

Standing still is not an option says IUMI's Turner

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The marine insurance sector does not have the luxury of being able to stand still, according to Richard Turner, in his speech opening this year's International Union of Marine Insurance (IUMI) annual conference, being held online from Seoul.

Turner said in his presentation of this year's conference theme, "*Pathways to a Sustainable, Resilient and Innovative Future*" that a range of options were open to maximize marine underwriting in the future. However, none of those options was likely to be easy.

The concept of "sustainability" for insurance could be interpreted in a number of ways beyond the usual assessment in the initialism ESG. It included the need for the sector itself to remain healthy, and therefore its need to remain relevant.

The concept of resilience also gave of a number of concepts. They included the industry being able to withstand the impact of climate change, to deal with a potential erosion in existing industry skill sets and having the ability to cope with the change in the mix of skill sets required for the insurance industry of the future.

Turner highlighted a number of issues that were impacting the sector.

Chief amongst these was the impact of Covid-19. "In its widest sense, the pandemic has exposed the frailties within our global supply chains leading to unwanted delays and disruptions – these need to be addressed", he said. "Within marine insurance, Covid has sped up the shift towards online placements, the development of remote casualty surveys, and the increased adoption of digitalization. Whilst the full impact of the pandemic is yet to be played out, these changes are here to stay."

Turner said that we were likely to continue to see underwriters conducting increasing amounts of business from home, while international travel would remain somewhat curtailed.

Looking to the long-term, Turner raised the issue of the environment and sustainability. "We can say, unequivocally, that we have seen an increase in the

frequency and severity of nat cat events in recent years. Not just hurricanes and typhoons, but also unprecedented torrential rainfall in most continents, as well as the outbreak of severe wildfires”, Turner said, noting that “alarmingly, the Intergovernmental Panel on Climate Change is predicting that coastal flooding “one in one hundred years” events could become annual activities. Thinking about the high exposure of cargoes moving through ports and coastal areas, the marine insurance sector could be disproportionately exposed to these pressures on our coastlines”.

Turner referenced the evolution of offshore windfarms, enabling a move away from fossil fuels and the general decarbonisation of shipping. New propulsion methods for ships would change current risk profiles and would need to be fully understood before adequate insurance products could be developed. “We should give our full backing to the drive towards decarbonization”, he said, while noting that “it must be matched by steps taken to ensure that safety is also prioritised and maintained”.

Referring to the new potential alternative fuels that were analyzed during the second session of day one, Turner observed that some were “not without risk”. He said that it would “take a collaborative effort between all parties – plus no doubt some evolution in the regulatory environment – if we are to tackle this coming risk phase without mishaps.”

Data and digitalisation would impact increasingly on marine underwriting, specifically on how risk was selected and priced; as well as on how business was distributed and placed, said Turner, noting that it would also be integral to the premium- and claims-handling processes.

Turner said that “we need to understand the areas where human judgement is both valid and important; and alternately where machine learning is going to do the job more efficiently and accurately. Future underwriting will be a combination of human and computer analysis. Digitalisation has the capacity to improve pricing consistency, risk selection, cut cost, improve service – but I would doubt that technology will deliver the complete picture and I foresee a continued role for skilled practitioners applying necessary judgement to the process.”

Turner said that marine underwriting needed to remain a specialized area of insurance, employing practitioners who understood the shipping business. But he also predicted the need for more data and computer engineering experts to balance some of the more traditional roles. “Increased access to data might reduce role numbers in some places, while more roles will be needed in data and analytics”, he predicted.