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The Swedish Club is a mutual marine insurance company, owned and controlled by its members. The Club writes Protection & Indemnity, Freight, Demurrage & Defence, Charterers' Liability, Hull & Machinery, War risks, Loss of Hire insurance and any additional insurance required by shipowners.

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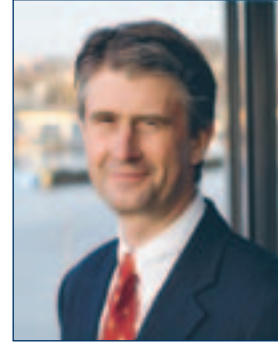
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Resilience in the downturn!



Lars Rhodin
Managing Director

Dear members and associates,

I attended the annual IUMI (International Union of Marine Underwriters) conference in mid-September, which on this occasion took place in the medieval city of Bruges in Belgium. The theme chosen for the gathering this year was "Mastering Rough Seas". It was shaped in September of last year at the time of the impending financial meltdown. At that time, one could not but speculate about the consequences to follow. Today we know more; shipping is going through perhaps the most difficult time in recent memory.

Most economists agree that the recession may be at a turning point. Global trade hit bottom this summer, and a slow recovery is envisaged in 2010. The recovery process will, however, be a long and painful journey. It will take a considerable time until trade volumes are back to 2007/2008 levels. Yet the supply side will be so much larger in shipping, meaning substantial overcapacity for an extended period of time.

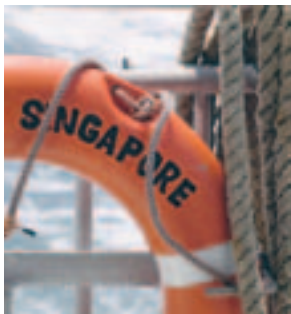
The impact of the recession for hull underwriters will lead to reduced values and lower premium volumes, the latter also as a result of lay-ups. Claims are expected to slow down commensurate with the lower shipping activity. It will take time though before falling steel prices, increased shipyard availability and lower prices on spare parts translate into the loss severity. Suffice it to say, we have already seen a reduction in the frequency of larger claims. There remains a gap to be filled in order to catch up with the exposure for hull underwriters. We are pleased to advise that we are doing our part in this respect, with the support of our members. Sustainable underwriting is vital to

maintaining the service levels required by quality owners.

Piracy was very much on the agenda at the IUMI meeting. Piracy has been seen as an owners' problem jointly with hull, cargo, war and specialist "kidnap & ransom" underwriters. P&I has been somewhat in the background. We have, however, started to see cases where allegations have been advanced on the basis of unseaworthiness. The contention is that Best Management Practices have not been followed in transiting the relevant areas. In such cases P&I will be drawn into the picture to respond to unpaid cargo contributions on the losses incurred. Maritime security experts across the industry agree that the crisis will only deepen until a solution is found ashore. Today, no imminent efforts are in sight to address the root cause of piracy, nor is there a central government with whom to talk. Shipowners would be better served if all piracy-related risks were written under one policy rather than the fragmented picture we see today.

Mastering Rough Seas is a matter of determination for underwriters. You can either tread water waiting for the recovery or you can identify opportunities now when the financial markets have become more stable. After all, you are as good as your members. The Swedish Club is showing resilience in the downturn!

Yours sincerely,



COVERPHOTO: ISTOCKPHOTO

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Marine risk in Singapore and surrounding waters

■ ■ Developing loss statistics suggest that static vessel contacts and underwater cable related risks have increased during 2009 within and outside Singapore's territorial waters.

The effect of the economic crisis on port congestion is a complex one. In Singapore, despite anecdotal reports of congestion from industry experts, warning of the increased risk of collisions in this area (where there has been a significant rise in the number of vessels lying at anchor), it has been stated by the Singapore Maritime and Port Authority (MPA) there are no ships in cold lay up or long term warm lay up within Singapore Port.

The situation is well controlled

"While hundreds of ships are reported to be laid up across the globe, there are no vessels laid up in the Singapore port," says Capt Lee Cheng Wee, Singapore Port Master. "Singapore does not encourage the laying up of vessels in our port waters, due to the limited sea space available."

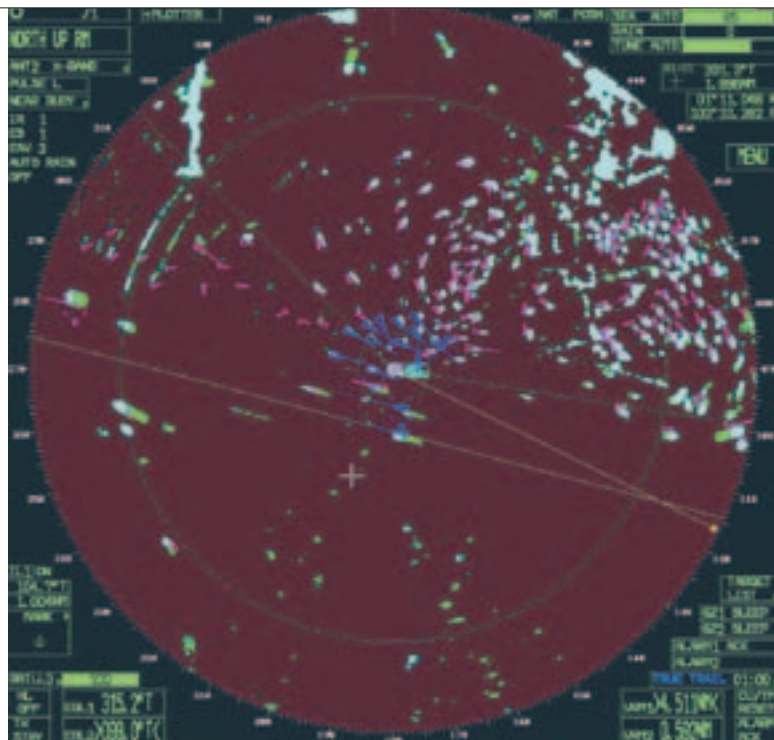
The situation within Singapore waters is well controlled – "Despite an increase in vessel arrivals and the small number of vessels staying more than 10 days every month, the industry can rest assured that Singapore has sufficient anchorage capacity to meet the needs of the shipping industry, and that concerns over congestion and navigational safety are not warranted," says Capt Lee.

Cable incidents not uncommon

Outside Singapore's waters, there is a significant demand for anchoring locations. This has led to vessels anchoring at increasing distances away from Singapore and closer together, in shipping lanes and closer to undersea cables, presenting increased risk of collision and in particular, low velocity or static contact between vessels.

Cable incidents are not uncommon and the

This radar picture clearly shows the environment a ship has to contend to.



cost is very high, thus the risk is very significant when vessels are anchoring within shipping lanes and close to underwater cables.

Navigational threats to passing vessels

At a meeting on operational matters held on 10 June 2009 between P&I Club representatives, the Singapore Maritime & Port Authority (MPA) and the Singapore Shipping Association (SSA), MPA expressed grave concerns relating to ships anchoring in the Traffic Separation Schemes (TSS) in the Straits of Singapore – such vessels pose navigational threats to other passing vessels and also have the potential to inflict damage on the submarine cables in the Straits. In order to help address these concerns, MPA has already contacted the respective flag states of the vessels anchored in the TSS. MPA has also

sought the assistance of P&I Clubs to bring this problem to the attention of their members.

The following radar picture (from an anchored ship) shows very clearly the environment that a ship has to contend with. Note the mass of anchored ships to the north of the anchored vessel and the main shipping channels to the South and West. Whilst the subject vessel is anchored just outside the TSS and Singapore port limit, this picture incidentally, shows some anchored vessels inside the TSS. Note the lower yellow marker line, which is parallel to the courses of the transiting vessels. The ship's bearing marker shows her heading.

Practical risk reduction measures for the consideration of members may be summarised as below.

Practical RISK REDUCTION measures

1. Dragging Anchor

- Whilst the waters are generally calm, sudden "Shamals", consisting of a rapid increase in wind velocity and lasting a few minutes, can catch ships unexpectedly.
- Monitor Navtex and Sat C weather reports for the location.
- Anchor watches should be a priority and the bridge should never be left unmanned.
- Engines should preferably be kept on short notice and engine room kept on as short notice as possible.

2. Underwater Cables

- Anchor away from port entry fairways and traffic separation schemes.
- Anchor away from and clear of submarine cables.
- Keep away from the areas indicated as Precautionary Areas on the chart.

3. Choice of Anchoring Position

- Before anchoring, discuss with the Charterers, Owners and Agents and decide on the anchorage based on the expected duration of stay at anchor. It may be prudent to anchor further away initially.

4. Manoeuvring

- Currents can be unexpectedly strong and should be taken into account when manoeuvring.
- Use of Pilots should be considered when the Master is not confident or not familiar with the waters.

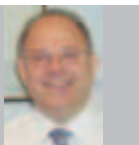
5. Charts

- Provide Master with latest MPA Notices <http://www.mpa.gov.sg>
- Provide Master with latest Admiralty Notices to Mariners and Chart corrections.

Martin Terrell

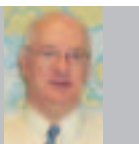
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Collision in Singapore

Congestion a contributory factor

Örjan Karlsson
Claims Manager
Team Göteborg I



■ ■ The increasing risk to vessels at anchor and in transit to and from Singapore has affected The Swedish Club in 2009. In 2009 to the time of writing the most serious collision in Singapore water involved a bulk carrier that was departing from the

eastern anchorage in a laden condition. The congestion of anchored vessels was a contributory factor in the collision.

During the turn, see sketch below on which our vessel is marked with an A, the vessel was moving broadly abeam due to her characteristics and the prevailing current. The movement caused the vessel to land on the bulb of the other vessel (marked B), which opened a gash in one of the cargo holds measuring about 7x7 meters below the waterline, see photo to the right.

The damage resulted in an immediate flooding of the cargo hold. Luckily the damage did not extend to any adjacent cargo holds, and the condition of the vessel was not endangered. There were no bunker tanks in the damaged area, thus no risk of oil pollution. The vessel had to be discharged to facilitate dry docking and repairs.

The owners of the vessel declared General Average (GA) following the casualty and all sound cargo was transhipped to its final destination. The other vessel suffered only minor damage to her foreship.

It took 31 days before the vessel was back in service and the total estimated cost amounts in the region of USD 2 million.



Lightering operation in progress.



The damage, showing clearly how the bulb of the opposing vessel protruded through the hull.



Collision plot.

COLD IRONING cuts costs

Stena Line's goal is that all of their ships, operating in Scandinavia, will be connected to cold ironing at berth before the ending of 2010. This project is part of their Energy Saving Plan to reduce emissions by 2.5% each year, and the investment costs are close to USD 150,000.

■ ■ Cold ironing provides shore-side electrical power to a ship at berth while its main and auxiliary engines are turned off. The process permits emergency equipment, refrigeration, cooling, heating, lighting, and other equipment to receive electricity while the ship loads or unloads its cargo.

"We have clean electricity in Sweden, taken mostly from wind and hydro power. That ena-



Carola Weidenholm

Corporate Communications

bles us to reduce the emissions of carbon dioxide by 5,000 tons, sulphur oxide by 11 tons and nitrogen oxide by 82 tons a year by using shore-based electricity supplies instead of the auxiliary engines in our Scandinavian ports," says Per Wimby, Technical Operations Manager at Stena Line.

To install cold ironing will pay back in 5-7 years time for a newbuilding, depending on the fuel costs; but it will take some years longer for older ships where you have to after-install the equipment.

Remote control-operated

Stena Line considers cold ironing an important element in their ambition to minimise the environmental load in port towns they call at.

"We are situated in the city centre and therefore we take extra responsibility for the surrounding environment. Those of our ferries that are not already connected to shore electric-

Stena Line in brief

The Stena Line freight route network is Europe's largest, linking key ports and road connections across Northern Europe.

Head office: Göteborg

Employees: 5,700

No of lines: 18 in Scandinavia and the UK

No of ships: 36

Departures: 76,568

Passengers: 15,280,100

Cars: 2,866,600

Websites: www.stenaline.se and www.stenaline.com

Ships ensured by The Swedish Club, total Stena Group: 42

Classes of insurance: H&M and P&I

An electrical cable is extended from the pier and plugged into the ship's receptacle to supply power to operate the machinery, but not its main engines. This allows the ship to shut down the diesel engines that normally drive the electrical generators. When the diesel engines are not operating, the ship's emissions and noise are greatly reduced.

PHOTO: STENALINE



and emissions for Stena Line

ity, run their auxiliary engines around 32,000 hours a year, so the method provides a considerable environmental saving. Emissions almost come down to zero and at the same time disturbing noise in the engine room and outside the ship disappears,” Per points out.

As early as 1989 the first two of Stena Line’s ferries were adapted to cold ironing; they were the Stena Germanica and Stena Scandinavica operating to German ports. The next step was taken in 1997 when Stena Carisma was connected to the same system. Since then the technology has developed from low voltage to high voltage systems, typically 10.5 kV. This reduced the number of cables from 10 to 1 and the connection time from around 20 minutes to at most 5 minutes.

Stena Line and cold ironing

- Investments of between SEK 75 million and SEK 100 million.
- First installations in Göteborg, followed by Stena Line’s remaining ports in the Scandinavian business.
- The aim is for all ports to have shore-based electrical supplies by 2010.
- Shore connections require customisation and investments in both vessels and ports, including a connection compartment onboard, a circuit-breaker on the quay and the running of high-voltage lines.
- By means of shore electricity supplies the vessels can be connected to the national grid via a cable. This allows the auxiliary engines to be switched off while alongside, cutting noise and emissions.

“Today the system pretty much runs in the same way as a petrol station; the cable is placed on shore and the process is easily operated by one person via a remote-control from the ferry”, Per explains.

Training and motivated personnel

“In the beginning there was some suspicion about working with a high-voltage system, but we solved that with information and training”, says Per. “And since our co-workers have been involved in our Energy Saving Programme from the start, several years ago, I would say that today environmental awareness is high among our personnel, which make them more adaptable to new environmental solutions”, he continues.

The only drawback, Per can recall, is that it is harder to transfer ships within the harbour as you need to stay close to a transmission line.

“In this project we have only had minor problems that were quickly solved, and the cold ironing is also easy to handle in hard weather – even though the captains might have to manoeuvre with slightly more precision”, Per says with a smile.

The next project in Stena Lines Energy Saving Plan is to connect the RoPax ferry Stena Jutlandica to cold ironing also on her short stops, of only 45 minutes, in Göteborg. Today the Port of Göteborg is responsible for the investments ashore, while Stena Line takes on the costs on board. This is of mutual importance for the port, as they also have to live up to main objectives for their environment performance.

