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**About Liberty Mutual Group (LMG)**

Boston-based Liberty Mutual Group (LMG) is a diversified global insurer and fifth largest property and casualty insurer in the U.S. based on 2008 direct written premium. The Company also ranks 86th on the Fortune 500 list of largest corporations in the U.S. based on 2008 revenue. As of December 31, 2008, Liberty Mutual Group had \$104.3 billion in consolidated assets, \$94.2 billion in consolidated liabilities and \$28.9 billion in annual consolidated revenue.

LMG (www.libertymutual.com) employs over 45,000 people in more than 900 offices throughout the world.

## Critical Items Survey Procedures



These procedures aim to give guidance and information. In the event of any conflict between these procedures and the Policy, the terms and conditions of the Policy shall prevail.

## 1.0 INTRODUCTION

- 1.1 The purpose of these *Critical Items Survey Procedures* is to facilitate prompt and proper communication between all parties to ensure efficient co-ordination and timely performance of surveys, including proper follow-up in case of non-compliance to recommendations. This will result in minimising the risk of loss, damage or delay in delivery of the Critical Items.
- 1.2 All interested parties should be provided with a copy of these Procedures and, whilst it does not purport to cover every situation, it should provide sufficient information upon which to act. If there is doubt concerning any matter then the reader should not hesitate to contact their local Liberty International Underwriters office (*see back cover for details*).

## 2.0 DEFINITION OF CRITICAL ITEMS

- 2.1 For the purpose of this insurance:

A Critical Item is defined as any item which, in the event of a loss under the Marine Policy, cannot be re-manufactured/repaired, re-shipped, installed, tested and commissioned while still leaving a two-month window prior to the scheduled start up date and/or is deemed unique as agreed with Liberty International Underwriters (LIU).

A list of Critical Items is to be provided by the Insured and LIU will update the definitions accordingly.

## 3.0 SURVEY WARRANTY

- 3.1 Unless advised otherwise the Marine Policy contains the following SURVEY WARRANTY CLAUSE regarding the shipment of Critical Items:

It is warranted that:-

- (a) All Critical Items are to be shipped under deck unless such items are shipped in totally enclosed steel containers aboard purpose built cellular container vessels or as agreed or deemed necessary by LIU's appointed risk managers/surveyors.
- (b) In respect of Critical Items, LIU will be advised at least 10 (ten) working days prior to the shipment/movement of such items to enable LIU's Risk Management and/or their appointed representatives, where deemed necessary by LIU, to:
- (i) Approve vessel(s), tug(s), barge(s) and/or any other carrying conveyance(s) and all lifting equipment including cranes, tackle etc. required for loading/transshipment/unloading operations and
- (ii) Approve and/or attend all packing, loading, stowage, securing, transportation, discharge and unloading arrangements and operations throughout the entire transportation chain.
- (c) All recommendations made by LIU's Risk Management and/or their appointed representatives in respect of Critical Items are to be strictly complied with.
- (d) Heavy lift vessels utilized for the carriage of any cargo for the Project not to exceed 20 years of age without prior agreement from LIU.

It is understood and agreed that in the event of a breach of this survey/shipping warranty coverage afforded under this insurance in respect of the items that are the subject of the breach will not cease but shall be limited to cover afforded by the Institute Cargo Clauses "C" and the relevant Institute War and Strikes Clauses in respect of the Insuring Conditions for Section I.

Where, subsequent to a breach of the survey/shipping warranty, the Insured is able to comply with the terms and conditions of the warranty in respect of subsequent shipments/movements, as evidenced by the issuance of an inspection certificate or a survey report by the agreed Risk Management personnel, full Policy terms and conditions shall apply to such subsequent shipments/movements.

In the event that LIU elect not to appoint Risk Management and/or their appointed representatives to undertake surveys, attendances and/or approvals as detailed in Sections (a) and (b) of the survey/shipping warranty and/or LIU's Risk Management and/or their appointed representatives do not undertake surveys, attendances and/or approvals as detailed above, the rights of the Insured under this Policy shall not be prejudiced provided always that the Insured has given the required 10 days prior notice.

However, notwithstanding anything contained herein to the contrary, it is the duty of the Insured and/or their servants and/or their agents to ensure that all items are properly and adequately packed to withstand the rigours of the intended voyage.

Insurers shall be entitled to receive any advices, reports or recommendations from LIU's Risk Management and/or their appointed representatives. It is further agreed that that any survey fees shall be for the Insured's account or as may be agreed by LIU.

- 3.2 In view of above survey warranty, it is therefore *vital* that the parties involved with the shipments should maintain contact with LIU for Critical Items requiring surveys.
- 3.3 Based on the information supplied as per above, LIU Risk Managers will at their discretion, select and appoint surveyors to inspect suitability of packaging, lifting and lashing arrangements, shipping arrangement, conveyance suitability, stowage and securing matters etc. at all points of cargo handling, such as loading on conveyance at manufacturers site, inland port, ocean port, point of transshipment/s, temporary storage, destination etc. (*See scope of work below for guidance*)

