North Sea innovation
PAGE 4

The U.S. Maritime Transportation Security Act
PAGE 8

Skuld Defence Services
PAGE 25

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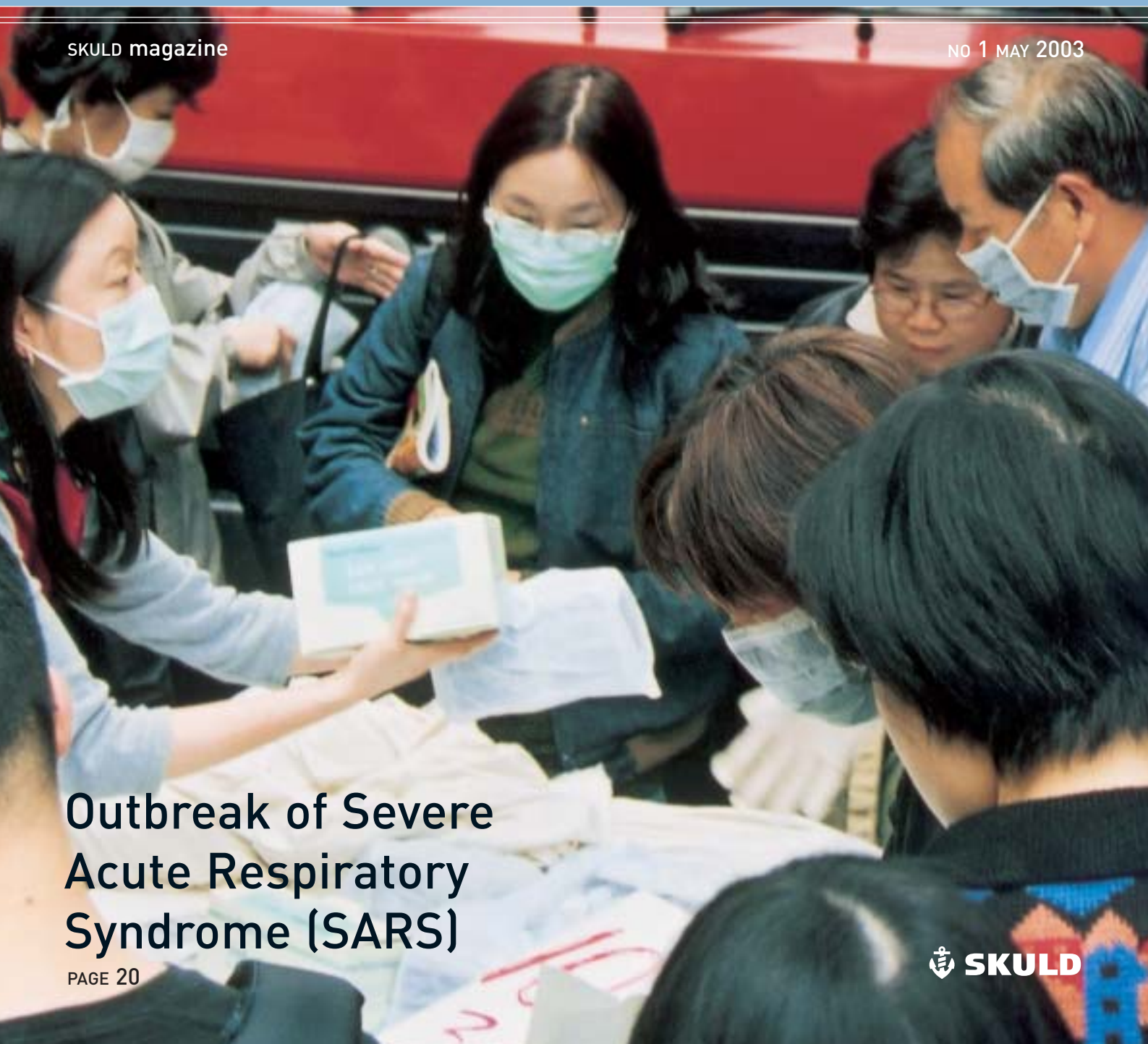

Outbreak of Severe Acute Respiratory Syndrome (SARS)

PAGE 20

SKULD

EDITOR'S corner

Springtime in Oslo! Leaving the long winter behind. Successful renewals accomplished. Lighter days.

Have you noticed the change in Beacon's layout? Somewhat lighter, friendlier, different, but still recognisable. Do you like it, or not? Please tell us!

Summer's approaching and with it the high season for travelling. A nice place to visit is Haugesund on the southwest coast of Norway. I went there recently and found the North Sea's tanker specialists Knutsen OAS Shipping AS with their Managing Director Trygve Seglem. Read all about it on page four.

Not all is looking bright in our world today. SARS is spreading, and with it the possibility of our members being affected. Lawyer Christopher Hall of our Hong Kong office has brought us a timely article.

As always in our magazine, there are some legal topics for you to read. And on the loss prevention side: Weather routing services, the danger of entry into enclosed spaces and an article on the possible adversities of soya bean carriage.

Get the latest from our Finance department and some information on recent organisational changes within Skuld. The most important change being an enhanced focus on Defence services. After all, that is what we are here for; to protect and indemnify you, and if needed: To Defend You!

ENJOY YOUR READING!

Ingeborg Berge

Contents

MEMBERS IN FOCUS:
North Sea innovation 4

The U.S. Maritime Transportation Security Act 8

LOSS PREVENTION:
Weather Routing – reducing losses at sea and costly delays 12

LOSS PREVENTION:
Million dollar beans 14

LOSS PREVENTION:
Entry into enclosed spaces 18

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Outbreak of Severe Acute Respiratory Syndrome (SARS) 20

LEGAL NOTES:
Cargo claims – who is the carrier? 23

Setting new standards 24

Skuld Defence Services 25

Skuld's investment policy pays off 26

Skuld co-sponsors Heyerdahl Award 27

House-warming and New Year 28

Organisational changes in Skuld 29

Personnel news 30

Oslo syndicates 31

Contact Skuld 31

VIEWPOINT:
Skuld meets its targets 32

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Living with the fear of SARS, Hong Kong. Photo: Chris Hall

SKULD

North Sea innovation

Technical know-how and expertise connect with innovation at the gateway to the North Sea. Knutsen OAS Shipping AS in Haugesund, Norway keeps growing while operating its technically advanced fleet and continually looks out for innovative, technical solutions for serving major oil companies. - Yes, we are optimistic about the future, says Trygve Seglem.

By Ingeborg S. Berge, Skuld, in Haugesund, Norway

The charming town of Haugesund on the west coast of Norway is the home of Knutsen OAS Shipping AS. With an office set right by the sea, modern maritime architecture and an equally modern, and growing, fleet, they are well equipped for the future.

The company was founded in 1896 and was, in the 1930s, the third largest shipping group in Norway. Knutsen OAS started off as a typical North Sea trader, engaged in fishing activities and expanded into tanker business and liner trades. After investments in the tanker business at the beginning of the 1970s, the company ran into financial difficulties during the tanker crisis at the end of the decade.

In 1984, there was time for a major restructuring of the company. The Knutsen family sold out and the current majority shareholders, Jens Ulltveit-Moe and Trygve Seglem took over. Seglem came to play a leading role in the successful rebuilding of the company, starting off its newbuilding strategy with two shuttle tankers delivered in 1987.

A large number of Knutsen's experienced staff, crew and officers are from the Norwegian west coast. There is an onshore staff of 50 covering development projects and operation, and approximately 800 people at sea. The majority of officers remain Norwegian, while crews are mainly Norwegian or Filipino. Though a few vessels are now under British flag and two new LNG carriers will have Spanish flag, most vessels are still registered in Norway.

Technically advanced fleet

With the North Sea on its doorstep and the pipeline to the onshore gas terminal at Kårstø passing beneath the sea right outside its windows, it is only natural that Knutsen OAS entered into oil and gas related carriage.

The company currently operates a technically advanced and modern fleet of shuttle tankers, chemical/product tankers and, most recently, LNG tankers – an area where most growth is expected. The fleet consists of 26 ships, with seven newbuildings coming in 2003-2005. Although the oldest vessel was built in 1987, the present average age of the fleet is only eight and a half years – an impressive record in the tanker business.

-Our customers – the main oil and petrochemical companies – are few, large, powerful and demanding, says Trygve Seglem. -And, yes, we look at this as positive. This gives us a challenge, and allows us to continually improve our business.

Newbuildings with long term contracts with first class charterers

The strategy drawn up in 1984 still holds water: 'Newbuildings with long term contracts with first class charterers'.

Some 20 vessels have been ordered over the last 15 years. As a rule, a long term contract with the charterer is finalised before the building of the vessel starts. This also means that the design of the vessels, to a large extent, can be tailor-made according to specifications from the charterer.

