Looking into the crystal ball: the future of marine insurance

CBMU Spring Conference – May 2018

Concirrus

Andy Yeoman
(CEO)

Ex-Trimble Inc., and GM of Commercial Vehicle Insurance Telematics and significant experience in Personal lines. Andy has significant start-up and M&A experience.

Experienced investor with over 20 years experience in investing in FinTech and Insurance

Outstanding track record of driving investor returns including two unicorns and multiple exits

Jonathan has significant experience operating and growing start-ups

The current market is NOT sustainable

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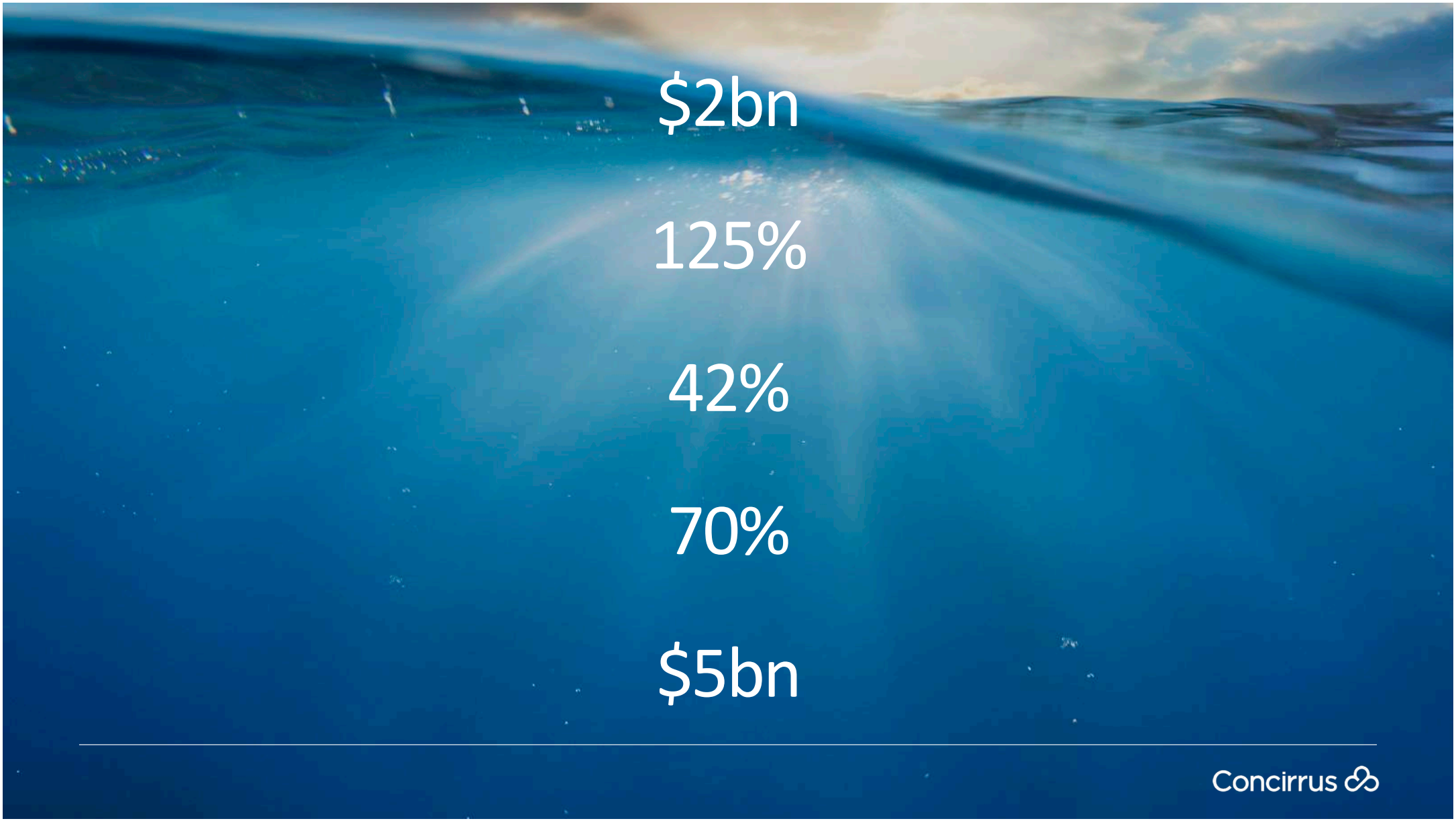
“The 2017 results are proof, if any were needed, that business as usual is not sustainable.”
- Bruce Carnegie-Brown, Chairman Lloyd’s of London


$2bn
125%
42%
70%
$5bn
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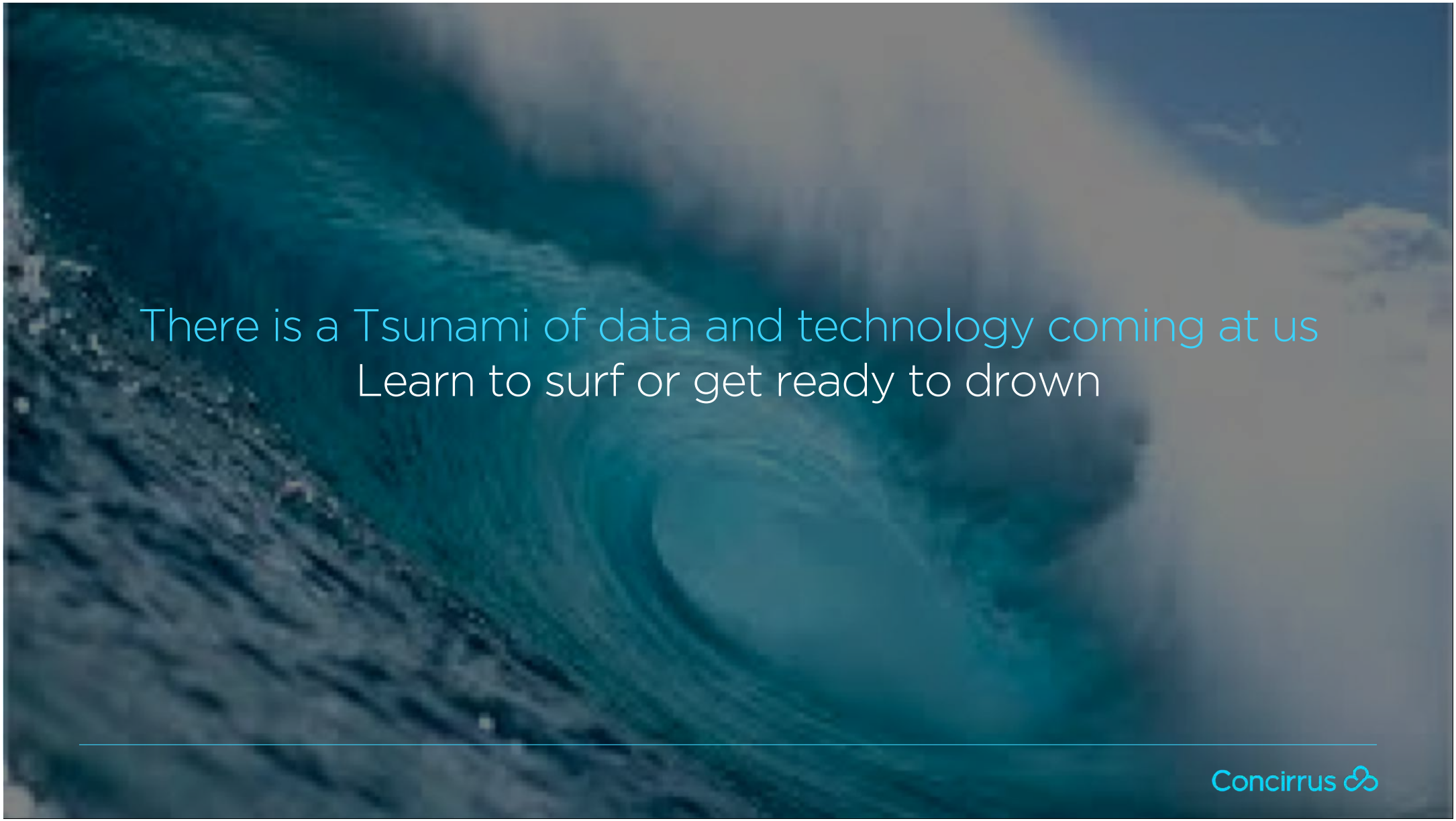
There is a Tsunami of data and technology coming at us
Learn to surf or get ready to drown
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In 2012, insurers or reinsurers completed just one strategic investment to a private tech company.

In 2016, they completed 100.

