Meeting Notes: Cargo Committee

IUMI Annual Conference, South Africa, Cape Town Sunday 16 September 2018

Cullinan Hotel
Room: Protea 2
Sunday, 16 September 2018
09:30-12:30,

Participants

TC Cargo Committee

Sean M. Dalton, Munich Reinsurance America, Inc., Cargo Committee Chair, USA
Isabelle Therrien, Falvey Cargo, Vice Chair, Canada

Mikaela Tamm, Insurance Sweden, Secretary, Sweden
Niklas Bengtsson, Inter Hannover, Sweden/Nordic
Mike Brews, Horizon Underwriting Managers (Pty) Ltd; RSA
Joanne S.F. Chan, XLCatlin, Hong Kong
Nicholas Derrick, The Standard Syndicate 1884, UK
David Grant, CNA/Hardy, UK
Sundeep Khera, AXA Corporate Solutions, Singapore
Matthias Kirchner, AXA Corporate Solutions, Germany
Hosny Mishrif, Misr Insurance Company, Egypt
Jill Murphy, Agile Underwriting Services Pty Ltd, Australia
Matthew O'Sullivan, Zurich Financial Services Australia, Australia
Cesare Ponti, AIG, Italy
Howard Potter, RSA Insurance, UK
Nicole Pousson, Swiss Re International SE, France
Sanjiv Singh, General Insurance Council, India

Observers

Patrizia Kern-Ferretti, Executive Committee Liaison
Eric De Smet, Policy Forum Liason
Tom Shinya, Tokio Marine & Nichido Fire Insurance Co., Ltd. Japan

Appologises

Ying Bei, PICC Property and Casualty Company Limited, China

1) Welcome

Sean Dalton

Mr Chairman welcomed the committee members, guest and observers to the meeting and the conference.

SD held a brief moment of silence in memory of Frank Ponnen, a dear friend and collegue who contributed to the work of the Cargo Committee for many years.

SD reminded the Cargo Committee members on the Code of Conduct that applies during the IUMI conference. SD emphasised the importance of the compliance guideline and urged the members to read through these thoroughly.

SD gave Patrizia Kern-Feretti a special welcome and introduced Patrizia to the Cargo Committee members.

SD advised that the meeting documentation had been sent out by email to the members of the Cargo Committee in due time before the meeting.

2) Election of Cargo Committee

Sean Dalton

SD informed the Cargo Committee on the election procedure. SD recommended the Cargo Committee to see IUMI Articles of the Association https://iumi.com/about/articles-of-association for further information.

Attachment 1

2) Members

Isabelle Therrien:

IT informed on the election procedure to the Cargo Committee and about the members' time period for the appointment as a member of the Cargo Committee.
It was noted that the committee now consist of 18 member + 1, in total 19. IT reported which members that was leave the Cargo Committee after the conference in South Africa.

IT informed that the characteristics that were prioritized by those seeking membership in the Cargo Committee were interested, experienced people who attend IUMI meetings and gave feedback. Furthermore people who show deep knowledge in the subject area of importance and contribute in finding the next generations talents.

Attachment 2

IT urged members to send the amendments relating to the contact list on the IUMI website to Mikaela Tamm, Mikaela.tamm@insurancesweden.se.

3) Chairman's presentation

Sean Dalton

The Chairman introduced the Chairman's presentation to the members of the Cargo Committee. The presentation was prepared as an introduction for the conference's Cargo Workshop. The Cargo Committee gave constructive input to the presentation.

World Trade Outlook:

- World merchandise trade growth is expected to remain strong in 2018 and 2019 after posting its largest increase in six years in 2017, but continued expansion depends on robust global economic growth and governments pursuing appropriate monetary, fiscal and especially trade policies. (WTO 12 April 2018)
- Trade expansion will likely slow further in the third quarter of 2018 according to the WTO's latest World Trade Outlook Indicator (WTOI9 August 2018)
- Cargo remains the largest commercial Ocean Marine line of business in terms of GWP.
- Cargo insurance policies provide some of the broadest first party insurance coverage and accompanying claims and risk engineering services in the non-life insurance market.
- InsurTech and innovation are impacting the Cargo line of business as part of advances in entire supply chain and how business will be transacted in the future.
- Cargo Insurance Market "Firming" but not "Hard"
- NAT CAT Concerns.
- Containership Fires (Misdeclared Cargoes).
- Continued concern around Unknown Port and Vessel Accumulation.
- High acquisition costs and expenses for Cargo Line.
- Broker Facilities "commoditizing Cargo Line" at exorbitant commission levels.
- Deteriorating Loss Ratios for Cargo Line including attritional, large / outlier, and NAT CAT.
- Many companies have supported deteriorating results with prior year reserve releases.
- Majority of lines have been in a sustained soft market with multiple years of declining rates, and claims inflation (trend) has added to rate adequacy challenges.
- Specialty lines, including marine, are expected to outperform their P&C counterparts over the cycle, but results show Cargo is underperforming globally.
- Cargo line needs to cover NAT CAT and Large / Outlier Losses over the cycle, but this is not happening.
- Increased "static risk" covered via stock thru put policies (retail locations)
- Extremely poor results for Cargo Underwriters on Auto Accounts
- Breadth of coverage, expansion of Cargo Policy and recent high profile losses including Misappropriation, Property (NAT CAT), Satellite Pre-Launch, and Container Leasing (Repatriation Expenses).

