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# PREFACE

The third edition of Scib Digest introduced the reader to the technical workings of the insurance market. Kola Akerele, in his write up, explained the factors that determine the nature of the market at any point in time. However, the Nigerian insurance market seems to defy this model - please find out how?. 'Bunmi Sofola's article identified a gap in the knowledge of identification of risk exposures that impacts on Small and Medium Enterprises (SMEs). She highlighted the policies suitable for SMEs and emphasised the importance of risk management in limiting the exposures to their business.

The timing of requesting for documentation following a claim was emphasised by 'Segun Lasisi, he focused on the impact delay could have in the disposal of salvage and made suggestions on how this could be minimised. Insurance brokers are ranked globally annually, 'Biodun Sadiq chose to educate us on the position of the leading global brokers within two years based on revenue.

A thorough education of the characteristics of marine insurance followed immediately after, with Victor Adewuyi "talking comprehensively"! Without the customer, we would not be in business; Oludapo emphasized the need to refocus on "...finding the needs..." Of the customer through listening with passion and closed with the advice for organisations to constantly conduct a survey, to determine their position on the list of the client.

Finally, the need to work together, what CEOs want you to know and latest news contributed by Julius Akindete, Justin Gasberre and Economic Confidential respectively, rounded up another exciting volume of this newsletter.

As usual, there is no dull moment; our charge to you is that:

***"The more you read the more things you will know.  
The more you learn, the more places you will go" – Dr. Seuss***

**Abodunrin Roberts**  
092016

EDITORIAL

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# HARD MARKET

VS

# SOFT MARKET:

## THE NIGERIAN INSURANCE MARKET EXPERIENCE

By Kolawole Akerele



*"The Nigerian Insurance Industry has defied the odds because in spite of the fact that all the available factors currently operating in terms of the depressing economic situation, the low insurance penetration in the market, the high frequency and severity of losses (being added to by the recent activities of Boko Haram, the Niger Delta Avengers, pirates and the likes), the sizeable number of Insurance Companies in the system, stringent laws and directives of the National Insurance Commission (NAICOM) etc., the market has remained largely a soft one with rates/premiums going down by the day, insured persons/organizations demanding wider coverage, demands being made for reduction or flat out expunging of excesses/deductibles at little or no costs."*

The Insurance market like any other industry is controlled by market forces which, driven by the demand and supply of the existing services and products dictates the pricing and extent of coverage available to buyers in the market.

In the Insurance Industry, the two most important factors that drives competition is the Service Product **Pricing** and the **Robustness of Coverage** provided by the competitors (*Insurance Companies*) in the market and this in turn is driven by the nature of the market at any particular point in time whether the market is a **Hard Market** or a **Soft Market** which is a cyclical event.

A **Hard Market** is simply defined as a period in the Market Cycle which is characterized by an *increase in premium, increase in rates, reduction in retained limits, restriction in covers, reduction of available Insurance Companies willing to underwrite particular risks and the reduction in the proportions they would be willing to underwrite, etc.* while a **Soft Market** is one characterized by a *reduction in premium, reduction in rates, provision of wider insurance coverage, flexibility in Insurance Contracts and underwriting criteria, reduction in excesses/deductibles, a wider availability of Insurance policies and Companies willing to underwrite them, etc.*

According to **PSA Insurance & Financial Services**, insurance industry cycles (*Hard cycle and Soft cycle*) typically last from two to ten years. After experiencing one cycle, the market gradually turns over a period of 2 - 10 years and another cycle is experienced.

Ironically, Nigeria has beaten the odds and is currently experiencing a Soft Market at a time when the market is supposed to be a hard one. Why is this ironic? Let me explain.

The nature of a Market is usually influenced by some factors which include:

1. **The Economic Situation:** When there is an economic downturn, the disposable income of individuals and organizations is reduced meaning that insurance takes a backseat in the priority list of the insuring public. Consequently, Insurance Companies have to adjust their policies to match the available premiums achievable from the insuring public by imposing stricter terms and conditions in order to manage/take control of their own exposures, increasing the excesses/deductibles to be borne by the insureds, inserting more stringent policy wordings, reduction in limits to be borne by the Insurance

Companies, etc. Also, as a result of the recession, the profits of the Insurance Companies drop and they have to make up for this by increasing premiums and rates while reducing the liabilities they would be willing to carry. Some could argue that the market becomes soft in the sense that there are lesser people willing to insure consequently leading to the many Companies vying for the same business thereby increasing their flexibility in underwriting but technically speaking, the market is in fact a hard one as the same stringent underwriting measures as listed above are still applied. On the other hand, when there is an economic boom, the market becomes soft as there is more money available for insurance leading to more businesses which allows for the Insurers to be a bit more flexible in their underwriting. Profitability of the Insurers increase thereby easing the pressure that comes with a recession.

2. **Size of the Insuring Public:** This is a corollary of the point above. A reduction in the disposable income of the insuring public means that less people would be willing to insure thereby tightening up the market a bit while the law of large numbers will work in favor of a soft market. The more the number of people/organizations willing to insure, the more the premiums available for insurance Companies and consequently, the flexibility of the Insurance Companies.
3. **Frequency and/or Severity of Insured Losses:** The increase in the number of reported losses and the quantum in monetary terms automatically lead to an increase in payout by the Insurance Companies which directly impact on their bottom lines in terms of profitability. Consequently, this translates to a general increase in rate/premiums, more rigid underwriting, increase in the sums the insured would be made to bear in terms of excesses/deductibles, outright insurance proposal rejections by the Insurance Companies, etc. On the other hand, a reduction in the frequency/severity of losses would invite lenient underwriting by Insurance Companies. It is common knowledge that good claims experience begets lenient underwriting, reduction in rates (*and consequently, premiums*), increase in allowable discounts, etc.
4. **Size of the Competition:** It is common logic that the less the number of "Sellers" in the market, the better the negotiation powers of the sellers as the options of the buyers are limited to the available sellers. This in turn creates a sort of Hard

Market as the available insurers can more or less dictate the 'insurance tune'. When you are working in a market where the competition is in abundance, then, the market becomes 'soft' as there are several service providers willing to offer better deals at lesser prices/premiums for their service products.

5. **Market Laws and Regulations:** The regulators of a Market can step in to 'regulate' a market directing its nature. Where the regulators dictate and enforce stringent rating, underwriting, pricing etc., they can influence the nature of the market thereby making it a soft one of a hard one and vice versa.

This list is not exhaustive.

The Nigerian Insurance Industry has defied the odds because in spite of the fact that all the available factors currently operating in terms of the depressing economic situation, the low insurance penetration in the market, the high frequency and severity of losses (*being added to by the recent activities of Boko Haram, the Niger Delta Avengers, pirates and the likes*), the sizeable number of Insurance Companies in the system, stringent laws and directives of the National Insurance Commission (NAI/COM) etc., the market has remained largely a soft one with rates/premiums going down by the day, insured persons/organizations demanding wider coverage, demands being made for reduction or flat out expunging of excesses/deductibles at little or no costs.

Is this a good turn of events? Well, yes and no, depending on what side of the fence one is looking from. From the insured's point of view, it is a welcome development as they are practically getting the best of coverage for next to nothing while from the insurance market is practically suffering as there is little (*little being a relative term to what is actually achievable*) revenue being made from the services they render.

In conclusion, it is hoped that a level of fairness would be injected into the system whereby equity reigns with the 'buyers' getting the best of policies and the 'sellers' receiving enough more for their values. The ways in which this can be achieved would be a subject of another paper.

#### **Reference**

*Duration of Market Cycle* culled from <http://www.psafinancial.com>



# Insurance & Risk Management *for* SMEs

By Olubunmi Sofola

*"It must be emphasized that the business owner, who took the pain to identify the risk of his business and take appropriate action accordingly to mitigate against the risk, will surely be successful in that business. Insurance gives a cover over that which is insured. Good risk management and insurance cover can give an assurance to investors and hence reduce risk exposure of a business. What therefore remains is whether SMEs do know their risks and whether they know that most of them are insurable. This is because you cannot control what you do not know."*

## INTRODUCTION

Small and medium-sized enterprises (SMEs) are non-subsidary, independent firms which employ less than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees.

