RATING MARINE CARGO RISK & INTERNATIONAL COMPETITION

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Rating of marine cargo differs from determination of price commodities in a variety of manners. Whereas, in fixation of price of certain manufactured goods one can add up various factors such as cost of production, administrative expenses, sale expenses and profit, in case of marine insurance one cannot come to the agreed price or rate as easily. The most important factor in the determination of the price is the prime cost which in case of marine cargo insurance, is equivalent to the claim cost. You will immediately agree with me that, claim is a factor which is difficult to determine in advance and hence, the mechanics of rating with all the implications have to be gone into.

I will now attempt splitting up various factors that require examining, before a marine cargo rate can be determined. I will first deal with the factors that contribute to the cost of claims :

a) Cargo
b) Voyage
c) Ship
d) Cover

Cargo : I am taking up "Cargo" first for the ease of understanding, as normally the first thing that a prospective client mentions to an underwriter, is the cargo or the consignment he is exporting or importing. The underwriter immediately reacts to the situation as he is generally aware of the susceptibility of damage in a particular type of cargo. The consignments differ widely, but for the purpose of understanding it will be enough if I mention just a few broad types in an attempt to differentiate them from one another. Cargo can consist of machinery in crates, manufactured consumer goods in retail packing in cases, bag cargo, bulk cargo, oil in tanks, dangerous cargo and cargo on deck. Obviously, there is a great deal of difference between the various cargoes mentioned above.

If the consignment in question is heavy machinery, in many respects it is less susceptible to damage than consumer goods in cases. Similarly,

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paper in rims will be considered considerably more susceptible to damage than steel billets. Oil in bulk on the other hand, althought seemingly dangerous, is a better risk than dry cargo generally in parcels.

We will now proceed to examine voyage and try to establish a connection between the voyage and the cargo.

Voyage : Every consignment export or import or inland transit must originate at a certain point and terminate at another point. Generally the voyage will involve two countries and a standard policy will cover the consignment from the seller's warehouse to the buyer's warehouse, located in their respective countries. The entire transit from warehouse to warehouse is a voyage that must be taken into consideration. Whereas, the voyage can be very short between two points in one city or one country, it may be very long covering several seas half way around the world. Time taken in a voyage can be as little as one day or as long as three or four months. If delay, transhipment, inland transit at both ends or either end, time taken in customs clearance, extra time taken due to port congestion, are all taken into account, a voyage can be sometimes as long as 8 to 12 months.

Whilst examining voyage it is necessary to examine the condition of the port, the loading and unloading facilities, whether lighters or barges are used, what period of the year it involves, and what are the seas the ship will pass through. On each of these aspects it is possible to deliberate for long on account of the implications of each one of them, but the object is to determine briefly, how in a general way, a voyage is a very important contributory factor in fixation of rate. Quite naturally if lighters or country crafts are used for loading or unloading or both, the cargo is exposed more to the danger of loss. Similarly, if the ship has to pass through stormy seas, as will be the case in Bay of Bengal between April and November, or Baltic Sea in winter months under icing conditions, the entire ship is exposed to greater danger of sinking or damage, naturally involving the loss or damage of cargo to a great extent. Commonsense will tell that a voyage lasting for 6 months is certainly exposed to far greater risk than another voyage exposed for only 30 days, with other things being equal. Again inland transit is an important contributery factor depending also on the mode of transport, motorlorry, rail or water ways.

Having briefly analysed the voyage I will now go to the ship.

Ship : As you all know ships differ in size, carrying capacity, age and in variety of other manners such as tanker, bulk carriers, container ships, standardsdry cargo vessels and so on. They also differ widely in tonnage from say, 100 tons to 300,000 tons or brand new to 30 years old or even older. Besides, a vessel can be classified by an approved classification society, or may not be classified, or may have lost its class. Quite naturally a very small ship is not able to stand a gale or a storm as well as another vessel which is large and better equipped. Similarly an old ship may have problems with her machinery under stress and strain as compared to a new ship with latest machinery and modern equipment. Vessels also differ as between steam ships and motor vessels not to talk of nuclear power ships. A vessel classified by an approved classification society is deemed to be equipped fully for navigation as compared to another ship which is not classified or may have lost her class due to poor state of fitness.

