

## UNIT TWENTY-ONE

# PROTECTION AND INDEMNITY INSURANCE

## (P&I Club Insurance)

Source: AN INTRODUCTION TO MARINE PROTECTION & INDEMNITY INSURANCE

([www.skuld.com](http://www.skuld.com))

(Video *No Room for Error*.)

<http://www.ukpandi.com/loss-prevention/videos/no-room-for-risk/unsubtitled/>)

## PROTECTION AND INDEMNITY INSURANCE

In basic terms there are three main types of marine insurance: hull and machinery, cargo insurance, and P&I Insurance.

**Protection and Indemnity insurance**, or “P&I” as it is usually called, is a shipowner’s **insurance cover** for legal **liabilities** to third parties. “Third parties” are any person, apart from the shipowner himself, who may have a legal or contractual **claim** against the ship. P&I insurance is usually arranged by entering the ship in a **mutual insurance association**, usually referred to as a “**club**”.

Shipowners are members of such clubs. Legal liability is decided in accordance with the laws of the country where an accident takes place. The P&I insurance cover for contractual liability is **agreed** at the time the owner requests insurance cover from the club and is usually in accordance with the owner’s responsibility under crew contracts or special terms relating to the trading pattern of the vessel.

The word **protection** simply means that the insurance also covers assistance when a ship is involved in an accident and the shipowner and his Master need help. Often the club’s early intervention and assistance will help to **head off**<sup>1</sup> problems and serve to **protect** the shipowner from inflated claims.

P&I insurance is an **indemnity** type of insurance, which means the shipowner (or member of the club) must demonstrate his loss before the club will pay out (or indemnify him) under the terms of the **insurance policy**. It is important to bear in mind that the club never assumes the owner’s liability, therefore technically the owner (or member) is always responsible for payments (the “pay to be paid” principle). In practice, the club takes over the business of **handling claims** and ensuring that payments are correctly made.

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<sup>1</sup> To **head off**: to prevent or forestall (something that is likely to happen)

**Ex. 1 Pair work: Discuss the bolded terms in the text above**

- **insurance cover**
- **liabilities**
- **claim**
- **mutual insurance association,**
- **“club”**
- **etc.**

**Ex. 2 Supply the missing words:**

In basic terms there are three main types of marine insurance: Hull and machinery, cargo insurance, and \_\_\_\_\_.

Protection and Indemnity insurance, or “P&I” as it is usually called, is a shipowner’s insurance \_\_\_\_\_ for legal liabilities to third parties. “Third parties” are any person, apart from the shipowner himself, who may have a legal or contractual \_\_\_\_\_ against the ship. P&I insurance is usually arranged by entering the ship in a \_\_\_\_\_ insurance association, usually referred to as a “\_\_\_\_\_”.

\_\_\_\_\_ are members of such clubs. Legal \_\_\_\_\_ is decided in accordance with the laws of the country where an \_\_\_\_\_ takes place. The P&I insurance cover for \_\_\_\_\_ liability is agreed at the time the owner requests insurance cover from the club and is usually in accordance with the owner’s \_\_\_\_\_ under crew contracts or special terms relating to the trading pattern of the vessel.

The word protection simply means that the insurance also covers \_\_\_\_\_ when a ship is involved in an accident and the shipowner and his Master need help. Often the club’s early intervention and assistance will help to \_\_\_\_\_ problems and serve to protect the shipowner from inflated claims.

P&I insurance is an \_\_\_\_\_ type of insurance, which means the shipowner (or member of the club) must demonstrate his loss before the club will pay out (or \_\_\_\_\_ him) under the terms of the insurance policy. It is important to bear in mind that the club never assumes the \_\_\_\_\_, therefore technically the owner (or member) is always responsible for \_\_\_\_\_ (the “pay to be paid” principle). In practice, the club takes over the business of \_\_\_\_\_ claims and ensuring that payments are correctly made.

**Ex. 3 Find the verbs in the above text that take the following nouns as their object:**

- \_\_\_\_\_ a claim against the ship
- \_\_\_\_\_ the ship in a mutual insurance association
- \_\_\_\_\_ legal liability
- \_\_\_\_\_ P&I insurance cover for contractual liability
- \_\_\_\_\_ assistance
- \_\_\_\_\_ problems

_____	<i>shipowner from claims</i>
_____	<i>demonstrate the loss</i>
_____	<i>the owner's liability</i>
_____	<i>claims</i>
_____	<i>payments</i>

#### RUNNING DOWN CLAUSE (RDC) AND FIXED OR FLOATING OBJECTS (FFO)

The P&I cover may include **liability for collisions** ("RDC"), for example when the member's ship is in collision with another ship, or when the entered ship **strikes a fixed object**, i.e. a quay, dock or buoy ("FFO"). However, collision and striking liabilities are often included in the ship's hull and machinery cover, for instance under the Norwegian Insurance Plan. Therefore, it is important for a Master to **ascertain** whether his vessel's **collision insurance** (collision between ships) and **striking insurance** (i.e. when a ship strikes a fixed or floating object which is not another ship) is covered under his **P&I policy** or under his **hull and machinery** policy. To be safe, it is always wise for a Master to inform the P&I club, or the **club correspondent**, if his vessel is in collision with another vessel or a fixed object.

