



International Group of P&I Clubs

POSEIDON CHALLENGE – UPDATE

Presentation by
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International Group of P&I Clubs
Houston, 28 March 2007

Introduction



- International Group = 13 P&I clubs insuring more than 90% of world's blue water fleet and 95% of tanker tonnage
- Insuring third party liabilities arising from operation of ship: including death and personal injury, pollution, third party property, cargo, collision, wreck removal
- Shipowner members are collectively the insurers and individually the assureds.
- Variations in quality of tonnage entered in the IG clubs - inevitable with 95% market share

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The International Group clubs:

- are committed to improving quality standards in shipping, and
- support and subscribe to the objectives of the Poseidon Challenge for the continuous improvement of the tanker industry's performance in striving to achieve the goals of:

Zero fatalities ... Zero pollution ... Zero detentions

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The International Group exists:

- to co-ordinate collective insurance and reinsurance for the clubs in the Group
- to represent the views of clubs' shipowner members on matters of concern to the shipping industry in relation to insurance and liability issues
- to provide a forum for the exchange of information relating to the management of shipping liability risks

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Involvement of the International Group in ship quality initiatives:

- International Group involvement – joint and co-ordinated action – effective but measured
- initiatives of individual Group clubs – competition to develop lead industry positions – less co-ordinated but more agile

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Individual club initiatives – general description:


- underwriting quality programmes
- survey programmes
- audit programmes
- loss prevention seminars
- loss prevention publications
- loss prevention tools

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MARINE POLLUTION PREVENTION POCKET CHECKLIST
Reducing the risk of Port State Control detentions

It is provided with:



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The UK P&I Club is the world's largest mutual P&I club currently covering over 100 million gross tons of owned and chartered shipping in 160 countries. The Club publishes loss prevention material through a wide range of media on topics such as hazardous cargo, compliance, human error, personal injury and maritime security.

The full range of Club activities can be viewed at www.ukpaci.com

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Marine Pollution Prevention
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International Group initiatives – general description:

- co-operation and coordination with:
 - EU and Governments
 - IMO/IOPC Funds
 - classification societies
 - shipowner & cargo organisations
 - hull and machinery insurers
- development and implementation of quality underwriting and loss prevention initiatives

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International Group ship quality measures **proposed in 2005** included:

- new underwriting guidelines – desk based risk assessment
- harmonisation of criteria for entry surveys - physical assessment
- additional survey requirements for entered vessels – eg HFO
- common minimum scope of information for club condition surveys
- ship survey database

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International Group ship quality measures **begun in 2006:**

- agreed survey criteria in force
- survey database started operating
- 'designated vessels' – were in discussion
- double Pool retention provisions – were in discussion
- IG participation in IOPC Funds working group on "Non-technical measures to promote quality shipping for carriage of oil by sea" established at the IOPC Funds Assembly in February/March 2006

Terms of reference included consideration of possible insurance measures and mechanisms to improve the safer transportation of oil and sharing of information

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Constraints identified in **2006:**

- risk of conflict with EU and national competition regulations
- legal barriers in some jurisdictions to exchange of information
- need to co-ordinate the aims, objectives and appetites of all clubs and members
- incorrect perception as to extent to which the Group can solve quality issues through insurance solutions

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International Group ship quality measures **completed in 2007:**

- Concept of 'designated vessels' included in Pooling Agreement with effect from 20 February 2007
- Can be used where ship confirmed to be in unacceptable "condition"
- Wide meaning of "condition" . Agreed way to determine "unacceptability".
- Mechanism to apply "double retention" to risks of a designated vessel included in Pooling Agreement from Feb 2007, which means....
- ... insuring Club takes \$14 million for own account before it can pool
- Mechanism to deny pooling for risks of "proscribed vessel" – a vessel continuously designated for more than 12 months
- Mechanism for owner to reverse designation and its effects by making demonstrable changes to condition of ship

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How constraints have been addressed **as of 2007**

- Advice on competition regulations used to shape double retention provisions and minimise legal risks
- Legal barriers to exchange of information removed in Norway
- Aims and appetites of clubs and members co-ordinated enough to reach agreement – ‘SSSC’ and ‘STC’, IG Managers, and Club Boards.
- Frank and careful explanation to IOPC Fund Working Group as to limits on IG’s potential role in solving quality issues through insurance solutions – we have no silver bullet....!

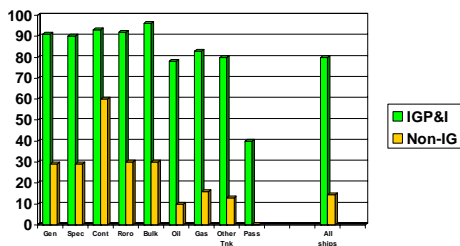
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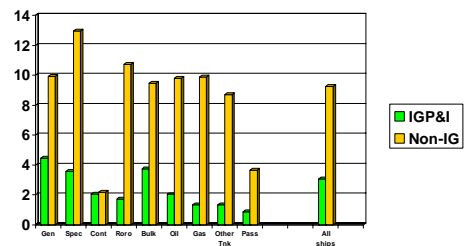
No silver bullet. Substandard ships not necessarily identifiable by claims record.

- No correlation of sub-standard ships and bad claims records. No correlation of high quality shipping and good claims records.
- Doubtful whether premiums of quality owners subsidise losses of sub-standard ships
- Doubtful whether premium rating can be used to discourage sub-standard shipping
- New ships – accidents caused by unfamiliarity
- Crew claims – more costly for highly trained, well paid seafarers
- Cargo – large scale aggregation of risk and high losses when accidents happen; container liner operators
- Cargo - voluntary assumption of higher liability by higher quality operators under volume contracts
- Pollution - high quality operators often trading in most developed areas, where cost of damage is highest
- Passengers – most demanding on ships with best reputation

Inspection rates recorded by EQUASIS for world fleet (% number of ships)



Detention rates recorded by EQUASIS for inspected ships



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Looking ahead?

- Monitor performance of measures already implemented
- Be flexible – ready to amend if needed to improve
- Further development of numerical measures such as analysis by port state control records, and claims risk analysis
- Contribute what we can to consideration of ‘human element’ and feedback from experience of P&I Clubs
- Keep the dialogue with industry



POSEIDON CHALLENGE – TARGET ZERO
more **SOME ACHIEVEMENTS** – *always still* **MORE TO DO**