



# Ports and terminals: Operational risks, strategy and workforce solutions

Marine, Cargo & Logistics Practice

# Opportunities and challenges in the Ports and Terminals sector



At the strategic level, ports and terminals and municipal authorities need to make bold investment decisions in this disrupted environment, whether it is channel widening, extending berthing, installing new bunkering infrastructure, new technology, or merging new businesses. At the operational level, ports and terminals are confronted with emerging, rapidly accelerating, and converging risks, which threaten contagion and aggregation, fresh liabilities, delays, and interruption. And in all of this, ports and terminals must have workforce strategies to protect port workers' welfare, safety, and to be able to retain, recruit, and train employees for a future work environment.

Through Marsh McLennan, we have the knowledge and experience in the ports and terminals sector. Our group creates value in strategic consulting (Oliver Wyman), workforce strategies (Mercer), and risk and (re)insurance (Marsh/Guy Carpenter).

# Our approach

## 1.

### **We are your insurance specialist and broker**

We work with the (re)insurance markets worldwide to achieve comprehensive protection for your financial interest, creating insurer competition, with face-to-face broking in our wholly-owned subsidiaries, reducing arbitrage and frictional transaction costs.

## 2.

### **We are your insurance advisor and advocate**

We serve as your advisor in sourcing insurance and delivering risk transfer solutions. In difficult situations, we serve as your advocate on claims. You will benefit from our ability to leverage market places, experience, and long-standing relationships as we guide you through the process to reach a resolution.

By establishing five hubs for our Ports and Terminals Centers of Excellence, we draw on the resources available in this wider knowledge network for the benefit of our clients.

## 3.

### **We are your risk management consultant**

Through our data and analytics and risk consultation services, we help clients understand their risks and help them decide whether and how to manage their risks or insure them. We are committed to helping you avoid costly claims through our loss control programs and engineering recommendations. We use both actuarial and forecasting studies, as well as financial analysis to determine the most cost effective levels of premium, limits, and retentions. Our experts also provide enterprise risk consulting and audit services to assist with lowering your overall cost of risk.



# Operational risk management and insurance

Each port and terminal faces a unique set of complex and emerging challenges. Risk today appears to be accelerating and converging, often with contagion and aggregation.

In each port or terminal the risk profile, the risk appetite, and risk tolerance will be different; and the strength of existing responses will be different dependent on the specific challenges faced and ownership structures. At Marsh Specialty's Ports and Terminals Centers of Excellence, we recognize this diversity, and use our combined experience to customize insurances and risk management services to support the requirements of our extensive global portfolio clients in the sector.

A balanced portfolio of risk mitigation, management, and transfer strategies is essential. This should include risk transfer through tenants', sub-contractors, and concessionaires' contracts and traditional insurance policies, with coverage options customized to the specific requirements of the organization, using the basic building blocks:

- Marine:
  - Liabilities.
  - Property damage/equipment.
  - Business interruption.
  - Port vessels (hull and machinery/protection and indemnity).
  - Trade disruption.
  - Port blockage.
- Environmental impairment liability.
- Political violence.
- Terrorism (property damage, business interruption, and bodily injury).
- Other: D&O (including ESG cover), cyber and employee liability.



## LIABILITY RISKS

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- Third party bodily injury and property damage.
- Loss or damage to third party vessels, including demurrage.
- Loss or damage to third party cargoes.
- Foul berth liability.
- Removal of wreck (such as vessels and cargoes).
- Contractual liabilities.
- Errors and omissions (including breach of regulations and wrongful delivery).
- Customs fines and duty.
- Advice and information.
- Infringement of personal rights.



## PORT VESSEL RISKS

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- Hull - loss or damage to own craft operating within the port.
- Protection and indemnity - legal liability to third parties as owners/operators of vessels for:
  - Loss or damage to third party property/bodily injury.
  - Removal of wreck liabilities (including buoying and destroying).
  - Collision of vessels.



