

Charterer's Liability

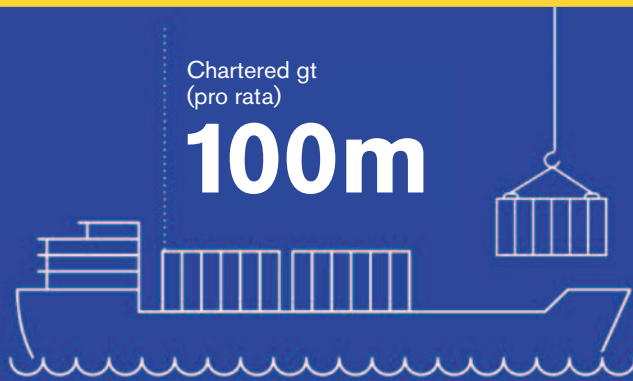
The Charterer's Guide to Protection and Indemnity Insurance



THE UK P&I CLUB IS A LEADING PROVIDER OF P&I INSURANCE AND OTHER SERVICES TO THE INTERNATIONAL SHIPPING COMMUNITY



MEMBERSHIP



Our top trade types



Dry Bulk



Oil/Gas



Container

FINANCIAL STRENGTH

“ With excellent capital resources and reinsurance programmes backed by A rated reinsurers, the UK P&I Club is one of the financially strongest clubs in the International Group

Standard & Poor's

Negative outlook



Capital model



COMPREHENSIVE COVER

Standard cover:



Damage to Hull
(DTH)



Damage
to cargo



Pollution



Fines



Wreck
Removal



General Average/
Salvage



Detention



War Risks

Additional cover:

(Further tailored covers are available on request)



Cargo Owners/
Traders extension



Extended
Cargo



Charterer's
Bunkers



Onerous
Contracts



Through
Transport



NVOCC

SERVICE

“ We bring local experience, understanding and expertise to bear in every major time zone, ensuring prompt and reliable support when it's needed most

11

Offices
Globally

90

Dedicated Claims
handlers worldwide



13

A global team of 13 Senior Claims Directors with extensive mariner/legal/industry/P&I experience support every claims team

ADDITIONAL SERVICES



Contract Review



Digital Platform



Cover
Innovation



Bespoke
contents



CHARTERER'S RISKS – OVERVIEW

Whether a container line, trading house, shipping pool, project cargo specialist or mining conglomerate, and whatever your shipping contracts and operations may be, involvement in marine transport as a Charterer means you are exposed to liabilities. Our experience and unrivalled level of service will help you identify, control and manage these risks cost-effectively.

Damage to the chartered ship

Damage caused to the ship by your cargo, at the port, by off-spec bunkers or by stevedores may be your responsibility under the charter party.

Pollution from your cargo

Even if you are not at fault, as the buyer, seller or holder of a bill of lading for goods carried on board, you may be liable for clean-up costs or a fine after an environmental incident involving the ship.

Damage to the cargo

Third-party cargo claims may be brought against you as the Charterer for cargo damaged by the ship, either under the charter party if you were responsible for loading of the cargo or the bill of lading if you issued it.

Pollution from the chartered ship

A number of jurisdictions such as Australia and the United States target the Charterer of the ship for pollution caused by the ship, either from the cargo or bunkers or both.

Obligation to pay hire

If the ship is damaged, delayed or arrested, you may still be obliged to pay hire despite the ship not trading, meaning you could incur substantial losses.

Personal injury

Ship operations are dangerous. Where a Charterer is contractually responsible for those operations, there could be a large claim for injuries or deaths that occur.

Wreck removal and obstruction

You could be liable for the cost of removing the wreck and cargo: an expensive and time consuming operation costing sometimes several multiples of the value of the cargo and ship.

Loss of your bunkers

Bunkers are the largest single cost associated with operating a ship. Your bunkers can be lost or damaged due to a marine accident.

