Cargo Workshop Chairman’s Report and Introduction

Nick Derrick, Chairman, Cargo Committee
Travelers Syndicate Ltd Management, Lloyd’s, London

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Agenda

• Committee Members
• Cargo Statistics
• Cargo Profitability
• Major Events
• Piracy
• Chairman’s Past 3 Years – Market Issues
• Workshop Introduction – Sean Dalton
• ‘Misappropriation’ Panel Discussion
• Q&A
Current Committee Members

• **Nick Derrick**
  – Chairman
  – Travelers - UK

• **Sean Dalton**
  – Vice Chair
  – Munich Re – USA

• **Mikaela Tamm**
  – Secretariat
  – Insurance Sweden
  Sweden
2018 Senior Committee Members

- **Sean Dalton**
  - Chairman
  - Munich Re

- **Isabelle Therrien**
  - Vice Chair
  - Falvery Cargo Underwriting

- **Mikaela Tamm**
  - Secretariat
  - Insurance Sweden- Sweden
Committee Members 2017

- Eric De Smet – Baloise - Political Forum Liaison
- Shuichi Steve Tarakawa – Japan - EC Liaison
- David Grant – CNA Hardy – United Kingdom
- Hisanori Uga – Tokio – Japan
- Hosny Mishrif – Misr – Egypt
- Isabelle Therrien – Falvey Cargo – Canada
- Joanne S.F. Chan – XL Catlin – Hong Kong
- Keith Auld – Munich Re - New Zealand
Committee Members 2017

Massimo Spadoni – Siat – Italy
Matthias Kirchner – AXA – Germany
Max Zaccar – Commercial Ins. – Lebanon
Neta Ikar – Migdar Insurance Co. Ltd - Israel
Nicole Pousson – Swiss Re Corporate Solutions
Niklas Bengtsson – Inter Hannover - Sweden
Sanjiv Singh – New India - India
Jill Murphy – Globe Underwriting - Australia
Cargo Statistics
Cargo Premium 2016 - by region

Total estimate: 15.0 USD billion / Change 2015 to 2016: -6%
Exchange rate effects strongest on cargo premium.
Cargo Premium 2016 - by markets

Total estimate: 15.0 USD billion

Belgium 1.7%
Brazil 5.3%
China 8.4%
France 4.6%
Germany 7.3%
India 2.2%
Italy 2.5%
Japan 8.9%
Mexico 2.4%
Netherlands 1.5%
Russia 2.2%
Singapore 2.2%
Spain 1.3%
UK (IUA) 4.4%
UK (Lloyds) 9.5%
USA 4.6%
Other 29.5%

Cargo Premium versus World Trade Values & Exports

Index of evolution, 1995=100%

Decline in USD cargo premium combination of strong USD (exchange rates) and market conditions.

IMF estimate April 2017

* Premium adjusted backwards for missing historical data.
Gross* loss ratios
Cargo Europe (& partly US) **
Underwriting years 1996 to 2016, as reported at 1, 2, 3, 4, 5 years

2014 & 2015: Strong increase in claims reserves!
Untypical development pattern.

Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)
Data included from: Belgium, France, Germany, Netherlands, Italy, Spain (until 2007), UK, USA
Ultimate Gross* loss ratios
Cargo Europe (& partly US)**
Years 1996 to 2016

*Cargo acquisition cost reported by some countries: 15%-20%

2015: Tianjin port explosion. 2016: (Hanjin), Amos-6 satellite affect more than one uw year

2014/2015: severely deteriorated


* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

**Data included from: Belgium, France, Germany, Netherlands, Italy, Spain (until 2007), UK, USA
Summing up Cargo

- Commodity values are increasing
- Commodity volumes are increasing
- Cargo premiums are decreasing
- Cargo loss ratios are deteriorating year on year
- Difficult market conditions continue
Question: When Did The Port Of Tokyo First Open For International Trade?
...And the answer is:

B. 1941

Vote Now!

