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Liability insurance for towage and salvage in war risk areas: am I covered?



THE SHIPOWNERS' CLUB

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War risks are excluded from mutual P&I cover

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Loss, damage, injury, illness or death caused by war, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power.

War risks exclusion, the Club’s Rules



Excess war cover responds above primary war P&I, up to US$ 500m

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Primary war P&I

- Usually placed in the war hull and machinery market
- If none is in place, the Member bears losses up to the ship's proper value

IG excess war P&I: US$ 500m

- Sub-limited to US$ 125m for ships transiting or calling in defined Russian waters and certain European waters
- Bio-chem, electromagnetic and computer virus perils excluded

How the cover works

- Arranged by all International Group Clubs alongside the Group's main reinsurance contract
- Pays war claims in excess of the ship's primary war P&I, usually placed in the war hull and machinery market
- It does not 'drop down': with no primary war P&I, it attaches above the ship's proper value
- Cancellable, or areas excluded, on 7 days' notice
- Terminates automatically on war between the UK, US, France, Russia and China (Five Powers War Exclusion)

Certificates and non-war claims: where P&I still responds

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Certificated liabilities

- Members rely on their Club for certificates under the international conventions, including pollution, wreck removal and MLC
- Under these certificates the Club in effect becomes the primary insurer of war risks
- Condition: the Member must indemnify the Club for any payment that is, or would have been, recoverable under a standard war P&I policy

Non-war events

- A war, or a heightened risk of war, in the region does not automatically exclude all P&I cover
- Exclusion tied to causation e.g.:
  - Cargo damage unconnected with a war risk is covered, wherever the ship is
  - But cargo damage caused by the ship being trapped by war risks is not
- Each case turns on its own facts

Salvage is excluded, but professional salvors can buy back cover

The salvage exclusion

The IG Pooling Agreement (Appendix V, para 24) excludes liabilities arising out of salvage operations, including wreck removal, conducted by an insured vessel, other than:

- saving or attempting to save life at sea; and
- professional salvors covered by a special agreement with their Club

Who is a professional salvor?

Factors include International Salvage Union (or equivalent) membership, salvage as a main business activity, the right equipment and people, a track record, safety standards and regulatory approvals.

Non-professional salvors, and vessels chartered in to support a salvage, cannot currently buy back cover poolable cover but a chartered assets facility has been developed for 2027/28.

Salvors A: mutual

- Reinstates standard P&I cover for the salvage vessel during salvage or wreck removal
- Poolable under the IG reinsurance programme

Salvors B: separate market reinsurance

- Oil pollution from the salved vessel
- Placed as part of the IG programme; limit US$ 100m

Salvors C: outside the Group programme

- Liabilities not covered under A or B, including to the salved property and third parties
- Independent of the IG reinsurance programme

Salvage in a war risk area needs war cover for the salvors' covers too

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Where the gaps arise

- Salvors A is mutual P&I: war risks are excluded, so it relies on primary war P&I and the IG excess war cover, as for any entered vessel
- Salvors B and C sit outside the mutual pool: war cover depends on those placements
- Reinsurers can cancel war cover for named high-risk areas at short notice

War risks buy-back

- Buy back war cover for the additional salvors' covers before salvage or wreck removal starts in a war risk area
- Typically arranged in short renewable blocks (for example 7 to 10 days); premium based on the limit and location

Typical buy-back exclusions and warranties

- Blocking and trapping excluded
- No calls at ports of the belligerent states
- Ships linked to parties to the conflict (by ownership, flag, operation or finance) excluded or subject to prior approval
- No breach of UN, EU, UK or US sanctions
- No arms, ammunition or military cargo (other than for armed guards)
- Ship and owner registered with the relevant maritime security centres (e.g. UKMTO)

Which cover responds? Start with the cause of the loss

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1. What caused the loss?

Was the loss caused by a war peril?

- War, civil war, revolution, rebellion, insurrection or hostile acts
- Mines, missiles, drones and other weapons of war
- Capture, seizure and detention; terrorism

No →

2. Which cover responds?

No: normal P&I responds

- Standard Club cover, subject to the Rules
- Includes certificated liabilities and non-war events in a war risk area

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3. Salvage and wreck removal?

Professional salvors: Salvors A, B and C

- Salvage and wreck removal are otherwise excluded from P&I
- Non-professional salvors cannot buy back cover

Yes →

Yes: war cover responds

- First, primary war P&I, usually up to the hull war value
- Then the IG excess war P&I, up to US$ 500m above the ship's proper value

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Plus a war risks write-back

- Buy back war cover for the salvors' covers before work starts
- Check that cover has not been cancelled for the area

Certificated liabilities: the Club pays the third party under the certificate, then recovers war-caused losses from the Member.

Practical challenges: four questions before you mobilise

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1. Am I performing towage or salvage?

- The answer decides which cover responds
- A tow becomes salvage if danger arises and services go beyond the contract (Salvage Convention, Art 17)
- In a war risk area, that switch is more likely and the risk is greater

2. If salvage, do I have the additional cover?

- Salvage and wreck removal are excluded from P&I: professional salvors need Salvors A, B and C cover
- War risks need cover too: primary war P&I, IG excess and a war risks write-back for the salvors' covers
- Confirm before mobilising: war cover can be cancelled at short notice

3. Contract terms: LOF and SCOPIC

- LOF is 'no cure, no pay': the Article 13 salvage award is a hull and machinery risk
- SCOPIC pays tariff rates whether or not the salvage succeeds; it is a P&I risk of the casualty's owner
- The salvor can invoke SCOPIC at any time by written notice; the owner must then give US$ 3m security

4. Are Appendix A rates adequate in a war risk area?

- Fixed daily rates for personnel, tugs and equipment, plus a 25% bonus
- No specific provision for war risk insurance premiums or war risk crew pay
- Out-of-pocket expenses paid to third parties are recoverable, but war risk costs may not fit easily

Thank you

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