



Insight Article

Slot charterers – P&I cover

A ship may be entered with the Association for less than its full tonnage. In particular a charterer of a part of the vessel will only need to P&I cover for the part of the vessel he has chartered.

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A charter of a part of the vessel in this context will normally mean a slot charter. A slot charterparty is an arrangement whereby the charterer contracts to use a certain amount of space on a vessel. In the container trade, the space on a vessel is divided into slots, from where the name slot charter originates. The fundamental characteristic is that the charterer is contracting for the use of a certain amount of space on a vessel, not for the use of the vessel itself. Even if a slot charter shares many characteristics with time and voyage charters, there are some important differences. A slot charterer does not take control of commercial employment of the ship. On the other hand a slot charterer will normally act as carrier in respect of cargo carried pursuant to the slot charter agreement. The reason is simply because the slot charterer's clients are the shippers with whom the slot charterer wishes to develop a good relationship. Thus, the slot charterer wishes normally to use his own terms of carriage and to control the handling of cargo claims in order to ensure a fair and quick settlement. Against this background, a slot charterer also needs P&I cover. For some years most clubs within the International Group of P&I Clubs allowed slot charterers to be covered on the back of owners' entries without effecting separate charterers' entries. This practice was restricted to owners in container consortium operations. The practice has now been changed and the changes have been included in the Pooling Agreement which is the foundation for the International Group's collective reinsurance arrangement and thus determines the scope of the ordinary club cover. Restrictions in the Pooling Agreement as to the cover of certain liabilities or losses need to be mirrored in individual club's Rules. The Pooling Agreement in force from noon GMT 20th February 1996 restricts the possibility for a slot charterer to be covered under an ordinary P&I entry in a Group Club. A slot charterer can now be covered under a separate charterer's entry subject to two provisos. A slot charterer must either charter parts of the relevant vessel for the purpose of a regular liner service provided by him or alternatively he must have a separate owner's or charterer's entry with a Group Club in respect of another ship. The reason behind the changes is a general consensus within the Group that persons such as freight forwarders and other non-vessel operating carriers (NVO's) should be excluded from eligibility for pooling under the Pooling Agreement and thus ordinary club cover. The earlier practice has been partly codified and partly amended but the Association feels that within the scope of the amended Pooling Agreement it can accommodate the Membership's need for cover for slot charterers.