



An introduction to protection and indemnity (P&I) clubs

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Scope of presentation



- What is a P&I Club?
- What risks do we cover?
- What is the interface between P&I clubs and other industry players?
- Loss prevention and survey compliance

Before we start...



Before we start... (cont.)



Before we start... (cont.)



What is a P&I club?

- Mutual, non-profit insurance association
- P&I clubs have been around more than 150 years
- Shipowners share/pool their risks
- American Club is part of the International Group of P&I Clubs (IG)– 13 mutuals representing more than 90% of the world's tonnage (UK, Norway, Sweden, USA and Japan)

What is a P&I club? (cont.)

- Shipowners are owners of the mutual clubs
- Some clubs are managed by third party management companies
- Liabilities governed by club's "Rules"
- Clubs use a global network of "correspondents" to assist in facilitating the handling of claims
- Every risk is renewed on 20 February at midnight GMT

What risks do we cover?

Third party liability

- Loss of life, injury and illness
 - ü Any person onboard
 - ü Ship crew
 - ü Stevedores
 - ü Passengers



What risks do we cover? (cont.)

Collision– “Run Down Clause”

- Standard is to cover $\frac{1}{4}$ th of liability (hull insurer takes remaining $\frac{3}{4}$ ths)
- Some policies are negotiated to take $\frac{4}{4}$ ths liability



What risks do we cover? (cont.)

Repatriation expenses

- For crew or third party after casualty, injury, illness, death, insolvency of the owner
- Stowaways



Ship wrecks

- Liability for raising/removing/destruction of the insured vessel if it becomes a wreck

What risks do we cover? (cont.)

Damages to fixed and floating objects

- Dolphins
- Buoys
- Terminals
- Etc.



What risks do we cover? (cont.)

Shipowner's liabilities related to cargo

- Loss, shortage and/or damage
- Disposal of damaged cargo
- Failure of consignee to remove cargo



What risks do we cover? (cont.)

Fines & penalties

- Short or over landing of cargo
- Breach of unknown immigration law
- Accidental escape or discharge of oil or any other substance
- Any other fines (subject to discretion)



Mutiny & misconduct

- Mutiny or misconduct related to unfounded claim by seaman or crew not otherwise insured elsewhere in rules
-

What risks do we cover? (cont.)

Quarantine expenses

- Outbreak of disease onboard

Diversion expenses

- For example, injured or sick crew, stowaways

Official inquires

- Costs and expenses for defending & protecting the insured



What risks do we cover? (cont.)

Unrecoverable General Average (GA)

- GA takes effect when action taken to avert a more serious incident (i.e. cargo shifts in heavy weather and owner diverts to safe port of refuge)
- Sharing of claims risks amongst ship and cargo interests—hull & machinery, cargo insurers, and Club

What risks do we cover? (cont.)

Discharge of oil or other polluting substances

- Liabilities, costs and expenses resulting from discharge or escape
- Damage or contamination
- Costs for measures reasonably taken to avoid and reduce the threat
- Special Compensation P&I Clause (SCOPIC)



What risks do we cover? (cont.)

Sue & Labor

- Extraordinary costs & expenses incurred after casualty for avoiding or minimizing any insured liabilities

“Omnibus claims”

- Coverage of liabilities not expressly excluded under Club’s Rules

Freight, demurrage and defense (FD&D)

- Discretionary dispute coverage

Charterers P&I and FD&D

- Separate P&I and FD&D coverage for charterers
-

What risks do we not cover?

- War Risk
- Nuclear Risk
- Unlawful trading (e.g. sanctioned nations)
- Hull damage
- Loss of hire
- Salvage of an insured vessel
- Salvage by an insured vessel

What risks do we cover? (cont.)

P&I claim against a shipowner

- Club puts up “security” in the form of a Letter of Undertaking or Bank Guarantee
- P&I club “indemnifies” the owner
- Vessel is not arrested or is released from arrest



