



**SOMPO
INTERNATIONAL**

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Keeping Up With Developments In Marine Insurance

The insurance industry as a whole, and the marine market in particular, have not historically been known for embracing change and moving with the times. However, recent events have shown how quickly people and organisations can adapt to new ways of working. So, perhaps, this is an appropriate moment to take stock of where marine insurance is on its modernisation journey.

The COVID-19 lockdown has been a catalyst for change. A survey of the marine insurance community, conducted by IUMI, found that since working from home, 90% of respondents had introduced new digital technology to their toolsets. This forced change has seen a massive increase in digital interaction between individuals and the coming-of-age of electronic placing platforms. Some insurers, including Sompo International, have subscribed to Whitespace as well as PPL to make transactions easier for brokers. For the first time the London market is truly paperless, a landmark shift. We can only hope that this change will bring about an acceleration in the investment and take-up of new technologies.

Enhanced efficiencies

The reality is that the marine insurance industry has been modernising for some time, looking at how it can enhance processes and better capture and utilise data. One area where technology is being put to good use is in driving efficiencies. For example, Sompo International has been actively involved in the Lloyd's Lab programme, working with companies such as Artificial, taking a data-first approach to the creation, negotiation and issuance of policies.

Marine underwriters can spend up to 80% of their time saying 'no' to potential business. This is because a good proportion of typical submission volumes are outside of

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a business' immediate appetite. This could simply be attributed to the risk being in a certain country or not meeting the minimum requirements for the underwriter. Artificial has created a tool that can respond to an email submission from a broker to an underwriter and, in less than 10 seconds, get simple yes/no indication of risk appetite. This removes a substantial amount of friction from the process, saving time and effort. Once the risk is determined to be within appetite the relevant data can be easily integrated to pricing tools and digital insurance contract builders to issue a quote automatically for the business shortly after.

Better risk assessment

Sompo International's London Market marine team is actively exploring opportunities that will enable us to better assess our risk. There are several different companies innovating in this space, looking to deploy artificial intelligence to create smart navigation solutions to help prevent collisions and more accurately assess and price risk for the marine industry.

In one example, technology deployed by a leading firm providing behavioural analysis in the marine insurance market has proved its worth as the unprecedented fall in global oil prices has led to lower prices for marine fuel. As a result, a number of carriers have opted to reroute around the Cape of Good Hope rather than using the Suez Canal, an option that is not usually commercially viable. However, from an insurance perspective, there are two behavioural risk factors that need to be taken into consideration. First, the dramatic increase in mileage rates for each voyage; and second, the exposure to heavy weather conditions in the South Atlantic, Southern Ocean and Indian Ocean compared to the calmer waters of the Mediterranean. Having the ability to combine weather data and ship position data to assess environmental exposure should allow real-time changes to insurance coverage and pricing in the near future.

Better connection

Another area in which the marine industry is seeing significant progress is in the development of connected



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policies. This was first seen in the motor insurance market with the arrival of the connected car. The ship to shore connectivity revolution combined with the plummeting cost and increasing availability of sensors has catapulted the “Internet of Things” to the heart of shipping. This prevalence of sensors is monitoring and managing every aspect of the vessel at sea, creating a huge amount of data that enables a greater understanding of the risk being presented, not just the behaviour of individual components, but that of the people using them.

This data will make it possible to write a different type of insurance – a connected policy. Insurers interact with the customer to reduce risk based on shared data and shared insight. This enables the insurer to not only offer risk transfer but also provide a better risk management service.

Overcoming challenges

These modernisation developments are exciting and timely, but still throw up some challenges. At an individual level, the lack of face-to-face interaction – something the marine industry has been particularly reliant on in the past – may make it harder to maintain close and productive working relationships. Those new or coming into the industry may suffer from a lack of training due to reduction in one-to-one meetings and a lack of ‘box time’.

On a broader market level, the biggest challenge is delivering interoperability. Today, policyholders, brokers and insurers all utilise different systems. The absence of

a common infrastructure can slow down the sharing of data, insights and accessibility to new tools. The majority of companies innovating in the insurance sector are in some way building efficiency into certain parts of the insurance life cycle.

However, in order to create meaningful efficiency all these new products and processes must interact with each other and with the myriad of systems in the market. When this happens, meaningful efficiencies will be created. This is a market-wide problem, but the marine sector is committed to the modernisation journey and playing its part in helping to find solutions.

LEARN MORE

Our specialised underwriters, claims professionals and risk control specialists can help you address the exposures created by today’s rapidly changing marketplace.

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ABOUT SOMPO INTERNATIONAL

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