

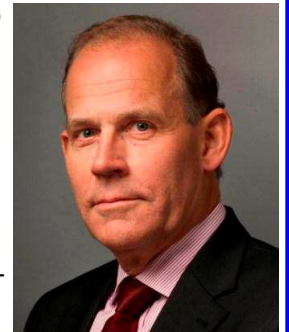


IUMI  
International Union of  
Marine Insurance



## Message from the President

When the IUMI membership meet in Hong Kong this month for the annual IUMI conference, it is almost to the date 6 years since the collapse of the US investment bank Lehman Brothers. The collapse caused an abrupt end to unison global growth and resulted in the failure of many financial institutions. Along with its peers in the banking and investment industries, the insurance industry was also severely hit, some were more exposed than others, but the insurance industry did weather the challenges much better than most other financial service providers. Regardless of its ability to stand by the promises to its clients and customers, the financial services industry has since been subject to many new control regimes and regulations that may seem unfair to insurance providers. A tangible outcome of more local and regional regulation is the near insurmountable task to establish new business enterprises within the insurance industry and the stumbling blocks that are established for cross boarder business activities. Representing the global community of marine property insurers, IUMI welcomes and supports innovation and industry renewal as well as boarder-less trade of financial services, particularly in view of the marine insurers' servicing a truly international market. Regretfully, the political agenda in many countries and geographical regions, post Lehman, often seem to be counter-productive in this respect.



The last decennium's global economic development has moved the growth areas to different parts of the world. A crucial question is if capabilities and competence have followed. The IUMI conferences aim at providing high-level educational value and discussion forums to keep its membership abreast of developments that affects the marine insurance industry and the daily work of each individual marine insurance professional. This year's conference, maybe more than conferences in the past, will focus on "Building Expertise for a Changing World". The conference program looks very promising, and I am convinced that there will be considerable take-home value to be gained for all participants. What is very clear, is that the organizers of the Hong Kong 2014 conference have worked diligently and hard to ensure that the practical arrangements are in place and that the stay in Hong Kong will prove to be enjoyable and memorable.

At the Hong Kong conference I will end my tenure as IUMI President. It has been an honour to fill the post and to serve the global marine insurance industry. I am pleased to note the improved presence and visibility of IUMI and am confident that the good work will continue under the new leadership.

*Ole Wikborg, President, IUMI*

## Welcome to Hong Kong!

*By Agnes Choi, Chairman, Organising Committee, IUMI 2014 Hong Kong Conference*

On behalf of the Organising Committee, I would like to extend our warmest welcome to you for joining the IUMI2014.

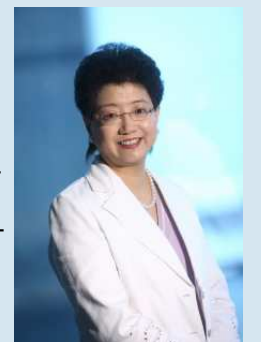
The Hong Kong Federation of Insurers is deeply honored to be hosting the IUMI conference for the very first time in Hong Kong. With several years' of meticulous planning and dedicated preparatory work, we hope to make your stay in Hong Kong a memorable and fruitful one.

Marine insurance has a deep rooted history in Hong Kong since 1841. Today, we have one of the world's busiest container ports, Kwai Chung Container Terminal, and a newly opened state of the art Cruise Terminal in Kai Tak. We foresee increasing demand for maritime and cargo insurance, not in the city alone, but also the Asia Pacific region as a whole.

As such, the hallmark event this year comes at the most opportune time. It attracts some 500 marine insurance leasers from around the globe. Through the many discussions and presentations around the theme "Building Expertise for a Changing World", we will come up with innovative ideas to address the many challenges in this fast changing market.

In between the busy schedule, I would like to invite you to spend some time and wander around this wonderful city of ours. Hong Kong is renowned as the Pearl of the Orient where you will find a fine blend of Western and Chinese culture in terms of food, arts, history, entertainment, nightlife and festivals. The city is full of contrasts, surprises and diversity, which you will certainly find fascinating and enchanting!

Once again, we sincerely welcome you all to the conference and wish you a enjoyable time!



