

Standard Bulletin

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Setting the standard for service and security



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- Directors' & Officers' liability cover specifically designed for the shipping community
- Offers limits of up to \$100m
- Marine D&O Excess and Difference In Conditions insurance available offering \$25m limit

To request a quotation, contact your normal club underwriting contact, or **Robert Drummond** (+44 20 3320 8942) or **Martin Fone** (+44 20 3320 2249).

New Directors' & Officers' Liability facility Charles Taylor has arranged a new D&O liability cover specifically designed to meet the needs of the shipping community.

Supported by a number of insurers led by Chubb Insurance (Standard & Poor's rating of A+), the cover offers limits of up to \$100m and is available to Standard Club members on a direct basis or via their brokers.

D&O is bought for the benefit of the directors and senior employees, and provides protection against claims arising from decisions and actions properly taken whilst managing the business.

As well as the standard indemnity cover provided under a D&O policy, the cover offers full policy limits for downstream pollution claims (as opposed to the normal sub-limit) and indemnifies the ship's master automatically as an Insured Person.

The actions of Directors are subject to an increasing level of scrutiny from a number of sources. Directors require the best possible protection from harm to their reputation or exposure to personal financial liability. In response to these needs Charles Taylor can offer a Difference In Conditions (DIC) cover, which augments the personal indemnity available to Named Directors and Officers.

The cover, which can sit above (excess) and substitute (drop-down) any D&O cover, not just Charles Taylor's, operates where D&O limits have

been exhausted or where cover under the D&O policy is not available for a variety of reasons such as Insurer's decision, the application of policy conditions or financial failure.

The DIC cover offers up to \$25m of limit, with an automatic and free reinstatement of limits applying to all named Insured Persons. Drop-down cover operates in a wide-range of circumstances and includes cover to assist with loss mitigation and crisis management.

We believe that this cover is the broadest available today and is designed specifically to provide real peace of mind to Directors and senior executives.

We are delighted to be able to offer these covers to our shipping clients. The facility is exclusive to Charles Taylor but is open to all shipowners, ship managers and ship agents across the world, irrespective of whether they are members of the Standard Club.

These products and services are arranged by Charles Taylor Services Limited, a wholly owned subsidiary of Charles Taylor plc. Insurance cover for these products is not by the Standard Club but is provided on a commercial basis. Normal commercial exclusions apply.

Rediscovery of the South American Waterways



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- The Paraná-Paraguay 'Hidrovia' agreement was concluded in 1992, envisaging integration and development of the region: still a work in progress
- Waterways entail exciting business opportunities
- Legal regime and infrastructure of waterways in South America are in need of an urgent update

Waterways or inland waterway transportation systems are real substitutes for other means of transportation. The Paraná-Paraguay Waterway (Hidrovia) is an ongoing project that is trying to achieve economic and environmental efficiency.

A waterway is a body of water that is deep and wide enough for ships to navigate it, providing an important commercial interconnection.

The Paraná-Paraguay Waterway (Hidrovia) is the second biggest in Latin America and the sixth biggest in the world. The Las Leñas Agreement (Acuerdo de Las Leñas) of 1992 is the fundamental instrument that gave shape to the Hidrovia, and it was jointly developed by the five countries of the La Plata basin – Argentina, Brazil, Paraguay, Uruguay and Bolivia – with support from the Inter-American Development Bank and the United Nations Development Programme. This agreement was based on the political framework of the Treaty of Brasilia of 1969.

The Hidrovia runs for approximately 3,442 km and serves as the main source of river transport to the different countries it runs through. Most of the length of the Paraná River is navigable, and it links inland cities, with their own deep-water ports, in Paraguay, Brazil, Argentina, Uruguay and Bolivia to the ocean.

It is the natural exit from the region – or entrance to the rest of the world – for the excellent production of extensive regions and provides huge possibilities for industrial development.

More than two-thirds of the grain exports from the region are made through ports connected to the Hidrovia.

River transportation lowers the cost of energy consumption and reduces the use of highways, avoiding excessive wear and damage to the region's roads, which are in poor condition and need to be improved.

Economic, social and political objectives of the Hidrovia

The Hidrovia provides unique operating opportunities. Amongst other things, it aims to:

- Integrate and develop the regional economy (providing sustainable developments and poverty alleviation)
 - Improve navigational conditions (through dredging, rock removal and structural channelling)
 - Facilitate commercial relationships and communications between all five countries
 - Promote and incentivise international trade
 - Lower transportation costs and increase exports/imports of various commodities, such as soya, mineral products (iron and manganese ore) and oil.
- The region accounts for around 50% of world soya production

- Standardise the regulations of the five La Plata basin countries, giving equal rights and obligations to all of them
- Preserve the environment, with minimum ecological impact

Operators

The volume of trade, and consequently traffic, has increased exponentially during the last 10 years.

