Reuters/Lynda Hargreaves

or fail

"The recipe for survival is not being the strongest, but the fittest. Being innovative, flexible and adaptable is the best way to respond to the ever-changing needs of those who require our services and secure a [prosperous] future for our industry."

He continued: "A challenge for each of us and for our industry is to be true to all the hard-earned and expensive wisdom and apply the experience in a sensible way. Success in marine insurance underwriting is achieved by knowing the fine art of balancing risk, capital requirements and premium.

"In our endeavours, we must exercise the ability and show the courage to take brave steps to find and live by all balancing criteria. Over the years, two take-home points keep reverting to me: to stand a chance to make the overall portfolio profitable, premium must be based on an assessment of the requirements of the portfolio, not by the historical record of the individual client; and the doings – and wrongdoings – of each and every underwriter have an impact not only on the bottom line of every underwriting entity but also on the market, especially when it comes to syndicated business."

IUMI released its annual statistics at the conference and in terms of the ocean hull class the frequency of total losses increased marginally in 2012 over the preceding years, now standing at 0.18% of the world fleet in terms of numbers.

Tonnage lost has, however, remained at the same level for the past five years. Whether the trend of reduced total losses over the years has been reversed remains to be seen. Weather continues to be the main cause of total losses, representing 50% of vessels lost between 2008 and 2012. Grounding is the second most frequent cause, in 25% of cases.

The *Costa Concordia* disaster of 2012 in Italy delivered the biggest single insured marine loss and America's superstorm Sandy delivered the biggest-ever total loss to the marine insurance market, both events coming in the space of less than a year.

Ocean Hull Committee chairman Lars Rhodin said the aim of his workshop had been to answer questions that have beset the industry in recent times. "Why is it that the hull market has been showing overall losses for 16 or 17 consecutive years and should this come as a surprise?" he asked.

"Can we expect the market to improve in the near future? Most hull underwriters would testify that underwriting discipline is required and is being exercised but the figures tell us a different story. Do we know the risk and can it be adequately priced?"

The ocean hull workshop also looked at advances in technology on board vessels and the potential impact this has had on underwriters and their ability to price risk.

"Ships are becoming larger and more sophisticated," Rhodin said. "Is leverage of new technology in a casualty situation honestly understood and assessed? Underwriting at present is based on what we know, not on what we do not know. Unexpected consequences may arise that should have been factored in at the outset. It is a matter of understanding the risk and the exposures."

In terms of cargo underwriters, Cargo Committee chairman Dennis Marvij was blunt in his assessment of the market and its issues. "The Cargo Committee has seen the cargo loss ratios continue to exceed 70% and it suspects deteriorating cargo results for 2012 will continue when the figures are released during the conference," he said. "The real key for underwriters is defining a sustainable future. The committee says strategies must be developed that define risk appetite and focus on price adequacy.

"The message remains [that] underwriters should not succumb to market pressures by continuing to reduce prices, expand terms, and include stock in our portfolios at unrealistic rates," he warned.

The event saw a near-record attendance and the growing scale and size of vessels and their cargo was a dominant theme, with many underwriters concerned about the levels of exposure they were being asked to assume.

'We must learn to apply our claim history to broaden the scope of what we can do'

Ole Wikborg

These worries come off the back of a 30% increase in premiums charged by reinsurers for marine risks in the 2013 renewals as a direct result of the losses sustained in 2012.

The expectation is that while rates should increase, excess underwriting capacity in the marine classes will place further pressure on pricing. While IUMI can not enter discussions about rates because of antitrust rules, what is clear is that underwriting discipline is seen as the foundation of the marine insurance industry's sustainable future. F

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