SMEs, though not so large but operate in the same environment as their larger counterparts, but without the associated benefits such as adequate capital and extended human resources of the larger organizations.

SMEs form the backbone of all economies. This is based on the premise that SMEs represent more than 90% of employers and employ about 50% of workers in the private sector. They are the highest contributors to the opening of new jobs as they contribute about 70% of the new jobs available in Nigeria.

SME owner-managers need to escalate the importance of risk identification and minimization in their organizations or they can suffer catastrophic consequences if they are ill prepared for the outcome of a possible risk. This entails that entrepreneurs in SMEs need to be conversant with risk identification

and analysis to manage risks from a diverse range of sources. By incorporating risk management into SMEs operations, SMEs are better equipped to exploit their resources, thereby enabling organizations to transform an expenditure activity into an activity that can yield a positive return.

Insurance penetration of SMEs is low, estimated to be less than 10% across many developing countries and this poses a major threat to the growth of the Nigerian economy and the continued sustenance of these businesses.

## BUSINESS RISKS OF SMEs

SMEs appear risky as found out by various scholars. They are therefore not attractive to investors. The biggest risk facing SMEs today are financial risks. For financial risks, cash flow is especially a concern; No business is free of risk, it certainly face some degree of risk; some of which are controllable with respect to the appropriate action taken against it whereas some are largely unpredictable and as such uncontrollable. Most business owners are aware of this and put together mercenaries in place to mitigate against these risks before commencing business operation, but this does not entirely eliminate the risks they are exposed to as they still face losses due to such events like: Earthquakes, Fire outbreak, Flood, Social unrest, Death, Physical bodily injury, Business interruption, etc.



Above shows the various categories of risks faced by SMEs. However, we will concentrate on Hazard Risks, which are insurable risks and can be transferable.

It must be emphasized that the business owner, who took the pain to identify the risk of his business and take appropriate action accordingly to mitigate against the risk, will surely be successful in that business. Insurance gives a cover over that which is insured. Good risk management and insurance cover can give an assurance to investors and hence reduce risk exposure of a business. What therefore remains is whether SMEs do know their risks and whether they know that most of them are insurable. This is because you cannot control what you do not know.

### AN OVERVIEW OF RISK AND INSURANCE FOR SMEs

Risk is a part of our everyday life. There are many types of risk that will be encountered in the course of doing business, some of which can be controlled, while others cannot be controlled. Some are foreseeable while some are unforeseeable. The severity of some on the business is minimal, while some others threaten the longevity of the business.

There are various policies available for SMEs depending of their business. This is as shown below:

Segment	S/N	Insurance Covers	Descriptions
<b>Life Insurance</b>	1	Group Life	This policy helps to meet the needs of employers and employees against the risk of death, permanent/total disability and critical illness as a result of death or accidents.
	2	Deferred Annuity	A product designed to help an individual save towards the cost of retirement by providing a guaranteed income for the rest of the person's life.
	3	Keyman/Credit Life	This policy provides cover against the loss of profits or financial loss a company may suffer on the death of a key employee/ senior executive that is critical to the continued existence of the company and whose death or incapacity would create a serious loss to the company.
	4	Education Protection/Savings Plan	This policy is designed to meet the twin objectives that concern every parent; savings for your child's educations and securing a bright future despite the uncertainties of life
<b>Non-Life Insurance</b>	5	Group Personal Accident	This type of policy is designed to foster the welfare of employees as well as reduce the financial strain that an organization could undergo in the event of accident, death or bodily injury to a member of staff.
	6	Goods-in-Transit	The policy covers the goods of the insured against fire, theft or accidental damage while the goods is being loaded or unloaded from any road vehicle, inland waterway, train or whilst temporarily housed in the ordinary course of transit.
	7	Fire/Special Perils and Burglary	This provides indemnity to the insured in the event of loss or damage to property covered under it as a direct result of fire-outbreak, lighting or explosion while burglary covers material theft as a result of forceful entry or exit. Other extraneous/specials perils such as social disturbance like strike and riot, and natural disaster like storm damage, flood earthquakes can also be covered by an extension of the standard scope of the cover
	8	Business Interruption	A policy designed to indemnify the insured against loss of productive capacity of future earning power which may occur as a result of loss or damage to the premises and property insured under the fire/extraneous perils above.
	9	Motor	A policy is design to protect vehicle owners against various risks associated with vehicle ownership. Under Nigerian laws, motor insurance cover is mandatory for all vehicles on Nigerian roads. It's available in two different levels if cover – comprehensive and third party.
	10	Public Liability	The policy will cover the insured against third party liability claims for damages due to bodily injuries/death and property damage resulting from the insured's business operations.

Furthermore, SMEs are businesses in the private sector and they cut across various industries. The nature of risk therefore varies according to the industry in question; see below industry mapping of SMEs:

S/N	Business Sectors	Insurance Needs
1	Accommodation & Food Services	All covers
2	Administrative And Support Activities	All covers
3	Agriculture	All covers
4	Arts, Entertainment And Recreation	All covers
5	Education	All covers
6	Information And Communication	All covers
7	Manufacturing	All covers
8	Other Services Activities	All covers
9	Transport & Storage	All covers
10	Water Supply, Sewage, Waste Management And Remediation Activities	All covers
11	Wholesale/Retail Trade	All covers

The onus is therefore on the owner to identify the risk prevalent in his business and make efforts to embark on good risk management techniques. Some of these risks are predictable and to some extent controllable while others are unpredictable and uncontrollable.

Risks can be avoided by not undertaking that activity likely to generate the risk. It is advisable that this option is weighed when there are no readily available control measures. If an SME however chooses to out rightly avoid a risk, simply because it is risky, the company risks not running a business at all or having an increase in the significance of other risks. Taking insurance cover on the other hand will be for the owner to contact an insurance outfit and transfer the risk to such insurer, in the alternative, such SME can contact a registered insurance broker to analyse the risk exposure and provide proper advise/cover for such risks.

Running a business with basic insurance is a very smart way to manage the identified risks and reducing uncertainty. There are different types of insurance policies just like there are different risk exposures.

SMEs should also know that insurance policies can be changed to suit their needs. If a policy does not cover a particular risk in a particular business, the owner can demand to have a clause included in it to suit his/her need. The most important thing is that an insurance policy, no matter the type should be adequate for the insured (SME). This means over-insurance and under-insurance is not healthy for any business.

## CONCLUSION

SME risk management techniques are primarily limited to risk avoidance actions, and to a lesser extent, risk transfer through insurance activities. By embracing insurance and making it a part of the culture and values of the business, an SME's mission and objectives can easily be realized.

Also, business owners should know that risk management is fundamental and should be defined and adopted right from the start of the business. Good risk management protects the reputation of the company and helps it plan for contingencies ensuring enhanced profitability and longevity of the business. Truth is that most business plans do not adequately address business risks, and so this is an eye opener to help kindle the thought process of business owners for them to understand their business.

Giving the vital role played by SMEs in the economic development of any nation, the sector has wide range of expectation by its stakeholders; for example,

1. Government expect SMEs to survive, grow and become productive
2. Customers expect that the products offered by SMEs would be useful to them when it is needed.
3. Big industries that use the products of SMEs are counting on them to provide raw materials and other services to help grow their businesses
4. Investors expect SMEs to operate profitably to guarantee the security of their funds.

Based on the above, the issue of insurance and risk management is crucial for the actualization of business objectives, satisfaction of relevant stakeholders and growth of the economy as a whole.

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# The Insured's Role in the Investigation of a Subrogation Claim

*A LinkedIn publication from Susan M. Benson, Esq.*

*Susan is with Benson Legal APC, and serves on the board of directors for the National Association of Subrogation Professionals (NASP). She has been a CLM Member since 2015*

*(Adapted for Scib Digest By OLUWASEGUN LASISI)*



*"It is important to gather this information early on while the insured is still in the "heat of the moment" and hopefully willing to cooperate. Obtaining documents and receipts a year after the loss is difficult. The insured has gone through months of back and forth on the claim and repairs to the loss site, and the claim typically is fully resolved. Understandably, there is very little incentive to cooperate as more time passes."*

**N**ot all claims can be subrogated, but thorough investigation and communication will provide information for potential.

