

Explanatory Note: Bharat Maritime Insurance Pool (BMIP),

Securing India's Maritime Trade

05.06.2026

1. Growing Fleet, A Widening Protection Gap

36% Growth in Indian Tonnage from 2015

1609 Ships
Indian-flagged vessels as of May 2026

14.33M GT
Total fleet GT- up from 10.5M GT in 2015 till June 2026

~1% Global Share
India's share of world ocean-going tonnage

Indian Tonnage Position 2015- June 2026

Date	No. of Ships	Gross Tonnage (Million GT)
Apr-15	1210	10.5
Apr-16	1273	10.9
Apr-17	1316	11.6
Apr-18	1384	12.6
Apr-19	1407	12.8
Apr-20	1433	12.7
Apr-21	1473	12.8
Apr-22	1505	13.1
Apr-23	1523	13.7
Apr-24	1530	13.8
Apr-25	1549	13.52
Jun-26	1609	14.33

As the sector expands its **role in trade and energy security**, demand for maritime insurance is rising. However, a significant portion of marine insurance particularly **P&I and specialized risks** continues to be **serviced by international markets**, indicating a measured **opportunity for enhancing domestic capacity**.

The Indian-flag fleet has grown to 1,609 ships and 14.33 million GT as of mid-2026, a roughly 36% increase in tonnage since 2015, yet India still accounts for only about 1% of world ocean-going tonnage. P&I and specialised risks remain largely serviced by international markets — the gap the Pool

Tonnage has grown while the insurance value chain that supports it has not. Premium, claims handling, actuarial pricing and the issuance of port-accepted financial-security certificates all sit predominantly offshore. The full year-on-year tonnage record below

Date	Gross Tonnage (M GT)	No. of Ships
01.04.2015	10.50	1,210
01.04.2016	10.90	1,273
01.04.2017	11.60	1,316
01.04.2018	12.60	1,384
01.04.2019	12.80	1,407
01.04.2020	12.70	1,433
01.04.2021	12.80	1,473
01.04.2022	13.10	1,505


Date	Gross Tonnage (M GT)	No. of Ships
01.04.2023	13.70	1,523
01.04.2024	13.80	1,530
01.04.2025	13.52	1,549
01.06.2026	14.33	1,609

Scale matters in P&I because mutual insurance prices risk over a large, diversified pool of tonnage. Set against the major Asian maritime nations, India's position is instructive: Japan carries roughly 11% of world tonnage, China around 12%, and South Korea about 4% — and each of those three operates a national P&I capability of its own, whereas India operates none of comparable standing.

The cost of that absence is measurable. Indian operators send an estimated USD 45–60 million in annual P&I premium to foreign clubs, with the wider marine-insurance outflow larger still. Every rupee of that outflow also exports the claims data, loss-prevention know-how and underwriting talent that a domestic market would otherwise accumulate. A growing fleet without a growing domestic insurance base is, in effect, subsidising the development of foreign markets.

2. Every Voyage Rests on Four Layers of Protection

Every Voyage Depends on Four Critical Layers of Insurance Protection



HULL & MACHINERY (H&M)	WAR RISK INSURANCE	CARGO INSURANCE	PROTECTION & INDEMNITY (P&I)
<p>Covers physical damage to the vessel storms, collisions, groundings, machinery failure. Excludes war & terrorism.</p> <p>Global premium: USD 9.67B (2024)*.</p>	<p>Separate policy covering H&M exclusions: missile strikes, drone attacks, mines, piracy. Subject to 7-day cancellation clause. Additional War Risk Premium (AWRP) levied for designated High Risk Areas.</p>	<p>Covers goods in transit against loss, damage, and theft. Taken by cargo owners or shippers. Largest segment globally at 57.3% of total marine premium.</p> <p>Global premium: USD 20.5B (2024)*.</p>	<p>Third-party liabilities: crew injury/death, cargo damage, oil pollution, wreck removal, collision, fines. There are two types of P&I Insurance. A mutual club model and a Fixed Premium Model. 90% of the world's ocean-going tonnage, covering 60% of the world fleet is insured by the International Group of P&I Clubs (IG P&I)</p>

*International Union of Marine Insurance. (2025, September 16). Facts & figures press release 2024. <https://iumi.com/statistics/facts-figures-press-release-2024/>

A voyage is protected by four distinct contracts: Hull & Machinery (global premium -USD 9.67 bn, 2024), a separate War Risk policy, Cargo insurance (-USD 20.5 bn, the largest marine segment at 57.3%), and Protection & Indemnity, where the International Group of P&I Clubs insures about 90% of ocean-going tonnage.

