



24th May 2017

Circular - Lodestar issues updated P&I and Legal Expenses T&Cs

Lodestar Protection & Indemnity and Legal Expenses Insurance Terms and Conditions Edition 3 (May 2017)

As advised on the 8th of August 2016, Lodestar Terms & Conditions are subject to the UK Insurance Act 2015 without any of the permitted opt outs. Edition 3 of the Lodestar Terms & Conditions have been updated accordingly.

As outlined in our MLC 2006 Circular dated the 9th of November 2016, Lodestar has made changes to Edition 2 (November 2013) Terms & Conditions and these are now reflected in Edition 3 (May 2017). All sets of Terms & Conditions are available on the Products page. All new business, renewals or additions to fleets bound with effect from the 24th of May 2017 will be subject to Edition 3 (May 2017). The alterations:

In order to respond to MLC 2006:-

1. Seamen

- 1.1 Liability for compensation or damages for the injury, illness or death of a Seaman.
- 1.2 Hospital, medical and ancillary expenses necessarily incurred in relation to the injury, illness or death of a Seaman, including funeral arrangements and the repatriation of remains.
- 1.3 Liability for the repatriation of a Seaman
- 1.4 Expenses necessarily incurred as the result of any statutory obligation or order issued by any governmental agency or authority in relation to any Seaman who goes absent from the Insured Ship without leave if such expense cannot be recovered from the Seaman concerned.
- 1.5 Expenses necessarily incurred in sending aboard a substitute Seaman by reason of the injury, illness, death or absence without leave of a Seaman
- 1.6 Liability to any Seaman for wages or compensation for the loss of his employment following the actual, constructive or compromised total loss of the Insured Ship
- 1.7 Payment by the Insurer of maintenance and repatriation expenses for and/or outstanding wages due to a Seaman pursuant to any enactment or provision implementing Regulation 2.5, Standard A2.5.2 of MLC 2006

1.8 Payment by the Insurer to a Seaman or his representative of contractual claims for compensation for death or long term disability pursuant to any enactment or provision implementing Regulation 4.2, Standard A4.2 paragraph 1(b) of MLC 2006.

1A Provisos

- (a) *Sub clauses 1.7 and 1.8 take effect only as financial security in favour of a Seaman and are not an extension of the cover available to the Assured under the other provisions of this clause*
- (b) *The Insurer shall not make any payment under sub-clauses 1.7 and/or 1.8:*
 - i. *if any such payment would be recoverable by the Seaman under a social security scheme, fund, separate insurance or similar arrangement*
 - ii. *where the exclusions from cover in clauses 24, 25 or 26 (war risks, nuclear and cyber risks, sanctions) apply*
- (c) *There is no cover for any Liability or expense incurred only because of the terms of a Crew Contract unless the Insurer has previously approved those terms in Writing.*
- (d) *There is no cover under sub-clause 1.3 for Liability or expense which arises because of:*
 - (i) *The sale or laying up of the Insured Ship; or*
 - (ii) *The termination of a Crew Contract in accordance with its terms, or by mutual consent;*
or
 - (iii) *Breach of a Crew Contract by, or other default of the Assured.*
- (e) *Cover under sub-clause 1.6 is limited to a maximum period of 60 days.*

In order to clarify the cover in relation to special operations and reflect the position adopted by the majority of P&I providers:

16. Special Compensation to Salvors

Liability to pay special compensation, or SCOPIC remuneration payable under the SCOPIC Clause, to a salvor of the Insured Ship as follows:

- 16.1. Where the Liability is imposed on the Assured under the provisions of Article 14 of the International Convention on Salvage 1989;
- 16.2. Where the Liability arises under the Lloyd's Open Form or other standard form salvage agreement approved by the Insurer.

16A Proviso

- (a) *In the case of special compensation, cover is only available if the special compensation is not payable by any third party interested in the salvaged property.*

- (b) *In the case of SCOPIC remuneration, where there is no Article 13 award, cover is limited to the excess after deducting the residual value of the Insured Ship and/or any property of the Assured.*

In order to clarify cover in relation the Ballast Water Management Convention 2004:

19. Fines

Fines on the Insured Ship or for which the Assured is liable or for which the Assured has, with the prior agreement of the Insurer in Writing, assumed responsibility in respect of the following:

- 19.1. Short or over delivery of Cargo or failure to comply with regulations relating to the declaration of goods or the administration of Cargo documentation;
- 19.2. Smuggling;
- 19.3. Breach of any immigration law or regulations;
- 19.4. The actual or threatened accidental release or escape of oil or any other substance;
- 19.5. The inadvertent act or neglect of a Seaman in the course of his employment.

19A Provisos

- (a) *Cover is only available under clause 19.4 if the Assured is covered under clause 15.*
- (b) *There is no cover for Fines relating to the following:*
 - (i) *Overloading of the Insured Ship or the presence on board the Insured Ship of more Passengers than legally permitted;*
 - (ii) *Infringement of or non-compliance with the provisions relating to the configuration and equipping of the Insured Ship or the maintaining of proper records or documents under or in connection with:*
 - (i) *the International Convention for Prevention of Pollution from Ships 1973 as modified or amended by the Protocol of 1978 and any subsequent Protocol, or the legislation of any state giving effect to such provisions;*
 - (ii) *the Ballast Water Management Convention 2004 or the legislation of any state giving effect to such provisions.*
 - (iii) *Criminal activity undertaken with the knowledge or reckless disregard of the Assured;*
 - (iv) *Contravention of any law, regulation or legal requirement in respect of fishing.*

Should you have any questions please contact one of the Lodestar team.

Steven Kirk