



Marine Hull & Machinery and War Risks Market Report

JULY 2021



Gallagher

Insurance | Risk Management | Consulting

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Our people partner with businesses across countries and international territories to provide relevant and impactful professional advice. Regardless of what risk and human capital challenges our clients have, we work hard and utilise industry specific expertise to find the best solution and to deliver it with world-class service. We continue to build on 90 plus years of expertise that spans global industries. No matter the size of the organisation we partner with and the challenges presented by the industry, we work tirelessly to provide solutions that maximise value for our clients.

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01. MARINE HULL & MACHINERY AND WAR RISKS INTRODUCTION – JULY 2021



Welcome to the July 2021 edition of the Gallagher Marine Hull & Machinery and War Risks Market Report. After a return to lockdown at the end of 2020, a gradual return to offices is now underway. The threat of new variants of COVID-19 remains, however, the UK appears to be well on track with the vaccination programme, and there is hope of return to a 'new normal' by the end of the summer. We are also eagerly awaiting the lifting of travel restrictions so we can visit our clients and partners around the world. In the meantime, we continue to work along with our customers and markets in the largely online trading environment which we have adapted to over the last 18 months.

The first half of 2021 has seen continued hardening of Hull & Machinery rates albeit at a slower pace than the previous year. Many Underwriters are still seeking rises of 10% and higher on clean renewals, but there is certainly pressure on the most desirable fleets to settle at more modest increases. There is some additional capacity being deployed to take advantage of the more favourable trading environment, most notably Navium Underwriting which is a new MGA writing Marine business backed by Fidelis. At the helm is well known market figure Clive Washbourn, who was previously at Beazley for many years.

The dominant maritime story in the early part of 2021 was the grounding of the 'Ever Given' which became wedged in the Suez Canal. The salvage operation and disruption to world trade made headlines around the world and really brought into focus the risks associated with the ever increasing size of the largest container ships. Thankfully the vessel was freed before any containers had to be removed and whilst this incident appears to be largely a P&I problem for now, Hull & Machinery Underwriters are asking 'when', rather than 'if', they will be picking up a large bill for a similar incident, and how complicated general average could become. Fires on container ships are of equal concern with the ongoing incident on the X-Press Pearl resulting in a total loss, as well as an environmental disaster. It serves as a further reminder of the risks if a similar incident occurred on a much bigger vessel.

The Joint War Committee has issued a new set of Listed Areas. JWLA-027 is attached to this report for reference and includes the Cabo Delgado area due to ongoing conflict in Mozambique. There has also been some reduction in the Indian Ocean excluded area, most notably allowing vessels to call Oman without breaching. The recent escalation in hostilities in Israel has seen a sharp spike in rates for vessels calling Israeli ports. As is often the case, rates can vary substantially due to the evolving situation and differing assessments on the level of risk.

In this edition, we continue our theme of sustainability in shipping which our reports are focused on throughout 2021. Ole Wikborg of Norwegian Hull Club revisits the topic of IMO 2020 and examines to what extent insurers' fears were realised as ships around the world have moved to cleaner fuels or the use of scrubbers. Jonathan Humm of AEGIS London Syndicate, and a member of the Joint Hull Committee ESG group, looks at the growing role of Environmental, Social and Governance in Underwriting decisions. Finally Nick Cooke-Priest of Sirius Insight looks at how focusing on data can cast a light on sustainability across the industry. As always, we would like to thank our guest contributors for sharing their expertise and hopefully helping us all to make better decisions navigating these complex areas.

We hope by the time of our next report in the autumn, we will have returned in some respects to a more familiar way of working, with the face-to-face contact and relationships that make both shipping and insurance such enjoyable industries to work in. In the meantime, we remain available on the telephone or online anytime, ready to provide insurance solutions, service and advice to our customers and friends around the world.





02. THE NEW WAVE IN MARINE UNDERWRITING: THE IMPACT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

JONATHAN HUMM, AEGIS LONDON

“A company that spends vast sums of money trying to address every conceivable Environmental, Social, and Governance (ESG) issue will likely see its financial performance suffer; however, companies that focus on material issues tend to outperform those that don’t.”¹

ESG performance is now an integral part of the Insurance value-chain. Ignore it at your peril but be wary of over-committing resource in inefficacious pursuits.

