



IUMI International Union
of Marine Insurance

International Union of Marine Insurance

Keynote Address of IUMI President **International Trends in Marine Insurance**

**Shanghai Institute of Marine Insurance
– Seminar with IUMI**

Shanghai, 12 January 2016

Dieter Berg
IUMI President



IUMI International Union
of Marine Insurance

International Union of Marine Insurance

President of the IUMI from September 2014

Dieter Berg Senior Executive Manager,
Global Marine Partnership
Munich Re, Munich



Seminar with SIMI

1. Keynote Address – International Trends

IUMI 2016 :

- New projects and initiatives
- State of the global marine market

2. Asian Marine Insurance Market

- Shinji Urano, Vice Chairman Executive Committee

3. IUMI Organization and its current work

- Lars Lange, Secretary General



IUMI International Union
of Marine Insurance

IUMI – OVERVIEW

- The IUMI represents the national and international marine and offshore energy insurance industry globally
- 48 national (marine) insurance associations and 23 IUMI Professional Partners (IPPs)
- No brokers or P&I insurers
- Founded in 1874

The IUMI covers all issues of interest to the worldwide marine insurance industry

- Represents interests of marine insurers
- Information/education/conferences
- Affiliates/other stakeholders in maritime business



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WELCOME SIMI !

SIMI 上海航运保险协会
Shanghai Institute of Marine Insurance



IUMI welcomes the
Shanghai Institute
of Marine Insurance
as new member of the
global marine insurance
community !



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IUMI – GOING FORWARD

NEW INITIATIVES

ExCom
Working
Group

► **Communication**

- IUMI is the voice of the marine insurance industry
- Media work/press/public relations
- Raise the public awareness of excellent work of the technical committees

► **Communication Strategy**

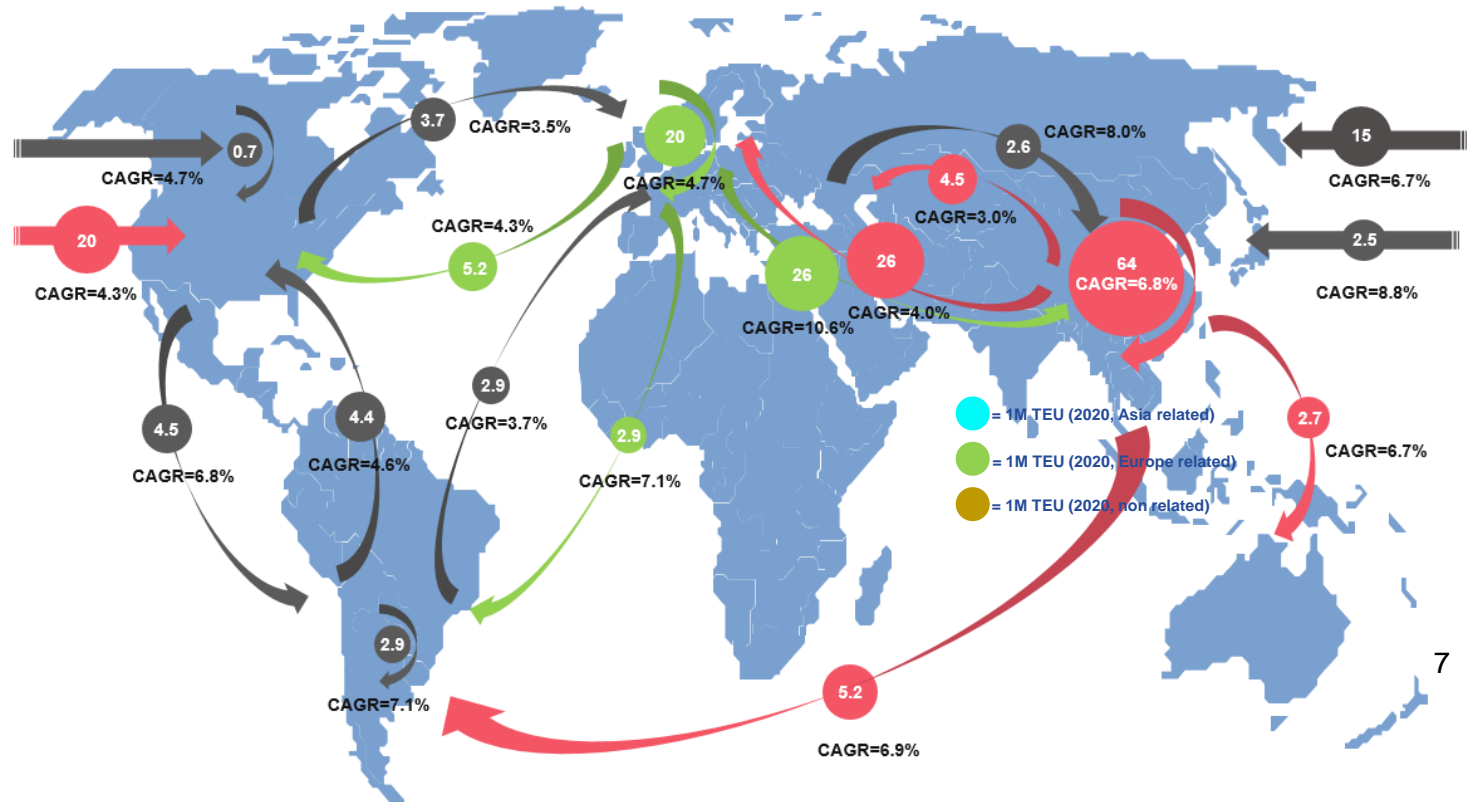
- Public Relation Agency / Press statements 2015
- Branding / Vision / Website / IUMI Eye / Search function



