

HELLENIC  
WAR RISKS 

# SPECIALIST PROTECTION

*Review of the Year for the year ended  
31 December 2014*

HELLENIC  
WAR RISKS  
IS MANAGED  
BY **THOMAS  
MILLER**

**Proud of our tradition, proud of our history,  
focused on the future**

# HELLENIC WAR RISKS AT A GLANCE

For the year ended 31 December 2014

## Total Entered Value

**\$88bn**

## Total Number of Ships Entered



**2,259**

## Surplus for the Year

**\$2.2m**

## End of Year Reserves

**\$106m**

## Investment Return

**4%**

## Pirate Activity



**5**

The Association received five claims in 2014 (2013, six claims), four of which were piracy related.

## AP Areas



**South America**  
Venezuela

**Africa**  
Benin  
Eritrea  
Gulf of Guinea  
Libya  
Nigeria  
Somalia  
Togo  
Southern Red Sea  
Gulf of Aden /  
Gulf of Oman  
Arabian Sea /  
Indian Ocean

**Middle East**  
Iran  
Iraq  
Israel  
Lebanon  
Saudi Arabia  
Syria  
Yemen

**South East Asia**  
Balikpapan  
North East  
Coast of Borneo  
Jakarta  
Philippines



**With our specialist, mutual war risks insurance, we protect the Hellenic shipping community from malicious loss or damage, all over the world.**

*Review of the Year for the year ended  
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## CHAIRMAN'S STATEMENT



### Committed to improving the benefits of membership

It is encouraging to be able to report that 2014 was another year which passed without any seizures of ships by Somali pirates. However, the threat of piracy in the Gulf of Aden and Indian Ocean, though diminished, has not disappeared. I therefore urge Members to remain vigilant when transiting this area and to maintain their anti-piracy measures. In contrast, there has been an increase in piracy in South East Asia involving the hijacking of ships in order to steal their cargoes and, in some cases, more serious levels of violence than the more routine and smaller scale thefts seen in the recent past.

The situation in Libya deteriorated in 2014 and resulted in a heightened risk to shipping. The ambitions of ISIS / Islamic State pose a further threat and the possibility of ISIS using the cover of economic migration from places such as Libya and Syria to spread their ideology is another risk requiring decisive governmental response.

Nigeria too remains an area of serious concern with ships being at risk of hijack in order to facilitate the theft of cargo as well as crews facing an ever present threat of violence and kidnap which the authorities seem unable to fully contain.

The Association was notified of five potential claims in 2014, only one less than in 2013. Most of these were piracy related. Notably, all of these incidents occurred outside of Additional Premium Areas.

These threats underline the need for ships and their crews to be protected by high quality war risks insurance. The Association has been providing such cover for over 50 years to the majority of the Greek merchant fleet. The Association's Directors, as representatives of ship-owners and Members themselves, are acutely aware of the risks faced by ships and their crews and are committed to providing the best possible cover to the membership and supporting the Members wherever possible. The Association remains strongly committed to providing highly competitive rates for both annual and, especially, for Additional Premiums, regardless of the size of a Member's fleet.

The Association's strong financial position, with its reserves standing at over \$105 million at the end of 2014, is protected by a high quality reinsurance programme placed with "A" rated reinsurers. Due to the Association's buying power, it retains full claims control and is always able to act in Members' best interests, rather than being driven by a pure profit motive. The Association's claims response can include the funding of payments in advance, which is something that very few insurers are willing to provide – including specialist Kidnap and Ransom insurers. This is a valuable benefit of membership that is often overlooked.

*...the Association was able to offer a further sizeable reduction in annual insurance premiums to the membership in 2015 as well as other benefits to renewing members.*

I am pleased that despite continued claims activity in 2014 and ongoing volatility in the world financial markets, the Association was able to offer a further sizeable reduction in annual insurance premiums to the membership in 2015 as well as other benefits to renewing members. Additionally, the terms of the Association's detention cover, which is provided to Members at no extra cost, were also improved at the 2015 renewal. Detention cover serves to compensate the member for his daily costs during the detention period and is another benefit of membership of the Association that commercial market insurers do not offer as standard.

The Association's rates, breadth of cover and response to claims helped to ensure that the membership grew during 2014, with entered values at the year-end increasing to \$88 billion. The size of the membership and the strength of the Association's finances continue to allow the Board to improve rates and terms for Members and the Association's goal is to further increase its market share, which currently stands at approximately 70% of the Greek merchant fleet.

I would like to thank all Members for their continued support of the Association, which remains committed to further improving the benefits of membership in 2015 and beyond.

**M F Lykiardopulo**

Chairman  
May 2015

**Total Entered Value (at year end)**

**\$88bn**

## AP AREA HIGHLIGHTS

**Piracy at sea now at its lowest level in eight years though attacks against small tankers in SE Asia raised the number of ship hijackings from 12 in 2013 to 21 in 2014 (Source: ICC/IMB)**

**Somali pirate attacks continue to be reported though no seizures of ships resulted – Somali piracy threat reduced but not eliminated**

**EU's counter-piracy Operation Atalanta extended until December 2016 in Gulf of Aden and Indian Ocean**

**Thefts of cargoes in the Gulf of Guinea and, less frequently, kidnaps for ransom of members of ships' crews continue**

**Greatly increased risk to ships calling at Libyan ports, some of which have closed due to hostilities**



## ADDITIONAL PREMIUM (AP) AREAS

### Piracy at its lowest level in eight years

#### **Gulf of Aden / Indian Ocean**

The continued naval presence in the area and hardening of ships including the use of armed guards has ensured that Somali pirate activity continued to be curtailed in 2014. 60% of transits declared to the Association in 2014 carried on-board security teams.

