



CMHF SPOTLIGHT

November 2023

Publication by CM Houder Insurance Brokers Limited
a China Merchants Group subsidiary.

- **Case Reading:**
Singapore Court Of Appeal
Hands Down Decision On
Sanctions Clause In Letters Of
Credit
- **In A Nutshell :**
Conoco Weather Clause
- **Loss Prevention:**
The Risk Of EV Battery Fires
Should Not Be Downplayed
- **Market Snapshot**



HIGHLIGHTS & BRIEFINGS

Case Reading:

Singapore Court Of Appeal Hands Down Decision On Sanctions Clause In Letters Of Credit

In A Nutshell:

Conoco Weather Clause

Loss Prevention:

The Risk Of EV Battery Fires Should Not Be Downplayed

Singapore Court Of Appeal Hands Down Decision On Sanctions Clause In Letters Of Credit

Case briefing of *Kuvera Resources Pte Ltd v JPMorgan Chase Bank, N.A. [2023] SGCA 28*

❖ Factual Background

- Kuvera Resources Pte Ltd (“Kuvera”) advanced funds to a seller to facilitate the latter’s purchase of coal for on-selling to its buyer. The buyer was to pay the coal by issuing two letters of credits (“LCs”) in favor of Kuvera.
- JP Morgan (“JPM”) agreed to be the advising and nominated bank, and as JPM duly advised on both LCs and added its confirmations to the LCs, it also became the confirming bank for the LCs. The confirmations from JPM contained a sanctions clause which provided:

[JP Morgan] must comply with all sanctions, embargo and other laws and regulations of the U.S. and of other applicable jurisdictions to the extent they do not conflict with such U.S. laws and regulations (‘applicable restrictions’). Should documents be presented involving any country, entity, vessel or individual listed in or otherwise subject to any application restriction, we shall not be liable for any delay or failure to pay, process or return such documents or for any related disclosure of information.

- Kuvera subsequently presented documents to JPM for payment under LCs, however, JPM rejected on the ground that the carrying vessel of the cargo “Omnia” was likely to be beneficiary-owned by a Syrian entity falling within the scope of the US Office of Foreign Assets Control (“OFAC”) sanctions.
- It should be noted that JPM’s internal sanctions screening had previously identified the Syrian beneficial ownership for the same vessel in 2015, but by 2019 the vessel had been re-registered and their UBO screening proved inconclusive. Although it was undisputed that the “Omnia” was not listed in the OFAC list, JPM relied on the sanctions clause considering “Omnia” was “subject to any application restriction”.

Singapore Court Of Appeal Hands Down Decision On Sanctions Clause In Letters Of Credit (Cont'd)

❖ Singapore High Court Decision

The High Court ruled in favor of JPM that the sanction clause entitled JPM to refuse payment to Kuvera. The key findings are as below:

- Letter of credit is a unique exception to the principle of consideration, i.e. consideration is not required to issue, amend and transfer a letter of credit, advice or confirmation. A confirmed letter of credit transaction comprises multiple separate contracts, each being independent and autonomous. Therefore, there is no legal impediment to JPM adding a sanction clause to its confirmation on LCs which is not found in the letter of credit itself. It is also found that JPM had in fact drawn Kuvera's attention to the sanctions clause.
- The sanctions clause was valid and enforceable. The High Court found that the sanctions clause was not fundamentally inconsistent with the commercial purpose of the confirmed LCs because the issuing bank's separate payment obligation to the beneficiary under the LCs remained unaffected. The High Court also found that the sanctions clause was a narrow sanctions clause, which did not confer a broad discretion on JPM to make its confirmation *de facto* revocable.
- JPM is the Singapore branch of a US-incorporated and regulated bank, which is subject to US sanctions laws and regulations. According to the evidence adduced by JPM, it would be exposed to OFAC penalty for breaching those laws if it paid Kuvera against the latter's presentation of documents.

Singapore Court Of Appeal Hands Down Decision On Sanctions Clause In Letters Of Credit (Cont'd)

❖ Singapore Court Of Appeal Decision

The Court of Appeal agreed with the High Court that the sanctions clause could be and incorporated by JPM as a term of confirmations. It then went on to consider following three questions:

- ❑ What was the true effect and meaning of the sanctions clause?
- ❑ Was the sanctions clause fundamentally inconsistent with the commercial purpose of the confirmations?
- ❑ Did JPM discharge its burden of proof in order to rely on the sanctions clause?

