

Loss Prevention & new risks - a focus on the Cruises industry

Rocco Bozzelli
Head of Global Insurance
MSC Cruises SA

Rocco during IUMI times
(Marine Underwriter)



Rocco post IUMI times...
(Risk & Insurance manager of a shipping company)



Newsletter

August, 2012

This newsletter has been published by the the Inland, Fishing Vessel & Yacht Committee (IFY) of the International Union of Marine Insurance. Do you want to know more? Please look at www.iumi.com.

Piracy trends

According to the latest report of IMB (International Maritime Bureau) Piracy Reporting Centre, we see a decrease of piracy accidents (-33%) in the first six months of 2012, compared to the corresponding period in 2011. But even if Somali piracy activity has decreased, there are areas in the world with a countertendency for the first six months of 2012.

By Rocco Bozzelli – Senior Marine Underwriter, Vice-President Property and Specialty at Swiss Reinsurance Company

There were 177 incidents in total, versus 266 in the same period in 2011. Globally 20 vessels were hijacked, 80 further vessels were boarded with 52 attempted attacks and 25 vessels fired upon. Unfortunately IMB also reported four killed crew members in 2012.

Such decrease comes mainly from a decline in Somali piracy activity (163 attacks in the first six months of 2011 versus 69 attacks in 2012). Yet, we can't say that this threat doesn't exist anymore: in June 2012 11 vessels and 218 crew members were held hostage by Somali pirates.

Several factors helped to obtain the decrease of piracy:

- **Best Management Practices for Protection against Somalia Based Piracy (BMP) in force**

BMP is meant to assist ships to avoid, deter or delay piracy attacks in a High Risk Area. Such a BMP booklet should be read with reference to the Maritime Security Centre – Horn of Africa (www.MSCHOA.org), and the NATO Shipping Centre, (www.shipping.NATO.int) and websites which provide additional regularly updated advice (including up to date alerts on piracy attacks). Following procedures are part of BMP:

1. *Register at MSCHOA*: ensure that a 'Vessel Movement Registration Form' has been submitted to MSCHOA prior to entering the High Risk Area (an area bounded by Suez and the Strait of Hormuz to the North, 10°S and 78°E).
2. *Report to UKMTO*: on entering the UKMTO Voluntary Reporting Area – an area bounded by Suez to the North, 10°S and 78°E – ensure that a UKMTO 'Vessel Position Reporting Form – Initial Report' is sent.
3. *Implement SPMs*: Ship Protection Measures described in BMP have to be fully implemented.

- **Increased use of armed private security companies**

This is now accepted by trade bodies like the International Transport Workers' Federation (ITWF) and Intertanko, and acknowledged by the IMO (International Maritime Organization). According to the Security Association for the Maritime Industry, armed guards are currently on approximately 1,500 voyages every month. BIMCO has developed GUARDCON, which is a standard contract for the employment of security guards on vessels to assist the industry and in particular shipowners and their P&I Clubs, by providing a clearly worded and comprehensive standard contract on which they can conclude agreements for security services.

- **Prevention measure from navies**

Effective interdiction of pirate action groups (PAGs) by naval forces. EUNAVFOR forces continue to disrupt PAGs close to shore. We expect EU maritime forces to take advantage of the authority given in March to engage pirate logistic support facilities on shore with stand-off weapons.

FOREWORD



Dear IUMI Member,

This is the first edition of the newsletter of the Inland, Fishing Vessel & Yacht Committee (IFY). In this issue we have included articles on the following:

