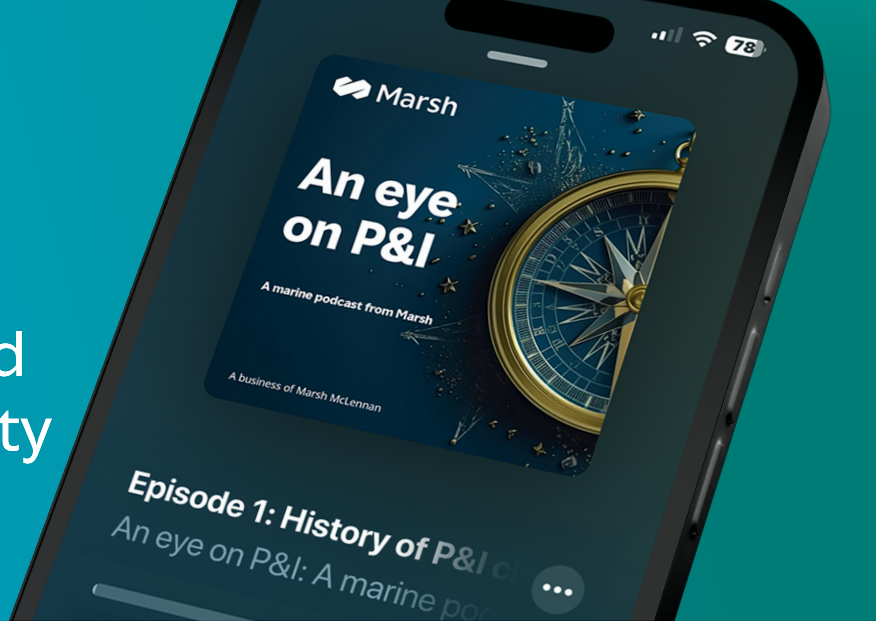
Marsh

An eye on P&I: A marine podcast from Marsh

Episode 1 History of P&I clubs and the concept of mutuality



The origins:

- **1855** First two protection and indemnity (P&I) clubs established in the UK to cover third-party liabilities not included in hull policies (protection risks).
- **1870s** Court ruling prompts the need for cargo cover (indemnity risks), leading to the term “protection and indemnity” (P&I).
- **1872** Swedish Club founded, first outside the UK.
- **1899** Six clubs form a Pooling Agreement to share claims over £10,000.

Today:

The International Group consists of 12 clubs, covering over 90% of the global ocean-going fleet.

Key aspects:

- P&I clubs operate on mutual principles, with shipowner members co-insuring common risks without a profit element.
- Members contribute to a common fund to satisfy claims and cover the cost of managing the club.
- Surplus funds can be returned to members – but if the funds are inadequate there is the risk of a supplementary call.
- The system relies on a high degree of trust between the members and confidence in the club managers
- While the number and type of covered risks has expanded, core mutual principles are largely unchanged.
- Despite political and commercial challenges, the system is robust and continues to provide a vital support to global trade.

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