# Q&A with Richard Gluck

## International Federation of Freight Forwarders Associations

### 'Innovation will meet the salvage challenges of tomorrow'

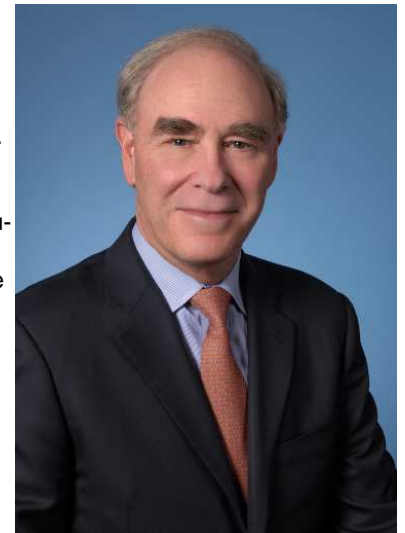
*In the latest of our regular profile articles IUMI Eye puts the questions to Richard Gluck, Chairman of the Advisory Body on Legal Matters at FIATA, the International Federation of Freight Forwarders Associations. FIATA was founded in Vienna on 31 May 1926 and is a non-governmental organisation, representing an industry covering approximately 40,000 forwarding and logistics firms, also known as the "Architects of Transport", employing around 8 - 10 million people in 150 countries. It became an IUMI Affiliate in Spring 2014.*

Mr Gluck is an attorney with the Washington, DC office of Garvey Schubert Barer. He has thirty-five years of experience in Washington practicing transportation law, and appears regularly before Federal government departments and agencies such as the Federal Maritime Commission, the Departments of Transportation, Defense, State and Homeland Security. He represents third party logistics companies, freight brokers, domestic and international shipping lines, non-vessel-operating common carriers, freight forwarders, shippers, shippers' associations, port authorities, terminal operators, insurance companies and trade associations. Mr. Gluck is outside general counsel to the Transportation Intermediaries Association (TIA), the largest trade association for third party logistics companies in the United States. TIA is the U.S. member of FIATA, the International Federation of Freight Forwarders Associations. Mr. Gluck serves as the chairman of FIATA's Advisory Body on Legal Matters, as the U.S. delegate to its Working Group on Sea Transport and as a member of the "international leadership group" of its board of directors. He was the representative of FIATA and TIA to the United Nations Conference on International Trade Law (UNCITRAL) in its deliberations on the proposed ocean cargo liability convention known as the "Rotterdam Rules."

#### **How do you view the marine insurance market?**

I am less a market maker than an observer of the general market conditions. In my view, the ever-evolving risks to be covered are going to challenge underwriters to apply their risk assessment expertise to entirely new fields, and to some old ones that have been resurrected. Just imagine that the issue of piracy was next to forgotten in the recesses of history (in the U.S. we have the stories of the Barbary Pirates from the 18th century) until we discovered it was alive and knocking on the door. And coverage for war risk and terrorism must be re-evaluated day to day based on world events. FIATA receives repeated inquiries about sanctions compliance as well, and we depend upon our insurance industry members for guidance on the intricacies of the UN, US and EC regimes for our members.

However the biggest changes in my view are yet to come, stemming from environmental concerns and innovations in information technology. The shift to natural gas as a fuel and as a commodity in liquid form, and the related construction (or conversion) of vessels, with the building of attendant shore side port, storage and transmission facilities, will pose a big challenge for insurers. Given the emissions requirements imposed by national and international law, the maritime industry will have no choice but to adapt, and underwriters will have to come up with cost-effective ways of covering the new sorts of risks that will undoubtedly ensue.



As to information technology, my experience as FIATA's delegate to the ongoing UNCITRAL working group on electronic transferable documents has convinced me that the maritime industry in many parts of the world is lagging far behind other sectors in the use of electronic records in lieu of paper documents, which can be easily counterfeited or lost. FIATA has underway a pilot program for the conversion of its Forwarders Bill of Lading to electronic form for financing transactions, and there are other initiatives being considered in this area. (We will have a panel on this subject at the upcoming FIATA Congress in Istanbul on October 16th). Insurance must be incorporated into the electronic transaction model as well. First movers on this will have a competitive edge, because they will be able to test and refine their product offerings as the market evolves to meet the needs of the industry. Other uses of electronic records, incorporating them into mobile technology, are emerging and will likely come into common use in the near future.

One additional element that may alter the landscape is the possible ratification of the Rotterdam Rules. As US delegate I am in favor, but I must also accept that there are different views and FIATA abstained from taking a position for this reason. The rest of the world is waiting for the US to act, and we expect the US eventually to ratify the convention. Assuming nineteen other countries also ratify, once the convention comes into force the insurance market will have to adjust accordingly. The Rotterdam Rules contain many provisions facilitating the use of electronic documentation, and I believe its ratification will speed the adoption of such technology world wide.

#### **Is there anything you would like to see marine underwriters do differently or better?**

As chair of FIATA's Advisory Body Legal Matters I see many day-to-day business risk management issues that would benefit from greater involvement by the insurance industry to assist our members in adopting best practices to avoid losses.

