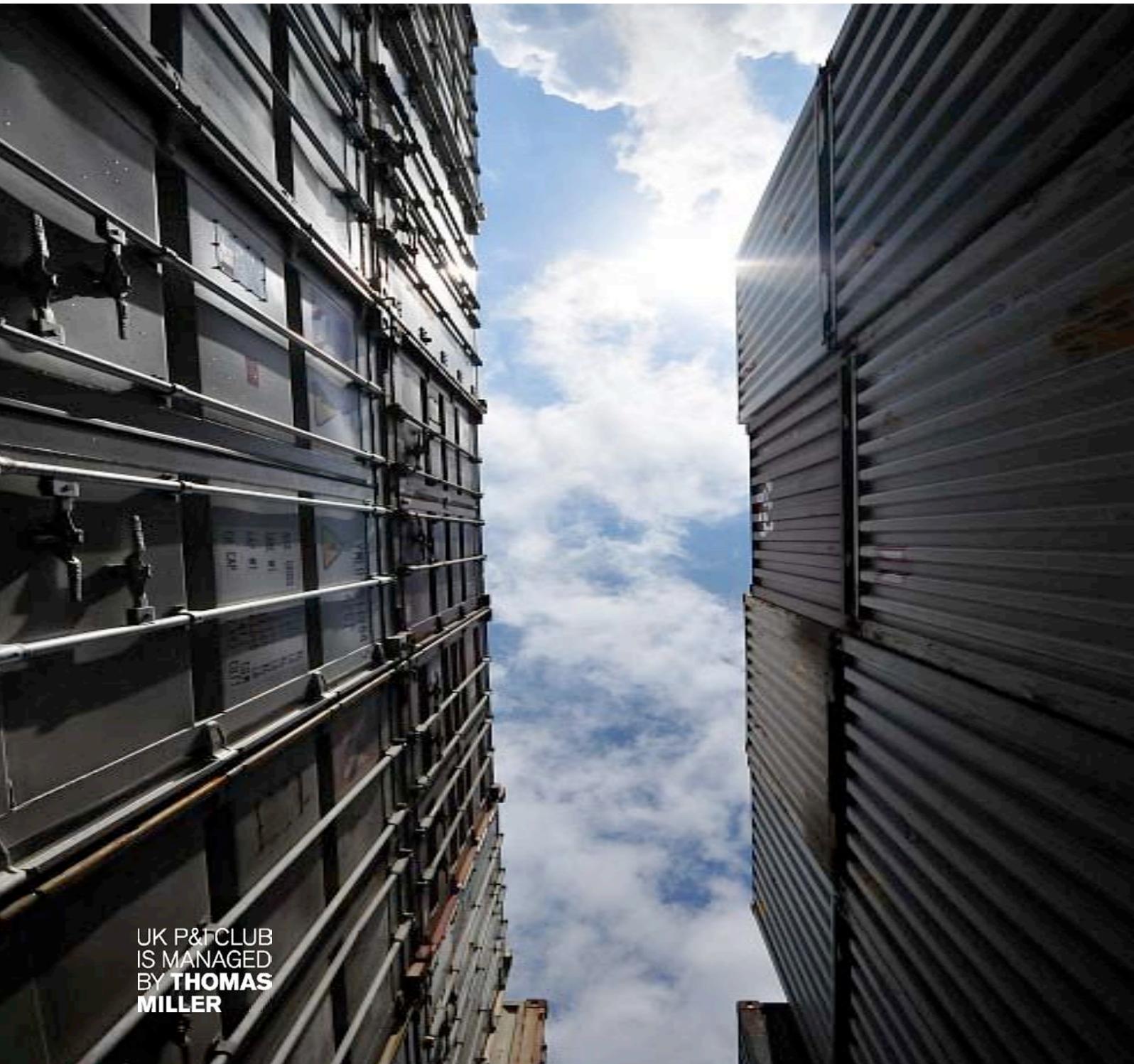


Extended Cargo Cover

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Developments in maritime transport and increased customer expectations have brought about changes in the way our Members do business. One typical example is the increasing demand by cargo interests on our Members to use Service Contracts which include terms of carriage more onerous than the Hague/Visby Rules or their equivalent. Traditional P&I insurance, by having Hague/Visby Rules as the standard terms of cargo transportation, may not cover the additional risks posed by service contracts.

