Marine Hull & Machinery and War Risks Market Report

FEBRUARY 2021

Gallagher

Insurance | Risk Management | Consulting

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01. MARINE HULL & MACHINERY AND WAR RISKS MARKET UPDATE – FEBRUARY 2021

Welcome to the February 2021 edition of the Gallagher Marine Hull & Machinery and War Risks Market Report. Just over 12 months ago media around the world began to report on a new virus believed to originate in the Wuhan province of China. Cases started to emerge around the world in the early part of 2020, most notably in Northern Italy. Even the boldest, most far-fetched predictions of what would follow could not have come close to accurately depicting what must go down as one of the most extraordinary years since World War II.

The UK has entered a third national lockdown to combat the alarming rise in cases of COVID 19 believed to be driven by a more transmissible new variant of the virus. Despite this desperate situation in arguably the gloomiest part of the calendar, there at least appears to be light at the end of the tunnel in the form of a mass vaccination programme which is already being rolled out in the UK and around the world. It seems far too early to predict when normality will resume, however, it does not seem too unrealistic to expect some restrictions to be lifted by the spring.

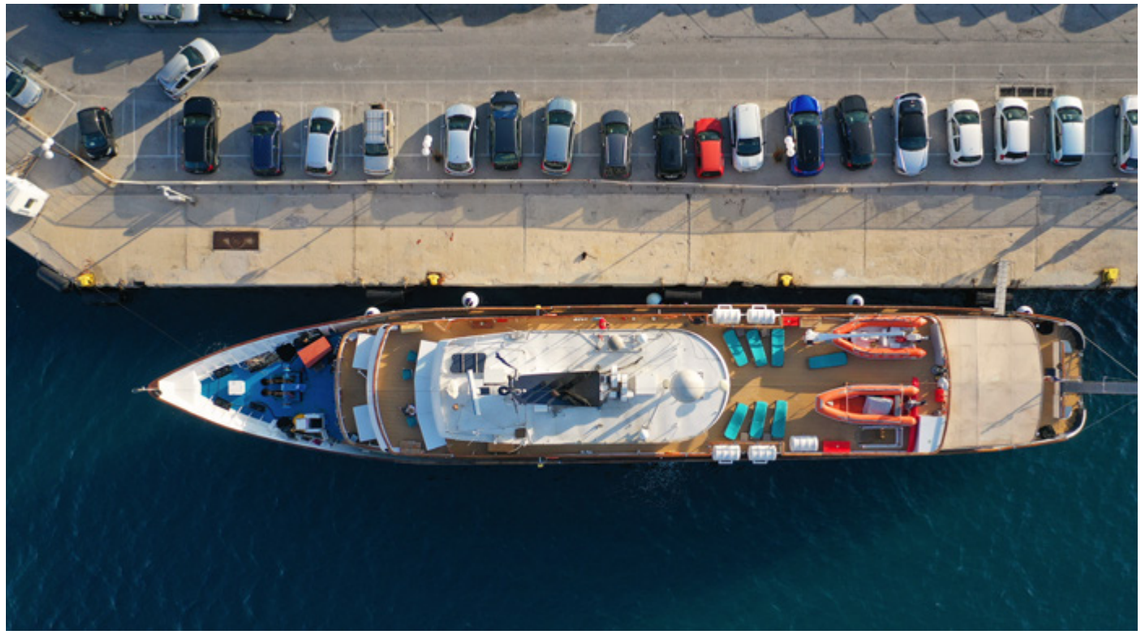
Despite the undoubted global economic hardship caused by the virus, shipping has remained the lifeblood of global trade with vessels and their crews continuing to operate in the toughest of conditions. Unlike those of us lucky enough to continue our work safely in our homes, ship crews have worked throughout 2020, in most cases for massively extended periods due to minimal possibility of crew changes in many parts of the world. These essential workers are rarely lauded in the mainstream media but have been critical in keeping our fragile economies from grinding to a complete halt.

In any other year, the recent US Presidential Election and the surrounding events would have been by far the most newsworthy topic. The wider economic and geo-political implications of the result are still very uncertain but recent events paint a picture of a polarised electorate where the first task for the Biden administration will be to find some common ground, hopefully by resolving the COVID-19 crisis, which is surely in the interests of all. Turning attentions back to the UK, Brexit eventually happened with relatively little fanfare with focus on combating the pandemic. A trade deal was agreed[1] which can hopefully provide the foundations for a long term mutually beneficial relationship between the UK and EU.

In the most unpredictable of years, the Hull & Machinery insurance market was strangely predictable. We anticipated a continued hardening of rates due to a range of factors including increased claims from natural catastrophes, historical poor performance of the marine hull portfolio and the effects of the reduction in marine capacity. Certainly wider market losses arising from COVID-19 have done nothing to slow down the pace of this hardening. The rate increases which we anticipated 12 months ago have largely materialised as expected. Clean renewals have attracted double digit rate increases. Renewals where the loss record is challenging, or in sectors where vessel type has been problematic for Underwriters, have been less straightforward to forecast. Underwriters may simply decline to renew due to bad experience, or looked to charge significant increases. New participants have often looked to completely re-rate fleets, tightening conditions and pushing up deductibles. Crucially most Underwriters are still prepared to walk away, even from business where they have historically profited, if they are not able to achieve their required terms. Technical rating is generally considered to be inadequate and most initial reports suggest reinsurance programmes which renewed at 1st January have been subject to rate increases. All of this suggests we should expect a continued hardening throughout 2021[2]. There is also some speculation of more focus on deductibles over the coming year. Owners with low claims incidence may look to avoid a further increase in rates by accepting higher deductibles/retention.

