Marine Hull & Machinery and War Risks Market Update

OCTOBER 2019

Gallagher

Insurance | Risk Management | Consulting

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01. INTRODUCTION

Welcome to the October 2019 edition of the Gallagher Marine Hull & Machinery and War Risks Market Report.

This special edition focuses primarily on War Risks in view of the recent dangerous escalation of tensions in the Arabian Gulf. A series of attacks on tankers in the Persian Gulf and Straits of Hormuz has been the main focus with claims arising from these incidents believed to be in the region of USD70m in total. Following on from these incidents were the high profile seizures of firstly the Iranian owned tanker 'Grace I' in Gibraltar, followed by the retaliatory seizure of the British flagged 'Stena Impero' in the Straits of Hormuz. Taken alongside the recent drone attacks on Saudi Arabian oil infrastructure, this is now considered to be the most volatile environment for shipowners and War Risks underwriters since the Iran-Iraq war of the 1980s.

Rather like the piracy situation in the Gulf of Aden / Indian Ocean which was at its height ten years ago, this is an issue which affects a huge number of vessels due to the sheer volume of maritime traffic in the region. Whilst clearly the tankers loading in the region are the most high profile risks, there are many vessels carrying other commodities as well as the vast number of vessels permanently trading in the region assisting with infrastructure and providing vital support services. Theoretically any vessel could be targeted based on who they are owned by or working for, not to mention the possibility of being in the wrong place at the wrong time, if more conventional conflict were to break out.

Whilst the Persian Gulf is very much in the spotlight, we should not forget the war and piracy threats to shipping in other parts of the world. The situation in Nigeria and the Gulf of Guinea continues to be difficult, conflicts are ongoing in Yemen, Syria and Libya, and the risk of detainment, arrest and confiscation remains high in a number of places, most especially Venezuela.

In this special edition, we are delighted to present a report from Nick Busvine OBE, Partner at London-based strategic advisory firm Herminius on the latest security situation in the Persian Gulf, with particular reference to the political landscape. Then Richard Young, Head of Hull & Machinery and War at Beazley explores the history of the War Risks Market, its present challenges, and how its future may look.

02. MARKET UPDATE

The recent losses and new challenges in the War Risks market sit alongside a continued hardening in the Hull & Machinery market. The significant reduction in market capacity reported in our February issue has continued throughout 2019. Argo and Axis syndicates have both recently announced their withdrawal from Hull & Machinery. Swiss Re have announced they will no longer write marine hull from the London office, however, they will continue to do so from Genoa, albeit with a reduction in the size of their overall book.

2019 has been characterised by a reduction in the number of participants, a consolidation at major market players such as Axa XL, and many other underwriters downsizing their portfolios. Put quite simply, many underwriters are prepared to walk away from business if they cannot get the rate rises they are looking for. Whilst it is too early to say what 2020 will bring, it seems a fair assessment that following so many years of reductions, underwriters are still a long way from the technical rating they are looking for. Without much in the way of new capacity on the horizon, existing capital providers will be applying plenty of pressure to their underwriters to keep prices moving upwards.

In terms of new capacity, Fidelis are looking to start a marine hull portfolio and have recently hired Bob Clarkson, formerly head of Hull and War Risks at Brit Syndicate[1]. Furthermore, John Potter (Head of Marine and Energy) at Antares Syndicate will be joining Convex[2]. It remains to be seen what appetite either of these new entrants will have in the marine hull sphere.

These are challenging times in both shipping and insurance. As always, the team at Gallagher is on hand to help our clients and partners navigate through the unpredictable waters ahead.

All references to changes to syndicate activities or risk appetite confirmed by market-wide, formal correspondence from these underwriting syndicates, to our broking teams.

1. insurancemarinenews.com/insurance-marine-news/fidelis-recruits-bob-clarkson-to-develop-marine-account/
2. www.insuranceinsider.com/articles/126985/antares-marine-head-potter-jumps-ship-for-convex

03. CASUALTY REPORTS

APL Le Havre

Surveys have been undertaken over recent days to assess the extent of the damage to the APL Le Havre and her cargo after a fire was found in containers whilst the containership was off the coast of Gujarat, India in the evening of 9 August 2019. The fully cellular containership, with a carrying capacity of 10,106 teus, reported to the Indian Coast Guard that a fire had started in six containers stowed in the aft section of the vessel close to the accommodation block at 1915 hours whilst the vessel was about 40 nm from Porbandar, Gujarat. Assistance from the Coast Guard was requested and the cutter ICGS Sangram diverted to the area. On arrival her crew used a water cannon to cool the area where the fire was reported but the stormy conditions hampered the effectiveness of the spray. The crew were given instructions by the Coast Guard on how to fight the fire more directly, which involved drilling holes in the containers and flooding them with water. The fire was brought under control after some four hours. The vessel was then escorted to the Gulf of Kutch, near the Mundra anchorage, arriving in the morning of 10 August 2019. The vessel was then berthed at the Adani CMA Mundra Container Terminal where investigations into the fire and the damage continued. She has since proceeded to Jawaharlal Nehru. None of the vessel's 26 strong crew were injured during the blaze.

This year has already seen a number of notable containership fires and whilst, at least on the basis of initial reports, the damage on the APL Le Havre has been limited, it will again raise concerns particularly regarding the shipment of dangerous goods and the issues relating to misdeclaration of cargo. Many carriers have said they will apply large fines on shippers who do not properly declare the contents of containers, with Evergreen imposing penalties of up to USD35,000. Hapag-Lloyd, Hyundai Merchant Marine and OOCL have all announced similar measures.

Roose & Partners Casualty Newsletter – 14 August 2019

Golden Ray

In the early hours of 8 September 2019 the vehicle carrier Golden Ray suffered a loss of stability and capsized as she was departing the port of Brunswick, Georgia, USA. The two year old vessel had arrived from Jacksonville, Florida in the evening of 7 September 2019 and completed cargo operations at 2300 hours. She left her berth shortly after midnight on 8 September 2019 under the control of a local pilot and was bound to Baltimore. She was loaded with some 4,000 Hyundai vehicles. After being underway for 23 minutes, and as she was proceeding in St. Simon Sound she is reported to have suddenly stopped. She developed a severe almost 90º list to port, eventually ending up on her side. Smoke and flames were later seen coming from the vessel. The weather at the time was clear with calm seas. The Coast Guard and local agencies immediately deployed rescue craft to the area. Tugs were tasked with towing the vessel close to the shore to prevent her from sinking. The Golden Ray had a crew of 23 on board as well as the local pilot. Twenty people, including the pilot, were initially rescued from the vessel after climbing out of various openings. Some were then airlifted off by helicopter and others were able to clamber down to the various attending craft. The remaining crew were thought to be trapped in the vessel. Rescue teams were alerted to their location when they heard tapping noises on the hull. Coast Guard teams initially determined that it was too dangerous to go on board the vehicle carrier. The remaining crew members have since been rescued after being trapped for over 35 hours. Rescuers had to drill holes in the hull to access the crew and initially provided them with food and water. The final crew member, who had been trapped behind a glass panel in the ship's engineering control room without any access to food or water and in sweltering conditions, was taken off the vessel at 1800 hours local time. All four were sent to hospital for evaluation.

Roose & Partners Casualty Newsletter – 11 September 2019

Major Car Carrier Incidents

The capsize of the 7,700-ceu car carrier Golden Ray (built 2017) off the US port of Brunswick is the sixth major incident to hit the car carrier sector this year, making it arguably the shipping industry's second most pressing safety issue after boxship fires.

