

P&I CLAIMS MANAGEMENT

Edgar Chin
Kelvin Chia Partnership

- Introduction to P&I
- Types of risks covered
- Claims handling



WHAT IS P&I?

- “Protection & Indemnity”
- form of insurance cover
- provided by a P&I club to its members for third party risks



WHAT DOES IT COVER?



Ships?

Cargo?



WHAT DOES IT COVER?

- Third party liabilities vs. asset insurance





WHO PROVIDES IT?

- Mutual Providers
 - International group (IG) of P&I Clubs
 - Non-IG P&I Clubs
- Non-mutual commercial providers
 - Commercial insurers
 - Lloyds

WHAT IS A P&I CLUB?

- Origins of marine insurance
 - Earliest developed form of insurance
 - Concept of protection against loss by marine perils traced back to third century BC.
 - First known insurance contract dates from Genoa in 1347
- Costly hull insurance
- Growth of third party liabilities in the 19th century
 - Crew injuries/death, claims by passengers, collision risk

WHAT IS A P&I CLUB?

- Birth of the “Protecting” clubs
- Where does “Indemnity” come in?
 - Sinking of the *Westerhope* in 1870
 - Shipowners could use exclusions in bills of lading to avoid liability for cargo claims
 - However in *Westerhope* shipowner was found liable
 - P&I club refused to cover

WHAT IS A P&I CLUB?

- An association of owners and operators of ships that have grouped together to insure each other on a mutual, non-profit making basis, against their liabilities to third parties and certain costs and expenses arising out of the operation of their ships.

ROLE OF THE CLUB

- Manage claims
- Act as point of contact
- Emergency response
- Appoint surveyors, correspondents and lawyers
- Pay claims and fees



GUIDING PRINCIPLES

- **Indemnity** not asset insurance
 - liability of the shipowner
 - exclusion for wilful misconduct
 - obligation to sue and labour
 - provisions of Marine Insurance Act applies

GUIDING PRINCIPLES

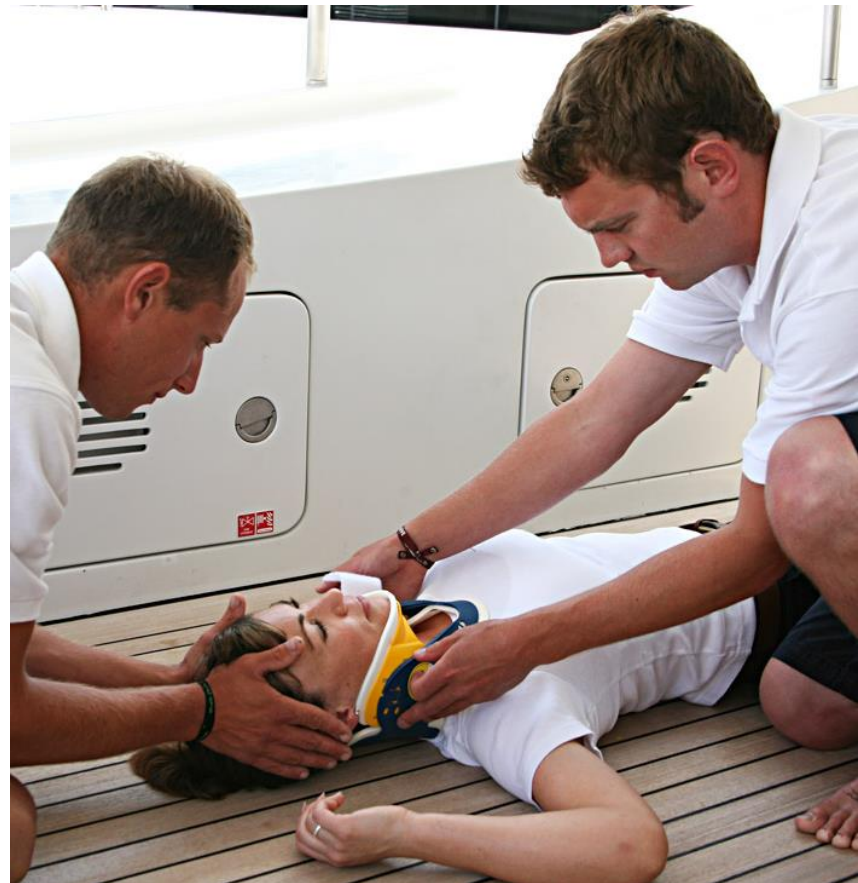
- Concept of Mutuality
 - vs self-insurance
 - vs commercial insurance
 - premium payable depends on the claims made. Each claim is shared according to the participation in the mutual.
 - it is an equitable sharing of the risks and liabilities with each other.

