Quarterly news from the
International Union of Marine Insurance

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EYE

IUMI

Message from the President

A silk road to more global trade

By Dieter Berg
IUMI President

As discussed in the March edition of IUMI Eye, increased protectionism poses a potential threat to growth in global trade – and in turn to the international marine insurance markets. Notably, signals coming from the US Administration questioning free-trade agreements and the withdrawal from the Trans-Pacific Partnership (TTP) indicate an alarming isolationist trend. This is further reflected in Britain's decision to leave the European Union and in the massive protests against the Transatlantic Trade and Investment Partnership (TTIP) that have taken place in several European countries.

Worldwide trade, which – with the exception of a slump triggered by the 2008 global financial and economic crisis – has seen dynamic and sustained growth since the 1990s, has slowed in recent years.

Against this backdrop, China's colossal trade project now officially titled the "Belt and Road Initiative" takes on even greater significance. The plan, formerly termed "One Belt and One Road" and also known as the "New Silk Road Initiative", is aimed at building closer economic ties between Asia, Europe and Oceania, as well as strengthening trade links with Africa. The total investment in infrastructure projects, such as railway lines, pipelines and port installations is estimated at US$ 900–1,100bn.

These investments will provide a stimulus for economic growth and international trade.

Focus on infrastructure

According to China's trade ministry, goods and services traded with countries along the Belt and Road route in 2015 came to US$ 995bn, approximately one quarter of China's trading volume. The plan aims to increase trade in both directions to more than US$ 2.5trn within a decade.

The more than 60 countries that are to be connected by land and sea are, for the most part, developing nations with great economic potential. Most of these countries, with a total of 4.4 billion inhabitants, have an insurance penetration of less than 1%, offering considerable catch-up potential for the insurance industry.

The massive infrastructure projects and construction works, along with the boost they can be expected to give to trade volumes, would of course put fresh wind in the sails of the marine insurance industry in particular. There will be a strong demand for marine insurance solutions to cover construction and trade related exposures.

Regardless of its long-term outcome, the Belt and Road Initiative sends very strong signals to a global economy threatened by isolationism and protectionism: international business based on openness and cooperation can benefit all stakeholders.

The world economy needs bold visions and major investments to open hidden potential. Let's hope these signals – and the ambitious plan – resonate positively.

Political Forum

IMO undertakes regulatory scoping exercise on autonomous ships

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

The Maritime Safety Committee (MSC) of the International Maritime Organization (IMO) agreed in June to undertake a regulatory scoping exercise to determine the extent of the need to amend the regulatory framework to enable safe, secure and environmental operation of Maritime Autonomous Surface Ships (MASS) within the existing IMO instruments. The aim is to identify IMO regulations which:

- preclude unmanned operations as currently drafted,
- would have no application to unmanned operations,
- do not preclude unmanned operations but may need to be amended.

By agreeing to undertake this exercise, the IMO intends to take a proactive role to ensure there is a harmonised international approach to MASS. This approach was actively supported by IUMI during the MSC meeting.

The scoping exercise is not due for completion until June 2020, and only after this date will work commence on a possible amendment of the existing rules or a separate code relating to MASS. This means that it will be years before the IMO even decides on any amendments, and the outcome is far from certain. During the discussion, several Member States expressed their support to the views presented by the International Transport Workers' Federation (ITF), which argued in favour of a more holistic approach to include scoping of the full range of the human element, technical and operational aspects of MASS.

Meanwhile, new project plans have been announced. In May, YARA and Kongsberg Maritime entered into a partnership to build the world's first fully electric and autonomous container vessel: YARA Birkeland. Operation is planned to start in the latter half of 2018, shipping products between three ports in southern Norway. YARA Birkeland will initially operate as a manned vessel, moving to remote operations in 2019 and expected to be capable of performing fully autonomous operations from 2020. The development will be undertaken in close collaboration with class and the Norwegian Maritime Directorate. Kongsberg Maritime is also working with Automated Ships Ltd and Bourbon to finance a prototype offshore support vessel (Hrönn) that will go through the same stages towards fully autonomous operations.

It is likely that national rules for domestic trade will emerge while the IMO is still conducting its scoping exercise for international trade. Hopefully, this will not lead to a national fragmentation of rules, but rather as input to a future international harmonisation of the regulatory framework.

By Nick Gooding FCII
IUMI Alternate Officer at IMO

IUMI update on the 98th session of the Maritime Safety Committee

The 98th session of the Maritime Safety Committee met at the International Maritime Organization's (IMO) head-quarters between the 9 and 16 June under the chairmanship of Brad Groves from Australia. IUMI were represented by Lars Lange, Hendrike Kühl, and Nick Gooding.

The key matters of interest are as follows:

Passenger ship stability amendments

The plenary adopted a set of amendments to SOLAS chapter II-1 relating to subdivisions and damage stability, with an expected entry into force on 1 January 2020.

