

HULL AND MACHINERY INSURANCE

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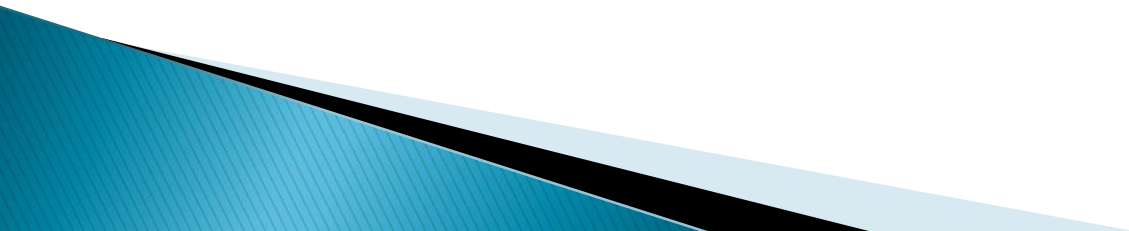


Attitude - Skill - Knowledge

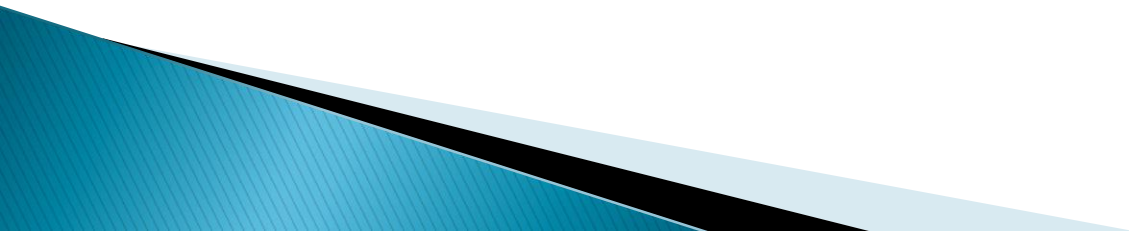


**NATIONAL
INSURANCE
ACADEMY**

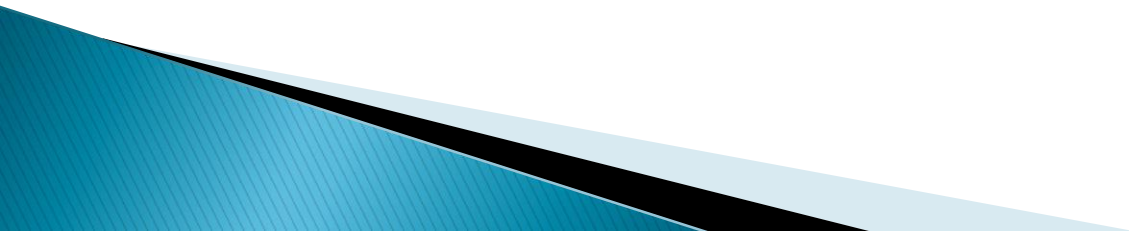
An overview on 'Marine Insurance'



