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IUMI

International Union of Marine Insurance

Annex 2

San Diego 2012 – President's Opening Session Speech, Monday 17th September

Good morning to you all and a very warm welcome to the 2012 IUMI conference in San Diego. I am pleased to call to order the 138th annual meeting of our organization.

Conferences do not just happen. Taking care of all the practical arrangements and ensuring that we all get the most out of our participation require a tremendous effort by first and foremost a few individuals but also an organizational network backing these individuals. Our recognition and thanks go to everybody involved in preparing for this event; - the members and staff of our host organization the American Institute of Marine Underwriters headed by Jim Craig, the members of the San Diego 2012 Organizing Committee under the strong leadership of IUMI Vice President and EC member Bob Gallagher, and everybody within our own organization that has prepared for this conference, - the members of our Technical Committees in particular.

I would also like to thank our sponsors and IPPs – the IUMI Professional Partners - for their support and express our gratitude for not only contributing financially but also for their interest in and support of the marine insurance business. Without service providers to assist and support our business in the delivery of the marine insurance product, we will not be able to meet the expectations of our customers and provide the professional standard and financial security promised by the insurance policies. I will encourage you all to visit the booths of our sponsors and to mingle with the representatives of the IPPs. They support us, - now - let us support them.

The IUMI 2012 Organizing Committee has chosen San Diego as the venue for the 2012 IUMI conference.

Sitting on the Pacific Rim and bordering Mexico, San Diego has played a significant role historically. Today, San Diego is the eighth largest city in the United States, the home base for the US Navy Pacific Fleet and has many other maritime functions as well; - for example as a host city for many America's Cup challenges. San Diego is also a showroom for the well-known California surfing and beach culture that those of us remembering the sixties and seventies still cherish. You will no doubt hear a lot more about the city and what it has on offer during your stay.

As usual, the aim of the IUMI conference is to discuss issues that have an impact on the marine insurance industry. The IUMI Technical Committees and their chairpersons have again put in a lot of efforts to ensure that all participants will find something in the program to engage in, to bring home and to use in their daily work. Coupled with the unique opportunity to network, this is what IUMI conferences are all about.



What I find especially encouraging this year is the number of speakers who are recruited amongst our own membership. Presumably, and I dare say *in reality*, the members of our technical committees are the experts of their respective lines of business and are consequently well worth paying attention to. In addition, we are very lucky to have a group of distinguished and high profile speakers who will lift our focus and expand our professional and human horizons by their contributions to the conference's program. A warm thank to you all for your hard work and efforts.

In a few words, let me reiterate what has transpired since we met in Paris a year ago.

The activities of IUMI between conferences are divided in two:

- Preparation for the next conference
- Daily business - that primarily involves the IUMI secretariat, especially the secretary general - the political work and lobbying activities, the ongoing cooperation with the IUMI affiliates and then the maintenance of IUMI's relationship with its members

As usual, the preparations for the program of our 2012 San Diego conference started during the winter meeting in London in January. The Executive Committee and chairpersons of all technical committees met to agree on a common theme and to share ideas on the content of the workshop programs and the full audience sessions.

During the spring meeting that took place in St. Petersburg, Russia in early March, ideas from the January meeting were discussed with the full membership of all committees being present. Since March, the Committees have filled the slots in the program for the sessions of their responsibility.

The Executive Committee members extended their stay on both occasions to discuss the daily business of IUMI and also to address strategy issues. The EC met in Shanghai in May to decide on many initiatives suggested to bring IUMI forward. Some of these initiatives come as a result of what has been named and known as the *IUMI 2015 project*. The project was mentioned in Paris and further developed over the course of the year. I will revert to some aspects of the *IUMI 2015 project* in a moment.

The arrangements made by our hosts in London – the LMA – were, again, second to none. It is always a pleasure to be in the capable hands of our London “colleagues”.

