



CURRENT ISSUES – IUMI POLITICAL FORUM

Updated as per 29 October 2014

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A. ACTION recommended

1) Firefighting system on container vessels

Brief Description

It is noted that insufficient firefighting capacity on board large container vessels poses a challenge that is only increasing with larger vessels. Liner ships transport approximately 60 percent of the value of seaborne trade or more than 33 percent of the volume¹, and these figures are still increasing.

Based on a 2008 impact assessment, the MSC approved in June 2013 a requirement to install 4 mobile water monitors on board very large container vessels. The amendments to the FSS Code were adopted at MSC 93, and shall be deemed to have been accepted on 1 July 2015, entering into force 1 January 2016. While supported by IUMI, this compromise solution is considered insufficient and further improvements are necessary.

IUMI raised its concerns in the annual meeting of the IACS Council and industry representatives in December 2013, and continues to be in discussion with IACS on this. A possible solution was also presented at the 2013 IUMI conference in London.

Relevant authority / organisations and documents

- **IMO - Sub-Committee on Fire Protection (FP)**
 - FP 56/23 Annex 4 & 5: Report to the MSC, including recommendations on Suppression of fire and Guidelines for mobile water monitors, 31 January 2013.
- **IMO – Maritime Safety Committee (MSC)**
 - MSC 92/8/2: Draft IMO Guidelines for the design, performance, testing and approval of mobile water monitors used for the protection of on-deck cargo areas designed to carry 5 or more tiers of containers on or above the weather deck, submitted by Denmark and Norway, 23 April 2013.
 - SOLAS regulation II-2/10.
 - CCC1/INF.2: Investigation on the fire and explosion on board the MSC Flaminia, submitted by Germany, 3 June 2014.
- **IUMI Conference – Loss Prevention workshop** London, 18 September 2013, Uwe-Peter Schieder, GDV.

Timeline / important dates & decisions

- MSC 92: 12-21 June 2013.
- MSC 93: 14-23 May 2014.
- IACS Council: 18 December 2013.
- Entry into force of amended FSS Code: 1 January 2016.

¹ Source: World Shipping Council

IUMI will:

- Consider further action to install necessary firefighting measures in discussions with other interested parties and class in particular.

2) EC Offshore Safety Regulation

Brief description

The EC proposed in October 2011 a Regulation on the safety of offshore oil and gas prospecting, exploration and production activities aiming amongst others to extend the scope of the Environmental Liability Directive (ELD) to include “all waters under the jurisdiction of the Member States” and mandating financial security. A study has been commissioned on *liability security schemes for offshore environmental risks* which currently is being drafted by the University of Maastricht.

Joint industry efforts have been made to prevent some of the more controversial suggestions of the Regulation and explain the practical implications – and impracticability – of extending the ELD due to:

- most likely an inability to quantify the damages in a longer term, and
- scale of potential loss and selectivity by insurers.

In October 2012, the Industry, Research and Energy Committee (ITRE) of the European Parliament voted in favour of transforming the proposal from a Regulation to a Directive. The Directive was formally adopted in June 2013.

Article 4 of the new Directive states that evidence of provisions to cover potential liabilities shall be included in the application for a licence.

With reference to financial security, the Directive states that:

“(63) Operators should ensure they have access to sufficient physical, human and financial resources to prevent major accidents and limit the consequences of such accidents. However, as no existing financial security instruments, including risk pooling arrangements, can accommodate all possible consequences of major accidents, the Commission should undertake further analysis and studies of the appropriate measures to ensure an adequately robust liability regime for damages relating to offshore oil and gas operations, requirements on financial capacity including availability of appropriated financial security instruments or other arrangements. This may include an examination of the feasibility of a mutual compensation scheme. The Commission should submit a report to the European Parliament and to the Council on its findings, accompanied if appropriate, by proposals.”

A Commission report on the availability of financial security instruments and handling of claims shall be presented by the end of 2014. Another report on the Commission’s assessment of the effectiveness of the liability regimes in the EU in respect of the damage caused by offshore oil and

gas operations are to be submitted by mid 2015. This report will include an assessment of the appropriateness of broadening liability provisions.

Following up on these requests, BIO Intelligence Services (BioIS) are now conducting an EC study concerning “Civil liability, financial security and compensation claims for offshore oil and gas activities in the European Economic Area”. IUMI was consulted as part of this study.

Relevant authority / organisations and documents

- **European Commission**
 - Proposed EC Regulation 27 October 2011.
 - BioIS study – Civil liability, financial security and compensation claims for offshore oil and gas activities in the EEA, 14 August 2014.
- **European Parliament** – Environment, Public Health and Food Safety Committee (ENVI) & Industry, Research and Energy Committee (ITRE).
 - Directive 2013/30/EU of the European Parliament and of the Council of 12 June 2013 on safety of offshore oil and gas operations and amending Directive 2004/35/EC.
- **Position papers – industry:**
 - Insurance Europe: 2012.
 - UK maritime industry: 18 April 2012.
 - Norwegian maritime/oil & gas industries: 30 January 2012.
 - IUMI: 24 September 2012.
 - ECSA comments to EC study on civil liability for offshore and gas activities, 2 October 2014

Timeline / important dates

- Directive 2013/30/EU shall apply through national laws/regulations by 19 July 2016 for new installations, and no later than 19 July 2018 for existing.

IUMI will:

- Give input to two Commission reports, directly and through Insurance Europe, explaining the practical implications, limitations and how the market functions from an offshore energy insurance perspective. BioIS interview was conducted 7 May 2014.

3) Places of Refuge

Brief description

Current practice concerning places of refuge is a concern to insurers. The “*Flaminia*” incident prompted a new EC Cooperation Group on Places of Refuge, charged with assessing the need to improve existing legislation and why EU Member States took so long to provide safe refuge. A Correspondence Group of concerned authorities was set up to compose a first draft of the text and it is finalizing its work in Nov 2014. This will be put to the scrutiny of the Cooperation Group, where all EU Member States are represented, in order to approve the general approach taken in the text. Thereafter, EC will come back to stakeholders with a request for input / comments / suggestions.

Hereafter EC will consolidate the text of the Operational Guidelines, to be finally approved by EU Member States, with a possible view to presenting this also to the IMO.

After an explosion and fire aboard the “*M/T Stolt Valor*” at a distance of 40 nm from Kingdom of Saudi Arabia in March 2012, a place of refuge was denied by the coastal States in spite of repeated requests. In September that year, a round table of shipowner associations and IPTA urged the MSC to consider what additional measures may be appropriate, and stressed the need for all States to apply amongst others the IMO Guidelines on places of refuge for ships in need of assistance.

Following these incidents, and further prompted by the “*Maritime Maisie*” being held at sea off the coast of Japan for weeks after a collision and fire in December 2013, IUMI is, together with the International Chamber of Shipping (ICS) and the International Salvage Union (ISU), campaigning to urge governments to adopt the IMO places of refuge guidelines.

Relevant authority / organisations and documents

- **IMO – MSC & MEPC & LEG & CCC:**
 - MSC77/8/2: Places of refuge, submitted by IUMI, 14 February 2003.
 - Resolution A.949(23): Guidelines on places of refuge for ships in need of assistance, 5 March 2004.
 - MEPC64/INF.30 (27.7.2012) from ROPME/MEMAC and MSC91/21 (24.9.2012) from ICS, BIMCO, INTERCARGO, IPTA and INTERTANKO, concerning the “*M/T Stolt Valor*” incident.
 - LEG101/11/4: Places of refuge for ships in need of assistance, submitted by ICS, IGP&I, IUMI & ISU, 14 March 2014.
 - CCC1/INF.2: Investigation on the fire and explosion on board the MSC Flaminia, submitted by Germany, 3 June 2014.
 - MSC93: Statement made by Intertanko.
 - III1/INF.33: Port of refuge, *Maritime Maisie*, submitted by Hong Kong, China, 14 May 2014.
 - MSC94/20/1: Guidelines on PoR – proposed additional text, submitted by Liberia, the Marshall islands, IMPA, IFSMA, INTERTANKO, INTERCARGO and INTERMANAGER, 10 September 2014.
- **EC/EU:**
 - Directives 2009/17/EG (23.4.2009) and 2002/59/EG (27.6.2002), mandating EU Member States to provide places of refuge for stricken vessels in order to prevent greater damage to the environment.
 - IUMI invited to contribute to the work of the Correspondence Group on the development of “Operational Guidelines” for Places of Refuge, 15 April 2014. Consultation letter 17 June 2014, IUMI response sent 20 June 2014.
- **EMSA:**
 - Background document for an industry consultation meeting 26 June 2013 and questionnaire concerning the EC Vessel Traffic Monitoring and Information System.
- **ICS, ISU & IUMI:** Joint press release 13 February 2014.
- **ICS, IGP&I, IUMI, ISU & Asian Shipowners’ Forum:** Joint position paper April 2014.

