



# STANDARD BULLETIN

SETTING THE STANDARD FOR SERVICE AND SECURITY

May 2012



Alistair Groom: Chief Executive,  
Standard Club  
Telephone: +44 20 3320 8899  
E-mail: alistair.groom@ctcplc.com

## BOARD MEETING AND FINANCIAL RESULTS

### REPORT AND FINANCIAL STATEMENTS FOR THE YEAR TO 20 FEBRUARY 2012

*'This has been both an eventful year and one of consolidation. I can report that your club remains very well placed to continue to provide members with the service and security that they need. Although the underwriting has been challenging, we are reporting another overall surplus, so that the financial security that the club provides to its members is stronger than ever.'*

Ricardo Menendez, Chairman, Standard Club

The directors' report and financial statements were approved at the board meeting held on Thursday 10 May and the financial highlights are set out below. In a year that was both eventful and one of consolidation, the club has seen its reserves grow slightly to a new record level of \$353m.

Following the successful club reorganisation through a 'Part VII transfer' last year, the accounts now present the results for the entire Standard family on a consolidated basis.

### INVESTMENTS

The investment result for the year was a very creditable 6.7%. The board considered a detailed asset allocation study – something that is undertaken at least every three years, or more often if required – and set a new investment risk budget, although the resulting changes to the benchmark and discretionary investment ranges are modest, confirming the appropriateness of the club's investment policy to date.

### NEW DIRECTOR

The board of Standard Bermuda (the parent company) was pleased to welcome Gunther Jaegers from Reederei Jaegers, to represent the interests of the Standard London small ships class.

### NEW CLUB NAME

An Extraordinary General Meeting of members took place following the board meeting and approved the resolution to change the name of the parent company to The Standard Club Ltd and those of its two underwriting subsidiaries to The Standard Club Europe Ltd and The Standard Club Asia Ltd. These name changes will take effect from 17 July.

### SOLVENCY II

The board reviewed progress with Solvency II compliance. The club remains on course with its work, which includes developing its internal model. The amount of work involved makes this a major project for the club's board and managers.

### STRATEGY

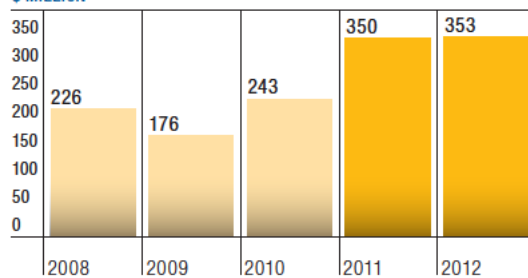
The board reviewed and reaffirmed the club's strategy. This is to pursue its core objective of providing good value P&I insurance to its members on a sustainable basis, first-class service and financial security, while at the same time growing and broadening the club's services to its members. We expect to announce additional insurance covers over the forthcoming months.

### FINANCIAL HIGHLIGHTS 2012

	2012 US\$m	Restated 2011 US\$m
RESULTS FOR THE FINANCIAL YEAR ENDED 20 FEBRUARY 2012		
Calls and premiums net of reinsurance	221	210
Total claims net of reinsurance and operating expenses	(265)	(192)
Balance of technical account for general business	(44)	18
Net investment income	47	59
Excess of income over expenditure for the year	3	77
OUTSTANDING CLAIMS LIABILITIES		
Estimated known outstanding claims net of all recoveries	351	324
Incurred but not reported claims (IBNR)	172	136
Total estimated claims liabilities	523	460
FUNDS AVAILABLE FOR CLAIMS		
Open policy years	275	232
Closed policy years	248	228
Free reserves	353	350
Total balance sheet funds	876	810

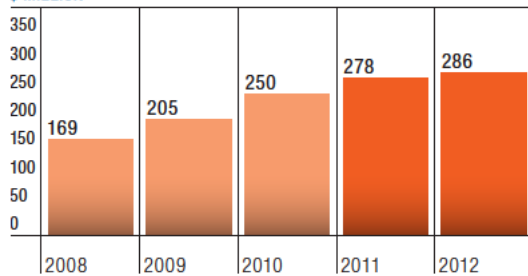
## FREE RESERVES

\$ MILLION



## PREMIUM INCOME

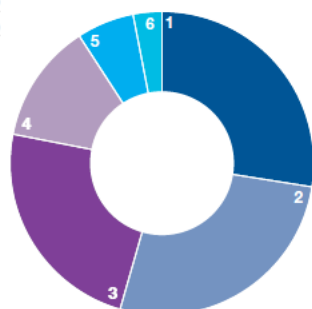
\$ MILLION



## SHIP TYPES ENTERED

OWNED TONNAGE

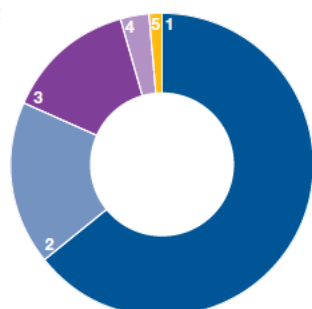
1	Tankers	28%
2	Container & general cargo	27%
3	Dry bulk	24%
4	Offshore	13%
5	Passenger & ferry	6%
6	Other	3%



