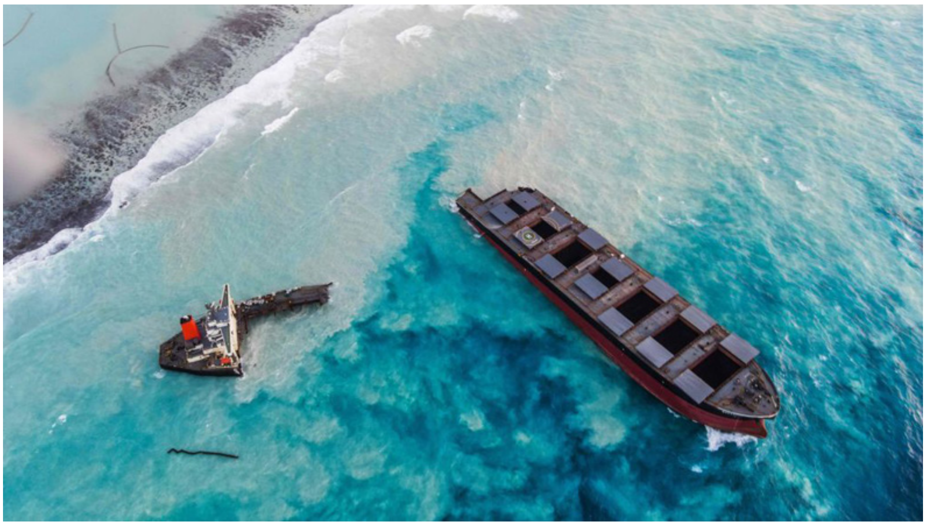
Friday October 23, 2020

Lloyd's List
Maritime intelligence | informa

Daily Briefing
Leading maritime commerce since 1734

P&I pool claims hit record $300m at halfway mark



INTERNATIONAL GROUP POOL claims have hit an all-time high for the halfway point in a claims year, and may already have reached three-quarters of the previous full-year outcome, according to senior club sources.

One well-placed industry source cited an unofficial estimate of $300m for the year to date, compared with $400m for all of 2019-20.

The development comes following publication of a new note from ratings agency S&P Global, predicting that almost every IG affiliate will seek higher pricing at the next renewal round, as the sector feels the combined pain of coronavirus and a string of major casualties.

At the heart of the problem is a run of huge casualties in recent months, with clubs braced for a payout of the first $100m of the $500m bill for the *Wakashio* grounding, as well as other expensive recent casualties including *Höegh Xiamen*, *New Diamond* and *Gulf Livestock 1*.

Much of the sting will be felt by reinsurers. But the pool layer runs from $10m to $100m, and is the responsibility of the clubs themselves.

The International Group declined to comment directly on the suggestion that previous records have been breached.

"The first six months of the policy year were … busier than usual in respect of pool claims, with the *Wakashio* and some other casualties over the summer months," chief executive Nick Shaw said in an email.

"However, pool claims often balance out over the course of the whole policy year and since the end of August have been quieter.

"It therefore remains to be seen how the rest of the policy year will develop and it is presently expected that all reported claims to date, save for the *Wakashio*, will be met within the group's pool retention."

One gauge of the impact of this spike is the results of the handful of clubs that publish interim figures.

Skuld paid $37m into the pool for the first six months, pushing the marine mutual into the red despite it not incurring any pool claims itself. The first-half figure last time round had been just $10.4m, indicating pool payments have tripled.

Steamship Mutual implied pool payments were a major factor in its decision to impose a 5% general increase on members at the next renewal round.

Pandemic-related liabilities are expected to increase claims this year, but are not projected to have a significant impact in future years.

At the six-month stage, the club's own incurred claims, including those arising from the pandemic, are described as only marginally higher than at the same point last year.

"However, International Group Pool claims are notably higher than in any previous year after six months, and the club's projected contributions are higher than predicted," it said.

In addition, premium is expected to be lower than forecast, a consequence of reduced activity and lay-up in some sectors, including passenger vessel operations.

In policy years prior to 2020, claims have developed in line with expectations, while pool claims have deteriorated, most notably in the 2019-20 policy year.

Investments have recovered strongly from early year falls and in the seven months ending September. Steamship has recorded a return of 2%, excluding currency movements, amounting to a gain of $22.3m.

