



## IUMI 2018

Security Risks - Complications for Insurers

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UN Security Council

S/RES/2383 (2017)



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**Lloyd's List Awards**  
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## Topics

- Current threat assessment – Global Overview
  - Gulf of Guinea
  - Indian Ocean / Gulf of Aden (Somalia)
  - Yemen
  - Libya
- Underwriting Challenges
  - Physical damage
  - Detentions
  - Cyber

# Current Threat Assessment – Global Overview

Monthly Threat Assessment – September 2018

T-LEVEL AIR	LOW	MODERATE	HIGH	CRITICAL
	LOW: Attack against member vessel is UNLIKELY	MODERATE: Attack against member vessel is LIKELY	HIGH: Attack against member vessel is HIGHLY LIKELY	CRITICAL: Attack against member vessel is EXPECTED IMMINENTLY
Gulf of Guinea	INSURGENCY: NIGER DELTA →	PIRACY: WIDER GULF OF GUINEA →	PIRACY: IN&OFF NIGER DELTA →	
Indian Ocean - Gulf of Aden - Arabian Sea	PIRACY: W INDIAN OCEAN / ARABIAN SEA →	PIRACY: GULF OF ADEN →		
Yemen TTW - South Red Sea	TERRORISM: AQAP →	INSURGENCY →		
Singapore Strait-Java Sea, Sulu - Celebes Sea	TERRORISM: ASG BASILAN STRAIT - SIBUTU CHANNEL →	PIRACY: SGP STRAIT / JAVA SEA →		
Libya TTW	REGULAR FORCES →	INSURGENCY ↗		

Source:



DEN NORSKE KRIGSFORSIKRING FOR SKIB  
GJENSIDIG FORENING  
The Norwegian Shipowners' Mutual  
War Risks Insurance Association



# Gulf of Guinea

Latest Hijacking Location



# Gulf of Guinea

## Assessment

**Assessment:** Despite the lack of reported incidents in the area off Niger Delta in August, it is still **HIGHLY LIKELY** that Nigerian Pirate Action Groups (PAG) still possess the capability and intent to conduct K&R attacks during the coming month. Attacks are **HIGHLY LIKELY** to take place out to 80 nm (see map below), but the threat increases closer to shore. As the Rainy Season comes to an end towards the end of September, making conditions more favourable for the pirates, it is assessed as **HIGHLY LIKELY** that we will observe an increase in the numbers of attacks in the mentioned area.



Source:



ДЛЯ ДОПОЛНИТЕЛЬНОЙ ИНФОРМАЦИИ  
ПО ТЕМЕ ПИРАТСТВА В ГИДРОГРАФИЧЕСКОМ  
ОТДЕЛЕНИИ КОМПЕТЕНЦИОННО-МЕТОДИЧЕСКОГО  
ЦЕНТРА НАВИГАЦИИ



## Indian Ocean – Gulf of Aden (GoA), Indian Ocean, Arabian Sea and Southern Red Sea

There have been no reported attacks on shipping transiting the Indian Ocean – Gulf of Aden – Arabian Sea in August 2018.

Navies continue periodically to intercept suspicious craft in the region (most recent report on 28 August 2018).

No major commercial vessel has been hijacked in the characteristic Somali “hijack for ransom” model since May 2012 (suexmax tanker: “SMYRNI”)

Source:



DEN NORSKE KRIGSFORSIKRING FOR SKIB  
GJENSIDIG FORENING  
The Norwegian Shipowners' Mutual  
War Risks Insurance Association



# Somali Piracy

Incidents in 2018

 = Attempted Attack    = Boarded    = Fired upon    = Hijacked    = Suspicious vessel



Source: IMB



# Somali Piracy

Incidents in 2011

 = Actual Attack  = Attempted Attack  = Suspicious vessel



Source: IMB

# Somali Piracy

## Assessment

As the summer monsoon effects on the Indian Ocean and the Northern Arabian Sea will start to weaken during September, an increased number of smaller vessels will **HIGHLY LIKELY** start to operate in these waters shortly. They will be used in numerous types of offshore activities, **HIGHLY LIKELY** also criminal activities.

The hijack scenarios which were seen in 2009-2012 when ships were taken to anchor for longer negotiations are **UNLIKELY** to take place today.

*The threat from PIRACY is assessed as **MODERATE** in the GULF OF ADEN and **LOW** in WESTERN INDIAN OCEAN/ARABIAN SEA, with a **STABLE** forecast throughout SEPTEMBER in both areas.*

Source:



DEN NORSKE KRIGSFORSIKRING FOR SKIB  
GJENSIDIG FORENING  
The Norwegian Shipowners' Mutual  
War Risks Insurance Association



The Houthi insurgents continued to display coordination, capability and intention during the month of August. Attack types continue to follow known patterns with respect to targets (warships and associated coalition infrastructure) and known weapons (WBIED and missiles). This highlights their continued maritime capability in the southern Red Sea by using low cost weapons.

