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ĐIỀU KHOẢN BẢO ĐẢM CẢNG AN TOÀN VÀ LÁ CHẮN CỦA ĐỒNG BẢO HIỂM: NGHIÊN CỨU TÌNH HUỐNG VỤ THE OCEAN VICTORY

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Tóm tắt

Nghiên cứu này phân tích vụ án hàng hải tiêu biểu The Ocean Victory (2017), tập trung vào giới hạn pháp lý của điều khoản bảo đảm cảng an toàn, tác động của bảo hiểm đồng bảo hiểm đối với quyền thế quyền bảo hiểm, cũng như cơ chế giới hạn trách nhiệm trong các tổn thất hàng hải nghiêm trọng. Thông qua phương pháp nghiên cứu tình huống kết hợp phân tích pháp lý học thuyết, bài nghiên cứu làm rõ sự phát triển trong cách tiếp cận của tòa án Anh đối với học thuyết "sự kiện bất thường" và cơ chế phân bổ rủi ro theo hợp đồng thuê tàu. Nghiên cứu cho thấy rằng một cảng sẽ không bị xem là không an toàn nếu thiệt hại phát sinh từ sự kết hợp hiếm gặp và không thể dự đoán trước của các hiện tượng tự nhiên, thay vì từ các đặc tính cố hữu của cảng. Đồng thời, bài viết nhấn mạnh vai trò của bảo hiểm như một cơ chế phân tán rủi ro nhằm hạn chế kiện tụng dây chuyền trong ngành hàng hải quốc tế. Từ đó, nghiên cứu đưa ra một số hàm ý thực tiễn đối với chủ tàu, người thuê tàu, doanh nghiệp bảo hiểm và cơ quan quản lý cảng biển trong việc quản trị rủi ro và xây dựng hợp đồng hàng hải.

Từ khóa: điều khoản bảo đảm cảng an toàn, sự kiện bất thường, bảo hiểm đồng bảo hiểm, quyền thế quyền, luật hàng hải

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SAFE PORT WARRANTIES AND THE SHIELD OF JOINT INSURANCE: CASE STUDY OF THE OCEAN VICTORY

Abstract

This study examines the landmark maritime case of The Ocean Victory (2017), focusing on the legal boundaries of the safe port warranty, the limiting effect of joint insurance on subrogation claims and the extent to which charterers may restrict liability for catastrophic maritime losses under international limitation regimes. Applying doctrinal legal analysis and case study methodology, the research traces the judicial evolution across three levels of English courts, highlighting the shift from a "predictability"-based assessment to the recognition of an "abnormal occurrence" doctrine. The case demonstrates that a port will not be deemed unsafe where damage results from a rare and unforeseeable combination of natural events, rather than inherent characteristics of the port itself. Furthermore, the study analyzes the contractual allocation of risk within a complex chartering chain and emphasizes how joint names insurance can effectively bar insurers from pursuing recovery through subrogation, thereby preventing circular litigation. Drawing on the theoretical frameworks of abnormal occurrence, circuity of action, and contractual risk allocation, the findings underscore the role of insurance as a risk-distribution mechanism rather than a litigation tool, contributing to greater legal certainty in maritime commerce. Practical implications are drawn for shipowners, charterers, insurers, and port authorities in drafting contracts and managing exposure to exceptional risks.

Key words: safe port warranty, abnormal occurrence, joint insurance, subrogation, maritime law, charterparty risk allocation

1. Introduction

The casualty of the Ocean Victory, a Capesize bulk carrier with a deadweight of over 170,000 tonnes, at the port of Kashima, Japan, on 24 October 2006 stands as one of the most consequential modern authorities in maritime law. The vessel was totally lost following a rare combination of long-period swell and gale-force northerly winds, resulting in damages exceeding US$130 million, including hull value, wreck removal, and associated liabilities.

At its core, the dispute raised three significant legal issues regarding the interpretation of safe port warranties, the effect of joint insurance arrangements, and the application of limitation of liability. The case traversed three judicial levels over nearly a decade, reflecting a profound evolution in judicial reasoning from a focus on theoretical foreseeability to a more nuanced emphasis on historical frequency and abnormality of occurrence.

Importantly, this was not merely a dispute between an insurer and the insured. It involved a complex multi-layered chartering chain comprising the shipowner, bareboat charterer, time charterer, and sub-charterer. The outcome at each legal level had the potential to affect all parties down the chain. Although a substantial body of literature on maritime law exists, most previous studies tend to examine safe port warranties, joint insurance mechanisms, and limitation of liability in isolation. Very few analyses have explored how these three key issues interact with one another and collectively shape contractual risk allocation across the entire chartering ladder.

This fragmented approach limits a comprehensive understanding of how risk is actually allocated in practice and leaves important practical implications for the industry underexplored.

