



IUMI
International Union of
Marine Insurance



Message from the President

Marine insurance in the Year of the Monkey

It is a pleasure to say IUMI is off to a good start this year following the meeting of the Executive Committee and the Chairmen of the Technical Committees in London, in February. The discussions were, as usual, constructive, and a number of important targets and projects were set for the months ahead. Just over a week after the London meeting, the Chinese New Year ushered in the "Year of the Monkey", with celebrations across Asia. For Asians and non-Asians alike, the monkey symbolises curiosity, intelligence, agility and good humour – qualities we can all use in tackling challenges and realising opportunities in 2016.



Indicators remain challenging

There can be no denying that the global marine insurance industry faces some daunting obstacles. Continuingly negative worldwide economic indicators include the slowdown in China and weakened economies in many developing and exporting countries. As a result, demand for commodity deliveries has dropped and shipping companies are experiencing a significant overcapacity of container vessels, as well as depressed freight rates. The Baltic Dry Index – an early economic indicator – shows that the cost of moving commodities is currently lower than at any other time since the financial and economic crisis.

A further major factor impacting marine insurance is the sinking oil price. The per-barrel price has already once fallen below the 30-dollar mark, making this the most severe slump in the oil market in decades. This, of course, directly impacts the offshore oil industry, tightening cash flow and undermining the economic viability of many projects. With oilfields unable to cover the cost of production, oil rigs and platforms are being shut down. Companies are forced to lay off tens of thousands of employees and introduce cost-cutting measures. For energy insurers, these developments translate into lower insurance budgets and fierce competition for a decreasing amount of available business.

It is not always easy to fathom the logic behind the current trends. A reinsurance CEO recently described the continued softening environment in marine and energy business as "a mystery". Despite a spate of losses, like the explosion at Tianjin and major oil platform losses, rates have continued to fall. These trends, coupled with growing volatility and severity of loss events, lead us to ask how long our industry can carry on business as usual in the current environment. Isn't it now time to secure future viability?

Positive signs on the horizon

Simultaneously, there are some indications of emerging opportunities. The US and European economies remain on a recovering path, and the emerging market weakness in many cases appears to be temporary. Making the most of chances in a challenging business environment calls for adaptability, creativity and quick thinking. In the Year of the Monkey, let's assume some of the qualities of the cheerful, witty – and sometimes mischievous – primate:

- Flexibility – in taking on new challenges and adapting to change
- Intelligence – in utilising new technologies like big data analysis
- Curiosity – in innovating and shaping the future of our industry
- Agility and business sense – in staying relevant to our clients for technical expertise and risk-adequate underwriting.



I look forward to the conferences, meetings and other occasions for dialogue with marine insurers and other stakeholders in 2016. Let's make the Year of the Monkey the "Year of the Enterprising Marine Insurer" too.

Dieter Berg, IUMI President

IUMI meets new IMO Secretary-General Ki-tack Lim

By Nick Gooding FCII, IUMI Alternate Officer at IMO

On Wednesday 20 January, Dieter Berg, Lars Lange, Helle Hammer and Nick Gooding met with Mr. Ki-tack Lim, the new IMO Secretary-General, Mr. Ashok Mahapatra, Director of the Maritime Safety Division, and Mr. Frederick Kenney, Director of the Legal Affairs and External Relations Division.

It was an opportunity for the IUMI representatives to introduce our organisation to the IMO, and have an exchange of views on current issues for our respective bodies.

The meeting covered a wide range of topics which included container ship safety, Arctic sailings, salvage, cyber security and casualty statistics. At the end of a very cordial meeting IUMI was invited to give a presentation on casualty statistics to the attendees of the Maritime Safety Committee in May this year. This will be delivered by Patrizia Kern and Astrid Seltman from the Facts and Figures Committee.

We are pleased to have been given this opportunity to further raise the profile of IUMI, and delighted that Mr. Ashok Mahapatra accepted our invitation to speak at the IUMI Annual Conference in Genova in September.



IUMI supports new EU Places of Refuge Guidelines

By Helle Hammer, Managing Director, Cefor, Norway, and Chair of the IUMI Political Forum

Four years after the fire-stricken container vessel *MSC Flaminia* was left adrift for weeks until Germany granted a port of refuge, new emergency response procedures for ships in distress have been agreed across the EU.

EU Member States, the European Commission, EMSA and several industry stakeholders, including IUMI, drafted the guidelines with a real operational situation in mind. The aim is to ensure better coordination and exchange of information by providing guidance that leads to informed and quicker decision-making. It also stresses that there shall be no denial of access on any issue (commercial or financial) other than safety grounds.

The European Commissioner for Transport, Violeta Bluc, presented the new operational guidelines at the Sea, Rivers, Islands and Coastal Areas Intergroup meeting on 27 January in the European Parliament, under the patronage of MEP Gesine Meissner. IUMI was represented by its Secretary-General, Lars Lange, and Helle Hammer from the Political Forum. Together with the Commission, IUMI and a number of other industry associations agreed to use the PoR Operational Guidelines and contribute to their continuous improvement through a joint declaration.

Having in place the voluntary operational guidelines and the expressed willingness to use them is, however, only a first step to secure places of refuge for stricken ships. While regulation is in place, the practical implementation offered by the new EU guidance complements IMO guidelines and should be encouraged internationally. IUMI is therefore likely to sponsor an European Commission information paper to the IMO's Maritime Safety Committee in May this year.

