

# **AIMU Marine Insurance Issues Seminar**

**14 May, 2015**

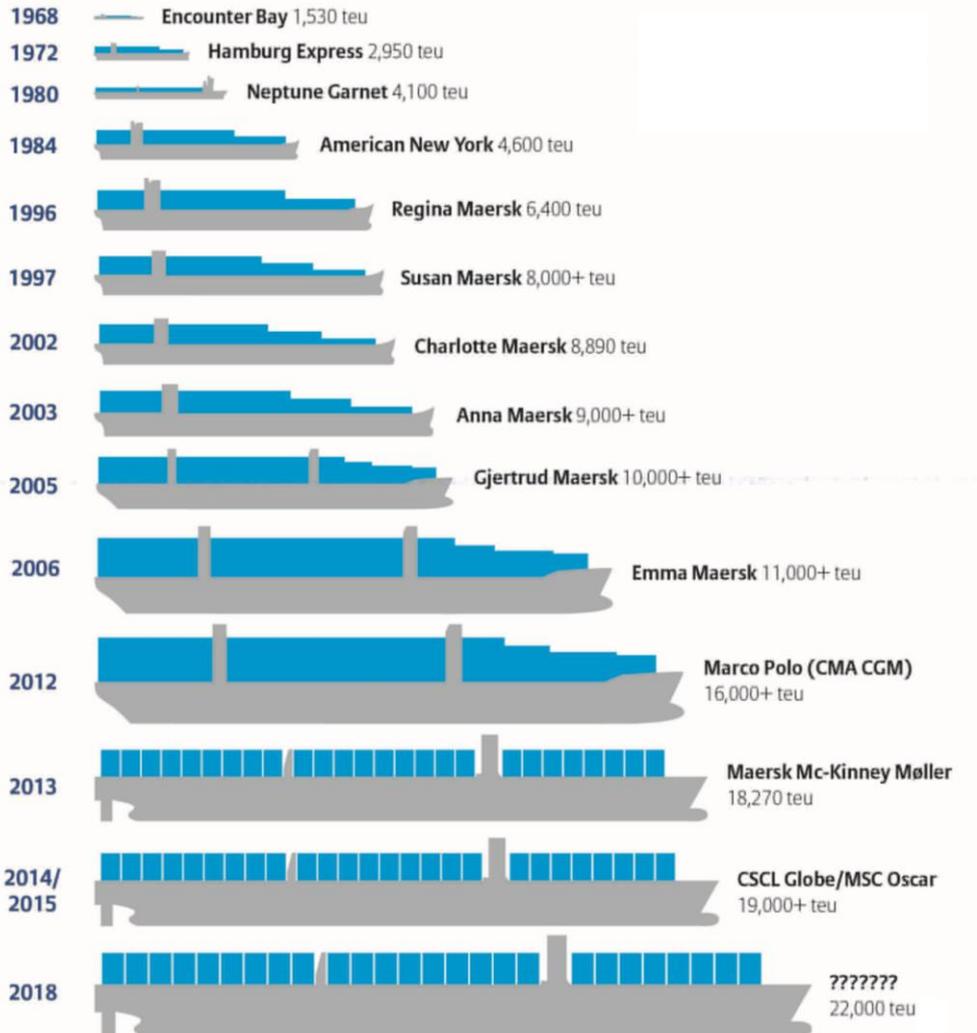
**Challenges of Container  
Shipping**

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# Emerging Risks: How big is teu big?

## 50 years of Container Ship Growth



Graphic: Allianz Global Corporate & Specialty.  
Approximate ship capacity data: Container-transportation.com

**Container-carrying capacity has increased by approximately 1,200% since 1968**

- 80% container ship capacity increase over past decade
- 19,000-teu containers ships now in service. 22,000-teu expected soon
- Larger ships larger losses? \$1bn+ loss in future feat. container vessel or floating offshore facility
- Exposure not limited to vessel and cargo value. Could also include environmental, reputation, BI costs

