



The Swedish Club



# Asia a growing world presence P.24/25

Facing the challenges of fuel switchover P.18/19

Tackling cyber crime P.22/23

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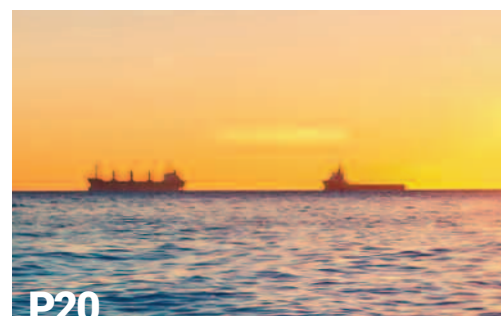
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The Swedish Club

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**Print**  
PR Offset, Molndal 16045000B

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# Perception is reality

## Dear members and associates

The concept of 'Perception is reality' applies in most situations. It is not always the way it is. It is the way it is perceived to be. Our own interpretation of what is going on is often what forms our view of reality.

Undisputedly the state of the shipping market is a reality. A different perception is just not available, and in this case the perception is totally aligned with reality. In particular, dry bulk and container shipping are having hard times with the Baltic Dry Index at record lows.

The Club's board is sensitive to such unsupportive trading conditions in its decision making process; a zero general increase in P&I was decided for the policy year 2016/2017.

Under these difficult conditions the good news is that the Club delivered a balanced underwriting result again in 2015 whilst experiencing increased claims activity. Marine insurance is

inherently volatile and we saw the benefit of diversification in a year that contrasted with the preceding benign claims year. Underwriting is about delivering sustainable results over time and we have a sound footing from which to develop.

The underwriting result apart, it is our mission to extend the services required by our members. Service excellence is our ambition and trademark. That is how we started, that is what we deliver. Strengthening resources is a continuous effort. Lately we have increased our resources in the Norwegian office with more claims handling expertise and we are developing an underwriting presence in London. Our business is to be ready for the 'rainy day' casualty scenario. On that day, we can make a difference.

'Perception is reality' is very much the underlying thought behind the panel discussion planned for the forthcoming Members' Day part of our AGM events.

Journalists and shipping experts will give their views on how shipping casualties are reported in the press. In particular, they will examine the question of how to get the idea across of being a responsible casualty responder in a scenario where public interests are at stake. The public requires a scapegoat – we live in a blame society – so is it then possible to change the perception from 'bad guy' to 'good guy'? Only those attending our AGM will know. Don't miss it.

Many interesting topics and social events are featured in this edition of the Triton – this is indeed reality. I hope you enjoy reading it. 🐙

**Lars Rhodin**  
Managing Director

# Crossing the Argentine customs



# minefield

By Alberto Trigub

Pandi Liquidadores S.R.L., Buenos Aires, Argentina

Last December Argentina saw a major shift in government when the party which had been in office since 2003 left power. The new government – which has been running the City of Buenos Aires for the last ten years – has promised to work towards reopening the country to the world, with a more clear and transparent administration. We look at the actions of the new government over the last months and review the current situation when visiting Argentine ports.

## The future: Wind of change

This is of particular importance to the shipping industry as currently ship operators are facing unpredictability and lack of uniformity in various jurisdictions when attempting to clear customs in Argentina. In addition to delays caused by seizures and additional variable fines P&I clubs have found themselves involved in proceedings which may take up to ten years, with the consequent costs, the risks, and the usual guarantee of having to remain in place until the conclusion of the case.

The actions already taken by the new government in its two first months in office, allow us to be confident that changes for the better will take place.

While the situation will not alter soon, the winds of change are blowing. We are continuing to work closely with the new government and the International Group and in the last two months we have achieved more progress than over the last decade in total.

Sadly, experience has demonstrated that the Customs Authority is well aware of the losses and difficulties that they are causing shipowners. Consequently it is timely to remind ship operators that problems do still exist in this region, and to provide recommendations on how best to handle customs procedures in Argentina.

*“ship operators are facing unpredictability and lack of uniformity in various jurisdictions when attempting to clear customs”*

# *“While the situation will not alter soon, the winds of change are blowing”*



## The story so far:

When a vessel calls at an Argentine port, it has to submit a number of documents at the Customs House for clearance purposes, including the ‘store list’ and ‘cargo manifest’. At a later stage, a customs search team frequently boards the vessel in order to verify the contents of those declarations. If there is any inconsistency between the ship’s declaration and Customs’ findings, the shipowner is subject to heavy fines and possible delays.

In the past Customs Officers mainly searched the crew’s cabins for cigarettes/liqueurs/spirits not declared upon arrival. Recently, however, attitudes changed and the gangs began to look for regular items which are carried on board for the normal operation of the vessel.

This stricter – and a somewhat unpredictable – interpretation of the law has become a serious and expensive problem for shipowners and their P&I clubs.

## Variation in jurisdictions

To add to the problem, the Customs House at each port appears to be working from its own rulebook. Customs Officers at one port will be looking for items not targeted by officers at other ports. Perhaps the most surprising example of this unilateral decision was the sudden decision of the Customs at the port of Necochea to demand that all ships calling there submit the store list in Spanish.

## Targeted items

The most frequent objections made by the Customs Officers were related to liquids or loose items on board, such as bunkers, lubricants, oils, paints, chemicals or spare parts. P&I clubs were advised to notify members of the importance of declaring those items carefully, as any inconsistency, no matter how small, was enough for Customs to commence painful proceedings. Unfortunately, when the officers were not able to find discrepancies in those items they always found something new to object to: grabs, oil in use in the auxiliary and sump tanks, navigational aids, lifeboats and other items.

## The practical problem

Many of the items targeted by the Customs Authority are difficult – if not physically or practically impossible – to seize, such as bunkers and oils or grabs. In some circumstances, Customs are allowed to replace the seizure with an additional fine, but we have seen these fines treated as ‘automatic fines’ in some jurisdictions. An immediate settlement was then requested by the Customs, according to their own valuation, frequently higher than normal pricing. In the meantime, they kept the vessel detained.

## A further complication

In Argentina, the ship agent who clears the vessel before the authorities is personally and jointly liable with the vessel in respect of customs infringements, so customs proceedings are brought against the ship agent directly. This makes the agent personally liable to pay any fine imposed at the end of the day.

To protect himself for when there is any alleged infringement, local agents now require, prior to the vessel’s departure, a letter of undertaking from the P&I clubs in order to cover themselves for any fine which could be finally imposed. Technically, failing this, the agent could require the arrest of the vessel in demand of such a guarantee as per local jurisprudence in this respect - although nowadays the local courts have become more strict in granting an arrest.

# Some common questions and answers

**Q** Is it necessary on arrival for bunkers, lube oils, (even in use in the system of auxiliary engines) and sump tanks to be declared?

**A** Yes.

**Q** In addition to the usual ship's tackle, is it necessary to declare chemicals, paint thinners, ropes and spare parts?

**A** Yes.

**Q** Is it necessary for the store list to be presented in the Spanish language at the port of Necochea?

**A** NO, the new administration which took office at Necochea withdrew such a requirement recently.

**Q** Can the vessel be detained due to these alleged customs infringements?

**A** There is a possibility for a vessel to be detained when there are undeclared spares/stores in accordance with section 962 of the Customs Code – undeclared goods.

**Q** If a vessel is detained by Customs how can it be freed?

**A** Customs may require payment in cash of an automatic fine for the value of the goods which cannot be seized, or a bank guarantee depending on the Customs at the port concerned, but this will depend on the particulars of the case.

**Q** Which are the most complicated ports in relation to Customs Authorities?

**A** The ports of San Nicolas, San Lorenzo, Rosario, Necochea and Bahia Blanca. However, this does not mean that proper attention should not be paid in any other Argentine port on arrival when submitting the 'store list'.

**Q** Can a local agent arrest a vessel in demand of a letter of guarantee for the alleged customs infringements?

**A** There is local jurisprudence allowing such a procedure.

## How to protect yourself

1. The Master, Chief Officer and Chief Engineer should carefully record and revise what is declared on the store list.
2. Quantities should be carefully checked by the Chief Engineer in the vessel's tanks including auxiliary engines and sump tanks.
3. Special attention should be paid to quantities declared so avoiding the duplication of quantities.
4. The store list should not be signed and handed to Customs until the Master has ensured that everything has been completed and re-checked.
5. That a copy of the original store list delivered to Customs is kept on board.