Stena Line will continue with their environmental objectives of 2.5% reduction of emissions to air and sea each year. An additional part of the programme involves taking care of sewage and bilge water from the vessels for refinement on board or distribution to a disposal plant ashore. And their standards are high, for example the present emission limit for bilge water is 15 ppm, and the internal goal for Stena Line is reducing it to 5 ppm.

Demands for a standard

An issue that has to be addressed before long, is that ships and ports have different voltages, for



Per Wimby, Technical Operations Manager at Stena Line.

example the U.S works on 60Hz and Europe on 50, while the majority of ships have 60HZ. For that reason you require a transformer to convert the power, which involves an initial cost. In the future there will probably be a requirement for ports to offer both voltages.

At present a new global ISO standard for cold ironing is about to be developed and it should be ready around the turn of the year according to Per Wimby.

“A new standard will make the installations so much easier, as regulations for the equipment will be the same in all harbours. This way we can start focusing on installing the transmission lines in our ports abroad too, especially in Germany and Denmark.”

One issue shipowners need to take up with governments worldwide, is that ship fuel is tax-free, which is not the case with electricity. In Europe this issue is already on the agenda and Stena Line are following the debate carefully.

“A positive decision in this matter would make a massive contribution to cold ironing connections booming globally, Per says.

“Shipping is a global business and we need to take joint responsibility for the emissions and put together regulations valid in all ports of the world. Today Europe is an Emission Control Area and the USA is about to join this programme too, hopefully we can extend it to all continents shortly”, Per Wimby concludes.

Rules, regulations and emissions

	CO ₂ (carbon dioxide)	SO _x (sulphur oxide)	NO _x (nitrogen oxide)
Shipping regulations	No regulations at present	1.5% in the North Sea and Baltic Sea*	Depending on type of engine
Reduced emissions in ports with shore electrical supplies	- 5,000 tons (86% reduction in emissions). Equivalent to about 2,000 cars driving 15,000 km/year.	- 11 tons (99% reduction in emissions).	- 82 tons (98% reduction in emissions). Equivalent with about 35,000 cars driving 15,000 km/year.

* The limit for sulphur oxide will be lowered to 1% in 2010.

Interactive Root Cause Analysis Can we

Lars A. Malm
Director
 Risk & Operation



■ ■ I had the pleasure of giving a presentation to the Club's Board of Director's in connection with the Board Meeting in Athens on 1 October. The presentation was about a newly launched Loss Prevention initiative by the Club. The Club implemented a highly sophisticated Loss Code system in 2004, which is integrated into our computerised insurance system. The Loss Codes allow us to analyse

the casualties down to the root cause level. There are three levels in the coding system: 1) *Category* = Grounding, Collision, Machinery, Cargo, Injury etc. 2) *Circumstances/Immediate cause* = Bad weather, error in design, crossing traffic etc. 3) *Root Cause* = Fatigue, Error in judgement, Non-adherence to SoPs etc.

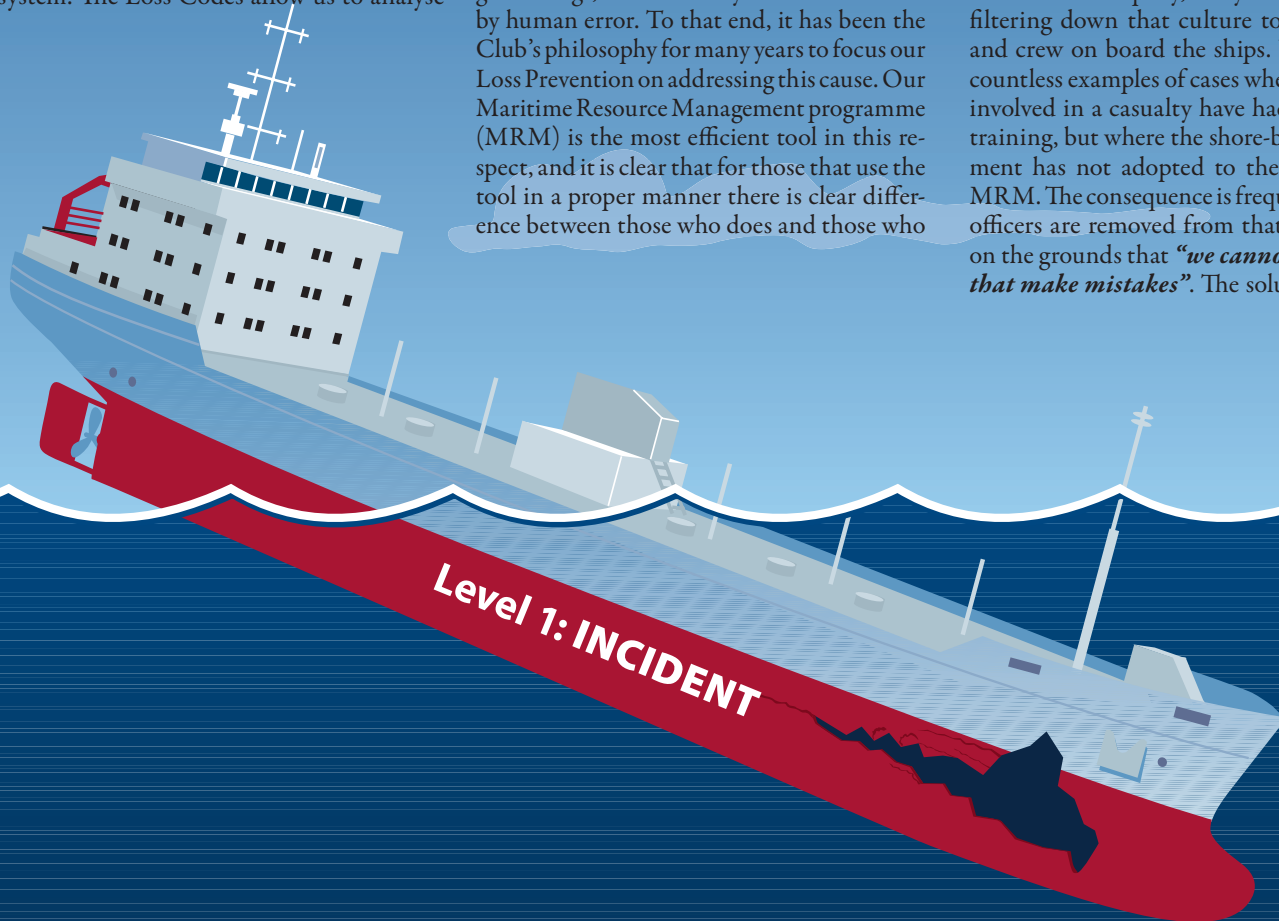
Human error the most common cause of casualties

Everyone in the industry has now realised that almost all casualties, be that personal injuries, machinery breakdowns or collisions/groundings, are in one way or another caused by human error. To that end, it has been the Club's philosophy for many years to focus our Loss Prevention on addressing this cause. Our Maritime Resource Management programme (MRM) is the most efficient tool in this respect, and it is clear that for those that use the tool in a proper manner there is clear difference between those who does and those who

don't. An even clearer difference is obviously between those who use MRM and those who don't use it at all.

Why do people make mistakes?

Slightly erroneously, some people believe that MRM is just for the deck/engine officers and crew. Nothing could be more wrong. First of all, if one wishes to maximise the output, MRM is designed to educate the relevant shore-based management. Only when you have done that, and "truly" successfully have implemented a sustainable "safety culture" within the company, are you ready to start filtering down that culture to your officers and crew on board the ships. We have seen countless examples of cases where the officers involved in a casualty have had the relevant training, but where the shore-based management has not adopted to the principles of MRM. The consequence is frequently that the officers are removed from that organisation on the grounds that "we cannot have people that make mistakes". The solution is not to



afford not to drill?

blame people. The solution is to ask the crucial question: *Why do they make mistakes?*

True root cause

We have discovered over the years that in many cases there is yet another level which is the most important and relevant one when it comes to addressing prevention of recurrence; Level 4 = *“True root cause”*

It is also clear, based on our experience, that almost invariably the *“true root cause”* is connected with shortcomings in the shore-based organisation. It is easier and much more convenient to *“blame”* the master in a collision, rather than to turn the floodlight on the shore-based organisation, and in some cases even on yourself!

Owners' liabilities and financial losses – our concern

As it is obvious that the *“uninsured”* losses for owners are far more significant than the insured losses, it is, given the current economic situation

for members, even more important for the Club to render as much assistance as possible to safeguard our members financial interests, as well as their responsibilities in relation to environmental impact and, equally importantly, their responsibilities towards the crew on board the ships. Previously the Club has successfully on an ad-hoc basis addressed individual members' needs interactively as regards preventive measures, in order to reduce the frequency and severity of claims. This has been done by using another Loss Prevention tool of ours, which is called Safety Management Support (SMS). SMS is an illustrative report comparing one fleet with similar fleets within the membership of the Club in respect of frequency and severity as far as different categories of claims are concerned.

Formalisation of a successful approach

As we have realised that times are calling for everyone to step up to the plate it is natural also for us to do so. We feel that we can contribute in this respect by *formalising* the successful interactive approach. We are confident that we will be able to reduce the frequency and severity of claims if we can convince our members to adapt to the thinking of our MRM programme. One attractive feature of the formalisation of this process is that it will facilitate the feedback of significant and relevant loss prevention experience to the membership in a much more structured manner.

We are also hopeful that individual members will appreciate that the reinforced efforts by the Club can only improve the overall situation for the membership as a whole. If we can only take away one major grounding or collision per year it makes a significant difference for the members of the Club. To that end; *can we afford not to drill down to Level 4?*



Level 2: CIRCUMSTANCES

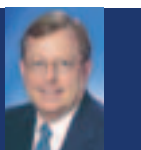
Level 3: ROOT CAUSE

Level 4: TRUE ROOT CAUSE

"Reporting of payment of liability claims, whether through settlement or otherwise, will soon be required in situations where the claimant is a beneficiary of the U.S. Medicare program."

Impact of **New** U.S. Medicare **Reporti**

Charles G. De Leo
Fowler White Burnett, P.A., Miami
Florida



Charles G. De Leo is a managing shareholder of Fowler White Burnett, P.A., a law firm with offices in Miami, Fort Lauderdale and West Palm Beach, Florida. A graduate of the University of California and Tulane Law School, he has practiced maritime law at his firm for over 27 years and frequently acts for Clubs and their members in personal injury litigation before federal and state courts in Florida.

The author gratefully acknowledges the assistance of Damon T. Hartley, also of Fowler White Burnett in Miami.

■ ■ A recent amendment to U.S. legislation could impose significant obligations on members to report payment of claims for injury-related medical expenses to the U.S. government. Reporting of payment of

liability claims, whether through settlement or otherwise, will soon be required in situations where the claimant is a beneficiary of the U.S. Medicare program.

Medicare is a government-run health insurance program enacted to pay certain medical costs for individuals who have become disabled or retired. In order to avoid potentially large penalties associated with non-compliance with these new reporting requirements, members must now carefully consider whether individuals receiving payment of injury-related claims are Medicare beneficiaries and if so, what steps are necessary to comply with reporting the claim to the U.S. government.

The Medicare Secondary Payer Act (MSPA)

Medicare was established in 1965 to cover health care costs for persons over 65 years of age and persons under age 65 with certain permanent disabilities. In 1980, the United States Congress enacted the Medicare Secondary Payer Act ("MSPA") with the intent of shifting the burden of health care costs to private insurers. The MSPA established Medicare as a "Secondary Payer" with a right of subrogation and reimbursement against a "Primary Plan" or "Primary Payer" which may have primary responsibility for a Medicare beneficiary's medical costs.

Primary plans are defined to include group health insurance, workers' compensation, automobile and liability insurance (including self-insurance) and no-fault insurance. Under the terms of the MSPA, Medicare cannot make payments where a Primary Payer can reasonably be expected to cover a beneficiary's medical payments. However, Medicare may make "conditional payments" where the Primary Payer has failed to make payment or cannot reasonably be expected to make prompt payment. In such situations Medicare is empowered to recoup inju-

ry-related medical expenses from a Primary Plan which rightfully should have paid the beneficiary.

The MSPA also gives the U.S. government a private cause of action against a Primary Plan that fails to provide prompt payment or reimbursement, including the right to recover double damages.

Increased enforcement of the MSPA in recent years

An aging U.S. population, rising health care costs and other factors have increased the burden on the U.S. Medicare system, which has resulted in increased efforts by the Center for Medicare and Medicaid Services ("CMS"), the federal agency which administers Medicare and other health related programs, to enforce the MSPA. This trend is evidenced by a recent amendment to the MSPA entitled the Medicare, Medicaid, and SCHIP Extension Act of 2007 ("MMSEA") which imposes significant new reporting obligations related to payment of liability claims which could potentially involve reimbursement to Medicare.

The reporting requirements apply to payments made on or after 1 January 2010, but may relate back to claims on which responsibility for medical payments existed as of 1 July 2009. The objective of the new reporting requirements is to permit CMS to track the resolution of liability claims involving past and future medical costs that are subject to Medicare, which will assist it in identifying all potential sources of reimbursement for Medicare conditional payments. Liability insurers and other paying entities deemed to be Responsible Reporting Entities ("RRE") are required to determine whether a claimant is or might become a Medicare beneficiary and if so, to

provide CMS with that individual's identity and other information such as the amount of any settlement, judgment, award, or other payment regardless of whether or not there has been an admission or determination of liability.

This information must be furnished to CMS within a specified time after the claim is resolved which will then assist CMS in the coordination of the individual's benefits. In keeping with the trend of heightened MSPA



An aging population has increased the burden on the U.S. Medicare system.

ng Requirements

enforcement, the MMSEA imposes severe penalties for noncompliance. If an insurer or other RRE fails to notify Medicare in accordance with the new guidelines, a civil penalty of US\$1,000 per day will be charged per claimant.

Determining who is the “Responsible Reporting Entity”/RRE

The MMSEA’s new reporting requirements fall upon the entity deemed to be the Responsible Reporting Entity (RRE). By definition, the RRE is limited to “Applicable Plans” which are defined in the Act as: (i) Liability insurance (including self-insurance), (ii) No fault insurance, and (iii) Workers’ compensation laws or plans. Liability insurance (including self-insurance) is further defined to be coverage that indemnifies, or pays on behalf of the policyholder or self-insured entity, against third-party claims for negligence resulting in injury or illness to an individual.