i. Hull & Machinery (H&M) — the ship as property

H&M is the foundational property cover on the vessel itself — physical loss or damage from perils such as heavy weather, grounding, collision and machinery breakdown. Policies are written on standard wordings: the London-market Institute Time Clauses – Hulls (ITCH) or the Nordic Marine Insurance Plan. Premium typically runs between 0.3% and 1.5% of the agreed insured value per annum, depending on the vessel's age, type and trading area, for a modern USD 100 million tanker that is roughly USD 300,000 to USD 1.5 million a year. Crucially, the ordinary H&M policy excludes war, terrorism, piracy and malicious acts — which is precisely why a separate war-risk contract is needed. Capacity sits chiefly with Lloyd's syndicates, the International Underwriting Association company market, and the Nordic insurers (Gard, Skuld, DNK) grouped under CEFOR, GIC Re provides domestic Indian capacity.

ii. War Risk — the separate, fast-cancelling cover

Because H&M excludes war, owners buy a distinct Marine War Risks policy, usually arranged through the same broker but legally a separate contract. Two features define it. First, it carries

a standard seven-day notice of cancellation, so underwriters can withdraw or reprice cover at a week's notice if a region deteriorates. Second, transits through designated high-risk areas attract an Additional War Risk Premium (AWRP), charged per voyage or per seven-day period. The areas are identified by the Lloyd's Joint War Committee's "listed areas", and under BIMCO war clauses (CONWARTIME / VOYWAR) the AWRP is commonly passed to the charterer.

iii. Cargo — the largest segment


Cargo insurance protects goods in transit against loss, damage and theft and is taken by the cargo owner or shipper, on Institute Cargo Clauses (A) all-risks, or the narrower (B) and (C) named-perils wordings. At 57.3% of global marine premium (-USD 20.5 bn in 2024), it is the single largest marine class — a reminder that the Pool's cargo-war cover is not a marginal line but central to keeping Indian imports and exports moving.

iv. Protection & Indemnity (P&I) — third-party liability

P&I is fundamentally different from H&M: it covers the owner's liabilities to third parties rather than damage to the ship. The covered exposures include crew death, injury and illness, cargo loss or damage, oil and other pollution, wreck removal, damage to fixed and floating objects, the one-fourth collision liability not carried by H&M, fines, and crew repatriation. These can be enormous — a single pollution incident can run to hundreds of millions of dollars. Globally, P&I is provided mutually through the International Group (IG) of P&I Clubs — 12 clubs since North and Standard merged to form NorthStandard in 2023. The IG shares risk in tiers: each club retains the first USD 10 million of a claim, claims from USD 10 million to USD 100 million are pooled across all clubs, and above that a collectively purchased Group Excess of Loss (GXL) reinsurance programme, with the Bermuda captive Hydra, extends cover into the billions. The IG insures roughly 87–90% of the world's ocean-going tonnage and collects on the order of USD 3.8 billion in annual premium.

3. P&I: Statutory Backbone, Foreign-Held

P&I Insurance: Backbone of Maritime Liability Protection



Given its statutory mandate under the Merchant Shipping Act, 2025 and alignment with international conventions, P&I insurance serves as a fundamental requirement for vessels calling at Indian ports, forming a critical part of the maritime liability framework.

<p style="margin: 0;">Mandatory P&I Certification</p> <hr style="border: 0.5px solid black;"/> <p style="font-size: 0.8em; margin: 5px 0;">As per Section 188, MS Act 2025 for oil tankers >2,000 tonnes (CLC, 1992 basis)</p>	<p style="margin: 0;">>95% Dependency on Foreign Clubs</p> <hr style="border: 0.5px solid black;"/> <p style="font-size: 0.8em; margin: 5px 0;">Annual P&I premium outflow of USD 45-60M entirely to foreign clubs</p>	<p style="margin: 0;">23 Non IG P&I insurers</p> <hr style="border: 0.5px solid black;"/> <p style="font-size: 0.8em; margin: 5px 0;">Approved by DGS under Rule 2(e) of Port Entry Rules, 2012</p>	<p style="margin: 0;">New India Assurance (NIA) as authorized</p> <hr style="border: 0.5px solid black;"/> <p style="font-size: 0.8em; margin: 5px 0;">Non-IG provider with coverage up to USD 15 million. Risk structure: 10% retained (NIA), 4% GIC Re, 86% Hydor AS (Norway)</p>
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P&I certification is mandatory under Section 188 of the Merchant Shipping Act, 2025 for oil tankers above 2,000 tonnes (on the CLC 1992 basis). India depends on foreign clubs for over 95% of P&I, with USD 45–60 million flowing abroad annually, 23 non-IG P&I insurers are approved under Rule 2(e) of the Port Entry Rules, 2012, and New India Assurance (NIA) is the authorised non-IG provider (cover to USD 15 m, 10% NIA / 4% GIC Re / 86% Hydor AS, Norway).

