



RIS Discussion Paper # 337

CMEC Discussion Paper on
**Protection & Indemnity
Insurance for India**

Shishir Shrotriya, Deeksha Gupta, Sanjiv Singh



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CMEC
Centre for Maritime Economy
and Connectivity
समुद्री अर्थव्यवस्था व संयोजन केंद्र





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Protection & Indemnity Insurance for India

Shishir Shrotriya*, Deeksha Gupta** and Sanjiv Singh***

Introduction

Protection and Indemnity (P&I) Clubs signifies backbone of the contemporary maritime liability ecosystem, solving complicated risk exposures that generally fall outside the boundary of conventional hull and cargo policies. Evolved in the middle 19th century; to bridge the gap between limited commercial insurance policies and arising legal liabilities, P&I cover is a special form of maritime insurance that gives coverage for shipowners and charters against third-party liabilities.¹ Often, this insurance is managed through “clubs” also known as “P&I clubs”. They have grown into mutual sophisticated associations which are owned and managed by their membership of operators and owners. These clubs play an important role in maintaining the financial stability and operational functionality of maritime operations.

The unique characteristic of P&I Clubs is the shared responsibility and resilience, to respond effectively to the claims and losses. As global trade has enlarged and regulatory regimes have become strict, especially in the areas of environmental and seafarer protection, the role and responsibility of P&I Clubs have become critical. In today’s time, they not only provide financial support but also legal backing, advisory services, and response co-ordination. With this background, P&I Clubs have dual role of managers as well as stabilizers of the international maritime ecosystem. This chapter delves into the evolution, scope and strategic significance of the P&I Clubs, with a focus on their relevance in the context of India’s maritime landscape.

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The core function of P&I insurance is to protect its members against legal and financial liabilities that may not be covered by conventional hull and machinery or cargo insurance. These liabilities can include, but are not limited to:²

- **Crew-related incidents:** Injuries or fatalities involving crew members, as well as claims arising from breaches of employment contracts or disputes
- **Damage to third-party property:** This includes incidents where a vessel causes damage to other ships, port facilities, or infrastructure
- **Pollution:** Environmental damage caused by the accidental discharge of oil or other harmful substances into the sea, which may result in hefty fines and clean-up costs
- **Collision and wreck removal:** Costs associated with the removal of wreckage, as well as damage caused by collisions, including claims from third parties
- **Cargo damage:** Claims from shippers for loss or damage to cargo, including circumstances where the cargo is not properly handled or delivered

P&I insurance is typically provided through mutual P&I clubs, which are associations of ship-owners and operators who pool their resources to cover these risks. Each member of a P&I club contributes premiums into a collective fund, which is then used to pay for claims. These clubs operate on a non-profit basis, with the goal of providing financial protection for their members rather than generating profit.

The system of mutualisation is a key characteristic of P&I insurance, where members share the financial burden of claims. This model provides a level of financial security and stability to ship-owners, who may face significant liabilities in the event of maritime accidents or legal claims. Additionally, P&I clubs often offer legal assistance and expertise to help resolve disputes and ensure compliance with international maritime regulations.

P&I insurance has been a cornerstone of the maritime sector for nearly two centuries, providing ship-owners with a means of covering various liabilities associated with the operation of vessels. The origins of P&I insurance are firmly rooted in the growth of global shipping during the 19th century, a time marked by increasing trade and, consequently, the rising risks associated with maritime operations.³

Evolution of Global P&I Insurance

Marine insurance, particularly in relation to hull and cargo, is widely considered to be among the oldest forms of insurance, as recognised by numerous insurance professionals and researchers. The nature of long-distance trade, which involved voyages lasting weeks or months, inherently carried risks far greater than those associated with local or regional trade, whether terrestrial or maritime. The evolution of insurance has, therefore, been motivated by the concurrent need to transfer and diffuse these concentrated risks.

In the early days of marine insurance, the primary concern was the capital invested in a vessel, or the loss of it, in the event of shipwreck or other calamities. Ship-owners could secure loans through bottomry bonds, where the vessel itself served as collateral. However, unlike mortgages on terrestrial property, the risk of total loss meant both the owner and the lender could lose their investment. Marine insurance presented an alternative: contingent capital, where underwriters pledged funds without putting them at direct risk. This capital could theoretically be extended indefinitely, and underwriters could share risk by distributing portions to others, effectively spreading losses across a wider pool of contingent capital.

Edward Lloyd's Coffee House in Tower Street, London, became a central hub for this emerging insurance market in February 1688.⁴ Lloyd's establishment facilitated the creation of a marketplace where ship-owners, merchants, and captains could obtain vessel and cargo insurance in exchange for a fixed premium. Lloyd, though not directly involved in the insurance process, contributed to its growth by providing reliable shipping news and offering a meeting place for those willing to share

the risks associated with maritime ventures. The individuals who signed their names under the policy agreements became known as underwriters.

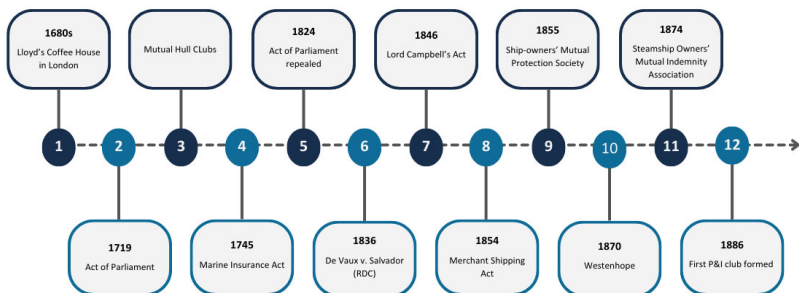
The British Government formalised marine insurance through the Act of Parliament in 1719, granting a monopoly to two companies: the Royal Exchange Assurance and the London Assurance. Individual underwriters at Lloyd's of London were also authorised to operate in the insurance market. The monopoly led to increased insurance costs, which affected overseas trade. In response, ship-owners formed "Hull Mutual Clubs," unincorporated associations in which members, both insured and insurer, shared the risks. Though this practice was technically illegal, enforcement was lax, likely due to the influence of merchants and ship-owners, and the need to support the expanding British Empire.⁵

