

Large losses impacting on marine cargo insurance market, says IUMI



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Speaking at this year's IUMI annual conference in Berlin, Nick Derrick, Chairman of IUMI's Cargo Committee warned that large cargo losses were having a significant impact on the marine insurance sector.

The recent incident at the port of Tianjin should, according to Derrick, serve as a "substantial wake-up call to all cargo insurers",



"Tianjin port covers an area of around 125 sq km", says Derrick, "but only a small part of the port was affected by the explosion. Even so, we are expecting to see cargo losses of at least USD1.5 billion with some reports stating that the final figure could be as high as USD6 billion. Cargo insurers need to understand what the dollar loss might have been if the entire port had been affected, perhaps by a natural catastrophe such as an earthquake or tsunami".

He continued, "Added to the direct impact of the Tianjin explosion, we also understand that goods outside of the blast area have been contaminated by dangerous chemicals. This will add to the final loss figure".

The Tianjin incident, coupled with other large losses in 2015 – including the grounding of car carrier Höegh Osaka resulting in a vehicle loss exposure of GBP35 million – is expected to have an impact on the profitability of the marine cargo sector in 2014 and 2015.

Derrick believes that the management of unexpected accumulation risk will become an increasing problem for cargo insurers in the future and called for new technology to assist insurers handle that risk.

More positively, Derrick reported a reduction in successful piracy attacks off the Somali coast but warned that attacks off the Malay Peninsula were increasing and called for more to be done to suppress this trend.

Closer to home, IUMI's cargo committee have highlighted a growing threat to cargo underwriters from so-called "broker facilities". Increasingly, brokers were channelling business to enhanced fee

paying insurers without assessing the individual risk. Not only was this a dangerous activity in its own right, but it also placed pressure on full-service underwriters who had to carry full costs but with less business.

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Notes to editors:

The International Union of Marine Insurance (IUMI) is a professional body which is run by and for its members. IUMI represents national and international marine insurers and considers issues of interest to the worldwide marine insurance industry. IUMI currently has 48 national associations as members, protecting and advancing their interests. IUMI's roots date back to 1874.