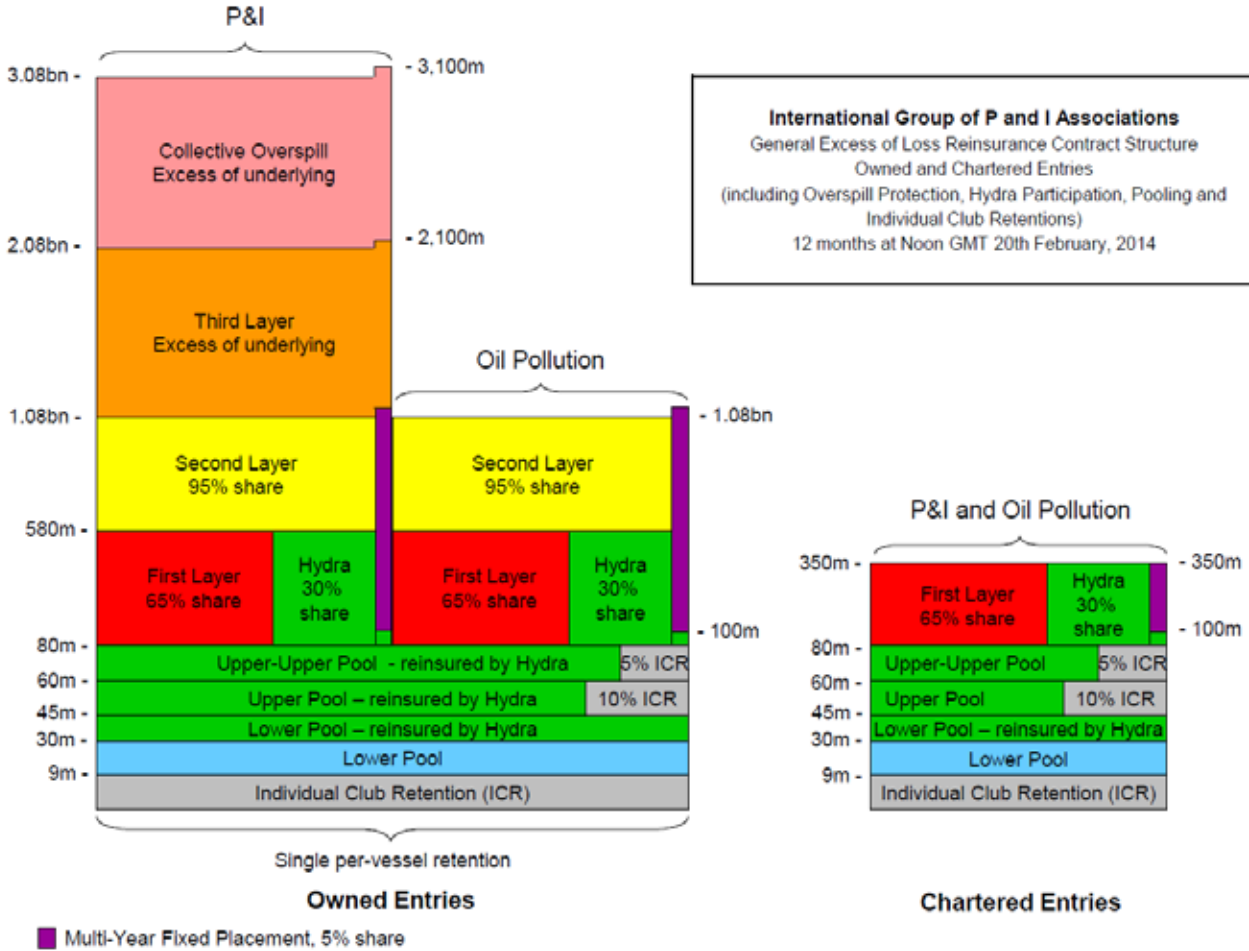
What risks do we cover? (cont.)

