

**Report from the
LOSS PREVENTION COMMITTEE
Seville – 2003**

September 2003

Mr. President,

As Chairman of the Loss Prevention Committee I am pleased to present our Committee's 2003 report.

A total of 30 Member Associations responded to this year's LPC questionnaire.

A copy of the questions and a summary of the responses, listed in alphabetical order by country, are included in the submitted report.

This year's LPC questionnaire included the following 4 questions:

LOSS PREVENTION

Question 1:

Please provide the total gross loss to your market (Association Members) as a result of the explosion and fire aboard the Hanjin Pennsylvania in 2002. Please provide breakdown by cargo, hull, liability.

Question 2:

Please advise if your market has adopted:

- A. 1. The London RACE exclusion clause**
 - 2. Your own market RACE exclusion clause (please specify).**
 - 3. No exclusion has been implemented in your market.**
- B. 1. The London Biological, Chemical, Cyber exclusions clause.**
 - 2. Your own market Biological, Chemical and Cyber exclusion clause (please specify).**
 - 3. No exclusion has been implemented in our market.**

Question 3:

What impact has the U.S. Terrorism Risk Insurance Act (TRIA) had in your market?

Question 4:

Please provide specific information on any new Loss Prevention issues / developments in your market.

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Seville 2003

Report to the President

By the

Loss Prevention Committee

D. Littlefield, U.S.A.
Chairperson

T. Dahl, Norway
F. De Maeyer, Belgium
M. El Sayad, Egypt
D. Goebbels, Germany
E. Larsen, Denmark
R. Lemarchand, France
Q. Prebble, U.K.
C. Verconich, Canada
Y. Vishnevsky, Moscow
H. Wake, Japan

Loss Prevention Committee

Participating Associates

Australia
Austria
Belgium
Cyprus
Denmark
Finland
Germany
Greece
Hong Kong
Hungary
Ireland
Israel
Italy
Japan
Korea
Malaysia
Mexico
Morocco
Norway
Poland
Portugal
Romania
Russia
Singapore
Slovenia
South Africa
Sweden
Switzerland
Turkey
United Kingdom

LOSS PREVENTION COMMITTEE
200 QUESTIONNAIRE RESULTS

LOSS PREVENTION

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2003 QUESTIONNAIRE RESULTS

LOSS PREVENTION

Question 1: Please provide the total gross loss to your market (Association Members) as a result of the explosion and fire aboard the Hanjin Pennsylvania in 2002. Please provide breakdown by cargo, hull, liability.

The following associations indicated that they had no losses or anything specific to report:

Austria, Cyprus, Greece, Ireland, Israel, Japan, Korea, Malaysia, Mexico, Morocco, Poland, Portugal, Romania, Russia, Slovenia, South Africa, Turkey, United Kingdom.

Australia	As far as is known only one of our members has incurred a cargo loss from the "Hanjin Pennsylvania" event of AUS \$100,000. No losses in either hull or liability. However, there is much interest from cargo insurers in the precise cause of this loss and the extent of damage and expenses incurred by cargo on board. It is known that some cargo importers regard marine insurance as unnecessary for cargo shipped in modern container vessels believing that nothing can happen to that cargo because of the safety record of container vessels. This huge loss to an almost brand new vessel provides an excellent example of why marine cargo insurance is essential. Marine underwriters should try to turn this loss to their advantage. Accordingly a presentation at the Seville conference on the cause and extent of the loss is keenly anticipated.
Belgium	EUR 1.670.000 – only cargo.
Denmark	App DKK 23 mio. (USD 3.6 mio.) on cargo interests
Finland	US \$ 30 000
Germany	Total gross loss Hanjin Pennsylvania: hull 24 mill. USD; cargo 13 mill. USD. Cargo losses were relatively low, due to the fact that the vessel was sailing to Europe and therefore only import cargo was on board.
Hong Kong	1. Cargo: Total number of claims: 14. Total Gross loss: HK\$ 5,094,900 2. Hull and Liability: Nil.
Hungary	Only one member is involved on the cargo side with a loss amount of USD 39.677- (G/A Security 20%, Salvage 80%)
Italy	According to the information received, the market seems marginally involved and in any case, it is limited to cargo insurance risk for an amount of about US\$ 500,000.
Norway	The total gross loss to the Norwegian cargo insurance market as a result of the explosion and fire aboard the Hanjin Pennsylvania in 2002 was approximately \$570,000.
Singapore	A member reported a share of approximately USD 60,000.
Sweden	Approximately 15 million SEK
Switzerland	Cargo: \$500,000

