



IUMI
International Union of
Marine Insurance



Message from the President

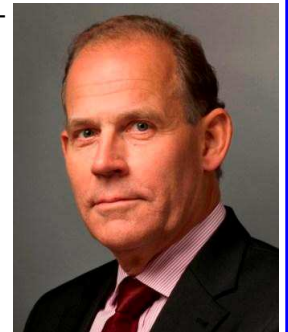
The world is never at a standstill. Political moves as well as changes in human behavior and economic climate will form new situations, initiate developments and create threats and opportunities that may prove beneficial or not for those exposed. Throughout history, border-less trade has had a positive effect on the relationships between individuals, groups of people, countries and geographical regions.

Risks are inherent with trade. Some risks may be transferred to others whilst some has to be retained by the risk taker, e.g. the risk of the business venture being financially successful or not. As the oldest provider of risk relief services, throughout changing times marine insurers have managed to adapt their risk relief business proposals to the ever-changing needs of the traders.

To achieve this, two conditions have been met to ensure alignment with demands: A consistent and close contact with the clients to understand their business and risks, and a continuous effort to find, develop, educate and retain human talent to deliver the appropriate service.

The theme for the IUMI conference in Hong Kong in September, "Building expertise for a changing world", recognizes the important duty IUMI has to constantly revitalize the 4,000 years old marine insurance tradition and to drive changes within and outside of the marine insurance industry that reflect new trading patterns and the increasingly important role of emerging markets in global economics. The preparations for Hong Kong are well underway.

Ole Wikborg, President IUMI



Places of refuge for ships in need of assistance

By Nick Gooding, FC11, IUMI Alternate Officer at IMO

IUMI has joined forces with the International Chamber of Shipping, the International Group of P & I Clubs and the International Salvors's Union and submitted a paper on Places of Refuge to the IMO Legal Committee at its meeting in April.

The IMO have Guidelines on places of refuge for ships in need of assistance which were developed following the sinking of the tanker "Prestige" in 2002. The Guidelines are supplemented by resolution A.950 (23) recommending that all coastal States should establish a Maritime Assistance Service and have in place Guidelines on the control of Ships in an Emergency as approved by IMO in 2007.



Despite these Guidelines incidents continue to be reported where ships in need of assistance are denied prompt access to places of refuge. The joint paper suggested that the IMO Legal Committee should reinforce the message and that the Guidelines should be given due regard when States are asked to provide a place of refuge to ships in distress or in need of assistance.

The paper was introduced by the ICS and was supported by brief statements by the co_sponsors including IUMI. Six member states made interventions from the floor supporting the paper. They were Germany, Greece, Liberia, Japan Hong Kong/China and the USA. BIMCO also intervened in support. The CMI spoke of a previous CMI initiative to deal with the issue by means of a Convention but there is unlikely to be any support for such a measure. In his concluding remarks the Chairman noted the general support for guidelines and implementation.

Registration open for Hong Kong conference

By Jon Guy, Editor, IUMI Eye

Delegates wishing to attend the IUMI Annual Conference in Hong Kong from 21-25 September can now register and take advantage of the early bird delegate rate. The rate for delegate places booked before 30 June will be US\$2,390 a significant reduction on the full delegate rate of \$2840.

This year's Conference theme was decided at the Winter Meeting of the Executive committee and will be "Building expertise for a changing world" which takes into account both new emerging risks and new emerging markets particularly in Asia.

The conference will again feature an interactive voting system, enabling delegates to play an active role during presentations. It will also see a repeat of the special workshop launched last year in London with this year's session looking at the work of IUMI's highly successful Political Committee.

Registration can be carried out by going to www.iumi2014hk.com



IUMI Spring Meeting Niagara Falls

By Lars Lange, Secretary General, IUMI

On 23 and 24 March, 2014 the IUMI 2014 Spring Meeting took place in Niagara Falls, CAN-Ontario. Invited by the Canadian Board of Marine Underwriters (CBMU) the 120 members of the seven IUMI Technical Committees, the IUMI Executive Committee, the Nominating Committee and the Political Forum as well as the Secretaries of the national IUMI member associations had two days of meetings, conference and social programme between Lake Ontario and Lake Erie.