A meeting of directors on Tuesday took account of the pressures from claims, reduced premiums and combined ratios above 100% in recent years, and concluded that higher rates were the way forward.

"In light of these and other factors, the board concluded that there should be a general increase of 5% in premium ratings for all classes of business."

A note from S&P highlighted poor underwriting resulted from the bulk of clubs in recent years, and speculated that the current year looks to emerge the costliest on record, pushing most clubs into the red.

Virtually all clubs would announce general increases for 2020-21, it predicted, although those with a diversified product base would enjoy at least a degree of insulation.

S&P also reported anecdotes from clubs that the major claims spike might be attributable to increased crew exhaustion in the wake of the crew change crisis, which in turn is attributable to Covid-19.

Coronavirus has also cut premium income, as premiums are typically returned where a vessel is in lay-up. However, this is offset by a concomitant reduction in claims.

The average combined ratio at P&I clubs this year will likely be 113%, the ratings agency predicted. Average GI will be 5.8%, up from 5.2% in 2019.

The only real upside is for Scandinavian clubs that have diversified into hull and machinery cover, at commercial rates, to subsidise their mutualism.

The Lloyd's Decile 10 purge has significantly boosted H&M, which makes for increased returns for the clubs.

WHAT TO WATCH

Australian state threatens to turn away vessels with infected crew

SHIPPING groups are urging Western Australia to allow crew changes to take place rather than turning away ships believed to have cases of coronavirus on board.

The International Chamber of Shipping, InterManager and the International Maritime Employers' Council said they opposed further restricting crew changes in the state.

Mark McGowan, the state's premier, this week said the government was considering turning infected ships away after 25 cases were reported among the mostly Filipino crew of the livestock carrier *Al Messilah* at Fremantle.

He said shipping companies were not doing enough to protect crews from outbreaks.

Roger Cook, the state health minister, told the parliament it was "galling" for the state to have to pay the costs of dealing with outbreaks brought by companies who benefited from its trade in mineral exports.

International Chamber of Shipping secretary general Guy Platten said the opposite was true and "any such outbreaks on board ships are not in the interest of either seafarers or shipowners".

"As a party to the Maritime Labour Convention, we look to Australia to provide leadership and to live up to its international commitments to the safety and wellbeing of all seafarers," he said.

The crew change crisis needed governments to support seafarers, those very people who continue to ensure countries maintain access to raw materials, food and goods including vital medical supplies, he added.

"We ask Australia to work proactively with industry to further strengthen these protocols and allow crew changes to be conducted safely rather than turning away seafarers in need."

InterManager secretary-general Kuba Szymanski said Australia was "one of the worst countries as far as crew changes are concerned, completely disregarding MLC convention".

"If Australia believes that they can survive without all the goods ships are bringing and taking away then we wish them all the best," he said. "I would suggest we stop threatening each other and start co-operating [with] examples of other countries."

The state's government was awaiting advice from its State Solicitor's Office about turning back ships, Mr Cook told the parliament.

But it has also contacted the International Transport Workers' Federation and IMEC about their plans to test and isolate crews at hotels in Manila, according to uncorrected Hansard.

Mr Cook said getting the situation under control for crews changing at Manila "will significantly address the issue".

He said Australia's Federal Government should tell the Filipino government to provide more support to its maritime industry.

"It has to provide more support to its industry so that crews can properly quarantine and then effectively switch in and out, to make sure that we provide good, clean passage for these vessels that... are so crucial to our economic situation," Mr Cook said.

Filipino seafarers test positive for coronavirus in China

BEIJING is raising questions over the integrity of coronavirus testing of seafarers after 29 Philippines crew reportedly tested positive after arriving in China.

Bernard Olalia, the administrator of the Philippine Overseas Employment Administration, said he was informed of the incidents by the Chinese Embassy in Manila, according to local media reports.

Mr Olalia was cited as saying the seafarers had tested negative in the Philippines before their departure.

He said Chinese officials had expressed concern over the integrity of the initial results.

"I assured them there is no issue over integrity because the testing facilities accredited by the Department of Health don't fabricate results," he said.

According to reports, the affected crew members were planning to board vessels at Chinese ports.