There is no rulebook on how to approach ESG matters, rather an understanding that something must be done, urgently. For insurers – who to cover, how much cover to provide, in what form, and the methods used to provide it, are all in the spotlight and the industry introspection will only increase as both internal and external assessments on ESG performance intensify. Insurers themselves must

understand that the responsibility to find solutions to sustainability challenges lies beyond the traditional underwriting model. Indeed, a recent report by McKinsey stated: “*if your company doesn’t have a plan for competing and winning in a net-zero economy, it’s time to make one*”.²

Maritime businesses are taking action both proactively and as a reaction to the ever-changing regulatory landscape, but it is important to remember that companies competing within a given marketplace have, by definition, competing interests. ESG is not distinguishable as a topic in its

own right – it is in increasingly influential facet of modern business dealings and the three prongs (E, S & G) are all also interlinked, and therefore shouldn’t be looked at in isolation.

The potential pitfalls of incorrect policymaking are well-documented. Over-emphasise the impact on your business and any corrective action taken may destabilise the existing business model or the market in which a company operates. Underestimate the importance of these issues and a company runs the risk of being accused of tokenism or

‘greenwashing’. An ESG approach needs to be rooted in quantifiable and achievable goals. More than a quarter of all assets under professional management across all sectors are screened against some ESG criteria, according to data shared on a recent webinar by DNV GL.³

As a Marine Underwriter, ESG issues are never far from the spotlight; decarbonisation has been on the agenda for many years and as the various deadlines loom the calls for action intensify. In the world of Ship Finance the ‘Poseidon Principles’ for example “*provide a framework for integrating climate considerations into lending decisions to promote international shipping’s decarbonisation*”.⁴ Financial institutions will both measure and publicise whether their Marine portfolios are forecasted to meet climate goals set by International Maritime Organization (IMO). These

goals are to reduce greenhouse gas (GHG) emissions by 40% by 2030 and 70% by 2050.⁵

That said, discussions around ESG are now much further-reaching than simply focusing on decarbonisation. The complexity of these discussions and the need for a response from insurers led the Joint Hull Committee to form an ESG group to advise on such matters. As a member of this, I am fortunate to have a guiding role in the action the committee takes. Our stated purpose is: “To support Marine insurers by providing information on relevant ESG issues for our industry and where possible assist Marine insurers and their stakeholders with their ESG transition”.

Whilst this is understandably insurer-focused, the breadth of the subject-matter in scope necessitates that the group consider views from a much wider set of

stakeholders. ESG goals for companies often dovetail with common industry goals and indeed their success is predicated on collective action across sectors. It is important not to consider these issues nor undertake any work in isolation. As insurers, we should be looking to support our clients wherever possible on their journey towards sustainable shipping.

At the inaugural meeting, the first point agreed on was that the ESG group will likely never disband. Almost all current Maritime discussions will have an ESG element to them going forward. It is therefore important to concentrate on issues that we are able to influence, rather than the wider and sometimes elusive concept of ‘ESG’ itself. ESG is not a goal per se and the breadth of the subject requires us to take just as much notice of what we can’t affect directly as what we can.

¹ Harvard Business Review – The Investor Revolution: Shareholders are getting serious about sustainability.

² <https://www.mckinsey.com/business-functions/sustainability/our-insights/sustainability-blog/time-is-running-out-for-business-leaders-net-zero-strategy>

³ <https://www.rivieramm.com/news-content-hub/news-content-hub/esg-becoming-a-isoquoacentrepiecesquo-of-shipping-valuations-61219>

⁴ <https://www.poseidonprinciples.org/>

⁵ <https://www.imo.org/en/MediaCentre/HotTopics/Pages/Reducing-greenhouse-gas-emissions-from-ships.aspx>





The welfare of seafarers for example, is of paramount importance to our industry and has been in the spotlight rightly during the COVID-19 pandemic. As the IMO commented: *“Seafarers have been the unsung heroes of this pandemic, as the world relies on them to transport more than 80% of trade by volume, including vital food and medical goods, energy and raw materials, as well as manufactured goods across the globe. They have also been collateral victims of the crisis, as travel restrictions have left tens of thousands of them stranded on ships, or unable to join ships”*.⁶ As vital as this is for our industry that these problems are addressed, it is nonetheless a pertinent example of an ESG-related topic that is too broad for insurers to tackle alone.