## ASSET ALLOCATION

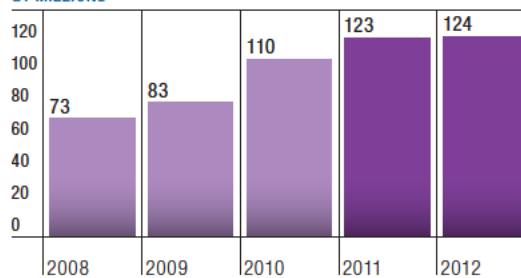
As at 20 February 2012

1	Bonds	64.4%
2	Equities	17.3%
3	Cash	14.0%
4	Alternatives	3.0%
5	Gold	1.3%



## TONNAGE

GT MILLIONS



## COUNTRY OF MANAGEMENT

OWNED TONNAGE

1	Greece	11%
2	USA	9%
3	Italy	9%
4	Germany	9%
5	Japan	8%
6	Canada	7%
7	United Kingdom	5%
8	Republic of Korea	5%
9	Singapore	5%
10	Switzerland	3%
11	Rest of Europe	15%
12	Rest of World	10%
13	Rest of Asia	4%



# MEMBER SERVICING



Jeremy Grose: Chief Operating Officer,  
Standard Club  
Telephone: +44 20 3320 8835  
E-mail: [jeremy.grose@ctcplc.com](mailto:jeremy.grose@ctcplc.com)

Providing a high-quality level of service is of the utmost importance and is one of the club's key objectives. One of the ways that we look to achieve this is by having teams, or syndicates, looking after members' entries in the club. These syndicates are organised on a regional basis or according to business type, and focus on the claims, underwriting and documentary requirements of their designated members.

The club has grown in recent years, and this has led us to look carefully at the balance of work, and we are making some adjustments in the way our operational teams are structured. With effect from June, the syndicate that has until now looked after members in the Americas, UK and Europe will be divided into two syndicates. One syndicate will look after the club's members from the Americas and UK. Within the other, the team that looks after the club's northern European ocean-going members will co-operate and work with the team that looks after the European Standard London Class small craft members, in a combined overall syndicate.

There will be some promotions and consequential staff movements between syndicates to ensure that we have strong teams supporting all areas of the business. We appreciate how important it is for members to maintain the relationships that they have built up with the claims handlers and underwriters who they know and who have developed a strong understanding of their business. We have as far as possible sought to maintain those relationships within the new structure.

# TOUGH NEW RULES FOLLOWING CHANGE TO AUSTRALIAN POLLUTION LAWS



Brett Hosking: Claims Executive,  
Standard Club  
Telephone: +44 20 3320 8956  
E-mail: [brett.hosking@ctcplc.com](mailto:brett.hosking@ctcplc.com)

## MARITIME LEGISLATION AMENDMENTS ACT 2011

On 21 November 2011, the Australian Parliament finalised the amendments to two pieces of Australian legislation concerning pollution, the Navigation Act 1912 and the Protection of the Sea (Prevention of Pollution from Ships) Act 1983. The Maritime Legislation Amendments Act 2011 received assent on 3 December 2011 and now has force of law. The amendments were driven by recent maritime pollution incidents in Australia, involving damage to reef and oil spillage, notably the cases of the *Pacific Adventurer* and *Shen Neng 1* in 2009 and 2010 respectively.

The Act creates new offences for oil pollution incidents, broadens the scope of liability and increases penalties for pollution offences. The changes have generated some debate and, as a minimum, should be a cause for parties to reconsider their potential liabilities when trading in or around Australia.

## PROTECTION OF THE SEA (PREVENTION OF POLLUTION FROM SHIPS) ACT 1983 (PSPPSA)

The PSPPSA was amended to:

1. Extend existing penalties to all ships within the Exclusive Economic Zone (EEZ) and all Australian ships outside the EEZ.
2. Expand the list of persons who may be charged with an offence to include 'charterers'.
3. Increase the maximum penalty:
  - for individuals: from A\$55,000 to A\$2.2m.
  - for corporations: from A\$275,000 to A\$11m.

These changes reflect a departure from previously settled law in Australia and many other common law jurisdictions.

The scope of liability has been widened in that these strict liability offences are likely to affect time and voyage charterers, irrespective of their degree of control over the day-to-day operations of a ship that may cause pollution. Previously, a discharge of oil or an oily mixture from a ship into the sea would be the responsibility of the owner and master of a ship. The discussion papers surrounding the amendments provide little detail as to the rationale behind this change and there is some doubt as to the intention of the legislators and the Australian Maritime Safety Authority (AMSA). Nevertheless, it is thought that the local courts are likely to give the term 'charterer' a broad interpretation.