The majority of the vessels are on long term contracts. However, four of the shuttle tankers operate on COA contracts in the North Sea with spot voyages in

Knutsen has a total of eleven shuttle tankers. Picture shows the Ragnhild Knutsen loading crude oil from a North Sea buoy

between. There is a pooling agreement with JoTankers in Bergen, involving three vessels trading on the spot market.

Shuttle tankers in the North Sea – chemical tankers world-wide

Shuttle tankers came into business along with the development of the 'oil age' in the North Sea. These advanced tankers were built for the purpose of loading crude oil directly from buoys in open sea. Loading directly at the oil fields means flexibility and the bypassing of pipelines and other infrastructure, hence cost efficiency. Weather conditions in the North Sea can be severe in the wintertime and the vessels are specifically designed to withstand fierce North Sea storms.

Starting from the base of its first two shuttle tankers in 1987, Knutsen OAS today has a total of 11 shuttle tankers, plus one FSU (Floating Storage Unit). Two newbuildings will be delivered from Korea in 2005.

The company also entered the chemical and product tanker business with its first chemical tanker in 1990. The fleet now includes 12 such tankers, trading world-wide.

LNG – a club for the few

LNG (Liquid Natural Gas) is a club for the few, says Per Lothe, Project Director at Knutsen OAS. So far, LNG carriers have been extremely expensive, and extensive rules and requirements call for advanced expertise.

When natural gas is cooled down to minus 163°C before loading into LNG carriers, the degree of know-how and competence needs to be all that much higher with the carrier.

LNG carriage is a fairly new priority area for Knutsen OAS, but one where profitability and growth are expected.

Presently there is a newbuilding programme for two large LNG tankers (138,000 m^3) to be delivered from Bilbao, Spain in 2004, and destined for long term contracts with Spanish energy companies. In addition, there is an important pilot project on the west coast of Norway. Naturgass Vest is opening its onshore production plant on Kollsnes in August 2003 and has entered into a contract for a small LNG carrier (1,100 m^3) for carriage of gas to local customers.

Trygve Seglem drew up a rough example of the cost of LNG carriers: Chemical tankers today sell at roughly USD 30-40 mill., a shuttle tanker for operation in the rough North Sea is priced at USD 70-100 mill., while a large LNG tanker costs in the region of USD 170 mill.

No problem financially

According to Seglem, Knutsen OAS so far has had the assets needed for investments. Banks have been helpful, and Knutsen OAS has succeeded in remaining a privately owned company.

Gross revenue of the fleet operated by Knutsen OAS Shipping in 2002 was NOK 1,400 mill., with an operating profit of approximately NOK 800 mill.

Up to now the owners have not seen the need of being listed on the stock exchange. -On the contrary, says Seglem, -seeing what happens to other companies

FACT FILE

KNUTSEN OAS SHIPPING AS

- Established 1896
- Reorganised in 1984 with new owners Jens Ulltveit-Moe and Trygve Seglem
- Fleet consists of 12 shuttle tankers (including one FSU), 12 chemical/product tankers and one LNG tanker
- Newbuilding programme of two shuttle tankers, two product tankers and three LNG tankers Innovation programme within PNG and VOC
- Head office in Haugesund, Norway
- Staff of 50 onshore and approximately 800 at sea (majority of officers are Norwegian, crews mainly Norwegian or Filipino)
- Gross revenue (2002) of the fleet operated by Knutsen OAS Shipping NOK 1,400 mill. Operating profit NOK 800 mill.

-Safety in all areas is a priority for us, says Trygve Seglem. -This goes from vessel design to operation and from top officers down to the youngest crewmember. The goal is to reduce any risk to the lowest possible level

in the business, this is not very inviting. (The day of the interview was coincidentally the same day the news broke that Norway's largest shipping company, Bergesen, had been sold to a Hong Kong based shareholder. *ed.*)

FACT FILE

TRYGVE SEGLEM

- Age: 52
- Married, two daughters
- Managing Director of Knutsen OAS Shipping AS
- Education: B.Sc. Marine Engineering, Newcastle University, 1974
- Experience: Shipping industry ever since, including Statoil (the Norwegian state oil company) for seven years
- Joined Knutsen OAS Shipping AS in 1983 as Project Director and Owner
- Became Managing Director in 1988

Board Memberships:

- Vice President, Norwegian Ship Owners Association
- Chairman of Committee Norwegian Hull Club
- Member of Committee Assuranceforeningen Skuld
- Board Member/Chairman of various companies within the Knutsen Group

Safety, quality and the environment

Operating in a market consisting of the world's leading oil and petrochemical companies, Knutsen OAS has extremely safety conscious customers. At the same time they need to meet all other national and international rules and regulations regarding safety and environmental protection.

-Safety in all areas is a priority for us, says Seglem. -This goes from vessel design to operation and from top officers down to the youngest crewmember. The goal is to reduce any risk to the lowest possible level. (It goes without saying that this sounds like music to the ears of an insurance company...).

Future looking bright

The multi-national oil and petroleum companies continue to be Knutsen OAS' customers. Newbuilding of large LNG tankers does not mean that the company is shifting focus from crude oil (shuttle tankers) and chemical carriage to gas carriage.

-We aim at being a total supplier for leading oil companies when it comes to carriage of crude oil, chemicals and gas, as well as other technical solutions in connection with such carriage. And, yes, we are very optimistic about the future, ends Seglem.

Knutsen OAS is situated in Haugesund, on the Norwegian west coast

New technical solutions and aiming for new business

Det Norske Veritas has made PNG (Pressurised Natural Gas) carriers into a new standard

With its own project department, Knutsen OAS is well prepared for development of new and advanced technology. Project Director Per Lothe is enthusiastic about the competence within Knutsen OAS, and how this competence, together with quite a bit of creativity, has led to development of new technical solutions.

One example is PNG (Pressurised Natural Gas) carriers. Another is KVOC, the Knutsen approach to VOC (Volatile Organic Compound).

-The key to innovation, Per Lothe points out, -is looking into research already made, own competence and experience, and then applying this knowledge to new fields

The key to innovation, Per Lothe points out, is looking into research already made, own competence and experience, and then applying this knowledge to new fields.

PNG

-We had standard vessel design and we had standard pipeline design for carriage of pressurised gas, says Per Lothe. -Pipeline technology has seen huge developments, particularly over the last ten years. Pair these elements together, and what do you get? A new type of gas carriage, not liquid gas this time, but PNG (Pressurised Natural Gas) to be loaded on-site wherever the need arises.

Det Norske Veritas has made the solution into a standard by establishing a new vessel class for PNG carriers.

-We see vast possibilities here, says Per Lothe. -As for shuttle tankers there is direct loading out on the offshore fields, meaning flexibility, cost efficiency and no need for pipelines or onshore infrastructure. With this solution, even small gas fields may become profitable, and gas can be delivered to new markets.

KVOC – the Knutsen approach to VOC

Today, the most precious part of an oil cargo is left to evaporate into thin air while loading. Evaporation of VOC actually leads to a loss of the buyer's cargo and, in addition, makes nature bear the costs in terms of pollution. -We have a solution for this, says Per Lothe, -and we are proud to say that this solution will reduce evaporating gases by 70 to 90%.

According to Intertanko, the total annual evaporation of VOC globally is more than ten mill. tons. This equals a full day of the world's production of crude oil.

Extensive tests have been carried out. Knutsen OAS' VOC solution has been patented and is now ready for installation. -We are hoping for a breakthrough for the first contract, says Per Lothe. -When the market is ready, so are we.

By Charles B. Anderson, President,
Anchor Marine Claims Services Inc.

The U.S. Maritime Tran

Photo: Courtesy of U.S. Coast Guard

The Maritime Transportation Security Act will help prevent a repeat of September 11

sportation Security Act

The final weeks of 2002 saw an extraordinary amount of activity in the U.S. Congress, aimed at improving the security of U.S. ports and waterways. The centerpiece of this legislative activity – the Maritime Transportation Security Act (MTSA) – was signed into law by President Bush on November 25, 2002. The MTSA addresses Congress' concern that U.S. ports are particularly vulnerable to breaches in security and may be used by terrorists as a means for delivery of weapons of mass destruction. The Act mandates broad measures to increase port and vessel security, encourage investment in long-term technology, and manage security risks.

Facility and vessel vulnerability assessments

The MTSA requires the Coast Guard to conduct 'vulnerability assessments' of vessels and facilities that may be involved in a 'transportation security incident,' defined as an incident resulting in significant loss of life, environmental damage, transportation system or economic disruption. These assessments are aimed at identifying weaknesses in physical security, protection systems, communications and procedural policies. The Coast Guard has indicated that it may pass the responsibility and cost of conducting the assessments to vessel owners and operators.

