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Ice regime for Arctic shipping risks welcomed

Standardised approach will improve insurers' understanding of risk


Alexis Burris, Reporter

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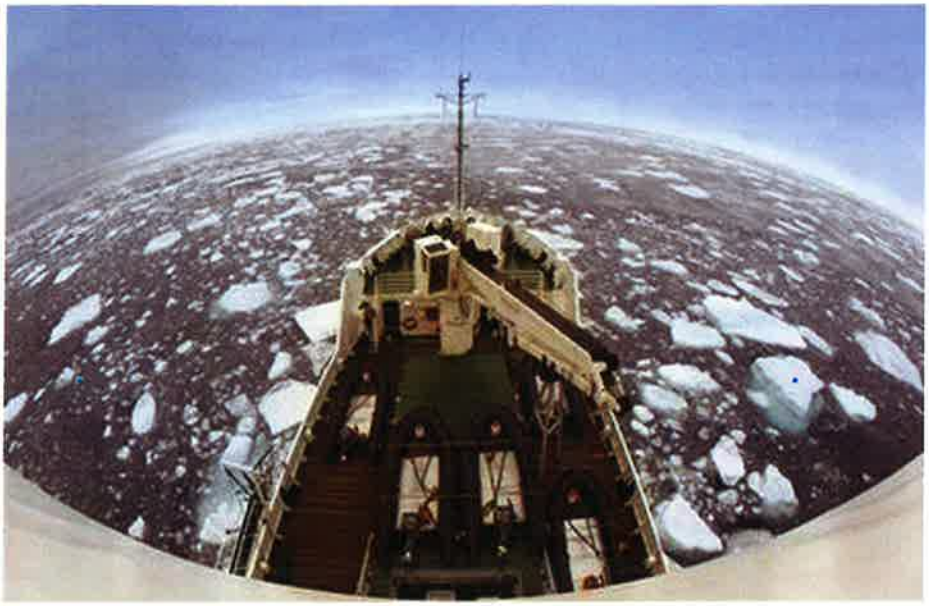

Marine insurance experts have welcomed the inclusion of a standardised approach to risk analysis for Arctic shipping in an international maritime code.

The International Maritime Organization (IMO) maritime safety committee recently adopted the International Code for Ships Operating in Polar Waters, which included an ice regime as recommended by marine insurance experts.

The new polar code will require an evaluation of risks to the ship in the ice conditions expected to be encountered by providing a risk index in any geographical area that the ship is intending to travel.

Lawyers experts said the requirement for an ice regime methodology to be included on the Polar Shipping Certificate will provide greater comfort and a better understanding of risk for insurers looking to insure these risks.

Michael Kingston, partner at law firm DWF, who is heavily involved in the Polar Code developments at the IMO, told *Insurance Day*: "This is clearly a great result for underwriting risk analysis as it will establish clear benchmarked guidelines to enable underwriters to consider the risks being presented and will assist insureds to present risk in a manner that gives an explanation of what they are trying to do linked to a 'methodology' that everyone understands."

Shipping through Arctic routes presents increasingly attractive opportunities for insurers, which historically have been wary of insuring these risks.

The number of transits through the North Sea is showing increased activity year-on-year. In 2013, there were 71 transits compared with just four in 2010, together with increased seismic and exploration activity.

The previous lack of detailed and unified regulation has meant many in the industry were reluctant to insure the associated Arctic shipping risks.

Under the new code an operator will have to show how they have prepared and will be able to operate in the extreme conditions that can occur in the geographical area they are intending to operate in by reference to an ice regime system methodology.

The can be the existing Canadian AIRS system, the Russian 'ice passport' system or alternative systems, such as the Polar Operational Risk Assesment Risk Indexing system, Kingston said.

The IMO Polar Code is should be finalised in 2015 and is expected to enter into force on January 1, 2017.