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Ladies & Gentlemen, Good morning.

My name is Patrick Bond. I first joined the Shipping Industry in 1978 as a Deck Cadet with the Royal Fleet Auxiliary. I later qualified as an English Solicitor and worked for a number of years in the Claims Department of the North of England P & I Association. I am a Director of **Marine Response Ltd**, a company which I founded in 1999. In addition I also am a director of a company which builds vessels for the Offshore Industry, mainly for use in the Caspian Sea. We are currently building a series of barges in Nikolaev so it is fair to say that my involvement with The Ukraine covers a number of elements of the Marine Industry.

Marine Response only handles people claims in the Marine Industry. Our clients include a number of P & I Clubs such as the UK Club, the American Club, the North of England and also Fixed Premium Facilities such as British Marine Managers. We never take on cases on behalf of Seafarers.

Ukraine is the 3rd largest seafarer supplier to the world maritime fleet: the estimated number of Ukrainian seafarers is 45,000 (20,000 Officers and 25,000 Ratings). The same source indicates approximately 15,000 seafarers engaged on the national flag vessels and Ukrainian vessels trading under a foreign flag. By deduction therefore circa 30,000 Ukrainian seafarers (13,000 Officers and 17,000 Ratings) are employed on the foreign flag vessels. It may well be that as of today my information is out of date and the number of seafarers have grown again.



The supply of seafarers to the world is therefore a vital element of Ukraine's foreign earnings and I am sure those of you here today understand that there are many countries across the world who would employ almost any means to supplant Ukraine in the supply of these men and women.

What is P & I Insurance?

P & I covers ship owners' liabilities to third parties including their own crew. P & I insurance grew from small collections, or clubs, of ship owners who formed alliances to share the cost of problems. The oldest P & I Club, the North of England was formed in Newcastle in 1886. At that time the club members traded mainly to the Baltic ports and the trading year started when the ships left Newcastle in the late winter, hoping to arrive in the Baltic as the ice melted. Before beginning the trading year, owners would sign up and agree to share losses on an agreed basis, related to entered tonnage. After the end of the year the club would inform all members of the losses which occurred during the year and advise how much each owner had to contribute to the club. The day they traditionally chose to sail from Newcastle, and thus to begin their P & I year, was 20 February and to this day almost all the world's ships renew their P & I insurance at 1200Hrs GMT on 20 February.

There are 13 members of the International Group of P&I Clubs which, between them, provide liability insurance for over 90% of the world's deep-sea shipowners.

All Group Clubs operate on a mutual, not-for-profit basis with premiums being pooled and invested to pay claims directly and to buy various levels of reinsurance. The system is now recognised throughout the world as the most cost-effective and reliable method of providing marine liability insurance.



The specific liability risks, which are covered by P & I Clubs, are set out within the individual Clubs' rules. Generally speaking the rules of each Club are very similar to one another as the Clubs reinsure each other under the International Group Pooling Agreement.

Liability injury claims can involve any person who is injured due to fault or negligence in operating the ship. For the purpose of this paper illness claims have been included as if they are injuries. It is important to remember that an injured party does not have to be on board the ship for there to be a liability claim against the ship or owners. For example, a line handler on the quayside may be injured by a parting mooring rope. We have many claims involving seafarers who are injured whilst ashore, often involving a dangerous mix of alcohol and road traffic.

Types of Claim

The types of claim dealt with by the Clubs usually fall into one of the following categories in respect of illness injury and death:

- crewmembers
- cargo handlers
- line handlers
- passengers
- lawful visitors to the ship (this would include pilots, surveyors, agents etc).

Although much more publicity is given to the occasional major problem on a cruise ship, without doubt it is crew claims that occupy the bulk of my time and on a day to day basis this is true of many claims staff in the P & I industry.

Crew Injury and Illness Claims



The owners' legal liability to pay medical expenses, sickness wages, compensation and funeral expenses to a sick or injured crewmember is insured by the P & I Clubs. The cover includes the cost of repatriation and substituting a crewmember who has been discharged from the ship due to illness or injury. In order to ascertain the crewmember's entitlement to benefits a number of different aspects have to be considered. Firstly, the contract of employment is a key indicator as most contracts or collective bargaining agreements (often known as CBAs) have clauses which deal with the period of entitlement for medical treatment, sickness wages, etc. The shipowner may recover from the Club the amount paid in entitlements to the crewmember provided that the terms and conditions of the contract have been previously approved by the Club's Managers. The vetting of these contracts also enables the Managers to comment on and make recommendations regarding clauses within the contract. A seaman who has suffered a permanent disability as result of an illness or injury may well be entitled to receive compensation under the terms of the contract and/or seek compensation if negligence or a workers compensation act is involved.

Pre Employment Medical Examinations.

At this stage I would like to make mention of the PEME System. There is a requirement both under STCW and also additionally in most crew contracts that a potential employee must pass a medical examination before commencing his employment. For many years throughout the world this requirement was treated as a pure formality. The agreed standard was not particularly high and if there was a problem it was easy for the seaman to find a sympathetic doctor who would write a pass certificate. The world has changed and many contracts now include large contractual benefits to seaman who are diagnosed with career ending problems whilst at sea. The 2007 ITF contract allows US\$78,000 in such cases and there are many even more generous regimes.

Let me stress that the P & I and Shipping Industries have no problem with this PROVIDED that the crewman passes a genuine examination at an agreed level before beginning his voyage.

To overcome the problem of poor quality PEMES many Clubs now approve Clinics in various ports who agree to administer examinations to Club standards. In Odessa and Mariupol, I have



been involved in setting up such schemes and the results have been impressive. In the first year of one scheme with 8,000 examinations carried out in the first year, over 100 seafarers were identified with serious and potentially fatal conditions which resulted in a finding of permanently unfit. Had even a small percentage of those men fallen ill at sea the cost to owners and the P & I Club would have been in the Millions of Dollars. Needless to say, those men were not employed upon ships entered in the Club which controlled the PEME Scheme.

We are not so naïve, however, that we believe that the men our clinics identified immediately left the sea. In my opinion most would have simply obtained a PEME from a less rigorous clinic and headed off to sea with a different owner and a different P & I Club within days.

That Gentlemen is not my problem – it is not the problem of my client P & I club but it is someone's problem!

.My main role on behalf of owners and Club is to become involved in cases involving death, severe injury and occasionally the after effects of illness. Typically the crewman or his family do not wish to agree settlement of the case.

Handling Claims

My company works closely with the specialist P&I Correspondents in the Ukraine. Here in Odessa we have the Dias Company, CIS Pandi and Legat. P & I correspondents have great local knowledge, legal skills and experience. The bulk of claims, whether crew cargo, pollution or admiralty are handled entirely by the local correspondents. We are occasionally brought in when it has been impossible to reach agreement in this manner.



Typically the crewman or his family will be represented by local lawyers or perhaps Union Officials. At this stage we will also seek advice from specialist law firms, and I make especial reference to the International Law Offices who gave me invaluable advice and assistance in a recent case involving multiple deaths earlier this year.

My personal preference is to meet with either the crewman or his representatives face to face. Often the dispute has entered a static stage with neither party prepared to make concessions. In these cases it may be possible for me to negotiate a way forward which allows each party to go away with something – a “Win – Win” solution. Sometimes it may involve a relatively inexpensive concession from owners – perhaps to agree an extra period of sick pay or to fund rehabilitation. Sometimes it simply becomes a matter of agreeing payment of an agreed sum, within a short time period and with a further agreed sum for the lawyer representing the crewman.

Clearly, to be able to make such deals, one needs the complete support and approval of owners and underwriters; it is absolutely vital that any agreement made between myself and the claimant will be honoured in its exact terms. Those whom I have dealt with in

previous negotiations in Odessa, whether lawyers or Trade Union Officials, will be aware that once I agree a settlement on behalf of my client – funds will be forthcoming exactly as agreed. I have no doubt that opposing lawyers and trade union officials value such certainty and it may be an effective element in securing a reduced value settlement.

Every case is of course unique but there are certain common traits in almost all. I personally consider that we should not forget our humanity when acting for owners and underwriters. Without the seafarer and his efforts, there would be no shipping industry and ultimately you, me, the Ukraine and the UK would all be the poorer.

So let us work hard for our clients, but at the same time treat the seafarers with respect.

Thank you.

