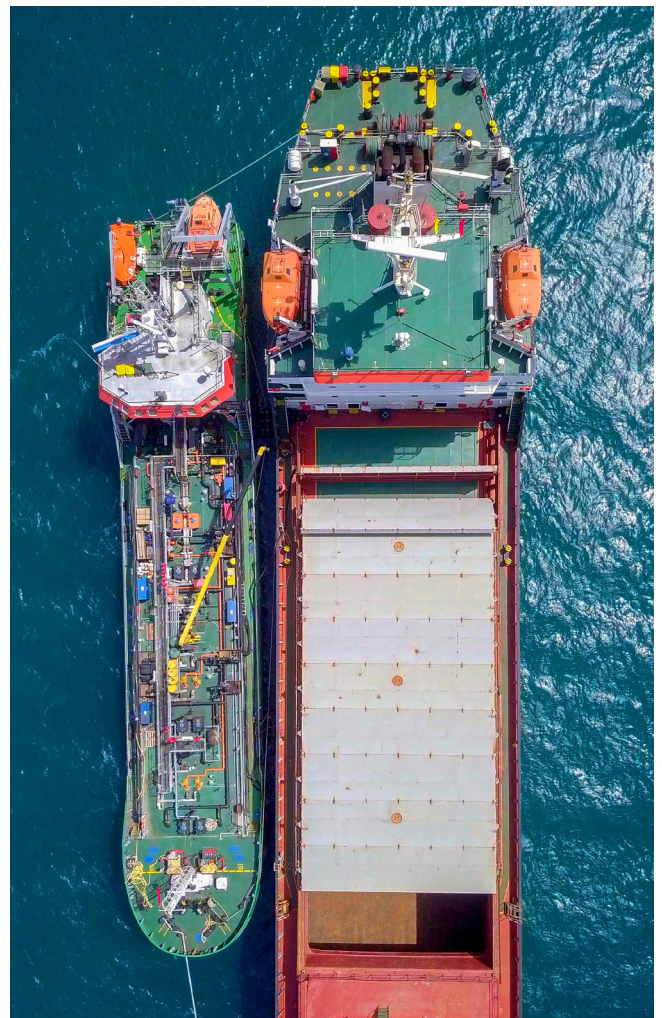
Britannia is able to arrange insurance cover in respect of the non-poolable indemnities contained in the terminal's conditions of use.

