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International Union of  
Marine Insurance



## Message from the President

The time is fast approaching to IUMI's most important event of the year, the 2015 Annual Conference in Berlin. This year's conference theme - "Technical, Financial & Human Factors – is there a new normal?" – examines these growing challenges, which are the key drivers of our business and are creating a new standard for our industry. IUMI's Technical Committee Chairmen and Committee Members, each one a highly regarded marine specialist, are working hard preparing their workshops, collecting data and information, which they will present during the workshops.

Currently the marine insurance industry is undergoing a period of change and recognises an increasing number of external factors which go beyond the traditional underwriting expertise. These are now impacting our business and include:

Rapid advancements in technology: Increasing vessel sizes, larger construction projects, and complex drilling activities is on a much larger scale than ever before.

Cyber threats: A growing reliance on IT – within shipping ports & logistics and offshore – is increasing the exposure to cyber risk. Underwriters need a detailed understanding of these risks in order to tailor their products to meet client needs.

Ultra Large Container Vessels: The trend for mega vessels is affecting insurers due to the huge cargo values being transported; integrity of vessel structure and stability is of concern.

Increasing complexity offshore: More complex offshore installations, larger Floating Liquefied Natural Gas (FLNG) and Floating Production Storage and Offloading units (FPSO) operating in remote locations, including Arctic waters, inevitably define a new quality of risk. More complicated mooring systems and increased on-water traffic surrounding these installations have to be considered by underwriters.

Financial Market: The financial crisis has had a significant impact on our business. We have to cope with a low interest environment, with political interventions on currency and sanction regimes. The volatile oil price, changing solvency capital regimes and internal risk models are undoubtedly influencing the marine insurance industry as well.

As you can see there are a broad range of topics which have a distinct influence on the future world of marine underwriting. As an organisation, IUMI is looking into the impact of these issues and the Berlin conference is gearing up to provide you with interesting views and informed opinions. I am very much looking forward to seeing you in an exciting city for what I am sure will be an inspiring and thought provoking conference.

*Dieter Berg, IUMI President*



## IUMI intervenes against ship life insurance to control ship recycling

*By Jens Jaeger, Head of Marine and Aviation Insurance, GDV, and member of the IUMI Political Forum*

On 15 March 2015, an EU stakeholder meeting on ship recycling was held in Brussels. IUMI, represented by Mr. Jens Jaeger (German Insurance Association/GDV), member of the IUMI Political Forum, was present. During the meeting, a policy advisory firm to the European Commission presented its proposals to oblige European shipowners to conform to the EU Ship Recycling Regulation, which entered into force on 30 December 2013.

The regulation enforces the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships 2009 (the Hong Kong Convention) requirements, and adds a number of requirements for European ships, European shipowners, as well as ship recycling facilities willing to recycle European ships. However, the regulation will only put these requirements on EU-flagged end-of-life ships. Therefore, some NGOs, such as the Shipbreaking Platform, are concerned that EU shipowners will re-flag their vessels to a Flag of Convenience (FOC) in order not to fall under the scope of the regulation. To overcome this possible issue, the advisory firm presented during the meeting, in addition to several similar financial options under investigation, the concept of a "ship life insurance". According to this option, the insurance shall cover the additional costs arising if the recycling facility meets the requirements of the EU Regulation. Premiums shall be payable from the launch until the scrapping of the ship. This option has, however, met with considerable opposition from the IUMI Political Forum. From the perspective of insurance supervision law this option cannot be qualified as insurance, given that it does not include an insurable risk.

Thanks to the successful lobbying efforts of the IUMI Political Forum, this option is unlikely to come to anything. The advisory firm will obviously not continue to promote this option in its present form. It remains to be seen whether other insurance options will be developed and presented. In any case, IUMI will continue to bring its expertise to the debate.

# Marine Environment Protection Committee (MEPC)

## 68th session 11-15 May 2015

*By Nick Gooding FCII, IUMI Alternate Officer at the IMO*

Lars Lange (IUMI Secretary-General) and Nick Gooding (IUMI Alternate Officer at the IMO) represented IUMI at MEPC 68. During a busy week the meeting adopted the environmental requirements of the Polar Code and associated amendments to MARPOL to make the Code mandatory. Further discussions were held on the implementation of air pollution and energy efficiency measures and the debate on the Ballast Water Management Convention bought the usual plea for member states to sign up and to get the required percentage of world tonnage (being 35%) for entry into force.

IUMI were co-sponsors of a paper put forward by the ICS and other industry partners on the review of the G8 Guidelines, which similarly made the case for ships which have installed BWM systems in accordance with the current guidelines, to not be penalized by having to replace the system. This received a sympathetic response with a "Roadmap for the implementation of the BMW Convention" being agreed, which proposes ships that were "early movers" should not be penalized. The Correspondence Group was re-established and tasked to continue working on the review.

With regard to energy-efficiency, MEPC continues to develop guidelines to assist the implementation of mandatory energy efficiency regulations for international shipping. The Committee considered a progress report of the correspondence group established to review the status of technological developments relevant to implementing phase 2 of the EEDI regulations, and asked the group to continue their work and submit an interim report to MEPC 69.

The somewhat sensitive topic on further development of a data collection system to analyse fuel consumption of ships was heavily debated. It was proposed that data collected would be aggregated into an annual figure and reported by the shipowner to its flag state, who would forward the information on to the IMO for inclusion in a database, access to which would be limited to member states only.