CB Insights

Who needs more data?
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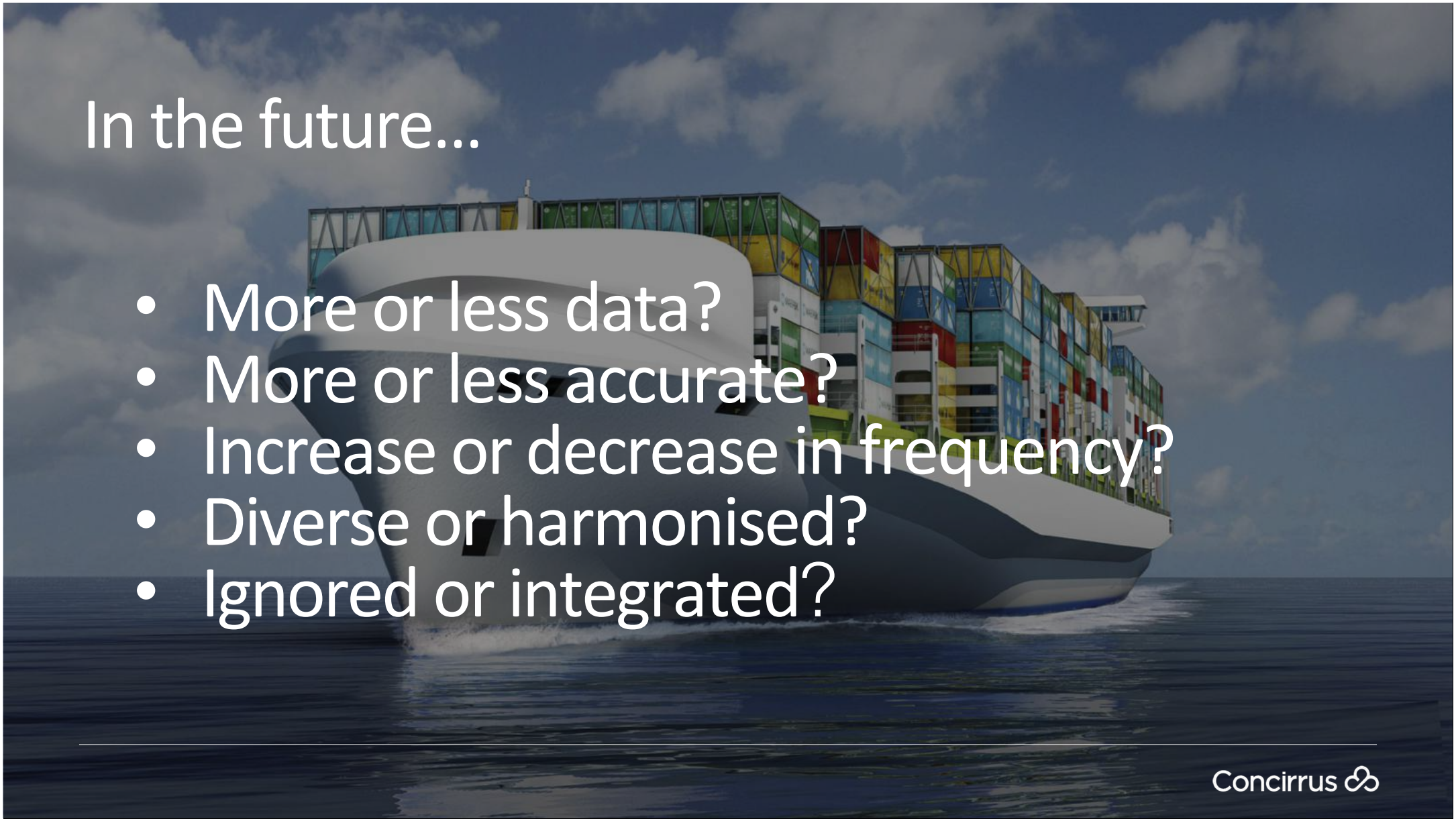
In the future…
More or less data?
More or less accurate?
Increase or decrease in frequency?
Diverse or harmonised?
Ignored or integrated?
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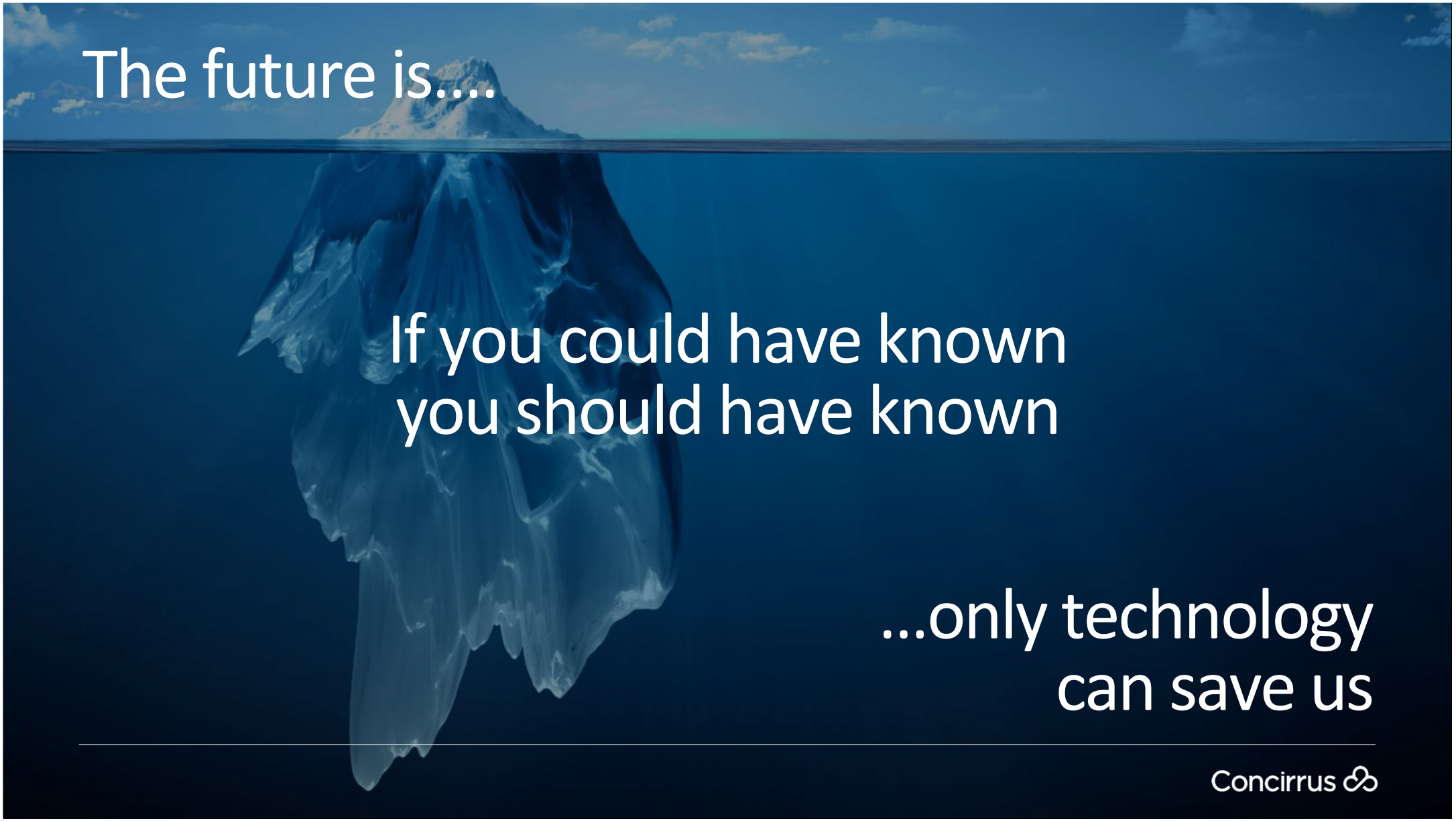
The future is....



If you could have known
you should have known

...only technology
can save us

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But can we trust these technology sorts?
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Insurance

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Technologists

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InsureTech?

