



# IUMI

## International Union of Marine Insurance

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### **Annex 2**

to the  
Meeting Minutes  
Council Meeting Bruges – September 2009

### **The President's Monday Welcome and Key Note Address**

Ladies and Gentlemen, Dear Colleagues,

Good morning and welcome to our 2009 IUMI program. It is my privilege to call to order the 135<sup>th</sup> meeting of the International Union of Marine Insurance.

I would like to begin today's program by recognizing and thanking the individuals who have made the IUMI 2009 conference a reality -- the members of the Royal Belgian Marine Insurance Association and their president, Mr. Norbert Nelen, and all of the members of IUMI's very important technical committees.

On behalf of the executive committee and the organizing committee I must also express IUMI's gratitude to our sponsors for so generously supporting this year's conference. Many of our 27 sponsors – and that is a record number – from the ranks of insurers, surveyors, adjusters and other shipping interests, law offices and service providers have fabulous exhibition booths set up, so please take advantage of conference free time to visit their exhibition booths and meet all of these companies.

The Bruges organizing committee lead by our own Etienne Haenecour has selected this magnificent UNESCO world heritage site which received its city charter in 1128 for our 2009 Conference. Designated as the "European Capital of Culture in 2002," this medieval city is an open-air museum of art, architecture, culture and history. The site where we gather this morning "the Belfry" is a 13<sup>th</sup> century landmark at the center of the world famous Market Place of Bruges. The organizing committee has arranged our meetings and social programs to



showcase the rich culture, architecture and heritage of Bruges and the surrounding area guaranteeing that this will be a very memorable conference for all.

The world has changed dramatically since we all met in Vancouver just 12 short months ago and the chairmen and members of our technical committees have worked very diligently to develop a program that captures and addresses the shipping and insurance environment in which we now live. The conference program will explore important and timely topics impacting the global supply chain and marine insurance. We are fortunate to also have a list of world class experts who have generously agreed to participate in our program to enrich and broaden our discussions.

The organizing committee and the technical committees make this conference possible so please join me in thanking them for their commitment to IUMI and their dedication to making IUMI 2009 a successful and highly productive conference. Thank you all for your contributions!

The executive committee and the technical committees meet several times over the course of the year to handle the business of IUMI and move our strategic organizational goals forward. I would like to briefly review the work that has taken place since we last met in Vancouver last year.

On Wednesday, September 17, 2008 following our very successful IUMI 2008 Vancouver conference, the EC and technical committee chairs met to review the program details and critique each committee's performance.

It was agreed that summarizing the key points raised during the workshop and panel discussions and presenting them as "take-away points" to the audience at the end of each session was very useful and would become a permanent part of each committee's wrap up.

On Thursday, September 18<sup>th</sup> the Executive Committee met to discuss the achievement of IUMI's strategic goals and to begin planning for the 2009 year. Two new members were



welcomed to the executive committee; Bernie Cissek of Canada and Dominick Hoare of Lloyd's.

Each member of the executive committee serves as an ambassador to one of our technical committees. For the 2008/2009 these assignments are as follows:

Bernie Cissek is ambassador to the Legal and Liability Committee

Dominick Hoare -- Facts and Figures

Carlo Franchini – IFY

Etienne Haenecour – Off shore Energy

Fritz Stabinger – Loss Prevention

Tak Tamai – Ocean Hull

Ole Wikborg – Cargo

Deirdre Littlefield – Nominating Committee

In addition to the roles I have just mentioned, each of our EC members has also taken on the challenge of championing one of our organization's key strategic goals:

Bernie Cissek oversees member association initiatives and will be reporting to you on the work he has done with a new category of IUMI membership – IPPs – IUMI Professional Partners – a little later in today's program.

Dominick Hoare and the Facts and Figures Committee have been working to enhance the statistics that IUMI provides. Facts and Figures is researching and gathering additional statistics that will be shared with you during their workshop session this morning.

Carlo Franchini has completed a list of marine insurance courses available through IUMI's individual national associations and the full listing is now available on our website under the Education tab.



Etienne Haenecour is the money man and in addition to finalizing an annual financial audit of IUMI, he is also looking at ways to increase revenues by promoting our website and through other avenues.

Tak Tamai has been very active in soliciting potential new IUMI members, particularly in the Far East, Middle East and Latin America.

