

Global Marine Insurance Report

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Berlin Teaser



**Berlin – Bear – Berlin bears.
Wall – Art – Wall art.
History – Architecture – Culture.
Diverse – Colourful !**



Contents

- Issues 2024
- Global marine insurance market
- P&I
- Offshore energy
- Cargo
- Hull
- Special issues
- The 2024 oracle

Issues 2024

- Post-pandemic trends
- **War** (Challenge to quantify, partly included in standard covers, partly with specialised war insurers)
- Climate change / Nat-cat
- Value aggregation
- Fires
- **Inflation** (Various effects: cargo and vessel values, energy/fuel costs, claims cost)
- ESG / sustainability / emission reduction
- Vessel rerouting

Please note & Disclaimer

Figures reflect the **2024 state of reporting**. Figures include estimates for a number of countries. Data for previous years often adjusted retrospectively.

Data is reported to the degree possible according to the agreed IUMI definitions (see here) but may not be consistent across countries.

For **comparison between years, use the updated premium/loss ratio data as of 2024!**¹⁾ Comparing this year's presentation to last year's presentation may lead to wrong conclusions as it ignores the retrospective update of figures.

Focus is on **identifying market trends**. Absolute figures are subject to error margins (reporting backlog, retrospective adjustments, wrong in-/exclusion of portfolios...).

All information given is of informational and non-binding character.

Figures related to the marine market's performance reflect **market averages**. They do not disclose single units' results. As with all averages, individual units may out- or underperform compared to the average.

IUMI aims to provide information as available and raise consciousness for the importance of a fact-based evaluation of the risk exposure covered – and inspire everyone to critically evaluate real and seeming facts!

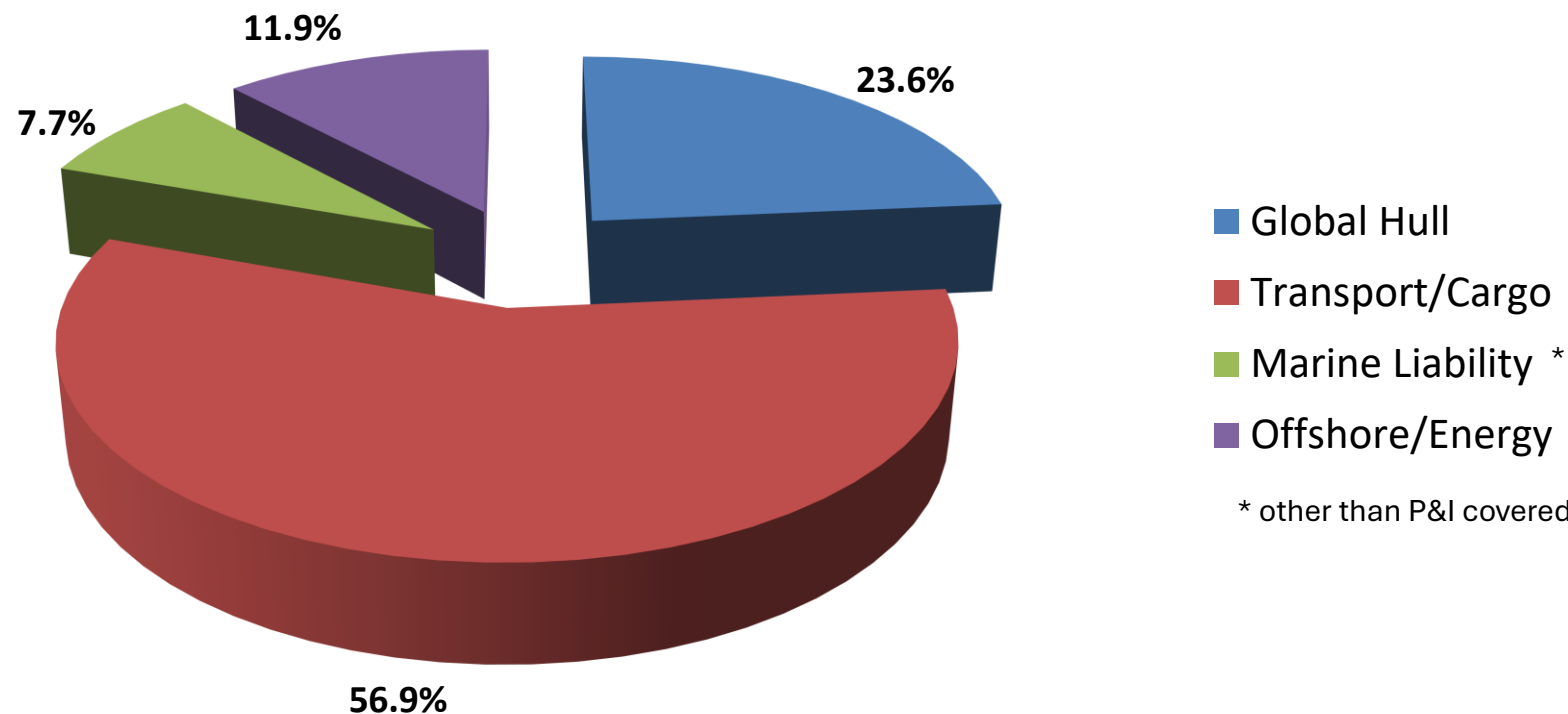
¹⁾ for IUMI members at <https://iumi.com/statistics/iumi-member-statistics>

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Marine premiums 2023 – by line of business

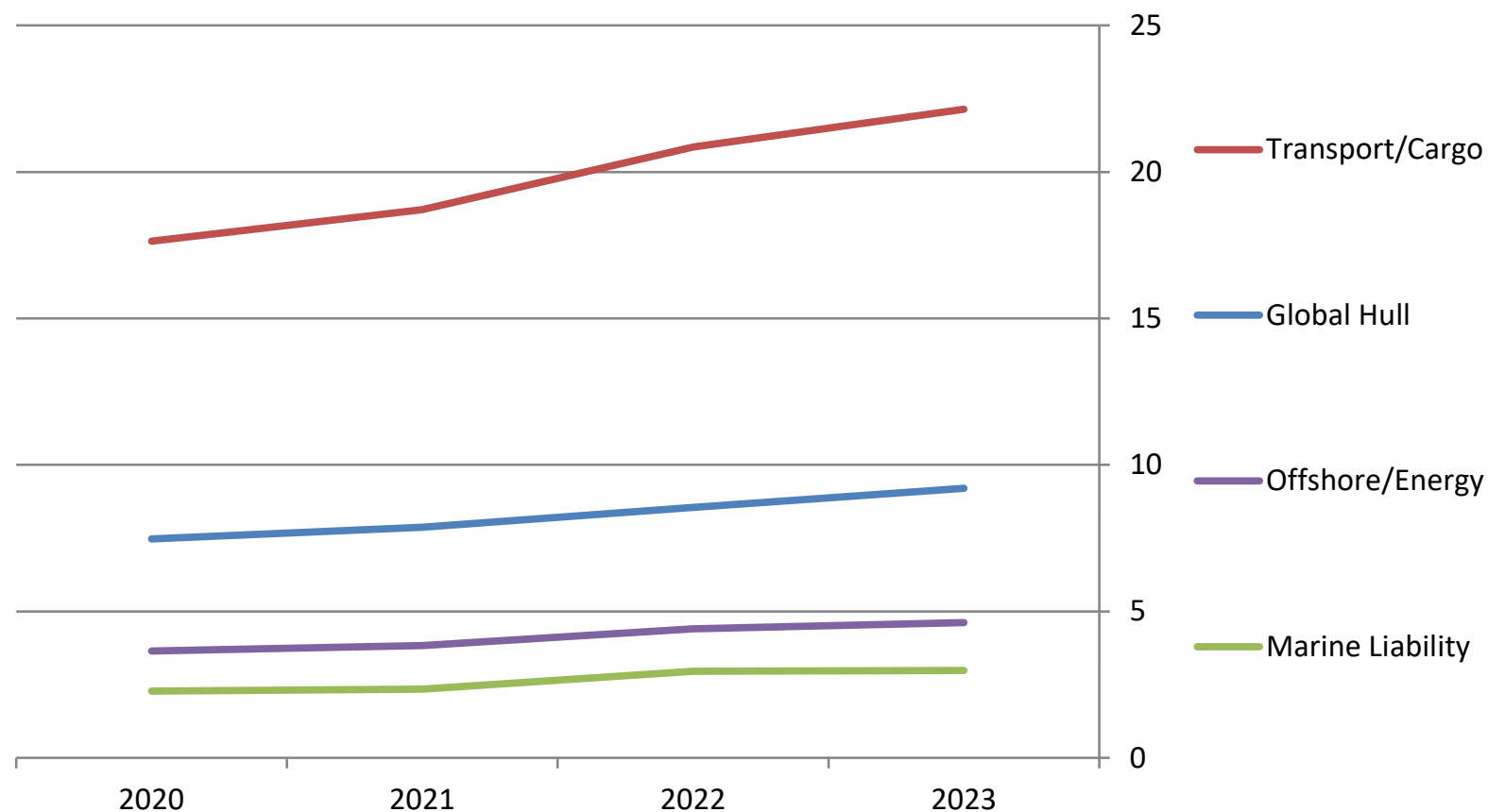
Total estimate 2023: USD 38.9 billion / Change 2022 -> 2023: 5.9%
NB: Exchange rate effects



- Global Hull
- Transport/Cargo
- Marine Liability *
- Offshore/Energy

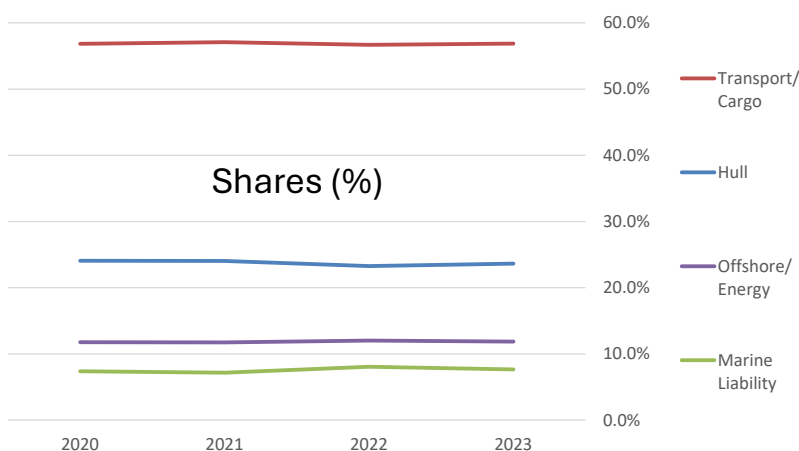
* other than P&I covered by clubs of International Group.

Increase in premiums all lines 2020-2023



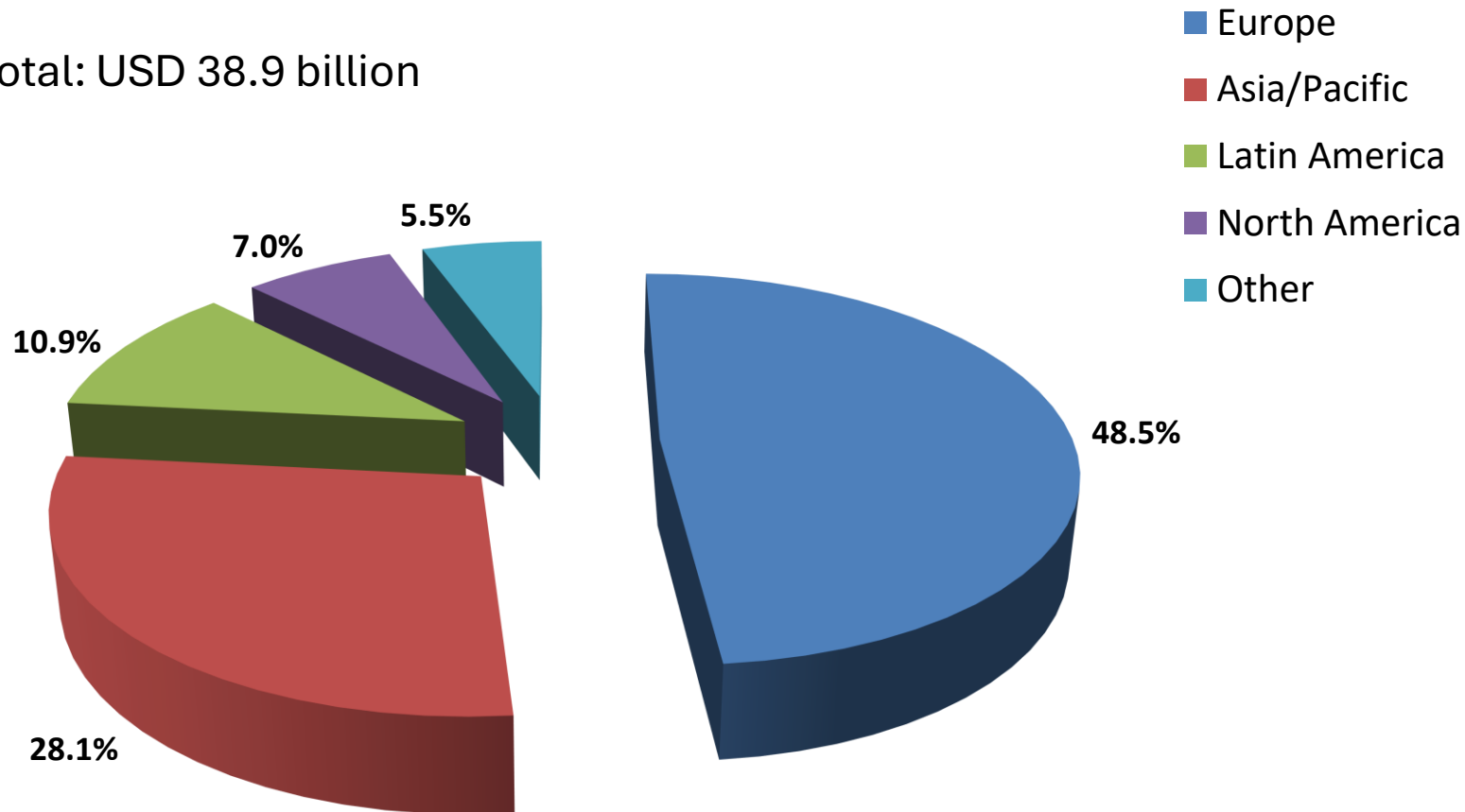
NB: Absolute premiums reflect the combined effect of changes in the total insured volume/values and applied rates per unit.

Drivers: trade volume/values, vessel values, exchange rates, geopolitical changes, market conditions (capacity)



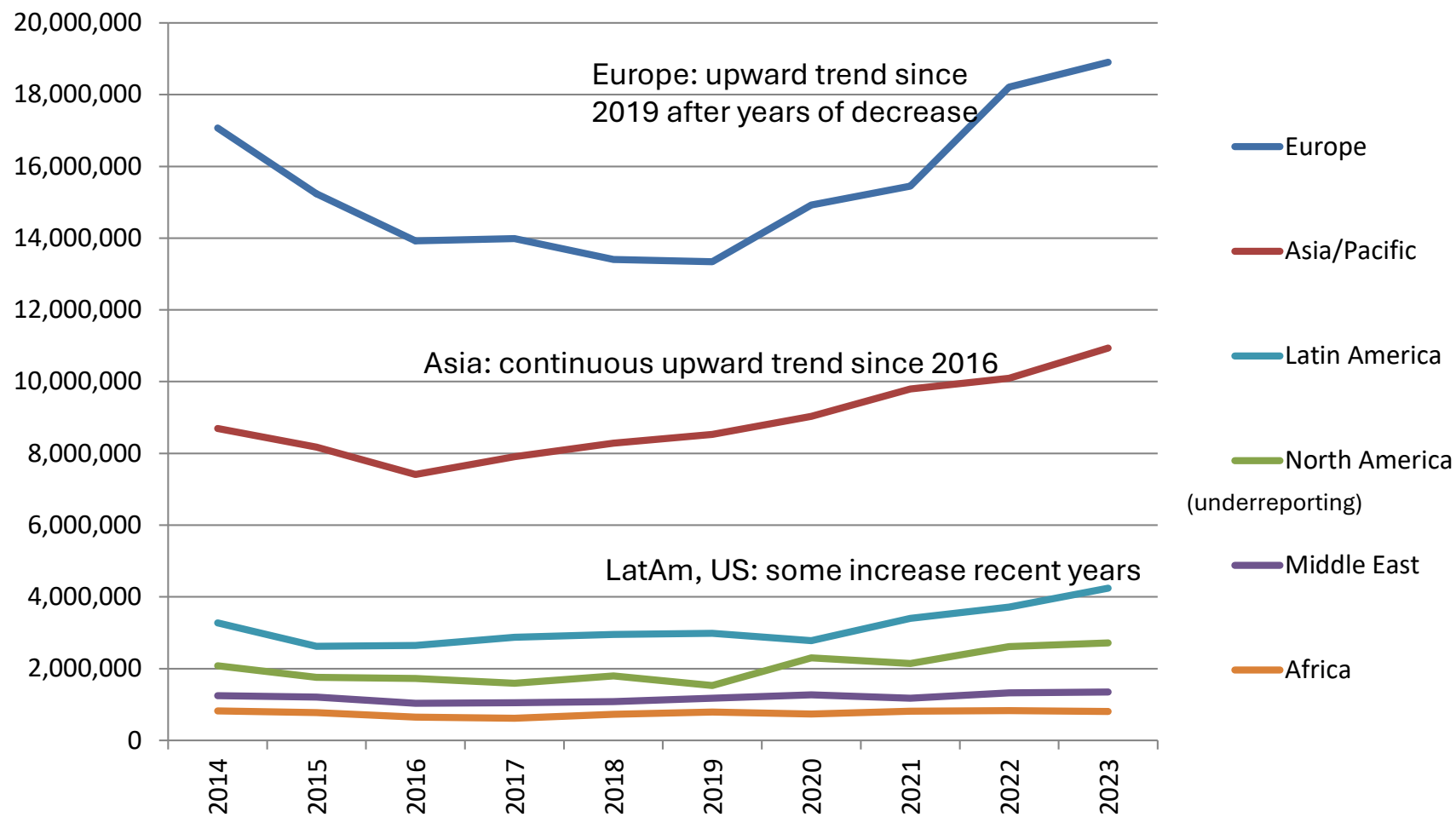
Marine premiums 2023 – by region

Total: USD 38.9 billion



Premium (USD) by region 2014-2023

as of 2024



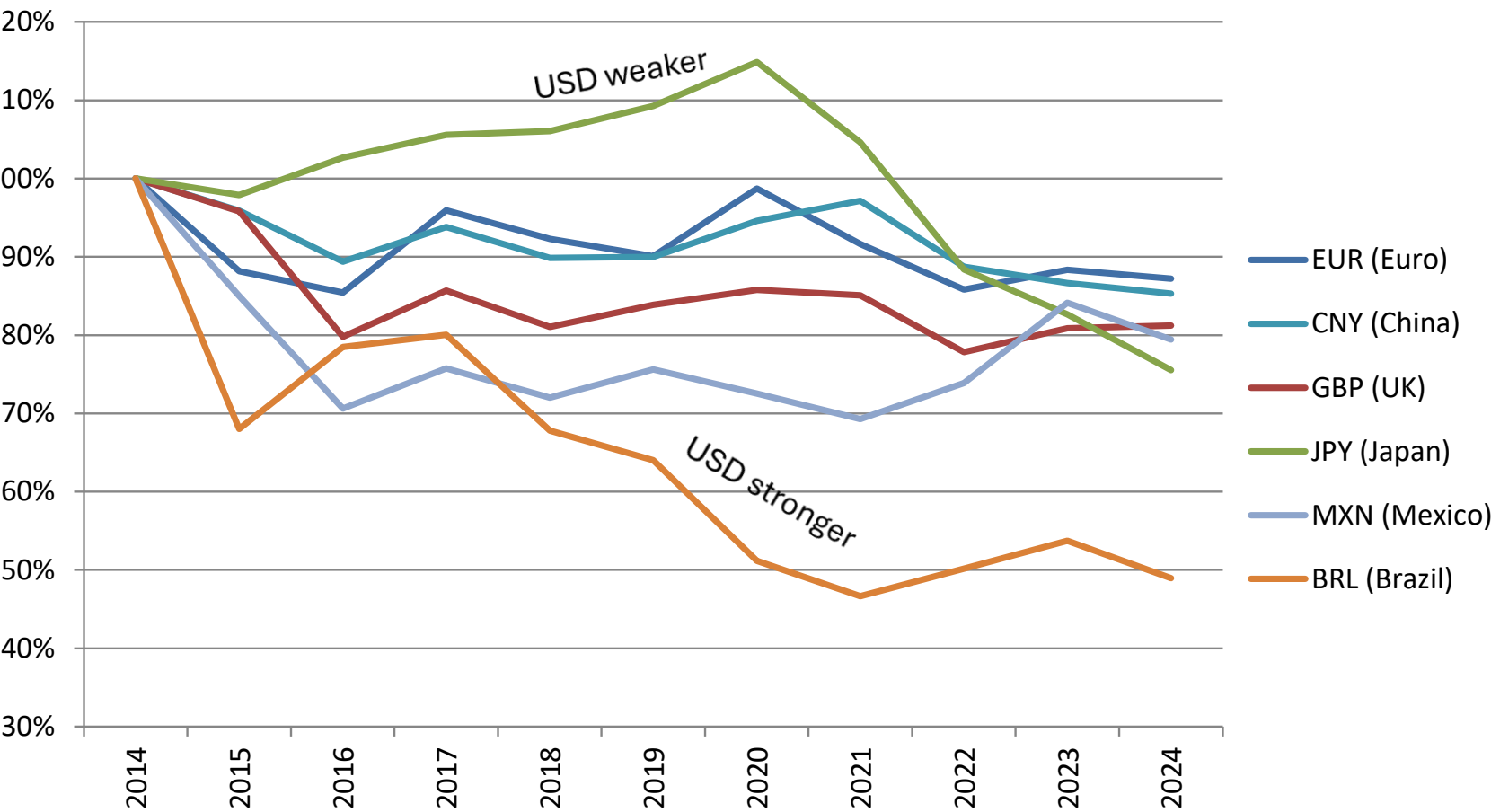
Drivers: increase/decrease in trade volume/values, market conditions (rates, capacity), exchange rates.

War part of the story but difficult to quantify/single out.

2023: USD 38.9 bill.
2022: USD 36.8 bill. (as of 2024)

USD Exchange rates 2014-2024

Index 2014=100%, against selected currencies, as of December each year (2024 as of July)



Statistics in USD are influenced by exchange rates.