General Average (GA) and salvage

Any cargo or bunker owner or party receiving freight on a ship that declares General Average (GA) or has to be salvaged, must contribute in proportion to the value of the property at risk. Your contribution could be more than that of the shipowner.



CHARTERER'S RISKS – PRACTICAL EXAMPLES

Unsure of your potential exposures? Here are some practical examples of the risks that you might face and how the UK P&I Club can help protect your interests.

Cargo – Damaged Grain

A supramax bulk carrier was time chartered by the Assured for the carriage of corn from Argentina to Egypt. On arrival at the discharge port local receivers alleged mould damage in various holds, rejected a portion of the cargo and arrested the ship. Security was provided by the Owner's P&I Club who subsequently defended and ultimately settled the claim.

The Owners subsequently attempted to bring a recovery action under the Inter Club Agreement (ICA) against Charterers alleging, amongst other things that the cargo was, or had been, inherently unstable or that the method of loading had introduced moisture into it.

Due to proactive case handling during the time of the initial incident, the Club was able to successfully defend the Owner's claim in full as well as protect the Assured's own claim for delay, off hire and associated commercial losses.

Damage to Hull (DTH) – Unsafe berth

The Assured, a mining company, time chartered a panamax bulk carrier for the carriage of coal to India. At the discharge port the vessel touched the bottom of the berth and the Owner subsequently alleged the berth was unsafe and brought a claim for damage and deformation to the vessel's hull and double bottom tanks.

After careful investigation and monitoring of the repair work, the Club was able to reduce the Owner's claim by 60% and then successfully recover these losses down the line from the sub-charterer.

Damage to Hull (DTH) – Off spec bunkers

The Assured, an energy trader, procured heavy fuel oil (HFO) for a gas carrier operating in their time chartered fleet. Five days after the ship started burning the fuel, and two weeks after it had been

delivered, problems arose with the ship's fuel pumps and main engine.

The Club was immediately consulted and, in conjunction with the Assured's operations department and appointed experts, formulated a response plan to bring the problem under control and minimise operational delay.

Thereafter the Club was able to arrange and monitor testing of the fuel and, despite onerous supply terms, facilitate the de-bunkering of the vessel and the recovery of the Assured's losses arising from the incident.

Cargo – Container fire

The vessel, a 11,000 TEU container ship, suffered a fire on board which originated in containers carried under bills of lading issued by the Assured. The Owners engaged the services of fire-fighting tugs and the vessel was forced to make an unscheduled call at a port where the fire damaged containers could be discharged.

Working in close cooperation with the Owners, the Assured and the Club were able to structure an agreement whereby general average was not declared and the parties would manage claims, including those from the Assured's consortium partners, on a cooperative basis pending further investigation into the cause of the fire.

Subsequently, with the help of the Club, the Assured was able to defend and settle cargo claims arising from the incident as well as

