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Message from the President

IUMI Asia Forum: New trends in marine insurance

Richard Turner
IUMI President

I am writing this issue’s message from the historic, exciting and vibrant city of Shanghai where we have been holding IUMI’s second Asia Forum.

The Asia Forum is a relatively new invention for IUMI. We introduced it to reflect the global market share of marine insurance in Asia – which grew from 23% to 29% in the period between 2008 and 2017.

Asia has consequently become a key focus area of development for IUMI. We opened the Asia Hub in Hong Kong in 2016 and we held the first IUMI Asia Forum in Singapore in 2018.

China itself has grown strongly in that period and is now home for just over 10% of the world’s marine insurance business. China became full members of IUMI in 2015 and it was their member association, the Shanghai Institute of Marine Insurance, who kindly offered to host the first ever IUMI conference in Shanghai.

The Asia Forum has been described as a ‘mini IUMI’. It has a different format and a different audience to our main conference and formal Council meeting which takes place each September. As well as traditional international attendees, it also aims to attract a more local, regional attendance – perhaps also a younger audience. And unlike the main conference, the attendees stretch well beyond the boundaries of the predominantly underwriting community who join our main conference each September. Our membership globally is very important to us, they are the heart and soul of our organisation, and we will continue to develop and deliver an extensive package of high quality and relevant services for them. This made us develop a balanced strategy to ensure both enhanced services for existing members, and to pay more attention to growth areas in Asia, Africa and Latin America where relevant and exciting new developments need our attention.

The Asia Forum is targeted at practitioners in all areas of the marine insurance, broking and related service sectors.

The Asia Forum took as its common theme “New trends in marine insurance”. This banner encouraged speakers and delegates to think about regional issues and more global topics affecting the marine insurance sector.

Secretary General, Lars Lange, and I were also delighted to welcome the Myanmar delegation to the Asia Forum. Myanmar is the first country to become an Associate Member of IUMI.

To complete a busy week, the IUMI Executive Committee met in Shanghai for its normal May meeting; and Lars Lange and I dropped by the IUMI Asia Hub in Hong Kong.

Thanks go to both SIMI and HKFI for hosting us during our visits.
By Hendrike Kühl
IUMI Policy Director

The Transported Asset Protection Association (TAPA), one of IUMI’s 19 affiliates, held its first conference of the year in Berlin on 27–28 March. The association comprises supply chain security professionals from the freight and logistics industries as well as manufacturing companies, and is a leading provider of security standards for Parking Security Requirements (PSR), Facility Security Requirements (FSR), and Trucking Security Requirements (TSR). A cyber supply chain standard is currently in the making to reflect new realities in which the risk of cyber-crime is constantly on the rise.

With hundreds of members in attendance and keynote speakers from Volkswagen, Samsung and other big names, the conference was once again a great success. Presentations included supply chain security case studies and details on the TAPA standards, as well as updates on data collection via the Incident Information System (IIS). A success story included a collaborative approach of Polish and German law enforcement agencies who diligently worked together during an investigation which led to the arrest of ten suspects and the recovery of more than EUR 100,000 of stolen goods. This initiative is part of a new EU-funded Project CARGO which aims to disrupt organised crime groups involved in freight thefts across Europe.

Alarming information about the indirect costs which occur on top of the expenses for the lost goods was shared. Several presenters emphasised that indirect costs such as business interruption, penalties for delivery delays, cost of additional security measures, reputational damage and other costs add up to an amount significantly higher than the mere value of the goods stolen. These major additional costs need to be factored into the equation and deliver a strong argument in favour of raising the importance of the issue of cargo theft. This should be helpful to bring it to the attention of policymakers around the world.

This year, the Canadian Board of Marine Underwriters (CBMU) will welcome the international crowd of IUMI members to the beautiful city of Toronto. Not only does the destination offer a range of attractive sights, the programme which is currently being developed by IUMI’s technical committee chairs promises many excellent insights and a lot to learn. Starting with potential repercussions of the low sulphur limit which comes into effect on 1 January 2020, to container ship fires and the challenges they pose from a cargo perspective – a host of hot topics will be addressed by numerous expert speakers.

IUMI will also be examining sustainability and ESG (environmental, social and governance) risks. Another topical issue which is particularly suitable given the geographic location of this year’s host country, will be Arctic sailings, the Polar Code and salvage operation in this remote area. Stay tuned for more details on the programme and join us in Toronto this September!

www.iumi2019.com
The International Union of Marine Insurance (IUMI) has officially launched its online cargo tutorial programme. 11 engaging and interactive modules specifically designed to widen your knowledge of cargo insurance.

This flexible, self-paced learning programme works to your schedule and can be completed to each individual's timeframe.

https://iumi.com/education/online-tutorials/iumi-cargo-tutorials

Want to build and develop your knowledge and expertise in cargo insurance?

New hull insurance tutorial programme now available

Following the successful launch of the International Union of Marine Insurance (IUMI) cargo tutorial, IUMI has launched a new hull insurance online tutorial programme – which is available now!

Designed to widen participants' knowledge and expertise in hull insurance this extensive programme consists of a total of thirteen modules. Topics include Ships 101; Collision Liability; General Average and Salvage; Exclusions; Claims; plus many more.

