

Member Training

1 – 3 October 2013

London

The Standard



Introduction to the Standard Club

Alistair Groom
Chief Executive Officer

Contents

- club aims and strategy
- key data and finances
- what we do
- Charles Taylor and the club
- looking forward

Club aims and strategy

Strategy and objectives

- sustainable P&I cover at reasonable cost
- first class service
- financial security
- growth, consistent with quality
- growing the club's products and services

- everything we do is focused on supporting our members:
 - syndicate structure, providing integrated support teams
 - world-high network for local service globally
 - high-calibre, well-trained and empowered people, to help when most needed
 - tailored covers and sympathetic claims handling
 - strong finances for stability and security

Progress and challenges

- progress:
 - service delivery
 - *speed and response*
 - financial stability
 - new covers and services
 - *K&R, Traders, Intermediaries, Hull, MLC*
 - *more under development*

Progress and challenges

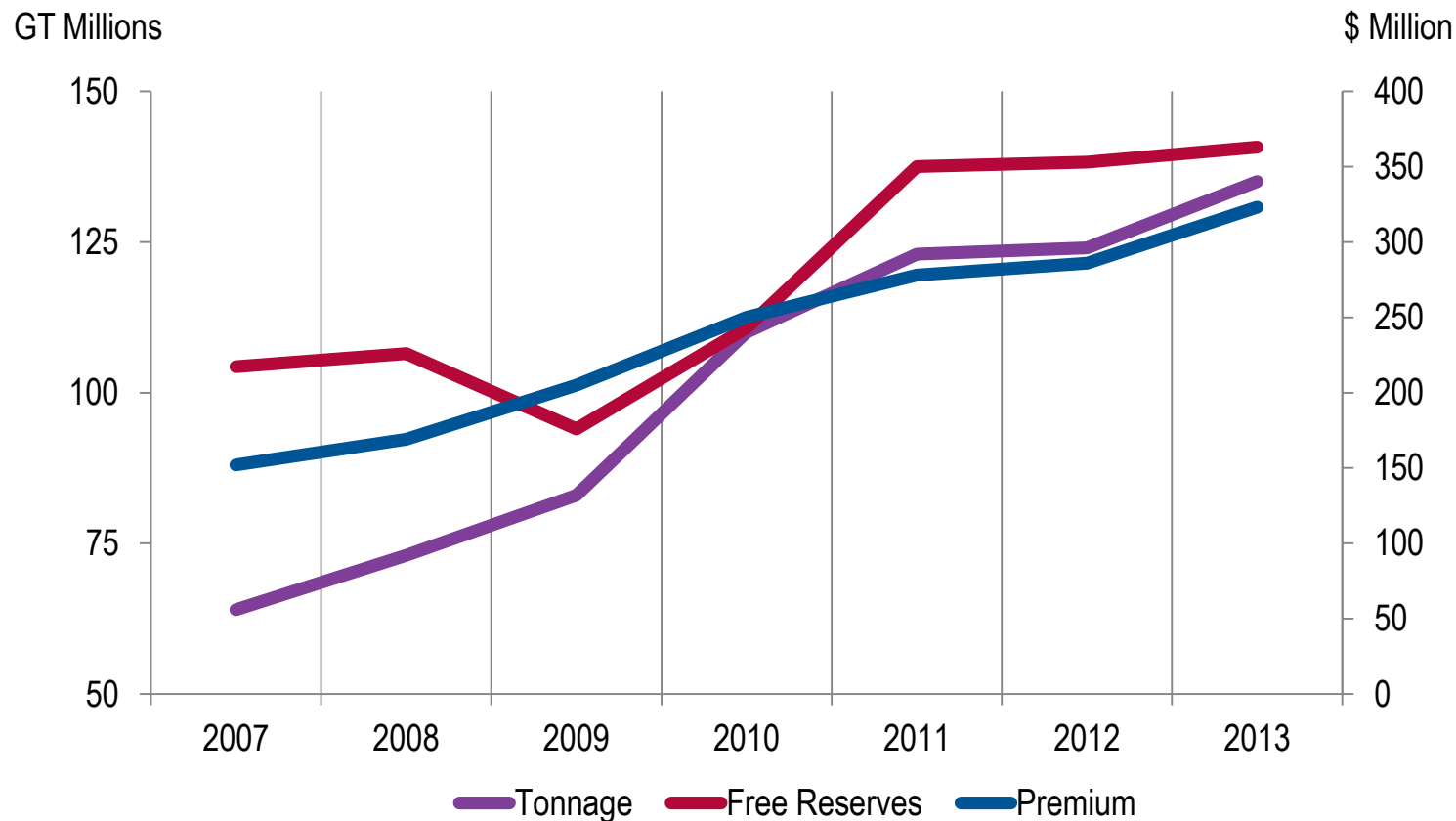
- challenges:
 - underwriting result
 - *improve the combined ratio*
 - increasing claims costs
 - *big claims getting bigger*
 - reinsurance costs
 - *set to rise further, fairness in allocation*
 - regulatory and legislative pressures
 - *prudential regulation, liability conventions*
 - *uncertainty*

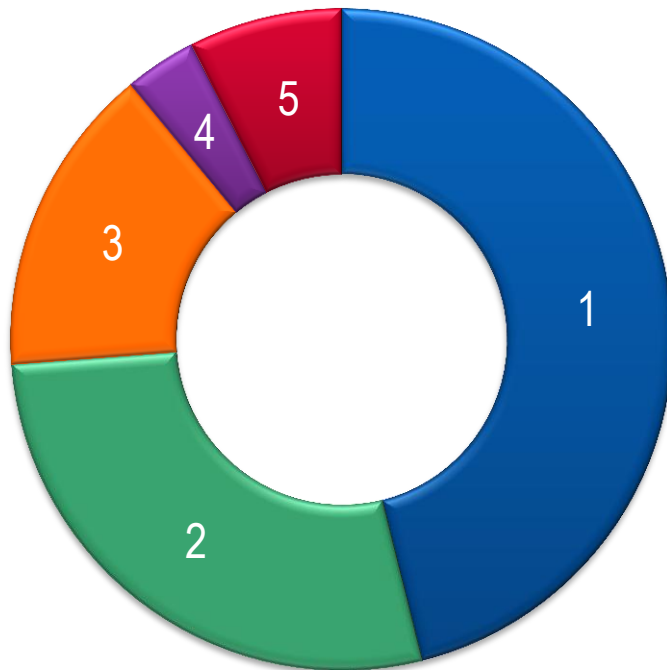
Key data and finances

Key data

- 2013/14 premium income: policy year projection \$328m
 - current tonnage insured: owned and chartered 139 mgt
 - free reserves: as at 20/2/13 \$363m
-
- S&P A rated (strong)

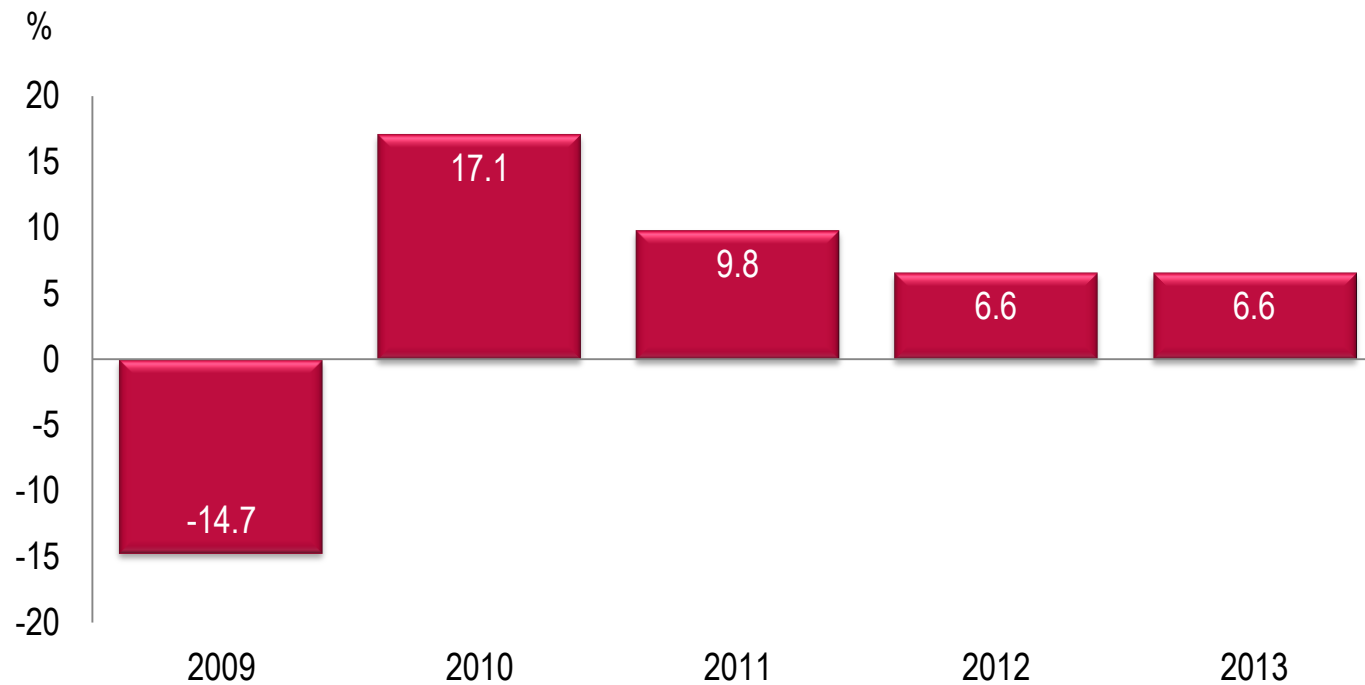
Key data





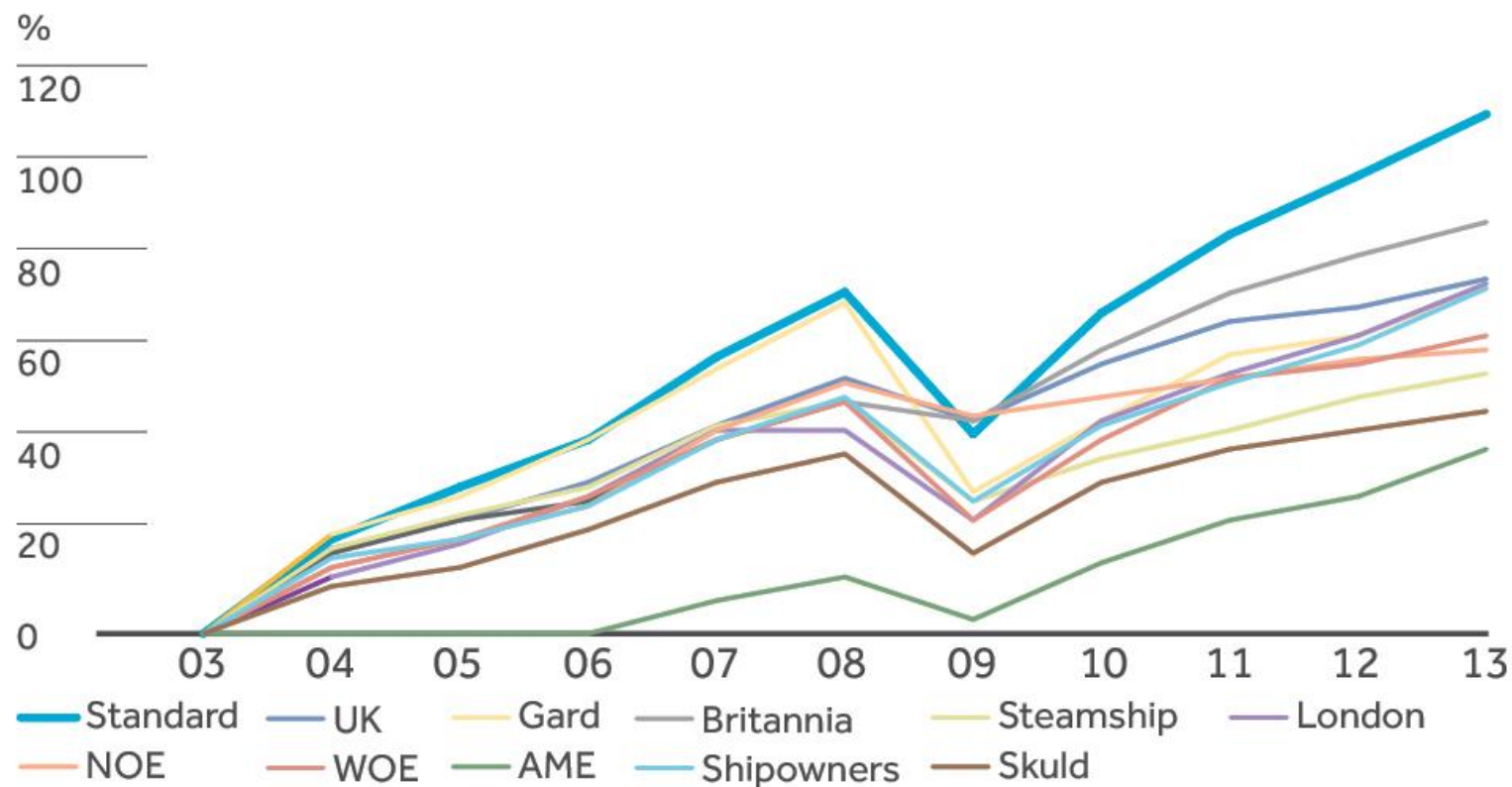
1	Sovereign bonds	46.1%
2	Corporate bonds	27.7%
3	Equities	15.2%
4	Alternatives	3.5%
5	Cash	7.5%

Investment return



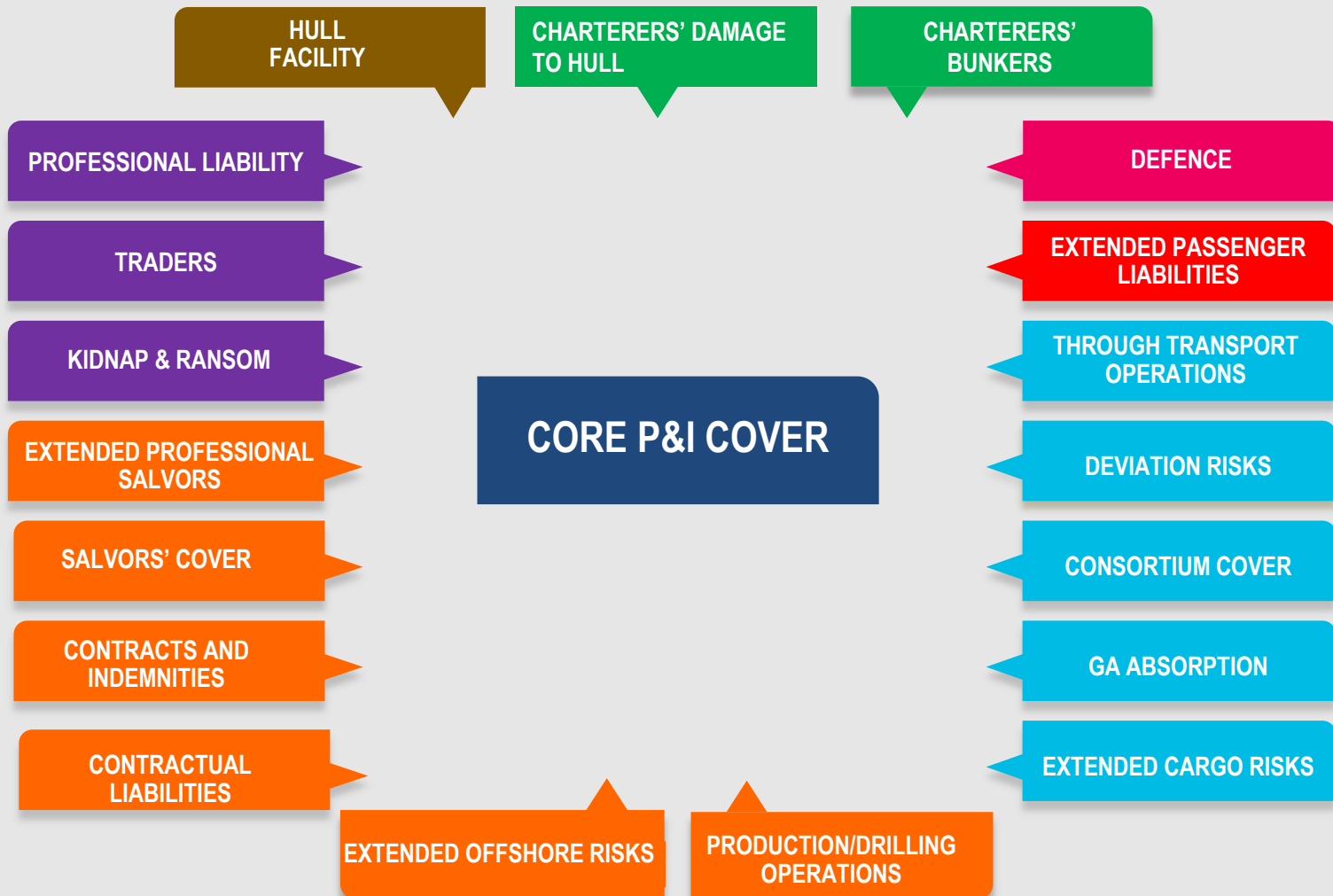
Estimated approximate return only and subject to change.