Furthermore, the true success of the operational guidelines will be demonstrated as actual incidents occur. And while decision makers gathered for the places of refuge event in Brussels, the listing *Modern Express* was adrift in EU waters. Application of the guidelines for this and other incidents will be carefully monitored by IUMI and addressed in discussions with the Commission. Lessons learned will provide input to the expected continuous improvement of the guidelines.



Sanctions and Embargoes for marine insurers: What is new?

By Frédéric Denèfle, Legal & Claims Manager at GAREX, France, and IUMI Legal & Liability Committee Chairman

Sanctions and embargoes have been the subject of great focus over the last few weeks following the lifting of certain US and EU sanctions against Iran.

What has happened?

The US and EU has ordered the lifting of a great number of sanctions against Iran following the International Atomic Energy Agency (IAEA) statement on 16 January 2016, which confirmed that Iran had fulfilled the Joint Comprehensive Plan of Action (JCPOA) requirements. The scope of the decision is, however, different between the EU and the US.

The EU has ordered all sanctions against Iran be lifted except for; a list of legal Iranian entities and/or Iranian individuals, and a number of equipment and/or activities connected to the military industry and/or military nuclear devices. The new regime now in place allows for the possibility to insure Iranian entities or activities relating to Iran as long as these are not listed by the EU as forbidden.

The US has lifted all secondary sanctions, meaning that all non US legal structures or non-controlled or owned US entities can now enter into business relationships with Iranian connected interests, except when those Iranian individuals and/or entities are still listed as forbidden.

However, from the US approach primary sanctions are still in place, which means US persons or US subsidiaries and/or branches abroad, are strictly forbidden to enter into business relationships with Iranian individuals, except if they are able to secure a specific approval from the Office of Foreign Assets Control (OFAC). The use of US currency by all insurers is still banned for any financial transactions with Iran.

Consequently, the prevalent situation is that any insurance company must still enforce a very clear and documented due diligence process whenever facing Iranian connected risks in order to determine that the EU sanction regime is fulfilled, and that the US primary sanction is ultimately covered with OFAC prior approval.

The US currency is completely banned and any insurance company must ensure that all their US reinsurance protection is not involved with the Iranian risk, they may underwrite or make sure that their due diligence is in line with their reinsurance sanction clause.

The new embargo and sanction regime is certainly easier than before, but the insurance industry must ensure that internal assessment risk control and sanctions clauses are still in place, and overall awareness in the company's organization must be at the highest level.

Such precautions are necessary as some new and more complex issues have arisen regarding other sanctions which have been put in place in the Middle East region. Following the increased level of tension since the beginning of 2016 between Saudi Arabia and Bahrain on the one side, and Iran on the other side; Iranian-flagged vessels have been banned from Saudi Arabia and Bahrain's waters.

The nature of sanctions in this case is different, but marine insurers may well face such a situation in their risk approach, which clearly means that the disputes and its legal tools are still a matter of concern for the insurance industry as a whole.

New guidelines target cyber security risks onboard

By Helle Hammer, Managing , Cefor, Norway, and Chair of the IUMI Political Forum

In January, an industry group published new guidelines on cyber security onboard ships. The new guidelines are produced by BIMCO, CLIA, ICS, INTERCARGO and INTERTANKO, with the support of many others. IUMI has been involved in the development, and co-sponsors a proposal requesting IMO's Maritime Safety Committee (MSC) to take the industry guidelines into account when considering measures to enhance maritime cyber security at their meeting in May.

Unlike other international standards and guidance on cyber security, the industry guidelines focus on the particular issues faced onboard ships. Rather than technical guidance, the guidelines are designed for use by owners, managers and seafarers to develop understanding and awareness of key aspects of cyber security. The shipping company will find support to establish procedures, plans and instructions, including checklists as appropriate, for relevant key shipboard operations that will be complementary to existing security and safety risk management requirements contained in the ISM and ISPS Codes.

Taking a broader view, Canada and the United States have proposed that MSC together with the Facilitation Committee (FAL) develop a single set of non-mandatory cyber risk management (CRM) guidelines. The industry guidelines are among the best practices listed to supplement these efforts.



The wooden transport case - Surprise package or suitable transport solution?

By Capt. Marc Sommerfeld, Senior Marine Surveyor, Battermann & Tillery Group, Germany, www.ba-ty.com, IUMI Professional Partner

The "normal" way of transporting cargo which does not fit into a container is to move it in wooden casing. There is no single global standard and the forces exerted upon the case during transport vary widely, as do the transportation methods. In order to minimize risk, many steps along the transport route are documented – except for the initial steps. Very often, the cargo securing within the case is unclear. Furthermore, the locations of the strong or weak spots of the case are often not documented.



Problem 1 - Cargo Securing:

If the cargo securing within the case is unclear, it is not possible to ensure safe transportation. It is important to clearly document the cargo securing during packing. Photographs and drawings of the securing (attached to the case) are very helpful. Attachment points on the cargo, including openings in the case's side panels, are the best solution. However, this often is not an option. In these instances, excellent cargo securing within the case is paramount.