By the express terms of the MMSEA, an RRE may not by contract or otherwise limit its reporting responsibility, though it may contract with a third party administrator or other entity for actual file submissions for reporting purposes. For purposes of RRE submissions, the term “claim” is used to refer to the overall claim rather than a single claim for a particular medical item or service.

An RRE is required to register on-line through CMS’s website. Details on registration and reporting requirements can be accessed through the CMS user guide published on its website.*

Members must carefully consider reporting obligations

Although the full implications of the new reporting requirements are not yet clear, what is clear is that members involved in settling claims which may involve conditional Medicare payments must carefully consider whether they are indeed subject to the new registration and reporting requirements. It does appear that the new registration and reporting requirements are more directed towards high volume liability insurers rather than a vessel owner who may only occasionally be required to report a settlement involving a Medicare beneficiary. However, the MMSEA is clear that although RRE’s may contract with third parties to submit reports on their behalf, accountability for submission of reports and the accuracy of the submitted information continues to rest with the RRE. The imposition of US\$1,000 per day penalties further



suggests that CMS will be aggressively pursuing noncompliance with the reporting requirements.

Although the best course of action for members to take will not become absolutely clear until actual implementation and enforcement of the new reporting requirements occurs, given the U.S. government’s trend toward heightened enforcement of the MSPA it may be advisable in the near term for members settling any claim involving a Medicare beneficiary to comply with the new MSPA reporting requirements as soon as payment of a claim is made through settlement or otherwise in order to avoid potentially significant penalties.

* CMS has published its “MMSEA Section 111, Medicare Secondary Payer Mandatory Reporting User Guide” on its website which can assist with compliance: <http://www.cms.hhs.gov/MandatoryInsRep/Downloads/NGHPUserGuide2ndRev082009.pdf>

12 NEW

Martin Hernqvist
MRM Manager
Maritime Resource Management



MRM training providers

EMIRATES INTERNATIONAL MARITIME ACADEMY

Dubai, U.A.E.

Emirates International Maritime Academy is part of the Dubai Maritime City project and was established by the Dubai Maritime City Authority to provide marine-oriented academic programmes, serving as a world-class training ground for professionals in the maritime sector. The academy is the region's first maritime educational campus to accommodate over 1,300 students.

CMA SHIPS

Marseille, France

CMA SHIPS was established on 1 January 2008, by the Club's member CMA CGM as a wholly owned subsidiary to manage all fleet-related operations, including: fleet and crew management, technical maintenance, the supply of spare parts and consumables, and newbuilding projects. CMA SHIPS' ambition is to provide MRM training for their European officers in Marseille and for their Filipino officers in Manila.

MARITIME TRAINING INSTITUTE

Karachi, Pakistan

The institute was established in October 1998 and duly approved by the Government of Pakistan. It is situated on the waterfront on the western edge of the China Creek, close to Karachi harbour. It is one of Pakistan's premier marine institutes in the private sector and in 2005 the institute received the Dubai International Maritime Award in recognition of their education and training services in the region.

NEW ALLIANCE MARINE TRAINING CENTRE

Wuhan, China

New Alliance Marine Training Centre (NAMTC) is operated by Sinocrew Maritime Services which since its start in 2002 has become one of the leading manning companies in China, managing a pool of 3,000 Chinese seafarers through its offices in Beijing, Shanghai and Wuhan. Substantial investments have been made at NAMTC in Wuhan. Among them, the installation of bridge and engine room simulators.

P&O FERRIES

Dover, U.K.

P&O Ferries Holdings Ltd is the UK's largest ferry operator, with a fleet of 26 passenger and freight ro-ro vessels, the widest choice of routes and the most frequent service to the Continent and Ireland for tourist and freight passengers. P&O Ferries is also a terminal operator of port services in the U.K. and on the continent. The training will take place at their own safety training centre in Dover.

DOKUZ EYLÜL UNIVERSITY, SCHOOL OF MARITIME BUSINESS AND MANAGEMENT

Izmir, Turkey

The School of Maritime Business and Management was founded in 1988 in the body of the Dokuz Eylül University as the first higher education school in Turkey for maritime business. The medium of instruction of the School is English, and the main aim is to meet the qualified manpower requirements of the Turkish maritime industry.

SWEDISH MARITIME ADMINISTRATION

Norrköping, Sweden

The Swedish Maritime Administration was one of the eight entities that, together with The Swedish Club and the SAS Flight Academy, developed the first ever Bridge Resource Management (BRM) training course for the maritime industry some 16 years ago. We are, therefore, very pleased that, in August 2009, the Swedish Maritime Administration decided to join forces with us once again in this important training area.

SAMUNDRA INSTITUTE OF MARITIME STUDIES (SIMS)

Mumbai, India

The non-commercial post-sea facility of the institute, located at Govandi, Mumbai, was established in 2002 exclusively for the officers and crew of Executive Ship Management Pte Ltd, Singapore, with the objective of achieving the highest standards of manning and training. In October 2009, two instructors of SIMS were certified as MRM Workshop Leaders. Executive Ship Management Pte Ltd is a member of The Swedish Club.

STODEL

Hoek van Holland, Netherlands

All registered Dutch pilots are members of the Dutch Pilots' Corporation; Nederlandse Loodsencorporatie (NLC). NLC is a public organization which consists of three official bodies, the president, the general council and the general assembly. STODEL is the foundation for training and education and handles the general part of the education of apprentice pilots and the permanent education of registered pilots by order of the general council.

MARLOW NAVIGATION TRAINING CENTRE

Odessa, Ukraine

MARLOW NAVIGATION TRAINING CENTRE

St. Petersburg, Russia

In September 2008, Marlow Navigation signed an MRM licence agreement for its new training facility in Manila. Following a year of successful training in the Philippines, Marlow Navigation is now expanding MRM training through their offices in Odessa, Ukraine, and St. Petersburg, Russia. Marlow Navigation Co Ltd, with head office in Cyprus, was established in 1982 and their core business is crew management.

GBLT SHIPMANAGEMENT

Singapore

GBLT Shipmanagement Pte. Ltd., a wholly owned subsidiary of PT. Berlian Laju Tanker Tbk. (BLT), was established in Singapore on 1 June 2002. It was set up to provide an independent technical management services to BLT fleet. To uphold its mission statement to provide world class quality and professional services, GBLT is committed to zero incidents and zero spills in the management of their vessels, and they aim to achieve these goals through an in-house structured training programme and a focus on continuous improvement.



16 June Captain Jaafar bin Sidin, Director of Emirates International Maritime Academy (front row, middle), and Martin Hernqvist, MRM Manager, (front row, left) sign an MRM licence agreement.

Out and about with MRM

PHOTOS: TSC

16 June MRM crash course for United Arab Shipping Company in Dubai, U.A.E. (No photo)

17 June Familiarisation Day for new MRM Workshop Leaders at Polarcus DMCC in Dubai, U.A.E.

6 July Introducing new MRM material at CSMART, Almere, Netherlands. (No photo)



9 July Capt Ender Asyali, Dokuz Eylül University (right) and Martin Hernqvist discuss MRM training at The Swedish Club, Göteborg.



20 July Introducing new MRM material at CSMART, Almere, Netherlands. (No photo)

18 August MRM presentation for NORSIM 2009 delegates at The Swedish Club, Göteborg. (No photo)



1 September Familiarisation Day for new MRM workshop leaders at CMA SHIPS, Marseille, France.



8 September MRM course for new maritime pilots at the Swedish Maritime Administration's training centre "Arkö", on the Swedish east coast.



15 September MRM presentation at Donsömässan, Donsö, Sweden.



18 September Familiarisation Day for new MRM workshop leaders at P&O Ferries, Dover, U.K.



It is necessary to look ahead "through the windshield".

Hull and Machinery **Renewal**



■ ■ The important and interesting 1/1 renewal is approaching rapidly, and the Club is prepared to meet the challenges lying ahead. In this context it should be emphasised that we very much acknowledge that we will be meeting these challenges together with our members. Now it is the time to act as a truly responsible mutual, giving our members support and maintaining underwriting discipline. The Club will continue to make available comprehensive insurance cover, adapted to the cyclicity of the market, to suit the needs of individual members at rating and deductible levels reflecting true exposure.

Managing cyclicity

Showing responsibility towards our members has always been our highest priority. To produce sustainable results consistently over time requires a continued focus on service excellence, risk assessment, loss prevention and underwriting discipline. In the wake of the current financial crisis, it is satisfying to see some signs of reduction in claims costs. Both owners and underwriters welcome this slowdown. The hull and machinery business is a competitive sector of marine insurance and it has been challenging for underwriters to break even, let alone to realise a surplus.

The main reason has been the substantial claims inflation experienced in the past. It is also a differentiated market as regards how various underwriters manage the needs of those assured. The inherent differences between various underwriters and markets introduce difficulties for owners in comparing rating structures between underwriters. Last year we virtually broke even and the forecast for this year points to an improvement vs. last year's result. Our aim is to show members our continued support by offering a comprehensive solution based on service excellence as the corner stone.

From a more commercial perspective, we acknowledge the obvious need to make ourselves even more appealing to the market. In difficult times, opportunities may emerge for those with a strong capital base and the underwriting discipline to selectively attract new business. By managing the market cyclicity, the Club continues to offer stable and com-

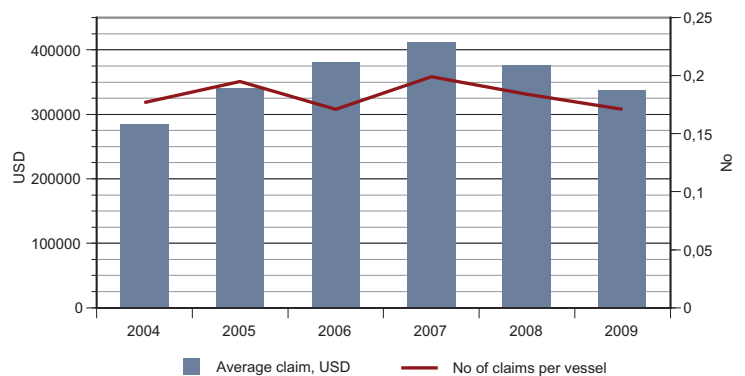
petitive terms to members who acknowledge the benefits of the Club's comprehensive service package.

Claims picture

During this last year, comments have been made that the cost of claims is expected to decrease as a result of;

*increased yard availability,
reduced steel prices,
reduced commodity prices,
reduced freight rates,
increased availability of spares,
slow steaming,
less congestion in ports.*

In theory, all of these make sense, and in practice the claims cost is down. The main driving force, however, is that the frequency of severe claims is



down, but in general the cost of the individual underlying claims is only marginally lower compared to the claims cost in previous years.

Absence of large claims due to lay-ups

If, instead, one considers the average claim cost per ship and year, the immediate conclusion is that things have improved. This is due to the relative absence of large claims.

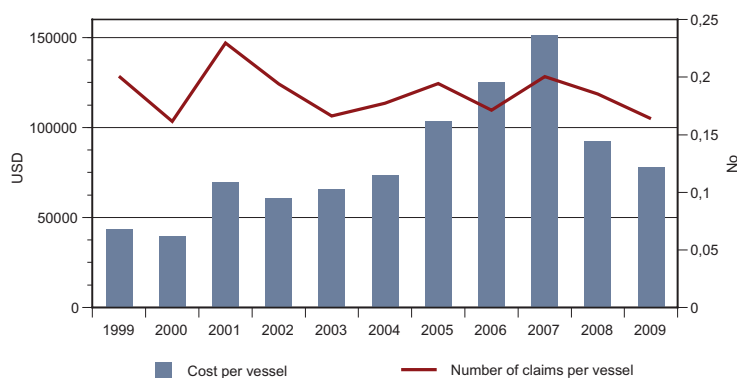
The main reason behind reduced frequency seems to be lay-ups, which as a consequence also leads to less congestion. In addition, slow



PHOTOS: STEFANELIASSON©

*Objects in the mirror are closer than they appear.*

2010



steaming has to some extent contributed to a declining frequency. As lay-ups within the container, RoRo and car carrier segments have become more pronounced, the Club can expect the claims frequency to decrease. However premium will also be reduced accordingly.

The issue is **whether the premium level overall is sustainable to meet the exposure going forward?**

What lies ahead?

We were cautious in our predictions last year, taking the impact of the global financial crisis situation into account. One year down the road the caution turned out to be well-founded.

The challenge for underwriters has always been to rate exposure going forward. The successful underwriter is the one doing so by not only using historical data. It is necessary to look ahead “through the windshield”. If the rear-view mirror occasionally is used in combination with the windshield, it is obvious that objects in the mirror are in fact larger than they appear at times. They may catch up much quicker than one would anticipate. Strong economic growth is, from experience, correlated with factors driving the claims inflation; **hull values, commodity prices, labour costs and freight rates.**

Claims conclusion

Using the windshield and rear-view mirror analogy, we would like to highlight the importance of utilising all the information available in the

risk assessment process. When taking the above considerations into account, it is reasonable to state **that claims are almost as expensive today as they were yesterday – the only difference is that they are fewer in number.**

When the situation for shipping improves, we expect frequency to increase again. It will however take longer for some parts of the shipping industry to return to the 07/08 activity levels. On the back of an improved global economy, second hand prices, ship values, commodity prices, freight rates, steel prices, delivery time for spares and yard space will all start soaring again.

Act as a prudent insurer

Underwriters' ability to address the issue of rating exposure, in line with the true value of the risk assumed, has been limited. Last year we did not see underwriters adopt a disciplined approach as far as rating was concerned. Judging by the way the market as a whole has been reacting throughout this year, there are signs of it moving in the necessary and correct direction.

Last year, we predicted that less capacity would be available in the market and that this would facilitate the rating process. To a certain extent we were correct, but the effect has partially been off-set due to plummeting ship values. It is evident that premium volumes have been affected accordingly.

Volatility, pricing and renewals

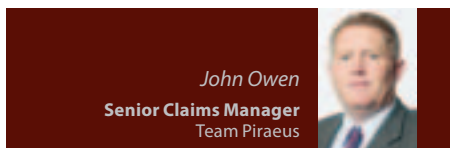
2008 ended with a close to break-even result for H&M. This year, the projected result is a surplus as we presumably have enjoyed the benefits of “positive” volatility. That would of course be a simplification of the situation. As already mentioned, last year **there was far more to it than volatility.**

It is evident that since the average claims cost is roughly at the same level as during the last three years, the true decisive factor underlying the improvement is frequency related.

Having determined that rating is still an issue, it is paramount to us to continue making further adjustments of rates relative to exposure. Members will be offered renewal terms commensurate with individual exposure.



An early morning mist and autumnal air greeted more than five hundred P&I Club Correspondents on the first day of this occasional gathering. From more than ninety-seven countries, they all descended on Amsterdam for two days to hear and comment on developments since the London gathering some four years earlier.



