



Gard's Comprehensive Charterers' Liability Cover

The Comprehensive Charterers' Liability Cover has been specifically tailored to meet charterers', cargo owners' and traders' needs for liability insurance today, whilst evolving to meet their needs for tomorrow and with standard limit of cover up to USD 750 million.

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At a glance



Gard's Comprehensive Charterers' Liability Cover

Level of cover

Standard limits up to USD 750 million per entry per event
Up to USD 1,000 million may be available on request

Fixed premium

No additional calls

Standard cover

Charterers' liabilities, including:

- Cargo
- Pollution
- Personal injury
- Damage to hull
- Salvage
- Detention and similar delay
- Charterers' debunkering costs
- Damage to other property
- Freight and bunkers contribution to general average
- War risks (including terrorism)
- Fines (customs, immigration and accidental pollution)
- Wreck removal

Options and Extensions

Contractual liabilities

Examples: Certain liabilities under sales contracts, terminal contracts, storage contracts
- Onerous contract terms may be covered under a Comprehensive Carriers' Cover extension

Cargo owners'/trader's liability for pollution

- Pollution cover for the assured and affiliated/associated companies in their capacity as cargo owners/traders
- Includes pollution during customary lighterage and STS transfers
- Includes fines for accidental pollution
- Optional inclusion of cover for carriage on non-chartered ships

Cargo owners'/trader's legal liability

- Cover for the assured and affiliated/associated companies as cargo owners/traders
- Same scope as charterers' cover
- Includes cargo owners' pollution
- Option to include ships not chartered by the assured

Traders' liability for damage to hull

- Cover for the assured and affiliated/associated companies as cargo traders
- Liability for damage to the ship under the sales contract

Eligibility

For time, voyage, slot and space charterers

Gard claims service

Claims handled by Gard's experienced staff and worldwide network of claims correspondents

Three defining features of this Gard product

- Ongoing product development: The cover is continuously adapted and amended to respond to the changing needs of our customers, either as a tailor made solution for one customer or trade, or as an amendment to the standard terms of cover.
- Volume: The significant volume of business enables Gard to offer broad covers with high limits at competitive cost.
- Expertise: Gard has substantial experience with this type of risk, and this is reflected in the high quality of claims, underwriting and loss prevention services.

Available to time and voyage charterers, as well as slot and space charterers



Tailoring a cover to your specific needs

Gard is the global market leader in charterers' liability insurance, providing cover to some of the largest charterers in the world. The combination of high limits, flexible terms and a worldwide service network has attracted many major charterers, particularly operators of oil, gas and chemical carriers, and oil companies and commodities traders.

The cover for charterers was initially modelled on the shipowners' liability cover (P&I cover) offered through the International Group of P&I Clubs and was reinsured through the same reinsurance arrangement. Gard soon recognised the need to develop a separate cover designed specifically for charterers, and introduced the Comprehensive Charterers' Liability Cover in 1989.

This move was triggered by the Club's desire to develop a broader, more flexible cover, without some of the important exclusions applicable to the standard charterers' cover, notably such as damage to hull. Through continuous adaptation and enhancement, the result today is a comprehensive and cost effective insurance arrangement for charterers of ships in less claims intensive trades, where there is a need for catastrophe protection and high limits of cover. With its significant volume and proactive approach, Gard is a

global market leader and innovator in charterers' liability insurance.

By taking the leading role in the design and development of this cover, Gard has tailor-made an insurance concept, which offers a wide range of seamless liability protection for charterers that can be adapted as legal and commercial conditions change. This is illustrated by the optional extension of the Comprehensive Charterers' Liability Cover to include cargo owners' risks, available to charterers exposed to pollution and other risks not because they are chartering the vessel, but because they or an associated or affiliated company own the cargo carried on the vessel. The Cargo Owners' Legal Liability Cover, Cargo Owners' Pollution Cover and Traders' Cover may be extended further to apply in respect of cargo carried on non-chartered ships. In other words, the cover can apply to cargo movements where there is no chartering relationship in place and the only connection between the assured and the ship carrying the cargo, causing the pollution or other third party liability, is a contract in respect of the cargo, such as a cargo sales contract or a bill of lading. This is an important departure from the traditional P&I cover, which is limited to the assured's exposure either as an owner or charterer of a ship.