Arranging a spring meeting in amazing St. Petersburg was a big undertaking for a small local organization. Many participants gained some “*interesting*” experience when obtaining visa and entering Russia, but any trouble – small or large - was soon forgotten when one discovered the splendor and beauty of the city coupled with the excellent arrangements put together by our hosts. Whether we met the objective of the spring meeting or not will be evidenced by the quality of our program here in San Diego but it goes without further arguments that our Russian friends far surpassed our requirements and expectations, - it was simply a most effective, wonderful and enjoyable time.



As stated, the EC met in Shanghai in May. Again, we were greeted with a warm and heartfelt welcome. Spotless practical arrangements had been made by the local hosts and the social part of the stay was excellently chosen, prepared and carried through.

Having IUMI guests visiting always results in extra work for the local members, but it also offers the opportunity to get IUMI attention and to promote the local market. During the years of my participating in these events, host organizations have successfully utilized this opportunity. I would also claim that our local members get a lot back from IUMI. The hospitality we enjoy and all we learn as IUMI officers are only possible because our visits are so well planned and executed. London in January, St. Petersburg in March and Shanghai in May were all effective and memorable meetings thanks to the good work of our local IUMI colleagues. We are very grateful to you all.

The general theme of this year's conference is: **Marine Insurance - Charting the Course through Economic Uncertainty**. The theme implies many things and may be interpreted in many ways. Here are some considerations and suggestions relevant to the theme:

First of all, we acknowledge that the *Economic Uncertainty* continues to be prevailing in the markets we serve. Some would say that the gloomy outlook so vividly discussed at IUMI during the last three years has become real and even darker. All major economies have *problems* or – at best – face *challenges*, because they are so closely interlinked.

In my opening speech in Paris a year ago, I called for new and proper political decisions. During the last 12 months we have seen some political decisions, but have the proper ones been made? Whereas the situation was initiated by overspending in *both* the public and private sectors of the global economy, - and it may be argued that the overspending came as a result of previous *lack of* political decision-making, the private sector seems to be hit harder than the public sector even though some countries have been forced to make considerable cuts in their public expenditures, with especially their social programs hurting. Cutting back is never a popular move if you're a politician running for reelection but action has to be taken to bring the distressed ship back on even keel.

Many politicians see new and stricter regulation for private enterprises as a tool to protect consumers. Regrettably, stricter regulation – although seemingly meaningful on paper – does not always resolve the fundamental problems. The receipt can not be to regulate *more* but to regulate *wisely*. The creation of a flatter world and global economy has resulted in economic growth but also in more demanding processes associated with regulation. Realizing and adapting to the new rules may be hard for politicians who often have a local agenda and – in reality – only concern for their local voters. Most apparent in today's economic climate is that no nation or country is isolated and immune from what happens on the global scene.

On a different background and in various settings, the conference program will focus on world economics and some forecasting will be made. Obviously, we are anxious to learn what to expect and how to prepare our survival strategy in the ever-changing economic environment. Looking around us, the marine insurance industry is facing a pretty bleak "present" with some old and well established – and some newer - marine underwriting entities facing downgrading and even closure as a consequence of the *Economic Uncertainty*. What continues to surprise me is that with one gone, new capacity quickly fills the vacant spot with a business model not



very much different from the one that had to quit. In our practical day-to-day dealings, it may be argued that our business models are not very innovative. Why don't we see a sustainable change?

- *Maybe* this is a consequence of our inability to renew a business model that is out of touch with the needs and requirements of the client base. We seem to be unable adapt to a changing business environment
- *Maybe* our industry is unable to build and maintain a sustainable business activity through continuous profitmaking and service delivery because underwriters are disobeying the undeniable truths of our past performance as marine insurers. I know, it's a hackneyed phrase, but it is bottom line growth and not top line premium production inflation we need
- *Maybe* our industry is dominated by shareholders who have no basic knowledge of the marine insurance business and its volatility, - with a short term investment philosophy and neither ability nor interest in staying put when times are getting tough
- *Maybe* our regulators are to be blamed for not understanding the marine insurance business model, its global reach and special requirements
- *Maybe* lawmakers are jumping off the learning-wagon and give up when being faced with a technically demanding industry
- *Maybe* some politicians are making cheap points with their electorate when 'company bashing' is the order of the day

Our conference program aims at discussing the challenges our industry is currently facing. By paying attention and through active participation in the workshops, I hope and believe that you will leave San Diego better equipped to cope with your daily tasks and longer term strategic goals than when you arrived. I trust the program – with all the different topics and angles of approach - will furnish you with the tools you need, to stay abreast of developments and enable you to adjust to the realities. In this way, the conference will help you find the course and chart you through troubled waters.