John Owen
Senior Claims Manager
Team Piraeus



PHOTOS: TSC

Amsterdam P&I Corr

■ ■ Peter Spendlove, the Chairman of the International Group of P&I Clubs, opened the conference on Monday morning with a reminder to us all that P&I cover offers a scope and levels of cover unprecedented in commercial insurance. With more than 90% of world tonnage insured within the International Group (IG) Clubs, at cost the relationship with our correspondents was paramount. Additional vigilance was necessary, not least with costs being forced down during the recession.

Bank Guarantees

On the theme of financial matters, we first heard from Mike Sharman at ING Bank about the provision of Bank Guarantees and a number of typical problems which arise. In particular the effect of US/International Embargoes applying to a number of countries; interest rates on Inter-bank exchanges, and the cost of correspondent bank charges.

Benefits of Clubs LOU

Additional presentations from Niels van der Noll, DUPI Amsterdam B.V. and Hugh Hurst, International Group, underpinned the value of the Rotterdam Form and the benefits of the Club Letter of Undertaking. The Club LOU is always preferred as the first choice of security by the IG Clubs, and in great many countries pre-approved texts exist. There are, however, with very few IG approved circumstances, very good reasons for restraint on "anticipatory" LOUs.

Network offices

During the second session Alan McLean from McLeans, Paris informed us that "care off" offices don't work and that the overseas offices need

overseas staff. Yoram Golam from CIS Pandi provided us with an entertaining account of the issues of correspondence covering a continent as large as the former USSR. Getting a surveyor to some locations can take days, only to find that the ship has already sailed. And James Budd from Budd, Paris reassured us that those organisations which run a network of offices build up regional experience and commitment to provide support to the IG. The websites of such organisations often contain useful local information.

Succession Planning

As the present chairman of the International Group Correspondents sub-committee – Nick Tonge reflected with an image of the Roman gods. Looking back and forward and informing

us about the importance of succession planning and of the need to adapt to change.

Letters of Confirmation

During the afternoon sessions we heard about Letters of Confirmation and the good reasons for constraint on the text approved by the IG.



At the dinner table from left: James Budd (Budd Paris), Peter Spendlove (Chairman of the International Group) and Christina Kalimbassieris (Kalimbassieris Maritime, Piraeus).



Speakers gather for a group photograph at the end of the conference.

Garry Stevens, from A Bilbrough P&I (London Club) then illustrated the need to be particularly mindful of Conflicts of Interest, the need to be alert to such potential conflicts at all times and to establish a code of conduct for the appointment of experts.

Use the telephone more

Chris South, West of England Insurance Services (Luxembourg) S.A. reminded us of the need for good contingency planning, and John Murkett, Tindall Riley (Britannia) Ltd of the need to report and communicate effectively. "Use the telephone more" a theme which was repeated by a number of the speakers. An overreliance on e-mail was becoming the norm and good old-fashioned conversation was being overlooked.

We all need to be clearer

A timely reminder was given by Sue Watkins, (Steamship Mutual P&I) that we all need to be clearer in establishing levels of authority as they relate to the negotiation of claims; but more particularly to the provision of LOUs. Messages should be clear to avoid unauthorised amendments being issued by a bank (who may consider them immaterial). Similarly, time extensions should only be granted with express authority

and preferably with rigid terms.

We rounded off day one with a reminder from Gard that invoices need to be clear in order to be paid promptly.

Stowaways in South Africa

Day two was developed with a much more practical theme with illustrations from Skuld, Robmarine, Hispania P&I and P&I Associates in South Africa that stowaways are not a new problem, and with the current political/economic climate around the world, which is unlikely to change. Young fit men were now prepared to risk life and limb to stow away for the possibility of a small reward (good behaviour money) and a flight back home. Business - but this was to be discouraged by the correspondents. But progress was being made in some countries, and in South Africa "Seek and Bark" sniffer dog search of the ship prior to departure was proving to be beneficial. How about 'Beware of the Dog' signs at the end of the gangway!

Need for cooperation in the Philippines

Andy Malpass (Pandiman Philippines Inc.) and Rubens Del Rosario (Del Rosario Pandiphil Inc.) brought the event to a close with an illustration of how correspondents in the Philip-

pinas may, indeed need to cooperate to enhance the mutual benefits of the IG and the vast numbers of Filipino seamen. Further, that with the commitment of local organisations lobbying the local claimants and the courts, it was possible to get IG LOUs accepted in jurisdictions where only bank guarantees had previously been possible. The IG reaffirmed its appreciation of these efforts and that the IG clubs would continue to honour IG LOUs.

Summing up the event

Peter Spendlove summed up the event with emphasis on the need to communicate and educate, and announced that the IG guidelines to Correspondents would be reviewed.

Following a brief recap of the new "Rotterdam Rules", a Q&A session visited a number of the topics addressed during the conference. Stowaways and the time required to issue bank guarantees took centre stage.

Nick Tonge closed the conference with a vote of thanks to the delegates who had travelled from around the world and for the support from the various sponsors. ■

Henric Gard

Director
Marketing & Business Development



Member & Business

"It is a real privilege for any company to receive an overall satisfaction level or better from 99%

■ ■ The world of today is dynamic and turbulent, as opposed to static and stable, and companies that do not listen and adapt to their stakeholders' everyday realities stand a clear risk of being left behind. Therefore, feedback from our members and business partners (the brokers) is of the utmost importance to us at The Swedish Club. Without input on our performance from interested parties we have no chance of developing our Club further with the clear aim and ambition of constantly improving our delivery in every respect.

Listen, learn, analyse and adapt

In order to measure how we are doing and progressing and to take the time to listen, learn, analyse and adapt, we regularly ask our members and business partners to participate in a survey. The survey can be completed electronically and consists of 12 direct questions, which we believe should be of key importance to participants.

The 2009 Questionnaire response rate was 36%. At a first glance this might seem like a low figure, but after analysing the data in greater detail we were pleased to find out that members with approximately 55% of the total tonnage entered and business partners representing an approximate 50% of the total tonnage entered have provided their much sought-after feedback and views. On these pages you have the results illustrated by graphs to each of the questions we asked.

Sharper focus on members and business partners

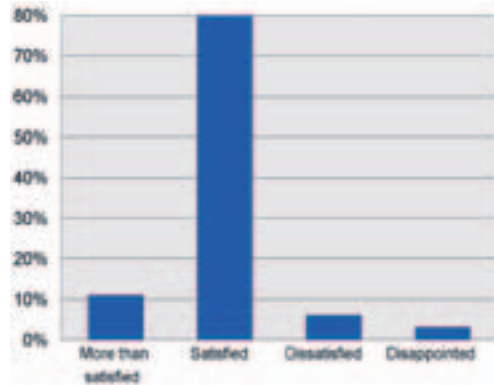
In general the overall satisfaction level of members and business partners with the Club is very high, which is clearly demonstrated by question 12 – please see the graph on the right-hand side. It is a real privilege for any company to receive an overall satisfaction level or better from 99% of the responses recorded. The combined result is also quite satisfactory, with an average over the 12 questions of 80% either "more than satisfied" or "satisfied". The average is, however, reduced by questions 3, 4, 5, 6, 7, 8 and 9, to which over 10% of answers received have responded "no/not applicable". It is hard for us to draw any specific conclusions from this, but as a general statement we should focus more sharply on visualising the added values and benefits of being a member of, or business partner of, The Swedish Club.

Thank you for your valuable comments

With this short presentation of the findings we would like to thank each and every one of you for your participation. Your invaluable thoughts and comments confirm that we are on the right track, but rest assured that we are not complacent and we will continue to work even harder in the future in order to improve our performance and delivery score to all of you further.

1 Underwriting

Are you satisfied with the treatment and approach of The Swedish Club?

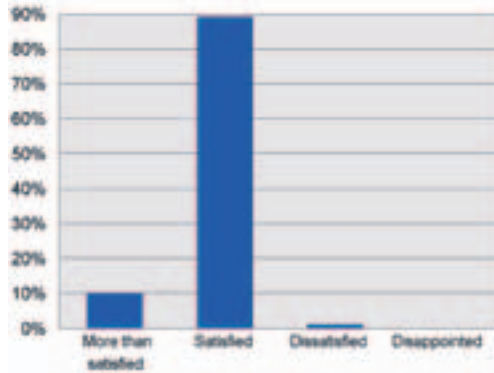


5

Are you satisfied with the support level and advice given by the Club during the claim's process?

2

Are you satisfied with the quality and promptness of the insurance documentation provided?

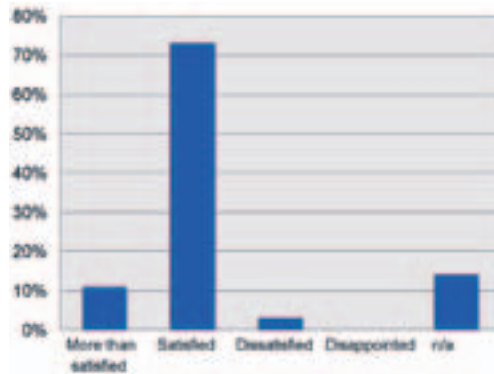


6

Are you satisfied with claim settlements and adjustments?

3 Claims

Please state your general opinion of your claims experience with The Swedish Club.

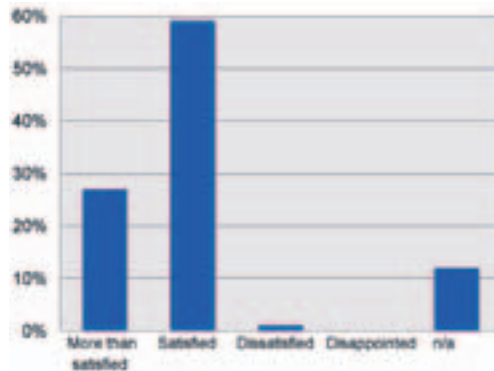


7 Website

Have you ever visited The Swedish Club's web site (www.swedishclub.com)? If yes, please state your opinion of the quality.

4

Are you satisfied with the response and immediate actions taken by the Club upon notification of claims?

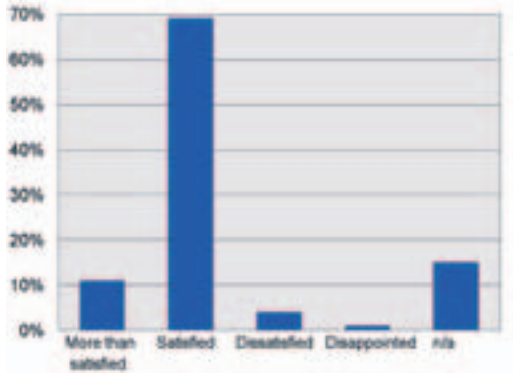


8

Have you used the "SCOL" system on The Swedish Club's web site? If yes, please rate your degree of satisfaction in relation to your requirements and expectations.

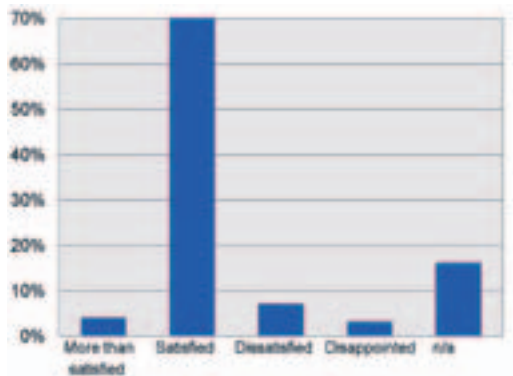
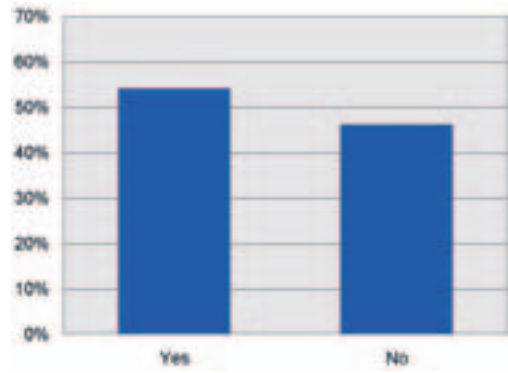
Partners Questionnaire 2009

of the responses recorded."



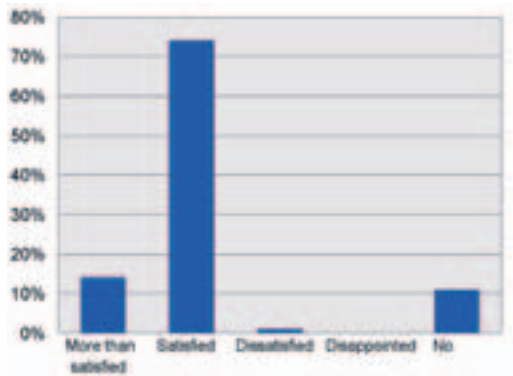
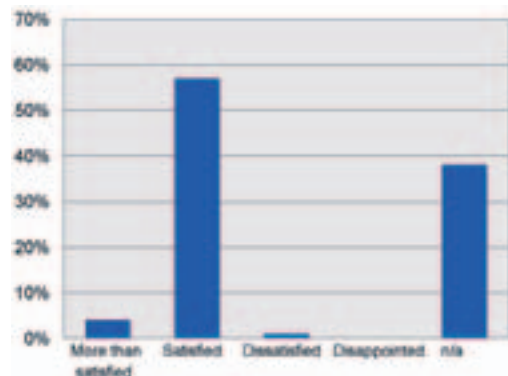
9 Loss Prevention

Have you visited the Loss Prevention section on our home page?



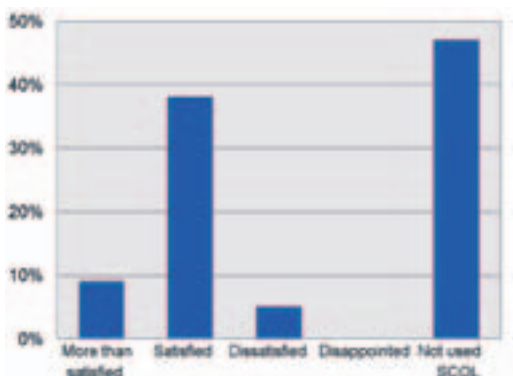
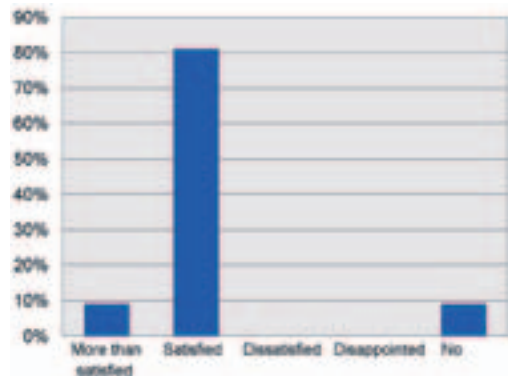
10

Are you satisfied with the quality of The Swedish Club's loss prevention efforts?