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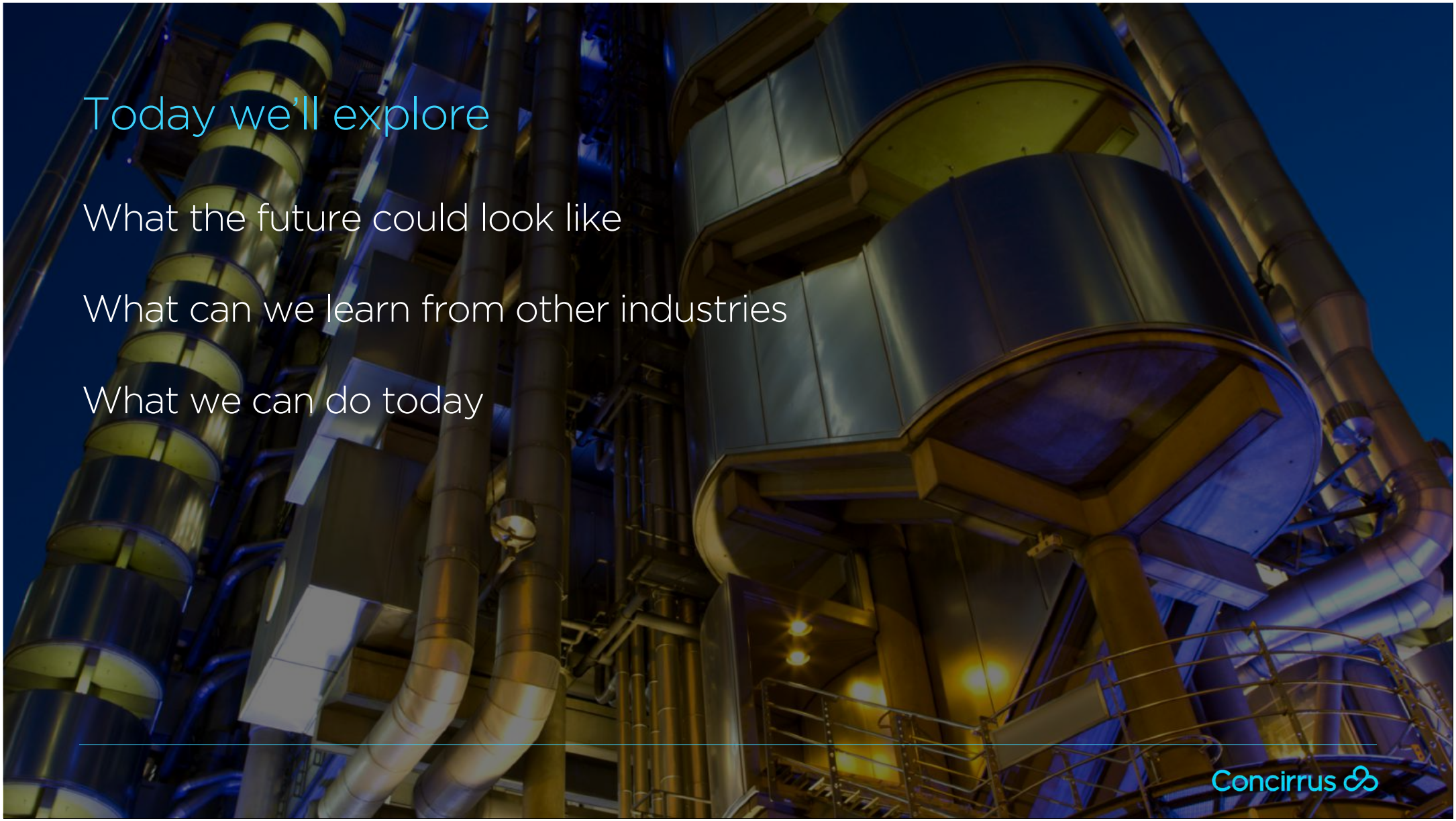
Today we'll explore
What the future could look like
What can we learn from other industries
What we can do today
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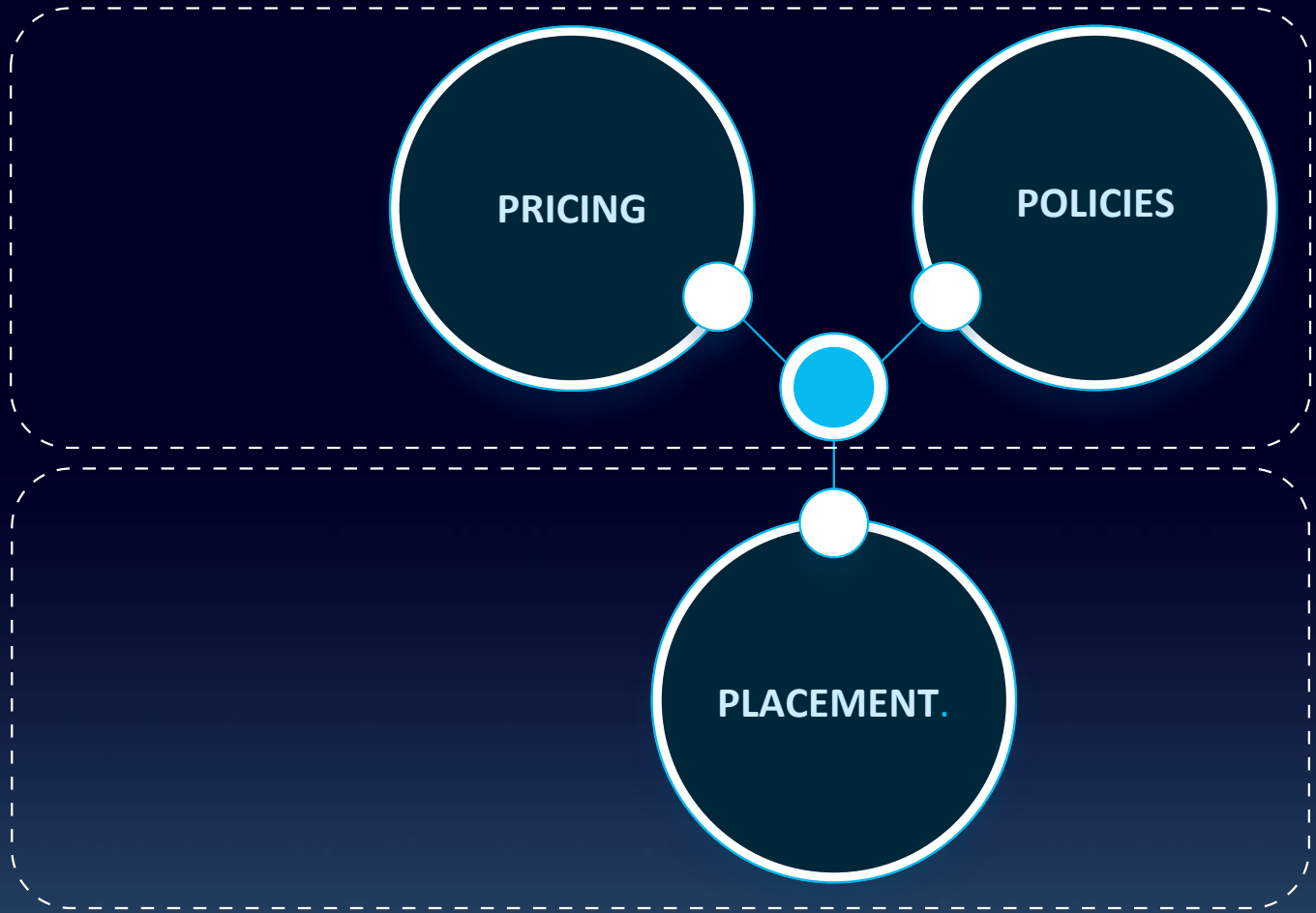
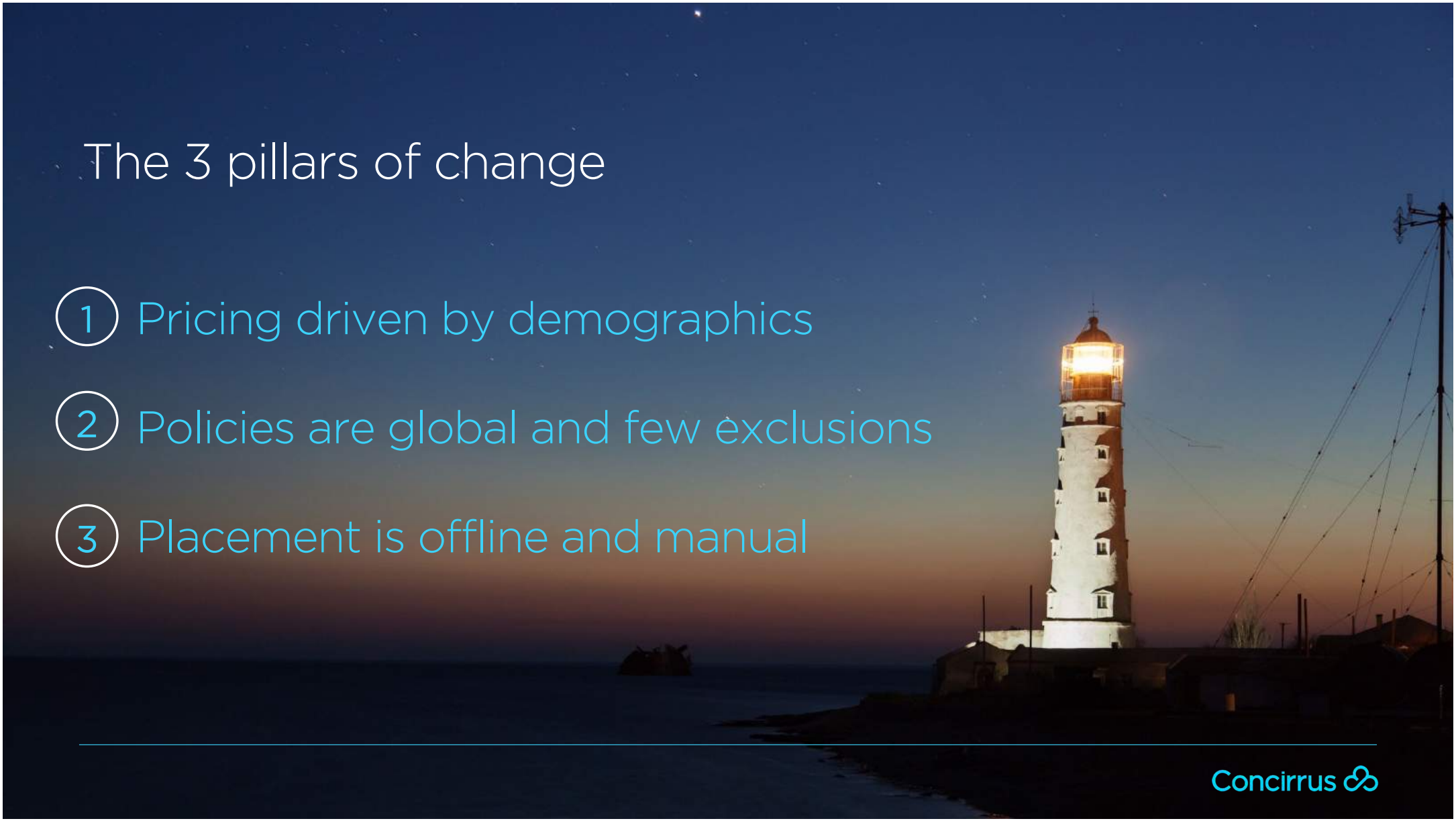
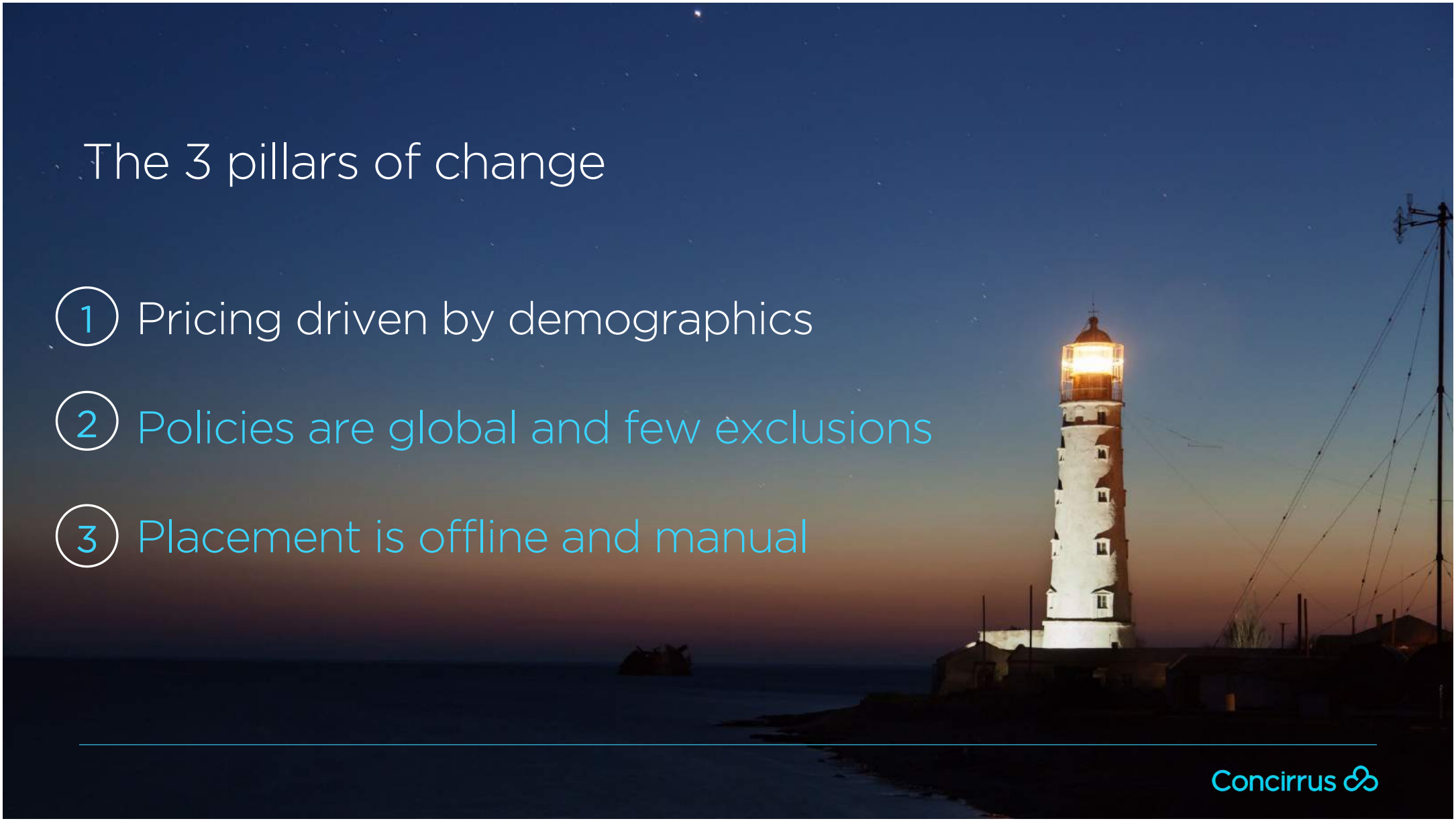
Marine Insurance **Areas of change**



Commercial in Confidence


The 3 pillars of change
1 Pricing driven by demographics
2 Policies are global and few exclusions
3 Placement is offline and manual
Concirrus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”Everything that can be digitised in our industry will be digitised.” – Maersk

Commercial in Confidence

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Commercial in Confidence

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We now live in an age where much of what was unknown or unknowable can now be known
This changes the fundamentals of commercial marine insurance

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What the data shows

What we derive:

- Routes
- Port visits
- Mileage
- Speed
- Accumulations
- Exposures

Seeing behaviour in real time means we gain new insight into risk...