Maritime transportation security plans

The new legislation requires the Coast Guard to prepare a National Maritime Transportation Security Plan, and Area Plans for each of the 43 Captain of the Port (COTP) Zones in the U.S.

The Act gives the US Coast Guard new powers to enforce port and vessel security

Commercial vessels that may be involved in a transportation security incident must also prepare security plans that:

- are consistent with the National and Area Plans
- identify a 'Qualified Individual' with full authority to implement security actions
- deter, to the maximum extent practicable, a transportation security incident using contract security measures
- describe training and drills
- include provisions for maintaining physical and personnel security.

Pending issuance of regulations implementing these requirements, last Fall the Coast Guard issued a voluntary guidance document (Navigation and Vessel Inspection Circular 10-02) intended to assist vessel owners and operators to establish protective measures for their specific vessels. In addition, the Coast Guard has held a series of public meetings seeking input on the security plans from a broad cross-section of the maritime industry including vessel owners and operators, federal, state and local law enforcement agencies, port authorities, shipping agents, P&I clubs, classification societies and maritime industry associations. Skuld and Anchor Marine representatives participated in these meetings and can supply additional details to interested members on request. The Coast Guard intends to publish an interim final regulation on the security plans no later than June 2003 and a final rule by November 2003. The Coast Guard has stated that it wishes to align U.S. domestic maritime security requirements with the International Ship and Port Facility Security (ISPS) Code and recent SOLAS amendments which will come into force on July 1, 2004.

Transportation security cards

The MTSA will require transportation security cards for access to the secure areas of a vessel or facility. The cards are mandatory for any individual allowed unescorted access to a vessel's secure areas; any individual issued a license or certificate by the U.S. Coast Guard;

The MTSA requires the Coast Guard to issue an annual report on foreign flag vessels calling at U.S. ports

vessel pilots; individuals engaged on a towing vessel assisting a tank vessel; or any individual with security sensitive information. Cards will be denied to individuals with criminal records, who have been refused entry to the U.S. under U.S. immigration laws, or who pose a security risk. It remains unclear whether crewmembers who have been detained on board vessels by INS will be eligible for transportation security cards. In addition to the security cards, crewmembers must carry and present acceptable identification credentials. It is anticipated that mariners' identification cards issued by the International Labor Organization (ILO) may meet this requirement.

Foreign port assessments

The Coast Guard will be required to assess anti-terrorism measures at any foreign port from which vessels depart on voyages to the U.S. or that otherwise pose a security risk. Factors to be considered include procedures for screening containerized cargo and baggage, access control, vessel security, and licensing and certification of compliance with security standards. If a foreign port does not maintain effective anti-terrorism measures, the Coast Guard may prescribe conditions of entry into the U.S. by vessels arriving from the port, deny entry to the U.S., or provide public notice to passengers of the ineffective anti-terrorism measures.

Automatic identification systems

Vessels operating in U.S. waters must have automatic identification systems (AIS) that electronically transmit information about the vessel's speed, course, heading, location, and other data. By July 1, 2003 all tankers and most passenger vessels must be equipped with AIS.

Photo: Courtesy of U.S. Coast Guard

Photo: Courtesy of U.S. Coast Guard

All commercial vessels operating in U.S. waters must have AIS by December 31, 2004.

International Intermodal Transportation Security

The MTSA authorizes the Coast Guard to establish a program to evaluate and certify secure systems of international intermodal transportation. The program will include standards and procedures for screening and evaluating cargo prior to loading at a foreign port, securing cargo and monitoring security while in transit, as well as standards for ensuring compliance.

Separate cargo identification and performance standards will be developed for containerized cargo, including development of performance standards for the physical security of shipping containers, seals and locks.

Transmittal of information to customs service

Among the most controversial of the MTSA's provisions are amendments to U.S. Customs law authorizing the Customs Service to require cargo information through electronic data interchange systems prior to cargo arrival or departure. This has led to the so-called "24-hour Rule" which requires carriers to provide accurate cargo manifest information 24 hours before loading on a vessel. One source of confusion is the absence of a clear definition in the regulations of the term 'carrier', which may include a registered owner, bareboat charterer, NVOCC, or a time- or voyage charterer. The regulations do not prohibit private contractual arrangements between 'trade partners' that may allocate responsibility and liability for compliance with the regulations. Charterparty clauses may attempt to allocate specific responsibility for filing the declarations as well as liability for damages and penalties arising from non-compliance, but after entry into the U.S. it is the Master of the vessel who remains responsible to produce the manifest to the U.S. Customs.

The Coast Guard will be required to assess anti-terrorism measures at any foreign port where vessels depart on voyages to the U.S.

Report on foreign flag vessels

The MTSA requires the Coast Guard to issue an annual report on foreign flag vessels calling at U.S. ports, focusing on those nations whose vessels (1) appear as Priority III or higher on the Coast Guard Boarding Priority Matrix (a system used to target vessels for inspection that assigns each ship a score based on five performance categories – operating company, flag state, classification society, prior history and service); (2) have presented false, incomplete or fraudulent information concerning passenger or crew manifests, crew identity or qualifications, or registration or classification of vessels; (3) whose registration or classification procedures are noncompliant with international standards or (4) whose laws or regulations are insufficient to allow tracking of ownership and registration histories.

AMONG THE MOST CONTROVERSIAL OF THE MTSA'S PROVISIONS ARE AMENDMENTS TO U.S. CUSTOMS LAW AUTHORIZING THE CUSTOMS SERVICE TO REQUIRE CARGO INFORMATION THROUGH ELECTRONIC DATA INTERCHANGE SYSTEMS PRIOR TO CARGO ARRIVAL OR DEPARTURE.

Civil penalties

The MTSA authorizes civil penalties of up to USD 25,000 for each violation of maritime security statutes or regulations.

Conclusion

The new maritime security legislation has already caused significant changes in the way vessel owners and operators conduct their business. The MTSA and its implementing regulations will require closer scrutiny of security measures on ships and at shore facilities, closer cooperation between vessel owners, charterers, and shippers to ensure that reporting requirements are met, and greater transparency in owners' and operators' shore-based organization and operations.

Weather forecasting information maximises safety while allowing the Master to meet demanding commercial schedules. The satellite image on the far right shows Hurricane Andrew.

Weather Routing

The following article was provided by the company WNI Oceanroutes. Quite a few of our Members avail themselves of weather routing services, and we have seen several examples of the benefit of these services when it comes to safety, efficiency and judicial purposes. We trust this article will be of interest to members.

Weather conditions are no doubt still one of the most dangerous factors to be encountered when being at sea. Since mariners first took to the high seas, the weather has extolled a heavy cost in terms of human life. Over the centuries this cost has been reduced, but in these technologically advanced days one would expect losses to be near to zero.

FACT FILE

- WNI OCEANROUTES
- Established 1952
- Staff of over 700
- 27 offices in 13 countries
- Over 50 years experience
- World's most comprehensive marine weather database
- Up to 18,000 voyages supported each year
- Services provide return on investment of 9:1
- Web sites:
  www.oceanroutes.com
  www.oceanroutes.co.uk

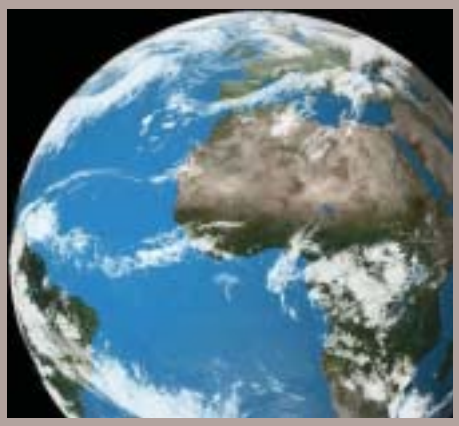
Unfortunately, this is not the case as there are still shipping companies which do not avail their Masters of the increasing amount of weather forecast information available to maximise both the level of safety and commercial return on investment. With the advantages of either shore-based or on board Optimum Routing Systems providing accurate and professional analysis of all available weather forecasts and ship information, a Master can be sure the correct route is sailed. In this manner, it is possible to achieve maximum levels of safety for the vessel and crew whilst still meeting today's demanding commercial schedules.

Shore-based weather routing

Shore-based weather routing has been available for over fifty years. Initially the information provided to mariners at sea was merely the provision of a route recommendation, avoiding as much of the forecasted adverse weather en route as possible. As computer technology developed, it was possible to forecast ahead not only the weather and sea conditions, but also the effect these conditions would have on an individual vessel's speed. Optimum Ship Routing was born and differs from initial weather routing by providing each individual vessel with not only a safe passage, but also one that is commercially efficient. An Optimum Recommendation may take a vessel through a period of adverse weather, but in doing so, it will never place the vessel in danger and is designed to provide the earliest possible safe arrival at the desired destination.

