

# Marine Insurance in the Middle East – key issues and concerns

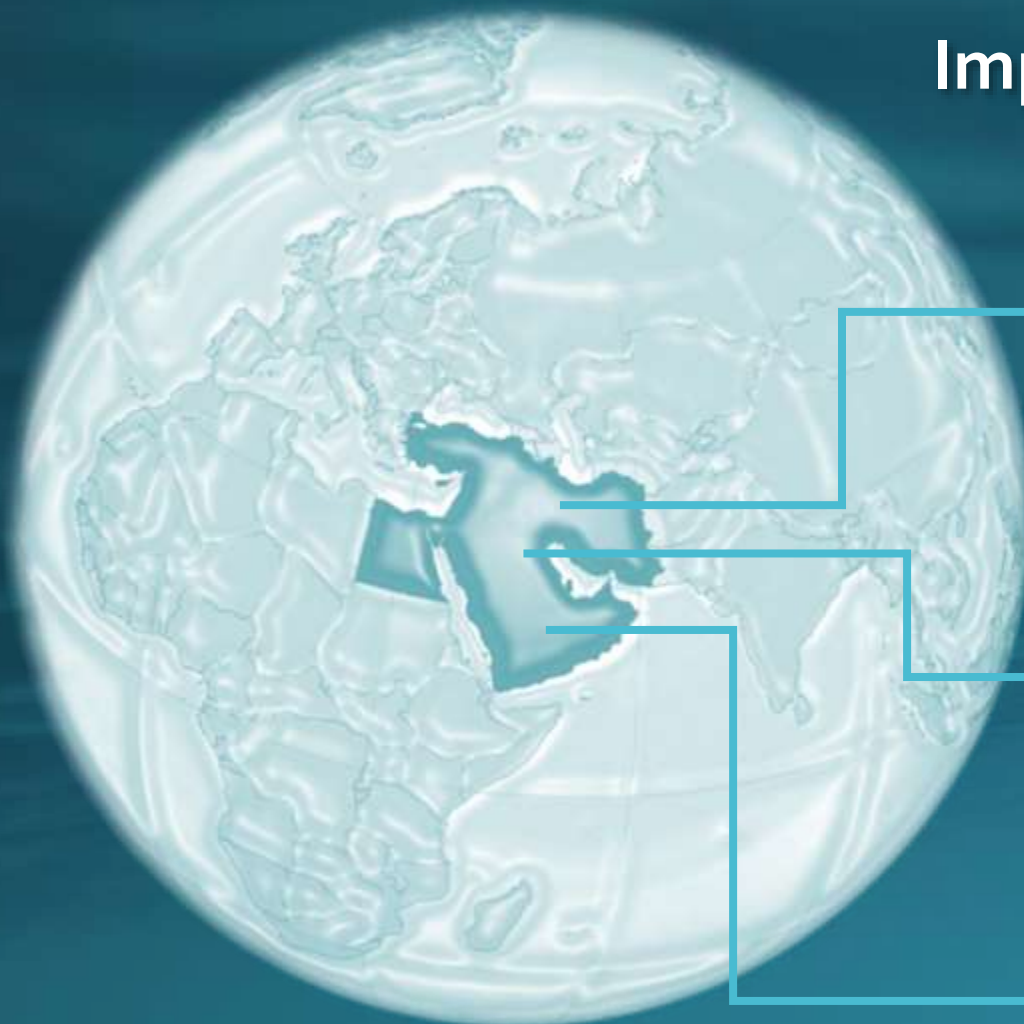


## Red Sea Tensions & Impacts

By Cenk Bilgin, GIG Gulf, IUMI IFY Member



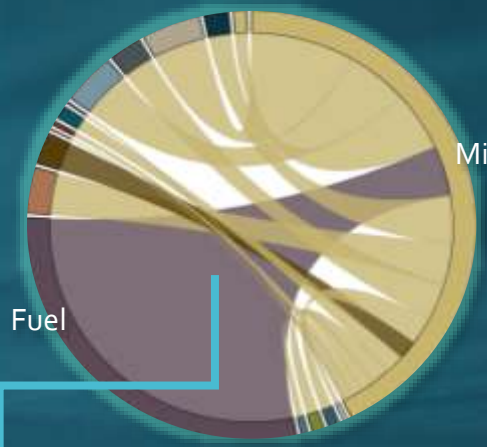
# Middle East in numbers



## Import vs Export Volumes

  
**1.3 trillion USD vs 23.7t USD)**

  
**1.06 trillion USD vs 24.2t USD)**



**Fuel** is the most exported goods

## Marine Insurance in ME

**Middle East representing 3.2% of global Marine Insurance GWP**  
**1 billion USD**



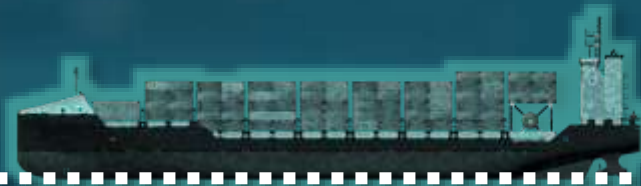
# Evergreen Blockage

March 21<sup>st</sup>, 2021

- 6 days of blockage,
- About 400 vessels were waiting to pass the canal
- 9.6 billion USD worth of trade volume had stranded per day
- 600 million – 1 billion USD insurance claim\*