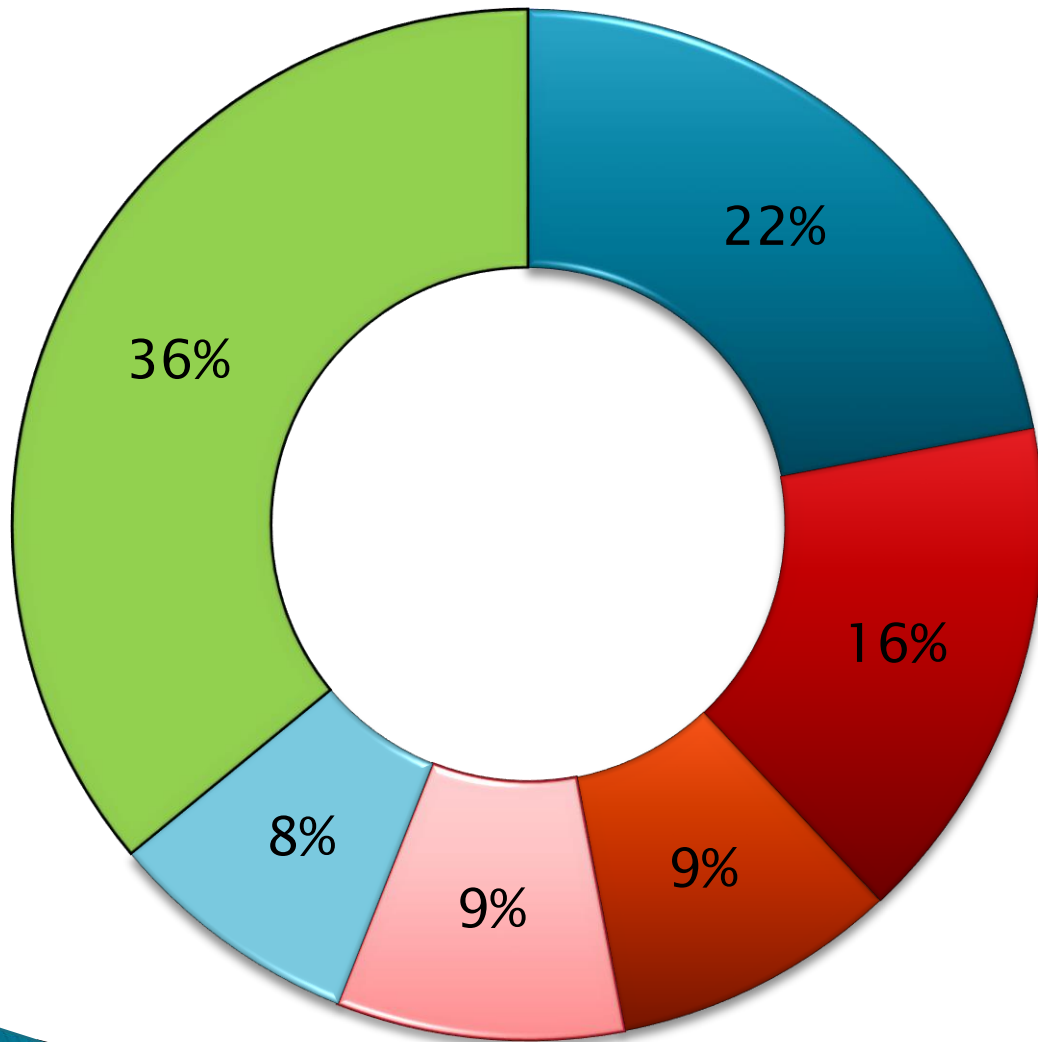
An overview on 'Losses'



