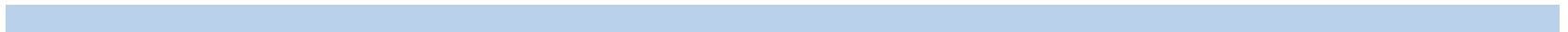




International Group of P&I Clubs

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The International Group

Session 3

1. IG P&I Clubs and the current position re P&I cover
2. Current position re limitation applicable in the event of an HNS incident
3. Historical claims data and potential exposure of the HNS Fund re contributors

The International Group

- Comprises 13 mutual marine insurance associations (“Clubs”)
- Insure and pool third party liabilities relating to the use and operation of ships
 - ***Including pollution damage liabilities, which includes HNS***
- Cover over 90% of world ocean-going tonnage
- Cover over 95% of ocean-going tankers



Current principal underwriting Member IG Clubs



The International Group Clubs' P&I Pollution Rule:

Steamship Mutual Underwriting Association (Bermuda) Ltd:

Rule 25 vi.

Liabilities, losses, damages, costs and expenses caused by or consequent on the escape or discharge or threatened escape or discharge of oil or any other substance from the entered ship as follows:

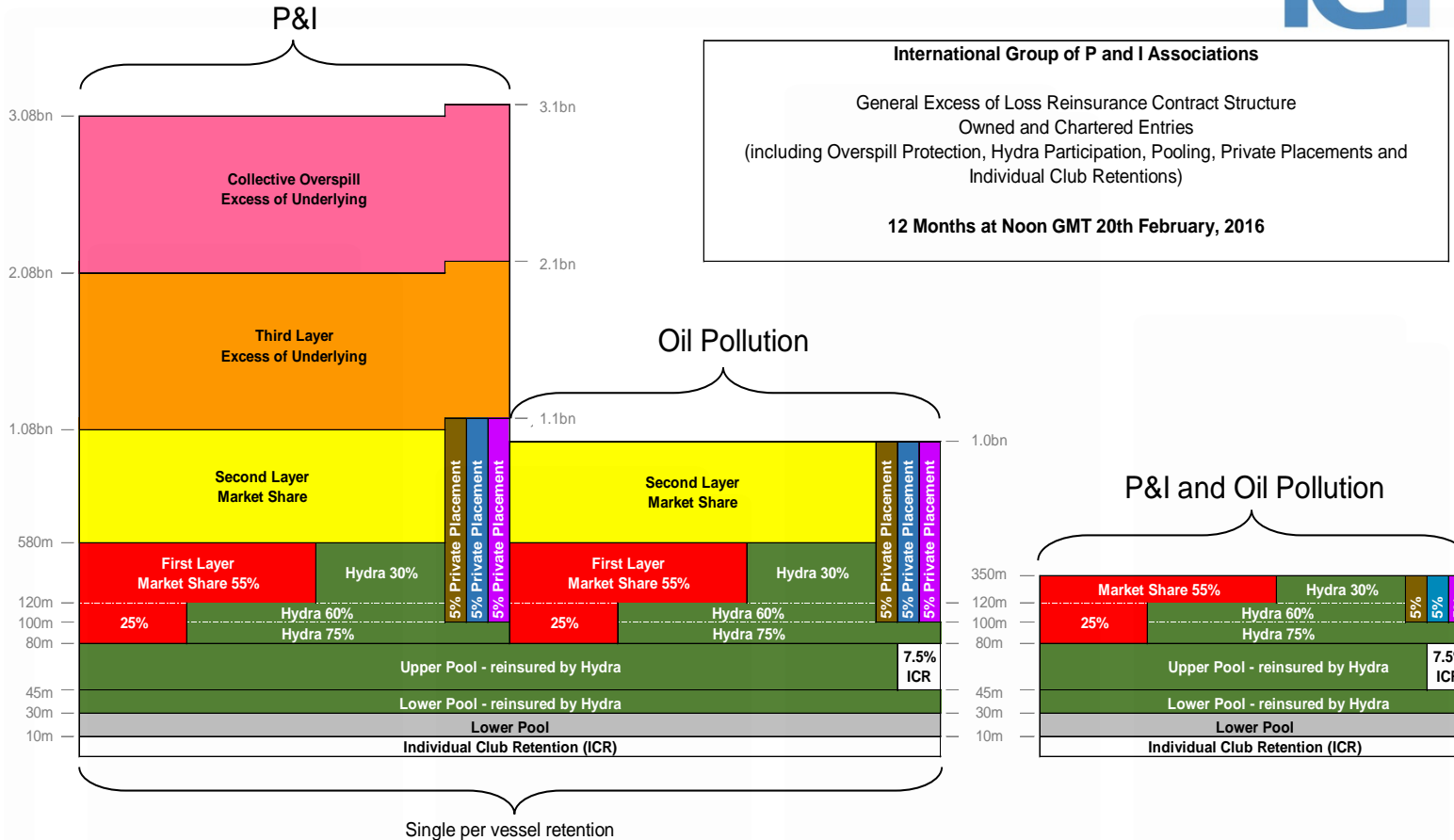
- *Actual escape of pollutants, clean up costs, prevention costs, costs pursuant to Government directions.....*



