

UK P&I CLUB



PEME IN JAPAN

A Guide to the Club's Pre-Employment Medical Examination Programme for Japanese Members

UK P&I CLUB
IS MANAGED
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RISING CREW CLAIMS

The P&I industry is estimated to deal with third party liability claims against ship operators for personal injury, illness and death totalling more than \$400 million a year.

Nearly 64 per cent of these claims are represented by crew illness claims.

The problem has become particularly acute for Japanese ship operators over the past ten years.

Over the ten year period 2002-2011, \$706 million was paid and estimated for people claims at five years' development. Crew injury and illness claims accounted for \$527million (74.71%) of this. As a percentage of the Club's total paid and estimated claims, crew illness and injury claims alone constituted 31.27%, slightly more than cargo, which accounted for 27%.

Crew illness claims are complex and attract a variety of costs from the fundamental liability of a ship operator as an employer to his officers and crew. Typically, an illness claim can incur substantial aggregations of costs from:

- Sickness wages
- Medical treatment
- Repatriation
- Compensation for longer-term disability

These claims we see are up to or including deductible and exclude self-assured liabilities paid by the member.

But why the increase in claims?

Serving on Japanese ships is certainly not the cause of this. Indeed the significant increase in crew illness claims contrasts with a stable trend for injury claims among the same group of shipowners.

However, Japanese shipping has undergone fundamental changes in that period, one of which has been the internationalisation of their operational control and establishment of overseas management in Asia and elsewhere.

Sourcing and selection of crew has been delegated to regional offices in countries of labour supply such as the Philippines. Japanese operators are now dependent on local crewing agencies and clinics to scrutinise the health and fitness of seafarers for sea duty.

PEME CASE STUDIES

The significant exposure to ill health by seafarers when a properly conducted pre-employment medical examinations is lacking can be seen from the following case studies.

Sub-standard medicals

A crew candidate who failed to meet the UK P&I Club PEME medical standard joined another ship after a basic Department of Health PEME. Shortly after joining the ship, they suffered a high fever and fell unconscious. The ship had to divert back to port in the United States to hospitalise the crew member. A lengthy stay in intensive care after complications caused by pre-existing diabetes and pneumonia resulted in total net costs of \$237,000.

History of alcohol abuse

Within two weeks of joining his ship, a seafarer was hospitalised in the United States, for an infected injury to his elbow. However, he then developed respiratory problems requiring a tracheotomy and stayed in the US hospital for a number of weeks as he was too ill to risk repatriation to Europe. It was then discovered that he was diabetic and had a recent history of alcohol abuse – neither of which had been detected during the conventional crew medical examination. When finally repatriated to Sweden, the total net costs amounted to \$307,000.

Failed to spot pre-existing illness and treatment

Despite having a basic Department of Health medical a Filipino crew member was taken ashore to a local hospital emergency room complaining of severe stomach pains. Diagnosed with congestive heart failure, renal failure as well as possibly having suffered a recent heart attack, he was subsequently placed into intensive care. The diagnosis also identified he was receiving medication for pre-existing hypertension (high blood pressure). To date, this case has incurred over half a million dollars of costs including a month of intensive hospital treatment and an accompanied repatriation by air.

UK P&I PEME SOLUTION

Rapidly increasing illness claims for seafarers is not a new problem. In 1996 the UK Club established the industry's first Pre Employment Medical Examination programme (PEME) after it identified that many of these claims were in fact due to pre-existing medical conditions among seafarers.

Investigations by the Club have found significant inconsistencies in standards among clinics. The medical standards applied are usually the regulatory minimum in the local country. These local examinations were insufficient to screen out the pre-existing medical conditions that would impact on a shipowner's liability. The inevitable consequence for shipowners is an exposure that can easily extend into hundreds of thousands of dollars in costs and significant interruption to operations.

The UK Club has built a network of specialist clinics in more than thirty international locations including the key seafarer recruitment centres such as the Philippines, India, Indonesia, Singapore and Thailand. These clinics have adopted an improved standard of medical examination under the Club's guidance.

