

Auf Kurs

SUMMER 2012

The root cause of claims

Cost-effective investment in safety

German underwriting review

Strength and quality bodes well for the future

Strong underwriting result

Further insights on Club's restored finances





Philip Clacy
LS2 Syndicate Manager

CONTENTS

Strong underwriting result	3-4
Tackling the root cause of claims	5-7
Risk Management seminar	8-9
BIMCO contract for shipboard guards	10-11
UK Defence Club Making a difference	12-13
Underwriting review	14
GMAA 40 Hamburg	15
Robin Travis Scholars	16

Back on course

Welcome once more to Auf Kurs, our newsletter for German Members of the UK Club.

Key content

I hope you will find the second edition of 'Auf Kurs' interesting and informative. For those of you who missed our seminar in Hamburg in June, we have reports on both the financial presentation given by Hugo Wynn-Williams and Karl Lumbers' in depth explanation of the innovative "Bow Tie" system. This loss prevention system is a real step forward in risk management for ship operators. It provides a focus on where any investment in loss prevention should be directed for maximum efficiency. It also provides a unique level of engagement among crews and shoreside staff.

Genevieve Holloway gives some insights on the GUARDCON contract relating to armed guards as a protection against pirates. The UK Defence Club shares with us a summary of its achievements and issues that have impacted on Members. Underwriter, Jason Riley, gives an update on new Members and other developments this year.

Finally, we welcome Tabea Vogelsang as the 2012 Robin Travis Scholar. Two previous scholars also report on their recent experiences in London and Hamburg.

Thomas Miller Insight Course

Looking forward, the Thomas Miller Insight Course programme has just been announced. The course runs from Tuesday 2nd October to Friday 5th October this year, and is aimed at executives and managerial staff, either in the early stages of their careers or without specialist insurance and claims experience.

The key areas of marine risk and liability are reviewed including hull, P&I, FD&D, ship management, through transport liabilities, agency and war risks.

By combining topical issues, such as piracy and sanctions, with coverage of more established issues in liability and insurance, Insight is also useful for those who wish to broaden or refresh their knowledge in this field.

UK Club Members receive a significant discount on the course fees which make it particularly good value. More details can be found on the Club website, or by contacting your usual UK Club team contact.

Until we see you again, may I wish you all the best for your summer break. I hope you manage to escape the decidedly English weather that has been visiting Germany recently!

Strong underwriting result underpins Club finances

Hugo Wynn-Williams, Chairman of Club Managers Thomas Miller P&I Ltd., opened the recent Club seminar in Hamburg with a review of the Club's financial position, adding some further insights beyond the material circulated in its Review of the Year 2012.

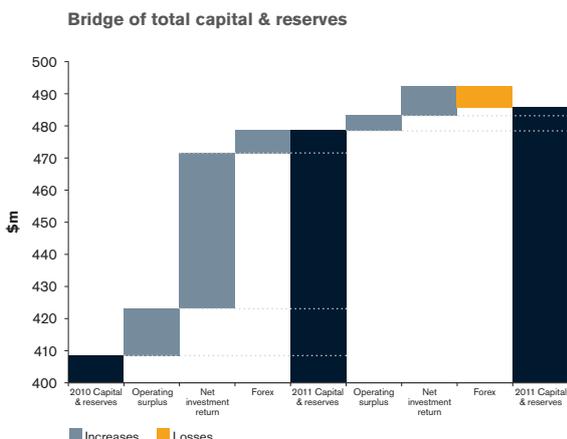
For the second financial year running, the UK Club had announced a balanced underwriting result with a combined ratio of 97 per cent. This has meant that this year the Club has produced an operating surplus of \$11 million for the 2012 financial year.

Furthermore, continued improvement in previous policy years' claims reserves has brought the average of the last four years into a position of underwriting balance, with average combined ratios below 100 per cent. Early indications are that 2011 will be a relatively low claims year.

Free reserves and capital increased to \$486m at 20th February 2012 equivalent to free reserves of \$4.33 per gross ton.

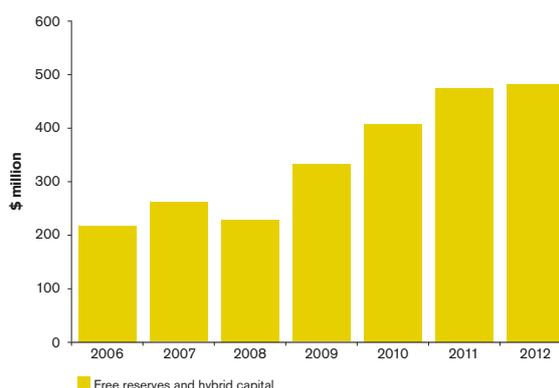
Continuing improvement in reserves

The component steps in the Club's strengthened capital and reserves were illustrated by a 'bridge' diagram (see below).