Most insurance policies require the insured to cooperate with the investigation of a claim. Typically, this means that the insured must timely notify the insurer of the loss and take all reasonable steps to protect the loss scene while the insurer assembles its

team to inspect and investigate the loss. Let us remember, the goal of the initial investigation is to determine whether the loss is covered under the policy and, if so, to evaluate the extent of the loss. So how can a front-line claims professional or a subrogation professional make the best use of that initial critical time with the insured in order to determine whether a loss has subrogation potential?



KNOW YOUR TOP

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# GLOBAL INSURANCE BROKERS

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By Abiodun Sadiq

In the July 2016 edition of Best's Review, a publication of AM Best, insights were provided on the top twenty global insurance brokers. Best's Review presents its annual ranking of global insurance brokers, based on 2015 total revenue. The top 20 are presented according to ranking. Marsh and Aon kept the top two spots but there was some re-shuffling among other brokers on the list. Jardine Lloyd Thompson jumped up to No. 5, switching ranks with BB&T from the 2014 position. Hub International moved to the No. 8 spot while Wells Fargo dropped to No. 9. The largest jump/drop goes to Alliant Insurance Services, which moved up three spots to No. 13, switching with now No. 16 Meadowbrook Insurance Group. London-based Hyperion Insurance Group debuts in the ranking this year at No. 17. According to Best's Review, information used in this ranking was provided by the companies. Some brokers declined to provide information. Revenues have been rounded and are expressed in U.S. dollars. Currency conversion is as of Dec. 31, 2015. In the very near future, we see Scib Nigeria & Co. Ltd making it to this list.

## Top 20 Global Brokers Ranked by 2015 Total Revenue

2015 Ranking	2014 Ranking	Broker	Total Revenue
1	1	Marsh & McLennan Co.	\$12.89 billion
2	2	Aon Plc.	\$11.68 billion
3	3	Arthur J. Gallagher & Co.	\$5.39 billion
4	4	Willis Group Holdings Plc	\$3.83 billion
5	6	Jardine Lloyd Thompson Group Plc	\$1.76 billion
6	5	BB&T Insurance Holdings Inc	\$1.68 billion
7	7	Brown & Brown Inc	\$1.66 billion
8	9	Hub International Ltd	\$1.47 billion
9	8	Wells Fargo Insurance	\$1.40 billion
10	10	Lockton Inc	\$1.34 billion
11	11	NFP Corp	\$1.30 billion
12	12	USI Insurance Services	\$1.04 billion
13	16	Alliant Insurance Services Inc	\$827.10 million
14	14	AmWINS Group Inc	\$779.10 million
15	15	CBIZ Inc	\$750.40 million
16	13	Meadowbrook Insurance Group Inc	\$703.30 million
17		Hyperion Insurance Group	\$621.00 million
18	17	Assured Partners Inc.	\$583.00 million
19	19	Confie Seguros	\$472.50 million
20	20	CNinsure Inc	\$436.60 million



BRIEF PROFILES OF THE VARIOUS BROKERS ARE PRESENTED BELOW:



### 1. Marsh & McLennan Co.

**Headquarters:** New York  
**Revenue 2015:** \$12.89 billion  
**Top Executive:** Daniel S. Glaser, president and CEO  
**Top Lines:** Insurance and reinsurance broking, human resource consulting, management consulting  
**Developments in 2015:** Consolidated underlying revenue growth of 4%, consolidated adjusted operating margin of 19.1%, the highest level in more than a decade. Record adjusted EPS of \$3.05. Risk & Insurance Services (*Marsh and Guy Carpenter*) revenue was \$6.9 billion, reflecting underlying growth of 3%; Consulting (*Mercer and Oliver Wyman*) produced revenue of \$6.1 billion, reflecting 5% underlying growth, with record profitability.

Global footprint—60,000 colleagues serve clients in more than 130 countries; completed 27 acquisitions and investments in 2015, the most in history, including the acquisition of Jelf Group, a U.K. retail broker. Expansion of Marsh & McLennan Agency's footprint with six acquisitions, highlighted by MHBT, Texas. Annualized revenue approaching \$1 billion. Substantial investments in technology platforms, including Marsh's acquisition of Dovetail, an insurance technology provider tailored to the U.S. small commercial market.

Guy Carpenter's launch of GC ReBid, a proprietary real-time, online reinsurance platform where markets can openly bid for participation on reinsurance placements. Continued development of Mercer Marketplace Healthcare exchange, providing access for about 1.5 million lives.



### 2. Aon Plc.

**Headquarters:** London  
**Revenue 2015:** \$11.68 billion  
**Top Executive:** Greg Case, president and CEO  
**Top Lines:** Property, casualty, directors and officers  
**Developments in 2015:** Total revenue for 2015 was \$11.68 billion with organic revenue growth of 3%. Risk Solutions total revenue was \$7.4 billion with organic revenue growth of 3%. HR Solutions total revenue was \$4.3 billion with organic revenue growth of 3%. Net income attributable to Aon shareholders as adjusted, was \$1.8 billion and diluted earnings per Share as adjusted, increased 8% to \$6.18.



Arthur J. Gallagher & Co.  
BUSINESS WITHOUT BARRIERS™

### 3. Arthur J. Gallagher & Co.

**Headquarters:** Itasca, Ill.  
**Revenue 2015:** \$5.39 billion  
**Top Executive:** J. Patrick Gallagher Jr., chairman, president and CEO  
**Top Lines:** Retail and wholesale insurance brokerage and consulting services; third-party claims settlement; administration services to both domestic and international entities  
**Developments in 2015:** Total organic growth for Gallagher's combined core brokerage and risk management segments was 5.1% in 2015. The company completed 44 acquisitions in 2015 with \$230.8 million in acquired revenues; recognized as one of the 2015 World's Most Ethical Companies for the fourth time by Ethisphere; ranked "Highest in Customer Satisfaction among Brokers for Large Commercial Insurance" according to the 2015 Large Commercial Insurance Study conducted by J.D. Power. In January 2015, Gallagher's board of directors increased the company's dividend to \$1.44 for the full year.



### 4. Willis Group Holdings Plc

**Headquarters:** London  
**Revenue 2015:** \$3.83 billion  
**Top Executive:** Dominic Casserley, CEO  
**Top Lines:** Transportation (*e.g. marine, aviation, road and rail*); natural resources (*e.g. oil and gas, mining, etc.*); construction; technology; media and telecommunications; financial institutions; reinsurance  
**Developments in 2015:** On Jan. 4, 2016, Willis Group Holdings and Towers Watson merged to form Willis Towers Watson PLC, a global advisory, solutions and broking firm. For Willis Towers Watson, attention now turns to combining these two businesses, which combined have more than 39,000 colleagues in over 120 countries. John Haley is CEO of the new entity, while Casserley is president and deputy CEO. In late December, Willis Group closed its acquisition of French insurance broker and long-term partner Gras Savoye.



### 5. Jardine Lloyd Thompson Group plc

**Headquarters:** London  
**Revenue 2015:** \$1.76 billion  
**Top Executive:** Dominic Burke, Group CEO

**Top Lines:** Specialist insurance products and services; treaty and facultative reinsurance; captive management; corporate finance advisory; pension administration and benefits consulting; wealth and investment management; pension software

**Developments in 2015:** Achieved revenue growth of 6% at constant rates of exchange, including 5% in the risk and insurance business segment on an organic basis; completed integration of TW Re's U.S. platform, delivering a 24% increase in its trading profit for the year; completed merger of Lloyd & Partners with JLT Specialty; achieved a successful first year in the build-out of U.S. Specialty platform delivering revenues of nearly US\$36 million in 2015; delivered strong growth in emerging markets businesses in Asia and Latin America.