- **UK SOSREP** presentation during Legal & Liability workshop, IUMI conference, London, 17 September 2013.

Timeline / important dates

- First meeting of EC Cooperation Group 15 March 2013. More technical meeting of experts convened by EMSA 15.5.2013. *Possible due date: End 2014.*
- Legal & Liability workshop, IUMI conference, Hong Kong, 23 September 2014.
- IMO – Legal Committee (LEG) 101: 28 April – 2 May 2014.
- MSC 93: 14-23 May 2014.
- MSC 94: 17-21 November 2014.
- IUMI invited to contribute in a roundtable discussion organized by EC with all relevant stakeholders during IMO MSC 94 on Friday, 21 November 2014.

IUMI will:

- Actively promote better accommodation of ships in distress through the implementation and enforcement of existing measures.
- Provide input as requested to the EU Correspondence Group developing “Operational Guidelines” for places of refuge.

4) Cat fines & low-sulphur fuels

Brief description

Machinery damage is by far the most frequent cause of loss in marine insurance, and the numbers are likely to increase with the introduction of low-sulphur limits. Historically, 40% of hull claims by number are machinery damage and make up 20% of costs.

The most typical and well known contaminant that can destroy an engine in a short time is cat fines. Cat fines are an inevitable by-product of refining and consist of small particles of metal which are deliberately introduced to 'crack' the fuel. Unless removed by purification, cat fines will become embedded in engine parts and cause serious and rapid engine damage. Filtration of fuel has been a requirement on board for many years, but crews are now noticeably less experienced and less reliable in operating the systems. The level of cat fines is also likely to increase with the introduction of new low sulphur regulations, which will require more refining.

Vessel operators and crew often have no idea about the purity of the fuel they use, nor is there any compulsion to find out before using it. Often, the purifiers installed are inefficient and cannot cope. Cases are known where filters have been removed. Engines need fuel with no more than 15ppm, but fuel is produced at 60ppm and over. There is clearly a need for more crew training and somebody to verify that the equipment and systems installed really remove the cat fines on its way to the engine.

According to the fuel testing agency DNV Petroleum Services, the bunker fuel industry in the U.S. has seen a rise in metals content as a result of regulations to reduce the level of sulphur in bunker fuel.

Low sulphur fuels are less lubricating and this combined with the introduction of increased amounts of abrasive materials, causes damage. Once cat fines become embedded in engine parts, they cannot be removed. Until fairly recently, such losses have simply been described as engine damage or crew negligence and the real cause not identified. It is only now that definite attributable losses are being reported.

Claims due to cat fines have been identified in the range of USD 300,000 to USD 1.5m, mostly in low speed engines. Wear is very rapid; for example, if liners are replaced, they could be worn out again in three days. In a technical paper presented at the CIMAC Congress in 2013, cat fines were found in 84% of all the cylinder liner high wear cases investigated.

Contributory changes which would help:

- Mandatory sampling and testing of fuel before use
- Improved fuel handling on board
- Improve the quality of bunkers
- Alter the ISO standard
- Charter/bunkering contracts should specify fuel less than 60ppm
- Regular cleaning of filters, frequent drainage
- Clean the settling and service tanks during dry dock
- Check centrifuge capacity on specifications for new buildings
- Ensuring optimized fuel system treatment
- Introducing a new fuel cleaning system layout
- Automatic control of the cleaning flow rate
- Intensified monitoring of the fuel treatment efficiency

IUMI raised the need of more class involvement to ensure that vessels safely can operate on the new fuels required in the future with IACS in January 2011, and attended a meeting with the Machinery Panel in September 2013 to present the insurance industry's concerns. Following this meeting, the IACS Machinery Panel decided to review the members' current requirements on facilities provided for handling the fuel on board in order to establish a common baseline. IUMI will be invited to take part in these discussions.

Furthermore, recent statistics from the California Department of Fish and Wildlife show that switch-overs between heavy fuel oils and distillate fuels to comply with the lower 0.1% sulphur limit in the Californian ECA increase the risk of vessels losing power. The 0.1% sulphur limit will also become mandatory in the northern European Emission Control Areas (ECAs) as of 2015. The risks related to the complex switch-over will have to be carefully monitored, and proper crew training and awareness is needed.

Relevant authority / organisations and documents

- **IMO – MEPC & MSC**
 - MARPOL Regulation 14 & Annex VI: "Prevention of Air Pollution from Ships, allowing for special (SOx) Emission Control Areas".
 - MSC93/INF.8: Safety implications arising from the supply of "Out of Specification" Marine Fuels, submitted by ICS and IPTA, 13 March 2014.

- **EU**
 - Sulphur Directive 1999/32/EC with amendments.
- **CIMAC Congress 2013**, Paper no. 51: “Onboard fuel oil cleaning, the ever neglected process How to restrain cat-fine damages in two-stroke marine engines”. Paper presented by experts from MAN Diesel and Turbo (Denmark), DNV Petroleum Services (Singapore), NanoNord (Denmark), Alfa Laval Tumba (Sweden)
- **UK P&I Club Risk Focus**: Loss of power
- **Joint Hull Committee** information pack: Marine engine damage due to catalytic fines in fuel, joint paper with Braemar (The Salvage Association), 26 September 2013
- **U.S. Environmental Protection Agency (EPA)**: North American Emission Control Area: <http://www.epa.gov/otaq/oceanvessels.htm#north-american>
- **Wärtsila** Fuel Oil Requirements (Heavy Fuel Oil)
- **Gard** Loss Prevention Circular No. 01-14: Prevention of engine damage due to catalytic fines, February 2014.
- **IACS Machinery Panel**

Timeline / important dates

- Californian waters: 0.1% sulphur limit as of 1 August 2012.
- North American Emission Control Area (ECA) in effect August 2012.
- European ECAs: 0.1% sulphur limit as of 1 January 2015.
- MARPOL – outside ECAs: 0.5% sulphur limit as of 1 January 2020.
- IACS letter to IUMI 23 July 2012. IUMI response 19 November 2012.
- Loss Prevention workshop, IUMI conference London, 15-18 September 2013.
- Meeting with IACS Machinery Panel, 3 September 2013. Working group results expected in spring 2015.

IUMI will:

- Strongly recommend a common baseline among IACS members following a review of current requirements on facilities provided for handling the fuel on board when participating in these discussions.
- Increase awareness by presenting available documentation of losses due to cat fines and warn of the risks involved.
- Monitor developments related to switch-over from heavy fuel to distillates in the ECAs.
- Consider possible action to amend the ISO standard.

5) General Average and York-Antwerp Rules

Brief description

York-Antwerp Rules (YAR) are one of the very few subjects relating to shipping that does not fall into the international convention scheme. YAR are more like a professional common set of rules agreed upon by the various parties involved in the shipping industry, i.e. shipowner, P&I and property insurers together with GA adjusters. As long as these rules are mentioned in the contractual

relationship of the party to the maritime venture; charter-party and/or Bill of lading, any GA situation will be sorted out using those rules.

Since their first inception in 1890, YAR have been amended several times to consider the shipping evolution and acknowledge legal impact of some important international maritime conventions. The last attempt was made in 2004, but this new set of rules remains unused. Hence, it has been agreed that the Comité Maritime International (CMI) shall make a 2nd attempt to amend the 1994 rules.

A new International Working Group (IWG) was established in October 2012, with the mandate to carry out a general review of the YAR on General Average (GA) and draft a new set of Rules taking into consideration that the 2004 YAR had not found acceptance among shipowners. Target date for adoption of the new YAR is the 2016 CMI conference.

The CMI IWG issued in 2013 a questionnaire to national associations. A summary report was discussed at a CMI Colloquium in Dublin in September. Items requiring further work were identified and groups formed to consider them. Four sub-groups met in London in March 2014 to work on the following items:

- Financial issues
- Rules X and XI including security documents and processes, treatment of low value cargo
- Salvage and GA
- Tidying up paper

Reports from the three first sub-groups were presented 19 May, and formed basis for first discussions during the meeting of the International Subcommittee on General Average in Hamburg 14-15 June 2014. Various issues remain under consideration and will be further discussed after WG participants have taken advice from their respective industry associations.

Relevant authority / organisations and documents

- **CMI & national law associations**
 - Questionnaire from the CMI IWG March-June 2013. 26 responses, including that of IUMI 30 August 2013 available from the CMI website.
 - Guideline to IUMI member associations in response to the questionnaire was prepared by the IUMI Salvage Forum and circulated 28 May 2013.
 - Reports from sub-groups on
 - Financial issues
 - Rules X and XI including security documents and processes, treatment of low value cargo
 - Salvage and GA
 - Report of the meeting of the International Subcommittee on GA held at the 2014 Hamburg conference.

Timeline / important dates

- CMI conference Hamburg 16 – 17 June 2016.
- CMI IWG, Dublin, 28 - 29 September 2013 & London, 27 – 28 January 2014.
- CMI IWG Hamburg, 13 – 14 June 2014.