Battermann + Tillery Group

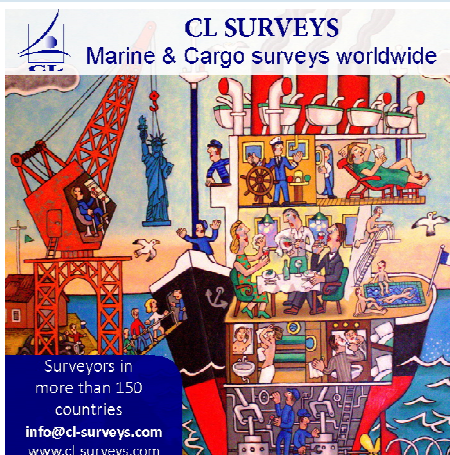
Problem 2 - Sturdiness:

Historically, wooden cases were stowed close to each other in a compact stow. This kind of stowage allowed for the individual cases to withstand the acceleration forces via the entire surface of their side panels in transverse and longitudinal direction. Nowadays, the cases are often loaded aboard container or Ro-Ro vessels. In these vessels, the cases are stowed separately, somewhere in the ship's hold or on the vessel's decks. Considering the kind of cargo securing attached to the cases, mostly web-lashings tightened by a ratchet device, the case construction must withstand the cargo acceleration forces in single positions. In these cases the edges are usually not sturdy enough to withstand forces of several tons.

The best solution is to reinforce the wooden case. However, this often will not be an option for cost reasons. Therefore, it is vital to state clearly where the strong points or the weak spots are and the type of securing that may be applied.

Summary:

Impeccable documentation is paramount to enable safe transportation. Photographs and drawings of the construction (attached to the case) help throughout transportation! Accordingly, the wooden case does not have to be considered a surprise package – detailed documentation of facts will minimize transport risks significantly.



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Q&A

with Ashok Mahapatra, Director, Maritime Safety Division at International Maritime Organization IMO

New Maritime Safety Division Director Ashok Mahapatra succeeded Andrew Winbow in 2015. Ashok, together with his team, work with the members of the Maritime Safety Committee (MSC) and its Sub-Committees under the International Convention for Safety of Life at Sea (SOLAS). The MSC is the IMO's senior technical body on safety-related matters. We will be welcoming Ashok to our Genova conference in September where he will be presenting at the Political Forum workshop.

www.imo.org



1. What is the main purpose of the Maritime Safety Division?

The Maritime Safety Division (MSD) is the first technical, and perhaps the most important division within the structure of IMO. MSD is responsible for the running and organization of a significant number of meetings where different maritime safety, facilitation and security-related issues are presented and openly discussed between IMO Member States and different observer organizations.

2. What are your main responsibilities?

My main responsibility is to coordinate and manage the work of the division in order to ensure high quality and efficient delivery of our work, providing good communication with our member governments and related organizations and assisting with the effective implementation of maritime safety and security measures.

3. How did you get to reach this important position?

Having joined Scindia Steam Navigation as a cadet in 1973, I worked my way up to become a Master in 1982. I was in command of various foreign-going ships until 1986, when I joined the Directorate General of Shipping Government of India as a nautical surveyor. In 1994, I was promoted to Deputy Nautical Adviser to the Government of India. In 1998, I joined the International Maritime Organization as a technical officer first and then in 2003, took over as the Head of Maritime Training and Human Element Section in the Maritime Safety Division. As from 1 January 2012, I became Senior Deputy Director, Sub-Division for Operational Safety and Human Element in the Maritime Safety Division and on 1 October 2015 took over as Director of the Maritime Safety Division.

4. What is currently at the top of your in-tray?

To me all issues are important and deserve attention, but currently I would highlight the following three subjects: the review of the Global Maritime Distress and Safety System (GMDSS) and the development of the GMDSS Modernization Plan; the review of the International Convention on Standards of Training, Certification and Watchkeeping for Fishing Vessel Personnel (STCW-F), 1995; and the further development and implementation of Goal Based Standards (GBS).

5. What are the Division's most significant achievements in recent years?

That would be the adoption of the International Code for Ships Operating in Polar Waters (Polar Code) and of the International Code of Safety for Ships using Gases or other Low-flashpoint Fuels (IGF Code); the approval of Guidelines on drafting of amendments to the 1974 SOLAS Convention and related mandatory instruments; and the completion of goal-based ship (GBS) verification audits.

6. How does IMO interact with the marine insurance industry?

IMO interacts with the insurance industry through IUMI (which has had consultative status at IMO since 1961) and the International Group of P & I Clubs (consultative status since 1979). This allows the industry to be fully involved in the development of the regulatory requirements and ensures that the industry is never out of tune to cover all the expected risks.

7. As the key maritime regulator, do you have any advice for marine insurers?

To enable the shipping industry and regulators to work proactively to mitigate risks, marine insurers should provide them with a transparent analysis of claims data identifying those risks.

8. If you could wave a magic wand, what single thing would you like to implement to help enhance maritime safety?

An integrated navigation system that would ensure there are no collisions or groundings. This would go a long way towards safety of life at sea and protection of the environment.



The Enterprise Bill - a positive move for the insured

By Matthew Wilmschurst, Associate at Holman Fenwick Willan LLP, United Kingdom,
www.hfw.com, IUMI Professional Partner

The Insurance Act 2015 (the "Act") received Royal Assent last year and has been praised by commentators as being a long awaited and much needed reform to insurance law.

