



Reinsurers delve into growing exposures

By James Brewer

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REINSURERS plan to dig more deeply into the contents of policies being written by marine underwriters, to avoid unpleasant surprises.

Dieter Berg, a top marine specialist at Munich Re, called for a closer look at liability exposures, when he addressed the legal and liability open forum during the International Union of Marine Insurance meeting in Amsterdam.

Mr Berg said for some years it had been realised that there was a worrying trend in the field of general liabilities to constant, growing exposures.

This stemmed from the extension of tort law (strict liability) through legislation and jurisdiction; inflation of claims costs through medical costs and legal expenses; and fluid borderlines between legal and moral and factual liabilities.

He cited increasing indemnifications for non-pecuniary damages, such as punitive damages, loss of quality of life, fear of future diseases, damage to natural resources, and harm to wildlife.

A similar development had to be observed in marine liabilities through new regulations and stricter court interpretation and the steady increase of limitations of maritime liabilities, he said.

Since the liabilities crises of the mid-1980s and the contraction of the professional indemnity market, more and more non-marine liabilities were being covered under marine policies.

Into the field came industrial surveys and management consultancy activities, engineering products companies, drilling contractors and energy services companies. "These exposures — now covered in marine — will suffer the same developments as the general liabilities," Mr Berg warned.

More stringent marine liabilities included new laws on environmental and criminal matters, increased limits under the 1996 protocol to the 1972 London Convention, additional compensation for oil pollution damage, doubling of limits by Norway for shipowners' liability for loss of life or personal injury to passengers, and an increase of liability limits under the Athens Convention.

For reinsurers, insisted Mr Berg, it was essential to have full transparency of the underwriting policy of the cedants, and the type of risks being underwritten in the direct marine liability account.

Furthermore, insurers and their reinsurers should discuss the standard interest clause and consider a re-evaluation of the Liability Exclusion Clause B.

"Only an ongoing exchange of views and a common understanding of risks being written can be the basis of successful relationship," said Mr Berg, who advised insurers to restrict coverage to pure marine liabilities.

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