

American Hellenic is the fastest growing Hull & Machinery insurance company

Launched in 2016 as a strategic alliance between American P&I Club and Hellenic Hull Management, AHHC has reached to an insured fleet of 2.160 vessels and is at the forefront of the H&M Insurance Market.

In the interview that follows Mr. Evangelos Gagkos (Underwriting Manager American Hellenic Hull Insurance Company Limited) describes the greatest landmarks of AHHC from 2016 until today and comments on the latest trends and developments in the marine insurance market.

- Do you agree that Greek shipowners operate very efficient ships and have high technical expertise? Does the insurance market fully appreciate the quality of Greek owners?

Greek shipowners have retained their role as top players in world shipping and it is clear that they operate very efficient ships that can compete successfully in an industry that is subject to greater demands for efficiency and higher environmental standards. Besides fuel flexibility and consumption, another prerequisite for shipping efficiency is the low average age of the fleet. Greek shipowners manage a modern fleet, as the age profile of the Greek flag fleet has reduced to 13.7 years, and the Greek-owned fleet to 11.5 years.

A special attribute of Greek shipowners is their high technical expertise resulting from their deep knowledge of the marine industry – many of them started their career as seafarers – and their highly educated workforce. Furthermore, Greek ship operators put emphasis on ship-to-shore communications, IT security and training seafarers to serve the new generation of technically-advanced ships.

The ideal mix of human capital, high technical training and high-tech state-of-the-art vessels.

Mindful that the major source of marine casualties is related to older ships over 25 years old, as opposed to newer vessels, the fleet insured by American Hellenic does not exceed an average age of 15 years. I think that nowadays the efficiency of Greek vessels and the high technical expertise of the shipowners is recognised and very well appreciated throughout the marine insurance market.

- Describe your company's/organization's background, financial strength, rating level and other competitive advantages?

American Hellenic Hull derives from the strategic alliance between American P&I Club and Hellenic Hull Management, while its success stems from the market's thirst for a strong provider with deep market expertise. AHHC launched its operation in July 2016 and is currently the fastest growing hull and machinery insurance company operating in the world's largest shipping centers, counting 2,685 overall insured vessels. In the 12 months to end-September 2018, AHHC increased its fleet by 283 vessels, reaching an insured fleet of 2,160 vessels. The fleet represents a wide international spread of shipowners, comprising 167 managing companies from Greece, Cyprus, Germany, the USA, Asia and elsewhere. American Hellenic, which also maintains a global network of professional brokers, aspires to be at the forefront of hull and machinery insurance.

Providing high quality bespoke services under the Solvency II regime's requirements, American Hellenic Hull has successfully passed all required SCR and additional stress tests

By the end of August 2018, during the first 25 months of the company's operation, the operating cost has not exceeded 27% (including broker commissions, manager fees and other expenses). Taking into account, that the company's loss ratio is 65%, as a result of good underwriting, this leaves an operating profit margin of 8%, which can be distributed to shareholders or used to strengthen our solvency position through capital investments.

- In the short- and medium-term do you expect a healthier marine insurance market with more sustainable insurance premiums?

The days of a soft marine market may be over. Natural catastrophes, such as typhoons, floods, wildfires, as a consequence of climate change, led to massive losses for the insurance industry in 2017. The aforementioned factors combined with the upcoming challenges from the digitalization and energy efficiency requirements placed on the shipping industry, indicate a significant growth in marine premiums. At AHHC we are more than prepared to succeed in this market. Although we can't influence the global market,



Mr. Evangelos Gagkos
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having in place the right talent we are capable of meeting these changes and we aim to gain further market share, differentiating ourselves by offering a bespoke service to our clients. Meanwhile there have been a number of withdrawals from the market, which will have a positive effect on supply, and a greater emphasis on profitability from some of the leading traditional players. Overall, the signals for our business are positive.

- Have you planned new policies for the risks of cyber attacks, engine damages from low sulphur fuels and increase of digitalization/autonomous ships?

The marine insurance market is entering uncharted waters trying to respond to the new challenges arising from the digitalization of shipping industry and the introduction of new standards.

Cyber risks are real and are far from being remote. The vulnerability of technological systems was a focal point in 2017 as a cyber-crime threat following the NotPetya virus attack on Maersk. In addition to that, the International Maritime Organization released guidelines for shipowners to safeguard the vessels against the "current and emerging threats" of cyber-hacking.

At American Hellenic we operate under the Institute Cyber Attack Exclusion Clause – 380.

In parallel with cyber security, the disruptive technological change in the marine industry also includes blockchain technology and the prospect of autonomous vessels. Autonomous vessels could be covered by existing policies, albeit with some different terms with reference to operations. The ASVs will lead to a shift from operator responsibility toward increased manufacturer responsibility.

At AHHC we do follow market's trends with the aim to lead in the H&M market. Our highly qualified personnel has the right talent to respond to all those emerging issues and provide new services in compliance with the global shipping industry and IMO's regulations.

- Do you believe that the key role of the marine insurance broker will continue to be critical in the future and why?

Digitalization of processes and new data derived from digital systems prompt new debate in the marine insurance industry, as for example is the case with cost-cutting blockchain technology. Marine brokers claim that blockchain may cause disruption to the industry. Meanwhile it is worth mentioning that Maersk has launched an initiative for the first blockchain platform for marine insurance.

However, the digitalization of services, mainly through the 24/7-based insurance platforms, can reduce global premium income and this is something that we must take notice of in our strategy to grow our revenues.

In fact, although some of our new clients may demand a 24/7 service in real time, they will continue to seek personalized bespoke services to meet their demands. This is one of the challenges we are called upon to respond to.

- What are the future plans of your company?

Our track record in providing hull and machinery insurance cover to shipowners is second to none. As a global local H&M insurance company, we have ensured that our global network comprises all the local expertise and flexibility of approach that is necessary to meet shipowners' needs. We offer bespoke services, adopting an outside-in approach for our customers. We stand ready to provide highly synergistic hull and machinery solutions to the global shipping industry. Our target is to double the value of the company's initial investment within the next five years. But our goal is also to remain close to our shipowner clients, constantly working to fine-tune and innovate in terms of our insurance products and services to the industry. We shall continue developing our reputation and growing brand-recognition of AHHC throughout the world's key shipping communities.