Gard handles claims arising under the Comprehensive Charterers' Liability Cover in the same manner as standard P&I claims. This ensures professional and consistent claims handling, bringing to bear the entire expertise of Gard, including its worldwide network of claims correspondents, lawyers and experts. We are justly proud of the reputation for the quality of the service provided by Gard's claims team.

Who is eligible?

The Comprehensive Charterers' Liability Cover is available to time or voyage charterers, as well as slot and space charterers, who meet the Club's stringent requirements in respect of profile and operating standards. This will typically include risk averse charterers in trades with relatively low claims frequency, but high claims severity, and who need high limits and flexible terms. The cover is not available to bareboat or demise charterers, who would need to effect owner's P&I insurance.

Structure and scope of the cover

The terms of the cover are set out in a Certificate of Entry, and are partly based on the P&I Rules (Gard's P&I Rules for Ships are incorporated in the Comprehensive Charterers' Liability Cover Note by reference) as well as containing terms exclusive to the Comprehensive Charterers' Liability Cover,

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such as those relating to damage to hull and cargo owners' risks, which are not covered under conventional P&I insurance.

The cover afforded is in respect of the assured's liabilities arising in direct connection with the chartered ship or, in the case of the cargo owners' and traders' options, arising in respect of cargo bought or sold by the assured.

What risks are covered as a Charterer?

P&I risks: liability in respect of

- Cargo;
- Personal injury;
- Damage to fixed and floating objects;
- Other property damage;
- Pollution;
- Fines (customs, immigration, accidental pollution);
- Wreck removal (including removal of bunkers and cargo);
- Mitigation and legal costs in respect of the above liabilities.

Other charterers' risks: liability in respect of

- Damage to or loss of the chartered ship;
- Salvage of the chartered ship;
- Detention and other delay of the chartered ship;
- Removal and replacement of bunkers in order to avoid or minimise damage to the chartered ship;
- Freight's and bunkers' contribution in general average;
- War and terrorist risks, including liability for damage to or loss of the ship.

What risks can be covered under the optional cargo owners' and traders' cover?

Cargo owners' and traders' liabilities in respect of both chartered and non-chartered vessels:

- Damage to ships, including salvage and detention, caused by cargo traded by the assured, whether contractual

(i.e. under the sales contract) or in tort;

- Damage to berth, terminal or other property caused by cargo;
- Certain contractual liabilities (under for example, sales contracts, terminal terms and conditions);
- Cover is available for all risks covered under the Comprehensive Charterers' Cover, including personal injury, damage to property, wreck removal (including removal of cargo);
- Cargo owners' cover restricted to pollution and pollution fines is also available.

A new definition of cargo owner/trader has been introduced that includes buyer, seller and holder of the bill of lading. This cover is available even in instances where the trader is no longer the cargo owner, for example, where the cargo has been sold on, but where the trader is nevertheless held liable in his capacity as seller.

*Various combined
single limits up to a
standard maximum
of USD 750 million*



Case study

The assured, a trader, buys a cargo on CIF terms at a terminal. The seller arranges the transport and charters in a vessel. During the carriage the cargo settles and damages the tanks. The shipowner brings a claim under the charter party against the seller of the cargo as well as a claim in tort against the assured for the damage to the vessel. The assured's liability to the shipowner for damage to the vessel, as well as the legal costs of defending the claim, are recoverable under the cargo owners'/traders' optional extension. The Association may also have a subrogated claim against the cargo seller if the tank damage was a result of the cargo being off-spec.

Limits of insurance

The assured may opt for various combined single limits up to a standard maximum of USD 750 million any one entry any one occurrence. (Up to USD 1 billion may be arranged on terms to be agreed) In contrast to many conventional charterers' covers available from other IG Clubs and other sources, there is no sub-limit or aggregate limitation for pollution liabilities or otherwise. The charterer is afforded the limit of cover to which he subscribes, without ambiguity.