## PROPERTY AND HANDLING EQUIPMENT RISKS

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- Loss or damage to cargo handling equipment of all types within the confines of the port.
- Loss or damage to:
  - Real and personal property.
  - Piers, docks, and wharves (including vessel impact).
  - Buoys, markings, and navigational aids.
- Terrorism.
- Natural catastrophes.



## REVENUE STREAM RISKS

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- Denial of access and blocked approach to channel/land access.
- Damage to key customer or supplier premises.
- Failure of public utilities.
- Property/equipment damage.
- Increase cost of working.

# Understanding clients

To achieve optimal results in your insurance and risk management program, we will first scope the nature of your risks based on the standard process submission to insurers. Or we can provide a service to identify and quantify your risk with you.

To determine whether your risk appetite and risk tolerances have changed since you last decided on limits and retentions and how ready your operations leaders are to handle more risk if you choose to buy less cover, we can run risk finance optimization (RFO) and risk maturity assessment (RMA) surveys with you. Many customers find RFO and RMA useful after several years of renewals, especially when insurance markets are changing.

## RISK IDENTIFICATION AND QUANTIFICATION

We can help you understand the submission requirements from insurers as well as identify and quantify your relevant risks.



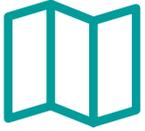
### Liability risks

- What services are offered? What services are sub-contracted out?
- Stevedoring, terminal operator, container freight station, container storage, inland clearance depot, air freight terminal, warehousing, emergency (such as fire), local collection and delivery, depot operator for leasing companies, equipment repair, waste disposal, advice to other operators, chassis pool operation, security, (such as police), and bunkering.
- Volume of annual throughputs split into twenty-foot equivalent units: break bulk, bulk, cars, and other cargoes.
- Number of vessel calls per annum split by size of vessel: up to 5,000 GRT, 5,000 to 15,000 GRT, and over 15,000 GRT.
- Annual revenues.



### Property and handling equipment risks

- Description, age, and value of handling equipment.
- Basis of declared values: new replacement value, market value, and depreciated book value.
- Additional details for large items: location, construction, and fire extinguishing appliances.



### Revenue stream risks

- Exposure to port blockage: blockage of berths, approach channels, locks, and land entrances.
- Electricity supply: port generation, external facility, and back up facilities.
- Key equipment, such as ship-to-shore cranes can take 12-24 months to replace.
- Trade disruption volume periods.
- Crisis management plan.
- Business interruption recovering plan.



### Port vessel risks

- Number of vessels split by size and type, such as tugs and pilot boats.



### Contractual risks

- Contracts with customers: standard contracts, individual user agreements, and port tariff/act/byelaws.
- Extent of liabilities and/or indemnities: unlimited, limited, and no liability in respect of negligence.
- Other contracts: joint venture agreements, joint operating agreements, and concession agreements.
- Have rights of recourse been waived?



### Environmental risks

- Typically located close to ecologically significant and pollution sensitive wetland habitats.
- Hazardous products loaded and unloaded, in particular relating to the high volumes of fuels/oils which pass through.
- Safety of land and unexpected costs when seeking to redevelop surplus land, or expand into neighboring greenfield sites.
- Clean up operations required on jetties, quays, or piers which have historically handled base metals or contaminants.
- Rubble from demolition projects used for deep fill layers to raise ground levels at ports may release slowly migrating contamination.
- Gradual and/or underground leakages from storage tanks may go unnoticed for many years.
- Transactional risk insurance to transfer historical environmental liabilities held by the buyer or seller following the acquisition of land for re-development.
- Susceptibility to climate change.
- Climate resiliency plan.





# The maritime and logistics ecosystem – ports and terminals

The geopolitical landscape, automation, technological advances, changing regulations, a green agenda and climate are all necessitating changes in the maritime and logistics ecosystem.

Geography and climate change cannot be underestimated either; the widened Panama Canal and the opening of the Northwest Passage and the Northern Sea Route will likely have an impact on global trading patterns. At the same time, climate change and urbanization are impacting navigation navigability of canals and river access.

Freight carriers, handlers, and logistics organizations are more integrated than ever before through digitization and mergers.

