

## THE DEVELOPMENT OF THE P&I CLUB AS A PROTECTION FOR INDONESIAN CARRIER

**Mohd. Kamarulnizam Abdullah**

Institute for Malaysia and International Studies (IKMAS), Universiti Kebangsaan Malaysia (UKM), Lingkungan Johan, 43600 Bangi, Selangor, Malaysia, Email: [kamarulnizam@ukm.edu.my](mailto:kamarulnizam@ukm.edu.my)

**Irma Rachmawati Maruf**

Fakultas Hukum Universitas Pasundan (UNPAS) Bandung, Jl. Lengkong Besar No. 68, Kota Bandung, Indonesia, Email: [irma.rachmawati@unpas.ac.id](mailto:irma.rachmawati@unpas.ac.id)

### ***ABSTRACT***

Sea transportation experiences risks and material loss in its operation. The most significant risks include damage to the vessel and sea pollution due to ship collisions and accidents. The carrier should prioritize the risks. When the underwriter does not cover the risk, the shipowner should establish an association covering the loss among the members to the extent the underwriter does not cover it. This study will examine the importance of the Rule to P&I Clubs and its impact on Indonesian carriers and will also find the differences between P&I Club and Insurance. The research adopts Library Research Method, dogmatic legal approach, a descriptive and analytical nature. Due to the method, the following sources have been used: Convention law, domestic legislation, case law, legal textbooks, journal articles, P&I Club Rules, preparatory works, and websites of international organizations and law firms. P&I CLUB covers many accidents which are not covered by any marine insurance. In pollution accidents, P&I covers every detail of the impact of pollution. The difference between P&I Club with marine loss insurance, in general, is that P&I Club covers the loss/damage more extensively, which is not covered by any marine insurance.

**Keywords:** Protection, Indemnity, Carrier.



## I. INTRODUCTION

In sea cargo transportation, the shipper faces risks from two sides: (S. Kristiansen, 2013) The risk as a ship and the risk as a carrier. Protection is related to Liability in operating a ship, i.e., to protect a ship from the risk encountered that is a risk without having any compensation from underwriters. In comparison, indemnity is related to Liability in operating a ship as a carrier that guarantees a chance encountered by a carrier because of having no compensation from the underwriters (P. Bennett, 2000). Currently, there is a legislative framework to prevent or decrease sea pollution and lessen the degradation of sea environment quality (Lai et al., 2011). This framework was developed after the 1970s. Until 1970, sea freedom meant that pollution was not regulated by law, and any vessel could do whatever it wanted (Omer, 2008), which meant that a vessel could clean its tank and throw its hazardous waste into the sea (Mee et al., 2008). Everything was done in the name of business efficiency and financial success. Besides, a tort based on pollution damage restoration has been difficult to prove.

Thus P&I can be explained as Liability towards the third party and the costs but not the risks covered by the hull and machinery insurance (Zhu, 2014) such as war risk, loss of profit detention, strike, etc. Introduction P&I insurance primarily covers a shipowner or operator's liability to others, generally excluding damage to the insured's property (Lin, 2009). Hull and machinery are insurance for the client's ship as its primary asset. In contrast, the two types of insurance interact in collision liability and liability for contact damage to third-party property.

Do those handling P&I claims need to understand the basics of hull and machinery terms? (Knapp & Franses, 2010) The answer for those handling liability for property claims is a definite "yes." Hull and machinery and P&I are often complementary when it comes to collision liability (Anderson & de la Rue,

2010) and liability for damage to piers, loading cranes, and other third-party property

All standard hull conditions cover collision liability, but English terms cover only three-fourths (Anderson & de la Rue, 2010). Hence, under English conditions, it is envisaged that the assured will place insurance for the remaining one-fourth of liability elsewhere – typically added to the P&I insurance. Such addition must be explicit in the P&I terms of entry.

Since the underwriter does not guarantee risks, ship owners established a club among ship owners, which bears loss among the members as long as the loss does not have any compensation or where the underwriter ensures less compensation. The Club is called Protection and Indemnity Club, or P&I Club for short.