Service and Expertise

Gard is a specialist insurer, focused on marine liability insurance. The Club's specialised approach has enabled the development of a level of competence in claims handling, underwriting, technical services and loss prevention that a general insurer cannot match. This expertise is reflected not only in the way Gard handles and resolve existing claims, but also in how the Club monitors

industry developments in order to prevent future claims and provide insurance solutions for new risks.

As part of Gard's service the Club offers review of contract terms, such as charter party riders, bills of lading terms and terminal use agreements. Our loss prevention services include several publications dealing with marine liability issues including loss prevention circulars and "Gard News", our well regarded industry magazine.

Fixed premiums and simplified administration

The premium in respect of the Comprehensive Charterers' Liability Cover will depend on the limit purchased by the assured, the chartering activity and the overall risk exposure according to standard underwriting criteria. The premium payable by the assured is charged on a fixed basis, with no liability for additional calls. In order to simplify administration of the cover, Gard offers various

premium arrangements to suit the needs and activities of the assured. For instance, the assured may opt for an open cover subject to a fixed non-adjustable premium, where there is no need for declarations in respect of ships on charter, provided they meet with certain quality requirements agreed beforehand. Alternatively, the assured may choose a cover with periodic declarations, with premium adjustable in the event of a significant deviation between forecast and actual chartering volume. Another option is to link premium to annual cargo volumes, based on a rate per metric ton rather than gross tonnage (GT), which P&I Clubs traditionally use as a basis for determining premium. The Association will still need a rough estimate of the average tonnage on charter during the year for reporting and accounting purposes. The goal is clear: we aim to spend our time providing service rather than on labour intensive declaration procedures.

Factors affecting premium

Premium is based on usual underwriting criteria such as nature and geography of trade, type of tonnage chartered, terms of charter party used, and specifics of the cargo such as whether it requires special handling or is a pollutant. The age and class of vessels chartered are assessed along with any vetting procedures the assured has in place.

Our approach to charterers' and traders' risks is illustrated by the way the Club deals with cover for associated and affiliated companies of the assured.



Flexible approach to associated and affiliated companies

Gard's pragmatic approach to charterers' and traders' risks is illustrated by the manner in which the Club deals with cover for associated and affiliated companies of the assured. Normally, if an entity is not named in the contract of insurance, it is not a party to the contract, and therefore not entitled to the benefits. The requirement to name all assureds is not always practical for charterers and traders, who may operate by using several trading names and divisions in the sale and transport of the cargo. Where required, the Club's solution is to include a reference to associated or affiliated companies in the "assured(s)" clause in the Cover Note, and thereby provide cover not only to the assured expressly identified in the Cover Note, but also to the assured's associated or affiliated companies for their risks as charterers and cargo owners.

Cargo owned by the assured

Frequently the assured or its associated or affiliated companies own some or all of the cargo being carried. A significant proportion of Gard's business would be from oil and gas companies, who are trading their own cargoes. Such owned cargo would normally be insured under a separate cargo insurance for loss or damage. In order to avoid duplication of insurance and the possibility of conflict between Gard and the assured's cargo underwriters, there is normally an exclusion of cargo liability in respect of the assured's own cargo.

Some typical risks

Charterers' risks

Charterers' liability for damage to hull

Charterers' liability for damage to or loss of the vessel may arise in a number of ways:

(1) Damage to or loss of the ship caused by charterers naming an unsafe port or berth.

(2) Damage to or loss of the ship due to shifting of the cargo during the voyage if this is the result of inadequate or incorrect stowage of cargo, contrary to the terms of the charterparty, by stevedores employed by the charterer.

(3) Damage to tanks caused by the cargo itself, such as corrosive cargo or sediment, or shifting during transport.

(4) Damage to or loss of the ship, including winches, derricks etc. caused during the loading or discharging of cargo by stevedores or other agents or servants of the charterer.

(5) Damage to the vessel or vessels during STS (ship to ship) operations or lighterage.