The monopoly was eventually repealed in 1827, leading to increased competition in the marine insurance market. As marine insurance evolved, the mid-19th century saw an increasing need for ship-owners to address liability for third-party incidents. *De Vaux v. Salvador* court ruling in 1836⁶ established that damages from a collision were not recoverable under standard marine insurance policies. The Lord Campbell Act of 1846, which allowed dependants of deceased sailors to pursue claims for wrongful death, highlighted the growing responsibility of ship-owners. In addition, the Harbour, Docks and Piers Clauses Act of 1847 granted port authorities the right to sue ship-owners for damages, irrespective of negligence. The Merchant Shipping Act of 1854 later limited a ship-owner's liability to the vessel's value and freight.

In 1855, the first Protection Mutual Club, the Ship-owners' Mutual Protection Society (now the Britannia P&I Club), was established.⁷ This club provided cover for loss of life and personal injury, property damage, and liabilities not covered by hull insurance, effectively combining hull and liability protection. The club model, which eliminated underwriters' profit margins, made P&I insurance significantly more affordable for ship-owners. In 1870, it was determined that the owners of the "Westenhope"⁸ which sank off South Africa due to a navigational deviation, could not rely on contractual exceptions and limitations. Consequently, the club was liable for the full value of the lost cargo.

Concerned about potential liabilities arising from deviation or negligent navigation, ship-owners in the North of England Protection Association proposed the establishment of a class to indemnify members against such risks. This new class of cover was created, and the term "Indemnity" was added to the club's title and led to the establishment of the Steamship Owners' Mutual Protection and Indemnity Association in 1874.⁹ By 1874, the protection provided by these clubs expanded to include cargo indemnity, and the distinctions between various types of insurance began to blur. In 1886, the indemnity club Steamship Owners' Mutual Protection and Indemnity Association merged with the North of England Iron Steamship Protection Association, a club founded in Newcastle in 1860. This merger resulted in the creation of the first full Protection and Indemnity Mutual Club, named the 'North of England Protecting and Indemnity Association', based in Newcastle.

Figure 1: Evolution of Marine Insurance



Establishment of P&I Clubs

P&I associations that initially flourished in British cities eventually spread to Scandinavia, the United States, and Japan. In 1897, AssuranceforeningenSkuld was established in Oslo, marking Scandinavian involvement. Two years later, in 1899, the London Group of P&I Clubs was formed by six clubs to share claims. In 1907, Assuranceforeningen Gard was founded in Arendal, Norway¹⁰. The London Group expanded its cooperation in 1951 to include market reinsurance, and in 1981, the International Group of P&I Clubs (IG)

was formally established to provide collective overspill protection and reinsurance pooling.

Significance of 20th February

20th February has conventionally served as the annual renewal date for Protection and Indemnity (P&I) marine insurance. The practice originated in the nineteenth century, when the melting of Baltic Sea ice marked the reopening of navigation after winter and the start of the sailing season. Although climatic conditions have evolved and ice patterns have changed, the date has been retained worldwide to ensure uniformity and administrative simplicity in the coordination of P&I policies.¹¹

P&I clubs in Asia- Japan and Turkey - Case Studies

The Japan P&I Club, the only organization in Japan underwriting P&I insurance for both ocean-going and coastal vessels, was established on October 2, 1950, following the passage of the Ship-Owners' Mutual Insurance Association Law by the National Diet of Japan.¹² Under this law, Japanese ship-owners were required to insure their P&I risks either on the Japanese market or through the Japanese Protection and Indemnity Association, as insuring such risks outside Japan was prohibited. In 1950, the Club opened offices in Kobe and Tokyo and began covering non-Japanese flag vessels in 1973.¹³ In 1976, it became a member of the International Group of P&I Clubs (IG) and joined the Pooling Agreement of the International Group in 1989.¹⁴ Since its founding, the Japan P&I Club has continued to grow, adapting to the evolving needs of the maritime industry while expanding its global presence and contributing to the stability and growth of Japan's maritime sector.

The Turkish P&I Club is one of the new non-IG clubs, established to meet the liability insurance requirements of Turkish maritime interests under Insurance Law No. 5684, enacted on 31 December 2013¹⁵. The law created a framework that legally requires Turkish interests to carry liability insurance for risks deemed mandatory under Turkish laws and regulations. Currently, more than 90% of passenger vessels operating in Cabotage waters are insured by Türk P&I, which provides cover up to \$1 billion and insures around 4,500 vessels.¹⁶

Between 2008 and 2012, discussions within the Turkish maritime sector focused on creating a local P&I club to offer affordable, tailored coverage for Turkish-flagged vessels.¹⁷ Rising insurance costs and the global financial crisis prompted the Turkish government and maritime stakeholders to seek alternatives. As a result, the Turkish P&I Club was established in 2014 to provide Protection and Indemnity insurance for Turkish ship-owners, ensuring adequate protection for Turkish maritime interests.

In 2022, the Turkish P&I Club played a vital role in resolving a significant issue concerning P&I coverage for ships carrying crude oil through Turkish-controlled waters. An agreement was reached between the International Group of P&I Clubs and the Government of Turkey, allowing these ships to continue their voyages. Since its establishment, the Turkish P&I Club has grown substantially, adapting to the evolving needs of the maritime industry and expanding its services to offer comprehensive coverage for ship-owners.

These societies provided sufficient coverage for ship-owners, enabling them to limit their liabilities for cargo in contracts. However, as the legal landscape evolved, the nature of mutual protection clubs changed. Over time, the protection and indemnity risks were consolidated, and the distinction between hull insurance and protection insurance virtually disappeared. Today, P&I associations continue to thrive, with societies operating globally, including in Scandinavia and the United States. The industry has evolved significantly, providing comprehensive coverage for maritime risks, and is an integral part of the global shipping landscape.

