



IUMI
International Union of
Marine Insurance



Message from the President

As the year draws to a close I would like to reflect on the significant steps IUMI has taken these past 12 months and the plans for the coming year.

I am delighted to report that the **annual conference in Genova** was a huge success, thanks to our great speakers, hard-working Technical Committees and the fantastic organisation of the Italian Insurance Association (ANIA) and the IUMI Secretariat.

Genova's historic marine landscape was the perfect backdrop for this year's conference. More than 600 leading marine insurers and experts from all over the world came together to examine the issues under the theme "*Effective underwriting in a changing environment*".

Highlights and key findings from the conference included:

- The global marine insurance report highlighting the challenges to cope with a fragile economic environment in a soft insurance market cycle and sluggish trade growth expectations;
- Growing concern over the increasing number of large marine losses aggregating with property or other losses and their potential to put severe financial strain on insurance companies;
- The increasing technological challenges faced by our industry due to complex risk, new technologies and digitalisation;
- Depressed oil prices impacting the risk management approach of the oil industry and increasing pressure on the offshore energy insurance market;
- The Tianjin disaster - the largest cargo loss ever recorded, highlighting needs of accumulation control and enhanced modelling.

This year also marked the implementation of IUMI's **new communication strategy**. We have worked hard throughout the year to raise public awareness of the excellent work of the Technical Committees. Our aim for IUMI to be the voice of the global marine insurance industry has powered ahead in leaps and bounds with increased presence in the media and through active participation in conferences and other events.

Our **education programme**, launched in early 2015, has developed quickly. IUMI has hosted a series of webinars since June 2016 covering topical issues such as "2016 York Antwerp Rules", "SOLAS regulation for the verification of the weight of containers", "Hanjin Shipping Insolvency – an update", to name a few. The Executive Committee established a new IUMI Education Forum in May to develop a programme that matches the demands and content required by the market.

Finally, one of our most significant successes this year was the **establishment of an IUMI overseas hub in Asia**. We opened a new office in Hong Kong in October, with the strong support of the Hong Kong Federation of Insurers (HKFI), to work more closely with our colleagues in Asia. It is vital for IUMI to strengthen its presence in the growth markets of Asia. Global trade in this region continues to expand and we must ensure that IUMI remains relevant and of service to this very important region.

These exciting new initiatives have paved the way for what looks to be a very interesting and busy 2017. Happy holidays, and I look forward to working with you in the coming year.

Dieter Berg, IUMI President



New Asian hub for IUMI

We are extremely pleased to announce the opening of a new overseas hub in Hong Kong. Inaugurated in October this year, this important initiative marks the first time in its 142-year history that IUMI has a permanent presence outside of Europe.

The Asian maritime insurance market accounts for almost 30% of global premium income and global trade in the region is continuing to grow. In recognition of this, IUMI, with the strong support of the Hong Kong Federation of Insurers (HKFI), set the wheels in motion to align itself more closely with the activities and objectives of the Asian market.

The Asian hub was created to give us more visibility in the region to help foster closer cooperation with our Asian members and the maritime industry in general. The new hub will facilitate the regular exchange of views between members as well as with governments, authorities, regulators and NGOs.

In addition, we will use the hub to share global insurance expertise and promote education and training for marine insurance practitioners across the region, an initiative at the heart of our core objectives. The new hub will also help broaden our Asian membership.

The HKFI has been instrumental in setting up this new hub and will provide the secretariat. HKFI has a long association with IUMI, having organised a number of IUMI events and conferences in Hong Kong as well as being represented on our executive and technical committees. HKFI enjoys strong support from the Hong Kong government and has close working relationships with IUMI members and insurance companies throughout the Asia region. This significant step forward marks an exciting new era for IUMI.

Statistics: Uncertainty remains the prevailing constant

By Astrid Seltmann, Vice Chairman IUMI Facts and Figures Committee and analyst/actuary of The Nordic Association of Marine Insurers (Cefor)



At the 2016 IUMI conference in Genova, the Facts and Figures Committee presented its annual update on the macroeconomic environment and shipping market (Patrizia Kern, Chairman) and the global marine insurance market (Astrid Seltmann, Vice Chairman). In addition, we were pleased to welcome as guest speaker Stephen Gordon, CEO of Clarksons Research, who updated the audience on the market conditions for shipping, trade and offshore energy.

The core messages from the Facts and Figures workshop included:

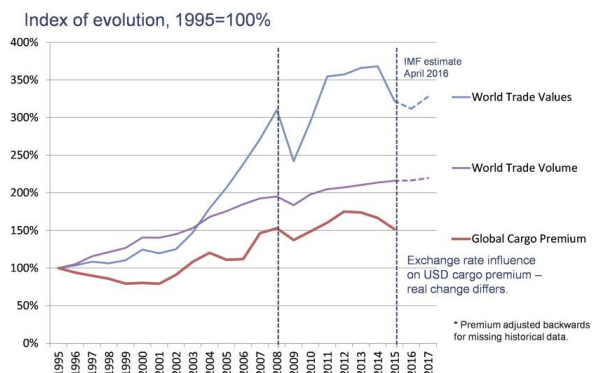
- Economic and financial uncertainty remain the only constant.
 - Global recovery is expected to continue, but there are significant downside risks (economic growth/trade volumes /Chinese economy, low commodity prices/oil price, freight rates, Brexit/financial uncertainties in Euro area, emerging market crisis/Latin America, to name a few).
 - The global marine premium decreased from 33.4 USD billion in 2014 to 29.9 USD billion in 2015, although the growth in world trade and the world fleet should support marine insurance demand (see graphs). While the strengthening of the US dollar contributed substantially to this reduction when converting figures to USD, it is not the only influencing factor. Most business lines suffered in 2015 with a real reduction in premium income due to a sluggish global economy, low commodity prices and reduced activity, especially in the offshore sector.
 - The impact of major losses rose in 2015 back to the expected level, leaving 2014 as a stand-alone year with extraordinary few total and major losses.
 - Technical results: The 2014 underwriting year results deteriorated for all lines as expected due to major claims which occurred in 2015, but attaching to 2014 contracts (cargo: Tianjin).
- The 2015 cargo loss ratio is also expected to deteriorate further, due to the not yet fully developed impact of Tianjin 2015 policies and the Hanjin bankruptcy.
- Hull: The 2015 loss ratios is expected to end at a higher level than the 2014 loss ratio. While repair costs stayed stable, the increase must mainly be attributed to the renewed impact of total and major losses in combination with deteriorating insured values and accordingly the income.
 - Offshore Energy: The results of the youngest underwriting years are expected to deteriorate substantially due to the eroding income basis and major losses incurred in 2015. The future outlook is bleak due to the low oil price and consequently reduced activity in the offshore sector, but with high capacity and accordingly increased competition in the insurance sector.
 - Increasing value accumulation (ports, larger high-value vessels) and consequently increased potential for new record claims are a major concern (2012: *Costa Concordia*, Hurricane Sandy, 2015: Tianjin explosions).
 - Regulation, environment and technology changes are influencing and changing the industry.
 - The 2016 market environment is challenging under stressed market conditions and the prevailing overcapacity in the marine insurance sector.

