

**WEST.**



**OFFSHORE**

# Introduction

The West of England recognises the unique nature of risks faced by Members operating in the offshore sector and offers a tailor-made insurance product to cover these additional risks which sits alongside and augments the Member's normal P&I Rules cover.

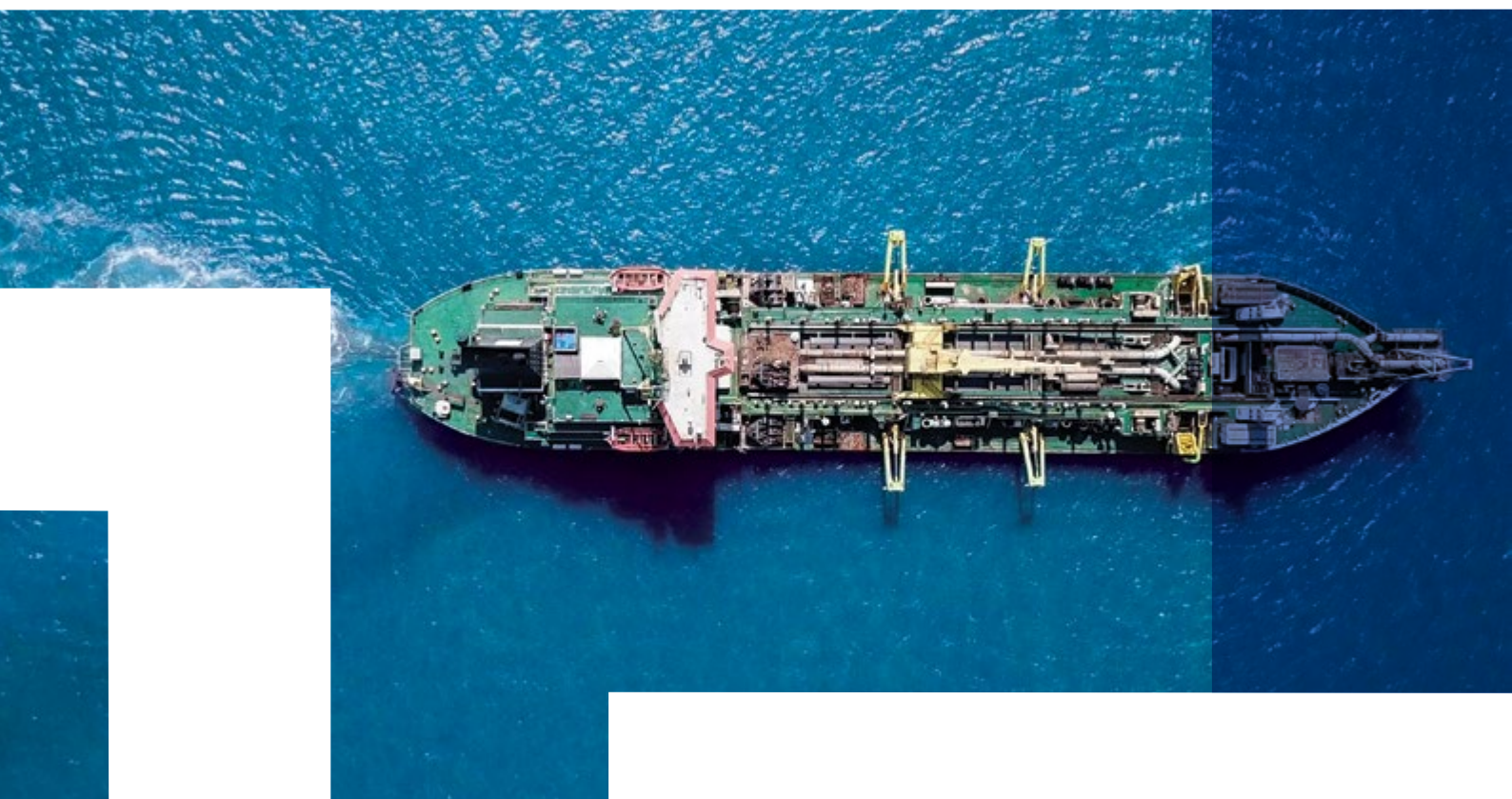
## Unique risks

Members operating vessels in the offshore industry face not only standard P&I risks but also other additional risks unique to the offshore sector such as contractual liabilities arising under certain indemnities which fall outside the Club's P&I Rules, or undertaking work of a specialist nature including well- stimulation, cable or pipe laying, construction, installation, maintenance work or dredging.