For more information please visit:

https://iumishop.myoracle.com/catalogue/hull-tutorial_79
Artificial Intelligence

Abstract from a paper by
Barry Tarnef
Vice President, Marine Loss Control
at Chubb Insurance, and member of the
IUMI Loss Prevention Committee

Artificial Intelligence (AI) is human intelligence exhibited by machines and systems that approximate, mimic, replicate and automate, and eventually enhance, human thinking. Machine Learning (ML) is AI’s technological twin. This paper explores the ways AI and ML are affecting supply chain logistics today and its potential to innovate and disrupt it in the future.

Forward thinking companies are already harnessing the power of AI and ML to execute more strategic plays such as carrier selection and warehouse location as well as to enhance real-time decision-making on more tactical issues of inventories, vehicles, personnel and costs.

Today, there is more information to sift through but there are also more powerful computers that are able to sort, evaluate and accelerate the development and sharing of knowledge and corresponding action. The modern and future workforce is going to have to deal with this reality. In the supply chain logistics and transportation space, AI, ML and related technologies should allow companies to achieve greater optimisation and responsiveness end-to-end.

More AI start-ups catering to the logistics and related industries are cropping up with no signs of waning popularity. AI is still just scratching the surface of capability even if its marketing is fairly mature.

AI and ML will become more prevalent and practitioners will find ever growing ways to use it. A key challenge is that people do not trust it; a result of the hype from media and AI “solution” vendors. Every function mentioned above falls in the category of Narrow Intelligence having a restricted scope dedicated to assist with or take over specific tasks. The next iteration and one that elicits fear from the public is General Intelligence which would represent systems with capabilities equivalent to human intelligence. This, currently, is non-existent in industrial applications.

Depending on the needs of the various stakeholders, the potential for these new forms of intelligence could focus on identifying internal process inefficiencies, addressing quality control; improving both the quality and speed of planning; mitigating disruptions from external events; or, moving robot-assisted activities forward.

Companies, including our assureds, will use, either directly or indirectly through their transportation carriers /or third-party logistics providers, AI, ML and other cutting edge technology. However, until truly autonomous trucks or ships become reality, exposures to loss and damage will remain the same. Unfortunately inherent in any automated system is the threat of cyber interference and one need not use much imagination to see how a security breach could wreak havoc.

Predictive analytics appears to offer the more immediate benefit to insurance and risk management, but the challenge is how to harness its potential in a meaningful, actionable way.

For the full paper please click here.
The IMO Marine Environment Protection Committee held its 74th Session (MEPC 74) from 13–17 May 2019 under the chairmanship of Mr Hideaki Saito from Japan. Here are some of the key issues discussed:

**MARPOL amendments – EEDI regulations for ice-strengthened ships**

Certain amendments to MARPOL Annex VI were adopted relating to the Energy Efficiency Design Index (EEDI) regulations for ice-strengthened ships. The words “cargo ships having ice-breaking capability” were agreed to be replaced with the wording “category A ships as defined in the Polar Code”. The expected entry into force date is 1 October 2020.

**Reduction of greenhouse gas emissions from ships**

The MEPC pushed forward with a number of measures aimed at supporting the achievement of the objectives set out in the initial IMO strategy on reduction of greenhouse gas (GHG) emissions from ships, in line with the Paris Agreement under UNFCCC and the United Nations 2030 Agenda for Sustainable Development.

The committee approved amendments to strengthen existing mandatory requirements for new ships to be more energy efficient; initiated the Fourth IMO GHG Study; adopted a resolution encouraging cooperation with ports to reduce emission from shipping; approved a procedure for the impact assessment of new measures proposed; agreed to establish a multi-donor trust fund for GHG; and agreed terms of reference for the sixth and seventh intersessional working groups to be held in November 2019 and March 2020 respectively in order to expedite the work.

Also discussed were possible short-term, mid- and long-term measures aimed at reducing GHG emissions from ships, to be further considered at next sessions.

**Implementation of the sulphur 2020 limit**

The MEPC approved and adopted a comprehensive set of guidance and guidelines to support the consistent implementation of the lower 0.50 % limit on sulphur in ships’ fuel oil, which will enter into effect from 1 January 2020. Related draft MARPOL amendments were also approved.

The 2019 guidelines on consistent implementation of 0.50 % sulphur limit under MARPOL Annex VI adopted by resolution MEPC.320(74) is available here. These comprehensive guidelines include a template for a “Fuel Oil Non-Availability Report (FONAR)” and a “Technical review of identified possible potential safety implications associated with the use of 2020 compliant fuels”.

**Marine plastic litter action plan**

Following up on the IMO Action Plan to address marine plastic litter from ships adopted at the last session, a working group was set up to discuss how to move forward. Among other outcomes, the MEPC approved the terms of reference for an IMO Study on marine plastic litter from ships.

With regard to the mandatory reporting of containers lost at sea and ways of communicating their location, interested Member States and observer organisations were invited to submit proposals for a new output to the Maritime Safety Committee (MSC). The MEPC requested the Sub-Committees on Carriage of Cargoes and Containers (CCC) and on Navigation, Communications and Search and Rescue (NCSR) to note the importance of the issue of lost containers at sea for addressing marine plastic litter from ships. Their expertise could be sought in the future. A correspondence group was established to finalise a draft strategy to address marine plastic litter from ships, based on discussions during MEPC 74, and report to MEPC 75.

**Ballast water management treaty implementation**

The International Convention for the Control and Management of Ships’ Ballast Water and Sediments, 2004 (BWM Convention), entered into force in September 2017 and has, to date, been ratified by 81 countries, representing 80.76 % of world merchant shipping tonnage. Amendments to the treaty, relating to implementation timelines, will enter into force on 13 October 2019.

