



## Gard's CGL offshore cover for supply vessels and specialist craft

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Cover was triggered by Gard's desire to develop a more dovetailed, comprehensive and cost effective insurance.



Standard P&I insurance is designed for the more traditional areas of a shipowner's activity, not for vessels used in the offshore service industry or for vessels used in specialist operations. For these types of operations, the shipowner would normally be dependent upon additional cover to insure his liabilities arising out of or during offshore or specialist operations. Gard used to subscribe to the same additional cover which had been developed for and made available to all the P&I Clubs of the International Group.

The type of vessels typically confronted with the restrictions in coverage would be such as; anchorhandling, tug and supply vessels, offshore and diving support vessels, construction vessels, pipe-and cable laying vessels, seismic research vessels, dredgers and pile driving vessels.

However, in 1987 Gard decided to design and establish its own exclusive

and separate CGL Offshore Cover. This move was triggered by the Association's desire to develop a better dovetailed, comprehensive and cost effective insurance arrangement for its Members operating vessels used in the offshore industry or for specialist operations.

#### **The purpose of cover**

The purpose of the cover afforded by Association is to make available a comprehensive package to meet most of the liabilities and losses incurred by Members in connection with the operation of these vessels. There are certain restrictions which form the framework of the standard cover offered by the P&I Clubs of the International Group, which have made it necessary for Gard to offer a separate "bolt on" insurance concept to meet the various exclusions and limitations imposed on liabilities assumed in offshore contracts and during specialist operations. The cover's official title is "Gard's comprehensive general third party legal and contractual liability cover against liabilities arising out of

offshore ancillary craft charterparties and contracts". It is more commonly referred to as the "CGL Offshore Cover".

Gard has designed a separate dovetailed and comprehensive cover which has been developed to respond to the needs of Members with vessels engaged in the offshore industry or used for specialist operations. By taking a leading role in the design and development of the CGL Offshore Cover the Association has tailor made a cover, which, as opposed to standard market wordings, fits seamlessly with the underlying P&I cover.

Gard believes that this combination of the standard P&I insurance and the integrated CGL Offshore Cover, is superior to the alternative of multiple policies involving multiple underwriters. Multiple policies have the notable disadvantage, if they involve several underwriters, of producing unexpected gaps in cover. The Association's



Limits range from  
USD 10 million to  
USD 750 million



approach tries to eliminate the possibility of disputes arising by offering the Membership a comprehensive and reliable liability package.

#### **A Gard Product**

The CGL Offshore Cover has been designed by Gard, and the claims under this cover are handled by Gard in the same manner as ordinary P&I claims. This ensures comprehensive cover for the Member, and ensures consistent and efficient claims handling should a claim arise, regardless of whether it turns out to be recoverable under the standard P&I insurance or the CGL Offshore Cover.

#### **Who is eligible?**

The CGL Offshore Cover is available to any Member of the Association who has P&I cover with Gard and operates vessels engaged in offshore supply, stand-by and support duties, construction and diving support operations, well stimulation and workover operations, cable or pipelaying, dredging and pile-driving operations etc. The CGL Offshore Cover is *not* offered to offshore drilling vessels (other than core sampling vessels), vessels engaged in production operations or accommodation units. The Association has, however, designed and developed a separate and favourable P&I cover for mobile offshore units that responds to these types of vessels.

#### **The structure of the cover**

The terms for the CGL Offshore Cover are set out in a cover note which is endorsed on the P&I Certificate of entry. It is a prerequisite to the cover that the Assured under the CGL Offshore Cover has underlying P&I cover with the Association. This may be an owner's entry or a charterer's entry.

#### **Limits of insurance**

The Assured may opt for several different limits ranging from USD 10 million to a maximum of USD 750 million. Different limits may apply to different ships belonging to the same fleet and the Assured may also opt for a different limit to accommodate contractual obligations assumed under a specific charterparty or contract.

#### **Premium and loss record**

The applicable premium in respect of the CGL Offshore Cover will depend on the limit purchased by the Member and the overall risk exposure according to standard underwriting criteria. As the nature of the risk to a large degree follows the underlying P&I risks, the risk assessment and evaluation are based on the same factors as those applicable to the underlying P&I insurance. Special attention is, however, given the Member's contractual obligations, type of operations and claims experience.

The additional premium for this cover is integrated and forms part of the overall P&I premium charged to the Member. This means that the total premiums paid or payable by the Member and compensations paid by the Association will be recorded on the Member's premium and loss record.