Among other agenda items, a correspondence group was re-established on fuel oil quality and charged with developing draft guidance on the best practice for assuring the quality of fuel oil delivered for use on board ships.

## IUMI Executives meet the Turkish market in Istanbul

*By Lars Lange, IUMI Secretary General*

This year's IUMI EC Spring Meeting took place on 28 and 29 May 2015 in Istanbul. The EC meeting on Thursday 28 May dealt with all current projects IUMI is involved with and found that good progress was being made.

On Friday 29 May, a conference with the Turkish marine insurance market, together with the IUMI EC members, took place on the premises of Milli Reasürans, Istanbul. The conference was organised by the Turkish Insurance Association TSB, together with the IUMI secretariat, and achieved excellent attendance from the Turkish market which was very well represented.

IUMI took the opportunity to report on its current organisational changes and projects, particularly focusing on its current political work and market positions. In return, the Turkish market representatives informed IUMI about the very well developing Turkish marine insurance market.

Yeşim Denizli, TSB Marine Insurance Committee Vice Chair, gave an interesting presentation on the "Turkish Marine Insurance Sector". Ufuk Teker, Türk P&I Sigorta AŞ General Manager, introduced the recently founded first Turkish P&I Club: Türk P&I Operations.

The conference concluded with an intensive debate on the challenges and opportunities for the marine insurance industry with the discussion panel led by IUMI President Dieter Berg, with IUMI EC Members Richard Turner and Mike Davies, together with Ufuk Teker, Türk P&I Sigorta AŞ General Manager and Mustafa Alperdem, TSB Marine Insurance Committee Member.

The same day IUMI EC members used the opportunity to visit the premises of the Turkish classification society Türk Loydu in Tuzla and Sedef Shipyard Inc. in Tuzla.

IUMI would like to thank TSB for the excellent organisation of this EC Spring Meeting, and looks forward to continuing a fruitful cooperation with the Turkish IUMI member association.



# Iran Sanctions: German court rules on relevance of OFAC license for claims settlement under German cargo insurance policy

By Prof Dr. Dieter Schwampe, Dabelstein & Passehl, [www.da-pa.com](http://www.da-pa.com), IUMI Professional Partner

The Regional Court of Hamburg has rendered the first German court decision on the relevance of a license from the US Office of Foreign Assets Control (OFAC) for cover claims under a cargo policy subject to German law. The assured, having been insured with the same German insurer for decades, pursued a cover claim for damage to a cargo of liquorice, which occurred during carriage from Iran to Germany. The policy contained a sanctions clause but this only referred to German and EU sanctions. Nevertheless the defendant insurer argued that an OFAC license would be required, as he had become a member of a US insurance group with the consequence that he now would have to adhere to trade economic sanctions in respect of Iran as controlled and enforced by the OFAC. At least the action should be stayed until the OFAC had taken a decision on a license.



The Hamburg court refused to stay the German proceedings and allowed the action in full. The Court addressed the sanctions clause in the policy with only one sentence, stating that it only referred to sanctions and embargoes of the European Union and not the U.S.

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Referring to the jurisprudence of the highest German civil court, the Federal Court of Justice, the Hamburg Court further held that legal transactions in breach of foreign statutory prohibitions would not render a contract void under German law. Foreign statutory prohibitions, though might be of relevance also under German law, if there was a breach would qualify instantaneously as being in contradiction to German public policy. Imports of liquorice from Iran, however, would not be in conflict with German public policy.

The relevance of this judgment does not rest with the sanctions clause as such, which is not even discussed, its relevance is the effect which a sanctions clause has on an insurer with US exposure, if US sanctions are not referred to in the sanctions clause. The judgment shows that insurers with US exposure may not find protection under German law. All insurers active in Germany and subject to German law and jurisdiction, which have a US exposure or which are US insurers with German branches or subsidiaries, must be aware that in the absence of a sanctions clause referring to US law they will run the risk of being ordered to settle claims in Germany which might be problematic under US sanction laws. Sanctions clauses referring to US sanctions have so far not been tested in court. They have been discussed in the legal literature, where the view is partly taken that they have no civil law validity. In this context it must also be taken into consideration that the German Ministry of Economics, which is in charge of sanctions in Germany, last year declared that in its view the English sanctions clause LMA 3100, which also refers to US sanctions, would be in breach of German external trade law. I have challenged this and expressed my view in a recently published article that the use of LMA 3100 is not in conflict with German law.

All insurers with US exposure active in the German market should take legal advice on how to handle the situation.

Dabelstein & Passehl have been dealing with sanctions issues for many years. For further information please feel free to contact me at [d.schwampe@da-pa.com](mailto:d.schwampe@da-pa.com)

## IMO Maritime Safety Committee 95th Meeting

By Nick Gooding FCII, IUMI Alternate Officer at the IMO

The MSC 95 meeting is currently being held at IMO Headquarters, London. Lars Lange (IUMI Secretary-General) and Nick Gooding (IUMI Alternate Officer at the IMO) are registered to attend on behalf of IUMI.

The provisional agenda, for this eight day meeting, has 22 items listed for discussion and has attracted the submission of 133 individual papers.