Oceanography, meteorology and engineering

The state of the sea at any one time is a complex interaction of wind waves, swell waves and current. The effect of these, along with the wind itself, on a vessel/-cargo combination is difficult to judge. During the course of the voyage, it is necessary to model these 'speed down' effects in order to calculate where the vessel will be in, say, 24 hours' time, and ultimately to calculate the Estimated Time of Arrival. Part of this calculation



– reducing losses at sea and costly delays

Oceanroutes Orion Pro on board optimum routing system shows route comparisons for a vessel sailing German Bight to Baltimore. Prior to departure, but looking +210 hours ahead on a chart of wave heights, alternative routes are compared with a northabout option selected by the Master. Sub-windows show the route comparison statistics, a pictogram of the vessel's position at +210 hours and the expected wind speed/direction, primary and secondary swell directions/periods, and current speed/direction

is the derivation of the 'performance speed' of the vessel, the speed the vessel could have made through the water in calm sea and wind conditions.

The modelling requires a mix of nautical engineering, meteorology and oceanography, but in many areas of the theory, there are no known scientific equations that can be applied. Thus, algorithms need to be developed using a database of experiences with different vessels, cargoes, wind, sea and swell conditions. For more than 50 years, Oceanroutes has been extending such a database to include the experience of almost one million voyages.

Poorly-defined facts

It is, however, not just the complexities of the ship at sea that need to be considered. Facts are required, although basic and often poorly-defined, such as vessel speed and fuel levels at the commencement and end of the voyage. The weather routing provider will receive the Master's Commencement/End of Sea Passage, or position of Fullaway/Drop-off Pilot. Cooperation will continue during the voyage, with the vessel providing daily reports on position, course, speed and fuel/diesel remaining on board.

Time charter benefits

For the time charterer, Optimum Ship Routing has advantages beyond the safe and efficient operation of the vessel. There are also benefits in terms of the speed and consumption for the voyage checked against the charter party description. This is recognised throughout the shipping industry, not just by time charterers, but also by owners and in courts of arbitration.

Technological advances

Initially, all messages sent to a vessel had to be delivered by cable through a radio station, then by telex over radio, and most recently by satellite communications direct from the sender to the receiver. Each upgrade in communications on board opened up further possibilities for the shore-based routing companies as they were able to send more and more detailed text-derived information to each vessel's Master. In the early 1990s, it became a commercial possibility to transfer data between the shore and vessels at sea, and this opened up a new area of technological development.

Ship operators must track vessel movements and keep up to date on the latest weather conditions. This is a sizeable task when several vessels are located in different oceans and each vessel is trading with multiple port schedules. To meet this challenge, shipping companies use a variety of computer software packages to manage their operations. The correct software can greatly improve fleet management and schedule integrity. But more importantly, it can be instrumental in reducing losses at sea and costly delays.

Internet access

Using the Internet for vessel tracking provides a distinct advantage free from the negative attributes that come with some software applications. There is no transmission or processing of data, which in turn reduces communications costs and frees computers to run other applications. Perhaps the greatest advantage of a web-based service is its convenience. Accessing the information via the Internet allows managers to monitor weather conditions and plan voyages from anywhere in the world, from any computer connected to the web, and at any time.

Real time vessel positions and sailed and planned routes, along with ten days of forecast global weather, are now available, all superimposed on a single chart. This is a vast improvement from the standard latitude and longitude position reports used in most operations. Fleet managers can now see the exact status of the fleet and work proactively to avoid potentially damaging sea conditions whilst still meeting voyage schedules.

By Nicola Mason,
Skuld (Far East) Ltd.,
Hong Kong

Million dollar beans

Photo: Stephanie Maze/CORBIS

South American soya beans should have a maximum moisture content of 12%

A number of substantial soya bean claims have been made regarding cargo loaded in South America and discharged in the Far East. In all cases, the moisture content of the soya beans exceeded 12%, which, according to Club experts, can result in soya beans deteriorating and overheating.

One claim is in excess of USD 13 million. This claim involved the deterioration and overheating of cargo on a voyage from Brazil to Japan. It is interesting to note that in this claim there is no evidence that the ship or owners did anything wrong; even so, they are facing claims for millions of dollars. According to experts, the soya beans become unstable due to the beans' inherent vice; the microbiological action occurring as a consequence of high moisture content at time of shipment. In all these cases, the soya beans' moisture content exceeded 12%, which as mentioned above can result in the soya beans deteriorating and overheating (particularly where cargoes were shipped in high temperatures or on relatively long voyages).

The danger of shipping soya beans with a high moisture content, i.e. with a moisture content in excess of 12%, is nothing new. Indeed, it was judicially acknowledged by the House of Lords in Soya Gmbh v White 1983 1Lloyd's Rep. 222 at 125 (per Law Diplock).

What is alarming, however, is that notwithstanding this known risk, the contractual specifications for minimum moisture content of soya beans shipped from South America is commonly 14%. Consequently, cargo interests are agreeing to a specification which carries with it a risk of deterioration and over-heating. Indeed, cargo interest's underwriters are aware of this and still accept underwriting the risk notwithstanding the universal held view stated above.

HOW CAN OWNERS PROTECT THEMSELVES?

The main cause

The main cause of heating in soya bean cargo is excessive moisture. Thus, enquiries should be made to provide as much information as possible on this point. The following are examples of such enquiries.

Often, certificates only confirm that the cargo complies with the maximum moisture content, typically 14%. In this event, enquiries should be made as to whether there are any further analysis certificates available showing the actual moisture content of the cargo, or individual portions of the cargo.

Careful checks should be made regarding rainfall during the period at the load port, particularly during loading operations. Was any cargo loaded in the rain (check whether a rain LOI was given)? If it rained during loading, check whether any difficulties were encountered in the timely closing of the hatches.

Loading method

The method of loading should be recorded. For instance, was the cargo loaded directly onto the vessel from the shippers' silo, say by conveyor belt, or pneumatically? Or was it loaded indirectly by transfer to trucks?

As the effectiveness of ventilation will depend on the extent of free space above the cargo, a note should always be kept as to whether the hold was slack or fully loaded up into the hatch-way.

Loading soya beans in Brazil – careful checks should be made on loading conditions

Checks that silos or bins are in good working order and how long the soya beans have been in storage are recommended

Repeated handling and transfers of soya beans can result in physical damage to the beans, which in turn can increase the susceptibility to damage. In addition, it can be very helpful to know how the cargo was transported to the port – by barge down the river or by train or truck?

If the cargo was shipped in the rainy or high moisture season and uncovered transportation of the cargo to the port or vessel was used, this could result in an increase of moisture in the cargo upon loading. For example, if the cargo was shipped on board by a conveyor belt, check whether the conveyor belt was covered or not.

In addition, checks that local silos or bins are in good order can be useful. In one case, investigations uncovered that the silos used for the cargo required substantial repairs shortly after the vessel had departed. In addition, find out how long the cargo was stored in the silos or bins before being loaded on board the vessel.

Appointing a surveyor

When loading soya bean cargo, particularly in South America, consider whether it is worthwhile appointing a surveyor to assist at the load port. A specialist cargo surveyor may be particularly helpful in monitoring the condition of the cargo during loading. Moisture and temperature readings of the cargo as it is being put into the holds can provide an indication as to the likely deterioration of the cargo during the voyage.

A SPECIALIST CARGO SURVEYOR MAY BE PARTICULARLY HELPFUL IN MONITORING THE CONDITION OF THE CARGO DURING LOADING.

Moisture content and storage

Soya beans can be stored for long periods as they are cool and dry when put into storage. Elevated moisture levels can lead to increased respiration of the beans as well as growth of moulds, both of which lead to heating and deterioration in quality. The effects can vary from mild discoloration to caking, blackening and rotting of the beans with an associated foul odour.

Most quality certificates stipulate a maximum moisture content of 14%. Soya beans can be carried safely at this moisture level if they are relatively fresh and stored coolly. However, reports from the United States indicate that for soya beans stored at a temperature of about 20°C with a 14% moisture content, a loss in quality may be expected after around 40 to 45 days. However, if beans have already been stored for some weeks at that temperature and moisture content, loss of quality can be expected in cargoes arriving, for example, in the Far East from South America. At 25°C and 14% moisture, the safe storage period is reduced to around 30 days.

The temperatures referred to above are those of the beans themselves – not the atmospheric temperature. The temperature of the beans will tend to approach the daily mean atmospheric temperature upon prolonged storage. This temperature can be higher where silos or storage bins are subject to prolonged solar radiation. Most analysis certificates are based on composite average samples. Soya beans are a natural product. The average figure will vary, and portions of the cargo may have a moisture content significantly above the average value shown on the certificates. Thus, if soya bean cargoes are to be loaded with a moisture content approaching 12 to 14%, careful consideration should be given to instructing a specialist surveyor.