Dealing with the first and third questions together, the Court of Appeal held that the sanctions clause should be construed strictly and objectively, and disagreed with the High Court judge's findings that the sanctions clause had the effect of allowing JPM to adopt a risk-based approach in circumstance where there was an unresolved possibility that the vessel "Omnia" may be caught under "*any application restriction*". It is noted that:

- On the terms of the sanctions clause, as "Omnia" was not listed on OFAC list, it would only apply if the vessel was "*listed in or otherwise subject to any application restriction*". Court of Appeal considered that the ownership of the Omnia must necessarily be determined on an objective basis without any input from the third-party entities. It was held that JPM had the burden to prove that, on a balance of probability, "Omnia" was in fact subject to any application restriction.



Singapore Court Of Appeal Hands Down Decision On Sanctions Clause In Letters Of Credit (Cont'd)

❖ Singapore Court Of Appeal Decision (Cont'd)

- JPM had undertaken its own risk-based approach in deciding that “Omnia” was likely to be Syrian-owned by relying on its internal list (as opposed to the OFAC list) as part of its internal screening procedure. Therefore, Court of Appeal considered that JPM had to accept the risk that such reliance may not be sufficient to demonstrate its burden of proof. The Court of Appeal found that the judge was wrong to adopt JPM’s approach that it would suffice for JPM to establish that it would have been found by OFAC to be in breach of the sanctions had it paid against a complying presentation, instead of proving that the “Omnia” was in fact beneficially owned by an entity subject to sanctions.
- After refusing making payment to Kuvera, JMP exchanged correspondence with OFAC to justify their decision. OFAC responded that an apparent violation of OFAC regulation would have resulted had payment been made to Kuvera on the basis of JPM’s research. However, the Court of Appeal was particularly critical of JPM’s reliance on its exchange with OFAC who was not bound by the rules of evidence. The Court of Appeal noted that the exercise would require parties and the court to extrapolate what findings OFAC may arrive at based on largely circumstantial evidence, and such an approach as reflected in JPM’s risk management considerations was unsatisfactory and unfair. JPM itself also acknowledged that those “red flags” were inconclusive to establish the “Omnia”’s continued Syrian beneficial ownership. Court of Appeal disagreed with the High Court judge’s findings that JPM’s detection of several “red flags” surrounding the ownership of the “Omnia” through its due diligence checks constituted sufficient circumstantial evidence to discharge its burden of proof.

❖ Singapore Court Of Appeal Decision (Cont'd)

- In light of the “inconclusive” evidence of the “Omnia”’s continued Syrian beneficial ownership, the Court of Appeal held that JPM failed to discharge its burden of proof, hence it is not entitled to invoke the sanctions clause to deny payment to Kuvera against its complying presentation.

❖ Comments

- The decision confirms that the sanctions clauses can be incorporated into confirmed documentary credits. It also confirms that sanctions clauses must be drafted with utmost clarity and specificity, as the effect of such clauses will be determined objectively by reference to the text itself without any input from third-party entities.
- The decision also brings to light the potential pitfalls of relying on evidence which is based on limited due diligence checks and/or internal policies, as such may not be sufficient enough to discharge burden of proof.
- Given the Court of Appeal’s decision, it left open the “difficult” issue as to whether the sanctions clause was compatible with the commercial purpose of the Confirmations. While the Court of Appeal noted that a balance must be struck between preserving the autonomy of individual contracts within a documentary credit transaction and upholding the commercial viability of the entire documentary credit transaction, it was provisionally of the view that were JPM’s construction of the sanctions clause to be adopted, the sanctions clause would most likely be incompatible with the commercial purpose of the confirmations due to the significant unpredictability it would introduce.

In A Nutshell: Conoco Weather Clause

The Conoco Weather Clause (“CWC”) is frequently incorporated into charterparties, it provides that:

“Delays in berthing for loading or discharging and any delays after berthing which are due to weather conditions shall count as one half laytime or as time on demurrage at one half demurrage rate.”

The application of CWC depends on careful analysis of the factual matrix including whether laytime has started and the demurrage provisions in the charterparty, as the clause does not apply until the clock of laytime has started. This article discusses some practical examples of its application in the context of various standard form charterparties.