TS21 Style Arrangement

The Japanese maritime insurance sector, developed a TS21 is a hull and machinery (H&M) insurance program, originally developed by Tokio Marine.¹⁸ It was designed to provide comprehensive coverage and risk management for shipowners. It constituted a major collaboration between NorthStandard (a leading P&I club) and Tokio Marine. This model aligns the interests of the insurer and the shipowner through a collaborative risk-sharing approach. While Tokio Marine utilizes its market network

to reach customers, NorthStandard manages claims and underwriting. It caters to ships where Tokio Marine may not be the lead insurer but still provides identical levels of coverage and risk management as the original TS21 program.

Thus, TS21 arrangements covers a single, coordinated framework, enabling unified underwriting, surveying, and claims handling. TS21 Japanese model combines commercial insurers and mutual P&I clubs, TS21 reduces fragmentation in risk coverage and improves efficiency for shipowners.

Similarly, an Indian TS21 inspired framework could involve a partnership between a major public sector insurer in GIFT City providing H&M cover and a proposed domestic mutual P&I entity (“India Club”) offering third-party liability insurance. A joint facility could deliver a single policy, common technical survey, and integrated claims management, lower compliance costs and improving operational certainty. GIFT City’s IFSC regime is particularly suited to this model, as it allows regulatory flexibility for mutual insurance structures and supports synergies with ship leasing activities.

This arrangement may help to enhance the competitiveness of chartered of vessels for India bound exports and imports, through bundled pricing, faster claims settlement, and reduced dependence on foreign P&I clubs. However, its success depends on securing adequate global reinsurance support and achieving international recognition of Indian P&I guarantees. A phased rollout, beginning with vessels chartered for the Indian PSU EXIM needs and for the Indian Coastal Cargo movement, supported by international technical partnerships, would be critical for building credibility and scale.

A Few Notable Incidents and relevance of P&I

Case 1: The Enrica Lexie Incident (Italy v. India) 2012 : On February 2012, around 20.5 nautical miles off the Indian coast, the conflict began from the deadly shooting of two Indian fishermen by Italian marines deployed as armed guards on the MV Enrica Lexie, an Italian-flagged tanker.¹⁹ It represents a landmark decision before the Permanent Court

of Arbitration regarding the use of United Nations Convention on the Law of the Sea (UNCLOS) in incidents including the use of force by officials on board commercial vessels.

Figure 2: Enrica Lexie Vessel



This file picture taken on February 25, 2012, shows the Italian oil tanker Enrica Lexie, which berthed at Cochin Port Oil Berth. The Italian government has paid compensation of \$190,000 each to the families of two Indian fishermen allegedly shot dead by Italian marines in February. Picture Credit: JipsonSikhera

Source: Global South Colloquy 2021²⁰

India began the criminal proceedings against the Italian marines, arguing the jurisdiction based on location of the incident and nationality of victims. Italy contested, asserting that marines were on official duty while the act happened and should be given immunity under international law. In 2015, Italy began arbitration under UNCLOS, expecting a declaration on responsibility and jurisdiction.²¹

In May 2020, the final award was issued stating that while India owned certain enforcement rights under UNCLOS, the Italian marines also have functional immunity as officials on duty. Therefore, India was asked to cease the proceedings against them, simultaneously, the arbitral tribunal found Italy internationally responsible for the loss of life and ordered it for compensating for the harm to India.

The decision strike a balance between coastal state interests, sovereignty, and accountability for international maritime law. The case of Enrica Lexie highlights the importance of P&I Clubs in settling third-party liabilities emerging from security related incidents. Shipowners remain vulnerable to the vessel arrest, compensation demands, and civil claims, all risks which fall within the perimeter of P&I insurance. If a similar situation comes up in any international port involving Indian ship/crew, insurers will not be able to cover the liability, whereas a P&I Club can.

Case 2: Sinking of MSC Elsa 3 and Security for Compensation Claims 2025: The Liberian flagged container ship MSC Elsa 3 with over 640 containers developed stability issues and sank off the Kerala coast on 24th -25th May 2025. Among 640 containers, the vessel included 12 containing calcium carbide, 13 with hazardous cargo, and it was also loaded with 367.1 MT of furnace oil and 84.44 MT of diesel. All the crew members 24 in numbers were rescued safely by Indian Navy and Indian Coast Guard.²²

Figure 3: MSC Elsa 3 Vessel



The Liberia-flagged MSC ELSA 3, a container ship carrying hazardous cargo sinks off Indian southern coast in the Arabian Sea in May 2025. Photo Credit: Indian Coast Guard via AP

Source: The Hindu 2025²³

The incident caused environmental disruption and severely impacted the coastal communities of Kerala. The Kerala government released an advisory within a 20 nautical mile radius prohibiting fishing to protect

fishermen's safety. Financial relief from State Disaster Response Fund of ₹1,000 per family and 6 kg rice per family was allocated to over 1,05,000 affected fishing and allied families.²⁴ In reaction, the Government of Kerala filed an admiralty suit asking compensation of ₹9,531 crore for clean-up costs, economic loss, and environmental loss. Conditional arrest order of sister ship MSC Akiteta II was issued by High Court of Kerala, also directing shipowner to pay security for the vessel's release. Initially the court sought full amount later reduced it to ₹1,227.62 crore, with the provision of right to demand more security based on evidence later.²⁵

The interim decision is the striking example of judicial balancing between enforcement of compensation and environmental public-interest claims within admiralty jurisdiction. Emphasis has been laid for the community led compensation and transparent mechanisms that directly cater to affected parties while complementing legal proceedings.

MSC Elsa 3 case highlights the role of P&I Clubs in addressing large scale liabilities. Claims evolving from environmental damage, loss suffered by coastal communities, wreck related costs, pollution exist in the core domain of P&I cover. The security ordered by the court of Kerala is furnished via P&I Club guarantees, making it the financial backbone in maritime casualty cases. If a similar situation comes up in international waters/ports/coasts, involving an Indian ship/cargo, the insurers will not be able to cover the liability, whereas a P&I Club can.