10 year compound investment return



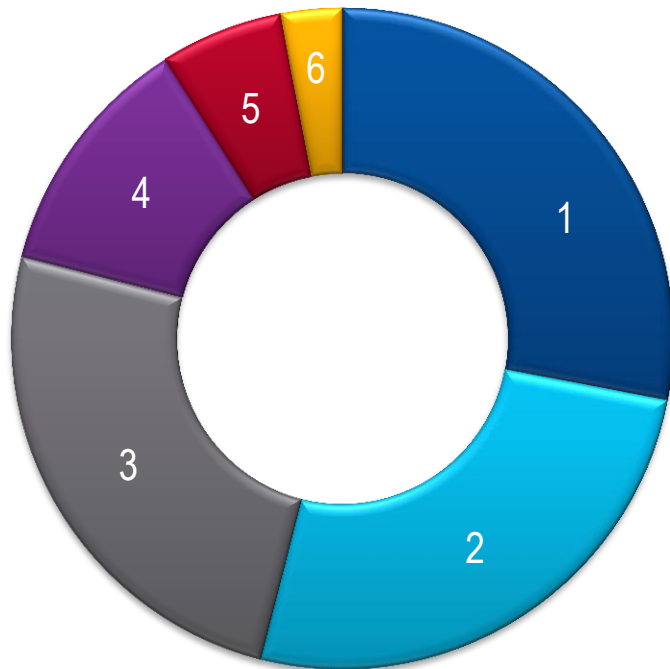
What we do

Our products



Ship types entered

Owned tonnage



1	Tanker	28%
2	Dry bulk	26%
3	Container & general cargo	25%
4	Offshore	12%
5	Passenger & ferry	6%
6	Other	3%

Owned tonnage



1	Greece	11%	9	United Kingdom	4%
2	Japan	9%	10	The Netherlands	3%
3	USA	9%	11	Qatar	3%
4	Germany	8%	12	Monaco	3%
5	Italy	7%	13	Turkey	3%
6	Canada	6%	14	Rest of Europe	10%
7	Republic of Korea	6%	15	Rest of World	8%
8	Singapore	5%	16	Rest of Asia	5%

Loss prevention

- Safety & Loss Advisory Committee
- member risk review
- surveys
- seminars
- newsletters, guides and training DVDs
- *The Human Element: a guide to human behaviour in the shipping industry*

Charles Taylor and the club

Professional services to the insurance sector

The Standard



INSURANCE SUPPORT
SERVICES

ADJUSTING SERVICES

Charles
Taylor

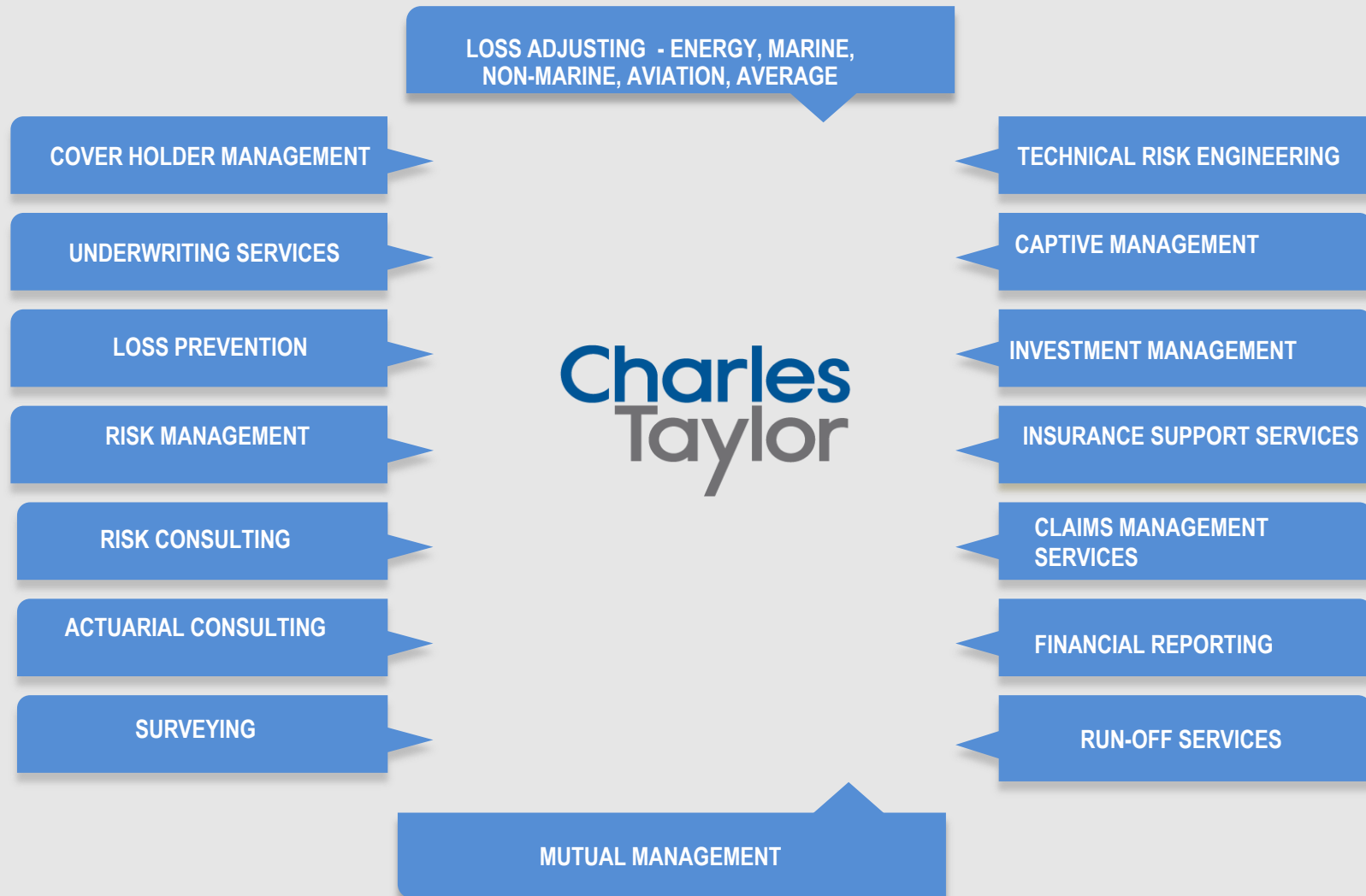
MANAGEMENT SERVICES

INSURANCE COMPANIES
RUN-OFF

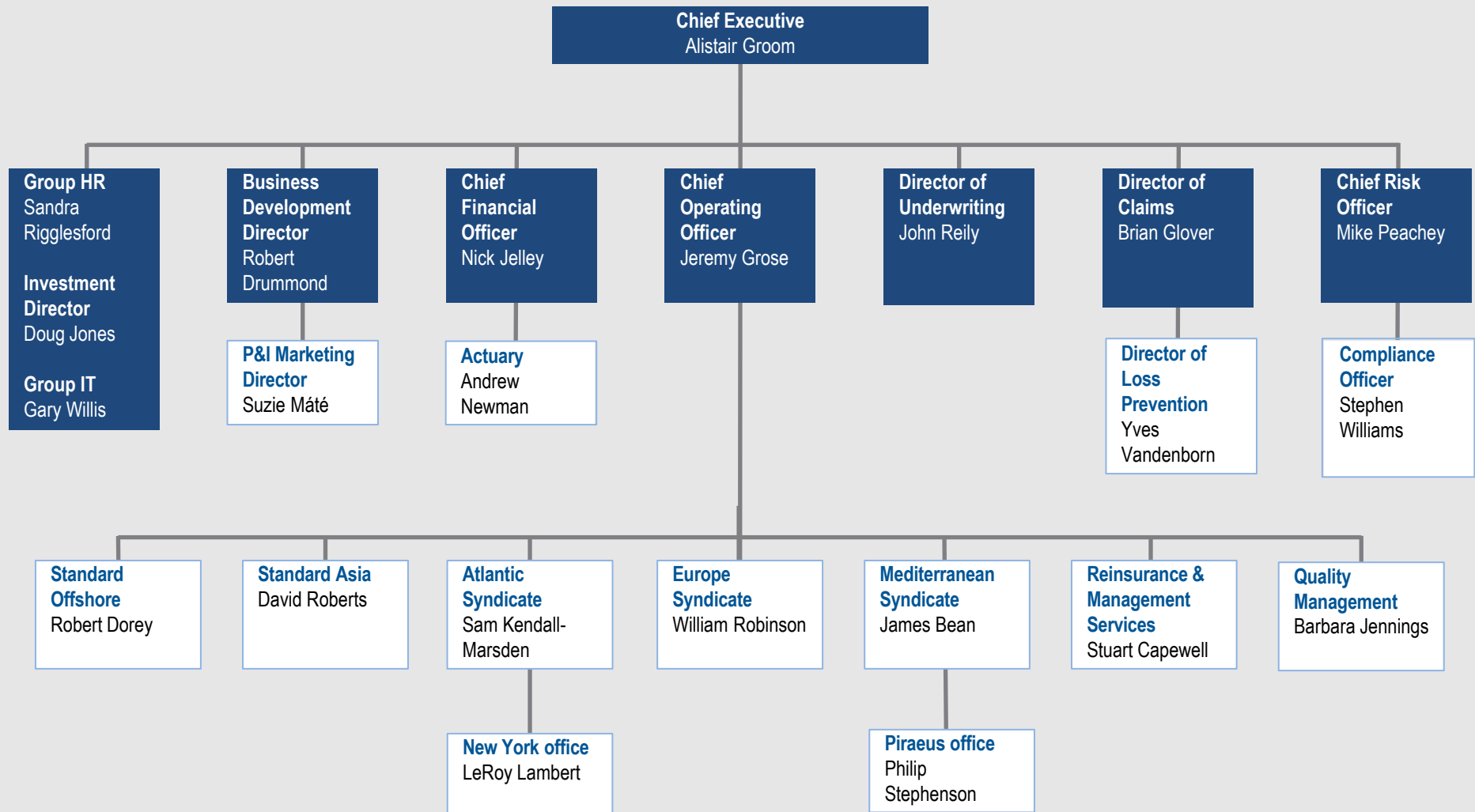
Charles
Taylor

Professional services to the insurance sector

The Standard





The managers



Charles Taylor offices around the world



-  = Standard Club offices
-  = Charles Taylor offices

Looking forward

Current financial influences

- P&I claims stable, but general under-rating across the market as a whole needs addressing
- investment income unreliable
- Pool claims activity
- many members still suffering financially

What next?

- maintain the quality
- maintain the strength
- continue to develop new covers
- widen the offering
- grow the service
- strive for more ways to give value to owners