Insurers are now facing related claims running into the hundreds of millions of dollars. The growing list of cases is certain to be a hot topic of discussion among marine underwriters as they gather in Toronto next week for the annual meeting of the International Union of Marine Insurance.

Expensive loss

The likely loss of the Golden Ray could cost its Far Eastern hull insurers between USD70m and USD80m.

The cargo is also almost certain to be a write-off. Even if the 4,000 cars onboard are modestly priced on average at USD20,000 per unit, that adds up to an USD80m claim.

Experts also expect a prolonged salvage job. It is understood the initial emergency response and pollution control will be handled by owner Hyundai Glovis' Oil Pollution Act 1990 designated salvage company Donjon Marine and its partner Smit.

However, if a wreck removal is required the costs could potentially run into the tens of millions of dollars for its protection and indemnity insurer, the North P&I Club.

Major car carrier incidents this year

Sincerity Ace

The Shoei Kisen 6,400-ceu car carrier Sincerity Ace (built 2009) was evacuated in January after it caught fire in the Pacific while transporting cars from Japan to the US. The vessel remains out of service.

Grande America

The Grimaldi-controlled, 50,000-gt ro-ro vessel Grande America (built 2007) sank off the Bay of Biscay in March with Porsche and Audi cars onboard. It sank from a combination of free surface effect caused by firefighting water and cargo shift. However, the fire is thought to have started from a container cargo on the deck.

Platinum Ray

The Ray Shipping-controlled, 6,200-ceu car carrier Platinum Ray (built 2000) caught fire in Ulsan, South Korea, in May with 2,163 vehicles onboard.

Grande Europa

The Grimaldi-controlled, 3,320-lane-meter Grande Europa (built 1998) caught fire off Spain in May and was evacuated. It was loaded with 1,843 vehicles.

Diamond Highway

In June, the K Line 6,400-ceu car carrier Diamond Highway (built 2004) was abandoned in the West Philippine Sea after catching fire. The vessel has since returned to service.

www.tradewinds.com

11 September 2019

MV Nur Allya

The International Association of Dry Cargo Shipowners (INTERCARGO) is once again urging shipowners, operators and crews to exercise extreme caution when loading nickel ore and other cargoes known to liquefy following the loss of the Nur Allya in Indonesia.

INTERCARGO this week said it was deep concerned over the fate of the 25 crew members reported missing aboard the Nur Allya and express thoughts and prayers to the families and loved ones of the missing.

The 52,000 dwt, Panama-flagged Nur Allya has been missing since 20 August while underway northern coast of Buru Island. A major search operation involving air and sea assets has found no sign of the missing or crew.

"INTERCARGO is in communication with various stakeholders to gather further information on the possible casualty," INTERCARGO said in a statement. "According to our sources, the ship was carrying nickel ore and was on voyage in Indonesian waters en route from Sagea (Gebe island) to Morosi (southeast Sulawesi). Our appreciation and encouragement goes to the Search and Rescue efforts currently being undertaken by the Indonesian SAR Agency BASARNAS.

"Although the cause of the potential casualty is not known and must be established by prompt investigation by the Indonesian Authorities, INTERCARGO urges all Ship Owners, Operators and Seafarers to exercise extreme caution when accepting, for carriage, Nickel Ore and other cargoes that have the potential to liquefy. We would like to stress the importance of adhering to the provisions in the International Maritime Solid Bulk Cargoes Code (IMSBC Code) to ensure the safety of lives at sea and the safe transportation of dry bulk cargoes," the statement said.

According to INTERCARGO statistics, cargo failure and shifting (i.e. liquefaction) was to blame for nine dry bulk vessel casualties from 2012 to 2018 resulting in the loss 101 lives. Among those, six involved bulk carriers carrying nickel ore from Indonesia.

"INTERCARGO expresses its utmost concern and dismay for any responsible parties that might have contributed to this potential tragic loss of 25 lives. Moisture related cargo shifting and incidents on voyage, widely known as liquefaction, continue to be a major concern for dry bulk shipping, as our Association has highlighted in earlier notes this year. It is indeed frustrating to see a lack of consolidated efforts and commitment from all stakeholders including Shippers, Receivers and Port State authorities at load and discharge ports to eliminate the problem and safeguard the lives of innocent seafarers, despite a heightened awareness of the problem by the industry through various publications produced by the P&I Clubs and Industry associations."

INTERCARGO Expresses 'Deep Concern' Over Missing Nur Allya Loaded with Nickel Ore

Grand Bahama Shipyard

Cruise ship Oasis of the Seas (IMO 9383936) has been involved in a major accident at the Grand Bahama Shipyard, Freeport. The 6,300 passenger vessel was in Dry Dock No 2 when something caused cranes to collapse onto the vessel and saw her tilt toward starboard. The local police reported several injuries – none of them thought to be life-threatening. A short video of the aftermath, filmed by a shipyard worker who was working on the vessel, Said that the ship collapsed, the dock collapsed, and the crane collapsed. "Dock two is gone, dock two is finished. All the cranes collapsed", said another worker on social media.

Oasis of the Seas arrived in Freeport on 31 March.

One contact told the Grand Bahamas Tribune that the Oasis of the Seas was in dry dock, but was too heavy or large for it. "As they were lifting it the dry dock collapsed, along with the cranes and the ship", the source claimed. Social media postings of the Oasis of Sea clearly showed water still present in the dry dock.

Oasis of the Seas was scheduled to leave Port Canaveral, Florida on a 14-night cruise to Barcelona, Spain on 21 April. From there, the ship was scheduled to spend the summer cruising season in the Western Mediterranean before returning to her home port of Miami in November 2019.

Royal Caribbean said on Monday 1 April that "as of 13:45 hrs EDT, we are accounting for the whereabouts of all site personnel and working with local authorities to determine if there have been any injuries. We are aware of damage to the dock structure and to construction cranes. We are assessing damage to the ship".

Grand Bahama Shipyard's Dry Dock No 2 is 300 metres long and 58.5 metres wide. It is the largest of three floating dry docks at the yard and is equipped with four large dock cranes. Built in 2009, the 1,200-foot Oasis of the Seas is the lead ship in Royal Caribbean's Oasis-class, which ranks as one of the world's biggest cruise ships[1].

Insurance Marine News – 3 April 2019

Pinar Del Rio

The passenger vessel Pinar Del Rio allided with the breakwater and ran aground approaching the entrance to Denia port, Spain on 16 August 2019. The Maltese flagged catamaran ferry was arriving from Palma and Ibiza shortly before midnight on 16 August 2019 when she struck the concrete blocks of the northern breakwater of Dénia (Alicante) and grounded. She is reported to have had 70 vehicles and 393 passengers on board. Emergency services, including the Civil Guard and local Police, with the assistance of a local tug, took immediate steps to evacuate all the passengers and by 0200 hours on 17 August 2019 the rescue operation was successfully concluded. No passenger injuries were reported. During 17 August 2019, oil booms were placed around the vessel as a precaution and divers carried out a survey of the hull to determine the extent of any damage and to assist with salvage plans. The owners of the Pinar Del Rio, Balearia Eurolineas Maritimas S.A., immediately sought tenders for the salvage operation. Ardentia Marine has since been contracted. Whilst the risk of pollution from the vessel's bunkers was considered small, work was been undertaken to drain the fuel tanks. This work was completed on 19 August 2019. Passengers have been reunited with their belongings but those with vehicles will have to remain patient. The plan is to remove the vessels by a crane mounted on the jetty before steps are taken to refloat the vessel. Salvors were forced to suspend work due to a passing storm which caused a significant increase in wave heights. The two attending tugs Boluda Fos and Boluda Tramontana held the vessel steady during the poor weather. The operation continues. This is the vessel's third entry in the Casualty Newsletter. The first entry (edition 214) followed an allision in Malaga in May 2017 with the second being a grounding in Ibiza in June 2018.

