

Embracing digitalization will bring new opportunities and new discipline to cargo underwriting, says IUMI

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Cargo insurance was entering a new era that would deliver opportunities to those underwriters who embraced technology and harnessed its power, IUMI said on the final day of IUMI Conference 2021, delivered virtually from Seoul.

The message was delivered at the data and digitalization workshop. Patrizia Kern-Ferretti, chairperson of IUMI's Data and Digitalization Forum, said that "prior to Covid, most global supply chains were constructed on cost only – the focus was to maintain the lowest cost base possible which allowed goods to flow. Covid has exposed this as unsustainable. Today, we are in a much better position to understand and recognise that low cost has translated into low reliability. As a result, our global supply chains are prone to disruption and failure."

She said that "the world needs reliable and sustainable ways of moving goods around the world and that will be delivered through increased transparency. And transparency will be achieved through better and real-time data along with enhanced digitalisation across the entire supply chain."

Kern-Ferretti added that "to be truly effective in how we assess and price these new risks inherent in a transformed supply chain, underwriters will need to draw on predictive analysis involving the gathering and analysis of real time data derived from multiple sources. Raw data on cargoes, movements, weather, casualties and from a range of IoT sensors will be gathered to highlight patterns and correlations. Combining this with predictive machine learning models will allow underwriters to much better understand the likely frequency and severity of potential losses and claims; and allow them to apply accurate exposure rankings. This will result in enhanced and more suitable insurance products, more accurate pricing, more leverage for prevention and, ultimately, a more disciplined cargo insurance market".

To get to this point, there were a number of issues that needed addressing, not least the current lack of data standards across today's supply chain; the problem of

data protection and ownership; and a willingness to share information and collaborate accordingly.

However, she was confident that these issues would be resolved in time: “Insurers need to understand that digitalisation is here to stay and recognise it as an opportunity to improve their underwriting business and the products and services they are offering their assureds”.

“To drive the fundamental changes needed over the next three decades, we need to think holistically about the entire supply chain ecosystem, leverage new data, and actively partner to develop new solutions to incentivize marine sustainability at scale”, she concluded.