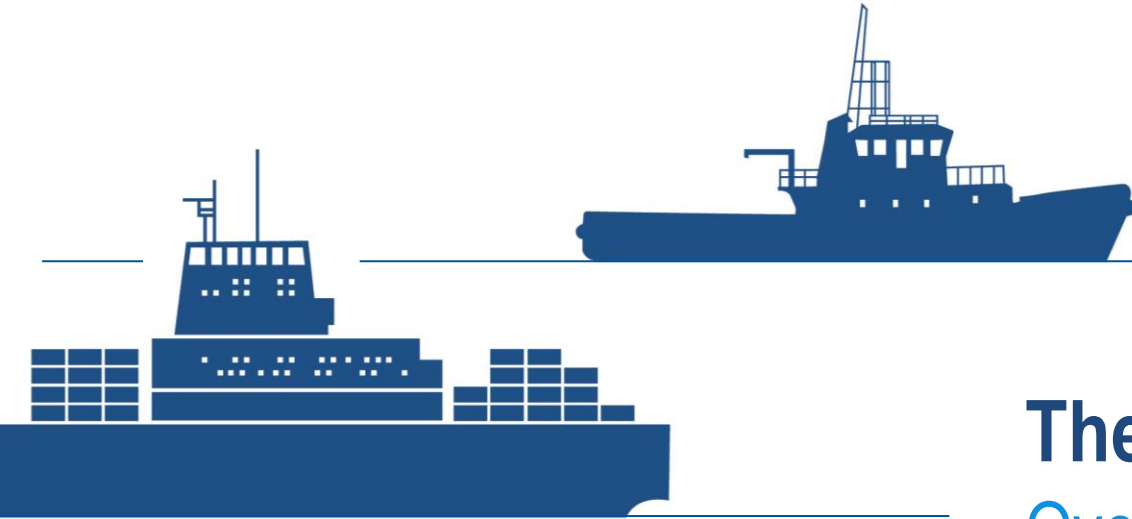


# Member Forum 2015

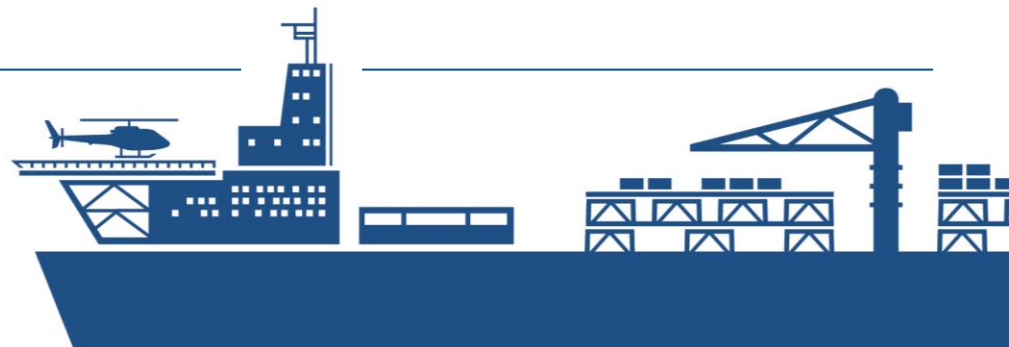
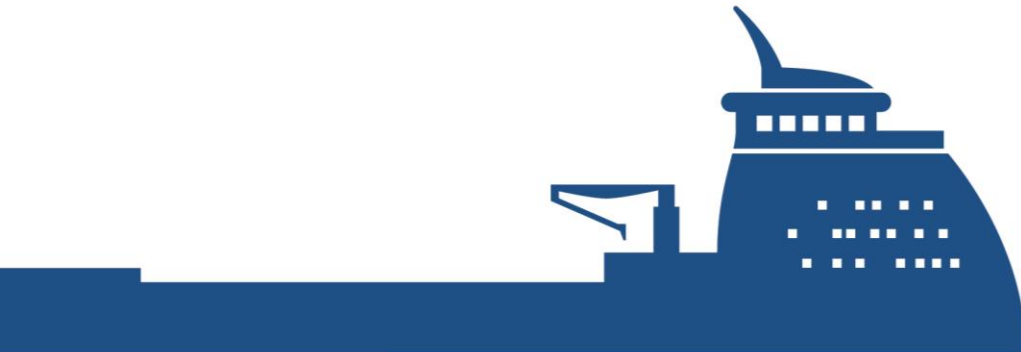
The Standard



# The Standard Club

## Overview

June 2015



# Introduction to The Standard Club

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- A leading **International Group P&I club**, established in **1884** and now insuring around **10% of global shipping** across all **major markets**
- A **broad range of P&I and other marine and energy covers**, offering **sustained excellent value** to **high-quality operators**
- **Industry-leading service**, a **track record of financial security**, and a **selective, conservative approach to growth**
- **2014/15: breakeven underwriting, steady growth**, launch of **The Standard Syndicate** and **Singapore War Risks Mutual**

*A culture of innovation and continuous improvement*

# Key financials

Steady, selective growth; breakeven underwriting; strong balance sheet

Total tonnage

**136m gt**

20 May 2015

**+3.0%**

20 May 2014 – 20 May 2015

Owned tonnage

**114m gt**

20 May 2015

**+ 3.6%**

20 May 2014 – 20 May 2015

Premium income

**\$360m**

Projected 2015/16

**\$354m**

2014/15

Combined ratio

**100%**

2014/15

**101%**

2014/15

Investment return

**1.8%**

2014/15 financial year

**0.6%**

2013/14 financial year

Surplus

**\$11.8m**

2014/15 financial year

**\$5.9m**

2013/14 financial year

Free reserves

**\$380m**

20 Feb 2015

**\$369m**

2013/14

S&P rating

**A (strong)**

Affirmed July 2014

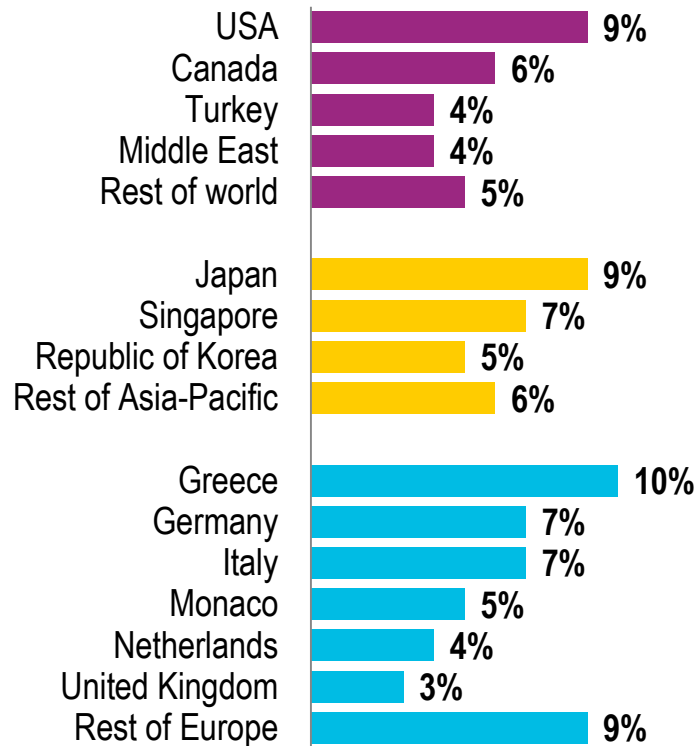
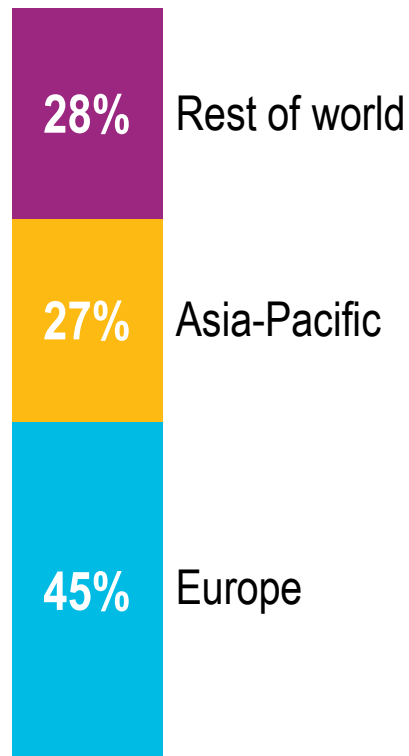


# Membership

Diverse spread of business by country of management and ship type

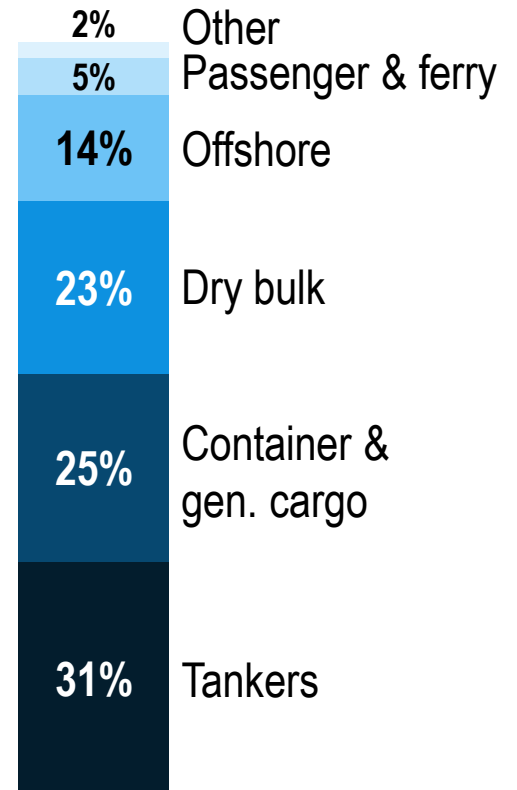
## Owned tonnage by region

114m GT



## Owned tonnage by ship type

114m GT



# Our ambition

01

To **provide a broad range of P&I insurance & related covers** that represent **excellent and sustainable value**

02

To achieve strong results based on **understanding the quality of members' operations**

03

To be recognised for providing **excellent service** through **solving members' problems**

04

To provide **first class financial security**

05

To pursue **selective growth**, consistent with the other objectives

Enabled by  
**innovation**  
and  
**continuous improvement**

**Charles  
Taylor**

## Priorities for 2015/16

---

- Deliver a **stable 'breakeven'** underwriting performance
- **Grow** The Standard Club's **core P&I business**
  - Existing members – new attachments, acquisitions
  - New members – operating quality, relationship focus, disclosure
- Help to **deliver The Standard Syndicate's year 1 business plan**, though referring members
- Build on our culture of **innovation** and **continuous improvement**

# Regulatory status

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The Standard Club Ltd is regulated by the Bermuda Monetary Authority. The Standard Club Ltd is the holding company of the Standard Club Europe Ltd and the Standard Club Asia Ltd. The Standard Club Europe Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Standard Club Asia Ltd is regulated by the Monetary Authority of Singapore.

Charles Taylor Services Limited (CTS) is authorised and regulated by the Financial Conduct Authority to carry out general insurance mediation activities for commercial clients. For more details please see [www.fsa.gov.uk/register/home.do](http://www.fsa.gov.uk/register/home.do) or call the FCA on 0845 606 1234. CTS is a wholly owned subsidiary of Charles Taylor Holdings Limited. The ultimate parent and controlling company is Charles Taylor plc.



**The Standard**



 **@StandardPandi**  
 **The Standard P&I Club**  
**[www.standard-club.com](http://www.standard-club.com)**

**Charles**  
**Taylor**

 **@ctaylorplc**  
 **Charles Taylor plc**  
**[www.ctplc.com](http://www.ctplc.com)**

# Underwriting methodology

**Name: John Reily**

**Role: Director of Underwriting**

**Member Forum, 23 June 2015**

**The Standard**



# Contents

- The importance of transparency
- Burning layer, risk, IBNR and inflation
- Abatement layer
- International Group Pool
- Group reinsurance
- Loss record
- Management costs
- Investment income

# Burning layer, risk, IBNR and inflation

- The cost of routine claims up to \$2m (\$2.5m for 2016/17)
- Reflects members' operational performance
- Each member pays their own claims costs and risk over time
- Individual member's risk and record
- IBNR and inflation



- Claims which have been reported may cost more than current estimates
- Claims unknown which have yet to be reported
- Liability claims do deteriorate, especially personal injury (USA over longer periods)
- Liability inflation (not cost of commodities)

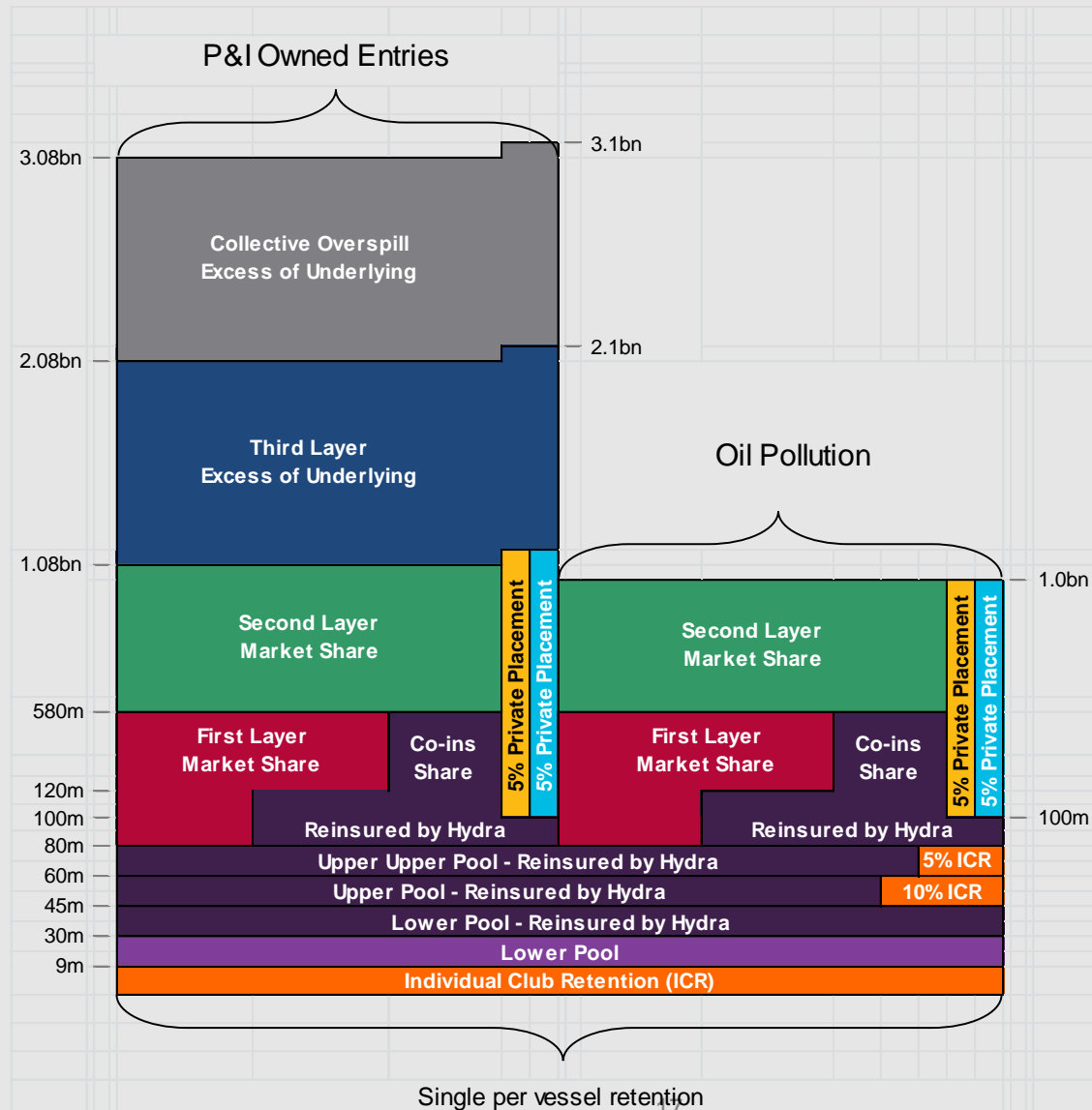
# Abatement layer claims

- Claims between \$2m and the IG Pool layer (currently \$9m likely to be \$10m for 2016/17)
- Deemed unfair to have a one off large incident on a members record
- Spread fairly amongst all the club's mutual members on a formula of premium and tonnage
- The club will only allow one claim per member group to be capped. Likely to be changed for 2016/17

- Claims between \$9m and \$80m (now some coinsurance excess of \$80m)
- Shared between the International Group clubs
- Each club contributes on a formula of tonnage, premium and loss record
- Partly funded by the Group's captive, Hydra
- Over time, each club should pay back what it has taken in paid claims
- Little pattern in the occurrence of these claims
- Allocated by the club on same internal formula of abatement layer claims

- Cost of providing the very large limits of cover available through the IG
- The Group collectively purchases a general excess of loss reinsurance (GXL)
- Cost of the whole programme is divided across the total tonnage insured with the Group
- Premium is split across four ship categories depending on the relative losses of each ship category

# IG reinsurance



# Reviewing the loss record

- Loss performance assessed over 6 years plus current year
- Underwriters will generally discount the current year
- Objective over time is to move to a balanced 100% loss ratio after application of costs, IBNR and inflation
- Consider historical terms changes
- Observe wider trends, patterns and any changes in the member's operations or practices

# Other factors to consider

- Any matters relating to claims cost and risk
- Material information
- Examples: loss record, trade, ship operations



- Management costs historically considered to be covered by investment income
- Management costs are not currently factored into the underwriting calculation
- Under consideration for 2016/17



# Loss prevention methodology and initiatives

Yves Vandeborn  
Director of Loss Prevention

Member Forum, 23 June 2015

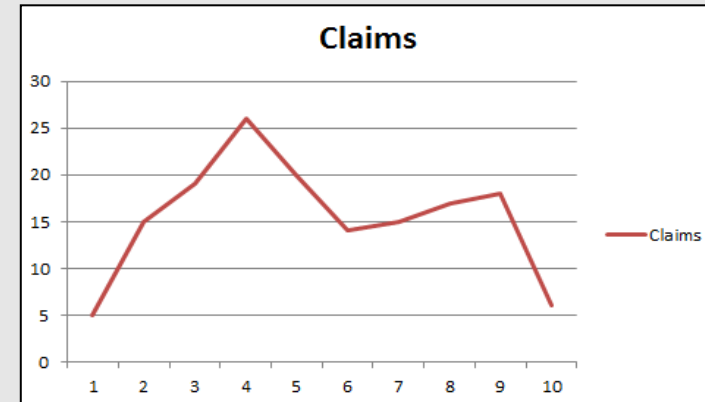
The Standard



# Loss Prevention Methodology



## Purpose of the Loss Prevention

1. Gather actionable information for underwriting process
2. Support claims process
3. Prevent claims
4. Provide technical advice to members



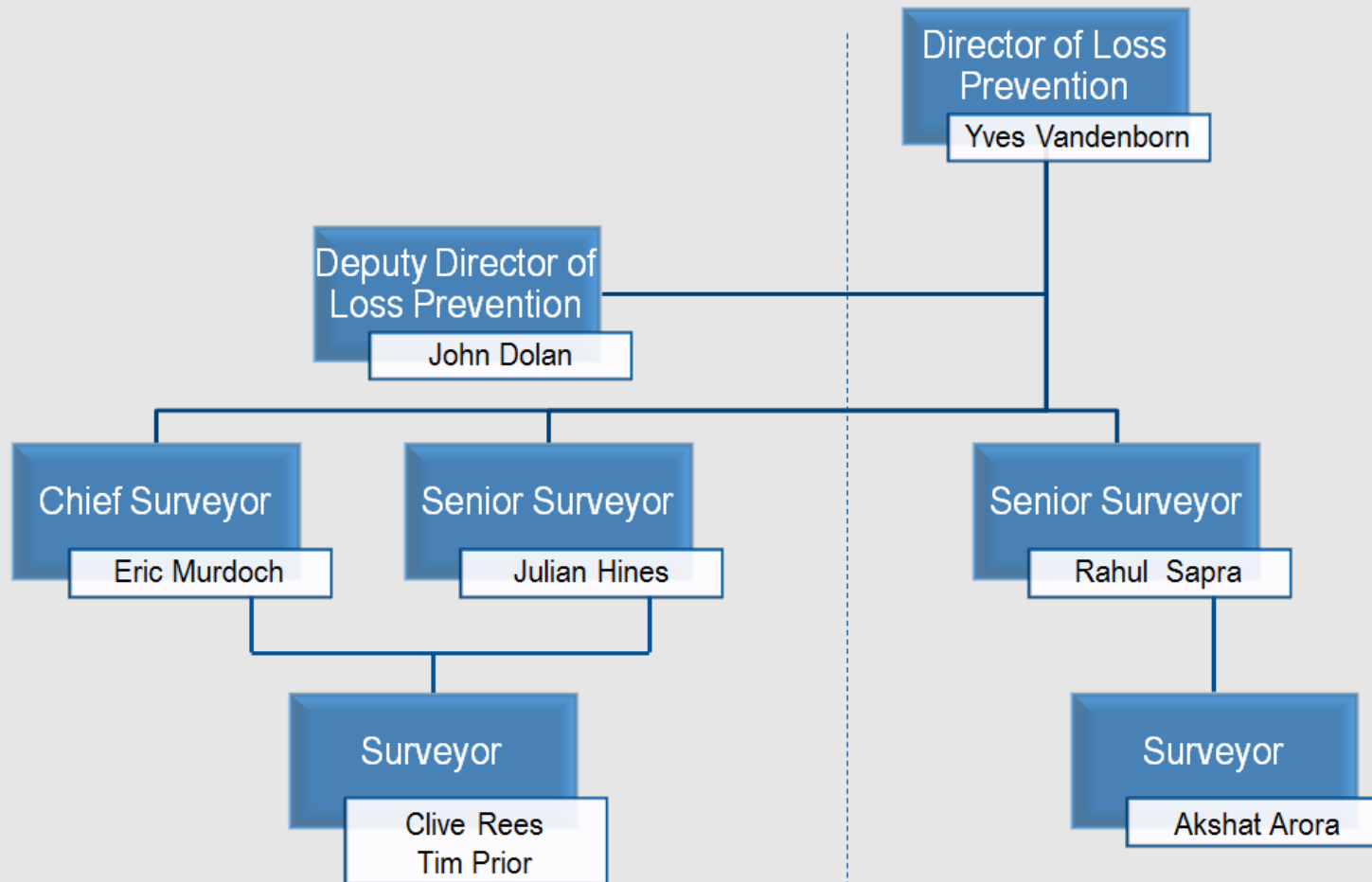
# Loss Prevention Methodology

How we support our colleagues

underwriting	loss prevention	claims handling
<ul style="list-style-type: none"><li>– Gather information on ship quality</li><li>– Gather information on members management systems</li><li>– Advise on construction and design</li></ul>	<ul style="list-style-type: none"><li>– Ship risk reviews</li><li>– Member risk reviews</li><li>– Loss Prevention initiatives</li><li>– Generate claims prevention publications and media</li></ul>	<ul style="list-style-type: none"><li>– Provide cargo advice to members</li><li>– Provide technical advice to claims teams</li><li>– Analyse claim root causes and determine claim trends</li><li>– Provide training for non-technical staff</li></ul>
		

# Loss Prevention Methodology

## The loss prevention team



# Loss Prevention Methodology

## Directors

**Yves Vandeborn**  
**Director of Loss Prevention**

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M: +65 9879 8606

yves.vandeborn@ctplc.com



**John Dolan**  
**Deputy Director of Loss Prevention**

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M: +44 7919571011

john.dolan@ctplc.com



# Loss Prevention Methodology

## Survey Team



**Eric Murdoch**  
**Chief Surveyor**

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M: +44 7932 113 579  
eric.murdoch@ctplc.com



**Julian Hines**  
**Senior Surveyor**

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M: +44 7920 135 078  
julian.hines@ctplc.com



**Rahul Sapra**  
**Senior Surveyor**

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M: +65 9178 2974  
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**Clive Rees**  
**Marine Surveyor**

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**Tim Prior**  
**Marine Surveyor**

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**Akshat Arora**  
**Marine Surveyor**

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M: +65 9771 9216  
akshat.arora@ctplc.com



# Loss Prevention Methodology

## Support Staff

**Richard Bell**  
**Loss Prevention Executive**

T: +44 20 7680 5635  
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[richard.bell@ctplc.com](mailto:richard.bell@ctplc.com)



**Jennifer Bellsham**  
**Administrator**

T: +44 20 7522 6489  
M: +44 7833 403 527  
[jennifer.bellsham@ctplc.com](mailto:jennifer.bellsham@ctplc.com)



# Loss Prevention Methodology

## Team Developments

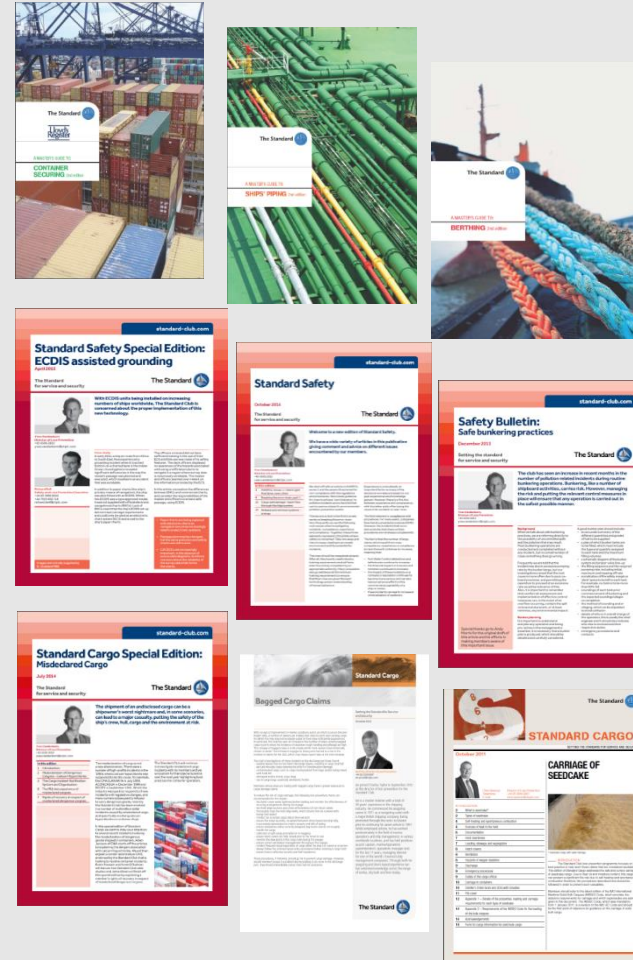
1. Team has expanded to 10
2. Team expertise includes (but is not limited to)
  - Dry cargo (bulk, project, container)
  - Liquid cargo (oil, chemical, gas)
  - Offshore
  - Naval architecture/construction
  - Coastal & port safety
  - Electronic navigation & ECDIS
  - Passenger vessel operations
  - Human Element
  - Error chain analysis



# Loss Prevention Methodology

Publications: Rolling program of education



1. Master's Guides examples
  - Container Securing
  - Ship's piping
  - Berthing
2. Standard Safety recent articles
  - ECDIS special edition
  - Life boat safety and regulations
  - Error chains
3. Standard Cargo recent articles
  - Misdeclared cargo
  - Bagged cargo claims
  - Carriage of seedcake
  - Steel cargo



# Loss Prevention Methodology

## Social media content

Tweets   Tweets & replies   Photos & videos

-  **Standard P&I** @StandardPandi · Apr 16  
Nairobi Convention on Removal of Wrecks now in force (as of 14 April 2015) [imo.org/MediaCentre/Pr...](http://imo.org/MediaCentre/Pr...)  
↩ 1 ★ 1 ...
-  **Standard P&I** @StandardPandi · Apr 15  
Constantino Salivaras, writes on what managing a wreck removal entails and specific challenges faced in Latin America [standard-club.com/news-and-knowl...](http://standard-club.com/news-and-knowl...)  
↩ 1 ★ 1 ...
-  **Standard P&I** @StandardPandi · Apr 14  
US Coast Guard replaces conditions of entry on vessels arriving to the US from Libyan ports on or after 24 April 2015 #Libya  
↩ 2 ★ ...
-  **Standard P&I** @StandardPandi · Apr 14  
US Coast Guard issues port security advisory for #Libya [maritimesecurity homeport.uscg.mil/mycg/portal/ep...](http://maritimesecurity.homeport.uscg.mil/mycg/portal/ep...)  
↩ ★ ...

### Web alert: difficulties in obtaining Port Yuzhny surveying services

16 April 2015

Members are advised that a number of practical problems have arisen for independent surveyors attempting to operate at the port of Yuzhny.

#### Temporary passes

Surveyors wishing to gain access to vessels in Yuzhny are required to obtain a permit from the port's administration. Permanent permits may be obtained for those piers used to unload urea, but only temporary permits are issued for the iron ore concentrate or steel piers. Current port security regulations dictate that three 'working days' notice is required before a temporary pass is issued. Working days have been defined as those excluding weekends and public holidays.

The delay of three days is proving to be problematic for independent surveyors who are often required to respond to an unexpected situation, such as potential P&I claim or damage to port facilities. Members using Port Yuzhny should be aware that should they require, urgently or otherwise, the services of an independent surveyor, they will not receive an immediate response due to the aforementioned three day notice period.

#### Changes in pass application process

Further complicating the situation are the changes in the pass application process. Where previously such passes would be issued to ship's agents on behalf of surveyors, new regulations from the port's 'Customs and Immigration Authorities' state that passes may only be issued to the surveyors in person. The process of obtaining a permit in person takes, on average, three visits to the port over a number of days. Since no surveying company currently has an office in Port Yuzhny, surveyors are incurring a round trip of approximately 300 km on top of the costs associated with obtaining the required permit.