Clinics are directly accountable to the Club and maintain regular contact with the Club's specialist PEME team in London. All medical reports are

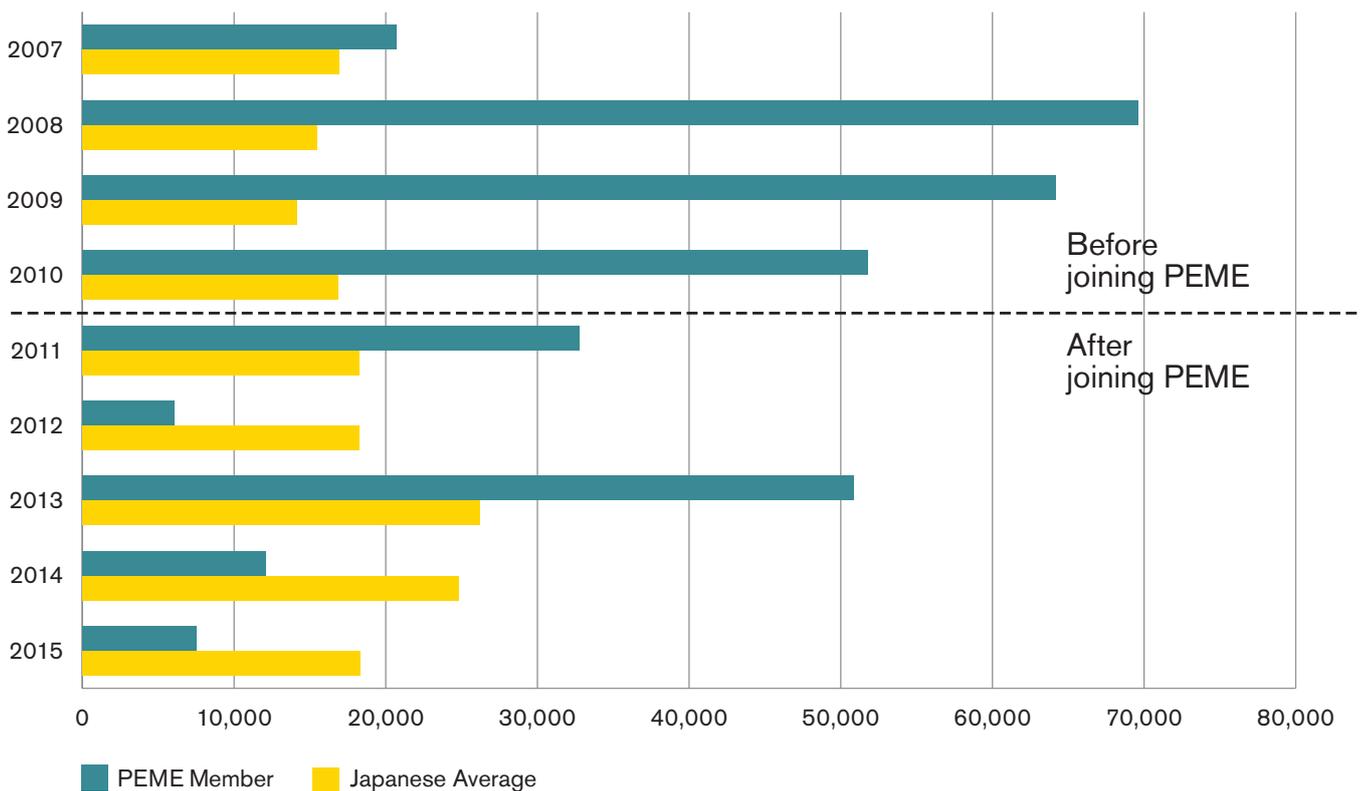
submitted to the PEME team electronically and enable the Club to maintain a confidential database of each crewmember's medical history.

