

Insurance and P&I

Lloyd's chief hails call for new approach to risk

LORD Levene, chairman of Lloyd's, has welcomed a new study of global risk management.

He gave the opening address at a reception to launch the book *Risk Management and Innovation* in Japan, Britain and the US.

More than 80 members of the Lloyd's, London, and overseas insurance markets heard Lord Levene endorse the call for innovative approaches to risk and an understanding of varying approaches in different societies.

Underlining the specialist role of Lloyd's, the chairman said that even after the devastation wrought by the Atlantic hurricanes, "you can be sure we shall be providing insurance and reinsurance for some of the world's toughest risks."

"Some think that risk is something that is avoided at all costs, but taking risk is essential to drive the wheels of progress and foster innovation."

Editor of the book, Prof Ruth Taplin of the Centre for Japanese and East Asian Studies, said traditional attitudes of risk aversion were changing.

She praised an initiative by the Development Bank of Japan which used intellectual property as leverage or collateral to enable small and medium enterprises to take higher risks.

The book was compiled in partnership with Lloyd's business Kiln, broking group Willis, the Great Britain Sasakawa Foundation and the Development Bank of Japan. Among those endorsing the book is Prof Gerry Dickinson of the Geneva Association and Cass Business School. He is a non-executive director of Trust International Insurance of Bahrain and Lloyd's broker Market Insurance Brokers.

The book is published by Routledge (Taylor & Francis Group), costing £52 until December 1 or £66 thereafter.

United States

Experts' rapid response in the eye of the storm



With the Gulf coast at high emergency during the hurricane season the marine industry proved it really is a 'people business', writes Joanne Gillespie

WE ARE all aware of the wide ranging and deep impact the recent catastrophic hurricanes Katrina and Rita have had on the Gulf coast ports.

We at 3D Marine USA, with our staff of master mariners, marine engineers and other experts, have been providing Gulf marine surveying and consulting services from our Houston headquarters for more than 15 years. We also have offices in Florida, Venezuela and Belize.

We were well located and equipped to assist clients in these most difficult times. Our role and duties have been many sided and we would like to share our perspective on the storms and their aftermath.

We all know the maritime industry is a people business and at no time is this truer than at a time of crisis. Offering our friends in Louisiana and Mississippi shelter as Katrina approached was perhaps the most simple of services we could provide.

When Rita had Houston in her sights our staff and families hunkered down. We needed to lay low and stay safe until the storm had passed and be available to assist our clients in the aftermath of the storm.

In the calm before the storms our office in Houston became an information centre. A hurricane warning naturally prompts port and facility closures. Being local and tuned into the Gulf ports' operation, we were able to provide up-to-date information concerning the status of the ports and facilities.

In the period following Katrina, when communications in the affected areas broke down, through our network of industry contacts and our other US offices we were able to answer inquiries concerning the navigational status of waterways and the operability of particular facilities.

The demand for emergency response in the ports, on the waterways and on offshore installations was almost overwhelming.

Experts in their various fields converged on the affected areas to assess and respond to damaged rigs, right capsized vessels and free those grounded, respond to pollution... the list goes on.

David Marsh of 3D Marine, an old hand at assisting in pollution matters, has remained in the field since Katrina hit. The containment and clean-up of pollution from chemicals, waste and oil are continuing.

After the initial crisis had subsided we assisted, and are continuing to assist, clients with damage assessment and limitation. With the huge amount of cargo that passes through New Orleans and the volume of grain exported through the ports affected by Katrina, it will come as no surprise to learn that we have surveyed an unprecedented amount of spoiled cargo, much wetted, some wind damaged.

We have helped to locate and refloat loaded barges stranded ashore.



David Marsh, an old hand at dealing with pollution claims, has remained in the field.

As the Gulf ports begin to bounce back from the recent storms and a significant amount of channels are again passable, with workers returned, communications and electricity restored and facilities repaired, we ponder the

experts' predictions that the US is now in a 20-year period of increased hurricane activity and intensity.

With an office in Florida, a state that suffered the impact of hurricanes Charley, Frances and Ivan in 2004 and more recently Wilma, and our Houston operation, 3D Marine will remain at the helm ready to weather storms and assist our affected clients.

Joanne Gillespie is manager of 3D Marine's Florida office. The firm is a full service marine consultancy with experience in all aspects of sea transport. Details at www.3dmarine.com

A feminine touch in P&I

By James Brewer

IN SHIPPING, unlike in the rest of polite society, it is the women who open many of the doors.

A P&I — and female — perspective with a difference comes from Colombia. "Being a woman in shipping has two sides," says Alicia Gast, managing director of A&A Multinspec in Bogotá.

"Naturally it is much easier for us to open doors... and due to our natural female instinct we can 'perceive' better the emotions behind individuals during negotiations. "This — adding the rational and logic component — makes it easier for us most of the time to obtain good settlement arrangements."