To address this gap, this report conducts a detailed case study of the Ocean Victory judgment. The main objectives are to: (i) analyse the legal boundaries of safe port warranties and the abnormal occurrence doctrine; (ii) examine the role and impact of joint names insurance on charterparty obligations; (iii) assess the application of limitation of liability rules; and (iv) draw practical implications for shipowners, charterers, insurers, and other stakeholders in the maritime industry. By doing so, this report aims to provide a more integrated understanding of how these legal doctrines operate together within complex chartering structures, thereby contributing to greater commercial certainty and more effective risk allocation in international shipping.

2. Research Design

2.1. Research Objectives

The primary objective of this report is to examine the landmark case of The Ocean Victory [2017] UKSC 35 in order to provide an integrated analysis of maritime risk allocation under English law. Specifically, the report aims to: (i) analyse the legal boundaries of the safe port warranty and the application of the abnormal occurrence doctrine; (ii) examine the role and limiting effect of joint names insurance on subrogation claims within bareboat charterparties; (iii) assess the interaction between safe port obligations, joint insurance arrangements, and limitation of liability under the 1976 Convention; and (iv) draw practical implications for shipowners, charterers, insurers, and port authorities in managing contractual and financial risks in international shipping. Through these objectives, the report seeks to contribute to a clearer and more integrated understanding of how legal doctrines and standard contract forms operate together to allocate risk in complex chartering structures.

2.2. Scope and Object of the Study

This study is limited to the judicial analysis of the Ocean Victory case and its implications under English maritime law. The research focuses primarily on the three key legal issues decided by the UK Supreme Court: the safe port warranty, joint insurance and subrogation, and limitation of liability. While references are made to Vietnamese maritime law for comparative purposes, the core analysis remains within the framework of English common law and international maritime conventions. The study does not extend to detailed technical aspects of vessel operations or meteorological analysis beyond what is relevant to the legal issues.

The primary object of this study is the Ocean Victory judgment delivered by the UK Supreme Court on 10 May 2017 (Gard Marine & Energy Ltd v China National Chartering Co Ltd [2017] UKSC 35). This case serves as the central case study through which the interaction between safe port warranties, abnormal occurrence doctrine, joint insurance mechanisms, and contractual risk allocation in multi-layered charterparties is examined.

2.3. Research Methodology

This paper employs a qualitative, dual-layered approach consisting of doctrinal legal analysis and case study methodology.

Doctrinal Legal Analysis The study systematically reviews established English maritime law principles, tracking the interpretation of safe port undertakings and the abnormal occurrence doctrine through historical precedents. It further analyzes the application of subrogation and joint insurance mechanisms under standard maritime forms (specifically the BIMCO Barecon 89 and 2017 forms). These principles are simultaneously evaluated alongside domestic legal frameworks, specifically the Vietnam Maritime Code 2015 and the Vietnam Law on Insurance Business 2022.

Case Study Framework The core of the research centers on a macro-level evaluation of Gard Marine & Energy Ltd v China National Chartering Co Ltd (The Ocean Victory) [2017]. The study moves chronologically through the multi-tiered judicial journey, from the High Court to the Court of Appeal and the Supreme Court, to dissect how judicial reasoning evolved across distinct levels of the English court system. This framework allows for a contextual examination of how liability and risk are transferred or absorbed across a complex, multi-layered chartering chain.

2.4. Expected Research Outcomes

This report delivers several core outcomes that contribute to both theoretical legal research and practical maritime operations. The primary theoretical outcome is the construction of an integrated framework that bridges a gap in existing literature by demonstrating how the safe port warranty, abnormal occurrence doctrine, joint insurance, and anti-subrogation immunity interlock across a multi-tier indemnity ladder. By showing how a legal "circuit breaker" at the top of a chartering chain blocks downstream liabilities, the report provides a comprehensive understanding of modern, insurance-centered risk allocation. The practical commercial outcome focuses on providing concrete contractual guidance for shipowners and charterers operating under international standard forms. The findings offer actionable recommendations for negotiating and modifying bareboat insurance clauses, helping stakeholders avoid the "under-insurance trap" while ensuring contractual wording precisely preserves or restricts subrogation pathways. The final outcome provides policy and administrative insights for port authorities and marine underwriters navigating volatile climate risks. It outlines how transitioning from single-hazard risk registers to multi-factor risk assessments can protect expanding deep-water shipping hubs, particularly within Vietnam's developing maritime framework, from systemic operational and legal liabilities.

