



Time to review your crew contracts – let us help

Competent and well-motivated crew are an essential element of a shipowner's operations. In recent years, there has been a lot of coverage of the pressures faced by crew at sea, particularly during the covid pandemic as changeovers and shore leave have been more difficult to achieve. The conflict in the Ukraine has further complicated port call and crew transfer considerations, impacting both crew and owners.

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This article provides some guidance to Members regarding crew contracts. We will focus on the scope of P&I cover in respect of crew, the best approach to ensure your liabilities are covered under your Gard P&I entry, and the importance of fair and clear contract terms. We will also touch upon a few of the current issues facing crew, including covid and mental health.

How does P&I cover crew?

P&I does not cover crew directly, rather it covers the shipowner's liabilities towards the crew, both at law and under the crew contract in place. This provides cover to the shipowners/operators for their liabilities for

- medical treatment, repatriation if required and sick wages
- disability and death compensation
- crew personal effects which are damaged or lost due to a maritime casualty, and
- compensation for termination of employment following a maritime casualty.

Members with a full mutual P&I entry benefit from cover to a limit of no less than USD 3 billion per event for liabilities towards crew and passengers.

How do I find out whether liabilities under a crew contract are covered?

Crew contracts should be passed to the club for review when insureds first take out their P&I cover with Gard, and again whenever crew contract terms are to be amended. This requirement is captured in our P&I Rules and is a condition of cover. It is worth noting that whilst P&I cover in this area is very broad there are some exclusions detailed in the Rules, such as for loss of high value personal effects which are not normally required by a crew member. The club will review your contracts to ensure that any liabilities you take on under the contract are reasonable and in line with industry norms.

Many crew are employed subject to a union agreement or a collective bargaining agreement (CBA) and the terms of this agreement will be incorporated into the crew contract. In these cases we would review the relevant agreement in conjunction with the contract itself.

It is also important to let the club know the nationality of the seafarers employed, as some nations apply standards that need to be incorporated into the crew contract terms, such as the Philippines which applies the POEA contract terms.

Why is it important to have clear and fair contracts?

The benefit of having clear contract terms is to avoid ambiguity, which could lead to a protracted and costly dispute with the crew or their relatives in the event of an incident. It is also important that terms are clear and fair from an ethical standpoint, which will help to align with the shipowners' approach to corporate social responsibility (CSR). Fair contract terms also help owners recruit and retain the best quality crew, which should contribute to safety onboard and optimal operational performance for the shipowner.

The club will assist owners in achieving this via our crew contract review process, and we will also highlight to Members if they have any contractual terms which are not covered under their P&I policy.

Maritime Labour Convention

The International Labour Organization's Maritime Labour Convention (MLC 2006) is ratified by the majority of major flag states. Shipowners must ensure that they comply with the requirements of the MLC as these will be incorporated into the domestic law of those flag states. The convention has several aims, one of which is to improve the fairness and clarity of crew contractual terms.

Gard has published [MLC Checklist + Word](#) which owners can use to ensure their contracts meet the main provisions of the code concerning contract terms. We recommend that Members review their crew contracts in house against our MLC checklist before sending over the contracts for review by the club. The MLC has recently been reviewed and new requirements have been agreed. The amendments will take effect in December 2024 and these requirements are noted on the club's MLC checklist.

Any other recommendations for crew contract terms?

It is essential for shipowners to consider and safeguard the mental health of their crew, who are working in isolation from their families, and often in harsh environments. Difficulties effecting crew changeovers and providing shore leave due to covid have been well documented in the past two years. We recommend that the maximum period on board is judged carefully to protect the crew's wellbeing. Human error is a significant factor in the majority of the claims we handle, so it is easy to see why measures to promote crew welfare that effectively contribute to a healthy and focussed crew onboard are beneficial to crew, the shipowner, and the Member's P&I claims record.

We have occasionally seen crew contracts which exclude liability to the crew and their beneficiaries in the sad event that the crew end their own lives. The club does not exclude liabilities towards crew in the event they end their own lives and we do not recommend Members exclude compensation to beneficiaries from their contracts.

It is recommended that crew nominate a beneficiary in their contract, to be the elected recipient of any compensation payable in the event of their death. This is different from the next of kin who is often just the most appropriate contact in the event of an emergency and may not be who the crew would choose to receive any compensation due.

Does Gard offer any other cover for crew?

Yes, Gard can offer cover for certain liabilities falling outside of normal P&I cover, we also offer specific cover for crew managers which is different from owner's P&I. Please speak to your Gard underwriter for details.

Some useful links

Gard P&I cover for liabilities in respect of crew - [Gard Rules 2024 - GARD](#)

Maritime Labour Convention - [MLC, 2006: What it is and what it does \(ilo.org\)](#)

Gard article on the MLC - [Maritime Labour Convention - theory and practice](#)

Gard Guidance to the Rules - [Guidance to Rule 27](#)

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