

**IUMI Conference 2004 - Singapore**

**15<sup>th</sup> September 2004**

**Loss prevention workshop**

**LIMBURG Terrorist Attack**

**6<sup>th</sup> October 2002**

**The incident and the insurance settlement**





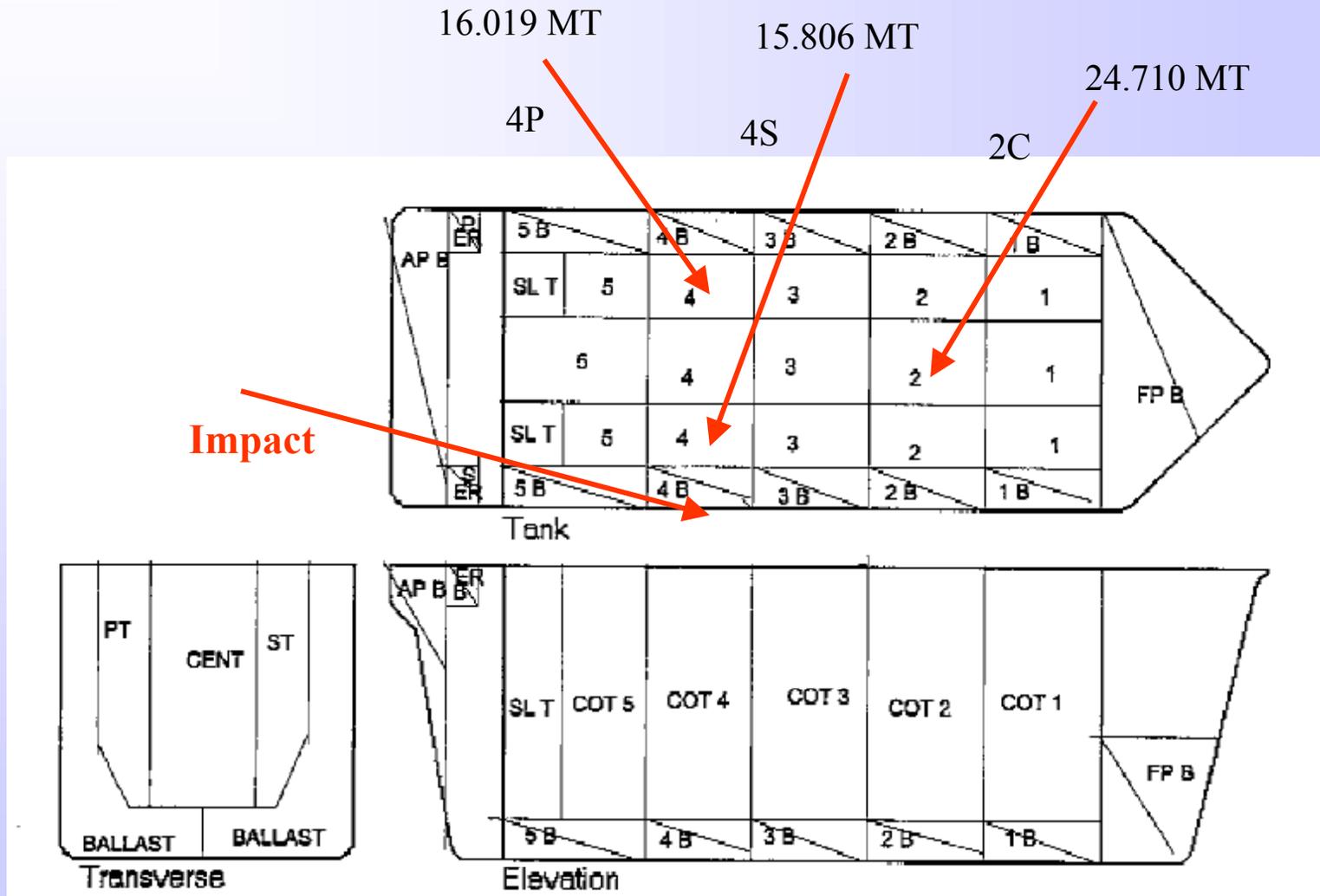


## 2. Hours prior to the Incident

- **06/10**
  - 05.15 hrs Limburg leaves drifting position
  - 06.30 hrs Contact with pilot
  - 07.15 hrs Reduce speed to meet pilot boat
  - 07.45 hrs Engine test-astern
  
