



IUMI
International Union of
Marine Insurance



Message from the President

With this year's IUMI Conference in Genova not far off, I'd like to draw attention to some of the key topics currently shaping the marine market, which we will look at during the event. In line with the common theme "*Effective underwriting in a changing environment*", the conference will focus on the role of strong technical underwriting as the key to a healthy business in today's fiercely competitive markets.

Aside from competition, a further reason for the importance of risk-adequate underwriting and the use of pricing models, is pressure from rising internal costs and distribution expenses. These factors, along with continuingly ultralow interest rates and volatile financial markets, place a spotlight on the need for underwriting skills and risk expertise to secure profitability.

New technologies and digitalisation also remain important topics, and will receive attention in Genova. We will look into big data and risks affecting mega-projects and how data analytics can be used to support technical underwriting.

In general, rising cargo values aboard mega-vessels and car carriers demand close attention from marine insurers, as do accumulation risks at storage locations. The explosion in the port of Tianjin is an alarming example: it affected close to 68,000 brand-new vehicles that could be claimed as destroyed, damaged or covered by far-reaching brand protection clauses. We will look at learnings from the event and how they can contribute to improved managing of aggregates by modelling marine exposures

These topics, and others, promise to make this a very rewarding conference. I look forward to greeting you personally and sharing thoughts with you.

Dieter Berg, IUMI President



Industry unprepared for new container weighing rules

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

As of 1 July 2016, only containers with a verified gross mass will be allowed to be loaded on board a vessel (although IMO is allowing a grace period of three months). Although the new SOLAS requirement was adopted in 2014, many shippers and forwarders are still unprepared, and masters will have little choice but to refuse unverified containers.

Short and long-term effects

In the short term, non-compliance is likely to affect the cargo insurance sector. Issues include increases in risk exposure due to disturbances in the supply chain, delays for perishable or time-sensitive cargoes, and the consequent accumulation risk associated with more containers languishing in ports. Additionally, liability underwriters will have short-term issues with clients in the logistics sector as their exposure increases.

Failure to comply on the other hand, will have serious safety implications. The long-term effect will help save lives, and reduce both cargo and hull losses. Due to the increasing growth in international trade, the number of containers stacked on top of each other is continually growing. When loaded, overweight containers can cause injury to dock workers and damage containers stored underneath during transportation. Containers that are misdeclared can cause equipment or chassis damage when they reach port. In a worst-case scenario the balance of a vessel can be altered and this might easily impair its stability. For these reasons, IUMI remains strongly in favour of the new SOLAS amendment.

Verification methods

The new regulation requires verification of a packed container's gross mass by the shipper sufficiently in advance for use in the ship stowage preparation plan. By way of a compromise solution, either of two approved methods may achieve the verification:

1. weighing the packed container using calibrated and certified equipment; or (continued on page 2)



Photo courtesy of Andrew Sassoli-Walker

Industry unprepared for new container weighing rules

(Continued from page 1)

2. weighing all packages and cargo items, including the mass of pallets, dunnage and other securing material to be packed in the container and adding the tare mass of the container to the sum of the single masses, using a certified method approved by the competent authority of the State in which packing of the container was completed.

While welcoming the requirement, IUMI would have favored the mandatory weighing of all boxes prior to loading, and remains concerned that with this compromise solution mis-declaration may still occur. Consequently, the application of the new SOLAS amendment should be carefully monitored and new action taken if necessary.

Insurance implications

In a recent statement, IUMI has warned of the possible insurance implications if found in breach of the new requirement. Stakeholders may find their insurance cover invalid if failing to comply. Shippers and cargo interests should check their insurance conditions on delay and/or in the event of unsuitable packing/conditioning.

Settling-in-period

IMO guidelines and industry guidance for the implementation of the new requirement are already in place. To deal with expected short-term disruptions, the IMO's Maritime Safety Committee recently agreed on a circular advising Administrations and Port Control Authorities to adopt a practical and pragmatic approach when verifying compliance. This approach will be offered over a three-month settling-in-period after 1 July.

For IUMI's latest press release on the new mandatory container weighing rules please click

http://www.iumi.com/images/documents/Press_releases/160523_IUMI_Container_Weighing_Press_Release_FINAL.pdf

IUMI Education programme – finally taking off

By Hendrike Kühl, Policy Director, IUMI

In September 2014, at the annual conference in Hong Kong, IUMI members acknowledged the demand for marine insurance educational tools and so the establishment of a comprehensive training scheme was identified as a core objective. A roadmap was developed by the Executive Committee and the launch of the education programme is now imminent. We are delighted to announce that the first webinar will take place on 21 June.

Following the questionnaires which were sent out to member associations last summer, an evaluation of their priorities was undertaken. The outcome indicates a focus on several key areas:

- (1) Webinars on specific, ad hoc issues of interest;
- (2) online tutorials, i.e. self-study courses;
- (3) in-class instruction;
- (4) improved coordination of national education initiatives;
- (5) an IUMI database to make presentations/webinars and general insurance conditions/clauses permanently accessible.



Cargo and hull have been strongly requested as focus areas and liability is of interest too. In terms of specific fields of expertise to be taught, underwriting received the highest priority, followed by claims, loss prevention and risk management skills. Generally, the programmes ought to provide tutoring for junior professionals, as well as advanced training for senior staff.

Based on this input, the secretariat is working towards the objective of setting up high quality educational services. The ultimate goal is a qualification framework for marine insurance professionals. Against this backdrop, digital technology aims to facilitate access for interested professionals around the world.

