

SPECIALIST OFFSHORE, RENEWABLES & CONSTRUCTION PACKAGES

FREQUENTLY ASKED QUESTIONS

SHIPOWNERS

SPECIALIST OFFSHORE, RENEWABLES & CONSTRUCTION PACKAGES

FREQUENTLY ASKED QUESTIONS (FAQs)

These *Frequently Asked Questions* are intended to provide general guidance for the Club's Specialist Offshore, Renewables & Construction Packages. It is subject to the terms and conditions of the Club Rules, to which the Core package and the Enhanced Package are extensions. It is also subject to the Core and Enhanced Package policy wordings, the Certificate of Insurance and any endorsements to it. We recommend that you read all of these documents carefully and discuss with your broker. You will find a copy of the package wordings on www.shipownersclub.com/our-services/cover-provided/offshore/

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CORE AND ENHANCED

1.0 General

1.1 Why would I need to buy one of your Specialist Offshore, Renewables & Construction Packages?
The Club Rules and our policy wording cover perils which are common to our general membership, such as the risk of personal injury to crew or third parties, collisions, damage to docks, pollution and wreck removals. Members who provide supply and support services face these risks but also others which are unique to the oil and gas industry, such as liabilities under indemnities and contracts and undertaking work which is classed as specialist operations.
Our Specialist Offshore, Renewables & Construction Packages contain the essential cover for offshore Members.

1.2 Can you summarise the extra cover provided?
Yes. Our Core Package contains the minimum level of cover we recommend for all Members with offshore supply and support vessels and covers:

- Contractual liability
- Marine Employers Liability Cover
- Specialist operations
- Incidental salvage under an offshore contract
- Remotely operated vehicles (ROVs)
- War risks.

Our Enhanced Package adds extra cover to our Core Package and includes:

- Specialist operations extended to include dredging, cable and pipe-laying and well stimulation
- Extended towage, including towing offshore drilling rigs
- Diving risks.

1.3 Can I purchase the Specialist Offshore, Renewables & Construction Package without having a P&I entry with you?
No. Our Specialist Offshore, Renewables & Construction Package is a supplement to the cover which we provide to our Members and is not available independently.

2.0 Liability arising under indemnities and contracts

2.1 Why do I need extra cover for contractual liabilities?
Contractual liabilities are not ordinarily insured under our Club Rules; however we know that our Members are often required to enter contracts which include them. Our Offshore Packages provide insurance for a number of contractual indemnities and liabilities which you may agree to whilst chartering your vessel to others. This includes claims for loss of life, personal injury or illness, charterer's property, waiver of right to limit your liability, removal of wreck when interfering with operations and naming additional assureds with whom you have no direct contractual relationship.

2.2 Why would I need waiver of right to limit cover?
As a vessel owner you may have rights to limit your liability and if so, the Club asks that you ensure you preserve these, as far as the applicable law allows. However, some contracts you enter into may require you to accept liability without taking advantage of this right. This is known as a waiver of right to limit. As it breaches Club cover, you need our waiver of right to limit cover to respond to losses which exceed the limitation amount.

2.3 What is different about *contractual* removal of wreck? Is this not covered under Club Rules?
Many offshore contracts require that the wreck of a vessel or any property from the vessel becoming a wreck, is removed from the field if it is interfering with the charterer's operations. Club cover only responds to wreck removal when a statutory wreck removal order has been given, but of course in these circumstances this would not happen. This contractual removal of wreck extension ensures those Members who are obliged to accept a contractual obligation to remove a wreck or property from the wreck – without a wreck removal order being issued – are insured.

2.4 What is an Offshore Contractual Co-assured?
Where your vessel is chartered out under a contract which does not provide for a knock for knock allocation of liabilities (meaning you and the charterer each take responsibility for your people and property, regardless of fault) the Club is not able to name the charter as Co-assured under the standard 'Poolable' P&I cover that we provide. This is due to restrictions in the circumstances under which the Club can recover claims under the International Group Pooling Agreement which has strict rules on naming charterers, where a contract is not knock for knock. An extension to standard P&I cover is therefore required to allow the naming of charterers, and these are known as Offshore Contractual Co-assured. The benefit of cover to the contractual Co-assured is restricted to the monetary limit shown on the extension to cover in your policy documentation.

