



Counter piracy: proactive response a P&I perspective

Jason Wee

Claims Director

Charles Taylor Mutual Management (Asia) Pte.Limited

12 June 2018



Club's key financials

4th by owned tonnage

1. Gard
2. NOE
3. UK P&I
4. Standard
5. Britannia

Owned tonnage

159m gt

20 Feb 2018

+7%

20 Feb 2017 – 20 Feb 2018

Premium income

\$350m

2017/18

\$339m

2016/17

Combined ratio

104%

2017/18

95%

2016/17

Investment returns

6.4%

2017/18

3.0%

2016/17 financial year

**No General
Increase applied
to**

**20 Feb.2018
renewal**

Free reserves

\$461m

20 Feb 2018

\$430m

20 Feb 2017

S&P rating

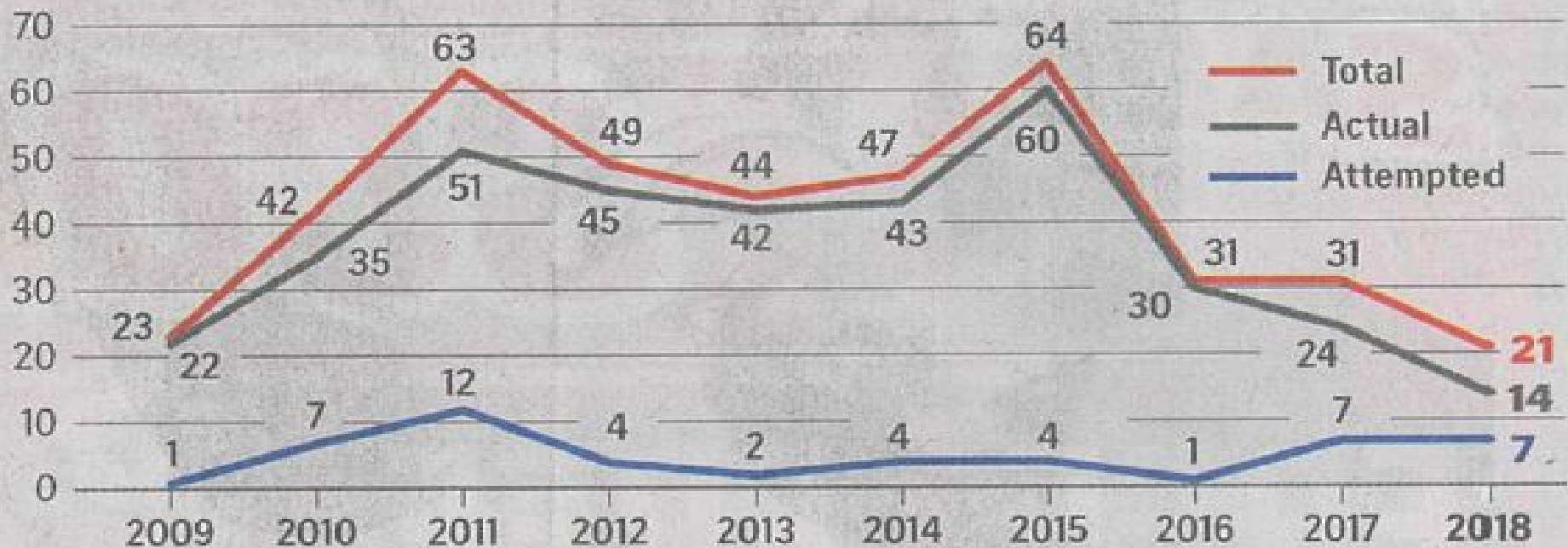
A (strong)

AAA capital strength

affirmed 2017

10-year piracy incidents - Asia (Jan-Apr)

Number of piracy incidents



NOTE: All figures from January to April

Source: RECAAP INFORMATION SHARING CENTRE STRAITS TIMES GRAPHICS

Outline

- 1) **Ensuring adequate cover**
 - a) Scope of P&I cover
 - b) Dovetailing with other policies
 - c) Ransom
 - d) Crew wages

- 2) **Adopting best practices and cover implications**
- 3) **Regional war risks mutuals**
- 4) **Preparing for new risks**

1

Ensuring
adequate cover



Main heads of risks for the ship owner

- Injury / death / after care of persons on board
- Liability for loss of crew effects
- Potential loss of the vessel
- Liability to cargo interests
- Overall business disruption
- Costs of response

Compulsory covers

- P&I
- H&M
- War risks

Optional additional covers

- K&R
- Loss of hire
- Business interruption

Which relevant risks are covered by P&I?