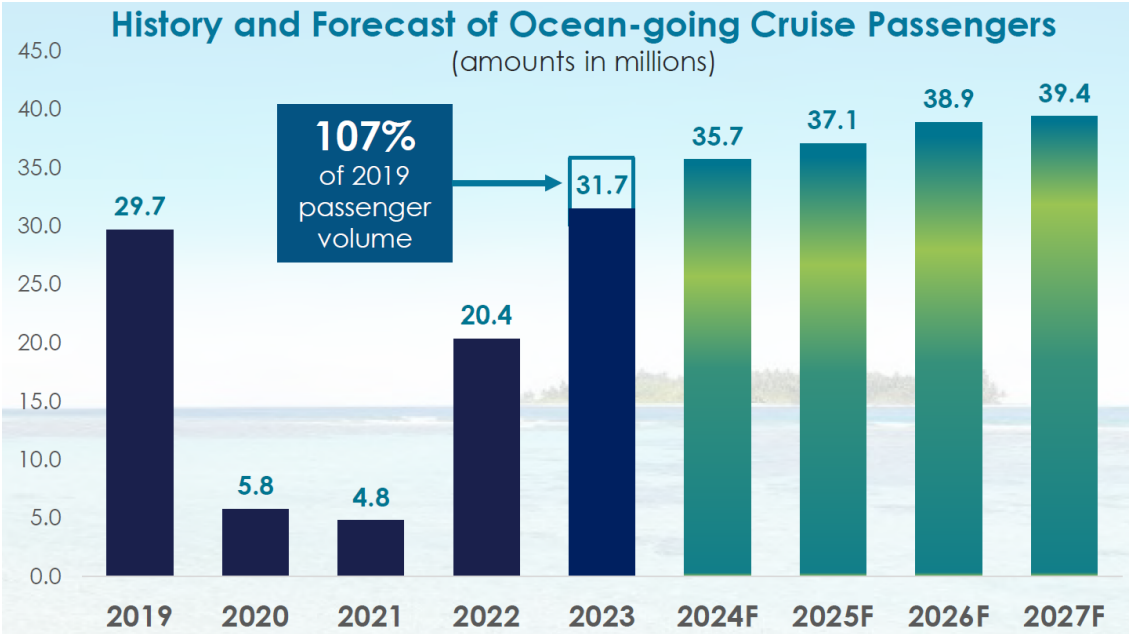
- Piracy – this is intended to keep you up to date on the latest changes and practices in the market.
- ERC – The engine registration system was presented at the last IUMI conference and deserves our support.
- Yacht Thefts – An article on the increasing volume of yacht thefts and prevention methods.
- Registration app for boat owners – A Dutch initiative to make sure that stolen property can be quickly retrieved.

The IFY committee works hard on behalf of you as member and whilst we do not have the voice of our bigger brother the Ocean Hull Committee, we do share a number of common concerns (piracy in particular) along with specific issues within our own market and we shall endeavour to keep you apprised of any changes or news items in our future newsletters.

I hope you find our first newsletter of interest and if you have any topics that you feel should be brought to our attention, do not hesitate to contact myself or any of my other committee members.

Paul Miller
Chairman of the Inland, Fishing Vessel & Yacht Committee of IUMI
Paul.Miller@rqih.com

Loss Prevention & new risks - a focus on the Cruises industry



2023 Passenger Volume

Source Region	2023	2019	% Change (2019 to 2023)
Global	31.7 million	29.7 million	+6.8%
North America	18.1 million	15.4 million	+17.5%
Europe	8.2 million	7.7 million	+6.5%
Asia	2.3 million	3.7 million	-37.7%
Australasia	1.4 million	1.35 million	-1.0%
South America	996 k	935 k	+6.6%

