

IUMI SIVIGLIA 14/18 SEPTEMBER 2003

CARGO COMMITTEE CHAIRMAN REPORT CARLO FRANCHINI

SLIDE 1

**President De Simone,
Members of the Executive Committee,
Chairmen of the Committees,
Honorary Members,
Ladies and Gentlemen,
Dear friends good afternoon,**

I would like to thank the (UNESPA) Union Espanola de Entidades Aseguradoras y Reaseguradoras for having hosted and organised, here in Seville, this year's IUMI meeting.

Seville, one of the most beautiful cities in Spain, is the third most important and, as we have already had the opportunity to see, it has great services and facilities.

My report today is structured as follows:

SLIDE 2

- Cargo Committee: new members**
- Cargo presentations**
- Questionnaire**
- Comments on the topic of the Conference**

SLIDE 3

Looking at point one, the Cargo Committee has 4 new members.

From France Mr. Christophe Delon Director of the Cargo Department of Allianz Marine Aviation in Paris.

From Israel Mr. Alberto Liuzzi Assistant Managing Director of Eliahu Insurance Company in Tel Aviv.

From Canada Mr. Markus Schmucki Assistant Vice President Marine of St. Paul Fire and Marine in Toronto, and from Switzerland Mr Christian Labhart Head of Marine Department for Winterthur.

I am sure that they will make an important contribution to the Cargo Committee and its function.

With reference to the presentations,

SLIDE 4

Mr. Alberto Liuzzi will open speaking about: 'Inland Transportation of Cargo in Israel'.

Certainly it is an interesting argument. Israel in fact is a country where large numbers of goods are forwarded and, at the same time, a 'transit land' for those goods with other destination in the Middle East.

So far as I can remember it has never been treated as a topic related to Marine insurance of that country. Thank you very much Mr. Liuzzi.

Next we have Mr. Ivan Fernandez presenting: 'Quality and safety in the chain of tuna fishing and transport'. He is a guest speaker introduced us by Luis Campos (Cargo Committee), Naval Engineer, actually Manager for Albacora, the largest Spanish Tuna fishing Shipowner and probably the largest in the world. The presentation is referred to one of the most important and modern tuna fishing industry and I think that we have the opportunity to learn something special about transportation of this particular goods. Many thanks Mr. Fernandez for having accepted our invitation.

Then Mrs Heine Heideman, Head of the Marine Cargo Department in the Industrial Business Area of IF P and C Company in Finland, a guest speaker introduced us by Mr. Bengt (Cargo Committee), will present 'Is this vessel o.k.?' an interesting topic about the security of the vessels, on which the cargo is carried.

In few words we are going to listen how to navigate towards better quality, safety and profitability.

Many thanks Mrs Heideman for having accepted our invitation.

I hope that you will appreciate the topics of these presentations which, believe me, are very interesting.

SLIDE 5

A summary of the traditional Cargo Committee questionnaire will be at your disposal on the web site. I would like to thank Mr. Jim Craig of AIMU for his support in collecting all the answers.

Now, due to the constrains time I will shortly indicate just the most significant replies.

SLIDE 6

There were 28 questionnaires received from the member countries and among them, one country was not in a position to provide the information requested and two countries gave partial replies.

The questions related to the Cargo Underwriting are the same of last year:

SLIDE 7

“What have been the major trends, factors or problems in your market in the past twelve months?”

“Have any concept policy forms or clauses been developed in your market during the past 12 months? If so, please provide details specifically if related to terrorism guarantee.”

SLIDE 8

Analysing the replies we can summarize the major trends as strong competition, firmness and in some cases increase of rates, few examples of decrease of rates while theft and robberies have had unfortunately a strong development. The last important factor is the increase of the request of War and Strike Riots Civil Commotion Risk.

SLIDE 9

Termination of Transit Risk, Cargo ISM Endorsement, Institute Extended Radioactive Contamination and Chemical Biological Exclusion Clause have been the clauses adopted from the major parts of the countries that sent a reply.