Physically wet cargo should not be loaded, or should be removed from the hold if already loaded.

Relevant documents & records

<u>At the load port</u>

Ideally, the following documents should be obtained for each cargo of soya beans carried, particularly so in the event that a claim for damage to the cargo is made:

1. Pre-loading survey report, if possible
2. Moisture certificate or certificate of quality at shipment
3. Cargo hold bilge soundings and bilge pumping records of the voyage
4. Copies of both the head charter party and if possible, any sub-charter party


Photo: The Image Bank

(if acting for charterers); if acting for owners, only the head charter party may be available
5. Copies of bill of lading
6. Copies of mates' receipts
7. Statement of Facts at the load port
8. Stowage plan (especially if loading from more than one port)

During the voyage

During the voyage, a ventilation record of the hold should be made and ideally records should also be kept of the ambient temperature and relative humidity, the temperature of the cargo and the relative humidity in the hold. Having noted this, the usual manner of loading holds to capacity and into the hatch-way may make taking measurements in the hold impractical.

The ventilation records from the ship and the deck log abstracts should be given to the club as soon as there are any allegation of cargo damage so the records can be reviewed and evidence preserved.

At the discharge port

If you are notified of a cargo claim whilst the vessel is at the discharge port, it is important to make sure that you get a good surveyor or soya bean cargo expert.

If unloading is already under way, make careful records of the extent and pattern of the damage in the cargo. Photographs are helpful, as are temperature and moisture surveys.

Although the quality of the soya beans will have changed since loading, some useful information may be obtained from samples. If samples are taken, some samples should be taken of surrounding cargo as well as of the visibly deteriorated cargo. A careful record of readings and samples should be kept and hence the recommendation to involve a cargo expert as soon as possible.

Find out the intended use of the cargo and whether it is going to be mixed or blended, or used unblended. In one case it appears that although the cargo was used, the lawyers acting for the cargo interest seem to be claiming for the whole value of the affected cargo, without giving credit for any eventual salvage.

The charter party

Owners can insert the following clause into the governing charter party:

"Charterers acknowledge that soya beans shipped with a moisture content in excess of 12% may deteriorate and/or overheat due to microbiological action. Charterers shall indemnify owners against all consequences of shipping soya beans with a moisture content in excess of 12% and, in particular, shall indemnify owners against any loss, liability, damage, delay, or expense, of whatsoever nature, which owners may incur as a result of being held liable for overheating and/or deterioration of soya beans shipped with a moisture content in excess of 12% except insofar as such loss, liability, damage or expense was caused by owners' breach of their obligations under this charter party."

FIND OUT THE INTENDED USE OF THE CARGO AND WHETHER IT IS GOING TO BE MIXED OR BLENDED, OR USED UNBLENDED. IN ONE CASE IT APPEARS THAT ALTHOUGH THE CARGO WAS USED, THE LAWYERS ACTING FOR THE CARGO INTEREST SEEM TO BE CLAIMING FOR THE WHOLE VALUE OF THE AFFECTED CARGO, WITHOUT GIVING CREDIT FOR ANY EVENTUAL SALVAGE.

Danger to crew and stevedores

As a natural product, in circumstances where ventilation has been inadequate or where there has been excessive mould growth, a soya bean cargo may well have an oxygen deficient atmosphere in the hold. This could be potentially hazardous to human life. Entry into cargo spaces, therefore, should only take place after testing for adequate ventilation.

Acknowledgements

Holmes Hardingham Burgoynes

Glenn Winter

D A Robbins

Entry into enc

The danger of entry into enclosed spaces, and the precautions to be taken in case of entry, should be familiar to any mariner. The following example, brought to us by one of our members, does, however, show that necessary precautions are not always taken and that fatal accidents do happen.

At 2100 hours on 27 December 2002 Bosun and pump man were in the process of completing work related to changing a gasket on a blind flange for a tank-cleaning gun. The tank had previously been pressurised with N2 (nitrogen) and the tank entrance hatch had been sealed off. During the pressurising of N2, some minor leaks were discovered, and on 4 stb there was a minor leak on the blind flange for the opening where one tank-cleaning gun had been removed. (These are removed when carrying the product in question, propylene oxide, to avoid leaks in the gun itself. This product needs a blanket of N2 during loading, transport and discharging, so there must be no leaks of N2.)

A leak was discovered in this particular flange and the tank was depressurised by opening the P/V valve (press-vacuum) for 4 stb. When the tank had been depressurised, Bosun and pump man removed the blind flange to change the gasket. During this work, Bosun lost a bolt into the tank. He decided to enter the tank to pick up the bolt. He knew that if the bolt was sucked into the impeller of the cargo pump during discharging in Europe, they would not be able to discharge the tank without destroying the cargo (propylene oxide). Bosun told the pump man that he would enter the tank and pick up the bolt. Pump man told him that it was dangerous to do so, but Bosun picked up a filter mask, broke the seal to the entrance hatch and entered the tank. After a few seconds pump man and the deck crew in the vicinity of the tank could hear him falling from the ladder and onto the middle platform.

The deck watchman called the officer on duty and he raised the alarm. All cargo operation was stopped, crew mustered and equipment prepared for tank rescue. Meanwhile, the terminal was informed and they sent a team to assist the vessel with the rescue.

The tank was opened and ventilation was installed to free the tank of gas. Meanwhile, the pump man and the AB (able-bodied seaman) on duty (fully equipped with CABA – compressed air breathing apparatus – including one extra for the Bosun) entered the tank and found the Bosun lying on the platform approximately in the middle of the tank. He was unconscious and had a long cut in the back of his head. About a ½ litre of blood was on the platform. Around 18 to 20 minutes after he entered the tank, they were able to secure him in a safety harness and lift him out.

Photo: Courtesy of Rautaruukki Profiler AS

Always beware of potential danger and work by the rules

losed spaces

When on deck, the Chief Officer started with HLR (Heart and Lung Rescue) and oxygen. He continued until the paramedic from ashore arrived and the Bosun was brought to the hospital. The Bosun was declared dead on arrival at the hospital.

At the maritime inquiry, held four days later, no new items were revealed. However, all procedures and routines related to entry into enclosed spaces had been broken:

1) Neither the Officer on duty nor the Chief Officer had been informed
2) The tank had not been measured, gas-freed or declared safe for entry. All procedures were broken and no permit issued
3) The N2 seal to the tank had been broken before entry (N2 seal – danger seal)
4) The filter mask used is only for fumes, and is only to be used when 21% oxygen is present
5) The hard hat was taken off before entering the tank

The Bosun and pump man started the work at 0800 in the morning and they were to stop work at 2100 hours. They had a one hour break for lunch and one hour for dinner.

The crew on board did a great job in getting the Bosun up from the tank in a short time. The rescue team did all they could; however, sadly to say, they did not succeed in saving him.

This tragic accident was discussed at the Company's Safety Committee a week later, and the following was decided:

1) Filter masks shall be removed from all the Company's vessels (only dust masks allowed)
2) CABA for sampling, tank work (like cleaning/spraying, etc.) will be purchased for all vessels
3) A circular will be issued, stressing that entry into enclosed spaces demands a permit, that any violation of such shall result in dismissal and that hard hat and strap shall be used whenever on duty
4) Posters related to entry into enclosed spaces and the danger involved will be sent to all vessels for posting in lobby/mess room and crew changing room

By Chris Hall, Skuld (Far East) Ltd., Hong Kong

Outbreak of Severe Acute Resp

SARS, the alarming new respiratory disease, has so far been reported in Asia, North America and Europe. The largest outbreaks have been in China, Hong Kong, Singapore, Vietnam and Canada.

Symptoms

SARS usually begins with a fever greater than 100.4°F (38°C) and, on some occasions, other symptoms, including chills, headaches and body aches. Some people also experience mild respiratory symptoms at the beginning. After two to seven days, patients may develop a dry, nonproductive cough and have trouble breathing. In 10 to 20% of cases, patients have required mechanical ventilation.

Spread of SARS

Experts think that SARS is spread by close contact between people. It is most likely spread when someone with SARS coughs droplets into the air and someone else, usually within three feet, breathes them in. SARS may spread more broadly through the air or from touching objects that have become contaminated.

SARS appears to be less contagious than influenza. Given international travel and the potential severity of the illness, however, SARS must be treated seriously.

Treatment

SARS patients require prompt, professional medical care. Crewmembers with suspected cases of SARS must be treated at a port with good medical facilities. Receiving early medical attention increases the chance of recovery.

The best treatment is not yet known. Antibiotics have not been effective. Treatments have included antiviral agents, such as ribavirin, in combination with oral or intravenous steroids. The illness can be severe, and even fatal, but with prompt medical attention, most patients should recover. The current fatality rate is 4%.