# How Red Sea is important for international Trade



30% of cargo to East Coast



≈12% of all world trade through Red Sea



17% of annual Crude Oil trade



USD180 billion



USD 100 billion


# Houthi Attacks

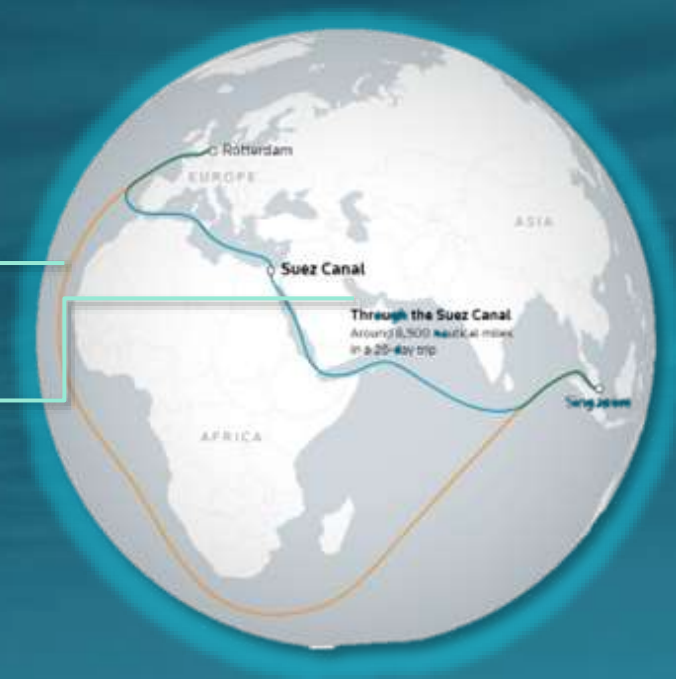
- November 19th, 2023 first attack to commercial vessels
- More than 100 vessels have been attacked
- Mainly dry bulk carriers and container vessels are targeted

**Less than 40**  
Container  
vessels p-day  
**VS 100**

# How Red Sea is important for international Trade

## First Reaction & Potential Impacts

- **Re-routing of vessels**
- **On holding the ships to pass Red Sea Waters** 
- **Overall vessel traffic down by min 30%**



- **Average 14 days delays by re-routing**
- **Additional costs**
  - ≈60% increase in freight
  - Asia – Northern Europe rates have doubled.
  - Up to 1 million USD additional fuel cost per a ship.
- **Pollution / oil slick**
- **Increased Port Accumulations**

# How Insurers React?

## General War Cover Practice

- Cover for war / warlike perils is additional extension in Hull & Machinery and Cargo Insurance
- War extension is agreed as per navigation limits / waters.
- Institute War Clauses –the main unified wordings are used for war cover in H&M and Cargo
- Additional cost for war cover is charged per risk.

## War Cover Updates

- Notice of Cancellation can be issued by 7 days notice
- Defining of war risk zones
  - Joint War Committee – Hull
  - Joint Cargo Committee Watchlist - Cargo
- Reinstatement of War Cover
  - Breach War Cover / Buyback



Indian Ocean, Gulf of Aden and Southern Red Sea:  
The waters enclosed by the following boundaries:  
a) on the northwest, by the Red Sea, south of Latitude 18°N  
b) on the northeast, from the Yemen / Oman border to high seas point 14°55'N, 53°50'E  
c) on the east, by a line from high seas point 14°55'N, 53°50'E to high seas point 10°48'N, 60°15'E, thence to high seas point 6°45'S, 48°45'E  
d) and on the southwest, by the Somalia border at 1°40'S, 41°34'E, to high seas point 6°45'S, 48°45'E  
excepting coastal waters of adjoining territories up to 12 nautical miles offshore unless otherwise provided.

