



COVID-19 and the Impact on Marine Insurance

Richard Turner, FCII – President, IUMI

6th May 2020



COVID-19 and the Impact on Marine Insurance

Key Themes



(1) COVID-19: The situation



(2) Client industries under acute pressure. Trade set to plunge.



(3) Impacts for the Marine Insurance sector



(4) There are some important things going on other than COVID...



(5) The rapid shift towards digitalization of our business

[1] COVID-19: The Situation

A human tragedy, accompanied by economic pain



HISTORY

Started in Wuhan,
China in Dec 2019

Spread through:
Asia (Jan 2020) ...
Europe (from February)
America (from March)

Coronavirus Cases

3,402,886

Deaths

239,653

Recovered

1,084,606

*(source: worldometers.com as at
2nd May)*

RESPONSE

Typical Government
responses:

Lockdowns

Social distancing

Border controls

Non-essential
workers sent home

Travel restrictions

Retail outlets & bars /
restaurants closed

Economic stimulus
packages

OUTCOMES

3bn people in
lockdown

Production output
reduced

Businesses facing
budgetary pressures

Long term impact on
industries geared
around people

Oil majors cutting
capital expenditure

IMPLICATIONS

- **Lots of unknowns. Speed & extent of economic 'bounce back' is unclear**
- **World trade, shipping and logistics squeezed**
- **Infrastructure projects cancelled / postponed**
- **Altered future demand for oil?**
- **Reshaped economies?**
- **Increased pace of shift towards digitalization?**

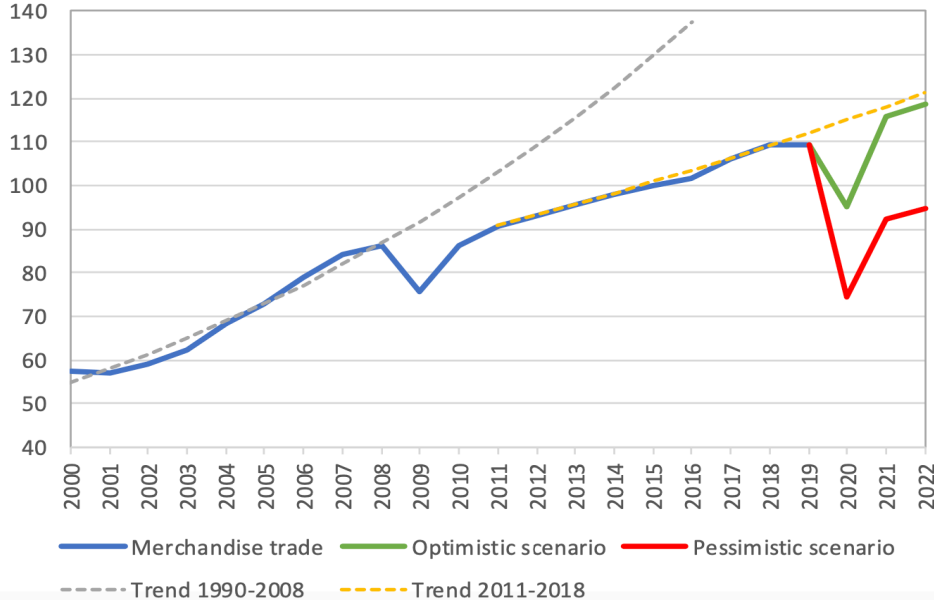
[2] Trade set to plunge as COVID-19 pandemic upends global economy

“World merchandise trade is set to plummet by between 13 and 32% in 2020 due to the COVID-19 pandemic” *World Trade Organization 8th April 2020*



