Marsh retains 'high value' Kogas LNG vessels with rate reduction

South Korean fleet hull insurance account to be renewed with XL Catlin next month

Jim Mulrenan **London**

KOGAS TERMINALS: LNG carriers (above and below) discharge in South Korea. **Photos:** KOGAS

The high-value Korea Gas Corp (Kogas) hull insurance account is to be renewed next month with a significant reduction in premium following a broking beauty contest in which Marsh emerged the winner.

The Kogas renewal covers 21 LNG carriers in service with five or six newbuildings yet to be delivered, making it one of the most sought after blocks of business.

The renewal will be led by XL Catlin group at Lloyd's with the new policy beginning from late July. But it will be a global placement with hull underwriters from around the world participating.

A premium reduction is certain as brokers who participated in the tender had to provide firm pricing indications from two leading 'A'-rated underwriters prepared to take a 15% share of the risk.

Although the business is insured as the Kogas fleet, the ships are owned by five South Korean shipping companies but on long-term charters to the world's biggest LNG importer, who takes charge of the insurance renewal.

Market sources tell TradeWinds the hull and machinery of the Kogas fleet is being renewed for an insured value of $1.8bn, with $450m of increased value cover on top.

The insured value of the business is further increased by loss of hire, war risks and social responsibility cover. The latter covers ex gratia payments that Kogas might have to make in the wake of a casualty to show it takes its duties to individuals and society seriously.

While the hulls of the Kogas chartered fleet are insured collectively the protection-and-indemnity (P&I) cover is placed as part of the individual owners' fleet cover, so it is split across several of the International Group mutuals.

Holding broker Marsh along with rivals Aon, Willis, Arthur J Gallagher and Jardine Lloyd Thompson were invited to tender for the renewal but, in the end, Kogas decided to leave placing arrangements unchanged.

The world LNG fleet has one of the best casualty records, although there have been occasional groundings and collisions as well as problems arising from tank sloshing and machinery damage.

Kogas imports LNG from around the world and is involved in a substantial number of LNG projects in the Middle East, Asia, Australia, Africa and Canada.

Kogas is listed on the Korea stock exchange but a majority shareholding is held by the country's central government and local authorities.

Jones highlights new insurance Act risks

Jim Mulrenan **London**

A new UK insurance Act that comes into force in August could have huge and unforeseen implications for the marine market, according to veteran underwriter, Jonathan Jones.

He is concerned that local brokers around the world do not appreciate there will be a big increase in their responsibilities. And this could potentially cause misunderstandings, uncertainty or even serious problems.

Jones welcomes the UK Insurance Act 2015, which replaces the landmark Marine Insurance Act of 1906, as having the laudable objective of encouraging professionalism among all parties involved in placing cover.

Jones notes that the new Act will govern every UK business insurance contract that expires after 12 August. However, he questions how many shipowners, brokers or underwriters realise existing policies are covered.

A key change with the new legislation is the introduction of a "fair presentation" of risk concept.

Jones asks who will be the person in a shipowner's office responsible for the fair presentation of risk? And will fairness require disclosure of ISM non-conformities or flag-state irregularities?

"Many marine brokers think that the new Act is only of benefit for the assured, as the provisions of the absolute warranty have been withdrawn," he said.

Jones is concerned many local brokers will not appreciate the subtlety of the changes and the increase in their responsibilities.

They also may not have much in the way of errors and omissions cover or a capable claims team — instead relying on a wholesale broking connection.

Does the broker explain how and why they select participating underwriters, tell the assured of any hidden extra fees or commissions or volume overrides? questions Jones.

Do they explain why a leader might underwrite different shares on hull, increased value and war placements and that commissions can vary significantly from class to class?

The broker may have found an underwriter prepared to write cover cheaply but what if the attitude to claims is negative?

And what about the conduct of different markets and perceptions of integrity, grossing up or sailing figures?

"Any concealment of material information, or other poor or sharp practises, finds no support in the law, whether they concern a risk or how an insurance policy is expected to work," warned Jones.

Eight of the 13 International Group protection-and-indemnity (P&I) clubs plan to contract out of a various provisions of the new Act, citing an opt out for sophisticated insurance markets, such as those offering marine cover.

But Jones doubts it will be as simple as that, as collision cover is often shared between the P&I and hull markets. So what will be the implications be if there is a claim where the club has opted out but the hull underwriters are in?

Jones, a former leading Lloyd's underwriter, with more than four decades of market experience, now runs his own agency, JLJ Maritime, from Athens and Hong Kong. But he is also a pundit unafraid of taking a contrarian view.