

IUMI Report

I would like to start by thanking the Canadian Board of Marine Underwriters for giving me the opportunity to attend this conference. The four day conference in September provided an invaluable experience to learn and network with other marine professionals.

There were more than 600 participants at this year's conference. Prior to kicking off the conference, there was an opportunity for first timer's to attend a reception with each other. It provided a good networking opportunity in a smaller setting prior to diving into the full conference. Many of the connections made at the First Timer's Reception, I remained in touch with over the course of the conference. It was nice to have people to share my passion with. Being at IUMI really made me realize how small our community is, particularly in Canada. It was eye opening to see how many of the issues we face in our Canadian marketplace are really global issues that we all face and how issues that face other markets are things that we don't necessarily think about here in Canada. My understanding of marine insurance has been deepened and broadened as a result of attending the conference.

Some of the key things I took-away from this year's conference by each committee session include:

- **Facts and Figures:**

- Total annual global marine premium is at \$29.9 billion USD which is a decrease on the year before. The decrease is thought to be due to the fluctuations in value of the American dollar and low oil prices causing reduced energy premiums
- Of that \$29.9 billion, 16 Billion is from Cargo, 7.5 billion from Hull and Machinery, and 4.5 Billion from Offshore energy premiums.

- **Ocean Hull:**

- Underwriting discipline is cracking and the 2015 loss ratio is much higher than the previous two years and 2016 is shaping up to be a similar year.
- Car carriers are similar to container vessels and RO-RO's; however, they suffer from instability, poor loading, are susceptible to cargo shift, fire, collision, and stranding. They can carry up to 8,500 cars at any given time with a maximum value of \$160 million USD.
- The amended UK Marine Insurance Act is now in force. It changes law on pre-contractual obligations, warranties, and risk mitigation.
- The cruise market has grown significantly. They are seeing 7-8 new ship orders per year as older, refurbished ships are not attractive. These new orders are coming primarily from China and Australia as they are emerging markets in the cruise ship industry. There are concerns about a lack of skilled workers and security on board vessels or at destinations.
- With the changing economy, there is an upward trend for vessels to be laid up and eventually scrapped. Vessel owners must notify their classification society, P&I Club, Hull insurers, flag state, and local port authorities prior to putting their vessel into lay-up. Insurers need to be wary of vessels that are being reactivated and ensure the proper precautions have been completed.

- **Cargo:**

- There is a decrease in premiums due to increased capacity, lower premiums, increased freight capacity, and decreased commodity prices.
- There is approximately one piracy attempt per month in the Gulf of Aden however the last successful piracy attempt in any waters was in May 2015
- Underwriting rice in West Africa is difficult due to wet and mouldy bags, torn and empty bags, pilferage, shortage, and infestation. Steps to mitigate include doing a nitrate test, recording moisture levels, issuing letters of protest, re-bagging, calculating depreciation immediately, using nets to discharge on piers, supervise handling, weigh torn bags, collect evidence, take pictures, restrict access, get pre-load and post surveys done, take tallies and cross-check tallies, have joint surveys done to calculate depreciation, and fumigate.
- The issue with misappropriation is that it is not defined. The Joint Cargo Committee is working on a wording to deal with this increasing issue.
- Fine art is covered from “nail to nail,” which means it is covered from the time the art is removed from the location it is normally kept until it is returned. Claims are settled based on the cost of restoration up to the agreed value.
- An icebreaker to get a ship through the Arctic passageway costs roughly \$400,000 USD. So it saves time but costs a lot of money.
- Iran has the second biggest economy and population in the Middle East and North Africa. They have 11 main ports, three of which are in the Persian Gulf. In 2015 there were 36,000 port calls, 2.4 million containers. And 17 million passengers that travelled through Iran. 6% of their total insurance premium is marine related. Their cargo loss ratio is estimated at 20-30%.
- Creation of a North-South Corridor with Russia and India would be three times shorter than going through the Suez Canal.
- If you were to fill a container full of diamonds it would be worth \$1.2 billion USD, whereas, chalk would be \$788.
- The biggest ship to call in the USA was the Benjamin Franklin which was carrying \$985 million worth of cargo.
- Over a billion dollars in goods go through Shanghai’s port every day.
- **Political Forum:**
 - The IMO is an agency of the UN which is headquartered in London. They are responsible for the Ship Recycling Convention and amendments to SOLAS. Regulations passed by this body have to be implemented into national law. There is no policing mechanism as it is the responsibility of the flag state.
- **Inland Hull, Fishing Vessels, and Yachts:**
 - The Netherlands’ super yacht industry has grown dramatically. The average value of a superyacht there is 54 million Euros.
 - The standards for appearance on a yacht are even higher than those on a luxury vehicle. The average coat of paint lasts 5-6 years on a yacht, but it is less in the Caribbean, and even less in Asia. Repairing a coating is very difficult and may reduce the value.

- The presenter estimated that one of the superyachts that was moored just outside the conference centre in Genoa, the Azteca, would cost \$10 million USD to repaint.
- There are 5,362 superyachts globally now, of which 32% are ordered from Italy, but flagged elsewhere.
- **Loss Prevention**
 - Safety concepts from the airline industry can and should be applied to the shipping industry as it is one of the safest industries in the world.
 - There are new forms of fraud emerging. Electronic freight sites, internal fraud, and lack of crime records are all problems for misappropriation aboard. Insureds (may be the carrier, cargo owner, or the freight forwarder) need to protect themselves by getting carrier details, transport licenses, vehicle registration, carrier's liability, and authorization for special goods.
 - Fraud is no longer petty crime, it is often very violent. Universal standards need to be worked onto combat cargo fraud. Often the goods that are stolen have already been sold on the black market. The BENELUX area is particularly bad for this.
 - Corrosion will begin at 40% humidity, mould at 75%, and rain will start at 100% humidity, which is known as the dew point. Cargo containers have their own internal climate known as a crypto-climate. Water content is dependent on goods, routes, and temperatures.
- **President's Workshop**
 - Tianjin—165 people died and 798 more were injured as a result of the explosion. 7,533 containers, 304 buildings, and 12,428 new cars were lost. 680 tons of sodium cyanide was stored when they were only authorized to have 70 tons.
 - Trends are showing that cargo CAT's are the new norm. Superstorm Sandy was a wakeup call to start CAT modelling in marine. Port exposure is a known unknown as we often don't know where our risks are at any given time in marine. Marine insurers need shippers to provide more data to track the cargo and need to work with P&C.
 - Insurers don't go out of business because they don't charge enough premium, they go out of business because they don't understand their aggregates.