International Group Clubs

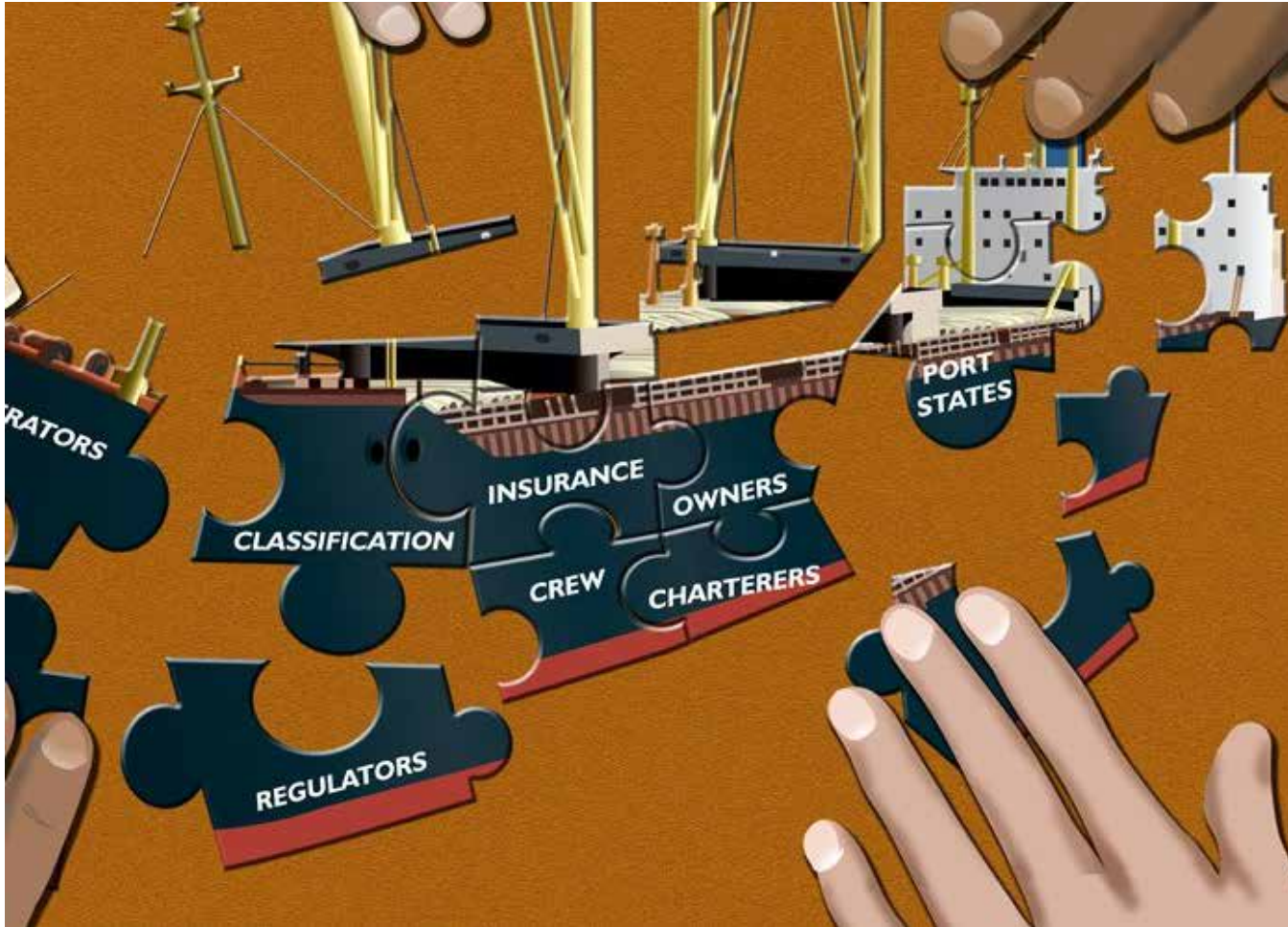
- Reinsurance purchased as a group
- Pooling of risks

What risks do we cover? (cont.)

IG POOLING & R/I



Industry interface



Industry interface (cont.)

- Hull insurance – subscription coverage (shared risks)
- Classification society – most risks require International Association of Classification Societies (IACS) classification
- International Maritime Organization (IMO) – set liability rules and limitations for oil spills, wreck removals, passenger liability limitations (Flag State Control)
- Maritime Labor Convention – set standards for shipowner liabilities for ship's crew
- Port State Control

Industry interface (cont.)

- Charterers
 - ü Responsible for bunker
 - ü Responsible for safe ports at loading/discharging
 - ü Responsible for loading/discharging the vessel
- Shipowner versus ship manager

Loss Prevention



Loss Prevention (cont.)

Vessel condition surveys

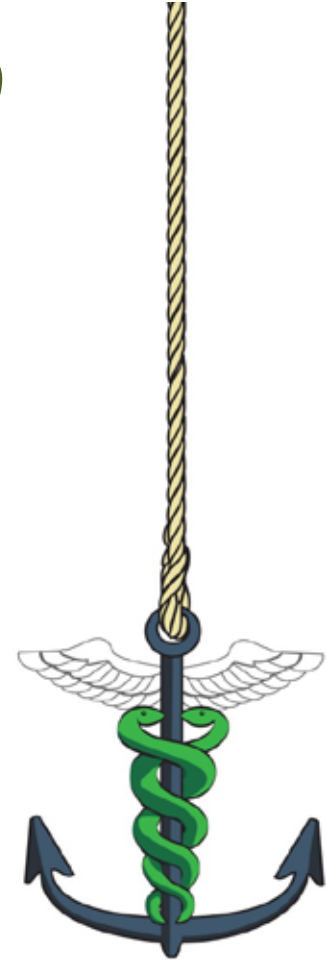
- All ships entering the Club over 10 years of age require a condition survey
- Thereafter every 3 years
- Warranty clauses for vessel defects



Loss Prevention (cont.)