3.0 Marine Employers Liability Cover

3.1 What is the Marine Employers Liability Cover?
This increases the cover we normally give for seafarers to provide help and assistance in two distinct areas. We call them:

- **Seafarers and other persons; and**
- **Seafarers' Detention Response.**

Seafarers and other persons

Club Rules insurance responds to claims from the 'insured vessel' meaning one which appears on your Certificate of Insurance. The 'Seafarers and others persons' section extends this cover to include liability to your crew when they are working on vessels which are not insured with us, providing their absence from the insured vessel is only temporary. Note that we are insuring your liability to your crew rather than the liability of your crew. If you require cover for liability claims made against you as a result of their presence aboard these other vessels, we can agree to this, providing we have seen and approved any related contracts or indemnities.

3.2 What is the Seafarers' Detention Response cover?

If seafarers are detained by the authorities as a result of an incident on board the vessel, or ashore, this can cause significant delays and expense. There may be confusion about what is happening, especially when the vessel is away from its home port. If your Captain is detained, the need for a clear communication channel is vital, but this is often absent.

The Seafarer' Detention Response cover is designed to protect you and your crew members' interests during any such investigation. Where it is possible to obtain the release of the crew members we will endeavour to achieve this and, if not, we will plan to provide the most detailed information and timescales possible so the minimum interference is suffered to your vessel's operations.

Please note that this assistance extends Club cover in respect of the detention of crew members. Normal Club cover continues to run for those types of claim in which we support the legal costs of defending civil or criminal actions against crew members.

3.3 Can you give me an example of where this would have helped me?

The Club dealt with a case in which the second mate went missing, presumed lost overboard, whilst one of our Member's vessels was moored to an offshore oil rig off Lavan Island, Persian Gulf. Subsequently the crew were arrested, interrogated ashore and indicted on charges of murder. Such a case throws up uncertainties for owners and the Club. The release of crew charged personally with murder and the absence of an action against the vessel or its owners meant that a Club Letter of Guarantee to secure release would not automatically be forthcoming. Related costs may also fall outside Club cover.

The owners suffered disruption to their business and incurred communication expenses and delays, whilst attempting to negotiate a release. Under our Seafarers' Detention Response cover, a Club representative would be dispatched immediately to Iran to liaise with authorities and would provide constant feedback to owners on progress towards a satisfactory outcome. All costs relating to this detention response service would be paid by the Club.

4.0 Specialist operations and incidental salvage

4.1 Why are specialist operations treated differently by the Club?

Certain operations carried out by vessels can be so specialised that the risks associated with them fall outside normal P&I Club cover. This is because they are not representative of the usual activities carried out by the other Members of our Club. These less standard and often higher risk activities are known as 'specialist operations' and some of them are listed in Rule 28.3 of our Club Rules.

4.2 Does this mean that vessels which carry out specialist operations are excluded from normal Club cover?

No. It is the type of operation, rather than the ship which matters. For example, cable-layers and dredgers are insured in the same way as any other vessel, but claims arising from cable-laying or dredging would not be covered unless normal Club cover has been extended. The required extra cover is provided under the Core and Enhanced Packages – Section 3 'Specialist operations and incidental salvage'.

4.3 Can you provide some examples of specialist operations?

Yes. Activities which amount to engineering at sea or those which intentionally interfere with the sea bed, and potentially damage infrastructure located on the sea bed such as subsea pipelines or cables are considered to be specialist operations. The Club will be pleased to advise on individual cases.

4.4 What makes a claim a 'specialist operations' loss rather than a claim under normal Club Rules?

Explaining the difference between a claim under normal Club Rules and a specialist operations claim is not straightforward. This is due to several features which are unique to this type of claim.

Firstly, there is no definitive list of specialist operations. We mention some of them under Rule 28.3 but we cannot list all of them because technology introduces new examples all the time. Secondly, until a claim occurs and we examine the circumstances, we cannot say whether or not it was caused by performing a specialist operation.

To complicate matters further, certain claims are still treated as normal Club Rules claims even when they arise solely because of the specialist nature of the works. These include loss of life, injury or illness claims from crew and other personnel on board your vessel, wreck removal and oil pollution claims.

