Standard Club update

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Monaco 15 May 2013



Contents

- key data
- financial results
- club development





Key data

- 2013/14 projected premium income:
- current tonnage insured:
- free reserves:

- S&P A rated (strong) with stable outlook



\$323m

135m gt

\$363m



Financial highlights 2013



Calls and premiums



2012: \$286m

Excess of income over expenditure for the year



2012: \$3m

Free reserves



2012: \$353m

Total balance sheet funds



2012: \$876m



Key data

GT Millions

Free Reserves —Premium Tonnage



\$ Million



Investment return





Estimated approximate return only and subject to change.



P&I claims

- current policy year

- in line with expectations
- fewer large claims within the club's own retention
- earlier years
 - claims stable or improved for most back years
 - several large claims but fully reserved
 - Costa Concordia not a major financial impact for the club





Claims environment



collision claims

- high number of large collision claims
- piracy update
 - armed guards on board ships
 - Standard Club K&R facility is available
- sanctions issues



P&I claims by claim type



2008-2012capped at \$8m per claim



ting objects 11%
11%
4%
5%
31%
∭ 5%
y 26%
5%
3%



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%



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Country of management

Owned tonnage



1	Greece	11%
2	Japan	9%
3	USA	9%
4	Germany	8%
5	Italy	8%
6	Canada	6%
7	Republic of Korea	6%
8	Singapore	5%

9	United Kingdom	4%
10	The Netherlands	3%
11	Qatar	3%
12	Monaco	3%
13	Turkey	3%
14	Rest of Europe	8%
15	Rest of World	8%
16	Rest of Asia	5%





Support to members



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







Club development

- widening the offering
- new covers:
 - kidnap and ransom cover
 - traders' transport cover
 - professional liability cover
 - hull facility
- growing the service











Speed & Performance Seminar and Workshop

Olivia Furmston, Syndicate Claims Director and Richard Stevens, Claims Executive

Monaco 15 May 2013



Speed & Consumption



- 1. Were any warranties given?
- 2. If warranties given; what was their scope?
- 3. Does c/p say how to determine whether vessel complied with warranties?
- 4. If c/p is silent; how is compliance to be determined?
- 5. How are 'good weather days' determined under The Didymi / Gas Enterprise?
- 6. What happens if there is a discrepancy between the sources?
- 7. Has the vessel complied?

1. Were any warranties given?



- may be in several different places (fixture recap, NYPE lines 9 – 10, description clause)
- effect of 'without guarantee' (The *Lipa* [2001] 2 Lloyd's Rep. 17)
- be aware of acronyms 'ADA WOG'
- a conflict of clauses?
- if no warranty, can charterers still claim?



2. If warranties were given; what was The Standard their scope?

on-going warranty?
 The Appolonius [1978] 1 Lloyd's Rep 53

- 'all details about' / ADA
 (Al Bida [1987] 1 Lloyd's Rep 124)
- usually taken to be 0.5kts speed + 5% consumption

– does 'about' qualify both speed and consumption?

Scope of the warranties



- 'good weather' usual definitions: wind max. Beaufort forces 4, sea state max. Douglas scale 3
- can be different: Shelltime 4
- what does the definition include meaning of 'up to'?



Scope of the warranties



- sea temperature
- effect of currents

(London arbitration 21/04, contrast with London arbitration 15/05)

deck cargo



3. Does c/p say how to determine whether vessel complied with warranties?

- binding agreement on how performance to be analysed
- weather routing company's analysis binding



The Standard

London Arbitration 21/04



Clause 61

'in the event of a dispute over an apparent performance, data supplied by Oceanroutes shall be taken as binding on both parties.'





'the use of the word 'data' in the third sentence of clause 61 was intended to cover whatever raw materials (or data) Oceanroutes used to reach their conclusion.

It did not suggest the acceptance of the entire Oceanroutes report or the methods adopted by Oceanroutes based upon their data'

'clearer words than those used would be required to make the analysis and conclusion by Oceanroutes final and binding upon the parties'



Dimitris Perrotis' Arbitration Award - The Standard

'In the absence of proof that the vessel's records were so at variance with any conceivable prevailing condition that they lack integrity, there was no reason to accept third party material unless the charterparty so allowed'



4. If c / p silent, how is compliance to The Standard be determined?

- The Didymi [1987] 2 Lloyd's Rep. 166
- The Gas Enterprise [1993] 2 Lloyd's Rep. 352
- find the 'good weather days'
- if vessel does not meet warranties for good weather days, then under-performance made out for the whole voyage



5. If using *The Didymi / Gas Enterprise method, how are 'good weather days' to be determined?*



- sources of data:
 - logs
 - weather routing company report
 - is there a discrepancy?



