

IUMI blog Day 6 – Ocean Hull Workshop



10th September 2021

After the report from Rama Chandran (see previous story) Oliver Miloschewsky (Client Development Director APAC, Concirrus in Singapore) gave an IPP Presentation on [Combining Industry Expertise and Tech Innovation for a Resilient Marine Insurance Market](#).

Miloschewsky said that the answer to the question "why do we need innovation?" was, in the case of marine hull, fairly straightforward – its consistent lack of profitability. He noted that 31 underwriting entities had withdrawn from the market since 2017. While a few had come back, questions remained as to whether the current pricing levels constituted long-term sustainability.

For Concirrus, data is the new oil. The company says that data, forever expanding in scope, was collectively and permanently changing the very nature of how business is assessed, written and managed. Processing power means that huge amounts of stored information can be sliced and diced in ways to provide answers that before could only be guessed at.

He noted a Boston Consulting analysis which concluded that companies which combined human and technology capabilities generated about 2x the earnings and enterprise value of other companies.

Miloschewsky emphasized that the industry still would need underwriters. Large and complex risks would need underwriters to negotiate terms and maintain relationships – the "deal maker" part. Innovation will be about the automation of mundane tasks to free up people for portfolio optimisation and relationship management.

Miloschewsky observed that its analysis had revealed that traditional underwriting processes saw 960 work-hours spent on a single complex policy, with an underwriter working in a traditional fashion spending an average of 4.5 hours per risk. Innovation available today could reduce this 4.5 hours to one hour, enabling the processing of eight risks a day rather than two. This could be achieved in part by automated character recognition. Instead of an underwriter having to read all the data manually, an automated process could select the relevant points, which the underwriter could then deal with.

Miloschewsky concluded with a "tale of two ships", which were the same size, with the same underwriter and sailing under the same flag. Traditionally one might expect the base rate to have been the same.

However, an automatic risk assessment could show that one was far riskier because of differences in:

- *Average distance travelled per month (3x further)*
- *Total number of unique journeys (higher number of these)*
- *Casualty score*

Patrick Kirkman (General Manager, Insurance, BW Maritime Pte Ltd, Singapore) then gave an interesting presentation on [Crew Wellbeing: What Are the Shortfalls and How This Could Be Improved - Shipowners Perspective](#).

Kirkman noted that it was an industry-wide issue. In society as a whole it had only recently become a topic that people were willing to talk about.

Kirkman said that crews were the heartbeat of the company. If you had a healthy and happy crew, hopefully ships would be better run, translating into fewer insured losses, and also making the industry more sustainable in the long term because the job would be a more attractive potential career for younger people.

Kirkman observed that "life at sea" had always been characterized by pressure and stress, and this persisted despite shipping having become safer.

Indeed, Kirkman noted that while the increased safety of vessels was a factor in reducing stress and pressure, the means by which that additional safety was achieved could add back some pressure on crew.

There were for example an increased number of regulations and onboard jobs that needed to be done. Kirkman felt that the way that the wider industry dealt with this was not always satisfactory.

Flag states for example focused on the number of people on board, but not on the roles they played. There were currently geopolitical problems, and there was intimidation when ships went into port/ Kirkman observed that the high-level rules introduced against bribery, resulting in companies necessarily imposing a zero-tolerance line on the matter, had an end net effect when at the bottom level a local official asked for a packet of cigarettes and had to be refused. There were also additional extraneous risks, with Covid-19 being high on the agenda, as this had impacted morale and port leave.

Kirkman cited one instance where cooperation in the industry and at an international level would help. One ship had two crew members who tested positive for Covid-19. At a Texas port the two

crew were disembarked to enter quarantine, but the local Customs and Border Patrol sent them straight back, saying that they had to quarantine on ship. Kirkman said that this had a serious impact on ship morale which clearly the CBP were not concerned with (he also noted that a similar incident in California had led to far more sympathetic treatment by the CBP there, so the issue was also one of lack of consistency).

This in a way linked to Kirkman's point when it came to mental well-being – there was no macro level data, no objective standards or benchmarks to apply.

This meant that the global situation was hard to measure and assess, and that there was a risk of an *ad hoc* approach.

This, said Kirkman, left question marks against the effectiveness of current solutions. There was no reliable industry consensus on how to proceed and there was no pooling of experiences and ideas.

Kirkman said that he did not wish to be a jeremiah here. There had at least been a recognition that there was a problem that needed to be addressed. But what was needed now was better, more coordinated industry responses. It could not be left to the shipowning community alone.

