

**UKDC**  
**UK DEFENCE CLUB**

# **ABOVE & BEYOND**

*Renewal 2017*

UKDC  
IS MANAGED  
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# ABOVE & BEYOND

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# ON COVER

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Giving you the confidence that your  
exposure to legal costs is protected.



# THE CLUB'S ROBUST FINANCES HAVE ENABLED US TO MAINTAIN CONSISTENT LEVELS OF PREMIUM.

## No general increase in premium 2017/18



The third consecutive year that no general increase has been applied.

## Ships covered



The Club's continued growth reflects the confidence of its Members in the cover and service it provides.

## Cover limit



## Current tonnage entered







## ABOVE & BEYOND ON COVER

**Giving you the confidence that your exposure to legal costs is protected.**

In uncertain times, shipowners and operators need to know that if a dispute occurs, they will have support for legal and related costs as well as in managing any litigation that arises. The value of comprehensive legal costs insurance cannot be underestimated.

### **History and influence**

Over 128 years of history has given us the opportunity to develop the best cover and service within the maritime market place.

### **Focus**

Unlike our competitors, we focus exclusively on the provision of legal costs insurance to the maritime industry. Our comprehensive cover is unrivalled in the market.

### **Independence**

We have always been independent, so that you can be too.





# ON FINANCES

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Because we focus solely on defence our finances are dedicated to providing insurance for legal costs, not other liability claims.



**THE CLUB'S ROBUST FINANCES  
HAVE ENABLED US TO MAINTAIN  
CONSISTENT LEVELS OF PREMIUM.**



## ABOVE & BEYOND ON FINANCES

**Financially strong: because we focus solely on defence our finances are dedicated to providing insurance for legal costs, not other liability claims.**

### Solvency II implementation

Our Board has always taken a conservative approach to the management of our finances and investments. This ensured we were well placed to deal with the increase in claims following the recent financial crisis and that we were in a position to meet the requirements of Solvency II, which came in to force on 1st January, 2016.

### The market's highest limit on cover – \$15 million

The Club's robust finances have enabled us to maintain consistent levels of premium. For the 2017 policy year there will again be a 0% General Increase. The Board recognises the difficult market conditions that many Members currently face and is doing its utmost to support Members, as far as it can.

In recent years, some of our competitors have not only increased premiums but have also made changes to the level of cover provided and/or introduced mandatory deductibles.

### Our financial strength has allowed us to take the innovative step of using Continuity Credits to reward our Members.

For the 2017 policy year, there will again be premium reductions in increasing scale for those with one, three and five years of entry in the Club. There will also continue to be an additional discount offered to those Members entering all of their ships with the Club.