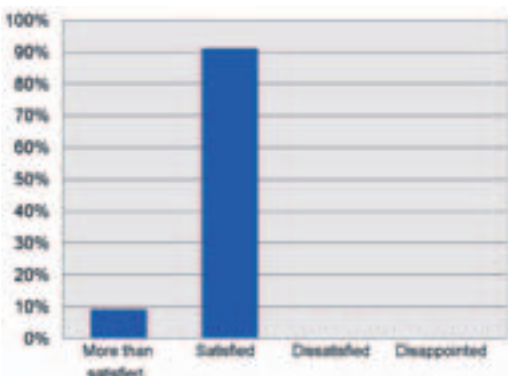
11 The Swedish Club Letter

Have you read our publication "The Swedish Club Letter"? If yes, please state your opinion of the quality.



12 General

Are you satisfied with the overall quality and performance of The Swedish Club as your marine insurance provider?



PHOTOS: JUMBO SHIPPING



The Fairplayer, one of the latest additions to Jumbo's fleet of J-Class vessels.

Jumbo Shipping in brief

Jumbo is a privately owned enterprise and has been a world leader in heavy lift transport over the past 40 years.

Departments: Jumbo Shipping, Jumbo Logistics, Jumbo Offshore

Starting year: 1968

Head office: the Netherlands

Employees: 500

Offices: 27

Ships: 14

Number of ships insured by The Swedish Club: 14

Website: www.jumboshipping.nl

Out of the box is in line with Jumbo

Not everything fits into a box; nor a pallet or container for that matter. That insight was the foundation for Hans Kahn in 1968, when he started Jumbo Shipping. After 20 years in the shipping business, he had already seen the need of lifting solutions for complex and extreme cargoes, and with the first ship – MV Stellaprima – Mr Kahn had created a system that solved the problem. Today, 40 years later, the idea is still the same – only the performance, technology and security are improving from year to year.

■ ■ About 18 years ago, Hans Kahn passed the running of the enterprise to his son, Michael, who, in 2001, initiated the construction of Jumbo's current flagship vessels – the J1800-

– in October 2004. Eighteen months later they decided to order another two J-Class vessels – the Fairplayer, which was delivered in November 2008 and the Jumbo Jubilee, delivered in August this year.

“The J-Class ships mean that there is now very little in terms of cargo weight and dimensions that we cannot accommodate, says Mr van der Heul.

It is not only the lifting capacity that is unique but even more so is the loading moment. These four vessels are able to lift 900 tonnes per crane at a 25 m outreach, giving them a 22.500 tonne-metre load moment. Despite the strength, the J-Class vessels are still designed as small ships, at 143m in length, and can cope with shallow-draught ports.

A tower for Gabon

One of Jumbo's record loads – shipped from the Netherlands to Gabon in West Africa at the end of 2006 – was a J-lay tower (to lay pipes in deep water) for offshore contractor Acergy. It was designed and built in the Netherlands, constructed on the quayside and completely tested and outfitted for operation prior to its transportation.

Richard Krabbendam, Heavy Lift Specialist at Jumbo Shipping informs:

“Jumbo collected the J-lay tower and delivered it offshore to Acergy's pipe laying vessel in West Africa. At 1,800 tonnes, this is the maxi-

– mum we can safely lift with one of our J-Class vessels. Also the height of the piece made transportation even more challenging: the tower is about 80 metres high, which means we needed to lift and place it in the lower hold and then sail with open hatches. As you can imagine, special methods were needed to sea-fasten that huge tower so it could safely sail out in rough seas. But all went well – and everything was set in place for the J-lay tower to operate”.

“Shipping the entire unit in this way allows the manufacturer to assemble the complete installation in one unit and carry out all necessary tests – both function and load testing – to check the quality under controlled circumstances. It means there is no need for commissioning and guesswork when it reaches the vessel offshore, which saves a lot of time and money”, he adds.

A logistical challenge

Since 1989 the division Jumbo Logistics offers pre- and on-carriage services which fall outside of normal shipping activities.

“Jumbo offer a door-to-door solution. This means we pick up the heavy piece from the workshop where it is manufactured and deliver it to the site – wherever that may be in the world – and everything in-between that falls under our scope of work,” Mr van der Heul explains.

In addition, for pre-carriage and/or on-carriage operations, Jumbo can also rely on its

Member Portrait

Class. “These were custom-built at the Damen Shipyard in Galatz, Romania and quite a leap forward for us. The ships are much bigger than we were used to and opened up many more possibilities for the company in terms of weight and volume capacity”, tells Arnold van der Heul, Director of Jumbo Logistics.

The first J-Class – Jumbo Javelin – was delivered in April 2004 and the second – Fairpartner



Heavy lifting takes logistics, precision and a skilful crew.

JB-2 barge – currently being utilised in one of Jumbo's ongoing assignments.

“The project involves carrying 36 reactors – most of them over 1,000 tonnes – from Italy and Japan to a new refinery in the Middle East. Jumbo will pick up the reactors in the loading ports, load them onto one of our heavy lift vessels, sail to the Middle East and discharge them onto a barge to make a smooth beach landing, roll the pieces off and transport them to the job site via local subcontracted haulers. Our barge can accommodate at least four – possibly even six – of these reactors,” Mr van der Heul points out.

Stay Well programme for safety

In 2005, the Managing Director, Michael Kahn initiated the ‘Stay Well’ programme at Jumbo. The aim is for everyone, from the boatswain right up to managerial level, to follow safety courses and increase the safety awareness. After six or seven months the training is repeated, as there is always room for improvement and repetition. In addition, Jumbo also carries out vocation-specific training on site.

“The culture of safety has already paid off and the programme is widely supported by both crew members and office staff. The effects are clearly noticeable from the incident frequency numbers in 2008 – both the lost time incident (LTI) frequency and total recordable case frequency figures have decreased significantly,”



Arnold van der Heul, Director of Jumbo Logistics.

explains Mr Krabbendam.

For the safety training of the crane operators, Jumbo Shipping in 2007 started to develop a crane simulator and since March this year it has been in full use. All the physics of the J-Class is modelled in there and it has the same controls as on board the 900 tonne cranes. It even features the sounds of winches going up and you require 3D goggles to manoeuvre in there.

“We are still working on more add-ons and can, besides training crew members, also carry out engineered simulations for extreme cargoes. On complex projects we also do tailor-made training sessions, like we recently did when installing a number of wind turbine transition pieces of 290 tonnes on offshore monopiles. The simulation can be recorded and shown to the customer to demonstrate that we can load and unload the cargo safely”.

“Jumbo is not interested in making a quick buck – we are here for the long-term. Therefore it is important that we are a safe, reliable company that employs qualified co-workers and carry out well-engineered contracts,” Mr Krabbendam concludes.

The Swedish Club for safe insurances

Already in 2003 Kahn Scheepvaart, general agent of Jumbo Shipping, initiated their Hull & Machinery insurances with The Swedish Club. According to Jumbo Shipping, not only safety on board is crucial; it is also essential to have insurances you feel safe with and that you know that potential claims will be handled quickly and professionally.

“We favoured The Swedish Club's attractive proposal for the insurance package of Hull & Machinery, Increased Value, War and Loss of Hire. The Club also has a very good reputation in the shipping business as well as a realistic approach paired with prompt and professional attendance by both underwriters and the claims department, says Arnold van der Heul, Director of Jumbo Logistics.

Carola Weidenholm

Corporate Communications





New assignment: Tony Schröder From award to Area Manager

You could say that Tony Schröder's career at The Swedish Club started with a scholarship award from the Swedish Nautical Association over a decade ago.

■ ■ Helena Wallerius Dahlsten of The Swedish Club, who is still a board member of the Swedish Nautical Association, remembered Tony from the presentation. When the Club needed a new Claims Executive she came to think of him.

"With a legal and nautical background it was an easy decision to join the Club", Tony admits. "I started in the summer of 2000 and worked in the head office for almost six years. During this time I was with the Hong Kong office for a short period in 2001 and was hoping to return. I got the opportunity in March 2006 when I took on the position as Claims Manager. As you know, a new challenge arose this year and I returned home to Sweden for the job as Area Manager for Team Göteborg I", Tony tells.

Claims background

Tony sees the new job as an opportunity to work closer in providing members with great service.

"Taking on this job I can assist members and colleagues perhaps in a more direct fashion. Hopefully every change is for the better and we all learn and grow from it – me as well as the team", Tony says. "A side effect of this new position is the return to home ground, which is nice. Maybe I would have felt different if I lived abroad for a longer period, but this new chal-

lenge came at a good time for me and my family. As the saying goes - East or West, home is best", he concludes.

When we discuss what his foremost contribution as an Area Manager will be, he says: "My primary task will be to continue to lead the team on the road to the controlled growth that the management has carved out. I hope my background from Claims will give a greater understanding in the area of service and in discussing claims and dispute-related issues with colleagues and members alike. The job is also about building good relations externally with members, potential members, brokers and other business partners, as well as internally trying to be a source of inspiration. I hope I can contribute to that", Tony says.

Value for money

The Swedish Club has a strong brand name within the marine insurance business and we have extremely competent personnel, which of course is crucial for a club aiming to provide its members with the best possible advice and service, according to Tony.

"We have to reach out to the shipping market with what we can offer and the excellence of service that comes with it. Our service is world class and really gives value for money to the members. One aspiration is that all shipowners should be fully aware of that and would in essence prefer to be a member of ours, if they are not members already of course! At the same time we have to keep in mind that we can always improve – you need to stay focused and humble at the same time" Tony sums up.

"Another key issue is that we have to try to continue to make ourselves more visible and accessible. It is essential that we meet our members continuously, not only during the renewal negotiations", he continues.

As a Lawyer and Master Mariner Tony is grateful that he has the opportunity to work in this line of business.

"There are many aspects to shipping and marine insurance that I enjoy, one thing is that you learn something new every day. This business has both width and depth and it gives you an opportunity to work with a mix of interesting matters within law, insurance, shipping and marketing. And it is also a people's business – which I particularly like".

Name: Tony Schröder.

Age: 42 years

Family: wife Ann and the twin sons Nils and Carl nearly 2.

Spare time: Apart from family, golf and outdoor life, enjoys kayaking and hiking. He also Scuba dives. In the winter cross-country and alpine skiing are sports preferred.

Background: started as a Claims Executive at The Swedish Club in the summer 2000. In March 2006 he moved to the Hong Kong office as Claims Manager and stayed until August 2009 when he came back to Sweden for the post as Area Manager.

He has a Law degree from Stockholm University (LL.M.) and a Master of Laws in Maritime

Law from the University of Oslo (LL.M.). He is also a Master Mariner (B.Sc.) with a Master's ticket and has sailed with Wallenius Lines, amongst others.

Of current interest: our new Area Manager for Team Göteborg I at the head office in Göteborg.

At The Swedish Club since: 2000.

Prime essentials for a manager: Tony primarily sees his role as a unifying and coordinating force for the Team. "It is important that we all pull in the same direction and follow the strategy the company has devised. As the head of the Team, you have to create an open atmosphere and listen to the views of the Team, enabling you also to offer help when and where required."

Carola Weidenholm

Corporate Communications





New assignment: Tord Nilsson

Piraeus makes a full circle

Göteborg – Hong Kong – Japan – Greece. For Tord Nilsson the wheel came full circle when he took on the position as Area and General Manager for the Piraeus office – now he has represented all The Swedish Club's offices in the world.

■ ■ After studies in the US and some time as golf pro he decided to move back to Sweden in 1993. He stayed for 6.5 years before, as he puts it, the ants in his pants started to make their voice heard again. So at the beginning of 2000 it was time for the removals van to move to Hong Kong and for him to run our two offices in Asia.

A bridge with experience

Five years later the ants have started moving once more, and with them, him and his family. Greece and our office in Piraeus became the latest destination.

"I was happy with what I was doing in Sweden but when asked to go to Greece, the answer was pretty easy. I have carried out underwriting in most parts of the world but never before in Greece. This is the biggest shipping nation in the world, so it will be a new experience I really look forward to", Tord says. "At the same time, my kids are at an age when it is pretty easy for them to move abroad and they will get the opportunity to learn both English and Greek as

well as what it is like to live in another culture", he continues.

According to Tord it is important to understand the differences in doing business in Greece, and in Asia for that matter, compared to Northern Europe. Here shipping is considerably more essential to the society than it is for example in Sweden.

"After more than 15 years I have acquired a pretty good understanding of our business. By that I think I know what the head office expects from us in Piraeus and also what kind of support we need from them to fulfil our three core values: proactive, reliable and committed. My role will be to form the bridge in the communication and delivery of services between the two offices and our members. With the great staff we have in the Piraeus office I am sure that business will develop in the way the company wants."

A backbone of service

In the first week of October the Piraeus office hosted The Swedish Club's latest board meeting and the subsequent dinner for brokers and members.

"In Piraeus we have the benefit of being at the heart of the shipping business with walking or at least driving distance to hundreds or maybe even thousands of shipowners. That gives us the opportunity to meet members and potential members all day long," Tord explains.

To remain competitive The Swedish Club has to continue to offer the first-rate service it is already known for. Tord sums it up pretty well:

"Our service is our backbone. We might not be as big as our competitors, but that makes us work a little harder. The most appreciated feature of being a member of The Swedish Club is that you never risk getting lost in the crowd – we have the time and commitment to be more personal and for our service to be more individually tailored to each member. Our members' interests are incredibly important to us and we do everything we can to provide 7 days a week 24 hours a day support to them."

Name: Tord Nilsson.

Age: 44 years.

Family: wife Kristina and three children: Astrid 7, Sara 5.5 and David 4.

Spare time: Golf, tennis and generally all outdoor activities. He spends a lot of time with family and friends and likes to read. Investments also take up some of his time.

Background: Moved to Albuquerque, New Mexico on a golf and study scholarship in 1985. Over the next 8 years he obtained a Masters degree in Finance and played golf professionally for two years. In the spring of '93 he moved back to Sweden for a job as marine insurance broker at Arvid Bergvall AB. 1996 he started as Assistant Underwriter at The Swedish Club in Göteborg and a year later he moved on to be Underwriter. 2000 he was offered the position of Managing Director of our Hong Kong office, with responsibility also for the office in Tokyo. He stayed for five years before he came back to Göteborg to be Area

Manager and Senior Underwriter for Team Göteborg I.