3. Literature Review

3.1. Safe Port Doctrine

The doctrine of the “safe port” has long occupied a central position in maritime law because it determines the allocation of navigational and commercial risk between shipowners and charterers (John F. Wilson, 2010). Early judicial approaches primarily focused on the physical characteristics of ports and whether a vessel could safely access and depart from the nominated location. The classical authority remains The Eastern City [1958] 2 Lloyd’s Rep 127, where Sellers LJ formulated the widely accepted definition that a port is safe only if a vessel can reach, use, and leave it “without, in the absence of some abnormal occurrence, being exposed to danger which cannot be avoided by good navigation and seamanship.” This definition has become the foundation for subsequent legal scholarship and judicial reasoning concerning safe port warranties.

Academic commentary initially interpreted the safe port obligation as a largely navigational concept concerned with physical accessibility, hydrographic conditions, tides, congestion, and berth safety (John F. Wilson, 2010). Wilson explains that early safe-port jurisprudence concentrated on tangible dangers directly connected to port infrastructure and marine operations. Under this traditional approach, liability generally arose where hazards were considered characteristic of the port itself, including shallow channels, inadequate tugs, unsafe berths, or poor navigational systems.

3.2. Safe Port Warranties

Academic discussion concerning safe port warranties has long distinguished between express and implied obligations within charterparty contracts. The central issue is whether the charterer's duty arises directly from contractual wording or whether the obligation may be implied through principles of business efficacy and commercial necessity.

Express safe-port warranties are commonly incorporated into standard charterparty forms such as the New York Produce Exchange (NYPE) and Shelltime forms. Under these clauses, charterers expressly undertake to nominate ports that are prospectively safe for the vessel. Legal scholars generally agree that express warranties create a relatively strict contractual obligation because the parties have deliberately allocated navigational risk through clear contractual language. Scrutton explains that once an express warranty exists, liability primarily depends upon whether the nominated port was objectively unsafe at the relevant time (Scrutton, 2020).

By contrast, implied safe-port obligations remain more controversial. Courts have historically shown reluctance to imply contractual terms unless such implication is necessary to give business efficacy to the agreement. Academic commentary therefore emphasizes that implied warranties depend heavily upon the structure of the charterparty and the allocation of operational control. In time charters, where charterers usually direct the vessel's employment and nominate ports, scholars frequently support implying a safe-port obligation because charterers possess operational decision-making authority. In voyage charters, however, the position is less certain because the voyage itself is often contractually fixed from the outset.

Several commentators further observe that safe-port clauses are among the most heavily litigated provisions in charterparty law because the concept of safety is inherently contextual (Scrutton, 2020; Thomson Reuters, 2020). The safety of a port depends not only on physical infrastructure but also on weather conditions, vessel characteristics, political stability, congestion, and navigational support. Consequently, courts are often required to balance technical maritime evidence against broader commercial considerations.

3.3. Doctrine of Abnormal Occurrence

The doctrine of abnormal occurrence has become one of the most significant limitations on safe-port liability in modern maritime law. The doctrine emerged prominently following The Evia (No. 2), where the House of Lords recognized that charterers cannot reasonably be held liable for extraordinary and unforeseeable events that fall outside the ordinary characteristics of the nominated port (Kc and Hjalmarsson, no date a). Legal scholars generally interpret the doctrine as a mechanism for balancing commercial certainty against fairness. Without such a limitation, safe-port warranties could potentially expose charterers to unlimited liability for catastrophic events entirely beyond their control.

Academic commentary has concentrated heavily on the distinction between recurring risks and exceptional events. Recurrent hazards such as seasonal storms, predictable congestion, or regularly occurring swell conditions are generally considered part of the port's inherent characteristics. By contrast, rare combinations of natural events, unprecedented weather systems, or sudden geopolitical disruptions are more likely to be classified as abnormal occurrences.

The interpretation of "abnormality" remains controversial. Some commentators advocate a statistical approach based on frequency and historical occurrence, while others emphasize qualitative assessment . Goldby notes that courts frequently adopt a contextual approach, examining whether a reasonable charterer could realistically have anticipated the relevant danger at the time of nomination.

3.4. Subrogation and Joint Insurance

Subrogation has long been recognized as a fundamental principle of indemnity insurance. Under this doctrine, an insurer who indemnifies the insured acquires the insured's rights against third parties responsible for the loss. Legal scholars traditionally justify subrogation on two principal grounds: preventing double recovery by the insured and ensuring that ultimate responsibility remains with the wrongdoer.

Marine insurance scholarship generally characterizes subrogation as derivative in nature (Merkin and Steele, 2013). The insurer acquires no greater rights than those possessed by the insured and remains subject to all contractual limitations and defenses binding upon the insured. Merkin and Steele emphasize that subrogation preserves the balance between compensation and accountability within insurance law.

