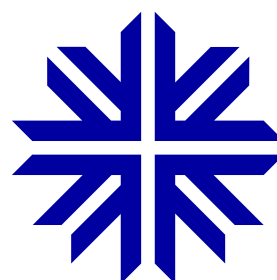


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IUMI

Message from the President

IUMI steadfast in uncertain times



Frédéric Denèfle
IUMI President

The year 2023 will see significant changes in the marine insurance industry. Covid-19 is now behind us, and all world trade zones, including China, are returning to normal. Still, lots of questions are on the table. Will inflation remain at a high rate? Will international trade rise again, as shown in Europe and USA at the beginning of 2022? Will freight rates and shipping activities keep an upbeat pace? The usual questions will be addressed with a particular momentum.

The war in Ukraine has not shown any sign of being resolved, and marine insurers are now facing a turning point where the risk cycle might become heavily influenced by this seemingly unchanging reality.

Consequently, marine insurers cannot have any business relationship with Russia except for what is permitted under the embargoes and sanctions, which are bound to expand again.

IUMI will continue on its course.

At our recent spring conference, our professional community started thinking about the various messages we want to deliver connected with our annual central conference theme: ***Strength and stability in turbulent seas.***

Insurers will undoubtedly, watch their customers strategically move to face all future challenges. Our insured community is indeed looking for common-ground solutions, as shown by the new Digital Container Shipping Association, which

has decided to merge its effort to go 100% with the electronic bill of lading (eBL) by 2030. This will help bring greater simplicity and efficiency to their business processes.

But business processes are not the only area of innovation. Energy issues are also contemplated by those seeking evolution and decarbonisation.

Biofuel is also a topic of significance. It can reduce energy consumption and recycle products, save on costs and reduce the carbon footprint linked to maritime trade. More and more charterers will consider this option and choose owners keen to develop such technical solutions on board their vessels. This is the most promising evolution.

Regarding autonomous vessels, a real and tangible legal framework is being shaped to enable those new technologies to be deployed, to supplement the regular crew on duty.

Indeed, we will have much to consider at the next IUMI conference in Edinburgh to follow our last conference in Chicago, which was such a great success.

So, please stay in touch with IUMI to learn more and understand what is at the forefront of our activities.

Frédéric Denèfle, IUMI President

Looking ahead to IUMI's annual conference

IUMI announced *Strength and stability in turbulent seas* as its theme for the #IUMI2023 conference. With less than 200 days until the meeting commences on 17 September in Edinburgh, Scotland, delegates who wish to attend the hallmark event should register as soon as possible. The event is the world's largest international ocean marine insurance forum.

Through its global communications network, IUMI provides a platform from which the views of its members are disseminated to the marine and shipping industry, international organisations, and media around the world.

The conference brings together the key decision-makers from within the international marine insurance and reinsurance markets, providing unique opportunities for business discussions and networking in a formal and informal environment.

For more information and to register, visit iumi2023.com





Ukraine war: Price cap on crude and refined products compliance



Neil Roberts
Policy Forum and Head of Marine
and Aviation, Lloyd's Market
Association

The G7, EU and Australia almost agreed to ban the maritime transport of Russian crude oil from 5 December, and refined products were curtailed from 5 February. It sounds simple, but not in practice. There were exceptions and an important variable, the price cap, which, if adhered to, would allow some trade to be carried out by western carriers.

The idea was to reduce oil revenues to the Russian government and maintain a reliable flow of Russian oil to the global market to stabilise energy prices. In reality, the cap has yet to achieve its primary aim, and although flow has continued, it is largely outside of western influence.

Obvious issues

Russia stated early that it would not sell oil or products to nations complying with the cap and was prepared to cut production to maintain its revenues. The long lead-in gave Russia the time to assemble its own fleet of about 100 vessels to circumvent these sanctions. In addition, it can count on assistance from Venezuela and North Korea and is

thought to have access to as many as 300 tankers in all. This "shadow fleet" allows Russia to sell its oil without insurance from the G7 or other nations. Some key oil-importing powers, such as India and China, are not part of the process. Despite lobbying from eastern Europe, the cap was set oddly high, and President Zelensky immediately said it was not "a serious decision".

Less obvious

There is no significant appetite to underwrite price cap risks. The attestation construct is an administrative burden; some insurers had already pulled out, and from the beginning of the year, so had most reinsurers, meaning any direct insurer wanting to write a risk would do so without reinsurance to rely on. That limits insurer appetite. Banks and capital providers have their own approaches, and both constrict the ability of insurers to underwrite. There are enhanced safety and pollution concerns at the port and territorial risk levels.

→



Ukraine war: Price cap on crude and refined products compliance

Continued

Self-defeating disharmony

Almost 100 years of international sanctions show that it is vital to harmonise and align measures and guidance across jurisdictions. With the oil caps, there are, as so often, grey areas, in part reflecting the problems nations articulated in agreeing on the specifics. Consequently, guidance on the price cap was introduced only just ahead of the implementation date. That led to inevitable inconsistencies in the rules and limited time for traders and their service industries, including insurers, to understand the requirements.

Although some sector actors were consulted, owners and traders were largely in the dark, and some input needed to be taken up. Ensuring the cap applied throughout the voyage guaranteed disinterest from traders who made money from trades whilst the oil was on board.

Attestation

One positive for the sector was that it was acknowledged that insurers would not usually know the price as they are not parties to the deal. They were grouped with other Tier 3 actors, such as brokers and the P&I clubs, who are required to implement a recordkeeping and attestation process to confirm that the oil/product has been purchased at or below the price cap. This is in addition to their usual sanctions' due diligence, and some insurers have encountered pushback from some clients when seeking attestations.

Attestation can be done annually rather than per shipment, but further attestation is required where there is a claim, confirming that the price cap has yet to be breached. Records have to be kept for five years.

Where there is a breach of the price cap, the ship will be off risk and have no operational cover for pollution, although third-party emergency responders' parties can assist. This lay behind Turkish demands for a guarantee of continuous insurance for tankers passing through the Bosphorus. However, that could not be given due to the sanction's obligations imposed on insurers. Questions remain over the duties of reinsurers, the permissibility of co-mingling of oil, and the concept of oil passing customs. The introduction of two more caps for refined products complicates the picture further.

Rethink needed?

The jury is out on the effectiveness of these measures, but insurers would ask the legislators to review the fact pattern. Historically sanctions have been less than 34% effective (according to the HSE Database), and some argue the actual number is nearer just 5% effective (according to the journal article "*Why economic sanctions still do not work*" by Robert Pape).

Setting sanctions is one thing. Ensuring they are effective would be sensible. Leaving them in place indefinitely based on hope and assumption is neither sensible nor effective. Years of measures against Iran and North Korea have had little tangible result and both have evolved ways around them.

The one definite outcome is that western commerce is consistently left with expensive compliance and reduced influence. A large bank, for example, has a compliance team of 30,000 people. Perhaps it is now time to consider a policy rethink to prevent the best intentions from ending solely as damage to the western business.



Marine underwriting's data evolution



Anne Marie Elder
Data and Digitalisation Forum
and Marine Global Chief Underwriting
Officer, AXA XL

Few might have imagined its impact when Malcolm McLean introduced the shipping container to the world in 1956. Before his invention, lots of small cargo required excess handling, making the process costly, inefficient, and prone to losses. Because of the shipping container, global intermodal transportation was born.

As containerisation disrupted the shipping industry, data and digitalisation are poised to do the same for marine underwriters. It's going to change everything.

Marine insurance's long history has made old habits hard to break. We have clung to paper, pencils, and manual processes perhaps a little longer than other lines of insurance. Today, underwriting has evolved to harness the power of data analytics and new technologies to gain a better understanding of marine risk than ever before. And we have just begun.

A better understanding of risk

New monitoring tools already provide tremendous value in helping marine underwriters monitor exposures and risk aggregations.

When Russia invaded Ukraine, for instance, knowing precisely what marine exposures were in Ukraine was critical. AXA XL's Poseidon platform, a proprietary shipping vessel monitoring tool, provided us with near-real-time data on exactly where our insured vessels were. Using world fleet data, we made credible estimates of our cargo exposures. Through Poseidon, we see a comprehensive view of our clients' assets and their exposure to perils. Our clients can receive real-time alerts and advice from our prevention experts.

Data-driven ratings and products

Getting to a point where we have enough information to analyse trends and do predictive modelling will enable us to support marine underwriters to make more data-led decisions, which differentiate on price or terms for individual risks.

The products we provide might also change. Not long ago, pay-per-mile auto insurance was a foreign concept. With telematics, usage-based auto insurance became a reality. Could marine find a similar technology-driven model that accounts for fluctuations in exposures throughout the year?

We are seeing a sharp rise in technologies providing solutions for the marine industry – from companies tracking vessel spoofing to others looking to track cargo accumulations around the world in real-time. More such tools could spur new marine insurance products like parametric and carbon offset products, supporting companies' ESG efforts.

Stronger partnerships with clients and brokers

Leaping data-driven marine underwriting requires a mind shift. We need access to available information and collaboration across the value chain. Not everyone is comfortable sharing data. The information needs to be accurate so that the inference is correct. Changing minds will require us to show data's big benefits.

The most significant change will be the insurer-customer interaction – moving from a transactional relationship to a risk management partnership.



PPMI is leading global climate alignment



Patrizia Kern-Ferretti

Chair, Data and Digitalisation Forum & The Poseidon Principles for Marine Insurance initiative and Marine Strategy Advisor, CEO Office, Swiss Re Corporate Solutions

The first Annual Disclosure Report for Poseidon Principles for Marine Insurance (PPMI) is a landmark step towards transparency in the maritime and insurance sectors. The data will act as a stepping-stone for the Signatories to engage their clients in discussing climate change, technology, and new risks.