P&I is not optional cover — it is the legal key that lets a ship trade. A web of international conventions, now given domestic effect through the Merchant Shipping Act, 2025, requires the owner to hold evidence of insurance, issued by an acceptable P&I provider, before a vessel may enter or leave port:

- the Civil Liability Convention (CLC 1992) for oil tankers carrying persistent oil, requiring a state-issued certificate backed by P&I,
- the Bunkers Convention 2001, extending compulsory liability cover to bunker-oil pollution from non-tankers,
- the Nairobi Wreck Removal Convention 2007, requiring certificated cover for wreck-removal liability, and
- the Maritime Labour Convention (MLC 2006), requiring financial security for crew wages, repatriation and death/disability.

In each case the practical instrument is a P&I “blue card”, on the strength of which the flag State issues the statutory certificate. This is why the IG’s universal acceptance is so valuable, and why dependence on foreign clubs is a strategic vulnerability rather than a mere commercial preference: if a foreign club or its reinsurers withdraw cover — whether for sanctions, war-zone exposure or underwriting reasons — the certificate can lapse and the ship cannot lawfully trade.

4. Role of P&I Insurance in Salvage Operations



Role of P&I Insurance in Salvage Operations

Role in salvage operations	Critical areas of involvement	Operational importance	
<p>P&I insurer covers liability exposures during salvage, while Hull & Machinery insurers handle property salvage.</p> <p>Provides security under SCOPIC/LOU and supports Special Casualty Representative</p> <p>Coordinates with salvors, authorities, correspondents, lawyers and pollution experts.</p> <p>Manages crew, pollution and third-party claims</p>	<p>Pollution risk and bunker removal</p> <p>Port-of-refuge requirements and security demands</p> <p>Criminalisation/detention issues</p> <p>Wreck removal obligations</p>	<p>Ensures timely funding and security</p> <p>Enables informed casualty response</p> <p>Supports environmental protection and dispute reduction</p> <p>Provides access to specialised global response networks</p>	<p>P&I insurer acts as the primary liability partner, particularly when cases move from salvage to regulatory and environmental implications</p>

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In a casualty, the P&I insurer covers liability exposures while H&M handles property salvage. The P&I club provides security under SCOPIC and letters of undertaking, supports the Special Casualty Representative, and coordinates salvors, authorities, lawyers and pollution experts — managing crew, pollution and third-party claims, and ensuring timely funding and access to global response networks.

Salvage sits at the intersection of H&M and P&I, and understanding the split is essential to the workshop. Most ocean salvage is contracted on Lloyd’s Open Form (LOF) — the “no cure, no pay” agreement under which the salvor is rewarded only if property is saved, the reward being assessed against the salvaged value of ship and cargo (an H&M/cargo exposure). But pure “no cure, no pay” once discouraged salvors from tackling low-value but high-pollution casualties. The SCOPIC clause (Special Compensation P&I Clause, 2000) solved this: where invoked, the salvor is paid an agreed tariff for effort regardless of success, and that remuneration is a P&I cost. The club also appoints a Special Casualty Representative (SCR) to monitor the operation. In practice the P&I club becomes the casualty’s financial nerve-centre: it funds and posts security (often via letters of undertaking) to release the ship from arrest or to satisfy a port-of-refuge demand, manages pollution and bunker-removal liabilities, handles wreck-removal obligations under the Nairobi Convention, defends against criminalisation and detention of the master and crew, and draws on a worldwide network of correspondents, lawyers and clean-up


contractors. When a case migrates from salvage into regulatory and environmental territory, the P&I club is the primary liability partner throughout.

This is directly relevant to the Directorate's parallel Salvage Hub initiative. The Merchant Shipping Act, 2025 ratifies the Nairobi Wreck Removal Convention 2007 and the International Salvage Convention 1989, and Section 255 empowers the empanelment of professional salvors, the Directorate is onboarding a Special Casualty Representative and building regional salvage hubs with pooled high-capacity tugs and equipment. The 2025 casualties off the Indian coast exposed how ad hoc, owner-driven response leads to delay. The lesson for BMIP is that capacity alone is insufficient — a domestic insurer must also command the claims-handling and security-issuing machinery that makes capacity usable in a live emergency.


Globally, the heavy-lift work is done by a handful of specialist salvors — SMIT Salvage (Netherlands), Resolve Marine (USA), T&T Salvage (USA) and Ardent — with whom an Indian framework will need standing arrangements.