❖ **Asbatankvoy – Laytime**

Charterers has absolute warranty under clause 9 of the Asbatankvoy form to procure a berth that is “reachable on arrival” (“ROA”). This warranty applies equally to physical and non-physical obstructions, no matter what the cause of the unreachability is. For example, the ROA obligation is not fulfilled where the tugs are not available, or if there is congestion, or in the circumstance of bad weather.

Clause 6 however provide exception to laytime calculation where the laytime has commenced after tendering of valid NOR:

“where delay is caused to vessel getting into berth after giving notice of readiness for any reason over which charterers have no control, such delay shall not count as used laytime.”



❖ Shellvoy 5 - Laytime

Shellvoy 5 does not require a berth to be ROA, and the laytime can commence in two scenarios:

- If the vessel proceeds straight to the berth, time shall commence to run 6 hours after the vessel is all respects ready to load or discharge, written notice thereof has been tendered.
- If the vessel does not proceed immediately to berth, time shall commence 6 hours after (i) the vessel is lying in the area where she was ordered to wait or, in the absence of any such specific order, in a usual waiting area and (ii) written notice of readiness has been tendered and (iii) the specified berth is accessible.

This means laytime can still start to run even when the vessel is not yet in berth, and CWC could apply in such situation as long as the berth is “accessible”. Accessibility under clause 13(1)(a) is a defined term, and berth can only be deemed inaccessible in prescribed circumstances, for example, berth will be deemed inaccessible where there is bad weather, tidal conditions, ice, awaiting daylight pilot or tugs, or port traffic control requirements.

❖ Establishing The CWC Applies

Once it is established that the laytime has commenced, charterers are permitted to rely on the CWC if they can prove that the delays are “due to weather conditions”. Charterers need to provide contemporaneous evidence that during the period of delay there is bad weather. The requirement could be met by provision of a notice from the port or local agents that the reason for the closure of the port or stoppages in the operations was bad weather instead of some other causes.

❖ Establishing The CWC Applies

However, application of CWC can be disputed if there are more than one cause resulting in the delay or owners can demonstrate that there is an intervening factor to break the chain of causation. The factual matrix and the particular circumstances will need to be carefully considered to resolve such disputes. Below are a few examples:-

- Pre-existing congestion does not restrict the application of CWC, even if there is another vessel in the berth, the bad weather may still be the effective cause of the delay. If the vessel is not the first in line to berth, it is still open to charterers to submit evidence that bad weather was the effective cause of the additional delay suffered.
- Where there is bad weather but the port closes for reasons completely unrelated with the weather, say, port facility breakdown, the owners may have had a solid argument that the CWC cannot be applied.
- Where a vessel is removed from the berth due to bad weather but is then “queue-jumped” once the bad weather ceases, such arrangement made by port could break the chain of causation and become the effective cause of the delay.

❖ “Due To Weather Conditions” Be The Direct Cause Or Proximate Cause?

The CWC wording itself does not specify whether the weather conditions must be the direct cause of the delay or a proximate cause leading to delay.

An imaginative scenario can be, whereby bad weather causes a contact between a previous line-up vessel and the berth, and the port authority decides to shut down the berth for a certain period of time, which then causes the subject vessel to be delayed getting into berth. In such scenario, the weather is the indirect but proximate cause of the delay, however, is it enough to apply CWC or does the CWC only apply during the period up to bad weather ceases?

On a liberal interpretation, it is arguable that the weather needs only be the proximate and not the direct cause of the delay. The argument could be supported by a court case *Carboex SA v Louis Dreyfus Commodities Suisse SA [2012] EWCA Civ 838* although not on a strictly apple-to-apple basis.

In A Nutshell: Conoco Weather Clause (Cont'd)

❖ “Due To Weather Conditions” Be The Direct Cause Or Proximate Cause? (Cont'd)

In that case, charterparty contained an exception clause which provided that “in case of strikes... which prevent or delay the discharging, such time is not to count...” A delay in discharging occurred due to congestion that was caused by the after-effects of a strike. The strike had actually ended before the vessel berthed and did not directly affect the discharging, yet English Court of Appeal held that time was interrupted because the effective cause of the delay was the strike.

