



The London P&I Club

# CLUB News

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## 2015/16 policy year: P&I claims overview

**The London P&I Club's P&I retained claims experience in 2015/16 was more favourable than in the prior policy year – and compares well to any recent policy year. We look at this and other developments below.**

In the 2014/15 policy year, the Club saw an unusually adverse experience which included twice the number of Member claims of over US\$1.0m compared to recent policy years, together with an increase in their severity. In contrast, the 2015/16 policy year saw a substantially improved retained claims experience. Indeed, the claims outturn is set to be one of the Club's best in recent years and is expected to lead to a pleasing improvement to the combined ratio.

Drivers behind this positive development principally involved a reduction in the number and severity of claims in the layer in excess of US\$1.0m. It is these more expensive claims (for which the main causative factors appear to fall within the broad category of 'human error') which have the most significant impact on overall claims costs, propelling the volatility seen in the last two years. There was also a reduction in the costs of claims in the attritional band up to US\$100,000. This appears to be linked to the adjustments made to the Club's deductible structure with effect from 20 February 2015. The depressed conditions in many market sectors seem likely to be another factor in the overall claims experience.

In addition to the claims incurred in the retained layer, contributions to the International Group Pool are another



*The Blue Trader is entered in the London P&I Club by SAM International Andromeda Shipping, Members since 1994.*

component which bears on the Club's claims result; and in 2015/16 the position was that the cost of such claims was broadly in line with expectations.

Further analysis of the encouraging claims picture is underway as part of the preparation of the Annual Report, which will be published later in the year as usual. Improvements in the cost of older open and closed policy years are expected to make a positive contribution to the financial year result which, coupled to the benign claims experience in the 2015/16 policy year, will help to ameliorate the negative impact of the volatility seen in the investment markets, especially towards the end of the year.

Looking ahead, the Club moves into the 2016/17 policy year following a renewal process which involved extensive dialogue and detailed analysis with

many Members and brokers. Individual records and risk exposures, along with challenging freight market conditions and the Club's overarching objective to strengthen our technical performance formed part of the renewal environment. The result was that there were some Members with whom terms could not be agreed, but there were also opportunities to attract entries from other existing and several new Members. Overall, the Club saw an increase in the mutual owned entry of just over 600,000 gt, from the position 12 months ago, to now stand at 44.4m gt. There was also strong progress in the Club's charterers' entry – during the year and at the recent renewal, alongside steady progress in the recently launched small ships P&I scheme. Again, further information will be included in the Annual Report later in the year.

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# Club joins the debate in Piraeus

The Piraeus Marine Club hosted its 15th International P&I Conference on 28 January 2016. The format of the conference consisted of speeches for and against a number of motions set out in the agenda. An experienced panel then offered its observations before opening the subject to the floor. Finally, the audience voted on the motion.

London P&I Club claims director, Steve Roberts, participated in a four-way debate on the following motion: *"This house believes that the Lloyd's Open Form of Salvage Agreement is still on balance a benefit rather than a burden, to the interests of the P&I Clubs and their Members."*

The topic of the debate was therefore whether the Lloyd's Open Form (LOF) salvage contract continues to have relevance in the modern shipping world. The speakers from IG P&I Clubs made short presentations highlighting the benefits and difficulties encountered with the LOF in its current form. The presentations demonstrated that there was a continuing need for a standard recognised salvage contract, so that there is a mechanism to ensure the swift attendance of experienced Salvors to respond promptly to all emergencies. Whilst LOF has been the most widely used salvage contract for more than 100 years and has adapted over time to meet the demands of its users, a growing number of challenges were reported in relation to its effectiveness nowadays.

One of the principal limitations of the LOF discussed, even with the Special Compensation P&I Clause (SCOPIC) invoked, was the absence of a mechanism to ensure a smooth transition to a wreck removal tender when the property could not be saved. Considering that the most challenging wreck removal operations can generate costs of millions of Dollars, the lack of such a mechanism is a growing concern to the P&I industry. Another point raised, which arguably demonstrates the need to review the LOF, are reports that some Salvors have started to



**London P&I Club claims director Steve Roberts at the debate**

negotiate amended LOF terms in emergency cases. The speakers in favour of the motion also mentioned that LOF does not integrate with the views of all parties with a financial interest in the salvage operations, and this lies behind a decline in its support from the hull market.

Following the presentations, the audience questioned the speakers and discussed with them the challenges reported. Dr Aleka Mandaraka-Sheppard struck a chord with the floor by noting the motion as drafted required the audience to choose between abandoning LOF when there was no better alternative, or

accepting it despite its failings. This led to a proposal that the audience voted instead on an amended motion: *"This house believes that the Lloyd's Open Form of Salvage Agreement is in need of review."*

By a near-unanimous vote, the audience supported the motion and urged the interested parties of the shipping industry to undertake an urgent review of LOF and the SCOPIC in order to address the concerns identified by the speakers.

*Note:* The LOF contract and SCOPIC are presently under active review by the Salvage Sub-Committee of the International Group.