Please click here for all updates on the market environment from the Facts & Figures Committee presentations:
<http://www.iumi.com/index.php/committees/facts-a-figures-committee/statistics>

In addition to the conference presentations, the Facts and Figures Committee provides the marine insurance industry with up-to-date key indicators. The following data is available from the above link to the statistics section of the IUMI website:

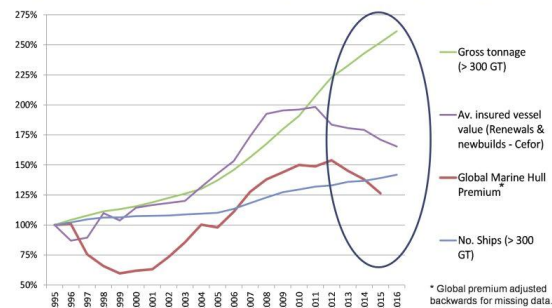
- Marine premiums by country for accounting years 2006 to 2015.
- Loss ratio triangulations for cargo, hull and offshore energy.
- Fact Sheets with relevant data for the hull, cargo and energy markets.
- Hull inflation index.
- Cargo inflation index.
- Each spring, IUMI issues extensive statistics on the hull, cargo and energy market including total and serious loss statistics, the world fleet development, offshore energy market and economic parameters.

CARGO PREMIUM / WORLD TRADE VALUES & EXPORTS

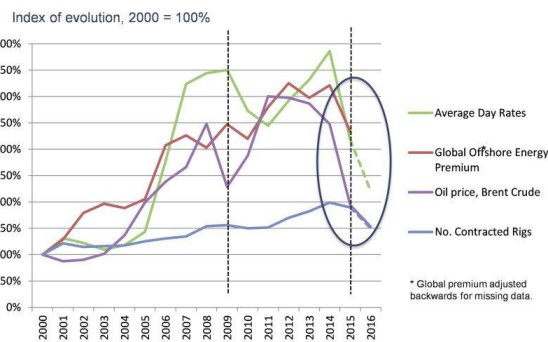


HULL PREMIUM / WORLD FLEET INDEX OF EVOLUTION, 1995 = 100%

World fleet continues to grow, especially in tonnage. Hull premium deteriorates in line with ship values – not only exchange rates.



OFFSHORE ENERGY INTO 2016 ENERGY MOBILES, DAY RATES, OIL PRICE



IUMI Intervention at IOPC Funds Meeting – “Prestige” 17.10.2016

By Nick Gooding FCII, IUMI Alternate Officer at IMO

Since the last IOPC Funds meeting, marine liability insurers, whose national member associations are represented by IUMI, have had the opportunity to examine both the Spanish Supreme Court’s judgement on the liabilities arising from the oil spill from the *Prestige* casualty, and the subsequent statement from the distinguished delegation from Spain at the previous meeting of IOPC Funds.

Insurers are extremely concerned by what they have read and are now considering the impact this will have on the business models and assumptions that underpin the writing of long tail pollution liability arising from the worldwide shipping industry. As well as examining the strength of reserves on legacy cases, marine insurers and reinsurers are looking at the capital requirements now needed to support this class of business given the uncertainty of International Convention limits being upheld by courts.



Some insurers may consider, post the *Prestige* judgement, that the return on the increased amount of capital now required will no longer make the class viable to underwrite profitably. Those who remain will no doubt examine limits of liability available, as well as price and conditions of cover. Rating models will need to be calibrated for vessels trading to countries where there is thought to be uncertainty as to convention limits being upheld.

It should be recognised that world trade depends on insurance to mitigate its risks and support its logistics and for their part; insurers calculate premiums with reference to known potential liabilities under the agreed international conventions. The efficacy of those conventions and their respective limiting parameters has been undermined by the court decision.

Unless it is reversed, the court decision has the effect of removing that element of certainty from insurance premium calculations. The function of insurance is to pay legitimate claims from collected premiums. These premiums need to be sufficient to both pay claims and support the functioning of the insurance business. Any country that effectively allows the spirit of conventions to be ignored is likely to be perceived as a pariah state. In addition to the general distrust and uncertainty generated, if insurance coverage were to be given, there would need to be a significant premium loading on ships calling to such countries.

Underwriters will continue to monitor developments arising from the judgement of the Spanish Supreme Court and act accordingly.

Finally, IUMI would like to put on the record its support for the paper submitted by the International Group of P&I clubs.

The reaction to this statement is summarised by Neil Roberts below:

- The statement caused something of a stir as several countries - Japan, Greece, Denmark, Norway, Italy, and Canada intervened to say they were concerned by what they’d heard – Canada was gravely concerned that the long-term viability of the convention system could be in doubt. Japan went so far as to say “the result seems beyond the reasonable expectation of the insurer”. Spain, supported by France, argued that the IOPC meeting was the wrong forum for the discussion.
- We were careful to make it clear for the record that it is the spirit of the conventions which is endangered, not the mechanism itself which has probably been applied correctly, but after a widely questioned legal decision.

Autonomous vessels – a not so remote possibility?

By Helle Hammer, Managing Director Cefor, and Chair of the IUMI Political Forum

On 1 November, the UK’s Automated Ships Ltd and Norway’s Kongsberg Maritime announced a memorandum of understanding to build the world’s first unmanned and fully automated vessel for offshore operations, expected to be in operation in 2018.

Unmanned transports are gaining acceptance from industry and governments as research and innovations bring the possibility of unmanned vessels closer to realisation. An unmanned vessel can be both remote controlled or fully automated. Most likely there will be a number of variations and a stepwise progress towards this, in which automated technologies will be used to support decisions and perform certain manoeuvres.



For unmanned vessels to become a reality, the regulatory framework must be in place. Requirements concerning the person in command of a vessel, sufficient manning, training and proper lookout will have to be amended in international conventions (SOLAS, STCW, COLREG). The amendment of IMO conventions is time-consuming, and although the process has barely started, it is likely to gain support and IUMI intends to be a part of these discussions. Consequently, the issue has now been added to the Political Forum’s current list for monitoring as discussions evolve.

