



IUMI  
International Union of  
Marine Insurance

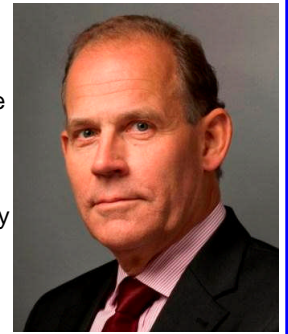


## Message from the President

The 2013 IUMI conference in London was a success. Our thanks go to the organizers and to everybody who contributed as speakers, in the panel discussions and as delegates. A special thank goes to our sponsors and IPP members that improved the overall quality of the conference by their attendance and support. Take-home-value resulting from discussions on issues of concern to our industry and to each one of us when practicing the marine insurances profession, as well as the networking opportunities offered, are what IUMI conferences deliver.

As this edition of the IUMI Eye is distributed, the IUMI's officers look back on a busy autumn. There are many tasks and projects that need their attention, pursuing the IUMI agenda and those issues identified by the IUMI Political Forum members. Likewise, the IUMI Salvage Forum is currently discussing highly relevant salvage issues with other stakeholders in the marine transportation industry. IUMI is now invited to take part in many initiatives taken by our affiliates - with the aim to safeguarding life, property and the environment. IUMI welcomes this increased level of activity and sees the request for its involvement as a consequence of IUMI becoming more visible and determined, with a better defined purpose and aim, enjoying increasing outside appreciation. I am proud to say that we are on the track that is well reflected by the IUMI 2015 project.

*Ole Wikborg, President IUMI*



## Iran Sanctions: implications and developments

*by Prof Dr Dieter Schwampe, Dabelstein & Passehl, IUMI Professional Partners, Member of the IUMI Legal and Liability Committee*

With the agreement between Iran and a group of six states (the five UN veto powers United States, Russia, Great Britain, France and China plus Germany) made in Geneva on 24 November 2013, Iran sanctions may be on a new route. The agreement is seen to be only the first step on a long way, but even this first step has eased sanctions against Iran, releasing proceeds of more than USD 4bn from Iranian oil sales and more than USD 1.5bn from gold sales from frozen accounts and suspending certain trade restrictions, most importantly for petrochemicals, but also for car and plane parts.

The restrictions on crude oil as well as financial restrictions are understood to remain in place, with certain relief in EU sanctions for the insurance of crude oil. The agreement is something like a test run for the next 6 months, when results will be assessed for possible future changes.

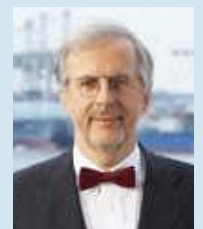
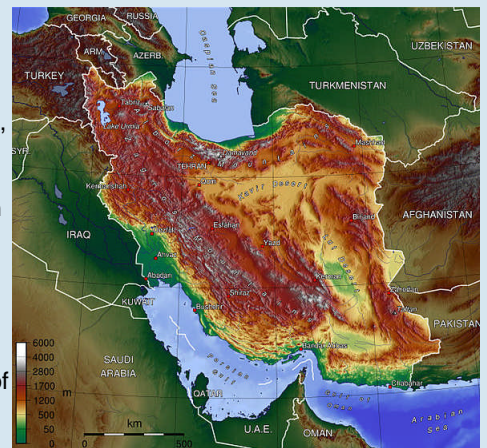
The development comes at times when the sanctions regime has had drastic impacts for insurers' business and day to day handling worldwide. Surveys amongst hundreds of underwriters were made during IUMI's 2013 conference in London in the course of a presentation by Dieter Schwampe, a member of IUMI's Legal & Liability Committee.

These surveys do not claim to be representative for the whole industry, but may have been the surveys with the most participation of industry professionals. When asked whether they use sanctions clauses in their policies, 77% answered they use them always, with 16% answering they do in the majority of policies, 5% from time to time and still 3% they never do.

Turning to problems with sanctions in their daily work, 31% of the participants stated they had not had any problem during the last 12 months, 30% had problems in 1 to 3 cases, 12% in 3 to 5 cases, 11% in 5 to 10 cases and 17% in more than 10 cases. Of particular interest have been the answers, only put to non-US participants, whether the US sanctions regime had been of concern in the daily business. 10% stated it had not been of any concern, 42% have stated it had been of concern, but not really affected the business, but 48% stated that the business had actually been affected.

