

Lloyd's Open Form Default Salvage Clause

Preface

Lloyd's Salvage Arbitration Branch (LSAB) is responsible for the administration of Lloyd's Open Form of Salvage Agreement (LOF). LOF provides a framework for determining the amount of remuneration to be awarded to salvors for their services in saving property at sea and minimising or preventing damage to the environment. It contains terms pre-agreed by shipowners, salvors and property and liability insurers (the "Market").

It can be signed immediately by the shipowner or their representatives including the Master with the comfort that it is on Market approved terms, thus avoiding delay and allowing for maximum time and opportunity for the salvor to undertake their contractual obligation to use best endeavours to save the ship and cargo. In situations of danger or potential danger, LOF is considered to be the appropriate contract when time is of the essence in responding to a casualty and where lives or property is at risk and to minimise or prevent damage to the environment.

LOF is accompanied by the Lloyd's Salvage Arbitration Clauses (LSAC). The form and clauses can be found on the LSAB Forms and Documents page (<https://www.lloyds.com/resources-and-services/salvage-arbitration-branch/forms-documents>).

Owners and Insurers agree the procedure as set out in the paragraphs below will apply to any circumstance where non-customary towage or salvage services are required (where "customary towage" is towage that is customary within a port and/or part of the ordinary trading of the ship):

1. LOF Default Position

When in the reasonable opinion of the Master and/or the Owner, the vessel is in a situation of danger or potential danger requiring immediate Salvage Services to preserve life and/or the vessel and/or any property on board, or to minimise or prevent damage to the environment, it is agreed LOF shall be used ("LOF default position").

2. Notification

- 2.1 The Owner shall as soon as reasonably practicable notify information of the casualty to the Lead Insurer(s) at _____. Notification should be direct, copied to their broker.
- 2.2 The notification shall contain as much information as is reasonably available to the Owner at the time of the notification and shall include wherever possible proposals from a reputable salvage company (the "Contractor") regarding the terms of availability for any salvage tug and/or specialist equipment that may be required for salvage (the "Salvage Services"). **Such notification should not delay entering into LOF under Clause 1 above.** The Owner shall continue to keep the Lead Insurer(s) aware of material information throughout the period of the Salvage Services.

3. Circumstances where Clause 1 does not apply

- 3.1 Where the danger is not such that immediate Salvage Services are required, or all the circumstances suggest that another contract may be more suitable for the situation, the procedure set out in clauses 3.2 - 3.4 below shall be used.
- 3.2 The Owner and the Lead Insurer(s) will, in good faith, endeavour to reach agreement on the most appropriate form of contract and appropriate Contractor to carry out the Salvage Services.
- 3.3 Recognising that any delay in engaging the services of a third-party may result in an increased threat to the safety of life, the environment and the vessel and its contents, if no agreement on the most appropriate form of contract or choice of Contractor is

reached within 48 hours of the initial notification the Owner may proceed with the LOF default position or with any other contract as reasonably considered appropriate for the Salvage Services and with the Contractor of their choice.

- 3.4 Notwithstanding clause 3.2 hereof if at any time in the reasonable opinion of the Master and/or the Owner the situation deteriorates such that the vessel requires immediate Salvage Services to preserve life and/or the vessel and/or any property on board and/or to minimise or prevent damage to the environment, the Master and/or the Owner are at liberty to sign LOF or any other Contract as considered appropriate without prior agreement of the Lead Insurer as in clause 1 above.

4 Arbitration

- 4.1 Notwithstanding any other provision in this policy concerning governing law and jurisdiction, this clause shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with it shall be determined by a single arbitrator to be agreed between the parties who is either a KC with salvage experience or a salvage legal practitioner. Failing agreement within fourteen days after a party has given to the other a written request to concur in the appointment of an arbitrator, the arbitrator will be appointed by the President of ARIAS. The arbitration shall be conducted in [London] in accordance with ARIAS (UK) Arbitration Rules current at the time when the arbitration proceedings are commenced.
- 4.2 Arbitration proceedings may be commenced but no additional steps in the arbitration proceedings may be taken until there has been a final Salvage award or settlement between Owners and salvors.

5. Other Rights, Remedies Obligations and Defences

- 5.1 This clause is without prejudice to the provision of any security or counter-security that Insurers may be required to post with respect to the Salvage Services.
- 5.2 The agreement set out in this clause is without prejudice to any rights, remedies, obligations and defences that the parties may have with respect to any claim under the insurance policy into which this Clause is incorporated.

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12th September 2024