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Shipping Market Overview

**Presentation to The Standard Club
London – 1st October 2013**

**Steve Gordon, Managing Director
Clarkson Research Services Limited**

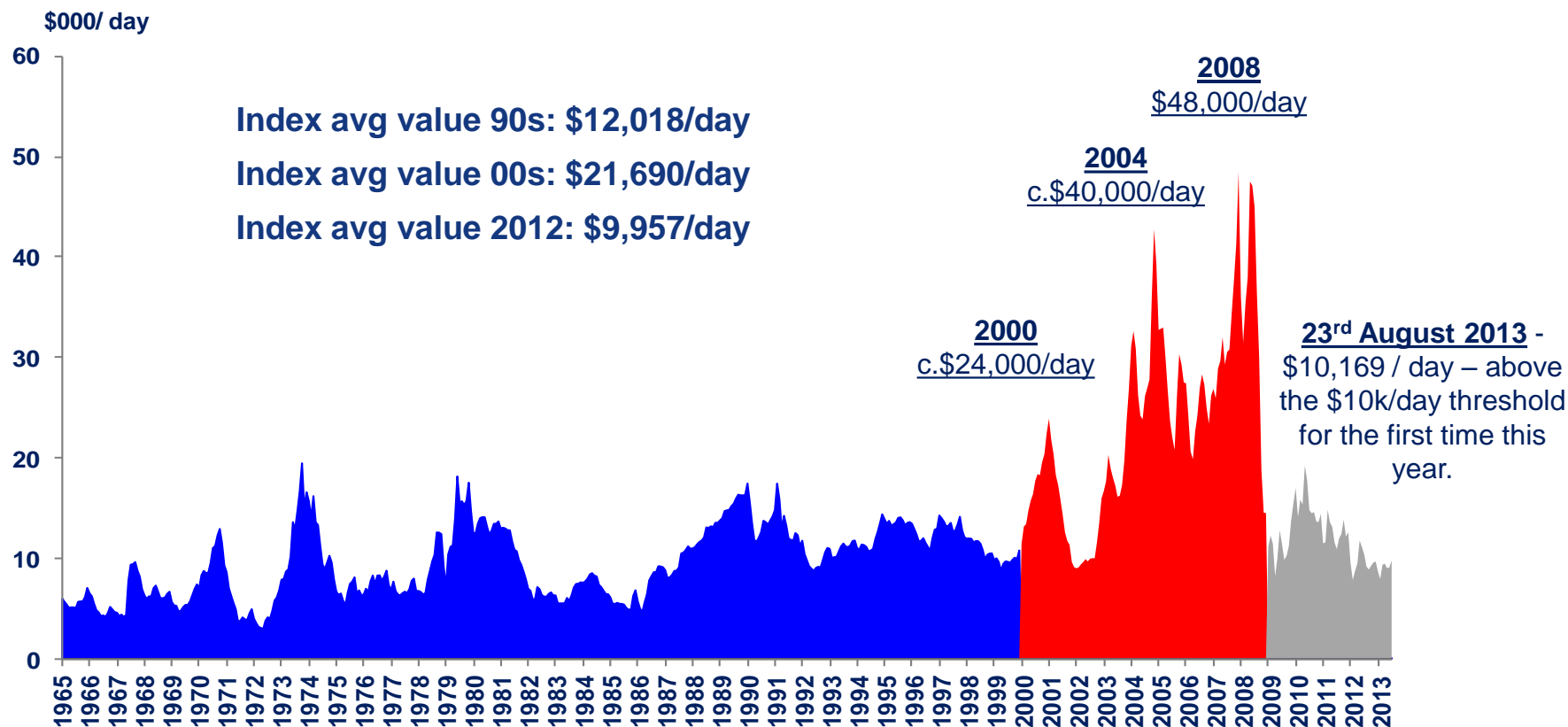
Agenda

1. Market Position
2. Seaborne Trade
3. World Fleet
4. Ownership
5. Shipbuilding
6. Summary

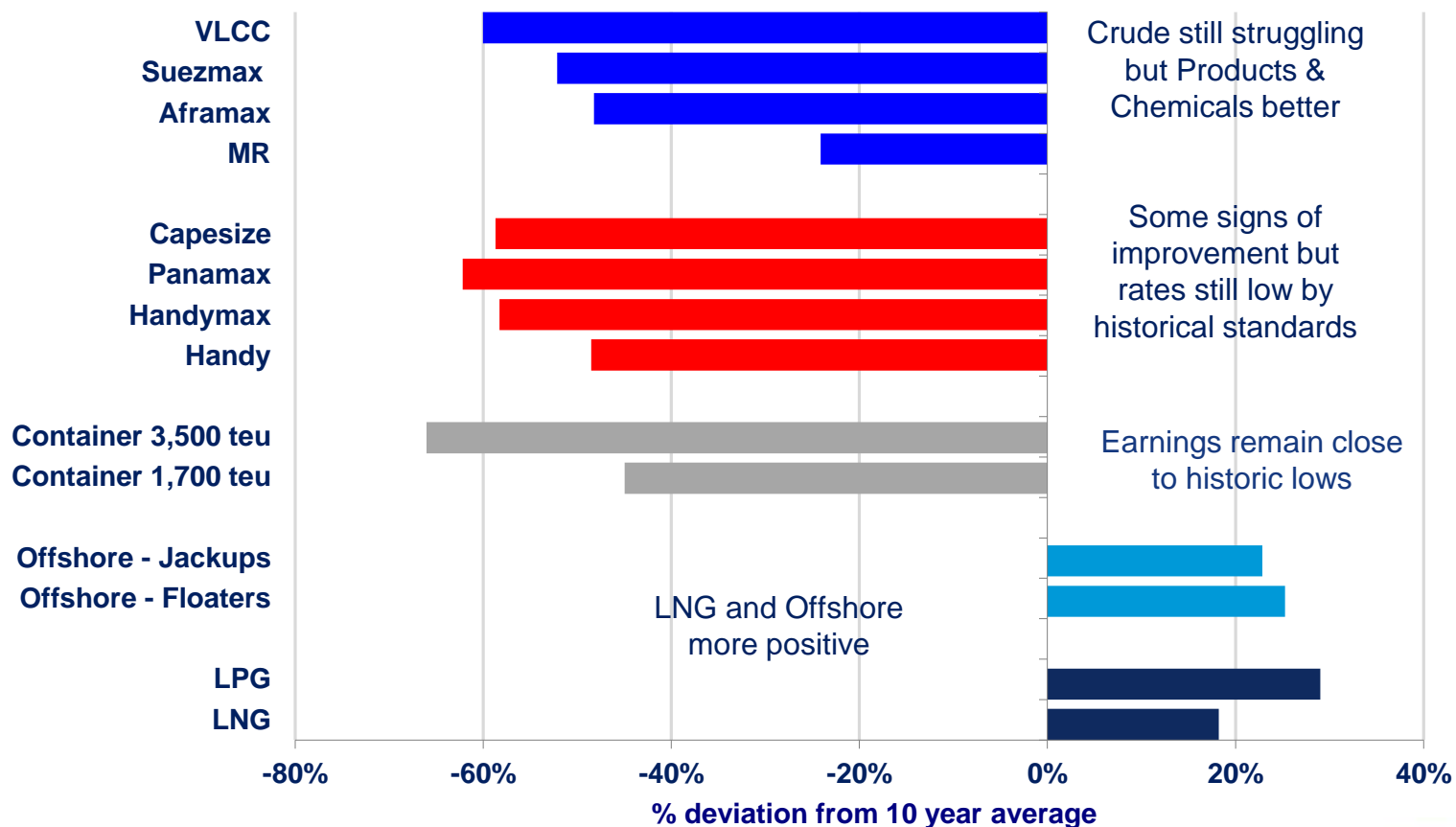
1. Market Position

Shipping Cycle 1965-2013: ClarkSea Index

(**ClarkSea Index** is a weighted average of earnings by tankers, bulkers, containerships & gas carriers)

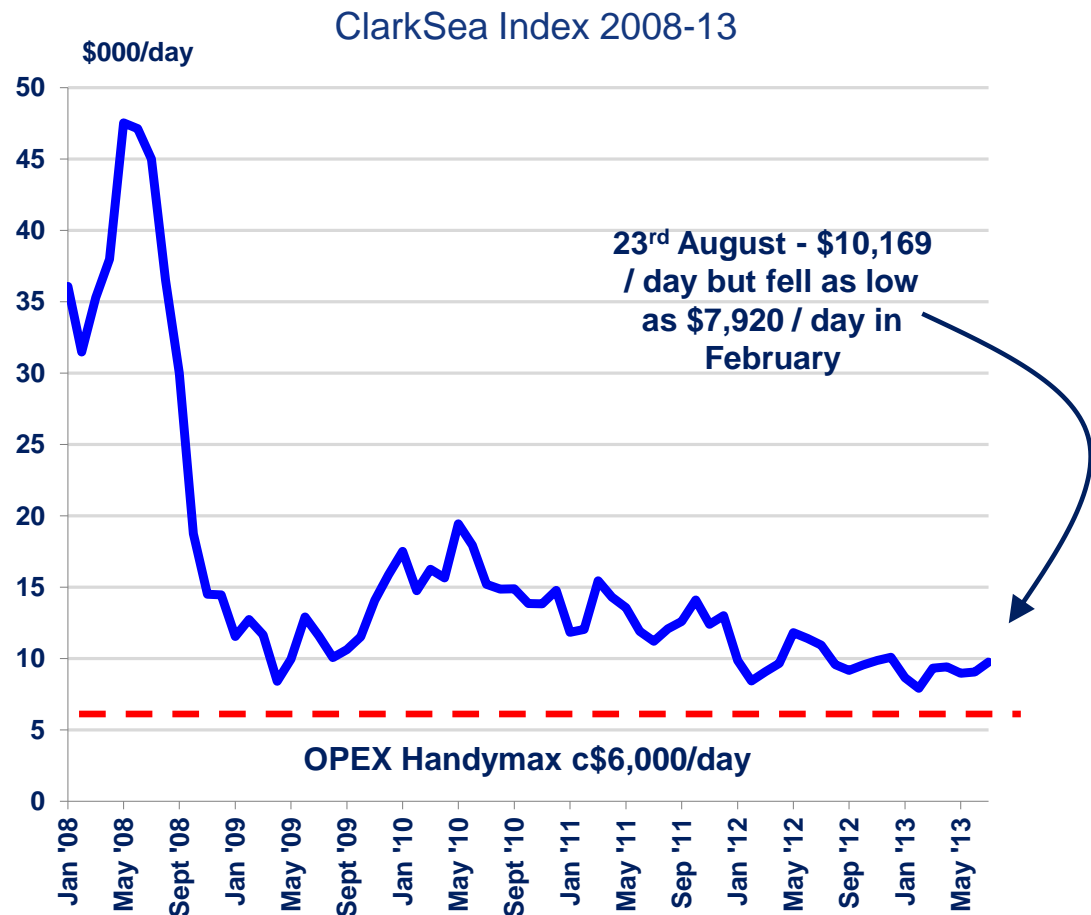


Cycle Position September 2013



This chart shows average earnings for each ship type as at September 2013 compared to the average 1 year timecharter earnings during the last 10 years.

Shipping Downturn



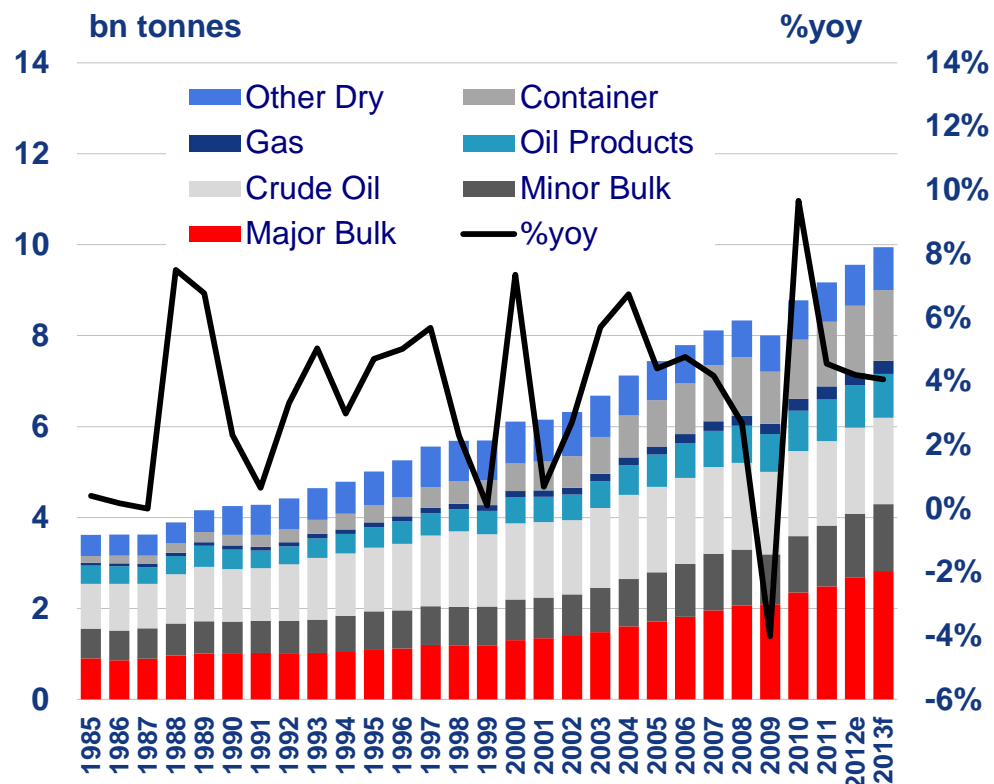
1. Huge Cash Pressures & Cost Focus
2. Surplus in the Volume Markets
3. Cash is King
4. Wide Spread Of Trading Regions & Demand OK
5. Some Sectors Better Position – Small & Niche
6. Ships Still Trading & Slow Steaming but Not Laid Up
7. Big Change in Ship Economics – Fuel & Regulations
8. Financing Squeeze
9. Ownership Changes

2. Seaborne Trade

World Seaborne Trade Growth

- Historically, world seaborne trade expansion has generally been relatively well correlated to global economic growth.
- In 2003, trade exceeded more than a tonne for every person on the planet.
- 2009 was the first year of significant trade contraction since 1983.
- Sea trade cycles generally follow cycles in world GDP – but not precisely. 2013 – 3.5% GDP growth and 4.0% growth in trade?
- Non OECD population is
- In 2014, we expect trade to exceed 10 billion tonnes for the first time.

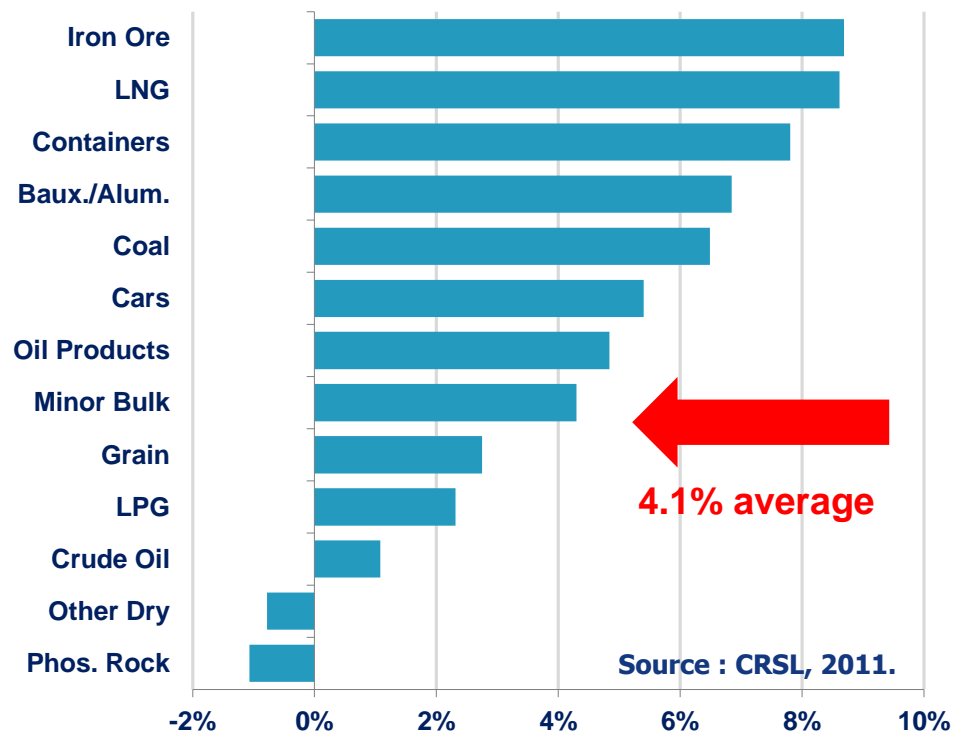
World Seaborne Trade Growth



World Seaborne Trade

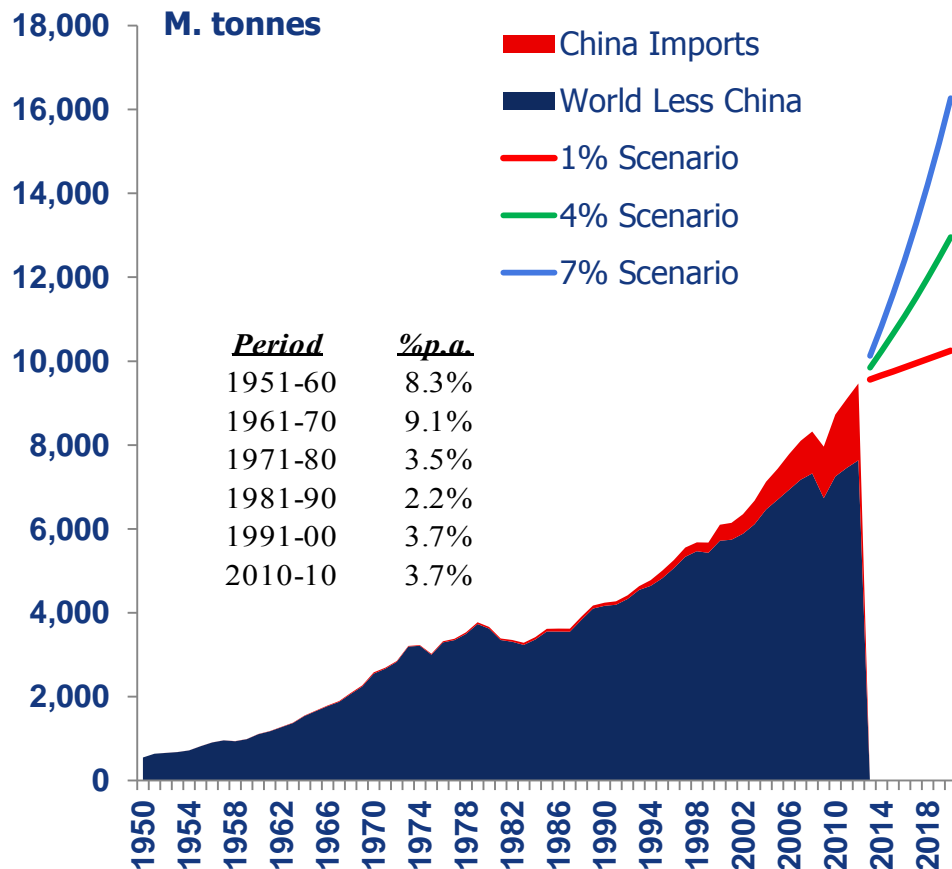
- Growth in world seaborne trade in last decade led by
 - Iron Ore
 - Containers
 - LNG
 - Coal
 - Vehicles
- Average per annum rate of around 4% per annum.

2002-12 Trade Growth, avg pa%



Source : CRSL, 2011.

Seaborne Trade Outlook

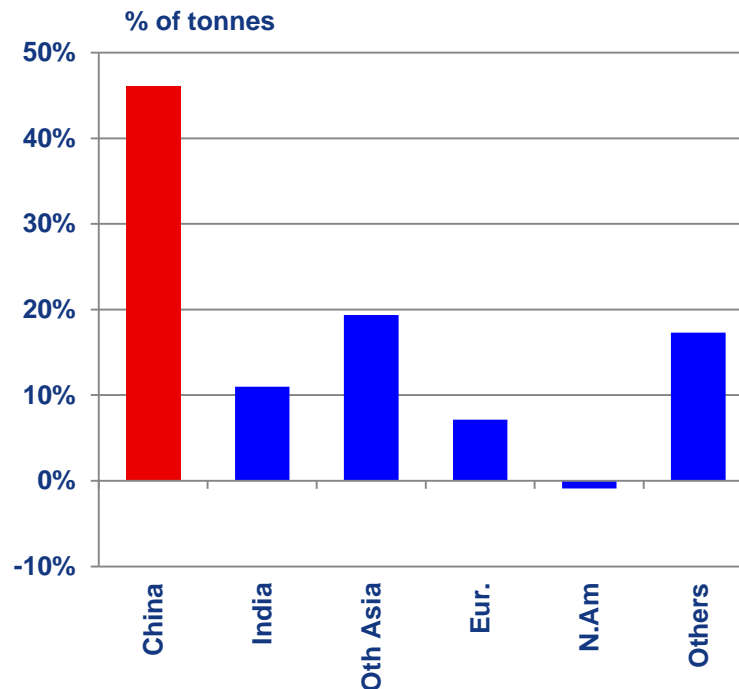


- We expect trade to grow by 4-5% in 2013 but risks remain given economic developments / uncertainty and there is a lag on trade data.
- China accounts for over 40% of the growth in imports in the past decade.
- For planning purposes, 4% per annum growth in trade over the next decade does not seem unreasonable, backed by continued development of the globalised world economy.
- Our long-term sector-by-sector assumptions support this level of growth projection.

Where Will The Trade Growth Be?