**Thank You**

**References**

Russel Group Articles  
Swiss Re Institute  
IUMI Stats  
GIG Gulf







# IUMI Webinar : Marine Insurance in the Middle East – Key issues and concerns

Thursday, 13 June 2024, 9:00-10:00 CEST (Hamburg time)  
Thursday, 13 June 2024, 15:00-16:00 CEST (Hamburg time)

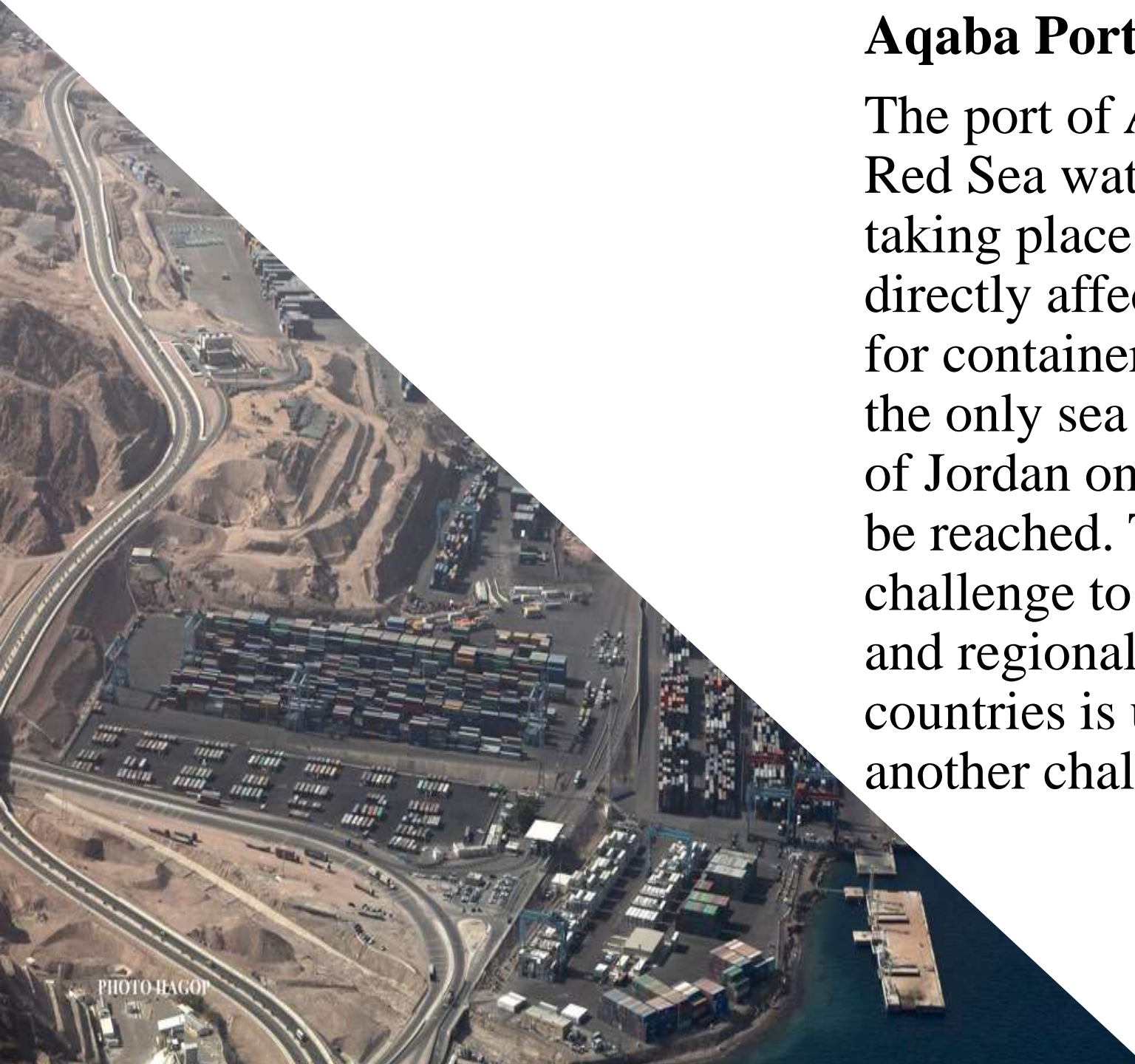
Odeh Abu Dayyeh FCII  
Assistant General Manager, Marine & Aviation  
Middle East Insurance Company



Bab al-Mandab Strait is considered one of the most important global maritime trade routes.

## **Aqaba Port / Jordan**

The port of Aqaba is located at the end of the Red Sea waterway, and therefore the events taking place in the Bab al-Mandab Strait directly affect the port of Aqaba's capacity for containers and ships arriving there, as it's the only sea port of the Hashemite Kingdom of Jordan on the various sea shores that can be reached. This formed a more difficult challenge to face, in addition, the political and regional situation of all the neighbouring countries is unstable, which has yet formed another challenge to face.