The International Group Clubs' Cover limits



International Group of P and I Associations
 General Excess of Loss Reinsurance Contract Structure
 Owned and Chartered Entries
 (including Overspill Protection, Hydra Participation, Pooling, Private Placements and Individual Club Retentions)
12 Months at Noon GMT 20th February, 2016

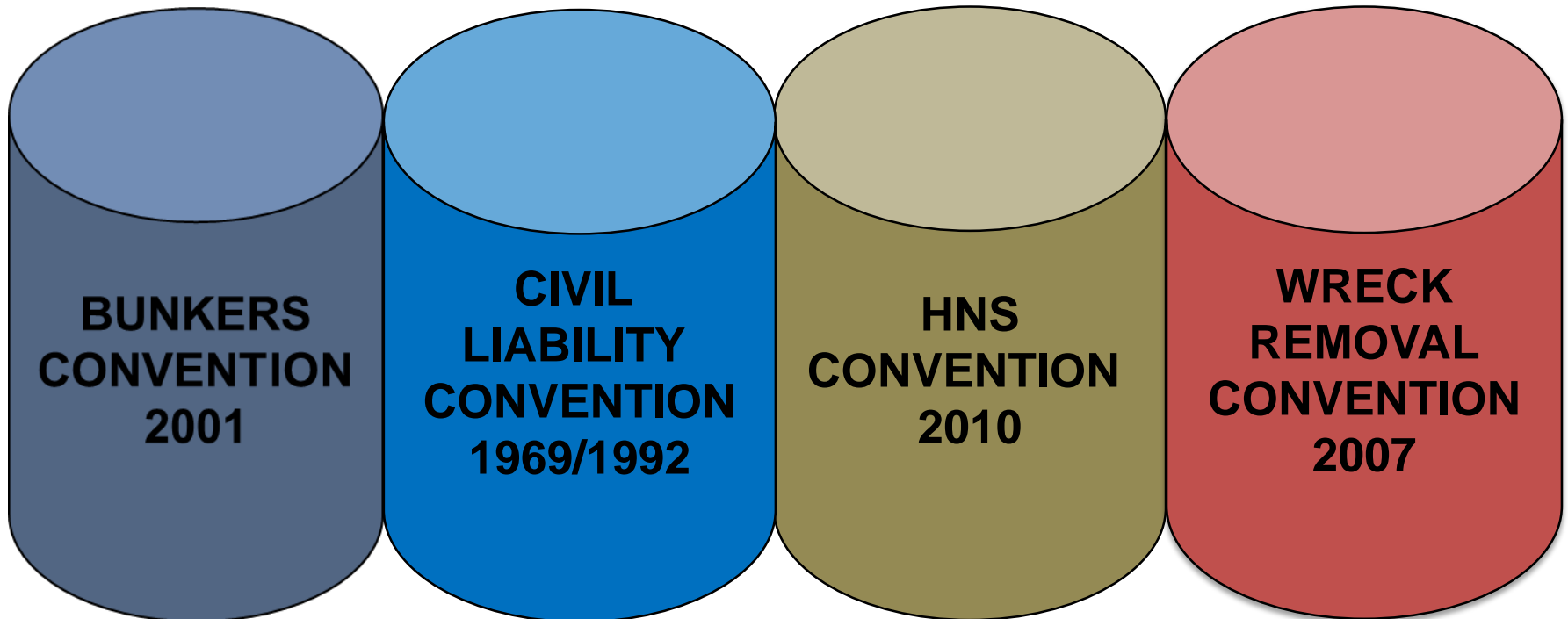


Owned Entries

Chartered Entries

- 2014 - 2016 Multi-Year Private placement
- 2015 - 2017 Multi-Year Private Placement
- 2016 - 2018 Multi-Year Private Placement

Importance of the IG Clubs in the (IMO) international system:



2010 HNS Convention – Financial Guarantees (*blue cards*):

- Group Clubs are the main providers of financial guarantees – “Blue Cards”;
- Enable shipowners to obtain certificates issued by State Parties;
- CLC '92 – approx. 7,000 blue cards issued by IG Clubs each year;
- Bunkers Convention – approx. 40,000 blue cards issued by IG Clubs each year;
- WRC – all vessels > 300gt – 50, 000 blue cards;
- HNSC – all vessels – significant number to be issued.



The International Group



Policy decision to be made by the Boards/Committees of the individual International Group Clubs in the run up to entry into force of the Convention:

*Whether **to issue the blue cards** under the HNS Convention to allow owners to obtain their Convention State certificates.*





Example of an HNSC Blue Card:

To: [Address of issuing State party]

CERTIFICATE FURNISHED AS EVIDENCE OF INSURANCE PURSUANT TO.....

Name of Ship:

IMO Ship Identification Number:

Distinctive Number or Letters:

Port of Registry:

Name and full address of the principal place of business of the Registered Owner:

THIS IS TO CERTIFY that there is in force in respect of the above-named ship while in the above ownership a policy of insurance satisfying the requirements of.....