The PPMI are a global framework for assessing and disclosing the climate alignment of insurers' hull and machinery portfolios. The report presents data from eight of the world's leading marine insurers to track climate impact on their hull and machinery insurance portfolio. The PPMI goal is to support the shipping industry's green transition.

This level of transparency is a major milestone on the journey to decarbonise the maritime industry.

On average, the Signatories' portfolios are 12.7% above, aligned with reaching the UN maritime goal of at least 50% reductions of the annual greenhouse gas emissions from international shipping by 2050, compared with their level in 2008.

The second trajectory the Signatories track takes is more ambitious and aims for zero CO₂ emissions in the middle of this century. The simple average score of the 100% CO₂ emission reduction track is 20.8% above the alignment.

There is evidently work to do, but hard data and transparency are necessary first steps.

→

PPMI is leading global climate alignment

Continued

Many takeaways

In the report, member companies describe individual takeaways and how this new information can influence decision-making.

There is room for improvement, both in the climate alignment score and in the data collection process itself. This is a journey to learn and improve. Together with clients, the necessary progress will be made.

Gathering data on the portfolios is a complex task. First, readers should note that the data covers 2021 – not 2022.

Further, the numbers do not cover the Signatories' entire hull and machinery portfolios, as not all clients reported their data to the insurance providers. In addition, it is an industry practice that each ship is insured by a primary insurer and several secondary insurers because of the extraordinary value of modern vessels, which adds another level of complexity to the data collection.

[Read the report for a full breakdown of methodology and individual responses here](#)

2023 ambition

The Poseidon Principles were established in 2019 by the Global Maritime Forum and several financial institutions to create a global framework to quantitatively assess and disclose whether financial institutions' lending portfolios align with climate goals. In addition to the annual report on Marine Insurance, the Poseidon Principles for Financial Institutions published their [third annual disclosure report](#), with 28 reporting in December 2022.

For 2023, the ambition of the Poseidon Principles for Marine Insurance is to get more members to join the principles, increase the contribution volume from the insurance clients and improve access to data.

The industry foundation is shifting

The very foundation of the maritime insurance sector is changing, according to the Signatories, because the maritime industry has begun its transition away from the monolithic oil-based combustion technology towards a future with a wide array of propulsion technologies and energy sources. Therefore, each company within the marine insurance sector must understand what they will insure in the future and how new ship technology will work.

Climate change is a 'here and now challenge' for the global insurance industry. The marine insurers see their engagement with their clients as contributing to the broader sector, given that international shipping emits 2% to 3% of global greenhouse gas emissions, transporting nearly 80% of global trade by volume.

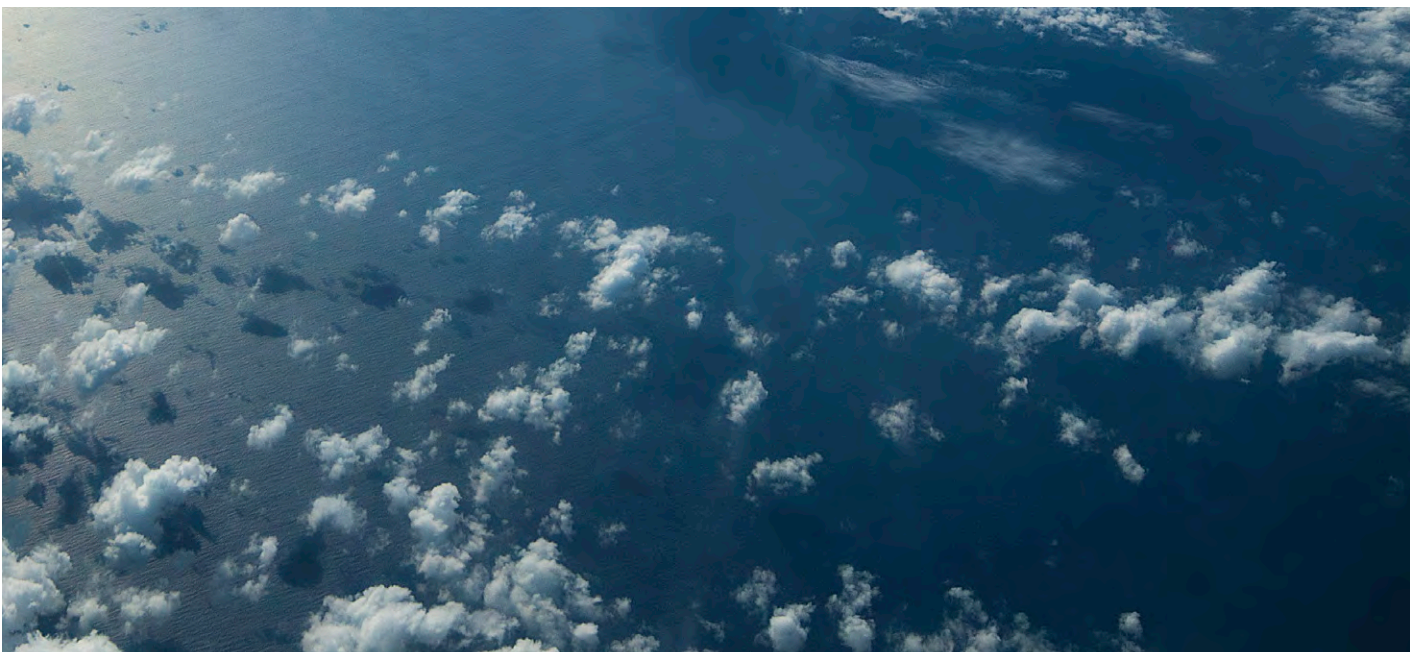
Reporting Signatories:

Fidelis MGU, Gard, Hellenic Hull Management, Navium, Norwegian Hull Club, SCOR, Swiss Re Corporate Solutions and Victor Insurance.

Affiliate members:

Cambiaso Riso Group, Cefor, Cosco Shipping Captive, CTX Special Risks, EF Marine, Gallagher, Lochain Patrick Insurance Brokers, Lockton Marine, WTW.

IUMI is a Supporting Partner of the PPMI.



Q&A

with Anders Kristensen, DBI



Anders Kristensen
Project Manager, CARGOSAFE Study,
Department for Advanced Services/
Energy and Transport (DBI)

What is DBI, and what is your role at the institute?

DBI is a Danish institute of Fire and Security Technology. We specialise in fire and security and work targeted to protect lives and properties. DBI offers a wide range of fire prevention, fire technology, and security services and aims to help our customers achieve the best safety solutions. Furthermore, DBI offers holistic solutions based on our highly specialised professional knowledge and long experience. Our goal is to broaden our knowledge base to achieve the best safety solutions.

Within DBI, we have a team of experienced maritime experts covering, among other things, maritime accident investigation, ship design, classification societies, authorities and international rule development. Our mission is to promote DBI's 360° approach to fire safety and a safe green transition for the maritime industry.

We believe ships and fires are unique, require unique solutions and that behavioural aspects in operations and design are key.

On a more personal note, I have been part of DBI since December 2022 as a project manager, heading the EMSA-funded CARGOSAFE safety study, where DBI leads the consortium.

How often do container fires occur, and are we seeing more of them today compared to 10 to 15 years ago?

In the last 20 years, there has been more than 500% growth in TEU transported.

Until 2010 there was an average of three serious fire-related accidents per year;

from 2010 to 2020, the average has been eight per year. (Based on the statistics available to us).

Statistically, the probability of a fire on board container vessels increases by the number of containers on board. With more than 500% growth over the last 20 years and increased vessel size, fires on board are more likely to occur.

Container vessels and crew will have several protocols to tackle onboard container fires. What are some of the most effective methods to extinguish a container fire?

In CARGOSAFE, we have assessed various Risk Control Options. The CARGOSAFE study will propose the eight most cost-effective solutions for reducing the risk of fire in containers on cargo ships across the four themes of prevention, detection, firefighting, and containment.

As the report has not been published, we cannot elaborate further on the specific RCOs.

What are the leading causes of increased fires on RoRo and container vessels?

RoRo vessels were not part of CARGOSAFE; however, DBI has just finished and published a report on the project called ELBAS, which focuses on 'New Technologies and Methods for Suppression, Containment & Extinguishing of Battery Car Fires Onboard Ships'.

As to the leading causes of increased fires, for example, new and different types of cargo on container vessels, this was heavily investigated in CARGOSAFE and will be included in the final report.

Unfortunately, we cannot say more at this stage.

In a nutshell, what does the CARGOSAFE study entail?

CARGOSAFE is a safety study tendered by European Maritime Safety Agency (EMSA).

It has the goal of exploring the market for cost-efficient technical solutions for reducing the risk of fires in containers on container ships and provide recommendations to form EMSA's stance on a European negotiation mandate on the subject at the IMO.

The safety study aims to identify cost-effective risk control options for cargo fires onboard container vessels – newbuilds and existing vessels.

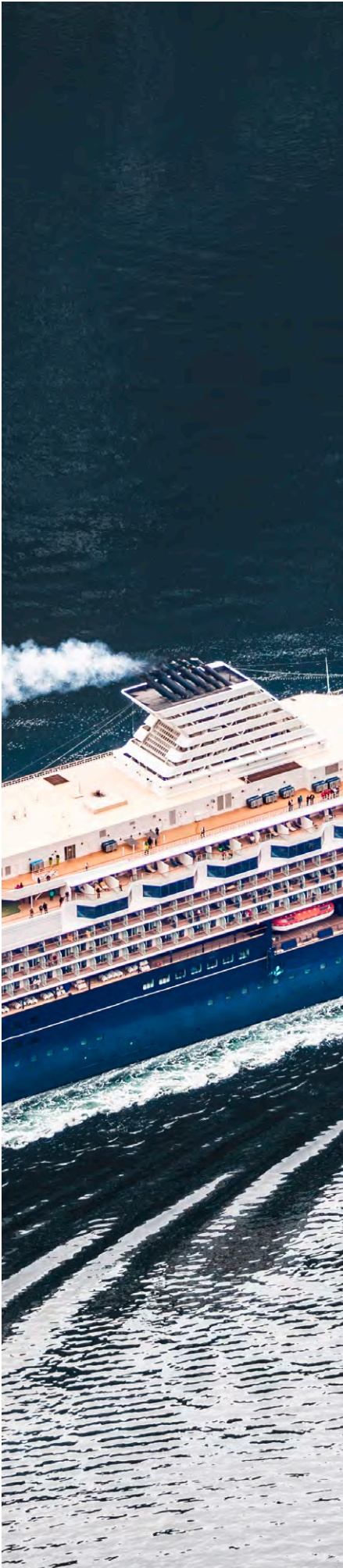
The study follows the FSA approach as described in [MSC- MEPC. 2/Circ.12/ rev.2 Revised guidelines](#) for formal safety assessment (FSA) for use in the IMO rule-making process.