Members are requested to take into consideration the practical difficulties which independent surveyors will face during the execution of their services at the port of Yuzhny, this situation is likely to persist in the near future.

# Loss Prevention Methodology

## Safety and Loss Advisory Committee

- Composed of senior technical and marine experts from membership
- Committee members are senior to effect change in own organisations
- SLAC purpose is to:
  - Examine root causes of claims
  - Address claims trends
  - Discuss new regulations
  - Review activities/initiatives of LP department
- SLAC reports directly to board
- Standard Club operates three SLAC divisions
  - Asia division
  - Europe division
  - London Class division

# Loss Prevention Methodology

## LP Initiatives

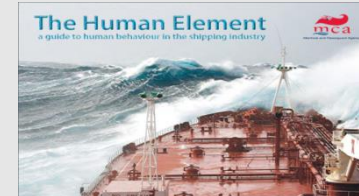
1. LP pursues aims via initiatives
2. Purpose of LP initiatives:
  - response to new regulations
  - negative claims trends
  - to improve level of LP initiatives
3. Initiatives are both external and internal facing
4. LP uses a multi-media response to initiatives

# Loss Prevention Methodology

## LP Initiatives

### 1. Historical Initiatives

- Horizon fatigue study
- Videotel hazard series
- Human Element book



### 2. Current external initiatives

- PEME Scheme
- Spot the hazard competition
- New Videotel collaboration



# Loss Prevention Methodology

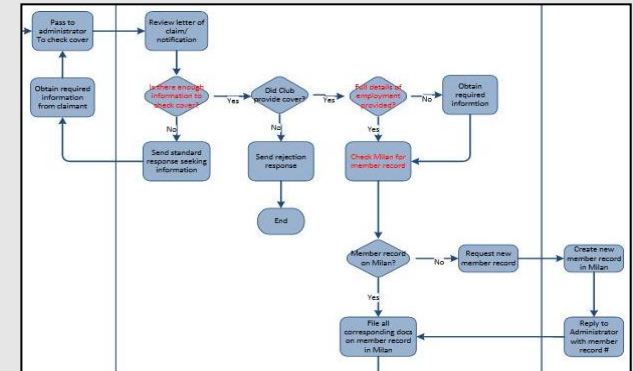
## LP Initiatives: Internal Initiatives

### 1. Loss prevention process review

- Refined checklists
- Improved frameworks & processes
- New KPIs developed and monitored
- New defined responsibilities for UW and LP
- Introduction of risk triggers

### 2. Survey database upgrade

- Redesigned and capable of future integration with UW software
- Enables tighter management
- Enables simpler management
- Improves flow of information



The screenshot shows a web application interface for 'Search Surveys'. At the top, there's a navigation bar with 'Safety & Loss' and 'Admin' tabs, and a user profile 'Heather Richardson'. Below the navigation bar, the 'Search Surveys' section has a search input field with placeholder text 'Enter Ship Name, Ship ID, Survey No or Member Name', a 'Search' button, and a 'Create new survey' button. Below the search bar is a table with columns: 'Ship Name', 'Survey Number', 'Ship ID', 'Member Name', 'IMO Number', 'Gross Tonnage', and 'Ship Type'. The table currently displays 'No Matches'.

# Loss Prevention Methodology

## Ship Risk Reviews



1. Designed to provide an assessment of the material state of the ship and mitigate potential risk exposure
2. Criteria for selection
  - All newly entered ships 12 years/+ age
  - Tankers having carried persistent oil products in the last year
  - As result of a PSC detention
  - When a significant claim or claim trend is experienced
3. Conducted using SRR checklist by qualified surveyor, internal or external
4. SRR checklist reviewed annually
5. Time frames now formalised

# Loss Prevention Methodology

## Ship Risk Reviews

### 6. Results are graded:

- green: straight pass or minor recommendations, with no further action required
- amber: pass with recommendations for repairs, but without cover implications
- red: repairs required as a condition of continued cover

### 7. RAG: Red, Amber, Green

- Standardized list with commonly found deficiencies and recommended repairs
- Setup to ensure consistency in review letters



# Loss Prevention Methodology

## Member Risk Reviews



- Unique to The Standard Club
- 1993: implementation of minimum operating standards
- This model has been refined and changed over time
- Last review of the checklist in 2009 basis TMSA guidelines

# Loss Prevention Methodology

## Member Risk Reviews

- MRR checklist reviewed and revised from ground up with focus on risk exposure
- Questions based on risk rating from 0 to 4
  - MRR selection criteria
  - On entry for all members
  - After a serious claim or claim trend
- MRR Processes and time frames now formalised

# Loss Prevention Methodology

## Member Risk Reviews

- Areas addressed by MRR
  - Management
  - Office/sea staff recruitment policy
  - Marine/safety operations
  - ISM
  - KPI trend analysis and goals
  - Technical management and cargo operations

# Break

Member Forum, 23 June 2015

The Standard



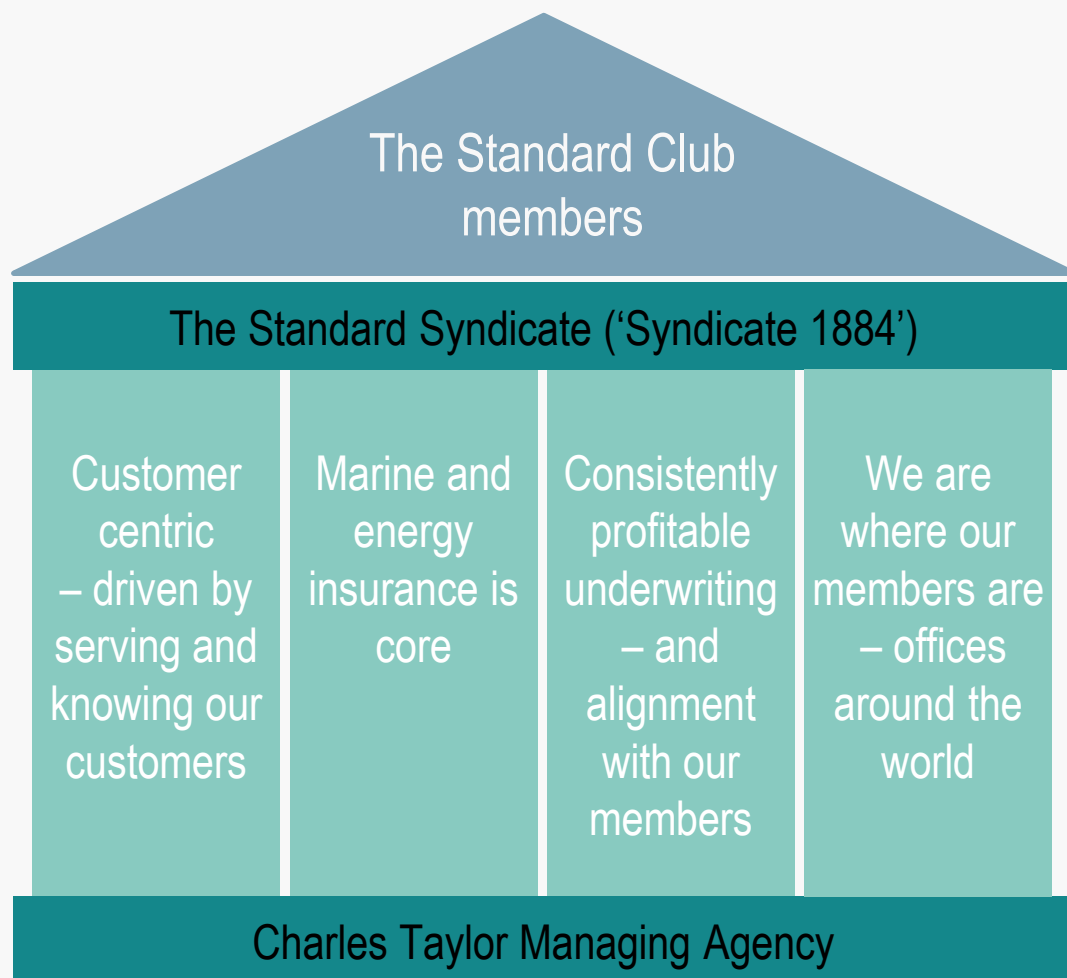
# The Standard Syndicate

Presentation to Member Forum

23 June 2015

- On 1 April 2015, The Standard Club established a new Marine and Energy syndicate at Lloyd's London (Syndicate 1884)
  - The Syndicate is managed by a new Managing Agent which is jointly owned by the club and Charles Taylor
  - The Syndicate offers a truly global service and uses a service company distribution model to write business straight to the box in London and in Singapore through Lloyd's Asia
  - The Europe service company is known as 1884 Europe and the Asia service company is known as 1884 Asia
-

# Vision for The Standard Syndicate

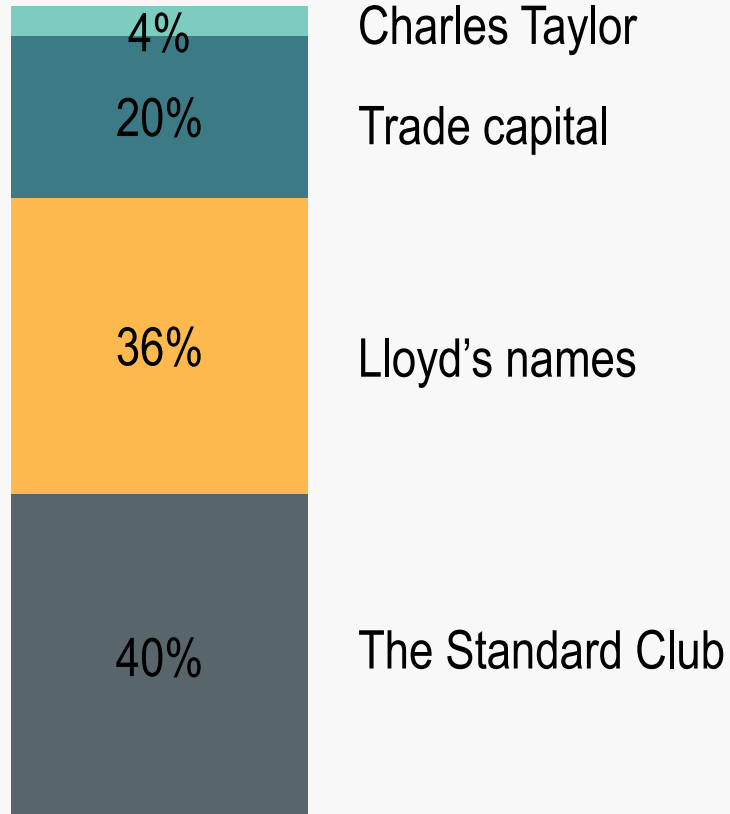


## Our aims

- Lead business to drive service, handle claims and influence risk management
- Develop products & services with the Lloyd's market that will attract more business from current Club members and new clients
- Build on our global reach to create a pipeline of non-Lloyd's business into the market with our Syndicate as the conduit

# Club members are already invested

## Capitalisation of The Standard Syndicate



- We have chosen to use a mixed capital base to ensure engagement with experienced capital providers
- We expect capital partners to take a long term position in The Standard Syndicate and help accelerate profitable growth
- Our success is your success ....



# What sets The Standard Syndicate apart?

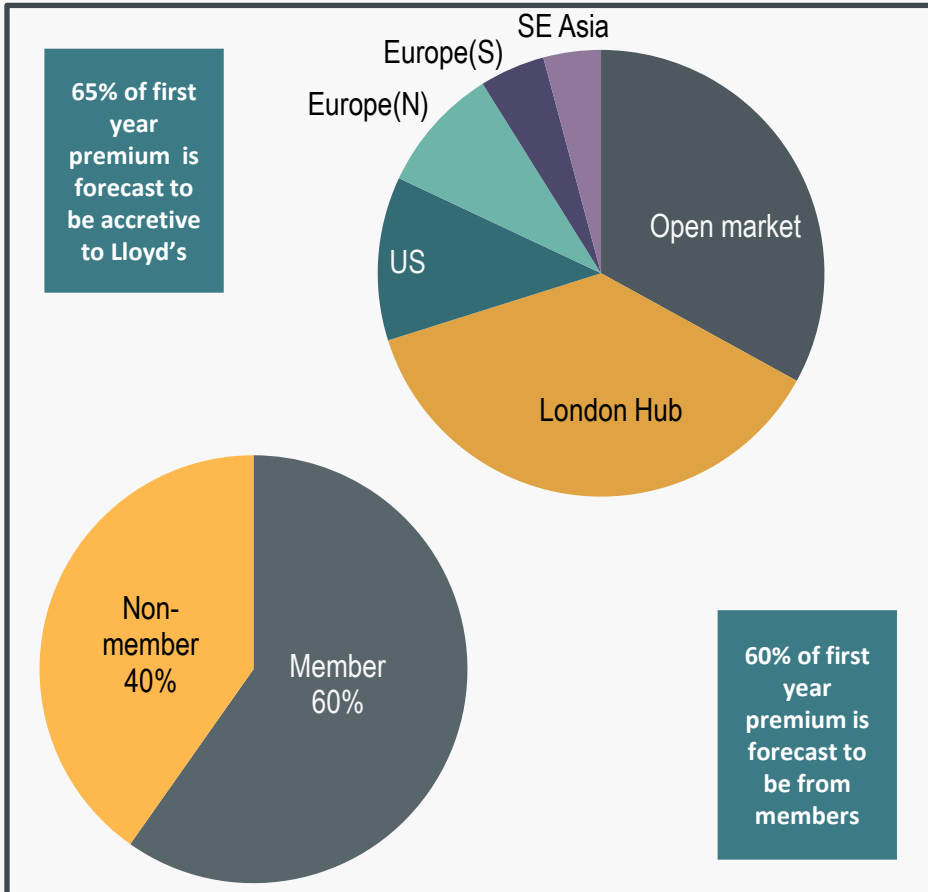
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## Alternative approach from other Lloyd's syndicates:

- Club quality service and extra mile claims handling familiar to members
  - Marine covers tailored to shipowners' needs
  - Lloyd's insurance in local markets
  - Low cat. risk proposition
- 
- Alignment of club and member interests in directing attractive business to the Syndicate
  - Underwriting excellence for long-term sustainability and profitability

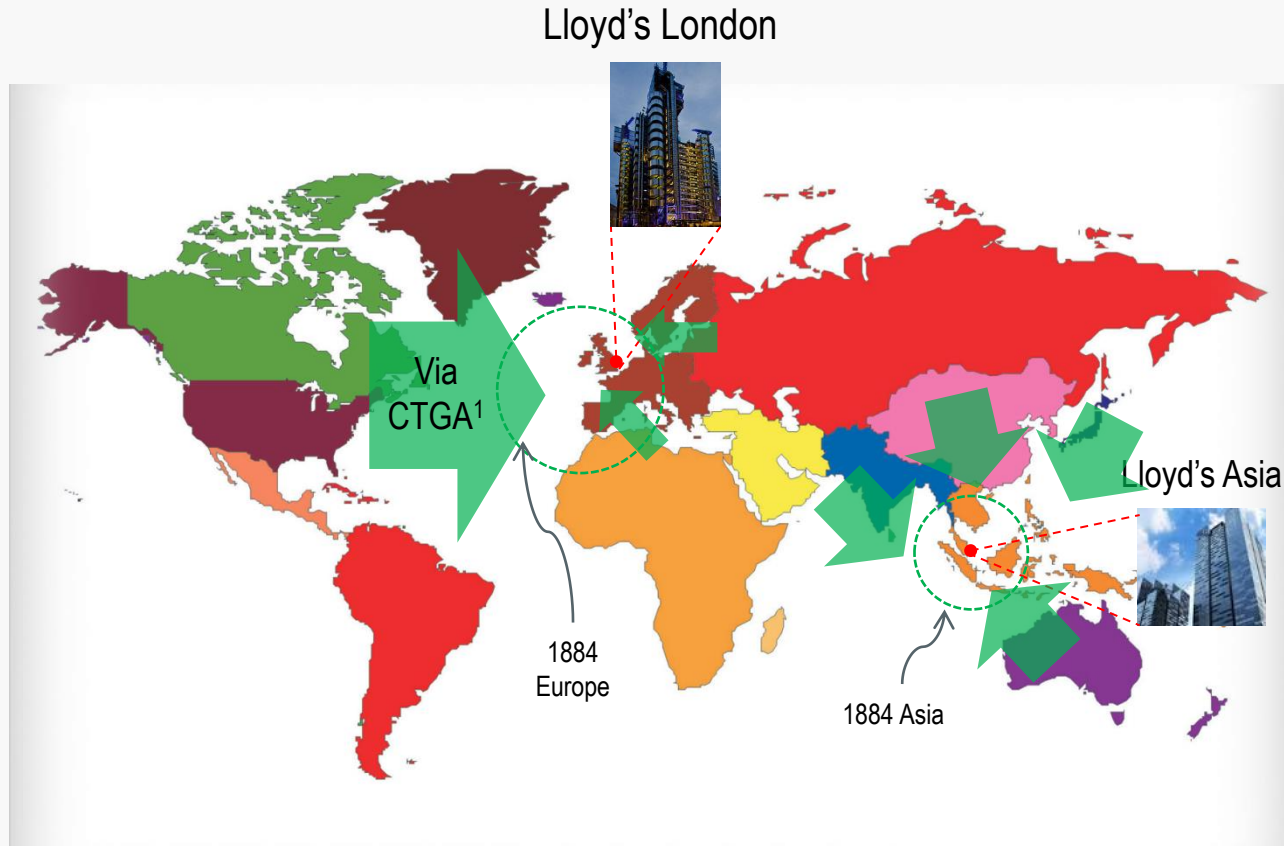
# Club members are key



With your continuing support, we are ....

- Strengthening member and broker relationships
- Creating opportunities for P&I club development
- Increasing the reach and footprint of the Standard brand geographically and in coverage
- Bringing new business into the Lloyd's market

# Our distribution model brings Lloyd's to your local markets



- Underpins our commitment to bring new business to London
- Distributed service locally mirroring the club approach
- Strong aspirations to become a truly global offering
- Flexible distribution model to meet our assureds' needs

Note: CTGA – Charles Taylor General Agency

# What does The Standard Syndicate cover?



<b>Hull / War</b>	Hull & Machinery for bulk cargo, liquid cargo, container, passenger / ferry, small ships and yachts; plus Increased Value, Mortgagees' Interest and War
<b>Energy PD</b>	Physical damage relating to the marine energy business, including construction risks and control of well, and covering mobile installations, fixed platforms, and associated onshore facilities
<b>Liability</b>	Marine energy related non-P&I liabilities, fault-based liabilities for port & terminal operators, and various other non-P&I marine liabilities
<b>Wet and Dry Property</b>	Ports, terminals, warehouses & other storage facilities, storage of goods not covered in cargo policies, marine-related 'dry' premises (e.g. head offices)
<b>Cargo &amp; Specie</b>	General and specialist cargo, logistics, ROVs, specie
<b>Corporate Lines</b>	Marine Errors & Omissions and Directors' & Officers' Liabilities

# Spotlight on: Wet & Dry Property



## What is covered?

- Port infrastructure (quays, docks, berths, breakwaters, hardstanding)
- Buildings (warehouses, offices, gates, fences, control towers)
- Handling equipment (gantry cranes, ship loaders, straddle carriers, forklifts)
- Ports and Terminals Liability (via the liability underwriters) can be written in conjunction

## What does the cover include?

- Port infrastructure (quays, docks, berths, breakwaters, hard-standing)
- Buildings (warehouses, offices, gates, fences, control towers)
- Handling equipment (gantry cranes, ship loaders, straddle carriers, forklifts)
- Ports and Terminals Liability (via the liability underwriters) can be written in conjunction
- Recognised London and international market wordings in the majority of cases

Note: 1) written & signed as of 4 June 2015

# Spotlight on: Cargo



## What is covered?

- Cargo, including transport liability and specie
- Physical loss or damage during transportation
- General and specialist cargo, logistics, ROVs, specie
- Project cargo

## What does the cover include?

- Physical loss and/or damage howsoever caused based on globally-recognised marine clauses including theft, handling & water damage, fire etc
- Cargo owners' contribution for Salvage and/or General Average charges
- Sue and Labour charges and additional expenses incurred to minimise or prevent cargo loss
- Charges determined in accordance with 'Both to Blame
- Collision clauses' appearing in contracts of carriage
- Recognised London and international market wordings in the majority of cases


# Accessing the syndicate

## Line sizes

- Energy – USD 20m (USD 35m any one complex or asset)
- Hull – USD 10m
- Liabilities – USD 10m
- Cargo / Specie - USD 10m
- D&O / E&O – USD 5m

## Access The Standard Syndicate

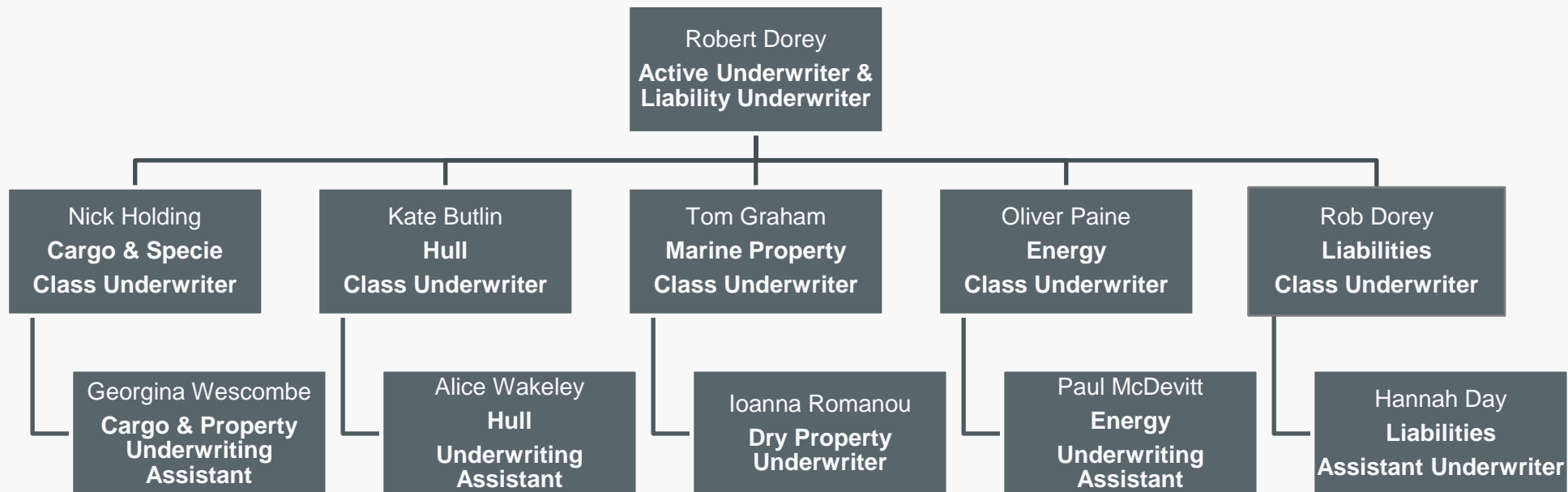
- Boxes 435 & 436, 4th Gallery Lloyd's of London
- 1884 Europe
- 1884 Asia
- US business via non Surplus Lines brokers should be routed to CTGA<sup>1</sup>



**Please give your  
broker a written  
instruction to send  
your business to us**

Note: CTGA – Charles Taylor General Agency

# The Underwriting team





# Underwriter biographies



## Robert Dorey – Active Underwriter/Liability, D&O and E&O

- Joined Charles Taylor in 1996, as a claims handler from legal practice
- 5 years in claims; 5 years mutual underwriting
- 2006 lead and managed the Standard Offshore team (19 people) offshore/energy liabilities
- Only Club that could secure \$1bn limit of reinsurance in the market
- Grew offshore book of Club from \$26m premium (GN) in 2006 to \$71m in 2014 – average loss ratio for the period 55%
- April 2014 full time move over to CTMA to lead underwriting plan and delivery



## Tom Graham – Class Property Underwriter

- Worked at Insure London LLP (MGA) for 5 years specialising in Ports and Terminals property (Argenta were part of the program)
- Wrote “wet” property risks worldwide; capacity fluctuated between \$15m and \$5m
- Average incurred loss ratio was circa 45% over 5 years
- Joined Skuld Syndicate in 2012 to set up the Ports and Terminals Property sector alongside Marine Liability
- First year capacity was \$10m and produced a Net premium of \$5m with 6.6% incurred loss ratio
- Lead 1/3 of the business that was written, 1/3 was written combined with marine liability, 1/3 was standalone property



## Oliver Paine – Class Energy Underwriter

- Joined team at travellers in 2006, from Marsh
- Since 2009 team has written an upstream energy book excluding Gulf of Mexico windstorm with average current gross incurred loss ratios of 45% over from 2009-2014
- Over the last four years significantly beaten target ULR and provided an ROE in excess of the syndicate and company's expectations
- Over this period gross premium income has risen from \$32.6m in 2009 to \$52.3m in 2014 (\$38.4m net written premium prior to treaty reinsurance costs)
- Running the book since 2011 which is from when there has been the majority of growth



## Nick Holding – Class Cargo Underwriter

- Most recently at FM Global delivering cargo insurance products and servicing to Fortune 500/Footsie100 type companies
- Most recently running a cargo book of approx. \$12m GPI with combined ratio (net loss ratio plus expenses) averaging 55-70% over last 5 years of account
- Over 25 years cargo insurance experience in underwriting and broking roles
- Maritime Business degree/ACII qualified



## Kate Butlin – Hull Underwriter

- Was a Class Underwriter at Talbot Underwriting writing Hull and all ancillary interests including Marine War.
- Previously at Atrium Underwriting
- Over 15 years experience in Marine Hull Insurance
- Holds an LLB (Hons) Law Degree / DipCII
- Joined The Standard Syndicate March 2015



## Sarah McGurk – Business Development Underwriter The Standard Syndicate Services Limited

- Insurance and reinsurance broker for 15 years, working with JLT in London and Canada and Willis
- Worked in Canada for 10 years where she was a retail broker for a mix of clients from international oil and gas companies to logistics and transportation clients
- D&O underwriter for 5 years with Travelers in both Canada and London
- Has worked in Lloyd's and insurance company environments
- Post-graduate and graduate degree qualifications in English Law
- Hold ACII and CIP qualifications

# Regulatory status

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The Standard Syndicate 1884 is managed by Charles Taylor Managing Agency Ltd. Charles Taylor Managing Agency Ltd is a Lloyd's managing agent and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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[www.syndicate1884.com](http://www.syndicate1884.com)



# Standard Club Member Forum

## 23 June 2015

## Profile

- Specialist marine mutual since 1957
- Similar structure to a P&I Club
- Owned by members
- Reinsurance programme to limit Club's exposure and protect members funds
- US\$28m free reserves
- S&P rating BBB+
- New management from 01 March 2015

# The Cover

## Mutual delay

Costs of vessel delay caused by

- By shore related incidents (Class I)
- After the end of shore related incidents (Class II)
- By ship related incidents (Class III)

## Fixed premium war

War cover including

- Hull & Machinery
- Loss of Hire
- Liability
- Piracy

## Fixed premium loss of hire

- Loss of hire resulting from an incident covered under the ship's Hull and Machinery policy

## Other covers

- Tailored fixed premium cover for delay risks in excess of or outside the mutual rules
- Net profit protection for time charterers



# Mutual Delay

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# Who needs what cover?