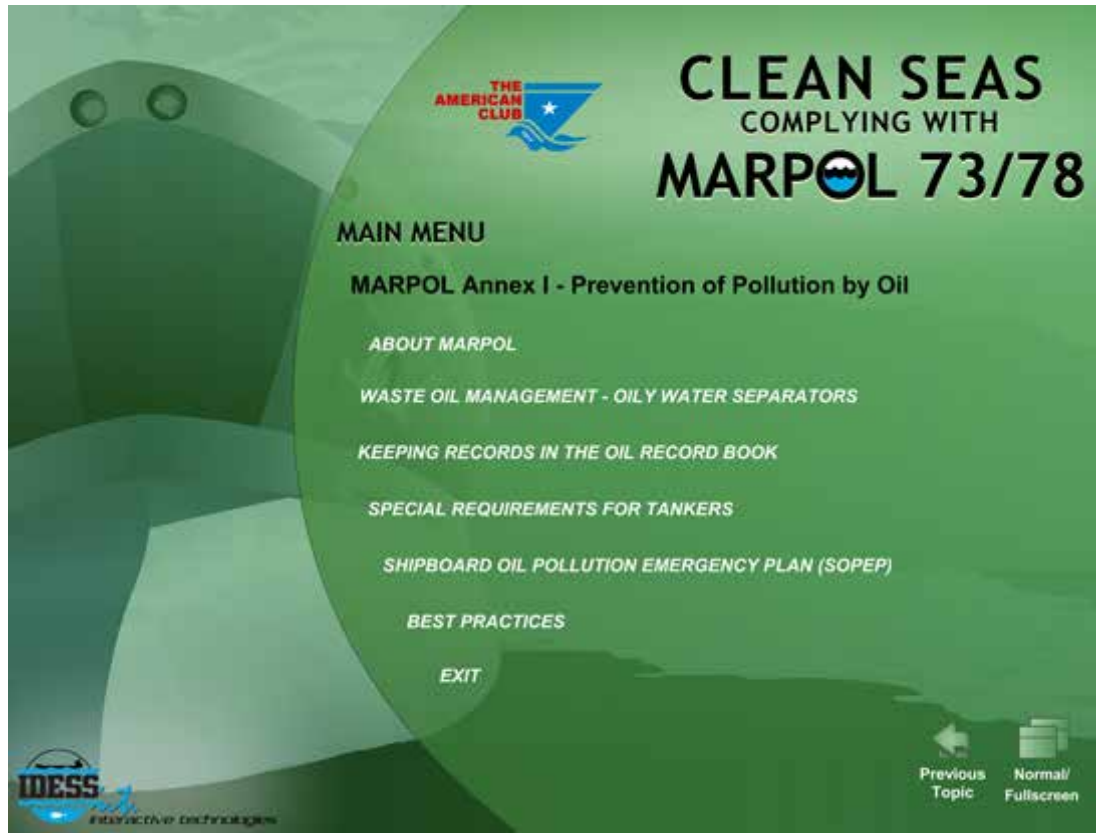
Pre-Employment Medical Examination (PEME) Program

- Seafarers from 9 countries must have mandatory PEMES at Club approved clinics
- Program has reduced illness claims costs by more than US\$1 million per annum



Loss Prevention (cont.)