The Canadian Board of Marine Underwriters had previously hosted the 1994 IUMI Conference in Toronto as well as the 2008 IUMI Conference in Vancouver and will once again host the IUMI conference in September 2019 in Toronto. CBMU and IUMI were extremely proud to welcome the Hon. Lisa Raitt, Canadian Minister of Transport to a meeting with IUMI and CBMU officers during the conference. Minister Raitt (pictured) gave a highly welcomed address to the IUMI delegates during the conference and pointed out the high importance of the maritime sector for the Canadian economy and hence the relevance of the strong Canadian marine insurance market. IUMI and Min. Raitt discussed current developments in regard to the increased shipping and offshore exploration activities in the Arctic region which are highly relevant for both the Canadian government and the marine insurance community.

Tim Keane, Senior Manager Arctic Operations and Projects at FEDNAV Shipping Group, held a presentation on "Arctic Shipping: Past, Present and Future" during Monday's conference. This gave a short history of shipping activities in the

Canadian Arctic, describing past and present operations. It also provided insight into the legislative regime under which safe arctic shipping has been regulated. Finally, it provided a glimpse into the future of shipping in the Canadian Arctic. An excursion to the St. Lawrence Seaway System by the IUMI delegates was prepared by the presentation given by Peter Burgess and Jean Aubry-Morin from the Seaway management. They explained the seaway's facilities and infrastructure which are currently in place. They also elaborated on future expansion plans for monitoring ships that pass through Seaway system and the controls in place for the safety, security and cost effective transportation system. The committee meetings in Niagara Falls served to start planning the programme of the annual IUMI conference in September 2014 in Hong Kong and touched all other relevant issues on which IUMI and its committees are currently working.



Ole Wikborg, Lars Lange and Roger Fernandes with the Honourable Lisa Raitt, Minister of Transport. Below Ms Raitt addresses the conference.



New IUMI articles of association drafted

By Lars Lange, Secretary General, IUMI

During the Hong Kong conference in September 2014 the IUMI council meeting will take a decision on the revised version of the IUMI Articles of Association in the current version as decided at the 2008 IUMI conference in Toronto.

The purpose of the new Articles of Association is to reflect the organizational changes that have taken place during the last two years, e.g. the new seat of IUMI in Hamburg, the foundation of the Political Forum and the Salvage Forum and the new regulation of membership of the IUMI Technical Committees.

The new AoA will enable IUMI and its committees to conduct and modernize their various activities being more transparent and simultaneously paying proper attention to compliance. The work of the Technical Committees, for example, will be ruled for the first time by separate terms and conditions which state detailed procedures for committee membership, work of the committees and election processes.

Council voting procedures and the rules for the work of the Executive Committee, the Nominating Committee and the IUMI Council have been modernized and will be more precise.

The new Articles of Association were drafted by a working group established by the IUMI Executive Committee in 2013. The first draft prepared by the working group was discussed and approved by the IUMI Executive Committee during the IUMI winter meeting in January 2014 and was then discussed and endorsed by the chairmen of the IUMI technical committees. During the next few weeks the draft will be sent to all IUMI member associations in order to inform them about the contents and to request any comments.

Finally, the agreed draft is subject to the vote of the IUMI council meeting during the IUMI Hong Kong conference in September 2014.

Political Forum targets loss of ship records

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

When a ship changes ownership, it is commonplace that the outgoing technical manager removes the Planned Maintenance System (PMS) data which contains all maintenance and service records from the vessel. Consequently, there will be no fluid take-over of the vessel by the new crew, no maintenance records left on board, and no list of short and long term maintenance to be carried out. This increases the risks of required maintenance being overlooked, of incorrect handling of equipment, and of serious breakdowns due to pure lack of knowledge of the ship's service history.