Thorough training is a fundamental pillar for the future of any business. In various countries successful national programmes for marine insurance education are already in place. An outline and links to such courses are available on IUMI's website. In contrast to the national angle, the value-add of IUMI's educational agenda is an emphasis on the international aspects of the industry.

Bearing in mind members' objectives, the programme begins with a series of webinars on current issues. The first session will focus on the new rules for container weight verification requirements under SOLAS. On 21 June, Steffen Maelicke, from Dabelstein & Passehl, will share his insights on the issue - just in time as the regulations come into force on 1 July – to register please click <https://www.eventbrite.de/e/new-solas-rules-for-container-weight-verification-what-is-the-impact-registration-25507701221>. A little further down the line, in the late summer, a programme is envisaged on perishables, as well as three sessions on the revised York-Antwerp Rules.

An overview of the online learning sessions will be shared as soon as the dates and themes are determined. As the schedule for the webinar series is still being developed, your thoughts on topics and speakers are most welcome. "*Noli Cedere Cognoscere*" or "*Never Cease to Learn*" – in this spirit we are excited to launch IUMI's long-anticipated education programme and look forward to shaping its future with you!

Report on the 96th Session of the Maritime Safety Committee

By Nick Gooding FCII, IUMI Alternate Officer at IMO

The 96th session of the Maritime Safety Committee was held at the International Maritime Organization (IMO) Headquarters on the 11 to 20 May 2016, under the chairmanship of Mr Brad Groves from Australia. The meeting had a full agenda, which included approving the reports of the subordinate sub-committees.

The most important outcome from the meeting was confirmation that ship construction rules for oil tankers and bulk carriers, submitted by 12 classification societies, conform to the goals and functional requirements set by the IMO for new oil tankers and bulk carriers. This marks a significant new development in how international standards for ship construction are determined and implemented. For the first time, the IMO has been given a role in auditing and verifying the structural rules developed by the classification societies for newbuild oil tankers and bulk carriers.

The objective behind goal-based standards for bulk carriers and oil tankers is that ships should be designed and constructed for a specified design life and that, if properly operated and maintained, they should remain safe and environmentally friendly throughout their service life.

Regulation II-1/3-10 of the International Convention for the Safety of Life at Sea (SOLAS) applies the above philosophy to new oil tankers and bulk carriers over 150 metres in length. Under the regulation, such ships must have adequate strength, integrity and stability to minimize the risk of loss of the ship or pollution to the marine environment due to structural failure. The MSC reviewed goal-based standards verification audit reports on 12 Recognized Organizations which are members of the International Association of Classification Societies.

The audits were carried out by teams of experts nominated by IMO Member States. The goal-based standards amendments in SOLAS regulation II-1/3-10 were adopted in 2010 and entered into force in 2012, with a date of 1 July 2016 set for application to new oil tankers and bulk carriers.

The goals are defined as follows:

Ships shall be designed and constructed to be safe and environmentally friendly for a specified design life, when properly operated and maintained under the specified operating and environmental conditions, in intact and specified damage conditions, throughout their life.

Safe and environmentally friendly means the ship shall have adequate strength, integrity and stability to minimise the risk of loss of the ship or pollution to the marine environment due to structural failure, including collapse, resulting in flooding or loss of watertight integrity.

Environmentally friendly also requires the ship to be constructed of materials acceptable for environment-friendly recycling.

Safety applies to the ship's structure, fittings and arrangements providing for safe access, escape, inspection and proper maintenance and facilitating safe operation.

Specified operating and environmental conditions are defined by the intended operating area for the ship throughout its life and cover the conditions, including intermediate conditions, arising from cargo and ballast operations in port, waterways and at sea.


Specified design life is the nominal period that the ship is assumed to be exposed to operating and/or environmental conditions and/or the corrosive environment and is used for selecting appropriate ship design parameters. However, the ship's actual service life may be longer or shorter depending on the actual operating conditions and maintenance of the ship throughout its life.

It is intended that the specified design life shall not be less than 25 years.

Another matter of interest to marine insurers was the outcome of the working group on "Measures to enhance Maritime Security". IUMI had co-sponsored a paper MSC 96/4/1 on draft guidelines put forward by the industry. This paper along with submissions from the USA, Canada and China formed the basis of discussions among the working party.

The group worked towards developing guidelines on maritime cyber risk management, containing high-level recommendations to safeguard shipping from current and emerging cyber threats, that would allow flexibility for the industry to respond to new and changing forms of cyber threats, and to develop appropriate protection measures.

The plenary approved the draft put forward by the group as "Guidance for development of national maritime security legislation". It was stressed that use of the Guidance was not mandatory and will be a continuing work in progress for MSC, adapting to new challenges in the future.

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IUMI welcomes the new York-Antwerp Rules

We are indebted to our Salvage Forum member, Ben Browne of Thomas Cooper LLP for all the expertise and hard work he has committed to presenting IUMI's position in relation to the York-Antwerp Rules.

Background

The York-Antwerp Rules (YAR) is a set of rules by which General Average (GA) is adjusted. IUMI has a particular interest in their content as, on average, the GA system increases the cost of maritime casualties by between 10%-30% largely due to interest, commission and adjusters' fees. The process of collecting GA security from all the cargo interests, assembling information about ship and cargo values and expenses then re-adjusting all GA expenses and sacrifices usually takes several years and prevents claims files being closed quickly. For these reasons IUMI has, for more than 20 years, been campaigning for a set of YAR which allow more GA expenses to lie where they fall outside GA (but usually still covered as "particular average" under marine insurance policies) and encourage the quicker publication of GA adjustments.