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Developing a ‘score’ and weaponizing the data

Behavioural Data
Historical, Real-time & Predictive

...

Area of Operation

Port Activity

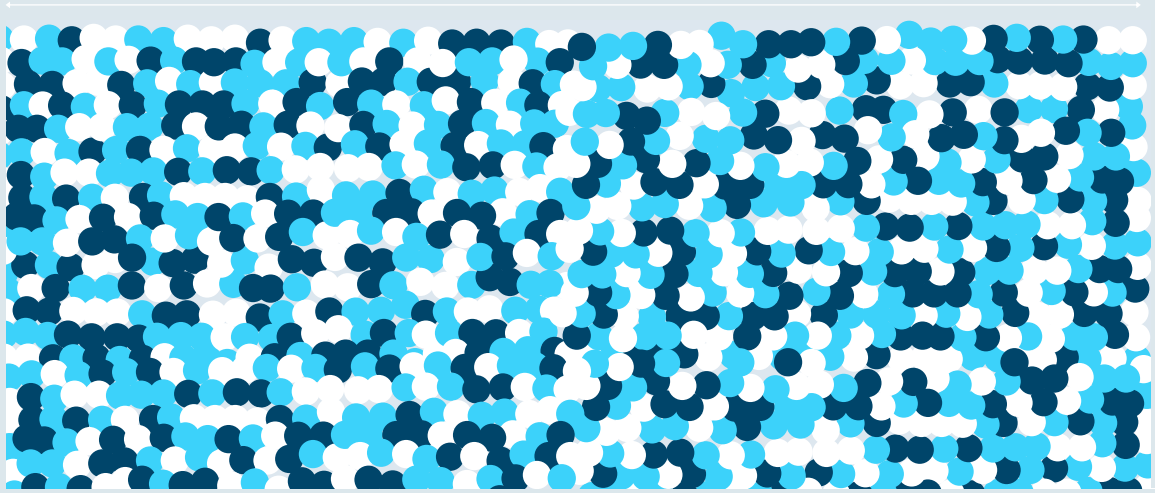
Owner Performance

Benchmarking

...

Static Demographic Factors

... Class Flag Year built Yard built Tonnage ...



Behavioural correlations & risk indicators

Good Risk

Poor Risk

Avoidable Risk

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Global Benchmarking

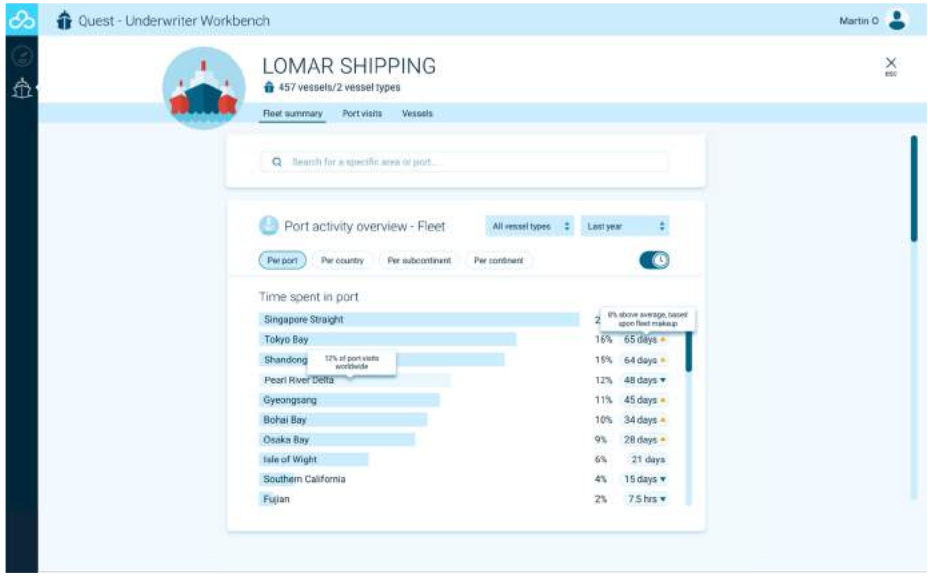
Operator	Bulk Carriers	Cargo	Fishing	Misc.	Non-Ship Str.	Passenger	Tankers	Yachts	Total
Mitsui OSK Lines Ltd	294	16	6	6	1124	21	1	0	1
MSC Mediterranean Shipping Co	3	4	0	3450	2333	378	9	0	2
NYK Line	2386	1	0	0	0	0	0	0	3
Kawasaki Kisen Kaisha Ltd	2	5	0	2074	1810	0	15	0	4
Maersk A/S	4	6	0	2477	1961	0	45	0	5
CMA CGM SA The French Line	0	2	0	0	0	0	5072	0	6
Oldendorff Carriers GmbH & Co	0	3	0	3601	0	587	0	0	7
Edison Chouest Offshore LLC	1	265	0	207	0	0	0	0	8
Wagenborg Shipping BV	0	0	140	1	0	3783	0	0	9
Evergreen Marine Corp	0	0	0	66	1	0	0	0	10
Maersk Line A/S	37	33	120	63	56338	198	35	0	11
Volgotanker Volzhski Oil Shpg	0	8	0	6390	2826	253	0	0	12
Hanjin Shipping Co Ltd-KRS	0	0	0	4	0	11	194	189	13
ASDP Indonesia Ferry	0	7	0	0	0	0	0	0	14
COSCO Shipping Lines Co Ltd	1109	24	68	54	306	67	909	45	15
Hapag-Lloyd AG	0	9	0	0	1626	0	0	0	16
Crowley Marine Services Inc	43	0	0	3601	0	0	2	0	17
Pacific International Lines	201	259	65	15	0	232	28	0	18
Bourbon Offshore Surf SAS	0	36	598	17	0	39	1097	0	19
Mexicanos Pesqueros SA de CV	13	22	0	9953	0	0	340	0	20
Northern Transportation Co Ltd	0	3428	0	0	0	1	0	0	21
SCI	3938	10	0	9885	0	0	0	0	22
Volga Shipping JSC	0	0	3307	3	0	385	1097	0	23
COSCO Shipping Development	0	11	0	0	0	3705	0	0	24
BBC Chartering & Logistic GmbH	0	13062	0	2	0	0	0	0	25
China Oilfield Services Ltd	0	0	1	0	3987	0	0	0	26
Ocean Tankers Pte Ltd	486	12	0	0	0	0	0	0	27
Hyundai Merchant Marine Co Ltd	0	0	0	767	2	0	0	0	28
Pan Ocean Co Ltd	0	0	2	0	0	0	0	0	29
Hamburg Sudamerikanische	0	7007	0	5	534	479	0	0	30

Quest Marine is able combine the last ten years of global data to produce a global ranking of operators that includes additional features to demonstrate size and vessel type.

Using our Global fleet ranking, Concirrus is able to benchmark a clients portfolio, identifying missing accounts that would be a suitable fit and poorly performing accounts that could be replaced.

Due to the large number of operators, only the top 30 are shown.

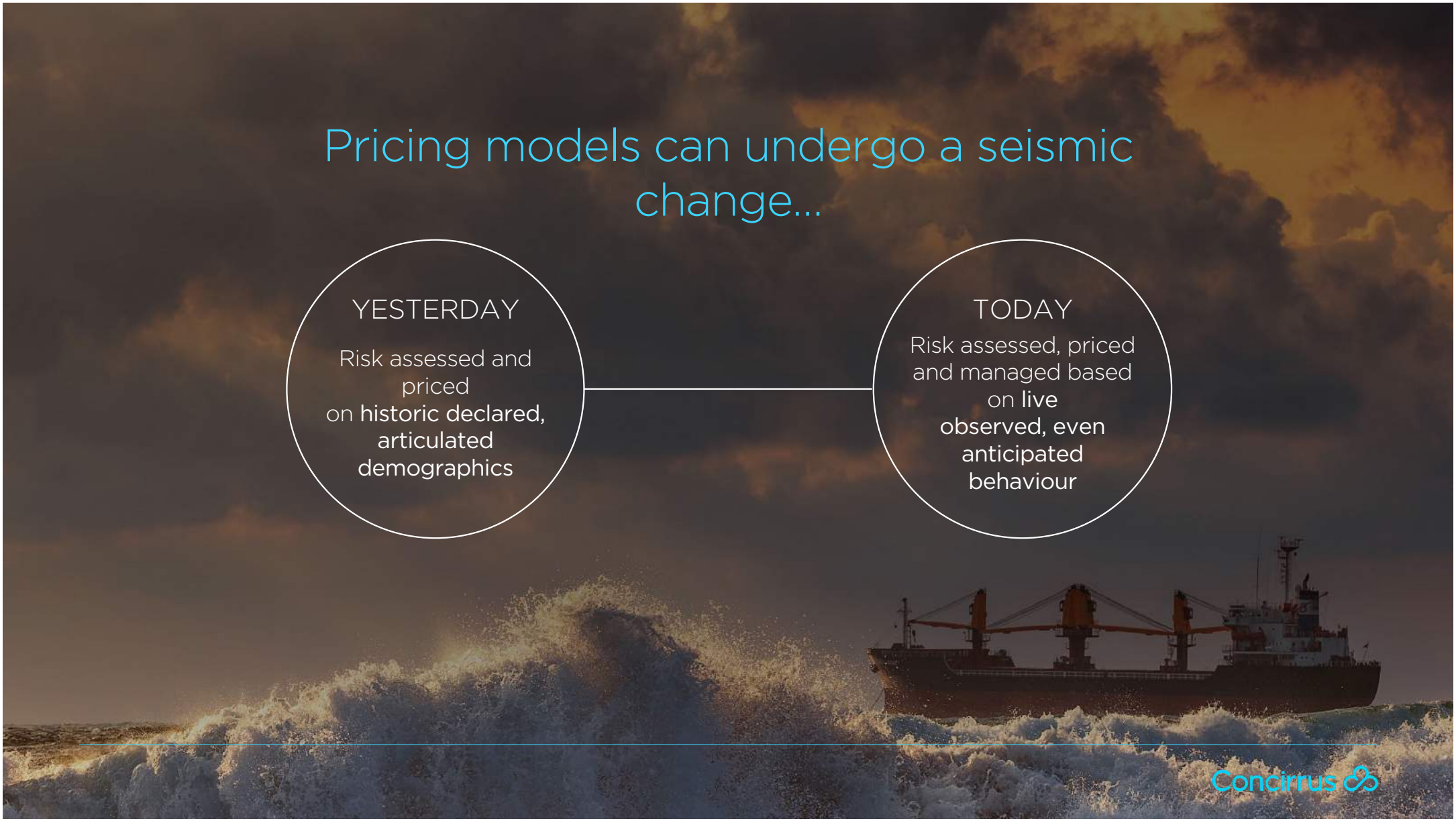
Quest - Active Risk Manager
Will Panchaud
Quest
Search for a fleet, vessel, port or location...
Portfolio summary
$20.9bn
Aggregate net sum insured
17
Fleets
1,583
Vessels
59
Vessel types
Port accumulation - Top 10
Orne $250.7m (16 vessels)
Jebel Ali $158.6m (11 vessels)
Chittagong $93.7m (7 vessels)
Punta Europa Terminal $89.6m (6 vessels)
Niteroi $80.8m (6 vessels)
Quebec $79.6m (5 vessels)
Tokoradi $73.6m (5 vessels)
Alexandria (Egypt) $73.0m (4 vessels)
Piraeus $63.7m (4 vessels)
Casablanca $62.9m (6 vessels)
Latest alerts
7 unread
MSC VIGO 06:37 PM
Vessel is no longer in exclusion zone 'JWLA War & Piracy Zones'.
MSC VIGO 09-May
Vessel entered exclusion zone 'JWLA War & Piracy Zones'.
Caribbean 09-May
Zone Caribbean accumulation threshold breached.
MSC VIGO 01-May
Vessel is no longer in exclusion zone 'JWLA War & Piracy Zones'.
MSC VIGO 30-Apr
Vessel entered exclusion zone 'JWLA War & Piracy Zones'.
View all