Of current interest: new Area and General Manager at our office in Piraeus

At The Swedish Club since: 1996

Prime essentials for a manager: A Managers job is pretty much the same as that of a football coach. You have players that are all experts at different things, and without each other's competence the team doesn't function. My job is to make the co-workers use their skills to the best of their ability, give them room to develop and see to that they come together as a team and deliver what we have promised our members. It is also essential to make them understand how they figure in the overall picture and how they can influence the company's result.

Book tip: The Black Swan by Nassim Nicholas Taleb. It is about how to deal with uncertainty and take advantage of it.

Carola Weidenholm

Corporate Communications





News
from
Piraeus

Together we are strong!

■ ■ A hot and busy summer has slowly turned into a nice but still busy autumn. This summer in Greece will mostly be remembered for the big fires around Athens which actually came quite close to our house. Large land areas have been burnt, and it will take years for nature to recover.

We have also had an election in Greece and, although the outcome seemed quite certain with Papandreou winning a landslide victory, Greece's shipping industry has been stunned by the new Prime Minister's decision that there is no room in his centre-left government for a Marine Ministry or for a Tourism Ministry, two industries that are the pillars of the Greek economy. Mr Papandreou, who speaks fluent Swedish after spending some of his early years in Sweden, has tried to slim his administration by creating a few super-ministries. After being a separate ministry for 60 years, shipping is now a part of the new Ministry for the Economy and Competitiveness.

The country's coastguard and safety functions, like ship inspections, have been moved into the newly established Citizens' Protection ministry, a move that has received some criticism. There has also been brewing discontent with the outgoing administration's decision to lease the management of the port of Piraeus operation to Cosco for 35 years. Striking port workers want the new government to reverse the decision, and cargo handling has been stopped or severely disrupted for weeks.

Freight rates in most shipping segments, maybe with the exception of the handy segment, are still at very low levels resulting in cash flow problems for many shipowners and especially for owners with a lot of newbuildings that are mortgaged. There are, however, signs of the economy improving somewhat and there is also a lot of money sitting on the sidelines waiting to be invested when ship values are fully reflected in current freight rates.

As times are difficult for shipowners, we will do what we can to show our support, but, needless to say, the marine insurance market is not a place where you are allowed to carve gold with a knife, so we have to make sure that we protect the hard-earned reserves we have. We are very pleased with the support we have received from our members in Greece and we were very happy with the turnout we had at our function during our recent board meeting in Athens. Together we are strong!

Tord Nilsson
General Manager
Piraeus



News
from
Asia

An interesting but very expensive case

■ ■ I usually write on general topics such as shipping market and the economy in our local market in Asia. In this one I will write something different, but relating to our business, casualties and casualty response.

It happens that a General Average (GA) adjustment was just published after some three years of wrangling between us as leading hull underwriter and the owners. It was an interesting case and also a very expensive one. The GA disbursements, allowance and commission and interest, etc. amount to over USD 7 million, whereas the ship's proportion is about USD 4 million and the cargo's proportion USD 3.3 million.

The ship, after loading a full cargo of iron ore, struck bottom whilst sailing out from a port in South America. The ship's hull was breached in the forepeak ballast tank and in the No. 1, 2, and 4 double-bottom ballast tanks. We then assisted the owners to arrange temporary underwater repairs, and some cargo was shifted from No.1 hold to No.6 and No. 8 holds. The temporary repairs took several months. The repairs were carried out in very difficult conditions, and the job was frequently suspended or delayed. In the final reckoning we, the hull underwriters, paid almost USD 2 million to finance the temporary repairs.

It took a lot of time and efforts to manage a case of this magnitude. A dispute arose as to whether or not the temporary repairs were to be considered as allowable in GA. Due to the relation between market value and sum insured the owners were exposed to part of the GA cost. Eventually all parties involved agreed in view of well-established law and practice. Throughout the process of the handling of this matter owners and underwriters argued their respective positions and supported the same by documentation. Due to limited space it is not possible to present the full details of the case here.

In connection with this topic the Rotterdam Rules come to mind. When the rules come into effect, the importance of complicated laws and practice on GA will diminish. Navigation error will no longer be a defence to cargo claims, and the cargo interests will not contribute to GA in such a case.

Ruizong Wang
Managing Director
Hong Kong



International Marine Claims Conference 2009

■ ■ The 6th IMCC was held in Dublin – as per the norm. This year it was another record in terms of participants – the bulk of claims people came from the UK, followed by an equal share of participants from Scandinavia and the USA, the rest of Europe and other parts of the world. The auditorium was packed with hull underwriters, lawyers, average adjusters, surveyors, Classification Society people and salvors. Even one or two P&I people had managed to find their way to Dublin to this conference, which has as its main focus on hull and machinery related problems and concerns. It is a conference for and by claims people.

IMCC was again a success and a fantastic opportunity to meet and to discuss common concerns in the shipping industry from a claims perspective.

“You’d be surprised how costly it is to look this cheap!”

The Swedish Club has attended every year and been speakers on a few occasions. This year the writer was one of the speakers on the topic of the concern for quality and control of new design on newbuildings. From a hull cover perspective it is about whether or not error in design is covered by the hull conditions and if so – should it be? The session was entitled “You’d be surprised how costly it is to look this cheap!” As many of you have heard and read in various shipping magazines, IUMI statistics show that hull underwriters have made their 12th year of straight losses! How is that sustainable? The answer must be that it cannot be.

A Catch 22 situation

Yet the hull insurance market seems to ignore year on year with premiums not covering claims. But the scary thing is that premiums do not only need to cover claims – they also need to cover overhead costs and in particular those related to delivering service. Given the slump that has hit shipping following the recession, it will not be easier for hull underwriters to charge proper premiums commensurate with claims and the costs of handling claims.

There are too many players in the market willing to underwrite at unrealistic levels; at the same time as many shipowners have been hit very hard by the recession and many are not able to get all their ships in operation or at

least not get sufficient earnings to cover their operational expenses. On the back of the current prevailing economic situation, who can blame owners looking for cost savings? The fear is that shipping is now looking at least at a few bleak years ahead. A delicate balance between hull underwriters’ need to balance their books and owners’ ability to meet the required rates is something that has to be managed in an equitable manner as possible. This is somewhat of a Catch 22 situation.

Lay-up or stitch up?

In a timely manner the organisers had put a lot of focus on the issue of lay-up. Should you lay up the ship hot or cold? In Singapore or in Elefsis Bay? Or in typhoon areas like Hong Kong? Earlier this autumn Hong Kong and Macau were hit hard by a typhoon. One vessel dragged



Tony Schröder
Area Manager
Team Göteborg I

its anchor and will most certainly be declared a CTL (Constructive Total Loss). Another vessel rolled heavily, killing one of the officers when he was thrown across the bridge. What are the pros and cons of all the alternative lay-ups? These issues have not been debated this frequently since the 1980s. What was learnt then has since been put on ice and that knowledge has now needed to be dusted off. Clearly now with better methods and with clearer advice and recommendations for surveyors, Classification Societies and underwriters; see e.g. the article in The Swedish Club Letter No 2-2009.

From an underwriter’s perspective

The panel of speakers on the “You’d be surprised how costly it is to look this cheap!” session was Dag Andresen from DNV, John Lillie from JSL surveyors, the undersigned and Chris Zavos from Barlow, Lyde & Gilbert, who was also moderating the panel. When it comes to newbuildings, there seemed to be a consensus that the present model, where Classification Societies are contracted by the shipyard/shipbuilder, is not the ideal situation for shipowners or for hull underwriters. Classification Societies are contracted to control the quality of the new-

building and follow up with recommendations when there are quality-related issues. Is that not done best by also involving the shipowner, who, after all, has ordered the ship?

From an underwriter’s perspective it is a major challenge to put a price on a risk, when they have not been privy to the control and quality information during the build. And ultimately – with a price tag of many million US dollars – the yard usually only gives the shipowner a one year guarantee! In addition, under both Scandinavian and English hull conditions, hull underwriters cover design flaws – as long as the parts or design have been approved by Class! Is the current risk transfer sustainable? This is a valid question and the answer again most likely lies in market realities.

Cheap-looking – error in design?

A larger proportion of the risk should more properly be a guarantee risk and be covered by the yard; at the very least for a few years. As hull underwriters are not a part of the newbuilding process, and probably should not be, hull underwriters have no influence over the quality. The commercial incentive and pressure must come from the shipowners to negotiate longer guarantee periods. But hull underwriters also need to take responsibility in this respect. From our perspective it is of greatest importance that our members can enjoy the benefits of hull policy conditions that are as comprehensive as possible. In addition, it is important that members are not exposed to gaps in cover in relation to different classes of insurance.

At the same time underwriters must always monitor whether or not the scope of cover offered is reasonable given the relevant rating structure. Regardless of underwriters’ responsibility to offer seamless and comprehensive insurance solutions at rates commensurate with exposure assumed it is questionable whether cover for error in design claims should be a life insurance on the ship – from delivery to its scrapping grave? By affording cover for such claims, underwriters are potentially exposing owners to further and undesired, yet necessary corrections of rates and deductibles.

No doubt this is a subject that will continue to be argued and talked about – perhaps even at next year’s conference. In Dublin, of course.



The Club's Emergency Response



— as

The Swedish Club – a brand name built on the foundation of a casualty response second to none. A bit of a bold statement, nevertheless something that we continuously strive for.

■ ■ You might hear similar statements from other clubs and underwriters, but delivery varies just as much as there are service providers. Even more important to remember is that we are as we are judged to be. If there were no match between our ambitious statement above and our members' perception, then we would not enjoy the support we have.

We also represent a highly interesting and viable option to *new members*, but would not do so if their perception were different. The Club has built its reputation and brand name on *service excellence*, and it is, of course, impossible to do that unless you have an organisation and core values supporting the promotion of such a development over the years. In addition to an organisation and company culture, you also need the people who can actually deliver a service beyond our members' expectations.

Team organisation

The structure of the Club where the team organisation is the cornerstone in facilitating a comprehensive and immediate response to deal with any type of major casualty regardless of complexity, has given the Club yet another competitive edge in comparison with others. As mentioned though; *an organisation will be nothing but an "organisation chart" unless our delivery is aligned with our statement.* The Club has, throughout 2009, continuously enforced our in-house technical and claims handling side. We are proud to

Lars A. Malm
Director
Risk & Operation



say that we have never had a stronger, more diversified, and better prepared team in place to cater for the individual needs of our members.

Qualified technical competence

On the technical side, we have reinforced the Göteborg office with one of the most experienced and competent engineers in the market. In addition, we have secured further in-house technical excellence through a consultancy agreement with our former employee Claes Åman. At our Hong Kong office we have strengthened our in-house technical side by recruiting a very experienced engineer with a background from both the owners' side as well as from the shipyard's side.

A major reinforcement on claims handling

On the claims handling side, a major reinforcement of the P&I and FD&D side has been achieved in our head office, and in total we have recruited four people, of whom two are from other P&I clubs. In Hong Kong we have recruited one senior claims handler on the P&I side who has a solid background as well as extensive experience from P&I claims handling. In our Piraeus office we have recruited a claims manager with 20 years experience in P&I and, in addition we have recruited one person on the H&M claims handling/adjusting side. The Club has strategically decided to put further resources in place as far as our in-house adjusting is concerned. We are within the foreseeable future planning to have two qualified in-house adjusters solely dedicated to dealing with adjusting for the Club. All in all, and as mentioned before, we are well prepared to meet the needs of any individual member.



core as it gets

You get what you pay for

Maybe not so much of a bold statement, but perhaps a bit provocative? We are, however, confident that the employees of the Club make a difference in relation to the serious *high profile* cases. We are consistently able to demonstrate to owners that our employees are able to deliver *service excellence* in relation to the most important features of our members' needs; *time and money*.

Unique hands-on approach

The Club's unique hands-on approach, coupled with our dedicated focus on tailor-made solutions for individual members, facilitates an optimisation of the overall result of our casualty response. By way of example; in one matter the Club's in-house FD&D lawyers and P&I experts executed a carefully designed and organised recourse action against a charterer. As a result, a multimillion dollar recovery was obtained, which the membership of the Club as whole benefitted from significantly.

In-house experts save money for the Club and owners

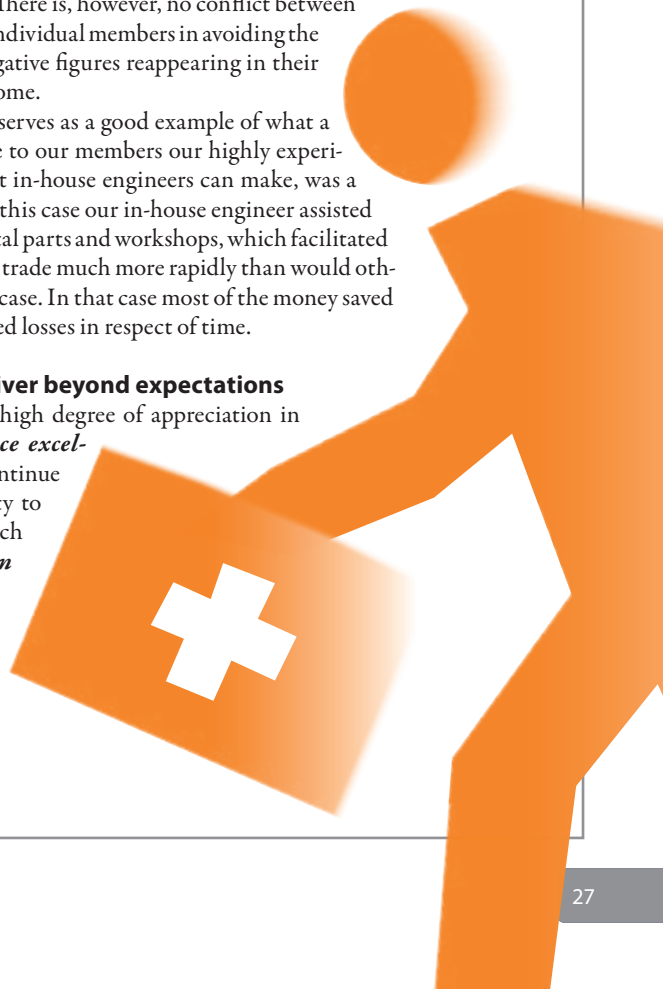
Another example of this is in relation to our in-house salvage ability, which historically has saved the owners and the Club from undesirable (unnecessary) losses of money and time. One example of this was when our in-house Salvage Master arranged a salvage operation, where substantial ship and cargo values were involved, in a manner resulting in overall savings for the owners and the Club of more than USD 5 million. It is important to remember that in no way was there an enhanced risk exposure as a result of how we handled the situation. It was simply due to our experience and knowledge from similar situations, that it was possible for us to salvage the ship and cargo in a far more cost-efficient manner.

