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Cargo theft – anything but a victimless crime: Revised IUMI position paper

By admin On September 16, 2019 September 16, 2019 In Cargo, Insurance Marine News, Keep

Hendrike Kühl, IUMI Policy Director has written in the September 2019 edition of IUMI Eye that, throughout the Americas, Asia, Africa and Europe, theft of cargo, alone or with the vehicles, had reached “alarming proportions”.

It was a global challenge with a huge negative impact on people and the supply chains they worked in.

Increasingly popular among criminals were more innovative ways of stealing goods which took advantage of constantly growing online connectivity. “Instead of merely targeting a specific truck and its cargo, many criminals now take advantage of more sophisticated methods such as posing as legitimate transportation companies or jamming vehicle tracking systems”, said Kühl.

Although it was often stated that cargo theft was a victimless crime, Kühl said that this was “a major misunderstanding as the truck drivers who are vital enablers of trade are directly threatened by increasing violence related to cargo theft”.

It was also a large burden to society, as the costs caused by stolen cargo, business interruption and loss of reputation did not “simply disappear”. Those costs were factored into the pricing of the products.

IUMI has issued a revised position paper that reflects the urgency with which this issue needs to be addressed.

Closer transnational cooperation between law enforcement agencies across borders was a key component to combat these crimes effectively. The paper outlines several measures to support improved and more effective cross border coordination and calls for a higher density of high-security, accessible and affordable parking spaces. Recommendations for industry stakeholders provide guidance to reduce the risk of becoming a victim of cargo theft aiming to prevent such losses in the first place.

The data reported to TAPA’s (Transported Asset Protection Association) Incident Information System clearly show that cargo theft is on the rise rather than declining. Kühl said that IUMI’s call was “unequivocal”. He said that policy makers around the world needed to tackle this problem by increasing resources for law enforcement agencies, enabling improved transnational cooperation and by the creation of a large number of safe and secure parking spaces.

Turner outlines the five ongoing priorities of IUMI

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At the opening session of IUMI 2019 in Toronto, IUMI president Richard Turner thanked the secretariat, now consisting of three full-timers based in Hamburg, while noting that IUMI continued to be built on the foundations of a volunteer workforce, with more than 100 committee members devoting their own time to the committees.

He said that when he took over as President after the 2018 Cape Town conference the association’s priorities were to be an ongoing continuity of change.

“Today our external profile is indicative of an organization that is running throughout the year. It is a consequence of the value of having a professional secretariat,” Turner said, confirming that “our pathway over the next few years is to continue this journey”.

Turner said that IUMI’s five priorities remained: Membership; Education; Data and Digitalization; Advocacy, and Communication.

1. He said that for the Membership, the aim was to serve IUMI members well, to stay highly engaged and to seek opportunities to expand. “In 2007 about 60% of our business was

in Europe, while 22% was in Asia. The Asian percentage has now risen to over 30%. “It maximizes our authority when we can show that we are a truly global organization”.

2. Education, Turner said that “our goal is to establish IUMI as an educational provider of technical marine insurance skills.” Referring to a booklet produced more than 20 years earlier by Dave Matcham, Turner said that it was likely that the availability of bespoke marine training was not what it was. “So the challenge is how to attract people into the industry and to get them technical skills. And it is here IUMI can come into play”, said Turner, referring to the recently published tutorials in cargo and hull.
3. Data and digitalization: Turner said that the claims database developed by Dave Matcham and announced at Cape Town, was really beginning to bear fruit. He added that helping members prepare for an underwriting world where there was more focus on data and digitalization.
4. Turner said that IUMI aimed to act as the voice of the marine insurance industry. It intended to continue to build its presence at IMO. “Advocacy and lobbying is a major part of our function. The Policy Forum now holds positions on a range of topics, including cyber risks, cargo theft and places of refuge. We are closely involved on policies on Containership fires and autonomous ships”. said Turner. He added that, as part of IUMI’s lobbying and advocacy role, it had published a joint paper with Marsh highlighting maritime issues. He also said that a stronger organizational platform was now in place.

Turner reported that Lars Lange was to become the independent chairman of the International quality assessment review body (IQARB), part of the International Association of Classification Societies (IACS). The purpose of IQARB is to review the certification process of the quality management systems of IACS members.

“There has been a long history of cooperation between classification and insurance”, said Turner, referring to Lange’s new role, which will be in addition to his existing role at IUMI, Turner said that “I for one see his forthcoming chairmanship as being a real acknowledgment of his standing in the wider industry”.

Finally, on communication, Turner noted that IUMI had improved its utilization of multimedia to engage with members and to increase IUMI’s profile.

Turner said that five clear priorities represented an evolution of the longer strategic direction of IUMI.