Regulatory compliance and secure integration of operational and information technology will be more important, bringing new opportunities for speed and accuracy, but also an increased vulnerability to new threats.

The marine, cargo and logistics industry must adapt quickly, if it is to thrive in the future.

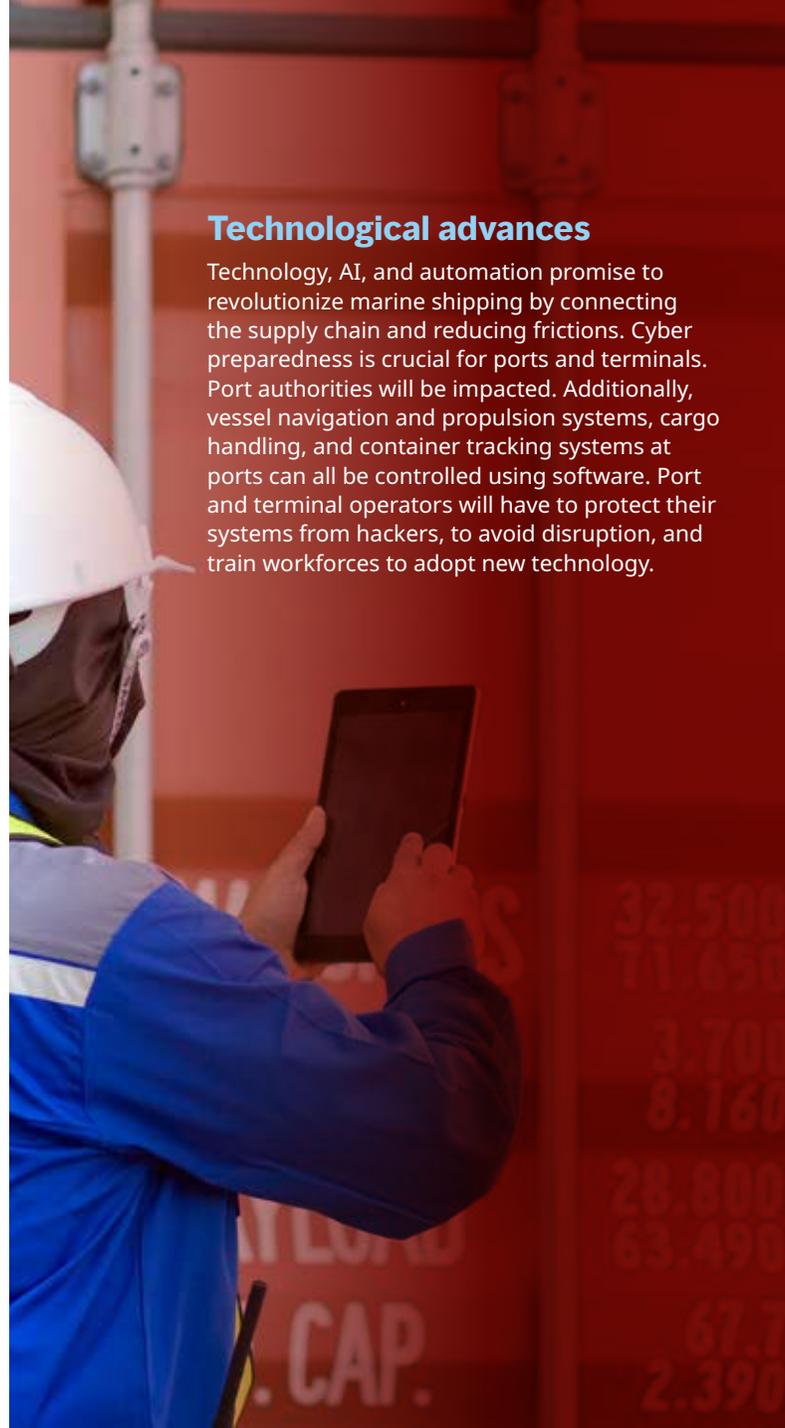
## Green agenda

Environmental regulations, corporate social responsibility, and supply agreements will force ports and terminals to go green through cleaner fuel alternatives, ballast water treatment, and in port construction. From vessel berthing, cargo management, construction, mergers and acquisitions, to availability of financing, ports and terminal operators must understand the environmental risks and potentially greater scrutiny they face from multiple stakeholders.