On the other hand, the risk of above-mentioned interpretation is that such creates contract uncertainty. Under English law, contracts are to be interpreted with the aim of ascertaining and giving effect to the intention of the parties as objectively derived from the ordinary and natural meaning of the words chosen. Arguably if the parties intend the words “due to weather conditions” to be engaged not only when the weather is the direct cause but also where it is the indirect or proximate cause, they should have made it clear in the charterparty wording so to avoid ambiguity. If the wording has not been made clear, the most likely interpretation would be that the parties intended that the weather must be the direct cause only, and CWC can only apply up to the weather condition ceases. Further, when a liberal interpretation is adopted to allow the CWC to be applied when weather condition is the indirect or proximate cause, how far back would the parties be permitted to look?

In summary, there are competing arguments on this issue. The stricter interpretation can better achieve the contract certainty and avoidance of disputes, but it may not be able to reflect the commercial realities that can be allowed in a liberal interpretation. It is therefore important for the contracting parties, during the negotiation of the charterparty, to ensure that the wording expressly caters for the specific circumstance which the parties intend it to cover.

Loss Prevention: The Risk Of EV Battery Fires Should Not Be Downplayed

According to market data, electric vehicles (“EV”) now account for over 4% of new cars globally, and the number is expected to increase to 30% to 40% by 2030.

Despite some research suggests that EVs might be less likely to catch fire than fossil fueled cars, with its demands rapidly increased, concerns have been raised regarding lithium batteries and the potential fire hazard they pose in EVs during transportation by sea.

In the container shipping segment, it is observed a correlation between the rise in transported batteries and the increase in container fires, and lithium battery is now becoming the predominant culprit to the container fires.

Insurance sector still lack data to make meaningful and precise insurance statistics on EV fires, which indicates there are not many accidents occurring. However, it is crucial to understand that the current infrequency of cases does not translate to low risk.

❖ What starts a lithium battery fire?

- Where a battery experiences a series of reactions that cause its temperature rapidly increase, this is called “thermal runaway”, which potentially leads to a fire or explosion.

- Thermal runaway would be triggered by a few factors, for example, overcharging or physical damage to the battery, design errors, high temperature, or where the separator fails to keep the positive and negative electrodes separate.
- Albeit there is consensus that thermal runaway is a rare event for new EVs, risks of EV batteries being involved in fires increase with the growing number of EVs carried on car carriers and Ro/Ros.

❖ Why EV fires are different?

As per experts, lithium battery fires are different and the risks for people on board are serious, with the characteristics as below:-

- Self-sustaining: From a chemical standpoint, EV fires do not require external oxygen to be fueled, because the cathode material in the battery generates its own oxygen source. Therefore, such fires can persist for a long time even in limited external oxygen supplied environment.

❖ Why EV fires are different? (Cont'd)

- High temperature: Compared to other types of fires, the temperature in a lithium battery fire can be considerably higher, presenting challenges including access to the fire, escape routes, firefighting and possibly more rapid spread of the fire. High temperatures also impact on the different materials onboard (for example, aluminum would melt under temperatures of 700 degrees Celsius or higher).
- Vapour clouds: Toxic fumes will be emitted from lithium battery fires, including lithium oxide, lithium hydroxide, and other hazardous chemicals, endangering crew and firefighters. Flammable gases like hydrogen can also be released, creating an explosive environment in confined areas such as car decks.
- Firefighting methods: Compared to other types of fires, traditional firefighting methods for extinguishing lithium battery fire are limited. Water has generally been regarded as the best medium for extinguishing a battery fire, but reaching battery directly and the sheer amount of water needed would be a challenge as it would affect ship stability. Flooded water would also affect EVs as salt water could cause short circuits. In terms of firefighting by CO₂ and other foaming systems, as the battery fires have self-sustaining characteristics, the fire may last for a long period and the quantities of foam and CO₂ may be used up before fire is extinguished.

❖ Preventative Measures

- Based on the above-mentioned characteristics, it seems most current firefighting methods could only suppress battery fires to some extent. Therefore, before professional assistance for EV fires is available, it is crucial to prioritize fire suppression, boundary cooling and fire containment as effective measures for managing such fires.
- The unique risks posed by lithium battery fires must be thoroughly addressed when carrying out training or dealing with actual incidents on board.
- Routines for evacuation should have to be re-assessed, particularly on ferries.
- Using fixed firefighting installations is always the preferred choice, but the traditional firefighting methods may not be sufficient to put out the fire. Therefore, additional control measures would be necessary especially when the fire is detected at early stage. For example, containing the fire before escalation should be a focus area through smarter systems and rapid response.