Roose & Partners Casualty Newsletter – 21 August 2019

1. Source: themusterstation.com/largest-cruise-ships/

04. PERSIAN GULF SECURITY UPDATE

The gravity of the present situation in the Persian Gulf was highlighted by the recent drone attacks on strategic Saudi oil production architecture. Herminius, specialist advisers to the Joint War Risk Committee at Lloyd's, analysed the crisis and explain the context, informed by their regular engagement with their contacts in the diplomatic and related fields.

The departure of John Bolton as US National Security Adviser on 10 September 2019 had prompted speculation of a more dovish tone from Washington on Iran, but both President Donald Trump and Secretary of State Mike Pompeo were quick to indicate that there would be no softening of the Administration's stance on sanctions. This was confirmed by the robust US response to the latest drone attacks on Saudi oil infrastructure four days later: the US is 'locked and loaded', President Trump swiftly asserted. The situation is both tense and dangerous.

Conversations with our own contacts prior to the latest attacks underline the view that the US remains committed to pushing Tehran into agreeing a new treaty to replace the JCPOA nuclear deal, which it feels did not do enough to curb Iran's nuclear ambitions, and did not address Tehran's sponsorship of anti-US and anti-Israeli terrorist and militia groups overseas. The US's tool has been the application of 'maximum pressure' short of war. This has involved pulling out of JCPOA, and imposing sanctions on Iran and entities doing business with it, to undermine the deal further. These moves have forced Iran into non-compliance with the deal, thus reinforcing the US's position that Iran cannot be trusted.

Iran, for its part, still needs to escape from the pressure the US is applying. The 80%+ cut in its oil exports (from 2.8m bpd to under 500,000 bpd), and divestment by foreign firms threatened with US sanctions, means that its economy is expected to shrink by 4-6% this year; inflation and unemployment are sharply up. The weapon it has chosen to relieve this pressure is a campaign of coercion against the commercial interests of the US and its allies in the Persian Gulf; the idea appears to be that threatening regional economic and political stability will persuade the US to back off, and European signatories of JCPOA to provide the financial relief that sanctions have inhibited. This campaign has seen deniable sabotage attacks on six merchant vessels in the waters on either side of the Strait of Hormuz, plus the seizure of four more, two (Tehran claimed) for oil smuggling. It has also seen increasingly ambitious attacks on airports and oil-related infrastructure in Saudi Arabia by the drones and missiles of Iran's Yemeni allies, the Houthi movement, culminating in the most recent attack on the Abqaiq facility in Saudi Arabia, the world's largest petroleum processing plant, which had a direct impact on global oil supplies – and prices. Any rise on oil prices is a plus for Iran's Islamic Revolutionary Guards Corps (IRGC), which dominates the smuggling of Iranian oil, and wants to achieve higher prices for their product (particularly given it has to be sold at a substantial discount

In theory, both sides have an incentive to change course – after all, on 21 June 2019 they came perilously close to head-on confrontation, when President Trump chose at the last minute (and against Bolton's advice) to cancel a wave of airstrikes meant as retaliation for the destruction of a US drone. Yet the Trump administration sees Iran under pressure – and thinks that this will bring Tehran to the negotiating table.

Iran, for its part, sees its campaign working. It was prepared to up the ante recently, when President Hassan Rouhani warned that Tehran would begin research on developing centrifuges to speed up Uranium enrichment. Its attacks off Fujairah appear to have driven a wedge between the UAE and Saudi Arabia (the UAE has drawn down its level of commitment to the Saudi-led coalition in Yemen since July, and opened discussions with Tehran to improve commercial and diplomatic ties). Its seizure of the UK-flagged STENA IMPERO tanker as a bargaining chip to swap for the GRACE 1 – detained in Gibraltar in June – has (in Tehran's eyes) led to the latter being freed to resume its transit to Syria with sanctions-busting Iranian oil. Fears of the possibility of war in the Gulf have undoubtedly prompted French President Emanuel Macron's initiative to launch a USD 15 billion credit line for Iran until year end. Macron is hoping in return for an end to attacks on merchant shipping, compliance with JCPOA, and a return to the negotiating table. Our contacts concur that the US remains opposed to this proposal – and will continue to enforce its sanctions against any party purchasing Iranian oil). What makes the present situation particularly dangerous is that the IRGC is signalling that it is prepared to play hardball. The IRGC has a track record of success in the region going back years and is, as yet, unintimidated by the US. In other words, the IRGC is prepared to call the US's bluff, while also seeking to drive a wedge between the US and the EU.

So what will the next few months hold for the Gulf? All-out war remains unlikely, if only because neither side wants one; President Trump has been a consistent opponent of foreign wars throughout his public life, while Iran's regime knows that hostilities with the US might conceivably lead to the collapse of the Islamic revolution. Of course, this does not rule out an accidental war, provoked by misjudgement or over-reaction to a perceived threat. However, both sides have shown themselves ready to pause on the escalation ladder, or even climb down the odd rung, when the situation has seemed close to getting out of hand. For as long as it is in the interest of both sides to avoid war, we expect them to continue to try to exercise restraint.

But restraint may still mean bloodshed. The reality is that the Iranians are playing a dangerous game with dangerous tools, for instance repeatedly testing US and allied naval vessels on escort duty (escorting British merchant ships through the Gulf, HMS Montrose has averaged two confrontations a day with the IRGC Navy over the past two months). The destruction of the US drone in June was particularly dangerous, given it was the size of a conventional spy plane and the Iranians may not have been aware it was unmanned; the US has consistently said it will use force against Iran if US citizens are killed. However, US combat power is so great that it gives commanders plentiful alternatives as to how to respond to Iranian provocation. Signals can be sent, and Iranian capabilities degraded, without war resulting. This has been the reality of past US-Iran confrontations – and the Trump administration is even more likely to try to contain hostilities than its predecessors.

Where does all of this leave commercial shipping in the Gulf? It faces more of the same. We predicted in early September to our contacts in the insurance sector that further sabotage attacks on tanker vessels were likely – though not, perhaps, off Fujairah – as were rocket or drone attacks on Saudi oil infrastructure (- which duly materialised). The IRGC appears to be seizing tanker vessels which it believes are compromising its dominance of the smuggling of Iranian oil; this, too, is likely to continue. As for seizures of other vessels as bargaining chips, we do not yet know how the drama of the GRACE 1 (now renamed ADRIAN DARYA 1) will play out. It seems increasingly clear that she has indeed off-loaded her cargo to the Syrians – in breach of written assurances to the contrary to the UK government. On 10 September 2019, the Iranian Ambassador was summoned to the FCO to explain Iranian actions. Given there is a US detention warrant against the vessel, she may well be seized. This turn of events further prejudices the chances of the release of STENA IMPERO. Furthermore the Iranians may see seamen from US and allied states, not just vessels flying their respective flags, as bargaining chips; IRGC radio traffic shortly after the STENA IMPERO seizure indicated the Iranians' disappointment at the lack of any British crew on board, and included orders for IRGC naval vessels to be on the lookout for British nationals. If the picture surrounding vessel seizures is still unclear, it is probably fair to say that for the moment at least, Iran will feel the tactic is working. In that light, it would be foolish to assume that Tehran won't try the tactic again. Evidence that the Iranians may be prepared to up the ante came on 11 September, when news broke that two British-Australian women and one Australian man may have been detained in Iran. The situation in the Gulf is set to continue to be extremely tense. Enormous European diplomatic efforts are underway to try to de-escalate the situation, but the risk remains – as former UK Foreign Secretary Jeremy Hunt suggested earlier this year – that we may end up with a military confrontation 'by accident'.