No detail was given about the arrival dates and names of the vessels to be embarked.

The POEA has been contacted for comments.

Ship management sources in China suggested the number of involved seafarers announced by POEA might be accumulated results over the past few months.

More than 20 imported cases in relation to Philippine crew have been reported at various Chinese ports since the middle of this year.

The cases were followed by new rules announced by the Chinese government in September, which requested onboard crew who signed on at an overseas port must test negative before their vessels arrive in China. And the test sites must be either appointed or approved by China's overseas embassies or consulates.

Meanwhile, China recently reopened 10 domestic ports for foreign crew repatriations, with two ships already allowed to carry out such operations at Shanghai and Qingdao.

But details regarding the signing-on of non-Chinese crew were missing from Beijing's policy guidance.

According to the rules, the qualified crew members must come from a vessel which has sailed for at least 14 days since it left the last overseas departure port and must have negative test results from Chinese customs authorities before being allowed to disembark at a designated port.

Mr Olalia said he had asked the manning agency which hired the 29 seafarers to give an explanation for the difference in the test results.

Earlier this week two different vessels arrived in ports in Western Australia with coronavirus-infected seafarers from the Philippines on board.

Queensland tests crew linked to New Zealand infection

A CONTAINERSHIP off Australia's east coast with confirmed cases of coronavirus on board is being linked to an infected port worker in New Zealand, according to local reports.

The Liberia-flagged *Sofrana Surville* is currently off Queensland after being prevented from docking in Brisbane.

Authorities in Australia confirmed that of the 19 crew members on board, three showed evidence of a current or previous infection.

The 2009-built vessel had travelled from Papua New Guinea to New Zealand where eight crew from the Philippines joined it in Auckland on October 13.

It then travelled to Noumea, in New Caledonia, and is now off Australia.

An engineer in New Zealand, who worked on the ship last week, has since tested positive for coronavirus.

Angus Mitchell, general manager of Maritime Safety Queensland, said there had been no reports of illness on board *Sofrana Surville*.

"An engineer who worked on this vessel and another has tested positive," he told ABC radio.

"It is a strain they haven't seen in New Zealand before. They are still trying to work out where he got it from, but either of the two international visiting ships are an obvious place."

Queensland's health minister Steven Miles said the crew of the *Sofrana Surville* was being monitored.

"A meeting is underway to determine if they need to be evacuated to the mainland, and which hospital they would be sent to," he told local media.

Western Australia is considering turning infected ships away after 25 cases were reported among the mostly Filipino crew of the livestock carrier *Al Messilah* at Fremantle.

"We are still looking at and getting as much information as we can on whether or not we can just turn ships around that turn up with infected seafarers, so that we send a message to the shipping companies and to the importers and exporters," state premier Mark McGowan told the Australian Broadcasting Corp this week.

"The problem with that of course, if we launch that policy, is that they then may not tell us… that they have infected seafarers on board."

ANALYSIS

US to consider regional emissions regime for shipping

US LAWMAKERS will be given the chance to follow the European Union's lead and introduce their country's own data collection system for shipping's carbon dioxide emissions.

A group of US Democrat House Representatives are backing a bill to tackle ocean and air pollution, protect biodiversity and promote the development of renewable energy through the introduction of new regulations and incentive schemes.

The Ocean-Based Climate Solutions Act would create a third emissions reporting regime — after those of the International Maritime Organization and the EU— adding more obligations on shipowners and greater scrutiny on industry emissions.

The unilateral initiative on shipping emissions would potentially have wide-reaching implications for the international industry.

It would also have serious consequences for the future of oil and gas exploration, as well as offshore wind production around the US.

The act would require all ships of 5,000 gross tonnes and above using US ports to report emissions based on per-voyage data, including total annual CO_2 emissions within the US Exclusive Economic Zone.

They will also have to report their average CO_2 emissions per transport work, which the bill defines as gCO_2/tonne-nautical mile (grams of CO_2 per tonne-nautical mile) and their average CO_2 emissions per distance, defined as gCO_2/nautical-mile.

It would also ban further oil and gas leasing in the Outer Continental Shelf, with the prohibition of geological or geophysical activities for oil, gas, or methane hydrate exploration and development within that area.