Context

The Comité Maritime International (CMI) is the custodian of YAR and, following a long campaign by IUMI, adopted a new set of rules in 2004. YAR 2004 contained a number of measures to reduce the cost of GA by as much as 20%. However, for a number of reasons they were not incorporated into BIMCO's standard forms of contract and so have remained largely redundant with shipowners preferring to use the existing YAR 1994 instead.

YAR 2016

To resolve this, in 2012 a CMI international working group undertook a complete re-appraisal of YAR resulting in a revised set of rules (YAR 2016) which were adopted by CMI and accepted by BIMCO last month.

YAR 2016 introduces some helpful measures which may reduce insurers' GA exposure by a few percentage points. The most important gains include:

1. Interest will be fixed annually at ICE LIBOR on the first banking day of each year in the currency of the adjustment plus 4 percentage points. For a US\$ adjustment that would produce a rate of 5.18% for 2016 as opposed to 7% under YAR 1994 or 2.5% for YAR 2004. However, while this will result in savings in the short term if interest rates rise substantially insurers may be exposed to rates even higher than 7%.
2. Commission at 2% will no longer be recoverable.
3. Several measures designed to speed up the adjusting process have been introduced; these include excluding low value cargo from contributing in GA if the cost of including them is greater than their contribution and clarifying the process by which adjusters can estimate GA allowances in the absence of information from the parties.
4. Approved CMI Guidelines about the nature and operation of the GA process have been introduced which it is hoped will assist those involved in GA in understanding what is required of them.

Against these helpful moves a number of changes sought by IUMI have not found their way into the YAR 2016. These include:

- (a) Wages and maintenance of crew while a vessel is detained at a place of refuge are to be allowed (as in YAR 1994 but not in the YAR 2004).
- (b) The cost of temporary repairs of accidental damage at a port of refuge will not be capped as it is under the YAR 2004 thus restoring the position under the YAR 1994.
- (c) Salvage will be re-adjusted in GA in most cases save where such re-adjustment is going to make no material difference to the parties' situations, the so-called simple salvage situations.

BIMCO's Documentary Committee has agreed that all new and revised BIMCO charter parties and bills of lading will now refer to general average being adjusted in accordance with the new York-Antwerp (YAR) 2016. Overall IUMI welcomes the YAR 2016 as being an improvement on the YAR 1994. For Ben Browne's full article on the new York-Antwerp rules please click

<http://www.thomascooperlaw.com/new-york-antwerp-rules-2016-approved-2/>

IUMI presentation at the IMO MSC96 meeting

By Patrizia Kern, Head Marine, Swiss Re Corporate Solutions Ltd and Chair of the IUMI Facts & Figures Committee

We are pleased to report IUMI was invited to present during the IMO's Maritime Safety Committee 96 session's lunch on the 11 May, and our presentations were extremely well received!

Following an introduction from myself on IUMI and the hard work of the Facts and Figures Committee, Astrid Seltmann (Vice Chair, analyst/actuary of Cefor, the Nordic Association of Marine Insurers) delivered an insightful presentation on the Global Marine Insurance Casualty Trends, using data compiled by the F&F Committee and Cefor (Nordic Marine Insurance Statistics). For further information, please click <http://iumi.com/index.php/committees/facts-a-figures-committee/statistics> and www.cefor.no/statistics.

We found that IUMI and the MSC connected over our common interest for increased safety in shipping and look forward to building a stronger relationship in the future. We are delighted to report that IMO Secretary-General Mr. Ki-tack Lim has invited us back to present next year on the opening day of the MSC meeting.



Tanker contamination claims

By Captain Paul D. Hall, Director, London Offshore Consultants, IUMI Professional Partner, www.loc-group.com

One of the most common areas of bulk oil cargo claims is cargo contamination which occurs during the transfer of bulk liquid cargoes.

Cargo contamination can be of either ship or shore origin. To minimise shipboard risk, all pipelines, valves, pumps and tanks should be properly cleaned and drained ready to load the next cargo. The manifolds must be clearly labelled and the minimum amounts of ship's pipelines used onboard with the appropriate two valve segregation to non-compatible grades.

Shoreside contamination could occur as a result of incorrect hose/chicksan connection and manifold line ups, wrong grade/shore tanks used, different grade cargo remains in the shore lines, incorrect shore pipeline line setups, shore tank cleanliness, line plugs where a shore pipeline is filled with a different grade and used to push the existing cargo onboard, valve failure or incorrect segregation.

The contaminant may be water, another grade of cargo, a chemical additive, or solid matter; it means a loss of value and/or rejection of the cargo.

To protect the ship against contamination claims, initial samples must be taken at the manifold as soon as loading starts and during loading whenever there is a known change to the shore tank in use. No initial manifold samples should be emptied, or sample bottle flushed/emptied if the contents appear to show anything unexpected. Several samples should be drawn and all should be kept in a secure location onboard in accordance with the company procedure.

If foot samples are required, i.e. cargo samples drawn from the cargo tank by an independent cargo surveyor after an agreed quantity has been loaded, usually to check loading lines and the tank have been cleaned and are fit to carry the cargo. These are sent ashore for testing and no further cargo is loaded until the foot samples have passed.

Above all else, the ship should establish clear, concise cargo operating procedures for tank preparation, loading and discharge and record all operations in a cargo log book.