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Educated at Cambridge, Nick is a former diplomat. He has worked in the business advisory sector since 2011. During his twenty-nine year career with the UK Foreign Office, he served in South East Asia, the Middle East, Africa and Latin America. His posts at home and overseas covered a range of thematic issues, including conflict resolution, counter-terrorism and multi-agency collaboration in the fight against serious crime. At Herminius, Nick specialises in leading projects to support and advise clients on issues with an emerging market focus.

Herminius is a London-based strategic advisory firm. Our extensive global network of political, economic, security and sector experts and partners provides local, national and international insight, intelligence and in-depth advice. Our clients draw on this advice to make well-informed and risk-managed decisions, based on in-depth understanding of the hidden factors that could support or undermine a key business decision. Herminius have been advisors to JWC since 2004. Key figures at the company include chairman Jack Gressier, former CEO of Axis Insurance.

05. PERSIAN GULF: MERELY THE TIP OF THE ICEBERG FOR THE LONDON WAR RISK MARKET

Marine War: Centuries old and thrust back into focus with events in the Persian Gulf. Richard Young, Head of Hull & Machinery and War at Lloyd's Insurer Beazley explores the history of the War Risks Market, its present challenges and how its future may look.

History

At a time of heightened tension in the Persian Gulf it is perhaps worth pausing for a moment to look at the history and development of the London war risks insurance market in order to contextualise what is currently going on. Whilst the events in the Persian Gulf over the last few months may seem shocking, they are entirely consistent with the type of event that the London war risks market has been paying claims for over a number of centuries.

The London War risks market is the largest marine war risks market in the world. It is large and viable, willing and able to take the risks of war and associated perils onto the balance sheets of its respective companies and syndicates. Most insurance companies, war risks mutual and war risks associations writing marine war risks worldwide tend to reinsure some, or all, of their war exposures back into Lloyd's and therefore most war risks ultimately end up with the Lloyd's market in London. Lloyd's has long been recognised as a market for marine war risks. There is a historical reason for this development. In 1720 the British Government created two Royal Charters which saw the creation of The Royal Exchange Assurance and The London Assurance Company. These companies were given a duopoly in which to operate and "all other companies or partnerships were legally excluded from underwriting maritime risks"[1]. The structure of Lloyd's, in which private individuals underwrote risks for their own personal account, meant that they could continue to operate outside of this State approved duopoly as they were neither companies nor partnerships. And this scheme "resulted in the creation of a two-tier maritime insurance system in which the chartered companies assumed a rather conservative attitude to risks and enterprise, and the merchants/underwriters at Lloyd's engaged in underwriting large and at times highly speculative risks"[2].

Many ship-owners choose to buy their war risks from Lloyd's and the London company markets. The London insurance market has a huge amount of experience in the underwriting of war risks and the English legal system has an extensive volume of case law and precedent going back hundreds of years relating to war risks claims. This means that Assureds will have certainty that in the event of a claim they will receive the best possible service, and, more importantly, obtain indemnity for their loss. Certainty in the insurance products that a shipowner buys is paramount and war is one of the least certain of all perils. War is difficult to predict (although these days there are plenty of security analysts who do a pretty good job of predicting it) but the uncertainty means it is very difficult to price. War risks are by their nature low frequency but high severity. It is difficult, if not impossible, to build a model or algorithm to price for war risks. There will be long periods of limited activity and low losses followed by usually shorter periods of sustained activity and large losses. Market war rates are therefore highly volatile. The ability for underwriters to re-price the risk mid-term via the Notice of Cancellation mechanism is the only way that war may be written viably and without enormous loss to underwriters.

The London market is extremely competitive, and the forces of competition serve our Assureds very well. London market war risks underwriters are not in a position to enforce a monopoly and to control pricing because if rates are too high new capacity will come into the market to take advantage of the perceived profits. Or existing underwriters will seek to grow their war books at the expense of others by under-cutting them. Whenever there is a new global hotspot there is usually a period of price discovery when there will be as many different rates as there are underwriters. However, over time the invisible hand of the market pricing mechanism works and something resembling a "market price" is established. There will always be outliers, some underwriters will charge more and others less, depending on their own loss experience and understanding of the risk. In order to complete the larger and more complex risks, a certain consensus is usually required.

There was a time when war risks formed a greater risk and a larger part of an underwriter's account than non-war risks. In these times of heightened tension it may be that we see this balance shift again. Until 1983 Lloyd's underwriters wrote on the SG Policy form and would underwrite both war and non-war risks on the

1. Lobo-Guerrero, Insuring War (2013)
2/3. Ibid.

same policy. War risks could be excluded by means of the "Free of capture and seizure" clause. It is interesting to note that "capture" and "seizure" represented the earliest embodiment of war risks in the historical development of the market. The war risks market as we currently know it has its origins in the American War of Independence (1775-1783), the various Anglo-Dutch wars and the Napoleonic Wars (1803-1815). Large numbers of merchant vessels and their cargoes were lost during these wars and, by way of example, in 1779 alone 656 ships were lost to war perils.

Luis Lobo-Guerrero in his 2013 book "Insuring War" looks at the marine underwriter's "consciousness as a stakeholder in the security and economic success of the state". He points out that by insuring fleets at time of war in the 1700s and 1800s and benefiting from the Royal Navy's efforts to keep sea lanes open for trade that London underwriters interacted with Government to the extent that insurance was used as an "instrument of war". By acting in partnership with the Government and the Royal Navy a system of "reciprocity and responsibility" could exist. "The cash flow derived from the collection of insurance premiums would constitute investment capital with which to buy Government debt, which was badly required for supporting military efforts…"[3]

Present Challenges

War market figures could be used as a crude barometer to gauge global tensions. It is reasonable to expect at times of global calm that the war market will return lower loss ratios, but on a smaller premium base. The recent gross over capacity in the Lloyd's, London and global insurance market coincided with a period of wider global calm. As hull and machinery rates tumbled underwriters have been increasingly drawn to the perceived profits contained within the 'W' and 'WB' risk codes causing a bloody battle for market share resulting in a slide of rates and potentially more dangerously a widening of wordings. I would argue that war risks underwriters are still charging far too little for the exposures they are taking on. Pricing of annual war is at all-time lows. Our records suggest that annual war rates have reduced by approximately 90% since 2002. The annual war rate covers worldwide navigation and the additional premium mechanism in theory covers the increased risk arising from trade to a Listed Area. Given that the marine war policy covers terrorism and malicious damage, which could happen anywhere at any time, it seems as though the annual rate is extraordinarily low in many cases.

