

# ANNUAL REPORT 2020



**Nordisk Skibsrederforening**  
(NORDISK DEFENCE CLUB)

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# REPORT FROM THE BOARD



Nordisk rose to the challenge of the pandemic: its staff transitioned seamlessly to home-working while handling a heavy caseload, as members in various segments addressed the impact on the maritime industry of COVID-19. Nordisk's financial position remains strong, and we look forward to returning to more normal times during 2021.

For years to come, any future reflections on the year 2020 will be dominated by the outbreak of the COVID-19 pandemic. No single event in recent decades has had such a wide-ranging impact on everything from the global economy and trade to the everyday lives of people around the world. The impact and consequences of the pandemic are felt everywhere and by everyone. Hope lies with the ongoing vaccination campaigns around the world, which are proceeding at record speed.

The worldwide shipping industry has felt the effect of the pandemic in numerous ways. The sector taking the hardest hit from the virus was the cruise industry, which was basically left without passengers overnight and with no alternative but to lay up the majority of its highly capital-intensive fleet, while dismissing and sending home large numbers of crew. The comparable international passenger ferry segment has been facing many of the same challenges. The car car-

riers and roll-on roll-off fleet saw demand shrink steeply following reduced production of cars, sending large parts of this fleet into lay-up in Norwegian fjords and elsewhere for the first time in many years. The offshore sector, which had struggled for many years, had entered 2020 with a positive outlook, but tumbling oil prices caused decreased activity and hence utilization, leading to plummeting spot rates and an increase in the number of laid-up vessels yet again.

One of the biggest challenges for the global shipping industry through the pandemic has been the need to change vessel crews in accordance with agreed work cycles. The perceived risk of infection and spread of the virus via crew members departing or joining a vessel, combined with limited test facilities and varying, but strict, quarantine restrictions, has for long periods effectively blocked crew rotations in many ports. Officers and crew members, and even travelling repair crews, have effectively been left stranded onboard vessels for months. Maritime authorities have identified the consequent risk of crew fatigue among the seafarers as a factor increasing the risk of casualties.

Taking a closer look at some of the key markets we serve, the above-mentioned offshore sector comprises rigs, seismic vessels, FPSOs and the full range of offshore support vessels, accounting for about a quarter of all vessels entered with Nordisk. As the growth in offshore oil and gas activities has taken a dive from its peak a few years ago, our members have increasingly turned their attention to renewables, with many investing heavily in vessels for the offshore wind industry. Nordisk is excited to be supporting our members that have joined in this transition, which is likely to accelerate in coming years. Despite the difficult markets in the offshore sector, the number of new cases per vessel remained constant in 2020 compared to the previous year.

The dry bulk market represents a quarter of the vessels entered in Nordisk. The outbreak of the pandemic reduced demand for tonnage, leading to tumbling rates in the first half of 2020. The second half saw a significant recovery and rates in early 2021 have reached levels not seen in

a decade. The volume of dry bulk cases handled by Nordisk in 2020 was higher than in 2019, largely as a consequence of the challenges caused by restrictions related to the pandemic.

The main tanker markets developed inversely to the moves in oil prices during 2020. During the first half of 2020, oil prices plummeted due to a combination of the negative demand shock driven by COVID-19 lockdowns around the world and the Saudi-Russian oil price war. In response, tanker rates soared in March/April, followed by a gradual decline to below OPEX in most segments later in the year. The start of 2021 has been equally challenging.

Nordisk has truly felt the impact of COVID-19 during 2020, as reflected in a total of 1,939 new cases. This figure represents an increase of about 17 percent compared to the previous year. As reported in last year's Annual Report, our case load was already gradually on the rise towards the end of 2019 and in the first months of 2020. But the number of new cases per week spiked during March and April as a direct result of inquiries relating to COVID-19 issues.

The pandemic caused a multitude of practical and commercial problems in relation to the operation of vessels around the world. In addition to charter party problems, there were issues under purchase and sale contracts, reliance on force majeure in connection with delivery of newbuildings, and many other challenges. In some cases, Nordisk assisted members in redrafting delivery clauses for shipbuilding contracts to allow for remote observation of sea trials or to allow the yard to sail the ship to a location unaffected by lockdown for delivery. In this manner, the buyer's crew could take delivery with the minimum delay. In numerous cases throughout 2020, we experienced constructive efforts by parties to help each other in finding common ground in the face of adversity. We are hopeful that this spirit of good faith will limit the number of disputes that one might have expected from such a severe crisis.