Market Snapshot

China Merchants Put Pen To Paper For Eight Newbuildings

- China Merchants Energy Shipping (CMES) announced that it has ordered four methanol dual-fuel, 7,800-ceu pure car / truck carriers (PCTC), two 82,000-dwt kamsarmax bulk carriers and two 62,000-dwt bulker / heavylift general cargo vessels at China Merchants Heavy Industry.
- CMES is paying a total of around USD508 million for the eight firm newbuilding orders: USD160 million for the four kamsarmaxes and heavylift general cargo vessels, and USD348 million for the PCTCs.
- The PCTCs, cost at USD87 million each, are option units that CMES held at the shipyard when it ordered two 9,000-ceu PCTCs in March 2023 at USD96 million apiece.
- The estimated delivery time of the kamsarmaxes and bulker / heavylift newbuildings is between 2H 2025 and the end of 2026. These four newbuildings will be built to the International Maritime Organization's Tier III NOx standards and meet Energy Efficiency Design Index Phase 3 compliance for greenhouse gas emissions. The four PCTCs are expected to deliver in 3Q 2026.

Newbuilding Prices Approach 2008 Record Levels

- Market researching institute found the current newbuilding prices are only 8% lower of the all time record registered at the month before the global financial crisis of 2008, by tracking a basket of prices across the main vessel types.
- After adjusting the inflation factors using today's dollar value, the prices indicated now is the highest since 2012, and some 30% below 2008 peak price levels.
- Pricing is said to have reached a deterring level for many ship types, as analysts reported that a newbuilding capesize costs equivalent to 24 years of today's earnings after typical OpEx, compared to 12 years on average back in 2021.
- Across the sectors, increases of pricing have varied, and being most significant in VLCCs. A VLCC newbuilding can cost USD128 million, up by 50% since the end of 2020.
- The upward trend in newbuilding pricing is driven by limited yard slot availability which stands at around 3.6 years, combined with general inflationary pressures for shipbuilders such as labour costs.

Ukraine Reaches Deal On Insurance Of Black Sea Grain Exports

- Ukraine government has reached an agreement in mid-November with the London market to insure Ukraine's seaborne grain exports.
- The arrangement is in collaboration with the Ukrainian government, the Export Credit Agency of Ukraine, Ukreximbank, Ukrgasbank and DZ Bank. It will provide up to USD50 million package in hull and a separate USD50 million package in P&I war risk.
- Under the arrangement, Ukraine will bear the first portion of potential claims, with the private market picking up the rest. The exact breakdown of the exposure is not yet disclosed.
- The insurance coverage is for "grain and agricultural products", and could probably be stretched to include agriculture-related machinery and equipment. That means vessels carrying iron ore, such as the 91,900-dwt "Kmax Ruler", which was hit by a missile in Yuzhnyy/Pivdennyi on 8th November, leaving a pilot dead and the ship seriously damaged, would probably not be covered. However, the new insurance package is expected to help lower the war risk insurance costs.

Russia Price Cap Nations Push For More Details On Shipping Documents

- The EU wants shipping companies to provide more details on freight and insurance costs from hauling Russian oil as part of its latest plans to tighten controls around the oil price cap. It is said that imposing more transparency is to prevent shipping companies from hiding the real price of the oil by merging it with shipping and insurance costs.
- The US sanction regulator OFAC also warned that the billing of commercially unreasonable or opaque shipping and ancillary cost should be viewed as a sign of potential price cap evasion. It has urged charterers to only use vessels registered with members of the blue-chip International Association of Classification Societies.
- According to market analysts, rising global oil prices mean that likely most Russian oil has for months been shipped above the price caps of USD60 a barrel for crude and USD100 and USD45 for refined products. Moscow's official (though disputed) statistics alleged that the average price obtained by Russian crude sellers was above USD80 per barrel in October.
- EU / US observed and concerned that a shift of certain tonnage to Russian trades without links to G7 countries has reduced the ability of the price cap scheme to weaken Russian revenues.