The stand-alone war market developed to write the Free of Capture & Seizure risks and in the fullness of time further perils were added into this coverage Michael Miller's brilliant "Marine War Risks" is extremely helpful in understanding these perils, how they migrated over time into the war policy and for comparing and contrasting the subtle difference between, say, capture and seizure. Miller writes: "when there are no widespread hostilities, such as world war, "restraint" and "seizure" are the commonest form of war risk losses"[4]. This has never been truer. Indeed, at the time of writing, there are as many as nine cases of potential restraint or seizure of vessels ongoing around the world with cases in Venezuela, Egypt, Bulgaria, Indonesia, Nigeria, Philippines, Ukraine, Russia, as well as the high profile cases in Iran. Many of these cases appear to turn on charter party disputes, title disputes or alleged customs infringements. Very few are really war losses as defined in the Institute War Clauses, six of the nine above locations are not within the Joint War Committee listed areas so underwriters would not be able collect additional premium for this exposure having to therefore fall back on the annual premium to cover these potential losses should they come home to roost. Are annual premiums currently sufficient to cover these? Certainly not.

The War Market does have standard exclusionary language within the Institute War Clauses which excludes losses from:

arrest restraint detainment confiscation or expropriation under quarantine regulations or by reason of infringement of any customs or trading regulations

and from

the operation of ordinary judicial process, failure to provide security or to pay any fine or penalty or any financial cause.

The marine war market has been presented with claims arising from these events. Most are not covered. The exclusionary language above makes that clear. It would be against public policy to provide insurance for illegal acts or to insure companies that willingly infringe customs regulations. It is not possible to insure the consequences of an owner entering into a bad charter or for the consequences of the freight market turning against him. This would be a form of financial guarantee. It is not the business of war risks underwriters to guarantee the success of a speculative venture. A fortuity is required to trigger an insurance policy of indemnity. Most vessels that are entered with IGA Clubs should be able to avail themselves of a Club Letter of Undertaking in the event of an arrest in the ordinary course of trading. Such a Club Letter should secure the release of the vessel and has long played an essential role in world trade, keeping ships and their cargoes moving whilst disputes are settled later.

So if the war policy doesn't cover arrest from infringement of customs regulations or the operation of ordinary judicial process or other financial cause then what does it cover? The answer is it covers the warlike actions of States or their representatives. Confiscation and Expropriation are covered and these are extremely important perils to have insured. It would be hard to argue that the seizure of the "Stena Impero" is anything other than a war loss of the sort that underwriters have in mind when they are providing cover. Where things are not black and white tends to be when a vessel seizure is as a result of a rogue local court acting outside of its remit or corruptly.

Confiscation and Expropriation were not insured perils under the old SG policy and only appeared from the early 1980s in the Institute War Clauses.

The little used Institute War & Strikes Clauses – Limited Conditions (Cls 300) do not contain the perils of Confiscation and Expropriation. It may be argued that these "political risks" perils are not really priced adequately by the market. They appear as standard in Cls 281. It may be that if the war market finds itself paying a large number of confiscation and expropriation losses then the appetite to give this cover may evaporate and we might see Cls 300 in greater use. Or, more likely, underwriters will begin to price each peril within the clauses adequately.

The world is a dangerous place and increasingly unpredictable. It is not clear where the next war hotspot will be. It may well be that the South China Sea becomes the crucible of the next major marine war event. It may equally be somewhere that is currently peaceful and calm.

Whether it is the South China Sea, the Black Sea, the Gulf of Aden or the Straits of Hormuz, there are a number of Maritime flash points at the moment and we should not be too surprised to see further provocations and even further vessel confiscations. This is something that has happened for hundreds of years and will continue to happen. War rates will probably need to rise further to make good the losses sustained to date in 2019 as well as pricing in the current enhanced risk in many international hot spots.

In "The Coming Anarchy" (Robert D Kaplan, 2000) the author talks about "distinctions between war and crime breaking down." We already see this in some countries that exhibit a constant level of low intensity conflict. In West Africa in general and Nigeria in particular criminal gangs for hire might be blowing up a pipeline one week or attacking a vessel another week. These gangs increasingly see the business model of kidnap for ransom as more lucrative than the dwindling amnesty payments they may have received from the Government for giving up their politically motivated actions. Whether or not they were in receipt of amnesty payments the military factions in Nigeria are still looking for sources of revenue and attacks on shipping can be expected to continue for the foreseeable future, in the first half of 2019 75 seafarers were taken hostage globally of which 62 were captured in the waters of the Gulf of Guinea[5]. Until the massive structural challenges are addressed and the crucial truly independent institutions are established in corrupt countries such as Nigeria there is no suggestion that these attacks will abate. Transparency International defines corruption as "the abuse of entrusted power for private gain". Sadly, one sees this all over the world, and in the developed world as well as the developing world. Many large western multinationals have been fined for corruption in recent years. One fears for Guyana. The discovery of huge oil reserves which are now moving into the production phase will lead to billions of dollars in new oil wealth flowing into the country. Unless corruption can be managed we can expect to see the all too familiar sight of politicians enriching themselves at the expense of their impoverished populations. The massive disparity in wealth between those who enrich themselves and the general population will, in such circumstances, create anger. This will eventually lead to unrest. One hopes that Guyana will follow the Norwegian model of building up a sovereign wealth fund and spending the money wisely on infrastructure and education. Guyana is at a crossroad. It could become the new Norway or the next Nigeria. What impact would that have for War Risks if it were to become the later?

We are living in a time of heightened international tension. In "The Improbable War" (2015) Christopher Coker looks at the possibility and potential inevitability of Great Power conflict. This is the Thucydides Trap. He writes that Great Powers need to "weave strategic narratives that are believable". He points out that "in the absence of a compelling grand strategy, nations can find themselves sleepwalking to disaster as happened in 1914"[6]. A large number of commenters have suggested that the current retreat from globalisation bears ominous parallels to the period leading up to World War I. As Gideon Rachman wrote in the Financial Times on 9th August 2019 the world is an increasingly confused place. American credibility has been undermined. For the United States "to maintain its status as a superpower and a world policeman then its international commitments must be clear and believable". However, at present US foreign policy is often unpredictable. The current situation in the Persian Gulf seems intrinsically linked to American foreign policy in an increasingly confused and changing global system.

4. Michael D Miller, Marine War Risks (2005)
5. IMB Half Year Piracy Report (2019)
6. Christopher Coker, The Improbable War (2015)

The Future

The events of the last couple of months in the Persian Gulf highlight several different issues which are worth touching on.

The first of these is sanctions. Vessels calling to Iran need to be very mindful of the US sanctions regime. Most Lloyd's and London market insurers are now unable to provide cover for any vessels calling to Iran. This is due to a combination of factors including, internal risk appetite, reputational risk, inability to rely on reinsurance, inability to process premiums/claims funds and the very real risk of being shut out of the US dollar trading system. Increasingly P&I clubs and banks are also taking action to protect their own positions too. The recent Kunlun Nord/LB case appears to show that shipowners in apparent breach of sanctions run the risk of having their cover pulled and therefore being in breach of mortgage agreements with their banks. Potentially leading to arrest and judicial sale.

