

Annual Review

2013/14



**IGP&I**





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# Key facts

1

The Athens Convention 2002 Protocol entered into force on 23 April 2014.

2

Between 2001 and 2013, world seaborne trade was estimated to have grown by 60%.

3

2013 saw no successful vessel hijackings in the Horn of Africa/Gulf of Aden/Arabian Sea.

4

The world container fleet has grown from 158m GT in 2010 to 188m GT in 2013.

5

The world fleet has doubled to 1.14bn GT from 2001 to March 2014.

6

The Nairobi International Convention on the Removal of Wrecks 2007 will enter into force in April 2015.

7

Total entered tonnage in the International Group Clubs now exceeds 1bn GT, or over 58,000 vessels.

# Chairman's Statement

Shipowners and operators need to be able to mitigate and manage the risks inherent in ship owning and operating. It is the job of the global insurance industry to ensure the availability of adequate and sustainable insurance cover. The International Group of Protection & Indemnity Clubs plays a key role in this, ensuring the availability for shipowners and operators of the highest limits, and broadest range, of marine liability insurance cover that can be provided.

The global economy is highly inter-dependent and could not function were it not for ships and the shipping industry. Whether it is the food on people's tables, the technology that is a vital part of today's businesses or the fuel that powers transport and factories, the items that are considered the basic necessities of modern life are brought to their respective consumer markets by sea.

For trade to continue, shipowners and operators need insurance products, and marine insurers, including the P&I Clubs, need to be in a position to meet these needs. The International Group Clubs have been responding to the shipowners' needs for marine liability insurance, in some cases, for over 150 years. The

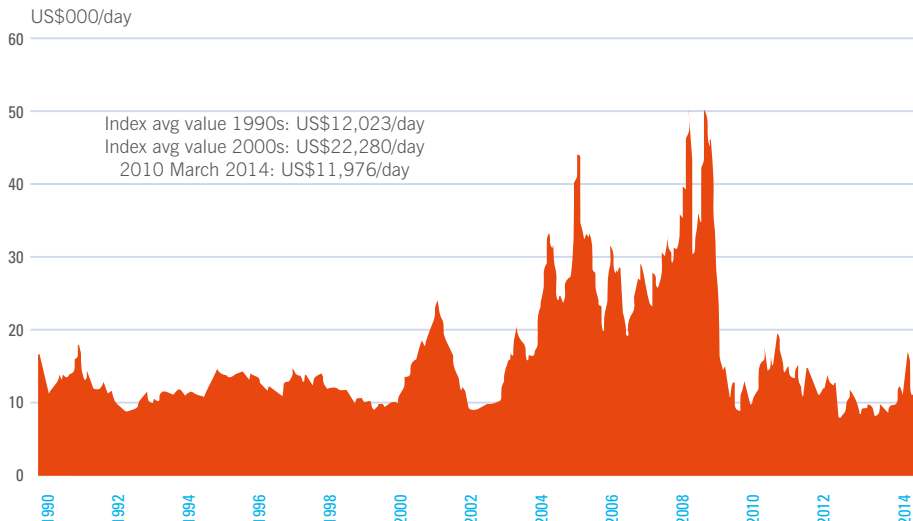
International Group system has ensured that shipowners have the highest limits, and broadest range, of marine liability insurance cover which can be provided, coupled with unparalleled expertise, experience, advice and support in claims handling and loss prevention advice.

**The world fleet continues to grow**  
The world merchant fleet is now around 1.14bn GT, of which around 1.02bn GT (or roughly 90%) is insured by the International Group Clubs. During 2013, the world fleet grew by an estimated 3.8% in terms of gross tonnage and by 1.7% in vessel numbers. It is forecast that both the absolute number of vessels, and tonnage, will continue to grow until at least 2024. It is also likely

that container ship tonnage, which has roughly doubled since 1996, and now accounts for around 17% of the world fleet, will continue to grow over the coming years. All of this will present new opportunities and challenges for the Clubs, the Group and the Group's reinsurers.

Shipping Cycle 1990-2014: ClarkSea Index

(ClarkSea Index is a weighted average of earnings by tankers, containerships & gas carriers)



**Grantley Berkeley**  
Chairman



**A difficult trading environment**

2013 again proved a difficult year for shipowners, with average earnings for all vessel types (with the exception of offshore and LNG vessels), significantly below the 10 year average. The ClarkSea Index reached US\$15,885/day in January 2014, somewhat above the 1990s average values of US\$12,000/day but well below the 2000s average of US\$22,250/day. The projected growth in the world fleet will provide little comfort or assistance in driving firmer rates for shipowners and operators. The key will be to drive efficiencies in operating expenses to improve returns without compromising on safety and training. Achieving this goal will be helped by an increasingly modern global fleet with a reduced age profile, better hull and machinery design and fuel savings achieved through slow steaming.

