

# THE LONDON SEMINAR



“Thoroughly enjoyable—good format.”

“Did not feel sleepy at any point.”

“This was undoubtedly the best seminar I have ever attended”

“Interesting and entertaining.”

These were some of the comments written on the critique sheets turned in at the end of the American Club’s annual Safety & Environmental Protection Seminar, held at the London Conference Centre on November 10.

Mr. James Sweeney, Vice President of Morania Oil Tanker Corp., a director of The American Club and Chairman of the Club’s Safety & Environmental Protection Committee kicked off the seminar with his opening remarks, and introduced Mr. Donald Moore of Shipowners Claims Bureau, who served as moderator.

The first speaker was Mr. William Sirois of Circadian Technologies, Inc., who gave a presentation on the applications of circadian research with a view towards reducing fatigue and optimizing watchstanding and work schedules.

Next, Captain David Stratton of Marine Safety Services, Ltd., author of the book “Shipboard Management—Human Element & Leadership” discussed avoiding risks, evaluating operational performance, and improving efficiency.

The morning’s final speakers were Dr. Cornelius Grove and Mr. Walter Mitchell, partners in the CHES (Cultural Human Element Solutions) Group, LLC, who used a variety of scenarios to illustrate how people of different cultures viewed and reacted to situations. They then described how knowledge of cross-cultural principles can enable crewmembers of different nationalities to work together safely.

Following lunch, Mr. Wynn Stewart, of Wynn Stewart & Associates, who retired after 35 years as a safety director at DuPont, who has written and narrated over 50 safety videos for DuPont and the American Petroleum Institute, spoke on developing positive changes in behavior, and treating safety as a lifestyle, not a regulated activity. Wynn’s comedic, yet thoughtful, delivery ensured that no one in the room succumbed to any post-lunch drowsiness.

The final speaker of the day was Dr. Richard Bunch, of Industrial Safety and Rehabilitation Institute. A back therapy and ergonomics specialist, Dr. Bunch discussed the prevention of back injuries and other medical problems through exercise and nutrition management.

*Persons interested in receiving copies of papers presented at the seminar should contact the coordinator:*

**Mr. Donald Moore**

*Shipowners Claim Bureau, Inc.*

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# RETIRED

On December 31, 1999, William A. Craig, Senior

Vice President and manager of the claims department at Shipowners Claims Bureau, Inc. retired after fifteen years with the company. Bill is one of the most knowledgeable and professional marine claims authorities in the United States. He spent over thirty-five years in the shipping business with the former States Marine Isthmian

## WILLIAM A. CRAIG

Companies who at one time owned sixty vessels. Bill was also house counsel and among other duties had overall responsibility for all insurance and claims activities.

After the successful windup of the States Marine empire Bill was not content to retire and, happily, agreed to join SCB in 1984 as our senior claims executive. He very quickly won over all members of the American Club, other clients of SCB and our own staff. Bill was very proud of SCB's reputation and did much to engender it. He

would always work closely with owners to resolve any claim matter, even those which technically were out of realm of P&I. His range of contacts with the United States Coast Guard, attorneys and regulators is legendary. He knows everyone, and it seems everyone knows him.

Outside the office, Bill is an avid sportsman. It was only in 1996 that a knee injury sidelined him from the Valley Stream adult league basketball court—at age 67!

*SCB was very fortunate to have Bill with us for many years and we will certainly miss him. We wish Bill and Doris the best of luck for a long and happy retirement.*

## PRE-EMPLOYMENT MEDICAL EXAMINATIONS

### THE COST IS WORTH IT!

The average cost of an illness on board ship is \$20,000 (according to Lloyds P&I international, Vol. 12, No. 6, June 1998). As costs continue to rise, the benefits of pre-employment medical examinations, or as they are known in the United States, post-offer, are even more apparent.

Van Hall Health, full service healthcare managers who serve the marine industry, advise that in the third quarter of 1999,

fully 10% of the mariners who presented with "fit for duty" cards, usually issued by their unions, failed a screening medical examination. For the year of 1998, the figure was over 15%.

Physical assessments based on standardized job descriptions are also proving their value. The creation of physical position descriptions that identify and quantify what the crewmember must be able to perform from a physical standpoint, such as standing, climbing ladders, pulling lines, and lifting can be used as an outline to create a test that will realistically determine the applicant's ability to perform the job safely. Besides reducing future injury costs, another benefit is that the shipowner/operator can objectively base its hiring decision of the ability of the applicant to perform the job and cannot be accused of discriminating with respect to age, sex or disability.