The proposals would introduce a voluntary programme for shipping companies to limit maximum speed of their vessels to 12 knots to help reduce air and noise pollution and minimise risk of marine mammal strikes.

The US would also set a national offshore wind goal, committing to producing at least 12.5 gigawatts of offshore wind production in the Outer Continental Shelf by 2025 and at least 25 gigawatts by 2030.

The bill was introduced by House Representative Raúl M. Grijalva and co-led by House Representative Kathy Castor and has the backing of 12 other Democrats in the House of Representatives.

Its co-sponsors believe that to establish the list of the acceptable methods for measuring, monitoring, and reporting metrics, the US should align itself with the IMO and the EU.

"The Secretary, to the maximum extent practicable, shall ensure consistency of such methods with similar reporting schemes developed by the European Union and the International Maritime Organization to reduce any duplicative burden on shippers," the bill reads.

If the different responsible House committees release the bill, it will be tabled before the House of Representatives for debate, potential amendments, and a vote. If voted in, it will move to the Senate for further consideration.

Any final text has to be approved by the president.

Lloyd's List understands there will be a public hearing on the bill with experts and lawmakers in Congress on November 17.

The shipping industry opposes regional regulations in favour of singularity through the IMO.

It has been long seeking the alignment of the EU and IMO reporting regimes, which fundamentally differ. The EU's system is more stringent in its requirements than that of the IMO.

Under Donald Trump the US has halted efforts to combat climate change, withdrawing from the Paris Agreement and staying largely muted during shipping decarbonisation negotiations at the IMO.

It was one of the three countries to submit reservations on the IMO's greenhouse gas strategy, saying absolute decarbonisation targets were premature.

Democratic presidential candidate Joe Biden has vowed to tackle climate change and is committed to making the US a net-zero emissions country by 2050.

Mr Biden has pledged to "lead the world to lock in enforceable international agreements to reduce emissions in global shipping and aviation."

US west coast ports boosted by retail sales demand

US west coast container ports saw improved throughput in September but an imbalance of imports over exports that has developed across the country in recent months.

The four container ports of Long Beach, Los Angeles, Oakland and Seattle-Tacoma collectively saw robust loaded imports of 1,093,872 in September versus loaded exports of just 385,656 teu.

The figures reflect US retail sales growth which accelerated in September, with consumer purchases rising by 1.9% — the most in three months — from a rise of 0.6% in August, according to the US Commerce Department.

The continued uptick in imports is giving rise to hopes of sustained increases beyond the seasonal shopping months of November and December, but economists remain cautious in their forecasts.

Increased consumer spending has been fueled largely by the US government's economic stimulus package that was approved in March. But that package expired in July and a new one has not been agreed as policymakers in Washington continue to wrangle.

The impasse could mean decreased consumer spending in the months to come, while a second wave of coronavirus infections could cause an even greater decrease due to government stay-at-home orders.

Still, the Port of Long Beach set a pair of records in September by achieving its busiest month ever as well as the most active quarter in its 109-year history with trade rising 12.5% over the year-earlier period.

Long Beach moved 795,580 teu and handled 2,274,271 teu in the three months to September 30, a 14.1% increase from the third quarter of 2019, making it the port's busiest quarter ever.

Loaded imports grew 14.3% to 405,618 teu compared with September 2019, while exports decreased 8.7% to 112,556 teu. Empty containers headed back overseas jumped 21.2% to 277,406 teu.

Port officials said demand continued to increase for furniture, paint and office equipment as consumers make home improvements and work from home during the Covid-19 epidemic.

"Additionally, 92 containerships called at the port in September, 19 of which were unscheduled vessel calls that made up for voyages cancelled earlier this year," they said.

Port of Long Beach executive director Mario Cordero put the improvements down to large retail stores reopening, merchants stocking up for the winter holidays and the increased use of ecommerce.

Indeed, he said that "the increased use of ecommerce appears to be an enduring trend picked up by consumers during the recent stay-at-home orders".

Yet he also urged caution: "We must move ahead with caution during the remaining months of 2020 because the national economy continues to be heavily impacted by the Covid-19 pandemic."

Numbers were also up at the Port of Los Angeles which processed 883,625 teu in September, an increase of 13.3% compared to 2019. It marks the busiest September as well as the best single three-month quarter in the port's 114-year history at 2,701,847 teu.