However, the Act has been criticised by some as having missed an opportunity to reform parts of insurance law, in particular, the insured's rights to damages for late payment of claims. This was considered during the Law Commission's consultation, but was eventually dropped.

The concept of damages for late payment of claims has made a return in the Enterprise Bill (the "Bill"), which is intended to encourage the setting up and growth of small businesses.

The Bill provides for amendments to the Act which will make it an implied term of every contract of insurance that, if an insured makes a claim, the insurer must pay any sums due in respect of the claim within a reasonable time and that damages may be payable if there is a breach of this implied term.

Under the proposed amendments, the "reasonable time" will include a reasonable time to investigate and assess the claim. The Bill provides that what is a "reasonable time" will depend on the circumstances, and gives guidance by way of a non-exhaustive list of factors which may need to be taken into account including: (a) the type of insurance; (b) the size and complexity of the claim; (c) compliance with relevant statutory or relevant rules or guidance; and (d) factors outside the insurer's control.

The Bill also provides that the insured has one year from the date on which the insurer pays the final amount due under the contract of insurance to bring a claim against its insurer for damages for late payment.

If the Bill becomes law, then while the majority of claims are unlikely to be caught by the "reasonable time" provisions, insurers will nevertheless have to be particularly aware of their claims handling processes in the case of property claims where the asset is an income earning one. In future failure to pay promptly may result in an expensive claim for damages.



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Bulk carrier ventilation

By Captain Paul R. Walton, Director, London Offshore Consultants, Hong Kong, www.loc-group.com, IUMI Professional Partner

Moisture damage is a source of many cargo claims.

Claimants allege that it is brought about by the ship's failure to ventilate correctly, resulting condensation (known as 'sweat'). This sweat can seriously damage the quality of bulk cargoes like grain, seedcake and steel surfaces. Cargo sweat is condensation forming on the surface of a 'cold' cargo as warm, moist air enters the cargo hold. To avoid the possibility of cargo sweat, ventilators should be closed and no ventilation carried out. However, if the moisture content of the cargo is high, extraction of the moist air from within the cargo holds may be required.

Ship's sweat is the result of condensation forming on the ship's structure as the ship becomes colder moving from a hot to a cold climate. For ship sweat to occur, the dew point in the cargo hold must exceed the temperature of the ship's structure. To prevent this, cargo should be ventilated if the ship is moving from a warm to a cold climate.

The shipper's declaration should contain sufficient information about the cargo, particularly its moisture content (MC), transportable moisture limit (TML) and ventilation requirements, especially if the commodity is not normally carried or the areas of trade are uncommon.

Claims for moisture damage to cargo can only be defended if supported by properly maintained documentation. Records of hold temperatures, humidity and durations of ventilation are essential.

The dew point temperature of the cargo hold and outside air should be compared. If the outside dew point temperature is lower or equal to the cargo hold, then ventilation should be continued. Ventilation not only controls sweating, it can also control gases or odours emitted from cargo.

If there is a risk of seawater spray or rain entering the cargo holds, ventilation should be stopped and times noted until conditions change, allowing resumption of ventilation, even at night if required. If possible, there should be regular inspections of the cargo space for any signs of condensation and a complete record of cargo hold temperatures and ventilation should be kept.



People at IUMI Neil Roberts



What is your day job and what does it involve?

Marine and Aviation Manager at the LMA, which broadly means looking after the interests of marine insurers in London and ensuring the sector committees are on track.

What is your role at IUMI?

Secretary to the Ocean Hull Committee and member of the Political Forum and Secretaries group. Previously secretary to Loss Prevention for ten years.

Why did you want to get involved with IUMI?

In order to make a difference for underwriters.

What have you recently been involved with at IUMI?

Have written short reference papers on piracy and cat fines for the Political Forum and went to Brussels to argue (successfully) against insurers being given impractical liabilities in relation to green salvage.

What is your view on the current state of the marine insurance market?

Difficult. The traditional business model is being weakened by the seemingly relentless tide of capital seeking an opportunity in a finite market.

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

Testing holiday resorts for travel agencies.

What do you like doing when not working?

Listening to music, reading something historical, and enjoying a decent malt.

West Africa - the global rice trade and its challenges for marine cargo underwriters

By Caroline Paul, Manager Africa, DP SURVEY GROUP NV, Africa, www.dpsafrica.com, IUMI Professional Partner

The West African region depends on international imports for some 40% of its rice supply (approximately 5 million tons of rice, some 20% of the rice traded internationally is imported). Thailand, and increasingly, Vietnam, are the region's main rice suppliers. Rice accounts for a high proportion of the overall food intake of poor households. As such, a constant flow of rice is needed, which is shipped from Asia to West-Africa, where it will be discharged, stored and distributed in many different ports.

The main stakeholders are a number of big international trading houses, but marine insurance is also involved as often they face important claim issues related to transport and handling damages, as well as pilferage during discharge or during storage.

Although the situation varies considerably from port to port, the most common types of damages are:

- Wetting damage during sea transport,
- Bags found torn and/or leaking rice inside the holds,
- Torn bags due to rough handling by the stevedores,
- Overloaded discharge nets which bags can fall or burst open when lifted,
- Rough landing of nets onto trucks or loading platforms which will cause bags to burst open,
- Pilferage during discharge,
- Improper or too high stowage of bags inside the warehouse causing bags to fall and/or tear,
- Risk of misappropriation due to bad management in the warehouse.