Club P&I Rules cover contractual liabilities on a knock-for-knock basis where the shipowner preserves their right to limit their liability. However, many offshore charter party contracts are often either amended industry standard forms for example BIMCO Supplytime or oil company standard contracts, which do not apportion liabilities on a knock-for-knock basis and waive the shipowner's rights to limit liability.

## Contractual assistance

The Club's in-house legal specialists offer a bespoke contract review service to identify where and to what extent additional cover may be required. This input from the Club will assist Members when negotiating the contractual terms with the oil company charterers and so may assist in reducing the need for additional cover.



## Who can be insured?

Our custom-designed product meets the needs of those Members operating in the offshore sector or engaged in other specialist operations.

We cover all vessel types used in the offshore and associated industries, such as:

Platform Supply Vessels (PSVs)	Well Stimulation Vessels
AHTS Vessels	Cable Laying Vessels
OSVs	Jack-Up Barges
Crew Boats	Utility Vessels
Dredgers	Dive Support Vessels
Barges	Crane/Pipelay Barges
Accommodation Units	Amphibious craft

## Limits provided

We provide a broad cover with a standard limit of liability of up to US\$ 500 million, although lower or higher limits up to US\$ 1 billion are also available.

The limit of liability purchased by the Member will usually reflect the required limits and exposures specified under the contract with the charterer and the Club can assist the Members and their brokers in advising on the necessary limits.



# Extended Contractual Liability Risks - Scope of Cover

## What can be covered?

### Waiver of right to limit liability

A vessel owner usually has a legal right to limit liability. The Club's Rules require that where available at law, a Member must avail themselves of that right. However, some contracts require the owner to waive their right of limitation or increase their liabilities beyond the limitation limit. This would be a breach of normal P&I Rules cover and Club is able to provide additional cover for such risks.

### Contractual wreck removal

Club cover will only respond to wreck removal following a compulsory order by a competent authority. However, many offshore contracts contain a contractual requirement to remove a wreck or any debris from the wreck upon the orders of the charterers. The Club is able to provide additional cover for such contractual wreck removal.

### Property damage and knock for knock clauses

Offshore contracts will usually contain a standard knock for knock clause apportioning liability between the respective parties in respect of property damage. However, where the knock for knock provisions are diluted resulting in the Member assuming greater liability than the Club's Offshore Cover will cover those additional risks.

### Pollution

Normal P&I Rules cover will include pollution from the vessel when there is a liability at law, but care should always be taken to ensure that no additional contractual liability is accepted for pollution arising from the charterer's property. Where this is not possible the Club's Offshore Cover will provide protection against those additional liabilities. Pollution from a well or production unit should always be the responsibility of the oil company as any blanket indemnity given by the Member for such risks is difficult to insure.

### Cargo

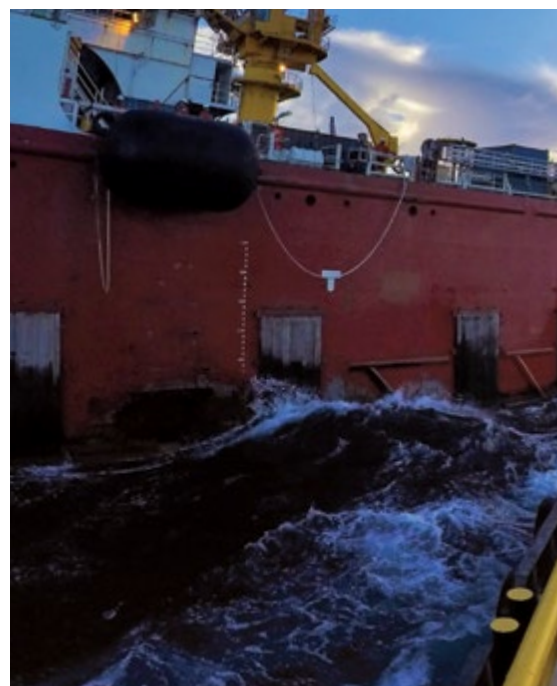
Offshore vessels will often be required to transport cargo and/or equipment and in most cases this cargo or equipment will be carried without a Bill of Lading or other contract of carriage being issued. Club Rules require the Member's liability to cargo to be subject to the Hague-Visby Rules. Also, charter parties will sometimes contain an undertaking by the Member to make the vessel seaworthy throughout the voyage and not just at the commencement of the voyage, so providing a commitment beyond that found in the Hague-Visby Rules. In the absence of such a clause incorporating the Hague-Visby Rules or a suitably worded indemnity in favour of the Member, or where there is an on-going warranty of seaworthiness, then the Club's Offshore Cover will cover the additional liabilities for cargo risks.