When SARS is suspected

According to the World Health Organisation, SARS should be suspected if (1) a person has a fever of over 100.4 °F (38°C) and (2) has a cough, shortness of breath and/or difficulty breathing, and (3) either has had close contact within ten days of onset of symptoms with a SARS patient, or a history of travel within ten days to a SARS-affected area.

If SARS is suspected, the owners/Master should do the following:

(1) Urgently consult with a doctor as to whether the suspected case is likely to be SARS. If already in port, the

Masks for protection against SARS on sale outside Skuld's Hong Kong office

piratory Syndrome (SARS)

Skuld's Hong Kong office is taking no risks

crewmember should be examined by a doctor.
(2) Be ready to proceed immediately to a port with good medical facilities. An airlift may not be possible, as many such services are refusing to carry SARS patients.
(3) Follow the usual port health procedures for infectious diseases and any special SARS-specific procedures that exist.
A number of authorities, such as those in the Philippines, Malaysia, Singapore, Hong Kong and the Panama Canal, have already imposed special procedures for vessels that have recently traded to SARS-affected ports. Other ports may commence similar procedures. The procedures vary, but may include vessel and crew screening and quarantining, advance health reporting and shore leave restrictions. These procedures may apply regardless of whether SARS is suspected on board. Non-compliance could result in heavy penalities and even imprisonment. Contact local agents well in advance of arrival for further details. Be prepared for delays.
(4) Explain to the health authorities before arrival the sick crewmember's symptoms and history of travel.
Members should also inform Skuld, which will assist in making the necessary arrangements.
(5) Take care to limit spread of SARS to other crewmembers prior to arrival.
In this regard, the Centers for Disease Control and WHO have recommended guidelines for SARS patients in homes, which we have adapted for a vessel:

- The patient should be isolated in a single, well-ventilated room with separate bathroom facilities, if possible.
- Interaction with the patient should be limited.
- Crewmembers interacting with the patient should wash their hands frequently with liquid soap.
- Disposable gloves should be used for any contact with body fluids of the patient.
- The patient should cover his mouth or nose with a tissue before sneezing or coughing. The patient should also wear a surgical mask during close contact with other crewmembers.
- Crewmembers interacting with the SARS patient should wear surgical masks and protective goggles. N95 or P3 masks are recommended. Members should supply their vessels with masks, goggles and gloves, especially when trading to known SARS-affected areas.
- Crewmembers should avoid sharing utensils, towels and linen with the SARS patient until these items have been well washed.
- Crewmembers should clean contaminated surfaces with good disinfectants.
- Generally, crewmembers should maintain good health and observe good hygiene and sanitation practices. They should avoid touching their mouth, nose and eyes to prevent spreading the diseases. Key areas of the vessel should be disinfected regularly, especially shared and common areas, bathrooms, the galley and mess.

At the port
Upon arrival, the SARS patient may be hospitalized for three weeks or more. The crew and vessel may be examined or screened for SARS. Crewmembers with no symptoms of SARS, but who have been in close contact with the SARS patient, may be placed in quarantine for ten days or more.

If a number of crewmembers are hospitalized and/or quarantined, or if the vessel is deemed contaminated, the vessel may be delayed or quarantined for some time. As many governments are very nervous about dealing with SARS, other problems may arise.

CREWMEMBERS WITH NO SYMPTOMS OF SARS, BUT WHO HAVE BEEN IN CLOSE CONTACT WITH THE SARS PATIENT, MAY BE PLACED IN QUARANTINE FOR TEN DAYS OR MORE.

Skuld is ready to assist any members with SARS-related questions or problems.

Much of the information above is from the US Centers for Disease Control (www.cdc.gov/ncidod/sars) and the World Health Organisation (www.who.int/csr/sars.en). Please check their sites for more information and regular updates. We would like to thank the Hong Kong Shipowners Association and Seaborne Agencies Pte. Ltd. in Singapore for their contributions to this article.

By Jonathan Hare, Skuld, Oslo

Cargo claims – who is the carrier?

Readers who have experienced litigation may have had the feeling that a document with a perfectly straightforward meaning became anything but clear once lawyers started examining the small print. There is, however, some good news in a recent House of Lords decision involving a Skuld member which shows that common sense has a part to play.

The *Starsin* was on time charter to Continental Pacific Shipping and performed a voyage from Malaysian ports to Antwerp and Avonmouth. Liner bills of lading were issued bearing the charterers' logo and name. The bills were signed by the charterers' port agents "As Agents for Continental Pacific Shipping (The Carrier)". However, anyone with the time (and good enough eyesight) to read the clauses on the reverse of the bill would have found an identity of carrier clause and demise clause stipulating that the owners were the carriers. The question which arose was one which P&I club claims handlers regularly face – who was the carrier and therefore responsible for cargo claims under the bill of lading – the owners or the charterers?

The owners, entered with Skuld, argued for a common sense approach. Any trader or bank would naturally assume on looking at the face of the bill that the charterers were the carriers. Cargo interests argued that the standard clauses on the reverse of the bill should prevail with the result that owners were the carriers.

The owners' position was upheld in the first instance in the High Court but overturned by a majority in the Court of Appeal. The case then went to the House of Lords which has just delivered its judgment. Owners' position was held to be correct. Cargo owners could not recover from owners under the bill of lading.

The Court stated that it "must seek to give effect to the contract as intended so as not to frustrate the reasonable expectations of businessmen..... Given the speed at which international trade is transacted, there is little time for examining the impact of barely legible printed conditions at the time of issue of the bill of lading. In order to find out who the carrier is, it makes business common sense for a shipper to turn to the face of the bill and, in particular, to the signature box, rather than clauses at the bottom of column two of the reverse on the bill."

It is important to note that the identity of carrier clause was ineffective because it did not fit with what was on the face of the bill. If the charterers had not featured so prominently on the face of the bill, the position would have been entirely different. As always, much turns on how the bill is filled out and signed.

A victory for common sense – the court stated that there is little time for examining the impact of barely legible printed conditions given the speed of international trade

Skuld's Piraeus office is included under the new certification

Only minor adjustments were required to bring Skuld's non-Scandinavian offices into the new standard. Picture shows Skuld's team in Hong Kong

Setting new standards

Skuld's Scandinavian offices received their quality certificate (ISO 9002:1994) in March 1999. Ever since it has been a challenge keeping our quality system – Compass – updated and consistent with daily routines. This has proved successful as, through each repeat audit by DNV (Det Norske Veritas), we have succeeded in keeping our certificate validated.

The new ISO 9001: 2000 standard

As the former quality standard is becoming outdated, our quality management system has recently been upgraded to fulfil the demands of the new quality standard ISO 9001:2000.

The new standard is better adjusted to service providers and should prove of greater benefit to a company like Skuld and its members. The standard places a sharper focus on management's responsibility and staff involvement and, most importantly, on customer satisfaction. The quest for continual improvement is still of vital importance to us and we hope that this is reflected in the service provided.


DET NORSKE VERITAS
MANAGEMENT SYSTEM CERTIFICATE
Assuranceforeningen
SKULD

Skuld's quality management system now meets the new standard ISO 9001:2000

Congratulations to Hong Kong and Piraeus

During this last audit, the quality certificate was also upgraded to include our offices in Piraeus and Hong Kong. These two offices were not part of the 1999 certification. Basically these offices, though not formally certified before, had been operating by the same routines and quality standards as our other offices. Preparing for a formal certification involved some information, training and internal auditing, but only minor adjustments had to be made to comply with the new ISO standard. Congratulations!

The eight principles of quality management

1. Customer focus
2. Process approach
3. System approach to management
4. Active leadership
5. Decisions based on facts
6. Involvement of staff
7. Mutually beneficial relationships with suppliers
8. Continual improvement

Skuld Defence Services

Skuld has introduced a unified approach to defence cover by consolidating all defence work in a new entity known as Skuld Defence Services. Many of the Association's members rely heavily on Skuld's advice and support in defence matters. We therefore wish to provide an enhanced service by placing it in the hands of a small number of experienced lawyers. The aim is to provide a prompt and pro-active approach that is consistent throughout all Skuld offices.

Executive Vice President Arthur Pilkington will head Skuld Defence Services. He will also be responsible for the development of new and related types of cover, as well as having continued responsibility for emergency response. For information on Arthur Pilkington's background, please see "Organisational changes in Skuld", page 29.

