



## NON-TECHNICAL MEASURES TO PROMOTE QUALITY SHIPPING FOR CARRIAGE OF OIL BY SEA

### UPDATE ON THE MEASURES TAKEN BY THE INTERNATIONAL GROUP OF P&I CLUBS IN RELATION TO QUALITY SHIPPING

Submitted by the International Group of P&I Clubs

<b>Summary:</b>	This document provides an update of the measures taken by the International Group of P&I Clubs (International Group) in relation to quality shipping
<b>Action to be taken:</b>	Information to be noted

#### **1 Introduction**

- 1.1 The International Group submitted document 92FUND/WGR.4/2/3 to the 1st meeting of the 1992 Fund's 4th Intersessional Working Group on non-technical measures to promote quality shipping for the carriage of oil by sea. This document summarised the measures taken by the International Group in relation to quality shipping and proposed a number of measures that could be taken by States to address areas of focus identified by the 1992 Fund Assembly at its 10th extraordinary session in February 2006 (document 92FUNDA/ES.10/18, paragraph 5.9).
- 1.2 This document provides an update of the measures taken by the International Group.

#### **2 Summary of measures taken in relation to quality shipping by the International Group of P&I Clubs**

- 2.1 As stated at the 1st meeting of the Working Group, following publication and in light of the conclusions of the 2004 report on marine insurance issued by the Organisation for Economic Co-operation and Development (OECD), the Ship Standards Sub-Committee and the Ship Technical Committee of the International Group undertook a detailed review of the ways in which member clubs of the International Group, individually and collectively, could more effectively address the issue of quality shipping. Recommendations were made by the Sub-Committee and subsequently approved by the International Group and adoption/implementation of these recommendations is almost complete.
- 2.2 Ship quality measures agreed and implemented within the International Group following publication of the OECD report include:
  - New underwriting guidelines for vessel entry for new members providing for specified indicators of quality to be checked on each application including vessel type, age, flag, build and any subsequent modification details, current and previous Classification, the International Safety Management Code (ISM Code) & the International Ship and Port

Facility Security Code (ISPS Code) certification details, area and type of trade, officer and crew nationalities, management details, P&I condition survey history, claims and port state control records and details of any previous refusal to cover or withdrawal of cover.

- Harmonisation of ship survey target criteria by the introduction of new more stringent condition survey triggers (including past carriage of Heavy Fuel Oil cargo) and reporting procedures for suspected substandard vessels.
- Common minimum scope of information for club condition surveys.
- Establishment of a central ship survey database updated monthly by all clubs with details of vessels surveyed to be consulted by club underwriters prior to quoting on vessels.
- 'Designated vessel' procedure for vessels for failing to meet acceptable quality standards. A database of designated vessels will be maintained by the Group.
- Double retention mechanism for 'designated vessels'.

2.3 Both the 'designated vessel' procedure and double retention mechanism for vessels failing to meet acceptable quality standards have been implemented by the International Group since the 1st meeting of the Working Group.

2.4 The new 'designated vessel' and double retention procedure was implemented with effect from 20 February 2007. The new procedure, which is incorporated in an Appendix to the International Group Pooling Agreement, provides that a club will be able to nominate a vessel which it considers does not meet the minimum acceptable standards expected of vessels entered with Group Clubs for inspection by an independent committee and, if the committee concludes that the vessel does not meet those standards, it will be deemed a 'designated vessel'. The inspection will be carried out on the basis of a standard survey form and common scoring system and the procedure incorporates an appeal process. 'Designated vessels' will attract a double retention (2x US\$ 7 million for 2007) under the International Group claims pooling system pending rectification of the deficiencies identified, and, in the event that this is not done within 12 months of the vessel being designated, claims arising thereafter shall be excluded from pooling. It is hoped that this new procedure will positively contribute to the global efforts to improve ship quality and safety standards.

2.5 The one ship quality measure still in the course of implementation is the new underwriting guidelines for existing members providing for specified indicators of quality, although these substantially replicate those identified in paragraph 2.2 above.

### **3 Competition Law**

3.1 It has also been necessary for the International Group to seek legal advice on the competition law implications in relation to the measures put in place, in particular:

- the extent to which it may be permissible for International Group Clubs to share information about the standards of ships and ship operators, and
- whether it may be permissible for International Group Clubs to agree amongst themselves to take action against substandard ships/ship operators.

3.2 The legal advice received by the International Group indicates that the measures that have been put in place would not infringe EC competition rules. The International Group has also obtained legal advice indicating that this would also be the case with regard to US anti-trust legislation.

### **4 Action to be taken by the Working Group**

The Working Group is invited to take note of the information contained in this document.

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