



The Standard Club has operating hubs in Hong Kong, Singapore and Tokyo  
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## Standard Club strengthens Asia presence amid rising claims costs

**The continued spread of Covid in Asia and claims arising in more expensive jurisdictions have increased the frequency and the average size of P&I claims, the Standard Club's regional MD, says**



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**T**hese are exciting (as well as challenging) times for the marine liability insurance sector in Asia. The region's extraordinary eco-

nomonic growth in recent years, underpinned by the import of natural commodities and other raw materials, has benefited the local shipping industry, which has expanded significantly over the past 20 years.

Asia now accounts for more than 40% of global shipping by gross tonnage and it comes as no surprise the memberships of the

mutual protection and indemnity (P&I) clubs in the region are growing fast.

The P&I clubs provide critical insurance cover for third-party liability risks. They also issue the so-called "blue cards" required by international liability and compensation regimes operating under the auspices of the International Maritime Organization (IMO). For the major shipping companies of the world, these cards constitute an all-important ticket to the global maritime trade.

But things are changing, not least as a result of Covid-19. Like other industry sectors, the P&I clubs have had to adjust their ways of working in light of pandemic restrictions.

For example, since the beginning of the outbreak, all of the teams in the Asia division of the Standard P&I Club, have been working largely remotely. "A key factor for us was maintaining service levels to our members during what has been a hugely challenging time for them," David Roberts, managing director of Standard Club Asia, says.

The Standard Club's own Covid-19 claims experience has been moderate, although there has been a pick-up in activity during 2021. P&I cover responds to certain pandemic-related liabilities arising from crew illness or death; diversion expenses resulting from the need to disembark and treat crew; and vessel

quarantine expenses arising from the outbreak of infectious disease on board the ship.

"It was thought the roll-out of vaccines, improvements in treatment and operational safeguards would mitigate future exposure to the disease. However, the continued spread of the pandemic, the emergence of variants and claims arising in more expensive jurisdictions have resulted in an increased frequency and average size of P&I claims," Roberts says. "Ultimately, our approach in responding to the challenges presented in these unprecedented times remains the same as it has always been throughout our history – standing by our members in times of need."

# insurance day



Under the circumstances, the ability of the club, which has operating hubs in Singapore, Hong Kong and Tokyo, to provide localised services to members, with underwriting carried out locally and with an in-house team managing claims and loss prevention, has been critical. But things have not been easy.

Covid-related demand for electronic and other goods, combined with rebounding commodity demand, have led to a lack of vessel availability and global supply chain issues. "Localised quarantine requirements and port closures, particularly in Asia-Pacific, have compounded the problem," Roberts says.

However, such challenges have also created opportunities for many of Standard Asia's members, especially those in the dry bulk and container sectors. This, Roberts says, is the result of a few factors: freight rates pushed higher because of limited shipyard capacity and a reluctance to order new vessels, while uncertainties about future fuels and ship design remain.

"The shortage of vessels is nowhere more acute than in the container trade and many clubs have been receiving enquiries from members contemplating the carriage of containers on ships not designed for this purpose," he adds. Indeed, Standard Asia has been approached by several owners in this regard and the club's loss prevention team are providing them with comprehensive advice and assistance on what they need to do to be able to safely engage in this trade.

Standard Club Asia has been

based in the region since 1997, as the first full-service P&I facility operating out of Singapore, to serve an increasingly dominant Asian shipping industry. However, now more than ever, Asian shipowners expect their clubs to have a strong regional presence capable of servicing them in real time, without having to wait for the West to wake up, Roberts says.

In this regard, local partnership arrangements are critical, according to Roberts, and have been a priority for Standard Club Asia pretty much since the beginning of its presence in the region. In 2000, for example, the Standard P&I Club and Tokio Marine & Nichido Fire formed a joint venture, TS21, to provide hull and P&I insurance in Japan.

According to Roberts, TS21 now underwrites 10% of P&I business in Japan. In April this year, the club opened a new claims office in Tokyo to further enhance the service provided to the members of TS21.