#### **What is the biggest issue currently for your organisation?**

Probably the biggest issue in FIATA at this point in time is the negotiation of a new framework agreement to facilitate the work of airlines and forwarders.

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## Q and A with Richard Gluck (continued)

This is a negotiation involving a delegation from FIATA representing forwarders and IATA representing airlines. The existing standard form of agency agreement, dating back many years, is no longer current in view of the big changes we have seen in the market: forwarders are no longer commissioned sales agents for the air carriers, but instead now act as shippers or customers of the airlines, and as non-asset based carriers in their own right. While not directly involved in the negotiations, our FIATA Advisory Body Legal Matters has been consulted from time to time for legal advice, so we have been following progress closely. I wish my colleagues who are working on this success, as it is a crucial agreement that will enable both parties to adjust and prosper in the new marketplace for air cargo services that has emerged in recent years. Of course, we are also being careful to make sure that any actions taken are in compliance with the competition laws of every region affected--a challenging exercise in its own right. On another front, we have formed a new internal working group that is forging closer relationships with the international financial institutions such as the World Bank, and with the UN, to advise on the logistics infrastructure needs of developing regions of the world where we have many national associations requiring assistance.

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

I would be a book publisher and editor. It would be great fun to meet the creative minds at work in so many different fields of fiction and nonfiction alike. I am also fascinated by the disruptive effects that e-books are having on the industry.

### **What is the most important thing on your desk?**

My glass paperweight with drawings of three monkeys inside reminding me: "see no evil, hear no evil, and speak no evil."

# IMO Maritime Safety Committee 93rd session May 2014

*By Nick Gooding, FC 11, IUMI Alternate Officer at IMO*

IUMI were represented by General Secretary Lars Lange and Nick Gooding during the, eight day, meeting of the IMO MSC held in London in May.

The main matters of interest for IUMI members were:

#### 1) THE POLAR CODE

The Committee considered the report of the Polar Code Working Group in Plenary session and approved it general and agreed the draft of a new SOLAS chapter X1V with a view to adoption at MSC 94 in November 2014.

As the Code will only apply to ships engaged in international voyages it means it will only be applicable to a very small percentage of the world fleet.

#### 2) COSTA CONCORDIA

The Committee considered a paper from Italy which provided an update on the investigation into the Costa Concordia casualty. The paper was referred to a working group for detailed consideration.

#### 3) PIRACY AND ARMED ROBBERY AGAINST SHIPS

A discussion was held on an ISO Publicly Available Specification (PAS 28007) for private armed security firms. It was agreed that the standard should be included in the IMO's guidance on the use of these firms following further consideration at the next session. The Committee encouraged member states to bring ISO PAS 28007 to the attention of their national standards' bodies and other stakeholders.

#### 4) VERIFICATION OF THE GROSS MASS OF A CONTAINER

After discussion the Committee felt it necessary that the requirements for verification of the gross mass of containers be implemented globally at the earliest opportunity for the enhancement of the safety of large containerhips. The Committee approved draft amendments to SOLAS with a view to adoption at MSC 94.

#### 5) IMPLEMENTATION OF THE IMSBC CODE

A paper was submitted by INTERCARGO and IACS drawing attention to the importance of compliance with IMSBC Code to enhance maritime safety. The Committee invited delegations to consider what further action they can take to promote global implementation of the Code.

#### 6) OUT OF SPECIFICATION MARINE FUELS

A paper submitted by ... drew attention to the potential safety implications arising from the supply of "Out of Specification" marine fuels. The paper suggested that consideration to the development of:

- a) Unified IMO guidance on sampling, verification and documentation of fuel supplied on board to cover both SOLAS and MARPOL aspects
- b) Requirements for random inspection and sampling prior to loading on board.

Member States and International Organizations were asked to submit proposals with a view to developing a specific way forward.

A number of matters were forwarded for consideration at the next meeting of the Committee to be held in November 2014. We shall be in attendance to report on the outcomes.

## Sanctions: ensuring compliance

By Daniel Martin, Holman Fenwick Willan LLP, IUMI Professional Partner, [www.hfw.com](http://www.hfw.com)

The ongoing crisis in Ukraine, and escalating sanctions imposed by the EU, US and other national governments mean that sanctions are now front page news. Huge penalties imposed on banks mean that sanctions are on the business pages as well. But away from the headlines, what should marine insurers actually be doing, in order to ensure compliance?



Stage 1 is to understand the risk. As ever, this comes down to understanding who you are insuring, for what risks and where in the world. Insurers need to educate the brokers, local agents and anyone else who brings business through the door, so that they can ask the right questions and not expose insurers. Once you have carried out your due diligence, you need to make sure that you keep a paper trail to show the checks you carried out and why you decided it was safe to proceed.



