



Marine Kidnap & Ransom Cover – Cyber Extortion Extension

30 July 2019

Steamship Mutual has for a number of years offered its Members cover for marine Kidnap & Ransom risks. This cover is available on both an annual basis and/or for specific periods when a vessel is in a High Risk Area. When buying this cover, a Member's primary concern has been the physical seizure of his vessel and its crew and any subsequent demand for ransom. However with the increasing use of technology on board, a vessel's operating technology systems are becoming more connected to both the vessel's own IT systems and those of operating companies ashore. This significantly increases the risk of a malware or ransomware cyber-attack on a vessel's operating systems, whether targeted specifically at the Member's vessel or simply aimed at any susceptible software, ashore or afloat. The International Maritime Organisation has recognised the increasing cyber risk to the safe operation of vessels and is now encouraging Flag States to address such risks within a vessel's safety management system by no later than 1 January 2021.

All prudent vessel operators will take steps to ensure their Cyber security and Cyber safety systems follow best practice, but this does not guarantee immunity from attack. In the event of a cyber-attack which affects an operator's ability to trade his vessel without payment of a ransom, it will be important to contain the security breach and restore the vessel's systems as quickly as possible to keep losses to a minimum. In addition to protecting Members from the physical seizure of a vessel or its crew, Steamship Mutual can now offer its Members protection in respect of the consequences of Cyber Extortion. The Club's Cyber Extortion Extension means that Members have instant access to experts who can begin the work of protecting Members interests and ensuring their vessels can continue trading. This annual Kidnap & Ransom cover extension will give Members protection 24/7 x 365 with limits up to US\$1 million. Cover will be provided not only for any ransom and the cost of specialist response consultants, but also for the costs of restoring,

recreating or replacing damaged or destroyed computer programs, software or other data on board the vessel.

For more details, please contact your broker or Syndicate Underwriting team.

Cover Details:

Standard Annual Kidnap & Ransom cover (including crew & supernumeraries in the port area)

- Ransom - Limits up to US\$10 million per insured event
- Loss of Ransom in transit - Limits up to US\$10 million per insured event
- Fees & Expenses of Response Consultants – Unlimited
- Additional Expenses – Limits up to US\$3 million per event
- Additional Premiums for transiting High Risk Areas.

Cyber Extortion Extension:

- Ransom – Limits up to US\$1 million per insured event, per vessel
- Fees & Expenses of Response Consultants – Limits up to US\$1 million per insured event, per vessel Additional Expenses – US\$250,000 per insured event, per vessel
- Sub-limit of US\$100,000 per insured event per vessel to restore, recreate or replace damaged or destroyed computer programs, software or other electronic data on board the vessel.
- An annual Aggregate limit equivalent to the higher of the limits above will apply.

Members are reminded that the Club has produced a DVD on Cyber Security which can be [watched here](#).



Rupert Harris
Director
rupert.harris@simsl.com



STEAMSHIP MUTUAL

War Risk Rules and Kidnap & Ransom Covers



War Risk and Kidnap & Ransom Covers

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.

Kidnap & Ransom insurance can be extended to include cover for Cyber Extortion risks, protecting Members from the effects of ransomware attacks.

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
 - Cyber Extortion extension cover ransom, expert fees and the costs of restoring data arising from a ransomware attack.Limits up to US\$1 million available.

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.

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 Brit , who are highly experienced K&R underwriters. Specialist response consultants (Schillings) 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.

Covers can be extended to insure against the effects of a Cyber Extortion attack. This extension covers Members for the payment of the ransom, the cost of specialist assistance and up to \$100,000 per event, per vessel to restore, replace or recreate the vessels electronic data.

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

Jerry Westmore
T: +44 (0) 207 650 6592
M: +44 (0)7836 587 972
jerry.westmore@simsl.com

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

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

David Archard
T: +44 (0) 207 650 6647
M: +44 (0) 7557 746 745
david.archard@simsl.com

Eastern Syndicate

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

Jamie Taylor
T: +65 6730 9331
M: +65 9452 1302
jamie.taylor@simsl.com

Eric Wu
T: +852 2821 9407
M: +852 9288 1748
eric.wu@simsl.com

Americas Syndicate

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

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



Steamship Insurance Management Services Limited
Aquatical House, 39 Bell Lane
London, E1 7LU
Telephone: +44 (0)20 7247 5490 & +44 (0)20 7895 8490

 www.steamshipmutual.com

 [@SteamshipMutual](https://twitter.com/SteamshipMutual)

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