The P&I Clubs are formed by British shipowners that formed in a small area. Their scope and cost of hull insurance are provided by the Royal Exchange Assurance, the London Assurance, and by individuals operating in London from, for example, Lloyd's Coffee House.

The type of liability insurance, in a general sense, is the insurance covering the liability risk of the insurance members (the insured). The risk covered bears the obligation of the member to pay compensation (*indemnity*) to other parties in which he is bound in an agreement caused by a broken promise or failure to fulfill the agreement. A breach of contract results in the loss of another party in which he is bound by a deal with them (*contractual liability*) or the emergence of a claim to pay compensation by another party that has no prior legal relationship between them (*third party liability*). Both types of responsibility can be classified as a liability with the risks causing *reimbursement* to a third party that can be insured with liability insurance (Winter, 1991).

## II. RESEARCH METHODS

The methodology used for this research is based on library research. This study uses secondary data as the primary source, and the selected material is a matter of law. The information and data collected in this normative research and secondary data consist of primary and secondary legal materials that are qualitative. These will be obtained by studying and analyzing various related sources directly or indirectly. The research problem includes reports and research results, Indonesian legislation; International conventions; the Global nature of international documents, such as Conventions, Declarations, and Guidelines; Books/references; Journals, and other sources. The literature and research locations sources are university libraries, namely Universiti Utara Malaysia Library, National University of Singapore Library, Singapore, Padjadjaran University Library Indonesia, Directorate General of Sea Communication of Ministry of Transportation, Maritime Council (locally known as Mahkamah Pelayaran).

Some information and data obtained from the results of some reviews, reports, and technical-scientific nature do not directly explain the legal setting. Data and information obtained from this research are needed in this thesis because the causes and effects of the marine environment or pollution problems and operational ships should be analyzed from many perspectives. Besides library research, interviews, discussions, or correspondence with relevant experts were conducted about the issues raised. Meetings and correspondence use an interview guide prepared in the form of open (free-response) questions. The interviews focus on the object of research and use discussions and interviews conducted by the researcher with the private sector (such as carrier companies and, insurance companies, P&I Clubs) to seek official opinions and current practices of marine pollution restoration. Finally, any comparative is used to discuss issues raised and to analyze the data and information obtained in this study. The historical approach is directed at exploring and discussing the development of the principle

responsibilities of carriers and marine environmental settings carried out by countries or international organizations in Southeast Asia. In addition, this approach is also used to discuss and analyze the development of international maritime law in general, and the development principle.

## Literature Review

P&I Insurance only specializes in the coverage of all risks of liability as a consequence of ship operations faced by the ship owner/ operator in which, during his business, various legal claims (claims) arise. These claims can be the second party's lawsuit due to a breach of contract in an agreement between the ship owner/ operator and those parties (Purwendah, 2016). Breach of contract, other claims can be in the form of liability against a third party due to negligence during the ship operation, both by the ship owner and the people employed. The losses the third party suffers are not limited to the coverage value amount but the applicable law provisions.

A certificate issued by the Club states the income of a vessel as a member (Anderson & de la Rue, 2010). The Certificate is similar to that of an insurance policy. Fee payment made every year is just like a kind of premium. The shipping company can withdraw or join the membership yearly, so the implementation is like a closing deal on an insurance policy (Jia, 2016). P&I Club guarantees the responsibility of the carrier.

Insurance does not guarantee the responsibility of the carrier but can be burdened on P&I Club as described above, is (Director of Sea Communication of the Ministry of Transportation, n.d.):

- 1) Loss of life, injury, or illness, either crew or third party
- 2) Damage of goods carried when the Vessel is responsible for it
- 3) The responsibility for damage to the dock, port, jetty, and other moving and fixed objects

- 4) The responsibility to move the Ship's hull when there is a total loss and the local government orders it
- 5) The responsibility for oil pollution
- 6) The responsibility of having a collision with another ship and is not guaranteed by hull & machinery
- 7) The loss of freight, especially chartered freight

The Club guarantees the above loss and its loss calculation, but it depends on the rules issued annually by The Club, known as P&I Rules. The Insurance provided by P&I Club to its members is to protect them against loss during vessel operation.