One might take a cynical approach and say that; *most of what we saved would be covered anyway*. We take a different approach to this. As a mutual organisation, owned and controlled by its members, our first priority is of course to protect the entire membership from losses insured. There is, however, no conflict between that and our help to individual members in avoiding the burden of having negative figures reappearing in their records for years to come.

One case, which serves as a good example of what a significant difference to our members our highly experienced and competent in-house engineers can make, was a major grounding. In this case our in-house engineer assisted owners in locating vital parts and workshops, which facilitated the ship's return into trade much more rapidly than would otherwise have been the case. In that case most of the money saved was owners' uninsured losses in respect of time.

Striving to deliver beyond expectations

We do enjoy a very high degree of appreciation in respect of our *service excellence*, and we will continue to develop our ability to deliver a service which is *second to none in the industry* and continue our strive to deliver *beyond our members' expectations*.



ODESSA

WARNING!

– the legal aftermath

■ ■ On 18 August 2006 the Club was hit by its fourth largest P&I claim ever. Upon berthing the hull of a members' container vessel was punctured by a defective fender, and some 76 metric tonnes of fuel oil leaked out in the harbour basin of the port of Odessa. The spill was confined to a small area and the oil was swiftly recovered. According to ITOPE, the environmental damage was non-existent. Despite this, the owners of the vessel were subject to – and had to pay – an environmental fine in the sum of USD 24.5 million. In addition, they had to pay some USD 7.6 million to the port authority in clean-up costs.

Both claims were appealed up to the Ukrainian Supreme Court, but to no avail. In particular, owners could not limit their liability because, as it transpired, there is no legislation in force in the Ukraine allowing an owner to do so, unlike most of the world's other jurisdictions, where either the 1976 or 1996 Limitation of Liability Convention applies. The Club reported on this incident by issuing an "Odessa warning" in The Swedish Club Letter No 2 from 2006.

Unsafe berth

Only days after the incident the Club started preparing for a recovery action against the vessel's charterers on the basis that the incident was due to a breach of the charterparty by the charterers. Pursuant to the terms of the applicable NYPE 1981 time charterparty (line 57), charterers had warranted to trade the vessel between safe ports and berths. Was the accident due to a breach of this provision?

In order to ascertain the factual circumstances the Club retained technical experts from London, who immediately travelled to Odessa to record facts in particular about the defective fender – just in time before the Port Authority mysteriously had it removed.

It turned out that the entire fender system was inadequate, in that it consisted of groups of rubber rolls of poor quality held together by a steel construction, which at any time could twist, resulting in the steel, instead of the rubber, taking the force of impact of a berthing vessel. This is what happened when the member's vessel berthed on 18 August 2006.

It should be noted that an unsafe port/berth warranty in a charterparty is a pure risk-allocation mechanism between the owner and the charterer. Knowledge is not necessarily a prerequisite. Hence, whether or not charterers should have known about the inadequate fender system at Odessa was irrelevant.

Anders Leissner

FD&D Manager
Team Göteborg III



Instead, it was a matter for owners to show that the berth was unsafe pursuant to the legal principle established in *The Eastern City*¹⁾, namely that the member's vessel was unable to reach, use and

return from the relevant berth, in the absence of an abnormal occurrence, without being exposed to a danger which could not have been avoided by good seamanship.

No breach in the chain of causation

The charterers disputed liability, and the matter was referred to arbitration in London. In order to prove that it was the defective fender and not something else (such as for instance negligent navigation) that caused the incident, the Club was forced to undertake various comprehensive technical analyses.

Technical experts were retained, advising on various aspects of the causative fender and also the fender system as such.

Experts on navigation and engineering were retained to calculate the exact angle and speed of impact in order to show that there was nothing unusual in the vessel's manoeuvring.

Last, but not least, marine engineering scientists were retained in order to build a computer-generated model to calculate a flow coefficient showing the exact flow of the spill given various scenarios in which the crew took different and alternative steps to minimise the spill. This was necessary in order for the owners to prove that the crew had not failed in any duty to mitigate losses by failing to transfer oil from the punctured tank to other tanks once the spill was detected.

Is the global regime for liability limitation perfect?

Apart from the technical aspects, the incident gave rise to a complex question in law.

As mentioned at the beginning of this article, the owners were unable to limit their liability in the Ukraine. The owners therefore had to pay USD 32 million, instead of USD 18 million, which was the vessel's limit pursuant to the 1996 Convention. Therefore, one key question in the arbitration was whether it is possible for a charterer, being a defendant in a recourse action, to invoke the 1996 Convention to their advantage,



¹ Leeds Shipping Co. Ltd. v. Société Française Bunge [1958] 2 Lloyd's Rep. 127



Fender systems are not up to standard.

and to limit their liability, if the recourse action concerns a claim, which was not limited in the first instance.

Charterers need proper liability insurance

In the event, the matter was settled on the weekend preceding the first day of the arbitration hearing. Without going into details of the settlement, one can make the general comment that a vessel charterer has an equal, if not greater, exposure towards certain liabilities as a vessel owner, and that vessel charterers equally need proper liability insurance.

Another lesson to be learned

For any party who finds himself as a defendant in legal proceedings one other important lesson may be learned; make an objective risk assessment and constructively deal with the reality as early as possible.

It is of course only human instinct to avoid liability, but fighting points that you will inevitably lose or will have to concede at a later stage will most likely cause you greater losses at the end of the day.

Needless to say, costs and interest turned out to be a not insignificant part of the claim and the settlement.

Notice Board

Recognised habit for crew members

■ **Not so long ago** a vessel possessing an all-in-one cover collided with a pleasure craft in US waters. Information obtained from the insured was that the pleasure craft was damaged but afloat following the collision. The insured's local agent had provided contact details of the owner of the boat and also had a photo of it. With the photo of the damaged boat the claims handler made some inquiries with local boat repairers in Sweden to obtain a view of the costs involved.

After obtaining authority from the insured, the claims handler made an early morning call to the owner of the pleasure craft to discuss the extent of the damage and offer a settlement. The offer was accepted by the boat owner, who did not claim for post-traumatic stress disorder. Indeed this seems to be a recognised habit for crew members involved in pleasure craft collisions, especially after the involvement of US lawyers. Following the agreement, the claimant could collect the settlement at the office of the owner's local agent against a receipt & release.

Demurrage dispute

■ **The Swedish Club successfully assisted** members in demanding payment of outstanding demurrage amounting to USD 50,000. The charterers' FD&D insurers raised various defences, such as that the vessel was not an arrived ship, but decided, after the Club initiated arbitration proceedings, to back down; the charterers settled at 100% in members' favour.

Reefer container

■ **The Swedish Club managed to settle** a recourse claim on behalf of the owners from the charterers for damage to cargo inside a reefer container. The reefer container was leaking refrigeration gas, and the charterers alleged that the damage was caused by insufficient monitoring. The charterparty incorporated the Inter-Club Agreement and the issue under discussion was whether the liability should rest on the owners, the charterers or be shared 50/50. The Swedish Club managed to reach an amicable settlement at 40% in the members' favour.

The Rotterdam Rules

■ **On 23 September** the Rotterdam Rules were signed by fifteen nations, including the United States, Denmark, the Netherlands, Switzerland, Spain, Poland, Guinea, Senegal, Greece, Norway, Ghana, Nigeria, Togo, Benin and the Democratic Republic of Congo. Although the new international regime intended to regulate marine cargo liabilities in the global economy has yet to be formally ratified by the United States, it is believed that the US signature will encourage important trading partners to implement the Rotterdam Rules, which will take effect one year after it has been ratified by 20 signatory nations. As of 9 October another four nations had signed the Rotterdam Rules. It is thus likely that the Hague Rules, the Hague-Visby Rules and the Hamburg Rules may be replaced in their respective signatory countries within a not-too-distant future.

CHANGING CHANGING

Times have changed. It did not just start with the financial crisis in 2008. It started long before that, maybe even in 2007 or sooner. Whenever it started, it is here now.

It is autumn 2009; we are approaching the year-end and

members, owners and charterers alike have to reassess their trading patterns, their charters and those contracts still in place. An attractive and financially secure charterer in 2006 may not look

as attractive now. Acting as a prudent uninsured and a member of an International Group club has caused our members to carefully rethink where they are.

What have they agreed in their charterparty contracts?

Who, exactly, are they dealing with, and are they financial viable?

Do parties possess equal bargaining power or not?

All these questions and many others frequently arise and need to be answered.

Tejpal Dhesi

Barrister and FD&D Manager
Team Piraeus



The Achilles decision

We have already had many decisions that have affected the law we must apply to English law contracts.

We had the *Achilles*, which went all the way to the highest court in England and Wales, the House of Lords. The owners were claiming damages resulting from the vessel being redelivered late. Recovering damages for the difference between the market and the charter rate was permissible. Owners also claimed for the loss of the difference in hire between the fixed rate and the reduced rate (as the market had dropped).

This was a landmark decision, which revisited the rule of law for recovering damages due under a breach of contract. It tested the principles and boundaries laid down in recovering

damages and when such a claim was too remote i.e. when the damages were not recoverable because they were not foreseeable. The second part of owner's claim was not successful.

The decision clarified the law on remoteness of damages and the *Hadley v Baxendale* principles' relating thereto. It is good to have clarity on the law.

The Paragon decision

More and more decisions are coming through in London arbitration and the High Court of Justice.

Just two months ago we had the *Paragon* in the High Court of Justice in London, which again looked at damages in the form of the compensation rate agreed between the parties for late redelivery of the vessel. But the judge ruled that such agreement between the parties as to the market rate was actually extortionate, namely penal in its very nature, and would not be allowed.

Many decisions will come through in the coming months and as we approach the end of 2009.

It is better to ask now

Without a doubt, members are strongly recommended not merely to agree back-to-back charter terms, which they may previously have done, but to look closely at precisely what terms they already have, or are about to agree, and to check their position.

If you have any doubts as to what it all means, it is better to ask now than to find that a dispute has arisen which could, in all honesty, have been avoided. As the old saying goes – knowledge is power. It puts you in a much stronger negotiating position if you are in full possession of the facts/circumstances and an understanding of the law.

Rule B – Overrule of previous decision

STOP PRESS!

■ ■ On Friday 16 October 2009 the United States Court of Appeals for the Second Circuit issued its judgment in *The Shipping Corporation of India Limited (SCI) v Jaldhi Overseas Pte Limited*, the effect of which has been to overturn the Ruling of 2002, known as the *Winter Storm* Ruling, which opened the door to the attachment of electronic fund transfers (EFT's) in New York under the procedure which became widely known as the Rule B process. The effect of this was to freeze bank transfers as they passed through New York. The Court stated "We overrule our previous decision in *Winter Storm* and conclude that EFT's being processed by intermediary banks are not subject to attachment under Rule B".

Why have they done this? We only have to read the judgment in which they stipulate that there was a great

deal of debate that the earlier Ruling "directly led to strains on federal courts and international banks operating within the Circuit. From 1 October 2008 to 31 January 2009 maritime plaintiffs filed 962 lawsuits seeking to attach a total of USD 1.35 billion."

It was inevitable that restraints would be imposed on the Rule B process. At the time of writing this is too early to define. The decision has created a great deal of concern; whilst it is clear that a Rule B in future will not be permitted, what is of real practical concern is those Rule B's already in place AND which have actually attached funds. It would be inherently inequitable to see such attached funds simply being released/vacated. They have had an impact on settlement discussions and the payment of foreign judgments/awards which members have succeeded in obtaining.

TIMES

Mandatory amendments to Shellvoy 6

As a current example of the need to be aware and alert to changing contractual requirements in the market, we can look at the Shellvoy 6. This is introduced and captures all additions and amendments to Shellvoy 5. Originally looked at in April 2005, we now find members have received notice that as of 1 July 2009 there are new amendments to Shellvoy 6 which are mandatory.

Before we look at the actual amendments, Shell makes a valid and correct point which serves to endorse the view that everyone must check and be clear that the terms agreed are those that the parties have indeed voluntarily agreed. Shell specifically state "due to the incidence of two versions of SV6 (Shellvoy 6) it is imperative to note the version number within the recap". We must be clear which one applies.

Interestingly enough, Shell's mandatory changes do include some subtle changes. A sign of changing times, earlier they stated "the changes to Shellvoy 5 are clearly described... we are happy to discuss any or all of the changes generally or whilst undertaking negotiations."

This was in April 2005; now in 2009 the changes are mandatory. Can they be negotiated or changed; does an owner have any right of veto? Time will tell, but there are some changes we must highlight, so that members can consider and address them. Please see column to the right!

If you have any queries, please do not hesitate to contact your FD&D Class at the Club.

in Winter Storm

After the SCI v Haldia decision we have now received an answer to the question of what happens to Rule B's already in place. The decision of Hawknets Ltd v Overseas Shipping Agencies of last Friday 13 November 2009 confirms that indeed the Rule B's already in place will be vacated. So the said SCI decision indeed applies retrospectively to all existing and pending Rule B's.

Indeed both the SCI and Hawknets decisions confirm no more Rule B's to be allowed or to remain in place. Members will only be able to obtain security in New York if indeed their opponent has assets in the jurisdiction. Otherwise we must revert to the traditional and long established route of arresting ships (or even bunkers) in order to secure members claim.

Nine highlighted changes to consider

1.

It is Part I of the mandatory amendments that will be a major point of contention. In clause (F) on cargo description it states "the vessel may be required to carry out other such cargo operations as charterers may reasonably require. The operations shall include but not be limited to one or more of the following." Shell then goes on to stipulate i) – vii) of what operations the vessel must undertake, namely i) co-mingle different grades of cargoes, ii) breach vessels natural segregation, iii) actually stipulated as ii) again - dope the cargo with additive supplied by the charterers, iii) add dye to the cargo, iv) blend cargo onboard, vi) carry additives in drums on deck, v) load and discharge shore line ...during or after cargo loading operation to the extent not covered by provisions of Part ii 51(2) applying to this charter.

2.

We can look specifically at items i) and iii), which are the most common operations in which members seek a Letter of Indemnity (LOI) from Shell. This wording for the LOI is based upon the recommended International Group wording. Owners are frequently required to adopt or incorporate such wording because potentially they are prejudicing their P&I cover by undertaking such operations. Hence if their P&I cover is prejudiced an owner must ensure he has protected himself against such liability. This he does by agreeing such an LOI. No member ever wishes to find themselves so exposed as to find that such an LOI is not agreed or available to him.