Quest - Underwriter Workbench
Martin O
LOMAR SHIPPING
457 vessels/2 vessel types
Fleet summary
Port visits
Vessels
Search for a specific area or port...
Port activity overview - Fleet
All vessel types
Last year
Per port
Per country
Per subcontinent
Per continent
Time spent in port
Singapore Straight
Tokyo Bay 16% 65 days
Shandong 15% 64 days
Pearl River Delta 12% 48 days
Gyeongsang 11% 45 days
Bohai Bay 10% 34 days
Osaka Bay 9% 28 days
Isle of Wight 6% 21 days
Southern California 4% 15 days
Fujian 2% 7.5 hrs

Quest - Underwriter Workbench
Martin O
LOMAR SHIPPING
457 vessels/2 vessel types
Fleet summary
Port visits
Vessels
Port visits - Fleet
All vessel types
Last year
Area
Worldwide
2,340
Port visits
120
Days spent in ports
25%
23%
21%
5%
26%
0%
Less
Port visits
More

Quest - Underwriter Workbench
Martin O
LOMAR SHIPPING
457 vessels/2 vessel types
Fleet summary
Port visits
Vessels
'JWLA War & Piracy' zones
All vessel types
Last year
43
Zone entries
13
Vessels entered
Gulf of Aden 19%
Gulf of Guinea 17%
Iran 15%
Israel 15%
Jakarta Port 13%
Lebanon 13%
Libya 6%
Pakistan 2%
'JWLA War & Piracy' zone entries
Since policy start date
8
War & Piracy zone entries
1 day
Average time spent in zones
11 days
Total time spent in zones

Pricing models can undergo a seismic change...



Active Risk Management
becomes possible
Precrime becomes Preclaim
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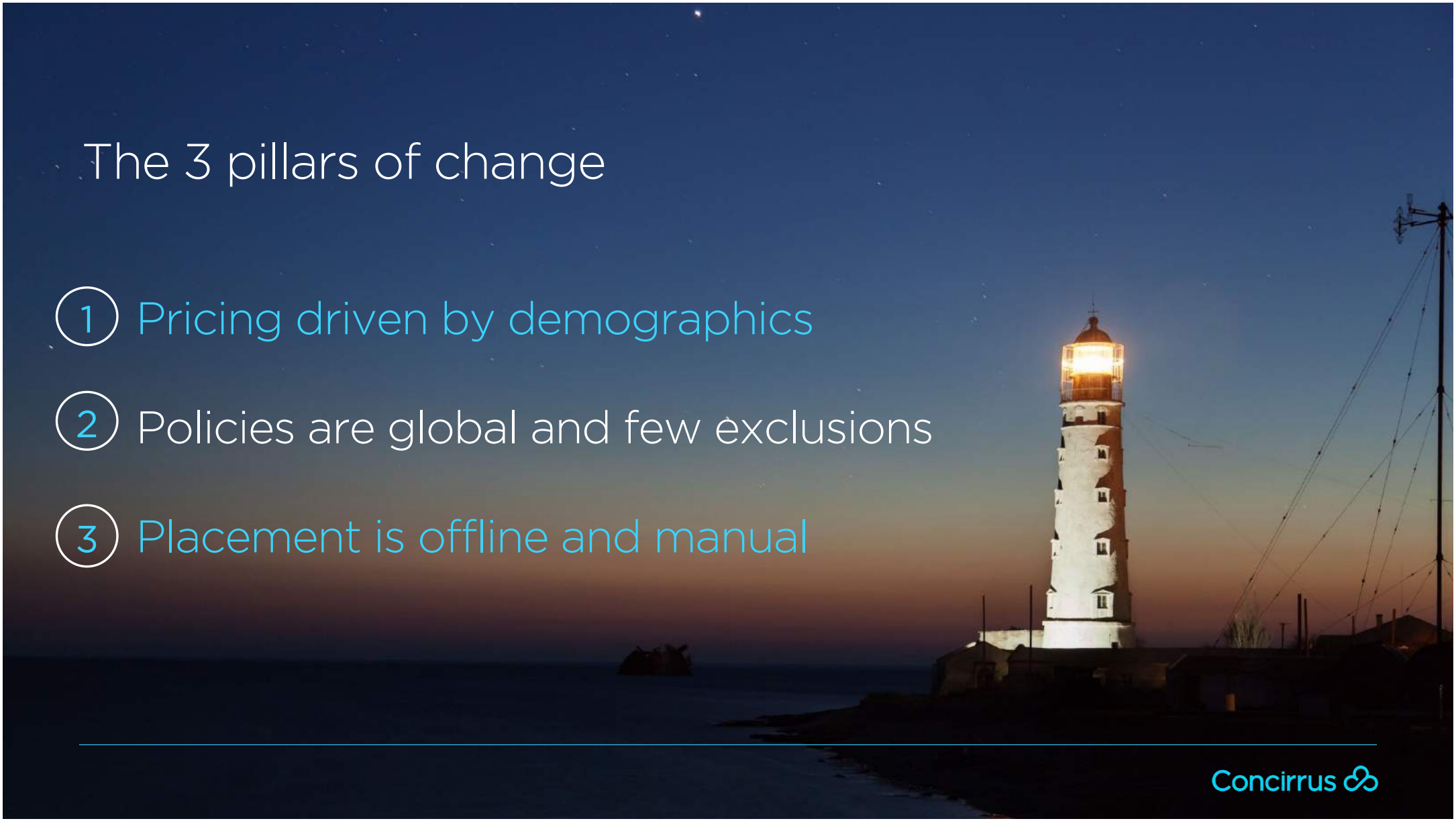
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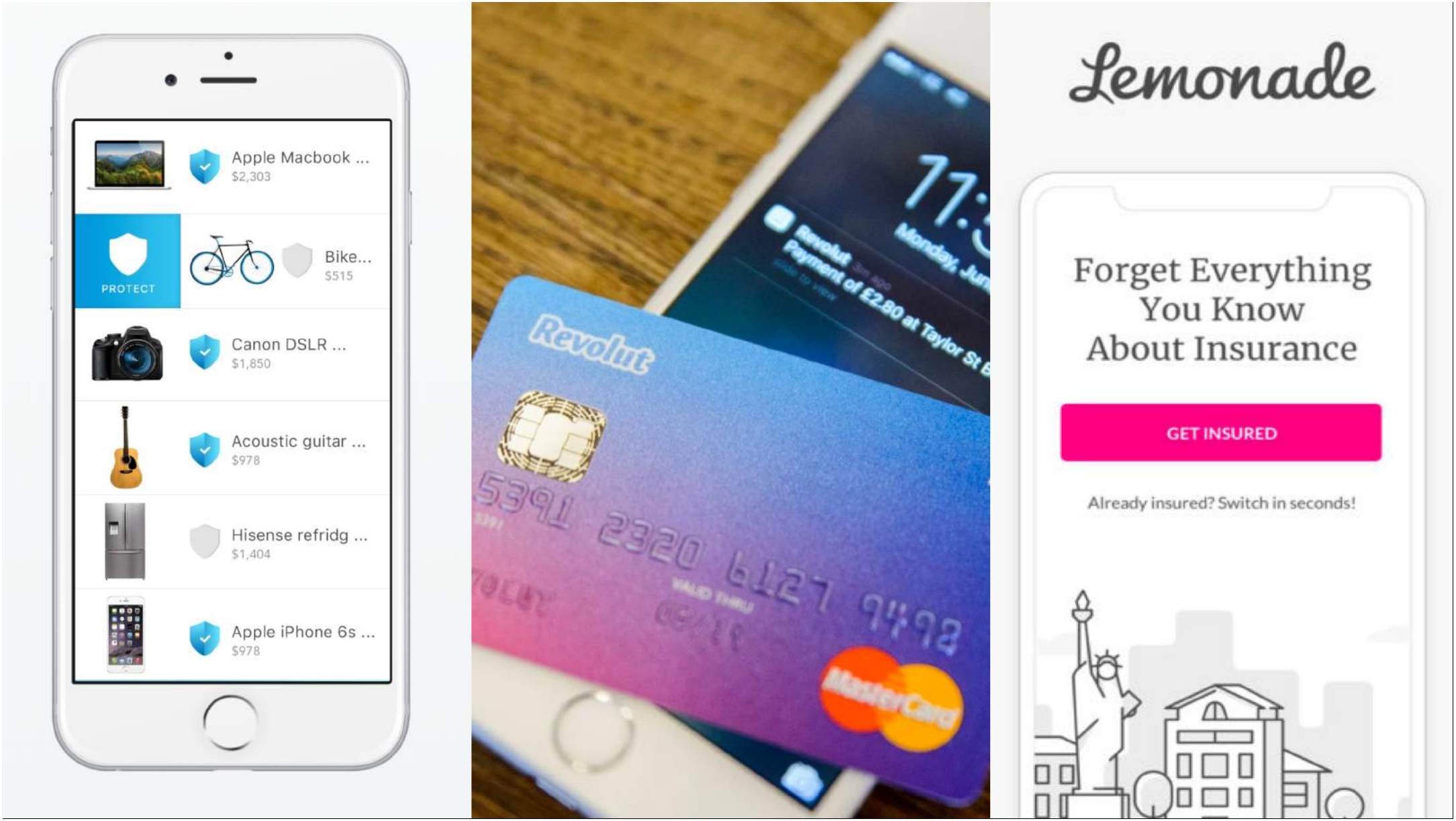
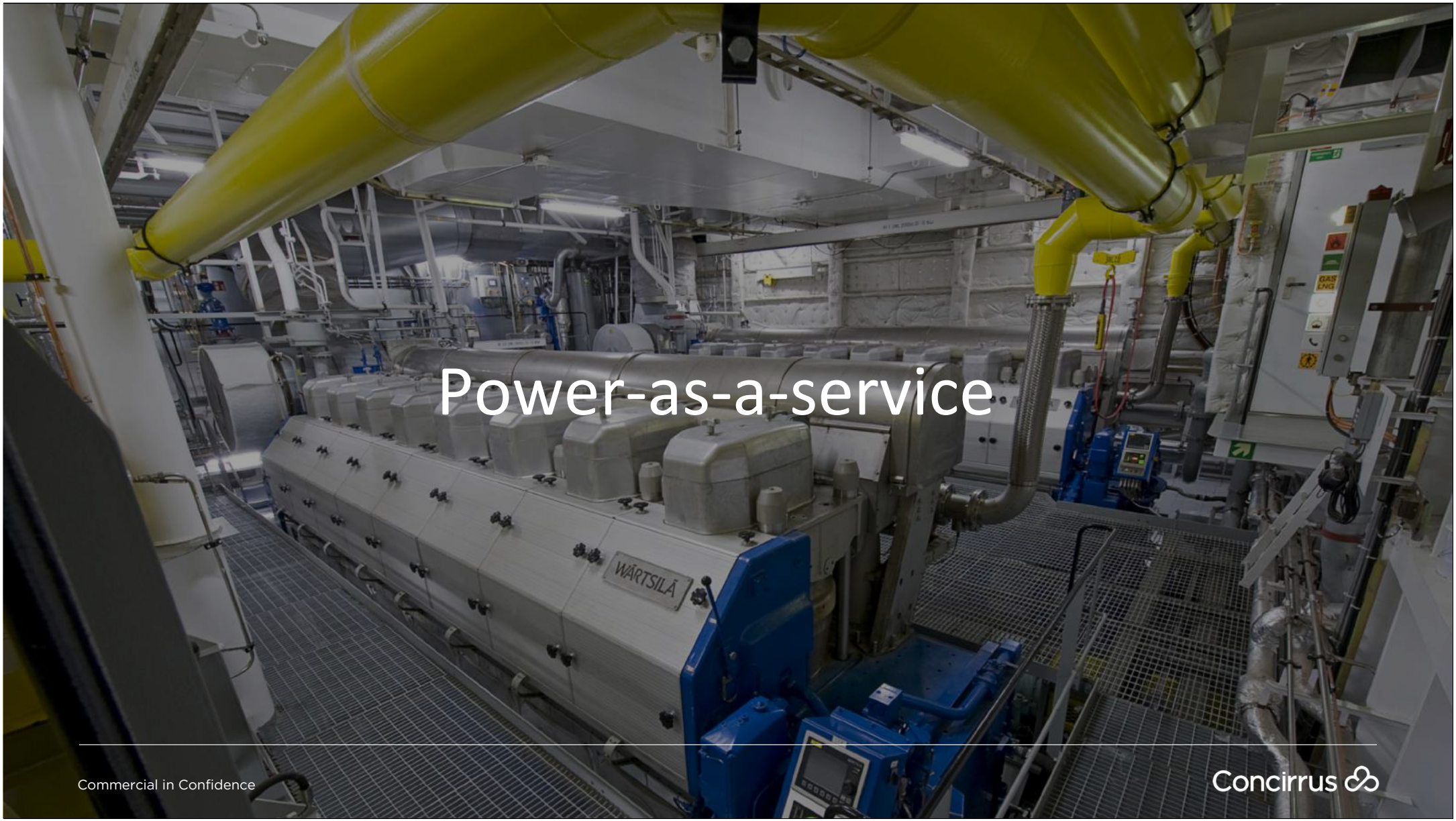
Policies are global, annual and few exclusions….but why?