**HOUTHIS ATTACKS ON MERCHANT SHIPPING  
SINCE 19 NOVEMBER, 2023**

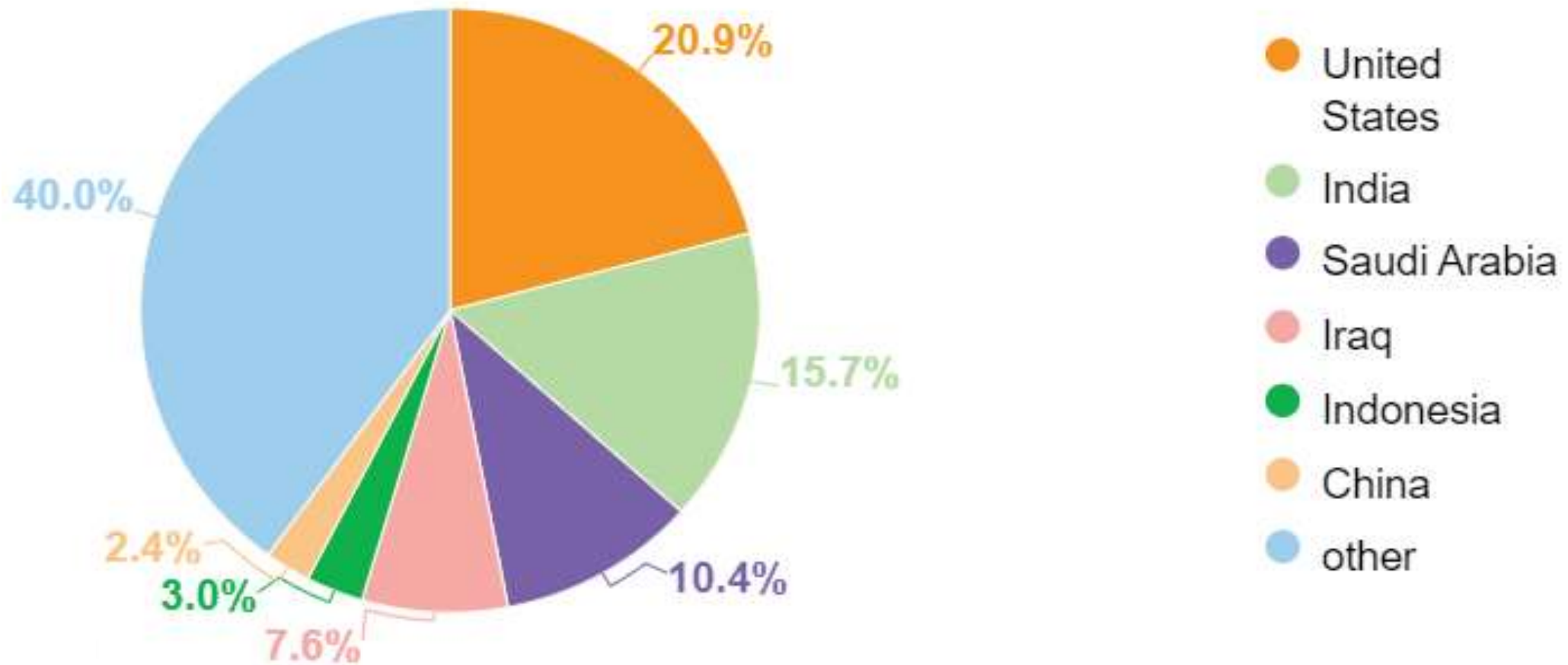
**The port of Aqaba receives 65% of its imports through the Bab al-Mandab Strait, and 75% of Jordanian exports pass through it.**