Claims, their causes and some statistical data



TOP CAUSES OF LOSS



■ MACHINE DAMAGE/BREAKDOWN

■ FIRE

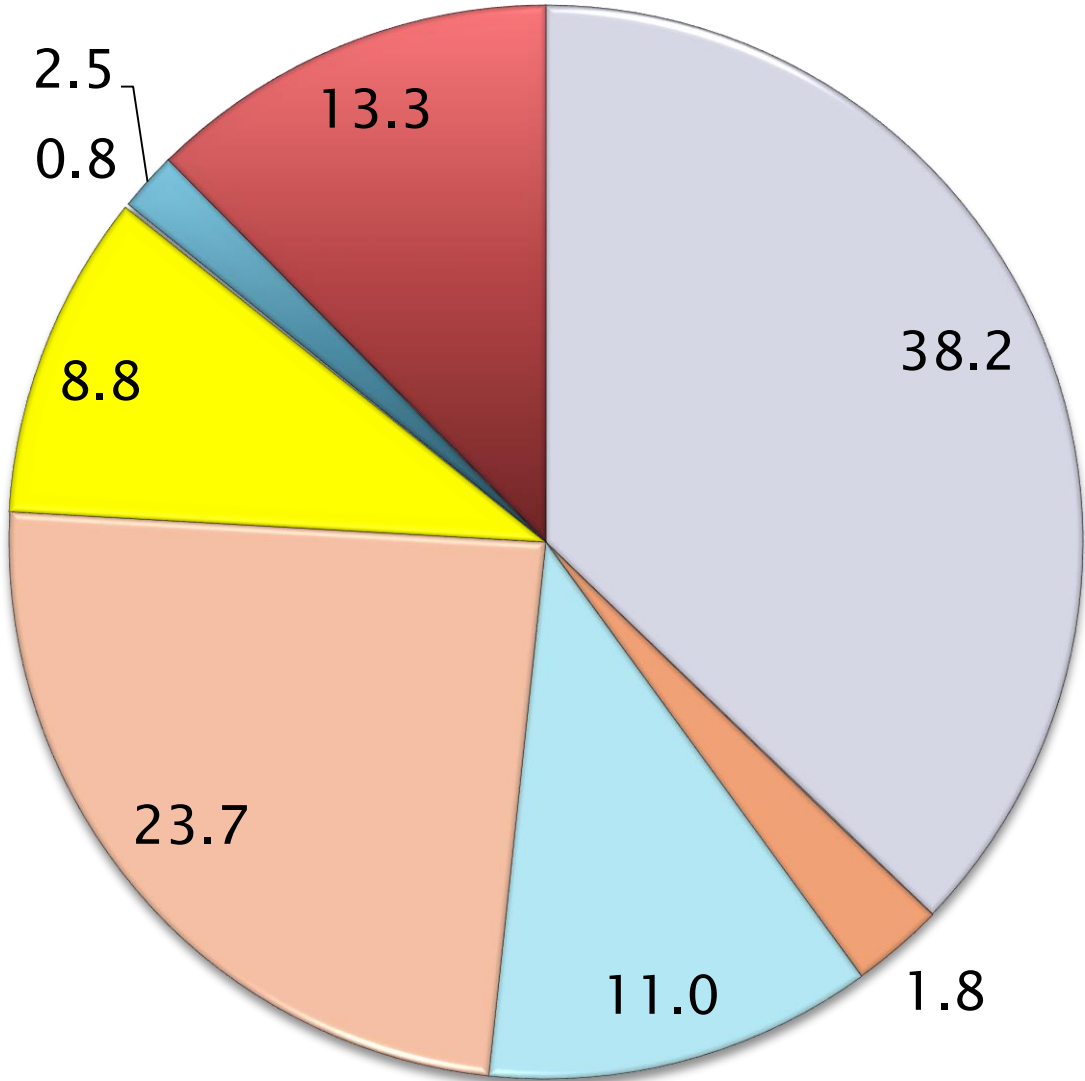
■ HULL DAMAGE

■ COLLISION

■ STORM

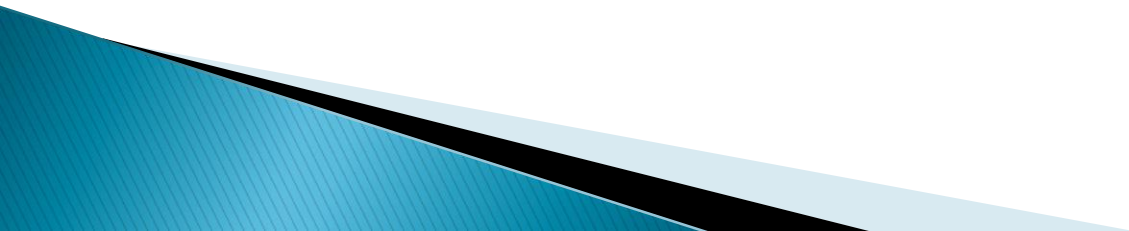
■ OTHER

NUMBER OF CLAIMS (2009-2013)