Over the last two financial years the Club's capital and reserves have increased by almost twenty per cent through a combination of operating surplus and investment return.

Capital & reserves for financial years 2006 - 2012



Falling frequency, not value

The Club's increased financial strength is particularly satisfying as it contrasts with results elsewhere in the market adversely affected by an increase in claims. The improved claims position on all policy years since 2008 was supported by an overall reduction in the number of claims - five per cent fewer in the 2011 policy year than 2010 and 30 per cent fewer than in 2007.

Despite an improving claims position, the Club has maintained a prudent approach to claims reserving. The underlying long-term average cost per claim has been inflating at approximately five per cent each year. Some categories of claims, e.g. death and personal injury, have been inflating at rates of up to 15 per cent.

Whilst the ongoing shipping recession has significantly dampened the volume of claims, the Club has actively contributed to this improvement through careful management of our risks: carefully monitoring the Club's entry criteria, running an extensive loss prevention programme, and maintaining strong claims management.

The Club was also fortunate to have experienced very few large claims in 2011. The number of

claims over \$1 million in that year was nine compared to an average of 17 in the last five years.

Reinsurance developments

Participation in the International Group benefits UK Club security both by Pooling claims with other P&I mutuals and providing it with more than \$3 billion of cover under the excess of loss reinsurance programme.

The 2011 policy year was marked by two high profile claims, the RENA and the COSTA CONCORDIA. Despite these two large claims, the 2011 Pool claims are running below the level of 2006 and 2007. Indeed, at this stage the UK Club has not incurred any Pool claims, and continues to maintain the largest credit balance on the Pool.

Viewed on a rate per ton basis, the International Group has successfully maintained stability in high limit reinsurance rates for nearly fifteen years. With the exception of passenger ships, all classes of ships are paying less in real terms than they were in 1996. The current rate for dry bulk ships is 20 per cent lower than in 1996 (a 1.3 per cent year on year decrease).

The increased exposure of modern passenger ship liabilities led to a recalibration of those ships' rates from 2007 onwards to pay, on average, 226 per cent more.

Another measure taken to ensure the Club is protected against adverse movements in future claims has been the introduction of the Club's own comprehensive reinsurance programme.

The internal model developed for Solvency 2 compliance has guided the design of this reinsurance programme to protect the Club from a potential run of larger than usual claims, whether

within its own retention or the Pool. For example, a significant increase in the Pool claims on 2011 would be capped by a dedicated Pool reinsurance policy. Although these reinsurances will not turn a bad year into a good year, they will protect the Club from the worst effects of a surge in claims. This programme will also protect the Club from any very large, one-off claims.

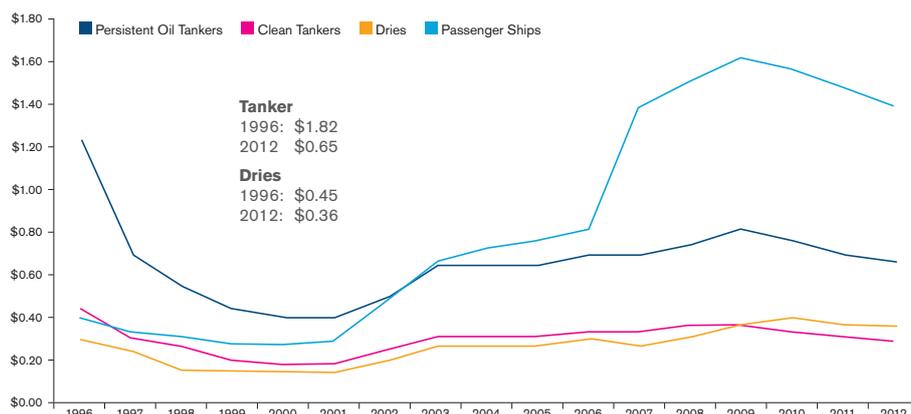
Increased shipowner support

The Club's return to the top level of the P&I market has been rewarded by increased support from new and existing Members. Tonnage was up over the 2011 year and has continued to grow in 2012. Club membership now stands at 116 million gross tons of owned tonnage and around 80 million gross tons of chartered tonnage.

