



# STANDARD BULLETIN

SETTING THE STANDARD FOR SERVICE AND SECURITY

February 2012



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## CLUB NEWS

The board met on 24 January and reviewed a number of aspects of the club's affairs. The most compelling topics at the moment are maintenance of the club's strong financial position, managing the current renewal and continued progress towards Solvency II.

The club remains in good financial shape, but claims and other outgoings are currently outstripping premiums and it is probable that the free reserves at 20 February 2012 will be off their record high level of last year. With a fragile investment market, and while recognising the tough trading conditions facing many members, it is important to maintain rating discipline at this renewal.

The board also considered the club's business plan and strategy. The club will continue to maintain its core values and purpose while at the same time reviewing ways in which it can develop its service offering to its members.

The board reviewed club cover limits for the forthcoming year which will all remain as in the current year.

The board meeting coincided with general meetings of members and the proposed rule changes for the 2012/13 policy year were approved.

The board received a report on the *Costa Concordia* casualty. The Standard Club insures the ship jointly with the Steamship Mutual Club, each club providing 50% of the cover. This means that the retention to the club is \$4m, instead of the normal \$8m. After each of the two clubs has borne its retention, the claim is shared in the usual way among all International Group clubs through the Group's Pool, and once the claim reaches \$60m it is substantially reinsured in the commercial market. We can also confirm that the premium paid by the member includes significant contributions to each of these elements of the cover structure. The club is the lead club for the handling of this tragic and complex claim and a team from the managers is closely involved in all aspects of its resolution.

### NEW YORK OFFICE MOVE

On 19 December the New York team moved into the 25th floor of 75 Broad Street.

Whilst the office telephone and cell phone numbers remain the same, individual direct lines are now available for all team members as follows:

Office Number: +1 212 809 8085

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# CARGO LIQUEFACTION AND THE ISM CODE



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The issue of cargo liquefaction, as demonstrated by the recent loss of a bulk carrier is still very much a problem, especially for ships loading nickel ores from Indonesia and the Philippines. This article questions the stance of the regulatory bodies in respect of the issuance of the International Safety Management (ISM) Code's Safety Management Certificates (SMCs) and the Documents of Compliance (DoC) for ships and operators respectively.

Whilst much of the world was celebrating the Christmas holidays, a handymax bulk carrier called the *Vinalines Queen* was taking on a twenty degree list in poor weather off the coast of the Philippines and sank. The 2006 built ship was laden with 54,000 mts of nickel ore loaded in Morowali, Indonesia bound for ports in China and had 23 crew members onboard. Twenty-two crewmen perished and unless it can be proven otherwise (which is unlikely) the consensus appears to indicate that the ship foundered as a result of cargo liquefaction.

The Standard Club issued a comprehensive *Standard Cargo* on the matter of cargo liquefaction in February 2011. In this publication it was noted that a number of ships had already been reported previously as lost after loading similar bulk cargo. The guidance was clear and supported much of what had already been incorporated into the International Maritime Solid Bulk Cargoes (IMSBC) Code. The club also issued a *Standard Safety* article pointing out the dangers of carrying cargoes liable to liquefaction and emphasised the fact that certain countries, namely Indonesia, China, the Philippines, India, Brazil, Ukraine and Venezuela continue to ship cargoes that are precarious. The dangers include misrepresenting the cargo in the cargo declarations and purporting it to be safe, giving erroneous cargo descriptions and providing false flow moisture and transportable moisture limits. Laboratory results are sometimes falsified, surveyors are impeded from monitoring cargo operations

and are stopped from attending the ship by various means including physical threats, which prevents them from carrying out their tasks. In some of these countries, it is evident that the local authorities are also playing a role in allowing these practices to continue and that their central governments are not addressing the issue.

Seafarers being lost at sea is not an acceptable price to pay for shipping unsafe nickel ore cargoes from Indonesia or the Philippines. As the IMO is apparently unable to prevent the practice of loading these unsafe cargoes, the shipping community must take the lead.

This can be done in the first instance by ensuring that:

- bulk carrier crews are educated on the dangers of cargo liquefaction;
- masters are provided with proper instructions when loading bulk 'wet' ore cargoes that are susceptible to liquefaction;
- commercial contracts take into account an accurate description of the cargo as per the IMSBC Code and provide the bulk cargo shipping name (BCSN);
- commercial contracts take into account the explicit right of the owner to have an independent surveyor of choice available to the master at the commencement of loading. Such an independent surveyor is to have complete, unhindered access to the cargo and to cargo stock piles or barges. He should also be able to take samples unhindered and have them analysed as per the IMSBC Code. The Charterer is to assist with these activities.

As a result of these two recent incidents INTERCARGO have issued "Intercargo Guide for the Safe Loading of Nickel Ore".  
[http://www.intercargo.org/pdf\\_members/fs-nickelore%20final.pdf](http://www.intercargo.org/pdf_members/fs-nickelore%20final.pdf)

Owners have a responsibility to ensure that their employees are safe and this means ensuring that the contracts which are negotiated with charterers are drafted to ensure that the cargo that is to be loaded is safe.

This also raises the question of how the companies owning the ships which have sunk due to cargo liquefaction have managed to be issued with a Document of Compliance (DoC) under the ISM Code, which requires the ship operator to identify all known risks. The risk for a bulk carrier carrying a bulk cargo liable to liquefaction is without doubt a risk that should be identified. The flag states that registered the ships that foundered have a statutory responsibility to ensure the DoC issued complies with the ISM Code. It is unlikely that these flags ensured that all risks were identified before issuing the DoC.

All bulk carrier companies, as part of their ISM Safety Management System, should have advice and procedures for masters loading and carrying bulk cargoes that are liable to liquefy.

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