Classification survey records will always be available to a new owner once permission is given from the seller to the classification society. The separate Continuous Machinery Survey (CMS) records, carried out by the Chief Engineer, are stored in the on board PMS. When the PMS data is removed, this means that the CMS records are lost to the new owner and the classification society.

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The IMO International Safety Management (ISM) Code includes reference to records and procedures related to the maintenance of the ship and equipment. However, to reflect the intention of the Code and allow historical maintenance records and service history to follow the ship throughout its life, a modification would be necessary. Additional clauses may also be included in the sale and purchase agreement, requiring maintenance records, operating reports and spares inventory to be part of the permanent service history of the ship. The Political Forum intends to pursue this issue.

The implications of social media on casualties at sea

By Jon Walker, Regional Director - Asia/Australasia London Offshore Consultants and Nicolas White, Director, London Offshore Consultants (Singapore), IUMI Professional Partner

The meteoric rise of social media platforms like Twitter and Facebook affects almost every aspect of our lives and this is a reality the maritime and offshore industries are going to have to deal with. We experience casualties at sea where video footage, photographs and operational details are on social media before owners and insurers even know an incident has occurred, let alone respond to it.

Not so many years ago, incidents at sea - other than real catastrophes - never made the public eye. But the overwhelming trend now is for absolutely everything to appear. We've gone from one extreme to another, almost overnight. An image speaks a thousand words and moving images quadruple that, and the first reaction is the one that sticks.

The result can be a global public with an instant reaction and opinion, accurate or not. This can influence how governments, agencies and individuals react. Authorities answerable to the public may have a knee-jerk reaction and respond even without all the information or, worse, with wrong information. Politicians and senior spokespeople cannot be expected to be experts in the intricacies of a casualty and are at risk of making erroneous responses and exacerbating a situation. Even if this doesn't happen, the reality is that they and the principals involved are usually behind the game rather than leading it.

Owners need to be aware of what's being said because, if they are not, they run the risk of giving information which is already obsolete or even contradictory to what's publicly available.

There's a clear need for these companies to designate 'listeners' to monitor social media and take responsibility for how the company engages in an incident. Companies might also consider social media clauses when drawing up employee contracts, while public and media relations practitioners must update training to reflect the rise and significance of social media.

The rise and influence of social media is not inherently a positive or negative thing, it is simply a fact of modern life and can be an opportunity as well as a challenge. What it cannot be, is ignored.

www.loc-group.com



IMO Committee on Marine Environment Protection

By Nick Gooding, FC11, IUMI Alternate Officer at IMO
IUMI, represented by Lars Lange and Nick Gooding, attended various sessions of the IMO Committee on Marine Environment Protection at its 66th Session (MEPC 66) which was held from Monday 31 March to Friday 4 April under the Chairmanship of Mr Arsenio Dominguez (Panama) and his Vice-Chair, Dr Naomi Parker (New Zealand). Items that featured on agenda that are also of concern to the IUMI Political Forum were the debate and the findings of the review group on Ballast Water Management and the discussions on the Polar Code. Herewith is a brief summary of the main outcomes on both items.

HARMFUL AQUATIC ORGANISMS IN BALLAST WATER

The number of Contracting Governments signed up to the Ballast Water Management Convention is currently 38, representing 30.38% of the world's merchant fleet tonnage, thus ratification has yet to be attained. Through a strongly argued case led by the International Chamber of Shipping (ICS), the industry acknowledged that the resolution [A.1088(28)] adopted at IMO Assembly 28 for a modified schedule has removed one major concern. However, there remains a continuing lack of confidence in the type approval testing procedures which fail to provide treatment equipment 'fit for purpose' in real world operation. Further the ICS argued, that there is a need to address the long term acceptability of 'first generation' treatment equipment that has already been fitted on board many vessels and is operating in advance of BWM ratification. The concern being that some Port State Control standards will make such equipment redundant due to a higher standard being required. A proposal to develop an MEPC resolution on the intent to address such concerns together with amendments to the G8 Guidelines was debated quite forcefully. The countries representing flag states across the world who opposed the ICS led industry view slightly out-voted other countries who were in support. However, a Norwegian proposal requesting the Secretariat to explore the possibility of conducting a study (which Norway offered to fund), on the implementation of the BW performance standard. Further additional items recommended by the Review Group, will also be addressed in the study for which a draft plan and terms of reference will be considered at the next meeting of the MEPC in October 2014.