There are limited defences available, but deploying these would likely necessitate overcoming high threshold tests.

No doubt the Australian government will hope that these changes will act as a general and serious deterrent against pollution.

#### NAVIGATION ACT 1912

The Navigation Act 1912 was amended:

1. To create an offence if the master of a ship negligently or recklessly operates a ship in a manner that causes pollution or damage to the marine environment or negligently or recklessly fails to prevent such pollution or damage. The court is empowered to take into account certain factors when considering liability, including but not limited to, the characteristics of the ship, type of cargo, state of visibility and presence of other ships.
2. To extend liability whereby, in certain cases, a person can be penalised as an accessory to a breach of these new obligations. This includes a person who has been '*directly or indirectly, knowingly concerned in, or party to, a contravention*'. This might include charterers.
3. Such that the maximum applicable penalties for breach are now A\$660,000 for individuals and A\$3.3m for corporations. The penalty is said to increase where there is an aggravated breach, namely a breach involving serious harm to the environment, or for being an accessory to an aggravated breach.

#### CONCLUSION

The impact of these new rule changes has not been tested. Members, especially those chartering ships operating in Australian waters, are advised to mitigate their effect by:

- Actively reviewing risk management practices and SMS procedures.
- Consider seeking indemnities from their trading partners.
- Reviewing their insurance arrangements.

# GUARDCON GATHERS MOMENTUM – SOME ISSUES TO CONSIDER



Claire Boddy: Claims Executive,  
Standard Club  
Telephone: +44 20 3320 8994  
E-mail: [claire.boddy@ctcplc.com](mailto:claire.boddy@ctcplc.com)

#### INTRODUCTION

The demand for armed and unarmed guards to protect crew, ships and cargo transiting high-risk areas has created a unique maritime security industry and has led to a surge in the number of providers marketing their 'specialist' teams to owners, operators and their insurers. There is presently very little regulation governing the activities of these companies. While there are a number of well-established, professional and highly reputable maritime security firms in operation, there are also many in their infancy which do not apply the same high standards.

Until recently, security providers have been contracting with owners on their own standard terms, which have given rise to a number of issues.

#### GUARDCON IS BORN

Responding to industry demand for a clearly worded and comprehensive standard contract, on 26 March, BIMCO published GUARDCON, a standardised contract for the employment of security guards on ships, with the aim of raising the bar in terms of the minimum standards that security companies must meet. In what is one of the first contracts of its kind, it envisages (albeit in the last resort) the use of lethal force to ensure the success of a commercial venture rather than a military operation. A necessary but controversial part of GUARDCON are the rules for the use of that force and these terms need to be agreed in advance between owners and their security provider in conjunction with flag states and other interested parties.

Although GUARDCON runs to 16 pages with six annexes, this should not present difficulties to reputable security providers. If problems do arise members should question whether an alternative provider should be engaged. An intended consequence of the introduction of this contract is either to encourage providers to raise their standards to meet the demands of the market that they seek to operate in or that they fall away.

This article highlights a few of the issues that members should be aware of when contemplating the use of GUARDCON.

#### THE CONCEPT OF THE CONTRACT

Members will be familiar with the concept of a 'knock-for-knock' allocation of risk, i.e. each party bearing responsibility for damage to their own property and personnel. GUARDCON embraces this concept, and to ensure the division of risk is maintained in practice, the security provider is required to obtain insurance cover of a minimum of \$5m and to ensure that guards are also required to sign a 'waiver' in respect of any rights they may have against the ship and/or owner.





## COMMERCIAL ASPECTS

Naturally, members have contractual freedom to negotiate price-sensitive clauses and to decide whether a lump sum or daily rate contract would best suit their needs. However, delays at the port of embarkation are common when engaging this type of service, and members should be aware that the security provider has a grace period for the first 24 hours of delay. After that, members may cancel the contract. However, members may also wish to keep the contract alive, if for instance, there is no acceptable alternative security provider in the area or they have secured what they consider to be the best rate for those services. In such a situation, members can continue, but they should be aware that the contract does not specify what the measure of damages would be for the continuing delay. Members would therefore need to consider the usual rules for damages claims, and therefore, it may be simpler to cancel the contract and renegotiate on revised terms. In any event and in conjunction with GUARDCON, members should continue to include an appropriately worded piracy clause in their charters to ensure that the ship remains on-hire during delays of this nature.

If on the other hand, members wish to cancel the contract due to, for example, a change in charterers' orders or the availability of a convoy negating the perceived need for armed guards, then the contract contains a sliding scale of fees to be paid to the security provider, leading up to a 50% cancellation fee if cancellation is within 24 hours. In the unfortunate event that a hijacking occurs, owners should not be liable for the payment of the guards' wages during the period of detention, but likewise, a security provider will not be obliged to contribute to any ransom payment.