Nowadays one other important factor as regards the ship is its identity. Whether it is being run by an established liner company or is a tramp being chartered to "Sharp Shooters". You must naturally be aware of the numerous cases of arrests and detainments which are occuring daily. This factor I believe should influence an underwriter when rating a particular risk of cargo insurance and a loading be imposed.

I will presently come back to discuss further the three factors briefly touched upon. Meanwhile I will take the next, the cover factors.

Cover : As you know, there are various types of covers that can be granted on a consignment of cargo and they may differ as between the min minimum which is TLO, and the maximum which is All Risk. I will deal with War, Strikes, Riots & Civil Commotion and Malicious damage separately. Irrespective of whether the insured requires the very minimum or the widest form of cover, the underwriter may nevertheless determine what rate he would charge for every kind of cover. To determine the rate for the minimum i.e. TLO, the underwriter has to primarily concern himself with the ship and voyage, The cargo factor is less

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important since the loss is limited to the vessel becoming a total loss, or a constructive total loss, or be so seriously damaged or inaccessible that the cargo on board is irretrievably lost.
For FPA, which is considerably wider than TLO, the underwriter must take into account the voyage, the ship and the cargo. Certain partial losses, such as loss due to fire, or articles falling from the sling of the ship, would be payable as partial loss claims even though the FPA. Clause generally limits the cover to losses other than partial losses.

While examining WPA, TPND, water damage and other wider covers, or the widest form of cover i.e. All Risk, the underwriter must examine all the factors - and in far greater depth - in order to be able to assess how each additional risk affects the consignment in question. Bagged cargo, for example, can be easily damaged by water, hooks or rough handling, or the goods may be lost due to bursting and tearing of bags.

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Glassware e.g./liable to total destruction due to rough handling and breakage. Similarly, frozen food may completely perish due to breakdown of refrigeration machinery in a vessel. Cement bags may be reduced to stones on coming in contact with water. Toilet soap may be ruined due to discolouring of the labels owing to excessive heat or contact with mud, acid or other substances, Thus, it will be appreciated that the type of cover required is an extremely important factor and the rates must widely vary as between cargo.

Other Aspects of Rating : Before proceeding further it is necessary to point out that apart from the claims cost there are other important aspects that must be taken into account in rating. These are acquisition cost, such as agency commission or brokerage, administration cost and profit. By the rule of thumb one could say that there should be a margin of about 40% to provide for these three aspects so that briefly the rate structure emerging should be the following :

1)	Claims Cost	60%
2)	Acquisition Cost	15%
3)	Administrative Cost	15%
4)	Profit	10%
	Total	100%

Generally, the acquisition cost to the underwriter is determined by market practice. It is normal for any insurance market to pay about 15% towards commission and/or brokerage, and the underwriter is unable to acquire any business at below the market rate of acquisition on account of force of competition.

Administrative cost however to a great extent depends on the volume of business the underwriter handless, as it is the case in mass production. The Administrative cost of handling, especially with the help of mechanical aids or computer, can fall, if the premium volume is large. Conversely, the management expenses will be higher if the business is small.

Claims cost, although a very uncertain factor, can be controlled by rate if underwriters' statistics, experie ce and knowledge is sound. International competition, which I shall later discuss, is a very big factor in forcing rates downwards, thus increasing the cost of claims. However, a minimum rate has to be worked out and that must be on the assumption of worst possible claims cost. Hope over experience or statistics proves disastrous very often. Rate, therefore, must be worked out at a level that must take into account all aspects of underwriters business to ensure him a reasonable profit.