Dry Bulk Market Braces For Tightening Panama Transit Restrictions

- Panama received 41% less rainfall than usual in October 2023, leading to the driest October in 70 years when the data was first recorded. This resulted in further tightened transit restrictions from 1st November, reducing the average transit through the canal to 31 vessels per day.
- Dry bulk transits are significantly impacted as they comprise 23% of the total canal transits, the highest among all other sectors. Substantial southbound trade, particularly that of grain and soybean, has shifted towards the Suez Canal, thereby adding to the tonne-mile demand.
- It is estimated that the dry bulk freight rates would experience a rise in range of 5-6% due to the diversion from Panama Canal to the Suez Canal for the USG-China trade. Suez Canal has already seen a rise in arrivals in October, particularly of the Supramax and Panamax vessels.
- Market expected the freight rates uptick would persist due to the longer route, but will be capped as the US soybean exports, which usually dominate the fourth quarter, remained weak this year due to a lower harvest and insufficient to drive up shipping demand.

Australia Cyberattack Leaves 30,000 Containers Stuck At Ports

- DP World, one of the world's largest port operators, suffered from a cyberattack on 10th November, which triggered a company shutdown at the ports of Melbourne, Sydney, Brisbane and Fremantle. It did not specify if it received any ransomware demands.
- Port operation resumed partly on 13th November to tackle with a backlog of 30,000 shipping containers piling up the ports across Australia. DP World manages almost 40% of goods flowing in and out Australia, and it would take one week before normal activity resumed.
- It was not the first time hackers targeted the major ports. This June, several Dutch ports including Amsterdam and Groningen faced distributed-denial-of-service attacks, known as DDoS. One month later in July, Japan's biggest port, Nagoya, was hit by the hacking gang Lockbit.
- The market observers warned that maritime trade players are the latest victims to the a string of high-profile cyberattacks in 2023, and industry's cyber security awareness should be enhanced given it moves away from paper documentation.

Tanker Market On The Rise

- OPEC's monthly report showed the tanker market has been on the rise during the month of October, but overall were still lower than the rates in October 2022. Dirty freight rates began to recover as refiners started preparing for winter demand following maintenance in 3Q2023.
- VLCC spot rates rose on all monitored routes (Middle East to East, Middle East to West, and Africa to East) by 24% on average. However, compared to the same month of 2022, the rates were still 41% lower.
- Suezmax spot rates experienced the strongest month-on-month increase by 76% on average, especially the rates of US Gulf Coast-to-Europe route soared by 98% higher than that in September. In comparison to October 2022, the rates were 24% lower.
- Aframax rates increased by 68% month-on-month on average, which is 27% lower than the same year-on-year. Spot rates on the Caribbean-to-US East Coast route saw the strongest month-on-month gain in the monitored routes, surging by 126%.

Egypt Picks Jan De Nul For 1000 Km Subsea Cable to Europe

- Egypt signed an agreement with Jan De Nul Group to start the study for construction of a 1,000 km-long undersea export cable which will deliver solar and wind energy from Egypt to Europe.
- The current longest interconnector cable is that between Denmark and Britain in length of 765 km. Except for the record-breaking length, another challenge is that the water depth can reach 3,000 meters in certain places. Once built, the interconnector cable will transport more than 2GW of solar and wind power.
- The scope of the study includes project financing, the production of green power, the installation and production of transmission systems, and searching partners to connect the power to the existing grids in Europe.
- Jan De Nul carries out this financial and technical study with the ultimate intention of participating in the development of the export project, which is scheduled to start in 2027.

Europe To Clamp Down On Ship Discharges

- In mid-November, Members in the European Parliament (MEPs) voted to update EU rules on preventing pollution from ships in European seas. It would ensure all IMO's international standards on preventing illegal discharges from ships to become part of EU law.
- MEPs supported the proposal to extend current EU rules prohibiting the discharge of oil and noxious liquid substances to including the discharge of sewage, garbage, and residues from scrubbers. MEPs also want EU governments to avoid setting upper and lower limits of penalties for infringements so to ensure that proportionality of penalties are not undermined.
- Current EU rules introduced the application of the CleanSeaNet, a European satellite-based alarm system for oil spill and vessel detection. However, this system does not report on how pollution incidents are followed up. MEPs are therefore encouraging more information exchange between member states and the commission.
- The draft negotiation mandate was approved, and the Transport committee MEPs jointly supported a decision to start talking with member states on the final shape of legislation.