It appears that the sanctions regime is ratcheting up and the penalties for breaching sanctions are severe for shipowners and potentially their banking and insurance partners. It does seem remarkable that in 2019 we still do not always know where the ships we insure are currently trading. It is too easy for an owner to instruct their masters to turn off their AIS and go dark. Not knowing where a vessel is leads to a situation of asymmetric information. This is nothing new. Insurers are always asked to make decisions in the absence of complete information. But we need to be able to do this in Good Faith. Way back in 1663 Samuel Pepys noted in his diary "what an opportunity had I to have concealed this (news about the safety of a ship) and seemed to have made an insurance and got £100 with the least trouble and danger in the whole world". He was talking about the potential for trading on inside information, knowing the whereabouts and safety of a vessel which was not yet widely known. With the advent of the internet and the extraordinary speed of global communications we can look up vessels on various systems that are commonly available. However, these are still reliant on the vessels transmitting their position via AIS, itself a relatively recent development. Only twenty or so years ago Lloyd's underwriters were reliant on news of vessel casualties coming in from the Lloyd's Agency network around the world and being posted on the Loss Boards in Lloyd's. A weekly "pink sheet" would be circulated to marine underwriters which detailed vessel casualties. These days the internet provides instant updates on vessel positions and most underwriters can look up the vessels they are covering to see where they are, where they have been and where they are going next. There are now providers of software services to track vessels by satellite when they go dark. I would expect to see this become more widespread as this service is useful to banks and insurers as well as government agencies.

Wars have started for minor reasons in the past and it is not hard to imagine a situation in which a miscalculation sets rival states on pathways to escalation from which they cannot come back. It may be that a misstep by the USA or China leads us into a new great power conflict; the opening skirmishes of which would almost certainly take place in cyber space. It is certain that the maritime industry would be drawn into such a war. "The policy of attacking the sea-borne trade of an enemy is no new thing. It has always played an important role in maritime warfare" (Hill, State War Insurance against War Risks at Sea, 1927).

There has been suggestion that the "Stena Impero" may have been led off course by GPS spoofing. If this turns out to be the case it will be very interesting to see whether this is deemed to be a cyber attack. Would the Institute Cyber Attack Exclusion Clause come into play here? Various forms of cyber cover are starting to appear and it does appear that a vigilant owner should avail themselves of this coverage. The shipping world has been seen to be relatively unprepared for cyber attacks. The IMO recommendations coming into force in January 2021 make cyber preparedness a key part of the vessel's ISM.

At the time of writing the "Stena Impero" is still being held. One hopes that the Stena crew are in good health and not too tormented by their time in captivity. It is worth remembering that most marine hull war will include war P&I up to the H&M value. This is of huge value and is another example of the market selling its products incredibly competitively. If any of the six tankers that were attacked by mines in May and June had been a total loss then the marine hull war policy might also have had a very expensive war P&I claim. It would not be too difficult to imagine a situation in which the hull war policy pays out for a total loss of the vessel, removal of wreck and pollution. Shipowners should keep in mind how much cover they are buying for a modest additional premium each time they call into a Listed Area.

The issue of detainment is an interesting one. Detainment is a peril within 1.2 of Cls 281 but the Detainment Clause itself (Clause 3) is a clause that acts on all of the perils listed to define when a constructive total loss would be payable:

In the event that the Vessel shall have been the subject of capture seizure arrest restraint detainment confiscation or expropriation, and the Assured shall thereby have lost the free use and disposal of the Vessel for a continuous period of 12 months then for the purpose of ascertaining whether the Vessel is a constructive total loss the Assured shall be deemed to have been deprived of the possession of the Vessel without any likelihood of recovery.

While the market was soft the 12 months contained in the clause was often amended to 6 months. These days most underwriters are leaving this unchanged at 12 months. 6 months is much too short, so much can change in the early days of a vessel seizure, and the key is "without any likelihood of recovery". After 6 months there is still every likelihood of getting the vessel back and the shipowner would be in the best position to do so. In the event of further vessel seizures it may be that underwriters seek to toughen their stance still further on this clause, and amend it to 24 months for example.

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Conclusion

The events for the past few months have thrust the Marine War Insurance market back to the forefront of global shipping. The "Stena Impero" remains captive in Iran and six vessels are suspected to have had limpet mines attached and detonated on their hulls. The threat of further vessels seizures remains high and the threat of further attacks on shipping by mines or other means is also high. The war risks market will respond to these losses as it always has done. All valid claims will be paid. However, for the war risks market to take on the billions of dollars of global shipping exposures it needs to take adequate consideration for the risks.

The mechanism of charging additional premiums is the primary way underwriters can hope to achieve anything approaching adequate consideration for the risks they take on. Even here the war market remains hopelessly soft. Of every additional premium that is paid less than half will make it to the underwriters by the time NCBs, PCs and brokerage are taken into account. But what of the potential losses far away from the Arabian Gulf in countries outside of the listed areas where no additional premium can be charged? Is the market currently charging enough annual premiums to cover potential losses? Terrorism can occur anywhere, corruption sadly exists across the globe. The value of the top ten shipping nation's fleets is thought to be in excess of USD 500 billion. It is likely that their combined total annual war premiums in are significantly less than USD 100 million. This is barely enough to pay for one large value total loss, let alone pollution and wreck removal or injuries or death to crew members.

Ship-owners need to consider the security of their war risks providers carefully. Their brokers can advise on this. London market war risks underwriters can assemble well in excess of USD 1 billion of capacity for war risks but they need to be remunerated for this. With fewer and fewer Lloyd's syndicates the market's capacity is diminishing. This is a natural result of the appalling losses that have been sustained in Hull & Machinery and other lines of business. As capacity and choice diminishes prices will go up and potentially quite a lot.

"In finance, everything that is agreeable is unsound and everything that is sound is disagreeable."

Winston Churchill can usually be relied upon to say the wisest words and his comments on finance hold for marine war insurance, it probably feels disagreeable to be paying more premiums, however in today's world that is because it is sound to do so.

Beazley is a specialist insurer with three decades of experience in providing clients with the highest standards of underwriting and claims service worldwide. All our insurance businesses are rated A (Excellent) by A.M. Best. Beazley is a proud participant in the Lloyd's market, the largest and oldest insurance market in the world. Through the Lloyd's broker network and the market's trading licenses, we are able to access a wide range of insurance and reinsurance businesses from around the world.

06. WAR AND PIRACY NEWS

Seized MT Badr Sets Sail from Burgas, Re-Flagged and Renamed

The Libyan-flagged crude oil tanker MT Badr, that was seized by Bulgarian authorities in 2017, has been renamed and taken over by Bulgarian-based oil and gas contractor Bulgargeomin, the General National Maritime Transport Company of Libya (GNMTC) said in an update, stressing the transfer of ownership was illegal.

As informed, the ship left Burgas anchorage on 28 December 2018, with a new crew on board, with the sailing permission issued by the Bulgarian Marine Administration and provisional Panama-flag certificate. GNMTC said that the provisional flag was revoked by Panama's Maritime Authority a day before the ship left the port, slamming the actions as illegal.

The sequence of events followed Badr's seizure by Bulgarian border police on 21 December, while at Burgas anchorage, and subsequent removal of the ship's crew from the vessel.The ship had been detained by the Port Authority of Burgas since November 2017 over an alleged unpaid mortgage to Bulgargeomin. The company denied the claims that it owed a USD 9.23m mortgage on the crude oil carrier, saying the mortgage was falsified. In January 2018, the Bulgarian Supreme Court ordered the vessel's release, however, the vessel remained in detention ever since.

Furthermore, according to the court documents, dated November 2018, the translation of which was provided by GNMTC to World Maritime News, the Supreme court cancelled the order for the seizure of the ship, and ordered Maritime Administration to compensate GNMTC damages for legal proceedings.As disclosed, the court decided that BGM did not have corporate legal status that allows them to be a valid party in any court procedures, being a consortium of three companies Moran West Ltd, Moran Trade and Tectona Ltd.

