

Marine insurance starts to recover

The sector is counting on cargo moving again this year, reports **TEH SHI NING**

NOT spared the rippling effects of last year's global recession, marine insurance took a beating as trade and cargo volumes plunged. It is only gradually beginning to recover.

Last year, marine cargo premiums fell nearly 30 per cent from 2008, says Satoshi Hanzawa, managing director of Sampo Japan (Singapore). Many of its clients' core businesses had been hit badly by the financial crisis. "You can imagine how challenging it was for us to cover this reduction with our other lines of business," Mr Hanzawa said.

Anwar Bin Saadan, regional marine risk manager for QBE International, agreed. "Basically, you have less cargo move, which means we underwrite less cargo. On the vessels' end, if they have less cargo to ship and are laid up not doing anything, we will see lower volumes too."

He estimates that premiums fell about 10 per cent last year too, but compared to the larger drop in cargo volumes, it wasn't so bad, and his unit still managed to turn in a profit.

Marine insurers are now counting on revived consumption to trigger a resumption of production at the manufacturers' end, which they hope will lead to more trading.

Mr Hanzawa thinks that the sharp decline of the motor industry this recession has had an especially large impact on marine cargo insurance. And, as that industry has not recovered as quickly, recovery in the marine insurance sector has been tepid too. "At the moment, the home electronics industries are picking up rapidly and helping marine cargo insurance, but not motor."

A full-scale recovery in consumer demand for automobiles to drive the number of vehicles shipped will be essential for full recovery in the marine insurance sector too, says Mr Hanzawa. "But to be honest, we are not all that optimistic because though the economy may regain momentum, competition will be fiercer. So even though the volume of trading may recover, the price of goods may not," he added.

There is also the risk of a potential dip when stimulus packages are withdrawn. Which is why, Mr Hanzawa says, Sampo Japan intends to enter new types of marine business, seek new clients and grow its market share. It recently entered into an agreement to acquire local Tenet Insurance Company for \$95 million, a transaction which is expected to be completed by the end of June.

Looking further back at the past few decades,



Points of view: Mr Anwar (left) says his five years of sailing experience serves him well in his work. Mr Hanzawa sees full recovery in his sector only when the auto industry fully recovers.

though, rising Asian trade volumes have seen a corresponding rise in ship and cargo owners' demand for marine insurance. And Singapore's role as a major transshipment hub in this region has naturally drawn in an increasing number of marine insurers too.

Today, there are over 30 marine insurance players here offering both direct and reinsurance cover to the maritime industry. Other than the Lloyd's syndicates and the international group Protection & Indemnity clubs, which offer marine hull and liability insurance, there are some 60 licensed insurance brokers, including marine specialists, operating here.

Mr Anwar observed that the entrance of Lloyd's Asia (which has had an office here since 1999) and other international players has stepped up competition in Singapore's small marine insurance market. "But to me it's healthy competition, and when we compete with the best we can only get better," he said. QBE's strategy has been to underwrite lower tonnage vessels of less than 10,000 tonnes so as not to compete with the bigger boys.

Singapore's aspirations of being a global insurance hub are not unrealistic, Mr Hanzawa says, especially with its competitive tax rates and preferential tax schemes for offshore insurers.

Attracting and developing talent

But both practitioners think attracting and retaining talent will remain a key issue. Mr Hanzawa mentioned the Insurance Executive Scholarship Programme launched by the Monetary Authority of Singapore, the Singapore College of Insurance and 31 insurance companies last year, as an example of the recognition that the general insurance industry needs to "invest in developing talent for the long term, having a pool of talent with the necessary expertise and skill". This scholarship is similar to one successfully implemented in the mid-1970s, he said.

"It is evidence that the industry is worrying about its lack of talent compared with the other financial sectors," Mr Hanzawa said. Sampo Ja-

pan has also been participating in the General Insurance Association's Global Internship Programme (GIP), aimed at wooing young undergraduates to the general insurance industry via local and overseas work placements.

The current pool of talent within the industry hails from diverse backgrounds and takes varied paths within insurance too. For instance, Mr Hanzawa started out in personal lines insurance in Japan but has since overseen corporate marketing for about 20 years, which included overseas postings in Chicago and, now, Singapore. Mr Anwar, on the other hand, started his maritime career out at sea as a deck officer on-board ships from Singapore's ports and has largely been based here.

In Mr Anwar's case, the five years of sailing experience, plus the stint with the marine surveying company he joined when he returned onshore, enabled him to accumulate a wealth of experience – from investigating fires, drowning, collisions and other incidents – which now assists him in advising QBE's marine underwriters on the risks they underwrite. "It is easier when you have had experience out at sea and on the vessels, to be able to assess each risk that we are about to underwrite," he said.

