





Marine Insurance Towards Quality Shipping

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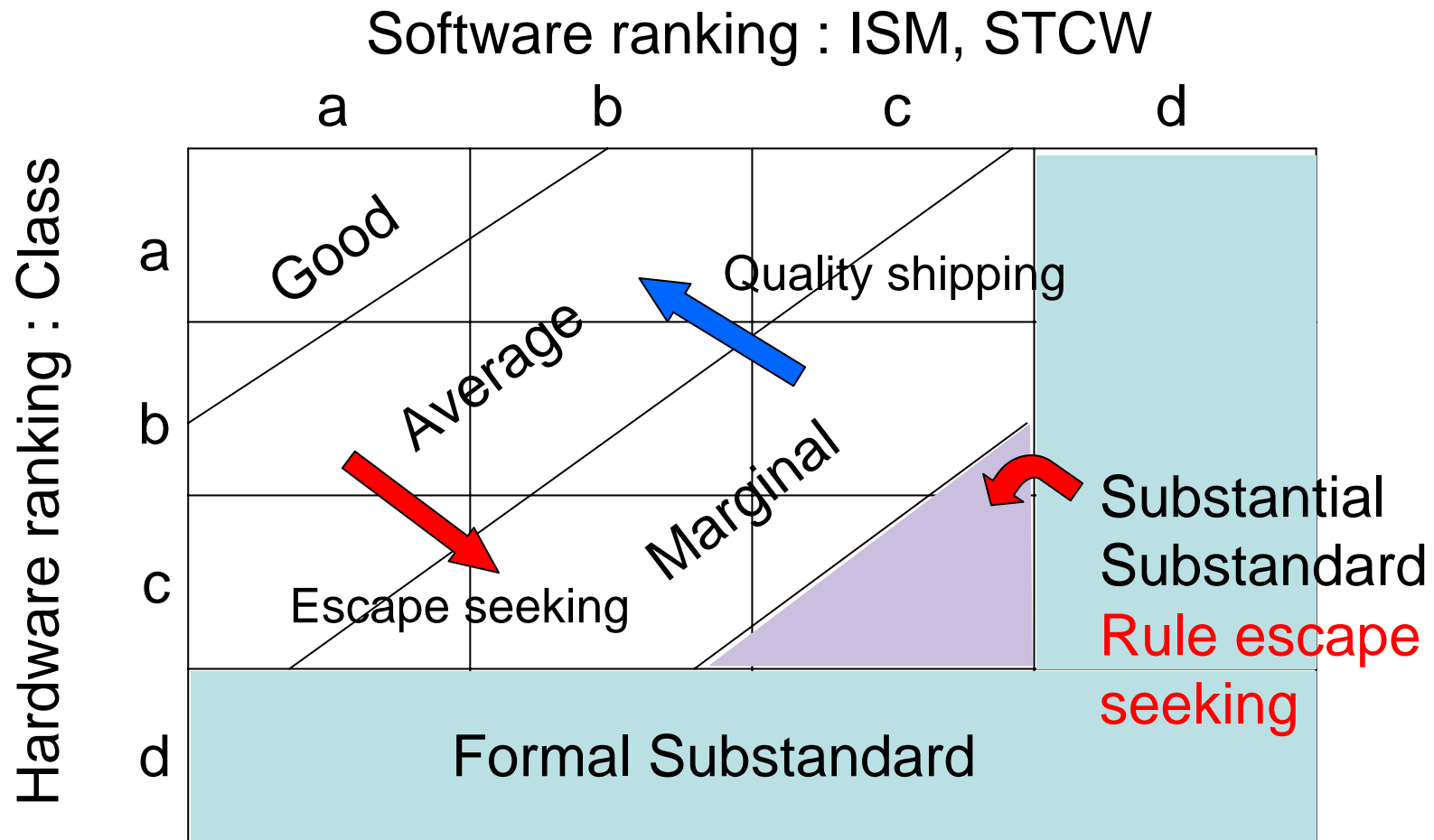
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Expectations to Marine Insurance

- IUMI 2006's Common Theme
“Risk Assessment and Loss Prevention – a Common Goal”
is very much encouraging for quality shipping.
From the past performance to the future upside potential.
- Quality Shipping Campaign was initiated by European Commission and supported by IMO in eliminating substandard ships.
- Although rules and regulations has been elaborated, they are not sufficient to eliminate substandard ships.
- It is expected that marine insurance to be another potential driving force of Quality Shipping.