Speaking to Lloyd's List, Ms Gast, a delegate to the recent P&I correspondents' conference in London, cautioned: "Still, the cultural barriers are very strong in the shipping world, and I am sure it is much more difficult for any woman to be taken seriously and to be trusted than a man in the same position, especially when dealing with chauvinist cultures where the role of women is circumscribed to home and children."

"But this is for us women to understand... after all, have we not been trained for centuries to deal with these situations?"

"Indeed, in many instances we have arranged for a male colleague to reply to an inquiry, knowing that at the other end of the line there is a guy who we realise would feel much more comfortable knowing that his request is being attended by a man."

"I am sure that some men who read these comments would never agree in public but will accept privately that this is the case."

"At the end, in Multinspec the job is done efficiently by either our male or female colleagues, but this is a good example of the things we have, from time to time, to cope with in international business."

"Indeed, it takes a lot of work, time and effort for a woman to gain respect and credibility in this field."

A&A Multinspec was founded in the early 1990s by former directors of Flota Mercante Grancolombiana, and Ms Gast was given the responsibility of managing the P&I correspondents' firm.

As director of the insurance and claims department of the shipping line for nearly 10 years, she had got to know and deal with many P&I club directors, correspondents, regular claimants and lawyers, "which got Multinspec off to a strong start".

A degree in maritime



Gast: 'twice as proud'

law from Southampton helped Ms Gast to "think and speak the language required for the job".

She says: "The rest has been achieved by our team that comprises four in-house lawyers, and top marine surveyors located at all the main Colombian ports."

"Today we are correspondents for the majority of the clubs of the International Group and most of the fixed premium facilities."

"We are also regular advisers on all kind of marine topics for the Colombian shipping and port community."

"And, believe me, as a woman I am twice as proud of seeing these results after more than two decades working in this field."

Colemont venture set to expand

COLEMONT Insurance Brokers, the new London subsidiary of the Colemont group, plans like its parent to continue in expansion mode.

Surinder Beerh, chief executive in London, was in confident mood when he welcomed guests to a launch reception at Lloyd's Old Library.

Mr Beerh said that with 20 people in London, his team was moving to larger offices in Gracechurch Street and there would be further growth in London and offices overseas over the next three years.

He said Colemont had recently signed up to joint ventures in Miami, Chile, Finland and Estonia.

In London, main business classes include property and casualty, all risks crime and negligence, marine, aviation and treaty reinsurance.

Like several of his colleagues, Mr Beerh was formerly with the Heath Lambert group. Having spent 23 years with Heath Lambert and CE Heath, he was approached by Colemont chairman Marshall Kath last year to lead the new venture.

Run-off the hot conference topic

WHOSE market is it, anyway? That will be the theme of the seventh annual Association of Run-Off Companies congress, details of which have just been announced.

The event will take place on March 7 and 8 at Merchant Taylors' Hall, Threadneedle Street, in the City.

Run-off is a hot topic because in Britain alone there are around 200 companies in that position, representing nearly £40bn (\$75bn) of insurance and reinsurance liabilities. Such companies continue to settle claims but no longer accept new business.

Congress keynote speakers will focus on the international legal and regulatory issues that are setting the agenda for the run-off sector.

The first day comprises a discontinued business seminar led by expert speakers. The following day will be a commutations networking day for private negotiations.

A commutation is an agreement to release insurers from all past, present and future liability in return for a lump sum cash payment.

Philip Grant, chairman of the association, said: "Congress is a very time and cost effective way for individuals, as well as companies, to keep their fingers on the industry's pulse, to network and do business."

"There is no other insurance event that gives so many useful opportunities."

Sponsors include Barclays, Bazil McNulty, Cargills, EMB, Lovells, PriceWaterhouseCoopers, ReSolutions and Riverstone.

Representatives of the "active" side of the insurance and reinsurance industry — accountants, lawyers, actuaries, investors, brokers and outsourcing providers — will participate.

The association is the trade body for businesses involved in run-off and for companies with discontinued business portfolios. Set up in 1998 with a membership of senior claims representatives from London market companies, membership has grown to include organisations worldwide that write business in the London market.

Congress website is www.arcongress.com



Aigaion toasts its first decade

ALL smiles at the 10th anniversary cocktail party at Lloyd's of Aigaion Insurance, said to be the largest marine insurance company based in Greece by premium volume.

Pictured are Nick Velliades, president and founder of Aigaion, on the right, talking with one of the guests, Kevin White of the Watkins Syndicate.

The company has grown vigorously, especially in the past three

years, and says that according to official statistics it has more than a 25% share of an admittedly small local insurance market serving the huge Greek shipping industry.

It was the first Greek insurer to offer P&I, based on reinsurance at Lloyd's, and scored another first in offering freight demurrage and defence cover in Greece for vessels up to 7,500 dwt. Other coverages include hull and machinery, mega yachts, marine and port liability, crew cover and cargo.