Stage 2 is to write the policy on the correct terms. This will include warranties from the assured, as well as a robust sanctions exclusion clause. The market sanctions clause is a useful starting point, but you should also consider specifically excluding any particular risks which you know cannot be written without violating the sanctions (and ensure that no premium is collected in respect of these risks).

Stage 3 is to deal with claims. You need to find out as much information as you can before you provide security or pay any claims. Again this boils down to the who, what, where and when of the claim. The beneficiary may be a third party you were not previously aware of, or a subrogated insurer, and they need to be checked. You also need to work closely with your bank to check that you can make the necessary payments.

Given all of the focus on them, sanctions are clearly here to stay, at least for the short term, and insurers need to ensure that they have in place a process to ensure compliance. Otherwise, when regulators turn their attention away from the banks, insurers may find themselves in the firing line.

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## Workshop on the mutual recognition of EU certificates

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

Will an EU Regulation requiring Mutual Recognition (MR) of class certificates for materials, components and equipment compromise safety and the role of class as a key component of today's safety regime at sea? This question has been raised by IUMI, and was set at rest by Christine Berg, Head of Unit, Maritime Safety at the European Commission during a workshop in London 28 May. According to Ms. Berg, Article 10.1. of EU Regulation (EC) 391/2009 is focused on MR of materials, equipment and components that contain low safety critical aspects, and is not intended to go beyond that.

The workshop was organized by the EU Recognized Organisations (ROs) and SEA Europe - the European Ships and Maritime Equipment Association - in order to discuss the current status of the implementation and seek views on the long term vision of MR. The EU ROs have identified appropriate cases for MR through an agreed set of procedures and technical requirements.

The approach is based on a safety hierarchy of six levels, and contains an explanation for where MR can be applied without compromising safety. Levels one and two include products with no or very low impact on safety. Level three products are currently under consideration. As per end May the first four certificates had been issued.

IUMI, represented in the workshop by Lars Lange and Helle Hammer, argued that the scope of the MR should be limited to materials, equipment and components of proven low safety criticality as identified in level three. IUMI recommends that for more safety critical materials, equipment and components, the certification and approval should be carried out by the society responsible for classing the vessel.



The workshop concluded with a general consensus in favour of consolidating work on implementation at safety hierarchy level three. However, based on some differing views on how far the MR should be expanded, discussions are likely to continue on where to draw the final line.

Global acceptability was also addressed during the workshop, as well as the need to continue a close cooperation with industry associations. The IUMI Political Forum will give priority to this cooperation, including participation in a study commissioned by the European Council regarding the implementation of MR that is to be completed by the end of 2014.

# Ocean transport of dangerous goods containers

By Nico Nöldner, Graduate Engineer, Operations Manager, Battermann & Tillery, IUMI Professional Partner, Germany

[www.ba-ty.com](http://www.ba-ty.com)

Transport of dangerous goods in containers on ocean vessels constitutes a challenge for all parties involved concerning compliance with pertinent regulations. For international maritime shipping, these regulations are subsumed i. a. in the IMDG Code (International Maritime Dangerous Goods Code).

Recurring incidents underline the importance of complying with all regulations, throughout the entire transport chain. In this respect, particular attention is to be paid to incidents which are attributable to avoidable mistakes concerning packaging, stowage and securing.

The general public was alerted to these risks by the accidents involving the ocean vessels "HANJIN PENNSYLVANIA" in 2003 or "MSC FLAMINIA" in 2012.

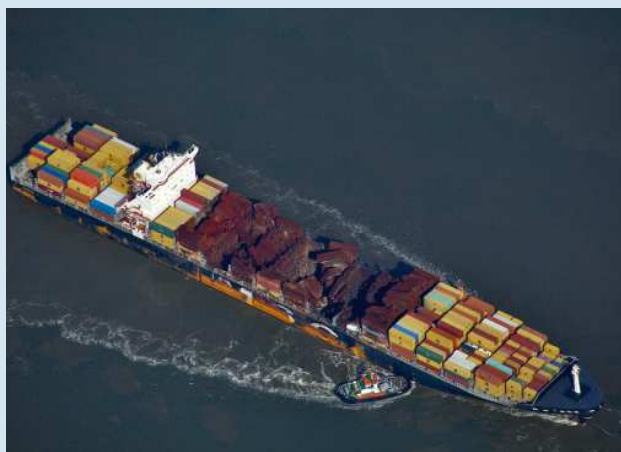
Minimising the risks during transport of dangerous goods starts with the shipper, who has to ensure that the goods are classified pursuant to pertinent regulations. The shipper is responsible for choosing suitable packaging and marking of the cargo. Furthermore, the shipper is to disclose any possible risks to the freight forwarder and other parties involved in transport.

