



p&i



Gard's CGL cover for Mobile Offshore Units

Gard's comprehensive P&I insurance for mobile offshore units is designed for vessels used in the offshore service industry such as drilling vessels, production and storage units, accommodation vessels and construction vessels.

Contents

Who is eligible?	4
The structure of the cover	4
Limit of insurance.....	4
Premium and loss record	4
Scope of the CGL Cover	4
Liability to property in the care, custody or control	5
Liability in respect of other property	5
Liability to personnel.....	6
Liability incurred by chartered ships or watercraft.....	6
Liability arising from pollution caused by blow-out, etc.....	6
Measures to avert or minimise a loss.....	6
Legal costs	7
Summary	7

The CGL Cover for mobile offshore units has been designed and developed to provide a seamless cover with the underlying P&I cover.



Gard's comprehensive P&I Insurance for mobile offshore units is designed for vessels used in the offshore energy industry such as drilling vessels, production and storage units, accommodation vessels and construction vessels. Gard's insurance program for mobile offshore units has for several years included other related liability insurances, in addition to Protection & Indemnity (P&I).

These products would typically be a separate facility for Contractor's Extra Expenses, covering liability for pollution from a well together with the cost of control thereof. In addition the Association had available a general third party liability insurance which could be accessed for specific non-P&I liabilities, such as various absent vessel liabilities, liability for property in care, custody or control, etc. These insurance products served a purpose insofar as they offered the Association on behalf of its Members the possibility to cover specific risks as and when they occurred, without the need to

access reinsurers for a response.

Typically, most general liability insurance covers are provided by non-marine underwriting organisations and, as such, it is not unusual for the policy to exclude liability arising from the use of vessels other than small workboats and ancillary craft. Furthermore, a general liability policy, even with no exclusions for marine liabilities, does not normally dovetail neatly with the P&I insurance, as a consequence of the insurance cover being provided by non-marine underwriters. In response to the ever growing need for an extended and seamless liability product, the Association decided to design and establish a new comprehensive general liability cover ("CGL Cover"), which was introduced and offered to the Association's membership in February 1999.

The purpose of the cover

The purpose of the CGL Cover for mobile offshore units is to insure Members' liabilities arising out of operations or

activities performed by or at the risk and responsibility of the Member beyond the scope of the P&I insurance. Calling upon the Association's experience the CGL Cover for mobile offshore units has been designed and developed to provide a seamless cover with the underlying P&I cover without the risk of gaps or overlap. The distinction between specific risks falling within or outside standard P&I cover is not always clear, and the Association considers it important that the Membership is given a responsive and comprehensive liability package. It believes that this is afforded by a combination of the P&I insurance and the integrated CGL Cover, in contrast to the alternative of multiple policies that may involve several underwriters.

Further, where there are multiple policies, involving a number of underwriters, there is always the possibility, when claims arise, for conflicts to arise between the respective covers and/or underwriters. The Association's approach attempts to eliminate the

Standard limit of cover of USD 10 million



danger of such potential disputes and offer the membership a comprehensive and reliable liability package.

A Gard product

The CGL Cover for mobile offshore units has been designed by Gard and the claims under this cover are handled by Gard in the same manner as standard P&I claims. This not only ensures a seamless comprehensive cover for the Member, eliminating the risk of gaps, but also ensures consistent and efficient claims handling once a claim arises, irrespective of whether it turns out to be recoverable under the P&I insurance or the CGL Cover.

Who is eligible?

The CGL Cover is available to any Member of the Association who has P&I cover for mobile offshore units.

The structure of the cover

The terms for the CGL Cover are set out in a cover note, which is issued in conjunction with the P&I Certificate of entry. It is a prerequisite to the cover that the Assured under the CGL Cover has underlying P&I cover with the Association for the vessel and thus the associated operations.

Limit of insurance

The standard limit of cover is USD 10 million, except for liabilities in respect of seepage and pollution from a well and associated cost of control which is limited to USD 5 million. On request a higher limit of USD 25 million, with a sublimit of USD 10 million for pollution from well and cost of control can be arranged

Premium and loss record

The applicable premium in respect of the CGL Cover will depend on the overall risk exposure according to standard underwriting criteria. As the nature of the risk follows the underlying P&I risks to a large degree, the risk assessment and evaluation are based on the same factors as those applicable to the underlying P&I insurance. Special focus is, however, given the Member's contractual obligations, type of operations and claims experience. The total premiums paid or payable by the Member as well as the compensations paid by the Association will be recorded on the Member's premium and loss record. Since the nature of the risk involved, to a large extent, is a close mirror image of the type of risks exposed under the standard P&I cover (save for the mechanism that triggers the incident or claim), it would be impractical to uncouple the two records

Scope of the CGL Cover

The cover afforded is in respect of liabilities arising out of the operations or activities performed by or at the risk and responsibility of the Member. The purpose of the cover is to respond to liabilities, losses, costs and expenses which would have been covered under the standard P&I rules but for the limitations relating to the following restrictions and exclusions:

- i. A Member is only covered in respect of liabilities, losses, costs and expenses incurred by him and which arise in direct connection with the operation of the vessel (save that the P&I cover may extend to cover activity at a supply base, provided that the activity is in direct connection with the operation of the vessel and transport between the vessel and a supply base or port or airport in the vicinity of the base.)
- ii. Pollution from well and damage to property caused by blow-out from a well.
- iii. Seepage and pollution arising from production operations prior to the product entering the vessel.

Cover will be afforded for activities related to the construction of a unit, as long as the unit will be entered for P&I with Gard upon delivery.