## 4.0 CRITICAL ITEMS SURVEY PROCEDURE

- 4.1 To assist you comply with the policy warranty in a practical manner, we recommend the following actions:
- 4.2 A Critical Items list is to be issued and kept updated and shared with LIU. This list is to comprise the following details for planning but not limited to:
- Supplier name and contact details
  - Estimated shipment date from origin
  - Principal dimensions
  - Method of packaging
  - Lead replacement time of the cargo (including delivery to Site)
  - Shipment name / description of goods
  - Invoice value of shipment
  - Gross / net weight
  - Place / country of origin
  - Shipment method
- 4.3 The suppliers of Critical Items shall be advised by you in writing that the attendance of a Warranty Surveyor will be required at all stages of transport and that the Surveyor/Risk Manager will be charged with vetting and approving the packing and shipping arrangements.
- 4.4 In case of shipment by barge or vessel, the respective carriers/operators are to be advised by their Principals (Contractor, Forwarder, Supplier as the case may be) that Surveyors attendance on board will be required and all recommendations to be complied with.
- 4.5 In case of shipment by barge or vessel, the respective carriers/operators to be advised by their Principals that they are required to inform LIU of any deviation of voyage, transshipments, loading/unloading, shifting of cargo etc., in order to arrange supervision upon cargo-handling.
- 4.6 At least 10 working days in advance of shipment of any Critical Items, a detailed schedule (as per Annexure A) is to be submitted to LIU by your broker.
- 4.7 Upon receipt of information, LIU will contact the relevant parties, and make an assessment of the transportation risk. If deemed necessary LIU will appoint a Surveyor to supervise the cargo-handling and may give recommendations.
- 4.8 Critical Items may or may not be subject to a survey to be decided at the discretion of LIU, after having collated and considered the relevant information. If no survey is required, LIU will notify all parties concerned.

## 5.0 LIU SCOPE OF WORK

To provide you with an idea of the scope of a survey, the following work may be involved but not limited to:

- 5.1 Desk review: - Review of method statement, route survey, vessels' and bargers' certificates (if available).
- 5.2 At manufacturer/supplier's facility:-
- Condition survey of goods
  - Packing survey/supervision
  - Inspection of all lifting gears or
  - Load-out survey/supervision.
- 5.3 At load port:-
- Survey of port's facilities/infrastructure to receive goods
  - Inspection of all lifting gears
  - Pre-loading survey
  - Suitability of nominated vessel/carrier or
  - Handling, load, stow and lashing on board vessel/carrier
- 5.4 At transshipment/discharge port:-
- Pre-discharge survey on board vessel/carrier
  - Inspection of all lifting gears
  - Discharge survey/supervision
  - Inland transit survey/supervision; including handling, lashing and securing onto inland vehicles
  - All of para. 5.2 above, if transshipment
- 5.5 At project site:-
- Inspection of all lifting gears or
  - Unloading survey/supervision

## 6.0 ROLES AND RESPONSIBILITIES

This section sets out the roles and responsibilities of the insured and LIU

- 6.1 In order to comply with the Survey Warranty Clause the Insured shall:
- Advise in writing to the main EPC contractor and its appointed logistics providers as of LIU's involvement;
  - Ensure the EPC contractor officially informs all their vendors, logistics providers, carriers and subcontractors as to LIU's involvement. In the case of attending on board operation, EPC contractor to inform the carrier and obtain permission to allow LIU's surveyor and LIU to go on board
  - Ensure the EPC contractor provides an update list of Critical Items list, where required
  - **Ensure the EPC Contractor and its logistics contractors provide 10 days pre-shipment advice to LIU**
- 6.2 LIU shall:
- Closely liaise with the broker and its appointed vendors, logistics providers and subcontractors where contacts have been earlier given, to ensure efficient co-ordination and timely performance of the survey (Kick Off meeting if possible)
  - Appoint surveyors to conduct survey for the Critical Items
  - Where necessary, provide contacts of appointed surveyors
  - Where no survey is needed notify that in writing to appropriate parties.

**NOTIFICATION OF SHIPMENT OF CRITICAL ITEMS**

TO:	Alex Gordon - LIU	EMAIL ADDRESS:	Alex.gordon@libertyiu.com
CC:	Robert Cairoli - LIU	EMAIL ADDRESS:	Robert.cairoli@libertyiu.com
DATE:	/ /	PAGES:	
SUBJECT:			

CRITICAL ITEM DESCRIPTION	
NAME OF VESSEL/FLIGHT/TRAILER NO	
LOAD PORT	
DISCHARGE PORT	
TRANSHIPMENT PORT (IF ANY)	
ESTIMATED DATE OF PACKING	
ESTIMATED DATE OF LOADING	
ESTIMATED DATE OF DISCHARGE	
ESTIMATED DATE OF TRANSHIPMENT (IF ANY)	
ETA SITE	
NUMBER OF PACKAGES	
TYPE OF PACKING (SKID/CRATE/SADDLES/FRAME/CONTAINER)	
GROSS WEIGHT OF HEAVIEST PIECE	
DIMENSIONS	
LEAD TIME (REPLACEMENT TIME)	
ESTIMATED VALUE	
B/B SHIPMENT OR CONTAINERIZED SHIPMENT	
SUPPLIER DETAILS AND CONTACT PERSON	
SUPPLIER'S TEL/FAX/EMAIL CONTACTS	
CONTRACTOR DETAILS AND CONTACT PERSON	
CONTRACTOR'S TEL, FAX AND EMAIL CONTACTS	
FREIGHT FORWARDER DETAILS AND CONTACT PERSON	
FREIGHT FORWARDER TEL, FAX, AND EMAIL CONTACTS	
REMARKS (IF ANY)	

Please attach supporting documentation where necessary, including but not limited to;

- Packing Lists
- Handling / Lifting Diagrams
- Transportation method statements