POLAR CODE

The main discussion in Plenary centered around the applicability of the relevant MARPOL Annexes. It was agreed it should be extended to the corresponding chapters of part 11-A and that operational requirements should be applied to both new and existing ships, also exemptions would be considered for any additional structural requirements. In recognition of a perceived ambiguity as to the legal obligations for Member Governments, the Committee agreed that goals and functional requirements be deleted from part 11-A of the Code in favour of prescriptive requirements only. A proposal to allow ships operating in Arctic waters to discharge oily mixtures from machinery spaces under the conditions stipulated for special areas under MARPOL Annex 1 was not agreed. However, the need for the provision of adequate reception facilities in Arctic Waters was recognised though a majority of Member States ruled that it should not constitute a condition for implementation of the Code. In order to make the Polar Code mandatory it was decided to do so via a separate chapter in every relevant Annex to MARPOL using a similar structure as that for the proposed chapter XIV of SOLAS; this task was then given to a newly formed correspondence group which will submit a written report to MEPC 67 in October 2014.

Ocean Victory: subrogated claims against co-assureds

By Benita Cheung, Associate, Holman Fenwick Willan, IUMI Professional Partner

An insurer cannot generally pursue a claim in the name of one co-assured against another. But as the recent OCEAN VICTORY case* has demonstrated, in some circumstances an insurer will be able to recover from a co-assured.

The OCEAN VICTORY was demise-chartered out by her registered owners and the parties to that contract were co-assureds under a hull insurance policy. The demise charterers then time-chartered the vessel to the defendant who in turn sub-time-chartered her out. All three charters contained a safe port warranty. After the vessel became a total loss, the hull insurers, as assignees of the registered owners and demise charterers, sued the defendant head time charterers for breach of the safe port warranty. The defendant in turn sued the sub-time charterers. The English Commercial Court decided that the port was unsafe. A further issue arose as to whether the insurers could claim the loss from the defendant in light of the insurance provisions in the demise charter.

The defendant and sub-time charterers argued that the demise charter contained a complete code for the treatment of insured losses in the event of a total loss. The demise charterers would be paying for the insurance and their interests were protected under the policy. Also, the demise charterers, having effected insured repairs, would be reimbursed by the insurers and, in the event of a total loss, all insurance payments would be paid to the mortgagee who would then distribute the monies between themselves, the owners and demise charterers. Therefore, the parties could not have intended that the demise charterers would be liable to the insurers by way of a subrogated claim under the safe port warranty.

The Court found in favour of the insurers. The existence of an express safe port warranty, the lack of a code of rights and obligations with regard to insured losses and the absence of express wording precluding the right of subrogation indicated that it was intended that the demise charterers would be liable to the owners for breach of the safe port warranty, even though they were co-assureds.

The demise charterers were held liable to the registered owners, notwithstanding that the value of the vessel had been recovered by the owners from the insurers. Accordingly, the insurers were entitled to the sums claimed from the defendant, who was in turn entitled to the sums claimed from the sub-time charterers. This insurer-friendly decision has been subject to criticism. In particular, it has been suggested that the decision deprived the demise charterers of their rights under the policy. Whether or not a co-assured can be held liable will be dependent on the precise terms of the contract. The decision has been appealed to the Court of Appeal so further guidance can be expected.

Benita Cheung is an Associate at Holman Fenwick Willan, an international law firm advising businesses engaged in international commerce. www.hfw.com



* Gard Marine & Energy Ltd v China National Chartering Co Ltd (The "Ocean Victory") [2013] EWHC 2199 (Comm)

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High risk project cargoes Heavy lifts equal heavy risks?