# An incentive to compromise



By James Bamforth, Senior Claims Executive, P&I and FD&D, Team Piraeus

An amended Part 36 of the English Civil Procedure Rules (CPR) came into effect on 6 April 2015 and applies to any offers made on or after this date.

*The provisions of Part 36 provide the parties with both procedure and incentive to compromise where possible. A well-judged Part 36 offer can be a useful tool to apply pressure on an opponent to settle the claim, as there are cost consequences associated with such offers.*

*This update describes some of the key amendments to Part 36.*

## Form of offer

Part 36 now only requires the offer to make clear that it is made pursuant to Part 36. The party making the offer is no longer required to include a statement that it is intended to have the consequences of Part 36 of the CPR.

## Counterclaims

The revised Part 36 clarifies that a Part 36 offer may be made in respect of any counterclaim or additional claim.

## Time-limited offers

An offer may now be automatically withdrawn after the expiry of the relevant period, in accordance with the terms of the offer. This contrasts with the previous version of Part 36, under which time-limited offers were not valid for the purposes of Part 36.

## Improved offers

Under the revised Part 36 an offer more advantageous will not be treated as the withdrawal of the original offer, but as the making of a new offer on improved terms for which there is a further period for acceptance. The practical effect of this is that costs consequences still apply to the original offer, as it has not been formally withdrawn.

## Very high claimant offers

One of the most interesting changes under the revised Part 36 provides for the court to consider “whether the offer was a genuine attempt to settle the proceedings” when deciding whether ordering costs would be unjust. This amendment aims to discourage the practice of a claimant making a very high Part 36 offer for the whole or almost entire value of the claim, simply in order to secure the benefits of Part 36 consequences. However, it should be noted that this change is not intended to prevent claimants with very strong cases from making high offers, but rather to require a genuine element of

concession on the part of the party making the offer in order to try and settle the claim.


## Acceptance after trial

The revised Part 36 provides that the court’s permission is required for acceptance of a Part 36 offer between trial and judgment.

## Late acceptance

Where a Part 36 offer is accepted late the court must make the usual order of the delaying party paying costs, unless it would be unjust to do so.

## Cost budgets

One of the major changes to civil litigation imposed by the Jackson reforms was the requirement to file a costs budget. The revised Part 36 provides that, where a party has not filed a costs budget on time the defaulting party’s recoverable costs will be limited for the purposes of Part 36 to 50% of their costs that would otherwise be recoverable. 

It should be remembered that Part 36 applies only to settlement offers made in court proceedings. In proceedings governed by the Arbitration Act 1996, unless the parties agree otherwise, the tribunal will award costs and fees on the general principle that costs will be awarded to the successful party. However, it remains open to parties in arbitration to make offers analogous to a Part 36 offer under the CPR. In order to give effect to such an offer, the tribunal would need to identify an agreement to apply Part 36 of the CPR.



# Arbitration award overturned in speed & consumption case



**By James Bamforth**

Senior Claims Executive, P&I and FD&D, Team Piraeus



## *“There had been insufficient “good weather” periods by which to measure the vessel’s performance”*

**While speed and consumption claims continue to be a regular feature of the difficult dry bulk market conditions, reported cases remain relatively uncommon. However, a recent decision saw the English Commercial Court overturn an arbitration award on a rare appeal of such a dispute.**

### Background

The Ocean Virgo was chartered for one TCT on the NYPE form via North Pacific region to Singapore/Japan range. Owners gave speed and consumption warranties by reference to good weather and smooth sea, up to Beaufort Force 4 and Douglas Sea State 3, with no adverse currents or negative swell.

The charterers alleged a breach of the performance warranty during the laden voyage and two legs of the ballast voyage, and sought damages in excess of USD 250,000. In support of their claim, the charterers relied on weather reports from a weather routing company.

### Arbitration

The dispute was referred to arbitration in London. The tribunal dismissed the charterers’ claim because there had been insufficient “good weather” periods by which to measure the vessel’s performance. Specifically, the tribunal held that:

- For a period to be considered as admissible “good weather”, it had to run for 24 consecutive hours from noon to noon; and
- Any assessment of a vessel’s compliance with its performance warranties was a sampling exercise, and “the sample size must be sufficiently large as to be representative of the voyage in its entirety”.

Accordingly, the tribunal held that there had been insufficient “good weather” periods on either laden or ballast voyages.

The charterers appealed to the High Court on the basis that the tribunal had made errors in law by excluding periods of good weather which lasted less than 24 consecutive hours. The Charterers also submitted that, where a breach of the performance warranty was established in good weather conditions, this failure should be extrapolated to the whole period of the charter party.

### Commercial Court appeal

Mr. Justice Teare, presiding, held in favour of the charterers on two grounds:

- 1 The charter party referred to “good weather”, and there were no words in the contract that justified construing “good weather” as meaning 24 consecutive hours running from noon to noon; and
- 2 The tribunal had made a further error of law in holding that, even if a breach has been established in relation to the vessel’s performance under one leg of the voyage, the charterer’s claim would be limited to that period and could not be applied to the whole period of the charter party.

However, Mr. Justice Teare also held that the tribunal was entitled to make an assessment of the evidence in front of it to decide if a particular period of “good weather” represented a large enough sample to be included. This was a finding of fact, not law. 🚢

## What does this decision mean?

The decision of the Commercial Court is a restatement of the correct approach to assessing a vessel’s performance under a time charter: that a breach of performance warranty must be applied to the whole of the charter party period, not just the voyage or leg on which it occurred.

Moreover, the case illustrates the importance of clear drafting in performance warranties. As a matter of contract, the parties are in broad terms free to specify how they intend for a vessel’s performance to be measured. But if they intend exclusively for (at least) 24-hour consecutive periods to be admissible as “good weather” for assessing the vessel’s compliance with its performance warranty, they must ensure this is clearly stated.

Many weather routing companies routinely assess speed and consumption over periods of less than 24 hours, and this practice will be allowed to persist unless contracts are drafted with sufficient clarity. Henceforth, shipowners should stipulate the kind of period required to assess the vessel’s performance.

# Safety scenario:

## Fatal fall or another casualty of enclosed spaces?



By Joakim Enström, Loss Prevention Officer

Each month the Club's Loss Prevention department issues a new safety scenario to assist members in their efforts to comply with international safety regulations and to follow best practice. Visit Swedish Club OnLine (SCOL) for more examples.

### CASE STUDY

An oil tanker was berthed alongside and discharging cargo. The ship's Chief Officer was signing off the same day and as his replacement had been sailing on the vessel for many years, the handover was carried out quickly.

The following morning the cargo operation was completed around noon and the crew started to clean the cargo tanks. The new Chief Officer was in charge of the tank cleaning operation, giving orders to the 2nd Officer in the control room and two ABs who were cleaning the tank on deck. One AB worked in the deck trunk and the other was handling and monitoring the tank cleaning machinery on the tank deck.

The Chief Officer's responsibility was to ensure that the tank cleaning was carried out safely and that the tanks were cleaned properly. He visually

checked that the tanks were clean by taking a couple of steps down the tank access ladder and using a torch to look down the tank. While doing so, he did not wear a fall arrest harness.

As the other men were busy carrying out their own tasks, none of them noticed whether or not the Chief Officer had measured the levels of oxygen and toxic gases in the tank atmosphere before he started to visually check them.

After a while the OOW in the cargo control room became aware that the Chief Officer was not responding to radio messages and so told one of the ABs to search for him. During the search he looked down into one of the tanks from the hatch opening and spotted the reflective striping on the Chief Officer's boiler suit near the bottom of the ladder.

The Master was informed and so ordered the crew at the scene to fetch a stretcher, oxygen kit, and breathing

apparatus. He then put on the breathing apparatus and entered the tank.

The Master found the Chief Officer severely injured and unconscious. He fastened a harness onto the Chief Officer, and the crew on deck hoisted him up. First aid was immediately given, and the 2nd Officer contacted the terminal asking them to call the emergency coordination centre.

One hour after the Chief Officer had been evacuated, the Master monitored the atmosphere in the tank. The gas monitor went up to its maximum 100pp of hydrogen sulphide content. It is currently unknown if this made the Chief Officer unconscious.

### Consequences

The ambulance arrived and its crew tried to resuscitate the injured man. Ten minutes later he was pronounced dead.