The main focus for the convention now is on its effective and uniform implementation, and on an experience-building phase, with a focus on gathering data on application of the BWM treaty.

The MEPC approved amendments to the BWM Convention concerning commissioning testing of ballast water management systems and the form of the International Ballast Water Management Certificate. The amendments will be circulated with a view to adoption at MEPC 75. The Committee endorsed the view that commissioning testing should begin as soon as possible, in accordance with the already approved guidance for the commissioning testing of ballast water management systems.

MEPC 74 approved five ballast water management systems that make use of active substances.

More information about the MEPC 74 meeting can be found here.
Few insurance companies in emerging markets have the full overview of operations, processes, contractual instruments and objectives of upstream energy ventures and their implications for re-insurance decisions.

Upstream energy operations use a joint venture structure in several continents. Such structures set out how the relationship among the interested parties is arranged: the international oil companies and their co-venturers; the producing countries and their national oil companies; the specialised construction and drilling contractors; and the service providers.

The international oil companies adopt a rigorous risk management process in forming a balanced portfolio of hydrocarbon assets. Such process begins when taking the decisions to bid for a new hydrocarbon licence and adding a new prospect to the portfolio of reserves. The competitive bidding rounds to acquire the licence is preliminary to enter into a Petroleum Agreement with the producing country.

When referring to the contractual instruments among the parties, the contractual provisions trickle down from a Petroleum Agreement with the producing country to a Joint Operating Agreement among the joint venturers and then cascading via the Drilling Contract to individual contractors. The construction phase is regulated by the Engineering, Procurement, Construction and Installation (EPCI) contract structure. The EPCI contract will need to consider the local content requirements of the host country.

The contracting strategy will dictate the conditions for the provision of insurance and reinsurance for the hydrocarbon venture as aligned with the contractual allocation of liabilities in the venture, following the allocation of the duty to take out insurance set out in the Petroleum Agreement.

The process of providing insurance and reinsurance for the hydrocarbon venture comprises competitive bidding dedicated to each project phase of the venture (drilling, construction, operation) and ultimately the need to structuring locally admitted coverage with local insurance partners.

Upstream energy insurance is a highly volatile line of business, in fact a sub-line within the wider marine business. An in-depth knowledge of the energy industry is widely considered a prerequisite for working in this line of business and the paper below (available for download) seeks to fill such an information gap. Unreplaceable experience is gained from working within industry itself, however.

By Michele Cibrario
FCII, Energy Upstream Underwriter, Vice President, Property & Specialty Underwriting, Swiss Reinsurance Company Ltd., and IUMI Offshore Energy Committee Member

The technical publication is available for download on the Swiss Re website.
Pharmaceuticals in Transit

Research, development and production of a drug usually lies in the hands of a pharmaceutical company. This circumstance changes the moment the product leaves the manufacturer’s facilities and their sphere of influence and is handed over to logistics service providers for shipment. This can pose a significant challenge given the strict requirements surrounding temperature-sensitive products.

Full documentation of compliance with the required temperatures is indispensable. Deviations, grey areas or recording gaps often lead to a total loss of the goods. The qualified person, who decides on whether pharmaceuticals are released for sale, confirms the efficacy, quality and safety of a medicinal product prior to its release and is prohibited by law from releasing questionable pharmaceuticals. To continue with the example of temperature-sensitive pharmaceuticals, a significant deviation from the required temperature ranges generally gives rise to concerns. If a recording gap results in a grey area that cannot be resolved, impairment of the goods cannot be ruled out. In this case, the qualified person is obligated to assume a worst-case scenario, which often results in the destruction of the goods.

Incorrect or incomplete temperature recordings can result from technical failures. Even very mundane reasons, such as incorrectly placed sensors can trigger inaccurate or incomplete temperature records. In such cases, additional data loggers installed close to the product can provide reliable information. Recording devices installed in conveyances generally record ambient temperatures. In the event of short temperature fluctuations, the ambient temperature changes much more rapidly than the temperature in the immediate vicinity of the product. If sub-optimum temperatures temporarily prevail by mistake, and the error is detected and corrected swiftly, data loggers can be used to prove that the temperature of the cargo remained in the required range.

In conclusion, the use of data loggers makes sense for the transport of temperature-sensitive pharmaceuticals. Their primary purpose is to provide a complete record of the temperature throughout transit thus enabling informed decisions regarding the usability and marketability of a product. As a result, very costly total losses may be averted.
The International Maritime Organization (IMO) Legal Affairs Committee held its 106th Session (LEG 106) from 27–29 March 2019 and was chaired by Volker Schofisch from Germany. Key issues of interest to IUMI members include:

**Regulatory scoping exercise for Maritime Autonomous Surface Ships (MASS)**

The Committee began its work on the regulatory scoping exercise of conventions emanating from the Legal Committee for the use of MASS. The aim is to assess the degree to which the existing regulatory framework may be affected in order to address MASS operations.

A framework for the regulatory scoping exercise was agreed, including the list of instruments to be reviewed, a template to guide the documentation of results of the regulatory scoping exercise, and a plan of work and procedures.

A web platform (based on one used for similar work being undertaken by the Maritime Safety Committee (MSC), on safety-related instruments) will be used to facilitate the work.