#### 6. BB&T Insurance Holdings Inc.

**Headquarters:** Raleigh, N.C.

**Revenue 2015:** \$1.68 billion

**Top Executive:** John M. Howard, chairman and CEO

**Top Lines:** Commercial property/casualty; life; employee benefits

**Developments in 2015:** Completed leadership transition to John M. Howard following Wade Reece's retirement; increased ownership in AmRisc, a managing general underwriter for commercial property risk; and for strategic reasons sold American Coastal, eliminating exposure to underwriting losses; made additional acquisitions to complement organic growth and continue to execute on cross-selling opportunities with BB&T clients. Acquired Swett & Crawford in early 2016.



#### 7. Brown & Brown Inc.

**Headquarters:** Daytona Beach, Fla.

**Revenue 2015:** \$1.66 billion

**Top Executive:** J. Powell Brown, president and CEO

**Top Lines:** Middle- and upper middle-market property/casualty, employee benefits, personal and professional lines—retail, national programs, wholesale and specialty third-party administrative services

**Developments in 2015:** Revenue for 2015 rose 5.4% with organic revenue growth in all divisions; finished the year with more than 7,800 teammates. During the year, expanded capabilities with addition of teammates; acquired 13 agencies with \$54 million of annualized revenue; bought back \$175 million of its stock and paid dividends of \$64 million.



#### 8. Hub International Ltd.

**Headquarters:** Chicago

**Revenue 2015:** \$1.47 billion

**Top Executive:** Martin P. Hughes, chairman and CEO

**Top Lines:** Property/casualty; employee benefits; personal lines; risk management consulting

**Developments in 2015:** Acquired and integrated 43 brokerages. Formed wholly owned subsidiary Specialty Program Group to expand national reach of specialty products and programs.



#### 9. Wells Fargo Insurance

**Headquarters:** San Francisco

**Revenue 2015:** \$1.4 billion

**Top Executive:** Laura Schupbach, executive vice president and head of Wells Fargo Insurance

**Top Lines:** Commercial property/casualty, professional risk, employee benefits, private risk solutions and targeted insurance programs to specialized industries

**Developments in 2015:** Remained focused on its ongoing strategy to grow existing customer relationships, attract new clients, improve customer service, and enhance its industry leading expertise. The business continued to make investments and add resources in markets where insurance has the greatest growth potential and opportunity to serve more of the bank's middle market and large corporate customers. Hiring more than 100 new insurance professionals in 2015, Wells Fargo Insurance continued to attract and retain top industry and internal talent. In December 2015, the company announced the sale of its Rural Community Insurance Services as part of its strategy to strengthen and invest in its primary distribution businesses, insurance brokerage and consulting and personal and small business insurance.



#### 10. Lockton Inc.

**Headquarters:** Kansas City, Mo.

**Revenue 2015:** \$1.34 billion

**Top Executive:** David M. Lockton, chairman

**Top Lines:** Risk management (*property/casualty insurance*), employee benefits, retirement services, affinity programs

**Developments in 2015:** Enhanced global expertise in risk management, employee benefits, and retirement services with major investments in property, cyber, and health & welfare, among others. Invested in analytics for clients with an emphasis on driving down total cost of risk and total cost of care. Expanded support for marine clients with the acquisition of specialist marine broker P.L. Ferrari and the creation of a marine joint venture in Singapore, LCH Lockton. Increased investments in leadership and development programs for associates.

Expanded internships, campus recruiting and hiring programs to attract talent. Total staffing increased by more than 400 associates from 5,600 to 6,000-plus. Ron Lockton, son of founder Jack Lockton and nephew of Chairman David Lockton, named vice chairman, as part of Lockton's long-term succession planning.



### 11. NFP Corp.

**Headquarters:** New York

**Revenue 2015:** \$1.3 billion

**Top Executive:** Douglas W. Hammond, chairman and CEO

**Top Lines:** Benefits, insurance and wealth management

**Developments in 2015:** Built on the operational and strategic initiatives launched the previous two years. Clarified its strategic advantages and capabilities by rebranding itself with a focus on the personal nature of its business. The property/casualty business line continued to grow organically and through acquisitions. As a result, it now operates with a broad set of specialty resources that complement NFP's core corporate benefits and private client resources capabilities. Expanded its ability to serve large multinational organizations by acquiring international benefits offices in the U.K. In total, acquired 38 firms and now operates more than 150 offices in the United States, Canada, Puerto Rico and the U.K.



### 12. USI Insurance Services

**Headquarters:** Valhalla, N.Y.

**Revenue 2015:** \$1.04 billion

**Top Executive:** Michael J. Sicard, chairman and CEO

**Top Lines:** Property/casualty, employee benefits, personal risk and retirement needs

**Developments in 2015:** Innovation of USI's proprietary USI ONE Advantage platform, delivering

client solutions, with a heavy on-going investment in local technical resources networked nationally; expansion of USI University and USI Careers, a training and development path for existing associates, experienced industry new hires and for those newer to the industry; continued growth and expansion through middle-market insurance brokerage acquisitions into strategic geographies and markets with high growth potential.



### 13. Alliant Insurance Services Inc.

**Headquarters:** Newport Beach, Calif.

**Revenue 2015:** \$827.1 million

**Top Executive:** Thomas W. Corbett, Chairman and CEO

**Top Lines:** Property/casualty, specialty vertical niches and middle market; personal lines; employee benefits; retirement services; underwriting

**Developments in 2015:** Completed 10 strategic acquisitions within its MGA, specialty retail, and middle-market divisions; expanded reach to encompass 84 offices throughout the United States; expanded presence in various key verticals, including agriculture, aviation and renewable energy; named to the InformationWeek Elite 100 list recognizing America's top business technology innovators.



### 14. AmWINS Group Inc.

**Headquarters:** Charlotte, N.C.

**Revenue 2015:** \$779.1 million

**Top Executive:** M. Steven DeCarlo, CEO

**Top Lines:** Commercial property/casualty; employee benefits; niche programs

**Developments in 2015:** Completed two acquisitions and partnered with longer-term investor PSP Investments.



### 15. CBIZ Inc.

**Headquarters:** Cleveland, Ohio

**Revenue 2015:** \$750.4 million

**Top Executive:** Jerome P. Grisko Jr., president and CEO

**Top Lines:** Employee benefits, property/casualty insurance, retirement plan services, payroll, human resources consulting services

**Developments in 2015:** The benefits & insurance services segment continued its growth with three

acquisitions in 2015. Acquired Model Consulting, Inc., an employee benefits broker located in Trevoise, Pennsylvania. In keeping with its strategy to further grow its retirement planning business, acquired Pension Resource Group Inc., a pension administration service provider in Woodstock, Georgia, and The Cottonwood Group Inc., an actuarial and retirement planning service provider in Overland Park, Kansas. As a result of the acquisitions, is on track to become one of the largest pension administration providers in the United States. Revenue for the benefits & insurance services segment has risen by 30% since 2011, driven by growth in employee benefits consulting, property/casualty insurance, retirement services, payroll and executive recruiting.



#### 16. Meadowbrook Insurance Group Inc.

**Headquarters:** Southfield, Mich.

**Revenue 2015:** \$703.3 million

**Top Executive:** Robert S. Cubbin, president and CEO

**Top Lines:** Commercial business (property/casualty); life and health; benefits; personal lines

**Developments in 2015:** Was acquired by Shanghai based Fosun International Ltd. in July for \$439 million in a deal first announced at the end of 2014. Acquired Mackinaw Administrators LLC, a program and claims administrator that provides tailored insurance and risk management programs and other related services for both group and individual clients. Mackinaw has offices in Michigan and Ohio and services lines of business including workers' compensation, general liability, medical professional liability and liquor liability.



#### 17. Hyperion Insurance Group

**Headquarters:** London

**Revenue 2015:** \$621 million

**Top Executive:** David Howden, CEO

**Top Lines:** Property/casualty, marine & energy, professional & financial risks, cyber, binders

**Developments in 2015:** Completed the transformational merger with RKH, creating a business with a strong international retail distribution network outside North America; a leading independent specialty lines broker; and a leading international specialist MGA. Made a number of acquisitions in Germany, Brazil, Colombia, the U.K., Spain and Malaysia, strengthening its product and distribution capabilities both geographically and in terms of specialist market positions.