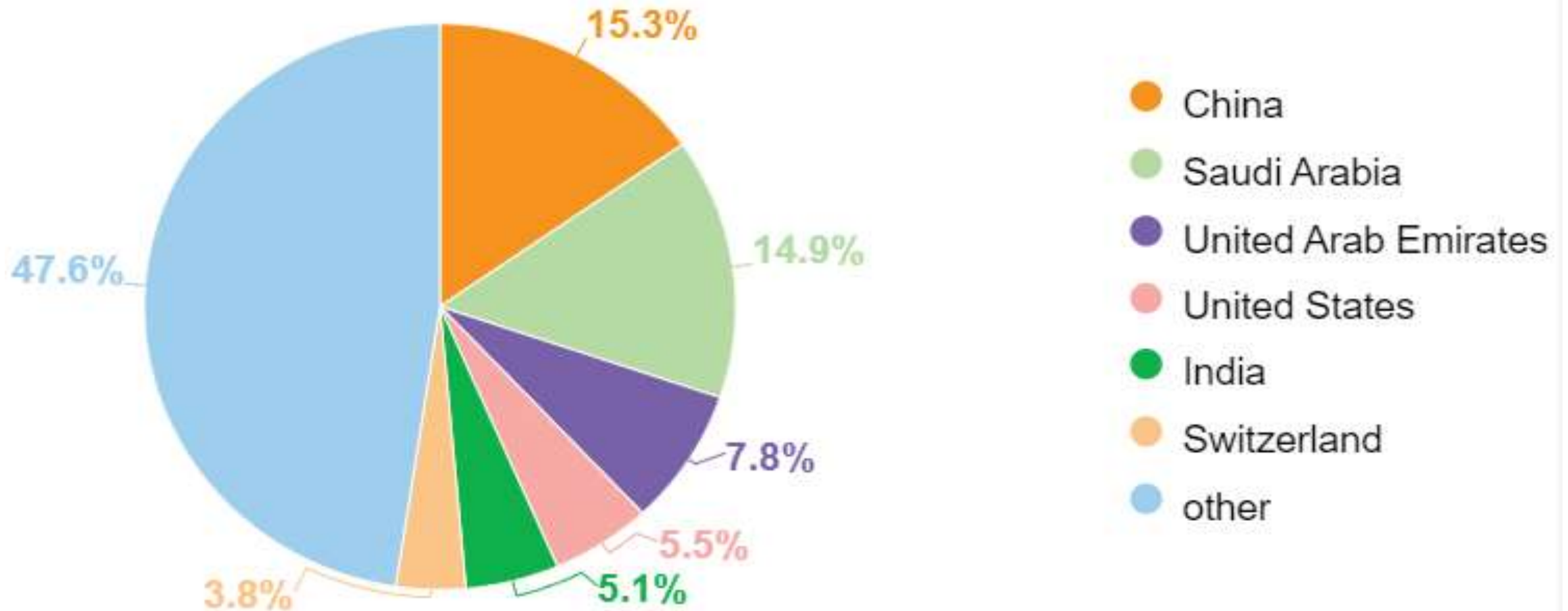
# Exports & Imports

- Jordan's primary exports are clothing, chemicals , potash and phosphates.
- The main imports are machinery and apparatus, crude petroleum and food products.
- Major sources of imports are Saudi Arabia, United States, China, and the European Union (EU)
- Major destinations for exports are the United States, Iraq and Saudi Arabia.

# Jordan's Major Export Destinations during 2022



# Jordan's Major Import Destinations during 2022



# Shipping lines operating at Aqaba Container Port:

- Due to the situation in the red sea , most of the giant global shipping lines took a decision not to cross Bab al-Mandab Strait / Red sea .



- New shipping lines started to call Aqaba port

- (SLG) Sea Legend Line is a Chinese shipping line

- (OVP) is a Chinese shipping line





# Figures

- At the beginning of the crisis , there was a decrease of (39.9%-50%) in compression to previous years in regards of incoming and outgoing TEUs.
- Aqaba Port has displayed notable recovery in May 2024, container throughput at the terminal increased by 10% .
- This growth is supported by more regular calls from new market entrance from China, Turkey, and Saudi Arabia, alongside additional feeder services connecting Aqaba with key transshipment hubs like Jeddah and Jebel Ali.

**TEUs** : The twenty-foot equivalent unit (abbreviated **TEU** or **teu**) is a general unit of cargo capacity, often used for container ships and container ports

**Sources:**

Shipping Arabia Exclusive  
ACT

# The expected impact of the decision of some shipping companies' to avoid crossing Bab al-Mandab Strait

## Wheat and barley grain Ships

- The main source of the wheat and grain is Romania
- Vessels pass through the Suez Canal to Aqaba
- No impact to date in this regard.

## Crude oil, Gasoline and Diesel Ships

- Petroleum and crude oil ships arrive from Yanbu port /The Kingdom of Saudi Arabia .
- No impact to date in this regard

## Container Ships

- Increase in the cost of shipping prices between 40 to 50% according to statements issued by the Jordanian Logistics Association.
- The average time taken to reach the port of Aqaba will increase by 10-21 additional days, and this varies according to the loading port and the shipping line.

# Suggested Alternative Routes

- International shipping lines adopt different strategies in choosing alternatives
- Suggested alternative routes to ensure the continuous flow of supply chain to and from Aqaba
  1. Dammam Port / KSA - Jebel Ali / UAE – Salalah / Oman (Arabian Gulf ports) to Aqaba by sea.
  2. The ports of the Arabian Gulf (and then by land to the Hashemite Kingdom of Jordan)

