

Protection & Indemnity Clubs

Dorothea G. Ioannou, J.D.
Managing Director
Regional Business Development Director
Shipowners Claims Bureau (Hellas) Inc.
Piraeus Claims Liaison Office



P&I Clubs

P & I Clubs

What
are they?

Cover

Key Role
In
Maritime Industry



P&I Clubs

What are they?

- Ø Mutual, Non profit Insurance Associations
- Ø Insures particular marine risks
- Ø Claims are funded by premium
- Ø Mutuality – share the risk
- Ø Agreement of claims that are covered by the Rules



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What are they?

- Ø Operated by Managers with the authority of the Board of Directors
- Ø Acts as a consultant expert AND insurer (Protection AND Indemnity)
- Ø Assists throughout an insured incident



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What do they cover?

Third Party Liability

1. Loss of life Injury & Illness

- Ø Any person on board
- Ø Crew
- Ø Stevedores
- Ø Passengers



P&I Clubs

What do they cover?



P&I Clubs

What do they cover?



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2. Repatriation Expenses

- Ø For crew or third party after casualty or injury, illness, death
- Ø Repatriation of stowaways

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3. Collision: "Running Down Clause" (RDC)

- Ø Physical damage to the other vessel
- Ø Damage to property on board
- Ø Cargo damage
- Ø Injury / Loss of life
- Ø Obligatory wreck removal
- Ø Oil pollution
- Ø Economic Loss of the other vessel

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Options of collision cover

- Ø Standard 1/4th RDC
- Ø Amended 4/4th RDC
- Ø Excluded RDC absolutely



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4. Damage caused other than by collision

Ø Liability for damage to another vessel

ex: Oil spill from insured vessel affecting another vessel



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5. Damage to Fixed and Floating Objects (FFO) : e.g. docks, buoys, etc.
- Ø Damage caused by contact of the insured vessel with fixed and/or floating objects

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6. Liability in respect of wrecks

- Ø Liability for raising removing marking destruction of the insured vessel if it becomes a wreck or liability for the costs of taking such action

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7. Cargo

- Ø Loss shortage damage
- Ø Disposing of damaged cargo
- Ø Failure of consignee to remove cargo

(subject to certain parameters of the rules)

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8. Fines & Penalties

- ∅ Short or over landed cargo
- ∅ Breach of immigration law as long as unknown
- ∅ Accidental escape or discharge of oil or any other substance
- ∅ Smuggling by crew
- ∅ Any other fines (subject to discretion)

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9. Mutiny – Misconduct

- Ø Where the mutiny or misconduct is related to any unfounded claim by a seaman or crew where not otherwise insured elsewhere in the rules

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10. Quarantine expenses

Ø Due to outbreak of disease on board the insured vessel

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11. Diversion expenses

Ø For injured / sick crew / stowaways

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12. Unrecoverable General Average (GA) Contributions

- Ø Time limit for notification
- Ø All rules relating to cargo cover
- Ø GA security has been obtained
- Ø No privity of insured if vessel was unseaworthy prior to the voyage

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13. Discharge of oil or other substance

- Ø Liabilities, costs expenses resulting from discharge / escape
- Ø Loss – damage or contamination
- Ø Costs for measures reasonably taken to avoid, reduce threat
- Ø Special Compensation P&I Clause (SCOPIC)

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14. Official Inquiries

Ø Costs expenses for defending and protecting the insured



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15. Sue and Labour

- Ø Extraordinary costs & expenses incurred after a casualty for avoiding or minimizing any liabilities insured
- Ø Need prior approval of the Club's Managers or
- Ø Director approval

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16. Omnibus

- Ø Covers liabilities not expressly excluded subject to the Directors approval



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Risks excluded

- ∅ War Risk
- ∅ Nuclear Risks
- ∅ Unlawful trading



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Losses excluded

- Ø Hull Damage
- Ø Loss of Hire
- Ø Willful Misconduct
- Ø Salvage of an insured vessel except article 14 Salvage Convention 1989
- Ø Salvage by an insured vessel

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**FD & D
Cover**

Discretionary

**Disputes
Covered**



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Factors of discretion for FD & D support

- Ø Applicable law & jurisdiction
- Ø Value of the claim
- Ø Level of estimated costs
- Ø Legal merit
- Ø Alternative means for resolution
- Ø Prospect of enforcement
- Ø Conduct of the Member
- Ø Importance of the issues to the shipping community

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Disputes covered under FD & D

- Ø Contract for building of insured vessel, for the purchase or sale of the insured vessel, for conversion, alteration, repair, refit, dry-docking or maintenance of the insured vessel
- Ø Charter Party , Bs/L or other contract of carriage
- Ø Operational contract
- Ø Contract for administrative services – insurance broking
- Ø Contract in respect of goods provided to an insured vessel

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Disputes covered under FD & D

- Ø Contract of employment of Seamen
- Ø Contract of Marine insurance
- Ø Disputes for recovery of damage
- Ø GA contributions
- Ø Disputes for stowaways - refugees – or rescued persons
- Ø Disputes in connection with cargoes

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What is the P & I Club's Key Role ?

