

Cargo Workshop

Chairman's Report and Introduction

Nick Derrick

Chairman, Cargo Committee

Travelers Syndicate Management Ltd, Lloyd's, London

Question

Institute Bulk Oil Clauses

How many days of storage after discharge at port land tank?

- 30 days
- Nil days
- 15 days
- 60 days

Answer...

Nil days

Coverage terminates as product enters
land or vessel tank

Agenda

- Committee Members
- Cargo Statistics
- Major Events
- Market Issues
- Workshop Introduction

Committee



Nick Derrick
Chairman

Jill Murphy
Vice-Chair

Mikaela Tamm
Secretariat

Nick Derrick – Travelers Syndicate Management

Mikaela Dahlman Tamm – Insurance Sweden

Jill Murphy – Starr Underwriting Agents (Asia) Ltd

Håkan Nyström – AIG – Sweden *
Political Forum Liason

Kiyoaki Sano – Tokio – Japan
EC Liason

Keith Auld – Munich Re, New Zealand
Niklas Bengtsson – Inter Hannover – Sweden
Joanne S.F. Chan – XL – Hong Kong
Sean M. Dalton – Munich Re – USA *
Mathieu Daubin – AXA– France
David Grant – CNA– United Kingdom
Neta Ikar – Migdal Insurance Co. Ltd – Israel
Matthias Kirchner – AXA– Germany
Christian Labhart – AXA– Switzerland

Sanjiv Singh – New India– India *
Massimo Spadoni – SIAT – Italy *
Isabelle Therrien – Falvey Cargo – Canada *
Hisanori Uga – Tokio – Japan
Max Zaccar – Commercial Ins. – Lebanon
Hosny Mishrif – Misr– Egypt
Arua Piton – Swiss RE. – Brazil *
Frank Ponnen – Etana – South Africa
Eric De Smet – Baloise – Belgium