#### **Scope of the CGL Offshore Cover**

The cover afforded is in respect of liabilities arising under contractual obligations assumed by the Member and specialist operations carried out by the Member in respect of an entered ship. The purpose of the cover is to respond to contractual liabilities and liabilities, losses, costs and expenses which would have been covered under the standard P&I rules but for the limitations set out in:

- Rule 43: Towage.
- Rule 55: Terms of contract.
- Rule 59: Specialist operations.
- Rule 61: Submarines, diving bells and divers
- Rule 63.1.f.: Salvage operations.
- Rule 73.a: Nuclear perils.

As opposed to standard P&I cover, cover is afforded for the above mentioned limitations even if such liabilities, losses, costs and expenses have arisen out of war, strikes, riots, civil commotions and malicious damage.

Cover designed to cover all liabilities incurred during the performance of specialist operations as excluded by virtue of Rule 59.



### **Towage**

Members with vessels providing towage services (i.e. operating anchorhandling, tug and supply vessels, etc.) will no doubt be aware that the standard P&I insurance will only cover common law liabilities or contractual liabilities which are assumed under a charterparty or contract which distributes liability according to the "knock-for-knock" principle. Standard P&I cover does not extend to liability for damage to or loss of the tow, wreck removal of the tow or loss of or damage to cargo and equipment on board the tow. This applies regardless of whether such liabilities are incurred under common law where no contract has been signed or under a contract providing for liability based on negligence or under a contract providing for strict towage liability. The latter is not an uncommon proviso in many of the oil companies' standard contracts. The CGL Offshore Cover is designed to respond to such towage liabilities, but, as the nature of the risk is considerable, the cover for this

type of risk is subject to prior approval and agreement by the Association and may also incur an additional premium.

### **Terms of contract**

If the Member accepts contractual terms under which he has to bear liabilities beyond those which would have arisen at "common law" or from the so called "knock-for-knock principle", then those liabilities would generally fall outside the standard cover provided under the P&I insurance.

Typical examples of contractual liabilities that would fall outside the standard P&I cover would be where the Member accepts third party liabilities, even if caused by the negligence of his Client, or liabilities for removal of wreck, even if only interfering with his Client's operations or a requirement to waive his rights of statutory limitation. The Member may have to accept such contractual liabilities by way of an indemnity afforded the Client. In the event such contractual liabilities should result in a claim the CGL

Offshore Cover will respond to protect the Member up to the sum insured.

### **Specialist Operations**

The CGL Offshore Cover has been designed to cover all liabilities incurred during the performance of specialist operations, as excluded by virtue of Rule 59 of the Association's Rules. The CGL Offshore Cover does, however, contain one important limitation dealing with liability to contract works. Any liabilities, losses, costs and expenses in relation to the contract works or failure to perform the contract works are excluded from cover. This exclusion relates to the construction, development and maintenance work in which the vessel is directly engaged, but the exclusion would not apply to an existing property (whether other project property or a third party facility) that may be located in the close vicinity of the site or even become an integrated part of the work.

*Third party liabilities arising out of the activities of the diver are covered*



For example, if a cable layer is contracted to lay and install a cable on the seabed close to another installation or close to an existing cable, the actual cable being laid by the vessel would be considered the "contract works", whilst the other cable or such other installation (i.e., subsea structures, pipelines, cables, etc.) would be considered existing property.

With respect to the contract works and the project works a builder's all risk policy (or equivalent) is normally arranged by the Client providing for the naming of contractors as "other assureds". For the purpose of the CGL Offshore Cover the Association would expect the builder's all risk policy to respond as primary insurance as far as damage to the project itself is concerned, if relevant.

### **Submarines, diving bells and divers**

Standard P&I insurance excludes all risks arising out of the operation by the Member of submarines, mini-submarines (remote operated vehicles), diving bells or other types of underwater craft, whether manned or unmanned used in the offshore industry or used in other commercial activities, e.g., an underwater camera, a diving bell, or a trencher operated from a survey, diving support or construction vessel. The

exclusion applies to the operation of a relevant vessel by the Member, and the Member will therefore not be covered even if the said craft are operated from the vessel by another party. The CGL Offshore Cover has been designed to cover all liabilities arising out of these operations, as excluded by virtue of Gard's Rule 61, except for liability to divers.