Although the P&I market commentators tend to focus on the renewal result, activity during the year involves much bigger movements. The 2011 policy year illustrates this with a 20 per cent turnover of tonnage. This reflects the increased demolition of older ships and the high number of new buildings delivered during that year. The impact of this activity and the renewal gains has made the Club's tonnage age profile the youngest it has ever been.

Good result, difficult times

Strengthening the capital position has become absolutely essential for any insurer in the modern regulatory environment. The Club's restored financial position is a firm basis for our efforts to ensure the UK Club remains at the forefront of the P&I market. By listening to our Members and their brokers we have identified areas where we can improve. Both the Board and the Club managers will be working hard to ensure it scores even higher in the next Member Satisfaction Survey.



Tackling the root cause of claims

It is only through using quantified real-life case examples that owners and operators can get the necessary strategic guidance to invest proportionately and effectively in risk management and loss prevention activity.

That was the key point communicated in our recent Hamburg seminar by Karl Lumbers, Risk Management Director for the UK Club (pictured right), as he explained the innovative risk management scheme “Bow Tie”.

A new approach

Too many people continue to suffer injury and death when working on board ship and alongside during loading operations. Despite the technical advances of modern shipping crew, stevedores and visitors to ships continue to be at risk.

The UK P&I Club has launched an innovative risk management scheme utilising a “Bow Tie” approach to identifying areas of risk and minimising the occurrence of incidents. It works with its Member shipowners and technical managers to identify the various threats to the smooth, i.e. claim-free, running of their vessels, conducting reviews onboard to identify those areas which may cause claims.

Thomas Miller, as managers of the UK Club, have access to an incomparable amount of claims data drawn from extensive analysis of previous incidents over more than twenty years. The Club can thereby identify ‘threats’, ‘consequences’ and ‘controls’ – the foundations of developing “Bow Tie” reports on individual vessels.

In the case of a Panamax bulk carrier, for example, Karl explained that five ‘hazards’ were selected as being the most frequent liability claim areas seen by the Club. These were:

- Crew hazardous activities – these can lead to personal injuries that, in a worst case scenario, could be fatal;
- Carriage of cargo by sea – the level of cargo damage claims can be reduced given the full cooperation of crews;
- Ship in transit – collision/grounding damage – which clearly can cause injuries and even fatalities;



- Ship/crew actions – third party property damage – which again can be reduced if the crew and management exercise proper care and follow the correct procedures;
- Carriage of pollutants by sea – pollution damage – which matters to anyone who cares about the environment – or the cost to the insurers!

Through 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.

The name “Bow Tie” comes from the diagram prepared for each ship in the programme to depict the threats and consequences. This tool for managing the risks takes the form of a butterfly or a “Bow Tie”. Such diagrams are used in many different industries, not just shipping, to assist in the management of risk.

In applying the “Bow Tie” concept to ships, the UK Club 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.

Sixty per cent of UK Club claims are caused by ‘human error’, however, human error is often only the last event in a chain of events. These events can normally be traced back to failures in one or more areas of ship operation. The Club sometimes refers to them as ‘accidents waiting to happen’.

Claims insights combine with practical advice

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

When explaining the “Bow Tie” methodology, the UK Club usually cites ‘the Tiger in the Cage’ example.

Clearly, a tiger in a cage is a hazard but it is perfectly safe unless someone forgets to do something – like entering the cage to clean it without ensuring the tiger is securely shut behind another gate or by

simply not securing the main cage door after it has been opened and closed. Set procedures need to be followed if the tiger is not to escape.

A more practical shipping example, however, is slips, trips and falls among personnel. These represent nearly one in three of the large personal injury claims submitted to the UK Club. Such claims totalled a staggering \$155m over the past ten years.

As Karl Lumbers, the Club’s Risk Management Director explains, “It is easy to dismiss these unpleasant accidents as ‘human error’ or even ‘crew negligence’. There is often an assumption that people ‘can look after themselves’ and must take responsibility for their own actions. But to examine the detail of so many of them is to reveal other contributors to the chain of causation.

In the case of slips, trips and falls, the environment, which is mostly a function of design, may well have been a contributor: if there was inadequate lighting, if the dangers were not obvious, or the particular design of the ship required people to put themselves in hazardous situations just to get the job done. Visitors to the ship who are unfamiliar with the layout of the vessel are especially vulnerable.

They are constant too, with very little variation in numbers of claims from year to year. They are important because they represent genuine pain and suffering from people who have been injured or even killed because they have slipped, tripped or fallen aboard ship. It is not simply money, squashed metal or damaged ships as encountered in other sorts of claim.”

