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International Group 'needs competition'

Lack of alternative to P&I body creating problems, warns prominent marine broker

Christopher Munro

COMPETITION in the mutual marine protection and indemnity (P&I) market for large tonnage needs to increase substantially.

That is the belief of Martin Hubbard, a director at broker Tysers, whose comments come as the European Commission continues its investigation into the competitiveness of the International Group of P&I clubs and its 13 members.

However, Hubbard explained, the problem is there is no real alternative to the International Group for large tonnage looking to buy P&I cover.

Hubbard told *Insurance Day*: "There's no real alternative to the International Group in terms of limits. The International Group doesn't

fit into modern commerce – it's an anomaly."

Hubbard's comments came as the commission continued its investigation into the International Group. The commission made it clear when it launched its study at the end of August what areas it was interested in; namely, the quotation procedures during the renewal process, aspects of the issues surrounding release calls and also access by the commercial insurance market to reinsurance by the clubs that make up the International Group.

"The commission is on a massive learning curve with it and demanding a lot of information from the clubs, a number of which have said they can't do

any renewals before they get the information into Europe," Hubbard said.

"We need to get a bit more competition within the International Group and we need to solve the release call problem. But what can the market do as there's no real alternative?"

Smaller tonnage has a variety of options open to it, as it can either stay with the mutual P&I market, or it can turn to the fixed P&I market and companies like British Marine, Navigators,

Raetsmarine and Brit Insurance-backed Hydor.

The fixed P&I market is certainly becoming more attractive for shipowners, as capacity and therefore competition within the sector is increasing, pushing down rates and lowering prices.

"The fixed P&I market is actually becoming quite saturated," Hubbard said, adding: "There were four or five new entrants into the market last year, all targeting small tonnage. The market for small vessels is getting far too saturated and for large ships there's still no real competition [other than the International Group]."

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European Commission: on a 'massive learning curve' as it continues its investigation of the International Group, Hubbard says

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Gloomy prospects: PwC has predicted the UK life sector will see cuts

Job prospects in UK mixed, PwC reports

A MIXED outlook for job prospects in the UK insurance market is revealed in a special report inside today's *Insurance Day*.

While the non-life insurance sector bucked a negative trend for the UK financial services sector as a whole by reporting an increase in headcount for the second successive quarter in the three months leading up to December, employment opportunities in the life sector appear bleak.

Further job cuts over the next three months are expected in this market, according to PricewaterhouseCoopers (PwC), as carriers focus on reducing operating costs in order to deliver a rise in profitability.

While volumes of business are still reported to be climbing, the value of new business has disappointed. In particular, PwC identified the sector's ability to raise capital as a major concern and noted marketing budgets for 2011 have already been slashed.

However, demand for skilled financial and internal audit staff has been predicted to soar as risk carriers begin to consider how they will cope with the dual implementation challenges posed by the new International Financial Reporting Standard (IFRS) and the Solvency II regulatory directive.

Meanwhile, IT is identified as another area where additional resource will be required in the insurance sector as companies begin to identify and recognise gaps resulting from the initial work they have carried out in the Solvency II and regulatory areas.

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