In order to avoid or minimize these damages, the consignee's role is very important. In some ports however, the consignee completely relies on the stevedoring company to ensure a proper handling and storage of the cargo, but experience has taught us that it is vital the consignee is present or represented by his surveyor to ensure a good operation. Equally important is the role of the stevedoring company who, with a team of inspectors, has to ensure damage (torn bags) or pilferage is minimized as much as possible.

Besides the required cargo inspection and the supervision of the vessel's discharge operation, the cargo underwriter's surveyor will take the initiative to address any operational problem or deficiencies to the different stakeholders, and to ensure the cargo is discharged and stored in the best possible manner.

In this regard, and to ensure a good operation and damage control, we suggest the following:

- The receiver should place supervisors in each of the vessel's cargo holds and at the loading platform of the trucks, and if it is noted that certain individual workers are not doing a proper job, causing damage to the bags, then they should be removed from the vessel or terminal.
- A good business relationship between the receiver and the stevedoring company is vital, so the given cargo handling instructions and discharge procedures can be enforced.
- The stevedoring company must also have supervisors on board to check on the performance of the various labour teams.
- One of the most important recommendations is to have the port terminal secured in such a way that no unauthorized persons can board the vessel or gain access to the cargo while it is loaded onto trucks or stored in warehouses, this to avoid pilferage.
- Whenever possible, discharge operations should not be carried out at night. During the night the cargo is more vulnerable to theft as there is often less staff and supervisors present.
- Once the cargo has been discharged and stored inside warehouses, regular follow-up surveys and stock controls should be carried out.

Despite the fact that most of the time clear instructions are given to local stevedores on how such consignments of rice need to be discharged, handled and stored, we can only conclude that often these instructions are not entirely followed, and consequently a vigorous supervision is necessary in order to prevent damage occurring and to safeguard the interests of the cargo owners and underwriters.

For further information, please email Caroline Paul - Caroline.Paul@dpsurveys.com

DPS will open a new office in Dakar, Senegal, which will be operational as from 7 March 2016. Mrs Caroline Paul has 20 years of experience in handling insurance claims in the sub-Sahara region.



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Catalytic Fines and Engine Damage

By Neil Roberts, Manager, Marine and Aviation, Lloyd's Market Association (LMA), United Kingdom, and IUMI Ocean Hull Committee Secretary and Political Forum Liaison

Cat fines are small particles of metal that are deliberately introduced to 'crack' fuel to improve the efficiency of refining. Unless removed by purification, the cat fines become embedded in engine parts and cause serious and rapid engine damage which has led to a rise in claims from shipowners. IUMI recently published a position paper discussing this current issue, highlighting preventative measures to minimise risk.

It is believed the recent rise in claims was largely due to a lack of awareness or good practice by crews in fuel handling at the same time as global environmental legislation to reduce the levels of sulphur in bunkers made fuel changes more common. It had been thought that unless practices changed, it would be logical to expect increased instances of engine damage because of an increased use of more refined fuels. In fact, the trend has now turned encouragingly downward. This is due, in part, to the take up of Gas Oil as the preferred option for use in Emission Control Areas (ECAs) and possibly also as a result of increased awareness by owners. Consistently, 40% of hull claims are machinery damage and they make up 30% of claims costs. Progressive damage and foreign object damage have crept into marine cover as maintenance. There is a legal argument that such damage is avoidable and thus not a covered fortuity.

The current problem is due to a combination of factors. Ships' crew often have no idea about the purity of the fuel they use. A discrepancy exists between ISO standards (HFO with a cat fines content of up to 60ppm is compliant with the ISO 8217:2010 fuel standard) for cat fine content and the content recommended and anticipated by engine manufacturers in engine design. Effective filtration, purification and fuel management is required. Engines need fuel with a concentration of cat fines at no more than 15ppm, but fuel is produced and sold at 60ppm and more.

There is also an increasing requirement for ships to use low sulphur fuels, and as these require more refining the level of cat fines will increase. Low sulphur fuels are less lubricating and this, combined with the introduction of increased amounts of abrasive materials, causes damage. Damage can spread to auxiliary engines as well. Claims have been identified in the range of USD 300,000 to USD 1.5 million.

There are solutions and preventative measures that can be taken to assist in minimising the risk of problems. With the cooperation of legislative and technical bodies, ship owners, charterers and classification societies, the number of damage incidents can be reduced. Changes that would help reduce engine damage from cat fines include:

- Mandatory sampling and testing of fuel before use
- Improved fuel handling on board
- Improve the quality of bunkers
- Alteration of the ISO standard so as to lower the quantity of Cat Fines in fuel
- Charter/bunkering contracts should specify fuel less than 60ppm
- Regular cleaning of filters, frequent drainage of tanks
- Clean the settling and service tanks during dry dock
- Check filter centrifuge capacity on specifications for new ships

There are, however, some practical operational constraints with these recommendations. IUMI plans to keep the situation under review and liaise with interested parties. For now, IUMI proposes that the problem be in part addressed by JHC Guidance Notes (JH2013/006): Mitigation of Engine Damage due to Catalytic Fines, which were formulated by the Joint Hull Committee and are supported by IUMI.

