

Now is the time to manage the “unthinkable” risks, says IUMI President.



18th September 2018

Opening this year’s International Union of Marine Insurance (IUMI) annual conference yesterday in Cape Town, South Africa, IUMI President Dieter Berg impressed on delegates the need to manage “unthinkable” risks.



He highlighted a series of losses that, until recently, would have been assessed as “unthinkable”, these included: Deepwater Horizon (insured loss US\$6bn), Costa Concordia (insured loss US\$1.5bn) and the Tianjin port explosion (insured loss \$2-3bn). Nat-cats were also creating large losses such as hurricane’s Katrina and Rita in 2005 (total insured offshore energy/marine loss US\$12.57 bn) and last year’s hurricanes Harvey, Irma and Maria which resulted in more than US\$1bn in yacht losses.

According to Berg, “unthinkable” risks would become more commonplace and underwriters must adapt to manage them effectively.

He said: “Growing accumulation of risks at sea and ashore is of increasing concern. On large containerships where around 20% of boxes are empty, we are likely to see a combined cargo and hull value of around US\$1.5bn, and that doesn’t include any wreck removal or pollution costs. In ports and terminals, the values are even higher as was seen at Tianjin.”

“Climate change will continue to influence risk profiles. Earthquakes and wind storms are not the real issue, unless you are an offshore energy underwriter. But flooding and storm surges can create massive losses.”

He went on to say: “The political landscape is also changing with an increase in sanctions and disruptions to trade agreements. Certain regimes are entering trade wars that has led to increased protectionism. The impending Brexit is causing instability within the Eurozone and is also likely to impact our industry.”

“And we mustn’t forget digitization. Shipping is lagging other logistics modes and technology will soon impact heavily on maritime supply chains as there becomes a

more urgent need to optimise trade flows and streamline port operations”.

Emerging and unquantifiable risks were of increasing concern to marine underwriters but Berg was confident that the sector would step up to the challenge:

“By identifying, monitoring, reacting and being innovative we can manage the unthinkable”. He said.

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Notes to editors:

The International Union of Marine Insurance (IUMI) represents 40 national and marine market insurance and reinsurance associations. Operating at the forefront of marine risk, it gives a unified voice to the global marine insurance market through effective representation and lobbying activities. As a forum for the exchange of ideas and best practice, IUMI works to raise standards across the industry and provides opportunities for education and the collection and publication of industry statistics. IUMI is headquartered in Hamburg and traces its roots back to 1874.