- iv. Clean-up of debris lost or deposited on the seabed during operations and clean-up of drilling equipment being used in the sea below the rotary table or in the well.
- v. Terms of contract that result in greater liability than follows from terms of contract which are customary in the area where the vessel operates.

Cover will be afforded for activities related to the construction of a unit, with the proviso that upon delivery to the Member, the unit will be entered for P&I insurance as a vessel. This will include activities undertaken by the Member relating to the unit or vessel whilst being located at various premises, such as: fabrication yards, construction sites, site of installation, whilst in storage, during repair, transportation, fabrication, construction, installation or during commissioning.

Cover will also be afforded in respect of personnel of the Member assigned to the unit

or vessel, whilst such personnel perform work on other premises, such as a worksite in preparation of the vessel's arrival, or whilst visiting or seconded to other vessels or installations, whilst attending safety courses or attending other work related courses.

Liability to property in the care, custody or control

Liability for loss of or damage to the vessel or any part thereof is neither covered by P&I nor the CGL Cover. However, it is not uncommon, in the case of offshore vessels, for specialist equipment to be brought on board and operated from the vessel; for example, the specialist equipment may be a mini-submarine (ROV) or well testing equipment. Where such equipment is considered to be in the care, custody or control of the Member, then damage or the loss of use of such equipment would not be covered by the standard P&I insurance.

The CGL Cover will respond to cover liabilities in respect of property which is considered to be in the care, custody or control of the Member, except for property owned or leased by the Member or an affiliated company of the Member. Property being damaged by wear and tear, mechanical or electrical breakdown or failure, latent defect, gradual deterioration, etc., would not be covered.

Lastly, the CGL Cover will neither respond to loss of equipment below the surface of the earth, nor the clean-up or removal of such well (in-hole) equipment.

Liability in respect of other property

Cover will be afforded in respect of liability for damage to or loss of use of other property belonging to any third party, whether such property is located offshore or onshore, as long as the operation or activities was performed by or at the risk and responsibility of the Member. Cover is also afforded in respect of property

*CGL cover
eliminates gaps
between
insurance covers*



which is damaged or lost as a result of blow-out, etc.

Liability to personnel

Cover will be afforded in respect of death, injury or illness of employees of the Member and the Member's liability to other persons, even for activities which are not directly connected with the operation of the vessel. The cover extends to various onshore activities already mentioned under the heading "Scope of the CGL Cover" but the cover would not respond to liabilities covered by a customary automobile liability insurance, or which would have been so recoverable if such insurance had been effected. The CGL Cover will, however, provide an excess liability protection also in respect of automobile liabilities, provided the activity falls within the ambit of the cover.

Liability incurred by chartered ships or watercraft

The CGL Cover has been designed to protect the Member from liabilities incurred during the performance of operations carried out by ships or watercraft owned and

operated by other contractors or servants of the Member. For example, when a Member operating a drilling vessel charter tugs to assist the anchor handling operation, it is common that the charterparty for the employment of the tugs contains a different contractual liability regime than the regime which regulates the liability between the Member and his client. In the event of an incident involving the tug(s) any contractual inconsistency would be at the risk of the Member.

Normally, the Member would be responsible towards his client for any incident caused by any of his subcontractors or servants. The CGL Cover eliminates the potential gaps and uncertainties, which may arise from an operation involving an entered vessel and other ships and craft. The Member benefits from an allround liability package that will also respond in the event the entered vessel was allegedly not to blame for the incident, or the cause of the incident is unclear, but the Member is nevertheless responsible under the terms of the main contract. The CGL Cover does, however, contain one important exclusion dealing with liability for loss of or damage to the chartered ships and craft themselves, since it would be customary that the Member obtains a hold harmless agreement from its other contractors and servants.

Liability arising from pollution caused by blow-out, etc.

Cover will be afforded where the Member, under the terms of any contract or energy license, becomes liable to pay for the cost of remedial measures and damages for personal injury and damage or loss of property caused by seepage, pollution or contamination from the well.

The Cover extends to liabilities, losses, costs and expenses incurred by the Member in respect of cleaning up polluting or contaminating substances from the well.

Measures to avert or minimise a loss

Extraordinary costs and expenses reasonably incurred during or after the occurrence of a casualty or event in order to avoid or minimise any liabilities insured hereunder would be covered by the Association.

Legal costs

Legal costs and expenses relating to any liability, cost and expense which in the opinion of the Association is likely to result in claims will also be covered, but only to the extent such costs and expenses have been incurred with the agreement of the Association.

Summary

The foregoing is by no means a complete introduction to Gard's CGL Cover. The Association believes that it has been able to provide, in conjunction with the P&I insurance, a comprehensive package of insurance cover for liabilities associated with the operation of mobile offshore units. This open cover is offered as bolt-on to

the standard P&I cover. Gard aims at remaining the leading Club in the offshore field, and to this end considerable investments have been made in order to achieve constant development of tailor made insurance solutions geared to meeting Members' specific needs.

As Members are aware, the Club continues to assist with professional advice and recommendations on the drafting of charterparties and contracts, and several hundred contracts are received every year for such risk evaluation. This service is considered to be an important element of proactive loss prevention. Although the Association is prepared to

accept a wide range of contractual liabilities within the general conditions of cover, this does not mean that Gard takes the matter of reduction of claims less seriously, and Members are still urged to do their utmost to avoid entering into onerous charterparties and contracts representing unfavourable distribution of risk.

For more information on Gard's CGL cover for Mobile Offshore Units, please contact your broker or Gard's Insurance Department.