An immediate problem facing Nordisk members in early 2020 was that contracts typically





did not contain clauses dealing with pandemic risks of the sort facing the industry. Although some clauses were generated in connection with the SARS and Ebola epidemics, the use of such clauses had typically been discontinued by 2020. Traditional clauses related to epidemics are also generally focused on redirecting ships and cargoes away from local outbreaks of diseases, as opposed to a dealing with a global pandemic where most areas of the world are affected. At an early stage, Nordisk produced and distributed information to members highlighting the various problem areas and providing advice on the implications for owners and charterers. BIMCO produced clauses as did oil companies and traders. We have negotiated and drafted hundreds of COVID-19 related clauses during the year, largely because the clauses prepared by trade organisations and charterers were often considered to be too onerous to be accepted – at least outright.

Following the above-mentioned initial wave of COVID-19 related cases in March and April, the volume of new cases in 2020 continued at a level above the previous year, but with the pandemic playing a lesser role than our

traditional types of disputes.

The start of 2021 continues to be affected by COVID-19, but optimism is returning to many parts of the industry as vaccination programmes progress with increasing speed, with trade and financial recovery following suit. Given the stable fleet and the trends at the start of 2021, the Board anticipates a case load in 2021 that is somewhat lower than in the unusual year 2020.

The Managing Director of Nordisk, Steinar Nyrud, stepped down in September 2020 after having served for two years. The Board thanks Steinar for his efforts while serving Nordisk and wishes him all the best in his future endeavours. Following his departure, the Board implemented an interim management model which has been successful in ensuring that the level of service to the members of the Association remained uninterrupted.

At time of writing, the Board is pleased to announce that Mats E. Sæther has been appointed as the new Managing Director of Nordisk. The Board is confident that Mats is an excellent choice for this position, and will help develop the Association for the future.

The Nordisk staff transitioned to home-working almost overnight in March 2020, and have largely worked from home since then. Through hard work and dedication they have managed to support the members and protect the members' interests. The combination of a very experienced team, with seasoned understanding of member issues, along with flexibility and co-operation combined with efficient IT and communication solutions, has ensured no disruption in the service level to members. The Board wishes to extend their sincere thanks to the Nordisk team for their extraordinary efforts and a job well done in these special circumstances and challenging times.

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Nordisk's financial statement for 2020 shows a consolidated profit after tax of NOK 1.15 million, down from NOK 4.95 million. Operating revenue for 2020 was down by NOK 2.23 million, mainly due to slightly lower consultancy turnover, while operating expenses increased by

NOK 2.18 million. Total equity was NOK 67.66 million by year-end 2020 and total cash and investments amounted to NOK 63.27 million. Nordisk's reserves are held in equities and money market funds. The Board considers Nordisk's financial position to be strong. In addition to Nordisk's own equity, its financial strength and liquidity are further strengthened through management and insurance agreements with Northern Shipowners Defence Club (Bermuda) Ltd. The equity/retained earnings of this entity were equivalent to NOK 269 million at the end of 2020. The reserves maintained to cover costs were equivalent to NOK 49 million.

Nordisk maintains its reinsurance policy in the Lloyd's market, covering possible high expenditure in individual cases. The policy was modified from the year 2019 onwards to provide better protection to Nordisk while covering cases up to a maximum of NOK 100,000,000. This limit corresponds to the limit of cover established in the new Statutes and Rules.

*Oslo, 31 December 2020*

*23 March 2021*

JAN FREDRIK MELING  
Styreformann

PER WESTLING

STEPHAN TSCHUDI-MADSEN

MAGNE MORKEN

ANDERS THYBERG

KNUT NIKOLAI  
TØNNEVOLD UGLAND

LIV DYRNES

LARS THEODORSEN  
Adm. direktør

# MANAGING DIRECTOR'S COMMENTS



The year of remote working. Nordisk's more than 130 years of combined shipping experience served us well when the pandemic hit, with a torrent of new cases and issues to handle. Our team has worked hard to deliver a stellar product to our members in a year that was, by many measures, the most challenging in generations.

