IUMI's 2024 analysis of the global marine insurance market

STATS

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Contents

Introduction

We are pleased to present our Stats Report for 2024. Overall, the 2023 insurance year was positive for marine underwriters with market development seen across all lines of business. World trade continued to grow which impacted positively on the global premium base, particularly for cargo insurance. The oil price appears to have stabilised which is good for the offshore sector. Inflationary pressure has eased and many central banks are beginning to cut their interest rates, although this does not necessarily have an immediate effect on vessel repair costs. Apart from some inflation impact on hull repair costs, the claims environment was also relatively moderate in 2023, with no major weather events or vessel casualties making a significant impact on the overall costs, despite a few major fires. Large vessel fires, particularly on containerships and car carriers, are still a growing concern for hull and cargo insurers.

Increasing geopolitical tensions are creating headwinds for our industry and there seems no end to their impact in 2024 or beyond. The continuing Houthi attacks in the Red Sea area and the Russia/Ukraine war are disrupting traditional shipping routes and causing some carriers to change the way they operate. Other headwinds for 2024 and beyond will include the impact of the impending US election, climate change and associated extreme weather events, zero-carbon fuel technology and cyber-risks. But despite this, the marine insurance market has fared well in 2023.

This report presents data on the global marine insurance market set in the context of world economic performance, trade and the shipping industry. We also offer commentary and opinion based on the data we have collected.

IUMI represents 42 national and regional marine market insurance and reinsurance associations. Our Facts & Figures Committee compiles and analyses data submitted by national insurance associations and cooperates with other data providers.

Our thanks go to those IUMI member associations for their continued support and to the other data providers, who are identified at the end of this report, for supporting IUMI with extensive and up to date information on the relevant trends that impact the marine industry.

Special thanks are offered to the Nordic Association of Marine Insurers (Cefor) for annually compiling global marine insurance data on behalf of IUMI and supporting IUMI with up-to-date hull trend analyses from the Nordic Marine Insurance Statistics database (NoMIS).

Lastly, a recent IUMI podcast gives a 15 minute overview of our latest marine insurance statistics, listen here.

Jun Lin, Chair
IUMI Facts & Figures Committee

Lars Lange
IUMI Secretary General

October 2024

Highlights

Global inflation is now under control and interest rates are starting to fall. The global economy is continuing to normalise following the pandemic. Growth is predicted for most of the larger economies. Seaborne trade continues to recover in the face of changing trade patterns caused by international conflict.

World fleet growth has stabilised, new deliveries are down but so is scrapping. As a result, the average age of vessels is increasing. China is now firmly established as the world's largest ship owning nation. Vessel earnings in 2024 are softening but remain above the 2023 average.

Global marine insurance premiums in 2023 totalled USD38.9 billion – a 5.9% uplift on 2022. Development was seen across all lines of business. Drivers included a continued rise in global trade volumes and values (cargo), coupled with increases in vessel values (hull), or the increase in oil price encouraging more activity in the offshore energy sector.

Ocean hull premiums were reported at USD9.2 billion, up by 7.6% on the previous year. More activity, more vessels, rising values and reduced market capacity were responsible. Claims continued to be low resulting in positive loss ratios for all regions, although 2023 loss ratios show some deterioration which can be attributed to inflation impact on repair costs. Fires on large vessels continues to be a concern.

Premiums for cargo insurance reached USD22.1 billion representing an 6.2% uptick on last year and continuing the trend for market development in this sector. This was on the back of healthy global trade growth. 2023 loss ratios were also positive and started at their lowest point since 2017.

The offshore energy sector continued its run of premium base growth – reflecting the rally in the oil price – and reported USD4.6 billion for 2023, an increase of 4.6%. Fortunately, increased activity had not yet resulted in substantially more claims and loss ratios were positive and relatively stable, although 2023 figures were starting from a higher point than in previous years and claims costs typically take several years to develop.

In context

A normalisation of the global economy following the pandemic

In general, 2024 should be considered a positive year following the aftermath of the pandemic. Global inflation, a legacy of COVID and a consequence of the war in Ukraine, now appears to be under control. Active engagement from a number of central banks to raise interest rates has driven inflation back to acceptable levels and rate cuts are now being seen. Consumer price inflation is dropping as a consequence.

Central banks have employed tools such as interest rate increases to curb inflation and recently the speed of rising interest rates has slowed. Even so, the cost of capital remains relatively high, particularly when compared with the last few years.