E-Learning Tools



Currently available to Members:

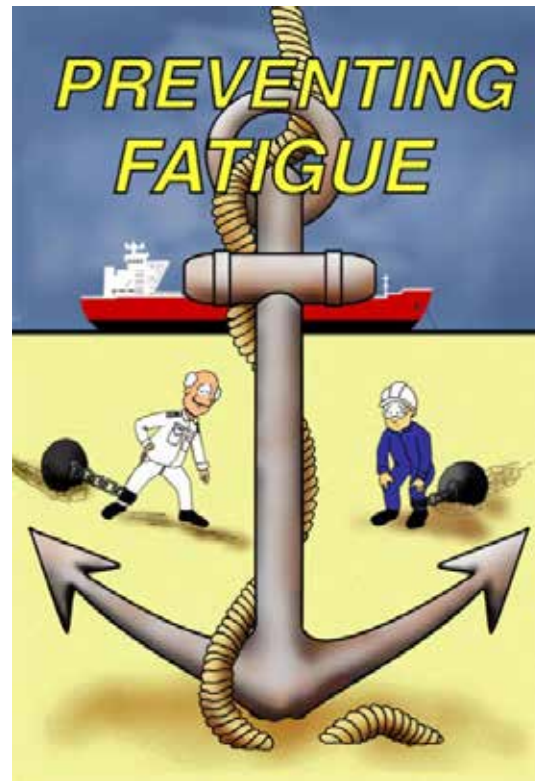
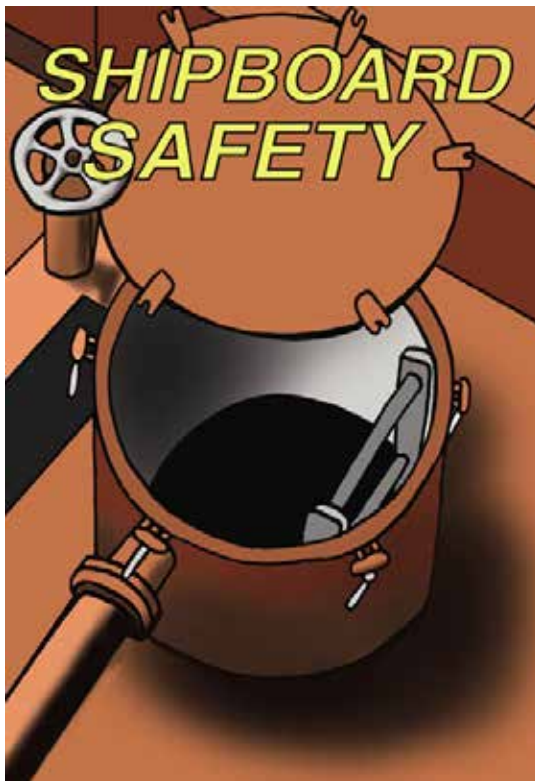
- MARPOL Annexes I, II, III, IV, V
- US EPA Vessel General Permit & Small Vessel General Permit
- Entry Into Enclosed Spaces
- IMSBC Code
- BLU Code
- *Stranger on the Bridge*

Under development for 2015:

- Code for the Safe Carriage of Grain in Bulk
- TDC Code
- Survey and Inspection of Bulk Carriers

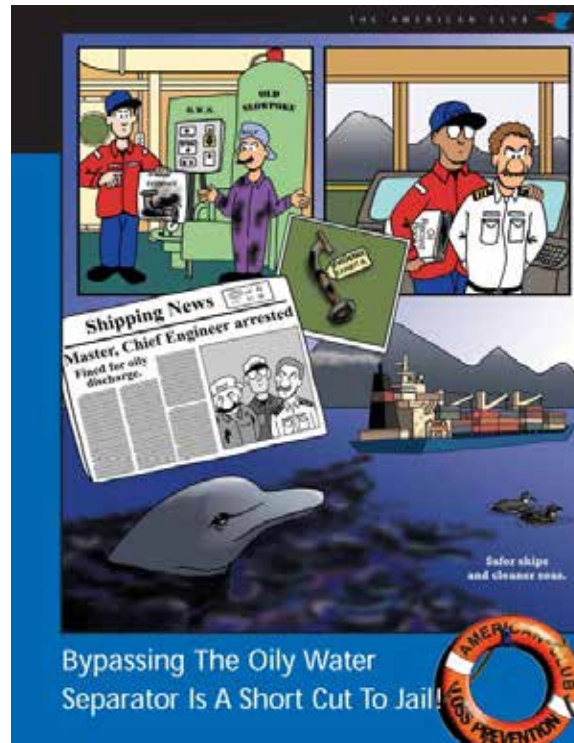
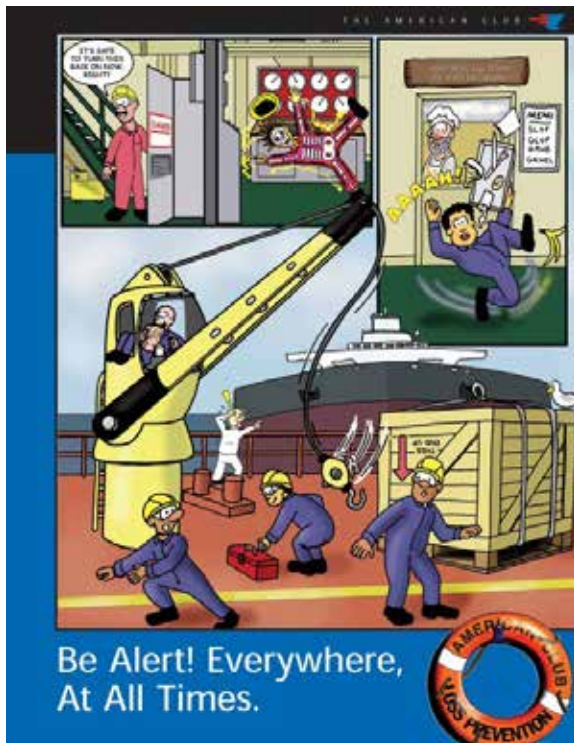
Loss Prevention (cont.)