In my view, there is no better way of explaining the mechanics of cargo rating than by taking a few instances and analysing them by applying all the four factors I have mentioned earlier and arrive at rates. I shall therefore pick out a few hypothetical consignments and attempt to rate them and in doing so I shall select different types of cargoes, long and short voyages, good, bad and large ships and various types of covers

A) Machinery in Crates from Paris to Lagos by m.v. 2001 classified by American Bureau, 5,000 GRT, 18 years old.

B) Jute Goods in Bales from Narayanganj to Birmingham by m.v. 2002 classified by G.L., 7,000 GRT,16 years old.

C) Copra in Bags from Manila to Hong Kong by s.s. 2003, vessel not classified, 600 GRT, 21 years old.

D) Frozen Prawns from Karachi to New York as refrigerated cargo by m.v. 2004, classified by Lloyds register, 16000 GRT, 6 years old.

E) Soya Bean Oil in bulk from Huston to Bombay by m.v. 2005, classified by A.B., 30,000 GRT, 12 years old.

I will deal with the above items one by one :

AA) Machinery in Crates is considered an average risk, but in the case in instance there are two factors particularly to be taken into consideration. These are : the condition of Port Lagos and the vessel being 18 years old which makes her over-age. For an underwriter it is necessary to have a good knowledge of the condition of the ports of the world. This information is available in various journals and publications. Until sometime back the turning around time in Lagos used to be several months. The position is said to have improved since very considerably. In this instance, for the purpose of rating we will take the turning around time for an ordinary ship to be 3 months and consider suitable loading for this extra lenght of time during which the underwriter will be at risk.

As far as age is concerned, which is also an extremely important factor the question arises of whether the vessel is a liner or not. A steamer or vessel is considered a liner if she operates between certain named ports at regular intervals and announces her itinerary and schedule of stay in every port well in advance. Ordinarily, it is difficult for a vessel to become a liner, as obviously it is not possible for a small operator to navigate on strict liner terms. Therefore,most of the liners would be ships forming part of major fleets which can always provide alternative vessels in case of any casuality, or a specific vessel being out of commission, and still maintaining the itinerary and schedule of service. 18 years of age for a vessel ordinarily is considered at least 3 years more than what a good dry cargo ship should be. The Classification Clause supervised by the Institute of London Underwriters, provides a guideline for additional premium for all vessels that are considered overage. The additional premium for overage is not generally charged on ships that are liners, but underwriters are advised to charge

suitable extra premiums preferably at the scale prescribed by ILU for all other overage vessels.

Machinery in crates, although likely to be wrapped inside in plastic or water resisting paper, is still likely to be damaged by water if not directly, at least by corrosion and rusting caused due to prolonged voyage. The crates coming in contact with water may affect the machinery irrespective of wrapping, and the moisture may cause corrosion or rusting, especially if the temperatures vary widely after contact with water.

Non-delivery of a large case is an unlikely risk and normally it aught to be possible for the carrier to trace the case in question, perhaps wrongly delivered in another port, and ultimately bring it back to the port of destination. Theft pilferage is less likely, as it is not always possible for a thief to dispose of a crate of machinery of limited, use nor is it convenient for a thief to steal a case of machinery due to its bulk.

Damage by oil, acid, extraneous substances, or hook, again is average risk. Mud and acid can cause damage and corrosion, but contact with such matter or other extraneous substance is normally unlikely. Hook damage in crate is rather remote, unless the crate is small or improperly packed.

Possibility of damage due to rough handling and consequent breakage is likely and must be taken note of. A case falling from the sling may break or seriously crack, making the entire machine in the crate quite useless. On account of the heavy weight of the crate, handling needs care and human element adds to the risk of breakage.