Operations are run, up to where drafts permit it, by deep sea vessels (up to *Panamax*). Further up-river, trade is done by tugs and barges, and a few companies operate convoys (i.e. tugs pushing several barges). Barges can be either dry or wet and propelled or non-propelled.

The club is committed to supporting the region and deals on a daily basis with a number of its operators.

Challenges

- Developing the infrastructure for transport and energy to alleviate the existing bottlenecks – the volume of trade has exceeded the current capacity of the ports and waterways
- Investment in dredging and installation of adequate navigational aids in order to allow safe sailing and avoid groundings
- Equipment update/modernisation
- Development of an adequate legal framework reflecting the demands of current multimodal transport
- Each country has its own liability regimes and there is an urgent need for an international regulation to override national jurisdictions
- Fostering regional integration and overcome rivalries
- Damage to the environment (water, flora and fauna)



Piracy – high-risk areas



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The London market's joint war committee has listed the following high-risk areas for war, piracy, terrorism and related perils.

Members should contact the club for further information concerning piracy risks in these areas.

Africa

- Benin
- Eritrea (only south of 15° N)
- Gulf of Guinea (but only the waters of the Togolese, Beninese and Nigerian Exclusive Economic Zones north of latitude 3° N)
- Libya
- Nigeria
- Somalia
- Togo

Indian Ocean/Arabian Sea/Gulf of Aden/Gulf of Oman/Southern Red Sea

- The waters enclosed by the following boundaries:
 - On the north-west, by the Red Sea, south of latitude 15° N
 - On the west of the Gulf of Oman by longitude 58° E
 - On the east, longitude 78° E
 - On the south, latitude 12° S
- excepting coastal waters of adjoining territories up to 12 nm offshore (unless otherwise provided)

Asia

- Pakistan

Indonesia/Malaysia/Philippines

- Borneo (but only the north-east coast between the ports of Kudat and Tarakan inclusive)
- Jakarta port

- Sulu Archipelago (including Jolo), defined as the area enclosed between:
 - On the western side, a straight line between Tanjung Bidadari (5° 49' 6N, 118° 21' 0E) to position 3° 32' 0N, 118° 57' 0E
 - On the south-eastern side, a straight line from there to position 5° 50' 0N, 122° 31' 0E and thence northwards to position 7° 06' 6N, 122° 31' 0E
 - On the northern side, a straight line from there to Batorampon Point Light (7° 06' 6N, 121° 53' 8E)
 - On the north-western side, a straight line from there back to Tanjung Bidadari

Middle East

- Bahrain (excluding transit)
- Iran
- Iraq (including all Iraqi offshore oil terminals)
- Israel
- Lebanon
- Saudi Arabia (excluding transit)
- Syria
- Yemen

South America

- Venezuela (including all offshore installations in the Venezuelan Exclusive Economic Zone)

This list was updated on 12 June 2013.

The costs of piracy: charterparty implications



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To reduce the risk of a dispute as to liability for AWRP and the costs of armed guards, owners should ensure that they are aware of all of the terms relating to war risk expenses in the charterparty, including those set out in the rider clauses incorporated into the charterparty. Owners should not assume that the terms in a fixture recap will override provisions dealing with similar issues elsewhere in the charterparty. It is preferable for owners to amend or delete any rider clauses that they are uncomfortable with. Alternatively, if owners are prepared to keep the rider clauses, then they should ensure that they fully comply with all requirements.

Owners should keep in mind that standard terms incorporated into a charterparty may require owners to give advance notice to charterers of the estimated cost of war risk premiums and armed guards before liability for such costs can be passed to charterers.

The expenses involved in combatting piracy require careful consideration when forming charterparties.

It has been reported that the Nigerian Navy is continuing to tackle the growing problem of piracy in the Gulf of Guinea. In August 2013, seven suspected pirates died during an assault on the passenger ro-ro ferry Brenda Corlett following intervention by a naval escort vessel. This incident happened just one day after four suspected pirates died during a confrontation with the naval patrol vessel Victory in the same region. Despite this, most predictions suggest that piracy in the Gulf of Guinea will continue to rise in the short to medium term, at least.