IUMI Position Paper on the Offshore Safety Directive

By Neil Roberts, Manager, Marine and Aviation, Lloyd's Market Association (LMA), United Kingdom, and IUMI Ocean Hull Committee Secretary and Political Forum Liaison

IUMI has published a position paper in response to the recent Commission report on liability, compensation and financial security for offshore oil and gas operations, which raised some questions in relation to the implementation of the Offshore Safety Directive. The report describes the legal position, and in IUMI's view, rightly concludes that this will be an issue for Member States.

Whilst the report acknowledged that there has been no serious oil pollution incident due to offshore activity in the EU since 1988, it remains unclear where the EU believes that operators have not been able to respond effectively to claims with a combination of their own and insurance resources.

The EU "regrets the lack of uptake of financial security instruments" but does not appear to consider that this may be a function of commercial appetite. IUMI believes that any (further) investigation of such instruments would require a cost-benefit analysis cross-referred with insurance market capabilities, not least because "limiting liability is a practical necessity".



IUMI has explained that offshore biodiversity damages are not quantifiable and thus not easily insurable. There is, so far, no market available. Moreover, in any offshore operation there are many different parties, with complex legal responsibilities to third parties and to each other. It would be very difficult to balance the interaction between existing convention(s) (including those dealing with the right to limit liability) and any proposed additional legislation.

Overall, IUMI is not convinced that a legislative compensation system over and above the existing provisions is needed and maintains its view that a voluntary financial security system is likely to be most effective. It would be better to enhance the management of offshore oil risks by the operators rather than mandate an insurance cover/compensation umbrella as such cover does not in itself improve behaviours.

For the full position paper please click

http://www.iumi.com/images/documents/160512_IUMI_Position_Paper_2016_OSD.pdf .





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Yacht to be careful: Unusual features of yacht insurance policies

By Edward Waite, Associate, with assistance from Richard Alam, Trainee, Holman Fenwick Willan LLP, IUMI Professional Partner, www.hfw.com

Speed read

As the shipping downturn continues, many marine insurance companies, which ordinarily only provide insurance to cargo vessels, are attracted to break into a new sector – yacht insurance. This article reviews some of the clauses found in standard term yacht insurance policies (Institute Yacht Clauses (IYC)).

What has happened?

Yachts can vary enormously in shape, size, and use – as a result, the policy wording often depends on detailed refinement by the insurer/broker to match the yacht, and its intended use.

The key clauses

Clause 3 – Navigating and Charter Hire Warranties

Unlike cargo vessels, which are ordinarily allowed to trade internationally, yacht owners are obliged to give warranties as to where the yacht will operate in the policy's schedule. It is common that navigation is restricted to certain geographical areas (e.g. the Caribbean). It is also common for cover to be time-restricted (i.e. no cover during hurricane season). Depending on the terms of the clause a yacht may also need separate cover for journeys transiting between two separate geographical areas where it is permitted.

Clause 5 – speed warranty / Clause 19 - speedboat clause

For those more used to insuring cargo vessels Clause 5 of the IYC will be a surprise as the assured has to provide a warranty that the yacht is not capable of travelling in excess of 17 knots. If it can, the insurance will not attach. In those circumstances Clause 5 will need to be deleted, and Clause 19 incorporated.

Clause 11 – liabilities to third parties

This clause provides the owner of the yacht with the ability to insure both the hull and liability to third parties. Effectively thereby making the insurer not only a hull insurer but also a P&I insurer.

As the insurance market is aware, third party liabilities can be potentially large and difficult to predict.

How will this affect me? / Next steps

It is likely that for a hull insurer branching out into yacht insurance it will, at least initially, be relatively labour intensive with (for example) potential notifications being provided each time a yacht changes geographical location.



holman fenwick willan hfw

EC unconvinced to renew insurance block exemption

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

In March, the European Commission (EC) issued a report on the functioning of the Insurance Block Exemption Regulation (IBER) that expires 31 March 2017. At this stage, the EC finds that the renewal is no longer justifiable due to market conditions, its limited use and new European competition law Guidelines on Horizontal Cooperation, adopted after the entry into force of the IBER.

The IBER covers two types of agreements between insurance and reinsurance companies:

- a) Agreements with respect to joint compilations, joint tables and studies
- b) Common coverage of certain types of risks (co-insurance or co-reinsurance pools)

IUMI has argued in favour of renewing these exemptions as they are specific to the insurance sector and will increase legal certainty. The Commission agrees that the insurance sector may have an enhanced need for collaboration in relation to these types of agreements, but it is not convinced that a sector-specific IBER is necessary.

Specifically, the EC points to new, more competitive ways of co(re)insurance that are not covered by the IBER such as broker-led co(re)insurance or line slips. With reference to compilations, tables and studies, the EC has adopted a new chapter on information change agreements in the Horizontal Guidelines that explicitly recognise that: "the exchange of aggregated data is unlikely to give rise to restrictive effects on competition."

As a more flexible alternative to the IBER, the EC suggests to provide specific guidance instruments for self-assessment to complement the relevant provisions set out in the Horizontal Guidelines for such cooperation.

The Commission will continue discussions with stakeholders before reaching a final conclusion in early 2017.



Q&A

with John Arnold Witte Jr., President, International Salvage Union

Mr. Witte is Executive Vice President and Senior Salvage Master at DONJON Marine, co., Inc. (Hillside, NJ). He has worked for Donjon since 1982. He has day-to-day operations oversight of Donjon's Marine Salvage, Demolition, Marine Transportation and Heavy Lift Operations. Mr. Witte is President of the International Salvage Union (ISU) is also a past President of the American Salvage Association (ASA).