1. Charterer or owner?
2. What contractual basis is the vessel operated on?

## **Class I & II – shore related perils**

- Charterers (long term or period in) operating vessels on their own trade
- Owners operating vessels on their own trade, voyage charter basis or on spot market trade

## **Class III – ship related perils**

- Bareboat charterers
- Owners – regardless of the contractual basis on which the ship is operated

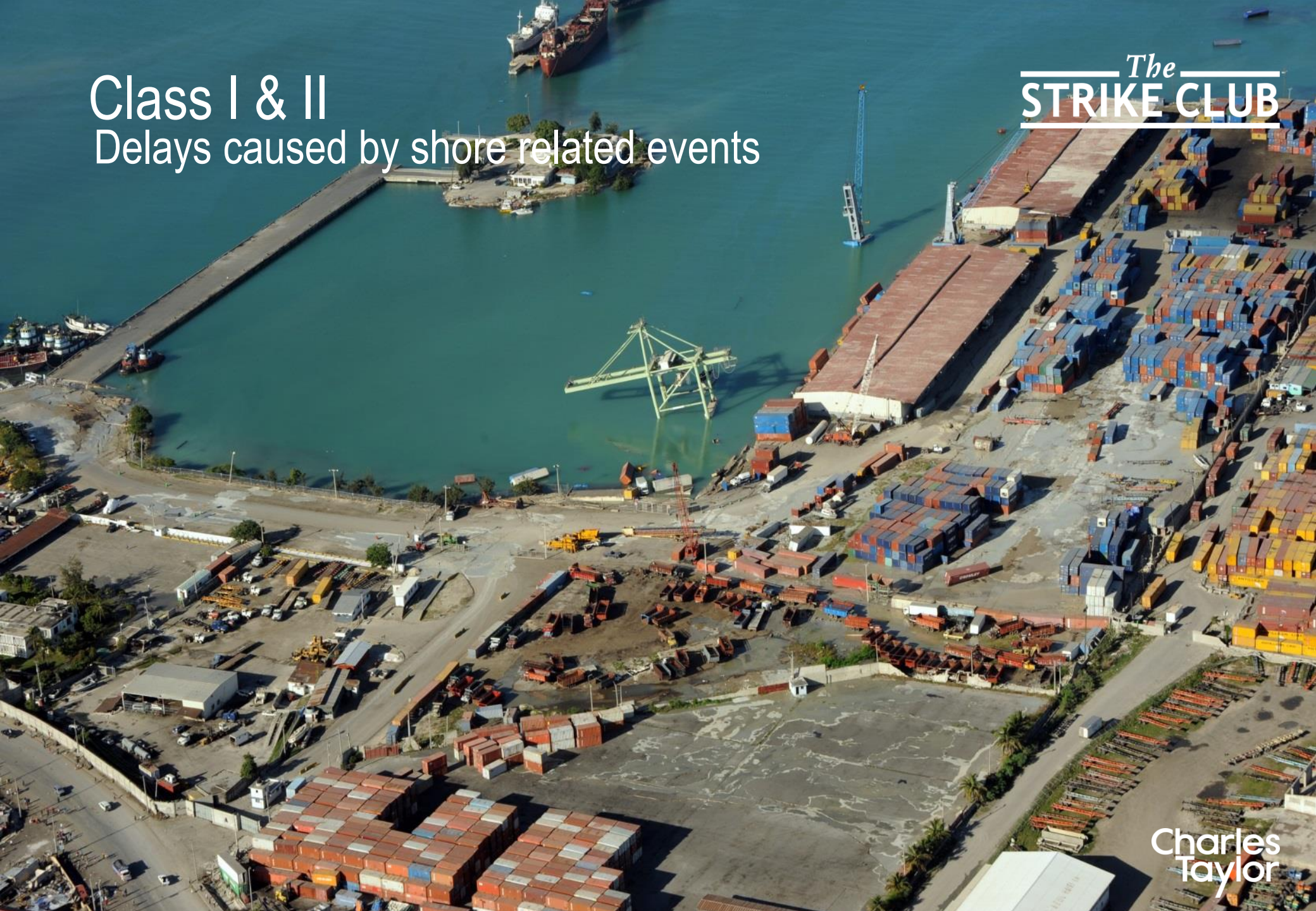
Premium = % of daily entered sum or hire



# Class I & II

## Delays caused by shore related events

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# Class I & II

## Delays caused by shore related events

- Strike, lockout, partial or general restraint of labour
- Rebellion, insurrection, riot, civil commotion, political protest
- Action by environmental objectors or religious zealots
- Fire, explosion, mechanical breakdown on land
- Indirect effects of certain weather conditions (storm, tempest, flood, snow, ice etc.)
- Earthquake, volcanic eruption, avalanche, landslide
- Aircraft impact, accident or misdirection of air cargo
- Loss or damage to vehicles, vessels or aircrafts transshipping cargo / spare parts
- Lawful closure of a port / waterway
- Physical obstruction, unforeseeable high/low levels of water at a port or waterway
- Border closures, import / export controls
- Physical or electronic sabotage, terrorism
- Expropriation, confiscation or seizure of cargo
- War, civil war or any hostile act by or against a belligerent power and any act of piracy

2014/15: 2,700 ships entered with premium call of US\$10.5m



# Class III

## Delays caused by ship related events

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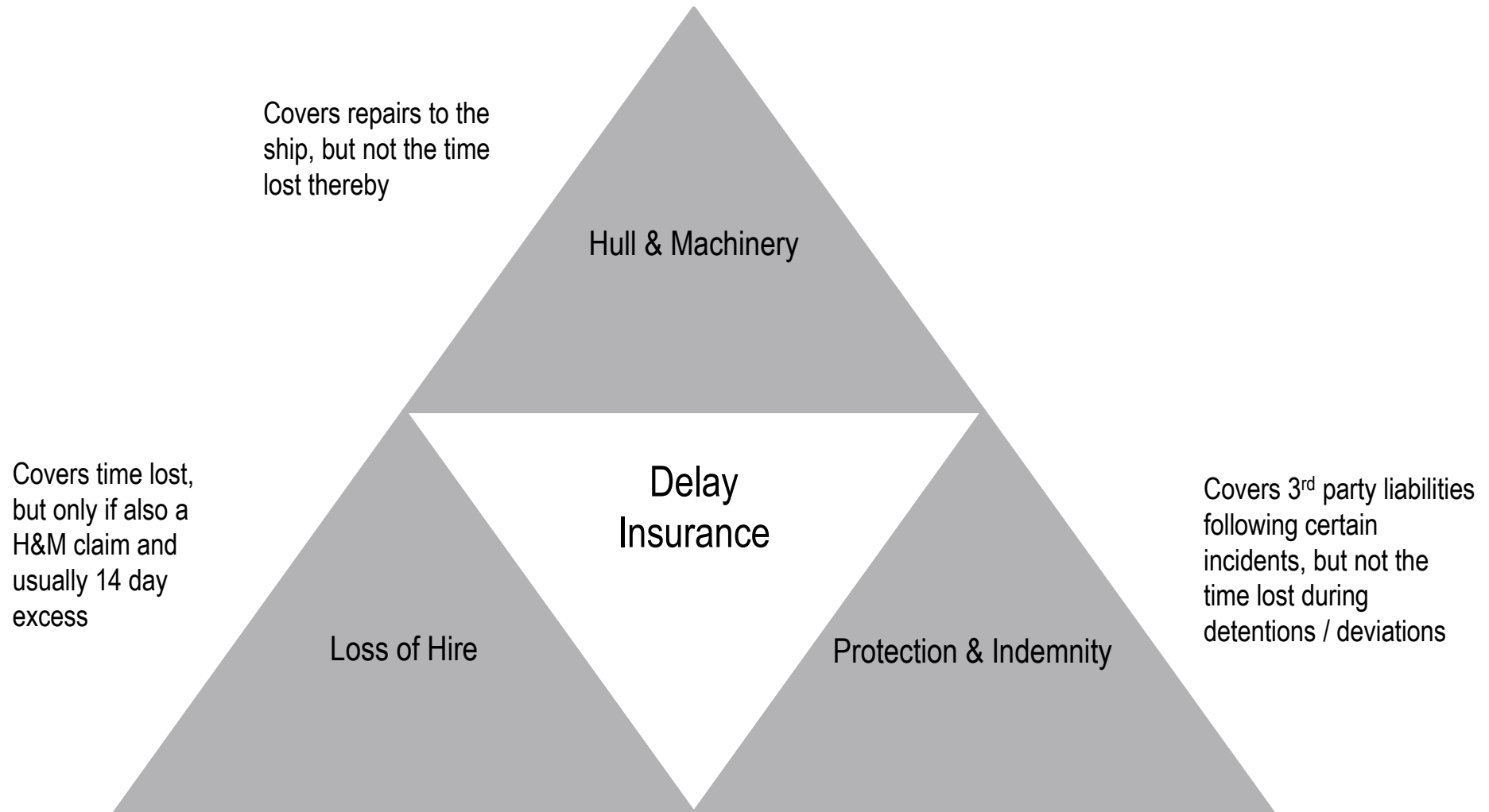
# Class III

## Delays caused by ship related events

- Crew and officer strikes
- Collision, stranding, grounding, striking fixed or floating objects
- Illness, injury, death on board
- Actual or alleged presence of drugs onboard
- Quarantine
- Actual or alleged pollution by the entered vessel
- Action by authorities in respect of criminal acts onboard, or incidents involving other vessels in the same beneficial ownership
- Stowaways, saving life at sea, rescuing refugees
- Desertion of crew
- Fire, explosion or breakdown in machinery
- Piracy, kidnap and ransom
- War, civil war or any hostile act by or against a belligerent power

2014/15 year: 1,200 ships entered with premium call of US\$11.9m

# Where does the cover fit?



# Case study

- Ship in ballast, under time charter. Proceeding inbound to load cargo at port A when she collides with an outbound vessel
- She sustains hull damage and oil leaks into the sea from her breached fuel tanks.
- She is arrested by the authorities for 4 days pending provision of security for clean up costs
- Whilst under arrest, the breached sections of the hull are temporarily sealed to enable her to remove for repairs. She is then towed for 1.5 days to the nearest repair yard, where she undertakes permanent repairs taking 1 week, before being towed back to the loading port

Assume the ship has standard P&I, H&M and LOH cover and that she was placed off hire by the charterer

- **P&I**: pollution clean up costs and liabilities, and  $\frac{1}{4}$  collision liability (assuming she was partly to blame)
- **H&M**: cost of towage to and from the repair yard, repairs to the vessel's hull and  $\frac{3}{4}$  collision liability
- **LOH**: No claim - not over 14 day excess
- **Mutual Delay**: Daily running costs/hire for the 4 days under arrest, the 3 days under tow and the 7 days under repair

# Quantum of Class III delay claim

Assuming daily running costs or charter hire of US\$10,000 per day:

- 14 days @ 10,000 per day = US\$140,000
- Less deductible (2 days) = US\$20,000
- Claim on the club = US\$120,000



# Claim examples

Classes I & II	Class III
<p>A bulk carrier was scheduled to load cargo at San Lorenzo, Argentina. Whilst the ship waited at the pilot station to continue her inbound voyage, another vessel ran aground in the Parana river, obstructing the main channel. The bulk carrier was delayed for twelve days until she received authorisation to proceed up river.</p>	<p>A general cargo vessel was underway from Morocco to Bremen.</p> <p>Whilst she was in the Bay of Biscay, a stowaway was discovered on board.</p> <p>The vessel deviated to Rotterdam for his disembarkation, causing a delay of approximately 2.5 days</p>
<p><i>At US\$12,000/day, claim = US\$144k</i></p>	<p><i>At US\$ 15,000 / day, claim = US\$37.5k</i></p>





Loss Of Hire

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# Key points

- Offered on fixed premium basis since 2007
- Flexibility of terms: Nordic Plan, ABS and others as required
- Full underwriting control: can lead or follow
- Incident limit: US\$4m though cover beyond this can be offered
- Main vessel types considered:
  - Bulkers
  - Gas carriers
  - Container carriers
  - Tankers
  - Up to 15 years old
- For 2014/15 year, 700 ships for risks totalling US\$600m
- Backed by comprehensive reinsurance package

War & Piracy

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# Key points

- Offered on fixed premium basis since 2002
- Market terms including:
  - ITC
  - German
  - American
  - Finnish
  - French
  - Nordic Plan
- Includes H&M, H&M Increased Value, Freight, Crew liabilities, Bunkers, LOH, Piracy and K&R, with tailored extensions and special risks as required
- Standard exclusions per Joint War Committee listed areas
- Available worldwide up to a limit of US\$200m each interest
- For 2014/15 year, 1,500 ships
- Backed by comprehensive reinsurance through Lloyds and other A rated reinsurers



# Other Covers

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Time charterers' profit protection	Tailored fixed premium delay cover
<ul style="list-style-type: none"><li>– Cover for total expected profit between hire receivable and hire payable in the event of a total loss of the vessel</li><li>– Lloyds List: "Suezmax rates soar US\$22,000 in just one day...West Africa to Europe now close to US\$61,000 per day..."</li></ul>	<ul style="list-style-type: none"><li>– Designed to extend the limits of cover available under the mutual rules e.g. delays up to 180 days caused by the discovery of drugs or contraband</li><li>– For delay risks outside the rules</li></ul>



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# Lunch

Member Forum, 23 June 2015

The Standard





Clarksons

# Shipping Market Overview

Presentation to Standard Club Member Forum 2015 23<sup>rd</sup>

June 2015 (Ref: A3477)

Trevor Crowe, Director, Clarkson Research.

Presentation not for circulation outside of Standard Club Member Forum.



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# The world's leading integrated shipping services group

- 163 years experience of providing seamless end-to-end shipping services through a global network.
- Broking – Offshore – Financial – Support – Research
- Listed on the London Stock Exchange (CKN.L).
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## Clarksons Research



### Shipping and Trade

Market leaders in providing timely and authoritative information on all aspects of shipping. Data is available on over 100,000 vessels either in service or on order, 10,000 companies and 600 shipyards as well as extensive trade and commercial data, and over 100,000 time series.



### Offshore and Energy

The leading provider of data to the offshore industry for more than 30 years. Providing clients with the key information they need to operate their business more effectively. Market intelligence is available on more than 25,000 structures, vessels and companies and 6,000 oil and gas fields.



### Valuations

The world's leading provider of valuations to the shipping industry and financial community. More than 20,000 valuations are handled annually, covering the full range of vessel types.



### Consultancy

A leading provider of consultancy services.



## Agenda

- 1.Shipping Today
- 2.World Trade
- 3.World Fleet and Orderbook
- 4.Ownership
- 5.Summary



# 1. Market Cycle

1. 6 years since financial crisis
2. Still a surplus and some markets remain challenging
3. Increases in volatility
4. Uneven performance across sectors

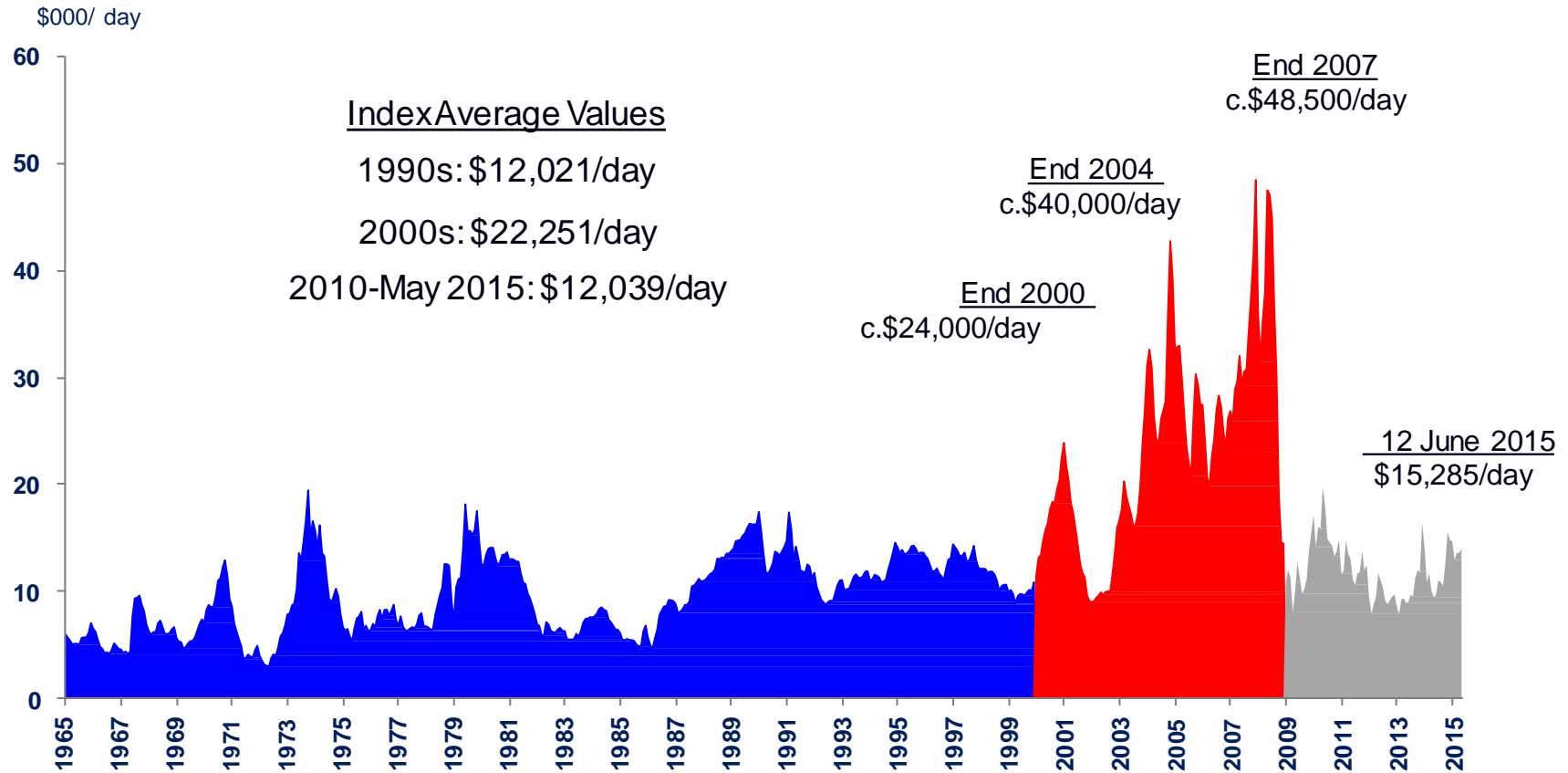






# Shipping Cycle 1965-2015: ClarkSea Index

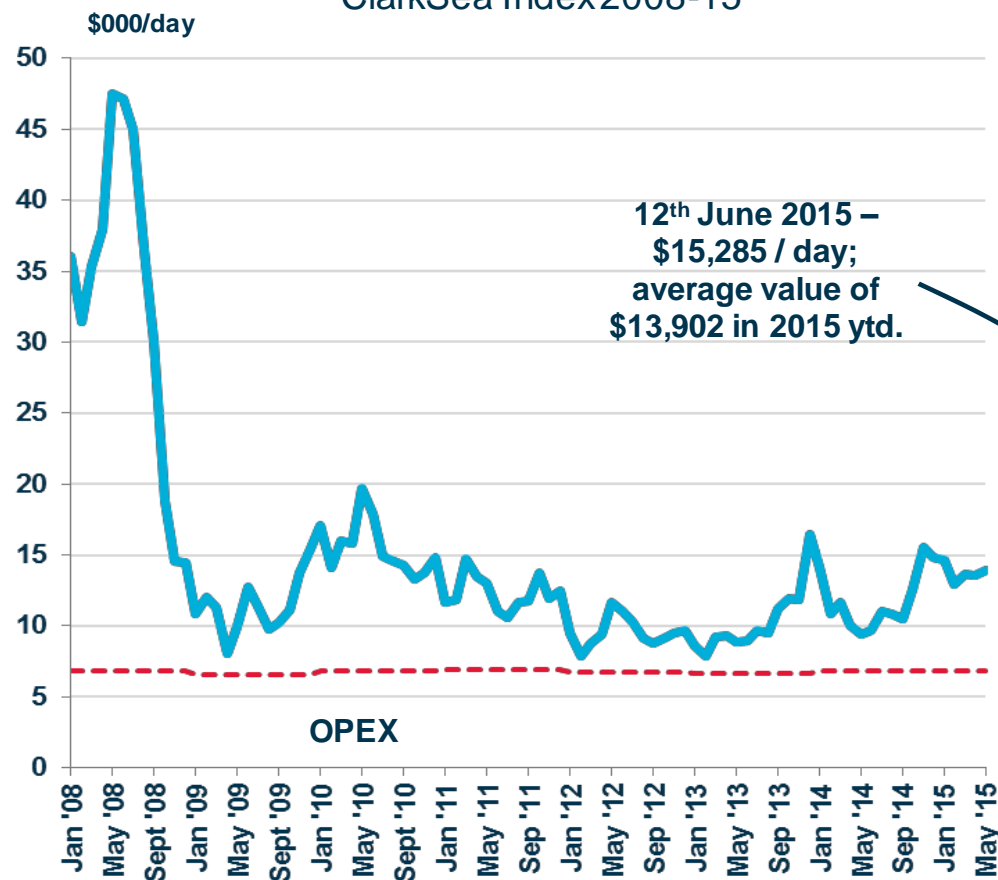
(ClarkSea Index is a weighted average of earnings by tankers, bulkers, containerships & gas carriers)





# Market Since Financial Crisis

ClarkSea Index 2008-15



1. ClarkSea Index up 30% year on year, albeit from a low base.

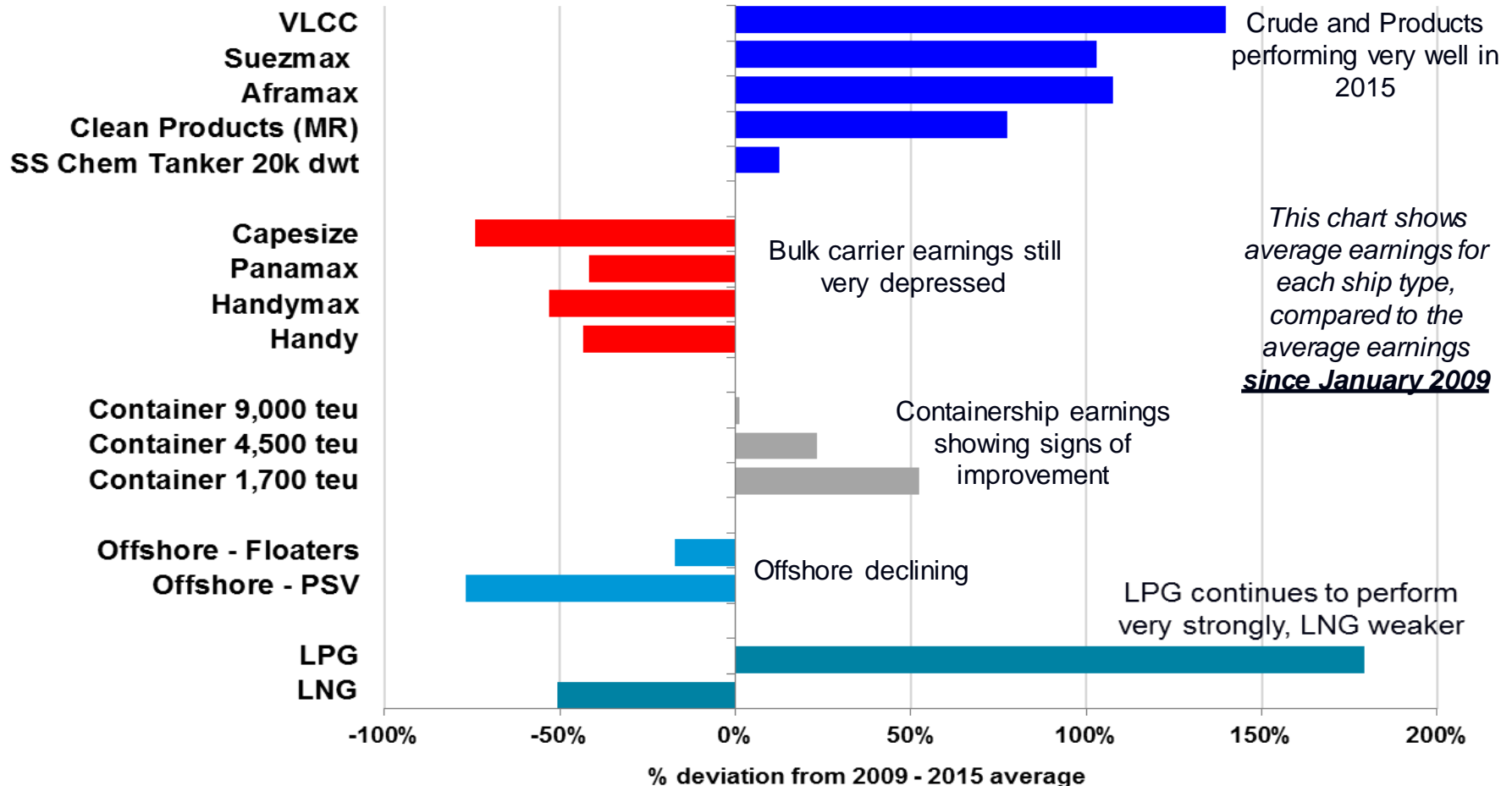
2. Remains a challenging market with surplus in each of the main markets.

3. Market performance very uneven across the sectors



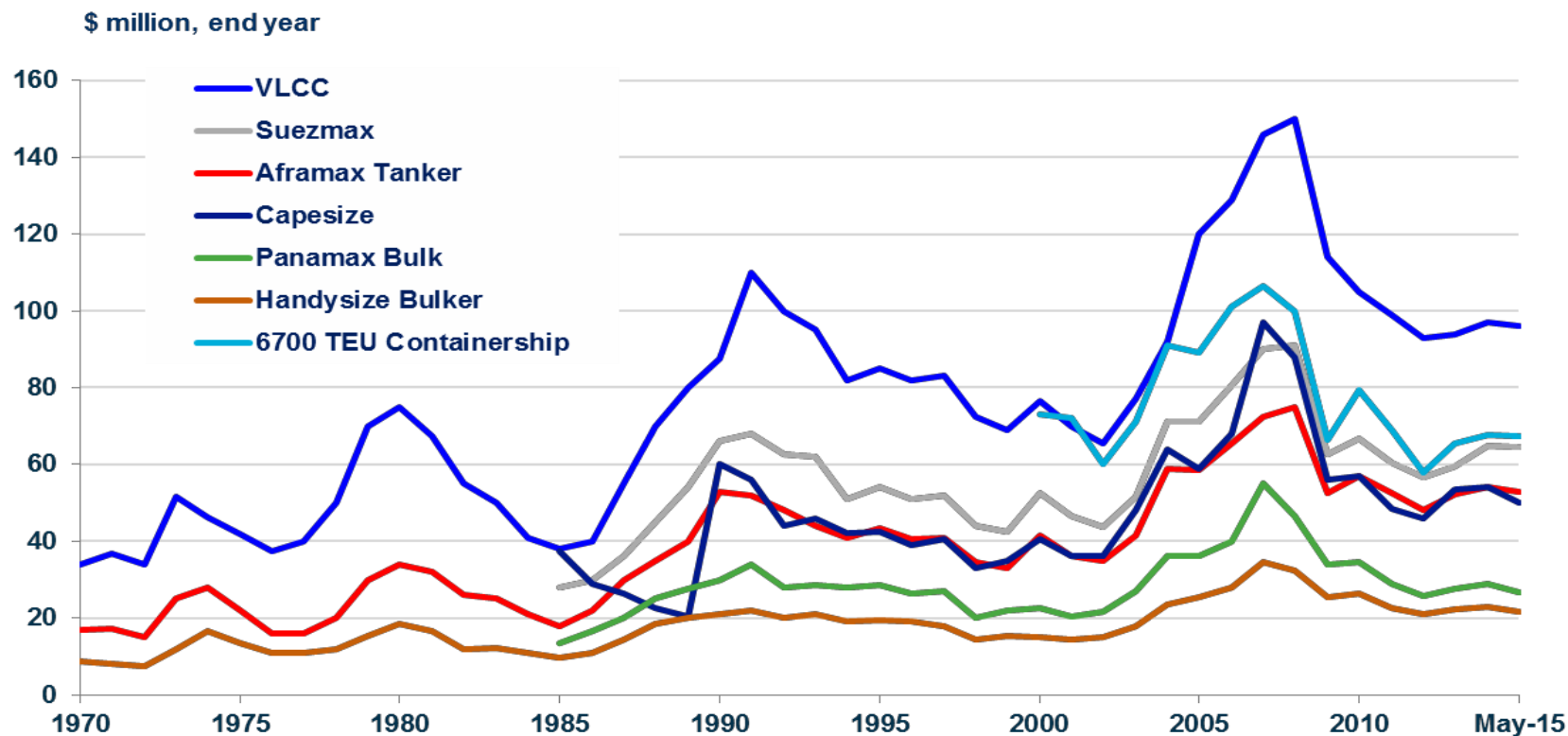


## Cycle Position June 2015





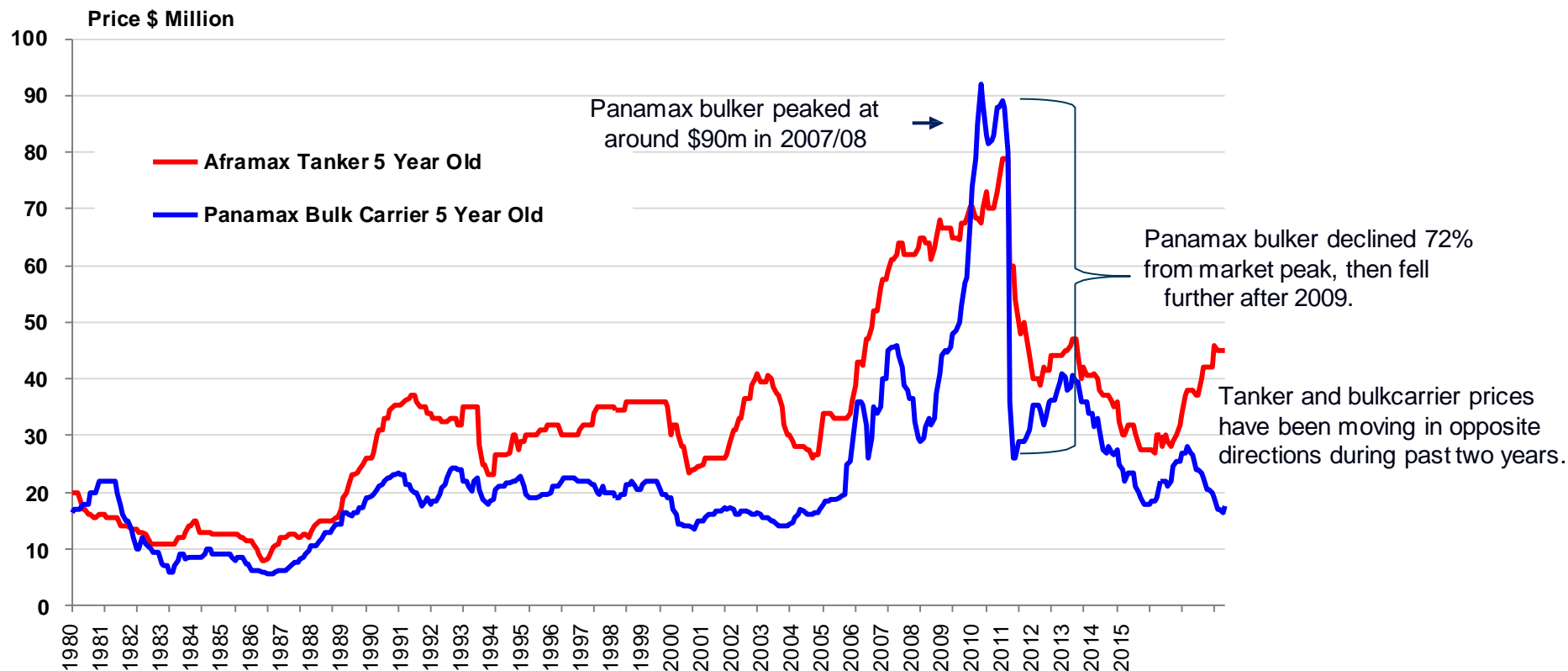
## Newbuilding Price Development



Source: Compiled from several sources including CRSI, Fearnleys.