#### 18. AssuredPartners Inc.

**Headquarters:** Lake Mary, Fla.

**Revenue 2015:** \$583 million

**Top Executive:** Jim Henderson, CEO

**Top Lines:** Commercial property/casualty, employee benefits, professional liability and personal lines

**Developments in 2015:** Grew top line revenue by 23% through continued organic growth initiatives and 44 acquisition transactions. Expanded into five new states and added one regional platform as it continued to build out its national footprint with multiple transactions in the West and Northwest. Continued to grow niche and specialty practice areas with enhanced service offerings. Expanded its leadership team with the appointments of regional presidents.



#### 19. Confie Seguros

**Headquarters:** Huntington Beach, Calif.

**Revenue 2015:** \$472.5 million

**Top Executive:** Valeria Rico, CEO

**Top Lines:** Personal lines and small commercial

**Developments in 2015:** Acquired 23 agencies in 2015, including its 100th acquisition since inception. Confie now has more than 680 offices across the United States.



#### 20. CNinsure Inc.

**Headquarters:** Guangzhou, Guangdong, People's Republic of China

**Revenue 2015:** \$436.6 million

**Top Executive:** Chunlin Wang, CEO

**Top Lines:** Property/casualty and life insurance agency business

**Developments in 2015:** Significant progress in its various offline-to-online initiatives, such as the strong growth in active users for its sales support mobile app "CNpad" with 63,591 active users; around 678,547 members in online mutual aid program "eHuzhu" and more than 20,000 service representatives for its online claims adjustment platform "Chetong". Online revenues accounted for over 30% of its total revenues.

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Talking Comprehensively:

# A-Z of Project Cargo & Delayed Start-up Insurances (2)

By: Victor Adewuyi

*“Neither the (B) nor the (C) clauses are suitable for Project Cargo risks for the following reasons: in the case of the (B) clauses, the cover for dropping during loading or unloading is for total loss only whilst, in the case of the cover given by the (C) clauses, the washing overboard risk is not covered. This is a significant risk for goods carried on deck so it would be irresponsible to provide only (C) clauses cover for any cargo so highly exposed to being washed overboard.”*

At the end of the whole series, the reader would have achieved the following learning objectives:

**In the last edition:**

- What is Project Cargo?
- Types of risk with Project Cargo: What Can and Does Go Wrong (A Surveyor's Perspective)
- How Project Cargo differs from traditional cargo risks
- The Fear of Hidden Damage
- Example of a completed Project-Photos
- Who requires Project Cargo? And Why?

**In this edition:**

- Project Cargo policy
- Other policy clauses and their meanings

In this edition, we are considering a typical project cargo policy wording, the relevant clauses and their right interpretation/usage. We wish you happy reading.

**The Project Cargo policy**

Project Cargo policy is divided into 2 sections, covering:

1. Physical loss or damage during transit.
2. Delayed Start-Up (DSU) arising from physical loss or damage during transit.

**Contract of Insurance**

1. There are several similar wordings available in the market.
2. Policy forms for Cargo and Project Cargo are both similar in some respects and equally different in others.
3. Cover is usually based on the Institute Cargo Clauses (A) 1/1/09.
4. The period of cover is usually on a facultative basis, with an end-date specified.

Typical description of a period of cover

*'Facultative risks attaching and interest otherwise at risk from (stated date) Local Standard time until completion of contract estimated, but not limited, to be*

*(stated date) - the expected date of commercial operation - both dates inclusive local.'*

Typical description of Assured

*'Projects Limited (as Principal and Project Manager, hereinafter called 'the principal') and/or Sponsors and/or Shareholders and/or Partners and/or Parent/Subsidiary companies and/or Affiliated companies and/or Partnerships and/or Joint Venture companies for their respective rights and interests of the foregoing and/or any new legal entities as they now exist and/or hereinafter be constituted having the ownership or management of the new facilities under construction.'*

Present and/or former directors, officers, or employees of the foregoing, while acting in their capacity as such.

Contractors or sub-contractors of any tier.

Consultants, technical advisers, suppliers, and/or any other company, firm, person or party with whom the assureds in 1 or 2 have, or in the past had, entered into written agreement(s) in connection with the Project.

All others for whom there may be an interest or responsibility to insure but only to the extent of their activities related to the Project.

Banks and other financial groups or individuals who are financing the Project.

*Comment*

Whilst the list of persons and parties falling within the description of the Assured is extensive, this is both essential, given the nature of a large project undertaking, and very advisable, because it enables the principal to exercise control over the insurance arrangement of all those bodies involved in the project by placing them all under the one umbrella. This is a much more attractive proposition than allowing each party to arrange its insurance individually, with the inevitable

shortcomings and gaps in cover that would ensue were such an arrangement permitted. In support of this principle of group insurance for all involved in the project, the policy will usually contain a Multiple Assured Clause, of which a sample is shown below:

**Multiple Assured Clause**

1. All entities comprising the Assured to be treated as one single party.
2. Representations by one are considered representations by all.
3. Breaches of warranties and/or conditions are treated as breaches by all.
4. Performance of duty or obligation by one party is considered performance by all.
5. All limits on the assured apply to all entities, not to each individually.

**The Voyage Clause**

At and from ports or places anywhere in the world to the Project Site - at the named place by direct shipment or ports or places in any order, including transits to, from and whilst at the premises of:

- the Assured;
- Forwarders;
- Packers;
- Consolidators;
- Hauliers;
- Warehousemen and other bailees;
- Fabricators, modification or assembly works (*Process Clause applies*);
- Specifically named premises en route - a Process Clause may also apply, depending upon the nature of any work done to the Project Cargo in such places, including loading, transhipment, unloading and returned shipments.

*Comment*

As can be seen, this particular clause varies considerably from the standard Voyage clause in the Institute Cargo Clauses. It caters for destinations en route, including whilst in the various premises defined, until finally delivered to the Project Site.

In the standard Cargo Clauses coverceases:

1. On completion of unloading from the carrying vehicle or other conveyance in or at the final warehouse or place of storage at the destination named in the contract of insurance, or;
2. On completion of unloading from the carrying vehicle or other conveyance in or at any other warehouse or place of storage, whether prior to or at the destination named in the contract of insurance, which the Assured or their employees elect to use either for storage other than in the ordinary course of transit or for allocation or distribution, or;
3. When the Assured or their employees elect to use any carrying vehicle or other conveyance or any container for storage other than in the ordinary course of transit, or;
4. On the expiry of 60 days after completion of discharge overside of the subject-matter insured from the oversea vessel at the final port of discharge;

whichever shall first occur.

### Interest to be insured - Section 1 of the policy - Marine Cargo risks

Goods, merchandise or cargo of every description incidental to the business of the Assured or otherwise, including duties, taxes or increased values of the Property of the Assured or for which they have or assume a responsibility to insure or for which they have received instruction to insure prior to shipment or before known or reported loss or accident, consisting principally of but not limited to:

- Plant;
- Equipment;
- Materials;
- Machinery;
- Parts;
- Spare parts;
- Buildings, structures;
- Supplies, accessories;
- Process and general consumables;
- Office and Management Equipment, and all interests in connection with the Joe Bloggs

Energy Ltd project located in and/or all other ancillary or associated facilities;

- Excluding Contractors' Plant and Equipment unless agreed by underwriters.

#### Comment

Contractors' Plant and Equipment is excluded in order to reflect the intention of the policy, which is to cover the machinery and equipment forming the Project Cargo. The plant and equipment used to bring the project to fruition is properly insured under a Contractors' All Risks/Contract Works policy, which applies both in transit and whilst on the site of the project.

### Conveyance or Location Limit defined - Section 1 - Marine Cargo

Maximum any one Conveyance or Location £\*\*\*

Accumulation Clause doubles this \*\*\* (when beyond Assured's control)

Location defined as: 'each warehouse or place of storage or complex of buildings constituting one set of premises, including craft and rail or road conveyances at or alongside such premises'.