By Nicolas Denis, Project Cargo Surveyor, DP Survey Group NV, IUMI Professional Partner

Nowadays new built ships destined for carriage of commodities are multipurpose by design, allowing a significant amount of containerized cargo to be carried on and/or below deck.

As a direct consequence freight handlers have invested in more equipment capable of handling the increased tonnages that these containers bring to their daily operations.

Consequently these handling companies are in a position to offer more options to shippers and freight forwarders to move heavy weight and often high value items.

When determining the risks involved in shipping these units, the main focus is mostly directed on the handling and transport stages, disregarding the planning phase.

Too often it is noted that no proper planning and/or method statement can be provided at the time of handling and this leaves the cargo handlers to improvise on the spot.

Skilled logistics providers will avoid this situation by drafting themselves a detailed transport manual, comprising a full description of all necessary steps to be undertaken by each party involved in the transport chain.

A clear drawback of this service rendered by the logistics provider is the additional cost involved, and experience has learnt that this cost will be the first victim of cost cutting, a practice clearly leading to an increased risk.

It is crucial that the lashing arrangement of a heavy unit is determined and evaluated by a skilled professional.

To reach adequate lashing and securing of a heavy unit in all necessary directions, the increased weight and dimensions often require an analytical approach beyond the experience of the longshoremen.

Finally, even when proper planning is in place, proper application of each of the lashing materials needs to be thoroughly verified to avoid less than adequate lashing and securing of a unit.

No risk is smaller than the risk which is prevented, and any risk allowed to exist can result in a major loss.

For more information and the extended version of this article, we kindly invite you to visit our website at www.dpsurveys.com.



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International loss adjusters & surveyors

Q&A with Michael Harvey

President of the AMD

'Take more notice of your shop window'

In the latest of our regular profile articles IUMI Eye puts the questions to Michael Harvey is the current President of the Association Mondiale de Dispacheurs (AMD).

AMD, the International Association of Average Adjusters, joined IUMI in late 2013 as a new affiliate member. Its membership consists of practising average adjusters from 21 countries. The objectives of AMD are to promote the profession of average adjusting, to ensure that the principles of good professional conduct and sound practice are maintained by its members and to facilitate the study of laws, rules, usages and customs of General Average and Marine Insurance and the diffusion of knowledge on these matters.

Mr Harvey is the current President of AMD and also a Fellow of the UK Association of Average Adjusters. Michael has a very broad experience of all varieties of marine insurance claims and general average. He also has extensive experience of claims arising from offshore oil & gas exploration and development activities. He has also handled risk management issues for companies involved in the marine, oil & gas, and petrochemical industries. He is the co-author with Geoffrey Hudson of The York-Antwerp Rules (3rd Edition) – 2010 and currently serves on the CMI international working group considering a possible revision of the York Antwerp Rules in 2016.

How do you view the marine insurance market?

The marine insurance market plays an essential role in world trade and commerce. The market has responded to the needs of its clients by developing innovative and cost effective products.

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

I would like to see marine underwriters show a greater understanding of the importance of claims. Less enlightened underwriters give the impression that claims are a necessary evil and fail to understand that claims are their 'raison d'être', their shop window. Some markets provide an excellent claims service, appreciating that their role is to provide a prompt and efficient service to their clients in times of need. Other markets appear reluctant to engage in the claims process in any meaningful way.

What is the biggest issue currently for AMD?

The biggest current issue for AMD is achieving better recognition from the marine insurance market of the contribution that average adjusters can make to the claims process. Average adjusters have particular skills that others in the market do not possess and which they are keen to pass on to new generations of average adjusters. If this is not done, the knowledge base and skills of the average adjuster will be lost forever. Greater support from the marine insurance market, and underwriters in particular, would encourage trainees and trainers and thus serve to preserve the experience and expertise of the profession.