### Premium debited in 2016



£17.2m\*

### Returned to Members via Continuity Credits



£1.5m\*  
in 2016

### Total funds under management



£55.9m\*

### Free reserves

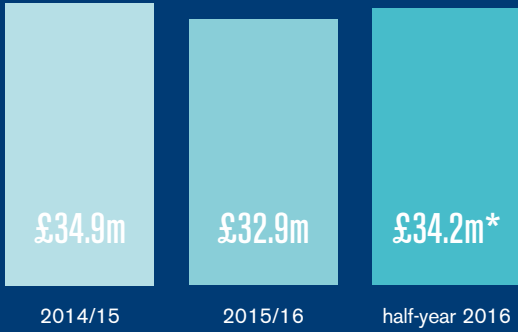


£30.2m\*

\* All figures as at half-year 2016



## Total capital resources



8% of premium returned to Members via Continuity credits



## Free reserves

£30.2m\*

\*All figures at half-year 2016 before hedge reserve

2016/17 - £30.2 million\*

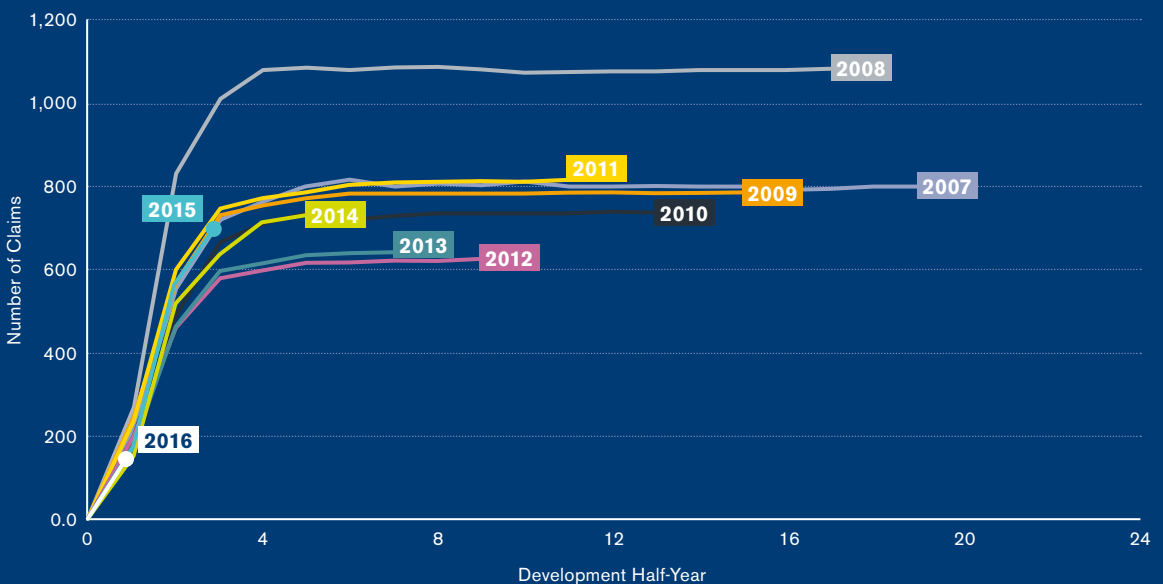
2015/16 - £28.5 million

2014/15 - £28.4 million

## Cases supported: Over 95% cases receive a measure of support

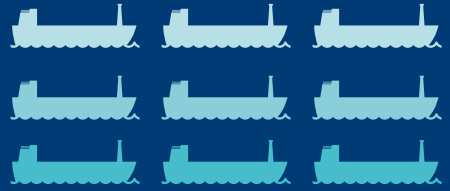


## File Number Development: Claims with positive transaction amounts





## Continuity credits



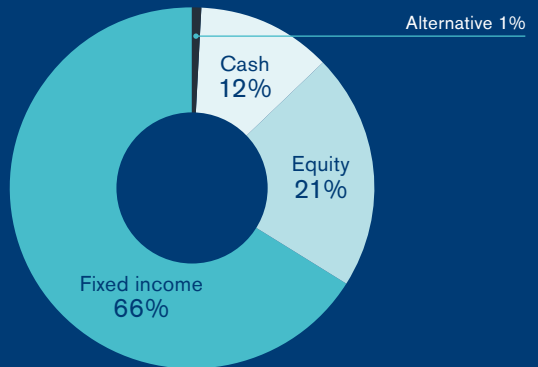
# +1.5%

Members that enter their full fleet receive an additional credit of 1.5%

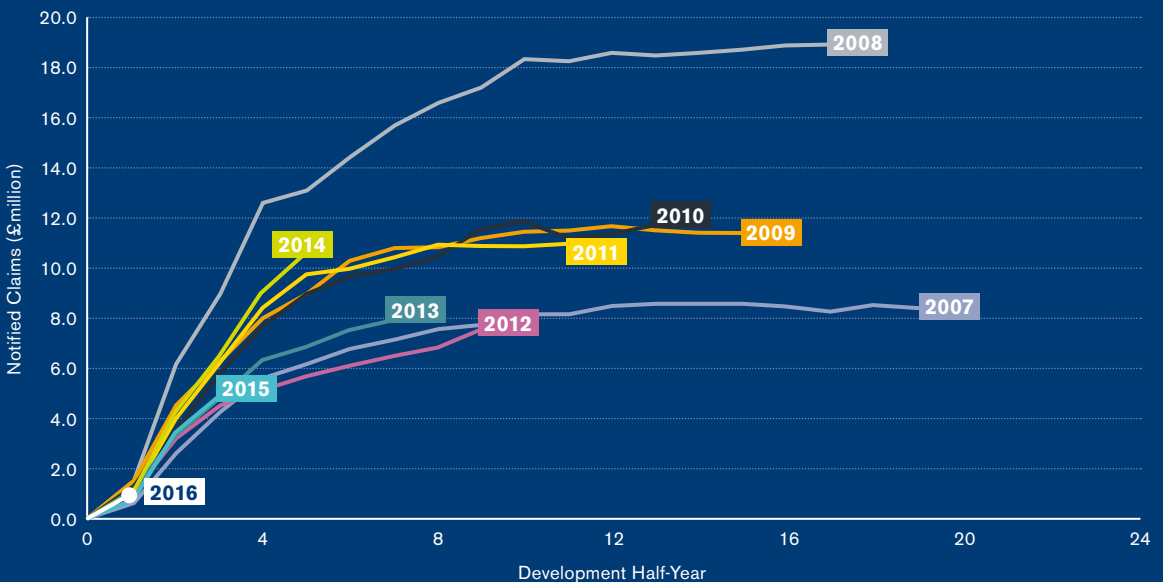
## Claims in 2016:

