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Machinery claims alarm

CEFOR launches crusade to reduce machinery claims

Machinery incidents are the single most costly claims category for marine underwriters. In the period 1985 to 1997, Norwegian marine underwriters have paid out a total of USD 650 million in machinery claims. There is little evidence seen of improvements and CEFOR calls on classification societies to face and deal with this challenge.

CEFOR, representing Norwegian ocean hull insurers Gjensidige, Storebrand, Vesta and Zurich Protector, has since 1985 compiled underwriting information in an exclusive database now containing some 28,000 ship-years and 14,000 claims of detailed loss and premium information, out of which some 4,700 are machinery related claims.

CEFOR's Norwegian Marine Insurance Statistics (NoMIS) database is a unique market feature of Norway's marine underwriting community and believed to give the participants a valuable understanding of the global blue water insurance business.

Said managing director of CEFOR Tore Forsmo: *"Machinery claims is an issue of constant concern to underwriters. We see no significant changes in the number of claims and associated costs reported over the past few years and are determined now that something has to be done."*

The problem is now being addressed in two ways. First, in participation with engine manufaturers and Det Norske Veritas, CEFOR is looking at main engine claims aiming to group these according to manufacturers and license builders. The purpose being to determine if certain main engines have a higher degree of claims exposure than others.

Preliminary results so far indicate not unexpectedly that certain engines in the medium speed to high speed range are more prone to claims than the vast bulk of low speed installations.

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"We are still analysing this material and our findings are still on a preliminary basis. Our ambition is to give closer scrutiny to criteria such as stroke, bore, engine loading, temperatures, cylinder number and cylinder configuration in order to discover possible trends in this respect" said Mr. Forsmo.

Once the study is completed, findings will be used to aid underwriters in their risk assessment and to confront machinery manufacturers and license builders with the objective to improve design and construction.

The other effort CEFOR has launched, also related to machinery claims, is directed towards classification societies and the day to day onboard operation of main engine installations.

"I find it extraordinary that classification societies are not putting more emphasize on operational aspects of machinery systems, which in may be critical for managing the risk of such installations" said Mr. Forsmo.

CEFOR believes that immediate improvements in machinery claims statistics can be achieved by looking at design related issues and day-to-day operations as integral parts of the total risk picture.

"I would like to see class verify that operational procedures in the engine department are established, implemented and followed by those on board. In this process, relevant documentation, threshold parameters and recommendations from engine manufacturers and class should be available and known by those on board. This changes the focus to day-to-day activities and thus goes beyond formal competency requirements for crew and established planned maintenance systems with periodical interventions" states the managing director of CEFOR.

CEFOR has brought this issue up with both IACS and the three major class societies American Bureau of Shipping, Lloyd's Register and Det Norske Veritas.

"The three major classification societies and IACS have listened to our concerns and ideas with open minds, and we are expecting to see new initiatives in this respect in the time to come" concludes Mr. Forsmo.

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