

## MARITIME KNOWLEDGE SHIPPING SESSION

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# LOSSES ON YACHTS AND SUPER YACHTS

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# OVERVIEW

- Overview
- Yacht Definitions
- Facts and Figures
- What Comfort for Underwriters?
- What of Repair Yard Risks?
- What of Marinas?
- What of Local Emergency Services?
- What's the Answer?



## OVERVIEW

“It is not the ship so much as the  
skillful sailing that assures the  
prosperous voyage”

George William Curtis - Author



# YACHT DEFINITIONS

YACHT - a boat with sails and sometimes an engine, used for either racing or travelling on for pleasure.

*Cambridge Dictionary*

YACHT - a sailboat used for racing; a large usually motor-driven craft used for pleasure cruising.

*Merriam-Webster Dictionary*



# YACHT DEFINITIONS

## ➤ Mega Yachts – Giga Yachts

- Exact definitions vary tremendously;
- A term applied to 100m plus yachts;
- Sometimes have special passenger licenses allowing them to accommodate more than 12 guests;
- Generally carry large crews to offer a simply spectacular level of service, with guest-to-crew ratios only dreamt of in elite hotels;
- However, 'mega yacht' is not a universally recognised.



# YACHT DEFINITIONS

➤ “AZZAM”



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# YACHT DEFINITIONS

➤ “YAZ”



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# YACHT DEFINITIONS

## ➤ Super Yachts

- Technically, greater than 24m;
- Brokers market anything over 40m as a Super Yacht;
- Average length now about 52m compared to 44m a decade ago;
- Generally carry large crews to offer a simply spectacular level of service, with guest-to-crew ratios only dreamt of in elite hotels;





# YACHT DEFINITIONS

## ➤ “SEVEN SEAS”



# YACHT DEFINITIONS

## ➤ “VENUS”



# YACHT DEFINITIONS

## ➤ Yachts

- Generally any vessel under 24m;
- Used for pleasure;
- Also referred to as pleasure craft;
- Constructed of fibreglass, composite or wood;
- Possibly 50% motor powered 50% sail.