The focus of these amendments was on new build passenger ships and taking into account recommendations arising from the investigation into the 2012 Costa Concordia incident. The plenary also adopted revised explanatory notes to the subdivision and damage stability regulations set out in SOLAS chapter II-1.

Also approved was the revised guidance for watertight doors on passenger ships which may be opened during navigation.

IMSBC Code

A set of draft amendments to update requirements for a number of different cargoes under the International Maritime Solid Bulk Cargoes Code (IMSBC Code) were adopted.

The amendments highlighted the responsibility of the shipper in ensuring that a test to determine the transportable moisture limit (TML) of a solid bulk cargo is conducted. Also included were amendments related to substances which are harmful to the marine environment, meaning the shipper has to declare whether or not a solid bulk cargo, other than grain, is harmful to the marine environment.

MODU Code

Amendments were adopted to update and amend the Code for the Construction and Equipment of Mobile Offshore Drilling Units 2009. These amendments considered recommendations arising from the investigation into the explosion, fire and sinking of the Deepwater Horizon in the Gulf of Mexico in April 2010. The main revisions concerned machinery and electrical installations in hazardous areas, fire safety together with life-saving appliances and equipment.

Cyber risk management

The Meeting adopted a resolution on maritime cyber risk management in safety management systems.

The resolution is directed towards administrations to ensure that cyber risks are appropriately addressed in safety management systems no later than the first annual verification of the company's Document of Compliance after 1 January 2021.

The meeting also approved a circular on guidelines on maritime cyber risk management. The circular contains high-level recommendations for maritime cyber risk management. It refers to being able to measure the extent to which a technology asset is threatened by a cyber attack or interference which may result in operational, safety or security failures as a consequence of information or systems being corrupted, lost or compromised.

Piracy and armed robbery against ships

The meeting was informed on the latest piracy and armed robbery statistics as reported to the IMO. A total of 221 piracy and armed robbery incidents occurred worldwide in 2016, a fall of about 27 per cent compared to 303 incidents reported in 2015.

However, in West Africa, incidents had increased by 77 per cent (62 incidents in 2016 against 35 in 2015). Although piracy and armed robbery activity in the South China Sea had decreased slightly with 68 cases reported in 2016 compared to 81 in 2015, developments in the South East Asian region, particularly in the Sulu-Celebes Sea, were noted with concern.

Piracy off the coast of Somalia was reported to be still active, with eight incidents reported between January and April 2017, involving six merchant ships and two dhows and around 39 crew members taken hostage/kidnapped.

Unsafe mixed migration by sea

Member States and international organisations affirmed their concern for the humanitarian situation and the loss of migrants at sea, and agreed that the way forward was to promote appropriate and effective action at the United Nations.

Implementation of e-navigation strategy and operational safety

The MSC adopted and approved a number of new and revised performance standards and guidelines relating to operational safety, including those to implement the e-navigation strategy.

The MSC approved a circular on guidelines for shipborne position, navigation and timing (PNT) data processing, which provide advice on enhancing the safety and efficiency of navigation by the provision of improved data to the bridge.

Also adopted were amendments to the guidelines and criteria for ship reporting systems. The revisions encourage the use and recognition of automated electronic means of ship reporting.

GMDSS modernisation plan

The MSC approved the Modernisation Plan of the Global Maritime Distress and Safety System (GMDSS), prepared by the sub-committee on Navigation, Communications and Search & Rescue. The plan envisages the development of amendments to SOLAS and related instruments for approval in 2021 and their adoption in 2022, with entry into force in 2024.

By Nick Gooding FCII
IUMI Alternate Officer at IMO

IUMI update on the MEPC 71 Meeting

The Marine Environment Protection Committee (MEPC) met at the International Maritime Organization's (IMO) headquarters between the 3 and the 7 July. IUMI was represented by Nick Gooding.

The key matters of interest discussed are as follows:

Ballast Water Management Convention

The treaty enters into force on 8 September 2017. Currently, the BWM Convention has been ratified by 61 countries, representing 68.46 per cent of world merchant shipping tonnage.

From the date of entry into force, ships will be required to manage their ballast water to avoid the transfer of potentially invasive species. All ships will be mandated to have a ballast water management plan and keep a ballast water record book. Ships will be required to manage their ballast water to meet the D-1 standard or D-2 standard.

The D-1 standard requires ships to conduct the exchange of ballast water so that at least 95 per cent of water by volume is exchanged far away from the coast where it would be released.

The D-2 standard requires ballast water management to restrict to a specified maximum amount of viable organisms allowed to be discharged and to limit the discharge of specified indicator microbes harmful to human health.

Draft amendments to the treaty were approved by the MEPC to clarify when ships must comply with the requirements to meet the D-2 standard.