However, the doctrine becomes considerably more complex in the context of joint insurance arrangements. Maritime commerce frequently involves multiple parties with overlapping interests, including shipowners, bareboat charterers, time charterers, and cargo interests. To simplify risk management, marine insurance policies often insure several parties jointly under the same policy.

The anti-subrogation principle developed as a response to this commercial reality (Bennett, 2018). Under this principle, an insurer cannot pursue a subrogated claim against its own insured. Academic commentary generally views this rule as necessary to preserve the integrity of insurance arrangements. If insurers could recover against co-insured parties, the commercial purpose of joint insurance would be undermined.

Legal scholars remain divided, however, on the precise scope of co-insured immunity. One line of commentary argues that joint insurance automatically excludes subrogated claims between co-insured parties because the insurance arrangement itself represents an agreed allocation of risk. Another line adopts a narrower contractual approach, arguing that subrogation should only be excluded where the contract clearly demonstrates an intention to waive liability between the parties.

3.5. Research Gap

The existing scholarship has extensively examined safe-port warranties, abnormal occurrence doctrine, subrogation, and joint insurance as separate areas of maritime law. Limited research has focused on the broader commercial implications of preventing subrogation within multi-layer charterparty structures involving owners, bareboat charterers, time charterers, and sub-charterers. The interaction between abnormal occurrence doctrine and anti-subrogation principles remains underexplored despite its significant practical consequences for insurers and shipping companies. In particular, insufficient attention has been paid to the way The Ocean Victory integrated safe-port doctrine with joint insurance principles to produce an insurance-centered approach to maritime liability.

This report seeks to address the current gap by analyzing The Ocean Victory as a case study in integrated maritime risk allocation. It examines how English maritime law increasingly channels unforeseeable catastrophic losses into insurance mechanisms rather than contractual liability, thereby reshaping the relationship between charterparty obligations and marine insurance systems.

4. Theoretical Framework

4.1. The Abnormal Occurrence Doctrine

The safe port warranty is a core principle in charterparty law. The basic rule comes from the classic English case Leeds Shipping Co Ltd v Société Française Bunge (The Eastern City) [1958] 2 Lloyd's Rep 127. According to this case, a port is considered safe if the ship can reach it, use it, and leave it safely, unless there is an abnormal occurrence — that is, an unexpected and unusual event that cannot be avoided by good seamanship.

This obligation is prospective, meaning it is assessed at the time the charterer nominates the port. Charterers do not guarantee that nothing bad will ever happen at the port. If damage results from a truly rare and abnormal event, the charterer is usually not liable. In such cases, the risk is expected to be borne by the shipowner and its hull insurer. The leading authority on this doctrine is Kodros Shipping Corp v Empresa Cubana de Fletes (The Evia) (No 2) [1983] 1 AC 736. The UK Supreme Court in the Ocean Victory case further confirmed that courts must consider the whole event as a single occurrence rather than separating each weather factor. Even if individual weather conditions are known at the port, their rare combination can still be regarded as abnormal.

4.2. The "Circuity of Action" Principle and Joint Names Insurance

Joint names insurance, also known as co-insurance, is an important contractual mechanism in bareboat charters. When the shipowner and charterer agree to buy insurance together in joint names, the law seeks to avoid unnecessary lawsuits between them. This is because any claim would eventually return to the same insurance company: a situation referred to as "circuity of action".

In the Ocean Victory case, Clause 12 of the Barecon 89 form required the bareboat charterer to arrange hull insurance in the joint names of both the owner and the charterer. The Supreme Court held that this clause reflected the parties' intention to rely on the insurance payout rather than sue each other. This arrangement effectively prevented the insurer from claiming against the charterers and stopped the cascade of claims down the chartering chain.

4.3. Limitation of Liability under the 1976 Convention

The third key concept is the regime of limitation of liability. The 1976 International Convention on Limitation of Liability for Maritime Claims (incorporated into English law by the Merchant Shipping Act 1995) allows shipowners and charterers to limit the amount they have to pay for many maritime claims based on the vessel's tonnage.

However, the Supreme Court in the Ocean Victory case ruled that charterers cannot use this limitation for claims involving the total loss of the ship itself, the same vessel used to calculate the limitation amount. This decision removed one possible defence for the charterers in cases of total loss.

4.4. Contractual Risk Allocation in Charterparties

These three legal principles: the safe port warranty with the abnormal occurrence exception, joint names insurance, and limitation of liability, work together to create a clear framework for contractual risk allocation in charterparties.

Under this framework, charterers are responsible for normal and foreseeable risks at the nominated port. Rare and abnormal events are borne by the shipowner and its insurers. Meanwhile, joint insurance arrangements help reduce disputes and ensure that losses are compensated quickly through the insurance fund rather than through lengthy court battles.