There are several organizations that can provide these medical and physical ability screenings. The following have been recommended to us by several members of the American Club, and have participated in American Club Safety & Environmental Protection seminars:

#### **Van Hall Health, Inc.**

31692 Horseshoe Drive, Evergreen, Colorado, USA 80439  
Telephone: (303) 670-6878, Fax: (303) 670-6879  
web: [www.vanhallhealth.com](http://www.vanhallhealth.com)

#### **Center for Work Rehabilitation, Inc.**

709 Kaliste Saloom Road  
Lafayette, Louisiana, USA 70508  
Telephone: (318) 234-7018, Fax: (232-3891)

#### **Industrial Safety & Rehabilitation Institute, Inc.**

990 N. Corporate Drive, Suite 205  
New Orleans, Louisiana, USA 70123  
Telephone: (504) 733-2111, Fax: (504) 733-5999



# ACCURRENTS

ISSUE NUMBER 12 • FEBRUARY 2000

## WHY MUTUALITY?

### Synopsis of the case for the P&I Clubs



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American Steamship Owners  
 Mutual Protection and Indemnity  
 Association, Inc.  
 Shipowners Claims Bureau, Inc.,  
 MANAGER  
 Five Hanover Square  
 New York, New York 10004  
 212 269-2350  
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On Thursday, January 27, the Global Maritime and Transportation School at the United States Merchant Marine Academy presented a panel discussion and debate on the subject of fixed cost versus mutuality in Protection & Indemnity Insurance. Participants in the well-attended and provocative debate were Mr. Han Terje Anonsen, Managing Director Global Marine, AON Group, Ltd., and Mr. Jonathan Jones, Active Underwriter, Lloyds, representing the fixed premium facilities; Mr. George Greenwood, Senior Partner of Alfred Stocken & Co., Managers of The Steamship Mutual and Chairman of the International Group of P&I Clubs, and Mr. Joseph E.M. Hughes, Chairman and CEO, Shipowners Claims Bureau, Inc., Managers of the American Club, representing the P&I clubs; and Mr. Frank Belinski, insurance Manager, Overseas Shipholding Group (OSG), representing the ship owners. A summary of the case for mutuality follows.

- Mutuality as a design for marine insurance generally is more than 200 years old.
- Mutuality as the dominant ethos of P&I Insurance has been unchallenged for nearly 150 years.
- Which other businesses, anywhere, have been able to maintain this consistency of approach?

- Mutuality has traditionally had the support of the shipping industry because of the many advantages inherent in the principle when compared with ordinary market cover.
- The “super-mutuality” of the International Group of P&I Clubs’ pooling and other arrangements reinforces those advantages and adds yet greater value for insurance buyers.
- So what are the advantages of mutuality?  
**the cost of cover**  
**the extent of cover**  
**the commitment to service**

#### THE COST OF COVER

Despite recent talk of Clubs’ reserves “being at record levels” etc, mutual P & I remains very much an “at cost” insurance. By definition, there is no profit motive: a Club’s shareholders are its own members, the insured who are their own insurers. Even if surpluses are held, they are more of a “rainy day” reserve than real working capital—and of a much smaller size than that which would be expected of a joint-stock commercial insurer.

Indeed, if the current reserves of the entire International Group were analyzed as a

*Continued on page 3*

return on investment in a conventional sense, run-up, say, over ten years, they would not be particularly impressive. Nor should they be, because a P & I Club is not in the business of making money out of its shipowner members.

By contrast, commercial fixed premium insurers *are* in the business of making money out of shipowners. This is, of course, perfectly legitimate. But they must be interested in profit, since that is what their investors expect. And the return on investment must be maximized—for that is how the success of a fixed premium commercial insurer will be judged.

Independently of the not-for-profit principle to which mutuality is committed and which, inevitably, must make it cheaper than equivalent fixed-premium commercial arrangements over time, the consolidated buying power of the International Group makes its reinsurance overheads significantly cheaper than those available to a single commercial purchaser. Moreover, irrespective of the ability to buy cheap market cover, the International Group's pooling arrangements are uniquely effective in providing "reinsurance" cover at cost and with considerable cashflow advantages for claims of up to \$30 million, below which point the vast majority of P & I claims emerge.

The perceived weakness of the mutual system is, of course, its susceptibility to the making of unbudgeted supplementary calls. However, the likelihood of this occurring—at least as a general market phenomenon as it was, say, ten years ago—has to some extent been offset by the wider holding of "rainy day" reserves as well as the implementation of innovative reinsurance (or "alternative risk transfer") schemes in order to avoid such eventualities. Moreover, fixed cost insurers are subject to the same claims trends as mutual providers: *fixed* cost should not be taken to mean constant cost. If a fixed cost insurer is making a loss on his portfolio then he must get an increase in premium—or go out of business.