- Roundtable, Legal & Liability workshop, IUMI conference, Hong Kong, 23 September 2014.
- Sub-group reports 19 May 2014.

IUMI will:

- Participate in the CMI discussions through direct representation in meetings and in written consultations as appropriate. Monitor and inform on the progress as relevant, c.f. IUMI response to the CMI questionnaire 30 August 2013.

6) Arctic Sailings

Brief description

Ice conditions make Arctic sailings a relevant option for more commercial vessels transiting between Europe and Asia and the number of cruise ships in polar waters are on the rise. Ice conditions, the role of class, ship design, remoteness, support networks, availability of icebreakers, SAR, and experience and training of crew are amongst the relevant issues for underwriters in assessing this risk.

A mandatory code for ships operating in polar waters is being prepared by the IMO.

The draft chapter of the Polar Code relating to training and manning was referred to the Sub-Committee on Human Element Training and Watchkeeping (HTW), for further review.

MARPOL amendments and the environmental requirements were agreed during MEPC 67.

MSC 93 approved in May 2014 the draft new SOLAS Chapter XIV "Safety measures for ships operating in polar waters" which will be forwarded to MSC 94 in view of adoption.

A draft Arctic "Best Practice Declaration" consultation document was circulated to industry stakeholders in April 2013. Based on input an updated version was presented to the Arctic Council summit in May.

Relevant authority / organisations and documents

- **IMO Assembly:** [Resolution A.1024\(26\)](#) - Guidelines for ships operating in Polar waters, 2 December 2009.
- **MARPOL:** New chapter 9 to Annex 1 with a new regulation 43 which prohibits the carriage in bulk as cargo, or carriage and use as fuel, of: crude oils having a density at 15°C higher than 900 kg/m³; oils, other than crude oils, having a density at 15°C higher than 900 kg/m³ or a kinematic viscosity at 50°C higher than 180 mm²/s; or bitumen, tar and the emulsions.
- **IMO MEPC & MSC & SDC** with input from other Sub-Committees (HTW, SSE, NCSR)
 - [SDC 1/3/3](#): Report of correspondence group on the development of the Polar Code, incl. draft amendments to SOLAs and MARPOL, 15 November 2013.
 - [SDC 1/3/6](#): Proposed text chapter 3 (Stability and sub-division) and chapter 4 (Watertight and weather tight integrity) of the draft Polar Code, 15 November 2013.
 - [SDC 1/3/8 \(15.11.2013\) & SDC 1/3/16 \(29.11.2013\)](#): Determination of equivalent ice class.

- SDC 1/WP.3: Draft amendments to SOLAS and MARPOL to make the Polar Code mandatory, note by Secretariat, 24 January 2014.
- SDC 1/WP.4: Development of a mandatory Polar Code; report of the Working Group, 24 January 2014.
- MSC93/INF.12: Workshop on Safe Ship Operations in the Arctic Ocean, 11 March 2014.
- MSC93/WP.7: Report of the Working Group (part 1), 16 May 2014.
MSC93/WP.7/Add.1: Report of the Working Group (part 2), 21 May 2014.
- MEPC67/9: Report of the Polar Code Correspondence Group, 10 July 2014.
- MEPC67/9/1: Outcome of MSC 93.
- NCSR1/WP.5/Add.1: Report of the SAR Working Group.
- NCSR1/WP.6/Add.1: Report of the Ship's Routeing Working Group.
- MSC94/3/1: Adoption of the International Code for Ships Operating in Polar Waters (Polar Code), note by the Secretariat, 30 July 2014.
- MEPC67/WP.8: Report of the Intersessional Polar Code Working Group, 9 October 2014.
- MEPC67/WP.14: Report of the Polar Code Working Group, 15 October 2014.
- **Arctic Council** comprising Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the U.S. (www.arctic-council.org).
- **Arctic "Best Practice Declaration"**. IUMI letter of support 19 April 2013.
- **Arctic information database**: www.arctis-search.com (Centre for High North Logistics).
- **ArcticWeb**: www.arcticweb.com – provides information on offshore Arctic areas through access to public data sources in the Arctic region.
- **European Commission**: Developing a European Union Policy towards the Arctic Region: progress since 2008 and next steps (JOIN(2012) 19 final), 26 June 2012.
- **Swedish conference and workshop** March 2014:
<http://www.polar.se/en/articles/conference-report-sustainable-arctic-shipping-and-marine-operations>
- **Northern Sea Route Administration**: http://asmp.morflot.ru/en/celi_funktsii/

Timeline / important dates

- Target completion date for adoption of a mandatory Polar Code: 1st half 2015.
- MEPC 66: 31 March – 4 April 2014.
- MEPC 67: 13-17 October 2014.
- MSC 93: 14 – 23 May 2014.
- MSC 94: 17-21 November 2014.
- Earliest implementation date: 1 January 2017.
- Three new generation Russian icebreakers due in December 2017 and 2020. Rescue vessels in 2015-2016.
- SDC 1: 20-24 January 2014.
- Russian Northern Sea Route Administration established 15 March 2013.
- IMO Workshop on Safe Ship operations in the Arctic Ocean: 28 February 2014.
- HTW 1: 17 – 21 February 2014
- SSE 1: 10 – 14 March 2014.

- NCSR 1: 30 June – 4 July 2014.
- “Sustainable Arctic Shipping and Marine Operations” conference in London by the Swedish Government on behalf of the Nordic Council of Ministers: 11 March 2014.
- Workshop on “Bridging the Arctic marine risk gap – The need for a cross Arctic Ice Regime – linking ice conditions to ice class requirements” in London 12 March 2014, organized by the Swedish Polar Research Secretariat.
- IUMI PF Workshop 23 September 2014.
- Arctic Business, Bodø – Norway, 8-10 October 2014.
- Intersessional meeting of the Polar Code Working Group 7-9 October, 2014.
- The Arctic Exchange, Stockholm - Sweden, 15-16 September 2014.
- Arctic shipping North America Forum, St. John’s, Newfoundland – Canada, 20-21 October 2014.

IUMI will:

- Support the implementation of a mandatory Polar Code at IMO.
- Monitor, inform and educate the IUMI membership.
- Support in principle the Arctic “Best Practice Declaration”.
- Participate in discussions with industry, IMO and coastal states on necessary standards and infrastructure in Polar waters.

7) International Trade in Services Agreement (TiSA)

Brief description

Multinational marine insurers are affected by a wide range of barriers of doing business abroad; limited movement of data across borders, unfair competition from state-owned enterprises, lack of transparency and need for due process of law, and forced local ownership and discrimination in obtaining business licenses and permits. Some countries also require that import or export shipments have to be insured by a locally registered insurer, while buyers are only allowed to buy insurance coverage for import shipments abroad or on basis CIF. Any agreement which leads to a reduction of the aforesaid restrictions would contribute to enable marine insurers to achieve their full potential.

Since the General Agreement on Trade in Services (GATS) was established by the World Trade Organization (WTO) in 1995, trade in services has evolved dramatically due to technological advances, changing business practices, and deeper global integration. The dynamism and importance of trade in services contrast strongly with the slow pace of multilateral negotiations in this area. When the Doha Development Round of a multilateral trade negotiation reached an impasse, the idea of the Trade in Services Agreement (TiSA) was launched by the U.S. and proposed to a group of WTO members, the so-called Really Good Friends (RGF) group. The group has met regularly since February 2012.

TiSA represents an opportunity to improve and expand trade in services. Major and fundamental barriers to trade in services are addressed. Through the ongoing RGF process, a more liberal

approach to cross-border regulation in areas such as marine and energy insurance is suggested. This is strongly supported by IUMI.

Participants in the TiSA include Australia, Canada, Chile, Chinese Taipei (Taiwan), Colombia, Costa Rica, the European Union representing their member states, Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Republic of Korea, Switzerland, Turkey, and the United States. The list of participants does not include some prominent trading nations as the so called BRICS-states (Brazil, Russia, India, China and South Africa). However, China confirmed in March 2014 that it would like to participate in the negotiations. If all current countries approve China's participation in the negotiations, the group of 51 countries will account for around 77 % of global trade in services. Uruguay has also expressed an interest, and others may follow.

Relevant authority / organisations and documents

- **WTO** – General Agreement on Trade in Services (GATS), 1995.
- **Industry position papers:**
 - Insurance Europe, 10 June 2013
 - Global Federation of Insurance Associations (GFIA), 28 November 2013
 - IUMI, October 2014

Timeline / important dates

- TiSA negotiations, Geneva, 28 April – 2 May 2014.

IUMI will:

- Support the RGF initiative.
- Argue in favor of allowing cross-border trade for marine and energy insurance, reflecting the international character of these services.