3rd party liabilities:

- Personal injury / illness / death
- Crew personal effects
- Collision
- Wreck removal
- Damage to fixed and floating objects
- Pollution
- Cargo damage/shortage

Piracy vs. Terrorism

- **Piracy:** forcible robbery (or attempted robbery) at sea, committed by marauders from outside the ship or by mariners or passengers within it, for their own private gain and not for public or political ends.
- **Terrorism:** killing, maiming and/or destruction of property for a public or political cause.

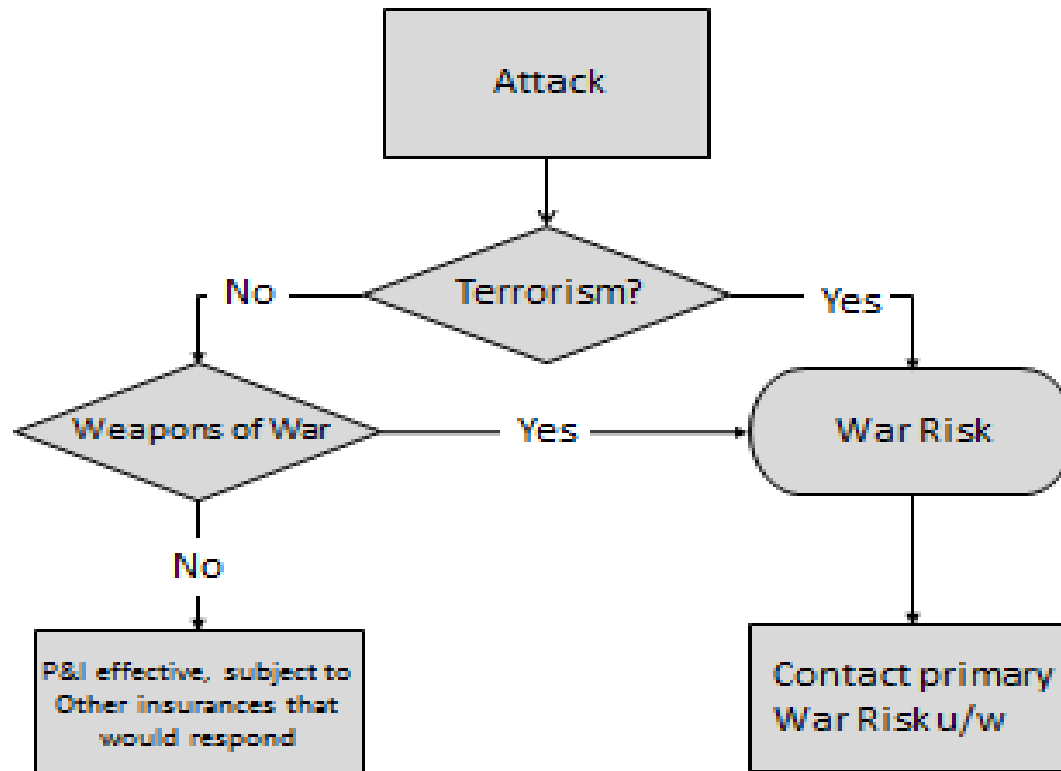


Piracy vs. Terrorism

Standard Club rule 4.3:-

'...In the event of any dispute as to whether or not any act constitutes an act of terrorism, the decision of the board shall be final...'

The club's approach



Relevant insurance covers

Risks Covers	Piracy 3 rd p. liab.	M.Terrorism 3 rd p. liab.	Piracy Vessel	M.Terrorism Vessel	Piracy Ransom	M.Terrorism Ransom
I) P&I	<p>✓</p> <p>*But excludes 3rd p. liabilities if involving use of weapons of war or similar</p>	<p>✓ partial</p> <p><u>Only</u> secondary layer for claims > value of hull up to \$500m: P&I War Risks cl.</p>	×	×	<p>?</p> <p>If at all, for crew</p>	×
II) War risks	<p>✓</p> <p>if involving use of weapons of war or similar</p>	<p>✓ partial</p> <p>primary layer (3rd p. liability) (</= value of hull)</p>	<p>✓</p> <p>If risk is with War cover</p>	✓	?	×
III) H&M	×	×	<p>✓</p> <p>If risk is with H&M cover*</p>	×	<p>?</p> <p>If at all, for vessel</p>	×
IV) K&R	×	×	×	×	✓	×