- Growth in world seaborne trade likely to be led by import into
 - China
 - Other Asian economies
 - Developing regions
- According to approximate projections Chinese import growth could account for 46% of the growth in tonnes in global seaborne imports, with other Indian imports accounting for 11% and other Asian economies 19%.

Estimated Share of Trade Growth
2012-2024, Importers



Structural Patterns

- US energy balance
- China and India
- Containers : Asia and Panama
- Offshore energy contribution
- Africa : energy and minerals
- Unlocking the Arctic
- Wildcards

Wildcards?

- Globalisation vs Protectionism;
- 'Reshoring'
- Political instability
- Fuel prices
- Infrastructure and supply
- Global economic growth story

3. The World Fleet

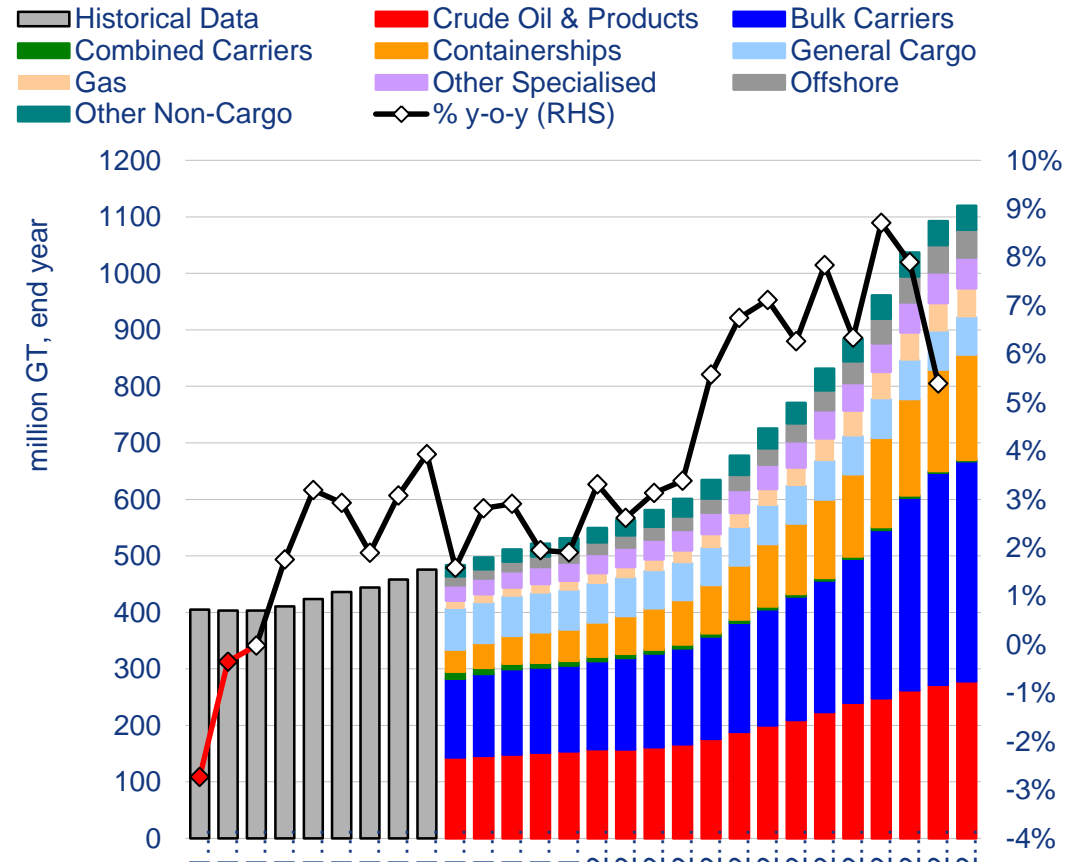
The World Fleet: GT

- From 1990 to 2004 the fleet grew at 2-3% but then surged to 7-9%. The fleet is now starting to slow.

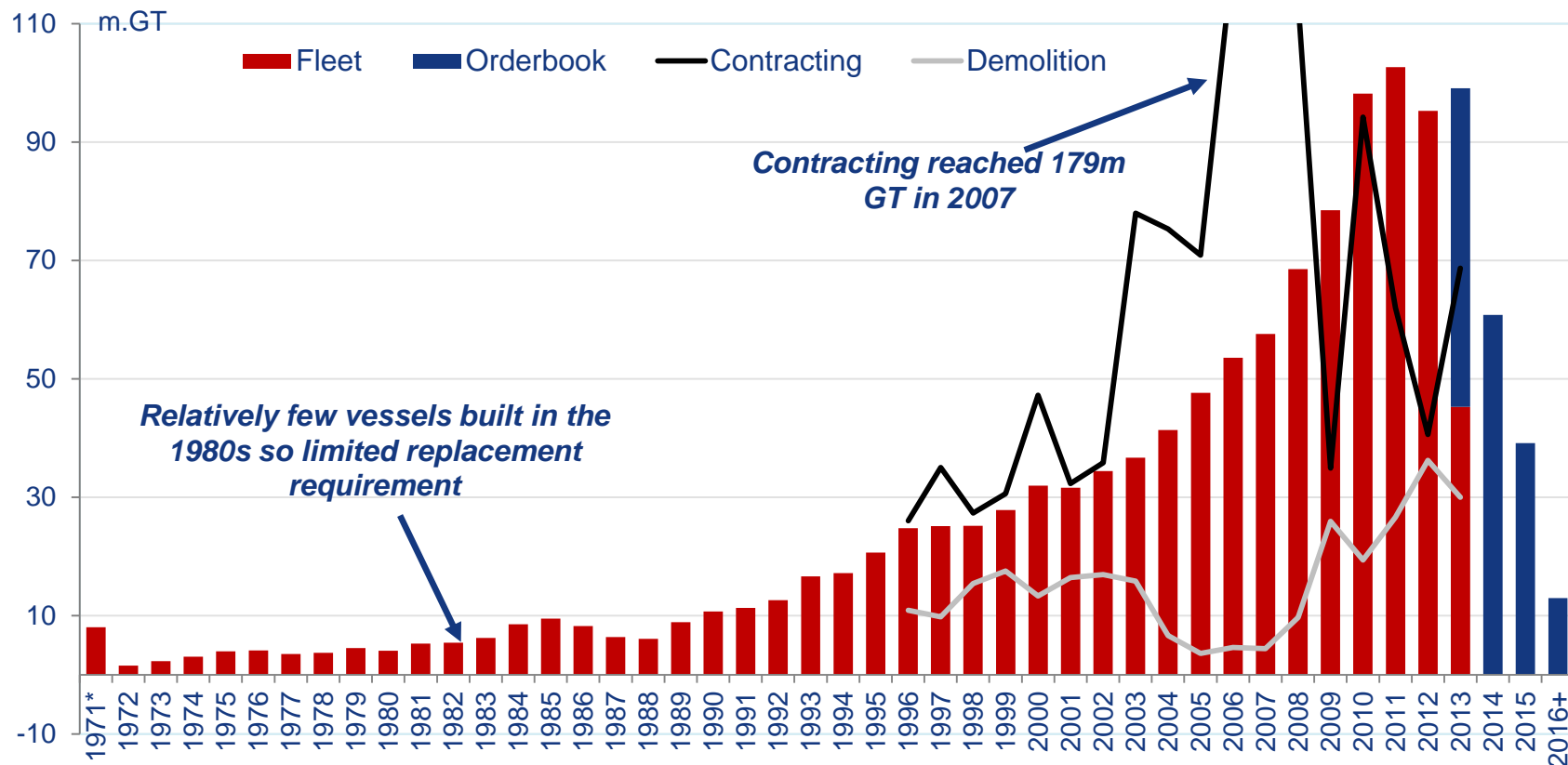
Merchant Fleet – August 2013:

- 87,071 vessels over 100 GT
- 1,120 million GT
- \$850 billion value

The Size of the World Fleet (GT)

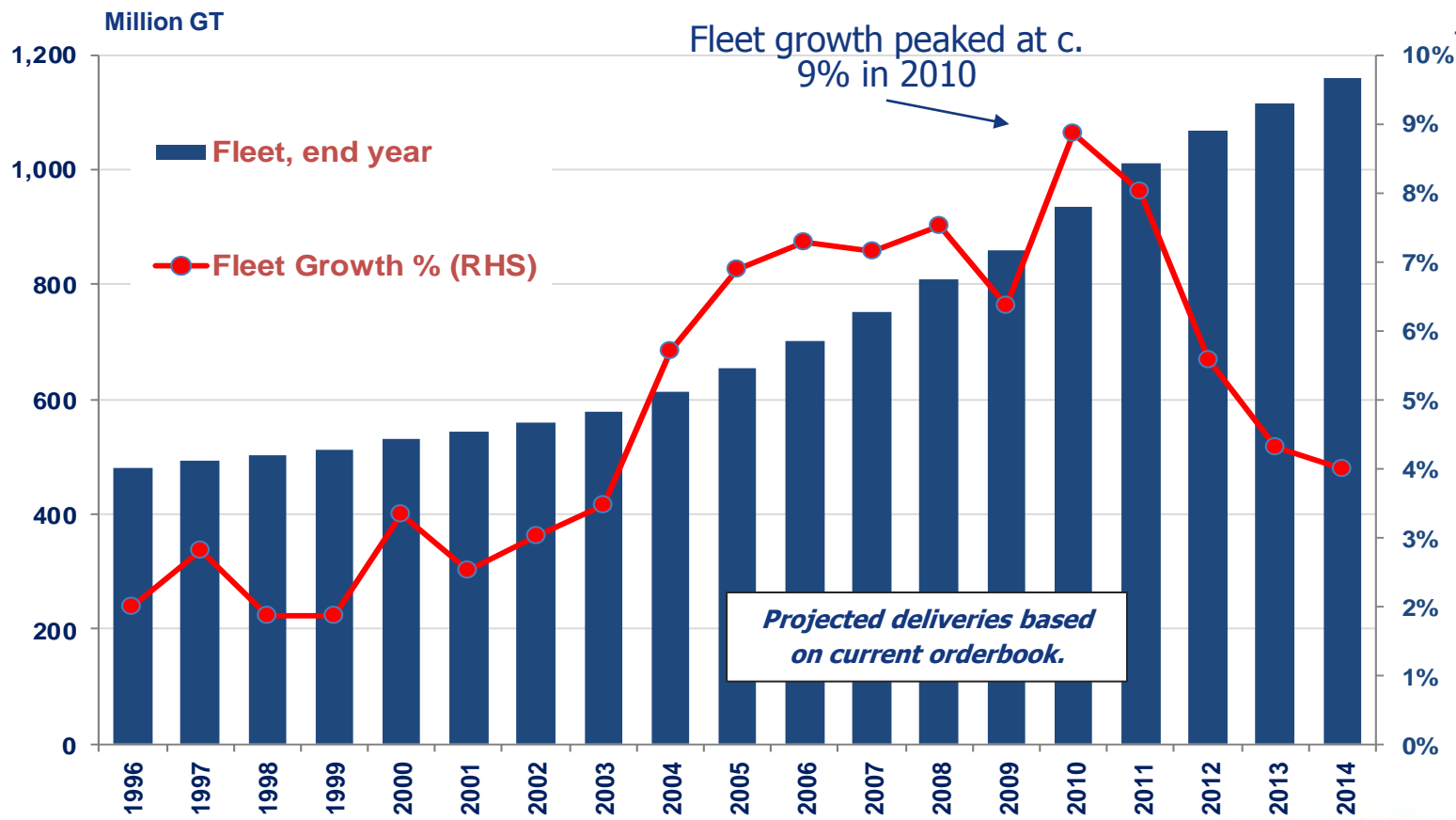


Age Profile – 8% of fleet above 25 years



Source : World Fleet Register, August 2013

World Fleet Growth Development



By 2023 our forecasts suggest the fleet will top 1.5 billion GT

4. Ownership

World Fleet by Owner

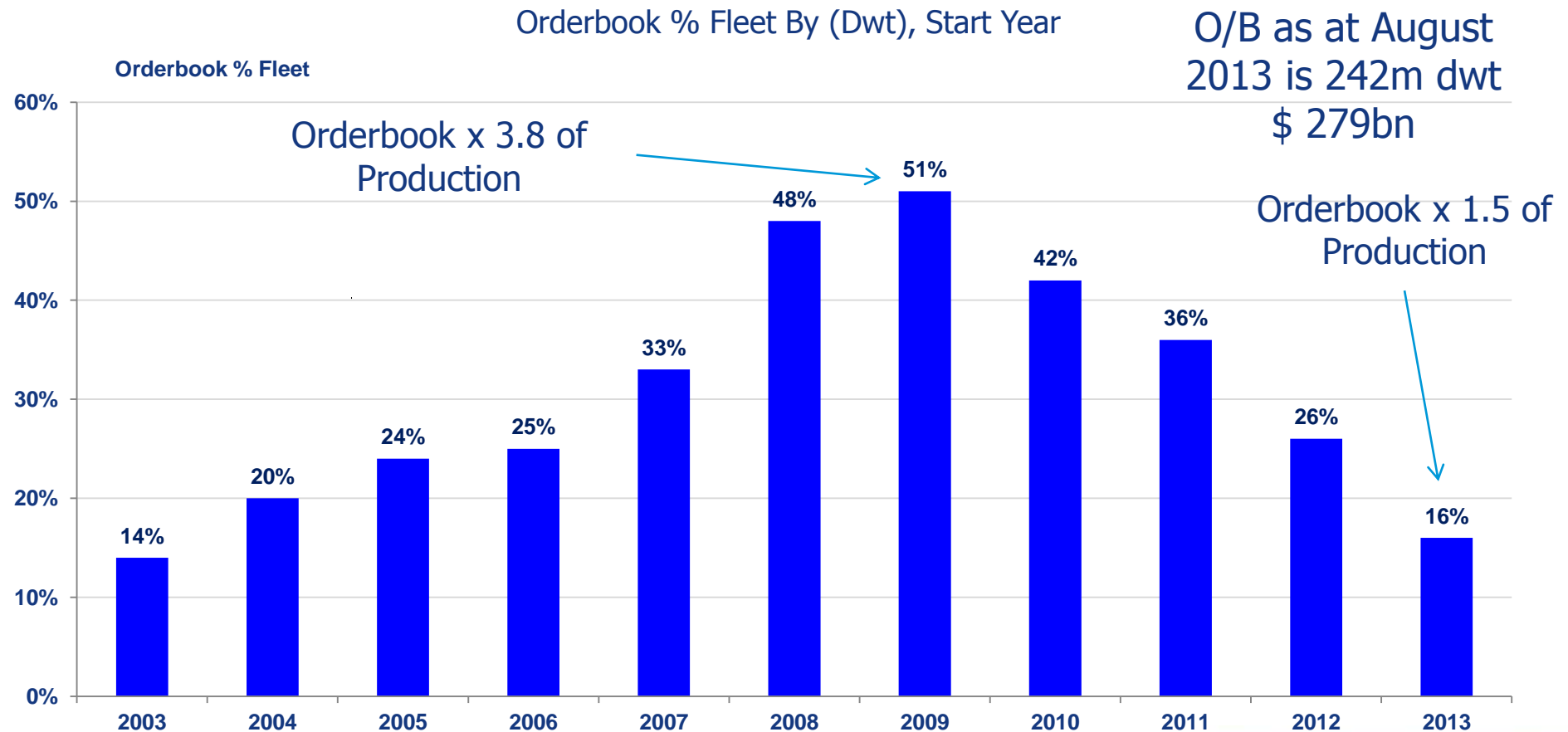
	Fleet (No)	Fleet (GT)	Value (\$bn)	2013 Growth	OB (GT)	OB %
Europe	29,945	501.2	366.4	1.7%	69.9	13.9%
Asia/Pacific	36,308	448.1	295.1	4.1%	61.2	13.7%
Americas	8,982	91.5	129.2	0.9%	17.3	18.9%
Africa, Mid-East, S. Asia	7,993	75.2	55.2	4.3%	4.8	6.3%
Greece	4,673	157.5	78.6	4.2%	23.3	14.8%
Japan	8,600	157.3	104.0	2.0%	13.6	8.6%
China	6,236	110.8	68.9	4.6%	22.6	20.4%
Germany	4,316	96.5	60.4	-1.5%	8.4	8.7%
South Korea	2,657	54.4	27.9	5.8%	6.8	12.6%
Others	60,589	543.7	510.8	2.6%	92.1	16.9%
Total	87,071	1,120.2	850.6	2.7%	166.8	14.9%