In conjunction with the “Bow Tie” initiative, the UK Club is publishing a series of ‘Risk Focus’ booklets which highlight specific areas of risk. The ‘Risk Focus: Slips, trips and falls’ booklet is the most recent and copies can currently be obtained from the Club.

A role for all in reaping the benefits

Many members of the Club when briefed on this new “Bow Tie” 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. It is essential that seafarers participate in this programme so that their practical experience and input can be heard and acted upon.

Benefits of risk-based inspection

Inclusive

- Member’s crews – sharp end, dealing with the problems day-to-day
- Claims handlers – who investigate and manage the problems/claims
- Underwriters – who assess and rate the financial risk
- Loss Prevention – who try to reduce the risk, “risk profiling”
- Ship inspectors – who are the link between ship and shore, assessors

Structured

- Discipline – a system to follow, repeatability
- History – learning from mistakes
- Benchmarking – comparability (shows how good your controls are against a Club average)
- Verification – proof you are in control – Charterers, Authorities, Courts

Concentrates effort

- Focus on those claims that cost the Club money
- Focus on the real causes of claims
- Enables best use of resources – manpower/money

Flexible

- Not prescriptive – easily changed

No matter how inexperienced he or she may be, every member of the crew has a role to play. Simply walking around a ship with open eyes, a crew member will see hazards, some serious, some minor. All need reporting to the relevant officer for action. A frayed rope on the gangway, a broken safety guard on a piece of machinery, oil leaks and spillages, a corroded mounting on a crane or davit, missing pieces of safety equipment, damage to hatchcover seals, the list is endless.

Strategic guidance to ship operators on tackling the root cause of expensive claims enables them to invest proportionately in risk management and loss prevention activity.

The detailed reports and reviews share information across the fleet and operational departments enhancing credibility, co-operation and effectiveness. The result is 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.

As Mr Lumbers concludes, "With this system you can also look beyond its primary role, namely the reduction in claims levels, to the bigger picture. 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."



Leading in loss prevention.
We have defined 76 major threat areas that cause liability claims. And we have defined 450 loss prevention controls that correspond to them.



Bernd Marquardt, Margarita Herrmann, John McPhail, Ann-Kathrin Traeger, Frank Nachbar (Hapag-Lloyd)



Genevieve Holloway



Guenter Rolf (John T. Essberger GmbH & Co KG), Rolf-Jürgen Hermes (Pandi Services J&K Brons), Henry Pfeiff (Retired, ex Hamburg-Sud)



Hugo Wynn-Williams



Nick Topham (MPC Münchmeyer Petersen Steamship)



Karl Lumbers



Henry Pfeiff (Retired, ex Hamburg-Sud),
Rolf-Jürgen Hermes (Pandi Services J&K Brons),
Eva Kleinheider (Doehle Assekuranzkontor)



Jason Riley



Steffen Schulz (Briese Schifffahrts),
Andrei Kharchanka (BBC Chartering & Logistic)

June Seminar and reception

This summer's event at the Hotel Kempinski Atlantic addressed a new initiative in risk assessment and prevention.

Karl Lumbers, Risk Management Director, showed how the Club's innovative risk management scheme "Bow Tie" offers strategic guidance to owners and operators on tackling the root cause of expensive claims.

Hugo Wynn-Williams, Chairman and CEO of Thomas Miller P&I provided an update on the UK Club's financial position. A well-attended reception in the hotel followed the presentations.



BIMCO releases GUARDCON contract for the employment of security guards on vessels

The number of successful pirate attacks has sharply decreased in 2012, compared with 2011. There are currently just eight hijacked vessels held off the coast of Somalia.

The increased use of shipboard guards, including vessel protection detachments from navies and armed guards from private maritime security companies, may explain the decrease in successful hijacks. More likely it is combined with other factors such as better compliance with Best Management Practice (BMP) and increased use of citadels, allowing the possibility of rescue attempts and naval forces' disruption of pirate groups, both at sea and ashore.

Whilst, in an ideal world, BIMCO and the International Group of P&I Clubs would prefer not to see armed guards employed on merchant vessels, it is recognised that the reality of the situation no longer allows this to be possible. Coinciding trends of a reduction in the success of pirate attacks and more extensive use of armed guards encourages their use over and above compliance with BMP.

With the increase in demand and growth in the number of Private Maritime Security Contractors (PMSCs) a vast number of differing contractual terms have emerged. To the benefit of all within the shipping community, BIMCO has developed GUARDCON, published on 28th March 2012. Through GUARDCON, BIMCO now provide harmonised terms of engagement for the use of PMSCs.

