

**“Marine Insurance Claims in the Coming Millennium”
The Consulting Surveyor’s Point of View**

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When I was invited by the Association of Average Adjusters to speak at this year’s seminar, I had to do a fair amount of soul searching, in particular when reading the title of the seminar.

With the year 2000 approaching rapidly, and there is hardly anybody in this audience, I presume, who is not familiar with the many problems that just the number 2000 will bring about in our highly organized and computerized world, I must say that I needed some time to particularly let the word “millennium” sink in a little bit.

When I consulted the Webster’s Collegiate Dictionary, I discovered that apart from the fact that a millennium constitutes a period of one thousand years, it also indicates that such is a “period of great happiness or human perfection.”

Next, stepping back into the real world and reflecting on the specific subject of marine insurance claims against the background of a millennium, I must admit that I got a little confused.

Speaking as a marine consultant, I would like to take you back into the 20th century, of which by now less than three years are left, and reflect for a moment on marine insurance claims as I, as a fairly young consultant, have been exposed to.

We all know that particularly in the recent past, say a period of 20-25 years, not only has shipping changed enormously, but sea transportation in general has taken on an entirely different course. The individual private shipowner has largely disappeared and has been substituted by holding companies, operating companies and management companies.

Furthermore, modern management and financial control have placed entirely different demands on the insurance market. This is something that I will discuss a little later on.

First, I would like to walk with you through some of the categories of the known common perils as have been recognized and have been in effect during the past years that I am familiar with and how times have changed, and will further change, claims under these perils in the next millennium.

First there is the grounding, or stranding.

Modern navigational aids, radar, satellite navigation and such have greatly diminished the risk of grounding and stranding. The future can only hold further developments in navigational equipment, etc., which should theoretically assist the mariner in traversing the world without any unforeseen mishaps.

Theoretically, the man on the bridge can determine on an area as close as a square yard where the ship is positioned, and although the risk of grounding has not been eliminated totally, from what I studied, the number of groundings have drastically diminished over the past 25-30 years.

The same applies to stranding.

Weather facsimiles, satellite weather forecasts and such provide the navigator through simple electronic means with a fairly reliable forecast that will enable him to stay away from the lee shores.

In other words, the surprise effect in bad weather has been greatly eliminated.

Collision is an additional peril that has been greatly reduced in number because of the same modern navigational aids.

Latent defect. Machinery and equipment parts nowadays are subjected to non-destructive tests by manufacturers at fairly low cost and unpleasant surprises like inclusions of slag or hidden fissures in castings and forgings barely exist.

If a part fails at an unexpected moment, it may be a true matter of latent defect; i.e., it may not have been easily discernible by the naked eye, but at the same time the human factor starts to play a role and one can ask the question, "*How well trained is the eye?*"

I do not wish to walk through every category of covered perils, particularly not in front of this professional audience and bore you to death.

However, what seems to become one of the increasing controlling factors in casualties, and accordingly marine claims, is the human factor, which, as you are all aware, is a major concern and subject at the International Maritime organization.

And having said that, it is probably with the "human element" that the future of claims will be in the next millennium. On the other hand, we should remember that it is humans who design and build the ship we insure and the exotic equipment we rely on to reduce perils.

As a marine consultant, I am certainly not the person who is going to highlight this topic, because from what I read, some 20 years ago the Chairman of the America Hull Insurance Syndicate already reflected on this aspect and predicted that the human factor would be playing an increasingly larger role in casualties and marine claims.

It is really amazing when one looks back into the 20th century how marine claims and claims formulation, presentation, has somewhat remained the same, virtually unchanged, in outline and format for maybe a hundred years and more. Reading my way through our firm's library, it is clearly evident from historic documentation we have that indeed claims presentation has not changed.

However, all of a sudden, around the 1970s with the advance of high-speed container vessels and large tankers and bulk carriers, the world fleet shrunk in numbers. The risks may be higher and so are the casualties in monetary value, but there was a drastic reduction in the number of disastrous occurrences, the bulk carrier casualties being the exception.