# YACHT DEFINITIONS

## ➤ 19.5m Sailing Yacht



# YACHT DEFINITIONS

## ➤ 18.35m Motor Yacht

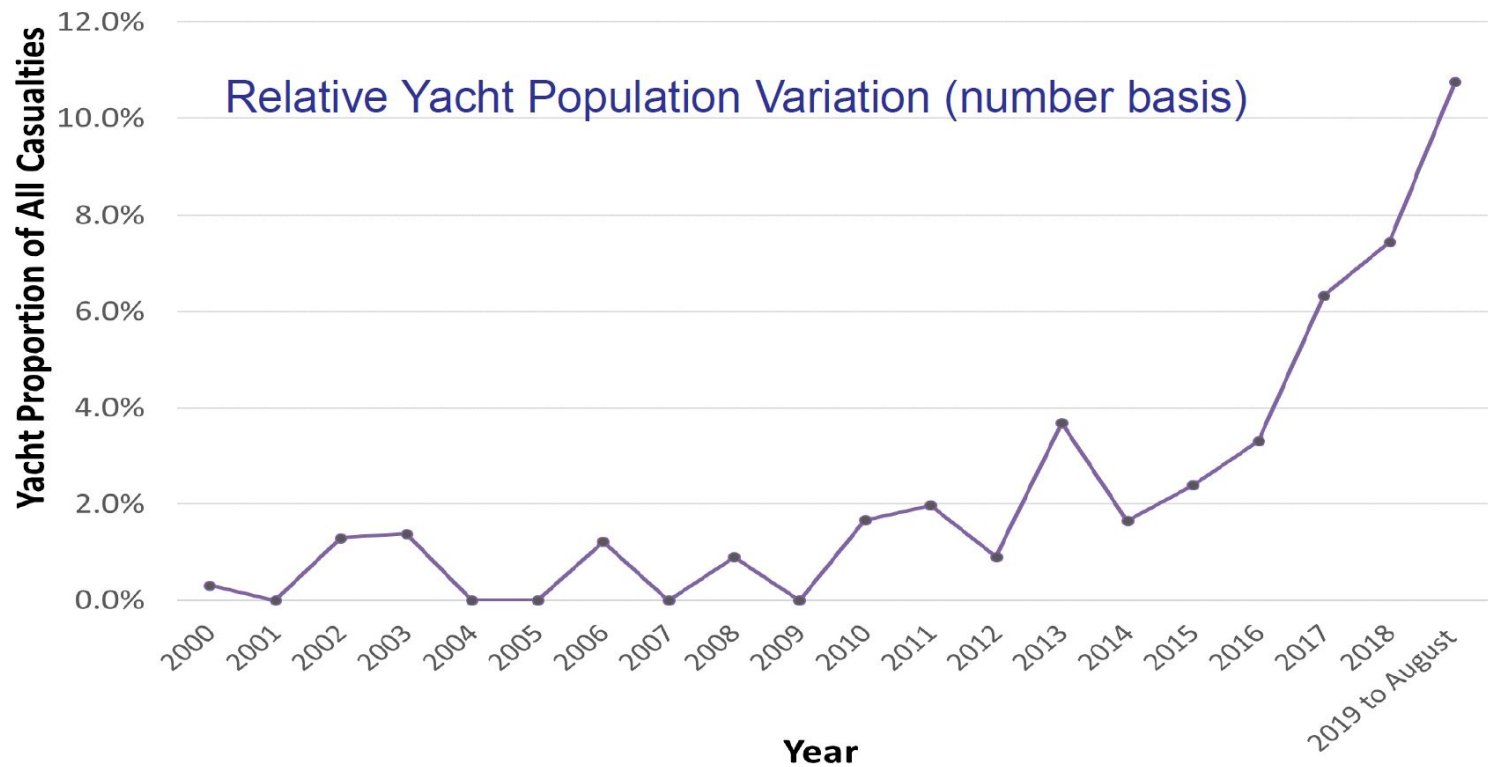


# YACHT DEFINITIONS

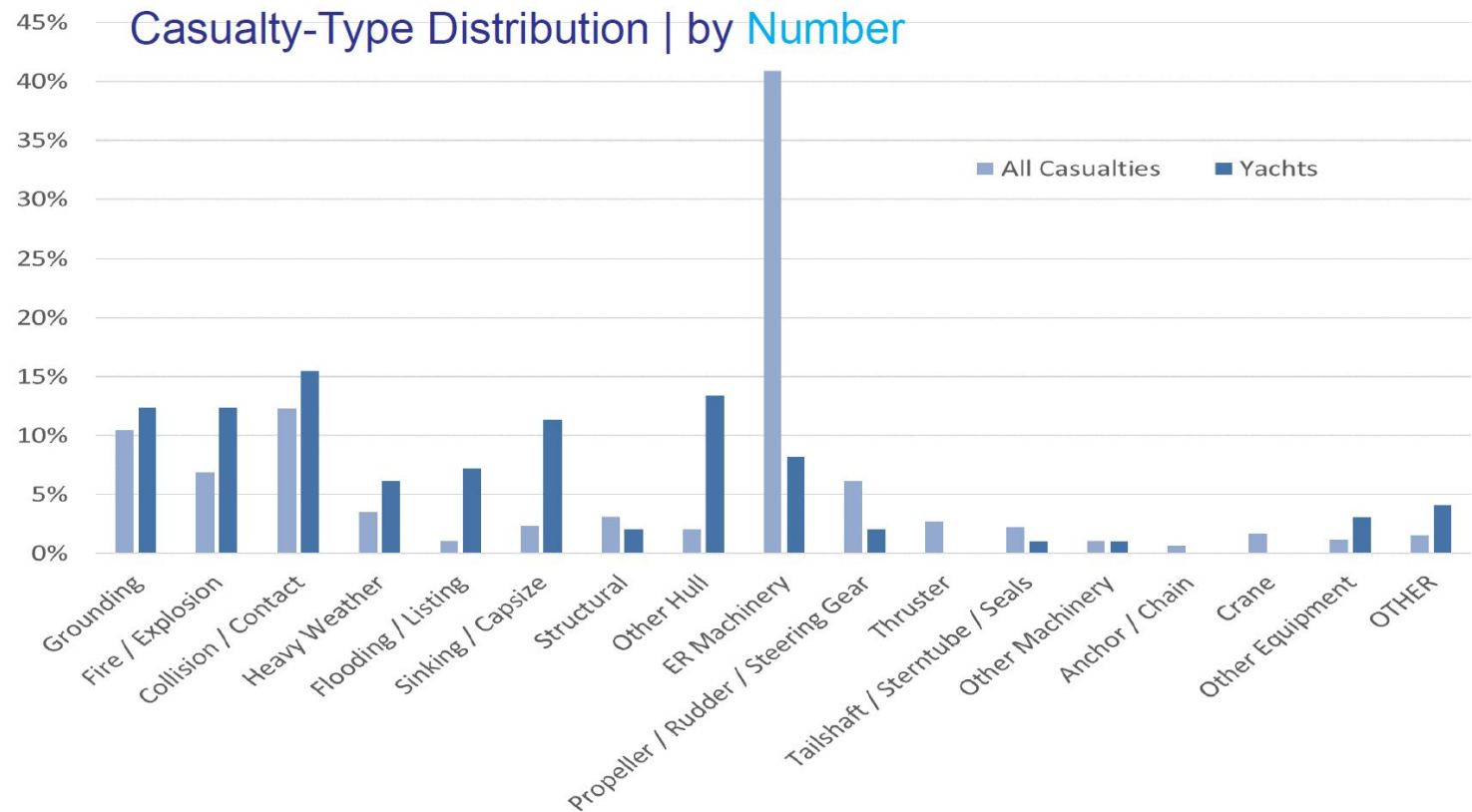




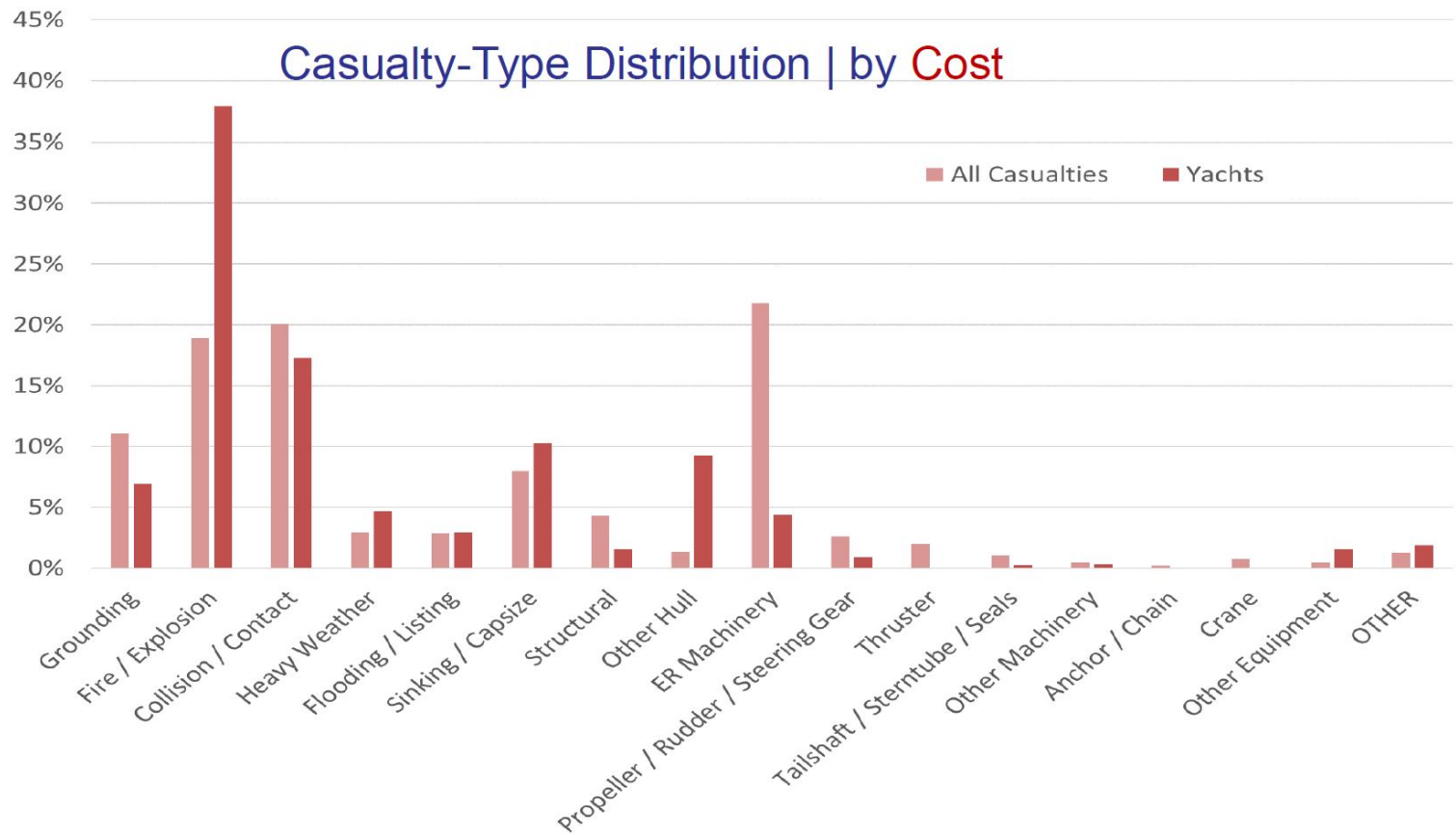
# FACTS AND FIGURES



# FACTS AND FIGURES



# FACTS AND FIGURES



## FACTS AND FIGURES

- 26% of fires caused by “Off Boat” sources
- 22% of fires are galley fires, fuelling, smoking etc
- 20% of fires due to engine electrical
- 15% of fires due to other DC electrical
- 9% of fires due to other engine
- 8% of fires due to batteries



# WHAT COMFORT FOR UNDERWRITERS?

## ➤ Super Yachts and Mega Yachts:

- All yachts carrying 13 to 36 passengers to comply with Passenger Yacht Code;
- Commercial yachts to comply with Large Yacht Code (equivalence to SOLAS for commercial ships);
- Now consolidated into the REG Yacht Code;
- REG Yacht Code applies to all new vessels constructed after 1 January 2019



# WHAT COMFORT FOR UNDERWRITERS?

## ➤ Super Yachts and Mega Yachts:

- International Regulations much safer
- Less fires on larger yachts and super yachts
- Less risk to Underwriters
- When fires and groundings occur costs can be significant





# WHAT OF REPAIR YARD RISKS?

## ➤ Potential Fire Risks Due To:

- Close proximity of vessels
- Hot Work – Cutting, Welding and Grinding
- Electrical cabling and equipment
- Open and unprotected fire zones



## WHAT OF REPAIR YARDS?

- Super Yachts and Maga Yachts due to size can only go to specialised or commercial yards
- Not all commercial yards of the same standard
- Not all commercial yards have 'quality' safety procedures
- Sub-Contractors, lack of safety procedures