It is important to note that during the meeting IMO member states agreed to delay implementation of the D-2 standard of the convention, from September 2017 to September 2019, for existing vessels.

Implementation of the global sulphur limit

The meeting agreed on the work needed to achieve the effective implementation of the 0.50 per cent m/m global limit of the sulphur content of ships' fuel oil, which will come into effect from 1 January 2020.

The sub-committee on Pollution Prevention and Response (PPR) has been instructed to explore what actions are needed to be taken to facilitate implementation of the 0.50 per cent m/m sulphur limit for fuel oil used by ships operating outside designated SOX Emission Control Areas.

The MEPC proposed the holding of an Intersessional Working Group meeting in the second half of 2018 to assist in this work being completed by the entry into force date.

Reduction of greenhouse gas emissions from ships

It was reported that work was on track for the adoption of an initial IMO strategy on the reduction of GHG emissions from ships in 2018, in accordance with the guidelines approved at MEPC 70.

There was agreement within the working group on a draft the outline for the structure of the initial IMO strategy. The group gave a detailed report on the progress made to date.

The committee approved terms of reference and reporting deadlines for the second and third meetings of the Intersessional Working Group.

Energy efficiency measures for ships

Energy-efficiency design standards for new ships and associated operational energy-efficiency measures for existing ships became mandatory in 2013, with the entry into force of relevant amendments to MARPOL Annex VI. The committee was informed that nearly 2,500 new ocean-going ships have been certified as complying with the energy efficiency standards.

Protecting the Arctic from heavy fuel oil

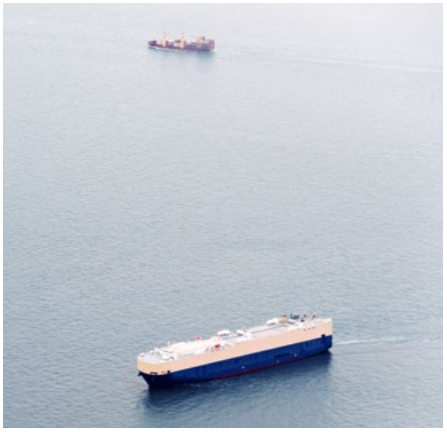
The meeting gave approval to add a new output in its work programme on the development of measures to reduce the risks of use and carriage of heavy fuel oil by ships in Arctic waters. This new output will appear on the agenda for the next session (MEPC 72) in April 2018.

Member Governments and International Organisations were invited to submit proposals on the type of measures that should be developed, including the scope of the work.

Political forum

By Dave Matcham
Chief Executive, International Underwriting Association, IUMI Member Association, www.iua.co.uk and IUMI Political Forum Member

EU-US covered agreement



The announcement of a covered agreement between Europe and the US to enhance international insurance and reinsurance regulation has been long anticipated. When the IUA first began actively advocating the case for mutual recognition between authorities on both sides of the Atlantic, Hillary Clinton was First Lady of the US and everyone was worrying about the millennium bug. Now, 20 years later the case is finally being recognised at the most senior levels of government.

Before 2012 non-US reinsurance businesses were forced to post collateral equal to 100 per cent of the gross reported loss when writing US risks. The Dodd-Frank Act eventually allowed states to enact changes to this rule, reducing the collateral requirement to 10-20 per cent. Many took advantage of the opportunity, but with each state having to pass legislation individually the process has been time consuming. Some large states have not yet made any changes and the picture is far from uniform across the country.

Dodd-Frank also created a Federal Insurance Office which could represent the US industry to negotiate a bilateral trade deal on reinsurance. The IUA, in cooperation with a coalition of other industry representatives, has therefore been arguing for a covered agreement that both addresses the collateral issue and offers multiple other benefits.

At the start of this year both sides announced that such an agreement had been reached. Then last month the US Department of the Treasury and the Office of the US Trade Representative confirmed they intend to sign the Bilateral Agreement between the US and EU on Prudential Measures Regarding Insurance and Reinsurance.

This covered agreement seeks to eliminate collateral requirements for reinsurers operating on a cross-border basis in the EU and the US. There are a number of important reporting requirements and other conditions, such as the change only being prospective and regulators still being able to require collateral if the same is demanded for domestic reinsurers. However, the relief is significant and requires states with current collateral requirements to take steps to reduce them by 20 per cent a year, phasing out to zero in five years.

The covered agreement also clarifies that a re/insurance group will be subjected to worldwide group supervision only in its home jurisdiction. Finally, it encourages regulators in the US and EU to share information on a confidential basis and sets forth a model to support such cooperation.

The net result of these arrangements is to establish a more level playing field between EU and US reinsurers. Cross-border trading will become more efficient and greater global access to reinsurance services will be promoted.