The protections provided by The Club are (Heazelwood, n.d.):

- 1) The loss because of collision. Usually, the compensation borne by the insurer is  $\frac{3}{4}$  of the loss (R.D.C.  $\frac{3}{4}$ ), whereas P&I Club compensates for the remaining loss.
- 2) The compensation for human life and accident.
- 3) The cost for ship crew who are sick
- 4) Fee for a doctor or medical costs for ship crew and passengers who are sick or have an accident as long as based on the rules becomes the burden of the Vessel (carrier) owner.
- 5) Cost to remove sunk Vessel.
- 6) Compensation for the loss or damage caused by the ships to the pier, wharf, and other objects at the port.
- 7) Compensation for loss or damage of the goods transported due to navigation error (improver navigation).
- 8) Compensation to other Vessel in which the vessel experience damage is caused by themselves (not because of ship collision)
- 9) In general maritime loss, the condition of the goods is a requirement that the owner of the goods cannot withdraw.

As for the guarantee (indemnity) of P&I Club (Director of Sea Communication of the Ministry of Transportation, n.d.):

- 1) Compensation for the goods damage which is caused by wrong delivery of cargo.
- 2) The custom of Labor in ports is acceptable due to a violation (mistake/error).

The Vessel cannot get contributions from the goods shipped due to the condition of the vessels, which are not in proper condition to sail in general marine Insurance. Besides, there is a risk category that is insured by P&I Club that is category that is related to public service interest when there is a shipping accident, that is (Director of Sea Communication of the Ministry of Transportation, n.d.):

- 1) Responsibility for the damage caused by the Ships, the pier, the anchor, other dock facilities, and the navigation signs.
- 2) Responsibility for removing the Ship's hull,
- 3) Responsibility for the oil spill.
- 4) Responsibility to the ship crews.

From the previous explanation, it is evident that P&I Club acts as a guarantor to the members and replaces the loss which happens to the members by the following principles (Heazelwood, n.d.):

- 1) Give protection (protection) to the Vessel as a ship
- 2) Give a guarantee (indemnity) to the Vessel as a cargo carrier.

### III. RESULT AND ANALYSIS

#### 1. Liability Under P&I Club

This Club provides a warranty to its members in two aspects: protection and indemnity. That is why it is called Protection & Indemnity Club. P&I Club was founded by ship owners and an organization intended to help its members. The establishment of this Club is primarily because of the above interest that ship owners do not suffer a higher loss. For the mutual benefit and to help one another, ship owners established a club that guarantees its members from the risks not guaranteed by the Insurance (Sugiyanto, 2009). Each member must pay an annual fee, which is used to pay the loss suffered by a member. For Example, The collision of the Hebei Spirit in South Korea resulted in the release of approximately 10,900 tons of persistent oil into the ocean (Hao, 2019). The P&I Club is crucial in assuming the risk of ship collisions that cause environmental damage. The third-party liability provided by P&I Club in the event of oil pollution at sea will adhere to the pay-to-pay rules, with the maximum amount of compensation subject to Article 5, paragraph 1 of CLC 1992. In the case of Hebei Spirit, Skuld P&I Club is responsible for paying the claim to the Korean government through its local correspondents in Seoul, Korea (Cho, 2010). The legal liability guaranteed by P&I Club against third parties for oil pollution losses at sea resulting from ship accidents, as well as P&I Club's legal liability in settling oil pollution compensation claims in the Hebei Spirit case (Cheong, 2011).

Another Example is TK Bremen, 2011; General cargo vessel TK Bremen ran aground at Kerminih beach. The casualty spilled an estimated 0 tonnes of bunker fuel, affecting beaches, oyster farms, and fishing and pleasure craft hulls. Salvor removed the oil remaining on board, and the vessel was broken. The vessel's P&I club paid clean-up and pollution damage costs, a total amount of US\$ 4,5 million, under Bunker Convention 2001 (Boulton



& Sandborn, 2010). The Club paid an additional US\$3.8 million for salvage and wreck removal.