With a focused approach in mind, the ESG group decided to focus on three main areas initially – Marine Fuels, Vessel Recycling and Illegal Fishing.

MARINE FUELS

The IMO’s target to halve greenhouse gas (GHG) emissions by 2050 is looking increasingly difficult to achieve without urgent action. A recent report by Lloyd’s List suggests a gulf between the current compliance levels and what action is needed to meet future targets. A significant shift is required towards lower or even zero-carbon fuels by 2050, in order to have a chance of meeting the IMO target. There are also more pressing regulation-backed targets that will be implemented as soon as 2023.

The IMO GHG strategy includes regulatory tools such as mandatory design requirements (EEDI) for new ships to adhere to carbon intensity requirements and energy efficiency plans (SEEMP) to improve the efficiency of all ships. New vessels by definition should have fewer problems than older tonnage, so it is beholden on the insurance industry to work with the stakeholders involved in ‘at risk’ tonnage to achieve compliance within the stated deadlines. This must be supplemented by a reduction in demand for Marine bunker oil and associated improvements in fuel efficiency.

The JHC ESG group have reached out to Marine Surveyors amongst others and will continue to work with Shipowners wherever possible to ensure interim targets are within reach and compliance can be achieved. It is up to the industry to provide the necessary insurance framework for this to take place.

SHIP / VESSEL RECYCLING

Debate has intensified in recent years as to the best method of incentivising stakeholders to recycle Maritime assets in a sustainable way. Approximately 70% of the world’s tonnage sails for recycling whilst still covered under existing H&M and P&I policies. The other 30% of vessels make their way to the yards via third-party ship recycling specialist companies that make their own arrangements for Hull and P&I insurance. The two paths present different sets of risks for those insurers involved in this final voyage.

The Hong Kong Convention was adopted by the IMO in 2009, in order to minimize industrial accidents and environmental pollution when ships are dismantled. Ratification is currently underway in various countries but progress has been laboured.

From 31 December 2018, EU-flagged commercial vessels above 500 GT must be recycled in safe and environmentally sound ship recycling facilities that are included on the European List of approved ship recycling facilities. However, there is currently not enough capacity at EU-approved yards to handle the current demand for vessel recycling. Conversely, there is a huge supply of yard space on the Asian subcontinent which is where 90% of the world’s tonnage is recycled currently. There are around 120 yards in Alang, India alone.

Whilst it may be convenient to highlight some of the unacceptable practices that have occurred in the past in certain yards/geographies, standards are improving as countries adopt Hong Kong compliant practices. In fact, according to GMS, the world’s largest ‘cash buyer’ of ships for recycling some companies, like Maersk, demanded higher standards from yards (in the Asian subcontinent) and are willing to accept lower scrap prices as a result.⁷ This is to be encouraged if the demand for recycling yard space is to be met sustainably. The EU capacity cannot cater for this alone.

The ESG group has engaged with key stakeholders on this complicated topic to ensure that progress can be made, ships are recycled in a safe and environmentally-sensitive way and in line with relevant rules and regulations. Bilateral agreements will be needed between the EU and non-EU recycling countries to agree on how best to address the glut of recycling supply with yard space operating in a sustainable and environmentally-sensitive manner. AqualisBraemar are also working with the JHC ESG group to focus on the development of the Inventory of Hazardous Materials now needed on EU vessels.



ILLEGAL, UNREPORTED AND UNREGULATED (IUU) FISHING

Approximately 1 in 5 fish are caught illegally according to Oceana,⁸ an organization dedicated to the protection of our oceans. IUU fishing has a devastating impact on Marine ecosystems.

The ESG group intend to work with Maritime stakeholders to use available insurance levers to help subvert this practice. Insuring vessels associated with IUU fishing carries with it significant moral hazard for obvious reasons, so it stands to reason that insurers themselves will want to avoid this wherever possible. That said, it is up to the insurance industry to ensure that monitoring procedures are as accurate and up-to-date as possible to

enable us to detect vessels or assureds of concern. The ‘Oceana Guidelines’ for example provide a comprehensive set of recommendations from which companies or industry bodies are able to form policies to assess and mitigate risk in this sector.