Wordings between policies of different insurers vary but the general thrust of the words is as above.

### Interest to be insured - Section 2 - Marine Delayed Start-Up (DSU)

To indemnify the Assured for:

1. Loss of anticipated gross profit;
2. Additional Expenditure (to avoid or reduce delay);
3. Debt servicing costs; or
4. Increased cost of working (ICOW) such as:
  - Safeguarding the profitability of a new manufacturing plant or production unit;
  - Protecting the potential loss of revenue from a commercial or residential development;
  - Covering the additional loan servicing costs resulting from a delay in start-up of a commercial concern.

### Basis of Valuation Clause - Cargo and DSU

#### Section 1 - Marine Cargo

Cost, Insurance and Freight plus 10%, or  
As stipulated in the contract of purchase or sale, or  
As agreed by underwriters prior to known or reported loss.

NB: The 10% uplift is only for the benefit of the buyer. It does not represent the seller's profit. Such profit should have been included with the 'Cost' element of the product.



**Section 2 - Marine DSU**

To indemnify the Assured for up to a maximum of £\*\*\* for a \*\* month indemnity period.

*The figures for sums assured and indemnity periods are set according to the individual requirements of each assured principal.*

**Deductibles**

Section 1 - Marine Cargo - usually not less than £25,000.

Section 2 - Marine DSU-typically:

- 60 days where delay caused by loss or damage to boilers, steam turbines, generator sets or transformers;
- 45 days for delays arising from other recoverable losses.

*Comment*

There is also anecdotal evidence in some markets that underwriters are willing to remove the deductibles in response to competition. Such a short-sighted move exposes insurers to extra claims costs in a market which is already vulnerable to reductions in premiums and rates. Whilst it is entirely reasonable to waive a deductible in the event of a major

loss, because in those circumstances it will have very little impact on the large loss, its waiving for partial loss claims as a matter of routine should be resisted, as applying a deductible helps to discourage smaller claims and the resultant effort in man hours taken up in handling claims that ought to remain with the Assured. Other clauses applicable under Cargo and DSU sections of the policy

Unintentional Errors and Omissions in SMI, Conveyance or Voyage.

Subrogation-Assured assigning rights to insurers upon payment of claim.

Sue and Labour-To mitigate the cost of a loss.

Survey Fee- Payable in respect of survey following loss or damage.

Subrogation Waiver-Insurers not to subrogate against co-Assureds.

Wilful Misconduct- Applies only to WM arising from direct orders of the senior management-the Board of Directors-of the Assured.

*Comment*-wilful misconduct

At this point we should pause and consider the true legal meaning of wilful misconduct. Great care must be exercised in using this defence and it should be used only in exceptional conditions, not as a matter of routine. The courts in the UK take a very cautious approach to an allegation of wilful misconduct. It's very attractive to a claimant who is intent upon making a full recovery of their losses when, under a contractual agreement, they would recover only a percentage of their loss, and it is also attractive to an insurer as a means of rejecting a claim.

The first thing to remember is that, in the case of the Project Cargo policy wording shown above, it can only be applied to an act of wilful misconduct by a senior manager of the Assured, i.e. a person on the Board of Directors. This is an important distinction to make because there are many senior people in a project undertaking who could be guilty of wilful misconduct but, though in law the Board of Directors are vicariously liable for all the acts of those in



their employ, the wilful misconduct exclusion will not apply unless it is committed by one or more of the Board of Directors.

Wilful misconduct is described as 'a state of mind that is beyond negligence. It means that the person doing the thing that is called wilful misconduct both knew of the danger and still went ahead and did that thing.'

The test applied by the UK courts to establish wilful misconduct is, did the person accused of it:

1. Know of the danger?
2. Consent to running the danger?
3. Actually run the danger?
4. In running the danger, cause the loss or damage that is alleged?

Only if the answer to all four questions is 'yes' will a judgment in wilful misconduct be allowed by the courts.

Gross negligence or recklessness is insufficient to satisfy the test and, in such circumstances, a judgment in wilful misconduct will not be given.

For further information on wilful misconduct look up the legal decisions in:

*Horabin v BOAC*[1952] 2 All ER 1016.

*Forder v. Great Western Railway Co.*,[1905]2KB532.

*Graham v. Belfast and Northern Counties Railway Co.*[1901]2IR 13.

### **Premiums for Marine Cargo and Marine Delayed Start-Up covers**

Cargo:

1. Premium based on an estimate of total cargo insured for the project.
2. Adjustable upwards only on expiry at an agreed rate in the policy applied to the actual total cargo insured values for the project.

Delayed Start-Up:

1. Payable in full at inception. Premium based on sum insured and selected period of indemnity.

### **Other policy clauses and their meanings**

This section outlines other policy clauses and their usage in more detail.

#### **Debris removal**

Limited to 10% of insured value - is additional to the overall limit in the policy.

#### **Deferred unpacking**

Damage found up to 90 days after delivery at final destination can still be claimed.

#### **Deliberate damage - pollution hazard**

Extends insurance to cover loss or damage to the property insured caused by government authorities acting for public welfare to prevent or mitigate a pollution hazard provided the pollution was the result of an insured peril.

#### **Demurrage charges**

Insurers to pay penalty charges imposed on an Assured where insurers have instructed them to retain the container, trailer or rail car past their agreed return date.

#### **Difference in conditions/ guarantee of collectability**

Insurance pays for differences in conditions between this policy and another issued on behalf of the cargo owner. Insurers guarantee to meet any claim which is not payable by other insurers.

#### **Expediting expenses/airfreight charges**

Extra costs incurred in forwarding replacement parts by transport means other than by the original mode of transport. Replacement by air is a popular choice.

#### **Fifty/Fifty**

Pay half the cost of a claim when it is not possible to identify cause of loss or damage before or after arrival at the project job site. The other half is payable by the Erection, Construction or Contractors All Risks cover.

#### **Items sent for repair**

Covers such items in transit to and from repairers and whilst at the

repairer's premises. Scope of cover may be restricted to ICC(B) cover, plus war and strikes.

#### **Lost goods**

Where conveyance carrying the cargo fails to arrive at its destination for reasons unknown within six weeks of its ETA, underwriters agree to settle for a total loss, in the form of an interest free loan, subject to the Assured retaining the title to the goods. If the goods are subsequently traced, the Assured can buy them back from the insurer by repaying the loan in full.

#### **Primary insurance**

This insurance is deemed to be a primary insurance, not a double insurance, where other insurance may be found to be in force.

#### **Shortage and container loss**

Insurers pay for claims for theft, pilferage etc. even where customs seals appear intact.

#### **Short landing claims**

Settlement of claims for short landing is not to be delayed pending receipt of a short landing certificate and evidence of irretrievable loss.

#### **Testing, sorting and segregation**

This has a Sue and Labour type wording. Extra costs are paid even if no damage is subsequently found.

#### **Waiver of subrogation**

This allows the Assured to agree waivers and releases of liabilities provided they are made prior to any known or reported loss.

#### **Wilful misconduct**

Confirms that cover isn't prejudiced for any wilful misconduct by anyone acting under the direct orders of the Board of Directors of the Assured. It does not change the situation in regard to WM, which applies only to Wilful Misconduct by Directors.

#### **Provision of cover - to the project site**

Cover is given principally by the standard cargo clauses of the London Market, suitably amended by additional policy clauses already

detailed, with bespoke additional variations being adopted to suit individual situations.

The following London Marine Cargo clauses, introduced on 1 January 2009, providing internationally recognised insurance cover, are to be found as standard in Project Cargo policies:

Institute Cargo Clauses (A)	1/1/09	CL382
Institute Cargo Clauses (B)	1/1/09	CL383
Institute Cargo Clauses (C)	1/1/09	CL384
Institute Cargo Clauses (Air)	1/1/09	CL387
Institute War Clauses (Cargo)	1/1/09	CL385
Institute Strikes Clauses (Cargo)	1/1/09	CL386
Institute War Clauses (Air Cargo)	1/1/09	CL388
Institute Strikes Clauses (Air Cargo)	1/1/09	CL389
Institute Classification Clause	1/1/01	CL354

### The cover given by cargo clauses (A), (B) and (C)

The (A) clauses cover all risks of loss or damage to the subject matter insured.