**Claims trends**

For 2013, Clubs are reporting significant levels of claims activity within the current US\$9m retention. In excess of that, 17 claims were notified to the Group Pool (US\$9m-US\$70m), down from 25 in 2012, totalling approximately

US\$465m, down from approximately US\$687m in 2012. 2013 was another good year for new claims on the Group's reinsurers, with only one claim notified with an exposure of less than US\$40m to reinsurers.

**Challenges**

2014 has seen the entry into force of the Athens Convention 2002 Protocol, bringing with it a significant increase in passenger liability limits. The Protocol limits have been in force within EU member states since 31 December 2012. The increase in limits, coupled with the increasing size of passenger vessels, led the Group in 2006 to introduce a passenger limit of US\$2bn, and a passenger and crew combined limit of US\$3bn.

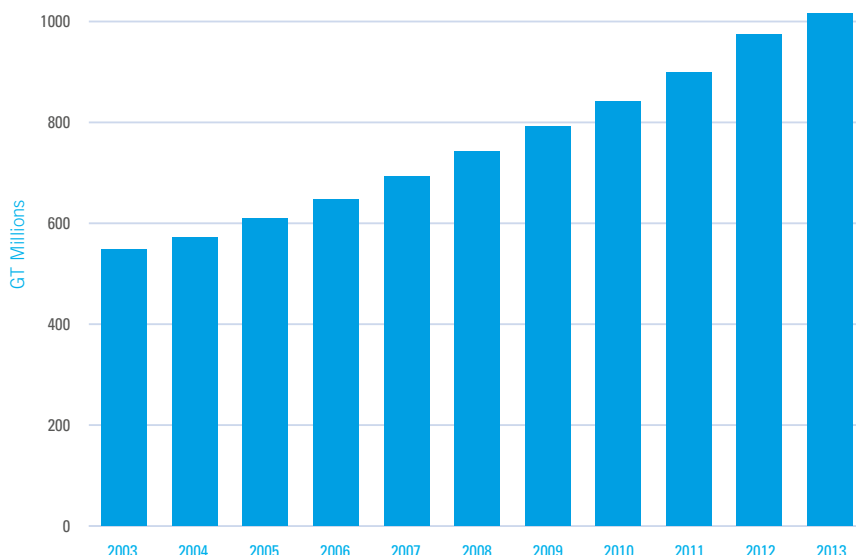
Regulatory developments continue apace, particularly in China, with a focus on requirements on shipowners in relation to oil pollution response arrangements. These do, and will continue to, occupy an ever-increasing amount of Group resources and time.

In 2014 or 2015 Club boards will need to address the issues arising out of the

Maritime Labour Convention 2006 in relation to crew back wages, which will come into effect in or around 2016. This relates to the financial security for wages owed to crews following a shipowner's insolvency. The Nairobi Convention on Wreck Removal will come into force in April 2015, and the Group is engaging with States who have yet to ratify on the dangers of not applying the Convention to territorial waters.

Within the Group, diversification by Clubs away from their traditional core mutual P&I businesses will undoubtedly raise challenges, and put new pressures on the Group system. Diversification may enable Clubs to enhance the benefits which they can offer to shipowners through the provision of more comprehensive insurance cover, but it also has the potential to damage or undermine the concept of mutuality, both within the Clubs themselves, and within the Group. It may also raise issues for Clubs with their respective solvency/financial regulatory authorities. The issue will be one of increasing focus within, and outside, the Group in the year ahead.

**International Group owners' tonnage**



# Executive Officer's Statement

Although over two years have elapsed since the capsizing of the COSTA CONCORDIA off Giglio in January 2012, the unprecedented level of associated claims which it generated has remained the dominant interest of the P&I industry throughout 2013. The unique and complex operation to parbuckle and right the vessel, and prepare her for delivery to a port for scrapping, has continued to be the subject of media and market interest and speculation. 2014 should see the completion of the wreck removal operations and the delivery of the vessel to a destination for scrapping.



