

State of Marine Cargo Industry & Challenges facing Cargo Insurers

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12th May 2015



Agenda

- What is Cargo
- The Cargo Industry
- Cargo Industry Challenges
- Cargo Insurer Challenges

What is Cargo?

All articles, goods, materials, merchandise, or wares carried onboard an aircraft, ship, train, or truck, and for which an air waybill, or bill of lading, or other receipt is issued by the carrier.

It includes livestock, but usually does not include bunkers (fuel for powering the vessel or vehicle), accompanying baggage, vessel or vehicle's equipment and spare parts, mail, and stores.

What is Cargo?



What is Cargo?



Cargo classification

Widely classified as

- General Cargo
- Project Cargo
- Livestock

Classification based on the nature of goods in relation to

- the type of risk they poses (chemicals, explosives etc)
- the size,
- their characteristics eg frozen food, bulk cargo etc
- The package/packaging/package type

Cargo industry – the current state

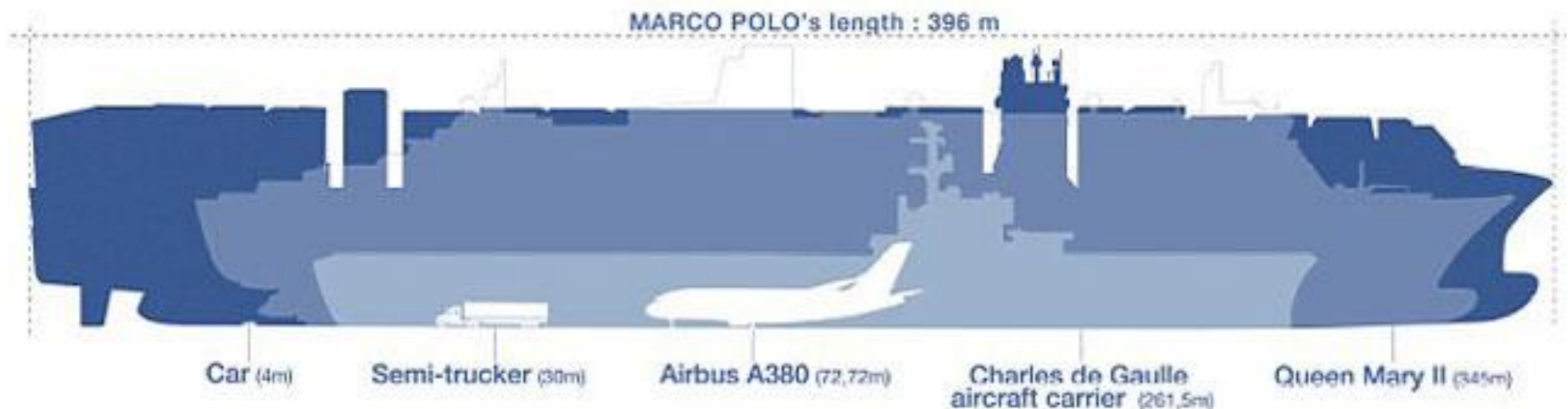
- Growing population worldwide
- New transport techniques
- New data processing techniques
- New ports
- New trade routes
- Increased landside connections

Everything seems fine from a distance!



Cargo industry – the current state

- Increasing number of high capacity and large vessels
- Multifold growth in global trade over the decades
- Liner shipping gaining momentum – approx 60% of seatriade and estimated USD 4 trillion worth of goods annually are through liners



Cargo industry – the new challenges

- Need to adapt to new trade procedures
- Competition – this is not old but more players in the industry
- Harmonize existing expressions/codes to describe and represent different types of cargo, packages and materials
- Regulations and legal framework – frequent changes to commensurate with evolving challenges
- Infrastructure developments to handle modern fleets
- Technical know-how of crew, logistic companies

Cargo industry – the new challenges

- Special consignment requirements
- Environmental concerns
- Security
- Target of hackers / prone to cyber risks – shipping & supply chains
- Undeclared cargo
- Container weights to be verified for loading into the vessel – effective July 2016 – how prepared is the industry to avoid delays!