In addition, Mr. Witte has also recently taken on the role of Director and acting General Manager of one of Donjon's most recent activities, Donjon Shipbuilding and Repair, a full service Repair and Vessel New Build Facility located on Lake Erie in Erie, Pennsylvania.

www.marine-salvage.com

What is your view on the current state of the marine insurance market?

We are committed to continuing and building relationships between ISU and the marine insurance sector and we share a number of concerns.

The Costa Concordia showed that there is a potential for significant costs surrounding wreck removal and salvage which has created nervousness in the market due to the high value of new ships. With container ships topping 18,000 teu and possibly growing to 22,000 or 24,000 teu a significant loss could easily broach \$1billion. Although the insurance industry is strong, there is concern that a casualty could make a significant dent. Both communities need to be prepared for this.

What is your view on the current state of the marine salvage market?

I think we are strong. Marine salvage today is certainly very competitive - there is no question.

Studies have shown that over the last ten years, as a result of liabilities, owners concerns and better oversight, the number of casualties have decreased every year - which is good. We certainly do not want to see more losses, we simply want to be in a position to be able to respond to them.

Today, there is significant capacity but fewer casualties and this has encouraged salvage companies to diversify. This is necessary for us to survive. To remain effective, we must maintain teams of skilled professionals poised to respond to a casualty anywhere in the world, but when business is slow, we must be smart and look for alternative income streams. But our central objective is for our membership to remain in a position to support the insurance industry – something we have been doing for more than 100 years.



How do you view the relationship between salvors and insurers?

We enjoy a good relationship based on partnership and mutual understanding. We might hold different opinions on certain issues but together we need to figure out how to solve problems efficiently and cost effectively. We also need to be paid in a way that allows us to continue to offer the required service.

What is the biggest challenge facing today's salvage sector?

The shipping industry is changing and vessels are getting bigger and more intricate. In a salvage situation this creates a number of operational issues, particularly if many thousands of containers – with contents unknown - are to be unloaded from a listing vessel. Reputation is also a challenge. We are professional salvors, and the ISU is committed to ensuring this is recognised. We provide a service and we require to be paid a fair fee in return. We are not looking to pillage or take advantage of a situation.

The ISU wants owners, underwriters and others to recognise that salvors are professionals who understand their concerns, and who recognise that openness and honesty are paramount.

Is there anything you would like to see marine underwriters do differently or better?

We would like the marine insurance industry to have a better understanding of what we do and how we do it. It is the ISU's duty to educate our stakeholders. We would like marine underwriters to continue to engage with us and express their honest views. This will develop a healthier work environment for us all.

If you were not in your current role what would be your ideal job?

My father, Arnold Witte, started Donjon Marine in the early 60s and I loved everything that he did and wanted to be with him, so I started in this industry at the age of five! If I hadn't, then maybe I would have been in a rock band as I play bass guitar and drums and love rock legends like Led Zeppelin and Pink Floyd.

What do you like doing when not working?

I like spending as much time as possible with my kids and family. On a Sunday it is great to grab a coffee, read a paper and sometimes just do nothing, but more often than not there is something going on in the marine industry.



Illegal immigrants using transport vehicles to enter EU member states

By Anneke Kooiman, Deltalloyd Schadeverzekering, Amsterdam, Chair of the "Platform Transport" of the Dutch Insurance Association and member of the IUMI Inland Fishing & Yacht Committee

We cannot close our eyes to the thousands of desperate refugees trying to reach mainland Europe. The pictures we see are heart-breaking. But does this effect the transport and insurance sector? Unfortunately, it does.

The Dutch Insurance market, as well as Transport Logistic Netherlands (TLN), have expressed their concerns about illegal immigrants using road haulage vehicles to cross Europe, and specifically to reach the UK. The "EU Action Plan against migrant smuggling" is a big step towards addressing the problem. Although Dutch carriers take many preventive measures and strictly follow, amongst other requirements, the check lists of the UK Border Force, they are often confronted with desperate illegal immigrants trying to enter their vehicles. Immigrants use a variety of methods to force drivers to stop their vehicles and many drivers are now refusing to enter the UK. Liability for transport companies is a major issue which is difficult to refute and the insured pays a substantial amount per incident.

Additionally, significant costs are incurred due to extended waiting times, damage of goods, deterioration of goods due to delays, deductibles, damages to the vehicle, loss of freight income due to delays and penalties which have to be paid after finding illegal immigrants. In addition, there are extra costs related to security measures and rerouting even when all the necessary preventive steps have been taken.

The TLN estimated that this issue will cost the Dutch Transport sector around €150 million a year and the damages and costs to the EU as a whole will be multiples of that number. Needless to say that the insurance industry currently pays a fair share of this amount. Austria is intending to close its borders and if they do Italy will face the same problem as the UK.

For these reasons, all parties involved have to work much more closely together to help solve the issue, this would include: IRU, Transport Associations such as TLN, the UK Border Force, National and European Parliaments, carriers, cargo owners and the insurance industry. Together, these agencies could create more secure areas and routes; help transport companies with prevention and security; adopt existing security schemes, such as TAPA, to create fast lanes as a main incentive for road carriers who invest in a high level of security; and advise as a risk manager the necessary steps to be taken. With these measures in place to protect drivers, vehicles and loads in critical areas, supply chain disruption will ease as waiting times at borders and terminals reduce due to more streamlined and effective security.

IUMI strengthens team with the appointment of Hendrike Kühl

By Lars Lange, IUMI Secretary General

We are pleased to announce the appointment of Hendrike Kühl as Policy Director for IUMI.

Hendrike joined our Hamburg office in early May and will be focusing predominantly on IUMI policy issues, the IUMI annual conference and IUMI's educational programme.