## To prevent this occurring on your vessel ask yourselves these questions:

- 1 What were the immediate causes of this accident?
- 2 Is there a risk that this kind of accident could happen on our vessel?
- 3 What are the procedures when we carry out tank/cargo hold inspections?
- 4 Is the atmosphere always tested?
- 5 What kind of equipment do we have to test the atmosphere?
- 6 Is this equipment sufficient?
- 7 What PPE is required?
- 8 Is it easy to secure a fall arrestor when climbing down a ladder into one of our tanks/cargo holds?
- 9 Do we have a risk assessment on board that addresses these risks?
- 10 Is the required PPE included in our work permits and risk assessments?
- 11 How could this accident have been prevented?
- 12 What sections of our Safety Management System (SMS) would have been breached if any?
- 13 Is our SMS sufficient to prevent this kind of accident?
- 14 If procedures were breached why do you think this was the case?
- 15 What do you think was the root cause of this accident?


*“The Chief Officer’s responsibility was to ensure that the tank cleaning was carried out safely and that the tanks were cleaned properly”*

He had fallen from a height of 10 metres and as he was not wearing a fall arrestor while climbing down the ladder he fell from the top and subsequently died.

### Preventative measures

- Implement procedures for when and how to check tanks, and when opening the hatches is allowed.
- Set procedures for what Personal Protective Equipment (PPE) is to be used and ensure gas concentration is measured.
- Ensure all the crew understand the importance of using the

correct PPE, and especially the harness and fall absorber, when entering a tank or cargo hold.

- All crew working with the cargo operation would benefit from a personal gas detector. 



**Amendments to SOLAS and the relevant codes concerning mandatory carriage of appropriate atmosphere testing instruments on board ships come into force on 1 July 2016. These are applicable on all new and existing ships**



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## P&I **CLAIMS** ANALYSIS

the latest report from the Club

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# Claims costs

# uncovered

The latest report from The Swedish Club, *P&I Claims Analysis*, shows that a seafarer's choice of vessel has a large influence on the hazards and job complexities he will face. The Club has studied thousands of incidents in the last ten years, across a range of vessel segments and claims types, and made some interesting discoveries.

**Containerships:** A seafarer needs to watch his step here, as almost 60% of all slips and falls occur on container vessels – almost certainly due to the amount of debris on board and the number of people involved in cargo operations.

**Bulk Carriers:** Those working on bulk carriers must take care to avoid cargo damage, as these record both the highest average cargo claims cost and also the most frequent claims over the last ten years. A failure to check cargo properly before loading and improper cargo handling are the cause of the most expensive and most common claims respectively, emphasising how important it is for crews to monitor entire cargo operations to secure as much evidence as possible about damaged cargo.

**Tankers:** With the various vetting processes in place, it is no surprise that tanker claims make up the smallest proportion of cargo claims seen by the

Club. However around 60% of claims and the same proportion of costs are incurred by improper cargo handling and insufficient cleaning.

### **Claim costs increasing**

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The report also highlighted both an increase in claim costs and a rise in the number of claims for the most common P&I claims: cargo, illness and injury. Worryingly, the Club has seen a rise in the number of claims for all vessel types.

Bulk carriers top the charts, with the greatest increase in the number of claims. This trend is also being seen in the container sector, with both the cost per claim and the number of claims rising. The frequency and cost for tankers is the lowest of the three types.

### **Cargo claims**

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The proper treatment of cargo seems to prove a challenge across all market sectors: by far the most frequent claims are for improper cargo handling, making up over 30% of the total claims. At the same time the most expensive claims come from the problem of inherent vice - when cargo has been contaminated or not in a proper condition when loaded.

*“With the pressures faced by today’s crews, and based on the findings, we actively encourage and advise all members to participate in the Maritime Resource Management courses run by The Swedish Club Academy, which aim to enhance safety at sea”*

**Lars A. Malm**, Director, Strategic Business Development & Client Relations.

### **Illness and injury claims**

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Statistics show that slips and falls are the biggest concern on all three types of vessels studied, causing over 44% of claims and making up the same percentage of costs. The frequency for injuries has increased substantially since 2012, with the locations on board where most injuries occur being the cargo deck areas, machinery room and open deck areas. 🇸🇪

Please see the report in full at [www.swedishclub.com/media/publications](http://www.swedishclub.com/media/publications)

# The pitfalls of an unclear law and jurisdiction clause



An unclear Charter party will inevitably muddy the waters of any dispute under it. One important thing to consider is what law and jurisdiction the parties intend to apply. It is in both parties' interest to ensure that the law and jurisdiction clause is sufficiently clear and unambiguous to avoid having to litigate to establish the proper forum before the parties can even proceed to an award on the substantive items in dispute.

## An unclear Law and Jurisdiction clause

The Commercial Court's ruling in the "*Nicolaos A*" shows the need for contractual clarity to ensure that your dispute is heard in the intended law and jurisdiction. The case concerned a cargo claim that passed along a charter chain. Before the main dispute could be determined, the parties at the end of the charter chain litigated over what law and jurisdiction were to apply. The fixture recap provided for arbitration in Hong Kong, English law to apply and other terms/conditions to be based on the Gencon 1994 Charter party. The Gencon form part II clause 19 provides for two law and jurisdiction options but, per default, English law and London arbitration apply. The sole arbitrator appointed in London determined that he had been properly appointed.

On appeal, the Judge concluded that clause 19 (a) of the Gencon form and the fixture recap were inconsistent and could not be read together. The provision in the fixture recap meant the parties had chosen to divert from Gencon clause 19 (a). It was uncommon to see a difference in the choice of seat of the arbitration and the procedural law and to achieve that, clear wording to the contrary was needed. The Judge concluded that the agreement for arbitration to be held in Hong Kong implied a choice of Hong

Kong as the seat as well as Hong Kong law as the procedural law even though English law was to apply to the contract. As a consequence, the Judge concluded that the appointment of an English arbitrator was invalid.

### Concepts to consider

The Judge highlighted four concepts to be considered when determining the law of an arbitration.

1. The place of the arbitration, i.e. the geographical location.
2. The seat of the arbitration i.e. the choice of country to provide the procedural law.
3. The law governing the arbitration agreement.
4. The law governing the contract.

It is important to distinguish between the law governing the arbitration, i.e. the procedural law, and the law governing the contract as such. The procedural law will normally follow the seat of the arbitration while choice of English law to apply to the contract does not in itself mean that the Arbitration Act 1996 will apply to the arbitration. Instead, to use the "*Nicolaos A*" as an example, if the arbitration is to be seated at Hong Kong but subject to English Law, the Hong Kong Ordinance will apply.



By Malin Högborg,  
Claims Executive, P&I and FD&D,  
Team Gothenburg

The parties need to expressly consider all the listed concepts to ensure that the arbitration is indeed heard at the intended place, under the intended procedural law, with the intended law governing both the arbitration agreement as well as the contract itself. It is vital to consider whether the combination chosen is possible to achieve. For example you would be hard pressed to find arbitrators in Singapore willing to work under LMAA Small Claims Procedure or New York arbitrators to apply German Law.

There is time and money to be saved through agreeing a clear law and jurisdiction clause when contracting. A real risk is, otherwise, that the claim may be time barred while the parties are trying to establish the correct law and jurisdiction to govern the dispute. 🚧

# A sorry tale

## Lessons learned from the OW Bunker collapse

The OW Bunker collapse has generated important lessons for the future, highlighting the complexity of the bunker supply chain in law.



By Anders Leissner, Director, Corporate Legal & FD&D

## BACKGROUND

After OW Bunker's insolvency in 2014, shipowners have been faced with the risk of having to pay twice for the same bunkers; once to OW Bunker/ING Bank who had a contractual claim, and once to physical suppliers who arrested the supplied ships on the basis of statutory rights.

Several of the Club's members have been involved in disputes concerning competing claims under OW Bunker

invoices. These disputes have proven to be complex and there is no general answer, but instead each situation has to be assessed in the light of the particular circumstances and terms of the relevant contract/s. Members who are faced with competing claims are generally recommended to seek legal advice and notably similar disputes are generally covered under FD&D insurance.

### Contractual clarity

The primary lesson has been the importance of contractual clarity. Owners and charterers should consider the following steps recommended to bring contractual clarity in relation to the supply of bunkers, as well as mitigate the risk for competing claims:

- Insert BIMCO's non-lien clause in the charterparty, see [https://www.bimco.org/~/\\_media/Chartering/Special\\_Circulars/SC2014\\_04.a.shx](https://www.bimco.org/~/_media/Chartering/Special_Circulars/SC2014_04.a.shx)
- Prior to ordering bunkers, the supplier should be provided with a suitable notice clarifying the identity of the supplier's contractual counterparty.
- Avoid making reference on the Bunker Delivery Receipt to the physical supplier's own Terms and Conditions,

since that may create a direct contract between the vessel and the supplier.