Items of interest to marine insurers include measures to enhance maritime security, passenger ship safety, formal safety assessment including general cargo ship safety, piracy and armed robbery against ships. The plenary also receives reports from five Sub-Committees that report into MSC. Included under agenda item 4, Measures to Enhance Maritime Security, are a number of papers commenting on cyber risk and cyber security. This will lead to a debate that will be carefully followed given the growing importance of this topic to marine insurers.

Also, the plenary will receive the report from the correspondence group on the development of a methodology for determining limitations for operations in ice. IUMI was represented in the correspondence group by Michael Kingston. There are also some amendments being made International Maritime Solid Bulk Cargoes code (IMSBC).

The meeting is well attended by flag states and the industry, providing IUMI representatives a very good networking opportunity. A report on the outcomes of the meeting will be posted in the Autumn edition of IUMI Eye.

# Q&A

## with Andrew Bardot, International Group of P&I Clubs

*“There will be many more interesting and challenging issues ahead, and there is nowhere else I would rather be than working with the Group to address these”*

In the latest of our regular profile articles IUMI Eye puts questions to Andrew Bardot, Chief Executive Officer of International Group of P&I Clubs. The thirteen principal underwriting member clubs of the International Group of P&I Clubs between them provide liability cover for approximately 90% of the world's oceangoing fleet [www.igpandi.org](http://www.igpandi.org)

### **What is your view on the current state of the P&I market?**

In financial terms the International Group clubs are reporting generally favourable developments in their reserves and claims experiences, although on the claims front reduced frequency is to an extent offset by increased severity. At the catastrophe claims level, the policy years post-2011, when the IG suffered its first and third largest ever claims (the *Costa Concordia* and the *Rena*), have delivered significantly more benign years for the pool and the Group's reinsurers. However, the potential for high severity claims remains ever present and a real challenge. Entered tonnage within the Group clubs continues to grow year on year, with in excess of 1.05bn GT of owned tonnage now insured with Group clubs. Outside the Group, new commercial P&I providers have emerged and are offering higher limits of cover than hitherto, albeit well below the limits provided by the Group clubs.



*Andrew Bardot,  
Chief Executive Officer,  
International Group of  
P&I Clubs*

### **How do you view the relationship between shipowners and P&I?**

The true mutual structures of the Group clubs, which are owned and controlled by their shipowner members, provide for a unique relationship between the member shipowners and club managers. Matters of policy, in relation not only to the running of the clubs, but also external engagement with maritime States' governments and regulators, are determined by the shipowners themselves, through their elected club boards and committees. This channelling also provides an invaluable facility for exchanging knowledge and information between shipowners and their clubs in relation to matters pertaining to shipowners liability. The ability to share this knowledge and information with other shipowners and clubs through the medium of the Group, adds yet further value to this significant resource. With ever developing regulation, shipowners are increasingly dependent on P&I cover, and through the self-insuring arrangements of the mutual club structures are able to provide themselves with the necessary scale and scope of cover required under the International Convention regimes and other national/regional regulation.

### **How do you view the relationship between marine insurers and P&I insurers?**

The IG has since 1951 annually placed what has developed into one of the largest marine reinsurance programmes in the market. Over 90 marine reinsurers worldwide participate on the programme. Over many years, the Group has established strong relationships with longstanding participants and supporters of the programme which have worked to the mutual benefit of the Group clubs and their reinsurers. The strength and longevity of the established relationships with reinsurers are key to the continuing ability of the clubs to provide their members with the highest levels and broadest scope of P&I cover available. In short, this relationship is of fundamental importance to the ability of the Group to offer the most comprehensive cover available for shipowners P&I liabilities, for the benefit not only of shipowners entered in the Group clubs, but equally importantly for the benefit of public and private victims of Maritime accidents and incidents.

### **What is the biggest challenge facing today's P&I sector?**

Increasing claims severity, increasing liability limits and erosion of shipowners traditional defences are all major challenges for the P&I sector. The Group on behalf of its member clubs and their shipowner members works continuously in engaging with States, national and supranational regulators and maritime authorities and agencies to protect the interests of shipowners and their P&I insurers, and to ensure that new regulation and legislation does not threaten the long term viability and sustainability of the cover and compensation provided by the clubs.

### **Is there anything you would like to see the clubs do differently or better?**

Mutual Clubs are uniquely attuned to shipowners needs and to the protection and promotion of shipowners' interests. Continual focus on improving services and products offered to their members, particularly in the area of loss prevention, is an area where clubs can deliver, and are delivering, increasing benefits to their shipowner members.

### **What is the biggest issue currently facing the International Group?**

There is no single biggest issue, but there are a number of internal and external challenges including club diversification away from the traditional core mutual P&I product, tackling the underlying causes of increased claims severity, particularly in the field of removal of wreck and, as already noted, heading off challenges to shipowners' rights of limitation of liability and the continuing attempts to erode shipowners' defences.

### **If you were not in your current role what would be your ideal job?**

Before taking on my role with the Group, I spent 27 years practicing maritime law in the city of London. Over that period I worked with most of the Group clubs and their managers, and grew up in my professional career alongside many of the now senior club managers, with whom in my new position I continue to work, albeit in a very different capacity. My current role is intellectually and practically challenging and diverse, and has been very well supported by the Group in terms of increasing resourcing and manpower to improve the service which we provide to the Group clubs and their shipowner members. What is certain is that there will be many more interesting and challenging issues ahead, and there is nowhere else I would rather be than working with the Group to address these.