Port of Los Angeles executive director Gene Seroka said: "Despite unresolved questions about our nation's health, economy and export strength, imports have improved significantly after a difficult spring."

Reflecting the national trend, September loaded imports increased 17.3% to 471,795 teu year on year while loaded exports decreased 0.3% to 130,397 teu. Empty containers increased 14% to 281,434 teu.

Further to the north, the Port of Oakland said its 93,916 teu of loaded imports topped September 2019 by 10.6%, while loaded exports rose by 5% to 75,764 teu. The first nine months of 2020 show full imports up 0.4% and full exports down 0.2% over the same period last year.

Port officials attributed the increased imports to US retailers stocking up on consumer products ahead of the traditional holiday shopping season, while pandemic-related items such as personal protective equipment also helped to boost the port's record September numbers.

"Several months into this pandemic, we are now seeing positive signs by these cargo volume totals," said Port of Oakland maritime director Bryan Brandes. "As retailers make sure shelves are well-stocked, we're waiting to see if consumers begin shopping early this holiday season."

But port officials remain cautious as they observe retailers hedging against another Covid wave this winter by building up their stocks ahead of possible factory closures and lockdowns.

Like its neighbours to the south, the Northwest Seaport Alliance of Seattle and Tacoma had a positive September, including its best month of the year so far and its highest monthly containerised volume since October 2019.

Full imports reached their highest monthly volume since September 2019 as companies restocked depleted inventory and prepared for the holiday season.

But officials noted that the economic fallout from Covid-19 continued to disrupt supply chains across the country and around the world. The NWSA gateway saw 59 blank sailings through September, surpassing its total number of cancelled sailings in 2019.

Total overall container volumes for the year are down 16.8% compared to 2019. Loaded imports declined 15% to 122,543 teu, while full exports decreased 13.9% to 66,939 teu.

Still, the future beckons as NWSA also celebrated the launch of a new intermodal rail service from Minot, North Dakota. This service will bring additional new cargo to the gateway and support customers shipping US agricultural exports.

MARKETS

Bulker deals market remains buoyant

SAFE Bulkers said it had entered into an agreement to acquire a Japanese-built kamsarmax, scheduled for delivery in the first half of 2022. The 82,000 dwt newbuilding vessel was sourced at "an attractive price," the company said.

The vessel was designed to meet the latest requirements of the Energy Efficiency Design Index related to greenhouse gas emissions, the Greece-based company said.

It has also entered into a sale and leaseback deal through a 10-year bareboat charter with an unidentified third party for 90% financing of the acquisition, with purchase options.

"This is a new investment at the edge of the technological design and environmental performance, targeting to renew our fleet," company president Dr Loukas Barmparis said.

"The agreed financing allows for limited impact on our liquidity, which presently exceeds $100m, as we have not and do not intend to utilise our previously announced at the market equity offering at stock price levels we have seen year to date."

Scorpio Bulkers said it had agreed to sell the 2016-built ultramax *SBI Zeus* to an unaffiliated third party for $18.5m. Delivery of the vessel is expected to take place this quarter.

This is the company's fourth ultramax to be sold in the space of a week. It also offloaded three kamsarmaxes over the last month as it focuses on investments in the next generation of wind turbine installation vessels.

The company secured a $184m loan in 2018 to refinance 12 ships, including the SBI Zeus and SBI Hera.

Cleaves Securities said that the realised prices for the kamsarmaxes were about 13% below its fair valuation and comparable deals, while the ultramaxes have been 6% below market value.

"Although the potential to entice green capital investments with the inherent lower required return could be attractive for Scorpio Bulkers, we view the rapid sale of vessels into illiquid markets at a discount to be unfavourable for the company's dry bulk shipping investors," the Oslo-based firm said in a note.

Shortage of empties pushing up container costs

THE ongoing equipment shortage in China is pushing up pick-up costs in a number of major ports, according to research by Containers xChange.

"Pick-up charges for container users are becoming more expensive across Chinese ports due to increasing container imbalances," the online logistics platform said.

Prices reached $950 per 40 ft high-cube container ex Shanghai to Germany in week 42.

According to the platform's Container Availability Index, European and the US importers are struggling to return empty containers to Asia.