**Andrew Bardot**  
Executive Officer



Together with the RENA grounding in New Zealand in 2011, the COSTA CONCORDIA incident stimulated the review and analysis undertaken by the Group's Large Casualty Working Group of the underlying cost drivers of major wreck removal claims handled by the Group Clubs over the last decade. The review was published in spring 2013, and one of its recommendations was to develop an outreach programme with different States. The objective of this is to try to improve co-operation in dealing with major incidents involving Removal of Wreck. This initiative was supported by the Group, and work has already begun to engage a number of key States to improve ties and co-ordination through a Memorandum of Understanding, which promotes co-operation to facilitate an expeditious and effective response to incidents. The outreach will be extended to further States during the course of 2014.

#### The right response

As reported elsewhere, China-related issues continue to occupy a considerable amount of time and resources within the Group, particularly the proliferation of Chinese oil spill responders and the need to vet, discuss and approve the numerous response contracts involved across a wide range of Chinese ports. This exercise has necessitated several delegations by the Group to meet with the Maritime Administration and spill responders, and further visits and engagement will undoubtedly be required.

2013 saw the fruition of the very significant efforts made by the Group and other industry bodies in relation to the development of the IMSBC Code and schedule with regard to cargoes of iron ore fines. This was approved at the IMO DSC meeting in September 2013, and it will have mandatory application in all SOLAS States from January 2017. Work continues to address the problems associated with nickel ore cargo liquefaction.

#### The right result

A further milestone in 2013 was the completion of the final modules in the Group P&I Qualification. This is the successful culmination of a body of work which started in 2008 to develop an accredited training programme specifically tailored to the P&I industry. All seven modules are now up and running, and approved by the CII. Five pilot students from Group Clubs have now completed, and successfully passed, all seven modules, and have been awarded the "P&I Q" certificate.

In addition to ongoing issues, 2014 will inevitably bring new challenges and issues for Clubs and for the Group. The Group Secretariat team was strengthened in 2013 and, with its unique spread of relevant knowledge and expertise, remains well-placed to assist and guide the Group moving forward.



# Pooling and Reinsurance



The International Group pooling system provides a simple, but highly efficient and fair, system of spreading risk and enhancing the financial security that Clubs can offer their Members. The cover provided by the Pool is protected for liabilities in excess of US\$80m (for 2014) by the International Group's reinsurance programme which is renewed annually. This programme offers the reinsurance market a portfolio with a large volume of tonnage and wide range of vessel types – both of which help to spread of the risk of claims and increase their relative predictability.

2013 proved to be another benign year for new claims to the Group reinsurance programme, with only one claim notified whose exposure to the programme is less than US\$40m. However, the year did see further development on the 2011/12 policy year, which produced the first and third largest-ever claims on the Group pool, which continues to impact the Group's reinsurers. This exposure, coupled with general concerns regarding the increased cost of major casualties (in particular wreck removal and SCOPIC exposure) led the Group's reinsurers to once again seek rises in the renewal premium for the 2014/15 policy year.

#### Reducing the impact

In order to mitigate the impact of the increase on shipowners, the Group took the decision to increase the excess point on the GXL contract from US\$70m to US\$80m, with the additional US\$10m retained within the Group pool and reinsured by the Group captive Hydra for US\$50m excess of US\$30m.

The Hydra co-insurance share in the first layer of the Group general excess loss (US\$500m excess US\$80m) remains at 30%. For 2014/15, there is again a three-layer pool structure, with a lower pool layer from US\$9m to US\$45m, an upper pool layer from US\$45m to US\$60m (within which there is a claiming Club retention of 10%) and a top pool layer from US\$60m to US\$80m (within which there is a claiming Club retention of 5%).

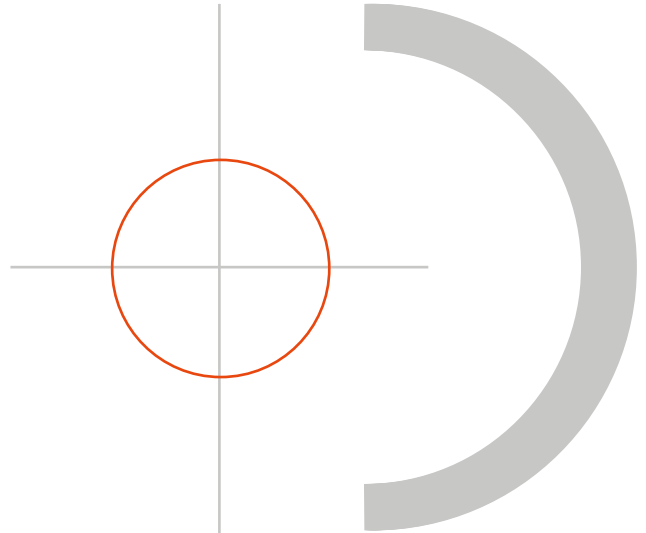
In a further change last year, for 2014/15 the Group placed 5% of the market reinsurance cover in two US\$500m layers, from US\$100m to US\$1.1bn, on a multi-year, fixed placement basis.

