Improved risk profile for ocean hull insurance sector

20th September 2017

Speaking yesterday at IUMI's annual conference in Tokyo, Chairman of the association's Ocean Hull Committee, Mark Edmondson reported a 10% reduction in global premiums from 2015 to USD 7 billion.

"Reduction in asset values and a general decrease in vessel activity are having a significant impact on premium income", he said. "The OSV fleet alone has around a third of capacity laid-up with little prospect of those vessels coming back online anytime soon".

In general, Edmondson was upbeat about an improving risk profile citing the work that IUMI was undertaking with Class, through IACS, to improve technical standards. He was keen for the insurance sector and class to maintain a close partnership. Similarly, insurers and regulators should continue a dialogue and the recent Polar Code was presented as a useful example of how new regulations could assist underwriters.

The improved risk profile was further strengthened by the current benign claims environment. Major casualties continued to fall in 2016 although Edmondson highlighted a worrying increase in collision claims caused through human error in 2016. There was concern that expertise on the bridge might not be keeping pace with advances in bridge technology.

Despite a better risk profile, Edmondson highlighted a number of areas that had the potential to impact the ocean hull sector:

"Cyber-security continues to move up the risk register", he said. *"This is a fast-moving landscape and, as underwriters, we need to understand its likely impact. Clause 380 is our standard exclusion clause, but it has never been tested in law. Similarly, new techniques for surveying and monitoring continue to be developed, and the onward march of digitisation is seemly relentless. We need to fully understand these developments and use them to our advantage. Underwriters should not be used as simply a way to fund R&D activities for the shipping industry".*

New technologies were driving the introduction of unmanned and autonomous vessels – this was another activity that had moved faster than originally anticipated and one that was expected to have a significant impact on marine insurance in future years.

Over-capacity remained a market feature but traditional distribution was being challenged as carriers sought to access business locally through their own offices or managing agents, or simply by spreading distribution into the wholesale market. Additionally, it was reported that – for some more prominent markets – facilitisation was becoming a major feature, promoting a covert increase in available capacity.

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