### **What do you like doing when not working?**

My outside interests are generally focused on or around the water – whether inland or ocean passages, or in the mountains in the winter. More of the same hopefully!

# Maritime refugees: obligations on the merchant navy

By Michael Ritter, Associate at Holman Fenwick Willan LLP, [www.hfw.com](http://www.hfw.com), IUMI Professional Partner

## Background

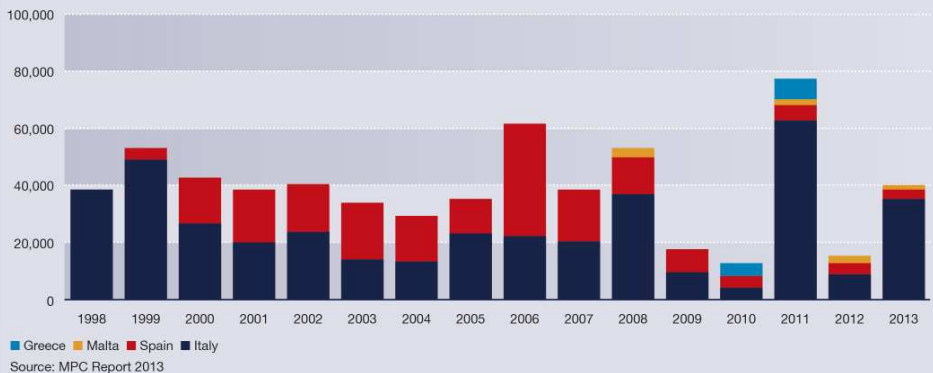
Prior to 2013/14 there were relatively few incidents of migrant vessels in distress in the Mediterranean. Since the rescue of 600+ migrants from the *Blue Sky M* in December 2014, this phenomenon has become an almost daily occurrence. The Office of the United Nations High Commissioner for Refugees reported some 13,500 migrants alone were carried across the Mediterranean in the week ending 17 April 2015 and tragically, over 1,780 deaths this year have been reported (96 last year).

## The international legal framework

Under Article 98 of UNCLOS, a Master in the merchant navy has a duty to "render assistance to any person found at sea in danger of being lost in so far as he can do so without serious danger to the ship, the crew or the passengers". Additionally, a Master must respond to "information from any source that persons are in distress at sea" and is "bound to proceed with all speed to their assistance" (SOLAS Chapter V Regulation 33). Under English law a failure to do so could result in a fine or up to 2 years imprisonment.

Only if a Master is "unable" to, or in "the special circumstances of the case" considers it "unreasonable or unnecessary", may they refuse to assist. There is no list of "special circumstances" but purely commercial reasons are likely to be insufficient.

Figure 1: Irregular migrant arrivals on maritime routes to the EU, 1998–2013



## Guidance for Owners and Masters

Practical guidance on preparing for and responding to a migrant rescue (including checklists) has been issued by International Chamber of Shipping (<http://www.ics-shipping.org/free-resources/refugee-rescue-crisis>).

## An overburden on commercial shipping?

States should "relieve the ship as soon as practicable", "with minimum further deviation" further, "ships should not be subject to undue delay, financial burden or other related difficulties" (Reg. 33 and Resolution MSC 167(78), 6.3). This is not always reality; in 2013 after rescuing 102 migrants *Salamis* was refused permission to enter territorial waters. Political attention has led to increased EU government response, but a repeat might imply an overburden on commercial shipping. Presently there is no source of reimbursement for merchant vessels.

## Commercial issues that may arise

The migrant issue poses many immediate practical, safety, commercial, insurance and legal issues, including:-

1. Potential security/safety/health threats to the vessel and crew;
2. The impact on manning and safety, including hours of work and rest;
3. Impact on supplies (bunkers, water and food);
4. Potential obligations and liabilities to those rescued;
5. Potential immigration issues at the port of refuge;
6. Damage to the vessel;
7. Delay may impact time/market sensitive cargoes or even render them dangerous.

The vessel will likely experience commercially significant delays and may need to deviate, giving rise to potential disputes under contracts of carriage such as in respect of hire. These commercial issues should not however detract from the essential life saving work being carried out in line with the SOLAS and UNCLOS obligations.

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# Arctic Sailings and the polar ice regime - interim guidelines to be introduced at MSC95

By Michael Kingston, Partner, DWF LLP Marine Trade & Energy Group

The Polar Code has been agreed and will come into force in January 2017. The Environmental aspects were formally agreed by IMO MEPC 68 on 15 May 2015. These will now become mandatory through the MARPOL Convention as Annexes I, II, IV and V dealing specifically with Oil, Noxious Liquids, Sewage, and Garbage.

The Crew Certification Aspects of the Code were agreed at HTW 2 Committee meeting on 6 February 2015 and will become mandatory under the STCW Convention. It is important for insurers to understand the additional requirements for crew training and certification in Polar Waters. The crew certification aspects must be analysed in conjunction with the safety requirements under the SOLAS amendments.

The Operational Limitation of the vessel in question for the intended operation, and vessel safety requirements were agreed at MSC94 on 21 November 2014. These will now become mandatory under SOLAS 1974 as new Chapter XIV. It will be a requirement to carry a Polar Ship Certificate, and a Polar Waters Operation manual. The Polar Waters Operation Manual (PWOM) must explain how the operator will deal with the worst case scenario in the conditions that may occur, including search and rescue provisions.

