"Conditions of Use" are standardised contracts which are utilised within several areas of shipping. This thesis analyses the conditions issued by gas terminals to shipowners, allocating risks arising during the vessel's port call. The purpose of the paper is to examine risk allocation and insurance coverage in relation to such contracts.

The contracts are built on a principle of unilateral liability, where the liability provisions are characterised by unlimited and strict, or far-reaching, liability for the shipowner in the form of comprehensive indemnity and disclaimer clauses which together produce the effect that the shipowner becomes liable for all and any damage to its own and the terminal's interests as well as third party interests.

The liability provisions depart from ordinary legal principles inter alia with respect to the unlimited and strict liability for the shipowner, the lack of requirement for causation and the terminal's disclaiming of all fault on the part of itself and its servants.

In order to facilitate an examination of the contracts, they are first of all placed in a legal, practical, geographical and historical context.

Afterwards, certain issues related to contract formation are discussed, more specifically the contracts' binding effect and application with and without the master's signature.

The main section of the thesis contains a detailed discussion of the contractual liability provisions with a view to examining their legal consequences for the shipowner, and this is followed by a discussion of whether such terms may be set aside or adjusted under Norwegian law.

Subsequently, insurance coverage and risk allocation between shipowner and charterer are considered. Problems in relation to insurance are examined separately, and the presentation also includes a suggested charter party provision drawn up by Nordisk Defence Club.

The final section summarises the main points of the thesis with an emphasis on how the contracts may be adjusted to obtain insurance cover.

As a starting point, P&I insurers do not cover liabilities in excess of what is imposed by ordinary background law. The cover under hull insurance is more uncertain, since the decisive point for this insurance is whether such terms may be considered customary in the trade.

However, some Conditions of Use have obtained P&I approval after negotiations with the terminal. What distinguishes the approved contracts from the others is primarily the negligence-based liability on the part of the shipowner, the existence of causation and the limitation of liability. This proves that it is possible to negotiate balanced solutions.

Moreover, separate P&I insurances with an additional premium and limited liability cover are now available in the market.
Validation Information sources Our team.