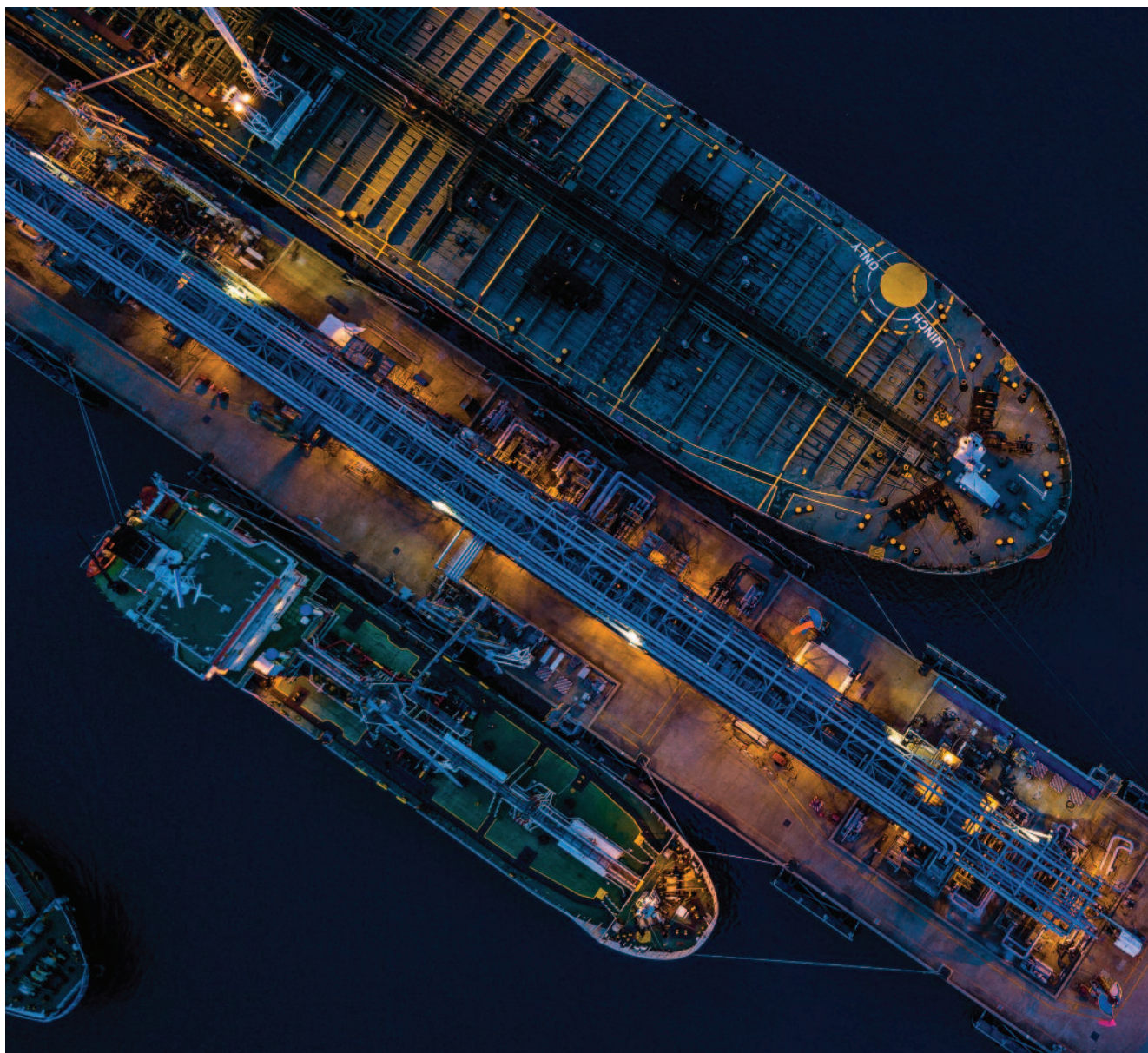
obtain and enforce judgments against the shippers for the negligent declaration of the goods.

Pollution

The Assured, a fuel trader, arranged to conduct a Ship-to-Ship (STS) transfer of cargo from one of their chartered product tankers to a customer. The customer was to provide the daughter vessel and all the STS equipment. During the operation one of the hoses burst, leading to a spillage and loss of cargo.

Strict liability meant that the Owner of the chartered vessel was responsible for the spill and resultant clean-up operations, but had a recourse action under the charter party against the Assured in contract and against the Owner of the daughter vessel in tort.

With the Club's assistance, the Assured was able to structure a settlement whereby the Owner settled directly with the daughter vessel interests, without any residual liability or costs exposure to the Assured.



General Average (GA) – Time Charterer's Bunkers & Freight at Risk

A laden aframax tanker on time charter to the Assured went aground whilst on passage to the discharge port. Her Owner declared General Average (GA) and engaged tugs in an attempt to re-float the vessel.

Security was requested by the Owner for GA contributions in respect of the Time Charterer's bunkers on-board and the freight due to be earned for the voyage, which together amounted to almost 7% of the total property at risk. Security was duly provided by the Club and following the ship's successful refloat experts were appointed to investigate the cause of the incident. It subsequently emerged that a mechanical failure, due to poor maintenance, had caused the grounding of the ship and the Club was therefore able to defend the Owner's claims in full and protect the Assured's deductible.