In relation to operational limitation it is necessary for operators to explain in their PWOM and their Polar Ship Certificate their 'methodology to assess operational capabilities and limitations in ice to the satisfaction of the Administration, taking into account guidelines to be developed by the organisation'.

An operator will have to show how they have prepared and will be able to operate in the extremities that can occur in the geographical area that they are intending to operate in, by reference to an ice regime system methodology, be it the existing Canadian AIRS system, the Russian 'Ice Passport' system, or the alternative Polar Operational Limitation Assessment Risk Indexing System (POLARIS)

MSC94 established a Correspondence Group to develop POLARIS. The aim of POLARIS is to provide a standard approach for the evaluation of risks to the ship in the ice conditions expected to be encountered by providing a risk index in any geographical area that the ship is intending to travel.

The Correspondence Group agreed that POLARIS is an acceptable system for meeting the guidance but further work, it is acknowledged, needs to be done in practical applications to refine the system. The system will be approved as 'interim' guidelines' at MCS 95 in June and the Correspondence Group will be re-established to further perfect the system. It is very important that the industry understands these new guidelines. I will be giving a presentation at the IUMI 2015 Conference in Berlin on the Polar Code and POLARIS.



Michael Kingston, Partner in DWF LLP's Marine Trade & Energy Group is currently Lloyd's List's Global Maritime Lawyer of the Year for his influence on international regulation and has been voluntarily representing IUMI on the IMO Correspondence Group that is developing the Ice regime limitation methodology following MSC94.

## Maritime Cyber Attack – A Clear and Present Danger

By Nick Gooding FCII, IUMI Alternate Officer at the IMO

Abstract from Nick Gooding's speech, presented at the Insurance Sweden Conference on 6 May 2015, in Stockholm

No one is immune from cyber threat and there are many attacks daily. The International Union of Marine Insurance understands that the risks of a maritime cyber security attack represent a challenge to underwriters for two key reasons. First, there is a challenge to properly understand the exposures and secondly the underwriters' products need to be tailored to meet their clients' needs. As the global maritime community moves further into a digital environment, ports, vessels and facilities are increasingly connected to and dependent on cyber systems. Insufficiently robust cyber security practices could lead to loss of life, increased criminality in the maritime sector, and given the importance of the maritime sector to international trade and supply chains, an operational disruption with significant adverse economic consequences.

Encouragingly through the combined efforts of the International Chamber of Shipping, BIMCO, INTERTANKO, and INTERCARGO there is ongoing work to develop guidelines on cyber security on board ships. It is hoped the final guidelines will be presented to the International Maritime Organization for consideration in 2016. These draft guidelines have been split into nine headings covering:

- 1) Awareness and education for all stakeholders
- 2) Establishing a generic risk-based framework drawing on existing standards and guidelines augmented by current intelligence and best practice.
- 3) Addressing the integrity, confidentiality and availability of cyber systems
- 4) Establishing clear guidelines on the management of key information in order to retain operational cyber capability
- 5) Looking at how to integrate elements of both physical and software security to ensure safety and business continuity.
- 6) Acknowledging the importance of identifying and mitigating third party interfaces that could compromise cyber security.
- 7) Investigating cyber security monitoring systems and network management
- 8) The development of contingency plans
- 9) Continued review and assessment of cyber systems to ensure their continued robustness.

The London Market Committees are all working on this issue, and only time will show how we will be able to fight this clear and present danger.

For the full abstract of the speech please visit <http://www.iumi.com/committees/political-forum>

# Container Stowage

By Nigel James, Master Mariner and Associate Director, LOC Group, [www.loc-group.com](http://www.loc-group.com) IUMI Professional Partner

Container stowage has been transformed by technology over the past few decades and in the past arguably entailed more thinking, with paper and pencils used to draw up stowage plans. The vast size of many modern container ships necessitates the use of advanced technology to plan and execute stowage, via Electronic Data Interchange (EDI) data transfer.

However there are several timeless considerations that must be taken into account. Container type and size must be considered, especially as the voyage forecast for containers waiting to meet a ship develops. Containers needing to be stowed could be standard 20 or 40 foot units, or high cube, flat-rack, open top or reefer. Their contents could include hazardous, high value, refrigerated and out-of-gauge cargo. Operators need to take time to consider the best options for these 'specials' and combine them in the safest way possible with normal containers and cargo, even if this involves letting go of some commercial advantage.

Key to any stowage plan and operation is the vessel involved itself. The vessel's bending moment, stability and container locations must be considered and factored for – loading containers is often an exchange process, with the stowage configuration of a vessel changing significantly each time it docks. To mitigate against problems, operators need to create the correct stowage sequences by discharge port order and co-ordinate with ports to ensure good crane splits. This will in turn minimise port time.

If a vessel is fully loaded with cargo, and depending on draft restrictions, it may be advantageous for a vessel to not completely fill its bunker tanks. Fuel, ballast and cargo must be finely balanced in the interests of both safety and commercial efficiency.

Terminal cut-off times for containers to be loaded onto a vessel are a key consideration – when they are not respected, severe disruption and accidents can occur. Container stowage often takes place in an atmosphere of intense commercial pressure. Container shipping lines should not be overly-flexible – respecting operational requirements will help avoid complications, delays and accidents. Container stowage is very much a rules-based game – if everyone works to the rules, accidents can be avoided and commercial efficiency achieved.