#### DEATH AND PERSONAL INJURY ON BOARD THE VESSEL

P&I insurance covers an **owner's liability for** all deaths, personal injuries and illnesses which occur on board, including death or injury to crew, passengers, stevedores, pilots and visitors to the ship.

#### REPATRIATION OF SICK OR INJURED CREW AND HOSPITAL EXPENSES

P&I insurance also covers a **shipowner's liability to pay** for the costs of repatriating crew members who become sick or are injured on board. The insurance also covers the crew's hospital bills and costs of sending replacement personnel to the ship if necessary.

#### LOSS OF CREW MEMBERS' PERSONAL EFFECTS

P&I insurance also covers the owner's liability for loss of **crew belongings** in cases of **shipwreck** or fire on board. The cover only applies to items which are **deemed to be reasonable** for any crew member to have with him on board. A crew member travelling with unusually expensive **items**, such as laptop computers, gold watches etc should make sure that he has such items separately insured.

<p><b>1. Ex. 4 Match the explanation in the left-hand column with the correspondent heading in the right-hand column</b></p>		
<p>I. The P&amp;I cover may include liability for collisions ("RDC"), for example when the member's ship is in collision with another ship, or when the entered ship strikes a fixed object, i.e. a quay, dock or buoy ("FFO"). However, collision</p>	<p>a. LOSS OF CREW MEMBERS' PERSONAL EFFECTS</p>	

<p>and striking liabilities are often included in the ship's hull and machinery cover, for instance under the Norwegian Insurance Plan. Therefore, it is important for a Master to ascertain whether his vessel's collision insurance (collision between ships) and striking insurance (i.e. when a ship strikes a fixed or floating object which is not another ship) is covered under his P&amp;I policy or under his hull and machinery policy. To be safe, it is always wise for a Master to inform the P&amp;I club, or the club correspondent, if his vessel is in collision with another vessel or a fixed object.</p> <p>II. P&amp;I insurance covers an owner's liability for all deaths, personal injuries and illnesses which occur on board, including death or injury to crew, passengers, stevedores, pilots and visitors to the ship.</p> <p>III. P&amp;I insurance also covers a shipowner's liability to pay for the costs of repatriating crew members who become sick or are injured on board. The insurance also covers the crew's hospital bills and costs of sending replacement personnel to the ship if necessary.</p> <p>IV. P&amp;I insurance also covers the owner's liability for loss of crew belongings in cases of shipwreck or fire on board. The cover only applies to items which are deemed to be reasonable for any crew member to have with him on board. A crew member travelling with unusually expensive items, such as laptop computers, gold watches etc should make sure that he has such items separately insured.</p>	<p>b. DEATH AND PERSONAL INJURY ON BOARD THE VESSEL</p> <p>c. RUNNING DOWN CLAUSE AND FIXED OR FLOATING OBJECTS</p> <p>d. REPATRIATION OF SICK OR INJURED CREW AND HOSPITAL EXPENSES</p>	
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**Ex. 5 Group work: Discuss the following P&I insurance concepts (terms) in your group:**

- RUNNING DOWN CLAUSE (RDC)
- STRIKING FIXED OR FLOATING OBJECTS (FFO)
- DEATH AND PERSONAL INJURY ON BOARD THE VESSEL
- REPATRIATION OF SICK OR INJURED CREW AND HOSPITAL EXPENSES
- LOSS OF CREW MEMBERS' PERSONAL EFFECTS

## LOSS OF OR DAMAGE TO CARGO

One of the major functions of Protection and Indemnity insurance is to **cover** a shipowner, or the charterer of a ship, for **liability for loss of, or damage to, cargo** if there has been a **breach** of the **contract of carriage**. This breach of contract usually means that something has happened to the cargo while it was on board the ship or

being loaded or discharged, and for which the owner or charterer can be held responsible, i.e. **shortage** or **damage** to the cargo. Therefore, if a Bill of Lading is signed and states that 10,000 sacks of potatoes are loaded and only 9,500 are discharged – then the ship (the owner or charterer, or both) **may be held liable for** the loss. Usually, the cargo insurers will pay the person or company who owns the cargo (the receiver) for the costs of loss or damage to that cargo. The cargo **underwriters** will then **seek to recover** their losses from the shipowner or charterer. The P&I club will usually take over the **handling of such claims** on behalf of the assured. This is one of the reasons why **evidence** in the form of documentation, copies of the log book, surveys of damaged cargo, copies of tally books, dated photos of loading in the rain etc are very important in establishing the exact reason for the damage. There are certain **defences** open to the shipowner, such as being able to establish that the packaging of the cargo was not good enough to protect it during transportation. Ensure any damage is surveyed and recorded.

