

INSURANCE PREMIUM

Insurance Premium is within the closed list for ship arrest. Section 4 (1) (s) of the Admiralty Act (2017) deals with the above subject claim on insurance premium (including mutual insurance calls) in respect of the vessel, payable by or on behalf of the vessel owners or demise charterers.

Protection and indemnity insurance, more commonly known as "P&I" insurance, is a form of mutual maritime insurance provided by a P&I Club. Whereas a marine insurance company provides "hull and machinery" cover for shipowners, and cargo cover for cargo owners, a P&I Club provides cover for open-ended risks that traditional insurers are reluctant to insure. Typical P&I cover includes: a carrier's third-party risks for damage caused to cargo during carriage; war risks; and risks of environmental damage such as oil spills and pollution.

A P&I Club is a mutual insurance association that provides risk pooling, information and representation for its members. Unlike a marine insurance company, which reports to its shareholders, a P&I club reports only to its members. Originally, P&I Club members were typically shipowners, ship operators or demise charterers, but more recently freight forwarders and warehouse operators have been able to join.

Whereas the assured pays a premium to an underwriter for cover which lasts for a particular time (say, a year, or a voyage), a P&I Club member instead pays a "call". This is a sum of money that is put into the Club's pool, a kind of "kitty". If, at the end of the year, there are still funds in the pool, each member will pay a reduced call the following year; but if the Club has made a major payout (say, after an oil spillage) club members will immediately have to pay a further call to replenish the pool.