# International Salvage Union 2014 statistics

By Mark Hoddinott, General Manager, International Salvage Union

The marine salvage industry provides vital services to the shipping industry which help protect shipowners and insurers from huge financial losses. In 2014, for example in Lloyd's Open Form (LOF) cases alone, more than US\$1 billion of property was salvaged.

This figure is calculated from the ISU's 2014 annual statistics which relate to income that its members received in 2014, but which may be from cases in previous years. Gross revenue from all activities was US\$775 million, almost exactly the same as the previous year's figure of US\$772 million. The total number of salvage and wreck removal cases recorded has risen to 249, up from 196 in 2013.

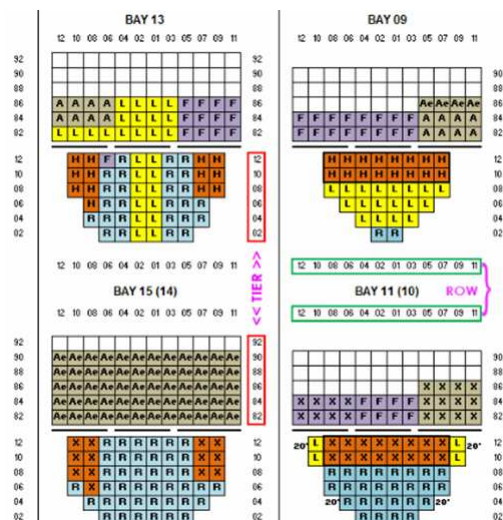
The most noticeable feature of our statistics this year is the increase in revenue that has come from sources other than LOF work: for 2014 this was US\$146 million, up from US\$62 million previously. There has been a corresponding decline in LOF revenue which is down from US\$202 million in 2013 to US\$181 million in 2014.

This reflects a preference by shipowners to use commercial terms other than LOF. It continues to be a concern for the ISU and many property insurers who believe that LOF has great benefits in emergency response cases. Importantly, LOF revenues include the element of "encouragement" that has been an underlying principle of salvage for centuries. It ensures that it is worthwhile for salvors to maintain a response capability in an uncertain sector where income is unpredictable. The great majority of LOF cases, around 75%, are settled without the need for arbitration.

We believe LOF salvaged values are a good indicator of the benefit of our industry. They show that our members salvaged US\$1.2 billion (the combined value of ship and cargo) worth of property that was in peril at sea. LOF income typically represents some 15% of the value of the property salvaged and the ISU believes paying 15% of the total value to save the whole of a maritime adventure from potential loss represents good value.

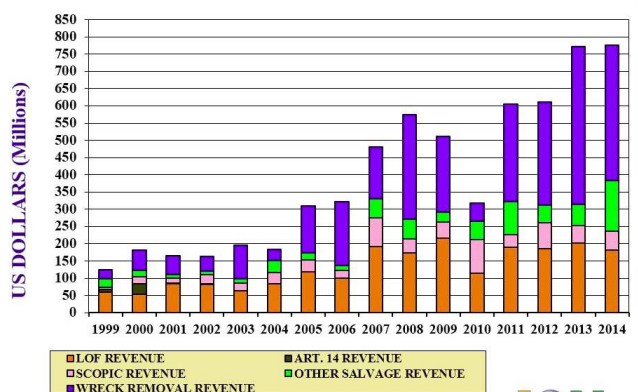
Wreck removal continues to be an important source of income but a fall in this revenue from US\$458 million in 2013 to US\$394 million in 2014 probably reflects the conclusion or winding down during this period of major cases such as the Costa Concordia and Rena.

For the full ISU Statistics 1999 – 2014 PowerPoint presentation please visit <http://www.iumi.com/affiliates-a-reports/115-isu>



ISU Salvage Statistics; 1999 – 2014

## All Sources of Revenue



# Insuring maritime activities in the Arctic

By Andreas Meidell, Partner at advokatfirmaet Thommessen AS, [www.thommessen.no](http://www.thommessen.no), IUMI Professional Partner

Maritime activities in the Arctic involve certain particular risks related to the cold climate, for example ice, low temperatures, reduced visibility and more. But in general the marine insurers deal with these particular risks in the same manner as more traditional marine risks. There are, however, two particular insurance issues that are triggered by activities in the Arctic:

## 1 Trading Area

The Arctic is an excluded trading area under most Hull & Machinery policies and thus an area where you are not allowed to operate unless you have received a specific consent from underwriters to do so. When the underwriters give such consent, they may do this under certain conditions, i.e. by implementing specific safety regulations related to operating in the Arctic.

## 2 Safety Regulations

Due to the high risks involved when sailing in the Arctic, underwriters will usually impose specific safety regulations for any ship or unit operating in these waters. For example, a certain ice class notation may be required, or the insurer may impose safety regulations related to documentation compliance, vessel suitability, logistical preparedness, meteorological preparedness and crew competence, to name a few. CEFOR has issued a particular Check List for underwriters and owners/managers for assessing risks associated with voyages in Arctic waters.

Of course, one of the major challenges with operations in the Arctic is the casualty response with regard to safety of lives and vessels, and also with regard to wreck removals and clean-up operations following possible oil pollution. In certain areas of the Arctic, these tasks may be impossible. This is the reason why the highest caution is called for when operating in these waters, and if the activities increase in the Arctic, there may be certain insurance issues that are challenged, in particular with regard to the effect of the assured's own negligence.



