

A PRESENTATION AT THE IUMI CARGO/LP WORKSHOP IN SEVILLA, SPAIN SEPTEMBER 17, 2003

IS THIS VESSEL OK?

How could a Cargo Underwriter navigate towards better quality, safety and profitability?

Background Many years ago our company had a fairly big cargo loss. My boss at the time called me into his room and asked me how in the hell had we insured cargo onboard a vessel like that? I argued that nothing in the databases available to us indicated that the vessel had been substandard. What he said was that we should have checked the machinery! We don't know anything about a ship's machinery!

This time I thought he had gone too far. However, as a result of this I had to decide what we should know about vessels that we deal with and see to it that this knowledge is available to everyone and easy to apply.

Finally it all ended up in a schedule that I have now the honour to present to you. Thank you, Harri Ek, for your inspiration.

The concern about substandard vessels is common in the Scandinavian Market. One reason being that most of our exports are effected by sea transports. Also, during the past decades there has been a lot of old tonnage offered from nearby areas.

Today my aim is to present a simple tool for cargo underwriters to assess the marine risks presented to us or already covered by us on a Held Covered-basis. We cannot choose for the clients but we can make an effort to direct them towards better risk selection. There is however one warranty! To adapt this vessel analysis to our underwriting procedure we have to know what we are insuring. So - the first question is - do we know which vessels carry the goods insured by us?

If instead of always talking about being pro-active we would start really acting, we would require declarations also in advance. There is nothing that prohibits us from demanding knowledge of vessels over a certain age. At least for the most risky shipments or clients. Naturally we are most concerned about tankers and bulk carriers and, checking at least the oldest of them shouldn't be something we can't handle. One would think that also brokers would be interested to add value to their services by actually assisting the assureds in the safe carriage of their cargo.

Some of us have solved the problem by taking measures after a loss has occurred - one could call that being - post-active. One such measure is an extra deductible that is applied in such cases where the carrying vessel has been overaged or substandard. This will surely not thrill the assured. Another measure is deciding upon the coverage first after the loss which is - I dare say - being most post-active. This kind of approach is unfortunate and could even be called irresponsible underwriting as it supports sub-standard shipping.

Furthermore, the Paris MOU will this year start entering into its information system the names of the companies that have chartered detained vessels. If the next step is that the names of the charterers will be published, our clients will no doubt be more willing to ally themselves with us.

Presentation of the schedule...

Cargo Underwriters are neither hull insurers nor naval architects or master mariners. In other words we do not have deep knowledge of a vessel's construction. What if we were to have a number of old or suspicious vessels presented to us? Do we have the know-how to assess the condition of the vessel, without any devices, and from our offices?

In my schedule there is not a single piece of information that is new for a cargo underwriter! On the contrary, there is data that has always been interesting - crucial actually to the insurers. The information is merely put together - in order to grasp the total picture and to make it more understandable. The purpose of the schedule is to assist Underwriters to determine whether they can accept a vessel to carry the insured goods. To achieve that, they have to evaluate the data with some given indications. Just by looking at the information gathered from different sources doesn't make anyone happy. It is first when we make decisions based on that information that makes the work worthwhile.

The schedule guides us to examine data such as:

Age, classification society, flag, casualty history with number, type and time of the casualties, deficiencies stated in Port State Controls as well as detentions and reason for them. In addition, information about the owners and their other vessels can be investigated if found necessary.

Excel-schedule

The above mentioned variables are in the schedule placed vertically.

The horizontal columns are the following:

The first column shows where the information comes from. We all are acquainted with Equasis. This database has been successfully developed during the past three years. It does, however, not yet give answers to all the questions a cargo underwriter might have about the vessel. Therefore the source of some information is a location in a commercial database.

The second column tells what information you should be searching for.

The cargo insurer's comments in column 3 depend of course on what your company considers as being alarming.

In column 4 I have included a few comments from hull underwriters as the level of cargo underwriting quality will no doubt increase with steady contacts with our colleagues in hull.

Then, through some links in the schedule we reach a lot of useful information.

Let me draw your attention to a few issues in this schedule:

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Naturally the checklist could be shorter. It is therefore up to each underwriting manager to determine when a risk is found suspicious and create guidelines. First with given guidelines as to how to proceed we can make a difference, not merely by knowing or being suspicious.

Conclusion Marine insurers, among others, are being blamed for the dreadful marine casualties at sea during the past couple of years. Consequently, the issue of how the marine insurance industry could contribute to the elimination of substandard ships has been a target for numerous discussions. There is no doubt, that also Cargo Underwriters bear responsibility for maritime safety. We are, or at least should be, in the position of either accepting or declining a maritime risk. Consequently we can participate or at least support the new measures taken to decrease the threats against seafarers, the environment and goods.

There is today a lot more transparency and accountability in respect of ship quality. As Mr. Philippe Marchande says after his 3 years with Equasis, "we can't plead ignorance about the quality of ships with which we are involved". In other words, ignorance is no longer an excuse for tolerating substandard vessels.

The constant demands to show profitability is a reality for each and every one of us. This is seldom done solely by increasing the premiums or by accurate claims adjusting. I hope many of you in the audience share my opinion that the best way we can make a difference both in our role as responsible for maritime safety and becoming more profitable is to prevent huge losses. By surveying one vessel we can prevent one huge loss from happening.

Most of us cargo underwriters don't know much about ship machinery. How ever fascinating that might be to hull underwriters (or men) I feel that we do not need to get our fingers greasy. Knowing all this information just shown to you is good enough, isn't it?