IUMI going forward

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- **Strengthen IUMI's presence in emerging markets**
 - Focus on Asia hub / Latin America



Source: "London Matters" The Competitive Position of the London Insurance Market, LMG & BCG 2014; BCG container flow forecast model



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IUMI – GOING FORWARD

NEW INITIATIVES

- ▶ **Strengthen IUMI's presence in emerging markets**
 - Focus on Asia hub / Latin America
 - IUMI Conference Tokyo 2017
 - Asia Roadshow – Thailand, Malaysia, Singapore, Indonesia

- ▶ **Strengthen the close cooperation with IUMI members and Affiliate members**
 - AIMU – New York
 - Kazakhstan Insurance Conference – Almaty
 - Hong Kong Delegation – Hamburg
 - Turkish Insurance Association – Istanbul
 - International Maritime Claims Conference – Dublin
 - ALSUM – Sao Paulo
 - SIMI – Shanghai



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IUMI – GOING FORWARD

NEW INITIATIVES

Project
IUMI 2015

- ▶ **Visibility - advocate the interests of the global marine (insurance) industry**
 - Promote current maritime industry topics at a political level
 - Increase IUMI's influence at political level, NGOs and regulatory authorities
 - Support political decision-makers with specialist know-how
 - Further strengthen cooperation with industry stakeholders



IUMI – GOING FORWARD

NEW INITIATIVES

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Project
IUMI 2015

► Strengthen the political influence of IUMI

- Activities at IMO / European Union / bilateral at government and NGO's meetings

- Political Forum

➡ Current Issues List

ACTION *recommended*

SUPPORT *recommended*

MONITOR & INFORM *recommended*



IUMI – POLITICAL FORUM

CURRENT ISSUES

... shipping risks

- Fire-fighting on container vessels
- Places of refuge
- Arctic sailing
- Maritime cyber security



Image: HO / Corbis

... and many more

- Sanctions
- Cargo theft
- Cargo accumulation
- Offshore safety regulation



Image: Kreispolizeibehörde Soest



IUMI – GOING FORWARD

NEW INITIATIVES

► **Education - developing an education program for the global marine insurance industry**

- ➡ War on talents
- ➡ Insurance industry competing with finance, consultancy and high-tech industries
- ➡ Marine insurance is competing internally with other LoB's

IUMI will promote attractiveness of marine insurance

Hong Kong, Germany, Italy, Japan strong supporters of and consultants for a new foundation to promote marine insurance education globally

- ➡ Three-step approach:
access to existing programs / “best of” webinars /
one week training



CHALLENGES FOR MARINE INSURANCE THE PRESIDENT'S VIEW

... external factors such as technical, financial and human issues are key drivers of our business and together they are creating a new standard for our industry...