5. Towards a Sovereign Indian P&I Entity


Towards an Indian P&I Entity




Challenges faced in the Insurance Segment



01 Indian Ocean-going fleet is covered by IG P&I Clubs



02 Coastal Fleet is dependent on Fixed Premium Non-IG P&I Companies



03 **Dedicated Indian P&I Service Company does not exist**

Feasibility Study for Establishing Indian P&I Entity

- DGS had appointed M/s Ace Insurance Brokers to perform the Feasibility Study for Establishing Indian P&I Entity based on Mutual or Fixed Premium basis
- The intent is to Establish a Domestic Indian P&I Club to provide sovereign liability coverage for ocean going and coastal vessels, supported by domestic reinsurance and regulatory facilitation

- Based on the Feasibility Study the P&I Entity is Technically and Financially feasible.
- The Indian P&I Entity can be established with a **Fixed premium model** at inception and scaled to mutual model eventually.

6

Slide 6 — The feasibility case for a domestic Indian P&I entity.

Three structural gaps are identified: the ocean-going fleet relies on IG clubs, the coastal fleet relies on fixed-premium non-IG insurers, and no dedicated Indian P&I service company exists. The feasibility study by M/s Ace Insurance Brokers concludes that an Indian P&I entity is technically and financially feasible, beginning on a fixed-premium model and scaling to a mutual model, supported by domestic reinsurance and regulatory facilitation.

The choice of model is the central design decision, so it is worth setting out plainly. Under a fixed-premium model, the insurer charges a set premium for the year, carries the risk on its own (shareholder) capital, and makes no further demand on the member — cover is predictable and easy to budget, and the entity can launch quickly, but capacity is limited by capital and members share no upside. Under a mutual model, the members are themselves the insurers: they pay an advance call, may be asked for supplementary calls if claims exceed expectations, and receive returns when experience is good. Mutuality delivers far greater capacity and lower long-run cost — it is the IG model — but it requires scale, member solidarity and a track record before owners will trust it with their largest liabilities.

The recommended phasing — fixed-premium at inception, mutual at maturity — mirrors how every successful national club has grown. Two examples are directly instructive for India:

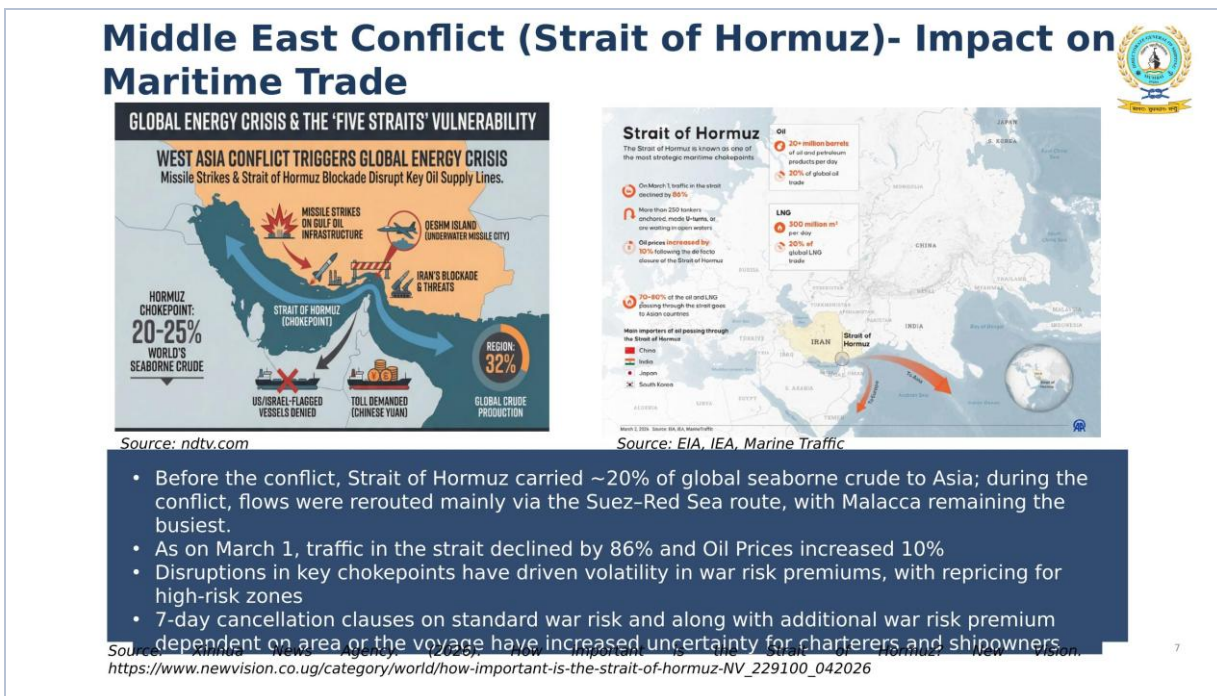
- China P&I Club (CPI) was established in Beijing on 1 January 1984 with State Council approval. Beijing recognised mutual structures in law before market scale arrived, kept capital, claims adjudication and actuarial development within Chinese jurisdiction while

permitting foreign reinsurance, and grew patiently. Four decades on, CPI insures over 100 million GT, ranks among the world's larger P&I insurers, holds an A- (Excellent) rating, and runs a network of around 490 correspondents across 145 countries — even though it sits outside the International Group.