- MACHINERY
- FIRE/EXPLOSION
- COLLISION
- CONTACT
- GROUNDING
- ICE
- HEAVY WEATHER
- OTHER

Introduction to 'Hull and Machinery' insurance

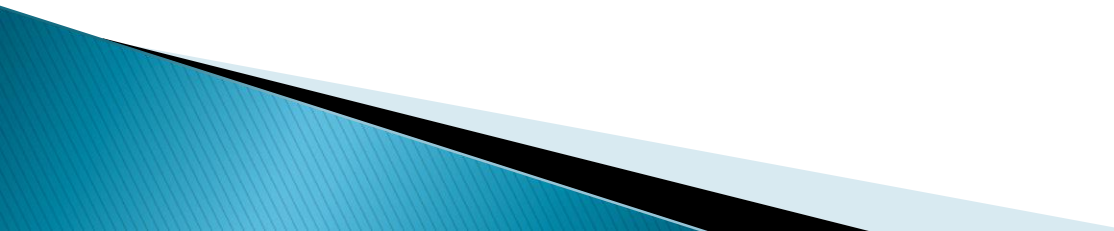


H&M policies

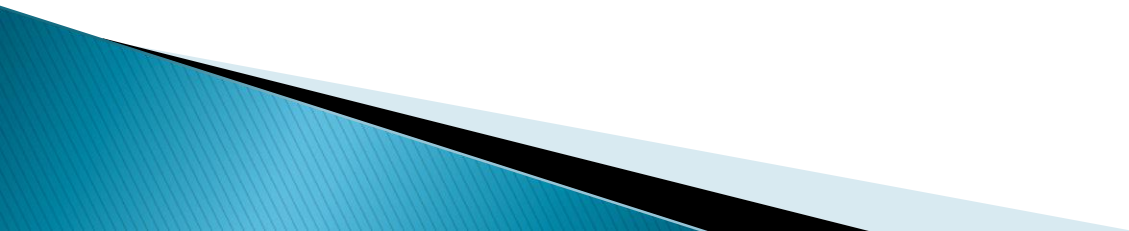
ITC HULL 1983

GROUP I	GROUP II
Perils of the sea, river, lake and navigable water	Accidents due to loading, discharging and shifting of cargo and fuel
Fire and Explosion	Bursting of boiler and breakage of shaft
Violent theft by a person outside the vessel	Negligence of pilot, officer, master and crew
Jettison	Negligence of Charterer and Repairer
Piracy	Barratry
Collision and Contact	
Earthquake, Volcanic eruption and lightening	

Governing clauses (ITC Hull 1983)

- ▶ Running down clause or 3/4th collision liability clause
 - ▶ Deductions from claims
 - ▶ Sue and labor
 - ▶ New for old
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Challenges to marine insurers



Grounding

