INSURANCE

WQIS set to slash cost of pollution guarantees

New York insurance syndicate steps out into world market with bargain pricing on tickets to trade to the US

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The cost of a “ticket to trade” to the US could be halved as the Water Quality Insurance Syndicate (WQIS) bids for a significant share of the pollution financial guarantee market.

The move is expected to shake up the market for certificate of financial responsibility (Cofr) guarantees required by more than 21,000 ships trading to the US.

New York-based WQIS is to offer big reductions in the cost of Cofr guarantees but is reluctant to confirm insurance market talk that premium levels could be 50% of existing providers.

The WQIS is a top underwriter of pollution insurance for the US coastal and inland waterway fleet but is now seeking a bigger international presence with Cofr guarantees, its first big step in this direction.

The syndicate, which is backed by 16 leading insurance groups, has a high reputation and a close working relationship with the US Coast Guard (USCG), so carries strong market credibility.

WQIS has been in the Cofr-guarantee business since it was mandated by the US Oil Pollution Act of 1990 but has so far focused on providing them to the large number of US-controlled vessels buying its core pollution cover.

But it is now to actively market stand-alone Cofr guarantees to owners with protection-and-indemnity (P&I) cover from any of the 13 International Group clubs.

The move follows a row between the International Group mutuals over a Standard Club proposal to move into the Cofr guarantee market.

▸**POLLUTION RISK:** Tug boats attempt to contain the oil slick surrounding the 214,000-dwt *Exxon Valdez* (built 1986) after the tanker ran aground in Alaska in March 1989. Currently, around 21,000 ships trading to the US require Cofr guarantees. **Photo:** SCANPIX

P&I ARGUMENT

The Standard Club argued that since Cofr guarantees became a legal requirement for US trading, the mutuals have always paid valid pollution claims so a guarantee has never been called upon.

Shipowners have paid out $750m for Cofr guarantees over the past 19 years for little or no benefit, according to the Standard Club, which warned close to $40m a year would continue to be “wasted” if nothing changed.

But the proposal that the P&I clubs move into the Cofr guarantee business was overwhelmingly rejected, although the idea fell on fertile ground in New York.

“We were very observant of what was taking place. Once the clubs said no we decided it was a great opportunity and made sense for us,” WQIS president John Ryszetnyk told TradeWinds.

Ryszetnyk, who took the helm of WQIS from his long-serving predecessor, Richard Hobbie, at the end of last year says he plans to go “globetrotting trying to build up our presence in the international space”.

“We are not setting out to cut the market in half but offer another option. WQIS is already a market leader in respect of pollution. This is a US pollution-risk guarantee and something we should have been doing for years,” added Ryszetnyk.

A key part of WQIS’s business plan is that it can write Cofr guarantees for international shipping at little or no additional cost.

“We need no additional head count. This is something we currently do and have systems set up to do,” he added.

WQIS underwriting chief, John Moy, says there are lots of consideration that will go into Cofr guarantee pricing so it is not possible to quantify the reductions in terms of dollars and cents.

But one decision that has been made is that tankers will be charged an annual premium rather than the voyage-linked fee of the current market. Dry cargo ships already pay an annual premium.

The WQIS move is a challenge to Shipowners Insurance and Guaranty Co (SIGCo) and Maritime Insurance Solutions, created by the merger of Shoreline Mutual and Arvak. The two Bermuda companies are currently the leading underwriters of Cofr guarantees.

Both are owner-controlled ventures that have made substantial cuts to the cost of Cofr guarantees over the years as initial fears of legal battles over mega claims faded and reinsurance costs fell.

Maritime Insurance Solutions last year introduced a loyalty bonus, with SIGCo already operating a continuity credit profit sharing scheme.

NO COFR CLAIMS

WQIS, in common with other Cofr guarantors, has never been hit by a claim, although SIGCo is believed to have incurred defence costs of about $900,000 in respect of a 1999 spill involving the 44,500-dwt woodchip carrier *New Carissa* (built 1989).

WQIS has provided Cofr guarantees of up to $160m for free to ships with pollution cover from the syndicate and plans to continue to not charge an additional premium for owners buying core pollution cover.

But agreement among the insurance companies who are syndicate subscribers and additional reinsurance arrangements put in place means WQIS can now provide Cofr guarantees for all vessels including the largest VLCCs trading to the US.

“The biggest vessel trading to the US last year required a Cofr guarantee of $470m or $480m,” explained Ryszetnyk. “We can write that amount and then some.”

The WQIS was established more than 40 years ago in the wake of an oil platform blowout off California that caused serious pollution to the shoreline around Santa Barbara and sparked a number of legislative initiatives.

The syndicate underwrites on behalf of Swiss Re, Zurich, Travelers, Liberty Mutual, AIG, Ace, OneBeacon, Navigators and ProSight each subscribing for 8.3716% of the risks written.

CNA takes a 7.9557% stake, Munich Re a 4.9794% stake, RLI 3.825%, Crum and Forster, XL and Alterra 2.3% each, with WR Berkley on 1%.

SHIPYARDS

▸**PARCEL TANKER:** The newbuildings will join the fleet of NYK Asia Pacific Services, which includes the 8,792-dwt *Stolt Violet* (built 2004). **Photo:** STOLT NIELSEN

NYK Stolt pumps up tanker tally at Usuki

Irene Ang **Singapore**

NYK Stolt Shipholdings (NSSH), a joint venture between NYK and Stolt Tankers, has booked two small parcel tankers at a Japanese shipyard.

A NYK executive confirms that NSSH has added two more 12,500-dwt stainless-steel vesselss at Usuki Shipyard Co, bringing the order there to four. He adds that the tankers are options the company held when it signed for its earlier pair last year. No price has been disclosed.

Usuki is scheduled to deliver the first two ships in July and September 2016, respectivley, and the second duo in March and June 2017.

NYK says the newbuildings, each with 18 stainless-steel cargo tanks, will replace tonnage that is currently slated for retirement or redelivery.

On delivery, the newbuildings will be chartered to Stolt NYK Asia Pacific Services, which focuses on small parcel tankers. The company currently controls a fleet of 11 ships.

NYK and Stolt also jointly operate another parcel tanker company, NYK Stolt Tankers, which concentrates on the deepsea trades. The company operates six vessels from 22,000 dwt to 39,000 dwt.