1. Insurance cover based on Indemnity

- Ø Covering agreed enumerated losses, expenses, liabilities incurred in connection with operation of the insured vessel

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2. Claims Handling throughout the casualty

- Ø Guidance from experienced staff
- Ø Wide range of sources of information
- Ø Worldwide network of lawyers & experts
- Ø Complete strategy for pursuance and defense
- Ø Loss prevention advice



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3. Provision of Security

- Ø Letter of Undertaking
- Ø Bank guarantee
- Ø Facilitate free movement of the vessel
- Ø Allows claims to be resolved responsibly & carefully while securing the claimant

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What is an LOU and why is a Group Club LOU just as good (maybe better) as/than a Bank Guarantee?

- Ø Letter of Undertaking is a guarantee letter given in place of the vessel as security which sets out the terms under which the provider will pay a claim to a specific claimant party
- Ø Exceptional financial strength of the International Group Clubs & the mechanism of the International Group Agreement



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The Benefits of an LOU to the Shipping Industry

- ∅ Avoids delay
- ∅ More than one beneficiary
- ∅ Prevents jurisdiction from being excluded from trade by shipowners
- ∅ No costs involved
- ∅ Lower freight rates and hires
- ∅ Facilitates trade

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International Group of P & I Clubs

- Ø Made up of 13 independent mutual insurance associations insuring the same risks
- Ø Provide cover for approximately 90% of world's ocean going tonnage
- Ø The American Club is a party to the **International Group Agreement**
- Ø Fundamental reinsurance role
- Ø Platform for common policy/industry voice



P&I Clubs

International Group Agreement

- Ø Regulates the terms of mutual cooperation
- Ø Coordinates sharing of information
- Ø Sets out the standards for entry
- Ø Shares claims based on specific agreed mechanism and as a group is able to benefit from group reinsurance unsurpassed in the Industry reaching billions

