


Chapter 9


Market Pricing Sustainability and Practices in the Gulf Cooperation Council Region

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ABSTRACT

The Arab Gulf States global trade activities have led to constant variation in marine cargo insurance capacity and cycles. A perceived lack of insurance cycles consequently influences insurers underwriting profits when operating in member countries of Gulf Cooperation Council (GCC). This exploratory review examined the terms and conditions of market pricing sustainability, the isolating actions deployed to mitigate the insurance cycle's effects, and the cultural norms and practices influence on underwriting. An analysis of a ten-year quantitative data set showed a lack of evident outcome in the insurance capacity and their level of profitability in the region's dense competition between insurers in the overall GCC market. Thus, this review further interviewed marine department heads or dedicated marine

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cargo underwriters from the region to explain insights and the chosen decisions. The perspicacity of two professional underwriters with knowledge of this region's marine cargo insurers contributed additional value to the data.

REVIEWING THE MARKET PRICING SUSTAINABILITY AND PRACTICES OF MARINA CARGO INSURANCE IN THE ARAB GULF STATES

Marine cargo insurance is one of the oldest classes of insurance worldwide dating back to Roman times and refined into insurance in the mid-1300s, before being codified into the Marine Insurance Act 1906 and supplanted by the Insurance Act 2015 (Dunt, 2009; Insurance Act, 2015; Marine Insurance Act, 1906; Piccinno, 2016). This insurance supports the immense logistical world of shipping commerce around the globe. Applied research on this service is limited and mostly non-academic. The first written evidence of a Marine Cargo policy dated to year 1523, detailing the insured perils of the sea, fire, jettison, amongst other perils (Dunt, 2009). Subsequently, many cases were discussed between merchants, insurers, brokers, and the courts to fairly and lawfully decide outcomes. The resulting rulings then being developed into the more modern Institute Cargo Clauses.

The Institute Cargo Clauses have seen constant revision since 1942 establishment of Joint Cargo Committee. Currently, two versions of the clauses are in use in the market, the 1982 and 2009 versions. Insurers are free to provide cover following either one. The clauses do not differ greatly from one another. Cargo is insured for physical damage arising out of the perils of the sea and other extreme damages arising during normal course of transit. Exactly what perils are covered, differs only marginally or greatly per clause used for each policy. There are three clauses used in the market, covering all risk to total loss only with inclusion of covers for earthquake, volcanic eruption, or lightning, washing overboard, water entry into the container or hold, and the total loss of the package during loading or unloading (Munich Re, 2024). Cargo insurance coverage ranges from standard cases to specific cases with cargo owners or carriers obliged to ensure goods' safe arrival at their destination or bear limited responsibility for the possibility of a constructive or actual total loss.

The Gulf States within the Gulf Cooperation Council (GCC) have been the focus of many research studies but few have delved into the Marine Cargo Insurance market in detail other than insurance reports. The GCC, founded in 1981, headquartered in Riyadh, Saudi Arabia, is a cooperation between six countries located on the Arabian Peninsula with rich oil reserves in the region. It comprises of The United Arab Emirates, The Kingdom of Bahrain, The Kingdom of Saudi Arabia, The Sultanate of Oman, The State of Qatar, and The State of Kuwait. These countries

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