

# Marine insurance is a risky business

By [Adriaan Bester](#),

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Dating back to the days of the shipping trade in the 14th century, marine insurance originally referred to sea-based trade and cargo. However, today this form of insurance extends to cargo in all its forms, across all modes of transport be it ocean vessels, ferries, barges, road, rail and even courier services.



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## High risk

Ocean vessels are exposed to the highest risk and need to be insured against the potential losses. Natural disasters which can occur at the sea pose a high risk to the cargo, as well as the vessels, where the loss can extend to the whole vessel being lost, or no chance of any salvage, which could lead to massive losses for insurers.

As a result, the need to transfer risks extends across the entire logistical chain from loading, transporting, clearing and forwarding, stevedoring, and warehousing which is covered by marine insurance. Any item that is loaded onto any type of vehicle for the purposes of transporting it from A to B can be insured as well as any vessel that transports goods can be insured.

Another risk which the marine industry is exposed to which is linked to cargo are liability risks such as carrier legal liability, stevedore legal liability, warehouseman legal liability, freight forwarders liability, to name but a few which can also be insured.

## Lack of skills

The biggest challenge facing the marine insurance industry today is the lack of skills. There is a shortage of skilled marine staff entering and confining in the marine insurance industry which creates a cause for concern.

This “inexperience” not only increases competitive levels unnecessarily, but also forces down underwriting margins. Risks are written below premium rates with wider cover, which is not sustainable.

If an intermediary with no or very little marine experience has clients who require hull or cargo insurance, they would be best served by speaking directly to a knowledgeable marine insurance person. This will avoid the intermediary being exposed if wrong advice is given to their clients. Intermediaries need to gather as much information as possible regarding the marine insurance requirements before accepting such business.

Most marine insurers are quite willing to guide and assist intermediaries through this information gathering process which will also lead to accurate quotations being delivered to the insured.

In our current discipline regulatory environment, where brokers are required to furnish accurate information, involving the services of an expert is an optimal solution to ensure the best information is provided to client.

## **No real growth in 2017**

Looking to the coming year, the potential for any real growth in marine business during 2017 is small. A weak local economy with forecast GDP at under 1% as well as a serious drought both contribute to reduced foreign trade. With limited new opportunities there is restricted growth potential which leads to marine insurers churning existing accounts which will, in turn, give rise to under-pricing.

## **Using technology**

An important opportunity in the industry will arise through clients managing their risks in innovative ways, in addition to transferring the risk through insurance. For example, placing anti-hijack devices and dash cams in cargo trucks will help to lower premiums.

From a cargo perspective, digitisation means that it can be monitored and tracked in real time using web-based apps.

Using telematics and digitalisation reveals more about the risk involved and premiums can therefore be more accurately priced – to the ultimate benefit of the client. If insurance companies, brokers and clients can collaborate, they can grow their businesses together.

By enhancing knowledge and information, as well as applying innovative risk solutions and working as a team with insurers and intermediaries, marine clients will be able to continuously take advantage of keen pricing and low premiums.

## **ABOUT THE AUTHOR**

Adriaan Bester is the manager: marine, Lion of Africa Insurance