



What is Charterers Liability Insurance?

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It's essential when shipping goods, regardless whether you're an importer or exporter, to understand the differences in the terminology and application of insurance to ensure you get full coverage for the carriage of goods. Is there a difference between Charterers and NVOCCs? It's a question we're often asked. Below we highlight some of the differences between Charterers and Non-Vessel Operating Common Carriers (NVOCCs) and remind our members that World Insurance provides Charterers Liability Insurance.

Who is a Charterer?

A person or organization that charters a ship or aircraft. It can be a freight forwarder, cargo owner, operator, trader, manufacturer or practically anybody involved in the arrangement of a vessel. It does not necessarily mean chartering a whole vessel but can mean booking or arranging space on a vessel.

What is the difference between NVOCCs and Charterers?

Quite simply. A Charterer arranges carriage of goods – the hire/charter of or space on a vessel or craft rather than booking/reserving – and associated formalities on behalf of a shipper. They can be considered 'agents' to shippers.

An NVOCC is a 'carrier' that does not own or operate the vessel used to perform the carriage. They enter into a contract of carriage with the cargo shipper and undertake responsibility for the carriage like a shipowner that owns a vessel.

Often described as a 'virtual carrier', NVOCCs issues bills of lading, publish tariffs and otherwise conducts themselves as an ocean common carrier, except they will not provide the actual ocean or inter-modal service.

What are the differences in risks for NVOCCs and Charterers?

The risks are like chalk and cheese. NVOCCs are exposed to cargo and equipment losses, but any risk associated with delay is generally limited to the freight. NVOCCs manage or hold cargo containers, working independently and under their own responsibility. Charterers do not operate or own containers. Charterers are exposed to risks from the cargo owner and commercial risks from the shipowner. Delays associated with loading or unloading a vessel result in huge claims for demurrage/detention, which may run into hundreds of thousands of dollars. There can also be risks associated with pollution, injury or loss of life and even damage to the vessel, which need to be considered by Charterers.

Who needs Charterers Liability Insurance?

Charterers liability Insurance is a type of marine insurance designed to provide coverage for the liabilities, including those of care, custody, and control (CCC) assumed by a party chartering a vessel when the vessel's operation remains in the control of the vessel's owner.

NVOCC Liability policies exclude claims arising from demurrage/detention charges of vessels, pollution, loss of life, fines etc. At no time should a charterer rely on their Forwarder Protect (E&O and Cargo Liability) policy as a cheap substitute for Charterers Liability Insurance. Any arrangement of a vessel requires Charterers Liability Insurance. It may be as simple as involvement in a fixture note, slot charter, booking note, agency agreement or charter party.

If there is any doubt on how your involvement in a particular shipment impacts any of your policies, the World Insurance team of brokers can advise accordingly.

Does this matter?

In short, the answer is yes. Often risks associated with chartering only become evident when a claim is made, and typically these are never small. For example, a delay on the vessel can easily result in claims ranging from USD50,000 - USD100,000 and upward. Disputes are often technical and require extensive legal assistance, a major part of cover, and losses are often much greater than under NVOCC liability cases.

Under any NVOCC Forwarder Protect (E&O and Cargo Liability) policy, any of these risks are excluded if the forwarder is involved in any arrangement of the vessel or craft charter. It is crucial to have the right insurance policy in place to ensure you are fully covered in the event of a claim.

What is the cost of a Charterers Liability policy?

As with any insurance policy, this is dependent on several factors, but coverage can be obtained at a minimum premium starting from around USD5,000*.

**Premium is subject to the type of chartering, all relevant risk details, coverage limits and deductibles, and loss records.*

For more information about our Charterers Liability Insurance and ForwarderProtect, please contact us at info@worldinsuranceagency.com.