There is also a culture of professionalism and constant learning in the general insurance industry, Mr Anwar says. He is himself currently taking a distance-learning course to obtain a Masters of Law, as familiarity with legislation helps in understanding different jurisdictions' risks. "I think it is good that GIP students get an opportunity to be exposed to the marine insurance industry, to see all that there is to learn, to understand some of the complexity involved," he said of the GIP. Many do not realise the level of knowledge and specialisation required of insurance professionals, he says.

"You can offer the most competitive rating in the market and get all the business you want. But there is always the moral hazard problem. If someone asks for extremely attractive premiums and their standing in the market is not good, of course I'd have second thoughts, and experience in evaluating risks is then valuable."

This is the first of a four-part series brought to you by the



GENERAL INSURANCE ASSOCIATION

GIP: an amazing internship experience

By **TEH SHI NING**

RAYMOND Tan's six-week stint with Markel International included two weeks with its London office, during which his home was an all-expenses-paid serviced apartment in the heart of the City.

So when he describes the three-month-long Global Internship Programme (GIP) he participated in last year as "just amazing, unlike any other internship experience", no further elaboration seems necessary.

But while the overseas leg of the programme was a "definite draw" for him, his weeks in Markel's Singapore office were the ones which "the other interns not on the GIP were rather jealous of too", says Mr Tan, 24, now a third-year maritime studies undergraduate at Nanyang Technological University (NTU).

"We were cycled through many more departments and were given that broad sweep which allowed us to see a lot more of what the business was about," says Mr Tan, whose internship in its entirety was from May to July last year. The programme's focus on learning and exposure to the range of jobs within the general insurance industry was thus the envy of other interns in the office.

While at Markel, Mr Tan was attached to an energy insurance underwriter. "Generally, banking is thought of as sexy because



Great exposure: Mr Tan got to spend two weeks each in London and Sydney too

of the money involved. Well, you should just see energy insurance and the huge sums of money that change hands with each deal, with all the oil rigs and undersea installations," he says.

There were other surprises too. He had been on a "crash course" organised by the General Insurance Association and the Singapore College of Insurance for all GIP participants prior to their internships. But during his actual attachment, learning included an energy and geology lecture from his mentor on oil ex-

traction processes and the complexities of drilling for oil. He was also tasked with a research project on liquefied natural gas (LNG) and worked on risk-aggregation calculations.

Mr Tan, who has a scholarship from the Singapore Maritime Foundation sponsored by FSL Trust Management, said that his choice of course had to do with having an uncle in the shipping line. "From him I heard how the maritime industry is growing and how they are gradually getting locals to fill expatriate roles. So I saw opportuni-

ties there."

But marine insurance was another thing altogether. At QBE, the other insurance company he was attached to for the remaining six weeks of his GIP experience, his mentor specialised in marine risks. "He was very interesting. He used to be a seafarer, then he came onshore to join insurance and is now doing a Masters in law too," said Mr Tan, explaining how he learnt of the kind of specialised knowledge required of the industry's practitioners. He also had the opportunity to spend two weeks

at QBE's Sydney office and gained exposure to the same company in a different city and culture.

Mr Tan thinks the GIP has been pivotal in shaping his understanding of the insurance industry – particularly the opportunities there are in marine insurance for someone with the maritime background he has. "General insurance is in fact a really professional industry, and quite an exciting one," he says.

A common phenomenon he has seen in both the general insurance and shipping industries is that many of their professionals have greying hair. But that bodes well for a young person like himself. "People say the industry is ageing, but this means that they are also more willing to take in young people to give them a chance to learn and groom them," he says.

Mr Tan "would definitely consider a career with insurance", though for now he has taken no firm decision as he has yet to experience his other considerations: the shipping industry.

But his own preliminary observations are that it remains difficult for both insurance and shipping to compete with the banking industry for the best of each cohort. "I guess you've got to pay top dollar for top talent; it's difficult to compete otherwise. Even for fresh graduates, an industry appears that much sexier when the money is there," he says.

S'pore's marine insurance industry on a world-class trip

SINGAPORE'S maritime industry has grown significantly over the years. It has evolved from offering ship-repair, shipbuilding, rig-building, offshore engineering and ancillary marine support services into a world-class industry that serves not only the local economy but the region and beyond. It is a voyage that has taken Singapore from conventional cargo days into the container era.

Singapore's drive to become a leading international maritime hub has been facilitated by the island's strategic geographic location and its comprehensive and integrated maritime infrastructure services, one of which is marine insurance.