A hazard identification was carried out covering Detection, Containment, Firefighting, and Prevention.

What is the further process once the CARGOSAFE results are available publicly?

We have handed over the project to EMSA and are in the process of finalising it.

EMSA, the project owner, handles making the results public. From there, the project will be treated in the IMO and the respective relevant sub-committee.



Report of the 79th session of the Committee on Marine Environment Protection Committee (MEPC 79)



Lars Lange
IUMI Secretary General

The Marine Environment Protection Committee (MEPC) addresses environmental issues under the IMO's remit, including air pollutants and greenhouse gas emissions. The 79th session of the Committee (MEPC 79) met from 12 to 16 December 2022. Dr Harry Conway from Liberia chaired the meeting. The most pressing issue on the agenda is the decarbonisation of shipping.

Tackling climate change – cutting GHG emissions from ships

The Initial IMO Strategy on Reduction of GHG Emissions from Shipping was adopted in 2018, setting a pathway to the decarbonisation of international shipping. On 1 November 2022, the “short-term measure” to reduce ships’ carbon intensity came into force, introducing the Energy Efficiency Existing Ship Index (EEXI); the annual operational carbon intensity indicator (CII) rating and an enhanced Ship Energy Efficiency Management Plan (SEEMP).

Revision of the initial IMO GHG Strategy

At MEPC 77, Member States agreed to initiate the revision process of the Initial IMO GHG Strategy towards adopting a strengthened revised strategy in mid-2023 at MEPC 80.

The Committee reaffirmed its commitment to adopting a revised IMO GHG Strategy, including a strengthened level of ambition by MEPC 80.

Furthermore, to continue identifying the candidate GHG reduction measures to be developed in priority as part of a set of measures consisting of technical and economic elements by MEPC 80. Also, to undertake a comprehensive impact assessment of the candidate measures ahead of their adoption. MEPC 80 (3 to 7 July 2023) is expected to adopt the revised IMO Strategy for reducing GHG Emissions from ships.

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Report of the 79th session of the
Committee on Marine Environment
Protection Committee (MEPC 79)

Continued

Revised resolutions

The MEPC adopted revised resolutions on voluntary cooperation with ports and national action plans. This includes an invitation to the Member States to encourage voluntary collaboration between the port and the shipping sectors, including contributing to reducing GHG emissions from ships. This is done by facilitating voluntary cooperation through the whole value chain, including ports, to create favourable conditions to reduce GHG emissions from ships through shipping routes and maritime hubs. The Member States are further encouraged to develop and submit voluntary national action plans (NAPs) to address GHG emissions from ships.

Mid-term measures

The MEPC 76 session adopted a concrete work plan on the way forward, making progress with candidate mid- and long-term measures. These include measures to incentivise a move from fossil fuels to low- and zero-carbon fuels to decarbonise international shipping. The Intersessional working group on the Reduction of GHG Emissions reported on its progress regarding further development of a “basket of candidate mid-term measures”. This will integrate both various technical (for example, a GHG fuel intensity standard and/or enhancement of IMO’s carbon intensity measures) and economic (for example, a “levy”, a “reward”, “feebate” or “flat rate contribution”) elements to be further developed as a priority after MEPC 80.

Life Cycle GHG assessment guidelines (LCA Guidelines)

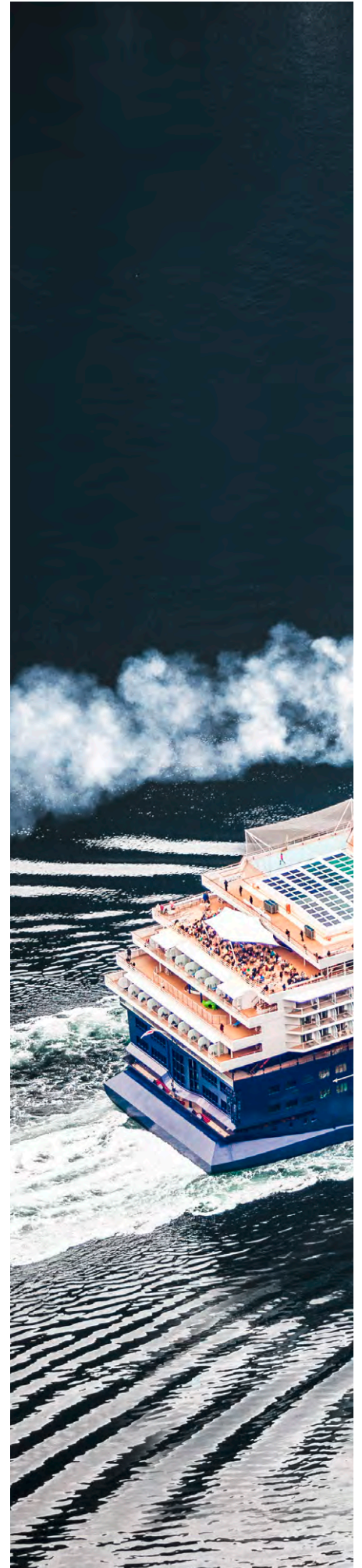
The MEPC considered the Correspondence Group on Marine Fuel Life Cycle GHG Analysis interim report. The Committee agreed to updated terms of reference for the correspondence group. It is expected to submit its final report to MEPC 80, including the draft LCA guidelines for consideration and adoption. The draft LCA guidelines will allow for a well-to-wake calculation, including well-to-tank and tank-to-wake emission factors, of total GHG emissions relating to the production and use of marine fuels.

Revision of the IMO Fuel Consumption Monitoring Data Collection System (IMO DCS)

ISWG-GHG 13 (Intersessional Working Group on Green House Gas Emissions from Ships which gathers between MEPC meetings) discussed a proposal for the future revision of the IMO data collection system of annual fuel consumption, looking into possible future changes to the reporting module. This includes enhanced transparency and additional reporting parameters. MEPC 79 noted the broad support by the group to the proposal of having data on transport work, the possible use of innovative technologies and the granularity of reported data. Interested member states and international organisations were invited to investigate technical and practical implications further.

The DCS is the basis for assessing GHG emissions used by signatories to the [Poseidon Principles for Marine Insurance](#).

[A full report of the MEPC 79 is available here.](#)





Hendrike Kühl
IUMI Policy Director

9th session of the Sub-Committee on Ship Design and Construction (SDC 9)



The Sub-Committee on Ship Design and Construction (SDC), chaired by Erik Tvedt from Denmark, held its ninth session from 23 to 27 January 2023. Key issues discussed at the meeting included:

Emergency towing arrangements – extension to ships other than tankers

Draft SOLAS amendments to apply requirements for emergency towing equipment for tankers to other types of ships were agreed, for submission to the next session of the Maritime Safety Committee (MSC) for approval with a view to subsequent adoption. The draft amendments would require emergency towing arrangements to be fitted on ships other than tankers of 20,000 gross tonnage and above. These arrangements make provision for rapid deployment in the absence of main power on the ship to be towed and easy connection to the towing vessel.

Addressing underwater noise from ships

The SDC Sub-Committee agreed upon draft revised guidelines for reducing underwater noise from commercial shipping addressing adverse impacts on marine life. The draft guidelines recognise that commercial shipping is one of the main contributors to underwater radiated noise (URN). URN has adverse effects on the critical life functions for a wide range of marine life, including marine mammals, fish and invertebrate species, upon which many coastal Indigenous communities depend for their food, livelihoods and cultures.

The draft revised guidelines give an overview of approaches designers, shipbuilders and ship operators can apply to reduce the underwater radiated noise of any given ship. They are intended to assist relevant stakeholders in establishing mechanisms and programmes to realise noise reduction efforts. The draft guidelines will now be submitted for approval to the Marine

Environment Protection Committee (MEPC 80), which will meet from 3 to 7 July 2023.

A correspondence group was re-established to address the remaining work under the agenda item and will report to SDC 10 in January 2024. The Sub-Committee also agreed on a work plan which envisages, among other things, identifying ways to implement the revised guidelines and increase awareness and uptake. This includes organising an expert workshop on potential co-benefits and trade-offs that may exist between the reduction of underwater radiated noise from ships and energy efficiency; and developing a plan of action for further work.

The revised draft guidelines include a reference to Inuit Nunaat, saying that, in Inuit Nunaat, a number of characteristics of the region and the activities within could increase the impacts from underwater radiated noise. This includes the potential for icebreaking activities, the presence of noise-sensitive species, and potential interference with indigenous hunting rights. Additional efforts to decrease the effects on marine wildlife are advisable for ships operating in these areas, including particular attention to reducing the noise impact from icebreaking and implementing operational approaches and monitoring.

[A complete report of the meeting is available here.](#)



Lars Lange
IUMI Secretary General

9th session of the Sub-Committee on Ship Systems and Equipment (SSE 9)



The ninth session of the Sub-Committee on Ship Systems and Equipment (SSE 9) was held from 27 February to 3 March 2023 at the IMO in London. It was chaired by Umut Şentürk from Türkiye. Hendrike Kühl represented IUMI at the meeting. Key issues addressed by the committee included:

Containership fires

The Sub-Committee has been tasked to develop amendments to SOLAS chapter II-2 and the FSS Code concerning the detection and control of fires in cargo holds and on the cargo deck of containerships. This issue has been advanced to the IMO's agenda with strong support and input from IUMI.

