



CHINA SHIPOWNERS MUTUAL ASSURANCE ASSOCIATION

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TO THE MEMBERS

Dear Sirs:

Ship Condition Survey Programme

1. The purpose of Ship Condition Survey

As part of the risk management and loss prevention, ship condition survey programme of the Association plays an important role in evaluating whether a vessel meets the Association's entry requirements in terms of the physical condition of the ship, management standard of the ship manager, and the quality of manning etc. By way of such condition survey, the Association can identify deficiencies and defects which are likely to expose the shipowner and the Association to insured risks, then provide Members with recommendations for rectification or maintenance.

The condition survey focuses on the vessel's structure and maintenance, cargo worthiness, crew safety standards, pollution prevention equipment, and evaluates the level of ship management and the quality of manning at the same time.

2. Rules of the Association concerning Ship Condition Survey

Rule8 Section F of the Association states:

F. Survey of ships

- i. The Managers at any time in their discretion may appoint a surveyor or such other person as they may think fit to inspect an entered ship on behalf of the Association.
- ii. If an entered ship has been laid-up for a period of 6(six) months or more, whether the ship has been entered in the Association for all or part of the period of lay-up, the Member shall give the Managers notice that the ship is to be recommissioned not less than 7 days before the ship leaves the place of lay-up.
- iii. The Member, under the circumstances specified in sub-paragraphs [i] and [ii] above, shall
 - (i) afford such facilities as may be required for such inspection, and
 - (ii) comply with such recommendations as the Managers may make following such inspection.

Unless and to the extent that the Directors otherwise decide, a **Member who commits any breach of his obligations referred to in sub-paragraphs [ii] or [iii] shall not be entitled, in relation to any casualty or event occurring during the period of the breach, to any recovery from the Association in respect of any claim arising out of such casualty or event.**

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A breach of the obligation in sub-paragraph [ii] above shall be deemed to have ended at such time as the Member has complied with his obligations referred to in sub-paragraph [iii][(i)] above.

Notwithstanding the above and in addition thereto, **the Managers may, in light of such inspection or in the event of any breach of the obligations referred to in sub-paragraphs [iii][(i)] and [iii][(ii)] above, terminate the Member's entry forthwith whereupon the Member shall cease to be insured in respect of the entered ship.**

3. Vessels subject to Condition Survey

The Association requires a full condition survey to be carried out on the following vessels or vessels under the following status:

- (1) For ships applying for entry, a pre-entry condition survey shall be undertaken on:
 - i) all sea-going vessels aged 10 years or older;
 - ii) all passenger ships irrespective of age.
- (2) For entered ships:
 - i) All sea-going vessels aged 10 years or older carrying heavy fuel oil as cargo (please refer to Club Circular No.5/2006 for further information), are subject to condition survey, unless:
 - A. the vessel has undergone a condition survey in conformity with the Association's requirements in the previous 12 months, or
 - B. the vessel has undergone a Special Survey conducted by any IACS classification society in the previous 6 months, or
 - C. the vessel has a CAP1 or CAP2 rating with any IACS classification society.
 - ii) All sea-going vessels aged 12 years or older and have not undergone any condition survey in the previous 24 months.
- (3) if a claim raises concerns regarding the condition and quality of the vessel, and/or the standard of its management, and/or the quality of manning;
- (4) when the Classification Society of an entered vessel changes;
- (5) when the vessel was detained or blacklisted by PSC(port state control) or there is other information indicating the vessel is under substandard conditions;
- (6) any other circumstances listed in the entry requirements for pre-entry condition survey or follow-up survey.

4. The appointment of surveyors

The Managers may appoint competent independent surveyors worldwide to carry out a full condition survey and produce a survey report in accordance with the Association's requirements. Notwithstanding the in-house inspectors of the Association may conduct the condition survey themselves. The survey report should precisely reflect the ship's physical condition, shipboard management level and crewmembers' competence, especially the matters in respect of defects and deficiencies that exist. The surveyor shall submit the preliminary report within 48 hour of attending the vessel and a formal report in 14 days afterwards.

5. The costs for Condition Survey

Unless and to the extent that the Managers otherwise confirm in writing, the cost for condition surveys of entered ships and ships applying for entry, including the survey fees for initial survey and follow-up survey, the travelling expenses and other relevant expenses, should be on the Members account.