The Association continues to endorse Best Management Practices for Protection against Somalia based piracy (“BMP4”).

#### **West Africa**

The piracy model in this region continues to be based on the theft of cargoes, particularly refined crude oil products, though there are occasional instances of crew members being taken onshore and held for ransom. Ship security in this region presents different challenges to those experienced in the Gulf of Aden and Indian Ocean and the Association’s website includes guidelines for protection against piracy that have been developed by BIMCO, ICS, INTERCARGO and INTERTANKO, and which are supported by the NATO Shipping Centre. The guidelines should be read in conjunction with BMP4.

After the end of the 2014 policy year but prior to publication of this Review, the security position in Nigeria had become more difficult following statements made by the Nigerian Maritime Administration and Safety Agency, NIMASA, and the Nigerian Navy, that they may detain any vessel entering the country’s territorial and coastal waters with security escorts on board, whether armed or unarmed. This stance further hampers the security arrangements of prudent owners. To date the Nigerian Navy has detained three vessels for having private security personnel on board. At the time of writing, there are indications that the Nigerian authorities might change their position and Members should seek guidance as to the latest position when considering security measures.

#### **Middle East**

The geo-political situation in Libya deteriorated severely in 2014 with the consensus view being that the situation is likely to worsen further in the short term. The country is presently divided between the internationally recognised Tobruk based government in the east; the Tripoli based opposition government in the west, with extremist militant groups operating in between, predominantly in Benghazi. At the time of writing, several ports have closed and the security situation is very fluid. The presence of ISIS (“Islamic State”) in Libya poses a further threat to security in the country and to ships and their crews calling at Libyan ports.

## CHARITABLE DONATIONS

### Funding two serving officers in the Hellenic Navy

The Association extended its scholarship arrangement with Plymouth University for a further year which funds two serving officers in the Hellenic Navy to take postgraduate degrees. These scholarships were established in 2011 to mark the Association's 50th anniversary and to thank the Hellenic Navy for their anti-piracy efforts in the Gulf of Aden and Indian Ocean. The Navy has been severely restricted from funding overseas educational courses for its officers due to the economic situation in Greece.

## CLAIMS

### Continuing to incur costs relating to previous claims

The Association was notified of five potential claims in 2014, one less than in 2013. Four of these were piracy related and one related to a ship arrest in Colombia. Of the piracy claims, two occurred in the Malacca Straits, one off Nigeria and one at Chittagong, Bangladesh. The Association continued to incur costs relating to claims notified in previous policy years, mainly relating to Somali and Nigerian piracy.

### Free reserves

\$106<sub>m</sub>

### Investment return

4%

*All figures correct for the 2014 policy year or at 31 December 2014*

## FINANCIAL HIGHLIGHTS

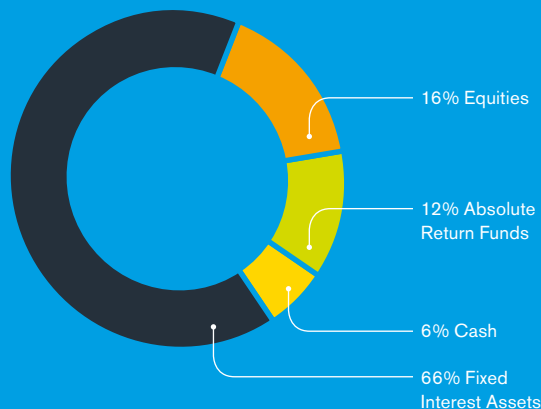
**Free reserves increased by US\$2.2 million in 2014 and exceeded US\$105 million at the year-end**

**Continued improvement in claims performance**

**Positive investment return of 4%**

**Premium income reduced due to reductions in annual premium rates and increased discounts for Gulf of Aden and Indian Ocean transits**

### Investment portfolio allocation



### Annual premium rates

**-45%**

*For the 2014 Policy Year*

## FINANCES

### Key financial information

The table below compares key financial information from 2014, together with the corresponding figures for 2013 and 2012.

*The fall in premium income in 2014 was primarily a result of a further increase in the number of Gulf of Aden and Indian Ocean transits that received discounted Additional Premium rates by employing on-board security.*

All figures in \$000s	2014	2013	2012
Contributions and Premiums	15,968	19,978	37,451
Reinsurance Premiums	(12,996)	(15,803)	(22,164)
Expenditure	(5,123)	(4,179)	(4,672)
Operating Surplus / (Deficit)	(2,151)	(4)	10,615
Investment Return	4,414	4,966	2,574
Property taxes	(14)	(19)	(22)
Surplus for the year	2,249	4,943	13,167
Non-controlling interests	(7)	(11)	40
Transfer from capital reserve	72	0	0
Net surplus	2,314	4,932	13,207
<b>Reserves at the year end</b>	<b>105,585</b>	<b>103,330</b>	<b>98,395</b>

The fall in premium income in 2014 was primarily a result of a further increase in the number of Gulf of Aden and Indian Ocean transits that received discounted Additional Premium rates by employing on-board security. Annual premium rates were also reduced by 45% on 1 January 2014. The reduction in premiums was partially offset by reductions in reinsurance premium rates.

The Association's investment portfolio returned 4% in 2014 after fees were taken into account. At the year-end, the portfolio was invested 66% in fixed interest assets, 16% in equities, 12% in Absolute Return Funds and 6% in cash. In the last three years, the portfolio has returned an average 4.3% per annum, out-performing its benchmark return of 3.7%, before fees are taken into account.





Hellenic war risk cover includes:

- **Hull & Machinery**
- **Detention**
- **Protection and Indemnity (P&I)**
- **Sue and Labour**
- **Discretionary Insurance**
- **Optional Additional Insurance**



# Specialist mutual war risks insurance for the Greek shipping community

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