

# TT CLUB



Maritime Security - Cost or Investment, an insurer's perspective

## Who Pays?

# Lloyd's List

### **China box ports eye security windfall.**

SOUTH China box terminal operators plan to scoop more than HK\$1.2bn (US\$153.8m) a year from new security charges in Hong Kong — already the world's most expensive container port — and in Shenzhen.

Starting May 1, Hong Kong will levy HK\$50 (\$6.41) for every laden teu, bar transshipment cargo, and HK\$20 (\$2.56) for intra-Asia boxes. Starting March 1, Shenzhen will charge yuan50 (\$6.04) for all boxes, bar transshipment, in and out of the port.

Leading mainland European terminals already levy between \$9 to \$11 per box for security charges, while 34 ports in the US charge between \$2 and \$4.5.

# Level of Risk?

- Pre 9/11 – emphasis was primarily aimed at minimising theft and pilferage;
- Degree to which Terminal Operators would “invest” in Security issues was optional;
- Now, we have a mixture of Mandatory Requirements, and Voluntary Initiatives



# Current Initiatives

International Ship and Port Facility Code  
(ISPS Code)

24 hour Advance cargo Manifest Filing  
Requirement (AMS)

Container Security Initiative (CSI)

Custom's Trade Partnership Against  
Terrorism (C-TPAT)



# It is a real threat.....



•Achille Lauro



•Hyundai Fortune?



AP

•Limburg

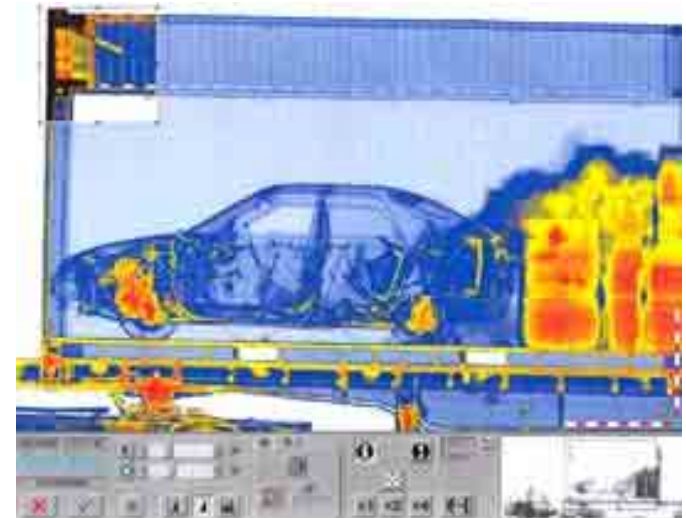
•USS Cole



AP

# Costs?

- Hourly Labour Wages for Security Guards;
- Costs for equipment:
  - Fencing;
  - Lighting;
  - Secured Gates;
  - Monitoring Equipment etc
- Local Construction and Installation costs;
- Port size and equipment needs (Container Terminal vs Bulk Terminal)



# Cost of Inaction?

- Shutting down of the system;
- Complete closure of ports and terminals;
- Duplicative and lengthy cargo checks – at originating and receiving ports;
- Tens if not hundreds of billions of dollars
- Non Compliance
  - Delay;
  - Detention;
  - Refusal of entry;
  - Fines



# Non-Compliance

“Use your best endeavours to comply with regulations.....relating to security”

“In the event of failure to do so..  
....Notice can be given that cover is suspended.....may reduce or reject a claim which results wholly or partly from failure to comply”

**ACORD, CERTIFICATE OF LIABILITY INSURANCE**

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THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT ALTER, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

**INSURANCE AFFORDING COVERAGE**  
INSURANCE: Crivello Firm Specialty Insurance Corp.  
INSURANCE:  
INSURANCE:  
INSURANCE:

