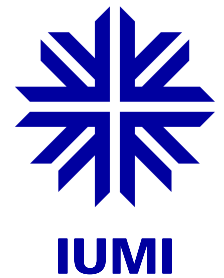


Marine cargo market characterised by “accelerating change” as underwriters take action to address continuing unprofitability, says IUMI



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Speaking at today's IUMI (International Union of Marine Insurance) annual conference in Toronto, Canada, Sean Dalton, Chair of IUMI's Cargo Committee reported a 2.5% increase in 2018 global premiums to USD 16.6 billion. However, the increase was largely attributable to growth in global trade and exchange rate fluctuations.

Dalton characterised the marine cargo market as being in a state of “accelerating change” driven by underwriters taking action to address unprofitable results and to improve performance.



He explained: “on a global basis, the cargo line is unprofitable and has been for a number of years. Premiums have not been technically adequate to cover losses and expenses and, as such, have not delivered an acceptable return for capital providers. A significant reason for this ongoing situation is the commoditization of this speciality line of business which has lowered entry barriers and attracted new entrants, some of whom are now exiting.

As result, underwriters are addressing their portfolios with urgency and reviewing technical rate adequacy, expenses, terms and conditions, deductible levels, and capacity/limit deployment. A greater focus has been placed on commitment to business, stability and capabilities to ensure underwriters deliver a stable offering that can be robustly delivered.”

World trade global growth is expected to achieve 2.6% in 2019 and 3% in 2020. This, coupled with governments in emerging markets investing in infrastructure and promoting domestic manufacturing, gives a positive outlook for cargo insurance. However, weaker economic projections and concerns over trade wars may dampen expected growth and are of concern.

Already, 2019 has been impacted by nine major cargo vessel fires which, tragically, have resulted in loss of life, injury and environmental damage. Misdeclaration of cargo appears to be the main culprit and is driving some shipping companies to take the unprecedented step of announcing significant fines to those responsible.

Ashore, there have been cargo storage losses in 2017 and 2018 from nat-cat incidents as well as a number of significant fire losses over the past 12 months. The marine cargo market insures a significant amount of property contents storage under Warehouse/Storage Endorsements and “Stock Thru Put” policies. The current soft market has increased this risk profile as underwriters have been offering broader terms, higher nat-cat limits, lower deductibles and more competitive prices than their property counterparts would provide.

Dalton concludes: “In addressing these issues, cargo insurers are encountering old and new challenges. These include compliance, sanctions, War and SR&CC, emerging risks and new coverage requirements. With each cargo insured loss there are related uninsured losses. These might include business interruption due to supply chain issues, trade disruption, or loss of market. Emerging technologies may provide tools and capabilities to enable the development of new products. To meet these needs cargo underwriters must get the basics right if they are to be in a position to capitalize on future opportunities. It is certain that exposures will continue to increase in size and complexity for the cargo underwriter and this will require a sustainable approach to the business to meet the demands of the present and the future”.

Ends

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Notes to editors:

The International Union of Marine Insurance (IUMI) represents 43 national and marine market

insurance and reinsurance associations. Operating at the forefront of marine risk, it gives a unified voice to the global marine insurance market through effective representation and lobbying activities. As a forum for the exchange of ideas and best practice, IUMI works to raise standards across the industry and provides opportunities for education and the collection and publication of industry statistics. IUMI is headquartered in Hamburg and traces its roots back to 1874.

More information can be found at www.iumi.com