To address our Members' business needs in a changing market, the Club provides an additional cargo insurance coverage known as "Extended Cargo Cover" (or ECC) to complement standard P&I cover.

This leaflet presents at a glance the risks insured under ECC - including the limits of coverage and terms and conditions - and indicates how ECC works with the standard P&I insurance. It also serves as a guide for the Members in deciding whether they need ECC for their cargo-related operations.

However, ECC is a flexible product which is adjustable to suit Members' special needs. Members are therefore encouraged to contact the managers to discuss their requirements, as these may not be fully addressed in this leaflet.

The managers will always be happy to assist Members in finding special terms of cover that will best serve their interests.

Risks insured by Extended Cargo Cover

"Extended Cargo Cover" provides insurance for Members' cargo liabilities that fall outside the scope of standard P&I cover. Risks covered by ECC are those excluded by Rule 2, Section 17 provisos (a) to (f). These are categorized as follows

- Non-standard terms of carriage giving rise to cargo liabilities in excess of the Hague/Visby Rules.
- Deviation which may prejudice Hague/Visby limits or defences.

- Delivery of cargo without production of the bill of lading or at a port other than that stated in the bill of lading.
- Ad Valorem cargo in excess of \$2,500 per package.
- Rare and valuable cargo.
- Cargo liability deriving from operations on the inland leg.
- Cargo liabilities other than as ship operator.
- Cargo liabilities arising other than on board the entered ship.

Why do I need Extended Cargo Cover?

In the container trades, major shippers' service contracts may contain terms more onerous than the traditional Hague/Visby standard and these usually prejudice Members' P&I insurance. ECC can insure the additional liability assumed by the Member as a result of e.g. waiver of defenses or





limits, damage to cargo during storage, waiver of contractual GA/ salvage rights, third party liabilities caused by cargo carried on the inland leg of a multi-modal carriage contract, etc.

Shipowners are exposed to liability claims outside their standard P&I cover if they deviate from the terms of their contract with cargo.

The circumstances of such exposure are varied. If an owner wishes to discharge cargo at an alternative port to that agreed with the shipper, he will need cover for the liabilities arising if the cargo is lost or damaged during transit to the port where discharge was originally intended to take place.

Should a ship be dry docked with cargo on-board, the owner is deviating from the terms of his contract with cargo and will jeopardise his P&I cover. UK Club's ECC cover re-instates the cargo liability protection during the dry-docking operation.

The complexities of the modern transport chain can lead to unfamiliar liabilities for shipowners. Members may well issue bills of lading for cargo which travels entirely or partly on ships owned or operated by other parties e.g. under consortium or joint service arrangements.

ECC insures cargo liabilities arising in these circumstances. Through bills of lading can expose owners to liabilities arising from cargo on the inland portion of the transport. For example, in the event of incorrectly described containers leading to a handling accident the owner could be held liable for resulting injury or damage.

A Member might incur cargo liabilities other than in his traditional role of a ship operator. He may, in effect, be acting as a freight forwarding agent, NVOCC or some other transport entity, and incur liability for cargo loss or damage in that capacity. The UK Club's ECC is there to meet the Member's new business needs in respect of such cargo liabilities which are not covered under the standard P&I policy.

Who is eligible for Extended Cargo Cover?

ECC is exclusively available to Members of the UK Club. The Club is pleased to assist Members or their brokers in reviewing the Member's potential liabilities and deciding whether they need the cover. The UK Club's underwriters and claims handlers can review operational practices, contracts and other cover issues with you.