Ransom

- Which insurer pays?
- Legalities and sanctions
- To take out K&R cover or not?
- Reducing ransom vs. Length of hijacking



Regional Home > News > Regional

Tuesday, 29 March 2016 | MYT 1:17 PM

Abu Sayyaf demands US\$1mil ransom for Indonesian crew taken hostage



Cover for crew wages in captivity

Currently reviewed as part of proposed amendments to MLC

Does it apply to capture by pirates and non-pirates?

For how long are wages to be insured?

- > Period of captivity
- > No. of hostages

2

Adopting best practices & cover implications



Best practices & cover implications

Standard Club rule 4.8:-

*'...No claim is recoverable if the board determines that the carriage, trade, voyage or operation was **imprudent, unsafe, unduly hazardous or improper...**'*

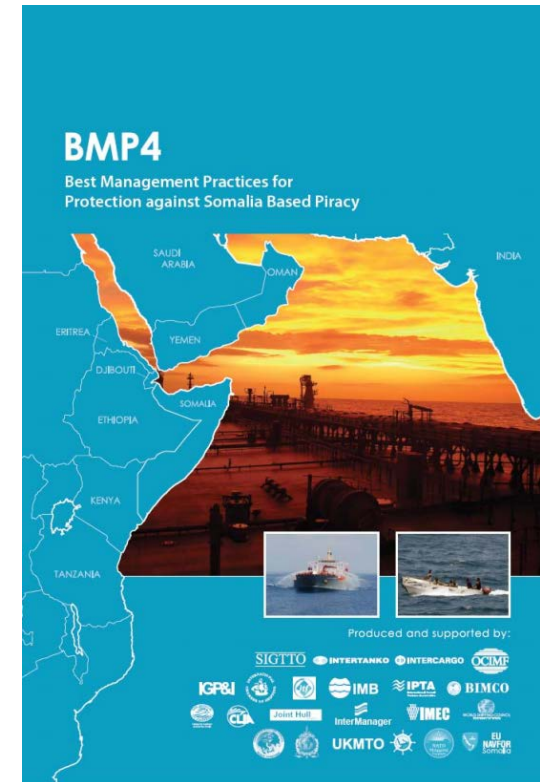
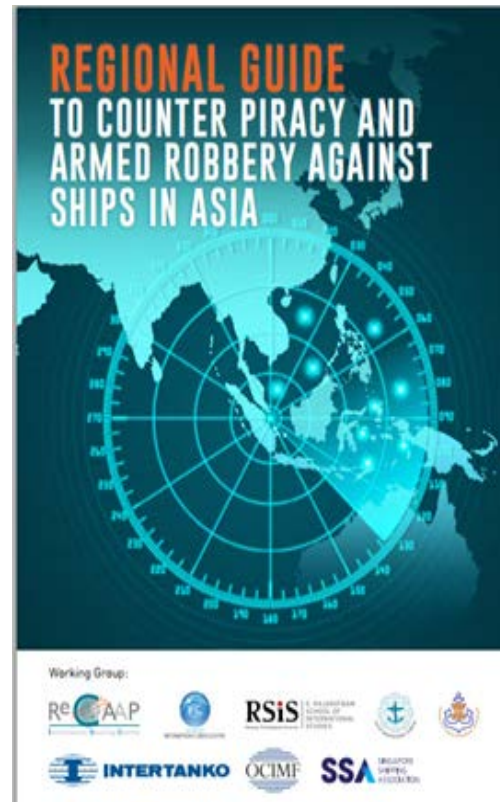
**cf. similar provisions in war risks cover e.g. SWRM, rule 4.C.9*