### Personal Injury

Offshore vessels are often used by charterers to transport their own or third party personnel to and from the offshore fields. It is highly unlikely that these "passengers" will be subject to any effective visitors pass that exempts owners from liability. Normal P&I Rules cover will respond to common law liabilities but it is important that Members ensure sufficient contractual protection is in place similar to that found in Clause 14(a)(ii) Supplytime 2017 for example.

In the absence of such protective clauses Members may be exposed to additional liabilities to third party personnel and the Club's Offshore Cover will cover these additional personal injury risks.

(See also the extended cover for accommodation vessels below.)





## Extended Towing

Club cover will respond provided the towing is carried out in accordance with approved industry standard contracts such as Towcon, Towhire or Supplytime. However, in the offshore sector - particularly when towing within oilfields - there will commonly either be no direct contract between the owner and the object being towed or the contract will be on terms more onerous than the standard knock for knock provisions to be found in the industry approved contracts.

It is important to ensure that all objects towed by the vessel are subject to knock for knock provisions in the contract and that this includes an indemnity in respect of the property and personnel of the charterer's contractors and sub-contractors.

Where such knock for knock provisions cannot be negotiated or are diluted, the Club's Offshore Cover will protect against these additional tower's risks.

## Salvage

Many vessels engaged in offshore operations are capable of carrying out salvage operations.

Where a vessel engages in a salvage operation to save life at sea the vessel's normal P&I Rules cover is unaffected.

However, cover is generally excluded for liabilities, costs and expenses arising out of other salvage operations without the express agreement of the Club's Managers.

Many offshore contracts include an obligation on owners to provide salvage services to vessels or equipment owned by the charterers/charterers group but will often require owners to contractually waive any rights to claim for such salvage services. The Club's Offshore Cover will respond to those costs which fall outside of normal P&I Rules cover.

## Insurance Clause – Naming of Charterer and Waiving of Subrogation

The contract will frequently require the owners to provide a waiver of subrogation from their insurers in favour of the charterers and their contractors (charterers group) and to name them as co-assured - the so called "Name and Waive" requirement.

This is acceptable under Club P&I Rules where the name and waive is only to the extent that it covers those liabilities that are properly the responsibility of Members under a knock for knock charter party such as Supplytime 2017, so not including those liabilities which are the responsibility of the charterer under the charter party.

Under its Offshore Cover the Club can provide such cover to co-assureds on a "misdirected arrow basis" covering those claims / liabilities brought against the charterers which should properly be the responsibility of the owners.

**NB: Cross Liability** - the charter party may sometimes require that the Member's insurance includes a cross liability clause. This means that the cover provided by the Club to the Member will treat the Member and charterer as if they have their own separate policy with full limits of liability. Such a provision in the charter party should be deleted in so far as they apply to P&I insurance as they are difficult and expensive to insure.



# Specialist Operations & Other Risks

## - Scope of Cover

### What can be covered?

#### Introduction

Specialist operations are contracted works undertaken by the Member that are of such a nature they fall beyond that usually carried out by traditional shipowners. Many specialist operations may result in the interference with the seabed itself and so potentially may cause damage to equipment located on or under the seabed including pipelines, cables and infrastructure such as undersea tunnels.

Rule 17 C of the Club's Rules sets out a definitive list of what are considered to be specialist operations:

**“Dredging, blasting, pile-driving, well-stimulation, cable or pipelaying, construction, installation or maintenance work, core sampling, depositing of spoil and power generation.”**

#### Scope of Cover

Under its Offshore Cover the Club offers additional insurance to Members for their liabilities which arise out of the specialist nature of these operations. The cover sits as an extension of the Member's normal P&I Rules cover.