Having thus generally examined the various aspects of the risks involved in the shipment by m.v. 2001, I will illustrate the rate arrived at :

TLO	0.20% (based on world statists)
FPA	0.25% (TLO loaded up)
WPA	0.30%
TPND	0.10%
Water damage & rusting	0.15%
Mud, acid extraneous substance & hook damage	0.05%
Breakage & splitting	0.25%
	0.85%

Extra for overage vessel	0.10%
Extra for inland transit from Paris to say Marseille being the port of Ocean shipment	0.10%
Extra for delay in discharge (3 months)	0.15%
	1.20%

All risk rate in this case can be rounded up to anything between 1% and 1.25%, depending on the experience of the client and underwriters, experience of imports of machinery to Lagos from Continent of Europe, or similar other place of shipment.

BB) Jute goods from Narayanganj to Birmingham by m.v. 2002 classed by G.L., 7,000 GRT, and 16 years of age would present certain unusual risks. First of all, Narayanganj is an inland river Port in Bangladesh and deep sea vessels do not go there. Consequently, the shipment will have to travel by inland river steamers, barges or even country boats to the port of Chalna, or by rail to the port of Chittagong. In this case we will assume that the shipment is coming via Chalna which, incindently, is an anchorage and not a port, with no facility of direct loading from dock. Birmingham, on the other hand, is a modern city but at considerable distance inland from the nearest port, so that the jute bales have to travel by rail or motor lorry to destination. We will assume the vessel to be a tramp and the period of shipment as the month of June when the rainfall in Bangladesh is very heavy - average rainfall in this country is over 100 inches in a year - and Bay of Bengal during June is rough and often the ships encounter cyclonic conditions, or severe storms.

Jute goods in bales, even though hard pressed iron bound, can be seriously damaged by contact with water. If the bales are soaked by rain, river or sea water before loading it is likely that the goods will have depreciated to the extent of 50%, or more, when they reach the destination. Non-delivery and TPND risks are usual and can be compared with other bale cargoes of not too higher value.

Damage by mud, acid, extraneous substance, or by hook, will again be considered as usual. There being no other serious features involved in the ship we will now rate this consignment. We shall no longer quote TLO and FPA rates, having already established the principle of rating these covers.

WPA	0.30%
TPND	0.05%
Water damage	0.35%
Mud, Acid, extraneous substance and hook damage	0.05%
	0.75%
Additional premium for inland transit by water transport	0.25%
Additional premium for transit from say Liverpool to Birmingham	0.10%
	1.05%

The All Risk rate in this case again based on the experience of the underwriter of the commodity, country of origin, and other factors, can vary from 1% to 1.10%.

CC) Copra in bags from Manila to Hong Kong by a vessel not classified and only 600 GRT and 21 years old would, by all accounts, be a poor risk. The first thing to check would be whether the bags are new or old and whether gunny, hessian or cloth bags. They are unlikely to be polythene, or plastic, since it is necessary for copra to have air ventilation to avoid dicomposition. The consignee might ask for all risk cover and might even bring the plea that the shipment is sold CIF and L/C condition provides that the insurance shall be on all risk condition. A prudent underwriter, however, would look at the risk on its merit and would normally like to avoid all risk cover for a number of reasons, such as the following :

a) Copra in bags coming in contact with water may be discoloured or even rot.

b) Heating and sweating damage is a serious hazard and may lead to decomposition or discolouring or even loss of weight due to excessive drying.

c) Falling off contents due to bursting and tearing of bags is a serious hazard especially if the bags are old or once or twice used.

d) Hook holding again may lead to tearing of bags and loss of contents.

e) TPND will be considered a fairly normal risk but quite often falling off of contents due to bursting or tearing may be claimed as theft and pilferage if the cover granted is limited to less than say TPND only.

f) Unclassified and very small vessels present a very serious problem in this respect. However, it is necessary to point out that always seaworthiness is admitted or presumed between cargo underwriters and the insured. Thus, even when a defect in the vessel, or unseaworthines, are later ascertained, the cargo underwriter will not have recourse against the carrier.

g) The vessel being over 21 years old and definately not a liner will be considered overage by about 6 years and not being classed would call for a very high extra premium.