Varies between currencies.

Premium trends may look different in local currency, particularly for cargo.

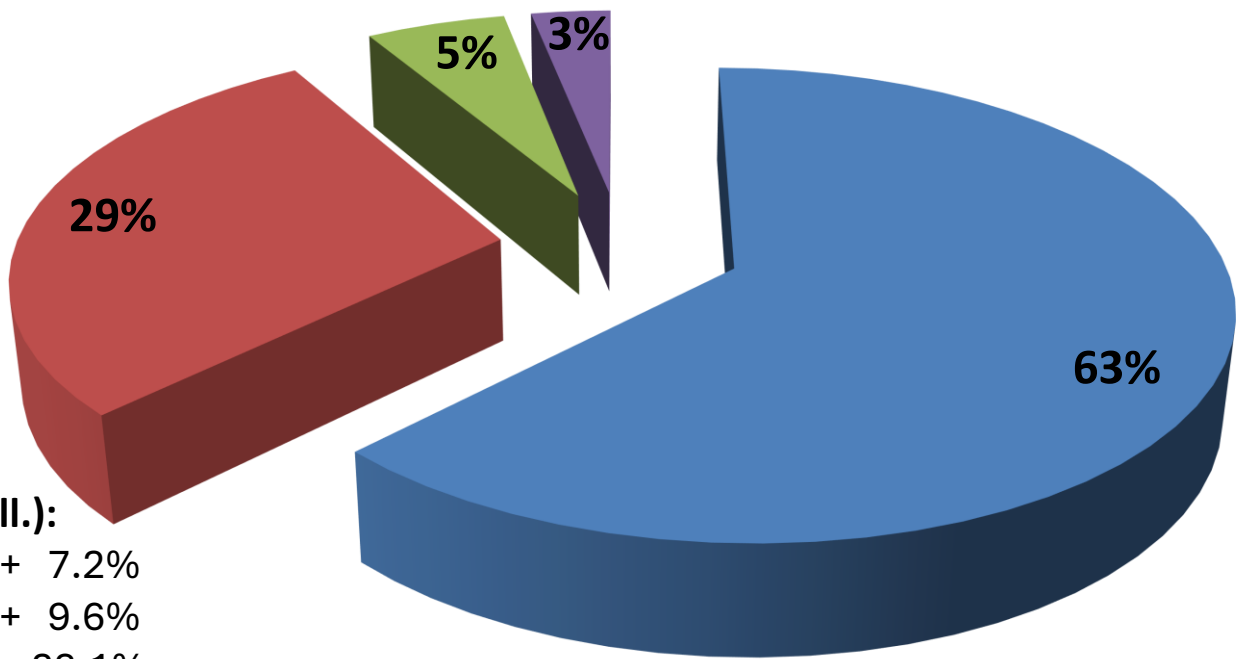
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P&I International Group – Income

Gross calls 2023 (premiums) – by operational location, Source: Int. Group of P&I Clubs

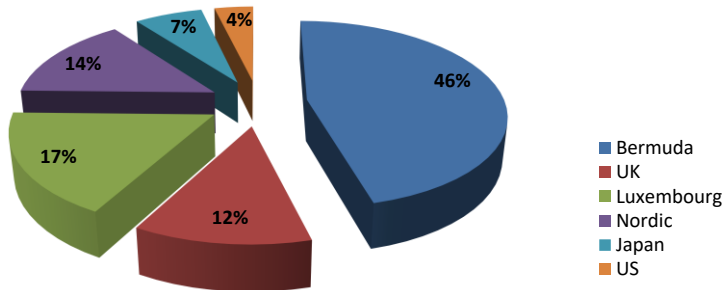


Calls 2023 (USD bill.):

UK:	2.52	+ 7.2%
Nordic:	1.16	+ 9.6%
Japan:	0.22	- 23.1%
US:	0.13	+ 12.6%
Total:	4.03	+ 5.7%

Amounts include all P&I premium from the IG clubs, both mutual and fixed premiums.

by country of registration:

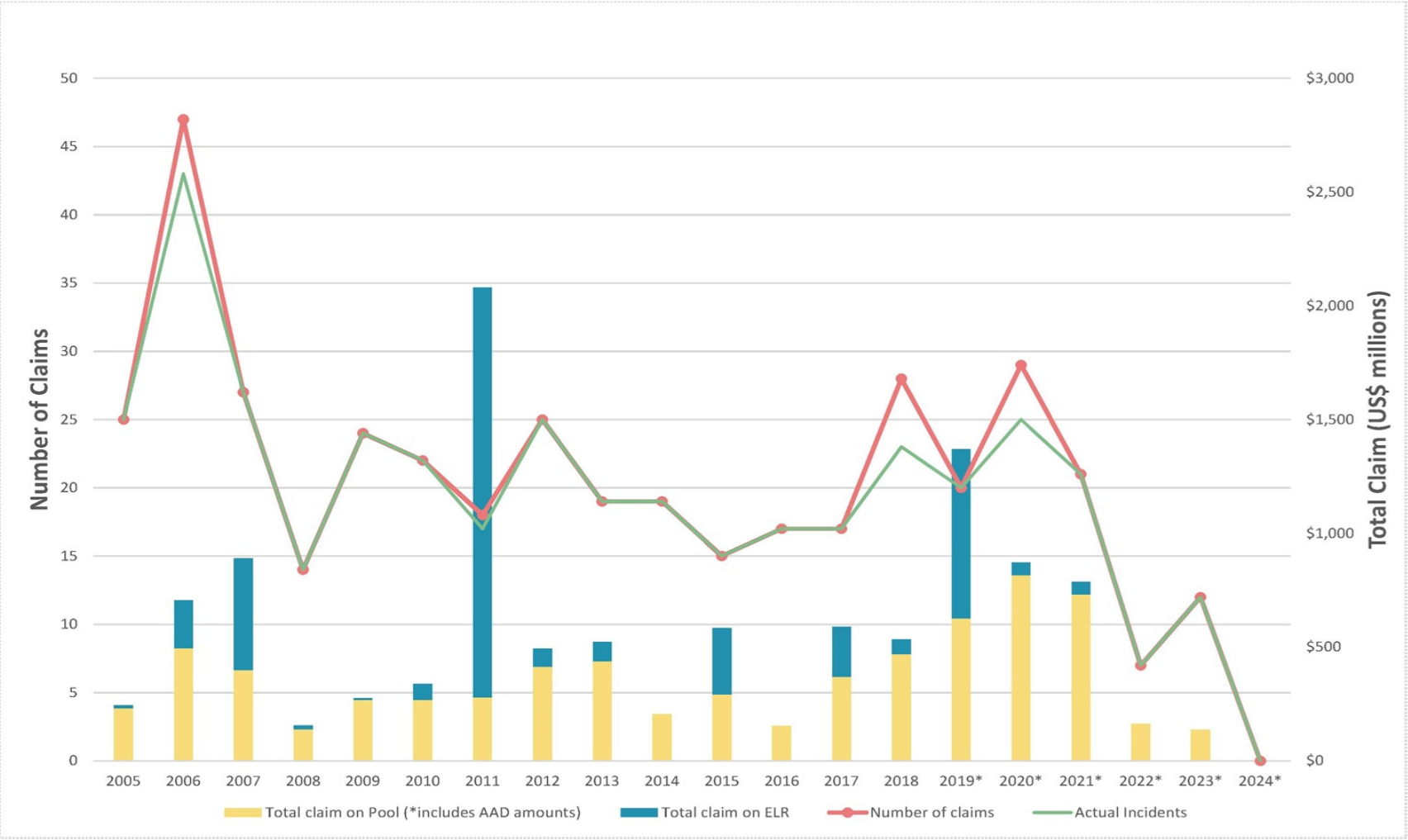


- UK
- Nordic
- Japan
- US

Third consecutive year with premium increases

P&I Pool claims by policy year

Source: Int. Group of P&I Clubs, Claims as of 02 August 2024



2022/23 low level of pool claims, after increased level in the years 2019-2021.

2024 claims still to develop but some increase back to more average claims levels expected (on average 20 claims per year).

The Baltimore bridge accident is still under investigation, including its financial impact on P&I.

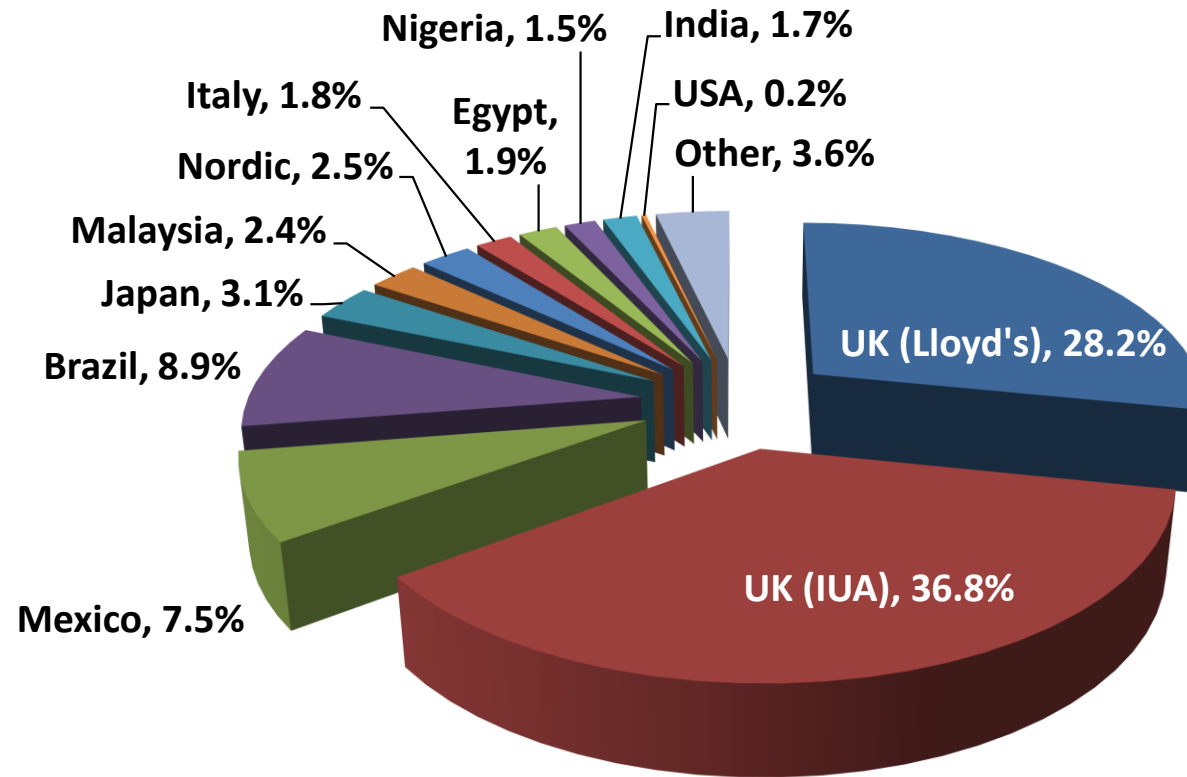
P&I complex business with high liabilities. See www.igpandi.org

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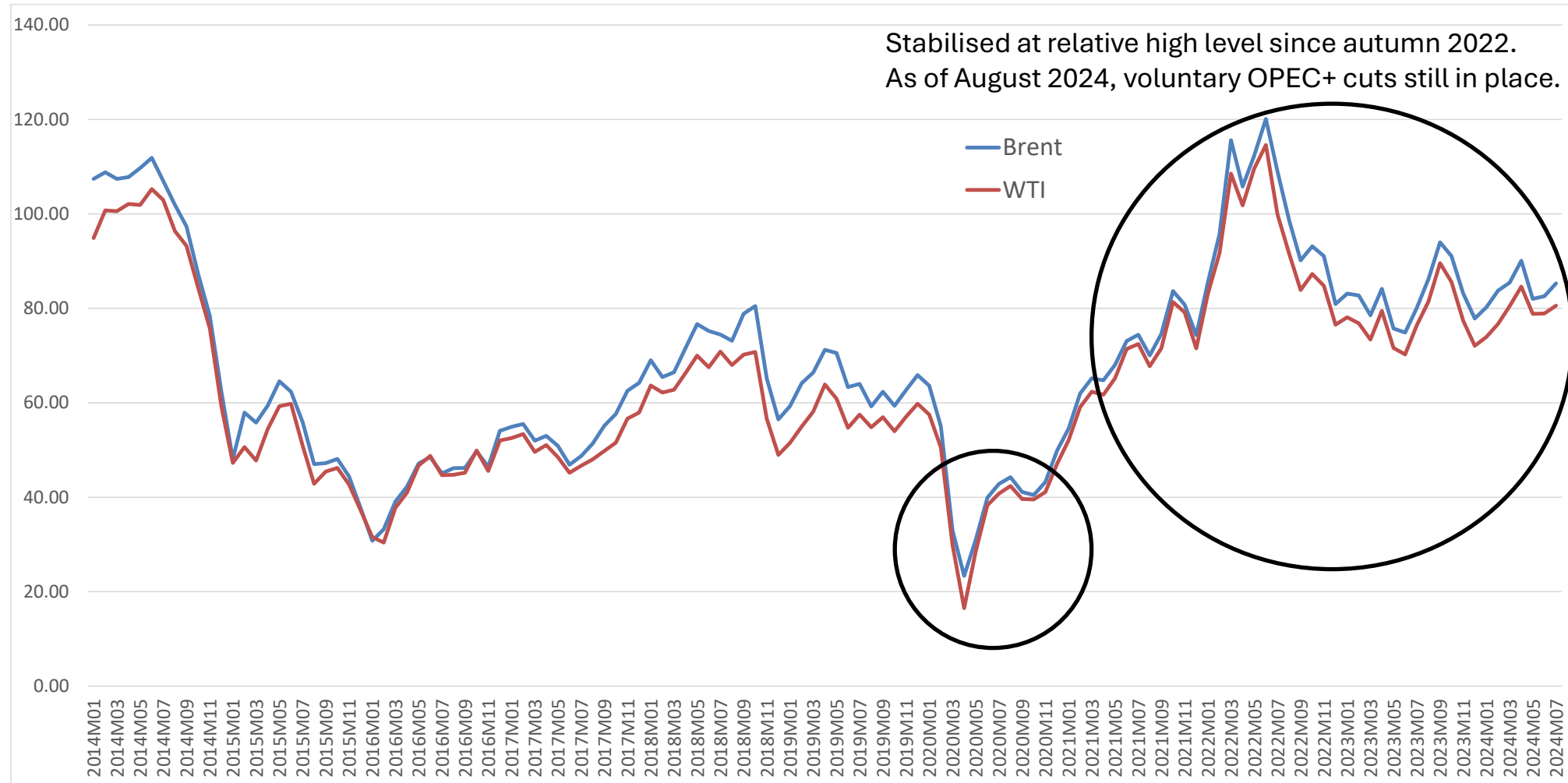
Offshore energy premium 2023

Total estimate: USD 4.6 billion / Change 2022->2023: 4.6%

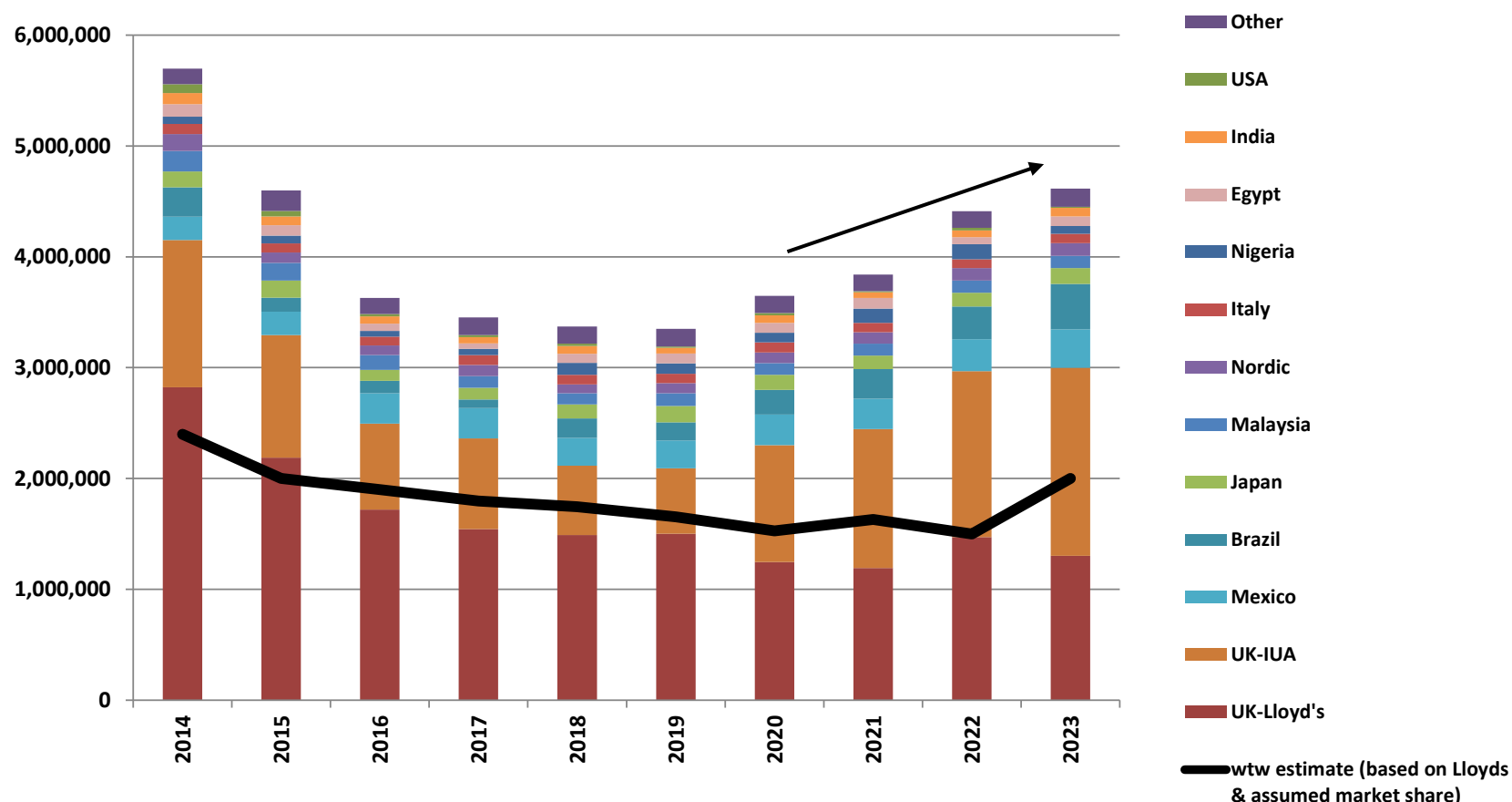


Average oil price per month (USD/bbl)

World bank commodity price data, January 2005 to July 2024



Offshore energy premium 2012-2022: bottom passed



Kazakhstan and some other countries: no data available.

Upward trend after bottom was reached in 2019, as result of oil price rally in 2020 and subsequent stabilisation at high level.

Recent years saw reallocation of market shares.

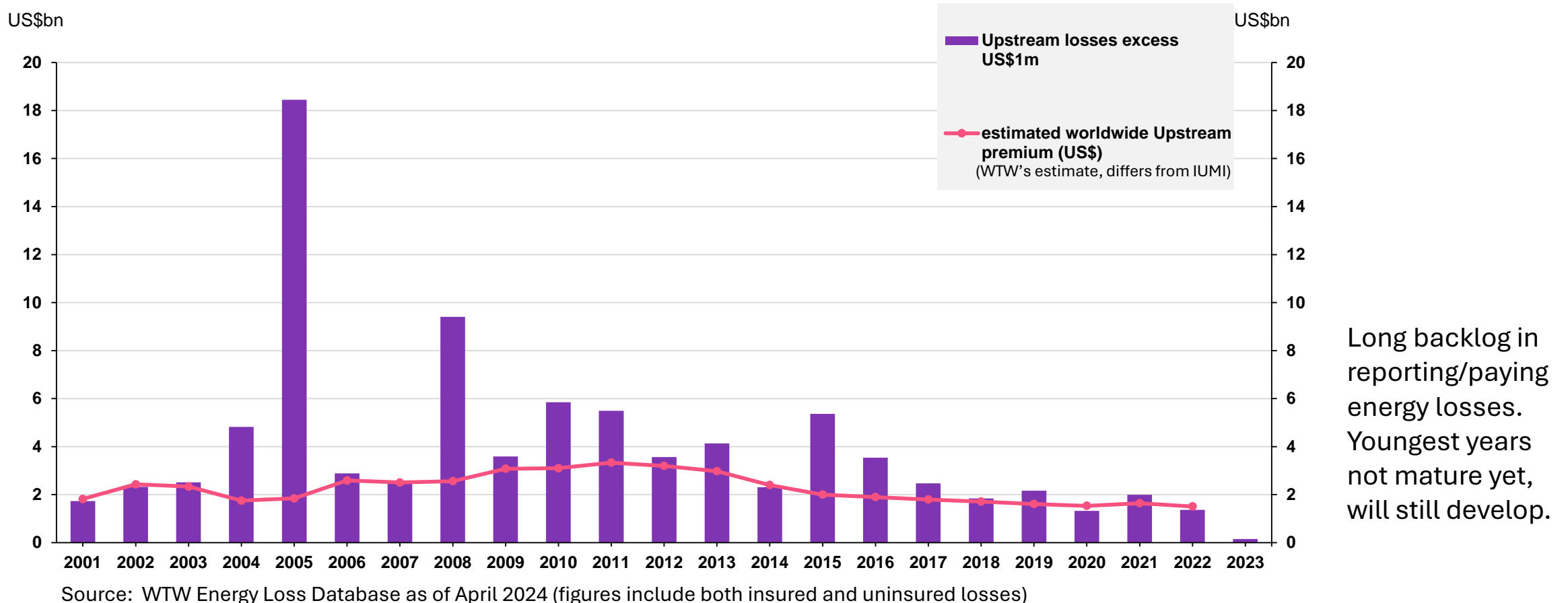
Future trend will depend on oil price and insurance market capacity.

IUMI: Premiums reported by associations. Some double-reporting due to global nature of business.
=> Some overestimation of global premium.

wtw (Willis Tower Watson): Based on Lloyds data alone, global premium estimated by assuming Lloyds represents a certain market share.
=> Underestimation of global premium. Trend started to deviate after decrease in Lloyds share.