Damage to cargo is the most frequent type of liability that **confronts** a shipowner. Unfortunately, cargo damage is often caused by small mistakes.

An important function of the Bill of Lading (B/L) is to describe the condition and quantity of the cargo as received on board. If the cargo is discharged in a different condition, or in lesser quantity than that entered on the B/L, *the shipowner may be held liable for the damage or shortage.*

#### OTHER P&I COVERED RISKS

Other **risks** covered include **liability for** stowaways, liability for oil pollution and other types of pollution and legal liability for **wreck removal** if the ship sinks and is blocking free navigation for other vessels. In short, P&I insurance is a very **comprehensive** type of insurance cover which makes it easier for a shipowner or charterer to trade in international shipping transportation. P&I is as important to a **prudent** shipowner as his Hull and Machinery insurance cover.

#### SUMMARY

P&I is a special type of marine insurance. It is a **liability insurance** that a prudent shipowner, manager or charterer needs, particularly if the ship is employed in international trade. P&I insurance covers a shipowner or charterer for liabilities and losses in direct connection with the operation of the ship. We often use the term “**third party insurance**” to explain P&I.

#### **Ex. 6 Supply the missing word in the right place in the sentence**

##### LOSS OF OR DAMAGE TO CARGO

One of the major functions of Protection and Indemnity insurance is to a shipowner, or the charterer of a ship, for or loss of, or damage to, cargo if there has been a of the contract of carriage. (**cover, liability, breach**)

This breach of contract usually means that something has happened to the cargo while it was on board the ship or being loaded or discharged, and for which the owner or can be held responsible, i.e. or damage to the cargo. (**charterer, shortage**)

Therefore, if a Bill of Lading is and states that 10,000 sacks of potatoes are loaded and only 9,500 are discharged – then the ship (the owner or, or both) may be held for the loss. (**signed, charterer, liable**)

Usually, the will pay the person or company who the cargo (the receiver) for the costs of or damage to that cargo. **(cargo insurers, owns, loss)**

The cargo underwriters will then to their losses from the shipowner or charterer. **(seek, recover)**

The club will usually take over the of such claims on behalf of the. **(P&I, handling, assured)**

This is one of the reasons why in the form of documentation, copies of the, surveys of damaged cargo, copies of, dated photos of loading in the rain etc are very important in the exact reason for the damage. **(evidence, log book, tally books, establishing)**

There are certain open to the shipowner, such as being able to that the packaging of the cargo was not good enough to protect it during. **(defences, establish, transportation)**  
any damage is and recorded. **(ensure, surveyed)**

Damage to cargo is the most frequent type of that a shipowner. **(liability, confronts)**

An important function of the is to describe the condition and quantity of the cargo as on board. **(Bill of Lading (B/L), received)**

If the cargo is discharged in a different condition, or in lesser quantity than that on the B/L, the shipowner may be liable the damage or. **(entered, held, for, shortage)**

#### OTHER P&I COVERED RISKS

Other covered include liability for, liability for oil pollution and other types of pollution and wreck removal if the ship sinks and is blocking free navigation for other. **(risks, stowaways, legal liability for, vessels)**

In short, P&I insurance is a very type of which makes it easier for a or charterer to in international shipping transportation. **(comprehensive, insurance cover, shipowner, trade)**

P&I is as important to a shipowner as his insurance cover. **(prudent, Hull and Machinery)**

## **Ex 7 Supply the missing terms**

# HOW MUTUAL P&I INSURANCE ACTUALLY WORKS

If a shipowner or \_\_\_\_\_ requires P&I insurance in connection with the operation of a vessel, he may contact a P&I association. A Protection and \_\_\_\_\_ association is often referred to as a "club". This is because the members club together to insure similar risks on a mutual \_\_\_\_\_. \_\_\_\_\_ insurance means that the members of the club are its owners and share in its results. Therefore \_\_\_\_\_ are also mutual and estimated for a given policy year and finally decided when the year is closed which is minimum (but also normally) three years later. \_\_\_\_\_ are therefore referred to as "calls". An Estimated Total Call is calculated for any given ship. \_\_\_\_\_ may be charged all in advance, the full Estimated Total Call or divided into Advance and Supplementary Calls. The benefit of charging Estimated Total Call the first policy year is that the member may be able to fully budget his \_\_\_\_\_. Before the policy year is finally closed, the club can decide to cover the \_\_\_\_\_ and to charge an Additional Supplementary Call. The reason why accounts are kept open is that cases continue to develop and could over time become more, or less, expensive than initially anticipated. In a P&I \_\_\_\_\_ members come together to insure similar risks on a mutual basis.