- Stamp and sign the Bunker Delivery Receipt with a non-lien wording.
- Explore possibilities to take out insurance to protect against the risk of charterer (or bunker intermediary) insolvency.

### Extra caution required if using a bunker intermediary

The use of a bunker intermediary entails enhanced credit risks. Members may therefore consider agreeing to only deal with physical bunker suppliers directly and, if so, a provision to that effect should be inserted in any time charterparty. In the event an

intermediary is used the following precautionary steps can be taken:

- Ensure the intermediary has the appropriate credit insurance.
- Agree on a scheme whereby the intermediary is paid the profit element only and the physical supplier is paid separately, or by way of making one payment to the intermediary which is split into two: the intermediary receives the profit element as principal and the substantive sum as agent for the physical supplier.
- Ensure that the end-buyer has the longest credit period in the contractual chain by way of a term in the contract with the intermediary that the intermediary has to first pay their supplier in full for the bunkers before the ultimate buyer is obliged to pay them. ⚠️



# Legal update

## Guidelines on place of refuge

Following the casualty of the MSC Flaminia in 2012 – coincidentally insured by The Swedish Club – the EU has been working on improving coastal states' willingness to allow place of refuge to vessels in distress. This has resulted in new Guidelines on Place of Refuge.

Unfortunately, the guidelines are not mandatory and do not go all the way to impose obligations on states to offer a place of refuge in case of a casualty. The guidelines however provide that the state of refuge cannot refuse for commercial, financial or insurance reasons alone.

### Time for change

The MSC Flaminia was on fire for weeks at the southern entrance of the English Channel but refused entry by several coastal states. To add salt to the wound, once the vessel was admitted to a safe port in Germany the owners had to pay the port authority a daily mooring fee of EUR 125,000. Needless to say, the casualty proved to be good business for that port.

There is indeed a history of similar deplorable behaviour by various states: in 2002 the Prestige oil tanker, which was in distress, was forced away from the shore by French and Spanish naval vessels. Ironically, this resulted in significantly aggravated oil pollution damage in those countries. Hopefully the guidelines will help states to avoid making similar ill-considered decisions in future. ¶

## Lifted EU sanctions die hard



Despite the build-up, the very long-awaited lifting of Iran sanctions on 16 January 2016, became something of an anti-climax.

Of course we have seen the EU lifting most of their sanctions and the US has lifted all of their extra-territorial sanctions, but the remaining restrictions

on US entities, including US banks and US reinsurance companies, have had a significant spill-over effect on EU entities, partly for good reasons but also partly due to psychological reasons.

As a result, global business is still at an

impasse. For instance, European banks are still reluctant to make any transactions with Iran despite restrictions on financial transfers being lifted.

Hopefully the dust will settle soon so that for practical purposes Iran can be included in the world community. ¶

### Background

Iran sanctions continue to be on top of the global marine insurers' agenda. For at least five years insurers and their members have navigated very cautiously in shallow sanction waters essentially preventing all business activities with Iran. In June 2015 Iran, the EU and US reached the Joint Comprehensive Plan of Action (JCPOA) and the industry has since then been waiting for the announcement of Implementation Day, being the day the IAEA confirms Iran has carried out their part of the deal, which would trigger the lifting of sanctions. This date was set for 16 January 2016. ¶



# A test of initiative

When a call came into The Swedish Club's Hong Kong office in August 2005 to say a bulk carrier had struck a shoal off Peru, it rapidly became clear that this was a serious casualty. However, the team could not have anticipated the challenges that lay ahead. As Benny Johansson, then a technical manager in the Hong Kong team explains: "Dealing with this casualty would require creative thinking and unique solutions over the next six months."

The Orient Brilliance had just left the port of San Nicolas after loading about 142,000 tonnes of iron ore for China when the accident happened.

"There was a huge gash in the hull, of some 50-60 metres," recalls Benny. "If the hole had been 50 centimetres longer, the ship would have sunk in a matter of minutes and the 25 crew would have gone down with her. They wouldn't have stood a chance – they were tremendously lucky."

As it was, the crew managed to anchor the ship and make it stable enough so that it didn't take on any more water.

Emergency repairs in the form of sealing off some smaller holes in the double bottom were carried out in situ so enough water could be pumped out to enable the vessel to navigate to port.

## Difficult decisions

San Nicolas was the nearest port but this simply wasn't an option, having only a loading arm for ore and no other equipment, facilities or personnel.

The decision was taken to tow the Orient Brilliance to Callao, and that was where Benny Johansson travelled to.

"At first it was difficult to know how to deal with the vessel," he says. "But we quickly began to realise that we were unable to discharge the cargo – first because of logistical problems and second because it would take a tremendous amount of time to discharge the cargo, store it and reload it.

"We took the decision to carry out underwater repairs, so we made a plan to repair the ship temporarily. However we then had to persuade the classification society and the flag state that this was the best option. We also had to convince the owner, who saw this as a total loss and just wanted their

## “When you went into the tanks after they were pumped out, you understood how close that ship had been to going down”

money. Of course once the operation was under way, the owner understood that even if you pay out a total loss, the ship would still have to be moved and there was only one way of doing it.”

### Steady progress

From there, things moved forward slowly but steadily. The Peruvian Navy was engaged by the head contractor and provided some 100 divers, with equipment, a decompression tank stationed on board and a doctor on stand-by in case anything should go wrong. While the head contractor was a Panamanian company, the other contractors engaged by the Club for the work were generally local.

The Club organised for the requisite steel plates to be delivered. “Once we had managed to seal the hole and pump out all the water, we had a lot of safety work to do – securing the hull from the inside with steel plates, and a great deal of welding work,” says Benny. “When you went into the ballast tanks after they were pumped out, you understood how close that ship had been to going down.”

### Technical report

In parallel with all of this, technical investigations to locate, mark and inspect the shoal were carried out. Boats, diving equipment, underwater cameras and hydrographic echo sounder equipment all had to be sourced so that the charts could be meticulously checked; the investigations confirmed that the Orient Brilliance had hit a rock peak in the southern sector of

a shoal marked on the charts, immediately to the north of the entrance channel to San Nicolas port.

### Further difficulties

Once the underwater repairs were complete, the next stage was for the crew to take the Orient Brilliance to China for unloading as planned, with the vessel then going directly into drydock for the average steel repairs work.



**Benny Johansson**  
Senior Consultant

## “Once the underwater repairs were complete, the next stage was for the crew to take the Orient Brilliance to China for unloading as planned”

However, there was one final hiccup, as Benny explains.

“Once we had sealed off the holes and the ship was watertight, we discovered to our dismay that the trim wasn’t right – she was down at the nose. This was due to the steel that had been fitted under water – more than 150 tonnes of it – which had altered the trim.”

The flag state ruled that it was not safe to take the ship through the weather conditions of the Philippines and Indonesia in that condition. The solution to this was very ‘un-technical’.

“To transit the tropical load line zone we needed to even the trim, so had to move cargo from hold 1 to hold 6. We brought in hundreds of workers; they moved up to 1,000 tonnes of ore, literally using buckets, trolleys and wooden walkways between the hatches,” recalls Benny. “There was a stream of people moving back and forth with buckets. It took us a week to do this, and then she was allowed to move.”

### A happy ending

Six months after the initial accident, the Orient Brilliance finally departed for her voyage across the Pacific.

In principle, that is where the story ended for Benny, who had spent six months travelling to and from Callao. But not quite, as he sadly explains: “We were left with all the paperwork!” 🐼



# Facing the challenges of



**Peter Stenberg**  
Senior Technical Manager, Team Gothenburg

# switch-over

In the months running up to the introduction of new Sulphur Emission Control Areas (SECAs) in January 2015, much of the debate in the media focused on the high cost of buying low-sulphur fuels.

However, making fewer headlines, but just as important, were the discussions surrounding the technical challenges of switching over from high to low-sulphur fuel when approaching a SECA, explains Peter Stenberg, Senior Technical Manager, Team Gothenburg.

There has been a great deal of debate among shipowners and insurers as to the technical risks involved in the fuel transition period of switching fuels when preparing to transit a SECA. Would there be an increase in engine damage and what might be the (potentially catastrophic) consequences if this left a vessel without power?

