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THE INDEPENDENT BROKER

Spring 10

IN THIS ISSUE

<p>➤ LLOYD'S 2010 - 2012 STRATEGY</p> <p>Lloyd's Chief Executive Dr Richard Ward identifies brokers as integral to future strategy</p>	<p>➤ EXPATRIATE GROWTH</p> <p>Increased numbers of expatriates are looking for specialist cover</p>	<p>➤ ASIAN RATES PRESSURE</p> <p>Treaty rates are under pressure in Asia following an increase in competition and capacity</p>	<p>➤ SINKING VALUES</p> <p>A range of challenges have been identified by the marine market as cause for concern in 2010</p>
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SINKING VALUES TOP OF WORRIES FOR MARINE UNDERWRITERS

The ongoing slump in the global shipping market is causing concern for insurers with a range of challenges identified as significant issues for underwriters in 2010.



The maritime sector has been hit harder than most industries by the global downturn and the slump shows little signs of a major upturn in the first half of 2010 according to the International Union of Marine Insurance (IUMI), the association which represents the world's marine and energy underwriters.

It has laid out its concerns for the year ahead with cargo theft, the increased trend towards slow steaming (the process of transporting vessels over great distances at slow speeds) and a reduction in hull values all being seen as a considerable threat in terms of both claim levels and the ability to generate premium income.

IUMI president Deirdre Littlefield, Senior Vice President and Director of Business Development at Starr Marine Agency said the issues were becoming acute as "marine insurers have been hit by the devastating fall in volumes, values of global trade and by the dramatic drop in ship values, all of which have combined to decimate premium income." These factors have placed the market in a situation where adequate rates for risks are required at a time when many ship owners can least afford them.

Ms Littlefield said the underwriters were braced to tackle the new risks which had emerged and were driven by the economic slump. Fuel management has become what she described as an "urgent issue" with the type and quality of bunker fuels now considered a "vital concern for underwriters".

"Of equal concern is the impact on machinery of the growing trend of slow steaming, now being strongly advocated by a number of operators as the way ahead to combat high fuel prices until seaborne trade picks up," she added. "However many large high-speed diesel engines are designed to operate only at sustained high service speeds." The fear from underwriters is that slow steaming will cause a wave of claims as engines cease up or break down.

The subject of crime is also on the agenda with IUMI set to discuss how it can help combat the significant rise in the number of violent cargo thefts from ports and facilities as the recession makes criminals more desperate to steal cargoes.

Mike Davies, Chairman of IUMI's Cargo Committee and Chief Executive of Axa Corporate Solutions, Singapore said: "The figures show the number of cargo thefts as rapidly increasing but what is more worrying is the lengths the criminals will go to in order to steal the cargoes both in ports and via road transit.

"There is now evidence that there is a use of ever more extreme violence and weapons in these crimes and this poses a threat to the personnel tasked with transporting and guarding the cargoes. It is something we already have on our agenda for our annual conference in September."

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EVENTS

➤ **2010 RISK & INSURANCE MANAGEMENT SOCIETY ANNUAL CONFERENCE AND EXHIBITION (RIMS)**
25 - 29 APR 10
MASSACHUSETTS, USA.
John Eltham and team.

➤ **LE RENDEZ-VOUS DE L'ASSURANCE TRANSPORTS 2010**
4 - 5 MAY 10
CANNES, FRANCE.
Alastair Mole & Anthony Gerolimich.

➤ **SAN FRANCISCO MARINE REINSURANCE CONFERENCE**
3 - 7 May 10
SAN FRANCISCO, USA.
James Geffen and Robert Stewart.

➤ **GENERAL ARAB INSURANCE FEDERATION (GAIF) 2010**
18 - 20 MAY 10
CALIFORNIA, USA.
Julian Taylor, Alastair Macdonald and team.

➤ **NORTH AMERICAN CONTINGENCY ASSOCIATION (NACA) CONFERENCE**
17 - 19 MAY 10
AMMAN, JORDAN.
Peter Shellard and Andrew Thompson.

➤ **ASSOCIATION OF AMERICAN MANAGING GENERAL AGENTS (AAMGA)**
23 - 26 MAY 10
CALIFORNIA, USA.
Gary Clark.