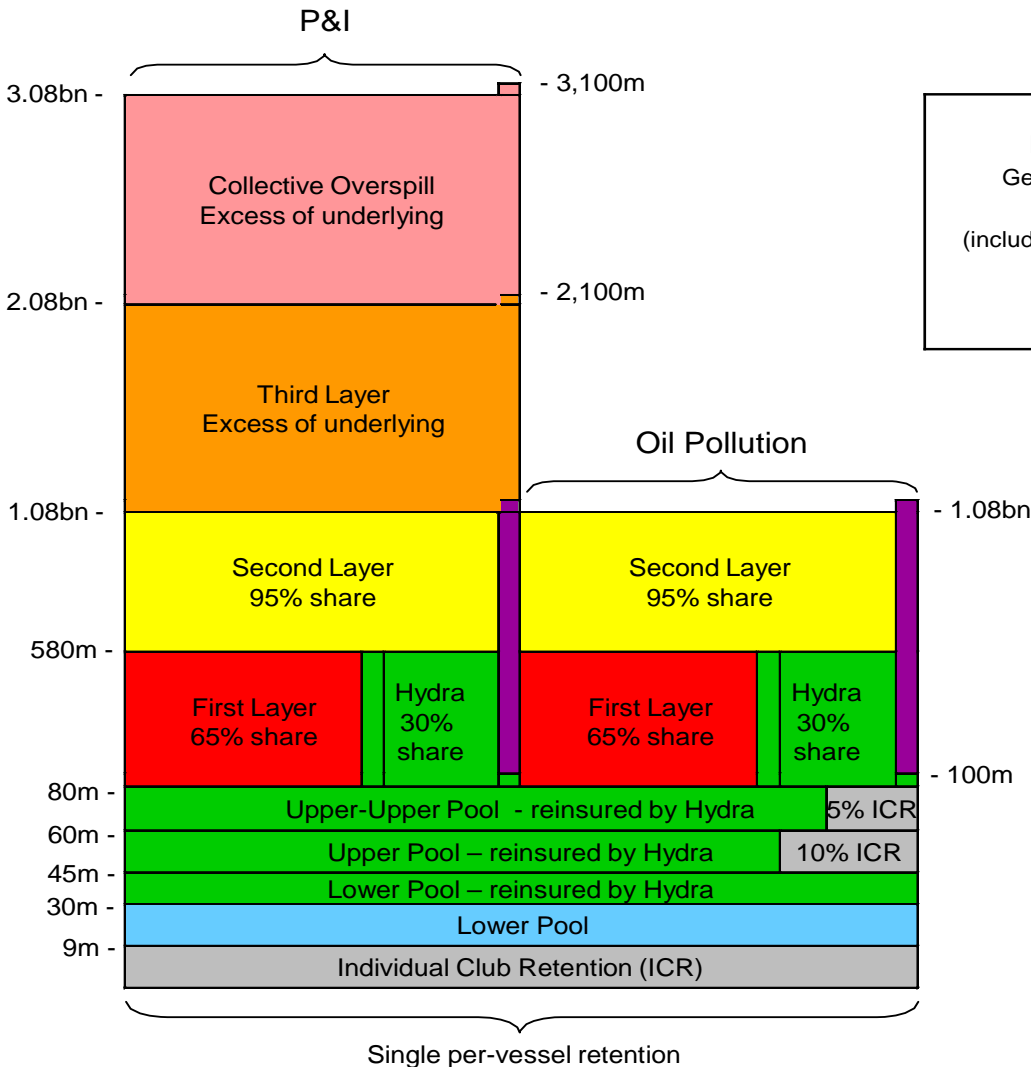


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Pooling Agreement

- Ø \$ 9 million retained by each Club
- Ø \$ 9 – 45 million: “lower pool” shared (tripartite formula)
- Ø \$ 45 - 60 million: “upper pool” (10% ICR and 90% shared tonnage formula)
- Ø \$ 60 - 80 million: “upper-upper pool” (5% ICR and 95% shared tonnage formula)
- Ø \$ 80 - 580 million: “excess layer” (70% outward reinsurance and 30% shared tonnage formula)
- Ø \$ 580 million – 3.08 billion: “upper excess” (100% outward reinsurance)
(Oil pollution limit \$1billion)
- Ø “Overspill claims” (shared percentage basis)

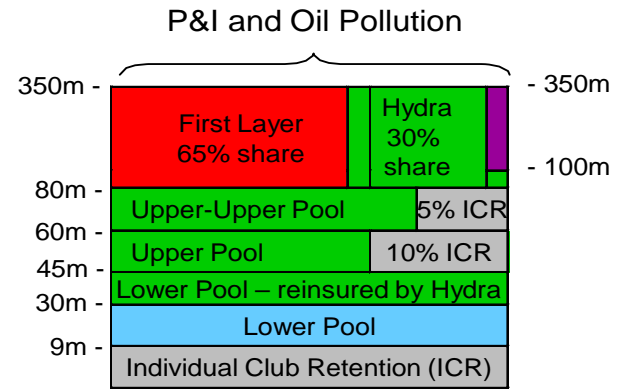




Owned Entries

■ Multi-Year Fixed Placement, 5% share

International Group of P and I Associations
 General Excess of Loss Reinsurance Contract Structure
 Owned and Chartered Entries
 (including Overspill Protection, Hydra Participation, Pooling and Individual Club Retentions)
 12 months at Noon GMT 20th February, 2014



Chartered Entries



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Cost to an IG Club for a US\$ 1 billion claim

Club	Holding Club	Non-Holding Club
American	\$ 14,459,969	\$ 2,959,969
Britannia	\$ 27,409,078	\$ 15,909,078
Gard	\$ 37,856,551	\$ 26,356,551
Japan	\$ 23,552,637	\$ 12,052,637
London	\$ 17,485,132	\$ 5,985,132
North of England	\$ 28,913,466	\$ 17,413,466
Shipowners	\$ 14,838,677	\$ 3,338,677
Skuld	\$ 22,716,667	\$ 11,216,667
Standard	\$ 27,419,625	\$ 15,919,625
Steamship	\$ 25,378,361	\$ 13,878,361
Swedish	\$ 18,110,696	\$ 6,610,696
UK Club	\$ 29,449,531	\$ 17,949,531
West Of England	\$ 20,409,612	\$ 8,909,612

Individual club retention
of US\$ 9 million for
2014



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CONCLUSION

P & I Clubs are:

- Ø Unique in the Insurance Industry
- Ø Key player in maritime claims
- Ø Experienced & educated staff
- Ø Wide range of expertise
- Ø Extraordinary in their ability to handle, secure, and cover even the most excessive of insured risks/losses



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