Hendrike is a highly experienced, energetic and dedicated professional and joins the team following a once in a lifetime round the world trip. Before embarking on her adventure, Hendrike worked as the Head of Office at the Trans-Atlantic Business Council (TABC) in Brussels.

In this role, Hendrike's responsibilities included organising senior level events with business executives and government officials to address specific trade policy issues, managing TABC's European legal entity, staff and monthly accounting reports, and composing position papers and coordinating advocacy strategies on various policy issues.

Prior to this, Hendrike has worked as a Business Agent for both Totalisimo SL in Granada, Spain, and SJR Caballos in Alicante, Spain, providing support and organising traditional Spanish music events and the annual Spanish Dressage Championship. She holds a BA in European Studies from Royal Holloway, University of London.

Hendrike brings a wealth of experience to the IUMI team and we welcome and look forward to working all together in the future.



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IUMI Report on the Marine Environment Protection Committee 69th session

By Nick Gooding FCII, IUMI Alternate Officer at IMO

IUMI Secretary General Lars Lange and I attended the Marine Environment Protection Committee (MEPC) meeting, on the 18 to 22 April, in London. The main issues of interest to IUMI were:

1) A mandatory system for collecting ship's fuel consumption data was approved

The meeting approved mandatory requirements for recording and reporting fuel consumption data on board ships. From the analysis of this data a decision will be made as to whether any further measures are required to enhance energy efficiency and to, further, address the issue of greenhouse gas emissions from international shipping.

2) Implementation of the Ballast Water Management Convention

The meeting was informed that the Ballast Water Management Convention 2004 is close to reaching the entry into force criteria. Currently, 49 States with an aggregate of 34.79% of the world's merchant fleet tonnage, have acceded to the Convention. A total of 35% of world tonnage is required for entry into force. The Convention stated, the aim is to prevent the global spread of invasive aquatic species through ship's ballast water and sediments. The Correspondence Group working on the review of the Guidelines for approval of ballast water management systems (G8) was re-established and asked to continue its work.

3) Energy Efficiency of International Shipping

The Energy-Efficiency Design Index (EEDI) for new ships and associated operational measures for existing ships became mandatory in 2013 with entry into force of the relevant amendments to MARPOL Annex V1.

Data submitted to the IMO suggests that approximately 1,200 ships have been certified as being compliant with the new energy efficient design standards. The meeting considered a report from the Correspondence Group reviewing the status of technological developments relevant to implementing Phase 2 of the EEDI. The group was asked to continue its work.

4) Fuel Oil quality

The report of a Correspondence Group considering possible quality-control measures, prior to fuel oil being delivered to ships, was presented to the meeting. Following on from the debate it was proposed that the fuel suppliers should be encouraged to develop draft best practice for fuel oil providers and submit it to a future session of the MEPC. The Committee also agreed that best practice for fuel oil purchasers, users and Member and Coastal States should be developed, and invited the Correspondence Group to continue its work on this guidance.

5) Decision on sulphur limit to take place at MEPC 70

The Committee agreed, in principle, to take a decision, at the next meeting, on the implementation date for a 0.5% m/m sulphur cap for fuel oil, based on the outcome of a review which is expected to be presented to that meeting. The current MARPOL regulation, limiting the sulphur oxide emissions from ships, provides for a global cap to be implemented on 1 January 2020. It also requires a review of the potential availability of the required fuel oil to be carried out by 2018. Depending on the outcome of this review, the implementation date could be put back to 2025. A Steering Committee will oversee the review.

People at IUMI - Helle Hammer

What is your day job and what does it involve?

As Managing Director of the Nordic Association of Marine Insurers (Cefor), my job is to serve the interests of our members in four main areas; comprehensive statistics, competence building, agreed all risks insurance conditions and a common public voice.

What is your role at IUMI?

I am currently the Chair of the Political Forum and represent Cefor on the Council.

Why did you want to get involved with IUMI?

To extend my international network and influence framework conditions for the marine insurance market.

What have you recently been involved with at IUMI?

Weekly, I am involved in discussions, updates and actions relating to the Political Forum's Current Issues List. For example, I was recently involved in two press releases concerning container weighing and the new YAR 2016. In May, I attended a new IACS – Industry Technical Meeting and the IMO's Maritime Safety Committee Meeting where IUMI held a lunch presentation on the opening day.

What is your view on the current state of the marine insurance market?

In one word; Challenging. Abundant underwriting capacity and depressed shipping & offshore markets are driving down the marine hull premiums, while return on investments remains low.

What do you think IUMI should be doing better or differently?

IUMI has made important steps to become more transparent and have its voice heard in recent years. This is starting to pay off, and IUMI should continue on the same path. I hope that even more of its members will become actively involved and contribute with added resources towards our common objectives.

If you were not in your current role what would be your ideal job?

Somewhere I could travel and work in an international industry while utilising my years of experience from politics; sounds a lot like where I am today. Unless of course the Norwegian Wine Monopoly is hiring purchasers with zero formal training but with a great appreciation for good wine...

What do you like doing when not working?

My aim this year is to learn how to play golf, and from the early attempts I evidently need a lot of practice so this should keep me occupied through the summer months.



New US law raises bar for safely transporting food

Extract from an article by Barry Tarnef, Vice President and Senior Marine Specialist, Chubb, and member of the IUMI Loss Prevention Technical Committee

The FDA Food Safety Modernization Act of 2010 (FSMA), signed into law in January 2011, sets the standards for the sanitary transportation of human and animal food to help prevent contamination during transit in the United States. It is anticipated that the FSMA will be implemented by the U.S. Food & Drug Administration (FDA) in 2017 to strengthen the food safety system and protect public health. This federal law will also have implications on the global food supply chain, the importers and exporters involved in this trade, and, by extension, their insurers. This article is intended to address issues presented by the FSMA from an insurance loss control perspective.

