



AUGUST 11, 2014

CIRCULAR NO. 23/14

TO MEMBERS OF THE ASSOCIATION

Dear Member:

STEEL CARGO PRE-LOAD SURVEYS: AN UPDATE

In **Circular 06/02** of March 20, 2002 entitled *The Carriage of Steel Cargoes: Loading and Discharge Surveys*, the Club made extensive recommendations in regard to the conduct of precautionary surveys of certain steel cargoes to minimize the prospect of spurious steel cargo claims.

Over the period since that Circular, Members have, for the most part, followed the recommendations it contained and made progress in minimizing and averting the risks, and consequent liabilities, associated with such cargoes.

More recently, however, your Managers have seen cases where precautionary steel surveys at load ports were not performed. This has resulted in several significant cargo exposures. Accordingly, it has been thought appropriate to revisit and update Club advice on the handling of steel cargoes in order to reaffirm best practice going forward.

A. General considerations

To minimize the risk of exposure to such claims, the Club requires that Members appoint an experienced surveyor at the port(s) of loading steel cargoes to conduct a precautionary pre-load survey in order to:

1. assist the master in recording the apparent condition of the cargo prior to loading so that, where appropriate, mate's receipts and bills of lading can be claused correctly as necessary; and
2. verify that the vessel's cargo hatch covers and other openings in way of the hold spaces are in sound condition.

It cannot be overemphasized that any failure to complete such a steel pre-load survey will prejudice the Member's coverage for any cargo claims that are asserted against it and its vessel in connection with the subject shipment(s).

If a Member fails to comply with this required practice and a claim in respect of cargo is subsequently asserted where the condition, nature or quantity of cargo would have been discovered during a precautionary steel pre-load survey, the Managers, in their absolute discretion, are authorized and entitled to (1) apply a double deductible for any cargo or other claim arising in connection with the shipment in question; and/or (2) to deny the coverage or reimbursement of any such claims, either in whole or in part. Furthermore, exclusions and/or limitations to coverage which have been imposed by reference to existing, outstanding deficiencies to hatch covers or any watertight boundaries to cargo holds will not be removed by a pre-load survey of cargo.

Members are urged to ensure that they fully comply with this steel pre-load survey requirement and all other related conditions as may apply to an individual vessel's terms of entry.

As it has done since 2002, the Association will, in all cases, make a 50% contribution toward the cost of such steel pre-load surveys. Of course, should a cargo claim arise in connection with the voyage in question, the cost of the steel pre-load survey will be applied towards the claims file cost for that matter, subject to any applicable deductible.

B. Prompt notification to the Managers

To ensure that clear and concise instructions are given to surveyors appointed to assist the master in clausing bills of lading, or to survey cargo upon discharge, timely requests for a surveyor's attendance should be made directly to the Managers. This notification should include:

1. the vessel's estimated time of arrival at the loading port;
2. the exact nature (types) and approximate quantity(ies) of steel cargo(es) to be loaded; and
3. the name and contact details of the vessel's local agents at the load port.

Where it is impractical to give such prior notice to the Club, Members should contact the Club's local correspondent at the loading port so as to provide direct details as above and inform the Club as soon as possible thereafter.

C. Types of steel cargoes subject to the mandatory pre-load survey requirement

After the Member has notified the Managers in accordance with Section B above, the Managers will appoint and instruct an experienced surveyor to fulfill the recommended procedures. It should be noted that the steel pre-load, the survey requirement applies to, but is not limited to, the following steel products:

- wire rods
- steel piling
- galvanized steel
- steel girders
- steel profiles
- ductile iron pipe
- cold rolled steel in plates, coils, packs, sheets or bundles
- structural steel (straight or folded rebar, channels, angles, beams, bars, strips, sections, forgings)
- hot rolled steel in plates, or sheets
- steel pipes
- steel mesh
- stainless steel
- steel prefab structure
- steel columns
- hot rolled steel in bars, coils or bundles
- steel slabs (steel slabs are to be surveyed to ensure proper securing and not necessarily related to the physical condition of the slab).