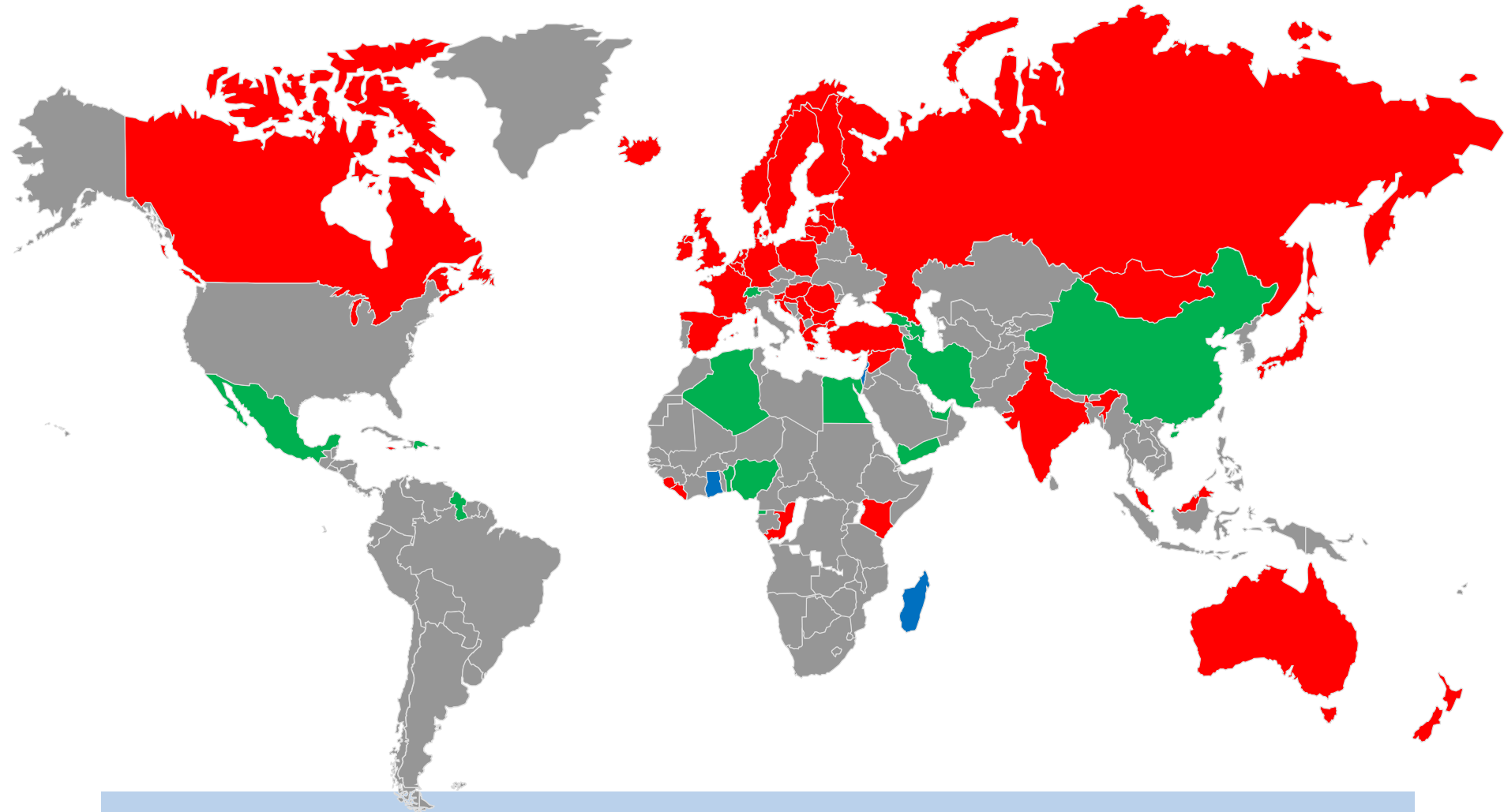
Period of Insurance: from Noon GMT 20 February [Year] to Noon GMT 20 February [Year]

Provided always that the insurer may cancel this Certificate by giving three months written notice to the above Authority whereupon the liability of the insurer hereunder shall cease as from the date of expiry of the said period of notice but only as regards incidents arising thereafter.

Date:

This certificate has been issued for and on behalf of the insurer:

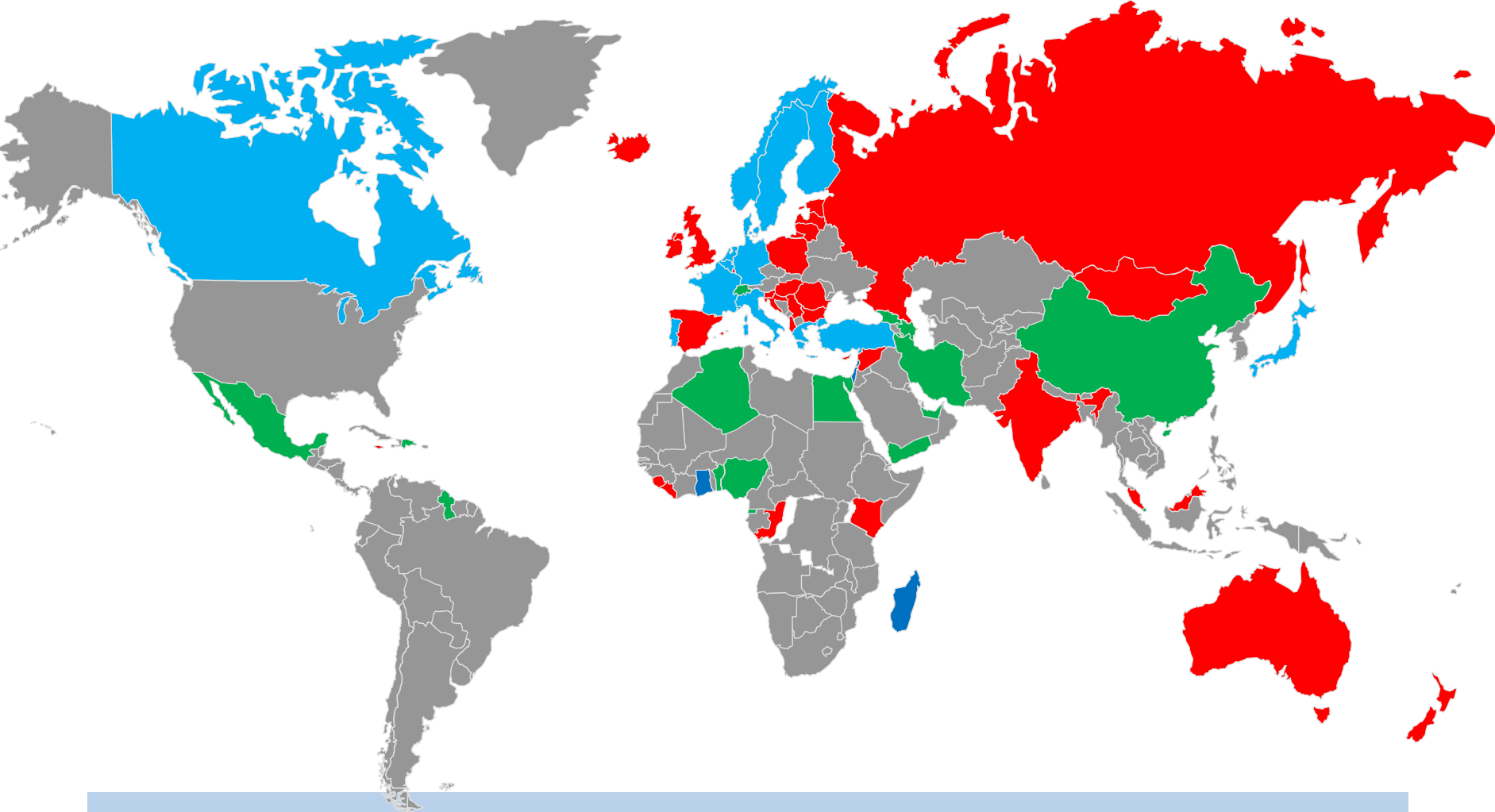
Extent of limitation: LLMC1957/1976/1996 Protocol