ESG issues abound in the Marine Insurance space and the conversation is getting louder. The work of the JHC ESG group will add to the voice of insurance stakeholders during discussions of these crucial and often conflicting subjects, and it will be a great privilege to help shape the debate in the years to come.

Jonathan Humm, Class Underwriter for Hull and War at AEGIS London

ABOUT AEGIS LONDON

AEGIS Syndicate 1225 was created originally to provide global insurance facilities for AEGIS Mutual members but today writes a diversified book of over 20 lines of business serving members and non-members alike. AEGIS London offers specialist expertise and leadership to clients in more than 180 countries, working with a broad range of industry groups. It is consistently within the top-quartile performing Syndicates at Lloyd’s.

⁶ <https://www.imo.org/en/MediaCentre/HotTopics/Pages/FAQ-on-crew-changes-and-repatriation-of-seafarers.aspx>

⁷ <https://lloydslist.maritimeintelligence.informa.com/LL1136669/GMS-defends-Maersk-scrapping-record-after-Danish-criticism>

⁸ <https://www.globenewswire.com/news-release/2021/03/03/2186089/0/en/Oceana-Calls-for-U-S-Action-to-End-Illegal-Fishing-Seafood-Fraud.html>

03. IMO 2020 IMPLEMENTATION – HAS IT BEEN BETTER THAN EXPECTED?

OLE WIKBORG, NORWEGIAN HULL CLUB

A previous edition of this publication addressed the potential consequences for ship owners and Hull & Machinery insurers, as well as insurers of Marine liability stemming from the IMO 2020 regulation on the use of bunker fuels with lower Sulphur content. Some 18 months after its implementation, one might expect that tangible effects are evident to the ships themselves – their machinery in particular – and that the claims record of the Marine insurers will signal any financial consequence.

The shipping industry was very well prepared when 1 January 2020 dawned. Ship owners and operators had consulted engine makers, classification societies and governmental bodies. Almost everyone who would potentially be ready to share their view did – showing a full palette of opinions.

More than anything, the industry-wide awareness stemming from the extensive preparations has resulted in limited harm to shipping and Marine insurers caused by the IMO 2020 regulations. Because the worst was expected, the reality has proved, so far, to be much less brutal than widely anticipated. That is not to say that some consequences haven't come about – which this article will address more in detail later – but the overall effect has so far not met the worst-case scenarios.

On 1 January 2020, two uncertain issues were related to the supply side: firstly, would there be sufficient supply of quality low Sulphur fuel oil where and when needed. And secondly, would the price-per-ton difference between the two major types of fuel oil (HSFO and VLSFO) justify the investments made by many ship owners in exhaust cleaning scrubbers? Although buyers of bunker oil (and their charterers) may have a myriad of individual experiences, the overall general impression is that supply has been sufficient and more than satisfied the demand. This being the case, the price gap between the main types of fuel, HSFO utilized by the scrubber-fitted vessels and VLSFO used by the non-scrubber vessels complying with the regulations, did shrink and the bunker price advantage of the scrubber-fitted vessels was, initially, not as apparent as the investment calculations indicated. However, as demand for transportation services increased significantly during the latter part of 2020 and the first months of 2021, the price gap has widened to favor scrubber-fitted ships. Due to the increasing concerns for the environment, the debate on open and closed scrubbers continues and may cause a few unexpected headaches to ship owners operating open scrubber-fitted ships.



The shipping industry and the insurers cautioned about design and operational long term challenges facing vessels with scrubbers. On the top of their list of warnings were breakdowns of and associated with the scrubber tower (also known as 'the Christmas Tree'), i.e. failure of the nozzles, supporting brackets and foundations due to vibrations. In addition, one expected to witness extensive corrosion to the lower part of the scrubber tower, the washing water pipes and around the underwater discharge outlets.

What is the scrubber claims frequency and the costs to insurance so far? It is too early to tell as corrosion may take some time to develop. However, a few examples of severe corrosion have already been discovered in the relative short history of scrubbers. In Marine insurance terms, corrosion is most often classified as 'wear and tear' claims, however, the consequences of 'wear and tear' breakdowns may easily qualify for the 'sudden and accidental' category required to be recoverable under an insurance policy.