Yet, ironically, the benefits of the covered agreement will not be enjoyed by the UK post-Brexit. The London Market is a major reinsurer of US risks and has long been a supporter of the deal. Now that these efforts are finally bearing fruit it would be a great shame if London firms could not benefit from the results.

An agreement on reinsurance regulation must therefore be a priority for any future trade deal between the UK and US. The recent breakthrough clearly illustrates the possibilities for more efficient global trading in reinsurance services and provides a perfect template for future negotiations. An important advantage of the UK leaving the EU is a freedom to reach new trade settlements and it should be a priority for the government to replicate the benefits of the covered agreement with the US and other countries. Certainly it sends a powerful message that that protectionist regulation is not in the long term interests of clients.

By Lars Lange
IUMI Secretary General

Political forum

Latest cyber security guidelines launched by joint industry group

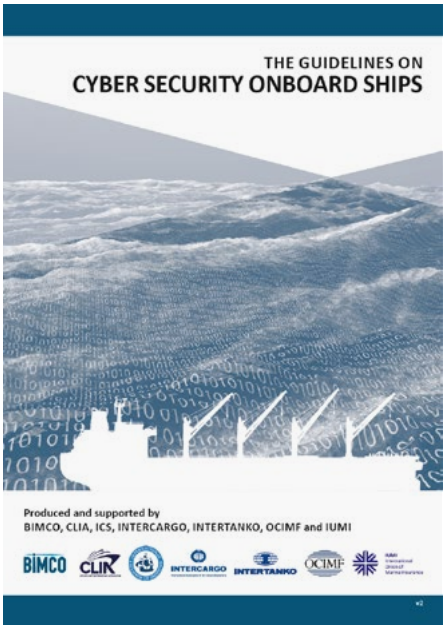
In June 2017, the second edition of The Guidelines on Cyber Security Onboard Ships was published and IUMI has been an active member of the joint industry group, led by BIMCO, to put this together. Other members of this industry working group included Cruise Lines International Association (CLIA), International Chamber of Shipping (ICS), International Association of Dry Cargo Shipowners (INTERCARGO), International Association of Independent Tanker Owners (INTERTANKO), and Oil Companies International Marine Forum (OCIMF).

This new version includes information on insurance issues, as well as a new subchapter examining a shipowner's insurance coverage following a cyber incident as this is an important part of the risk assessment which shipowners should now take into consideration.

These new Guidelines state that the term "cyber", when related to insurance includes a variety of definitions and scenarios, and it is important to differentiate between them to fully understand how the insurance cover is affected.

Significantly, insurers generally understand that there is no systemic risk to ships arising from a cyber incident and that the impact of an incident is expected to be confined to a single ship.

Within these Guidelines it is highlighted that in many markets offering marine property insurance the policy may cover loss or damage to the ship and its equipment as a result of a shipping incident such as grounding or fire, even when the underlying cause is a cyber-attack. However, there are many exclusion clauses within the market for cyber-attacks, and shipowners must therefore be aware of what is or is not covered, to ensure the proper risk assessment.



For the full version of the Guidelines on Cyber Security Onboard Ships please click here

https://iumi.com/uploads/Industry_guidelines_cyber_security_-_June_2017.pdf

Flat racks — Heavy-weight champions with a catch

By Christian Bohlken
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Whenever it gets big and heavy in containerised transport, flat racks take the strain. With payloads of up to 50 mt, flat racks allow the shipment of liner cargo that will not fit into any container, and this is particularly favourable for today's just-in-time manufacturers.

However, transport of large and heavy cargo is still risky business. Excessive width or height can damage the cargo even during transport or handling. Damaged, sloppily repaired or ill-maintained flat racks are a considerable problem, too. Careful planning and regular inspections will minimise these risks.

In addition to international guidelines (CTU and CSC codes), the individual specifications of the flat racks and the cargo need to be considered. Depending on the travel area, the cargo, the flat rack, and the cargo securing materials will be exposed to different strains.

During loading, the main focus must be to position the centre of gravity correctly. Any deviation can have serious consequences. Furthermore, the weight is to be deflected into the load-bearing components of the flat rack. Loading the entire weight onto the wooden flooring should be avoided.

Considering extremely long, wide or tall cargo units, cargo securing also presents several pitfalls. In general, cargo securing is achieved by direct lashings and bracing constructions. Using wedges or nailing timbers to the wooden floor is not allowed. Tie-down lashings are also to be avoided as they provide only 10 to 15 per cent of the material's nominal securing force. Frequently, lashings are applied as so-called C-loops which are led vertically around the cargo such that both ends of the belt end up on the same side of the flat rack. If the cargo is wider than the flat rack however, a C-loop cannot effectively prevent shifting of the cargo. Securing against tipping is also to be considered – depending on the height of the cargo.

Professional and timely planning is key for the safe transport of cargo on flat racks.