For each instrument, and for each degree of autonomy, provisions will be identified which:

— apply to MASS and prevent MASS operations; or
— apply to MASS and do not prevent MASS operations and require no actions; or
— apply to MASS and do not prevent MASS operations but may need to be amended or clarified, and/or may contain gaps; or
— have no application to MASS operations.

Volunteer Member States supported by observer organisations will work on the review. Tim Howse and Professor Dieter Schwampe, members of IUMI’s Legal & Liability Committee, will participate in the review on behalf of IUMI. The objective is to complete the review and analysis for consideration by the Legal Committee at its next session in March 2020.

**Piracy**

The Secretariat reported on developments related to piracy and armed robbery against ships which have arisen since the last session of the Legal Committee. This showed that there have been 203 reported incidents of piracy and armed robbery against ships worldwide in 2017, the lowest for over 20 years. The revised Best Management Practices to deter piracy and enhance maritime security in the Red Sea, Gulf of Aden, Indian Ocean and Arabian Sea (BMP 5) was approved by MSC 100, together with the new Global Counter Piracy Guidance for Companies, Masters and Seafarers; and the updated guidance for protection against piracy and armed robbery in the Gulf of Guinea region.

**New agenda item to develop a unified interpretation on the owner’s right to limit liability**

The Committee considered a proposed new agenda item to develop a unified interpretation on the test for breaking the owner’s right to limit liability under the IMO liability and compensation conventions. The proposal was submitted by Greece, Marshall Islands, ICS and the International Group. Following a wide-ranging discussion about the proposal, Committee members agreed to include the new output in the 2020 – 2021 biennial agenda. IUMI also supports the inclusion of this new agenda item and our own Legal & Liability Committee is considering if and how to get actively involved in the work of the correspondence group established under the leadership of the International Group of P&I Clubs.

More information about the LEG 106 meeting can be found [here](#).
The shipping industry has recently seen a large number of exciting and futuristic proposals for automated and digital innovations. The intention is to increase efficiency, reduce costs, save time, and promote safety at sea. The increasing numbers of automation and digitisation solutions should lead to a corresponding increase in standardisation and regulation. However, this will take some time to achieve, and insurers should therefore be cautious when approaching these new risks.

An obvious example is autonomous, unmanned vessels. This concept has caught the public eye, and testing of small unmanned ships is underway in the Norwegian fjords. While DNV GL is managing those tests, there are multiple similar proposals from other manufacturers which are yet to be studied. The IMO’s Maritime Safety Committee has outlined four classes of autonomous vessel, providing plenty of scope for a variety of different designs from innovators.

These new technologies require skilled specialist technicians to operate them, whether working remotely or as additional crew. However, it remains unclear whether there will be sufficient numbers of trained operators for this as-yet undefined equipment. Inevitably, this raises the possibility – if only temporarily – of individual vessels being improperly crewed and maintained. Concerns have also been raised that remote operators of, and suppliers of equipment for, autonomous ships may not fall within the limitation regime in the London Convention.

Shore-side services have received similar treatment. Innovations include blockchain in cargo sales, cloud storage of ship data, and automated cargo discharge. Concerns over cyber risks have already been aired in the market but, again, the variety of technologies increasingly available to carriers, cargo interests and ports means the level of risk will vary between providers.

This apparent lack of clarity and standardisation in the future of shipping should not cause alarm bells to ring – it is inevitable in the early stages of innovation. However, the marine insurance industry should keep an eye on the variety of solutions proposed and ensure that it appreciates the risks involved as the technologies develop. The usability of many solutions has not yet crystallised and, while that should not prevent investment in the future for shipping, stakeholders should nevertheless proceed with both eyes open.
The Sub-Committee on Ship Systems and Equipment (SSE), chaired by Dr. S. Ota (Japan), held its sixth session from 4 to 8 March 2019. Key issues of interest to IUMI members include:

**Fire safety on ro-ro ships**
As part of its ongoing work to minimise the incidence and consequences of fires on ro-ro spaces and special category spaces of new and existing ro-ro passenger ships, the Sub-Committee agreed to draft interim guidelines for minimising the incidence and consequences of fires on ro-ro spaces and special category spaces of new and existing ro-ro passenger ships. The draft guidelines cover prevention/ignition; detection/decision; extinguishing fires; containment; and integrity of life-saving appliances and evacuation. The draft guidelines will be submitted to the Maritime Safety Committee (MSC 101) for approval.

Meanwhile, the Sub-Committee on Human Element Training and Watch-keeping (HTW) was invited to consider sections related to training and drills for seafarers, and advise the MSC, as appropriate.

The Sub-Committee agreed to continue its work at the next session, in relation to developing draft amendments to the SOLAS Convention and associated codes, following consideration of relevant casualty reports and the European Maritime Safety Agency (EMSA) FIRESAFE II study.

**Guidelines on life-saving appliances and arrangements for ships operating in polar waters**
The Sub-Committee agreed to draft interim guidelines on life-saving appliances and arrangements for ships operating in polar waters, to ensure they meet the needs for survival in the harsh and specific conditions in Polar waters. For example, the guidelines cover specifications of the equipment needed and would require that lifeboats and rescue boats on ships proceeding to latitudes over 80°N should be fitted with a non-magnetic means for determining heading. The draft interim guidelines will be submitted to MSC 101 for approval. The guidelines are intended to support the implementation of the mandatory Polar Code.

More information about the SSE 6 meeting can be found [here](#).