For example, a Marine insurance portfolio of approximately 12,000 Marine units of much diversity has registered 450 units (3.75%) being fitted with scrubbers. A total of seven claims, i.e. a claims frequency for scrubber-fitted units of 1.56%, have been noted out of which only one claim settlement exceeded the deductible. This is far from an alarming figure, but, as stated above, the claims picture may become less alluring when the 'wear and tear' element of corrosion starts taking its toll with the increasing age of the scrubbers. Although not alarming in numbers but in consequence, some severe engine room water leaks have occurred, due to pipe and automation failures. Also, owners have reported operational issues with the scrubbers' sensors, but this has yet to lead to a noticeable number of insurance claims.

Other predicted consequences were more directly related to the fuel itself and the necessity to make proper preparations prior to receiving the new fuel. With many suppliers around the world, it goes without saying that the quality of the fuel, even with identical specifications, will vary. Proper emptying of the fuel tanks followed by thorough cleaning is important to ensure there are no side-effects emanating from adhering to the IMO 2020 fuel regulations. And, as a rule of thumb, mixing of fuels should be avoided.



A few examples of severe corrosion have already been discovered in the relative short history of scrubbers.



The complexity of cleaning bunker tanks varies immensely depending on the type of vessel and her trade. Cleaning of fuel tanks may have become the most critical factor in relation to insurance claims. Poorly planned and executed cleaning operations may result in cat fines and other abrasive particles inflicting extraordinary wear to engine liners and pistons, which may lead to engine breakdowns and machinery claims. After the teething problems of the first months of 2020 relating to badly cleaned tanks became history, the situation improved with a lower incident rate. It remains paramount to clean the bunker tanks regularly to ensure that no sediments are accumulated and find their way into the engines via the fuel systems and the fuel treatment plant.

The fuel treatment plant itself is also subject to exposure when the type of fuel changes, as the plant may need to be adjusted to the relevant fuel specification. Such specifications include variations in viscosity and heating (or cooling) requirements. A purifier that is not optimised for the properties of the delivered fuel will also not brighten the picture. It is evident that the fuel filters must be of the correct type and properly installed, cleaned and maintained to warrant that the fuel supplied to the engines is of the highest possible standard.

Another challenge observed is cylinder lubrication of two-stroke engines. Reduced Sulphur will call for a cylinder oil of different specification to keep cylinder bore polishing ('scuffing') under control. Absence of adequate inspection procedures coupled with a lack of competence to assess, have led to serious cylinder liner damages, which have proven to become extremely critical to the ship owners affected because of a stretched delivery time for new liners.

Looking at Hull & Machinery insurance claims, the overall picture, however, is that the IMO 2020 shift has resulted in fewer incidents and claims than many anticipated. That is not to say that there haven't been cases leading to severe damage, resulting in high cost of repair and considerable downtime and loss of income. As stated above, it is worth noting that the initial three-four months following the IMO 2020 implementation saw more incident reports relating to potential claims than has since been experienced.

Spare parts are not always readily available, and the increased problems associated with the COVID-19 pandemic have not improved anything for those who suffered spare parts supply challenges.

Post the IMO 2020 enactment, the Marine insurance community has been informed of several operational hurdles and smaller occurrences. They have been inconvenient but not found their way to the claim adjusters' desks. The few serious incidents reported suggest a link to bad preparations or lack of operational follow-up.

Similarly, Marine insurers involved in charterer's liability insurance have not found that there is an adverse development in the number of cases arising from contractual bunker disputes, as the number seems to be in line with the number of incidents reported for the years prior to the implementation of IMO 2020. Sludging, as addressed above, along with fuel stability, compatibility, and any effect of fuel's 'storage life', are frequently reported issues triggering charterer's liability claims and does not represent anything new to the charterer's liability insurance market. In addition, there is always the potentially long-term effect to a vessel's machinery caused by bad fuel supplied by the charterers, but it is not yet apparent that any unusual claim pattern will emerge because of the IMO 2020 fuel regulations.

In conclusion, the Marine insurance providers have fared much better than they themselves expected when it comes to claims following IMO 2020. The shipping industry has, again, proven to adapt very well to the challenges associated with the changes imposed on their industry.

Rightfully so, the endeavours to make transportation cleaner will continue and gradually fossil fuels will be replaced. As the technical developments try to stay abreast of the increasingly ambitious political goals, Marine insurers will continue to face uncertainty as far as their future claims picture is concerned. Future fuel types may be of completely different characteristic than those currently widely employed, and that development continues at a rapid pace thanks to the heavy political pressure for a better environmental future. Far from being historically immune to funding the research and development costs of its clients, Marine insurers will continue to be agile and adjust to the changes in the regulatory framework and basic ramifications of the Maritime industries – like they have always done.

