

SHIPPING INDUSTRY AND GEOPOLITICAL CHALLENGES

Genoa Shipping Week – 28/6/2017

***Geopolitical challenges:
current issues and new scenarios
for Cargo Underwriters***

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Agenda

- **What geopolitical factors for cargo insurance?**
 - **War & Strikes**
 - **Theft risk**
 - **Local legislations restricting cargo insurance**
 - **Sanctioned countries**
- **Policy wordings**
- **Changing world: → sources of information for cargo underwriters**
 - **Global Cargo Watchlist**
 - **Crystal Platform**
 - **OFAC lists**

Geopolitical factors and cargo insurance: War & Strikes

- Cargoes shipped (and insured) everywhere in the world
 - Cargo insurers need to be aware about specific situations in many countries
- Cargo covers normally granted – within the same policy – against:
 - Ordinary (or Marine) Risks **AND**
 - War & Strikes Risks, including terrorism
- Cargo Underwriters need to assess both risks **linked to the nature of cargo** and risks **arising from geopolitical situations**
 - Need to consider **departure, arrival** and **transit** areas
- Sometimes only specific areas of a Country are particularly exposed to political risk

Geopolitical factors and cargo insurance: other risks

- Not only War, Strikes and Terrorism...
- Other geopolitical issues include:
 - Higher than usual theft risks (e.g. Brazil, Mexico)
 - Compliance with foreign legislations restricting local sale of cargo insurance
 - ✓ The geopolitical situation (i.e. governmental regulations to protect local market) would expose the international insurer to the risks of fines or other penalties
 - Compliance this sanction regulations
 - ✓ Shipments to be insured could concern countries subject to international sanctions issued by UN, EU, USA or others
 - ✓ Policies currently include «*Sanction Limitation & Exclusion Clause*»:
No insurer shall be deemed to provide cover / shall be liable to pay any claim hereunder to the extent that the provision of such cover, payment of such claim would expose that insurer to any sanction.....
 - ✓ But would this be enough?

Geopolitical factors and cargo insurance: the policies

- Need of some contractual limitations in worldwide cargo policies in order to cater for areas with high geopolitical risks
- Policy wordings written accordingly with limitations in respect of:
 - War / civil unrest areas (excluded, additional premium required)
 - Countries with restrictions to insurance (no cover if not allowed)
 - Sanctioned countries (generally excluded)

How to assess geopolitical risks to cargo?

- Various sources of information available to cargo underwriters
 - Global Cargo Watchlist (enhanced War & Strikes risks)
 - Crystal platform (obligations of local insurance)
 - OFAC lists (sanction issues)

Global Cargo Watchlist

- In 2004 the London Market Joint Cargo Committee started to produce a list
 - of specific geographical areas with enhanced risks associated with war and strikes coverage for goods in transit and/or storage
 - compiled on basis of information provided by an independent security organization (“Exclusive Analysis”, now HIS Markit)
- The list - JCC Global Cargo Watch List (GCWL) – is constantly reviewed and updated (monthly basis: current edition n. 147 – 2/6/2017)

Global Cargo Watchlist

- Document's content:
 - description of amendments/changes vs. previous edition
 - list of countries with indication of:
 - ✓ location
 - ✓ risk scale (severity)
 - ✓ detail of risks (marine war, strikes, ground) with scaled severity
 - currently 59 countries, in 7 risk scale:

Risk scale	Description
6.5 And Above	Extreme (none at present)
4.4 to 6.4	Severe (Yemen, Syria, Lybia, Afghanistan)
3.2 to 4.3	Very high (10 countries)
2.4 to 3.1	High
1.6 to 2.3	Elevated
0.8 to 1.5	Moderate
0 to 0.7	Low

Location of risk for regulatory purposes

- Failure to identify the correct territories for regulatory and tax purposes may lead to underwriters subjected to fines
- **Crystal platform:** quick access to international regulatory and taxation requirements.
- <https://crystal.lloyds.com>

Sanctioned countries

- OFAC lists: search tool



Sanctions List Search

- Specially Designated Nationals and Blocked Persons list ("SDN List")
- «the Consolidated Non-SDN List» (including **Non-SDN Iranian Sanctions Act (NS-ISA) List**)

Conclusions

- **Different types of geopolitical issues impacting cargo insurance**
- **Not only war and alike but also compliance risks**
- **Marine insurance (hull & cargo) is global by its nature**
→ **underwriters need to have a worldwide glance**
- **Utmost importance of reliable sources of information, in the face of a changing environment**

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Thank you for your attention

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