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**Report of the Sub-Committee on Ship Systems and Equipment (SSE 6)**

By Lars Lange
IUMI Secretary General
and Hendrike Kühl
IUMI Policy Director

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**34th Marine Forum, Kievits Kroon, South Africa, 10 –11 May 2019**

By Lars Lange
IUMI Secretary General

Once again a great crowd of marine underwriters from South Africa, neighbouring countries and around the world gathered in Kievits Kroon for the annual Marine Forum. This year’s programme covered a wide variety of topics such as “Marinnovation”, a presentation looking at marine insurance solutions in a world that is changing ever faster; the impact of cyclone Mekunu; but also very practical presentations such as the transportation of avocados. Also discussed were current initiatives to improve safety in the fishing industry, the most dangerous occupation on the planet, and salvage or wreck removal in the Arctic.

Lars Lange had the opportunity to present the latest news from IUMI. He introduced the ongoing work on the major claims database as well as recent development at the International Maritime Organization (IMO) where IUMI is taking a more active approach with regard to containership fires.

Even though the international group of speakers covered many serious and somewhat sombre issues, the atmosphere during the conference was hugely enjoyable, not least due to this year’s dinner theme “la belle France”.

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Report of the Sub-Committee on Ship Systems and Equipment (SSE 6)

By Lars Lange
IUMI Secretary General
and Hendrike Kühl
IUMI Policy Director

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34th Marine Forum, Kievits Kroon, South Africa, 10 –11 May 2019

By Lars Lange
IUMI Secretary General
Surveys in the age of digitalisation

A quick look at the evolution of surveying into the digital age.

**Legacy of the past – joint hull survey**

Condition surveying of vessels has not changed much over time. Recent years have seen surveyors adopting joint hull standards and considerations, but the survey itself is still very much left to the surveyor’s discretion. The surveyor may or may not be named in the policy, approved by the underwriters but instructed (and paid for) by the owner.

**Data analytics**

A hot topic at the moment is what role are marine insurers going to play in the future; will it be pure risk carriers or trusted partners offering comprehensive support and services to manage risks in a changing world? Digitalisation will have a big impact on the future definition of that role. By embracing data analytics, artificial intelligence (AI) and machine learning, data can be turned into invaluable knowledge, enabling the introduction of pre-emptive risk-mitigation measures. A traditional ‘analogue’ marine condition survey is merely a snapshot of the risk, as and when the vessel is visited and there is a huge opportunity in analysing vessel and owner performance, so-called behavioural data to assess the risk much deeper.

**The survey today**

Underwriters seek insight into the risk and search for items affecting the cover, potentially leading to claims. At the same time, for years now, the hull and machinery (H&M) industry has been in a soft market, where cost is a key factor in the decision-making process governing the survey instructions and scope. Two other ‘pain-points’ is the time required for a survey and the disruption to a vessel’s operation from a surveyor having to attend. A typical joint hull condition survey lasts about three days, inclusive of travel time and writing the report. This now can be done in a matter of hours, without compromising on the critical information required to assess the risk.

**Tomorrow’s marine loss prevention survey**

Imagine starting from the available data analytics on vessel performance identifying vessels of high risk leading to a self-survey for the chief engineer to perform, whereby the cost of the marine surveyor and lead-time for the report can be cut by up to 90%.

Imagine the automation of the surveyor search and instruction, building on capabilities and performance. Data analytics and machine learning from the survey information combined with the data of the on-scene information gathered – a blend of human and digital intelligence; the dawn of bionic loss prevention.
The IMO Committee on Facilitation held its 43rd Session (FAL 43) from 8–12 April 2019 under the chairmanship of Marina Angsell from Sweden. Two key issues of interest to IUMI members arose during the meeting:

**Regulatory scoping exercise for the use of Maritime Autonomous Surface Ships (MASS)**

The Committee agreed to review the Facilitation Convention as part of a regulatory scoping exercise for the use of maritime autonomous surface ships (MASS). The exercise will follow the same process being used to scope other instruments, such as those under the purview of the Maritime Safety and Legal Committees. It was agreed to complete the work at the next FAL meeting.

**Maritime corruption guidance included on agenda**

The Committee decided to include a new agenda item on "Guidance to address maritime corruption" with a target completion year of 2021. This decision followed a discussion about the submission from several Member States and observer organisations which described a Maritime Anti-Corruption Network (MACN) anonymous reporting mechanism. This scheme that has collected over 25,000 incident reports between 2011 and 2018. The document proposed the development of IMO Guidelines and/or a Code of Best Practice with the aim of addressing the problem of maritime corruption and reducing the impact on global trade, improving port governance and reducing adverse consequences to seafarers.

Click here to read more about the FAL 43 meeting.

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**Second IUMI Asia Forum in Shanghai**

By Lars Lange
IUMI Secretary General

The second IUMI Asia Forum was held in partnership with the Shanghai Institute of Marine Insurance (SIMI) on the 22-23 May. It was a huge success with over 300 senior management representatives in attendance.

The Asia Forum is structured differently to IUMI’s annual conference (held annually in September) – it targets more local and regional delegates, as well as international attendees, and the industry scope is wider, encompassing more than just underwriting.

Over the course of the conference the presenters discussed many of the challenges and key issues that underwriters currently face. Digitalisation and its impact on the shipping and logistics industries was high on the agenda, alongside the current trade disputes between countries. Prior to the Asia Forum, IUMI’s Executive Committee met in Shanghai, emphasising the growing importance of the region for marine insurers.