In addition, following a series of annual reductions in the amount of the US oil pollution voyage surcharge, and reflecting the continued improvement in the record of the dirty tankers sector, the voyage surcharge was removed for 2014/15.



## Hugo Wynn-Williams

Chairman,  
Reinsurance  
subcommittee



The result of the renewal negotiations and programme restructuring was an increase in the cost of reinsurance of approximately 5.25% for clean and dirty tankers and dry cargo vessels, and 20% increase for passenger vessels.

### Getting the right allocation

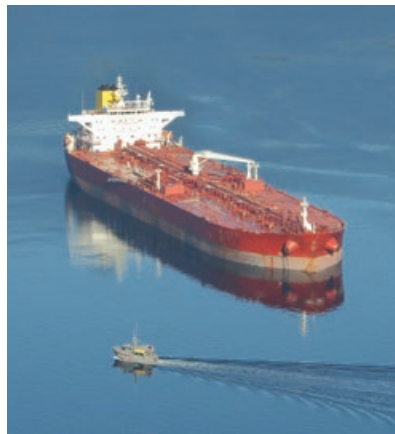
As usual, a key focus of the reinsurance renewal was the subject of allocation of reinsurance cost by vessel type. In approaching the reinsurance cost allocation exercise for the 2014/15 policy year, the Group's Reinsurance Strategy working group and Reinsurance subcommittee acted in accordance with the Group's general allocation objectives, principally that of moving towards a claims versus premium balance for each vessel type over the medium to longer-term.

They reviewed the updated historical loss versus premium records of the current four vessel type categories, and the final allocations that were approved and adopted reflected the continuing favourable tanker sector record and improved dry cargo sector. In the passenger sector, where there remains a long-term imbalance to address, the 2013/14 increase, and the more modest 2014/15 increase, should contribute significantly to achieving the return towards equilibrium for this sector.

The possibility of a separate container vessel category was also once again considered, but was not adopted for 2014/15, principally on the grounds that currently there is insufficient claims data to make any meaningful rating evaluation

for the sector. This will, however, be kept under review each year in accordance with the general allocation principles.

During 2014, the Group Reinsurance subcommittee, guided by a number of specialist working groups and external actuarial consultants, will continue to look at the operation of the pooling arrangements and will identify and evaluate ways in which this can be improved. In addition, there will be a continuing focus on means of improving the efficiency of the Group's reinsurance purchasing arrangements, and on optimising the participation in the reinsurance arrangements of its captive, Hydra.



# Removal of Wreck



## Michael Kelleher

Chairman,  
Large Casualty  
working group



Removal Of Wreck (ROW) operations are becoming an ever more complicated feature of maritime casualties. Early intervention, the free flow of information and collaborative decision-making between the parties involved in the response to maritime casualties invariably lead to more successful and effective wreck removal outcomes.

An International Group working group was established in autumn 2012 to identify and review 20 large casualties (involving costs in excess of US\$40m) occurring between 2002 and 2012 which involved significant ROW elements. The objective was to identify and assess the factors that have caused or contributed to the significant cost escalation, and to consider whether there were any practical recommendations or guidance which could be provided to the Group Clubs with regard to improvements in response and handling of major casualties.

In approaching this task, the working group recognised that many of the influencing factors are matters of pure fortuity and are, therefore, not capable of being materially influenced, but other factors might be susceptible to improvements in co-ordination and more effective and faster response.

### Common factors

In its report in spring 2013, the working group identified a number of key common features/factors in the casualties reviewed including; geographical, meteorological, and technical considerations, contractual arrangements and performance of contractors, Government/other authority intervention in ROW planning requirements and operations, and particular difficulties associated with specific vessel types, such as passenger ships and container vessels.

