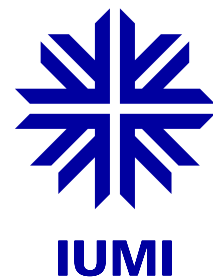


# Cargo premiums continue downward trend for fifth consecutive year, says IUMI



18th September 2017

Nick Derrick, chair of the International Union of Marine Insurance (IUMI) Cargo Committee reported a total estimated cargo premium of USD 15 billion for 2016 at the organisation's annual conference today in Tokyo. This represented a decline of six per cent from 2015 and a further nine per cent decline since 2014.



With world trade values and volumes increasing, Derrick expressed concern over the continuing downward trend in cargo premiums which had resulted in the sector making a technical loss for the fifth consecutive year. Exchange rate fluctuations were partly responsible for the poor performance as were the prevailing weak economic trading conditions.

It was reported that the UK accounted for the largest percentage of cargo premium income with 13.9 per cent of the market share (9.5 per cent Lloyd's and 4.4 per cent IUA). Japan was the second largest market at 8.9 per cent, and China third with 8.4 per cent.

Nick Derrick commented:

*"Major events such as the Tianjin port explosion have had a significant impact on the 2014 and 2015 results. It is currently uncertain how 2016 will develop as the effect of incidents such as the Amos 6 satellite failure (2014 underwriting year) and hurricanes Harvey and Irma are not yet clear – but they are unlikely to result in large transit cargo losses but will impact the stock element of a throughput policy (STP) particularly if Retail Store Cover is given".*

*"The difficult market conditions continue in the cargo market and show no immediate signs of abating. With commodity values (such as for metal and copper) and commodity volumes increasing alongside a simultaneous decrease in cargo premiums it is safe to say we are not in a good place. On top of that, our sector is also suffering continuing over capacity and a decline in underwriting discipline."*

Examples of some of the 2016 major losses that will impact the cargo market in the 2016 underwriting year included a fire at a pharmaceutical healthcare facility in Hungary (USD 10,000,000 est), a case of misappropriation with soya beans in Brazil (USD 70,000,000 est), a

claim on damages to new automobiles following hurricane Matthew in the USA (USD 50,000,000 est) and a fire on board the 14,000 TEU MSC vessel “Daniela” off the port of Colombo (USD 40,000,000 – 50,000,000 est).

Hurricanes Harvey and Irma have already caused major damage in Texas and much of the Caribbean and Florida. Inga Beale, CEO at Lloyd's has suggested the total economic loss of these natural catastrophes might reach USD 200 billion. Although only a portion will be attributed to the cargo markets, Derrick believes their impact could be a “*game changer*” for the London and US market.

The cargo workshop panel discussion on misappropriation emphasised the huge limits given by some cargo markets in this difficult area of business. It was highlighted that the new JCC misappropriation clauses will go some way to mitigate or exclude this type of loss.