In negotiating any contract, confidentiality of terms is often a key issue. However, experience has shown that when an incident occurs, for example between an armed guard and a third party, this contract will be one of the first documents requested by the investigating authorities in order to determine responsibility. Members should therefore be aware that the contents could end up in the public domain via the courts, in a very short time.

## NON-COMMERCIAL CONSIDERATIONS

Annex B to GUARDCON is intended to attach the 'Rules for the Use of Force' as agreed between owners and security providers. That, along with the division of responsibility and obligations of the master as distinct from the armed guards, requires special mention here.

With extended time, the BIMCO working group may have formed a view as to what would be acceptable rules for the use of force to the majority of flag states, rather than leaving Annex B blank. However, the club anticipates that the sections on self-defence, the chain of command and the graduated response as set out in the guidance notes, will form an acceptable basis for Annex B to be negotiated and approved by flag states and other interested parties. Nevertheless, this is a new and untested area, and members should be aware that whatever is inserted into the Annex by the security provider needs to be communicated to, understood by and be capable of being put into practice by the guards. In this regard, short, clear instructions will be the most effective.

One of the purposes of GUARDCON is to clearly set out what the division of roles is between the master and the guards in the event of an attack, so that it is clear to the parties involved and those looking at it externally. As members will expect, in line with SOLAS, the master retains overall responsibility for the safe navigation and command of the ship, while the guards take on the protection of life and property. However, in the event of an attack, if the master considers that the guards should cease firing, he can order it and the guards, subject to their personal right of self-defence, must follow this order.

In the aftermath of an attack in which guards open fire, a master can therefore expect to be questioned on why he did or did not order the guards to stop firing. This is an unenviable position to be in, but in all likelihood, the ability to make such a decision may be limited if the master and crew group together in the citadel; from that location, it will be difficult for the master to make a qualitative judgement on whether or not to order a cease fire, albeit it may be a location with a greater degree of protection for the crew.

Ultimately, when an incident happens at sea, it will be difficult for a master to avoid the understanding that he retains overall control of the ship, whether or not this is specifically set out in a contract.

## CONCLUSION

The good news is that the industry has recognised that GUARDCON is a well thought through and solid contractual platform upon which parties can have this risk allocation between owners and security companies.

An agreement to provide the provision of guards is a contract for services to the ship. For liabilities under such an agreement to be covered and to be poolable, members are obliged to use best endeavours to ensure that the security contract provides, as a minimum, reciprocal indemnities for liabilities arising from negligence or is on terms no less favourable to the shipowner than knock-for-knock. An unamended GUARDCON conforms with these requirements and is poolable. Where an alternative contract is used or the GUARDCON is amended, our advice has been, and continues to be, that the member should still forward the contract to their usual club contact in order to ensure there is no prejudice to club cover.

An unintentional consequence of simplifying the procurement of armed guard services could mean the proliferation and normalisation of their use in shipping. It is hoped that this will not be the case, but in the meantime, where members feel that armed guard services are an essential part of their operations, the club recommends that GUARDCON becomes their contract of choice. GUARDCON and the guidance notes can be downloaded from the BIMCO website, [www.bimco.org](http://www.bimco.org).



# SHIP ARREST IN SINGAPORE



Gillian Musgrave: Regional Claims Director,  
Standard Asia  
Telephone: +65 6506 2882  
E-mail: gillian.musgrave@ctcplc.com



S. Mohan: Joint Managing Director,  
Incisive Law LLC  
Telephone: +65 6505 0160  
E-mail: s.mohan@incisivelaw.com

Gillian Musgrave from the club's Singapore office says that we are frequently asked if it is easy to arrest a ship in this jurisdiction and how much it would cost. Bearing in mind that Singapore is one of the world's busiest ports as well as a key bunkering port, the question is an unsurprising one. It is the home of a mature and efficient court system with experienced Admiralty judges who can promptly handle arrest applications and related issues. It has also developed into one of the strongest arbitration centres in the world, and arrest actions to enforce either a Singaporean or a foreign arbitration claim is common. We hope that the following article will provide a useful summary of the position and answer some of the questions more commonly asked by our members.

Singapore is a favourable jurisdiction for ship arrests, given the high volume of maritime traffic, its position as an international maritime hub and its efficient legal system. This article will provide an overview of ship arrest in Singapore.

## COMMENCEMENT OF PROCEEDINGS

Arresting a ship begins with filing an admiralty *in rem* writ in the Singapore High Court, which is the court vested with admiralty jurisdiction. The claimant must satisfy the court that its claim falls within a statutorily prescribed list of maritime claims (which list broadly gives effect to the 1952 Arrest Convention), as well as complying with other statutory requirements depending on the nature of the claim. The arrest of 'sister ships' is also possible but not of 'associated' ships.