The review revealed that “non-fortuitous” factors can, in some situations, result in the imposition of operational requirements which can significantly increase costs, even when alternative and equally effective cheaper measures could have been employed. In this context, the working group concluded that:

- a. Clubs undoubtedly have very considerable expertise in casualty response which is recognised by some, but not all, relevant stakeholders. Outreach to international organisations, regional maritime safety agencies and State maritime authorities could assist in raising their understanding of the vital role played by the Clubs in the handling of maritime casualties, and build confidence between all the parties engaged in response activities.
- b. Prompt and effective liaison with government decision-makers both during pre-planning and the later stages of the operation is essential. Taking the time to achieve more effective liaison with all relevant authorities at the earliest opportunity is beneficial to all stakeholders.

### Building on experience

Based on the positive experience of co-operation with the US National Oceanographic and Atmospheric Administration and the US Department of Interior in relation to US oil spill response, one of the recommendations was to give consideration to developing a MoU for use with States. The objectives would be to promote co-operation and facilitate an expeditious and effective response in the case of major casualties, in particular involving wreck removal operations.

This recommendation was supported by the Group and subsequently the working group has developed a draft MoU modelled largely on the current US versions. The MoU is not intended to create legally binding obligations, or to override existing international, regional or national arrangements for the handling of maritime casualties, but rather to establish

a collaborative framework between Clubs and State maritime administrations for the prompt and efficient handling of casualty incidents. The proposed co-operation and MoU have been discussed with a number of key State administrations and have been positively received, and during 2014 further States around the world will be engaged in the process.

The working group has an ongoing remit to review major casualty incidents and will continue its work going forward. A further four relevant casualties have occurred since 2012, which will be reviewed by the working group during 2014. Encouragingly, the amounts involved in the subsequent casualties are considerably below those incurred in the spike year of 2011/12.



# China





**Colin Williams**  
Chairman,  
Pollution subcommittee



In recent years there has been an increasing regulatory focus in China on ship-sourced pollution and emergency preparedness and response, as China has sought to overhaul and update its domestic maritime legislation. Keeping pace with the plethora of new regulations and requirements imposed on shipowners trading to China is a major challenge for shipowners and Clubs.

As part of the requirements contained in the Regulations of the People's Republic of China (PRC) on the Prevention and Control of Marine Pollution from Ships (the Regulations), owners/operators of ships, carrying potentially polluting and hazardous cargoes in bulk, or any other ship above 10,000 GT, must enter into a contract with a China Maritime Safety Agency (MSA) approved Ship Pollution Response Organization (SPRO) prior to entering a PRC port. According to the Detailed Rules and Notices promulgated pursuant to these Regulations, the above requirement came into force in January 2012.

These contractual requirements contained in the Regulations are similar to the corresponding provisions in the United States, contained in the US Oil Pollution Act 1990 on Oil Spill Response Organisations (OSROs), where both tank and non-tank vessel owners are required to have contractual arrangements in place with an approved OSRO if calling at a US port.

These Chinese requirements advocate a shipowner-led response to ship-sourced pollution incidents, as is the case in

the US and Canada. This is despite the fact that China is a State Party to the International Convention on Civil Liability for Oil Pollution Damage 1992, which advocates a government-led response to ship-sourced oil pollution, and then recovery from the shipowner.

#### A proliferation of providers

Whilst there are OSROs operating in the US who provide a virtually nationwide service, there are currently over 130 approved SPROs operating in Chinese ports, with no single SPRO providing a China-wide service. This has created obvious challenges for Members with ships calling at different Chinese ports during the course of the year, coupled with the uncertainties created by a nascent, but rapidly developing, regulatory system in such an important trading nation.

As a result, the Group has taken the lead role for the industry in working closely with the SPROs, the central and local MSAs and agency service providers to ensure that the administrative and contractual arrangements needed to comply with the Regulations have not been unnecessarily burdensome on owners.

A standard contract wording has been developed by the Group for Members when contracting with SPROs and is now widely used in Chinese ports. Through the International Tanker Owners Pollution Federation Ltd (ITOPF), the Group also reviews SPROs' tariffs for response equipment used in the event of an incident in order to ensure that there is a relative degree of certainty and knowledge with regard to any future costs incurred.

#### Moving forward

It is encouraging to note that SPROs have been receptive both to engagement with the Group, and to the objective advice and assistance provided by ITOPF regarding appropriate cost rates for the items which have been identified within the SPRO tariffs.

The Group has spent a considerable amount of time engaging with SPROs in China since the Regulations entered into force, and will continue to do so to encourage and promote the use of the standardised contractual terms. This should ensure that the tariffs used by SPROs for response equipment are reasonable and fair, and increase the level of co-operation with the spill response industry and central and local authorities in China.