In addition to the regulatory and liability aspects, insurers also need to address the risks related to new technologies and the internet of things. Cyber-attacks, connectivity, complex technologies, and autonomy-assisted accidents are among the challenges. Insurers will expect classification societies to become involved in the approval of big data and automated operational procedures in order for these to be insurable in the future.

IMO Sub-Committee for the Carriage of Cargoes & Containers (CCC3)

By Nick Gooding FCII, IUMI Alternate Officer at IMO

The IMO Sub-Committee for Carriage of Cargoes and Containers met in London on 5 to 9 September. IUMI was represented by Hendrike Kühl and Nick Gooding. Matters of interest for marine insurers are reported below.

Draft interim recommendations for the carriage of liquefied hydrogen in bulk endorsed

The Sub-Committee endorsed draft Interim recommendations for the carriage of liquefied hydrogen in bulk, for submission to the Maritime Safety Committee (MSC) 97th session, for approval.

The draft interim recommendations have been developed as the International Gas Carrier (IGC) Code does not specify requirements for liquefied hydrogen in bulk. The new draft highlights general requirements and special requirements for liquefied hydrogen, such as the provision of a portable hydrogen detector for each crew member working in the cargo area; selection of fire detectors for detecting hydrogen fire, and appropriate safety measures to prevent formation of explosive mixture in the case of a leakage of hydrogen.

IMSBC Code matters

The Sub-Committee reviewed the report of a Correspondence Group on Evaluation of Properties of Bauxite and Coal, in light of their potential to liquefy.

The Sub-Committee endorsed a draft revised individual schedule for coal. The draft amendments to the schedule point out that coal may liquefy if shipped at a moisture content in excess of its transportable moisture limit (TML) and state that due consideration shall be given to moisture migration and the formation of dangerous wet base when blended coals are loaded.

The Sub-Committee noted that a Global Bauxite Working Group (GBWG) has been established by the Australian, Brazilian and Chinese bauxite research groups, with the aim of ensuring industry research on the behaviour of bauxite during shipping is globally applicable. In light of this information the Sub-Committee established a Correspondence Group on Evaluation of Properties of Bauxite.

With regard to cargoes that may liquefy, the Sub-Committee finalised draft amendments to paragraphs 4.5.1 and 4.5.2 of the IMSBC Code. These emphasise the responsibility of the shipper for ensuring a test to determine the transportable moisture limit (TML) of a solid bulk cargo, as well as sampling and testing for moisture content, are conducted, for submission to MSC 97 as an urgent matter, with a view to approve and subsequently adopt by MSC 98 together with the next set of amendments to the IMSBC Code.

Safety of ships using methyl/ethyl alcohol as fuel

The IGF Code Correspondence Group was tasked with further developing draft technical provisions for the safety of ships using methyl/ethyl alcohol as fuel.

High rate of compliance with SOLAS requirements for the verification of the gross mass of a packed container reported

The World Shipping Council (WSC) reported on the experience of WSC member companies with the new SOLAS requirement for the gross mass of a packed container to be verified before it is loaded onto a ship. The amendments to SOLAS regulation VI/2 came into force on 1 July 2016 and require the verified gross mass (VGM) of each packed container to be provided by the shipper prior to loading.

The WSC informed the Sub-Committee that a high number of packed containers - 95% or more - were being accompanied by VGM information prior to initial vessel loading; the rate of compliance has steadily increased since 1 July and is expected to continue to rise. There is a high degree of awareness amongst supply chain parties about the VGM requirements, with carriers systematically engaging with shippers who were still not providing VGM information.

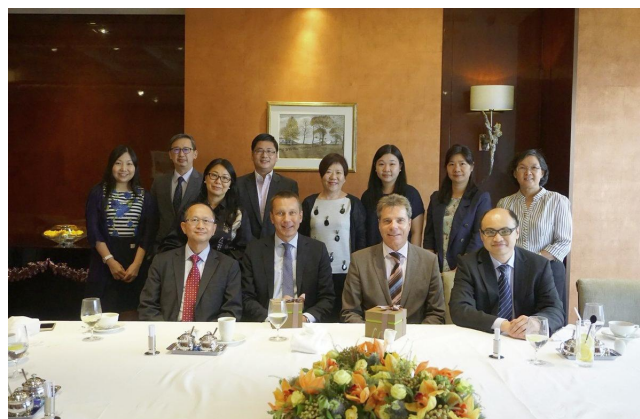
IUMI meets MIA Hong Kong

By Lars Lange, IUMI Secretary General

During IUMI President Dieter Berg and IUMI Secretary General Lars Lange's October 2016 visit to Hong Kong to announce the establishment of a new IUMI Asian hub, the opportunity was also taken to arrange a meeting with the Marine Insurance Association (MIA) Hong Kong.

MIA acts as the marine insurance committee within the Hong Kong Federation of Insurers HKFI. The members of the MIA are leading marine insurance professionals and work with high expertise and have extensive experience on issues relevant for the Hong Kong and East-Asian marine insurance market.

During the meeting, IUMI introduced its current work and was able to learn more about current challenges and opportunities in the region. A lot of common ground was discovered and IUMI and MIA agreed to continue a close cooperation – not least promoted by the new IUMI Asian Hub in Hong Kong.



Cat modelling for the cargo line: Charting the opportunities, navigating the challenges

By Chris Folkman, Risk Management Solutions, IUMI Professional Partner, www.rms.com

“Unacceptable.” “Poor.” “Failed.”

Such was the assessment of several reinsurance companies on the state of catastrophe modelling for the marine cargo line, according to a report in *Insurance Day*.

The pointed criticism came following the Port of Tianjin explosions, and the fact that it was the second time in three years that the cargo industry had been “surprised”. Superstorm Sandy was the other occasion, delivering a hefty \$3 billion in marine loss. The reinsurance companies were unequivocal on the cargo market’s need to markedly increase its investment in understanding lines of risk in ports.

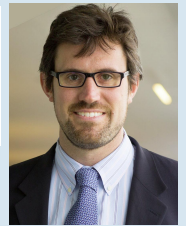
They have a point. Catastrophe modelling has traditionally focused on stationary buildings, and marine cargo has been treated as somewhat of an afterthought. Accumulation management for cargo usually involves coding the exposure as “warehouse contents”, positioning it at a single coordinate (often the port centroid), and running it through a model designed to estimate damages to commercial and residential structures.

This approach is inaccurate for several reasons: first, ports are large and often fragmented. Tianjin, for example, consists of nine separate areas spanning more than 30 kilometers along the coast of Bohai Bay. Proper cargo modelling must correctly account for the geographic distribution of exposure. For storm surge models, whose output is highly sensitive to exposure positioning, this is particularly important.