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Looking back on the past 12 months' IUMI activity, we must conclude that, yet again, there is a tremendous amount of work being carried out on a voluntary basis. Historically, volunteers have always been the backbone of whatever task IUMI has decided to engage in. As stated in Paris last year, the conferences themselves represent the prime example to prove the content of this statement, with busy marine insurance professionals diverting their focus and working capacity away from their daily chores, to the benefit of the IUMI membership.



The strategy currently followed by the IUMI EC will call for changes at IUMI in the years to come. Whereas our London conference next year will be organized the traditional way, future conferences may be more centrally administered. The reason for this is that today's format does not properly apply past experiences, indicating that what one team of organizers has learned and invested in will not be transferred to the next team of organizers. With every new kid on the block having to reinvent the wheel, IUMI is not utilizing its resources in an optimal way.

There have been other changes as well that the EC believes will improve the work and visibility of IUMI. During its May meeting in Shanghai, the EC signed off the proposal to establish the **IUMI Political Forum**. The mandate of the Forum is

1. To create a forum composed of members who individually and collectively are responsible for identifying and monitoring any subject or issue of political nature that may be interesting for the global marine insurance industry (as represented by IUMI's membership)
2. Through forum discussions on the subjects or issues identified, propose what actions should be taken to support and protect the interests of the IUMI membership
3. To inform and seek advice from relevant IUMI bodies, in particular the IUMI membership represented by the national associations, on subjects and issues currently on the political agenda

The Political Forum will report to the EC and the EC will decide if the suggestions of the Political Forum should be pursued internally or externally. By forming this forum, IUMI will have a more coherent approach to the various initiatives taken by governmental bodies and industry interests. Enjoying a broad representation from the IUMI membership, we are confident that the new forum will greatly improve the information and decision making structure pertaining to regulatory and industry crucial topics.

Helle Hammer of the Nordic Association of Marine Insurers - CEFOR heads the Political Forum. Other Forum members are:

- Fritz Stabinger,
- Andrew Higgs,
- Lars Lange
- Neil Roberts
- Nicholas Chambon
- Andrew Garger
- David Matcham

The Forum held its first telephone meeting in June.

As you will recall, we established the **IUMI Salvage Forum** in 2011. The work of this forum is well under way and you will hear more about what goes on from its Chairman, Nick Gooding during the conference.



By establishing these two forums, IUMI is cementing its position as being more than just a conference organizer. The IMO representation is currently probably *the most important political and regulatory arena* that IUMI participates in. This is not to say that there aren't others which will require IUMI presence in the future. There is obviously a fine line to draw between what is global, what is regional and what is national. IMO is truly global, and IUMI does not have any intention to intervene in national regulation or the work of our national organizations and members. We are, however, considering how to best be present in some of the regions, - and the European Union is on the top of our list - to monitor and influence what goes on, if needed. Presently, IUMI does not have sufficient resources to pursue this on its own, so we will seek the help of our membership and affiliates.

In the past, I have been emphasizing the need for IUMI to become more visible and a *true trade organization* for the marine insurance industry. By forming the two fora mentioned and – when the time is ripe – establishing a representation in Brussels; our industry will have a much stronger position.

Over the past 12 months, we have also successfully continued our cooperation with the IUMI affiliates. I will limit myself to name a few and only discuss a few issues.

IACS is one. I personally continue to represent IUMI in the IACS Advisory Committee to the Quality System Certification Scheme – QSCS. This committee is tasked by IACS to oversee and provide inputs to the IACS quality control system to ensure that all IACS members adhere to the common rules and practices. The IACS membership now counts 13 members and QSCS is crucial in monitoring the daily work and procedures of all members.

