P&I COVERAGE DURING TOWAGE

A vessel may need to be towed for various reasons. Assuming that all such situations are covered under the existing P&I policy may mislead the vessel owner and cause difficulties with authorities or third parties. Generally, contractual liabilities arising from the following towing operations are covered under P&I insurance:

1. Liabilities arising under a contract for towage undertaken in the ordinary course of trading for the purpose of entering, leaving or maneuvering within a port.

2. Liabilities arising under a contract for the towage of cargo barges.

3. Liabilities arising under a contract which has been approved by the insurer.

The crucial point here is the "approved by the insurer" part mentioned in item 3. Liabilities arising from any towing contract not approved by the insurer and not falling under the first two items are excluded from coverage. Towing contracts excluded from coverage may include those conducted for scrapping purposes and those carried out after a casualty.

Since there is no urgency in towage to breakers, the terms and premiums of the towing contract can be negotiated, which makes it easier for the P&I insurer to provide coverage. However, most post-casualty tows involve urgency and high risks, resulting in inadequate negotiation of towing contract terms.

Post-casualty tows are typically conducted when the vessel has lost the ability to move under its own power or when moving under its own power is deemed risky. This situation is often due to hull&machinery casualty; therefore, the organization of the tow, negotiation of towing terms, and the costs are decided between the vessel owner and the hull&machinery insurer. There are even situations where P&I insurer is not informed of the casualty.

The purpose of towing a damaged vessel is to move her to a safe zone or a shipyard for repairs. However, since the towed vessel is damaged, there is a risk of further damage to the vessel or her cargo during towing. Additionally, there is a risk of sinking, pollution or damage to third parties. This may significantly increases the liability assumed by the P&I insurer, which initially provided coverage for the commercial use of the vessel. Moreover, the towing contract after casualty, especially if it involves salvage, may impose additional liabilities on the vessel owner.

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TÜRK P&I

These additional contractual liabilities may sometimes be covered by the P&I insurer through additional premiums and/or warranties. While in other cases, the P&I insurer may refuse to cover these risks. In such cases, the shipowner may need to seek coverage from different markets and insurers. An example of such coverage is the SOL (Shipowners' Liability Insurance), also known as P&I buy-back coverage. SOL insurance can also be considered as a partial P&I coverage. Coverages excluded from standard P&I insurance can be repurchased with additional terms and premiums. SOL insurances can be adjusted to suit the coverage needs and terms.

In general speaking, standard P&I coverage continues during and after a casualty. However, the extent of the damage to the towed vessel, risks involved and the terms of towage contract, can significantly increase the risks of the P&I insurer. Risks and liabilities beyond the coverage provided by P&I for the normal operation of the vessel may arise. Therefore:

a) P&I insurers exclude liabilities arising from towing contracts other than those necessary for the ordinary operation of the vessels mentioned in the first two items above. For these contracts to be covered, they must be approved by the insurer.

b) In the event of a P&I claim arising from a towing operation conducted without the approval of the P&I insurer, the insurer may deem the operation dangerous and unsafe. They may assert that the towing operation significantly increases the risk for P&I coverage, and may refuse to pay the claim.

To avoid the above-mentioned situations and prevent potential adverse outcomes, it is essential to inform all insurers of any towing operations outside the ordinary course of trade.