Alternatives:

1. Continuous coverage
2. Fractional policies
3. On demand


Apple Macbook ...
$2,303
PROTECT
Bike...
$515
Canon DSLR ...
$1,850
Acoustic guitar ...
$978
Hisense refridg ...
$1,404
Apple iPhone 6s ...
$978
Revolut
5391 2320 6127 9498
MasterCard
Lemonade
Forget Everything
You Know
About Insurance
GET INSURED
Already insured? Switch in seconds!



Power-as-a-service

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Elastic policies
Automated coverage
Automated Return of Premium

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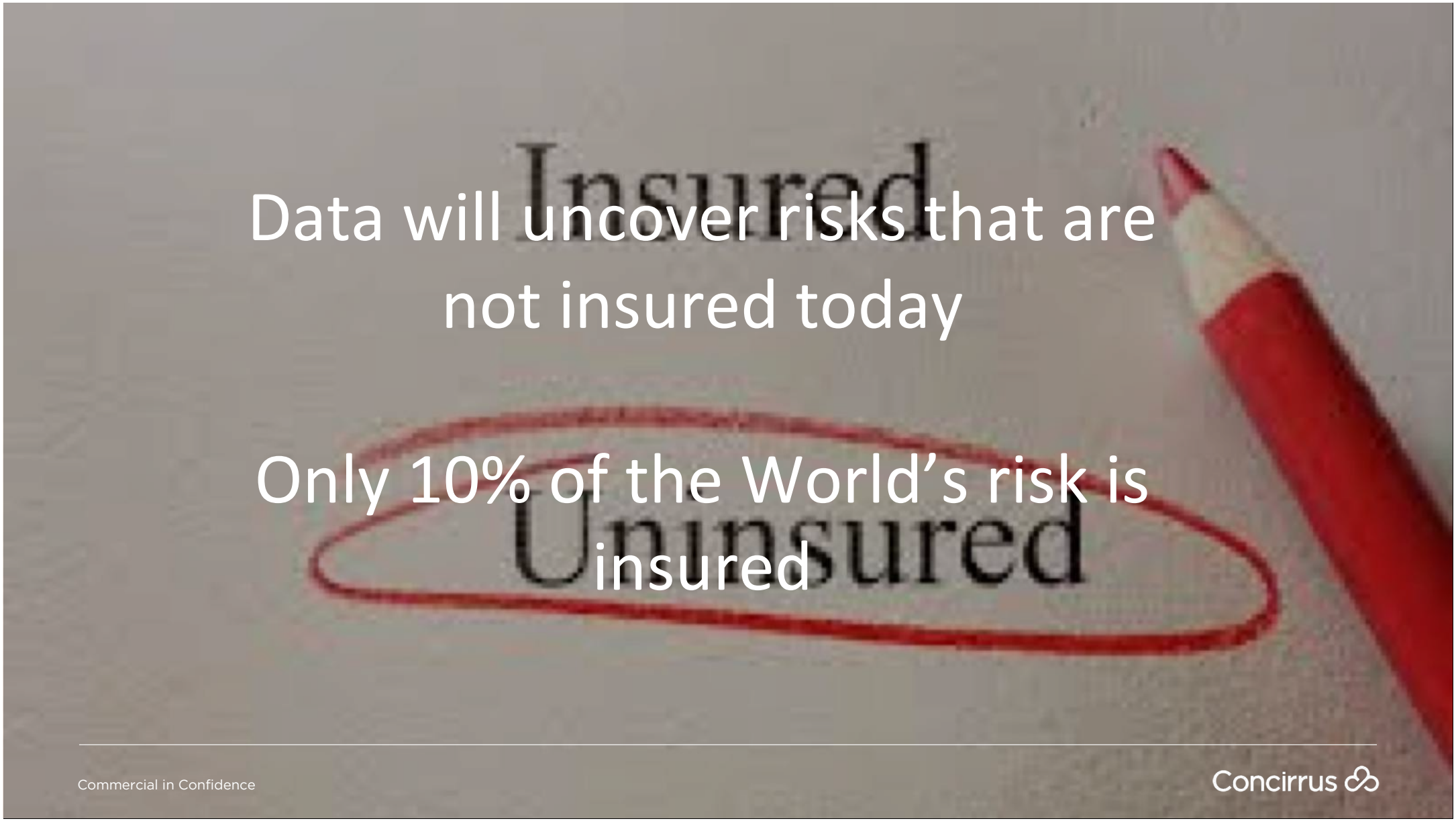
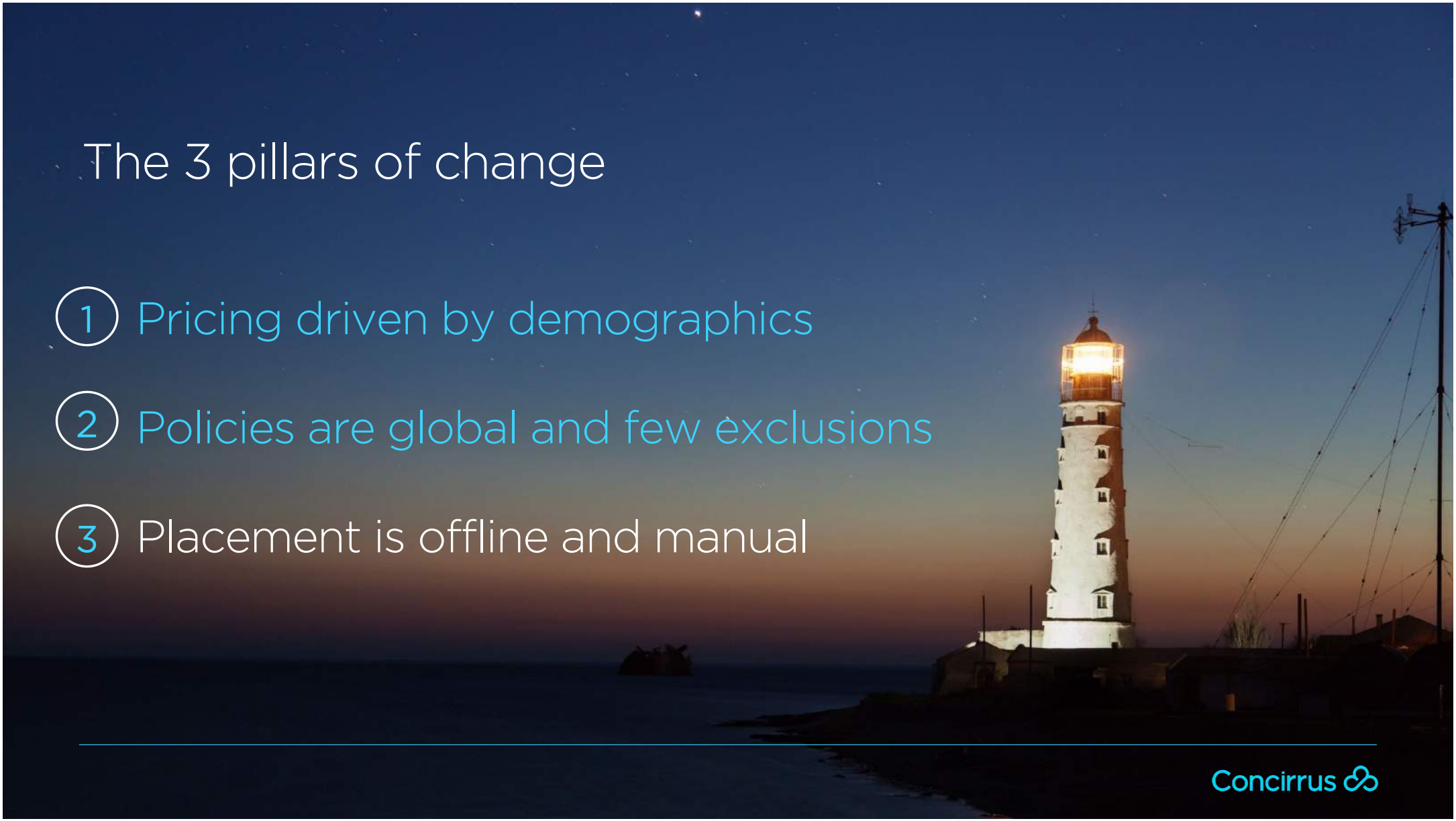