GUIDING PRINCIPLES

- Non profit making
 - affects how premiums are calculated
 - $\text{premiums} = \text{claims} + \text{expenses}$
- Indemnity basis
 - “pay to be paid”
- Omnibus rule

LIABILITIES TO PERSONS ONBOARD A SHIP

- Crew
- Passengers
- Third Parties



IN RELATION TO CREW

PERSONAL INJURY, ILLNESS AND DEATH

- What is the scope of cover?
 - Look at the employment contract, collective bargaining agreement, local legislation and laws;
 - Covers medical expenses.
 - Damages and compensation
- Exclusion to “pay to be paid” rule
 - Where shipowner fails to discharge liability to pay compensation; and
 - Where crewmember has no right of recovery against any other party

IN RELATION TO CREW

WHAT ELSE IS COVERED?

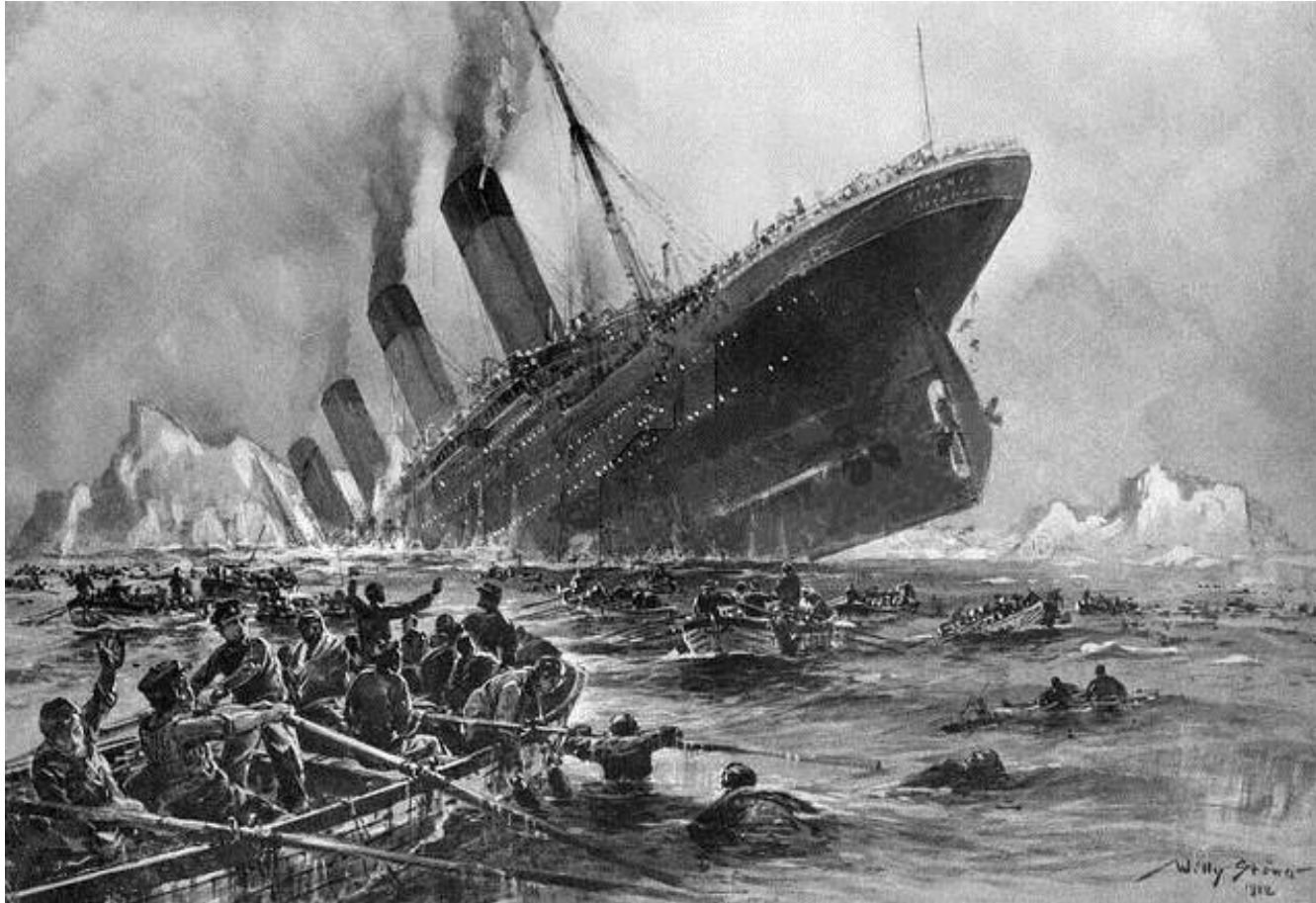
- Repatriation (linked with injury, illness and death)
- Cost of sending substitute
- Loss of crew effects, excluding valuables