The marine insurance industry has contributed substantially to Singapore's economic development and will continue to play a crucial role in the national economy. The development of the marine insurance industry here has also helped project Singapore's image as a leading international maritime hub.

Marine insurance provides substantial and comprehensive risk management services. The volatile and relatively high-risk nature of marine insurance requires focused and selective underwriting techniques. This explains the importance of trained and skilled

marine underwriters, expert in cargo clauses and policy wording.

They need to have a deep understanding of the underlying assets and risks, covering loss or damage to ships, cargo, terminals and any transport or property by which cargo is transferred, acquired or held between its point of origin and final destination. Only then can a marine underwriter rate and underwrite the required cover.

This broad class of marine insurance – the oldest known form of insurance – also includes onshore and offshore exposed property (ports and terminals, oil platforms, pipelines), hull, marine casualty and marine liability.

Since 2007, the General Insurance Association of Singapore (GIA), in partnership with the Singapore Maritime Foundation (SMF), and sponsored by LCH (S) Pte Ltd, has been organising maritime and shipping knowledge seminars for marine insurance and shipping practitioners, communities, educators and students.

These seminars provide updates on the latest trends and developments in the maritime industry, and act as a networking platform to a wide fraternity. For more information on the GIA Maritime Shipping Session, log onto www.gia.org.sg



Memorable time: Ms Soh with Sampo Japan (S'pore) managing director Satoshi Hanzawa. She was placed on a programme planned for two management trainees

Relishing taste of actual work in general insurance

By **TEH SHI NING**

ONE of the strongest selling points of the General Insurance Association's annual Global Internship Programme (GIP) is the overseas work placements it offers.

But GIP participant Linda Soh's memories from the programme differed from her fellow interns' stories of jet-setting excitement, as plans were derailed by last year's H1N1 flu epidemic. Stints at the New York and Tokyo offices of the insurance companies she had been assigned to were cancelled after both cities were deemed outbreak hotspots.

Not one to sulk, however, the fourth-year Maritime Studies student at Nanyang Technological University says her local experience was global in its own way, thanks to the international crowd she met during the three months spent at Sampo Japan and India International Insurance's Singapore offices.

These placements, which took place from June to August last year, were arranged under the GIP, which has the support of the Monetary Authority of Singapore and aims to woo fresh talent into the general insurance industry.

And talent is not necessarily academically defined. "I've always thought of myself as an underdog and think I could not have gotten onto the GIP by virtue of grades alone. I suppose it could have been a willingness to work hard and well too," says Ms Soh, 23, who feels she owed the GIA staff a lot for extending the opportunity to her.

She chose to read maritime studies for the

course's business focus, but had not considered marine insurance prior to her GIP stint. "General insurance was sort of a mystery to me initially. It brought to mind names of life insurers instead, like Prudential, Manulife and insurance agents," she says.

But general insurance, and the marine sector in particular, was gradually demystified over the 12 weeks she spent at the two companies.

"I think I would definitely consider working in the insurance industry in fu-

General insurance, in particular the marine sector, was gradually demystified over the 12 weeks Ms Soh spent at the two companies.

ture," she now says. Some of her other options at the moment include working in the logistics industry, such as in supply chain management.

Many of the insurance practitioners she met during the GIP – she got to know all the employees at Sampo Japan (Singapore) as she rotated from team to team – related stories of how they "stumbled into the industry", Ms Soh says.

There were ones who moved into marine insurance after working at surveying firms or other related areas where they honed expertise needed to under-

write marine risks. She observed during her internship that the general insurance industry allows for employees to grow both vertically and horizontally in their careers, either by expanding the breadth and scope of product classes they underwrite, or drilling down and specialising in a highly technical class.

While at Sampo Japan, Ms Soh was placed on a programme planned for two management trainees who had flown into Singapore from Japan. "We had quite a lot of one-on-one time with the management. They not only taught us the strategies of the company but also showed us how they were executed," Ms Soh says.

For a taste of the actual work, she was also given actual cases to examine, analysing claims and clauses to derive verdicts. Mentors then disclosed the actual verdicts to compare against her own.

Her attachment to Indian International Insurance, or "triple I", was more marine insurance-specific. There, she was able to gain exposure to matters more closely related to her own field of study – such as risks attached to marine vessels and barges.

"Looking into the different clauses and comparing the portfolios helped me realise how dynamic the insurance industry is," she says.

But business aside, Ms Soh says that it was "the people, really, the guidance they gave me, the secrets they shared", which made her GIP experience memorable.