If it needs proof that sanctions remain on the agenda for insurers, then here it is: the lion's share of the participants voted for continued surveillance of developments by IUMI. For details of the London presentation visit [http://iumi.com/images/gillian/London2013/Tuesday1709/170913B2AMD.Schwampe\\_FINAL.pdf](http://iumi.com/images/gillian/London2013/Tuesday1709/170913B2AMD.Schwampe_FINAL.pdf).

For earlier presentations on sanctions by Dieter Schwampe visit the IUMI conference websites for the conferences in Paris (2011) and San Diego (2012). Dieter Schwampe is available for advice on sanctions under [d.schwampe@da-pa.com](mailto:d.schwampe@da-pa.com).  
[www.da-pa.com](http://www.da-pa.com)



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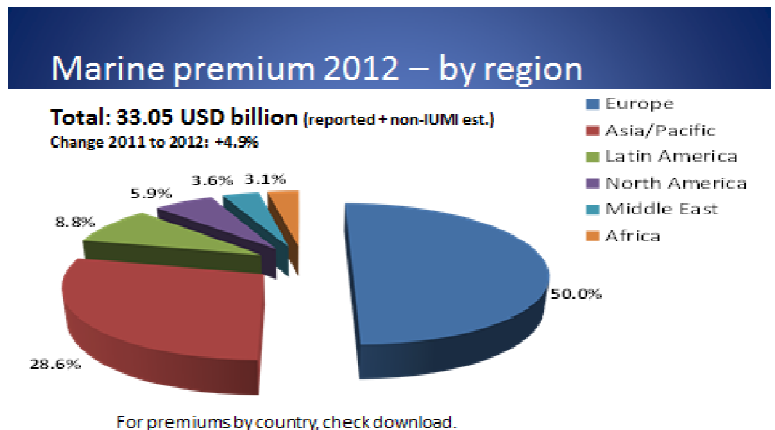
# IUMI statistics reflect increase in trade

By Astrid Seltmann, CEFOR Analyst, Vice Chairman, IUMI Facts and Figures Committee

On the first day of the 2013 IUMI conference, the Facts and Figures Committee again gave an update on the macroeconomic environment and shipping market (Patrizia Kern, chairman) and the global marine insurance market (Astrid Seltmann, vice chairman). Guest speaker this year was Martin Stopford, who discussed the changes lying ahead for vessel values.

Core messages of the Facts and Figures session were:

- There is an unchanged demand for marine insurance, but also a probably persistent surplus risk-absorbing capacity.
- The total global marine premium increased in 2012 by 4.9%, which reflects the increase in global trade after the financial crisis. Emerging markets have grown in importance, but major markets retain dominant shares.
- The market environment continues to be challenging and technical results need to improve.
- Single individual events such as the Costa Concordia grounding and Sandy set their mark on recent hull and cargo results.
- Insured values continue to decrease on renewal for existing vessels, while the value at risk in the insurers' portfolio increases due to the influx of new high-value vessels, thus increasing the potential for costly losses.
- Shipping is in a long cycle. Ship prices have fallen since the crisis and now hovering around the long term "norm". Shipping is struggling with a strategy to deal with recession, fuel prices and regulatory issues.



In addition, the Facts and Figures Committee continuously provides the marine insurance industry with up to date key indicators.

Fact Sheets with relevant data for the Hull, Cargo and Energy markets are published in connection with the conference at the IUMI website. Marine premiums by country and loss ratio triangulations for cargo, hull and offshore energy are available as downloads.

Extensive statistics on the hull, cargo and energy markets including total and serious loss statistics, the world fleet development, the offshore energy market and economic parameters are issued each spring. Indices for hull repair cost and cargo are reviewed and updated regularly. All data is available from the statistics section of the IUMI website:

<http://iumi.com/index.php/committees/facts-a-figures-committee/statistics>

## IUMI annual conference in London proves a big success

Over 700 delegates were in London for the IUMI annual conference 2013 and the four day event was a major success.

Held in the show of London's Houses of Parliament the conference featured a range of market leading speakers addressing their comments around the conference theme of "Marine Insurance – building resilience and defining a sustainable future".

The facts & Figures committee released the annual statistics and Tom Bolt, Lloyd's Director Performance Management, delivered a forthright view on the need for underwriters to at how their pricing strategies can deliver a sustainable performance in a challenging market.

Another highlight among the thought-provoking programme of speakers was Andrew Winbow, IMO, Assistant Secretary General and Director Maritime Safety Division, London, UK who outlined the work of the International Maritime Organisation.