The contract has been drafted by a working group consisting of shipowners, property underwriters, IG P&I Club representatives, maritime lawyers, private maritime security contractors and other shipowner and marine insurance associations. Having this breath of input into the drafting of GUARDCON, especially with representatives from both sides of the contract, has allowed a mutually beneficial contract to emerge which is widely accepted within the industry.

The GUARDCON contract addresses all issues relevant to the engagement of PMSCs. The predominant issues which ensure that the contract conforms with Club cover and Pooling requirements are:

- The standards to which the PMSCs must conform to include providing adequate insurance to cover their liabilities and contractual indemnities, and having in place the necessary permits and licences to allow them to lawfully carry weapons.
- Having adequate liability and indemnity provisions which follow the knock for knock principles.
- The master's responsibility for safe navigation of the vessel and overall command of the vessel.

Of course the decision to employ guards on vessels remains an operational decision for Members to take and should always be taken in accordance with flag state and local laws. To the extent that guards (armed or unarmed) are deployed on vessels in high risk areas, the Club strongly recommends that the BIMCO GUARDCON contract is utilised for all engagements owing to the benefits outlined above.

If Members decide to use an alternative contract, or an amended version of GUARDCON, they are recommended to consult with the Club well in advance of any contemplated embarkation of PMSCs to ensure that the proposed amendments or alternative contract complies with Club cover and Pooling requirements.

Genevieve Holloway UK P&I Claims executive Syndicate 3, London



Genevieve joined the UK P&I Club's London office in 2007 having previously served as a deck officer on cruise ships. Genevieve handles a variety of people related claims including stowaways for shipowners and charterers. She has a BSc (Hons) degree in Merchant Ship Operations.

Standards of armed guards

In May, the Club Managers met on behalf of the International Group with the UK Government's industry partner for the regulation of private maritime security companies, known as SCEG, or Security in Complex Environments Group.

The purpose of the meeting was to introduce SCEG's work, to promote criteria for accreditation of private maritime security companies and to develop a relevant quality assurance standard. The work is based upon IMO MSC 1405/6, but also takes account of certain flag states guidance, existing British and international standards for private security management, the International Code of Conduct for Private Security Service Providers of November 2010, and similar sources.

A paper developed by SCEG was submitted as information to the IMO's Maritime Safety

Committee in May. Two other papers were submitted on standards, one from the Marshall Islands (advocating the SAMI vetting programme), and another from the International Standards Organisation and BIMCO, advocating development of an international standard and reporting on work being undertaken by ISO Technical Committee 8.

The International Group's position is to welcome the rapid development of an international standard, so that accreditation bodies can be put in place and maritime security companies be given a framework that will differentiate those that observe independently regulated standards from those that don't – to the ultimate benefit of shipowners. The IMO agreed to work with the ISO to develop international standards as soon as possible, with a first draft expected by the autumn.

More Club advice & resources

The UK Club website's "Knowledge & Developments" section has a dedicated area compiling Club circulars, third party publications and other advice on the topic of piracy.

Our circular 5/12 "BIMCO Guardcon contract for the employment of security guards on vessels" provides guidance on cover and other issues relating to this new contract. Although GUARDCON's provisions conform with Club cover and Pooling requirements, the circular stresses that cover for any amendments to GUARDCON must be agreed in advance with the Club.

Security guards are not a substitute for strict compliance with Best Management Practices – a copy of the latest edition BMP4 can be found on this section of the website.

www.ukpandi.com/knowledge-developments/industry-developments/maritime-security-piracy/

A new member of our team



We welcomed another experienced claims handler to our Syndicate LS2 claims team in July. Izabela Wawryszak has gained experience with a career that spans the maritime and logistics sectors.

Izabela was previously a claims handler with international hauliers Norbert Dentressangle in their main UK office. She gained substantial experience in a wide variety of cargo claims, although she was also engaged in a range of other related insurance claims handling work. Prior to road haulage, she worked for a UK shipping agency and before that had spent five years in the insurance department of Polish Steamship Line as a claims handler.

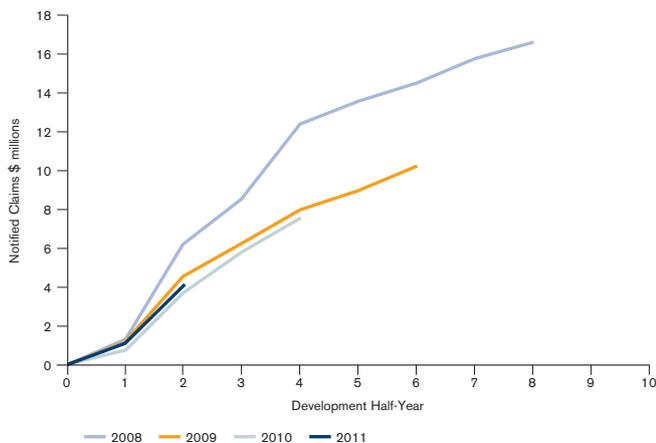
UK Defence Club: Making a difference to Members

The effect on our Members of the market environment post 2008 can be seen in both the aggregate and individual anecdotes that make our latest report on FD&D issues.