P&I Insurance in India

Marine insurance in India dates to the 17th century when the British East India Company was the first to provide coverage for its ships and cargo.²⁶ This practice eventually spread to other European trading companies. During the colonial era, British insurance firms dominated the Indian marine insurance market, offering insurance to local ship-owners and traders, though with high premiums and limited coverage. As a result, many Indian traders resorted to informal methods of insurance, such as mutual insurance societies.

Following India's independence, the government took steps to develop the domestic insurance industry. The establishment of the Life Insurance

Corporation of India (LIC) in 1956 and the General Insurance Corporation of India (GIC) in 1972 played a significant role in regulating the marine insurance sector.²⁷ However, the growth of marine insurance is mainly growth of Cargo, Hull, and offshore Energy insurance. India's marine insurance sector is expected to have a sound growth trajectory in the coming years due to government's focus on developing new ports and modernising existing ones and simplifying maritime law and regulations. The marine insurance currently in India provides cover to ports, inland water transport, offshore energy, and maritime-related industries such as shipbuilding and repair, war cover in high-risk areas for cargo as well as hull and machinery and its scope is expected to broaden further. Some of these insurances do cover maritime liabilities in some measure but full-fledged maritime liabilities cover as provided by P&I clubs is still elusive.

The P&I risk for ships and related maritime liabilities is largely managed by foreign P&I clubs. Establishing an Indian P&I club could save and earn precious foreign exchange as well as earn, as companies from neighboring or other foreign countries could utilise Indian club. Currently the P&I sector is dominated by 12 International Group (IG) P&I clubs, which cover 90% of global ocean-going tonnage.²⁸

This would also give Indian ship-owners the comfort of dealing with an Indian entity that understands Indian conditions and the realities of the Indian ship-owners better.

Protection and Indemnity Clubs for India

India is an admitted insurance market; therefore, Indian ship-owners require permission / No Objection Certificate (NOC) from the Insurance Regulatory and Development Authority of India (IRDAI) to place P&I insurance abroad, typically on the grounds of non-availability of equivalent P&I capacity domestically.

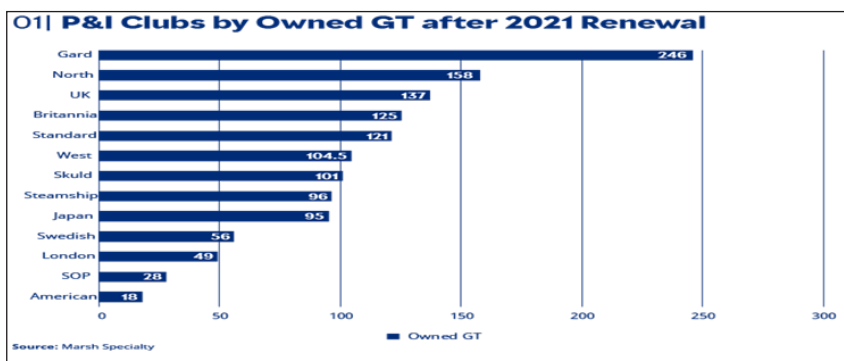
P&I insurance provided by members of the International Group of P&I Clubs operates through a layered structure as follows²⁹:

- **Individual club retention:** approximately USD 10–20 million per claim
- **International Group pooling layer:** shared among IG clubs, extending protection typically up to about USD 100 million

- **Collective reinsurance limit:** approximately USD 3.5 billion
- **Theoretical maximum liability (including overspill):** approximately USD 8–9 billion, funded through supplementary calls on members.

Fixed Premium Underwriters: Some of the Coastal ship-owners use fixed premium underwriters such as New India Assurance, though usage is not significant.

Figure 4: Number of P&I clubs after renewal 2021



Source: Marsh Specialty

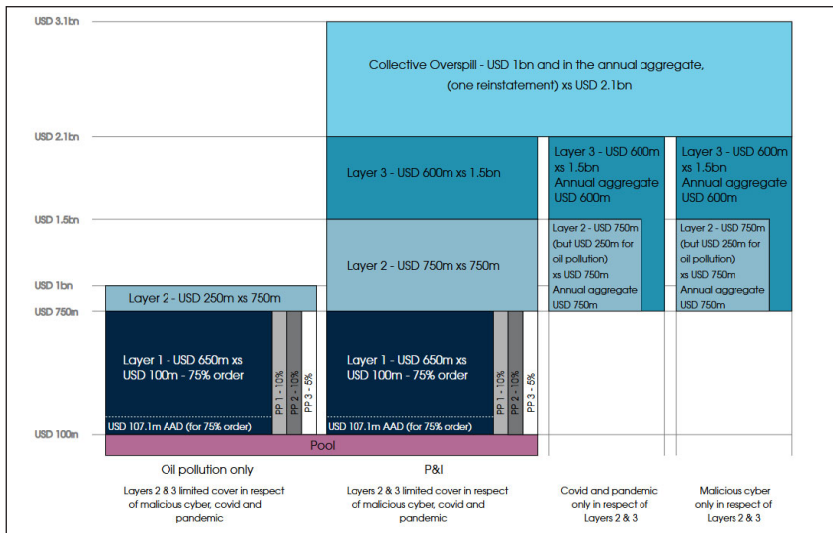
International Group P&I Clubs: Layered Risk Architecture and Reinsurance Framework

The International Group of P&I Clubs operates through a sophisticated multi-layered risk architecture³⁰ specifically engineered to manage both routine maritime claims and catastrophic exposures. At the foundation of this structure lies the mutual insurance pool, where members contribute an Agreed Annual Deductible (AAD) of approximately USD 107.1 million—establishing the layer that each member club retains for direct claims management. This foundational capacity reflects the collective underwriting experience and prudential reserves maintained by participating mutual associations. The first protection layer, designated Layer 1, extends from USD 100 million to USD 650 million in claims coverage, addressing seventy-five percent of exposures across both oil

pollution incidents and Protection & Indemnity liabilities. This initial layer is funded through the pooled mutual contributions and represents the primary risk-sharing mechanism among IG member clubs, ensuring that no single shipowner or club bears the full burden of major casualties.