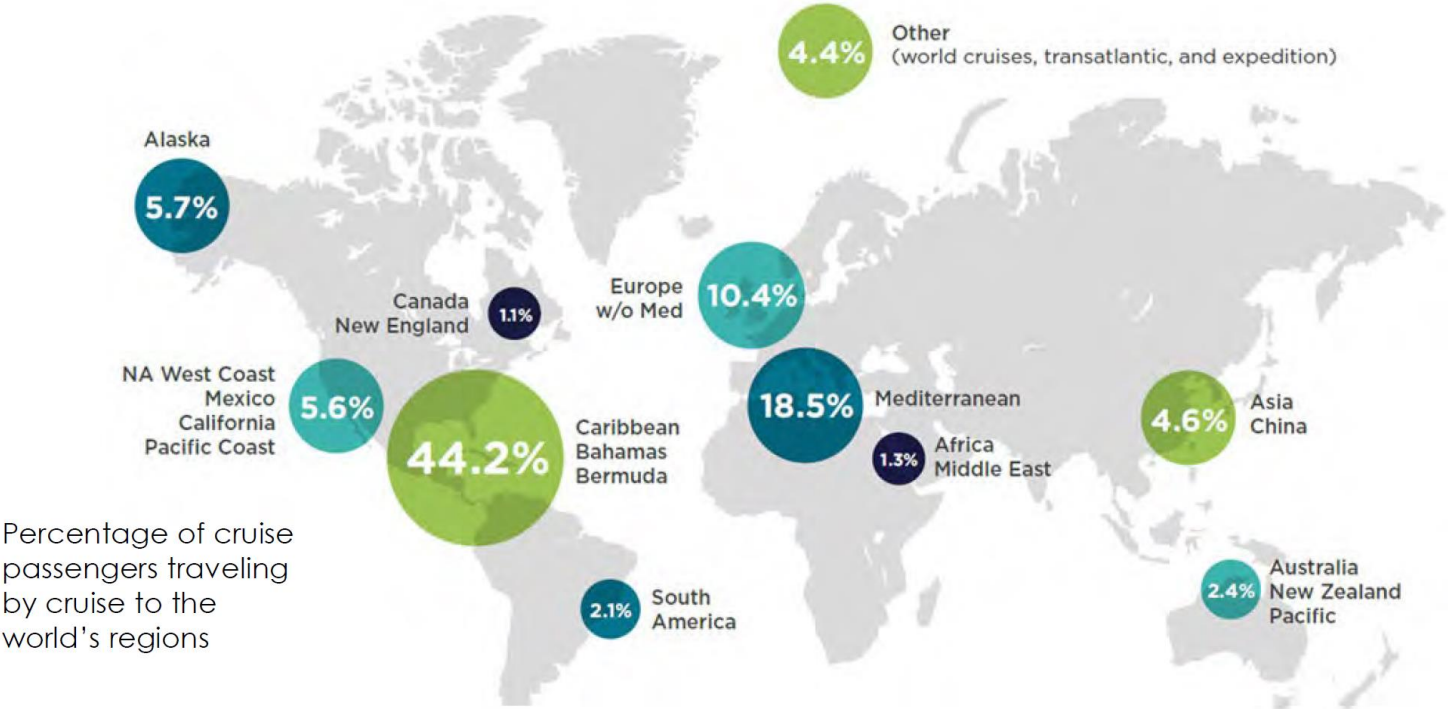
Cruise travel reached 107% of 2019 levels in 2023 – with 31.7 million passengers sailing.

This compares to overall international tourism arrivals, which in 2023 are 12% lower than 2019.

By 2027, cruise is forecast to grow to **nearly 40 million passengers**.

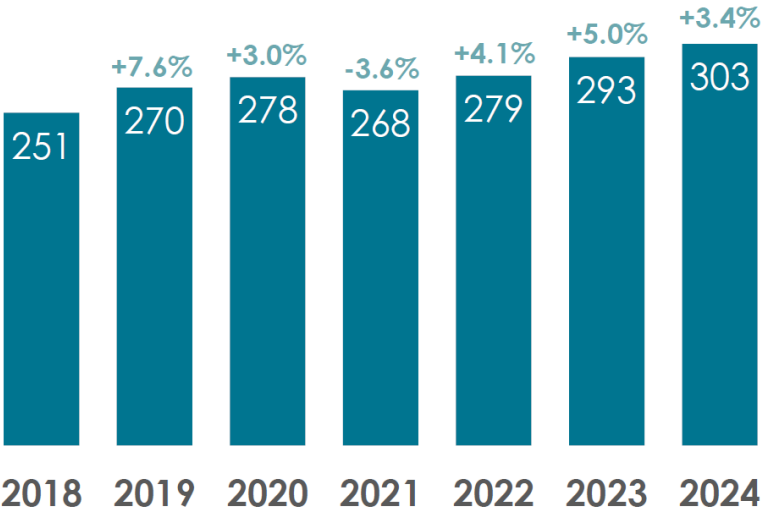
(source: CLIA April 2024 report)