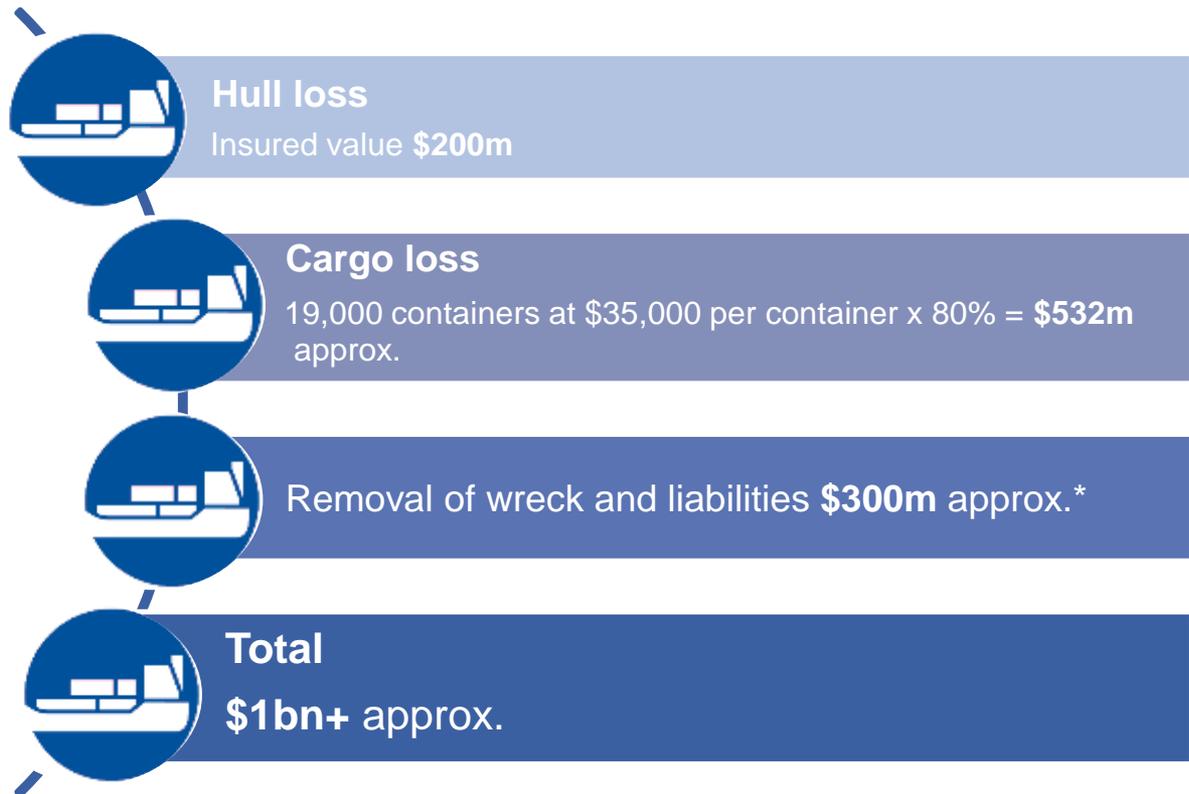
# Emerging Risks: How big is teu big?

A Billion Dollar Loss Scenario...

A new 19,000 container vessel (80% laden) capsizes/sinks resulting in a total loss of the vessel and subsequent removal of wreck



Photo: Shutterstock



*\*Costs can vary here. For example, \$190m approx. in the case of the MSC Napoli in 2007 and \$425m approx. in the case of Rena in 2011*

## The Expedient Growth in Ship Size Continues in 2015



- A sharp growth in container ship sizes and alliances among the world's biggest shipping operators is overwhelming U.S. major gateway ports during peak periods, costing millions to importers and exporters who can't access their cargo on time.
- "Existing terminals were designed two decades ago to handle ships half the size of today's vessels, and with the alliances, six ships belonging to the same alliance can show up at five different terminals in Los Angeles and Long Beach." said Gene Seroka, executive director at the Port of Los Angeles.
- Historically, a single ship had its containers stocked in blocks, with each block destined for a particular location by a particular mode of transport. The process known as block stowage was for decades the preferred method for port operators and it worked well.

## Port Congestion and Infrastructure overload

Jon Slangerup, chief executive at the Port of Long Beach, says that as ships get bigger, they call to more ports in Asia where containers are loaded randomly, with little attention to the ownership of the containers or their final destination. When docking at multiple terminals at the West Coast, unloading the ships is also done randomly, straining port operators and truckers as they try to figure out which box goes where.

“In the past, we handled a container one to three times before it left port, Mr. Slangerup said. “Now, at peak times, it is five to eight times, and when it happened last year nobody really understood the magnitude of the problem. It wasn't expected or planned for and so the physical gridlock that ensued was very serious.”