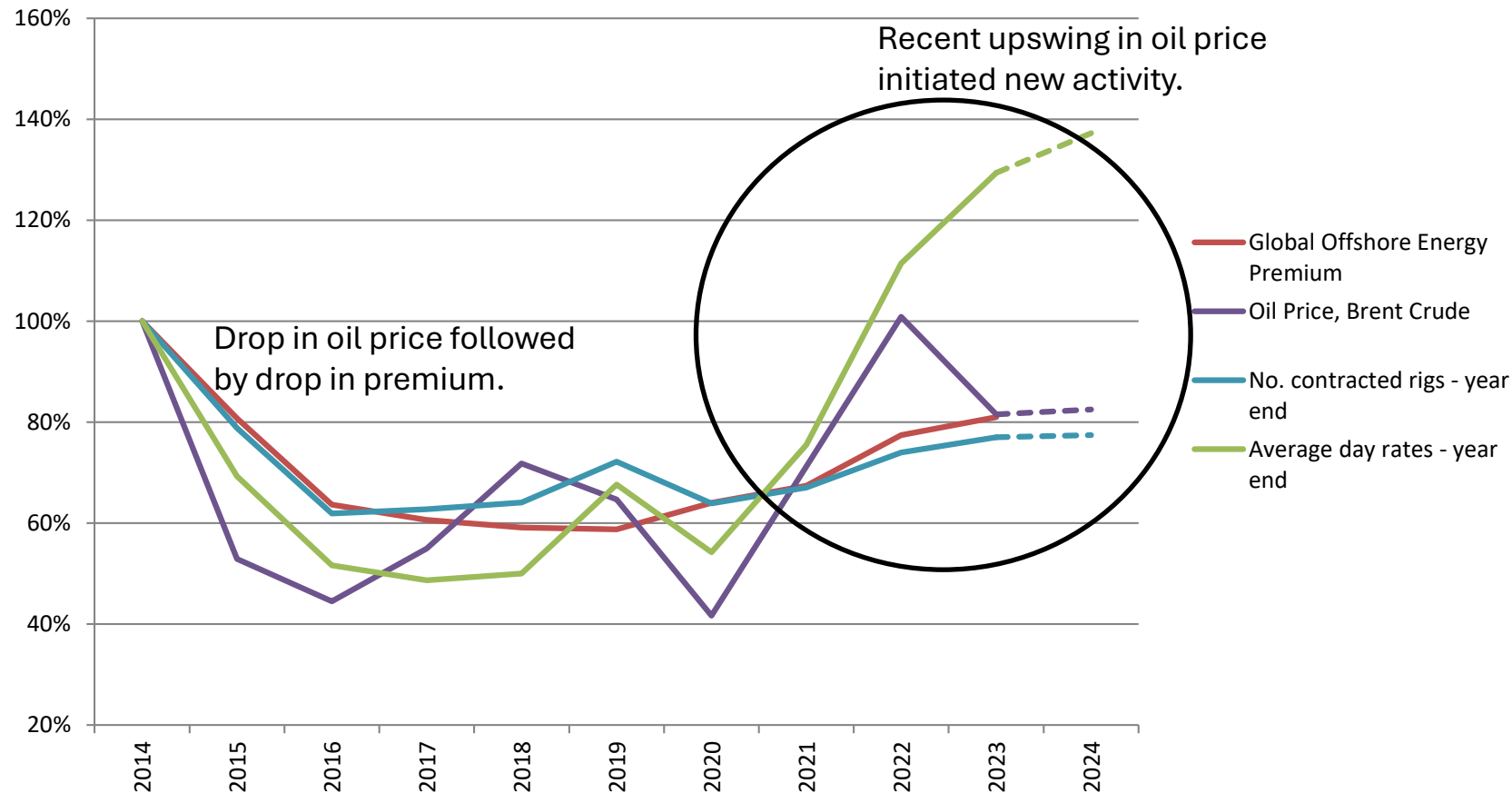
WELD Upstream Energy losses 2001-2023 versus est. upstream premiums

Source: Willis Towers Watson (wtw); Losses excess of US\$1m as of April 2024



Energy premium versus mobile units, day rates, oil price

Index 2014=100



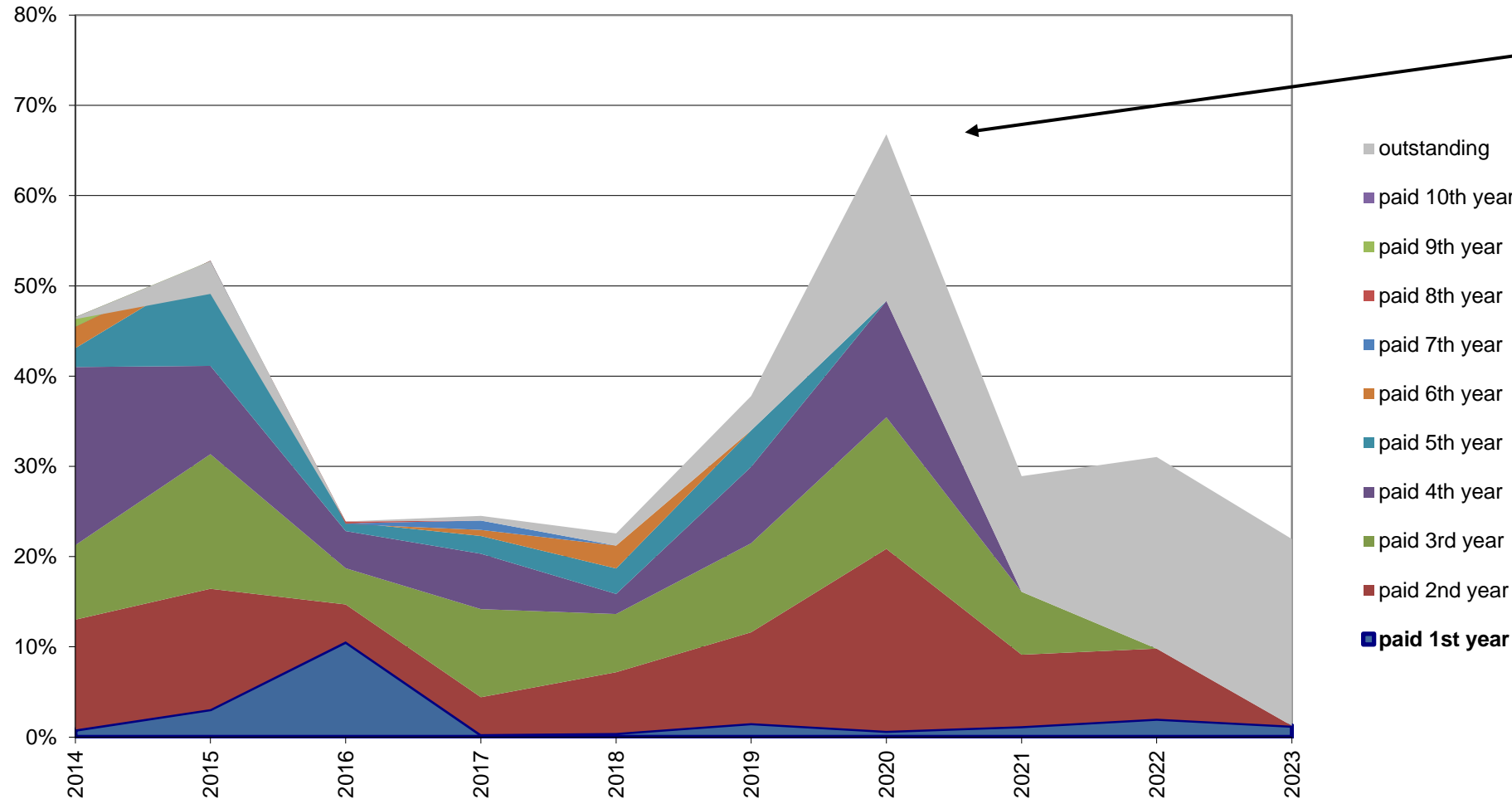
Oil price rally 2020-2022 and subsequent stabilisation at relative high level induced upswing in offshore activity.

More activity usually generates more premium volume.

Future trend will depend on OPEC+ decisions whether to unwind or maintain current production cuts, in combination with insurance market capacity.

Offshore energy loss ratios – Europe*

Underwriting years 2014-2023, incl. liability, as of year-end 2023
Gross premiums, paid & outstanding as reported



2020: Increased further
(64% as of 2023, < 50% as of 2022).
2021: up from 21% per 2023
2022: up from 4% per 2023

2023 two major losses.

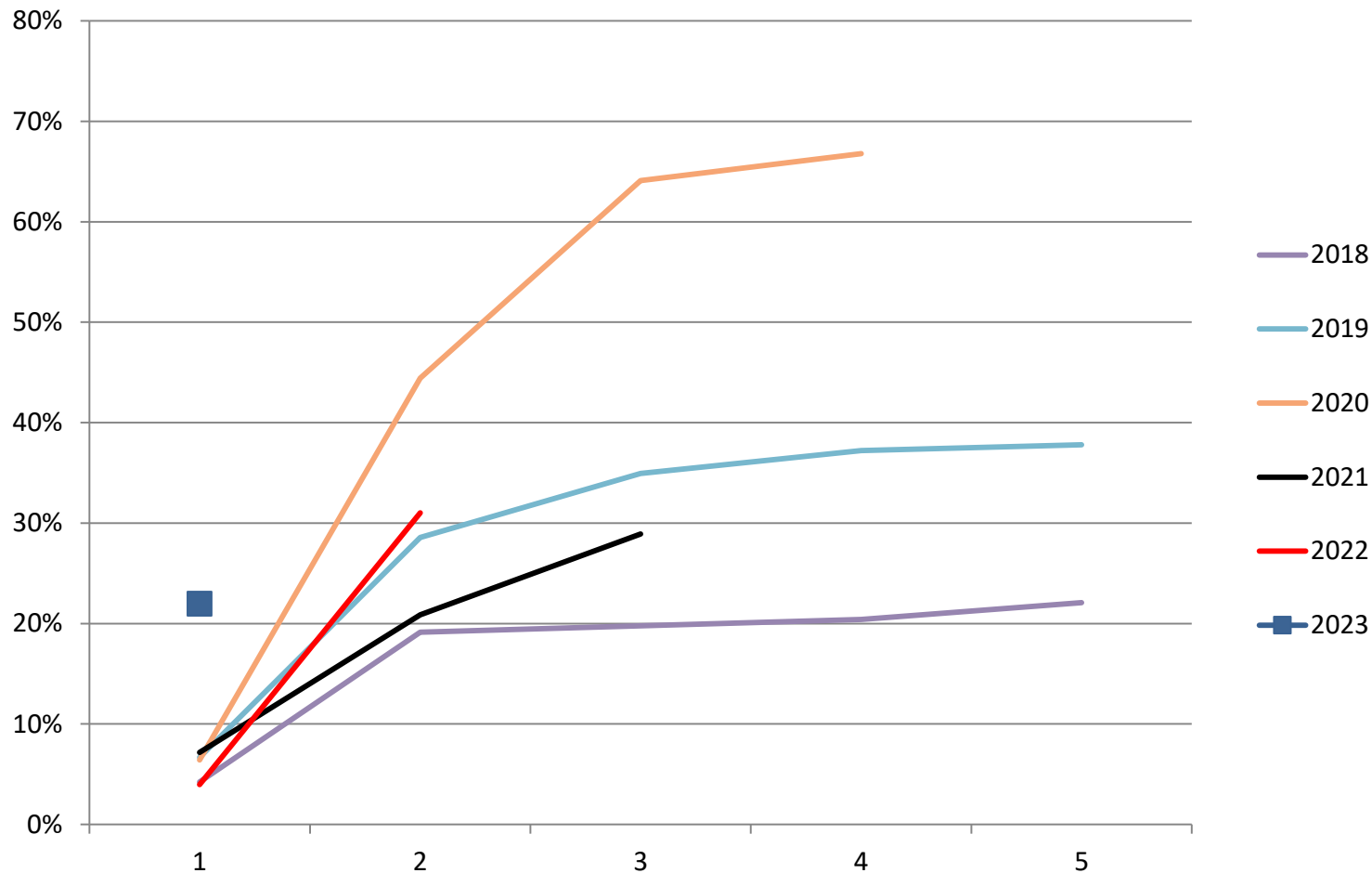
Long backlog in claims
reporting. Youngest years
will still develop.

Fragile balance.

* Lloyd's, IUA, Nordic

Offshore energy loss ratios – Europe

Underwriting years 2018-2023, incl. liability, as of year-end 2023; Incurred loss ratios as reported



Loss ratio development varies from year to year, no typical pattern.

2023 starts higher than previous, after moderate claims impact in previous years.

Offshore energy – Summary

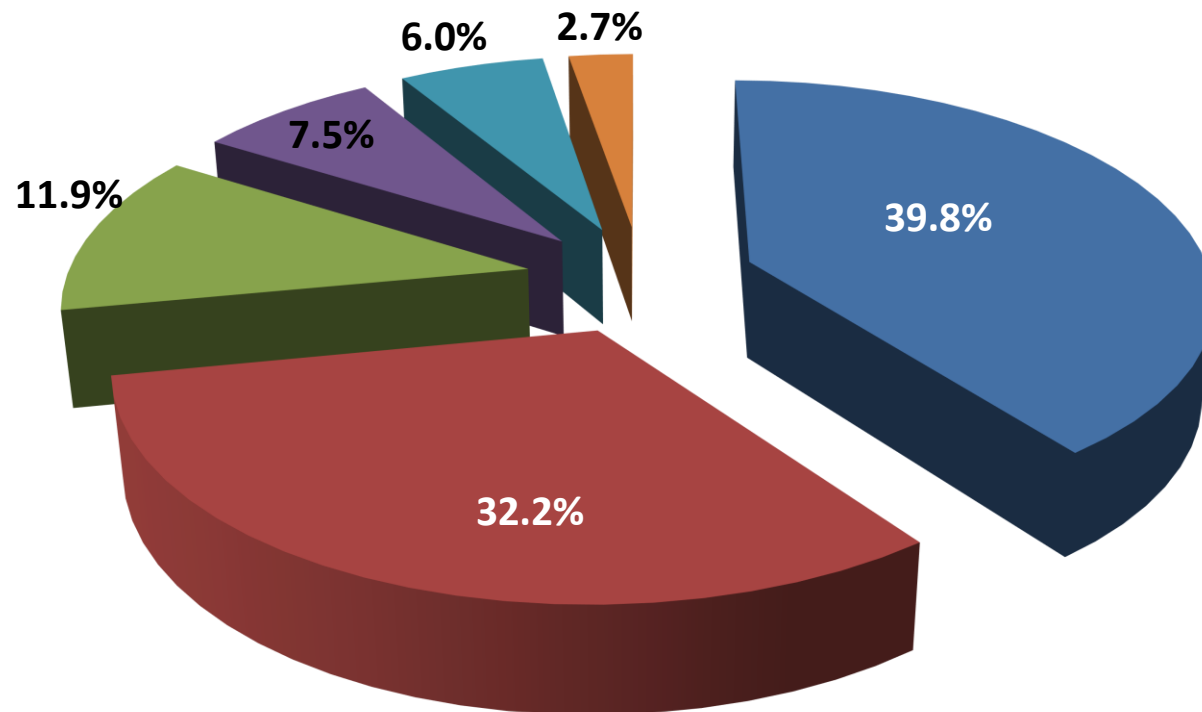
- Oil price stabilising at a higher level lead to more activity and increasing premiums in the past years.
- Upswing followed several years with a fragile balance between reduced premiums and modest claims impact.
- Change from benign claims environment? Higher activity/reactivation increases claims potential. Two costly losses in 2023 but in general unit reactivation went relatively well.
- Ukraine war drove up energy prices.
- Long time lag until claims are settled, particularly for liability and business interruption.
- NOAA expects highly active 2024 hurricane season but less exposure in open market (more risk retained).
- More insurance capacity attracted?
- Oil price stability will depend on further OPEC+ decisions. Unclear weather production cuts may be partly unwinded.

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Cargo premiums 2023 – by region



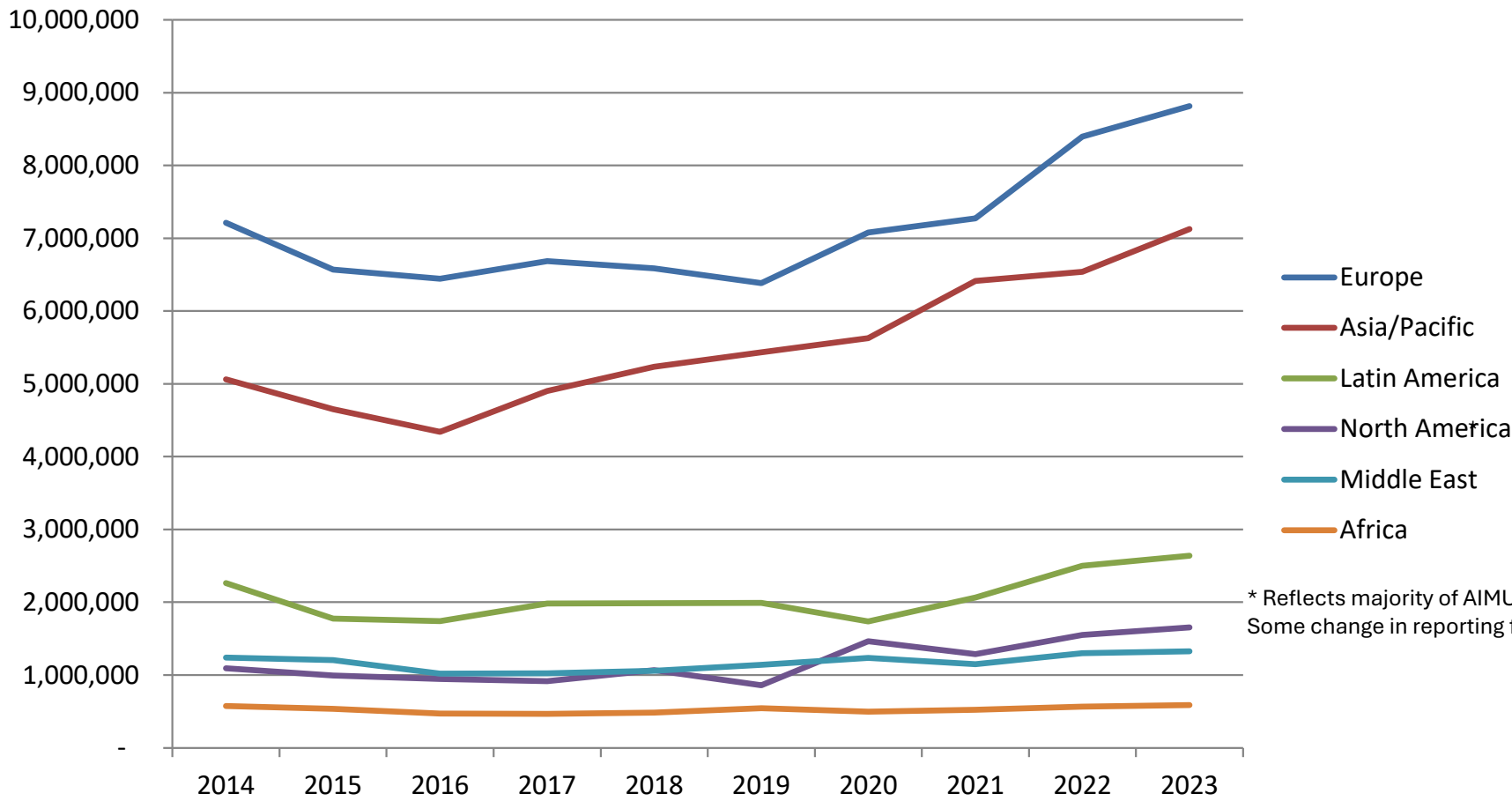
Total estimate: USD 22.1 billion

Change 2022 -> 2023: 6.2%

Exchange rate effects strongest on cargo premium.