4.5 What do you look for when assessing which is which?

For it to be a specialist operations claim two factors need to be present:

the claim must have happened while you were performing specialist operations; and

the claim must have been caused by the specialist nature of those operations.

Put simply, if the only way that the claim could have occurred was because of the specialist nature of the work that you were performing, then this will identify it as a specialist operations claim.

4.6 Can you give examples?

A dredger involved in the extraction of aggregate from the seabed is involved in a collision with a third party vessel causing damage to both vessels. If the collision was due to an error in navigation, rather than the dredging operation itself, the claim would be covered under Club Rules. If, however, the accident arose due to the vessel's inability to manoeuvre or avoid a collision whilst engaged in the dredging operation, the exclusion under the Rules would apply because the liability is a result of the specialist nature of the operation.

If the dredger caused damage to a sub-sea telecommunications cable whilst extracting aggregate from the seabed the resulting claim could only be covered under the Enhanced Package as the damage would not have happened but for the specialist nature of the operation.

4.7 What is incidental salvage?

Our Specialist Offshore, Renewables & Construction Packages include cover for incidental salvage which means you are covered for salvage operations where the salvage activities are considered incidental to the main scope of work of the contract you have entered into. If you have entered into a contract specifically to perform or assist with salvage operations, this is not considered incidental, and cover will need to be separately agreed with the Managers. Tugs working on terminal or port contracts where emergency towage/ salvage is envisaged as part of the scope of works will also require specific cover to be agreed with the Managers.

Please see our separate extension, Cover for Salvage, Emergency Towage & Wreck Removal Operations.

5.0 Remotely operated vehicles (ROVs)

5.1 Remotely operated vehicles are used from my vessel. Am I covered?

Yes. Our Core and Enhanced Specialist Offshore, Renewables & Construction Packages provide comprehensive liability protection by ensuring you have cover should any of the following apply:

1. A remotely operated vehicle which you own or are responsible for is operated from **your own** entered vessel.
2. A remotely operated vehicle which you own or are responsible for is operated from a vessel, which you have **chartered in**.
3. A remotely operated vehicle **belonging to others** and for which you are not responsible, is operated from your vessel.

6.0 War risks

6.1 Why is cover for war risks included in the Offshore Packages?

Under normal Club cover war risks are excluded under Rule 25 and most Members will include war risks P&I as a part of the insurances they buy along with their hull insurance. Often, however cover is limited to the insured or market value of the insured vessel so the International Group Clubs such as ours have agreed to insure risks which exceed this value under a war risk extension clause. This extension clause only applies to those risks which fall under the Club's Rules. As such it has been necessary to extend this extra war cover we give to Members to include all of the additional types of insurance which we give under the Core and Enhanced Offshore, Renewables & Construction Packages. Please note that all policies automatically terminate if war breaks out between the five Great Powers (the United Kingdom, the U.S., France, the Russian Federation and the People's Republic of China). Please also note that as per our Notice of 21 December 22 (updated 7 February 2023) and our Notice dated 12 February 2024 we respectively exclude all loss, damage, liability, cost or expense caused by or arising from or in connection with any Russia-Ukraine conflict. For the full terms of these exclusions please visit – www.shipownersclub.com/latest-updates/news/notice-alteration-terms-and-conditions-insurance-3/

7.0 Legal Costs Cover

7.1 Do I need to purchase Legal Costs Cover in order to benefit from this section of the Specialist Offshore Construction Package?

Yes. This section only applies to Members who purchase Legal Costs Cover alongside their standard P&I cover. This section under the Package will not respond if Members do not have Legal Costs Cover.

ENHANCED OFFSHORE, RENEWABLES & CONSTRUCTION PACKAGE ONLY

8.0 Extended towage

8.1 Why might I need extended towage cover?

Club cover insures you when you are towing but does not include loss, damage or wreck removal of the vessel or object which you are towing unless you have contracted upon an 'Approved Contract', such as unamended BIMCO tow forms. Extended towage cover extends the range of contracts which we will accept beyond just our listed Approved Contracts.