Ole Wikborg is our liaison with IUMI's affiliate members. Our current 12 affiliate members are increasingly important partners on issues that impact marine insurance and global shipping.

I would like to personally thank the members of the executive committee for their active and valued contributions in each of these areas.

The EC/TC winter meeting was held in London on January 26th and 27<sup>th</sup> 2009 and was very kindly hosted by the International Underwriting Association of London. Our thanks go out to Richard Turner and all of our friends at the IUA for organizing our 2009 winter meeting and for their wonderful hospitality. The meeting began with a special session on Sunday, January 25<sup>th</sup>, where the EC discussed 2009 organizational goals and assignments. As I mentioned, you will be getting updated reports from several of the EC members during this morning's program.

The EC meeting was followed by a meeting with the technical committee chairs on Tuesday, January 27<sup>th</sup>. It was during this meeting that the common theme for this year's meeting was agreed and a provisional program developed. We ended our winter meeting with a press conference that was very well attended and which gained very positive global media coverage. As always our press officer, Denzil Stuart, handled all of the details and media relations in his usual expert manner. Thank you Denzil for all of your efforts on our behalf.

At the kind invitation of the IUA I was invited to speak at an IUA Market Briefing held in London on January 30, 2009 and attended by some 70 marine professionals from the London market. I would like to thank our good friends David Taylor and Richard Turner for this opportunity to highlight IUMI and present some of the issues we view as important to marine



professionals. We were very pleased with the media coverage of IUMI that was generated by this IUA Briefing.

The American Institute of Marine Underwriters hosted the IUMI Technical Committee Spring Meeting in Miami, Florida on March 15<sup>th</sup> and 16<sup>th</sup>. A special thanks to our own Dennis Marvin, Chairman and James Craig, President of AIMU, for the generous and professional manner in which our spring meeting was organized and executed.

The spring meeting enabled us to finalize the program for Bruges and also afforded the participants the opportunity to attend a Mini IUMI, including a presentation on the organization of the AIMU and the make up and statistics on the American marine insurance market. We also enjoyed a presentation from a cruise industry expert as well as updated presentations by the IUMI Facts and Figures, Ocean Hull and Offshore Energy Committees.

The executive committee meeting was held in Mumbai on May 14<sup>th</sup> and 15<sup>th</sup> at the invitation of the General Insurance Corporation of India. I would like to thank our hosts and in particular Mr. Lohiya, Chairman-cum-Managing Director and Mr. Karkera, Assistant General Manager, for inviting the EC to India and for hosting a reception on May 14<sup>th</sup> where IUMI learned more about the insurance market in India, its history and significant growth potential.

IUMI relies on the kind invitations and generous support of its member associations to hold our important EC and TC meetings so please join me in thanking the International Underwriting Association of London, the American Institute of Marine Underwriters and the General Insurance Corporation of India for hosting our IUMI meetings in 2009. Thank you so very much!

As many of you will recall the timing of last year's IUMI Conference in Vancouver coincided with what may have been the pinnacle of the global economic meltdown. Stock markets were crashing. Major financial institutions required massive governmental assistance to survive and some did not. Credit became unavailable and there were legitimate concerns that the world economy was entering a depression for the first time since the 1930's. World trade appeared to be at a standstill.



With this as a back drop the common theme selected for this year's conference "Marine Insurance—Mastering Rough Seas" is intentionally broad to address the global economic storm that continues to batter all of us personally and professionally and the issues we must all understand and hopefully master to successfully ride out this storm. For while there is some recent evidence of a turnaround in financial markets, and leading economic indicators are beginning to show some hopeful signs of recovery, the world is still in a deep recession and shipowners are facing the deepest slump they have ever experienced.

For the first time since 1982, global trade is expected to shrink. The World Trade Organization (WTO) predicted that shipments of goods would fall a total of 9 percent in 2009 – the largest decline since World War II.

The International Monetary Fund (IMF) reported that despite positive signs, the global recession is not over and the recovery is still expected to be sluggish. Global activity is forecast to contract by 1.4 percent in 2009 and to expand by just 2.5 percent in 2010.

The Baltic Dry Index, which measures the cost of shipping commodities, hit an all-time high of over 11,000 in May of 2008 before plummeting to 663 in December – a drop of more than 94 percent. Although the index has since bounced back to over 3000, it remains more than 70 percent below its peak.