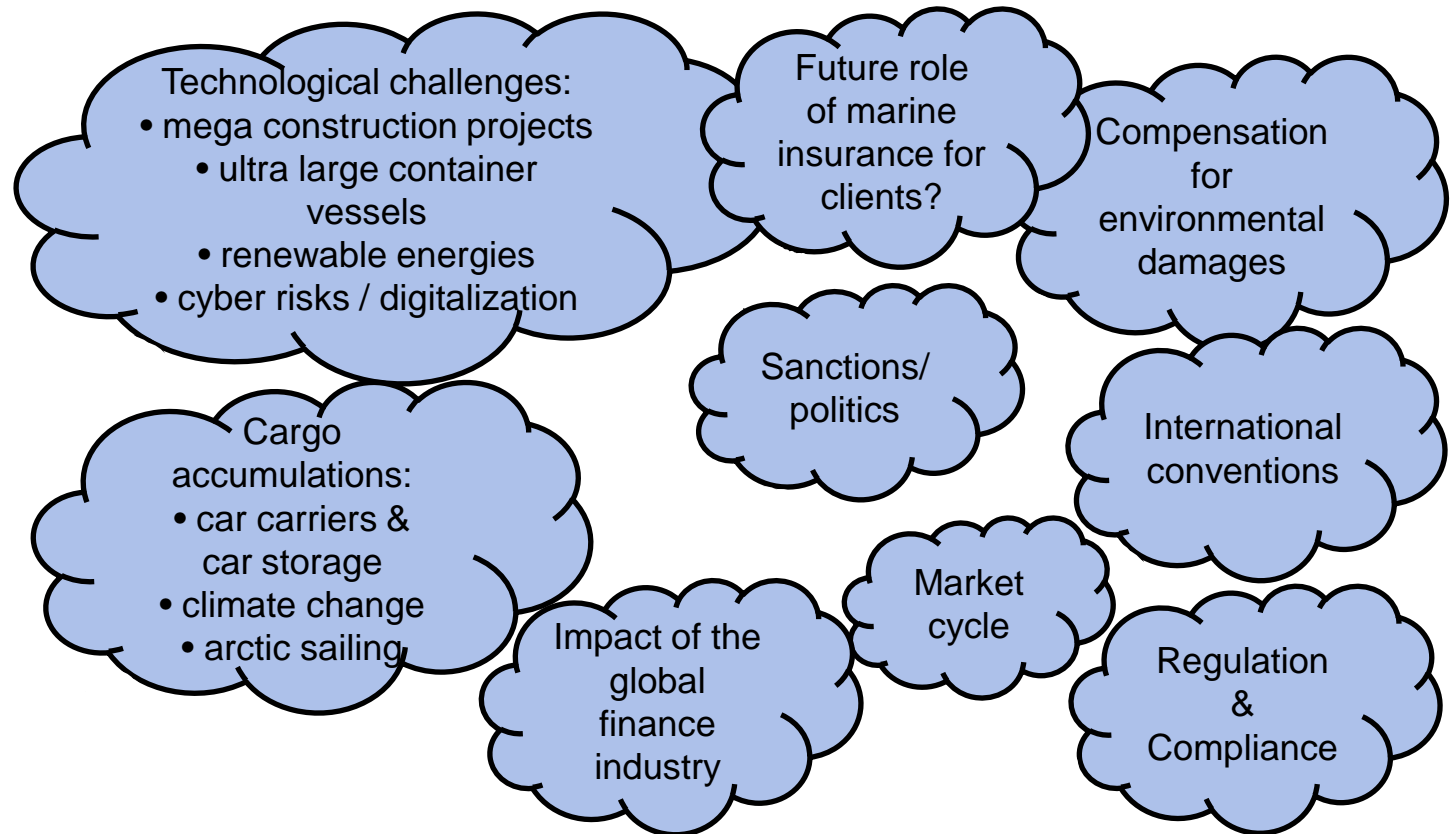
That is what led us to choose this theme for the 2015 Berlin Conference... ”

Technical, Financial & Human Factors – is there a new normal ?





