Sanctions: Top marine compliance risk that moves in real-time

While the marine insurance industry faces myriad risks, from Russia president Vladimir Putin's invasion of Ukraine to the conflict in the Red Sea, the dynamic sanctions environment that transcends jurisdictions and requires robust due diligence is the top risk of 2024. *Asia Insurance Review* spoke with **Markel**'s **Ms Wanshi Lin** and **QBE Asia's Mr Rama Chandran** for insights.

By Sarah Si


Ms Wanshi Lin

Geopolitical events such as Russia president Vladimir Putin's invasion of Ukraine and the conflict in the Red Sea have had "a significant bearing on the marine market over the past 12 months", with numerous marine vessels suffering loss and damage, according to Markel senior underwriter – marine Wanshi Lin.

Moreover, QBE Asia head of marine Rama Chandran does not expect geopolitical issues "to relent in the next 12 months".

Regulators and risk

When asked if insurance regulations in Asia were supportive of evolving marine risks, Mr Chandran said, "Engagement with [most regulators have] been very positive."

"[Regulators] also want to ensure that there is no disruption to the service [provided] to the general consumers and … corporates that require such cover and marine," he said.

Mr Chandran believes marine transcends boundaries and jurisdictions, with up to 90% of the world trade shipped by sea, alongside all cargo and raw material.

"Naturally, on the part of the regulators, [a big part of it is making] sure that there is less disruption of this," he said.

Compliance risks

"In 2024, the most important compliance risk impacting the marine market has been the dynamic sanctions environment," Ms Lin said.

This marine risk also transcends jurisdictions, according to Mr Chandran.

"Singapore [is] part of the United Nations, [and] we have other major (sanctions) regulators in the likes of the Office of Foreign Assets Control, the European Union and the United Kingdom.

"They do have quite stringent sanctions requirements across the globe. Naturally, we need to conform to this as shipping is a global enterprise," he said.

As such, he said, compliance is a big part of marine, and is "integral" to every insurer, as companies would "have made this (a) part of [the] whole regime in terms of compliance check".

"Sanctions are the one element that moves in real time," Mr Chandran said.

Insurers must also "perform robust due diligence to ensure [they are] not inadvertently covering any sanctioned entities or activities", Ms Lin also said.

"Such due diligence is complicated by ownership structures, the number of parties and jurisdictions involved in a marine voyage, and fast-changing sanction edicts," she said.

For instance, she believes that sanctions checks need to consider all entities involved in the trade, the type and origin of cargo handled, the area where trading takes place and all port calls.

AI and data

According to Ms Lin, the "exponential growth in data" provides underwriters with a degree of insight unimaginable even a decade ago.


Mr Rama Chandran

"In marine, an example of this is automatic identification system (AIS) data that provides live geo-location data for all registered vessels.

"Similar to the application of telematics in motor insurance, geo-location allows underwriters to monitor the behaviour of a ship. In the long run, as insurers overlay this with claims data, it is conceivable that underwriters can identify correlation and causation links between ship behaviour and loss activity," she said.

The intention is to "support better risk management through a regular feedback loop that provides insight and advice to shipowners", Ms Lin said.

She also believes there are challenges, such as the rise of 'dark fleets', where shipowners manually override or turn-off AIS signals.

"In recent months, we have seen an ocean-going vessel signalling a location in Inner Mongolia – certainly not a traditional maritime route.

"Clearly, we are still at a nascent stage of this technology's application, but the principle of using data to drive better risk management is one we see as a powerful in enhancing the role of insurance in the marine industry," she said.

On the other hand, Mr Chandran believes that while AI would become a big part of what is done day-to-day, it is still in its infancy stage in marine insurance, due to its complexity.

"[Marine] is considered a specialty class. More homogeneous products would probably incorporate AI much quicker," he said.

Marine events

When asked about the oil spill that affected Singapore in June 2024 due to a vessel allision at the Pasir Panjang Terminal, Mr Chandran said, "Most insurers have significant expertise in understanding the risks and how to engage the relevant parties. [The risk mitigation] is how [to] manage a pollution or any claim of that nature."

He also said that after being present at "multiple oil spills" over his long career, he has observed that no country "is immune to perils of the sea", including collision with another vessel.

Another significant event that took place in March this year was the collapse of the Francis Scott Key Bridge in Baltimore, when a container ship struck a support column.

"With the loss of life, huge physical damage and extensive business interruption, industry speculation is that this could become the single largest marine loss ever.

"Indeed, total insured losses will likely exceed the International Group P&I limit of $1bn and even surpass the current largest marine loss event, the Costa Concordia disaster in 2012, where insured losses were almost $2bn," Ms Lin said.

Risk mitigation

"Insurance plays a vital role in supporting individuals and businesses both before and after unforeseen events. Paying claims may be our headline activity as an industry, but often it is the advice and guidance of underwriters and brokers that helps prevent risks arising or, when they do, escalating.

"Examples of this in marine include ensuring regular surveys are conducted of shipyards as a condition of cover or requiring ships to warrant the presence of specialists onboard during specific manoeuvres or repairs," Ms Lin said.

She said that while this may come off as the addition of mundane clauses to wordings, "it is a critical component of the insurance industry's influence on ensuring good risk management", such as by reducing business interruption or environmental impact.

Mr Chandran also believes that marine insurance has always been quite adaptive to geopolitical issues, as insurers ensure an understanding of possible hot spots that might spring up quickly.

Insurers are then "in a position to advise the client accordingly", he said, to make sure that they would not be impacted by potential uprisings in certain locations.

The future

Mr Chandran believes new technologies most shipping companies have started to adopt, and geopolitical tensions will impact the marine insurance and risk industry the most.

Over the last century or so, he said, the ship "has gone from coal to steam to oil and petroleum".

"Geopolitical issues are something that one has to be fully aware of and it can spring up anytime, anywhere in the world," he said.

Ms Lin also believes the continuation of Russia president Vladimir Putin's invasion of Ukraine and the conflict in the Red Sea would weigh heavily on the marine insurance market, as the 'live' risk environment has different implications to the significant single loss event in Baltimore.

"Both situations could underpin a higher floor to pricing in the marine sector in the near term. That can of course lead to newer, opportunistic entrants. In Asia, we have seen this in the form of offshore MGAs undercutting incumbent regional markets," she said.

A benefit to this proximity, she said, was that it would also allow policyholders with "better support for the risks they face".