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

From an early age I wanted to be an Airline Pilot. Less than perfect eyesight put a stop to that dream although I do hold a Private Pilots License. My career as an average adjuster has been satisfying but I think that the role of Maritime / Insurance lawyer would be equally as satisfying provided that one could come to terms with the inevitability of losing cases from time to time.

What is the most important thing on your desk?

An electric stapling machine - it enables you to staple documents one handed. Alternatively, my back-up hard drive as I maintain electronic files.



Ongoing negotiations on trade in services agreement (TiSA)

By Jens Jaeger, Head of Marine and Aviation Insurance, GDV, Berlin and member of the IUMI Political Forum

A subset of WTO-members interested in progressing the liberalization of trade in services meet in Geneva, Switzerland, from 28 April to 2 May 2014 for the 6th round of negotiations on a Trade in Services Agreement (TiSA). Negotiations are connected with the hope that existing domestic regulations and restrictions affecting foreign insurance services will be significantly reduced.

Multinational insurers are affected by a wide range of barriers of doing business abroad as limited movement of data across borders, unfair competition from state-owned enterprises, lack of transparency and need for due process of law, and forced local ownership and discrimination in obtaining business licenses and permits. In addition marine insurers facing further domestic restrictions as import or export shipments have to be insured in the country by a locally registered insurer as well as buyers are not allowed to buy insurance coverage for import shipments abroad or on basis CIF. Any agreement which leads in a reduction of the aforesaid restrictions would contribute to enable marine insurers to achieve their full potential.

WORLD TRADE
ORGANIZATION



What is the TiSA?

Since GATS was established by the World Trade Organization (WTO) in 1995 the trade in services has evolved dramatically from the result of technological advances, changing business practices, and deeper global integration. The dynamism and importance of trade in services contrast strongly with the slow pace of multilateral negotiations in this area. When the Doha Development Round of a multilateral trade negotiation reached an impasse, the idea of the TiSA was launched by the US and proposed to a group of WTO members, the so-called Really Good Friends (RGF) group. Since February 2012 the group meets regularly in Geneva and is under common chairmanship of the US and Australia. The goal of the TiSA is to conclude a comprehensive plurilateral agreement to trade in services but based on the General Agreement on a Trade in Services (GATS).

Participants

As of September 2013, participants in the TiSA include Australia, Canada, Chile, Chinese Taipei (Taiwan), Colombia, Costa Rica, the European Union representing their member states, Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, Republic of Korea, Switzerland, Turkey, and the United States. The list of participants does not include some prominent trading nations as the so called BRICS-states (Brazil, Russia, India, China and South Africa). However, in March 2014 China has confirmed that it would also like to participate in the negotiations. If all current countries approve China's participation in the negotiations, the group of 51 countries will account for around 77 % of global trade in services. It is not unlikely that other countries will join the group.

The importance of services

The services sector plays an increasingly important role in the global economy and the growth and development of countries. It is the world's largest employer, and produces 70 percent of global gross domestic product (GDP). It has been estimated that the TiSA would offer the EU a potential EUR 15.6 billion and the US EUR 10.4 billion (De Micco, The Plurilateral Agreement on Services: at the starting gate, 2013).

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Creating solutions through expertise

An advertisement for Holman Fenwick Willan (hfw) featuring a large, illuminated ship at night. The text 'COVERING ALL YOUR MARINE INSURANCE NEEDS' is prominently displayed in white, bold letters. Below this, it says 'Lawyers for international commerce' and 'hfw.com'. At the bottom, a list of cities is provided: São Paulo | London | Paris | Brussels | Geneva | Piraeus | Dubai | Hong Kong | Shanghai | Singapore | Melbourne | Sydney | Perth.

Transporting Yachts – Highly Risky or Doable?

