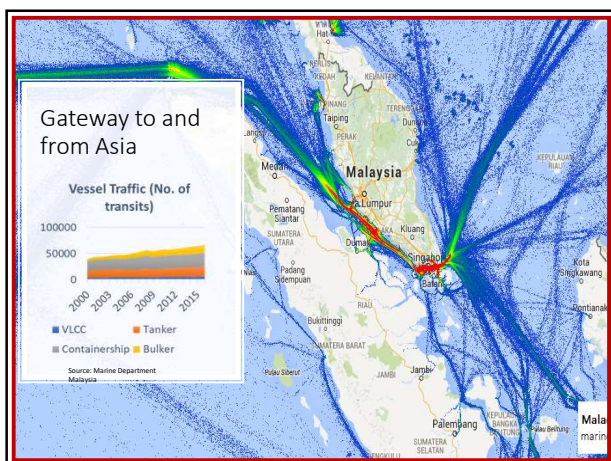


**DEVELOPING A STRONGER
CULTURE OF MARITIME
SAFETY THROUGH
INSURANCE**

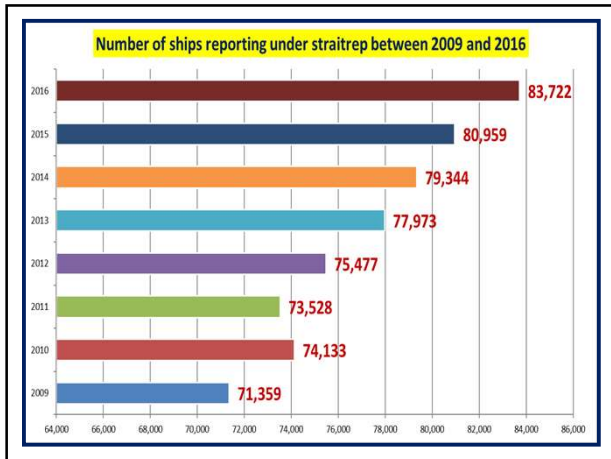
Rudy Andrew Jeyaraj

10TH COOPERATION FORUM - NEW INITIATIVES



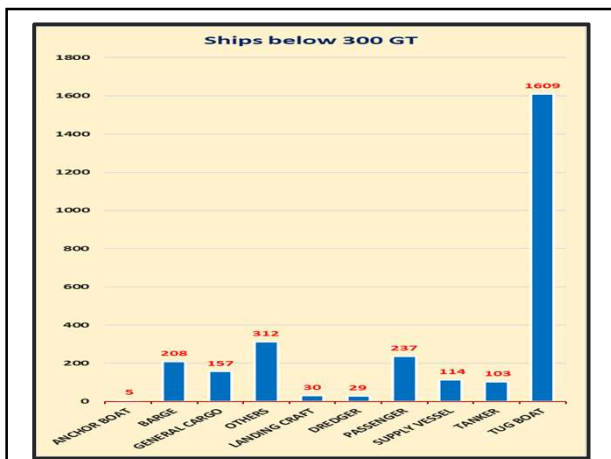
Initiatives To Promote Safety of Navigation

- The Traffic Separation Scheme (TSS)
- STRAITREP adopted in 1998
- The Marine Electronic Highway (MEH)
- Automated Identification System (AIS)
- Tripartite Technical Experts Group on Safety of Navigation in the Straits of Malacca and Singapore
- Aids to navigation installed to facilitate the safe passage navigation



Jan-July 2017: Ships reporting under straitrep for 2017 - based on types of vessels

Type of Vessel	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY
VLCC / Deep Draft	479	473	571	530	554	493	631
Tanker Vessel	1819	1608	1740	1708	1799	1525	1866
LNG Carrier	354	305	348	327	363	298	355
Cargo Vessel	644	607	660	642	618	544	642
Container Vessel	2122	1868	2141	2013	2074	1746	2209
Bulk Carrier	1277	1206	1246	1325	1348	1224	1317
Ro-Ro	212	203	239	207	244	200	242
Passenger Vessel	138	138	177	120	113	78	104
Livestock Carrier	2	1	9	7	5	2	1
Tug / Tow	45	49	57	61	38	37	30
Government Vessel	1	3	8	5	6	5	4
Fishing Vessel	5	2	2	3	3	2	6
Others	86	64	73	62	68	43	83
TOTAL	7183	6527	7271	7010	7233	6197	7490



ON GOING ISSUE-Traffic congestion & Cross Traffic

- Besides transit traffic, cross-strait traffic consisting of barter trade and ferry vessels contribute significantly to vessel density in the Straits.
- Currently, Barter trade is carried out through non conventional shipping activity whilst ferry movements are more regulated. Increase fishing activities cannot be overlooked.
- Density intensity directly proportional to risks and casualties
- Barter trade activities have introduced greater complexity to traffic flows
- **Traffic volume is determined by trends in international seaborne trade and regional economies. Hence the fluctuations in traffic density over the years**
- Cross Traffic navigation is visual or on traditional basis and does not follow traffic separation scheme requirements along the straits.
- Containerised traffic dominates Malaysian port activity accounting to over 70% of the national throughput by tonnage

Malaysian Shipping Master Plan and importance given to IMO

- Malaysia Shipping Master Plan (MSMP) to serve as strategic plans to raise Malaysia's ports and its shipping sector to a higher level of competitiveness.
- MSMP has also highlighted ancillary services giving importance to insurance providers and its significance as part of the safety and security measures taken for the maritime industry.