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QUESTION 2:

Please advise if your market has adopted:

- A. 1. The London RACE exclusion clause.
2. Your own market RACE exclusion clause (please specify).
3. No exclusion has been implemented in your market.**
- B. 1. The London Biological, Chemical, Cyber exclusions clause.
2. Your own market Biological, Chemical, Cyber exclusions clause (please specify).
3. No exclusion has been implemented in your market.**

The following associations indicated that no exclusion clause has been implemented in their market for:

- A. *The RACE exclusion clause:* Austria, Cyprus, Germany, Morocco, Poland, Portugal, Russia, Slovenia.
- B. *The Biological, Chemical, Cyber exclusions clause:* Austria, Cyprus, Germany, Japan, Morocco, Portugal, Russia, South Africa, Sweden, Switzerland.

Australia	<p>A. Yes, our market has adopted the London RACE exclusion clause.</p> <p>B. Two members are known to have adopted the London Biological, Chemical, Cyber exclusion clause. Others have decided not to adopt it..</p>
Belgium	<p>A. We have our own market RACE exclusion clause, which is very similar to the Institute clause.</p> <p>B. We have our own market Biological, etc. exclusion clause, which is very similar to the Institute clause.</p>
Denmark	<p>A. The Danish market has adopted the London RACE exclusion clause.</p> <p>B. The Danish market has adopted the London Biological, Chemical, Cyber exclusion clause.</p>
Finland	<p>A. The London RACE exclusion clause.</p> <p>B. 1. The London Biological, Chemical, Cyber exclusions clause. 2. One Member company has no exclusion implemented in our market.</p>
Germany	Up to now neither London Race Clause nor the Chemical and Cyber Exclusion clause have been officially announced by the German association. Due to antitrust law it has not yet been decided whether it is possible to implement such exclusion clauses by the association.
Greece	<p>A. The Greek Insurance Market has only adopted the London RACE exclusion clause.</p> <p>B. The Greek Insurance Market has only adopted the London Biological, Chemical, Cyber exclusions clause.</p>

Hong Kong	<p>A. Most of the HKFI members adopted the London Extended RACE Exclusion Clause. We did not have our own RACE Exclusion Clause. Most of the HKFI members have implemented the exclusion clause.</p> <p>B. Most of the HKFI members adopted the London Biological, Chemical, Cyber Exclusion Clause. We did not have our own Biological, etc. clause. Most of the HKFI members have implemented the exclusion.</p>
Hungary	<p>A. The London RACE exclusion clause.</p> <p>B. The London Biological, Chemical, Cyber exclusions clause.</p>
Ireland	<p>A. The London RACE exclusion clause.</p> <p>B. Where reinsurance contracts insist the market applies the London clause.</p>
Israel	<p>A. Our market has adopted this clause.</p> <p>B. Our market has adopted this clause.</p>
Italy	<p>A. The market has adopted the London Race exclusion clause 356 A which—in some cases — is integrated with the USA endorsement 91.</p> <p>B. The market has adopted the “London Biological, Chemical, Cyber exclusions clause” which is applied only to terrorism risk.</p>
Japan	<p>In the above regard we have not received any information from our member companies. It seems, however, that almost all the companies have adopted the London RACE exclusion clause, but that they have not adopted any Biological, Chemical and Cyber exclusion clauses.</p>
Korea	<p>A. The London RACE exclusion clause.</p> <p>B. The London Biological, Chemical, Cyber exclusions clause.</p>
Malaysia	<p>A. The London RACE exclusion clause.</p> <p>B. The London Biological, Chemical, Cyber exclusions clause.</p>
Mexico	<p>A. The London RACE exclusion clause.</p> <p>B. Your own market Biological, Chemical and Cyber exclusion clause (please specify) (YES)</p>
Norway	<p>A. The Norwegian cargo insurance market has not adopted the London RACE exclusion clause. Clause 18, No. 10 of the Norwegian Cargo Clauses of 1995 excludes loss or damage caused by the release of nuclear energy. This Clause provides a wider exclusion than the London RACE exclusion clause.</p> <p>B. The Norwegian cargo insurance market has not adopted the London Biological, Chemical, Cyber exclusions clause or any similar clause. The CEFOR Cargo Forum finds the London Biological, Chemical, Cyber exclusions clause highly unreasonable to the assureds and CEFOR members will argue against the inclusion of this clause in reinsurance contracts.</p>

