

## Moving beyond the mutual approach and ETC

As a mutual P&I Club specialising in providing a liability insurance solution for small and specialist vessels, we are aware that many owners wish to access the value-added benefits associated with being a Member of a P&I Club but, due to their particular operations, prefer the fixed premium approach adopted by the commercial market, which charges fixed premiums with no exposure to supplementary or overspill calls.

A fixed premium option is available to a wide section of our membership. As the vessels are not declared to the International Group pooling mechanism we refer to the type of entry as *non-pooled*. Members make an annual premium payment that is fixed and does not attract additional calls and they are insured for precisely the same type of claims as under a mutual call policy. The limit of liability is capped at US\$ 500m (or in special cases we offer up to US\$ 1b) whereas a mutual call policy bears no upper limit on the size of a single claim, other than pollution or passenger claims, although a theoretical limit on cover through the overspill mechanism remains.

Not all vessels are ideally suited to this fixed premium type of cover. The Rules cover approach, that being sharing risks within the pooling mechanism, attracts tankers, larger specialist vessels such as dredgers, construction units, salvage tugs and large work barges and especially those vessels engaged in the offshore industry where a mutual entry with an International Group Club is often a requirement under contracts. We would generally recommend the fixed premium approach, which was designed initially for fishing vessels, to owners of yachts, smaller passenger vessels and recreational dive boats.

In addition to fixed premiums, these owners may choose a jargon free *plain language* insurance policy which seeks to simplify the traditional Rules cover whilst still providing a comprehensive liability solution for the operators needs. Traditional Rules cover, shares a common approach adopted by all 13 International Group Clubs, in view of the pooling (or 'sharing') of risks. Such extensive cover is not always applicable or relevant to the smaller vessels described above.

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