



**International Group of P&I Clubs**

## **Presentation to the IMO Legal Committee**

**25 April 2006**

## The International Group of P&I Clubs

### **The Group:**

- comprises 13 non-profit-making mutual insurance associations
- which insure third party liabilities relating to the use and operation of ships
- and insure over 90% of world ocean-going tonnage
- and insures over 95% of ocean-going tankers

## The International Group of P&I Clubs

### **Current principal underwriting Group members:**

- American Steamship Owners Mutual Protection and Indemnity Association, Inc
- Assuranceforeningen Gard
- Assuranceforeningen Skuld
- The Britannia Steam Ship Insurance Association Limited
- The Japan Ship Owners' Mutual Protection & Indemnity Association
- The London Steam-Ship Owners' Mutual Insurance Association Limited
- The North of England Protection and Indemnity Association Limited
- The Shipowners' Mutual Protection and Indemnity Association (Luxembourg)
- The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited
- The Steamship Mutual Underwriting Association (Bermuda) Limited
- The Swedish Club
- United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited
- The West of England Ship Owners Mutual Insurance Association (Luxembourg)

## The International Group of P&I Clubs

### Club structure:

- Owned by the shipowner members
  - Board of directors or committee – elected shipowner representatives
  - Club managers handle day-to-day operational matters including:
    - underwriting
    - claims
    - investments
    - accounting
    - safety and loss prevention
  - Club correspondents and representatives – worldwide network covering 680 commercial ports
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## The International Group of P&I Clubs

### **Risks covered by the Group clubs include:**

- cargo loss and damage
- oil pollution
- personal injury to passengers, crew and others
- wreck removal
- damage to fixed and floating objects
- collision risks
- special compensation to salvors

## The International Group of P&I Clubs

### **The International Group exists:**

- to co-ordinate collective insurance and reinsurance for the Group clubs
- to represent the views of clubs' shipowner members on matters of concern to the shipping industry in relation to insurance and liability issues
- to provide a forum for the exchange of information

## The International Group of P&I Clubs

### **Underlying agreements:**

- Constitution
- Pooling Agreement
- International Group Agreement (IGA)