Poland	<p>A. No exclusion has been implemented.</p> <p>B. The London Biological, Chemical, Cyber exclusions clause has been implemented.</p>
Romania	<p>A. Have one similar in terms with RACE clause which was asked and accepted by the reinsurers.</p> <p>B. No exclusion has been implemented in our market, but this was required by the reinsurers and we will insert one similar or equivalent to London Biological, Chemical and Cyber exclusion clauses as the case may be.</p>
Singapore	<p>A. The London RACE clause.</p> <p>B. The London Biological, Chemical, Cyber exclusions clause.</p>
Slovenia	<p>A. No exclusion has been implemented in our market.</p> <p>B. The London Biological, Chemical, Cyber exclusions clause. (only one insurance company)</p>
South Africa	<p>A. Yes, Clause 356 dated 1/10/90.</p> <p>B. None.</p>
Sweden	<p>A. The London RACE exclusion clause.</p> <p>B. No implementation</p>
Switzerland	<p>A. General exclusion: Damages caused by nuclear energy. New Swiss RACE exclusion clause will be adopted in the new General Conditions 2004 (adapted wording).</p> <p>B. No exclusion has yet been implemented in our market.</p>
Turkey	<p>A. Our market has adopted the London RACE exclusion clause.</p> <p>B. Our market has adopted the London Biological, Chemical, Cyber exclusion clause.</p>
United Kingdom	<p>A. The revised RACE clause of 1 November 2002 has been widely adopted within the London Market.</p> <p>B. The Clause has been widely adopted in London market international business, but not as a rule on UK domestic business.</p>

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Question 3: What impact has U.S. Terrorism Risk Insurance Act (TRIA) had in your market?

The following associations indicated that TRIA has had no impact in their market: Australia, Belgium, Cyprus, Denmark, Finland, Germany, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea, Malaysia, Mexico, Morocco, Norway, Poland, Portugal, Romania, Russia, Singapore, Slovenia, South Africa, Switzerland, Turkey.

Austria	No impact. Austrian cargo insurance market is orientated along the recommendations of the Londoner War Risks Rating Committee.
Belgium	After thorough investigation, which cost a lot of time and money, it has been confirmed to our market that we do not fall within the scope of this legislation.
Finland	None -- except a lot of questions and work both for companies and insureds. No actions needed on global policies covering storage in US as stated, among others, in the answer received and distributed by the Belgian Association.
Germany	There are still many unanswered questions regarding TRIA, especially the applicability for foreign policies. Practical importance seems to be rather low for German insurers.
Hong Kong	In respect of both Cargo & Hull, only those American licensed companies and Alien underwriters as defined by the Act were required to give notice to the Assured. TRIA does not have any impact to most of the other local underwriters.
Italy	As far as the cargo sector is concerned, there is no significant impact coming from TRIA as the insurance market usually guarantees both ordinary and sociopolitical risks in the same contract. It was observed that the Termination transit clause (terrorism) – where an extension of the terms going beyond the usual 30 or 60 days is applied – would be made vain when applying TRIA.
Russia	The U.S. Terrorism Risk Insurance Act had no impact on the local market although the market is concerned about the terrorism issues; soon after the New York catastrophe the local leading insurers, Ingosstrakh amongst them, established a pool covering terrorism risks.
South Africa	None of our members is licensed or registered to conduct business in the United States of America. There may however be Lloyd's agents in the market who could be affected by TRIA.
Sweden	The Swedish Association is still investigating the impact regarding the coverage for Swedish interests.
United Kingdom	The London Market as a whole has expended a great deal of time and effort in trying to ensure that it fully understands the terms of the TRIA legislation, and fulfills its obligations. This was made difficult due to lack of clarity at the time of introduction, and the position for London underwriters operating in a subscription market through brokers. The JCC produced a number of circulars in an attempt to provide guidance for underwriters, and these included some example wordings for use where appropriate. However, overall the TRIA regulations have lead to an increased administrative burden for underwriters, with very little advantage in terms of take up of coverage by assureds. It is believed that in certain areas companies have been looking to give up surplus lines licences, or have been using other "Stamps" in order to avoid being subject to the terms of the Act.