## Technological advances

Technology, AI, and automation promise to revolutionize marine shipping by connecting the supply chain and reducing frictions. Cyber preparedness is crucial for ports and terminals. Port authorities will be impacted. Additionally, vessel navigation and propulsion systems, cargo handling, and container tracking systems at ports can all be controlled using software. Port and terminal operators will have to protect their systems from hackers, to avoid disruption, and train workforces to adopt new technology.



## Geopolitical landscape

There are significant opportunities for those involved in transportation infrastructure, energy, shipping, and logistics firms. While development in some territories experience challenges, impact is felt around the world. At the same time the geopolitical landscape will continue to be challenging with moving sanctions, protectionism, contested sea routes, and territorial waters.



# The insurance marketplace

As the supply/demand dynamics for insurance capacity within each marketplace can vary by geographic region, our global team closely monitors these developments and publishes bimonthly market updates.

Our role as a broker is to create competition between insurers on price and coverage for our clients. But different insurers may respond differently to claims and accessing them remotely can lead to hand-offs as brokers use wholesale partners and reinsurance structures to build programs. This may reduce transparency and lead to additional costs to the insurance program.

At Marsh, our Ports and Terminals Centers of Excellence work together, as wholly-owned entities with common procedures, transparency, and ethical standards reducing the need to share confidential commercial information with multiple parties. Additionally, we can help reduce arbitrage and fees in the reinsurance relationships. In addition, our centers of excellence provide face-to-face broking capabilities and the benefit of large, established trading accounts with different insurers to build you a customized insurance program at the optimal price.

## OUR CENTERS OF EXCELLENCE: PORTS AND TERMINALS



# CREDENTIALS

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|--|--|---|
|  <p>620+ MARINE PROFESSIONALS</p>                   |  <p>30+ PORTS AND TERMINALS SPECIALISTS</p> |  <p>38 COUNTRIES WITH LOCAL MARINE EXPERTISE</p> |
|  <p>5 PORTS AND TERMINALS CENTERS OF EXCELLENCE</p> |  <p>200+ PORTS AND TERMINALS CLIENTS</p>    |  <p>APPROXIMATELY US\$4 BN PREMIUM IN 2020*</p>  |

\*Marine General

# EXPERIENCE

Experienced in placing coverage for all type of ports and terminal operators:

- Container
- Dry bulk
- Wet bulk (including fuel)
- Coal
- Cruise terminals
- Multi-purpose
- Marinas and
- Associated activities within ports, e.g., ship repair yards and container repair workshops

# INNOVATION

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|---|---|
|  <p><b>Port blockage facility</b></p> <p>Marsh's port blockage facility has been designed to provide our clients with standard port blockage coverage.</p> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• A built-in cap covered or insured by Marsh</li> <li>• The approach chosen or selected by the insured</li> <li>• The insured's choice of coverage</li> </ul> |  <p><b>Trade disruption facility</b></p> <p>Marsh's trade disruption facility provides port and terminal owners and operators with trade disruption cover that is not available under standard port policies.</p> <p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• Bespoke cover</li> <li>• Named ports</li> <li>• Trade and vessel handling</li> <li>• Trade or monetary events</li> </ul> |
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Article

## Digitalisation in ports and terminals: Technology advances bring increased risk



Article

## How insurance innovation is unlocking opportunities in marine, cargo, and logistics



# Contact us

For further information, please contact our ports and terminals experts at a local Marsh office or visit our website at [marsh.com](http://marsh.com).



## About Marsh

Marsh, a business of Marsh McLennan (NYSE: MMC), is the world's top insurance broker and risk advisor. Marsh McLennan is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: [Marsh](#), [Guy Carpenter](#), [Mercer](#), and [Oliver Wyman](#). With annual revenue of \$23 billion and more than 85,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective. For more information, visit [marsh.com](https://marsh.com) and follow us on [LinkedIn](#) and [X](#).

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