- ▶ High costs of removal
- ▶ *Costa Concordia*
 - It struck a reef and capsized off the Italian island of Giglio in January 2012.
 - was recently raised from underwater platform.
 - the cost of re-floating and removing the wreckage is likely to hit 1.5 billion USD, including the hull value and passenger compensation, approaching 2 billion USD.



Bad weather related

- ▶ *Superstorm Sandy* had hit the insurance market hard in 2012.
- ▶ *Ital Florida*
 - On 14th July 2007, Typhoon Man-yi struck southern Japan.
 - Cargo began shifting as the vessel encountered 70 mph winds and capsized.

Seeking more economic alternatives–Larger ships

MOL *Comfort*

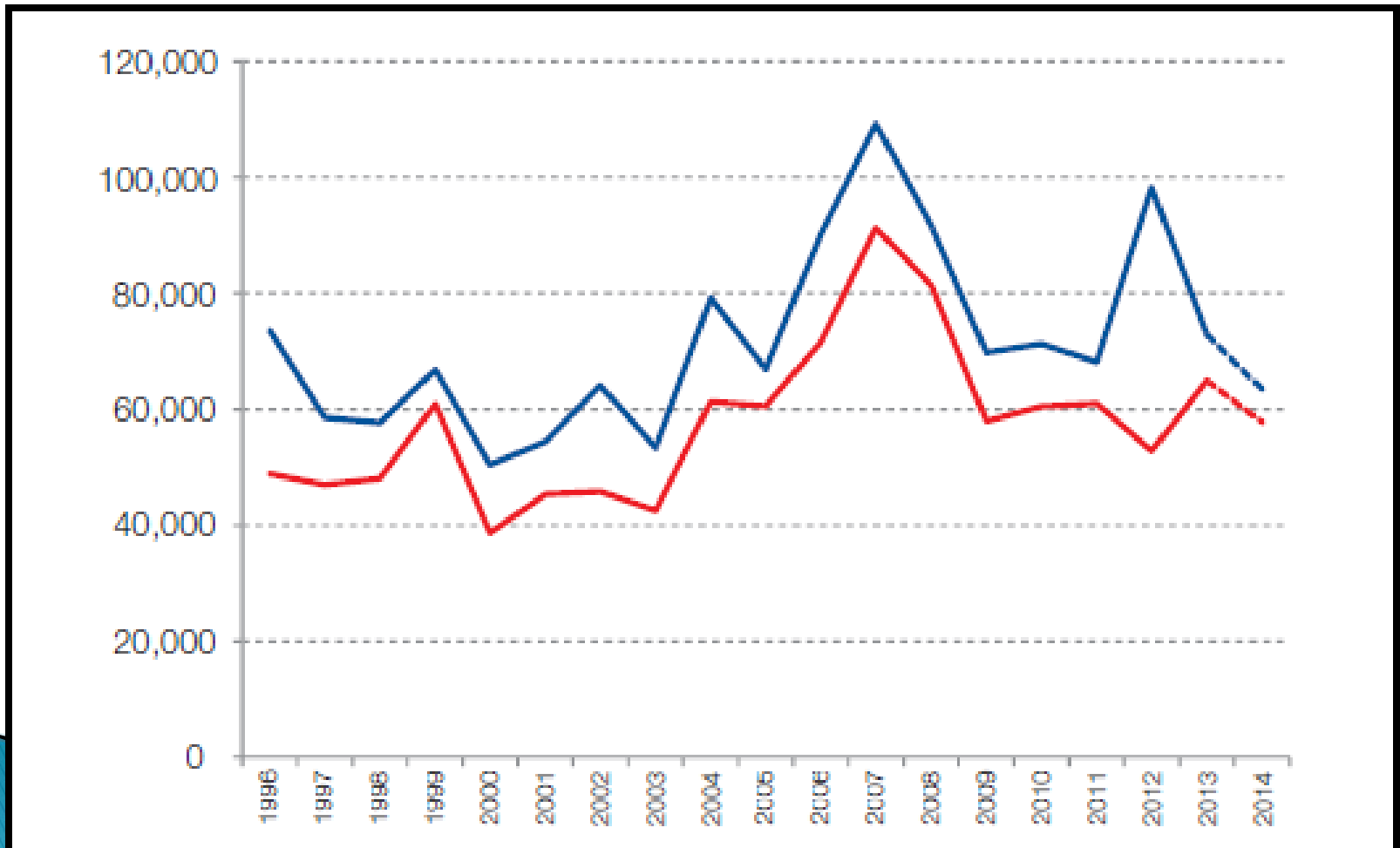
- On 17 June 2013, MOL *Comfort* suffered a crack amidships in bad weather about 200 nautical miles off the coast of Yemen and eventually broke into two.
- The sinking of MOL *Comfort* cost the insurers between 300 and 400 million USD in claims.