# WHAT OF MARINAS?

## Profit or Safety?



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# WHAT OF MARINAS



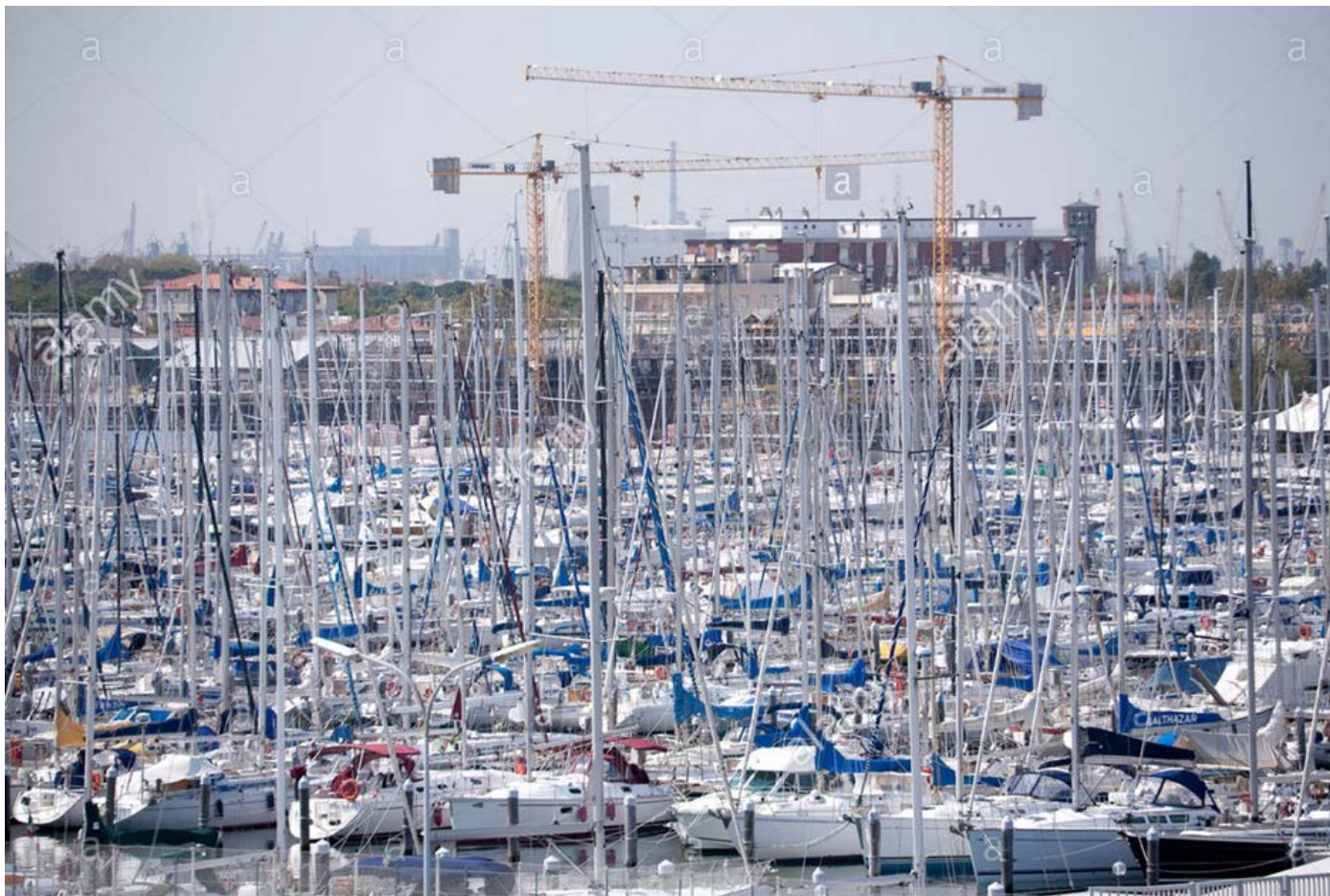
## WHAT OF MARINAS?

- “It won’t happen to us” culture
- Overcrowding – lack of space between boats
- Access for emergency services – Both from the shore and seaward
- Marina staff training.





# WHAT OF MARINAS?





# WHAT OF MARINAS?



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# WHAT OF MARINAS?



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# WHAT OF LOCAL EMERGENCY SERVICES?

- Efficiency of local emergency services
- Standard of equipment of local emergency services
- Training and experience of local emergency services
- Response time of local emergency services





# WHAT OF LOCAL EMERGENCY SERVICES?

➤ They look prepared ....



# WHAT OF LOCAL EMERGENCY SERVICES?

➤ But are they prepared for this? ....



# WHAT'S THE ANSWER?

## ➤ Yachts

- Regulations to cover smaller yachts
- Mandatory training and certification of yacht owners
- Mandatory safety inspections if not covered by local authority





# WHAT'S THE ANSWER?

## ➤ Marinas

- New Marinas – Consultation with local emergency services
- Marina Risk Assessments
- Training exercises with emergency services



*“I may not have gone where I intended to go, but I think I have ended up where I intended to be.”*

Douglas Adams  
Hitchhiker's Guide to the Galaxy

Thank You!



# Cyber Risk : Cargo - a new solution?

Presentation by Paul Collier – Clyde & Co Clasis Singapore Pte Ltd

David Grant  
Class Manager, Cargo

**CNA** / **HARDY**

Mike Roderick  
Partner, Clyde & Co.