In these circumstances, owners are rightly taking additional steps to ensure the safety of their cargo and crew, and the presence of armed guards on board vessels is commonplace. Armed guards, crew bonuses and additional insurances, such as Additional War Risk premiums (AWRP) and Kidnap & Ransom cover (K&R), can add hundreds of thousands of US dollars to the cost of a single voyage in the Gulf of Guinea. It is therefore vital for an owner to know where those costs fall under their chartering arrangements and to ensure the costs can be recovered.

Often, whilst it might first appear that an owner has allocated liability for those expenses to a charterer in the fixture recap, the provisions of many standard war risk terms

that are also incorporated into the charterparty (the standard terms of many oil majors and commodity trading companies contain an 'Additional War Risk Expenditure' clause, or similar) may affect the recoverability of such costs from the charterer and may require strict compliance.

For example, if a fixture recap simply states that the cost of armed guards is "for charterers' account" but the rider clause requires, as a condition, that the owner must give advance notice to the charterer of the estimated cost of armed guards before liability to pay will pass to the charterer, then doubt will arise as to whether the charterer is obliged to reimburse the cost if the requisite notice has not been given.

- Piracy in the Gulf of Guinea continues to rise
- Additional war risk premiums and the supply of armed guards can add significantly to overall voyage costs
- Owners should consider all charterparty terms in relation to such expenses if they intend to pass liability to charterers

The charterer may argue that liability for that cost remains with the owner because the owner has failed to give advance notice of the estimated cost, as the commercial purpose of the notice requirement is to enable the charterer to establish whether cheaper guards are available.

Standard War Class Centenary



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The Standard War Class, a member of the Combined Group of War Risk Associations, celebrated its 100th year of operation in 2013. The Class provides its members with primary Hull and P&I War Risks coverage on comprehensive terms with high limits. The membership was traditionally drawn from British flagged or operated ships but is open to all nationalities.

The Class benefits from an 'Omnibus' Rule not found in the commercial War market as well as being competitive for AP's for breaches of trading warranties. There are further allowances given where the member takes out a Kidnap & Ransom policy or employs armed guards whilst trading in the greater Indian Ocean or Nigeria.

- **War Hull cover** insures physical loss or damage, detention and diversion expenses caused by war, civil war, revolution, rebellion, insurrection, or civil strife etc. arising therefrom, or any hostile act by or against a belligerent power.

Rates are annual and not subject to the usual market seven days' notice of cancellation and the limit is the Hull value.

- **War P&I Cover** provides primary P&I cover for liabilities arising from war with a limit of \$500M irrespective of Hull value.

Staff spotlight



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What was your first job in the industry?

I started my career as a civil/commercial litigation solicitor with Lennon Heather Solicitors in Dublin, Ireland.

What was it that interested you to P&I?

The international nature of the industry was the main draw.

What is your current job and how does it differ from your first job in the industry?

While working in private practice I was involved in civil and commercial defence litigation on behalf of global insurance companies. Joining the club involved a move away from frontline litigation. I now work closely with the club's members and brokers. Like most of my colleagues in the club, I manage a case load of both P&I and FDD files. In addition to applying a legal analysis to each claim it is important to adopt a practical approach in order to achieve the best result for members and the club. The international nature of P&I provides great opportunities to travel and work abroad, such as my current secondment in the New York office.

What is the most important thing a club can do for its members?

The managers of a P&I club put a lot of time and effort into understanding the business of its members. One of the highlights of working with a club is the opportunity to meet regularly with the people behind the ships that are entered with the club. A P&I club should understand the challenges that its members are facing, represent its members interests within the industry, and be available 24/7 to respond to casualties when they arise.

What is the most important lesson you've learnt in your P&I career?

I feel very privileged to work in an industry that attracts such a wide and interesting variety of people from all corners of the world. In any day I can speak with mariners, lawyers, technical experts, shipowners, charterers, salvors, brokers... to name just a few. One of the most enjoyable and beneficial aspects of the job is taking the time to get to know the people you are dealing with and learn from their experiences.

What is the highlight of your P&I career?

Working with the club provides the opportunity to share knowledge and expertise with members and industry professionals. In the past six months I have been involved in presenting member forums and taking part in panel discussions at industry conferences. I have thoroughly enjoyed learning more about issues that are important to our members and to representing the club within the industry.

How do you think the industry has changed since you started working in it?

The shipping market, along with the global economy, was in decline when I joined the club in 2010. As we approach the end of the 2013/2014 policy year I am happy to detect a more positive outlook, albeit still cautious, for the years to come.

Who would you recommend as a must-follow person on Twitter?

The first thing I do each morning is scroll through Tradewinds and Lloyds List tweets.

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