For this session, the SSE Sub-Committee had for its consideration two proposals. One suggests fixed water monitors as an alternative to a mobile water monitor to improve the fire-fighting capability for the cargo deck area of containerships. The second proposal included video fire detection systems as an alternative means to improve the detection capability of fires on deck cargo areas of containerships.

Following a brief discussion and having noted that the proposals would be better addressed together with the outcome of the expected meeting of the FSA Experts Group that would review the report of the CARGOSAFE FSA study, the Sub-Committee agreed to postpone the consideration of the proposals to the next session to ensure a holistic approach.

Fires on RoRo passenger ships

The Sub-Committee completed its review of SOLAS chapter II-2 and the Fire Safety Systems (FSS) Code to minimise the incidences and consequences of fires on board RoRo passenger ships. The draft amendments agreed by the Sub-Committee will be forwarded to MSC 107 for approval. The draft SOLAS amendments will mainly apply to

passenger ships constructed on or after 1 January 2026 and include requirements for the following:

- fixed fire detection and fire alarm system provided for the area on the weather deck intended for the carriage of vehicles;
- an effective video monitoring system shall be arranged in the vehicle, special category and ro-ro spaces for continuous monitoring of these spaces;
- structural fire protection in passenger ships carrying more than 36 passengers, including fire insulation of boundary bulkheads and decks of special category and RoRo spaces; and
- a fixed water-based fire-extinguishing system based on the monitor(s) to be installed to cover weather decks intended for the carriage of vehicles.

The draft amendments to the FSS Code include specifications of fixed water-based fire-extinguishing on RoRo passenger ships having weather decks intended for the carriage of vehicles. Draft amendments to the Revised Guidelines for the design and approval of fixed water-based fire-fighting systems for RoRo and special category spaces were also agreed upon.

Fire protection of control stations and cargo control rooms

The Sub-Committee finalised draft amendments to regulation 7 of SOLAS chapter II-2 (Detection and alarm), which addresses fire protection of control stations and cargo control rooms on cargo ships to enhance fire safety in such locations.



IUMI's Winter Meeting focused on future priorities and ongoing policy and advocacy work

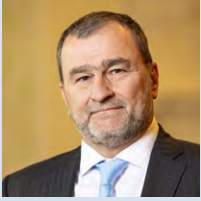
Members of the IUMI Executive and Technical Committees gathered in London to discuss the challenges marine insurers are currently facing.

On 6 and 7 February 2023, IUMI's annual Winter Meeting took place in London again, this time in-person after two years of virtual / hybrid meetings due to the COVID pandemic. The Executive and Technical Committee Chairs discussed IUMI's future priorities and set up under the "IUMI 2030" strategy debate. The busy agenda also included updates and discussions about the ongoing policy and advocacy work as well as the education and qualification programmes, such as the new [Masterclass in Cargo Insurance](#). The group also debated this year's annual conference theme, diving into the many issues which keep marine insurers on their toes. Ultimately, it was agreed to run [IUMI 2023 in Edinburgh](#) under the header *Strength and stability in turbulent seas*.

The Winter Meeting was followed by a press conference in which IUMI President Frédéric Denèfle, Facts & Figures Committee Chair Jun Lin, Cargo Committee Chair Isabelle Therrien and IUMI Vice Chair Sean Dalton provided [updates](#) on recent developments in the marine insurance market, the impact of inflation and the challenges marine insurers face due to the Ukraine war.

Many thanks to Neil Roberts and his Lloyd's Market Association team for hosting us at the iconic Lloyd's building!

Bringing the 'dark' fleet into the light



Ilias Tsakiris
Chair, Ocean Hull Committee
and CEO, Hellenic Hull

The invasion of Ukraine triggered a wide range of sanctions with both direct and indirect effects on our industry. These sanctions, coming on top of other sanctions already in existence, have made insurance companies' compliance departments busier than ever before, with their officers being asked to do detective work regularly.

In January this year, a tragic explosion onboard the tanker Smooth Sea 22 introduced us to a new type of fraud – Vessel Identity Laundering. The vessel, supposedly built in 2018, was, in fact, built in 1986 and had two IMO numbers. Vessel identity laundering is a novel tactic in which one or more vessels adopt a different identity on Automatic Identification System (AIS) transmissions in order to allow “dirty” (i.e., associated with illicit activities) ships to assume “clean” identities, and involves at least one vessel in this operation assuming an identity that is obtained by defrauding the International Maritime Organization (IMO) number ([Unmasked – Vessel Identity Laundering c4ads.org](https://www.unmasked-vessel.com/)).

This new fraudulent practice adds to the concerns arising from the so-called 'dark' fleet that, according to some reports, might be close to 600 vessels. As sales of older tanker vessels are booming, there is a possibility that this may grow further soon. Obviously, reputable shipowners want to avoid getting involved in illegal trades. As a result, due to the limited supply of vessels willing to trade under these circumstances, transporting sanctioned cargo has become an extremely lucrative business for the minority prepared to breach sanctions.

We cannot turn a blind eye to these vessels sailing the same seas and facing the same risks as other vessels. They, too, have real people on board. The vast majority of marine underwriters honour their regulatory and ethical obligations and comply with the new laws. They do not insure vessels involved in this unlawful business. However, from the perspective of safety and environmental risks, the emergence of these shadow ships and the countries willing to harbour them concerns all stakeholders involved in the maritime industry.

The 'dark' fleet consists almost entirely of ships past their prime and on their way to the scrap yard, operating under flags of convenience that have less stringent regulatory requirements in place and allow lower maintenance standards. This can only put this fleet at a greater risk of accidents than the industry norm.

As marine underwriters, we are not here to question if the sanctions are right or wrong. However, stakeholders need to focus on the potential consequences if there is a major loss involving vessels from the 'dark' fleet. It is not sufficient to allow these vessels to go uninsured. It is imperative that all regulatory bodies around shipping – together with insurers, classification societies, and crewing agencies all doing their part by conducting thorough due diligence - act transparently and bring this 'dark' fleet to light. It is imperative to educate those owners involved in sanctioned trading on what the consequences could be in case of an accident. It is paramount to raise awareness so that the crews also fully understand the potential repercussions of being employed on board these substandard vessels.

In the era of ESG advocacy, it's vital to recognise that the issues raised by the 'dark' fleet are complex and multifaceted. With a concerted effort and collaboration from all stakeholders, we can prevent substandard shipping from threatening our maritime industry and our environment.





Kim Jefferies
Special Adviser, Gard AS

Plastic in the ocean: Shipping's contribution to the problem and the solutions

According to the UN Environmental Programme (UNEP), the global annual production of plastic is estimated at about 400 million metric tons. That is substantially more than the combined weight of the human population. UNEP [reports](#) that more than a third of plastic is used in packaging, including drink bottles. UNEP reckons globally that single-use packaging makes up 46% of plastic waste. Seven of the top ten litter items found stranded in coastal areas are packaging with food wrapping and drinks bottles at number two and five, respectively. To what extent is this type of plastic waste coming from ships?

[Marpol Annex V](#) prohibits garbage discharge, including plastic waste from ships. Vessels of 100 GT and above must carry a garbage management plan, and vessels of 400 GT must also record garbage handling in the Garbage Record Book. Port states have a corresponding obligation to provide adequate reception facilities. Marpol Annex V is widely subscribed, with over 150 nations as signatories and has been in force for decades. Most plastic waste in the ocean comes from land-based sources, but can we be confident that MARPOL compliance is universal and waste does not come from ships?

Plastic waste such as lost or discarded fishing nets, ropes, and floats can be identified as originating in the fishing industry. Identifying plastic items from cargo ships is challenging as many items are the same as those used on land. A recent study confirms that some plastic litter originates from shipping. The [study](#) identified by date stamp plastic drinks bottles stranded on the remote South Atlantic Island, Tristan da Cunha. Many of the most recent additions were from Asia and could only have found their way to the island from passing vessel traffic.

And vessels that carefully follow the MARPOL regulations cannot control what happens to plastic waste once landed at disposal facilities. To address the accumulation of plastic waste, BIMCO is shepherding a [project](#) to provide guidelines using onboard water dispensers that provide a good-tasting and healthy alternative to water in plastic bottles. BIMCO's "back of the envelope" estimate is that 1.7 billion plastic water bottles are used onboard commercial ships annually. Replacing plastic water bottles will keep such single-use plastic out of the waste stream. That is a laudable goal.

The risks of lithium-ion batteries and lithium-iron phosphate batteries are worrying for the shipping industry



Lorena Petershagen
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The advantages of lithium-ion batteries include high efficiency, high cell voltages and low self-discharge. Under normal circumstances and with proper handling, they can be classified as comparatively safe. However, mechanical damage, external thermal stress or overcharging can pose a risk. In addition, the battery itself poses risks due to the emission of toxic/flammable/explosive gases in the event of a fire and due to the fire loads of the material used.

Lithium-iron phosphate batteries (LiFePo) are often proposed as an alternative solution. Due to their lower energy density, they require more space and are usually only used in stationary systems. The lower energy density theoretically also is to help to minimise the risk of fire.

But what does this mean in concrete terms for risks regarding transported cargo and stored goods?

The main components of the two battery types are similar. In both cases, the electrolytes used consist of a highly flammable liquid, which is usually the first to burn in the case of rechargeable batteries.

However, according to the manufacturers, lithium iron phosphate batteries do not release oxygen in case of fire, making them easier to extinguish.

Even if the risk posed by rechargeable batteries in the event of a fire is to be assessed as slightly lower, it is still advisable to apply the same safety measures for their use and storage as lithium-ion batteries.

