



# Does She have class?

or

*I had a dream !*

The view of an Underwriter

## IUMI Sevilla 2003

### **Introduction**

Ladies and gentlemen, it is a pleasure to address this selected audience of Underwriters attending our IFY workshop.

My colleague speakers representing the operators or the classification society have or will explain their views from their own regional perspectives. I did not know the content of their contribution at time of preparing this presentation but I am sure, that we will share many common points even if they may disagree with me on some others.

I am only qualified to give you a Benelux viewpoint as in most markets, with some notable exception; this sector of insurance remains over-dominantly local.

We do not have a speaker from a regulatory authority at the table in front of you.

It is fair to say that regulations and requirements in respect to classification of inland barges and pushboats where and when they exist tend to be national (specific country) or local (Rhine River) or to be related to the type of vessel or trade (ocean going or not).

This matter is not the most attractive subject for an after lunch debate, certainly if one gets into great details.

We should therefore only remember that such rules vary very much in content, interpretation and application not only in respect of each country (flag authority) or region, but also vary in function of the types of barges. You will not be surprised to hear that no classification requirements at all exist for certain type of vessels. You may however be surprised to learn that requirements may be in place for a cargo barge carrying 1500T of cement but totally non existent when it concerns a inland passenger vessels carrying 100 people!.



It is neither my role nor my brief to criticise here this lack of uniformity, even within one region such as the EEC! Obviously we all like rules to apply in an effective way and do not like 'Brussels' or others to rule and regulate all aspects of our life or of our businesses.

This however should not prevent us from thinking that a minimum should or could be achieved.

Lack of uniformity is therefore an aspect that we, as Marine Underwriters have to be well aware of.

Lack of uniformity on rules, requirements and obligations makes it more difficult for us to know or understand these rules and to require our clients to comply with them or to train or underwriting staff properly.

Therefore the question: ***“does she have class?”*** is maybe not even be part of some underwriting manuals. This is anyway the impression I have had from various meetings held both outside the regional market in which my company operates as well as inside that market.

You may even be interested to learn that classification is, on certain types of vessels, often only limited to the hull. The classification is not extended to the machinery. !!!.

Our claims managers will however tell us that this is precisely the location of most of the files they have to manage.

When classification requirement is an integrated part of our underwriting judgement, it may therefore not assist enough in differentiating between operators with classed tonnage and those without such certification.

Grandfather clauses in regulations also apply in this sector. New requirements may only apply to new vessels and existing units benefit from 'transition periods' which may last up to 10-35 years or even more.

In some cases compliance with the new rules will never apply to the units in service.

This creates a maze where we all can get lost without any difficulty.

The vast majority of Insurance Underwriters do definitely not understand the in a sufficiently broad way the existence of a classification on barges obtained either on a voluntary basis or in order to comply with a regulatory requirement.

I personally must say that I regret that the debate of this day is limited to our IFY committee and that the plenary session will not hear what owners and classification society have to say on the subject as it would have been most useful training for most of us.

I will therefore dare to state that:

*“classification in this sector is function of the rules and regulations which require it.*



## **I had a dream that the Cargo Underwriter would know.**

I will look in the court of “inland hull underwriters” at a later stage, but must say that our colleagues from the “cargo underwriting” have included a classification clause in most of the cargo policies that they write.

This clause does not however apply to the part of the ‘journey not over the sea’ effected on board an inland barge. This tends to be covered without further class requirements.

The view is often that the exposure is highest on the “ocean leg” and that thereafter the shipments are divided in smaller quantities for the inland journey. That reduces the risk of a major financial loss and is maybe therefore not worth the extra attention?

This criticism will generally not apply to the specialist in ‘project cargoes’ whom will have spent much time analysing all aspects of the transportation, possibly including the classification or technical situation of the barge.

The vast majority of the goods transported cannot however be categorised as project!!!

Are all cargo underwriters aware, especially in open cover policies, that their cargo has travelled substantial distance on possibly unclassified barges?

European waterways, with their numerous locks, generally do not make it economical to have a tug and barge combination of the same size as those plying some of the US waterways with one tug regularly in charge of up to 6-10 barges.

We however often see in our waters a tug or pusher and 2-4 barges carrying easily a hundred or more containers which may have relatively high total value when one thinks at an average of € 25.000/TEU.

Is this not sufficient to require a regular control of the barges just for cargo safety purpose?

Let’s not forget that even if transport by inland waters in Europe is on the increase, the average age of the vessels effecting such carriages tend to be quite respectable.



**I had a dream that our politicians and authorities would act.**

The debates on safety at sea within the EEC, following recent disasters at sea involving substantial damages and pollution, seems to be concentrated on 'ocean going tonnage' including barges only when they effect sea transportation.

With the congestion of the roads, the increased interdependence of the industrial activities, more and more products, including those categorised as 'dangerous' are being transported by inland barges on inland waterways such as rivers and canals.

Sometimes the barges navigate within the centre of densely populated cities or in ecologically sensitive areas.