8) Loss of ship records

Brief description

When a ship changes ownership, all too often the outgoing technical manager removes the Planned Maintenance System (PMS) data which contains all maintenance and service records from the ship. Consequently, there will be no fluid take-over of the ship by the new crew, no maintenance records left on board, and no list of short and long term maintenance to be carried out. This increases the risks of required maintenance being overlooked, of incorrect handling of equipment, and of serious breakdowns due to pure lack of knowledge of the ship's service history.

One main reason for not submitting the relevant records to the buyer is that the outgoing manager may want to remove any licensed computer programmes developed by them or purchased and installed. They may want to remove their ISM manuals and any other documentation which is part of their branded maintenance system developed and improved over many years. However, this should not be extended to include historical maintenance records and other important information which should remain as a service history with the ship throughout its life.

Under most insurance conditions the insurer will not be liable for ordinary wear and tear as this is not a fortuitous event the insurance is paid to cover. Hence, it is an important task of the surveyor, claims handler or adjuster to check and evaluate whether a damage is caused by wear and tear.

Classification survey records will always be available to the owner of the ship, and a new owner may obtain these through the present owner giving instructions to the classification society. The separate Continuous Machinery Survey (CMS) records carried out by the Chief Engineer are stored in the on board PMS. When the PMS data is removed, this also means that the CMS records are lost to the new owner and the classification society.

The type of information that is typically lost includes:

- Records of main engine cylinder liner calibrations showing the amount of wear and previous wear rates.
- Generator engine overhaul reports showing the amount of wear to various components parts, ovality readings for connecting rods, and the presence of any non-standard (undersize) crankshaft bearings.
- Dry dock reports showing the work carried out at the last dry docking.
- Ultra sonic steel thickness measurement reports showing the condition of the full plating and structure.
- Historical lubricating oil analysis results showing the nature of any wear or contamination of the main engine, generator engine and stern tube bearing lubricating oils.
- Historical fuel oil analysis results, showing the condition of the fuel oil on board at the point of change of ownership.
- Record of components and spares used during routine and unscheduled maintenance, including use of non-manufacturers' parts.
- The remaining spares inventory at the time of transfer.
- Whether manufacturers or non standard replacement parts were used during a repair.

The IMO International Safety Management (ISM) Code, Clause 10, includes reference to records and procedures related to the maintenance of the ship and equipment. However, to reflect the intention of the Code and allow historical maintenance records and service history to follow the ship throughout its life, a modification would be necessary.

The BIMCO Saleform 2012 does not contain any mentioning about ship records, planned maintenance system or other records of maintenance and repairs. Through additional clauses in the sale and purchase agreement requiring maintenance records, operating reports and spares inventory, a significant improvement in the risk profile would be achieved.

Transfer of maintenance records could also be made a condition of class through amendments in the IACS Procedure for Transfer of Class, PR1A.

Relevant authority / organisations and documents

- **ISM Code** – Clause 10: Maintenance of the ship and equipment with guidelines.
- **Saleform 2012.**
- **JHC Circular 2010/006** - Loss of Ship records, 23 June 2010.
- **IACS PR1A** – Procedure for Transfer of Class.

- JHC/IUMI letter presented in meeting with IACS 21 July 2014. Reply letter from Philippe Donche-Gay, new IACS Council chairman 25 July 2014; issue will be taken up with General Policy Group.

IUMI will:

- Investigate possible solutions in discussions with owners and class.

9) EU Recognised Organisations and Mutual Recognition

Brief description

Article 10 of EU Regulation No 391/2009 on common rules and standards for ship inspection and survey organizations states that *“Recognised organisations shall, in appropriate cases, agree on the technical and procedural under which they will mutually recognize the class certificates for materials, equipment and components based on equivalent standards, taking the most demanding and rigorous standards as the reference.”*

The EU Recognised Organisations (ROs) have established procedures and technical requirements for Mutual Recognition (MR), and coordinates its work through an Advisory Board supported by a Technical Committee.

A hierarchy of six safety levels has been agreed between the ROs. Levels I and II include products with no/very low impact on safety and are uncontroversial. Level III products are currently under consideration. The first tier of products was adopted for implementation in 2012 and the next in mid 2013. The third tier was released in July 2014, and the fourth is due 1 July 2015 at which time approximately 60% of all products in Level III will be covered (75 to 90 products). As per end May 2014 only four certificates had been issued.

Insurers expect the surveys of safety critical materials, equipment and components to be carried out by the RO classing the vessel. Classification has an important role in ensuring a certain level of safety to the vessel and its equipment, and there is usually a requirement under most individual insurance conditions that the vessel shall be classed with a classification society approved by the insurer before the insurance commences. Should any RO be allowed to certify and approve components and equipment for a vessel at all safety levels and regardless of which society will be responsible for classing the vessels, neither the classification society nor owners or underwriters will really know what quality of vessels they have or what quality of components have gone into them. To allow MR on safety critical materials, equipments and components would undermine the significance of ship classification as a key component of today’s safety regime at sea, and is a major cause of concern among underwriters.

There is also a question related to the acceptance of the EU RO regime by third party flag states. The sovereignty of the flag state under which the vessel operates is at the core of international maritime regulations and widely supported by the global marine insurance industry.

Relevant authority / organisations and documents

- **European Union** – Article 10.1 of EU Regulation (EC) No 391/2009 of 23 April 2009 on common rules and standards for ship inspection and survey organisations.
- **EU ROs**
 - First report to the EC and Member States – October 2012.
 - Joint report from EU-ROs and SEA Europe workshop, London, 28 May 2014.
- **IMO** – Proposed Code for Recognized Organisations (RO Code) and related amendments to SOLAS chapter XI-1 and the 1988 Load Lines Protocol, and resolution MEPC.237(65).
- **IUMI** – Letter to Commission 30 October 2013 & reply letter 6 December 2013.

Timeline / important dates

- Report from the Commission to the European Parliament, based on an independent study on the level reached in harmonizing rules and procedures and on mutual recognition. Independent study from Dr. Iraklis Lazaklis of Strathclyde University, Glasgow, due by end 2014.
- RO Code to take effect 1 January 2015.
- Workshop on EC Reg. 391/2009 Article 10.1, London, 28 May 2014.
- Target release date Tier 4 MR Technical Requirements: 1 July 2015.

IUMI will:

- Recommend that mutual recognition is clearly limited to materials, equipment and components of proven low safety criticality. Scope of the MR should not go beyond further analysis and consideration of Level III products.
- Participate in workshops and consultations as appropriate.

10) EU Insurance Block Exemption Regulation (IBER)

Brief description

The European Commission has launched a public consultation on the functioning and future of the new Insurance Block Exemption Regulation (IBER) adopted in 2010. The IBER expires in 2017. The IBER allows insurers and reinsurers to benefit from an exemption to the prohibition of anti-competitive arrangements laid down in Article 101(1) of the Treaty on the Functioning of the European Union (TFEU).

The Commission is consulting on how the IBER is being used and on stakeholders' experience in applying it. The Commission is also interested to hear about market developments and views on whether the regulation should be renewed, partially renewed or not renewed at all.

The exemption covers two types of agreements between insurance and reinsurance companies:

- a) Agreements with respect to joint compilations, joint tables and studies; and

- b) Common coverage of certain types of risks (so-insurance or co-reinsurance pools)

Based on the contributions received, the Commission will submit a report to the European Parliament and the Council by the end of March 2016.

Relevant authority / organisations and documents

- **European Union**
 - Insurance Block Exemption (IBER), 24 March 2010 (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010R0267&from=EN>)
 - Consultation document, 5 August 2014 (http://ec.europa.eu/eusurvey/runner/Public_Consultation_Insurance_Block_Exemption_Regulation)

Timeline / important dates

- Consultation deadline 4 November 2014.
- EC report to Parliament by end March 2016.
- Current IBER due to expire March 2017.

IUMI will:

- Respond to the IBER consultation.

11) Maritime cyber security

Brief description

The growing reliance of information technology and data in the daily work within the marine and energy sectors marine and offshore increases their exposure to cyber related risks. These risks represent a challenge to underwriters, both in terms of properly understanding the exposures and in tailoring their products to meet client needs.

Techopedia² defines cyber attack as deliberate exploitation of computer systems, technology-dependent enterprises and networks. Cyber attacks use malicious code to alter computer code, logic or data, resulting in disruptive consequences that can compromise data and lead to cyber crimes, such as information and identity theft. Cyber attack is also known as a computer network attack (CNA).

A successful cyber attack can have several implications relevant to insurance: Loss of life, personal injury, pollution, loss of property, business interruption, loss of production, loss of data and loss of reputation.

In September 2014, Canada and the United States recommended that IMO's Maritime Safety Committee (MSC) develop voluntary guidelines on maritime cyber security practices. The purpose

² <http://www.techopedia.com/definition/24748/cyberattack>

being to protect and enhance the resiliency of cyber systems supporting the operations of ports, vessels, marine facilities and other elements of the marine transportation system. For the purpose of this proposal, cyber security is defined as measures taken to protect cyber systems, or any data contained therein, against unauthorized access, alteration, control, data loss, and prolonged unplanned outage. Cyber systems are defined as any system or subsystem of hardware and/or software whose purpose is acquiring, processing, storing or communicating information or data, including systems that use that data to control physical processes.