Christian will discuss practical aspects and pitfalls related to cargo loaded on flat racks in an upcoming IUMI webinar. Find out more and register here

https://iumi.com/education/webinars/forthcoming-webinars

Cyber Marine Insurance: are we ready?

By Alberto Batini
Senior Partner & Head of Marine Insurance Department

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IUMI Professional Partner

Educating businesses and making them aware of their potential exposure is probably the biggest hurdle amongst insurance firms that want to provide cyber coverage to their clients.

Will the EU insurance industry be sufficiently protected, from a legislative perspective, by the NIS Directive 1148/2016 and the GDPR Regulation 679/2016?

Traditional insurance policies are inadequate to cover against damages arising out of a cyber-attack. For example, general liability policies usually exclude coverage for losses due to cyber-attacks. Marine insurance policies incorporate the Institute Cyber Attack Exclusion Clause CL380, developed by the Institute of London Underwriters (ILU) in November 2003.

Marine yard covers for ship builders also include the CL380 clause. Property insurance policies do not include malware and distributed denial-of-service attacks as 'named perils' and they are usually excluded or simply not covered. Crime insurance policies generally cover only for tangible property, not loss of data. Error-and-omissions insurance often requires negligence in professional services and generally does not cover costs of regulatory actions.

It is essential that a comprehensive cyber policy would include the following:

— Network-security liability
— Privacy liability
— Electronic-media content liability
— Regulatory defense and penalties
— Network extortion
— Network business interruption
— Data-breach event expenses
— Data asset protection

From a loss prevention perspective, the following areas should be gradually developed and offered to the assureds:

— Cyber-security risk assessments
— Proactive dark web monitoring
— Vendor security ratings
— Services to identify malicious IP addresses
— Insurance company mobile apps providing real-time threat sharing and best practices
— Online employee education and training

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The Ocean Victory Supreme Court decision and its implications on hull insurers

By Prof. Dr. Dieter Schwampe
and Dr. Maximilian Guth

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The Supreme Court's decision in the Ocean Victory case (Gard Marine and Energy Limited v. China Chartering Company) was recently published. The facts of the case are well known which is why they are not repeated here. However from a hull insurers perspective, the obiter of the decision as to the joint insurance clause 12 in the standard Barecon 89 form is of special interest:

1.

Clause 12 Barecon 89 stipulates that the bareboat charterer has to keep the vessel insured and that all insurance policies are to be in the joint names of the owners and the bareboat charterer. In contrast to clause 13, clause 12 Barecon 89 does not contain an express exclusion of any recovery rights against the bareboat charterer. Irrespective of this, the majority of the Lord Justices concluded that there is an implied understanding of clause 12 Barecon 89 that there would be no liability of the bareboat charterer for the hull value in the event of a total loss.

2.

This interpretation of clause 12 Barecon 89 by the majority of the Supreme Court precludes a recourse against a contractual party of the bareboat charterer (e.g. a time charterer) on the basis that the bareboat charterer had been liable to the owner. Whether clause 12 Barecon 89 will have the same effect under law systems other than the English one remains to be seen. Under German law, for example, it could very well be that clause 12 Barecon 89 will not be given the same meaning as put forward by the majority of the Supreme Court.

3.

Whether or not the Supreme Court's interpretation of clause 12 Barecon 89, as well as the express clause to the same effect in clause 13 Barecon 89, has any effect on the cover under the insurance contract is a distinct question. This is to be answered according to the law applicable to the insurance contract.

The decision of the Supreme Court in the Ocean Victory case shows that co-insurance is still an area open to discussion, at least under English law. It is expected that insurers will look carefully at the implications of comparable joint insurance clauses on recourse possibilities. In the view of the court decision insurers and brokers should also review the effect of joint insurance clauses comparable to clause 12 Barecon 89 on cover under the insurance contract.

DABELSTEIN & PASSEHL
Hamburg Leer

Confidence redresses the balance?

By Alex Kemp, Senior Associate

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The past few years have seen a number of developments in the London insurance markets that could give insurers cause for concern. The new changes brought in by the Insurance Act 2015 have been extensively written about, although their effects may yet not fully be understood. We have also seen the decision in the DC Merwestone, which went all the way to the Supreme Court in 2016, to determine the scope of the fraudulent device rule. Some commentators, including some of the judges who heard the case, have said that this case could be seen as a "cheat's charter".

However, there are some positive signs for insurers. In October 2016, the Admiralty Court handed down its decision in the Atlantik Confidence in which HFW acted for the successful insurers. After a six-week hearing, seven strands of expert evidence and many factual witnesses, the court concluded that the principal behind the owner of the Atlantik Confidence had ordered the vessel to be "deliberately sunk by the Master and Chief Engineer". The owners were therefore not entitled to limit their liability.