Cargo & Damage to Hull (DTH) – Collapsed stow

During a handysize bulk carrier's laden transit the lashing and dunnage securing various parcels of project cargo in one of the vessel's holds failed. The cargo shifted and, in the process, damaged both itself and a ballast tank adjacent to the hold. Although the damage was not immediately

detected, during cargo operations at the first discharge port water was seen collecting in the aft of the hold as the vessel took on ballast. Shortly thereafter local receivers submitted claims for damage and wetting of cargo arising from the collapsed stow and subsequent ingress of water in the hold. Further claims followed at the second discharge port.

The Assured, a dry bulk operator and the time charterer of the vessel, was put on notice by the Owners for these exposures as well as the physical damage to the vessel itself. With the assistance of the Club, the Assured was able to carefully investigate the cause of the incident, monitor the ballast tank repair work and obtain counter security down the line from the sub-charterers. Eventually, after the Owners had defended the cargo claims in the first instance, the Club was able to facilitate the settlement and recovery of the losses associated with the incident.

Damage to Hull (DTH) – Stevedore Damage

Whilst discharging a cargo of iron ore in China a capesize bulk carrier on period charter to the Assured had one of her side rolling hatch covers damaged by a shore grab when the crane supporting it collapsed.

After extensive negotiations with the terminal, local receivers,

sub-charterers, the stevedores' insurers and the vessel's classification society the Club was able to help ensure that discharge operations continued and that permanent repairs were swiftly arranged at a nearby yard shortly thereafter with limited downtime or deviation involved.

Cargo Owner's Legal Liability – Non-entered ship

The Assured, a refiner, was responsible for shipping a particular grade of product on a vessel chartered by their customer. Not long after loading began, there was an explosion in one of the vessel's cargo tanks. Thankfully, there was no pollution or loss of life.

After careful investigation, it was discovered that, due to a problem at one of the refinery's units, the product had not been fully processed and displayed abnormal characteristics. The Assured was accordingly held liable by both their customer and the Owner of the vessel for the incident.

Consequently, with the assistance of the Club, the Assured was able to arrange the offloading of the cargo from the vessel as well as monitor her subsequent repair. Following protracted negotiation involving witness evidence and technical advice the Assured, supported by the Club, was then able to settle the Owner's claim at a reasonable level.



COMPREHENSIVE CHARTERER'S LIABILITY COVER – SCOPE OF COVER

Standard cover up to USD 1,000,000,000 limit

- Damage to Hull
- Damage to Cargo
- Pollution
- Fines
- Wreck removal
- General Average/Salvage
- War Risks

Additional covers

Cargo Owner/Trader extension

Our Charterer's Liability cover can extend to P&I and DTH liabilities incurred as owner of the cargo on board.

Extended cargo

Cargo service contracts often need similarly tailored P&I cover to match the onerous liabilities they impose.

Therefore our Charterer's Liability cover can be extended to cover cargo liabilities in situations like; deviation of vessel from contract

voyage, lightering cover to other than scheduled loading or unloading berth, carriage of any bullion, bank notes etc as cargo.

Charterer's Bunkers

Your bunkers are a valuable property at risk of loss in maritime accidents.

The Charterer's Bunkers cover will indemnify the Charterer for the value of bunkers lost based on Institute Cargo Clauses (C) 1/1/82 CL. 254, Institute War Clauses (Cargo) 1/1/82 CL. 255 and Institute Strike Clauses (Cargo) 1/1/82 CL. 256.

Onerous contracts

Sometimes Charterers must enter into contracts that impose liability irrespective of fault, or which contain terms more onerous than "knock for knock" or Hague Visby.

Strict liability can be imposed by service contracts, or when contracting with stevedores, tugs, bunker suppliers or terminals.

These strict liabilities can be covered under a tailored-made cover.