(6) Damage to the ship's engines caused by inferior quality bunkers, which is for the account of and supplied by the charterer.

*No exclusion for war
or terrorists risks*



(7) Charterers' liability for salvage of the ship could form part of a claim against charterers for damage to the ship. However, there have also been incidents where a ship has been subject to extensive salvage operations without having suffered damage – for example following a grounding in soft mud. The Comprehensive Charterers Liability Cover would cover a charterer's liability also for such salvage.

The Comprehensive Charterers' Liability Cover responds to these risks, as well as the liability for related consequential losses (i.e. shipowners' economic losses resulting from the damage to hull.) This includes, for instance, shipowners' claims for demurrage, detention, loss of hire and loss of use where the ship is delayed beyond the stipulated loading/discharging time due to damage to the ship.

Charterers' liability for detention and other delay

Gard's Comprehensive Charterers Liability Cover also extends to a charterer's liability for 'Detention' of the chartered ship. 'Detention' would include such reasons for delay as blocking, trapping, arrest, detainment etc. but would exclude Detention arising from legally enforceable debt, insolvency and failure to comply with class and statutory requirements. Charterers' liability for Detention could in an extreme case amount to

Case study

An oil trader contracts for delivery of refined product into Nigeria. The discharge is to be by ship to ship transfer with the trader chartering both the mother vessel and daughter vessels under ASBATANKVOY terms. During the STS transfer and due to error of the mooring master, the ships collide damaging both. Claims for repair costs and consequential losses are submitted to the charterer from both vessels on the grounds that the "risk" of lighterage is for the charterer under the charter party terms. This potential liability falls within the standard DTH feature of the Comprehensive Charterers Cover and Gard will defend the charterer and cover potential liabilities to both vessel owners.

Case study

The vessel is time chartered with a safe port warranty, voyage chartered with a safe port warranty and sub-voyage chartered with a safe port warranty that names the port. Gard's insured is the voyage charterer. The vessel grounds at the port and owners claim against the time charterer under the safe berth warranty and time charterer's claim against the voyage charterer who claims against the sub-charterer. All claims are submitted to arbitration. The arbitration award finds that the port is unsafe, that the time charterer is liable to the owner and that the voyage charterer insured with Gard is liable to the time charterer for 100% of the USD 3 million claim. The arbitration award finds that the sub-voyage charterer is not liable to Gard's voyage charterer because the sub-voyage charter named the port. The final arbitration award plus costs and the costs of defence are covered by the Comprehensive Charterers Cover.

total loss of the chartered ship. This could be the case when owners have been deprived of the ship sufficiently long to trigger payment of compensation for total loss under the Hull or War Risk insurances. In most cases, however, charterers' liability for Detention would be in respect of owners' loss of use.

It is worth noting that the cover for consequential losses caused by damage to or Detention of a ship would

exclude liability to pay charter hire, demurrage or similar to the extent such liability would not have arisen but for the terms of a charter party or other contract for employment of a ship.

Removal and replacement of bunkers

The Comprehensive Charterers Liability Cover would respond to cover a charterer's extraordinary costs and expenses in connection with removal and replacement

of bunkers when such removal and replacement would be necessary in order to avoid or minimise damage to ship engines or other parts of a chartered ship. The cover includes extraordinary costs in connection with such as pumping, barging, trucking, extraordinary wharfage, cleaning of tanks and pipelines etc., both in respect of removal of inferior bunkers and replacement with sound bunkers, but excludes the value and purchase cost of the bunkers itself. The cover further extends to the cost of lawful disposal of removed bunkers, which can be substantial if bunkers are considered toxic waste by local authorities. It should be noted that cover for bunkers removal and replacement costs is strictly for such costs incurred by an assured in capacity as charterer of a ship. If, for example, a charterer also operates as bunkers supplier, liability and costs incurred in such capacity would not be covered.