**CLYDE&CO**





# Introduction

- Cl. 380 – and its limitations
- Regulatory pressures
- The Joint Cargo Committee's position
- JCC 2019/004 – cyber coverage clause
- Its practical application
- Conclusions

## Cl.380 : Institute Cyber Attack Exclusion Clause

- 1.1 Subject only to Clause 1.2 below, in no case shall this insurance cover loss damage liability or expense **directly or indirectly caused by or contributed to by or arising from** the use or operation, **as a means for inflicting harm**, of any computer, computer system, computer software programme, malicious code, computer virus or process or any electronic system.
- 1.2 Where this Clause is endorsed on policies covering risks of war, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power, or terrorism or any person acting from a political motive, Clause 1.1 shall not operate to exclude losses (which would otherwise be covered) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.





## CI.380 :

- Its use is often resisted as not being “fit for purpose”
- It excludes cover where cyber is simply a trigger for a loss insurers would otherwise be prepared to cover e.g. a hack of a vessel’s navigation system leading to a grounding and cargo damage
- It only excludes cover where there is a cyber attack – but what of a “fat finger” loss (accidental) or a maintenance upgrade that goes wrong (technical)?
- If CI.380 is not used, a policy may afford silent cyber cover



## Regulatory issues

- The UK regulatory authorities – the PRA and Lloyd’s - have made clear that it is no longer acceptable to grant silent cyber cover – insurers must either give affirmative cyber cover or exclude it
  - E.g. PRA’s Dear CEO letter 30 January 2019
- Insurers need to be able to “identify, quantify and manage” their cyber exposures
- Cl.380 may not be sufficient to meet requirements going forward



# The options ...





## The JCC's position

- The Joint Cargo Committee consulted widely and felt that the appropriate way forward was a clause giving affirmative cyber cover but with limitations to reflect cargo insurers' risk appetite
- JC2019-004 was introduced for use in July 2019
- It is intended to be used instead of Cl.380



## JC2019-004: Cyber Coverage Clause

1.1 It shall be a condition of cover under this insurance that the Insured can demonstrate that they have implemented reasonable measures to ensure compliance with the US or UK National Cyber Security Centre recommendations, or equivalent national recommendations, current at inception of this insurance. If the Insured cannot provide evidence that these measures, or such other measures that may be required by Insurers were undertaken, then there shall be no cover under this insurance for losses arising from the use of Software.



# JC2019-004: Cyber Coverage Clause

- 1.2 Subject to paragraph 1.1 above, this insurance shall indemnify the Insured for any physical loss or damage, liability or expense, which would otherwise be covered under this insurance, which affects solely the Insured or the Insured's property, and arises from the use of Software.

For the purpose of this clause, Software shall mean the programs, source codes, scripts, applications and other operating information used to instruct computers to perform one or more task(s).

- 1.3 Other than whilst the subject matter insured is on board any means of conveyance, this insurance excludes physical loss or damage, liability or expense arising from the use of Software, which leads to a Systemic Loss.

A Systemic Loss shall mean physical loss or damage, liability or expense otherwise recoverable under paragraph 1.2 but which affects more than this Insured or this Insured's property.

- 1.4 Any cover granted by virtue of this clause shall be limited to:

USD [X] each and every loss, or a series of losses arising out of one event and

USD [X] in the annual aggregate



## JC2019-004: Cyber Coverage Clause

- It was felt that cyber cover should be subject to a due diligence obligation on the insured – by reference to an objective external standard rather than in the abstract
  - <https://www.cyber-center.org>
  - <https://ncsc.gov.uk>
- Insurers' primary concerns are systemic risk and aggregation
- The perception is that whilst cargo is on board a conveyance in transit there is less of an aggregation risk
- The greater concern is whilst cargo is in port or storage
- The any one event and annual agg. cyber limits ought to afford protection against unanticipated events