It is generally advisable to file the *in rem* writ as soon as possible once the cause of action arises, to prevent an ownership change from defeating the claimant's right of action against the ship. As the Singapore courts operate an electronic filing system, it is possible to file a writ quickly and with relative ease, even after office hours or on non-working days if there is urgency.

## WARRANT OF ARREST – FULL & FRANK DISCLOSURE

The claimant must apply to the court for an arrest warrant. The application is *ex-parte* (that is, only the claimant appears before the judicial officer) and is supported by affidavit evidence. It is a strict requirement that the claimant makes full and frank disclosure of all material facts relevant to the application, even if a fact is potentially adverse to the claimant. This is to enable the court to fairly decide whether or not to grant the application.

## COUNTER-SECURITY – ARREST COSTS & EXPENSES

Counter-security does not need to be provided by an arresting party. However, the court will require an undertaking from the claimant's solicitors that undertakes to indemnify the Sheriff for the expenses incurred by him during the arrest process (such as, for example, the costs of posting a security guard on the arrested ship during the arrest). Typically, the legal costs to effect an arrest may range between S\$15,000 to S\$20,000, depending on the complexity and duration of the arrest. A major portion of these costs may however be recovered from the shipowner as costs of the litigation.

## ARREST TO OBTAIN SECURITY FOR ARBITRATION

Under the Singapore Arbitration Act and International Arbitration Act respectively, a ship may be arrested in Singapore in order to obtain security for a claim subject to Singapore or foreign arbitration. As a result, Singapore is a popular jurisdiction for 'arbitration security' arrests.

## ARREST OF TIME CHARTERERS' BUNKERS

Arresting time charterers' bunkers onboard a ship is generally not permissible under Singapore law, unless for example, the underlying claim against the bunkers is for salvage (such as claim attracts a maritime lien under Singapore law).

## FORM AND QUANTUM OF SECURITY

A claimant is entitled to security for its reasonably arguable best case plus interest and costs, up to the value of the arrested vessel. Alternative forms of security that are generally accepted by the Singapore courts include letters of undertaking from any International Group P&I Club, guarantees from banks with an office or branch in Singapore or a cash payment into court.

## RELEASE OF ARRESTED SHIP

Releasing a ship is a fairly quick process and can be achieved within two to three hours of filing the release papers in court (if released during normal court hours). Releasing ships outside of business hours is possible, but would require prior arrangements to be made for the judicial officer and Sheriff to attend in court to effect the release.

## JUDICIAL SALE

If a ship is not released on the provision of alternative security, the court may order that the ship be appraised and sold upon granting judgment for the underlying claim. Alternatively, the court may also order the sale of the ship pending the outcome of the underlying litigation where there is good reason; for example, the continued or prolonged arrest of the ship may have an adverse, deteriorating effect on her value as security. A judicial sale may take place by public auction or private treaty, and has the effect of conferring on the purchaser clean title good against the world.

Incisive Law LLC is a Singapore law practice and alliance partner of Ince & Co Singapore, together known as the Ince Law Alliance. They regularly assist the club and its members on maritime legal issues, including ship arrest in Singapore. S. Mohan is the Joint Managing Director of Incisive Law LLC and a senior Singapore maritime lawyer.

# THE IMPORTANCE OF KEEPING INSURERS INFORMED OF ANY TOWAGE OPERATION



Roger Johnson: Claims Executive,  
Standard Club  
Telephone: +44 20 3320 8976  
E-mail: [roger.johnson@ctcplc.com](mailto:roger.johnson@ctcplc.com)

Two recent English cases illustrate the importance of keeping insurers informed of towage by or of the ship, including the terms of such towage. Both cases involve disputes under the hull and machinery (H&M) policies and the risk of losing cover as a result of breaches of insurance warranties.

In *The Buana Dua*, which was heard by Mr. Justice Teare, the owners of the tug *Buana Dua* had H&M insurance incorporating the Institute Time Clauses – Hulls. These terms included a warranty that the ship shall not undertake towage or salvage services under a contract previously arranged by the assured. Mr. Justice Teare concluded that the ship may still assist/tow ships in distress and perform customary towage in connection with loading and discharging.

The assured's fleet of tugs, barges and cranes were primarily employed in the domestic carriage of coal from coal terminals to power stations in Indonesia. A tanker in associated ownership ran aground, while approaching the Pertamina Oil Terminal at Cilacap in September 2005. It was decided to use the *Buana Dua* and another tug to tow the tanker to Tanjung Priok for tank cleaning prior to undergoing repairs. The tanker had by then already been refloated by harbour tugs and secured to a discharge berth, so was no longer in distress.

Under clause 3 of the Institute Time Clauses – Hulls, the assured is held covered in the event of any breach of the towage warranty, provided immediate notice is given to the underwriters and any amended terms of cover and any additional premium are agreed. However, no such notice had been given prior to the *Buana Dua* proceeding to Cilacap for the towage. The tug ran aground, off the coast of Tanjung Gede and was subsequently declared a constructive total loss.