That is not to say it is all doom and gloom. The volatility that we saw at the beginning of this tougher market cycle appears to have eased somewhat. We can approach most renewals with some expectations in mind. There is less uncertainty around which markets will continue to write marine hull insurance and we can say, albeit cautiously, that most of the insurers writing today should be here to stay for the foreseeable future. This is sadly with the notable exception of Argenta Syndicate which ceased writing during 2020. There are pockets of new capacity looking to increase their presence in the market. Fidelis, Convex and North all moved into more prominent positions in the marine hull space throughout 2020. But as is the case for many insurers, there isn't a huge appetite at this stage to aggressively attack business as a leader, but rather to take shares selectively where rating is increasing to more acceptable levels. There are a number of new start-ups potentially targeting the specialty insurance sector but it is unlikely they will make any meaningful foray into the marine hull market in the short term.

Whilst the marine hull market itself is largely unaffected by losses related to COVID-19, it is certainly not immune from the wider insurance market fallout. A recent UK High Court Ruling in favour of claimants against multiple insurers is expected to lead to payments totalling hundreds of millions of pounds on business interruption policies for losses occurring during the first UK lockdown[3]. These losses are likely to strengthen the resolve of the insurers involved to maintain hardening across all lines of business. An exclusion clause is expected to be present on all renewals going forward. The latest JH and CEFOR exclusion clauses are included in this report for reference. Whilst it is difficult to envisage a Hull & Machinery loss related to COVID-19, the inclusion of the clause is more a requirement for Underwriters to ensure back to back cover with their reinsurers. Loss of Hire is more complex of course, and the finer details of this were



explored in our report from June 2020.

In late 2019, we reported on the significant increase in tensions in the Middle East region, and the series of war losses which caused a heavy increase in rates for vessels navigating the Straits of Hormuz and Arabian Gulf[4]. Throughout the second half of 2020, we saw some downward pressure on these rates, especially in anticipation of a slightly different US foreign policy approach towards Iran under the new Biden administration. However, there have been a number of attacks in the Red Sea in recent weeks, as well as the seizure and detention of a South Korean Tanker in the Arabian Gulf . Whilst Iran has moved to stress the detention of the Hankuk Chemi is not politically motivated, they have simultaneously demanded the release of USD 7bn of Iranian funds from South Korean banks, held up because of sanctions issues. The outgoing US administration further increased sanctions pressure on Iran's metal and shipping industries during their final weeks in office[5] so the tension between the two countries, and the potential risks for shipping in the region, remain high. Conversely a number of countries in the Middle East have lifted sanctions against Qatar[5] which points to an easing of some tension in the region itself. As such although the current threat level remains high, the longer term outlook may be slightly more hopeful for political solutions. We have certainly seen an improvement in rates for non-tanker tonnage, especially those vessels permanently operating in Arabian Gulf. However, over the last few weeks, the market has signalled intent to charge slightly higher additional premiums for Southern Red Sea Ports[7], especially for tankers.

2020 also saw the most significant increase yet in respect of vessel attacks in the Gulf of Guinea. The Joint War Committee in London responded in September by extending the excluded area to cover Cameroon, Equatorial Guinea, and Gabon[8]. A copy of JWLA-025 is included in this report along with a map showing the new extended area. Globally 135 crew were kidnapped in 2020 with the Gulf of Guinea region accounting for around 95% of that number[9]. The pirates are demonstrating an increasing range to carry out attacks with the furthest recorded being 200nm from shore. The perceived threat level has seen some strengthening of rates for vessels calling/transiting across the region.

Cyber Risk continues to be a major point of concern for many ship-owners with Israeli maritime security specialists Naval Dome reporting a 400% increase in shipping related cyber-attacks since February[10]. While an increase in malware, ransomware and phishing emails exploiting the Covid-19 crisis is the primary reason behind the spike, Naval Dome furthers that travel restrictions, social distancing measures and economic recession are beginning to bite into a company's ability to sufficiently protect itself. Perhaps the most high profile cyber-attack in 2020 was against Mediterranean Shipping Co (MSC) over the Easter weekend[11].

Our reports throughout 2021 will have a special focus on sustainability in shipping. The February 2019 edition of this report focused on IMO 2020 and the implications for ship-owners and insurers. Later in this year we will re-visit the topic to assess the fallout including whether insurers' fears were well-founded, as well as review any lessons learned from the initial compliance with the regulations. But sustainability in shipping is a far broader subject than IMO 2021. The insurance industry must be there to support shipping in achieving a more sustainable future and we will enlist the help of our friends across the insurance and shipping sector to help answer some of the key questions on how this can be achieved. In this issue, we are pleased to present a report from The Marshall Islands Registry entitled 'Environmental Regulatory Perspective – A Look over the Horizon'

At the time of writing we remain in lockdown in the UK with our offices closed. However, we continue to be pleased with the way the London insurance market has handled this prolonged period where the face to face negotiation for which we are best known has been largely impossible. Whilst there have undoubtedly been many challenges, it is fair to say that some improvements have also been found throughout this unprecedented crisis. The transition to full electronic trading has been largely successful and we should expect to see increased efficiency as a result. In this report, Simon Shrimpton of Tokio Marine Houston Casualty gives an insight from an Underwriting perspective on how the market embraced this environment in 2020 and what we might expect going forward. The core message does not change. We are here around the clock on the telephone, email and for virtual meetings, as we continue to seek the most suitable insurance and risk management solutions for our clients, wherever they may be. We look forward to seeing everyone in person again as soon as circumstances allow.

