

▶ INTERNATIONAL GROUP OF P&I ASSOCIATIONS – EXCESS WAR RISKS P&I (EFFECTIVE FROM NOON 20TH FEBRUARY 2020 GMT)

As part of the renewal of the International Group’s General Excess of Loss Reinsurance Contract for the policy year 2020/2021, the excess War Risks P&I cover will also be renewed for a period of 12 months, with the costs included in the total rates charged to shipowners.

The terms on which the excess War Risks P&I Cover will be provided for the 2020 policy year are in most respects the same as for the 2019 policy year, including the limit of cover of US\$ 500,000,000.

However, for the 2020 policy year there is a change to the definition of the excess. This change is in respect of the minimum excess of the policy which has increased from the proper value of the entered ship (as agreed by the relevant Association) or US\$ 100,000,000 whichever is the less, to the proper value of the entered ship (as agreed by the relevant Association) or US\$ 500,000,000 whichever is the less.

The full wording now reads as follows:-

“This policy to pay claims excess of amounts recoverable under vessels’ war or crew war risks Protection and Indemnity policies subject to a minimum excess of the proper value of the entered ship (as agreed by the relevant Association) or USD 500,000,000 whichever is the less (applicable to owners’ entries and not to Charterers’ entries), and further subject to a minimum excess of USD 50,000 any one event.”

The brokers and reinsuring underwriters are concerned that the intent of this clause should be clearly understood and, following discussions with the International Group, the brokers have issued the following clarification with the approval of reinsuring underwriters:-

“It is therefore our understanding that in respect of Owners’ entries this policy will respond excess of underlying insurances with a limit of at least the proper value of a vessel.

In the event that a vessel is not so insured, this policy will respond as if an underlying policy with a limit up to the proper value were in place, except that for a vessel with a proper value of more than USD 500m, the deemed underlying excess shall be USD 500m.

Further we understand that this policy will be in excess of all other policies placed by owners for vessels’ or crew war risks P&I. We do not believe that corporate general liability umbrellas placed on behalf of organisations of which shipping forms a part are underlying policies hereon (even if they might include some war and terrorism cover).

We believe reinsurers understand that Club boards may exercise their discretion as to what constitutes the proper value of an entered vessel, but the payment of claims under this policy remains subject to the criteria above.”

Members should note that they are deemed to have underlying cover with conditions equivalent to the cover above (“P&I - War Risks”) equal to at least the proper value of the ship. Furthermore this cover is excess of any cover which the Member has actually taken out which covers the risk, unless the cover is a corporate general liability umbrella cover.

The effect of this change is that Members who have ships valued individually at more than US\$100 million and who do not purchase primary war risks insurance will have a larger gap in their cover for the 2020 policy year (to fund for their own account). Members are therefore recommended to review their war risks arrangements to ensure they are aware of their exposures in respect of any ship valued at more than US\$100 million.

Members are reminded that where payment by the Club under a guarantee or a certificate is in respect of war risks, Members shall indemnify the Club to the extent such payment is recovered or would have been recoverable under a standard P&I war risk policy.