

# IUMI Winter Meeting 2021

10th February 2021



From 8-10 February 2021, IUMI's annual Winter Meeting took place virtually. During the meeting the Executive Committee along with the Technical Committee chairs gathered to discuss a wide range of current issues and launch initial plans for the annual conference. The meeting was followed by a press conference with IUMI President Richard Turner, Facts & Figures Committee Chair Phil Graham, Cargo Committee Chair Isabelle Therrien and IUMI Executive Committee member Anneke Kooiman. Key points covered in the press meeting include the following:



## Richard Turner, IUMI President

The Winter Meeting is the first major meeting of the IUMI year. Ordinarily this event is held in London but inevitably the pandemic has forced us online. The last face-to-face meeting IUMI held was the 2020 Winter Meeting and so we have achieved a full annual cycle of IUMI activity in an online setting.

This necessary change in our operating activity has been remarkably successful. IUMI has continued to function and engage strongly through the pandemic, both internally and externally. Our Secretariat in Hamburg has shifted to a largely 'home-based' method of working. Our committee meetings have been held online. And our main conference (the Stockholm event in September) was held on the internet in a 'first' for IUMI, and very successfully so.

For the time being, with so many travel restrictions in place, IUMI will continue to hold its key upcoming meetings in this online setting. The next major event will be our Spring Conference - consisting of our Committee members - which will be held in this same format.

Throughout the pandemic, IUMI members have continued to serve their customers well. The operation of quoting and binding marine insurance has adapted well to the crisis conditions. Servicing has held up, notwithstanding the more challenging operational circumstances. Our sector has continued to do its job: to protect the voyages of ships, the operation of offshore rigs, and the protection of cargoes carried by all conveyances. Of course, this also extends to insuring the international transit of COVID-19 tests and vaccines, which are such a vital part of the fight

against the pandemic.

As we reported in the recently published IUMI Stats Report 2020, the pandemic has injected uncertainties into many parts of the global economy. This makes it difficult to make too many predictions about the economic impact on marine insurance. But we can anticipate a potential reduction in cargo premiums caused by the drop in international trade volumes (an estimated 1 billion tonnes of seaborne trade).

### Philip Graham, Chairperson, Facts and Figures Committee

We have had very positive feedback from the Stockholm conference. Since then, the continued impact of COVID is likely to produce some statistical anomalies which will impact the trends in our published data. This will affect some aspects of trade and economic patterns and will result in both positive and negative impacts on global underwriting results depending on the industry sectors being discussed. Any impact on the widely reported market recovery expected in 2019 and 2020 was too early to report in Stockholm and it will be interesting to see if that has had an impact on annual results we report in Seoul September this year.

Our large loss database continues to grow in statistical relevance as has the marine insurance industries encouraging desire for more and better data to underpin underwriting. The Facts & Figures Committee is always looking to expand the data available to our membership and the marine industry and with that in mind we announced in Stockholm that we would have a dedicated member of the committee tasked with building out our climate and environmental data offering. We will be making more announcements with regard to this really important priority post IUMI's Spring meeting in March.

### Isabelle Therrien, Chairperson, Cargo Committee

When it comes to global trade, 2020 has been a disruptive year. According to the United Nations Conference on Trade and Development (UNCTAD), the number of ships pulling into ports to unload and load containers rebounded in many parts of the world in the third quarter of 2020 however it was down 27% on a YOY basis in the second quarter of 2020. Nevertheless, UNCTAD projects the overall volume of international maritime trade will fall 4.1% in 2020 putting it under severe pressure. And let's not forget the hardships that the pandemic has had on the real risk-takers of the global supply chain: The Seafarers. Seafarers have had a particularly hard time during the pandemic with national lockdowns that resulted in an abrupt halt to crew changes. It is important to acknowledge that these men and women have still delivered food, fuel and medical equipment that enabled economies and societies to function during these unprecedented times and we are thankful for their work.

Vessels carry more than 80% of the products that are moved globally so inevitably the pandemic had an impact on everyone involved in the global movement of products including cargo insurers. Since cargo wasn't moving, we saw our assureds report reduced values shipped and saw increased values at locations. Therefore, for a moment in time during the 2020 pandemic, when the world came to a halt, some cargo insurers had more static risk exposure than moving

exposure. Thankfully, this was temporary, and available data now shows that, globally, average weekly port calls started to recover in Q3 of 2020.

