



## NEWSLETTER - JULY 2024

### Welcome to our July newsletter!

This month we are looking at a few very interesting pieces! First of all, we speak to an underwriter, who talks to us about challenges in the insurance market in the context of MWS service. This is a very interesting read! Besides the valuable information contained in the answers, there is also a view on what value this service provides, proposes ideas on how to strengthen the position of the MWS and how this can be further enhanced. I can only recommend this interview to be shared with stakeholders across the whole industry!

Secondly, we are shining the spotlight this month on a young MWS. As you might recall, last month we looked at a Doug Devoy, a veteran MWS with massive amounts of experience in the industry. This month we are looking at someone who just joined the industry recently and get her views on the industry, on our organisation and the motivation becoming part of this industry. Some interesting thoughts there why the inclusion and the trust on young individuals is so important!

Let me also mention a few significant developments: the JNRC has just published a document which gives very important insight into the history and the appointment of the MWS. The document is in the public domain of the LMA (Lloyds Market Association) and can be found at

[https://www.lmalloyds.com/LMA/Underwriting/Marine/JRC/scope\\_jrc.aspx](https://www.lmalloyds.com/LMA/Underwriting/Marine/JRC/scope_jrc.aspx)

During this month's meeting, the board members discussed the introduction of alternating regional SOMWS meetings, in addition to the annual Seminar in London. The first one of this kind is likely to be run alongside Mariners (HMEIC) 2024 in Houston. More details to follow. We are planning to run those regional events once per year. Recognizing that the annual seminar will continue to be held in London and will cover the European region, the other regions Americas, Middle East and Africa as well as APAC will be run at convenient dates alongside industry events to ensure the most possible turnout. Content will include some general and organisational updates, as well as some technical (insurance and MWS related topics).

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Last but not least, the northern summer season is normally characterized with significant construction activities. We are all very busy as it seems. I wish you all a safe return from your activities and hopefully also a nice holiday.

Best wishes,



Ekkehard Stade  
Chair of the Board of Directors  
[askthechair@somws.org](mailto:askthechair@somws.org)

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### MEMBERSHIP STATUS UPDATE

#### New members approved by the board – July 2024

Membership Number	Name	Category
0371	Mihail Dimitrov Atanasov	C & P (Associate upgrade)
0717	Roman Chec	C
A0763	Abdulla Abdulsatar	Associate
A0771	Viswanath P Nair	Associate
A0772	Hari Krishnan Raveendranath	Associate
A0773	Ashwin Suresh	Associate
A0774	Sergej Kutisenko	Associate
A0776	Scott Campbell	Associate
A0781	Roberto Tuda Ortiz	Associate
A0782	Colum Stevenson	Associate
A0783	Maria Pallard	Associate
A0784	Harry Nichols	Associate
A0785	Malcolm Mackellar	Associate
A0786	David Close	Associate
A0787	Ben Sturrock	Associate
A0770	Irana Patil	Associate

#### Membership Base By Region

Region	Full Members	Associate Members
Africa	8	7
Asia	127	35
Australasia	8	1
Europe	141	90
Middle East	34	20
North America	40	6
South America	15	2

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### Membership Base By Category

Category	Number of members
Oil & Gas Projects	287 members
Rigs	116 members
Renewables	78 members
Cargo	265 members
Associate	161 members

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### INTERVIEW WITH BRUCE GRANT

**Bruce, thanks for agreeing to this interview. Before we go into the questions around MWS, could you please briefly introduce yourself to our readers please?**

I fell into the insurance business from the yacht building trade, beginning of 1986. I started as a marine liability broker, and in 1990 moved to the upstream team of Sedgwick Energy (became Marsh), and by 1997 was developing offshore wind business, placing into London and European markets. I moved to Aon in 2010, as part of Tom Sexton's team, where we were successful in building the business just as it started to really grow. After 11 years at Aon I turned to the light side becoming the offshore wind underwriter at Convex, where we write approximately \$35m premium income annually for offshore wind.