**Reto Toggwiler**  
London P&I Club  
underwriting director

# Products update

**In addition to our P&I and FD&D covers, the London P&I Club offers War Risks insurance for Shipowners, as well as a comprehensive package of covers for charterers. Underwriting director, Reto Toggwiler, summarises some recent developments in these lines of business.**

Reto says: "Regarding our charterers' cover, the Club's business in this area has continued to grow and perform well in recent years – and it is an offering which we have refined and are continuing to enhance. For example, cover under the liability to hull component of the CSL product has been extended, to respond to cases where even though an incident for which the charterer is liable gives rise to no physical damage or loss to the ship, the charterer remains liable to the owner for demurrage or loss of hire."

The Club also very recently completed the development of a new, additional head of cover, which will respond in certain cases/periods where the charterer is prevented from using the ship, while remaining liable to pay hire. Examples of where this 'loss of use' cover would respond include:

- periods when the ship is delayed because of an investigation by the port authority into a personal injury incident onboard
- when the port is closed while the authorities respond to a pollution incident
- where the ship is arrested following a cargo dispute

Reto adds: "The new head of cover was put together following inquiries from the market and with the benefit of input from charterers and brokers. The feedback we received

throughout the development stage was that it should provide a valuable complement to our CSL charterers' cover. Further information is now available on our website [here](#) and any inquiries should be addressed to our underwriters."

On the War Risks side, Reto comments: "Ahead of the recent renewal, we were delighted to welcome further new Members, based in both Greece and Turkey, and we were pleased to see increased interest in our war cover generally. The feedback we've received is that while the breadth of our cover for hull and P&I War Risks – as well as our competitive rates and APs – are clearly important, Owners are also increasingly conscious of the potential benefits of aligning these insurances with their P&I (and FD&D) cover. This seems to reflect the particularly challenging nature and the variety of liabilities that can arise in War Risks cases.

"Those demands and the range of potential exposures highlight the advantages to be derived from the handling of the claims generated by such incidents by an experienced, service-driven insurer such as the Club, as well as the importance of compatibility between the different liability insurances concerned with the case."

Further information is available via the Club's website [here](#) or from the Club's underwriting team.

# CLUB People

The Club is proud to celebrate its 150<sup>th</sup> anniversary in 2016/17. We will be marking this important milestone in various ways – with further information to follow during our anniversary year.



## FIRST Person

**Fay Lampropoulou**

Claims Handler, Greece

### Random chance led Fay Lampropoulou to completely change her career path from criminal law to shipping.

Fay had been studying law in Athens when she decided to go into a seminar, unconnected with her course, to fill the time between her formal lectures. It was on shipping law. "It was that seminar that completely changed my mind," she says. "Instead of further studies in Criminal Law in Germany, I found myself in Southampton doing a Masters in Maritime Law. Since then, I have never looked back."

Qualifying as a lawyer in Greece, Fay started her career at a shipping firm in Piraeus before joining the London P&I Club's office there in 2012. Fay, who speaks English, Greek, French and Spanish, handles both P&I and FD&D claims, mainly on behalf of the Club's Greek Members.

She is very glad that she did happen to attend that life-changing seminar. "I've always believed that to be happy with your career path, you have to have passion for it. I happen to find this passion in shipping, which happened out of pure coincidence!"

"It is the polymorphic nature of shipping and its key role in the economic success, social and political development of many countries around the globe that still fascinates me and makes me believe that I made the right choice at the time."

Fay enjoys the various challenges her role entails, including the high level of open and direct communication with Members. She comments: "The role of a claims handler is not just about solving problems. It is also a preventative role which requires that we maintain close contact with Members by offering

insights that lead to improvements in their operations. From a personal perspective, I find this role quite challenging at times and this is what I like most about it – that it pushes me and my abilities to the full."

The Club can be thought of as a well-oiled machine, Fay believes, powered by a strong team. Her enthusiasm is complemented by a clear sense of enjoyment in her work at the Club. "After almost four years working here, I can say that this role and the learning curve involved stimulate me and help me develop into an integrated professional," she says.

Fay believes she has much to offer Members, such as her conscientious approach, eye for detail and flexibility. "In today's shipping market, caring for your Members has never been more important," she says. "Providing high-calibre and responsive support is fundamental to the way we work. We have a great relationship with our Members, based on good communication, and through this interactive approach you end up learning with them, while developing your own skills."

Last summer, Fay attended a shipping course in Singapore where she met shipping professionals from all over the world, Club Members and received an introduction to shipping operations in the Far East.

Outside of shipping, Fay is passionate about running marathons, and experimenting with recipes to create sumptuous dinners for friends.

## MANAGEMENT News

We welcome several new faces who have joined the Club recently. Jim Chan works with us as a claims handler, along with claims technician Matthew Stark.

In addition, Dan Sibthorpe joins as financial controller, while Catherine Nice becomes an underwriting assistant.

Clare McDowall has moved to the claims team in London from the Greek office.

Our thanks and best wishes go to Sue Moyle and Sue Owers who have both retired after 36 and 35 years' service to the Club respectively.

We always appreciate Members' invitations for our staff to visit their vessels. Recently, several adjusters in the Greek team of the Club's London office were invited by long-standing Members Tsakos to visit the MT Alaska during her call at Fawley in Southampton.

The Alaska, a 160,000 DWT tanker, is entered by Tsakos Energy Management (TEN) and operated by Tsakos Columbia Ship Management.



(L-R) Konrad Heene, Dr Karen Purnell (MD of ITOPF), Captain Evangelos Kostos, Paul Amos and Claire Boddy.



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