Accordingly, Estimated Total Calls could also be reduced. A mutual club may wish to increase its reserves, but does not make "profits" since there are no owners other than the members themselves. The club has a Board of Directors who, naturally, expect the managers to do a best possible job. In practice, this means providing insurance cover and first-class service, at the lowest possible cost. P&I (and Hull & Machinery) premiums are important parts of the overall operational costs, together with crewing, maintenance, store and supplies of fuel, etc.

The mutual system is occasionally challenged by what is referred to as "fixed premium facilities". However, the know-how and claims handling expertise of the clubs, together with the universal acceptance of a club Letter of Undertaking, have so far made the clubs the preferred choice for the majority of owners and charterers.

There are many ways of measuring the performance of a P&I club. If members collectively have few claims – and club management does a good job of handling those claims on behalf of the members – costs can be kept to a minimum (heavy losses and many claims lead to higher premiums). But not even the world's most qualityconscious operator, and most extensive loss prevention programmes, can eliminate claims altogether. Therefore, the member depends on his P&I insurance to give him the security of being able to trade in a competitive market.

**Ex 8 Match the text on the left with the corresponding headings on the right**

**HOW YOU CAN HELP**

1. Inspect cargo as it comes on board.
2. If you receive damaged cargo or less cargo than declared for shipment, make sure the damage or shortage is recorded on the Mate's Receipt for clausing of the B/L. Notify the shipper and charterers that you intend to alter the shipping document to reflect your observations.
3. Do not give authority to sign a clean B/L in exchange for a "back letter" or indemnity – such action can be fraudulent and may make the P&I insurance invalid.
4. The tallying of cargo during loading and discharge is a useful way to avoid or limit shortfalls.
5. Inspect the cargo and record any differences
6. Record in the log book inspections of cargo holds undertaken by the ship's officers or crew during the voyage.
7. Make sure that cargo is carefully and safely loaded, stowed, separated, carried and discharged.
8. In Time Charters applicable to dry cargo vessels, the responsibility for load, stow, trim and discharge operations is sometimes transferred from the shipowners to the charterers. Therefore, if you see reason to interfere in the way the charterers, or their supercargo, stow or handle the cargo, make sure you carefully write down your reason for objecting. Report your remarks to the ship's owners. In this respect, photographs can be very useful.
9. Remember the Master always has the final responsibility for the seaworthiness of the vessel. Safely stow the cargo.
10. If you suspect that your cargo may have been damaged during the voyage, inform the ship's owners. They should then request Skuld to arrange for a surveyor to meet you at your destination. Alternatively, you can always contact your local Skuld correspondent. They are instructed to immediately assist you in any way.
11. In case of heavy weather, keep a copy of any meteorological reports or warnings, and properly record the conditions in the ship's log. This particularly applies to adverse sea conditions which may cause damage to the goods on board.
12. Lodge a sea protest at your next port of call and make sure a log extract showing relevant entries is attached. Co-operate as much as possible with the surveyor appointed on behalf of the owners at the destination. If possible, the Master should attend the survey of the damaged cargo himself, or have his Chief Officer attend.
13. Consult the local Skuld correspondent before giving permission for unauthorised surveyors or lawyers to board the vessel. Protect the owners' interests by posting a gangway watch and, if necessary, prevent unauthorised people from boarding the vessel. Keep copies of weather reports

- a. **No "back letters"**
- b. **Put it in writing**
- c. **Seaworthiness**
- d. **Record the damage**
- e. **Is it damaged?**
- f. **Record inspections**
- g. **Safely stowed**
- h. **Survey the damage**
- i. **Keep unidentified people away**
- j. **Tally**
- k. **Protest**
- l. **Log it!**
- m. **Surrender of cargo**
- n. **Weather reports**
- o. **Keep wet cargo separate**

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| <p>14. Damage can be reduced by the immediate separation of wet cargo (e.g. wet fertiliser) from the rest of the cargo.</p> <p>15. Record in the log book any known cause of damage to the cargo, e.g. freak waves, heavy weather (particularly if you reduce speed or alter course) etc. Also note any other event that may have a bearing on the cargo carried, e.g. ventilation to avoid condensation, relevant dewpoint readings in the cargo spaces and outside etc.</p> <p>16. Cargo must only be delivered to the holder of the original B/L or his agent. This important formality is usually attended to by the ship's agents, but if you do find yourself in a difficult or worrying situation, contact the local Skuld correspondent. Before leaving the subject of damage or loss to cargo, it might be appropriate to recall Article 3, paragraph 2:<br/><i>"Subject to the provisions of Article 4 of the Hague Rules, the carrier shall properly and carefully load, handle, stow, carry, keep, care for, and discharge the goods carried."</i></p> |  |
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## **P&I insurance covers:**

### Loss of life

Injury to crew members and others;  
Hospitalization of crewmembers in foreign ports;

Expenses incurred in repatriating crew members who have been hospitalized in foreign ports;

Repatriation of crew members of stranded or lost vessel;

### Loss or damage to cargo:

Liabilities for damage to docks, cables (submerged or other), shore installations, navigation aids, bridges and other fixed or movable properties, damage to property of any kind caused by excessive speed in harbor; Certain types of fines and penalties, and practically all risks not covered by marine insurance companies.