IUMI is very grateful and thanks SIMI for organising the event so well. We are already looking forward to next year’s Asia Forum in another host country and are pleased to see that the event is already a key date to be marked in the diary for underwriters from Asia and around the world.

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**Report of the IMO Committee on Facilitation (FAL 43)**

By Lars Lange
IUMI Secretary General

and Hendrike Kühl
IUMI Policy Director
Lloyd’s recently urged marine insurers to review their compliance procedures around international sanctions to limit their exposure to breaches. Marine insurers have an extremely tough job, caught in the middle of US Sanctions, EU law, divergent jurisdictions and daily changes to sanctions lists. Despite these challenges, technology can play a significant role in helping insurers limit their exposure.

Insurers can limit their exposure from the outset by completing their company and financial due diligence upfront. Several specialised services provide screening solutions that use pro-active monitoring for changes in company and ownership structure whilst the cover is in force. However, the idiosyncrasies of each technology mean that combined solutions may be required to achieve meaningful results.

Automatic Identification System (AIS) data allows insurers to track journeys and, if everything aligns, offers some inference regarding breaches of sanctions by analysing operating patterns. The transmission however can be lost as a result of the local environment. We looked at one example in Iran and ran the data against AIS and ICEYE’s SAR satellite technology. ICEYE detected 33 vessels of a commodity trading size in Iranian waters over two passes, in January 2019. AIS detected nine trading vessels in the same area. Further analysis by Concirrus revealed that five of the nine vessels reporting AIS were in fact spoofed and four were Iranian. Using multiple data sources helps bridge the gaps that currently exist as new technology becomes readily available.

Using behavioural analytics, insurers can benefit from alerts based on a variety of activity that could point to international sanctions breaches such as: zone entry, ship-to-ship transfer, signal loss and suspicious behaviour. Machine Learning (ML) algorithms can help identify these types of activity using multiple data sources, reacting to real-time changes in the data, providing an underwriter with the tools to interpret the risk in ways not previously possible. With greater visibility of activities and anomalies, insurers are in a better position to spot the early warning signs of potential illegal behaviour and act to limit their exposure.

Read the full article here.
How long have you been associated with IUMI?

I have been involved with IUMI actively as a committee member since 2017 and it has been a very rewarding participation.

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

I am the Chair of IUMI’s Ocean Hull Committee, having taken over the helm from Mark Edmondson in September 2018 during the IUMI Annual Conference in South Africa. The role of this committee is to support the work of IUMI, drawing on the knowledge and experiences of all our committee members, and to highlight the issues and risk trends that impact hull marine insurance. We strive to raise awareness of these issues and to help IUMI’s Policy Forum lobby where necessary and appropriate.

And what is your day job?

I am the Head of Marine, and Asia lead for hull and liability for QBE Insurance (Singapore).

What benefits do you get from being associated with IUMI?

IUMI is an established organisation that is well known to all marine underwriters globally. The benefits include being able to steer the thought leadership in our evolving risk landscape and it helps my passion, which is to educate and train the next generations of marine underwriters.

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

The role of IUMI has changed very positively in the last five years with increased active participation from many stakeholders. But I think that the organisation’s viability depends on this being dialled up even further with more engagement from stakeholders across the wider maritime industry, such as asset owners and oil majors.

How did you reach your current position in marine insurance?

Simply put, through hard work and a little luck. I began my career at sea as a cadet, sailing with Neptune Orient Lines Singapore for eight years, where I worked my way up to become a chief engineer before coming ashore to work as a surveyor.

I worked as a marine surveyor for 13 years before joining Swiss Re as a marine insurance underwriter – a completely new ball game with a steep learning curve. Since joining the marine insurance industry, I am pleased to have remained put, taking on a variety of roles within the sector. I believe in pushing yourself to constantly learn and use all your experiences to provide a better service to customers as well as to educate the new generation of marine insurers.

And what do you do away from the office?

A big part of my life has been in the maritime industry and I am involved with many associations in this sector. As a result, apart from being with my family (and my wife has more sea time than many of the underwriters in our industry!), I am actively involved in the social and community work around the Singapore based maritime industry.
A case study on how to integrate recoveries with surveys from day one in order to improve the speed and the result of recovery, mitigating the portfolio loss ratio.

These days, one stop shops are part of our daily life: Carrefour, where you can buy food, clothes, gardening tools, TVs, dryers etc.; Total, where you can drink a coffee, access free Wifi, fuel up, have your car washed and refill your Adblue; Alibaba platform, where you can compare prices, store data, purchase goods and have it delivered to your house or office.

All to manage and save time, to combine different tasks, to balance out work and family, to make life more comfortable.

We strongly believe that this concept of a one stop shop should also be applied within the process of a marine insurance claim. For example, our surveyor performed a quality control survey, stuffing survey, inland carriage-supervision and load & stow survey on board of a seagoing vessel of 10 reefer containers packed with blueberries to confirm the sound condition of the cargo at the port of loading. Upon stripping at the point of discharge, damages due to delay allegedly caused by bad weather during transit and due to temperature breach were noted.

A joint survey was called for and our legal team was consulted immediately to facilitate a timely letter of protest and a proper P&I Letter of Undertaking, to obtain access to logbooks, crew statements and weather reports, even to impose sharing of container data recordings. This early integration of surveys and recoveries left no room to escape liability for the carrier, resulting in a fair settlement a few months after subrogation.