Please visit the link below for IUMI's full position paper and the JHC Guidance Notes (JH2013/006): Mitigation of Engine Damage due to Catalytic Fines.

http://www.iumi.com/images/gillian/PoliticalForum/IUMI_Position_Paper_Catalytic_Fines_and_Engine_Damage_190216.pdf

IUMI 2016 Annual Conference – Save the Date

The much anticipated 2016 IUMI Annual Conference will take place 18 – 21 September in Genova this year. The conference will be in the Magazzini del Cotone building in the middle of the main port of Genova, renovated in 1992 by architect Renzo Piano from a warehouse into a location for conferences and all types of events. The common theme for the conference was announced following the IUMI Winter Meeting in London as: *"Effective Underwriting in a Changing Environment"*.



This year's theme reflects the constant changing environment in which insurers must operate in, and the need to continue high quality underwriting to tackle this challenge. The key challenges include the current market environment: our clients are facing an oversupply and overcapacity of ships coupled with low freight rates. On a macroeconomic level, now as before, we are witnessing a low and volatile oil price, low interest rates, uncertainties in the economic development and sanctions to comply with. In addition, we have seen a downturn in the developing growth rates in many regions and decreasing trade volumes. Imminent developments such as cyber threats and unmanned vessels need to be considered with regard to consequences for underwriting. What does the use of LPG and low sulphur fuels mean for insurers? Are car carriers and ferries safe enough in design and operation? Following the Tianjin disaster, the accumulation of risks in ports and cat modelling is a challenge. How is the industry going to tackle this?

IUMI President, Dieter Berg, and the Technical Committee Chairmen are looking forward to discussing these, and many more issues during their workshops at the conference. For further information, please visit – www.iumi2016.com. Registration will be open in early spring.



IUMI update on IMO meetings

By Nick Gooding FCII, IUMI Alternate Officer at IMO

Since the last edition of IUMI EYE there have been meetings of the Council, the Assembly, the Ship Design and Construction Sub-Committee and the Human Element, Training and Watchkeeping Sub-Committee. The Council is, in effect, the working executive of the IMO, and receives and approves the reports of the main committees that have met since its last meeting, and deals with the future administration and planning for the organisation.

The Assembly met in December for its 29th session. Member states were called upon to accept the 2012 Cape Town Agreement, which is an International Fishing Vessel Safety Agreement to address the heavy casualty rate in the sector. Ratification requires 22 states to agree, but to date agreement has only been accepted by five countries. Other matters addressed included a resolution commending the role of merchant shipping in rescuing mixed migrants at sea. It also adopted the budget and strategic plan for 2016, and endorsed the appointment of Mr Ki-tack Lim as Secretary-General from the 1 January 2016.

The Sub-Committee on Ship Design and Construction met in London from the 18 to 22 January. Among the topics debated was the definition of "industrial personnel", such as workers transported on offshore service vessels. Such workers are recognised as being different from ordinary passengers and need clearly defined training and safety standards for carriage on board vessels. Other matters debated were the revision of subdivision and damage stability regulations in SOLAS chapter 11-1. Passenger ship matters included making an evacuation analysis mandatory for new passenger ships and reviewing the recommendation on evacuation analysis for existing passenger ships. There was discussion on revising and updating the guidance on wing-in-ground craft, and the review of the guidelines for use of fibre reinforced plastic within ship-structures, with particular focus to fire safety issues.

The Sub-Committee on Human Element, Training and Watchkeeping (HTW) met from the 1 to 5 February. Among the issues discussed was the draft revision and updating of the existing Guidelines on Fatigue, to promote improved understanding of fatigue and fatigue risk management. Following on from this debate, it was agreed to establish a correspondence group to consider amendments to MSC Circular 1014 (dated June 2001), entitled Guidelines on Fatigue. On a related topic was a discussion on the Guideline for Port State Control Officers on Certification of Seafarer's rest hours. A working group, set up during the session, was unable to complete the task of amending the draft guidelines for Port State Control on the certification of seafarers' hours of rest and manning. However, it agreed that the main body of the revised guidelines would be submitted to the Implementation of IMO Instruments Sub-Committee with annexes being left to be finalised at HTW 4. The Sub-Committee was informed by the Secretariat of the large number of fraudulent Certificates of Competency found during inspections through 2014 and 2015. Member States were invited to submit proposals on a strategy to address the issue at the next session. The Sub-Committee also validated three model training courses which were:

- 1) Advanced Training for Chemical Tanker Operations.
- 2) Radio Navigation at Operational Level
- 3) Personal Safety and Responsibility

The Sub-Committee also agreed to draft amendments to the STCW (Standards of Training Certification and Watchkeeping) Convention and Code regarding passenger ship training, which are to be submitted to MSC 96 for approval. Considerations included emergency familiarisation, effective communication with passengers, crowd management training, crisis management training and human behaviour training.

Increase in tug boat losses off west coast of Canada

By Mariella Dauphinee, Marine Claims Manager, Western Division, Intact Insurance Company, Canada and IUMI Loss Prevention Committee Member

The Canadian west coast is very dependent on tug and barge transportation, but it has witnessed a significant increase in tug boat losses in 2015. Proportionately, year on year, this year is remarkably high as six tugs have sunk, in nine incidents involving the vessels; in 2014, only two tugs sank out of 11 incidents; in 2013, only two out of 15 incidents; and finally in 2012, only one out of 12. This is very surprising as, to quote Capt. Phillip Nelson, President of the Council of Marine Mariners, "these boats, they just don't sink, they shouldn't sink".

