

Hull & Machinery insurance when sailing in ice

(and remote areas)

**The Nordic Marine
Insurance Plan of
2013 (NMIP)**

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Background

2 main principles

All risk insurance cover

“Everything covered unless excluded”

Named perils

“Nothing covered unless specifically mentioned”

The NMIP is an all risk insurance cover

It is an agreed document drafted by a Committee with strong Nordic shipowner participation and support of Nordic brokers.

“The plan is recognized by all parties as a fair and balanced system for protecting shipowners’ interests”.

Background

Main rules concerning ice:

- NMIP Cl. 3-15, Trading Area
- NMIP Cl. 3-22, sub-clause 3, Safety Regulations
- NMIP Cl. 3-25, Violation of Safety Regulations

2012: Concern among shipowners arose on the effect of the requirement for compliance with ice class rules pursuant to Cl. 3-22, sub-clause 3 of the Plan.



Trading Area Clause (26-11-2013)

A new Clause with a commentary which replaces Clause 3-15 (trading area) and Clause 3-22 sub-clause 3 (safety regulations).

Cefor Trading Areas Clause

Clause to replace Clause 3-15 and Clause 3-22, sub-clause 3 of the Nordic Marine Insurance Plan of 2013

Issued 26.11.2013

Instead of Clause 3-15 - Trading areas the following clause shall apply:

The ordinary trading area under the insurance comprises all waters, subject to the limitations laid down in the Appendix to the Plan as regards conditional and excluded areas. The person effecting the insurance shall notify the insurer before the ship proceeds beyond the ordinary trading area.

The insurer may consent to trade outside the ordinary trading area and may require an additional premium. The insurer may also stipulate other conditions which shall constitute safety regulations cf. Cl. 3-22 and Cl. 3-25, sub-clause 1 of the Plan.

(5 pages document)

Insurance coverage according to “CEFOR Trading Area Clause”

- The person affecting the insurance has a duty to notify the insurer before the ship proceeds beyond the ordinary trading area.
- The insurer may consent to trade outside the ordinary trading area and may require additional premium and stipulate other conditions which shall constitute safety regulations.

The Nordic Association of Marine Insurers (Cefor)

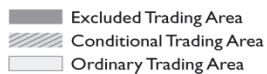
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CEFOR check list for assessing risk when trading in arctic waters

The Nordic Association of Marine Insurers (Cefor)

CHECK LIST FOR UNDERWRITERS AND OWNERS/MANAGERS FOR ASSESSING RISKS ASSOCIATED WITH VOYAGES IN ARCTIC WATERS

The purpose of this Check List is to heighten awareness of risks for both underwriters and owners/managers. The underwriter should send the Check List to the owner/manager some days prior to the meeting where both parties should go through the list.

Accident scenarios

Prior to going through the Check List, the following accident scenarios for summer trade in the Arctic should be carefully reviewed in order to gain greater understanding of the risks involved.

- One of the most relevant risks is the lack of infrastructure and ability to bring the vessel back to a place where repairs can be performed. There are hardly any suitable ports in West Greenland or in the Northern Sea Route (NSR) where spare parts can be obtained or flown in. As an example it recently transpired that a turbocharger cannot be flown into Nuuk because it exceeds the cargo capacity of a Twin Otter airplane. This means that a minor casualty can become extremely costly. In remote Arctic waters outside the NSR, vessels may be more or less alone and tugboats could use weeks just to get to the distressed vessel.

- (Grounding due to drunken sailor) Excessive cost due to Arctic location.

The Exxon Valdez accident once again? Insurers face many "accidents that "never should have happened. These types of incidents may also occur in the Arctic. In Arctic waters, due

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CEFOR check list for assessing risk when trading in arctic waters

- **Documental Compliance**

- E.g. Does the ship has any conditions of class? Ice pilot required? Ice Class qualification required?

- **Vessel Suitability**

- E.g. Ships Ice Class, navigational equipment

- **Logistical Preparedness**

- E.g. Spare parts, nearest tugs

- **Meteorological Preparedness**

- E.g. Update regularity of weather reports

- **Crew Competences**

- E.g. Double manned watch during vital sections

- **Contractual Issues**

- E.g. Clearly identify parties and roles of ship-owner and charterer

Navigating in ice

Vessels with no Ice Class / Ice strengthening:
Are not intended for operation in ice infested waters.

Vessels with Ice Class / Ice strengthening:
The notation defines the limit for the ice conditions in which the vessel may operate. (limitation on ice thickness specified for each ice class are always broken ice)

Insurance cover in various situations

Situation 1:

- Conditional trading area
- With the consent of the assured
- Without notice having been given to the insurer

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Held covered, but claim to be settled subject to an additional deduction of $\frac{1}{4}$ (max USD 200,000.-).

Additional premium and conditions to be accepted.

If claim arising out of ice damage are a result of the assureds' failure to exercise due care and diligence, further reduction of the claim may be made based on the degree of the assureds' fault and the circumstances generally.

