

3rd Legal & Insurance Committee Meeting Summary

The Chairman opened the third Legal & Insurance Committee Meeting at 3:05pm, after which was handed over to the Vice-Chairman to lead.

Representatives from NorthStandard provided an update on the Singapore War Risk Mutual (SWRM) operations in response to recent attacks in the Gulf of Aden and the Indian Ocean. These incidents, primarily linked to the Houthis, have targeted vessels associated with the US, UK, or Israel. Notable attacks, including the one on Galaxy Leader, have heightened tensions, with 51 confirmed incidents reported by EUNAVFOR.

SWRM collaborates with Risk Intelligence to deliver real-time threat assessments, guiding their members in navigating this high-risk region. The Houthi attacks have primarily targeted US, UK, and Israel-linked vessels, raising insurance premiums by 0.5% to 1% of the hull value. Although SWRM offers competitive rates, it emphasises providing real-time advice for cost-effective transits. SWRM's rating is currently competitive, particularly for Singaporean shipowners.

The general response in the war market has shown caution, especially from insurers in the US, UK, and Israel. Ships with ties to these countries are considered high-risk, which is reflected in the premiums. Despite increased risk, the demand for coverage remains strong due to the heightened premiums. SWRM seeks to maintain a competitive advantage, expanding its focus to the broader Asia-Pacific region to foster growth and mitigate risk. By adopting a model similar to Denmark's, SWRM aims to sustain long-term protection for Singaporean shipowners.

SWRM operates with a board that allows for rapid pricing and coverage decisions, offering a quicker response than overseas insurers, where wait times can extend up to 24 hours. They work closely with organisations like CMF, BIMCO, and ICS to ensure compliance with industry guidance. The most recent guidance underscores the importance of thorough risk assessments for vessels transiting high-risk areas, considering factors such as cargo, crew nationality, and links to the US, UK, or Israel.

The discussion also touched on the activation of AIS (Automatic Identification System) during transits through the Red Sea. Opinions remain divided, with some advocating its use to allow faster identification and support from naval forces, while others suggest deactivating AIS to evade detection by hostile groups. Vessel security measures, including the use of citadels and employing armed guards, were also discussed. While citadels provide a refuge for crew, clear rules of engagement for armed guards are essential to avoid escalation.

The Houthis' scope of targets has expanded beyond US, UK, and Israeli vessels to include those affiliated with Operation Prosperity Guardian. This operation, which aims to protect merchant ships, particularly US-flagged vessels, faces challenges in the narrow Bab Al-Mandab Strait. Despite military escorts, attacks can still occur, and vessels must weigh the risks of transiting this high-threat region.

Operational challenges were also reviewed, with Hafnia sharing insights on risk levels, noting that their vessels are classified as tier-2 risks. Attacks in the Red Sea, previously involving drones and small boats, have escalated with the use of missiles. Risk assessments are conducted internally without third-party security consultants due to concerns about sharing commercial information. Additionally, Hafnia has adjusted to conducting night transits, as data shows fewer attacks during early morning hours.

From a legal and insurance perspective, several concerns were raised. Charter parties and clauses such as CONWARTIME and VOYWAR provide shipowners with options to avoid high-risk zones. However, transiting alternative routes like the Cape of Good Hope involves additional time and fuel costs, presenting a significant financial burden. Insurers are hesitant to lower rates due to the lingering threat of piracy, and legal complexities arise when Masters refuse orders to transit risky areas.

The meeting concluded with updates on committee work, including a review of the Legal Course and plans for upcoming events. Additionally, SSA's cybersecurity initiative was introduced, aiming to enhance digital resilience through a cyber insurance program that will require ships to complete a cybersecurity scorecard.

The meeting closed with thanks to all contributors for their valuable insights on the operational and legal challenges faced by the shipping industry in high-risk areas.

Singapore, 7th February 2024

Singapore Shipping Association

The Association was first formed as Singapore National Shipping Association (SNSA) on 29 January 1985 to represent its Members, who are basically shipowners and operators, shipmanagers, ship agents and shipbrokers. The Association will take the view of the shipping industry as a whole. It will play its due role to promote the interests of shipping in Singapore, ASEAN, Asia and the world. The Association will cooperate with governmental and non-governmental organisations to promote freedom of the sea, safety at sea and to protect the marine environment.