Charterers' liability for loss of or damage to cargo

Liability for loss of or damage to the cargo is the single most important aspect of conventional charterers' P&I cover. The charterer may have absorbed cargo liabilities in a charter party, for example the BALTIME charter, where the charterer has wide responsibilities for cargo. This can also be the case under the New York Produce Exchange Form (NYPE), which when combined with the Interclub Agreement, shifts

certain cargo liabilities on to the charterer. Pursuant to other standard forms, the charterer will to various degrees have absorbed liability for loss of or damage to the cargo. Such liability may also be incurred outside contracts, and will then be based on an action in tort.

Charterers' liability caused by war and terrorist risks

There is no exclusion for war and terrorist risks, although there is an exclusion for chemical, bio-chemical,

electromagnetic weapons and computer virus risks. There is no sub-limit on the war risk cover. The cover is not subject to the London Market War Risk Trading Warranties, but is subject to the Institute Notice of Cancellation Clause and Automatic Termination of Cover and War and Nuclear Exclusion Clauses. Special conditions, such as certain charter party provisions, may apply in respect of cover for damage to hull caused by war risks while the vessel is trading to a conditional area.

Case study I

A laden bulk carrier on time charter runs aground in soft mud when entering a South American port of discharge. There is no damage to the ship or cargo but substantial salvage costs are incurred to refloat and berth the ship. The French court having jurisdiction over the charter party found that the port is unsafe and that time charterers were fully liable for all salvage and associated costs incurred. The charterers' liability for salvage and associated costs is covered by Gard's Comprehensive Charterers' Liability Cover despite that there is no damage to the ship.

Case study II

A dry cargo vessel was redelivered from time charter in the final port of discharge. Arrival was delayed by other ships grounding and blocking the access channel to the port, and after redelivery the ship was prevented from leaving and delayed in the port for the same reason. It is established that the reason for the several groundings was that access channel marker buoys had moved out of position and that the port lacked adequate system to remedy this. As a consequence, the ship lost a subsequent charter, and the owner took the previous time charterers to arbitration to recover the financial loss. There was, however, no damage to the ship. The arbitrators and the court of appeal both found that the port was unsafe and that charterers were liable for the owner's loss caused by the delay. Gard's Comprehensive Charterers' Liability Cover would have covered the charterers' liability for such delay as liability for 'Detention'.

The cover can be extended by agreement to include cover for a charterer or an affiliated company of the charterer held liable for a pollution or other claim in capacity as owner of the cargo.



Alternatively, cover may be available for such risk against payment of an additional premium.

Any applicable special requirements and other useful information relating to war and

terrorist risks cover, including an up-to-date list of the conditional areas, is available in the most recent special circular relating to war risks.

The current circular, as well as previous circulars are

available on Gard's web site.

[Charterers' liability for freight and bunkers contribution to general average](#)

The charterer will normally be liable for contribution in general average, special charges or salvage in respect of the value of his bunkers and his freight at risk. Gard may provide a guarantee or Club letter to meet the bond requirements by the average adjuster from the charterer and indemnify the charterer for his proportion of the total compensation made in respect of general average, provided the charterer is not covered for this risk by other insurance.

[Charterers' liability for death, injury and illness](#)

Although the personal injury, illness or death of a crew member is usually thought of as an owners' risk, charterers are also exposed by way of a recourse claim from owners under the charter party. This could arise where the injury to the crew results from the charterers' breach of duty to nominate a safe port or berth,

Case study

Gard's assured, a time charterer, orders bunkers to be supplied to the vessel as required under the charter party. The analysis shows inorganic acid in the bunkers. The testing results are available only after the vessel has left the bunkering port and, due to a seven day notice provision in the bunkering contract, the bunker provider has refused to arrange for debunkering and replacement. Gard appoints an expert to assist who confirms that inorganic acid can harm the vessel engines and is in violation of the specification in the charter bunker clause. In order to avoid liability under the charter party for harm to the engine, Gard will cover the Member's extraordinary costs of removal and replacement of the fuel as well as the expert costs. Extraordinary costs are those costs reasonably incurred by the Member to remove off spec bunkers and replace with sound bunkers including cleaning of affected areas and lawful disposal costs of tainted bunkers and any cleaning materials. The economic value of the bunkers removed and the economic value of the replacement fuel are not covered. In the event that the discovery of the off-spec bunkers occurs after there has been engine damage, Gard will also cover the charterer's liability for damage to the vessel and the liability for loss of hire incurred during the repair period. In either event, Gard will be subrogated to the claim against the bunker supplier and will assist the Member in evaluating and, if deemed appropriate, pursuing a claim against the bunker supplier.