Second, modelling cargo as “contents” fails to distinguish between vulnerable and resistive cargo. The same wind speed that destroys a cargo container full of electronics might barely make a dent in a concrete silo full of barley.

Finally, cargo tends to be more salvageable than general contents. Since cargo often consists of homogenous products that are carefully packaged for individual sale, more effort is undertaken to salvage it after being subjected to damaging forces.

Given the cargo line’s razor thin margins, the moribund growth in its exposure base, and its recent cat experience, the status quo in catastrophe analytics is no longer a viable option. The cargo industry must achieve a more robust understanding of its exposure, how it accumulates, and how vulnerable it might be to future losses.



Technical risks involved with upcoming regulations of the new NOx standard

By R.M. (Ruurd) Simonides, Marine Senior Surveyor, Verweij Hoebee Group, IUMI Professional Partner, www.verweij-hoebee.nl

With the implementation of the Marpol 73/17, Annex VI, the shipping industry must reduce its emissions which include sulphur oxides (SOx), nitrogen oxides (NOx) and particulates. The emissions resulting from the use of marine gas oil and heavy fuels are known to be harmful to human health and the environment, contributing to acid rain, smog and eutrophication. Furthermore, NOx in the atmosphere adds to global warming which is enough of a reason to endeavour to reduce these emissions.

The Annex is applicable to all diesel engines with a rated output of 130 Kw and over, installed on ships constructed on or after 1 January 2000. Therefore, once the Annex is fully ratified, practically all engines installed on ships, with the exception of emergency generators, have to meet these requirements.

NOx is formed during the combustion process within the burning of fuel spray. It was found that the higher the temperature and the longer the residence time at high temperature, the more NOx forms. The source of nitrogen (N) is primarily the combustion air and secondarily the N present in the fuel itself.

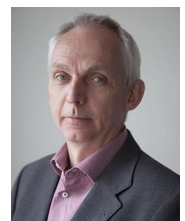
It seems obvious that the NOx emissions can be reduced by lowering the peak combustion temperatures. Unfortunately lowering the combustion temperature will increase the formation of other pollutants such as particulates. Furthermore, engine efficiency is reduced, which will result in extra fuel consumption and thus extra emissions. Therefore, the most suitable measures are about balancing combustion efficiency and finding an acceptable level of all pollutants combined. More information here - <http://www.verweij-hoebee.nl/technical-risks-involved-with-upcoming-regulations-of-the-new-nox-standard/>

The reduction of NOx emissions can be found in three different methods and combinations thereof:

- Pre-treatment
- Primary treatment
- Post treatment – external measures

The pre-treatment focuses on the fuel quality and treatment before the fuel is fired. The most basic method is using a fuel with a low N content.

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Report on the IMO Marine Environment Protection Committee (MEPC70)

By Nick Gooding FCII, IUMI Alternate Officer at IMO

The Marine Environment Protection Committee (MEPC) met on 24 to 28 October 2016 in London. IUMI was represented by Hendrike Kühl and Nick Gooding. The main outcomes of the meeting were:

Adoption of mandatory data collection system for fuel oil consumption

The MEPC adopted mandatory MARPOL Annex VI requirements for ships to record and report its fuel oil consumption. Under the amendments, ships of 5,000 gross tonnage and above will be required to collect consumption data for each type of fuel oil they use. The aggregated data will be reported to the Flag State after the end of each calendar year and the Flag State will issue a certificate of Compliance to the ship. Flag States will be required to subsequently transfer this data to the International Maritime Organization (IMO), who will produce an annual report to the MEPC.

Roadmap for reducing GHG emissions approved

The Committee approved a roadmap for developing a comprehensive IMO strategy on the reduction of green-house gas (GHG) emissions from ships, which foresees an initial GHG reduction strategy to be adopted in 2018. More will take place running up to 2023 and will include short-, mid-, and long-term further measures, together with implementation schedules. The project work will be done by an intersessional working group.

Energy efficiency of international shipping

The report of a correspondence group on the status of technological developments relevant to implementing Phase Two (1 Jan 2020-31 Dec 2024) of the Energy Efficiency Design Index (EEDI) regulations was considered by the Committee. Following discussions in a working group, which reviewed the status of technological developments relevant to implementing phase two of EEDI requirements from 2020, the Committee agreed to retain the phase two requirements and on the need for a thorough review of EEDI phase three (1 January 2025 and onwards) requirements, and look at the possibility of establishing a phase four. Currently, phase three requirements provide that new ships are to be 30% more energy efficient compared to the baseline. Data received by the IMO Secretariat identifies that so far more than 1,900 ships have been certified as complying with the new energy efficiency design standards.

2020 global sulphur cap implementation date decided

The Committee confirmed 1 January 2020 as the implementation date for a significant reduction in the sulphur content of the fuel oil used by ships.

The decision to implement a global sulphur cap of 0.50% m/m (mass/mass) in 2020 represents a significant cut from the 3.5% m/m global limit currently in place.

Implementation of the BWM Convention - Revised guidelines for approval of ballast water management systems adopted

The conditions for entry into force of the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) 2004, were met on 8 September 2016 and consequently the treaty will enter into force on 8 September 2017.

The meeting adopted revised guidelines for approval of ballast water management systems (G8), which update the guidelines issued in 2008.

The MEPC recommended application of the revised guidelines (G8) as soon as possible and agreed that BWMS installed on ships on or after 28 October 2020 should be approved taking into account the revised guidelines. Systems installed prior to that date could be approved using the existing guidelines or the revised guidelines.

With regard to the implementation date of the BWM Convention, the proposed draft amendments to regulation B-3 of the Convention relating to the time scale for implementation of its requirements had been previously approved at the last session of the Committee (MEPC 69) for circulation upon entry into force of the Convention. The draft amendments would provide for compliance with regulation D-2 (Ballast water performance standard) of the Convention by a ship's first renewal survey following entry into force.

A proposal for alternative draft amendments which would allow for compliance by the second renewal survey in certain circumstances was put forward. It was agreed that the alternative proposal would be debated at the next Committee session (MEPC 71) in mid-2017.

The new NOx standard (continued)

The primary treatment includes internal measures. The most important one is the recirculation of exhaust gas (EGR) in the combustion air and the use of water, either by direct injection (DWI) in the combustion chamber or by using fuel-water emulsions (FEW). These measures are designed to reduce the combustion temperature. Furthermore, the control of the fuel injection can have significant effects.

The post treatment targets the removal of NOx from the exhaust gasses before they leave the funnel. These systems are based on catalytic reduction (SCR).