The Ocean Victory judgment provides a valuable example of how these rules operate together in practice within the complex "ladder" of charterparties. However, existing literature often analyses these concepts separately. This study seeks to address that gap by examining their combined effect in a single major maritime casualty.

5. Detailed case analysis: The Ocean Victory

5.1. The incident

On October 24, 2006, the Ocean Victory, a massive Capesize bulk carrier, was lost at the Port of Kashima, Japan. The incident was not caused by a single storm, but by the simultaneous occurrence of two distinct physical phenomena that rendered the port's geography untenable.

Kashima is susceptible to "long waves", long-period oscillations in the water level. Unlike surface chops, these waves have massive energy and can cause a berthed vessel to surge and sway violently. On the day of the incident, these waves created such severe movement at the Raw Material Quay C that cargo operations were impossible and the vessel risked snapping its mooring lines or damaging the quay. Concurrently, a severe "Kyusaku gale" was blowing from the north/north-northeast, reaching Beaufort Scale Force 9. While the long waves attacked the ship's stability at the berth, these high winds created a treacherous "cross-wind" effect for any vessel attempting to navigate the narrow Kashima Fairway.

The Master of the Ocean Victory was caught in a classic maritime dilemma. The port's infrastructure, designed to protect ships, became the very instrument of its demise due to the layout of the Kashima Fairway.

Remaining at the Raw Material Quay was untenable. The long waves were causing the ship to "pound" against the quay. There was a legitimate fear that the ship would break its lines, lose power, or sustain hull damage while moored. To stay was to risk a "static" disaster. To escape the long waves, the vessel had to transit the Kashima Fairway to reach the open sea. However, the Fairway is a narrow passage flanked by a massive man-made breakwater. Because of the Force 9 northerly gales, a ship exiting the port would be hit by powerful beam winds, making it nearly impossible to maintain a straight course at slow speeds.

At approximately 14:25, under the belief that he was being instructed to leave, the Master departed the berth. As the Ocean Victory proceeded through the fairway, the combination of the wind and the vessel's massive "windage" area caused the Master to lose control. At 15:19, the vessel allided with the end of the South Breakwater.

The initial contact was only the beginning. The vessel grounded and, due to the sustained violence of the environment, eventually broke apart two months later. This led to a massive USD 137.7 million claim by the hull insurers (Gard).

5.2. The Chartering chain

The vessel was subject to three distinct layers of charterparty agreements, each containing a "Safe Port" warranty.

Table 1: Parties and Contractual Relationships in The Ocean Victory Case

Party	Legal Role	Relationship
Ocean Victory Maritime Inc. (OVM)	Registered owner	Held the ultimate title to the vessel.
Ocean Line Holdings Ltd (OLH)	Demise (Bareboat) Charterer	Effectively the "temporary owner", responsible for manning and insuring the ship.
China National Chartering (Sinochart)	Intermediate Time Charterer	Rented the vessel from OLH to trade it for profit.
Daiichi Chuo Kisen Kaisha (Daiichi)	Sub-Time Charterer	The operator who actually ordered the vessel to the Port of Kashima.

Source: Adapted from Gard Marine & Energy Ltd v China National Chartering Co Ltd (The Ocean Victory) [2017] UKSC 35 and Scrutton (2015).

The hierarchy illustrated in the table above represents more than a simple rental agreement; it is a vertical chain of indemnity designed to delegate operational control while theoretically passing liability downward. In a typical maritime claim, liability flows up the ladder through back-to-back contracts. Because of privity of contract, OVM cannot sue Daiichi directly. Instead, the claim for the US$137.7 million loss must cascade:

Gard (as assignee of OVM) sues OLH for breach of the safe port warranty in the demise charter.

OLH then seeks indemnity from Sinochart under their time charter.

Sinochart finally passes the claim to Daiichi, the party that actually nominated the Port of Kashima.

A critical player in this case was Gard Marine & Energy Ltd. Gard was the hull insurer for the Ocean Victory. Under the principle of subrogation, once Gard paid out the USD 137.7 million to the Owners for the loss of the ship, they "stepped into the shoes" of the Owners. This gave Gard the right to sue the charterers to recover the money they had paid. Gard (representing the Owners/ Bareboat Charterers) argued that Daiichi breached the "Safe Port" warranty. However, the charterers used the "Shield of Joint Insurance", arguing that since the Owners and Bareboat Charterers were both named on the same insurance policy, they could not sue each other for the loss. By breaking the first link in the chain, the joint insurance arrangement effectively neutralized the entire indemnity ladder, preventing a decade of potential subrogated litigation and confining the financial loss strictly within the hull insurance framework.