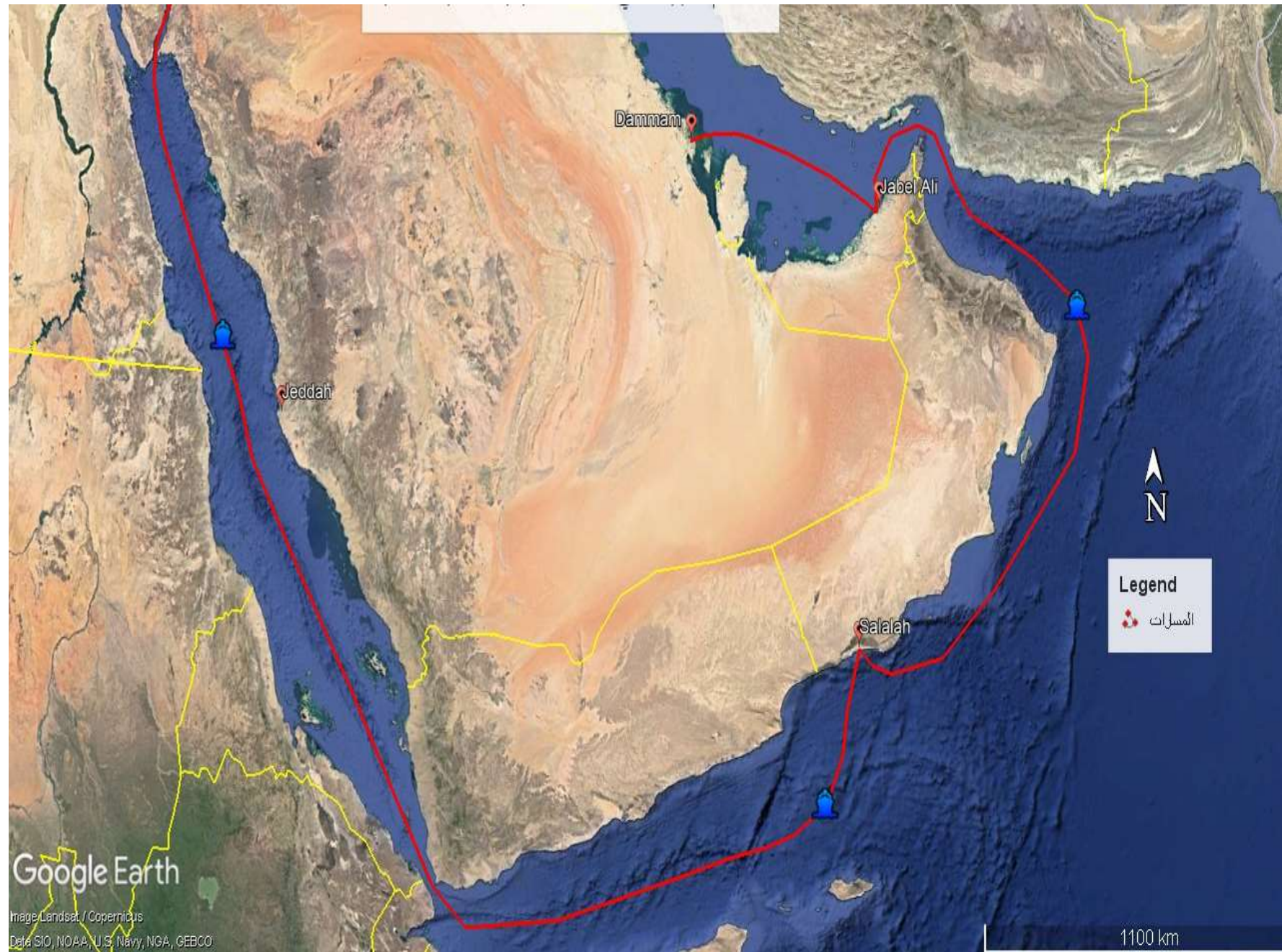
## Dammam Port - Jebel Ali - Salalah (Arabian Gulf Ports) to Aqaba by sea.

### Advantages: -

Possibility of shortening the travel time instead of going around the Cape of Good Hope.

### Disadvantage: -

- Logistic costs and procedures including loading, unloading and shipping.
- Risks of crossing Bab al-Mandab.
- Additional insurance premium