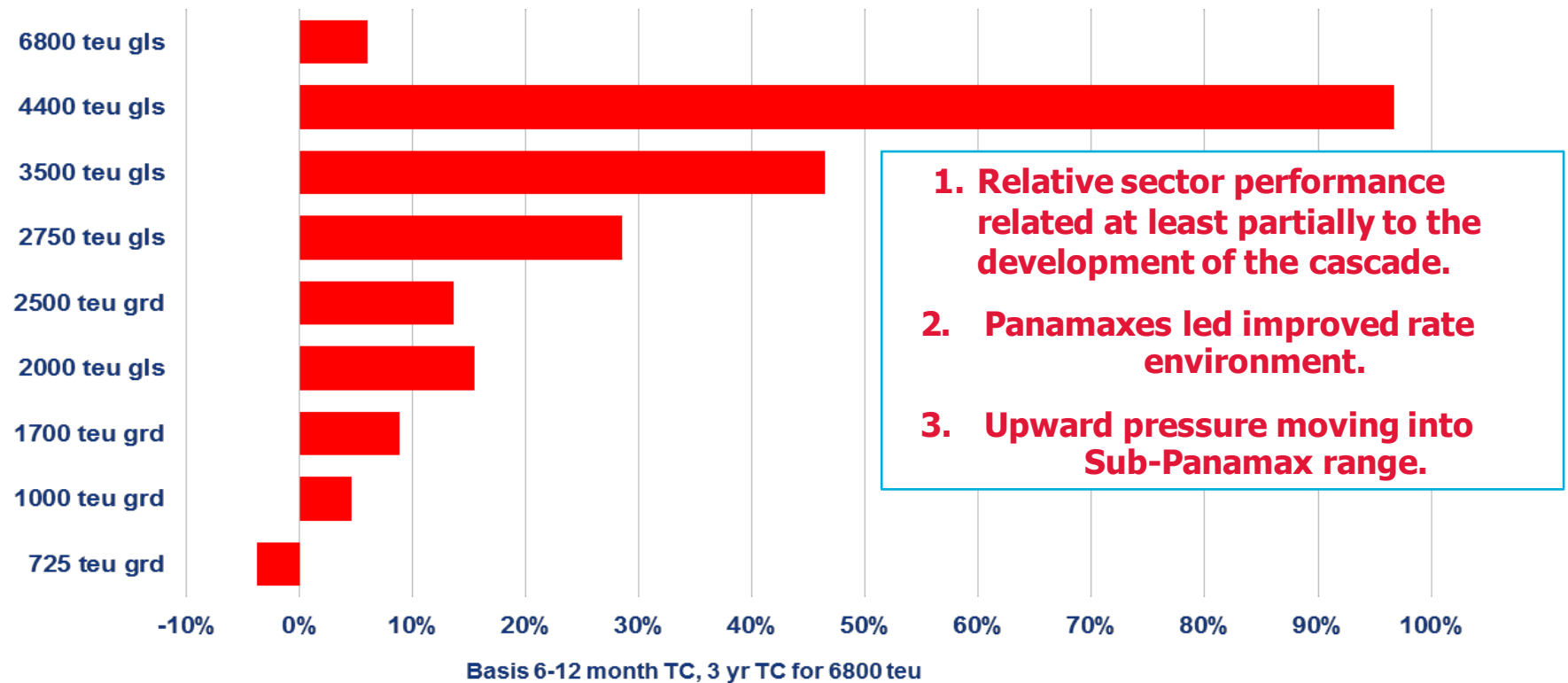
## Secondhand Price Development





# Comparative Charter Market Performance

Charter Rate Performance, end Mar 2015 vs start 2014



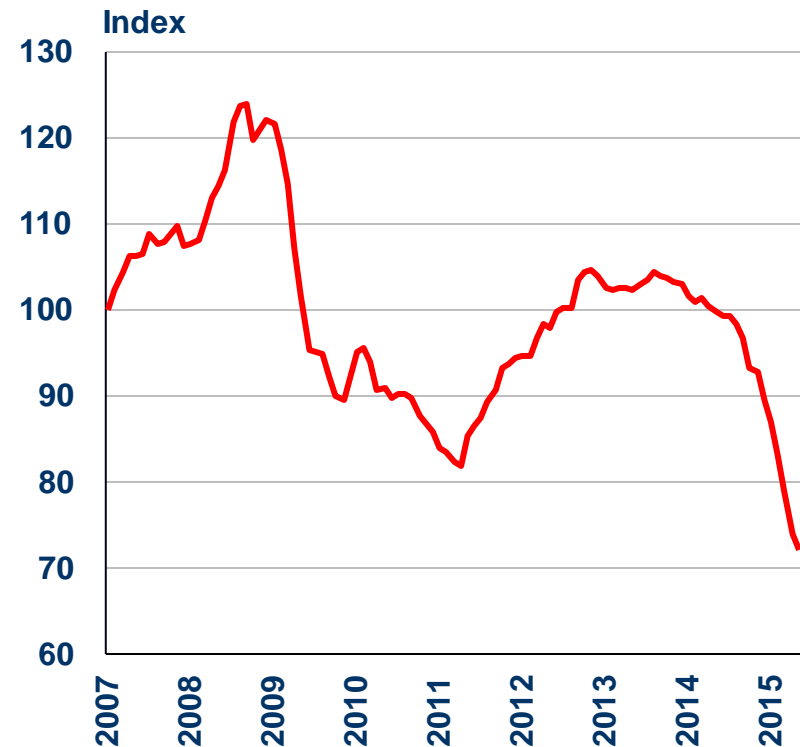


## Offshore Service Vessel Rates

### Key Trends

- A downturn that was gathering pace in 2014 has accelerated into a severely challenged outlook. Sentiment has become very bearish since the turn of the year.
- Day rate declines in Floaters have spread to Jack Ups and OSVs. Clarkson Offshore Index has dropped from 102 in January 2014 to 72 in May 2015.
- Key indicators:
  - Oil Price down – down 42%
  - Global E&P – down 25%
  - Offshore E&P – down 17%
  - Rig Utilisation – down from 96% to 84%
  - Rig Orderbook – down from 241 to 194

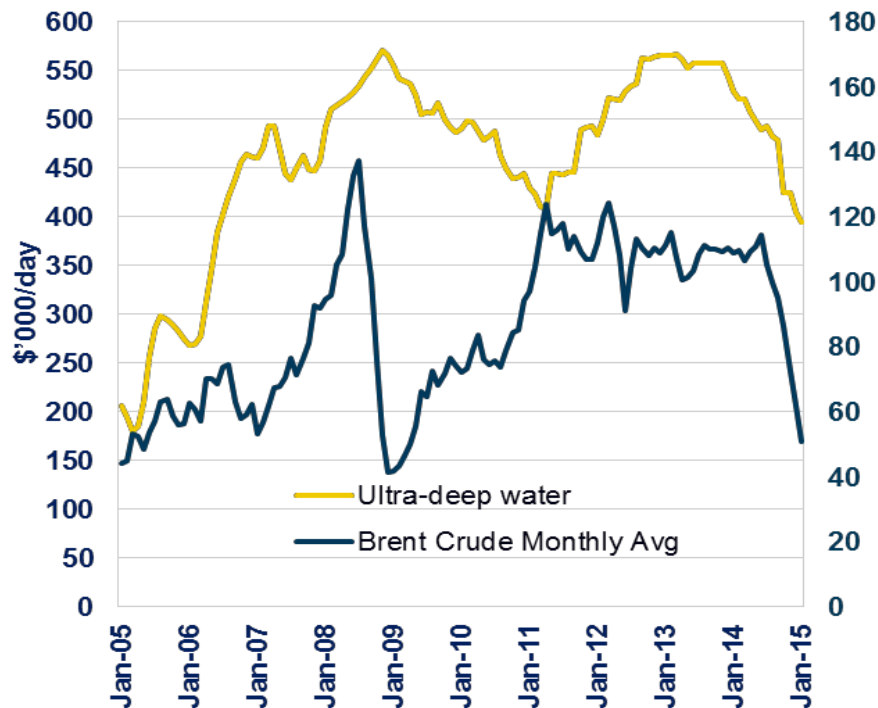
### Clarkson Offshore Index



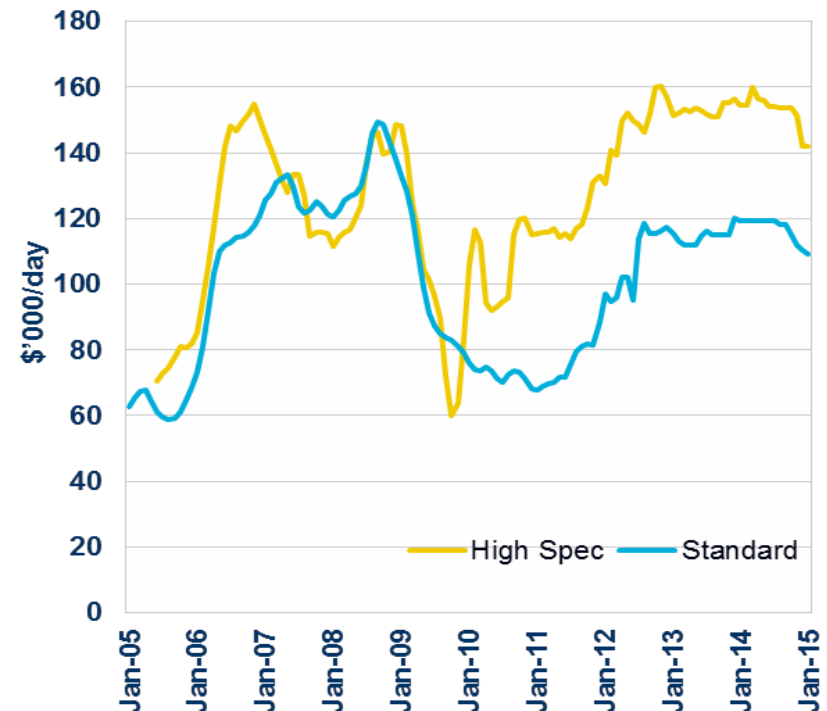


## Rig Day Rate Trends

### Floater Rates



### Jack-Up Rates



Data Source: Clarkson Research Services



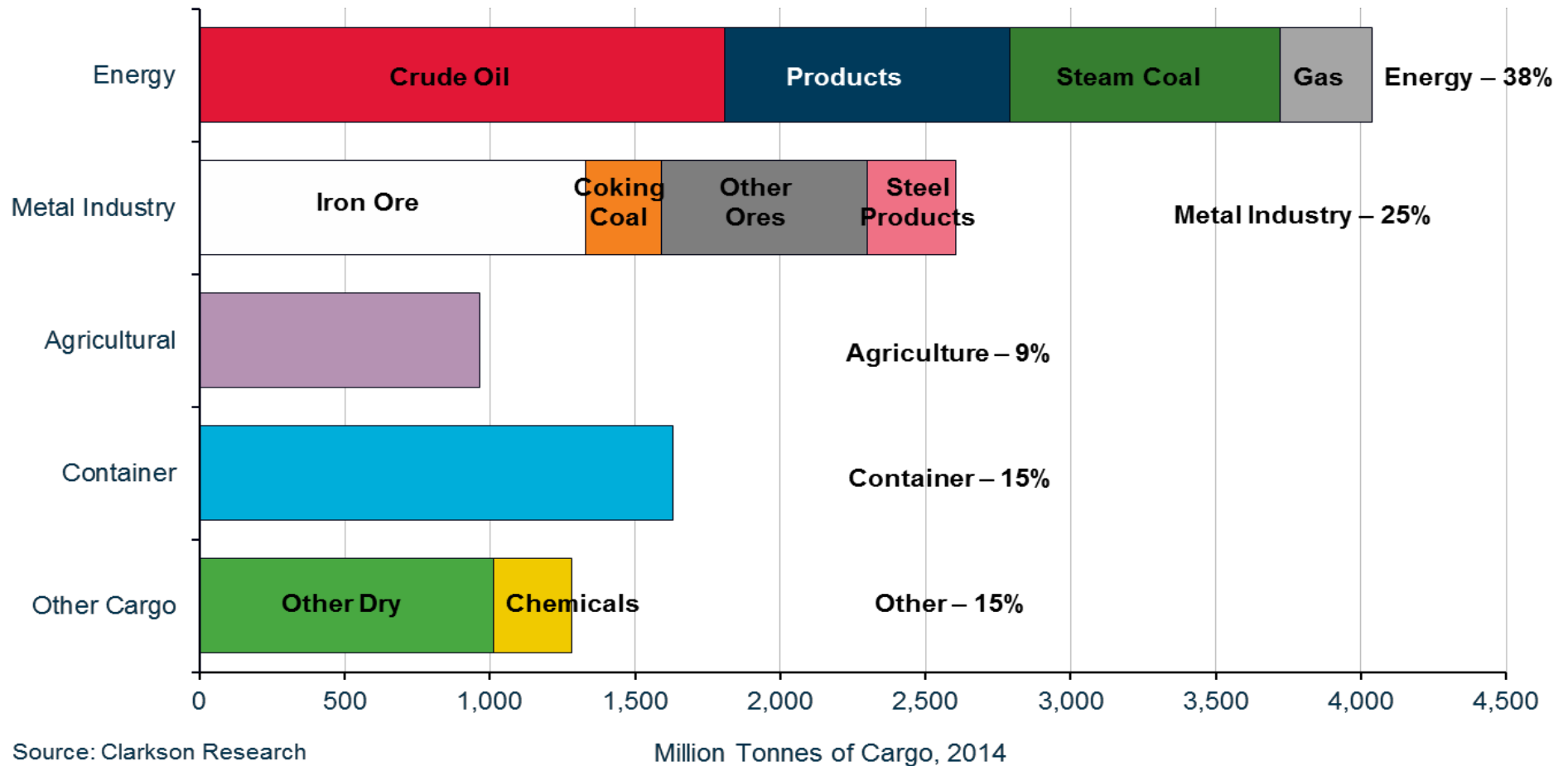
## 2.1 World Trade

1. 85% of total trade is by sea
2. Growing at 3-4% a year
3. Driven by the world economy and globalisation
4. Asia driving growth
5. Oil price uncertainty





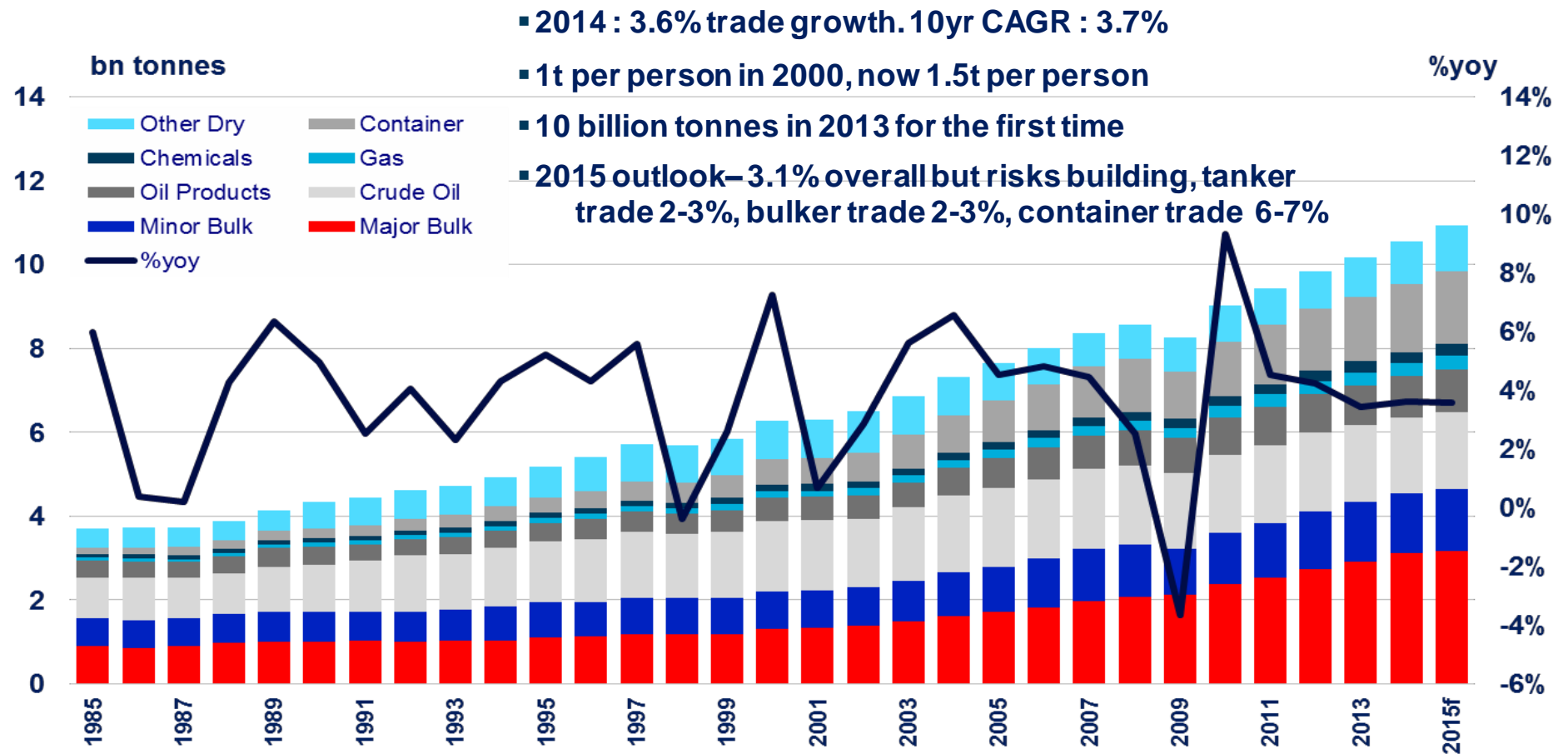
## Sea Trade by Main Commodity



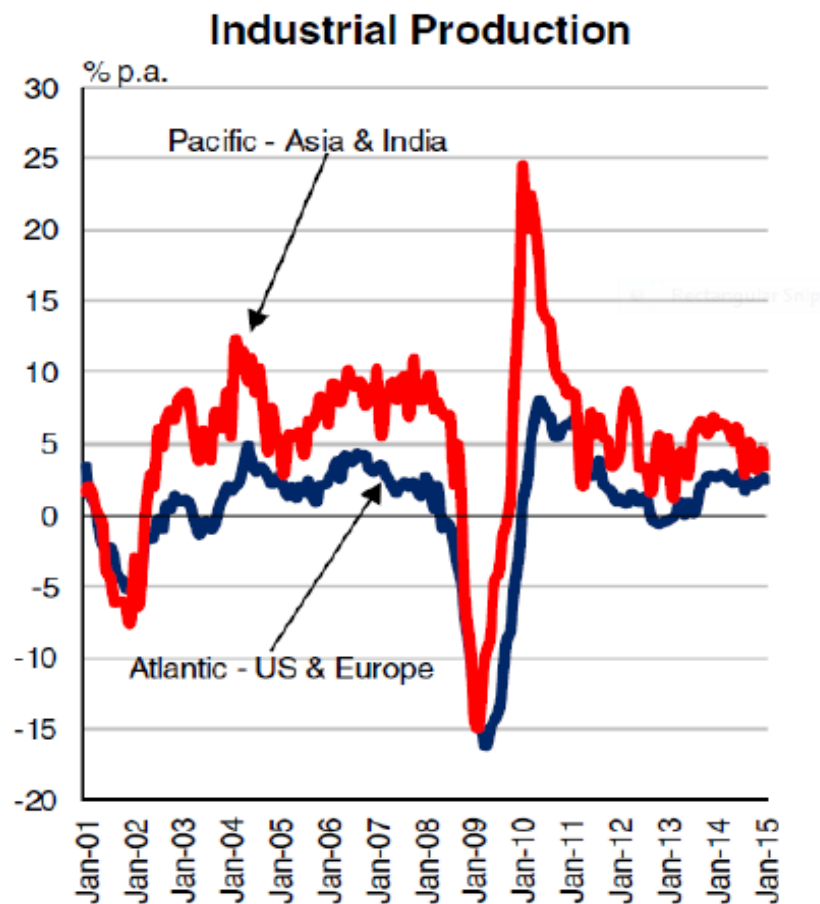




# World Seaborne Trade Growth



Source: Clarkson Research Services



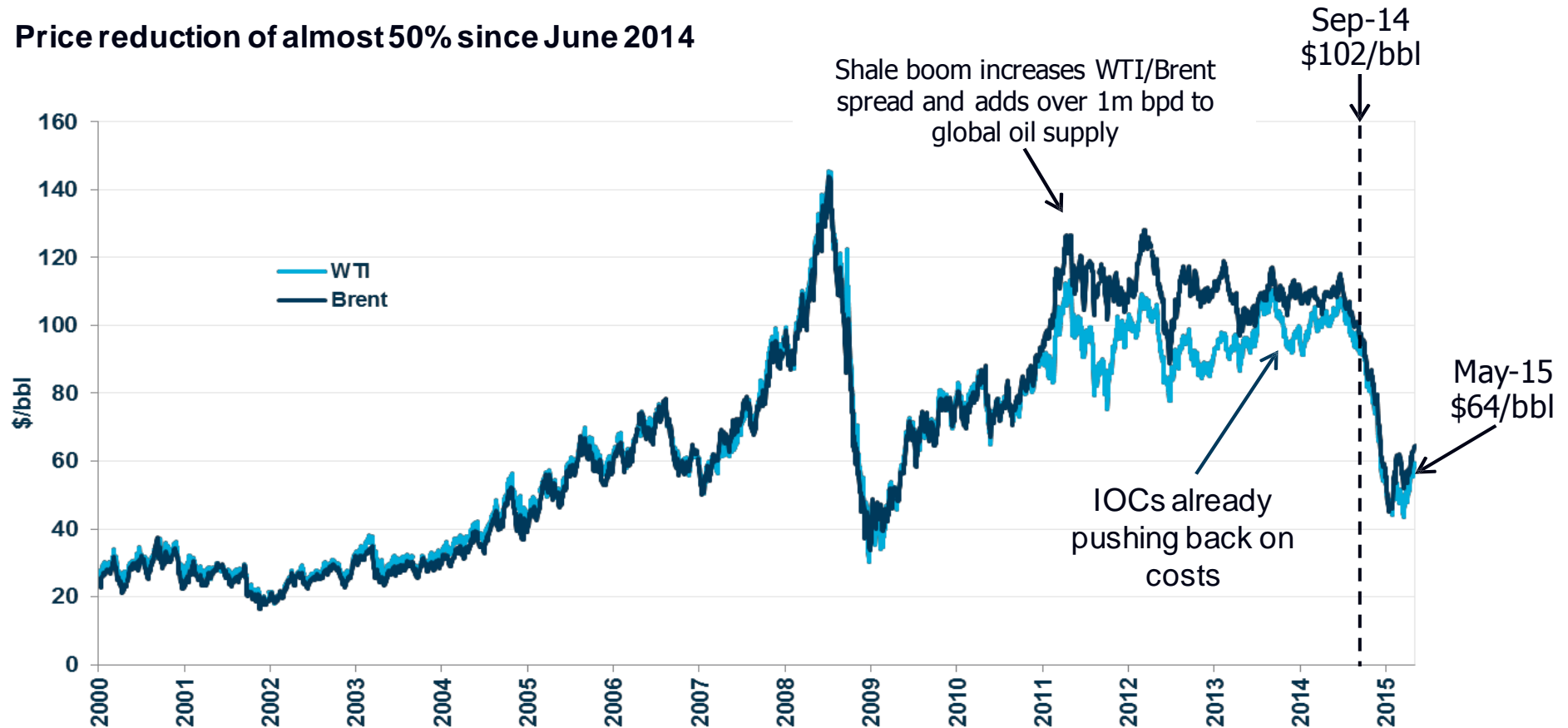
GDP (% yoy)	2012	2013	2014	2015*	2016*
<b>OECD</b>	1.2	1.3	1.8	2.4	2.4
<b>USA</b>	2.3	2.2	2.4	3.6	3.3
<b>Japan</b>	1.4	1.6	0.1	0.6	0.8
<b>European Union</b>	-0.7	-0.4	0.8	1.2	1.4
Germany	0.9	0.5	1.5	1.3	1.5
France	0.0	0.3	0.4	0.9	1.3
UK	0.3	1.7	2.6	2.7	2.4
Italy	-2.4	-1.9	-0.4	0.4	0.8
<b>Russia</b>	3.4	1.3	0.6	-3.0	-1.0
<b>China</b>	7.7	7.8	7.4	6.8	6.3
<b>Developing Asia</b>	6.2	6.6	6.5	6.4	6.2
South Korea	2.0	2.8	3.7	4.0	4.0
Taiwan	1.5	2.1	3.5	3.8	4.2
Hong Kong SAR	1.6	2.9	3.0	3.3	3.5
Singapore	2.5	3.9	3.0	3.0	3.0
Thailand	6.5	2.9	1.0	4.6	4.4
Malaysia	5.6	4.7	5.9	5.2	5.0
India	4.7	5.0	5.8	6.3	6.5
<b>Africa</b>	4.4	5.2	4.8	4.9	5.2
<b>S &amp; C America</b>	2.9	2.7	1.2	1.3	2.3
<b>WORLD</b>	3.4	3.3	3.3	3.5	3.7

\* Forecast, Source: IMF (January 2015)



## Oil Price

Price reduction of almost 50% since June 2014



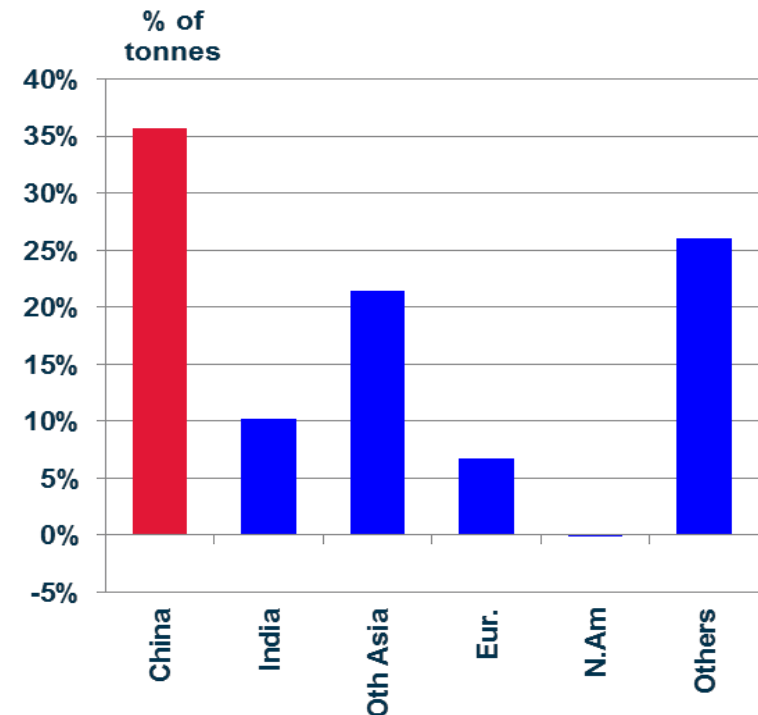
Data Source: Clarkson Research Services



## Where Will The Trade Growth Be?

- Growth in world seaborne trade likely to be led by imports into
  - China
  - Other Asian economies
  - Other developing regions
- According to approximate projections Chinese import growth could account for 36% of the growth in tonnes in global seaborne imports, with other Indian imports accounting for 10% and other Asian economies 21%.
- Intra-Asian trading bloc of increasing significance.

Estimated Share of Trade Growth  
2014-2026, Importers

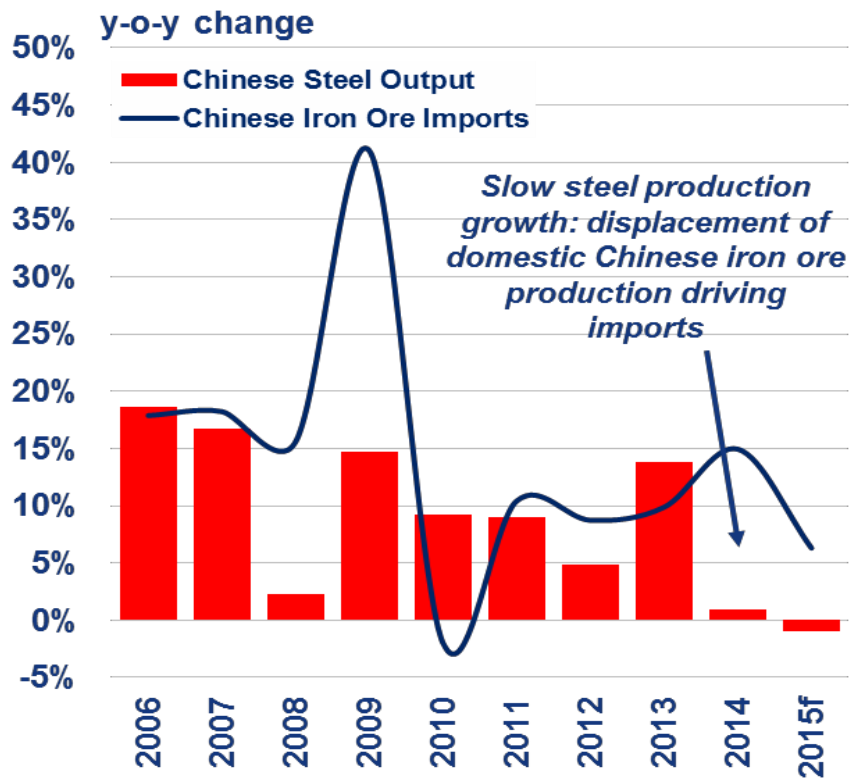


Projections basis Autumn 2014 estimates.

