

Presentation to
**Lillehammer Energy Claims
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The interface between CAR insurance and Contractors' Liability Coverages

- how does P&I insurance work?
- how does it fit with CAR insurance?
- how do we handle the gaps between P&I and CAR?



P&I – what do we cover.....?

- shipowner's liabilities at law
- limit US\$ 5.4 billion
 - US\$ 1 billion for oil pollution
 - US\$ 3 billion for passengers and crew
- cost-effective, flexible, durable
- mutuality
 - the International Group
 - the Pooling Agreement
 - presumption of similar risk



P&I – what don't we cover?

- “non-mutual” risks are excluded
- IG agreement limits access to pool by reference to:
 - type of ship
 - type of work
 - type of contract



Exclusions from pool cover

- drilling/production units while working
- liabilities arising out of
 - “specialist operations”
 - divers
 - ROVs
- liabilities arising under contract
 - unless contract is knock-for-knock



Why are these risks “non-mutual”?

- disproportionate assets at risk
- contractual issues
- owners’ traditional defences not available



P&I insurance: how can we cover “non- mutual” risks?

- insured through individual clubs
 - lower limits and higher cost
 - reinsured in the market
 - rated as marine risks



P&I insurance: how can we cover “non- mutual” risks?

- “non-marine” risks excluded
 - OEE/EED type risks
 - “contract works” and failure to perform



How does P&I insurance fit with CAR?

- cover for the entered FPSO:
 - subsea installation
 - liabilities iro the FPSO from sailaway
 - hook-up/commissioning



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P&I cover during subsea installation

- the installation spread
 - ships, ROVs, divers
 - mutual P&I cover
 - includes pollution from ship, wreck removal



P&I cover for the installation spread

- exclusions
 - non-entered ships ✓
 - liabilities arising during specialist operations ✓
 - contract works ✗



P&I cover for the FPSO

- mutual P&I
 - liabilities during tow to field ✓
 - wreck removal from FPSO ✓
 - pollution from FPSO ✓
 - loss of/damage to FPSO ✗

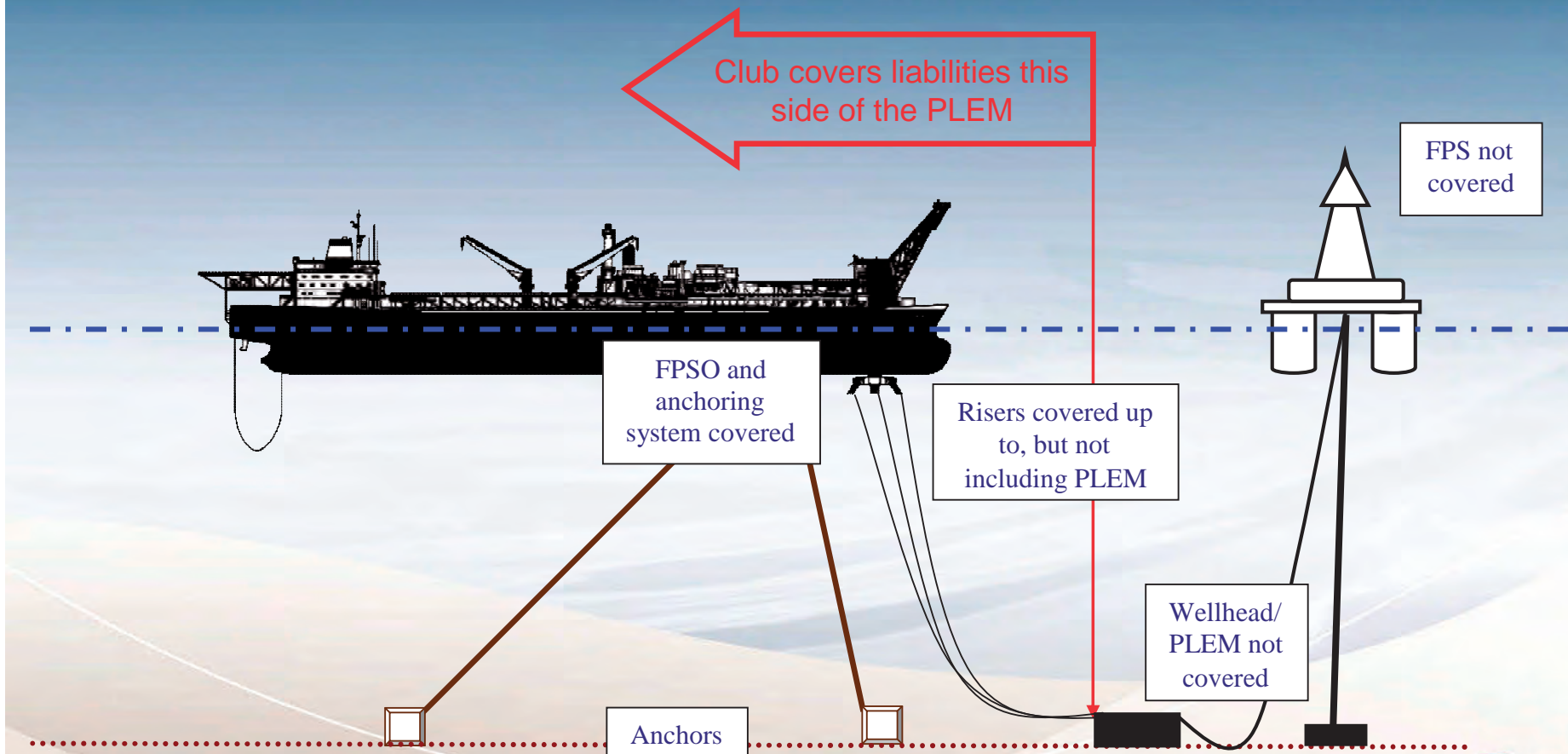


P&I cover during hook-up and commissioning

- FPSO is a production risk
 - P&I to US\$ 1 billion
 - pollution from FPSO ✓
 - wreck removal of FPSO ✓
 - loss of/damage to the FPSO ✗
 - subsea pollution ✗
 - contract works ✗



P&I cover during hook-up and commissioning



P&I insurance – the interface with CAR

- P&I helps maximise capacity
- effective coverage of risks
 - pollution/ ROW cover
- contracts paramount
- CAR/OEE/EED risks always excluded
- are there any gaps.....?



P&I and CAR – the gaps

- contractual issues
 - unequal bargaining power
 - cascading deductibles
 - weakened indemnities
 - insurance provisions



P&I and CAR – the gaps

- contract works/project property? ✘
- wreck removal
 - entered ship ✓
 - contractor's other equipment ✘
 - other debris ✘



P&I and CAR – the future



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