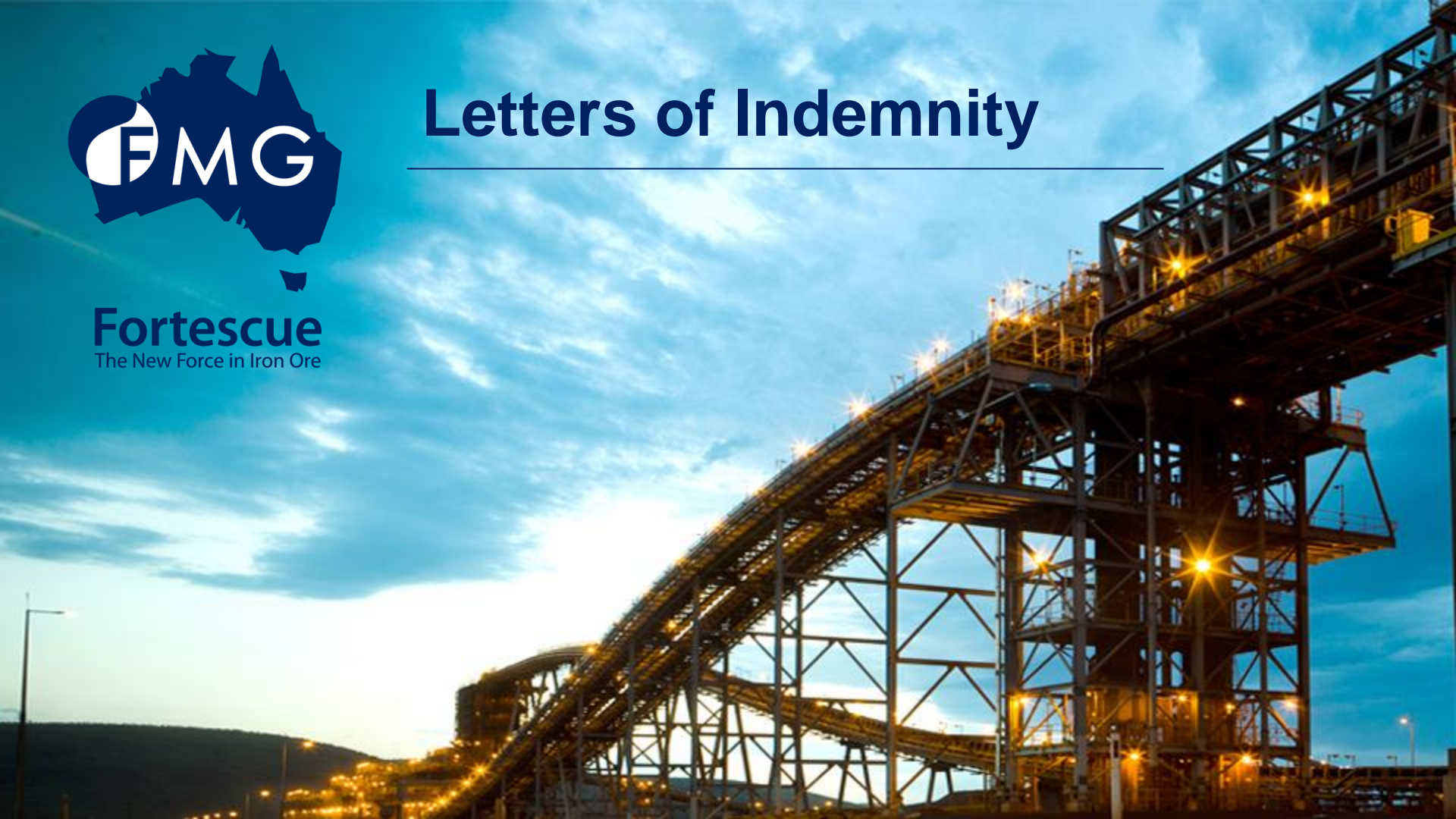




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# Letters of Indemnity

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# Bills of lading

## Functions

- Receipt
- Contract
- Title

# Letters of indemnity

## Types

- Discharge LOIs
- Shipment LOIs
- Other

# Letters of Indemnity

## Key features

- Indemnity
- Security
- Defence funds

# Letters of indemnity

## China

- Short sailing time
- Resale
- Delivery orders
- Practice within Chinese ports

# Letters of indemnity

## Risks

- Main risk – it gets called in
- Unlimited
- Credit risk
- Enforceability
- P&I cover

# Letter of indemnity

## Claim scenario

- Ship on time charter to Charterer A.
- Charterer A subcharter ship on VC to Charterer B.
- Charterer B uses the ship to transport cargo it has sold to its customer.
- Seller is paid by receiver under an LOC, opened by the customer with its bank.
- Ship arrives before the OBLs and receiver asks Charterer B to discharge against an LOI. Same request made up the chain.
- Customer gets a DO and collects the cargo.
- Customer doesn't pay the bank.
- Bank brings a claim against the ship for misdelivery.
- Ship makes a call against the LOI from Charterer A, the claim is passed down the chain.

# Letters of indemnity

## Risk minimisation

- No more LOIs
- Credit assessment
- Back to back
- Contract protections





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