One of the hull underwriters on the hull policy agreed that it was not bound to follow the leading underwriter's acceptance of the claim. They argued that there had been a breach of warranty and that the claim did not fall within the policy. The judge found that the insurer was bound to follow the decisions of the other hull underwriters, but decided that allegations of fraudulent misrepresentation by the assured needed to be determined at trial, based on full evidence. He also considered the breach of warranty issue and held that there was a real prospect of showing a breach of the towage warranty – although some issues would again have to be considered in more depth at trial. He concluded that the warranty was to ensure that the risks associated with towage/salvage services were not to be borne by the underwriters. Those risks did not commence simply on

agreeing to perform such services or merely by setting off to the disabled ship with the intention of towing her on arrival. However, manoeuvring to approach the ship and to hook her up may involve risks so closely associated with such towage risks that the tug should then be deemed to be undertaking towage services.

This dispute with hull underwriters may have been avoided if the assured had immediately notified its H&M insurers of its intention to use the *Buana Dua* for the towage.

In *The Copa*, the assured bought a floating casino for scrap and took out a hull voyage policy for its towage from the US Gulf to India. However, the policy included a warranty that "no release, waivers or 'hold harmless' given to Tug and Towers". The towage was arranged on TOWCON terms, including the standard knock-for-knock indemnities by which each party agrees to bear its own losses regardless of negligence.

Whilst en route, under tow, the *Copa Casino* developed a list and sank in the Caribbean Sea in March 2003. In the High Court, the Judge found the assured to be in breach of the 'hold harmless' warranty. However, he also held that the H&M underwriters had waived their right to rely on the breach by their delay in raising the point. The decision was appealed to the Court of Appeal, which held that a breach of warranty automatically discharges the insurer from further liability under the insurance policy. As such, no further positive action such as no 'election' by the insurer is needed for the insurer to avoid its liability under the policy. The Court of Appeal held that the H&M underwriters did not waive their rights. Therefore, the assured's claim under the H&M policy would fail.

Members should carefully consider any towage, including the terms on which such towage is provided and promptly and accurately notify all relevant insurers and other parties. The above cases concerned the cover under the H&M policies. Members' P&I cover contains specific provisions relating to towage by a ship. If a towage contract does not fall within the automatic approvals under the club's rules, it should be submitted to the managers for consideration. The managers will then advise whether it can approve the contract under the ordinary poolable cover, or whether, say, the contractual extension may be advisable. Please see the *Standard Bulletin* Special Edition dated 16 May 2007 ([http://www.standard-club.com/docs/SB\\_16\\_May\\_07\\_disclaimer.pdf](http://www.standard-club.com/docs/SB_16_May_07_disclaimer.pdf)) for more details on towage by an entered ship.



# CLUB NEWS

## PROJECT HORIZON



**Eric Murdoch:** Chief Surveyor,  
Standard Club  
**Telephone:** +44 20 3320 8836  
**E-mail:** eric.murdoch@ctcplc.com

For some time, the club has been concerned about the number of collisions, groundings and dock damages that are caused by errors on the bridge, rather than equipment failure. Anecdotal evidence has indicated that poor judgement and a failure to correctly evaluate the situation are primary issues. The causes and prevention of nautical errors is an important subject; some academics suspect that crew fatigue may be involved, especially in those collision incidents where avoiding action was taken at the last minute or not at all, or when the ship made a course alteration and ran aground.

The cognitive performance of marine watch keepers working a variety of watch patterns has never been studied. However, research into aviation, rail and motor transport has shown that fatigue reduces alertness and overall reaction time during an emergency, and that falling asleep at the wheel is a major cause of road accidents. Funded by the European Commission, a group of academic institutions – Warsash Maritime Academy, Chalmers University, Stockholm University and The Stress Research Institute – assisted by shipping organisations such as Bureau Veritas and the club, used the latest simulation equipment to measure watch-keeping performance and fatigue. Chalmers University and Warsash Maritime Academy carried out bridge, engine room and cargo simulations over a seven-day period during which they measured performance, tiredness, reaction time, brain activity and sleep when working four hours on and eight hours off, or six hours on and six hours off watch. They also studied the effect of working a rest period before going back on watch.

Sixty candidates were selected from a local manning agent covering various nationalities, age and experience at sea. To avoid distorted results which could arise because of sickness or for other reasons, candidates were screened to avoid the selection of someone with a sleep disorder or any condition that could affect the data. During the trials, conditions were carefully controlled, for example, candidates were not allowed off campus, and food, drink and exercise were controlled as well as sleep conditions.

