

Loss of ship's records when changing ownership or management

Background

When a vessel changes ownership and/or manager, the rule has generally been that the outgoing technical managers remove all maintenance records from the ship, leaving the incoming crew and management with minimum information on the condition of both ship and machinery. This has even been seen where ownership remains the same, and there is a simple change of management - the outgoing management leaves no information behind, thus putting the incoming management at a serious disadvantage and increasing the risk and uncertainty for both owners and underwriters. In one recent case involving a simple change of management, the superintendant could not find any information in the maintenance system and the previous technical manager was not very co-operative.

This lack of continuity means that the crew and the new manager must start from the beginning when taking over the vessel. As they obviously need time to verify the condition of each component and system, there is a clear risk that some required maintenance will be overlooked, and this may result in costly claims arising out of damage to the vessels in the period immediately or shortly after a change of ownership or management. Typical claims can be a breakdown of machinery, rudder or component failures. The purpose of this circular is to highlight the risks and consequences of removing ship's records and to provide some recommendations.

Increased risk and consequences

A new owner and/or manager will have a reasonable expectation of managing and operating the vessel immediately following a takeover. Where the documentation has been removed by previous owners/managers it can take some considerable time before the new crew and management are fully familiar with the vessel, her machinery and any maintenance schedules. The vessel and crew will be exposed to an increased risk of something breaking down during this period of familiarisation.

Should the repair costs result in a claim on an insurance policy, all policies exclude damage caused by wear and tear, inadequate maintenance etc. The surveyor attending on board on behalf of the insurer will request to see the maintenance records covering the damaged component. If no records are available on board there is no way the Assured can document the running hours of the component, and that the component has received the recommended maintenance as stipulated by the supplier of the component.

This lack of documentation will not automatically result in the claim being rejected by a leading insuring company, but by not being able to present relevant documentation in a claim situation, the Assured may not be able to prove the cause of the damage and recover the repair costs from the insurer. The requirement to present relevant documentation is basically the same for a second hand ship as for the existing ships of his fleet.

In order to document that adequate maintenance has been performed, Classification Society's certification cannot be relied on as evidence that the vessel has been properly maintained throughout the periods between Class surveys. The requirement to establish programs and maintain records to verify the condition of the ship between the Class surveys is, however, an integral part of the objectives behind the ISM Code.

For more information please contact Loss Prevention Manager Terje R. Paulsen, email terje.paulsen@gard.no or Loss Prevention Executive Marius Schønberg, email marius.schonberg@gard.no

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We are aware that change of ownership implies new DOC and ISM certification, but it is a paradox that old records of running hours and performed maintenance shall not follow each ship.

Recommendation

We strongly recommend that owners include in the Sales & Purchase agreement of a second hand ship that maintenance records should follow the ship in the same way as Class certificates and ship drawings delivered with the ship normally form part of a S&P standard agreement. Where the maintenance records are part of the outgoing manager's own developed maintenance system, at least a hard copy of the records should be left on board. This will greatly assist the incoming crew and manager to familiarise themselves with the ship and will also provide an indication of where to concentrate any necessary maintenance and/or upgrading. It will also place the Assured in a position to document that any claim on an insurance policy is not as a result of wear and tear or inadequate maintenance.

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