Then, the cargo losses side

SLIDE 10

The questions were:

Generally speaking, please give information concerning the evolution on/ and effect of criminal acts: robberies, hijacking and frauds;

With evolution and impact of losses on statistic risks written in marine.

The answers received can be shortly resumed as follows:

Slide 11

Reading the answers it is evident that we have to face an increase of thefts, robberies, violent thefts, hijacking, frauds and organised criminal gangs.

A huge problem that we should take in strong consideration for the future.

Slide 12

Finally, the countries that have replied to the questionnaire don't seem to be involved in specific losses on static risks written in Marine.

SLIDE 13 Comments on the topic of the Conference

Going back shortly to the topic of this conference: 'Our Voyage to Quality, Safety and Profitability', I believe that these three elements

can be considered a spontaneous aim for those involved in compulsory difficult operations.

And 'transport' is a compulsory difficult operation.

As proof of what I am saying, we must not forget that since the Greek, Roman and probably Phoenician Age commerce was the main activity. They had in fact the needs to bring goods safely to their destination. As we know for this reason they found a system that allowed the ship-owner to borrow money on his ship and cargo based on the agreement that if the voyage went well, he would repay his banker the loan plus interest. In this situation all the partners involved like sellers, buyers and owners of the ships had the same purpose that was quality, safety and profitability.

Many years have passed from that time.

In this contemporary world, where we are still more and more called to obtain better results and always higher profits, insurance is one of the economic operations based on sophisticated technical proceedings to be profitable.

In the Marine Insurance world the competition is strong.

We are called to guarantee the activity of our clients satisfying their needs, which are very high, insuring any kinds of goods that they bring, all over the world. In other words they could never afford the growing of commerce, competition of the other economical operators without a Marine Insurance. The value of the cargoes are higher and higher, the technology of some goods are very precious and transport is always a risk.

SLIDE 14

In this context, offering quality and safety means to attend to the expectations of the market and, at the same time, to produce a profit that for the marine insurance business as well is a must.

But the question is: how to obtain safety, quality and profitability?

I think that we must take into consideration many different fundamental elements necessary to our goal.

SLIDE 15 FIRST CLICK

Many Marine losses often seem to be strictly caused by insufficient safety rules and regulations during transport. In fact 85% of all accidents are caused by human errors. A lot of these types of losses could be certainly avoided, or at least reduced, with well trained operators and with frequent updating of all these people.

It is compulsory in fact to have all parties well trained.

From Underwriters point of view, they should have the particular attitude to “dare” and a proper self confidence in their skills, in their knowledge and vocational training. They should be as well more close to the clients in order to understand their needs, their problems, their growth. All these characteristics can help the Underwriter to value the risk and at the same time the professionalism of all the persons involved in transport. An ideal Underwriter should be trained to improve his creative intelligence to assess the possibility of the risk factors using all the tools we are analysing.

SLIDE 15 SECOND CLICK

Then we have the client. A ring of our chain, which is still too weak. Maybe a carrier can be perfectly aware of the insurance problems and needs. But the others? Unfortunately it is easy today to be called to insure an important industry and to discuss about technical problems related to insurance and transport with executives and managers which are not really aware of the risk problem. Are we sure that without specific instructions they will be able to understand us? Will they understand that we must remain in the field of ‘a bet’?

Maybe we should promote courses for those people, talking more and more about us, try to be confident in order to afford all the problems and loss prevention measures in the proper way. Only talking with a risk manager

SLIDE 15 – THIRD CLICK

In fact, it is possible to afford all the different aspects of Marine Insurance, to present some loss prevention measures and to be sure

that they will understand that those measures represent a synergy to avoid some claims and to reduce the premiums.

SLIDE 16 – FIRST CLICK

Then comes the pure technique.