Where required, this cover for specialist operations can be integrated with the cover for Extended Contractual Liabilities, so providing a single combined offshore insurance package up to an agreed limit tailored to the individual Member's contractual needs

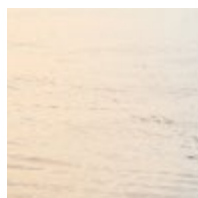
**The following example illustrates how the Specialist Operations Cover operates alongside normal P&I Rules cover:**

Where a vessel is engaged in trailing a hydrographic survey cable and becomes involved in a collision caused by an error in navigation then the claim would fall under normal P&I Rules Cover for RDC risks. However, if the incident occurred because the vessel was unable to adequately manoeuvre to avoid the collision due to the trailing cable then the incident would fall under a specialist operations exclusion as the incident was materially caused by the specialist operation. Any claim would then fall under the Specialist Operations Cover.

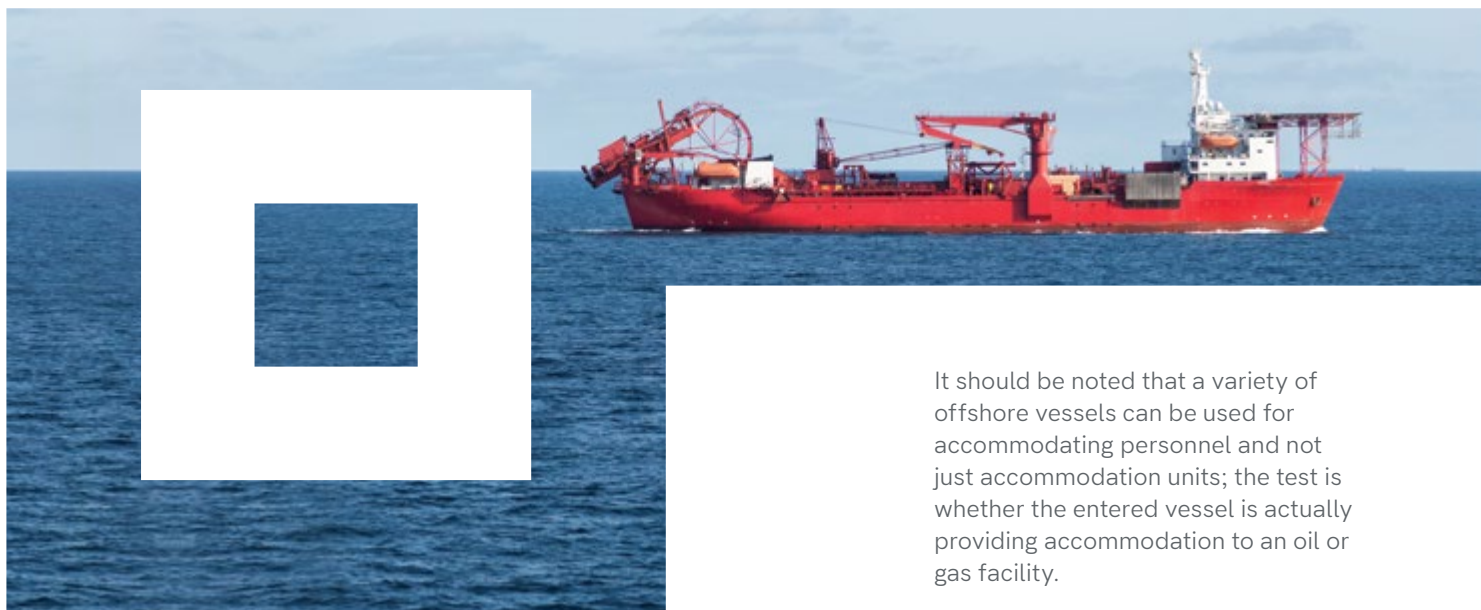
#### Divers

Diving operations are similar to specialist operations and so Members who are responsible for the activities of commercial divers from their vessels will require an extended cover, as liabilities from and to divers are excluded risks under normal P&I Rules cover.

Such responsibility would arise where the Member is the employer of the divers, engages a third party to undertake the works on the Member's behalf or has agreed an indemnity under a contract that assumes liability for the activities of the divers. If the Member is not responsible for the activities of the divers - for example where the vessel is chartered out and is merely used as a dive platform and the charterer or diving contractor is responsible for the activities of the divers - then normal P&I Rules cover remains in place and additional cover for divers is usually not required.







It should be noted that a variety of offshore vessels can be used for accommodating personnel and not just accommodation units; the test is whether the entered vessel is actually providing accommodation to an oil or gas facility.