London Arbitrations 3/12 and 4/12



- 'evidence of weather conditions to be taken from the vessel's deck logs and Independent Weather Bureau reports. In the event of a consistent discrepancy...the matter to be referred to arbitration, if not settled amicably'
- arbitrators held:
 - 'log entries are at times made with half an eye on the charter warranties'





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60

58

56

54

52

50

48

46

44

Speed and Performance Seminar

Columbus Hotel, Monaco 15 May 2013

What happens if there is a discrepancy between the various sources?

- > Often, a weather routing clause will determine which source is to prevail
- > If not, most tribunals normally prefer the data given in the logs
- > But what happens when discrepancies are very pronounced?





You have now established what the warranties are, which data source to use and which were the 'good weather' days – so has the vessel complied?

- > The Didymi principle: Under English law, you determine the vessel's speed and consumption in 'good weather' conditions and then apply it over the whole voyage ('good' and 'bad weather' included) – but how?
- > Two possible methods:

FIRST METHOD: The "Good Weather All the Way" method

- > Assumes that the whole voyage is performed in good weather and calculates the time which would have been taken in order to complete the distance covered at the Charterparty warranted speed
- > That figure is then subtracted from the time that would have been taken at the actual performance speed achieved in good weather to produce the time lost
- > Reasonably accurate method BUT allowance needs to be made for the extra fuel





Step A:

<u>Good weather miles</u> = Good weather speed Good weather hours

Then COMPARE with the Charterparty warranted speed

Step B:

Total distance of voyageLESSTotal distance of voyage= TIME LOSTGood weather speedC/P Speed



Total Distance of Voyage = 2000 miles Warranted CP Speed = 12.5 knots Good weather miles = 1000 miles Good weather hours = 85 hours

Step A:

 $\frac{1000 \text{ miles}}{85 \text{ h}} = 11.767 \text{ knots (good weather speed)}$

Then COMPARE with the Charterparty warranted speed

Step B:



SECOND METHOD: The "Pro rata" method

>This method assumes that the vessel underperforms to the same proportion in bad weather as she does in good weather





Step A:

<u>Total Distance</u> = Average speed over the whole voyage Total Time

Step B:

Contractual Speed x <u>Average speed</u> = "Average speed (good AND bad)" Good weather speed

Step C:

<u>Total Distance</u> = Time it should have taken (good AND bad) "Average speed good AND bad"

Step D:

Total Time LESS Time it should have taken (good AND bad) = TIME LOST





The Pro Rata Method in practice

Total Distance of Voyage = 2000 miles Total time = 180 hours Warranted CP Speed = 12.5 knots Good weather miles = 1000 miles Good weather hours = 85 hours Good weather speed = 11.767 knots

Step A: <u>2000 miles</u> = 11.111 knots (Average speed over the whole voyage) 180 hours

Step B: 12.5 knots x <u>11.111</u> = 11.80 knots (Average Speed (Good AND Bad)) 11.767

Step C: <u>2000 miles</u> = 169.49 hours (Time it should have taken (Good AND Bad)) 11.80 knots

Step D: 180 hours – 169.49 hours = **10.51 hours (TIME LOST)**





Bunker Consumption

- > If Charterers bring their performance claim by way of damages then bunker savings are very relevant
- > This is because Owners can deduct from the USD value of the time lost the USD value of an overall bunker saving
- > N.B. What figures do you use when the warranted consumption is a range of figures (i.e. "about")?
- > What are the calculations? Again, like the performance calculations, there are two approaches to assessing bunker consumption





STEP A: Good weather all the way consumption

Total distancexGood weather consumptionGood weather speedGood weather time

STEP B: Warranted consumption

Total distancexWarranted consumptionC/P speed24 hours

STEP C: Excessive Consumption

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Good weather all the way consumption LESS Warranted Consumption





The Good Weather All the Way consumption in practice (with IFO Consumption)

Total Distance of Voyage = 2000 miles Warranted CP Speed = 12.5 knots Warranted CP Consumption= 55.50 mt Good weather miles = 1000 miles Good weather hours = 85 hours Good weather consumption = 200.500 mt Good weather speed = 11.767 knots

STEP A: Good weather All the Way Consumption

2000	miles	Х	<u>200.500 mt</u> = 400.95 mt
11.767	knots		85 hours

STEP B: Warranted Consumption

<u>2000 miles</u>	Х	<u>55.50 mt</u> = 369.60
12.5 knots		24 hours

STEP C: Excessive Consumption

400.95 – 369.60 = **31.35 mt of excessive consumption**





Second Method: the Pro Rata Consumption

STEP A: Take the actual bunker consumption (IFO or MDO) for the entire voyage

STEP B: Calculate the total time the voyage should have taken

Total distance Average speed (Good AND Bad)

STEP C: Calculate what the bunker consumption would have been

total time the voyage should have taken x warranted consumption 24 hours

STEP D: Calculate the excessive consumption by comparing Step A with Step C





The Pro Rata Consumption in practice

(with IFO Consumption)

