



P&I Claims

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“Overall 2010 claims experience similar to recent years with worsening attritional layer balanced by decrease in large losses.”

The Club’s overall claims experience for 2010 was very similar to the previous two years, varying from them by less than 2%; but, once again, its composition was rather different.

Attritional claims – those claims with values of less than US\$ 250,000 which make up the overwhelming majority of all claims in terms of numbers – rose in both frequency and severity compared to 2009 but are still below the levels experienced in 2007 and 2008 despite a significantly larger tonnage base. Attritional claims for 2010 increased by 7.6% in numbers compared to the previous year and by over 8% in terms of overall cost; with the average size of attritional claims remaining almost static. Over the same period, the Club’s tonnage in pro rata terms increased by 4.9%.

However, the worsening situation in the attritional layer has been more than offset by a decrease in large losses. The experience of large claims – those in excess of US\$ 250,000 – is over 8% better than in the previous year, largely due to the absence of any large FFO claims and the fact that the Club experienced only one Pool claim in 2010; and that only just in excess of the Pool retention level.

Cargo claims, normally the largest category of claims, returned to traditional levels after a sharp decrease in 2009. Crew claims, the other claim category which traditionally accounts for the largest share of claims, also increased in both numbers and overall cost. However, pollution claims are at the lowest level in terms of both number and costs than at any time since 2004.

The Club’s own Pool claims experience for 2010 has once again been fairly benign with only one Pool claim just in excess of the retention level. However, although four other Clubs experienced no Pool claims in 2010, the overall value of Pool claims for 2010 is only slightly less than that of 2009, despite the fact that the retention level has increased from US\$ 7 million to US\$ 8 million. Accordingly the extremely low 2008 Pool figure would seem to have been an anomaly.

Whilst attritional claims figures provide the most reliable indicator of current claims trends, the incidence of larger claims being notoriously volatile, they do not necessarily provide a reliable indication as to the future. The increase in their frequency and severity in 2010 perhaps reflects the increasing level of trade and growth in world tonnage following the global recession but the year is currently only 54% developed and the scope for volatility remains.

For instance, the development of the 2009 year since February 2010, both in terms of the Club’s own claims and Pool claims, has been more favourable than expected resulting in a reduction of the 2009 year ultimates.

Large Claims Analysis

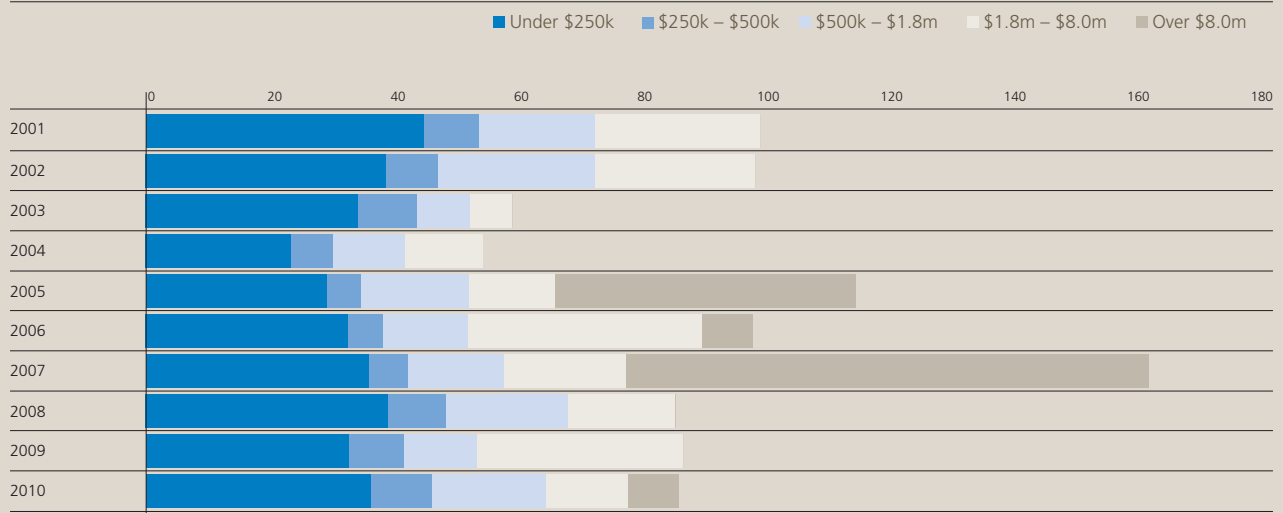
Cargo

The frequency and severity of large cargo claims in 2010 were significantly greater than the unusually benign experience for this claim category in 2009. However, on a tonnage adjusted basis the cargo claims experience of 2010 is similar to that of earlier years. Cargo claims represented the largest proportion of all major claims incurred in 2010, both by number and value.

