

Multiple impacts of Ukraine events, says AGCS

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In its Safety & Shipping Review 2022 Allianz Global Corporate & Specialty has reported that there were 54 large ships lost worldwide last year.

It said that the Ukraine invasion had multiple impacts:

- loss of life/vessels
- exacerbation of crew crisis
- trade disruption
- sanctions burden,
- cost and availability of bunker fuel.

The shipping industry has been affected on multiple fronts by Russia's Russian seafarers account for just over 10% of the world's 1.89m workforce, while around 4% come from Ukraine. These seafarers may struggle to return home or rejoin ships at the end of contracts.

Meanwhile, AGCS said that a prolonged conflict was likely to have deeper consequences, potentially reshaping global trade in energy and other commodities. An expanded ban on Russian oil could contribute to pushing up the cost of bunker fuel and impacting availability, potentially pushing ship owners to use alternative fuels. If such fuels are of substandard quality, this may result in machinery breakdown claims in future.

At the same time, security agencies continue to warn of a heightened prospect of cyber risks for the shipping sector such as GPS jamming, Automatic Identification System (AIS) spoofing and electronic interference.

"The insurance industry is likely to see a number of claims under specialist war policies from vessels damaged or lost to sea mines, rocket attacks and bombings in conflict zones," said Justus Heinrich, Global Product Leader, Marine Hull, at AGCS, adding that "insurers may also receive claims under marine war policies from vessels and cargo blocked or trapped in Ukrainian ports and coastal waters."

The evolving range of sanctions against Russian interests presented a sizeable challenge, the insurer said. Any violation of sanctions could result in severe

enforcement action yet ensuring compliance could be a considerable burden. AGCS noted that it could be difficult to establish the ultimate owner of a vessel, cargo or counterparty. Sanctions also apply to various parts of the transport supply chain, including banking and insurance, as well as maritime support services, which made compliance even more complex.

The annual AGCS study analyzes reported shipping losses and casualties (incidents) over 100 gt. During 2021 54 total losses of vessels were reported globally, compared with 65 a year earlier. This represented a 57% decline over 10 years (127 in 2012). During the early 1990s the global fleet was losing 200-plus vessels a year.

The 2021 loss total was made more impressive by the fact that there were an estimated 130,000 ships in the global fleet today, compared with some 80,000 30 years ago. "Such progress reflects the increased focus on safety measures over time through training and safety programs, improved ship design, technology and regulation", said AGCS.

There have been 892 total losses of 100 gt-plus vessels over the past decade. The South China, Indochina, Indonesia, and the Philippines maritime region was the main global loss hotspot, accounting for 12 of the 54 losses in 2021, as well as 225 of the 892 losses over the past decade. These were driven by factors including high levels of trade, congested ports, older fleets, and extreme weather.

Globally, cargo ships accounted for half of the 54 vessels lost in the past year and more than 40% over the past decade.

Foundered (sunk/submerged) was the main cause of total losses over the past year, accounting for 32 of the 54 losses.

While total losses declined over the past year, the number of reported shipping casualties or incidents rose. The British Isles saw the highest number (668 out of 3,000).

Machinery damage accounted for over one-in-three incidents globally (1,311), followed by collision (222) and fires (178), with the number of fires increasing by almost 10%.

During the past year, fires on board the roll-on roll-off (ro-ro) car carrier **Felicity Ace** and the container ship **X-Press Pearl** both resulted in total losses. There have been more than 70 reported fires on container ships in the past five years, the report noted, observing that the fires often started inside containers. This could be the result of non-/mis-declaration of hazardous cargo, such as chemicals and batteries – AGCS said that around 5% of containers shipped might consist of undeclared dangerous goods.

Fires had also become a major loss driver for car carriers. The growing numbers of electric vehicles (EVs) transported by sea brought further challenges.

The X-Press Pearl, which sank after it was refused refuge by two ports following a fire – the ports were unable or unwilling to discharge a leaking cargo of nitric acid – was one of several incidents where container ships had difficulty finding a haven. Meanwhile, the salvage operation for the car carrier **Golden Ray**, which capsized in the US in 2019, took almost two years and cost in excess of \$800m.

Higher salvage costs, along with the burden of larger losses more generally, are a cost increasingly borne by cargo owners and their insurers. General average had become a frequency event, as well as a severity event, said Régis Broudin, Global Head of Marine Claims at AGCS. He noted that it was declared in both the **Ever Forward** and **Ever Given** incidents.

<https://www.agcs.allianz.com/news-and-insights/news/safety-shipping-review-2022.html>