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Security in a Changing World

The International Group is hard at work to provide consistent cover whatever the future of international trade holds, writes Nick Shaw, CEO, IGP&I

Nick Shaw
CEO, IG P&I

In a world of rapid change and great uncertainty, any rational, level-headed source of reassurance, clarity and consistency is an invaluable asset. It is a matter of professional pride, therefore, that the International Group should be synonymous with stability, cementing trust and instilling confidence in our global stakeholders. Importantly, however, stability should not be confused with stasis. Our insurance system is a dynamic entity in which close and constant engagement with our stakeholders enables us to not only respond to fluctuating circumstances, but to also anticipate them.

As we see it, there are many impactful, fast-changing factors to take into consideration with regard to our role in helping to facilitate international trade. The pandemic is the most obvious example, of course, but we've also noticed increased concern in relation to cybercrime including localized, quickly quelled and comparatively inconsequential hacks, and also disruptive ransomware attacks on high-profile, land-based corporations.

Additionally, geopolitics – including the important ongoing trading relationship between the US and China – are a concern.

We are monitoring developments on each of these issues very closely. Another key matter engendering uncertainty is the debate over the fuel transition within the maritime industry. While there is a partial movement towards the adoption of LNG as a temporary solution, there is as yet no agreement within the industry as to whether the preferred new fuel on a long-term basis will be hydrogen, ammonia or some other fuel, or a combination of fuels. We remain very much in the research and development phase.

Our insurance system is a dynamic entity

In this respect, as on other issues, we work with our partners in the industry, such as the International Chamber of Shipping, to study these emerging topics and try to find a collective way forward. This often involves assessing the evolving risks and explaining those to our reinsurance partners. We can for example pass on the information that risks in a certain area are not in fact increasing but are either unaffected or even decreasing – and we can produce evidence to back this up.

No one is pretending that any of this is a straightforward process; but it shouldn't need pointing out that cutting corners is never an option where marine liability cover is concerned.

For the International Group, the overriding driver is seeking to maintain the highest levels of insurance and reinsurance cover (with the valuable support of our reinsurance partners) to as wide a range of shipowners as possible. Our aim is always to address any impediments methodically, dealing with situations which have arisen, or which may subsequently manifest themselves. On liability issues, the International Group is absolutely pivotal to underpinning global trade, because without the pooling and reinsurance structures that allow us to provide such comprehensive levels of cover to the global shipping fleet it would be far more difficult for vessels to move in and out of ports around the world.

Sustainability and ESG

Another current hot topic involves the sustainability of the industry and in particular marine liability/P&I's contribution to this. The dilemma for shipping companies is devising a sustainable business model that will continue to attract investment and maintain (or ideally grow) their standing in the marketplace. The climate crisis and de-carbonising are high priorities for the industry in general, with the emphasis currently on finding ways to drive the research and development of new fuels as well as looking for efficiencies as we move towards a platform with greater digitalization.

From a P&I perspective, the Group's focus has been on supporting shipowners through this fuel transition. At the same time, we need to ensure that high and sustainable levels of cover remain available for legitimate claimants of marine incidents as and when they occur. Therefore, we need to keep the various governmental maritime authorities comfortable that shipowners, trading legitimately within the international regulatory framework, will continue to attract the Group's support.

On the Social side, we help developing nations in particular to understand the system of global trade and the provision of insurance cover that underpins this.

Let's say a large oil tanker has had a spill near their shores: they won't necessarily know what to do unless they've been properly trained. We see part of our role as helping maritime authorities understand that we can partner with them to ensure that they have a prompt incident response plan, leading to an efficient clean-up of any pollution and the restoration of the marine environment.

As a core component of our educational drive, we also have our P&IQ exam program which is becoming more and more popular with clubs, lawyers, and Clubs' P&I correspondents around the world as well as government authority representatives who really want to understand the P&I system. We now have around 300-400 candidates every time we hold the exams, twice yearly; and even though some candidates might fail to attain the diploma, the very process of going through and learning the materials should enable them to operate more effectively and react swiftly to maritime incidents within their own jurisdictions.

Global shipping demands global solutions

Governance-wise, meanwhile, we keep an eye on how to improve the Group structure, ensuring fairness between Clubs and also the mutual sharing of liabilities between shipowners, whatever their location and whatever their vessel type. This is a fundamental principle of mutuality.

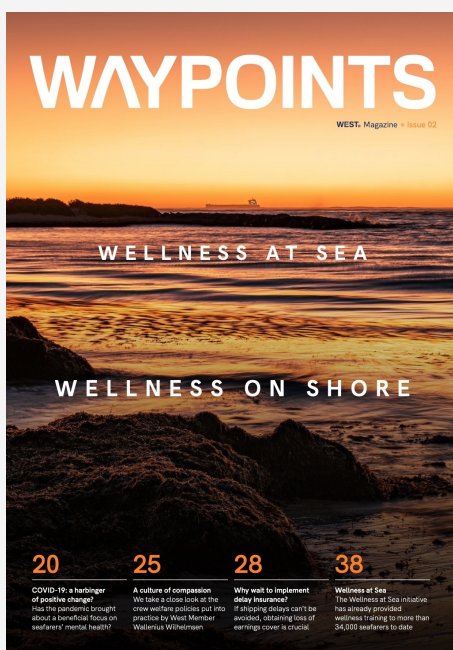
The challenge of regionalized regulation

Another challenge to trade fluidity which we're working hard to mitigate is the regulatory disparity which currently exists between different countries or regions, for example in relation to carbon emissions. Global shipping demands global solutions, and that in turn requires, wherever possible, a global regulatory framework. This ensures consistency and fairness between nations.

As such, we try to encourage states and regions to seek any changes to regulations through the IMO so there is uniformity across the board. Where this does not occur, then shipowners face having to comply with different regulations in different regions of ports that they visit. This can lead to uncertainty and delay.

At the Group, our workload is forever expanding. As well as the factors already mentioned, we have the move towards automated vessels, greater concerns about life beneath the ocean surface, and increased digitalisation across the industry all raising new concerns for us to address.

In addition, more and more engagement on all these issues is now required with our reinsurance partners and other stakeholders, so we're strengthening the secretariat accordingly. In the last few months, we have been delighted to welcome Camilla Slater and Danielle Datta, both of whom have hit the ground running in helping with some of the many issues facing the Group. They will also help drive communication to our Club and Shipowner members going forward.



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