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**International Union of Marine Insurance**

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Zürich, 24. November 2009

His Excellency  
 Mr Philip Lowe  
 Director General  
 DG Competition  
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 Belgium

Excellency

**Draft Regulation on the Application of Article 81(3) of the Treaty to Certain Categories of Agreements, Decisions and Concerted Practices in the Insurance Sector**

The International Union of Marine Insurance (IUMI) represents marine (transport) insurers from all over the world. Our members are national (marine) insurance associations, and we are proud to count as our members almost all of the members of the European Union. The premium volume represented by marine insurers amounts to almost 30 billion US\$.

The proposed Regulation to which we understand you are inviting comments from affected parties until 30<sup>th</sup> November 2009 is of utmost concern to marine insurers. These concerns focus on two proposed important changes, namely:

- standard policy conditions will no longer be included in the (marine) insurance sector's specific block exemption regulation
- whilst co-insurance and co-reinsurance pools will still fall under the specific block exemption (subject to certain conditions and limitations), this will no longer apply to ad-hoc co-insurance and reinsurance agreements, i.e. the so-called subscription markets.

The umbrella of the block exemption is important to marine insurers. It takes away from them the threat of legal action by the European Commission and/or national competition authorities should they fail to or (inadvertently) insufficiently comply with the duty of an individual self-assessment.

In fact, the block exemption made actual underwriting in many insurance centres which still operate a 'bourse' system possible.



Should that umbrella now fold, this would mean that the European Commission is putting a large part of the marine insurance sector under a sword of Damocles which will, at the end of the day, reduce capacity since many risk carriers will shy away from writing marine insurance business for fear of stepping in to a danger zone.

Reduced capacity automatically will mean increased prices (i.e. premiums) which cannot be the objective of your commission which has the interests of the consumer (i.e. the policy holder) at the forefront of its mind.

Standard policy conditions are essential in our line of business. They create transparency and make comparison of prices, for the policy holder, possible. Allowing him to concentrate his efforts on comparing prices, instead of also having to fine-comb conditions, he will be able to chose the most favourable and interesting proposal – thus reducing his insurance cost.

Co-insurance has traditionally been the way to insure important marine risks such as large fleets, important cargo insurance contracts (examples would be car manufacturers, commodity traders etc) or exhibitions of fine art where massive amounts are at risk.

This kind of co-insurance has always been contracted on an ad-hoc basis and only very seldom through firmly established pools.

Ad-hoc would mean that – since most insurance policies are written on an annual basis – each anniversary (i.e. renewal) date would (or could) also mean a different composition of the pool, allowing the broker to take advantage of market forces. That again benefits directly the policy holder: he will be sure to be able to place his business at the most favourable conditions available to him.

Excellency, please let me again use the metaphor of the ‘Sword of Damocles’: writing marine insurance is demanding, highly competitive and – you will have seen that in the specialised press – in many instances financially difficult. Results are, at best, meagre and always volatile. Composite insurance companies, therefore, at the best of times, will carefully consider whether they intend to continue writing this line of business. Charging it with even more hardship and difficulties may well mean that many risk carriers will shy away from marine insurance, a decision which, again, would be detrimental to the interests of the policy-holder.

Let me put one more argument before you: the marine insurance market is extremely international. It is, together with aviation insurance, the most international market. This means that insurance companies domiciled in the European Union will have to compete, on a daily basis, with companies in the US and the Far East. The proposed new regulation will put them at an unfair disadvantage.

I, therefore, and on behalf of the marine insurance industry, urge you to re-consider the new regulation and to continue allowing the block exemption rules for standard policy conditions and ad-hoc co-insurance.

Sincerely yours,

Fritz Stabinger PSI  
Secretary General