6. Preparations for Condition Survey

Before the surveyor appointed by the Association boarding the vessel, the Member/Owner shall complete the following preparations:

- (1) to ensure that all cargo holds shall be empty for at least 4 hours without any cargo operation during the condition survey.
- (2) to prepare all the Ship's certificates and relevant documents or records for the review and inspection by the attending surveyor.
- (3) To ensure that the covers of manholes of all holds and ballast tanks and any other enclosed or void spaces need to be removed in advance and sufficient ventilation of these areas be conducted and sufficient lumination be arranged in order the surveyor may carry out internal inspection of these areas safely and efficiently, as per relevant requirements and procedures of entering enclosed spaces.
- (4) All hatch covers need to be in places for tightness test by way of hose test or ultrasonic test.
- (5) All ballast tanks need to be ready for a hydro-test.
- (6) All bilges of cargo holds to be ready for a functioning test.
- (7) to ensure that the emergency steering, emergency fire pump and emergency generator are in good condition and ready for inspection.
- (8) to ensure that the cargo holds bilge alarm system, quick closing devices of all ventilators and fire flaps are in good working condition.
- (9) All machinery equipments shall be inspected or function tested and their maintenance records shall be ready for review and inspection by attending surveyor.
- (10) All cargo gears and deck fittings need to be ready for inspection and test and relevant maintenance records to be available for review and inspection.
- (11) to ensure all the charts and nautical publications have been updated to latest NM(Notice To Mariners).

7. Procedures for Condition Survey

The Managers, the surveyors appointed by the Association, the Member/Owner, the Master of the vessel, the local shipagent or representatives of the Member/Owner shall co-ordinate with each other to carry out the condition surveys under the following procedures:

- (1) Owners or members shall provide promptly the following information to the Manager of the Association, when a condition survey is required and agreed:
 - i) The name of the port for the intended survey
 - A) The survey is to be conducted at:
 - a) Port of discharge: _____, Cargo details _____;
 - b) Port of loading: _____, Cargo details _____;

- c) Port of Delivery of vessel _____
- B) Vessel's ETA: _____, Vessel's ETD: _____;
- C) Estimated Period of stay: _____ days + _____ hours
- D) Next Port of call: _____
- ii) Full details including name, address, email address telephone number, fax number and contact person of the shipagent at the port for the condition survey:
- iii) Contact person and email address, telephone number and fax number of the Member/owner or their insurance brokers.
- (2) The Member/Owner should give 7 days advance notice for the Association to arrange the condition survey. In case of a follow up survey, Members shall need to ensure that all the defects and deficiencies listed in the previous survey have been repaired or rectified.
- (3) After receiving the information provided by the Member/Owner, the Managers will appoint appropriate surveyor, taking the port location and cost in to consideration. The Association will provide the surveyor with the ship's particulars, the scope of the inspection, and other relevant information from the Member/Owner, along with the appointment. The surveyor will estimate the cost of survey taking in to consideration of the gross tonnage of the vessel, vessel type, scope and duration of the inspection, travel expenses etc, and give his quote of charges to the Association and Member/Owner. The surveyor can contact the Member/Owner to carry out the condition survey after receiving the pre-paid survey fee from the Member/Owner.
- (4) After completion of the condition survey, the surveyor should present the list of defects and deficiencies to the master for his signature to confirm receipt. A preliminary report should be provided to the Association and the Member/Owner as well within 48 hours. The formal survey report should be submitted within 14 days after the inspection.

8. The form of survey report

The forms of condition survey have been developed in accordance with the requirements of the International Group of P&I Clubs. It may be downloaded from the Association's website or obtained from the Managers.

9. Evaluation of condition surveys

The condition survey report (including, but not limited to entry condition survey) shall be reviewed and assessed by in-house inspectors of the Association, based on which one of the following conclusions will be reached:

- (1) The vessel is found in good condition with none/few defects/deficiencies.