The Association's commitment to disputes involving OW Bunker cases has continued to have an impact on claims in 2016. This has however been off set by a better than expected investment return in excess of 5%\* (after currency). Looking forward, foreign exchange rates are likely to have an impact on future claims costs.

## Investment Portfolio positioning (mid-year 2016)



## Net Notified Claims Development









# ON SERVICE

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We provide wide-ranging advice and assistance to Members, all delivered by one of the most experienced teams in the industry.





# OUR INVOLVEMENT CAN OFTEN ASSIST IN RESOLVING DISPUTES AMICABLY

## ABOVE & BEYOND ON SERVICE

**We have legally qualified claims executives based in the major time zones – Europe, Asia Pacific and the Americas.**

### **Delivered by one of the most experienced teams in the industry**

Our team of legally qualified claims executives provides wide-ranging advice and assistance to Members on topical issues and in the drafting of charterparty clauses. Over two thirds of the cases that are opened each year are handled in-house by our claims teams. When it becomes necessary to instruct external advisors we are usually able to accommodate our Members' own choice of lawyer or we can provide a recommendation, based on our experience. Whilst we work closely with a team of Preferred Legal Suppliers who are used by many of our Members, there is no requirement for Members to instruct those PLPs.

### **Experts at managing the litigation process**

Our involvement can often assist in resolving disputes amicably and, in the event that litigation arises, we are expert in managing the process to secure the right result for our Members.

### **Improving service and offering greater certainty to our Members**

We now require our Preferred Legal Partners (“PLPs”) to propose alternative fee arrangements in place of hourly billing. This initiative is a key area of focus for our Board of Directors and is aimed at providing greater certainty of outcome, transparency and value.



### Alternative billing



Our focus on agreeing alternative billing arrangements gives greater certainty for Members and the Club.

### Personal response



We have legally qualified claims executives based in the major time zones – Europe, Asia Pacific and the Americas.

**Our team of legally qualified claims executives provides wide-ranging advice and assistance to Members on topical issues and in the drafting of charterparty clauses.**





# THE CLUB HAS FOCUSED ON A MOVE AWAY FROM HOURLY BILLING BY LAW FIRMS, AND OTHER SUPPLIERS, TOWARDS ALTERNATIVE BILLING ARRANGEMENTS.

## ALTERNATIVE BILLING

**The Club seeks to set the standard for the industry when it comes to defence cover and to use its influence to benefit its Members.**

Most recently the Club has focused on a move away from hourly billing by law firms, and other suppliers, towards alternative billing arrangements.

Alternative billing arrangements give greater certainty (avoiding the often predictable cost creep) and great value and transparency.

Initially, there has been a focus on agreeing alternative billing arrangements with the Club's Preferred Legal Partners in London and, as at June, 2016, 40% of cases had alternative billing arrangements agreed.

There is a target to increase this to 70% by June, 2016 and the initiative is also being extended to barristers and other service providers, including those in other jurisdictions (where permitted).

The Club has also increased its use of cost draftsmen, both at an early stage in a case and at its conclusion.



ALTERNATIVE  
BILLING CAN  
INCLUDE:

- Capped fees
- Fixed fees
- Reduced rate with success bonus
- Collar arrangements
- Conditional fee arrangements





# IN SUPPORT

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We support our Members in relation both to their cases and on wider industry issues.





**Protecting our Members' interests is at the forefront of all of our activities.**

**We support our Members in relation both to their cases and to wider industry issues.**

Over the past 128 years we have helped to shape the maritime industry through the landmark cases we have supported in various different jurisdictions. This means we are listened to, and our contributions help shape industry improvements. Most recently we have focused on trying to modernise the arbitration process to ensure that it continues to meet the needs of our Members in the most efficient and relevant way.