Each owner of a vessel, especially international vessels, can be a member by paying an annual fee (Semark, 2013). The fee amount is determined based on the Ship's cargo owned by a member. Every member can withdraw from membership or become a member again every year. The fee collected may be used to cover the loss of a member and finance the Club's running (Semark, 2013). For each member (Vessel), the Club issues a certificate as membership and an insurance policy for a year (Semark, 2013). After one year, the Club will issue another new certificate to those who have paid the one-year fee.

The “pay to be paid” Rule is an effective system of P&I policies, which requires a Club Member to discharge his liabilities to the injured third party before the P&I Club can indemnify the member. There are alternative forms of paying out insurance; for example, the P&I Clubs could pay the third parties directly, or the Clubs could first compensate the Member who would subsequently pay the third party. It is, therefore, appropriate for ascertaining how important the Rule is to Clubs to discuss why the “pay to be paid” Rule is the preferred approach.

P&I aims to protect its members and indemnity, which the Club gives to the members based on the amount stated in the maritime agreement. For example, the contract says that the indemnity for the goods damaged, which P&I substitutes are IDR 40,000.- per square meter, then the Club will substitute as stated in the agreement (Sugiyanto, 2009). When the loss exceeds the amount stated, P&I Club will not replace an amount that does not cover what is stated in the contract.

Another example is when the Vessel hits a pier in the port. The Vessel should compensate for the damage when we refer to the local regulation. But when it relates to P&I Club compensation regulation, the Club will substitute

the loss (Director of Sea Communication of the Ministry of Transportation, n.d.). But when it is determined to refer to an agreement between the ship owner and the port's authority, there is generally no compensation given by P&I Club. As members of the Club, the Ship owners may feel dissatisfied and file a protest to P&I Club.

To prevent negative things, P&I Club always recommends that its members consult with P&I Club or its representative before approving compensation for the loss to the third party (Heazelwood, n.d.). P&I has agreed to the amount of compensation for loss and convinced the Ship's owner to resolve the problem due to the compensation guarantee from P&I Club. Every year, the club releases books that explain club responsibilities to its members (the ship owners) with compensation for the loss, which the Club will cover (Semark, 2013).

In each period, the most significant claims are cargo and personal accidents. Among many claims, the most expensive is the removal of a shipwreck. In the "International hull insurance" clause, the Insurance will cover up to 75% (seventy-five percent) of the responsibilities for the ship collision, and P & I will cover the rest, 25 % (twenty-five percent) from the collision responsibilities (Heazelwood, n.d.). P & I Club will also cover 25 percent from Club is the biggest of the shipping damage or a quarter of hull damage. In practice, this could often mean that the Club is the one that handles the most considerable risk. The Club can offer 100 percent coverage for the risk of losing even when the member chooses. The primary intention of the Club, when it was first established in 1865, was to protect the ship owner from obligation for personal injury and death under the Merchant Shipping Act of 1854 and other Ship risks not covered by a standard sea insurance policy (Heazelwood, n.d.).

## 2. P&I Club Indonesia

Indonesia has owned its own P&I Club under the name *Perkumpulan Proteksi Maritim Indonesia (Promindo)*/ Indonesian Maritime Protection. The funding is collected from its members annually (Purwendah & Periani, n.d.). When the shipping company needs financing, Indonesia handles around 8.500 ships operated in Indonesian waters, and 600 ships regularly pay P&I funding to P&I providers overseas, like in London, Japan, Korea, and China (Kontan.id, 2011). Apart from accident funding, *Promindo* also provides funding for the supply need of a ship's members.

Even though the Indonesian P&I Club was established in 2010, other International P&I Clubs, particularly the ones in England and the United States, have been operating since the early nineteenth century (Trace & Sien, 1998). Indonesian Ship Businessmen need Indonesian P&I. Before P&I existed, compensation for Indonesian Ship pollution was always paid through P&I outside Indonesia so that Indonesian devise flowed outside Indonesia. The amount reaches hundreds of millions of dollars each year (Trace & Sien, 1998). This situation burdens Indonesian ship people in business in the category of regular civilian Shipping, so by establishing Indonesian P&I, the shipping business people can be more active in the involvement of the P&I Club. Even though the participation in P&I Club is not the national vessel, it is not compulsory for maritime law to only obliges the carriers to ensure their responsibilities, as stated in Article 41, clause three, and Article 58 Shipping Act (Siregar, 2012).