The primary treatment options are particularly challenging to the engine. The methods to reduce the combustion temperature could cause less optimal engine performance, smoke formations and fouling of the engine. The use of fuel-water emulsions causes increased mechanical stress to the fuel injection system due to the higher pressures. Also, corrosion on the inside of the system could be a problem.

Engine builders have had ample time to design and develop NOx emission reducing equipment. Already worldwide many ships are fitted with the equipment and the experiences have, in general, been positive. Still the required equipment will be challenging to the engineers on board, both from an operational as well as a maintenance perspective.

IUMI's growing concern over containership fires

By Captain Uwe-Peter Schieder, Vice Chairman of IUMI's Loss Prevention Committee, and Loss Prevention Manager, GDV

Major fires on container vessels count among the worst hazards in global shipping. In 2016 alone, there have been three major fires; *Maersk Karachi* (May 2016), *NNCI Arauco* (September 2016) and most recently *Wan Hai 307* (September 2016). All three ships required external help to extinguish the fires, despite two being in the harbour and the third anchored just off Hong Kong, fuelling IUMI's concerns over the challenges involved with managing these incidents at sea.

Containerships have changed quite drastically over the past few years, far more than the size and arrangement of bulkers and tankers. Containerships have become larger and may now have six, seven, and sometimes even 11 layers of containers on deck making it far harder to contain a fire once ignited.

Firefighting procedures are different in bulkers as CO2 can be used to fight a fire and the CO2 can have direct contact with the cargo. This cannot happen with containers. Furthermore, containers will contain oxygen which can make fire-fighting even more challenging.

The cargo also plays a role in a fire. Cargoes in a bulker or a tanker are well defined but with containerships there is always a risk of misdeclared cargo which could be dangerous or hazardous. This could further fuel the fire and endanger the lives of the crew.

Currently, firefighting operations on container vessels are limited to allowing the containers to burn out in a controlled manner in such a way that the fire cannot spread further. This approach is still correct and reasonable but, in view of the rapid pace of development towards ever-larger ships, new technical solutions are also required.

IUMI is well aware of the SOLAS regulations but is calling for further dialogue involving the IMO, classification societies, shipbuilders and shipping companies to further improve firefighting capabilities onboard containerships. IUMI's Loss Prevention Committee is currently preparing a paper (due to be published soon), which identifies potential sustainable solutions to protect lives at sea.



Cargo theft: Rising to the challenge

By Hendrike Kühl, Policy Director, IUMI

Cargo crime is a global issue which must be tackled across all continents and takes different shapes and forms in different parts of the world. The issue has heightened in recent years due to criminals becoming more organised and international in their reach, with new and more sophisticated methods. Accordingly "cargo theft" is now permanently high on IUMI's agenda, and a position paper on the topic was published last year highlighting members concerns and recommending measures to combat such crimes (http://iumi.com/images/Berlin2015/IUMI_Position_Paper_Theft_Prevention15.09.2015.pdf). The Transported Asset Protection Association (TAPA) EMEA is a partner on this important issue, sharing IUMI's strong focus on preventing cargo theft. TAPA and IUMI sealed a formal cooperation and became mutual affiliates earlier this year.

Mark Gruentjes, TAPA EMEA board member, emphasised in his remarks at IUMI's annual conference in Genova that the true cost of losses due to cargo theft far exceeded the financial cost of the goods themselves. This, he said, was as a consequence of disrupted supply chains, reputational damage, and higher insurance premiums. Mark highlighted the difficulties faced in assessing the actual size of the problem, due to a lack of reliable and complete data as many losses are not being reported. Moreover, law enforcement agencies do not necessarily have specific categories to classify cargo theft and the collection of data is often fragmented within countries.

IUMI recently had the opportunity to discuss this and other challenges related to the supply chain with Carlos Mestre Zamarreno, Head of Transport Security Unit at DG Move in the European Commission, a contact which had been established thanks to TAPA

EMEA. As a result of this initial meeting, IUMI has since become a member of the Stakeholders Advisory Group on Maritime Security in which organisations representing sectors of the maritime industry have an opportunity to provide updates and input on current issues relevant to the industry.

To expand IUMI's partnership with TAPA, David Taylor, chairman of IUMI's Loss Prevention Committee, spoke at TAPA's annual conference and outlined the opportunities for further cooperation. David noted that closer collaboration and direct exchanges between insurers and TAPA members would allow better insights into supply chain operations. This in turn would better advise insurers enabling them to make better informed pricing and more accurate coverage decisions on risks associated with the supply chain. The TAPA conference agenda included topics of common concern such as secure parking spaces and exposure of the supply chain to cyber threats. One outcome of the conference, on which all participants agreed, concerned the rise in the number and the variety of threats to the supply chain and the urgent need for all parties to respond to this challenge by collaborating with like-minded organisations.



And again: New German Freight Forwarders' Standard Terms and Conditions (ADSp 2017)

By Dr. Marco Remiorz, Partner, and Steffen Maelicke, LL.M. Shipping Law (University of Cape Town), Counsel, Dabelstein & Passehl, IUMI Professional Partner, www.da-pa.com

Both the leading forwarders' and cargo interests' unions have agreed to recommend the application of the new German Freight Forwarders' Standard Terms and Conditions (ADSp 2017), applicable from 1 January 2017 onwards. The ADSp 2017 is the result of extensive negotiations aimed at a modernisation of the former ADSp version adopted in 2003. The new ADSp 2017 has concluded a dispute between the unions of forwarders and cargo interests which came to a head with the recommendation of two different sets of terms and conditions in 2016: on the one hand the ADSp 2016 and, on the other, the German Transport- and Storage-conditions (DTLB).



DABELSTEIN & PASSEHL
Rechtsanwälte Hamburg & Leer

The ADSp 2017 is a compromise based on the rationale that the application of the ADSp 2016, as well as DTLB, would result in legal uncertainty and unavoidable conflicts. With the new ADSp 2017, the parties involved retrieve a well-familiar basis for the forwarding and logistics business in Germany.

The ADSp 2017 takes the sender's interest more into account, in particular by increasing the maximum liability of a forwarder per loss to EUR 1.25 million, for losses or damage other than damage to the goods to EUR 125.000, and per damage event to EUR 2.5 million.

The ADSp 2017 increases (as did the ADSp 2016) the limitation of liability from EUR 5.00 per kg to 8.33 SDR per kg for cargo damage. However, the liability is limited to 2 SDR per kg for multimodal carriage including a sea leg and, when the damage can be allocated to the sea leg of the transport, to the higher of 666.67 SDR per package or per unit.