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Question 4: Please provide specific information on any new Loss Prevention issues / developments in your market.

The following associations indicated that they had nothing specific to report: Austria, Belgium, Cyprus, Denmark, Greece, Hong Kong, Israel, Japan, Mexico, Portugal, Romania, Russia, Singapore, Slovenia, Switzerland.

Australia	Please see our reply to the first question containing cargo losses in the reply to the cargo committee questionnaire.
Finland	Systematic risk assessment of storage risks has always been made when risks have been covered by the cargo insurance.
Germany	The German association has developed an Online Container-Handbook which will be presented in Sevilla.
Hungary	Selected methods: restrictions of terms and condition, deductible, pre-shipment survey on high valued and sophisticated cargo, temperature or shock indicators.
Ireland	Satellite controlled temperature monitoring devices for refrigerated cargoes are now being used by some of the larger haulage firms and provide an early warning system where refrigeration equipment malfunctions.
Israel	There weren't any new issues beyond those already raised in previous years.
Italy	<p>Through an ad hoc body, the Italian market has continued to carry out a specific loss prevention activity, above all aimed at fighting the old problem of thefts and hijackings. In particular an analysis has been carried out in depth on the protected parking areas for trucks available nationwide, whose complete map has been updated and upgraded.</p> <p>A new list (of pure reference) of anti-theft devices for heavy vehicles – of course complying with the EU rules - has been issued.</p> <p>Finally, the new recommendations (both in Italian and in English) for carriers/drivers and shippers on the carriage of refrigerated, frozen and/or deep-frozen goods have been published on the ANIA website (www.ania.it – section: “Documenti e Pubblicazioni” – subsection: “L'assicurazione nel trasporto merci”).</p> <p>Furthermore, the recommendations for overland transport have been updated, with specific reference to shipments of goods bound for ex-USSR countries.</p>
Korea	In Korea, insurance company and the assured carry out the loading and/or discharging survey for the valuable cargoes in order to minimize the possibility losses.
Malaysia	Some strict loss prevention warranties are imposed.
Morocco	Moroccan market gives a particular attention to loss prevention to improve accidents. This prevention is being applied at different levels: packing, transport means (container, tank, trailer), storage, etc. In order to avoid loading cargo on board substandard vessels, our association has referred the matter officially to Port State Control and Ministry of Transport for reinforcement of control of vessels berthing Moroccan ports with the aim of penalizing shipowners who do not respect ISM Code regulations.
Norway	Electronic tracking devices and alarms on trucks carrying salted and dried fish to Italy have prevented two robberies on Italian highways this year.

Poland	Spreading of GPS in land transports.
Slovenia	No new loss prevention. The government (Ministry of traffic) is preparing the code for safety loading of cargo on road trucks. It is expected to be in force next year.
South Africa	A new cargo tracking device to locate stolen containers/packages has been introduced in the market. The device is currently being tested by this Association and should it prove successful will be endorsed by the Association. It is hoped that the device will then receive the necessary support from members and local industries. The use of the device is anticipated to be mainly for sendings within the Republic of South Africa.
Sweden	The Swedish proposal from the Swedish government is presented regarding the security of loading and lashing of cargo. The proposal has been presented by The Swedish Association in the EU-parliament in Bryssel.
Turkey	Discharge survey is being requested for bulk cargoes.
United Kingdom	There has been greater use of "tracker" monitoring, although this is still too expensive for wide-scale use. Risk Management is being brought into play on larger accounts. Besides more use of Risk Management in cargo area, nothing specific.

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