Meanwhile Pia Tischhauser, Partner at BCG, Zurich, delivered a presentation on the implications of shipping market development for marine insurance that was much appreciated by the audience.



Piracy, fires on board container vessels, sanctions and dealing with the rising levels of exposures were all also addressed during the event which ended with a gala dinner at the National Maritime Museum in Greenwich.

For more information on the event visit the conference website at [www.iumi2013.com](http://www.iumi2013.com) where copies of all speaker presentations can be downloaded at <http://www.iumi.com/conferences/london-2013>.

## Reefer containers transform the shipping of fresh fruit

By Hans Frans Operations Director DP SURVEY GROUP N.V. – International loss adjusters & surveyors, IUMI Professional Partner, Belgium

The introduction of the reefer container has changed the way in which perishable goods such as fruit are transported, but the fact remains that when transporting fresh fruit, it is vital to have these cargoes delivered in the shortest possible time. Although the conventional reefer vessels were fast and thus able to transport the fruit quickly from A to B, the major exposure for cargo underwriters was the cooling of the fruit and the breakdown or malfunction of a vessel's reefer installation, and subsequent cargo loss. With the introduction of reefer containers, shippers could have their fruit shipped at a lower cost with the advantage that the container and cargo could be delivered as one unit directly to the receiver's warehouse without the necessity of intermediate storage and handling in a port of discharge.

The 'cooling risk' for cargo underwriters also changed since in case of a breakdown or malfunction of the container's reefer unit, only a limited quantity of cargo (20 pallets) would be affected compared to fully loaded cargo holds on reefer vessels.

Although reefer containers under normal conditions can guarantee a correct and constant cooling, the success of the containerized transport of fresh fruit created a new risk in the total transit time needed. Container lines hardly ever have a direct connection from A to B; therefore they need to call upon different ports en route. Seeing the perishable nature of the cargo and the fact that these fruits only have a limited shelf life, cargo underwriters are increasingly faced with claims related to delays in transit.



When containers experience delays in transit, any problems with the cargo on arrival will be claimed by the cargo interests as directly related to this prolonged transit, even when certain damages might clearly be of a pre-shipment origin. Therefore it is important for underwriters to be able to rely on a detailed survey report in which a properly motivated apportionment is made between the various causative factors of a certain damage found after such a delayed delivery. Furthermore, a proper pre-screening of the transport logistics is very useful to determine the delay risks involved when insuring the transport of fresh fruit.

For more information and the extended version of this article, we kindly invite you to visit our website at [www.dpsurveys.com](http://www.dpsurveys.com).



## Volume of goods transported in flexitanks poses a growing risk

By Lars Lange, Secretary General, IUMI

ISO containers were developed on the basis of road trailers in the 1960s. The original purpose of such containers was to transport dry general cargo. Over the course of time, specialized containers were developed, such as tank containers for liquid or bulk cargo. For reasons of hygiene, bulk cargo is sometimes transported in fabric bags large enough to fill the entire container.

These fabric bags are attached inside the container before the container is filled. In many cases the fabric bags are replaced by a "plastic bag" attached inside the container and then the container is filled with liquid. This transforms the container into a "tank container".

These so called "Flexitanks" are large plastic bags which contain fluids inside TEU containers. When it became clear that transport operations using Flexitanks were possible without significant loss, the physical boundaries have, in IUMI's view, been pushed too far. The volume of the Flexitanks, and hence their weight, was increased, up to 28 tons or 28,000 litres.

The biggest problem is that those standard containers used with Flexitanks inside can suffer unnoticed structural damages and become weakened. If these containers are put back into service, the damage they have already sustained could easily cause them to fail in a critical situation. This can mean that the entire stack is no longer secured properly.

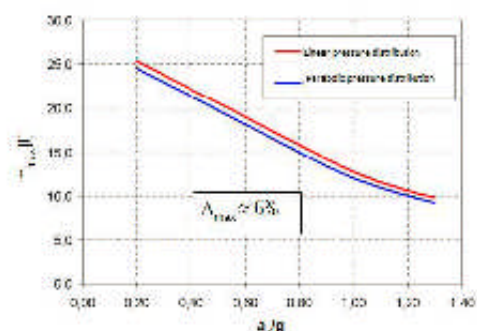
Since 2000, the number of transportation operations using Flexitanks has been growing at sometimes double-digit rates, and reports of losses have increased correspondingly.