In addition, the ADSp 2017 limits the liability of the sender to EUR 200,000 per damage event, e.g. for damage arising from inaccuracy or incompleteness of the required information regarding the goods or insufficient packing or marking.

The ADSp 2017 also lays down in more detail the obligations of each party as previously being set out in the DTLB. However, crucial aspects such as the liability for loading and discharge, as well as rules on the exchange of pallets, has been left out as no compromise could be achieved. The ADSp 2017 will certainly serve as clarification in many respects of daily business. However, daily practice and the courts will ultimately decide on the relevance of some of the clauses of the ADSp 2017, which might be held invalid under German law.

The Hanjin collapse and the consequences for marine insurers

By Mike Roderick, Partner at Clyde & Co., IUMI Professional Partner, www.clydeco.com

Hanjin Shipping's fall into rehabilitation at the beginning of September 2016 has sent tremors through the cargo insurance market because of the serious delays and disruption it has caused to the supply chain, particularly to cargoes on the Asia-US route intended for Thanksgiving and Christmas. Fortunately, the vast majority of Hanjin vessels have now discharged and cargoes have arrived or are en route to destination. Our experience is that claims lodged with insurers so far principally relate to forwarding charges incurred rather than claims for physical loss or damage to cargo, with cargo interests frequently being "held to ransom" by port authorities and container terminals. Interesting legal issues have arisen regarding the operation of policy insolvency and delay exclusions, and more generally regarding the cover afforded for forwarding charges with differences in approach emerging between international markets. However, with risks broadly spread, this does not appear to be a market changing event.



CLYDE&CO

Greater impact has been seen on container lessee default insurances where policies have been triggered by Hanjin's rehabilitation and where, because of the sheer number of Hanjin leased containers involved, significant policy losses have been experienced.

Looking ahead, a rehabilitation plan has to be submitted by Hanjin to the Korean Court in February 2017. If Hanjin survives without going into liquidation, it is only likely to do so in a slimmed down form and any distribution to creditors, whether in rehabilitation or liquidation, will probably be small.

The greater concern is whether Hanjin is merely the "tip of the iceberg". Recent weeks have seen a flurry of bad news relating to the container trade with various of the major container lines announcing multi-million dollar trading losses with ship finance banks also heavily exposed. Readers will have noted the wave of new mergers and alliances as container lines come together to drive out cost and over capacity (e.g. the Hapag Lloyd/UASC tie up and the NYK / MOL / K Line alliance). As 2016 draws to a close, 2017 promises to be an interesting year. Please click here for the recent IUMI webinar on "Hanjin - the impact on cargo insurance" - <http://www.iumi.com/education/forthcoming-seminars>

People at IUMI – Donald Harrell

How long have you been associated with IUMI?

I attended my first IUMI conference in 2000, and following my move to Paris in 2003 I have been to almost every conference since then. I joined the Facts & Figure Committee a year ago.

What is your IUMI role today and what does it involve?

I am currently the Chairman of the Facts & Figures Committee. I oversee and represent the committee to all the members within IUMI. The committee provides an overview of key marine insurance statistical information and analytics, and we consolidate all the figures and analytics that come with that. We also undertake special projects depending on what IUMI and other committee members need at any particular time.

And what is your day job?

Head of International Insurance and Global Head of Marine for Aspen Insurance.

What benefits do you get from being associated with IUMI?

Personally, it is being part of and participating in the industry that I am working within, both in terms of helping to make the industry better and by providing information that is relevant to the marine industry and related sectors. It is about providing leadership within marine insurance and the wider industry.

If you could change anything at IUMI what would it be?

I would like to see an improvement in the active involvement of the member associations to bring more into IUMI versus an expectation to take. There are many organisations that make up IUMI but many do not do enough to help make IUMI stronger and better. We currently have a situation where a small number of people do most of the work, when it could be many.

How did you reach your current position in marine insurance?

I've spent my entire career in marine insurance, so career progression and personal experiences have allowed me to reach my current position. It is a combination of proactively managing my own career and taking risks throughout my career that have given me the experience to be a better manager. I have lived in five countries in four different continents over 25 years and if I hadn't taken these personal and professional opportunities I would not have the wide knowledge that I have today.

And what do you do away from the office?

I like to ski, play tennis and football. I spend as much time as I can with my children. I have a keen interest in travelling and learning about different cultures. I find that business is much more interesting if you actively learn about people and different cultures.

Anything else you'd like to add?

As the new Chairman of the Facts & Figures Committee I hope to bring a deeper knowledge of trends, analytics and information relevant to all our associate members; to help better educate underwriters around the world and assist them to make better underwriting and management decisions to benefit the industry as a whole.



The release of the “forgotten” *Naham 3* hostages

By Richard Neylon, Partner at Holman Fenwick Willan LLP, IUMI Professional Partner, www.hfw.com

The release of 26 seafarer hostages on 22 October 2016 - the last remaining victims captured during the darkest days of the Somali piracy era - represents a symbolic victory in the fight to eradicate a peril that has plagued the Horn of Africa for nearly a decade.

The shipping industry and its seafarers have suffered terribly at the hands of Somali pirates, with hostages being mistreated and tortured, and instances of rape, suicide and execution. Added to this is the financial cost to the industry of evading capture. A team including Compass Risk Management, the international law firm Holman Fenwick Willan LLP (HFW) and the NGO Oceans Beyond Piracy secure the release of these hostages, who were hijacked in March 2012 from the Taiwanese fishing vessel *Naham 3*. The crew of Cambodians, Chinese, Filipinos, Indonesians, Taiwanese and Vietnamese had been held for over four and a half years.

HFW's Piracy Team have worked on around 70% of all incidents of commercial vessels hijacked by Somali pirates and have helped secure the release of over 1,750 seafarers since 2005. In 2013, after the release of the last commercial vessel, we committed to working on a pro bono basis to secure the release of the 48 “forgotten” seafarer hostages in Somalia. The 26 crew members from *Naham 3* were the last of those 48.

By mid 2008, piracy off the Horn of Africa had developed into a major global concern. It hit its peak in 2010/2011, but there was then a sharp decline in attacks. No major commercial vessel has been successfully hijacked by Somali pirates since mid-2012.

Whilst the international community's focus began to shift elsewhere, the crew of *Naham 3*'s ordeal continued. Their road to freedom was long and filled with peril. After the hijacking, *Naham 3* was originally tethered to another hijacked vessel, *Albedo*, taken in November 2010. When *Albedo* began to sink, with its crew onboard, the crew of *Naham 3* courageously assisted in their rescue by jumping into the ocean to save the drowning seafarers. A year after its capture, *Naham 3* also sank and the crew was brought ashore, where they were subject to greater risks.