This disruption in global shipping brings even more focus on the importance of risk accumulation on vessels, at ports and at static locations for marine insurers. There are several tools available to monitor accumulation at static locations. However where there is more uncertainty and less data available is for cargo that is moving on vessels and while cargo is at the port awaiting stowage on vessels.

The Tianjin explosion in 2015 was a clear reminder of this reality. Now adding the 4 August 2020 blast at the port of Beirut reinforces that more work needs to be done on assessing values at terminals and port facilities. Equally, this unfortunate event that left 178 dead, 6,500 injured and critical infrastructures damaged, is a compelling argument to urge terminal operators to manage the storage of dangerous goods to include proper safety measures. Although this is very much a cargo insurance concern, we must not forget that there is a much more important human element to such casualties.

2020 was also the year where social justice movements reached a global audience and took centre stage. Events in several countries resulted in claims being submitted to marine insurers under the Strikes, Riot and Civil Commotion (SRCC) coverage afforded under marine policies as the civil unrest in part targeted urban retail locations. The increasing number of events globally is now forcing underwriters to rethink the scope of the coverage. We have to remember that SRCC coverage provides cover for loss or damage caused directly by strikers, locked-out workers, people involved in work-related unrest and riots of various kinds, or by a riot involving a large number of people whose collective action causes damage to people or property. In the context of a marine policy, this coverage was initially intended to address port operation strikes and riots type of events.

Moving on to 2021, it is off to an eventful start. According to the World Shipping Council, an average of 1,382 containers were lost overboard on an annual basis between 2008 and 2019. As we speak, 2.5 months into 2021, we have already lost almost double that amount. Between the *One Apus* and the *Maersk Essen*, a total of 1,816 and 750 containers were lost at sea during their respective voyages. These events perhaps highlight engineering complications when it comes to moving boxes on ships that are structurally larger than when containers were invented in 1957 and where weather patterns are constantly getting more aggressive. The recent events on both these voyages have also brought to light the lashing system on board. Containers are stacked on top of each other and secured to each other with twistlocks at their four corners. Lashing rods and turnbuckles are then used to secure the containers to the deck of the vessel. Physical forces endured by the ship going through a storm at sea (for example yaw, pitch, rolling) are inevitably passed on to the container stacks and it creates an enormous momentum on these stacks sometimes resulting in containers overboard or container stack collapse. Cargo insurance underwriters have been and will continue to be impacted by these events and IUMI believes that although this is not a systemic threat, every container lost is one container too many. Therefore, we argue that adequate stowage techniques and proper container packaging is critical to having safe and secure ventures at sea for all parties involved.

Anneke Kooiman, Vice-Chairperson, Executive Committee

In recent years there has been a renewed focus on sustainability, including environmental, social and corporate governance matters. Many insurance companies have signed-up to the Principle of Responsible Investment (PRI) initiative which aims to promote sustainable investment practices. This commitment, together with the Principle of Sustainable Insurance (PSI) initiative means that more insurers are incorporating ESG and sustainability into their daily underwriting activities. In December 2019, IUMI canvassed its members for their views on ESG and, overwhelmingly, the membership agreed that IUMI should be more active and work to raise awareness of ESG issues within marine insurance. Within this context, IUMI will focus on:

- Climate change: This is already impacting on the frequency and severity of claims and is set to worsen. Marine underwriters are disproportionately exposed to windstorms, coastal flooding and other events.
- Assets: A potential shift in the type of goods carried; the technology and propulsion of assets used to carry them; and changes to energy generation are all likely to impact the risk profile.
- Sustainability of industry sectors: Major disruption to certain industries will likely erode the premium base and/or give rise to an increased claims activity.
- Economic developments: The move by companies to implement strict sustainability policies driven by government and investor pressure is likely to change the underwriting and risk environment.

Following approval from the Executive Committee, IUMI will establish a formal Working Group to define its ESG strategy; raise awareness of relevant ESG issues; identify related business opportunities and innovations; and lobby, where appropriate.

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