It is essential that the packaging is suitable, sound and properly protects the goods. Damaged packaging has to be replaced prior to shipping as it may not withstand normal strains of transport. Leakage and changes in temperature, humidity, and pressure must be avoided.

The cargo securing measures for dangerous goods inside containers do not differ significantly from those for other cargo. Shifting, tilting or dropping of the cargo has to be avoided. Apart from a tight and form-fitting stowage, cargo securing equipment such as anti-slip mats, lashing belts/straps, dunnage and special airbags are suitable means in this respect.

Furthermore, stowage regulations apply to the transport of dangerous goods containers on ocean vessels. For instance, on deck or below deck stowage may be required; certain dangerous goods may be stowed only in specially secured areas. In some cases, dangerous goods have to be monitored throughout the entire ocean passage, for instance with regard to temperature. Dangerous goods that could cause dangerous chemical reactions when they mix are to be separated. Stowage in the vicinity of feed and foodstuffs may have to be avoided to prevent contamination. It can thus pose an enormous risk if the pertinent regulations concerning co-loading, separation of certain dangerous goods, loading of damaged packing units, unsuitable stowage and securing, and classification of dangerous goods are ignored.

**BATTERMANN & TILLERY**



## Sailors' Society thanks IUMI for charitable donation

Once again the IUMI Annual Conference will have a charitable element this year with the Sailors' Society the beneficiary. A cheque will be presented to the society on the Monday of the conference. In light of the donation the charity has sent a special message to IUMI and its membership. The Sailors' Society would like to thank the IUMI members for their generosity in donating US\$10,000 towards our life-changing work with seafarers and their families. Your generosity will enable us to continue transforming the lives of the world's 1.5 million seafarers, through chaplaincy, education and the relief of poverty and distress. Sailors' Society pairs multid denominational ministry with outreach work in seafaring communities and targeted support to seafarers' families, so that we can meet their needs in port, at home and at sea. With 168 active ship visitors in 47 global ports, including Surabaya, Jakarta, Belawan, Manila, Subic Bay, Visakhapatnam, Gangavaram and Kakinada, we can respond quickly and effectively to seafarers' needs. Our wider reach spans 22 countries, where we provide services from feeding programmes, to welfare support, to community rebuilding.

One such project is rebuilding communities devastated by Typhoon Haiyan. After an incredible response by the shipping industry to our Emergency Appeal, Sailors' Society partnered with the Homer Foundation to provide fishing boats for struggling seafarers' families, helping these communities to once again become strong and self-sustaining. In its early stages, 10 families have already benefited from the project. Our Subic Bay chaplain, Jasper del Rosario, who assisted families in the immediate aftermath of the tragedy, returned to Panay and Roxas City to witness the launch of these boats. He reported his joy at seeing a practical resolution to their troubles, having provided pastoral support on his previous visit. "The launch project is a great success – I spent time with the family of one seafarer who is currently away at sea. His father is ill and cannot work, so the fishing boat Sailors' Society has provided, means his wife and extended family are able to fill the income gap."

To learn more about our work transforming seafarers' lives, visit [www.sailors-society.org](http://www.sailors-society.org) or call +44 (0)2380 515 950.



## Consultancy and surveys concerning extra heavy cargo transportation and towing

By Takeshi Saito, Marine Surveyor/General Manager, 1st Survey Service Center, Nippon Kaiji Kentei Kyokai (NKKK), IUMI Professional Partner. [www.nkkk.or.jp](http://www.nkkk.or.jp)

Since our foundation in 1913, our Association has been carrying out work that is useful to the business world by providing surveys, analyses and other types of service for marine affairs and the international cargo trade as an international comprehensive survey and consultancy organization.

NKKK offers appropriate methods of resolving all kinds of issues incident to carriage of various cargoes, including various modes of transportation and international intermodal transport.

For a big project, a transportation plan for large machinery is normally subject to the consent of its owner. In such a case, NKKK evaluates the feasibility and suitability of plans made by a contractor and/or vendor, and finally issues a survey report.

NKKK has received special acclaim from foreign applicants for such survey reports, and also received survey requests from major domestic makers, engineering companies, etc.

For such purposes, NKKK supports your planning in the following ways:

- 1) Determining suitable environmental conditions, including wave height, period, wind speed, etc,
- 2) Determining expected and/or maximum accelerations using computerized analysis or other proper method.
- 3) Review and/or design of stowage and sea-fastening
- 4) Examination of vessel's strength
- 5) Reviewing plans of voyage and/or towage

NKKK consulting services regarding intermodal transport receive special trust and acclaim from various major insurers, as contributing to improvement of logistical quality and reliability.