Peter Stenberg says that by early 2015, there were already a number of well-documented cases of ships changing over to low-sulphur fuel too quickly and without the proper processes, leading to extreme wear of the fuel pumps, for example, and consequent problems starting the engines.

Some were even forced to switch back to heavy fuel oil (HFO) in order to get the engines started, and then break the SECA rules in order to get the ship safely into port. Such a move must be reported to the Port State Control authorities, and big fines are the result – quite apart from the costs of the repairing the damage.

“From our point of view, we would only get involved if there was a major breakdown; so if we were to see ten of these instances, there must be hundreds that we are not aware of,” says Peter. “The US Coast Guard has sent out advice about this – it has seen an increased number of vessels that have lost power since California SECA rules were

imposed in 2014. And yet, I think not all shipowners have taken this too seriously. The awareness just isn’t out there.”

## Lubricity of the fuels

The problems arise because the composition of HFO and low-sulphur gas oil is so different. “The main issue is the lubricity of the fuel, which affects the fuel pumps,” he says. “The problem is, HFO must be heated to 125-135°C but gas oil, being used as a low-sulphur fuel, should not go over 40°C. The solution is that you mix the two in a very slow way and monitor the viscosity and temperature continuously.”

## “During 2015, The Swedish Club saw an increased number of cases where the fuel system was damaged”



To meet the requirements, a ship should already be running entirely on low-sulphur fuel at the point when it enters a SECA – and the process of switching over can take at least 12 hours.

### Simple solutions

“There are a lot of things the crew must do, first to prepare before starting the changeover and then during the changeover; but you can install additional equipment to help with this,” says Peter.

“Instead of working with a simple switching valve, shipowners can install a mixing valve and coolers which will enable a largely automatic switchover, as the system will monitor and regulate temperatures. A number of shipowners have done this, but not as many as was expected.”

Of course, installing the equipment costs time and money. But as Peter says: “Installing the mixing valves and coolers may cost about USD 100,000. Replacing the fuel pumps and other damaged equipment costs a great deal more. And automatic equipment makes it easier for the crew onboard and safer for the vessel.”

### Early warning signs

The first evidence of extreme wear of the fuel pumps due to incorrect switchover procedures would be problems in starting the engines, he warns. There can also be problems with clogging of the filters – because HFO leaves a residue and when distillates are run through the system, they act like a cleaner and the residue gets stuck in the filters.

### Careful preparation

“When a fuel switchover is being planned, individual calculations must be carried out for each ship, depending on the system and how much fuel is consumed. Based on that, you have to decide when to start changing over and how rapid the changeover should be. Every ship would be different, Peter says.

“First the temperature of the HFO must be brought down, so that there is a smaller difference between the two fuels. Cooler HFO will work for a time, and the next process is to start adding in some gas oil via the mixing valve.”

### Proper training and procedures

“There are a number of shipowners who have not helped their crew to do this changeover in the proper way. It requires training and clear guidelines,” says Peter. “As well as following the

procedures, you need to be able to provide proper documentation so that you can prove to Port State Control that this was done. There is a lot of extra work for the people on board and the process has to be planned a long time ahead.”

During 2015, The Swedish Club saw an increased number of cases where the fuel system was damaged. This, says Peter, is attributable to the higher frequency of going into and out of SECAs. “The worst case scenario would be that the crew couldn’t start the engine again. We have had examples of a ship switching over to gas oil and the main engine stopped; it had to switch back to HFO in order to continue.”

The problem has been seen mainly on two-stroke rather than four-stroke engines. Interestingly, there have been no reports of such problems when switching to the new low sulphur hybrid fuel. “This fuel is more like HFO – it has to be heated to about 60-80° and the lubricity is much better than gas oil,” says Peter. “However, this hybrid fuel has between 20 and 40 different distillate components; there is no standard for it yet so we don’t know what you can mix.”

Peter believes that these switchover problems could largely disappear in a couple of years, as the issues become more clearly understood. However, training is vital, he says, particularly because more SECAs are being set up in regions around the world. “Ships are likely to be switching fuels even more frequently.”



## “When a fuel switchover is being planned, individual calculations must be carried out for each ship, depending on the system and how much fuel is consumed”



# LAY UP

## procedures and potential risks



By Ludvig Nyhlén,  
Underwriter, Team Norway

**Ludwig Nyhlén, Underwriter, Team Norway, provides a helpful guide on the factors to consider before making the decision on whether to lay-up a vessel.**

Shipping has always been and still is a volatile business. Today many of our members are seeing challenging times due to an oil price around USD 45 and record low prices for transporting dry bulk commodities. The offshore rigs and supply vessels are seeing fewer contracts and lower rates due to limited investment in petroleum exploration, and the oversupply is obvious. At the beginning of February 2016, 107 Norwegian Offshore supply vessels were laid-up. This is approximately 15% of the Norwegian Offshore fleet and expectations are that this negative trend will continue and more vessels and rigs will be laid-up.

In the dry bulk segment the situation is much the same, with oversupply, and charter rates at a record low and well below operating costs, in reaction to both declining trade and deliveries of newly-built vessels ordered in better days entering the market.

This unsustainable situation has forced owners to take action and many have decided to take their vessels out of service, putting their vessel in lay-up in order to reduce their overheads.

### Making the decision

Before considering lay-up as an option you must have a clear idea of the following:

- Market situation and the estimated time in lay-up.
- Operational cost savings per day, against ability to quickly re-enter the market and the costs of recommissioning.
- Vessel's remaining life in operation and scrap value.

These factors can not only assist the owner in making the decision itself, but also in concluding to what extent he will lay-up his vessel.

**Hot lay-ups** cover a relatively short lay-up period, often less than 12

months. Crewing may be sustained or slightly reduced, with machinery running and other systems maintained. The vessel may be idling for the next cargo and cargo may be kept on board. In hot lay-up the owner has the benefit of easily and without significant cost, or time, being able to take the vessel in and out of lay-up. However, the reduction in daily running costs is limited.

**Cold lay-ups** tend to last for longer periods, often 12 months to several years. Vessels in cold lay-up have their machinery and other systems out of operation with only generators providing power to the most necessary appliances. Crewing is minimised to a skeleton crew or replaced by a hired lay-up crew,

working with watch-guarding moorings, potential fires and leaks, as well as maintaining machinery and hull. Cold lay-up may reduce the operational costs significantly but there are additional efforts and risks with cold lay-ups primarily relating to the recommissioning of the vessels.

Prior to any lay-up a full risk assessment should be carried out to prepare and safeguard the crew, environment and vessel from the challenges that might be encountered.

- Find a suitable lay-up site for the vessel, with sufficient prospects for safe mooring arrangements, minimum weather exposure, risk of collision with other vessels, or dragging of the anchor etc.



## Lay-up preparation and preservation of a modern vessel, and in particular a mobile offshore unit, is a demanding task which must be carried out properly

- Prepare the vessel to minimise risk of fire, leakage and security.
- Make manuals and procedures for inspections and maintenance.
- Develop emergency response plan, evacuation arrangements and plan anti-pollution measures.
- Appoint adequately experienced crew.
- Seek professional guidance on preservation and lay-up procedures to ensure all requirements for lay-up are in place and to reduce future recommissioning difficulties.
- Additionally, owners should consider commercial factors such as price and service, location of next possible charter and accessibility to the lay-up site.

**Lay-up preparation** and preservation of a modern vessel, and in particular a mobile offshore unit, is a demanding task which must be carried out properly to avoid deterioration of the vast quantity of delicate equipment aboard.

This requires a maintained dehumidified atmosphere in internal spaces, lubrication of sensitive equipment, maintenance of software, draining and cleaning of tanks, inspection of machinery equipment, preparing the accommodation area etc. While not a class requirement, it is recommended to consult the classification society on this matter.

**The recommissioning of the vessel** into operation is the more challenging phase of the entire lay-up period, with likely issues restarting equipment and particularly systems on board. However, if the preservative measures taken at the time of lay-up have been properly managed, the

### No end to lay-ups in Piraeus

By Hans Filipsson, Area Manager, Team Piraeus

Although considered a temporary solution, Team Piraeus has observed increasing numbers of bulk carriers heading for cold lay-ups. Despite a few vessels being sold for scrap earlier this year, the number of vessels laid up in Elefsina is increasing every day.

Certainly the million-dollar question about when the freight market will see an upturn has not been answered yet, but what is certain is that a lot more vessels must head for the scrap yard in order to balance out the overcapacity in this segment. 🇸🇪

recommissioning and the potential complications that might occur during this process will be limited. Other factors that will likely affect the complexity of the recommission are type and age of the vessel and time in lay-up.