These include observing and complying with the manufacturer's instructions or product data sheets. Furthermore, both internal and external short circuits should be avoided, as should direct and long-term contact with heat. As a matter of principle, there should be spatial separation from fire loads to prevent a possible fire from spreading. In addition, using a fire alarm system can help detect a fire at an early stage of its development and thus prevent damage.

In general, it should be noted that a single safety measure alone does not provide sufficient risk reduction. A combination of different risk-minimising measures is always advantageous; after all, forewarned is forearmed.

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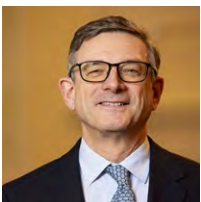
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Ukraine War: challenges around reinsurance cover



Frédéric Denèfle
IUMI President
and Managing Director,
Garex

The war in Ukraine has been ongoing for more than a year, and the consequences of such a conflict have strongly impacted the marine insurance community.

The most apparent effects that have been deeply analysed and commented on are for the hull war insurers and the cargo war insurers facing potential claims for the hulls and cargoes caught in the war for more than 12 months.

More than 40 vessels are still trapped with their cargoes on board, and whilst the grain corridor was a partial relief for many vessels able to sail and benefit from it, the effect of such an international agreement between Russian and Ukraine has not solved all the problems.

The reinsurance market has experienced a series of other types of loss in different risk areas linked to droughts or hurricanes, not to mention massive fires which occurred in various parts of the world. Therefore, it was not prepared to continue to provide the marine war business with the same protection as in previous years. Many of the direct marine insurers involved in war risks could

not find the support of the traditional reinsurance stakeholders. The 1 January 2023 renewal was a real moment of truth for the marine insurance industry, now bound to consider and keep the marine war risks in its retention.

But is this really surprising? The war is still ongoing in Ukraine, and it appears relatively clear that risks for the shipping industry in the Black Sea are at a very high level with potential replication of a war-like situation on the vessels now involved in the grain corridor activity and more generally still navigating in other parts of the Black Sea.

War-like situations which fall under the marine war insurance contract could also impact other parts of the world. The rising geopolitical tensions in Southeast Asia could, under some extreme evolution, lead to sudden severe disruption and threats on shipowner activities, charterers' commitment, or exporters through some form of blockade or detention linked to mounting military threats on land or the oceans.

→



Ukraine War: challenges around reinsurance cover

Continued

Any belligerent powers who are now involved in a geopolitical tactic to weaken their competitor will use all possible means to reduce or paralyse shipping communication and international trade to support its adversaries.

The measures can be multiple, and war history is marked with blockades, seizures, and all associates' decisions allowing them to send a clear warning to the world without entering into a real war.

Private merchants are the first to be exposed to such radical moves. The reinsurance industry has received the Ukrainian crisis as an essential reminder of this unfortunate but well known geopolitical evolution encompassing economic war and threats on shipping.

This is part of the hybrid war, now adding to usual disturbance means against potential enemies such as cyber-attacks and communication war.

The future is unstable, and some reinsurers are now clearly sending a message reducing the capacity they previously provided. Alternatively, they are asking for some radical changes from insurers on how they underwrite the business to mitigate their risks with the following:

How many vessels and what values are loaded?

Risk management and information monitoring in real time about the location of vessels insured will now become a precedent condition to regain the reinsurer's trust and demonstrate a clear business case showing knowledge and control of the ongoing risks, specifically when it comes to war.

This will require effort in data management and technologies to monitor those. Marine insurers can rely on IUMI's forum to consider the market evolution on this issue and a way to promote the ability to adapt to these new requirements.

IUMI's September conference will be an opportunity to analyse the new market evolutions and the potential solutions for such improvement.

Marine insurers have to demonstrate their potential strength to reduce and adapt to these new risks. They need to convince reinsurers who have decided to step away from the market facing a new war situation but who are always prepared to support risks carriers facing new challenges with efficiency and a clear target to balance the exposure to the common benefit.

The time has come to adapt to this new situation. Marine insurance markets have demonstrated their capacity to bounce back following market collapses; the coming time will not be an exception. Reinsurers will undoubtedly watch the evolution and regain confidence as long as the direct market shows its ability to face these challenges.

IUMI cares about these evolutions and echoes the return of experiences tackling these issues.



Autonomous and electric ferries set course for Sweden



Mathias Ebersson

Inland Hull, Fishing Vessels & Yachts Committee and Master Mariner, Senior Marine Underwriter, HDI Global Specialty SE

The race to greener transport is well underway in Sweden, with the city of Stockholm on course to be running electric autonomous car ferries across the archipelago by mid-2024. The Swedish capital is also set to pilot an electric hydrofoil commuter ferry later this year.

Last autumn, the Swedish Transport Administration, Trafikverket Sweden, signed a deal with Holland Shipyards Group for up to four autonomous all-electric car ferries – including auto-mooring facilities and charging stations. Electric-powered and rechargeable whilst mooring, they will have backup engines running on HVO, an environmentally friendly diesel substitute.

The 60-car capacity ferries will also be autonomous, defined as class 2 under the IMO's classification system. That is, they will be remotely controlled from a centre in Stockholm, activated by the simple pressing of a button, but will still have a crew on board empowered to take over control if needed.

The first ferry, scheduled for delivery in the second half of 2024, will run between Ljusteröleden and Vaxholmsleden in the Stockholm archipelago.

Electric transport has been a familiar sight for some time but will take another step forward later this year as the Region of Stockholm will run a nine-month pilot of the P-12 Shuttle, a 30-passenger electric hydrofoil ferry, built by marine technology company Candela. The silent, carbon-fibre wing shuttle has a service

speed of 30 mph. It uses a computer for active electronic stabilization, regulating the hydrofoils 100 times per second to eliminate any wake, which, the makers claim, also eliminates sea sickness.

Fully chargeable in an hour, the P-12 uses 80% less energy than conventional vessels and will run between the Stockholm suburb of Ekerö and the main city centre.

From an insurance perspective, the key risks are lithium-ion batteries' well-documented fire and contamination issues. In particular, there is a need to ensure a comprehensive understanding of the specific cooling/fire extinguishing procedures in the event of an incident, which also needs to be supported by specialist training, – and equipment – for crew members. In terms of automation, outside of cyber-attack, the main challenges are around the training of the system itself with regard to the many potential situations it could face – such as an elk swimming in the water, though perhaps outside of the Nordic countries, this may not be such an issue.

The CTL conundrum: Dealing with the vessels stranded in Ukraine



Richard Neylon, Partner and
Simon Maxwell, Associate

HFW LLP
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24 February 2023 marked the one-year anniversary of Russia's invasion of Ukraine.

In an insurance context, the date is an important trigger as a typical war risk policy stipulates that a vessel becomes a constructive total loss (CTL) after the assured has lost the "free use and disposal" of the vessel or it is "blocked" or "trapped" for one year.

Once an assured issues a "notice of abandonment", advancing the claim for a CTL, insurers have to make important decisions on the validity of the claim based on the policy wording, the situation surrounding the vessel and the actions of the assured.

In some cases, insurers might question whether a valid CTL had actually occurred: had the assured performed their obligations (under statute and the policy) to "sue and labour", that is, to take all reasonable measures to try to avert or minimise the loss? In some cases, perhaps, no effort would have secured the vessel's release. However, where a vessel was in a "permitted" port under the Black Sea Grain Initiative (BSGI), that is, Odessa, Chornomorsk and Yuzhny, but had a cargo loaded that fell outside of the BSGI, the insurers may question whether the assured could have discharged the cargo, loaded a "permitted" cargo and sailed under the BSGI, thus avoiding a CTL?

The majority of vessels stranded in Ukraine did not have this option. Upon payment of a CTL, insurers are entitled to take over the assured's interest in the vessel. Insurers are typically reluctant to become "shipowners" themselves, so among their options are:

(a) agree to a "compromised total loss" with the assured, whereby the assured keeps the vessel in consideration for a discount off the pay-out;

(b) sell the vessel to a third party;

(c) transfer the vessel to a third-party warehousing company, but retain an economic interest in the vessel; or

(d) disclaim the vessel and leave it with the assured.

This requires careful planning and, ideally, good coordination with the assured.

HFW is widely regarded as the leading global law firm with the expertise to respond to incidents in complex and hostile environments. Our [Complex Environments team](#) specialises in advising those operating in high-risk jurisdictions. The team (working in conjunction with our Shipping Team) represents the insurers of 25 vessels that were stranded as a result of the war in Ukraine.



Offering guidance for properly implementing and applying IMO liability and compensation conventions



Guillermo Zamora, CEO

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A Claims Handling Manual may offer assistance for any problem encountered by claimants for the liable party to pay its dues in maritime incidents.

IOPC Funds, IMO and IUMI are concerned about the events following maritime incidents in which the shipowner does not have the financial backing to adequately respond to these liabilities and subsequent claims while holding a Blue Card. As such, in some cases, non-IG fixed premium insurers may not provide sufficient financial backup when in demand from a victim.

Similarly, the financial solvency of some shipowners and the companies created to be registered as owners of sea-going vessels are sometimes insufficient.

This kind of claim arriving at a safe port is a challenging job which requires specialisation. As such, the IOPC Fund offers a Claims Manual for claiming against the very own Fund.

Claimants are not always professionals, and often their resources are limited.

Recent developments on this matter at the IMO's Legal Committee include a revision of Circular Letter No. 3464 as well as work on the "Development of guidance for the proper implementation and application of IMO liability and compensation conventions". These efforts are of great value.

Obtaining prompt information from the liable party (e.g., who they and their insurers are) is a crucial and challenging task which any claimant ought to know. Also, understanding how limits of liability work will benefit the outcome for any claimant and, therefore, a Claims Handling Manual may be of assistance.

