



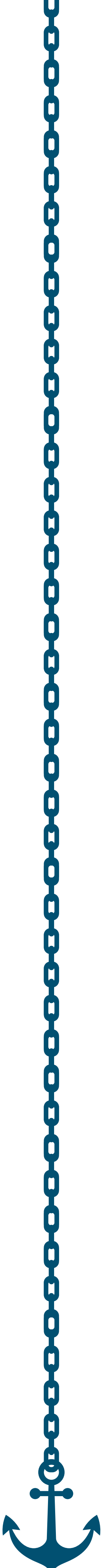
# The role of the Lloyd's Open Form

In recent years, the maritime industry has witnessed a concerning decline in the usage of the Lloyd's Open Form (LOF), raising questions about the future sustainability of the salvage sector. This issue prompted a collaborative effort among shipping professionals, representing various facets of the industry, to address the challenges and explore potential solutions.

The panel discussion brought together experts such as Ben Harris, Head of Claims at The Shipowners' P&I Club, Jenna Hales from Hiscox London Market, John A. Witte Jr – President of the International Salvage Union, and George Tsavlis, Principal of Tsavlis Salvage Group. Their collective insight aimed to unravel the complexities surrounding the declining use of LOF and the implications this has on the salvage industry.

A significant development in response to the LOF's diminishing popularity was the commissioning of a report by the International Group of P&I Clubs (IGP&I) from Hugh Shaw in 2019. This report aimed to address the challenges faced by the salvage industry and to identify potential solutions. Subsequently, in 2021, Lloyd's announced its contemplation of closing the Salvage Arbitration Branch (LSAB), a move that would have left the future of the LOF in a precarious situation.

The potential closure of LSAB caused widespread concern within the maritime community, prompting calls for its preservation to ensure the continued operation of LOF as a crucial instrument for the industry. Recognizing the wider international maritime community's support of LSAB and LOF, Lloyd's decided against the closure of LSAB but acknowledged the need to increase the utilization of LOF. Lloyd's set out the three workstreams as a part of their review which dealt with ESG, award and costs and lack of usage of LOF in the Far East.



Among the challenges identified, the award and costs associated with LOF emerged as a significant obstacle. Insurers seek certainty and predictability of costs, whereas LOF is commonly viewed as an expensive and cost-wise the less predictable choice. Hugh Shaw's report, published in 2022, highlighted the delays in contracting salvage services due to this perception, increasing risks to life, environment, and property.

The reality is that very few LOFs go to arbitration to establish the award and even a smaller number of these cases are published. This results in contributing to the perception that LOF is the more expensive choice of contract. To break this cycle, there are discussions about greater data sharing to shed light on the actual costs involved, which could potentially change perception around LOF. Simultaneously, there are talks about limiting arbitration costs, a move which could further enhance LOF's standing.

Lloyd's have also recognized the environmental, social, and governance (ESG) aspects of LOF, emphasizing its fantastic ESG credentials with SCOPIC being an integral part of LOF. Efforts are already being made to understand and address the lack of LOF usage in the Far East through educational initiatives. Similar educational initiatives may be adopted to raise the industry awareness of the ESG credentials of LOF. The current initiatives may not result in a vast increase in the use of the LOF, but the use of LOF may stabilise enough to safeguard the crucial role of the salvage industry and ensure that its services are not only available but also adequate when a major casualty occurs.