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

What are they?

Cover

Key Role In Maritime Industry
What are they?

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

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

What do they cover?

Third Party Liability

1. Loss of life Injury & Illness
   - Any person on board
   - Crew
   - Stevedores
   - Passengers
P&I Clubs

What do they cover?
P&I Clubs

What do they cover?
2. Repatriation Expenses

- For crew or third party after casualty or injury, illness, death
- Repatriation of stowaways
3. Collision: “Running Down Clause” (RDC)

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

- Standard 1/4ths RDC
- Amended 4/4th RDC
- Excluded RDC absolutely
4. Damage caused other than by collision

- Liability for damage to another vessel

  ex: Oil spill from insured vessel affecting another vessel
5. Damage to Fixed and Floating Objects (FFO): e.g. docks, buoys, etc.

- Damage caused by contact of the insured vessel with fixed and/or floating objects
6. Liability in respect of wrecks

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

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

(subject to certain parameters of the rules)
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)
9. Mutiny – Misconduct

Where the mutiny or misconduct is related to any unfounded claim by a seaman or crew where not otherwise insured elsewhere in the rules.
10. Quarantine expenses

- Due to outbreak of disease on board the insured vessel
11. Diversion expenses

- For injured / sick crew / stowaways
12. Unrecoverable General Average (GA) Contributions

- Time limit for notification
- All rules relating to cargo cover
- GA security has been obtained
- No privity of insured if vessel was unseaworthy prior to the voyage
13. Discharge of oil or other substance

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

- Costs expenses for defending and protecting the insured
15. Sue and Labour

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

 Covers liabilities not expressly excluded subject to the Directors approval
Risks excluded

- War Risk
- Nuclear Risks
- Unlawful trading
Losses excluded

- Hull Damage
- Loss of Hire
- Willful Misconduct
- Salvage of an insured vessel except article 14 Salvage Convention 1989
- Salvage by an insured vessel
P&I Clubs

FD & D

Cover

Discretionary

Disputes Covered
Factors of discretion for FD & D support

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

- 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
- Charter Party, Bs/L or other contract of carriage
- Operational contract
- Contract for administrative services – insurance broking
- Contract in respect of goods provided to an insured vessel
Disputes covered under FD & D

- Contract of employment of Seamen
- Contract of Marine insurance
- Disputes for recovery of damage
- GA contributions
- Disputes for stowaways - refugees – or rescued persons
- Disputes in connection with cargoes
What is the P & I Club’s Key Role?

1. Insurance cover based on Indemnity
   - Covering agreed enumerated losses, expenses, liabilities incurred in connection with operation of the insured vessel
2. Claims Handling throughout the casualty
- Guidance from experienced staff
- Wide range of sources of information
- Worldwide network of lawyers & experts
- Complete strategy for pursuance and defense
- Loss prevention advice
3. **Provision of Security**

- Letter of Undertaking
- Bank guarantee
- Facilitate free movement of the vessel
- Allows claims to be resolved responsibly & carefully while securing the claimant
What is an LOU and why is a Group Club LOU just as good (maybe better) as/than a Bank Guarantee?

- 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.

- Exceptional financial strength of the International Group Clubs & the mechanism of the International Group Agreement.
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
International Group of P & I Clubs

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

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

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

(Oil pollution limit $1 billion)

“Overspill claims” (shared percentage basis)
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
# P&I Clubs

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

<table>
<thead>
<tr>
<th>Club</th>
<th>Holding Club</th>
<th>Non-Holding Club</th>
</tr>
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<tbody>
<tr>
<td>American</td>
<td>$14,459,969</td>
<td>$2,959,969</td>
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<tr>
<td>Britannia</td>
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<td>Gard</td>
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<td>Japan</td>
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<td>London</td>
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<td>North of England</td>
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<tr>
<td>Shipowners</td>
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<tr>
<td>Skuld</td>
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<tr>
<td>Standard</td>
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<td>Swedish</td>
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<tr>
<td>UK Club</td>
<td>$29,449,531</td>
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<tr>
<td>West Of England</td>
<td>$20,409,612</td>
<td>$8,909,612</td>
</tr>
</tbody>
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*Individual club retention of US$ 9 million for 2014*
CONCLUSION

P & I Clubs are:

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