IMO 2020 Impact on Marine Insurance

Richard Roenbeck

SVP, Nausch, Hogan & Murray, Inc.

Presentation at Baruch College

October 5, 2018

Annex VI of Marpol 73/78 - Regulations for the Prevention of Air Pollution from Ships

INSIGHT 176, 2004
01 NOV 2004

Failure to comply

Ships found not to be in compliance with Annex VI, once it enters into force, may be detained by port state control inspectors. Also, sanctions for violations, most likely fines, may be determined by local law where the violation occurs or the law of the flag state. Potential fines received as a result of the failure to comply with Annex VI will probably not fall within the scope of P&I cover, as they concern operational emissions as opposed to accidental releases of a pollutant. Nevertheless, any incidents reported will be considered on a case by case basis.

IMO: Ships Not Meeting 2020 Low-Sulphur Fuel Requirements Will Be Deemed 'Unseaworthy'

November 20, 2017 by The Loadstar

Photo: By Eric Gevaert / Shutterstock

No exceptions from insurers in 2020 for IMO non-compliance

By admin On February 8, 2018 In Insurance Marine News, Keep, Legal, Political Risk, Credit & Finance

Insurance broker Marsh had emphasized that non-compliance with the new global sulfur cap for shipping in 2020 could threaten a vessel's insurance cover, stressing that it was the responsibility of the flag state and that a vessel could be at risk of losing its classification status on non-compliance. "If a vessel fails to comply with the requirements of the MARPOL Convention, then it would effectively be in breach of the flag state national law, and the vessel's MARPOL certificate may be withdrawn, or at least suspended, by the flag state," Marsh warned in a recent report. "Ship operators are now faced with some stark choices if they are to remain compliant", the broker stated.

The broker added that "underwriters may claim that breaching international conventions and losing flag state convention certification status (and possibly having class withdrawn or suspended) is so fundamental to the risk that such a breach alters their understanding of the 'risk as a whole,' regardless of any link with the loss that happened."

It is believed that failure to comply with the global sulfur cap could potentially allow for a vessel to be deemed "unseaworthy" and so relieve the insurer of liability for any claim. The is a contentious issue, but the IMO 2020 rule falls under MARPOL regulations, and a breach of MARPOL requirements could allow for a vessel's MARPOL certificate to be withdrawn or suspended by a flag state. This could then result in insurance underwriters denying coverage on the basis that the breach alters the "risk as a whole" of the vessel, regardless of any link with the actual loss that happened.

Ship operators need to take a strategic approach to IMO 2020: Lloyd's Register

- Where am I trading?
- What ports do I call?
- What product is available there?
- What is the quality and the chemistry of fuel I am loading?
- How do I require to store and manage the fuel onboard and how can I train my crew to operate the vessel with that fuel correctly?

AIMU

IMO
INTERNATIONAL
MARITIME
ORGANIZATION

SHIP OWNERS WILL HAVE A NUMBER OF CHOICES OF HOW TO COMPLY WITH THE NEW SULPHUR SPECIFICATIONS

0.1/0.5%S Fuel Oil	MGO/DMA	Scrubber New/Retrofit	LNG New Build/Retrofit
■ Minimise operational difficulty and cost ■ Variability of quality of blends per supplier ■ Only a few suppliers can offer reliable supply	■ Convenient and widely available ■ Operational experience in industry ■ Higher cost ■ Thermal shock and lubricity issues	■ Cheaper fuel and quick payback ■ Limited operating experience ■ Ship stability and space ■ Safe sludge handling and disposal necessary	■ Proven technology and reduction SOx, NOx and PM ■ Lower GHG emissions ■ Growing availability ■ Cost advantage to MGO/DMA
Shell will supply differentiated LSFO	**MGO/DMA will remain key products for Shell**	**Shell can supply HSFO 3.5%**	**Shell holds industry leadership in LNG**

Shipping Fears Engine Failures as Industry Switches to Low Sulphur Fuel

September 11, 2018 by Bloomberg

The issues could ultimately stop a ship's engine, something that would be particularly dangerous in bad weather in busy shipping lanes close to land, according to Rauta.

IMO 2020 INSIGHT: High Levels of Noncompliance Unavoidable in 2020

By Robin Meech, Managing Director, Marine and Energy Consulting Limited

Friday September 14, 2018

- Contract to clean tanks as near to the end of

- Start using **0.50%** from the end of 2019 with the hope of not being detected since it is unlikely that the fuel consumed will be under **0.50%** until the tanks have been flushed a number of times. For larger vessels with multiple deep/wing bunker tanks this could take many months even if the crew clean the settling and day tanks.

earlier in the year, if at all – it may already be too late;

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All these options are costly, including off hire time and the last three, which are likely to be the most prevalent, may result in fines and detentions not only while the bunkers are being changed but the tanks will need cleaning before the vessel can depart compliantly. Tank cleaning services are not available in many ports.

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Using lower sulphur bunkers to clean tanks can result in flushing of sludge and accumulated corrosive particles leading to blocked centrifuges and filter. Vessels with relatively low bunker consumption may be non-compliant for many months.

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There needs to be some global recognition of this tank cleaning problem. **IMO** has been addressing this issue within the ship implementation planning for 2020 but it is now unavoidable that many ships will not be compliant during the first half of 2020. Enforcement agencies need to come to terms with this.

Owners warned of operational and regulatory challenges with scrubbers

Odfjell Says It Will Not Install Scrubbers to Comply with Global Sulphur Cap

Sep

Feature: Marine insurers brace for new sulfur emission norms

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Number of Vessels Ahead of 2020 Global Sulphur Cap

September 12, 2018 by Reuters