

## Shipping losses lowest this century, but incident numbers remain high: AGCS

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Large shipping losses last year fell to their lowest level this century, having declined by over 50% year on year, according to Allianz Global Corporate & Specialty SE's (AGCS) *Safety & Shipping Review 2019*. The annual study analyzes reported shipping losses over 100 gt.

The annual survey found that there were 46 large ships lost worldwide in 2018, 55% below the 10-year average of 104 and down from 98 losses the previous year. AGCS said that it was driven by a significant decline in activity in global loss hotspot South East Asia, while weather-related losses halved to 10, after quieter hurricane and typhoon seasons.

AGCS said that, while this decline was encouraging, the number of reported shipping incidents overall (2,698 in 2018) showed little decline – less than 1% year-on-year.

Machinery damage was the major cause, accounting for more than a third of the more than 26,000 incidents over the past decade. This was twice as many as the next highest cause, which was collision. AGCS noted that machinery damage was one of the most expensive causes of marine insurance claims, accounting for more than \$1bn in claims in five years.

Baptiste Ossena, Global Product Leader Hull & Marine Liabilities at AGCS, said that “today’s record low total loss activity is certainly influenced by fortunate circumstances in 2018, but it also underlines the culmination of the long-term improvement of safety in the global shipping industry,” adding that “improved ship design, technology, tighter regulation and more robust safety management systems on vessels have also helped to prevent breakdowns and accidents from turning into major losses. However, the lack of an overall fall in shipping incidents, heightened political risks to vessel security, complying with 2020 emissions rules and the growing number of fires on board bring challenges.”

The South China, Indochina, Indonesia and Philippines maritime region remained the top loss location. One in four losses – 12 – occurred here during 2018. However, this was significantly down from the year-earlier figure of 29. The East Mediterranean and Black Sea (six losses) and the British Isles (four losses) were second and third.

AGCS observed that Asia would remain a hotspot for marine claims because of its high level of trade, busy shipping routes and older fleets. “However, newer infrastructure, better

port operations and more up-to-date navigation tools will help to address challenges”, AGCS said.

With 15 losses, cargo ships accounted for a third of vessels lost around the world in the past year. The most common cause of ship losses remained foundering (sinking), which accounted for more than half (551) of the 1,036 lost over the past decade. In 2018, 30 cases were reported.

Fires continued to generate large losses on board. The number of reported incidents (174) was trending upwards. AGCS noted that this had continued through 2019, with a number of recent problems on container ships and three significant events on car carriers.

Misdeclared cargo, including incorrect labelling/packaging of dangerous goods was believed to be behind a number of fires at sea, and onboard fire-fighting capabilities could be limited. “If considerable outside assistance is required significant damage can occur to the ship before this happens, greatly increasing the size of any salvage claim”, noted AGCS.

Meanwhile, the loss of hundreds of containers over board from a large vessel in early 2019 provided a reminder that damaged goods was the most frequent generator of marine insurance claims, accounting for one in five over five years.

Political risk had heightened around the globe and increasingly posed a threat to shipping security, trade and supply chains through conflicts, territorial disputes, cyber-attacks, sanctions, piracy and even sabotage, said AGCS, noting the recent attacks on oil tankers in the Middle East.

The growing number of migrants at sea and an increase in stowaways on commercial vessels had serious consequences for ship owners, leading to delays, diversions and pressure on crew.

Piracy incidents increased in 2018 to more than 200 – Nigeria is now the top global hotspot.

The most accident-prone vessels of the last year were three Greek Island ferries, all of which were involved in eight different incidents.

AGCS provides global marine and shipping insurance for all types of marine risk, from single vessels and shipments to the most complex fleets and multinational logistics businesses. The Marine Line of Business contributed 11% to AGCS overall premium volume of €8.2bn in 2018.