Despite the seafarers' release in October 2016, their journey is not over, but support is in place to help them try to rebuild their lives. The 26 seafarers are now home, but the original crew numbered 29 and sadly three did not survive the ordeal: one died during the hijacking and two more succumbed to illness during their captivity. We never want to see this repeated. The release of the last of these “forgotten” hostages has given the industry optimism, but piracy is still a huge threat, and much hinges on the continuing battle against unrest onshore.



holman fenwick willan hfw

The increasing concern of cyber-attacks

By Frédéric Denèfle, Legal & Claims Manager at GAREX, France, and IUMI Legal & Liability Committee Chairman

The recent Willis Towers Watson report, published in October 2016 (https://www.willis.com/documents/publications/Industries/Aerospace/16438_PUBLICATION_Client_Alert_Transportation_Cyber_Risk.pdf), is a breakthrough in understanding cyber risk threats for the transportation sector as a whole, including shipping.

The annual IUMI Conference in Genova this year served as a useful platform to discuss the methodology behind safeguarding a ship owner's internal IT system from cyber-attacks. Two presentations were given during the Legal & Liability workshop, one by Yohan Le Gonidec, TECNITAS (http://iumi.com/images/documents/genua-2016-program/7_yohan_le_gonidec_1474365158.pdf) and the other by Aron Sorensen, BIMCO (http://iumi.com/images/documents/genua-2016-program/6_aron_frank_sorensen_1474365128.pdf), detailing the means and tools a ship owner needs in order to tighten up their IT system to be protected from such threats.

BIMCO's guidelines and presentation on cyber security addressed not only the concept of a cyber risk attack, but also the various processes which should be safeguarded. The TECNITAS presentation provided us with the methodology to build a protective fence, using both technical and internal human resources, to reduce the risk.

The new Willis Towers Watson report gives precise examples of key cyber-attack targets within the transportation industry, which is at the heart of IUMI's business. The report highlights the concern of the whole transportation industry, and how this new risk could materialise. With recent experiences of losses and some loss scenarios, these can now be clearly analysed and quantified.

This creates a strong pillar for IUMI to monitor the various underwriting issues that marine and transportation insurers may face, and allows for open dialogue with all stakeholders exposed to these technical threats.

Technical developments on ships are clearly heading to a more autonomous level, either remotely and/or with less crew, and most likely an increased use of IT devices to maintain and supervise machinery and/or cargo handling on board.

In order to understand how cyber threats can be managed, considering both the property and liability aspects, we will need to discuss this extensively. IUMI is at the heart transportation and marine activity, and professional associations or international public authorities are the bodies to question, discuss with and gather all available information. Professional public statements from shipping and/or transportation organisations will also provide a deeper understanding of the roots and consequences of the new threat to international trade and modern shipping.

The Legal and Liability Committee will focus on this issue to understand the risks, sharing knowledge with all interested parties to help them determine if cyber risk remains a myth or has become a modern business disease.



IACS goes cyber

New Working Group on Cyber Systems established

By Lars Lange, IUMI Secretary General

The International Association of Classification Societies (IACS) is the umbrella association of 12 leading classification societies. More than 90% of the world's cargo carrying tonnage is covered by the classification design, construction and through-life compliance Rules and standards set by the 12 IACS member societies.

IACS is aware that as well as hull and machinery, the onboard electrical equipment is becoming more and more important for the safety and security of a vessel and therefore should also be covered by the work of classification societies.

Accordingly, during the IACS Council Meeting in December 2015 the establishment of a new IACS Cyber Panel was agreed. This panel is currently preparing a roadmap for further work and intended output. Additionally, in autumn 2016, an IACS Joint Working Group on Cyber Systems (JWG) was founded and had its first meeting this November in London.

The JWG, led by the same chairman as the IACS Cyber Panel, involves industry representatives and stakeholders from all relevant sectors such as ship owners, flag states and insurers to ensure that IACS meets their practical demands. An IUMI representative is a permanent member of the JWG.

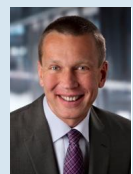
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IUMI annual conference goes from strength to strength

We are delighted to announce the IUMI annual conference this year was once again a great success, thanks to the fantastic organisation of Italian Insurance Association (ANIA). More than 600 delegates, comprising leading marine insurance professionals and IUMI members, came to the beautiful historical city of Genova to discuss the current industry issues.

Cyber threats, car carrier safety issues, unmanned vessels, piracy, the challenges of ultra large container vessels, places of refuge, fire-fighting systems on container vessels, the volatile oil price, risk accumulation and CAT modelling are just a few of the topics discussed under this year's theme "Effective underwriting in a changing environment".



This year the conference got underway with a generous donation from the Hong Kong Federation of Insurers (HKFI) of €100,000 EUR to support IUMI's new education programme. The education programme is a key IUMI objective and aimed at attracting new talent to ensure marine insurance stays relevant for the good of global trade and the world economy.

Other highlights include IUMI President, Dieter Berg's, workshop where risk accumulation and CAT modelling were discussed in detail. Dieter raised the issue that when large marine losses were combined with property and other losses, there was a real concern that this might overwhelm and put financial strain on insurance companies. He called on the industry to understand, clearly, their aggregate positions and to manage their exposures by carefully modelling their risk positions.

Overall, marine insurers are navigating through challenging times and need to have a clear understanding of risk exposure to better advise client's and to educate the new generation.

We would like to take the opportunity to thank everyone who attended and helped make this year's conference a huge success. We look forward to welcoming you at next year's conference in Tokyo (17 – 20 September 2017) www.iumi2017.com.

IUMI welcomes new International Professional Partner RMS

IUMI is pleased to announce that Risk Management Solutions (RMS) has joined IUMI as a Professional Partner. RMS, founded in 1988 at Stanford University, is the world's leading provider of models, data and software for catastrophe risk management.

RMS has over 1,100 employees and its multidisciplinary development team includes more than 250 experts in hazard research, actuarial science, engineering, and software development. Headquartered in Newark, California near Stanford University, RMS also has offices in major insurance hubs worldwide including London, Singapore, Zurich and Tokyo.

Peter Ulrich, RMS Senior Vice President, presented at the President's workshop at the IUMI conference this year on the highly topical "Tianjin multi-billion-dollar cargo loss: An aberration or the new normal for the industry", which was very well received.

RMS and IUMI's Cargo Committee are currently looking at possibilities to work together on risk accumulation issues. IUMI is looking forward to working with RMS and co-operating on key market issues in the future.