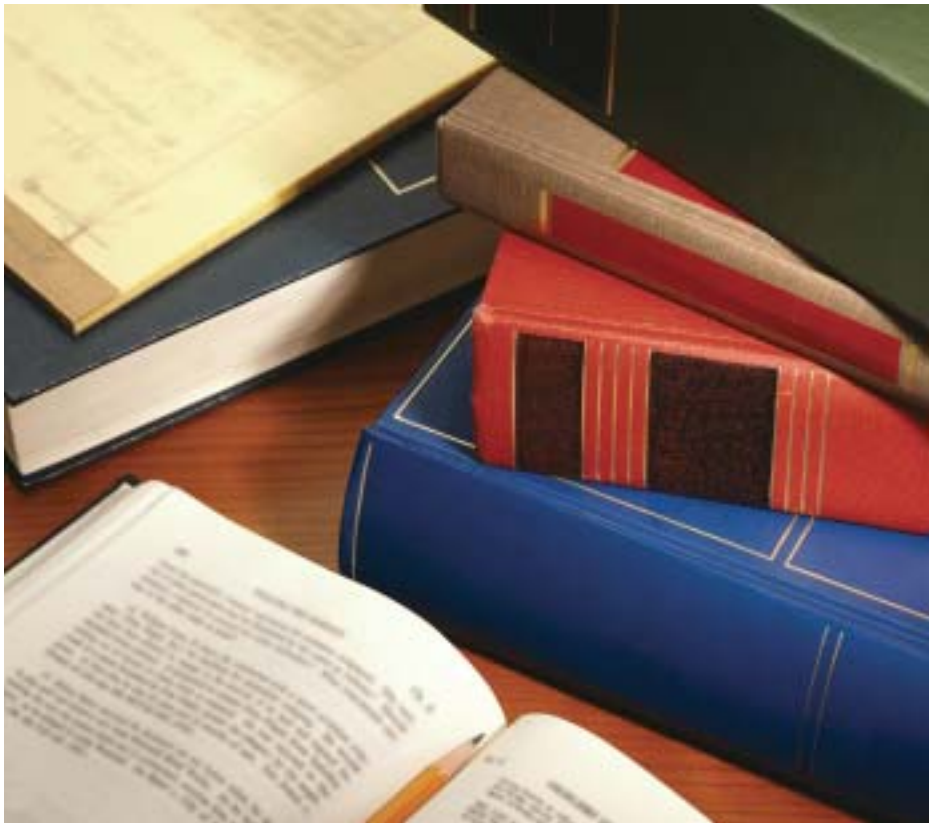
Any questions regarding the new organisation can be addressed to Arthur Pilkington (tel: +47 22 00 22 00, e-mail arthur.pilkington@skuld.com).

The following lawyers will be part of the team, some of whom will also continue to deal with P&I cases within the existing syndicates.

Oslo
Arthur Pilkington, EVP
Jonathan Hare, Senior Vice President
Frank Riley, Senior Vice President
Sara Gillingham, Senior Lawyer
Kenneth Stewart, Senior Lawyer
Janet Ching, Lawyer
Christopher Walker, Lawyer
Jan Andersen, Trainee Lawyer

Hong Kong
Nicola Mason, Vice President
Lawrence Chen, Lawyer
Christopher Hall, Lawyer

Piraeus
Dominic Hurst, Senior Lawyer
Michael Boje Larsen, Senior Lawyer
Elina Souli, Lawyer



Many members rely heavily on Skuld's advice and support in defence matters

Skuld's investment policy pays off

The year ending 20 February 2003 was another difficult one for investors. As in 2000 and 2001, Skuld's long term investment profile continued to pay off, probably leaving Skuld's 2002 performance among the best in the International Group.

Global stock markets fell for the third consecutive year, dragged down by corporate scandals and fears about the global economy. All leading equity markets fell dramatically, with losses exceeding 20% in both the US and UK. Stockmarkets in continental Europe were hit the hardest, with Germany leading the fall by 40%.

EQUITY PORTFOLIO

At year end, Skuld's equity portfolio had returned a negative performance of 18% measured in USD. Despite a moderate allocation to equities, this represents a drop so significant that low investment income for 2002 is inevitable.

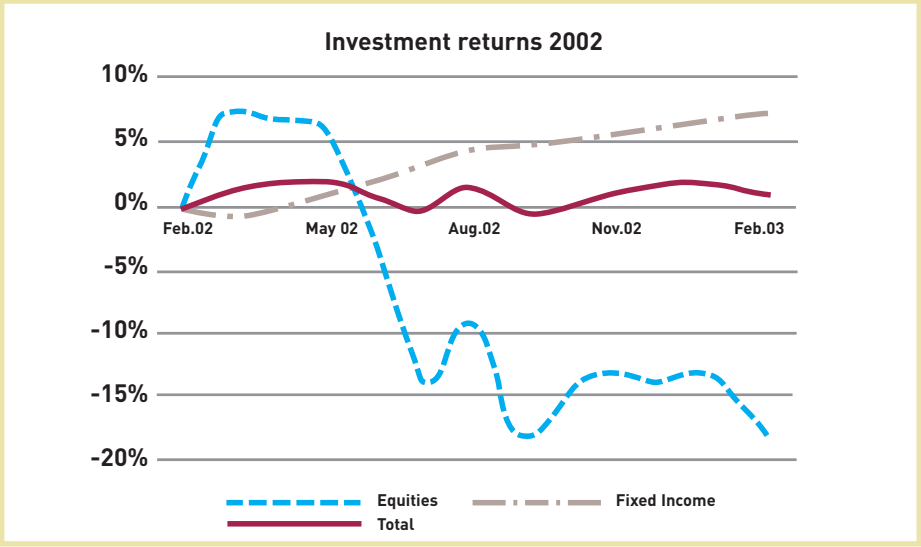
FIXED INCOME PORTFOLIO

Still, the fixed income portfolio experienced another rewarding year. With a return of 7.3% measured in USD, the active portfolios outperformed the benchmark by 0.2%. Bond valuations rallied as interest rates declined substantially throughout the year, particularly in the second and third calendar quarters of 2002. This was driven by concerns over a potential 'double-dip' in the economy, mounting geopolitical tensions, equity market weakness and diminishing confidence in the market economy as multiple high-profile corporate accounting scandals were revealed.

POSITIVE RESULTS

Completing the year, the investment portfolio had generated a performance of +1.0% in USD terms (-0.6% measured in local currency). Although less than desired, the Club takes pleasure in presenting positive results in a year with extreme turbulence and significant value deterioration for other investors.

Skuld remains confident in the prudent approach of seeking returns through controlled risks and financial- and operative diversification. A fixed income portfolio with a duration and currency profile that matches the insurance liabilities, combined with a global equity exposure, remain the cornerstones of the portfolio. Through a research-based investment philosophy, long term asset allocation and professional management by world leading investment managers, Skuld will continue to deliver investment results that contribute to a strengthening of the Club's reserves and operations.



Skuld's long term investment profile continued to pay off in 2002

Heyerdahl and stone carvings

Thor Heyerdahl is the inspiration behind the Award

Head to head on Easter Island

Skuld co-sponsors Heyerdahl Award

The Thor Heyerdahl International Maritime Environmental Award was launched in 1999 by Thor Heyerdahl and the Norwegian Shipowners' Association. The sponsorship behind the award has been expanded, and we are proud to announce that Skuld is now one of the sponsors for the Award.

The purpose of the Award is to:

- contribute to an improvement of the global environment
- announce to all sections of society the environmental benefits of shipping as a mode of transport
- serve as an inspiration for implementing new, specific environmental measures.

To qualify for the Award, candidates must have distinguished themselves for the benefit of the marine environment. The Award, consisting of a statuette, diploma and prize money up to USD 100,000, is awarded every second year. The Thor Heyerdahl International Maritime Environmental Award for 2003 will be presented during Nor Shipping, June 2003 in Oslo.

Skuld is represented on the Expert Committee by COO Tor Erik Andreassen.

For more information on Thor Heyerdahl and the Award, please see http://www.heyerdahlaward.com.

Kon-Tiki comes close to land

FACT FILE

- Thor Heyerdahl (1914-2002)
- Studied biology, geography and anthropology, cared very much for the environment and battled fiercely for his theories on maritime contacts between civilisations of the past
- 1947: proved his theories on population of Polynesia from South America through his 101-day voyage on Kon Tiki, a copy of an ancient balsa raft
- 1950s: Archeological research on Galapagos Islands and Easter Island
- 1960s-70s: Experimental voyages with traditional reed boats RA I, RA II and Tigris, proving possible ancient transatlantic contacts
- 1980s-90s: Archeological projects in the Maldives, Easter Island, Peru and Tenerife
- Several honorary doctorates, awards, extensive production of books, articles and films

Douglas Jacobsen toasts the choir

House-warming and New Year

Skuld moved to new offices in Ruseløkkvn. 26, Vika, Oslo in December. On 6 March 2003, we hosted a combined house-warming and "New Year's Eve" party – "New Year" of course to celebrate the successful 2003-2004 policy year renewals, completed 20 February.

Members, business associates, friends and all Oslo staff were invited, and some 150 people crowded into our new premises. Our office is all on one floor now, but has ample room for mingling in the reception area, wide corridors and open office spaces.

