

# Claims methodology

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The Standard  
for service and security



Standard  
Club



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## Overriding principles

The club prides itself on providing a proactive and professional claims handling service throughout the life of a claim and across all classes of business, in order to achieve the most cost-effective result for the member in question and the membership as a whole.

We know that members rate our claims handling service highly and that this is something that sets us apart from other clubs. We are constantly striving to enhance our service through a comprehensive programme of initiatives. In this bulletin, we highlight the ways in which we believe our claims service is market-leading.

## Professional claims handling

Our underlying philosophy is to provide a proactive, supportive and effective claims handling service that is tailored to the particular needs of a member's business.

## Our team

We have an experienced and highly qualified claims team based in London, Singapore, New York, Piraeus and Hong Kong, who respond to claims 365 days a year, 7 days a week, 24 hours a day. More than 50 claims personnel are legally qualified in the main maritime jurisdictions and all of the claims teams have a detailed knowledge of the maritime industry from our structured training programme. They also have a thorough understanding of the members' needs, gained through regular contact and attendances on site at major casualties worldwide.

Our senior staff have considerable expertise in key areas such as sanctions, pollution, major casualties, offshore issues and personal injury. They regularly contribute articles to industry publications, speak at seminars and represent the members' interests through participation in committees at organisations such as the International Group of P&I Clubs, BIMCO and Intertanko.

## Responding to a claim

Each member is assigned a division, based on their location (or risk type in the context of offshore), within which they will have a dedicated claims director and underwriter who are their first points of contact. In the event of any claim, the divisional claims director will work with the member and colleagues with specific expertise to develop and implement a strategy.

We aim to resolve all claims as quickly and cost-effectively as possible (short of litigation), complementing our own expertise, where necessary, by using a wide range of external service providers such as lawyers and technical consultants to provide expert input under our close supervision.

We also have a comprehensive network of more than 700 correspondents in all major ports around the world with whom we have longstanding relationships based on professionalism and mutual trust. The correspondents are on hand to respond immediately to all problems that an entered ship may encounter. They also have considerable local knowledge and excellent contacts with the key personnel in the port and are the master's first line of defence.

Additionally, through the Charles Taylor network of over 70 offices, we also have access to a comprehensive range of technical expertise worldwide.

### Service providers

We appreciate that our members are operating in challenging market conditions and do all we can to avoid having to ask for more premium. Therefore, with the support of the board, we have been making strenuous efforts to explore all avenues to reduce the cost of claims, which comprises underlying liabilities and the fees of third-party service providers, such as lawyers, consultants and correspondents.

Over 75% of our total legal spend is concentrated on 50 trusted firms worldwide. We have Service Level Agreements in place with these firms so that we can maintain strong relationships with legal advisers who really understand our industry, our members and how to successfully manage a claim. We work with them to achieve cost savings at every stage through proper staffing, phased budgeting and a clear case strategy based on a detailed evaluation of the particular claim.

In addition to introducing Service Level Agreements, we have also undertaken a detailed review of lawyers' billing rates. The aim of the review was to examine the rates charged by those law firms who have received the most club instructions over recent years and negotiate better terms generally, including reduced hourly rates and alternative billing structures. Firms that proved to be cooperative in responding have 'approved' status with the club as the basis for further instructions. Firms that were not prepared to offer substantial reductions in their rates are not approved and will only be instructed in future in exceptional circumstances or where there are particular individuals who offer a specialisation not otherwise available.

We have also undertaken a similar review of consultants, and have Service Level Agreements and bespoke billing arrangements in place with preferred providers.

### Member engagement

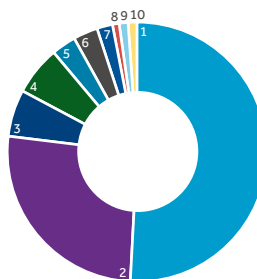
We are always striving to protect, support and inform our members worldwide to deal with the wide range of problems and issues they encounter in conducting their business in an ever more complicated and intensely regulated market. The club organises seminars around the world at which industry experts and the claims teams speak on a range of topics tailored to the specific audience. Our events are supported by regular web alerts, bulletins, circulars and an active social media presence, which aim to keep members fully updated on key issues as they occur.