The owners (without the support of their P&I Club which had funded the initial litigation) then applied in December 2016 to the Court of Appeal for permission to appeal. Last month the Court of Appeal firmly refused that application. The Court of Appeal stated that the Admiralty Court had been careful to draw together all the strands of the evidence and stand back and review the arguments and probability/improbability as a whole. The Court of Appeal noted that the appealing owners could not point to any evidence of significance which the Admiralty Court had ignored or failed to take into account. As a result the appeal had no real prospect of success and there was no other compelling reason to allow the appeal. This means that the decision of the Admiralty Court stands and the finding that the owners had deliberately sunk Atlantik Confidence is final.

While this case was in the context of the Convention of Limitation of Liability for Maritime Claims 1976 (as amended), the Admiralty Court found that the test for establishing whether or not a vessel had been scuttled for the purposes of that Convention was identical to that used in the past to establish a scuttling under a marine insurance policy. This is the first scuttling case that has been heard by the English courts in some time and insurers should take much heart from the fact that the Admiralty Court was willing to make this decision. It shows quite clearly that in the right case the Court will have no reluctance to find that an owner has deliberately sunk its vessel. The case is a helpful reminder that an insurer does not need to have "hard evidence", or a "smoking gun". The court is entitled to look at the evidence in the round and the likelihood of the owner's explanation for the sinking being true. The court is also entitled to look at any circumstantial evidence that may be relevant.

In a time when insurers' powers under an insurance contract may be said to be diminishing it is encouraging to see that it is still possible for insurers to vigorously defend fraudulent claims.

HFW is an IPP partner and HFW partners Richard Neylon and Guillaume Brajeux are attending the Tokyo IUMI Conference 2017.

Reducing the risk of liquefaction

By Aime Harrison
Associate and Civil Geotechnical Engineer

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Liquefaction is a phenomenon that can take place in granular materials, such as soil or fine ore, where the behaviour of the material changes quickly from a dry solid state to a pseudo-liquid state and starts to flow like a fluid.

It can be caused by external forces such as vibrations or rapid loading which affect the internal pore water pressure causing the granular particles to lose contact with each other and initiate 'flow' due to reduced strength.

Commonly known as a consequence of earthquakes, liquefaction poses a very serious stability risk for bulk carriers. The international regulations that govern cargoes that are likely to liquefy, Group "A" according to the International Maritime Solid Bulk Cargoes (IMSBC) Code, are regularly reviewed and updated at the International Maritime Organization in order to safeguard the shipping industry.

There are five basic checks that a vessel should make before loading a cargo to mitigate this risk;

1. Cargo should be correctly identified in all documentation using the Bulk Cargo Shipping Name as outlined in IMSBC Code regulations. Commercial or trade names may lead to confusion and inadequate action taken to reduce the risk of liquefaction.

2. Test analysis certificates should be reviewed before loading. The shipper must declare the average moisture content and the transportable moisture limit value for cargoes that are likely to liquefy (Group "A" according to the IMSBC Code). These certificates must be dated within the limits of validity as referenced in the IMSBC Code.

3. Visual inspections should be carried out in order to check whether any portions of the cargo appear different from the rest of the consignment in composition or characteristics. The shipper is responsible for ensuring that a test to determine the transportable moisture limit (TML) value is conducted again after it is reasonably assumed that such a variation has taken place.

4. Iron, nickel, bauxite, and other mineral ores, are most heavily mined in areas which experience heavy seasonal precipitation. Heavy rain will unavoidably increase moisture levels during loading, therefore loading should not take place during periods of rainfall, snow or precipitation to minimise saturation. If the cargo has been exposed to significant rain or snow between the time of testing and the date of completion of loading, the shipper is responsible for ensuring that the moisture content of the cargo is still less than its TML, and evidence of this must be provided to the master as soon as practicable.

5. Finally, the crew can perform a complementary test at the port. The 'can test' is described in the IMSBC Code in order to provide the crew with a means of checking the behaviour of cargo samples under small dynamic forces before loading.

Peter Tam

Chief Executive, Hong Kong Federation of Insurers (HKFI)
IUMI Political Forum Member and IUMI Education Forum Member

How long have you been associated with IUMI?

September 2006 was my first ever IUMI conference, in the beautiful city of Tokyo. A great conference with first-class speakers and an excellent programme.

It was a most rewarding experience and I am pleased to say that it helped me gain a better understanding of why marine insurance is regarded as the mother of insurance. Most memorable of all is that I met a couple of IUMI veterans, including Fritz Stabinger. They were so ready and kind to share their thoughts on what IUMI stood for and immediately I was completely engrossed in the spirit of IUMI and its vital contribution to facilitating global trade and transport.

One day I thought I could bring IUMI to Hong Kong and thanks to the terrific support of the then IUMI President, Ole Wikborg, my dream came true in September 2014.