1. https://www.bbc.co.uk/news/explainers-55180293
2. https://www.fitchratings.com/research/insurance/hardening-market-conditions-continue-at-january-2021-renewals-13-01-2021
3. https://www.fca.org.uk/news/press-releases/supreme-court-judgment-business-interruption-insurance-test-case
4. https://www.reuters.com/article/iran-tanker-int-idUSKBN299188
5. https://www.maritime-executive.com/article/us-targets-iran-s-metals-and-shipping-industries-with-new-sanctions
6. https://www.trtworld.com/middle-east/gulf-neighbours-agree-to-lift-blockade-on-qatar-42958
7. https://www.reuters.com/article/mideast-shipping-insurance/ship-insurers-primed-to-raise-rates-after-red-sea-attacks-idUKL8N2JJ3Q1
8. https://www.lmalloyds.com/lma/jointwar
9. https://www.marineinsight.com/shipping-news/gulf-of-guinea-kidnappings-makes-95-of-2020-global-piracy-attacks/
10. https://www.offshore-energy.biz/naval-dome-400-increase-in-attempted-hacks-since-february-2020/
11. https://www.seatrade-maritime.com/containers/msc-confirms-malware-attack-caused-website-outage

02. MARKET MOVES UPDATE

Robert Scott-Mackie has joined Tokio Marine Houston Casualty as a War Risks Underwriter[12]. Robert previously wrote Marine Hull and War Risks at Starstone Syndicate.

Michael Thompson, previously of Argo Syndicate, has joined Lavaretus Underwriting[13].

In December 2020, Ben Jones moved from Gard London to Amphitrite Underwriting, where he will focus on building a War Risks portfolio.

12 https://insuranceinsider.com/articles/135345/starstone-hull-duo-land-at-tokio-marine-hcc-and-gardv
13 https://insurancemarinenews.com/insurance-marine-news/thompson-joins-mga-lavaretus/

03. MARINE UNDERWRITING OVER THE PAST 12 MONTHS

SIMON SHRIMPTON, TOKIO MARINE HCC

2020 proved to be a year like no other. Technological resources came to the fore when centuries of traditional face-to-face negotiation went digital in the matter of a few days at the start of the lockdown back in March. PPL, Whitespace, Zoom and Teams video conferencing became the preferred/only methods of placement and communication along with old fashioned phone calls. On the whole the market responded well, business did not stop but digital trading compared to face to face negotiation has ultimately proved to be far more time consuming. We have had to work harder and longer to achieve our business plans. Underwriting/Broking has been the priority; setting strategy, marketing, learning, information sharing, travel and ultimately forming and maintaining relationships have, to an extent, been left on a back burner.

Nonetheless, the LMA committees continued to function and should be congratulated for their work in producing new clauses.

When we left the office in March, we did not imagine we would still be working from home in 2021 and probably will be for the next few months, but with the roll out of vaccinations and easing of lockdown restrictions, it is foreseeable that we may have a limited possibility of returning to the office in late spring / early summer.

The question then arises – to what extent will we ever return to our old methods of working? No one misses the commute, I doubt many miss the early morning alarm or wearing traditional City attire either. Some of us might find the fit of old suits to be a challenge going forwards. A flexible future is entirely conceivable and likely.

However, there are so many advantages to a geographically centred market that this enforced dispersion has underlined that we must to some extent return. Old prejudices that suggested Working-From-Home was essentially skiving off should be well and truly banished. There are advantages to commuting down the stairs but humans are social animals and possibly none more so than the Marine market. Market insight trades on the floor of Lloyd's like currency. If you need some detailed insight everyone knows exactly who to tell and the speed with which that goes round can be quite incredible. Non-verbal communication is a valuable factor in the face-to-face negotiation too – the rolling of eyes, folding of arms, capping of the pen were all clear signs to brokers to perhaps retreat. It is more difficult now although the lack of response to email offerings could be interpreted in the same way. The challenge of training the next generation of bright young underwriters and brokers has now been added to the duties expected of a senior underwriters and brokers. In a virtual market-place, this training is far more difficult given that underwriter-broker trust is typically built over face-to-face interaction – something that is at the core of London's innate ability to trade.

All in all, it sometimes feels like we are wading in treacle working from home and to make serious progress we need the invention that comes from an accumulation of minds in a single location.

Roll on the end of lock down and a safe return to the office.

Simon Shrimpton - Head of Marine at Tokio Marine HCC

04. MARINE CASUALTY REPORTS

UP TO 750 CONTAINERS REPORTED LOST FROM MAERSK ESSEN IN NORTH PACIFIC

Very Large Container Carrier Maersk Essen (IMO 9456783) is reported to have lost up to 750 containers while in the North Pacific on 16th January[14].

The vessel was on rotational voyage TP6 Asia/US West Coast calling at Cai Mep (Vietnam), Kwai Chung (Hong Kong), Yantian (China), Xiamen (China), Los Angeles (USA). It was carrying up to 13,092 teus of containerised and/or temperature sensitive cargo. The incident occurred while the vessel was on passage from Xiamen, China to the port of Los Angeles, USA, reportedly during severe weather.