On many venues, IUMI meets with representatives from the International Group of P&I Clubs, - the IG. To co-operate with the IG is important to property underwriters because this is the only way the marine insurance industry players may continue to stand shoulder-to shoulder and to offer seamless cover, i.e. insurance cover for many risks protecting many interested parties based on the fundamental principle that *where one policy ends, another takes over*. The work at IMO requires coordinated efforts by the IG and IUMI. The discussions in the salvage forum and the political forum will also often have to seek input from our peers at the IG.

Regretfully, we have not seen an end to the problem of liquefaction of ore and nickel fines which we have discussed at IUMI conferences in the past. More vessels and lives have been lost since we last met 12 months ago. In January, IUMI took the initiative to a meeting with representatives from Intercargo, IG, ICS and IUMI to discuss what could be done to bring an end to the problem. Intercargo and IG had already worked on it for quite a while and on the initiative of the meeting, representatives from Intercargo and IG – backed by ICS and IUMI – held meetings with Indonesian governmental representatives in May. The objective is to establish a better and more liable moisture control scheme so that ore fines are not loaded with a too high and therefore dangerous moisture content. At IMO, China as a flag state has taken considerable interest in liquefaction of ore fines, and the initiatives taken by the industry organizations referred to may have laid the groundwork for a solution at the IMO.

Throughout the year now behind us, I have met with some of our national member organizations and informed the local membership of the current status of IUMI affairs. Our



immediate past president, Deirdre Littlefield, has kindly filled in on one occasion when I couldn't make it. The objective of these presentations is to bring the membership closer to the daily work of IUMI and to seek comments and advice. I believe that these meetings have been successful and appreciated.

These activities are contributing to promote IUMI and our business. Allocating our resources to this kind of work exposes our business positively. When required, we must be prepared to go the extra mile to get the attention we need and our industry deserves. **Marine insurance supports world trade;** - we must pay attention to what affects trade, and other stakeholders should pay attention to what we have to say.

Piracy as a subject for discussion has haunted our conferences for close to a decade, - and for all the good reasons. There are a few developments during the last 12 months worth noting:

- Piracy is not and has never been confined to the Indian Ocean and to Somali nationals, but is a worldwide problem
- The number of successful piracy attacks in the Indian Ocean, ultimately resulting in hijackings, is significantly down, but the problem has not gone away and is unlikely to do so until a permanent political solution is established onshore in East Africa
- It is the combination of implementation of BMP4, naval presence and armed guards that has improved the situation in the Indian Ocean
- Marine insurers continue to respond to the risk their assureds are taking, and
- The proposal to ban ransom payments will not solve the problem but only cause increased uncertainty and harm to the hijacked sailors

Finally, because the story seems to repeat itself, I need to dwell upon another casualty that has proved to us that experiences of the past have not been resolved in spite of a high level of political and industry interest. This summer, the container vessel *MSC Flaminia* caught fire as she sailed east from the US to Europe. A fatal explosion in one of her laden containers resulted in a long-lasting fire on board the vessel. Her German operator said that their requests for port of refuge were all declined until Germany as the flag state stepped forward and allowed the vessel to enter home waters under certain conditions. The case illustrates **again** two important issues that the maritime industry continues to address but on which no political decision have yet been taken; -

- Regulation of content and weight of containers
- Global agreement on the Port of Refuge—problem, once and for all

In addition, now is perhaps the time to establish a European-wide body that can make decisions in the matter of maritime safety, - a European version of the UK SOSREP arrangement.

As these problems directly affect marine insurers, IUMI must make its contribution to find solutions by influencing the decision making process at IMO.



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IUMI is at good health. You will hear more about the organizational issues from our Secretary General later this morning. We have successfully embarked on the IUMI renewal project that will ultimately result in our reaching the goals presently known as *the IUMI 2015 project*. Getting there is not only a wish but a requirement to ensure that IUMI provides to its membership the services and professional support a modern and demanding membership has.

Again, my thanks go to the organizers, to our sponsors and all the individuals who will make this conference happen. Take advantage of what the conference offers, seek knowledge, meet people, develop relationships, have fun, - and enjoy San Diego.