“Social attitudes towards pollutants are hardening. The question for IUMI is what position should we take to these emerging issues over and above what we are doing right now. This is a topic that I am keen for us to look closely at”, said Turner.

Turning his attention to the common theme, Turner said that this acted as a rallying point for conversation and gave a common idea to the outside world. “It is worth considering the word

“chaos”. Is it the reality of the marine insurance market? We surely require a more coherent and articulate response.” Turner supplied three perspectives.

1. Cyclical changes. Turner said that “we have seen a change in the behaviour of the market and many capital providers have run out of patience”.
2. Structural changes, which are more permanent in nature, need to be addressed. In particular there was an emergence of digitalization. Meanwhile there were also:
3. External influences that were causing change, emanating from areas nothing to do with insurance, but directly impacting the industry.

On the cyclical side, Turner said that the supply of capacity for years had been out of balance with the demand for insurance. “However, today there are clear signs that the supply of capacity was contracting, or at least becoming more demanding.”

Turner noted that it was not IUMI’s role to police or supply indications of pricing (indeed, at the same session Lars Lange emphasised the need to comply with anti-cartel laws in this matter) . “But we do wish to see a market that is healthy and will be for the long term.” One of the sad outcomes of deep cyclical dips was, Turner noted, the loss of expertise to the market, jettisoned in the short-term in search of cost reduction.

Turner emphasized that in the modern world there were no hiding places, and that affected today’s management of the cycle. “There can be no sentiment. Marine insurance must earn its right to attract and retain capital”, he said, observing that “the emotional attraction to marine outside the mutual sector has not sentimental attraction to marine that we might have. We have to earn the rate to attract and retain capital.”

Turner said that the way the marine sector worked was changing in lots of ways. “We can now start to think in terms of enhancements of the products we offer. Surely there is an opportunity to rethink some of the coverages we provide”. He added that “We are already seeing shifts with the online placement of risk. These changes will affect all forms of insurance. We have to adapt to what is coming.”

Some of the changes in the world would inevitably impact insurers, he said. The growth of the Asian market, the growth in the size of ships, causing bigger concentrations of values on board and in port areas. Outside of insurance there was much external disruption that was relevant to the industry.

Perhaps top of the list of the worrying factors for the industry was the growth of protectionism. “If these measures lead to fewer goods being shipped, less cargo means less premium, greater spare capacity, lower freight rates, lower ship values, and therefore lower total Hull premiums.”

On the external front, Turner said that protectionism was the major current concern. and, although he felt that “protectionism creates winners and losers, the overall impact could be a decrease in trading levels.

Meanwhile, insurers in the UK had spent millions establishing subsidiaries elsewhere in the EU so that they can write contracts for EU clients post Brexit.

Climate change and changing social attitudes could see marine insurers being forced to adapt or die. On the plus side, and with an optimistic conclusion, Turner said that the marine insurance sector had always managed to adapt and survive in the past. “Cycles come and cycles go, and although the shape of them may be changing, we have as an industry consistently found ways to reinvent ourselves. It would be the failure to adapt and change that would represent the greatest threat to our industry.”

Turner’s presentation followed two welcoming speeches from the host nation, Canada. Isabelle Therrien, president of the Canadian board of marine underwriters (and vice chair of the IUMI cargo committee) highlighted the significance of the St Lawrence water highway to the Canadian economy, as well as the engineering feat in building 16 locks that rise a total of 183 metres from the Atlantic to the American midwest.

Peter Hohman, president of CEO of the Insurance Institute of Canada, had noted that many more students and millennials were choosing to work in insurance from an earlier age.

IUMI embarks on Environmental, Social and Governance (ESG) topics

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The IUMI Executive Committee and IUMI Policy Forum have decided that IUMI will develop an opinion on ESG risks and play a role in guiding the marine insurance industry in dealing with ESG topics. IUMI plans to facilitate a dialogue within the IUMI membership about ESG risks and addressing IUMI members’ position on ESG risks towards public stakeholders, authorities and industry partners. IUMI will not bind its members with overarching commitments but will enable its members to decide on their own action and commitments in a transparent manner and on a fully educated level.

A change in public awareness initiated by the United Nations (UN) Sustainable Development Goals, the Paris Agreement on Climate Change or the work of the International Maritime Organization (IMO) for example, has led to increased expectations of insured entities, insurance stakeholders and the public with regard to insurers’ responsibilities.

In a first concrete step, IUMI is currently taking part in the consultation process of the UNEP FI guideline for the “Underwriting environmental, social and governance risks in non-life insurance business”. Butch Bacani, Programme Leader “UN Environment’s Principles for Sustainable Insurance Initiative” at UNEP FI will introduce the topics in the Policy Forum workshop during the IUMI Toronto conference in September 2019.