Investor League Table

(\$bn)	Country	2005-2008 (av)	2009	2010	2011	2012	2013 ytd
1	Greece	21.2	3.0	13.3	13.5	6.7	4.3
2	Japan	23.2	4.0	8.6	5.8	4.6	1.6
3	Germany	21.3	1.6	3.0	3.4	1.8	1.9
4	United States	11.4	2.1	6.0	16.7	12.0	7.2
5	China P.R.	12.2	7.4	16.9	6.4	4.6	5.3
6	Norway	11.8	0.4	6.4	9.3	16.9	6.8
7	South Korea	8.2	2.1	4.7	3.0	1.8	2.2
8	Singapore	5.2	1.5	5.3	5.8	3.3	1.1
9	Brazil	2.8	5.4	4.7	6.1	10.0	0.1
10	Italy	6.3	1.1	2.8	0.8	1.8	1.1
Others		58.1	12.6	35.8	32.3	23.8	19.4
Total		181.7	41.2	107.4	103.2	87.3	51.1

5. Shipbuilding Trends

Orderbook As & % Of Fleet



Total Global Orderbook – m.CGT

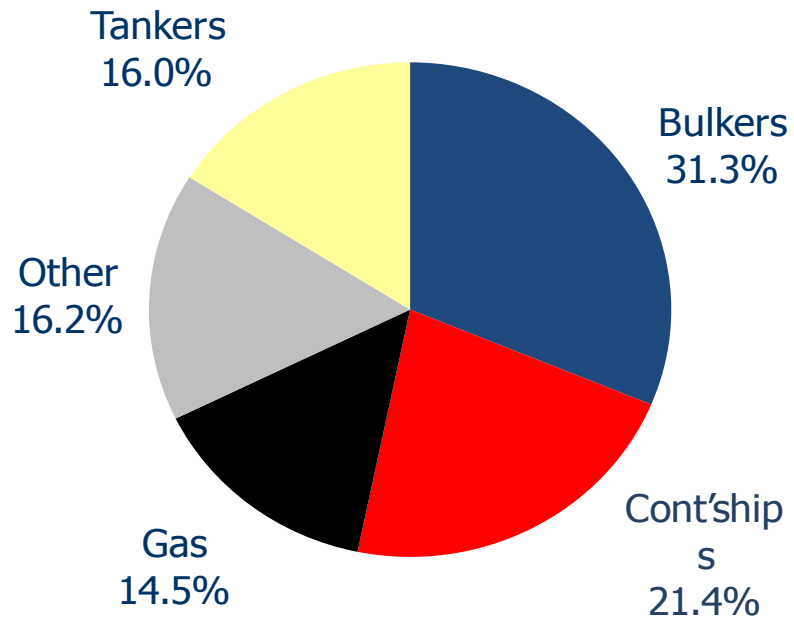
Global Orderbook by Country and Ship Type

	Bulker	Tanker	Containership	Gas	Other	Total
Builder Country	M.CGT	M.CGT	M.CGT	M.CGT	M.CGT	M.CGT
China P.R.	16.1	4.6	7.1	1.5	2.3	31.5
South Korea	2.4	5.7	8.4	7.1	1.2	24.8
Japan	10.3	0.8	0.5	1.3	0.9	13.7
Philippines	0.7		0.9	0.1	0.0	1.7
Italy		0.0			1.1	1.1
Germany					1.1	1.1
Brazil	0.0	0.9	0.1	0.1	0.0	1.1
Taiwan	0.0		0.7		0.0	0.7
Vietnam	0.2	0.3	0.0		0.1	0.6
Romania		0.2	0.3		0.1	0.6
Other	0.2	2.5	0.1		1.4	2.9
Total	29.9	15.0	18.1	10.1	8.2	79.8

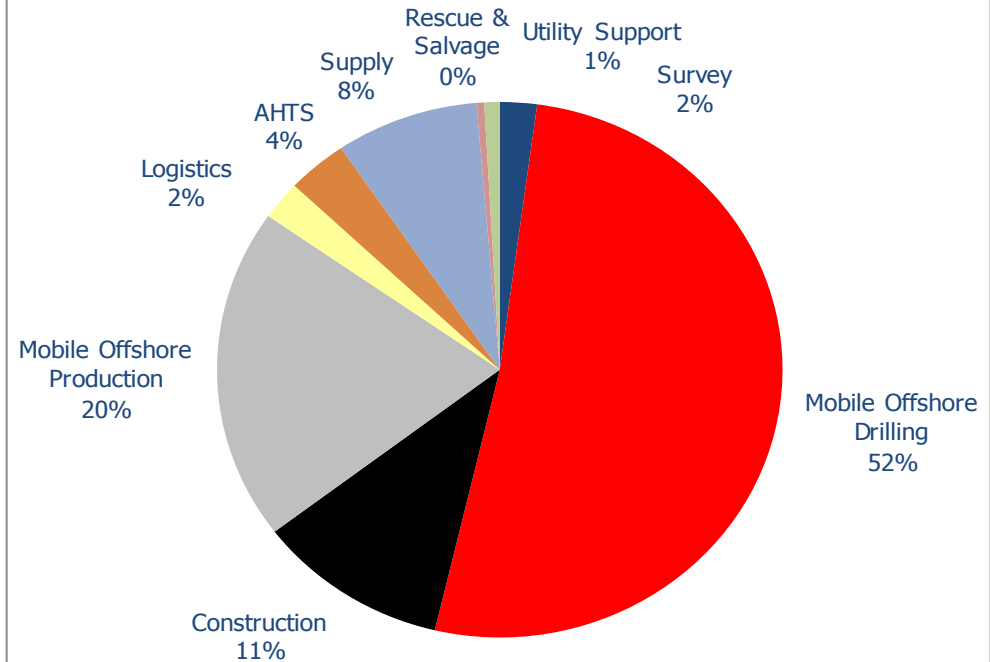
 Indicates market leader for each type

Offshore & Marine Orderbook – Product Mix Changing

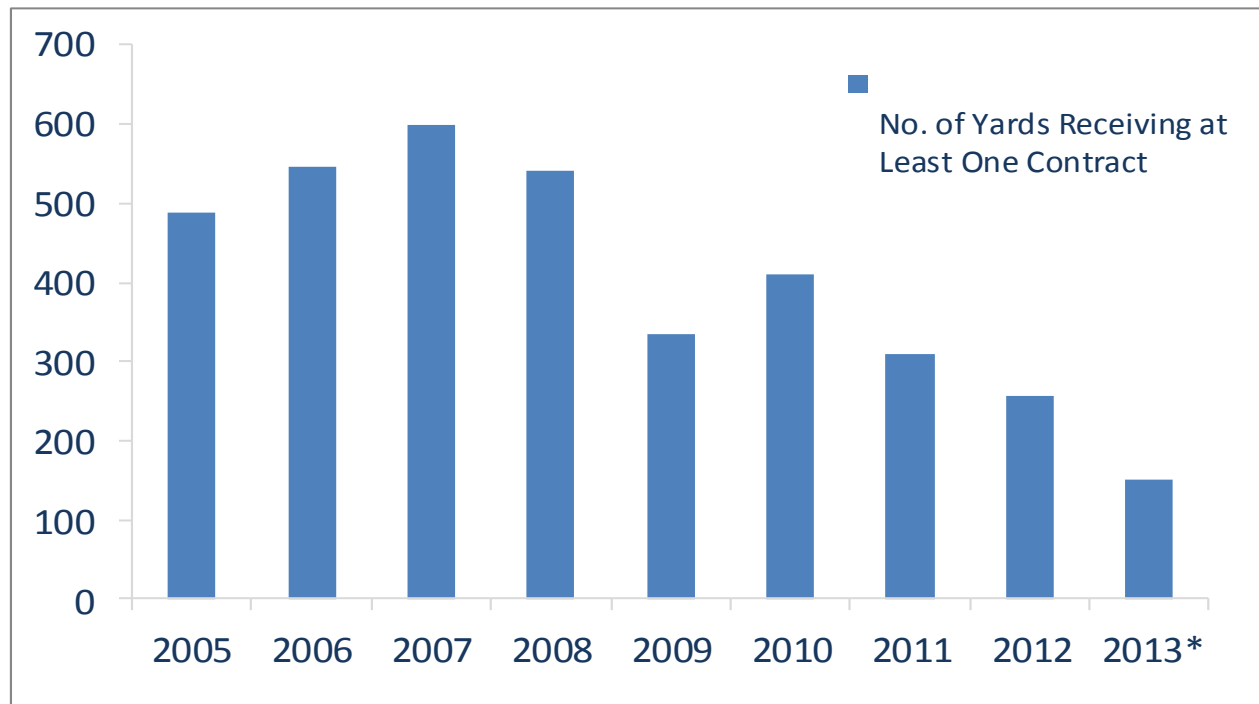
Marine \$163bn



Offshore \$182bn

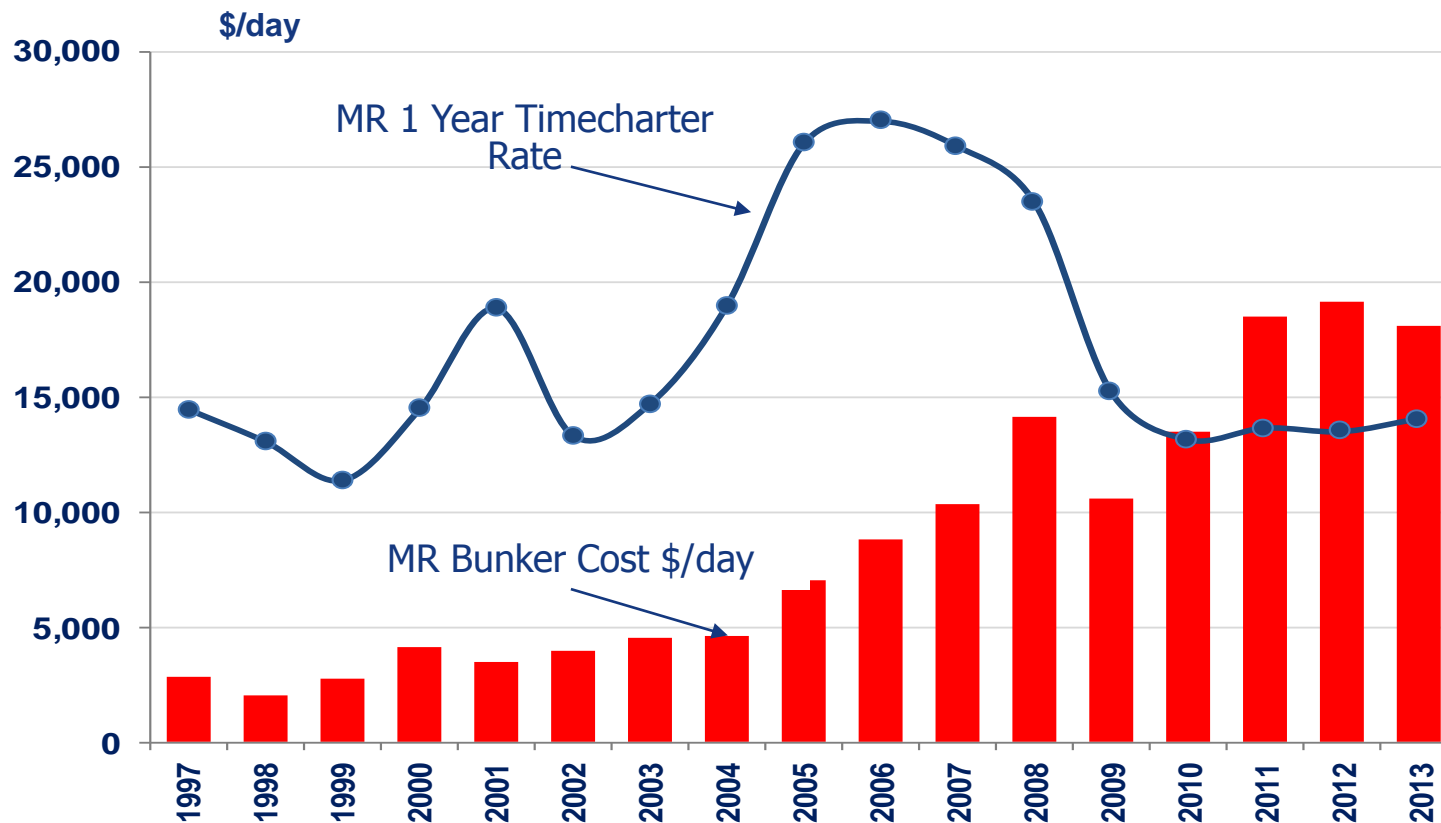


No. of Yards Receiving at Least One Contract

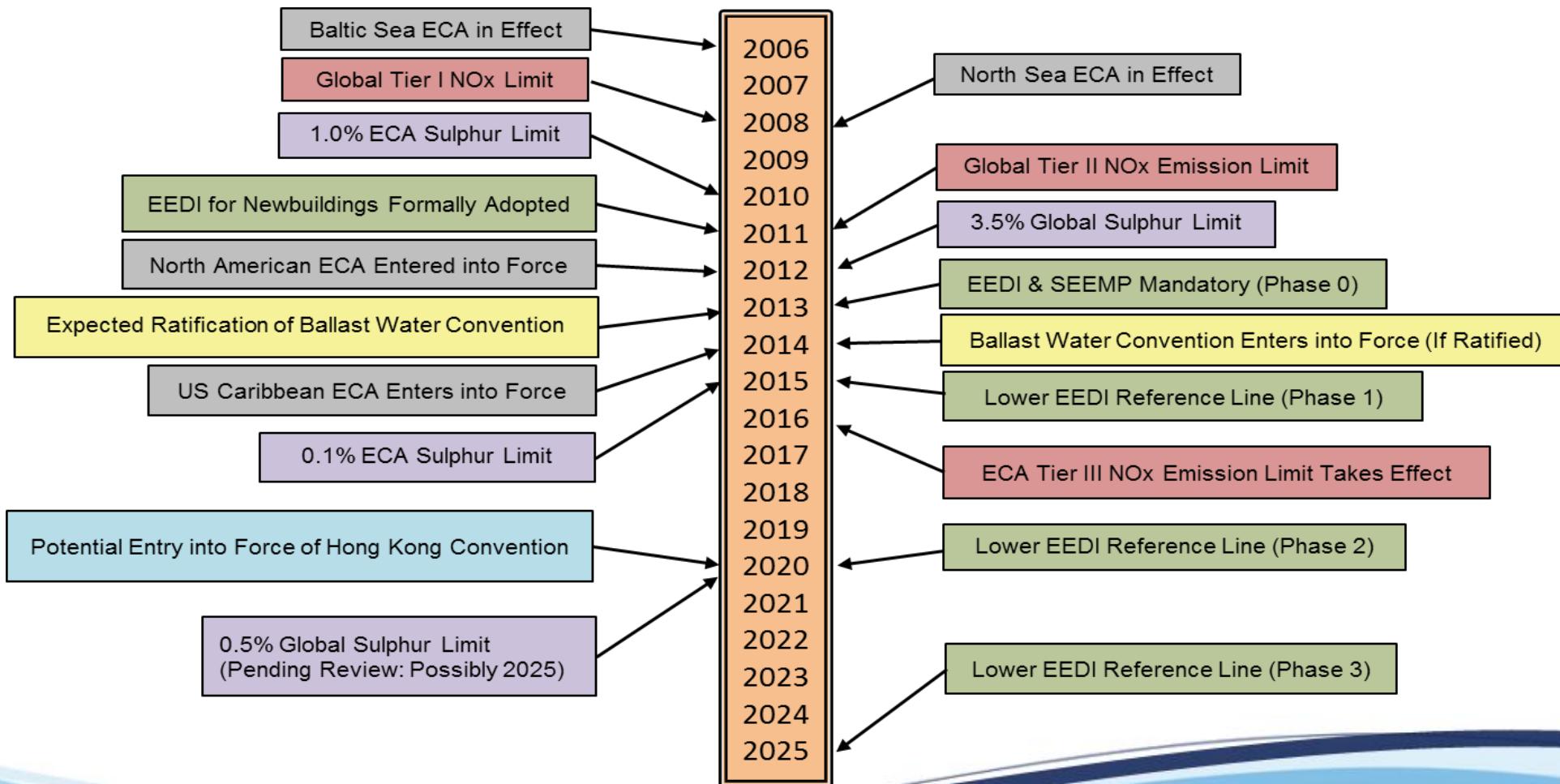


256 shipyards received an order in 2012, compared to 600 yards which took at least one contract in 2007.