Loss Prevention & new risks - a focus on the Cruises industry



Source: CLIA 1Resource Deployment Data (2023)

CLIA-member fleet size based on **number of ships**



Cruise ships are less than 1% of the world's commercial fleet

Loss Prevention & new risks - a focus on the Cruises industry



MSC GROUP KEY NUMBERS

CARGO DIVISION*

- Leading shipping conglomerate
- **No 1** shipping line worldwide
- **830** vessels
- **5** aircraft
- **300 routes**
- **520** ports of call
- **100** terminals (all MSC Group entities)
- **24.5** million TEU carried annually
- **675** offices
- **155** countries

PASSENGER DIVISION** CRUISE DIVISION



Two brands: **MSC Cruises** in the contemporary segment, and **Explora Journeys** in luxury

MSC Cruises

- **25** vessels by the end of 2027
- **4.1M** guests of **185** nationalities welcomed on board
- **102** countries visited by MSC Cruises ships
- **340** itineraries offered worldwide

Explora Journeys

- Luxury brand Explora Journeys began operating in July 2023 with ship **EXPLORA I**
- 2nd ship **EXPLORA II** delivered in September 2024
- A total fleet of **6** ships by 2028

Worldwide, the MSC Group has almost **200,000** staff on board and ashore (all entities combined).

*Estimated key numbers Jan. 2024

© Copyright MSC Mediterranean Shipping Company SA

**not including GNV and SNAV

Loss Prevention & new risks - a focus on the Cruises industry

THE CRUISE INDUSTRY AND COVID-19 - IMMEDIATE CHALLENGES IN MARCH 2020

Halting the fleet



17 MSC Cruises ships in operation come to a halt in March 2020

Guest repatriations



Tens of thousands of guests who are on board when this happens need to be sent home

Crew repatriations



Of 25,000 crew employed in our fleet, less than 1,000 will remain on board, all others need to be repatriated

No revenue



Our business goes from high revenue to no revenue overnight – need to adapt the company to the new environment

Loss Prevention & new risks - a focus on the Cruises industry

THE CRUISE INDUSTRY AND COVID-19 - OPERATING DURING THE PANDEMIC



Major border restrictions across the world

Fluid environment: rules changed every day

Revision of itineraries with reduced airlift

Disruption of crew movements



Health and safety protocols to minimise risk of infection, throughout the experience

Revised procedures for embarkation, on-board life, shorex, etc.

Travel Insurance with Covid extension (also for cancellation) as risk management tool for Cruise Lines – it was compulsory for any guest to have such coverage to get on board, it became industry practice until mid-2022



Working with destinations to ensure a safety of guests ashore and local communities

Need to exercise greater control of guest experience ashore during pandemic

'Bubble' shore excursions

Loss Prevention & new risks - a focus on the Cruises industry

MSC CRUISES' RESTART - HEALTH & SAFETY OPERATING PROTOCOL



Universal health screening
and COVID-19 testing for guests and crew



Elevated sanitation and cleaning measures



100% fresh air



Responsible social distancing



Enhanced medical facilities



Ongoing health monitoring



Guests only go ashore as part of
an MSC Shore Excursion



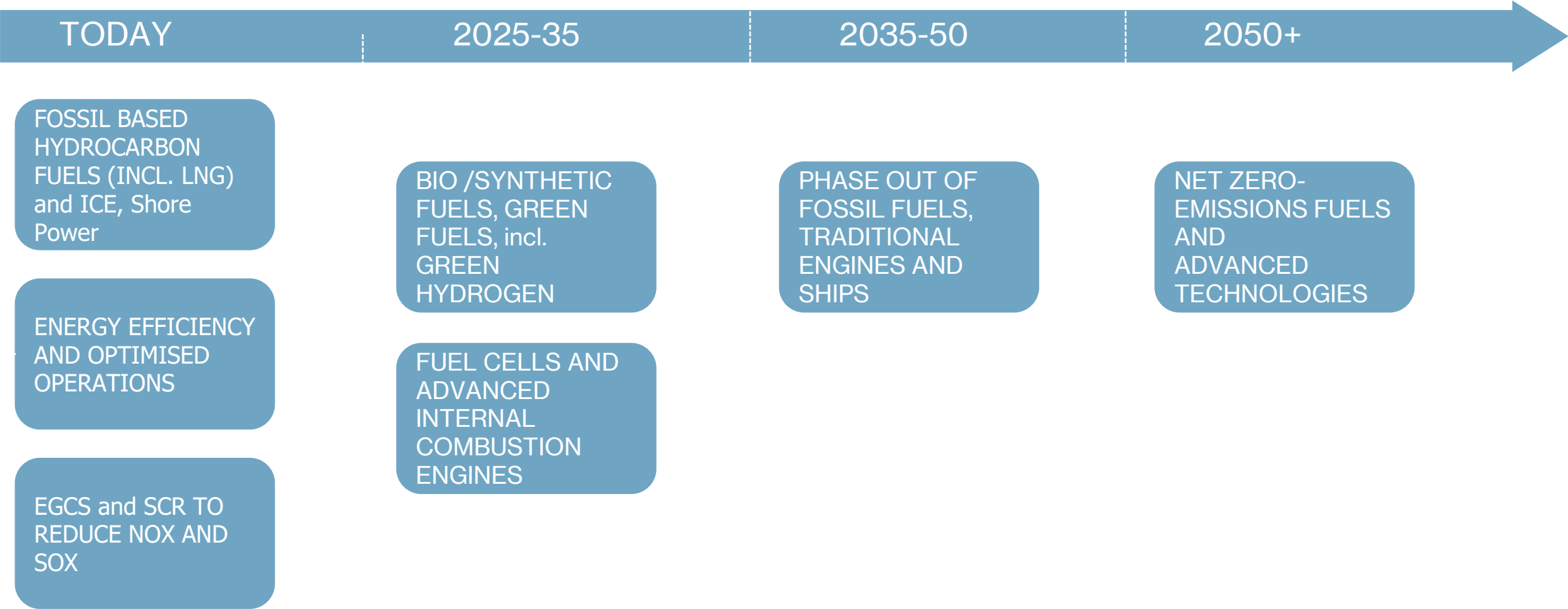
Contingency response plan



- **MSC Grandiosa** sailed from **Genoa** on 16 August 2020 and completed a seven-day West Med sailing
- In this initial phase bookings **only open to Schengen residents** (26 countries)
- Ship sailed at **near 50% capacity** less than two weeks after opening bookings
- Good demand from **Italy** and **France**, followed by **Germany** and **Spain**
- First sailing reflects a **successful implementation of new health and safety protocol**