The Club pays the examination fee direct to the clinic. It also stringently accredits and audits every clinic in conjunction with an independent auditor to ensure quality control.

The graph below shows the spike in the average cost of a specific Member's crew illness claims in 2008/9, which is considerably higher than the average cost for Japan as a whole. Since joining the scheme in 2010/11, this Japanese Member has secured a clear reduction in the average cost of their crew illness claims, despite the unremitting increase of both Japanese and wider membership illness claims values.

The spike in claims seen in 2013 relates to one claim involving a crewmember who did not undertake the standard UK P&I Club PEME at an approved clinic, and two other cases involving back complaints. Conditions of the lumbar region can be difficult to screen at PEME. All three cases were work related under the POEA SEC, and whilst two settled in line with the Member's contractual obligations, the third case saw the seafarer pursue a claim before the NCMB, who awarded an amount far in excess of the Member's defined contractual obligations.

Example PEME Member vs. Japan average at 24 months > USD 1,500



HOW DOES OUR EXAMINATION COMPARE?

PEME EXAMINATION CONTENT COMPARISON			
	Philippines DOH AO 2013-0006	UK P&I Club	Notes / Illness screened
Complete physical examination and medical history	Yes	Yes	Physical appearance
Visual acuity (far and near vision)	Yes	Yes	Eyesight
Ishihara	Yes	Yes	Colour blindness
Audiometry	Yes	Yes	Physical Exam only
ECG*	Yes	Yes	Heart function
Dental examination*	Yes	Yes	Physical Exam only
Urinalysis (10 parameters)**	Yes	Yes	Protein/sugars
Complete blood count and blood typing	Yes	Yes	Blood count/type
Chest X-ray (digital)*	Yes	Yes	Chest X-ray / TB
TPHA	Yes	Yes	Sexual health
Fecalysis for food handlers	Yes	Yes	Stool analysis parasites
Serum pregnancy test for female applicants	Yes	No	
Hepatitis A/B/C	No	Yes	Hepatitis A B or C
HIV	No	Yes [#]	AIDS/HIV
Psychological examination	No	Yes	
DAAT – 5	No	Yes	Drug and alcohol presence
PFT	No	Yes	Lung function
Blood chemistry	No	Yes	Major organ function
FBS	No	Yes	Diabetes
Cholesterol/triglycerides	No	Yes	High cholesterol
SGPT	No	Yes	Liver/kidney function
SGOT	No	Yes	Liver/kidney function
Bilirubin	No	Yes	Kidney disease
Alkaline phosphatase	No	Yes	Liver disease
BUN	No	Yes	Liver/kidney function
Creatinine	No	Yes	Kidney disease

* Additional item for testing or further referral, if clinically indicated

** Urine test for albumin, glucose and blood only performed

Where permitted by law

The comparison table opposite illustrates the differences between the Filipino Department of Health (DOH) basic examination and the UK P&I Club PEME enhanced medical content.

Note the higher content of our PEME, which ensures a number of high risk medical conditions are screened out. Conditions such as Hepatitis B (prevalent in the Philippines, and if unchecked, can cause serious health implications) can be detected. We also screen for diseases and functions of the liver and kidneys, looking to avoid painful kidney stones or liver infections, which can render crew unfit, and regularly leads to a number of repatriation cases seen by the Club.

HOW CAN WE HELP?

The introduction of the UK Club PEME scheme to seafarer recruitment has had a considerably positive impact.

The more rigorous standards and maritime focus of the UK Club standard medical led to more than 12 per cent of initial candidates being rejected as unfit for sea duty. The quality control effect on crewing and recruitment agencies has reduced rejection rates to just 3 per cent. The reported level of crew fitness experienced under the Programme has improved over time. All Members who join the scheme initially experience high rates of unfitness, which improves once the long-term unfit crew are removed.

In the course of its extensive experience the UK Club has identified more than a thousand seafarer recruits

with Hepatitis B, over a thousand cases of critically high blood pressure and in excess of 700 cases of pulmonary tuberculosis. Each of these cases would have generated a liability claim significantly higher than the cost of the medical examination that prevented their recruitment on board Members' ships.

