

Shipping's move to net-zero is welcome but new risks must be understood and insured, says IUMI President



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IMO's recent strengthening of its environmental ambitions heralds a significant turning point for the shipping industry and, consequently, a heightened impact on marine insurers. In his workshop to close this year's International Union of Marine Insurance (IUMI) annual conference in Edinburgh, Scotland, President Frédéric Denèfle sets out the context:

"IUMI welcomes the recent announcement from IMO that GHG emissions from ships will be reduced further. New targets require net-zero emissions by close to 2050 with a 20-30% reduction by 2030 and a 70-80% reduction by 2040— from the 2008 baseline. To achieve this, the industry will need to adopt a series of immediate measures followed by intermediate technologies and, finally, a long-term technology shift. It's gratifying to see that leading shipowners, supported by charterers, have already made the first steps with some trail-blazing their way to early decarbonisation."



He continued:

"For the marine insurance community, it is vital that we maintain pace with all the incoming changes and innovations so we fully understand each and every risk involved enabling us to support shipowners to de-risk their new operations. This will include ensuring the continued safety of our crews at sea, their training and their well-being; as well as the safety of the vessels themselves and their cargoes."

Delegates understood that the transition process had already begun with a rapid move to digitalisation of the supply chain to introduce operational efficiencies together with the introduction of a variety of onboard energy saving devices such as route optimisation and propeller/hull energy saving innovations. As an interim solution, some shipowners were adopting LNG dual-fuel, biofuels and wind-assisted propulsion. Longer-term, zero-emission propulsion options might include ammonia, hydrogen or methanol. Each of these new technologies would give rise to a

new set of risks that marine underwriters will need to insure. As the transition proceeds, retrofits will give way to new-builds, again giving rise to new types of risks.

“With new innovations and a changing risk profile, the need for enhanced information becomes paramount”, said Frédéric Denèfle. “It will be important for underwriters to receive and analyse data on ESG, economic and technical performance. In the past, we had relied upon historical information and statistics but today, real-time, dynamic data such as weather, geopolitical, regulatory, routing and engine information are all available to us. We need to capitalise on this, as some underwriters are already doing, to ensure our cover remains relevant. Capturing a range of new data from new and alternative sources will be key and the trick will be to adopt systems that allow marine insurers to make sense of what they are receiving and apply it to their risk portfolios. Predictive risk management and improvement to risk quality will, inevitably, lead to greater sustainability and profitability of our sector”.

Sunning up, the conference heard that key risks likely to emerge from the introduction of new GHG technologies would include new onboard hazards; a complex portfolio of GHG emissions; the introduction of new technology systems; and a re-balancing of voyage dynamics and chartering strategies.

Frédéric Denèfle concluded: *“One of our speakers said “transformation involves taking risks and making investments in new technologies”, which is quite right. But it is the job of marine underwriters to assist all those involved, including shipowners and charterers, to de-risk their operations as far as possible and provide new and innovative insurance products.”*

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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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