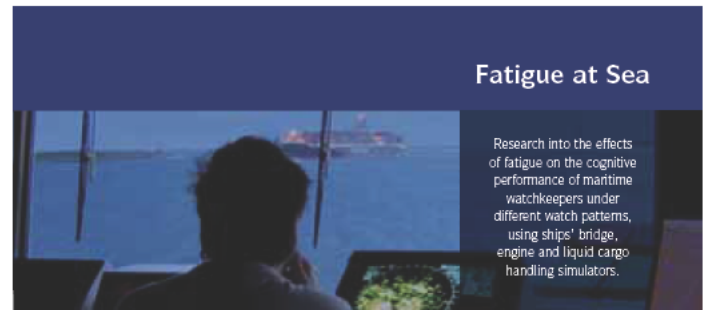
The results will be available soon and Horizon has issued preliminary findings, which have shown increased risk of a watch keeper falling asleep in the following circumstances:

- Night watches, especially the first night watch and towards the end of a watch. The midnight to 04:00 or midnight to 06:00 watch recorded the highest incidence of sleepiness; however, sleepiness is reduced when a work/sleep pattern is established when working four hours on and eight hours off.
- Any watch after working through a rest period.
- Most night watches when working the six on six off system, which gives an elevated level of sleepiness when compared to the four on and eight off system. Falling asleep on watch was common during periods of inactivity, often after an hour into the watch.

Although the project found a high level of watch keeper fatigue, it also found that, on most occasions, watch keepers managed to fulfil their watch duties. Falling asleep was recorded on every watch except for the 20:00 to 24:00 watch. Some watch patterns found that one in four candidates fell asleep, particularly during the six on and six off system.

We will let members know when the results are finally published, which we hope will be by autumn 2012.

Further information can be found on [www.project-horizon.eu](http://www.project-horizon.eu)



[www.project-horizon.eu](http://www.project-horizon.eu)

Research Report 2011

with the cooperation of



Part B0 Funded Project No. 197 254000

## MASTER'S GUIDES

The Standard P&I Club's loss prevention programme focuses on best practice to avert those claims that are avoidable and that often result from crew error or equipment failure. In its continuing commitment to safety at sea and the prevention of accidents, casualties and pollution, the club issues a variety of publications on safety-related subjects. The club has recently revised some of its existing Master's Guides and developed new ones. Below is a summary of what is covered in each Master's Guide and a link to where they are stored on [www.standard-club.com](http://www.standard-club.com). The club will not print copies of these Master's Guides, however, you are welcome to print them in your office and or email them to your ships.

### MASTER'S GUIDE TO BERTHING

- Golden rules of berthing
- Dock damage and P&I claims
- Ship factors that affect manoeuvring
- Berthing in wind
- Effect of current
- Hydrodynamic effects
- Berthing without tugs, with tugs and with anchors
- Tugs and pilots – legal issues
- Master/pilot relationship



### MASTER'S GUIDE TO CONTAINER SECURING

- Lashing systems
- Safe working
- Ships design
- Container design
- Container construction
- Lashing components
- Principles of stowage
- Ships behaviour
- Consequences of failure





### MASTER'S GUIDE TO SHIP'S PIPING

- Pipes and P&I claims
- Pipes and ship classification societies
- Ships piping systems
- Pipe design
- Causes of pipe failure
- Dealing with pipe failure
- Pipe maintenance
- Pipe repair



### MASTER'S GUIDE TO FUEL OIL ONBOARD SHIPS

- Fuel oil and insurance claims
- Bunkering
- Documentation
- Storage
- Processing
- Machinery using fuel oil
- Additional precautions
- Regulations and standards



### MASTER'S GUIDE TO ENCLOSED SPACES

- Safety management system
- Enclosed space hazards
- Risk assessment
- Entry procedures
- Duties and responsibilities
- Securing the space for entry
- Ventilation
- Testing the atmosphere
- Entry and rescue equipment
- Entry permit
- Completion and permit closure
- Rescue from an enclosed space
- Training



P&I draws on a range of disciplines. It calls for, amongst a range of diverse skills, knowledge of law across many jurisdictions, an understanding of ship operations, appreciation of cargo handling, and familiarity with insurance and financial services issues. There are few, if any, text books on the subject and up until now, no specific course or qualification offering a comprehensive introduction to the subject has been available. The P&IQ, which will take most people two to three years to complete, will provide comprehensive and in-depth grounding to eligible candidates, who must work for one of the International Group clubs. The managers are committed to supporting their staff in acquiring it and already we have 15 people working towards the qualification.

## OBSTRUCTION OF WATERWAYS

The Standard London Class is pleased to advise of the introduction of an obstruction of waterways cover, for any member trading in European inland waterways. The cover was developed in response to enquiries from members as this risk is not covered under normal P&I, and there have been a number of high-profile incidents that have highlighted the exposure.

Obstruction cover reimburses the member for his financial loss when his ship is prevented from continuing on her voyage because the waterway has been closed by local authorities in the response to a major incident involving another ship, for example damage to a bridge/lock/dike, a pollution incident, a sinking of another ship or a collision between other ships.

