

# THE LINK

MARINE NEWSLETTER JULY 2015



Image courtesy of N/KOM

## NAVIGATING RISK TOGETHER

Building strong relationships to achieve good risk coverage

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The JLT Group annual conference

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## Building relationships in Qatar

In March, JLT Specialty took a group of London market underwriters to visit a leading shipyard at Ras Laffan in Qatar.

Senior Partner Sean Woollerson and Jason Little, Partner at JLT Specialty took five underwriters from Lancashire Insurance, RSA, Argenta and QBE on the visit.

One aim of the trip was to showcase the exceptional facilities available at Ras Laffan for building, repairing and maintaining vessels.

The other crucial aim was to bring the underwriters and clients together. Sean says: "An important part of what we do is helping to engender relationships between underwriters and insureds.

Visits like this are invaluable for increasing understanding and helping underwriters and clients to forge lasting, mutually beneficial relationships."

Ralph Godwin, Head of London Market Hull operation at RSA, agrees: "There is nothing better than having the opportunity to visit clients and exchange views to understand each other's position, philosophy and points of view. It is essential to better understand the risk and the operation."

For Paul Russell, marine underwriter at Lancashire Insurance, one of the key

elements of such trips is the ability to add value. "Trips like this are really important to us because, as the market becomes tougher, we have to work hard to maintain relevance in the market and add value."

### An industrial city

Since 2005, JLT Specialty has been involved in placing reinsurance for Al Koot – Risk Management and Insurance Service Provider to Qatar Petroleum. Qatar Petroleum also owns Nakilat, which is the world's leading liquefied natural gas (LNG) transporter.

*Continued on page 2 ►►*

Welcome to the latest edition of The Link.

At JLT Specialty, a big area of focus is nurturing relationships between clients and underwriters because – when the market is challenging or you need to make a claim – it is often those relationships that can make all the difference.

One of the best ways to build strong relationships is by meeting face to face. Our main feature is about a recent trip that we arranged to Qatar for several underwriters to meet clients there and see the outstanding facilities at the N/KOM and NDSQ shipyards.

We also encourage relationship-building and industry discussion about hot topics through our work with partner organisations such as Port Finance International to hold events in key international markets. Find out more on page 4.

On page 7, is an insight about JLT Group's latest annual internal conference, which provided an excellent opportunity to network with colleagues from all over the world and reaffirm JLT's strategic direction.

Find out about our work with The Maritime Advocate on page 6. On the back page, we cover increased maritime risks in Yemen, as well as our sponsorship of the Maritime London Officer Cadet Scholarship scheme.

This issue's Q&A is all about me, my role and why I've stayed at JLT for 36 years on page 6.

We hope you enjoy the issue and would love to hear what you think, so please get in touch with any feedback.



**Kevin Lugg**  
CEO of the Marine Division  
JLT Specialty

## ◀ Continued from page 1

"We now arrange cover for 63 LNG vessels for Al Koot," says Sean, "including Q-Flex and Q-Max LNG carriers, as well as four liquefied petroleum gas carriers."

The yard is based close to a huge industrial city 80km northeast of Doha. Qatar has a large portion of the world's supply of natural gas and Ras Laffan has grown into a huge hub to support the production of liquefied natural gas and gas to liquid.

The companies operating there are at the forefront of the world's energy. "The gas

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An important part of what we do is helping to engender relationships between underwriters and insureds

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from Ras Laffan is going all over the world – including the gas terminal in the UK at Milford Haven, with a significant percentage of the UK's gas now coming from Qatar," adds Sean.

The Ras Laffan port in Qatar is the largest artificial harbour in the world and contains the world's largest LNG export facility.

Alongside the port is a relatively new shipyard set out in the Arabian gulf, which has an excellent reputation and offers outstanding facilities and expertise. It is the result of separate joint ventures between Nakilat and Keppel Offshore and Marine (N/KOM), and Nakilat and Damen Shipyards Qatar (NDSQ).

It has two components:

- N/KOM was established in 2007 and has grown to be one of the Middle East's leading shipyards, offering repair, conversion and construction services.
- NDSQ was established in 2010 to carry out shipbuilding to the highest modern standards.

