

LP 13/2026 Marine Insurance Claims Handling for Vessel Groundings

Vessel grounding is one of the most common maritime emergencies. How to respond in a timely and scientific way following the incident can be crucial to crew safety, loss control and restoration of navigation order. Handling grounding incidents typically involves expertise in marine insurance, maritime law, general average (GA) adjustment and port state regulation. This article examines a grounding incident involving an entered bulk carrier at a Brazilian port, covering three stages: salvage operations, judicial arrests, and GA adjustment, to provide practical insights on insurance claims handling for groundings.

I. Overview

The vessel involved was a bulk carrier entered with the Club for P&I cover. Having loaded a full cargo of soybeans at the Port of Rio Grande, Brazil, she departed under compulsory pilotage with tug assistance for unberthing and channel escort. While transiting between Buoys No. 2 and No. 4, the combined effect of a strong southwest current and northeast winds set the vessel to starboard, and she grounded.

The pilot, with the Master's consent, called in up to five tugs in repeated refloating attempts, none of which succeeded. A preliminary onboard inspection confirmed no casualties or pollution. The grounding, however, blocked a key channel, resulting in a brief port closure that added considerable urgency to the situation.

The charterers then engaged the local correspondent to coordinate refloating, which was not a smooth process due to the Member's limited experience in handling vessel groundings and the H&M underwriter's delay in confirming salvage costs.

II. Case Handling

The Club provided P&I cover for the vessel; the H&M underwriters provided cover for 4/4ths collision liability (under the Running Down Clause) and contact with FFO, with the BIMCO 2002 Standard Absorption Clause incorporated.

1. Confirming the salvage cost

The shipowner obtained a salvor's quotation through the charterers' agent. The quotation included port fees, tug fees, emergency fees (standard + 100% surcharge), and

remuneration. With no confirmation from H&M underwriters, the shipowner asked the Association to engage correspondents to verify reasonableness of the quotation.

The Association immediately reached out to listed correspondent Proinde in Santos, Brazil to source alternative market quotations. Proinde offered a quotation which was assessed as more reasonable, except for the rather high emergency fee. We asked the shipowner to coordinate with H&M underwriters to confirm the quotation and proceed with refloating, to avoid port disruption and further losses. After rounds of discussion, the shipowner accepted the quotation, and the salvage operation was implemented. At high tide, the vessel refloated successfully with tug assistance and awaited a hull survey.

2. Tug fee dispute

As the situation appeared to be resolved, the vessel was arrested by a Brazilian local court on application from the salvage tug operator for unpaid tug fees amounting to several hundred thousand US dollars. The Association confirmed that neither the shipowner nor H&M underwriters had settled the charges after refloating.

The shipowner asked for the Association's assistance in issuing a LOU, which was unfortunately not accepted by the tug operator. Instead, full payment or a bank guarantee was demanded. Under Brazilian law, courts accept only bank guarantees or cash for vessel release, unless the arresting party accepts a club LOU.

Key lesson: If a salvor will not accept an LOU, payment responsibilities must be clarified and agreed before refloating commences. Failure to do so exposes the vessel to arrest risk and jurisdictional uncertainties. In this case, the shipowner eventually made full payment and signed a settlement agreement via legal representation. The vessel was then released with coordination from the protective agent.

3. General Average adjustment

The vessel's H&M policy was governed by the PICC 1986 Hull Clauses, covering all collision and contact liabilities, and incorporated the BIMCO General Average Absorption Clause with a USD 300,000 limit. Under the York-Antwerp Rules, GA sacrifices and expenditures arising from grounding – including towage, salvage remuneration, temporary repairs and survey fees – shall be borne by the different contributing interests (cargo interests, cargo underwriters and other stakeholders) pro rata to their contributory values.

Preliminary assessment indicated total GA sacrifices and expenditures in hundreds of thousand US dollars, well above the USD 300,000 absorption limit. Therefore, a

traditional procedure of GA adjustment was adopted. While these proceedings are rigorous, time-consuming and requiring GA Bonds/Guarantees from all interested parties, they are conducted by professional GA adjusters, ensuring legal validity, commercial credibility and more enforceable claims for the shipowner during subsequent recovery processes.

III. Advice to Members

Preserving evidence: Upon grounding, immediately secure evidence including VDR data, deck logbooks, record of soundings, engine order telegraphs, electronic charts and meteorological data to support incident investigation.

Informing H&M underwriters: Submit a preliminary report to H&M underwriters immediately and urge them to conduct risk assessment and confirm the proposed salvage plan within a reasonable timeframe – this is critical to minimizing off-hire losses and port disruption costs.

Signing salvage contract: Negotiate salvage plans and costs in a written agreement before the operation commences. Any objections should be raised in writing and resolved via mutually agreed supplementary terms prior to signing, to avoid disputes that could compromise efficiency and delay cost settlement.

Clarifying payment requirements: Salvors generally prefer cash payment or bank guarantees. Courts vary significantly in their willingness to accept LOUs for salvage disputes. Failure to make prompt payment or provide an acceptable guarantee substantially increases the risk of judicial arrest.

Evaluating GA adjustment options: When choosing between traditional GA adjustment and the Absorption Clause, consider service fees, the shipowner's actual GA contribution, the certainty of recovering contributions from cargo interests/cargo underwriters, the impact of the adjustment timeline on the vessel's schedule, and costs for subsequent disputes (if any). Select the option that provides the optimal balance of economic efficiency and legal certainty.

IV. Conclusion

This particular case has exposed weakness in operations and showed the importance of an effective maritime emergency response mechanism. In the early stage following the groundings, it's important to have the H&M underwriters respond early, carry out risk assessments and establish efficient communication lines. Inadequate or delayed decision-making can easily trigger additional costs, including legal

services, loss of hire from vessel arrest, and coordination costs for communicating with cross-jurisdiction stakeholders.

For more information, please contact Managers of the Association.