We are convinced that every claim has a liability aspect and should therefore be investigated on its recovery merits, regardless of the amount at stake. The sooner one starts with that, the better a case can be built for recovery purposes. This process has a clear impact not only on the monetary result of recovery, but also on the speed thereof. Loss ratio will then become a win ratio.
Let the shippers be aware!

A shipper’s responsibility and liability regarding the disclosure of dangerous goods has been focused on following certain recent incidents and accordingly so has a cargo owner’s liability insurance. The incidents are somewhat noteworthy from an underwriter’s perspective as well.

The MSC Flaminia case decision in September 2018 estimated a USD 280 million liability was caused by the explosion in 2012. Although not finalised (due to appeal), this case illustrates the possibility of a significant amount of liability that a shipper and the NVOCC may face. In this case, the US district court determined that the shipper and the NVOCC breached the legal duty of warning as well as the contract. It was found that the chemical cargo was already at risk due to negligence before being loaded on the vessel although not reported as such. Going through the judicial document of the case, it appears that the essential elements that shaped the negligence were simple clerical omissions that could have easily been avoided. Although the SOLAS, IMDG code etc., stipulate the shipper’s duties of disclosure, there may be room to consider implementing stronger measures, when such loose clerical work turn into such a catastrophic incident. The point is, these catastrophic losses are not caused by acts of God but by human error, which means they are “avoidable”.

This brings us to a shipper’s responsibility of disclosure on dangerous goods – “air cargo” which any cargo underwriter would write today. There is a new international regulation, soon to be implemented, that provides a framework for ‘competency-based training’. The ICAO (International Civil Aviation Organization) has come up with this for the parties involved in dangerous goods shipping including “air freight forwarders” and “shippers”. Under this regulation, any shipper will be required to train their employees in the proper handling of dangerous goods which includes identifying, classifying, packing, marking, labelling and documenting subject to international regulations.

This global initiative will be implemented 1 January 2021, which means that there will soon be a “global” movement in shippers training their employees in the handling of dangerous goods in an appropriate manner. This begs the question of why not take advantage of this on the ocean cargo side as well? Like air cargo, training could be one way, but considering the relatively wide ranged shippers on the ocean side, an inspection and penalty type of approach could also be an option, especially when there are said to be certain amount of “intentional” misdeclarations to avoid extra freight. For example, during the very recent fire incident on the KMTC Hong Kong hundreds of people were effected and ended up in hospital; and it has been reported that there were deliberately concealed chemicals within the containers. Facing such major incidents, I believe taking proactive measures for further prevention is needed rather than hoping for a better year. Especially, when these huge container vessels are becoming the new norm.
In a nutshell, how would you describe the main role of the International Group of P&I Clubs (IG)?

The core roles of the Group are; to coordinate the mechanisms for sharing liabilities in excess of the individual club retention (US $10 million) through the Group Pool and the collective reinsurance of such liabilities through the captive and commercial market annual reinsurance programmes. Secondly to provide a forum for shipowners/clubs to share knowledge and expertise on matters related to shipowners liabilities and the insurance of such liabilities. Finally, to provide a voice for the industry with governments, maritime administrations and regulators, intergovernmental organisations and key stakeholders in the shipping and insurance industries.

What is the biggest challenge facing the IG today?

The clubs provide P&I insurance cover to approximately 90% of the world’s oceangoing tonnage. Today there are 13 clubs in the Group which vary significantly in size, risk appetite philosophy and approach to diversification. The fundamental cornerstone of the Group system is the mutual trust between clubs in the way clubs underwrite and handle claims which underpins their agreement to share claims and to purchase collective reinsurance protection for their respective shipowner stakeholders. There is universal support across the clubs for the Group system, however, as clubs continue to develop and diversify, there will be new pressures on the system. The Group has proved itself to be very resourceful and adaptive in meeting challenges to ensure that the member clubs remain “collectively stronger”.

What is the biggest challenge facing mutual P&I insurance?

The clubs must, as they have in the past, remain fully responsive and relevant to shipowners needs and evolve in the disruptive times ahead. Fresh challenges are arising such as the rapid development of new technologies, including digitalisation, MASS, cyber threats, the increasing focus on measures to preserve the environment and the challenges to shipowners’ well established rights to limit liability.

How do the IG and IUMI work together?

The Group has been an IUMI Affiliated Association for many years and since 2007 has participated on the IUMI Legal and Liability committee, where it has been instrumental in developing the programmes for the annual conference workshops and in providing speakers and panellists. The Group also assists the Facts and Figures Committee by providing P&I premium data for the annual IUMI statistics report. From the Group perspective, the interaction through the global reach of IUMI with insurers/reinsurers from around the world (many of whom participate in the Group’s reinsurance arrangements) is extremely useful and highly valued, and it is hopefully perceived as equally beneficial by the IUMI membership.
Nick – how do you see the IG and IUMI enhancing their relationship in the future?

The Group will continue to provide and enhance its support and input to IUMI and its member national insurance associations on matters relating to the insurance and reinsurance of shipowners' liabilities. As recently reported in the media, the Group has committed to developing its data collection and analysis abilities with a view to collating and sharing more data, the relevant output from which can be shared with IUMI.

Andrew – during your time at the IG is there anything that you would have liked to see underwriters do differently?