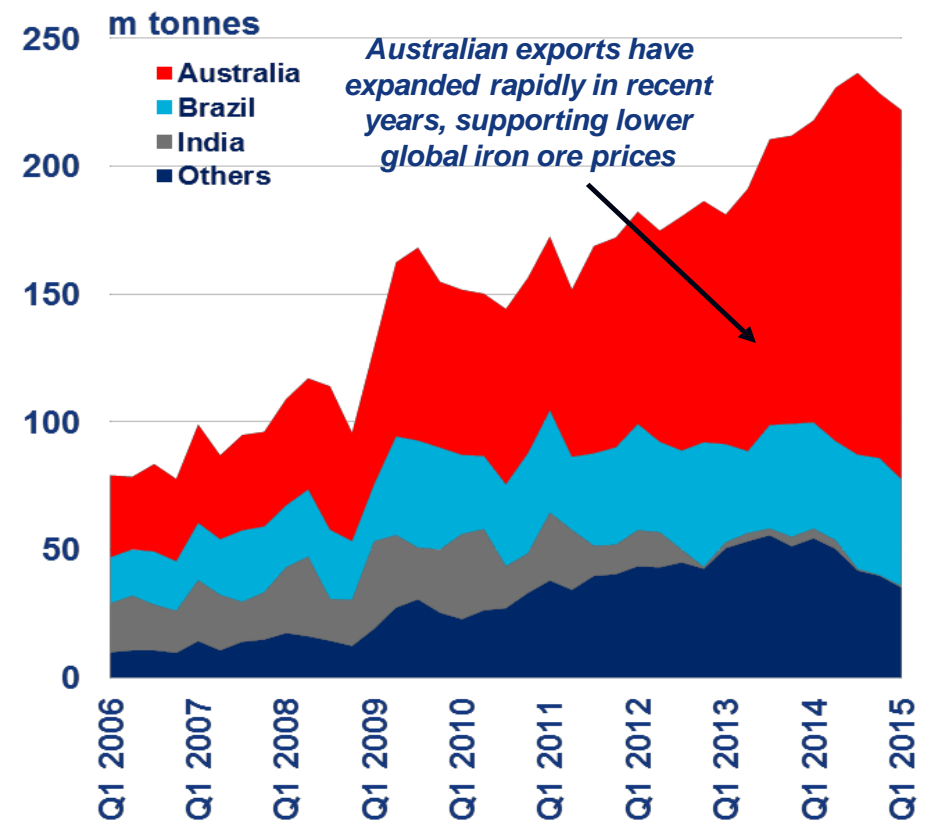


# Seaborne Iron Ore Trade

## Chinese Steel Trends

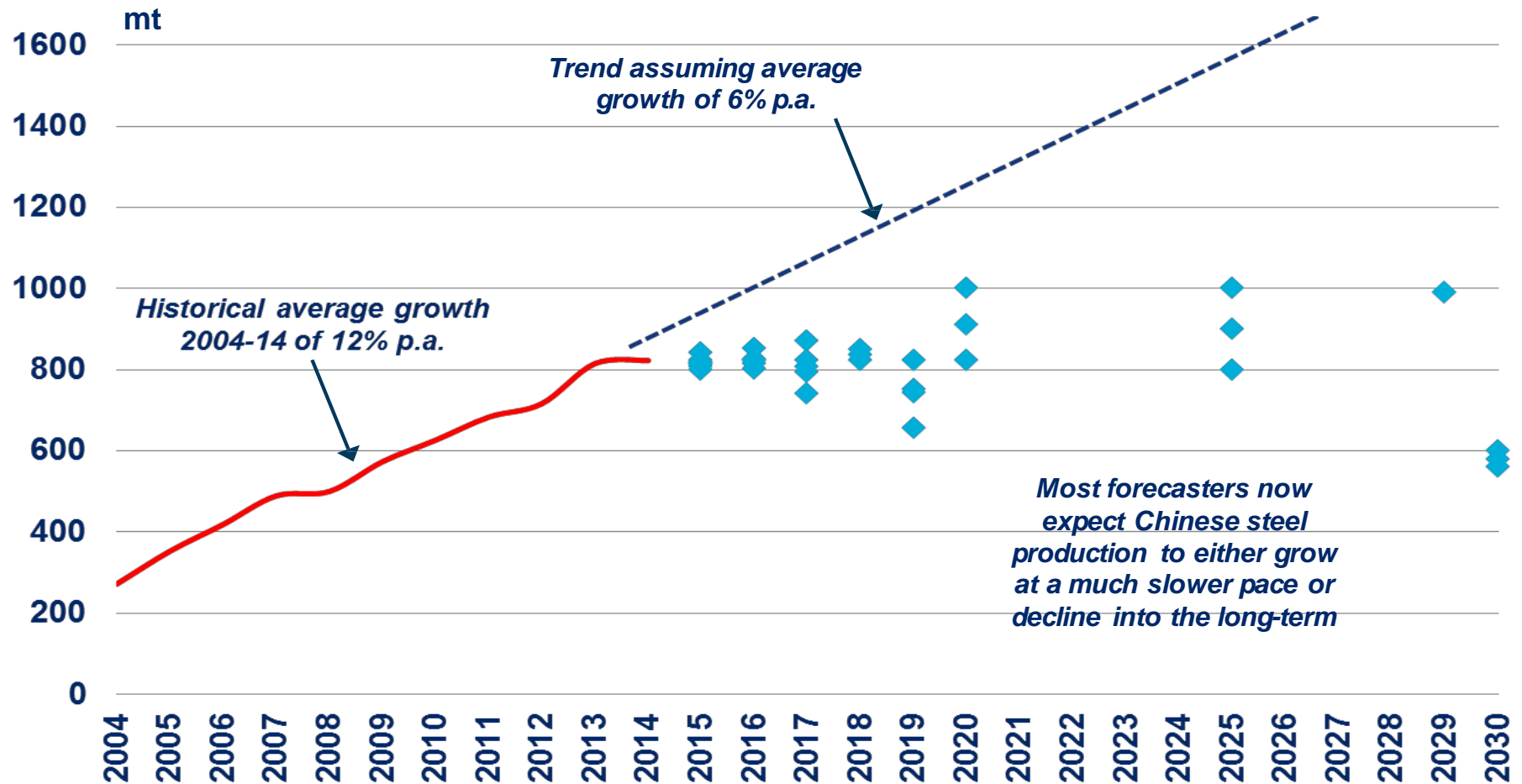


## Chinese Iron Ore Imports



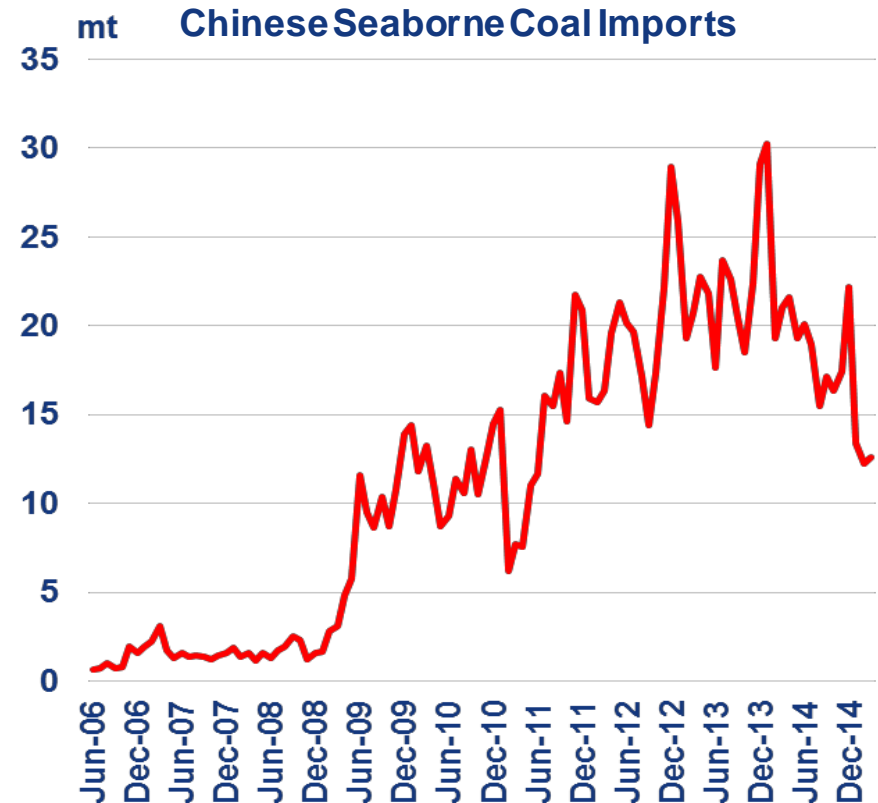
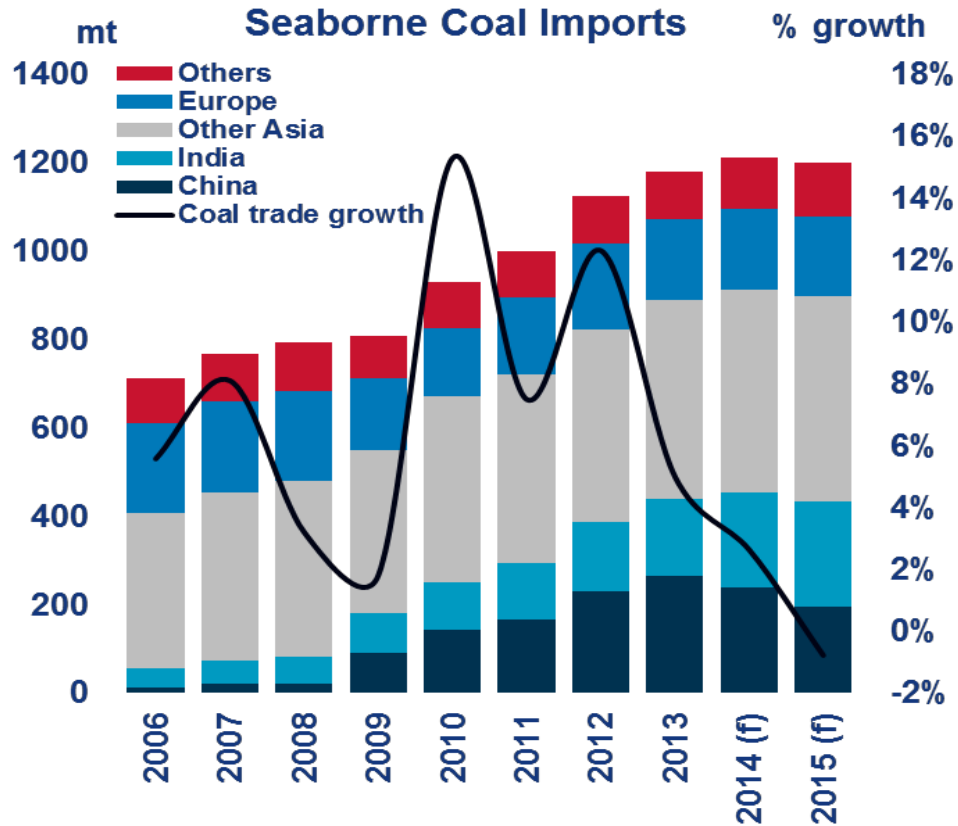


# Chinese Steel Production Forecasts





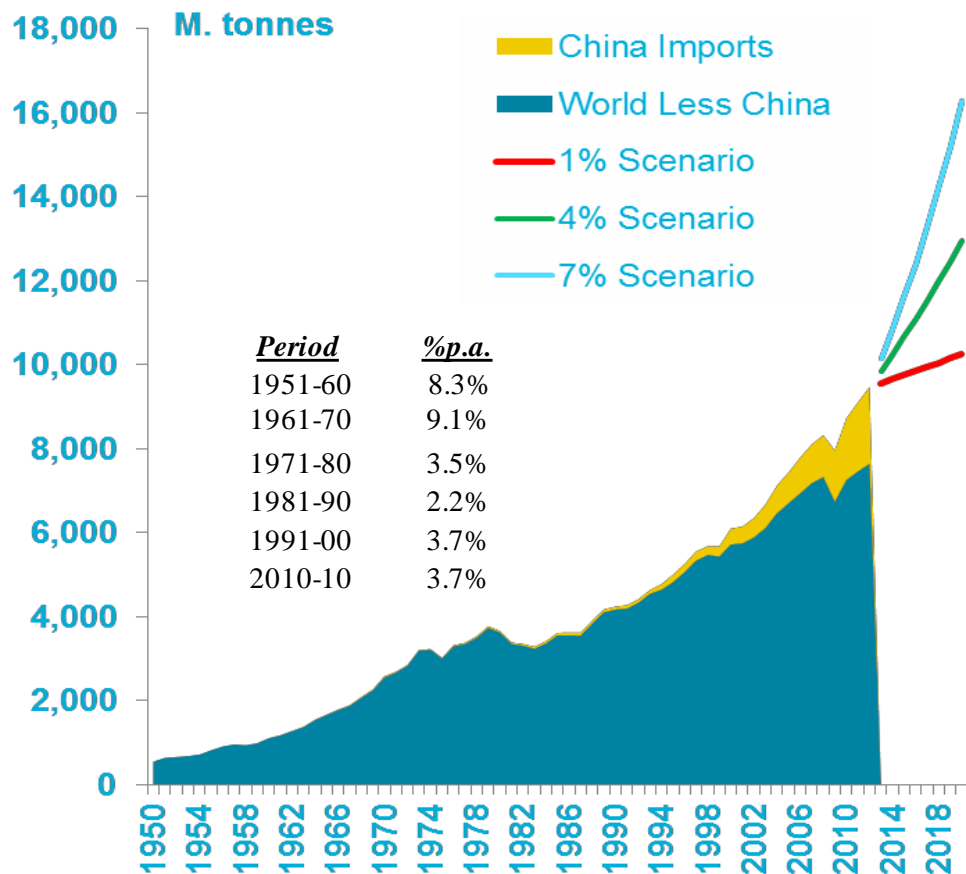
## Seaborne Coal Trade



*Includes lignite.*



## Seaborne Trade Outlook



- We estimate that trade has grown by 3.5% in 2014 – a reasonable performance in a tough economic climate.
- China accounts for over 40% of the growth in imports in the past decade but lots of uncertainty for 2015.
- For planning purposes, 3-4% per annum growth in trade over the next decade does not seem unreasonable, backed by continued development of the globalised world economy.





# 3 Fleet & Shipbuilding

1. Fleet nearly 50% bigger since financial crisis
2. Fleet growth easing but still lots of deliveries in dry & gas
3. Fuel Economics & Regulatory Trends





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# World Shipping Fleet (c. 80,000 vessels)

Bulk

## Bulkcarriers (>10,000 vessels)

Capesize, Kamsarmax, Panamax, Ultramax, Supramax, Handymax, Handysize

## Other Dry Cargo (>15,000)

## Tankers 10k+ dwt (>5,750)

Crude, products, chemical and specialised

## Tankers <10k dwt (>7,750)

Products, chemical and specialised tankers

## Containerships (>5,000)

Post-Panamax, Panamax, Sub-Panamax, Feeder

## MPP (>3,000)

## Gas Carriers (>1,500)

LPG, LNG

## Others (>30,000)

Car Carriers (>750), Ferries (>6,000), Ro Ro (>1,200), Cruise (>360), Dredgers (>2,000), Coastal Tugs (>16,000), Reefers (>1,400)

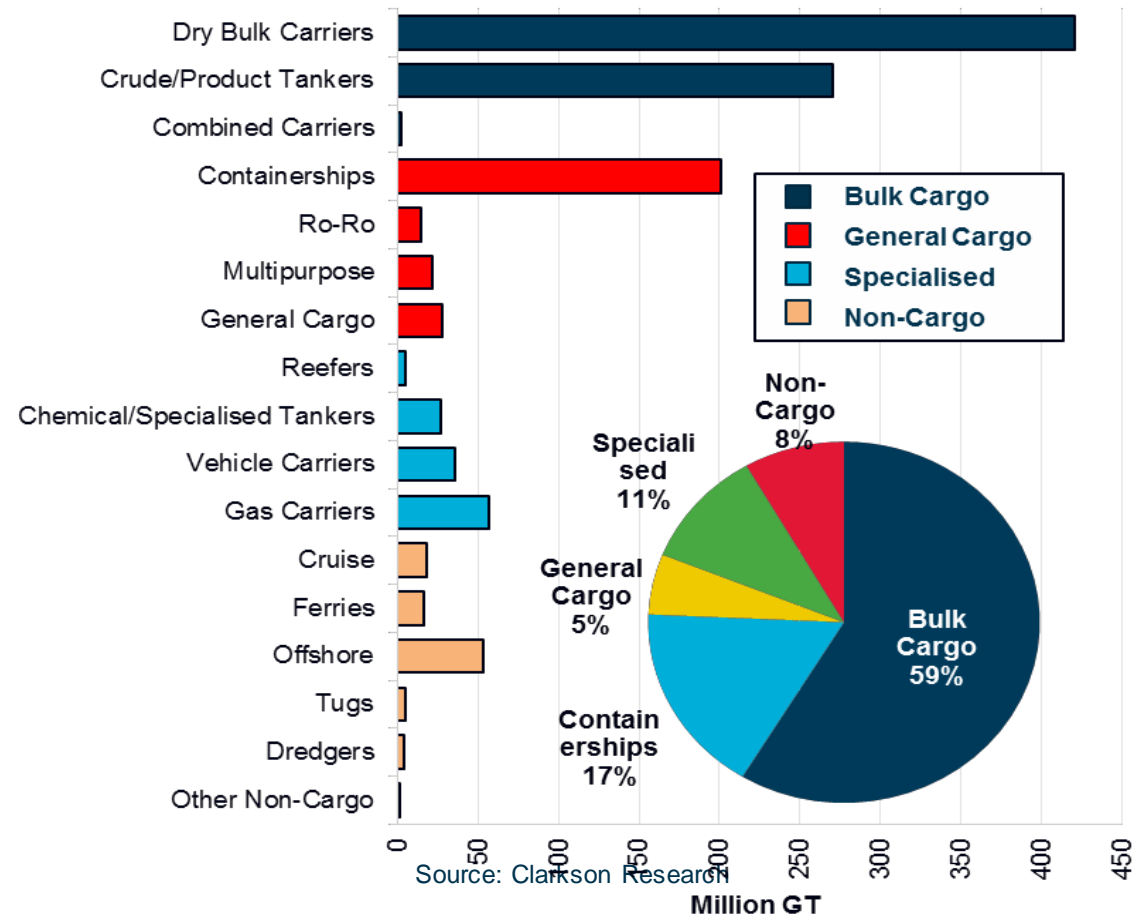




## Part 5: The Supply Of Sea Transport

- 89,636 deep sea vessels, (100 gt lower limit) of which 53,101 are “cargo carrying”
- 69% of tonnage is tankers and bulkers. 17% of tonnage is containerships
- Fleet has doubled in capacity last ten years
- Value of this fleet (excluding some offshore) is \$900 bn with another \$300 bn on order.

Figure 6 World Merchant Fleet



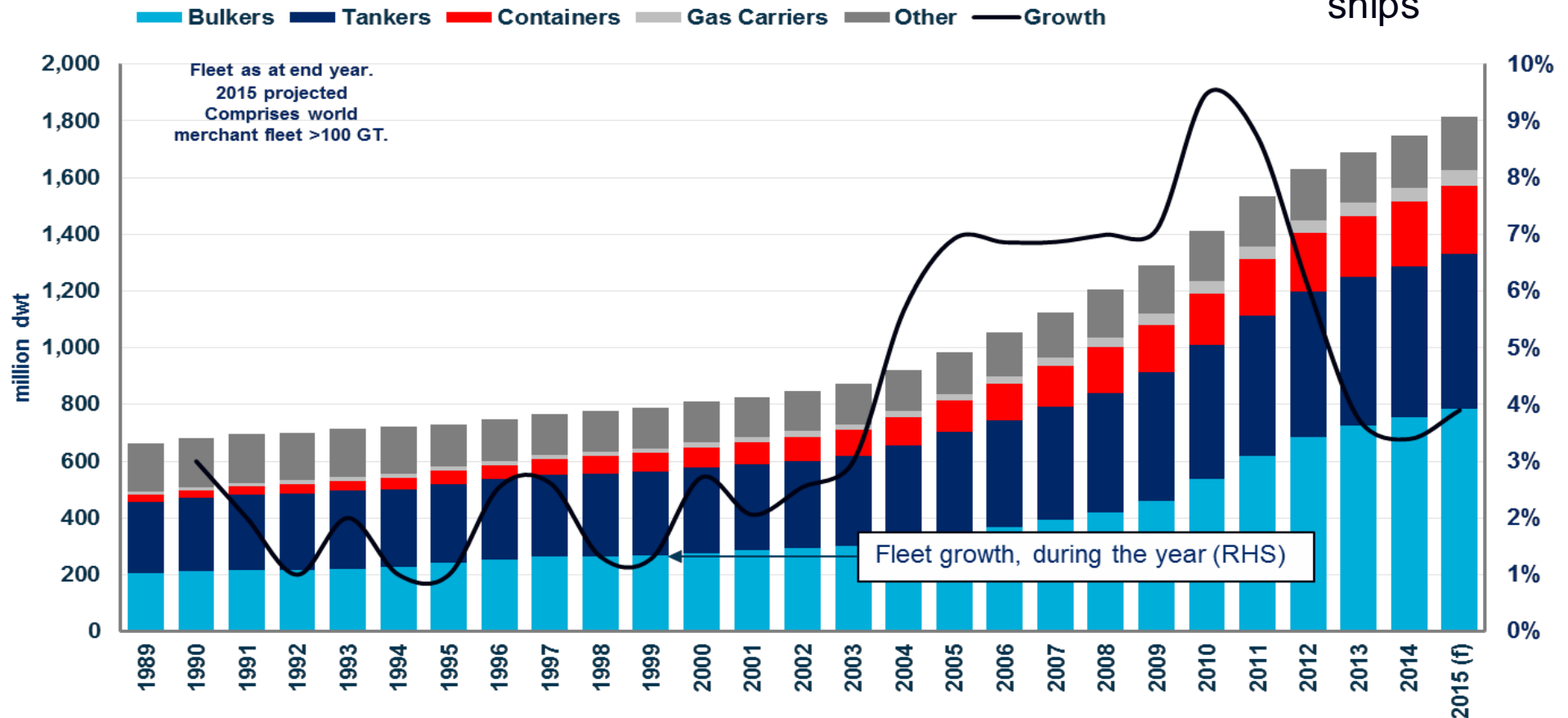
Source: Clarkson Research Services, February 2015



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# Shipping Fleet Development 1990-2015

Over 80,000  
ships



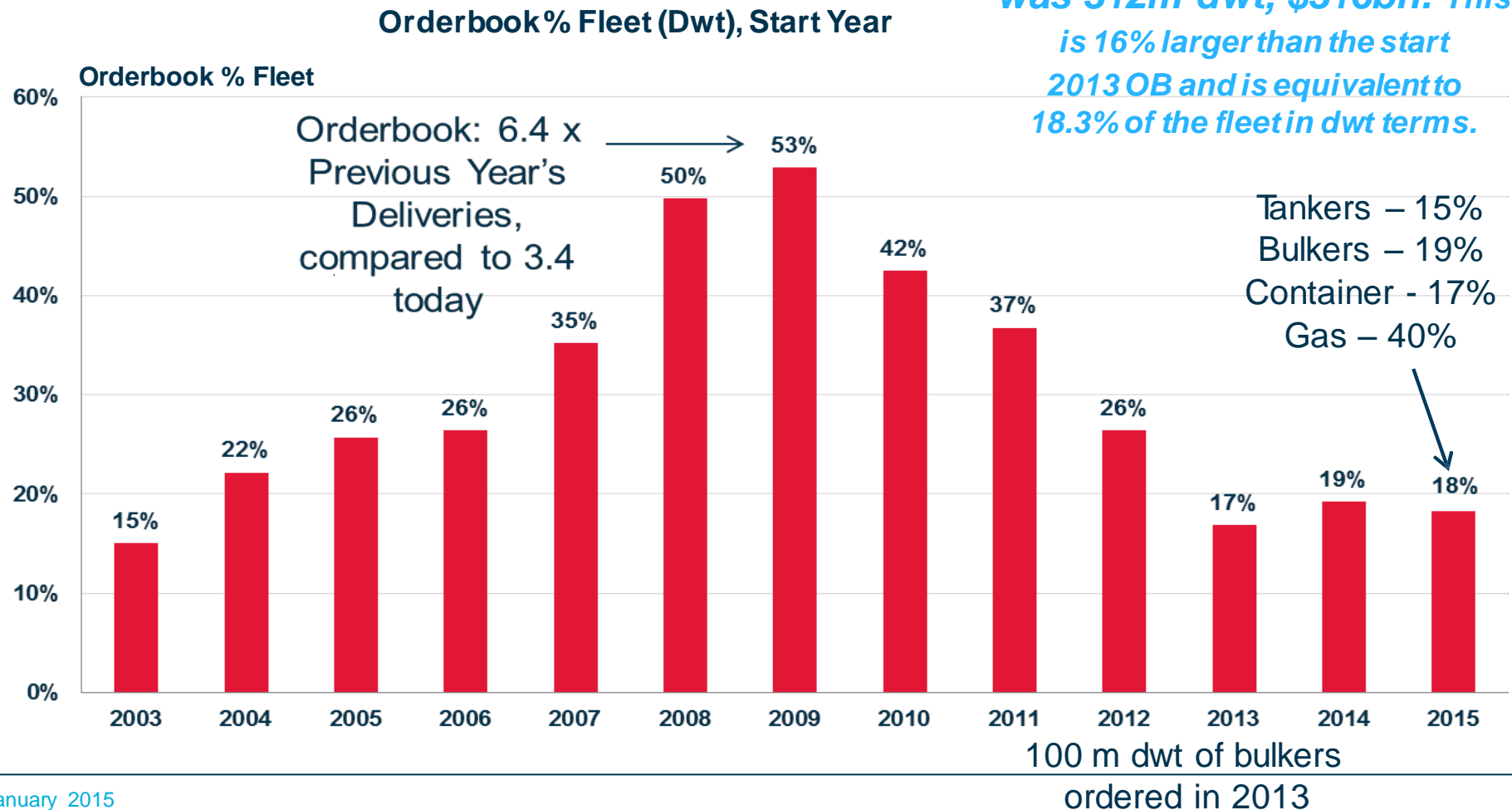
Data Source: Clarkson Research, data prior to 1996 does not include retrospective changes and includes certain estimates.