## Visiting Ras Laffan

"We were very fortunate to be able to visit the yard," says Jason. "We approached Al Koot about the possibility, and they went to Nakilat, and together they organised the visit for us."

The group of underwriters and brokers flew into Doha on 23 March and more picked up the next morning by coach and taken to the N/KOM part of the yard. The day started with a detailed safety briefing and everyone was given appropriate safety gear.

The group were then taken on a bus around the site, with several stops to see specific areas. They saw a wide range of activities, including work on steel-cutting and electronics, and an LNG vessel being converted to dual fuel.

"We were very lucky to be hosted by the finance director at the yard," says Sean. "He also hosted a lunch for us and we were joined by several people who worked there, including the team responsible for berthing LNG carriers into the dry dock. Their team leader talked about some of the challenges involved in his job – for example, manoeuvring a vessel into the dock, and the safety procedures in place to allow for the wind restrictions particular to their location.

Paul says that the lunch was one of the highlights of the visit for him because there were also masters of vessels there who talked openly about the challenges they face. "It really provided a high level of comfort to see how knowledgeable and well qualified the people operating these vessels are," he says.

After lunch, the group went to NDSQ to see the construction projects being worked on, which included building patrol boats and maintaining yachts in carefully climate-controlled halls.

## First-hand experience

The visit provided a unique opportunity for the underwriters to get a better understanding of the facilities that are available and new developments in the industry, as well as the ease of access to a high-quality repair yard, says Jason. "It



**Back row** - Ralph Godwin (RSA), Haydn Costin (QBE), Vincent Leonardi (Argenta), Paul Russell (Lancashire), Jason Little (JLT), Krishamurthy Rajkumar (AI Koot)

**Front row** - Narayanan Ramachandran (Finance Executive NIKOM), Sean Woollerson (JLT), Erick Brohet, (Finance and Admin Manager NIKOM) Stephanie, Legal Assistant Qatar Gas Transport Company (NAKILAT), Ron Jago, General Counsel, Qatar Gas Transport Company (NAKILAT), Simon Thurgood (Lancashire).

also brought it all to life and the underwriters asked a lot of questions and were very enthused.”

Ralph says: “The trip to Qatar was of tremendous value – not only because we engaged with the client, but also because we had the opportunity to visit the shipyard. The scale of the yard was enormous – it cannot be viewed properly in a photograph.

“The quality of the organisation, cleanliness and equipment was clear when viewing it first-hand, and all of the underwriters could not fail to be impressed with the size and quality of the operation.”

Paul adds: “LNGs make up approximately a third of our marine hull income, so it was interesting to tour the working yard and see all of the LNG carriers. It was also useful to see the new floating dry dock and all of the other things they do there, such as

constructing and maintaining yachts. Operations in that part of the world tend to be exceptionally well managed and they have some of the best technicians, managers and superintendents in the world.”

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Since 2005, JLT Specialty has been involved in placing reinsurance for AI Koot – Risk Management and insurance service provider to Qatar Petroleum.

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One of the main highlights was the focus on safety at the yard, adds Jason. “We were all very impressed with the safety standards – they have an exemplary safety record and excellent procedures in place, which everybody follows.”

### Celebrating 10 years' working together

After spending a day at the yard, JLT Specialty celebrated its tenth anniversary of working with AI Koot on marine business by hosting a dinner at the Ritz Carlton in Doha. “We wanted to mark the anniversary because this has genuinely been a fascinating project to work on for the past 10 years and a great co-operation between all the parties concerned,” says Sean.

Sean adds: “Some of the underwriters that we invited were disappointed not to be able to come this time, so we would hope to do another visit to Ras Laffan at some point.” ■

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## Navigating risks together

Building strong relationships between clients and brokers leads to a deep, shared understanding of individual risks and key sector trends – which ultimately helps to achieve the best risk coverage possible.

Whereas in the past, the shipping industry operated on a set of well established processes, the modern industry is without doubt one of the most complex and fast-changing sectors in the world.

To cope with this, clients need to be ready to handle whatever may be thrown at them – both now and in several years' time. Even a relatively simple business will need to consider ways to protect its interests and assets around the world; incorporate multiple legal systems; rely on ever-increasing levels of automation and technology; and face aggressive competition across the board.

