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DEAR READER

All I want for Christmas is more attention on the human factor

First, welcome to this newsletter from Survey Association focusing on prevention. You are probably aware that many accidents and losses can be prevented if we focus on the right issues – but what are the right issues?

Soft issues can result in hard-felt losses

Carefully checking vessel maintenance records and condition is a no-brainer, of course. But, as you can read in this newsletter, we often find that the 'soft' issues - people, competencies and the way crews and systems are organised - are all too often overlooked when it comes to surveying and prevention.

My wish for 2016 is that the marine insurance industry makes so-called soft issues a real priority. (I say so-called, because while the issues might seem soft, subsequent losses can be very hard felt.) A thorough review of the people and organisational factors onboard a vessel or fleet might truly be the best Christmas present you ever invested in.

Merry Christmas to you all!

The newsletter is our bid to increase the transparency and knowledge about marine safety and risk management, and to let you know what's going on in our business that might interest you.

Is condition survey providing false hope of security or helping the Underwriter? Read more about it on page 2

[PAGE 2](#)

Survey Association is now seeking ISO 9001 certification as a response to customer requests. Read more about it on page 3.

[PAGE 3](#)

Read about the Damage Cost Form (DCF), that makes claims settlements easier and faster, on page 4.

[PAGE 4](#)

A hatch cover might seem like a small thing - but if it's leaking, it can quickly create a huge loss. See how to pinpoint leakage early on page 5.

[PAGE 5](#)

On page 6 you'll get to know our man in Australia, Carl Jernert, and know why he decided to leave Denmark, 22 years ago, together with his wife

[PAGE 6](#)

WHAT'S MOVING OUT THERE: CONDITION SURVEYING - HELPING THE UNDERWRITER OR PROVIDING A FALSE SENSE OF SECURITY?

Why a condition survey is only the first step towards a healthy fleet

ARE CONDITION SURVEYS A TRUE BENCHMARK OF RISK?

Could a six-hour condition survey be enough to define the ongoing risk of a vessel or particular fleet to underwriters?

While a condition survey can provide valuable assurance of vessel condition at a particular place and time, it is a limited snapshot. There are actually many other aspects of a vessel operation and maintenance that can also be taken as quality indicators.

"To better identify fleets where all quality indicators are good, what's really needed is a deep dive risk analysis with involvement from the ship management company," says Henrik Uth, CEO, Survey Association. "Partly it is because risk analysis has become a tick in the box. Carry out a brief condition survey and everyone is happy - until an accident happens. It is short-term thinking," he states.

The problem - according to Uth - is that the current Joint Hull condition survey program is designed to look mainly at symptoms, not root causes. When a surveyor is on board the ship filling in his tick boxes and carrying out tests, there is simply not enough time to go into depth by interviewing crew, reviewing documentation, analyzing performance and determining the differences in culture between one company and another.

"A six-hour port stay to do a condition survey will - by its very nature - mean that there is no chance to check everything. It's a small and rushed sample of what can be achieved without delaying or impairing vessel operation. This means that we as surveyors are not in a position to truly help the owner prevent future losses that are ultimately picked up by the insurance companies. After a condition survey you can plug the holes, but you don't have the information necessary to make structural improvements to the organization," he says.

THE HUMAN FACTOR - WHO HIRED THE SECOND ENGINEER?

The human factor is often neglected by a condition survey, according to Captain Kurt Rye Damkjær, Technical Director at Survey Association.

"There is a tendency to focus too much on the technical aspects and too little on the people and the organization," Damkjær says. "It is often said that around 80 percent of accidents are caused by the human factor rather than some deficiency to machinery or outfitting."

Damkjær outlines one possible scenario:

"After an accident, we review what went wrong and discover that it was the Second Engineer who made a grave mistake. The initial conclusion might be to blame him, but this is not the root cause. The root cause can be traced back to organization and management. Who hired the Second Engineer? Who checked his skills or lack thereof? How were his capabilities reviewed? Were his capabilities reviewed in light of this type of vessel, and the type of machinery he was operating?"

IT'S ALL ABOUT AVOIDING LOSSES

All these questions are complicated.

"But in light of the massive amounts of money we're talking about, it is absolutely necessary to take an interest in such matters to prevent future claims and losses," Kurt Rye Damkjær notes. "Shipping companies produce much better profits when there are no breakdowns or crew retention problems, and when they can run their business without the background costs of legal claims, accelerated PSC targeting and heavy insurance premiums".

