A mutual insurer's view of the human element

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Mutual insurance is insurance at cost. Owned by its assureds, and designed not to make a profit, the cost of mutual insurance to its members is directly linked to its claims. Therefore anything which reduces claims will directly impact on a member's contributions (premiums).

In 1987, 55 percent of the UK P&I Club's large claims were considered by its claims executives to have been caused by human error. It was clear that if claims were to be reduced, this was an area to be focused on.

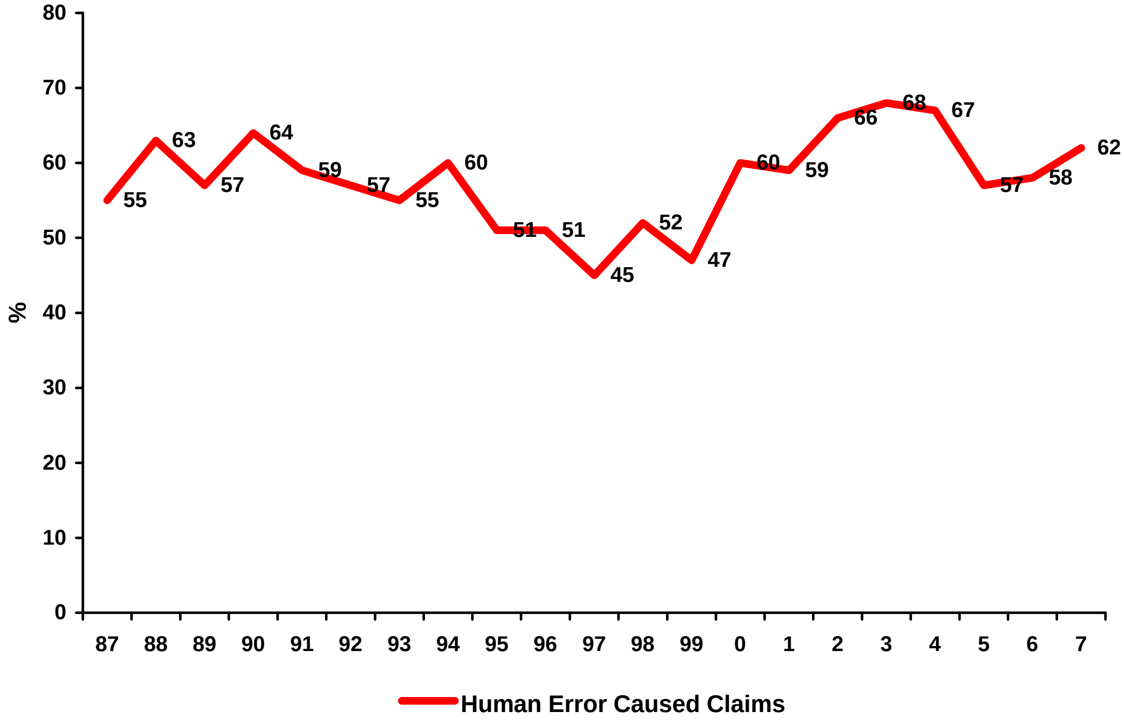
Consequently, since 1987 the Club has focused very heavily on using its experience of handling shipping liability claims to raise awareness of what goes wrong and getting that information to those at the sharp end. Much of this has been done in the form of contemporaneous advice on current claims trends, posters, videos, cargo loading advice etc. A lot of work has been done with members through 'human factor' workshops and the video '*No Room For Error'* focusing on pioneering work done by Shell and Manchester/Leiden Universities in the late '80s.

Has it worked? Sadly twenty years later, in 2007, 62 percent of that year's claims were attributed to human error (see Table 1). So the cynics would probably say 'No'.

However, the industry has learnt a lot in those twenty years. Many people have put an enormous amount of effort and time into trying to resolve the human factor issue, be it at the sharp end or around the boardroom table. We have learnt that humans make mistakes, some unintentional, but many intentional. We know we all violate the rules to a lesser or greater degree, in many cases routinely, and that experienced people do this perhaps more than the less experienced. We are now, as an industry, far more knowledgeable and pro-active when it comes to the human factor.

As mutual insurers though, we have come to the conclusion that is practically impossible for us to resolve the human error issue ourselves; it is just too big with too many variables. We feel our role as insurer needs to be more focused if we are to assist our members in reducing their costs from human error incidents. We need to prioritise risk.

Table 1



A good definition of risk is 'RISK = FREQUENCY x CONSEQUENCE'. Therefore we as risk managers (and that is primarily what insurers are), need to look at the number and value of the Club's claims, prioritise the high risk areas through analysis, and determine what the threats are that cause these claims. Then, with the aid of those at the sharp end, our correspondents, surveyors, claims executives and underwriters, determine what controls - be it engineered, procedural or managerial - should be in place to reduce those claims. Those controls then need to be assessed, either with the help of the Clubs own risk assessors or by members themselves in conjunction with their crews.

Putting a structure in place to measure the cause of claims, will enable records to be kept, which will help establish trends and benchmarks. The old saying *"you can't manage what you can't measure"* has never been more valid.

At the present time, the Club is working with several of its members, providing in-depth risk profiling of their fleets then working with them both in the office and on board ships, with the Club's ship inspectors, claims executives and underwriters assessing those threats and controls.

Hopefully, by focusing on the high-risk threats which cause P&I claims and the controls that we, as insurers, feel have failed to contain some of those threats, that focusing on the effectiveness of those controls will mitigate the consequences, so that in future one SMALL

MISTAKE by a HUMAN either on board OR ashore is not **'the straw that breaks the camel's back'.**

Further details are available at www.ukpandi.com 'Loss Prevention' 'Human Element'

Some examples of dangerous and unsafe practices