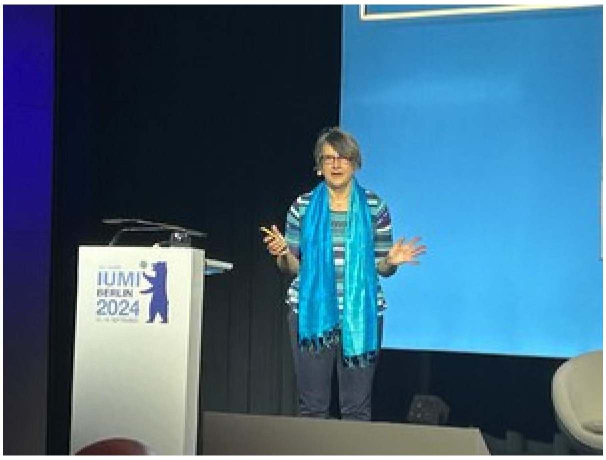
Positive development across all marine insurance lines of business continued in 2023, reports IUMI

IUMI

16th September 2024

Today, the International Union of Marine Insurance (IUMI) presented its analysis of the latest marine insurance market trends at its 150th annual conference in Berlin, Germany.



The global marine insurance premium base for 2023 was reported as USD 38.9 billion representing an uplift of 5.9% from the previous year. Development was seen across all lines of business with the Offshore Energy sector enjoying a 4.6% increase, Cargo insurance 6.2% increase and Ocean Hull 7.6% increase.

Distribution of premiums had not changed significantly from 2022 with Cargo commanding the largest share at 56.9% followed by Ocean Hull (23.6%), Offshore Energy (11.9%) and Marine Liability (7.7%). By region, Europe continued its dominance with a 48.5% share of global premiums followed by Asia/Pacific (28.1%), Latin America (10.9%), North America (7.0%) and the rest of world at 5.5%. Interestingly, after a period of decline, European premiums had enjoyed an upward trend since 2019 and the Asian market had also continued its rally since its downward trend ended in 2016. Latin and North America were also showing a modest upswing in their premium base.

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

> "Global premiums reflect a combination of insurable volumes and prices per unit. The drivers for the increase in premiums are typically a continued rise in global trade volumes & values (cargo), coupled with increases in vessel values (hull), or the increase in oil price inducing more activity in the offshore energy segment. More widely, geopolitical conditions will have impacted premiums in a number of regions, as have general market conditions, specifically capacity. Overall, 2023 appears to have been a positive year for marine underwriters. The other part of the equation is the impact of claims which has been comparably benign over the past few years, despite individual severe claims giving rise to concern such as fires; and some visible inflation

impact on the average cost of attritional losses. However, ever larger vessels, increasing value accumulations, changes in technology and fuels as well as changes to trading routes all mean a change of risk, which needs to be taken monitored and taken into account going forward."

Offshore Energy

Global premiums in the Offshore Energy market were reported as USD 4.6 billion in 2023, a 4.6% uplift on 2022. The UK continued to dominate with the Lloyd's and IUA markets accounting for a 28.2% and 36.8% share respectively.

The fortunes of this market tend to follow the oil price which appeared to have stabilised at a comparatively healthy level. This had driven renewed activity which, in turn, had led to positive market development. Premiums had rallied after reaching a low in 2019 and have continued upwards since then. The future trend will depend on the stability of the oil price and OPEC+ production decisions as well as insurance market capacity.

In recent years, claims were relatively low even though many offshore assets were being reactivated. However, 2023 saw two major losses and loss ratios (Europe) were starting out at a higher level than in previous years. Loss ratios in this sector take time to develop with no obvious pattern and so it is not certain how 2023 will play out. However, it is likely that 2023 will underperform when compared with the years 2020-2022.

Although day rates for offshore assets remained high, future performance of this sector will depend on oil price/production, weather events and market capacity. Similar to last year, a fragile balance between premiums and claims remains.