Relevant authority / organisations and documents

- **IMO – Maritime Safety Committee (MSC):**
 - MSC94/4/1: Measures toward enhancing maritime cyber security, submitted by Canada and the United States, 12 September 2014.
- **2014 IUMI Conference** – presentation by Markus Wähler, Munich Re.
- **United States:**
 - United States Coast Guard: www.homeport.uscg.mil (Cybersecurity left hand side of page).
 - Symantec Web Security Threat Report 2014.
 - NIST Cybersecurity framework: <http://www.nist.gov/cyberframework/>
 - CyberKeel: <http://www.cyberkeel.com/>
 - US Government Accounting Office (GAO): Report on “Maritime Critical Infrastructure protection”, <http://www.gao.gov/assets/670/663828.pdf> , June 2014.
- **European Network and Information Security Agency:**
 - Analyses of cyber security aspects in the maritime sector, November 2011.

Timeline / important dates

- MSC 94: 17-21 November 2014
- IUMI conference Hong Kong, President’s workshop: 24 September 2014.

IUMI will:

- Support the development of voluntary guidelines on maritime cybersecurity practices.
- Provided a decision is made on the establishment of a Correspondence Group; actively participate with input from an insurance perspective.

B. SUPPORT recommended:

12) Passenger & Cruise ships' safety in the wake of the "Costa Concordia" casualty

Brief description

Following the "Costa Concordia" casualty 13 January 2012, calls have been made for new/stricter regulations to avoid groundings, rapid capsize and catastrophic loss of buoyancy and stability. A more efficient regulatory framework to further reduce the risk of incidents is welcomed by the marine insurance industry. The Maritime Safety Committee (MSC) adopted at its 90th session in May 2012 a resolution with recommended interim measures to enhance passenger ship safety.

Pending the final casualty report from Italy, MSC agreed at its 91st session in November 2012 to revise some of its recommended measures under SOLAS, including safety drills that will be required to take place prior to, or immediately upon, departure.

The 92nd session of the MSC, held in June 2013, considered the casualty report on the "Costa Concordia". How to make progress with the aim to substantially increase the safety level provided by the 2009 IMO sub-division and damage stability regulations for passenger vessels was a key issue for the meeting, and subject to a report of "WG1" in which IUMI participated. The report is referred to MSC 93 in 2014 where the committee has agreed to establish working and drafting groups. Damage stability regulations, evacuation analysis and watertight doors on passenger ships were discussed at the first meeting of the new Sub-Committee on Ship Design and Construction (SDC) in January 2014.

MSC 93 instructed SDC 2 to include double hull in way of main engine rooms, and monitoring and assessing risks from operation of watertight doors in the sub-committee's ongoing reviews. An Italian paper with preliminary recommendations from the Costa Concordia casualty investigation was referred to a Working Group.

Relevant authority / organisations and documents

- **IMO – Maritime Safety Committee (MSC) & Sub-Committee on Ship Design and Construction**
 - MSC 90/INF.19: "Proposals for the implementation of short-term additional safety measures on board passenger ships", submitted by Italy, 19 May 2012.
 - MSC 92/WP.8: Report from WG1, 19 June 2013.
 - *Italian casualty report "Costa Concordia" MSC 92/INF.6*
Italian paper MSC 92/6/3, dated 18th March 2013, made some preliminary recommendations concerning stability issues, vital equipment and electrical

distribution, emergency power generation, operational matters, evacuation analysis, search and rescue.

- MSC93/6/1: “Preliminary recommendations arising from the Costa Concordia marine casualty investigation”, submitted by Italy, 11 February 2014.
- MSC93/WP.6/Rev.1: Report of the working group, 23 May 2014.
- MSC93/6/6: “Damage stability of cruise passenger ships”, submitted by CLIA, 11 March 2014.
- MSC93/6/7: “Measures to enhance survivability after flooding, submitted by CLIA, 11 March 2014.
- MSC.1/Circ. 1380: Guidance for watertight doors on passenger ships which may be opened during navigation, 10 December 2010.
- MSC94/6/3: Maintenance of watertight doors, submitted by Italy, 12 September 2014.
- **European Commission – Maritime Safety**
 - Public consultation on a review of EU passenger ship safety legislation started in 2010. The EC will participate in the IMO discussions, but independent of this, the Commission also continues with the revision of Directive 2009/45/EC on safety rules and standards for passenger ships engaged in domestic trade of 6 May 2009. The EC is also looking into a revision of Directive 2003/25/EC on specific stability requirements for ro-ro passenger ships in order to align the existing Directive with internationally agreed calculation methods for stability.

Timeline / important dates

- MSC 92: 12-21 June 2013
- Italian “Costa Concordia” casualty investigation report dated 14 May 2013. MSC 92 invited further consideration by the Flag State Implementation Sub-Committee. Detailed comments and proposals to be submitted to the MSC 93.
- MSC 93: 14-23 May 2015.
- EC maritime transport consultation period ended 5 July 2012. Will await outcome of IMO discussions concerning “Costa Concordia”.
- SDC 1: 20-24 January 2014.
- SDC 2: 16-20 February 2015.
- MSC 94: 17 – 21 November 2014.

IUMI will:

- Endorse all measures improving passenger ship safety in the aftermath of the “Costa Concordia” casualty, provided they are in line with IACS recommendations/opinions.
- EU survey: Monitor and inform IUMI membership, and if appropriate; argue to avoid regional differences in legislation.

13) International Maritime Solid Bulk Cargoes (IMSBC) Code

Brief description

Due to recent catastrophic total losses of bulk carriers, including tragic loss of lives, and near misses due to liquefaction of certain bulk cargoes with excessive and/or unduly high moisture content, several maritime organisations, IUMI included, have taken an active position in the development of a more efficient regulation through the IMO.

DSC 18 agreed in September 2013 a draft individual schedule for iron ore fines, a draft amendment for the individual schedule for iron ore and a draft amendment to appendix 2 to the IMSBC Code for the inclusion of “Modified Proctor/Fagerberg test procedure for iron ore fines”; intended to determine the transportable moisture limit (TML) for iron ore fines. The amendments are expected to be adopted by MSC in 2015. Mandatory entry into force is 1 January 2017.

Until the finalization of the schedules, the DSC had revised DSC.1/Circ.66 on Carriage of iron ore fines, so that it would continue to be applied. The circular explains the dangers of liquefaction of iron ore fines and advises competent authorities, shippers and masters to take into account the relevant section of the IMSBC Code.

DSC issued in November 2013 DSC.1/Circ.71, inviting SOLAS Contracting Governments to voluntarily implement the aforementioned draft schedules and test procedure as soon as possible. Brazil and Australia gave in January 2014 early effect to the new schedule, and all ships flying the Antigua and Barbuda flag are required to comply as of 1 July 2014. The Sub-Committee also invited Member States, inter-governmental organizations and non-governmental organizations in consultative status with IMO to make available to the Organization detailed technical information on incidents or casualties resulting from liquefaction.

Relevant authority / organisations and documents

- **IMO – MSC & Sub-Committee on Dangerous Goods, Solid Cargoes and Containers (DSC)**
 - DSC 16/4/95: “Amendments to IMO’s IMSBC Code, including evaluation of properties of Solid Bulk Cargoes”, submitted by INTERCARGO, BIMCO, IGP&I and IUMI, 15 July 2011.
 - DSC.1/Circ.66/Rev.1: “Carriage of iron ore fines that may liquefy”, 25 October 2012.
 - MSC 89/7/7: “Dangerous goods, solid cargoes and containers”, submitted by INTERCARGO and BIMCO, 22 March 2011.
 - MSC 89/7/4: “Measures to improve safe transportation of solid bulk cargo that may liquefy”, submitted by China, 2 March 2011.
 - DSC 17/WP.5: “Report of the Working Group: Amendment 02-13 to the IMSBC Code and supplements”, 20 September 2012.
 - MSC.1/Circ. 1452 on early implementation of amendment 02-13 to the IMSBC Code, approved by MSC 92.

- [MSC.1/Circ. 1453](#) containing the Guidelines for the submission of information and completion of the format for the properties of cargoes not listed in the IMBSC Code and their conditions of carriage in the IMBSC Code, approved by MSC 92.
- [MSC.1/Circ. 1454](#) containing the Guidelines for developing and approving procedures for sampling, testing and controlling the moisture content for solid bulk cargoes that may liquefy, approved by MSC 92.
- [DSC.1/Circ.71](#) “Early implementation of draft amendments to the IMBSC Code related to the carriage and testing of iron ore fines”, 15 November 2013.
- [MSC93/17](#) “Implementation of the IMSBC Code”, submitted by INTERCARGO and IACS, 17 October 2013.
- **Lloyd’s Register in conjunction with Intercargo and UK P&I Club:** IMSBC Code pocket guide, 13 May 2014.

