

War Risk and Kidnap & Ransom Covers



Comprehensive Cover.
Exceptional Service.

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The Club can now offer its Members cover for Hull War and P&I War risks, including cover for piracy, and Kidnap & Ransom (K&R). These covers are offered to complement Members' mutual P&I entries and provide streamlined service in the event of a piracy, seizure or war event.

Cover Highlights

Hull War and underlying P&I War:

- On market equivalent terms and rates
- Including loss of hire
- Including increased value
- Cover in breach areas at market comparable prices.

K&R:

- Up to US\$10 million per insured event
- Loss of ransom in transit - up to US\$10 million per insured event
- Fees and expenses of consultants - unlimited per insured event
- Additional expenses, including but not limited to:
 - Fees and expenses of independent negotiator
 - Fees and expenses of independent public relations consultant and/or interpreter
 - Travel costs
 - Crew wages
 - Interest on loans raised to pay ransom
 - Fees and expenses of security guards to protect crew after an insured event
 - Cost of getting the ransom to the kidnapers.



Additional Covers: War, Piracy and Ransom

In order to provide the protection and support that many Owners will need if one of their vessels is seized by pirates, or otherwise subject to hostile act or seizure, the Club can cover:

1. War Risks, which include:
 - a. Hull War risks covering listed high risk or “breach” areas, and war loss of hire, and
 - b. P&I War risks, covering “ground up” liabilities, below the entry point at which normal mutual Club entry provides such protection,

and

2. K&R, covering marine piracy (and K&R loss of hire where required)

These covers, whether taken together as a “package” or individually selected, are all available from the Club. They complement the covers already provided to Members under normal mutual entry.

Background: P&I Cover on Typical International Group Terms

The position (without any of these additional covers) is as follows:

- Members entered in the Club (and in other International Group (IG) Clubs) already have P&I war risks cover for liabilities of up to US\$500 million, arising from “war risks” as defined in the Rules, but only in excess of underlying cover for such risks. The underlying cover for P&I war risks is normally provided as part of their vessels’ Hull War policies.
- Broadly, therefore, P&I war risks cover as provided by all IG Clubs sits above the limits of an underlying cover on the same or similar terms, which is usually included in the vessel’s Hull War policy.
- Under normal mutual P&I entry piracy is not excluded as a war risk – notwithstanding the fact that piracy is the most common violent hostile act which Owners are likely to experience. Normal cover for P&I liabilities arising from acts of piracy is therefore available to Members under their mutual Club entry. However, since this cover is for liabilities within the scope of Club Rules, it does not include loss of or damage to hull. Furthermore, liabilities covered by the IG Clubs generally result from incidents for which the shipowner bears responsibility at law or under contract. It is unlikely therefore that an IG Club will pay any ransom to free a hijacked vessel, because the vessel’s release will concern (and reduce claims upon) the Hull or Hull War insurers (depending on which Hull policy covers the piracy risk) rather than the Club, and because in some or most cases an Owner will not be legally liable for a piracy attack

The Club’s provision of additional covers for War, Piracy and Ransom, in conjunction with entry in the Club on normal mutual terms, avoids the conflicts that can arise when different insurers provide different insurances, all or most of which may come into play following an act of war or piracy.

Additional Covers: One Provider

By providing supplementary covers for War, Piracy and Ransom, the Club brings its own approach to these risks, as one comprehensive insurer under one roof. In many cases this will avoid potential conflict between underwriters, improving effectiveness and consistency in handling what can be difficult and sensitive incidents. With the support of experienced and first class reinsurers, the Club offers a full range of competitively rated insurances which address the needs of Owners when confronted with these risks.

Additional Covers: Hull War

This cover is offered by the Club on terms and conditions including those presently available to Members under their existing placements (including, for example, Institute, American Institute, Nordic and German clauses) i.e. the usual industry standard terms in the markets where these covers are placed as well as additional conditions if required. The pricing for the cover, including transit through listed areas, is designed to be competitive and comparable in terms of structure to the Member’s existing placement. It accommodates not only the core risks of loss or damage to hull/property through war risks but also increased value, loss of hire, and various other risks as insured under current market policies. The Hull War cover may be extended to cover loss of income or loss of hire caused by physical loss or damage from a war risks peril. The Club will work with Members and their brokers to ensure that Club Hull War cover dovetails with Members’ Hull policies in the same way as their existing Hull War insurance.