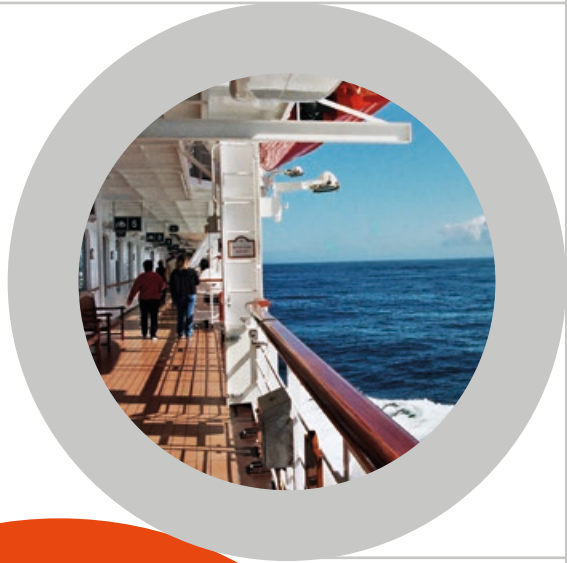
As was the case with the corresponding US OPA '90 requirements however, it will take time for the Regulations to be applied in a uniform, harmonised manner across China. Nevertheless, the Group will continue to engage closely with SPROs, the MSAs and other interested parties in China to assist Clubs in guiding their Members on compliance with the Regulations.



# Athens

# Convention 2002

# Protocol



**Jonathan Hare**  
Chairman,  
Compulsory Insurance  
subcommittee



After almost 12 years in the ratification process, the 2002 Protocol to the 1974 Athens Convention entered into force on 23 April 2014 for the 17 States that have acceded to it. This results in a significant increase in the international regime governing the liability of the carrier or performing carrier of passengers by sea.

The per capita liability limit of SDR 46,666, established in the 1974 Athens Convention, is increased to SDR 400,000 under the 2002 Protocol. In addition, the carrier (or performing carrier) is required to maintain insurance of SDR 250,000 per capita multiplied by the number of passengers the ship is licensed to carry. This results in a significant exposure for financial security and insurance providers.

In the event of a claim against the carrier (or performing carrier), passengers, by virtue of the rights conferred by the 2002 Protocol, have the right to submit claims directly against the financial security provider or insurer if the incident causing the damage occurred in the course of the carriage. Liability is strict in the case of a “shipping incident” such as shipwreck or collision.

#### Demonstrating certification

Carriers or performing carriers are required to carry on board a certificate issued by a State Party to the 2002 Protocol attesting that insurance or other financial security is valid and effective. The format of the certificate is described in an attachment to the 2002 Protocol, and its form is standardised in so far as it refers to Article 4bis of the Protocol establishing the carrier or performing carrier’s compulsory insurance requirements.

Anticipating the certification needs of owners of passenger vessels, the Group has been in close discussion and liaison with the International Maritime Organisation, European Union (EU) member states, and the European Commission to seek agreement on a uniform approach to the certification requirements in respect of the insurance obligations arising from the 2002 Protocol. Such obligations are also present in the Athens Regulation 392/2009/EC which directly refers to the 2002 Protocol insurance provisions.

The Group has continued working with States that have acceded to the 2002 Protocol, but who have not yet deposited the 2006 IMO reservation capping liability for terrorism-related incidents. While this cap is incorporated in the EU regulation, and is therefore applicable on an EU-wide basis, blue cards for risks related to acts of terrorism in non-EU state parties to the Protocol will not have a basis upon which to cap liability for such risks.

#### Seeking a pragmatic solution

The Group continues to work on this important issue and to seek a pragmatic solution with governments to avoid the need for dual certification of insurance. As duplication of such requirements would create confusion for both States and shipowners, and introduce an unnecessary burden for both, it is anticipated that these potential problems can be resolved by continuing to work closely with the IMO, EU member states and the European Commission.

# Sanctions on Insurers



P&I cover is designed to ensure that compensation is available for third-party victims of maritime incidents, not for the direct benefit of the primary targets of sanctions. Restricting or prohibiting the availability of such cover carries with it a significant risk of unintended and adverse consequences for third-party victims.





## Mike Salthouse

Chairman,  
Sanctions working  
group



During the past twelve months the International Group has continued its policy of active engagement with regulators and policy makers on the increasingly complex sanctions regimes implemented by the European Union (EU), EU member states and United States (US).