The tug boat marine incidents reported in 2015 include: the sinking of the *Syringa* near Halfmoon Bay; a fire on the tug *Westview Chinook* in Sechart. The *Renegade* which struck a rock, there was also the sinking of the tug *Log Baron* while towing a barge near Cape Caution, as well as the *Hodder Ranger* which sank during towing operations in Port Mellon, and the sinking of the *Harken 10* near Porlier Pass. Other recorded tug incidents involved the *Ocean Gordon* and the *Sea Imp X*.

So the question is why are they sinking? The scenario is all too common, a very rapid and unusual ingress of water; but thankfully the crew are usually fortunate enough to escape with their lives.

Are we dealing with an aging fleet, improper repairs, condition surveys that fail to reveal deficiencies or pre-existing damage? A recent study by the Swedish Club Academy dealing with navigational claims found that the main causes of claims are primarily related to "Human Factors", such as procedures being ignored, a lack of communication, poor situational awareness and complacency. Could this be applied to the recent tug losses?

At this stage we don't know why the number of losses has increased and in most cases, the cause remains unknown. In many cases these vessels are sinking in deep water, leading to suspected extensive damage. Recovery is both expensive and in many cases risky, as disturbing the vessel can result in oil emanating from the hull. ROV search and video inspection is not only costly but difficult to arrange due to depth restrictions and narrow weather windows. In most cases the ROV video does not reveal a definite cause of the sinking and time and time again underwriters take the decision to leave the wreck where she is. What is certain however is that good maintenance plays a role. There needs to be effective safety management in order to identify and manage risks associated with a tug's operation.

IACS Council Establishes Cyber Panel

By Lars Lange, IUMI Secretary General

In December 2015, IUMI President Dieter Berg, IUMI Political Forum Chairperson Helle Hammer, and IUMI Secretary General Lars Lange, met with International Association of Classification Societies (IACS) Chairman Chris Wiernicki (ABS) and IACS Secretary General Robert Ashcroft. During the meeting, IACS and IUMI agreed to continue to develop their close cooperation on issues of common interest. The next day Dieter Berg and Lars Lange attended, with other industry representatives of the IACS Council members, a joint session of the IACS Council. The IACS Council agreed the following items of interest to IUMI's members, during their 72nd meeting:

- IACS Council agreed to create a Cyber Panel, in support of IMO and the industry, on technical issues. IACS panels represent the top-tier of the Association's issue-specific bodies, therefore establishing a Cyber Safety panel raises the significance of this issue to IACS' traditional focus areas of Safety, Environment, Hull, Machinery and Survey. An additional Joint Working Group (JWGs) on Cyber Systems was established and will collaborate with industry stakeholders.
- Another new JWG, undertaken by the Environmental Panel, will address methods for compliance with the European Union's Monitoring, Reporting and Verification programme for carbon emissions in EU waters.
- The IACS Council agreed to develop a recommendation on Rapid Technical Assistance in order for Governments to have a clear baseline as to the level of service IACS members are offering to ships in need of a place of refuge.
- The IACS JWG on the Energy Efficiency Design Index (EEDI) was successfully concluded at the Council Meeting. New mandatory Guidelines cover application of EEDI to LNG tankers, nonconventional propulsion cruise ships, ro-ro vehicle carriers and ro-ro cargo and passenger ships, as well as vessels fitted with innovative energy efficient technologies. The Guidelines also cover calculation and verification of EEDI in case of a major conversion, and how to determine minimum propulsion power for maneuvering in adverse conditions.
- Another major initiative was a commitment to further strengthen IACS' quality management system under the IACS Quality System Certification Scheme (QSCS). This quality system will celebrate 25 years in operation this year. IACS continues to improve the Scheme through evaluation of key performance indicators, further development of risk management techniques and recognition of the latest industry standards. IUMI is member of the IACS Advisory Committee to the IACS Quality Committee.

IUMI enhances its engagement in Asia

By Lars Lange, IUMI Secretary General

Following IUMI's Hong Kong conference in 2014, the Executive Committee reiterated the importance of the Asian market for the future of marine insurance and also for IUMI. Accordingly, IUMI has made efforts to further strengthen the close cooperation with the Asian membership and to put Asian member's interests high on IUMI's agenda.

For this purpose, IUMI Executive Committee member, Shinji Urano, and IUMI Secretary General, Lars Lange, visited the Thai Insurance Association (TGAI) in October 2015 for bilateral discussions. This was followed by a market conference in Kuala Lumpur, Malaysia, organized by the Malaysian Insurance Association (PIAM) on 2 November 2015, enabling IUMI President, Dieter Berg, IUMI Special Envoi for Asia, Mike Davies, and Lars Lange to deliver presentations on IUMI's current projects to local market representatives and in return to learn more about local market developments. Finally, Dieter Berg, Mike Davies and Lars Lange discussed with the General Insurance Association of Singapore (GIA) the future close cooperation between the two associations.