Comics – *Preventing Fatigue* (2005), *Shipboard Safety* (2006) and *Protecting the Marine Environment* (2007)



Loss Prevention (cont.)

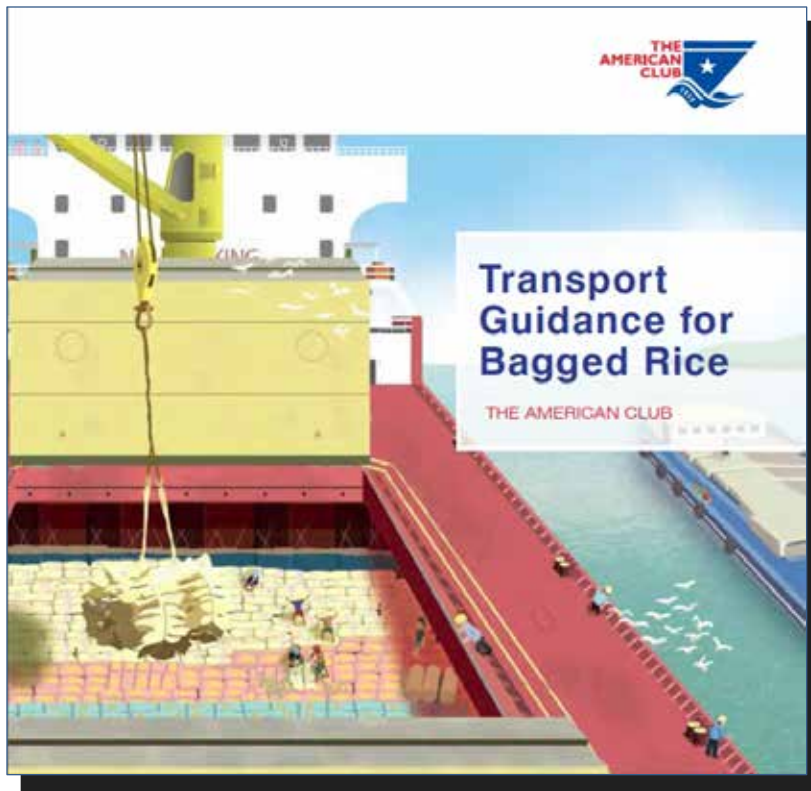
Posters: Safety, Security and Environmental Protection



Loss Prevention (cont.)

American Club website: Best Practices and Guidance
<http://www.american-club.com/page/bagged-rice-cargoes>

RICE



Animations & Photographs

	Ship & cargo sweat
	Bamboo dunnage
	Timber dunnage
	Plastic, Styrofoam, & kraft paper
	Humidity & ventilation
	Ventilation channels
	Do's and Don'ts

Loss Prevention (cont.)

American Club website: Best Practices and Guidance

<http://www.american-club.com/page/piracy>


PIRACY

Piracy

Piracy and armed robbery of commercial ships remains a dangerous threat to our industry in many locations around the world. This section provides key information to our Members as to the following:

- frequently asked questions for P&I Clubs related to piracy;
- guidance to Members for the use of armed guards;
- relevant links to updated information on piracy; and
- relevant documents issued by the Association on piracy.

For further information on issues or concerns related to piracy and armed robbery and the use of armed guards, please contact your Managers for assistance.