This is in line with the explanation given by INSA (Indonesian National Shipowners' Club), which points out that among Indonesian vessels amounting to 10.405, only 1.200 vessels are insured ad included in International P&I Club (Director of Sea Communication of the Ministry of Transportation, n.d.). This is because of the use of the minimum seaworthiness of Indonesian Ships in the International board's view (Director of Sea Communication of the

Ministry of Transportation, n.d.). Furthermore, Indonesian ships must increase their safety quality of Shipping and seaworthiness based on International standards.

### 3. The Distinction between P&I Club and Other Marine Insurance

Type of Guaranteed Before P&I Club, there was The Ship Owners' Mutual Protection Society which, for the first time, protected its members from the liability of the loss of goods or life insurance. Only this Association did not refer to the protection of the remaining  $\frac{1}{4}$  ship liability, and the object of the Club was merely to protect its members from the limitation of marine liability insurance and ship damage, which Hull Insurance did not guarantee (Merkin, 2011).

P&I Club had extended its protection better than other previous clubs. Life insurance gives protection to life casualties and injury or damage, either the damage of permanent or movable objects (Heazelwood, n.d.). Protecting the quarter of the ship hull as the impact of ship collision is made for a specific cargo. The cargo claimed at that time was not a heavy burden for a ship owner even though the bill of lading was without a broad exceptional clause. The B/L Provides immunity from liability towards cargo loss or damage, probably because insurance at that time generally did not use their rights of transposition of creditor and pursued the claim of cargo loss or damage to the ship owner (Merkin, 2011). Insurance carried out their ownership of transposition of the creditor, then resulted in the introduction of the acquaintance of liability clause in the bill of lading as regulated in The Hague Rules 1924.

With the development of overseas trading and the existence of steamships, the demand from ship owners for protection and compensation coverage grew. P&I Club has a more comprehensive scope and number in line with the growth. That was the change in the law, which began around mid 19<sup>th</sup> century by imposing legal action for the obligation of ship owners. As a

result, this has rapidly grown the P&I Club (Merkin, 2011). The condition was a remarkable development in the expansion of legal liability in the history of P&I Club. As a new obligation and liability created for ship owners in marine activity, the Club was designed to provide more protection and compensation to ship operations. P&I Club was established to anticipate the end of business Insurance.

In reality, other clubs have already widened their protection in this 21<sup>st</sup> century, such as protection for life casualty and personal injury or the damage of permanent and movable objects (Merkin, 2011). Then the protection is given for a quarter of the damage of another ship involved in the collision. Specific damage occurred to other ships in collision and also certain claim cargo. Cargo claim was not considered a burden proof for Ship owners when the bill of lading did not conclude any special clauses. Suppose the bill of Lading did not provide any immunity from responsibility towards cargo loss or damage. The Insurance did not use the right of transposition of creditors. It was only going after loss/damage claims for cargo or the damage to ship insurance only applied their right, which then caused the introduction of the acquaintance clause from the bill of lading as the foundation of The Hague Rules (Merkin, 2011).

As the new obligation and liability created by vessel people in business and owners, there was also a demand from the Club to protect and guarantee their loss/damage from the additional cost of ship operational costs, which appear from the increasing obligation. The temporary general conclusion is that marine damage insurance covers the vessel and its cargo, whereas P&I Club protects ship businessmen and owners by protecting their obligation.

P&I Club protects the ship owner's liability. P&I Club is derived from the mutual group established by British ship owners in the 19<sup>th</sup> century. This establishment was the reaction to the change in the laws, which widened the responsibility of ship owners to third parties and the failure of insurance

companies and marine underwriters to respond to the needs of ship owners (Heazelwood, n.d.). The difference between P&I Club with marine loss insurance, in general, is that P&I Club covers the loss/damage more extensively, which is not covered by any marine insurance and only concentrates on cargo damage according to the contract of carriage. Another difference is that even though P&I Club covers the more extensive protection from marine loss insurance, the fee paid is lesser because the Club only covers the risk not guaranteed by the underwriter.