In short, no. The Group is extremely fortunate to have built up, over many decades, strong relationships with the global marine reinsurance markets. In any one year, the Group's collective reinsurance arrangements involve between 85 and 95 participating reinsurers. The longtail nature of marine liability exposure means that both the Group, and its reinsurers, enjoy long-term relationships which deliver benefits for both. The marine liability sector has performed better and has attracted capacity at rates which deliver value both for the market and for buyers.

Nick – what are your plans for the IG?

The Group has come a long way in the last 15 years and has recently embarked on several new initiatives, both internal and external, focused on improving the efficiency and responsiveness of the system for the benefit both of its shipowner members and for third parties affected by maritime incidents. Developing and building on this work will be a key objective in the coming years.

Raising levels of awareness and understanding of the very important role played by the clubs and the Group with states and regulators around the globe and working with the IMO and IOPC Funds to promote states' ratification and uniform interpretation of the international maritime convention regimes and a unified approach to shipowners' limitation rights will also be high on the agenda.

And in recognition of the increasing importance of Asia, not only from a global trade perspective but also as an increasingly important ship owning powerbase, there will be an increased focus in the region on raising the Group profile and awareness of the benefits which the system delivers.

Nick – what is your view on the current state of the marine insurance market?

Overall, the marine insurance market continues to face challenging times, particularly in the H&M and cargo sectors which have seen some market players withdrawing from the sector or scaling back their participation. The consequent reduction in capacity, coupled with signs of hardening rates, should hopefully begin to address the long-standing problems in these sectors. The marine liability sector has performed better and has attracted capacity at rates which deliver value both for the market and for buyers.

Andrew – what are your plans for the future?

My plans for the future will involve doing things which my present position does not permit me the time to do. Family time, sailing, travelling, playing sport and building projects will certainly keep me busy. The city and the shipping legal and marine insurance sectors have given me my entire and very enjoyable career, and I leave with very fond memories. I will certainly keep in touch with the many good friends I have made over the years and will be revisiting EC3 in the years to come.

If you could each wave a magic wand and change one thing in the shipping industry what would it be?

Probably the perception that shipping is in some way a “dirty industry”, when compared with other forms of transport. The reality is that per tonne of goods transported, shipping is one of the cleanest forms of transport for moving goods from A to B. IMO 2020 should help towards addressing this negative perception and the shipping industry needs to consider and develop other initiatives aimed at promoting the message that shipping is a responsible industry and is playing its part in addressing global environmental issues and the safety of life, the environment and property transported by sea to ensure that there is a sustainable future.
With an anticipated 90 to 95% of vessels initially expected to use low sulphur bunkers rather than scrubbers to comply with the IMO’s 0.5% sulphur cap due to come into force from 1 January 2020, a surge in machinery damage claims under H&M policies can be expected.

In addition to the increased risk of catalytic fines in these low sulphur products, the potential instability and varying properties of compliant fuels from different ports and refineries (such as varying viscosity, density and cold flow properties) could result in clogged filters and centrifuges, as well as damage to other essential equipment. Those shipowners and operators seeking to reduce sulphur content by blending fuels may also find that the fuels, although each compliant, are not compatible.

This lack of standardisation of compliant fuels makes proper bunker fuel management practices vital.

In the event of a resulting machinery breakdown, assureds are likely to rely on crew negligence when presenting their claims. For such claims to be recoverable, the Institute Clauses require that the loss and damage claimed must not have resulted from “want of due diligence” by the assured, owners or managers (and, in the case of the Institute Time Clauses (Hulls) 1/11/95, this is extended to superintendents and onshore management). A similar due diligence requirement appears in the Institute Additional Perils Clause, which could also respond to machinery damage claims.

The burden of proof for showing causal lack of due diligence will most likely fall on the underwriters. “Due diligence” for the purposes of the proviso means a lack of reasonable care or, in other words, negligence. It is not a particularly high bar for underwriters to meet.

Bunker fuel management procedures may already have been assessed for underwriting purposes. However, H&M underwriters could demand that procedures should be overhauled (or, in the case of a claim, should have been overhauled) prior to 1 January 2020 to reflect the increased risk. The spotlight may well fall on the policies and procedures imposed shore-side, and a failure to take reasonable care to update these may result in claims being declined.
Spring Meeting 2019: Marine insurers from around the world gather in Hamburg

By Hendrike Kühl
IUMI Policy Director

IUMI’s annual Spring Meeting in Hamburg is turning into something of a tradition. In early April over 120 committee and forum members from 25 countries gathered in the city of Hamburg to discuss hot topics and to get organised for the committee workshops at the upcoming IUMI annual conference in Toronto. Each committee chair also used the opportunity to provide an update on their various work streams. A particular highlight this year was the progress made on the major claims database in the Facts & Figures Committee, which is going to be expanded further, building on the successful 2018 pilot project.

The plenary session saw a variety of excellent presentations on a wide range of highly topical issues. Containership fires, challenges for carriers and insurers related to intellectual property infringements, and ISMP 15 as a potential excuse for trade restrictions were on the busy agenda. The conference ended with a perfect setting for such an international crowd of marine insurers: a cruise on the River Elbe with impressive sights of the port of Hamburg.

Following the meeting, the spring statistics were published for cargo, hull and offshore energy. The data shows that whilst in general, major losses remain stable, the continued erosion of the global premium base means that attritional losses are becoming much more significant. The increased risk of large, more complex and costly claims has the potential to impact all marine underwriting sectors in 2019.

For copies of the IUMI technical committee chair’s reviews, full statistics and analyses please visit: https://iumi.com/statistics (NB: This is a members only section).