## The International Group of P&I Clubs

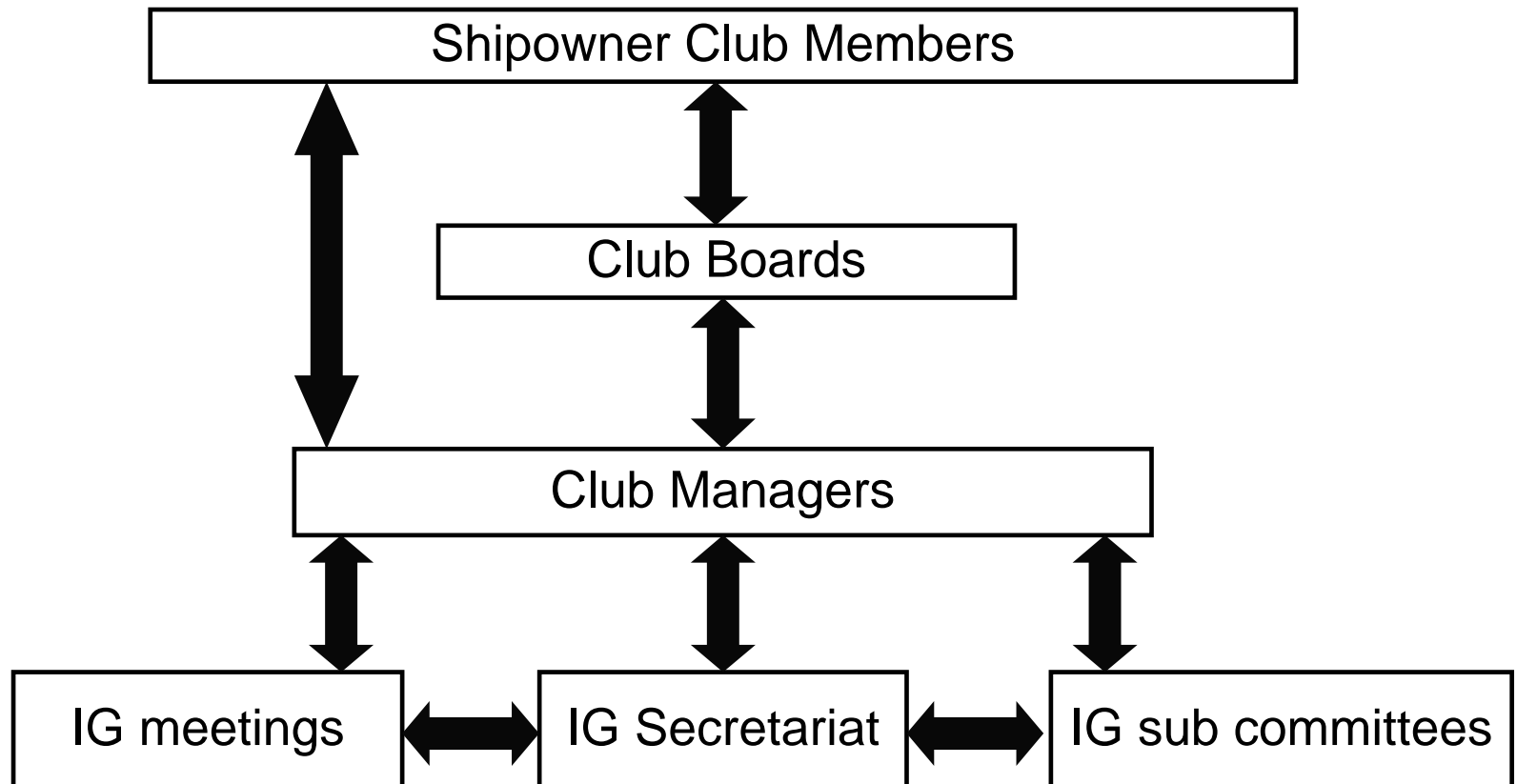
### **The Group's organisation:**

- The activities of the Group are co-ordinated through the Group secretariat based in London
- The Group's policy positions are agreed by club boards who report through their managers into the Group
- The work of the Group is carried out by the secretariat and by club managers in sub-committees
- The Group managers meet three times each year with sub-committee meetings taking place almost weekly on numerous issues



# The International Group of P&I Clubs

## Group / Club Structure



## The International Group of P&I Clubs

### **The International Group's policy positions:**

- need to be set and reviewed by club boards at their quarterly board meetings
- need to reflect the wishes, sometimes conflicting, of different industry sectors
- need to reflect both public policy desires and shipping and insurance industry practicalities
- take time to develop with compromise positions having to be adopted

## The International Group of P&I Clubs

### **More than 50 sub-committees and working groups, including:**

- Bills of lading
- Claims Co-operation
- Compulsory 3<sup>rd</sup> Party Insurance
- Detention of Seafarers
- Maritime Security
- Occupational Diseases
- Personal Injury
- Pilotage
- Pollution
- Regulatory Affairs
- Reinsurance
- Representation
- Salvage
- Ships' Standards
- Ship Technical
- War Risks P&I

## The International Group of P&I Clubs

### Three of the important Group sub-committees:

- reinsurance
- pollution
- ships standards

## The International Group of P&I Clubs

### POOLING AND REINSURANCE

The longstanding product of choice for 95% of world's shipowners

#### WHY?

#### 3 SPECIAL FEATURES

- Highest level / **limit** of cover (\$1B oil poll / \$5B non oil (est.))
- Most comprehensive **extent** of cover
- Cover "**at cost**" (mutuality = no profit)

#### HOW IS THIS DELIVERED?

Through **The Pooling Arrangement** (efficient retention of risk) and;