Ole Wikborg, Director at Norwegian Hull Club

ABOUT NORWEGIAN HULL CLUB

Norwegian Hull Club is a mutual Marine insurance company that serves members and clients worldwide, with roots back to 1837. The Club employs more than 145 people and has offices in Bergen, Oslo (both Norway) and London. Norwegian Hull Club ranks amongst the world's largest pure Marine Underwriters. It insures more than 12,500 vessels and units and acts as Claims Leader for more than 6,500 of these units.



04. CASTING A LIGHT ON SUSTAINABILITY WITHIN THE SHIPPING INDUSTRY THROUGH DATA

NICK COOKE PRIEST, SIRIUSINSIGHT.AI

The shipping industry is the driving force of the global economy with 90 percent of global trade transported via the ocean. It has also been responsible for creating between 2 and 3 percent of the world's total greenhouse gas emissions such as carbon dioxide, making the industry a key contributor to extreme weather effects and climate change.



In January 2020, global regulations issued by the International Maritime Organization mandated a significant reduction in harmful sulphur oxide (SOx) emissions from ships, which aims to reduce the upper limit on the sulphur content of ships' fuel oil from 3.5% to 0.5%. These regulations are part of the International Convention for the Prevention of Pollution from Ships (MARPOL), a key environmental treaty. This new limit has been projected to result in a 77% drop in overall SOx emissions from vessels at sea, which would be equivalent to an annual reduction of roughly 8.5 million metric tonnes of SOx. How has the shipping industry reacted to such policies after more than a year since the IMO mandate on SOx emissions came into force?

After its introduction in January 2020, the first breach occurred in China, when a vessel undergoing a port state control inspection in Qingdao port was found to have been using fuel oil with 0.68% sulphur content. After the 'grace period' for the transition ended on 1 March 2020, it was also revealed that the MSC Joanna was found to have breached the IMO's ban on carrying heavy fuel oil and was subsequently prohibited from operating in UAE waters for one year, and its Master was banned indefinitely.

However, these breaches appear to be isolated events that occurred in the beginning of the IMO 2020 implementation period. According to Skuld, a leading marine insurer, the IMO 2020 sulphur cap has been a 'successful transition' for its members despite some teething problems at the start associated with a lack of experience in handling different types of fuel onboard.

We took a closer look at the available data related to vessel detentions across multiple port state control authorities, including the Paris, Tokyo, and Indian Ocean MoU databases to better understand the numbers behind compliance with the IMO 2020 regulations. The two deficiency codes that directly relate to the IMO 2020 regulations are 14611 (Ozone depleting substances) and 14614 (Sulphur oxides).

An analysis of data from January 2020 onwards found a total of 115 detentions related to pollution, but only two detentions were related to the two aforementioned deficiency codes. However, more than 30% of the pollution related detentions were linked to the deficiency code 14104 (Oil filtering equipment). This particular MARPOL regulation relates to how a ship produces oil and water mixtures on a daily basis which needs to be separated from one another, before discharging the 'dirty' water out of the vessel using oil filtering equipment, as the title of the regulation indicates. Since 2017, it has been a requirement for all vessels to have an oil discharge monitoring and control system along with an oil filtering equipment known as the Oily Water Separator (OWS).

The data suggests that a third of vessel detentions since the start of 2020 were due to this particular problem of not having the appropriate oil filtering equipment. This issue largely stems from 'poor housekeeping', such as failing to address leaking machinery containing significant quantities of oil and oil water, wrong pumps used for oil discharge and oily waste transfer, OWS equipment incorrectly used or calibrated, or simply poor record keeping.

The implications of not having the appropriate oil filtering equipment are hard to quantify as the data on the amount of fines imposed are not publicly available, but the duration of a detention ranges from a day to two weeks which would be costly for any vessel operator and the knock-on effects a detention might cause throughout a supply chain.

However, the effects of operational failure onboard a vessel on the environment are clear. As mentioned above, the shipping industry has done considerably well overall in keeping in line with IMO 2020 regulations but clearly, as the data suggests, more can be done to ensure that vessel operators play a more proactive role in keeping our oceans free from unnecessary pollution.