### Understanding individual risks

The rapid changes in the industry mean that every company is under pressure to cut costs and make decisions faster. The temptation for many firms is to apply this approach when buying insurance, aiming to reduce what can be a painstaking process.

However, risk coverage that is not formed through a deep understanding of

a client's business is almost always the first to come unstuck.

The insurance buying process should start with in-depth communication between clients and brokers – preferably face to face – when clients can outline what makes them and their business tick.

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JLT works with partner organisations such as Port Finance International to hold events in key markets such as Singapore, Brazil and Turkey.

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One of the reasons that these discussions are so useful is because, more often than not, the coverage that a client thinks they need is not what they actually need. Added to that, there are a bewildering array of insurance options

that can leave firms prey to excessive premiums and with little recourse when things go wrong.

### Fix, avoid, achieve

While new technology has greatly changed the methods employed in the shipping sector, the approach to identifying contract exposures and creating solid insurance agreements remains the same – focused around the three key concepts of 'fix, avoid, achieve'.

First of all, brokers should aim to develop an in-depth understanding of how a particular business works and help to fix any weaknesses or exposures. As independent consultants responsible to the insured, brokers can draw on years of experience of specific projects, as well as wide-ranging industry knowledge. This often allows a broker to challenge ingrained thinking at a client's business and bring new perspectives.

Second, there is always the possibility that unforeseen risks may transpire – in which case, brokers can help clients to

avoid these risks and ensure they are properly protected in future.

Third, brokers should help their clients to achieve greater productivity or release greater capital for reinvestment by aligning risks with their operations on the ground, allowing the business to navigate the changing industry landscape more effectively.

### Supporting industry debate

One of the ways that brokers can stay ahead of clients' ever-changing risk profiles and support them more effectively is by working closely with leading conference organisations. Forums and events around the world help by bringing industry leaders together to discuss the latest trends and debate key issues.

For example, JLT works with partner organisations such as Port Finance International to hold events in key markets such as Singapore, Brazil and Turkey. Through these events, we have driven conversation between the largest operators in the market to raise the profile of hot topics affecting the sector.

One example is the dramatic change in port efficiency witnessed in the last few years, as port facilities have switched to heavily automated systems and developed highly complex logistical processes and intermodal transportation links.

This technology has been a huge advantage for investors and steadily changed the means of operation for shipping lines and port operators, but it has also led to a whole new range of risks emerging that need to be discussed, understood and catered for in insurance programmes.

### Helping to shape business risk

When brokers form strong relationships with their clients and genuinely understand their challenges, they can offer support that extends beyond insurance programmes, helping to shape business risks and secure their future.

For example, a key way that brokers can help their clients is by identifying opportunities for risk finance solutions to cover legacy liabilities. Securing finance to cover these legacy costs often allows a firm to refocus on more forward-looking investments.

Brokers can also help through the preparation of outsourcing proposals for claims management. Again, reduction in costs and a better alignment of the business with the risk profile can frequently help to boost productivity.

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This can also feed in to larger business capabilities such as merger and acquisition planning, where a broker can help to identify transactional liabilities in advance, placing a firm in a more solid position when it comes to future negotiations.

Alternatively, when a firm may require captive insurance to protect a parent organisation, a broker can help by developing a captive feasibility proposal to determine if the contemplated program is possible.

This wide-ranging support, combined with deep industry knowledge, can not only ensure the security of a firm's operations, but also the longevity of the relationships it fosters in the industry. ■

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## MARINE YOUR STRONGEST LINK