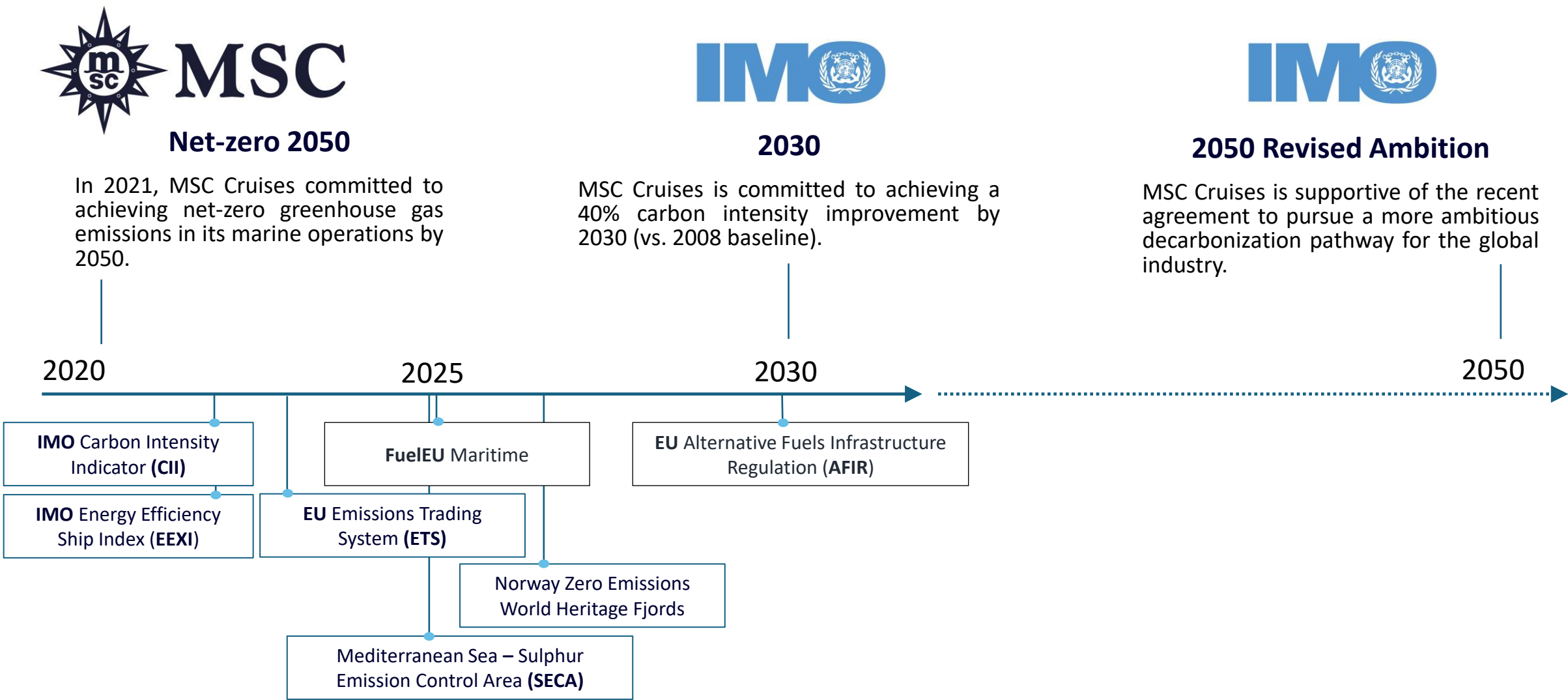
Loss Prevention & new risks - a focus on the Cruises industry

ROADMAP TO ACHIEVE POWER WITH NET ZERO EMISSIONS



Loss Prevention & new risks - a focus on the Cruises industry

ROADMAP TO ACHIEVE POWER WITH NET ZERO EMISSIONS



Loss Prevention & new risks - a focus on the Cruises industry



SHORE POWER

All new ships fitted with shore power with 65% of our fleet capacity ready to connect to shore power.

Retrofitting programme for ships in operation.

FUEL CELLS

Able to produce electricity more efficiently than internal combustion engines.

The Solid Oxide Fuel Cell (SOFC) can utilise LNG, as well as methanol and hydrogen.

Aim: prove the technology now, scale up and transition to hydrogen in future.

150KW fuel cell demonstrator on MSC World Europa.