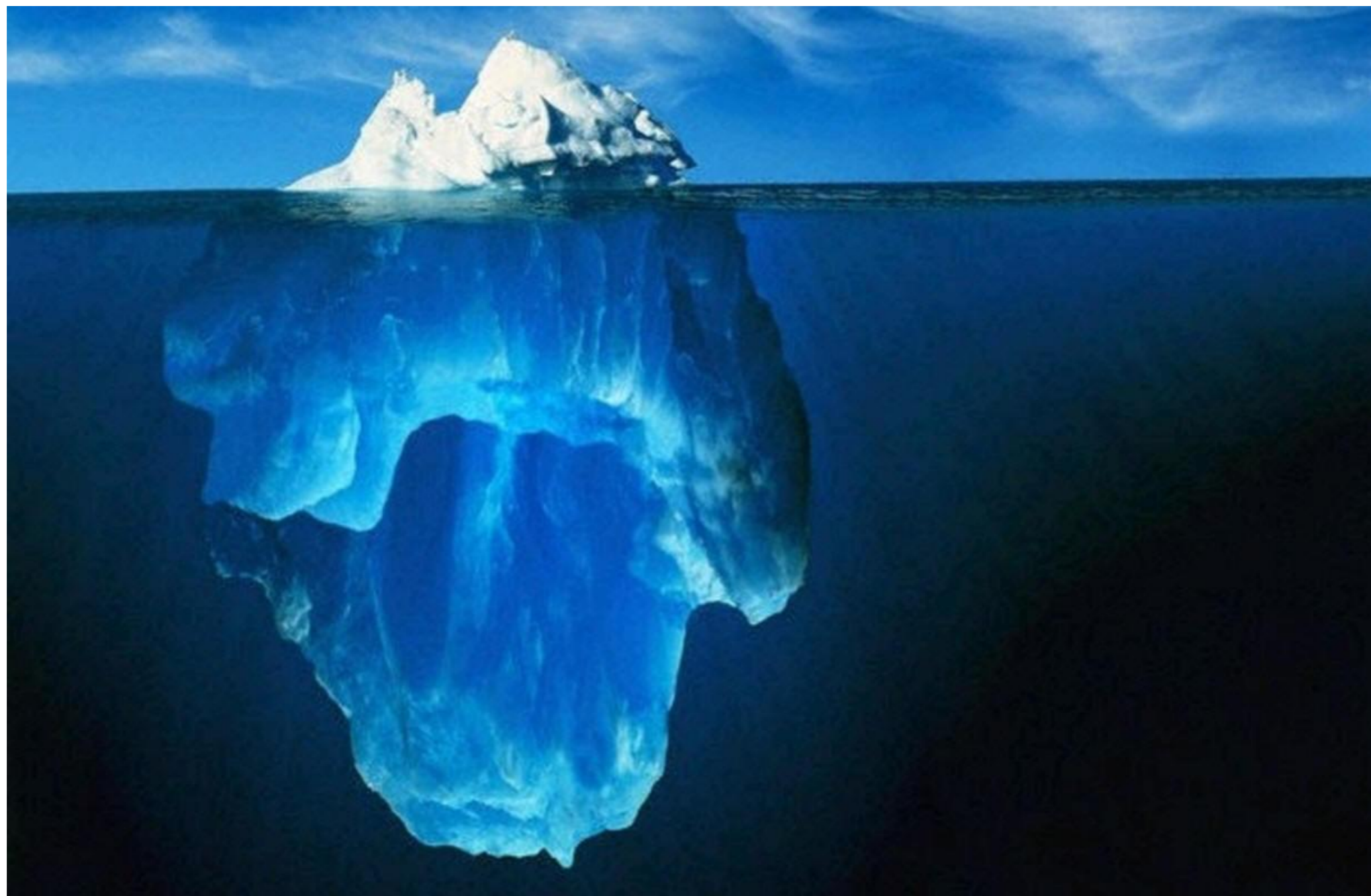
Cargo industry – the new challenges

- Increasing fraud – not only in number of cases, but also variety of fraud
- Disregarding due-diligence when dealing with new business partners
- Cost impact to cope with changes
- Many players, many jurisdictions – be aware
- ‘Trojan’ container
- Information Phishing – fake emails seeming to originate from authorities etc.

Dangerous cargo labels by International Maritime Dangerous Goods (IMDG)



The Full picture is never seen



Current Issues facing the Cargo Insurers

Threats & Challenges only increase! Its up to us to be aware of these and manage them effectively!

- Development of different terms of trade
- Talent pool
- Lack of timely declarations
- Manuscript policy wordings
- M&D premium practice vanishing
- Delay/undue delay in premium remittances

Challenges facing the Cargo Insurers

- Stock throughput covers – poor warehouses pose the big challenge
- Climate change – managing catastrophe exposures is key
- Extreme weather
- Increasing large losses. Total losses may be on the decline, but partial losses are many!
- Certain geographies witnessing significant growth lacks supply chain and poor infrastructure for inland transit – eg. Africa

Challenges facing the Cargo Insurers

- Larger vessels – concentration of risks – liners expansion
- Accumulation management – Ship / Congestion at ports
- Complex cargoes and exposure - challenges claims handling
- Challenging salvage operations and wreck removal – is the marine insurance industry geared for larger events?



Challenges facing the Cargo Insurers

- Recovery not possible on policies issued to multi-modal transporters as part of their package to the consignee/consignor
- Marine cyber risk – is your policy document clear with respect to cyber risks? Is your insured aware of this risk?
- Political Risks, Trade Sanctions

Challenges facing the Cargo Insurers

- Piracy, though this has been on the decline over the years
- Challenges to service cargo clients in countries witnessing conflicts, for eg Iraq, Libya, Yemen
- Fraud – Cargo documentation – forged B/L
- Fake cargo sale – genuine looking B/L or other cargo documents

THANK YOU

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Thank you