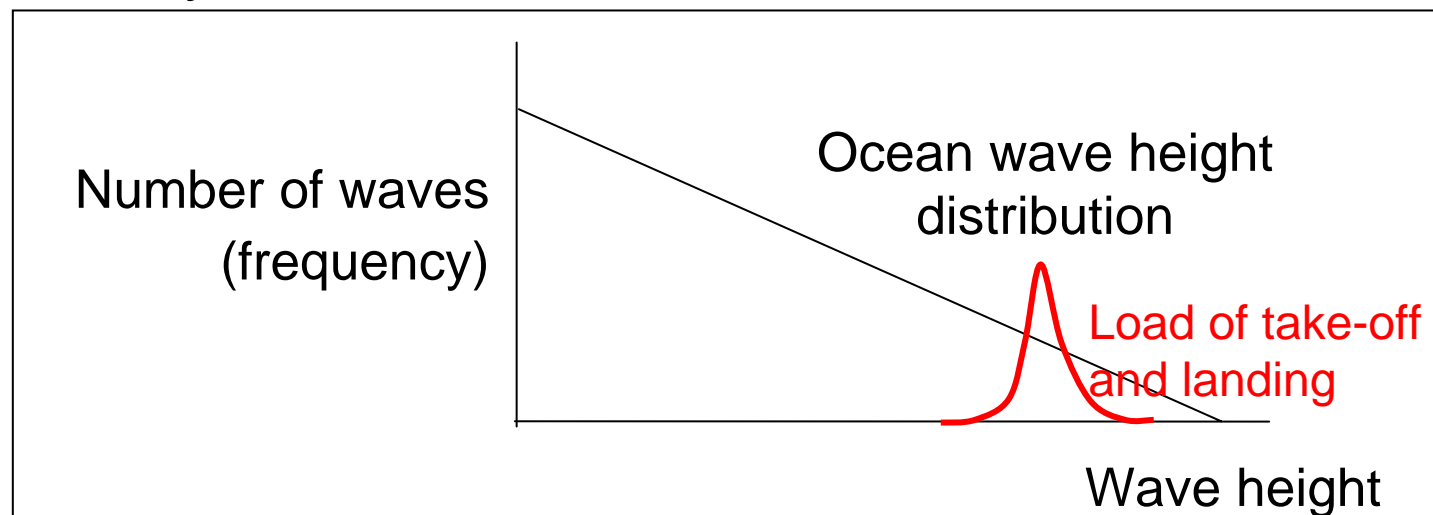
Rules Have no Sense of Ranking



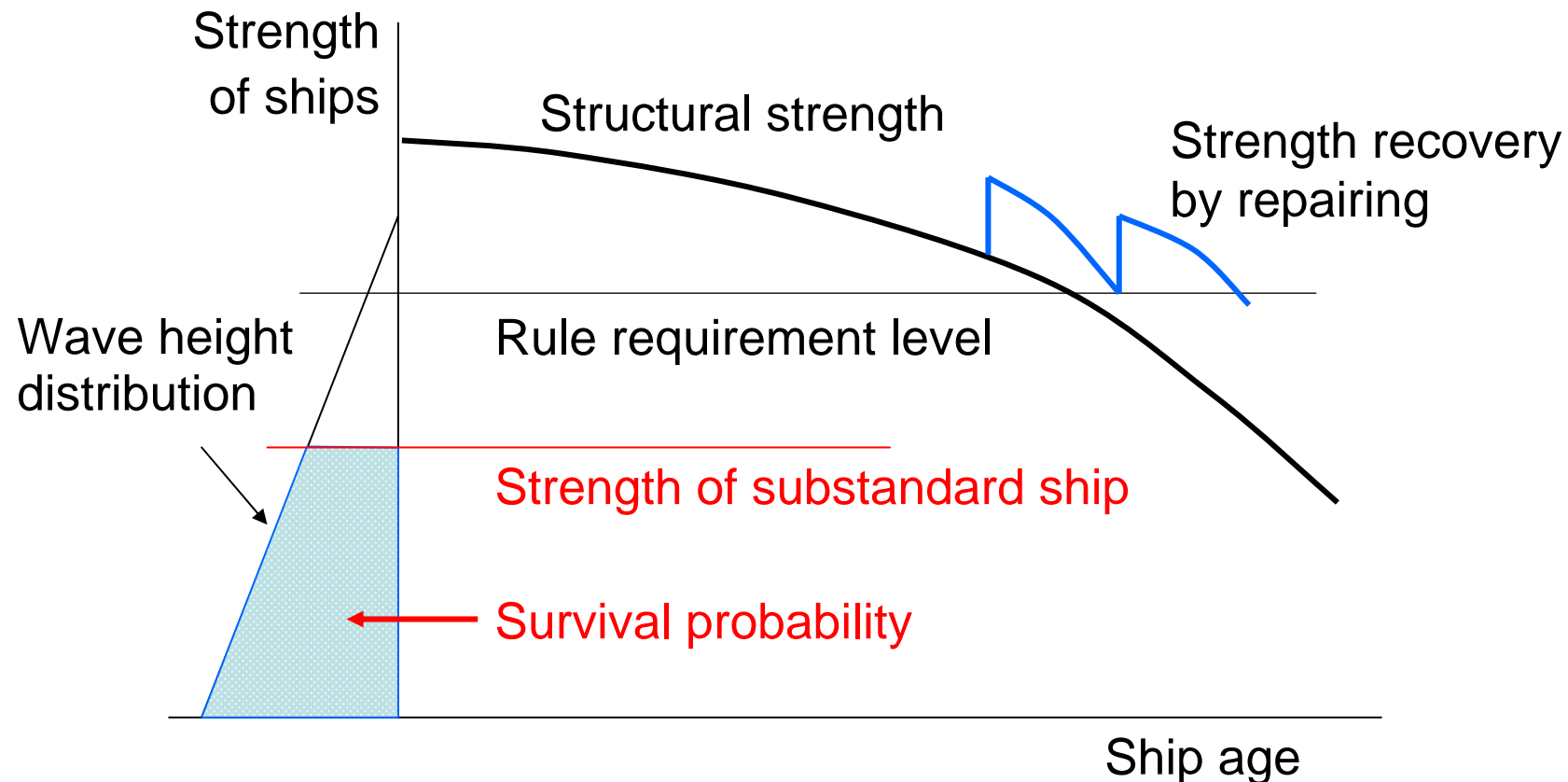
Goal Based Standard

Tier 1: Ships are to be designed and constructed for a specific design life and to be safe and environmentally-friendly, when **properly operated and maintained** under the specified operating and environmental conditions.

Tier 2: New oil tankers and bulk carriers **in unrestricted navigation**; the specified design life is not to be less than 25 years.



Schematic Relationship of Weather and Survival Probability



Risk Assessment as a Holistic Evaluation



- Rules and regulations are not sufficient for safety. Common understanding of flag states is hardly established.
- They are **minimum requirements** in nature that likely tends to an escape seeking.
- Insurance should provide a holistic approach with the **aggregated evaluation** of complex aspects.
Ranking / Segmentation.
- Holistic evaluation would be justified by competition of insurance companies in long term. Underwriting based on accurate evaluation will reflect social common sense.

Collaboration for Competitiveness

- Activity Based Costing (ABC)

Price used to be decided by providers:

$$\text{Price} = \text{Production cost} + \text{Reasonable profit}$$

Now, price is decided by buyers:

$$\text{Admissible cost} = \text{Price (buyers)} - \text{Expected profit (provider)}$$

- Providers must keep the cost within an admissible range enhancing their competitiveness.
 - Collaboration is essential in achieving competence.
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- **Risk assessment and loss prevention** of insurance companies will be potential measures in evaluating collaboration.

