

Demystifying DTH cover

Charterer's liability for damage to hull (DTH) cover responds to a charterer's liability to a shipowner for physical damage to the vessel during the period of charter due to responsibilities that have been assumed under the charterparty. Both time and slot charterers can benefit from this cover.



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Scope of cover

The DTH clause in The Standard Club [rules](#) states that cover responds to a member's liability, as charterer of a ship (other than as bareboat or demise charterer) for:

1. loss or damage to the ship
2. damages for detention or loss of use or hire or demurrage paid or due to the owner for a period during which the use of the ship is lost or the performance impaired as a result of physical damage to the ship
3. salvage, salvage charges and/or General Average contributions in respect of charterers' freight at risk and/or charterers' bunkers and/or the ship, following loss of or damage to the ship
4. (as an extension) loss or damage to the bunkers on the chartered ship as a consequence of a casualty including fire, grounding, stranding, collision or total loss of the chartered ship.

A case study

A ship on a time charter suffers an explosion on board just after departing from the first load port. Unfortunately, the fire spreads rapidly despite the crew's firefighting efforts. There is damage to the main engine and accommodation, and bunkers are partially lost to the fire. The crew on board quickly abandon ship unharmed and there is no pollution (both of which liabilities would be covered under a charterer's regular P&I cover).

The master signs a salvage agreement and the shipowner declares General Average. During firefighting, the remaining bunkers are contaminated by salvors' firefighting water.

Due to the severity of the damage, the H&M insurers declare the ship to be a constructive total loss. Investigations confirm that the cause of the explosion is misdeclared dangerous cargo provided by the charterer member.

The claims

The shipowner and its H&M insurers submit claims for breach of the charterparty terms, which include a provision excluding the carriage of dangerous cargo. These claims include:

- a) loss of the ship
- b) hire that would have been earned under the time charterparty
- c) the shipowner's liability under the salvage agreement in respect of salvage costs
- d) various related expenses incurred by the shipowner as a result of this incident.

What is covered

DTH cover will respond to all of these claims raised by the shipowner. Further, while DTH cover does not ordinarily respond to the loss of a time charterer's bunkers, cover can be extended to indemnify the member as charterer in respect of loss or damage to his bunkers on the chartered ship (as above). Accordingly, in this particular scenario, the value of charterer's bunkers lost in the casualty will also fall within the scope of DTH cover.

Conclusion

Given that DTH covers a broad range of exposures, charterers should strongly consider adding this into their existing insurance programme if they have not already done so.



P&I cover provided to shipowners does not respond to physical damage to the insured vessel, this being the purview of the hull & machinery (H&M) insurers. Charterer's cover also provides regular P&I insurance, but extends to include charterer's liability for damage to hull (DTH).

Charterer's DTH cover will also respond where a charterer fails to direct the ship to a safe port or berth so that the ship grounds or is stranded – see the article on page 7.