

the IMO / MEPC OPEN LOOP SCRUBBER issue

High-sulfur fuel (HSFO) oil while for IMO-compliant products will be in high demand. Fuel costs remain a grey area for the operators at the time of compliance HSFO are currently under development and lack standardization. Destinations imposing stricter regulations than those set by the IMO are expected to be a costly headache for cruise and shipping firms

2016



IMO agrees to limit Sulphur content in fuels to 0.5% by 2020 outside of Emission Control Areas



MEPC 73 bans the carriage of non-compliant fuel oil for propulsion or operation onboard. Approves guidance for developing a non-mandatory plan for ships to implement the Sulphur limit

2020

Singapore, China and Fujairah (UAE) ban open loop scrubbers

IMO rules could change and ban open loop scrubbers altogether



Underwriters cannot do anything proactive

as they totally rely on port state control and classification societies in order to verify owners compliance

OK



However, the majority of H&M contracts include a classification warranty requiring vessels to remain in class for the duration of the period of cover



Installation of scrubbers will increase dramatically the insured values

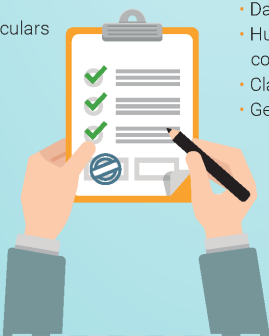


Due diligence could be problematic as there is not much experience on the market, the maintenance cost is unknown and there is no adequate crew training

FINANCIAL & TECHNICAL ISSUES MAY ARISE

Underwriters consider issues:

- Management experience
- Claim activity
- Vessel type and particulars
- Flag & class
- Maintenance cost
- Crew training
- Loss prevention



Expect to see claims arising in Hull & Machinery policies due to:

- Damage to filters, purifiers and engines
- Hull damage from groundings or collisions as a consequence of loss of power/black outs
- Claims for Salvage assistance
- General Average



**Direct effect in the insured value of the vessel
More premium needs to be paid**