*New Members

Committee – Stepped-Down

Dennis Marvin, Chairman – USA

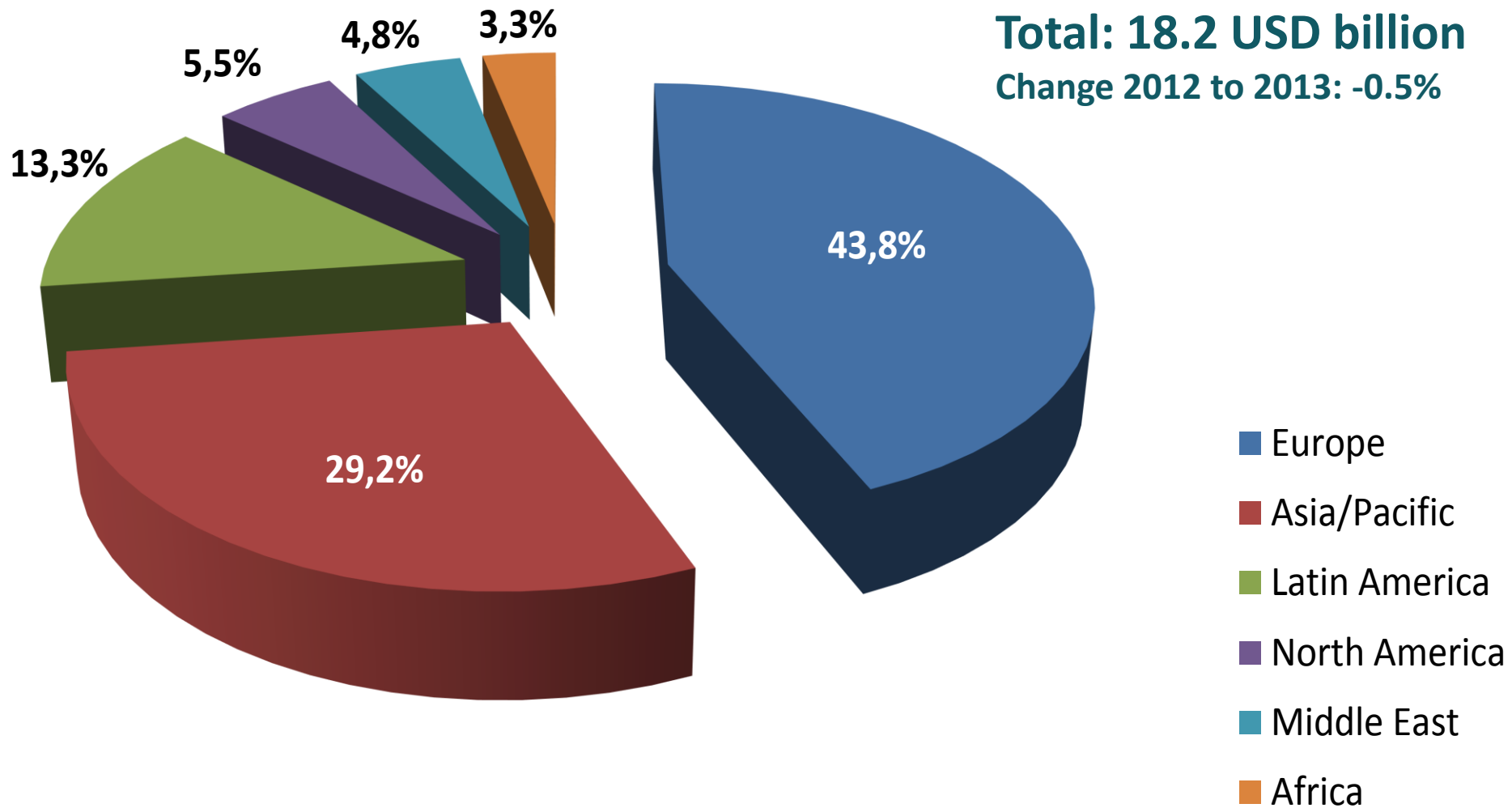
Rob Timmer - Netherlands

Massimo Garbarino – Italy

Brent Chorney - Canada

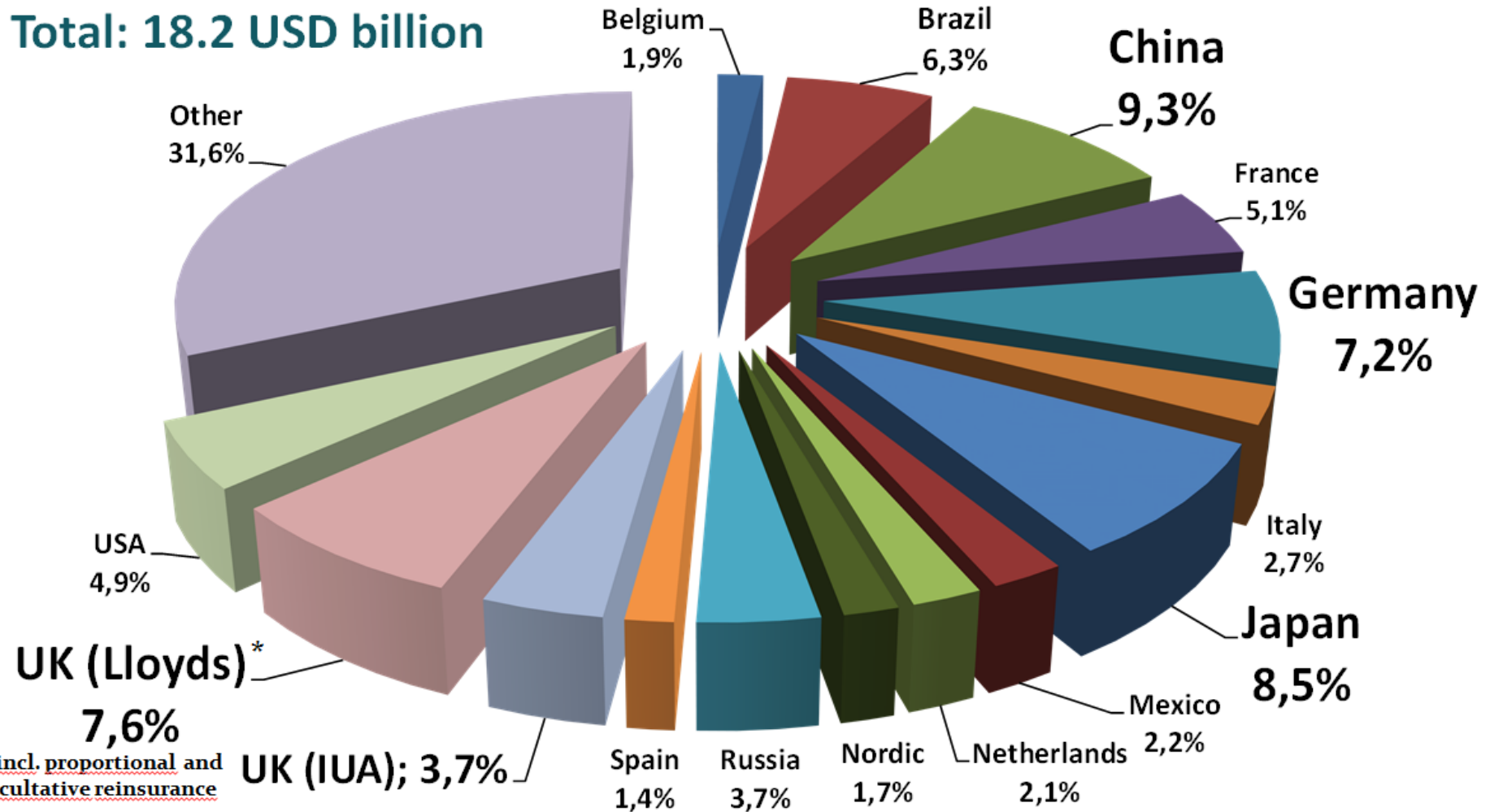