Claims development

The year to 20th February, 2012 was an extremely busy but positive one for UK Defence in a number of respects. Following on from the heightened claims environment experienced in 2008–2010 there was some uncertainty as to how claims might develop in 2011; however, whilst claim numbers remained at a relatively high level, the cost of those claims reduced somewhat from those seen in 2008 and 2009.

Net Notified Claims Development (All claims)



The recent years' claims development is no surprise given the market circumstances that arose in 2008. Some of the impact of this is still being felt today with disputes occurring on contracts agreed before 2008 when the market was very different. In some of these cases the contracts have been renegotiated, however, in other cases, disputes have arisen. In numerous cases these claims run in to many millions of dollars and consequently the costs of resolving the disputes increased proportionately. The average cost of claims has shown a marked rise over the last few years. Part of this is down to legal cost inflation, however, some of it was also caused by front loading of costs at an early stage in the development of cases. Accordingly, if costs are being incurred much earlier, it should also mean that there will be a much shorter tail.

Another factor that has influenced the increase in costs is that many more disputes are being arbitrated or litigated. Over the past year, UK Defence has been involved in a considerable number of cases that went to arbitration or some form of litigation. Why is this? One explanation is that the legal issues involved require a final determination. This of course has always been the case, however, it is clear that in a number of cases, commonly understood legal boundaries are being reviewed and are being challenged. It has always been one of the hallmarks of English common law that it continues to develop and adapt to changing circumstances.

RAINY SKY

One of the most significant cases that UK Defence has been involved in during the last year relates to the RAINY SKY. It concerned a \$46.2 million dispute between the buyer Member and the guarantor bank under a shipbuilding contract as to whether refund guarantees should respond to the insolvency of the shipyard. In a unanimous judgment, overturning that of the Court of Appeal, the Supreme Court held that business common sense was key in the interpretation of commercial contracts and that the refund guarantees should respond to the insolvency of the shipyard.

UK Defence was privileged to have been able to support the Member throughout this landmark case, which is a further testament to the role, albeit an understated one, that UK Defence has historically played in shaping English maritime law. The RAINY SKY will undoubtedly be referred to for many years to come. It should also be remembered that the Member was able to recover its \$46.2 million along with interest and costs. Without question this case epitomises what UK Defence stands for.

The cost of defaulting counterparties

UK Defence has, of course, been involved in many cases over the years and time charter disputes and

enquiries continue to dominate as they have done in previous years.

A key feature in recent claims development has been the impact of counterparty risk issues. This is of course nothing new, however, the pressure of freight rates is undoubtedly placing considerable pressure on certain operators with longer term commitments at rates in excess of the current market. In the policy years 2008–2011 a total of 150 cases were identified as relating to “defaulting operators”. In financial terms the overall cost of such cases opened in policy years 2008–2011 is currently estimated to be in the region of \$4.8 million.

Looking forward, the prevailing market conditions suggest that there are likely to be more operators who will suffer financial difficulties of one sort or another. From the UK Defence Club’s perspective, the experience that it has gained in this area in recent years means that it is very well placed to support Members in dealing with defaulting counterparties, whether through negotiation or by taking legal steps to protect their position.

The management of legal costs

As the leading provider of legal costs insurance to the maritime industry UK Defence is understandably focused on the management and control of costs. The Managers’ Value for Money (“VfM”) initiative was introduced to ensure “best practice” was applied to claims handling services, both by the Managers and by third party suppliers. A natural consequence of this has been identifying the cost-effectiveness of those services and this, combined with the application of VfM guidelines aimed at achieving the “most appropriate outcome” in all cases, has assisted UK Defence in controlling costs at a crucial time.

What has, however, given some cause for concern over the last year is the inadequacy of various cost estimates. The importance of accurate estimating was highlighted in a case before the Supreme

Court in 2007 (*Mastercigars Direct Ltd v Withers*) which was summarised in a Soundings publication in 2011, where it was held that a firm of solicitors was bound by a cost estimate provided to its client.