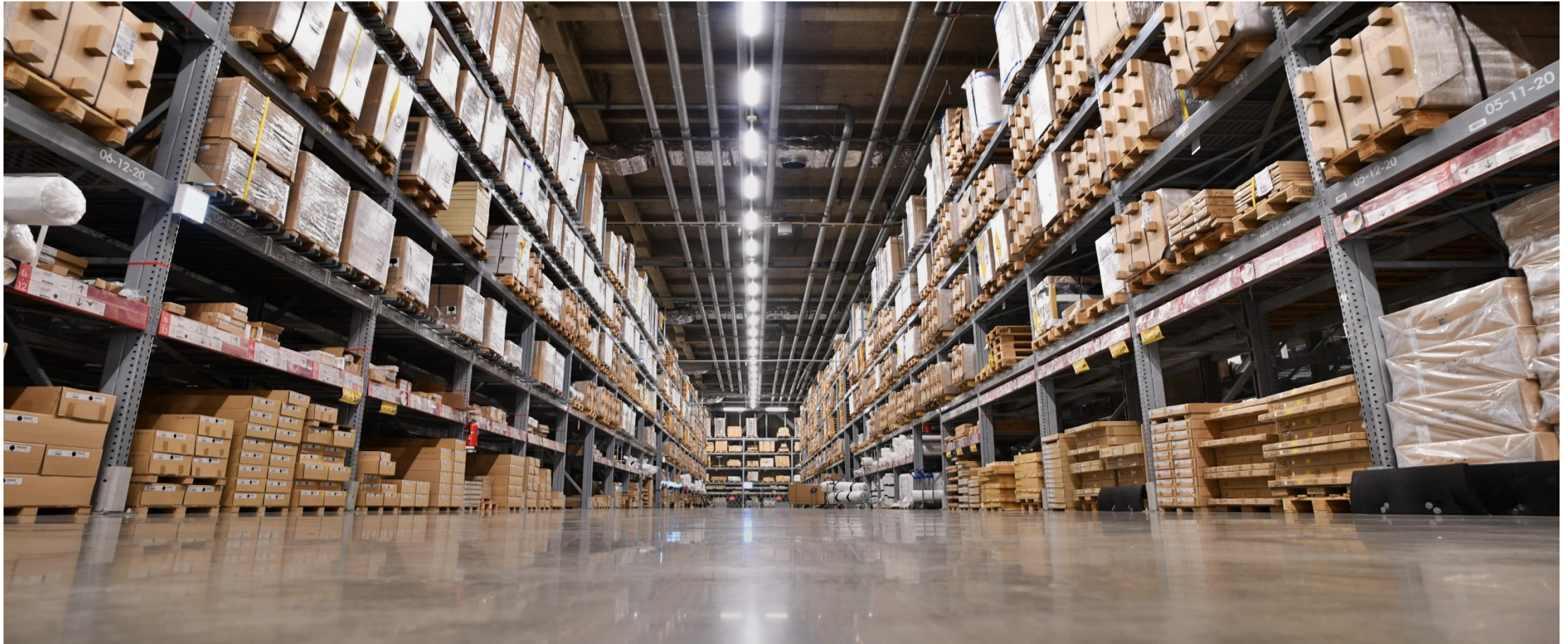


## JC2019-004 : practical application

- XYZ Co. Limited is a major fashion retailer
- It has a dedicated distribution warehouse
- Criminals mount a cyber attack disabling the warehouse security alarms and steal the latest fashion lines
- Will JC2019-004 apply?



# JC2019-004 : Practical application







## JC2019-004 : Practical application

- In the lead up to Christmas XYZ Co has to use several third party warehouses to take overflow stock
- The third party warehouses are mixed use
- Those third party warehouses suffer a cyber hack
- XYZ's stock is stolen - along with other stock
- Will JC2019-004 apply?



## JC2019-004 : Practical application

- XYZ Limited has a major Christmas shipment on a container vessel
- The vessel's navigation system is subject to a hack (e.g. GPS spoofing)
- The vessel grounds leading to cargo damage
- Will JC2019-004 apply?





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## QUESTION

- How is cargo cyber risk managed in your market?
  - By the use of Cl.380?
  - By the use of specific wordings defining cover?
  - We have no specific measures in place





## Conclusions

- JC2019-004 is intended to reflect cargo insurers' cyber risk appetite
- It is a measured response to concerns about insurers offering silent cyber
- It affords affirmative cyber cover subject to conditions and limits
- It follows widespread consultation with brokers, underwriters and the authorities
- It is not compulsory – individual underwriters may have a greater, or lesser, cyber risk appetite to suit client and internal management needs



**Don't let the perfect be the  
enemy of the GOOD  
{Voltaire said that}**

**← *{That's this guy}***

# Cyber risk : Cargo – a new solution?

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Originally given at IUMI Toronto by:

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