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# Orderbook Development

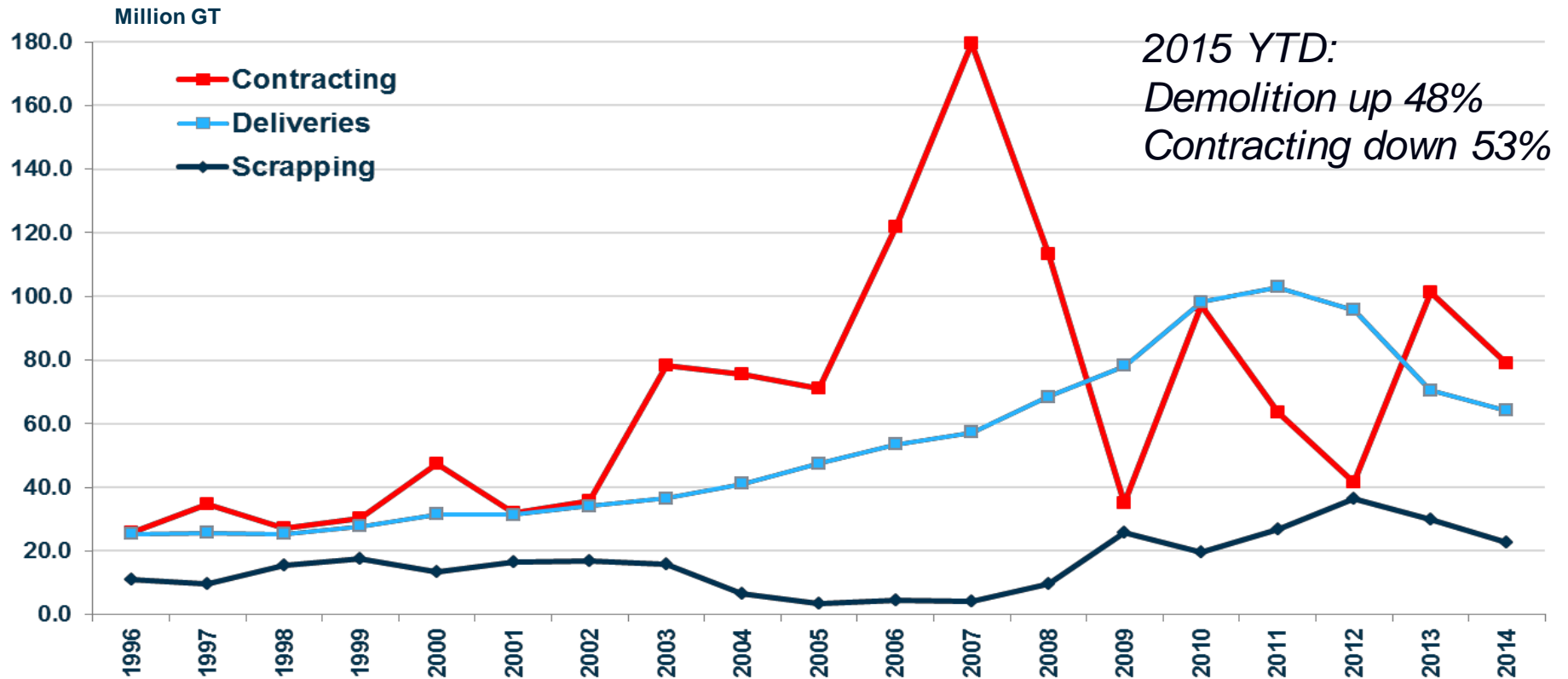
*OB as of 1st January 2015 was 312m dwt, \$316bn. This is 16% larger than the start 2013 OB and is equivalent to 18.3% of the fleet in dwt terms.*





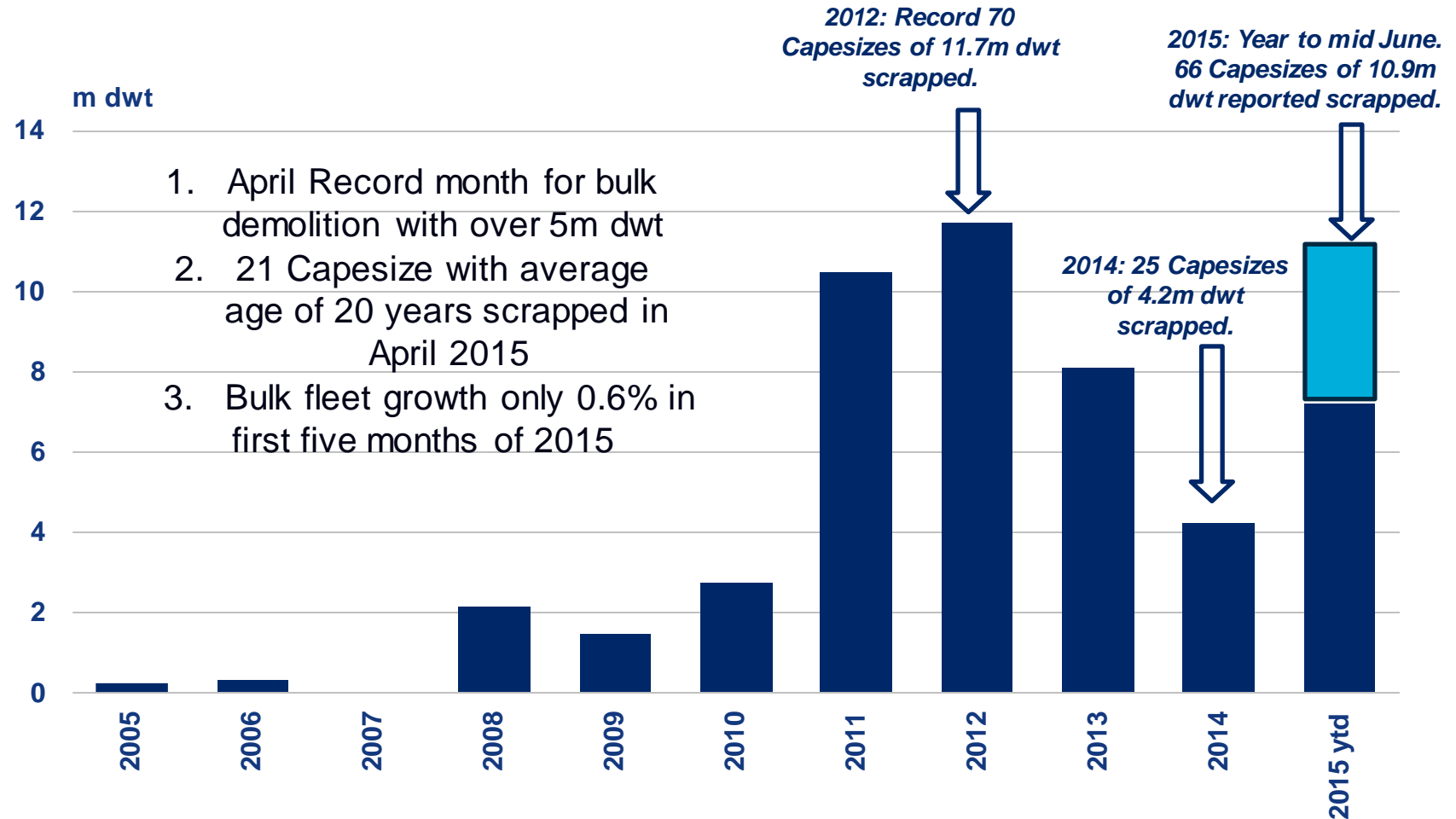
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# Contracting, Deliveries & Demolitions





## Capesize Demolition

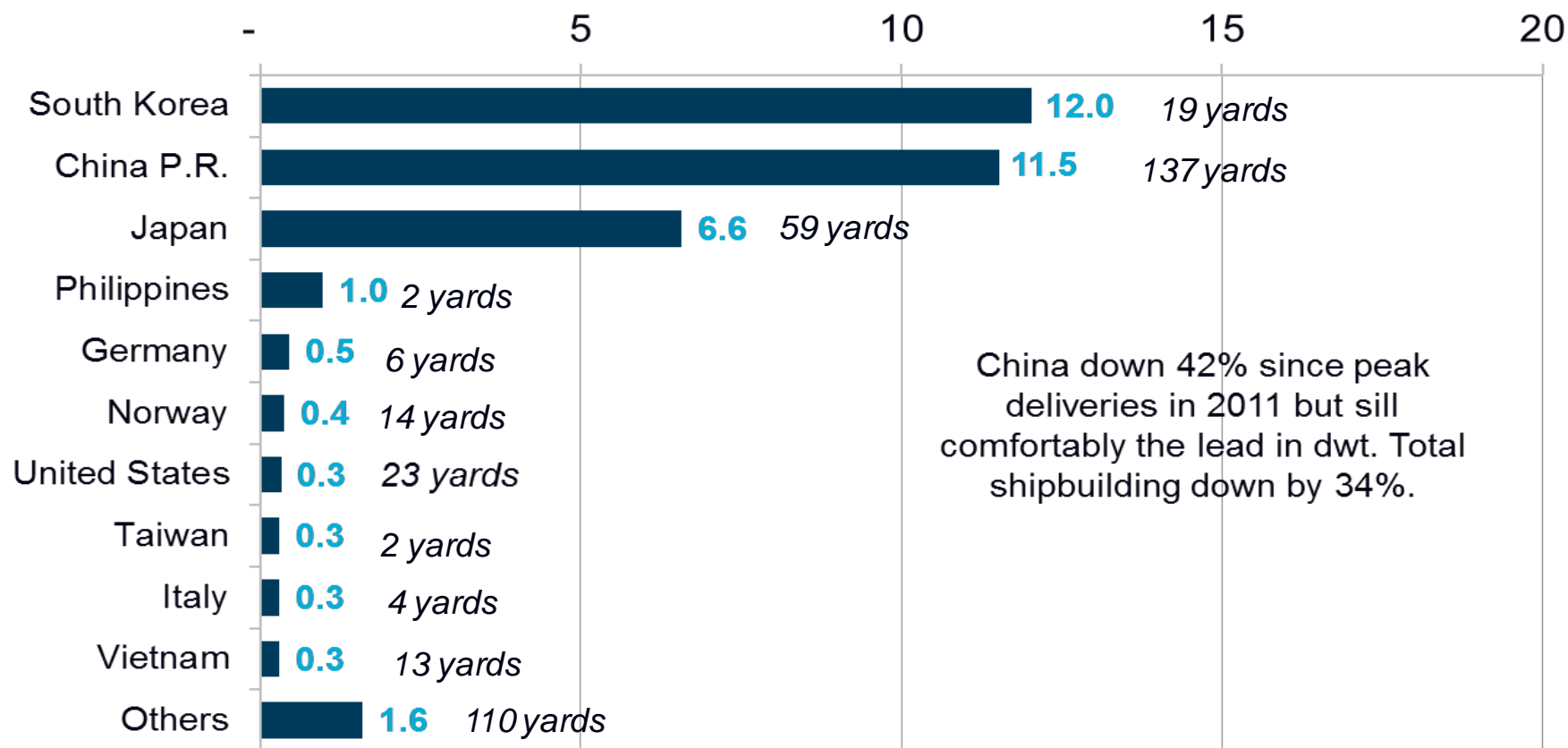






# Shipbuilding Deliveries by Country, 2014

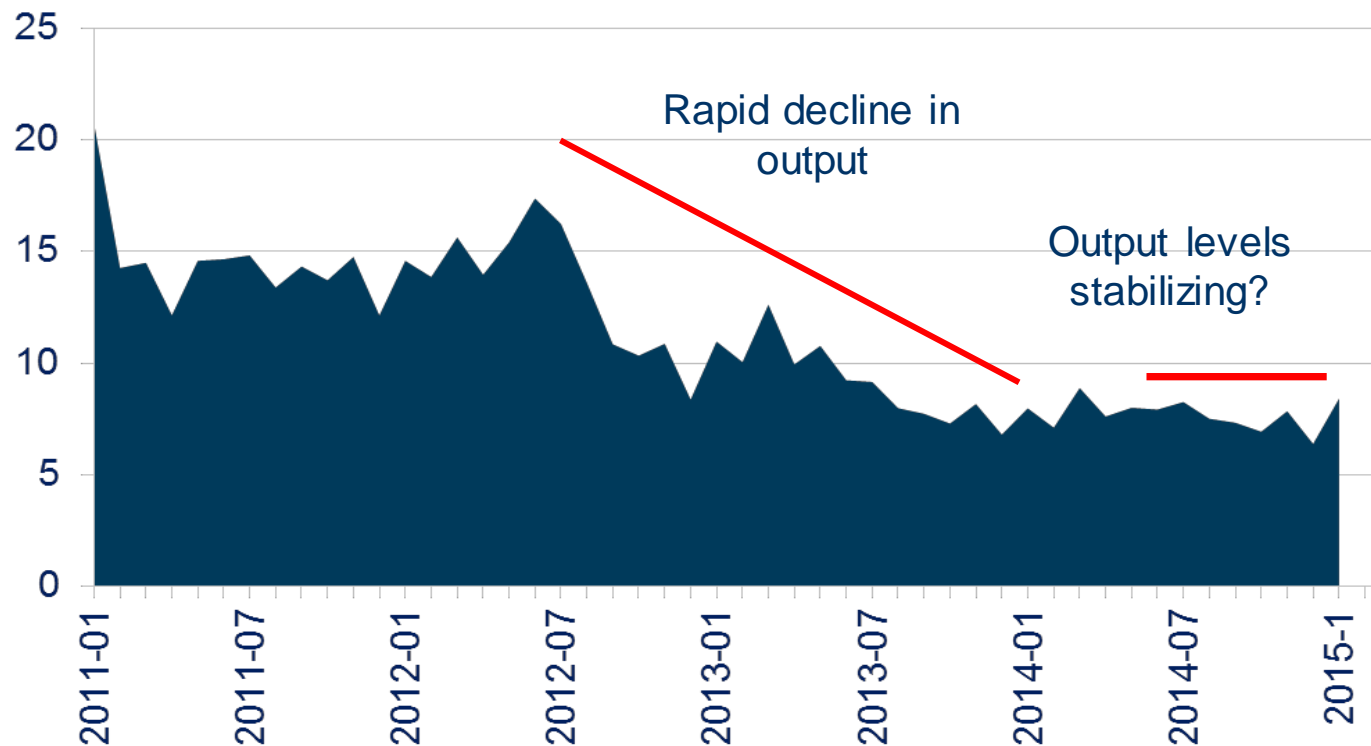
Million CGT Output in 2014





## Reaching Bottom of the Delivery Cycle?

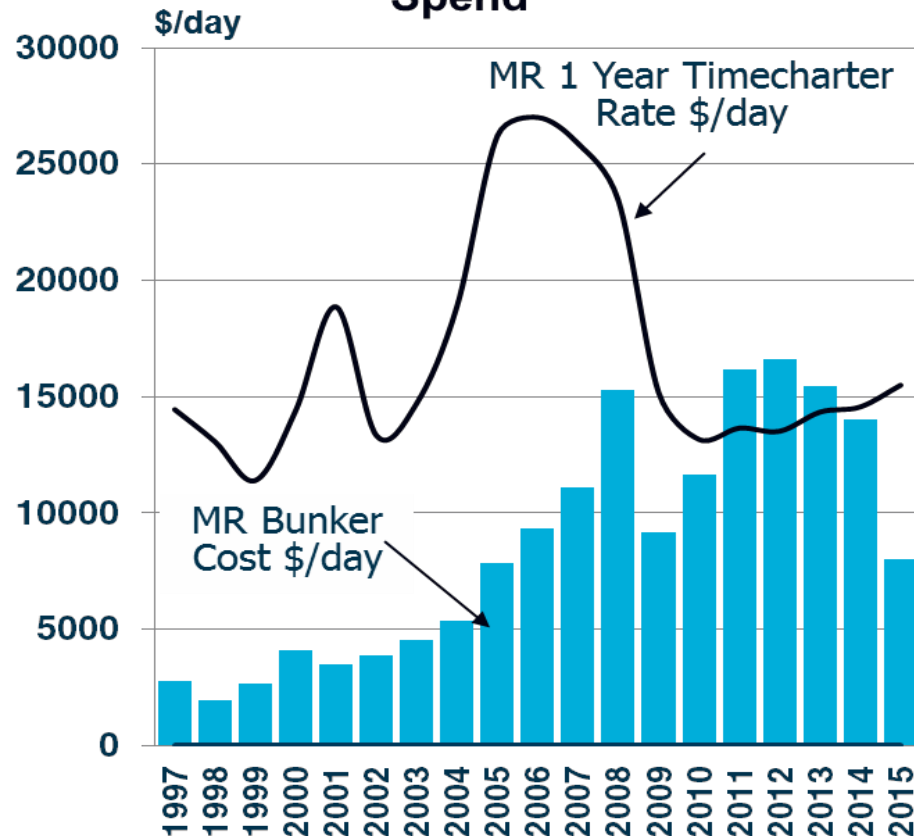
6 Month Moving Average of Deliveries (DWT)





## Lower Oil Prices Mean Cheaper Bunkers

**Bunker Cost vs Timecharter Spend**



- Price moderation alters the 'revolution' in the relative economics between the fuel and the asset.
- For an MR, daily bunkers are down to 43% of TC rates, whereas without slow-steaming, fuel cost peak was up to 128% of the rate.
- Bunker cost is still double early 2000s.
- Regulations (e.g ECAs) remain important.
- Slow steaming economics may be altered.

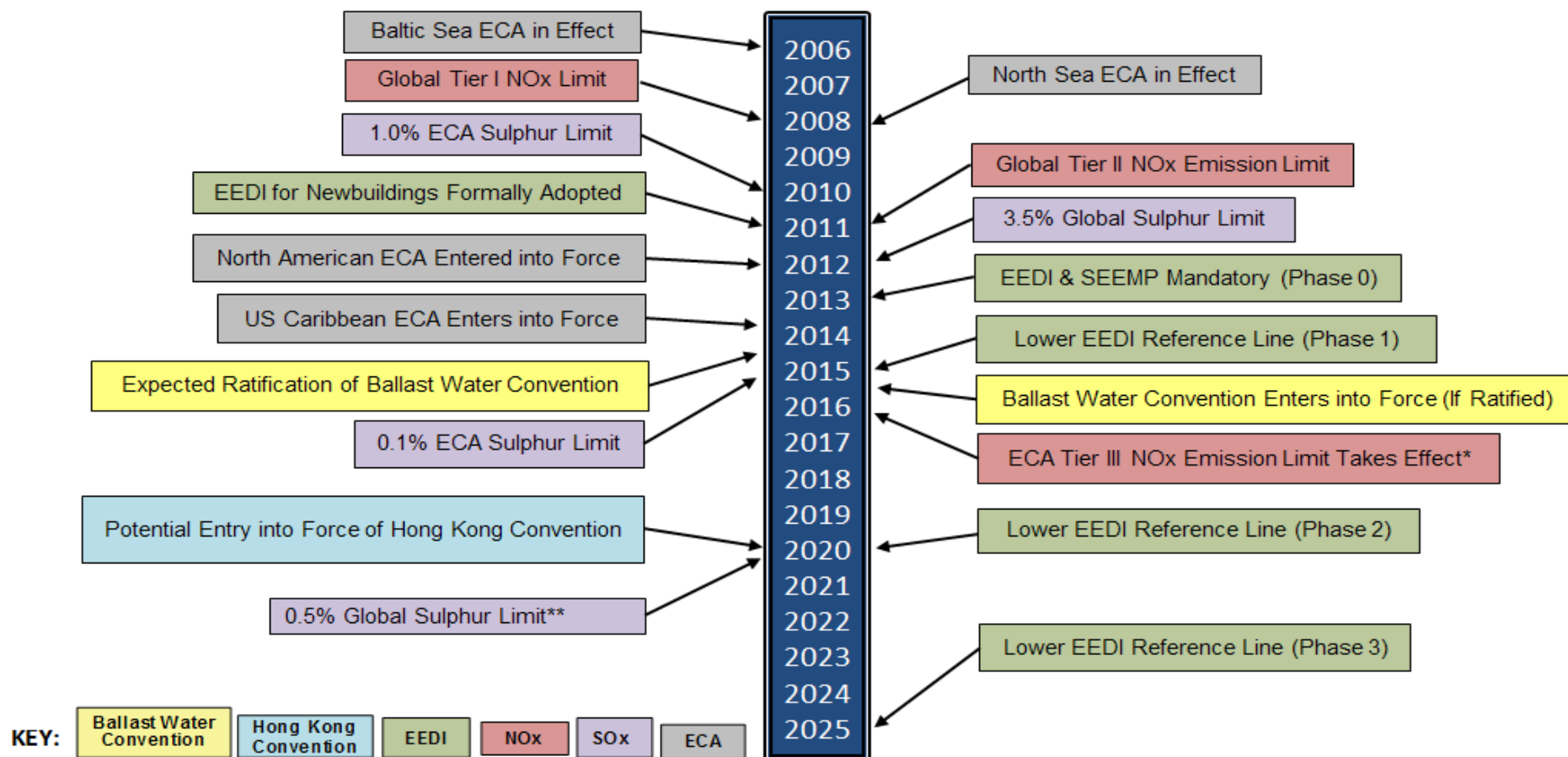
**MR: Bunker Cost as % of Timecharter Rate (start)**

2000	2005	2015	Mid January	PEAK (2012)
29%	30%	52%	43%	128%
\$231/t	\$458/t	\$328/t	\$243/t	\$720/t

Data Source: CRS. Consumption without slow-steaming, basis SIW common MR routes basket.



# Environmental Legislation: Timeline



\* Draft amendments delaying implementation to 2021 will be considered, with a view to adoption, at the MEPC 66 in 2014.

\*\* Subject to review into availability of low sulphur fuel, with option to delay implementation to 2025.



# Environmental Issues: Overview

Issue	Regulation	Overview	Latest Position
Vessel Design/ Efficient Technology	MARPOL Annex VI - Energy Efficiency Design Index (EEDI) <b>Economic factors:</b> High Bunker Prices Low Vessel Earnings	Energy-efficiency and regulatory concerns have seen a number of developments in vessel design and technology in recent years. These include hull, propeller, rudder and engine improvements.	<b>E.g.</b> Ulstein X-Bow, Becker Mewis Duct, rudder bulb, Kappel Propeller, bulbous bows, diesel-electric engines, Waste Heat Recycling System, Mitsubishi Air Lubrication System.
Emission Control Areas (ECAs)	MARPOL Annex VI "Regulations for the Prevention of Air Pollution from Ships"	Vessels operating within ECAs are subject to stricter emission (SOx and NOx) limits	<b>Current ECAs:</b> Baltic Sea (SOx, 2006), North Sea (SOx, 2008), North American Sea (SOx, NOx and PM, 2012), US Caribbean Sea (SOx, NOx and PM, 2014)
NOx	MARPOL Annex VI	NOx emission limits are set in three tiers for diesel engines depending on the engine maximum operating speed and year of build	Tier I - 2008, Global limit for ships built 2000 – 2011 Tier II - 2011, Global limit for ships built > 2010 Tier III – 2016*, ECA limit for ships built > 2015 (Tier II outside ECAs)
SOx and Particulate Matters (PM)	MARPOL Annex VI	Caps on the sulphur content of fuel oil to control SOx emissions and, indirectly, PM emissions	Sulphur Limit in Fuel (% m/m) Inside ECAs - 1.0% (0.1% in 2015) Global - 4.5% trimmed to 3.5% with effect in 2012 (0.5% in 2020**)
CO2	MARPOL Annex VI	Introduction of an EEDI for new builds > 400 GT, with an aim to reduce a vessel's CO2 emissions per capacity mile, and a SEEMP for existing vessels, so as to improve operational efficiency	EEDI for new builds & SEEMP for existing vessels mandatory - 2013 Reduction of EEDI reference line in three stages (2015, 2020, 2025)
Ballast Water	International Convention for the Control and Management of Ships' Ballast Water and Sediments	Aims to prevent the transfer of harmful aquatic organisms and pathogens through the control and management of ships' ballast water and sediments	Adopted by IMO in 2004, the convention will enter into force 24 months after the date on which 15 states (40% of global GT) have ratified it. Currently 38 signatories (30.6% of global GT)
Inert Gas	SOLAS "International Convention for the Safety of Life at Sea"	Tankers >20,000 dwt are required to protect cargo tanks by a fixed inert gas system in compliance with the IMO's Fire Safety Systems Code	Effective as of 1974. Draft amendments, which will lower the dwt requirement to 8,000 dwt for new builds, have been discussed
Oil	STS Plan  Heavy Grade Oil	Ship-to-Ship transfer plan  Prohibition of heavy grade oil in the Antarctic Sea.	New chapter and clearer definition of tanks (regulation 1) entered into force January 1, 2011 Effective as of August 1, 2011
Ship Recycling	The Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships	Once ratified, shipowners will need: an inventory of hazardous materials, a ship recycling plan, permission from the flag state to conduct a final survey and an international ready for recycling certificate	The convention will enter into force 24 months after the date on which 15 states (40% of global GT) have ratified it. Norway is currently the only signatory (1.5% of global GT)

\* draft amendments delaying implementation to 2021 will be considered, with a view to adoption, at the MEPC 66 in 2014

\*\* subject to review into availability of low sulphur fuel due to be completed in 2018, with option to delay implementation to 2025



# 4 Ownership

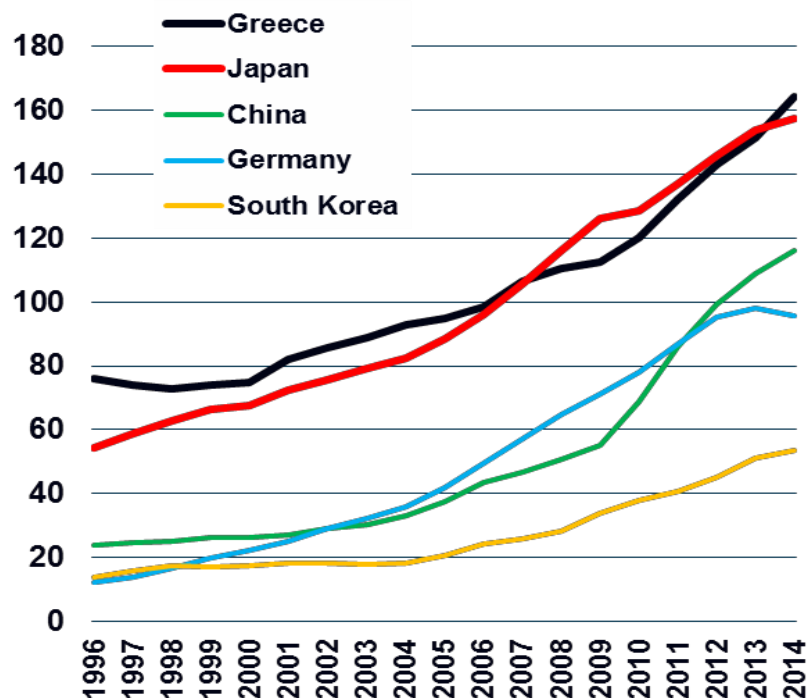
1. Greek fleet leading Japan
2. Asian owners growing market share
3. Public listed fleet growing but still lots of small private owners



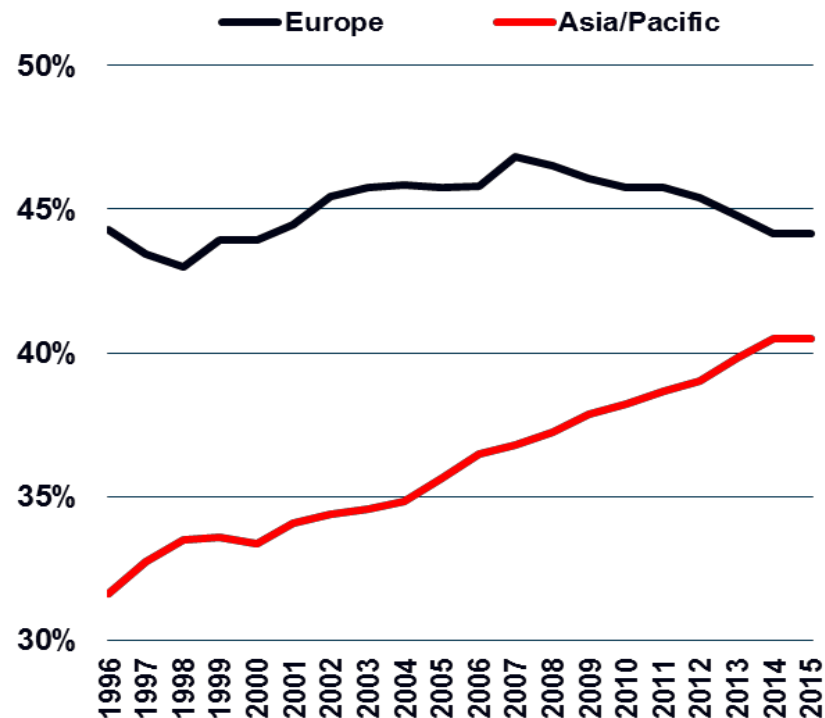


## Asian Owners Growing Market Share

Regional Ownership – Top Five Nations



Regional Ownership – Europe v Asia

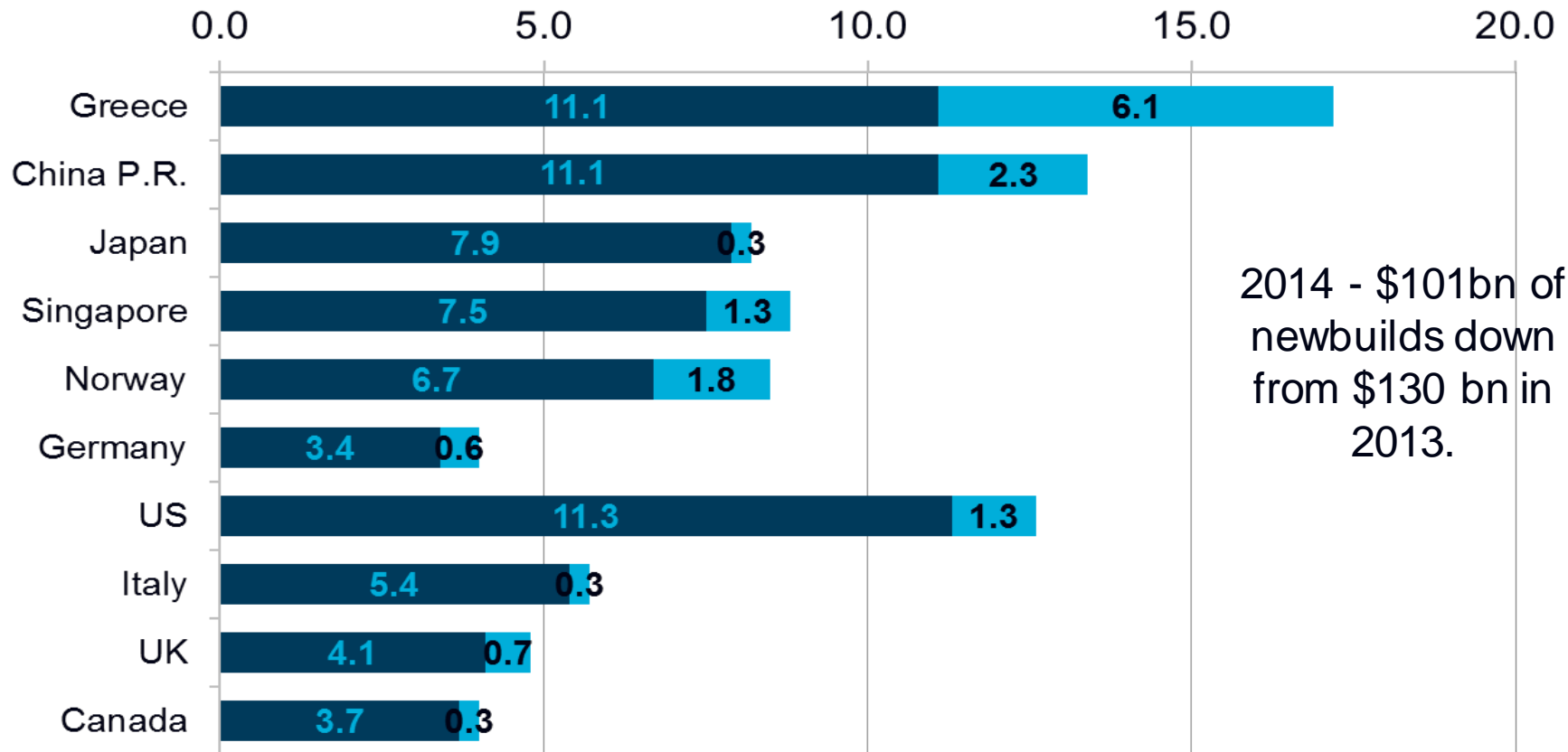






## 2014 Investment - \$101bn NB & \$26bn S&P

Investment 2014 in \$bn

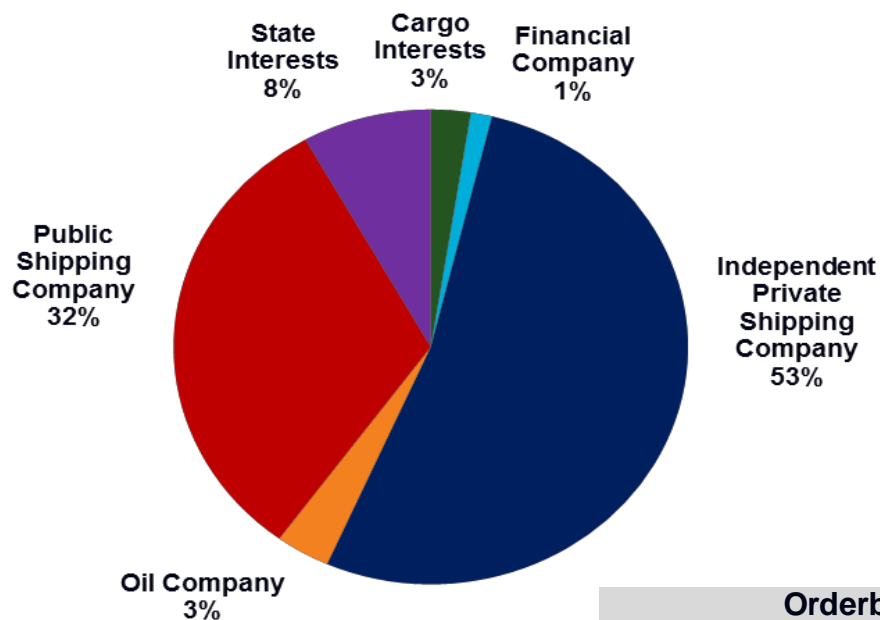


2014 - \$101bn of newbuilds down from \$130 bn in 2013.