IUMI has warned that proposals to increase the size of Flexitanks need to be very carefully reviewed amid fears that such a move may impact container safety and stability.

IUMI is very concerned by the proposal discussed at the IMO (DSC 18 in September 2013) that Flexitanks should be a standard 24 ton size. Loss prevention specialists insist that 18 tons is the maximum allowable weight, with 15 tons in more difficult waters.

A recent Germanischer Lloyd (GL) report for the German Insurance Association GDV demonstrates that container sides are irreparably weakened by the fluid pressure in Flexitanks over 18 tons and can suffer catastrophic collapse as a result. The report is available on IUMI's homepage. IUMI urges that, before any decision is taken, consideration is given to the GL findings as the proposed weight, if endorsed, will inevitably generate multiple avoidable losses.

Maximum permitted Flexitank weights as a function of the lateral acceleration  $a_y$  for fluid densities of  $1 \text{ t/m}^3$



## Developments in container weighting

*By Matthew Gore Senior Associate and Max Thompson Associate at Holman Fenwick Willan.*

The eighteenth IMO subcommittee meeting on Dangerous Goods, Solid Cargoes and Containers (DSC 18) has concluded with a compromise solution to the container weighting question.

### The issue

Insurers have long noted that misdeclared container weights present safety hazards to vessels, their crews and cargo, as well as port facilities and logistics workers. Shipping industry stakeholders, including the International Transport Workers' Federation (ITF), have called for the introduction of mandatory weighing of all containers. The European Shippers Council (ESC) has led opposition to this proposal, maintaining that it would be a costly burden on shippers.

### The solution?

Subject to exceptions for short international voyages, shippers will be required to state the gross weight of a container or face it not being loaded on board. Additions will be made to SOLAS Regulation VI/2 Cargo Information to this effect.

As a compromise, DSC 18 proposed two methods for weight verification:

1. Weighing each packed container using certified equipment; or
2. Weighing all cargo and other constituent parts, then adding the container tare weight, using a certified method of the competent authority of the state in which the container is packed. This affords flexibility to the shipper.

Sceptics, such as the ITF, point to the higher error margin of the latter technique, which they say undermines the proposal. Despite the compromise, the ESC has suggested that the issue of proper stowage has not been addressed. IUMI for its part favours mandatory weighing prior to loading over the compromise solution.

### What next?

Plenty is left to be finalised before the amendments are implemented by the IMO (expected July 2016). There are concerns over standardisation, and avoiding unnecessary pinch points in the supply chain. Furthermore, no consensus exists on penalties for misdeclaration. Co-operation is needed to reach a solution acceptable to all.

The DSC 18 proposal is likely to improve container safety, despite any perceived weaknesses. Insurers should take comfort from the steps which have been taken to address this serious matter. It remains to be seen whether compromise is the correct answer in the circumstances.



Holman Fenwick Willan is an international law firm advising businesses engaged in international commerce. [www.hfw.com](http://www.hfw.com)

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## Gooding is IUMI's new face at IMO

Nick Gooding has been appointed as IUMI's representative at the International Maritime Organisation (IMO) from January. Nick has been a leading cargo underwriter in the London market for many years and is the current Chairman of the IUMI Salvage Forum and has been a regular speaker at previous IUMI conferences. Nick will also be a member of the IUMI Political Forum and will remain Chairman of the IUMI Salvage Forum.

IUMI General Secretary Lars Lange said: "The successful work we carry out at the International Maritime Organization is one of the most important tasks of IUMI. Our aim is to inform IUMI's membership about all issues discussed at IMO with relevance to the marine insurance industry. Furthermore our aim is to make IUMI's voice heard at IMO in order to influence decision-making processes at IMO when IUMI's members' interests are affected. Nick will represent IUMI and its interests in the relevant IMO meetings and will report on relevant information to the IUMI membership. We very much look forward to working with Nick in the future."



## New chairman for Loss Prevention Committee

David Taylor has been elected as the new chairman of the Loss Prevention Committee.

Mr Taylor who is Marine Director for International Cargo and Marine Europe for RSA takes over the role from Richard Decker.

His career spans 36 years in the marine insurance market, all with RSA, where he has responsibility for London Market Cargo, six European businesses & Risk Management. He is also a member of RSA's Global marine management Board.