Conclusions:

- A. The vessel will be granted entry or to continue its entry with the Association;
 - B. No requirement for follow up survey;
 - C. File for condition survey will be closed accordingly;
- (2) The Vessel is found in an acceptable condition, but
- i) with a number of minor defects recorded

Conclusions:

- A. The vessel shall be accepted to enter or continue its entry with the Association.
- B. A certain appropriate restrictions shall be attached to the cover;
- C. The Member/Owner will be notified of such cover restriction and required to repair or rectify all the defects or deficiencies in a specified time frame and to present report signed by the Master of the vessel, including any supporting documentation and photos to confirm the completion of such repair or rectification. Upon reviewing such report and confirming all deficiencies have been corrected, the Association will determine to close the case without further follow-up survey;
- D. In case of failure of the members to comply with the above c), the members will be required to present the vessel for follow up survey within a specified time.

ii) with defects recorded affecting cover:

The condition of the vessel or shipboard Management or Crewmembers competence are not in compliance with the normal standards applicable to a vessel of this type and age. Vessel is found with serious defects/deficiencies relating to cargo worthiness and/or pollution prevention and safety, which increase the Association's exposure.

Conclusions:

- A. The vessel will be granted entry or to continue its entry with the Association;
- B. A certain necessary restriction shall be attached to covers;
- C. The Member/Owner is required to repair all the deficiencies within the given time (normally 2 months), and a subsequent follow-up survey will be carried out. The Member/Owner shall make the vessel available for the follow-up survey and provide necessary assistance. Prior to commencement of a follow-up survey, the Member/Owner shall confirm in writing that all defects and deficiencies have been repaired and rectified.

- (3) The Vessel is found having serious defects or deficiencies in respect of physical condition, sea or cargo worthiness, shipboard management and crewmembers competence.

Conclusions:

The entry of the vessel is not granted or the cover will be terminated.

- (4) The entry may be also rejected or the cover may be terminated if the vessel is found by the survey falling in above category (2) but under one or more of the following situation:
- A. If the vessel has been detained twice or more by PSC inspection in the last 24 months; or
 - B. If the vessel has changed its classification society twice or more in the last 24 months; or
 - C. If the ISM Manager has been changed twice or more in the last 24 months, or
 - D. If the vessel's flag state is blacklisted by PCS inspection.

10. Follow-up survey

When a follow-up survey is required in pursuance of Section 9 paragraph (2) above, the Member/Owner should provide written confirmation within the given time, confirming that all defects and deficiencies listed in the initial condition survey have been corrected and rectified.

To facilitate the follow-up survey, the Member/Owner should provide the relevant information listed in Section 7 Paragraph (1), 7 days prior to the follow-up survey. Upon the surveyor boarding the vessel, the Member/Owner should have done the preparations including but not limited to those listed in Section 6 above, provide necessary assistance and arrange sufficient time so that all the items listed can be inspected.

11. Circumstances under which the Association shall reject or terminate the entry:

- (1) The circumstances listed in Section 9 Paragraph (3) and (4) are applicable
- (2) The vessel fails to pass a 2nd follow-up survey
- (3) The Member/Owner fails to make the vessel available for adequate time or provide necessary assistance to the surveyor in the 1st and 2nd follow-up survey, resulting in the condition survey not being completed, especially if the inner side of the cargo holds, the hatch covers or the inner side of ballast tanks are left uninspected.
- (4) The following documents are not submitted to the Association within given time:
 - i) A report from the Member/Owner confirming that all deficiencies have been rectified
 - ii) Written notice from the Member/Owner confirming that the vessel is available for condition survey

12. Time frame for condition survey and follow-up survey

- (1) Time Frame for Entry Survey:

A Pre-entry condition survey shall be completed before the entry is granted. After assessment of the risk covered, then the relevant cover will become effective. However, since the Member/Owner may be under time pressure to complete the blue card documentation etc. as provided by the 2001 Bunker Convention, certain flexibility will be granted if the members request to effect the covers at the time of delivery of the vessel in case circumstances do not allow the survey to be carried out before the cover becomes effective. However, the Members should agree to accept any reservation or warranties clauses attached to covers at the Managers' discretion and that a Post-Entry condition survey will be conducted prior to the first voyage with cargo and, in any event, no later than 30 days after the delivery. As part of the entry terms, the Managers will usually reserve the right to:

- i) cancel the entry from the inception; or
 - ii) agree to continue the entry but with relevant cover warranty clauses based on the survey report;
- (2) Time frame for Submission of written materials to confirm completion of the repair or rectification of defects or deficiencies:

Confirmation in writing shall be presented to the Association in 15 days or up to 30 days at most. However, at members' request the Managers may, at their discretion, extend such time frame to 60 days.