CHALLENGES FOR MARINE INSURANCE THE PRESIDENT'S VIEW





CHALLENGES FOR MARINE INSURANCE

THE PRESIDENT'S VIEW

Technological challenges:

- mega construction projects
- ultra large container vessels
 - renewable energies
- cyber risks / digitalization

Cargo

accumulations:

- car carriers & car storage
- climate change/
arctic sailing

Market
cycle

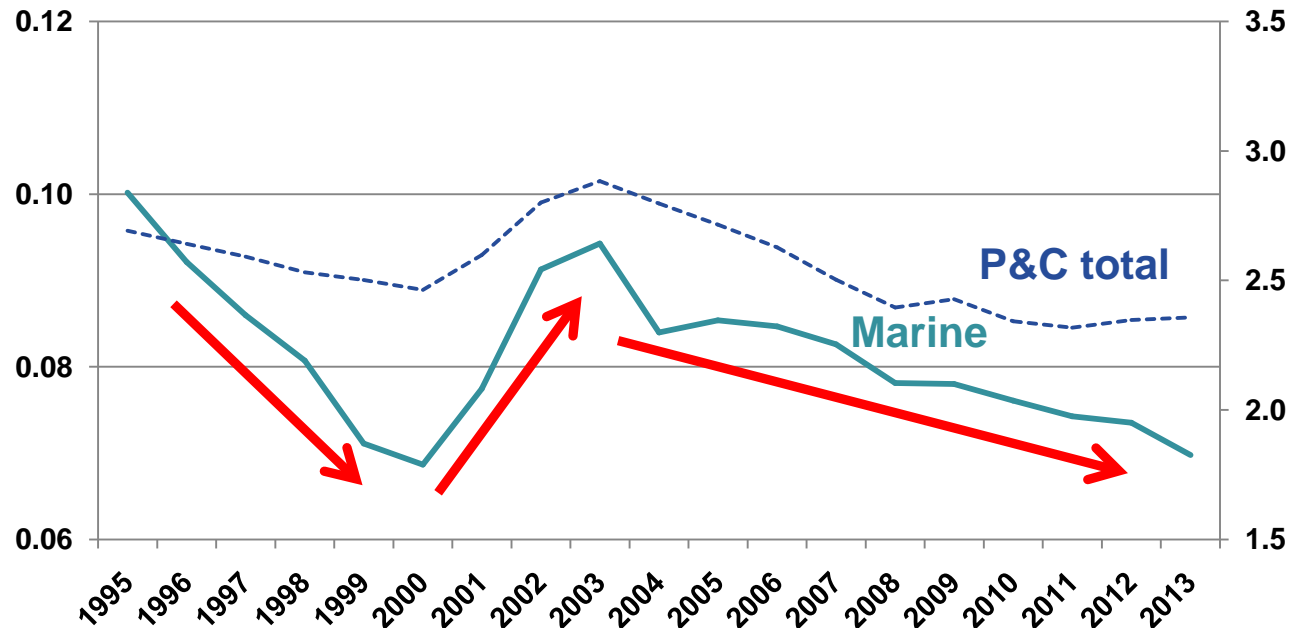
Impact of the
global
finance
industry



On a global scale, cyclicity in penetration data seems to have given to a trend decline...



Global marine premiums in % of GDP



- For the global marine business, a clear cyclical pattern is visible for the 1990s / early 2000s, which reflects the soft and hard market periods
- Since then, the cyclical behaviour seems to have become less obvious
- This trend is stronger than in P&C business overall

⇒ **Does this reflect an “end of the market cycle”?**



CHALLENGES FOR MARINE INSURANCE

EXTERNAL DRIVERS OF OUR BUSINESS – TECHNOLOGICAL

.... can underwriters keep pace with the rapid technological advances ?