Most owners will seek annual ECC insurance. However, some owners may have a special voyage or charter requiring an Extended Cargo Cover. The Club can provide short-term policies in such circumstances.

Limits and other terms & conditions

Cover can be provided up to a maximum limit of US\$50 million any one accident or occurrence, any one event. Lower limits can be arranged if Members require them. Delivery of cargo without an original bill of lading is usually subject to a lower limit. ECC deductibles are the same as the Member's standard P&I deductible.

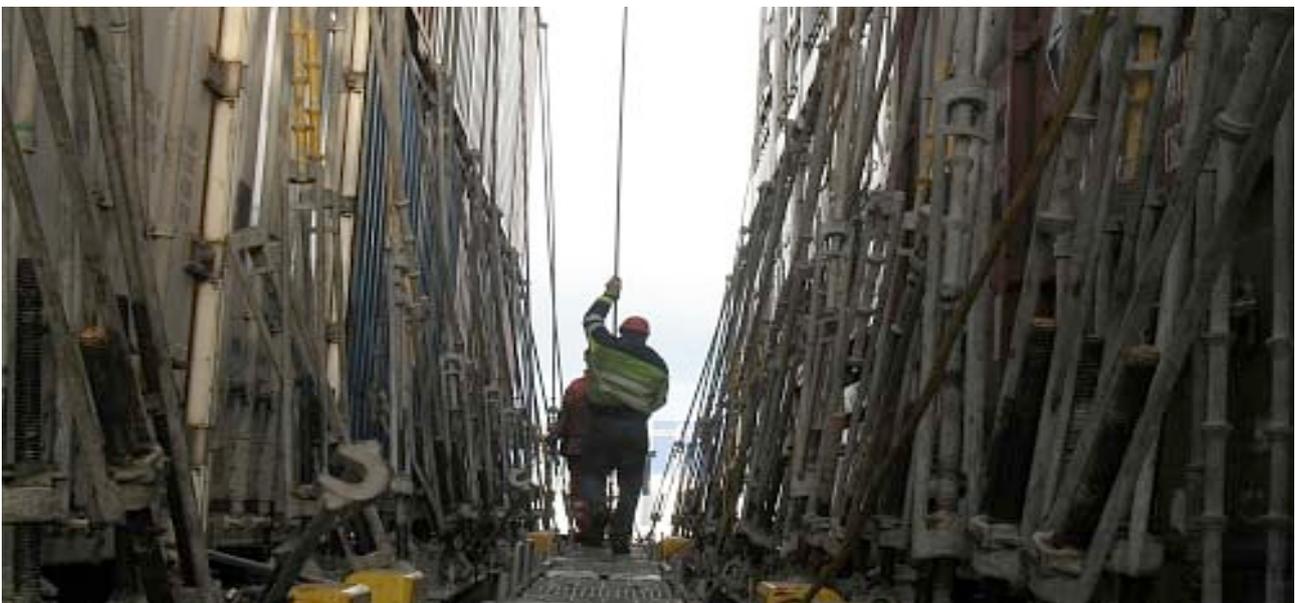
The advantage to a Member of having the same level of deductible is that claims which are difficult to categorize as P&I or ECC can be efficiently dealt with by the managers. The general ECC exclusion is of all claims recoverable under the standard P&I policy. In respect to claims for cargo loss or damage, ECC excludes inherent vice of cargo, delay or loss of market, unless otherwise agreed.

With regard to delivery of cargo without production of bills of lading, ECC is subject to the "Standard Form of Undertaking" to be given by cargo owner or by whoever the cargo is delivered to. The manager's underwriting department can advise Members and their brokers on all aspects of the cover including its terms and conditions.

Claims handling and loss prevention

Claims under the Extended Cargo Cover are handled by the managers of the UK Club. The managers' claims handling expertise and loss prevention advice give added value to the ECC package.

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