- Korea P&I Club (KP&I) was established in 2000 under a dedicated statute (the Shipowners' Mutual P&I Association Act, 1999), backed by the Ministry of Oceans and Fisheries, national lenders and shipowners — a deliberate state–industry partnership that gave the club legal standing and initial credibility.

The common thread is sequence: legal recognition and state backing first, scale and international acceptance later. India's feasibility study reaches the same conclusion. The **Viability Assessment** underpinning it examines capital requirements, premium potential from the Indian fleet, operating-cost structures, claims behaviour, reinsurance dependencies and projected break-even timelines under a fixed-premium model, it pairs these with an economic assessment of foreign-exchange savings, development of domestic maritime services, employment generation, and alignment with Maritime India Vision 2030 and Sagarmala. The recommended path is a phased build, anchored by GIC Re and global reinsurers, compliant with the DGS 16-point framework, and supported initially by experienced international service providers for claims handling and security issuance.

6. Chokepoint Shock: Hormuz and the Energy Lifeline



Before the conflict, the Strait of Hormuz carried roughly 20% of global seaborne crude to Asia, during the conflict, flows were rerouted via the Suez–Red Sea corridor, with Malacca remaining the busiest passage. Strait traffic fell about 86% and oil prices rose about 10%. Chokepoint disruption drove war-risk premium volatility, while seven-day cancellation clauses and area-dependent AWRP increased uncertainty for charterers and owners.

India is unusually exposed to this particular chokepoint. The country imports the large majority of its crude oil, and a substantial share transits the Strait of Hormuz from Gulf producers, much of it on Indian public-sector-chartered tankers. The Strait is the world's most important oil chokepoint, when it is threatened, the consequences are felt simultaneously in freight rates, insurance premiums and the landed cost of energy.

The four great maritime chokepoints — Hormuz, Bab-el-Mandeb (the Red Sea approach), the Suez Canal and the Strait of Malacca — between them carry the bulk of seaborne energy and containerised trade. A disruption at one forces re-routing that lengthens voyages, ties up tonnage and pushes premiums up across the network, not merely at the affected point. The mechanism that transmits the shock into Indian balance sheets is the war-risk contract: the seven-day cancellation clause lets underwriters reprice or withdraw at a week's notice, and the AWRP for listed areas, passed through charter-party war clauses, lands on the charterer — frequently an Indian importer.


This is the precise sequence that catalysed the Bharat Maritime Insurance Pool: a strategic chokepoint vital to Indian energy security became, almost overnight, a place where cover could be withdrawn or priced out of reach, and where sanctions could cause foreign reinsurers to step away entirely. The next slide quantifies what that did to premiums.

7. Repricing Risk: What the Conflict Did to Premiums

Middle East Conflict (SOH)- Impact on Maritime Insurance Market

Heightened geopolitical uncertainty in the Middle East has materially impacted maritime insurance markets, particularly for vessels transiting the Persian Gulf and adjoining strategic sea lanes.

Phase	Hull War Risk Premium	Market Response
Pre-Conflict Baseline	0.10% – 0.25%	Stable annual cover
Escalation Phase	~1.0%	Voyage-based repricing
Peak Conflict Period	3.0% – 10.0%	Severe volatility, capacity tightening
Current Position (2026)	0.4% – 0.8%	Elevated but stabilising



- Premiums remain structurally above historical norms despite moderation from peak levels.
- Insurance pricing now reflects persistent geopolitical risk in critical maritime corridors.
- Increased transit costs directly affect tanker, container and bulk shipping economics.
- Selective underwriting, rerouting decisions and schedule adjustments continue across operators.
- Energy-import dependent economies, including India, remain exposed to freight and logistics cost escalation.

Hull war-risk premium moved through four phases: a pre-conflict baseline of 0.10–0.25% (stable annual cover), an escalation phase near 1.0% (voyage-based repricing), a peak of 3.0–10.0% (severe volatility and capacity tightening), and a current 2026 position of 0.4–0.8% (elevated but stabilising). Premiums remain structurally above historical norms.

To see why these percentages matter, apply them to a single hull. War-risk premium is charged as a percentage of the insured value, per voyage or per seven-day period in a listed area. On a USD 100 million tanker, a pre-conflict rate of 0.1% is about USD 100,000 for the transit, at the peak rate of, say, 5% it becomes about USD 5 million — a fifty-fold increase, for the same ship making the same passage. Multiply across a fleet and the figures quickly dominate voyage economics for tankers and materially affect container and bulk operators too.