### Claims handling expertise

In addition to the core P&I cover, we have considerable experience of handling claims under the specialist covers we offer including offshore, K&R and traders, each of which are handled in accordance with clear and comprehensive bespoke policy terms.

### P&I claims by claim type

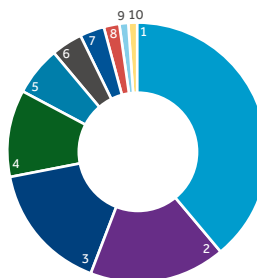
2011–2017 number of claims



1 Cargo	51%
2 Personal injury	26%
3 Other	6%
4 Fixed and floating objects	6%
5 Fines	3%
6 Collision	3%
7 Pollution	2%
8 Damage to hull	1%
9 Wreck	<1%
10 Towage	<1%

### P&I claims by claim type

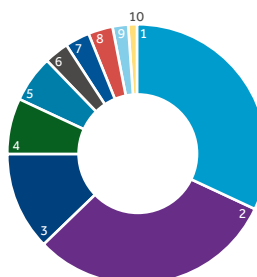
2011–2017 value of claims (uncapped)



1 Wreck	39%
2 Cargo	17%
3 Personal injury	16%
4 Pollution	11%
5 Fixed and floating objects	6%
6 Collision	4%
7 Damage to hull	3%
8 Other	2%
9 Fines	1%
10 Towage	<1%

### P&I claims by claim type

2011–2017 value of claims (capped at abatement layer)



1 Cargo	32%
2 Personal Injury	31%
3 Fixed and floating objects	12%
4 Collision	7%
5 Pollution	6%
6 Other	3%
7 Wreck	3%
8 Fines	3%
9 Damage to hull	2%
10 Towage	<1%

### The role of the board and rules

The club board, comprising shipowners from all sectors of the membership worldwide, meets three times a year and also engages with the managers throughout the year in relation to major claims. At each board meeting, the managers report to the board on claims trends, based on a detailed analysis of data which is provided by the claims teams on an ongoing basis. As a result, the board has a full understanding of the overall claims profile and is fully informed when they need to exercise discretion on claims issues in accordance with the club's rules. The rules are intended to be as flexible as possible and the managers apply the rules fairly in the best interests of the member involved in the claim and of the membership as a whole.

### Major casualty management

A key feature of the claims service is to work closely with a member in the immediate aftermath of a casualty to develop a plan for the response. The managers will take a leading role in co-ordinating an emergency response in conjunction with local authorities and a team on the ground. The club has unrivalled experience of major casualties, having successfully handled some of the largest, most complex, high-profile shipping disasters of recent years. The club is always ready to support its members in a time of crisis, wherever it occurs.

In the event of a major casualty, the club can immediately deploy experienced claims personnel to the site. There they evaluate the situation, devise a strategy with the member, liaise with the relevant authorities and co-ordinate the overall response. The club has a wealth of experience dealing with the world's best salvage companies – some of which the club counts as members – and is able to bring its legal expertise to bear in leading complex contractual negotiations to facilitate the salvage operation. In addition to pollution response and wreck removal, the club also has extensive experience dealing with other important issues associated with major casualties, including handling passenger, crew, cargo and various types of third-party claims.

### Case studies

#### Chile

On 18 August 2014, one of our member's ferries ran aground and partially sank in an environmentally sensitive and remote tourist area in southern Chile. We deployed a representative to attend with our local correspondents, a marine consultant from Rio and a representative from ITOFF. The team worked closely with the member and local lawyers to coordinate the initial response in liaison with the maritime authorities. In particular, this included the oil spill response, the tender for the bunker removal operations and, following the successful award of that contract, the tender for the wreck removal operations. With the assistance of our London and New York offices, as well as the team on site, we were able to help the member with the initial flood of matters needing attention. These included dealing with the immediate needs and subsequent claims of the crew and passengers, media enquiries, tax issues arising out of the various contracts with the oil spill responders / salvors and the numerous cargo claims.

#### India

Following a casualty in Mumbai port in August 2010, we deployed a representative to the site to lead the casualty response. This included:

- managing the team of salvage consultants, lawyers, technical advisors, pollution experts, correspondents, surveyors, and the member's operational team;
- providing advice and practical assistance to the member on site;

- liaising directly with the Indian authorities, attending two to three meetings daily;
- advising and assisting the member in relation to casualty management (including contractual arrangements with salvors);
- assisting in formulating the overall strategy to resolve the situation – towing and scuttling the vessel in a specified location in accordance with approval from the Indian authorities and flag state.