Examples of relevant criteria for deciding on due care and diligence:

- Experience of crew, use of ice pilot
- Crew received timely and appropriate information / instructions concerning construction / capabilities of the vessel in relation to the conditions prevailing
- Requirements, regulations etc. of local authorities are complied with.

Insurance cover in various situations

Situation 2:

- Conditional trading area
- With the consent of the assured
- With notice having been given to the insurer

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Insurance remains in full force.

Possible additional premium and conditions to be accepted.

Insurance cover in various situations

Situation 3:

- Excluded trading area

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Insurance ceases to be in effect **unless** the insurer has given his consent in advance or the infringement was not the result of an intentional act by the master.

Possible additional premium and conditions to be accepted.

Situation 4:

Cover will not be suspended if the ship enters into an excluded area as part of measures being taken to save human lives or to salvage ship or goods, seek port of refuge or similar to save herself and / or her cargo.

What can go wrong?

Example

Cruise vessel Maxim Gorkij

Hit an ice floe, speed 17 kn, w of Svalbard, 1989

Good visibility, but too high speed.

800 passengers and crew were evacuated to ice floes and in open lifeboats.

What can go wrong?

Clipper Adventure



Grounding on unknown reef Ninavuts Coronation Gulf, Canada, 2010

Special risk involved:

- The unknown reef
- Remoteness
- Prevailing wheater conditions
- Time pressure due to ice season starting

What can go wrong?

Explorer

Hit an ice floe. Fist size hole in hull.

Vessel sank close South Shetland Islands in the Southern Ocean, an area which is usually stormy but was calm at the time of the incident.

The OCEAN TIGER case

By Jens W. Bern
Senior claims handler

The OCEAN TIGER case

OCEAN TIGER had been trawling for shrimps at the East coast of Greenland, but due severe ice conditions 9/10 it was decided to stop fishing and leave the area.

OCEAN TIGER had been fishing together with 2 other vessels. When they left the area, one of the other vessels took the lead of the convoy. OCEAN TIGER was second vessel.

During steaming out of the ice was it necessary to go forward and backwards in order to clear the ice.



The OCEAN TIGER case

At 06.10 the engineer reports that they have observed a leak in to the aux. engine room and there is 10-15 cm of water in the aux. engine room.

The crew starts to strip the ceiling and the master decide to trim the vessel on the nose to the starboard side in order to lift the aft ship as much as possible so that the crew can start to fill up the crack with rubber packings and wooden wedges.

They managed to seal the crack to such an extent that the amount of incoming water was limited and could be pumped out with a portable fire pump.



The OCEAN TIGER case

When the Master was notified about this incident he asked the two other vessels whether they had a portable pump which could be used in case of need.

Master onboard one of the other vessels informed that they had 2 pumps onboard which OCEAN TIGER could borrow.



The OCEAN TIGER case

The captains agreed to transfer the 2 pumps from the other vessel to OCEAN TIGER and they maneuvered close to each other and pumps was transferred by means of a rope.

1 psc. 4" electric pump and 1 ejector pump.

However, the equipment was not in working condition.

The electrician onboard the OCEAN TIGER had to make alterations to the electrical pump in order to run the pump, but the ejector pump was dropped as it was out of order.

The 4" pump was tested and then put aside for use in case of need, but it was never used.



The OCEAN TIGER case

The 3 vessels got out of the ice without any further problems.

OCEAN TIGER sailed to Iceland in order to repair the crack and arrived 3 days later and permanent repairs was carried out afloat which took 2 days.



The OCEAN TIGER case

A few days after the owners of OCEAN TIGER received a mail from the owner of the other vessel claiming that the assistance given by his vessel was to be regarded as salvage and claimed DKK 3.500.000 as salvage reward.

This was rejected by owners of OCEAN TIGER, but they offered to pay DKK 50.000 being hire for the 2 pumps.

This was rejected by owners of the other vessel and owners of OCEAN TIGER was meet with law suit and case was taken to court.



The OCEAN TIGER case

1. The Maritime & Commercial Court in Copenhagen

The court did not find that the service rendered by the other vessel was to be regarded as salvage and owners of the other vessel was awarded DKK 0,- but had to pay owners of OCEAN TIGER to cover their costs.

2. The Supreme Court

The owner of the other vessel then appealed to the Supreme Court and after 3 years, the Supreme Court reach exactly the same conclusion as the Maritime & Commercial Court and rewarded DKK 232.000,- to owners of OCEAN TIGER to cover their costs.

Even if the owners of OCEAN TIGER was the winner the net costs for owners and Codan was at the wrong side of DKK 1,0 mio.

The OCEAN TIGER case

General practice when sailing in ice in that area i.e. East and West coast of Greenland and even in Canadian waters is, that the vessels assist each other without claiming salvage.

If there is a need for towage for whatever reason they normally uses a fixed scale which is accepted by ship-owners and Hull and Machinery underwriters.

The philosophy for not claiming salvage is that today I'm the owner of the vessel having problems and the day after then is it the other vessel.

The financial impact would be quite severe if each time assistance is given it would end up being regarded as salvage!

Codan Marine

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