

UK Club risk project

Helping Members prioritise risk and reduce claims



A new approach

Mutual insurance is insurance at cost. Owned by its assureds, and designed not to make a profit, the cost of mutual insurance to its Members is directly linked to its claims. Therefore anything which reduces claims will directly impact on a member's contributions (premiums).

Since 1987, the Club has focused heavily on using its experience of handling shipping liability claims to raise awareness of what goes wrong and to get that information to those at the sharp end. Much of this has been done in the form of contemporaneous advice on current claims trends, posters, videos, cargo loading advice etc.

Whilst that activity will of course continue, we feel that we need to focus additionally on ways to help Members prioritise risk within their own fleets, in order to assist them in reducing their costs and their insurance premiums – especially in the present economic climate.

Following the well-known definition

RISK = FREQUENCY x CONSEQUENCE

the Club has analysed the number and value of the Club's claims to prioritise high risk areas and determine what the THREATS are that cause these claims. Then, with the aid of those at the sharp end – our correspondents, surveyors, claims executives and underwriters and last but not least important, our crews – we have sought to determine what CONTROLS – be it engineered, procedural or managerial – have mitigated such claims, or would have done so if they had

been in place. Those threats and controls can then be targeted for assessment, either with the help of the Club's own risk assessors, or by Members themselves in conjunction with their crews.

At the present time, the Club is working with several of its Members, providing in-depth risk profiling of each Member's fleet, and then working with them, both in the office and onboard ships, with the Club's own assessors, claims executives and underwriters, to assess relevant threats and controls.

We hope that, by focusing on the high-risk THREATS which we know to have caused P&I claims and the CONTROLS that we know can mitigate their consequences, in future one *small mistake by a human* either onboard OR ashore is not **'the straw that breaks the camel's back'**.

Drawing on the experience of its claims executives and in-depth claims analysis, the Club has defined 76 of these major threat areas which cause liability claims, and some 450 controls which may be able to help reduce the likelihood of those threats causing an incident.

We have worked closely with individual Members to trial and develop a system to rate and record these risks, so that a more scientific approach to claims prevention/control can be taken. As we extend the use of the system, this will in turn help establish trends and benchmarks which we hope Members can use within their own safety systems to help manage their risks. The old saying **"you can't manage what you can't measure"** has never been more valid.

Overall assessment

Ship: Test case
Group: 1234
Reference number: 1234
Port: London
Date of assessment: 30 June 2011
Assessor: CJR

Threat scores

Claim type	Score
Personal injury risks	41%
Collision risks	40%
Pollution risks	40%
Property risks	40%
Cargo risks	41%
Overall threat score	40%

Overall risk factor 40%

Ship risk

Overall ship risk

Bar chart showing threat scores for Personal injury risks (41%), Collision risks (40%), Pollution risks (40%), and Property risks (40%).

Ship risk split (Threat and Consequence)

Bar chart comparing threat scores and consequence scores for Personal injury risks, Collision risks, Pollution risks, and Property risks.

Threat assessments

Horizontal bar chart listing 76 threat areas with their respective scores. Categories include Personal Injury, Collision, Pollution, Property, Stowaway/Piracy, Cargo, and Third party risks.

Controls that may need attention

Table listing 450 controls with columns for Threat, Control, Status, and Comment.