When claim exposure escalates beyond the foundational layers, Layer 2 and Layer 3 get activated progressively higher coverage thresholds with differentiated capacity. For oil pollution claims, Layer 2 protection extends from USD 250 million to USD 750 million in total coverage, while general P&I protection expands to USD 750 million, each carrying annual aggregate limits of USD 750 million. Layer 3 further extends protection to USD 1.5 billion for both risk categories while maintaining an annual aggregate capacity of USD 600 million. The system incorporates critical and differentiated coverage limitations regarding emerging risk categories. In Layer 2, malicious cyber incidents, COVID-19 related claims, and pandemic-driven liabilities receive limited coverage for both oil pollution and P&I risks. However, in Layer 3, the coverage restrictions narrow: for oil pollution claims, COVID-19 and pandemic-driven liabilities remain subject to limited coverage, while malicious cyber incidents receive full coverage; conversely, for P&I claims, malicious cyber incidents are subject to limited coverage, while COVID-19 and pandemic-driven liabilities receive full coverage. This differentiation reflects the recent market evolution toward managed coverage of emerging risk categories following the 2020-2021 disruptions. At the apex of this architecture, the Collective Overspill provision covers USD 1 billion in additional capacity above the USD 2.1 billion threshold, extending to a maximum of USD 3.1 billion total, with a single annual reinstatement clause. This multi-layered structure ensures that maritime claims of virtually any magnitude receive coordinated coverage through synchronized underwriting, reinsurance partnerships, and supplementary member calls, creating a comprehensive financial safety net that has remained intact for global maritime commerce across nearly two centuries.

Figure 5: International Group P&I Clubs – Layered Coverage Architecture and Risk Pooling Structure



Source: The American club document

The diagram illustrates the multi-tiered P&I insurance framework maintained by the International Group of P&I Clubs, demonstrating individual club retention, layered pooling agreements, collective reinsurance capacity, and overspill provisions. The structure differentiates coverage availability for traditional maritime liabilities (collision, pollution, crew claims) against emerging risk categories (cyber, pandemic, COVID) with specified limitations in upper layers.

Why Indian P&I

Despite its growth, India's marine insurance sector faces challenges such as geopolitical tensions, limited awareness, particularly among small and medium-sized enterprises (SMEs), and infrastructure gaps, including inadequate ports and shipping lanes. However, with government initiatives, for port development, alongside liberal foreign investment policies, the sector holds significant potential for growth.

The Government of India has accelerated reforms to strengthen the maritime sector as a cornerstone of national economic growth and global

trade engagement. In recent years, Parliament has enacted comprehensive legislation, including the Indian Ports Act, Merchant Shipping Act, Carriage of Goods by Sea Act, and Coastal Shipping Act, to modernise outdated regulatory frameworks, enhance safety and environmental standards, and promote ease of doing business. Strategic infrastructure development under the Sagarmala Programme, port modernisation projects, and the National Logistics Policy are unlocking capacity at major and non-major ports while improving hinterland connectivity through rail, road, and inland waterways.

To expand the nation's shipbuilding and repair ecosystem, the government notified a ₹44,700 crore shipbuilding support scheme and extended financial incentives to domestic yards, aiming to reduce import dependence and generate high-skilled jobs.³¹ Initiatives such as the Maritime Financing Summit, India Maritime Week, and focused investment facilitation mechanisms are catalysing capital flows into maritime clusters, logistics parks, and allied services, reinforcing India's role as a transshipment and maritime services hub.

Maritime India Vision 2030, emphasises integrated port development, coastal shipping expansion, robust maritime security, and sustainability, targeting a significant increase in cargo handling capacity and employment generation by the end of the decade. **The Maritime Amrit-kaal Vision 2047**³², also aligns maritime infrastructure with India's broader economic transformation goals, aspiring to make India a leading global maritime power with world-class ports, competitive shipping and repair industries, and seamless multimodal trade links that support export competitiveness and trade facilitation.

All these initiatives have long term potential to boost trade, shipping, ports development and tonnage. Presently, because of insufficient tonnage there are very few views among shipowners supporting Indian P&I club. As Mr Nick Shaw, CEO of International group of P&I clubs stated in a meet recently, "Unless the Indian fleet grows massively, it may not be of much interest to the Indian Government to invest so much money on the table and build up the capital reserves to persuade the Indian ship owners to say that this is a better offering than the existing International Group of P&I Clubs (IG Clubs) where they can be board members anyway.

Ultimately, a P&I Club is a collection of mutual ship owners, and there are fixed premium versions of P&I Clubs as well. A lot of Clubs will start off as fixed premium and then try and move to mutuality”.

However, the counter arguments are more compelling:

- Indian P&I is for Strategic resilience, tonnage or premium retention is not the main issue.
- **Availability of domestic P&I cover for** coastal, inland, and nationally critical trades.
- **Supplementary domestic capacity** during sanctions or market withdrawal
- **Support and learning - maritime arbitration, P&I claims handling, and loss prevention.**

Gradual capability building, not immediate substitution of IG clubs India’s merchant fleet showcases a wide insurable base, signifying the potential scale of Protection and Indemnity coverage. According to UNCTAD, as of 2024, India’s national fleet stands at 1904 ships with carrying capacity of 18.4 million deadweight tonnes (DWT), while fleet ownership accounts for 41.2 million DWT globally.³³ Based on India’s share of global tonnage and prevailing global P&I premium pools, the annual Protection & Indemnity (P&I) premium paid by Indian shipowners to foreign P&I clubs is estimated at approximately USD 15–40 million (₹125–330 crore). This is modest when compared with India’s overall marine insurance premium volumes. Accordingly, the rationale for developing an Indian P&I capability should be viewed not in terms of premium outflow savings, but in the context of strategic resilience, geopolitical developments sanctions risk management, and assured availability of acceptable maritime liability cover for Indian trade for a self-reliant India.

