

Best Practice Guidance for Lay-up of MOUs related to the Insurance Contract

INTRODUCTION

This guidance is intended to give advice on best practice for the lay-up of Mobile Offshore Units (MOUs) in accordance with the Nordic Marine Insurance Plan (the Nordic Plan). The document elaborates on the insurance implications, when and how the insurers should be advised and involved, lay-up returns, and provides a checklist for evaluation of lay-up.

It is important to emphasize that this document does not serve as a guide to how to lay up an MOU, nor how to maintain and/or preserve the MOU and its equipment during lay-up. There are numerous guidelines and recommendations issued by various classification societies and other marine consulting companies on these topics, and the various criteria and considerations are not addressed further in this guidance.

It should be noted that the word “stacking” is considered equivalent to “laid up” in this context and in this guidance. Furthermore, the guidance refers to idle units (not under repair), i.e. MOUs that are not in commercial operation nor in transit between operations. Such an idle mode can vary from standby, hot lay-up, warm lay-up, to cold lay-up, and any variation in between.

INSURANCE IMPLICATIONS

According to Clause 3-26 of the Nordic Plan (Ships laid up), owners of ships and MOUs that are to be laid up shall prepare a lay-up plan, which shall be submitted to the insurer for his approval. The plan shall be followed while the MOU is laid up.

Clause 3-26 is a “safety regulation”, and the insurers are therefore not liable for any losses if the provisions of the clause is breached and the loss is as a consequence of the breach, as explained in Clause 3-25.

In the commentaries to Clause 3-26 it is stated that a lay-up plan should resolve four issues;

1. it should state where the MOU is to be laid up
2. set out guidelines for mooring while the MOU is laid up
3. provide guidelines for supervision of the MOU
4. contain rules on minimum number of crew

These four issues are linked to the safety of the MOU during the lay-up period, and do not reflect what a complete lay-up plan should include, which will vary depending on the type of lay-up. The “approval” requirement in Clause 3-26 is, however, only applicable to these four issues.

While not necessarily exhaustive, a checklist with topics that should be considered in a lay-up plan, is provided at the end of this best practice guidance.

Although not linked to Clause 3-26, it is recommended that the assured includes preservation and maintenance of the MOU and its equipment in the lay-up plan, and furthermore maintains a log of any such activities (see also Clause 18-19 of the Nordic Plan (Inadequate maintenance, etc.)). Such log can include documentation of the initial actions taken at the start of the lay-up period according

to recommendation from makers, the monitoring and follow-up at set intervals during the lay-up period, and a plan for the recommissioning of the same.

It should be noted that a vital requirement for insurance coverage is that the MOU shall be classed (see Clause 3-14 of the Nordic Plan). It is however acceptable to amend the class status from “in operation” to “laid up”.

In certain situations, Clause 3-8 (Alteration of Risk) could potentially be invoked, e.g. if the management of the MOU is changed for the lay-up period, in which case the assured should seek approval upfront from the insurers.

WHEN AND HOW SHOULD INSURERS BE ADVISED AND INVOLVED

It is recommended that the assured notify the insurers early in the planning of an upcoming idle period by gathering as much of the information from the below checklist as is possible. Based on the information provided, the insurers will assess if the idle period shall be considered a lay-up in the context of Clause 3-26, and to further consider if they will require a third party review of the lay-up plan and lay-up arrangements.

The insurers do not require a lay-up plan for an MOU in standby mode with full crew on board. For all other idle modes, the general rule is that a lay-up plan shall be prepared and followed by the assured, and approved by the insurers.

The lay-up plan, and any assessment of the lay-up arrangements, should among others consider the issues listed in the checklist for evaluation of lay-up. It should be noted that a change in the class status to “laid up” does not in itself serve as a third party review of either the lay-up plan or the lay-up arrangements.

It is advisable to have the claims leader/leading insurer acting on behalf of all the insurers in the evaluation of the lay-up, as permitted by Clause 9-3 of the Nordic Plan.

The insurers should also be advised if there are any changes to the lay-up plan or arrangements during the lay-up period, or if the MOU is to be moved temporarily or permanently.

Furthermore, the insurers should be advised as early as possible when a decision is made to reactivate the MOU, in order for the insurers to review to what extent a reactivation survey should be carried out and to allow for the involvement of the surveyor at an early stage of the reactivation and re-commissioning planning.

LAY UP RETURN

The assured has a right to demand negotiations for a reduction in premium, as per Clause 6-6 of the Nordic Plan. Such a request will trigger an assessment by the insurers in order to determine whether their risk exposure is reduced when the MOU is laid up. This is a separate evaluation from the requirements linked to the lay-up plan.

CHECKLIST FOR EVALUATION OF LAY-UP

1) General; where the MOU is to be laid up

- MOU lay-up position:
 - Latitude and longitude
 - Port/ city/ country
 - Geographical characteristics (including surrounding vessels, harbours, shallow banks etc.)
 - Geopolitical conditions (such as potential strikes, unstable political climate etc.)
- Type of lay-up (describe condition; hot/ cold etc.):
 - Planned duration of the lay-up
 - Planned activities during lay-up (i.e. bunkering, moves, other logistics)
- Involvement and follow-up including planned visits to undertake surveys by:
 - Classification Society, including class status
 - Flag state
 - Local port authorities
 - Any other third parties
- Name of the person/entity responsible for implementing and follow-up of the lay-up plan

2) Mooring and stability

- Evaluation of lay-up location (sheltered from heavy wind, currents and swells):
 - Weather forecasts, monitoring/statistics
 - Natural hazards
- Third party approval of location and mooring arrangements:
 - Seabed analysis if applicable (jack-up rigs)
 - Considerations with respect to minimum distance to separately laid up units, anchored vessels or shore
 - Mooring watch/ mooring integrity
 - Emergency operations of mooring winches
- Ballasting considerations

3) Supervision of the MOU

- Security:
 - ISPS port status
 - Theft/ vandalism/ piracy
- Power supply:
 - Dependent on type of lay-up (hot/cold), generator or shore supply
 - Emergency power arrangements
- Emergency contingency plan:
 - Fire management
 - Water integrity
 - Navigation lights, fire and bilge alarms
 - Support from port authorities
- Readily available supply of spares equipment

4) Minimum crew

- Manning
 - Crew number and positions and functions / responsibility during lay-up
 - Own crew, regular crew or external service provider