## IMO DSC 18 debates core cargo issues

*By Andrew Higgs, IUMI Liaison Officer at IMO*  
The International Maritime Organisation's Dangerous Goods, Solid Cargoes & Containers sub-Committee met in September and its deliberations resulted in a range of detailed recommendations.

Of interest to IUMI and its members was a number of issues which are currently being examined by the Political Forum:

- Review of Cargo Ship Safety
- Development of measures to prevent the loss of Containers
- Amendments to the IMDG Code, and supplements to Dangerous Goods
- Revision of Guidelines for packing of Cargo Transport Units.

There was a debate as to the "enforcement" of the SOLAS provisions, and their "implementation", by Port States, rather than the flag States of Cargo Container Ships.

The committee produced a 66 page report which can be accessed in the document section of the IMO website [www.imo.org](http://www.imo.org). For further information please contact the IUMI secretariat.



# Unsuitable packaging often causes damage to goods in transit

By Patrick Tillery

Unsuitable transport packaging is one of the most common single causes of damage to goods in transit. This cause of damage, unlike extraordinary transport events, can generally be avoided. The design of the packaging is to account for the specific requirements and value of the goods as well as the strains to be expected during transport.

A classic example of unsuitable packaging is the missing protection against normal and unavoidable strains exerted during transport, handling and storage. In addition, improperly designed climatic packaging, lack of cargo securing within the shipping units and a lack of available attachment points for cargo securing equipment regularly result in cargo damage. A large number of other serious packaging deficiencies are often found.

The fact that transport packaging is often improperly designed by shippers can in many cases be attributed to ignorance or overemphasis of the cost factor. In this respect, cargo underwriters still need to develop even more awareness of the need for well-qualified internal risk management to issue recommendations regarding transport packaging to the insured parties. Alternatively, external packaging experts may be consulted for advice.

By providing transport packaging advice to one of our clients, it was possible to reduce the rate of basic losses by up to nearly 90%. One of the advantages of this one-time investment into effective packaging consultation is that possible costs for surveys of damaged cargo at a later point are reduced or avoided. In addition, issues of liability concerning the suitability of the packaging will need to be addressed less frequently.



**BATTERMANN & TILLERY**

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## A question of mutual recognition

By Lars Lange, Secretary General, IUMI

Insurance conditions require a ship to be classed by a classification society that is approved by the insurer. Any change of classification society during the duration of the insurance policy will automatically lead to the termination of the insurance unless specifically accepted and agreed to by the underwriters. The marine insurer may also request all available particulars from the classification society concerning the condition of a ship before and during the insurance period.

Given the importance ship classification has in ensuring a certain level of technical standard for the ship and her equipment, marine insurers have fundamental concerns on how safety and quality may be affected by the implementation of Article 10 of EU Regulation 391/2009. The Regulation allows for any recognized organization (RO) to certify and approve components and equipment for a vessel regardless of which society will be responsible for the overall classing of that vessel. According to Article 10, a classification society is expected to approve a ship and issue a classification certificate even if that classification society itself has not conducted all the required and traditional certification testing and approval work for that specific vessel.

The EU ROs agree on their procedures and technical requirements via an Advisory Board supported by a Technical Committee. The first tier of requirements was adopted for implementation in 2012 and the next in mid 2013.

For material, equipment and components that are not critical to safety, this may not represent a problem if the approach suggested by the EU ROs is followed. However, insurers would have serious concerns should the list of products be expanded beyond what is already agreed.

Accordingly IUMI wrote a letter to EU (DG Move) in October 2013 stating the following key points: IUMI does not believe that the mutual recognition concept to a sufficient degree ensures that the minimum required building standard is achieved because the responsibility to uphold standards will be diluted. Furthermore, there is also an unsolved critical issue related to the acceptance of the EU RO regime by third party flag states. In consequence, neither the classification society nor owners or underwriters will be fully aware of the technical standard of a ship nor the quality of all the ship's components at all times.

In conclusion, IUMI would recommend that mutual recognition is clearly limited to materials, equipment and components of proven low safety critical.



## Secretary General's Address

*By Lars Lange, Secretary General, IUMI*

The last quarter brought again some changes. David Taylor is our new chairman for the Loss Prevention Committee, an article in this IUMI Eye is introducing him. Our thanks go to Richard Decker, his predecessor, who chaired the LPC excellently. IUMI's representation at IMO will also change at the beginning of the next year. Andrew Higgs retires from the position after five years of successful lobby work for IUMI at IMO. IUMI would like to thank Andrew and wish him all the best for the future. Our new "IUMI alternate officer at IMO" starting from the 1 January will be Nick Gooding. Nick is well known to IUMI, you will find a short introduction to Nick in this issue. We are looking forward to working with Nick at IMO!