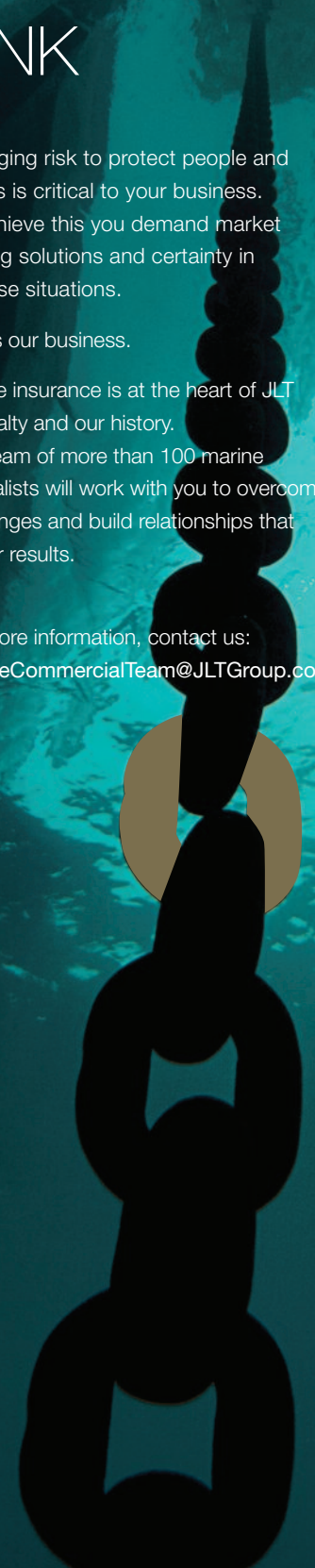
Managing risk to protect people and assets is critical to your business. To achieve this you demand market leading solutions and certainty in adverse situations.

This is our business.

Marine insurance is at the heart of JLT Specialty and our history.

Our team of more than 100 marine specialists will work with you to overcome challenges and build relationships that deliver results.

For more information, contact us:  
[MarineCommercialTeam@JLTGroup.com](mailto:MarineCommercialTeam@JLTGroup.com)



# Meet Kevin Lugg



**Q. What does your role involve?**

I'm CEO of the Marine division at JLT Specialty. Essentially, I focus on making sure our business is sound and that it

does what it says it is going to do. That includes focusing on our revenue, profit, people development, new business, portfolio management and strategic issues, such as recruitment and acquisitions. We have a marine executive committee that is very focused on moving the business forward, and I ensure that we implement the agreed plans. I also work closely with marine colleagues globally – making sure that we act in collaboration as 'one JLT Marine'. Finally, I get involved with our clients and markets where it is vital that we have strong relationships.

**Q. What experience do you bring to your role?**

I left school at 16 and was lucky enough to be offered a job at JLT – I've been here ever since. I started in marine claims, before eventually becoming head

of all claims. I have also been chief operating officer, vice chairman, and chairman of energy and marine. Just under two years ago, I took up my current role. While I was doing my other senior roles, I was fortunate in that I always kept two or three hats on, and particularly maintained my involvement in marine claims and with marine clients and markets.

I've stayed at JLT for 36 years because there is a real camaraderie among the senior people. The team atmosphere is very positive and people have a 'can do' attitude. There is also a freedom to do what I think is right. In addition, while there has been lots of change in the group during my career, we have still kept our core values. For example, a real area of focus for us is nurturing relationships between clients and underwriters because when a marketplace is challenging, it is often those relationships that can make the difference.

**Q. Why have you focused on marine in your career?**

I enjoyed my first role in marine claims – especially getting complicated claims settled and really delivering value to our

clients. The world of shipping is very traditional and values service and people, which are key things I stand for. Also, while it is traditional, shipping is very dynamic and has changed a lot during my career, which keeps it interesting.

**Q. Do you still have involvement in claims?**

These days, I tend to get involved with the high level aspects – for example, ensuring that we have a clear strategy on a claim and that we are using our relationships to our best advantage. Good relationships can be crucial, helping us to settle a more challenging claim that may otherwise have been denied.

**Q. What is currently happening in the marine market?**

The market remains soft and pricing continues to be at levels that seem unsustainable. There are new entrants in the marine market, and individuals are moving around the market as well. It is incredible that after the USD 2 billion + COSTA CONCORDIA loss the market still hasn't changed ■

## Keeping the shipping market informed

JLT Specialty is now working closely with online publication The Maritime Advocate, a free e-zine for shipping, insurance and legal professionals. It has around 14,000 subscribers in more than 100 countries, making it the most widely-read publication of its kind in the world.

