

# AMERICAN HULL INSURANCE SYNDICATE

89 JOHN STREET, NEW YORK, N.Y. 10038

CABLE ADDRESS: AMSYNDIC



TELEPHONE: 212-233-0300

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Appropriate Portals  
Management  
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April 5, 1972

To: Average Adjusters

Fees of Assureds, and,  
Compensation for Services of Assureds' Superintendents

During the past year, the Syndicate has noted a tendency on the part of some Average Adjusters to include in their statements charges for:

1. Fees of assureds covering the assured's activities dealing with repairs and claims.
2. Salaries of Marine Superintendents (or other shore employees), attending repairs at ports other than where the Superintendents make their headquarters, in amounts in excess of \$100.00 per day.

The Syndicate feels it must take exception to these charges and has done so, with some success. The difficulty is, however, that our need to take exception, and the ensuing discussions with the adjusters, cause continued irritation to all concerned and delay not only the settlement of the particular claims involved, but also those following behind them. We get the feeling that the orderly and prompt processing of adjustments is being partially bogged down unnecessarily by disputes over these items. Because of this, and the fact that from a dollar standpoint these items are relatively insignificant when compared to the claims as a whole, we have been tempted to accept them without further ado and get on to more important matters, i.e., more important from both our and our assureds' points of view. The trouble with this approach is that it does not conform with professional adjusting principles. Thus, this letter.

FEEES FOR SERVICES OF ASSUREDERS

The point here is that Vessel Operators, Managing Agents, and organizations of similar function and designation are often included as Assureds in the policy, in addition to the vessel's Owners. Their desire to be so included is to obtain protection under the policy, particularly insofar as the Collision Liability Clause is concerned. The rationale for charging underwriters with a fee for the services of such assureds is that the activities these assureds devote to arranging for repairs, notifying the adjusters of casualties, arranging surveys, accumulating documents and invoices, discussions with the adjusters,

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and the like, are being performed for the vessels' Owners, are extra work, and are extra expenses with respect to which the Owners are out-of-pocket either because of a special billing or because the agency agreements must take these services into account. In other words, whereas there is agreement that an assured Owner cannot charge for claims handling activities, it is asserted that this other class of assured can.

The Syndicate feels very strongly that the general principle that underwriters should not have to pay an assured for arranging for repairs, settling liabilities, arranging surveys, processing documents or whatever, is paramount. Most would agree with this general principle, but some take issue with it when the "Assured" is made up of parts, i.e., Owners plus Managing Agents, and the like. We do not believe this makes any difference. The "Assured" is the "Assured," whether one or many, and if the latter, the financial arrangements between them having to do with who among them bears the cost of damage and claim services are irrelevant.

Some will point out that in the past the Syndicate has responded for these fees without comment. This is true. As we never expected to see these charges, our examining procedure did not include a check on this point. Then one day, quite by accident, we noticed that a Managing Agent for which a fee was charged was also an assured. Then we started looking into this point as other adjustments came through and found a few more similar charges. It then became apparent that we must put our views before all adjusters, even those who have not included these charges in their adjustments, before the matter gets out of hand.

#### COMPENSATION FOR SERVICES OF ASSUREDS' SUPERINTENDENTS

We are seeing compensation for Superintendents, Port Engineers, and similar individuals, permanently employed by assureds, being charged at \$125/150 per day. Charges of this magnitude have appeared excessive to us for two reasons:

1. We also see charges for comparable professionals at \$75 per day.
2. Independent surveyors charge from \$125 to \$150 per day for their services, and out of this they must bear the costs of running their businesses, i.e., office rent, supplies, secretarial help, etc., plus running the risks of entrepreneurs.

So, we believe that an objective observer would excuse us for questioning the salaries being charged for in the \$125/150 range. We have asked for support of such charges, but so far none has been forthcoming; only ruffled feathers!

We have made it known that a charge of up to \$100 would be accepted without question, and, quite frankly, we feel that this should satisfy all concerned.

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To Adjusters

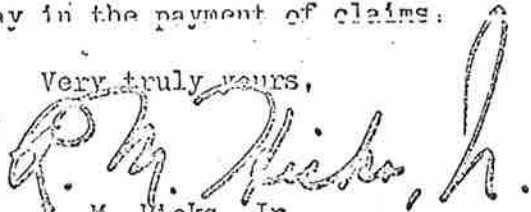
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Having aired our views on these subjects, what now? Unless we take a strong position on both points, we anticipate that we will be confronted by appeals along the lines of "this case is unique." If we remain adamant in the face of the first such appeal, we will be accused of unreasonableness. If we succumb, then other appeals will follow, the "uniqueness" lines will blur, and we will be no further ahead than we are now.

Accordingly, the Syndicate intends to respond, without prejudice, for all claims now before it in which these disputed items are included (assuming, of course, that the balance of the particular claims are in order), if for no other reason than to get things moving. As mentioned before, the amounts involved are generally quite modest, but they are holding up the payment of substantial sums.

Quite likely some adjustments including these items are being printed, so we shall respond for these too, without any static. However, we will not expect to see these charges in any adjustment received here one month from the date of this letter, i.e., May 5, 1972.

The purpose of this letter is not to announce positions that deprive assureds of recoveries to which they are entitled, because these positions do not do that. Rather, the purpose is to bring these matters to your attention so as to avoid needless conflict and delay in the payment of claims.

Very truly yours,  
  
R. M. Hicks, Jr.  
Claims Manager

RMH:mt