IUMI is also happy to welcome the Insurance Association of Thailand as the 51st IUMI member. Thailand was elected during the IUMI council meeting in September in London and is strengthening IUMI's presence in the important emerging markets of Asia.

And IUMI welcomes two new IUMI Professional Partners "IPP". These are TMC Marine ([www.tmcmarine.com](http://www.tmcmarine.com)), a company specialising in high quality marine surveying and consultancy services and the survey company Battermann & Tillery ([www.ba-ty.com](http://www.ba-ty.com)).

Battermann & Tillery provides a broad range of cargo claims services and has developed a high international scope of its business. Contact details concerning both companies are available on IUMI's homepage.

In October IUMI agreed on a mutual Affiliate Membership with the International Salvage Union "ISU". IUMI and ISU have many common interests, with current examples the discussion on Places of Refuge for ships in distress and the ongoing discussions about salvage and wreck removal.

Also this autumn IUMI has agreed a cooperation agreement with the Global Federation of Insurance Associations "GFIA". GFIA is representing a large number of national and regional insurance associations representing the general interests of life, health, general insurance and reinsurance. The association's aim is to represent its membership to national governments, and international regulators. As GFIA's scope does not as yet include marine insurance issues, the aim of the cooperation agreement is to share knowledge and to co-operate on issues important for members of both associations.

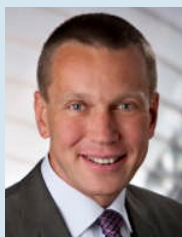
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## IUMI focuses on machinery damage caused by 'cat fines'

*By Lars Lange, Secretary General, IUMI*

IUMI reported in the "IUMI Eye" issue May 2013 on Low Sulphur Fuels and IUMI's concerns about their effect on machinery damage. IUMI's focus has been since that time on so called "CAT fines". CAT fines are small, abrasive particles including aluminium and silicon compounds, used as catalysts in the oil refining process, and often left as a residue in the fuel. When these particles circulate in the engine, the damage can be extensive.

IUMI's Political Forum has this issue on its agenda. A working group formed by the London Joint Hull Committee (JHC) published its findings on the systemic exposure of ship engines to damage by CAT fines in October. The growing problem of CAT fines in bunker fuel has led the JHC to issue a best practice guidance document on catalytic fines. The JHC information pack includes analysis of the problem, best practice guidance and a new survey wording and is available on the LMA website [www.lmalloys.com](http://www.lmalloys.com).

In September 2013 a joint meeting of IUMI, CIMAC (International Council on Combustion engines) and the IACS Machinery Panel took place in Oslo. IUMI voiced an opinion that Classification Societies make rules for the design and operation of the fuel treatment system on board in order to ensure that the delivered quality to the engine(s) is in accordance with the applicable specification of engine manufacturers with a view to preventing abnormal wear and tear cases.

IUMI suggested rules concerning the performance of fuel treatment systems, the design of fuel tanks with respect to drainage and cleaning, and for fuel properties for the entire operational range of systems with respect to available fuels (viscosity, pressure, CAT fines so that fuel ISO8217 is suitable for safe operation). IUMI furthermore argued for the introduction of requirements for survey and operational testing after delivery comprising fuel system checks, cleanliness of fuel tanks and measurement and/or monitoring (online measuring equipment) of fuel properties.

IUMI will continue to seek class involvement with the target of class periodical survey and testing of the performance of existing fuel systems on board in order to ensure the engines or boilers are supplied with fuel they can safely operate on and class confirmation that the new fuel standards can safely be used on the individual ships based on how they are equipped. IUMI wants to increase awareness by presenting available documentation of losses due to cat fines and warn of the risks involved.

## Forthcoming Meetings

### EC / TC Winter Meeting

- Sun 26th – Tues 28th January 2014
- The Grange City Hotel, London and Lloyd's Market Association

### TC Spring Meeting

- Sun 23rd - Mon 24th March 2014, Toronto
- Sun 15th – Tues 17th March 2015, Brussels

### EC Spring Meeting

- Thurs 22nd – Fri 23rd May 2014, Rio de Janeiro

### Conferences

- 21st – 24th September 2014 – Hong Kong Conference