Similarly, Standard Asia also has co-operation agreements with Ping An Property & Casualty Insurance Company and the Korea P&I Club to provide P&I insurance to Chinese and Korean shipowners. Indeed, to support its business in Greater China, the club recently recruited a marine surveyor and an additional underwriter to join its Hong Kong team. These appointments will enhance the service to members and will assist in the development of the Club's facility with Ping An, according to Roberts.

The club is also introducing a coastal and inland risks insur-

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ance product in Asia early next year and is actively growing existing products, such as strike and delay, in the region. "We are dedicated to providing proactive 24/7 support to our Asian members, wherever they may be trading," Roberts says.

### Climate change

The P&I clubs face a huge challenge in terms of how they remain relevant to their members in a maritime risk landscape that is being rapidly transformed by climate change and other issues associated with the sector's transition to more environmentally friendly fuels. Not surprisingly, climate change and decarbonisation are at the forefront of shipowners' minds globally as they assess how they can best meet the requirements of the IMO's decarbonisation programme.

For Roberts, the role of the clubs is not to drive the decarbonisation programme itself, but rather to support members with the transition. "Generally, the combined knowledge and experience of the 13 clubs is hugely important for providing a platform for sharing information on matters of importance, such as decarbonisation," he says.

To address the issue, the Standard Club has established an internal working group on alternative fuels and an associated advisory panel consisting of members and external stakeholders. "This will allow us to develop our expertise in this complex and fast-developing area and to better assist transitioning members," Roberts says.

"The alternative fuel technologies are still very much developing and there will continue to be a great deal of uncertainty for some time to come. We will partner with members on research and development initiatives to better understand risk and will

work with industry experts to follow the latest developments and assess future trends."

There have been some highly encouraging developments. For example, he describes the \$1.4bn investment in methanol-fuelled ships by Maersk, the world leader in container shipping, as a step in the right direction. Maersk has eight newbuilds on order, with the first vessel slated for delivery in 2024. In addition, tanker operator Euronav NV has placed orders for ships that will be able to run on ammonia or liquefied natural gas (LNG).

However, the transition to greener shipping will take a while, with ships with a lifespan of 20 to 30 years still operating in the market, Roberts cautions. "In the meantime, many shipowners will hold off ordering new vessels until the options are clearer and will focus instead on minimising carbon emissions through slow steaming and other measures," he says.

And, through the P&I sector's representative body, the International Group, the P&I clubs have a strong voice in the maritime industry for engaging with inter-governmental organisations, national governments and marine authorities to address the issue. "We play a leading role in co-ordinating the response to and management of maritime casualties globally, thereby helping to preserve the marine environment for future generations," Roberts says.

However, this is the worst year on record for the International Group pool scheme, with brokers warning clubs, collectively, will have little alternative but to increase rates 50% between now and 2024. The sector's losses are being discussed by the clubs and their shipowner boards at present and will clearly be an issue at the forthcoming renewals in February 2022.

For Roberts, the breadth and

flexibility of cover provided by the P&I clubs is unrivalled. "Our claims pooling and collective reinsurance programme is of key importance in allowing us to provide the very high limits of insurance cover that our members require to deal with potential claims in respect of damage to the marine environment or maritime casualties," Roberts says. "Shipowners and their clubs have long had a symbiotic relationship and there is no obvious alternative to the mutual P&I system as a way of cost-effectively insuring shipowners' third-party liabilities in a sustainable way."

The clubs are mutuals, not designed to make a profit, but simply to break even. The problem is most International Group clubs have, in recent years, been making sustained underwriting losses on the back of widespread rating inadequacy.

"The increase in the value of pool claims has been a significant factor but ongoing soft market conditions have also played their part. The issue is now being compounded by a probable downturn in investment returns which historically have helped to absorb underwriting losses," he adds. "Clubs do, however, need to remain financially strong, and a periodic adjustment of rating is a normal part of the insurance cycle."

The progress being made by the P&I sector in terms of its technology platforms, and its ability to prevent losses before they happen, will be paramount in limiting claims costs in the future. "Having the right data is crucial in managing risks due to weather or conflict. For example, we are now able to give members real-time access to location specific weather and incident data and other maritime-related information to assist with loss prevention," Roberts says. ■