Best practices & cover implications

BMP 4

/ ReCAAP Regional Guides

- What are they?
- Where do they apply?
- Consequences of non-compliance



Best practices & cover implications



3 Regional war risks mutuals



Summary Additional Premium Area Map

Africa & Middle East

- Benin
- Eritrea
- Gulf of Guinea
- Libya
- Nigeria
- Somalia
- Togo
- Iran

Asia

- Iraq
- Israel
- Lebanon
- Saudi Arabia
- Syria
- Yemen
- Indian Ocean

Asia

- Pakistan
- The port of Jakarta

South America

- Venezuela





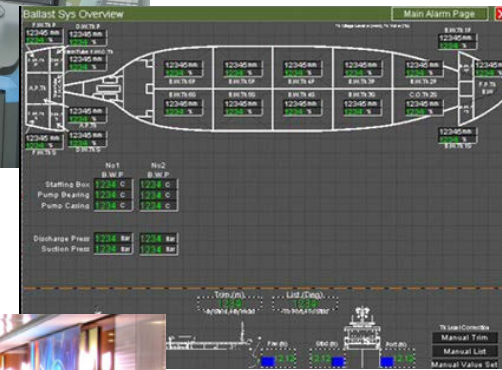
4 Preparing for new risks



Cyber risks onboard and ashore

Ship vulnerabilities

- Cargo management systems
- Bridge/navigation systems
- Propulsion/machinery & power control systems
- Access control systems
- Passenger service and management systems
- Passenger facing public networks
- Admin and crew welfare systems
- Communications systems



Cyber risks onboard and ashore

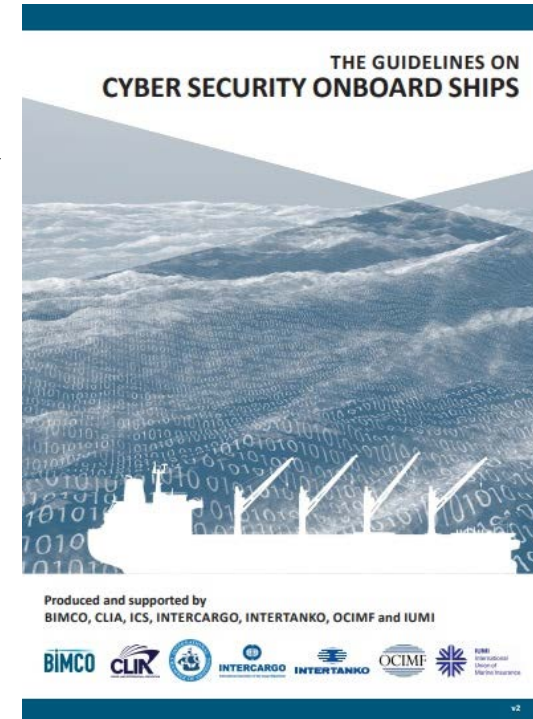
Regulatory considerations and IMO

- IMO – MSC 98
 - Agreed that cyber risk needs to be managed under ISM
 - Flag states to require ship owners to address such risk as part of SMS procedures
 - Evidence of cyber-security arrangements will be included in the first annual verification of DOC after 1 January 2021
- Cyber security is covered under two regulatory codes
 - ISPS
 - ISM Code
- Can the industry wait until 1 January 2021?

“The Guidelines on Cyber Security Onboard Ships”

BIMCO, CLIA, ICS, Intercargo & Intertanko

- since 2016, version 2.0



Cyber risks onboard and ashore

Loss prevention cyber strategy

- Promote awareness amongst personnel
 - Fidra cyber security film
 - Support for '*Be Cyber Aware at Sea*'
www.becyberawareatsea.com
- Support members transition to a cyber secure compliant state
 - Written guidance for managers and masters
 - Master's guide to cyber security?
- Disseminate useful information
 - Use of social media
 - Quick response to changing circumstances



Cover

- Exposure may not be fully appreciated
- No appetite in soft market for more premium

Regulatory status

The Standard Club Ltd is regulated by the Bermuda Monetary Authority. The Standard Club Ltd is the holding company of the Standard Club Europe Ltd and the Standard Club Asia Ltd. The Standard Club Europe Ltd is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Standard Club Asia Ltd is regulated by the Monetary Authority of Singapore.


Charles Taylor Services Limited (CTS) is authorised and regulated by the Financial Conduct Authority to carry out general insurance mediation activities for commercial clients. For more details please see www.fsa.gov.uk/register/home.do or call the FCA on 0845 606 1234. CTS is a wholly owned subsidiary of Charles Taylor Holdings Limited. The ultimate parent and controlling company is Charles Taylor plc.



The Standard




 @StandardPandi

 The Standard P&I Club

www.standard-club.com

**Charles
Taylor**

 @ctaylorplc

 Charles Taylor plc

www.ctplc.com