The IMO Legal Committee has scrutinised several incidents involving liability and compensation conventions. It found that in approximately 30% of incidents either the vessel was uninsured or the insurer was unidentifiable. Another 20 incidents examined were insured by non-IG insurers, resulting in six out of these 20 being paid by the IOPC Fund before the shipowner's limit of liability had been reached.

In conclusion, to develop guidance and proper implementation of IMO liability and compensation conventions, elaborating a Claims Handling Manual may be beneficial.



People at IUMI

Jun Lin

Chair, IUMI Facts & Figures Committee and Head of Portfolio & Business Development at Gard AS



How long have you been associated with IUMI?

I joined IUMI in 2017 but followed the IUMI publications much earlier.

What is your IUMI role today, and what does it involve?

I currently chair the Facts and Figures Committee. With the help of IUMI's key professional information providers, the Committee has an important role in collating and interpreting high-level statistics and trends relating to the marine and energy insurance industry. The published statistics are often regarded as the industry's most authoritative and are regularly referenced by others. As the Chair, my role is mainly to facilitate the work of my excellent committee members, organise the meetings for the Committee and contribute towards IUMI's work on behalf of the Committee.

And what is your day job?

My day job is as the Head of Business and Portfolio Development for Gard. This involves complex client projects, portfolio strategy and broker relationship management.

What advice do you have for newcomers to the marine insurance industry?

I found the marine insurance industry very collegial. I benefit immensely from the patience and guidance of others as I develop in the industry. So, my advice is "be eager to learn from the experts" and "expand and develop your network".

What are the most important skills anyone needs to succeed in the marine insurance industry?

Attention to detail for me is the most important. It applies to wording in the slip, the claims stats, and trends in the industry.

What benefits do you get from being associated with IUMI?

The network of IUMI is compelling. I benefit a lot from the knowledge sharing within.

If you could change anything at IUMI, what would it be?

I am impressed with IUMI's recent development, particularly in education and knowledge sharing. If I could change anything, it would be more investment towards this area especially related to emerging risks.

How did you reach your current position in marine insurance?

My path may be a little different than others. I was trained as an actuary before working in the reinsurance broking industry, from where I got into marine and energy. My training gives me the tools to interrogate figures, and reinsurance knowledge helps me understand the key drivers affecting the M&E underwriting results.

And what do you do away from the office?

I love travelling and food and, more recently, become obsessed with history related podcasts.

Asia Forum 2023: a first for the Middle East

The IUMI 2023 Asia Forum will be hosted from 8 to 10 May in Dubai, United Arab Emirates (UAE) and feature a panel of knowledgeable speakers during the 2-day conference. It is also the first time the Asia Forum will take place in the Middle East.

Dubai, situated on the eastern Arabian Peninsula on the coast of the Arabian Gulf, is an important central global transport hub for passengers and cargo.

A centre for regional and international trade since the early 20th century, historically, Dubai and its twin across Dubai Creek, Deira (independent of Dubai City at that time), were important ports of call for western manufacturers.

Most of the new city's banking and financial centres were headquartered in the port area. Dubai maintained its importance as a trade route through the 1970s and 1980s. Dubai's Jebel Ali port, constructed in the 1970s, has the largest man-made harbour in the world and was ranked seventh globally for the volume of container traffic it supports.

Apart from experiencing the hospitality of the UAE, delegates can look forward to a complete programme.

On the first day, delegates will be welcomed by Fareed Lutfi, the Chairman of the Emirates Insurance Association, and IUMI's President Frédéric Denèfle. Dave Matcham, CEO of the International Underwriting Association of London, and Secretary of the IUMI's Facts & Figures Committee, will provide insight into global trade, the world fleet and the shipping market.

Delegates can also look forward to a joint session on the marine insurance markets in the Middle East, co-hosted by Cenk Bilgin, Senior Marine Underwriting Manager at AXA Gulf and Manik Sethi, Marine Director at Volante.

The second day will concentrate on sustainability and the impact of shipping on the environment. Patrizia Kern of Swiss Re Corporate Solutions will give a presentation on carbon emissions and marine hull insurance. Lars Lange, Secretary General of IUMI, will provide insight on IUMI at the IMO. There will also be a signing ceremony of the Poseidon Principles for Marine Insurance.

The forum will also allow delegates to network. For more information and to register, visit iumi-asia-forum-2023.com.





The socio-political situation in Latin America has challenges



Eduardo Marengo
MAPFRE Global Risks,
member of ALSUM

Risks are the same all over the world. However, as in the economy, external factors that can either have a positive or negative influence on risks. These could be affected in their evolution and development directly or indirectly.

Everywhere is facing the consequences of the war between Russia and Ukraine, but in Latin America (LATAM), we must add other factors, such as the trends of local governments, social conflicts and economic politics to a global crisis that further complicates the outlook for 2023.

How can these factors affect the insurance market in the region?

Starting with the conflict between Russia and Ukraine, restrictions have been activated because of the limitations and sanctions imposed by the EU, USA and the UK. Premiums for the coverage of war and strikes are increased, and finally, we could face a possible reduction in capacities from the markets. Additionally, it is important to highlight that all local companies in LATAM have reinsurance contracts supported by companies domiciled in the EU, USA, and UK, so they are indirectly forced to apply the same limitations and sanctions.

Social conflicts have increased claims due to strikes and civil commotion in the region, although theft claims are still the first concern. The claims ratio increases and adds to a possible reduction in market capacity. The premiums for war and strike coverage could suffer increases, which will be assumed by local clients in the private and public sectors, increasing the operating costs for these companies.

Local government measures can also impact insured risks; indirectly, when these measures are established to make more the exchange currency flow to dollars more difficult or restrict the free circulation of this currency in Argentina and Venezuela. The access of companies to this currency is reduced or becomes more expensive, directly impacting activities necessary for the maintenance or purchase of spare parts abroad, delaying their scheduled periods and therefore increasing the risk of possible incidents.

The challenge is great, but something that characterises the Latin American insurance market is the ability to innovate and be creative to overcome adversity. Current innovation trends and agile tools will be more present than ever in 2023.



Marine insurers are facing a challenging time due to an increase in inflation and a decrease in trade



Sean Dalton
Vice-Chair, Executive Committee
and Executive Vice President,
Head of Marine Underwriting,
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Reinsurance America

Similar to many sectors of the global economy, the global marine insurance industry is significantly impacted by inflation. Since May 2020, the inflation rate has increased to record levels in many countries.

The result has been a steady increase in the cost of goods and services. The increases are likely caused by a combination of factors, including sustained low-interest rates, an increase in money supply, governmental policies, and supply chain delays. When considering international trade and purchasing power, currency exchange rates are also a factor.

The world is also facing a downturn in international trade.

There has been a significant recent reduction in demand, resulting in slower vessel turnarounds in ports due to low cargo volumes. This, together with declining freight rates due to shrinking demands and the easing of congestion, shows that the market is decreasing. In turn, it impacts marine insurance as there is far less value to insure.

The various marine lines of business, including Ocean Cargo, Hull & Machinery, Protection & Indemnity, Marine Liabilities, Marine Builders Risk and Yacht Insurance, are all impacted by inflation. In simplest terms, inflation increases the cost of loss. Other factors unique to marine insurance products that are affected by inflation, such as increased values at risk, greater accumulation, adequacy of limits/deductibles, and policy valuation, make this more complex. Record freight rates and supply chain challenges resulting from the global pandemic are major factors impacting cost.

Some examples of specific cost drivers include higher material and labour costs for repair, as well as the availability of parts/materials and labour shortages. Third-party liability lines are also challenged with the increased cost of litigation and, in the USA, the ongoing ramifications of social inflation driving increased jury awards and settlements.

Marine insurance professionals are challenged to keep pace with these rapid changes and ensure sustainable offerings. One of the ways this is addressed is by making sure that technical premiums/rates keep pace with inflation. However, as the inflationary pressures were not easy to predict, the marine insurance market is reacting and either trying to “keep up” with rising costs or, more likely, playing “catch up” as rate change lag claims inflation. All this comes after four or more years of a much-needed market correction that is still ongoing and continued challenges ranging from war, the global pandemic, record cargo vessel fires, unprecedented container overboard losses, large wreck removal claims, and increasingly complex General Average claims.

Even with signs that inflation has peaked and is projected to ease throughout 2023, there are concerns about a global recession and its impact on marine lines. It will likely be 18 or more months until marine insurers have a decent view of the actual financial impact of inflation on their underwriting year results.

[For more detailed information, kindly refer to the webinar on inflation and its impact on marine insurance.](#)

How marine ILWs work: Demand is up and growing



Tom Johansmeyer
ARM

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Demand for marine and energy industry loss warranties (ILWs) has increased sharply over the past year – as it already had from the year before. After six years of heavy natural catastrophe activity worldwide, an increased appetite among reinsurers for speciality risk has led to significant accumulations and the need to offload risk. Capacity for traditional forms of retrocession is in short supply, making ILWs a much more attractive alternative than in the past. However, many protection buyers turning to the ILW market have little experience with it, let alone the underlying index.

Most marine and energy ILWs are traded using the [PCS Global Marine and Energy loss index](#). The index provides an independent view of industry-wide insured losses for ocean marine and offshore energy events of at least USD 250 mm worldwide. Although it is challenging to secure data on usage, we estimate that at least USD 1.0 bn in marine and energy ILWs has traded on the index since its 2017 launch. The bulk of this activity occurred between trading parties familiar with the index. There were some additional transactions from parties who may not have understood the index but traded anyway due to tactical, short-term considerations.

The increase in demand for marine and energy ILW capacity calls for a more robust understanding of how ILWs work. The mechanics are thankfully straightforward. An ILW is a form of reinsurance that uses an independent third party to determine whether it pays. Examples make understanding ILWs much easier.

A USD 20 mm marine and energy ILW triggering at USD 2.0 bn according to PCS – a structure we see in the market – means that the protection seller will pay the protection buyer USD 20 mm if PCS reports an industry-wide insured loss of USD 2.0 bn from a marine or energy loss event.