Past Initiatives in India

In 2012, a USD 50 million capacity was established by GIC Re and PSU companies to provide P&I cover for Indian vessels transporting Iranian crude.³⁴ This was followed by the formation of the Maritime

Protection and Indemnity Association of India (MPIAI) in 2016. In 2018, New India Assurance and MPIAI launched Fixed Premium P&I insurance for coastal vessels. (This cover is still available in the market) Since then, India is actively working on establishing its own P&I club to address the gaps in maritime insurance and to enhance the country's competitiveness in global maritime trade. This initiative gained traction in October 2022 and October 2023, when India's Finance Minister Mrs. Nirmala Sitharaman highlighted the necessity for a domestic P&I club. The primary objective is to offer protection for vessels operating in Indian coastal and inland waters, reduce India's vulnerability to international sanctions, and establish a stronger presence in the global P&I market.

The initial focus of the India-based P&I club should be on domestic vessels operating in Indian waters, with the prospect of extending coverage to international transit in the long term. MoPSW has been in talks with insurers to iron out details and gain traction on the creation of this domestic P&I club. This initiative, which could be structured as a mutual or fixed premium system, can be supported by key public-sector insurers such as New India Assurance and GIC Re.

However, despite the advantages, the implementation of this plan has faced slow progress, primarily due to regulatory uncertainties and the low tonnage of India's shipping sector. A significant hurdle is the relatively low number of Indian-flagged vessels compared to global fleets, which means the entity may not immediately generate the necessary revenue from premiums to ensure its financial sustainability. Additionally, establishing a robust operational model will require thorough strategic planning and support from key stakeholders.

To guide the development of the India-based P&I club, DGS has initiated the process of hiring a consultant to assess the feasibility and develop a comprehensive strategic roadmap. The aim is to derive insights on global best practices, challenges, and opportunities that can be adapted to the Indian context.

The broader economic benefits of establishing a domestic P&I club will also be assessed. The consultant will analyse the potential for foreign exchange savings, employment generation, and the development of

maritime arbitration services in India, which will support the nation's maritime infrastructure. This initiative will align with the Indian government's broader efforts to enhance the self-reliance in maritime sector and its blue economy.

The establishment of an Indian P&I club in the long term will be instrumental in boosting the country's maritime industry and reducing its dependence on international insurance markets. It will provide greater operational flexibility and resilience to Indian ship-owners, especially in dealing with international sanctions and other challenges in the global shipping industry. Although the venture faces challenges in terms of the initial capital and scope, the long-term benefits of a self-sufficient maritime insurance system for India are significant. With the Ministry of Ports, Shipping and Waterways leading the charge, the India P&I Club is set to pave the way for a stronger, more competitive maritime industry in India.

India Laws limiting Liability in Maritime Claims in India(Coastal/Inland)

- For Vessels registered under MS Act, the liabilities of a ship-owner can be "limited" under the LLMC conventions, 76/96 (MS Act Part XA). The limitation rights are extended to the underwriters as well.
- Under 2015 Convention Life & Personal Injury: 3.02 million SDR for vessels up to 2000 GT, Property: 1.51 million SDR for vessels up to 2000 GT. The liability increases with the GT of the vessels.
- Inland vessels (Rules made under the IV Act 2021 prescribe) claim for loss of life or personal injury on any distinct occasion for the loss of life, **Rs. 10 lakh** per person and for permanent disability, Rs. 11 lakh per person.
- In respect of any other claims for vessels below 500 GT- **Rs. 4 crore**
- For vessels from 500 GT to < 3000 GT – **Rs. 8 crore**
- For vessels of 3000 GT and up to 6000 GT – **Rs. 12 crore**

Challenges for the Indian Market

Legislative and bureaucratic framework

Though Mutuals and Cooperatives contribute to around 26.3% of global insurance premiums³⁵ (Non-Life, 29% & Life 23.7%), the Insurance Act does not have specific provisions for risk-bearing “Mutuals” or “Risk Retention Clubs” in India. Though Mutual insurance exists in India in a minuscule way in areas where mainstream commercial insurance is not accessible, like women’s Self-Help Groups, cattle-rearers, rag pickers and BPL families, this models do not enjoy regulatory recognition.

The scant provisions under GIBNA (General Insurance Business (Nationalisation Act)) 1972, were removed during the 2015 amendment of the Insurance Act. The Inland Vessel IV Act, 2022 and the Merchant Shipping MS Act, 2025 are the laws pertaining to shipping activities for riverine, coastal and foreign going ships. Various International conventions like Civil Liability Conventions to which India is a signatory and the provision under the act mandates compensation regime through insurance.

Most of the conventions give specific format of such certificate of insurance and same needs to be part of the safety certification structure. In addition to provisions under MS, IV Acts, the Port entry Rules 2012 mandates every vessel to have Insurance from approved Insurance agencies for all third-party claims for entry into ports.

Insurance regulations currently do not provide for Mutual insurance under which P&I club can be formed. Hence, for Marine P&I Clubs to operate in India in a professional, effective and sustainable manner, legal empowerment by amendments to the Insurance Act or by Central Govt. directives, followed by regulatory enablement would be required. The Insurance Act, 1938, and amendments in 2015, explicitly prohibited through Section 2C, the transaction of insurance business by anyone other than very specific entities—primarily public limited companies, registered cooperative societies, and specific foreign corporate bodies. Mutuals—which are inherently unique associations owned entirely by their members (such as shipowners pooling risk)—do not fit into these rigid, traditional corporate definitions. The latest 2025 -Sabka Bima

Sabki Raksha (Amendment of Insurance laws) Act, also missed a crucial opportunity to recognize Mutuals.

Therefore for IFSCA, we could use provisions under Section 2 CA of the Insurance Act to allow Mutuals to operate in their jurisdictions as well. The Central Government can issue a specific notification under Section 2CA to exempt GIFT City (IFSCA) from the corporate structures mandated by Section 2C

However, the recent Insurance Act does provide for setting up Managing General Agents (MGAs) which can be useful intermediary to provide P&I insurance what the applicable laws in the jurisdiction permits.

