

SOUNDINGS

Maritime lien insurance & Charterer's and bunker supplier's insolvency insurance

Two additional covers are now available to Members of the Club. One cover relates to Maritime lien insurance and the other concerns charterer's and bunker supplier's insolvency. The covers operate as direct covers between the underwriters (Lloyds) and the Member and the cost is met by the Member concerned. Claims are handled by the Managers subject to the Club's standard Rules although final settlement of the underlying claims will require the market underwriters' approval.

Maritime lien insurance

- It will indemnify a Member purchasing a ship for its financial losses arising directly from a maritime lien claim being made against the ship as a result of debts or disputes that originated prior to the Member taking delivery of the ship and which were beyond the Member's control. The cover does not respond to any maritime lien, encumbrance or cause of action known to the Member on or before the date of delivery or which is discovered during requisite writ searches.
- There is a condition of cover that no more than one week prior to the planned delivery date writ searches need to be undertaken in a number of jurisdictions (London, Singapore, Hong Kong, Durban, Cape Town, Australia and New Zealand). The cover is subject to actual delivery taking place within 30 days after completion of these writ searches and on the basis that no lien, encumbrance or cause of action is discovered.
- The relevant MOA must also contain a maritime lien warranty clause similar to clause 9 of the Norwegian Saleform 1987, that is, the seller must warrant that the ship is free from all encumbrances at delivery and provide a suitable indemnity.

continued overleaf

Financial losses incurred by way of third party claims arising from insolvency.

Maritime lien insurance (Continued)

- The cover is subject to a limit of \$1 million per ship although the market underwriters may be prepared to offer a different limit.
- The cover can only be placed through the Club and excludes claims for loss of hire or running expenses. It also excludes cover for legal costs which normally would be met by the Club. The Managers will handle any claims in the normal way subject to the Club's Rules.
- The cover is subject to a limit of liability of \$1 million per claim and in the aggregate per ship. There is also an aggregate limit of \$3 million in respect of any one charterer solvency event per Member.
- The cover excludes claims for legal costs as such costs ordinarily would be covered by the Club (as with the Maritime lien insurance cover) although legal costs could be covered if support is not given by the Club but which are still incurred at the market underwriters' request. The cover also excludes loss of hire or running expenses (other than bunker claims properly falling under the cover).

Charterer's and bunker supplier's insolvency insurance

- The purpose of the insurance is to indemnify Members for financial losses incurred by way of third party claims arising directly from the insolvency of a ship's charterer or bunker supplier. Such claims would include claims in relation to bunkers on-board.
- The insurance also covers claims advanced by way of in rem proceedings, or by the exercise of a maritime lien pursuant to which it is alleged by a claimant that it has a right against the Member's ship or the bunkers on-board.
- The cover does not respond to a Member's own financial losses flowing from the insolvency of its charterer or a third party bunker supplier.

Members should review the specific terms of the underlying covers as the summary above is provided as guidance only.

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