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

I am a member of the Hong Kong delegation to IUMI. Some years ago, I initiated the idea of setting up an IUMI Education Foundation with seed money donated by the Hong Kong Federation of Insurers. The project is now being steered by the Education Forum under the able leadership of John Miklus.

I also helped steer the establishment of the IUMI Asian Hub in Hong Kong in November 2016. This was a big step taken by IUMI, and I firmly believe that it is, and will continue to be, good for both IUMI and the marine insurance market in Asia. Among other things, we will use this unique platform to organise quality webinars and develop a marine insurance training course with IUMI foundations.

It is our long-term vision to develop a series of IUMI accredited training programmes for different levels of industry practitioners. We are also using this platform to help IUMI reach further and deeper into Asia. Apart from participating in the work of the IUMI Secretary Meetings, I am also a member of the Education Forum and the Political Forum. I find my involvement in these two forums most rewarding and inspiring.

And what is your day job?

My day job is the Chief Executive of the Hong Kong Federation of Insurers. Established in August 1988, we'll be celebrating our 30th anniversary next year. We act as the voice of the insurance industry, representing more than 90 per cent of the market players here in Hong Kong. We do a lot of work in promoting the importance of insurance, raising our industry's image, protecting the interests of consumers and talent development.

What benefits do you get from being associated with IUMI?

IUMI is a great organisation and has so much to offer in terms of enhancing the industry's professionalism and making a positive impact on maritime matters globally. Its annual conference is well received by marine insurance professionals around the world and its quality education programmes are well recognised.

We value and appreciate the regular market information and updates provided by IUMI. They bring us up to speed on the key market trends and best practices.

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

Under the steer of President Dieter Berg, we've witnessed a raft of positive changes to IUMI in the past three years. What we need now, I think, is consolidation of the good outcome in IUMI's transformation during this period.

Going forward, it's apparent that we need to step up our efforts in talent development and further embrace technology and innovation.

How did you reach your current position in marine insurance?

Marine insurance, I must say, is not a big part of my daily work but I feel great to have been a part in setting up the IUMI Asian Hub in Hong Kong and being closely involved in the follow-up work. It is good to be associated with many of my fantastic colleagues from the Hong Kong team who are actively involved in IUMI. These include Agnes Choi, Vice Chair of IUMI Executive Committee, Raymond Ng, member of the Loss Prevention Committee, Joanne S.F. Chan, member of the Cargo Committee and Timothy Lee, member of the Ocean Hull Committee.

And what do you do away from the office?

I enjoy reading, hiking, travelling and exploring new ideas.

Cold Storage Facilities

By Mariella Dauphinee, Marine Claims Manager, Western Division, Intact Insurance Company and member of the Loss Prevention Committee, IUMI

The continuing popularity of certain coverages, and moving into new markets such as Latin America, has given rise to queries about certain exposures beyond the traditional cargo lines. Risks and exposures found in refrigerated warehouses is becoming increasingly of interest and I will be hosting an IUMI webinar on this topic on the 23 November 2017, please kindly click here to register:

https://iumi.com/education/webinars/forthcoming-webinars

The demand for food products drives the need to build logistical centres and warehouses for refrigerated or frozen food products, necessary for distribution to various points of consumption. It is estimated that cold storage warehouses are used to store approximately 200 billion dollars of refrigerated or frozen food products each year. However, the use of cold storage warehouses is not limited to food products, as they are also used in the pharmaceutical, petrochemical and high-tech electronic industries.

My detailed paper on this topic is available online. Below are some of the key points:

Buildings

Cold storage buildings have been referred to as heated buildings turned inside out. Essentially, traditional construction turned inside out, where the cold side becomes the warm side and the warm side becomes the cold. Instead of designing to keep heat in during cold weather, they are designed to keep it out.

Mechanical vapour-compression systems

The most commonly used method of cooling cold stores is through vapour-compression cycles. Any liquid, in order to pass to a gaseous state, needs to absorb heat from its surrounding environment. A refrigerant is any liquid that acts as a cooling agent thus removing heat from one area as it evaporates. For large cold storage facilities, ammonia remains the refrigerant of choice as it is known to have the highest refrigerating capacity/effect per pound of any other refrigerant, in spite of being toxic, explosive and flammable within certain conditions.

Airflow and air distribution

A properly sized refrigeration system becomes inefficient if it is unable to deliver air to areas that need it. Consequently, airflow and air distribution are important factors to take into account, as is the case when stowing cargo in reefer containers, one needs to consider the fact that air follows the path of least resistance. Consequently, loading patterns in particular, as well as fan capacity, should be carefully calculated to ensure that there is uniform distribution throughout the cold chamber.

The basics

A cold storage facility must have continuous and reliable electric power supply, allowing the generator to maintain critical temperatures within the facility. There must be continuous monitoring of temperature and humidity levels through use of automated alarm systems capable of detecting if the temperature or humidity falls outside the acceptable parameters. There must also be gas detection alarms that will be activated if there is an ammonia leak, as well as fire sprinkler systems specifically designed for cold storage facilities.