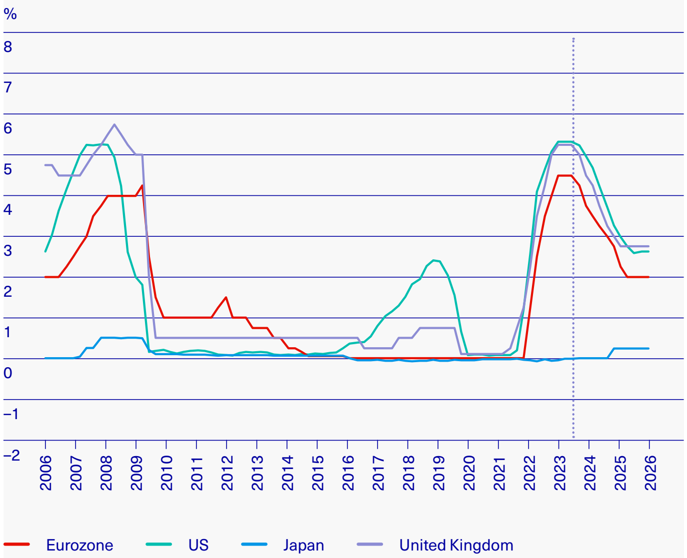
There is a general consensus that 2024 is the year where the global economy will normalise following the disruption caused by the pandemic. The US economy is set to perform slightly better than expected and the economies of southern Europe are poised to challenge those of northern Europe. Growth is predicted to remain relatively strong for the APAC region although the slowdown in the Chinese housing market will be a major headwind for growth in that country.

Chart 1: Consumer prices
Percent change

Region	2023	2024	2025	2026
World	5.7	4.8	3.2	2.9
United States	4.1	3.0	2.1	2.7
Canada	3.9	2.9	1.9	2.0
Brazil	4.6	4.1	3.2	3.3
Eurozone	5.4	2.5	2.0	1.7
United Kingdom	7.3	2.5	2.3	1.7
Russia	5.9	5.9	5.0	4.4
Mainland China	0.2	1.0	1.7	2.0
Japan	3.3	2.3	1.9	1.6
India	5.7	5.1	4.9	5.5