Additional Covers: Underlying P&I War

Underlying P&I War cover is available from the Club as an adjunct to Hull War cover. Most commercially placed Hull War policies include cover for P&I War liabilities on the same limits. As indicated above, IG Clubs provide insurance in excess of those limits.

When the Club provides additional Hull War cover, “ground up” P&I War risks will also be included up to hull limits (in addition to existing cover for such risks, with a limit of US\$500 million in excess of hull limits).

Thus, the Club itself will insure the full stretch of P&I war risks up to the applicable limits. This reduces duplicated cost and avoids potential conflict between different insurers underwriting different layers of the same risk.



The premium for Hull War (including P&I War) cover is of course received by the Club and contributes to the Club's overall reserves. Many Members will appreciate the fact that these covers are available from their Club and that any surpluses will accrue for its benefit. Piracy and related claims, although violent and distressing, are comparatively rare and the Club's cover for these risks is comprehensively reinsured by first class underwriters at Lloyd's (and elsewhere).

Additional Covers: Kidnap & Ransom

Most loss causing incidents which fall within the scope of War cover generally are the result of piracy. This includes shorter seizures and interventions than in the Gulf of Aden and Indian Ocean, which are now an increasing feature in the Gulf of Guinea and surrounding areas. Hull War and K&R policies have several features that can overlap, including most obviously the payment of ransom itself (when included in general average or paid as a sue and labour expense). Most Hull War policies provide for a deemed loss of a vessel after 12 months under seizure and many Owners seek a shorter deeming period, such as six months. In either case, K&R cover provides the customary means i.e. ransom by which claims for a total loss under the Hull War policy are avoided.

K&R is a specialist insurance and Owners who take such cover benefit from expert claims assistance in most aspects of negotiation and payment of ransom following seizure of vessel or crew. The Club's K&R cover is on terms that include not only ransom reimbursement and the delivery of ransom, but also loss in-transit, various benefits to victims including cover for injury and treatment, repatriation and financial loss, as well as legal costs and associated expenses.

Furthermore, if K&R cover is taken up, Owners may be able to achieve significant reductions in the cost of Hull War insurance (in high risk or "breach" areas). The Club's reinsurance arrangements are backed by Travelers, who are highly experienced K&R underwriters. Specialist response consultants (the Olive Group) are available for every covered incident involving piracy or seizure. The Club's K&R cover provides Members with the reassurance of direct access to experts, a Club approach towards claims management and cover for ransom and ancillary costs. The K&R cover can also be extended to cover loss of income caused by detention of a ship by pirates, kidnappers or hijackers.

When this cover is provided by the Club in conjunction with the additional Hull War and P&I War policies described earlier, there can be considerable economies of scale and efficiency, as well as pricing advantages. Individual terms for these covers will take account of the usual underwriting factors and of course a consideration of the security measures which Members have in place to reduce and manage the risk of piracy and related perils.

Limits

Under each policy separate limits are available by agreement.

How to Apply

You can apply for War Risk and Kidnap & Ransom Covers using either the application form in the Rules and Covers section of our website, alternatively please contact one of the Underwriting Team listed in this booklet.

For further information please contact

European Syndicate

Rupert Harris
T: +44 (0)20 7650 6644
M: +44 (0)7979 240 916
Rupert.Harris@simsl.com

Sarah Chase
T: +44 (0)20 7650 6603
M: +44 (0)7780 667 348
Sarah.Chase@simsl.com

Ben Dyer
T: +44 (0)20 7650 6476
M: +44 (0)7812 143 967
Ben.Dyer@simsl.com

Eastern Syndicate

Jonathan Andrews
T: +44 (0)20 7650 6427
M: +44 (0)7785 280 233
Jonathan.Andrews@simsl.com

J.S. Kim
T: +44 (0)20 7650 6496
M: +44 (0)7917 412 387
JS.Kim@simsl.com

Edward Lee
T: + 852 2838 277
M: + 852 90956120
Edward.Lee@simsl.com

Americas Syndicate

Gary Field
T: +44 (0)20 7650 6498
M: +44 (0)7968 971 510
Gary.Field@simsl.com

Rachael Simpson
T: +44 (0)20 7650 6431
M: +44 (0)7831 784 052
Rachael.Simpson@simsl.com



Steamship Insurance Management Services Limited
Aquatical House, 39 Bell Lane, London E1 7LU

www.steamshipmutual.com



London | Bermuda | Hong Kong | Rio De Janeiro | Piraeus