Chart 1 - World merchandise trade volume, 2000-2022

Index, 2015=100

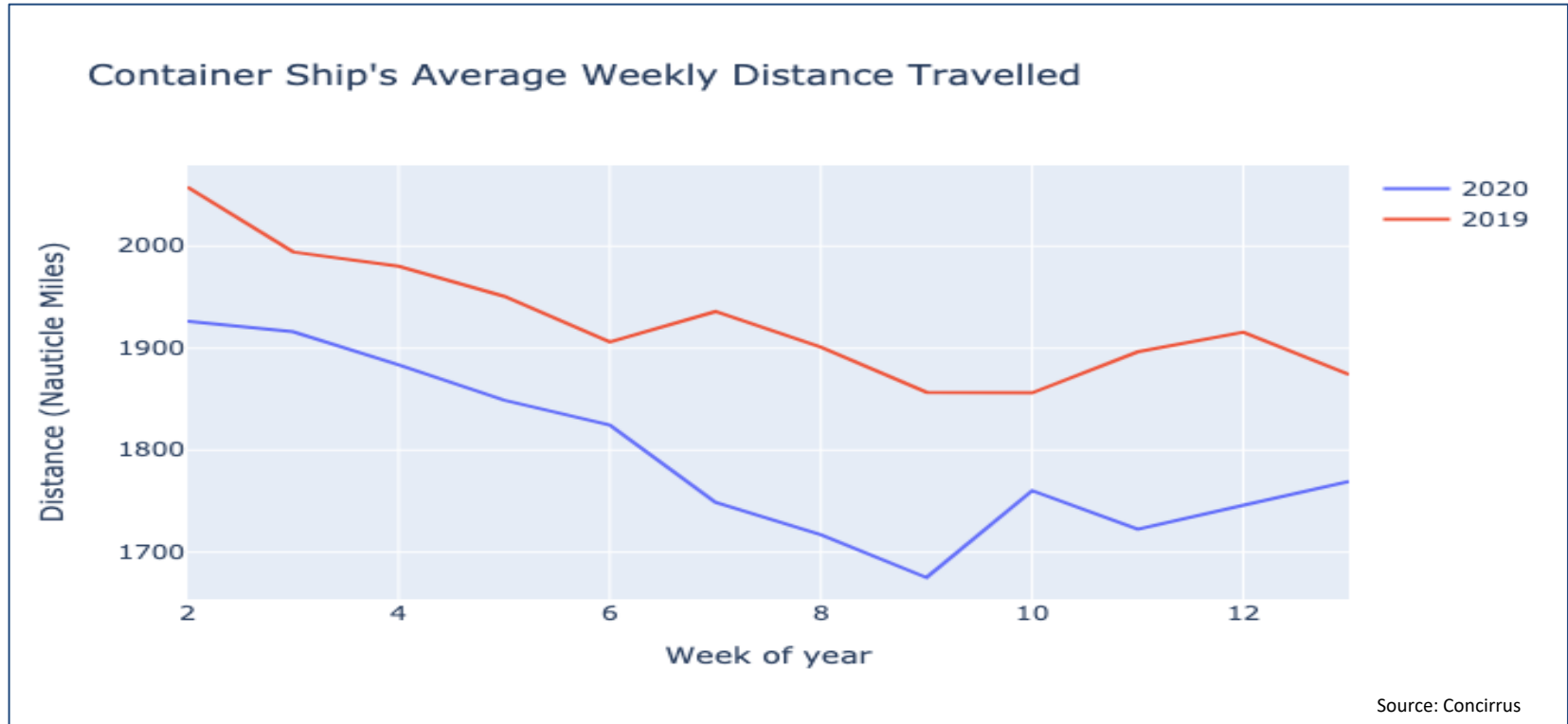


WTO Highlights

- **Trade already slowing in 2019** (weighed down by trade tensions & slower growth)
- **2021 recovery** is dependent on the duration of the outbreak
- **Nearly all regions will suffer double-digit declines in trade volumes.** Exports from North America and Asia hardest hit
- Trade likely to fall more steeply in sectors with **complex value chains**