Cargo Statistics

Cargo Premium 2013 - by region



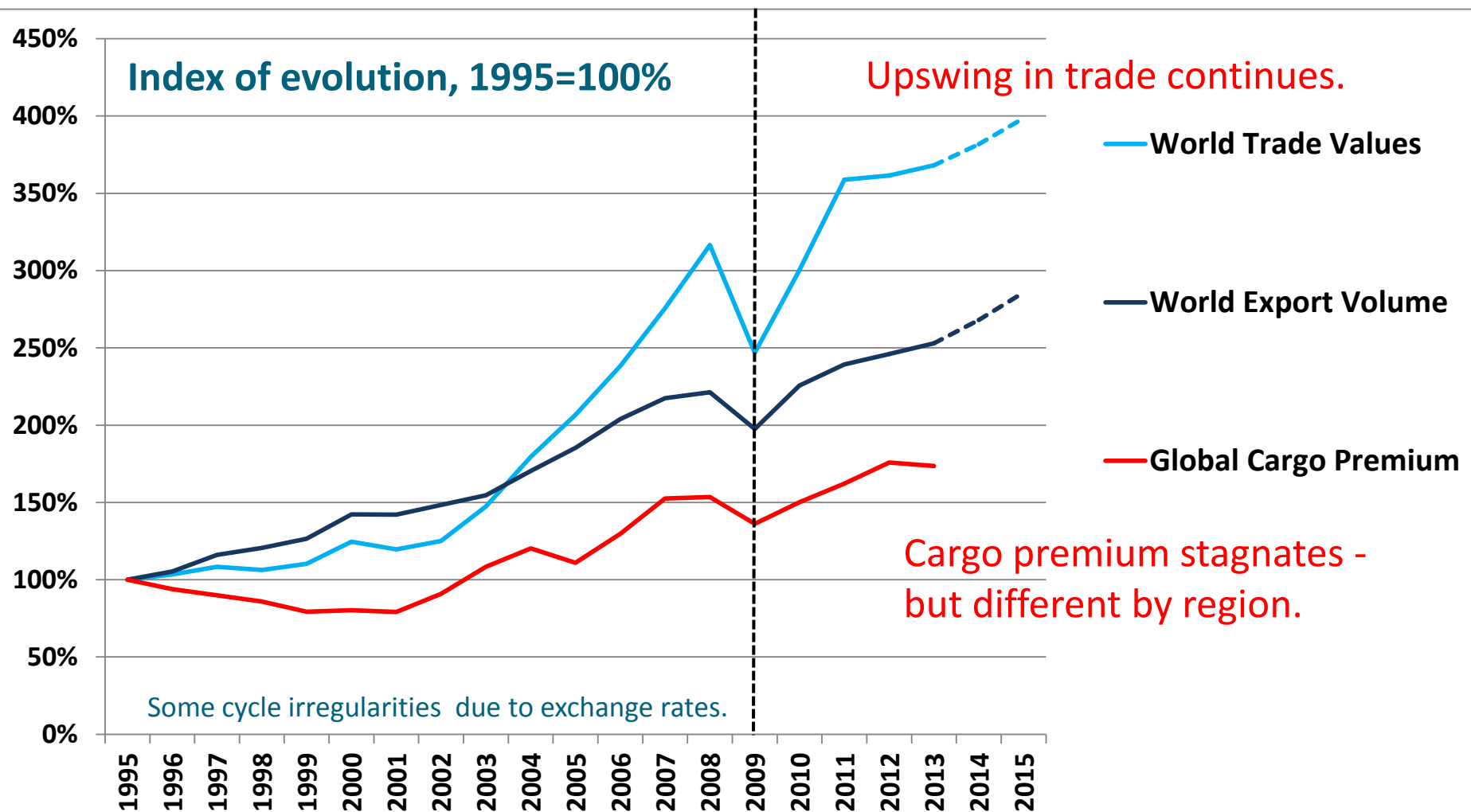
Cargo Premium 2013 - by markets

Total: 18.2 USD billion



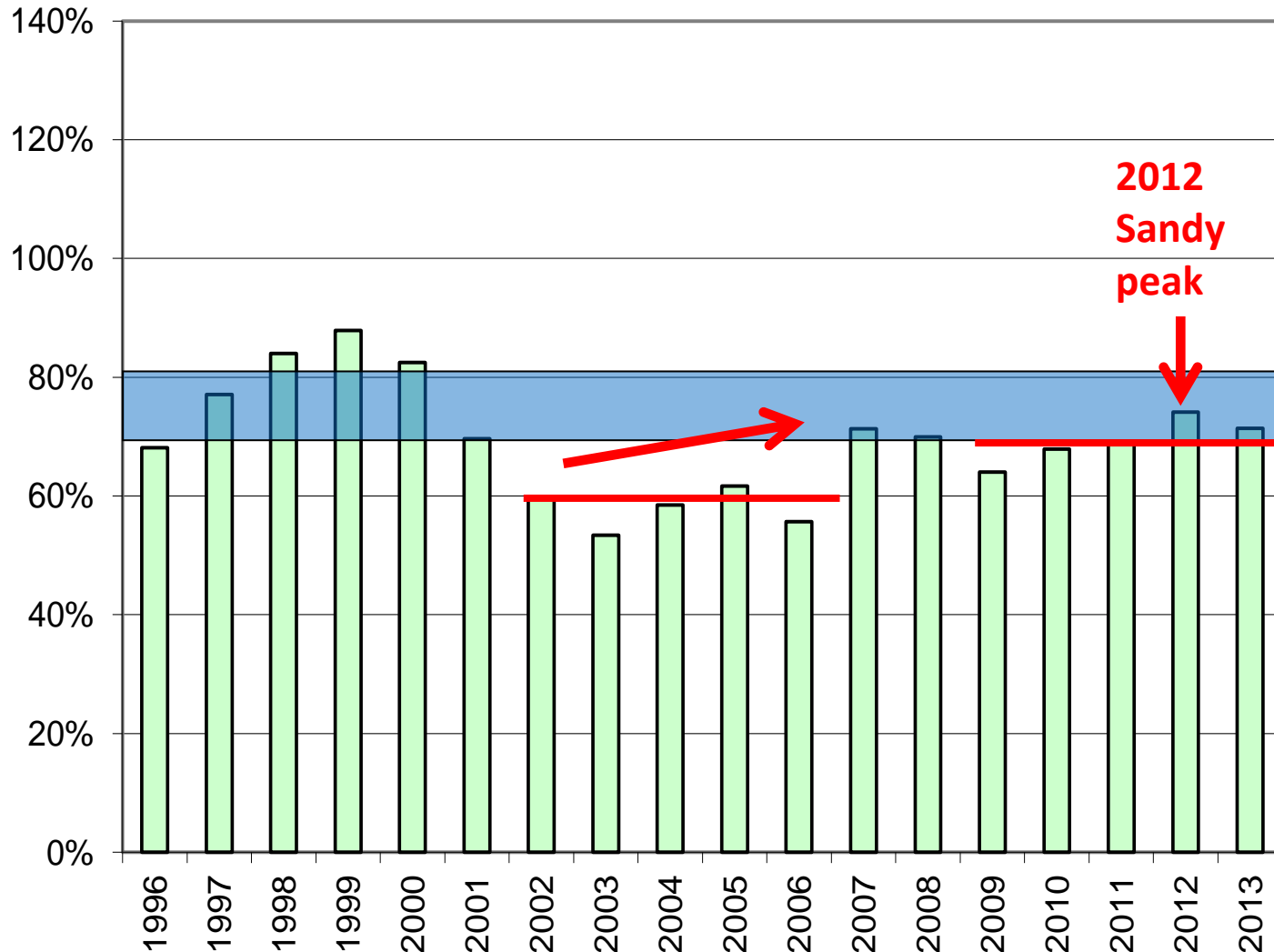
* incl. proportional and facultative reinsurance

Cargo Premium / World Trade Values & Exports



Cargo – Gross* Ultimate Loss Ratio

Europe/USA**, Underwriting years 1996 to 2013



Since 2007:

Deterioration of good 2002-2006 results.