It would seem logical that the agenda be extended to a control of the inland barges by an independent professional organisation and this on a compulsory basis regardless of the fact that they go on the ocean or not or that they transport petroleum or similar products or not.

We all know that chemicals are now carried in containers as well as in bulk: solid or liquid but not all regulations consider them as dangerous as of today.

Insurance coverage for liabilities associated with inland barges disasters are often split between Hull & Machinery Underwriters and Protection and Indemnity Association.

It is however our duty as marine insurance market, not only to compensate the victims of disasters but also to assist in preventing such disasters.

This positive risk management attitude will benefit the society in general but also our shareholders or members.

If today, major incidents on the inland waterways have not produced similar level of damages than those occurring on the high seas, I would doubt that the potential for a major incident would not exist.

In the competitive industrial environments of the owners/operators, charterers, insurers or classification societies, only the regulator can assist in making 'enhanced safety via classification' a condition precedent to trading for all vessels without being set aside by market forces.



**I had a dream that our classification societies would survive in this activity.**

The promotion of both classification and conformity assessment for all cargo carrying barges would not only result in a better and more secure fleet; but would also provide extra assurances for cargo interests as well as third parties of the quality of the tonnage afloat.

It would obviously also benefit the Hull or the Liability Underwriters.

In the meantime, make available more easily and on basis of a minimum standardization to all interested party the information relating to the classification granted either on

Regulatory basis:	based on standards, codes or regulation
Voluntary basis:	based on sector specific requirements
Proprietary basis:	based on clients' schemes, standards or requirements

would assist the industry in differentiating between operators.

It would allow a bigger differentiation between those owners investing in higher standards and in complying with them and others so as to prove the advantages of being classed.

With the absence of regulations, we have seen that a number of owners have decided to restrict their classification requirements to construction under the rules of class XYZ but no longer classification for operation under rules of class XYZ. This is a big difference !!!.

Classification societies have to face in some European countries the competition of “certified independent experts” whom are authorised to issue certificates. They do not have the same technical back up as the larger and better-established institutions but deliver similar certificates at a lesser cost.

Liabilities imposed on classification societies make that they may be reluctant to class some type of inland vessels because the risk/reward ratio is not sufficient.

Less income in that field has led to a reduction of investments and interest in that sector.

This will be to our general detriment in the medium to long run.

Not all is bad or sad and initiatives have been started to establish better communication between flag and class and to allocate responsibilities between them.

Ecological considerations (such as exhaust fumes) have led to discussion of maintenance schemes to meet the criteria not only at delivery of the vessel but throughout the life of the vessel. Classification should play a role in this aspect.



**I had a dream that the Inland Hull Underwriter would require.**

Requirement of classification for the European Inland Water barges for which this is not a compulsory obligation is commercially not viable at this time.

However a good knowledge of the operator and its operation is paramount for all Underwriters. Selection of the operators we are prepared to cover is essential and will make the difference between a Quality portfolio with Profitability for the shareholders or closure of the activity.

Other than the usual fleet data, statistical information and past records, I would recommend to the people remaining in this low margin competitive business to include loss prevention requirements in their policies.

Obviously the cargo underwriters could also remember these elements and include them in their policies.

These measures can apply to all inland crafts, not only tugs/ pushboats and barges but should not be forgotten in the tug and barges coverage.

Questions should be asked relating to:

- Towing or pushing?
  - ◆ If towing single tow or double tow?
  - ◆ If pushing: number of barges pushed?
- If combination tug or pushboat with towed or pushed barges
  - ◆ always same combination or variation ?
  - ◆ always same cargo and/ or itinerary ?
- If not always the same combination.
  - ◆ expertise of the crew in handling the connection & the navigation ?  
Possibly require a survey of the towing arrangements and create a library of guidelines to be followed depending on the type of combination.  
Establish in advance emergency procedures.
- If not always the same itinerary or cargo
  - ◆ expertise of the crew in handling the cargo as well as the connection and voyage?  
Possibly require a survey of the towing and stowing arrangements and create a library of guidelines to be followed depending on the type of itinerary, cargo.  
Establish in advance emergency procedures.



- If usual type of cargo and usual crew  
The past record + a good description of the activity will tell you most of what you want to know.  
A visit to the vessel, in operation, is a better investment than a good lunch with the risk manager.
  
- If unusual type of cargo.
  - ◆ If it is new to the assured, it is probably new to most people in the chain.  
A survey by a specialised surveyor is a MUST.

Finally, a serious compulsory maintenance programme should be integrated in the terms of the policy, not only if we cover them, with consequent follow up.

Surveys, manuals and training relating to Safety and risk Selection is an investment and not an expense. Do we all see it in that way ? Do we all give sufficient room to our Underwriters to make that investment in knowledge ?

If these aspects would be done in co-operation with a classification society, then competencies will meet.

In the meantime, beware and do not sail in uncharted waters without any class.

I conclude this presentation by stating “**dreams are my reality**”.

I will not ‘sing it’ as others have done but let’s hope that the reality of tomorrow is not only full of my dreams.

Eric HEYMANS  
Sevilla, September 2003