Two market dynamics sit behind the numbers. First, capacity tightening: when Lloyd’s syndicates and other war underwriters cut their appetite for a region, the remaining capacity prices steeply — a classic “hard market.” Second, sanctions risk: foreign reinsurers may withdraw support from any policy touching a sanctioned country, cargo or counterparty, which can collapse cover regardless of the owner’s willingness to pay. This is comparable to, and in some respects sharper than, the Red Sea repricing of 2024, when hull war rates for the southern Red Sea rose toward and beyond 1% of hull value.


For an energy-import-dependent economy, the combination is corrosive: cover that is available but unaffordable, or affordable but liable to vanish at seven days’ notice. A sovereign-backed domestic pool addresses exactly this failure mode — it can keep cover in force when the

commercial market reprices or retreats, preserving continuity of trade. That is the logic the next slide turns into an institution.

8. Bharat Maritime Insurance Pool: A Sovereign Backstop is Born

Inception of the Bharat Maritime Insurance Pool (BMIP)

Launched 12 May 2026 by Dept. of Financial Services, Ministry of Finance. Cabinet approved on 18 April 2026



USD 1.5B

Total Pool Capacity


₹12,980 Cr

Sovereign Guarantee
(≈ USD 1.4B)

USD 100M


Claims Threshold
Pool's Own Resources

Coverage Scope for Indian flagged or controlled vessels or vessels destined to or starting from India:




01

Hull & Machinery




02

Cargo



03

P&I Liability



04

War Risk

First policies issued under BMIP

- **H&M War Policy:**
M/s Hoger Offshore & Marine Pvt Ltd
- **Marine Cargo War Policy:**
M/s Vedanta Sterlite Copper Ltd (cable wire imports) and M/s Balrampur Chini Mills Ltd

Source: Press Information Bureau. (2026, May 12). DFS launches 'Bharat Maritime Insurance Pool' of USD 1.5 billion, with a sovereign guarantee of USD 1.4 billion to facilitate continuous maritime insurance coverages. Government of India, Ministry of Finance. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2260413>

BMIP was launched on 12 May 2026 by the Department of Financial Services, Ministry of Finance (Cabinet approval 18 April 2026). It carries USD 1.5 billion of total pool capacity, a sovereign guarantee of ₹12,980 crore (USD 1.4 billion), and a USD 100 million claims threshold for the pool's own resources. It covers H&M, Cargo, P&I and War Risk for Indian-flagged or controlled vessels, or vessels destined to or starting from India. The first policies were an H&M War policy to M/s Hoger Offshore & Marine, and Marine Cargo War policies to M/s Vedanta Sterlite Copper (cable-wire imports) and M/s Balrampur Chini Mills.

Structurally, BMIP is a state-backed co-insurance and reinsurance pool. Domestic insurers who are pool members issue the policies, drawing on the combined underwriting capacity of the pool, and then reinsure the risks among themselves in proportion to their committed capacity, GIC Re administers the arrangement. Above the pool's own USD 100 million layer stands the sovereign guarantee — a contingent backstop of last resort, invoked only after the pool's reserves, member contributions and reinsurance are exhausted. In insurance terms it is a national catastrophe pool with a government stop-loss on top.

This is a well-established model internationally, and the comparisons are useful for the workshop:

- Pool Re (United Kingdom, 1993) — an industry mutual for terrorism risk, sitting beneath an HM Treasury backstop that responds when the pool's funds are exhausted. It is the closest conceptual cousin to BMIP's "pool first, sovereign guarantee last" design.

