



**AUGUST 19, 2024**

**CIRCULAR NO. 16/24**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

**STEEL CARGO PRE-LOAD SURVEYS**

In [Circular 23/14](#) of August 11, 2014 entitled [Steel Cargo Pre-Load Surveys: An Update](#), the Club revised its extensive recommendations in regard to the conduct of precautionary surveys of certain steel cargoes to minimize the prospect of spurious steel cargo claims.

Over the period since that Circular, Members have followed the recommendations it contained and made progress in minimizing and averting the risks, and consequent liabilities, associated with such cargoes. To further clarify what is required of Members regarding the handling of steel cargoes, it has been thought appropriate to revisit and update the Club advice to reaffirm best practice going forward.

**A. General considerations**

To minimize the risk of exposure to such claims, the Club requires that Members appoint an experienced surveyor at the port(s) of loading steel cargoes to conduct a precautionary pre-load survey to:

1. assist the Master in recording the apparent condition of the cargo prior to loading so that, where appropriate, mate's receipts and bills of lading can be clausured correctly as necessary; and
2. verify that the vessel's cargo hatch covers and other openings in way of the hold spaces are in sound condition.

The Club would like to reemphasize that any failure to complete such a steel pre-load survey will prejudice the Member's coverage for any cargo claims that are asserted against it and its vessel in connection with the subject shipment(s).

If a Member fails to comply with this required practice and a claim in respect of cargo is subsequently asserted where the condition, nature or quantity of cargo would have been discovered during a precautionary steel pre-load survey, the Managers, in their absolute discretion, are authorized and entitled to (1) apply a double deductible for any cargo or other claim arising in connection with the shipment in question; and/or (2) to deny the coverage or reimbursement of any such claims, either in whole or in part. Furthermore, exclusions and/or limitations to coverage which have been imposed by reference to existing, outstanding deficiencies to hatch covers or any watertight boundaries to cargo holds will not be removed by a pre-load survey of cargo.

Members are urged to ensure that they fully comply with this steel pre-load survey requirement and

all other related conditions as may apply to an individual vessel's terms of entry.

Furthermore, your Managers often receive enquiries from Members as to the possibility of undertaking joint surveys with their charterers and/or sub-charterers. While the Club appreciates that such surveys may result in cost savings, Members must not agree to joint surveys when it comes to steel pre-load surveys. The generally high values of steel cargo claims, as well as the variety of causes which may lead to any alleged cargo damage, necessitate that Members retain all available defenses and rights or recourse against cargo, stevedore, charterer etc. interests. Joint surveys compromise Members and the Club's ability to do so.

## **B. Prompt notification to the Managers**

The Managers must be contacted in advance to assist in the preload survey arrangements and surveyors to be employed must be approved in advance by the Managers. Members should not go directly to surveyors or through the network of correspondents to select the surveyor for the steel pre-load surveys even in areas which are sufficiently covered by approved steel pre-load surveyors. Insureds should kindly note that correspondents are not necessarily approved surveyors for steel preload surveys.

To ensure that clear and concise instructions are given to surveyors appointed to assist the Master in clausing bills of lading, or to survey cargo upon discharge, timely requests for a surveyor's attendance should be made directly to the Managers. This notification should include:

1. the vessel's estimated time of arrival at the loading port;
2. the exact nature (types) and approximate quantity(ies) of steel cargo(es) to be loaded; and
3. the name and contact details of the vessel's local agents at the load port.

Where it is impractical to give such prior notice to the Club, Members should contact the Club's local correspondent at the loading port to provide direct details as above and inform the Club as soon as possible thereafter.

## **C. Types of steel cargoes subject to the mandatory pre-load survey requirement**

After the Member has notified the Managers in accordance with Section B above, the Managers will appoint and instruct an experienced surveyor to fulfill the recommended procedures. It should be noted that the steel pre-load, the survey requirement applies to, but is not limited to, the following steel products:

- wire rods or wire rods in coil
- steel piping
- galvanized steel
- steel girders
- steel profiles
- ductile iron pipe
- hot rolled steel in plates, or sheets
- steel pipes
- steel mesh
- stainless steel
- steel prefab structure
- steel columns

- cold rolled steel in plates, coils, packs, sheets or bundles
- structural steel (straight or folded rebar, channels, angles, beams, bars, strips, sections, forgings)
- hot rolled steel in bars, coils or bundles
- steel slabs (steel slabs are to be surveyed to ensure proper securing and not necessarily related to the physical condition of the slab).