Technological
challenges

New complex technologies:

- ⇒ Cyber threat, digitalization, big data
- ⇒ Super-large container vessels and car carriers
- ⇒ Complex oil and gas drilling
- ⇒ Mega construction projects



DIGITALIZATION & CYBER THREATS FOR SHIPPING AND OFFSHORE INDUSTRY

Shipping electronic

- Navigation
- Identification
- Communication
- eNavigation
- Unmanned vessels



Image: Andersson18824 / Wikimedia Commons

Technological
challenges:
Cyber

Ports and logistic facilities

- Tracking of containers (Antwerp case)
- Storage of container
- Cooling of goods
- Intelligent logistics

Offshore platforms

- Ballast management
- Production management
- Drilling management



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CHALLENGES FOR MARINE INSURANCE

EXTERNAL DRIVERS OF OUR BUSINESS – TECHNOLOGICAL

Technological
challenges:
ULCVs

Ultra-large container vessels

- 19,000 TEU: 3 vessels in service
dimensions: 1,312 ft long and 192 ft wide, 100 ft high
- 20,100 TEU: 4 vessels ordered
- 21,100 TEU: 6 vessels ordered



Challenges

- ➡ Structural stability issues of large vessel designs
- ➡ Fire-fighting capabilities on board
- ➡ High cargo values on board (up to \$1bn)
- ➡ Salvage capability gap - no suitable cranes available
- ➡ Salvage in remote locations
(“MV Rena”: 3351 TEU capacity, 1368 containers on board, P&I loss: \$425m)



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CHALLENGES FOR MARINE INSURANCE

ACCUMULATION RISKS IN AUTOMOTIVE POLICIES

01/2015	Hoegh Osaka	⇒ 1400 Range Rover+Jaguar,	\$ mill cargo loss ?
04/2014	Asian Empire	⇒ 4600 Kia+Hyundai,	\$ 130 mill cargo loss
12/2012	Baltic Ace	⇒ 1400 Mitsubishi,	\$ 35 – 50 mill cargo loss
07/2006	Cougar Ace	⇒ 4812 Mazda,	\$ 117 mill cargo loss
12/2002	Tricolore	⇒ 2871 new cars/trucks,	\$ 60 mill cargo loss
10/2002	Hual Europe	⇒ 4000 cars lost	

Challenges

Inherent risks of car carriers

- ➡ High deck superstructures
- ➡ Stability problems
- ➡ Loading ramps
- ➡ Quick water ingress

Technological
challenges:
Car carriers



Image: Geni2015 / Wikimedia Commons



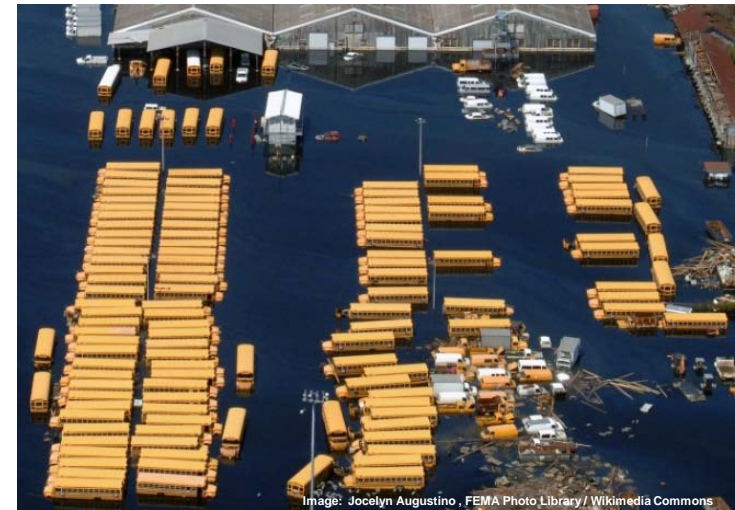
ACCUMULATION RISKS IN AUTOMOTIVE POLICIES

CATASTROPHE EXPOSURE TO AUTOMOBILES IN PORTS AND STORAGE AREAS

➤ **Flooding / storm surge / tsunami**

Superstorm Sandy:

- Biggest marine cat loss \$3 bn.
- Port of NJ:
16.000 new autos +
3.000 trucks total loss
\$ 650 mill total automotive loss



➤ **Hail**

- Open car storage
- Correlates with storm and flood
- Europe: 20 hail events with marine losses since 2004
- Influence of climate change



Accumulation control & risk management !