*Cargo carried on
non-chartered
vessels*



for instance where charterers nominate a port unsafe by reason of war risks.

Charterers are also exposed to liability for injury to parties other than crew members. One common example is liability for personal injury to stevedores on the basis of charter party terms making the charterer responsible for loading and/or discharging the cargo.

Cargo owners' risks

Charterers' liability for pollution in his capacity as cargo owner (Optional)

This feature is of particular interest to traders of cargo which may cause pollution, such as persistent oils, gas and chemicals. The Comprehensive Charterers' Liability Cover can be extended by agreement to include cover for the charterer or any affiliated company of the charterer being held liable for a pollution claim in his capacity as owner of the cargo, as opposed to or in addition to the capacity as charterer of the vessel. Some cargo owners' and traders' pollution liability exposures are set out in the following examples:

- (1) Under the legislation of some coastal states in the United States, any party causing pollution may be liable for the pollution. This may include the charterer of the ship discharging the pollutant as well as the owner of the cargo causing

Case study

As a result of a collision between the chartered tanker and a container vessel in the Strait of Malacca, in restricted visibility during the monsoon season and with a high traffic density, the state of the art tanker suffered severe damage and sank in 50 meters of water. The tanker was carrying a cargo of 35,000 tons of heavy fuel oil, the majority of which was spilled, however an estimated 10,000 tons remained in the sunken wreck. The impacted countries, Malaysia and Indonesia, are parties to the 1969 and 1992 CLC respectively, however, neither country is party to the FUND convention.

It is considered a priority to remove the oil remaining in the wreck, however claims resulting from the oil already spilled far exceed the shipowners' CLC limitation amount, and there is no contribution available from the IOPC Fund. Consequently the involved governments look to other parties to contribute to the cargo removal costs, estimated at USD 25 million, and legal proceedings based on national legislation are commenced against the owner of the cargo.

Provided that the Comprehensive Charterer's Cover includes the optional Cargo Owners Pollution cover, these claims will be defended and liability funded by Gard subject to the insurance limits.

the pollution. Drawing on the experience of oil carriers and traders in areas subject to the Civil Liability Convention (CLC), even where the applicable legal regime clearly directs liability in the first instance to a party other than the cargo owner (in the case of the CLC, it is the shipowner), there are usually attempts to circumvent this following a major spill and claimants may seek compensation from cargo owners and charterers in addition to ship owners. Ultimately, the cargo owner may be

found not liable and acquitted of liability, but the process of defending claims is costly and time consuming. Gard will in this case cover any liability which may ultimately be found, as well as defence costs and, not least, provide the expertise and resources necessary to assist our Member defend such claims.

- (2) There is generally uniformity in the rules governing carriage of persistent oils. This is not true for other products that may be considered

Cover for onerous contractual liabilities



pollutants. Issues about what constitutes pollution and which parties are to be held responsible for its effects are by and large dealt with by individual states under their marine and environmental

protection regimes, producing a complex risk exposure for both the cargo owner and charterer. Given the general approach to

pollution claims, which has been to widen the scope and limits of liability, it is reasonable to conclude that the cargo owner, like all other parties involved in the carriage of the polluting cargo, is exposed to increasingly greater risk.

