P&I Insurance

- P&I Clubs are mutual indemnity associations
- Insure third party liabilities relating to the use and operation of ships
- Most comprehensive extent of cover
- Cover "at cost" (mutuality = no profit)

The Group

- Comprises 13 Clubs
- Insure over 90% of world ocean-going tonnage
- Insure over 95% of ocean-going tankers
The International Group

Current principal underwriting Group members
- American Steamship Owners Mutual Protection and Indemnity Association, Inc
- Assurancet.CGard
- Assuranceforeningen Skuld
- The Britannia Steam Ship Insurance Association Limited
- The Japan Steamship Owners’ Mutual Protection & Indemnity Association
- The London Steam-Ship Owners’ Mutual Insurance Association Limited
- The North of England Protection and Indemnity Association Limited
- The Shipowners’ Mutual Protection and Indemnity Association (Luxembourg)
- The Standard Steamship Owners’ Protection and Indemnity Association (Bermuda) Limited
- The Steamship Mutual Underwriting Association (Bermuda) Limited
- The Swedish Club
- United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited
- The West of England Ship Owners Mutual Insurance Association (Luxembourg)

Pooling And Reinsurance
- Each Club retains first $7m of risk
- Risk pooled from $7m to $50m
- Market reinsurance thereafter - largest marine insurance/reinsurance programme in the world.

Group functions
- To co-ordinate the operation of the claims pooling agreement for claims in excess of the individual club retention ($7m) and the collective reinsurance for the Group clubs ($50m - $3.05bn)
- To represent the views of clubs’ shipowner members on matters of concern to the shipping industry in relation to insurance and liability issues
- To provide a forum for the exchange of information between clubs and other maritime organisations and sectors
P&I Clubs – financial exposure

- CLC limits
  - minimum SDR 20 m.*
  - maximum SDR 90 m.
  - plus TOPIA contribution
- maximum up to Nov 2003 SDR 60 m
- maximum under CLC 69 – SDR 14 m.

*after STOPIA

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P&I Clubs – financial exposure

- Consequences of increased limits
  - majority of incidents within CLC limits
  - increased financial exposure
  - higher reinsurance costs

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P&I Clubs - first response

- Emergency response
  - crew assistance
  - salvage
  - wreck removal
  - cargo
- Correspondent network
- Claims handling experience
- Co-operation between Clubs
P&I Club & IOPC Fund Co-operation

- Memorandum of Understanding
  - Prompt notification
  - Consultation and co-operation
  - Use of joint experts
  - Information sharing
  - Costs sharing
  - Claims Handling Offices

Claims process

- Claims handling
  - submission
  - assessment
  - approval
- The same criteria
- The same procedures
Payment by P&I Club

- Settlement better than litigation
- Support for the Conventions
- Liability
  - strict
  - limited
- Watertight limits essential

Payment by Club - CLC

- CLC Article 5

  - the owner shall establish a limitation fund for the total sum representing the limit of his liability"

  - the fund shall be distributed among the claimants in proportion to the amounts of their established claims"

Payment by Club – MOU

- Clause 6. Prompt payment of compensation

  - "The Clubs and the Funds shall co-operate throughout with the aim of ensuring that, within the legal framework of the Conventions, compensation is paid as promptly as possible".
Payment by Club

- Factors in decision on advance payments
  - risk of overpayment
  - subrogation
  - limitation procedures
- Case by case solutions

Challenges
- Lack of knowledge
- Claims
  - inadmissible
  - inflated
  - opportunistic
  - lack of evidence
- Payment
  - delayed
  - pro-rated

Aims
- Education & information
- Claims handling
  - transparent
  - fair
  - consistent
- Payment
  - prompt as possible
  - hardship

The P&I Club / IOPC Fund / ITOPF Partnership

ITOPF's Perspective

Richard H. Johnson, Technical Team Manager

Funded by Global Shipping Industry
To Promote Effective Ship-Source Spill Response

ITOPF MEMBERSHIP
- 5,400 tanker owner Members
- 9,600 tankers of 3,160 million GT (95%)
- Other ship owner Associates (since 1999)
- 430 million GT of non-tanker tonnage
- P&I Clubs arrange ITOPF entries & pay dues
- ITOPF ‘Not-for-Profit’ Company

ITOPF TECHNICAL SERVICES
- Response to marine spills
- Damage assessment and claims analysis
- Contingency planning and advisory work
- Training and education
- Information services (www.itopf.com)
Bunker spills from non-tankers account >50% of spills attended by ITOPF

Incidents Involving Hazardous and Noxious Substances (HNS)

ITOPF RESOURCES

- 26 staff with 13 technical advisers on call 24 hrs a day
- Advisers from different countries & backgrounds
  - United Kingdom
  - USA - Germany
  - Eire - France
  - Belgium - Trinidad
- Main qualification is experience of practical response and damage issues
- Worldwide network of contacts
- Comprehensive library & databases
SPILLS ATTENDED BY ITOPF (1970-2008)

Attended > 590 spills in 95 countries

Spills in current 1992 Fund & Supplementary Fund States
**SPILLS ATTENDED BY ITOPF**
*(1970-2008)*

Fund spills in current 1992 Fund & Supplementary Fund States

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**Attended all the major tanker spills**

- EXXON VALDEZ
- HAVEN
- BRAER
- SEA EMPRESS
- EVOIKOS
- NAKHODKA
- NATUNA SEA
- ERIKA
- PRESTIGE
- HEBEI SPIRIT

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**ITOPF ROLE ON SITE**

- Aim is to promote an effective response to marine spills, to mitigate pollution damage. Technically sound (reasonable)
- Work with government agencies, spill response community & victims. Seek cooperation & mutual agreement
- Help secure equipment and organise clean-up
- Monitor spill response & investigate damage to resources
- Assist with design and implementation of post spill studies and restoration projects
- Offer guidance on preparation of claims for compensation
- Role is always advisory – decisions rest with authorities
CLC / IOPC Fund Conventions

- Consistent application of criteria admissability
- Reasonable means measures should be based on a technical appraisal of the incident
- Preventive measures mean any reasonable measures taken by any person after an incident has occurred to prevent or minimize pollution damage.
- ITOPF - consistent application of technical criteria
- Provide uniform treatment of claimants (and claims)
- Consistent application of criteria admissibility

DAMAGE ASSESSMENT AND CLAIMS ANALYSIS

- Technical advice on merits of claims
  - observed events, actions and pollution damage
  - joint surveys
  - applying scientific, technical and economic criteria to claims assessment
  - preventive measures, property damage, economic loss, environmental damage (restoration)
- Settlement decisions rest with ship owners, P&I Clubs, IOPC Funds

- ITOPF mobilised
- P&I Club
- 1992 IOPC Fund
- MOU
  - Prompt notification
  - Consultation and co-operation
  - Use of joint experts
  - Information sharing
  - Costs sharing
  - Claims Handling Offices
- Club Correspondent
- Ship Agent
- Local Surveying companies

Authorities
- Command Post
- Lead Response Agency
- National Coastguard
- Government Authorities
- Strategic Meetings

Authorities
- Province officials
- County officials
- City officials
- Village Chiefs
- (Contractors)
- Joint surveys
Damage Assessment

- Local surveyors
- International experts
- Fishermen
- Fishing Co-operatives
- Joint claims receiving office
  - Joint Club/Fund

Summary

- ITOPF established and funded by global shipping
- To promote effective clean up
- Attend on site and work with all interested parties
- Invited by P&I Club / IOPC Fund or any combination
  eg incident in Bahrain (2003), PONTOON 300 (UAE 1998)
- Consistent application of technical criteria