The field of refrigeration and cold storage is both interesting and challenging. It is one that has become interconnected to traditional marine cargo lines of business and therefore worthy of review and study by marine insurance practitioners.

For the full paper please click here:

https://iumi.com/committees/loss-prevention-committee

Loss prevention measures for the transportation of wheat

By Mohamed H. Farghaly
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Suez Canal Insurance and
IUMI Loss Prevention Committee
member

Wheat is considered to be one of the most important and mass-produced types of grain, but it is also one of the most difficult and dangerous to transport. Last year the total production of wheat was 735.59 million tonnes and the estimated worldwide wheat production for 2016/2017 will be 784.24 million tonnes.

The world's largest producers of wheat include the European Union, China, India, Russia, the United States of America, Canada, Australia and Pakistan. The top five importers of wheat are Egypt, Japan, Brazil, Indonesia and Mexico, whilst the top five exporters are the United States of America, France, Canada, Australia and Argentina.

Wheat is often transported as bulk cargo, rarely in bags, by sea, rail and road. When shipping wheat there are many risk factors that need to be taken into consideration, and one of the most important of these is the angle of repose (the steepest angle at which a sloping surface formed of loose material is stable). Wheat, like the most grains, has an angle of repose of about 20 degrees from the horizontal, this means that if the ship rolls more than 20 degrees then the cargo will shift and could cause the ship to capsize.

Additionally, there is a list of other factors such as temperature, humidity, moisture, ventilation, biotic activity, gases, odour, contamination, self-heating, mechanical influences, shrinkage, shortage, and insect infestation/disease, that play a role. For example, wheat requires specific temperature, humidity, moisture and ventilation conditions to be transported safely.

Certain prerequisite measures, both for the vessel and when handling the cargo, need to be taken in order for safe transportation. These include:

Vessel requirements

- Vessels must meet the mandatory requirements of the International Grain Code
- Hatch covers must be in weather-tight condition
- Necessary hatch cover sealing supplies must be carried on board and/or used (if needed) to prevent water ingress in the cargo holds during voyage.

Before loading

- Cargo holds must be clean, dry and free of insects
- There should not be any loose rust or paint scale anywhere in the cargo holds
- Inspection of wheat's moisture content is mandatory
- A cargo quality certificate is mandatory
- The necessary cargo information/ instruction of carriage by sea must be obtained from the shipper.

During loading

- Monitoring of weather conditions
- The cargo must be sampled and checked regularly to monitor its condition.

After loading

- A draft survey before and after cargo loading is required
- All cargo holds to be closed and properly secured
- The hatches must be sealed properly
- Prevent the entering of sea water in the cargo holds during adverse weather conditions
- Obtain a fumigation certificate/ instruction from the authorities.

During voyage

- Check the cargo hold bilge, cargo temperature and humidity regularly
- Ensure the stability of the ship is maintained
- Adjust ventilation if required
- Maintain accurate records
- Ventilate the cargo holds as necessary
- Prevent over-heating of the fuel oil tanks next to the cargo holds
- Follow the fumigation instructions stringently

Cargo handling

During the handling of wheat, the weather is one of the most important factors to be considered. In damp conditions such as during rain or snow, the cargo must be protected from moisture as the wetting and high humidity could lead to the growth of mould, spoilage and self-heating due to increased respiratory activity. The cargo should not be saturated at any stage.

Looking at the history of claims for this type of cargo, it is evident that in the last few years many claims have been filed due to not following the right instructions when transporting this type of cargo. If all parties involved pay attention to the factors and requirements outlined above (risk factors, shipping requirements, etc.) then this will definitely help prevent, or at least mitigate, the losses.

IUMI welcomes new International Professional Partner Windward

IUMI is pleased to announce that Windward, the world's leading maritime big data analysis platform, has joined IUMI as a Professional Partner.

Windward continuously collects, fuses, and vets all available data – hundreds of millions of data points per day from a myriad of external maritime data sources. Combining deep domain expertise and elite data-science talent, Windward's award-winning, patent pending technology converts raw data into highly valuable vessel activity information.

Windward's technology can be used in multiple ways, from marine war through risk accumulation to risk selection and loss prevention. Ultimately, Windward's core technology powers a suite of data-driven decision support tools aimed at the underwriter and actuarial communities. Examples include new customer acquisition risk assessment, augmented underwriting and improved pricing model performance.

With the head office in Tel Aviv, Israel, Windward has become the go-to source for maritime data and analytics.

For more information please email rotem@wnwd.com, who will also be available onsite during IUMI2017.

IUMI is delighted to welcome Windward as an IPP and is looking forward working together.

Imprint

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