### Loss of or damage to Contract Works

Contract Works includes the plant, equipment and materials that an owner is contracted to construct or work on. The Club Rules (Rule 17 (c)) exclude claims in respect of loss of or damage to contract works brought by any party for whom the specialist operations are performed. Such damage to contract works is also a standard exclusion under Specialist Operations cover.

This exclusion exists because damage to contract works risks is covered by a specialist construction risk insurance purchased by the main contracting operator (for whom the Member will be working) - called Contractors All Risks (CAR) Insurance.

However, more recently it has become the practice of the main contracting operators to pass onto Members the risk for loss of or damage to contract works up to the limit of their CAR deductible. In response to this, the Club can provide contract works cover to the Member up to a maximum limit of US\$ 2 million where the Member is made responsible for such risks under the charter party.

### War Risks

Normal P&I Rules cover provides P&I war risk cover excess of the hull value, with the primary P&I war risk up to hull value being usually covered by the Hull P&I war underwriters.

The Club can provide extended insurance for divers under its Offshore Cover, although it is more common for Members only to require extended divers cover for their third party liabilities arising from the diving activities, and not to any liability to the actual divers themselves for death and or personal injury. However, Members requiring additional cover for liabilities to divers should contact the Club, as such cover for these additional risks can be provided on a bespoke basis.

Members should always ensure that any contract for the operation of divers from their vessel contains an indemnity from the charterer or contractor for any damage to permanent structures, installations or infrastructure in the area where the underwater operations are being conducted, as these are excluded risks under the extended diver's cover (or otherwise cover for Contract Works would be required – see below).

### Mini-submarines, Diving Bells, Saturation Diving Habitats and RoVs

Members will require additional cover for the operation of the above craft, as normal P&I Rules cover excludes liabilities arising from the operation of min-submarines, diving bells, saturation diving habitats and remotely operated vessels (ROV). This exclusion applies where the Member is actually carrying out the operation of or is responsible for the operation of ROVs or similar

underwater equipment. If the vessel is merely providing a platform for such operations and the underwater operation is being conducted by and at the risk of others then normal P&I Rules cover continues in place and no additional cover is required.

If the Member is using their own underwater equipment or is responsible for conducting the underwater operations, then the Club can provide an extension of cover for such activities under Offshore Cover, including any legal obligation to remove the wreck of any lost equipment. However, there is no cover for the loss of or damage to the underwater equipment (e.g. ROV) itself.

### Accommodation units

Accommodation vessels can be covered under normal P&I Rules cover, but it should be noted that under Rule 17 (e) there is no cover for non-crew personnel accommodated on any vessel providing accommodation to an oil or gas facility where either such vessel is moored or anchored within 500 metres from any oil or gas production or exploration facility or where there has not been a contractual allocation of risk between the Member and the employer of the personnel on terms approved by the Managers. Where these criteria are not met then the Club's Offshore Cover can provide protection against the Member's liability to these non-crew personnel.

# Offshore Cover - General Exclusions

## Performance and Contract Works

Offshore Cover is subject to the following standard exclusions relating to performance of the work undertaken: failure to perform services (including specialist operations) under a contract, and or the fitness for purpose and quality of the Member's work, products and/or services, and any loss of or damage to contract works (unless a special extension of cover has been purchased for the latter).

## Pollution from Well or Hole

Offshore Cover excludes those liabilities, costs and expenses arising out of any pollution, including any clean-up costs, from the hole or well or reservoir which is or was being serviced by the entered vessel or is in the care, custody and control of the Member. This is because such risks would usually be deemed energy risks and be the contractor's responsibility under the charter party.

## Gross Negligence & Wilful Misconduct

Increasingly contractors are amending standard knock for knock contracts by inserting an exception to the operation of the clause where the liabilities and indemnities do not apply for claims that arise out of the gross negligence or wilful misconduct of a party causing loss. The clause may further seek to exclude any contractual liability limits including those for consequential losses.

What amounts to gross negligence and wilful misconduct is often not defined and will be a matter of judgement (ultimately by a court) of the actions of the offending party and possibly the state of mind of the individuals concerned. Ideally a contract should contain wording that clearly differentiates what conduct amounts to gross negligence from ordinary negligence.

Wilful misconduct by a controlling mind of the assured would be excluded from Offshore Cover pursuant to the Marine Insurance Act 1906.