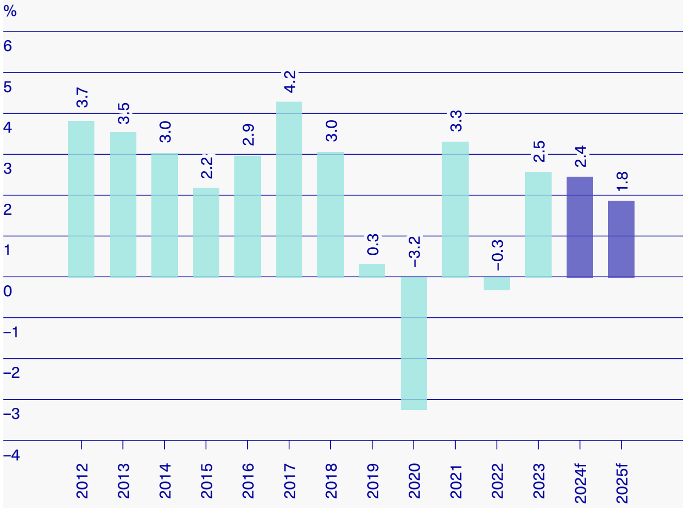
Source: S&P Global Market Intelligence

Chart 2: Policy interest rate
Percent change



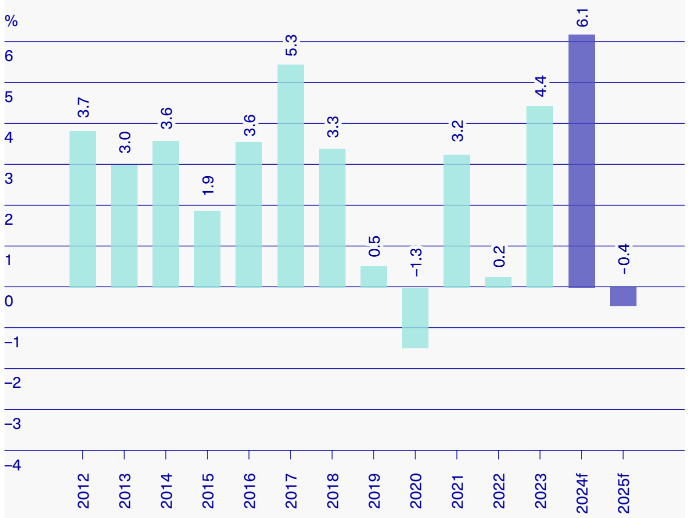
Source: S&P Global Market Intelligence

Chart 3: Global seaborne trade growth
Tonnes



Source: Clarksons Research

Chart 4: Global seaborne trade growth
Tonne-miles

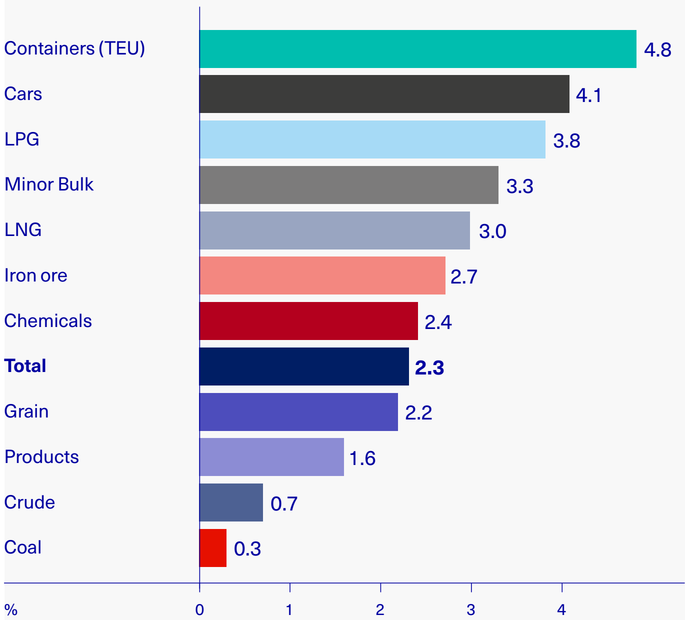


Source: Clarksons Research

Global trade

This year has seen a continuing recovery in global seaborne trade with containerships and car carriers dominating. The change in trade patterns and ocean sea routes caused by the conflict in Ukraine and the Red Sea area are forcing vessels to take longer routes. This has contributed to tonne-mile growth. This is unlikely to change anytime soon.

