

KEEPING GLOBAL TRANSPORT MOVING

Speakers:

Richard Close-Smith, Executive Director, Willis Marine

Bruce Carman, War Underwriter, Atrium

Voice over:

As the world economy globalises, transportation links by air and sea have never been of greater importance.

For example, ninety per cent of all world trade travels by sea.

At the same time the nature of war and terrorism risk is constantly changing and has become an issue of global concern.

Richard Close-Smith:

For terrorists, publicity is like oxygen, and there is no easier way to get that publicity than to target transportation systems. We've seen it recently: 9/11, aircraft; Madrid, trains; and more recently, the bombings of the underground and bus systems in London.

Voice over:

Although businesses in the transport sector need to protect themselves against War and Terrorism, this is a notoriously difficult area of risk for insurers to assess.

Richard Close-Smith:

While terrorism is undoubtedly here to stay, no two terrorist incidents are the same, and history is no guide as to what is going to follow.

Voice over:

There is, however, one world renowned centre of expertise for those wanting to protect their business.

Richard Close-Smith:

When it comes to insurance against war and terrorism, then most people turn to Lloyd's because it is in Lloyd's that you find a genuine appetite for risk.

Bruce Carman:

It is not possible to model war and terrorism insurance and this is what deters most people from the class. By contrast, Lloyd's underwriters have a 'can do' mentality. This is where we try to understand the risks associated with our clients and tailor a product to suit.

Voice over:

As the world's leading provider of specialist insurance, Lloyd's has offered cover for the marine sector for over three hundred years and Lloyd's developed the world's first ever insurance policy for aviation in 1911.

These days underwriters routinely provide physical damage coverage for aircraft worth over 200 million dollars and liability limits as much as 2 Billion dollars.

Bruce Carman:

Atrium provides war and terrorism coverage for the marine and aviation sectors. We are commonly providing coverage for airlines operating worldwide and, by contrast, helicopters operating in areas such as Iraq and Afghanistan.

It is commonly known as 'war insurance', however there are many other perils in the policy, including malicious damage, strikes, riots, civil commotions, sabotage and confiscation.

It is these perils that normally incur the losses and not war itself.

Voice over:

So what does the future hold for the transportation sector?

Bruce Carman:

Aviation will always be a trophy target. As the capabilities of terrorists evolve, so too must the countermeasures of airports and airlines.

Voice over:

Enhanced security at airports and on-board planes may be prudent but they can never completely neutralise the threat.

Bruce Carman:

Lloyd's continues to offer the world's aircraft operators with innovative risk transfer solutions, even in areas of intense fighting. We are currently insuring the UN operating in war torn countries, together with NGOs.

Voice over:

The marine sector must also be vigilant against the changing threats.

Richard Close-Smith:

I think one of the most obvious high risk targets would be gas carriers.

Liquid natural gas is picked up by ships in relatively unpopulated parts of the world, but it is delivered to high concentrations of population.

Voice over:

Developments in the transportation of goods may also introduce new risks.

Richard Close-Smith:

Containerisation was great progress, and it cut down on pilferage, it speeded up the transport of containers, but it has one disadvantage, and that is that one can never be certain what is in the container, and so that produces potential opportunities for terrorists.

Voice over:

Liability is another area in which the risks are changing. The forthcoming ratification of the Athens Convention may result in an increase in the amount of obligatory compensation to which passengers are entitled.

Richard Close-Smith:

The maximum exposures in marine war have dramatically increased, and nowhere is this more evident than in cruise shipping. New cruise ships are being delivered all the time, and in 2009, the world's largest cruise ship currently under construction in Finland will be delivered.

She will be worth over \$1 billion and she will carry over 5000 passengers and crew, and of course, there are all the liabilities that go with that.

Voice over:

The Lloyd's market is certain to remain at the cutting edge of risk management as the threats grow and evolve.

Richard Close-Smith:

Insurance is an obvious way of helping clients deal with risk, but there are other ways, and third party information helps clients to avoid risk, and therefore reduces the incidence of claims and also provides a considerable comfort factor to the client.

Voice over:

What's more, cover for war and terrorism risk is a remarkably effective and economic form of insurance available from the Lloyd's market.

Bruce Carman:

This is a niche class of insurance, developed by Lloyd's underwriters, in order to fill the gap left by exclusions in the standard policies.

It is the real appetite for risk that differentiates Lloyd's underwriters.

Voice over:

And after three centuries, Lloyd's remains a world centre of expertise in this field helping to keep the world's trade and commerce moving no matter how uncertain the future.