In addition, pre-load surveys are also recommended for these additional metal products that are also susceptible to damage:

- aluminum T-bar
- tin plate

This pre-load survey requirement does not apply to low value and semi-finished cargoes such as, but not limited to:

- steel billets
- steel blooms
- steel swarf
- steel ingot
- steel scrap
- pig iron

Should Members have any questions about any steel related cargo not listed above and how it would be categorized, please consult the Managers for clarification.

D. Condition of the hatch covers and ventilation system

Members will note that the cargo survey is only one protective measure to prevent cargo claims. The watertight integrity of the hatch covers to protect against water ingress into the cargo holds, and a properly functioning ventilation system to control the cargo hold humidity during the voyage, are imperative to prevent against claims caused by wetness and condensation damage.

With this in mind, Members are referred to in the attachment to this Circular, *Hatch Cover, and Ventilation and Bilge Systems Checklist for Steel Pre-Load Surveys* prior to loading steel cargoes. Steel cargo surveyors will be requested to include in their report the conditions of hatch covers and ventilation systems as per the scope of this checklist.

E. Proper clausung of bills of lading / accurate description of cargo

As to the apparent condition of the steel, the surveyor must assess and record any evidence of rust, physical defects, structural abnormalities and contamination and make suitable recommendations to the master as to whether the mate's receipts and bills of lading should be clausung. Extra care should also be placed on the drafting of the bills of lading to ensure that they are consistent with the cargo descriptions, quantity and quality in the Mate's receipts.

The issuance of a bill of lading by the Member or the master of the entered vessel with any inaccuracy regarding the cargo's description, quality or quantity will prejudice the Member's P&I cover and will, at best, be reimbursable only at the discretion of the Club's Board of Directors. In this connection, Members are reminded of the terms of Class I, Rule 2, Section 8, sub-section 4.c.iv which, reads as follows:

Unless and to the extent that the Directors in their discretion otherwise decide there shall be no recovery from the Association in respect of liabilities, costs or expenses arising out of:

(iv) a bill of lading, waybill or other document containing or evidencing the contract of carriage, issued with the knowledge of the Member or the Master of the insured vessel with an incorrect description of the cargo or its quantity or its condition.

Further advice in regard to the clausung of bills of lading, letters of indemnity and the problems associated with the carriage of steel is available from the Club upon request.

F. Other considerations

If the Master considers that the method of stowage and securing gives cause for concern for the safety of the vessel and/or integrity of the cargo he must bring it to the attention of the charterers and/or their surveyor and / or supercargo. If the Master's concerns are not dealt with satisfactorily he shall so advise Owner's protective surveyor and, if not already appointed, recommend appointment of same.

If heavy weather has been encountered during the vessel's passage, or if damage was observed at the time of loading, the Club should be given timely notification of the vessel's estimated time of arrival at its intended port(s) of discharge since the appointment of an experienced surveyor at that point is highly advisable.



The surveyor should examine and record the condition of the steel on arrival, and take steps to monitor the cargo out-turn during discharge. If necessary, he may also be required to witness the opening of coils or packages as and when they reach the receiver's premises. In so doing, the Member will be in a better position to answer any claims and to defend against any alleged damages to cargo occurring outside of the Member's period of responsibility under the applicable contract of carriage.

Members are reminded that in cases where surveyors representing other interested parties wish to board the vessel, they should only be permitted access to the cargo and/or the vessel's documents while in the presence of the Club's attending surveyor.

Finally, Members must also consider any potential sanctions issues as they relate to steel cargoes. Significantly, and particularly with respect to steel cargo shipments to Iran, the carriage of finished or other steel products may potentially violate existing US, EU or other applicable sanctions laws if such products intend to be used for prohibited purposes. Members are urged to conduct the required due diligence investigation into its contract partners and the end use of the subject steel cargo to avoid any unnecessary exposure to sanctions related liabilities or penalties.

As always, the Managers stand ready to respond to any inquiries that Members might have regarding the foregoing issues.