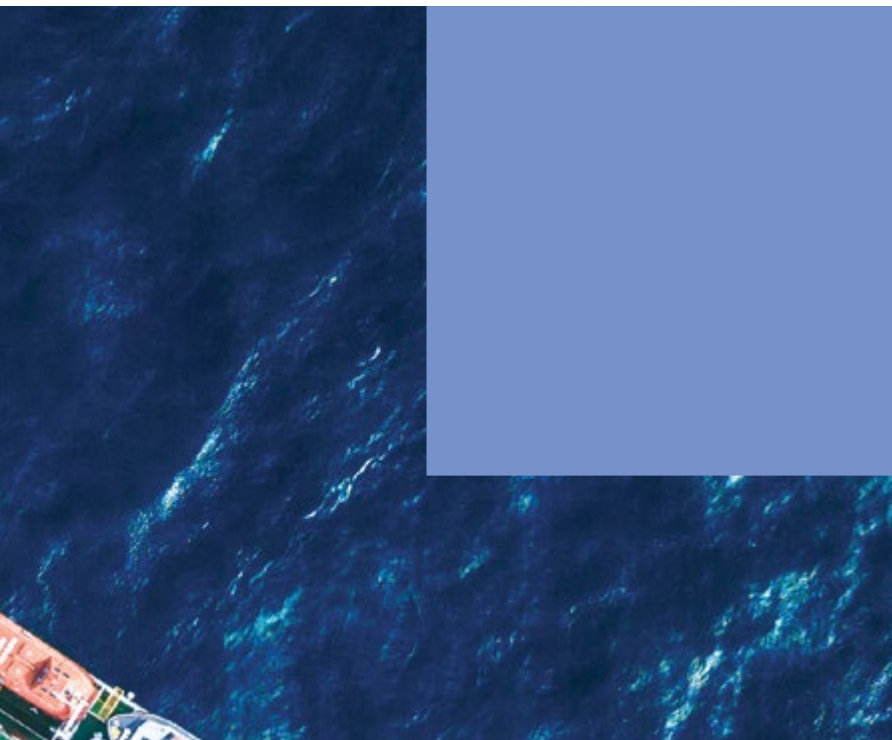
## Consequential Loss

Consequential loss and loss of profits are excluded from Offshore Cover.

Members should therefore ensure any contracts they enter into contain clauses whereby the parties mutually exclude consequential losses which may be unforeseen and potentially extremely significant. These would include, for example, loss of profit and revenue, loss of use, loss of production under the contract or as consequence of damage caused whilst engaged in the contract works.







## Why West of England?

The West of England is a leading insurance provider to the global shipping industry, combining financial strength with outstanding service to help its Members meet the continually evolving liability environment in which shipowners, operators and charterers operate.

We also safeguard and promote our Members' interests in many other areas of their business. We believe that protection for our Members is as important as the indemnity insurance we offer. To provide both we are responsive to our Members' needs and proactive in looking after their interests, enabling them to more easily achieve their business goals.

### Our strengths

- An international Club with a global membership
- A worldwide office network providing dedicated underwriting, claims and loss prevention service to our Members
- Rated A- by Standard & Poor's
- A Member of the International Group of P&I Clubs



# Global Coverage

Providing localised services to the world-wide membership.



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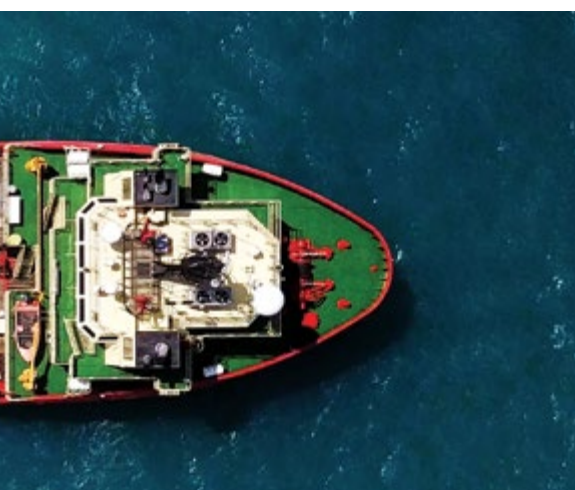
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## Contacts

Full contact details for the relevant underwriting teams can be found on the corresponding product page of our website at [www.westpandi.com](http://www.westpandi.com)

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