TURN AROUND THE RATIO

"We know that shipping companies that focus on human and organizational aspects have better claims statistics. But change does take time. I would expect that it would take a minimum of three years to develop a safety culture. And you will only succeed if the whole organization is involved, from the CEO to the accountant, from the captain to mess man."

So where to start? Damkjær recommends that customers use the Survey Association's Athena tool to generate quality indicators for the entire Owners fleet. Those indicators can point towards ships that should then be subjected to a deep dive risk analysis.

This can be followed by a management audit that can confirm ship/shore interfaces, crewing practices and explore the use of human factor KPIs. All of these areas can lead to sustained risk improvements to the Owner concerned.

At present, Kurt Rye Damkjær estimates that for every deep dive program that the Survey Association carries out for its customers, they do around 100 condition surveys.

"Really, the ratio ought to be the exact opposite", he says with a smile.



WHAT'S MOVING WITHIN: SURVEY ASSOCIATION SEEKING NEW ISO 9001 CERTIFICATION

Marker of quality management process is a response to customer requests.

SURVEY ASSOCIATION IS NOW SEEKING ISO 9001 CERTIFICATION, A MARKER OF QUALITY MANAGEMENT.

"More of our customers are asking about ISO 9001 certification," says Claus Jelling Holm, the loss prevention manager at Survey Association. "We see it as a natural next step to have this quality assurance in place as a supplement to our own quality management system."

ISO 9001 is a standard for quality management. It sets up a framework of rules for systems to make sure that quality is maintained in daily operation.

Many customer selection processes require either an external ISO 9001 certification of compliance or a supplier audit by the customer's own staff.

So far, the Survey Association has generally worked with customer staff audits, but with the increase in number of clients, it is more efficient to have external certification.

"We are aiming for certification in accordance with the new 2015 EN standard, which brings revision and improvements to the current 2008 standard and will bring more value from Risk Assessments linked to the business strategies and policies," Holm says.

"As our customers in the marine industry continue to improve their own quality, the requirements of suppliers of products and services are growing in the direction of external verified quality," says Holm. "We decided to obtain ISO 9001 certification of our quality management system as a service to our customers."



ORGANIZING INVOICES FOR A CLAIM: THE DCF MAKES IT EASIER

Preformatted Excel Spreadsheet offers an overview that makes claims settlement easier, faster.

When it comes to bringing a claim, too many ship owners leave money on the table. Amid the crush of daily business, it's hard to keep track of and organize all the invoices related to a claim. And every invoice misplaced is a lost chance to document a claim, resulting in delayed or foregone settlements.

That's why the Survey Association's surveyors often use an in-house developed preformatted Excel spreadsheet – called the **Damage Cost Form (DCF)** - that allows surveyors and superintendents to document and track every item related to a hull and machinery claim.

The DCF collects everything from cost estimates to invoices, and allows for a technical perusal of the invoices.

What's more, the DCF allows the superintendent to keep close tabs on a repair project as it progresses, using the Excel filtering function to specify how much has been spent on, say, labour, or how many invoices have been paid out to a particular supplier, depending on the input detail used.

"Most superintendents are skilled at handling operating budgets, but claims are another area entirely," notes senior marine surveyor Peter Storegaard of the Survey Association.

"What we've done is created a tool to keep track of repair estimates, and/or further in the process to gather claims-related invoices and present them in an organized fashion. It's useful both in-house, and for the insured, and for the claims handlers."

COST OVERVIEW FORM, TECHNICAL PERUSAL FORM

The Damage Cost Form will help keep the status of a claim transparent, and help close a claim at an early stage if it is below the deductible.

It can also increase the feasibility of an advance claims payment in the case of larger claims.

Most importantly, it can keep up the momentum in the claims processing after end of repair so the case can be finalized and settled without unnecessary delay.

Inputted data is stored in the Full Damage Cost Form, but can at the click of a tab transform into a Cost Overview Form, request for Payment on Account, or a Technical Perusal form. Each of the forms can be printed on an A3 sheet of paper.

A TRANSPARENT BASIS FOR NEGOTIATION

The Damage Cost Form can also serve as a basis for negotiation with all the stakeholders in a claim.

"It creates a great overview, and it has proved to make discussions between the insured and the insurance company much easier, since all the information is at hand," says Storegaard. "We believe that using this kind of simple, yet powerful organizational tool will help reduce some of the claim backlog in the industry."