LIQUEFIED NATURAL GAS (LNG)
A transitional fuel on our carbon reduction journey



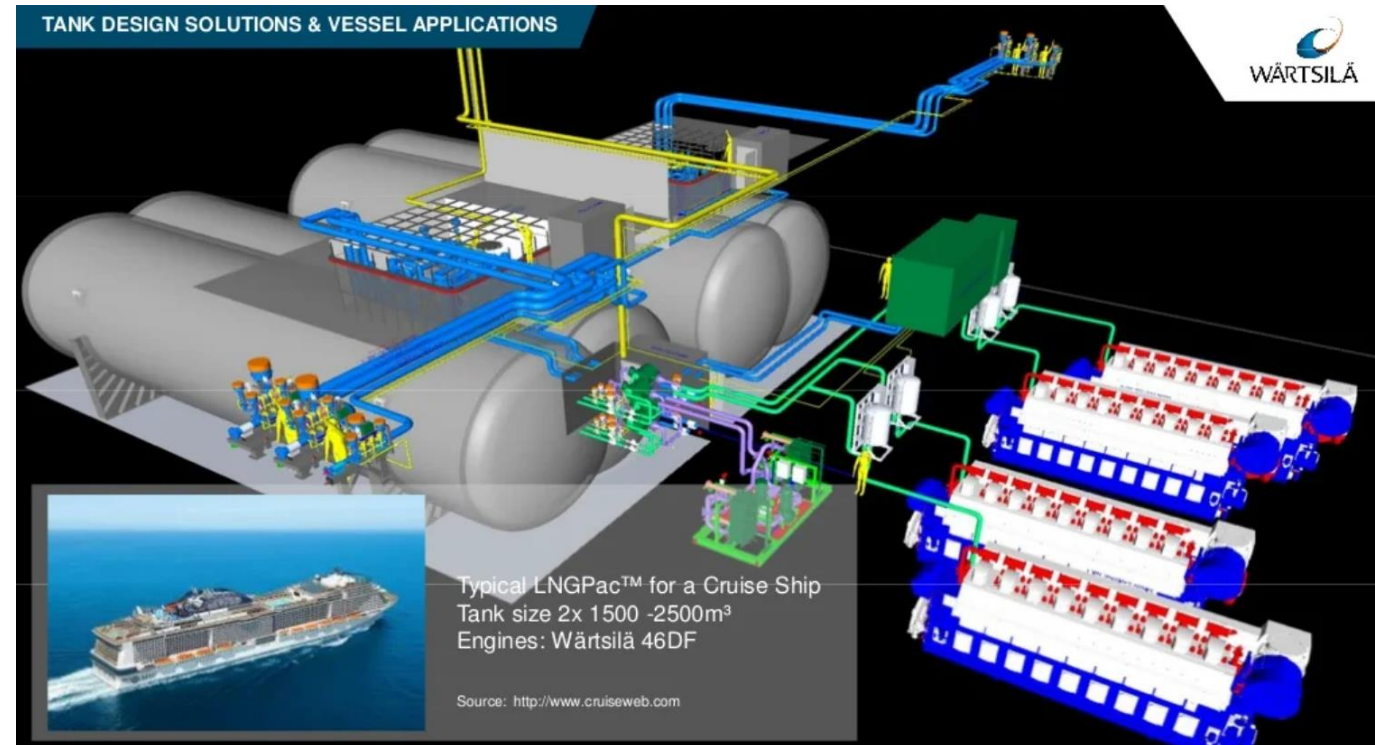
Loss Prevention & new risks - a focus on the Cruises industry

LNG CHALLENGES

Larger bunkering requirements - 3-4 x more volume required for LNG than traditional liquid hydrocarbon fuels. Making retrofit almost impossible

Supply chain issues – current political situations may impact the supply of LNG in the places we need it

Methane slip – unburnt methane during combustion is a potent greenhouse gas. Engine technology is improving to reduce this, and we are investigating post combustion technologies to eliminate it.



Loss Prevention & new risks - a focus on the Cruises industry

FUTURE CHALLENGES

GREEN FUELS

Bio-fuels, LH2, Methanol, Ammonia, etc.

STORAGE &
TRANSFER

CARBON BASED

SUPPLY CHAIN

NEW TECHNOLOGIES

Fuel Cells, Carbon capture, etc.

STILL UNDER
DEVELOPMENT

SCALABILITY

RELIABILITY

Loss Prevention & new risks - a focus on the Cruises industry

MSC CRUISES PARTNERSHIPS AND R&D

- With SHELL long-term MOU in the energy transformation of shipping, as developers and early adopters of innovative technologies and fuel solutions.
- With Fincantieri to investigate the design and construction considerations and related hydrogen bunkering needs of a hybrid LNG & hydrogen powered cruise ship
- With Chantiers de l'Atlantique, and others on developing a solid oxide fuel cell (SOFC) to test onboard LNG ship
- The EU-funding Project CHEK to investigate how multiple onboard improvement and innovations can be integrated to help get us to zero emissions
- Funding through the UK Department of Transport –funded Clean Maritime Demonstration Competition to study the implementation of fuel cells into existing ships