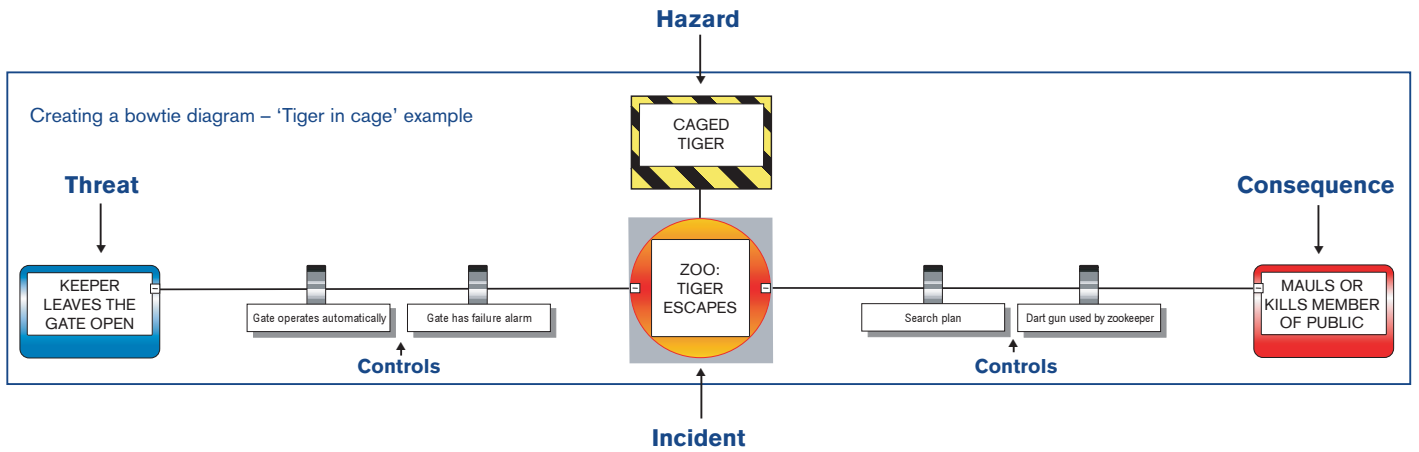
Methodology

THE TIGER IN THE CAGE EXAMPLE

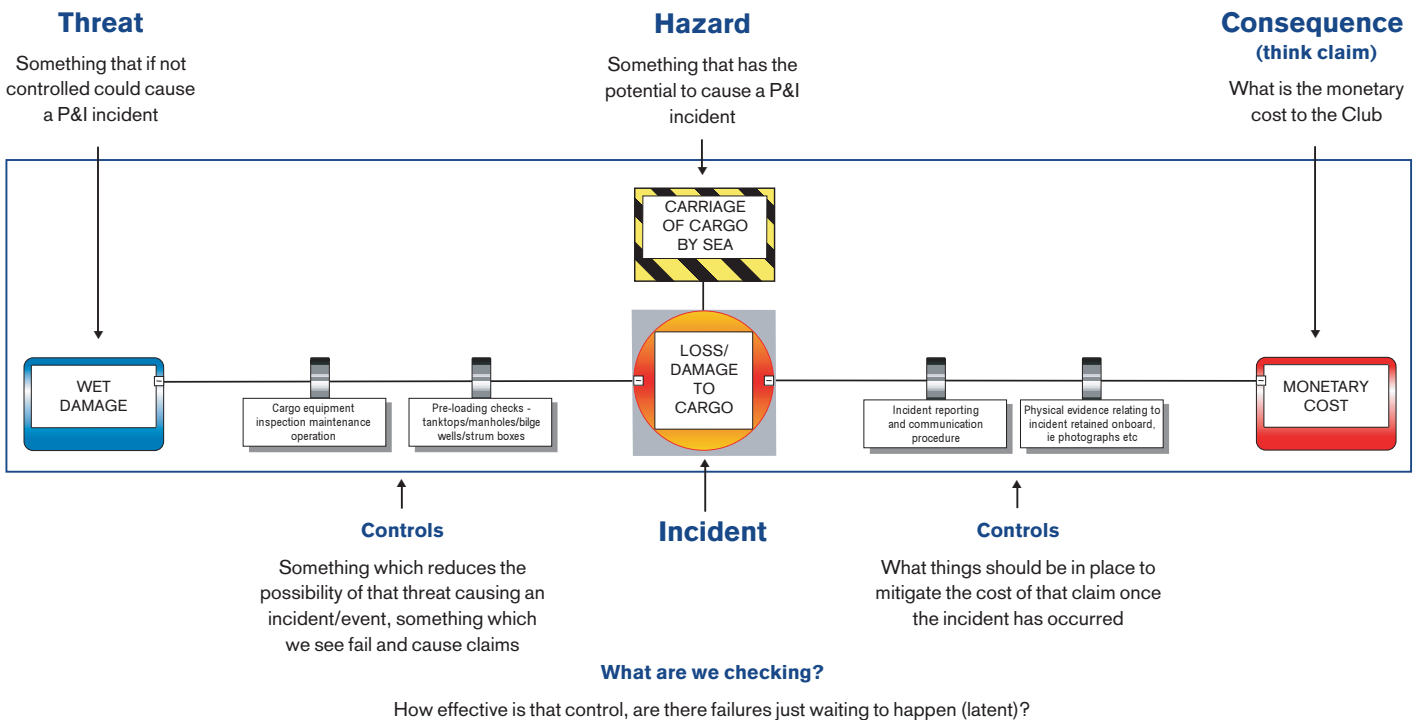
Although sixty per cent of UK Club claims are caused by 'human error', human error is often only 'the straw that breaks the camel's back' – the last event in a chain of causal events

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?



Methodology onboard



Benefits

- Strategic guidance to owners and operators on tackling the root cause of expensive claims
- Quantified real-life case examples enable owners/operators to invest proportionately in risk management and loss prevention activity
- Detailed reports enable information to be shared across the fleet and operational departments enhancing co-operation and effectiveness
- Consistency in approach facilitates sustained and measured loss prevention activity over the longer term
- Assistance with PSC compliance speeding up that process and reducing the delay to ships and the burden on masters and crew during port calls
- Transparency of approach enables owners/operators to demonstrate good practice to customers, contractors, maritime agencies and other third parties.

Features

- Unique and most effective approach to maritime loss prevention in the P&I industry
- Proactive strategic approach based on known risk threats
- Unifies the experience of both loss prevention and claims handling
- Over twenty years of large claims analysis used to identify and quantify claims 'threats'.
- Claims handlers experience gives detailed insight on contributing or exacerbating circumstances surrounding identified key threats
- Fund of knowledge from twenty years ship inspection and loss prevention activity informs the identification of risk or threat pathways
- Risk profiling and benchmarking gives guidance to owners on their performance
- Structured, repeatable, transparent, and easily updated.