**COVERAGE**  
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NO.	TYPE OF COVERAGE	POLICY NUMBER	POLICY EFFECTIVE DATE	POLICY EXPIRATION DATE	INSURANCE	LIMIT
A	COMMERCIAL GENERAL LIABILITY	08041514	04/01/14	04/01/15	COMMERCIAL GENERAL LIABILITY	\$ 1,000,000
	PRODUCTS AND COMPLETED OPERATIONS				PRODUCTS AND COMPLETED OPERATIONS	\$ 500,000
	PERSONAL AND ADVERTISING				PERSONAL AND ADVERTISING	\$ 500,000
	COMBINED AUTO				COMBINED AUTO	\$ 500,000
	COMBINED WATER				COMBINED WATER	\$ 500,000
	COMBINED AIRCRAFT				COMBINED AIRCRAFT	\$ 500,000
	COMBINED RAILROAD				COMBINED RAILROAD	\$ 500,000
	COMBINED MARINE				COMBINED MARINE	\$ 500,000
	COMBINED TRANSPORTATION				COMBINED TRANSPORTATION	\$ 500,000
	COMBINED CONSTRUCTION				COMBINED CONSTRUCTION	\$ 500,000
	COMBINED PAPER				COMBINED PAPER	\$ 500,000
	COMBINED TELEVISION				COMBINED TELEVISION	\$ 500,000
	COMBINED THEATRE				COMBINED THEATRE	\$ 500,000
	COMBINED CIRCUS				COMBINED CIRCUS	\$ 500,000
	COMBINED RODEO				COMBINED RODEO	\$ 500,000
	COMBINED AMUSEMENT				COMBINED AMUSEMENT	\$ 500,000
	COMBINED FAIR				COMBINED FAIR	\$ 500,000
	COMBINED CARNIVAL				COMBINED CARNIVAL	\$ 500,000
	COMBINED CONCERT				COMBINED CONCERT	\$ 500,000
	COMBINED RACE				COMBINED RACE	\$ 500,000
	COMBINED SPECTATOR				COMBINED SPECTATOR	\$ 500,000
	COMBINED AIRCRAFT				COMBINED AIRCRAFT	\$ 500,000
	COMBINED MARINE				COMBINED MARINE	\$ 500,000
	COMBINED TRANSPORTATION				COMBINED TRANSPORTATION	\$ 500,000
	COMBINED CONSTRUCTION				COMBINED CONSTRUCTION	\$ 500,000
	COMBINED PAPER				COMBINED PAPER	\$ 500,000
	COMBINED TELEVISION				COMBINED TELEVISION	\$ 500,000
	COMBINED THEATRE				COMBINED THEATRE	\$ 500,000
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	COMBINED RODEO				COMBINED RODEO	\$ 500,000
	COMBINED AMUSEMENT				COMBINED AMUSEMENT	\$ 500,000
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	COMBINED CONCERT				COMBINED CONCERT	\$ 500,000
	COMBINED RACE				COMBINED RACE	\$ 500,000
	COMBINED SPECTATOR				COMBINED SPECTATOR	\$ 500,000

**CERTIFICATE HOLDER:** Crivello Firm Specialty Insurance Corp.  
111 South 10th Street, #1  
Wilmington, NC 28401

**CANCELLATION:**  
THIS POLICY IS SUBJECT TO THE TERMS AND CONDITIONS OF THE POLICY CONTRACTS. THIS CERTIFICATE DOES NOT ALTER OR EXTEND THE COVERAGE AFFORDED BY THE POLICIES DESCRIBED HEREIN OR SUBJECT TO THE TERMS, CONDITIONS AND EXCLUSIONS SET FORTH IN EACH POLICY CONTRACT.

ACORD 204 (04/10)

# Voluntary Initiatives?

- **Container Security Initiative**

- Bi-lateral agreements between USA and overseas countries;
- Identifies High Risk containers in port of loading.

- **Customs-Trade Partnership against Terrorism**

- Comprehensive self assessment using agreed security guidelines;
- Submit security profile to US Customs;
- Develop and implement program in accordance with C-TPAT guidelines;
- Work to build guidelines into the supply chain;
- C-TPAT participants less likely to be targeted for inspection

# Competitive Advantage

- The threat of differential treatment between CSI and non-CSI ports;
- Shippers seeking C-TPAT validation for US bound cargoes;
- Participants investing in higher security – resulting in expedited cargo processing.



## The Silver Lining

- Reduced Delays;
- Increased Safety;
- Faster Processing Times;
- Better Asset Control;
- Decreased Payroll (due to IT improvements);
- Fewer Losses due to theft;
- Possible reduced insurance costs???
- Quality Management Systems;
- Lower Trade Costs



## Theft Claims

- USA quotes a figure of USD 15 billion
- International Union of Marine Insurers (IUMI) gives a figure of 30% of all Cargo Claims;
- Estimates between US\$ 9 billion and US\$ 15 billion

# National Cargo Security Council

## ■ Container Crime:

- 60% involved pilferage;
- 25% less than full loads;
- 10% hijacking;
- 5% theft;



- 85% of them involved employees

## Remember though:

- A container was never designed to be 100% secure;
- The security of a container is only as good as the security procedures of the terminals it passes through;
- Container has two vulnerable points – the seals and the locking mechanism;
- The seal is designed to be removed – and only “complements” the security procedures.

# Conclusion

- **Security initiatives have been used to aid:**
- **Marketing Tools;**
- **Safety;**
- **Reduced Theft;**
- **Efficiency;**
- **Decreased insurance costs?**



# Accidents do still happen!



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