

PRESS INFORMATION

16 January 2012

The UK P&I Club takes a BowTie approach to risk management

Marine mutuals like the UK P&I Club are committed to reducing the number and size of insurance claims they receive. After all, in the P&I world, members own their respective clubs and through pool arrangements within individual clubs, they in effect pay their own claims. The smaller the level of claims, the healthier the club becomes and this has a knock-on effect on the cost of insuring through the club.

After much study and only after in-depth trials with certain shipowners, the UK P&I Club is now launching an innovative risk management scheme utilising a 'BowTie' approach to identifying areas of risk and minimising the occurrence of incidents. The Club's Loss Prevention Director, Karl Lumbers, explains:

"Working with those members who wish to identify the various threats to the smooth (claim-free) running of their vessels, we conduct reviews on those areas which may cause claims. Thomas Miller P&I Ltd, the manager of the UK Club, has access to an incomparable amount of claims data resulting from extensive analysis of previous incidents over a period of 23 years and it is this that has enabled the Club to identify 'threats', 'consequences' and 'controls', the foundations of developing BowTie reports on individual vessels."

As an example, on one vessel, a Panamax bulk carrier, five 'hazards' were selected as being the most frequent liability claim areas seen by the Club. These were:

- Crew hazardous activities – personal injury;
- Carriage of cargo by sea – cargo damage;
- Ship in transit – collision/grounding damage;
- Ship/crew actions – third party property damage;
- Carriage of pollutants by sea – pollution damage.

Following an extensive on-board survey, 'threats' relating to all five hazards were assessed, 'controls' that needed attention were identified and recommendations for changes in working practices were proposed to the master and owner/manager.

Applying the BowTie concept to management of risk on board ships

According to Karl Lumbers, the UK Club has been analysing claims over a period of 23 years, and has identified seven primary risk hazards; 76 common threats, which if not contained could cause an incident; and 450 controls which need to be in place and effective if the threats are to be contained. He states:

“Although sixty per cent of UK Club claims are caused by ‘human error’, human error is often only ‘the straw that breaks the camel’s back’ – the last event in a chain of causal events.

“These causal events can normally be traced back to failures in one or more areas of ship operation; we sometimes refer to them as ‘accidents waiting to happen’.

“How can we reduce the frequency of these ‘accidents waiting to happen’? What ‘controls’ should we be looking at to ensure the ‘threat’ is contained and an ‘incident’ does not occur?”

Keeping the tiger in the cage

Lumbers cites ‘the Tiger in the Cage example’ as a way of explaining the BowTie methodology:

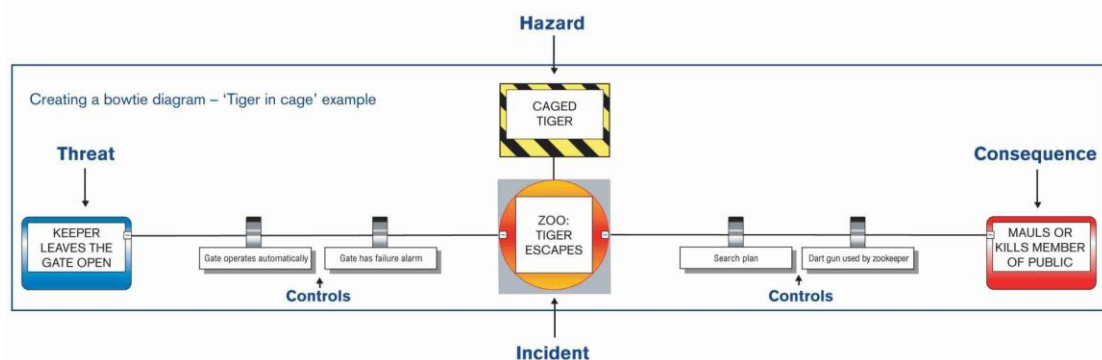
Methodology

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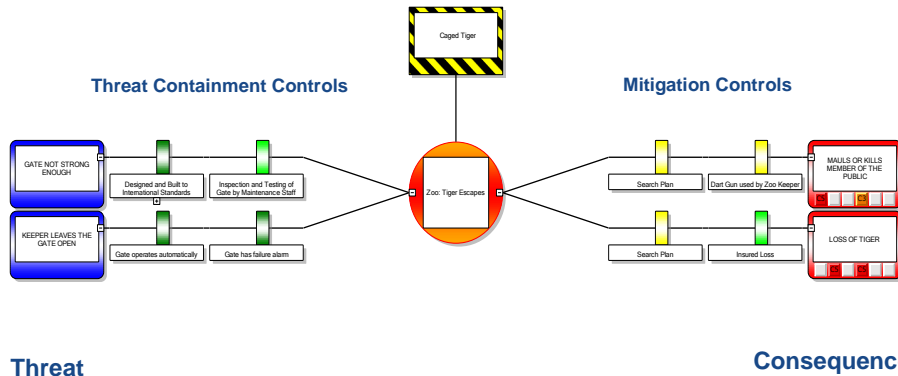
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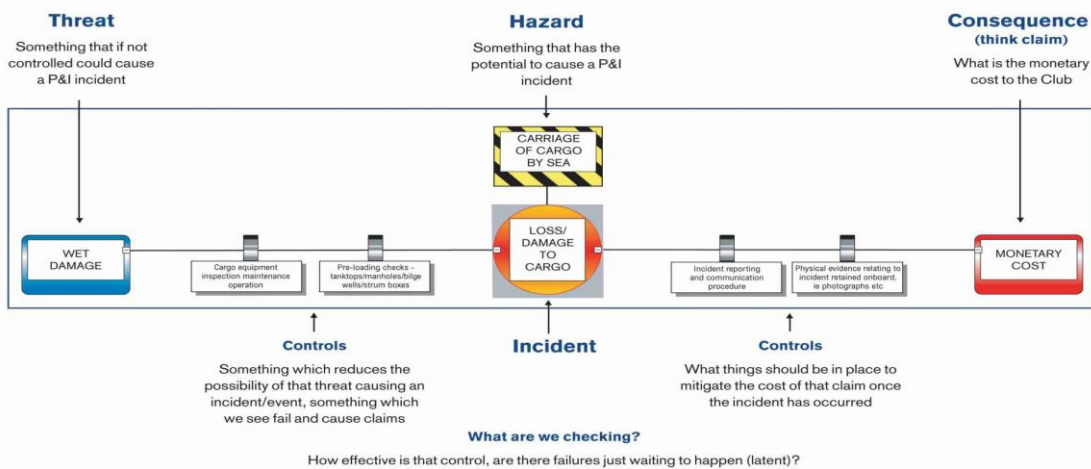
As more threats are considered, so the complexity of the diagram develops to give the BowTie effect.

Threat & Consequence Methodology



Putting the caged tiger into a maritime context, you begin with something like:

Methodology onboard



and as threats are added, it expands to provide a diagram that encompasses the full scope of the risk. These diagrams are an excellent method for building participation in risk management through the organisation. They can then be discussed initially with the ship's crew and subsequently with the owner.

Tangible benefits to shipowners

The Club's approach offers strategic guidance to owners and operators on tackling the root cause of expensive claims. Using quantified real-life case examples owners/operators are able to invest proportionately in risk management and loss prevention activity.

The detailed reports and reviews enable information to be shared across the fleet and operational departments enhancing credibility, co-operation and effectiveness. The result will be a consistent and inclusive approach that encourages sustained and measured loss prevention activity over the longer term.

Teamwork and focus assists with Port State Control (PSC) compliance speeding up that process and reducing the delay to ships and the burden on masters and crew during port calls. The transparency of approach enables owners/operators to demonstrate good practice to their customers, contractors, maritime agencies and other third parties.

Lumbers reports that several members who have been briefed on its BowTie approach to risk management have been enthusiastic and have requested surveys that they can consider and discuss amongst their management teams and sea-going employees. He concludes:

“With this system you can also look beyond its primary role (for the Club and owners), namely the reduction in claims levels, to the bigger picture. It should always be remembered that behind so many claims are incidents that lead to serious bodily injuries and loss of life. For those affected, including families and friends of the victims, anything that helps make life safer at sea has to be welcome.”

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Downloads

The UK Club Risk Project leaflet is available to download at:
<http://www.dunelmpr.co.uk/UKP&I-Photogallery-NEW.htm>

Notes to editors:

UK P&I Club

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited is generally known as the UK P&I Club. As a mutual association, the UK Club has no outside shareholders and no financial links with other organisations. Since its establishment in 1869, the Club has existed solely for the benefit of its members. Its structure as a mutual insurance association enables it to respond to the changing needs of its assureds and allows it to provide superior service, attention and coverage.

The UK P&I Club is directed by the members. Overall control lies with the directors, elected by the members from amongst themselves. The directors normally meet four times a year to formulate policy on calls, the scope of cover, finance, underwriting and claims matters, reinsurance and issues affecting the P&I world. They resolve specific claims which may not fall clearly within the cover.

Thomas Miller, the Club's managers, is organised to respond promptly to requests for assistance and to provide informed advice and help with members' claims. Individual support goes far beyond that normally provided by a commercial insurer.

The UK Club's size and the scale of the managers' operations has enabled the latter to develop specialist skills and expertise seldom seen in marine P&I.

In 350 ports around the world, on-the-spot help and local expertise is always available to members and the masters of their ships from the Club's 460 correspondents and claims handling services and advice from the network of offices and branches in London, Piraeus, New Jersey, San Francisco, Hong Kong, Singapore, Tokyo, Beijing and Shanghai.

Thomas Miller

The Thomas Miller Group manages a number of world-leading mutual insurance organisations or "clubs," providing insurance for shipping, transport and professional indemnity risks; and captive insurance companies in the Isle of Man and Bermuda. Thomas Miller provides risk management consultancy services and, through its regulated specialist subsidiaries, delivers a full investment management service to mutual clubs, captives and other clients. The firm incorporated in 1999 and is owned and controlled by its 550 employees worldwide.

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