Challenges encountered during the recommissioning phase with vessels going out of longer periods in lay-up are numerous, but typically issues that may occur are:

- General deterioration and corrosion due to badly monitored humidity and insufficient lubrication, including piping and valves.
- Main engine stuck due to insufficient application of lube oil.
- Start-up failures and malfunction on regulators, electronics and other control equipment.
- Market situation and the estimated time in lay-up.
- Deterioration of bunker in tanks, turning into solids if left unattended for longer periods.

When recommissioning the vessel the owner should notify and consult the insurance company, classification society, port authorities and flag state.

**Laying-up a rig** is, to a large extent, similar to laying-up a vessel, where planning and due diligence is key to a successful lay-up. However, additional focus must be aimed at the equipment on board, such as blow out preventers, drilling packages, cranes, gangways etc. This equipment is very expensive and sensitive if not maintained and preserved correctly during the lay-up. 🇸🇪

For guidelines and recommendations on ship lay-ups see Marine Circular No.379/2008 on [www.swedishclub.com](http://www.swedishclub.com)

The Swedish Club may offer a rebate on the Hull and Machinery and P&I premium if the vessel is laid-up for not less than 30 consecutive days and all warranties as per rules, conditions and/or circulars have been complied with. Information about this can be found in our annual marine circular on our website at <http://www.swedishclub.com/new/circulars/marine-circulars/> and in The Swedish Club's Rules for P&I Insurance, Rule 29.

# Return to basics to tackle

**What are the issues to highlight when it comes to cyber security risks in shipping? You might be surprised. We interview Angus Frew, Secretary General of BIMCO in the wake of the latest industry report.**

Lack of awareness, poor password control, laid-back attitudes and simply failing to apply basic common sense are making us all vulnerable to cyber security.

“People are using email and electronic devices every day and that makes them too relaxed,” says Angus Frew. “How often do people click on an attachment first and keep their fingers crossed afterwards, hoping that they haven’t made a big mistake? How many times have you seen a password written on a sticky note and attached to the PC? How many people plug flash drives into their PCs without even contemplating the consequences? But everyone should be incredibly aware, because cyber security attacks are becoming more and more sophisticated.”

## Cyber Security Guidelines

BIMCO, together with other leading shipping organisations, recently launched a unique set of Cyber Security Guidelines, to help the global shipping industry prevent major safety, environmental and commercial issues that could result from a cyber incident on board a ship.

The consequences of not being prepared for a cyber incident may be significant, the guidelines warn; and cyber security should be considered at all levels of the company, from senior management ashore to crew on board.



## The importance of best practice

A huge amount of it is common sense and best practice, says Angus Frew. “Our guidelines take a risk-based approach. We are saying ‘look at your procedures and plans and instructions’. A lot of it is around behaviour and really simple IT procedures. For example, whenever a member of staff leaves, the first thing that happens should be that their email is closed down and their access to your system is terminated, particularly if someone does not leave in good circumstances. Make sure that passwords are strong – ‘password’ isn’t good enough. Manage users to ensure that not everyone can get into the system as an administrator.”

The reasoning behind the guidelines, produced after nine months’ analysis by a working group of experts, is clear. “This is such a fast-moving area that regulations won’t be able to keep up with it – only plug the holes once they have been found.”

## Key risks to the industry

What are the key risks for ships? “Historically, ships have not been particularly sophisticated – but we are

moving into a more and more sophisticated world,” says Angus Frew. “The cost of satellite communication to ships is falling rapidly and that means ships will increasingly be online more and more with land-based networks. Ships are becoming more vulnerable to cyber risks.”

BIMCO funded an in-depth audit of a number of ships in order to establish fact-based evidence of what and where the vulnerabilities and issues are. “What we found was a lack of awareness. On ships that are ten years old and not very sophisticated, we found a lot of out-of-date software – Windows XP – operation systems had not been kept up to date and patches hadn’t been applied. There was very poor password control. Ships were accessing ports’ networks, a lot of which were open access. That is what exists on relatively uncomplicated ships.”

However, the growing complexity of ships and their connectivity with services provided from shoreside networks via the internet makes onboard systems increasingly exposed to cyber attacks, the guidelines warn. In general, stand-alone systems will be less vulnerable to cyber attacks compared to those attached to uncontrolled networks or directly to the internet.



## Big Data

Imagine, then, the risk of running cargo management, bridge, propulsion and machinery management, power control and access control all through the same network.

Angus Frew says: "There are engine manufacturers wanting to monitor engine performance remotely and suppliers wanting to upgrade software for equipment remotely. We are moving towards e-navigation. There is the desire to make the most of Big Data, with so much more information being sent to and from ships to monitor performance and a whole range of areas."

## Under attack

The guidelines outline the different types of cyber attack – including spear-phishing, water holing, ransomware, deploying botnets and subverting the supply chain – and considers the stages of a cyber attack, how to assess the risk, how to reduce the risk and how to develop contingency and response plans.

Has the shipping industry been lucky so far? That's an interesting question. There may well have been instances

## "Now is the time that the industry needs to step up and get wise"

**Angus Frew,**  
Secretary General of BIMCO

where systems have 'gone down' and people have, through lack of awareness, not even realised it was a cyber issue, says Angus Frew.

"In terms of onboard cyber incidents, there really are very little known or reported. I suspect a lot of this is because problems aren't being identified as coming from a cyber incident. Also, organisations don't shout about it – not many would stand up and say they have been attacked."

The guidelines point out that the perpetrators, motivation and objectives of cyber attacks vary tremendously. In all cases, the risks may be high. 🚢



## A Club perspective

A new and important area requiring very specific loss prevention measures is emerging. With vessel management becoming more automated, and ever more complex IT systems being implemented, we are all increasingly aware of the shipping industry's vulnerability to the threat of cyber attack. Maritime governance is fragmented, and when many of the IT systems on board vessels were developed, maritime cyber security awareness was low to non-existent.

In a move welcomed by The Swedish Club: the leading shipping organisations recently launched a set of guidelines to help the global shipping industry prevent major safety, environmental and commercial issues that could result from a cyber incident on board a ship.

**Much may have been made of China's slowing economy and the actual or potential impact this may have on the regional and global economy and shipping markets. As a Swedish Club investigator reports, within Asia's shipping sector, and for the region's marine insurance market, the situation is not so simple.**

Asia's influence on the world stage is continuing to grow; intra-regional trade remains healthy; and there is the predictable balance to be made between opportunity and challenge.

Richard Walker, Group CEO of Hong Kong-based FP Marine Risks Ltd, has seen a rapid growth in the number of marine insurers, as well as in underwriting capacity, boosting the Asian presence in the world marine market and leading to more business being placed in Asia rather than going back to Europe as it traditionally did.

"Ironically, many of the new insurers are themselves regional offices of European insurers keen to make sure they are well placed to identify any opportunities in the region, which they might not otherwise see," he says. "One of the resultant challenges facing insurers and brokers alike is the shortage of experienced and qualified personnel to handle this increased business.

"Hong Kong has the most fluid marine market and probably has the best pool of marine insurance professionals in the region but, along with Singapore, as the two main international centres, they are being stretched to find the right staff."

### Economic effects

Richard says there is a dual impact on business in Asia from the slowdown in the world's economies and China in particular. "This slowdown has significantly affected volumes of trade, which has hit both the shipping and cargo markets, whilst at the same time we are seeing the softest insurance markets in all marine sectors for many years, with rates hitting record low levels," he warns.

"The increase in underwriting capacity has come from many areas, although the Chinese insurers have certainly become more active internationally. Apart from the increased capacity of many existing insurers, there is a growth in Agency or Coverholder entities, acting mainly on behalf of existing insurers who are trying to enter different classes of the market or get access to a market they are not already involved in."



**Richard Walker,**  
Group CEO,  
FP Marine Risks Ltd.

# Asia

## a growing world presence





## Non-Asian business

There is also, he says, an increase in the number of Asian underwriters able to write non-Asian business. "However, Asia is no longer the 'cheap' market it was perceived to be and many of the insurers, including some Lloyd's syndicates, are restricted to Asian business, to avoid conflict with their other worldwide offices."

Capital continues to support the marine insurance market and even to increase the capacity, says Richard Walker, who adds: "Until the interest rates increase and the capital finds a

new home, or there is a period of significant claims, I believe the rates will remain soft."