2010-built, Denmark-flagged, 141,716 gt Maersk Essen is owned by Jiamao International Shipping care of manager Maersk AS of Copenhagen, Denmark. It is entered with Britannia on behalf of Jiamao International Ship Lease Co Ltd.

ONE APUS

Containership One Apus remains lost an estimated 1,816 containers overboard when it encountered severe weather on November 30, 2020[15]. Some 64 containers of those damaged or lost are believed to contain dangerous cargo. The 14,052 TEU containership, built in 2019, was en route from Yantian, China to Long Beach, USA when it encountered gale-force winds and large swells around 1,600 nautical miles northwest of Hawaii. The master rerouted the ship out of safety reasons toward Japan.

The ONE Apus containership measures 364-meters in length and sailing under the Japanese flag. The vessel is operated by Ocean Network Express on the Far East Pacific 2 (FP2) Service.

NEW DIAMOND

New Diamond shortly after the fire was put out - courtesy of the Indian Coast Guard

A fire broke out in the engine room of MT New Diamond on 3rd September 2020 around 40 miles east of Sri Lanka[16]. The VLCC was carrying 270,000 tonnes of oil from Kuwait to the Paradip refinery in India.

22 crew members were rescued from the vessel, however, one Filipino seafarer tragically died. On 6th September the fire was declared as under control, however, it subsequently re-ignited and was not finally contained until 11th September. Salvage teams subsequently boarded to contain a fuel leak before the vessel was finally towed to the UAE to discharge the cargo.

"New Diamond" is a 2000 built VLCC, 333m long by 60m width, 299986 DWT, Panama flag, classed with Nippon Kaiji Kyokai, and insured with West of England. The ship is owned and managed by New Shipping Ltd.

LIVESTOCK CARRIER GOES MISSING WITH 43 CREW ON BOARD

Bruce Colyer / MarineTraffic

2002-built livestock carrier Gulf Livestock 1 sank on 2nd September 2020 with 43 crew members on board and loaded with over 5,800 cattle[17].

The vessel was headed from Napier, New Zealand to Tangshan, China when it ran into trouble in the East China Sea. At the time of the distress call, it was around 185km off Amami Oshima, and encountered bad weather caused by Typhoon Maysak. Two crew members were rescued before the search for survivors was finally called off on 9th September.

The vessel is owned by UAE ship-owner Gulf Navigation and prior to conversion in 2012 was a 630 teu boxship.

BW RHINE

BW Rhine, a Singapore-flagged LR1 product tanker belonging to the fleet of Hafnia, was hit from an "external source" whilst discharging at Jeddah on 14th December 2020[18]. The explosion caused a subsequent fire on board. The master immediately ceased all discharge operations and enacted emergency procedures on board. The crew extinguished the fire with assistance from the shore fire brigade and tug boats, and all 22 seafarers were accounted for with no injuries.

Hull damage occurred at water ballast tank five on the port side and cargo tank four on the port side.

The 43,797GT, Singapore flagged BW Rhine is owned by BW Aldrich Pte Ltd care of BW Group of Hamilton, Bermuda. Built in 2008, the vessel is managed by Hafnia Tankers Shipholding of Singapore. ISM manager is BW Fleet Management Pte Ltd of Singapore and it is entered with North of England on behalf of BW Aldrich Pte Ltd.

MT AGARI

Maltese-flagged tanker Agrari was "attacked by an unknown source" on 23rd November 2020 while it was preparing to depart from Shuqaiq[19].

The Agrari was struck about one metre (three feet) above the waterline and suffered a breach.

There were no reported injuries or pollution. The tanker was carrying no cargo when the explosion happened.

14 https://insurancemarinenews.com/insurance-marine-news/up-to-750-containers-reported-lost-from-maersk-essen-in-north-pacific/
15 https://www.lloydsloadinglist.com/freight-directory/news/1816-containers-confirmed-lost-in-ONE-Apus-incident/78026.htm#.YBf0zOigI2w
16 https://www.offshore-energy.biz/fire-stricken-new-diamond-taken-under-tow-as-narrow-diesel-patch-emerges-near-the-ship/
17 https://www.theguardian.com/world/2020/sep/03/typhoon-maysak-ship-with-43-crew-and-nearly-6000-cattle-missing-off-japan
18 https://insurancemarinenews.com/insurance-marine-news/explosive-laden-boat-caused-bw-rhine-explosion-in-jeddah/
19 https://apnews.com/article/dubai-saudi-arabia-united-arab-emirates-jiddah-yemen-79ab505c8576520935bf3e757e2d2b80

05. ENVIRONMENTAL REGULATORY PERSPECTIVE - A LOOK OVER THE HORIZON

NICHOLAS MAKAR, SENIOR VICE PRESIDENT, MARITIME ADMINISTRATION / REGULATORY AFFAIRS, INTERNATIONAL REGISTRIES, INC.

Shipping is a relatively environmentally friendly mode of transportation and decades of advancement and innovation have served to enhance its environmental performance. Environmental sustainability is a high priority for policy makers, and further work is necessary to keep pace with the United Nations' Sustainable Development Goals and the International Maritime Organization's (IMO's) roadmap on reduction of Greenhouse Gas (GHG) emissions from ships.

In particular, air emission controls under the International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI have been successfully implemented and strengthened over the last 15 years since discussions on air emissions were formally initiated at the IMO in the 1980s. More stringent nitrogen oxide (NOx) and ozone-depleting substance (ODS) emission standards are in effect. And now, with the 0.50% fuel oil sulphur content standard in rear-view, maintaining vigilance over potential fuel oil quality and safety issues remains paramount.