Each edition (there are around 40 every year) contains details of at least one legal decision, together with news about developments in the international shipping and insurance markets. Caroline McAlister from JLT Specialty says: "The Maritime

Advocate is essential reading for insurance and shipping professionals, which is reflected in the sheer size of its readership. I would encourage all of our clients to subscribe."

For a free subscription, email [contactus@afterofficehours.com](mailto:contactus@afterofficehours.com), putting 'Subscribe' in the header.

The publishers have also set up a networking platform for shipping professionals – called FOB Networking – which has groups on P&I, piracy, and

maritime casualty investigation, to name but a few. JLT Specialty is now sponsoring the 'P&I World' group. ■

Join for free at [www.FOBNetworking.com](http://www.FOBNetworking.com).





## Changing the game

In May, the JLT Group held its annual internal conference in Hampshire, with a theme of 'changing the game'.

The three-day event is for senior people from all parts of the JLT Group, including representatives from insurance, reinsurance and employee benefits. It provides a valuable opportunity to reaffirm JLT's strategic direction and network with colleagues from around the world.

Around 145 people attended this year, including delegates from Australia, Latin America, Asia, Canada and the US, the Middle East, South Africa and Scandinavia.

Adrian Girling, Chairman of JLT Specialty, says: "The conference was very upbeat and invigorating, partly as a result of its theme. 'Changing the game' referred to how much the JLT Group has changed – doubling its revenues, profits and staff in the last eight years – as well as how the world around us has changed significantly, so we need to continue evolving to grasp emerging opportunities.

"Every year, our Group Chief Executive, Dominic Burke, opens the conference and sets out the strategy for the group. He talks about what we have achieved so far, and reminds us of our short-, medium- and long-term objectives, ensuring that our overall strategic direction is clear. This year's presentation really underlined how far we had come in recent years, as well as the wide range

of opportunities for a specialist broker like JLT."

"JLT has nearly doubled in size in the past 5 years and Dominic challenged us to think about how we maintain this momentum without diluting our core values or culture"

There were a wide range of internal presentations at the event, with different parts of the group explaining the latest developments in their areas, as well as opportunities for delegates to network and get together in special interest groups.

Two external speakers also gave fascinating presentations: Evan Greenberg, President and CEO of ACE, and Lars Henneberg, Head of Risk management at Maersk.

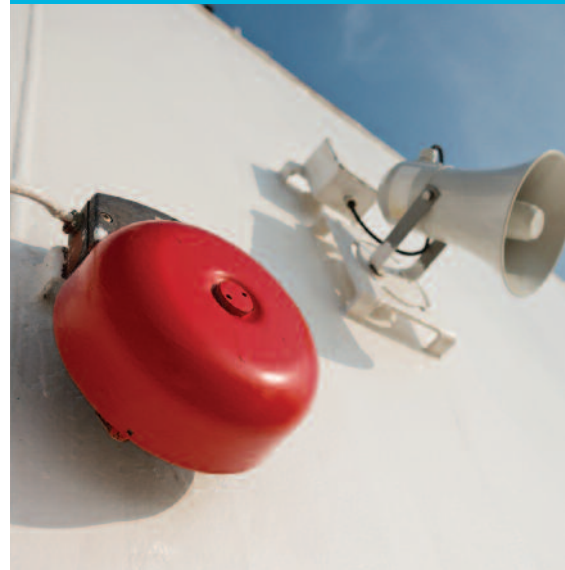
Mark Cracknell, Senior Partner in Marine at JLT Specialty, adds: "We were delighted to have a presentation from Lars Henneberg. He gave a fascinating insight into how Maersk – among many other things, the world's largest container shipping company – has moved from a decentralised approach to identifying and transferring risk to a centralised approach, resulting in more sophisticated risk transfer solutions and reducing costs substantially in the process.

Lars got us all thinking about our role as brokers and how we make ourselves relevant and add value for our clients." ■



Lars Henneberg, Head of Risk Management at Maersk

# NEWS



## SOUTH KOREA AND INDIA TO WORK TOGETHER

South Korea and India made an agreement to cooperate in the maritime sector when Indian Prime Minister Narendra Modi visited South Korea in May. The countries plan to work together on crew training, establishing joint shipping ventures, and South Korean investment in Indian ports and terminals, according to South Korea's Ministry of Oceans and Fisheries.