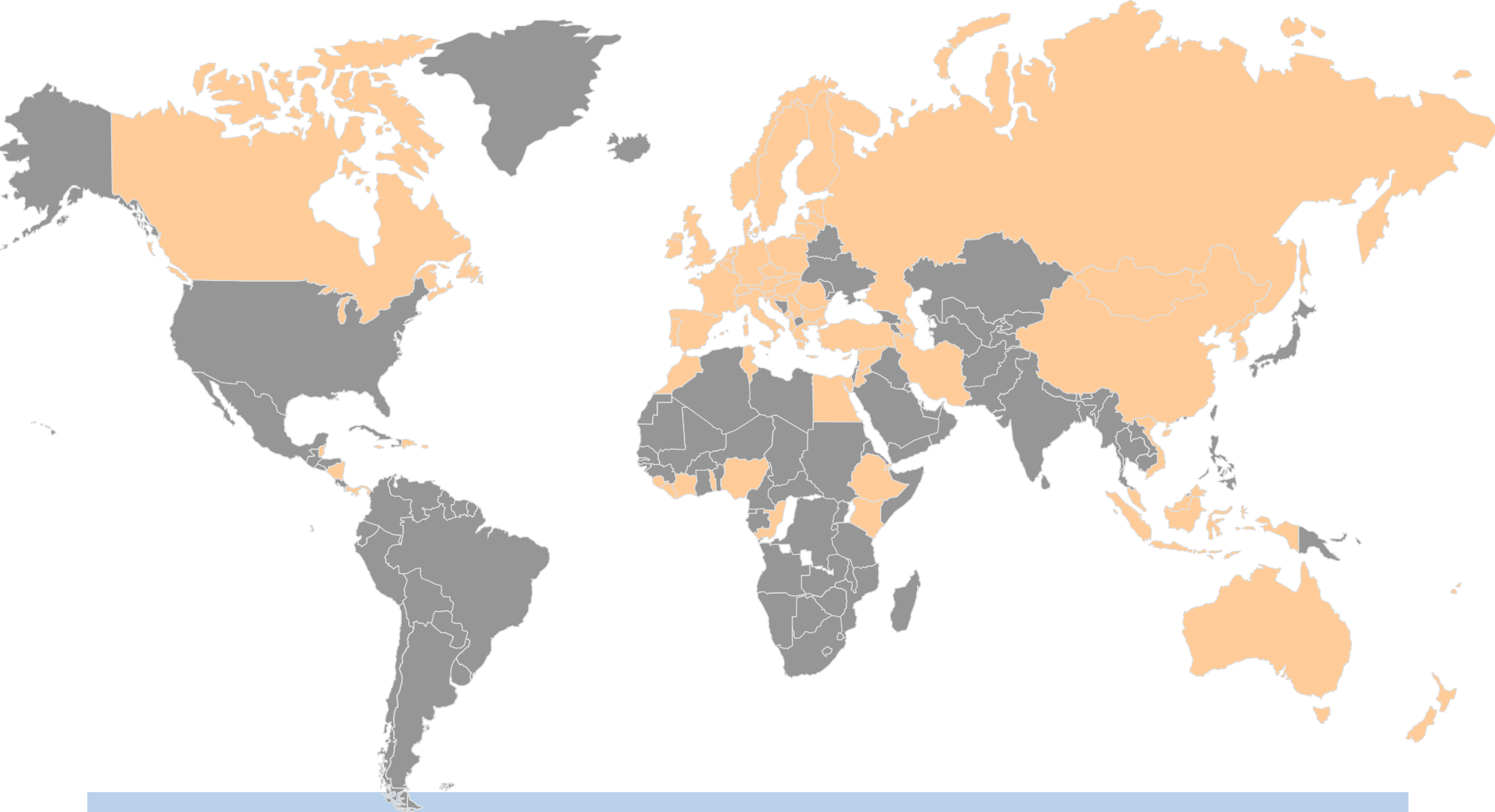
Why does industry support the international Conventions?

- Shipping is an international business which need international governance and regulation
- National and regional regulation creates uncertainty and upsets the “level playing field”
- Real and increasing threats of [EU] intervention in shipping regulation, especially where there is no harmonisation.