Marine insurance companies and P&I, known as underwriters, indemnify the shipowner only for damage and losses specified in the policy after the shipowner proves that such damage or loss has occurred. This is determined by surveys, entries in the log, reports and statements submitted by the master.

Making up proper reports and statements and getting statements from witnesses in case of accident or casualty to the vessel or cargo or injury to a person, serves an important purpose in the protection of your company's interests. This is time-consuming labor, but it is a necessary evil, and one which cannot be avoided. Therefore, all reports and statements should be completed with the least possible delay. All reports and statements should be clear, neat and legible.

Logbook Entries. In each case of accident or loss, or of fire on board, collision or grounding, detailed entries should be made in the official log. In certain types of accidents, such as collision and grounding, it is a good idea to make rough notes on a pad and enter them in the log in proper sequence. If in doubt about whether to make an entry or not, a safe rule is to enter it in the log, but only after it has been roughed out. Do not trust anything to memory. Write it down as soon as possible after the occurrence, while it is still fresh in mind.

The Reports and Statements. Your company may want reports on special forms, on all accidents, even those which do not ordinarily require a comprehensive report or statement.

In cases of injury to a person on the vessel, first aid should be rendered immediately. If in port, and it is thought necessary, a doctor should be called or the injured person should be sent to a hospital. Fill out Injury Reports and enter all details in the medical log, and, if a crew member is involved, in the official log.

Accidents Going or Leaving Drydock. If your ship touches another vessel or craft, an accident report should be made out. Due to the close quarters in some drydocks this type of accident occurs occasionally. If your vessel was using her engine, a copy of the logbook and bellbook covering the time should also be made up. Names of tugs used and their positions around the vessel should be shown on a diagram. The pilot should also make a statement. A similar report is necessary

if the vessel strikes any part of the drydock. Statements may also be required from the officer on duty on the bridge and the man at the wheel and the lookout.

Cargo Damage. Cargo damage is a constant problem. Usually, it is the chief officer who must write a statement and make a report giving the reason for the damage. If it was caused by salt water, he should note in the statement that the hatches were properly battened down and the number of tarps used on each. Provided all facts are correct, the statement and report are countersigned by you.

An abstract of the log (six copies) covering the period of the heavy weather should be made up. The weather must necessarily have been extra-ordinarily heavy - not the rough weather usually expected on the voyage. The log should show what steps were taken to avoid heavy weather damage and to prevent laboring of the vessel - such as slowing down, changing course or ballasting. Such entries in the log will be of assistance to your insurance department in fighting a claim made against your company for damage to cargo. Any repairs to the vessel for damage attributed to the heavy weather on that voyage should be noted in the logbook and in the statement.

Collision with Another Vessel. First of all, fill out the required form sending one copy to your insurance department. A number of statements and reports will have to be made. Therefore start taking notes immediately or put an officer on the job. Don't forget to serve notice on the master of the other vessel, that her company will be held responsible for all damage sustained by your vessel. Request the addressee of the letter to acknowledge its receipt. Chances are he will not do this, and he may even refuse to accept the notice. In all probability he will serve you with the same kind of notice. Do not accept or acknowledge it even though you may have hit him amidships on a clear day when his vessel was at anchor! Never admit liability or that your vessel was at fault. Leave that to your company insurance department if they think it necessary. Don't give out any information and don't allow anyone, with the exception of the authorities' officials, to examine the logbooks or bellbooks.

Note in your logbook and in your statement:

- (a) That you made certain as to whether anyone was injured on either vessel.
- (b) Whether the other vessel was in need of assistance. (Remember that if you can with safety you must stand by her until she is reported out of danger).
- (c) That you had bilge soundings taken hourly or oftener, as thought necessary.
- (d) The extent of damage to your vessel as far as known.
- (e) The names of witnesses-men who were on deck at the time.

