



Marsh Specialty

# Ports and Terminals Operational Risks

Marine, Cargo & Logistics Practice





# Our approach

## We are your insurance specialist

By establishing seven 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.

## We are your risk transfer professional

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.

## 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.

## 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 to manage their risks or insure them. We are committed to helping you avoid costly claims through our loss control programs and by 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.



650+ MARINE  
PROFESSIONALS



50+ PORTS AND  
TERMINALS  
SPECIALISTS



7 PORTS AND  
TERMINALS  
CENTERS OF  
EXCELLENCE



250+PORTS AND  
TERMINALS  
CLIENTS



APPROXIMATELY  
US\$3.6 BN  
PREMIUM IN 2020\*



35 COUNTRIES  
WITH LOCAL  
MARINE EXPERTISE

\*Marine General




# The maritime and logistics ecosystem – ports and terminals

The geo-political landscape, automation, technological advances, changing regulations, and a green agenda are all necessitating vast 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. 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 than ever, 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.

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).




## 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

Blockchain promises to revolutionize marine shipping by connecting the supply chain and reducing frictions. Cyber preparedness will also prove to be crucial for ports and terminals, with the International Maritime Organization (IMO) mandating that cyber risks should be better managed (ISC 428 [98]). 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.



## Geo-political landscape

The Belt and Road Initiative (BRI) is creating significant opportunities for Chinese state-owned enterprises and others involved in transportation infrastructure, energy, shipping, and logistics firms. While its development in some territories is experiencing challenges, its 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.



# 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).
- Environmental impairment liability.
- Political violence.
- Terrorism (property damage, business interruption and bodily injury).
- Other operational risks, such as employers' liability, auto liability, directors' and officers' liability.



## PORT VESSELS' 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.



## 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.



## 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.



## 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.

# 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.

## 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

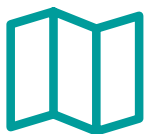
- What services are offered? What services are sub-contracted out?
- Stevedoring, terminal operator, container freight station, container storage, inland clearance depot, air freight terminal, warehousing, emergency (such as fire), local collection and delivery, depot operator for leasing companies, 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

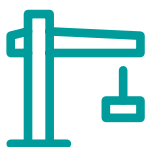
- Description, age, and value of handling equipment.
- Basis of declared values: new replacement value, market value, and depreciated book value.
- Additional details for large items: location, construction, and fire extinguishing appliances.





### 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.



### Port vessels' 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 green field 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.



# The insurance marketplace

Marsh Specialty is well positioned to effectively challenge an imperfect insurance market which is comprised of brokers, intermediaries, service providers, and insurers. 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 Specialty, our Ports and Terminals Centers of Excellence work together, as wholly-owned entities with common procedures, transparency, and ethical standards. In addition, our centres 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





## Contact us

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



## About Marsh

Marsh is the world's leading insurance broker and risk advisor. With over 45,000 colleagues operating in 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services. Marsh is a business of [Marsh McLennan](#) (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people. With annual revenue over \$20 billion, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses: [Marsh](#), [Guy Carpenter](#), [Mercer](#) and [Oliver Wyman](#). For more information, visit [marshmclennan.com](https://marshmclennan.com), and follow us on [LinkedIn](#) and [Twitter](#).

This is a marketing communication.

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