Timeline / important dates

- DSC 18: 16-20 September 2013.
- MSC 92: 12-21 June 2013.
- MSC 93: 14-23 May 2014.
- MSC 95: IMSBC Code to be adopted in 2015
- Expected date of entry into force for IMSBC amendments (03-13) regarding the individual schedule for iron ore and the new test procedure for iron ore fines: 1 January 2017.
- Schedule in effect in Australia and Brazil from January 2014.
- Schedule in effect for Antigua and Barbuda flagged vessels from 1 July 2014.
- IMO III: 1 July 2014.

IUMI will:

- Support industry initiatives as appropriate for a more efficient regulation.
- Monitor and inform the membership in consultation with INTERCARGO, ICS & IGP&I.

14) Container ship safety

Brief description

The increasing size of container ships and recent incidents contribute to the high awareness and importance placed by insurers on several issues related to the safety of these ships. Also based on ongoing IMO discussions, the following issues are currently targeted by IUMI:

- Container weight and contents
- Packing of cargo transport units
- Flexitanks
- Construction / structural damages

The weight and contents of a container have to be known if it is to be transported safely, and misdeclaration of a container's weight and its contents is a recurring safety problem. This applies equally to road, rail, and brown and blue water transport.

The IMO Sub-Committee on Dangerous goods, Solid cargoes and Containers (DSC) approved at its meeting in September 2013 proposed changes to SOLAS that will require verification of container weights before loaded containers are placed aboard ships. A compromise solution was found allowing two methods to verify the containers' weights: Weighing the boxes before they are loaded or calculating overall weight through addition of the weights of the constituent parts of a loaded container. The draft SOLAS amendments were approved by MSC 93 in May 2014, with a view to subsequent adoption at MSC 94. Guidelines regarding the verified gross mass of a container carrying cargo were circulated to Member Governments in June 2014.

The DSC Sub-Committee also agreed to recommendations for the Group of Experts (GoE) for the revision of the IMO/ILO/UNECE guidelines for packing of cargo transport units (CTU), including the value of a flexitank when loaded into a general purpose ISO box container. Flexitanks are effectively large plastic bags containing fluids. While some recommend a maximum value up to 24 tonnes, a Germanischer Lloyd (GL) report demonstrates that container sides are irreparably weakened by the fluid pressure in flexitanks over 18 tons, 15 in more difficult waters, and can suffer catastrophic collapse as a result. The GoE agreed on the following wording: *"When a flexitank is loaded into a general purpose ISO box container, the mass of the liquid in the flexitank should not exceed a value agreed with the operator of the CTU, to prevent the container from suffering bulging damages."* The draft CTU Code, after finalization by the Group of Experts in November 2013, was approved by MSC 93 in May 2014. Some minor additional issues were forwarded to IMO CCC 1 in September 2014 for further consideration.

Following the losses of *"Napoli"* and *"MOL Comfort"*, the use of high tensile steel and structural damages has become another concern for insurers related to the safety of container vessels. An interim report on the loss of *"MOL Comfort"* was issued by the Committee on Large Container Ship Safety in December 2013. The Committee was established by Japan's Ministry of Land, Infrastructure, Transport and Tourism to develop measures to ensure the safety of large container vessels in August last year, two months after the *"MOL Comfort"* casualty. The ClassNK investigation report on structural safety of large container ships was released in September 2014. The report suggests that the casualty could be due to a ship-specific issue related to the lateral load and compressive stress by vertical bending.

IACS has established a large container ship safety project team to ensure that the findings from the casualty investigation are reflected in their regulatory work.

The U.S. Congress passed a statute in 2007 that required 100% scanning of US-bound containers by 2012. The deadline has been extended twice, and the current deadline is now 2016.

- **IMO - Maritime Safety Committee (MSC) and Sub-Committees on Dangerous Goods, Solid Cargoes and Containers (DSC) & on Carriage of Cargoes and Containers (CCC)**
 - DSC 17/INF.5: “Development of measures to prevent loss of containers – Verification of Container Weights”, submitted by Denmark, The Netherlands, the United States, BIMCO, the International Association of Ports and Harbors (IAPH), the International Chamber of Shipping (ICS), the International Transport Workers’ Federation (ITF), and the World Shipping Council (WSC), 27 July 2012.
 - DSC 17/WP.3: Report of the Working Group on Container Safety, submitted 20 September 2012, including draft amendment to SOLAS Regulation VI/2.
 - DSC 18/WP.3: Report of the working group: Development of measures to prevent loss of containers. Revision of guidelines for packing of cargo transport units, 18 September 2013.
 - DSC 18/13: Annex 1 – draft amendments to SOLAS Chapter VI & Annex 2 – draft MSC circular: Guidelines regarding the verified gross mass of a container carrying cargo.
 - MSC 93/INF.14: Interim report on large containership safety in response to the loss of MV MOL Comfort, 10 March 2014.
 - MSC 93/9/1: Draft IMO/ILO/UNECE Code of Practice for Packing of Cargo Transport Units (CTUs), 31 January 2014.
 - CCC1/9: Draft informative material related to the CTU Code, note by the Secretariat, 5 June 2014.
 - MSC.1/Circ. 1475: Guidelines regarding the verified gross mass of a container carrying cargo, 9 June 2014.
 - CCC1/9/2: Comments on the draft informative material related to the CTU Code, submitted by the UK, 18 July 2014.
 - MSC94/INF.9: Industry concerns regarding the verified gross mass of containers, submitted by ITF and Nautical Institute, 12 September 2014.
- **Germanischer Lloyd for GDV** – examination of flexitanks.
- **IUMI**: Press release urging caution over flexitanks, 16 September 2013.
- **Group of Experts on the IMO/ILO/UNECE Guidelines for packing CTUs:**
<http://www.unece.org/trans/wp24/guidelinespackingctus/intro.html>
- **Committee on large Container Ship Safety (Japan)**: Interim Report “MOL Comfort”, 17 December 2013.
- **ClassNK** Investigation Report on Structural Safety of Large Container Ships, 30 September 2014.
- **US Congress**: H.R. 5455 Scan Containers Absolutely Now Act (“SCAN Act”), assigned to congressional committee on 11 September 2014.

Timeline / important dates & decisions

- DSC 18, 16-20 September 2013.
- SOLAS requirements regarding verified gross mass of a container carrying cargo (SOLAS regulation VI/2) expected to enter into force in July 2016.
- GoE meeting Geneva, 4-5 November 2013: Draft CTU Code
- MSC 93: 14-23 May 2014
- IMO Sub-Committee on Carriage of Cargo and Containers (CCC) 1: 8-12 September 2014.
- Loss Prevention workshop, IUMI conference, Hong Kong, 24 September 2014.

- MSC 94: 17-21 November 2014.
- 100% scanning of all US-bound containers by 2016.
- Final report Committee on large Container Ship Safety (Japan): March 2015.

IUMI will:

- Support measures that improve the monitoring of containers and their weight/contents.
- Support the DSC/MSC approved SOLAS amendments concerning container weight verification, although primarily favoring mandatory weighing of all boxes prior to loading over the comprise solution.
- Urge caution over flexitanks and the maximum value allowed, as expressed in the September 2013 press release.
- Monitor the final report from the “*MOL Comfort*” casualty and consider support of further action as appropriate.

C. MONITOR & INFORM recommended:

15) Sanctions

Brief description

International sanctions as a tool for countries to take action against others for political reasons influence the global maritime industry on a daily basis.

While sanctions are nothing new, recent developments have demonstrated the need for marine insurers to keep up to date with new sanction regimes and how to comply with them.

Several markets have issued optional sanctions clauses to comply with these new regimes. In addition, proper due diligence is recommended from individual insurers.

Iran

Council Regulation (EU) No 1263/2012 of 21 December 2012, amending Regulation (EU) No 267/2012, provides for additional restrictive measures against Iran. This includes a ban on providing, directly or indirectly, insurance and reinsurance in respect of transport of natural gas originating in Iran into the Union.

The Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRA) tightens up on previously legitimate trades to Iran, as it is thought that any U.S. connection would be enough to invalidate most business. There are also additional sanction provisions contained in the National Defense Authorization Act for Fiscal Year 2013 (“NDAA 2013”). These sanctions are not restricted to “U.S. persons”, but are designed to have extraterritorial effect. Additionally, NDAA 2013 provides for sanctions with respect to any person who “knowingly” provides underwriting services, insurance or reinsurance for any activity that gives rise to sanctions.

The Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) was signed into U.S. law on 2 January 2012. Effective as of 1 July 2013, the IFCA will impose a number of sanctions that will directly affect also non-U.S. shipowners/operators that call on Iran, including a ban on providing insurance or reinsurance on these activities. In particular, the IFCA targets the Iranian energy, shipbuilding, shipping, and ports sectors, requiring the President to block all Iranian entities in these sectors.

As of 20 January, the U.S. and EU have provided for a *temporary suspension of sanctions on Iran* petrochemical exports, including insurance and other associated services. The sanctions relief follows up the agreement reached between China, France, Germany, the Russian Federation, the United Kingdom and the U.S. (P5), supported by the High Representative of the European Union for Foreign Affairs and Security Policy (+1), and Iran on 24 November 2013. In return for Iran halting the progress of its nuclear program, the 6 partners + EU would commit to provide Iran with a limited, targeted, and reversible sanctions relief for a six-month period. On 19 July, the P5+1 and Iran extended the implementation of commitments described in the Joint Plan of Action through 24 November 2014. However, with the continuing restrictions and caveats, the marginal relief remains largely unworkable from an insurer standpoint.

The suspension of sanctions does not reinstate, or make permissible, the transport and related insurance activities of oil and petroleum cargoes that are not destined for the U.S. National Defence Authorization Act (NDAA) waived countries. The NDAA countries are currently: China, India, Japan, Republic of Korea, Taiwan and Turkey.

Additionally, on 2 February 2014 OFAC published a list of foreign individuals and entities determined to have violated, attempted to violate, conspired to violate, or caused a violation of U.S. sanctions on Syria or Iran. It also lists foreign persons who have facilitated deceptive transactions for or on behalf of persons subject to U.S. sanctions. Collectively, such individuals and companies are called "Foreign Sanctions Evaders" or "FSEs." Transactions by U.S. persons or within the United States involving FSEs are prohibited.

Cuba

Cuba presents the marine insurance industry with a unique problem in that the United States stands as the only country which currently targets Cuba with a comprehensive sanctions program. The position is further complicated as in 1996 the EU adopted its own legislation which required that all EU persons were not to give effect to the U.S. legislation.

Russia-Ukraine

Due to the crisis in Ukraine, both the U.S. and the EU have announced sanctions targeting individuals and entities in Russia. Several additions have been made since March 2014 when the EU and U.S. first imposed travel bans and asset freezes on several officials from Russia and Ukraine after Crimea's referendum to join Russia.

Following the downing of Malaysian Airlines Flight MH17 in Donetsk with the tragic loss of so many lives, both the U.S. and EU announced on 29 July 2014 new restrictive measures against Russia:

OFAC imposed prohibitions on three Russian financial institutions and one state-owned defense technology firm (United Shipbuilding Corporation). These new targets come in addition to the restrictive measures on "US-Person" dealings in new debt or new equity of two Russian banks (Gazprombank OAO and VEB) and in new debt of two Russian energy companies (OAO Novatek and Rosneft) that were announced on 16 July.

The EU agreed on a package that will "limit access to EU capital markets for Russian State-owned financial institutions, impose an embargo on trade in arms, establish an export ban for dual use goods for military end users, and curtail Russian access to sensitive technologies particularly in the field of the oil sector".

As of 15 July, all Crimean ports have been officially closed. The Ukrainian Government informed of this closure and the situation in their territorial sea and exclusive economic zone in the Black Sea and Sea of Azov and the Kerch Strait in a communication to the IMO on 21 July 2014.

Relevant authority / organisations and documents

- **IMO**
 - Circular letter No.3477: Communication from the Government of Ukraine, 12 July 2014.

- **U.S. – OFAC**
 - CISADA – The Comprehensive Iran Sanctions, Accountability, and Divestment Act, 1 July 2010.
 - ITRA - Iran Threat Reduction and Syria Human Rights Act of 2012, 1 August 2012.
 - National Defense Authorization Act for Fiscal Year 2013 (“NDAA 2013”).
 - IFCA – The Iran Freedom and Counter-Proliferation Act of 2012, 2 January 2012.
 - [31 CFR Part 515](#) – Cuban Assets Control Regulation.
 - Guidance to temporary sanctions relief, 20 January 2014.
 - <http://www.treasury.gov/resource-center/sanctions/Pages/default.aspx>
 - <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>
 - Ukraine-related sanctions U.S. (OFAC): <http://www.treasury.gov/resource-center/sanctions/programs/pages/ukraine.aspx>
- **EU**
 - EU Council decision 35/2012 concerning restrictive measures against Iran, 23 January 2012.
 - EU Council Regulation no. 267/2012 of 23 March 2012 concerning restrictive measures against Iran and repealing Regulation no 961/2010.
 - EU Council Regulation no. 1263/2012 of 21 December 2012 amending Regulation no. 267/2012 concerning restrictive measures against Iran.
 - EU Council Regulation 2013/0452 of 20 January 2014 giving limited sanctions relief.
 - EU Council Regulation 208/2014 of 5 March 2014 concerning restrictive measures directed against certain persons, entities and bodies in view of the situation in Ukraine.
 - http://eeas.europa.eu/cfsp/sanctions/index_en.htm
 - <https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>
 - <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>
 - EU Council Regulation 692/2014 of 23 June 2014 and 825/2014 of 30 July 2014 concerning restrictions on the import into the Union of goods originating in Crimea and Sevastopol.
 - Background note Ukraine sanctions, 29 July 2014.
 - Council conclusions on Ukraine, 22 July 2014 & Statement on the agreed additional restrictive measures against Russia, 29 July 2014.

Timeline / Important dates

- New EU Sanctions regime vs. Iran in effect as of 1 July 2012. Amendments came into force on 22 December 2012.
- New U.S. Sanctions regime vs. Iran and Syria signed into law 1 August 2012.
- IFCA – The Iran Freedom and Counter-Proliferation Act of 2012 came into force as of 1 July 2013.
- IUMI conference London, 15-18 September 2013, presenting updates on sanctions currently in force.
- Temporary Iran sanctions relief 20 January – 24 November 2014.

IUMI will:

- Monitor and inform IUMI membership of any new developments; especially concerning Iran and Syria, the situation in Ukraine, and measures directed towards the (marine) insurance industry.

16) Theft prevention / safe and secure parking places

Brief description

EU stated in a 2009 study that each year direct and consequential claims arising to an amount of 8 billion EUR are caused by theft from means of transport. However, the fact remains that there are far too few parking areas and especially far too few secured parking areas. At the same time, the perpetrators are acting more and more in an organized way.

Both for cargo and forwarders' liability insurance, only effective loss prevention measures make some types of transport insurable. Infrastructure and legislation related to this are country specific and made at a national level. Hence, the respective IUMI member associations must deal with specific suggestions and needs. IUMI will publish a position paper with a statement of the more general concerns and needs of insurers.

Relevant authority / organisations and documents / links

- **National** authorities / ministries of transport
- **EC (DG Mobility and Transport)**
 - TEN-T: Trans European transport network guidelines.
 - EC Regulation 561/2006 on driving times.
 - Directive 2003/59/EU driver training – crime prevention.
 - Directive 2008/96/EC road infrastructure safety management.
 - Directive 2010/40/EU on the framework for the deployment of Intelligent Transport Systems in the field of road transport and for interfaces with other modes of transport.
 - Council Resolution 8/9 November 2010 on secure TPAs.
- **SETPOS** – secure European truck park: www.setpos.eu
- **LABEL** – classification of TPAs for security and comfort quality standards: www.truckparkinglabel.eu
- **TRANSPark** (International Road Transport Union (IRU): www.iru.org/transpark-app)
- **TRUCKinform** (The European truck parking information portal): www.truckinform.eu
- **Road Haulage Association**: www.rha.uk.net
- **IUMI national associations' web pages** (in particular):
 - Italy: www.ania.it
 - Germany: High-security truck park – Non-binding security recommendations: http://www.tis-gdv.de/tis_e/bedingungen/parken/parkplatz_gesichert/inhalt.htm

- Netherlands: www.verzekeraars.nl
- **Cargo workshop**, IUMI conference London, 16 September 2013: “Tackling global theft through the Label Initiative”, Eric de Smet, Baloise Insurance, Antwerp

IUMI will:

- Prepare a statement for publication on the IUMI website addressing the industry’s general concerns and needs.

17) Ballast water

Brief description

BWM Convention

The 2004 Ballast Water Management (BWM) Convention is expected to enter into force within the next few years.

Very few of the type-approved ballast water management systems have been fitted, and there is a concern insurers will have to pay for failed new and relatively complex technologies without a proven track record. As an example, the majority of the current type-approved ballast water treatment technologies make use of Active Substances. These substances may, depending on the substance, concentration, variation of operating conditions and exposure duration, have an adverse effect on ballast tank coatings, ballast piping system, and anodes within the tank.

Concerns have also been raised concerning the *Guidelines for approval of ballast water management systems (G8)*, which are not sufficient to ensure that a given system will work in compliance with the discharge standard once installed on board and operated in the actual maritime environment (ref. MEPC 64/2/18). MEPC 65 approved in May 2013 BMW related guidance, including Guidance concerning ballast water sampling and analysis for trial use and a BMW Circular on clarification of “major conversion”.