Capacity/Capital Requirements

The Insurance Act, 2025, does allow Indian Ship Owners to form a Co-operative Insurance Co. with a minimum capital of Rs.100 crores. However, they have to adhere to solvency and other norms. There may not be a legal embargo if a Co-operative Insurance Co. wishes to limit its exposure to its capacity and its members, subject to IRDAI approvals. However, legal provisions do not explicitly enable a company to function as a P&I Club or Captive Insurer. Also Indian shipowners may not be willing to contribute that much of capital.

Government of India may, therefore, consider to provide initial assistance to kick-start the club. In 2012, a similar initiative was taken by ship-owners, GIC Re and other PSUs due to Iran sanctions. A limit of USD 50 million was provided and United India filed the product. In 2016 Maritime protection and Indemnity Association of India established and in 2018 Fixed premium P&I product for coastal vessels launched by New India & MPIAI.

Owing to the small number of ships under the Indian flag, Indian tonnage annually pays approx. USD 15-40 Million in premium to the IG P&I Clubs, which does not represent a significant forex outflow. Further, a premium base of USD 15-40 Million does not make the creation of an Indian P&I Club a commercially viable proposition. Premium figures are an estimation.

Maximum Limit of Liability: Currently with reinsurance arrangements, the limit of liability provided by IG P&I Clubs is at USD 3.1 Billion. With overspill contribution, this cover can go up to USD 8 Billion. Accordingly, a P&I Club catering to the Indian tonnage, will have the herculean task of building the above capacities which would be possible only in the long term with a robust reinsurance program.

Widely/Globally acceptable LOU and security for claims and Charterers' acceptance for commercial viability must therefore be established. The first layer of the losses need to be self-retained/borne by the P&I Clubs themselves before they are shared with the insurer/reinsurer or other Clubs. It may not be in the insurance company's interest to get exposed to the first layer of the risk, especially, when they do not have a chance to underwrite the risk.

Further, recognizing that global sanctions are a geopolitical reality, India's P&I facility should be adaptable. It is emphasized that a fully independent and self-reliant P&I club is not feasible in the short term. Long-term feasibility depends on developing domestic maritime infrastructure and insurance capacity. There is also a need to explore international partnerships while gradually developing domestic capabilities.

Exploring the Options

Under TS21 a P&I fixed premium product is made available as an option in Japanese market along with Hull or without hull insurance provided by Tokio Marine. It is a partnership and a joint venture. Such partnership do not require principle of mutuality but only regulatory clearance which should be easy now with 100% FDI permitted. TS21 mainly envisages the claims and underwriting support system of Standard club and marketing reach of Tokio Marine.

A similar present arrangement of New India Assurance Co. Ltd with Hydor (NIA-Hydor) for fixed premium P&I. In P&I insurance, the service network is arguably more important than the financial payout. When a ship faces a liability claim (e.g., a stowaway, cargo damage, or a dock collision), the master needs immediate, on-the-ground legal and technical representation to prevent the vessel from being arrested.

By partnering with Hydor, NIA mirrors closer to the TS21 value proposition, with one-stop shop for fleet owners. Indian shipowners can secure a comprehensive, fixed-premium policy domestically without having to seek NOCs (No Objection Certificates) from the IRDAI to go to foreign insurers. While the premium is paid to NIA, shipowners get access to Hydor's established international network of surveyors, lawyers, and "fixers." If an Indian-flagged vessel runs into third-party liability trouble, Hydor's infrastructure kicks in to handle the claims management.

The reference to TS21 is not intended as a proposal for direct adoption or short-term experimentation in the Indian market. TS21 is cited only as a learning reference demonstrating how structured, fixed-premium mechanisms can operate successfully.

The immediate requirement is not to keep waiting for the Indian Fleet-ownership size to increase, but the development of a disciplined, credible, and internationally respected Indian P&I framework that supports, Maritime Vision 2030/2047 objectives. The legal and regulatory issues in totality require review of Insurance Act provisions relating to mutual insurance as well as clarification under IFSCA regulations for marine mutual structures.

However, pure mutual route will require work on legal recognition of Marine Mutual Insurance Society Specific IRDAI / IFSCA regulations and mandatory P&I legislative support for Indian vessel owners to be taken in India, capital/ solvency norms suited for mutuality etc. This makes the situation structurally correct but politically and regulatorily heavy.

Therefore, we must immediately start the process of strengthening a fixed premium P&I with urgency and in a phased manner develop a credible P&I ecosystem based on principles of mutuality with the support of shipowners.

It emerges from the above analysis that bodies like the National Shipping Board, DG Shipping or appointed agencies of the Ministry of Ports Shipping & Waterways (MoPS&W), should start a deliberations with the owners/ associations of owners of Brown Water Vessels (coastal vessels, sundry hulls like fishing trawlers, tugs, small tankers, barges used in ports etc.) that are mostly uninsured today or have been seeking

foreign fixed premium insurance. The deliberations should be to bring them onboard to understand their requirements for insuring their vessels and extending benefits of domestically available fixed premium insurance to them.

In terms of beginning the mutual clubs, consultations should also be initiated to find out whether the smaller vessel owners in India, are also agreeable to contributing capital and form an Indian Brown-Water P&I Club on the principle of mutuality and retain/ bear at least a thin first layer of risk, and transfer the higher layers of risk with insurers/ reinsurers in the domestic and international market. Perhaps, the Government could provide some initial capital (on a 'matching capital' basis), Rs. 20 crores to Rs. 40 crores to make the concept of the P&I Club operational in India. The cover may be initially created for the following types:

- All small vessels registered under the IV Act
- Barges (self-propelled and dumb)
- Cargo carriers with up to 5000T cargo carrying capacity

Over time, this company should be able to demonstrate adequate capability and expertise in providing all kinds of support services needed including providing financial guarantees in respect of a maritime claims. In parallel, to enhance the canvas, Charterers can also be involved to form a P&I Club covering their first layer risks and transfer higher risks to established P&I players.