Besides, NKKK offers various other supervisory services, including route survey, assessment of transportation environment, etc.

For more information, we kindly invite you to visit our website at [www.nkkk.or.jp](http://www.nkkk.or.jp)



## Managing the risk of extraordinary corrosion

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

Under the Norwegian Marine Insurance Plan 2013 (NMIP) corrosion is excluded from cover, but the exclusion is rather limited. In most cases of unusual and extraordinary corrosion insurance cover will still be provided by the NMIP.

The starting point according to NMIP is an insurance cover against "all perils". But even if the NMIP provides for a wide protection of the insured against all perils that may strike the insured objects, it is still the case that any marine insurance will be concerned only with risks, and not with certainties. This implies that foreseeable losses that occur over time will have to be the sole responsibility and risk of the assured. Normal corrosion is among such "ordinary risks", and this is something the assured must take into account in his operational and maintenance planning.



Although the exclusion for corrosion in NMIP clause 12-3 simply refers to "corrosion" along with wear and tear, inadequate maintenance etc, it is made clear in the Commentaries to the provision that it does not exclude all kinds of corrosion. Some rapid forms of corrosion, e.g. caused chemically by acids or biologically by SRB, will typically be a form of unusual or irregular corrosion that incur rapidly, and thus makes quite another impact than the usual ordinary corrosion that is envisaged by the exclusion. But there are other possible provisions of the NMIP that may exclude losses caused by corrosion damage.

One aspect concerns the relationship with the exclusion for error in design.. It could be the situation that an error in design has caused the environment extraordinary corrosion. However, the exclusion for error in design in clause 12-4 only applies to the particular part in question, and not to the consequential damages. Furthermore, the exclusion for error in design does not apply if the particular design was approved by the classification society. Thus, this exclusion is quite limited, and will probably not very often lead to losses caused by corrosion being excluded.

Another aspect is the possibilities that underwriters have to limit or exclude the insurance cover in cases where the insured has acted grossly negligent. NMIP clause 3-33 states that if the casualty has been brought about by gross negligence on behalf of the assured, then the liability of the insurer may be reduced according to a determination based on the degree of fault and the general circumstances. As ship-owners and operators are becoming increasingly aware of the risks related to a corrosion caused by acids and SRB, one would assume that underwriters might invoke this defense more in the future. In our experience, however, it is rather difficult for underwriters to successfully invoke gross negligence as a defense. On the other hand, we have seen that many cases are settled with some reduction in cover when it is clear that the assured was aware of the risk of extraordinary corrosion without taking proper measures to avoid it.

Under the NMIP, unusual and extraordinary corrosion will generally be covered under the "all perils" principle. But the assured could risk discussion with underwriters in cases where they have not been diligent enough when there is a clear risk or other warning signs of such extraordinary corrosion.

# Gulf of Guinea piracy set to endure

By Jon Guy, Editor, IUMI Eye

The Joint Cargo Committee was given a presentation report by John Cochrane of intelligence advisers IHS on the threat of piracy in the Gulf of Guinea where attacks continue to outstrip those off the West Coast of Africa.

There have been seven reported offshore incidents targeting merchant shipping (including four tankers) in the last quarter (1 May-25 July 2014). On 4 June, the tanker 'Fair Artemis' was hijacked off Ghana. The tanker was found off Lagos, Nigeria, on 11 June; 3,500 MT of oil had been stolen.

The JCC was told Gulf of Guinea piracy does not have the global impact of Somali piracy but hijackings for oil theft have become more frequent. Organised crime based in the Niger Delta and the availability of a black market for stolen oil are the equivalent of Somali pirates' safe havens.

Most maritime traffic in the Gulf of Guinea is regional and ships are generally targeted by violent crime when they are at anchor in or off the region's congested ports, particularly Lagos, the Niger Delta and Abidjan, not, as in case of the Gulf of Aden, when they are underway.

Most of this crime does not meet the UN Convention on the Law of the Sea (UNCLOS) definition of 'piracy', as it occurs inside territorial waters, not on the high seas.

Gulf of Guinea pirates are mainly, but not exclusively, drawn from criminal gangs based in the Niger Delta. They are better armed and organised than Somali pirates and more violent. However the report warned that a solution would need to be found onshore.

Piracy risks will only be significantly reduced if, onshore, the Nigerian government leads the region by taking effective political and social action to resolve underlying factors, including corruption and criminality, in the Niger Delta, and passes legislation to allow security forces to mount intelligence-led operations targeting the vessels used for oil theft.