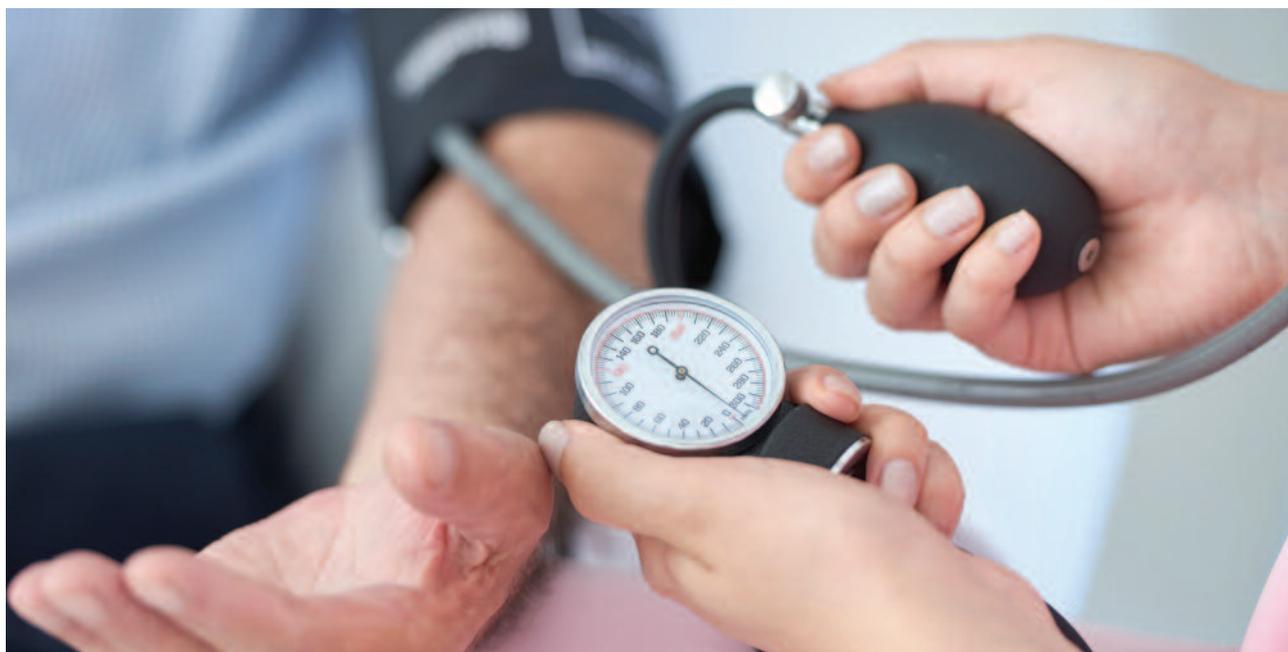
For shipowners

- Improved crew risk management
- Fewer claims
- Safer ships
- Minimal disruption
- Fitter and healthier crew
- Control on costs
- Accountability of clinics
- Crew claims analysis