2020, a year we will all remember: insecurity, lockdown and a scary virus spreading around the world. In addition, there were the frequently changing official guidelines. Nordisk has adapted continuously over the past year, ensuring that both its staff and members were taken care of to the best of our ability.

During its 132 years of existence, Nordisk's

goal has been to provide stellar support to our members in all circumstances. We were stress-tested to the extreme in the first months of 2020, as we saw a wave of cases in the wake of the burgeoning pandemic. Cases involved China in January, then Japan and Korea from February, followed by Italy and the rest of the world from March. COVID-related cases involved

everything from vessels unable to dock, load or discharge, to problems with crew changes, and force majeure delays at numerous yards. Our Singapore office and network of correspondent lawyers around the world proved invaluable in handling the onslaught.

During March, our team moved to home-working almost overnight. This move was successful thanks to our strong IT and remote-working infrastructure. We had enhanced this infrastructure in recent years to ensure that we could always deliver services 24/7 when needed. Like others, our staff had to cope with home-schooling and other personal challenges, but the team worked together to ensure we could deliver the first-rate Nordisk service our members expect. I wish to express my deepest gratitude to the Nordisk team for their extraordinary efforts and performance during 2020!

We regularly assist members in selling ships for responsible recycling, and assisted in many such sales in 2020. A set of comprehensive clauses for responsible recycling has been lacking, so we developed the Nordisk Responsible Ship Recycling Clauses 2020 in collaboration with the Norwegian Shipowners' Association. These provisions have since been widely circulated, and have been used by us and others for recycling sales to India, Turkey, and Norway.

Risks related to ship recycling have been in

the spotlight in recent years, with the media and prosecutors alike focusing on illegal export of "waste" ships and irresponsible recycling practices in yards on the Indian subcontinent. In Norway, the "Harrier" case made headlines, as the former owner was sentenced to six months in prison (since appealed) for aiding in the illegal export of the vessel. Some stakeholders have started black-listing companies for "beaching" ships. We are concerned that many do not know enough about the substantial progress made at many recycling yards – especially in India. Nordisk has worked to educate the press, authorities and other stakeholders about responsible recycling, with the aim of protecting shipowners who recycle responsibly (whether in Turkey, India or elsewhere) from unfair scrutiny. We are continuing these efforts in 2021.

The Association's financial results for 2020 are positive, but slightly lower compared to 2019. Nordisk does not aim to maximise its profit and build limitless reserves. Our aim is to keep premiums as low as possible while maintaining a healthy financial position to further build Nordisk and its organisation, in order to support our members in claims and dispute-handling in the years to come. Given the seamless cooperation with Northern Shipowners Defence Club (NSDC), Nordisk is well placed to continue building upon its successful FD&D business as it





LARS THEODORSEN



has done for many years.

We implemented several new IT systems in 2020, including a new digital processing tool for incoming invoices. In the current “remote working” environment, this system

has proven to be very powerful. Our employees now process incoming invoices from home – or anywhere else – without delays. Going forward, this automation will make Nordisk an even less paper-dependent organization.

Nordisk maintained a team of 20 expert maritime lawyers to serve our members in 2020. Early in 2021, we hired two additional associates to strengthen the team as part of our well-planned succession strategy for the coming years. We are also looking to strengthen the team at the Singapore office.

Our strategy is to provide core FD&D services in combination with legal advice on a consultancy basis as desired by members. In 2020, we were involved in a large number of transactions including a number of newbuilding projects.

An important goal for us is to ensure that Nordisk is and remains a good place to work. We focus actively on offering equal opportunities and a safe working environment. Our absence rate remained low during 2020, in spite of the challenges posed by home-working, home-schooling and other domestic considerations. To protect employees and to assist in the efforts to limit the spread of the virus we closed the office to all but a few core staff for much of 2020. This closure has been successful, as we have avoided any infection incidents related to the office and at the same time maintained our service offering without interruption. Well done, team!