"Galaxy Leader" Capture Reignites Concerns Over Mideast Shipping

- An Israeli-owned vessel "Galaxy Leader" was seized on 19th November in the Red Sea by Iran-backed Houthis rebels in retaliation for the war in Gaza. A spokesperson for the Houthis said the Israeli ships would continue to be targeted until the military operation against Hamas ends.
- Tokyo-based NYK chartered the vessel which had unloaded its cargo in Turkey and headed to the India before the seizure occurred. NYK had established a crisis management centre to assess the safety of the 25 crewmembers onboard. The exact location of the vessel is unknown but believed to be held in Yemen.
- Markets are wary that the such action will draw in Iran into the fighting, causing more widespread tension in this busy shipping route. Some shipping companies may decide to circumvent the region for safety reason, which means additional costs and delays. This could lead to a chain effect across global supply chains.
- The Houthis have been fighting a civil war in Yemen since 2014, and the conflict has calmed by a truce agreement around 18 months ago. But the Israel-Hamas war has reignited tensions, with the Houthis saying they would back Hamas with attacks on Israeli territory and ships.

IG P&I Clubs: 2024/25 Policy Year Renewal Update

The date of 2024/25 P&I renewal are being closer. The following is a summary of the renewal circulars from different P&I Club, position as at 30th November, 2023.

Please note despite the announced increases in premium and /or deductibles, the specific renewal quotations will be subject to Members' individual loss performance and risk profile.

❖ American Club

- No general increase is set for P&I and FDD renewal but implement a year-on-year target increase in the pricing of risk of 7.5% on expiring rates overall for all classes.
- An additional and final call of 25% of Estimated Total Call (“ETC”) to be levied for the 2020 policy year for both P&I and FD&D of the Club’s mutual business.
- A further supplementary call of 40% of ETC for both P&I and FD&D is required to cure the deficit for the 2021 policy year.

❖ Britannia

- No general increase is imposed for P&I and FD&D, but the Club has targeted an improvement in premium equal to a 7.5% increase on the expiring P&I ETC and a 15% increase on the expiring FD&D ETC respectively.

❖ Gard

- Announced 5% general increase in both P&I and FD&D.
- A 10% owners' general discount (OGD) on ETC basis will be credited to vessels renewed with Gard for the 2024 renewal.

❖ Japan Club

- Set 7.5% general increase for P&I class and nil for FDD class.
- For 2022/23 policy year, a supplementary call for 40% will be made as originally estimated.

❖ London Club

- No general increase is set, whilst an overall increase of 7.5% in average rates is targeted.

❖ NorthStandard

- Imposed a 5% general increase in P&I at the forthcoming renewal, all deductibles below USD30,000 will be increased by a minimum of USD1,000.
- Announced a 5% general increase on FD&D, and to maintain the deductible of 25%, with the minimum of US\$10,000 per claim.

❖ Shipowners Club

- 5% general increase will apply to all vessels sectors except yachts.

❖ Skuld

- No general increase is set, and individual rate adjustments will be based on performance. Aiming for an overall increase of 5% of the ETC.

❖ Steamship Mutual

- 5% general increase will apply to P&I and FD&D.
- A capital return equivalent to 7.5% of the 2023/24 mutual P&I premium will be credited to the renewing vessels, subject to regulatory approval.

❖ The Swedish Club

Have not issued their circulars regarding the 2023/24 renewal yet.

❖ UK Club

- Announced 7.5% general increase on P&I.
- Mandated an increase of 10% to apply to all deductibles up to USD50,000 with a minimum increase of USD1,000.

❖ UK Defence Club

- A 5% general increase is set.
- All members renewing ships into the 2024 policy year will be entitled a continuity credit distribution of 3.50% .
- For members entering their full fleet, an additional credit of 2.50% will be awarded.

❖ West Of England

- 7.5% and 5% standard surcharge has been set to apply to P&I and FDD covers' mutual premium rate respectively.
- For P&I entries, an increase of 10% will apply to all deductibles below USD50,000.
- For FDD entries, no change will be made to the deductible.

Happy Reading, See You In December!

Editor: Summer Hao
summerhao@cmhoulder.com

Disclaimer:

The information contained in this CMH Spotlight is for general information purposes only. It does not constitute any legal, technical and/or commercial advice and should not be relied upon as such. Professional advice for legal or other aspects should always be sought separately.