IHS assesses that the Nigerian government is unlikely to take such effective action in at least the one-year outlook, given the vested political and military interests benefiting from organised crime and corruption, the government's preoccupation with the Boko Haram insurgency in the north-east, and the likelihood of increased violent civil unrest associated with rival parties seeking to maximise their influence during the run-up to the 2015 presidential elections.

The full report can be found on the IUMI website [www.iumi.com](http://www.iumi.com).

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# Wreck removal convention to enter into force in 2015

By Nick Gooding, FC 11, IUMI Alternate Officer at IMO

The Nairobi International Convention on the Removal of Wrecks will enter into force on 14 April 2015 following the deposit, on 14 April 2014, of an instrument of ratification by Denmark, with the International Maritime Organization (IMO).



Among several provisions, the convention will place financial responsibility for the removal of certain hazardous wrecks on ship-owners, making insurance, or some other form of financial security, compulsory.

Denmark became the 10th country to ratify the convention, thereby triggering its entry into force exactly 12 months later.

The convention will fill a gap in the existing international legal framework by providing the first set of uniform international rules aimed at ensuring the prompt and effective removal of wrecks located beyond a country's territorial sea.

The Convention also contains a clause enabling States Parties to 'opt in' to apply certain provisions to their territory, including their territorial sea.

The convention will provide a sound legal basis for states to remove, or have removed, shipwrecks that may have the potential to affect adversely the safety of lives, goods and property at sea, as well as the marine and coastal environment.

It will make ship-owners financially liable and require them to take out insurance or provide other financial security to cover the costs of wreck removal. It will also provide states with a right of direct action against insurers.



# Report from IUMI Spring Meeting Rio, May 2014

*By Lars Lange, IUMI Secretary General*

In May 2014 the members of the IUMI Executive Committee (EC) had the opportunity to hold the annual IUMI EC Spring Meeting in Rio de Janeiro. Invited by the Brazilian insurance association FENSEG, on day one of the meeting, IUMI had the opportunity to take part in a local marine insurance market event with about 150 participants from the local markets.

The conference gave IUMI EC members the opportunity to inform Brazilian participants of recent IUMI developments and especially about the current working focus of IUMI and issues relevant for IUMI's current political agenda. The IUMI EC members also had the possibility to learn more about the local marine insurance market during a number of presentations held by Brazilian marine insurance market representatives. Further information and some of the presentations can be found at [www.cnseg.org](http://www.cnseg.org). The second day of the meeting was used for the traditional EC spring meeting.

In addition, IUMI EC members visited the port facilities at the Triunfo Logística port terminal and got an overview of the developing Brazilian maritime business. Brazil's port system consists of 37 organized ports, including sea and river ports, and 128 private use terminals (TUP). Over 90% of Brazil's foreign trade is carried out through these ports and terminals. According to the National Waterway Transportation Agency, the volume of cargo handled at the ports and TUPs in 2013 was 929 million tons, an increase of around 3% from the previous year.

The IUMI president Ole Wikborg thanked FENSEG and all persons involved in the preparations for the very instructive stay and the excellent opportunity to strengthen IUMI's relationship with the Brazilian marine insurance market.



*Triunfo Logística Port Terminal Rio de Janeiro*



*IUMI President Ole Wikborg during his presentation*

## Joint paper by maritime industry to IMO MEPC 67 on ballast water management (BWM)

*By Lars Lange, IUMI Secretary General*

Since the introduction of steel hulled vessels, water has been used as ballast to stabilize vessels at sea. Ballast water is pumped in to maintain safe operating conditions throughout a voyage. This may pose serious ecological problems due to the multitude of marine species carried in ships' ballast water: The transferred species may survive to establish a reproductive population in the host environment.

Since the late 1980s IMO's Marine Environment Protection Committee (MEPC) is working on this issue. In 2004 the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) was adopted. The Convention will require all ships to implement a Ballast Water Management Plan and Record Book and to carry out ballast water management procedures to a given standard. The BWM Convention requires that ballast water management systems used comply with the Convention and must be approved by the Administration (G8). The Convention will enter into force 12 months after ratification by 30 States, representing 35% of world merchant shipping tonnage. Currently the convention has 40 contracting state parties, but they only represent 30-25% of the world merchant shipping tonnage.

Many Flag State Administrations have expressed serious concerns as to the costs and/or benefits of these newly-available unproven technologies, which are relatively untested and subject to scientific doubts. Concerns have also been raised regarding the "G8" guidelines. Due to the many industry concerns, MEPC 66 in April 2014 requested the IMO Secretariat to explore the possibility of conducting a study on the implementation of the ballast water performance standard described in regulation D-2 of the BWM Convention. Draft plans and terms of reference will be considered by MEPC 67 in October 2014.

