

## Back to basics guide: CGL insurance & Offshore

Where a Member does not already have a CGL cover in place, it is not necessary for them to buy one to engage in offshore contracts. The key is establishing their liabilities under the specific contract(s) and obtaining cover which in substance, rather than title, is suitable for such risks. To assist Members grappling with these issues, this article provides a concise overview of the concept of a CGL cover, and how such policies can be compared with the covers provided by P&I Clubs.

### Terminology

GL stands for General Liability, and CGL simply adds the word Comprehensive. Some providers use the term Commercial or Combined General Liability instead. There is no real distinction between these terms, and the cover provided by a GL or CGL policy, however branded, will represent a basic insurance cover for liabilities accrued by the assured entity.

The label 'general' is used to distinguish the cover from subject-specific liability insurances, such as employers' liability, product liability etc. Where the word 'comprehensive' (defined as - *to cover all or most elements*) is added this merely emphasises the broad nature of the cover. The branding 'commercial' can be used to distinguish the policy from non-commercial liability policies (e.g. for individuals or sports clubs), especially where the insurer also provides these types of cover. Finally, the term 'combined' is sometimes used because although the policies cover a wide range of potential types of liability claim, they normally do so with one combined, single limit.

### Traditional CGL cover

CGL policies do not specify the types of liability claim to which their policy will respond, unlike for example P&I insurance. Instead, they typically say that they will cover the assured for any liability they accrue in respect of injuries to people or damage to property during the policy period. They do however have a list of specific exclusions, in which circumstances the policy will not respond. These tend to relate to liabilities where the insurers would expect the assured to have specific insurance policies in place.

Examples of common CGL exclusions are claims related to the use of motor cars (usually covered by an automotive policy), claims made by company employees (usually covered by an 'EL' or Employers' Liability policy) and claims involving the assureds' use of watercraft or aircraft (normally covered by P&I Club covers or aviation policies respectively).

### Interface with P&I

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P&I cover, and extensions to it, responds to claims which relate to the operation of the entered vessel. As noted above, CGL cover generally excludes claims related to watercraft operated by the assured. So there should, in principle, be no overlap between a traditional P&I and CGL policy.

As outlined above, the branding of CGL policies is relatively fluid, and the substance of the policy is what matters rather than label attached to it. Accordingly, some CGL providers now allow the watercraft exclusion to be removed to cover a specific marine liability, in return for an increased premium. But any form of general liability policy would not be an appropriate cover to fully insure the liabilities of a Member operating offshore vessels. And having a CGL policy without a watercraft exclusion, as well as a P&I policy, presents the problem of Double Insurance.<sup>[1]</sup>

On the other hand, some P&I providers may describe a P&I policy with common cover extensions (e.g. extended towage, specialist operations, contractual liability) as providing a Comprehensive General Liability cover, where the assured is an offshore vessel operator. But the policy will remain one which insures the use of watercraft, through specified heads of cover; rather than providing a general cover for non vessel-related liabilities.

Therefore, when entering an offshore contract, we would advise Members to think carefully about the scope of works and extent of their liability under the relevant agreement. If they consider their involvement to be limited to the operation of their vessels and the corresponding liabilities in tort or contract, they will be able to rely on their P&I Club to provide the necessary covers. Where the scope of works or contract wording requires it, our [Specialist Offshore Packages](#) can provide protection for a wide range of offshore liabilities.<sup>[2]</sup>

A contract could, however, require Members to undertake work or accept liabilities which just fall outside the scope of P&I cover and extensions available to it. For example, Members may be asked to operate cranes in a terminal or manage warehouses ashore, or they may agree to provide engineering or constructions services via staff working on a charterers' platform. In these cases, Members will require cover which is not linked to the operation of their vessels. This is where a traditional CGL policy or similar cover will be of assistance.

## Conclusion

Our Underwriting Department will of course always be happy to assist Members with assessing their liabilities under offshore contracts, and discussing the covers the Club has available to cater for their specific needs.

<sup>[1]</sup> As Members may be aware, most insurance policies contain a term stating that cover is not available under the policy where another insurance policy is in place to cover the same loss. So buying two insurances which cover the same risk potentially prejudices both policies.

<sup>[2]</sup> Some liabilities, such as where a Member engaged in specialist operations accepts responsibility for damage to the contract works, will not be covered by standard package cover. But the Club can assist Member in procuring a bespoke cover for these less common risks if required.