The cover is available at a modest additional cost and, typically, a deductible will apply that is measured in terms of days of delay and limited to a maximum number of days per year, which may be a single event or multiple incidents.

For further information, please contact the managers or your broker.

## P&I QUALIFICATIONS

The Standard Club has been working with other clubs in the International Group to develop a new P&I Qualification (P&IQ) to provide specialist professional qualifications for people who work in P&I. The first four modules of a seven-module programme have now been completed. The remaining three are scheduled for completion later in 2012. Candidates will have to pass all seven modules to achieve the P&IQ, but additionally, each of the four modules completed so far have been accredited by the UK's Chartered Insurance Institute (CII) as counting towards the Institute's own qualifications.

Jeremy Grose, the managers' Chief Operating Officer, represented the Standard Club on the working group, which has been developing the programme since 2007.

The full list of seven modules is as follows:

1. The marine insurance business
2. P&I insurance: history, operation and practice
3. People risks
4. Cargo risks
5. Ship risks
6. Practical underwriting
7. Practical claims handling

## CLUB PRESENTATION, SEATRADE OFFSHORE CONFERENCE

**Robert Dorey**, Offshore Syndicate Director, has recently returned from the Seatrade Offshore Conference 2012 in Singapore. Robert was invited by the organisers to a panel discussion and addressed the offshore audience on the P&I challenges of FPSOs.

Singapore is an offshore hub that supports the region where the greatest number of FPSOs are currently operating. Nearly 30% of the world's FPSOs are operating in the ASIA Pacific region, and there is an order book that looks set to steadily and consistently deliver growth to this market. The Keppel and Jurong yards are providing more than 60% of the market capacity for tanker conversions rather than bespoke new builds, where conversions still are the more economic solution of FPSO capacity for the majority of FPSO field solutions.

Standard Offshore is now underwriting 77 production units, which include 63 ship-shaped FPSOs, two MOPUs and the remainder being tankers under conversion. It is estimated that the Standard Club writes

an estimated 40% of the market, and we are therefore well positioned to contribute to industry debate on this class of ship.

FPSOs have historically been a good class of business to underwrite and the typical claims that arise are, in the vast majority, personal injury. It was the view of the panel as a whole that the crewing challenge was one of the industry's key issues. It is increasingly difficult to recruit and retain quality crew and officers, and there are no easy answers in solving this issue. Other issues addressed included whether FPSOs could limit liability, the increasing pollution risk as FPSOs increase in size and the importance of best practice contracting, which will challenge the club in maintaining a long-term sustainable insurance product.

## CLUB PRESENTATION, CREW SEMINAR FOR SCORPIO

**James Bean**, Syndicate Claims Director, and **David Williams**, Claims Executive, gave a presentation to Scorpio Ship Management S.A.M. in Mumbai on Tuesday 17 April on an introduction to P&I, crew claims and piracy. The presentation was well attended, with 30 personnel from their manning, technical and operation's department.

## CLUB PRESENTATION, SOCATRA

**Duncan Howard**, Syndicate Claims Director, and **Tom Oliphant**, Claims Executive, delivered a presentation on piracy at Socatra's Annual Sea Staff Forum in Bordeaux on 21 March 2012.

The 90-minute presentation was to 25 officers from France, Italy, Russia, the Philippines and Madagascar. It focused on practical protection from piracy in the Gulf of Guinea as well as the Gulf of Aden and the Indian Ocean, and the insurance and legal implications of piracy, and was well received. The questions that came from the attendees primarily focused on how the crew should react to incidents of successful hijackings by pirates.

## NEW JOINERS

### Claims

Daniel Brand has joined syndicate B as a claims executive  
T: +44 20 3320 8826 | E: daniel.brand@ctcplc.com

Danielle Southey has joined syndicate D as a claims executive  
T: +44 20 3320 2212 | E: danielle.southey@ctcplc.com

### Underwriting

Thomas Williams has joined syndicate D as an underwriting assistant  
T: +44 20 3320 8965 | E: thomas.williams@ctcplc.com

### P&I Executive

Nina Hordila has joined the finance team as PA/team secretary  
T: +44 20 3320 7435 | E: nina.hordila@ctcplc.com

James Cummings has joined as P&I Risk Officer  
T: +44 20 3320 8959 | E: james.cummings@ctcplc.com

Stephen Williams has joined as P&I Division Compliance Officer  
T: +44 20 3320 2283 | E: stephen.williams@ctcplc.com

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### Charles Taylor & Co. Limited

Standard House, 12-13 Essex Street,  
London, WC2R 3AA, England

Telephone: +44 20 3320 8888  
Fax: +44 20 3320 8800  
Emergency mobile: +44 7932 113573  
E-mail: p&i.london@ctcplc.com  
Website: www.standard-club.com

Please send any comments to the editor:  
**Kristian Gray**

E-mail: kristian.gray@ctcplc.com  
Telephone: +44 20 3320 8993

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