## PIRACY WORSENS IN ASIA

There was an 18% increase in the number of piracy and armed robbery incidents involving ships in Asia in the first quarter of 2015. There were 38 incidents in total, many of which took place in the Straits of Malacca, Singapore and at ports and anchorages in Vietnam.

## LIMASSOL PORT PRIVATISATION

The Cyprus government has announced plans to transfer all commercial operations at the Port of Limassol to private sector operators by April 2016. The government is holding a bidding process, which will close at the end of 2015 and the winning bid(s) will be decided by the end of March 2016.

JLT Specialty Limited provides insurance broking, risk management and claims consulting services to large and international companies. Our success comes from focusing on sectors where we know we can make the greatest difference – using insight, intelligence and imagination to provide expert advice and robust – often unique – solutions. We build partner teams to work side-by-side with you, our network and the market to deliver responses which are carefully considered from all angles.

Our marine team of over 100 specialists has built its reputation over many years. The team is made up of a broad range of professionals who have all the necessary skills to help you manage your risk. You demand a stronger approach based around your business, providing cost-effective solutions, service excellence and claims certainty.

## CONTACTS

If you would require any further information or have any feedback on this edition, please email the Marine Commercial Team at [marinecommercialteam@jltgroup.com](mailto:marinecommercialteam@jltgroup.com)

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## Yemen

Tensions across the country have remained high over the past several weeks, with the UN reporting that there are 21.1 million people in need of humanitarian assistance. On 1 July, the UN declared Yemen a level three emergency, which is the highest on its scale. On 9 July, the UN announced that a humanitarian ceasefire will be introduced in Yemen on 10 July and will last until the end of the Islamic holy month of Ramadan, on 17 July.

Saudi-led coalition air strikes have continued to target Houthi positions along the border, as well as in Aden and the capital, Sanaa. On 5 July, Saudi-led airstrikes killed at thirty civilians in an attack that targeted a market in Hajja province while another air strike hit a marketplace in Fayoush, just outside the city of Aden, killing over 45 civilians. Clashes between local fighters and Houthi rebels have continued in Aden.

On 2 July, pro-government forces in the city of Taz launched a manhunt for 1,200 escaped prisoners, which include several al-Qaeda members,

after they were allegedly freed by retreating rebel forces.

Both the Islamic State group (IS) and al-Qaeda in the Arabian Peninsula have continued to exploit conditions on the ground in a bid to further their influence. On 7 July, IS claimed responsibility for a car bomb attack on a Shi'ite mosque in Sanaa that left one person dead and five others injured.

MS Risk continues to advise all vessels to avoid all Yemen ports until further notice. Vessels that have attempted to dock at Aden have been fired upon. The Red Sea ports of Hodeidah and Saleef remain in control of Houthi rebels. All vessels heading to these ports are required to have the correct permissions to arrive there. On approach, vessels will be searched by Saudi and Egyptian warships and may be denied entry to the ports. ■

To request a copy of MS Risk's report on Yemen please email: [marinecommercialteam@jltgroup.com](mailto:marinecommercialteam@jltgroup.com)

## Sponsoring the mariners of the future

At a recent event at Warsash Maritime Academy Doug Lee from JLT Specialty met Joe Douglass the cadet JLT Specialty team is sponsoring under the Maritime London Officer Cadet Scholarship (MLOCS). The scheme provides training, both onshore and at sea, to become a deck or marine engineer officer and takes three to four years.

The event was attended by the sponsors and trustees of the Maritime London Officer Cadet Scholarship scheme who were given a presentation from the head of the Maritime Academy and current cadets, before being given a tour of the facilities.

JLT Specialty sponsors the scheme because we believe it is important to support the UK maritime industry where we can. It is also important that as a

team we have an appreciation and understanding of what is involved in training seafarers, whilst also having a strong link between the insurance and seafaring community.

"It was very interesting to meet Joe and find out why he decided to change careers to go to sea and what his training will involve. We will be featuring an article in each edition of the link where Joe will update us on his progress." Douglas Lee, Associate in the Marine division at JLT Specialty ■



Joe Douglass and Doug Lee (JLT)