

Gard products

Your contact

Charterers' Loss of Use Cover



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Gard's Charterers' Loss of Use Cover responds to a Charterer's liability to pay hire to the Owner of the Ship under the terms of a charterparty or similar contract of employment for the Ship in respect of a period during which the ship is wholly or partly prevented from performing the service required of her due to detention/delay/arrest of the Ship when there is no physical damage to the ship.

Liabilities to pay hire arising as a result of P&I events such as:

- Pollution spill resulting in third party property damage
- Stevedore personal injury in connection with loading/unloading operations
- Cargo dispute leading to the arrest of the vessel

Liabilities to pay hire arising as a result of external circumstances beyond the Charterer's control such as:

- Denial of access to place of refuge
- Imposed quarantine restrictions
- Blocking on arrival in loading port
- Ice conditions
- Pirate attacks

Who can be covered?

- Gard clients with underlying Charterers' P&I cover

Practical examples where the cover will respond

1) Vessel hijacked by pirates

Whilst on a laden voyage from Indonesia to Spain, the vessel was seized by pirates whilst transiting the Gulf of Aden. Upon capture, the vessel was forced to sail to a location off the Somali coast, where she was detained until a ransom was paid by the vessel interests. The vessel, chartered on a BIMCO time charterparty, was released two months later. The charterparty contained an off hire clause regulating the charterer's obligation to pay hire the first 90 days in case of a piracy attack. Thus, the vessel remained on hire throughout the period.

2) Vessel delayed due to third party oil pollution

A bulk carrier was on route from Africa to the United States. Whilst approaching her American discharge port with a cargo of sugar, a nearby oil tanker grounded and started leaking oil. As a result, the bulk carrier could not proceed without sailing into waters contaminated with oil. The Master, whose immediate obligation was to ensure that the vessel did not exacerbate the extent of the damage by spreading the oil into clean waters, anchored outside the port. The cleanup work lasted for several weeks and the charterer eventually had to find an alternative port of discharge. The owners claimed that the full working of the vessel was prevented due to the charterers' voyage orders and were able to claim back the unpaid hire in damages.

3) Cargo dispute leading to arrest of vessel

A product tanker was contracted on a Shelltime 4 charterparty. The vessel was ordered by the charterer to load a "clean" cargo, naphtha, which required a high level of cleanliness of the vessel's tanks. The master had the tanks thoroughly cleaned and vessel was inspected by a surveyor. The surveyor was satisfied with the condition of the tanks but concerned that two of the last three cargos carried were "dirty" products. Nevertheless, the vessel was allowed to commence loading. At the discharge port, cargo in several of the tanks was found to be unacceptable due to discoloration. The vessel was arrested by the cargo receivers in respect of their claim for cargo contamination. The

vessel remained under arrest for two months. It was later held by arbitrators that the owner was entitled to be indemnified in respect of the consequences of obeying a time charterer's order and the charterer could not claim the vessel to be off hire.

4) Delay of ship caused by blocking on arrival in loading port

Shortly prior to arrival at the loading port in South America to take a full load of iron ore for China, another fully laden iron ore carrier suffers a grounding incident in a channel on her way out of the port basin leaving no room for other iron ore carriers to safely navigate and berth. A significant salvage (and subsequent wreck removal) operation is conducted, but it takes three months to clear the channel. The ship is delayed for 35 days seeking an alternative loading port. It was later held that the delay was due to the charterer's breach of safe port warranty and thus the charterer was not able to put the vessel off hire.

Important exclusions

- No cover for liabilities, losses, costs and expenses recoverable under a standard P&I entry and/or primary war risk cover and/or any public or private insurance required by any applicable legislation
- No cover for losses arising from strikes
- No cover for losses arising from discovery of drugs onboard the vessel (option to include)

Limit and deductible

- Standard maximum limit of USD 5 million per event and in the aggregate per year
- Standard minimum deductible of 7 days (2 days for piracy)