## THE EXTENT OF COVER

The mutual Clubs justifiably pride themselves on the breadth of the cover they provide and the way in which the development of cover responds to shipowners' needs. Two examples of this organic development over the last decade or so spring to mind: the inclusion of full 4/4 RDC cover as a regular part of Club protection, and the provision of cover—subject to Board discretion—in regard to the confiscation of vessels arising out of drug-related incidents. etc.

All this points to the unique pro-activity of mutuals in dealing with changing climate of risk to which shipowners are exposed. It also underlines a fundamental cultural difference between the mutual and the commercial insurer. Clubs are controlled by Boards of shipowners and not by commercial investors. Clubs therefore view the world, so to speak, through the spectacles of shipowners' needs rather than investment imperative.

This manifests itself in two important ways. First, Club managers instinctively tend to find ways to cover rather than deny a claim. They do this in the knowledge that the guiding "animus" of a Club is shipowner interest and that—subject always to the principle that fair play is achieved among all members—sympathy rather than denial is likely to be the inclination of most other shipowners in the Club.

Second, all Clubs have an "omnibus" rule which allows members to submit for Board adjudication claims which, although not on all fours with a specific area of cover, are nonetheless those which *ought* to be covered in the particular circumstances in question. While such claims are admittedly rare, the practice nonetheless enshrines the underlying tenets of mutuality—judgement by one's shipowner peers and the guiding doctrines of collegiality and collective self-help.

## THE COMMITMENT TO SERVICE

Although the mutuals are primarily regarded as insurance vehicles—which of course they are, and with several "hard" commercial advantages over their fixed-premium competitors—an insight into the day-to-day running of the Clubs reveals them to be at least, if not more, pure service providers.

It is arguable that the real value-added dimension to the Clubs' position in the market is the range of service provided. And this is not limited to the handling of specific claims, nor yet the provision of security to prevent the arrest, or effect the release, of entered ships.

Because they are owned by their members, and the relationship between members and managers is uniquely symbiotic, Clubs as pure service providers are much closer to the shipowning community than any commercial insurer could expect to be.

Any insurance broker with experience of both the commercial market and the Clubs will attest to the profoundly different approach to shipowner service as between the two. Commercial insurers supply access to capital from which investment providers expect profit. Hence a tendency to be reactive rather than proactive in handling potential losses which impact upon profitability. Clubs, as mutuals, are by contrast more proactive in handling claims which do not have the same profit/loss implications as they do for commercial insurers.

Indeed, Clubs are specifically geared-up for such activity. Club resources in this respect are second to none. Moreover, compared with commercial insurance, the typical level of Club claims deductibles is much lower, creating circumstances where the "bottom end" involvement of Club claims handling is inevitably much greater than that which would be the case in the commercial market.

In addition, in-house capabilities within the mutuals in dealing with a wide range of non-claims-specific matters (advice on charterparty clauses,

contracts and indemnities etc.) are much greater than those which would apply in the commercial sphere where imperatives of profitability could negatively impact the need for recruitment.

Finally, the collective resources of the International Group comprises a P & I “brains trust” of unsurpassed capability. The access which this provides for shipowners to information and expertise on a huge range of subjects is something which any individual non-Group insurer could never match. Nor does the Group speak only to itself in this respect: as is well known, it represents an important voice for shipowners worldwide and speaks with an authority which again no individual insurance provider could hope to achieve.

## CONCLUSION

It is submitted that, for the majority of shipowners, and for the reasons discussed above, the advantages of mutuality over the alternative fixed premium market are irrefutable. This is not to deny that fixed premium providers have a place in the industry, but it is unlikely to be a central one over time.

Mutual clubs, and in particular those who make up the International Group, have undoubtedly stood the test of time—and will continue to do so. If consolidation is the *zeitgeist* of the current commercial age, then surely the Group was almost prophetically ahead of its time when it consolidated its resources for reinsurance and other collective purposes more than one hundred years ago!

And, finally, there can have recently been no more loudly ringing an endorsement of the Group than that which emerged, a little more than a year ago, from the support given by shipping associations all over the world in its negotiations with the European Commission in Brussels in regard to the future of the IGA and the Pooling Agreement. The continuing success of the mutuals—and in particular the International Group—is built upon a bedrock of unsurpassed strength.