The fact is that in the course of the last year's recession, strapped consumers have tightened their belts and, as a result, factories around the world have been closing their doors. The response from the shipping industry has been both predictable and understandable. Where only a short time ago there were shortages of vessels, now there is a glut and some are being reduced to scrap. Some vessels planned will never be built in fact. HSBC Global Research reported that about 45 percent of new containership capacity scheduled for delivery in 2010 will be delayed or canceled over the next two years. Lloyd's Marine Intelligence Unit estimates that around 10 percent of the global containership fleet is sitting idle due to the slump in world trade.



Unfortunately despite the delays and cancellations and plans for scrapping, there are still too many ships chasing too little cargo, and a huge amount of new tonnage is still on order. Philippe Louis-Dreyfus, departing president of the European Community Shipowners' Association, warned this summer of a "bloodbath," saying that shipping capacity would exceed the needs of the market by between 50-70 percent in the near future.

What does this mean for marine insurers when fewer goods are in transit? Is there overcapacity in our industry? What is the impact on rates and terms and conditions? Obviously questions that will arise and be discussed at this years IUMI conference but to which there are no simple answers.

In its marine market report released mid-year, Aon observed that relative to the shipping industry "so far, at least, the recession has had much less impact on the marine insurance market. While showing signs of firming or even hardening of prices, insurers continue to offer attractive terms and conditions." The report went on to note that marine insurers are struggling to adapt to the prospect of falling revenues due to reduced activity and decreasing investment income. And that, as a result, marine insurers must focus more on pure underwriting profit. While this assessment applies fundamentally to all lines of non-life business, clearly the fortunes of marine insurers and the state of the global economy are tightly intertwined.

But as we look for the green shoots of economic recovery, there is a significant threat to world trade which has emerged as politicians adopt misguided policies to stimulate the economy of their own nations. Faced with high unemployment and sluggish consumer spending, many nations are reacting with new trade barriers which only threaten to make matters worse.

The World Bank reported that since last November several countries, including 17 of the G-20 nations, have imposed a total of 47 measures that restrict trade at the expense of other countries. Robert Zoellic, President of the World Bank, warned that protectionist measures are not the answer. "Economic isolationism can lead to a negative spiral of events such as those we saw in the 1930's, which made a bad situation much, much worse," he reported.



These concerns are echoed by WTO Director-General Pascal Lamy: “At a time when the global economy is still fragile worldwide and in the face of the unprecedented decline in trade flows, we must send a clear and credible message that protectionism is not the answer.”

Simply put, restrictions on the global exchange of goods and services are a threat to all marine insurers and IUMI has always stood for free and unfettered global trade. Any efforts to impede free trade must be vigorously opposed by IUMI, its member associations and affiliated members.

While this is an external threat that we must be prepared to address, there is another area of concern which could arise from within our own industry. We have read and been told that one of the factors behind the financial crisis is that many institutions and individuals took on risk recklessly. And in some ways this behavior was encouraged by the creation of exotic financial instruments, lax management, timid regulators, and unrealistically high return expectations and in some cases pure avarice.

Please don't misunderstand what I am about to say. While all of that may be true, I am concerned that a natural reaction against taking imprudent risks may result in an aversion to taking on many reasonable ones as well. Again, I am not endorsing reckless behavior.

At this and other marine conferences we will hear about the genuine threats posed by natural disasters, aging vessels, inexperienced crew, piracy, the accumulation of cargo values and inadequate risk evaluation and pricing. All of these concerns are very real. But the culture of our business is to assume risk, not avoid it. And the willingness of marine underwriters to do so over the last 300 years is one of the building blocks of the global economic system.

Perhaps the most profound exploration of risk is Peter Bernstein's 1996 book “Against the Gods.” In it Bernstein asserts that “the revolutionary idea that defines the boundary between modern times and the past is the mastery of risk: the notion that the future is more than a whim of the gods and that men and women are not passive before nature.” He persuasively argues that “the ability to define what may happen in the future and to choose among alternatives lies at the heart of contemporary societies.”





As we emerge from the depths of an historic financial crisis, marine insurers should not flee from risk, but embrace it, understand it and manage it. To do otherwise would be a betrayal of our distinguished heritage and our essential role as supporters and enablers of world trade and the prosperity it creates.