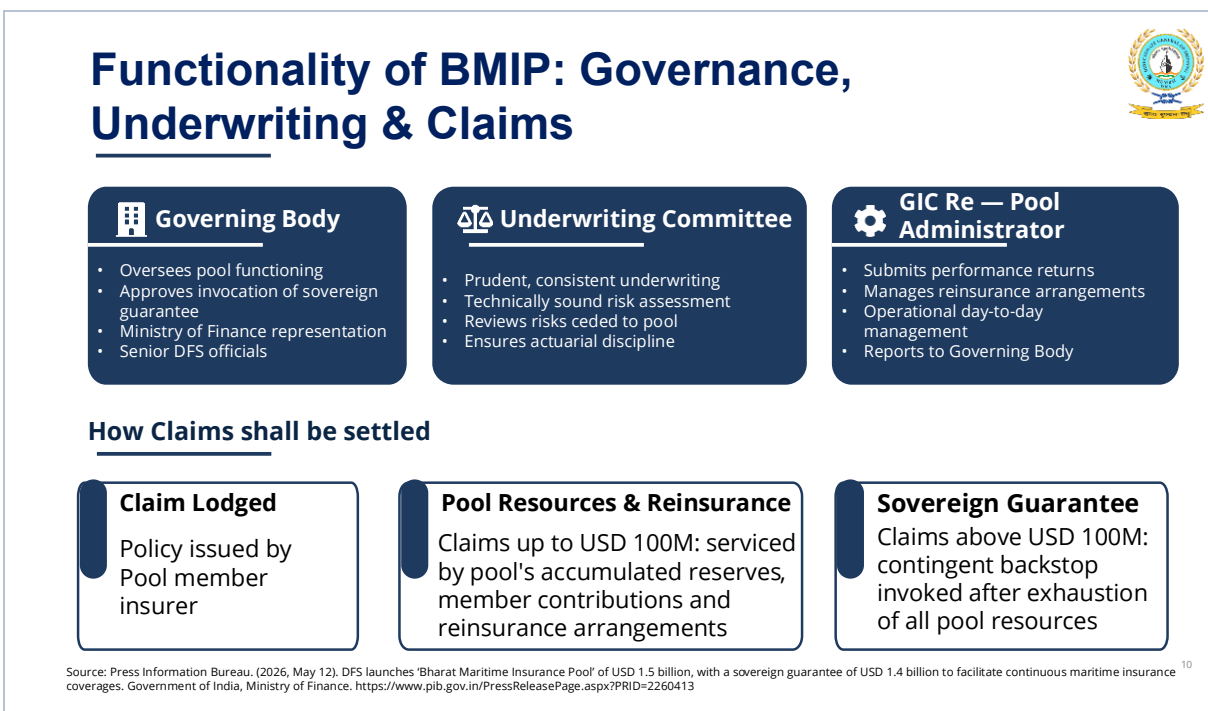
GAREAT (France), Extremus (Germany), TRIP (United States) and ARPC (Australia) — further state-supported pools created where the private market could not, on its own, carry a politically driven catastrophe risk.

Russia's national reinsurance response — facing Western sanctions and the withdrawal of foreign reinsurance, Russia channelled marine and other risks through a state-owned national reinsurer and domestic insurers. It is the most direct precedent for BMIP's sanctions-resilience rationale: when foreign capacity leaves, sovereign capacity keeps trade moving.

Norway's DNK (the shipowners' war-risk mutual) — a long-standing, state-affiliated mutual dedicated to war risks, showing how a maritime nation can keep war cover domestic and dependable.

The first policies are deliberately illustrative rather than large: a hull-war cover for an offshore operator and cargo-war covers for an industrial importer and a sugar producer. They demonstrate that the Pool can issue across H&M-war and cargo-war lines from day one. The harder lines — full P&I and the certificate-issuing function — are where the implementation work, discussed on the closing slides, must concentrate.

9. How the Pool Works: Governance and the Claims Waterfall



Three organs run the Pool. A Governing Body oversees functioning and approves any invocation of the sovereign guarantee (with Ministry of Finance and senior DFS representation). An Underwriting Committee ensures prudent, technically sound, actuarially disciplined underwriting and reviews the risks ceded. GIC Re is the Pool Administrator, handling day-to-day management, reinsurance arrangements and performance returns to the Governing Body. Claims up to USD 100 million are met from the pool's resources and reinsurance, claims above USD 100 million invoke the sovereign guarantee after those resources are exhausted.

The settlement structure is a classic layered “waterfall,” and it is worth lining up against the International Group's own architecture, which it consciously echoes:


- IG model: each club retains USD 10 m → USD 10–100 m pooled across the 12 clubs → above USD 100 m the collectively bought GXL reinsurance extends into the billions.
- BMIP model: member insurers issue and retain agreed shares → the pool's reserves, member contributions and reinsurance absorb claims up to USD 100 m → above USD 100 m the sovereign guarantee acts as the final backstop.

The design is sound, but three operational disciplines will determine whether it works in practice, and the workshop should treat them as priorities. First, actuarial discipline and avoidance of adverse selection: a fixed-premium pool that prices below risk, or attracts only the worst risks others have declined, will erode its reserves and lean prematurely on the sovereign guarantee. The Underwriting Committee's independence is therefore not a formality.





Second, claims-handling reach: a liability claim arises wherever the ship is, so the Pool needs a global correspondent and lawyer network to investigate, post security and settle abroad — the very capability China P&I spent decades building (around 490 correspondents in 145 countries). Third, certificate recognition: the real-world test is whether a foreign port State accepts a BMIP-backed CLC, Bunkers, Nairobi or MLC certificate. Until that acceptance is secured — through correspondent arrangements, fronting, or eventual IG engagement — ocean-going owners will hedge by retaining IG cover.

