IUMI reports positivity for marine underwriters but uncertainty for future sustainability remains

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Today, the International Union of Marine Insurance (IUMI) presented its analysis of the latest marine insurance market trends at its annual conference in Edinburgh, Scotland.

All lines of business reported an uplift in their global premium base for 2022 with the total reaching USD35.8 billion, representing an 8.3% increase on the previous year. Global income was split by region: Europe 47.7%, Asia/Pacific 28.4%, Latin America 10.3%, North America 8.5%, Other 5.1%.

By line of business, the largest share was commanded by transport/cargo at 57.3% followed by global hull 23.4%, offshore energy 11.5% and marine liability (other than P&I covered by IG clubs) 7.7%.

Astrid Seltmann, Vice-Chair of IUMI's Facts & Figures Committee provided some context:

> *"Marine underwriters have suffered poor returns over several years but from 2020 results started to improve. 2021 and particularly 2022 have shown a relatively strong growth in the global premium base across all lines of business. In combination with a benign claims impact, this has translated into a much better performance in terms of loss ratios, specifically for hull and cargo. The reasons are complex but are likely due to the post-pandemic rebound in global trade coupled with reduced market capacity, particularly for hull. We've seen a continued strong performance from Europe after many years of decline but, while still increasing, Asian market growth appears to be slowing. But overall, the general trend for global premiums continues to be upwards. For sustainability, claims trends need to be monitored, being coupled with vessel activity, value accumulation, nat-cat impact, the use of new technology and inflation impact on repair costs. In addition, fires continued to be a concern in 2022 and also into 2023."*

Offshore Energy

Global premiums in the offshore energy market for 2022 were reported as USD4.1 billion, an increase of 7.3% on 2021. There now appears to be an upward trend in the premium base following a prolonged reduction to the bottom of the trough in 2019. In this market, premiums mirror the oil price which has been relatively strong since late 2020 and more so in 2022. However, oil prices began to fall in 2023 which might herald weaker returns for offshore energy insurers this year and in 2024. There tends to be a lengthy lag between oil price changes and activation/deactivation of offshore assets. Losses in this sector remain low and relatively stable but the youngest underwriting years will continue to develop and this will be reflected in the loss ratios. This sector remains in a fragile balance with reduced premiums (but now rising) and a modest claims impact. Risks and claims resulting from unit activation have the potential to disrupt the balance.

Cargo

Cargo insurance returned a global premium base for 2022 of USD20.5 billion, an 8.3% growth on last year. There was growth in all regions especially in Europe and North America although the Asia/Pacific region experienced a slowdown, likely due to the combined effect of economic conditions and major Asian currencies weakening against the US dollar. That said, the changes in each region’s fortunes might also be connected with where the insurance contract resides, geographically. It should be noted that exchange rate fluctuations tend to impact most heavily on this sector and so direct comparisons with earlier years cannot be exact.

Cargo premiums have demonstrated positive market development over a number of recent years and, in the main, tend to follow the trends in world trade. Global trade, in terms of value and volume, rebounded strongly post covid and further growth is projected, however forecasts do differ.

Recent underwriting years, including 2022, have returned to a more normal (ie flatter) pattern in terms of loss ratios following a few years of extraordinary upwards claims adjustments. Loss ratios for 2022 are starting at their lowest level since 2015 and, although they will develop, this is positive and may indicate a sustainable improvement for this line of business.

However, cargo underwriters continue to be concerned with a number of persistent challenges such as mis-declared cargoes, vessel fires, accumulation of risk in single locations, climate change, and political tensions. Added to this, a return to pre-pandemic activity, inflation and the growing number of natural catastrophes (nat-cats) are likely to impact on the future claims environment.

Ocean Hull

Global premiums relating to the ocean hull sector increased by 5.7% in 2022 to reach USD8.4 billion. With the exception of Latin America which suffered a sharp downturn, all other regions reported an upturn. Whilst the distribution of premiums across the regions was relatively static, the Nordic countries enjoyed a marked increase, possibly due to their activity in covering war risks.

2022 saw a continued growth in the world fleet as well as its overall value and this, coupled with reduced market capacity has impacted positively on the premium base. The gap between total gross tonnage/number of vessels and global premiums - which opened markedly from 2011-2018 – has closed slightly since 2020 and now appears to be relatively stable.

Claims frequency had a long-term downward trend but has shown some increase after the extraordinary dip in 2020, following a return to pre-covid vessel activity. Average repair costs have seen some upward trend probably due to the impact of inflation. Major losses were moderate in recent years with the exception of fires but 2023 has seen an uptick including, again, a number of severe fires.

With the exception of Latin America, loss ratios in all regions are experiencing a downward trend and have done so for the past three years. As with cargo, loss ratios for 2022 are starting from their lowest point since 2015 which is very positive for hull underwriters.

With high value sectors such as containers and cruise ships now fully restored post-covid and the rise in major losses seen, so far in 2023, it remains to be seen how sustainable the current relatively low loss ratio pattern will be.

Jun Lin, Chair of IUMI’s Facts & Figures Committee sums up:

> *“The overall results from our 2022 analysis do appear to indicate positive growth which is welcomed after a prolonged period of poor returns. Inflation has fallen slightly which is also positive but interest rates remain high which can mask the underperformance of the underwriting sector. However, consumer confidence is slowly recovering which should help the container trades; and I’m hearing reports that the slowdown in China might not be as severe as some believe.”*

“That said, we shouldn’t lose sight of future challenges that are likely to inject a degree of uncertainty into all our lines of business. Asset prices continue to rise and inflationary pressure will only add to the value of claims. The oil price is fluctuating and global trade forecasts vary. Trade routes are changing, not least as a result of the war in Ukraine which, itself, is changing the political landscape. New cargoes such as lithium-ion batteries are creating new risks that must be fully understood and mitigated, as are new propulsion technologies resulting from our combined environmental protection ambitions. And, of course, climate change and new weather events are also making themselves known to insurers. Added to this, we are managing new types of risk such as cyber and having to deal with the accumulation of risk as cargo of increasing value is being stored in single port facilities or is being carried on vessels that continue to grow in capacity.”

“Marine underwriting is the oldest form of insurance and one that has adapted to change and evolution over hundreds of years. Of late, we have seen a much welcomed reversal of fortunes for marine insurers and I’m confident this will enable underwriters to manage future change and continue to provide the best possible cover for their assureds.”

Note

IUMI’s total world-wide premium includes data from all relevant marine insurance markets. Care should be taken when making comparisons with earlier figures as data coverage varies in different years and a number of figures will be updated retrospectively. Similarly, the presented loss ratios for hull, energy and cargo do not encompass all countries per region, and underwriting year results do develop over a couple of years due to a time lag in claims reporting and payments. When interpreting statistics, caution should always be applied regarding what the data actually relates to.

IUMI stresses that all figures released by IUMI’s Facts and Figures Committee are global market sums or averages. While these reflect the average performance of the marine insurance market, individual companies’ or countries’ results may differ substantially. As with all averages, individual underwriting units may over or underperform compared with the average. IUMI does not make any statements about what actual applied premium rates were or should be. The aim of IUMI is solely to provide data as available and raise awareness for the importance of a critical evaluation

of the risks covered.

The full presentation is available to download from www.iumi.com

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About IUMI 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.

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