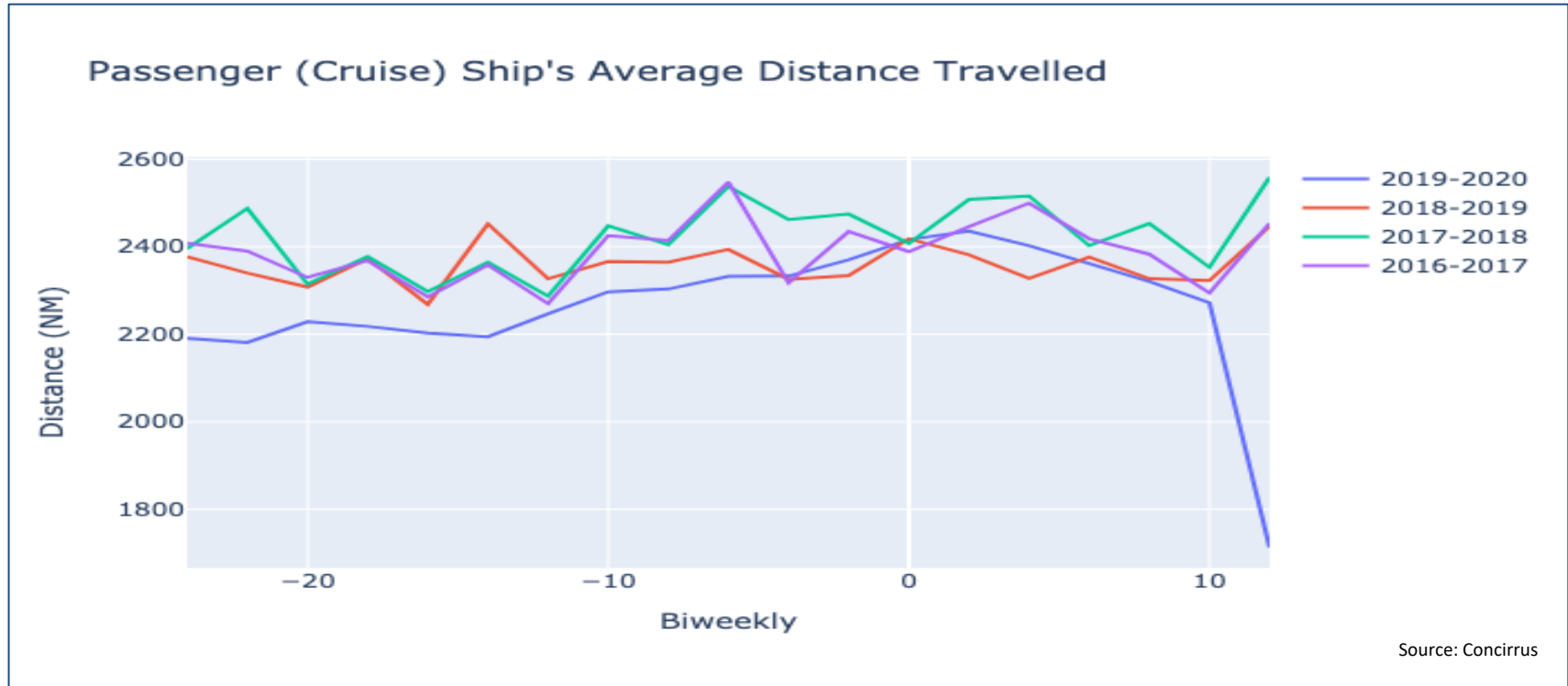
[2] Evidence of reduced trade activity in recent voyage patterns

Containerships mileage reduced sharply, but is slowly picking up...



[2] Evidence of reduced shipping activity in recent voyage patterns

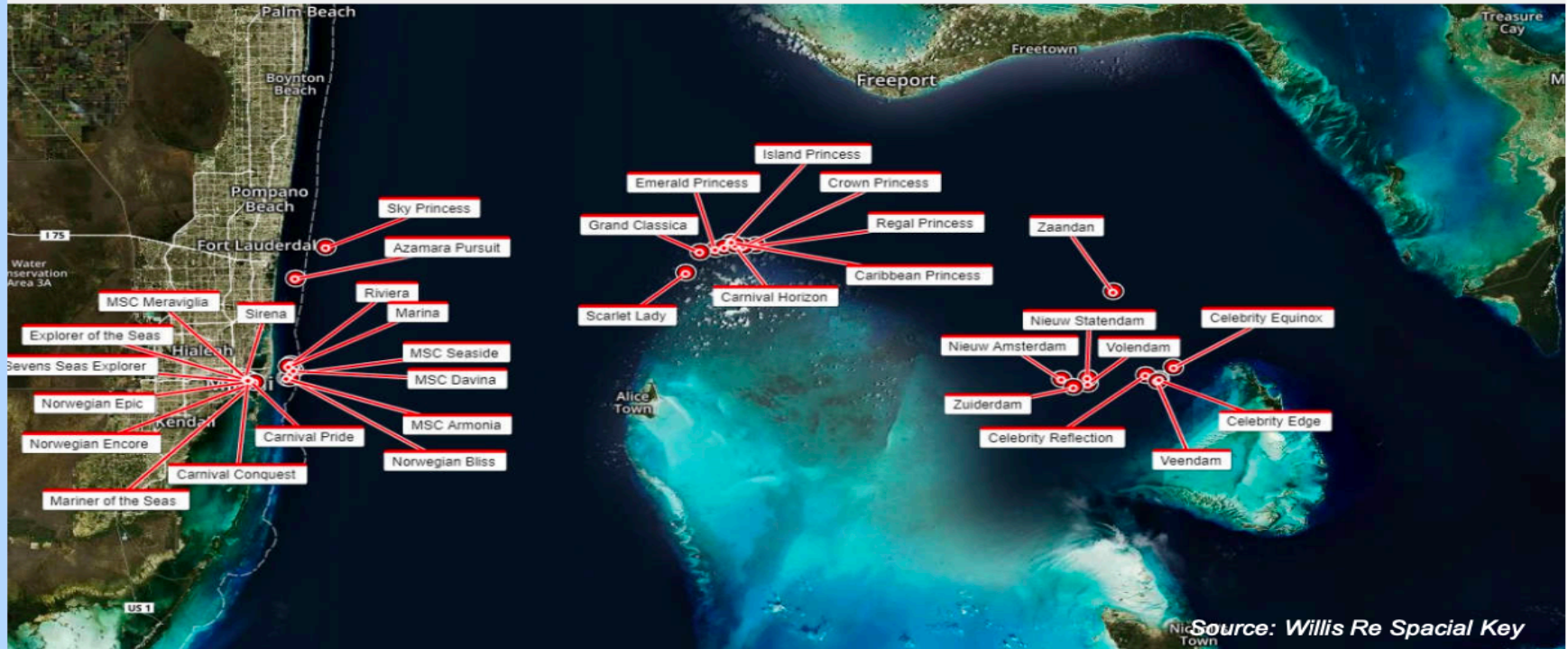
Cruise ships have been significantly impacted...