ULTRASONIC TESTING OF HATCH COVERS CAN PINPOINT LEAKAGE EARLY

Leaking hatch covers are a common reason for losses for both ship owners and marine insurance companies. A simple test that takes only two to three hours to complete can save millions.

A hatch cover might seem like a small thing - but if it's leaking, it can quickly create a huge loss. And traditional techniques to discover hatch cover leaks are burdensome and not always efficient. Spraying the hatch with a water hose will expose bigger leaks. And drawing with chalk will reveal any uneven points in the lining where the hatch closes. But these methods are old-fashioned and time consuming.

Now, ultrasonic testing of hatch covers can pinpoint leakages before they become actual problems. And the new method is much more precise. "We test hatch covers with the help of ultra sonic sounds and compression," says Louise Windelboe, marine warranty surveyor at Survey Association.

Traditional methods show whether there is contact between the packing rubber and compression bar, but ultrasounds also provide information on the compression status of the hatch cover packing rubber. According to SDT International, which manufactures the testing device, this is extremely important. The compression determines the capacity of the packing rubber to compensate for the relative movement between the hatch covers and the hatch coaming and maintain a tight seal when at sea.

The test is carried out by placing a transmitter in the cargo hull and then walking around the hatch cover with headphones on. A high noise means that there is a crack or a leakage.

COSTS LESS TO REPAIR THE DAMAGE IN AN EARLIER STAGE

The test is so accurate that it can pinpoint the tiniest damage before it is big enough to become an actual leak. And the test takes only about 2.5 hours, depending on the size and type of vessel.

"The ultrasonic tests enable you to take preemptive action before any damage takes place - and the leak will be smaller and less costly to repair," Windelboe explains.

OLDER COASTERS AND BULK CARRIERS VULNERABLE TO HATCH COVER DAMAGES

There are two sorts of vessels in particular that Windelboe believes can benefit from ultrasonic testing of hatch covers: older coasters or bulk carriers. "You often see damaged hatch covers on these ships, so I'd definitely recommend a test," Windelboe says.

PROTECT THE CARGO - AND THE CREW

The need for hatch cover tests also depends on cargo and the journey length.

"If you have a cargo that is sensitive towards moisture and water - rice or grain, for instance - testing hatch covers before departure is an excellent idea. I also recommend conducting a test if the vessel is going on a long journey where it is likely to be exposed to heavy seas. And ultimately, it is not just about protecting the cargo and potentially saving millions, but about ensuring maximum safety for the crew," Windelboe says.



ROUND THE GLOBE: “MY GOAL IS TO MAKE THE MARITIME INDUSTRY A LITTLE BETTER AND SAFER EVERY DAY”



Carl Jernert, 54, is a trained marine engineer and a native of Denmark. He lives in Townsville, Queensland, Australia with his wife and daughter, and has been working for the Survey Association for 18 months.

“I’ve lived in Australia for 22 years. My wife and I were ready to see more of the world, and it made sense to come to Australia because I have family here, which was a real help when we were settling in. Our timing couldn’t have been worse: we arrived right at the beginning of what turned out to be a terrible recession. But both my wife and I got jobs within six weeks. She was a dietician who got work in a hospital, and as an engineer, I was able to find a position servicing outback power stations. After that, we never looked back.

Over time, I built my own business here as a surveyor, something I’m not sure I would have been able to do in Denmark. Australia still feels like a country that allows you to try things as an individual, something I never felt back in Denmark, where the initiative seems to come from larger groups.

In my own business, I largely look at smaller vessels, such as workboats, fishing vessels, and passenger boats for tourism purposes on the reefs.

Then in early 2014, I got a call from the Survey Association asking if I’d like to join their Australia team as an associated surveyor. It was a fantastic opportunity. I get the chance to do bigger vessels than I had been working with in my own business, and they’re more challenging – there are a lot more things to look at!

But I enjoy the challenge. It’s really just collecting evidence and presenting it to the insurance company, giving an honest view of the condition of the vessel.

I always try to use my own experience as a marine engineer in my work for the Survey Association. Back when I was a marine engineer and we had surveyors come on our boat, I always felt intimidated. They were a little bit like policemen.

I take a different approach. I like to think I help show the crew how to work within the rules, how you can go about complying with them in a sensible way. I’m here to help. My goal is to make the maritime industry a little better and safer every day.”