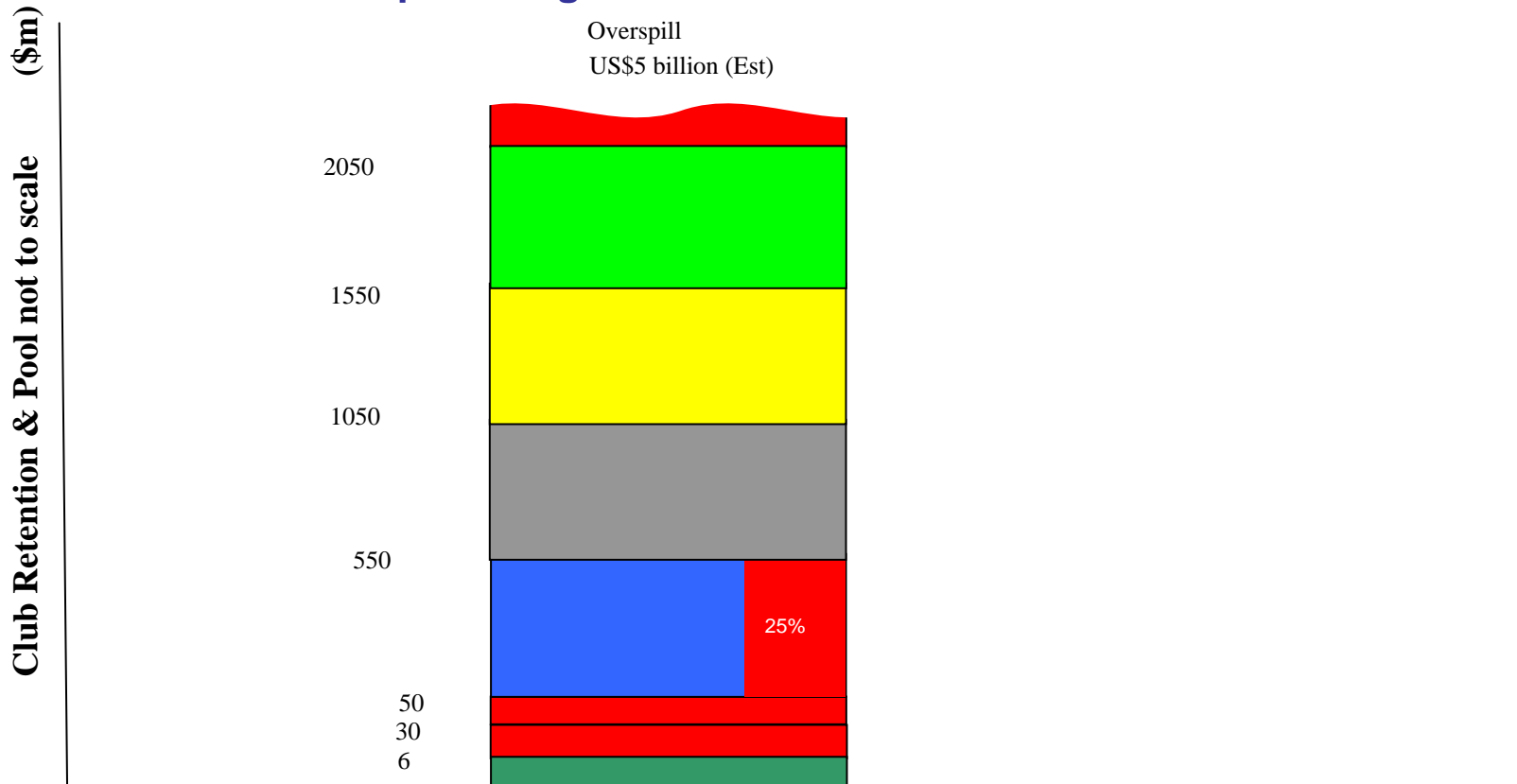
#### **Collective Reinsurance Programme**

Both depend on maximising **spread of risk**

Reduced spread = reduced efficiency

# The International Group of P&I Clubs

## Group Pooling and Reinsurance 2006



*Note: Premium figures for 100%*

*Note co-insurance protection on Group 25% share of Layer 1*

**2006/2007**

- Club Retention
- First Layer & Separate OP
- Third Layer Non-OP
- Pool, Self-Insurance & Overspill
- Second Layer & Separate OP
- Fourth Layer Non-OP