Rising Fuel Costs



Environmental Regulation Timeline



6. Summary

Ten Key Issues

1. Challenging Markets - Small & Niche Better Positioned
2. Cost Control Focus
3. Globalization & Structural Trade Shifts
4. Fleet Growth Slowing
5. Ownership – Asia, Consolidation, Cargo Interests
6. Lower Order Volumes But Counter Cyclical Plays
7. Product Mix Changing – More Specialised
8. Fuel Cost & Regulatory Economics Driving Investment
9. Design Changes
10. Financing Squeeze



Summary

- In 2013, we have been at the bottom of the cycle and market conditions are still very challenging. Some of the niche sectors seem slightly better positioned – Offshore, Gas, Chemicals, Products.
- Following the demand shock in 2009, trade has recovered well and we expect 4% growth in 2013. In 2014 we forecast trade will top 10 billion tonnes.
- Fleet growth is slowing, from 8% to 5% in 2012. We expect growth to drop further in the coming years but watch out for further ordering.
- Asian owners growing market share with double the fleet growth of Europeans in 2013. Greeks and Japanese the largest owners but China has surged past Germany. Norwegian's have topped the investment charts in recent years.
- We are in a post boom ordering environment with volumes a third of those of 2006 to 2008. Despite the poor spot market conditions, we have seen newbuild interest in 2013 but the relative product mix has changed.
- Regulatory Economics & Fuel Economics are driving current investment. Very central to all ship yard marketing strategies. Financing remains difficult and will probably limit investment.

The information supplied herewith is believed to be correct but the accuracy thereof is not guaranteed and the Company and its employees cannot accept liability for loss suffered in consequence of reliance on the information provided. Provision of this data does not obviate the need to make further appropriate enquiries and inspections. The information is for the use of the recipient only and is not to be used in any document for the purposes of raising finance without the written permission of Clarkson Research Services Limited.

The statistical and graphical information contained herein is drawn from the Clarkson Research Services Limited ("CRSL") database and other sources. CRSL has advised that: (i) some information in CRSL's database is derived from estimates or subjective judgments; and (ii) the information in the databases of other maritime data collection agencies may differ from the information in CRSL's database; and (iii) whilst CRSL has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors; and (iv) CRSL, its agents, officers and employees do not accept liability for any loss suffered in consequence of reliance on such information or in any other manner; and (v) the provision of such information does not obviate any need to make appropriate further enquiries; (vi) the provision of such information is not an endorsement of any commercial policies and/or any conclusions by CRSL; and (vii) shipping is a variable and cyclical business and any forecasting concerning it cannot be very accurate.

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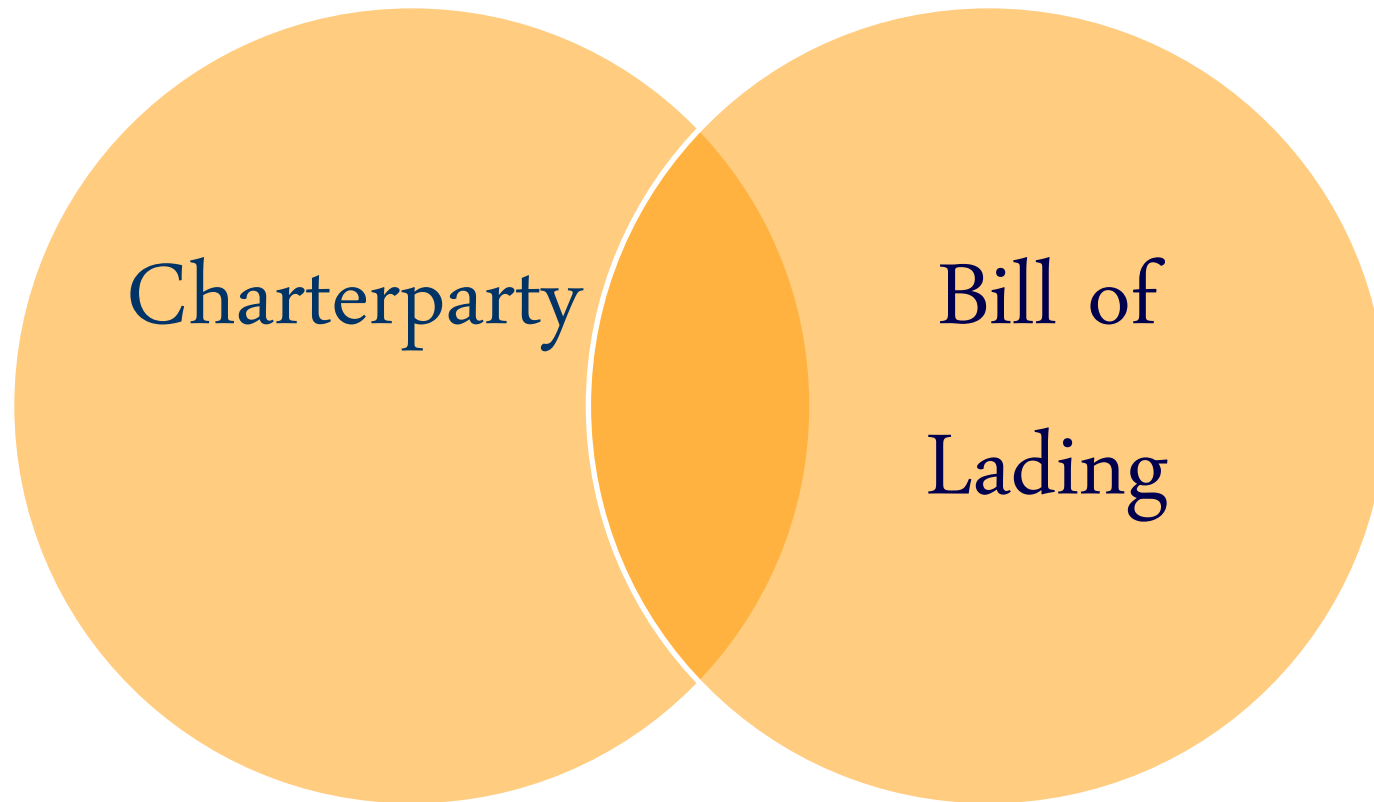


What does a shipowner need to know about the trading of commodities?

**The Standard Club Member Training
1 October 2013**

Haris Zografakis - Partner, Stephenson Harwood LLP, London

All a shipowner needs to know ?



The “known knowns”

- The Charterparty: charterers
- The Bill of Lading: shippers and receivers
- The cargo: delivery, to “order”

There must be another world out there!

The “known knowns”

- Financial correlation



The “known unknowns”

- The sale contract
 - Parties
 - Trade associations
 - Terms

The “known unknowns”

- The sale contract
 - Parties
 - Mines and producers
 - Trading houses
 - Oil majors and supermajors
 - Banks and financial institutions
 - Chains

The “known unknowns”

- The sale contract
 - Trade Associations
 - GAFTA, FOSFA, LME, RSA
 - Coal, Mineral Oil

The “known unknowns”

- The sale contract : Terms
- Main Terms
 - Contractual quantity
 - Contractual quality
 - Place and time of delivery - Incoterms
 - Pricing
- Further terms
 - Payment terms
 - Laytime and demurrage
 - Exceptions and force majeure

The “known unknowns”

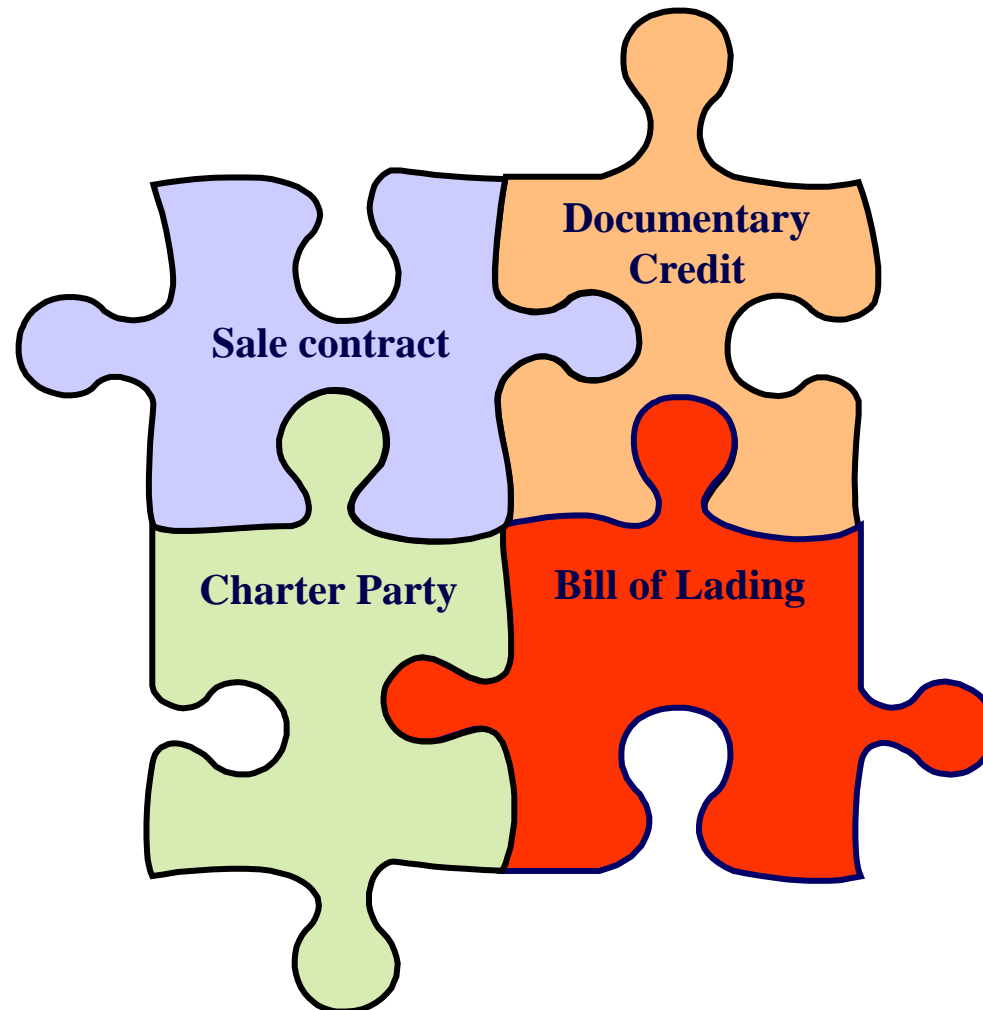
- The sale contract: Other terms

- Standard Forms
- Standard Terms & Conditions

... and also...

- Implied terms
- The Sale of Goods Act 1979
- The UN Convention

A fine balance



A fine balance: disrupted

- Delay
- Financial distress
 - Letter of Credit problems
 - cross defaults in sale contracts
 - counterparty risk
- Force majeure
- Termination
- Marine casualties

The “unknown unknowns”

- Chains of sale contracts and “my P&L”
- Derivatives and hedging and “are we in the money?”
- Tort claims by third parties

What next?

- Understand the shipowners' place in the jigsaw
- Ascertain (or make informed guesses) as to the terms of sale contracts or letters of credit
- Understand the needs, risks and weaknesses of others, even if you have no contract with them
- Attention span ?
- Security

Haris Zografakis is a partner at Stephenson Harwood, a City of London law firm with offices around the world. In addition to a thriving shipowners' practice, Haris is also the head of the commodities group and deals with most aspects of shipping and international trade law. According to both Legal 500 and Chambers, the two leading legal directories, he is one of the leading individuals in his area of expertise.

Over twenty years, he has been involved in several arbitrations and cases before the High Court, some of which have been reported: *Trafigura v. Kookmin Bank*, a seminal case on negative declarations and anti-suit injunctions, arbitration reported as LMLN 22/2007, on jurisdiction issues in a shipyard dispute; *the Sabrewing*, regarding documentary requirements in the presentation of demurrage claims under tanker charterparties; the *Johnny K* regarding the question of damages in addition to demurrage and *the Northgate*, regarding validity of NORs and estoppel.

He has lectured in four continents at conferences organised by various entities, including BIMCO, Universities, as well as the International Maritime Organisation, the Economist and others. He has also served on the editorial board of the Shipping and Transport Law Journal.



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Dispute Resolution

Claire Boddy
Claims Executive

- role of the club in dispute resolution - cover for fees
- P&I - people, cargo, property, pollution, towage, wreck removal
- Defence - commercial contracts



Role of the club in dispute resolution

The claims service

Legal and maritime professionals here to handle the full lifecycle of your claims, through:

1. early assessment – merits, liability, quantum - recommendations on strategy
2. objectives - minimise loss, maximise return.
3. 'the best negotiating position in the shortest time'
4. lessons learned - loss prevention





Protecting your position

Initial considerations

- how does liability arise? contract, negligence
- if proceedings are contemplated, consider:
 - who am I?
 - where am I?
 - how long do I have?
- catch your contract
- early assessment, recognise what your best negotiating position is
- proactive approach

Common pitfalls in dispute resolution

Paddle anyone?

- the dispute resolution clause
- time bars – multiple?
- merits
- the opposition
- problem jurisdictions
- who owns the dispute?
- security and enforcement



What are the tools?

- negotiation
- offers of settlement
- formal proceedings
 - court
 - arbitration
- obtaining security
- ADR
 - expert determination
 - mediation



What are the tools?

Negotiating and settlement offers

- when should I negotiate? now!
- strict legal position -v- commercial one
- why negotiate?
 - costs, management time, small world, win/win scenario
- use settlement offers to exert pressure
 - ‘w/p’ -v- ‘w/p save as to costs’
 - part 36 cost consequences - applicable to arbitration?
 - run in parallel to court/arbitration proceedings

What are the tools?

Arbitration

- confidential, flexible
- ability to protect time but continue investigating the claim
- BIMCO and other industry standard clauses
- location
 - London - LMAA
 - Singapore - SCMA
 - New York
- choice of law

What are the tools?

ADR - mediation

A w/p settlement meeting with a 3rd party to broke a settlement

- non binding – unless agreement reached
- focus on a win/win solution
- particularly effective in multi-party, multi-jurisdictional disputes
- mini trial - your 1 day in court
- speed
- creative settlement solutions

What are the tools?

Mediation – the procedure

In advance

- parties agree on a mediator
- mediation statements exchanged

On the day

- arguments presented
- the member has their say
- parties separate
- mediator works separately with each party
- settlements and quantum usually follow merits



NB mediation costs not automatically recoverable if claim continues

Europe

- UK – Jackson review on the costs of litigation
- EU – ADR directive and Online Dispute Resolution Regulation - consumer disputes only

Africa

- Nigeria – High court, now mandatory to attempt ADR, contrast with:
- South Africa - no requirement to submit to ADR

Middle East

- Jordan - the Arab Centre for Dispute Resolution - IP claims, domain name disputes.

ADR is global and expanding

The competitive edge

“On the whole human beings want to be good, but not too good and not quite all the time.”

George Orwell, *All Art is Propoganda: Critical Essays*

Getting ahead - recent developments in shipping law

Charterparty disputes

- non-payment of hire:
 - withdraw? *Astra*
 - affirm? *Aquafaith*
 - lien? *Bulk Chile*

shipbuilding disputes

- NSF1993 – seller entitled to keep deposit where buyer defaults. *Griffon*

casualties

- limitation funds cannot be constituted with club LoU– leave to appeal granted

Finally....