IUMI has recognised a number of its current policy agenda topics where ESG principles already have an impact such as sanctions and polar shipping. Other policy agenda topics where ESG risks and questions are touched upon are currently under consideration either by IUMI or IUMI’s membership, for example human rights insurance clauses, illegal fishing, conflict minerals or anti-bribery. Environmental issues are already on IUMI’s agenda such as ballast water management systems for ships or the IMO low sulphur regulation coming into force in January 2020.

IUMI calls for more action to improve cargo theft prevention measures

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The International Union of Marine Insurance (IUMI) has noted that cargo crime had reached “alarming proportions”, and its policy forum chair Helle Hammer has urged further steps to better facilitate the safe and secure flow of goods within the global supply chain, minimizing risk. In particular, efforts by law enforcement agencies to increase transnational cooperation to combat cargo theft needed to be enhanced further.

Hammer said that “the increase in theft, which was far from a victimless crime, was having a negative impact on supply chains and economies around the world.”, adding that “cargo crimes are a large burden to society as the costs caused by stolen cargo, business interruption and loss of reputation do not simply disappear, but are factored into the pricing of the products which are moved around the globe every minute of every day.”

A study conducted in Germany in 2018 estimated the direct losses caused by cargo theft from trucks to be €1.3bn, with an additional €900m due to penalties for delays in delivery, repair costs as well as lost sales and business interruption.

In 2008 an EU/Europol study based on Transported Asset Protection Association figures estimated that the economic damage of cargo theft in Europe alone amounted to €8.2bn a year.

IUMI’s position paper includes a number of considerations that will help prevent cargo theft. These include the continuation of exchange of best practice across borders on local

initiatives; establishing a dedicated cargo theft taskforce; training with a focus on cargo theft awareness and prevention; and enhanced due diligence by shippers, logistics/transportation companies when selecting agents and staff.

IUMI supports paper to IMO on non-declared and misdeclared cargoes

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IUMI has said that the solving the problem of non-declaration or misdeclaration of dangerous goods on-board container vessels was an important part in solving the problem of container ship fires.

Apart from delivering regulatory control, the International Maritime Dangerous Goods Code (IMDG Code) has definitions and classifications of dangerous goods, as well as procedures for declaration.

IUMI noted that it was part of an industry coalition that included the International Chamber of Shipping (ICS), BIMCO, the International Cargo Handling Coordination Association (ICHCA), the International Group of P&I Clubs, the International Vessel Operators Dangerous Goods Association (IVODGA) and the World Shipping Council (WSC), and Liberia as a supporting flag state. The coalition forwarded a paper to the 6th session of the International Maritime Organization (IMO) Sub Committee on Carriage of Cargoes and Containers (CCC 6) in September 2019. IUMI is a co-sponsor of this paper and said that it would support further process and progress.

The paper contains a proposal to undertake a comprehensive review of maritime Special Provisions (SPs) in the IMDG Code. The Dangerous Goods List in chapter 3.2 of the IMDG Code includes UN numbers assigned for dangerous goods, with an allocated Proper Shipping Name (PSN). These provisions need to be complied with in order to avoid safety risks associated with the carriage of dangerous goods.

At the same time, the IMDG Code is not applicable to commodities which fulfil the requirements of certain maritime SPs, meaning that those commodities are not considered dangerous and do not need to be declared as such by the shipper to the carrier.

For example, a consignment of charcoal, which could otherwise be considered dangerous as liable to spontaneous combustion is authorised to be shipped as non-dangerous cargo

as long as it has passed the tests for self-heating substances and is accompanied by a certificate as required by the respective SP.

IUMI said that the growing number of casualties related to container fires suggested that the problem was getting worse, despite the extensive provisions of the IMDG Code.

The strong assumption of the paper is that maritime SPs in the IMDG Code have been a frequent basis for exempting goods from the safety provisions of the Code, when in fact those goods were later proven to be dangerous. A significant number of reports additionally suggest the intentional non-declaration or misdeclaration of dangerous goods by shippers. IUMI said that this was done in different ways, including the provision of fraudulent certificates to the carrier, in an attempt to achieve exemptions allowed under SPs and as such bypass the provisions of the IMDG Code. The paper suggests that a holistic approach should be taken to reduce the risk of incidents involving container and ship fires. A key element in this approach is the extent to which maritime SPs authorise exemptions from the application of the IMDG Code to the shipments of goods that otherwise would be considered dangerous.

IUMI noted that recent initiatives by shipping lines such as Maersk, Hapag Lloyd and MSC were addressing this serious topic and they agreed that non- and misdeclaration was a serious root cause for fires on-board. In response they are increasing control of cargo and imposing fines for customers not complying with shipping lines requirements for declaration.