## The future

However there is potential for change on this latter point: "Although the marine insurance market has recently been through a fairly benign period for claims, which has helped insurers at this time of very soft rates, the very poor shipping market can lead to some owners not investing in their ships, and then claims often start increasing," says Richard Walker. ٢٣



**Ruizong Wang**, Managing Director, Team Asia, has seen underwriting capacity growing at a far more rapid rate than demand.

*"This leads me to believe that the rates will remain soft in the foreseeable future. The two principal factors in this scenario are the continuation of the free flow of cash from quantitative easing, and the persistence of the current good performance in the overall loss record."*

# Key economic developments



**Thomas Cheung**, CEO, CTX Special Risks

The establishment of the Asia Infrastructural Investments Bank (AIIB) and the blueprint of One Belt One Road (OBOR) to cover two economic corridors, one on land (the Old Silk Road) and one on water, from China to West Europe via South East Asia, South Asia, Africa and Europe, will both have a major impact.

It is expected that there will be a lot of marine insurance opportunities in the pipeline for marine construction projects in the future, such as cargo shipments of equipment, construction materials, hull risks for the deployment of vessels engaged in the marine works for different countries along the OBOR, marine liabilities and credit risks for financials on the procurement of equipment/completion of projects.

The so called TICK countries (Taiwan, India, China and Korea) too are predicted to see notable economic growth in the near future. Regional trade in Asia, between China and the ten South East Asian countries, is still in good shape and it looks like it will continue to thrive for the next decade. ٢٣

# A good move for The Swedish Club Academy

Since the beginning of the year, The Swedish Club Academy has been operating from Asia. This temporary move was aimed at helping us get closer to our customers in this important market, and, armed with greater understanding, learning how to serve them better.

This has proved to be a good move and during the Academy's time there we have met many seafarers and shoreside managers. We offered open Maritime Resource Management (MRM) events, in-house MRM seminars and train the trainer courses in key locations, such as Hong Kong, Singapore and Manila.

The Academy's temporary move to Asia will be repeated in 8-12 months' time. If readers of this newsletter have any specific requests for MRM events in Asia at the end of this year, or early next, please let us know. 📧



## Maritime Resource Management can help you:

- ✓ Improve marine safety, efficiency and employee job satisfaction.
- ✓ Minimise the risk of incidents by encouraging safe and responsible attitudes.
- ✓ Reward good management, teamwork and the willingness to change behaviour.



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# OPINION

## Learning the art of the diplomatic challenge

One of the key focus areas of the Maritime Resource Management (MRM) training sessions carried out in Asia was the issue of authority and assertiveness. This issue is of crucial importance both on board and on shore, as in some societies – particularly in Asia – there is such a respect towards authority that should an error be made, those second in command or lower down the chain, may feel it impossible to point out the problem. These ‘high power distance societies’ do not encourage assertiveness or challenge, and consequently in some cases we have seen this lead to errors on the ship going uncontested – with unfortunate results.

We aim to educate people at all levels to let them understand that they are not stuck in a system or a culture. With effective training, a clear company culture and a willingness to change, we can all change our position in the ‘power distance index’. MRM training aims at

moving people, irrespective of their national background, to a balanced level between authority and assertiveness. At this balanced level, respectful and diplomatic challenges can be made, they are welcomed and the response is positive. This is an important characteristic of a genuine and effective safety culture and a key objective of MRM training.

Of course outside of the vessel environment, such societies have their own benefits. As a frequent visitor to such countries I must say I appreciate the way I am normally greeted and treated as a guest. I watch, listen and try to bring back home much of what I have learned. Yet, I know that travelling in as a trainer, or a conference speaker from a Western country, often puts me in a position of authority - if I say something wrong, make a mistake or break a rule, would people be assertive enough to let me know? I do hope they would. 🙏



**By Martin Hernqvist,**  
Managing Director,  
The Swedish Club Academy

**“We aim to educate people at all levels to let them understand that they are not stuck in a system or a culture. With effective training, a clear company culture and a willingness to change, we can all change our position in the ‘power distance index’”**



# Notice board



## Key milestone in the reduction of emissions in port

In a radical new initiative designed to reduce the significant amounts of pollution generated by the berthing of vessels, ShenZhen Energy Transportation Co. Ltd has converted its first vessel to berth using electric power supplied by a power station ashore, instead of its own diesel generator on board.

The bulk carrier, JiaTong, is the first of the ShenZhen fleet to receive this upgrade. Shen Zhen plans to continue the upgrade for the rest of the vessels in its fleet and anticipates approximately 730 tons of fuel will

be saved and 1,800 tons of waste gas prevented from polluting the atmosphere in the first year after the fleet is upgraded.

During the berthing period, a ship generates the electric power it needs by running the diesel generator, causing a variety of harmful emissions. The basic principle of marine shore power technology is to supply electric power directly to ships through an onshore power station, reducing pollution significantly and protecting the local environment.



## Date set for opening of the Panama Canal Expansion

After nine years of work, the commercial opening of the Panama Canal Expansion is scheduled to take place on June 26th. The expanded waterway will allow the transit of wider and deeper draft vessels, doubling the Canal's tonnage capacity and generating improved economies of scale for its users. For more information visit [www.intercargo.org](http://www.intercargo.org)



## Update: Ballast Water Management Convention 2004

The IMO has announced that further ratifications are needed for the Ballast Water Management Convention to enter into force.

The Convention was ratified by an additional three states in November 2015: Indonesia, Morocco and Ghana, and a further two states – Belgium and Fiji - in March. This means that 49 states have now ratified the Convention compared to the required number of 30.

However, the states still represent insufficient tonnage as the 49 states' fleets combined cover 34.82% of the global tonnage, and 35% is required for the Convention to enter into force.

## Countdown to implementation of the Polar Code, 1 January 2017

With less than 8 months to go until the Polar Code is expected to come into force on 1 January 2017, now is the time to ensure that vessels and crew are prepared for the requirements of this long awaited legislation.



Adopted in November 2014, and mandatory under both SOLAS and MARPOL Conventions, the Polar Code (the International Code for Ships Operating in Polar Waters) aims to provide for safe ship operations and protection of the polar environment by addressing risks present in polar waters and not adequately mitigated by other Conventions. It is intended to cover all aspects of operations in these waters including ship design, construction and equipment, operational and training concerns, and search and rescue.

The Code will require ships intending to operate in the Antarctic and Arctic waters to apply for a Polar Ship Certificate which will classify the vessel in three categories depending on the ship's design and the time of the year when the ship is operating. The issuance of a certificate will require an assessment of operating conditions and hazards the ship may encounter. Ships will need to carry a Polar Water Operational Manual providing the Master and crew with sufficient information regarding the ship's operational capabilities.

## Norwegian consultants predict boost in oil prices

A small Norwegian consultancy, Rystad Energy, one of the world's leading providers of figures and analyses to the oil and gas industry, has some comforting news. It predicts that developments in oil demand combined with a lack of investment will boost oil prices to a level of USD 105 per barrel by 2020.

As oil and gas exposure in Norwegian shipping represents more than half of the total activity in the market, this is particularly comforting news for this hard pressed country. The dramatic drop in oil prices over the past year or so has affected Norway more than many others and current predictions are dominated by doom and gloom prophecies.

Rystad Energy, established and run by physicist Jarand Rystad, has developed the world's most advanced databases on oil markets and provides data, statistics and advice to media such as The Financial Times, The Economist and Bloomberg in addition to OPEC, IEA, oil companies and national governments.

In a recent statement, Mr Rystad explained the basis for his conclusion. "Even though in the short term we will see the price of oil dropping further due to an ongoing 'war for volumes' in particular in the Middle East, oil investments are falling at a record pace (from USD 920 billion in 2014 to USD 620 billion this year). In addition, the world consumed 34 billion barrels of oil in 2015 while at the same time only 3 billion barrels were discovered and 8 billion barrels put into production. Finally, the world's 400 largest oil service companies have laid off some 250,000 staff in the downturn. This will eventually mean problems with gearing up activities once the market turns."

Is this light at the end of the tunnel? Time will show, but for the time being it is perhaps a small comfort for some.

# On the agenda



## Team Gothenburg



Jacob Vierø, Area Manager

### Events

Spring is traditionally the period of Team Gothenburg's seminars at our major hubs outside Sweden. March saw a day of networking with Danish Shipping at our Copenhagen lunch seminar and a very busy April brought the team to Hamburg, Bremen and Istanbul for successful interacting with our members, brokers and friends. We are always pleased to see how many shipping companies and brokers attend the seminars and choose to stay around for informal discussions with us, fellow shipowners and business associates.