- own your dispute
 - negotiate, negotiate, negotiate
 - early and continual assessment of merits
 - recognise settlement opportunities and what your best negotiating position will be
 - be creative!
-
- refer to your club and we will assist you in protecting your position

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Arrest in Common Law Jurisdictions

Matthew de Plater
Claims Executive

- common law and the *In Rem* claim
- Arrest Conventions
- other common law jurisdictions

Common law and the *In Rem* claim

Background

- maritime liens
- an action against the vessel itself
- jurisdiction over a foreign defendant

Common law and the *In Rem* claim

Practical Issues

- quick and easy
- threshold to succeed is low
- released on provision of adequate security
- vessel can be sold to satisfy the claim

Arrest Conventions

1952 Arrest Convention

- adopted the English common law position
 - closed list of claims
- entered into force 24 February 1956
- broad acceptance – 94 Parties

Arrest Conventions

Signatories and Other Jurisdictions

1952 Convention

1999 Convention

Common Law
Jurisdictions



Arrest Conventions

1999 Arrest Convention

- entered into force 14 September 2011
- limited acceptance
- expanded list of claims
- allows multiple opportunities to arrest

Other common law jurisdictions

- common law states which haven't ratified the 1952 Convention
 - Australia
 - India
 - Singapore
 - South Africa
 - United States
- arrest regulated under national legislative regimes

	Common Law	South Africa	France
Nature of the proceedings	In rem		
Costs of the arrest	Low		
Grounds of arrest	Maritime claims		
Sister ship arrest	Yes but limited		
Wrongful arrest	Yes, but limited		

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Ship arrests - a South African perspective

**Sacha Christopher
Claims Executive**

- essentials for enforcement of maritime claims
- associated ship arrests
- security arrests

- law and practice of admiralty in SA regulated by Admiralty Jurisdiction Regulation Act of 1983 (as amended in 1992) (“the Act”)
- associated ship arrests – favourable jurisdiction in which to pierce the corporate veil
- security arrests for purpose of obtaining security for arbitration or any proceedings contemplated (pending or current) worldwide – relatively quick and simple

Enforcement of maritime claims

- definition of “maritime claim” in the Act
- categories of maritime claims as set out in the Act
- proceedings *in personam*
- proceedings *in rem*

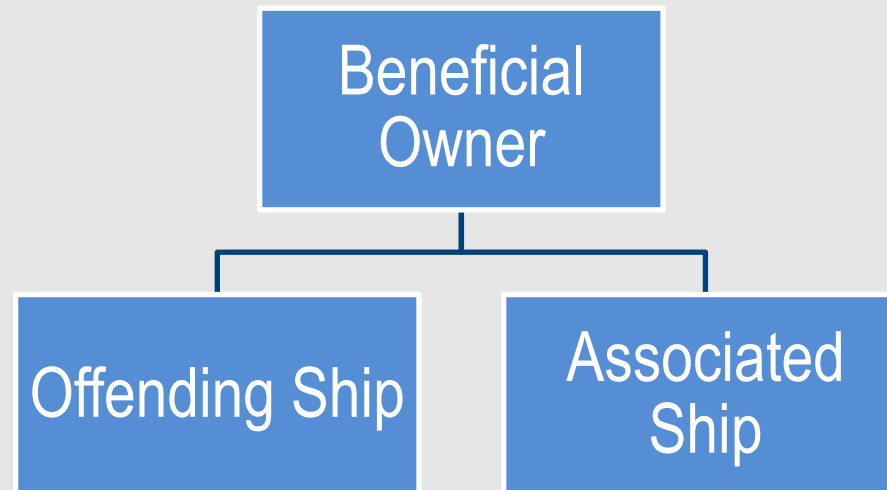
Associated ship arrests

Associated and sister ship arrests - general

- where maritime claim arises in respect of a ship, possible to bring action in rem by arresting an “associated” ship instead of ship in respect of which the claim arose
- limited piercing of corporate veil of “one ship” owning companies
- under the Act, the term “associated ship” includes the concept of a “sister” ship
- what is a “associated ship”?

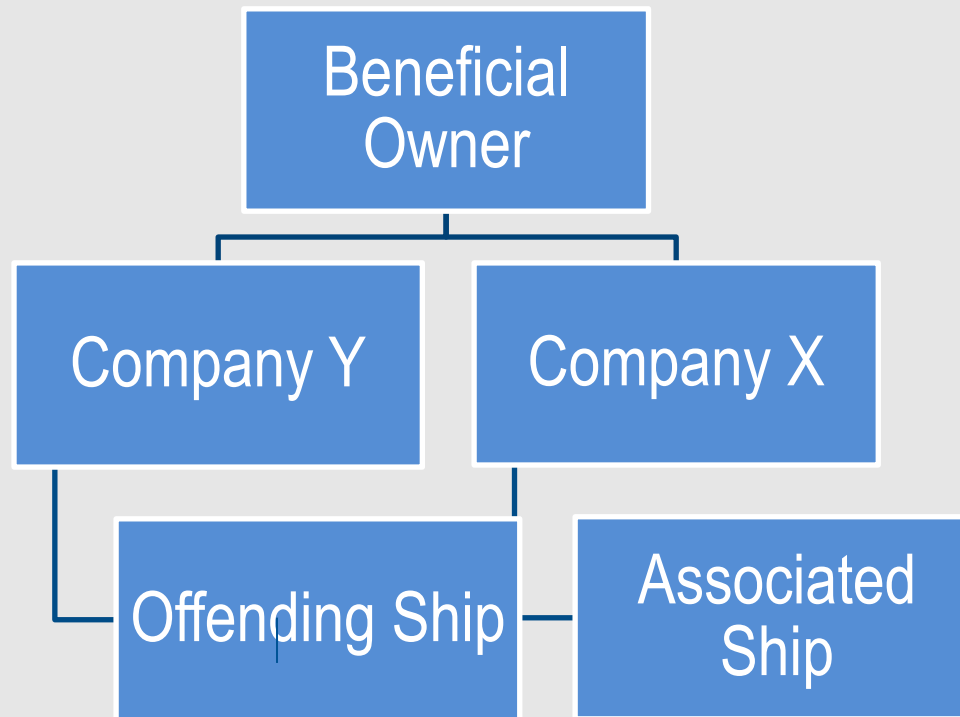
3 forms of associated ship arrests

1. arrest of a ship in the same ownership as the ship in respect of which the maritime claim arose (the offending ship). This is a “sister ship” arrest.



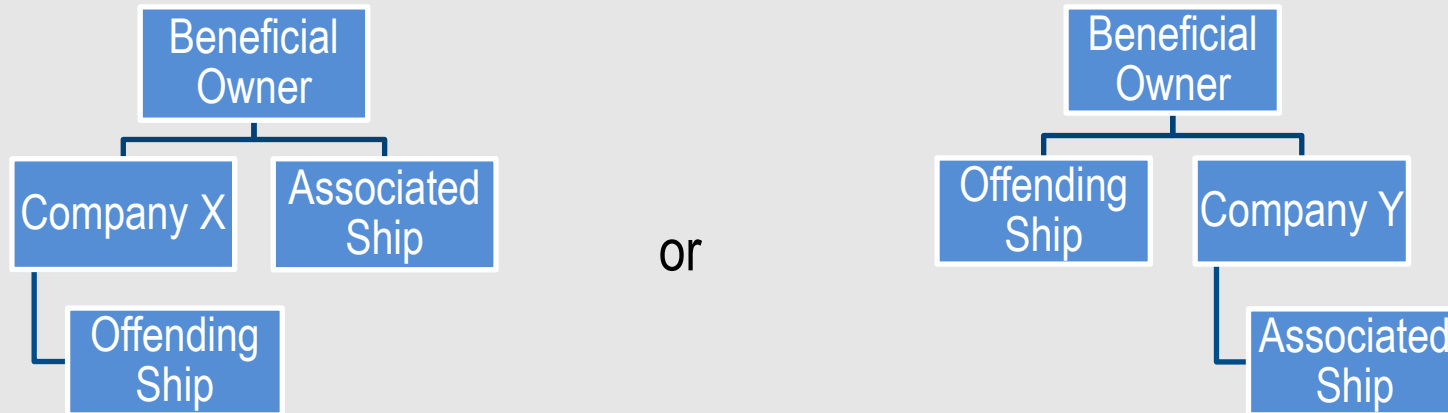
3 forms of associated ship arrests

2. arrest of ship owned by company controlled by a person who controlled the company owning the offending ship



3 forms of associated ship arrests

3. by a combination of 1 and 2 – where one of the ships is personally owned by the beneficial owner and the other by him through the company



- when is ownership deemed?
 - majority of shares in ships owned by same person(s)
 - when a person has/have power, directly or indirectly to control the company

Security Arrest

- plaintiff / applicant already engaged in arbitration and/or legal proceedings elsewhere
- requirements of the Act
- further requirements set out by case law

	Common Law	South Africa	France
Nature of the proceedings	In rem	In rem and in personam	
Costs of the arrest	Low	Low	
Grounds of arrest	Maritime claims	Maritime claims	
Sister ship arrest	Yes but limited	Yes, and associated ship arrest	
Wrongful arrest	Yes, but limited	Yes, but limited	

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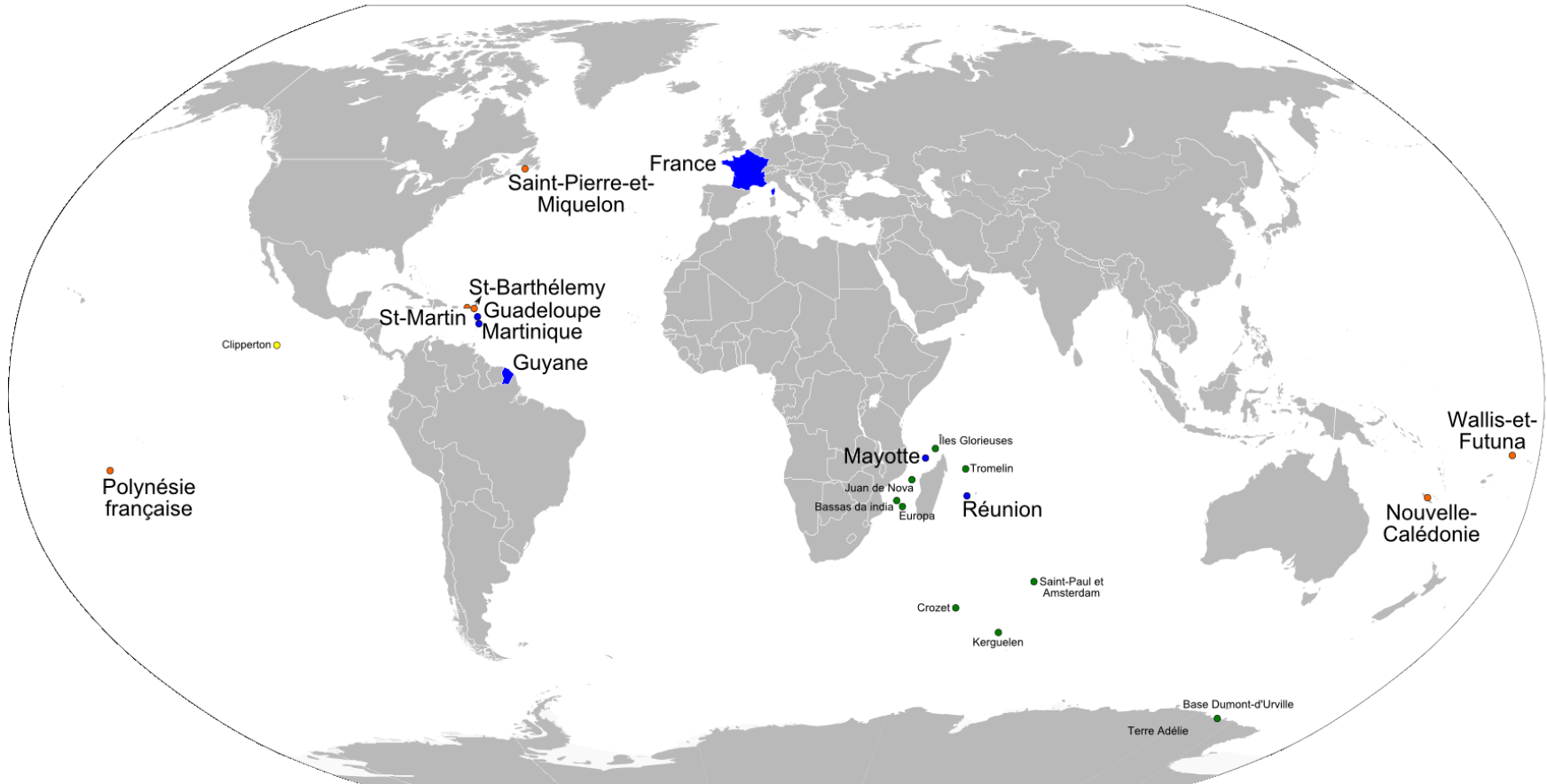
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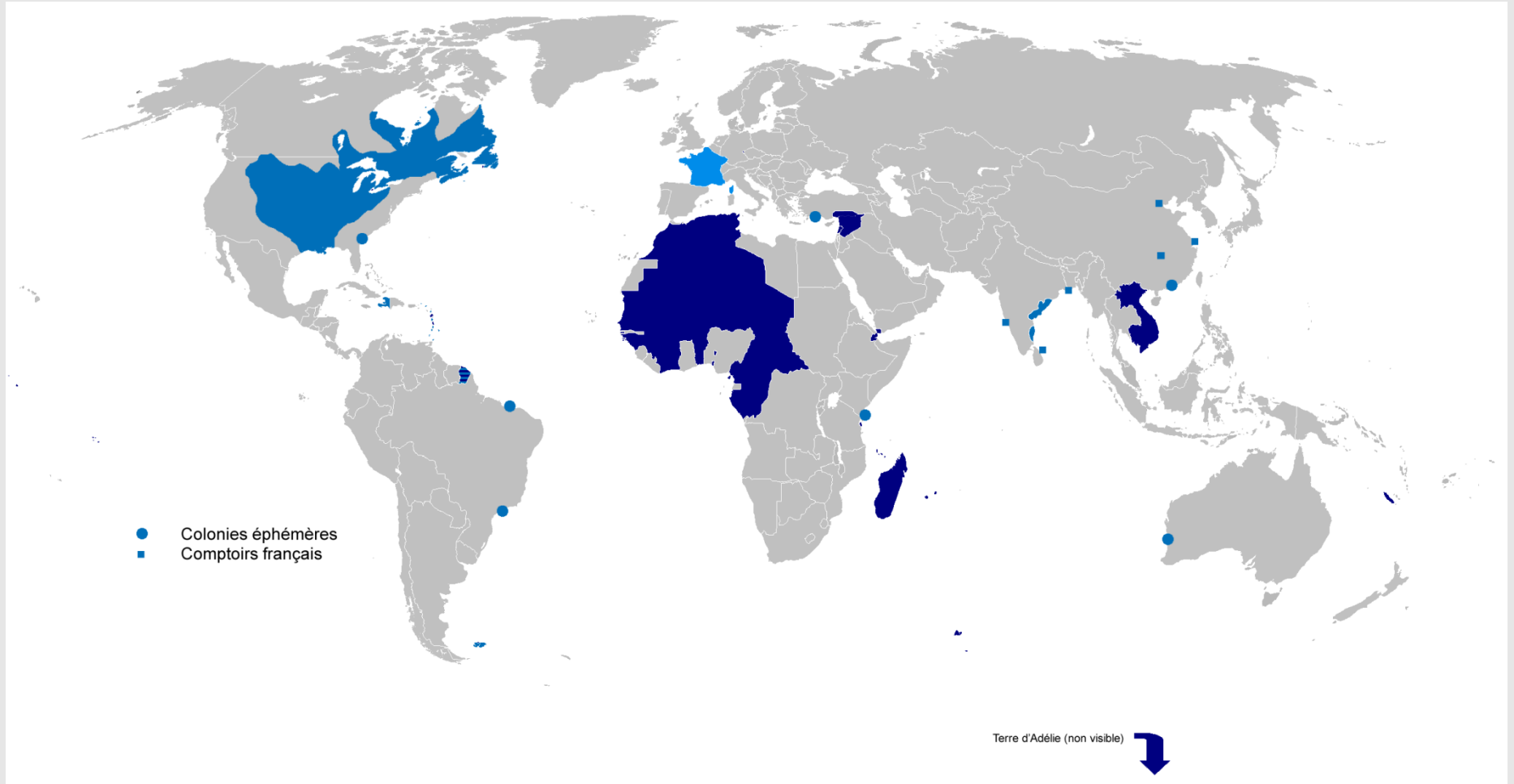
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Ship arrest in France

Fabien Lerede
Syndicate Claims Director



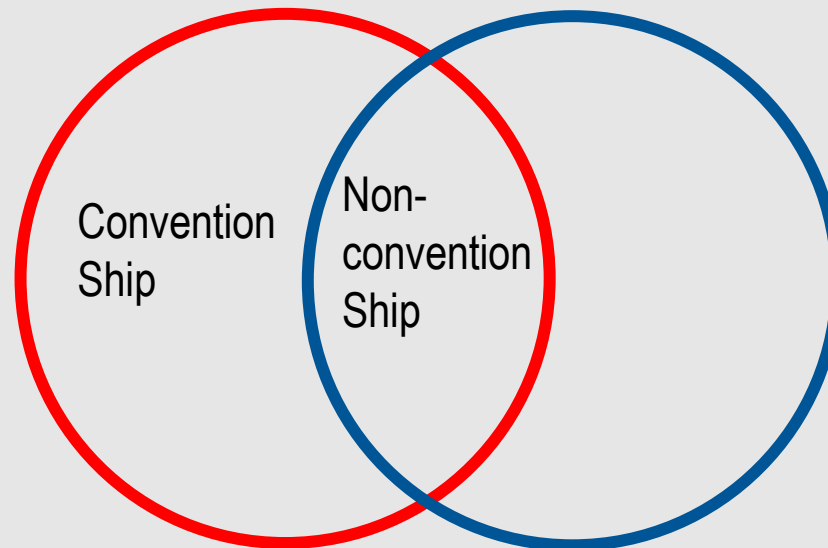




- **international law**
- 1952 arrest convention
- maritime claims
- allegation of claim
- debtor does not necessarily own the ship

- **domestic law**
- transport code
- general claims
- arguable case ("créance paraissant fondée dans son principe")
- debtor must own the ship

Determinative criteria: Flag of ship



Effect of Saisie Conservatoire

- ship is immobilised, but can continue to discharge etc
- arrest order is like a seizure order (Mareva injunction) - operates in personam not in rem
- counter security is not required from arresting party
- the costs of maintaining the vessel while under arrest remain with the ship interests
- arresting party potentially exposed to wrongful arrest claim
- (rare)

Arrest for time charter's debts

Arrest conventions

- competing courts' reasonings
 - **cannot** arrest for time charterer's debts:
 - can only arrest for demise charterer's debts restricted reading of article 3(4); and/or
 - article 9 prevails over article 3(4).
 - **can** arrest for time charterer's debts (CA Rennes):
 - broad reading of article 3(4); and
 - Article 9 not relevant as:
 - no new right of action involved; and
 - no new maritime lien involved (droit de suite not relevant)





	Common Law	South Africa	France
Nature of the proceedings	In rem	In rem and in personam	In personam
Costs of the arrest	Low	Low	Low
Grounds of arrest	Maritime claims	Maritime claims	Maritime claims and others
Sister ship arrest	Yes but limited	Yes, and associated ship arrest	Yes but limited
Wrongful arrest	Yes, but limited	Yes, but limited	Yes, but very limited

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Sanctions

Roger Johnson
Syndicate Claims Director

- penalties
- UN / EU / US / other sanctions regimes
- club precautions
- what can members do?