Data will uncover risks that are not insured today

Only 10% of the World's risk is insured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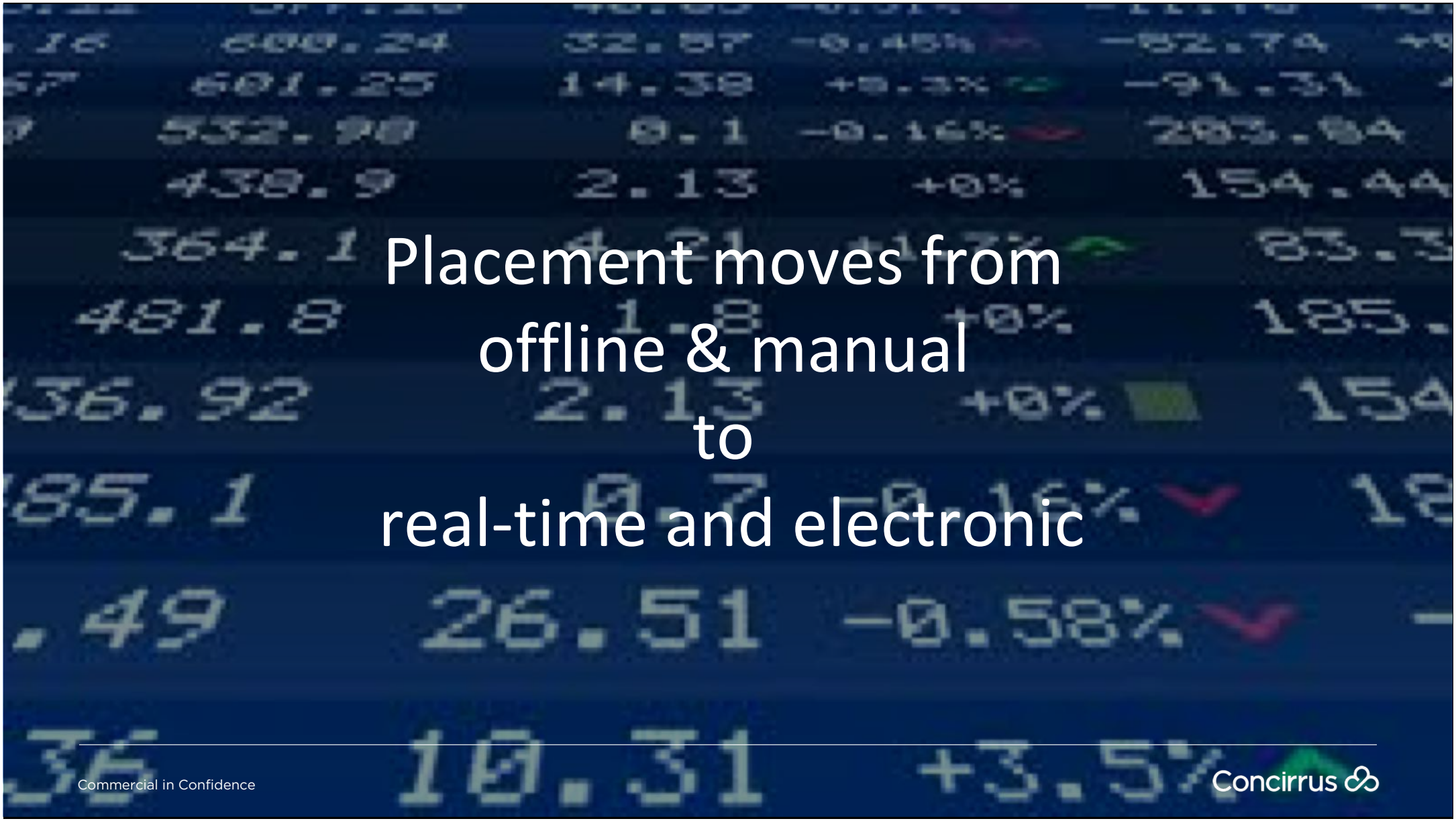
Placement moves from
offline & manual
to
real-time and electronic

“Insurance transactions are currently far too tedious and frictional. Blockchain technology has the potential to facilitate the desired development that is long overdue.”