# GANGPLANKS

## A Vital Area For Safety

*The gangplank is the most important working surface on the ship.*

*Everyone who comes aboard—visitors, passengers, repairmen, and longshoremen, as well as the crew—uses it. Since the degree of caution, agility and sobriety of all who come aboard cannot be controlled, it is of the utmost importance that the gangplank be constructed, rigged, and maintained in such a manner as to give all practical protection to users.*

### TAUT RAILS

Rope may be used as rails in single lengths leading from the lower end of the gangplank through the stanchions on the turntable to a cleat on the ship. Continual attention (frequently neglected) is necessary to slack or tighten the lines as the ship rises and falls alongside a pier. A slack handrail gives a false sense of security and is almost worse than none at all, while if the rail becomes too taut it will either part or bend the stanchions.

One means of assuring properly taut handrails along the plank itself is to secure the upper ends to the head of the gangplank. The lines from the upper stanchion of the plank to the bulwark are then spliced in as tails at the upper stanchion. Because these tails are short and the stanchions on the turntable close together, they are easy to adjust and need not be as tight as the rails along the gangplank.

### NONSKID SURFACES

Unless the gangplank or accommodation ladder has a permanent nonskid surface, such as expanded metal or grating construction, nonskid material of some kind should be applied and renewed as necessary. Nonskid paint, sand in wet paint, abrasive materials, either of the type which is troweled on or that which is manufactured on a fabric base may be used.

On fixed-tread accommodation ladders the nonskid material should be applied to the tread nosings as well as to the surface of the treads, and on brow-type gangplanks it should be applied on and between the cleats.

## DUCK BOARDS

Fixed-tread accommodation ladders should be covered with cleated duck boards, when the angle is low, to avoid the necessity of walking on the edges of the treads. Cleats on the underside or other substantial and easily adjusted means of securing the duck boards in position should be provided.

The boards should be installed or removed as the angle of the ladder changes. This will be facilitated by hinging the boards to one rail of the accommodation ladder. When not in use they may be lashed on edge and against the stanchions.

## ROLLER GUARD

People sometimes have their feet caught under the wheels or roller at the lower end of the gangplank as the ship surges. This can be prevented by hinging a U-shaped metal strap on the axle so that it will rest on the edge of the pier in front of the wheels or roller and push a person's foot away before it could be caught.

## MAINTENANCE AND RIGGING

A number of sectional wooden accommodation ladders have rotted out where the fastenings for the metal end fittings go through them. All wooden gangplanks should be inspected for rot and cracks each time they are rigged.

All fittings, particularly the pins and shackles joining the gangplank and the turntable, should be inspected regularly for rust and wear. Supporting bridles should be long enough so that the spreader will clear a tall person's head at any angle of the plank.

## LIFE NET

It is recommended that a life net be rigged by each ship under all gangplanks or accommodation ladders in such a manner as to prevent a person from falling between the ship and dock. The net should be secured to the ship

and to the wharf or pier edge so as to cover the area between the ship and dock in way of the means of access:

- For a distance of 6 feet on either side of the means of access if rigged as a thwartship brow plank.
- To extend 6 feet beyond the ends of the means of access if there is an accommodation ladder or gangplank hung parallel with the ship's side.
- To extend 6 feet beyond the turntable or platform in prolongation of the plank or stringpiece of the wharf if rigged at an angle.

## GENERAL SAFETY PRECAUTIONS

Double handrails or man ropes should be provided on both outboard and inboard side on gangway; stanchions should be secured in sockets with cotter or toggle pins.

Measures should be taken to prevent overcrowding of the gangway; gangway watchmen should be instructed to check regularly on conditions of the gangway due to changes in elevation from tide and draft and to see that all crewmembers and passengers ascend and descend the gangway in a safe manner.

- Gangways should be adequately lighted at night.
- A life ring with throw-rope attached should be kept readily available at gangway in case a man falls overboard.
- Gangways should be free from grease, oil, trash, etc.

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*Members are urged to visit their website:*

<http://www.uscg.mil/hq/g-m/moa/casualty.htm>



# STAFF changes

*William A. Craig, Senior Vice President and manager of the claims department retired on January 31, 1999.*

His replacement, Gary F. Strevell, joined SCB in October 1998 and for the intervening fourteen months worked alongside Bill in order to familiarize himself with the role he would undertake following Bill's departure. Gary's career has been spent almost exclusively in the maritime claims and risk management area, including working for SeaLand, and most recently as Risk Manager for Navieras de Puerto Rico.

The Managers are also pleased to announce the hiring of Charles B. "Chuck" Gornell to the staff effective January 3, 2000. Chuck is a seasoned personal injury and cargo adjuster with many years experience in the field. He came to SCB from V. Ships where he spent many years developing his expertise and a wide range of industry contacts.

Gary and Chuck, along with everyone else on the claims team, remain single-mindedly committed to providing unsurpassed levels of service to the membership.