The proactive steps taken on the ground created excellent relationships with the Indian government and the Directorate General of Shipping.

#### Singapore

In another case, in December 2013, an entered container vessel collided with an LNG carrier off Singapore. As a result the vessel sustained damage to two holds and 286 containers were submerged in water. The member, in conjunction with the club and property insurers, responded immediately to the casualty, taking initiatives and actions to mitigate the losses. In this case, our teams worked together internationally to manage the claim. Our Singapore office served as a correspondent, while the claim was handled by the Piraeus office, where the member's usual contacts are based. A representative from our Piraeus office was deployed to Singapore to deal with the handling operation of the wetted containers ashore, in co-ordination with the member. She met the local correspondents to discuss the difficulties faced in contacting the cargo interests and arranging surveys of the damaged cargo, co-ordinated the handling of the case and, with the assistance of experts, set up a management plan with a timeframe and projected costs. She also visited the storage yard and, together with the member's representative, identified the obstacles that would cause delays to the container handling operations and arranged a meeting with the local team of correspondents, experts, surveyors and the storage yard manager. They discussed the difficulties faced due to space limitation and agreed ways to cut costs and deal with the containers in the most efficient manner. The presence of our representative on the ground facilitated close working relationships between the club, the member and the appointed service providers and, as a result, the whole venture was concluded swiftly and cost-efficiently within only a few months from the date of the casualty.



### Australia

In March 2009, one of our members had the misfortune to suffer a major bunker oil spill off the east coast of Australia after some containers ruptured the ship's bunker tanks when they fell overboard in severe weather. As a result, there was significant pollution from heavy fuel oil along large parts of the Queensland coastline. The club worked with the member to mitigate the effects of the spill by supporting the Queensland authorities in a full and urgent clean-up operation. Matters were complicated because the clean-up costs were higher than the applicable limit of liability on which our member was able to rely. However, by ensuring that a donation to a charitable environmental trust was made at an appropriate level, we successfully obtained a resolution to the problem without waiving limitation on behalf of our member.

### Italy

The club has been managing operations since the Costa Concordia ran aground off the coast of Italy in 2012. We arranged for the successful removal of the bunkers from the wreck before it was parbuckled, refloated and towed safely to Genoa to be recycled in accordance with the highest environmental standards. Conducted in the pristine waters of an Italian marine sanctuary under the glare of the world's media, this was the largest and most complex wreck removal operation to date and involved the use of cutting-edge technology to deliver a certain outcome that minimised damage to the environment.

We hope that our members never suffer a major casualty, but if the worst does happen, they can be confident that the club will support and assist them in resolving the situation effectively to enable them to get back to business.

### Emergency contact numbers for our claims teams

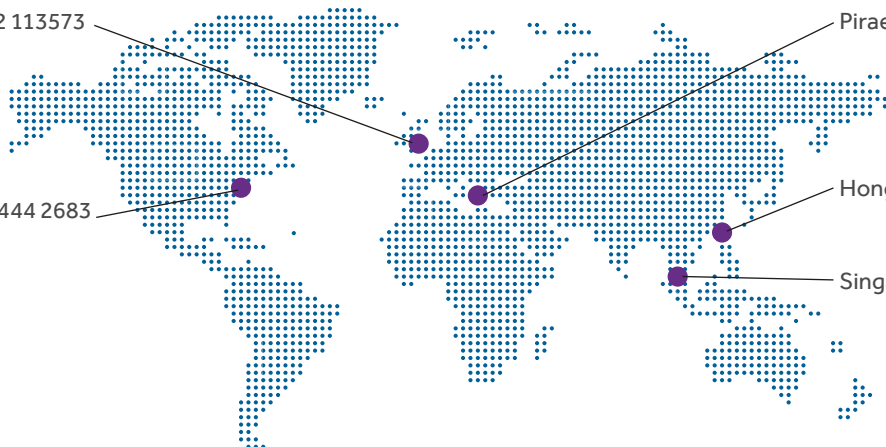
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Piraeus: +30 694 794 0096

Hong Kong: +852 6135 5776

Singapore: +65 6506 2896



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