

IMCC 2016

Case study - handling LOH and H&M claims

- Dealing with potential conflicts between the insurers



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Saturday, October 8, 2016

Time is Money



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Stop making so many dumb mistakes

Source of inspiration: Clayton Christensen, The innovator`s dilemma



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What do you do with your potential **conflict**



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Conflict potential



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Conflict potential



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Financial Risk Management



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Time



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Policy



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Survey



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Choice of repair yard



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Costs to speed up repairs



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The Plan

Preface

Part One: Rules common to all types of insurance

Part Two: Hull insurance

Part Three: Other insurances for ocean-going ships

Chapter 14: Separate insurances against total loss

Chapter 15: War risks insurance

Chapter 16: Loss of hire insurance

Part Four: Other insurances

Chapter 17: Special rules for fishing vessels and small freighters, etc.

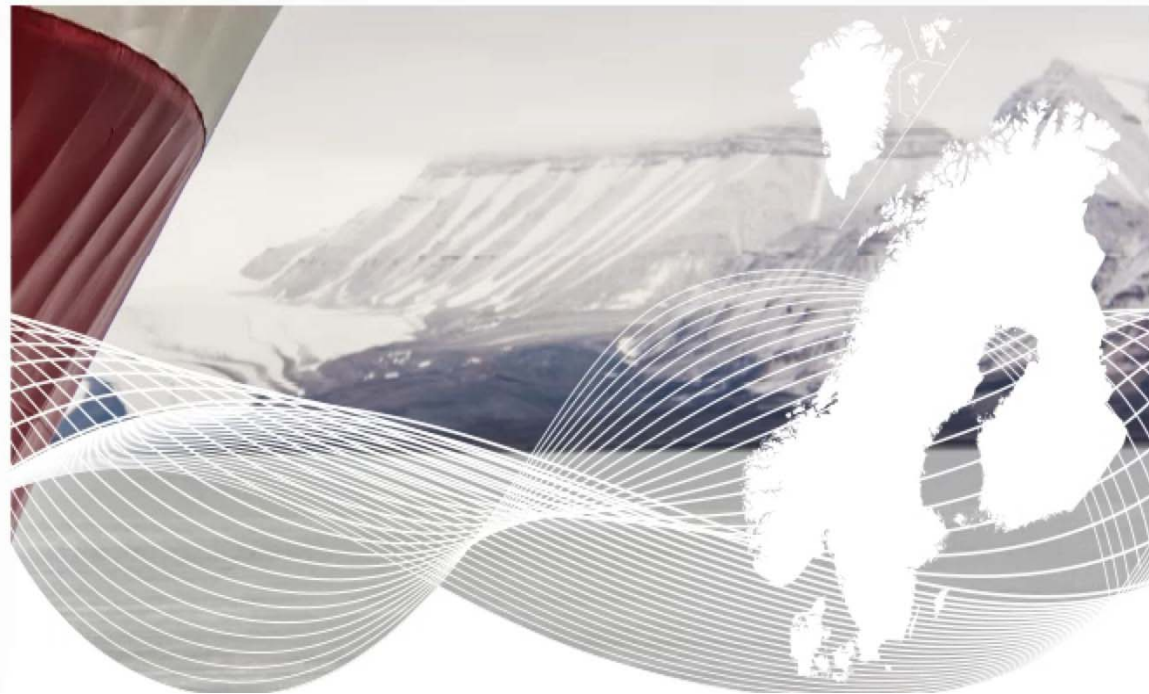
Chapter 18: Insurance of mobile offshore units (MOUs)

Chapter 19: Builders' risks insurance

Appendix

The Nordic Marine Insurance Plan of 2013, Version 2016

Based on the Norwegian Marine Insurance Plan of 1996, Version 2010



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H & M
POLICY

Independent policy

INSURED PERILS
SCOPE OF COVER

LOH
POLICY

Independent policy

REF. THE NMPL § 16-1
AND THE POLICY
WORDING



STARTING POINT

Clause 16-1. Main rules regarding the liability of the insurer

LOSS

Of income As a Consequence of the damage



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Damage
To the ship



Covered under the conditions of the Plan



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Clause 16-1. Main rules regarding the liability of the insurer

What if the assured has hull and machinery conditions other than those of the plan?

The rules in Chapters 10 - 12 of the Plan shall be replaced by the corresponding conditions.

Remember! This will only apply when the foreign conditions have been accepted in writing by the insurer.