Yours faithfully,


Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB



HATCH COVER, VENTILATION, BALLAST AND BILGE SYSTEM CHECKLIST FOR STEEL PRE-LOAD SURVEYS

It is important that hatch cover, cargo ventilation, ballast and bilge systems are checked in advance of loading steel cargoes. The following is a pre-loading cargo hatch cover checklist to be considered prior to and at the completion of loading of steel cargoes. Please be advised that this checklist is for general guidance purposes. The checklist may not be exhaustive or, alternatively, may contain items to be checked that are not applicable to all vessel hatch cover designs.

A. Hatch Cover	
1. <u>Hatch cover packings.</u> Packings should be in good condition. Any replacements or renewals to be made in complete lengths only. Packings should not be repaired in short lengths, should not be imprinted by more than 10mm, or should not be hardened or missing.	<input type="checkbox"/>
2. <u>Hatch cover compression bars.</u> Compression bars should be clear of corrosion and free of damage or deformation.	<input type="checkbox"/>
3. <u>Hatch cover packing channels.</u> Packing channels are to be clear of corrosion and free of damage or deformation.	<input type="checkbox"/>
4. <u>Alignment of hatch covers.</u> Cargo hatch covers are to be correctly aligned.	<input type="checkbox"/>
5. <u>Coaming drains non-return valves.</u> Coaming drains non-return valves should be checked to be operational, ensuring they are not blocked and have caps fitted.	<input type="checkbox"/>
6. <u>Cargo hatch cover dogs, clamps and quick acting cleats.</u> All hatch cover dogs, clamps and quick acting cleats should all be present, clear of corrosion, properly adjusted with good washers and free of damage or deformation.	<input type="checkbox"/>
7. <u>Hatch cover landing pads.</u> Hatch cover landing pads should have minimal wear to avoid over compression of the packings.	<input type="checkbox"/>
8. <u>Hatch cover coamings.</u> Hatch covers and coamings are to be clear of corrosion and free of damage or deformation.	<input type="checkbox"/>
9. <u>Hatch cover hydraulics.</u> Hatch cover hydraulics are to be clear of corrosion, free of damage, deformation, and leakage free.	<input type="checkbox"/>
10. <u>Drainage channels.</u> All drainage channels are to be clear of corrosion and free of damage or deformation.	<input type="checkbox"/>
11. <u>Maintenance reports on the condition of the hatch covers.</u> The owner should maintain up to date written reports and records on the conditions of the hatch covers that include maintenance and repairs specifying all outstanding deficiencies noted above in 1 to 10.	<input type="checkbox"/>
<ul style="list-style-type: none"> • Class and P&I Club survey reports clear of deficiencies noted? 	<input type="checkbox"/>
<ul style="list-style-type: none"> • If surveyors suspect that any or all hatch-covers are leaking then testing by use of ultrasonic methods should be carried out. Ramnek tape and/or foam sealant are not to be relied upon. 	<input type="checkbox"/>
<ul style="list-style-type: none"> • Are records of maintenance available that specify at both load and discharge ports after testing the operability of the hatch covers for those items noted? 	<input type="checkbox"/>

B. Ventilation, Ballast & Bilge Systems	
1. <u>Vents</u> . Fitted vents are to be clear of corrosion and free of damage or deformation.	<input type="checkbox"/>
2. <u>Mechanical ventilator flaps</u> . Ventilator flaps should be inspected to ensure that they are in good working condition and properly sealed when closed.	<input type="checkbox"/>
3. <u>Ballast and top side tanks</u> . The double bottom ballast tanks and top-side tanks (if any) should be pressed up prior to loading to ascertain watertight integrity.	<input type="checkbox"/>
4. <u>Bilge suctions and tank top openings</u> . These items should be thoroughly examined, tested and proved fully operational and the strainer plate over-covered with burlap. Bilge wells should be opened and cleaned. Any openings to the tank top should be examined are water tightness and properly secured.	<input type="checkbox"/>
5. <u>Sounding pipes and other hold pipes</u> . Piping systems should be examined and cleared of any debris. Any pipes within the holds, including ballast pipes or tank air pipes should also be closely examined to ensure they are in good working condition. In addition, sounding pipe closures should be checked to ensure that they are watertight.	<input type="checkbox"/>