**a. The role of members in the Club**

The other distinction is that P&I Club is guided and managed by the members owning vessels that guarantee members' interests and ensure it is run as a non-profit. This makes P&I Club more interested in finance.

P&I Club, at first, was an organization established by the owners of vessels and intended to have mutual assistance among members. The establishment (of the Club) is due to the above interest and is excluded by insurance companies because of the high risk that the ship owners might reach. Based on the collective good and the intention to mutually help, the ship owners founded an organization that guarantees its members about insurance risks. Each member is subject to an annual fee payment, which covers loss/damage suffered by the members.

**b. P&I has the nature of "Nonprofit making."**

The distinction between Insurance and P&I is that P&I Club has the characteristic of an association and is nonprofit. The other difference is that if in the duration of (1) one year and there is no claim, the member should receive the reimbursement of his premium, which has been paid and is deducted by management and the Club. The basic calculation for the reimbursement is 3 (three) years (Departemen Perhubungan, n.d.). If a member has already joined for more than 3 (three) years and does not

propose any claim to the Club, the member can propose reimbursement of the premium that he has already paid. But, because of its nature to help one another, the claim should be seen in a broader scope. One company does not file a claim if other members have filed a lawsuit for such a large amount, and the total amount of all collected premiums by the Club is only adequate to pay and cover management costs. The concerned member will not receive anything (Al-Feky, 2018). That is why the owners of ships do not realize that P&I Club is actually an organization where they become members. As explained previously, the interest which can be insured in the insurance market is the interest of Hull & Machinery, ship rent, insurance premium, and some liability in the collision between two ships. Other liability, as explained above, such as liability based on carriage agreement legal liability towards a third party, liability towards the crew, and liability in the case of ship collision, which is not insured by Hull & Machinery Insurance, can be guaranteed by P&I Club (Varela Chouciño et al., 2023).

P&I Club, at first, was an organization founded by the owners of ships and intended to help its members mutually. The establishment of the Club is because the interests, as described before, are excluded by insurance companies due to the high risk that ships people in business might experience. Because of mutual interest and the intention to mutually help, ship owners formed an association to guarantee its members towards the risks not covered by insurance. Based on mutual benefits and the objective of assisting one another; so the ship owners established an association protecting its members against the risks not guaranteed by Insurance. Every member should pay an annual fee that will be used to compensate for the loss endured by the members.

### **c. Income regarded as a fee for the Club**

Every shipowner, especially ships that sail internationally, can be a member by paying the fee annually. The payment amount is decided

according to the tonnage number of the Ship owned by the members. Members can withdraw from the Club or become a member again yearly. The accumulated fee covers the members' loss and finances the Club's management (Liu & Faure, 2018). For every member (Ship), the Club issues a certificate that indicates his membership and, as a policy, is given for a year. After a year, another new certificate is given again to those who have paid the fee for another year.

The certificate issued by the Club identifies a maritime company as a member upon its admission. The certificate is similar to that of an insurance policy. The payment of the annual fee is just like a premium that has to be paid. A shipping company can withdraw or join again as a member yearly so that the implementation is similar to usual insurance.

P&I's mission is to protect its members, and the Club's warranty to its members depends on the amount specified in the carriage agreement (Liu & Faure, 2018). For example, if the contract states that the damaged goods covered by P&I are Rp 40,000.- (forty thousand Indonesian rupiah) for a meter square, the Club will compensate as stated in the agreement. When the loss exceeds the amount specified in the agreement, P&I Club will not pay more than the amount specified. Another example is when a ship crashes a pier at the port.

Based on the local regulation, the Ship must pay for the loss if the compensation is according to the compensation covered by P&I Club so that the Club will cover the loss. But, if it is determined based on the agreement between the Ship's owner and the port authority, generally, there is no compensation from P&I Club. Of course, the Ship's owner, as the member, is unsatisfied and protests to P&I Club.