Recommendations and Way forward

- An empowered implementation task - force may be formed with representatives from: Shipowners (e.g., INSA); Marine insurer with experience in P&I (e.g., New India); National Shipping Board, Reinsurer (e.g., GIC Re); IRDAI; MoPSW/Shipping & Finance Divisions; DG Shipping, India; and a reputed maritime law house.
- The Fixed premium P&I insurance model through Indian Insurance Companies like (NIA+ Hydor) should be penetrated through MGAs, to effectively attract Indian ship-owners.

- The option of MGAs for wider reach of the fixed premium cover of global standard should be aggressively explored since the legislation in 2025 has enabled their entry. They can even stitch together more programs like NIA + Hydor, with local insurance companies and reinsurers and/or IG club, as the demand expands.
- To start with a fixed premium P&I insurance model to cover small size /coastal vessels. P&I insurance for coastal and inland vessels should be made mandatory, by legislative provisions.
- Progressively, enhance the limits of liabilities of fixed premium P&I insurance, with mutual deliberations with the fleet owners.
- The Central Government can consider issuing a specific notification under Section 2CA to exempt GIFT City (IFSCA) from the corporate structures mandated by Section 2C, to facilitate a mutual P&I Club at IFSCA. This can be even done for a mutual club at DTA. GoI/ MoPS&W may extend financial support at the initial stages (for 5-10 years). A brief roadmap is placed at Annexure 1.
- Implementing an integrated "one-stop-shop" combining Hull & Machinery (H&M) and Protection & Indemnity (P&I) insurance could also serve as a transformative "anchor service" for the GIFT City maritime cluster. Majors like Tokyo Marine and Hydor, will bring-in the expertise and their partnership / JV with the Indian insurance majors like GIC and New India Assurance etc., will develop domestic capacities.
- Indian efforts must collaborate with IG P&I clubs for global acceptance on long term basis.
- For India, positioning a domestic P&I mechanism with the established 20th February renewal cycle would facilitate smooth integration with global maritime insurance practices. Such alignment would improve predictability, regulatory co-ordination, and acceptance of an Indian P&I framework within the international shipping and reinsurance markets.

Conclusion

Given the growth curve, the Indian shipping industry is experiencing, self-sustaining verticals such as India-owned tonnage for the carriage of Indian cargoes, reliable ancillary industries to promote "Make in India," and the establishment of Indian insurance are becoming realizable dreams. The growth plans and vision for 2030-2047 could be the key drivers in achieving this ambition.

In this light, fashioning an India P&I Club needs to be accelerated. Therefore, the deliberations must be kept alive while the vision is being developed. India's potential to enhance her role in the global maritime sector is undeniable, but realizing this potential requires overcoming several challenges, including legislative hurdles, capital and capacity constraints, and global sanctions. The establishment of a domestic P&I club would offer Indian ship-owners better coverage, financial resilience, and operational flexibility, reducing the nation's dependence on foreign markets for insurance.

The proposed recommendations, such as conducting a comprehensive feasibility study, establishing a fixed premium P&I model for coastal vessels, and enhancing liability coverage, are steps in the right direction. Collaboration with International Group (IG) P&I clubs and gaining government support for legislation and finance in the initial stages will be crucial to building a robust and competitive domestic maritime insurance infrastructure.

Although the journey to establishing a fully functional Indian P&I club may face slow progress due to the current size of India's shipping fleet, this vision is critical for strengthening India's maritime ecosystem. Through continuous dialogue, strategic planning, and consistent efforts from the government, maritime stakeholders, and insurers, India can position herself as a global player in maritime trade and insurance in the coming decades.

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ANNEXURE A

Potential Structure of an Indian P&I Club

Corporate Form: A company may be created (in the DTA or under IFSCA) after due notification under Sec 2 CA of the Insurance Act) to act as an Indian P&I Club. Member-owned mutual insurance model with a board of directors comprising of the stakeholders (those who contribute towards the fund) and non-voting experts from the industry. It is recommended that the first club may be of ‘Brown water vessels’, which is presently a largely uninsured segment.

An MGA experienced in P&I cover can also tie up with an insurer and provide the fixed premium cover to the market.

Memorandum of Articles of Association/ Bye Laws: This should be clearly drafted keeping in mind the present acts and rules. This should also cater for future growth to include other flag vessels. The following items need careful attention:

- Member Admission: Certificate of Entry
- Enforcing Club Rules, Amendments
- Special entries on fixed premium: Charterers, coastal vessels etc.
- Underwriting
- Claims Handling of liability for cargo, pollution, collision, injury etc.
- Jurisdiction, Limitation fund issues, Legal defence
- Risk Management and Loss prevention

Finances/capacity to be managed through,

- Premium Contributions: Calculated based on fleet size, vessel type, and claims history.
- Investment Strategy: Conservative investments to ensure stability
- Reserves Management: Building reserves to handle ordinary claims and bolster solvency

- Participation in the International Group of P&I Clubs’ pooling arrangement in due course.
- Shared risk across global P&I clubs and reinsurance for high-limit claims
- Access to reinsurance markets ensures high coverage limits without direct reserve holding

Managers: The “India P&I Club” may adopt a ‘Make in India’ principle and use existing Indian service providers/ surveyors/ intermediaries. If the situation calls for, they may augment local skills by onboarding specialists/ agencies from abroad to provide services including pre-inspection survey, underwriting support, the arrangement of reinsurance, handling of claims and managing the Club’s investment portfolio and other services usually associated with P&I Club Management, subject to regulatory approvals. Use of MGAs can be considered for bringing their technical expertise.

Correspondents: A set of correspondents and maritime lawyers maybe empaneled for claims handling and other issues related to a casualty. It may be noted that at present all the foreign P&I clubs have their correspondents in every major port in India. To start with they can be empaneled outrightly.

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