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CLAUSE 16-2. Total Loss.

TOTAL LOSS = NO compensation from LOH UW.



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Clause 16-8. Survey of damage.

The representatives shall submit survey reports, in which they describe the damage and state their opinions as regards the probable cause of each individual item of damage, the time of its occurrence and the costs of repair.



LOH entitled to appoint own LOH surveyor....

Time of its occurrence....



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Choice of repair yard

Clause 16-9. Choice of repair yard.

- The assured decides which yard to be used.
- Tenders must be collected if the insurer so demand
- Any potential conflict of interest between the assured, the hull insurer and the loss of hire insurer....?



Clause 16-9. Choice of repair yard

The assured decides

However:

The LOH insurer is only obliged to cover the **quickest** tender among the tenders which are recoverable under the Hull and Machinery conditions.



Clause 12-12.Choice of repair yard

- Costs of removal is added to the tender amount.
- The assured decides the yard
- However, insurer is liable for the cheapest alternative
- Plus 20% p.a. of the hull valuation for the time the assured saves by not choosing the cheapest alternative
- * Example Sum insured USD 32.000.000,- 18 days saved
– USD 17.534,- X 18 days = on top of lowest tender



Quotes –covered by H&M?





	Damen	BLOHM+VOSS	Navantia	Arno
Tenders received	2 760 116	2 703 528	2 600 093	2 636 140

* Hull value pr day = $\frac{32 \text{ mill} * 20}{100 * 365} \approx 17500$



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Quotes –covered by H&M?

	Damen	BLOHM+VOSS	Navantia	Arno
Tenders received	2 760 116	2 703 528	2 600 093	2 636 140
Cheapest	2 600 093	2 600 093	2 600 093	2 600 093
Days of repairs	72	65	80	62
Difference	160 023	103 435	-	36 047
Days saved	8	15		18
20% rule	140 000	262 500		315 000
Covered by H&M				

* Hull value pr day = $\frac{32 \text{ mill} * 20}{100 * 365} \approx 17500$



Costs incurred to save time?



Clause 16-11. Extra costs incurred in order to save time

Covered only if not covered by the hull insurer

Only covered if time is actually saved....



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Clause 12-7. Temporary repairs

The insurer is liable for costs up to the amount he saves through the postponement of the permanent repairs, or up to 20% p.a of the agreed insurable hull value for the time the assured saves, if the latter amount is higher.



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Clause 12-8. Costs incurred in expediting repairs

H&M insurer liable for costs, but limited to 20 % p.a of the agreed insurable hull value for the time saved by the assured



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Clause 12-7/ Clause 12-8/ Clause 16-11

How does this work?



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ASK



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Clause 16-11. Extra costs incurred in order to save time

The daily amount gives us some money to «play with....»



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Clause 16-11. Extra costs incurred in order to save time

Example...



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- **Buy an old tanker**



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Take out the gearbox and use it as a spare part



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- Charter an Antonov Airplane....and bring the gear from US west coast to Europe as quick as possible.



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Pay bonuses and overtime to working staff at yard in order to further reduce off- hire time



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MV Anonymous

Stern tube damage



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Notification of new claim received 15.06.15

Dear Paal,

please find attached a new claim. The vessel will be drydocked at Yiu Liang Hong Kong Eta 27.June

Do you want to send your own surveyor or should it be done by the H + M surveyor ?

regards



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lø 27.06.2015 01:15

Haaland, Paal Martin Hystad

RE: stern tube damage - docking Hong Kong

To

CC: haaland, paal martin hystad

Dear Mr.

Thank you for below confirmation.

As stated in below email we took out LOH as claims lead with a 60 % share. is covering the remaining 40 %.

Our claim no is 151217/ PMH.

The DA is USD 18 000,00 and according to info received so far, the total repair time is in the region of 16 days.

It is very important that you give me feedback re estimated time of repairs as soon as you know.

Thanks in advance.

Best regards,
for Norwegian Hull Club
Paal Martin Hystad Haaland
Claims Manager

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On 1 Jul 2015, at 23:32,

Good afternoon Mr. Haaland,

I attended the vessel today for the first inspection and had discussions with the project manager of the repair yard, owners superintendent as well as Captain and C/E of the vessel!