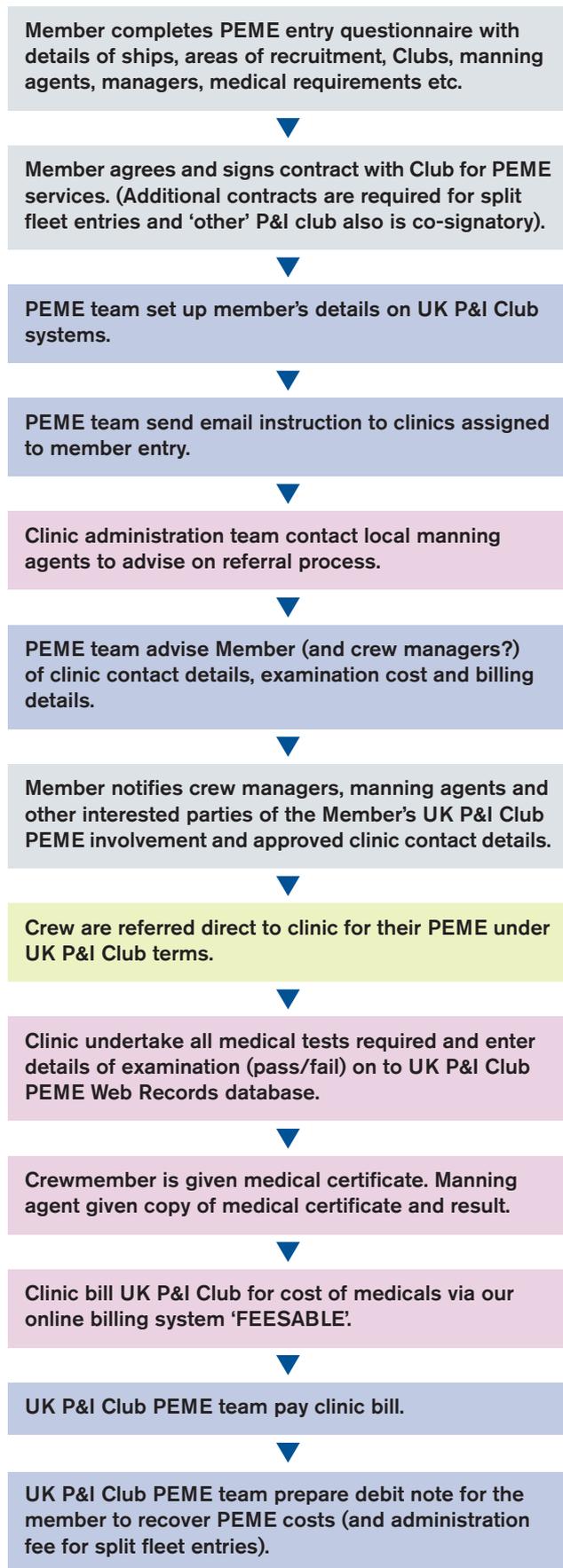
For seafarers

- Quality medical examination
- Free health check /lifestyle advice
- Improved awareness of health issues
- Increased personal safety onboard

The PEME team handles the administration of the examination scheme and provides useful reports and insight into the quality of seafarer recruitment. Members currently using the scheme range from tanker and dry bulk operators through to major cruise lines.



THE PEME PROCESS



THE NEXT STEPS

The UK P&I Club's PEME scheme is a voluntary service for UK P&I Club members. Membership to the scheme clearly offers considerable savings in potential costs and administrative burden.

Individual crew illness liability claims are costing approximately 12 per cent more year on year and the more stringent imposition of responsibility and liability on shipowners arising from the Maritime Labour Convention and national legislation makes this a trend likely to continue.

The PEME team tailors its solutions to individual Member's needs dependent on the type of seafarers and the location of their recruitment.

Medical examination costs vary between countries and the PEME team works together with the Member to obtain the most cost-effective and workable solution.

Information required from Members on enquiry

- Main areas of crew recruitment (e.g. countries and cities)
- Details of your current crew PEME arrangements? e.g. in house/out sourced by manning agent; crew paying for PEME; fleet of doctors or any doctor
- P&I Entry – is the whole fleet in the UK P&I Club or split?
- Number and names of ships in the fleet
- The flag(s) of the ship, ship type and trade routes
- Any other details or relevant information from within your terms of entry or within your previous crew claims history you would like us to note.

Member actions after entry into PEME Programme

- Advise all parties involved in crew recruitment you have joined the PEME Programme
- Instruct crew managers and manning agents to implement PEME referral process
- Ensure all crew are sent to the UK Club approved clinics for medical examination.