The question is whether profitability can be obtained and losses reduced with new techniques.

It is pleonastic to say that technology is not going to stop its natural way to go further with its discoveries improving our tools. But it's our reality.

Technology let us have at our disposal safer and more modern and comfortable means of transport than once.

Moreover through modern technology an insurer can get fast and easily all the information he needs to apply his technique at his best. We have fascinating and interesting web sites that have this goal.

Just an example. Through the German Insurance Association for example, we know that it is now possible to have all the information we need about particular kind of goods to be transported; or through Lloyds web site we can get all the characteristics of the ships forwarding cargo : age, gross ton, dead weight, ship owners and so on.

And who knows how many others sites are being prepared!

All this is possible just through Internet, 'this magic world'!

All this help us to bring goods safe from one side of the world to the other.

Human factors, professionalism and technique are, therefore, the first necessary tools we have at our disposal to solve all those problems at the advantage of safety, quality and profitability.

But many of the problems we have to face couldn't be solved without the traditional strong support of some organizations like IMO (International Maritime Organisation), IUMI (International Union of Marine Insurance), ILU (Institute of London Underwriters), CEA (Comitee Europeenne d'Assurances) and others.

For example the problem of terrorism.

As we know nowadays there is no country in the world immune from terrorism which can cause huge claims in all fields, not excluding Marine.

The associations and organisations above mentioned help us to solve our need to enhance the security and safety against terrorism. They try to propose compulsory regulation of the application of the highest security standards on maritime transport; they work on rules and clauses.

All this also means safety, quality and profitability.

SLIDE 16– SECOND CLICK

We have not to forget that, at this point, there is something which is not in our hands to reach our ‘desired goal’. What I am talking about, is the means of transport industry and his future development. Technical solutions should be found not only to bring faster the goods from one side of the world to the other, but also to improve as well all the measures to keep the transport safe.

SLIDE 17

Last but not least, the Governments should continue to support us improving all the rules connected to the world of goods exchanging, which is growing fast, to let the transport easier in respect of reliability of people, goods and environment.

I am perfectly aware that the daily activity do not give at any time the possibility to find the best solution for each transport.

In any case we should at least try to match all the best tools at our disposal.

All this should be what we have to do, but I think that we already have an example of how the mix of all these elements analyzed generates safety, quality and profitability.

I am talking about the Art Exhibition Risk,

SLIDE 18

The traditional “good risk”. Statistics and loss ratios prove it.

Is it fortune or are there concrete elements that make things go in the right way?

So far as I am concerned, it is not fortune. This is due, I believe, to the fact that all the parts involved are perfectly aware that they are mostly dealing with unique art pieces, frequently cultural heritage of the whole world.

Owners, beside the Marine Insurance Policy, will never lend a painting or a sculpture not being sure that it will be handled by specialists, the carriers will take care to arrange the best packing and

SLIDE 19(VIDEO CLIP)

certainly lorries will be equipped by sophisticated technology machinery to move, charge, and discharge these particular goods; the receiver that is a museum or the art exhibition organization, certainly will organize the best condition to take care of the art treasures providing perfect temperature, appropriate surveillance, high technology alarm system and so on.

In this way, fascinating artworks, which are often fragile, delicate, ancient, huge in size and value, or all these characteristics altogether, are moved all over the world with excellent results. It is due to the fact that all the figures involved in the chain of the art exhibitions, as I said, are directly concerned with the necessity to utilise the best technical solution they have, the best experts, in few words professionals of this world getting the satisfaction of everybody.

The result is a ‘voyage’, from ‘*nail to nail*’, Through quality, safety and profitability.

So it is compulsory for us to do our best, in order that the reality, we experience with the Art Exhibition Risks in getting safety, quality and profits, should become the model to follow in all the other Marine business.

Not a dream, but our ‘must’ for the future.

Thank you very much for your attention.

Carlo Franchini
Cargo Committee Chairman