In the past with relatively low deductibles, and we have seen in the early 1970s large oil companies that still maintained a deductible of US\$1,280.00 per peril per occurrence, it was not uncommon for the Underwriter's surveyor or the consultant to be confronted with 16 to 18 concurrent surveys; i.e., claims, presented at one single annual dry-docking or overhaul, or at a Classification Special Survey.

It seems that those days are over. The high deductibles, as we all know, combined with factors such as discussed above, have changed the marine insurance claims world and the common approach as far as the Underwriter's surveyor and the consultant are concerned.

Not only is it the surveying organizations (Underwriters and private) that have to re-trench as a consequence of the circumstances sketched above, but it has also affected the brokerage and Average Adjusting world, as well as the involvement of the professional engineering and naval architect's consulting world.

More than ever, it is an absolute necessity for the consultant and Underwriter's surveyor to stay abreast of new technological developments on a day-by-day basis.

The world of steam turbines and diesel engines has expanded and changed itself into a world of highly sophisticated electrical propulsion with hydraulics, pneumatics and electronic controls.

Originating from the proper engineering school, being trained by professional colleagues and mentors, such used to be sufficient for a person to secure a full career as an Underwriter's surveyor or a consultant.

What I am actually trying to say is that in those days the rest was gaining experience and maintaining great interest in one's everyday tasks and responsibilities. That together was sufficient to successfully reach retirement age as a professional.

The rapid changes in technology from a consultant's point of view, and particularly where it concerns marine insurance claims, places a high demand on the individuals in the field to function adequately and professionally as the trusted representatives of Underwriters.

The modern approach to the organization of a shipping company, and I am thinking of ISO and ISM standards, whereby a shipping company from the very top to the very bottom is documented on an organizational basis, for one, is already changing our marine claims world drastically, even to the point of possibly extending the legal management of the ship down to the Master and Chief Engineer.

The days that on a long voyage the only means of communication between the ship's Master and his Owner was the port agent's telex machine, or in dire need the radiotelegraphy, those days are over.

Particularly on the issue of negligence, voices have been heard in our community asking where crew negligence is still crew negligence indeed.

A passenger ship with modern diesel electric propulsion is manned and equipped for the crew to be able to tackle only a limited number of problems and disturbances in the ship's installation.

The next step for the ship's staff is to establish contact with the shipowner by satellite communication, who will have a manufacturer's representative waiting at the next port of call, or better, will just drop such person off by helicopter.

Looking into the next millennium, and I would like to emphasize that this is 10 x 100 years, at this moment in time one can only foresee that with the nature and pattern of decision-making, the subject of negligence will come under great scrutiny.

While composing this presentation, it crossed my mind that conceivably also the wording of insurance policies should be somewhat adjusted, because it appears to me that speaking of bursting boilers and breaking shafts in insurance policies is somewhat archaic and unreal.

Although in the beginning of this century the bursting of a boiler with extremely high accumulative capacity would unavoidably spell total destruction of the vessel, modern designed boilers starting to leak cannot possibly burst and make the ship go under.

The same applies to breaking of shafts, which becomes an extremely rare phenomenon because of the very sophisticated non-destructive methods of testing modern technology has provided us with.

This brings to mind a recent article in a local newspaper regarding the exhibition "Painting America Under Steam and Sail" currently showing at the National Museum of American Art in Washington. One of the fine paintings by the Bard Brothers (mid 1800's) depicts a steamboat in which the passenger cabins and compartments were on a separate barge towed behind the steamboat to protect them from, ironically enough, "exploding boilers".

Obviously, as a consultant, we are not in a position to even suggest what an Underwriter should think of or start to think of, but just by observing the present trend, one can only foresee and hope that where it comes to formulation of marine insurance claims from now on good old common horse sense and utmost good faith between the Underwriter and his assured will be the first ingredient in agreeing on the loss sustained.

After having given this a lot of thought, I can only feel humble. Humble because even predicting what will happen in the next 50 years seems somewhat presumptuous. It is, therefore, that I have only touched on the summits of aspects of a matter so complex.

I thank you, as the audience, and the Association of the Average Adjusters for the opportunity to be with you and just have a peak together through the window of the year 2000.

Thank you for your kind attention.

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