Chart 5: Projected trade volume growth
Percent



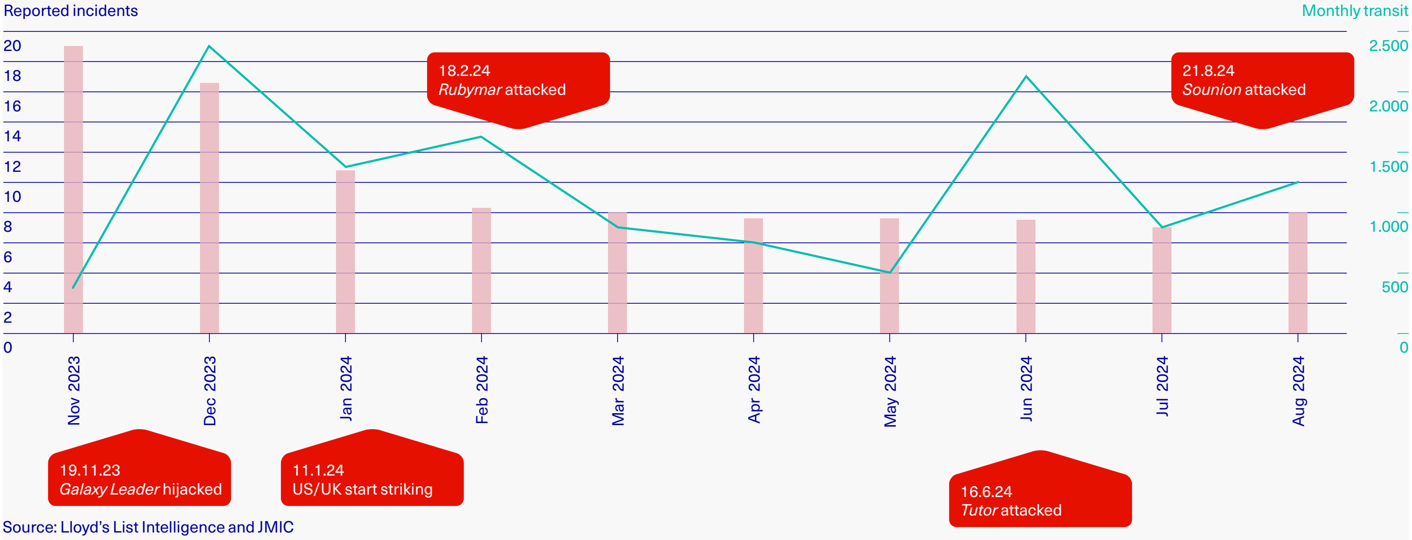
Source: Clarksons Research

Geopolitical tensions have accelerated tonne-mile growth

Red Sea disruption

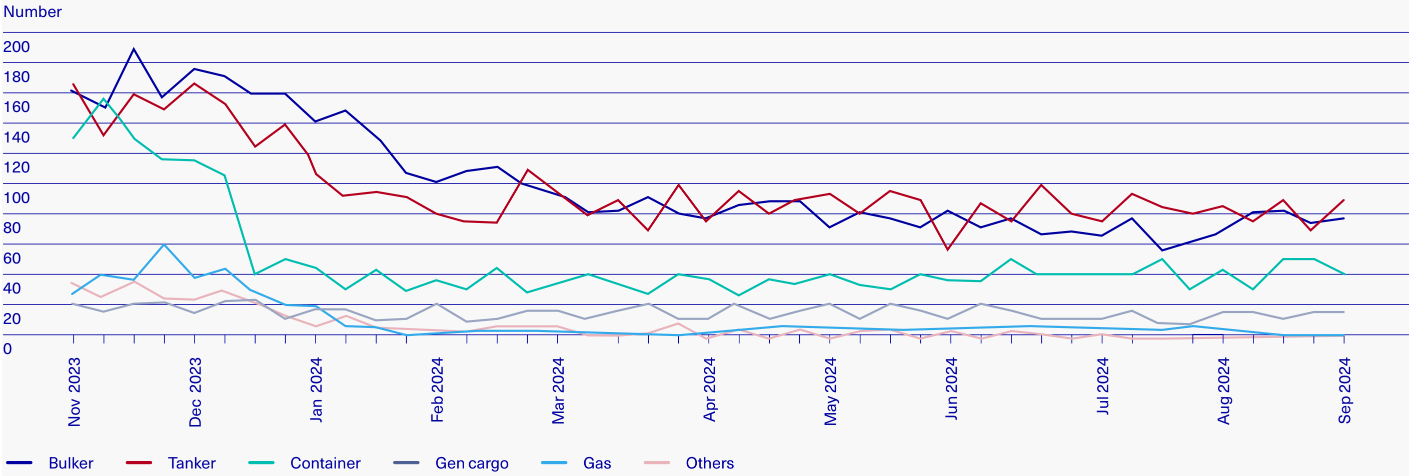
The past 12 months have seen a signification disruption to Red Sea transits which started following the hijacking of the *Galaxy Leader* in November 2023. The decline accelerated around the end of that year as the Houthis intensified their attacks. US and UK air strikes did little to stem the disruption. Despite a recent increase in the attacks, August 2024 saw a small uptick in transits. Containership and gas carrier owners were more inclined to divert their vessels than owners of other vessel types.

Chart 6: Bab el Mandeb
Transits vs security incidents



Source: Lloyd's List Intelligence and JMIC

Chart 7: Bab el Mandeb
Weekly transits by vessel type



Source: Lloyd's List Intelligence

3.8%

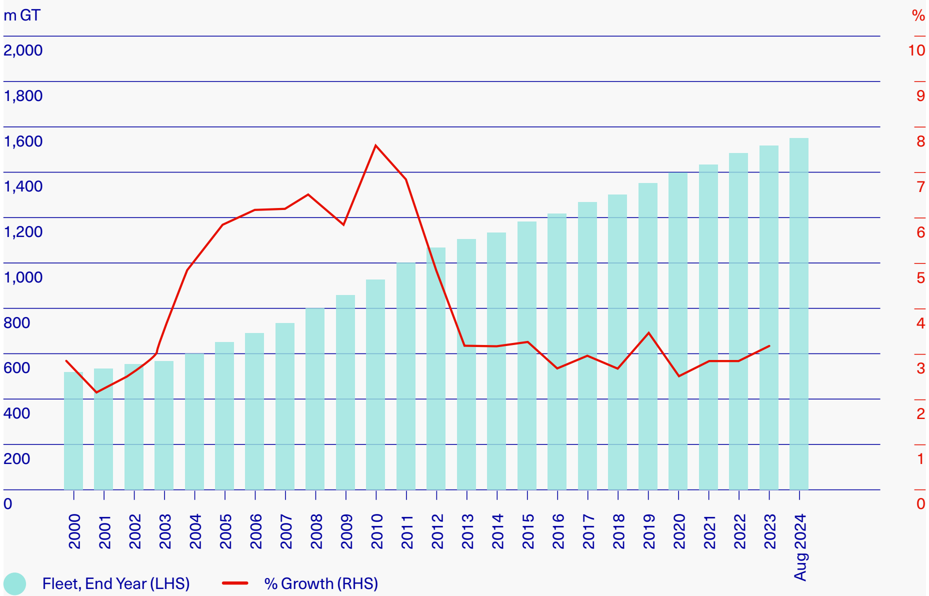
Global fleet growth

World Fleet

The slowdown in global fleet growth has stabilised and is forecast to reach 3.8% by the end of 2024 (gross tonnage). The number of new deliveries is down in 2024 but so is scrapping activity. Containerships and cruise ships are driving the post-pandemic recovery.