Following a similar progression, the current technical design requirements for new ships, known as the Energy Efficiency Design Index (EEDI), were first developed as a product of discussions initiated when MARPOL Annex VI was adopted in 1997, in light of the relationship between Carbon Dioxide (CO2) and other marine pollutants. Going further, the industry is now looking onward to a new horizon. Continuing in its work to develop policies and practices related to the reduction of GHG emissions from ships, and in accordance with the IMO Initial GHG Strategy, various new measures are being developed to build on the progress and successes of the existing energy efficiency regulatory framework.

The following brief examination of future regulatory developments is aimed at some of the environmental initiatives and associated trends specifically related to controlling air emissions. These include amendments to regulations that are presently under development or have not yet been formally adopted according to treaty amendment procedures but are expected to impact the shipping industry in the near future.

FUTURE MILESTONES

MILESTONE	Year
Baltic Sea / North Sea NOx Emission Control Area (ECA)	2021
EEDI Phase 3 (advanced)	2022
Revised fuel oil sampling / testing protocols	2022
Adoption of revised IMO GHG Strategy	2023
Short-term GHG measures finalized / in-place	2023
EEDI Phase 3 (non-advanced)	2025
Target - 40% reduction of carbon intensity	2030
Mid-term GHG measures finalized	2030
Target - 70% reduction of carbon intensity	2050
Target - 50% reduction of total GHG emissions	2050

BALTIC SEA AND NORTH SEA ECAs

As a result of amendments adopted in 2017, the existing Baltic Sea and North Sea areas, which are presently designated ECAs for more stringent Sulphur Oxide (SOx) emission controls, have now been designated for additional NOx control. Marine diesel engines installed on ships constructed on or after 1 January 2021 will be required to comply with the most stringent weighted NOx emission limits specified under MARPOL Annex VI (Tier III) when operating in these designated areas.

FUEL OIL SAMPLING AND TESTING PROTOCOLS

Following on from efforts at IMO to address the consistent implementation of the 0.50% fuel oil sulphur content standard, amendments to enhance the fuel oil sampling and testing aspects of MARPOL Annex VI were adopted at the last session of the IMO Marine Environment Protection Committee (MEPC) held virtually in November 2020. The amendments now recognize fuel oil "in-use" and "on-board" sampling for the purpose of verifying compliance with regulatory limits. Despite the limitations of the remote meeting arrangements, Resolution MEPC.324(75) was adopted by the MEPC and the amendments are expected to enter into force on 1 April 2022. Due to the tacit amendment procedures of MARPOL, a minimum of 16 months is required between adoption of amendments and their subsequent entry into force to allow Parties to the convention an acceptance period and time to incorporate the new binding provisions into national laws.

SAFETY RELATED ASPECTS ASSOCIATED WITH THE USE OF FUEL OIL

Another product of the work on consistent implementation of the 0.50% fuel oil sulphur content standard relates to potential safety concerns associated with the use of new fuel blends. The IMO Maritime Safety Committee (MSC) is presently developing mandatory measures to enhance ship safety when using fuel oil. Flashpoint has been prioritized as a critical parameter. However, other fuel oil safety parameters are to be addressed. In the meantime, interim recommendations have been provided (Resolution MSC.465(101)) encouraging Member States to notify the IMO of confirmed instances where fuel oil was delivered exceeding the International Convention for the Safety of Life at Sea (SOLAS) requirements for minimum flashpoint. Subsequent amendments to SOLAS to mandate reporting and establish verification protocols for fuel oil safety related parameters are presently under development. When completed, the amendments are intended to compliment provisions under MARPOL Annex VI addressing fuel oil quality.

EEDI

Although EEDI regulations have been in force since 2013, the Initial GHG Strategy calls for strengthening of EEDI requirements for new ships. To this end, revisions to MARPOL Annex VI, adopted at the 75th session of the MEPC, advance the starting year for EEDI Phase 3 requirements from 2025 to 2022 for gas carriers, liquid natural gas (LNG) carriers, containerships, general cargo ships, and cruise passenger ships having non-conventional propulsion. The required EEDI reduction rates for containerships were also revised according to a step-wise scale based on dead weight tons. The existing EEDI Phase 3 starting year and reduction rates are otherwise retained for all other applicable ship types and sizes. Additionally, IMO Member States and organizations are working to consider possible introduction of further phases with associated time periods and reduction rates.

INITIAL GHG STRATEGY

Progress has been made towards consensus on a set of short-term measures to reduce the carbon intensity of international shipping, as envisaged in the Initial GHG Strategy. A combination of technical and operational approaches are under consideration for the near term. The technical short-term measures will be goal-based, meaning that the method for meeting requirements will not be prescribed, and ships can utilize the most appropriate approach to improve performance. The operational measures under consideration essentially build on the existing framework of optimization measures, such as by mandating ship specific energy efficiency management practices and requiring periodic auditing of those procedures. MEPC 75 approved a set of draft amendments to MARPOL Annex VI that will institute these agreed short-term measures and establish a new Energy Efficiency Existing Ship Index (EEXI) and operational carbon intensity reduction requirements based on a new Carbon Intensity Indicator (CII). These amendments need to be adopted at the next session of the MEPC, scheduled for June 2021, to enter into force before 2023 so as to remain consistent with the timelines of the Initial GHG Strategy.