ACCUMULATION RISKS IN AUTOMOTIVE POLICIES

CATASTROPHE EXPOSURE TO AUTOMOBILES IN PORTS AND STORAGE AREAS

➤ Fire / explosion / terrorism

- Fire following earthquake
- Man-made losses
- Tianjing >18.000 cars, 1000's of containers, warehouses?
- Total loss est. \$1.5bn to \$3.3bn



Image: picture alliance / AP Photo / Ng Han Guan

➤ Modelling of man made / terrorism scenarios?

Cargo accumulations are difficult to model :

- Hail / Flooding / Earthquake / Hurricane / Typhoon / Storm
- Use of terrorism models (bomb explosion) for man made losses



Tianjin demonstrates the persistent growth of accumulation risks!



CHALLENGES FOR THE MARINE INSURANCE

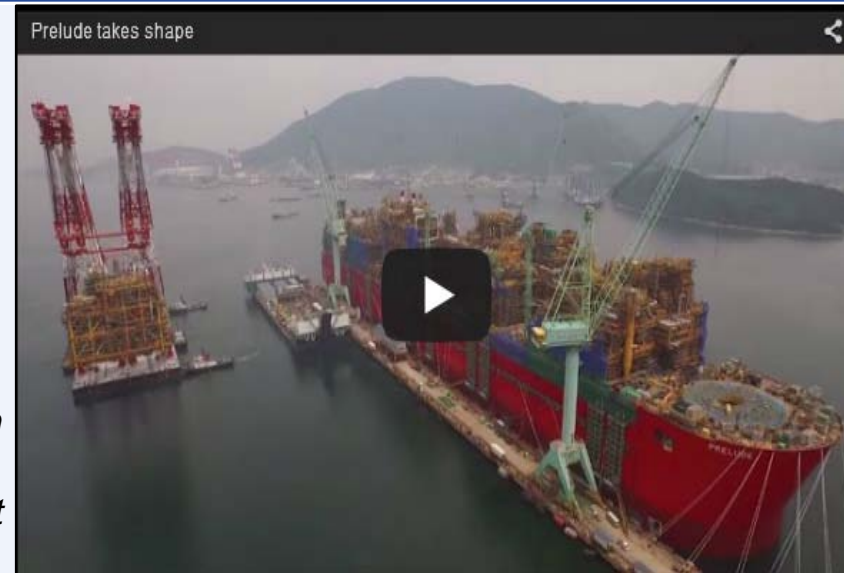
EXTERNAL DRIVERS OF OUR BUSINESS – TECHNOLOGICAL

Shell „Prelude“

Floating Liquefied Natural Gas (FLNG) – plant

- Biggest floating unit/hull ever
- First floating LNG facility
 - Value: ~ \$4bn hull value + \$4bn subsea equipment
 - Dimensions: 1,600 ft long, 246 ft wide, 295 ft high
 - Storage capacity: 600,000 tons / annual production 3.6 mill tons

Technological
challenges:
mega projects



<https://www.youtube.com/watch?v=pqREfZNFGDc>

Challenges

- ➡ Mooring system
- ➡ Subsea installation of high tech equipment
- ➡ Combination of exploitation and refinement (plus storage capabilities)
- ➡ Frequent loading and supply vessel traffic → collision risk
- ➡ Salvage possibilities



CHALLENGES FOR THE MARINE INSURANCE

EXTERNAL DRIVERS OF OUR BUSINESS – TECHNOLOGICAL

Eni „Goliat“

Floating Production Storage and Offloading Unit (FPSO)

- **First Arctic FPSO ever**
- **Northern-most offshore development in the world and first in the Barents Sea**

Value: \$1.2bn / Dimensions: 370 ft across, 250 ft high

Production: 100,000 barrels of oil per day / storage capacity 1 mill barrels



Image: Eni Norge / News

Technological
challenges:
mega projects

Challenges

- ➡ Fully enclosed surface design: high inherent vapor cloud exposure
- ➡ Arctic subsea installation of high-tech equipment at depth of 1,125 ft
- ➡ Combination of exploitation and refinement in harsh environment (plus storage and offloading)
- ➡ Salvage possibilities in heavy weather and ice conditions
- ➡ Oil spill in Arctic Ocean