The Managers will shortly be writing to third party suppliers emphasising the need for accurate estimating and the reliance that is placed by the Board and the Managers on the estimates that are given. The Managers will also be exploring fixed fee agreements with a number of firms.

Cost recoveries

In the 2011 policy year UK Defence has made significant cost recoveries totalling \$3.5 million where Members have been successful in progressing their claims. The Directors considered 35 major cases during the year, in addition to which the Managers considered a substantial number of requests for support under the authority delegated to them by the Board. Of all the cases formally considered by the Board or the Managers some 98% received a significant measure of support from UK Defence, illustrating the importance attached by both the Board and the Managers to UK Defence being supportive of its Members whenever appropriate.

In terms of cost liabilities, historically there has been an assumption that the losing party in US litigation or arbitration is unlikely to attract a cost liability. In 2011 UK Defence was involved in a significant dispute subject to New York arbitration. Unexpectedly, the tribunal found against the Member but perhaps more surprisingly it awarded the other party a significant cost recovery. This appears an increasing trend in New York arbitrations.

Looking forward

It is without question that 2012 will be a challenging period for Members, however, UK Defence and its cover is here to make a difference whenever it can.

Underwriting review – Germany

Germany continues to represent a significant part of the UK Club membership (in the top five countries entered in the Club in owned tonnage, and representing 25 per cent of our chartered business).

Whilst age is not everything, it is pleasing to note that 60 per cent of our German Members' ships by tonnage are under ten years of age. The quality of the operator has never been more important than in these difficult times, and we feel confident that the UK Club German Members represent some of the strongest, not only in the German shipping community, but also on the international stage, and we feel the ones best positioned to survive the current crisis, however difficult this may be.

The nature and variety of shipowners within our German membership continues to keep us all on our toes, with a huge variety of issues being raised day-to-day, from sanction and piracy issues to more general matters relating to crew, additional covers and reviewing of contracts. Not only does this improve our own knowledge, as we tackle these issues ourselves, but the experience gained benefits the membership as a whole.

We are always on the look-out for ways in which we can provide added service to Members. A recent example of this was taking part in an in-house training seminar at the request of our oldest German Member, Bugsier, where we were asked to provide an insight and explain the covers available for their specialist operations. We are available to undertake similar in-house events as required by our German Members, and I look forward to hearing your ideas on how we can help you more.

Over my ten years as the lead underwriter for the German entries, I have seen a whole cycle of shipping activity, but it is the last two renewals that have been particularly difficult. With regular visits to Germany and keeping our ear to the ground we were, of course, not unsympathetic to the need to keep P&I and FD&D insurance costs low, and the pressure from most Members was that they had to save costs in all aspects of their operations. We do, of course, have our job to do in keeping your Club financially strong, and have to ensure fairness across the membership as a whole whilst also maintaining the appropriate individual levels of premium.



For 2012, we were leading the pack in offering one of the lowest general increases at three per cent against the market average of a five per cent general increase. As underwriters, we were never under any illusions that this would make our jobs easier; in fact it perhaps made matters more difficult as our increase was that much closer to the magic 'zero' increase.

One solution was to soften any increases in premium with increases in deductibles, and as a result numerous 'as if' deductible exercises were completed for raising deductibles above the Club minimum deductible levels.

I am pleased to report that we had a successful renewal result overall, with both tonnage and premium increased in line with the Club Board's requirements and several new Members joining the Club. Since renewal we have grown from 112 million gt to 116 million gt. Whilst growth is important, we continue to be very selective about which Members join your Club, as we do not want to grow for growth's sake.

One question we ask ourselves when assessing a new risk is "What benefit will it bring to the Club and its Members?"

Within Germany we took on new Members including Candler Schiffahrt and Internaut

Shipping from Bremen, and have additional tonnage committed to the Club. There is a renewed confidence in the UK Club from both Members and brokers in Germany, and this is evidenced by more and more opportunities that are being presented to us. In these difficult times, we are seen not only as a good bet, but a safe bet.

We, ourselves, are genuinely excited about what lies ahead for the Club, and having ourselves experienced our own tough times, we have

learnt from these and would like to thank you for your continued support, but as always, welcome your comments on how we can improve our service.

I look forward to seeing you all throughout the year, and on a personal note, would like to thank those of you who offered messages of sympathy and support when I had a recent health scare. I am pleased to report that it was nothing sinister, and I am now back to full strength, and... "Auf Kurs".

GMAA 40 Event in Hamburg



On Thursday, 21 June 2012, the most recent GMAA 40 event was hosted by Ince & Co. in Hamburg. Dr. Christoph Schroeder from CMS Hasche Sigle shared practical know-how

with the participants about arbitration in China and the enforcement opportunities there for foreign judgements and arbitration awards.