Our former Managing Director Steinar Nyrud left the Association in late 2020. He was replaced by the undersigned as interim Managing Director. I have had the pleasure of taking the mantle with the support of a highly competent interim management team in this period. The board saw some changes in 2020 as well. Hans Peter Jebsen stepped down as Chairman, and

Bjørn Sjaastad as a board member. We wish to thank them for their service and support over the years. We were at the same time very happy to welcome our two new board members Knut N.T. Ugland and Magne Morken onboard, and to have Jan Fredrik Meling promoted to Chairman of the Board.

Nordisk’s business does not pollute the environment in any significant way. We had already transitioned to electronic meetings before the pandemic, pioneering methods in communicating on cases, effecting ship deliveries and closing meetings via Teams and Zoom. This helps keep costs down for the members and the Association, and reduces our carbon footprint by avoiding unnecessary travel. We will continue these practices after the pandemic is behind us. For heating we use air-to-air heat pumps powered by the grid, which is almost entirely powered by zero emissions hydropower. We will continue to look at ways of reducing our environmental footprint as technology develops. As a side note, we are happy to have been involved in an increasing number of environmentally-focused projects in 2020, including battery-hybrid and hydrogen-powered ferry newbuildings, methanol-powered tankers and low/zero emissions service vessels for wind farms.

In conclusion, Nordisk is riding out the pandemic storm and is well placed to continue to assist current and new members in 2021 and beyond. I would like to thank all Nordisk members for their continuing support and loyalty. And if you hear of someone who could benefit from having a great FD&D team at their back, tell them to contact Nordisk!

We wish you all the best for 2021 and join you in hoping that the pandemic, which has brought so much pain for so many, will soon come to an end.

Oslo, 31 March 2021

Lars Theodorsen  
Interim Managing Director

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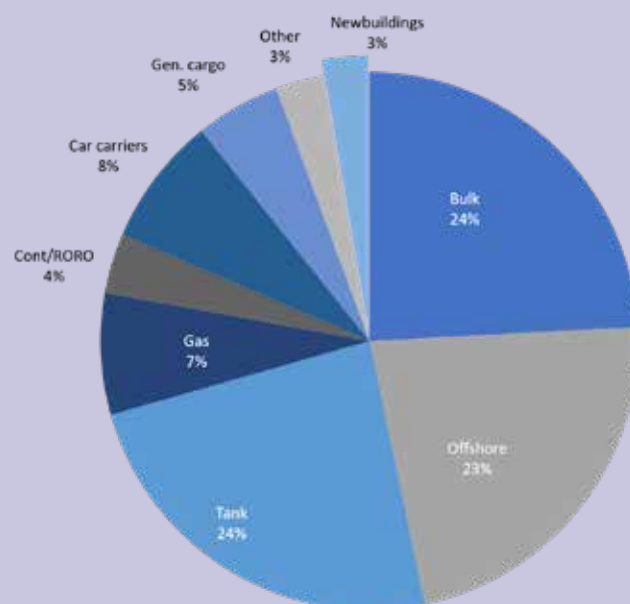