### **OW Bunkers**

The collapse of OW Bunkers has highlighted our commitment to support our Members in difficult and expensive litigation, in a variety of jurisdictions. We have been involved in over 240 OW related cases, a number of which continue to be the subject of ongoing court action seeking to avoid double payments to physical suppliers and OW administrators. Considerable support has been given to expedite certain claims in order to obtain clarity on Members' behalf. Lawyers have been instructed in over 20 jurisdictions worldwide. The most notable are London (120 cases) and the United States (37 cases) with lawyers also being instructed in Germany, Singapore, Greece, Malta and Dubai.

The most high profile case has been the RES COGITANS in which the Club supported the owner Member to the Supreme Court in England & Wales. Regardless of the outcome this was an influential judgment that provided clarity for Members and the industry as a whole. The amount in dispute has been dwarfed many times over by the legal costs. Total costs, including cost liability, are likely to be in the region of £2.5 million.

### **LANDMARK CASES SUPPORTED BY THE UK DEFENCE CLUB:**

**2007:**

#### **Golden Victory**

Calculation of damages

**2010:**

#### **Eagle Valencia**

Remurrage / NOR

#### **Saldanha**

Off hire whilst detained

**2012:**

#### **Rainy Sky**

Refund guarantees

#### **The Kyla**

Frustration of contract

**2014:**

#### **Bulk Uruguay**

Withdrawal from a contract

**2016:**

#### **Res Cogitans**

OW Bunkers – avoiding double

LITIGATION CAN BE AN INCREASINGLY EXPENSIVE PROPOSITION

In addition to their own legal costs, if unsuccessful, Members may incur a significant cost liability to their opponents.



**Charterparty repudiation dispute:** This was heard in London arbitration and ultimately appealed to the Court of Appeal costing a total of \$900,000.

**Cost breakdown**

- Solicitors: \$300,000
- Experts: \$25,000
- Counsel: \$450,000
- Tribunal: \$125,000



**Unpaid freight claim in London arbitration:** Costs totalled \$475,000.

**Cost breakdown**

- US lawyers: \$75,000
- UK Solicitors: \$200,000
- Counsel: \$65,000
- Tribunal: \$135,000



**Shipbuilding dispute in London arbitration:** The hearing cost a total of \$945,000.

**Cost breakdown**

- Solicitors: \$382,500
- Experts: \$62,500
- Counsel: \$190,000
- Tribunal: \$310,000



**Oil majors dispute in New York arbitration:** This cost a total of \$635,000.

**Cost breakdown**

- Lawyers: \$490,000
- Experts: \$40,000
- Tribunal: \$105,000







# THE COMPETITION

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We support our Members in relation both to their cases and on wider industry issues.



# THE UK DEFENCE CLUB FOCUSES SOLELY ON THE PROVISION OF LEGAL COSTS INSURANCE TO SHIPOWNERS AND OPERATORS IN THE MARITIME INDUSTRY.

## **Influential**

Leading the debate on industry issues, pioneering the changes needed, and shaping the industry to better serve our Members.

## **Independent**

Focused purely on defence and everything that supports it.

- **\$15 million limit on cover**
- **No mandatory deductibles**
- **No release calls**



## ABOVE & BEYOND THE COMPETITION

**Protecting our Members' interests is at the forefront of all of our activities.**

### **On Cover**

Giving you the confidence that your exposure to legal costs is protected.

### **On Finances**

Because we focus solely on defence our finances are dedicated to providing insurance for legal costs, not other liability claims.

### **On Service**

As well as cover we provide wide-ranging advice and assistance to Members, all delivered by one of the most experienced teams in the industry.

### **In Support**

We support our Members in relation both to their cases and to wider industry issues.

### **The Competition**

The UK Defence Club is the leading insurer of its kind in the world, providing unrivalled cover to shipowners and operators.



## INTERNATIONAL REACH

Our global Membership base represents the vast majority of ocean going ship types.



**San Francisco**  
Tel: +1 415 956 6537

**London**  
Tel: +44 207 283 4646

**New Jersey**  
Tel: +1 201 557 7300

## Independence



As an independent Club, focused solely on defence, we have an unrivalled experience and expertise in dealing with the issues faced by our Members.

## Entered ships



**3,800**

## Current tonnage entered



**176m GT**

## THOMAS MILLER WORLDWIDE OFFICE LOCATIONS



**The UK Defence Club provides much more than cover – we support our Members’ operations departments, provide advice on and support for claims, and work in true partnership.**



# ABOVE & BEYOND

*Renewal 2017*

## **The UK Defence Club**

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