Through transport

This extension covers the liability for loss, shortage, damage or other responsibility to cargo carried by a means of transport other than the chartered vessel, when the liability arises under a through or transshipment Bill of Lading or other form of contract approved by the Underwriter.

NVOCC

This extension covers the liability of the Assured incurred in the capacity as an NVOCC (Non-vessel operating common carrier) in respect of cargoes loaded under the Assured's approved Bill of Lading on vessels not owned or chartered by the Assured.



WHY THE UK P&I CLUB?

Finding the right P&I Club is about securing right cover at the right price. In a complex landscape of risks, access to value-added services are invaluable.

Dedicated team

As a market leader in Charterer risk, we proudly offer a dedicated team with in-house and industry experience, who provide the highest level of understanding, service and support for your risk management needs.

So whether it might be a concern about the intricacies or nature of cover, trouble shooting on a particular claim, contractual query or dispute, we are ready to help with any issues your business may face. We appreciate that, by the nature and size of your operations, no one Charterer or Trader is ever the same. That is why we not only recognise this fact, but we actively prioritise its importance.

Value-added additional benefits

Value-added services can provide crucial support to help charterers/traders to gain invaluable knowledge and insight when fixing ships and increase efficiency when dealing with the insurance side of the trade. Assureds of the UK P&I Club benefit from a variety of additional services, from contract review through to our market leading digital platform which provides the Assured access to all their documents and live statistics at their convenience.

Contract Review

We offer a Contract Review Service to Assureds through which we assist Assureds by: identifying

terms in their contracts which are prejudicial or unfavourable to them, drafting improved/replacement/additional terms for Assureds to negotiate with their counterparts, and highlighting any gap(s) in their P&I cover so that Underwriters can assist them to obtain additional cover to plug those gaps.

Knowledge sharing

The UK P&I Club is proactive in keeping track of many developments and issues in the Maritime industry. This with the spread of expertise across the Thomas Miller group enables the UK P&I Club to enjoy the benefit of leadership in a wide range of international issues, including sanctions, piracy and developing case law.

More importantly, our Assureds and the shipping community benefits greatly from the experience and knowledge we have built up throughout the 150 years history of the Club.

We offer courses and publish circulars on a regular basis where we highlight relevant and important developments in the industry to ensure our Assureds have access to a wealth of knowledge and expertise. An example of a new initiative is our 360 course.

360 course is a new, value added training course specially designed for the Assureds of the UK P&I Club and UK Defence Club. It offers an engaging mix of group work,

presentations and case studies featuring today's hottest topics.

Digital platform

As the world is becoming more and more digitalised, a powerful and user-friendly digital platform is invaluable for businesses to collect and streamline data. Allowing organisations to gain valuable insights into their business at a moment's notice and increasing efficiency are some of the key benefits.

With this in mind, the UK P&I Club has developed a market leading intuitive digital platform which allows Assureds/brokers to have 24/7 access to essential data which is daily refreshed to reduce the burden of managing the insurance side of things.

Key benefits of our digital platform

- Access to Assured's documents such as Certificates and invoices at their own convenience
- Live loss records and claims details
- Live financial figures i.e. outstanding premiums/contras
- Ability to make high level analysis from different angles i.e. trade, claims type etc.
- Digitally updating the charterer's liability underwriting information allowing a smooth and quicker renewal process*.

* Under development

FREQUENTLY ASKED QUESTIONS

1. The Owner of the vessel has P&I insurance with an IG Club, why do we as a Charterer need Charterers Liability cover?

By the nature of any charter party agreement a Charterer will have to warrant, undertake or assume certain duties or obligations towards an Owner that go beyond the basic requirement to pay freight or hire. These might relate to the safety of the port, or ports, where the vessel is asked to call or the nature of the cargo to be carried. Where there is a breach of these duties a Charterer may incur a liability. Similarly where a Charterer actively assumes the commercial operation of a vessel and, for example, becomes contractually responsible for the procurement of fuel or her wider trading pattern this greater assumption of risk will carry with it additional liabilities for which Charterers will inevitably be held accountable should problems arise or there be a failure in performance. Even where, on paper, a Charterer has passed these risks on or sought to maintain a back-to-back position counterparty risk may still exist and thereby create an exposure. For all these reasons, the procurement of extensive and responsive liability cover should be an essential component of any prudent Charterer's risk management system.

