International Union of Marine Insurance

IUMI organization and projects - Challenges for marine insurance

AIMU Marine Insurance Issue Seminar
14 May 2015

Dieter Berg
IUMI President
New President of the IUMI from Sept 2014

- Dieter Berg  Senior Executive Manager,
  Global Marine Partnership
  Munich Re, Munich
IUMI Representatives

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  Global Marine Partnership
  Munich Re, Munich

Former American IUMI Presidents

The IUMI represents the national and international marine and offshore energy insurance industry globally.

- 48 national (marine) insurance associations and 18 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
# AIMU at IUMI Committees

<table>
<thead>
<tr>
<th>Committee</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Committee</strong></td>
<td>Frank Costa, Berkley Offshore UW</td>
</tr>
<tr>
<td><strong>Technical Committees:</strong></td>
<td></td>
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<tr>
<td>Cargo</td>
<td>Sean Dalton, Munich Re America</td>
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<td></td>
<td>Isabelle Therrien, Faley Cargo UW</td>
</tr>
<tr>
<td>Facts &amp; Figures</td>
<td>Donald Harrell, Liberty</td>
</tr>
<tr>
<td></td>
<td>Henry Newmann, AGCS-Allianz</td>
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<td>Erica Schoch, Swiss Re</td>
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<tr>
<td>Hull</td>
<td>Michael McKenna, Navigators</td>
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<td>Inland Hull / Fishing / Yachting</td>
<td>Michael Csorba, IMU/OneBeacon</td>
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<td></td>
<td>Brent McIver, Sunderland Marine</td>
</tr>
<tr>
<td>Legal / Liability</td>
<td>Andrew Gager, WQIS</td>
</tr>
<tr>
<td>Loss Prevention</td>
<td>Barry Tarnef, Chubb Group</td>
</tr>
<tr>
<td>Nominating</td>
<td>Deirdre Littlefield, CV Starr</td>
</tr>
<tr>
<td>Offshore Energy</td>
<td>Mel Causer, Starr Technical Risks</td>
</tr>
<tr>
<td>Political Forum</td>
<td>Andrew Gager, WQIS</td>
</tr>
<tr>
<td>Salvage Forum</td>
<td>Joseph Grasso, Wiggin and Dana</td>
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<tr>
<td>Secretaries’ Group</td>
<td>John Miklus</td>
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Facts & Figures
Country data collection 2013 premiums

Total premium volume for all countries covered in 2013: USD 34.2bn
Global marine premium 2013
by line of business and region

Total: **USD 34.2bn**
Change 2012 to 2013
-1.7%

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>2013</th>
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<tr>
<td>Global Hull</td>
<td>52.6%</td>
</tr>
<tr>
<td>Transport/Cargo</td>
<td>25.5%</td>
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<tr>
<td>Marine Liability</td>
<td>15.4%</td>
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<tr>
<td>Offshore/Energy</td>
<td>6.5%</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td>Europe</td>
<td>52.6%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>25.5%</td>
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<tr>
<td>Latin America</td>
<td>10.1%</td>
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<tr>
<td>North America</td>
<td>5.8%</td>
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<tr>
<td>Middle East</td>
<td>3.0%</td>
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<tr>
<td>Africa</td>
<td>3.0%</td>
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IUMI marine statistics
Global marine figures

Index of evolution, 1995=100%

Upswing in trade continues.

- World Trade Values
- World Export Volume
- Global Cargo Premium

Cargo premium stagnates - but different by region.

Since 2007:
Deterioration of good 2002-2006 results.

2009-2013
2011-2013 start at about 72%.

2012 Sandy affects mainly US.

* Technical break even gross loss ratio does not exceed 100% minus the expense ratio (usually 20%-30% acquisition cost, capital cost, management expenses)
** Data: Belgium, France, Germany, NL, Italy, Spain (until 2007), UK, USA
Market cycle in US marine business clearly visible in earlier data, but less obvious more recently

- For US (ocean) marine business, a clear cyclical pattern is visible for the 1990s / early 2000s, which reflects the soft and hard market periods prevailing in the overall insurance market at that time.
- Since then, the cyclical behaviour seems to have become less obvious if these data are used.

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

Source: Munich Re Economic Research
IUMI Political Forum
Current issues

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

... and many more
- Sanctions
- Cargo theft
- Cargo accumulation
- Offshore safety regulation
"Building expertise for a changing world"

More than 600 participants, more than 40 presentations

www.iumi2014hk.com
IUMI going forward
The President’s view

New initiatives:

- **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

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

- **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
The President’s view

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
AIMU a strong supporter of and consultant for a new foundation to promote marine insurance education globally

- Three-step approach:
  - Access to existing programs/“best of” webinars/one-week training
“… 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
External drivers of our business - technological

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

New complex technologies:
- Cyber threat, digitalization, big data
- Super-large container vessels and car carriers
- Complex oil and gas drilling
- Mega construction projects
Challenges for marine insurance

External drivers of our business - technological

Technological challenges:
- Cyber

Cyber threats for shipping and the offshore industry

- eNavigation
- Navigation
- Identification
- Safety communication

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

- Ballast management
- Production management
- Drilling management
Challenges for marine insurance
External drivers of our business - technological

- 19,000+ TEU: 3 vessels in service
dimensions: 1,312 feet long and 192 feet wide, 100 feet high
- ordered in 2015: 20,100 TEU: 4 vessels + 21,100 TEU: 6 vessels

- 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)
Challenges for marine insurance
External drivers of our business - technological

Technological challenges: mega projects

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-feet long, 246 feet wide, 295 feet high,
  - Storage capacity 600,000 tons/annual production 3.6 million tons

- Mooring system
- Subsea installation of high tech equipment
- Combination of exploitation and refinement (plus storage and offloading capabilities)
- Frequent loading and supply vessel traffic → collision risk
- Salvage possibilities
Challenges for 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 feet across by 250 feet high, weight 59,000 tons
  - Production: 100,000 barrels of oil per day/storage capacity 1 million barrels/expected to come on stream by mid-2015

- Fully enclosed surface design: high inherent vapor cloud exposure
- Arctic subsea installation of high-tech equipment at depth of 1,125 feet
- 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

Source: Eni Norge/News (2015)
Challenges for marine insurance
External drivers of our business - technological

**IUMI International Union of Marine Insurance**

**Technological challenges: deep sea mining**

**Nautilus Minerals Inc., Canada**
First company to start commercial exploitation of copper, gold, silver, rare earth elements in 2016

- Bulk cutter weighs 310 tons
- Auxiliary cutter weighs 250 tons
- Collecting machine assembly planned for 2015

- Subsea pump & pipeline system: delivery expected mid-2016
- Riser system delivery planned for 2015

- Production support vessel (PSV)

**Remotely operated vehicles:**

**Subsea equipment:**

**Surface equipment:**

Challenges for 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
- Weak euro (€) ⇔ strong US$
- Sanctions policy
- Volatile oil price
- Risk models + internal capital allocation
- Diversification credits
…. many topics for the IUMI conference!
…. see you in Berlin!

Thank you for your attention!

Dieter Berg