## The International Group of P&I Clubs

### **Pollution**

- cover for pollution liabilities up to US\$ 1 billion any one incident
- role in development of CLC and Fund conventions
- role in development of voluntary agreement:
  - TOVALOP
  - STOPIA 2006
  - CRISTAL
  - TOPIA 2006
- watching brief over developments in maritime pollution legislation at international / regional / national and state levels
- representing the views of shipowner members on insurance compensation and liability issues

## The International Group of P&I Clubs

### Ship Standards

#### Individual club initiatives:

- underwriting quality programmes
- survey programmes
- audit programmes
- loss prevention seminars
- loss prevention publications
- loss prevention tools
- target operational personnel



## The International Group of P&I Clubs

### Ship Standards

#### Group initiatives:

- common club rules on compliance with classification requirements
- common club rules on compliance with flag state requirements
- common club rules on compliance with ISM & ISPS codes

## Ship Standards

### Group ship quality measures agreed in 2005 include:

- new underwriting guidelines
- harmonisation of ship survey target criteria
- additional survey requirements for entered vessels – HFO
- common minimum scope of information for club condition surveys
- ship survey database

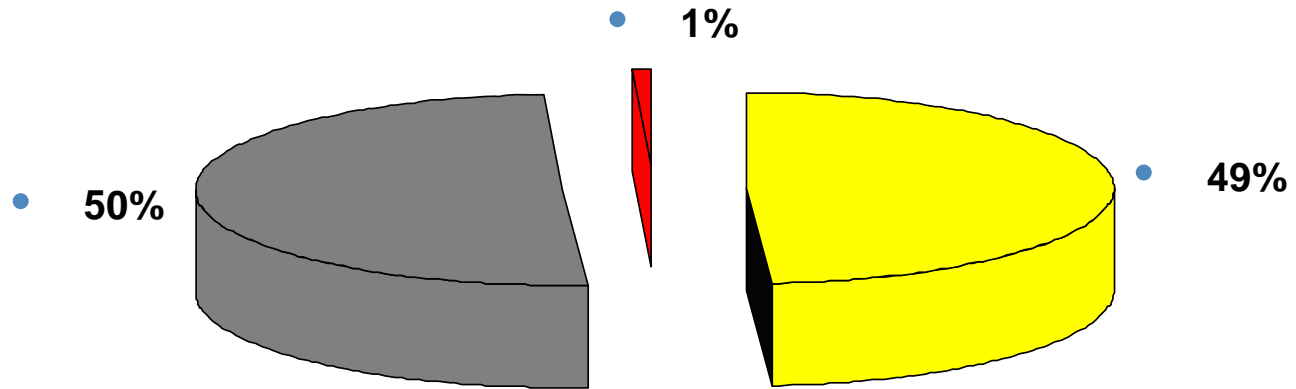
## Ship Standards

### International Group ship quality measures under way in 2006:

- HFO procedures take effect
- double Pooling retention provisions
- 'designated vessels'
- IG initiative towards and participation in new IOPC Funds working group on non-technical measures to promote quality shipping for carriage of oil by sea established at the IOPC Funds Assembly in February/March 2006

Terms of reference include consideration of possible insurance measures and mechanisms to improve the safer transportation of oil and sharing of information

# The International Group of P&I Clubs



- • Percentage of ships detained insured by IG
- • Non IG - insurer unknown
- • Non IG - insurer identified

## The International Group of P&I Clubs

### **Liaison and consultation roles:**

- inter-governmental bodies such as IMO, UNCTAD, UNCITRAL and OECD
- national governments and EU organisations and agencies
- other industry organisations such as BIMCO, ICS, Intertanko, OCIMF
- promoting and encouraging industry positions on practical and legislative issues
- providing technical advice and input in the drafting of new legislation, conventions and protocols

## The International Group of P&I Clubs

### **Interaction with IMO:**

- the Group recognises the importance of regulation of maritime transportation at an international rather than a regional/domestic level
- the Group endorses and supports the aims and objectives of the IMO in the fields of maritime safety and security, technical standards, prevention of and compensation for pollution incidents
- the Group stands behind the principle of the formulation and adoption of international liability and compensation conventions in conjunction with IMO member states



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