Risk profile of global hull market improving, says IUMI

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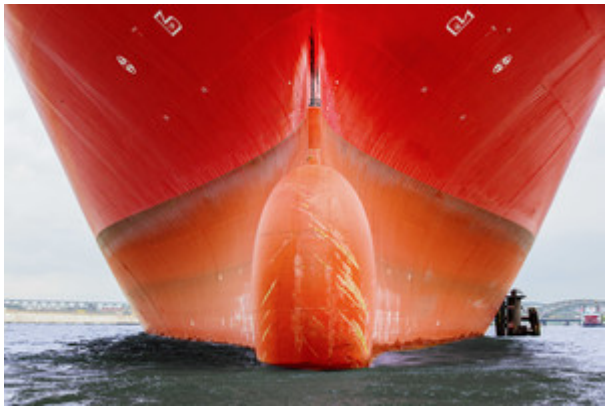

IUMI – the International Union of Marine Insurance – at its annual conference in Berlin yesterday announced that global hull premiums for 2014 totalled USD 7.6bn, a 5.8% reduction from 2013.

IUMI's Ocean Hull Committee Chairman, Mark Edmondson, commented:

"Overcapacity and a flatter cycle are the new normal. Hull underwriters are facing extremely challenging market conditions driven by chronic over capacity. Rates are highly competitive and to achieve an acceptable profit insurers require a sensible and well-conceived mix of business; a thorough knowledge of risk and increasingly good fortune. Whilst risk selection is a skill in which many hull insurers pride themselves, the "miss" factor can so often be the difference between achieving a positive or negative return for capital providers."

Other factors influencing the hull market include malicious and non-malicious cyber threat; oil price volatility; and technological advancements of vessels in scale, size and complexity.

Overall, Edmondson thought the risk profile of the hull market was improving:

"The tanker industry is now better regulated; the average age of the 20,000 dwt plus dry bulk fleet in now just nine years; and port state detentions are down. Some practitioners are asking if the current reduction in frequency of major losses is the norm rather than the exception. Although we've seen a relatively low major casualty rate for 2013-2014, I believe this will be short-lived. That said, an emphasis on understanding the wider issues that affect both the shipping and marine insurance industries and a more detailed knowledge of risk is increasing."