Work on candidate mid- and long-term measures has also progressed, with a focus on the effective uptake of alternative low-carbon and zero-carbon fuels, including the development of life cycle GHG/carbon intensity guidelines. Progress in this area will be critical to meet the Initial GHG Strategy levels of ambition to reduce the total annual GHG emission from international shipping by at least 50% by 2050, and the eventual decarbonization of the sector this century.

REGIONAL REQUIREMENTS

Investments and decisions will need to be made as early as possible to meet the aspirational goals set in front of the industry, and certainty of future requirements is essential to facilitate planning for such actions. Additionally, a cohesive and meaningful regulatory framework is required to avoid commercial distortions and enable the fair and effective implementation of requirements. For this reason, the regulatory regimes developed under the non-discriminatory principles of IMO instruments are ideally suited for controlling air emissions from international shipping. Additionally, measures developed under the Initial GHG Strategy must also be guided by differing national circumstances to avoid disproportionate adverse impacts on some countries.

As policy makers at IMO strive to develop regulations in this context, progress must also be demonstrated to avoid proliferation of unilateral restrictions by national authorities, which may not be compatible with ultimately agreed international measures. It should be cautioned that patchwork systems of directives based on precautionary principles complicates compliance efforts, creates additional burdens for ships and their crews, and may work against the spirit of the international treaty regimes delicately negotiated by IMO Member States. On the other hand, the benefits of clear and effective policies in this regard will see market barriers removed, raise awareness throughout the industry towards improving energy management, while maintaining the safety and effectiveness of the world fleet.

ABOUT INTERNATIONAL REGISTRIES, INC. / THE MARSHALL ISLANDS REGISTRY

The Marshall Islands Registry
www.register-iri.com

International Registries, Inc. and its affiliates (IRI) provide administrative and technical support to the Republic of the Marshall Islands (RMI) Maritime and Corporate Registries. The RMI Registry is one of the leading registries in the world reaching nearly 180 million gross tons with 4,847 vessels at the end of January 2021. IRI has a network of 28 worldwide offices located in major shipping and financial centers throughout the world that have the ability to register a vessel or yacht, including those under construction, record a mortgage or financing charter, incorporate a company, issue seafarer documentation, and service clientele.

06. APPENDICES

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

- Appendix A: Communicable disease exclusion written by the Joint Hull Committee (for London policies). This is not specific to any Underwriter and they are being included on all policies.
- Appendix B: Communicable disease exclusion written by the CEFOR (for Scandinavia policies). This is not specific to any Underwriter and they are being included on all policies.
- Appendix C: 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 16.02.2021 but is updated periodically by a central committee and applies to all war risks policies.

APPENDIX A: JHC COMMUNICABLE DISEASE EXCLUSION

1 Notwithstanding any provision to the contrary in this (re) insurance, it is hereby agreed that this (re)insurance excludes absolutely all Communicable Disease Loss, save where the conditions of the Infected Individual Exception are met.

2.1 "Communicable Disease Loss" shall mean all loss, damage, liability, or expense of whatsoever nature, proximately caused by or significantly caused by or contributed to by or resulting from or arising out of or in connection with any of the Excluded Circumstances, those Circumstances being

a) a Communicable Disease, and/or

b) the fear or threat, whether actual or perceived, of a Communicable Disease, and/or

c) any recommendation, decision or measure, made or taken to restrict, prevent, reduce or slow the spread of infection of a Communicable Disease or to remove or minimise legal liability in respect of such a disease, whether made or taken by a public authority or a private entity and/or

d) any recommendation, decision or measure made or taken to alter, reverse or remove any circumstance falling within (c) above, whether made or taken by a public authority or a private entity regardless of any other cause or circumstance contributing concurrently or in any other sequence thereto.

2.2 Without prejudice to the effect of Clauses 2.1 (a), (b) and (d), recommendations, decisions and measures by whomsoever taken to tie-up, lay-up or maintain at anchor, in port or elsewhere, any vessel, conveyance, rig or platform pending resumption of cruising, operation, trading, cargo loading or discharge or other customary use shall not constitute Excluded Circumstances, notwithstanding they or any of them may have been taken for the reasons set out in 2.1 (c) above.

2.3 Without prejudice to the effect of Clauses 2.1 (a), (b) and (d) for the purposes of a loss event first affecting a vessel, conveyance, rig or platform during a voyage undertaken as a consequence of a diversion, a prior recommendation, decision or measure by whomsoever taken to divert that vessel from an earlier loading or discharge or other destination shall not constitute an Excluded Circumstance solely by reason of that diversion having been made for the reasons set out in 2.1 (c) above.

2.4 Without prejudice to the effect of Clauses 2.1 (a), (b) and (d), where loss, damage or liability have first been incurred in circumstances which are not excluded under 2.1 (a) to (d) above, increased expense or increased liability for expense shall not be excluded notwithstanding that increase may have been incurred for the reasons set out in 2.1(c) above.

3. "Communicable Disease" shall mean any disease, known or unknown, which can be transmitted by means of any substance or agent from one organism to another where:

a) the substance or agent includes but is not limited to a virus, bacterium, parasite or other organism or any variation or mutation of any of the foregoing, whether deemed living or not, and

b) the method of transmission, whether direct or indirect, includes but is not limited to human touch or contact, airborne transmission, bodily fluid transmission, transmission to or from or via any solid object or surface or liquid or gas and

c) the disease, substance or agent may, acting alone or in conjunction with other co-morbidities, conditions, genetic susceptibilities, or with the human immune system, cause death, illness or bodily harm or temporarily or permanently impair human physical or mental health or adversely affect the value of or safe use of property of any kind.