- Europe
- Asia/Pacific
- Latin America
- North America
- Middle East
- Africa

Cargo premium trends – by region

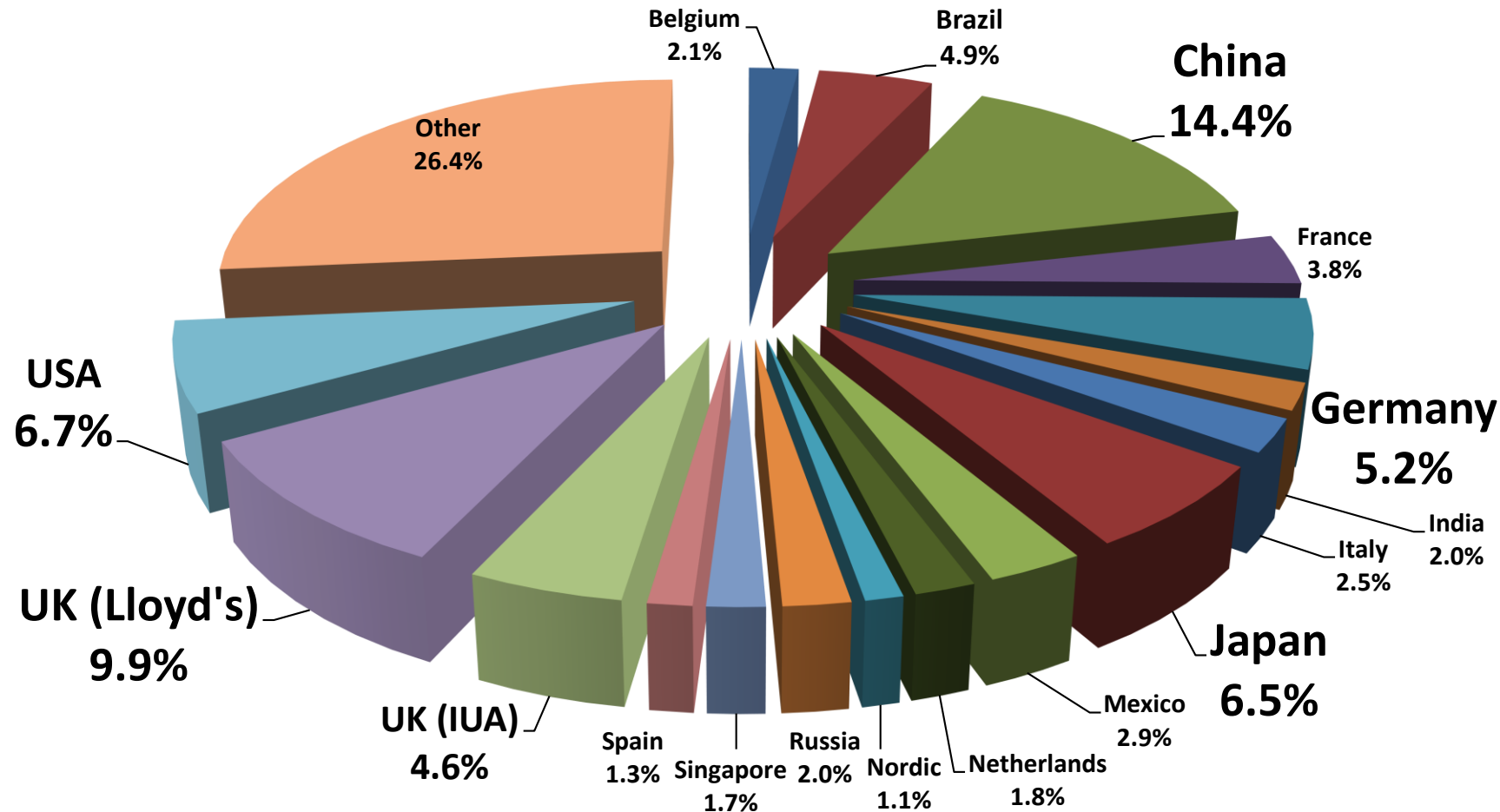


Growth continues in all areas.
(combination of global economy,
with some currency effects)

Total estimate 2023:
USD 22.1 billion
Change 2022 -> 2023: 6.2%

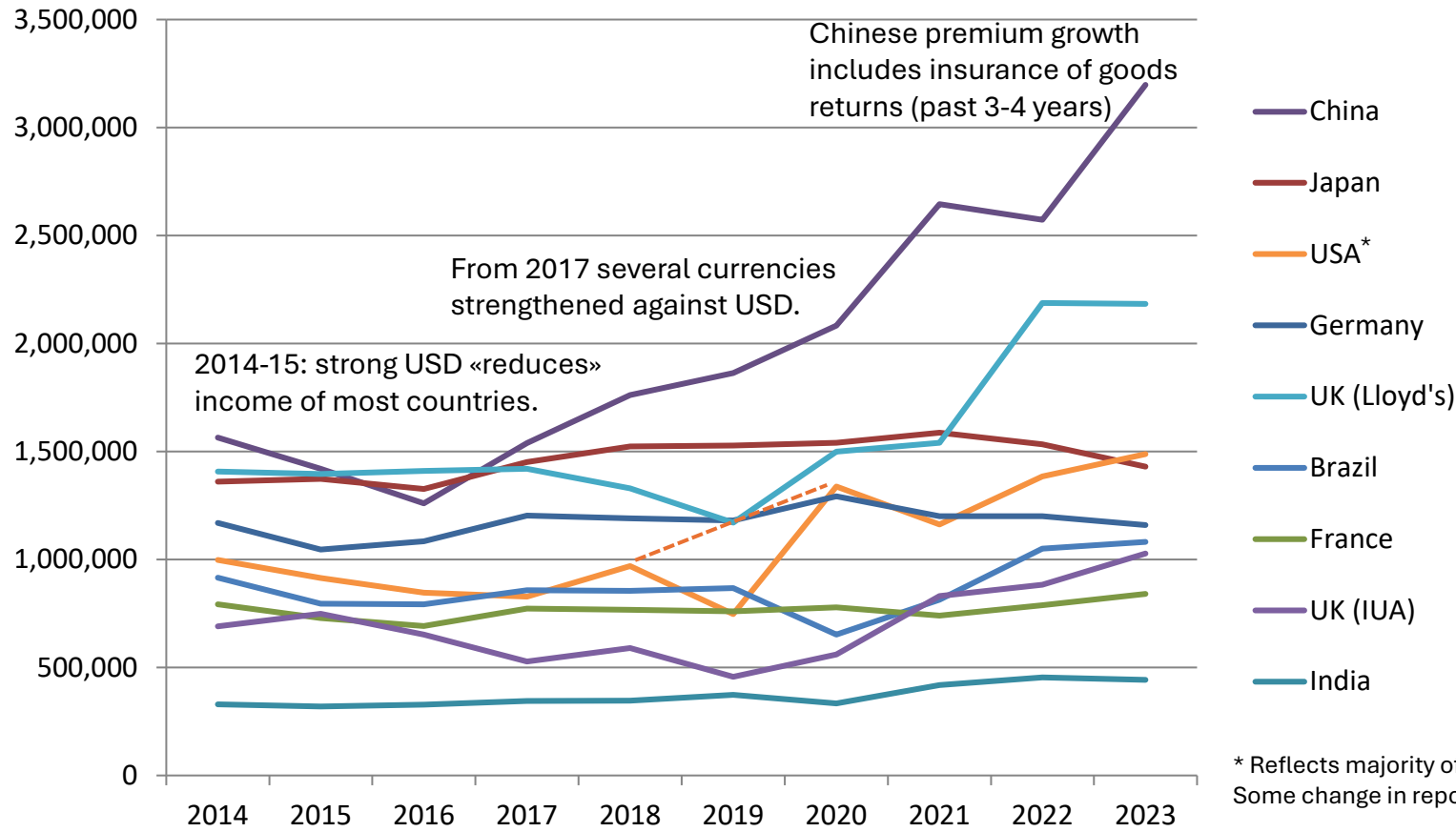
* Reflects majority of AIMU market.
Some change in reporting from 2021.

Cargo premiums 2023 – by markets



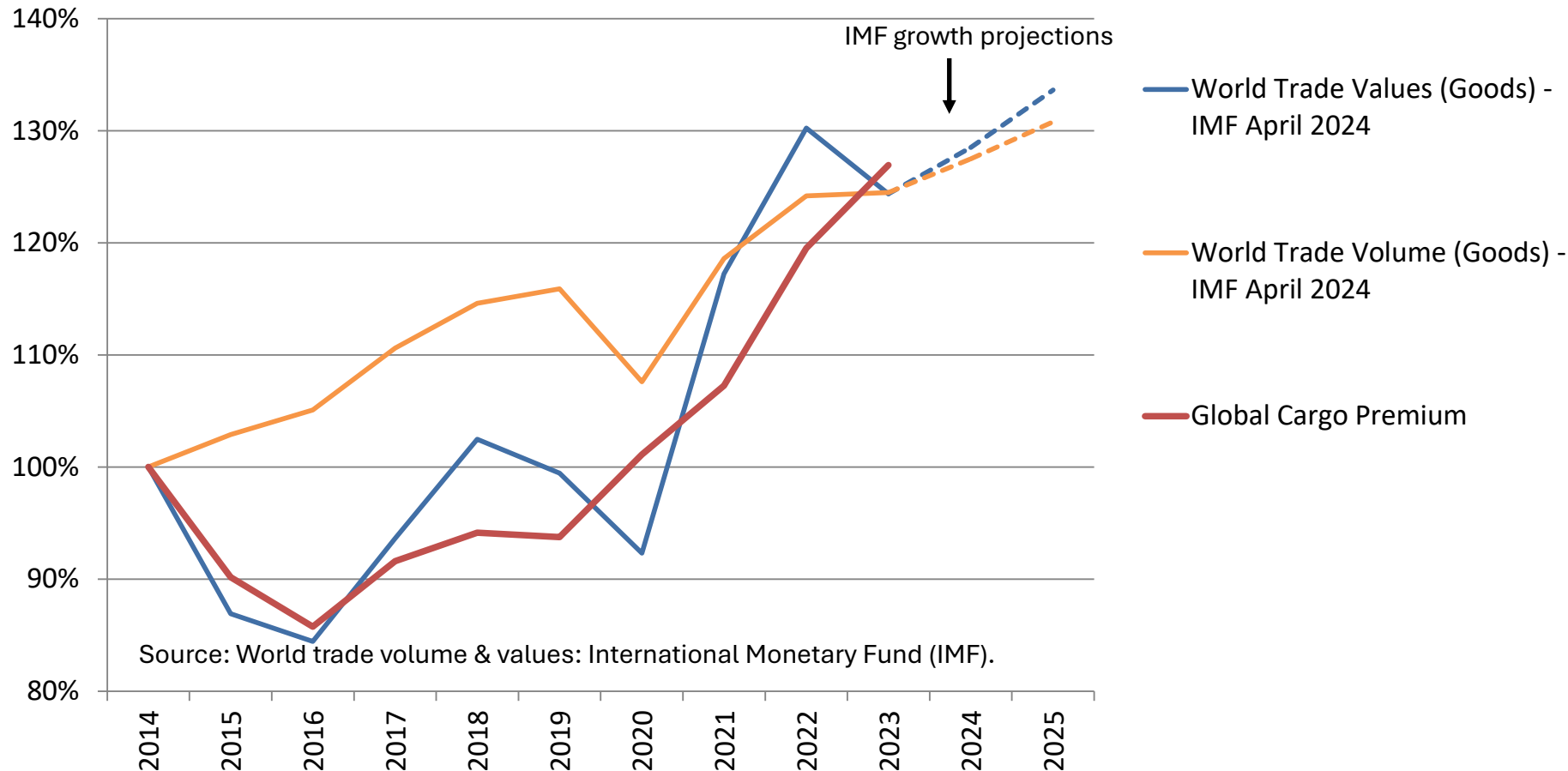
Total estimate: USD 22.1 billion

Cargo premium trends - major markets



Cargo premium versus World trade values & volume

Index 2014=100%



Pandemic caused short-term dip in world trade growth, followed by strong recovery. Further growth projected but uncertainty around forecasts.

Cargo premium typically follows world trade values with time lag.

Scope of risk covered & risk of event losses (accumulation) need to be taken into account.

IMF April 2024:
[“Steady but slow, resilience amid divergence”](#)
IMF July 2024:
[“The global economy in a sticky pot”](#)

Cargo loss ratios



Interpretation of loss ratio slides:

NB: The loss ratios are based on different data:

Europe:	Underwriting year, gross premiums, incurred ¹ claims
USA:	Accounting year, gross premiums, incurred claims
Asia:	Accounting year, gross premiums, paid claims only
LatAm:	Accounting year, gross premiums, paid claims only

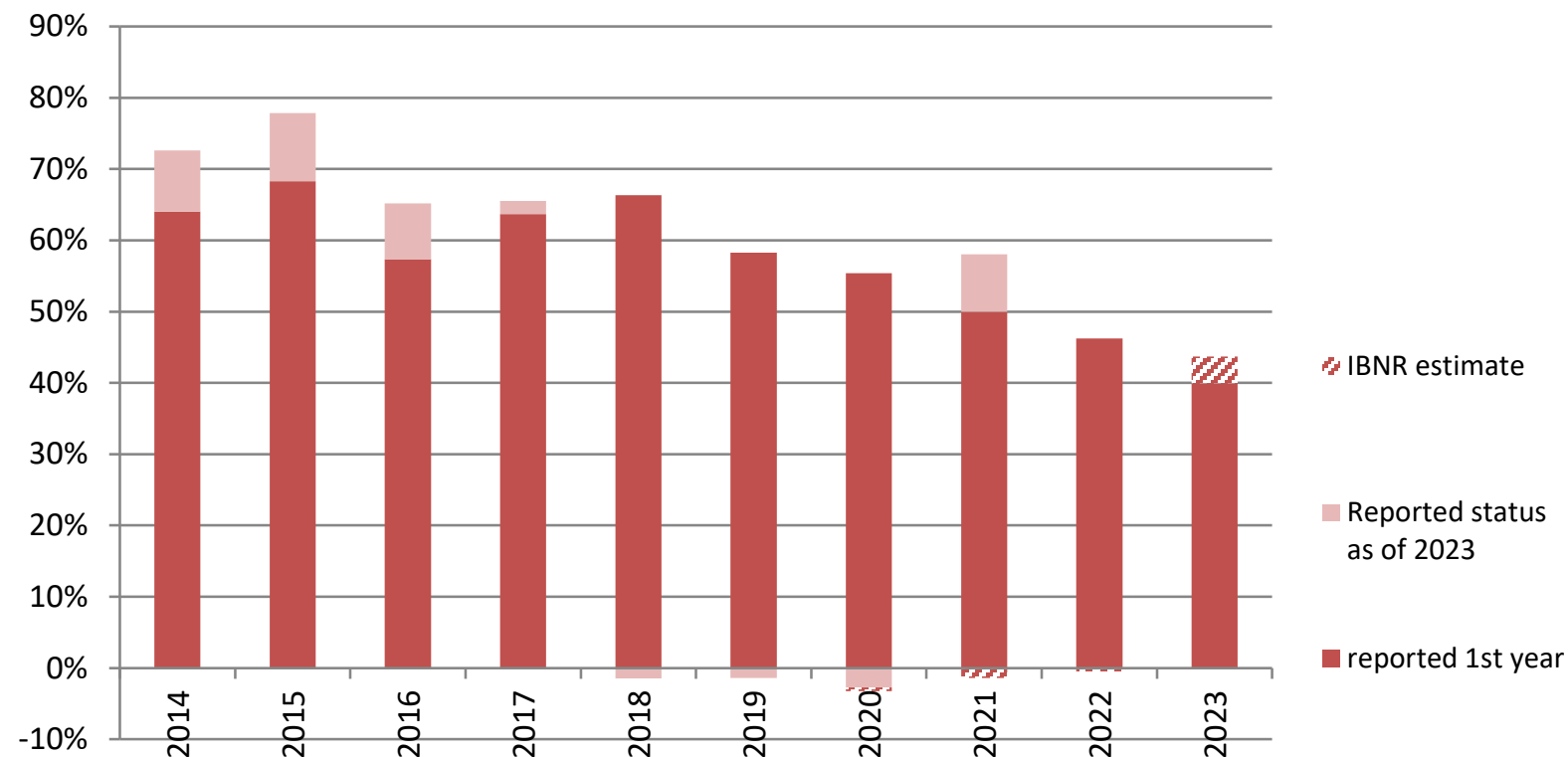
¹ Incurred claim = paid + estimated outstanding claims reserves

Underwriting year: claims and premiums relate to the same coverages

Accounting year: premiums and claims paid in any one calendar year (independent of insurance coverage periods)

Cargo – Ultimate loss ratios* Europe**

Underwriting years 2014-23, gross premiums, paid+outstanding claims



After years with heavy event impact, loss ratios improved since 2019.

Outlier losses & Nat-cat events:

2015: Tianjin port explosions

2016: Hanjin, Amos-6 satellite

2017: Hurricanes / Nat Cat

2018: Mærsk Honam / hurricanes

2019: Fires, Golden Ray capsized

2020: Nashville Tornadoes

2021: X-Press Pearl, Ever Given (GA), hurricane Ida

2022: vessel fires, wildfires, draughts, floods, active hurricane season

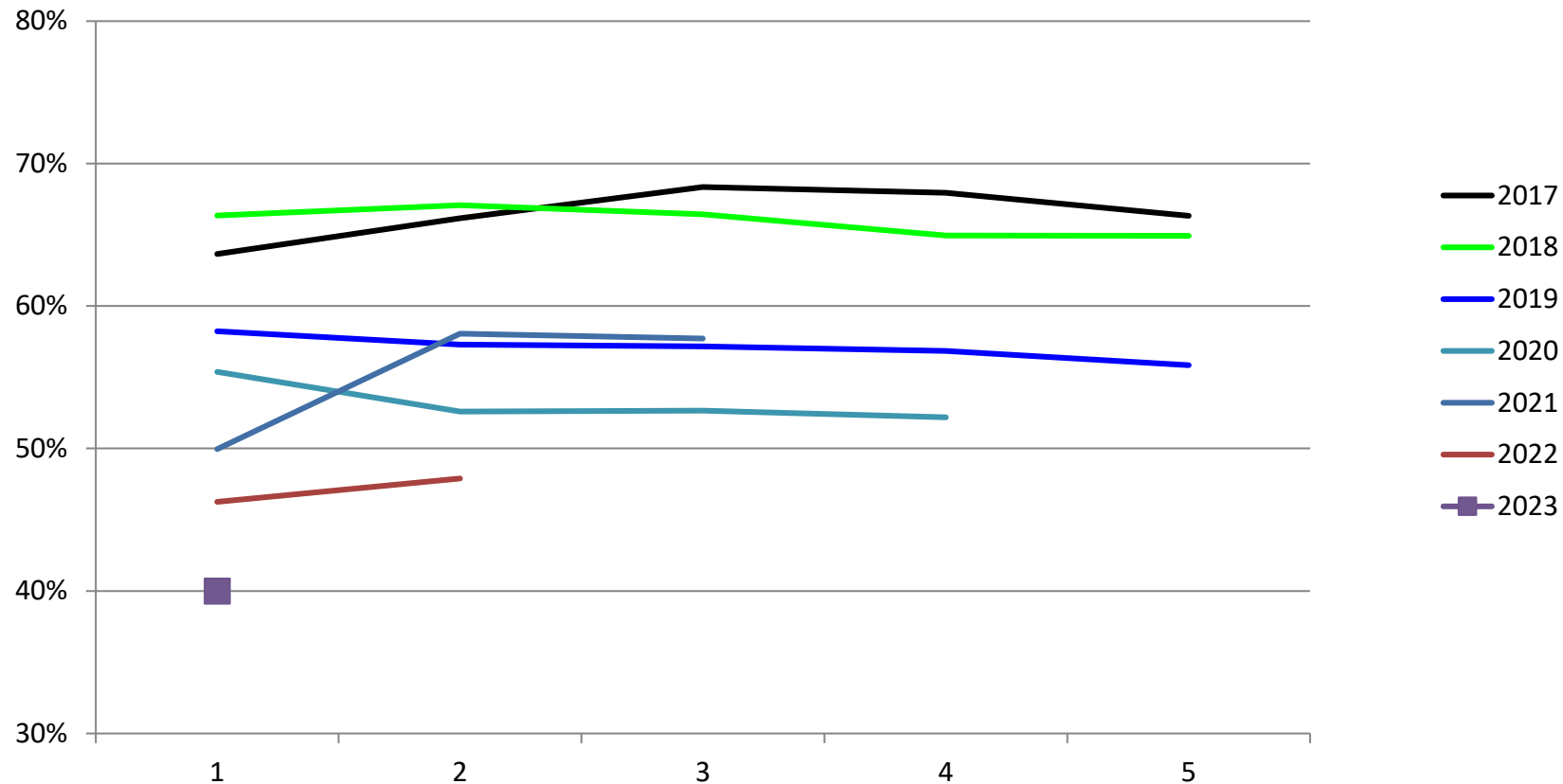
2023: fires, wildfires/floods

* Technical break-even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

**Data included from: Belgium, France, Germany, Netherlands, Italy, UK

Cargo – Loss ratios* Europe**

Underwriting years 2017-23, as reported at 1,2,3,4,5 years
Gross premiums, paid + outstanding claims



Recent underwriting years returned to the typical (= flat) development pattern, after the years 2014-16 had unusual upward claims adjustments.

2023 starts at lowest level since 2017.

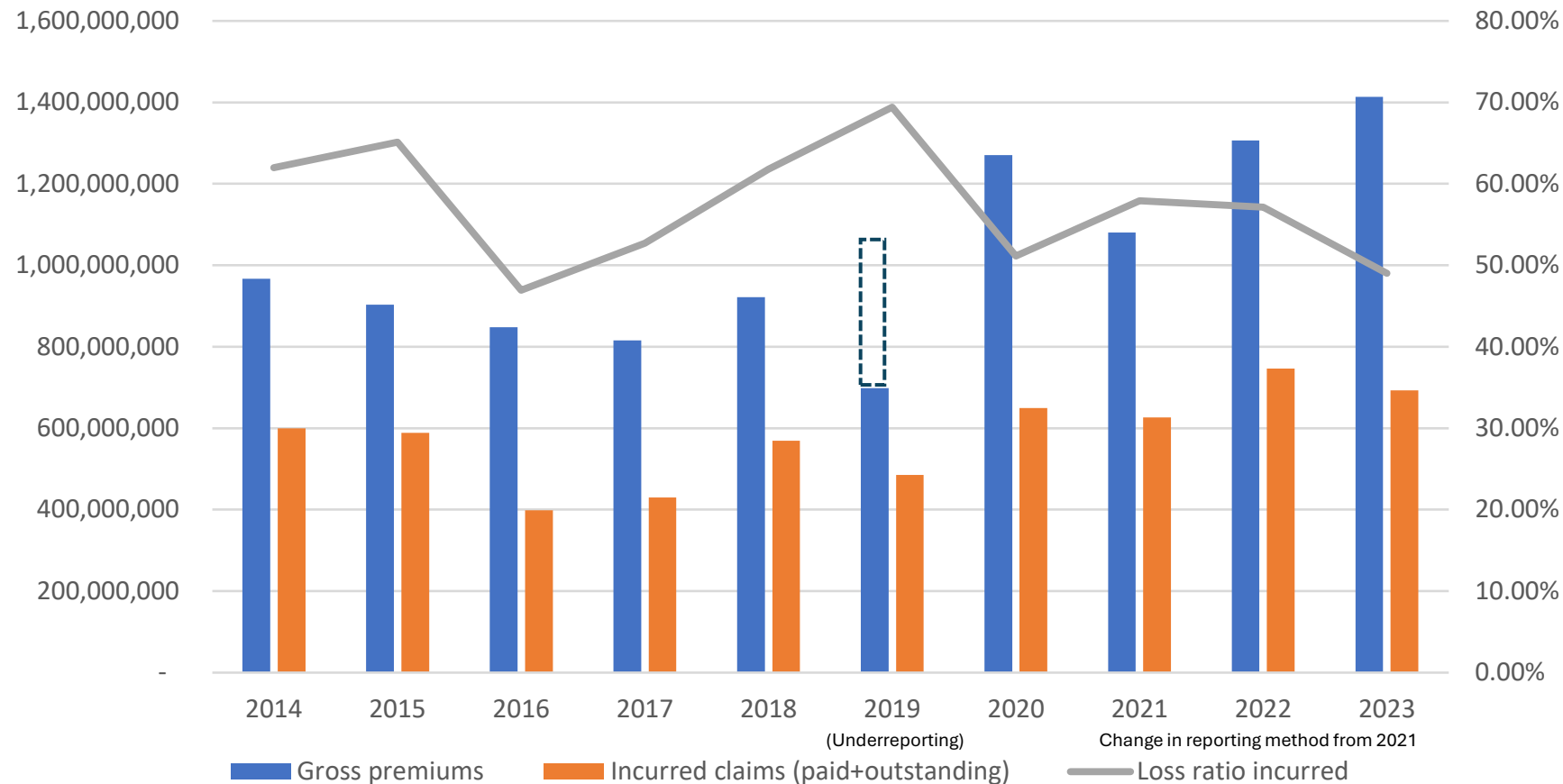
Sustainable improvement?

* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

**Data included from: Belgium, France, Germany, Netherlands, Italy, UK

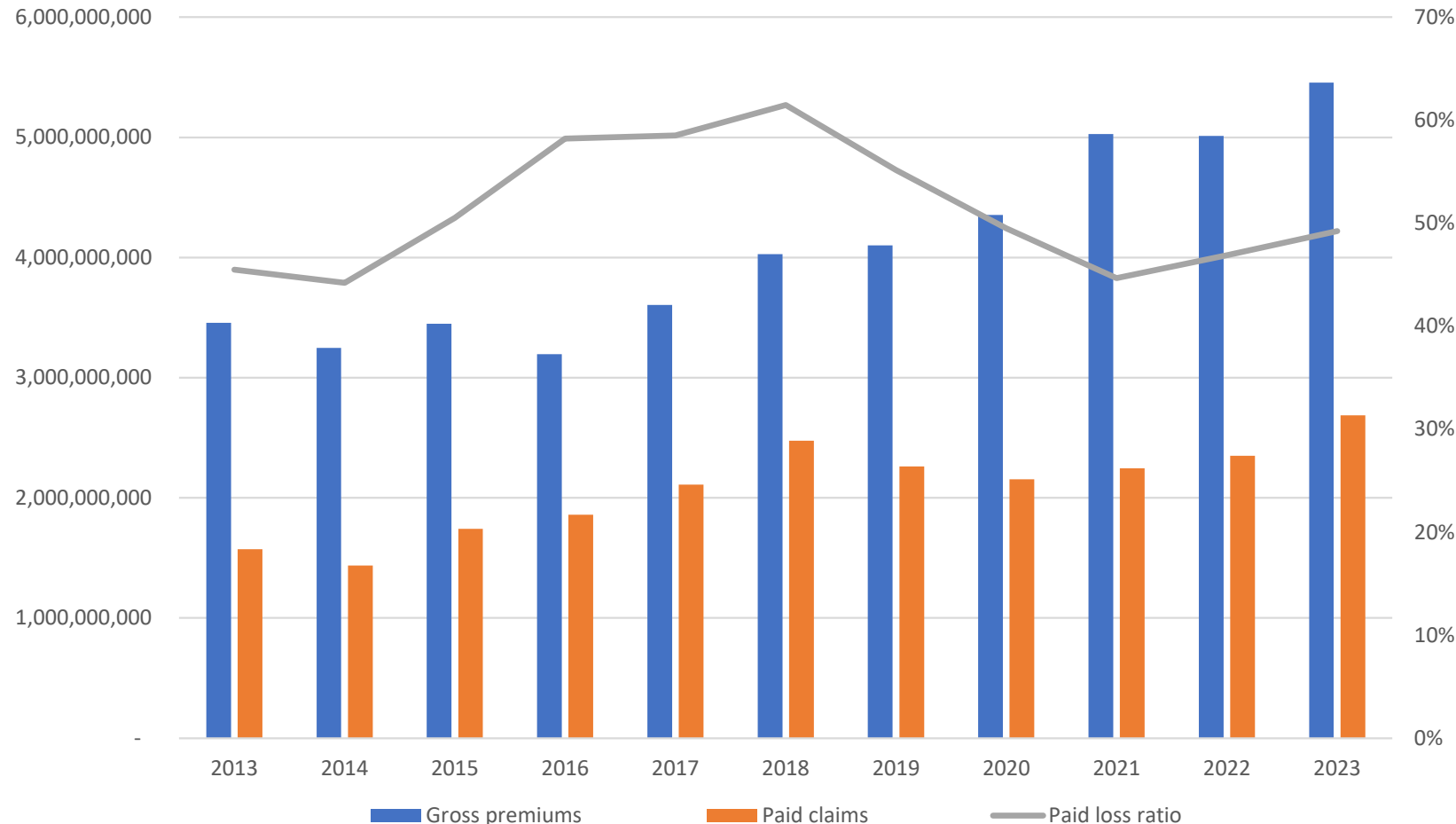
Cargo – Loss ratios US

Accounting year, gross premiums, incurred claims (paid+outstanding)



Cargo – Loss ratios Asia*

Accounting year, gross premiums, paid claims (USD)



Increase 2015-18. Probable impact by Tianjin port explosions & Nat Cat. losses.

Improving from 2019.

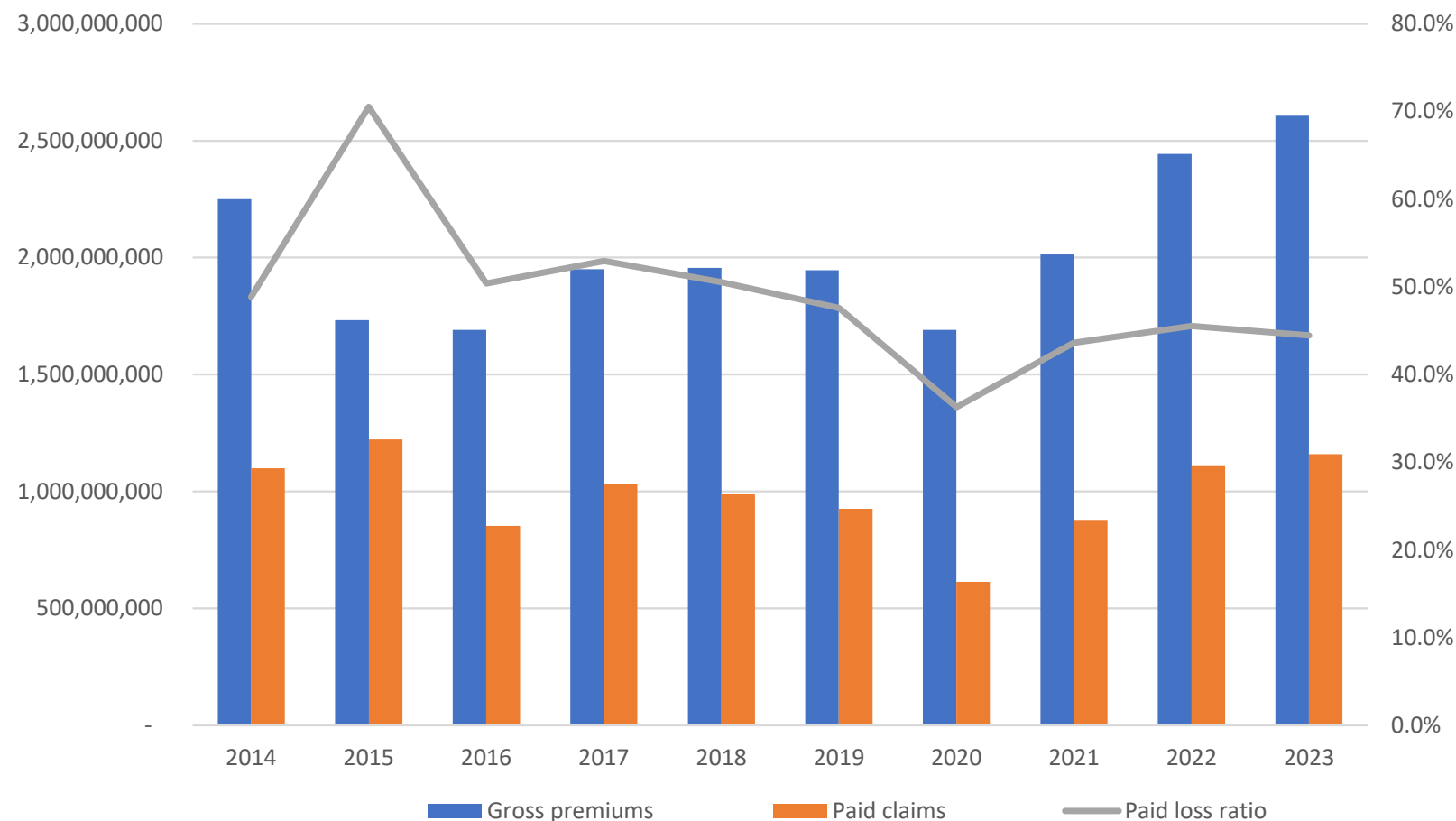
2022, 2023 slight deterioration but still low loss ratio.

* China, Japan, Hong Kong, India from 2015.

Singapore not included (incurred figures available but cannot be split), China, Japan, Hong Kong only paid available.

Cargo – Loss ratios Latin America*

Accounting year, Gross premiums, paid claims (USD)



Slightly improved since 2017 and stabilising around 45%.
(2020 dip connected to some underreporting of claims)

Recent premium growth not (yet) matched by similar increase in claims.

Peak in 2015 was related to major claim impact in one country.

*Figures included from: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, D. Republic (from 17), Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Venezuela (until 14).

Cargo – Summary

- Improved results across markets
- Main drivers: upswing in trade (insurable volume/values) with strong post-pandemic recovery, rate adjustments

Persisting challenges:

- Fires on-board vessels
- Mis-declared cargo
- Increased value accumulation on single sites (ports, vessels).
- Increase in severe weather conditions (wind/wave force, floods, wildfires/draughts)
- Increased risk of large event losses (both Nat-cat and man made)
- Geopolitical tensions

2024 Outlook

- Upswing in trade projected to continue but high uncertainty (geopolitical tensions, regional economy)
- Increasing Nat-cat risk, accumulation may increase claims impact.
- Inflation easing but impacting costs in past years.
- Rerouting of vessels from end of 2023 may have various impact on both sides of the equation.

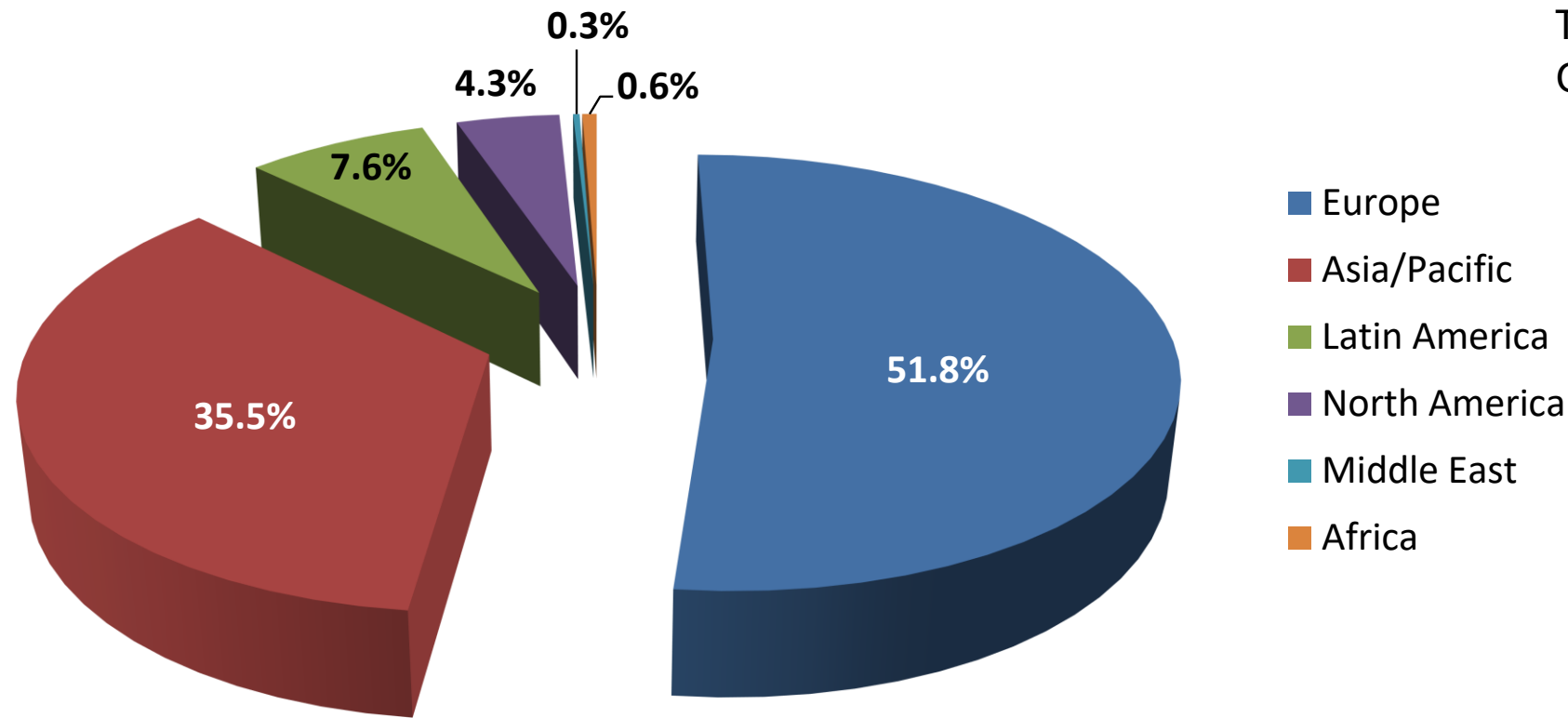
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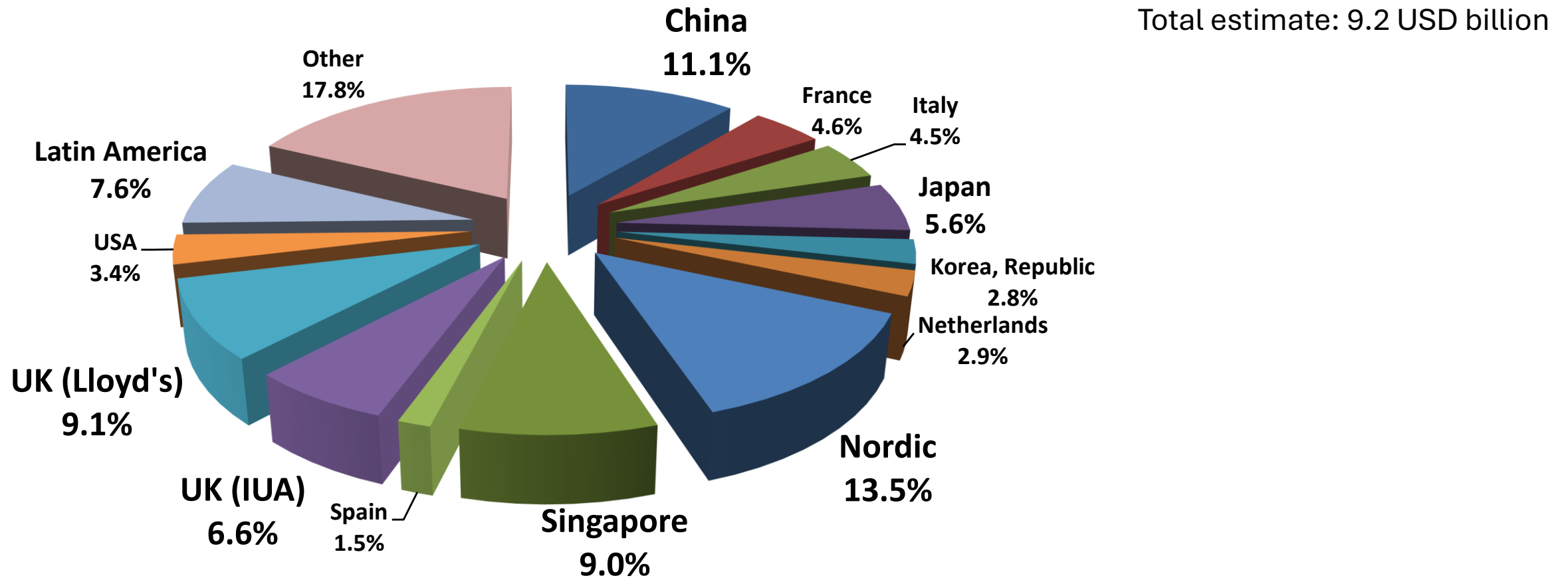
Photo: Astrid Seltmann

Hull premiums 2023 – by region

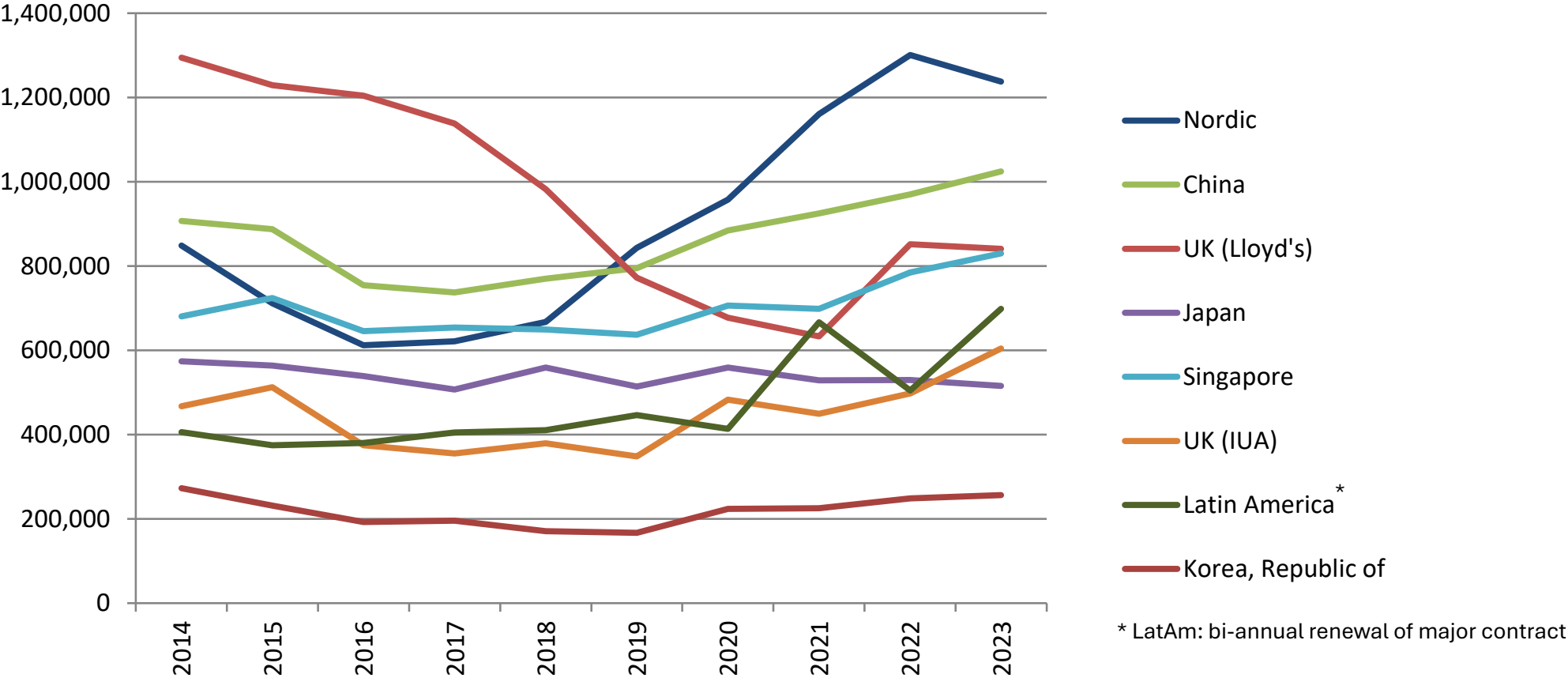


Total estimate: USD 9.2 billion
Change 2022 to 2023: 7.6%

Hull premium 2023 – by markets



Hull premium trends - major markets

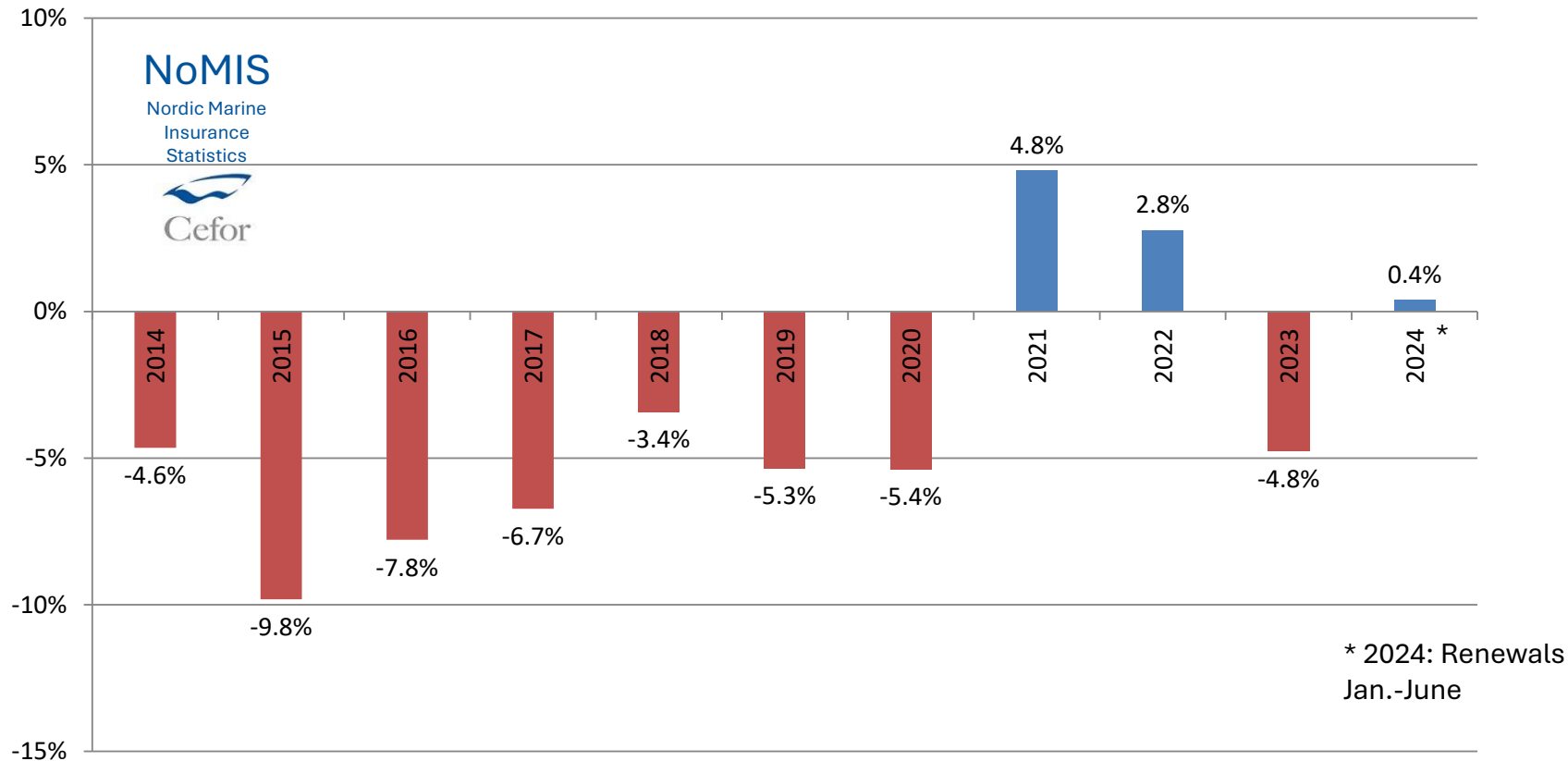


Hull Portfolio trends



Change in insured values on renewal*

2019-2023, comparing the value of vessel which are insured in two consecutive years