Separately, press office of Bulgargeomin said in a statement that all the documents seeking damages and MT Badr as collateral were legitimate, in line with the contract from 2013 signed by Hristina Ivanova Stamova, liquidator of the state owned Bulgargeoin EAD and Bulgargeomin. The company added that it was the only bidder in the subsequent official public auction for the sale of MT Badr, which was awarded to Bulgargeomin LTD in the presence of both sides of the case. "As a legitimate owner of MT Badr by virtue of award of ownership certificate (Write of Ownership) on movable property (MT Badr) dated at 30 August 2018, entered into full legal force on 15 September 2018, and not subject to appeal, Bulgargeomin changed the flag and register as the new owner of the ship. On 13 December 2018, the Panamanian Maritime Authority issued a provisional registration certificate for MT Badr with a registered new owner "Bulgargeomin Ltd" DZZD, and a new name Bdin," the statement reads.

GNMTC claims the letter of award was forged and that the order did not enter into valid legal force.

"The basic starting activities of the auction as well as some of the formalities and documents concerned were finally revoked by the District Court of Bourgas on 21 December 2018 which makes the whole auction invalid and the vessel need to be considered as not sold at all. Unfortunately, the judgment is dated on 21 but it was visible as text on 27 December," GNMTC further stressed.

On the other hand, GNMTC claims that the reflagging was based on "misleading documents" as Bulfarfeomin claimed it was the new owner, which GNMTC denies to be true. The company noted that the process is underway of returning the ship to Libyan flag registry."From 21 to 27 December, all relevant authorities were informed of all the details and were officially informed about these illegal actions – the Prosecution, the Ministry of Justice, the Ministry of Internal Affairs, the Border Police, the Marine Administration and the Ministry of Foreign Affairs," GNMTC said, adding that the transfer of the vessel possession is being appealed.

The company added that an appeal process was also underway against Marine Administration's sailing permission, which GNMTC described as "wrongful and unlawful.""We, Libyan Navigator Limited, as legitimate and valid ship-owner if the vessel Badr, will require and seek only one thing-the pure and real justice from the Bulgarian judicial system and the relevant informational judicial authorities and courts," the company further noted in a statement.

World Maritime News – 21 January 2019

Switzerland to sue Nigeria over seized oil tanker

THE INTERNATIONAL TRIBUNAL FOR THE LAW OF THE SEA, IN HAMBURG, GERMANY.
(KEYSTONE / CHRISTIAN CHARISIUS)

Authorities in Bern are considering legal proceedings after failed diplomatic efforts to secure the release of a Swiss-flag-carrying oil tanker, blocked in the bay of Biafra for over a year.

The San Padre Pio oil tanker, registered with canton Vaud shipping company ABC Maritime, was seized by Nigerian authorities in January 2018, who accused the ship and its crew of violating territorial waters and diesel smuggling.

Over a year later, with diplomatic efforts to release the ship proven futile, Swiss authorities are now planning legal action, reports the SonntagsZeitung newspaper. The case is set to come before the UN-affiliated International Tribunal for the Law of the Sea, it writes."Switzerland should make full use of all means to safeguard its interests. The country considers that the seizure of the vessel constitutes a violation of international law," the foreign ministry told the newspaper.

Though details remain scarce, the foreign ministry confirmed that four Ukrainian crew members remain stranded on the ship in "difficult conditions". The rest of the crew was allowed to leave the ship around a month and a half after the initial incident. As for the Swiss authorities, the SonntagsZeitung reports, motivations for the liberation of the vessel are not just patriotic or humanitarian: the state, as underwriter of the tanker and its company, stands to lose millions of francs if the cargo goes undelivered."The amount of the guarantee of the ABC shipping company and the San Padre Pio is not specified," the newspaper writes. But it does say that the government still has open guarantees of some CHF550 million (USD552m).

Swissinfo.ch – 31 March 2019

Ten Turkish sailors seized by pirates off Nigerian coast

Ten Turkish sailors were taken hostage by armed pirates who attacked a Turkish-flagged cargo ship off the coast of Nigeria, the vessel's owner said on Tuesday, adding that another eight sailors were left safely aboard. Turkey's foreign ministry said the sailors were seized on Saturday evening. After the pirates left the ship it was taken to Ghana's Tema port, and Ghanaian and Nigerian authorities are working on returning the captured sailors, the ministry said.

Shipping company Kadioglu Denizcilik said its ship, the Paksoy-1, was attacked in the Gulf of Guinea as it sailed from Cameroon to Ivory Coast without freight.

"According to initial information, there were no injuries or casualties. Efforts for all our personnel to be safely released continue," the company said in a statement. Speaking to reporters on Tuesday, the spokesman for Turkey's ruling AK Party said the government was closely following the matter and called for the sailors to be returned safely. He declined to give further details.

Reuters – 16 July 2019

Oil Tankers' Tracking Signals Are Vanishing in the Strait of Hormuz

BY BRIAN WINGFIELD AND JULIAN LEE

31 JULY 2019

Oil tanker owners are finding a way to reduce the risks of navigating the Strait of Hormuz, the world's most important -and lately most dangerous energy chokepoint: vanish from global tracking systems.

Copying from Iran's own playbook, at least 20 ships turned off their transponders while passing through the strait this month, tanker-tracking data compiled by Bloomberg show. Others appear to have slightly altered their routes once inside the Persian Gulf, sailing closer than usual to Saudi Arabia's coast en route to ports in Kuwait or Iraq.

Before the latest increase in tensions with Iran, ships were more consistent about signaling their positions as they passed through a waterway that handles a third of seaborne petroleum. Once inside the Gulf, shipping routes took them fairly close to the Iranian coast, skirting the offshore South Pars/North gas field shared by Iran and Qatar. Most still do, but a growing number appear to be trying something new.

It is of little surprise that ships are doing everything possible to minimize risk. The Gulf region has witnessed a spate of vessel attacks, tanker seizures and drone shoot-downs since May, all against the backdrop of US sanctions aimed at crippling Iran. War-risk insurance soared for tanker owners seeking to load cargoes in the region.

Two British warships are now situated in the waters around Hormuz where they were recently escorting the nation's ships. The U.S. 5th Fleet also permanently operates in the region. On Wednesday 18 September 2019, the Norwegian Maritime Authority advised the country's flagged vessels to minimize transit time in Iran's territorial waters. Tanker captains have become increasingly nervous about the risks of getting caught up in the conflict.

At least 12 vessels loaded in Saudi Arabia and shut off their transponders while passing through the strait within the past month. They include the supertanker Kahla, which turned off its signal on 20 July 2019 before passing through the strait. It reappeared two days later on the other side of the waterway.

Likewise, at least eight vessels that loaded in Iraq and Kuwait went dark while leaving the Strait of Hormuz. A vessel shipping from the U.A.E. also dropped off tracking systems.

The apparent shutdown of signals coincides with a slew of disruptions in the region. On 11 July 2019, the Royal Navy intervened to prevent Iran from impeding a tanker operated by BP Plc from passing through Hormuz. Three days later, Iran seized a Panama-flagged vessel. On 19 July 2019, Iranian forces took control of a British-flagged tanker in retaliation for similar action by UK authorities. The vessel, the Stena Impero, remains impounded.

Ships go dark when they want to avoid prying eyes - Iranian vessels have been doing it on and off for years because of sanctions that penalized buyers of the nation's oil. Tankers occasionally turn off their signals when rounding the Arabian Peninsula, near flash points in Yemen. This doesn't make vessels invisible or hide them from radar, though it does make their movements harder to track.

