Insurance Marine News

# IUMI 2022 – Positive trends, but 2022 signals look tougher

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Last year saw a continuation of the positive marine insurance trends detected in the previous couple of years, but war, inflation, energy costs & natural disasters all indicated that 2022 could be a difficult year for the industry, according to the IUMI Global Marine Insurance Report, presented on September 19th at the IUMI annual conference, held this year in Chicago, Illinois, USA.

The report indicated that global marine insurance premiums in 2021 were up by 6.4% year on year to $33bn. Premium income was boosted by a combination of increased global trade volumes, a stronger US dollar, increased offshore activity and higher vessel values. These factors helped premiums for cargo, hull, offshore energy and marine liability to rise in 2021 when compared with the previous year. Insurers in Europe and Asia in particular saw premium growth.

Global income was split:

- Europe 47.2%,
- Asia/Pacific 29.3%,
- Latin America 10.3%,
- North America 7.7%,
- Other 5.5%.

By line of business, cargo continued to represent the largest share with 57.4% in 2021, with hull contributing 23.5%, offshore energy 11.8% and marine liability (excluding IGP&I) 7.3%.

Astrid Seltmann, Vice-Chair of IUMI's Facts & Figures Committee, said that "building on the gains made in 2020, 2021 was another positive year for marine insurers. It was the year when global trade saw a tentative recovery, absolute premiums rose, claims impact was benign, and as a result loss ratios improved. However, this position is tempered by the economic uncertainties the world is facing today. We are reporting this data at a time when several shocks have hit a world economy already weakened by the pandemic. There is no end in sight for the war in Ukraine, soaring global energy costs and inflation, a gloomy outlook for trade and the possibility of further climate and pandemic related disruptions. Marine underwriters are navigating some extremely complex issues."

*Offshore Energy*

Global premiums from the offshore energy sector continued to rise in 2021, reaching $3.9 bn, up 6.9% year on year and representing the second year in succession that premium income was up. This followed a six-year period (2014 to 2019) when it declined.

The report noted that the demand for offshore energy insurance typically tracked oil prices as projects become viable because of the higher price. Historically there had been an 18-month time lag between improved oil prices and authorized offshore expenditure and unit reactivation. Although oil prices remained high, they were also volatile.

The high market shares of Lloyd's and the IUA meant that London continued to command the majority of the market, with 33.2% and 32.1% market share respectively.

In 2021 claims were low, but Seltmann said that a shadow still hung over the offshore energy market in the form of potentially significant unquantified losses that was still to arise from 2019.

*Cargo*

The global premium base for the cargo market for 2021 reached $18.9bn in 2021, up 9.9% year on year as a result of a stronger dollar and increased global trade volumes.

Prospects for the cargo market in the year to come were somewhat dimmed by a pessimistic forecast from the International Monetary Fund in 2022. That predicted global economic growth to slow from 6.1% last year to 3.2% in 2022.

Loss ratios in most markets continued to improve as a result of increased premium volume, combined with a recent benign claims experience.

For Europe the gross loss ratio for underwriting year 2021 was estimated to end at 50%. For other regions the percentages were for 2021 accounting year:

- US: 41% (incurred claims)
- Asia: 45% (paid claims only)
- Latin America 43% (paid claims).

A return to pre-Covid activity in 2022 was likely to increase the impact of claims on underwriting performance, said Seltmann

Cargo insurers continued to face persistent challenges, including rising numbers of onboard fires, misdeclared cargoes, worsening severe weather conditions (stronger winds, higher waves, floods and wildfires). With the increased value accumulation on ever-larger vessels and single port sites, the risk of large event losses continued to grow, IUMI said.

*Ocean Hull*

Global premiums relating to the ocean hull sector increased in 2021 by 4.1% year on year, reaching $7.8bn. There was continued strong growth in the Nordic region, as well as in China, but much weaker in the Lloyd’s market, where the decline of recent years continued.

The overall value of insured vessels rose significantly in 2021, driven primarily by the large increase in containership prices, which were up over 35%. Dry bulk and general cargo vessel values also saw gains in 2021, but all other segments were down.

After a subdued year for claims in 2020, when shipping activity, particularly in the high-value cruise sector, decreased, 2021 saw an uptick of Hull & Machinery claims. However, claims remained relatively low. Total losses stood at 0.06% and partial claims at 0.14% of the total global fleet. Claims cost per vessel were slightly up on 2020, but were still at historically low levels. However, rising steel prices and labour costs were expected to impact future hull claims.

The frequency of onboard fires in both the engine room and cargo areas continued to be a cause for concern, particularly for car carriers and container vessels. Fires occurred on over 1% of the containership fleet in 2021, with 0.4% of the fleet experiencing fires incurring more than $500,000 in claims.

In terms of underwriting profitability, results showed continued improvement. The 2021 underwriting year gross loss ratios for Europe were estimated to close out at 65%.

The 2021 accounting year loss ratios reported for the other regions were:

- US: 70.5% (incurred claims)
- Asia: 67% (paid claims)
- Latin America: 54% (paid claims).

However, a return to full shipping activity, value increases, inflation of various costs impacting repair costs, new vessel designs, propulsion and fuel types were thought likely to impact claims trends going forward.

IUMI noted that care should be taken when making comparisons with earlier figures as data coverage varied from year to year and a number of figures for previous years were updated retrospectively.

The presented loss ratios for hull, energy and cargo do not encompass all countries per region, and underwriting year results develop over a couple of years because of a time lag in claims reporting and payments.