5.3. Judicial Journey

The Ocean Victory dispute passed through three levels of the English court system between 2013 and 2017, each stage reaching a different conclusion on the same central question: was the port of Kashima prospectively unsafe within the meaning of the safe port undertaken in the charterparties, and if so, who ultimately bears that loss? Understanding how each court approached these issues is essential, because the progression of reasoning - from the High Court to the Court of Appeal to the Supreme Court - reveals how maritime law draws the line between a charterer's contractual responsibility and the absorptive function of hull insurance.

5.3.1. The High Court: Foreseeability as the Test (2013)

The first court to hear the case held, in 2013, that the port of Kashima was unsafe and that the charterers had breached their safe port undertaking. The court awarded Gard - the insurer acting as assignee of the owners' rights - substantial damages: US$88.5 million for the agreed value of the vessel, US$12 million for SCOPIC (salvage) expenses, US$34.5 million for wreck removal, and US$2.7 million for loss of hire, totalling approximately US$137.7 million.

The court's reasoning rested on a component-by-component analysis of the storm. It reasoned that both the long swell from the Pacific - which made it dangerous to remain at berth - and the northerly gale winds that made the Kashima Fairway impassable were individually observable features of the port. Since each phenomenon was, on its own, a known characteristic of Kashima, the court concluded that their concurrent occurrence also flowed from the port's characteristics. In other words, the court asked whether each component was foreseeable, found that both were, and concluded that their combination therefore could not be an abnormal occurrence - even if that precise combination had never happened before.

On the insurance question, the court held that the joint insurance provisions of the demise charterparty (Barecon 89, clause 12) did not amount to an exhaustive code precluding the owners from claiming damages against the demise charterer. The court therefore preserved Gard's right to pursue recovery down the chartering ladder.

5.3.2. The Court of Appeal: From Components to the Combination (2015)

The Court of Appeal allowed the charterers' appeal in January 2015, overturning both the finding of unsafety and the ruling on insurance. Its judgment introduced a crucial correction to the analytical framework applied below.

The court identified the High Court's fundamental error: by assessing each weather phenomenon separately rather than asking whether the critical combination was a normal characteristic of the port, the lower court had answered the wrong question. The correct and "unitary" question was: was it a normal characteristic of Kashima that a vessel might be trapped - unable to remain at berth due to long swell, while simultaneously unable to exit the fairway due to gale force winds? Answering that question required examining not the frequency of each individual phenomenon, but the frequency and likelihood of their concurrent, trapping occurrence.

On the evidence, no vessel had ever been trapped in that specific way during the entire 35-year history of the port. Expert testimony further established that the storm of 24 October 2006 was exceptional in terms of its rapid development, duration, and severity. The court drew on the established principle from Kodros Shipping Corp v Empresa Cubana de Fletes (The Evia) (No 2) [1983] 1 AC 736 that mere theoretical foreseeability of an event does not make it a normal port characteristic; what matters is whether the event was realistically part of the ordinary range of conditions the port presents. A rare event - however logically possible - remains abnormal. The Court of Appeal accordingly concluded that the storm constituted an abnormal occurrence, thereby extinguishing the entire safe port claim.

On the insurance issue, the court held that clause 12 of Barecon 89 - which required the demise charterer to arrange hull, war, and P&I insurance in the joint names of both owner and charterer - operated as an insurance-funded framework for dealing with hull losses. Consistent with the principle that co-insureds cannot claim against one another in respect of insured losses (as it would be commercially absurd for the insurer to sue a party it is simultaneously obliged to indemnify), the court held that neither the owners nor their insurer could recover the hull loss from the demise charterer. Without that liability at the first step of the ladder, the entire chain of recourse downstream collapsed.

5.3.3. The Supreme Court: Final Answers on Three Issues (2017)

Gard appealed to the Supreme Court, which heard the case in November 2016 and delivered judgment in May 2017. Three issues were formally before the court: (1) whether there was a breach of the safe port undertaking; (2) whether, even if there was a breach, the joint insurance provisions of clause 12 precluded recovery; and (3) whether the charterers could limit their liability under the 1976 International Convention on Limitation of Liability for Maritime Claims.

First issue is about the safe port question, the Supreme Court dismissed Gard's appeal on the safe port issue unanimously, affirming the Court of Appeal's approach. The court confirmed that an "abnormal occurrence" carries its ordinary meaning: something well removed from the normal, out of the ordinary course, and unexpected - something that a reasonable charterer would not have in mind when giving the order to proceed. The test is not foreseeability but normality: the question is whether the dangerous event was part of the expected range of conditions at the port, not merely imaginable in theory.

The court endorsed the coherent three-way allocation of risk articulated in The Evia (No 2): owners bear losses caused by dangers avoidable by good seamanship; charterers bear losses caused by dangers that were predictable as normal at the nominated port at the relevant time; and owners - backed by their hull insurers - bear losses caused by abnormal occurrences. Charterers are not insurers of unexpected and catastrophic tail risks. Crucially, the court confirmed that a rare combination does not become a port characteristic simply because each of its component elements is individually present at the port. Rarity of the combination is the decisive consideration.