INSURANCE IN IMO CONVENTIONS

Maritime Liability and Compensation Conventions

The IMO's Resolution A.898 (21) adopted Guidelines on Shipowners' Responsibilities In respect of Maritime Claims that recommended the establishment of a framework of good practice encouraging shipowners to take steps to ensure that claimants receive adequate compensation following incidents involving their ships



LIMITATION LIABILITY OF MARITIME CLAIMS (LLMC)

- The **LLMC** is recognition of a **shipowner's entitlement** to **limit liability**. It is a rule of public policy aimed at encouraging shipowners to continue with their business of shipping despite the possible financial catastrophic consequences of shipping disasters and to stabilize the cost of insurance by providing a cap to potential insurance pay outs.
- Under this concept, the shipowner is entitled to limit his liability for maritime claims up to the maximum sum **REGARDLESS** of the actual amount of the claims

Convention	Indonesia	Malaysia	Singapore
1992 CLC Protocol	Y	Y	Y
1992 Fund	N	Y	Y
2001 Bunkers Convention	Y	Y	Y
2007 Wreck Removal	N	Y	Y
1976 LLMC Convention / 1996 Protocol	N	Y	Y
MARITIME LIABILITY & COMPENSATION CONVENTIONS			

Introduction of the Merchant Shipping(Amendment and Extension) Act 2011 (Act A1393)

- With the view of enhancing the safety and security standards of shipowners plying in its waters, Malaysia has acceded to the Convention on Limitation of Liability for Maritime Claims Protocol 1996 (LLMC 1996) on 12 November 2008
- This was followed by the introduction of the Merchant Shipping (Amendment and Extension) Act 2011 (Act A1393) to amend Part IX of the Merchant Shipping Ordinance 1952 (MSO1952) by the Ministry of Transport Malaysia.
- More significantly, *going beyond the requirements* of the LLMC1996, **the Act introduced a compulsory insurance regime** by requiring shipowners to have in place either insurance or some form of financial security for general marine liability (section 361). The Act was gazetted and came into effect for Peninsular Malaysia in March 2014.

The need to prioritize insurance as part of the safety measures taken

- To give effect to the IMO Assembly Resolution A.898(21) which urges all shipowners to maintain insurance or similar security
- Absence of navigational safety equipment on barter trade vessels
- Lack of awareness of merchant ship routes
- No such data for inshore traffic zones
- Barter trade vessels lacking of communication facilities- communication failure
- To provide a better protection for victims of marine accidents
- To ensure a level playing field within the industry
- To ensure that shipowners act responsibly by maintaining insurance to meet their third party liabilities

Other Various Issues & Challenges

- Small Shipowners attitude towards liability risk
- Lack of Loss Experience and Benchmark standards
- Illiteracy amongst small shipowners considered high
- Lack of Underwriting Competency
- Lack of Risk Profiling
- Rigid risk appetite
- Poor maintenance and safety standard ships

Implementation Challenges	Solution – a proposed pilot & catalyst for a Malaysian P&I Club
• INSURANCE COVER UNAVAILABLE FOR VESSELS <300GT AT LLMC 1996 LIMITS	• REVISION OF LLMC 1996 LIMITS FOR VESSELS <300GT VIA S360(7) MS(AE)A 2011
• NON-FEASIBILITY OF P&I LIABILITY COVER TO VESSELS <300GT	• POOL VESSELS <300GT TO PROVIDE CRITICAL MASS
• NO RISK PROFILE FOR VESSELS <300GT	• COLLECT DATA TO ESTABLISH RISK PROFILE FOR VESSELS <300GT
• LACK LOCAL EXPERTISE FOR P&I LIABILITY UNDERWRITING AND CLAIMS MANAGEMENT	• BUILD CAPACITY THROUGH TRANSFER OF EXPERTISE
• NO OFFER FROM LOCAL GENERAL INSURERS TO INITIATE/ LEAD MALAYSIAN P&I CLUB	• COLLABORATION WITH INTERNATIONAL P&I WITH CLOSE MONITORING FROM SUITABLE AGENCY

SUMMATION

- By imposing insurance, you are promoting a compliant driven culture whilst creating safety awareness
- **Conditions imposed in the insurance policies would mean that certain potential operational risk would be minimized with compliances**
- Enhance cross border relationships especially the littoral states
- **Enhanced relationship with Enforcement bodies with the aim to upkeep the safety standards of ships and shared resources.**

THE BIRTH OF P&I MALAYSIA

- Perlindungan Dan Indemniti Malaysia Sdn Bhd better known as P&I Malaysia was incorporated on 21 August 2015
- 100% funded by Ministry Of Transport (MOT)
- P&I Malaysia will be officially launched by Transport Minister on 5th August 2016
- Its ultimate aim is to evolve into a full-fledged mutual association club within 2 years of operation where data collection and enhanced risk studies are prioritised.
- The establishment was also to assist small shipowners by providing alternate avenue for purchasing insurance cover when the full enforcement of Merchant Shipping (Amendment and Shipping) Act 2011 commence.