**You have been working as a Broker in the marine construction insurance business for many years, before moving to underwriting, focussing on renewables. What, in your opinion, differentiates today's insurance industry from what it was before the advent of the offshore renewables business getting traction?**

Fundamentally, the risk profile is different between upstream and offshore wind, with upstream generally being single platform risks placed standalone; risk exposures are substantial, and require significant vertical insurance capacity, just in case the whole lot topples over before completion (low frequency/high severity). With renewables, the risk profile changes to a horizontal one, and whilst the expenditures may not be much different overall, the chance of a substantial loss is far lower, but there can easily be a string of attritional small value claims (high frequency/low severity). This change in profile, which of course includes the risk of a serial machinery type loss, defines the different requirements of the applicable insurance policies, especially the for the role of the Marine Warranty Surveyor. Putting revenue protections aside, a \$1bln oil and gas project placement will need to find \$1bln of capacity in case of a total loss: for an offshore wind project of the same \$1bln value, the capacity required is typically around \$200m, for total loss of an offshore transmission substation, thus the insurance market is less stressed capacity wise. Another important differentiator is that offshore wind is

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generally constructed at minimum outlay, mostly because there isn't the same level of markup between a barrel of oil and a term of electricity; this lack of margin encourages offshore wind projects to minimise contingency and risk measures, significantly increasing the value of the Marine Warranty Surveyor to both developer and insurer.

**You have been engaged with MWS in your career for professional discussions and development of the risk mitigation factors. We have been discussing a race to the bottom between MWS companies based on several factors. Could you tell our membership and other interested parties a bit more on these thoughts?**

For insurers in offshore wind, the importance of the Marine Warranty Surveyor cannot be understated, it is the most important risk mitigation measure during installation; to have an independent party qualifying and checking the procedures for installation of assets is part of the insurance contract between insured and insurer. Usual practice is for the insured to contract with the warranty surveyor directly as this avoids situations where insurer and MWS could otherwise "club together" to impose non-commercial limitations, against the needs of the project. However, the net result of this price tendering is to deliver MWS services on a minimum cost basis, which in theory translates into poor service and oversight; this goes against what insurers require. In an industry which contains a considerable number of marine operations it must make sense to have more, not less oversight from the MWS. In reality, it is the insurers who pay for the MWS service via a contribution from insurance premium, which is adjusted later against actual invoices incurred, but which typically gets ignored, thus leaving policies' unfinished'.

**And now, the most important question: what do you think can be done about it? I believe we must think outside the box here, just to ensure we don't leave any stone unturned. Is it realistic that something can be done?**

I think we have a good solution available, which we could, and should implement. Currently, insurers make a contribution to the Insured (normally 2.5-5% of the premium depending on size of contract value) to help pay for MWS services. Let's say this contribution was converted into a fixed price in advance, calculated against a Project ECV/ duration/ MW/ location, using a simple formula - then the tendered companies would not be bidding on price, but instead for the quality and quantity they could perform in exchange for that set price. This would remove the race to the bottom issue, and in return we would get the best quality/quantity output, as MWS companies

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compete on quality of their product and relationships, not price. Two further advantages to this: first, the fee available would be known a long time before the project came to market enabling early engagement of the MWS, and secondly, there would be no need to adjust against final invoices, cutting out that administration function.

### **Who would have to play an active role in changing this?**

As insurers have a keen interest in the MWS function (they ultimately pay for most, if not all of it) then it shouldn't be difficult to incorporate this within the JNRC Warranty Surveyor process. The projects would still issue a tender for the MWS contract, and insurers would still contribute the fee from the insurance premium, but the integrity of the function would improve. Being a policy condition i.e. part of the insurance contract, it is up to the insurers to implement this.

### **In your opinion, what would be the consequences to the marine construction insurance market if some MWS service providers would seek business opportunities in other markets, which gives them access to a better risk vs. reward ratio?**

In terms of risk vs reward ratio, insurers have two main defences against sub-standard technology and/ or workmanship: the first is addressed by certification from the Certification Authorities i.e. IEC/ DNV/ GL/ TUV/ RINA/ BOEM/ BSH normally via type, component, or project certification; for installation we rely on MW surveyors and their long experience of lifts/ lays at sea. If these specialists are tempted to work for other better paying organisations such as consultants/ project managers at the expense of the MWS companies, and as a result there aren't enough to go round, then, as insurers, we either have to increase premiums, or reduce the amount of projects we can insure. Insurance is a service industry, it's main purpose being to protect the assets and revenues of the projects we insure, so to find ourselves in a position where we were restricted in providing our product by a lack of marine warranty surveyors would be failing in our job. Consequently, we should absolutely support SOMWS and the JNRC in effecting this change.

