





Risk Assessment & Loss Control Commercial Fishing Vessels

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CEO Sunderland Marine Mutual Ins Co Ltd

Risk Assessment & Loss Control Commercial Fishing Vessels



- Speakers industry experience
 - CEO - Sunderland Marine Mutual Ins Co
 - Established 1882 – 125 years of trading in 2007
 - Employed with the Company for 33 years
 - Head Office - Durham - UK
 - 12 Branch offices in strategic global locations
 - 140 Employees
 - Premium income (2006 estimated) - US\$160,000,000
 - 32,500 plus Commercial Vessels Insured – Direct & Indirect entries (estimated 2006)



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- Facts

- The world of fishing vessel insurance is changing
- The cost of writing good business is becoming more expensive, year on year
- Risk element increasing
- Selection is the key to success
- Fleets continue to age; thus increasing the risks – older vessels = increased claims cost
- Industry pressures have never been so acute
- Many operators have now reached the critical “make or break situation”

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- Information we know or should be aware of
 - Commercial fishing vessels can often trade in hostile environments
 - Operational stress on the vessel constant when fishing
 - Fishing grounds often distant & remote
 - A vessel in distress can often be days away from assistance
 - Know which industries are sustainable
 - Understand the inner-industry finances
 - Limited catches & escalating running costs pressurise viability
 - Be part of the industry – It's the only way to track rapidly changing circumstances

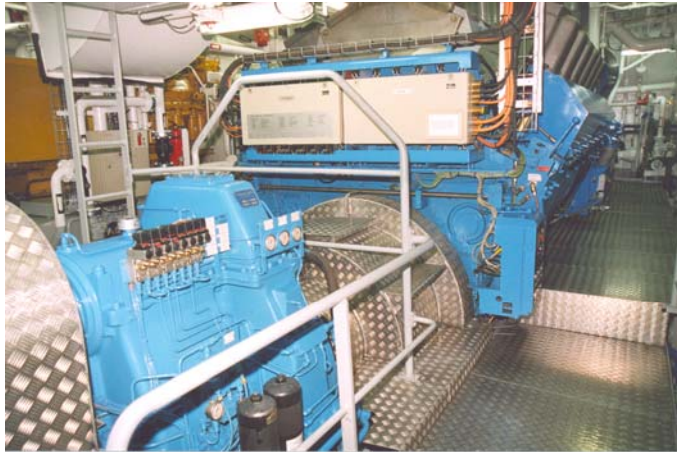
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- Vessel Profiles

- Commercial fishing vessels are complex hunting units
- Modern vessels are more becoming more sophisticated
- Mechanical, electrical & hydraulic technology is considerable – in a confined space
- Computerised fishing systems provide ultimate efficiency
- HP ranges on main engines have be considerable to:-
 - Steam greater distances
 - Fish deeper waters
 - Drive complex hydraulic systems
- As underwriters, we have to set a premium to cover the growing technology

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Power control



The value of equipment contained in confined areas can often be considerable



Values can stretch into \$millions

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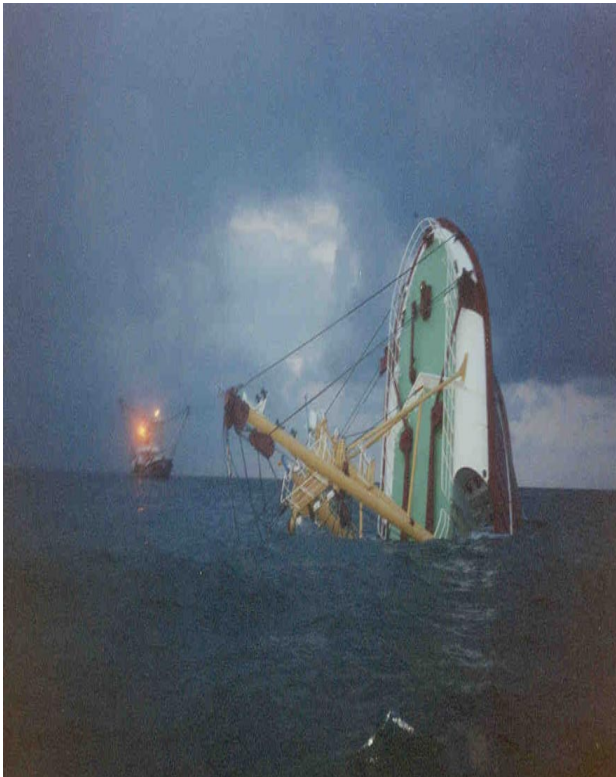


- What are the pressures?



- Conservation of stocks
- Over fishing
- Regulatory intervention
- Escalating fuel costs
- Increased maintenance
- Increased health & safety costs
- Risk assessment demands
- Weather concerns
- Environmental constraints
- Money in – money out
- Uncertainty of crew

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- Underwriting Fundamentals
 - “Stick to what you know”
 - Be prepared to say “No”. – Frequently!
 - This is important to be a survivor
 - Selection, Selection, Selection
 - Skipper & Ownership knowledge is more than 50% of risk
 - Avoid over insurance
 - Review values annually inline with industry fortunes
 - Survey & Valuation - photographs

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- Underwriting Fundamentals
 - Global industries are depressed
 - Restrictions force margins
 - Further catch limitations imminent
 - Quota, days at sea, allocations
 - Financial pressure is growing
 - Returns depressed
 - This does not attract quality crew which increases risk
 - Further fleet reductions planned
 - Vital to know who will survive



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- What additional Information should an underwriter require?
 - What species will the fishing licence cover?
 - What is the expected average price at market?
 - Does Price x Quota = mortgage, or better?
 - Are sea days adequate to reach target income?
 - Keep in touch with research development
 - Will the scientists cut future allocations?
 - Remember, previously, many vessels only survived by landing “black fish” (unrecorded catch)
 - Establish a sustainable limit for each risk

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- Have economic pressures compromised the risk?
- After the bank and crew are paid, is the risk still a viable proposition?
- Is the vessel operating with adequate crew compliment?
- Is continuous crew training in force?
- Is the planned maintenance being continued?
- How frequently is your surveyor checking this? 24/36 month re-survey recommended.
- Are you prepared to invest in the additional work necessary to control the risk?

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- Loss Control

- Condition/Valuation Survey Reports

- This is where the loss control must begin
 - These reports are vital!
 - Underwriter should pay for the report – retain Independence
 - Know your surveyor
 - Re-survey frequently – too many sub-standard vessels
 - Use the information to issue guidelines



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- Loss control

- Use the information gained from reports to be proactive
- If necessary – stop vessels sailing until defects rectified
- Have an agreed recommendation sheet that is signed by the owner and have the vessel re-surveyed
- Be prepared to say “NO” – frequently!
- There is no premium level for a “bad vessel”
- The two most frequent causes of loss are flooding and sinking and machinery breakdown.
- Question? Is the pipe work good? Can the water be evacuated? How well is the machinery maintained?

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- Loss Control

- Whilst providing protection to the client – an insurer must also protect himself
- A reducing global fleet means reduced spread
- Aging fleets = increased claims
- Limit machinery exposure
- Tailor deductibles to be proportionate to the risk
- As a vessel ages – owners should increasingly share in the risk
- Consider the risk as if reinsurance did not exist

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- Conclusion

- Select

- Survey

- Limit

- Protect