The (B) clauses cover a range of specified perils.

The (C) clauses cover a more limited range of perils.

All three clauses include cargo owners' liabilities for:

- General Average;
- Salvage;
- 'Both to Blame' collision liability -NB: this applies in **USA waters only**.

### Cover under Institute Cargo clauses (A)

Cover is against All Risks of loss or damage. With this type of cover the loss is covered unless it is specifically excluded.

### Cover under Institute Cargo clauses (B) and (C)

The (B) clauses cover loss or damage reasonably attributable to:

- fire or explosion;
- vessel being stranded, grounded, sunk or capsized;
- overturning or derailment of land conveyance;
- collision or contact of vessel or conveyance with any external object other than water;
- discharge of cargo at a port of distress;
- earthquake,\* volcanic eruption\* or lightning.  
\*They cause tsunamis.

The (B) clauses also cover loss or damage to the subject matter insured caused by:

- General Average sacrifice;
- jettison or washing overboard;
- entry of sea lake or river water into vessel craft hold conveyance container or place of storage;
- total loss of any package lost overboard or dropped whilst loading on to, or unloading from, vessel or craft.

The (C) clauses cover loss or damage to the subject matter insured reasonably attributable to:





- fire or explosion;
- vessel being stranded, grounded, sunk or capsized;
- overturning or derailment of land conveyance;
- collision or contact of vessel or conveyance with any external object other than water;
- discharge of cargo at a port of distress.

They also cover loss or damage caused by:

- General Average sacrifice;
- jettison.

*Comment*

Neither the (B) nor the (C) clauses are suitable for Project Cargo risks for the following reasons: in the case of the (B) clauses, the cover for dropping during loading or unloading is for total loss only whilst, in the case of the cover given by the (C) clauses, the washing overboard risk is not covered. This is a significant risk for goods carried on deck so it would be irresponsible to provide only (C) clauses cover for any cargo so highly exposed to being washed overboard.

In addition, neither the (B) nor the (C) clauses provide cover against the risk of theft but it is common practice in the market to add TPND (theft, pilferage and non-delivery) risks. Such additional protection takes the cover back close to the All Risks of the (A) clauses. Therefore one may as well give (A) clauses cover from the outset and charge the appropriate premium for the extent of exposure.

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*To be continued next edition.....*



# ELEMENTS OF EXCELLENT CUSTOMER SERVICE

*By Oludapo Olutunfese*

*“Good customer service means accurately finding out the customer's needs by listening properly and asking the right questions. Paying close attention to what the customer is saying to make sure you receive the right message is key. The ability to meet these needs efficiently and solving the customer's problem by having good product or service knowledge, enough information and a positive attitude is core to customer service”*

Customer service is a highly important part of every business. Companies that are unable or unwilling to properly service their customers stand to lose the customers' business. However, several key variables or characteristics set excellent customer service apart from mediocre customer service. A company that best demonstrates these excellent customer service characteristics will have a distinct advantage over its competition.

### Significance

One of the most important elements for achieving excellent customer service is training. Customer service employees must be trained on product features, prices, warranties and even the various technical aspects of products. A company must create a seamless customer service experience which will go a long way to determine How Far Will You Go to Wow a Customer. In other words, a company's customer service department must be as efficient as sales, marketing and all other departments.

### Accessibility

The first impression the customer gets of the business should be positive. Consider aspects such as accessibility, layout, cleanliness, offer of help from personnel. Alternatively the initial impression the customer gets over the phone must be good - how quickly is the call picked up, is the customer helped and directed correctly?

Excellent customer service means acknowledging a customer's question in a timely manner. When someone calls a company, he expects the customer service department to answer the phone, or at least be easily accessible. Once the caller reaches customer service, he expect his questions to be answered promptly. Excellent customer service means having more experienced people or supervisors available to answer more difficult or technical questions.

### Function

Good customer service means accurately finding out the customer's needs by listening properly and asking the right questions. Paying close attention to what the customer is saying to make sure you receive the right message is key. The ability to meet these needs efficiently and solving the customer's problem by having good product or service knowledge, enough information and a positive attitude is core to customer service.

When customers have problems with their products, excellent customer service means solving these issues and problems promptly, or at least executing a reasonable plan of action. For example, a customer may call a small Internet service provider because she cannot access the Internet. The Internet provider's customer service department should stay on the

phone with the customer until she gets her service back. If the problem remains unsolved, the company should send a service representative to the woman's house. The company should provide the date and time of the service call--and stick by that appointment.

### Considerations

Excellent customer service requires effective listening and communication skills, the willingness to provide proper attention to complaints and dealing with them appropriately. Good customer service should be offered with politeness, respect and understanding. It is about attending to customer concerns promptly and accurately. A company's customer service representatives should listen carefully to what the customer needs. The answer or solution to the problem or question should accurately address the nature of the call. Moreover, excellent communication skills are crucial. A customer should be able to easily understand what the customer service representative is saying. The representative must speak distinctly, and use common terminology that everyone understands, not highly technical language.

### Prevention/Solution

A company should periodically measure key elements of its customer service department, such as timeliness, accuracy and problem-solving effectiveness. The commitment to keep to deadlines or delivery dates is essential. Ensuring that the product or service is delivered when promised or the problem addressed by the agreed deadline and following up with the customer to ensure satisfaction results in a happy customer

Customer service satisfaction surveys, which can be conducted by telephone or even online, are a way to accomplish this. Companies can then use the feedback to correct aspects of customer service that have shortcomings.

Customer service is intangible but there are many ways of measuring whether you are delivering good customer service including:

- number of repeat customers
- customer satisfaction surveys
- number and type of customer complaints received
- number of new customers
- number of referrals given by current customers
- sales figures on specific products
- the number of returns
- benchmarking service with competitors

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*Setting and managing your customers' expectation*  
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H O W  
TEAMWORK  
LEADS TO  
SUCCESSFUL  
ACHIEVEMENTS

BY JULIUS AKINDELE



*"Team members like to feel proud not only of being a part of something bigger than themselves, but also of being validated for their individual ideas, contributions and achievements. A leader must find and maintain a delicate balance between helping members to feel good about their roles as team players and validating them as individual contributors."*

Like any organic system, an organization is only as strong as its combined parts. In human organizations, such as companies, sports teams and even families, the integral parts are made up of team members working together as one. For such entities to become and remain successful, each individual must work toward the common good of the organization, and the organization must value individuals. Strong team work automatically leads to successful achievements and positive outcomes.

#### **What Makes Up a Team**

Any group with a common goal is considered a team, and teams can include two people or thousands of people. Most people are part of some sort of team, whether they realize it or not. In organizations, administrators group teams by projects, goals and daily tasks. Most of the time, there is a common team philosophy suggesting it's every team member's responsibility to be a team player. This philosophy tends to fall apart when team members want to go in different directions or strongly disagree with the powers-that-be, especially when the team's power is not shared equally. Motivate a team to stay strong by focusing on the "strength in numbers" philosophy.

#### **What Causes Dysfunctional Teams**

Typically, when teams break down, the dysfunction starts to manifest itself in lack of production and

failure to reach goals. Things stop running well, and "group think" can take over, leading to a common negative attitude toward the team or its leaders. Several factors can lead to dysfunctional teams, including lack of trust, lack of cohesiveness and lack of a clearly defined purpose. Good leadership is key to positive teamwork and successful achievements. When you have an ineffective leader, or one that does not care about the common good of all, things can fall apart quickly. Some successful teams can also suddenly lose their momentum and morale when a new leader takes over. Either team members aren't willing to accept the new team leader, and his or her new way of leading, or the new leader is weak or is more concerned about his or her own agenda.