Second issue is the insurance trap. The court was divided on the insurance question, with a majority of three to two holding, in agreement with the Court of Appeal, that clause 12 of Barecon 89 precluded any claim by the owner or the insurer against the demise charterer for the insured hull loss. The majority's reasoning proceeded from the commercial purpose of joint insurance: by arranging marine, war, and P&I insurance in the joint names of owner and charterer (clause 12(a)), and by providing that total loss proceeds be distributed between all interested parties (clause 12(c)), the parties had agreed to an insurance-funded regime for hull losses. Within that regime, claims between co-insureds in respect of insured losses are implicitly excluded.

The majority drew further support from the contrast with clause 13, the alternative insurance clause in Barecon 89, which expressly stated that owners and their insurers would have no right of recovery or subrogation against charterers for insured losses. The majority held that the absence of equivalent language in clause 12 did not mean the opposite result was intended; rather, the same exclusion was implicit in the structure and purpose of clause 12 itself. Selecting clause 12 over clause 13 therefore did not preserve the insurer's subrogation rights - it simply reflected a different arrangement for who paid the premiums.

The minority would have reached a different conclusion, reasoning that the insurer's payment to the owner should be understood as satisfying - rather than eliminating - the demise charterer's liability, thereby preserving the demise charterer's right to claim down the chain against the time charterers, who were strangers to the insurance. On the minority's analysis, the insurance would not have insulated the time charterers from liability; it would merely have structured who paid first. The majority's view, however, prevailed, with the practical consequence that Gard could not pursue any party in the chartering chain for the hull loss.

Third issue is the limitation of liability. The court unanimously held that, even had the safe port warranty been breached, the charterers could not have limited their liability under the 1976 Convention by reference to a fund calculated on the tonnage of the Ocean Victory herself. Article 2(1)(a) of the Convention covers claims for loss of or damage to property "in direct connection with the operation of the ship," but this cannot extend to claims for loss of the very vessel whose tonnage is used to define the limit. The ship cannot be both the instrument causing the loss and the measure of compensation. This ruling closed a potential avenue of further financial protection for charterers.

The overall outcome on The Supreme Court's judgment was a complete defeat for Gard across all three issues. Having paid out approximately US$137.7 million following the total loss of the Ocean Victory, Gard was left with no legal path to recover any of that sum from any party in the chartering chain. The storm was an abnormal occurrence, so the safe port warranty was not breached; clause 12 of Barecon 89 prevented subrogated claims against the demise charterer; and the limitation convention offered no separate shield. The result illustrates how the interlocking structure of charterparty terms and marine insurance can, in extreme cases, confine the entire economic burden of a catastrophic casualty within the hull insurance framework.

6. Practical Implications for the Maritime Industry

Beyond resolving a particular dispute, the Ocean Victory [2017] UKSC 35 reshaped the legal and commercial landscape for every party involved in the maritime chartering chain. Its conclusions on abnormal occurrences, joint insurance, and liability limitation send clear signals to charterers, ship owners, insurers, and port authorities alike about how risk is allocated - and who ultimately bears it when things go catastrophically wrong.

6.1. For Charterers: Greater Protection, but Careful Drafting Required

The case confirms that the safe port warranty is a prospective promise made at the time of nomination, not a continuing guarantee against every conceivable danger. Charterers are therefore not liable for losses caused by rare and historically unprecedented combinations of natural events - the kind of "freak" weather that falls outside the ordinary range of what the port presents. This is a significant protection: it allows charterers to nominate commercially well-established ports without becoming guarantors of catastrophic tail risks.

However, protection under the abnormal occurrence doctrine is not automatic. It depends critically on the historical record of the port: had the dangerous combination at Kashima occurred even once before, the outcome might have been different. Charterers should therefore conduct proper due diligence on nominated ports - reviewing past incidents, weather data, and port entry guides - rather than relying on general reputation alone. They should also ensure that their safe port clauses are clearly drafted to reflect the prospective, nomination-date nature of the warranty, and consider including express force majeure or extraordinary weather exclusions where appropriate.

6.2. For Ship Owners: The Hidden Cost of Joint Insurance

The majority holding on Issue 2 is a cautionary lesson for owners operating under Barecon 89 or similar bareboat forms. By selecting clause 12 and agreeing to hull insurance in the joint names of owner and charterer, the owner implicitly accepts that the insurance fund - and not a damages claim against the charterer - is the primary remedy for hull losses. This was not hypothetical for OVM: even if the safe port warranty had been breached, its recovery against the demise charterer would have been barred, and the difference between the insured value (US$70 million) and the vessel's market value (US$88.5 million) would have been irrecoverable.