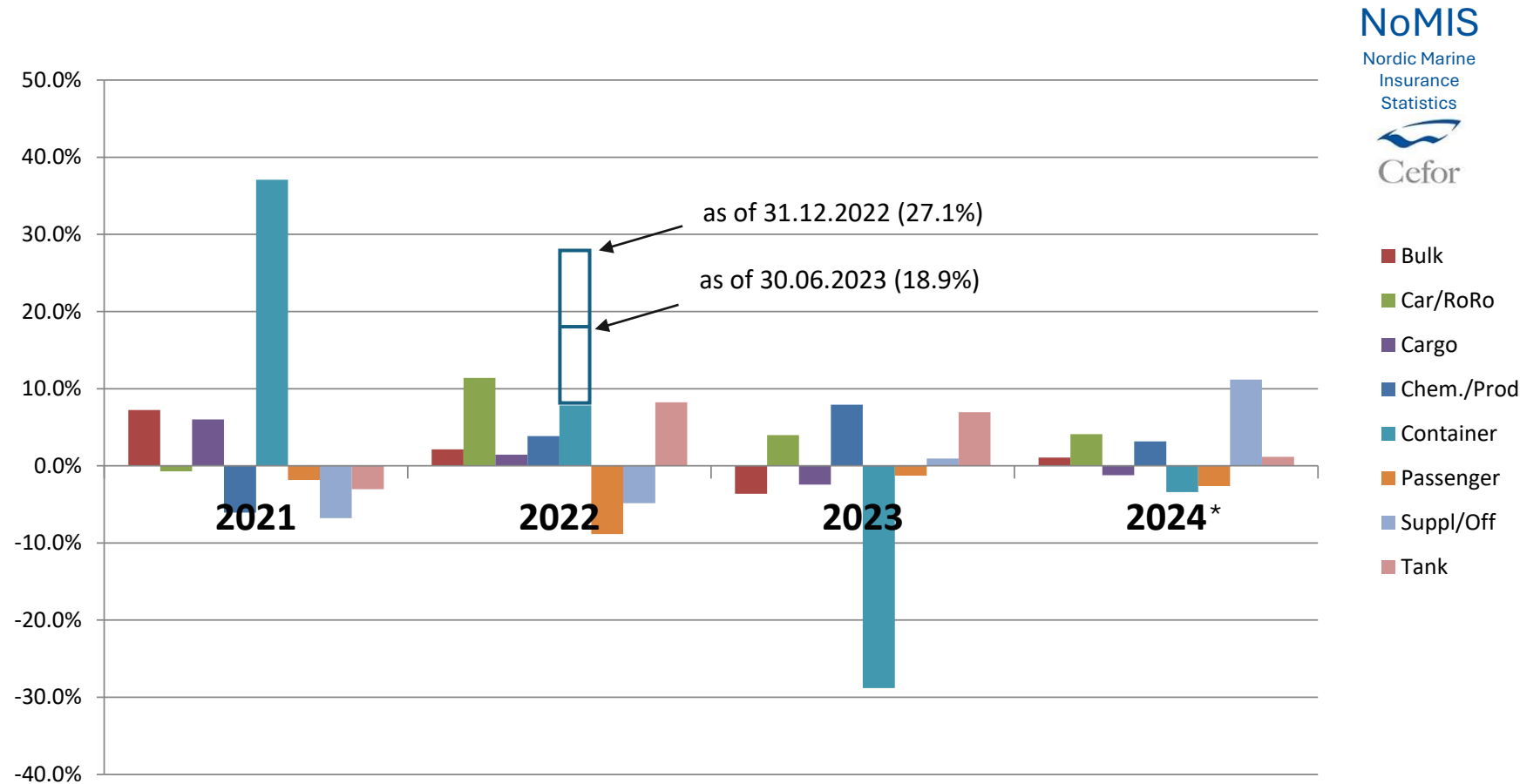
Value adjustments differ greatly by segment. Reflect demand.

Big variation by vessel types.

Under unchanged market conditions some value reduction expected due to aging of vessel.

Change in insured values on renewal*

2021-2024, comparing the value of vessel which are insured in two consecutive years



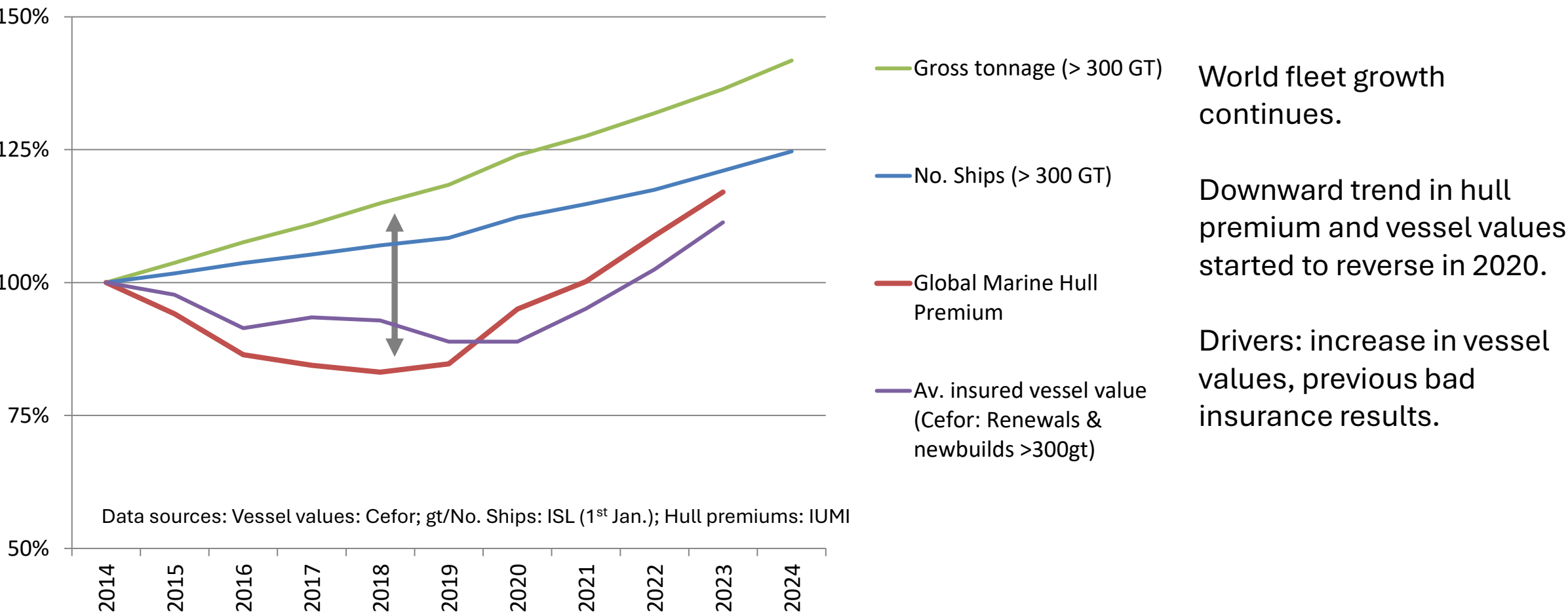
Value adjustments differ greatly by segment. Reflect demand.

Big variation for **container**, reflecting 2021/22 boom, followed by downward trend.

Tank vessels increased demand 2022/2023.

Supply/ offshore values increase 2024 after increase in demand following oil price and offshore activity.

Hull premium versus world fleet

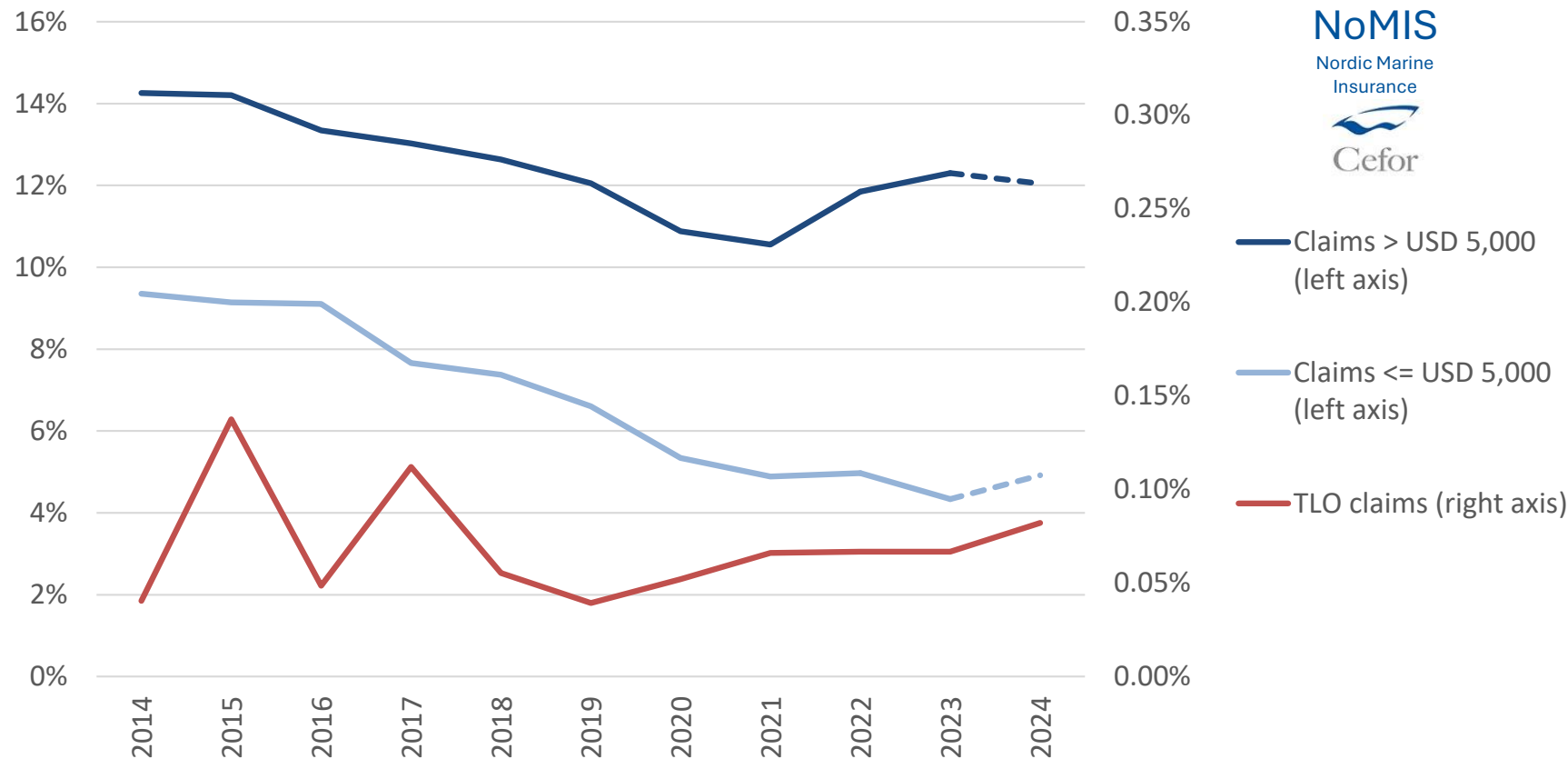


Hull Claims trends



Photo: Astrid Seltmann

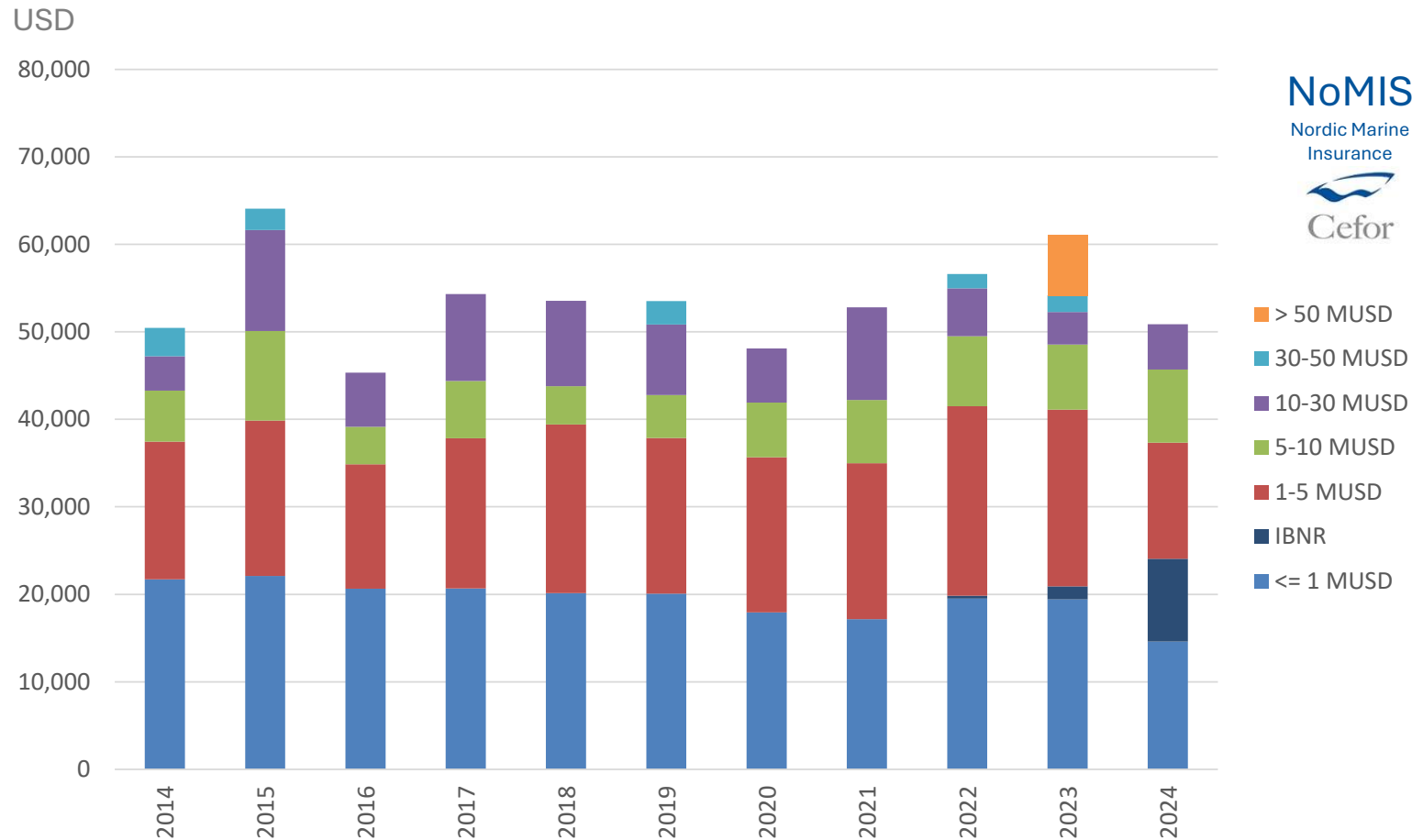
Hull claims frequency: Post-pandemic increase but still moderate



Overall claims frequency
Long-term downward trend.
Post-pandemic increase but not exceeding pre-pandemic levels.

Total loss frequency
Long-term downward trend.
Some increase but still very low level.

Claim cost per vessel*: Back at pre-pandemic level but not exceeding this



* Figures include total losses and represent Hull & Machinery insurance. Builder's risk or Loss of Hire are not included.
Calculated as total claim cost per year, divided by number of insured vessels per year (including those without claims)

2023 costly **major losses** (fires).
2024 first half year moderate impact on costs.

Since 2022 increased level in lower-cost claims bands. Inflation impact? We'll get back to that.

Interested in hull trends?
Cefor mid-year hull report 2024:
<https://cefor.no/statistics/nomis/2024/2024-mid-year-report/>

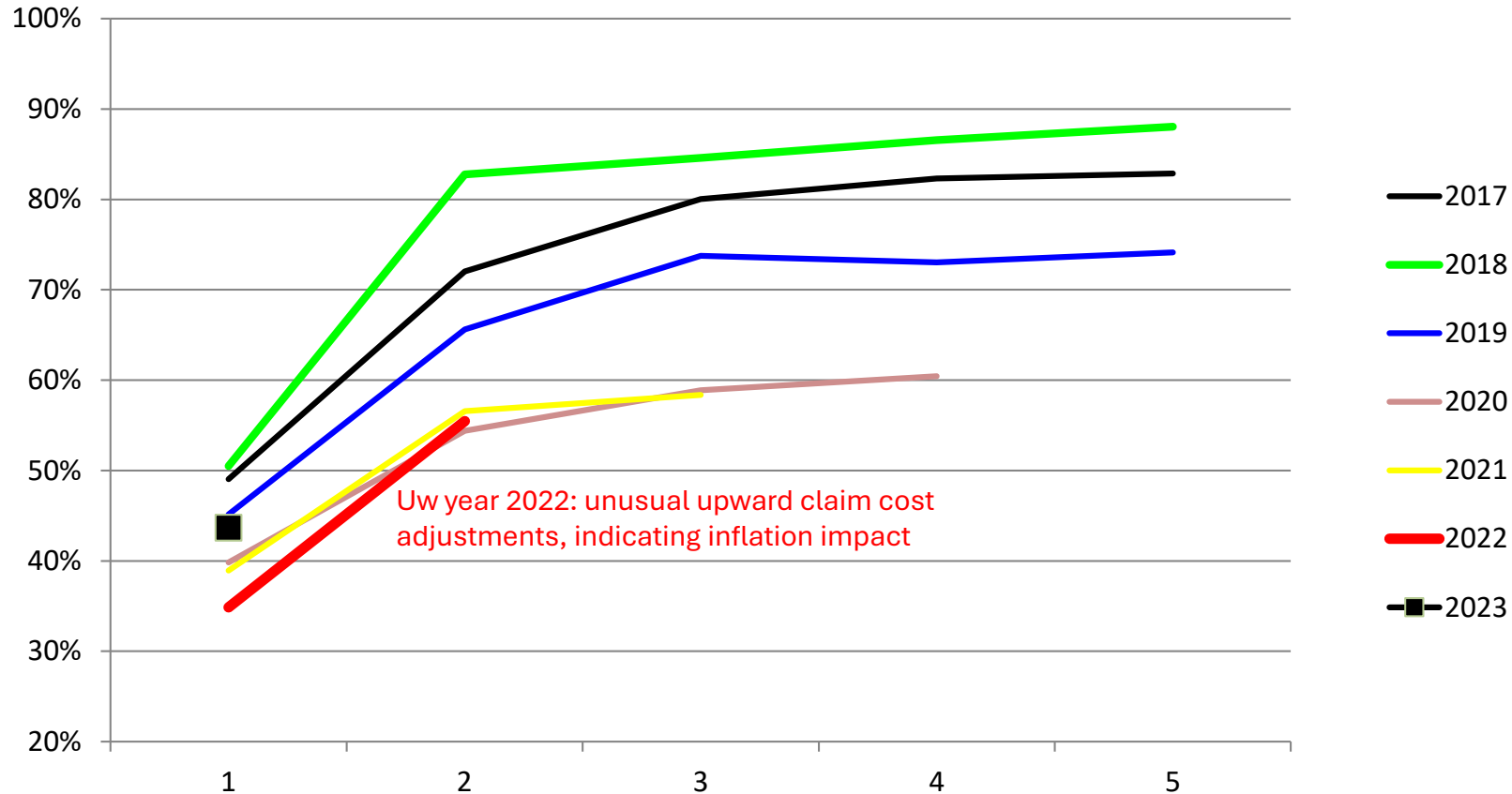


Hull Loss ratios



Hull – Loss ratios* Europe**

Underwriting years 2017-23 as reported at 1,2,3,4,5 years
Gross premiums, paid + outstanding claims



2022 started at lowest level since 2017 but showed steeper than average increase. This indicates unforeseen cost inflation with a need to correct claims estimates upwards*.

2023 starts higher, may be due to combination of inflation costs known at earlier stage and increased claims impact in 2023.

Loss ratios combined effect of recent increases in hull premiums and changes in claims costs.

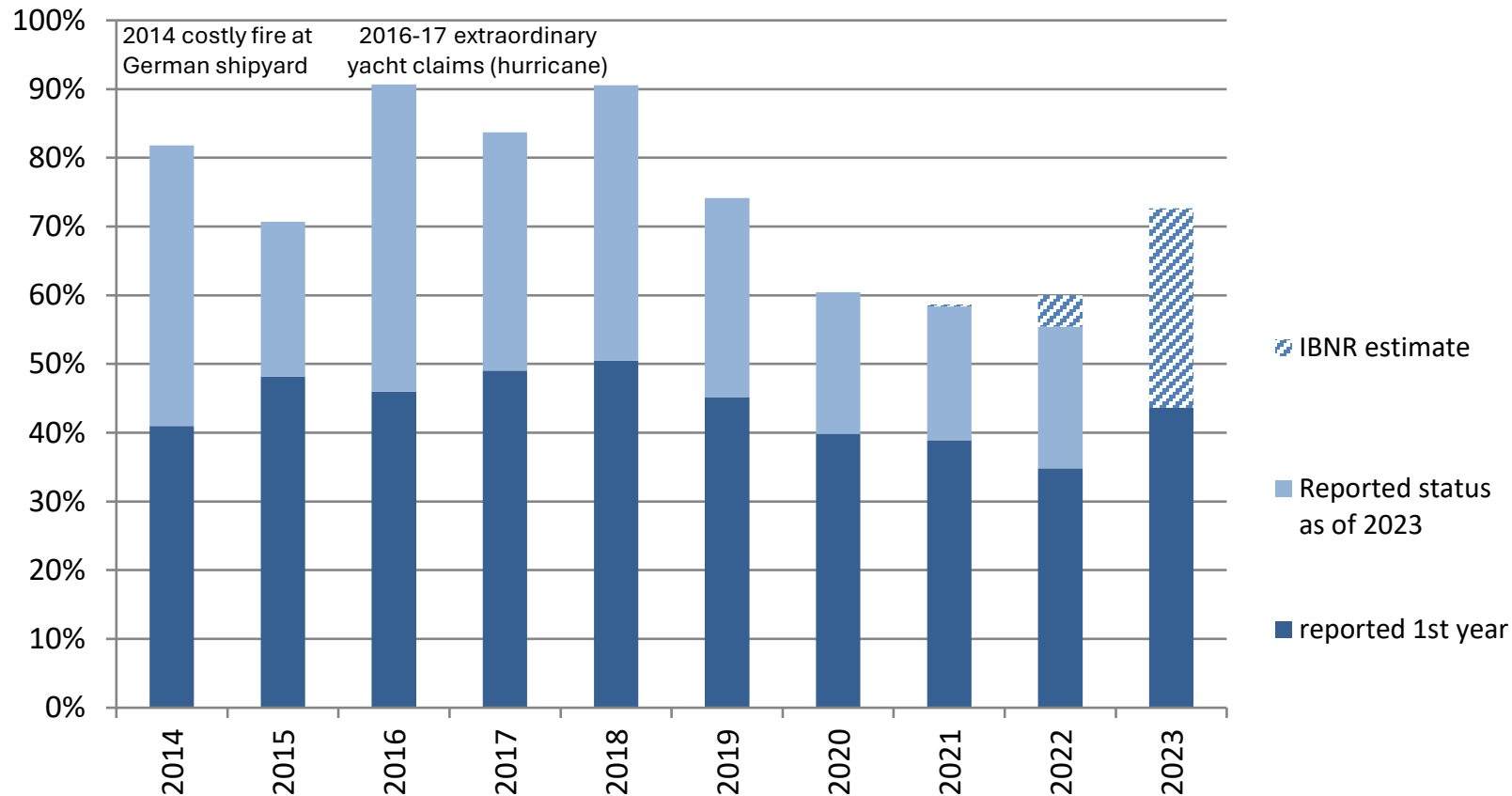
* See e.g. [Cefor year-end hull report](#) illustrating extraordinary upward claims cost adjustments.

* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

** Data included from: Belgium, France, Germany, Italy, Netherlands, Nordic (Cefor), UK

Hull – Ultimate loss ratios* – Europe**

Underwriting years 2011-22, gross premiums, paid+outstanding claims (USD)



2019-2023 improved results but increased claims costs affect 2023.

Various drivers.

Market adjustments following years with negative results flatten out.

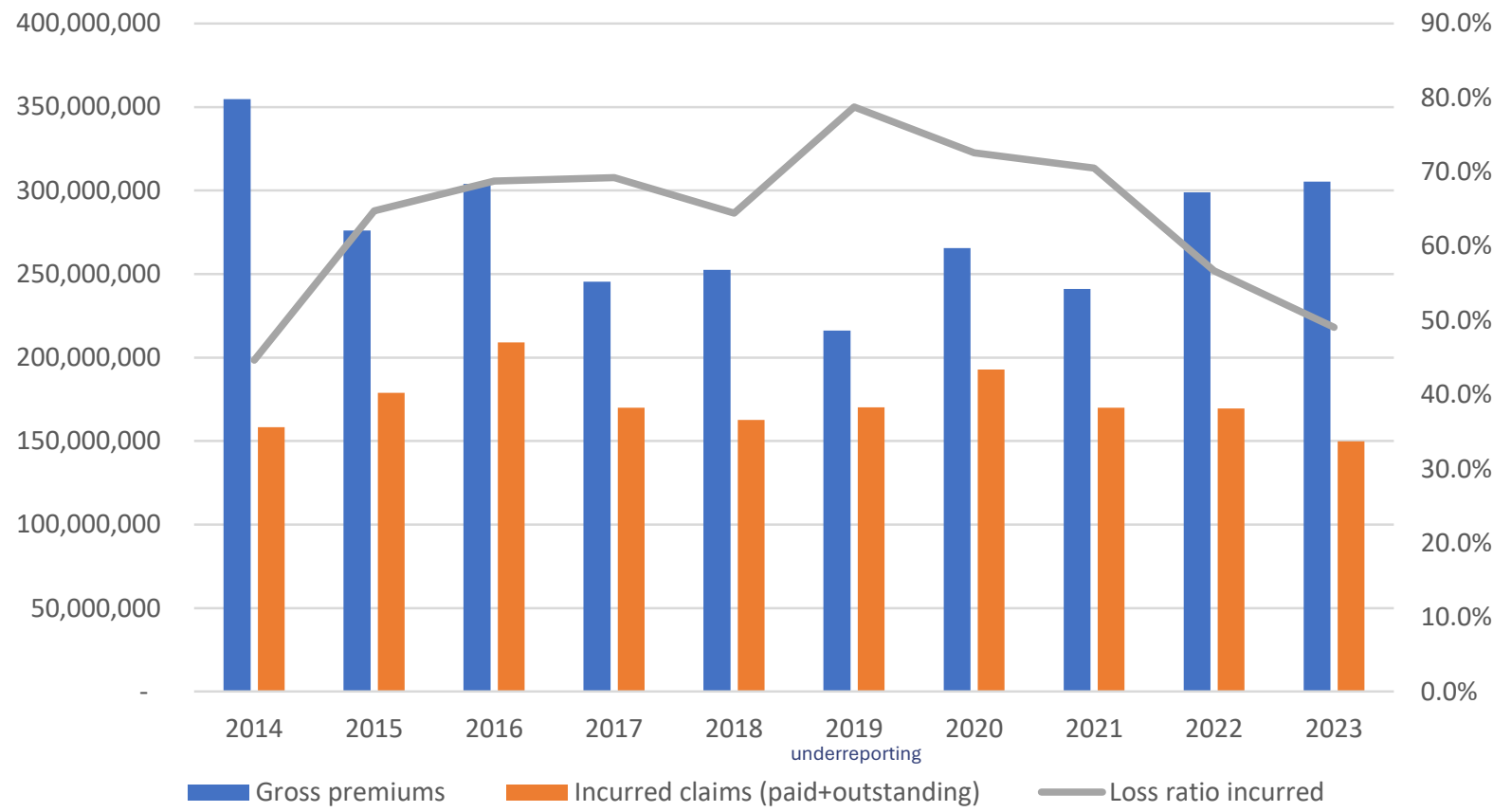
2024 per mid-year benign claims impact but signs of increasing capacity may put pressure on income side.

*Technical break-even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

** Data included from: Belgium, France, Germany, Italy, Netherlands, Nordic (Cefor), UK

Hull* – Loss ratios US

Accounting year, gross premiums, incurred claims (paid+outstanding)



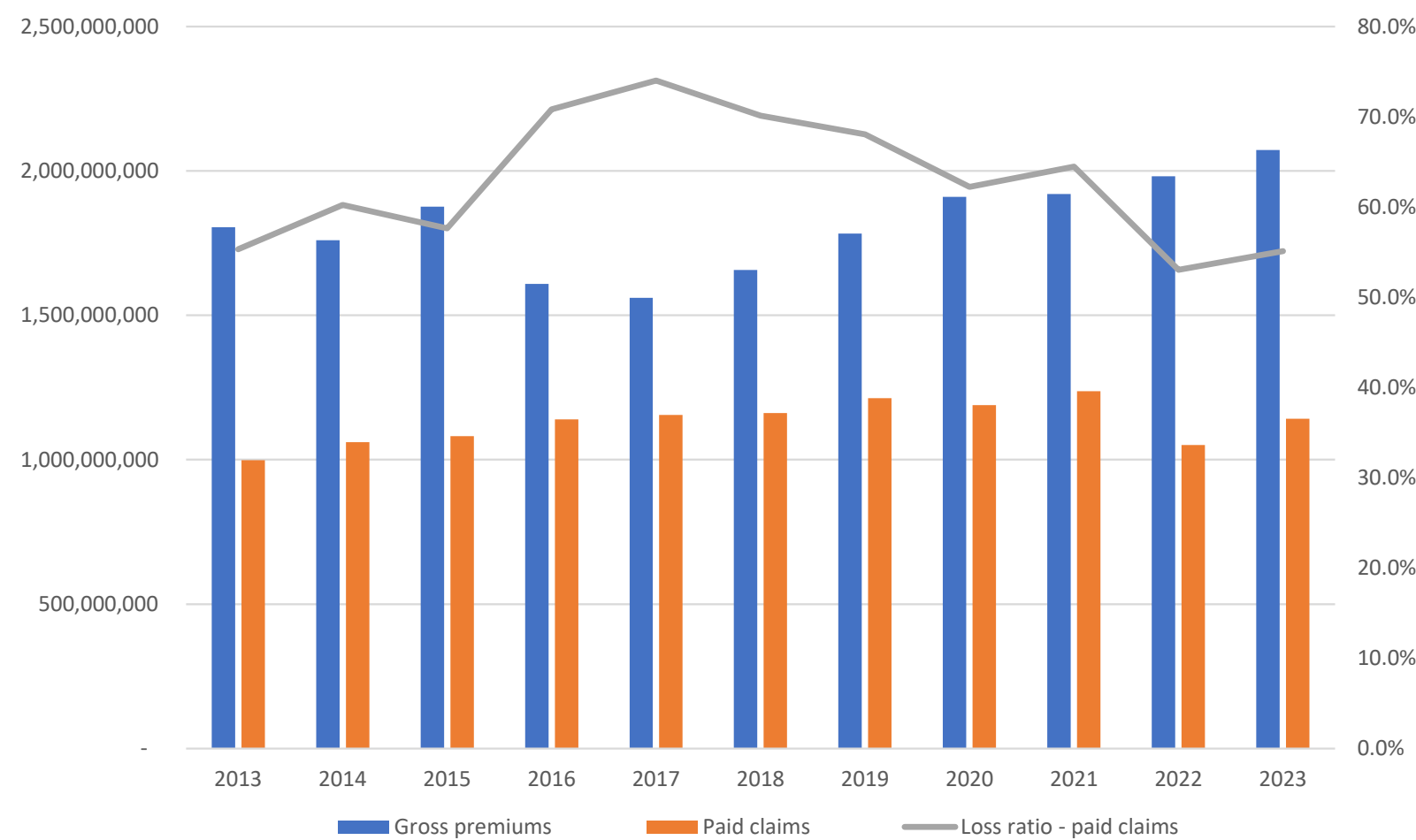
Recent positive trend.

NB: accounting year:
Claims attaching to
previous underwriting
years are paid over
several accounting years.

*Large share represents inland hull ('brown water')

Hull – Loss ratios Asia*

Accounting year, gross premiums, paid claims



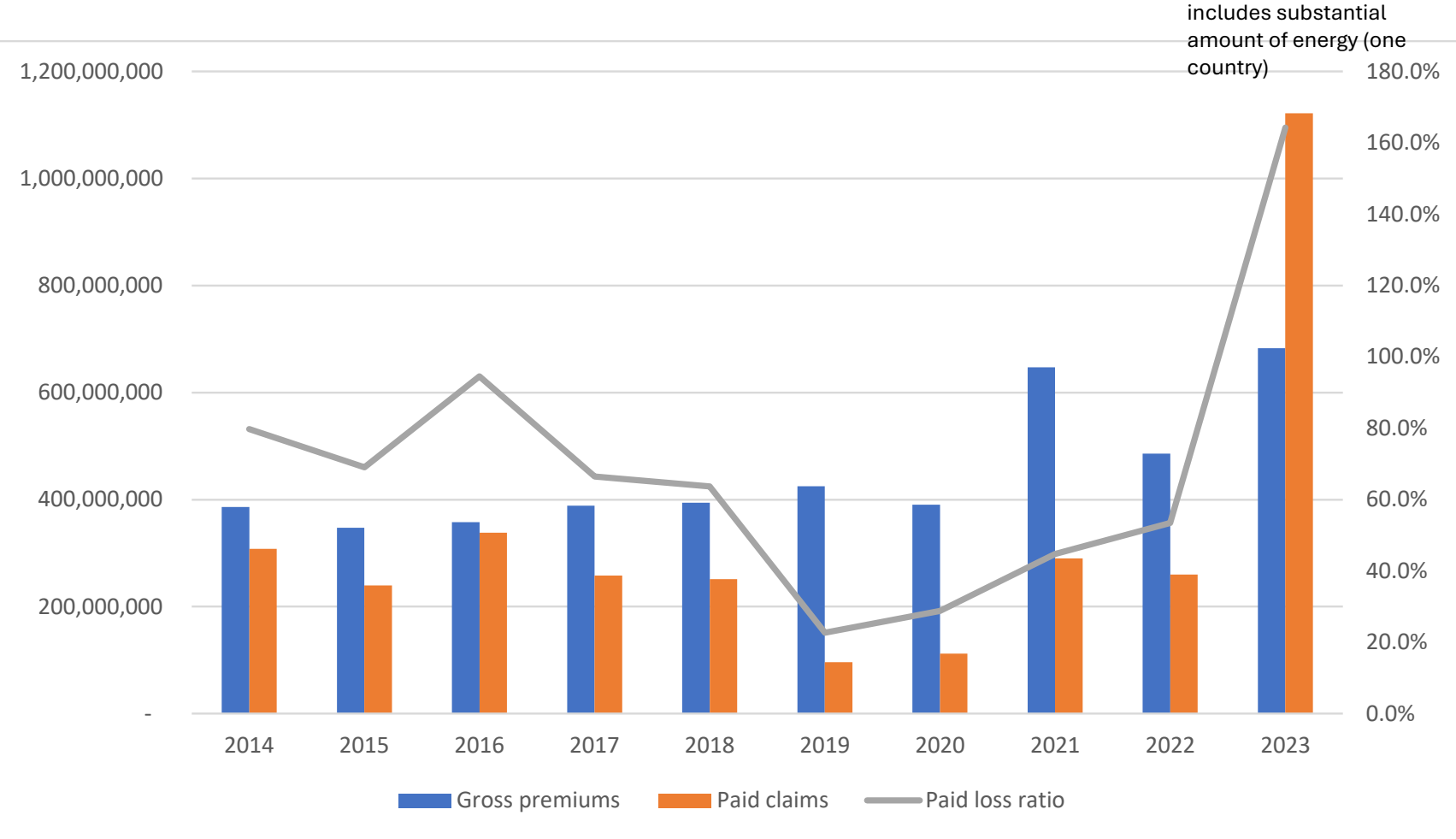
* China, Japan, Hong Kong, India from 2015.
Singapore not included. Incurred figures available but cannot be split. For China, Japan, Hong Kong only paid available.

2022, 2023 improved compared to previous years.

NB re accounting year:
Claims attaching to previous underwriting years are paid over several accounting years.

Hull – Loss ratios Latin America*

Accounting year, gross premiums, paid claims



2021 & 2023: Premium includes 2-year renewal in one country.

2023 includes energy losses from one country.

2019/20 low claims due to claims releases from previous years.

Variation in results difficult to interpret due to some inconsistencies in reporting.

*Figures in graph include: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, D. Republic (from 17), Ecuador, El Salvador (from 22), Guatemala, Honduras (08-16), Mexico, Panama, Paraguay (14-16), Peru, Venezuela (until 14).

Hull – Summary

Exposure

- Upward premium adjustments after years of negative technical results.
- Gap between fleet growth and premiums/values reducing.
- Vessel value changes reflect demand. Big variations by vessel segment. Container big up- and downward adjustments. Tank vessels in higher demand in 2023. Supply/offshore vessel values increased after stabilisation of oil price.
- High-value segments (container, cruise) fully back in business (with potential for high-cost losses).

Claims

- Claims frequency and cost show post-pandemic increase but not exceeding pre-pandemic level.
- Total loss frequency: slight increase 2023 but long-term positive trend continues.
- Major losses: new impact in 2023 after benign years. 2024 moderate to date but fires still concern.

Results

- Improved in recent years – combined effect of premium increases and moderate claims impact.

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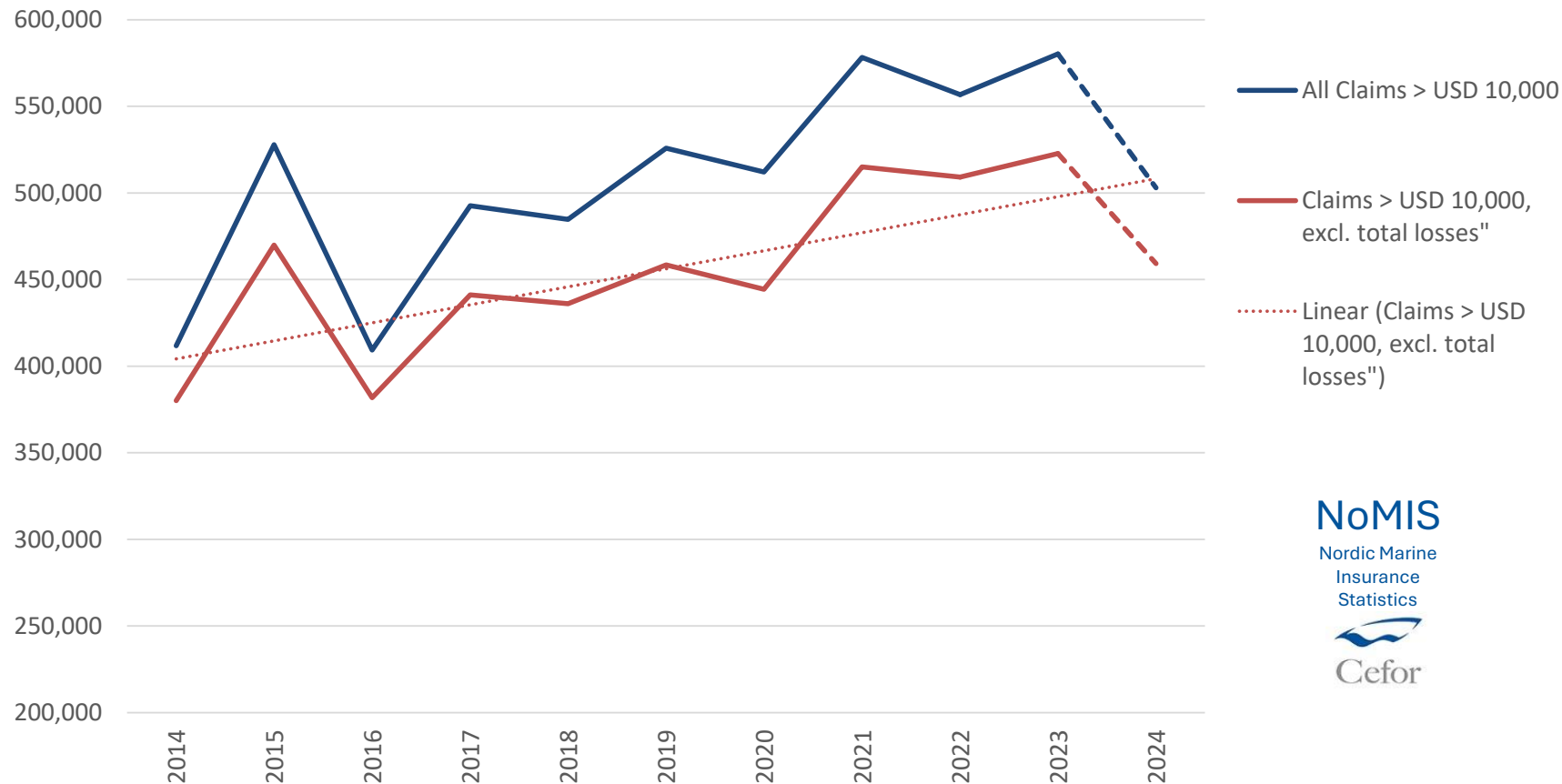
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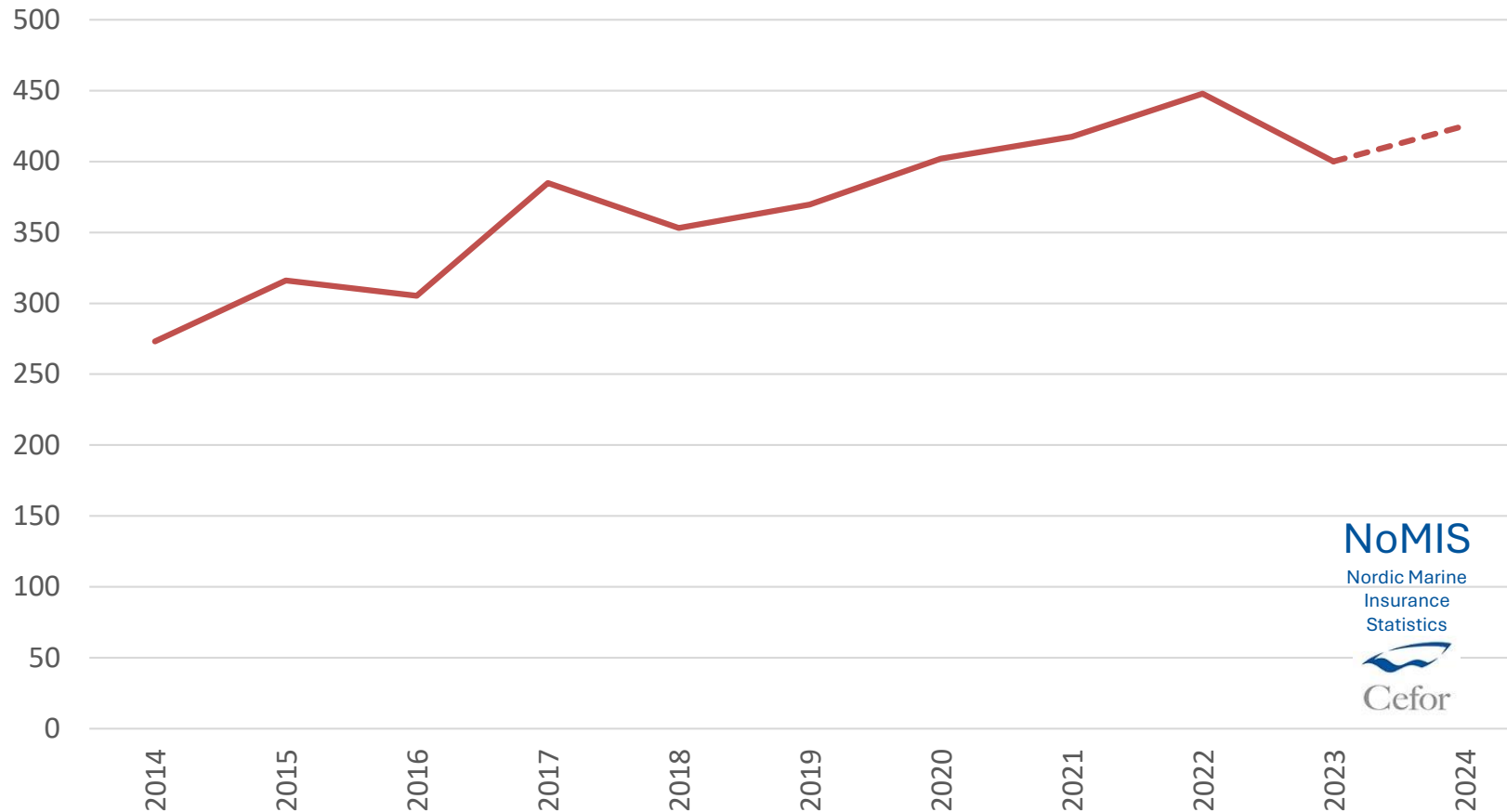
Special issues

