

Adapting to great change(s)

by Lars Lange, *Secretary General, IUMI*

Each year, the International Union of Marine Insurance (IUMI) collects and analyses statistics from most of the national insurance associations to report on the current state of the marine insurance market. This 'Stats Report' has become widely accepted as the definitive bellwether for the industry. In September of this year, we presented our findings for 2023 at our 150th annual conference in Berlin. Overall, we were pleased to report an encouraging year for marine underwriters. The global insurance premium base grew by 5.9% to reach 38.9 billion US dollars. This was driven by a continued rise in global trade volumes and values, an increase in the value of most vessel classes, and an oil price rally. From a purely insurance perspective, a reduced market capacity also had a positive impact.

By line of business, cargo insurance increased by 6.2%, hull insurance by 7.6%, and offshore energy by 4.6%. By geography, Europe continued to dominate with a 48.5% share of the global premium base, followed by Asia/Pacific (28.1%), Latin America (10.9%), North America (7%), and the rest of the world (5.5%). We found that the European markets continued to trend upward after a period of decline – as did Asia/Pacific (since 2016). The Americas were also enjoying growth.

A key element of our reporting is to calculate loss ratios for each line of business. In essence, this is a measure of profitability: the amount of premium collected less the amount paid out in claims. To break even, the sector must not pay out in claims more than it collects; likewise, it also has to take into account costs related to acquisition, capital, management, and such. In 2023, we reported loss ratios in the offshore energy sector to be higher (i.e., less profitable) than in 2021 and 2022 – but still relatively healthy. This was a similar position for hull loss ratios, whereas those for cargo loss were low and stable.

By their nature, our statistics refer to the previous year, and whilst 2023 was a relatively sound one, it is important to review the challenges our industry faces this year and beyond.

Geopolitics, the environment, and tech

Top of the list is, without question, the ongoing geopolitical situation. The war in Ukraine and in the Middle East has most definitely disrupted international shipping and trade. War risk is a very real consideration, where the safety of life, vessels and their cargoes takes priority. To date, it is pleasing to see that the marine insurance sector continues to offer appropriate cover to vessel owners wishing to transit these areas. A related issue is where operators choose to take the longer sea routes to avoid the high-risk zones. This can introduce greater navigational and other challenges by taking ships outside of their normal operating areas.

Financial implications also come into play – as do environmental concerns. With a new administration soon to take over at the White House, it remains to be seen how the geopolitical picture will play out. Suffice to say, the associated risks will evolve, and marine insurers will continue to facilitate seaborne trade.

Geopolitical tensions are also affecting how global markets are adapting. Protectionism appears to be rearing its head in many parts of the globe – and this will impact trade and maritime routes. Logistics chains are likely to be organised differently in the future, particularly if nearshoring becomes more prevalent.

This will affect both insurance coverage as well as the overall premium base.

Equally impactful on marine underwriters is the general move to a greener society. The International Maritime Organization (IMO) has agreed that shipping will achieve 'net zero' by/close to 2050, and this requires a step-change in the way ships are fuelled and operated. Hydrogen, ammonia, fuel cells, and other technologies are all being pursued, with none yet coming out ahead. In the interim, liquefied natural gas, wind, and other initiatives are increasingly being utilised as transitional means of propulsion (not to mention numerous hard- and software energy efficiency measures). These alternative technologies all come with a range of 'new' risks (including cyber, as these are often data-driven advancements) that have the potential to adversely affect those serving at sea as well as the vessels themselves. Marine underwriters are investing resources to fully understand the new risk profile so they may develop products that allow vessel owners and others to trade in a low- or zero-carbon environment.

Our pursuit of a low-carbon future is also beginning to impact the types of goods carried by sea. One example is the fast-growing trade in lithium-ion batteries, either as energy storage units or as the propulsion source for electric vehicles. Whilst



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not inherently dangerous, these batteries do pose a significant risk if they ignite – as extinguishing them is particularly challenging. Fighting fires at sea is no easy task and vessel operators, as well as their insurers, must be cognizant of the new risks involved with this type of ‘green’ cargo.

Besides these two overarching issues, marine underwriters continue to grapple with a number of ongoing risks. The general claims environment has been relatively benign of late – vessel losses are, thankfully, minimal. However, fires on large container ships and car carriers remain stubbornly high; this has resulted in large claims as well as tragic loss of life. The root cause is suspected to be undeclared or mis-declared dangerous cargoes in containers – these are not properly packed and stowed on board.

Added to this are the sometimes inadequate on-board fire-fighting capabilities – an issue that IUMI is actively working on with others at the IMO level. The accumulation of on-board risks, or at shore-side freight facilities, is also a growing concern. Larger vessels carrying more cargo and big ports accommodating more ships mean a concentration of risk that is potentially exposed to a catastrophe such as a fire or natural hazard.

Offshore energy insurers are facing a step-change in the way they operate as fossil fuels give way to renewables. Investment in more efficient and less carbon-intensive extraction will be required for many years to come. They may incorporate many new technologies, among others, carbon capture and storage. Underwriters will need to work in

partnership with energy companies to fully understand some of these not-seen-before projects to allow them to provide suitable insurance solutions.

Demonstrating resilience

All in all, marine insurers are facing a changing landscape, one where technology (and the associated cyber risk) will be front and centre. But underwriters can take comfort in knowing that their line of insurance has been around for hundreds of years, during which their predecessors have successfully adapted to great change.

Marine underwriters of today – and the future – will demonstrate similar resilience, so they remain in a position to offer a range of covers that will keep global maritime trade flowing. ■



The International Union of Marine Insurance e.V. (IUMI) is a non-profit association established for the purpose of protecting, safeguarding and advancing insurers’ interests in marine and all types of transport insurance. It also provides an essential forum to discuss and exchange ideas, information and statistics of common interest for marine underwriters and in exchange with other marine professionals. IUMI currently represents 42 national and marine market insurance and reinsurance associations. More information can be found at www.iumi.com