In addition to the signal losses, ships are starting to steer clear as Hormuz increasingly becomes a riskier area. British-flagged tankers have fled the region, and BP is no longer sending its ships and crews through the strait. Some tanker owners have been avoiding sending their ships to the Middle East's main refueling hub Fujairah on the eastern side of the United Arab Emirates, due to the perceived threat to commercial vessels.

Al Riqqa, Dar Salwa and Al Funtas are among tankers that stayed relatively close to the Saudi side of the Persian Gulf while en route to Kuwait earlier this month. In addition, at least four ships, - the Jaladi, Wafrah, Ghazal and Safaniyah, steered closer to the U.A.E. than usual while passing through Hormuz. It's not known whether the unusual movements were a response to the mounting tensions or for other reasons.

Bloomberg – 31 July 2019

Pirates kidnap eight crew members from ship off Cameroon

Pirates have kidnapped eight crew members of a German-owned ship in a raid on the vessel off the coast of Cameroon, the Hamburg-based company that owns the ship said on Friday 16 August 2019.

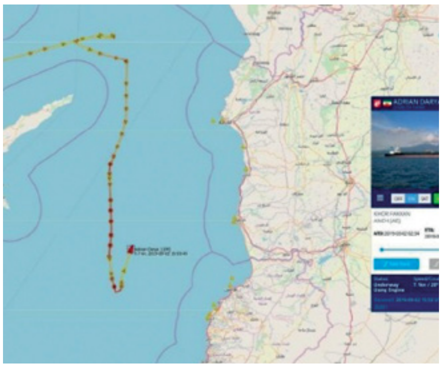
MC-Schiffahrt said in a statement on its website that it had assembled an emergency team and was cooperating with local authorities in the West African country to deal with the incident, which happened late on Wednesday 14 August 2019.

It said the ship, the MarMalaita, had 12 crew members on board at the time of the abduction.

Reuters – 16 August 2019

Sanctioned Iranian Tanker Adrian Darya 1 Goes "Dark" Off Syria

MARINETRAFFIC VIA TANKERTRACKERS / TWITTER



The US.-blacklisted tanker Adrian Darya 1 has gone "dark" off the coast of Syria, where she is widely expected to deliver her controversial cargo of Iranian crude oil.

The Adrian Darya (ex name Grace 1) was boarded by Royal Marines and seized at Gibraltar on 4 July and released on 16 August. After a meandering journey eastwards, she arrived off the coast of Lebanon Sunday night. On Monday morning, she made a 160-degree turn northwards towards Syria, and her AIS signal disappeared at about 1600 UTC.

Media spotlight aside, the Darya's sanctioned cargo and sanctioned destination are both a matter of routine, and analysts at TankerTrackers pointed out Monday. In August, while the attention of the US State Department has been closely focused on her journey, other Iranian tankers have delivered millions of barrels of Iranian oil to Syria via the Suez Canal, just as they have for years. The Darya's size and her route around the Cape of Good Hope set her apart, but Suezmax deliveries are a regular occurrence.

During the Darya's ordeal, Syria has received Iranian crude oil from the tankers Argo 1 (700,000 barrels), Savior (one million barrels, pending delivery), Silvia 1 (one million barrels), Stark 1 (one million barrels, pending visual confirmation) and Sarak (one million barrels, pending delivery), according to the firm. Over the year ending July 2019, Syria has imported an estimated 17 million barrels of Iranian crude - nearly ten times the amount in the Darya's tanks.

All Iranian tankers, shipping companies and oil cargoes are already covered by American sanctions, but the U.S. Treasury has specifically designated the Adrian Darya 1 as a "blocked property" using anti-terrorism rules. It has also blacklisted the vessel's master, identified as Capt. Akhilesh Kumar, using measures targeting "those providing support to terrorism or acts of terrorism."

"Vessels like the Adrian Darya 1 enable the [Iranian government's Islamic Revolutionary Guard Corps] to ship and transfer large volumes of oil, which they attempt to mask and sell illicitly to fund the regime's malign activities and propagate terrorism," said Sigal Mandelker, Treasury's under-secretary for terrorism. "Anyone providing support to the Adrian Darya 1 risks being sanctioned. The path to relief is to change course and not allow the IRGC-QF to profit from illicit oil sales."

In general, U.S. persons are now prohibited from conducting business with either the Adrian Darya 1 or with Capt. Kumar. American entities are also required to implement a freeze on any property or assets associated with the vessel or her master.

The Maritime Executive – 2 September 2019

Iran seized Tanzania-flagged tug operated by UAE Company

Unidentified ship was seized in Strait of Hormuz by Iran Coast Guard for allegedly, fuel smuggling, Iran news agencies reported on 7 September.

Iran Press/Iran news: A vessel, carrying nearly 283,900 liters of diesel was sized in the east of Strait of Hormuz during this operation, the Maritime Commander of Hormozgan province Hossein Dahaki said on 7 September. 12 crew members from the Philippines detained, Dahaki added according to Iran Press. Iran media published video of arrested ship, and there's little doubt, that its Tanzania-flagged offshore supply tug **AL BURAQ 1**, operated by company based in UAE, with some 280 tons of allegedly, smuggled fuel.

The ship obviously, was engaged in supply activities, supplying the ships anchored off UAE coast in Gulf of Oman, and didn't call Iranian ports, according to available AIS data. On 2 September, nevertheless, the ship suddenly appeared at Bandar Abbas, on 4 September tug was taken to Qeshm port, near Bandar Abbas. The ship lost its' portside anchor somewhere, she's anchored and chained to shore, for good measure. Ship's AIS history tracks didn't cross Iranian sea border in the Strait, so assumedly tug was intercepted in Oman waters.

Posted in Maritime Security by Mikhail Voytenko on 8 September 2019.

Iran May Release Stena Impero

The UK-flagged, Swedish-owned tanker Stena Impero may finally be released from detention in the near future, according to Iranian foreign ministry spokesman Abbas Mousavi.

According to Iranian state TV outlet IRNA, Mousavi reports that the Impero is "undergoing the last legal procedures" and will hopefully be released "in the near future."

Commandos from Iran's Islamic Revolutionary Guard Corps (IRGC) seized the UK-flagged Stena Impero as she transited the Strait of Hormuz on 19 July. The UK Royal Marines conducted a similar seizure of the Iranian VLCC Adrian Darya 1 (ex name Grace 1) on 4 July 2019, and the Impero's detention was widely seen as a hostage-taking retaliatory measure targeting British shipping.

The Adrian Darya 1 has since arrived off the coast of Syria, where she is expected to deliver her cargo despite EU and U.S. sanctions. Though Iran denies any connection between the two tankers' circumstances, the statement on the Stena Impero's pending release accompanied an announcement that the Darya had completed her voyage.

Seven crewmembers from the Impero have already been allowed to depart Iran. Last Thursday, Stena Bulk president and CEO Erik Hanell confirmed that these crewmembers were under way for a safe location where they would be reunited with their families. After medical checkups and a debriefing, they were slated for repatriation to their home countries.

"We will offer them and their families whatever support they need to ensure they can recover fully," said Hanell. "We continue to work tirelessly to obtain the release of the remaining crew onboard the Stena Impero and will continue to provide all possible support to their families during this difficult time."

Iran has alleged that the Impero operated in an improper manner prior to her seizure, and has raised the prospect of an extended investigation. Stena Bulk maintains that there is no evidence that the vessel "breached any maritime rules or regulations," and Hanell said that the company stands behind the crew and their conduct.

16 crewmembers remain aboard the Impero, enough to satisfy the vessel's minimum manning requirements.

The Maritime Executive – 9 September 2019

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