Earlier this year, the company increased its paid up capital to €4m (\$5.2m) and it is raising it further to €10m.

Mr Velliades has a background in insurance and shipmanagement with the Velos group and has been well-known in the London market since 1975. Senior underwriter is Nick Tzimas, a former Willis broker.

Natural answer to high premiums

FENUGREEK, cloves, cinnamon, garlic, turmeric, alfalfa — a clever combination of all these is wafting the aroma of a winning insured formula for a new pharmaceutical company.

Insurance premiums in the product liability sector are likely to rise after concern over new drugs.

For instance, Merck is facing huge claims over its withdrawn arthritis painkiller Vioxx, the largest voluntary drug recall on record.

Junior company Mazal Plant Pharmaceuticals hopes it will avoid the insurance price spiral. It acknowledged in a document accompanying its private share placing that insurance was a big worry but it hopes its emphasis on natural ingredients will help to negotiate good terms.

The company is dedicated to using whole plant parts, and the full spectrum of phytochemicals so available, to develop healthier treatments for diseases, chiefly at present for lowering cholesterol.

Mazal scientists start next year a nine-month-plus programme of clinical trials on

humans which requires the purchase of liability insurance. In general such cover is expensive and difficult to obtain, and without it a company might be unable to commercialise its products.

Company president Michael Kanovsky is confident of securing cover on reasonable terms. He says: "Our ingredients are generally regarded as safe. Premiums will probably be much lower than for trials by major companies."

He says the Food and Drug Administration in the US is generally happy with Mazal's safety record.

Mazal, named after the Jewish word for good fortune, is seeking to raise \$2m to \$4m to finance trials of applications targeting the \$23bn market for cholesterol management products.

The same technology can be used for drugs to fight leukemia and Alzheimer's disease, Dr Kanovsky says.

Mazal hopes to do a deal with one of the pharmaceutical giants, which are seen as having a strong need for new applications as their products come off-patent.

LNG

Sector's exemplary safety record will be a challenge to maintain

THE carriage of liquefied natural gas cargoes across the world's oceans has been characterised by an exceptionally good safety record.

This is exemplified by the experience of the UK P&I Club, which insures 47% of the world's fleet of LNG carriers for various third party liabilities. In over 40 years of operations, there have been no major incidents or vapour releases.

Between 1987 and 2004, the club dealt with only 32 large (over \$100,000) claims concerning LNG ships. This was less than 0.5% in terms of number and value of all the club's



Industry must stay vigilant to keep LNG cargo claims at low level as ships get bigger, writes Karl Lumbers

large claims and compares with LPG claims at just over 1%.

Some 71% of such claims related to crew injury, 13% to non-crew injury and a further 13% to

collisions with other vessels and with fixed and floating objects. Some 70% of the amount paid out went to crew and non-crew and nearly all the balance in respect of

collisions. Cargo claims cost less than 1% of the large claims total.

The great majority of injuries occurring on LNG vessels had little relevance to the cargo carried. Slips and falls, being struck by falling or flying objects and strain injuries accounted for two thirds of all claims — similar to those for merchant ships as a whole.

Some 8% related to steam or fluid burns and nearly 4% came from chemical exposure.

There are several reasons why LNG cargo claims have been so low.

Technically, the LNG sector is relatively advanced. Positive pressure ensures a flammable atmosphere cannot exist while a closed loading system means a reduced chance of cargo escaping. Vessels have been operated by a small pool of highly expert crew. Specially designed terminals and crew and onshore expertise are supported by dedicated pilotage and a massive emphasis on safety.

Above-average manning levels, high quality training and limited time pressures have helped to keep down incidents while double-hull structures come into their own in a collision.

Commercially, the LNG sector has been characterised by a small number of players with close co-ordination between shippers, carriers and receivers in a guaranteed market. There has been significant investment in loading/unloading technology and the development of a pool of highly skilled crew labour.

With LNG demand likely to expand considerably in the next few years, there will be new suppliers, more and bigger vessels and new commercial imperatives. There could well be a squeeze on rates, more short-term contracts and the devel-

opment of a spot market.

As trade expands there will be bigger ships, which means even greater expertise among pilots, crew and onshore personnel, new terminals and even more sophisticated equipment. The durability of boilers, ballast tanks, pipework and wiring could be significant while repair costs will be high, especially if there is limited capacity. New vessels will have a high capital cost. A second-hand market could well develop in vessels with a 40-year lifespan.

Claims could be affected by a limited supply of skilled personnel, leading

to smaller crews and higher turnover, problems in moving larger ships, disputes over quality and quantity, gassing up and cooling down time and loss of hire and about the volume of "boil off" cargo used as fuel.

A major challenge is to ensure that the safety record remains excellent and that complacency does not arise. Operators should work closely with P&I clubs to see that emerging risks in a rapidly expanding industry are managed properly and risks minimised.

Karl Lumbers is loss prevention director of UK P&I Club