Having analysed the various weaknesses of the shipment I will now attempt rating the consignment on all risk conditions although a prudent underwriter will be well advised not to accept the risk on wider terms then perhaps FPA or WPA, with extention limited to say, non-delivery only.

TLO	0.50% (based on world statistics)
FPA	0.60% (TLO loaded up)
WPA	0.75% (FPA loaded up with emphasis on sea water damage)

TPND	0.10%
Water damage	0.30%
Mud, Acid & Extraneous Substance damage	0.15%
Heating & Sweating	0.15%
Hook, Holding, Bursting and Tearing	0.75%
Extra for Vessel not being classed	0.50%
Extra for vessel being overage & under tonnage	0.75%
	3.45%

You may be aware that the voyage between Manila and Hong Kong normally should not take more than about 3 or 4 days. Had the distance been longer the rate could have been much higher specially on account of the vessel being old, small and not classed.

It would also be advisable for the underwriters to make the shipment subject to either a franchise of say 2 or 3% or a claim excess of say up to 2% with a view to avoinding small loss which may occur under policy on all risk condition, even on account of loss of weight due to heating or atmospheric condition or inherent vice, the last aspect not being an insurable risk. The All Risk rate, subject to the standard Institute Cargo Clause, would thus be something around 3.5%.

DD) In giving examples of rating I have selected Frozen Prawns or shrimps specially to bring home to you the serious risk to which frozen food is exposed due to failure or refrigeration in the vessel, or any intermediate storage area. Quite often covers for spoilage and rejection risks are also required by the consignee for the case of prawns or shrimps being found unfit for human consumption by the food and drug adminsitration in the country of destination. Where such a cover is required it is advisable to have pre-shipment survey to ensure that there is no contamination of any types in the prawns and shrimps. Similarly, it is necessary to

ensure that the carrying vessel is fully equipped for transportation of refrigerated cargo. Under all risk cover rejection risk will not be included, but spoilage on account of breakdown of refrigeration machinery will be covered within the All Risk Clause. Where rejection risk is specifically required further additional premium must be charged to provide for spoilage or rejection due to contamination or thawing.

Refrigerated cargo normally gets special treatment both at the ports of loading and discharge and consequently all other risks are considerable reduced. However, a casualty such as stranding, or fire in the ship may result in the failure of refrigeration, or long delay may result in spoilage of the prawns due to thawing and must be taken note of.

Rating may be arrived at as follows .

WPA	0.50%	(FPA loaded up with emphasis on stranding, fire and other casualty leading to delay of failure of refrigeration machinery)
Water Damage	0.05%	
Mud, Acid & other extraneous substance damage	0.05%	
Hook, Holing, Bursting & Tearing	0.05%	
Heating & Sweating	0.05%	
Damage due to failure or breakdown of refrigeration	0.50%	
	1.25%	
Rejection Risk	2.00%	
	3.25%	

The vessel being 18000 GRT fully classed, not old, and equipped for refrigerated cargo does not call for any loading. Hence the all risk rate, including rejection cover, can be something around 3%. It is noteworthy that in case of rejection the consignment may become a total loss, as normally rejected prawns will have no market and within United States they will not be permitted to be sold. The consignment will have to be either dumped into the sea or re-exported to any other country where they may be used for some other purpose.

EE) A consignment of edible oil from Houston USA to Bombay is a typical example of movement of soya bean oil. Nowadays most countries refine their own edible oil and market them in the retail containers after such processing as hydrogenation and deoderising and hardening. The cover may be the usual all risk, commencing from shore-tank in Houston until discharge into the shore-tank in Bombay port. It is normal for oil in bulk to suffer a small loss of up to about ½% in transit due to leakage in loading and discharge and/or contamination mainly by water. Otherwise the consignment is chiefly subject to the perils of the sea with possibility of loss due to TPND, water damage, mud, acid or other extraneous substance being negligible. However, any damage to the oil by water or extraneous substance will assume the state of contamination which can be remedied by refining process at destination, but not without incurring expense and certain amount of loss.