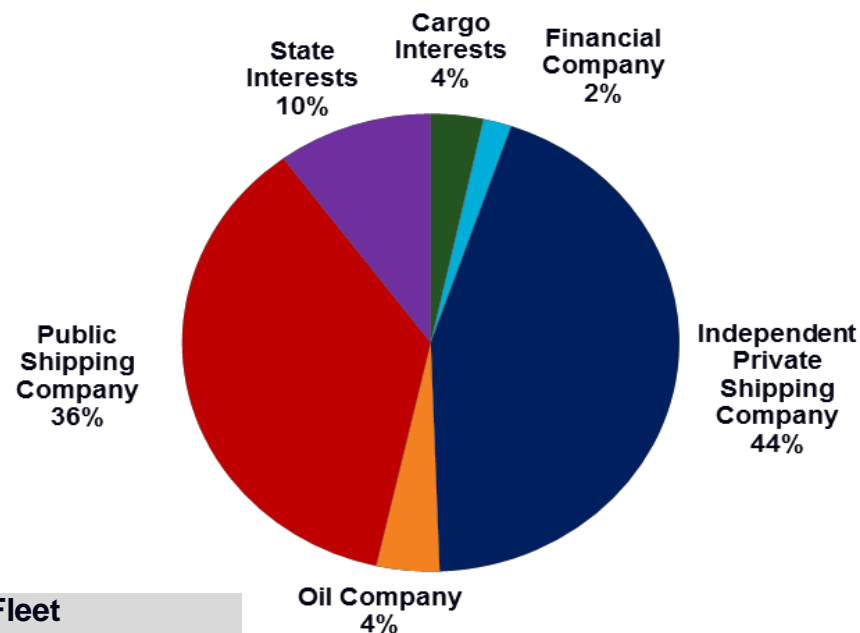
## Ownership by Primary Company Activity

**Fleet - Tonnage (m.GT)**



Data : November 2014

**Orderbook - Tonnage (m.GT)**



Data : November 2014

**Orderbook v Fleet**

Public Shipping Company: +4%

Cargo Interests: +1%

Oil Companies: + 1%

State Interests: +2%



# 5. Summary

1. Surplus has stopped growing, helping volatility. Still challenging outlook
2. Tankers are doing well but bulkers bearish and offshore weakening. Some cautious upside in containers.
3. Long term growth driven by Asia but some economic “headwinds” short term and Chinese economy maturing
4. Oil price helping tankers but uncertainty
5. USD 90 Billion costs per year
6. Asian ownership share growing





Clarksons

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## Contact

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Clarkson Research Services Ltd. Tel: +  
44 (0)207 334 3439  
Email: [research.crs@clarksons.com](mailto:research.crs@clarksons.com)

Trial Shipping Intelligence Network (SIN) at: [www.clarksons.net](http://www.clarksons.net)  
Trial World Fleet Register (WFR) at: [www.clarksons.net/wfr](http://www.clarksons.net/wfr)  
For more information on our product range, please visit: [www.crsi.com](http://www.crsi.com)



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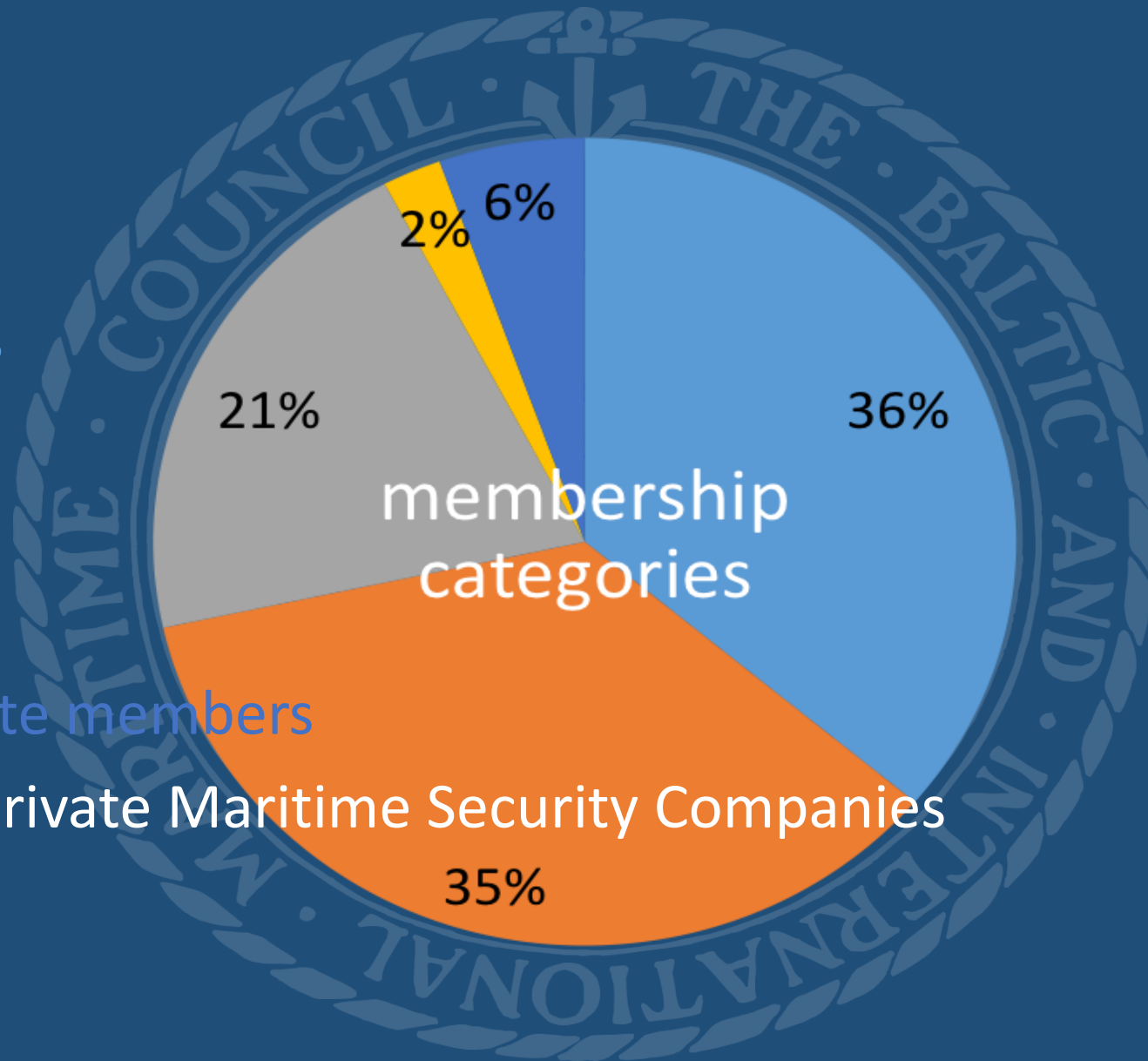
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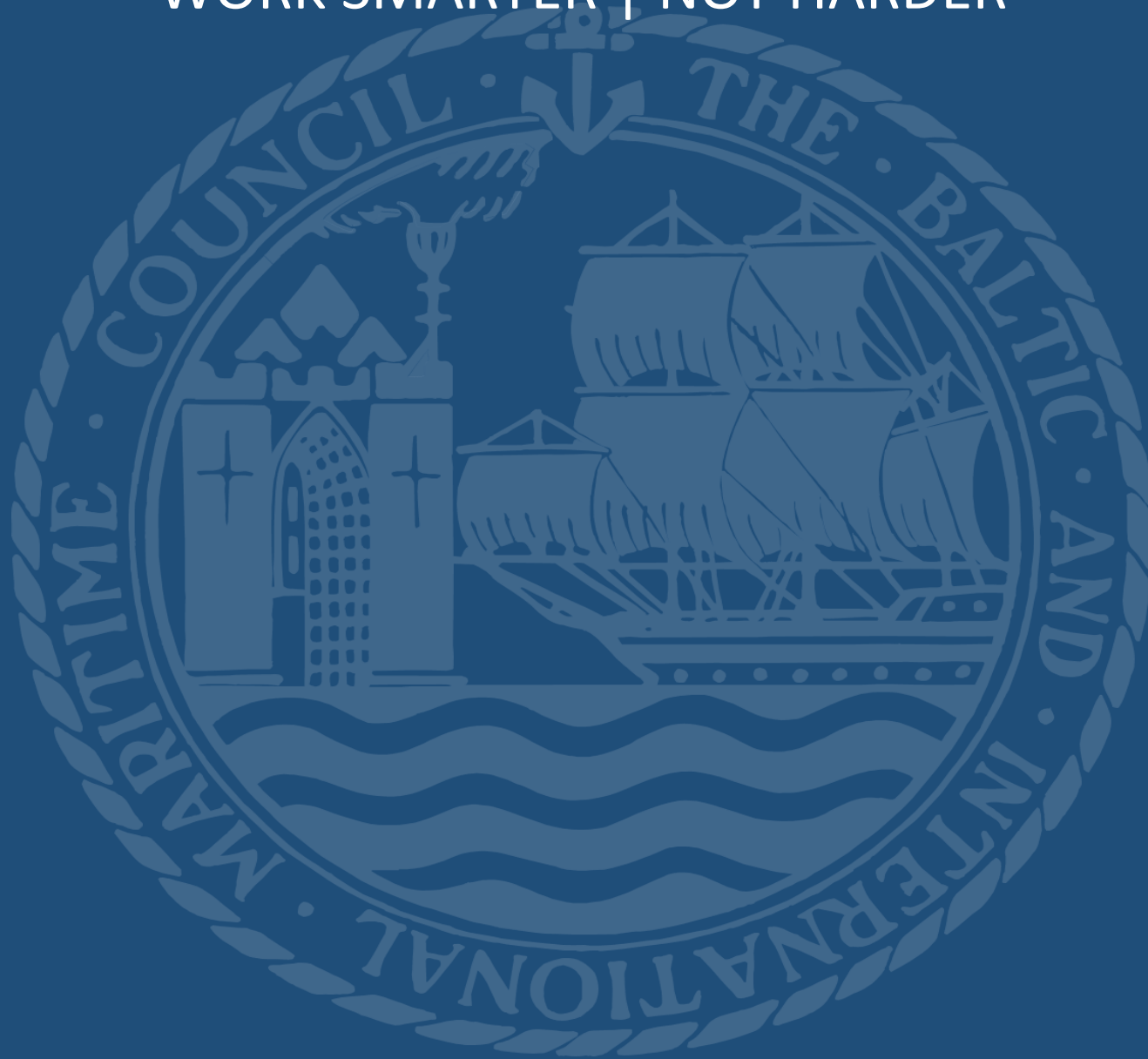


- Owners
- Brokers
- Agents
- Clubs
- Associate members
- **NEW!** Private Maritime Security Companies





WORK SMARTER | NOT HARDER



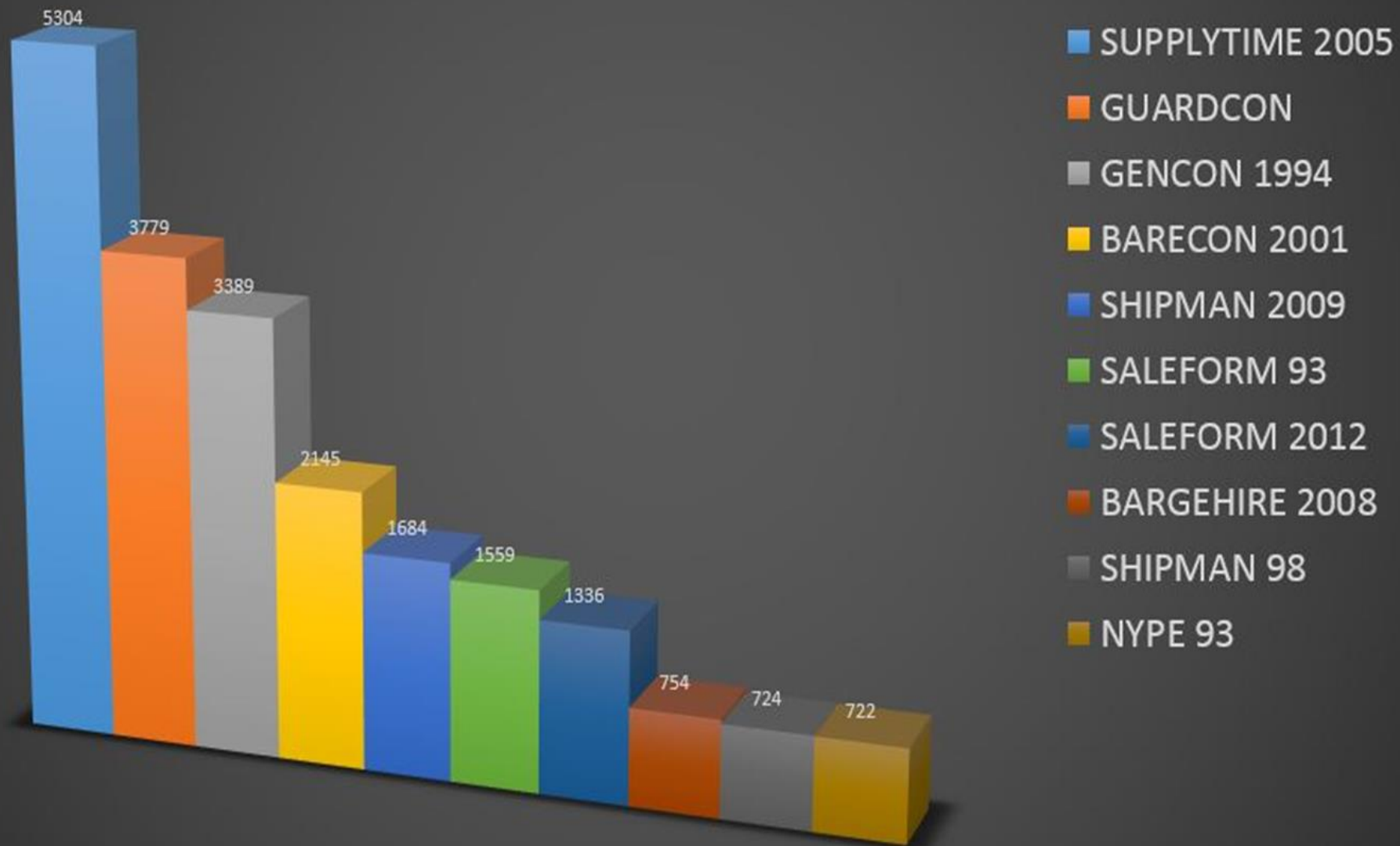


**exciting**



**boring**

# Top 10 BIMCO Contracts





people



small



medium



large





Draft No. 3, 10 January 2019

**HSE Carriage Rules of the Voyage Charter Parties**

If the cargo is loaded to the vessel's maximum (MCM) in accordance with Rule 10, Annex V, the charterers shall be responsible for all extra costs and time and/or losses incurred by the vessel's crew, including the cargo, removal and disposal of HSE cargo-related residues and for handling and/or disposal of such residues. Compensation for such extra costs shall be in an amount equivalent to the rate of demurrage stipulated in the charter party. Storage, removal and disposal shall always be in accordance with applicable laws or other applicable rules.



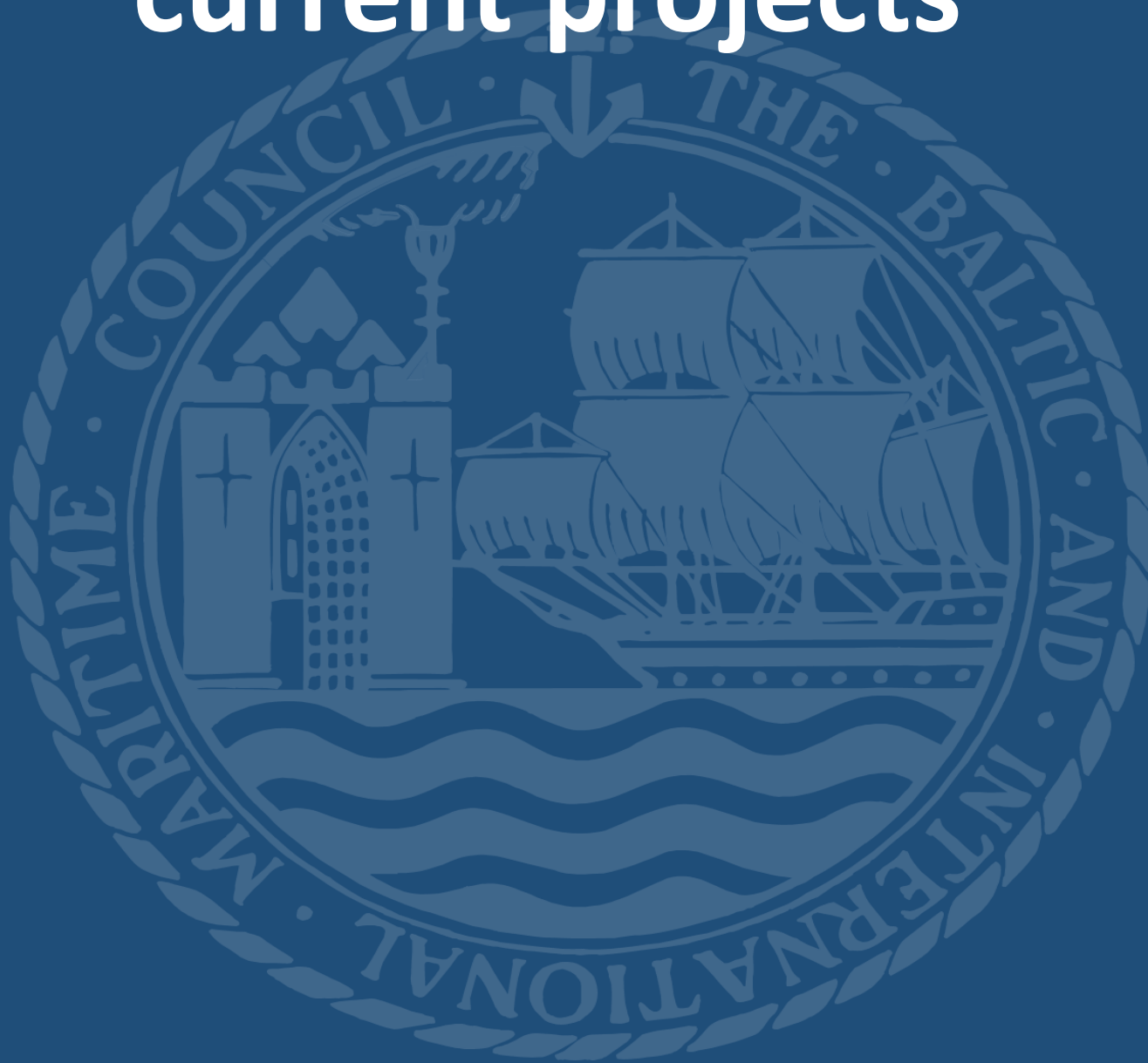








# current projects



LNGVOY  
WINDTIME  
SUPPLYTIME

NEWBUILD  
SUPERVISOR  
CONVERSION

BIMCO TERMS  
BUNKER NON  
FUEL SULPHUR C

STANDARD  
ANTI-CORRUPTION  
eBILLS OF LADING

NYPE  
ROPAXTIME  
SERVICECON



energy



shipbuilding



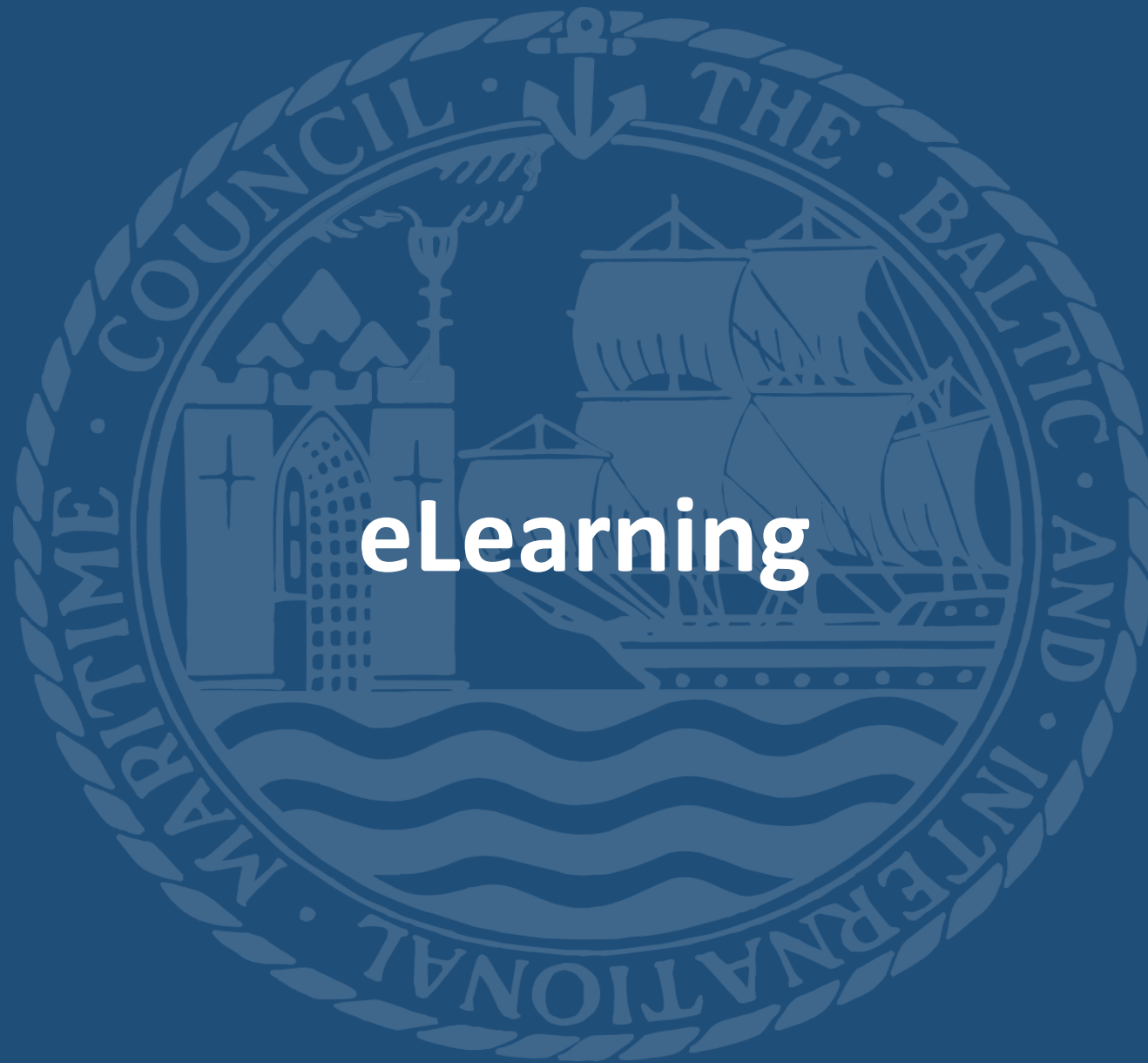
marine fuel



financial



trading



eLearning


1

**OFF-HIRE AND PERFORMANCE CLAIMS**

### Introduction and Learning Objectives

In this section, we're going to explore all the issues around payment of hire in time charters. In addition, we look at the Charterers to provide sections of a charter party.

Watch this clip to find out why payment of hire is so important in time charters.




**OFF-HIRE AND PERFORMANCE CLAIMS**

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Watch this clip to find out why payment of hire is so important in time charters.



Here is the clause, the relevant articles broadly provision of Section 2 of the charter party.

When hire is due and not received the Charterers, before exercising the option of withdrawing the vessel from the Charter party, will give the Charterers forty-eight hours written notice. Charterers' notice and failure to comply will not constitute the Charterers' option to withdraw the vessel from the Charter party.

The hire was due on 14 June. On 14 June, the Charterers' agents sent the following message to the Charterers:

Charterers have instructed us that in case we do not receive the hire which is due today, we give the Charterers notice to go clause 2 of the Charter party for withdrawal of the vessel from the Charter party.

It was held that the payment of hire was not a condition precedent to the Charterers' option to withdraw the vessel from the Charter party.

1. There was no default in payment until after midnight on 14/15 June.

2. The 48-hour notice under the test whether the Charterers could not be given until after the hire was due, after midnight on 14/15 June, and

3. In any event, the notice was not good as it did not call on the Charterers to pay payment but merely said what would happen if they did not pay. This was not what was required for the Charterers to withdraw the vessel from the Charter party.

**OFF-HIRE AND PERFORMANCE CLAIMS**

### Test on Claiming Off Hire

You are now going to perform a test on off-hire clauses for which you will require information that you have learnt in all the previous sections.

Here is our sample off-hire clause again.

\*That in the event of loss of time from deficiency of man or stores, fire, breakdown or damage to hull, machinery or equipment, grounding, detention by average accidents to ship or cargo, dry-docking for the purpose of maintenance, or by any other cause preventing the full working of the vessel, the payment of hire shall cease for the time thereby lost. WITH 1946

Study it once more and then decide which of the events would be covered for Off-Hire with the WITF 1946 clause. Drag each event into either the Yes or No column.

	YES	NO
MASTER OR CREW MEMBER OFF SICK	<input checked="" type="checkbox"/>	
		<input checked="" type="checkbox"/>
BREAKDOWN OF ENGINE		
INSPECTING UNDERSIDE OF HULL		
DAMAGE TO MAST AFTER STORM		
BUNKER HAS LEAKED FUEL		



Video

Attendees (10)

- Hosts (2)
- Mingja Liu
- Mingja Liu 2
- Presenters (0)
- Douglas Mackin
- Participants (10)
- Alexandre Stern
- Chris Rogers
- Glen McKillop
- Guy W. Tombor
- Jesse Carter
- Kalling Wang 2
- Martin Kundlie
- Nicolas Szepietowski
- William van der Wal
- Yunqi, Xie

Discussion Notes

Glen McKillop: A question relating to a breach of charter claim as opposed to an "off-hire" claim - what damages could you claim for the breach of charter? Would they be similar to the off-hire damages?

Chat (Everyone)

Mingja Liu 2: yunqi, i have to mute your microphone while the tutor is teaching

Mingja Liu 2: i think i vaguely heard you but this is not the time to do your testing - this should have been done an hour ago

Yunqi, Xie: ok

Yunqi, Xie: my internet didn't work well

Kalling Wang: what the tutor is teaching? i can not hear, what a pity

Mingja Liu 2: Kalling, what is your telephone number. I will get my IT colleague call you in a min

Poll

Hosts/Presenters are yet to set a Poll Question.