Structural Change in Shipping

Owner	Owning	Financing
	Ship management	Proper ship handling and maintenance
Operator	Operator / Carrier	Ship and port operation
	Logistics	Door to door forwarding

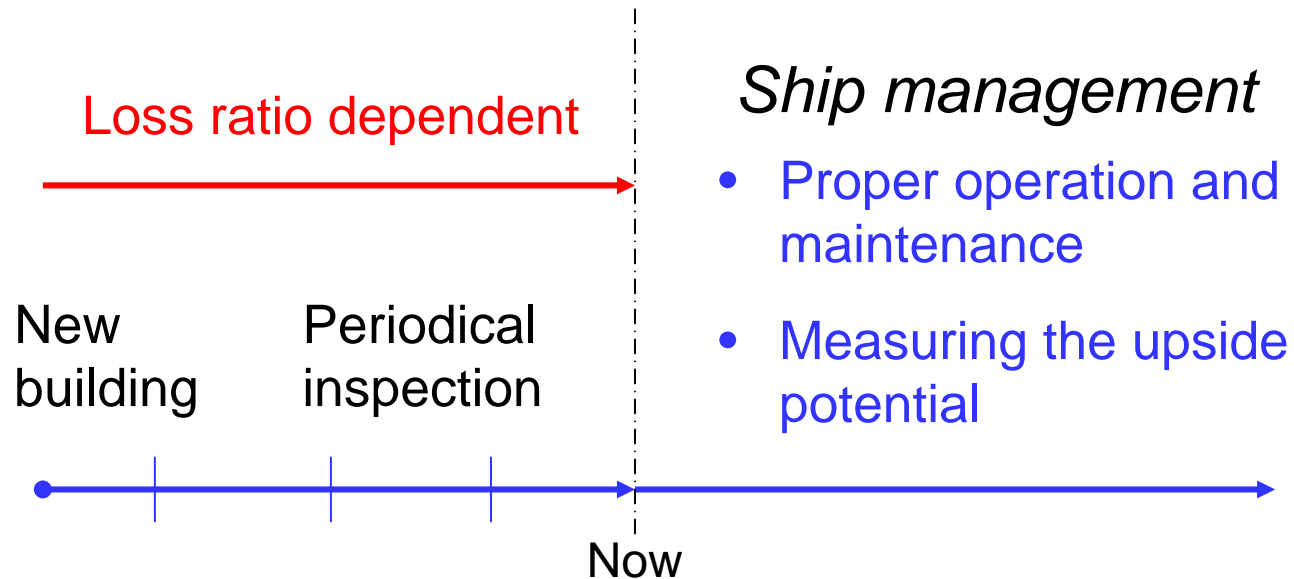
- Safety is mainly dependent on **ship management**. TQM capability is the fundamental concern.
- New segments may not stay long. A ship management company is easier to establish than conventional owners.
- Less chance to get reliable statistics / loss ratio.



Total Quality Management (TQM)

- Total quality control (TQC)
Internal effort in an organization: Plan, Do, Check and Action.
 - Action does not mean **re-work / corrective action!**
Instead, action must be the **improvement of PLAN.**
 - TQM is an extension of TQC, applicable for many activities like education, research and even policy making.
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- Reliability of partners is essential issue for collaboration.
Collaborative process quality – ISO9000s
 - **Keeping the process quality** is the strong issue within a team of organizations.

Insurance as Quality Evaluation



- Upside potential looks at the future performance of ship management focusing on the process quality.
- Insurance companies should acquire the capability for quality evaluation **integrating the experience and knowledge** of underwriting, claim and production.



Marine Insurance is Essential for Quality Shipping as well as Risk Management - Conclusions -

- Insurance provides a holistic approach from the practical viewpoint. Proper segmentation by this approach should be the starting point of the industry.
- Justification of proper segmentation will be obtained by reasonable and accurate risk assessment.
- Risk assessment is certainly the base of loss prevention that is the common goal of shipping companies and insurance companies.
- At the same time, it is now expected that the reasonable and accurate risk assessment will work as the driving force for quality shipping.