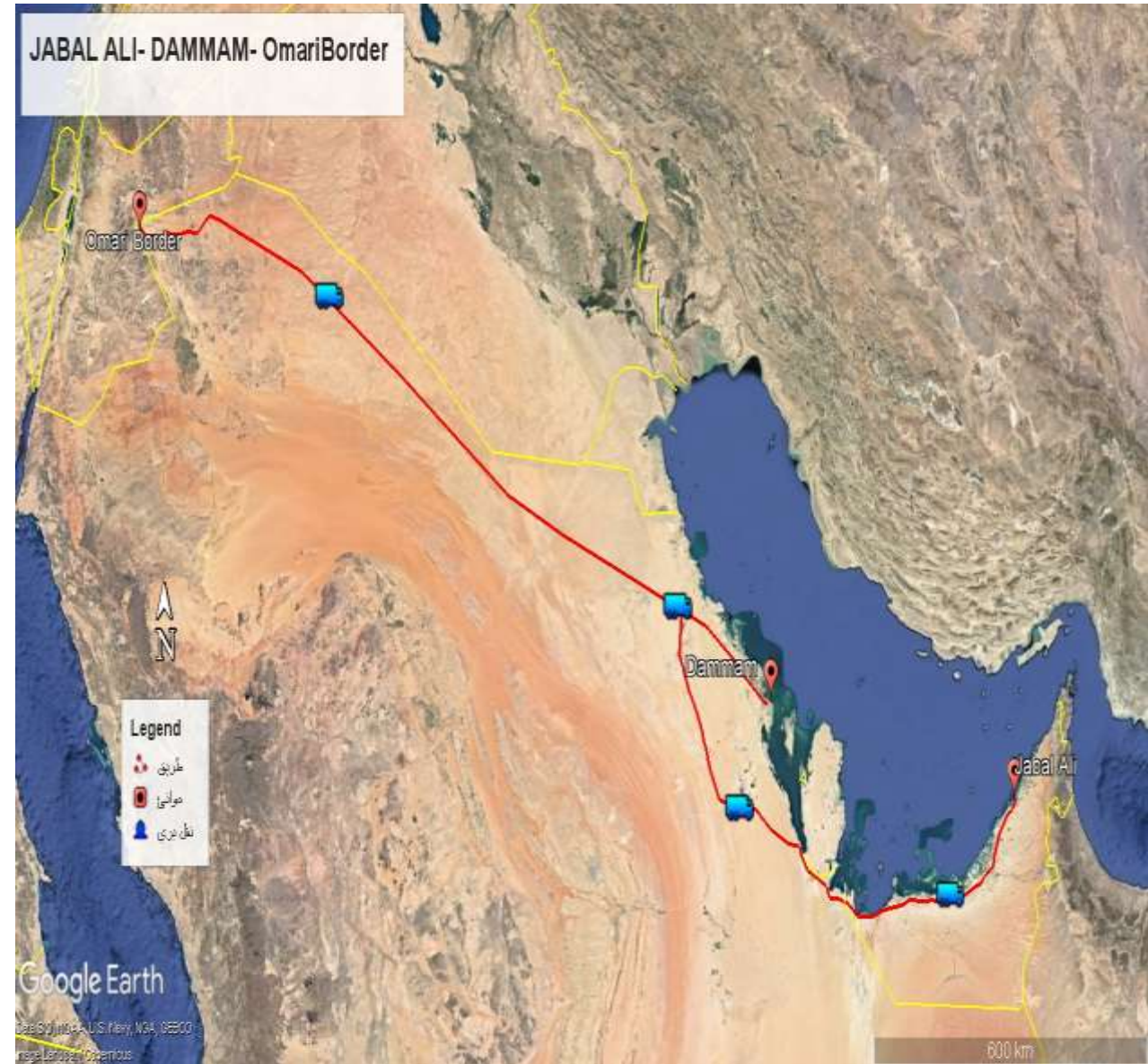
# The ports of the Arabian Gulf (and then by land to the Hashemite Kingdom of Jordan)

## Advantages:-

-Moving away from the Cape of Good Hope route and reaching the Arabian Gulf ports in a shorter time and with lower shipping costs.

## Disadvantages:-

-Adding land transport costs and various procedures, logistical and customs costs.



# The attack on “True Confidence” in Bab Al-Mandab

- On 6/3/2024 the Houthis have launched an attack on the bulk carrier “True Confidence” which was passing through the Red Sea/ Bab Al-Mandab at the time
- The “True Confidence “ was sailing from China to Jeddah and Aqaba .
- The attack has led to the death and injuries of crew members in addition to hull and cargo losses.
- 5 Jordanian insurance companies have been notified of several cargo losses



# **Bab al-Mandab strait in the Red Sea has been added to the listed areas by a decision of the War Joint Committee**



The war insurance market responded to these developments and issued a notice of cancellation for war risks cover on hull insurance for ships passing through the Red Sea , and later issued a notice of cancellation on Cargo insurance for shipments passing through the Red Sea. However, the War cover could be provided for an additional premium.

The additional rates/ premiums vary from one vessel to another depending on its ownership, size, type, age, the length of time spent in high risk areas, and other underwriting information

# Conclusions

- There is some impact on the Jordanian marine insurance market due to the incident of the vessel “True Confidence” , but the impact of the crisis is clear and significant on the continued sustainability of supply chain .
- No other significant impact up to date on the Jordanian marine insurance sector.
- Aqaba Port’s strategic responses to crisis conditions have become evident, with a recovery supported by new market entrance and the expansion of feeder service networks.



**Thank You**

# Regulatory Update & New Maritime Law

Presented by:  
Jasmin Fichte, Managing Partner



فیشٹ و شرکائہ  
FICHTE & CO  
LEGAL

# AGENDA

Marine Insurance

Ownership of a UAE Registered Vessel

Vessel Registration

Vessel Arrest

Security & Letters of Undertaking (“LOUs”)





THE UAE FEDERAL  
MARITIME LAW,  
NO. 43 OF 2023  
(THE “NEW MARITIME LAW”)  
CAME INTO FORCE ON THE  
29<sup>TH</sup> OF MARCH 2024.