2009-2013

2011-2013 start at about 72%.

2012 Sandy affects mainly US.

* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (usually 20%-30% acquisition cost, capital cost, management expenses)

** Data: Belgium, France, Germany, NL, Italy, Spain (until 2007), UK, USA

Summing up Cargo

- Upswing in trade continues, cargo premium stagnates.
- Without Sandy, 2013 is the worst year since 2000.
- Cargo statistics show we are losing money.
- Results differ by region.
- Difficult Market conditions will continue.



Major Events



IUMI London 2013

Superstorm Sandy, 2012
USD 3,000,000,000

MOL Comfort 2013
USD 400,000,000 +
(Cargo Interest)



Major Event 2014



Theft of Mobile Phones in
Germany

USD 75,000,000

Major Event



‘Asian
Empire’

USD 110,000,000

Major Event



Potential
Metals Fraud
in Chinese
Ports

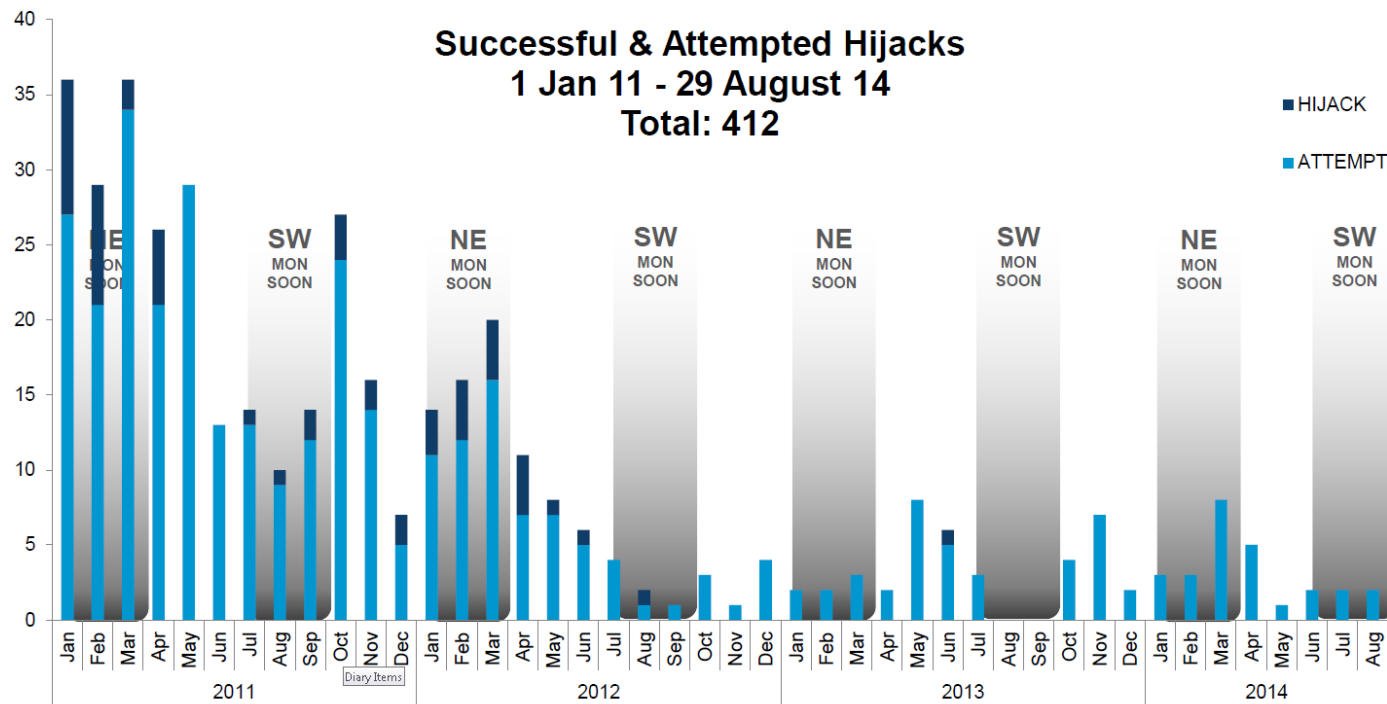
USD Billions

Now for some better news...



