



Chinese ships get cheaper insurance to navigate Red Sea

By: Alex Longley and Áine Quinn | Feb 06 2024 at 04:55 PM | [Maritime](#)

Chinese-owned merchant ships are getting hefty discounts on their insurance when sailing through the Red Sea, another sign of how Houthi attacks in the area are punishing the commercial interests of vessels with ties to the west.

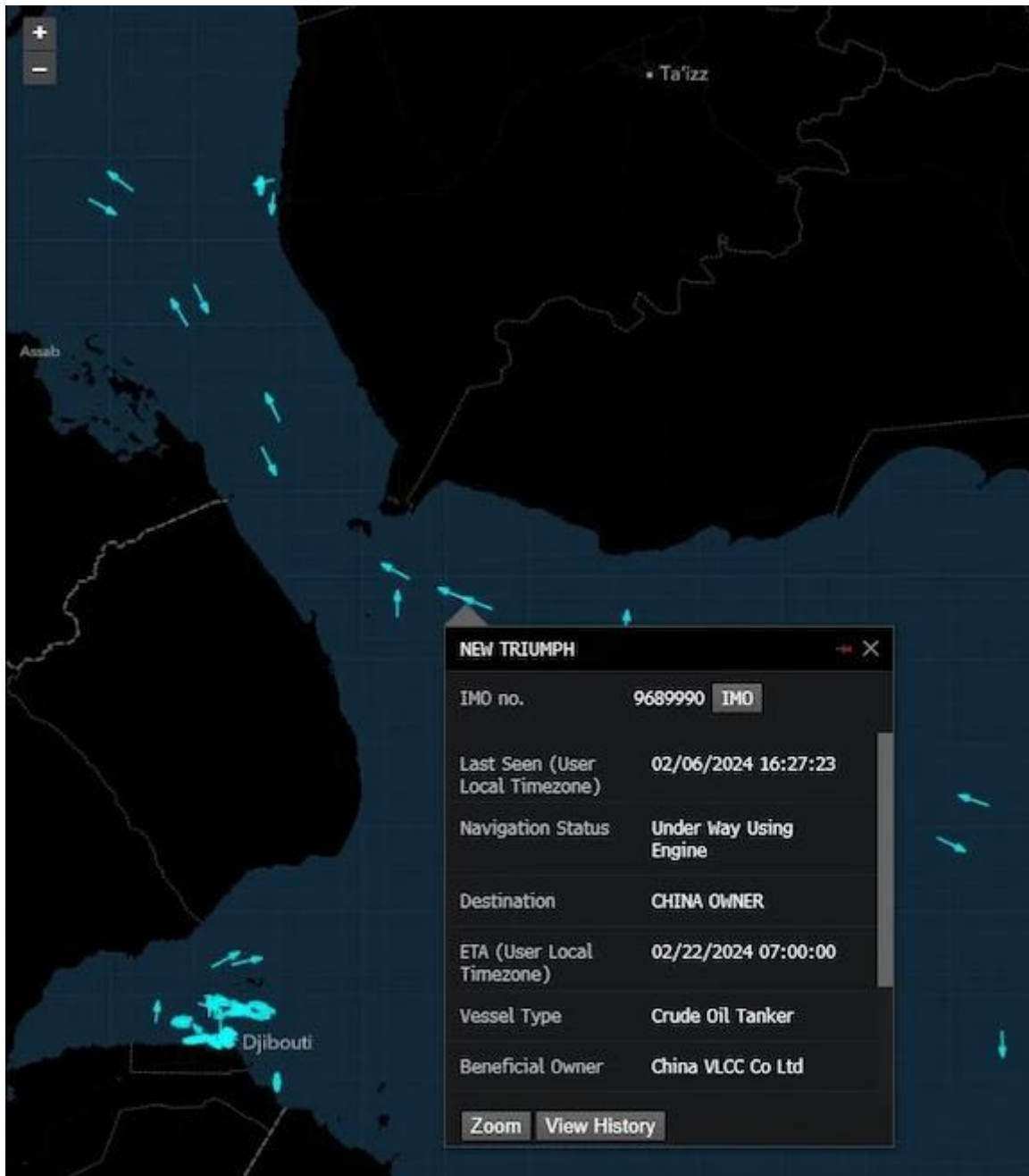
The militants began going after Israeli-linked vessels back in mid-November, before widening their targets to include US and UK ships last month when the two nations bombed Yemen in effort to quell the attacks. The incidents have led to a multi-tiered insurance market in which underwriters differentiate between the carriers they cover.

While the overall picture is mixed, some Chinese-linked vessels are having to pay as little as 0.35% of their hull and machinery value to obtain insurance for transit, according to people involved in the market. Most ships are paying somewhere between 0.5% and 0.75% — although that can vary significantly, they said.

The discounts would translate into savings of \$150,000 and \$400,000 for a transit of a vessel with a hull-and-machinery value of \$100 million.

It means the Chinese carriers are gaining another edge in addition to being able to use a short cut between Asia and Europe in relative safety. Hundreds of ships are simply avoiding the area, sailing thousands of miles around Africa instead. Since the attacks mushroomed, there have been no reports of significant damage to Chinese-owned vessels.

The Houthis say they are acting in solidarity with the Gazans amid Israel's war with Hamas.



Shot Up

Rates for war insurance, a requirement to go through riskier waters, shot up since the Houthis first began their attacks.

After jumping about tenfold, they stabilized in recent weeks as the nature of the risks to shipping in the region becomes clearer, and western military forces work to degrade the Houthis' capability.

"The market is reflecting the lower risk profile faced by Chinese- and Hong Kong-connected vessels, as shown in the increased Asian-flagged and connected tonnage transiting the region," said Munro Anderson, head of operations at marine war risk and insurance specialist Vessel Protect. "That said, despite a declaration of safe

passage by the Houthis, there are no guarantees that incidents of miscalculation can be avoided.”

Though Chinese ships are seeing discounts compared with most of the market, some vessels with ties to the the US, UK and Israel are having to pay more for cover.

Certain underwriters are still looking to exclude coverage for those vessels, but that it is still possible for them to get all the insurance they require, the people involved in the market said.

The fact that some vessels with links to the US and UK continue to sail through the region is proof that they are able to get cover, the people said.

Some ships are continuing to advertise that they aren't connected with Israel, the US or UK.

At least 27 vessels had filled out their destination on digital ship-tracking systems with comments reflecting Chinese ownership, crew or both.

The Houthis told the Russian newspaper Izvestia last month that Chinese and Russian ships would be safe from attack — although that doesn't extend to the cargoes that the vessels transport.