# MARINE INSURANCE: COMPULSORY LIABILITY

## Article 333: Ensuring Compliance with Mandatory Liability Insurance:

- ✓ Vessels within port limits carry insurance covering liability for maritime risks.
- ✓ Insurance covering the wages of captains and crew.
- ✓ UAE flagged vessels must obtain insurance covering liability for all their voyages.

## Article 334: Mandatory Liability Insurance for Passenger Vessels:

- ✓ Operators of passenger vessels are obligated to maintain liability insurance.

The Ministry has the authority/discretion to issue decisions to oblige persons involved in marine navigation (such as Operator, Master, Seafarers, Towage Operator, Pilot...etc.) to have an insurance against the risks which may arise out of conducting their activities and the relevant liability.



# MARINE INSURANCE

## HIGHLIGHTS OF THE NEW LAW

### General Insurance Obligation

- All vessels in UAE ports or waters must have insurance covering their liability. (Article 333)
- This includes insurance on the wages of the master and crew. (Article 333)
- UAE-flagged ships must insure against liability for all voyages. (Article 333)

### P&I Clubs

- P&I Clubs can establish branches or partnerships with insurance entities in the UAE. (Article 335)
- The Minister will designate entities authorized to issue letters of guarantee for maritime debts. (Article 335)

### Shipbuilder & Ship Repair Insurance:

- Builders or Repairers can insure against liability for vessel damage or third-party damages during construction or repair. Marine insurance provisions apply unless otherwise agreed. (Article 339)

# MARINE INSURANCE

## NEW OBLIGATIONS

- ✓ Insured parties have new obligations if they decide to abandon insured vessels under the new law:

The insured must notify the insurer of the abandonment within ninety (90) days from the date on which the insured becomes aware.

The insurer cannot reject the abandonment if he was notified of the same within the deadline.

If the insured fails to notify the insurer of the abandonment on time, his right to abandon shall be forfeited, and he can only claim the compensation. (Article 305).

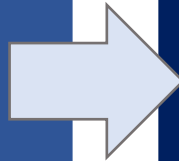
The new law has reduced the time bar for filing claims arising out of the contract of insurance to one (1) year instead of two (2) years. (Article 309).



# OWNERSHIP OF A UAE REGISTERED VESSEL

*Under the current Maritime Law ownership of UAE-flagged vessels is only permitted by:*

- ✓ Individuals holding UAE nationality.
- ✓ Companies where all, or the majority of its shareholders and directors, hold UAE nationality.



*Under the new Maritime Law ownership of UAE-flagged vessels is opening up to:*

- ✓ Individuals who are nationals of the UAE or another GCC country.
- ✓ Companies that have a domicile, business center, or ship management office in the UAE.







# VESSEL'S REGISTRATION

The New Maritime Law supports a wider approach to vessel registrations:

- ✓ The vessel shall not exceed 20 years of age and 10 years of age for passenger ships.
- ✓ Registration of shipbuilding contracts.
- ✓ Registration of bareboat chartered vessels.

The actual procedures for completing the registration will be specified in the Executive Regulations which are yet to be published.

# VESSEL ARREST

**The Current Maritime Law** has limited provisions for arresting vessels since it is derived from the 1952 International Convention Relating to the Arrest of Sea-Going Ships.

**The New Maritime Law** has wider provisions for arresting vessels, which are aligned with the 1999 Arrest of Ships Convention.

## **Sister Vessels arrest**

According to the **Current Maritime Law**, the arresting party can arrest any vessel owned by the debtor when the Maritime debt arises.

However, Article 54 of the **New Maritime Law** states that the arresting party may arrest either the vessel to which the maritime debt relates, or any other vessel owned by the debtor at the time that the arresting party submits its arrest application.

# SECURITIES & LETTERS OF UNDERTAKING (“LOUS”):

## Security for arresting vessels

### Under the Current Maritime Law:

Security is to be determined by Courts either in the form of a letter of undertaking for damages, or a figure to be deposited by the arresting party in the court’s account.

### Under the New Maritime Law:

The Arresting party **must** provide a financial guarantee to meet “the necessary needs for the security and safety of the vessel and the crew during the arrest period”.

## Security for lifting the arrest (“LOUs”)

### Under the Current Maritime Law:

UAE Courts accept only cash deposits, guarantees issued by local banks, or a bank manager cheque to lift the arrest.

### Under the New Maritime Law:

Article 53(3) of the New Maritime Law confirms that security can be provided in the form of Letters of Undertaking issued by a P&I club or by a financial institution that is approved by the competent court.



# Thank you!

- ✓ Feedback survey
- ✓ Next webinar: “Pharmaceuticals - Claims and how to prevent them”,  
9 July 2024
- ✓ Masterclass Cargo Insurance → Registration open

 [www.iumi.com/education/masterclass-in-cargo-insurance](http://www.iumi.com/education/masterclass-in-cargo-insurance)