Seeking more economic alternatives–Alternative fuels

- The requirement of low sulphur fuels is increasing.
- they have to be refined more number of times
introduction of cat fines in the fuel.
- When cat fines find a way in the engine, becomes very difficult to dislodge and leads to engine failures.

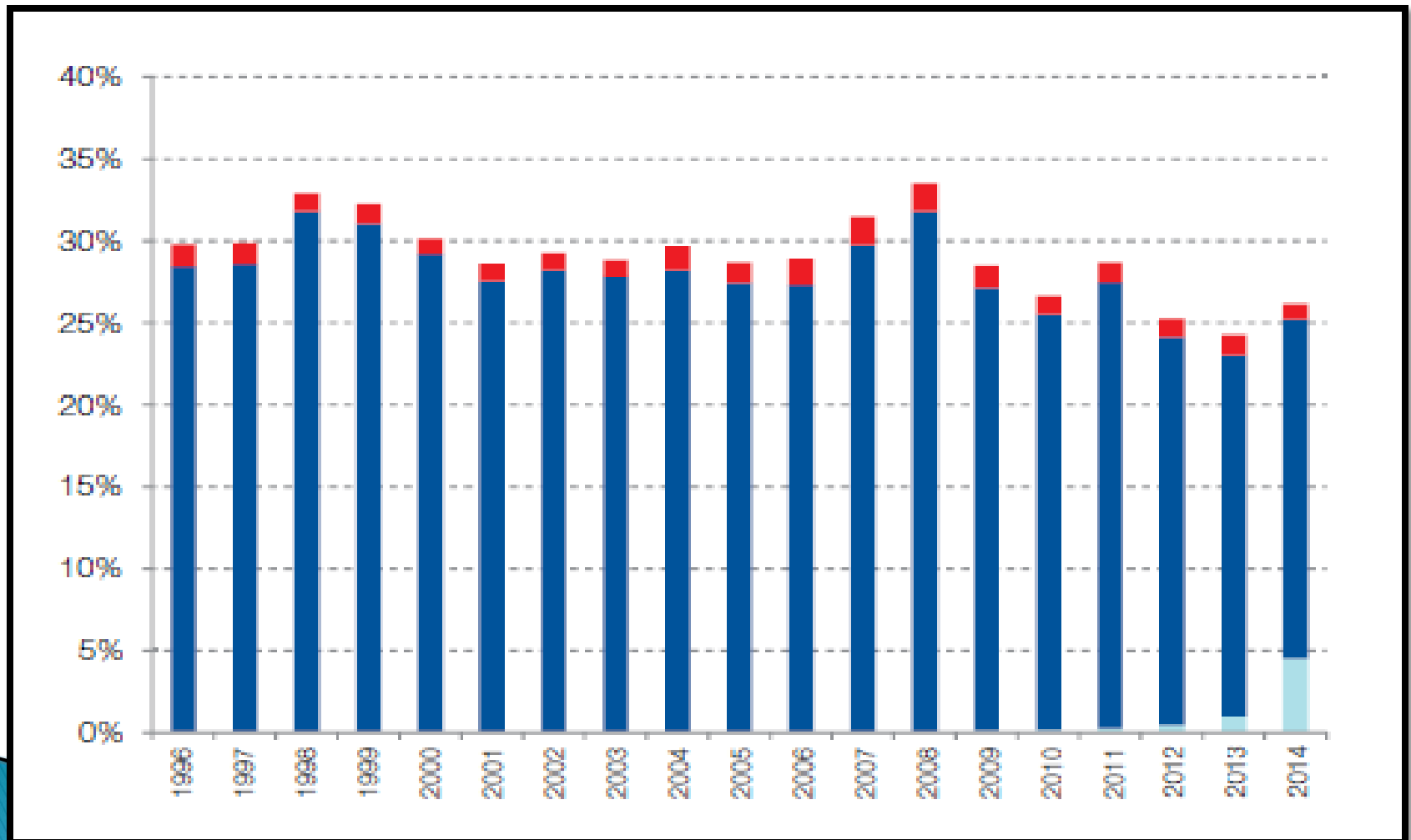
Trend of claims–claim cost per vessel

ULTIMATE PARTIAL AND TOTAL CLAIM COST PER VESSEL

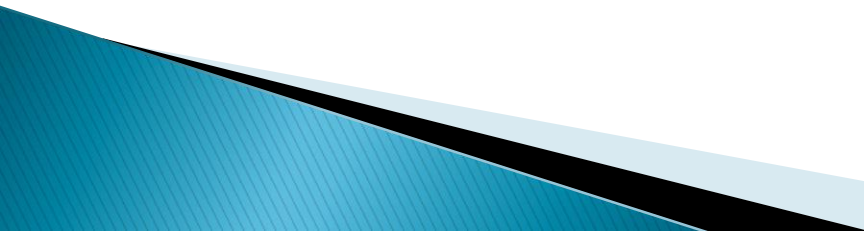


Trend of claims-claims frequency

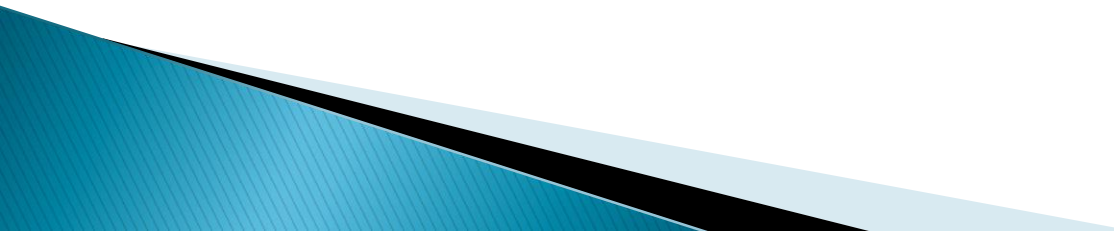
CLAIMS FREQUENCY BY DATE OF LOSS



MARINE CLAIM TRENDS

- ▶ An increasing trend towards frequency of large claims.
 - ▶ General trend towards the rising cost of claims.
 - ▶ Crew Negligence:
 - The main reason for the top causes of the losses and has a potential contributing factor of more than 60%.
 - Outcome of the ship operator's efforts of effectively managing their costs.
 - Recruiting of crew from around the world has led to reduction in the quality and standards.
 - There is a shortage of well trained crew and seafaring is not seen as an attractive career by many graduates in many countries.
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CONCLUSION

- ▶ Knowledge of the contents of your policy, for example the general clauses covered.
 - ▶ Challenges faced by insurer, in the present scenario, when issuing a H&M policy.
 - ▶ Aptitude of seafarers and the importance of awareness in the field.
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References

- ▶ Lecture notes by Prof. S.K. Srivastava. (TMI)
- ▶ The Marine Hull and insurance package (French form dated 1st January,2012)
- ▶ All risk marine hull and machinery insurance policy, 2012
- ▶ Special report on covering the insurance challenges of big parts
- ▶ Lloyd's maritime academy annual seminar, Hull and machinery insurance, 2009
- ▶ General terms and conditions, hull and machinery, British marines
- ▶ Marine market report, Arthur J. Gallagher, 2014
- ▶ AGCS Global Claims
- ▶ Figures provided by 2014 CeFor Annual Report

Thank You