This spring and early summer will also see crew seminars, where The Swedish Club's Team Gothenburg gives talks or workshops to meet members' specific wishes and requirements. These customised events are yet more added value for our members, and I challenge you to challenge us for more of these close encounters that bring people together in the same place.

### People

To further enhance our services for members and brokers, the team has added two new colleagues. Ann Pettersson has joined the Club as a Claims Support Officer serving both P&I and Marine. In much the same role, Viktor Johansson joined the team as a trainee for one year.



## Team Norway

### Events

The annual Spring Breakfast Seminar was held at Tjuvholmen Sjømagasin in Oslo on 17 March, attracting as usual a good crowd of brokers and owners' representatives. The special focus this year was on The Swedish Club Emergency Response Service, with a presentation by Loss Prevention Officer Joakim Enström from the Gothenburg head office. Managing Director Lars Rhodin and Area Manager Tore Forsmo addressed the state of affairs on a Club and team level respectively. This was the sixth consecutive spring seminar and audience feedback on both topics and contents was highly positive.

This year, the Team Norway Client Relations Event will, as tradition has it, be held at Aunan in central Norway from 6 – 8 June and is open by invitation-only to marine insurance brokers working in the Scandinavian market.

### People

Kristoffer Lindqvist joined Team Norway on a temporary four-month assignment as Assistant Underwriter from 1 March. Kristoffer has been a claims handler with The Swedish Club since 2008 and has worked in our offices at Gothenburg, Piraeus and Hong Kong. He returned to Sweden in the autumn of 2015 and has since been training in underwriting. His time with Team Norway will be spent assisting with renewals of both energy and marine accounts.



Tore Forsmo, Area Manager





## Team Piraeus



**Hans Filipsson**, Area Manager

### Events

Following on from our successful Lucia dinner in December, the next event for us will be another tradition, our members' lunch in April.

In June we will then be looking forward to Posidonia 2016, when we welcome the world of shipping to our home town. Despite the current state of many sectors of the market, it seems it will be another big Posidonia this year, and we will be taking the opportunity to host an Open House at our office in Akti Miaouli.

### People

Dimitra Chourdaki joined our team as a P&I Claims Executive last October. Before that, she spent a year at our Head Office in Gothenburg as an FD&D trainee. Dimitra is a qualified lawyer, and will also be covering some of the workload left when Kleopatra Georgantzis moved on from Team Piraeus and returned to Sweden with her family last summer.



## Team Asia

### Events

A cocktail reception was held in March at the Fullerton Hotel in Singapore after the Club's board meeting. Many of our members, brokers and business partners attended the event and the Club's board and staff enjoyed the opportunity to once again meet and discuss local aspects of shipping in Asia.

Another Marine Insurance Seminar is planned in Zhuhai, China later this year. It will be the fourth seminar on marine insurance for the Club's Asian members and cover a wide range of topics such as P&I, H&M, FD&D, as well as loss prevention issues. This seminar is always a good opportunity to discuss, network and share experiences and market information.

### People

Shirley Wu, Claims Manager P&I and FD&D, and Nancy Lam, Claims Manager FD&D, are our latest additions to the claims unit.



**Ruizong Wang**, Area Manager



## The Swedish Club AGM and events

Our Annual General Meeting 2016 is in Gothenburg Thursday 16 June with additional activities on 15-17 June. A warm welcome to all participants.

# Out and about



## Focus on loss prevention

This March, The Swedish Club returned to the restaurant Tjuvholmen Sjømagasin in Oslo for its annual breakfast seminar.

Joakim Enström, Loss Prevention Officer for the Club, gave a presentation outlining the many ways the Club can assist members with their loss prevention activities. He also shared his experiences of the new Emergency Drill Scenarios which the Club has carried out in conjunction with both members and non-members.

The event was, as usual, very well attended and we would like to thank this year's participants and welcome you back to next year's seminar. 🙏

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## Annual Copenhagen lunch seminar

Jacob Vierø, Team Area Manager, welcomed members and business partners to this year's Copenhagen lunch seminar, held on 10 March at the restaurant, ADDRESS, beautifully located in Tuborg Havnepark.

The event was opened by Lars Rhodin, Managing Director of the Club providing an overview of the current business environment. This was followed by Lars A. Malm and Joakim Enström, presenting investigation findings for noteworthy marine engine damage and accident cases.

Martin Hernqvist, Managing Director of The Swedish Club Academy then discussed the importance of communication and how cultures differ regarding authority and delegation. Communication seems easy in theory,



but not always in practice. The seminar was followed by lunch, where the participants were able to discuss further the

topics presented. We would like to thank all of you who supported this event and provided such interesting feedback. 🙏





## Annual Lucia Dinner in Piraeus

The Swedish Club's annual Lucia Dinner took place at the Yacht Club of Greece on 10 December 2015. This event is a highlight of the Piraeus calendar and we were delighted to welcome more than 150 guests to join us for the celebrations. We have been sharing this Swedish tradition with Greece for more than 20 years now, and guests are still moved by the vision of Lucia, with lighted candles in her hair, leading a choir singing traditional songs.

- ◀ Sophia is 10 years old and one of the young girls singing in the Lucia choir. Her father is Swedish and her mother is Greek. They both work for Maran Gas tankers. However, Sophia has other plans and wants to become a teacher. She is taking Swedish lessons at the Swedish Institute and she is fluent in both Greek and Swedish. Sophia told us she will come back again next Lucia, and of course she will be most welcome! 🇸🇪



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## Cocktail reception in Singapore



Following The Swedish Club's Board meeting held in Singapore on 31 March, a cocktail reception took place at the Hotel Fullerton. Valued members, business partners and other prominent guests from the shipping community took the opportunity to meet Board members as well as staff from The Swedish Club's headquarters and Hong Kong office. More images can be found on [www.swedishclub.com](http://www.swedishclub.com)

## Staff news



Team Gothenburg  
**Victor Johansson**

Victor joined Team Gothenburg on 11 January 2016 on a one-year traineeship as Assistant Claims Executive. He holds an LL.M. from the University of Gothenburg and has studied Maritime and International Trade Law in Newcastle, Australia.

## In Memoriam Christer Olsson



It is with great sadness that we have to advise of the passing of our former Chairman, Christer Olsson, at the end of December 2015.

He joined the board of The Swedish Club in 1999 and became Chairman in 2001, succeeding Carl-Axel Psilander. He successfully led the Club during a period that saw many challenges and opportunities until he retired as Chairman in 2007. He then continued as a member of the board until 2010.

Christer Olsson held many key positions in shipping throughout his long career. He was Chairman of Stolt-Nielsen and Vice Chairman of Wallenius Lines at the time of his passing.

We offer our heartfelt condolences to his family.

# Spring 2016

## Club Quiz

What was the name of the captain of the Titanic?

- 1 Thomas H. Ismay
- X Edward J. Smith
- 2 Archibald W. Haddock

Which is the biggest port in the United States (cargo turnover)?

- 1 New York/New Jersey
- X Miami/Port Everglades
- 2 Los Angeles/Long Beach

What does the term FOB stand for?

- 1 Freight On Ballast
- X Fast On Board
- 2 Free On Board

Mail your answer to [quiz@swedishclub.com](mailto:quiz@swedishclub.com)

The first correct answer pulled out of the hat will win a prize.

### Winner of Club Quiz 3 – 2015

Winner of Club Quiz in Triton No 3-2015 is Alberto Trigub, Pandi Liquidadores, Buenos Aires, Argentina who has been awarded a Club give-away.

The right answers to Club Quiz No 3-2015 are:

- 2. 70% (How much of the world's surface is covered by ocean?)
- 2. A landau (Which of the following are not for sailing in?)
- 2. 11 (How many Academy Awards did the motion picture Titanic win?)

## Club Calendar



9-13 May	Marine Insurance Course Gothenburg
15-17 Jun	AGM events Gothenburg
15 Jun	Board Meeting Gothenburg
16 Jun	Annual General Meeting Gothenburg
6 Oct	Board Meeting Oslo
8 Dec	Board Meeting London

## Marine Insurance Course Sharing Knowledge

*"I learnt a lot and already feel more confident in my day-to-day job activities"*

Get the opportunity to meet our staff and update your knowledge within the Marine Industry.





**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. The Club also writes Hull & Machinery, War Risks and Loss of Hire for Mobile Offshore Units and FPSOs.

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