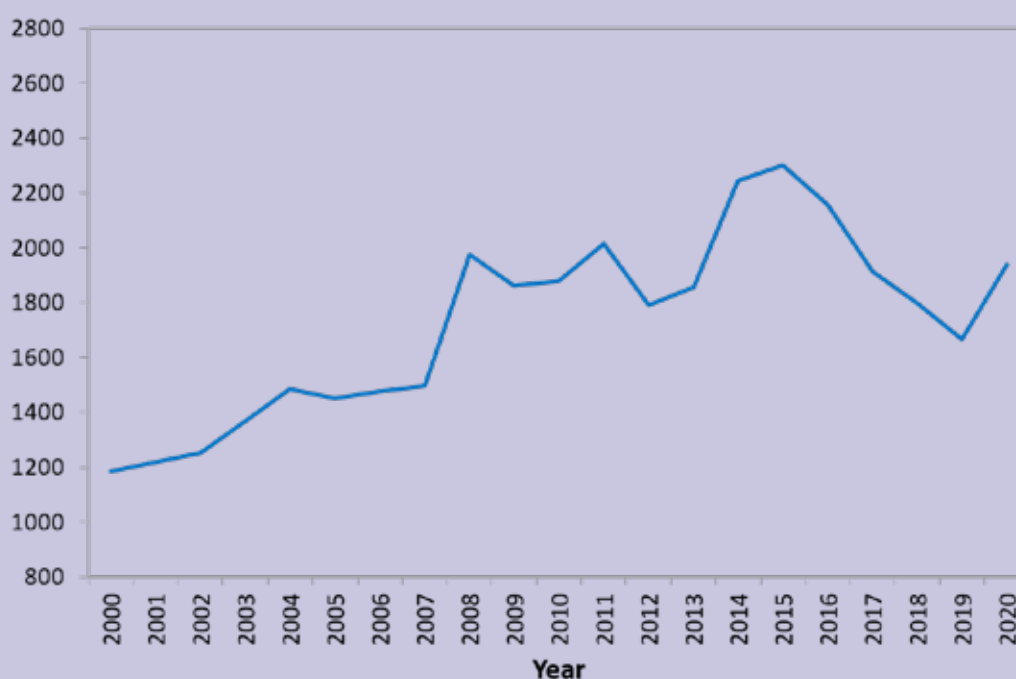
# MAIN SEGMENTS AND NUMBER OF CASES

## Vessel type distribution

By number of vessels



## Number of new cases per annum



# FINANCIAL STATEMENT 2020

## Summary of Audited Accounts

All amounts in 1000 NOK	2020	2019
<b>PROFIT AND LOSS ACCOUNT</b>		
<b>OPERATING REVENUES AND EXPENSES</b>		
Total operating revenues	112 043	114 273
Operating expenses		
Legal fees	2 945	2 242
Personnel expenses	91 782	92 517
Depreciation of fixed assets	1 748	1 950
Other operating expenses	16 802	14 391
<b>Total operating expenses</b>	<b>113 276</b>	<b>111 100</b>
Operating profit	-1 233	3 173
<b>NET FINANCIAL INCOME</b>	<b>2 487</b>	<b>2 687</b>
Profit before tax	1 254	5 860
Tax cost	105	915
<b>PROFIT FOR THE YEAR</b>	<b>1 149</b>	<b>4 945</b>
<b>BALANCE SHEET</b>		
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	3 847	3 829
Fixed assets	16 254	17 567
Financial assets	406	402
<b>TOTAL NON-CURRENT ASSETS</b>	<b>20 507</b>	<b>21 799</b>
<b>CURRENT ASSETS</b>		
Debtors	27 637	13 050
Shares in money market and mutual funds	44 117	53 179
Deposits	19 150	20 072
<b>Total current assets</b>	<b>90 904</b>	<b>86 302</b>
<b>TOTAL ASSETS</b>	<b>111 412</b>	<b>108 100</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Total equity	67 663	62 409
<b>LIABILITIES</b>		
Total long-term provisions	16 252	15 651
<b>CURRENT LIABILITIES</b>		
Outstanding legal fees		1 071
Tax payable	123	121
Other current liabilities	27 373	28 848
<b>Total current liabilities</b>	<b>27 496</b>	<b>30 040</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>111 412</b>	<b>108 100</b>

# CASH FLOW STATEMENT

(INDIRECT METHOD)

All amounts in 1000 NOK	2020	2019
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating profit before tax	1 254	5 860
Tax paid	-121	-110
Depreciation	1 748	1 950
Profit/loss from sale of assets	0	-197
Difference between pensions expense and in-/outgoing payments	592	970
Changes in debtors	-14 586	8 873
Changes in creditors	-2 632	-7 205
Net change in other accruals	-2 724	-2 559
<b>Net cash flow from operating activities</b>	<b>-16 469</b>	<b>7 581</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Investments in fixed assets	-427	-1 482
Proceeds from sales of fixed assets	0	690
Payments on the purchase of other investments	-45 000	-60 155
Payments on the sale of other investments	61 000	46 906
<b>Net cash flows from investment activities</b>	<b>15 573</b>	<b>-14 042</b>
<b>Currency gain/loss on cash and bank deposits</b>	<b>-26</b>	<b>47</b>
<b>NET CHANGE IN CASH</b>	<b>-922</b>	<b>-6 414</b>
Cash and bank deposits 01.01	20 072	26 486
Cash and bank deposits 31.12	19 150	20 072



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