

Charterer's covers for loss of hire & loss of use

Product Overview

Introduction

For many years the London P&I Club's CSL cover has been providing charterers with wide-ranging protection for P&I risks as well as other claims from shipowners. This has included cover for a charterer's liability to owners for damage to and/or loss of the owner's ship for which the charterer is responsible; and for the charterer's liability for the owner's loss of hire consequent on that physical damage and/or loss.

(1) Charterers' Cover for Loss of Hire – refining CSL cover

A charterer may also be exposed to liability for the owner's loss of hire even where the ship suffers no physical damage and/or loss; where the charterer ceases payment of hire but is found to be responsible for the incident, the owner can sue the charterer for the lost hire. For example:

- A ship grounds due to an unsafe port but due to the presence of soft mud suffers no physical damage; the ship is successfully refloated some days later
- A ship lists severely due to a shift of cargo and is imperilled as a result. The ship puts into a place of safety and the cargo is successfully re-stowed, thus averting damage to the ship

The Club's CSL cover for charterers has been extended to include the owner's claim for loss of hire in such circumstances.

The terms, conditions and exclusions governing the charterers' loss of hire cover, together with the applicable limit and deductible, are as set out in the Club's CSL Terms & Conditions and our Certificate of Entry.

This extension to the Club's CSL cover is automatically available to all the Club's charterer assureds.

(2) Charterers' Cover for Loss of Use

There may be events or occurrences which prevent the charterer from having use of the ship while remaining contractually bound to continue to pay hire during such periods; the Club's charterers' loss of use cover is designed to provide protection in response to certain such incidents. For example:

- Investigation by a port authority into an incident involving personal injury to a supercargo or stevedore causing delay to or loss of use of the ship.
- Imposition of quarantine restrictions by a port authority preventing the ship from departure.
- Closure of a port by a port authority while it responds to a pollution incident.

- Grounding of another ship in the approaches to a port preventing the charterer's ship from entering.
- Other delay in arrival at, or departure from, a port caused by an event (an incident, not simply delay due to weather, the presence of ice etc.).
- Arrest of the ship following a cargo dispute.
- Seizure of the ship by pirates.
- Refusal by the authorities to allow the ship into a port or place of refuge.

Indemnity, limit and excess

Coverage for charterers' loss of use will typically respond excess of a period of 7 days and will indemnify the charterer for an agreed number of days' loss of use; with a monetary cap of up to US\$1m per ship and US\$5m in the annual aggregate for the chartered fleet.

Conditions of cover

The Club's charterers' loss of use cover is complementary to the CSL insurance and is not available on a standalone basis. To qualify for cover the clauses governing hire in the relevant charterparties must either be unamended or any amendments must inure to the benefit of the charterer (specifically, they should not limit the charterer's scope for placing the ship off hire).

Exclusions

A number of exclusions apply to our loss of use cover including:

- Loss of use due to strikes.
- Loss of use arising out of the discovery of, or the suspicion of the presence on board of, drugs, contraband or other goods or property rendering the ship in breach of local law and or customs regulations.
- Loss of use arising from the owner's failure to pay a legally enforceable debt.
- Loss of use due to credit risks, financial failure, insolvency of the charterer and other parties in the charterparty chain and/or underlying sale contract.

Summary

This overview of the Club's charterers' loss of use cover is by way of a high level introduction. We would be delighted to discuss this cover with you so as to be able to tailor it to your particular requirements.