

# Finance and insurance vital in keeping shipping sector afloat

Two services, vital to the viability of global shipping are finance and insurance, both of which play directly to Hong Kong's strengths as a leading financial centre and insurance hub. And this can be seen in the strong presence of members of both sectors during the debut Hong Kong Maritime Industry Week (20-27 November 2016).



A shipowner seeking finance in Hong Kong has a plethora of choices including debt financing from the many international banks with a shipping portfolio, leasing or, in the case of a public company, it may choose to issue shares or bonds.

Nigel Anton, Global Head of Shipping Finance at Standard Chartered Bank, which offers both debt finance and operating lease to its clients, explains why his operation is pleased to have a significant presence in Hong Kong.

"Hong Kong remains an extremely important financial and maritime centre. A number of the leading ship finance banks use Hong Kong as the centre of their Greater China and North Asia activities," he says.

Hong Kong shipowners, like their global counterparts have been going through a tough period financially in recent years, as freight rates plummeted. Can they still accept a sympathetic ear from a financial sector struggling with its own problems?

"Any bank that is involved in 'shipping' must accept that all the shipping sectors will go through cycles and as such a lender must have a strategy that recognises that and be able to weather the effects," Mr Anton says.

Carrying goods by ship has never been safer than



**Peter Tam,**  
Chief Executive of  
the HKFI

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it is today but it still carries a high-risk profile.

As a trading hub, and a premier financial centre it is not surprising that Hong Kong is the base for many leading marine insurers and reinsurers.

There are close to 90 local and foreign insurance companies in Hong Kong offering marine insurance products. They underwrote total gross premiums of about HK\$2.76 billion for marine insurance including



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insurance for ships and insurance for maritime goods in transit in 2015, reflecting an average annual growth rate of 8.3% in the past decade.

As a marine insurance centre Hong Kong has natural advantages, as Vice-Chairwoman of the Executive Committee of the International Union of Marine Insurance (IUMI), Agnes Choi is keen to point out.

"Hong Kong is centrally located in Asia and offers easy access to all of the region's key markets. With no language barrier it is an important connector between East and West," says Ms Choi.

"Marine insurance also benefits from being part of Hong Kong's maritime cluster of ship owning, ship broking, ship finance, terminal operation and logistics, and maritime law," she adds.

Globally, marine insurers have suffered challenging times. But a combination of outside factors and self-generated opportunities within Hong Kong point to increasing prosperity.

Chief Executive of the Hong Kong Federation of

Insurers (HKFI), Peter Tam says that Hong Kong's world-class marine insurance related professionals are fully prepared to take advantage of the opportunities that will arise from China's Belt and Road Initiative.

Chief Executive of the HKFI, Peter Tam says that Hong Kong's world-class marine insurance related professionals are fully prepared to contribute to the success of China's Belt and Road Initiative.

"The Belt and Road initiative will create strong demand for various types of risk management tools including marine insurance," he says. "This is where we can contribute our expertise and play a useful and supporting role."

Another boost to the sector was gained in October when Hong Kong was chosen as the Asian Hub of IUMI, the Union's first branch outside its headquarters in Germany.

"With this new platform, we will be able to enhance our capability and capacity to cultivate a bigger pool of marine insurance professionals in the years to come. This is vital to our ongoing efforts to narrow the talent gap as we seek to rebuild and foster our status as Asia's premier marine insurance centre," says Mr Tam.



**Agnes Choi,**  
Vice-Chairwoman  
of the Executive  
Committee of IUMI

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**Andrew Jones,**  
Chief Executive of the  
UK P&I Club's Hong  
Kong branch

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The International Group of P&I Clubs (Protection & Indemnity) (IG) recognises the importance of Hong Kong as a marine insurance hub. Twelve of its 13 members have a base here.

A P&I Club is an independent, non-profit mutual insurance association consisting of shipowner and charterer members who pool the risks and costs of their third-party liabilities arising from the operation of ships. The 13 members of the IG offer cover to around 90% of global shipping.

For P&I Clubs, service is a key requirement as Members expect assistance and solutions to a wide range of problems from operational, legal, technical and claims perspectives. In contrast to conventional insurers the P&I Clubs devote considerable resources and expertise to helping their Members avoid accidents and mishaps that can lead to claims.

The UK P&I Club is one of the largest P&I Clubs in the world. Chief Executive of the Club's Hong Kong branch, Andrew Jones says: "The UK P&I Club has an office in Hong Kong to reflect the importance, size and complexity of the Club's significant Asian membership."