- Compliance (sanctions / OFAC)
- Importance of Globally Compliant Cargo Policies (locally admitted policies where required)
- Cyber
- More information is available than ever before, but underwriters get less information in their submissions than they did 25 years ago.
- Overcapacity in Market
- M&A Activity / Reorganizations

Attachment 3

The Chairman Mr. Sean M Dalton presented the IUMI 2018 Cargo Statistics – Analysis in an analytical and well-founded manner. The committees were invited to feedback and input, and the final summary was that the analysis was well-balanced and informative.

Attachment 3b

4) Technical Presentations

Sean Dalton

Individual Presenters on the theme
"Managing emerging risks and exposures – think the unthinkable"

Responsible for the respective cargo workshop module explained briefly for planning and implementation

5) Panel Discussions

Sean Dalton

The Committee discussed the Cargo Workshop and SD informed how the workshop was to be carried out with reference to speakers and questions for the Q&A for the panel on the workshop. It was decided that Jill Murphy and Mikaela Tamm were to be responsible for the logistics regarding questions for the panel.

6) Overview of the South African

Mike Brews, Horizon Underwriting Managers (Pty) Ltd; RSA

MB made a very informative and highly appreciated presentation on the African and South African insurance market.

Attachment 4

7) Country Reports

Sean Dalton, All

SD led the round the table presentations of the Country Report, which had been distributed to the Cargo Committee by email beforehand.

Sean Dalton emphasised the necessity of proper references and that comments in the report shall have affiliation to a matter of fact or event of importance to the context, in order for publishing the report on the IUMI webpage.

Attachment 5

8) Other business

All

Webinar

Sean Dalton

SD requested the members to reflect on topics and suggestions on speakers for the webinars arranged by IUMI.

MEPC 72

Sean Dalton:

SD called for reflection and position regarding initiative of the Policy Forum regarding the MEPC 72 (the IMO Marine Environmental Protection Committee) that earlier this year decided on a new output on plastic litter (macro and micro) from ships based on a recent IMO Assembly resolution stressing the high relevance of this matter. While plastic litter as such seems to have rather low impact on marine property insurers (propeller damages?), the paper does also elude to the “loss of containers from vessels” (lit. 60 ff. of the paper) which is certainly of higher interest for the insurance industry. We should consider in the Policy Forum whether we would like to step in to a certain degree.
The Cargo Committee welcomed ocean friendly initiatives and where to questions related to the issue regularly and support these questions as far as it is possible.

https://www.forbes.com/sites/jeffkart/2018/07/30/bracelets-fund-ocean-cleanup-1-million-pounds-and-counting/#56a98fe660ce

https://www.projectaware.org/news/july-4oceans-shark-bracelet-month

The National Cargo Bureau (NCB)

Sean Dalton:

SD updated the Cargo Committee on information re. NCB Initiative re. declaration and stowing of cargo in containers. The National Cargo Bureau (NCB) had offered to help carriers inspect containers carrying imports to the United States to determine the extent of improperly declared or stowed cargo. https://www.americanshipper.com/main/full/national-cargo-bureau-will-inspect-containers--72126.aspx.

UK P&I Club - Publication Carefully to Carry

Sean Dalton:

SD informed that The Loss Prevention team at UK Club completed a full review of previous loss prevention material and updated it into a 2017 consolidated version featuring 12 clearly defined parts each dealing with a different type of cargo and its journey aboard a vessel. It was noted that the 2017 consolidated version brings “Carefully to Carry” in-line with the most current thinking and regulations in the industry including Verified Gross Mass (VGM) environmental controls and the revision of the International Maritime Safe Carriage of Bulk Cargo (IMSBC) Code 2016. All the chapters where reported available on line at https://www.ukpandi.com/loss-prevention/cargo/carefully-to-carry/

It was noted that GDV homepage contained good information for the cargo insurer.

EC Observer to the Technical Committees – Code of Conduct

Sean Dalton

SD introduced the EC observer and informed on the Code of Conduct that’s aviable ón the IUMI webpage.

List of Outputs

Sean Dalton:
SD informed and gave instruction to the List of Outputs, compilation of summaries of the those potentially important items which could be relevant to IUMI.

Attachment 6