In addition, pre-load surveys are also recommended for these additional metal products that are also susceptible to damage:

- aluminum T-bar
- tin plate

This pre-load survey requirement does not apply to low value and semi-finished cargoes such as, but not limited to:

- steel billet
- steel blooms
- steel swarf
- steel ingot
- steel scrap
- pig iron

Should Members have any questions about any steel related cargo not listed above and how it would be categorized, please consult the Managers for clarification.

#### **D. Condition of the hatch covers and ventilation system**

Members will note that the cargo survey is only one protective measure to prevent cargo claims. The watertight integrity of the hatch covers to protect against water ingress into the cargo holds, and a properly functioning ventilation system to control the cargo hold humidity during the voyage, are imperative to prevent against claims caused by wetness and condensation damage.

With this in mind, Members are referred to the attachment to this Circular, [Hatch Cover, Ventilation, Ballast and Bilge System Checklist for Steel Pre-Load Surveys](#). Steel cargo surveyors will be requested to include in their report the condition of hatch covers and ventilation systems as per the scope of this checklist.

#### **E. Proper clausung of bills of lading should ensure an accurate description of cargo**

As to the apparent condition of the steel, the surveyor must assess and record any evidence of rust, physical defects, structural abnormalities and contamination and make suitable recommendations to the Master as to whether the mate's receipts and bills of lading should be clausung. Extra care should also be placed on the drafting of the bills of lading to ensure that they are consistent with the cargo descriptions, quantity and quality in the Mate's receipts.

The issuance of a bill of lading by the Member or the Master of the entered vessel with any inaccuracy regarding the cargo's description, quality or quantity will prejudice the Member's P&I cover and will, at best, be reimbursable only at the discretion of the Club's Board of Directors. In this connection, Members are reminded of the terms of Class I, Rule 2, Section 8, Sub-Section 4, Proviso c, iv which, reads as follows:

***Unless and to the extent that the Directors in their discretion otherwise decide there shall be no recovery from the Association in respect of liabilities, costs or expenses arising out of:***

***(iv) a bill of lading, waybill or other document containing or evidencing the contract of carriage, issued with the knowledge of the Member or the Master of the insured vessel with an incorrect description of the cargo or its quantity or its condition.***

Further advice regarding the clausing of bills of lading, letters of indemnity and other precautions to consider associated with the carriage of steel is available from the Club upon request.

#### **F. Other considerations**

If the Master considers that the method of stowage and securing gives cause for concern for the safety of the vessel and/or integrity of the cargo he must bring it to the attention of the charterers and/or their surveyor and/or supercargo. If the Master's concerns are not dealt with satisfactorily, he shall advise Owner's protective surveyor and, if not already appointed, recommend appointment of same.

If heavy weather has been encountered during the vessel's passage, or if damage was observed at the time of loading, the Club should be given timely notification of the vessel's estimated time of arrival at its intended port(s) of discharge since the appointment of an experienced surveyor at that point is highly advisable.

The surveyor should examine and record the condition of the steel on arrival and take steps to monitor the cargo out-turn during discharge. If necessary, he may also be required to witness the opening of coils or packages as and when they reach the receiver's premises. In so doing, the Member will be in a better position to answer any claims and to defend against any alleged damage to cargo occurring outside of the Member's period of responsibility under the applicable contract of carriage.

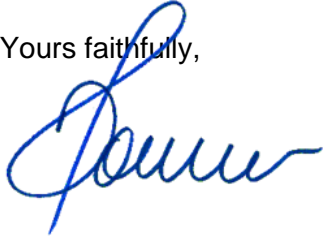
Members are reminded that in cases where surveyors representing other interested parties wish to board the vessel, they should only be permitted access to the cargo and/or the vessel's documents while in the presence of the Club's attending surveyor.

Members must also consider any potential sanctions issues as they relate to steel cargoes. This includes, but is not limited to, economic sanctions applicable to steel cargoes involving Russia and Iran. Members have a non-delegable obligation to conduct appropriate due diligence investigations into such cargo restrictions and the parties involved in each voyage (including ultimate beneficial owners) to ensure compliance with applicable sanctions. Additional information on sanctions affecting maritime commerce is available on the Club's website [here](#).

Finally, when transporting steel cargoes, Members should consider the Club's guidance, *Transport Guidance for Steel Cargoes* and associated animations that are found by clicking [here](#).

As always, the Managers stand ready to respond to any inquiries that Members might have regarding the foregoing issues.

Yours faithfully,



Dorothea Ioannou, CEO  
Shipowners Claims Bureau, Inc., Managers for  
**THE AMERICAN CLUB**