A welcoming speech by CEO Douglas Jacobsohn was followed by tapas and wine. COO Tor Erik Andreassen sings in a choir, Choriolis, and invited them to join us, adding to the warm and friendly atmosphere.

1) Harald Harlem and Roger Østern share a photo opportunity 2)Choriolis in full swing 3) Lise Larson and Christin Norløff enjoy the buffet


1


2


3

Tor Erik Andreassen
Chief Operating Officer (COO)

Arthur Pilkington
EVP Defence Services and Emergency Response

Dan Lennhammer
EVP Claims and Technical Services

Organisational changes in Skuld

As of January 2003, there have been some organisational changes in Skuld. A new position of Chief Operating Officer (COO) has been created, and an enhanced focus on defence services has led to the set-up of a new defence group. Skuld's Management Board (MB) has been strengthened, and now consists of CEO, COO, CFO, EVP Marketing, EVP Claims and Technical Services, EVP Defence Services and Emergency Response and SVP Human Resources.

Tor Erik Andreassen
Chief Operating Officer (COO)

Skuld's former Executive Vice President, Head of Underwriting Tor Erik Andreassen (42) has entered the new position of Chief Operating Officer. He takes overall responsibility for Skuld's syndicates and all matters pertaining to Skuld's marketing, underwriting, claims and technical services.

Tor Erik will focus on the organisation and management, and sees increased efficiency and business focus as his main challenges.

Tor Erik Andreassen holds a MSc in Naval Architecture and Marine Engineering from the Norwegian Institute of Technology. He has several years' experience from shipping related companies. Before joining Skuld in 1998 he was a Vice President in North Sea Line, Fred. Olsen & Co. in Oslo. He joined Skuld as Vice President Risk Management, and from year 2000 became Executive Vice President, Head of Underwriting.

Arthur Pilkington
EVP Defence Services and Emergency Response

Arthur Pilkington has moved from his position as Executive Vice President, Claims in order to head Skuld's Defence Services and Emergency Response.

The motives for creating a separate defence group are to enhance service to members and to establish a unified approach towards defence matters throughout all Skuld offices. There will also be greater focus on the development of new and related types of cover and the possibility of offering services to non P&I members (see article on page 25).

Arthur Pilkington (46) is a graduate (LL.B) from the University of Glasgow. He practised as a solicitor in Glasgow and Edinburgh before moving to Oslo where he joined Skuld as a lawyer in 1986. He established Skuld's Hong Kong office in 1989 and was in charge there until 1993 when he became Deputy Claims Director in the Oslo head office. He was promoted to Claims Director in 1994 and then held the position Executive Vice President, Claims from 1999. Over the years, Arthur has been involved in many casualties including a number of high profile cases such as the Braer, Estonia and Sea Empress. He will continue to be in charge of Skuld's emergency response.

Dan Lennhammer
EVP Claims and Technical Services

Dan Lennhammer is Skuld's new Executive Vice President Claims and Technical Services and has responsibility for Skuld's claims handling in all Skuld syndicates.

Dan's main objective is to set goals, develop good routines and guidelines for claims handling and follow up. In order to increase efficiency and cost-effectiveness, he is currently conducting a full analysis of the claims organisation.

Dan Lennhammer (38) has a Master of Law and studies in Business Administration from the University of Stockholm, Sweden. He joined Skuld Stockholm in 1993 as Claims Executive. Dan was promoted to Deputy Claims Director in 1997 and Regional Vice President for Skuld Stockholm in 1999. From year 2000, he has been engaged in various projects, including the closure of the Stockholm office.

Personnel news

Arne Solhusløkk

Rune Harald Skogseide

Ketil Urdal

Ellen Haugom

Lawrence Chen

OSLO

Arne Solhusløkk, 31, started working as Accounting Executive on 3 March. Arne is educated as an Auditor and has two years' relevant experience from KPMG. Arne was on temporary employment in Skuld for six months before starting his permanent position.

Rune Harald Skogseide, 29, has accepted the position of IT Consultant Datawarehouse and started mid April. Rune has three years of higher education in Information Technology. For the last three years, he has worked as a consultant on Skuld's new IT system through IBM/Christiania Consulting.

Ketil Urdal, 47, was appointed Vice President Underwriting in Syndicate 1 on 1 May. Ketil has worked as Underwriter and Underwriting Manager in Skuld since April 2001. He has 15 years' experience from Fred. Olsen & Co in different positions, as well as three years' experience from Storebrand ASA/If/Gard Services AS working with marketing and underwriting.

Ellen Haugom, 42, was promoted to Senior Vice President Human Resources and Office Administration on 1 January. She has studied at Teacher Training College and has taken different management programmes at the Norwegian School of Management, Executive School, BI. Ellen has worked in Skuld since 1997, first as Senior Personnel Adviser, and since 2000, as Vice President HRM/Office Adm. Before joining Skuld, she worked for 15 years in different positions and companies in the HR field, both in private and public administration.

HONG KONG

Lawrence Chen, 29, started working as a Lawyer in our Hong Kong office in December 2002. Lawrence studied marine technology and maritime law at Dalian Maritime University in China for six and a half years where he received his BSc and LLM degrees in 1997 and 2000 respectively. Since then, he worked in the Commercial Department at China Shipping's head office for about one year. During the period February 2001 to September 2001, he was employed by S.G&Co, a maritime law firm, where he worked as trainee attorney, specialising in the field of maritime and admiralty affairs. He carried out a LLM session, majoring in maritime law, from October 2001 to September 2002 at Southampton University, UK, before joining Skuld's Hong Kong office.

Contact Skuld

Oslo syndicates

To ensure a more optimum use of resources and to account for changes in the member structure, as of 1 May, the former four syndicates in the Oslo office have been reshuffled into three.

The change involves a slight redistribution of members, market areas and staff. The basic structure is as follows:

Syndicate 1:
Head of Syndicate: Lars Dueled
Geographical market: France, Belgium, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Switzerland, United Kingdom

Syndicate 2:
Head of Syndicate: Claes Westman
Geographical market: Canada, Estonia, Finland, Latvia, Lithuania, Poland, Russia, Sweden, Ukraine, USA

Syndicate 4:
Head of Syndicate: Egil Gulbrandsen
Geographical market: Germany, Norway

The former head of Syndicate 1, Jonathan Hare, is taking on new responsibilities as a member of our Defence Services team.

For details on staff members for each syndicate, please see Skuld's web site: http://www.skuld.com/offices

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Douglas Jacobsohn
President and Chief
Executive Officer, Skuld

Skuld meets its targets

The P&I industry is strange. In contrast to most other comparable businesses, we renegotiate all our business deals at once, or at least in the course of some few weeks. We do not even limit these renegotiations to clients, whom we tend to call members – we even negotiate with suppliers of key 'raw materials', like for instance reinsurance, at the same time!

Fixing both your income and vital parts of your expenses simultaneously may seem both sensible and practical, but when done in parallel and under time pressure, it can be a mind-boggling exercise. Needless to say this process, commonly referred to as the renewals, becomes a very hectic season for Club staff. But even more so, it is an extremely important process in relation to the financial outcome of the following policy year for the Club.

I am happy to report that Skuld's recent renewals, in every respect, should be considered a success. At the outset, our ambitions were high, but as the clock ticked beyond noon of February 20th, we realised that we had achieved practically each and every one of our goals. In actual fact, we maintained a higher volume than expected, while at the same time achieving an average premium increase beyond the budgetary goals.

Members may argue; well thank you very much, you loaded us with a considerable increase in premium and at the same time passed on the largest increase in the Excess Market Re-insurance contract in many years, and you call it a success? Our answer would be a resounding 'yes'. Persistent claims, combined with shrinking premiums, have been haunting the Club results for the past five years. Add dwindling financial returns to the equation and regrettably the only true recovery from dark red figures is found in premium increases. No, I haven't forgotten the substantial invoices you have paid to cover additional supplementary calls over the past few years. However, while supplementary calls can do a lot to correct the past, they do little or nothing to set a better course for the future. To increase the base premium to a sustainable level in relation to claims has been an absolute pre-requisite for the future of your Club.

At our end, we are naturally turning over every stone in order to limit expenditure. Reduced costs for our own specific reinsurance programme, and a massive focus to limit external legal costs, are only two very recent examples of such efforts. At the same time, we continue to provide the Skuld service, which we believe, is second to none.

Some people have said that the renewal process is the one time of the year where the Club and its members sit at opposite sides of the table. Looking back at the outcome of the renewals, I believe we all sat at the same side of the table and addressed the best interests of the Club. The loyal support of our members in this process proves that. Now it is our turn to prove that we are worthy of your continued support.

A Happy New Policy Year to all our members!

Douglas Jacobsohn