- 2 tugs FWD Port
  
- On the bridge
  - Captain
  - Second Officer on watch
  - Wheelman
  - Cadet
  
- Cargo Control Room
  - Chief Officer
  - (Preparing pré-loading checks)
  
- Port side Gangway
  - Bosun
  - 3 AB's
  - (waiting to receive the Pilot)
  
- Starboard side workshop
  - Pumpman
  - (preparing fittings for the manifold of the portside connection)



# Cargo & Ballast System









## 4. Immediate action on board LIMBURG after the explosions

- Captain ordered to release Inert Gas in the tanks.
- RIYAN was able to approach and reported that the fire was burning inside the tanks.  
RIYAN sprayed water on the fire but was unable to maintain station
- Some crew were able to spray water towards the fire and onto the deck for cooling.
- 07.30 hrs                      Captain notifies the superintendent.
- 08.30 hrs                      Chief Engineer opens valves of some ballast tanks to cool the damaged area internally and generate a port list to reduce oil flow from the hole
- 09.15 hrs                      12 crewmembers reported missing.
- 12.00 hrs                      Captain ordered to abandon ship.
- 11 of crew reported missing are safe!  
1 Bulgarian seaman missing.











## 5. Immediate action ashore

- 07.30 hrs Superintendent notified by Captain.
- 07.55 hrs Crisis management team assembled in Antwerp.
- 08.00 hrs Nantes (Franship) and London (Euronav, Tankers International) informed.



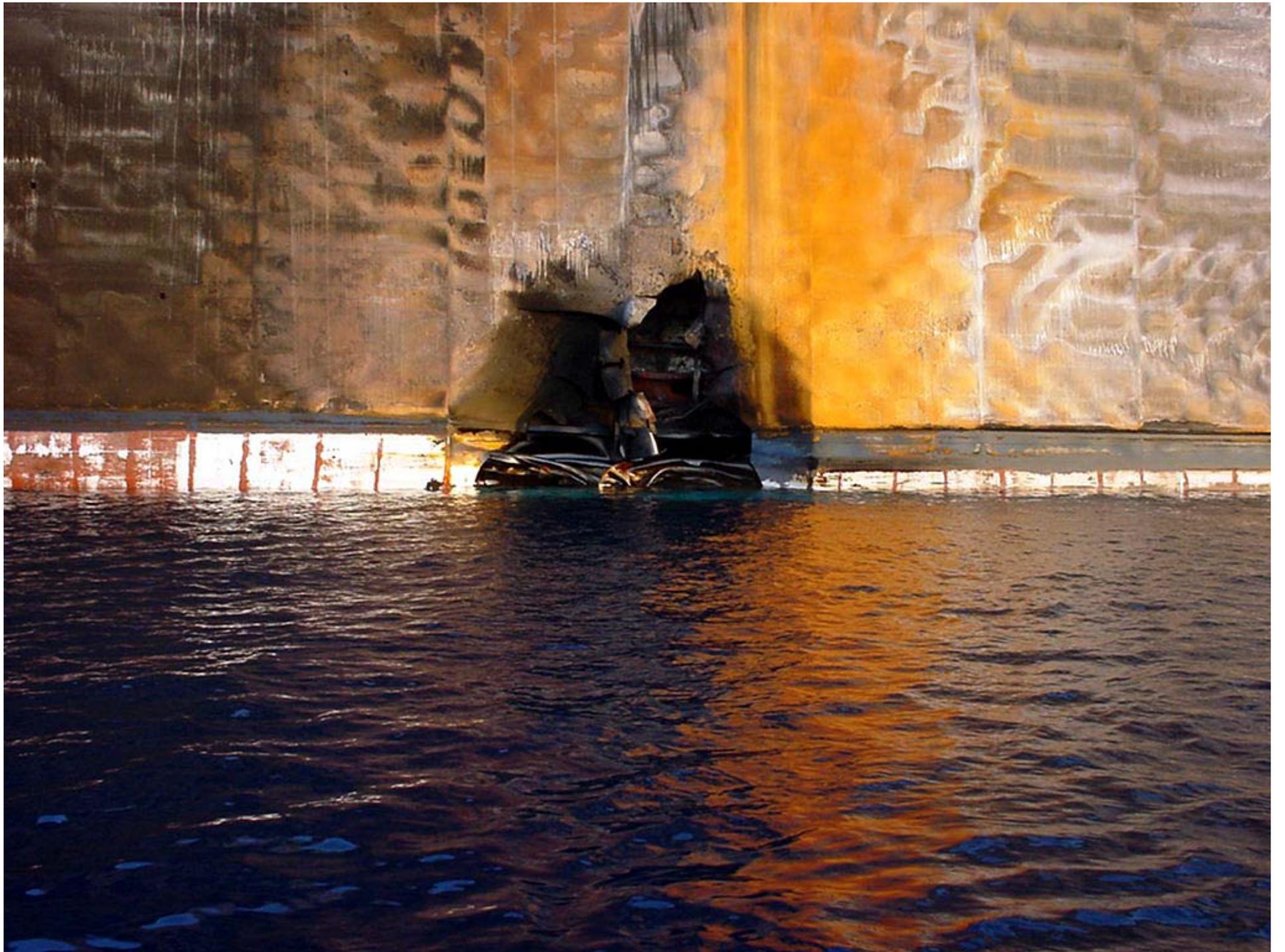
## 6. The Salvage operation

- Wijsmuller Salvage b.v., operator of the RIYAN, and owners agreed an LOF-SCOPIC 2000.
- Overnight RYAN connected to LIMBURG. LIMBURG towed away from shore
- **07/10** Capt. RAES (senior owner's representative) and Mr. KLEIN (superintendent) departed to Yemen.
- **08/10**
  - Fire extinguished
  - Salvors boarded the LIMBURG
  - Skeleton crew of LIMBURG headed by Harald Klein on board
  - Operation systems gradually started up.
- **09/10** 21.35 hrs
  - LIMBURG capable of self propulsion.
  - RIYAN released
  - LIMBURG allowed to drift.
  - Replacement tug "22nd MAY" towed LIMBURG to Mukalla
  - Yemen authorities instruct Salvors to keep LIMBURG in 12 miles zone.
  - Restricted movement of the crew.
- Investigations by:
  - Ministry of Transport
  - Ministry of Internal Affairs
  - FBI
  - French anti-terrorist unit
- Owners access denied.

## 7. Cause of the damage: “TERRORIST ATTACK”!



- Cadet saw a small fast boat!
- The shape of the hole ? Explosion came from the outside!
- Impact on the waterline.
- GRP and wooden debris found on deck.







## 8. Available insurance policies

- Terrorist attack = insured peril under the War Policy

### 1. PERILS

**1.1. Subject to the exclusions hereinafter referred to, this Insurance covers loss or damage to the vessel caused by:**

**1.1. 5 Any terrorist or any person acting maliciously or from a political motive.**

- Leading War underwriter ACE syndicate of Lloyd's.
- LIMBURG entered with West of England P&I Club.



## 8. Available insurance policies (cont.)

<b>Vessel</b>	Insured value (War Policy)	USD 70.000.000
	Deductible	nil
<b>Salvage award</b>	Insured limit (War Policy)	USD 70.000.000
<b>Earnings</b>	Insured limit	USD 5.220.000
		180 days in excess of 14 days
		Daily indemnity USD 29.000
		Not available in case of Total Loss or CTL
<b>Liabilities</b>	Insured limit (War Policy)	USD 70.000.000
	Insured limit (P&I Club)	USD 200.000.000 in excess of USD 70.000.000
	<u>P&amp;I Components:</u>	
	Pollution and fines	
	Dead & Injury of crew	
	Repatriation of crew	
	Cargo liability	
	Defense	



## 9. Claim handling

- **Crew Claims**
  - Repatriation handled by West of England - Franship - Belgibo.
    - Cooperation from French Embassy.
  - Settled by War Underwriters
    - Death compensation
    - Repatriation & substitution crew