To avoid harmful things, P&I Club always recommends its members consult with P&I Club or its representative before making any agreement concerning the amount of compensation to the third party. If P&I Club has



agreed on the amount of payment, without any doubt, the ship owner will settle the problem due to having assured compensation from P&I Club. Every year, the Club issues a book consisting of the responsibility of the Club towards the obligation of its members (ship owner) with the compensation which the Club will cover (Merkin, 2011). In brief, table 1 will show the differences between P&I Club and P&I Club and Other Marine Insurance.

**Table 1**  
**The difference between P&I Club and Marine Insurance**

SUBJECT	P&I Club	MARINE INSURANCE
PROTECTION	COVER ¼ OF HULL NOT COVERED BY INSURANCE, RISK OF SEA POLLUTION, SHIP WRECKING	COVER ¾ OF HULL RISK OF GOODS AND PASSENGERS
SHIP OWNER	AS A MEMBER	AS AN INSURER
PROFIT	NON-PROFIT MAKING	PROFIT MAKING
FEE	AS A MEMBER FEE	PREMI

Before P&I Club, there were international compensation regimes for marine pollution. When the loss exceeds the amount specified in the agreement, P&I Club will not pay more than the amount specified. The previous rules are the 1969 Civil Liability Convention and 1971 Fund Convention (ceased to be in force in 2002-1971 Fund and dissolved in 2014). The first Convention stated strict liability, and oil pollution became

a civil liability. In this convention, the ship owner must have compulsory third-party insurance and a certificate, as explained in Table 2.

**Table 2**  
**Paying Organism Under International Conventions**

Compensation regime	Source of money	Paying organism
SUPPLEMENTARY FUND	LEVIES ON OIL RECEIVERS IN SUPPLEMENTARY FUND MEMBER STATES	SUPPLEMENTARY FUND
1992 FUND CONVENTION	LEVIES ON OIL RECEIVERS IN 1991 FUND MEMBER STATES	1992 FUND CONVENTION
1992 CIVIL LIABILITY CONVENTION	SHIP OWNER (STRICT LIABILITY)	P&I CLUB

Under the modern trade system, each risk may transfer to third parties, namely the guarantor. The system arises because of the significant risk in transport. The cost of cleaning pollution due to oil spillage is extremely high, especially for ecological compensation. When the insurer can no longer guarantee the institution, the established indemnity compensation institutions under the CLC Convention on compensation liability, the convention will force the shipowner to cause the damage of spilled oil pollution from ships. This Convention also organizes the principal duty of the ship-owner to establish that it is obliged by the insurance system. Insurance funds are limited because the ship owner is limited to obligations in a certain amount and by the number of tonnage ships.

### III. CONCLUSIONS

P&I CLUB derives from the Mutual liability principle when a carrier establishes a group based on mutual benefits, which means that activities are done together to prevent collision and marine pollution. The legal basis for applying the implementation of P&I for Indonesian carriers is already very relevant. Thus, Indonesian ships can take advantage of the performance of P&I Club. Marine Insurance Company and P&I cover maritime risks but differ in their scope of coverage and approach to risk management. P&I clubs are mutual associations owned by its member and focus on loss prevention and risk reduction. Marine insurance companies are for-profit entities that offer a wide range of marine insurance and rely on actuarial data and risk modeling.

### REFERENCES

- Al-Feky, A. (2018). Marine P&I Insurance and the Cover of the Third Party. *History*, 124, 28–31.
- Anderson, C. B., & de la Rue, C. (2010). *The Role of the P&I Clubs in Marine Pollution Incidents*.
- Boulton, M., & Sandborn, C. (2010). Financial vulnerability assessment: who would pay for oil tanker spills associated with the Northern Gateway pipeline. *Environmental Law Centre, University of Victoria.*, 13–13.
- Cheong, S. M. (2011). The role of government in disaster management: the case of the Hebei Spirit oil spill compensation. *Environment and Planning C: Government and Policy*, 29(6), 1073–1086.
- Cho, D. O. (2010). Limitations of 1992CLC/FC and enactment of the Special Law on M/V Hebei Spirit incident in Korea. *Marine Policy*, 34(3), 447–452.
- Departemen Perhubungan. (n.d.). *Implementasi P&I Bagi Kapal Nasional*.
- Director of Sea Communication of the Ministry of Transportation. (n.d.). *Final Report Kajian Analisis Trend Kecelakaan Transportasi Laut Tahun 2006-2011*.
- Hao, H. (2019). Analysis and Enlightenment of the Main Disputes in the Korean Courts' Judgments of the Hebei Spirit Oil Pollution Incident. *China Oceans L. Rev.*, 151.