A variation, called a “stretch,” pays out proportionately instead of on a binary basis. For example, a USD 1.5 bn stretch attaching at USD 1.5 bn – for USD 20 mm in protection – would start to pay at a PCS-reported marine or energy loss of USD 1.5 bn and pay the full amount by USD 3.0 bn. For example, a USD 2.25 bn loss would have the protection seller pay the protection buyer USD 10 mm.

In Bermuda alone, PCS has seen hundreds of millions of dollars in marine and energy ILWs quoted since the fourth quarter of 2023. Demand could increase again as marine and energy losses continue to materialise. ILWs will help engage new sources of capital in the marine market, such as insurance-linked securities, allowing reinsurers to improve risk and capital management.



How single points of failure can undermine global supply chains



Suki Basi
Managing Director

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Global containerised trade has suffered more severe disruption in the past few years than in its entire 70 years history. Analysts expect supply chain risks to remain high, reinforcing the need for deeper insights into the nature of connected exposures across the marine ecosystem.

Organisations have learnt their lesson from these past few years, as they increase inventory levels and use alternative modes of transport such as air freight to source needed materials. In the longer term, this will push up production costs at a time when global inflation is already high.

All these supply chain issues exist because global trade has become more concentrated and connected over the past few decades. More than 40% of international trade is based on the importing country having interdependencies with up to three economies it relies on for a supply of a product, according to the World Economic Forum.

This means that more countries are relying on a handful of nations to produce essential commodities or materials needed to produce goods and services.

An excellent example is the clothing industry, which relies on a small group of nations, including Vietnam and Bangladesh, to import key materials for their clothing items. So, when an incident such as the COVID lockdown caused supply chain disruption in those countries, companies could not import key commodities, limiting the supply of clothing items.

These so-called “single points of failures”, whether a port or country, can have ripple effects across the global supply chain. Recently, this occurred in Turkey, where the earthquake that hit Turkey and Syria damaged the port of Iskenderun, creating USD 679 mm in lost trade, [according to Russell's analysis](#).

In these uncertain times, (re)insurers and their corporates must maintain the ability to build resilience into their business portfolios, identify their connected risk and invest in forward-looking connected solutions to better understand and identify potential exposures.



Know Your Exposure

In a time of significant global port and shipping trade disruption, our clients value the forward-looking connected insights and analysis from ALPS Marine.

Find out why at www.russell.co.uk/analysis

The EU oil price cap on Russian oil and its impact on marine insurers



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Member of the Legal & Liability Committee of IUMI and Vice President of the Comité Maritime International (CMI)

In a concerted action with the G7 states and Australia, also known as the Oil Price Cap Coalition, the European Union recently imposed new sanctions on Russia. This has set commercially into force a price cap for Russian crude oil and petroleum products by an [amendment of EU Council Regulation 833/2014](#).

It is not a new development that sanctions extend to the insurance industry. The Iran sanctions added to this a far-reaching prohibition of insurance in favour of Iranian interests. The latest amendments to Regulation 833/2014 have added to this another tool. Insurance is neither prohibited generally nor in respect of certain goods. Still, but only if Russian crude oil or petroleum products are traded with third countries – these are countries other than the Oil Price Cap Coalition states – and above a value which is from time to time fixed by the EU in US Dollars. Initially, this value was set at USD 60 for crude oil per barrel. On 4 February 2023, the EU Council fixed it at USD 45 per barrel for crude oil and USD 100 per barrel for petroleum products.

The Regulation deals with the oil price cap in Art. 3n, which consists of 11 sub-paragraphs. However, these already detailed provisions must be read together with a *Guidance on the oil price cap* as contained in Chapter E Section 5 of the *Commission Consolidated FAQs on the implementation of Council Regulation No 833/2014* (the “Guidance”), provided by the EU Commission, last updated on 07.02.2023.

The Guidance is much more detailed than the Regulation itself. This leads to the question of whether some parts of the Guidance are Guidance only, which may originate from the Commission as part of the Executive, or whether they better had been part of the Regulation itself.

Structurally, Art 3n (1) of the Regulation prohibits all insurance of seaborne Russian crude oil traded to third countries. Art. 3n (6) provides for an exemption of the prohibition of insurance if the oil is sold at a price equal to or above the price cap fixed by the Regulation. The Guidance defines a 3-tier system, with the demands for documentation decreasing from tier to tier. Insurers are placed in the third tier, with the lowest requirements.

The Guidelines leave open whether such attestation is to be made once for all transport during the cover period or whether it is requested for each individual transport.

In practice, however, it will be easier for insurers to proceed with attestations for all individual transports.

→



ARNECKE
SIBETH
DABELSTEIN

The EU oil price cap on Russian oil and its impact on marine insurers

Continued

Only attestations can be a solid basis for good faith if oil is traded above the price cap. Insurers have realised the risks inherent to general attestations and sanctions clauses. Not only do the P&I Clubs organised in the International Group of P&I Associations demand from their member attestations for each voyage, but the Price Cap Extension Clauses LMA5604 (cargo) and LMA 5605 (hull) do not only provide for general attestations but also individual attestations for each transport.

With these steps, P&I Clubs, and cargo and hull & machinery insurers, immediately became active because insurance addressed by the Regulation includes not only cargo insurance but also P&I insurance and Hull & Machinery insurance.

Consequently, cargo insurers are prohibited from settling claims for damage to oil traded above the price cap. P&I insurers are not permitted to pay the liabilities of the carrying shipowner. Hull & Machinery insurers are prohibited from settling claims under the H&M policy regarding damage to the carrying vessel. It needs to be fully clear how causation operates in this context. In many jurisdictions, cover depends on the proximate cause of the damage being covered by the insurance policy.

This leads to the question of whether settlement of such a Hull and Machinery claim is prohibited, which was caused while the vessel carried oil trade above the price cap. Or whether it is not the moment causation, which is the relevant aspect, but the moment when damage occurs, or whether both scenarios are subject to the prohibition. In the first case, there would be no cover even if damage occurred long after the prohibited transport. In the second case, the cover would be prejudiced even though the vessel was still perfectly insured when the peril insured set the cause for the damage. In the last case, there would be no cover at all. Neither the Regulation nor the Guidance address this, so the EU Commission should provide clarification as soon as possible.

While art. 3n (6) allows insurance if the oil is traded below the oil price cap, Art. 3n (9) contains a further exception from the prohibition of insurance, which is not linked to the oil price cap. Instead, it applies even if the oil was traded above the oil price cap.

Unfortunately, this provision seems to be inappropriately worded. The exemption applied only when the oil transport as such was necessary to prevent an impact on human health and the environment. Obviously, in all practical cases, it is unnecessary to carry oil to prevent such effects. The UK provision contained in [sec. 6 of Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 16\) Regulations 2022](#) is clear, even more evident than the OFAC Guidance on Implementation of the [Price Cap Policy for Crude Oil of Russian Federation](#) and the [OFAC General Licence No. 57](#).

It is as a result of this submitted that this is the intention also of Art. 3n (9) of the Regulation, and clarification by the EU Commission would be most welcome. This should include clarification that P&I Clubs are allowed to honour their obligations towards innocent third parties in respect of Blue Cards issued under certain IMO conventions, namely 1992 CLC, the Bunkers Convention and the Wreck Removal Convention.

This article only covers some aspects relevant for insurers under the oil price cap. For the detailed article in English, please contact the author at d.schwampe@asd-law.com



Diesel engine fire risks still found evident during surveys



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Despite targeted and concentrated surveys carried out by Regulatory Bodies and Surveyors on behalf of the insurance industry, the fire risk due to defective exhaust manifold insulation on marine diesel engines is still unacceptable.

The primary fire triangle model below identifies the key ingredients to initiate and sustain an engine fire.

In this circumstance, oxygen and fuel are required to operate the engine. Isolation of the heat generated by the engine as a by-product of the combustion process must therefore be minimised to remove a major ignition risk. Exposed exhaust manifolds caused by damaged and missing insulation are a major contributor to the fire risk (Image 1).

Recent surveys show that damage to exhaust manifold insulation on both main and auxiliary engines is significant, and deficiencies must be more effectively monitored and corrected.

Defects suggest that failure to adequately refit the insulation after engine maintenance is a primary cause, as most damage found is related to missing or dislodged insulation.

The damage is predominantly found on vessels over ten years old and engines that have been the subject of planned and corrective maintenance action, requiring the disturbance or removal and subsequent reinstallation of manifold insulation.

If a concentrated effort is not undertaken to eradicate the current deficiencies found, a greater risk to loss of life will remain, and extensive damage to the vessels, cargo and the environment will continue to occur. A selection of photographs below demonstrates the damage found (Images 2 to 5).

The maximum surface temperature of the insulated manifolds under SOLAS should be below 220 degrees centigrade.

To reduce risk, we provide a number of economic and practical proposals that, in our opinion, should be immediately implemented within the industry:

- The introduction of documented quality control checks before recommissioning engines after maintenance is essential in ensuring that the engine is completely safe for use before returning it into service. This should include a visual inspection of exhaust insulation condition and the shielding of fuel pipework within the vicinity of the engine.
- Watchkeeping engineers should regularly check and log that exhaust manifold temperatures are maintained below the maximum allowable temperature.
- Surveyors carrying out Condition Surveys on behalf of the Insurance Industry should routinely use thermal cameras to check, record and present evidence of damage found and advise on recommended action required.