Declining Impact of Somalian Piracy

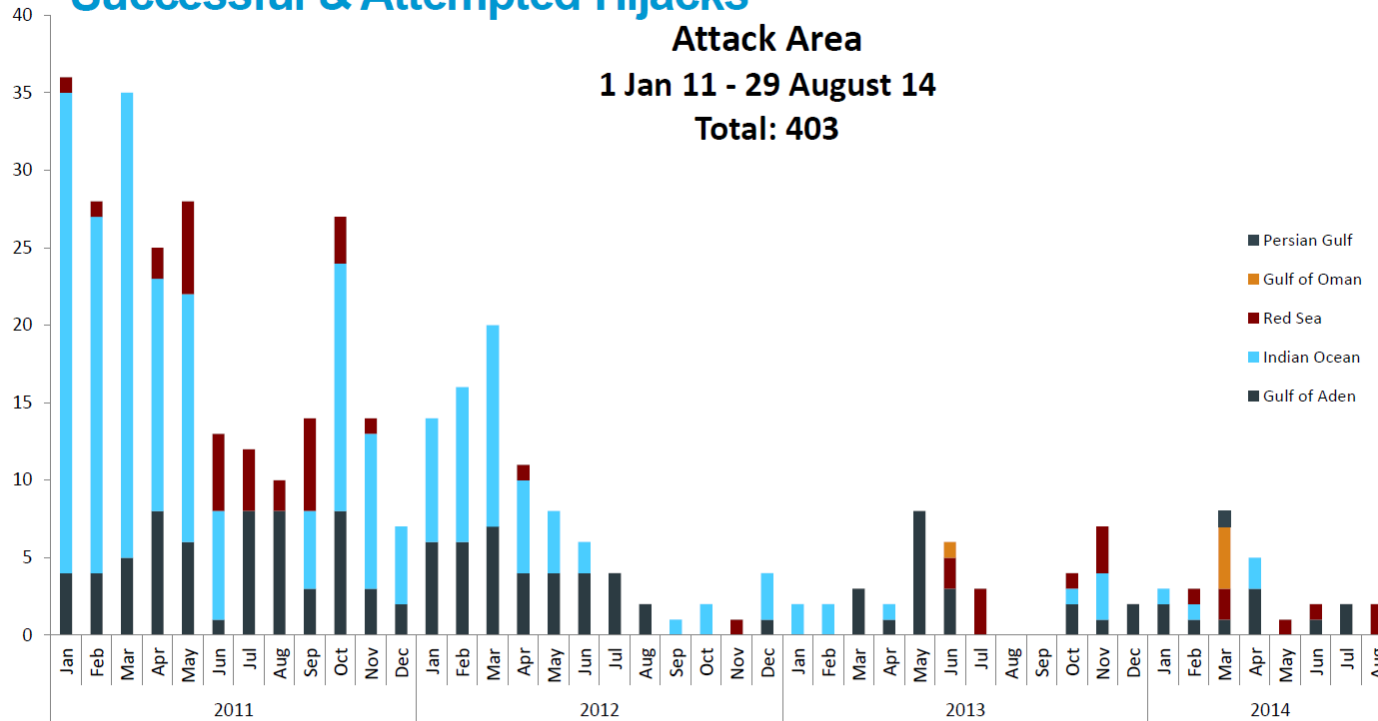
Successful & Attempted Hijacks



The last successful hijack of a commercially significant vessel was of the 'Smyrni' in May 2012. There were two incidents reported in August (as at 29 August), both in the Red Sea, in which suspected pirates approached a bulk carrier and a tanker, but made off after sighting armed guards.