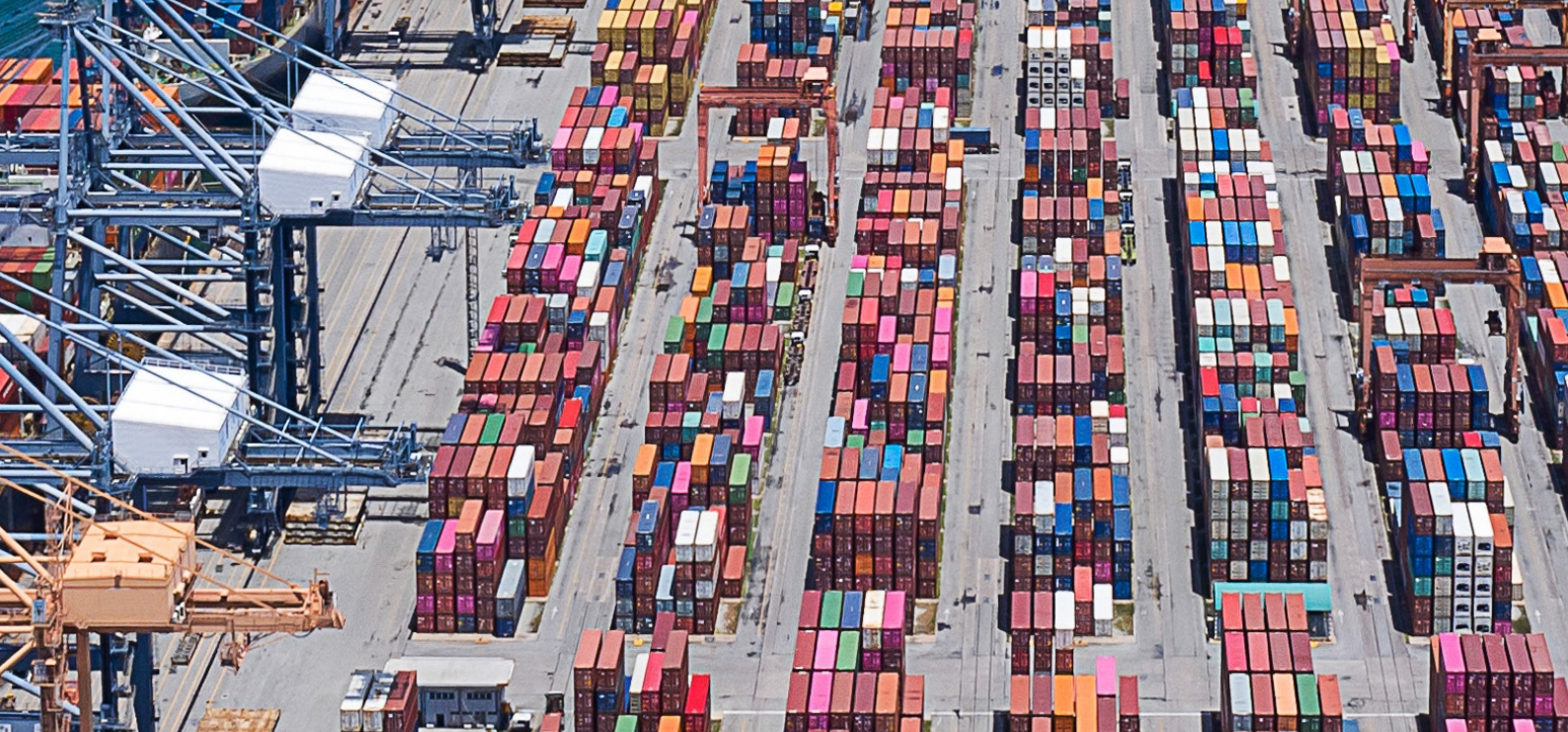
BUNKERS INSURANCE

Bunkers can represent a significant investment for the Member and, when oil prices rise, the value of bunkers on board can fluctuate.

Britannia's insurance covers the Member for the physical damage to and/or loss of bunkers while they are on board an entered ship.

Standard cover protects the Member's interest in this valuable commodity/asset up to a maximum sum insured of USD5m.

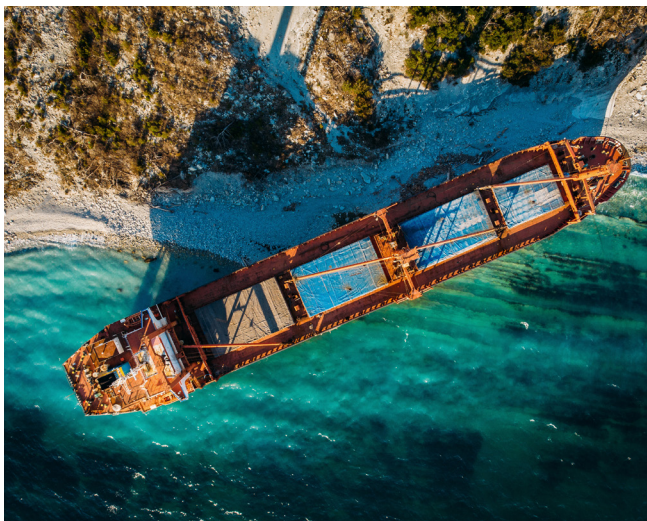




CHARTERERS' FD&D COVER

Freight, Demurrage and Defence (FD&D) cover (which covers legal costs and expenses arising out of a variety of disputes in which a charterer Member may be involved) is available from Britannia under its Rules of Class 6. This cover does not form part of the charterers' CSL but includes 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 for 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 up to a maximum of USD150,000.

CASE STUDY 8

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 force 4 on the Beaufort scale. The charterer Member also disputes the weather conditions recorded in the ship's log. Britannia recognises that the Member has a valid case and supports the Member by instructing external experts in speed and bunker consumption, compiling weather data from independent sources and drawing on the Club's in-house legal expertise.