Cargo carried on a non-chartered vessel (Optional)

If the charterers or their affiliated or associated

companies are concerned about risks related to the cargo on a chartered vessel, the cargo owners' cover can be arranged to apply in respect of chartered vessels only. This would be suitable for cargo owners and traders who always use chartered ships to move their goods. However, if the cargo is carried on other vessels, not chartered by the assured or one of its associated or affiliated companies, there

Case study

The vessel, while discharging liquid natural gas at a US port, explodes with resulting deaths and injuries to crew and harbour workers and extensive property damage to the ship and terminal. The time charter provides that risks associated with cargo operations are for the charterer. The terminal agreement places the risk of cargo operations on the cargo owner/seller on a strict liability basis. Following the incident multiple lawsuits on behalf of crew and harbour workers are filed against the owner and charterer and the parties claim against each other in contribution and for their own property damage and cargo losses. The lawsuits are also filed against the assured in their capacity as cargo owners. Gard will assist the charterer in defending claims for death, personal injury, damage to the terminal and damage to hull and will pay ultimate settlements or judgments for these claims. Provided the option for Cargo Legal Liabilities has been included, Gard will also defend the assured for liabilities based solely upon cargo ownership. The claim under the terminal contract is not automatically covered by the Charterers Cover as it may be based on the unusual indemnity provisions in their capacity as cargo owner, but can be covered subject to the Club's approval under Gard's Comprehensive Carriers Cover provided such cover is effected by the assured.

Note that provided that the Comprehensive Charterers Cover is in place, Gard can extend cover to include liabilities falling upon the insured as cargo owner in situations where the ship is not under charter. The optional Cargo Owner's Legal Liability Cover (CLL) will extend to the same risks where the cargo is owned by the insured but carried aboard a ship that is not chartered by the insured.

may still be risk exposure and the assured may want the protection of the cargo owners' or traders' cover for non-entered vessels. The risk could arise in contract, most likely a sales contract, or in tort, such as third party property damage caused by a dangerous cargo. For instance, if the assured is purchasing cargo on terms whereby title and risk pass at the load port, then the assured is cargo owner once the cargo is loaded on the carrying ship and could be liable in the capacity as cargo owner for pollution caused by the escape of the cargo from the carrying ship even though the cargo owner has played no role in organising the carriage.

Cover for onerous contractual liabilities (Optional)

Another important expansion in the cover is the optional cover for onerous contractual liabilities. In general terms, "onerous" contracts are contracts which distribute risk other than on the basis of

fault, negligence or control of the contracting parties, for instance by imposing strict liability for cargo on one contracting party even when the cargo is outside that party's custody. Some typical examples of onerous contracts are certain ports' and terminal's conditions of use, as well as storage facility contracts, although onerous terms may be found in sales contracts, service contracts, bills of lading and virtually any other contract related to the carriage and/or sale of cargo.

Such risks can be covered separately under Gard's Comprehensive Carriers' Cover, but may for charterers and cargo owners more efficiently be covered under an optional extension to the charterers' cover providing the assured with one policy which is subject to one aggregate limit for both charterers' and related contractual risks. The cover is subject to the Association's prior approval of the contract giving rise to the liability.

[For more information on the Comprehensive Charterers' Liability Cover, please contact your broker or Gard's P&I Underwriting Department.](#)

Case study

In order to call at a particular terminal, an assured charterer must sign the terminal's "Conditions of Use" which are non negotiable. Among the terms are the following requirements: the assured as "vessel provider" under the Conditions of Use contract must indemnify the terminal for any and all physical damage to the terminal or other property caused by the chartered vessel, including pollution from the vessel; the assured waives any claim against the terminal for cargo damage occurring while in the terminal's custody; and lastly, the terminal must be given 30 days' notice if the assured's liability cover is cancelled. These are all insurable terms under the optional extension for onerous contract terms.

Case study

A trader sells a cargo of crude oil on FOB basis at load port, transport arranged by buyer. The FOB shipment is followed by storage and land transportation before it reaches the final receiver at an inland oil refinery. The cargo is commingled in the storage tank and becomes contaminated. The end receiver presents a claim for cargo contamination to the trader under the sales contract. The Comprehensive Charterers' Cover with the Comprehensive Carriers' optional extension would respond to cover the trader's strict liability in the sales contract for damage to the cargo, even though the cargo damage may have arisen after the cargo left the assured's custody and control. Note that this cover is subject to the Association's prior approval of the sales contract.