



Market correction in cargo insurance underway but uncertainty prevails, says IUMI

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The premium base for cargo underwriting grew from 2019 to 2020, but market uncertainty continued, according to the latest IUMI stats report. Loss ratios improved in 2019/20 and have returned the sector to a technical break-even for the first time in many years.

The international marine insurance association noted that In 2020 the cargo market reported a global premium base of \$17.2bn, up 5.9% year on year.

China maintained its strong growth path. Other regions performed moderately well, with the exception of Brazil and India.

IUMI noted that exchange rate volatility had a greater effect on globally assessed cargo premiums because policies were more likely to be written in local currencies than was the case with hull or liability.

IUMI noted that the potential income in the cargo market tended to follow trends in world trade, and economic activity had bounced back since the pandemic began in a stronger manner than had been anticipated.

Predictions from the International Monetary Fund were positive for the coming period which IUMI said was a strong indicator for a continuing upwards trend of the overall cargo premium income. However, it warned that frailties in global supply chains, exposed by the pandemic, were likely to result in a re-organization and, perhaps, bring manufacturing bases closer to consumers. Other issues that were impacting cargo were port delays due to a shortage of manpower (including in warehousing and trucking) and the current spate of containership blank sailings from the US to Asia.

All of this would impact the cargo sector, IUMI warned.

In the past decade large event claims caused by weather and navigational events had contributed to suppress technical profitability. The low claims impact in 2020 helped improve the profitability of cargo underwriting in 2019 and 2020.

However, 2021 was looking less optimistic as it appeared that the frequency and severity of claims once again was increasing. This was particularly due to an increase in severe nat cat events.

The trend for storing large amounts of cargo at single sites or on single vessels exposed high values to nat cat or man-made events and thus increased the potential for new record claims, IUMI warned, stating that “from that perspective, there is an urgent need for marine insurers to control their portfolio exposure with regard to such potential event losses”.

There had been no let-up in the number containership fires. Noted IUMI, returning to one of its strongest areas of campaigning in the past few years.

The latest analysis (as of June 2021) by the Nordic Association of Marine Insurers (Cefor) showed that the frequency of fires on container vessels had not declined, even though overall claims frequency had.

Cefor noted that this was particularly true for large container vessels, which were more prone to fires because of the higher the number of containers on board and the greater probability that at least some of the containers might contain cargo which might self-ignite. There were many challenges inherent in fighting a fire on such a large vessel at sea and IUMI said that this would impact seafarers, the environment.

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