Odd one out?



Beyonce and Jay-Z's Trip to Cuba Was Legal, Treasury Department says

abc NEWS - 10 April 2013



Sanctions penalties

12 June 2012: ING Bank N.V.

Apparent violations (2002 – 2007):

- Cuban Assets Control Regulations
- Iranian Transactions Regulations
- Burmese Sanctions Regulations
- Sudanese Sanctions Regulations
- Libyan Sanctions Regulations

US\$ 619 million settlement



Sanctions penalties

9 May 2013: The American Steamship Owners Mutual Protection and Indemnity Association, Inc.

US\$1,729,000 total base penalty for 55 apparent violations (2003 – 2007):

- Cuban Assets Control Regulations
- Sudanese Sanctions Regulations
- Iranian Transactions Regulations

US\$ 348,000 settlement

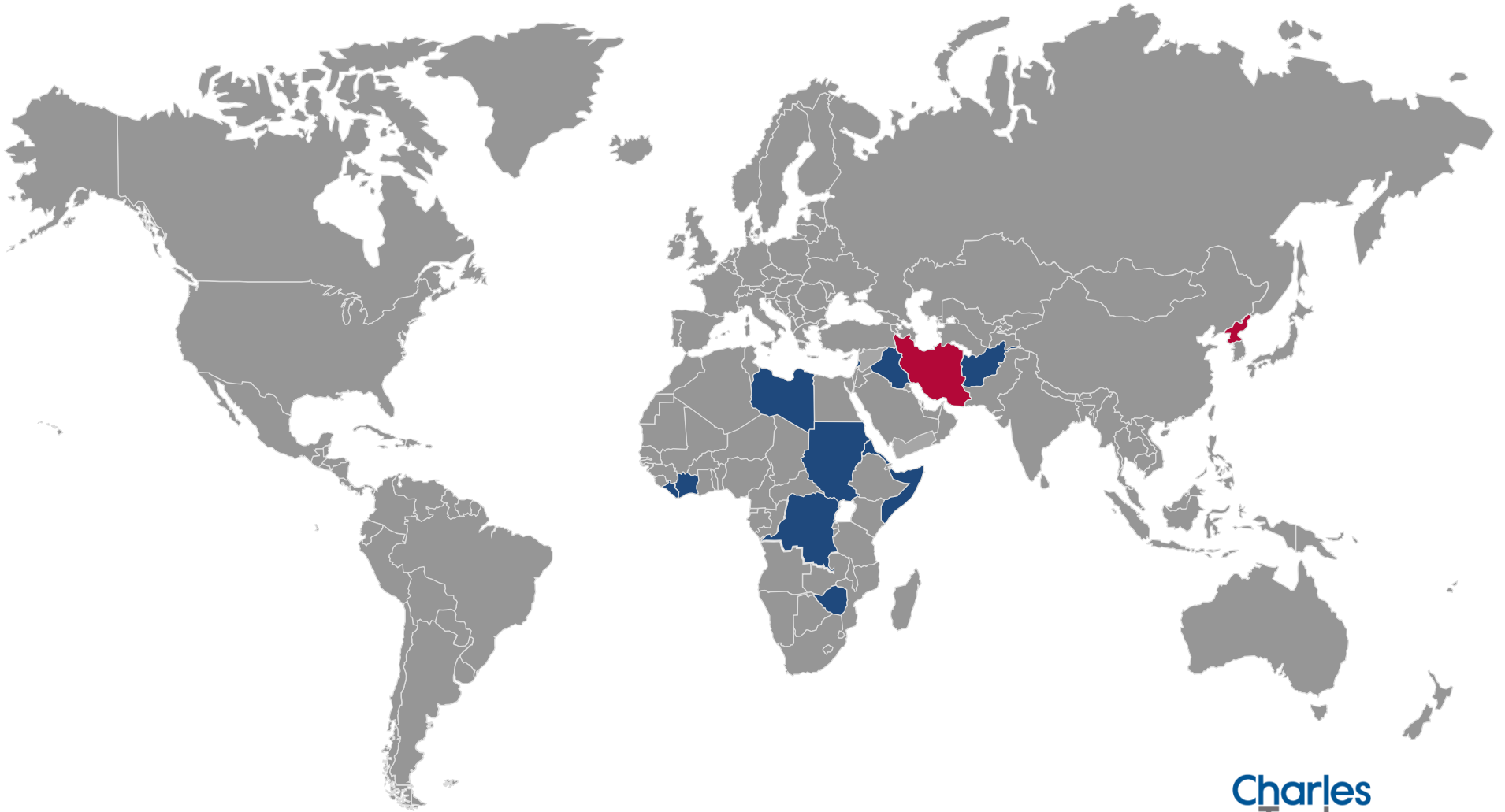


Sanctions penalties

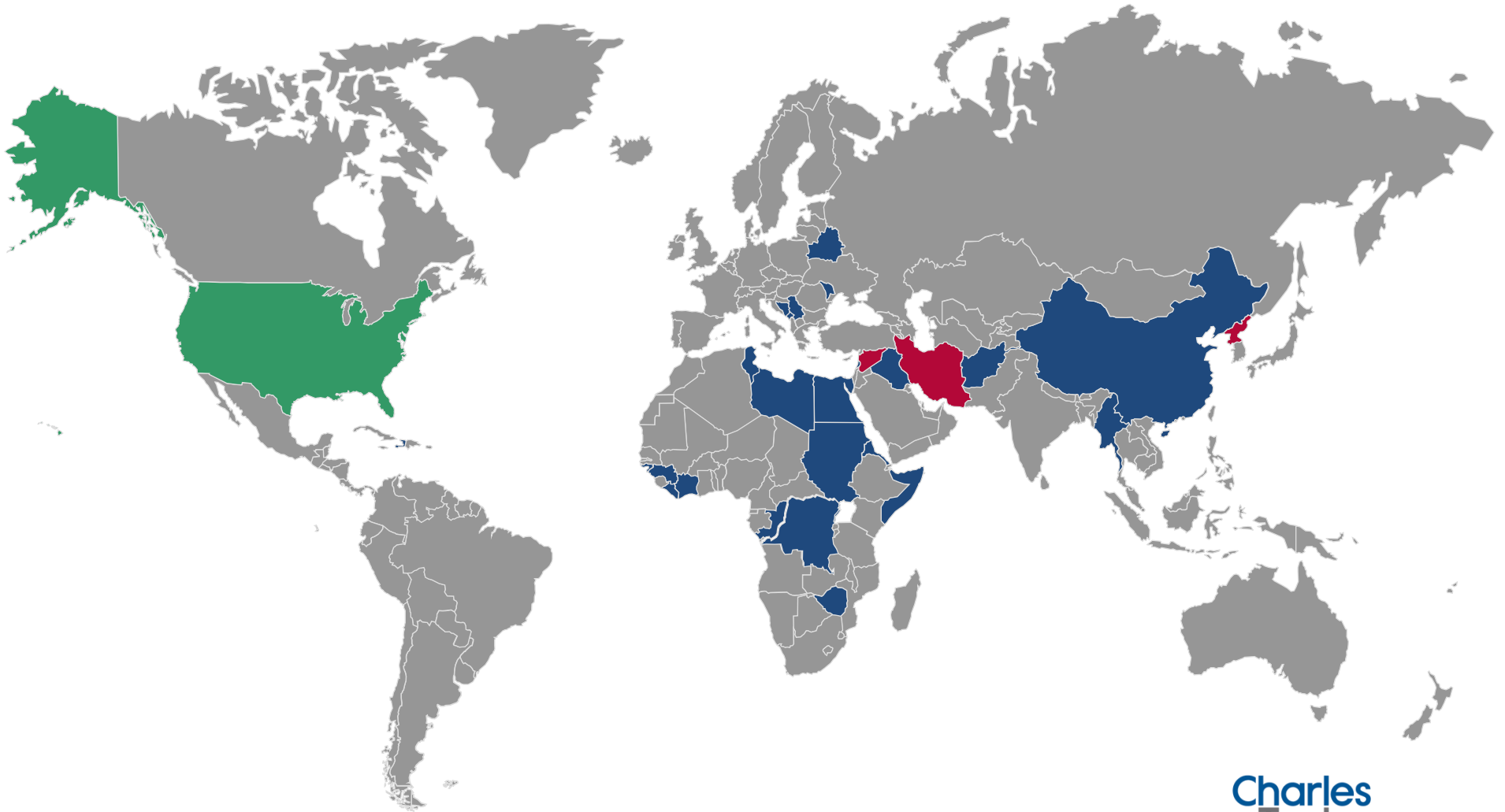
12 July 2012: U.S. adds National Iranian Tanker Co. to Iranian sanctions list



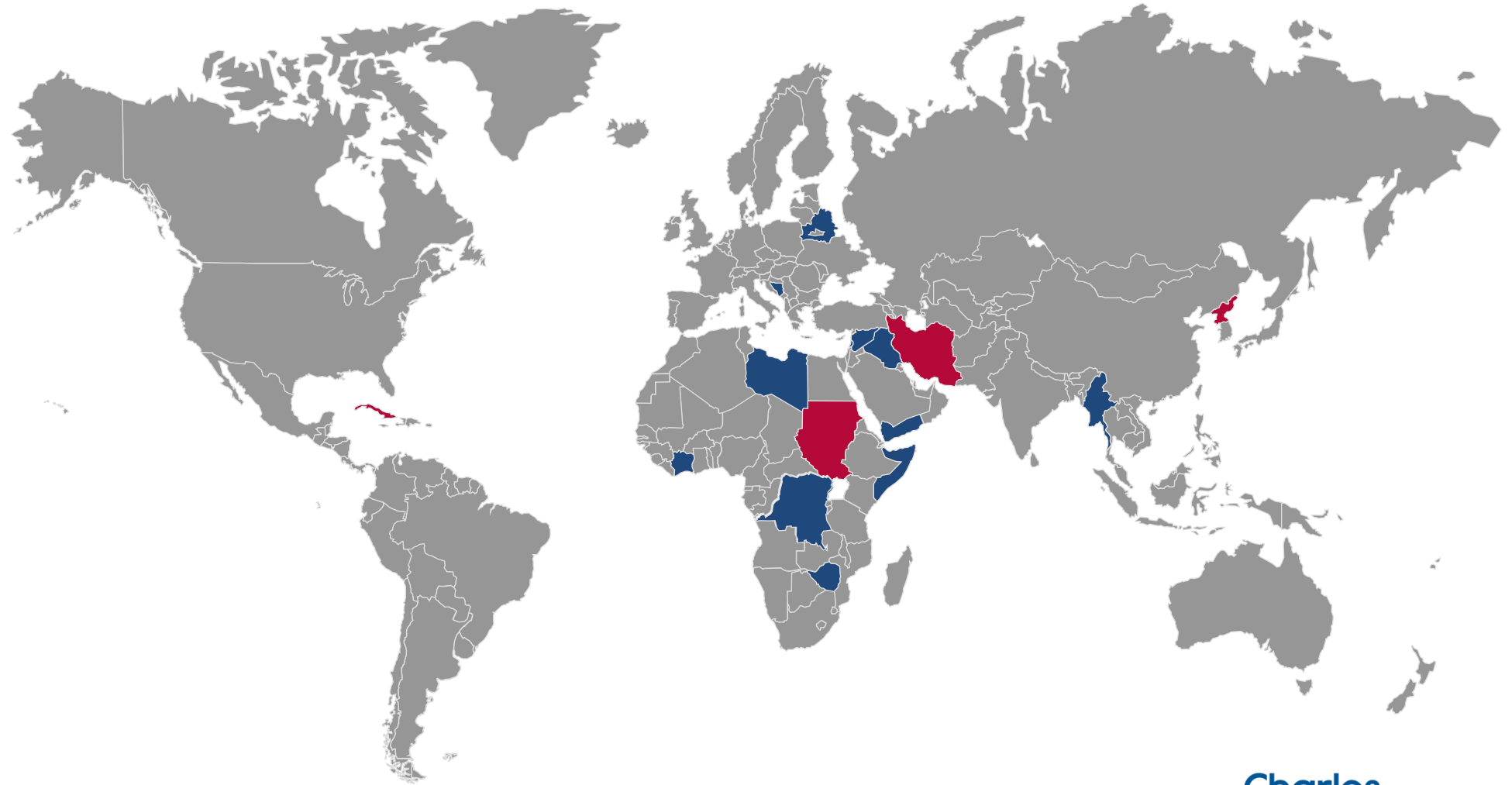
UN Sanctions



EU Sanctions



US Sanctions



- sanctions rules
- due diligence
- sanctions screening
- sanctions awareness
 - sanctions team
 - internal training
 - website
 - tweets / web alerts
 - special editions of the *Standard Bulletin* on sanctions

Sanctions rules

- automatic cessation – rule 17.2 (5)
- sanctionable conduct exclusion– rule 4.8
- write-down – rule 6.22



Rule 17.2(5)

“A member shall cease to be insured by the club in respect of any ship entered by him if:

- *the ship is employed by the member in a carriage, trade, voyage or operation which will thereby in any way howsoever expose the club to the risk of being or becoming subject to any sanction, prohibition or adverse action in any form whatsoever by any state or international organisation, or if the provision of insurance for a carriage, trade, voyage or operation is or becomes unlawful, prohibited or sanctionable, unless the managers shall otherwise determine.”*



“No claim is recoverable if it arises out of or is consequent upon the ship blockade-running or being employed in an unlawful, prohibited or sanctionable carriage, trade, voyage or operation, or if the provision of insurance for a carriage, trade, voyage or operation is or becomes unlawful, prohibited or sanctionable or if the board determines that the carriage, trade, voyage or operation was imprudent, unsafe, unduly hazardous or improper.”

‘Unlawful, prohibited or sanctionable’ means “unlawful, prohibited or sanctionable under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom, United States of America, the place of incorporation or domicile of the member or the ship’s flag state.”



*“The member shall in no circumstances be entitled to recover from the club that part of **any liabilities** which is **not recovered by the club from parties to the Pooling Agreement and/or under any reinsurance(s)** because of a shortfall in recovery from the parties or reinsurers thereunder **by reason of any sanction**, prohibition or adverse action **against them** by any state or international organisation or the risk thereof if payment were to be made by such parties or reinsurers...”*

What can members do?

- sanctions clauses
- due diligence
- sanctions screening
- sanctions awareness

Sanctions clauses

- BIMCO
 - sanctions clause for Time Charter Parties
 - Designated Entities Clause for Charter Parties

- INTERTANKO
 - sanctions clause

Due diligence

- who are the proposed charterers? Will they be sub-chartering? To whom?
- what jurisdictions?
 - load ports / discharge ports / bunkering ports / other calls (repairs, etc.)
 - Flag State
 - members' jurisdictions
 - contractual law / jurisdictions
- who are port operators / port agents, etc.?
- what cargoes? Origin of bunkers, etc.?
- who are cargo interests in chain?
- who are bunker suppliers, etc.?



Consequences of breaching sanctions?



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