Please be informed as follows:

1. Vessel arrived S/Y today morning at 09:30 am LT,
2. Vessel will shift to the DD tmr , 02 July 2015, approximately noontime,
3. No dismantling work started on the shaft today. Shipyard needs the M/E for maneuvering into the dock tomorrow.
4. Following measurements were taken today: 1. Crank web deflection M/E by crew,
2. Jack up test of the shafting by shipyard,
5. After docking of the vessel following repairs are planned:
 1. Dismantling of propeller,
 2. Loosen the bolts between propeller shaft / intermediate shaft and between intermediate shaft and flywheel M/E,
 3. Transport/moving of the intermediate shaft out of the existing position, including dismantling of the intermediate shaft bearing,
 4. Withdrawn of the propeller shaft.
 5. Above mentioned work takes min. 2 days.
5. Thereafter we can start with the investigation of damages and causes of damages and I will send my 1st reporting letter.
Off Hire statement was handed over to the undersigned and started on 29 June 2015 at 00:38 UTC.



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Update received

- Good afternoon Mr.Haaland,
- Yesterday took place the first alignment measurement of the shafting. After dismantling of the damaged stern tube bearings aft and fwd today, the second measurement is planned for tmr. morning.
- Further inspection:
- M/E main bearing no.1 : in order,
- All foundation bolts M/E of proper tightening torque checked: in order. (done by S/Y),
- Chrome liner aft inspected : to be machined in the yard workshop, checked after machining: i.o.,
- Cast iron liner fwd inspected after machining: to be renewed due to undersize,
- Casing of stern tube seals fwd found damaged (material partly broken out), to be renewed,(see photo's)
- We estimate the repair cost, including the spare parts and general cost (50 %), at the present time with approx. USD 300.000.
- Estimated end of the repairs approx. 17/18 July 2015, + 1 day sea trial.



- From broker: 29.07.15

Dear Paal,
please find attached bad news. Please let
us have your comment.
regards



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Stern Tube Damage



Misalignment of propeller
shaft and intermediate
shaft



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Repairs completed

27. September 2015....



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And the bad news...

1. Quotation - MarineShaft Denmark:

Manufacturing time: 14 weeks

**2. Quotation - original manufacturer Changzhou
Zhonghai Propeller Co. Ltd.**

Manufacturing time: 6 months (24 weeks)

3. Quotation – Wärtsilä

Manufacturing time: 15-22 weeks



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Could the shaft be damaged by the jack up test?



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Could the shaft be damaged by lifting at the yard?



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Has there been a grounding?
Or has the vessel been overloaded from heavy cargo?



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Understand the trade



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Know your client



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**Understand the
technical issues**



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Cause of damage



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**Possible to see
around corners?**



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Balance creativity and conditions



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**Discuss with Hull
& Machinery!!**



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Will repairs of shafts be successful or not? (Repair time and transport approximately 4 weeks)

What is time and cost for delivery of new shafts?

Will class approve repairs?



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What do we do?
What is the risk now?
(For both LOH and H&M)



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What did we do?



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Ordered shafts, but with a cancellation option.

(Cancellation costs at certain levels....)



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From the final adjustment...

«Both shafts were ordered by Owner for reasons of precaution (in agreement with leading Hull Underwriters and Loss of Hire Underwriters), before it turned out that the damaged ones could be repaired. Costs incurred have been apportioned in accordance with that agreement».



One more «thing»....

Cause of damage...

«Investigations of the cause of the damage included metallurgical testing.... The details of these findings indicated that the shafts supposedly underwent unauthorized heat treatment at some stage. It is presumed that this heat treatment was applied in order to rectify an original misalignment in the shaft components, prior to installing them on board, at the time when the vessel was built.»



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Vessel was built in 2011.



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LOH – NMIP

H&M – A.D.S (German General Rules of Marine Insurance)

With following amendment; D.T.V Hull clauses 1978 (ed. 2/92) with following amendments/complements; (...)



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Loh conditions...

Subject to the terms and conditions of the NMIP Plan of 1996, version 2010, Part one and Chapter 16.

Adjusted to reflect the vessels actual Hull & Machinery conditions as follows;



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LOH – Underwriters accept and agree that the Hull and Machinery Insurance is effected on basis ADS/D.T.V Hull Clauses 1978 (ed.2/92) plus additional comments and clauses



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Three things to remember....

1. Be aware of the conflicts, focus on the solutions
2. Start at the end...
3. Put yourself into the shoes of your client
4. (Bonus.)The purpose of life is to be helpful



EXPECT MORE



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