## QUESTIONS

1. What does marine insurance indemnify the company against?
2. What is covered by the Protection and Indemnity Clubs?
3. Explain the terms “hospitalization” and “repatriation”.
4. How does the Owner prove that the damage or loss has occurred?
5. Who makes use of your reports or statements on the accidents, injuries, etc.?
6. What information should be entered in the logbook?
7. What should you do in case of an injury to a person on board?
8. Why are accidents on going or leaving drydock or docks in general so frequent?
9. What is the procedure followed in case of cargo damage?
10. What should you do as master in such a case?
11. What information on the weather during the accident should be entered in the log?
12. Describe the procedures involved in reporting and recording the collision with another vessel.
13. Why should you not admit any liability or a fault? Who is supposed to deal with it?
14. What are the most important particulars to be noted in the ship's logbook or in the master's statement?

## EXERCISES

### **I COMPREHENSION AND VOCABULARY**

1. Give the words or phrases referring to the definitions below:
  - 1) Company that indemnifies the Owner against damage to or loss of a vessel or cargo;  
(\_\_\_\_\_)
  2. Societies covering the risks of loss of life, striking docks or shore installations, expatriation expenses, hospitalization of crew, etc. (\_\_\_\_\_)
  3. Book where the important details of the voyage are entered every day; (\_\_\_\_\_)

4. Ladder for boarding a ship; (\_\_\_\_\_)
5. Putting into a port of refuge, i.e. a port other than those provided in the C/P or voyage schedule; (\_\_\_\_\_)
6. Persons or company engaged in stowing cargo in the ship's holds; (\_\_\_\_\_)
7. Pieces of canvas for covering the hatches, etc.; (\_\_\_\_\_)
8. Space in the ship where water, oil and moisture are drained; (\_\_\_\_\_)
9. Expenses incurred by the Shipowner in connection with running the ship under a C/P or other contract; (\_\_\_\_\_)
10. The act of throwing cargo and stores overboard in order to save the vessel; (\_\_\_\_\_)

2. Complete the letter below with the appropriate prepositional phrases (in brackets) and state what the Master's intention is: (AT THE SAME TIME, AT A LATER DATE, IN REPLY, HEREWITH, IN CONNECTION WITH)

Repudiating responsibility in the collision

Dear Sirs,

\_\_\_\_\_ to your letter dated 16.02.1986. \_\_\_\_\_ the collision between my vessel and your vessel off Hull, I \_\_\_\_\_ repudiate all responsibility for the above collision and all the consequences arising therefrom.

\_\_\_\_\_ I hold you responsible for all damages caused to my vessel and for all the relative consequences.

I reserve my Owner's right to revert to this matter \_\_\_\_\_.

Faithfully yours,

Master, MV NUTCRACKER

## II GRAMMAR

### 1. Supply the missing form of the verb in brackets: (ADVISE, ARISE, CAUSE, GET IN TOUCH, OCCUR, PROTECT)

1. Disputes in the sea trade \_\_\_\_\_ as a result of the infringement of the contract of carriage, maritime regulations, and laws or as a consequence of accidents which at sea or in ports.
2. The accidents \_\_\_\_\_ by the action of natural elements (wind, sea, current) or by maritime perils (accidents such as collisions, striking docks, fire, explosion, stranding, engine breakdown, etc.)
3. Exoneration clause \_\_\_\_\_ the Owners from certain risks such as errors in navigation and in the management of ships.
4. As soon as an accident \_\_\_\_\_, the Master should the P&I Club's representative in the port and supply him with the necessary information and documents. At the same time he must \_\_\_\_\_ with the ship agent and the Owner.

### 2. Supply the missing prepositions (Fire Report):

MV ANA LUISA (Santos \_\_\_\_\_ Hamburg) presently berthed \_\_\_ port \_\_\_ Recife, reports fire hold sisal (Lloyd's Agents). ANA LUISA sailed \_\_\_\_\_ Salvador \_\_\_\_\_ 2315, May 10, Fortaleza \_\_\_\_\_ her voyage \_\_\_\_\_ North Europe. Vessel loaded this port general cargo and \_\_\_\_\_ 1600, May 11, fire was discovered \_\_\_\_\_ No. 5 hold, apparently started sisal cargo. Initially crew used water and subsequently carbon

dioxide. As fire continued, vessel was diverted \_\_\_\_\_ Recife, arriving \_\_\_\_\_ 0543 May 12 and berthing \_\_\_\_\_ 0700 same day. Assistance \_\_\_\_\_ fire brigade was provided and fire was finally extinguished \_\_\_\_\_ 1110 today. The hold is totally flooded and discharge all cargo starting now.

3. Cause III. Cause is also expressed by words (verbs, nouns) denoting cause or reason:

- 1) The officer must write a statement and make a report giving the reason for the damage.
- 2) The damage was caused by salt water.
- 3) The true cause of the damage was the inadequate stowage of cargo.
- 4) A large proportion of cargo claims arise from lack of or improper dunnage.
- 5) For this reason each accident report must be supported by extracts from the logbook.
- 6) The statement of the officer gave rise to large disputes.