2. If we have a major pollution incident involving a chartered vessel or carrying our cargo what casualty management expertise would the Club be able to offer?

The Club is able to offer market leading expertise and support to a Charterer and cargo owner when dealing with major casualty incidents spanning not only the initial emergency response and investigative processes but also the subsequent monitoring, contingency planning and control of events as well as both public body and media liaison. In addition, due to the geographical spread of the Club's offices and personnel, the Club is able to provide continuous support across time zones to facilitate real time reporting and decision making. The Club also regularly runs drills and workshops for Assureds in conjunction with other service providers to promote industry best practice and assist Assureds assimilate the services the Club can offer into their own emergency response procedures, where required.

3. Were we to have a dispute with an Owner or Charterer also entered in the UK P&I Club how would the Club manage the dispute and what additional value could the Club offer in resolving the issues?

The Club has strict rules for the handling of inter-Assured disputes and internal systems to protect information and security at the time of the incident itself, its immediate aftermath and during any subsequent periods of negotiation or litigation between the parties. Whether a small dispute under the Inter Club Agreement or a large unsafe port claim these rules, and the principles that guide them, apply throughout. Should it become necessary the Club is able to offer alternative dispute

resolution solutions including in-house mediation and early neutral evaluation all of which can promote significant savings in both cost and time for all concerned.

4. If our company has trading desks based in Houston, London and Singapore what round the clock servicing and support could the Club offer each of these units to ensure seamless business continuity?

Through its network of regional offices the Club is proud to offer claims support and servicing on a global coverage basis across all major time zones. Accordingly any Charterer or trader who requires it may request a dedicated claims support team structured around that particular Assured's geographical needs. As part of this package the Club is also able to provide loss prevention and contract review functions on a similar basis.

5. Along with claims and legal services what other support can the Club provide on a day-to-day basis?

In addition to traditional claims and legal services across Charterers' products the Club can provide loss prevention expertise and contract review support to Assureds on a daily basis. The Club is also able to assist with in-house seminars and training, and regularly runs external events and courses on a range of legal, operational and marine insurance related topics. Where Assureds have a specific issue or concern the Club is also able to produce and provide tailored content upon request.

CHARTERERS' & TRADERS' TRAINING MENU

Tailored for your business needs

We can present on topical subjects from the below menu selection in person, in house or via video link. We also produce and deliver bespoke content and training tailored to your specific requirements.

Topic

- Sanctions Clauses
- Sanctions & Cover
- Bills of Lading: Blending and Commingling
- Bills of Lading: Splitting, Cancelling and Re-issuing
- Bills of Lading & Blockchain
- Letters of Indemnity: Panacea or Peril?
- Tanker Demurrage Workshop: Time counting, breakdown of machinery, pumping warranties, documentation etc.
- Dry Cargo Demurrage Workshop: Time counting, weather delays, strikes, stoppages, despatch etc.
- Laytime and Demurrage: Time Bar workshop
- Laytime and Demurrage: Charter Party vs. Sales Contract Considerations
- Hold Cleaning & Off Hire (Dry Cargo specific)
- A Charterer's Guide to Speed & Performance Warranties
- STS Operations: Overview from a Club Perspective
- Interim Port Clauses (Tanker specific)
- Safe Port/Safe Berth Warranties in the Tanker Trades
- Charter Party Cancellation & Redelivery
- Tank Preparation & Cleaning Disputes (Tanker specific)
- Bunker Claims & Dispute Resolution: A Practical Guide
- 2020 – Charterers' Considerations
- Casualty Management & Pollution Risks for Charterers
- Additional Covers for Charterers
- DTH Case Studies: Lessons Learnt

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