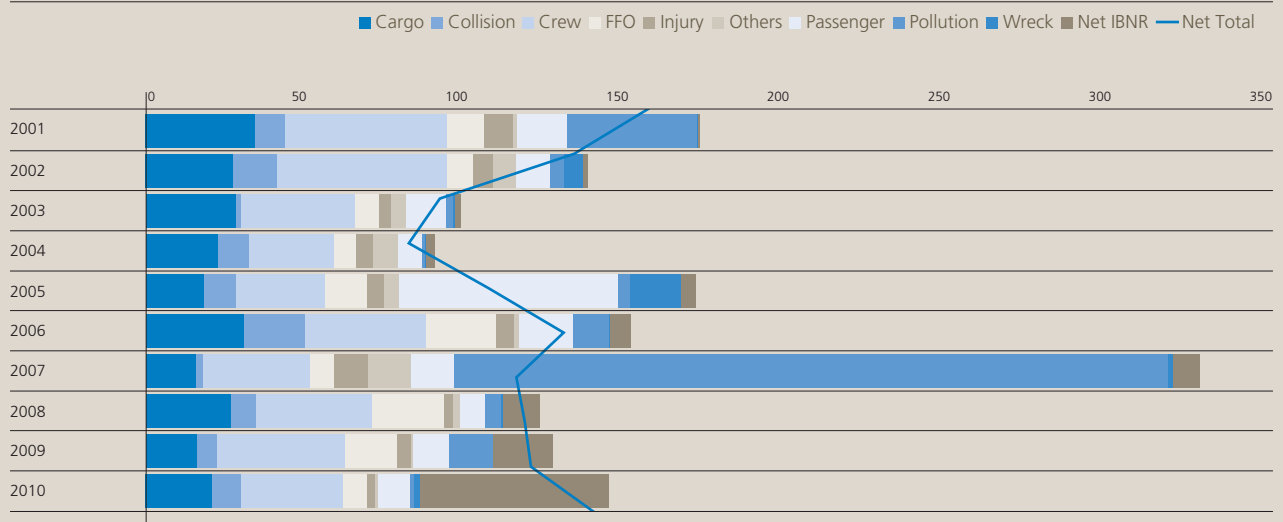
The majority of these claims involved water damage to either dry bulk or containerised cargoes. These claims arose from a variety of causes, but the most frequent was water ingress through hatch covers. Other causes involved errors in ballasting operations and cargo handling during loading. Contamination of liquid cargo was the next most frequent type of claim. Once again these claims arose from a variety of causes although as may be expected, deficient tank and line cleaning operations was the most frequent. Collectively, the water damage and liquid cargo contamination claims represented approximately 70% of the total number of large cargo claims.



GROSS OWNED INCURRED CLAIMS BY SIZE AS AT 12 MONTHS – US\$ MILLIONS



GROSS OWNED CLAIM BY POLICY YEAR AND CLAIM CATEGORY – US\$ MILLIONS



P&I Claims

continued

Other causes of the major cargo claims were poor stowage and securing of break-bulk cargo, and there was one claim that arose from piracy.

The vessel condition surveys undertaken by the Club pay particular attention to the weather-tightness of hatch covers as determined by ultrasonic testing, and this work plays a considerable part in reducing claims risk in this area. In view of the large number of liquid cargo contamination claims it would appear that this is a topic for which a Risk Alert bulletin may be beneficial.

Collision

Four large collision claims gave rise to property damage. However there were two other large claims attributable to collisions; one involving a chartered entry and responsibilities in relation to cargo, and another where the predominant exposure was for loss of life and personal injury.

Two of the collisions involved fishing vessels, one of which resulted in loss of life. Fishing vessels are notoriously difficult to detect and for this reason it is vitally important that a vigilant lookout is maintained and that vessels proceed at moderate speeds, particularly if visibility is limited and there are high concentrations of fishing vessels in the vicinity.

The collisions involved the familiar issues of poor lookout, excessive speed and failure to take avoiding action either in good time or in accordance with the requirements of the International Regulations for the Avoidance of Collisions at Sea (COLREGS). In three of the cases the collisions occurred when the vessels were crossing, in sight of one another, thus indicating failures to comply with Rule 15 of the COLREGS. One collision arose from a mechanical failure as the vessel was coming to anchor.

The issues raised in the Club's DVD "Collision Course" continue to be relevant, and Members are encouraged to make this production available to their Masters and bridge watch-keeping officers, together with the Club's loss prevention posters on collision avoidance in order to ensure that they remain familiar with the requirements of the COLREGS.

Crew

The frequency and severity of large crew claims was lower in 2010 than in the preceding year. However, routine crew claims below US\$ 250,000 showed an increase in both frequency and severity, although on a tonnage adjusted basis the exposure was comparable with earlier years. However the persistence of a high level of routine crew claims identifies this as an area where loss prevention measures such as wider participation in the Club's Pre-Employment Medical Examination (PEME) scheme could yield significant benefits.

With regard to the large claims, these arose from a variety of causes, although the most frequent involved accidents with machinery and unsafe working practices, thus highlighting the need for clear instructions and procedures, and appropriate compliance with these.

P&I Claims continued

Regrettably one of the claims yet again involved entry to an enclosed space, highlighting the fact that this continues to be a high risk issue, notwithstanding the attention that has been given to the dangers. Last year the Managers issued two Risk Alert bulletins on the hazards of enclosed and other dangerous spaces in response to the high frequency of crew claims arising from this cause in the preceding year.