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Technological
challenges:
deep sea
mining

Remotely
operated
vehicles

Subsea
equipment

Surface
equipment

CHALLENGES FOR THE MARINE INSURANCE

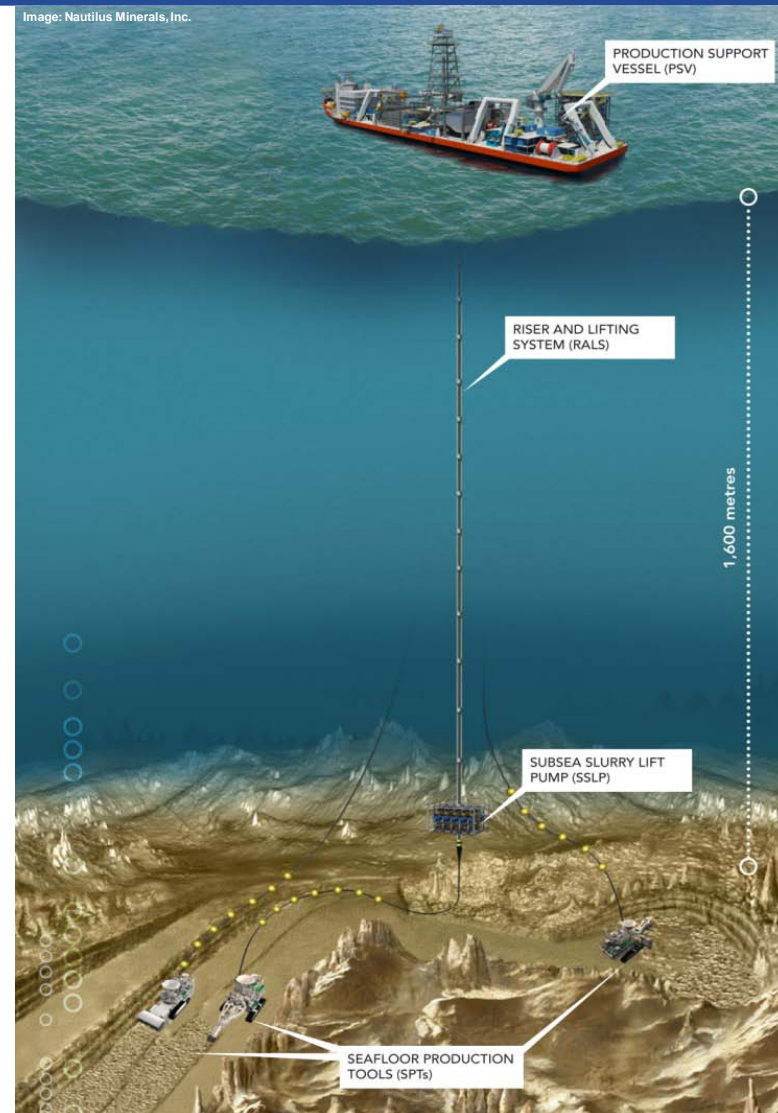
EXTERNAL DRIVERS OF OUR BUSINESS – TECHNOLOGICAL

Nautilus Minerals Inc., Canada

commercial seafloor exploitation
of cobalt, copper, nickel, silver
and rare earth elements in 2018:

- Bulk cutter weighs 310 tons
- Auxiliary cutter weighs 250 tons
- Collecting machine assembly planned for Q4 2015
- Subsea pump & pipeline system: delivery expected mid-2016
- Riser system delivery planned for Q4 2015
- Production support vessel (PSV)

Image: Nautilus Minerals, Inc.





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CHALLENGES FOR THE MARINE INSURANCE EXTERNAL DRIVERS OF OUR BUSINESS – FINANCIAL

Impact of
the global
finance
industry

... is it just the calculation of burning cost and exposure rating?

- ⇒ Impact of the financial crisis
- ⇒ Low interest rates
- ⇒ Sanctions policy
- ⇒ Volatile oil price
- ⇒ Risk models + internal capital allocation
- ⇒ Diversification credits



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Thank you for your attention !

Dieter Berg

Munich Re
IUMI President