Standard P&I insurance will not cover any liability to diver or any third party liabilities which arise out of the activities of such divers, other than in connection with certain salvage operations. Pursuant to the CGL Offshore Cover third party liabilities arising out of the activities of the diver are covered. Liability in respect of loss of life or personal injury to the divers is, however, not covered. When such divers are employed by a sub-contractor or a party other than the Assured, cover is granted, but only provided the Assured has obtained an indemnity from the relevant sub-contractor or such other party in respect of loss of life or personal injury to the divers.

### **Salvage operations**

In most offshore contracts the Member undertakes to provide assistance for the salvage of Client's property and personnel as well as property and personnel of other contracting parties of the

Client. There are certain restrictions applicable to such incidental salvage under a standard P&I insurance. For the purpose of assisting Members operating stand-by and supply vessels etc., the CGL Offshore Cover has been designed to cover liabilities incurred during the performance of such salvage operations, as excluded by virtue of Rule 63.1.f. The cover in respect of salvage operations only applies to liabilities incurred during incidental salvage operations arising out of offshore ancillary craft charterparties and contracts. The extension is not construed to cover liabilities arising out of salvage operations incurred by a professional salvor.

### **Nuclear Perils**

The Radioactive Contamination Exclusion Clause is a standard market exclusion and the exclusion is reflected in Rule 73. Nuclear Perils of the P&I Rules for ships. This is a sweeping exclusion against all risks arising out of the carriage, custody or use of equipment and substances containing radioactive material. An exception relates to the carriage of "Excepted Matter" as defined in the Nuclear



Cover may be extended by special agreement to cover property in the care, custody or control of the Member.



Installations Act 1965 of the United Kingdom or any regulations made thereunder.

The problem is that Rule 73 (Nuclear Perils) excludes any other type of claim arising out of nuclear radiation etc. Some equipment and substances commonly used in the offshore industry contain low radiation radioactive isotopes. Thus, we have extended the CGL Offshore Cover to include liabilities arising out of the use and presence on board of such equipment and substances customarily used in the offshore industry. The cover is conditional upon that such equipment and substances are carried, kept and used in accordance with statutory rules and regulations governing the carriage, custody and use of such equipment or substances. The cover in respect of Nuclear Perils is subject to a limit of USD 25 million.

#### **Property in the care, custody or control**

Liability for loss of or damage to the ship or any part thereof is not covered by P&I. It is not uncommon in the case of offshore and specialist vessels for specialist equipment to be brought on board to be operated from the ship. Equipment and property is considered to be in the care, custody or control of the Member where it is used by, owned, occupied, borrowed or rented by the Member. Loss of use of or loss of the property brought on board the vessel would not be covered by standard P&I insurance or the CGL Offshore Cover if it is considered to be in the care, custody or control of the Member.

Loss of or damage to property which is placed on board (free placement) for storage or carriage or for use by others may, however, be covered under a standard P&I insurance, provided the said equipment or property is not excluded by virtue of Rule 61 (i.e. submarines and diving bells etc.). The CGL Offshore

Cover may be extended by special agreement to cover property which, pursuant to the above definition, is considered to be in the care, custody or control of the Member. However, an additional premium will be charged. It is more common, however, for the Member to obtain a hold harmless agreement from the owners of said property or for the Member to arrange for the Hull & Machinery policy to include cover of such incidental equipment being used on board, including the loading and discharge.

*Cover for Nuclear  
Perils subject to limit  
of USD 25 million*



### Summary

The foregoing is by no means a complete discussion of this technical and often difficult subject, but by virtue of Gard's open CGL Offshore Cover, the Association hopes that it has been able to provide, in conjunction with a standard P&I insurance, a complete package of insurance cover for liabilities attaching to these specialist vessels. This cover was first established 14 years ago and has been developed and modified over the years to

reach its current format. It is offered as an adjunct to the standard P&I cover to Gard's Members. Gard aims to remain the leading Club in the offshore field, and this coincides with significant investments in resources to achieve constant development of exclusive and tailor made insurance concepts geared to meeting Member's specific needs.

The Club continues to give professional advice and

recommendations on the drafting of charterparties and contracts, and receives several hundred contracts per year for such risk evaluation. It considers this service to be an important element of proactive loss prevention. Although this open facility is available, Gard's Members are urged to do their utmost to avoid entering into charterparties and contracts representing unfavourable distribution of risks.

For more information on the CGL offshore cover for supply vessels and specialist craft, please contact your broker or Gard's Insurance Department.