- (3) Time frame for a follow up survey:

Normally 30 days to 45 days, and in no case exceeds 60 days after the previous survey.

(4) Exceptions and Flexibilities

Time frame for condition survey as specified above shall not be extended unless and to the extent that the Managers agreed in writing under certain circumstances when a condition survey is requested, including but not limited to the following:

- i) The vessel is under repair and the duration of the repair will exceed the time frame as specified in above 12.1, 12.2 and 12.3;
- ii) There is no competent surveyor available or the survey may give rise to expensive survey fees and excessive traveling expenses at the place where a survey is attempted.
- iii) The vessel is at a remote area and the time required for the vessel to reach the place for survey will exceed the time frame required.

13. The common scenarios of Members' breach of the Association's requirements

- (1) Failure to present the vessel for condition survey as per specified time frame;
- (2) Failure to provide the Managers with a report to confirm the completion of repair or rectification of all defects or deficiencies recorded in previous survey within the specified time frame;
- (3) Failure to render all necessary assistance, and/or sufficient time for a condition survey, with a consequence that survey had not been completed entirely, especially the internal inspection of cargo holds, ballast tanks, tightness test of hatch covers etc.
- (4) Failure to have all defects or deficiencies repaired or rectified before requiring the follow up survey.

14. Consequences of the breach

According to Rule 8 Section F of the Association, a Member who commits **breach** of his obligation in condition survey will result in the following consequences:

- (1) **Member shall not be entitled, in relation to any casualty or event occurring during the period of the breach, to any recover from the Association in respect of any claim arising out of such casualty or event.**
- (2) **the Managers may, in the light of such inspection or in the event of any breach of the obligations, terminate the Member's entry forthwith whereupon the Member shall cease to be insured in respect of the entered ship.**

15. The matters of concern

- (1) Condition Survey is not arranged at the right time and place leading to a less efficient survey

In order to ensure a smooth and efficient condition survey, the Members/Owners shall arrange sufficient time for condition survey to be conducted at a place of convenience, based on the delivery schedule or voyage plan of the relevant vessel. Furthermore, members shall keep good communication with the Managers and the surveyors and inform the crew and superintendent to render full cooperation and assistance to the surveyors. Priority should be given to key items. The members shall endeavor to finish all of the items on the survey.

If any restriction or warranty clauses have been attached to the ship's cover due to defects/deficiencies found in a condition survey, the Members shall study these clauses

and promptly arrange for repair or rectification within the time frame required so as to avoid any disputes or misunderstandings in respect of the cover.

(2) Lack of communication between shore base and shipboard Personnel:

Due to lack of communication between personnel onboard and at shore or between the technical department and the commercial department of the Members/Owners, condition survey may not be properly arranged, resulting in the consequence that some key survey items or tests could not be conducted and that the concerned vessel's structural integrity or cargo worthiness could not be verified. Under such circumstances, the Managers may impose more strict warranty clauses, or reject an entry, or even terminate the cover of the entered vessel.

(3) Inadequate Shipboard Management and lack of concern for the Condition Survey

Very usually, some of the Members or their superintendent may not take condition survey seriously and do not provide sufficient cooperation to the surveyor appointed by the Association. Some defects that could have been rectified at the spot were left outstanding. Some information about the repair and rectification were not reported timely.

(4) Concealing the vessel's deficiencies by unjustified means

The surveyor needs the cooperation from the Member/Owner to complete the condition survey. If there is evidence to indicate that the Member/Owner and their agents, representative, or the master of the vessel have any misbehavior or intentional interference on the surveyor, then the Association may reject or terminate the cover of the vessel. Likewise if there is any evidence to indicate that the surveyor deliberately concealed the defects or deficiencies of the vessel, no matter the reason, the Association will stop the cooperation with him.

The outcome of the condition survey will give an impact on the terms of entry of the vessel, relating to the vital interest of the Member and adequate cover for risks. According to the cooperation agreement among the International Group of P&I Clubs, all P&I Clubs can share the information of a vessel's condition survey report. If one vessel's entry is rejected or terminated by one of the Clubs, because of its failure to meet the Club's requirements, then it will be very difficult for the vessel to be accepted by other P&I Clubs.

Yours faithfully

For the China Shipowners Mutual Assurance Association