Governments need to deliver as well. He said that crews had to be termed key workers, and noted that many "fine words" at high level had not yet been acted upon on the ground.

An effective ports of refuge policy needed to be in place, with less nimbyism. Kirkman noted that the XPress Pearl disaster need not have happened if the container which originally caught fire had been taken off the vessel at an earlier port. Similarly, ships on which there had been a Covid-19 outbreak should not be turned away from ports though Nimbyism. Kirkman's implication, although not explicitly stated, is that a Covid outbreak should qualify for port of refuge just like any other disaster.

"The situation of mental health is not unique to shipping, but shipping has unique features which compound the issue. As a society there needs to be a reappraisal of the role and strategic importance of our merchant seamen and women", concluded Kirkman in his excellent summary of the global situation, as well as where shipowners fitted into the network.

Two other technical presentations were followed by a talk from Hüseyin Yücel (Head of Section, Centre for Stabilisation, Institute for Strategy and War Studies, Royal Danish Defence College, DK-Copenhagen) on [Piracy, Sovereignty and Foreign Naval Presence in the Gulf Of Guinea – Status and Prospects](#).

Yücel's three-part argument was that cooperation was necessary to fight piracy and that this needed to involve:

- states in the region
- maritime industry stakeholders
- non-regional states

Yücel spent some time illustrating the fundamental differences between the problems in the Gulf Of Guinea today when compared with the problems that faced ships off Somalia in East Africa a decade ago. These fundamental differences meant that it was impossible to transfer solutions created to solve the Somalia problem across to West Africa.

Briefly, the sovereignty of West African states sets boundaries for cooperation and joint measures to fight piracy, although Yücel said that "next-step improvements are within reach".

There already existed a framework for regional cooperation, that being Yaunde Architecture for Maritime Security (YAMS). This is a network-based rather than hierarchical system, which meant, said Yücel, that it should be possible to "plug in" the stakeholders not currently included in the architecture (non-regional states and industry stakeholders).

Turning to the fundamental problems, Yücel noted that the piracy attacks of West Africa were far more concentrated geographically than those off Somalia a decade ago. They had also tended to be within territorial waters, whereas the East Africa attacks had been further offshore. Thirdly, there are many more functioning ports in the Gulf of Guinea, which meant that the creation of "safe transit zones" would have less effect.

In practical terms, there was a desire among the countries in the area to retain sovereignty, but there was also a capacity gap – those countries did not have (with the possible exception of Nigeria) the capacity to provide the protection themselves. Yücel seemed to be emphasizing that an old "colonial" solution would not work. What was needed to expand the capacity of the sovereign states in the area.

Although there was a capacity gap, the states in West Africa could not be called failed states in the way Somalia could. And although the trained gangs operating in the Gulf of Guinea tended to come from the Niger Delta in Nigeria, this was not a sign that Nigeria was not functioning as a state.

The three types of pirate activity were:

1. Deep offshore pirate
2. Coastal and low-reach pirates (less than 40nm)
3. Riverine criminals.

It was a matter of concern that until recently there had been an absence of convictions. There

were also allegations that there were "bad actors" in high political positions who were also benefiting from the piracy.

Further, the pirates had shown adaptability. Their gulf activities had moved from hi-jacking oil tankers (cargo theft) to kidnap and ransom – an economic crime that has long been an aspect of life on land.

Another problem was that the introduction of kidnap and ransom brought in the involvement of flag states, shipowner states, the kidnapped crew's states (of which there were often more than one).

YAMS (the Yaunde Architecture for Maritime Security) Grouped the Gulf of Guinea into six zones, with each of them handled by groups of countries. However, the role was to share information and find common ground. It was not (et) to infringe on national territories and to provide for joint operations.

However, there had been an increased focus on joint patrols and the facilitation of "hot pursuits". However, these agreements were not part of YAMS; they were instead bilateral agreements stacked "on top" of the YAMS architecture. In addition, even the limited aims of YAMS have not been fully implemented. Neither do they address the position of non-regional vessels, the interests of international non-regional states, or the position of maritime stakeholders in the situation.

Denmark has this year announced the deployment of a frigate to the region, with a broad mandate from the Danish parliament that allows for opposed boarding. It is used to protect merchant vessels only when in international waters. However, Yücel noted that this had not stopped the emergence of a political perception that this was somehow a transgression of West African countries' sovereign rights.

There were also unanswered questions, not least what would happen if the frigate arrested some pirates. Who would it hand them over to?

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