[2] Evidence of reduced shipping activity in recent voyage patterns...

... leading to accumulation risk on cruise ships in some port areas

Port of Miami and Bahamas



Source: Willis Re Spacial Key

[2] Significant impact on Shipping, Transport & Logistics sectors...

Shipping and Transport have a key role to play in overcoming COVID



On Ships

Safety & health of crew

Quarantining

Crew exchanges

Virus cases onboard

Delays to statutory class work /
vessel inspections

Extension of certificates



Transport & Logistics

Disruptions in supply chains

Border restrictions

Bottle necks in port areas

Complex port procedures

RAMIFICATIONS

- **Compromised safety?**
- **Ramifications for Loss Prevention and Loss Control?**
- **Accumulation risk?**
- **Ability of surveyors & salvors to respond to major casualties?**
- **Will COVID speed the adoption of technology in the Logistics sector?**

[3]Leading to likely impacts for the Marine Insurance world

Likely reduction in the size of the Marine Insurance sector

(USD 28.9bn GWP in 2018 – source: IUMI)



GENERAL

Less premium overall

Potential **cash flow** problems in paying premiums

Impact of COVID claims outside Marine products within insurers?

Delays in projects, reduced industry investment

Lower investment returns for insurers

CARGO

Decline in trade

Disruption and fragility in supply chain?

Warehouse overflow?

Port accumulation?

Ports open but with reduced workforce

Multi-country supply chains affected by border controls and factory closures

Future shifts in manufacturing bases?

HULL

Delays in port

Availability of spare parts

Increased vessel lay-ups?

More scrapping?

Reduced demand for newbuilds?

Changing voyage patterns?

P&I/LIABILITIES

People related claims:

- Quarantine
- Seafarers (illness/death)
- Repatriation costs
- Passenger liability

Economic exposures:

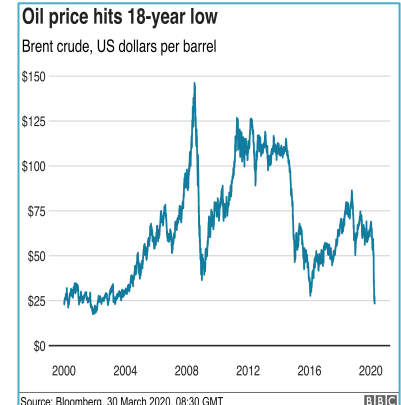
- Deviation
- FD&D
- Fines
- Liability to Cargo

ENERGY

Short term slump in demand for oil

Long-term potential for reduced demand

Capital spending cut -25%



[4] COVID-19 is immediate and urgent but it is not the only issue we face...
Environmental concerns / growth in protectionism / container ship safety



[5] What are we experiencing in the lockdown, working from home?

My survey said...



Improved work/life
balance

No commuting

Easy to get hold of
people

Huge increase in video
conferencing



Things often take longer
working remotely

Some activity is harder
online (you cannot read
body language so easily)

Worries about financial
stability



More remote working/more
digitalized?

Less travel / fewer business
trips?

More electronic trading?

Change in working practices?

What will office environments
look like?

COVID-19 and the Impact on Marine Insurance

Summary



COVID-19 – The situation



Client industries under acute pressure. Trade set to plunge.



Impacts for the Marine Insurance sector



There are some important things going on other than COVID...



The rapid shift towards digitalization of our business

Contact me:

richard.turner@iumi.com or on linkedin