A. 1901
B. 1941
C. 1961
UK/London

Market
Pharmaceutical Fire – Hungary

- Pharmaceutical Fire at healthcare facility, Hungary. Claim of **USD 10,000,000**. 100% London
Misappropriation – Brazil

- Soya bean claim of USD 70,000,000
Road Traffic Accident - USA

- Truck carrying temperature-controlled pharmaceuticals road traffic accident, due to bad weather. USD 35,000,000 claim – total loss
- Truck fire claim USD 17,000,000
Hurricane Matthew - USA

- Over USD 50,000,000 claim on new automobiles in Brunswick, Georgia. 100% London market.
Australia

• Storage claims on damage to Automobiles caused by hail, totalling USD 5,000,000 – USD 10,000,000
• Storage claim of Pharmaceuticals – USD 10,000,000
• Blood products dropped in transit resulting in claim, circa USD 10,000,000

Source: www.commercialfleet.org
Belgium

- Rice infestation claim in Angola – USD 2,500,000
- Armed robbery leading to a claim of USD 2,600,000
- Claim of corn in storage (heating due to inherent vice) worth USD 4,000,000
Germany

- Automobile claim totalling EUR 25,000,000 resulting from:
  - 2 hail claims and a General Average
New Zealand

- Various storage claims resulting from the 2016 Kaikura Earthquake totalling over USD 10,000,000

Source: USGS
Global Losses

- Fire on MSC Container Ship off of the Port of Colombo
  Vessel was able to carry 14,000 TEU‘s
  Claims - USD 40,000,000 – USD 50,000,000
Global Losses

- Hurricane Harvey and Irma
- Inga Beale, CEO of Lloyd’s of London, estimates that the economic losses could total USD 200 Billion
Piracy
Somalia
Frequency of Successful and Attempted Hijacks

Courtesy of IHS Markit
Gulf of Guinea
Tanker Incidents in the Past 12 Months

Piracy in the Gulf of Guinea
Tanker incidents, year up to July 2017

- Territorial waters
- Failed
- Cargo theft
- Kidnap
- Robbery
- Historical incidents (since Jan 2006)

Courtesy of IHS Markit
Malay Peninsula
Piracy Since August 2013

Piracy in the sea waters off the Malay Peninsula (since Aug 2013)
- Red diamond: Tanker hijacking; fuel theft
- Blue diamond: Tanker hijacking; no fuel theft
- Gray lines: Risk area (since May 2015)

Courtesy of IHS Markit
Chairman’s Past 3 Years - Market Issues
Hong Kong – 2014 Market Issues

- Global Market Capacity
- Impact on Rates
- The Scramble for Market Share
- Decline in Underwriting Discipline
Berlin – 2015 Market Issues

• Broker Facilitization
• Mergers and Acquisitions
Genova – 2016 Market Issues

• Misappropriation
Question:
What is Misappropriation?
...And the answer is:

B. Unauthorised use/release of the subject matter at Third Party Warehouses
Workshop
Introduction
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| 14.45 – 15.00 | IPP Presentation  
Inspection of commodities: theory and practice | Fabrice Levesque, CL Surveys, F-Paris  
flevesque@cl-surveys.com | 15’      |
HISANORI.UGA@tmnf.jp | 25’      |
| 15.35 – 16.00 | Freight Forwarding Liability Insurance, multiple aspects of risks and solutions on a non-standardized Market | Frédéric Bécard, Cargo Practice Leader, Head of Marine Cargo International, AXA Corporate Solutions S.A., F-Paris  
Frederic.becard@axa-cs.com | 25’      |
| 16.00 – 16.30 | COFFEE BREAK                                   | Foyer B1F                                                                         | 30’      |
| 16.30 – 16.55 | Smart Logistics – from the Marine Cargo Insurance perspective | Amanda Björk, General Manager, WK Webster (International) Pte Ltd, Singapore  
abjork@wkwebster.com.sg | 25’      |
| 17.00 – 17.30 | Panel & Audience Discussion  
“Misappropriation” |  
- Moderator: Nick Derrick, Chairman Cargo Committee,  
- Sean M. Dalton, Vice Chairman Cargo Committee, Head of Marine Underwriting NA, Munich Re America, USA-New York,  
- John Minton, CEO, Minton, Treharne & Davies Group MTD, UK-London,  
- Mike Roderick, Partner, Clyde & Co., UK-London | 30’      |

Conclusion and Take Aways: