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## **Position paper of the International Union of Marine Insurance (IUMI)**

### **Loss of ship records** *1 September 2015*

#### **Background**

There is an increasing tendency for the outgoing technical managers to remove all records from the ship when a vessel changes ownership, leaving the incoming crew and management with very little information on the condition of the ship and the machinery.

Having assimilated the problem, IUMI and JHC jointly wrote to IACS with a suggested change to their rules, such that ship maintenance records would be a condition of classification. After early promising signs, this option was declined. For confidentiality reasons, the ICS are also opposed to the provision of such records.

#### **Type of information lost**

- Records of main engine cylinder liner calibrations showing the amount of wear and previous wear rates, so that a new owner can prepare new liners as required.
- Generator engine overhaul reports showing the amount of wear to the various component parts, ovality readings for connecting rods, and the presence of any non-standard (undersize) crankshaft bearings.
- Dry dock reports showing the work carried out at the last dry docking.
- Ultra sonic steel thickness measurement reports showing the condition of the hull plating and structure.
- Historical lubricating oil analysis results showing the nature of any wear or contamination of the main engine, generator engine and stern tube bearing lubricating oils.
- Historical fuel oil analysis results, showing the condition of the fuel oil on board at the point of change of ownership.
- Record of components and spares used during routine and unscheduled maintenance, including use of non-manufacturers' parts.
- The remaining spares inventory at the time of transfer.



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### **Increased Risks**

The new owner expects to be able to manage and operate the vessel effectively immediately following takeover. Without continuity of information, it could be some months before the new crew and management are fully familiar with the vessel and machinery plant. During this time, there is an increased risk of machinery breakdown leading to inability or impairment to navigate, fire and explosion, or personal injury from component failure.

Although a new owner might place a Captain and Chief Engineer on board for a few weeks prior to purchase, they are often only allowed to observe, and not have access to maintenance information. At best, the new owners might acquire, via the Chief Engineer, the running hour records for the machinery, showing the hours since the last overhaul of the main engine and generator engines, but little else.

Loss of the maintenance reports also means there is no documentation of the conduct of a repair and whether manufacturers or non standard replacement parts were used.

### **Non-transfer and destruction of records is common**

ISM requires a high degree of formality in the management and maintenance of a ship. An appropriate level of records and documentation generally exists on board every ship.

It is unclear why an outgoing manager would remove a lot of important information and why an incoming owner would accept a ship without such continuity of information.

The sale and purchase process appears at first to put a heavy reliance on 'caveat emptor' but of course the shipowner has the protection afforded to him by his insurance policy.

The following paragraph is reproduced from a Sale & Purchase agreement in common use:

*'At the time of delivery the Sellers shall hand to the Buyers the classification certificate(s) well as all plans etc. which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers to have the right to take copies. Other technical documentation which may be in the Sellers possession shall promptly be forwarded to the Buyers at their expense, if they so request. The Sellers may keep the log books, but the Buyers have the right to take copies of same.'*

There is no standard obligation to hand over maintenance records.

It is understood that this practice of not transferring records and even deliberately destroying them has become commonplace. It even occurs 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.



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Clearly, an outgoing manager may want to remove any licensed computer programmes that they may have developed themselves or purchased and installed. They may want to remove their ISM manuals and any other documentation that is part of their branded management system. However, this should not extend to historical maintenance records and other important information that should remain with the ship throughout its life, as a service history.

### **Reported incidents**

In one case, a management company flew their fleet manager to the ship, specifically to go through all the maintenance records and remove everything they did not want the new owner to see.

In another case, insurance representatives were visiting on board during a change of management and arrived in time to see the outgoing managers removing all records. When those taking the records were asked to leave everything for the benefit of the new managers, they agreed.

The lack of documentation is compounded by the absence of requirements for minimum spares on board. The historical requirements by Responsible Organisations to specify and monitor the spares inventory has been abandoned. It is now left to the discretion of the owner how the plant complies with manufacturers' recommendations for maintenance, or to deal with unscheduled or emergency repairs.

### **Conclusion**

Insurers are being exposed to claims that could have been avoided if ship maintenance records had been provided.

In cases where the records are not available, it may be necessary to consider the viability of automatic machinery cover and whether some specific action needs to be taken.

IUMI remains sure that a significant improvement in the risk profile would be achieved by requiring the maintenance records, operating reports, and spares inventory to be part of the permanent service history of the ship and covered by the regulatory regime, possibly through additional clauses in the sale and purchase agreement. However, early resolution cannot be expected either through IACS or implementation in the ISM code.