- Large vessels/value accumulations: high-value segments back in business
- Loss of containers
- Climate change / Nat-cat claims
- Value aggregation – need to monitor and take potential loss cost into account
- War: various effects but difficult to single out and quantify
- Decarbonisation – change of risk (propulsion/fuels)
- Decarbonisation – CO₂ emissions (Poseidon Principles etc.)
(Cefor CO2 vessel emission analysis update planned for October 2024)
- Fires (container, car/RoRo) – issue addressed, continue to monitor
(previous Cefor analyses: <https://cefor.no/statistics/analysis-with-special-focus/>)
- Rerouting of vessels
(Cefor NoMIS figures as of mid 2024 do not show change in claims occurrence pattern (yet))
- Inflation

Average cost of hull claims: Upward trend 2016-2023 indicates inflation impact



Average cost of machinery claims rising

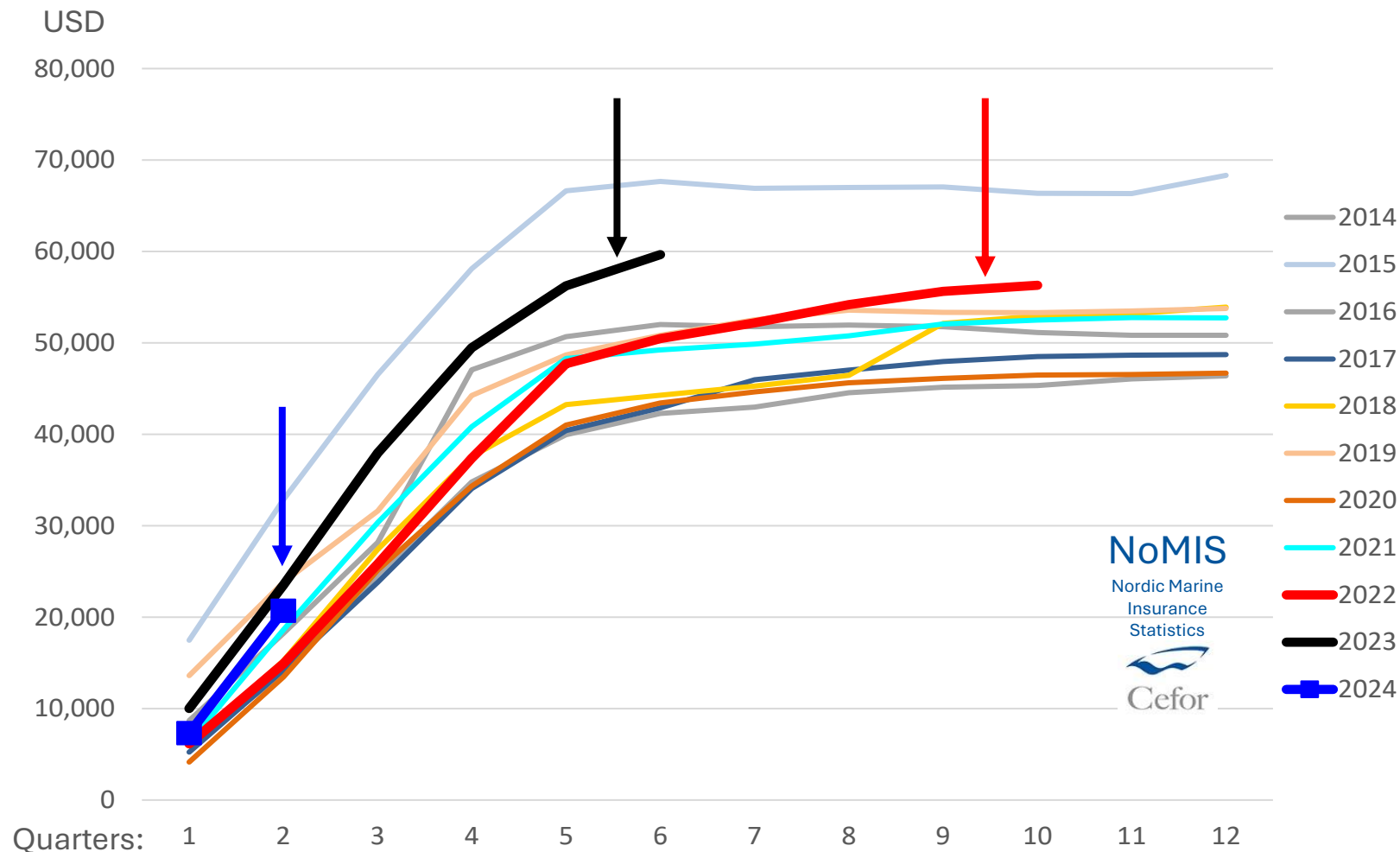


Possible drivers

- Inflation in repair costs
- Ageing fleet
- Higher complexity/other types of machinery
- Other technical (propeller shaft issues)

Hull claim cost per vessel* development shows inflation

accumulated quarterly development, by accident year



2022: Extraordinary upward claim cost adjustment from 4th quarter.

2023: starts higher with steeper increase.

2024 starts close to 2022 level but as steep increase as 2023.

* = Claim cost / no. of insured vessels per year

Source: <https://cefor.no/statistics/news/2024-mid-year-hull-report/>

Summary

Main trend: recent years positive trend across all lines
(but claims inflation and increasing capacity)

So what about the future... ?

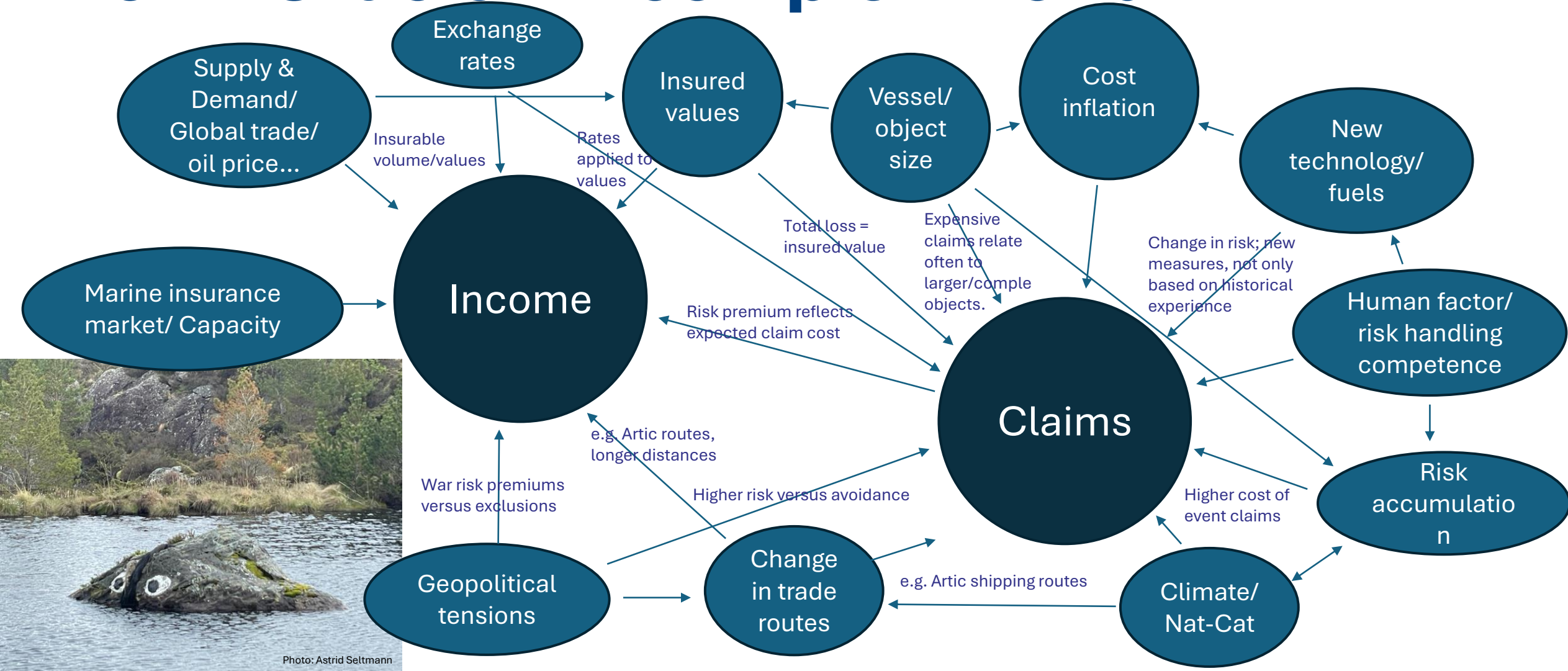
The 2024 Oracle

War, inflation, pandemics,
climate, fires, rerouting,
trade, supply/demand...
Combined effect???



Photo: Christian Koch

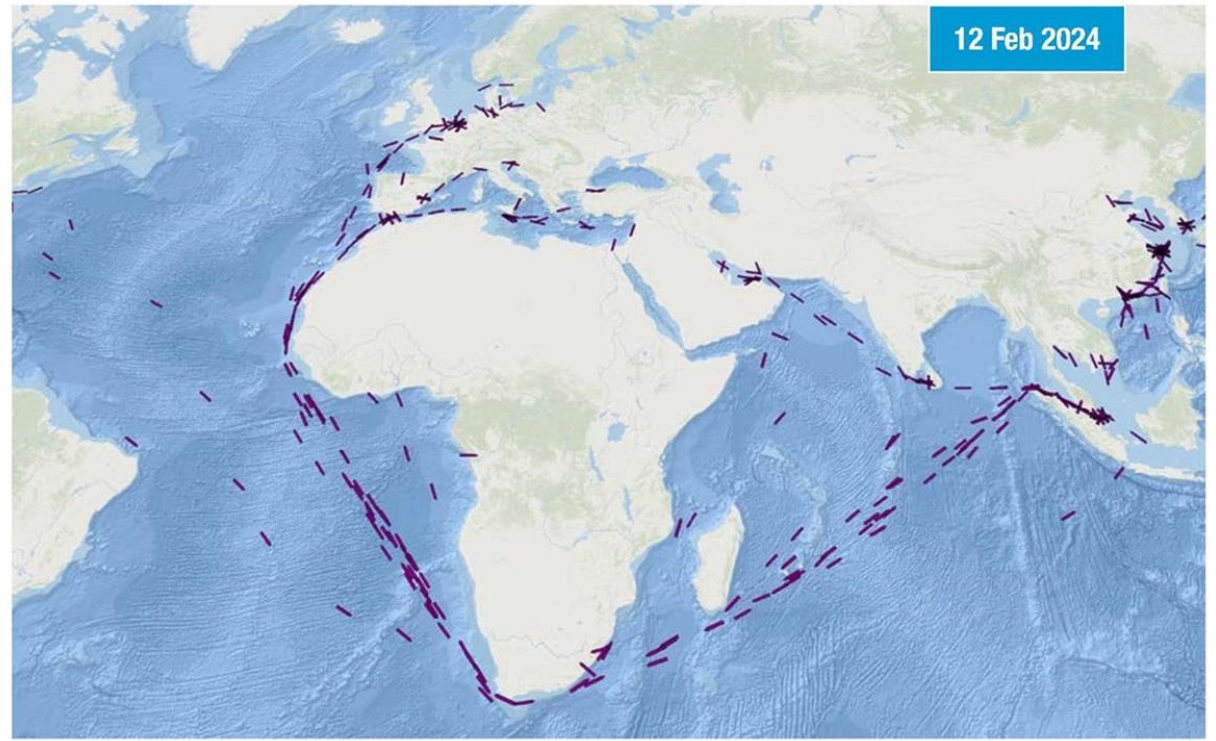
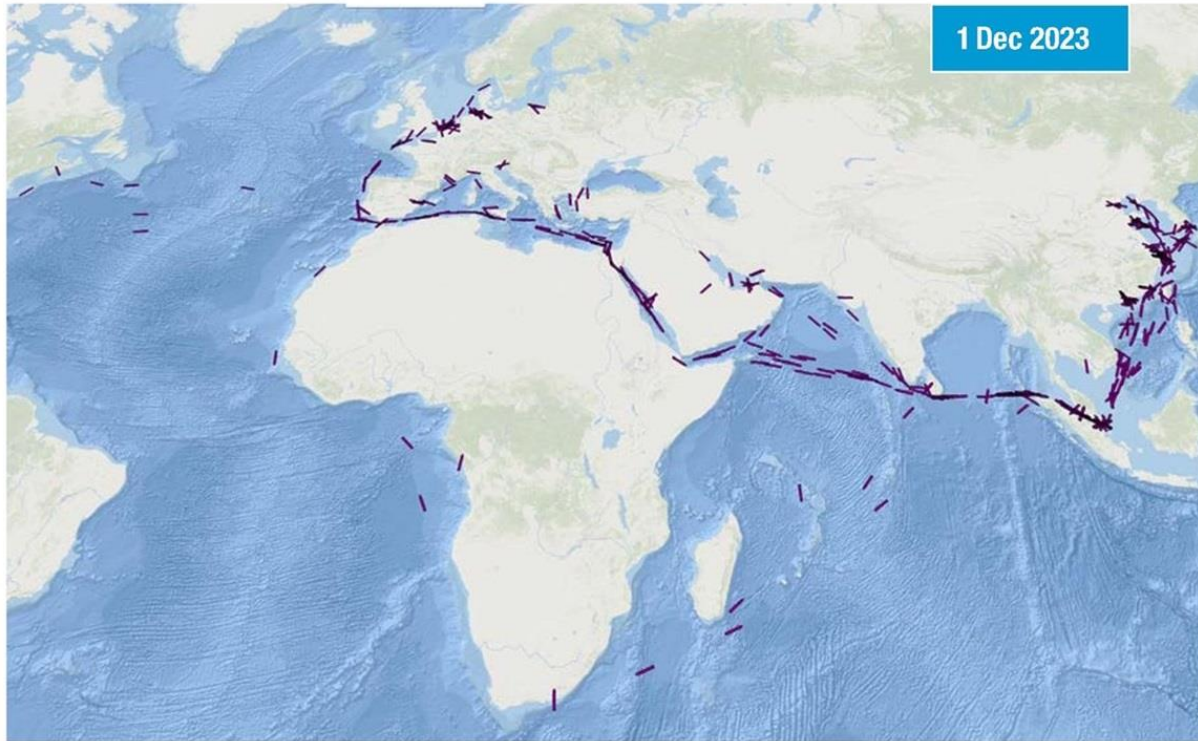
2024 Oracle - A complex world



Ask the 2024 Oracle



Shift in container ship routes from Suez canal to Cape of good hope

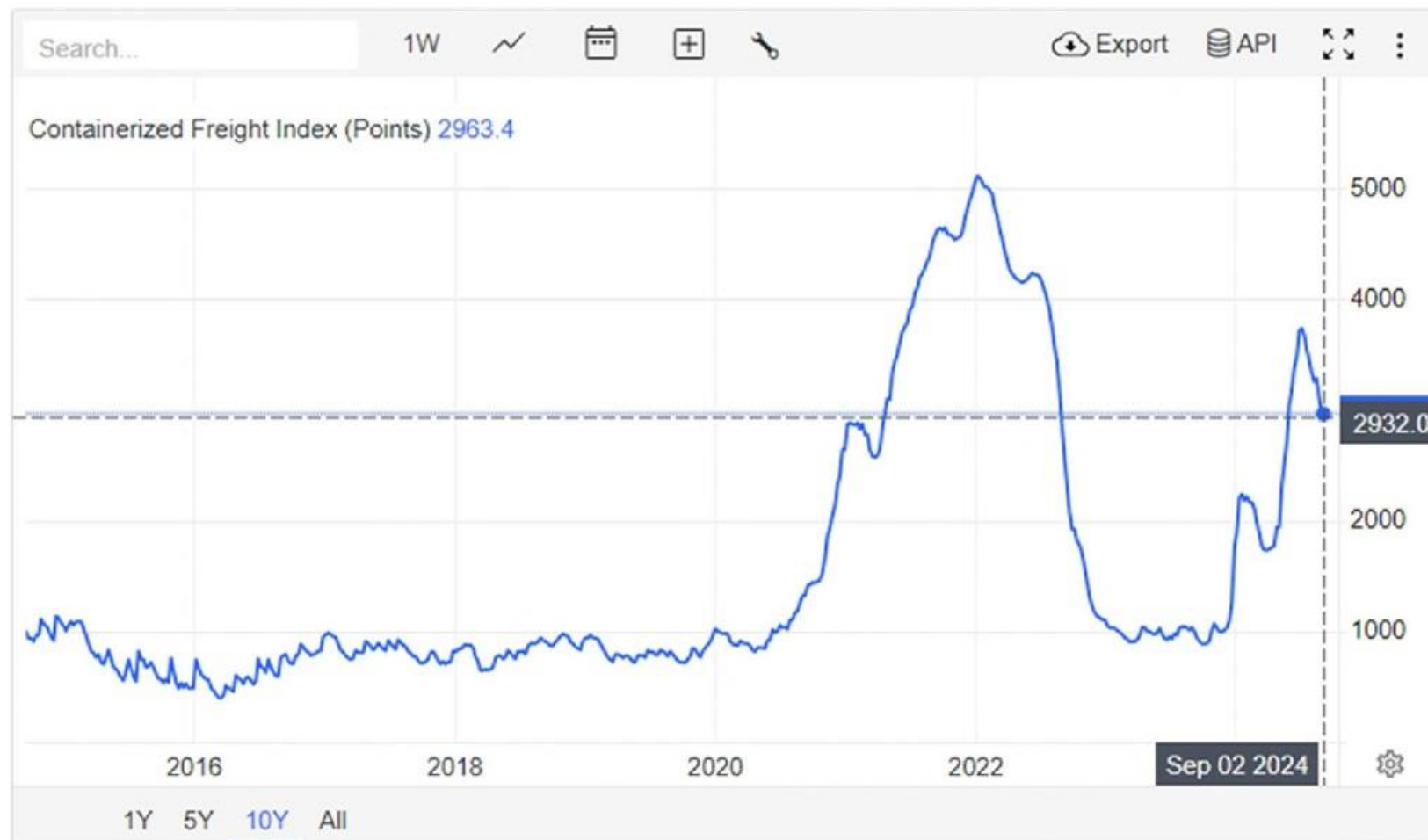


Source: UNCTAD February 2024 'Navigating troubled waters', Data analysis: Marine Benchmark

Implications: Container supply shortage, increased freight rates, higher CO2 emissions.
Change in claims frequency and for which types of casualties? (can go both ways)

Containerized freight index

Containerized Freight Index increased 1,203.81 Points or 68.42% since the beginning of 2024, according to trading on a contract for difference (CFD) that tracks the benchmark market for this commodity.



Source: Trading economics

2024 Oracle – still Headwinds ahead

- **Global trade:** further growth predicted but high uncertainty
(regional and geopolitical challenges, new disruptions)
- **Rerouting** will probably continue, with longer travel times and impact on demand/supply, possibly claims
- More focus on short sea trades? (Martin Stopford, [DNV market views videocast May 2024](#))
- **Claims: Influenced by**
 - Changes in trade patterns / rerouting / vessel activity
 - Change in technology (change in risk)
 - Underlying cost inflation (spare parts, labour cost, steel,...)
 - Ageing fleet
 - Increasing nat-cat impact / event losses
- **Capacity:** Years with positive results typically attract more capacity, with pressure on income side.
- **Complexity:** increased (ESG/decarbonisation, regulations, compliance)
- Transport costs due to rise – **Energy efficiency measures essential.**
(DNV Maritime Forecast to 2050, 03 September 2024)



Complexity & Uncertainty

Thank you!

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#IUMI2024

Handing over the global marine insurance report



Technical terms

Gross premium = Premium for insurance including the provision for anticipated losses (the pure premium) and for the anticipated expenses (loading), including also commission and brokerage but excluding taxes and other contributions on insurance premiums. Before deduction of any ceded reinsurance.

Written premium = Complete premium due for insurance policies which start, i.e. “are written”, in a specific year (= the underwriting year of the policy). Does not give any information on actual premium payments/instalments, i.e. the cash flow.

Paid claims = Amounts the insurer has paid for known and registered claims less recoveries.

Outstanding claims reserve = Claims reserve for reported, but not yet (fully) paid claims, of which the insurer has an estimation of the total amount to be paid. Includes loss adjustment expenses = Sum of total claims estimates minus any amounts already paid for these claims.

Total claim = Paid amounts + outstanding claims reserve for all reported claims.

IBNR = “Incurred but not reported” = additional claims reserve on top of the outstanding claims reserve, and which for claims incurred, but not yet known or registered in the insurer’s system. The necessary IBNR reserve is derived by statistical methods based on historical claims ladder statistics.

Loss ratio = Claims divided by premiums. Indicator of whether premiums are calculated correctly to match claims and other expenses.

Gross loss ratio (in this presentation) = Sum of total claims (and IBNR reserves), divided by gross written premiums

Underwriting year basis = Insurance figures are registered with the calendar year in which the insurance policy starts, and to which the covered risks accordingly attach to. Example: a policy with cover period 01.07.06-30.06.07 has underwriting year 2006. Both claims occurring in 2006 and 2007 for risks attaching to this policy are thus attributed to underwriting year 2006. The underwriting year is not closed, so underwriting year figures change as long as there are payments related to policies with this underwriting year.

Accident year = Claims are registered with the calendar year in which an accident happens. Claims attaching to the same policy may thus be attributed to different accident years. Example: for the policy with cover period 01.07.06-30.06.07 a claim occurring in 2007 has accident year 2007, but underwriting year 2006. The accident year is not closed, so figures will change as long as there are claims payments related to claims occurred in that accident year, e.g. a claim payment made in 2009 for an accident which happened in 2007 will be attributed to accident year 2007.

Accounting year (also booking year) = Insurance figures, regardless of their original source date, are booked into that year of account which is open at the time of actually entering the figures in the books. Contrary to the underwriting and accident year, the accounting year is closed at some point in time, usually at the end of one calendar year, such that figures do not change any more once the accounting year is closed. These give the insurance results usually published in companies’ annual reports.