In January 2016, Dieter Berg, Shinji Urano, IUMI Executive Committee member Agnes Choi and Lars Lange contributed to a local marine insurance market conference in Shanghai, organized by new IUMI member the Shanghai Institute of Marine Insurance (SIMI), with more than 200 participants, and chaired by Mr. Jiang Caishi, President of Shanghai Institute of Marine Insurance (SIMI). Also in attendance was Mr. Tu Guangshao, Deputy Mayor of Shanghai, who delivered a welcome and keynote address, and Mr. Zhou Yanli, Vice Chairman of China Insurance Regulatory Commission CIRC, who presented on the successful development of the Chinese marine insurance market.

Another local marine insurance market conference in Jakarta, Indonesia followed and offered Dieter Berg, Shinji Urano and Lars Lange interesting insights in the development and importance of this emerging market.

IUMI will continue its close cooperation with IUMI's Asian members to ensure that the issues relevant for their markets are mirrored in IUMI's political and working agenda. The forthcoming IUMI education programme will also support this purpose.



Piracy and its suppression

By Neil Roberts, Manager, Marine and Aviation, Lloyd's Market Association (LMA), United Kingdom, and IUMI Ocean Hull Committee Secretary and Political Forum Liaison

IUMI recently published a position paper which looks at one of the world's oldest and most resilient activities - piracy. History has shown that suppression of piracy is the most that can be expected, so the realistic course of action is to ensure that piracy is kept under pressure and remains manageable.

For insurers, piracy is a peril expected to be covered. In Somalia, matters were complicated by the ransom aspect and the US Executive Order which meant that insurers had in most cases to notify OFAC, as well as performing appropriate due diligence to ensure that none of the monies paid went inadvertently to terrorists. In response to the escalating situation, insurers quickly developed a specific crew kidnap product which was designed to respond first and provided owners with another protection option.

For owners, there are problems in maintaining crew safety and morale, increased costs from security mitigation and the possibility of operational paralysis if a vessel is seized. Once turned to by owners, the private maritime security industry expanded enormously but is now seeing a natural contraction as the Indian Ocean activity recedes.

One of the main areas where piracy is continuing is off Nigeria and in the Gulf of Guinea, where attacks are often violent. In Asia, cargo underwriters are acutely aware of escalating criminality in the South China Sea, off the Malay Peninsula. The majority of this activity is taking place outside the Straits of Malacca, the pirates' traditional hunting ground. Piracy off Somalia is in something of a lull, but all the conditions necessary for its re-emergence remain in place despite international efforts on land.

The controls adopted for piracy are naval support, raised awareness and armed guards. These actions have, broadly speaking, reduced activity, however the piracy hot spots are still considered high risk. Insurers would agree with the shipping industry associations that shipping companies should continue to use the guidance contained in BMP4, and be diligent in their voluntary reporting of piracy incidents, sighting of potential pirates, and any suspicious activity, as this provides crucial intelligence on risk levels in the area.

Mitigation can include careful route planning, reporting to authorities, high speed, raised awareness and the use of razor wire, fire hoses and on-board security teams. The relative efficiency of each measure is still generally unknown outside of those directly involved despite attempts to encourage reporting of effectiveness. For most ships, a mature approach to security, including enhanced watch-keeping facilitated by increased crew numbers, would be 90% of the answer. However, even with these options, the best defence remains staying out of the pirates' reach. What lies ahead is not easily predicted but there is no doubt that owners and insurers must remain vigilant. Please click the link below for IUMI's full position paper.

http://www.iumi.com/images/gillian/PoliticalForum/IUMI_Position_Paper_Piracy_and_its_suppression_29_01_2016.pdf

Address by the Secretary General

By Lars Lange, IUMI Secretary General

We are pleased to welcome French Surveying company CL SURVEYS this year as a new IUMI Professional Partner. CL Surveys was established in 1990 as CABINET LEVESQUE, and since then their activities have been subject to continuous growth. Since the establishment of the company, CL Surveys has been involved in over 40,000 surveys, and acquired extensive experience in insurance activities. The company operates in France and Europe, including Russia, through its own agencies, but also in collaboration with various partners. Historically, CL Surveys specialized in surveys, audits and quality controls in the food sector, however, over the past few years the company has extended their field of activities by recruiting engineers with professional expertise in other areas including industrial risks, commodities, industrial and final consumers' goods/equipment, and nautical issues. CL Survey is involved in transport and trading issues, and has extended its activities to the areas of liability, cargo damages, trading losses and legal protection, particularly specializing in fields such as perishable cargoes, industrial matters, agricultural concerns and environmental issues.

In March 2016, IUMI's traditional Spring Meeting will take place in Hamburg, Germany, for the first time. The spring meeting brings together IUMI's Technical Committee members, as well as the IUMI Executive Committee, Nominating Committee, Political Forum and IUMI Association Secretaries. It was decided by the Executive Committee during the Spring Meeting in Amsterdam in 2013, to centralize this meeting to the location of IUMI's headquarters. The IUMI Secretariat, organizing this meeting for the first time, is looking forward to welcoming the committee members to Hamburg. For further information please visit www.iumi-events.com.

IUMI's forthcoming education programme, as well as a number of other special projects, are developing and keeping the Secretariat busy. The IUMI Executive Committee have agreed to further strengthen the IUMI office by engaging a new employee for the IUMI Hamburg office in order to work on IUMI initiatives such as the education programme. This development starts on a sound financial basis and will enable the IUMI Secretariat to deliver enhanced and more rapid services in the future. The new employee, expected to start in May 2016, will be introduced to the membership in due course.

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