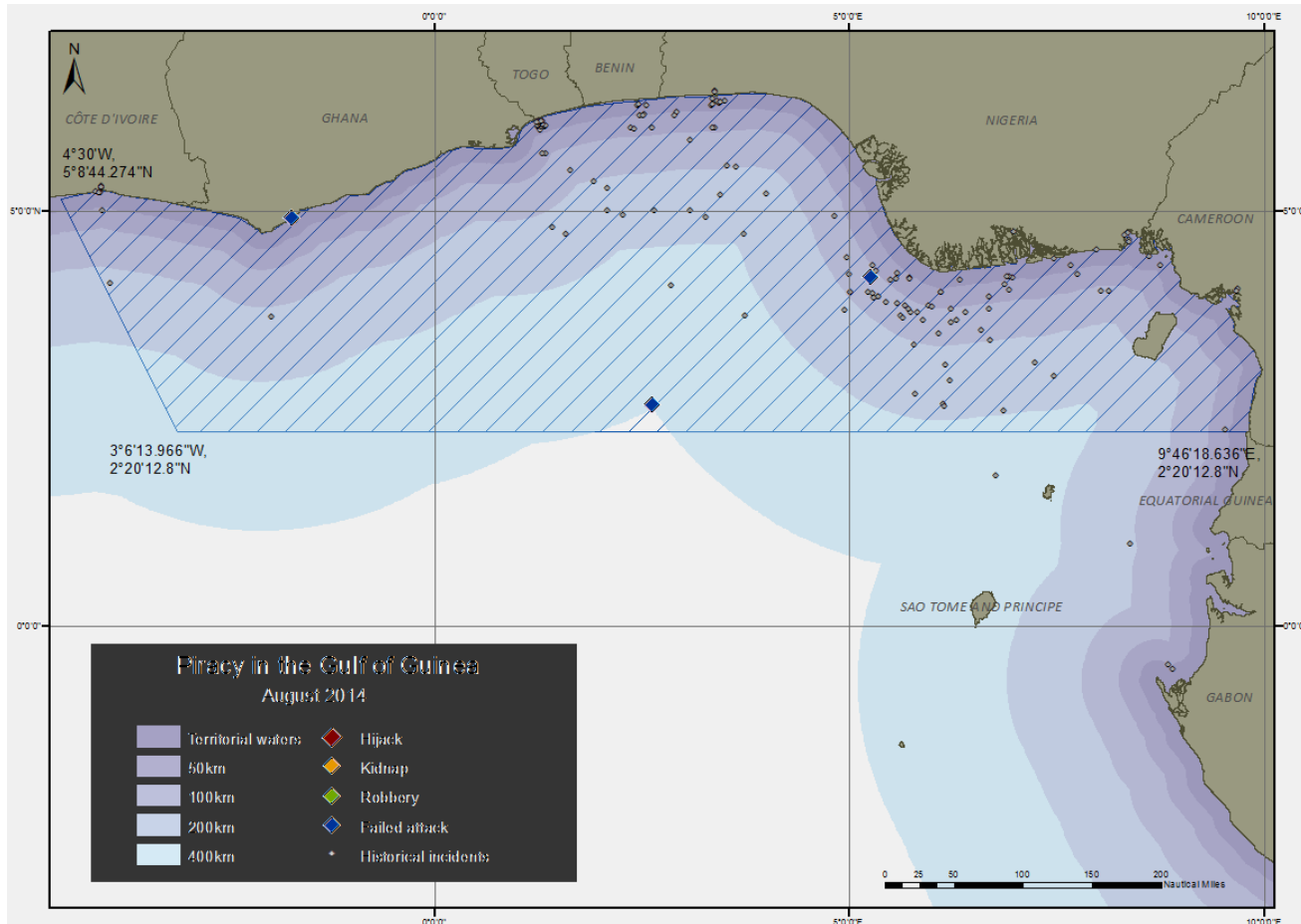
Successful & Attempted Hijacks

Attack Area
1 Jan 11 - 29 August 14
Total: 403



The reduced number of ^{Diary Items} attack attempts in the last year has been mainly spread between sea areas other than the Indian Ocean, where there has been a decline reflecting the pirates' reduced operational range. In the last four months, attack attempts have focused on the Red Sea (Bab el Mandeb) and the Gulf of Aden.