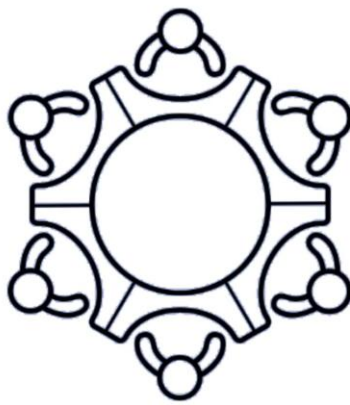
A further governance lesson from the IG is ring-fencing: the IG isolates each club's pooled exposure within its own Hydra cell, so that one club's losses do not contaminate another's capital. BMIP's pro-rata reinsurance among members achieves a similar sharing, but the Governing Body should ensure equivalent transparency on each member's exposure and contribution.

10. The Questions Before Us



Priority Areas for Deliberation in the BMIP Workshop

- 
BMIP Framework & Operations
- 
Identify Challenges
- 
Capacity, Pricing, Alignment
- 
Path to sovereign insurance ecosystem



11

Translating the slide's four headings into concrete questions, the Directorate would put the following to the workshop:

- Capacity adequacy. Is USD 1.5 billion sufficient against a true catastrophe? A VLCC total loss combined with major pollution and wreck removal can approach the USD 1 billion mark on its own. The interaction between pool capacity, reinsurance and the sovereign guarantee must be stress-tested against such a scenario.
- Pricing and data. A new pool has little proprietary loss history. How will premiums be set so they are competitive yet sustainable, and how will the Pool acquire credible Indian-fleet claims data over time.
- Adverse selection and moral hazard. How does the Pool avoid becoming the insurer of last resort for risks the commercial market has already declined?
- International certificate recognition. Will foreign port States accept BMIP/Indian financial-security certificates under CLC, Bunkers, Nairobi and MLC? This is the single biggest determinant of uptake by ocean-going owners.
- Reinsurance and sanctions-proofing. How deep is the dependence on GIC Re and global reinsurers, and how is the structure insulated from the very sanctions-driven withdrawals it was created to withstand?
- Alignment with the IG and claims handling. What correspondent and fronting arrangements bridge the gap until a domestic global network matures, so that claims abroad are settled with IG-comparable speed?

- Model transition and solvency. What triggers and timeline govern the move from fixed-premium to mutual, and how is the entity regulated for solvency under IRDAI while it scales?

These map directly onto the risk analysis in the Viability Assessment — market acceptance, solvency volatility, catastrophic-loss exposure, regulatory recognition under international conventions, sanctions compliance, and the operational challenges of claims handling and security issuance — together with its proposed mitigations: phased implementation, the participation of GIC Re and global reinsurers, adherence to the DGS 16-point framework, and partnership with experienced international service providers. The economic prize, set against these risks, is substantial: foreign-exchange savings, a domestic maritime-services industry, skilled employment, and progress on Maritime India Vision 2030 and Sagarmala..

11. The Way Forward

The thread running through this Note is that the Bharat Maritime Insurance Pool is, at its core, an exercise in financial sovereignty over India's maritime trade. A fleet that has grown 36% in a decade should not remain dependent on foreign markets to price its risk, settle its claims and issue the certificates that let its ships trade — least of all when those markets can withdraw cover at seven days' notice or be forced out by sanctions.

BMIP supplies the immediate sovereign backstop. The proposed Indian P&I entity — fixed-premium at inception, mutual at maturity, in the tradition of the Chinese and Korean national clubs — supplies the durable institution. The Salvage Hub supplies the response capability that makes liability cover meaningful in a casualty. Read together, and aligned with the Merchant Shipping Act, 2025, Maritime India Vision 2030 and Sagarmala, they describe a coherent national maritime-insurance ecosystem. The workshop's task is to convert that design into working practice.

Glossary of Abbreviations

Term	Meaning
AWRP	Additional War Risk Premium charged for transit of high-risk / listed areas
BMIP	Bharat Maritime Insurance Pool
CEFOR	The Nordic Association of Marine Insurers
CLC 1992	International Convention on Civil Liability for Oil Pollution Damage
DFS	Department of Financial Services, Ministry of Finance
DGS	Directorate General of Shipping
GIC Re	General Insurance Corporation of India (national reinsurer)
GT	Gross Tonnage
GXL	Group Excess of Loss reinsurance (the IG's collective programme)
H&M	Hull & Machinery insurance
IG	International Group of P&I Clubs (12 member clubs)
ITCH	Institute Time Clauses – Hulls (standard H&M wording)
LOF / SCOPIC	Lloyd's Open Form salvage contract / Special Compensation P&I Clause
MLC 2006	Maritime Labour Convention
NIA	New India Assurance Company Ltd.
P&I	Protection & Indemnity (third-party liability) insurance
SCR	Special Casualty Representative
VLCC	Very Large Crude Carrier