## FMC Involvement in Congestion Issue

In April 2015; Federal Maritime Commission, voted to call in all parties involved to discuss the issue and come up with proposals to address the problem. It said that in many cases, congestion charges are deemed unfair since importers, exporters and truckers aren't responsible for the delays, and the regulator warned it could penalize unfair practices by shipping companies and terminal operators.

“The message from cargo owners, importers and exports is loud and clear,” said FMC Commissioner Richard Lidinsky. “These alliances and their big ships are causing major problems at U.S. ports and by our vote all parties involved will have to sit down over the next 90 days identify what went wrong and come up with solutions. After that, the FMC will have a clear picture and if needed get involved in specific cases with investigations, subpoenas and fines.”

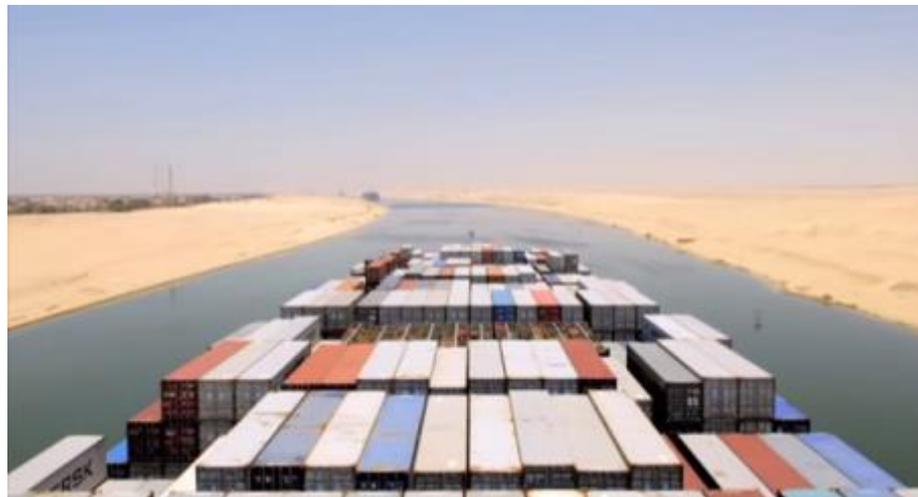
“We had shippers telling us they are being regularly charged for the congestion by shipping companies. The operators cause the congestion and they want to profit on top of it. This is unacceptable,” Mr. Lidinsky said.

## The Ships are getting bigger, the seaways are not keeping pace

Sat Apr 18, 2015 - Two container ships collided in Egypt's Suez Canal early on Saturday, delaying traffic through a vital global trade route for several hours, sources in the canal authority said.

Traffic resumed after the Danish-flagged Susan Maersk and the Liberian-flagged Margaret Oldendorff collided near Ismailia while en route to the Mediterranean Sea, the sources said.

No casualties were reported, but the Margaret Oldendorff sustained a puncture above the water's surface, one of the sources said.



# The Need for Marine Spatial Planning – The Sea Is Not Empty

The crucial element of developing a plan under MSP is to identify compatibility and a hierarchy of needs. The most basic analysis will demonstrate that many marine areas cannot simultaneously meet all demands for use (for goods or services), and that the value of marine space cannot be entirely expressed in monetary terms. However, if a solely single-sector analysis (i.e only looking at needs from one perspective) and allocation is conducted, then there may be inadequate consideration of other uses, leading to a chaotic pattern of overlapping and conflicting zones, and ultimately conflicts between users. Allocation on a case-by-case basis also means that decision makers often end up in a reactionary role. This requirement to integrate the needs of all users is a pivotal element of MPS.

April 22, 2015 by [MI News Network](#)

# MSC Fabiola - First Call to Oakland

March 20, 2012



- Pilots trained for a year and a half on a simulator at Cal Maritime to prepare.
- Two Pilots onboard with stand along GPS (precision piloting unit), vessel kept within 1 meter of center of turning basing.
- The ship could only arrive and depart if the current in the bay was slack and the wind under 17 miles per hour.

## Allianz Global Corporate & Specialty SE

For further information please contact:

Captain Andrew Kinsey  
Senior Marine Risk Consultant  
1-347-533-1271  
[Andrew.Kinsey@agcs.allianz.com](mailto:Andrew.Kinsey@agcs.allianz.com)

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