"As a result, these ports suffer from increasing dwell times and port congestion," it said. "On the other hand, carriers in Chinese ports are setting new regulations to control the imbalances.

"Hapag Lloyd, for example, will now only release empty containers from its mainland China depots for a maximum of eight days prior to the arrival of the sailing."

Pick-up charges are a one-time charge for each container that is picked up at the port of loading. Container owners and user negotiate the pick-up charge for each deal.

If the user picks up boxes from a location with a large surplus, such as the US/Europe at the moment, and moves it to a deficit location, the supplier often pays container users to reposition their empty equipment into deficit locations.

The top 10 voyages recorded by Containers xChange show that the average pick-up charge between Chinese and European ports have been more expensive than others over the last four years, at around $640 on average.

Shanghai to Gothenburg has been the most expensive stretch on average, with users paying $739 to pick up a container.

"Looking at the development of the last few weeks, we can see record numbers for 40 ft high-cubes of $1,050 per container in week 41 and $1,250 in week 36," the company said. "Comparing such record numbers to 2019 demonstrates the current equipment situation."

IN OTHER NEWS

V.Group expands Costamare relationship to 41 vessels

INTERNATIONAL shipmanager V.Group has expanded its partnership with Costamare Shipping by absorbing the Greece-based containership specialist's management operation in China.

As part of the move, Shanghai Costamare Management will be integrated into V.Group's Shanghai office.

The agreement will see the number of containerships V.Group manages for Costamare and its chief executive Costis Konstantakopoulos increase to 41.

Complex reefer supply chain 'suffers from miscommunication'

NEARLY a third of all cargo-related claims for transport operators over the past three years involve temperature-controlled incidents, according to cargo insurer TT Club.

Its analysis showed nearly a third of claims were caused by miscommunication of operational instructions on care of the cargo.

A further 23% were down to temperature setting errors. Reefer equipment failure or damage accounted for a quarter of the claims.

Cosco unit to finance 10 pulp carriers for sister company

COSCO Shipping Development has agreed to finance 10 newbuilding pulp carriers worth $350m for a sister company.

The leasing arm of state conglomerate China Cosco Shipping Corp will take over the vessels from the original owner Cosco Shipping Specialized Carriers in a leaseback deal, according to an exchange filing. Both subsidiaries are listed in Shanghai, while CSD is also listed in Hong Kong.

Among the newbuildings, eight will be placed at Cosco Shipping

Heavy Industry (Dalian), while the other two are part of a dozen ordered previously and are under construction at the same yard.

Japan starts ship-to-ship LNG bunkering

JAPAN has started ship-to-ship liquefied natural gas bunkering operations, making its first such transfer to a car carrier.

The 3,500 cu m bunker tanker *Kaguya* on Tuesday supplied LNG to NYK-operated pure car and truck carrier *Sakura Leader*.

The PCTC is still under construction at Shin Kurushima Toyohashi Shipbuilding Co and is set to be delivered by the end of fiscal 2020.

Steamship levies 5% general rate hike

INTERNATIONAL Group pool claims are at a record high for the halfway stage of the current policy year.

It is one of the main reasons Steamship Mutual has been forced to declare a 5% general increase at the next renewal round, according to a statement.

However, the P&I club did not reveal the absolute level that pool claims have reached, and the IG and other sources approached did not immediately respond to requests for that information.

Classified notices follow

THE “Vasco Da Gama”

ADMIRALTY COURT SALE

Notice is hereby given that the Admiralty Marshal has sold the ship **“Vasco Da Gama”** of the port of Nassau, by the order of the Admiralty High Court in an action in rem against the vessel by P&O Princess Cruises International Limited in action AD-2020-000122. The gross proceeds of sale of the **“Vasco Da Gama”** in the sum of $10,434,797.98 has been paid into Court.

The order of priority of the claims against the sale of the ship will not be determined by the Court until after the expiration of 28 days from this notice.

Any person with a claim against the ship or proceeds of sale thereof, should file it before the expiration of the said period.

Such claims should be directed through the Admiralty Court and NOT by way of application to the Admiralty Marshal.

P Farren
16 October 2020

Admiralty Marshal
Business and Property Court
Rolls Building
Rolls Buildings
Fetter Lane
London
EC4A 1NL