THOMMESSEN

# Onshore environment key to future Somali piracy risk

Provided by Nick Derrick, Senior Marine Cargo Underwriter, Travelers Insurance and Chairman of the IUMI Cargo Technical Committee and John Cochrane, Senior Global Risk Forecaster at Exclusive Analysis, IHS

The last successful attack on a commercially significant ship by Somali pirates was the hijacking of the *Smyrni* in May 2012. IHS Country Risk assesses that the sustained reduction in successful piracy attacks is due to a combination of the following factors:

- International maritime operations, including the escorting of shipping through the International Recommended Transit Corridor (IRTC) and intelligence led interdiction of pirate mother ships.
- The adoption by the shipping industry of Best Management Practice (BMP) measures to mitigate the risk of hijacking and of crews being taken hostage.
- The widespread adoption by the shipping industry of on-board armed security guards, when transiting the area of maximum risk. There has been no reported instance of pirates pressing home their attack once they have detected the presence of armed guards on their target ship.
- Changes in the onshore security and commercial environment in Somalia, particularly in Puntland and Gulmudug, with federal and provincial government authorities becoming more established and the potential for onshore exploitation of oil becoming a driver for security and a more attractive commercial opportunity for former warlords and village elders than patronage of piracy.
- Critically, while pirates can launch operations from an unpoliced beach, they are dependent on a port at which hijacked ships and their crews can be held for months without government interference, if they are to negotiate ransoms for their return. While simple robbery of ship's property or kidnapping for ransom of crew members would not require such a secure base, neither would they offer the same financial return for the risks taken.



Clearly the West's political will to sustain its present standing commitment to anti-piracy operations may well become problematic, given the reduced piracy threat, not least in view of the potential for the civil war in Yemen, and its impact on commercial shipping through the Red Sea and Bab al-Mandeb, to result in a redeployment of maritime effort to ensure free movement through this chokepoint. Equally, evidence of reduced pirate attack capability, though not intent, raises doubt as to the industry's readiness to go on paying the high premiums involved and security costs, particularly in deploying on-board armed security.

IHS assesses that, even if these developments were to happen in parallel, they would, on their own, be unlikely to result in a major resurgence of Somalia-based piracy risk in the six-month outlook. We assess that the critical factor will remain the risk environment onshore.

We would expect to identify early indicators of decreased government instability or of protests resulting from disappointed expectations from oil exploration, or from frustration over illegal fishing, months ahead of evidence of pirates regaining control of a port and potential secure base in Somalia.

For the full presentation and article please visit <http://www.iumi.com/committees/cargo-committee/links-clauses-cargo>



# Heavy Lift Cargo: Method Statement

By Barry Tarnef, a Vice President and Senior Risk Specialist, Loss Control Services, Chubb Group of Insurance Companies and member of the IUMI Loss Prevention Technical Committee

A method statement or work method statement is a document that provides detailed, step-by-step instructions on how to safely perform a work-related task. It is designed to outline the hazards likely to be encountered while undertaking a task or process as well as give specific guidance to help mitigate the risks.

In the ocean cargo sector, a method statement should be developed for heavy lift or project cargo shipments for the power, petrochemical, offshore and other industrial applications involving outsized equipment. These types of cargo will also normally require specialized transport conveyances such as geared semi-submersible vessels, deck-strengthened barges, heavy lift air cargo freighters, rail flatcars and multiple axle tractor and trailers which should be considered in the development of the method statement. The manufacturer-shipper may prepare the method statement but more often this is done by specialist freight forwarders or third party logistics providers.

A major element of the marine method statement is the health, safety and environmental risk assessment within each of the following components of cargo movement: lifting, stowing, securing and transporting.

Method statements vary in scope, depth and quality. Moreover, they can take a variety of forms. A typical format will include the following:

- **Distribution/Communication List:** Names and titles of the relevant parties
- **Executive Summary:** A high level summary
- **Introduction:** Provides the purpose of the document
- **Cargo Description:** Details general description of the items
- **Schedule:** Detailed full schedule
- **Project Organization:** Overall activities are itemized
- **Description of Work Method Activities:** Details of each of the activities mentioned in the project
- **Cargo Handling:** Full explanation of what is involved
- **Transport:** Conveyance description
- **Inspection En-route:** Frequency and manner of inspection of cargo and its securing while in transit
- **Permits:** Registration with local authorities and permits, police escorting requirements and road closure details
- **Risk Assessment:** Highlights the known or anticipated route hazards
- **Point of Acceptance:** Procedures and steps that take place on arrival at the site
- **Site Familiarization:** Information regarding the transportation provider's knowledge of the site
- **Planning:** Offsite coordination of conveyance movements
- **Lifting:** Transfer of components
- **Health, Safety & Environment:** A description of site rules as well as personal protective equipment (PPE) requirements, work permits, hours and any limitations
- **Interim Reporting:** Reporting protocol for shipment location, status and any deviations
- **Incident Reporting:** Contact(s), phone number(s) for managing incidents and any non-conformance events
- **Maintenance Records:** Logs and maintenance records
- **Task Specific Elements:** Definition of safety systems of work
- **Reference Documents:** Documents necessary to perform the work are identified
- **Record of Change Orders:** Revision numbers, date, affected pages, description of changes and requisite approvals
- **Signatures:** Formal acceptance of the method statement

After the completion of the move, the method statement should be revisited to determine what changes, if any, had to be made or any issues that arose during any of the processes. Experience from real-world situations can allow for improvements on the developments of plans for subsequent shipments.