- Member
- UK P&I Club
- Clinic
- Manning Agent

CONTACT PEME

For more information, please visit the specialist PEME section of the UK Club website at:

www.ukpandi.com/loss-prevention/peme/

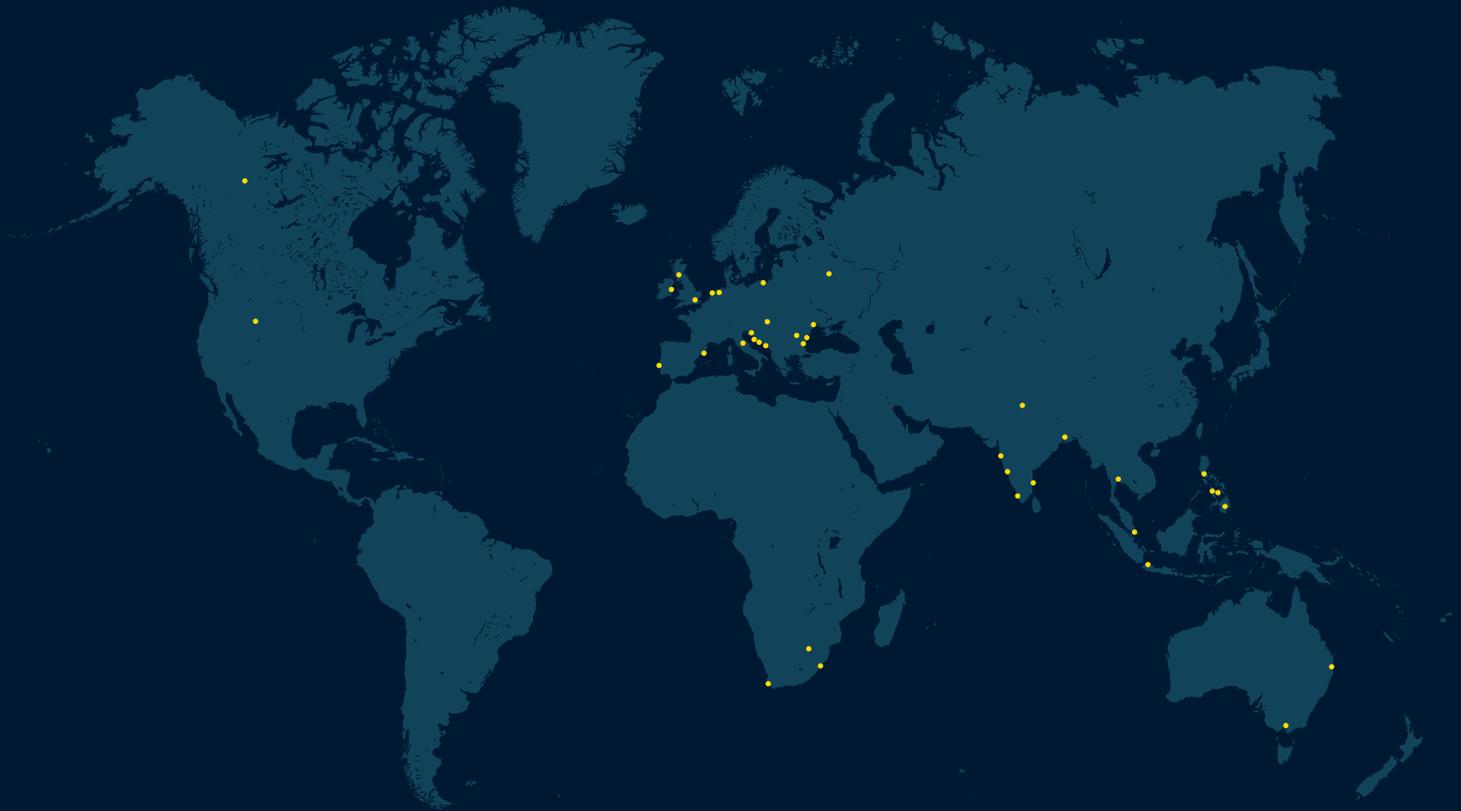
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