3.

The mandatory requirements Shell now seeks to incorporate have expanded the LOI wording referred to in paragraph 2 above. Previously Shellvoy 6 stated that "charterers will indemnify owners for any loss, damage or delay or expense". Members accepted this, and the usual practise was to submit and obtain an LOI on a recommended International Group wording. Whilst this arose under the charter, LOIs were mainly "stand alone contracts that could be enforced on their own."

Shell having stipulated specifically items F i) –v) which may give rise to provision of an LOI. But it is possible there may be another type of cargo operation that prejudices owners P&I cover. Such cargo operation is likely to be described and contained in the preamble and members will also use the main body of the International Group wording as part of the LOI. The owner, always acting as a prudent uninsured, wanted to do whatever possible to keep himself within the boundaries of P&I cover as much as possible.

4.

Shell's new Clause F now incorporates the **full** LOI wording. There is no need to have a separately signed LOI or stand alone contract as before. It is possible members may say this means the less paperwork to be agreed and signed the

↳ continues on page 32

Nine highlighted changes to consider

↳ continues from page 31

better it is! Unfortunately this is not strictly correct. The LOI wording which is now incorporated in Clause F has changes.

5.

We see this in paragraph 5. It now has a monetary limit. It stipulates "this indemnity shall be limited in value to 200% of the CIF value of the cargo onboard". It was never limited before by either the International Group wordings or the LOIs that members used. It may be that this clause 5 will not cause undue concern, but one must question why it has been so incorporated. Is this actually necessary? Has the International Group yet had an opportunity to give such a clause due consideration? If, indeed, Shell wanted to amend such wording, is it not preferable to check with the very organisations who have been assisting in the presentation and agreement of such wording. Or perhaps it should be submitted that it is better to leave matters as they are and submit any new amendments as part of the actual LOI wording that has always been used. Changes can be proposed but as Shell have stated in the past, they would be happy to discuss them (rather than unilaterally impose them).

6.

In addition, we must not overlook that there may be other situations that require an LOI that have not been considered. Hence the need for a preamble that addresses new and different proposals. If so, are Shell going to insist on a standard wording as per the new Clause F? Will paragraph 5, referred to herein, with its limitation be necessary? Is it not best to use and consider the usual stand alone LOI wording?

7.

Furthermore, there is no reason why, as we are all reviewing our contractual obligations, we should not take the opportunity to look once again at our LOIs. It could be that owners have a proposal to their charterers that has not been considered before. Imposing the requirement as mandatory, does seem somewhat onerous.

8.

The problem with paragraph 5 does not just end there. After a limitation on liability it has incorporated a "semi time bar", namely that after 36 calendar months or 3 years this indemnity automatically lapses. The owner member already has a number of deadlines in its tanker charterparty. 60 days or 90 days to submit a claim. Now owners must additionally ensure such a claim has been submitted within 36 calendar months, whilst the contractual time limit in contract is 6 years or 72 months. It seems unfair to introduce another step in the

ladder of submitting a claim. We recommend that it should remain 6 years, which is also in conformity with paragraph 6 of the indemnity in which English law/ High Court of Justice in England applies. There is a saying: "if it isn't broke, don't fix it".

9.

Whilst not a mandatory requirement, we would once again draw our members' attention to Clause B) of Part I of Shellvoy 6, which in lines 63-65 imposes a strict obligation upon the owner to not "negotiate or enter into any business or give the current charterer any further options that may affect or alter the programme of the vessel as given in this clause". Such a provision requires the owner to comply strictly with obligations already agreed in terms of delivery. Charterers must be able to rely upon reasonable assertions as to when they will receive the ship. Similarly, owners must also have a degree of certainty as to when they will have the ship returned. Now that the Achilleas has clarified the position on damages for late redelivery and what is/not foreseeable, we achieve greater clarity on the period of time regarding all parties' respective charterparty obligations. We must all guard against and protect against altering such a provision, which may impact on the performance of the charter.

NEW MEMBERS

1 June – 31 October 2009

Braven Tankers Management Ltd, Greece

PI, FO, HM

British Bulkers Inc, Greece

PI, FO, HM

China Ocean Transportation Co Ltd, China

TL

CSC RoRo Logistics Co Ltd, China

PI

Grandunion Shipping Ltd, Hong Kong

PI, FO

Gudami International Pte Ltd, Singapore

TL, FC

Henghou Industries (Hong Kong) Ltd, Hong Kong

PI

Pallas Shipping AB, Sweden

PI

Progress Bulk Carriers Ltd, USA

TL

Reederei F. Laeisz GmbH, Germany

HM, LH

Steer Overseas Pvt Ltd, India

TL, FC

Swedish Maritime AB, Sweden

TL

United European Car Carriers (UECC), Norway

HM

World Management Inc., Greece

HM

FC = Charterer's Freight Demurrage & Defence
FO = Freight Demurrage & Defence
HM = Hull & Machinery
LH = Loss of Hire
PI = Protection & Indemnity
TL = Charterer's Liability

BASIC FACTS

per 1 November 2009

	Number of Vessels	Average Age	GT (million)
Protection & Indemnity (including Charterer's Liability)	1,201	10.6	38.7
Freight Demurrage & Defence	580	9.0	21.7
Hull & Machinery	1,364	10.4	55.4
Loss of Hire	423	8.5	19.1



Lars Rhodin, started the conference by talking about the way forward.



Kick-offs' are a mix of company strategies, learning, commitment and fun.



Lennart Simonsson, Chairman of The Swedish Club Board, gave us his views of leadership.



Manuel Knight, keynote speaker at the kick-off.

Kick-off, war & leadership

Structure and culture must work hand-in-hand in a company to create a signature experience for the customers. For that we need well functioning leadership, and all leadership starts and ends with the individual. These are the words of Manuel Knight, keynote speaker at the head office kick-off for The Swedish Club's co-workers this year.

■ ■ But first our MD, Lars Rhodin, elaborated on his catchwords: “the way forward”, before handing over to our Chairman of the Board, Lennart Simonsson, who gave us his view of leadership.

His starting point was the change of Broström in 1982. The shipyard crisis in Sweden was at its peak, when they decided to implement a new business model and create new teams instead of groups of specialists. All staff, no one excluded, was also trained in leadership.

“We established strategies, goals and main objectives for every single co-worker, both in a short and a long term perspective. We also put a lot of thought into the process of merging functional teams that could give our clients the best service,” says Lennart.

“It is crucial to respect each other and develop the company culture to be able to succeed in these processes. Openness, trust and to support for each other are the most important parts to make this work and you need the co-workers trust to make it happen,” he continues.

The sluggish culture

Then we were given ninety minutes of thought-provoking entertainment from Manuel Knight. He learned about leadership the hard way, growing up in slums of Atlanta and moving on to become an elite soldier in the American Special

Forces, where he fought three wars and was a war captive in Iraq.

According to Manuel there are two parallel systems in any company: the structural and the cultural. The structural system is owned by the company and can be transformed pretty quickly, for example by changes in the organisation chart.

Carola Weidenholm

Corporate Communications



“If you want to create something new, it is the culture you have to change. But transforming culture is a slow process that takes long-term planning,” Manuel explains.

The foundations of culture are twofold: acceptance and consequence. Acceptance of procedures become habits that as time goes on becomes traditions in a company. Consequences can be positive or negative on actions and they set the rules for what is accepted in a company culture.

The skilful leader

Divided in to five groups we all discussed what characterises good leadership and ended with a presentation of the results. Summing up, the skilful leader can be described as: a non-prestigious, result oriented good coach and communicator, who is able to point out the direction for the co-workers and push them forward.

After that it was time to clear our heads with either a walk or run in the woods, or an hour of sweaty FlowTonic exercising, before we all entered a bus to take us to dinner and dancing at restaurant Wasa Allé in the city centre of Göteborg.



Klas Johansson from the Swedish Sea Rescue Society was speaker at the Club Evening.



Enjoying a drink before presentation and dinner. From left: Anna Karlsson (Rederi AB Transatlantic), Gunilla Kjellgren, Eddie Jansson, Håkan Nilsson (Crew Chart Ship Management AB), Leif-Erik Tullock (Rederi AB Transatlantic) and Per-Anders Höglund (Furetank Rederi AB).

Club evening in Göteborg on 5 November

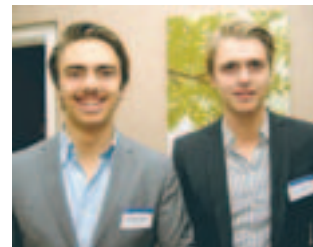
■ In dull November The Swedish Club brightened up everyday life with a Club Evening. More than 50 people showed up to listen first to Lars Rhodin who spoke briefly about the shipping market today, followed by Klas Johansson, from the Swedish Sea Rescue Society, who told the story about the loss of MV Langeland.

Klas was responsible for the rescue operation this 31st of July when the Langeland was on its way from Karlshamn, Sweden to Moss in Norway loaded with stone. The weather was rough with up to 9 metres top waves and a wind gusting at 40-45 m/s. The crew decided to run along the coast inside the skerries, but something

went wrong and an alarm was sent out at 06.08 in the morning.

When the first rescue boat reached the area, less than an hour later, the indications were that Langeland had turned over and sunk very quickly. The rescue operation was wound up 16 hours later, unfortunately without any of the crew being found.

After this rather dramatic story we ended the evening with dinner in the cosy restaurant Del Mundo.



Benjamin Fhager and Alexander Fhager from Kiltank Rederi AB were among the guests.

For further information about the Swedish Sea Rescue Society, please visit <http://www.ssrs.se/page/250/english.htm>

STAFF NEWS HEAD OFFICE GÖTEBORG



Karoline Alfredsson joined Team Göteborg I as Assistant Claims Executive on a one-year traineeship as from 28

September 2009. Karoline is a lawyer and has studied Maritime Marine Insurance and Petroleum Law at Oslo University, Norway.



Maria Berndtsson joined the Club's Team Göteborg I on 1 September 2009 as Senior Claims Manager. Maria has previously worked for Gard (Sweden)

AB as Claims Executive/Lawyer for the past 12 years.



Daniel Brand joined Team Göteborg III as Claims Executive on 5 October 2009. Daniel holds an LLM from Uppsala

University, Sweden and has studied Maritime Law at Stockholm University, Sweden and the University of Auckland, New Zealand. He also holds a Masters in Maritime Law from the University of Southampton, UK. Daniel has previously worked as Claims Executive for Steamship Mutual in London.



Patrik Almström was transferred from Team Göteborg I to Team Göteborg III on 1 October 2009.



Birgitta Hed was transferred from Team Göteborg I to Team Göteborg III on 1 October 2009.



Erik Johansson has accepted permanent employment and been appointed Assistant Underwriter in Team Göteborg I as from 1 August 2009.



Kristoffer Lindqvist has accepted permanent employment and been appointed Claims Executive in Team Göteborg III as from 1 August 2009.



Jakob Osvald has been appointed Risk & Operation Co-ordinator as from 1 September 2009.



Tony Schröder has been appointed Area Manager in Team Göteborg I as from 1 September 2009.



Sonja Zgrdja joined Team Göteborg III as Team Assistant on 5 October 2009. Sonja has a Master of Science in Business Administration and has previously worked as a consultant for Volvo Business Services.



Top row: Moshe Chayat (Hotel Manager of Golden Iris), Michael Trikalakis (The Swedish Club Piraeus), Mr. Yair Dagan (Senior Marine Superintendent of Mano Maritime Ltd.) and Captain Sergii Krupenin (Captain of Golden Iris).
Bottom row: Maria Markantoni, Tina Tzortzis, Maria Yiassa and John Owen, all staff from The Swedish Club Piraeus.

Impressed spectators on the lawn are the The Swedish Club Superstars – Patrik Almström, Per-Magnus Jonasson and Anders Leissner watching Josef Sedlmeyr of Conti Reederei sending the 7,23 kg shot to a place far away.

Certificate of Honorary Membership of Mano Maritime Group

■ On 14 October 2009 the above staff from The Swedish Club, Piraeus were on board the Golden Iris, which is one of the cruise vessels insured with the Club for P&I and FD&D for Mano Maritime Limited. Golden Iris was in the port of Piraeus as part of its last call of the season, so given this opportunity Mano Maritime invited a handful of people, among which some of The Swedish Club employees, for lunch on board. They also presented the Club with a Certificate of Honorary Membership of Mano Maritime Group. The certificate stated: “In recognition of your exceptional contribution to the company, in appreciation of your dedication, investment and attention and in gratitude of your participation in our success”.

Sports Festival in Germany

■ The annual NSB Sports Festival took place on 25 September. For readers not familiar with this event, it features competition in track and field sports between teams of athletes from business partners to NSB.

The Swedish Club team, consisting of Patrik Almström, Anders Leissner and Per-Magnus Jonasson, demonstrated unprecedented fighting spirit, endurance and determination, and the team members were awarded gold medals for their efforts.

Finally, we wish to extend a special thank you to the organizers, and the volunteers and co-sponsors, for making this event the success it was, and we are already looking forward to the 2010 games.

PIRAEUS



Peter Jacobsson has resigned from his position as an Underwriter in Team Göteborg I. We wish him all the best in his future career.



Tord Nilsson has been appointed Area Manager in Team Piraeus I as from 1 July 2009.



Petra Setterberg has resigned from her position as Team Assistant in Team Göteborg III. We wish her all the best in her future career.



Effie Zachopoulou joined Team Piraeus on 1 October 2009 as Claims Executive. Effie holds an LLB from the University of Bristol and an LLM in Maritime Law from the University of Southampton, UK. Prior to joining the Club Effie worked for the Lloyd's syndicate Catlin in London.

HONG KONG



Julia Ju joined the Club's Hong Kong office on 12 October 2009 as Claims Executive. Julia has a Bachelor's degree in International Maritime Affairs from Dalian Maritime University and a Masters in International Maritime Law from the University of Southampton, UK and in Civil Law from Peking University. Prior to joining the Club, Julia worked for China P&I Club for 12 years where she held the position as Associate Manager.



Johan Kahlmeter was transferred from Team Göteborg III to Team Asia on 15 October 2009.



Brian Png joined the Club's Hong Kong office on 1 October 2009 as Technical/Claims Manager. Brian has previously worked at the Hong Kong United Dockyards Ltd where he held the position as Marine Commercial Manager.



Gert Josefsson has resigned from his position as Technical Manager. We wish him all the best in his future career.

CLUB CALENDAR

2010

3-7 May 2010

Marine Insurance Course,
Göteborg

17 June 2010

Annual General Meeting,
Göteborg