We are indeed fortunate, ladies and gentlemen; to have an organization like IUMI and an event like this year's conference where marine professionals from all over the world can once again come together to discuss and debate the current and future risks we all face in order to better prepare ourselves to deal with the risks in an informed and enlightened manner.

Please take advantage of all that our conference has to offer. I wish you all a very productive and enjoyable stay in Bruges and look forward to your active participation during our IUMI 2009 conference.

Thank you!

Before going on with our programme, I have the sad duty to inform you that four important and distinguished IUMI supporters passed away since we last met:

Only a week ago

Louis Haenecour

passed away. after a short illness.

Mr Haenecour has spent his entire professional career of 42 years in marine insurance – during many of these years, hearing his name meant Belgian marine insurance. He managed and developed his family's agency and there are many of us sitting here who were fortunate in having given underwriting authority to the Haenecour agency.

Louis Haenecour was not only an excellent professional, but also his personality, his human warmth made him outstanding.

Also IUMI benefitted from his experience and sound counsel: Louis was a member of our executive committee from 1989 to 1992.



He will be sorely missed and, on behalf of all of you, I extend my sincere condolences to our friend Etienne.

Walter Rostock, December 2008

Mr. Rostock, whose career lead him to the highest accolades and the board of management of Allianz, Munich Re, both in Munich, and Securitas in Bremen, was chairman of the then-called DTV (the German Marine Insurance Association) from 1978 to 1982 and president of IUMI during the same period. Walter Rostock was the first German IUMI president after World War II and he was also instrumental in preparing our Hamburg conference in 1986. Walter was a strong and active supporter of IUMI throughout his career.

Julius Neave , March 2009

Mr Neave was CEO of Mercantile & General Reinsurance Company from 1966 to 1982. He was instrumental in building up M&G's marine reinsurance business over a 44 year career. Julius Neave was a frequent participant at our IUMI conferences where he was applauded for the clarity and persuasiveness of his presentations.

Vjacheslav Shcherbakov, 24<sup>th</sup> April 2008

Mr Shcherbakov, born 1946, joined Ingosstrakh in 1968. He began his career in Motor but soon changed to marine, aviation, recovery and claims. He represented his company in Tehran for 7 years.

From 1980 onwards he held top management positions with Ingosstrakh and was its president from 2004 until his passing away.

He was a big supporter of IUMI and participated in its work during 25 years. He was head of the Russian delegation for 20 years.

Please join me in rising for a moment of silence to honor the memory and many contributions of each of these gentlemen.

It is now my pleasure to introduce to you the president of the Royal Belgian Marine Insurance Association, Mr. Norbert Nelen.



I would now like to proceed with the first two highlights of our conference and introduce to you our key note speakers.

First

Mr Saverys.

Nicolas Saverys is the CEO and Managing Director of Exmar, a shipping company that transports mainly LNG, LPG, ammonia and petrochemical gases. He has been involved in the family business of shipowning since graduating from the University of Ghent with a degree in economics in 1980.

From that time he has been responsible for starting Exmar and then steering its development to its current position as one of the major gas shipowning companies.

His current business responsibilities, in addition to shipping, include insurance brokerage, real estate, towage and salvage, shipmanagement and aviation. He is currently chairman of the Royal Belgian Shipowners' Association and during this mandate he was the driving force behind the successful revamping of the national Belgian register which led to an unprecedented growth and reflagging.

He is also chairman of the Flemish Ports Association and the Benelux Committee of Bureau Veritas.

Our next speaker is

Mr Victor Peignet

He has a degree in naval architecture and shipbuilding and graduated Marine Civil Engineer of the Ecole Nationale Supérieure de Techniques Avancées. He worked from 1979 to 1984 as Marine Project Engineer and started his insurance career in 1984 with SCOR as offshore energy and marine underwriter. In 1991 he was promoted to Director of Marine and Energy, 1996 to Director of the Global Marine and Energy Line of Business.

He is now CEO of SCOR Global P&C and Managing Director of SCOR Group Non-Life Operations worldwide.

Victor used to be, during the late nineties/early twenties a member of our offshore energy committee.



Thank you very much, Victor, for your speech.