One of the large crew claims arose during an armed assault in a successful military operation to recapture a vessel that had been hijacked by Somali pirates.

Fixed and Floating Objects

The severity of claims involving damage to fixed and floating objects was considerably lower than in the preceding two years. Whilst the frequency of claims was comparable with earlier years, none of the claims exceeded US\$ 1 million.

The majority of the claims occurred whilst the vessel was approaching a berth to come alongside, and in all but one of these incidents the vessels were assisted by local pilots and tugs. The most common cause was excessive speed in the approach manoeuvre thus highlighting the need for Masters and bridge watch-keeping officers to carefully monitor the vessel's speed and position in the final stages of a vessel's voyage. There were two cases where adverse weather conditions contributed, one whilst the vessel was coming alongside and the other whilst the vessel was attempting to leave the berth.

Three of the claims involved vessels that were engaged in the fire-fighting operations on the "Deepwater Horizon".

Passenger

There were two large passenger claims in 2010, both of which involved mechanical breakdowns which resulted in the cancellation or curtailment of cruises. When events such as these occur, the resulting claims can be large, particularly as passenger volumes increase.

The requirement for rigorous maintenance and monitoring of the condition of mechanical and electrical equipment on passenger vessels continues to be of paramount importance if claims of this type are to be avoided. The Club's condition surveys on passenger vessels pay particular attention to machinery, given the potentially severe consequences of mechanical or electrical breakdown.

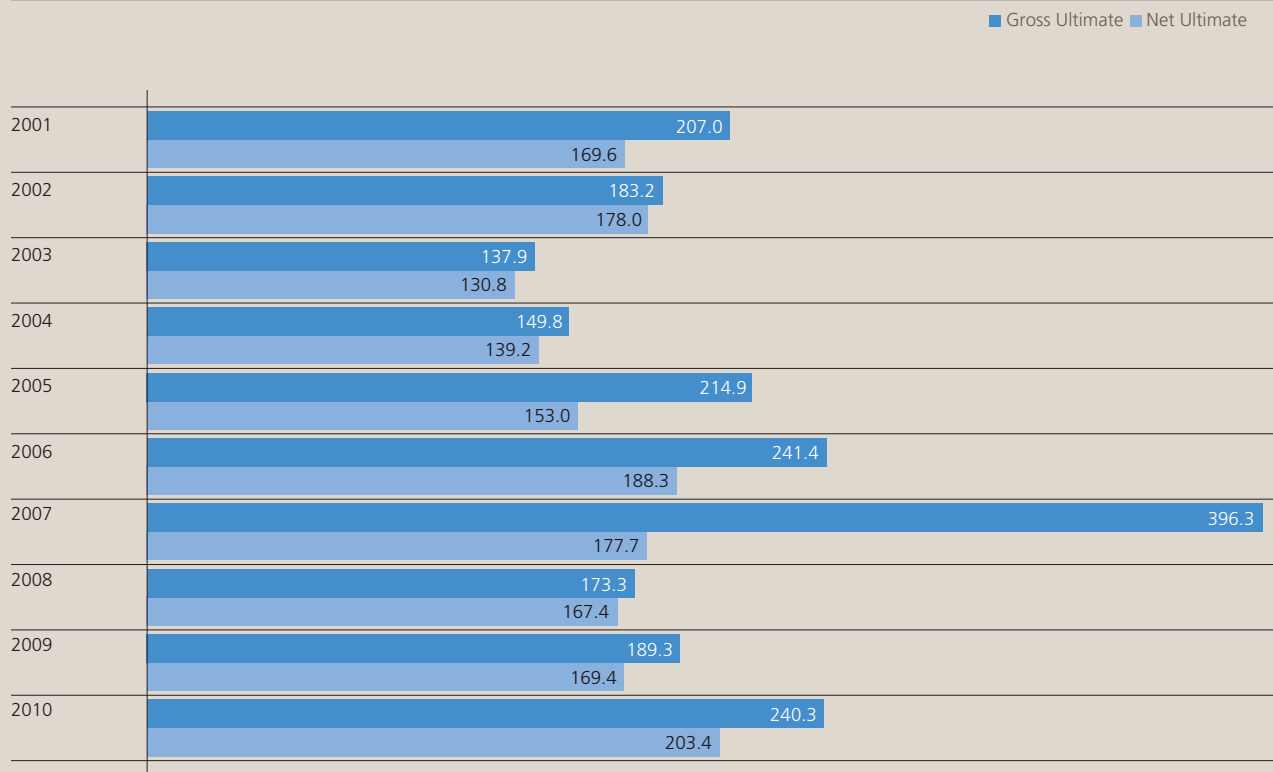
Pollution

The Club's pollution claims experience in 2010 was extremely favourable, in marked contrast to some recent years, particularly 2007. There was only one large pollution claim, only marginally in excess of US\$ 250,000 that occurred when a flexible hose ruptured during discharge operations.

Colin Williams

Head of Claims

TOTAL CLAIMS BY POLICY YEAR – US\$ MILLIONS



AVERAGE SIZE OF ATTRITIONAL CLAIMS (UP TO US\$ 250,000)