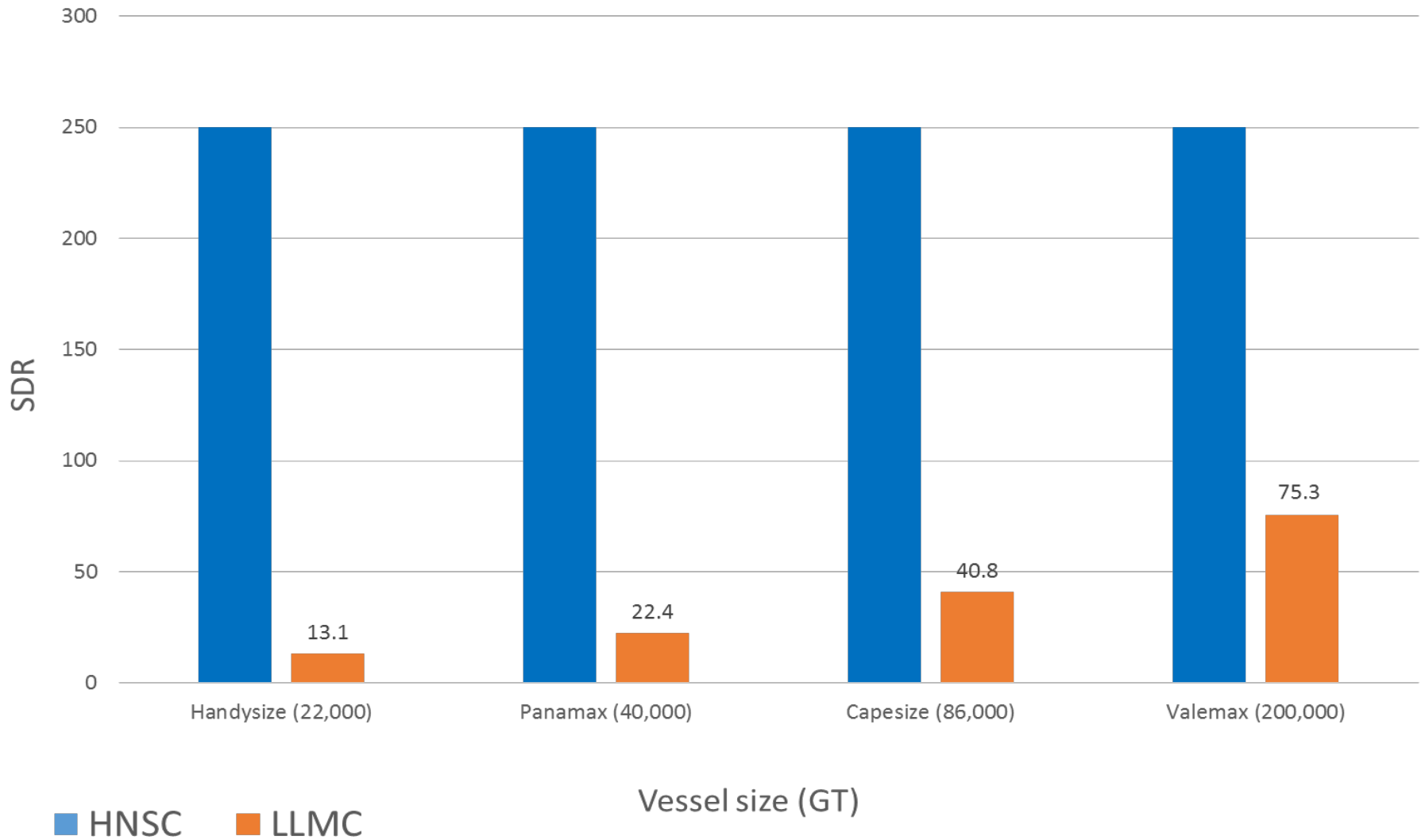
Extent of limitation regimes re LLMC and 2000 HNSC?



Extent of 2007 Bunkers Convention as of 8th March 2016



2010 HNS and 1996 LLMC Protocol limits



HNS Convention and HNS Fund

IG Claims data (Jan 2002 – Jan 2010) to the 2010 diplomatic conference:

- 192 HNS incidents reported;
- 189 of these within s/owner's limit under the Convention;
- 2 out of the remaining 3 incidents in States that are unlikely to accede:
- United States and Brazil (and South Korea)
- Korean case:
 - Estimated claim of 22.7 million SDR
 - Limitation amount of 10 million SDR
 - Vessel size: 1, 715 GT



The International Group

- Financial distribution of costs from all 192 HNS incidents:
 - 152.8 million SDR met by the s/owners and their insurers
 - 29.9 million SDR met by the Fund (17m in US & Brazil)
 - Potential HNS Fund exposure?
 - Based solely on historical claims data:

Limited!



The International Group

Conclusion:

- Incidents do happen i.e. *MSC Chitra, Rena* etc.
- IG P&I Club cover currently in place
- Claimants with verified losses are not going uncompensated at present
- Need to ensure international harmonisation
- Once 2010 HNS Convention in force, historical data suggests the insurers will bear the greater responsibility for payment of claims, and not the HNS Fund



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