▼ Frequently Asked Questions (FAQs) Regarding P&I Coverage

▼ Use of Armed Guards and Your P&I Club

▼ Club Alerts, Circulars and Articles

▼ Important Industry Links

▼ Latest Updates & Advisories



Loss Prevention (cont.)

American Club website: Best Practices and Guidance

<http://www.american-club.com/page/ebola>

Ebola Updates

- October 14, 2014. **(United States)** The New Orleans Sector of the United States Coast Guard (USCG) have issued new Vessel Reporting Requirements from Countries Posing an Ebola Virus Threat (PDF) 0.37MB for vessels calling from Senegal, Guinea, Sierra Leone, Liberia and/or Nigeria. Members are advised to ensure compliance with these measures.
- October 9, 2014. **(United States)** The United States Coast Guard has issued Bulletin No. 001-14, Ebola Virus Disease (EVD) Threat and the Maritime Transportation System (PDF) 0.05MB providing updated guidance for shipowners on preventative measures to be considered to prevent the spread of EVD.
- October 2, 2014. **(Benin)** The port of Cotonou has issued new measures aimed at preventing the Ebola Virus Disease from entering the country by ship. A summary of these measures can be found [here](#) (PDF) 0.02MB. The source of this information is the Club's correspondent, Budd, S.A. of Marseille-Fos, France.
- September 26, 2014. **(Panama Canal)** The Panama Canal Authority, in coordination with the Panamanian Ministry of Health, have issued a series of prevention and protection measures (PDF) 0.03MB against the Ebola Virus Disease for ships transiting the Panama Canal.
- September 25, 2014. **(Singapore)** Members should take note of the new port health clearance procedures for vessels arriving Singapore (PDF) 0.04MB.
- September 24, 2014. **(Mexico, Venezuela, Brazil, Uruguay and Argentina)** The latest updates as far as the national policies for ports in Mexico, Venezuela, Brazil, Uruguay and Argentina related to the outbreak of the Ebola Virus Disease can be found [here](#) (PDF) 0.10MB with an associated map summarizing these policies (PDF) 0.15MB. The source of this information is the South American P&I Correspondents (SAPIC).
- September 22, 2014. **(Liberia, Sierra Leone, Guinea, Nigeria, Ghana, Senegal, Togo, Benin, Cameroon, Congo, Democratic Republic of Congo, Equatorial Guinea, Angola, South Africa, Gabon and Ivory Coast)** A summary of the current port restrictions for these noted African nations as a result of the Ebola Virus Disease is presented [here](#) (PDF) 0.24MB. The source of this information is the shipping agent, Aftaship.



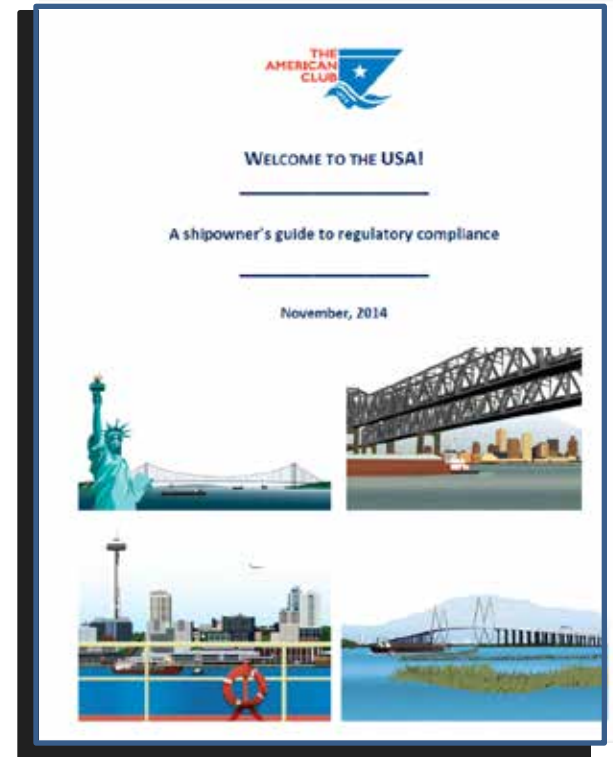
EBOLA VIRUS

Loss Prevention (cont.)

American Club website: Best Practices and Guidance

<http://www.american-club.com/page/usa-regulations>

What is the US regulatory regime for shipowners?



WELCOME TO THE USA





Thanks for your attention!