In rating consignment of Soya bean oil we have to account for the following :

a) Basic FPA or WPA rate considering the seriousness of loss due to oil flowing out into the sea resulting from any stranding or damage to the ship's tanks or fire and consequent use of water, etc

b) Possibility of shortage or loss due to contamination and/or loss of contents in course of loading and unloading due to oil flowing out. At this stage it is necessary to point out that vessel tanks must be examined by a surveyor before loading. Apart from this it is customary for a quality surveyor or any other inspection company to be appointed for loading as well as unloading supervision first with a view to check that tanks are

clean and the quantity loaded in the ship is properly recorded and the B/L is issued for the correct quantity loaded, and second the quantity discharged at destination is correctly recorded and any contamination taken note of. Any short cut to this procedure may only result in trouble.

We will now rate this consignment under two heads viz. FPA and All Risk. All Risk cover is customarily subject to the following Clause : "Claims due to shortage, leakage or contamination are payable in excess of ½%.

FPA	0.35%	(TLO rate loaded up considerably to take into account possibility of heavier loss due to stranding, fire, etc.)
All Risk Cover	1.00%	

The other factors such as voyage, tonnage, class, are all satisfactory but in case of an oil tanker, a ship more than 10 years old is considered overage. In this case a vessel m.v. 2005 is 12 years old and consequently should attract some overage premium. Since that vessel is only marginally overage a small additional premium may be charged say of 0.10%, on the other hand, if the experience had been satisfactory this can be waived.

International Competition : Earlier in my lecture I have referred to international rates based on world-wide statistics, in arriving at specific rates for certain basic covers, particularly TLO and FPA. International competition in marine rating, on the one hand, is a problem for an underwriter in a developing country, on the other hand is a necessity. But for international competition, there would not have evolved an international market or world-wide experience in marine cargo rating.

In a marine cargo shipment, almost invariably two countries are involved, namely those of the seller and the buyer. A consignment can be sold CIF, C & F or FOB so that insurance can be obtained on either end. The buyer who pays the price for the goods is generally

the one who decides whether he will buy CIF or say C & F. In deciding on the mode of purchase he will take into account the cost of every item namely the prime cost of the goods, cost of freight and the insurance premium. When it comes to the insurance he will no doubt check the rate he is likely to pay, if he were to place his insurance on the consignment, in his own country rather than pay the price for the insurance to the seller. The seller therefore in quoting CIF price must check the cost of insurance and in order to attract CIF sale, has to ensure that, the premium to be paid by him, cost of which he will recover from the buyer, must be reasonable and not likely to be more than what the buyer will pay, should he decide to insure in his own country. We can now generally come to the conclusion, that the rate in the seller's country is forced down to the level of rate prevailing in the buyer's country.

Where the national regulations on sale of goods and/or insurance laws provide no restriction or protection to the local companies, it is possible for the seller or buyer in that country to obtain quotation from international insurance market such as London. The leading markets due to magnitude of the companies operating there and enormous volume of businesss they are able to attract, are able to accept lower rates. It is obvious that a large company, or an underwriter at Lloyds, on account of the huge turnover is able to manage his affairs at lower administrative cost and even lower profit. The acquisition cost by way of brokerage can be less in a market such as London, again, on account of the volume. Competition created by such major markets would force the domestic companies in the developing countries to reduce their rates in order to be able to retain the business being generated from their countries. Yet it is not desirable for a domestic underwriter in African Continent always to follow London rate, amongst other things, for the reason that, he cannot operate at the same low cost, or small margin of profit. Besides, his volume normally is small and does not give him the benefit of law of average. In an unbalanced portfolio of any business one must provide for a contingency.

Nothing can be said against international competition, for basically it is only fair that the cost of everything should be less and less so that ultimately the consumer benefits. Yet if there were no restriction in placing of insurance within the country, especially

in developing countries, the underwriters in such countries may be forced out of business. This will lead to an anomalous situation that marine cargo insurance will concentrate in few major markets of the world.