4.1 The Infected Individual Exception shall apply where (1) the actions or decisions of any individual infected or allegedly infected with a Communicable Disease cause or contribute to an alleged loss event and (2) neither such action nor decision nor the alleged cause of the loss event itself was a recommendation, decision or measure as defined in 2.1 (c) or 2.1 (d) above.

4.2 Where those conditions are met, the fact or possibility that the individual's action(s) or decision(s) were impaired or affected by or caused by that individual's alleged or actual infection shall not exclude recovery of a Loss otherwise recoverable hereon provided always that there shall be no cover for loss, damage, liability, or expense arising from any increase in the spread, incidence, severity or recurrence of a Communicable Disease or from any Circumstance as defined in Clause 2.1 (c) or (d) consequent on that individual's actions or decisions.

4.3 For the purposes of this Exception, the Infected Individual need not be physically present on or in an interest affected by the loss event, provided that his or her actions or decisions causing or contributing to the loss event and affecting that interest, directly or indirectly, were of a kind which, when not impaired or affected, would fall within the ordinary course of his or her employment.

5. Loss, damage, liability and expense arising solely out of a loss event otherwise reinsured under this (re)insurance and not excluded thereby nor excluded pursuant to this Clause remain covered in accordance with the terms and conditions thereof.

APPENDIX B: CEFOR Form 2020 / 283

20th November 2020
Cefor Form
2020 / 283
Hull - Communicable Disease Exclusion Clause

For insurance covers subject to the Nordic Marine Insurance Plan of 2013, hereinafter called 'the Plan'.

Communicable Disease is an excluded peril under this insurance. This insurance shall not cover any loss incurred where the dominant cause of the casualty was a Communicable Disease, except where the dominant cause of the casualty was an act or omission of a person infected or allegedly infected by such disease. Where Communicable Disease is not the dominant cause, Cl. 2-13 shall apply. In the event of a casualty otherwise caused by an insured peril and giving the assured a right to indemnity, then, to the extent the repair costs are increased by a Communicable Disease, the provisions in the Plan applies unamended. This Clause shall in no circumstances extend the cover under the standard conditions of the Plan.

"Communicable Disease" shall mean any disease, known or unknown, which can be transmitted by means of any substance or agent from one organism to another where:

a) the substance or agent includes but is not limited to a virus, bacterium, parasite or other organism or any variation or mutation of any of the foregoing, whether deemed living or not, and

b) the method of transmission, whether direct or indirect, includes but is not limited to human touch or contact, airborne transmission, bodily fluid transmission, transmission to or from or via any solid object or surface or liquid or gas, and

c) the disease, substance or agent may, acting alone or in conjunction with other comorbidities, conditions, genetic susceptibilities, or with the human immune system, cause death, illness or bodily harm or temporarily or permanently impair human physical or mental health or adversely affect the value of or safe use of property of any kind.

JWLA025 Areas of Perceived Enhanced Risk

Hull War, Piracy, Terrorism and Related Perils Listed Areas

As of 21st September 2020

Areas perceived enhanced risk:

The recent change enlarges the Gulf of Guinea defined breach area as follows:

Gulf of Guinea

The waters enclosed by the following boundaries:

a) On the west, from the coast of Togo 6° 06' 45" N, 1°12'E, south to

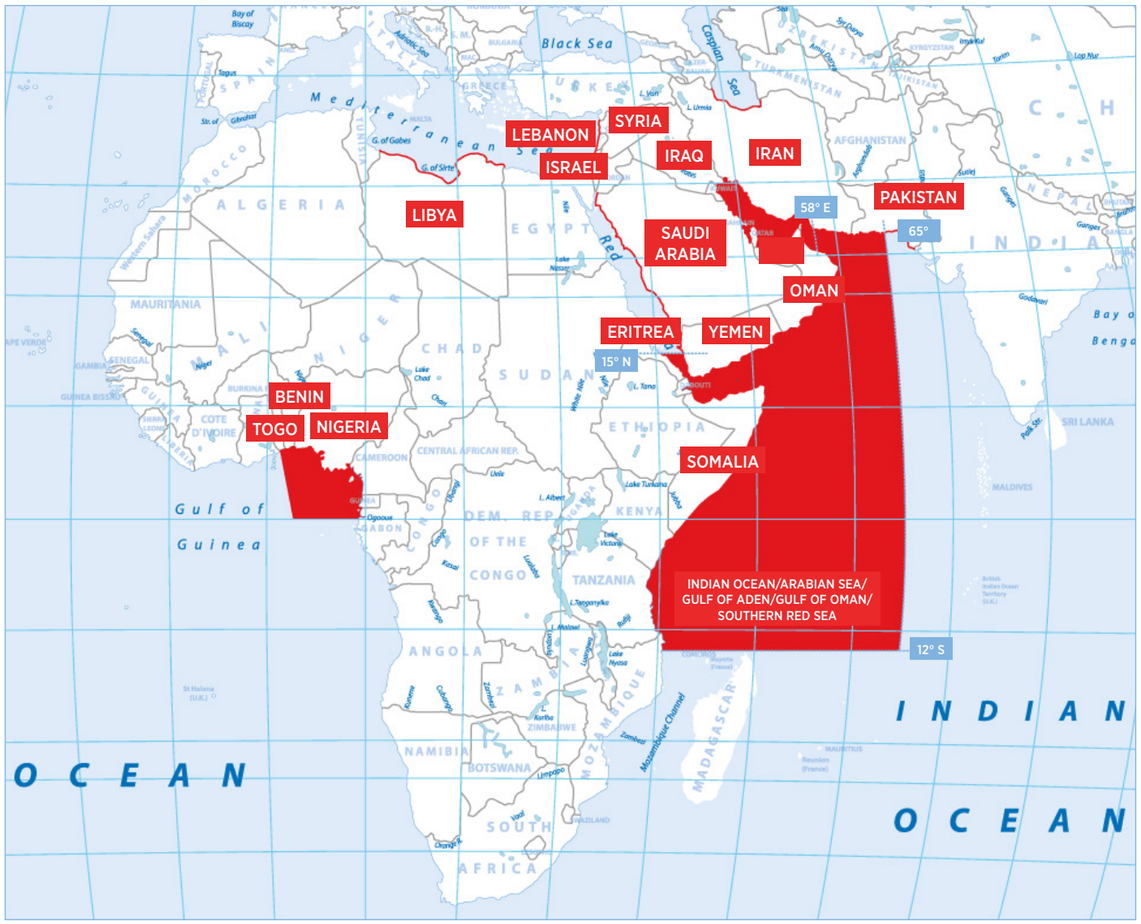
b) high seas point 0° 40' S, 3° 00' E

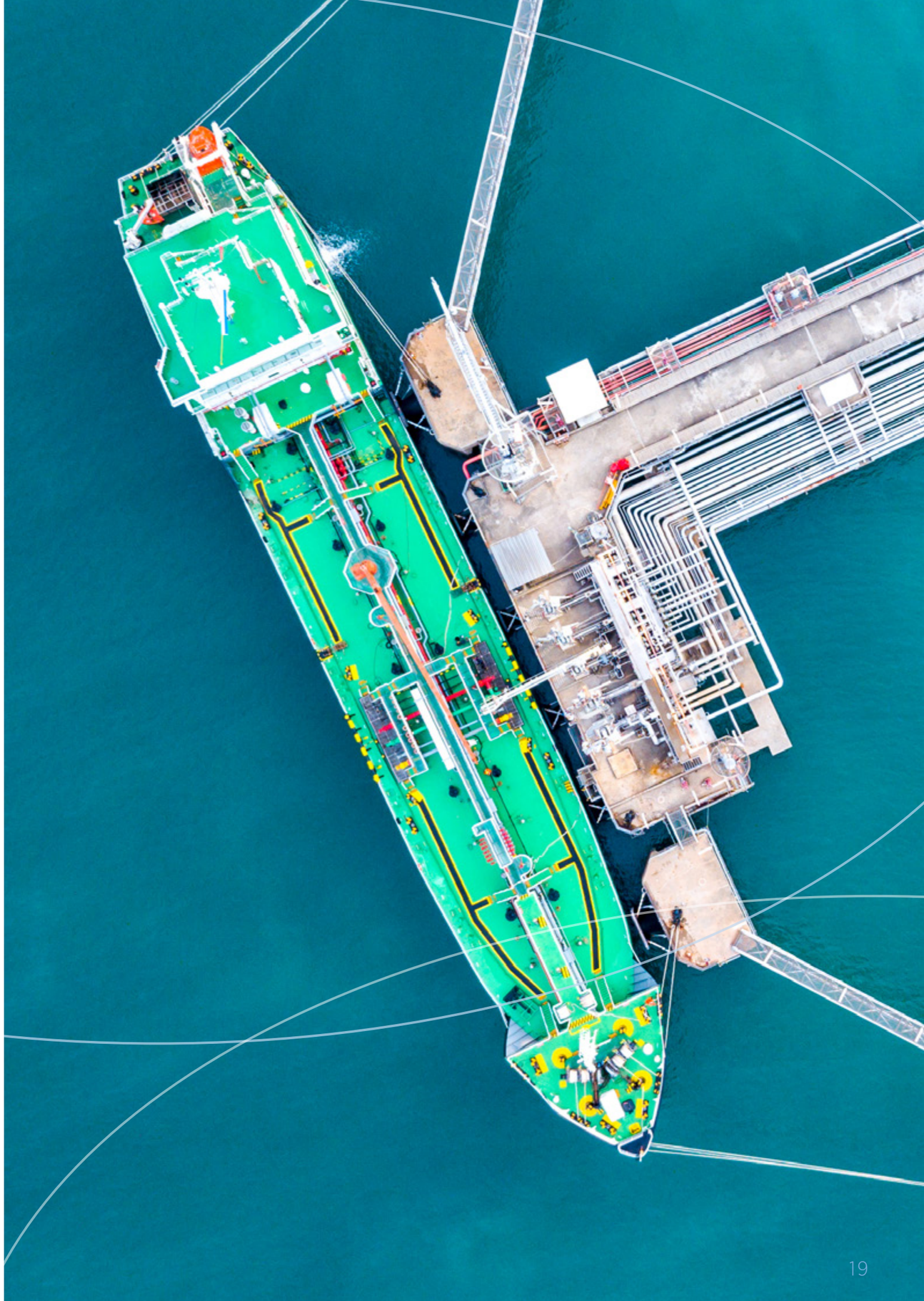
c) and then east to Cape Lopez Peninsula, Gabon 0°40'S, 8° 42'E.

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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