8.2 Why do you distinguish between approved and non-approved contracts?

Contracts are approved because a clear division of liability

has been established between you and the tow hirer. Usually these are structured around each party being responsible for its own property and people. This is what we refer to as a full knock for knock. Non-approved contracts often blur this clear division of liability, or are written in such a way that all liability is imposed upon one contracting party - often you, as the vessel owner. By purchasing this cover we are insuring you for entering into contracts with impaired knock for knock terms, meaning that some or all of the responsibility for loss or damage to the property or personnel of your contractual partner or others may remain with you.

When contracting with parties who are not the owners of the tow, our Club Rules make an additional requirement that any knock for knock provision agreed with the charterer should also extend **to cover the property of others involved in the same project**. Without this in place you would be exposed to claims from the offshore drilling rig's owner. Club Rules also state that when you cannot extend the knock for knock in this way, then all towage must be carried out on knock for knock terms or similar. Our Enhanced Offshore Package includes these risks.

8.3 What is an oil field for the purpose of your rig move cover?

We define an oil field as an area with an industry recognised name in which oil exploration is taking place and to which you are engaged to provide marine services.

9.0 Diving risks cover

9.1 Why do I need cover for diving operations?

Liability attaching to divers is a complex area of insurance and it is necessary for our Members to understand exactly how far Club cover goes. The Club draws a distinction between those diving activities which you are responsible for and those which you are not.

The situation is straightforward when you do not assume responsibility for the diving operations. Club cover is unaffected and we would respond to liability claims as normal.

The situation changes if:

1. you are an employer of commercial divers; or
2. you engage independent third party divers to undertake a job for you; or
3. you have agreed to an indemnity in a contract which places the responsibility for any liability onto you.

All of these scenarios are based upon a contractual relationship and it is for this reason that we remind our Members that we do not "*cover claims arising out of the use of divers while engaged in diving operations*" in the contractual liability section of our Club Rules (Rule 2, section 11).

There are some exceptions where, despite this exclusion, we would respond to a claim.

For example, when you are engaged as a salvor and diving is undertaken by your crew members, or dives are necessary to look at potential underwater damage; or dives which are purely recreational, such as those undertaken from a yacht. Other than these instances, the Club does not pay claims arising out of the activities of **commercial divers**. This is why it is necessary to purchase our Enhanced Offshore Package if you are in need of this protection.

9.2 What extra cover do I get for commercial diving under the Enhanced cover?

We simply reverse the exclusion which would otherwise apply so that you are covered for liabilities, costs and expenses due to the activities of professional or commercial divers, **when you are responsible for their activities**.

Please note one important distinction which applies to cover. This concerns the concept of being liable for the actions **of** divers contrasted with liability you may have **to** the divers themselves.

Our Enhanced Offshore Package will insure the former, but not the latter, meaning if the divers do something for which you are subsequently found liable, we will respond and protect you. However, if the divers themselves suffer bodily injury or die, then this liability is **not** covered. You may wish to talk to us about Personal Accident insurance for divers.

Furthermore, when you buy the Enhanced Package we remove the requirement that liability claims made against you must be linked to an entered vessel. We will cover claims arising from diving activities on non- entered vessels also.

9.3 What advice can you give me when commercial divers are working from my vessel?

Most of our Members do not employ commercial divers and are only exposed to liability from their activities due to a contractual arrangement or charter party which they have signed up to. We are always happy to review contracts of this nature and offer advice on liability. Because diving risks are particularly hazardous and have the potential to damage your P&I claims record with the Club, we always recommend that you avoid accepting any liability in respect of divers or their equipment and wherever possible you obtain an indemnity from the charterers or employers of the divers.

10.0 What is not covered?

10.1 The Core and Enhanced Offshore Packages state that they exclude: "Loss of or damage to contract works, your failure to perform specialist operations, the fitness for purpose and quality of your work, products or services". What does this mean?

Contract works insurance is designed to cover risks associated with a new building project. To avoid an overlap in coverage, we exclude loss or damage to thecontract works as these are normally insured

elsewhere. Failure to perform, fitness for purpose and quality of the Members work are not considered to be P&I risk as alternative, specialist insurers cater for these risks.

10.2 Can you clarify what you mean by contract works?
Reference to contract works in our excluded claims section is intended to refer to items which are the object of the contract. These are commonly described as 'the works' under a Contract Works or Contractors All Risks insurance policy.

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