IN RELATION TO CREW

CLAIMS MANAGEMENT

- Ensure PEMEs carried out
- Review of crew contracts
 - Provide limits of claims
 - Dispute resolution procedures
- Evaluate and investigate claims

IN RELATION TO PASSENGERS



IN RELATION TO PASSENGERS

PERSONAL INJURY, ILLNESS AND DEATH

- What is the scope of cover?
 - Passenger contract, usual Ts&Cs of ticket
 - Covers medical expenses.
 - Damages and compensation

IN RELATION TO PASSENGERS

WHAT ELSE IS COVERED?

- Liabilities arising out of a casualty
- Loss of or damage to passenger's baggage or effects, excluding valuables

IN RELATION TO PASSENGERS

CLAIMS MANAGEMENT

- Review passenger contracts
 - Ensure passengers required to give notice of claims within six months
 - Law and jurisdiction clause
 - Exclude liability for emotional distress, mental suffering or psychological injury

IN RELATION TO THIRD PARTIES

PERSONAL INJURY, ILLNESS, DEATH

- What is the scope of cover?
 - Circumstances of attendance on board
 - Any appointment letters, contract of engagement?
 - Local laws and legislation
- Who are third parties?
 - Examples: stevedores or longshoremen, surveyors, pilots, even lawyers!

IN RELATION TO THIRD PARTIES

CLAIMS MANAGEMENT

- Control access to the ship.
- Require indemnities to be given.
- Ensure safe environment.

COLLISION LIABILITIES

SCOPE OF COVER

- No cover for damage to the insured ship
- 1/4th of damage to the other ship (hull underwriters covers the rest)
- Consequential liabilities (e.g. pollution, wreck removal, personal injury etc.) in respect of the other ship

COLLISION LIABILITIES

CLAIMS MANAGEMENT

- Early reporting is key.
- Gather and preserve evidence.
 - VDR
 - Records and documents e.g. Log books, Captain's Orders, Standing instructions
 - Statements to record events (how many on watch)

WRECK REMOVAL

SCOPE OF COVER

- Liabilities for raising, removing etc. wreck.
- Liabilities resulting from the presence of the wreck.
- Liabilities for raising, removing etc. cargo or other property carried onboard the ship.

WRECK REMOVAL

SCOPE OF COVER

- Wreck removal must be made compulsory by law.
 - Local authorities would issue wreck removal order
- Consider whether necessary to removal entire wreck.

WRECK REMOVAL

CLAIMS MANAGEMENT

- Important to ensure that wreck removal contract entered on appropriate form.

DAMAGE TO PROPERTY NOT BEING A SHIP

SCOPE OF COVER

- Commonly referred to as the FFO rule.
- Damage caused by the insured ship.

DAMAGE TO PROPERTY NOT BEING A SHIP

CLAIMS MANAGEMENT

- Nothing much you can do as you hit a stationary object.
- Be wary of inflated claims.

POLLUTION LIABILITIES

SCOPE OF COVER

- Liabilities arising out of the discharge or escape from the insured ship of any substance.
- Typical claims include:
 - Liabilities for loss/damage (physical loss e.g. fouling, business interruption; loss of income)
 - Clean up costs
 - Preventive measures
 - Cost of complying with government directions

POLLUTION LIABILITIES

SCOPE OF COVER

- Strict Liability offence. Polluter pays
- Trade-off is the limitation of liability provided for in various conventions e.g. CLC and Fund conventions.

POLLUTION LIABILITIES

CLAIMS MANAGEMENT

- Given the potentially huge liabilities, important to involve the relevant oil spill response providers.
- Important to involve PR professionals to handle media queries.

CARGO CLAIMS

SCOPE OF COVER

- Liabilities owed to cargo owners. Cargo itself is not insured.
- Covers:
 - Loss of or damage to cargo
 - Disposal costs of damaged cargo
 - Extends to third party bunkers

CARGO CLAIMS

CLAIMS MANAGEMENT

- Define the scope of shipowner's legal liability.
- What law/conventions/jurisdiction applies?
- Limitation of liability, time bar issues.

STOWAWAYS

SCOPE OF COVER

- Costs of repatriation.
- Costs of emergency documentation.
- Costs of accommodating stowaway
- Costs for additional security.



STOWAWAYS

CLAIMS MANAGEMENT

- Hardest part is to find a jurisdiction willing to allow the ship to land the stowaways.
- Airlines may also not be willing to allow stowaway on board.

COSTA CONCORDIA



COSTA CONCORDIA

