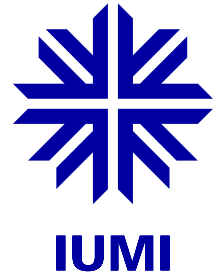


# Marine cargo underwriting results for 2014 seemingly improved, but industry faces significant challenges in 2015, says IUMI



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IUMI – the International Union of Marine Insurance – unveiling its annual statistical report on the marine insurance market at today's conference in Berlin - announced global premiums for 2014 of USD 32.6bn. Although a 3.2% reduction on the 2013 figure, converting local currencies to a single US dollar figure was impacting on the true result.



Vice-Chairman of IUMI's Facts & Figures Committee, Astrid Seltmann explains:

"The 2014 reduction was largely attributed to the strong US dollar, particularly for the cargo market which is generally written in other currencies."

The 2014 total comprised income from the following regions:

- ? Europe 52.6%
- ? Asia Pacific 25.0%
- ? Latin America 9.8%
- ? North America 6.4%
- ? Middle East 3.1%
- ? Africa 3.0%

and the following business lines:

- ? Global hull 23.2%
- ? Transport/cargo 51.9%
- ? Marine liability 6.6%
- ? Offshore/energy 18.2%

(A further breakdown is given in the notes below)

### Cargo sector

In the cargo sector, a number of local markets experienced positive growth but that growth was largely hidden by the strong US dollar.

It is generally assumed that a loss ratio of 70% or less represents a "technical profit" for the sector. While the 2014 underwriting year seems to have produced a technical profit (based on figures as of December 2014) it is likely that the Tianjin explosion – as potentially the largest single cargo loss ever recorded - will impact significantly on 2014 and 2015 results. The outlook for the cargo market is hard to predict in light of the current changing economic environment.

### Hull sector

Hull sector premiums amounted to USD7.6bn which was a 5.8% reduction from 2013. The majority of hull business is written in US dollars and so the strong US dollar was not thought to be the sole reason for the reduction in premium income in 2014. Some markets (Lloyd's, IUA, Nordic) recorded an improvement over last year whilst others, notably Japan and Latin America, delivered a reduction in income.

The extraordinary absence of major hull losses in 2014 resulted in the sector recording a technical profit for the underwriting year 2014. In addition, hull premiums are generally collected in US dollars whilst repair costs are often paid-out in local currencies, this might also have contributed to the stronger performance. 2015 has already seen a number of total losses and this will have a negative impact on the 2015 results.

Ms Seltmann expressed caution:

"Although the hull sector turned-in a technical profit this year, we can attribute that positive performance to an unusual lack of large vessel losses. I don't believe this is the "new normal" and I would not be surprised to see a reversal of fortunes for the hull sector in future years".

### Offshore energy

It was reported that premium income from this sector reached USD 5.7bn, up 11.1% from 2013.

Going forward, it was thought that the low oil price would have a significant effect on income in future years due to the postponement/cancellation of offshore projects and the subsequent reduction in contracted risk. A series of high profile losses already recorded in 2015 coupled with the low interest rate environment and general market instability was thought to have a detrimental effect on future income and results.

### Overall results

Overall, the seeming improvement in the 2014 underwriting results is likely to be over-shadowed

by events in 2015 – particularly in Tianjin. The trend towards large losses continues – Costa Concordia (2012), Sandy (2012) and Tianjin (2015) are recent examples; and the market environment continues to change.

Patrizia Kern-Ferretti, Chairman of IUMI's Facts & Figures Committee said:

"Uncertainty seems to be the only constant going forward. Economic upturn is likely to support growth in premiums but the high growth markets are slowing down. Risks from a China-led slowdown have also increased. Although world-trade is subdued, it is not clear how far this reflects a structural shift in trade intensity of production. At the same time, our sector is experiencing strong M&A (Mergers & Acquisitions) activity which will further globalise capacity and present possibilities for diversification and more specialised products. M&A is also making more talent available in the market and that, coupled with an abundance of capital, has the potential to increase the number of companies supplying insurance which will maintain pressure on pricing."

IUMI's total world-wide premium coverage has constantly improved and is now close to 95%. It now includes data from all relevant marine insurance markets including Asia, Latin America and Africa. Care should be taken when making comparisons with earlier figures as coverage in those years was not as extensive. Similarly, "global" loss ratios for hull, energy and cargo do not encompass all regions and so are not true reflections of the USD 32.6bn marine market. Although the loss ratio data is reported from the major marine insurance markets (Belgium, France, Germany, the Netherlands, the Nordic countries, Italy, United Kingdom and the US), such information from Asia, Latin America or Africa is not yet available. Caution should be applied.

### Further information from:

Mike Elsom, Navigate PR (London)  
T: +44 (0)20 3326 8464 / +44 (0)7968 196077  
E: melsom@navigatepr.com

### Hull Premium 2014 by region

Total USD 7.6 billion (down 5.8% compared with 2013)

- ? Europe 53%
- ? Asia Pacific 34.6%
- ? Latin America 5.1%
- ? North America 5.3%
- ? Middle East 1.1%
- ? Africa 1.0%

## Cargo Premium 2014 by region

Total USD 16.95 billion (down 7.1% compared with 2013)

- ? Europe 43.0%
- ? Asia Pacific 28.9%
- ? Latin America 12.7%
- ? North America 6.4%
- ? Middle East 5.6%
- ? Africa 3.4%

## Offshore/energy Premium 2014 by market

Total USD 5.7 billion (up 11.1% compared with 2013) (major part written in USD; two units with substantial increases)

- ? UK (Lloyd's) 47.4% (incl. proportional and facultative reinsurance)
- ? UK (IUA) 22.3%
- ? Brazil 4.4%
- ? Nigeria 3.8%
- ? Mexico 3.6%
- ? Malaysia 3.1%
- ? Nordic 2.5%
- ? Japan 2.4%
- ? Egypt 1.9%
- ? India 1.9%
- ? Italy 1.5%
- ? USA 1.3%
- ? Other 3.7%

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,