Hence there is a need for protection of companies in developing countries and this is met by the national Governments, through providing suitable protection mainly on imports. A country importing anything normally pays for it to the buyer and is able to decide whether the goods shall be imported CIF or C & F. It is generally easy to allow all imports in the country on C & F so that insurance of all imports is obtained from the domestic market. If similar restrictions were to be put on export, it is doubtful whether the exporter could force the importer abroad to pay the cost of insurance at whatever rate the seller wanted to charge. Thus, normally, on export no such protection can be given to the domestic market. However, about half the insurance involving export and import can be secured for the domestic companies by legislation.

An underwriter may consider international competition in a domestic African market to be a curse. It is not necessarily so, for it is the international competition that had lead to international co-operation as well as understanding in marine cargo insurance. Such forums as the International Union of Marine Insurance (IUMI) or for that matter this very seminar, is the result of international competition. Every well known international association such as Institute of London Underwriters (ILU) not only controls international Clauses but provides uniform rates for the world for War and SR & CC. They also provide guidance for additional premium for overage vessels. Statistics which are of paramount interest also originate from major markets, which on account of international competition, are able to write business from all over the world and compile statistics on world-wide basis and make available to the newcomers such information without which an underwriter new in business could not proceed.

International competition also generally forces rate throughout the world at reasonable, and to some extent, uniform level, so that it is possible for an underwriter in one country to reinsure with another

underwriter in a different country. As you will appreciate, but for this understanding and acceptability of rates there would not have been any reinsurance available between different countries far apart in their standard and knowledge of insurance, and without reinsurance obviously an underwriter could not enter the field.

War and SR & CC rates, as you know, are fixed by a committee consisting of leading underwriters from Lloyds and companies in UK and t they have been accepted over the years as authority on rating of War and SR & CC rates. This iseone area of rating where competition could confuse or confound the problem. An underwriter, in order to be able to quote rate for War and SR & CC for any or all parts of the world, will have to know a great deal about the political condition externally and internally which is not entirely easy. Besides, his judgement on such conditions may not be acceptable to the others and may also present serious problems at reinsurance level. Hence the need of ultimate acceptability of war risk rating committee. Today practically every underwriter throughout the world follows the rate fixed by the said committee in London.

Reverting to international competition as against co-operation, the example of a major manufacturer of a product can be taken. Quite often such major manufacturers on account of enormous volume of export of their product from one country or several countries are able to insure their export with major internaional underwriters at a very low rate due largely to the underwriting experience of the commodity. For example, a particular big manufacturer of say transistor radios or appliances in view of the low rate they are able to attract, can quote lower price on CIF sale. The rates are sometimes so low that an importer in a developing country finds it attractive to import CIF rather than C & F,. Such instances nowadays are numerous that need for regional co-operation within a region say whole of Africa or perhaps two or three different regions of Africa, to protect their interest has arisen. This tendency is on the increase for certain obvious advantages. The regions can develop uniform rating structure at least in respect of some basic risks both regard to trading within the region and also to stand together in meeting international competition. Such regions can be

formed on geographical basis and/or economic considerations, as well as political likemindedness. It is possible to go a step further and even consider developing tariff at least for basic rates to apply to the members of the regions. A tariff of rates specially for the basic risk such as FPA, WPA and to a certain extent for extraneous covers is not very difficult. Ironically, this does amount to international co-operation but as argued earlier, invariably international competition leads to international co-operation especially in marine insurance. Attempts are being made to form reinsurance companies on regional basis with the co-operation of the countries within the regions, with similar objectives.

Finally, to sum it all up, I must emphasise that, there is no substitute for knowledge, experience, statistics and indeed international competition, It is not possible to create an underwriter instantly. The process of learning and experience is time consuming and must be gone through. International competition should be objectivly looked at rather than condemned in haste. Reliance on good-luck must be avoided.