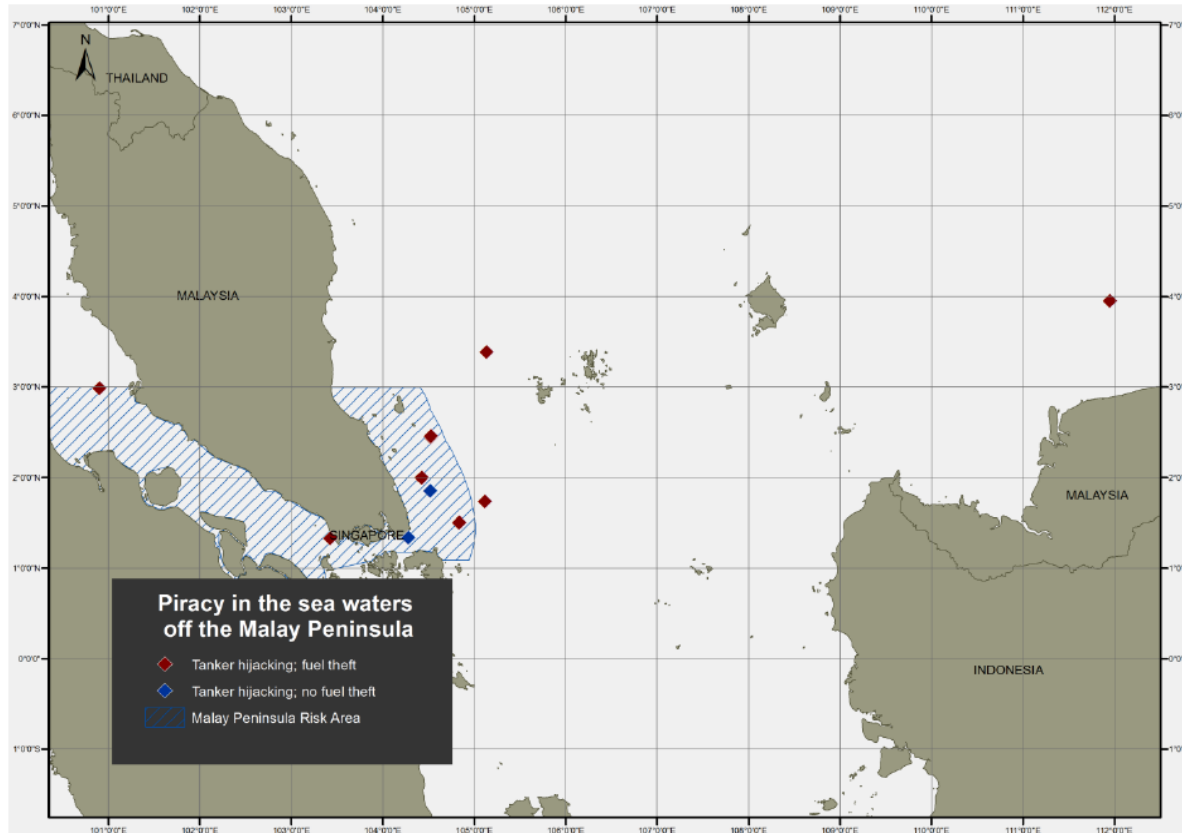
GULF OF GUINEA PIRACY



Gulf of Guinea Piracy Risk Outlook

Most 'piracy' in the Gulf of Guinea is low-level 'sea robbery' targeting minor vessels, the main motivation theft of ship or personal property and/or kidnapping for ransom. There has however been an increase in the targeting of tankers at anchor for oil theft. Three such hijackings have been reported since the beginning of September 2013.

Sea Waters off the Malay Peninsula: Risk Area



Map shows coastal tanker hijackings since January 2013 (as at 29 August 2014).

Malay Peninsula Piracy Risk Outlook

There have been seven successful hijackings of small coastal tankers for oil theft in 2014 (as at 29 August 2014), compared with two in 2013. Five of the 2014 incidents occurred within the defined Risk Area off the Malay Peninsula.

Market Issues

- Global Market Capacity
- Impact on Rates
- The Scramble for Market Share
- Decline in Underwriting Discipline





Today's Presentations

- Lehmann Timber Case
- Project Cargo; Mitigating the DSU Claim
- Logistics Challenges in a Changing China
- Building on Asian Property Expertise
to Meet NAT CAT Challenges on Static Cargo
- Panel Discussion: Current and Future Challenges

The English Court of Appeal in the Lehmann Timber case

- Prof. Dr. Dieter Schwampe, Dabelstein & Passehl,
Hamburg

Marine Project Cargo and the theory of mitigating a potential DSU claim.

-building practical expertise

- Andrew Corton, Ironshore, London
- Francis Barber, Cunningham Lindsey International, London

Logistic challenges of moving cargo by road, rail & river in a changing China

- Jeffrey Pak, Manager, Risk Management Asia Pacific, Schenker, Hong Kong

Building on Asian Property Expertise to meet NAT CAT Challenges on static cargo

- Joe Venetico, Global Underwriting Manager, Property and Business Interruption, Zurich, Singapore

Panel Discussion - Current & Future Challenges of Underwriting Cargo in Asia

- Nick Derrick
- Joanne Chan, XL, Hong Kong
- Jeffrey Pak
- Joe Venetico
- Andrew Corton & Francis Barber
- Prof. Dr. Dieter Schwampe