During probable future attacks at sea, misidentification or collateral damage from both sides cannot be ruled out.

*The threat from INSURGENCY is assessed as **MODERATE** in YEMEN TTW and SOUTHERN RED SEA with a **STABLE** forecast throughout SEPTEMBER. The threat from TERRORISM is assessed as **LOW** in the same area with a **STABLE** forecast throughout SEPTEMBER.*

Source:



DEN NORSKE KRIGSFORSIKRING FOR SKIB  
GJENSIDIG FORENING  
The Norwegian Shipowners' Mutual  
War Risks Insurance Association

PORT STATUS AS OF 9 September 2018			
Port Name	Port Status	Risk Level	Notes
Aden Port	Open	High	Curfew: 2000 - 0600
Ash Shihr Oil Terminal	Closed	High	
Balhaf LNG Terminal	Closed	Closed	
Hodeidah Port	Open	High	The Saudi Royal Navy is using a holding area 60 NM west of Hodeidah port for vessels attempting entry into Salif or Hodeidah. Inbound vessels should plan on holding here prior to receiving clearance.
Mokha Port	Closed	High	Considered unsafe; no activity reported since August 2015
Mukalla Port	Open	High	Capacity: 2 berths
Ras Isa Marine Terminal	Closed	Closed	
Saleef Port	Open	High	Capacity: 2 berths

Source:  
MS Risk Ltd

The Western-Libya based Libyan Coast Guard (LCG) has previously seized or attacked vessels allegedly involved in smuggling of oil products. However, after pressure from Italy and others, LCG is **HIGHLY LIKELY** to focus its operations towards migrant related issues in the coming time, decreasing the chance of merchant vessels being seized.

The latest reported clashes have so far not affected the port of Tripoli which is reported to operate as normal. During potential clashes near port areas throughout Libya, the fighting factions are **UNLIKELY** to target merchant vessels directly, but collateral damage due to the use of heavy calibre weapons cannot be ruled out.

Source:



DEN NORSKE KRIGSFORSIKRING FOR SKIB  
GJENSIDIG FORENING  
The Norwegian Shipowners' Mutual  
War Risks Insurance Association

# Libya

Port Assessment

PORT / TERMINAL		STATUS	OVERALL THREAT TO SHIPPING	MILITANCY	KIDNAP	CRIME
Libya		-	High	High	High	High
1.	FPSO Farwah	Open	Low	Low	Low	Low
2.	Bouri Terminal	Open	Low	Low	Low	Low
3.	Zuwara	Open	Moderate	Moderate	Moderate	Moderate
4.	Mellitah	Open	High	High	Low	Moderate
5.	Zawiya	Closed	High	High	Moderate	High
6.	Tripoli	Open	High	High	High	High
7.	Al Khoms	Open	Moderate	Moderate	Moderate	High
8.	Misurata	Open	High	High	Moderate	High
9.	Sirte	Closed	High	High	Moderate	High
10.	Es Sider	Open	High	High	Moderate	Moderate
11.	Ras Lanuf	Open	High	High	Moderate	Moderate
12.	Marsa el Brega	Open	High	High	Moderate	Moderate
13.	Zueitina	Open	Moderate	High	Low	Moderate
14.	Benghazi	Open	High	High	High	High
15.	Derna	Closed	High	High	High	High
16.	Tobruk	Open	Moderate	Moderate	Moderate	High
17.	Marsa el Hariga	Open	Moderate	Moderate	Moderate	High

Source:  
DNK / NYA Intl.

# Underwriting Challenges

Physical Damage



“HVS2 SWIFT”  
01 October 2016



# Underwriting Challenges

## Detention

- War & Strikes Clauses

### 3. Detainment

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.

# Underwriting Challenges

Detainment

- Drug seizure (Algeria)
- Smuggling allegations (Libya)
- Embargoed Cargo (Nigeria)
- Operation of the War & Strikes Clauses
  - Exclusion 4.1.5: “infringement of any customs or trading regulations”
  - Exclusion 4.1.6: “ordinary judicial process”
- Listed Areas?
  - Military / militia operating out side of territorial waters

# Underwriting Challenges

Cyber

- Cyber Attack – Denial of Service
  - Loss of communication – stranglehold on business
  - Loss of information (cargo / container / terminal)
  - Loss of stability data
  - Loss of ability to navigate
  - Loss of propulsion
- Uncertainty of risk - another Y2K?
- Operation of Cl. 380
- Challenges over breadth of cover
  - Ransom
  - Business interruption
  - Property damage
  - Event management (IT forensics, PR, legal, regulatory and notification)
  - Malicious act?
- Increase in demand for cyber policies

# CONCLUSION

- Security issues giving rise to physical damage risks exist in several regions
- Operation of the “detainment clause” continues to be problematic
- Cyber risks are uncertain but increasing

# THANK YOU



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