FSMA applies only to food shipments transported in the United States by truck or rail. However, shippers in other countries will also be covered by the Act if they send imported food by truck or rail directly into the U.S. from Canada and Mexico. Shippers sending imported food for consumption or distribution in the U.S. by air or ocean, and then transporting the intact cargo container by motor or rail conveyance within the country, are also covered under the Act. Export shipments are only covered by the Act until they reach the U.S. port of loading or border crossing point.

Under FSMA there are four regulated entities: shippers, loaders, carriers and receivers.

The Act establishes requirements for the following:

- Transportation equipment
- Transportation operations
- Training
- Records

Loaders, whether they are the actual shipper or designated by the shipper, must determine that the transportation equipment is in appropriate sanitary condition and also that each refrigerated conveyance is adequately prepared including precooling, if necessary.

Primary responsibility for ensuring appropriate transportation operations rests with the shipper unless they assign some of the duties to other parties via contractual agreements. The three categories of food that are regulated are bulk food, packaged food not fully enclosed by a container, and items requiring temperature control.

Since the Act will not be implemented until 2017, supply chain stakeholders will have time to seek clarification to fully understand the rules of engagement and ultimately gear up to ensure compliance.

For the full article, please click http://iumi.com/images/documents/160607_Tarnef-Safe_Food_Transport-5-16_FINAL.pdf.

Report on the IOPC Funds Meeting in April 2016

By Nick Gooding FCII, IUMI Alternate Officer at IMO

At the IOPC Funds meeting in April, the Executive Committee discussed the judgment rendered by the Spanish Supreme Court in January 2016 in respect of the Prestige. In the judgment, the Court had found the master to be criminally liable for damages to the environment, with civil liability. The judgment had also confirmed the acquittal of the chief engineer of the Prestige and of the civil servant who had been involved in the decision not to allow the ship into a place of refuge in Spain.

The Director of the IOPC Funds and the International Group of P&I Associations presented documents on the outcome of the Court proceedings, expressing particular concern that the judgment had also found that the insurer of the vessel was not entitled to limit its liability. It was suggested that the Court's decision in that regard was in breach of Article V(11) of the 1992 Civil Liability Convention (1992 CLC).

It was also suggested that the judgment contradicted the Conventions by recognising inadmissible damages such as moral damages, although it was not clear whether those damages could be enforced against the 1992 Fund since the judgment stated that the 1992 Fund's liability would be limited in accordance with the 1992 Fund Convention. The delegation of Spain made a statement clarifying a number of points and indicating its view that the judgment by the Spanish Supreme Court was not inconsistent with the Conventions and to the extent that there were different views that the delegation considered that the judgment had been misunderstood.

A number of delegations and Industry bodies, including IUMI, made interventions that shared the concerns expressed by the Director of the IOPC Funds, and the International Group and those delegations emphasised the importance of ensuring the effectiveness of the international liability and compensation regime.

It was recognised, however, that in this case it was not a matter of implementation of the Conventions, but rather a matter of interpretation which corresponds to national courts.

Code of Safe Practice for Cargo Stowage and Securing" (CSS Code) Annex 13 and its importance for the safety of ships and their cargoes

By Uwe-Peter Schieder, Liability, Credit, Marine & Aviation Insurance, Statistics, GDV, and member of the IUMI Loss Prevention Committee

Securing non-standardized cargo has always presented ships' crews with a major challenge. Sometimes the gut instinct of the first officer determined the scope of the measures taken to secure the cargo, and sometimes rules of thumb were used. These stated non-standardised cargo had to be secured to the sides with 100 percent of the weight force of the cargo. For safety reasons, friction was ignored, and the resulting securing effort was sometimes 200 percent of what was actually needed. But, sadly, often it also fell short of what was required.

Experts and loss adjusters working for insurers, shipping companies and longshoremen would regularly become involved in heated disputes about the correctness of the assumptions made. Because non-standardised cargoes are generally heavy cargoes and project cargoes, more extensive securing measures will always increase costs and have an impact on the laytime of the vessel, which is again directly reflected in costs. And so, in 1996, the publication of Annex 13 of the CSS Code was met with collective approval from all involved.

Annex 13 establishes how the necessary cargo securing measures are to be calculated. The calculation takes into account individual key characteristics of the ship concerned, such as the stability of the vessel and the stowage location on board. In this way, the IMO developed a global standard that people had been waiting for for years, which has since been used with considerable success. Since the 1990s, things have moved on considerably with respect to transporting large, heavy cargo. Both the quantity of such cargo and its weight have multiplied in this sector. A number of supplementary technical details were added to Annex 13 in 2002 and the Annex has proved its worth in day-to-day practice. Annex 13 is an IMO success story: a product originally created by experts from the industry.

Through their ongoing work with Annex 13 over the past 20 years, two of these experts (Captain Peter Andersson, from Sweden, and Professor Hermann Kaps, from Germany, the then chair of the IMO working party) have identified other areas in which the annex would benefit from further supplementation. This includes the following topics:

- reduction of external forces in protected waters such as the Baltic Sea,
- the interpretation of "height on deck",
- longitudinal tipping of cargo,
- accounting for wind force with extremely high cargo units and,
- accounting for rotational inertia with large volume units.