Cargo

Cargo insurance returned a global premium base for 2023 of USD 22.1 billion – a 6.2% improvement on 2022. All regions experienced growth with Europe and Asia enjoying marked positive development. Overall, Europe claimed a 39.8% share followed by Asia/Pacific (32.2%), Latin America (11.9%), North America (7.5%), Middle East (6.0%) and Africa (2.7%). In general, premium growth in this sector follows global trade which had now normalised following COVID. The International Monetary Fund was predicting continued growth in world trade values, and this bodes well for cargo underwriters going forward, although such projections are subject to a considerable amount of uncertainty given the geopolitical situation. It should be noted that exchange rate fluctuations tend to impact most heavily on this sector, such that growth trends may deviate in local currencies and also make direct comparisons with earlier years more difficult.

Cargo underwriters suffered challenging loss ratios prior to 2019 but since then ratios have improved year-on-year. Although fires and floods have had an impact on claims, loss ratios for Europe in 2023 appeared to be more positive than in recent years. Loss ratios in other regions were also enjoying an improvement since 2019. The overall claims impact remained stable.

In general, Cargo insurance was enjoying improved results and a long-awaited period of positive stability. That said, a number of perennial issues will continue to impact including large vessel fires, mis-declared cargoes, accumulation of risk, severe weather events and geopolitical instability.

Ocean Hull

The Ocean Hull sector reported global premiums of USD 9.2 billion representing a 7.6% increase from the previous year. Europe commanded the largest share at 51.8% followed by Asia/Pacific (35.5%), Latin America (7.6%), North America (4.3%), Africa (0.6%) and Middle East (0.3%). The UK, China and Latin American markets had all experienced an increase in share during 2023 whilst the recent (and dramatic) rise in the Nordic market now appeared to have stabilised.

A return to normal shipping activity following COVID had a positive impact on vessel values in most classes and a higher demand for vessels had driven up the global premium base. This was particularly true for offshore support vessels whose values had risen significantly following a stable oil price and a reactivation of offshore activities.

Previously, there was concern over the large gap between total gross tonnage/number of vessels and global premiums which had opened markedly between 2011-2018. This gap began to close slightly from 2020 and, in 2023, had continued to reduce.

Following post-COVID reactivation, the frequency of hull claims showed some increase but had not yet exceeded pre-pandemic levels. Total loss frequency also showed a slight recent increase but remained at a very low level. The claim cost per vessel increased somewhat and in 2023, for the first time, exceeded the pre-COVID level. This was mainly due to increased major loss impact, particularly from costly vessel fires, which remains an ongoing issue.

Loss ratios (Europe) started at a higher point than the previous three years which might be attributed to a combination of an increase in claims coupled with the inflationary impact of repair costs. It is likely that 2023 loss ratios across most regions will be less positive than the previous two or three years, but better than the years prior to 2020.

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

> “Overall, 2023 was a positive year for marine underwriters with market development seen across all lines of marine insurance business. World trade continued to grow which impacted positively on the global premium base, particularly for cargo insurance. The oil price appears to have stabilised which is good for the offshore sector. Inflationary pressure has eased and many central banks are beginning to cut their interest rates. The claims environment was also relatively moderate in 2023 with no major weather events or vessel casualties making a significant impact on the overall costs, despite a few costly fires. Large vessel fires, particularly on

containerships and car carriers, are still a major concern for hull and cargo insurers."

"Increasing geopolitical tensions are creating headwinds for our industry and there seems no end to their impact in 2024 or beyond. The continuing Houthi attacks in the Red Sea area and the Russia/Ukraine war are disrupting traditional shipping routes and causing some carriers to change the way they operate. And we must not forget the tragic loss of life suffered by seafarers in those regions. Re-routing vessels around Africa brings additional risks but, so far, we have not seen any significant issue. On the flip side, these longer routes, particularly for containerships, have absorbed the influx of newbuilds into the market ensuring freight rates remain stable."

"Other headwinds for 2024 and beyond will include the impact of the impending US election, climate change and associated extreme weather events, zero-carbon fuel technology and cyber-risks. But despite this, the marine insurance market has fared well in 2023 and I'm confident that marine underwriters will embrace future change with the same alacrity they've shown previously."

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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