The Group's ongoing strategy through 2013 was to maintain a close oversight of sanctions policy and legislation as and when it was developed and implemented. A policy of early intervention with regulators has helped the Group to develop and consolidate collaborative working practices with administrators in the EU and US, and this has ensured that the often complicated issues relating to the provision of marine insurance are now better understood by officials and regulators in government agencies and administrations.

### A developing picture

In 2013 further, and more restrictive, trade sanctions were implemented by the EU and US against Iran. These further restricted exports and imports to and from Iran, with more stringent financial sanctions and prohibitions on the provision of insurance and reinsurance cover by EU and US regulated insurers and reinsurers to shipowners domiciled both within, and outside, those areas.

The most significant pressure point was the introduction from 1 July 2013 of a US Presidential Executive Order giving effect to the Iran Freedom and Counter Proliferation Act of 2012 (IFCA). IFCA authorised new sanctions related to Iran's energy, shipping and shipbuilding sectors, the provision of underwriting services and insurance or insurance or reinsurance activities. This escalation of US sanctions against Iran aligned US measures with those introduced across the EU. These measures, along with the continuing policy of designation of individuals and entities, resulted in additional compliance burdens for shipowners and insurers, and an increased level of due diligence of procedural requirements.

On 24 November 2013, Iran agreed a Joint Plan of Action with the EU, US, UK, France, China, Russia and Germany (the "P5+1"). Under the Plan, Iran agreed to cease its uranium enrichment activities and, in return, a programme of limited sanctions relief was put in place, effective for 6 months, from 20 January 2014. These included temporary suspension of prohibitions on the insurance of certain Iranian trades.

The implementation of these regulations was ambiguous, notably in relation to payment of claims incurred during the six month period, but not presented until after the period had expired, and in relation to the ability of the Group's US reinsurers to contribute where their cover was engaged. Notwithstanding lengthy discussions with the EU Commission and the US Office of Foreign Assets Control and State Department, it was not possible to resolve the fundamental concerns on these issues, with the result that Clubs have had to inform their Members that they are not in a position to provide effective cover during the six month temporary suspension period. Whether this period will be extended beyond 20 July remains to be seen.

### The shape of things to come

During the coming year, the Group will continue to engage with the relevant regulatory bodies. Its efforts will be focused on mitigating the impact of secondary sanctions measures targeted at the provision of marine liability insurance cover. P&I cover is designed to compensate the victims of maritime incidents, rather than benefit the targets of sanctions. Restricting or prohibiting the availability of such cover carries with it a significant risk of unintended and adverse consequences for those third party victims. The Group is also closely monitoring recent developments in relation to sanctions measures targeted at Russian and Ukrainian individuals and entities.



# The Maritime Labour Convention 2006



## Jonathan Hare

Chairman,  
Compulsory Insurance  
subcommittee



The Maritime Labour Convention (MLC) was developed and agreed in 2006 under the auspices of the International Labour Organisation (ILO). It entered into force on 20 August 2013 and, at the time of writing, 57 States have ratified the Convention, virtually guaranteeing its universal application across the maritime sector. It was further amended following the ILO Special Tripartite Meeting held in Geneva in April 2014 and includes additional obligations and requirements on shipowners and insurers.

Responding to the requirements on shipowners introduced by the MLC 2006, the Clubs incorporated cover provisions in their rules for the 2013/14 policy year principally to cover repatriation in cases of an owner's insolvency. The amended rules became effective when the MLC entered into force last year, ensuring that owners were, and are, able to comply with the applicable financial security provisions in the Convention. The existing MLC provisions on financial security in respect of shipowners' liabilities, as described in the Convention, are evidenced by Club Certificates of Entry. Following the Group's intervention with Flag State Administrations, such certificates have been accepted by them since the Convention entered into force.

Amendments to MLC have been agreed upon in principle, subject to approval by the ILO governing body, in respect of liability and financial security for contractual claims for injury, death and abandonment to provide up to four months' back wages and outstanding entitlements for the same period.

Article XV of the MLC 2006, provides that a Special Tripartite Committee (comprising State Parties to the MLC, shipowner and seafarer representatives) may convene a meeting to keep the Convention under review, and introduce amendments to the Code of the Convention through its tacit amendment procedure.