In this context a significant number of NGOs accredited at IMO with the International Chamber of Shipping (ICS) in the lead and under participation of IUMI, submitted in July 2014 a paper to MEPC 67 about "Measures to be taken to facilitate entry into force of the BWM Convention 2004" (MEPC 67/2/6). The document describes serious concerns about the implementation of the Ballast Water Management Convention such as: the lack of robustness of the current guidelines for approval of ballast water management systems (G8), the criteria to be used for sampling and analysis of ballast water during port state control inspections and the subsequent actions that may be taken should any minor deviation from the strict efficacy standards be indicated.

Particularly marine insurers represented by IUMI are concerned that they will have to pay for failed new and relatively complex technologies without a proven track record. For example, the majority of the current type-approved ballast water treatment technologies make use of Active Substances. These substances may, depending on the substance, concentration, variation of operating conditions and exposure duration, have an adverse effect on ballast tank coatings, ballast piping system, and anodes within the tank.



# Address by the Secretary General

*By Lars Lange, IUMI Secretary General*

IUMI is very happy to announce the June 2014 agreement with FIATA in granting each other affiliate membership. FIATA, in French "Fédération Internationale des Associations de Transitaires et Assimilés", was founded in 1926. FIATA, a non-governmental organization, represents today an industry covering approximately 40,000 forwarding and logistics firms employing around 8-10 million people in 150 countries. The aim of the partnership between FIATA and IUMI is to improve IUMI's activities with regard to issues related to forwarder's liability insurance and enable both FIATA and IUMI to have a close, immediate and direct dialogue on all issues arising in this context and to understand each other's viewpoints better.

With the Boston Consulting Group (BCG), another new IPP has joined IUMI. BCG managing director Pia Tischhauser held an excellent presentation during the President's Workshop during the IUMI 2014 London conference, and as a result BCG and IUMI were able to agree on a steady partnership. The partnership is aimed e.g. to cooperate intensively with the IUMI Facts & Figures Committee on (claims) data collection. BCG will contribute its experience and superior skills in this field of practice.

The IUMI secretariat is working hard on the new IUMI Articles of Association. A consultation involving all IUMI member associations was carried out in July/August and the IUMI working group, together with the IUMI EC, has taken all statements into account for the final version. In the meantime, this final version has been forwarded to all IUMI council members for the vote on the new articles during the Hong Kong Council meeting on 22 September 2014. At the same time, the official registration of the association in Hamburg is making headway. A new book-keeping system has been installed and, in addition, in 2015 for the first time there will be an external audit of the IUMI 2014 book-keeping.

The mandate of IUMI President Ole Wikborg will come to an end after the Hong Kong conference. We are grateful for all the work and dedication that Ole has put into IUMI since taking over the presidency in Zurich 2010 – and, prior to that, in various other positions in IUMI technical committees and EC. And we are pleased that Ole has agreed to run for membership in the Nominating Committee. His presidency will be intrinsically tied to the "IUMI 2015" programme with, for example, the foundation of the Political Forum.

IUMI would also like to thank the outgoing EC members, who will leave the EC after the Hong Kong conference, namely Kiyooki Sano from Japan and Bob Gallagher from the United States for their excellent services in the IUMI EC during the last few years in various positions.

We all look forward to the IUMI conference 2014 starting in a few days – hope to see you soon in Hong Kong!

## Places of Refuge – IUMI joins EU Cooperation Group

*By Lars Lange, IUMI Secretary General*

IUMI still has concerns about the existing system for ships in distress searching for a place of refuge. Although there are already formal regulations on an EU as well as on an IMO basis, the practical implementation of the system still needs improvement. This was shown by recent major casualties such as the "MSC Flaminia" incident or the "Maritime Maisie" case early this year.

For this reason, IUMI is now as before engaged on this issue. The last IUMI Eye (May 2014) had reported about IUMI's joint paper to the IMO Legal Committee meeting in April 2014. In the meantime, IUMI was invited to contribute to the EU cooperation group on

places of refuge, which has been set up by EU member states, EMSA and the European Commission.

The aim of the cooperation group is the development of "Operational Guidelines" for places of refuge. The group aims to exchange expertise in order to improve the measures taken to allocate a place of refuge to a ship in need of assistance under Art. 20 (3) of directive 2002/59/EC.

In June 2014 IUMI forwarded a statement to the cooperation group, giving information on the most important concerns of the insurance industry on the topic and consequences arising for insurers when a ship in distress struggles to find a port of refuge.

Currently, the cooperation group is compiling the first draft of the Operational Guideline based on all input received. Once the draft has been completed, IUMI will contribute further.

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