

Expansion leads to more disputes for specialist Nordisk

Oslo-based FD&D club reports modest profit in 125th anniversary year

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The number of disputes referred to Nordisk Skibsredereforening rose last year, despite the shipping industry showing signs of recovery.

New case files opened in 2013 reached 1,856 — an increase of 89 on the previous year — but this reflected a growing membership rather than a surge in litigiousness.

"The proportionate increase in the number of entered units was higher than the proportionate increase in the number of cases. As a result the average number of cases per vessel fell slightly in 2013. This is a positive trend," Nordisk's directors, headed by Nils P Dyvik of Wilh Wilhelmsen, noted in their annual report to members.

Nordisk ended 2013 with 2,354 ships and rigs of 57.3 million gross tons (gt) on its books, an increase of 162 vessels on the previous year.

RECORD VESSEL COUNT

The rise meant that Nordisk has a record number of vessels on its books this year as the club marks its 125th anniversary.

Nordisk is an Oslo-based shipowner mutual focused on freight demurrage and defence (FD&D) cover, one of the bargains of the marine insurance world with an average premium per vessel in

2013 of just NOK 40,440 (\$6,797).

Nordisk reports a surplus of NOK 5.2m (\$873,000) for 2013, continuing a history of modest profitability. The result lifts the total reserve for payment of claims to NOK 266m (\$44.6m).

The board says Nordisk is in a "strong financial position and has satisfactory reserves".

The workload Nordisk is linked to the level of activity and financial state of the shipping industry, with the number of new cases soaring in 2008 in the wake of the world economic crisis.

Before the crash, new cases re-

ferred to the club were below 1,500 a year but immediately jumped by one-third and, despite year-to-year fluctuations, have remained at a high level since.

Disputes over charter parties and newbuilding contracts are among the common cases referred to Nordisk.

Nordisk managing director Georg Scheel reports that this is unlikely to change.

"I am convinced that the bulk of Nordisk's work will continue to relate to traditional types of disputes. Although it might seem reasonable to think that most is-



► **GEORG SCHEEL:** Nordisk managing director says disputes are inevitable 'since the interests of shipowners and charterers differ'.

Photo: DAGENS NAERINGSIV

sues likely to arise under charter-parties, such as offhire, laytime, demurrage and so on, are now settled law and as such should not give rise to too many conflicts, this is not the case," said Scheel.

"Since the interests of shipowners and charterers differ, inevitably there will be disputes," he warned.

But Scheel is also expecting new challenges for Nordisk.

ECO SPEED PROBLEMS

"I anticipate more problems in relation to eco speed. For a start, does eco speed mean economical speed, that is the speed that generates the best profit for the shipowner when taking into account the charter hire/freight rate and the cost of fuel?"

"Or does it mean ecological speed, requiring goods to be transported with the lowest possible CO₂ [carbon dioxide] emissions per tonne mile due to environmental concerns?"

Scheel says Nordisk aims to re-

main among the leaders in the FD&D market.

"Shortcuts and taking the easy way out are not how we conduct our business," he added.

But Scheel sees challenges ahead with Nordisk unable to rest on its laurels and able to rely on the loyalty of shipowners.

"Very few, if any, of our members belong to Nordisk simply for the sake of tradition. There is intense focus on costs, and Nordisk has to be competitive on price and at the same time deliver high-quality services."

"We need to meet our members' expectations, including being service-minded and available when our members need us," he noted.

Scheel also warns that Nordisk has to remain adaptable and, just as it responded to the development of the offshore oil industry, it must be ready to deal with issues arising from offshore wind farms, fish farming and even the exploitation of seabed minerals.

