

AIMU

Marine Insurance
Issues Seminar

May 2017



AGENDA

- 1 Port Accumulation and susceptibility to large losses
- 2 Misappropriation
- 3 Q&A – Panel Discussion

Port Accumulation and the
susceptibility to larger losses

Port Accumulation



Growth of Container Vessels



What's in a teu?

Container ship capacity is measured in 20-foot equivalent units (teu). Typical loads are a mix of 20-foot and 40-foot containers. The world's largest container ship – the 19,000+ teu MSC Oscar – has the capacity to hold **39,000 cars** or **117m pairs of shoes***.

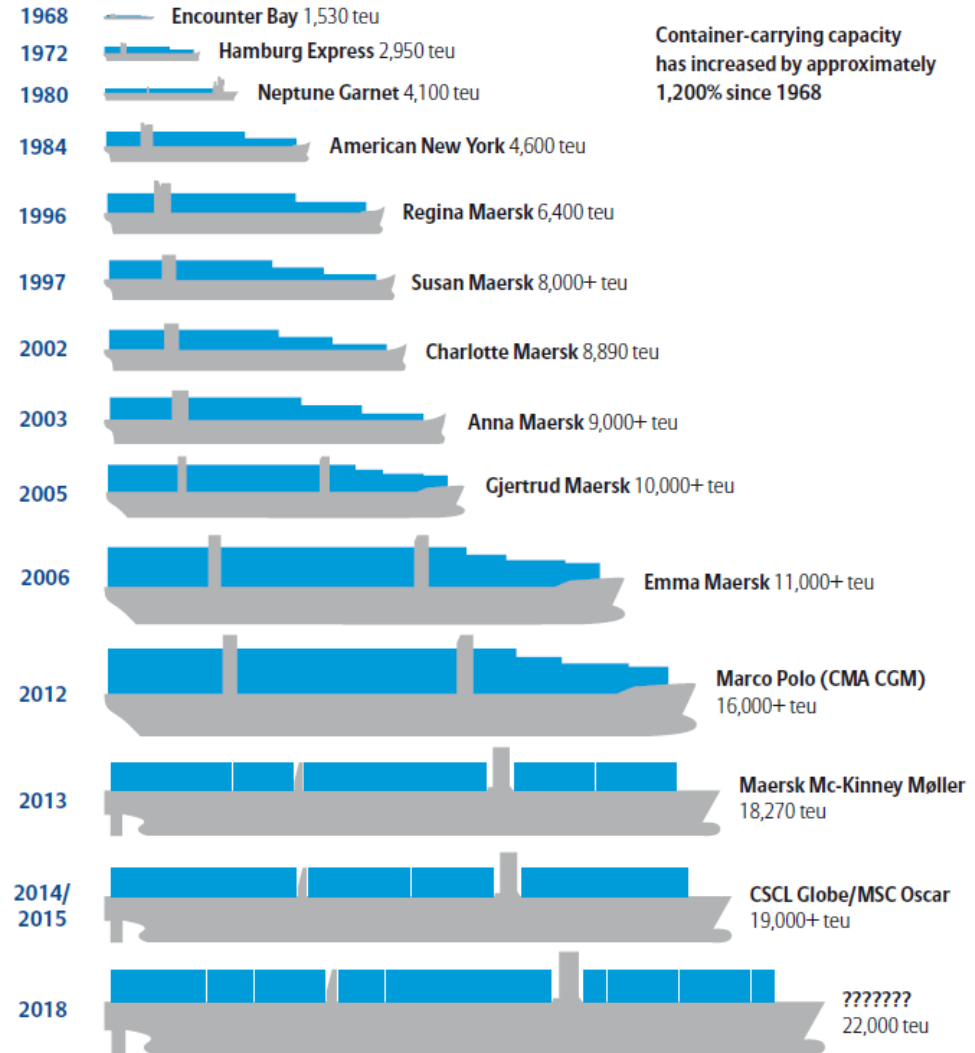
*Source: Süddeutsche Zeitung



Salvage challenge

The time it could take to remove all of the containers from an **19,000+ teu** vessel in the event of an incident, assuming it was possible at all

50 years of Container Ship Growth



Source: Allianz Global Corporate & Specialty

Approximate ship capacity data: Container-transportation.com

Hazards of the High Seas



© Yeong Ryong Kim
MarineTraffic.com

File photo shows the 266,141 dwt MV Stellar Daisy



SAO PAULO, April 3 (Reuters) – Brazilian miner Vale SA said on Monday that 260,000 tonnes of fine iron ore on a South Korean ship that sank in the South Atlantic had been insured.



Overland Hazards



(Photo: Kyle Massick via King 5 News)

Updated at 12:15 p.m. ET on Monday, July 7.

Montana rail officials say it could take until Tuesday to recover three Boeing 737 fuselages that tumbled down a steep embankment and into a Montana river following a train derailment.



Site of Cleveland County trail derailment **WBTV**

LOCAL

APRIL 18, 2017 11:36 AM

Train derailment dumps blanket of corn across tracks in Cleveland County



BY MARK PRICE
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Misappropriation

A CASE STUDY

- Seller A sells commodity cargoes to buyer B
- The goods are to be stored and only released to B on payment
- A appoints a third party, C, under a Collateral Management Agreement (CMA) or similar agreement to protect their interests prior to payment by B
- There is no or no adequate system in place to audit the goods
- The goods are stored in multiple locations



A CASE STUDY – CONTINUED

- C – or its employees – are bribed by B to allow releases to take place before B has paid A
- Releases take place over a long period of time and from various locations
- The Policy provides that losses are deemed to fall within the Policy period if they are discovered during the Policy period unless Underwriters can prove otherwise
- Underwriters in the Policy year when losses are discovered face large losses



A CASE STUDY – CONTINUED

- Key factors
 - a series of frequent small losses over a prolonged period of time
 - regular stock throughputs
 - an inadequate or no inspection regime

- One solution is to define misappropriation for the purpose of the Policy and link that to a misappropriation sub-limit or exclusion

- A draft wording is currently under consideration by the JCC – watch this space!



Misappropriation - Conclusions

- An unacceptable level of losses both in size and frequency
- A level of losses that is not sustainable long term
- Underwriters need to re-visit policy wordings to mitigate risk



CLYDE&CO

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Carlyle Hedge Fund Loses \$400M Invested In Moroccan Oil Refinery, 'Misappropriated Outside The US'

By Dana Sanchez
Published: November 11, 2016, 3:38 pm



Samir is one of the largest companies in Morocco and its only oil refinery. Photo: oilandgaspeople.com

A hedge fund with Carlyle Group LP, the world's second-largest private equity firm, has lost \$400 million it invested in 2015 in a Moroccan oil refinery deal, according to a securities filing and people familiar with the matter, [Wall Street Journal](#) reported.

In the firm's quarterly filing last week, Carlyle said in a note it believes \$400 million in petroleum commodities were "misappropriated by third parties outside the U.S." It didn't identify the third parties. The note refers to Samir.

Questions?