IUMI webinars

By Hendrike Kühn, Policy Director, IUMI

e-Learning reaches participants worldwide, it is not linked to a fixed schedule and does not require class room facilities. These are just a few of the reasons why it has been on the rise in the past years, with steady growth rates in many countries, and likely to be the reason why IUMI's webinars have been well received by our members, affiliates and friends.

Since the launch of our webinar programme in June, eight sessions have taken place. They covered a wide range of topics from the SOLAS weight verification requirements to the new York Antwerp Rules to insuring perishables, current issues such as the Hanjin insolvency, and an introduction to the Paris MoU. The most recent webinar on project cargo was so successful that an additional session is under consideration. One more webinar is scheduled for this year: Project cargo on RoRo vessels on 13 December. Several sessions are being organised for 2017, including one on offshore energy and one on Carriage of Group A cargo – mineral ores that are prone to liquefaction.

We are proud to announce that we have hosted 1,200 participants from 46 countries for our webinars so far. The majority of our viewers are from Europe and North America, though participation in Asia is increasing. This rise is partly due to new time slots which accommodate viewers in different time zones. We invite our readers to share information about our webinars with colleagues around the world.

The age demographic of our participants is predominantly in the range of 41 years and above who account for 59%. The 31-40 year olds and below 30s account for 16% each (for those wondering about the other 9%, they were too shy to say). This analysis shows that we need to improve our reach to the younger underwriters – and again we invite you to pass on our invitations within your team.

If you haven't joined any of our webinars yet and are curious, you can sign up for the ones coming up soon or have a sneak peek at our website where the recordings and slides are readily available: <http://iumi.com/education/forthcoming-seminars>



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New Vice Chairs elected to IUMI Executive Committee

During the IUMI Annual Conference in Genova in September, Patrizia Kern-Ferretti and Shuichi Terakawa were both elected as the new vice chairs of the Executive Committee. Vice chairs Shinji Urano (Tokio Marine & Nichido Fire Insurance Co Ltd) and Alessandro Morelli (Siat Assicurazioni e Riassicurazioni) have stood down having completed their set term.

Patrizia Kern-Ferretti

Patrizia Kern-Ferretti is the Head of Marine, Swiss Re Corporate Solutions in Zurich. Patrizia began her career as an assistant reinsurance treaty underwriter at RAS (Allianz Group) before moving to General Re Italy as a marine underwriter and consequently a treaty marine underwriter for the Marine, Offshore & Aviation Department in Cologne. In August 1998, Patrizia joined Swiss Re managing both facultative and treaty marine placement and became UW Manager for Southern Western Europe in 2005. In 2012 she joined Swiss Re Corporate Solutions and became Marine Head in 2014. Patrizia speaks an impressive five languages and previously held the position of IUMI's Facts & Figures Committee chair.

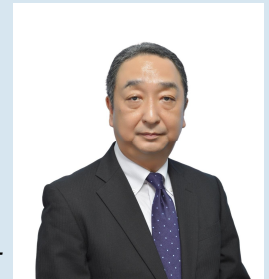
On her recent election Patrizia said: *"I am very honoured to have been elected into the Executive Committee. I have been part of IUMI for many years and I look forward to taking on this new challenge to help push forward IUMI's core objectives, such as to be "the" voice of the marine insurance industry and the exciting education programme. The global marine insurance industry is undergoing some very challenging times and it is vital that we help educate and prepare the next generation. This is a very exciting time to be a part of this international organisation."*



Shuichi Terakawa

Shuichi Terakawa is responsible for the Marine Underwriting Department at Tokio Marine and Nichido Fire Insurance Co., Ltd. as Associate Director and General Manager. Shuichi joined Tokio Marine and Fire Insurance Co straight after university and has built his career within the organisation and continued following the merger between the Tokio Marine & Fire Insurance Co., Ltd. and the Nichido Fire and Marine Insurance Co., Ltd. in 2004. Shuichi also currently holds the position of Chairman of the Underwriting Committee for The Hull Reinsurance Pool of Japan. Incidentally, when Shuichi was working for Tokio Marine's subsidiary in Los Angeles he was called "Steve" and is happy to be called so.

Following his election Shuichi said: *"IUMI is at the forefront of the marine insurance industry and it is an honour to have been elected into the Executive Committee of such a prestigious organisation. I am looking forward to promoting marine insurance across the globe and working on the key issues of the marine insurance industry with the Technical Committees. The recent establishment of an IUMI hub in Hong Kong is very exciting and I look forward to helping IUMI strengthen its presence in the Asia region."*



Snapshot of the Insurance Block Exemption Regulation (IBER)

By Hendrike Kühl, Policy Director, IUMI

IBER is an EU regulation which allows insurers and reinsurers to benefit from an exemption to the prohibition of anticompetitive arrangements as outlined in the EU Treaties. It sets out the conditions under which (re)insurance companies can cooperate in the fields of joint calculations and studies, as well as (re)insurance pools, without infringing EU competition law.

The current IBER is due to expire in March 2017. The European Commission is currently examining whether it should be renewed. Earlier this year the Commission announced a preliminary position not to replace IBER and instead apply its Horizontal Guidelines which cover horizontal cooperation agreements. Stakeholders' views vary with some still supporting a renewal while others agreeing to its expiration. More detailed information and two related studies released in August 2016 are available here:

http://ec.europa.eu/competition/sectors/financial_services/insurance.html

Snapshot of TiSa (Trade in Services Agreement)

By Hendrike Kühl, Policy Director, IUMI

The 21st round of TiSa negotiations took place from 2 to 10 November 2016. The agreement, which aims to liberalise trade in services, involves 23 World Trade Organisation (WTO) members who jointly account for 70% of world trade in services.

The last round was chaired by the EU. The negotiating partners attempted to advance the most controversial issues which could not be resolved thus far. During this round the revised offers, as well as technical discussions, were addressed.

Concerning maritime transport, the round looked at the articles related to the movement of empty containers, the prohibition of cargo sharing agreements, the access to ports and to port services, as well as port fees and charges.

Melanie Grossewinkelmann joins IUMI team



We are pleased to announce the appointment of Melanie Grossewinkelmann as our new Executive Assistant to support IUMI's continuing growth. Melanie joined our Hamburg office at the beginning of November to provide administrative support and office management.

Melanie will be supporting the IUMI Secretariat and will also be the first point of contact for any queries regarding our organisation. We are delighted to have her on board and look forward to her contribution to our team.

Melanie is highly experienced, hardworking, loyal and a dedicated professional, with over 20 years in similar roles, and joins us following 15 years at Jones Lang LaSalle GmbH. Prior to this she worked in the hospital industry all over the world, including New York and Hamburg. Please join us in welcoming Melanie to the IUMI office.

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