For the full article on Heavy Lift Cargo: Method Statement please visit <http://www.iumi.com/committees/loss-prevention-committee/links-loss-prevention>.

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# Address by the IUMI Secretary General

*By Lars Lange, IUMI Secretary General*

One of our major tasks in the last three months was the re-election of all 120 IUMI Technical Committee members following the new IUMI Articles of Association agreed during the 2014 Hong Kong conference. All IUMI Technical Committee membership is now restricted for a three year period, with certain candidates to be re-elected by the IUMI Council.

In addition, IUMI is very happy to welcome two new IUMI Professional Partners (IPP):

- Andrew Moore & Associates Ltd, with headquarters in Hong Kong, joined in March 2015. Since 1989 Andrew Moore & Associates has been providing professional maritime consulting services to a global client base making AMA one of the most trusted and established names in the industry, AMA has been called upon to represent their clients in some of the most high profile shipping incidents of recent years. The in-house principal consultants and surveyors at AMA provide clients with a wide-range of academic and hands-on experience that allows for detailed conceptualization and interpretation of client requirements, combined with expert attendance and investigation at the scene. The reach of AMA's work continues to expand in key regions of the globe where the maritime industry exercises a great influence.

- In May 2015 Braemar SA joined. Braemar (incorporating The Salvage Association) is a leading international marine surveying and technical consultancy, operating from a worldwide network of offices. The company incorporates the casualty expertise of "The Salvage Association". Braemar is carrying out casualty work on behalf of Hull & Machinery, P&I, Liability and Cargo insurers, including surveys of incidents affecting every type of vessel from yachts to ULCCs and LNG or chemical carriers. Braemar is also a leading marine consultancy providing warranty services for the Cargo, Offshore Energy, Construction, Liability and Hull & Machinery insurance markets. Additional services include risk management; risk assessments, including environmental and emissions risks, feasibility studies; risk audits of vessel and engine room operations, shipbuilding and repair facilities and their procedures; assessments of port operations, wreck removal and navigation.

In my last address I reported the IUMI EC's decision in January 2015 to start an IUMI Education Programme. In the interim the IUMI education working group took up this task and developed a three step strategy approved by the IUMI EC: Short-term, mid-term and more comprehensive long-term activities shall together ensure the programme is built up as sustainably as possible and to an excellent quality. In May 2015, the working group sent a questionnaire to all IUMI member associations asking for their thoughts and comments with regard to the programme. Once the results are collated, the working group will modify the plans made so far.

Thank you for reading our newsletter, we hope you find the content topical and interesting; your comments and feedback are always appreciated, please email me at [lars.lange@iumi.com](mailto:lars.lange@iumi.com).

## Programme for IUMI Berlin Conference develops well

*By Lars Lange, IUMI Secretary General*

As most "IUMI Eye" readers are aware, the 2015 IUMI conference will take place in Berlin from 13 to 16 September 2015. This year's common theme is "Technical, Financial and Human Factors - Is there a new normal?" Registration is open under [www.iumi2015.de](http://www.iumi2015.de).

The IUMI Technical Committees are working hard on the programme for their workshops and the following is anticipated:

- The Facts & Figures workshop will contain the established economic analysis by Patrizia Kern and the report on the marine insurance statistics 2014 by Astrid Seltmann. In addition, a leading shipowner is planned to report on the impact of the low oil price on our business.
- The Ocean Hull workshop will see Leendert Muller, President of the ISU, present his thoughts on the Future Development of the Salvage Industry. Another topic, "Training, improvement of risk management whilst under pilot, master/pilot relationship", is under consideration and the workshop would also like to introduce the new container vessel Uniformed Requirements under development post MOL Comfort.
- The Legal & Liability Committee plans to focus on the classification society liability regime with a number of speakers giving different perspectives on the issue. In addition, the modification of the Marine Insurance Act shall also be presented.
- On Tuesday morning (15 September 2015) the Political Forum will again organize a workshop which will contain – in addition to the chairman's and the IUMI IMO Liaison Officer's report – three presentations: "Theft Prevention – IUMI position and recommendations" by Håkan Nyström, EU's DG Move Maritime Safety Department will report on "The new EU guidelines on Places of Refuge" and Michael Kingston will give an update on the "Determination of limitations for operation in ice under the Polar Code".
- The IFY workshop plans to report, amongst other issues, on EMSA's 3-year report recently published.
- The Loss Prevention Committee aims to report on Navigational Losses, Machinery Losses, Perishable Goods, Loss of Containers/Stack Stability and Climate change/Accumulation risks including Automotive. The workshops of the Cargo and the Offshore Energy Committees will complete the programme.
- Finally the President's Workshop on Wednesday afternoon (16 September 2015) is expected to focus this year on "Digitalization and Cyber in Marine – The new normal?" with presentations on "Unmanned Vessels – the DNV GL "ReVolt" Project", the Industry Guidelines on Cyber Security on board ships, industries' strategy to deal with "e-Navigation". A panel discussion is planned to discuss this widely.

Many more presentations are currently under consideration and we're confident we will deliver a highly topical and interesting conference agenda.