Photo courtesy of AXA CS

The proposal for supplementation will be presented by Andersson and Kaps in the form of a paper.

IUMI's Loss Prevention Committee is preparing a position paper on this topic, which will be made available on the IUMI website. It will be another helping hand along the path of making the transport of large, heavy cargo, even safer.

Countdown to the IUMI 2016 Annual Conference in Genova (18-21 September 2016)

The time is fast approaching for the IUMI event of the year – the 2016 Annual Conference. This year the conference will be held in the magnificent Magazzini del Cotone building, in the main port of Genova. The beautiful city of Genova is the perfect location for our event due to its long history as a maritime city with a strong tradition of marine insurance.

IUMI has adopted the common conference theme of "Effective Underwriting in a Changing Environment" and the lineup of speakers and topics is shaping up to be better than ever. This year's theme reflects the constant changing environment in which insurers must operate in, and the need to continue to deliver high quality underwriting to tackle this challenge.

Some of the highlights of the conference include Ugo Salerno, RINA Chairman and CEO, who will be the keynote speaker on the opening day, and we have a special presentation on Tuesday 20 September by Ashok Mahapatra, IMO Maritime Safety Division Director. IUMI President Dieter Berg's workshop will focus on modelling and accumulation issues in the aftermath of catastrophes such as Hurricane Sandy and Tianjin. And one of the most anticipated sessions, the IUMI Facts & Figures Committee 2015 world statistics, will be presented on Monday 19 September.

Additionally, there will be dozens of presentations on the key challenges and issues relevant to the market including the challenges of cruise ships, car carriers, the new Marine Insurance Act, the new York Antwerp Rules 2016, container weighing, unmanned ships, cyber risks, the volatile oil price and cargo theft prevention, to name a few.

Dieter Berg, the IUMI Technical Committee Chairs and the IUMI secretariat look forward to welcoming you to Genova for what is set to be another interesting and topical event. For further information and to register for the conference, please visit – www.iumi2016.com.



Report on the IUMI Spring statistics

By Patrizia Kern, Head Marine, Swiss Re Corporate Solutions Ltd and Chair of the IUMI Facts & Figures Committee

During the IUMI Spring Conference, which took place in Hamburg on 20 to 21 March 2016, the Facts and Figures Committee presented the IUMI Spring statistics. As usual, data was collected for hull, cargo and energy. The full presentations can be found on the IUMI website via the link at the end of this article.

The data showed the following key information for each sector.

Hull

There was a notable increase in total losses for containerships, bulk carriers and tankers, although passenger and non-cargo vessels showed a significant decrease. Overall, there was a marked increase in heavy weather and groundings as the causes for the total losses reported in 2015.

The tendency for larger vessel sizes is continuing. The number of vessels delivered is reduced for tankers and container vessels, but the overall tonnage is increasing. For most ocean-going vessel types, the fleet average age has increased since 2012 to approximately 20 years.

The world orderbook remains largely unchanged with 50% of tonnage representing the tanker and dry bulk market, and the Chinese, South Korean and Japanese yards, both in terms of tonnage and number of vessels, represent 85% of tonnage on order.

Cargo

After a year of commodity prices declining across all sectors, cargo markets globally have seen premium levels dropping dramatically. The commodity crash, particularly in respect of crude oil, has led to an enormous overcapacity within the market.

Cargo misappropriation has become a particular issue in recent years with mounting losses now being covered by many cargo underwriters. However, this is often without undertaking the appropriate checks that law enforcement officials would carry out.

Energy

The energy industry continues to experience extreme pressure with the collapse in the commodity price causing the worldwide mobile fleet, having grown consistently over the last few years, to shrink. Energy companies are slashing budgets, there is very limited construction business available and many existing projects are delayed or postponed. More assets are being laid up or scrapped and the number of wells planned has dropped significantly.

During 2015 almost 50 companies went into liquidation and/or bankruptcy, and this is likely to continue in 2016 as energy companies struggle to service debt. In addition, the insurance sector saw a number of significant claims materialise in 2015 and 2016 is predicted to be one of the worst years on record despite there being no natural cat losses.

Even with the recent increase in commodity price, it will take many months to impact positively on balance sheets and insurers are expecting to face continued challenges over the next 12 to 18 months.

For the full IUMI Spring Statistics please click <http://iumi.com/index.php/committees/facts-a-figures-committee/statistics>.

IUMI invites you to take part in new cargo theft survey

The University of Texas, with Dr. Marvin Shepherd and Sensitech, have launched a new survey to quantify and understand the underreporting of pharmaceutical cargo thefts in Europe.

The hypothesis of the study is that the volume of reported theft in the pharmaceutical supply chain is only a small fraction of the actual number of shipments that are stolen annually.

This study will try and analyse the reasons why there is underreporting and reasons for sharing or not sharing loss data, and to help companies make more informed risk assessments and business decisions.

This survey is completely anonymous and will be tabulated and analysed by Dr. Marvin Shepherd, Professor Emeritus, Health Outcomes and Pharmacy Practice, College of Pharmacy, University of Texas. The aim is to obtain responses from insurance organisations, pharmaceutical manufacturers, wholesalers, logistics service providers and law enforcement agencies who have business and shipments throughout Europe.

Please kindly click https://utexas.qualtrics.com/SE/?SID=SV_9AEGJ31ionv249T to take part in this study.

This survey is available via PC or mobile device and respondents can have up to two weeks to complete it once started. The survey results will be published in a study that will be available through various pharma supply chain, security and insurance organisations and associations once completed. Your time and thoughtful response is greatly valued.

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