## 9. Claim handling

### ➤ **Pollution Claim**

- Handled by: West of England – ITOFF - Franship - Belgibo
- Spill of 150 mt on the water + 20 miles of sandy beach.
  - Clean-up cost estimate by ITOFF at USD 500.000 - 1.000.000.
- Yemen signed CLC 1969:
  - Maximum liability LIMBURG = USD 20.000.000
  - But no liability in case of act of war or intentional act by a 3rd party.
- Yemen refused to apply CLC:
  - Strict liability under local law.
  - CLC ratified but not passed in local law.
  - Ministry of Transport prepared to accept cash deposit or bank guarantee of USD 18.500.000.
- Owners and War underwriters refusal:
  - Heavy pressure by French top diplomacy
  - Firm negotiation of Franship and War underwriters
- Final settlement below USD 1 million
  - “Donation to the People of Yemen without admitting liability”.



## 9. Claim handling (cont.)

### ➤ **Salvage Claim**

- LOF/SCOPIC 2000
- Salvage award determined by Admiralty Lawyers in function of:
  - the difficulty of the salvage job
  - the degree of risk
  - the value of the salvaged vessel / cargo / bunkers
  - the mitigation of pollution damage.
- Owners declared General Average
  - Salvage Award (Owners estimate): USD 3,5 to 5 million
  - Estimated share of the LIMBURG (Owners estimate): USD 2,5 to 4 million
- Salvors released the saved assets against guarantees from:
  - Vessel “LIMBURG” granted by War Underwriter
  - Cargo granted by Cargo Underwriter
  - Bunkers granted by Charterers Underwriter



## 9. Claim handling (cont.)

### ➤ **Cargo Claim**

- LIMBURG lost about 16.000 MT.
- Charterers lawyers considered to claim “unseaworthiness”.
- No cargo liability!  
Owners have war or “public enemies” defense.
- **08/11** Owners declared “Abandonment of the voyage”:
  - Charterers have obligation to collect cargo from LIMBURG
  - Cargo transhipment organised at Fujairah.
- G.A. Guarantees from cargo/bunker receivers and cargo/bunker underwriters.

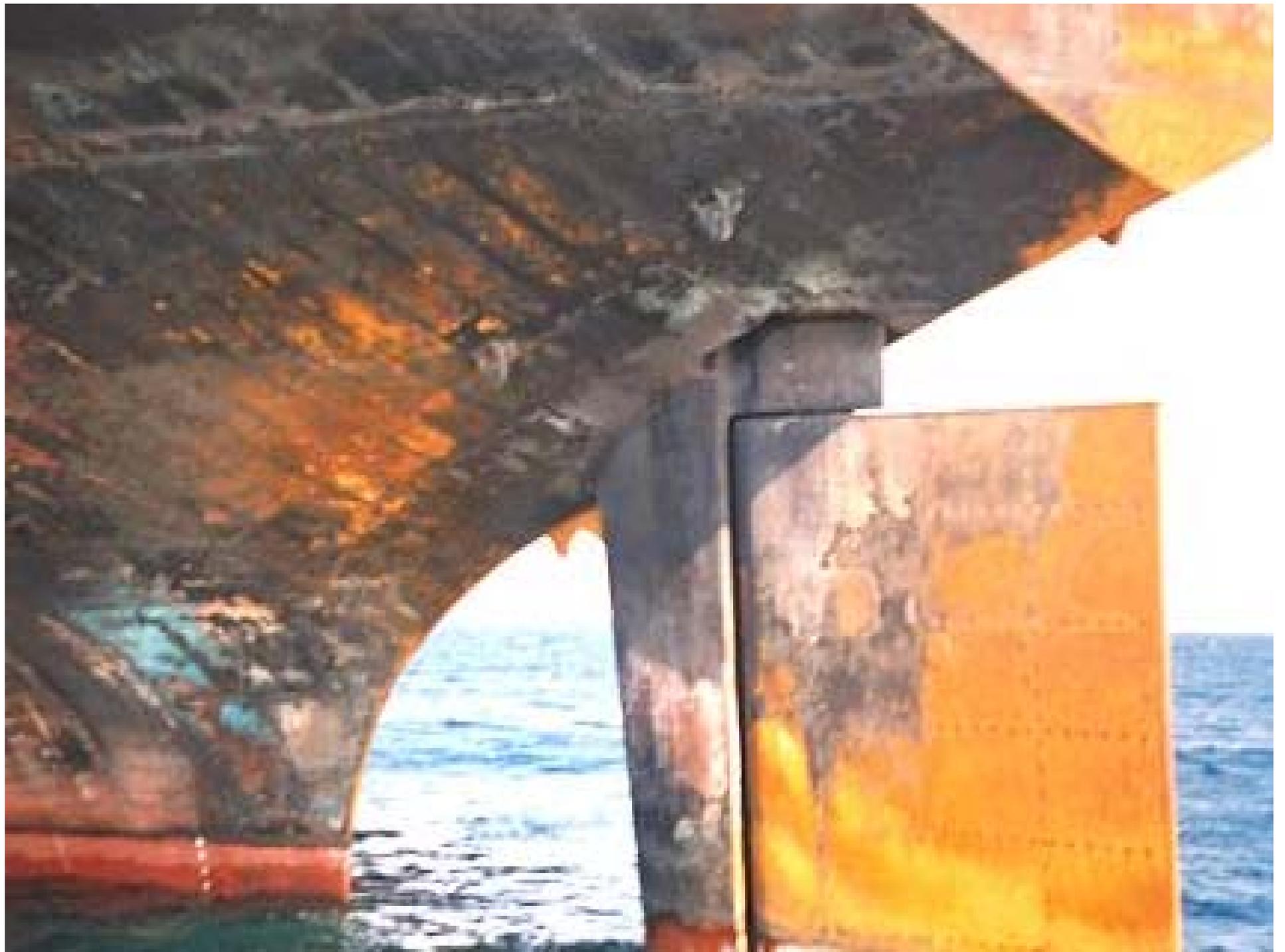
## 9. Claim handling (cont.)

