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# Piracy & Sanctions – The Challenges for Marine Insurers

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*MAT insurance and the challenges of a new decade*

*Milan, 31 March 2011*



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## Piracy

- First Recorded Agean/Mediterranean 13C BC
- Pirates sack Ostia 68 BC
- Prevalent 16<sup>th</sup> to 18<sup>th</sup> Centuries
- IMB Piracy Reporting Centre established 1992
- Attacks between 1991 - 1998 average 160 per year



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## “Traditional” Piracy

- Regarded in London as “Marine” Peril
- Covered Under Marine Hull Policy
- Low Financial Impact
- Potential for Major Loss...



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## Piracy in Late 20<sup>th</sup> Century

- Post 9/11 terrorism threat
- More sophisticated activity
- JWC amend Trading Limitations
- Conflicting cover  
Marine Hull v Hull War



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## A Taste of Things to Come...

- November 2008 – off Somalia
- “Seaborne Spirit”
- Bahamian registered cruise ship
- Small attack boats & RPGs



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## Somalia Piracy

- Fundamental change in behaviour
- Vessel and cargo seized
- Pirates recognise value of crew
- Property insurers & General average



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## Solutions?

- Use Best Management Practices
- Re-route from area
- Arm crew / use armed guards
- "Commercial" Navies
- All short - term fixes



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## Sanctions

- US Executive Order on Somalia 13 April 2010
- US/UN/EU Sanctions against Iran October 2010
- Libya 2011
- Insurance Transactions specifically mentioned
- LMA Sanction Limitation and Exclusion Clause



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## LMA Sanction Limitation and Exclusion Clause

- JH2010/009, JC2010/014, JL 2010/005, JR2010/012, JW2010/004, LMA 3100
- "Other clauses are available"



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## Sanction Limitation and Exclusion Clause

- No (re)insurer shall be deemed to provide cover and no (re)insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that (re)insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.



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