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ABOUT SIRIUSINSIGHT.AI

SiriusInsight.AI is a UK based, maritime focused technology company which employs a unique blend of maritime domain awareness experts (Royal Navy 1 / 2* Commanders), and cutting edge Computer Science and AI engineers. The Company has over a century of maritime operational experience in its advisory and management team, providing unrivalled depth and breadth of experience and understanding of the maritime environment and the behaviors and methodologies that place vessels at risk, and through analysis and AI, how to quantify that risk.



INTERASIA CATALYST – FIRE

On 7 April 2021, just after she set sail from Port Klang en route to the Port of Cochin, Kerala, the crew spotted smoke from several of the containers on deck.¹² A diversion was made to anchor just off Port Klang where the local firefighting team were on hand. The fire had spread to six of the containers. This incident has served to highlight the growing threat of fires in containers. An estimated 60 fires were reported last year.¹³ Various Underwriters have commented on the subject acknowledging the ongoing danger of firefighting capabilities not being able to keep up with the growing scale of vessels.

X-PRESS PEARL – FIRE

Containership X-Press Pearl was reported on fire on 20 May 2021, around 9.5nm from the entrance to Colombo Port. She reportedly had 1,486 containers onboard including 25 tonnes of Nitric Acid. Preliminary reports suggest the fire was caused by a chemical reaction involving hazardous cargo. The ship has been declared a total loss and much of the salvage operation is focused on avoiding environmental damage.¹⁵

SEACOR POWER – 13 APRIL 2021

On 13 April 2021, liftboat Seacor Power capsized in the Gulf of Mexico during heavy weather. Six individuals were rescued, however, tragically six people died and a further seven were still reported as missing when rescue efforts were halted on 19 April.¹⁴

05. MARINE CASUALTY REPORTS

MSC LIRICA – CRUISE SHIP FIRE

MSC Lirica cruise ship owned by MSC Cruises have reported a fire broke out near Greece, Corfu. With no injuries, the fire was stated to originate from a 'starboard-side fiberglass lifeboat on the sixth deck'. The ship has remained in port since the fire on 1 March 2021 cancelling their Eastern Mediterranean and Northern Europe cruises in April 2021.

[Click here](#) for the latest updates on the MSC Lirica cruise fire.

EVER GIVEN – SUEZ CANAL

The 20,000 plus TEU containership 'Ever Given' ran aground in the Suez Canal on 23 March 2021 lodging herself against both banks of the waterway. The ensuing blockage of the Canal meant ships could not pass for 6 days with an estimated cost to Global Trade of USD 400m per hour according to Lloyd's List based on estimates of the value of goods transiting every day.⁹



Image credit: Boskalis

More than 150 ships waited whilst a team of international salvors worked to free the vessel.

The vessel is due for imminent release by the Suez Canal Authority having reportedly made demands in the first instance of USD 916m in salvage costs and damages,¹⁰ although this figure is now believed to be significantly lower.

KIVELI/AFINA I – COLLISION

The bulk carrier Afina I collided with Kiveli northwest of Greece. Both vessels reported water ingress, however no casualties the boats remained coupled together. On 14 March, a number of tug boats attended to remove the vessels. Anti-pollution vessels have been sent to the site although as of yet there has been no major detection to Marine pollution. Anti-pollution booms have been placed around the vessels to prevent any pollution from occurring.¹¹



⁹ <https://www.bbc.co.uk/news/business-56559073>

¹⁰ <https://www.offshore-energy.biz/egypt-to-hold-ever-given-its-crew-until-916m-claim-is-paid/>

¹¹ <https://www.wkwebster.com/casualty-details/205/kiveli-c-w-afina-i>

¹² <https://www.fleetmon.com/maritime-news/2021/33301/container-ship-containers-fire-retained-port/>

¹³ <https://insurancemarineneeds.com/insurance-marine-news/firefighters-battling-container-ship-fire-off-port-klang/>

¹⁴ <https://www.waterwaysjournal.net/2021/05/26/ntsb-releases-preliminary-report-on-capsizing-of-liftboat-seacor-power/>

¹⁵ <https://insurancemarineneeds.com/insurance-marine-news/x-press-pearl-cargo-looks-destroyed-hull-in-danger-crew-in-quarantine/>



06. WAR/PIRACY REPORTS

DAVIDE B

On 11 March 2021, a chemical tanker DAVIDE B was taken over by nine armed personnel. We understand that the ship was approximately 210 nautical miles south of Cotonou, Benin. 15 crew members were abducted whilst the remaining six crew members were able to secure themselves in the ship's citadel.

