

Joint Hull Committee

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Hull Claims Guidelines

Over the past 10 to 15 years the cost of losses due to hull and machinery claims has escalated considerably. When an event occurs which produces a hull and machinery claim there is naturally an urgent need to deal with the problem and to try to keep the vessel trading to mitigate the loss of earnings.

Where a claim has been handled by the assured's representative, and there are restrictions in the information supplied, unnecessary delays can be caused. These can be exacerbated by a lack of cost control, and such claims often become protracted, with consequent hindrance to the process of reaching the sound conclusion that all parties desire. Self-evidently, this is not in the best interest of either the assured or the insurer as it ultimately leads to higher insurance costs for the whole industry.

This guidance is offered to assist owner's representatives, such as marine and engineer ship managers/superintendents, in their negotiations with surveyors (who, as insurers' representatives, will be aware of the content of the guidelines), when they are presenting damage cases which will eventually form the basis of the owners' claim on underwriters.

The guidance should not be considered as hard and fast procedures but, if the case is built upon such a foundation, most of the contentious points which can arise later in the processing of the claim should be eliminated and lead to quicker settlement.

Neil Roberts
Secretary

Information relating to the work of the Joint Hull Committee(JHC), including an outline of key issues under discussion, recent circulars and wordings, can be accessed from the JHC page of the LMA website via the following link: <http://www.lmalloyds.com/lma/jointhull>



LLOYD'S MARKET ASSOCIATION

A Joint Committee of the LMA and IUA



Hull Claims

Guidance notes for Assureds, their Representatives and Superintendents

1) Introduction

- 1.1 These guidance notes relate to the early stages of handling a hull and machinery claim and liaison with the insurers' surveyor. They are intended to act as guidance for all involved in the claims process to ensure that the claim is handled as quickly as possible.
- 1.2 However, these guidelines are purely for information and do not form part of the policy. They are not intended to have any contractual effect between owners and insurers nor between insurers and their surveyors. All claims are different, and many give rise to complex issues, so that the Assured should make full use of the expertise that is available from brokers and average adjusters, including drawing up a detailed claims procedure that is tailored to their fleet operations.

2) Notification

- 2.1 All incidents that may result in a claim under the policy should be notified without delay to Insurers by the Assured or via their broker, giving details of the date and time of the incident, the location and status of the vessel and present intentions.
- 2.2 Many policies include express terms regarding notification, and delayed notification may prejudice the claim.
- 2.3 The Class society should be kept fully informed of damage to any Class related items. The insurance policy may be terminated if there is a suspension, withdrawal or expiry of the vessel's Class.

3) Recoveries

Insurers will expect any rights against third parties (e.g. a colliding vessel or a negligent repairer) to be preserved by the issuing of appropriate notices holding such parties liable.

4) Surveyor

On notification of a casualty, insurers will appoint a surveyor to act on their behalf. Insurers will look to the surveyor for guidance on all technical issues arising from a casualty including the likely cause of damage and the reasonable cost of repairs. The surveyor should be kept fully informed at all stages of inspection and repair of the damage.

5) Emergency Towing

- 5.1 Where the vessel is in immediate danger, the Master and the Assured are expected to engage in salvage services or take other measures that may be required for the safety of life and property.
- 5.2 Where the vessel is not in immediate danger, Insurers will expect owners to demonstrate that reasonable measures have been taken to ensure that towing and similar costs are competitive in relation to what is available at the time/location of the casualty. Where possible, towing contracts should be discussed with the surveyor and it should be noted that many policies require notice to insurers where a vessel is towed beyond the first place of safety.

6) Evidence

- 6.1 Documents relating to the incident should be made available to the surveyor on request including log books, reports by the Master and/or Chief Engineer etc.
- 6.2 It is likely that the surveyor will wish to inspect the vessel's Class Status & ISM Certificates and the vessel's records and maintenance history, particularly in the case of machinery damages. These should be made available onboard.

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- 6.3 Assureds should check what their responsibilities are in respect of demonstrating that an event comes within the terms of the policy and that the costs being claimed are properly recoverable.
- 7) Damage**
- 7.1 The extent of damage and necessary repairs should be agreed with the attending surveyor, before repairs commence.
- 7.2 The likely cause of the damage should be discussed and agreed with the surveyor at an early stage while the evidence is readily available. If a machinery damage requires further investigation or examination by a specialist the steps to be taken should be agreed between the superintendent and the surveyor. It is important that damaged parts are retained for inspection by the surveyor and possible specialist examination at a later date.
- 7.3 The extent to which the exact cause of a damage needs to be established may vary according to the type of loss and the policy terms. The assured should approach their broker or average adjuster for any clarification necessary in this regard.
- 8) Repairs**
- 8.1 Where a significant damage has occurred, Insurers will expect tenders to be taken for evaluation by the surveyor, prior to a repair yard being chosen. Some policies include express terms that insurers can insist on tenders being taken.
- 8.2 *Steel repairs* - it is recommended that the superintendent, the insurers' surveyor and Class surveyor attend together in order to agree the areas of steel that require renewal.
- 8.3 *Machinery repairs* - the surveyor should be provided with the service engineer's reports and be informed immediately if new damage is discovered as the machinery is opened up.
- 8.4 *Times under repair* - the superintendent should provide details of owner's work carried out at the same time as damage repairs to enable the surveyor to agree details of repair times (afloat and/or in dry dock) for all categories of repairs. This information will be used to adjust time based expenses.
- 9) Cost Approvals**
- 9.1 The draft accounts provided by the repair facility should be reviewed with and approved by the attending surveyor before they are agreed and settled.
- 9.2 Insurers will expect all invoices for repairs and spare parts to be approved by the attending surveyor. This is a technical assessment of the costs involved to confirm that they are reasonable in amount and casualty related. The approval is usually "*subject to adjustment and insurers liability*" to make it clear that this technical assessment is subject to the terms of the policy, which are outside the surveyor's terms of reference.