#### **Successful Teams**

Characteristics of a strong and successful team include smart and positive leadership; good morale, communications and team dynamics; and the willingness of all team members to see themselves as team players. Most of the time, teams are more effective when they operate as a democracy, but effective leadership is essential. Team members often become dissatisfied or disgruntled when they feel their opinions don't matter, or they aren't allowed to have a voice in daily happenings or about team goals. Keep morale high by encouraging ongoing input from team members and putting suggestions into action. Team members like to feel proud not

only of being a part of something bigger than themselves, but also of being validated for their individual ideas, contributions and achievements. A leader must find and maintain a delicate balance between helping members to feel good about their roles as team players and validating them as individual contributors.

#### **Leadership and Teams**

Strong leadership is essential for teamwork and successful achievements. A good leader recognizes the importance of supportive sponsorship of the team, as well as its individuals; focuses on all stakeholders, including customers or fans, team members and other organizational players, as well as management, directors or owners; sets smart, realistic, well-defined and well-planned goals; creates an environment of mutual respect and trust; and engages and motivates all team members, according to Dynamic Teamwork Delivers. Effective leaders motivate team members to collaborate toward common goals and problem-solving; communicate openly and effectively; sustain accountability as individuals, as well as for the team; and find sustainable balance between significant factors in their lives, such as work, family, recreation and health.

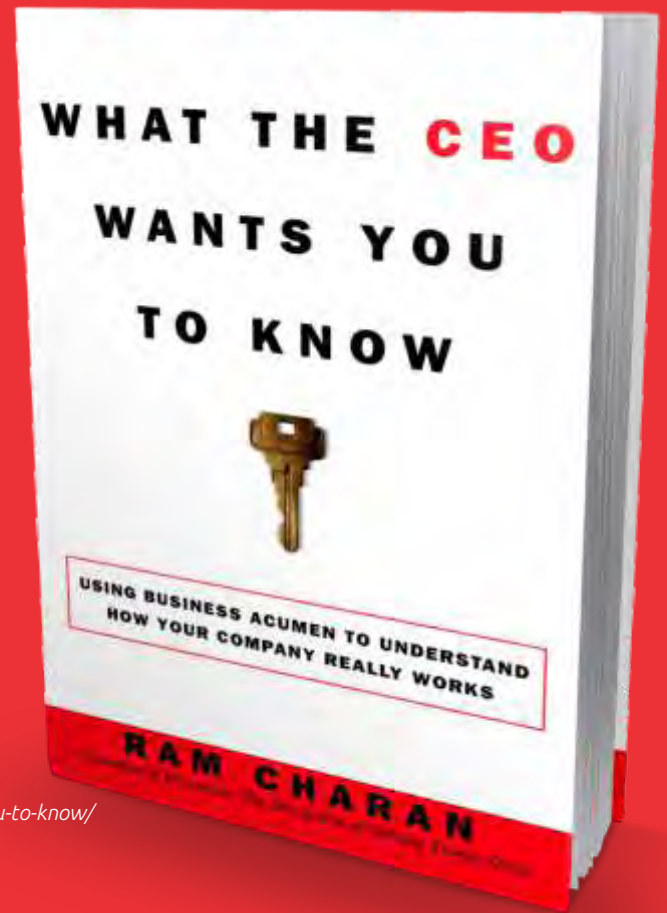
<http://www.livestrong.com/article/369889-how-teamwork-leads-to-successful-achievements/> / Date of Publication: November 2015

Book Summary

# What the CEO Wants You to Know

Summary written by: Justin Gasbarre

<http://www.actionablebooks.com/en-ca/summaries/what-the-ceo-wants-you-to-know/>



*"The one thing I've noticed is that the best CEO's—the one's whose companies make money year after year—are like the best teacher you ever had. They are able to take the complexity and mystery out of business by focusing on the core fundamentals."*

**B**usiness acumen is one of the most commonly used buzz words in organizations today. It is a characteristic that seemingly all businesses want in their leaders, yet, why is it such a rare quality to find? When you further examine what business acumen is, it's a type of business savvy that one could compare to street smarts. In his book *What The CEO Wants You To Know*, esteemed author Ram Charan examines the basic building blocks of business (*Cash, Margin, Velocity, Growth and Customers*) and how the world's best leaders are able to simplify complex business down these simple building blocks.

Charan learned valuable business lessons as a child working at his family's shoe shop. The simplicity of his experiences growing up, coupled with the work he does today (senior advisor to CEO's and Senior Executives, author, former professor at Harvard and Northwestern) helps paint a clear, understandable picture for the reader to understand.

*What The CEO Wants You to Know* is a short read that will help business professionals—from the C-suite to the mail room—understand that underneath it all, business is basic, simple and adheres to universal fundamentals.

## The Golden Egg

**Every Business Is the Same Inside**  
*"Think like a street vendor" - What the CEO Wants You to Know, page 29*

Ram Charan preaches simplicity hard and heavy throughout the book and constantly challenges us to think about business like a street vendor. So often we as business professionals get so bogged down in our formal educations, the size of our companies, and the challenges which face with our customers, that it's easy to understand how the majority of people don't fundamentally understand how their business



operates. In order to change that we need to focus on understanding the five essential elements of business which are: Cash, Margin, Velocity, Growth and Customers.

As Charan writes: *"Everything about a business emanates from this nucleus."* Here is what we're talking about when mentioning these five terms:

- **Cash** – How it's generated and why it's critical.
- **Margin** – The importance of making money and being profitable.
- **Velocity** – The process through which you turn inventory or capital.
- **Growth** – What creates growth and why.
- **Customers** – The simple reasons they buy from some businesses and not from others.

Think like a street vendor! If you can examine your business and how it operates in these five basic areas, *"you are on your way to thinking and acting like a true businessperson and a successful CEO"*.

### Gem #1

#### Rekindling the Spirit of the Lemonade Stand

*"Every company faces challenges. Begin by making sure you understand the ones your company faces."* - *What the CEO Wants You to Know*, page 131

Most would agree that leaders must have strong business acumen to lead and to grow their businesses, especially at the top. We also know that becoming a senior leader with that level of capability and experience doesn't happen overnight, but that doesn't mean you can't start today. Charan challenges the reader to linking your own priorities and job function to the bigger organizational picture. By doing so, *"Your perspective will expand beyond your functional or departmental view to a total business view."* As your perspective changes and grows, your thinking will grow and you'll be able to take

the lead in your team in relating business decisions to the universal laws of business. To start, try to find out the answer to the following questions:

- What were your company's sales during the last year?
- Are sales growing, declining, or flat? What do you think about this growth picture?
- What is your company's profit margin? Is it growing, declining, or flat?
- How does your margin compare with your competitors?
- How does it compare with those of other industries?
- Do you know your company's inventory velocity? It's asset velocity?
- What is your company's return on assets?
- Is your company's cash generation increasing or decreasing? Why is it going one way or the other?
- Is your company gaining or losing against the competition?

As you take a step back and a more clear overall sense of your business ask yourself: What questions do I have as a result of this information? Are there any answers that are unclear to me? If so, ask a colleague, boss or organizational leader. This is another step in building your business acumen and positioning yourself for a future leadership position.

### Gem #2

#### Learning From the Street Vendor

*"Running a one-person business may seem simple, but it requires many decisions."* - *What the CEO Wants You to Know*, page 26

There is a lot we can learn by viewing our business like a street vendor. Being a street vendor requires one to know every aspect of the business: product, sales, customers, competitors, profit margin, return on assets, inventory velocity, etc.

In most large businesses today, we are slotted into specific roles and job functions which limit our broad view of how our organization

holistically operates. While it might not be our job yet to have to know all of that, being able to understand these building blocks of business will help to position the trajectory of our careers.

*"Step back and get a total picture of the business. As you cut through the complexity, you will get a clear fix on what is happening in the real world."*

This small book is powerful in teaching any business person the fundamental building blocks of business. Ram Charan's writing style is easy and engaging and his examples throughout the book make complex business terms easy to digest, learn and understand. Cash, Margin, Velocity, Growth and Customers. Understanding these terms will help you to comprehend how your business operates, how your company makes money and how your work impacts the bottom line. And that is *What The CEO Wants You To Know!*

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