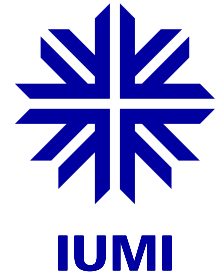


Marine insurers have to innovate says IUMI president



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The president of the International Union of Marine Insurers opened the organization's Annual Conference with a message underwriters have to innovate to meet the changing needs of their clients.

Ole Wikborg speaking in London said the venue for the conference was apt given that it will take the experience gained by the marine market coupled with its ability to adapt to provide the resilience which is the theme of the conference.



"What is important for us to note is the fact that the London market was established by marine insurers and that the marine insurance practices to a large extent formed the basis for how other types of insurance developed." He said. "Being far from the largest and most important line of business today, marine insurance is what started it all, and as a line of business, marine insurance still retains the interest of many composite insurance providers as well as other market players, observers and regulators. There is an obligation for us and our industry to build on our history and by doing so, shape the future. Here is where our daily challenge lays."

"The common theme selected for this conference is 'Marine Insurance – building resilience and defining a sustainable future' He added. " This indicates that, as an industry, we want to preserve the best part of our past. We must apply our experience, regain the momentum and utilize our imagination and innovative skills to bring our business forward.

"A major driver for our efforts is our ability to adapt and satisfy the apparent and future needs of our clients. Our industry must be close to those we are serving and not only provide a financial risk relief instrument. A part of the package must be a genuine risk management component where we actively put our professional, hard earned and often expensive knowledge and expertise to use. We must learn to apply our claims history to broaden the scope of what we can do and not use it as an excuse to put limits on our willingness to respond to new opportunities and risks."

Mr Wikborg warned there was no place for a move towards the commoditization of marine risk as the clients' needs continued to evolve.

"The commodity providers of the marine insurance industry should transform themselves to service providers to care better for their clients and client relationships. Developing a business

relationship based on a service concept that includes flexibility and adaptability is more likely to result in a sustainable business model for the future," he added "This conference will address issues relevant to this overall goal, believing that there is a future. One may argue that the real risk-taking required is to dare challenge the existing ways of doing things. It appears safe and sound to have both feet solidly planted on the ground, - but when both feet are solidly planted on the ground, you get nowhere. The recipe for survival is not being the strongest, but the fittest. Being innovative, flexible and adaptable is the best way to respond to the ever-changing needs of those who require our services and secure a prospering future for our industry."

Mr Wikborg added: "Throughout the years and in various IUMI conference workshops, we have covered and discussed recent insurance events that have impacted our industry. For energy underwriters; windstorms in the Gulf of Mexico blow-outs, capsizing of and fires on floating rigs have been on the agenda. Cargo insurers have talked about pilferage, theft, dangerous cargoes including liquefaction and the effect of natural disasters. Hull underwriters keep reverting to the fact that continued overcapacity coupled with expensive losses have resulted in the market not being profitable for almost two decades. The objective of sharing information and our discussions is to learn from experience, - but are we?"

He added IUMI as an organization continued to work hard for the industry as a whole.

"IUMI is as active as ever," he said. "Gradually, the strategy and goals of the IUMI 2015 project are being refined and implemented. IUMI's strive to be more active towards its membership coupled with the increased visibility in marine transportation community at large do not come by itself.

"The main work force of IUMI continues to be a militia of volunteers, who are energized by the strong willingness to contribute and by employing a conviction that, by doing so, they will make a difference. I can ensure everybody that any involvement, task completed and positive attitude will take us forward. Yet, there is a distinguished few who are really making an outstanding job to serve the IUMI community and the interests of marine insurers. We will have the pleasure of seeing many of them 'in action' during this conference. I can confirm that the amount of time and thinking that goes into their work for IUMI is highly appreciated by the IUMI community and hope and trust that the contributors themselves will

receive the acknowledgement and respect from their employers and national IUMI members that they so rightfully deserve."

He highlighted three areas where the IUMI political Forum was engaging the wider maritime community on the marine insurance sector's behalf.

"Although I could dive into the IUMI Political Forum's working list and comment on all of them, I will limit myself to three issues that have been discussed for many years, but continue to seriously affect our business.

The first was the Safety of container ships and container ships' cargo, citing the loss of the MSC

Flaminia which raised a number of safety concerns for underwriters.

These include;

- What is the content of the containers, is the cargo correctly described, is the weight correct? The SOLAS rules are obviously not sufficient in that respect.
- What considerations should the storage planner take when planning the loading of the vessel, i. e. the location of each and every container?
- There are many cargo owners for the same voyage.
- Refusal of many port refuge requests.
- Direct claim costs for damages to the ship and the cargo. For "MSC Flaminia", Hull & Machinery underwriters should expect to pay some USD 25 million to bring the vessel back to her former glory. Cargo claims will most certainly be in the USD 30 – 40 million range.
- General Average cost and time. The loss adjusters for the "MSC Flaminia" claim estimate that the General Average Adjustment may be concluded by 2020. The current estimate for total costs in General Average is USD 23,5 million which will fall on partly Hull & Machinery and partly cargo underwriters and will be added to the direct costs just mentioned
- Fire-fighting on major container vessels: One single container started to burn in the hatch finally 60 percent of the bow section was burned down several seamen died in their attempt to prevent the catastrophe. SOLAS rules are not sufficient for this kind of modern container vessels.

The second issue was that of the ongoing threat of piracy.

"Apparently, we can't avoid mentioning piracy at our conferences. There is a fundamental shift currently going on. On the positive side of the coin, there is currently less piracy activity in the Gulf of Aden and the Indian Ocean, - thanks to naval forces being present, the use of armed guards being generally accepted by all marine transportation industry stakeholders – which was supported by IUMI very early on, and the attempts to establish an administration in Somalia.

"On the flip side of the coin, we are watching increased piracy activities in the Gulf of Guinea. Not hijacking vessels for ransom but stealing the cargo and – most often – to letting the ship and crew sail when the vessels are emptied. As most of these hijackings occur within the territorial waters or economic zones of the West-African coastal states, the appliance of law and order is a national concern of these states. It is consequently not on the agenda to copy the arrangements implemented for the Indian Ocean."

The third issue is that of liquefaction of cargo.

"Again, we have to bring attention to a topic that has attracted a lot of interest at IUMI conferences," he said. "We know the nature of the problem, and certain risk mitigating measures have been introduced. However, these measures have not been successful as vessels continue to lose their stability with fatal consequences. There was one total loss incident in February this year and one in August that prove that a stricter regime has to be implemented to ensure that nickel ore can be transported without an enhanced operational risk for vessels and their crew.

"We need to renew our focus on this problem, - it has not gone away."