# webinars







## **Introduction to Shipping**



## **Bills of Lading**



## **Time Chartering**



## **Voyage Chartering**



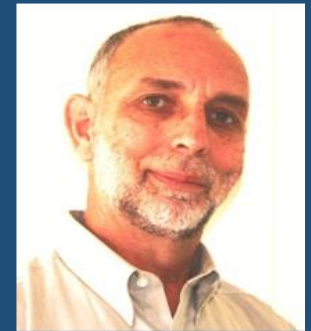
## **Dry Cargo Laytime and Demurrage**



## **Tanker Laytime and Demurrage**



10







**IDEA2**



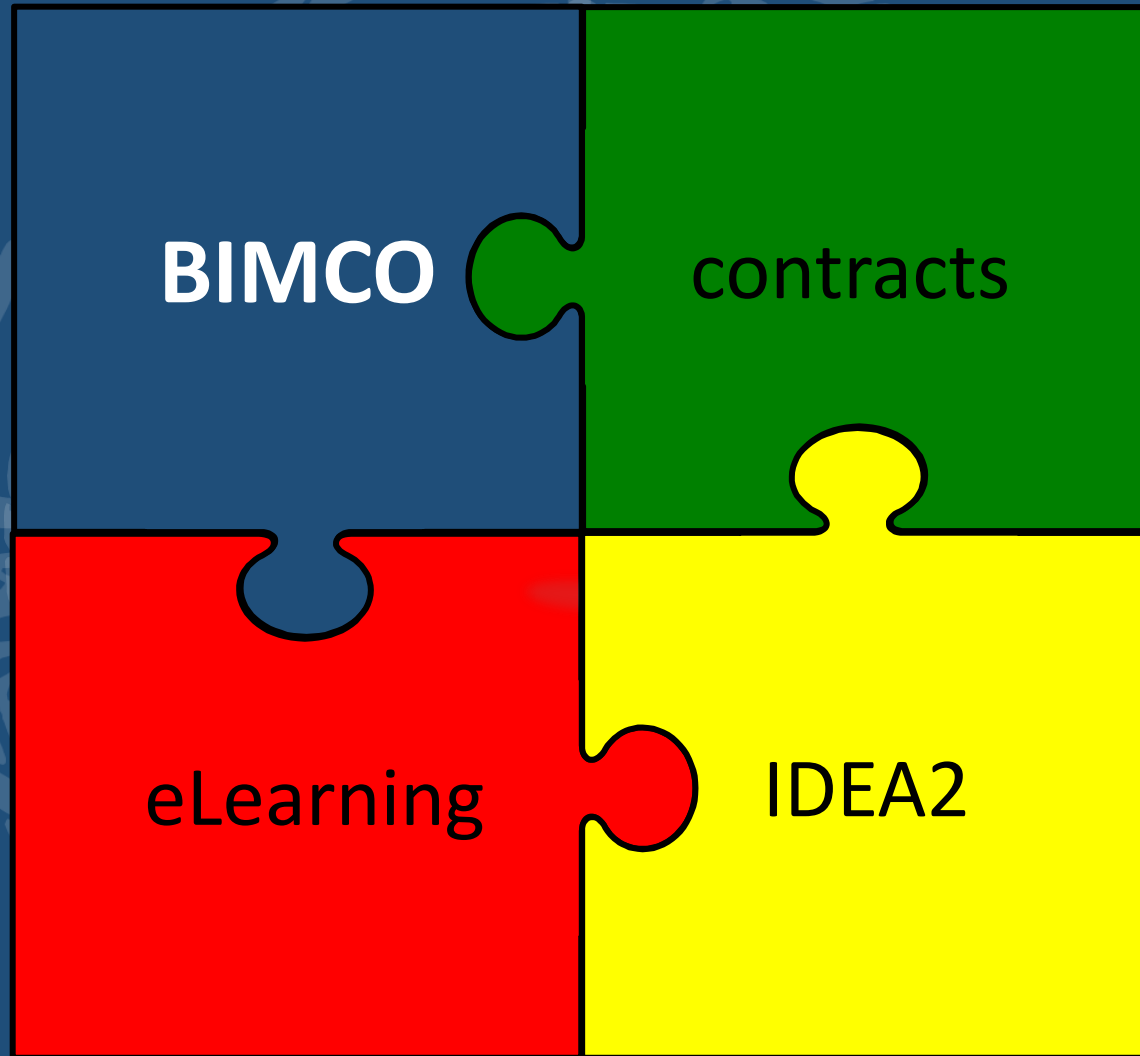


**authenticity**



[bimco.org](http://bimco.org)

WORK SMARTER | NOT HARDER



# Admiralty and salvage issues

**Name: Sir David Steel**

**Role: Arbitrator**

Member Forum, 23 June 2015

The Standard



# Break

Member Forum, 23 June 2015

The Standard





**International Group of P&I Clubs**

**“The International Group – Organisation, functions and current issues”**

**[www.igpandi.org](http://www.igpandi.org)**



## The International Group

- Comprises 13 mutual marine insurance associations (“Clubs”) which between them
- insure and pool third party liabilities relating to the use and operation of ships
- cover around 90% of world ocean-going tonnage 1.1bn GT c 60,000 vessels
- cover around 95% of ocean-going tankers



## Current principal underwriting members



## The International Group Clubs



- Vary in size from approx. 16 million to 200 million GT



- Cover all types and sizes of vessels



## The International Group

### P&I Insurance

- P&I Clubs cover shipowners legal liabilities to third parties such as:
  - Loss of life/personal injury to passengers and crew up to USD 3 billion
  - Damage to fixed/floating objects
  - Wreck removal and SCOPIC
  - Pollution up to USD 1 billion
  - Cargo loss/damage
  - Collisions



## The International Group

### P&I Insurance

- Certain liabilities are excluded from cover including :
  - War risks
  - Nuclear risks
  - Offshore production and exploration and other specialist activities
  - Liabilities arising under non-approved certificates or undertakings
  - Sanctionable activities





## The International Group

### Group structure – Unincorporated Association

- Constitution (amended 2006)
- International Group Agreement “IGA” (amended 2008)
- Pooling Agreement (renewed annually)





## The International Group

### Group organisation

- The activities of the Group are co-ordinated through the Group secretariat based in London.
- The work of the Group is carried out by the secretariat and by club managers in sub-committees and working groups which formulate policy recommendations for consideration by boards.
- The Group managers meet three times each year to co-ordinate the work of its sub-committees and working groups.



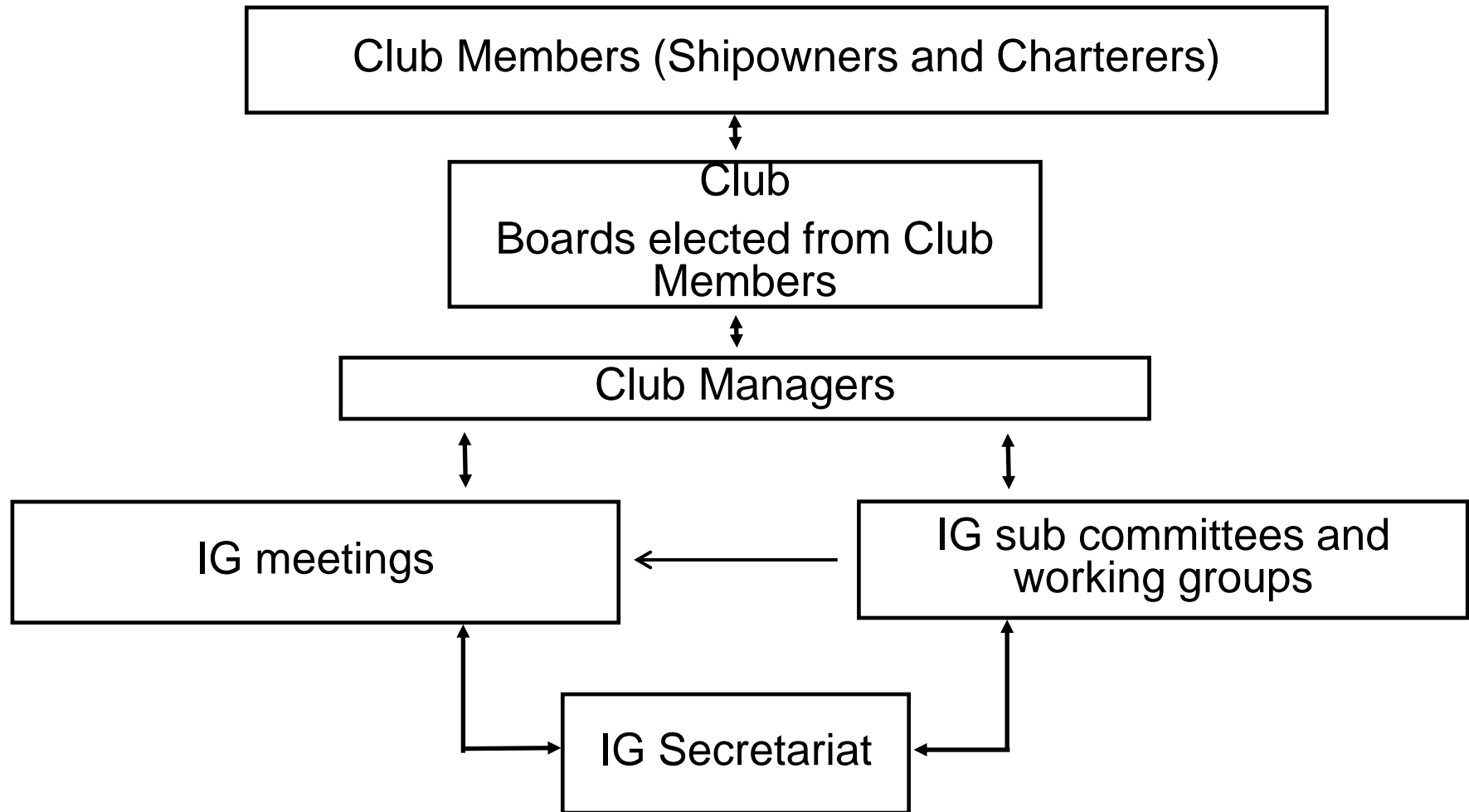
## The International Group

### **Group organisation - Group Secretariat**

- Seven permanent staff
- Broad spread of “in house” experience:
  - Legal
  - Government & maritime policy
  - Pollution
  - Seafaring
  - IT
- Supported by expertise of club managers.
- City location – convenient for London-based Clubs.



## The International Group



## The International Group

### Functions

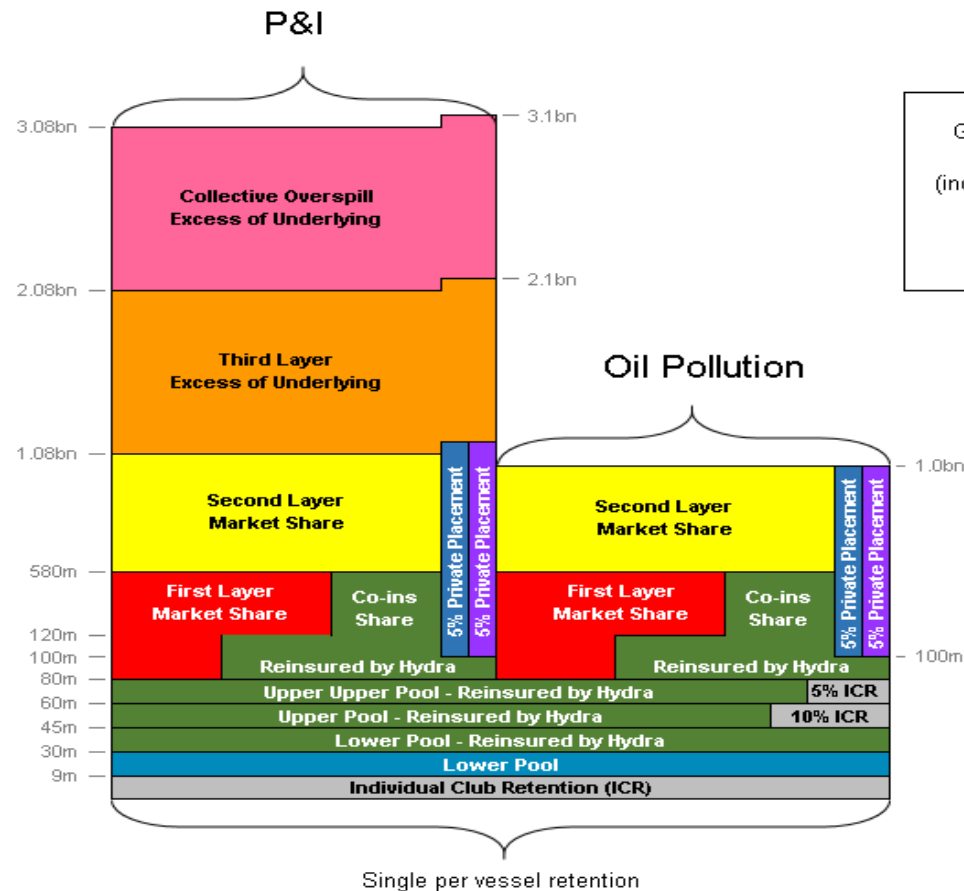
- To co-ordinate the operation of the claims pooling agreement for claims in excess of the individual club retention (\$9m) and the collective reinsurances for the Group clubs (\$80 m - \$ 3.08bn)
- To provide a forum for the exchange of information between clubs and other maritime organisations and sectors
- To represent the views of clubs' shipowner members on matters of concern to the shipping industry in relation to insurance and liability issues

## The International Group

### Pooling And Reinsurance

- Highest level / limit of cover (\$1bn oil poll / \$2bn passengers / \$8bn non oil (approx.))
- Most comprehensive extent of cover
- Cover “at cost” (mutuality = no profit)
- Facility to admit discretionary claims
- Ensures prompt and certain compensation
- Financial security recognised by governments and maritime authorities worldwide – “Blue Card” system

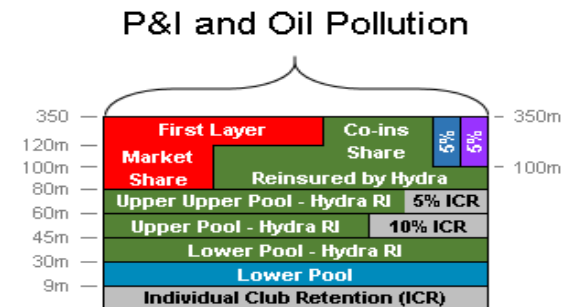
# The International Group



**International Group of P and I Associations**  
 General Excess of Loss Reinsurance Contract Structure  
 Owned and Chartered Entries  
 (including Overspill Protection, Hydra Participation, Pooling,  
 Private Placements and Individual Club Retentions)

**12 Months at Noon GMT 20th February, 2015**

**Owned Entries**



**Chartered Entries**



## The International Group

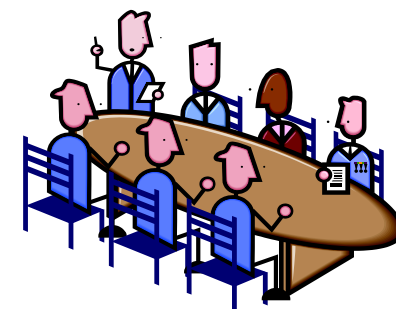
### Functions

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- To provide a forum for the exchange of information between clubs and other maritime organisations and sectors
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## The International Group

### More than 90 sub-committees and working groups, including:

- Bills of lading
- Claims Co-operation
- Compulsory 3<sup>rd</sup> Party Liability Insurance
- Capital Adequacy
- Maritime Security
- Blue Cards
- Personal Injury
- Pilotage
- Pollution
- Regulatory Affairs
- Reinsurance
- Representation
- Salvage
- Ships' Standards
- Ship Technical
- War and Terrorism

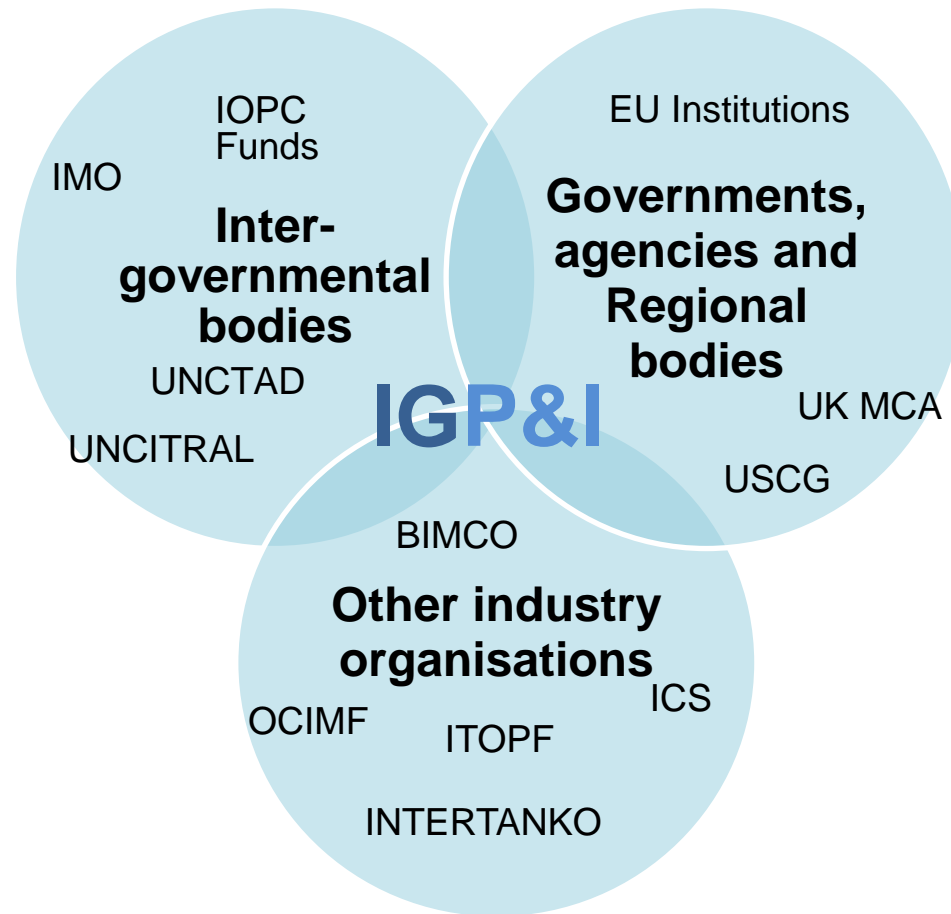


## The International Group

### Functions

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### Group liaison and consultation roles



## The International Group

### Group policy positions

- The Group's policy positions are agreed by club boards who report through their managers into the Group – Group managers do not make Group policy – Shipowners do.
- Need to reflect the wishes, sometimes conflicting, of different industry sectors.
- Need to reflect both public policy desires and shipping and insurance industry practicalities take time to develop with compromise positions having to be adopted.

**Current and future issues and challenges include:**

- Increased claims severity
- Competition legislation and regulations
- Piracy
- Reinsurance security and capacity
- Increasingly stringent solvency/regulatory/sanctions compliance requirements
- Sanctions





### **Increased claims severity**

- Large claims becoming significantly more expensive
- Very significant escalation in wreck removal costs
- Athens Convention Protocol passenger/crew limit increases
- STOPIA/TOPIA exposure
- Continuing challenges to shipowner Limitation rights
- LLMC limits increase of 51% applicable from 8 June 2015

## Increased claims severity



## Increased claims severity



## The International Group

### **EU competition regulations**

- Two ten year exemptions granted 1985 and 1999
- No material change to Group structure or in the market since 1999
- New EC investigation announced August 2010
- Focus on quotation procedures/release calls/reinsurance
- Investigation closed July 2012 – no modifications required.
- Business as usual

### **Piracy**

- Reduction in GoA/HoA/Indian Ocean but increase elsewhere particularly W Africa/Gulf of Guinea
- Usual P&I risks arising from piracy incidents covered
- Ransom not covered
- Increasing support for use of armed guards
- Coordination with industry and governments on Best Maritime Practices



## The International Group

### **Reinsurance Security and Capacity**

- Over 90 participating reinsurers worldwide
- Security guidelines limit individual and associated re-insurer participation per layer and overall
- Minimum credit rating agency requirements for participants A- stable
- Downgrading and consolidation within reinsurers increases default exposure
- Sanctions impact on reinsurers ability to pay



## The International Group

### **Solvency/regulatory compliance requirements:**

- Solvency II
- Other national solvency / capital requirements regulation
- National regulation of foreign insurers  
e.g. Canada, Australia, New Zealand and China
- Increasing compliance burden for clubs



## **Sanctions legislation/regulation**

- UN/EU/US sanctions measures targeted at trade with Iran, Syria, Russia
- Focus on insurance and financial arrangements
- “Grey areas” for insurers - deliberate lack of clarity in legislation
- Undermining established IMO liability and IOPC Funds conventions system
- Risk to third party claimants
- Increase in bureaucracy; due diligence; licence applications

# The International Group



## Cargo Liquefaction

Nickle Ore, Iron Ore, Bauxite

Loss of crew and ships

IG involvement in IMO, States  
e.g. Brazil, Indonesia, Malaysia

IMSBC Code compliance

Role of Competent Authority

Mitigation

## International Maritime Regulation

- Maritime Labour Convention – 2014 Amendments
- EU – new Ship Recycling Regulation proposals
- HNS Convention 2010 in the long grass
- Maintain status quo on EU ELD exemptions
- Active engagement in IMO, EU, U.S. national jurisdictions
- Effective liaison with States e.g. on certification issues



## **Summary of benefits provided by the Group system**

- Unparalleled range and limits of cover provided at cost
- Guaranteed prompt security / payment of compensation to victims
- Unparalleled “intellectual capital” resource
- Experienced and effective casualty and claims management
- Assistance to States and IGOs in legislation/regulation drafting and promotion/implementation of ship standards and safety measures





**International Group of P&I Clubs**

**[www.igpandi.org](http://www.igpandi.org)**

# Claims Methodology

**Brian Glover**

**Role: Director of Claims**

**Member Forum, 23 June 2015**

**The Standard**



- Cover
  - Clear guidance provided on how club cover responds to any liabilities
  - Flexible approach to interpretation of cover
  - Sympathetic treatment of discretionary claims
- Support
  - Practical advice and support to members to achieve early cost-effective resolution of claims
  - Approach to claims based on detailed knowledge of members' business and commercial 'drivers'
  - Prompt provision of security to obtain release of entered ship



- Responsive
  - 24/7 service from claims contact or emergency phone
  - Appropriate authority given to claims team to react quickly to urgent situations
  - Prompt attention to non-urgent claims
- Proactive
  - Early instruction of suitably qualified lawyers, correspondents and experts
  - Clear claims strategy devised in the immediate aftermath of an incident to ensure early resolution at minimal cost
- Collaborative
  - The club's claims handlers work closely with the member and instructed third party service providers to agree a plan of action. Full consultation and clear communication

- Generally, claims handlers are qualified lawyers with private practice experience. The aim is to replicate the standards of the best private practice law firms, thus providing members with first class in-house legal advice and minimising reliance on outside law firms
- Each claims handler is qualified and trained to handle any type of P&I liability for the members they are assigned to. The claims team also has subject specialists ('Go Tos') who provide support to colleagues and members in relation to pollution, sanctions, maritime security, etc
- Claims handlers work in teams within a syndicate/regional office. They provide claims handling services to members who are assigned to their syndicate based on a geographical distribution. In this way, the claims teams are able to develop a close working relationship and understanding with members
- The senior management structure, which sits above the syndicates, together with clear claims procedures, ensures that there is a consistent approach to claims handling amongst the various syndicate and regional claims teams

# Third party service providers

- The claims team selects the best quality and most appropriate lawyers, correspondents and experts for each claim. Clear instructions are given to third party service providers in conformity with pre-agreed service level agreements. Proactive case management, clear reporting and billing are all closely monitored and controlled

# Third party service providers

- Network of over 700 correspondents in all major ports worldwide
- Charles Taylor worldwide network of 60 offices with a range of technical expertise
- Club's approved law firms and technical experts carefully chosen and reviewed annually for service quality and cost

- Large claims estimates and claims payments reviewed by the board
- Discretionary claims submitted to the board for reimbursement
- Board responsible for deciding on the scope and approach to cover provided to members
- Board reviews performance of the claims function against service level agreement, together with any reported 'incidents' or complaints

- Major casualty response plan
- Claims handlers have extensive experience of handling major casualties involving groundings and collisions resulting in pollution, multiple loss of life and complex wreck removal operations
  - MSC Chitra (India)
  - Costa Concordia (Italy)
  - Amadeo I (Chile)
  - Perro Negro 6 (Angola)

# Claims cost and efficiency programme

- Culture of improvement and higher professional standards
- External claims handling costs – approximately 24% of total claims costs
- Series of projects designed to achieve efficiencies and cost savings, both within the managers' claims operation and externally
  - Estimating efficiency
  - Old files estimate review
  - Web-based invoicing system (Serengeti)
  - Service level agreements for third party service providers and review of billing rates
  - Claims data management
  - Comprehensive review of claims operation in terms of resources, workloads, authorities, reporting, recruitment and retention of claims staff



# Defence Cover Methodology

**Name:** LeRoy Lambert

**Role:** President/Regional Claims Director

Member Forum, 23 June 2015

The Standard



- Defence Rules are set out in section 3 of the rule book:
  - Section A (Rule 1) states the cover and incorporates general rules from P&I
  - Section B (Rule 2) defines the scope and extent of cover
  - Section C (Rule 3) lists the risks covered
  - Section D (Rule 4) makes clear that cover is not for costs incurred seeking a recovery from the club
- **KEY:** defence cover is **discretionary** – based on:
  - merits;
  - prospects of enforcement; and
  - proportionality, or to put it another way, the cost implications. Given the merits and prospects of enforcement would a prudent uninsured person spend money defending or pursuing the claim?
- **KEY:** there is a difference between
  - confirming that a dispute falls within the '**scope of club cover**' (at the start of all defence cases); and
  - the '**extent of club support**' (usually completed after assessing the merits – and/or holding a 'defence review meeting' (DRM))

# Defence – what is covered?

- **Scope** of defence cover:
  - Does the ‘cause of action’ arise in relation to the chartering or operation of the ship?
  - Does the ‘cause of action’ arise during the period of the ship’s entry with the club?
  - Ship must be entered for navigating and/or new buildings FDD
  - Does the dispute fall within rule 3?
  - Is the dispute fortuitous?
  - Is the claim insured elsewhere – H&M, LoH, War Risks?

# Defence – rule 3

- C/P, CoA or B/L dispute
- Supplies (incl. bunkers)
- Maintenance and repair
- Loss of / damage to the ship
- Cargo operations
- Charges /disbursements / accounts
- Disputes with underwriters / brokers
- Detention, loss of, or delay to ship
- People disputes
- Mortgages
- Investigations
- Customs / port / government / Authorities
- Omnibus

# Defence – what is not covered?

- A simple failure or inability to pay, by members
- Risks covered by hull or other insurers
- Unlawful sactionable and hazardous trades
- Fault and privity / careless management

# Defence – what is not covered?

- Defence cover protects many, but not all, of a member's uninsured losses
- The rules deem a member's H&M cover to have a \$100K deductible. A member cannot use FDD cover as a back up for H&M insurance
  - \$1m claim for damage to the ship, with a H&M deductible of \$150K, will be dealt with as if the H&M deductible were \$100K, and the club will only pay 10% of the costs
  - In the same case, if the H&M deductible were \$50,000, the club would only pay 5% of the costs (the claim \$50 – 100K is insured)

- **Extent** of club support
  - Determined after assessing merits. Same is true if the claim is being handled in house
  - If a lawyer is appointed, a DRM should be held as soon as practicable
  - Lawyer's advice should cover facts, merits, strategy, and costs
  - The club's Service Level Agreement (SLA) must be followed – the lawyer must provide a stage-based fee budget
  - 'Slice-by slice' approach: support through defined stages of the dispute; when the next stage is reached, further support will be reviewed based on merits, likelihood of enforcement, and proportionality of costs
- Both the claims executive and the member must be diligent in dealing with lawyers and experts: proactive, inquisitive, communicative



# General: member obligations

notification	(rule 7.1)
information	(rule 7.2)
settlement	(rule 7.6)
recovery	(rule 7.8)

## General: managers' powers

control the claim / appoint advisers	(rule 8.1)
direct settlement	(rule 8.2)
recovery of costs from opponents	(rule 7.7)
withdraw support	(rule 8.3)

# Summary

- Communication is key
- Not ‘carte blanche’ – remains **mutual** cover
- Merits, possibility of enforcement, proportionality of costs



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# THE INSURANCE ACT 2015

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Andrew Taylor

Partner

Reed Smith LLP

# INSURANCE ACT 2015

- History of Law Commission work programme

# INSURANCE ACT 2015

- The Commercial case for reform:
  - 1906 Act and its common law origins
  - Business and technological developments

# INSURANCE ACT 2015

- The legal case for reform:
  - S. 17 1906 Act – principle of utmost good faith:
    - Consequences
      - Non-disclosure
      - Warranties
      - Fraud



# INSURANCE ACT 2015

- Disclosure – Fair presentation of risk
- S. 18 1906 Act
  - Panatlantic v Pinetops
  - “prudent insurer”
  - Waiver of information

# INSURANCE ACT 2015

- Fair presentation of risk
- S.3 2015 Act
  - What is the obligation (putting the underwriter on enquiry)
  - Whose knowledge of material facts counts?

# INSURANCE ACT 2015

- Remedies for breach
  - Deliberate/reckless or innocent/negligent breaches
  - Deliberate – avoidance
  - Negligent:
    - Avoidance or return of premium
    - Abatement of recoveries
    - Different terms

# INSURANCE ACT 2015

- Warranties
- S. 33 1906 Act
  - Discharge from liability and not remediable
- S. 10 & 11 2015 Act
  - Suspension of liability
  - Irrelevant warranties
- “Basis of Contract” provisions

# INSURANCE ACT 2015

- Contracting out
  - Not “Basis of Contract” provisions
  - Transparency requirements

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# Thank you