Rephrase the sentences below following the above examples from (1) to (6) where applicable:

1. Fire in the engine room was caused by careless welding.
2. The fire occurred through the careless handling of the pumps.
3. The true cause of the damage is still unknown.

### III TRANSLATION

Translate the following questions into English (to be answered and completed in drawing up an Accident Report):

1. Koliki je bio gaz broda na pramcu i na krmi?
2. Koje su pomorske karte bile korištene (naziv, broj, datum i izdavač)? Dan zadnje korekcije prije nezgode?
3. Koliko je kompasu bilo na brodu? Da li su bili ispravni? (in good order)? Žiro-kompas? Magnetski kompas?
4. Je li vrsta tereta mogla djelovati na (affect) kompas?
5. Je li oprema za spašavanje na brodu bila u skladu sa zakonskim propisima (statutory requirements)?

6. Koliki je bio broj vodonepropusnih predjela (compartment)? Da li su se pokazali (prove) korisnim u slučaju ove nezgode?
7. Da li su sredstva i oprema za gašenje (fire appliances) na brodu bili u skladu sa zakonskim propisima?
8. Koja se količina tereta/balasta prevozila? Koja vrsta tereta? Gdje se nalazio (carry)?
9. Je li brod imao tereta na palubi?
10. Je li brod bio prekrčan? (overladen)?
11. Je li teret bio pravilno složen?
12. Da li su skladišta bila ventilirana?
13. Kakvo je bilo vrijeme prilikom nezgode?
14. Koja su navigacijska pomagala i sredstva bila na brodu, i koja su se koristila prije nezgode?
15. Koji je bio kurs naseg broda (own ship)? Kada je drugi brod bio primijećen prvi put (observe)?
16. Koja je bila brzina našeg broda?
17. U kojem se smjeru (azimutu) nalazio drugi brod?
18. Kakvi su bili radarska udaljenost i azimut drugog broda?
19. Broj svjetala drugog broda i vrsta?
20. Koji je bio kurs drugog broda kad je primijećen?
21. Da li su motori bili usporeni ili zaustavljeni?
22. Koja je bila brzina našeg broda kada je došlo do sudara?
23. Da li su svijetlila (show) propisna svjetla, i da li su dati propisni signali za maglu?
24. Je li drugi brod dao svoje ime i ostao u blizini (stand by) radi pomoći poslije sudara?
25. Da li se glavni stroj pokvario (break down) prije potonuća?
26. Da li se prije potonuća (foundering) pokvario kormilarski uređaj?
27. Da li su se pokvarile ili nisu radile (become inoperative) brodske pumpe?
28. Kada je došlo do puštanja broda (spring a leak)?
29. Kada je brod počeo krcati vodu, (ship water)?
30. Koji je kurs imao brod prije potonuća?
31. Koje su mjere bile poduzete da se spriječi nesreća?

## Further reading

### **Protection and Indemnity Insurance**

When you conduct a service for reward or third parties use your facilities, you have an exposure to claims should something go wrong. The same applies to Shipowners or operators. You can purchase insurance to cover these liabilities, namely P& I Insurance.

These three marine insurances, H&M, Cargo and P&I are linked and give the interests in a marine adventure the insurance cover they need.

#### History

Marine Insurance – Roots go back to Ancient Greek and Roman times.

Shipowners were faced with claims from 3rd parties with those ships they had been in collision.

- A court ruling in 1836 found that following a collision hull cover did not extend to damage caused by collision.
- H&M Insurers acted quickly to address this gap but only provided 3/4th of the damage.
- Original limitation was to the value of the ship itself, but this began to be exceeded, leaving shipowners to find the excess.

Until 1870, shipowners could use the exclusions in their Bills of Lading to avoid liability for cargo related claims. An incident occurred whereby it was deemed it lay outside of the exclusions and the shipowner was liable and Club rules did not cover the cargo claim.

- This and the ever increasing value of cargoes and the willingness of cargo interests to try and recover their losses caused the shipowners to look at the cover available to them.
- To cover cargo risks, known as “Indemnity Risks”, “Indemnity Clubs” were formed and the already established Protection Clubs amended their rules to take on Indemnity risks and “Protection and Indemnity” Clubs came into existence.

P&I stands for Protection and Indemnity. This is a specialist class of liability insurance protection for ship owners and charterers. It is rather useless to go into deep details of P&I practice as most of dedicated insurers are publishing their own guides into P&I world, however we would be pleased to go into academic issues about P&I over a pint of beer with anyone interested!

The initial idea of P&I cover is to protect the ship owner's interests against claims from third parties and to indemnify him in case ship owner is liable to compensate third party losses.