Owners should therefore negotiate the selection between clause 12 and clause 13 with full awareness of their consequences. If recourse against the charterer for breach is important -

particularly where an express safe port warranty has been added by amendment, as in this case - the charterparty should include language equivalent to clause 13's express anti-subrogation carve-out, which was deleted here. Equally, owners should keep the insured value in Box 27 aligned with the vessel's current market value, as this effectively caps their recovery in the event of a total loss.

6.3. For Insurers: Re-pricing Tail Risk and Rethinking Subrogation

Gard's experience is a stark illustration of the "insurance trap" inherent in co-insured bareboat structures. Having paid out approximately US$137.7 million, it found every avenue of recovery closed. The co-insurance principle blocked subrogation against the demise charterer; without that liability at the first step of the ladder, the entire downstream chain of recourse collapsed as well. Insurers underwriting hull risks under clause 12 structures must therefore price their exposure as genuine first-and-last payers, without assuming residual recovery through subrogation.

The safe port ruling compounds this. Because the most extreme and catastrophic weather events are the most likely to qualify as abnormal occurrences - and therefore fall outside the scope of the safe port warranty - insurers effectively absorb the worst end of the risk spectrum. Premium structures for hull policies on vessels calling at ports exposed to rare but severe meteorological combinations (Pacific-facing ports, typhoon-prone regions, ports with narrow single-exit fairways) should explicitly reflect this. At the underwriting stage, insurers should also examine whether the co-insurance arrangements in the applicable charterparty preserve any viable subrogation route against sub-charterers who are not themselves party to the joint insurance, and structure the policy accordingly.

6.4. For Port Authorities: Risk Assessment and Emergency Protocols

Although the port authority of Kashima was not a party to this litigation, the case contains an implicit message for port authorities everywhere. The abnormal occurrence doctrine depends on whether a dangerous combination of conditions has historically occurred at the port. This means that a port's documented safety record - or lack thereof - directly shapes the legal exposure of charterers who nominate it. The Guide to Port Entry for Kashima had noted that the fairway is exposed during periods of northerly swell, but no formal assessment had ever been conducted of the risk that a vessel might simultaneously be unable to remain at berth and unable to exit the fairway.

Port authorities should treat the Ocean Victory as a prompt to move from single-hazard risk registers to multi-factor assessments that consider combinations of weather phenomena. Where such combinations are identified as plausible, ports should publish this information clearly - which both improves safety and, from a legal standpoint, may bring such events within the range of "normal characteristics" known to charterers at the time of nomination. Beyond documentation, the case highlights the need for robust emergency departure protocols: clear decision thresholds, real-time weather monitoring, and adequate tug availability so that vessels are not placed, as the Ocean Victory was, in an impossible dilemma between two equally dangerous choices.

6.5. The Broader Lesson: Insurance as the Backbone of Maritime Risk Allocation

The deepest lesson of Ocean Victory is systemic. English maritime law, as confirmed by the Supreme Court, treats hull insurance - not charterparty litigation - as the designed mechanism for absorbing catastrophic, abnormal losses at sea. The safe port warranty allocates risk for predictable dangers; the insurance framework allocates risk for everything else. The charterparty and the insurance policy are therefore not independent instruments: they must be read and negotiated together.

For the maritime industry, this means that the true cost of hull insurance must reflect the full spectrum of port-related risk, not just the everyday perils. It means that the insured value, the choice of insurance clause, and the scope of subrogation rights are commercial decisions with profound legal consequences that deserve careful attention at the contracting stage - not just after a casualty occurs. The Ocean Victory stands as a permanent reminder that in the absence of that care, the economic burden of a catastrophic loss may rest entirely and finally with the insurer.

7. Conclusion

This article, through doctrinal legal analysis and case study methodology, has examined the landmark maritime case of *The Ocean Victory* [2017] UKSC 35 and its implications for safe port warranties, joint insurance, and limitation of liability in maritime law. The case clarifies that charterers will not be liable where damage results from an abnormal and unforeseeable combination of natural events rather than the inherent characteristics of the port itself. The judgment also demonstrates how joint names insurance can prevent subrogation claims and shift catastrophic losses into the insurance framework rather than contractual litigation. Nevertheless, the case reveals important challenges concerning contractual drafting, risk allocation, and the limits of liability protection under international maritime conventions. To reduce future disputes, shipowners and charterers should draft safe port and insurance clauses more clearly, insurers should reassess underwriting strategies for exceptional weather risks, and port authorities should strengthen multi-factor risk assessments and emergency response procedures. Through these measures, maritime stakeholders can improve legal certainty, commercial efficiency, and risk management within modern charterparty structures.

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