

## Extended Covers

# Third Party Shipmanagers MLC Cover

The West of England helps meet Members' operational requirements by offering additional insurance products which complement normal P&I cover. Third Party Shipmanagers MLC Cover Deck Cargo Cover protects an assured who is an independent, third party shipmanager against their obligation to reimburse the Club for any uninsured MLC liability where the Member – their principal – fails to meet their obligations.

### The Problem

Vessels flagged in or trading to states party to the Maritime Labour Convention 2006 ("MLC") must carry evidence of financial security to meet the costs of, amongst other things, crew repatriation as well as up to four months contractually entitled arrears of wages and entitlements following abandonment (MLC Regulation 2.5.2, as amended).

Club cover does not extend to crew wages or repatriation caused by abandonment but Clubs agreed to issue the necessary certification and indemnify seafarers directly if required, though on the basis that Club has a right of indemnity to recover those liabilities which fall outside of cover from the Member. When applying to the Club for a MLC certificate the Member must provide an undertaking binding all Members, Joint Members and Co-Assureds to their obligations to reimburse the Club in those circumstances.

Independent, third party shipmanagers are often named on the vessel's P&I policy as a Joint Member in order to obtain the benefit of the cover because of their involvement in the running of the vessel. But this also makes them jointly and severally liable under the Club's Rules to indemnify the Club

for any outstanding sums due from the Member (who is usually the shipowner), including any uninsured MLC expenses.

Shipmanagers are therefore potentially exposed to significant liability if their shipowner principal is unable to pay the crew's wages and to repatriate them and which requires the Club to step in and meet these expenses in the first instance under its 2.5.2 MLC certificate. As our Notice to Members No.21 2017/2018 makes clear, the Club would then look to all Joint Members on the policy – including any shipmanagers – to make good the debt.

### The Solution

The West of England's Third Party Shipmanagers MLC Cover protects shipmanagers named as Joint Members on the shipowner's P&I policy against the risk of having to indemnify the Club for uninsured MLC liabilities should the shipowner fail to meet their obligations and to abandon the crew. Fully flexible and able to be tailored to meet a shipmanager's precise requirements, it is backed by the West of England's outstanding service.

### Limits

- Cover is available up to US\$5m any one accident or occurrence or series of accidents or occurrences arising out of one event

### Conditions of cover

- Deductible of US\$50,000 any one occurrence or any one series of occurrences each vessel and with aggregate deductibles to apply depending on fleet size
- The shipmanager must be an independent third party and not part of the shipowner's or beneficial owner's organisation

Cover is subject to the Club's Class 1 Rules and excludes liabilities that are recoverable under the Member's normal P&I cover.

### What can be covered?

The shipmanager's liability to indemnify the Club for uninsured MLC liabilities including:

- Up to four months' unpaid wages
- Costs of repatriation caused by abandonment
- Any other costs the Club has incurred (e.g. local correspondents) in dealing with the abandoned crew