

**The Role of the War Risks Mutual
in Somali piracy cases**

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- Commercial Market – Lloyd's / Companies / Foreign Markets
Run to provide profit for capital providers
 - Mutuels – Usually run along national lines e.g. Japanese, Norwegian, Swedish, Canadian, Hellenic. UK now international. Owned by the members – no shareholders or third party capital providers. Non-profit making (although underwriting surplus preferred!)
 - Cover is broadly similar although mutual cover generally considered wider.
 - Ransoms not specifically covered by either commercial or mutual markets but either can pay on discretionary basis.
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THOMAS MILLER WAR RISKS

Thomas Miller War Risks manage two War Risks Clubs:



Greek Owned Ships

2200+ Ships Entered

Total Value: \$87billion

Over 70% of Greek merchant Fleet –
equivalent to approx. 10% of all ocean
going ships



Was UK owned / flagged ships only – now international

870+ Ships Entered

Total Value: \$32billion +

Both Clubs are not for profit and run for the benefit of Members

Hellenic & UK War Risks Clubs – Combined stats

- Total 3100+ Ships
- Tonnage includes largest cruise ships, oil / gas tankers, bulk carriers, cable lay vessels etc
- Approx. 1600 Gulf of Aden / Indian Ocean Transits per annum
- Several members' ships have been seized



Risks Covered

Hull & Machinery War

Max sum insured \$710m

Plus War P&I

Max sum insured \$500m

Included in above:

Detention & Diversion

Piracy specifically covered (where not covered elsewhere)

Terrorism

Sue & Labour expenses

Discretionary Cover

Overall, cover intended to fill gaps created by war exclusions in Hull and P&I cover.

Piracy & Hull Insurance

- Piracy covered under Institute Time Clauses (Hulls) 1983 and 1995 but now being excluded as policies renew



- Piracy an insured peril under the American Institute Hull Clauses June 1977 but generally subject to a specific exclusion
 - P&I covers piracy but excludes war risks
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How am I covered if my ship is seized?

- Liabilities caused by acts of piracy fall within P&I Rules
- Damage to ship may fall under either hull or war risks cover but increasingly excluded from hull policies
- Detention falls under (mutual) war risks cover
- Sue & labour costs may be recoverable from hull, P&I or war underwriters
- General average:

“There is a general average act when, and only when, any extraordinary sacrifice or expenditure is intentionally and reasonably made or incurred for the common safety for the purpose of preserving from peril the property involved in a common maritime adventure.

General average sacrifices and expenditures shall be borne by the different contributing interests as the basis hereinafter provided”

York Antwerp Rules 1994; Rule A

- Ransoms can potentially fall as a sue & labour or general average expense – more often general average
 - Kidnap and ransom policies
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How have we responded when members' ships have been seized?

- Appointed specialist ransom consultants to attend in Owner's offices for duration of incident at Club's expense
 - Advised owners throughout incident on where cover provided under Club's cover
 - All possible assistance given to release ship & crew as soon as is possible
 - Post release assistance given e.g. crew debriefs/medicals (often in conjunction with P & I Club). Legal work to protect Owner's position in recoveries from cargo interests
 - Prompt claims payments
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Future Developments ?

Resistance from cargo market to general average contributions?

More crew claims?

Increased war risk insurance premiums

Ransom inflation

Severity of losses / increased pirate aggression

More use of armed guards?

Copycat incidents e.g. off Nigeria