Many Flag State Administrations have expressed serious concerns as to the costs and/or benefits of these newly-available unproven technologies, which are relatively untested and subject to scientific doubts. The difficulties of drafting and implementing a global marine environment convention in advance of readily-available scientific evidence and considered support is much commented on in MEPC.

Due to the many industry concerns, MEPC 66 requested the Secretariat to explore the possibility of conducting a study on the implementation of the ballast water performance standard described in regulation D-2 of the BWM Convention. Draft plan and terms of reference will be considered by MEPC 67 in October 2014.

ICS, co-sponsored by IUMI and several other industry associations, presented their main concerns in a paper to MEPC 67 in July 2014: the lack of robustness of the current guidelines for approval of

ballast water management systems (G8), the criteria to be used for sampling and analysis of ballast water during Port State control inspections and the subsequent actions that may be taken should any minor deviation be indicated. The document proposes a draft MEPC resolution which, if adopted, will deliver the necessary assurances to allow stakeholders to move forward with confidence in the Convention. MEPC 67 resolved to start immediate work on a revision of the G8 type-approval guidelines. The committee also agreed that owners that has invested in first generation treatment system should not be penalized if the equipment is operated and maintained correctly. Furthermore, new Port state control guidelines were adopted to reflect a fair and pragmatic approach to inspection.

U.S. ballast water discharge standards

The U.S. Coast Guard Ballast Water Discharge Rule creates compliance requirements for Vessels sailing in U.S. Waters by requiring the use of an approved ballast water management method. Under certain circumstances, the Coast Guard will grant vessel operators an extension to comply with the requirements.

The U.S. Environmental Protection Agency (EPA) also regulates ballast water discharges under the Vessel General Permit (2013 VGP) program which regulates discharges from commercial vessels greater than 70 feet in length. The 2013 VGP will also apply to commercial fishing vessels starting on 18 December 2014. The Ballast water standards under the Coast Guard and EPA standards are similar but not identical, and there are also multiple U.S. state law requirements. There is currently legislation pending in the U.S. Senate to establish a single federal framework for the regulation of ballast water and other vessel discharges.

The U.S. ballast water discharge standards are consistent with those contained in the International Maritime Organization's 2004 Ballast Water Convention.

Relevant authority / organisations and documents

- **IMO – Marine Environment Protection Committee:**
 - The International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004 (BWM Convention).
 - MEPC 64/2/18: Challenges to effective implementation of the BWM Convention, submitted by Liberia, the Marshall Islands, Panama, BIMCO, INTERTANKO, CLIA, INTERCARGO, InterManager, IPTA, NACE and WSC, 27 July 2012.
 - MEPC67/2/6: Measures to be taken to facilitate entry into force of the International Convention for the Control and management of Ships' Ballast Water and Sediments, submitted by ICS, IUMI, BIMCO, INTERTANKO, CLIA, INTERCARGO, InterManager, IPTA, IMCA, INTERFERRY, ITF, the Nautical Institute and WSC, 11 July 2014.
 - MEPC67/2/5: Proposed plan for a study on the implementation of the ballast water performance standard described in regulation D-2 of the BWM Convention, submitted by the Secretariat, 11 July 2014.
 - MEPC67/2/11: Compromise measures towards a fair, practical and protective BMW Convention implementation, submitted by Canada, 8 August 2014.
 - MEPC67/WP.11: Report of the Ballast Water Review Group, 16 October 2014.
- **U.S. Environmental Protection Agency:** 2013 Vessel General Permit.
- **United States Senate:** Senate Bill S. 2094

- **U.S. Coast Guard:** 33 CFR part 151, 46 CFR part 162
- **GloBal TestNet:** Formal group of organizations involved in testing for the certification of BWS. Aims to facilitate increased standardization and harmonization of test procedures and information exchange.

Timeline/Important Dates

- BWM Convention: Entry into force 12 months after ratification by 30 States, representing not less than 35 per cent of world merchant shipping tonnage. To date, 40 States have ratified the convention, representing 30.25% of world tonnage.
- MEPC 65, 13 – 17 May 2013: Approved a draft IMO Assembly resolution on the application of regulation B-3 of the BWM Convention to ease and facilitate implementation.
- MEPC 66: 31 March – 4 April 2014.
- MEPC 67: 13-17 October 2014.
- New U.S. Vessel General Permit into force from 19 December 2013, for fishing vessels from 18 December 2014.
- U.S. Coast Guard BWM Regulations into force June 2012; applicable for
 - Newbuilds keel laid after December 2013
 - Existing vessels – first scheduled dry-dock after 2014/16

IUMI will:

- Monitor implementation of new U.S. Vessel General Permit and performance of approved technologies.
- Monitor implementation of BWM Convention and performance of approved technologies.
- Co-sponsor ICS paper to MEPC 67 regarding measures to be taken to facilitate entry into force of the BWM Convention.

18) Maritime Security / Piracy

Brief description

BMP4, use of private armed security guards, UN and IMO guidelines, national regulations, legality of payment of ransoms, and ISO rules for the use of force are some of the issues still very much on the international maritime security agenda. While the situation created by Somalia based pirates has improved, a recent escalation of incidents is noted in the Gulf of Guinea.

IUMI has had an active and direct influence on the drafting of the current IMO Guidelines, which have the force of public international law where incorporated by contract or by national law and/or by international maritime custom and practice.

A move from UK and US sources to push underwriters to mandate and / or incentivize BMP is not possible due to; a) the nature of BMP, not being an underwriting document and b) being full of subjectivities and c) European and U.S. competition laws.

Relevant authority / organisations and documents

- **IMO Maritime Safety Committee (MSC) & Legal Committee (LEG)**
 - MSC Circular 1405/Rev.2 (as amended): “Revised interim guidance to shipowners, ship operators and ship masters on the use of privately contracted armed security personnel on board ships in the High Risk Area”, released 25 May 2012.
 - MSC 92/INF.14: “International model set of rules for Rules for use of Force” (RuF), submitted by Marshall Islands, ICS, ISO and BIMCO, 9 April 2014. Also used as input to ISO TC 8.
 - UK documents to MSC
 - MSC 90/20/4: “UK policy on the use of privately contracted armed security personnel”, 21 February 2012.
 - MSC 90/INF. 12: “The use of privately contracted armed security personnel (PCASP) on board United Kingdom-registered ships in exceptional circumstances for the purposes of defending against acts of piracy”, 9 May 2012.
 - MSC 90/INF. 13: “Accreditation of private security companies in the maritime domain allowing the deployment of privately contracted armed security personnel onboard United Kingdom-registered ships in exceptional circumstances for the purposes of defending against acts of piracy”, 9 May 2012.
 - MSC93/16/3: ISO PAS 28007 Further development and industry concerns, submitted by the Marshall Islands and BIMCO, 11 March 2014.
- **Contact Group on Piracy off the Coast of Somalia (CGPCS)**, formed by 24 States and five regional and international organizations on 14 January 2009. Operates through five working groups:
 - Working Group 1, convened by UK with the support of IMO: addresses activities related to military and operational coordination and information-sharing and the establishment of a regional coordination centre.
 - Working Group 2, convened by Denmark with the support of UNODC: addresses judicial aspects.
 - Working Group 3, convened by the U.S. with the support of IMO: addresses the strengthening of shipping self-awareness and other capabilities.
 - Working Group 4, convened by Egypt: addresses the issue of improving diplomatic and public information.
 - Working Group 5, convened by Italy: addresses illegal financial flows.
- **International Organization for Standardization (ISO)**
ISO/PSA 28007:2012 *Ships and marine technology – Guidelines for Private Maritime Security Companies (PMSC) providing privately contracted armed security personnel (PCASP) on board ships (and pro forma contract)* published 14 March 2013.
- **Best Management Practices (BMP4)**
- **BIMCO’s GUARDCON contract**
 - Special Circular No. 1 – 20 February 2014 on recommended amendments to GUARDCON for use off West Africa.

- IGP&I GUARDCON West Africa – IG clubs’ version including the recommended amendments in Circular 1, April 2014.
- **European Union** – Gulf of Guinea strategy, 17 March 2014.

Timeline / important dates

- ISO/PSA 28807:2012: Published 14 March 2013.
- IUMI conference 15-18 September 2013, focusing on the new situation in the Gulf of Guinea.
- NATO mandate extended until 2016.

IUMI will:

- Continue monitoring and inform IUMI membership.
- Strongly support implementation of BMP4 and consider amendments and/or more suitably adapted versions for new areas/threats as and when appropriate.
- Recommend Governments to implement IOS PAS 28007 as the sole standard when determining rules for the use of force.
- Endorse guidelines issued by BIMCO and ICS for vessels and crews.