



French Riviera beckons marine insurers

Denzil Stuart reports on what could become a new annual fixture in the marine calendar

Compared with other sectors of the maritime industry, marine insurance is somewhat thin on the ground when it comes to regular gatherings built around a conference. There are plenty of non-marine annual events, such as the Monte Carlo Rendez-vous (reinsurance), the Chartered Insurance Institute annual conference and, in risk management, RIMS in the US and AIRMIC in the UK, which attract large numbers.

The major annual marine insurance event is the September conference of the International Union of Marine Insurance, which regularly attracts more than 500 underwriters from among its 54 national association members.

Then there is the Houston Marine Insurance Conference each autumn, but in essence an American affair.

Now there is a new kid on the block that promises to be an increasingly important annual fixture. The first Rendez-vous de Cannes was held in 2009, organised by CESAM, which represents French maritime and transport insurance services. It was a success, leading CESAM and the Federation Française des Sociétés d'Assurances to repeat the event this year, again in May.

Close to 400 insurance and maritime industry professionals from 35 countries debated a wide range of topical issues. Among

them were piracy, the impact of a cyclical market on freight rates, new sea routes, the French marine market's new hull insurance policy and risk management.

The success of the two conferences (390 delegates this year, against 374 in 2009) confirmed the organisers' decision to make it an annual spring fixture in the international marine insurance calendar.

Indeed, Patrick Le Cerf, chairman of CESAM, when he opened the proceedings, said the higher number of delegates was proof that the Rendez-vous was moving in the right direction and they would maintain the two-day format.

Keynote speaker Philippe Chalmin,

Professor of International Affairs at Paris Dauphine University, spoke about the current state of world trade which, he said, would remain volatile and uncertain. It was at present largely influenced by China, the world's second biggest economy, running on a 15% growth path. China continued to import huge quantities of iron ore and copper, as well as rubber and this insatiable appetite would continue to drive shipping markets. On the situation in Greece, he said it was like opening Pandora's Box.

Piracy responses

On piracy, the conference organisers took a new approach by inviting a speaker who is at the sharp end in defending merchant ships. Commander Rune Bratland from the Royal Norwegian Navy/EU NAVFOR Operation said that Somali pirates were now attacking ships some 1,200 nautical miles to the east of the Horn of Africa. At mid-April this year, 16 vessels were under pirate control with 343 hostages.

On protective measures which vessels could take, he cited wire, hoses, water curtain, foam/dye marker, sound devices, lighting, smoke/steam and lookouts. Referring to armed response, he said that EU NAVFOR warned that the use of active measures might escalate pirate violence.

Insurance was a key influential factor, he said, but asked if insurance could be an incentive for companies implementing best management practice.

Dieter Berg from Munich Re said there was little case law about the legality of ransom payments and general average declaration. Kidnap and ransom insurance covered ransom monies for the insured crew, paying a loss prevention consultancy and delivering services after a kidnapping. Loss of hire covered loss of income or obligation to pay charter hire without a physical trigger if the vessel is held by pirates.

A legal view came from Rhys Clift, a partner in UK law firm Hill Dickinson, who said that the huge co-operative naval venture underway off Somalia had so far had little success with prosecutions and convictions, while 'catch and release' was causing increasing frustration. The use of (lethal) military force risked enflaming the situation and the use of arms, especially armed guards, might lead to insurance coverage difficulties.

Protection and indemnity cover did not exclude armed guards, he said, but most club rules excluded losses arising out of or consequent upon 'performing any voyage or being employed in any trade which in the opinion of the directors is imprudent, unsafe,

unduly hazardous or improper.' Would this exclusion cover the carriage of arms, he questioned.

Captain John David, who spent 25 years at sea, five as master, and now an independent consultant, experienced his first pirate attack 17 years ago. He said there were between 2,000 and 3,000 pirates in Somalia, where 50% of the population was under 18 years of age. Despite the presence of 35 warships from 20 navies, violence was escalating and would continue to do so, he predicted.

Adding a postscript, Patrick de La Morinerie, deputy chief executive of AXA Corporate Solutions, said that ransom payments had moved beyond an average of US\$3m to \$5m.

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Freight rates – managing the cycle

Discussing freight rate trends, Francis Baudu, from Barry Rogliano Salles in Paris, identified 13 factors which contribute to rate variations. On containership timecharter rates, he showed that for the bigger ships (4,000+ teu) daily rate was \$25,000 in January 2000; it then fell to \$10,000 by early 2002, before rising steadily to a peak of nearly \$45,000 in mid-2005 and dropping to around \$34,000 in 2008 – then falling dramatically to only \$6,000/7,000 in late 2009.

Antoine Person, company secretary at Louis Dreyfus, described dry bulk as a specific market. How to manage in cyclical conditions? He said the shipowner had a choice of action: the spot market; long-term cover such as timecharter; and forward freight agreements. Experience of past cycles meant that operators should be looking for a reasonable return, and avoid what he called the 'domino collapse' – ie respect your signature.

New French hull policy

Delegates in Cannes had the first opportunity to examine and discuss the French market's long-awaited new hull insurance policy. It was

introduced to delegates by Denis Develey, chief hull underwriter at AXA Corporate Solutions in Paris, and one of the main architects of the policy, Henry Allard (Filhet-Allard Maritime) and Fernand Bozzoni (SOCATRA).

This was the end result of three years of detailed consultation with organisations representing marine underwriters, brokers, shipowners and adjusters as well as legal advisers.

The new hull forms are available for use from 1 July 2010, and have been set up by the French Federation of Insurance Companies (Fédération Française des Sociétés d'Assurance) with the co-operation of brokers (Union des Courtiers d'Assurances) and shipowners (Armateurs de France).

This is a ground-breaking package policy that covers four areas: all risks hull and machinery; war, piracy, terrorism and similar risks; loss of income; and optional additional clauses which may be agreed between insurer and assured.

Develey said it represented a full revamp of French hull insurance terms. 'They have some features which can be found in other clauses but also some innovations which we think will give the policy added value', he said.

When the conference heard news on new sea routes, plans for the expanded Panama Canal were outlined by Henry Faarup, the Panamanian Ambassador to France and Switzerland. He said that the new, enlarged locks would handle box ships of 12,600 teu, compared with the capacity of 4,000 teu in the current locks. Also, they would use 7% less water. In total, the expansion programme would cost \$5,250m.

Risk management

A final session in Cannes was devoted to various approaches to risk management, moderated by Franck Baron, business development manager at AXA Matrix Risk Consultants. This provided a fascinating insight into how three major groups handle their risk management.

The Prysmian Group is a world leader in the energy and telecoms cable industry; Lukoil Group is one of the world's largest private vertically integrated oil and gas companies; LVMH is a global leading luxury group that takes in, for example, Moët Hennessy and Louis Vuitton.

Interestingly, many of these luxury products are high-end items, wrapped into 60 prestigious brands and sold in more than 2,400 stores worldwide, some 60% of which are carried by sea, 30% by road and only 10% by air. ■