SurveyAssociation
est. 1914

Image 1



Image 2



Image 4

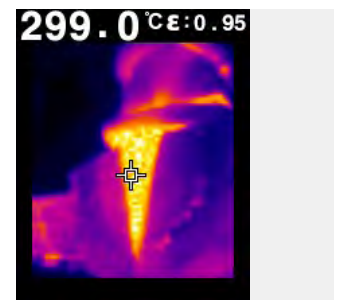


Image 3

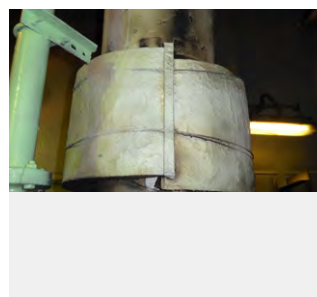


Image 5



Fatal consequences of ambiguous “Choice of Jurisdiction” clauses



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There is a never-ending dilemma faced by insurers/brokers worldwide regarding how to draft a governing “*jurisdiction clause*” in insurance contracts to protect their interests best. In the majority of cases, there is a conflict between the insurer and insured if based in a different jurisdiction and wanting to agree to jurisdiction in their country of domicile. To meet the needs of both parties, underwriters end up incorporating ambiguous clauses without realising the devastating effect the same can have if there is a future dispute between parties. So, what exactly is a well-drafted jurisdiction clause? The answer to the same may not be so simple.

In one of the recent judgements, dated 29 July 2022, passed by the English Commercial Court in *Al Mana Lifestyle Trading LLC & Ors. v United Fidelity Insurance Company PSC & Ors* [2022] EWHC 2049 (Comm) case, the Court dealt with the interpretation of a somewhat ambiguous jurisdiction clause governing insurance policies for business interruption losses. The Claimant operates in the Middle East and Gulf region, while the Defendants are insurance companies in the Middle East.

The jurisdiction clause reads as below:

“APPLICABLE LAW AND JURISDICTION:
In accordance with the jurisdiction, local laws, and practices of the country in which the policy is issued. Otherwise, England and Wales UK Jurisdiction shall be applied...”

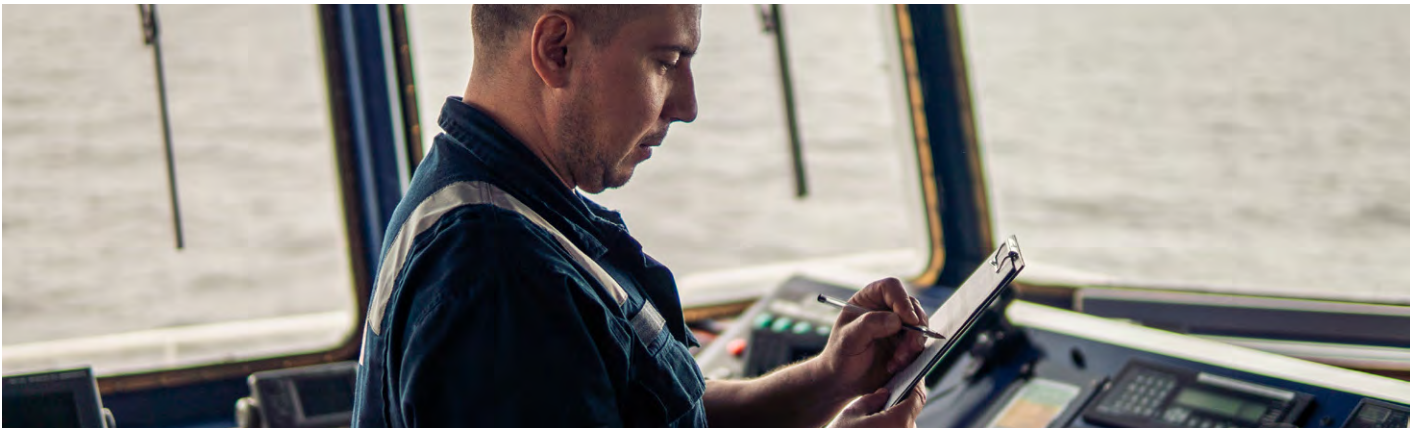
The Court upheld the Claimant’s approach, ruling that the jurisdiction clause permitted the parties either to initiate proceedings in the country where policies are issued or in England, granting a non-exclusive jurisdiction to English Courts. The court rejected the Defendants’ arguments regarding English courts being “forum non conveniens” due to a lack of strong reasons. The Defendants argued that none of the parties is based in England; the alleged losses were not sustained in England; that policies will be governed by the laws of the country in which policies were issued, and local courts will be best placed to apply those laws; all the relevant evidence will be located primarily in the Middle East, and the Defendants reinsurers were not even based in England.

The said judgment would have opened a Pandora’s box considering the likely consequences that could ensue in relation to cross-border enforcement of foreign judgments. However, very recently, Defendants were successfully able to overrule the said judgment in their favour in appeal. The appellate court upheld that the ordinary meaning of the not very well drafted provision is that the former part is a mandatory requirement for suing in the local court, supplemented by another mandatory requirement if that provision is ineffective.

Therefore, it must be an essential consideration while negotiating insurance contracts that vaguely worded clauses can give much room for interpretation to the courts, which can be commercially and strategically devastating for either of the parties.

[For more information click here.](#)

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The red thread: Human factors in loss prevention



Stephanie Sjöblad
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Alandia

With human factors contributing to more than 80% of maritime accidents, we must acknowledge that people have limitations and strengths that need to be understood and accounted for in our maritime safety methodology. We can analyse past incidents and near-misses to understand why certain human actions were taken and how to prevent re-occurrence. However, this requires a holistic system approach where errors are seen as consequences rather than causes.

The aim is to look at the circumstances surrounding incidents and ask what situational factors lead to mistakes, rather than focusing on the person and appointing blame: Are there specific error traps we can identify? Perhaps inefficient procedures or a lack of established procedures? How do the conditions and environment, or company values, influence the behaviour of the crew? For example, too much focus on productivity over safety (often driven by commercial pressures) could encourage seafarers to take shortcuts in their duties.

The role of loss prevention is to support shipowners by providing up-to-date advice and helping to identify areas where safety procedures and maintenance routines can be strengthened and developed to reduce the risk of loss. In doing so, we must maintain the red thread of human factors, understanding that it is impossible to eliminate errors as they are an inherent consequence of human fallibility. However, with the proper defences, barriers, and safeguards in place, mistakes don't have to end in disaster.

Furthermore, there is a strong link between human-centred loss prevention and sustainability. When considering sustainability, emphasis is often put on environmental protection, an important aspect that loss prevention contributes toward. However, we must also consider the significance of social sustainability. The world economy relies on approximately 1.89 million global seafarers to perform daily tasks in high-risk environments. Therefore, to take a holistic approach, we need to support the humans who are the core of the industry's future.

It is important to convey that safety and sustainability (which go hand in hand) are not just about technology and systems but also about shared values and interactions between people. A human-centred approach, including accurate risk analysis to establish effective interventions, curtails consequences for seafarers, economic stakeholders, and the environment.

Meeting the minimum safety requirements and maintenance standards is the starting point, not the end goal, and we must strive to improve the safety climate in the industry by adopting the right attitude.

IUMI podcast series



Listen to our monthly podcast on The Poseidon Principles for Marine Insurance: “What, how, why”



The Poseidon Principles for Marine Insurance (PPMI) are a global framework for assessing climate alignments of insurers' hull and machinery portfolios. The PPMI use the ambitions of the International Maritime Organization's greenhouse gas emissions strategy and the Paris Agreement as benchmarks. The first annual disclosure report of the PPMI signatory companies has just been published.

In this episode of the IUMI podcast, we spoke with Pauline des Vallières, member of IUMI's ESG Working Group and Sustainable Insurance Manager at SCOR, where she has been part of the Marine division for the last five years. Pauline explains what the PPMI are, how they work, and why marine insurance companies have signed up to publicly disclose the carbon footprint of their H&M portfolios.

[Click here to tune in.](#)



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Spring Meeting 2023: Marine insurers from around the world finally come back together in Hamburg

Hendrike Kühl
IUMI Policy Director

IUMI's annual Spring Meeting was finally back in person following a four-year break due to the pandemic. In early March, more than 120 committee and forum members from 25 countries gathered in Hamburg to discuss trends, challenges and issues impacting marine cargo and hull insurers, and to prepare for the workshop sessions at the upcoming IUMI annual conference in September in Edinburgh.

In the general session (aka "small IUMI"), Professor Dieter Schwampe from ASD provided an update on the revision of the CMI 1910 Collision Convention, which potentially has significant implications for marine insurers.

Moreover, insights into modern technical support used in cargo surveys were shared by Nicolas Gabriel from Battermann & Tillery, whose presentation offered an understanding of the requirements for the "surveyors of the future".

The Committee Chairs used the opportunity to provide insightful and engaging updates on the ongoing work of their committees. The meeting also provided much needed time for members to network, collaborate, share experiences, and discuss best practices.

The conference concluded with a special dinner for the international crowd of marine insurers at the historical "Speicherboden". Hamburg's "Speicherstadt" is the world's largest historic warehouse complex, located in the Port of Hamburg and was an excellent venue to gather our members from around the world for the closing dinner.

A special thanks to ASD and Battermann & Tillery, our continuous and long-standing sponsors, who help making the Spring Meeting possible!

IUMI welcomes new Committee members

It is with great pleasure that we announce the new members of the IUMI Technical Committees.

Facts & Figures – Sigorney Lau, Hong Kong / Mario Ciancarelli, Switzerland

Cargo Committee – Andrew Kidd, Australia / Ola Hussein, Egypt / Mark Watts, Singapore

Ocean Hull Committee – Xavier Lozach, France / Steven Zhao, Hong Kong

Inland Hull, Fishing and Yacht Committee – Jan Poels-Ryckeboer, Belgium / Stefan de Rooij, Netherlands / Chenlong (Bruce) Zeng, China

Offshore Energy Committee – Adam Reed, UK / May Hleileh, UAE

Legal & Liability Committee – Sinem Ogiş, Turkey / Bo Yu, Singapore / Rie Hirose, Japan / Maximilian Guth, Germany (IPP)

Loss Prevention Committee – Nick Chapman, UK / Martti Simojoki, Sweden / Henrik Uth, Denmark (IPP) / Rémi Barral, France (IPP)

Imprint

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