By Jan Stapenhorst, Master Mariner, Section Head Marine & Project Cargo, Battermann & Tillery, IUMI Professional Partner, Germany, www.ba-ty.com

In spite of the fragile nature of yachts and their high value alongside their construction-related preference for floating in water rather than flying through the air – safe lifting onto or from ocean vessels for transportation purposes is not impossible, if performed correctly. However, skilled professionals and equipment are required. The following two major marine deficiencies have been noted in the past for transportation of yachts:

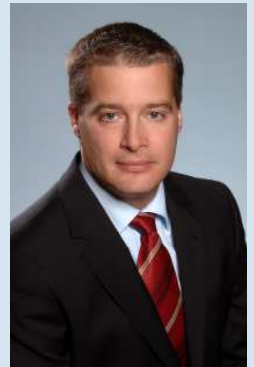
The designated lifting areas on today's super-yachts, mega-yachts or even any used yachts in the aftermarket often are not indicated as this could ruin the appearance of the yacht for the owner.

In addition to the best possible pre-planning with software, yacht transport companies have to rely on information provided by the owner placing the transport order. Determining the exact frame as to where the yacht is to be lifted is vital to a successful lift and in order to avoid an expensive claim and, not rarely, a constructive total loss. Local surveyors carrying out loading, discharging or damage surveys of yachts on our behalf all over the world, often find that the submitted docking plans of the yacht were altered at some stage prior to transport when a refit was carried out, new equipment was installed or generators were swapped. As a result, the required determination of the exact lifting positions delay the operation and pose the risk that the vessel's crew and/or local stevedores may oversee other important things in their desire to make up time.



Once a yacht, of whatever type, size or rigging, has safely arrived in her designated stowage position it is to be sea-fastened in order to avoid the three major risks in yacht transportation, shifting, tilting and the buoyancy effect in case sea-sloshing is encountered during the voyage.

Securing is carried out by keel blocking, inserting side stands and lashing with web belts. However, it is difficult to properly secure a yacht if the actual cleat or bollard strength and retention force is not known. Attempts are made throughout the entire industry to gather and collect details, values and figures from well-known yacht shipyards all around the world. But for unknown reason, even shipyards often cannot state the exact figures needed. Satisfying lashing arrangements often lead to overloading of the yacht's attachment points which may result in expensive claims on account of misalignment or even ripped-off cleats and bollards.



Ultimately, it should be noted that marine-related risks for yacht shipping can be controlled if proper planning is carried out and all necessary information is gathered.

BATTERMANN & TILLERY

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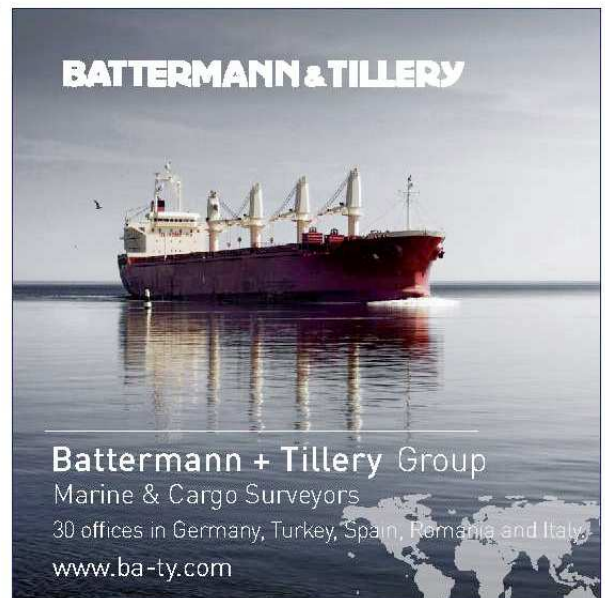
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Higher levels of marine warranty expertise are required as the offshore energy industry faces increasing risk

By Simon Beechinor, TMC Offshore Limited, IUMI Professional Partner

Three of the top ten offshore project risks cited by energy industry executives in 2013, involve the availability, or lack of maritime related technical expertise.

Those key risks include: HSE related incidents, the increasing scope and complexity of offshore projects; and the human resources with the technical, and maritime skills necessary to manage those projects.

In our view the most effective tool in delivering successful marine warranty services for insurers, is a high standard of project management.