Department
for Transport

Loss Prevention & new risks - a focus on the Cruises industry

CONCLUSIONS: SAILING TO NET ZERO

- Net zero emissions 2050 – focus on new technologies and greener fuels
- No single solution for the shipping industry
- The transition period will be long – many decades – and not linear
- Dual fuel/ hybrid options will allow gradual integration of lower and potentially zero carbon fuels – biofuels, e-methane, hydrogen mix
- More R&D needed on completely new energy systems such as fuels cells and wind power
- **Collaboration with industry partners (Shipyards, Engine Manufacturers, fuel suppliers, etc.) and Government guidance and support is essential on this journey**

HOW CAN INSURANCE INDUSTRY SUPPORT?

- What to expect from the Insurance Industry for Innovation, underwriting approach, loss prevention for new Shipping Risks triggered by decarbonization targets
- How will Insurers support shipping companies of all sizes during this transitional phase ?

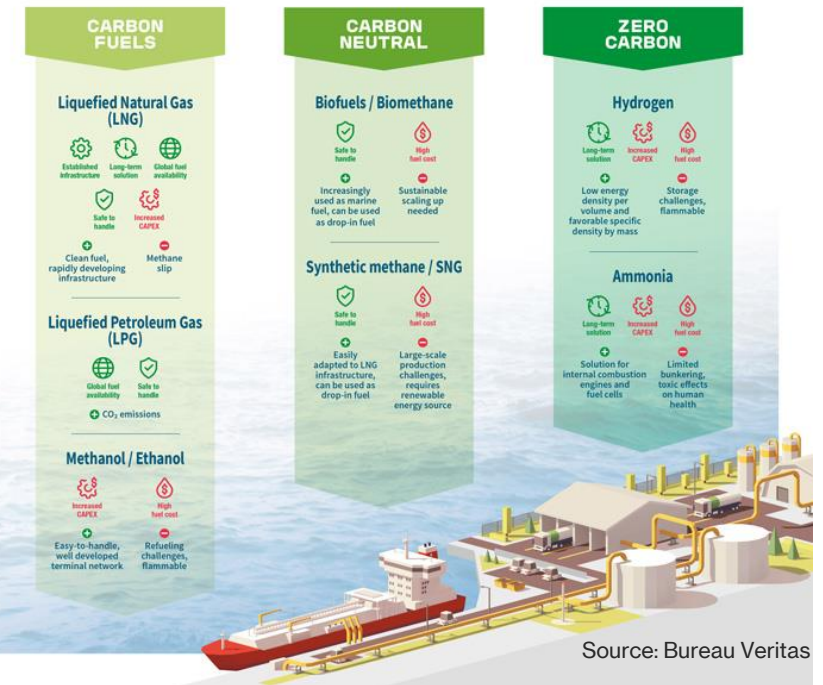
FUTURE MARINE FUELS

PATHWAYS TO DECARBONIZATION

IMO has developed the ambitious target of a minimum **50% reduction** in greenhouse gas (GHG) emissions **by 2050**.

Shipowners have **alternative fuel options** to help them meet IMO's ambitions, each with its own advantages and challenges.

○ Advantages
○ Challenges



Source: Bureau Veritas

Some examples in shipping:

FUTURE MARINE FUELS

- Different risks & challenges (example: salvage)

PROTOTYPES

- Need change of Insurer's mindset on underwriting
- Data sharing required (sometimes it is a challenge)

Loss Prevention & new risks - a focus on the Cruises industry

LOSS PREVENTION AND RISK MANAGEMENT

AT SEA



- Nautical Risks
- War Risks (e.g. Red Sea issue)
- Climate change risks

ASHORE



- People Risks
- Nat Cat Risks
- Climate change risks

QUESTION & ANSWER

Thank you

#IUMI2024

Rocco Bozzelli
Head of Global Insurance
MSC Cruises SA