### ➤ Hull Claim

#### ➤ Repair cost negotiation

- 25/10 First repair estimate based on findings of Superintendent  
Conclusion: vessel severely damaged.
- Early November Repair cost estimates from shipyard  
Conclusion: major cost of repair – CTL!
- 15/11 Declaration of “Notice of abandonment”
- The Salvage Association analysed the repair estimates:
  - definition of repair specifications
  - no estimates but firm quotes
  - quotes from Vinashing, Hellenic Shipyard,...
- Owners budget for repairs: USD 38.500.000
  - No patchwork but replacement of sections!
  - 7.000 tons of steel replacement!
  - First class repair yard!
- 17/01 Franship - Salvage Association meeting but no consensus over USD 5.000.000 difference in repair costs!











## 9. Claim handling (cont.)

### ➤ Hull Claim (cont.)

#### ➤ CTL was a border case!

- “CTL if cost of repair and recovery exceeds 80% of the declared H&M value.”
- LIMBURG insured War value = USD 70.000.000
- whereof 70% placed in H&M = USD 49.000.000
- whereof 80% = **USD 39.200.000**
  
- Underwriters approach: “Cost of Recovery” **after** declaration of notice of abandonment !
  - repair cost USD 38.500.000
  - recovery after N.O.A. (estimate) USD 500.000
  - no CTL! USD 39.000.000
  
- Owners approach: “Cost of Recovery” as from time of the incident !
  - repair cost USD 38.500.000
  - salvage award (minimum estimate) USD 2.500.000
  - CTL! USD 41.000.000
  
- **30/01** Meeting between the leading underwriter and owner and a compromise was reached:
  1. Unrepaired damage claim.
  2. Salvage Award and all P&I claims (pollution, cargo, crew) for Underwriters account
  3. Owners sell the LIMBURG “as is where is” with profit split arrangement with underwriters.



## 10. Conclusion

- Owners emergency systems tested and performed well!
- Too little pollution insurance (USD 470.000.000) in case of a terrorist attack.
- Quick claim settlement (144 days) achieved due to:
  - Long term relation with first class leading underwriter
  - Neither party involved coverage lawyers for guidance
  - Package policy for H&M, War and Loss of Hire. Underwriters speak with one voice!
- Personal touch and close collaboration with all claims handlers (War underwriters and P&I Club)