**Bruce, Thank you very much for your time!**

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### SOMWS SPOTLIGHT ~ PALOMA MEDINA

#### **Who are you and what is your background/ education?**

My name is Paloma Medina, I am a Senior Naval Architect at ABL, working in the Marine Warranty Surveyor (MWS) Team and specialising in renewable energy projects. I began my journey at the University of Southampton, where I completed the MEng in Naval Architecture. After graduating in 2018, I joined the ABL 4 year, RINA Accredited graduate training scheme, and have remained with the company since.



#### **Why MWS- what makes this so interesting?**

During the graduate scheme, I had the opportunity to work with different offices and disciplines, from ship design and refits to offshore operations for both oil and gas and renewable projects. When I joined the MWS renewables team, I realized how much I enjoyed the work and the team. What I love about MWS is that I get to follow projects from the design stage all the way to finalised construction, which I find really fascinating and fulfilling. I also enjoy going offshore to witness the construction firsthand. The sheer scale of these projects and the level of engineering involved never ceases to amaze me.

#### **What's the view of a young individual of this industry, predominantly driven by people with a lot of experience and history in insurance and marine operations?**

While this industry has a rich history and experience, it's also constantly evolving. New, larger-scale operations, especially in renewable energy, are introducing fresh challenges that require innovative solutions. As a young professional in the industry, I find it exciting to be part of this transformation. I see a tremendous opportunity to learn from experts while also bringing fresh perspectives and new ideas. I've found that experienced colleagues are often very open to mentoring and sharing their insights, which has been incredibly valuable for my growth. At the same time, I believe that younger individuals can contribute significantly by staying on top of the latest technological advancements and sustainability practices, helping to modernize and evolve traditional approaches. It's an

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exciting time to be in this field, where the intersection of experience and innovation is creating a dynamic and progressive environment.

### **Why do you think the interaction between the grandfathers (and mothers) of the industry is so important for young individuals.**

The interaction between the veterans of the industry and younger professionals is crucial for several reasons. First, it allows for the transfer of invaluable knowledge and experience. The veterans have a deep understanding of the industry's history, challenges, and best practices, which provides a solid foundation for younger professionals to build upon.

Secondly, this interaction fosters mentorship and guidance. Experienced professionals can offer career advice, share lessons learned from their own experiences, and help young individuals navigate complex situations. This mentorship accelerates the learning curve and professional growth of younger individuals.

Lastly, the interaction encourages a blend of tradition and innovation. While the veterans bring a wealth of knowledge and tried-and-true methods, young professionals introduce fresh perspectives, new ideas, and are often more attuned to the latest technological advancements and sustainability practices. This synergy is essential for fostering innovation and ensuring the long-term success of the industry.

### **Where do you see the value of SOMWS?**

The Society of Offshore Marine Warranty Surveyors (SOMWS) provides significant value to the industry in several ways. Firstly, SOMWS sets high standards for professionalism and competency among Marine Warranty Surveyors, ensuring that all members adhere to best practices and maintain a high level of expertise. This is crucial for maintaining the integrity and safety of offshore projects.

Additionally, SOMWS fosters a strong professional community. By facilitating networking opportunities, knowledge-sharing events, and collaborative platforms, SOMWS helps members connect, exchange ideas, and support each other. This sense of community is valuable for professional growth and innovation.

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Finally, SOMWS should serve as a crucial advocate for the industry. By representing the collective interests of Marine Warranty Surveyors, SOMWS it can contribute to shaping industry policies and standards. By maintaining standards and fostering professionalism in our industry the Society can support a competitive yet sustainable market environment and ensure the insurance industry is receiving the required level of service it expects.

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