

Returned Vessels and P&I Insurance

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AGENDA

- Compulsory insurances applying to Ship Financiers
- Financial Security for unpaid wages of seafarers working for insolvent owners

Compulsory insurances

- CLC
(Liability for Oil Pollution Damage)
- Bunker Convention
(Liability for Bunker Oil Pollution Damage)
- Nairobi Convention
(Liability for Removal of Wrecks)
- MLC
(Maritime Labour Convention – Responsibility for Seafarers injury, disease, wages)

Compulsory insurances

- The registered owner of a ship registered in a State Party shall be required to maintain insurance or other financial security.
- The Limit of cover under such insurance shall not be less than limitation amount under the applicable national or international Limitation regime.

Compulsory insurances

- Convention certificates shall be issued by a State Party.
- The certificates shall be carried on board the ship.
- State Parties shall ensure that insurance is in force wherever entering or leaving a port in its territory.

ITC Hulls Port Risks – not enough

- Liability Limit of cover should be increased beyond the insured hull value.
- Coverage should be expanded to the liabilities in respect of removal of wrecks, loss of life and injury, pollution and seafarers.
- Underwriters should be prepared to issue blue cards required under the Conventions.

Compulsory insurances may apply to ship financiers

- Hull & Machinery Insurance conventional
(ITC Hulls Port Risks)

Plus

Korea P&I

MLC requires financial security

- The Amended MLC to be in force on 18th January 2017
- Ships are required to have an insurance or other financial security to cover.
 - outstanding wages and repatriation of seafarers together with incidental costs and expenses
 - Compensation for death or long-term disability

■ MLC requires financial security

- Back-of-envelope calculations suggest that paying four months wages might amount to \$15,000 per seafarers, amounting to a total of \$370,000 for the crew of a typical cargoship.
- The bill for a fleet insolvency will run into millions.

■ MLC requires financial security

- Liability for disability due to occupational injury falls within the scope of standard P&I cover.
- Repatriation and overdue wages fall outside the scope of P&I cover when arising from abandonment due to a shipowner's financial default.

MLC requires financial security

- In Korea, Shipowners Associations have operated a special fund to comply with the Convention.
- Major P&I Clubs propose to provide the necessary MLC certificates and to indemnify seafarers directly, but with a right of indemnity from Members.

For Returned vessels

- Ship financiers who get vessels returned need to buy proper H&M and P&I risks Insurances.
- Such Ship financiers need to provide valid Convention certificates.

**Thanks for
attention**