Whilst detailed information regarding the vessel is kept at a minimum to ensure the safety of the crew. The vessel is flying the Maltese flag, whilst on a commercial voyage from Riga, Latvia to Lagos, Nigeria.¹⁶



YANBU DRONE BOAT ATTACK

With details remaining scarce, attacks have been made on ships in the Middle East region. A remote controlled boat packed with explosives has targeted the Port of Yanbu in the Red Sea. Saudi Arabia have taken control and destroyed the boat, but it is suggested this has come around due to negotiations between Tehran and Oran's world powers.¹⁷

16. [https://www.fleetmon.com/maritime-news/2021/32965/dutch-tanker-attacked-boarded-gulf-guinea-manager-/](https://www.fleetmon.com/maritime-news/2021/32965/dutch-tanker-attacked-boarded-gulf-guinea-manager/)

17. <https://www.voanews.com/middle-east/explosive-laden-drone-boat-targets-saudi-port-yanbu>





07. APPENDICES

To ensure Marine clients are aware of the key policy wording changes we have seen, this appendix section contains the latest general policy clauses:

Appendix A: Latest Joint War Committee Listed Areas – The geographical areas where vessels have to pay additional war risks premiums to call. This is correct as at 29 April 2021 but is updated periodically by a central committee and applies to all war risks.

APPENDIX A: JWLA-027 AREAS OF PERCEIVED ENHANCED RISK

Hull war, piracy, terrorism and related perils listed areas

This list supersedes the recent JWLA-026. It amends the southerly high seas point of the Cabo Delgado area.

Amended:

Cabo Delgado

The waters within 50 nautical miles of Mozambique and Tanzania enclosed by the following boundaries:

- To the north, from Mnazi Bay at 10°19.6'S, 40°18.9'E to high seas point at 9°50.7'S, 41°7.6'E.
- To the south, from Baía do Lúrio at 13°30'S, 40°31.6'E to high seas point 13°30'S, 41°28.8'E.

The application of this list on individual contracts will be a matter for specific negotiation.

This list will be published on the LMA and IUA websites and will be accessible to all on www.lmalloyds.com and www.iua.co.uk.

Defined waters

Cabo Delgado

The waters within 50 nautical miles of Mozambique and Tanzania enclosed by the following boundaries:

- To the north, from Mnazi Bay at 10°19.6'S, 40°18.9'E to high seas point at 9°50.7'S, 41°7.6'E
- To the south, from Baía do Lúrio at 13°30'S, 40°31.6'E to high seas point 13°30'S, 41°28.8'E.



Gulf of Guinea

The waters enclosed by the following boundaries:

- On the west, from the coast of Togo 6°06'45' N, 1°12'E, south to
- high seas point 0°40'S, 3°00'E
- and then east to Cape Lopez Peninsula, Gabon 0°40'S, 8°42'E.

Indian Ocean, Gulf of Aden and Southern Red Sea

The waters enclosed by the following boundaries:

- On the northwest, by the Red Sea, south of Latitude 15°N
- on the northeast, from the Yemen border at 16°38.5'N, 53°6.5'E to high seas point 14°55'N, 53°50'E
- 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
- 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.

Persian or Arabian Gulf

Persian or Arabian Gulf and adjacent waters including the Gulf of Oman and waters west of the line from Oman's territorial limit off Cape al-Hadd at 22°42.5'N, 59°54.5'E northeast to the Iran-Pakistan border at 25°10.5'N, 61°37.5'E

Excepting coastal waters of adjoining territories up to 12 nautical miles offshore unless otherwise provided.

Definitions

Named countries shall include their coastal waters up to 12 nautical miles offshore, unless specifically varied above.

Named ports shall include all facilities/terminals within areas controlled by the relevant port authority/ies (or as may be more precisely defined by insurers) including offshore terminals/facilities, and all waters within 12 nautical miles of such but not exceeding 12 nautical miles offshore unless specifically stated.



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