Normally you would face two "classes" of cover available from most P&I insurers, namely:

#### Class I - Protection & Indemnity (P&I):

This is general liability insurance, which would cover ship owners' liability for main exposures they

may face in today's shipping, including, but not limited to

- Cargo
- Crew
- Passenger (and other persons carried on board) liability
- Stowaways and refugees
- Collision and contact with fixed or floating objects
- Pollution
- Wreck removal
- General Average not recoverable under Hull policy
- Fines
- Quarantine

#### Class II - Freight, Demurrage & Defence (FD&D):

This insurance is covering ship owners' reasonable costs for necessary legal assistance in relation to disputes, which are directly connected with the operation of the insured vessel. It goes without saying that you do not need to be liable to be held liable, so FD&D cover is becoming more and more popular within shipping community these days.

To make things simple P&I insurance providers could be divided in two categories:

- Mutual clubs
- Fixed price facilities

Basic principle of mutuality is that you would be a member of the Club (similar to share holder) and will be able to participate in general routines of your Club's operations. The benefit of the Club is that you automatically obtain the maximum possible coverage and certain flexibility and service level in claims handling and risk management, but on the other hand the premium you pay is also mutual and you may, in the end, contribute to somebody else's claim by paying a supplementary call (that's how Clubs are calling extra premium for already expired period of insurance) when you have not budgeted it.

Major mutual Clubs are forming International Group (<http://www.igpandi.org>).

Fixed price facilities are commercial organizations (as a regular insurance company), which are able to provide limited insurance cover (normally up to USD 250 or USD 500 million) on similar insurance conditions as any Club. You hardly will have any extra member benefits, but your premium will be predictable and fixed for a certain period of time.

# Protection & Indemnity

(Source: [http://www.amt-insurance.com/en/protection indemnity/](http://www.amt-insurance.com/en/protection_indemnity/))

P&I or Shipowner's liability insurance is a form of marine insurance which protects shipowners, ship-operators and charterers of ships against third party claims for indemnity (third party liabilities attributable to operation of a ship).

AMT Insurance provides P&I cover either for domestic or foreign small and mid-sized shipping companies and other shipping-related businesses.

## Typical scope of cover under P&I policy

- Personal injury to or illness or loss of life of crew members, passengers and third parties;
- Loss or damage to property including: other ships, cargoes, fixed and floating objects of ports' and waterways' infrastructure;
- Pollution of environment caused by oil spills or contamination by other polluting substances from the insured ship.

## Risks covered under the standard cover

- Liability of shipowner i.r.o. loss of or damage to cargo or personal effects carried on board the ship;
- Towing contract liabilities which a shipowner may incur in respect of the towed object, and also to passengers and other persons carried on it;
- Liability i.r.o. loss or damage to other ships and/or cargo thereon, shore and offshore structures etc. as a result of collision;
- Liability i.r.o. pollution caused directly or indirectly by the insured ship;
- Wreck liabilities which shipowner may incur in respect of the removal, destruction, lighting or marking of the wreck of the ship;
- Liability i.r.o. crew members in the event of death, injury or illness;
- Liability i.r.o. personal injury to or loss of life of persons other than seamen.

## Additional cover

It should be noted that P&I cover i.r.o. personal injury to or illness or loss of life of crew members is regulated by Articles 58-60 of Russian Maritime Code: "Repatriation of the vessel's crew members", "Personal effects of a vessel's crew members" and "Duties of shipowner", respectively.

We issue

- "Blue Cards" on request of the Assured as an evidence of insurance coverage in place as per the requirements of International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001.
- "Certificate of insurance" which is a must-be requirement for vessels calling at any Japanese port under "the Law on Liability for Oil Pollution Damage" issued by AMT Insurance is approved by Ministry of Land, Infrastructure and Transport of Japan (MLIT).

## Period of cover

The standard cover normally runs for a period of 12 months and is to be renewed thereafter. Cover for one particular voyage is also given.

## Limit of liability

To be agreed for indemnification of the Assured for damages with regard to any one accident or

occurrence in relation to the insured vessel. The Assured may opt for several different limits which apply for different risks. All limits of liability are due to be set out in the policy.

Premium is calculated individually. It depends on the limit purchased by the Assured, deductible amount, vessel's specification, type, trading pattern, loss record etc. Normally payable quarterly.

**Our advantages**

Since we are a specialty company with the main focus in MAT segment we appreciate and understand features and patterns of our customers' business. We differentiate by clear understanding of clients' expectations of transparent and effective services and do our best to satisfy them.

We have diligently worked on such items of our products like:

- arrangement of first class reinsurance protection with limit up to US\$ 10,000,000 supported by Lloyd's Syndicates and companies of international specialty insurance and reinsurance market;
- putting together of a network of professional and effective *P&I correspondents* in the main ports all over the world;
- arrangements of cooperation with friendly fixed-rate P&I facilities for the case to unite our capacities when a high limit policy is required by our customer.