

Cyber risks and P&I insurance implications

Modern vessel navigation and propulsion have become increasingly dependent on computer software. A number of shipboard systems have been identified as being vulnerable to cyber-attack. In this article, we outline how standard P&I cover generally operates in respect of shipboard cyber risks.



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Poolable cover

There is no express cyber exclusion in the club's rules. As such, a member's normal P&I cover will continue to respond to P&I liabilities arising out of a cyber attack so long as the cyber attack in question does not constitute 'terrorism' or another war risk excluded under rule 4.3 of the [club's rules](#).

In the context of war risks, terrorism is broadly understood to denote acts aimed to kill, maim or destroy indiscriminately for a public cause. Accordingly, if a cyber attack were to be perpetrated by an individual or group for the purposes of merely causing general disruption and for no public cause, then this would be unlikely to constitute terrorism for the purposes of the rules, and a member's cover will respond in the normal manner. However, in the event of any dispute as to whether or not an act constitutes terrorism, the club's board is given the power under rule 4.3 to decide and such decision shall be final.

Relevant extensions

In the event that a particular cyber attack does constitute 'terrorism' or another excluded war risk, then the club's excess P&I War Risks clause may respond, but not to the extent that the cyber attack involves the use or operation of a computer virus as a means for inflicting harm.

Where a cyber attack does constitute an excluded war risk under the P&I rules and is also excluded under a member's primary and excess P&I war risks covers, the club's Bio-chemical Risks Inclusion clause provides a limited buy-back (for owned entries only) up to \$30m in respect of liabilities to crew as well as sue & labour expenses where the liability is directly or indirectly caused or contributed to by or arises from the use of any computer, computer system, computer software programme, malicious code, computer virus or computer process as a means of inflicting harm.

However, cover under this extension is subject to certain exclusions, notably liabilities arising out of the use of the ship or its cargo as a means of inflicting harm. As such, if a malicious third party were to hack into the navigation controls of a ship and then deliberately steer her into collision with another ship or object, those crew liabilities and sue & labour expenses that would otherwise be covered under the clause would be excluded given that the ship would have been used as a means of causing harm.

Conclusion

In an age where cyber threats are becoming increasingly prevalent, shipowners are urged to be alert to the vulnerability of ships to cyber attack. The above is a brief summary of how standard P&I cover generally operates in respect of shipboard cyber risks. Naturally, each case is dependent on its facts.