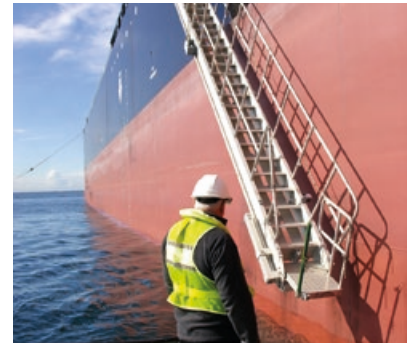
The Special Tripartite Committee met at the ILO between 7 and 11 April 2014 to consider and discuss the Principles that were agreed in 2009 under the auspices of a joint ILO/IMO working group which included governments

and representatives of shipowners and seafarers. The Committee has agreed to give broad effect to the Principles with some minor amendments. The new provisions are still subject to final approval by the ILO governing body, which meets in May and June 2014. They will take effect from a future date to be agreed by the ILO governing body, but that is not likely to be before the end of 2015.

When the new provisions come into force, shipowners will be required to evidence their financial security in a form that has been agreed by the Special Tripartite Committee. This may include some of the features of the blue card which shipowners require in order to evidence cover for liability arising under the IMO liability conventions such as CLC, Bunker Convention and, from 23 April 2014, the 2002 Athens Protocol.

The International Group was fully engaged with industry shipowner organisations and national associations in preparation for the recent negotiations with the ILO. The Group attended the Special Tripartite Committee in an advisory capacity and provided guidance to the International Shipping Federation on matters regarding the provisions relating to financial security.

Any agreement to provide additional cover provisions required by shipowners for liabilities arising from the amendments to the MLC will be subject to the decision of Club boards.



# Solid Bulk Cargo Liquefaction





**Graham Daines**  
Chairman,  
Claims Co-operation  
subcommittee



There has been a continuing industry and regulatory focus over the last year on the hazards associated with the carriage of iron ore and nickel ore fines, and the susceptibility of such cargoes to liquefaction. This process can result in the sudden loss of vessel stability, which in turn can lead to capsize with the tragic loss of seafarers' lives.

Liquefaction can result from excessive moisture content in the cargo on shipment and can also be caused, or exacerbated, by vessel motion or vibrations from the running of the main engine, or other on-board machinery.

Liquefaction of iron and nickel ore cargoes has led to the capsize of a number of vessels in recent years. In order to address the concerns arising from the carriage of iron ore fines by sea, the Group took the industry lead on a new Schedule to the IMSBC Code governing the safe carriage of iron ore fines by sea in the IMO discussions prior to, and at, the IMO Sub-Committee on Dangerous Goods and Solid Bulk Cargoes (DSC) meeting held in September 2013.

The adoption of the new Schedule was the conclusion of a 12-month research project undertaken by the main global iron ore mining interests, which was evaluated, and independently verified, through researchers appointed by the Group on behalf of a group of industry associations.

The outcome of this work met the objectives of the Group which welcomed its findings. The Group has since liaised closely with the competent authorities in key States that export iron ore fines, notably Australia and Brazil, to determine whether there would be voluntary, early implementation of the new Schedule. Clubs have, as a result, issued corresponding guidance to assist their Members.

Separately, the Group continues to promote the reduction or elimination of the risk of liquefaction of nickel ore cargoes, in particular from Indonesia. Clubs have continued to issue guidance to Members carrying, or who plan to carry, such cargoes, emphasising the importance of ensuring that shippers comply with the existing requirements of the Code.





# International Group of P&I Associations

Members:

**American Steamship Owners Mutual Protection and Indemnity Association, Inc.**  
[www.american-club.com](http://www.american-club.com)

**Assuranceforeningen Skuld**  
[www.skuld.com](http://www.skuld.com)

**Britannia Steam Ship Insurance Association Limited**  
[www.britanniapandi.com](http://www.britanniapandi.com)

**Gard P.&I. (Bermuda) Ltd**  
[www.gard.no](http://www.gard.no)

**Japan Ship Owners' Mutual Protection & Indemnity Association**  
[www.piclub.or.jp](http://www.piclub.or.jp)

**London Steam-Ship Owners' Mutual Insurance Association Limited**  
[www.londonpandi.com](http://www.londonpandi.com)

**North of England Protecting & Indemnity Association Limited**  
[www.nepia.com](http://www.nepia.com)

**Shipowners' Mutual Protection & Indemnity Association (Luxembourg)**  
[www.shipownersclub.com](http://www.shipownersclub.com)

**Standard Club Limited**  
[www.standard-club.com](http://www.standard-club.com)

**Steamship Mutual Underwriting Association (Bermuda) Limited**  
[www.simsl.com](http://www.simsl.com)

**Swedish Club**  
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