Despite our best efforts, the information provided in this website may not be accurate, up to date or applicable to the circumstances of any particular case.

External links to other sites are being provided as a convenience and for informational purposes, they do not constitute an endorsement or an approval by the CM Houlder Insurance Brokers Ltd. of any of the products, services or opinions of the corporation or organization or individual. CM Houlder Insurance Brokers Ltd. bears no responsibility for the content of the external sites or for that of subsequent links.

CM Houlder Insurance Brokers Ltd. makes no representations or warranties of any kind, express or implied, regarding the completeness, accuracy, adequacy, validity, reliability, legality, availability of the information contained herein and accepts no liability for any loss or damage whatsoever and howsoever arising directly or indirectly from reliance on it.

Please do not circulate this report to third party entity without written approval from CM Houlder Insurance Brokers Ltd.

Acknowledgments

<https://www.steamshipmutual.com/conoco-weather-clause>

https://www.steamshipmutual.com/publications/articles/conococlause_0418

<https://www.clydeco.com/en/insights/2023/10/case-writeup-kuvera-v-jpm>

<https://www.hilldickinson.com/insights/articles/sanctions-clauses-devils-detail>

<https://www.tradewindsnews.com/bulkers/china-merchants-splashes-out-on-eight-newbuildings/2-1-1555577>

<https://splash247.com/newbuild-prices-approach-2008-record-levels/>

<https://insurancemarineneews.com/insurance-marine-news/ukraine-reaches-deal-on-insurance-of-black-sea-exports/>

<https://www.tradewindsnews.com/insurance/ukraine-100m-insurance-package-may-slash-marine-war-risk-costs-by-half-lead-broker-says/2-1-1555419>

<https://www.tradewindsnews.com/tankers/russia-price-cap-nations-push-for-more-detail-on-shipping-documents/2-1-1555913>

<https://www.tradewindsnews.com/opinion/wavelength-why-tanker-owners-face-russian-crude-crackdown/2-1-1554573>

<https://splash247.com/egypt-picks-jan-de-nul-for-1000-km-subsea-cable-to-europe/>

<https://gcaptain.com/galaxy-leader-seizure-us-terrosit-labal-houthis/>

<https://www.hellenicshippingnews.com/tanker-market-on-the-rise-2/>

<https://www.hellenicshippingnews.com/dry-bulk-market-braces-for-tightening-panama-transit-restrictions/>

<https://splash247.com/europe-to-clamp-down-on-ship-discharges/>

<https://gcaptain.com/dp-world-australia-back-online-after-cyber-attack/>

<https://gcaptain.com/australia-cyberattack-leaves-30000-containers-stuck-at-ports/>

<https://gcaptain.com/galaxy-leader-threat-mideast-shipping/>

[https://www.westpandi.com/news-and-resources/notice-to-members/2023-2024/no-11-2023-24-class-1-\(p-i\)-and-class-2-\(fd-d\)-ren/](https://www.westpandi.com/news-and-resources/notice-to-members/2023-2024/no-11-2023-24-class-1-(p-i)-and-class-2-(fd-d)-ren/)

https://www.american-club.com/files/files/cir_17_23.pdf

<https://britanniapandi.com/wp-content/uploads/2023/11/Calls-Class-3-P-and-I-and-Class-6-FDD-11-2023.pdf>

https://www.gard.no/Content/36222524/cache=20231011091945/MemberCircular_10_2023.pdf

<https://www.piclub.or.jp/en/news/38567>

<https://www.londonpandi.com/knowledge/circulars/5635/>

<https://www.londonpandi.com/knowledge/circulars/8120/>

<https://north-standard.com/insights/circulars/financial-review-and-renewal-2024-2/>

<https://www.shipownersclub.com/latest-updates/news/renewal-20242025/>

<https://www.skuld.com/about/-/circulars/2023/skuld-renewal-update-1-policy-year-202425/>

https://www.steamshipmutual.com/sites/default/files/medialibrary/files/L.425_251023.pdf

<https://www.ukpandi.com/news-and-resources/circulars/2023/circular-14-23-2024-renewal-and-open-policy-years/>

https://www.ukdefence.com/fileadmin/uploads/uk-defence/Documents/Circulars/UKDC_-_GI_and_Continuity_Credits_2023_3.pdf