Total Distance of Voyage = 2000 miles Average Speed (Good AND Bad) = 11.80 knots

STEP A: Take actual bunker consumption for the entire voyage: 395.70 mt

STEP B: Calculate the total time the voyage should have taken

<u>2000</u> = 169.49 hours 11.80

STEP C: Calculate what the bunker consumption would have been:

<u>169.49 hours</u> x 55.50 = 391.941 mt 24 hours

STEP D: Calculate the excessive consumption by comparing STEP A with STEP C:

395.70 mt - 391.941 mt = **3.759 mt of excess consumption**





CONCLUSION OF DIFFERENT METHODS

Total Distance of Voyage = 2000 miles

Good weather miles = 1000 miles

Warranted CP Speed = 12.5 knots

Good weather hours = 85 hours

First Method

The "Good Weather All the Way" method

- Time Lost

9.967 hours

- Bunker Consumption

31.35 mt excess consumption

Second Method

The "Pro-Rata" method

- Time Lost

10.51 hours

- Bunker Consumption

3.75 mt of excess consumption

Conclusion

- > Always worth doing your own calculation
- > Always double-check the commercial weather bureau's report to ensure the calculations have been done within the *Didymi* principles
- > Always worth considering whether it is possible to deduct time lost due to underperformance by way of off-hire (Bulk Ship Union SA -v- Clipper Bulk Shipping Ltd [2012] 2 Lloyd's Law Reports 533)
- > For Owners, potential claims are likely to be smaller if the charterparty provides that the vessel's logs should be the basis of performance calculations
- > For Charterers, if the weather routing company's analysis is to be binding, the charterparty must contain an express and very clear provision





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58

56

54

52

50

48

46

44

Speed and Performance Workshop

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5. What was the average performance speed of the vessel during these good weather days?

Aggregate distance travelled during these "fair weather" days = 2,118 miles

Aggregate time used during these "fair weather" days = 180 hours

Average performance speed during these "fair weather" days = 2,118/180 = 11.767 knots against the contractual speed of 12.5 knots (allowing 0.5 knot for the word "about")

We can conclude that the vessel was not performing in accordance with the speed warranty.





6. What was the amount of time lost by the vessel?

The "Good Weather All the Way" method

- <u>3567 miles</u> <u>3567 miles</u> = **17.776 hours**
- 11.767 knots 12.5 knots

Loss of time claim = (17.776 /24) x US\$39,500 less 3.75 % brokerage = **US\$** 28,159.218





6. What was the amount of time lost by the vessel?

The 'Pro rata' method

Average speed over the whole voyage was = 3,567/313 = 11.396 knots

Average speed over the whole voyage if the vessel had been under-performing to the same proportion in bad weather as in good weather $12.5 \times \frac{11.396}{11.767} = 12.1059$ knots

Amount of time the voyage should then have taken = 3,567/12.1059 = 294.65 h

Time Loss = 313 - 294.65 = **18.35 hours**

Loss of time claim = (18.35/24) x US\$39,500 less 3.75 % brokerage = **US\$** 29,069.14





7. What was the amount of bunkers over-consumed based on an actual IFO consumption of 716.8 mt and an actual MDO consumption of 13.1 mt?

Using the "Good Weather All the Way" method

For IFO	IFO <u>3567 miles</u>		<u>433.125 mt</u>
	11.767 knots		180 hours
	LE	SS	
	<u>3567 miles</u>	х	<u>57.75 mt</u>
	12.5 knots		24 hours

= 42.773 mt of excess consumption

For MDO = **0.74 mt** of excess consumption





7. What was the amount of bunkers over-consumed based on an actual IFO consumption of 716.8 mt and an actual MDO consumption of 13.1 mt?

Excess consumption claims:

IFO= **42.773 mt** x US\$ 150/mt = **US\$6,415.95**

MDO= **0.74 mt** x US\$ 300/mt = **US\$ 222**

Using the 'Pro rata' method

Total time the voyage should have taken = 294.65 hours

IFO consumption would have been = $(294.65/24) \times 57.75$ (applying a 5% tolerance for the word "about") = 709.0015 mt





7. What was the amount of bunkers over-consumed based on an actual IFO consumption of 716.8 mt and an actual MDO consumption of 13.1 mt?

MDO consumption would have been= $(294.65/24) \times 1 = 12.2771 \text{ mt}$

Excess consumption claims:

IFO= **7.7985 mt** x US\$ 150/mt = **US\$1,169.775**

MDO= **0.8229 mt** x US\$ 300/mt = **US\$ 246.87**





7 & 8. Conclusions

Total underperformance claim on this voyage

1st method: **US\$ 34,797.168** 2nd method: **US\$ 30,485.785**

The pro-rata method to be preferred probably to the 'good weather all the way' one since risk of an overstated consumption claim otherwise.

Since Charterers will often have deducted their claim from hire, Owners may in fact be owed money.





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