Complex offshore projects often involve several multinational organizations working together in partnership, or through contractual arrangements, to achieve objectives.

When a system such as PRINCE2 is used, it offers a common language between organizations with several external suppliers. It offers all those involved in the project, and not just the marine warranty surveyors, an integrated approach that addresses the planning, monitoring and control of the project.

Usually there are only six key variables in any project which all need to be properly managed. These are: Costs, Timescales, Quality, Scope, Risk and Benefits.

Costs: Particularly in smaller, say, renewable energy related projects the marine warranty surveyor has to be affordable. Therefore good integrated project control will also identify any opportunities to cut costs.

Timescales: Systems need to integrate the work of the warranty surveyor with the various suppliers and the principal assured. This enables transparency and visibility.

Quality: The marine warranty surveyor's product doesn't contribute properly to the project unless they clearly demonstrate that clients' expectations and requirements are fully met.

Scope: What is it that the marine warranty surveyor is to deliver? Without clearly defining the role, the various parties can be at cross-purposes.

Risk: All offshore projects including construction projects, involve risk. But how much risk is acceptable? If a project is to proceed you have to manage risk on a continuous basis.

Benefits: The warranty surveyor must have clear understanding of the project and what it is that is required to be delivered at all times.

The scale of investment that is needed to manage the risks inherent in a project remains significant but will only grow over the next few years. It is not sufficient to rely on an "it'll-be-alright-on-the-night" approach to marine warranty projects.

The high forecast growth rates in the offshore upstream and renewable energy sectors over the next decade will only add to the growing demand for excellence. There is a wide agreement that the industry is already facing a growing shortage of engineers and mariners.

TMC Offshore Limited is an IUMI IPP: For further information contact Simon Beechinor Tel: +44 (0)207 680 2070. E-mail: info@tmcoffshore.com



IUMI Spring Statistics: losses at record low

By Patrizia Kern-Feretti, Head of Marine, Products and Global Markets, Swiss Re Corporate Solutions and Chairman of IUMI Facts and Figures Committee

As every year, this spring we published Hull-Casualty and World Fleet, Energy and Cargo Statistics. The frequency of total losses of ships continued to decline in 2013 now standing at a record low of 0.13% in terms of numbers and 0.05% in terms of tonnage.

The world tanker fleet continued to grow in 2013 however at a lower rate compared to the previous years. Scrapping was comparatively modest in 2013 and was outnumbered by the new building deliveries. The bulker fleet grew significantly both in numbers and more than 10% in DWT in 2013. Asset values for both tanker and bulkers - new buildings and second hand ships included - continued to drop evidencing no short term faith in a rising freight market.

On the energy side, the worldwide mobile fleet continues to grow and is at a record number indicating a strong E&P sector. Beginning in mid-2000 the rig construction boom has now reached its peak and rig deliveries are projected to peak in 2015. This construction boom can be directly linked to deepwater exploration which has opened up previously inaccessible areas of offshore acreage.

On the other hand attritional loss activity is up sharply in 2013 showing a reversal in the downward trend we have experienced in the past few years. OEE claims cost are significantly up in 2013 compared to previous years. The global economy is regaining confidence. Survey indicators suggest activity may be starting to expand again, perhaps linked to a stronger US economy and measures to boost domestic demand in key emerging regions. But the strength of any upturn is modest and remains fragile.

Going forward, even as the global economy is projected to expand the threat from inflation should remain low. This reflects the considerable economic slack that has built up during the crisis-led recessions in a number of countries.

Emerging markets have been important drivers behind world trade developments over recent decades. The world economy has become increasingly globalised. Nations have become more integrated with each other as technology has enabled people and goods to travel the world much faster than before.

Manufacturing has also become more internationally fragmented. Such vertical specialisation has added links to global supply chains and increased the transport intensity and dependency of production.

Unfortunately the level of world exports was well below trend reflecting legacy of financial crisis and global recession. 2013 was a fairly benign year for cargo business due to a very modest number of large losses and no major natural catastrophe events.