Lars Henneberg, Maersk’s head of risk and insurance

Wins across the value chain – certain functions are redundant

Owner/Operator

Broker

Insurer

Reinsurance Broker

Quest Marine

Risk transfer and capital deployment

Targeted and connected cover

Identifying account attributes

Portfolio optimisation

New reinsurance types

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In Play betting

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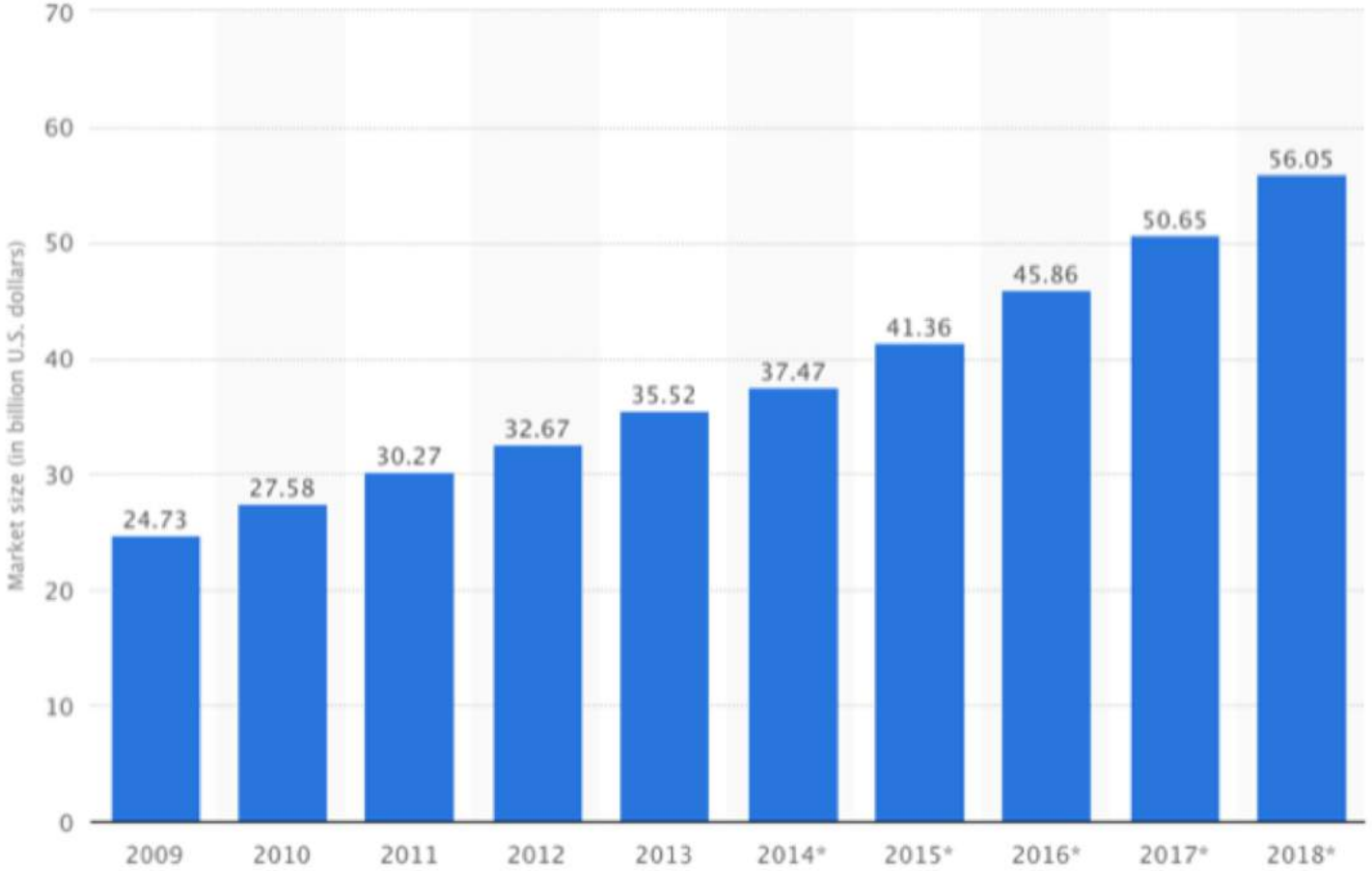
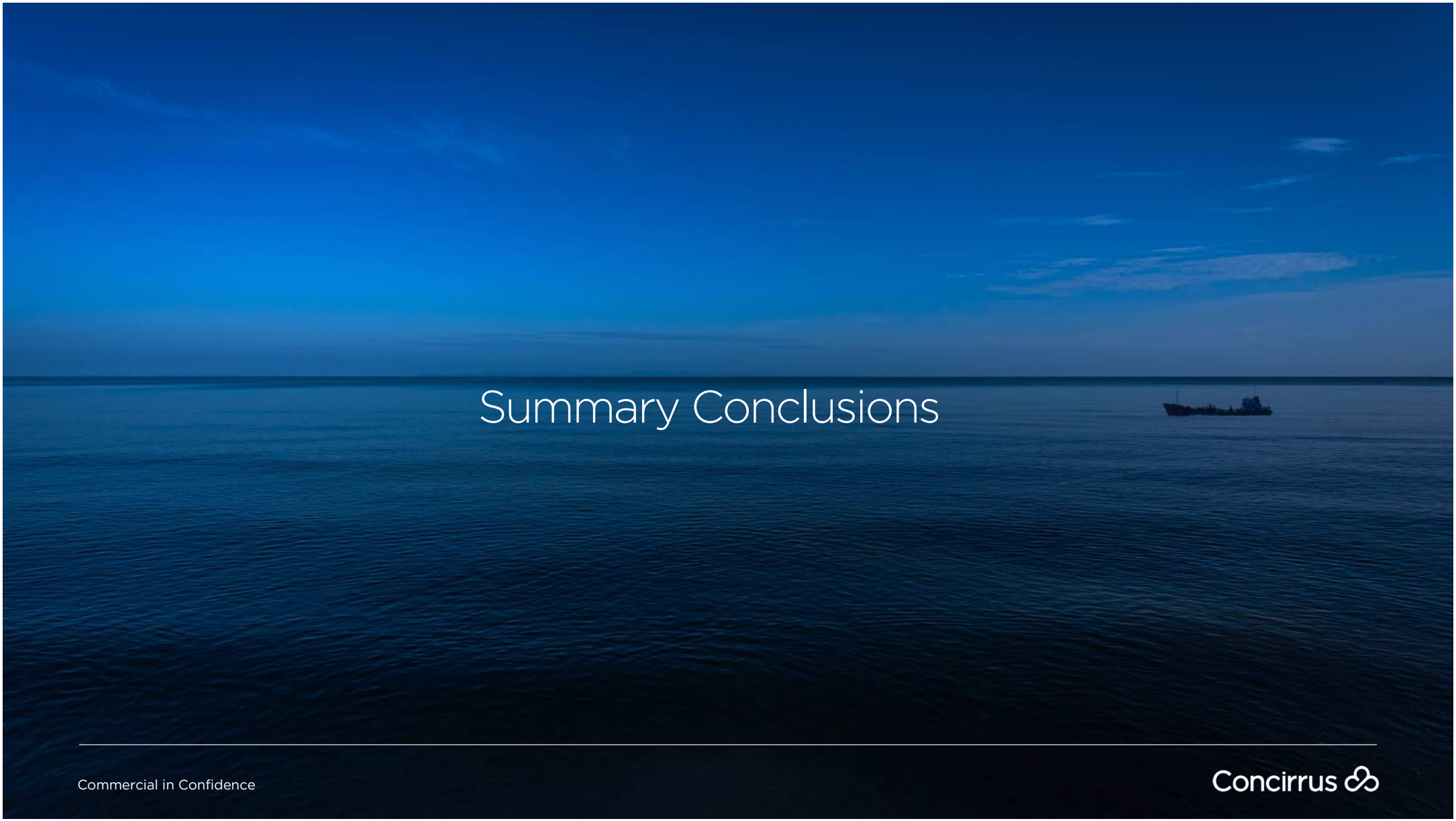
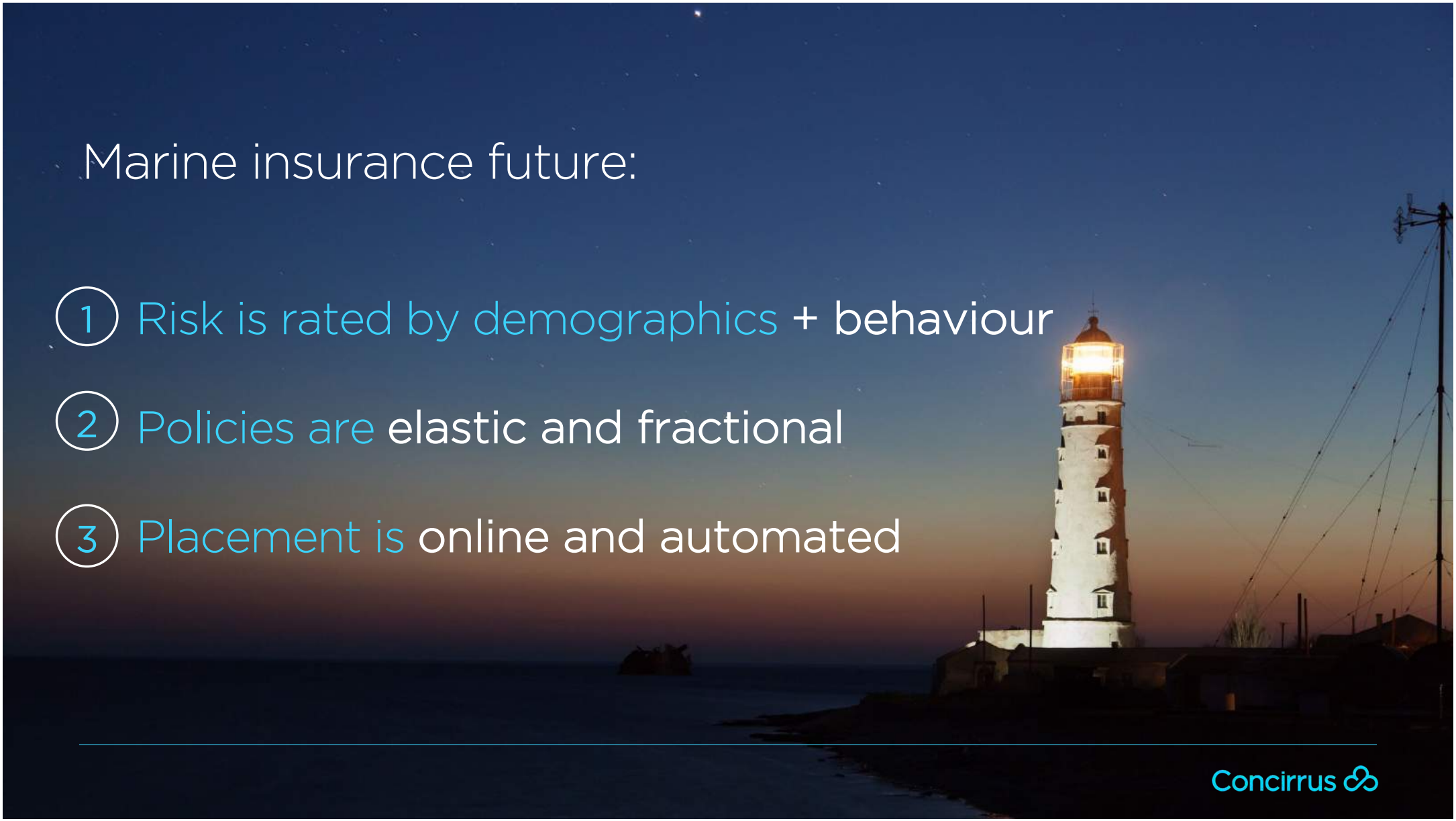
Size of the online gambling market from 2008 to 2018



Source: Statista.com



Summary Conclusions


Marine insurance future:
1 Risk is rated by demographics + behaviour
2 Policies are elastic and fractional
3 Placement is online and automated
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How does this benefit insurers?
1 More premium and new target markets
2 Improved loss ratios and better risk
3 Active risk management in real time
4 New, elastic policies
= more profit
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DOT.
CON

“The internet has not been a ‘disruptive technology’…”

“It is difficult to think of a single example in which an internet company has supplanted a major ‘old economy’ firm”

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“The internet does not represent a revolutionary new business model”

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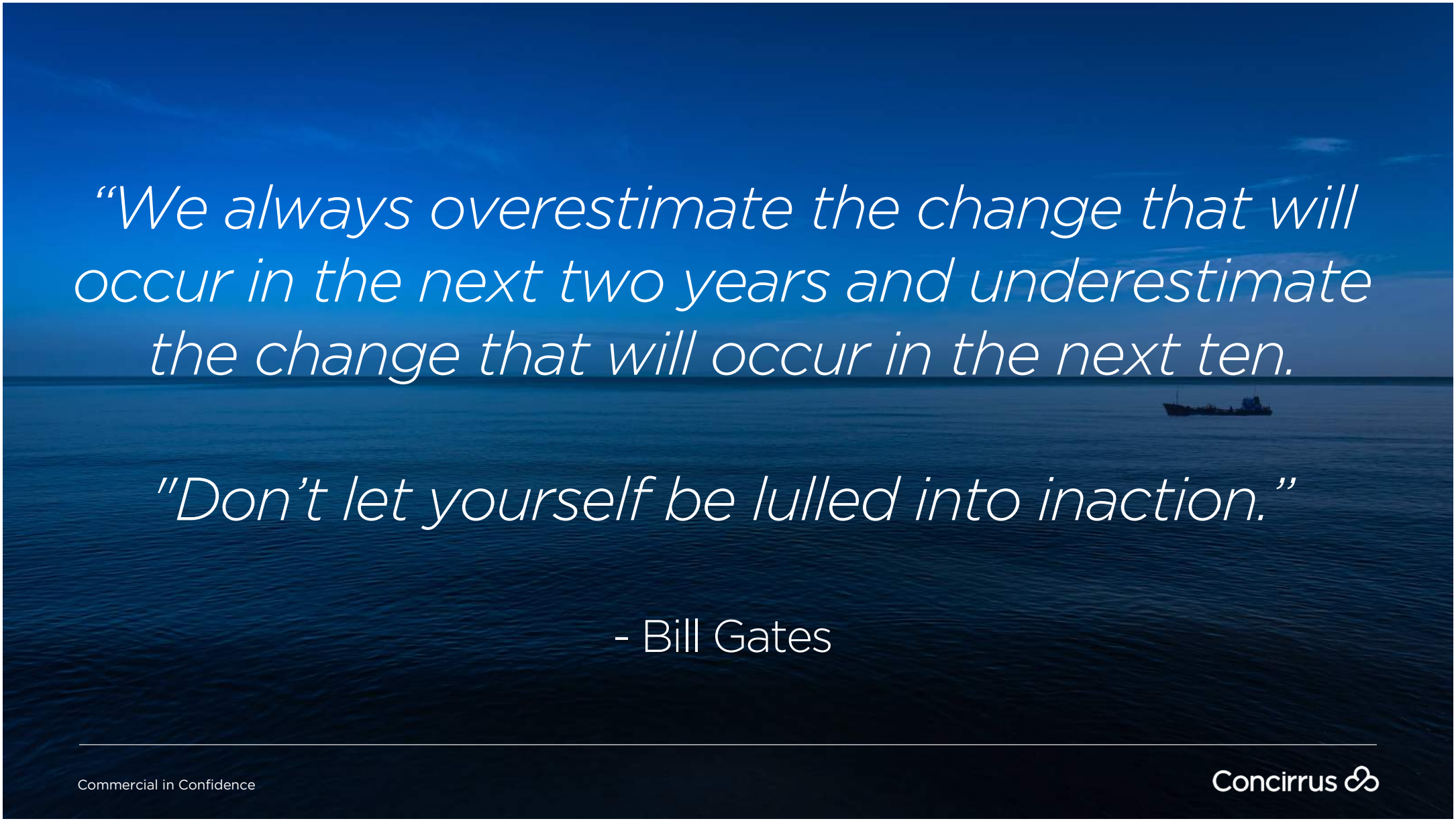
“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.
"Don’t let yourself be lulled into inaction.”
- Bill Gates

We need to work together...
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The future belongs to those who create it

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