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Bharat Maritime Insurance Pool — India Builds a Domestic Shipping Insurer

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ECONOMY**SECURITY & DEFENCE****GS3****GS2**

CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)**ALSO FROM THE CREATOR****BharatNotes**Free UPSC notes, MCQs, PYQ analysis. **100% Free.**bharatnotes.com →**ADVERTISE****Advertise with Ujiyari**

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WHY IN NEWS

The **Union Cabinet** approved the creation of the **Bharat Maritime Insurance Pool (BMIP)** – a domestic pool with a **₹12,980 crore sovereign guarantee** – to reduce India’s dependence on **International Group P&I Clubs** for maritime insurance. The pool will cover hull and machinery, cargo, war risk, and protection & indemnity risks for **Indian-flagged vessels** and cargo transiting to/from Indian ports. India’s maritime trade accounts for **~95% of its trade by value**.

WHY MARITIME INSURANCE MATTERS

The Scale of Maritime Trade

India is one of the world’s largest maritime trading nations:

- **~95% of India’s international trade by value** moves by sea
- **~70% by volume** is seaborne
- India has the **15th largest merchant shipping fleet** in the world
- Major ports: Mumbai, Jawaharlal Nehru Port (Nhava Sheva), Mundra, Kandla, Visakhapatnam, Chennai, Kochi

The Insurance Gap

Until BMIP, Indian shipping companies and cargo owners primarily purchased maritime insurance from:

- 1 **International Group (IG) of P&I Clubs** – 13 mutual insurance associations based in London, Japan, Sweden, and Norway that collectively cover **~90%** of world shipping
- 2 **Lloyd’s of London** and other international marine underwriters
- 3 Foreign reinsurers

This meant:

- **Premium outflow in foreign currency** (primarily USD/GBP) – straining India’s current account

- **Dependence on foreign underwriters** for war risk coverage (critical during geopolitical crises)
- **Vulnerability to sanctions** — as seen when Western P&I Clubs refused to insure Russian-flagged vessels after 2022 Ukraine sanctions, disrupting oil trade

WHAT IS THE BHARAT MARITIME INSURANCE POOL?

Structure

FEATURE	DETAIL
Approving authority	Union Cabinet
Sovereign guarantee	₹12,980 crore
Combined underwriting capacity	~₹950 crore
Coverage types	Hull and Machinery (H&M), Cargo, War Risk, Protection and Indemnity (P&I)
Applicability	Indian-flagged vessels + cargoes to/from Indian ports
Model	Pool of domestic insurers sharing risk; sovereign guarantee as backstop

Types of Coverage Explained

Hull and Machinery (H&M): Insurance for the physical vessel — damage to the ship itself from collision, grounding, fire, etc.

Cargo Insurance: Covers goods in transit against damage or loss.

War Risk: Covers damage or loss due to war, piracy, or geopolitical conflict — this became critical during the **Houthi attacks on Red Sea shipping (2023-25)** which dramatically increased war risk premiums for vessels transiting the Red Sea/Gulf of Aden.

Protection and Indemnity (P&I): Third-party liability insurance for shipowners — covers crew injury/death, pollution liability, cargo damage claims, collision liability. P&I is traditionally provided by mutual clubs (the International Group).

STRATEGIC SIGNIFICANCE

1. Reducing Foreign Exchange Outflow

India currently spends significant foreign exchange on maritime insurance premiums. Onshoring this through BMIP retains premium income in the domestic insurance ecosystem and reduces CAD (Current Account Deficit) pressure.

2. War Risk Sovereignty

During geopolitical crises, **foreign war risk underwriters can refuse cover or dramatically raise premiums** — effectively shutting India out of certain shipping routes. The BMIP gives India a **sovereign fallback** for war risk coverage, critical for Indian Oil Corporation, HPCL, and other PSU importers.

Case study: During the Houthi attacks (2023-25), war risk premiums for Red Sea transits surged **10-15x**. Foreign insurers also imposed conditions restricting Indian vessels from certain routes. A domestic pool would have provided continuity.

3. Sanctions Resilience

India's purchase of Russian crude oil post-2022 was complicated by Western P&I Clubs' refusal to cover Russian-flagged vessels and vessels carrying Russian cargo. BMIP enables India to provide P&I cover for **alternative supply chain routes** independent of Western insurance infrastructure.

4. Developing India's Maritime Insurance Market

India's domestic insurance market has historically been thin in maritime insurance expertise. BMIP creates:

- Domestic premium pool that incentivises Indian insurers to develop maritime underwriting expertise
- Reinsurance demand that strengthens Indian reinsurers (especially **GIC Re** — General Insurance Corporation of India)
- A platform to eventually **export maritime insurance services** to smaller neighbouring countries

INDIA'S MARITIME AMBITIONS — POLICY CONTEXT

BMIP fits within India's broader **Maritime India Vision 2030** and the **Sagarmala Programme**:

INITIATIVE	OBJECTIVE
Sagarmala Programme	Port-led development, coastal shipping, port modernisation
Maritime India Vision 2030	Make India a top-10 maritime nation
SMART (Simplified, Moral, Accountable, Responsive, Transparent)	Port governance reform
PM Gati Shakti	Multimodal logistics integration including ports
BMIP	Domestic maritime insurance sovereignty

INTERNATIONAL COMPARISON

COUNTRY	DOMESTIC MARITIME POOL	NOTES
China	PICC (People’s Insurance Company of China)	State-backed; covers Chinese fleet globally
South Korea	Korean Re	Strong domestic reinsurer
Japan	Tokio Marine, Sampo	Major global marine insurers
Russia	Ingosstrakh, RNVS (created 2022)	Created post-Ukraine sanctions to replace P&I cover
India	BMIP (2026)	New; sovereign-backed pool

Russia’s experience in 2022 — when Western P&I Clubs withdrew cover overnight — is the most direct precedent: India is building its BMIP before a crisis forces the issue.

UPSC RELEVANCE

PAPER	ANGLE
GS3 — Economy	Maritime trade, insurance sector, current account, Sagarmala
GS2 — IR	Maritime security, geopolitical resilience, sanctions
GS3 — Infrastructure	Ports, shipping, logistics, Sagarmala
Mains Keywords	BMIP, P&I Club, war risk, Hull and Machinery, sovereign guarantee, Sagarmala, GIC Re, Houthi attacks, maritime sovereignty

FACTS CORNER

- **BMIP sovereign guarantee:** ₹12,980 crore
- **BMIP underwriting capacity:** ~₹950 crore combined
- **India's maritime trade share:** ~95% of trade by value; ~70% by volume
- **International Group P&I Clubs:** 13 clubs; cover ~90% of world shipping tonnage
- **GIC Re:** India's national reinsurer; will be key reinsurance provider for BMIP
- **Sagarmala Programme:** Launched 2015; port-led development; ₹6+ lakh crore investment target
- **India's merchant fleet rank:** 15th globally by deadweight tonnage
- **Houthi attacks on Red Sea (2023-25):** Caused war risk premium surge 10-15x; rerouted shipping around Africa, adding 10+ days to voyages
- **Hull and Machinery insurance:** Covers the ship itself; analogous to vehicle comprehensive insurance
- **P&I insurance:** Third-party liability; covers crew, cargo claims, pollution — no fixed premium; mutual club model

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Bharat Choudhary

UPSC Educator & Content Creator

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