- Heazelwood, S. (n.d.). *P&I In Practice*. 131.
- Jia, L. (2016). The loose tendency of the “Pay to be Paid” rule of P&I clubs. *Penerapan P&I Club Bagi Kapal Indonesia (Research Report)*.
- Knapp, S., & Franses, P. H. (2010). A comprehensive review of the maritime safety regimes: present status and improvement recommendations. *Transport Reviews*, 32(2), 241–270.
- Kontan.id. (2011). *Indonesia punya P&I Club untuk amankan operasi kapal*. [Www.Industry.Kontan.Co.Id](http://www.Industry.Kontan.Co.Id).
- Lai, K. H., Lun, V. Y., Wong, C. W., & Cheng, T. C. E. (2011). Green shipping practices in the shipping industry: Conceptualization, adoption, and implications. *Resources, Conservation, and Recycling*, 55(6), 631–638.
- Lin, M. T. (2009). *A selective appraisal of the P&I insurance system with special reference to claims for personal injury, illness, and loss of life*.
- Liu, J., & Faure, M. (2018). Risk-sharing agreements to cover environmental damage: theory and practice. *International Environmental Agreements: Politics, Law and Economics*, 18(2), 255–273.
- Mee, L. D., Jefferson, R. L., Laffoley, D. D. A., & Elliott, M. (2008). How good is good? Human values and Europe’s proposed Marine Strategy Directive. *Marine Pollution Bulletin*, 56(2), 187–204.
- Merkin, R. (2011). *Marine Insurance in Maritime Law* (Second Edition). Sweet & Maxwell.
- Omer, A. M. (2008). Energy, environment, and sustainable development. *Renewable and Sustainable Energy Reviews*, 12(9), 2265–2300.
- P. Bennett. (2000). Environmental governance and private actors: enrolling insurers in international maritime regulation. *Political Geography*, 19(7), 875–899.
- Purwendah, E. K. (2016). Penerapan Regime Tanggung Jawab dan Kompensasi Ganti Rugi Pencemaran Minyak oleh Kapal Tanker di Indonesia. *Jurnal Komunikasi Hukum, Universitas Pendidikan Ganesha Singaraja*, 2(2), 138.
- Purwendah, E. K., & Periani, A. (n.d.). *Value Of Justice Replacement Of Oil Pollution Damaged By Tanker Accident In Indonesia’s Law System*.
- Semark, D. (2013). P&I Clubs: Law and Practice. *Informa Law from Routledge*.
- Siregar, M. (2012). *Beberapa Masalah Ekonomi dan Manajemen Transportasi*. Lembaga Penerbit UI.

- S. Kristiansen. (2013). *Maritime transportation: safety management and risk analysis*.
- Sugiyanto. (2009). *Hukum Asuransi Maritim Protection&Indemnity (P&I) Insurance*.
- Trace, K., & Sien, C. L. (1998). Handmaiden of Trade: A Study on ASEAN-Australia Shipping. *ASEAN and Australian Shipping Policies*.
- Varela Chouciño, M., Echebarria Fernández, J., & Hjalmarsson, J. (2023). *Insurance of Marine Autonomous Surface Ships: Risk Allocation, Seaworthiness, and Technological Challenges from an Underwriter's Perspective*. Springer International Publishing.
- Winter, R. A. (1991). The liability insurance market. *Journal of Economic Perspectives*, 5(3), 115–136.
- Zhu, L. (2014). *Probing compulsory insurance for maritime liability*.