Thereafter, Dr. Eckehards Volz from Ince & Co. explained the scope and meaning of the Best Endeavours Clause in salvage scenarios and illustrated this through recent cases. The evening was concluded by a reception with snacks and drinks. Lively talks among the participants were further inspired by the first class view on the adjacent river Elbe.

The German Maritime Arbitration Association (GMAA) established the "GMAA 40" in 2010. It is a forum for younger GMAA members and interested parties from law firms and maritime practice with a link to arbitration. Participation at GMAA 40 events is open to all those aged up to and around 40.

GMAA 40 events and panel discussions are held regularly on topics relating to maritime arbitration. Previous events have taken place in different locations in Hamburg and Bremen, attracting a wide range of young maritime lawyers and shipping practitioners.

Topics on the GMAA 40 agenda so far were:

- Fukushima – Challenges for the Maritime Industry
- Arbitration and tribunals
- The way through arbitration proceedings
- After the award – How to enforce my rights?
- Dispute Resolution in Shipping – the Charterer's view

The events are organized by Dr. Nicoletta Kröger and Dr. Olaf Hartenstein, both Dabelstein & Passehl, and by former Robin Travis scholar Falk Fischer, Harren & Partner.

For more information, visit www.gmaa.de or write to n.kroeger@da-pa.com. Some of the previous presentations can be found on the GMAA website as well.

The next GMAA 40 discussion and reception is likely to take place in October 2012. Date, place and topics will be announced soon.

Falk Fischer



Falk Fischer, legal counsel with Harren & Partner Ship Management, Bremen is a past Robin Travis Scholar (2005).

He has considerable experience as a legal adviser and claims handler with both shipping companies and the UK Club's correspondent in Bremen, Claas W. Brons.

Tabea Vogelsang – Robin Travis Scholar 2012

Tabea Vogelsang of Sunship Schiffahrtskontor KG of Emden has been selected the Robin Travis Scholar for 2012. It is always difficult to choose a scholar with many excellent candidates.

Congratulations to Tabea! We thank the other candidates for partaking in the interview process.

Tabea has been working as an assistant to the managing directors of Sunship Schiffahrtskontor KG for a year following a course of studies at the University of Applied Sciences in Bremen. She is clearly in the right business because, within a short time, she seems to have taken on many different aspects of work for the company. In addition to P&I insurance work, she is in charge of the electronic insurance for the whole fleet and deals with many issues in relation to the new buildings. She is also the key contact person for the company's lawyers in Hamburg. Tabea has told us: "My personal interest in the insurance and transport branch is rooted in my great passion for vessels. I always wanted to do something that is connected to the maritime industry. I am sure that the Robin Travis Scholarship will help me to

explore my fullest potential and to deepen my knowledge in a field which I have always found to be challenging and fascinating at the same time".

Tabea will commence the three month scholarship in London at the end of September, and we look forward to ensuring that her programme is relevant and varied. She will be attending the insight course at the beginning of October.



Tabea Vogelsang of Sunship Schiffahrtskontor KG of Emden is the Robin Travis Scholar for 2012

Yik S Yan – Robin Travis Scholar 2011

In the first edition of Auf Kurs, we reported on the programme set up for the 2011 Robin Travis Scholar, Mr Yik S. Yan of Döhle Assekuranzkontor. Mr Yan made full use of the opportunity to participate in the scholarship and he comments as follows:

"Looking back on the Robin Travis Scholarship last year and the related time in London, it was probably the best experience I could ever have had



Mr Yik S. Yan of Döhle Assekuranzkontor was the Robin Travis Scholar for 2011

as a young professional. To my knowledge, there is no comparable programme in the entire shipping industry which not only enables the scholar to learn about marine insurance and shipping in general but also to look behind the scenes of key areas of the marine insurance businesses. I would like to mention a couple of examples of my experiences gained during my three month scholarship. I learned much about the P&I Clubs and the International Group of P&I Clubs by spending time with Thomas Miller; I learned more about the Lloyd's market and the work of a leading marine insurance broker at Miller Marine; I was introduced to some key aspects of maritime law and the English legal system at Reed Smith; and I gained some valuable knowledge of ships in general through the Braemar Seascope visit to a shipyard in Falmouth and accompanying the UK P&I Club ship inspectors on ship inspections for a few days in Rotterdam.

All of these opportunities and impressions were extremely valuable for my career as an insurance broker. There is no doubt that the scholarship was a personal success and a unique experience!"