Chart 8: Development of the global fleet

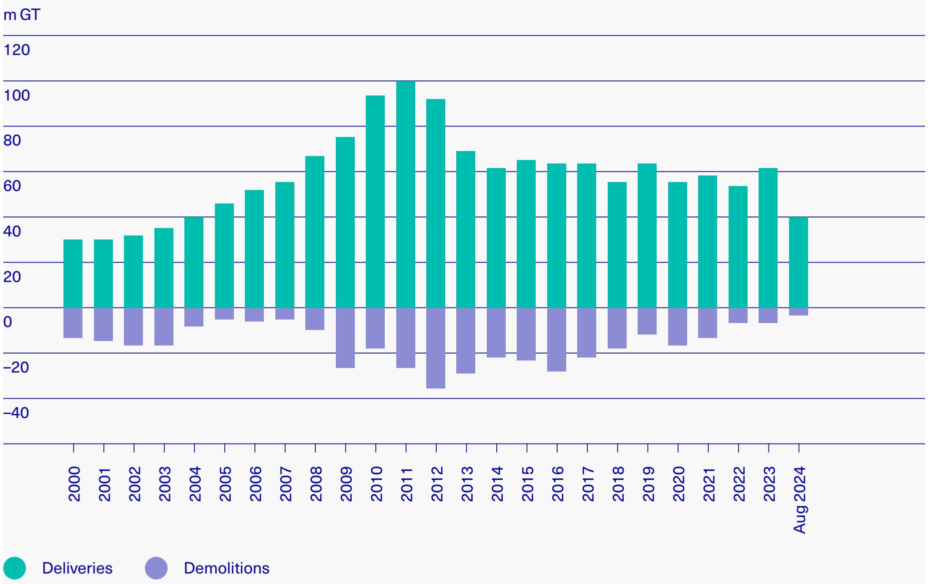
Million GT



Source: Clarksons Research

Chart 9: Deliveries and scrapping of global fleet

Million GT

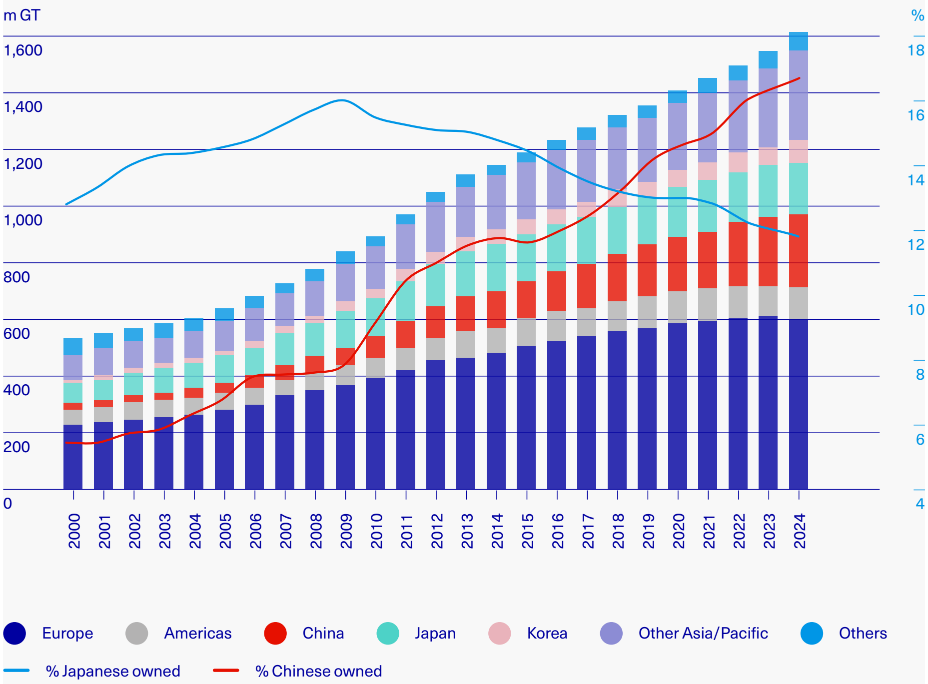


Source: Clarksons Research

Fleet ownership continues to develop with China now established as the dominant owning country (17%) having unseated Greece last year (15%). The Japanese fleet appears to be in decline giving way to Chinese and Korean owners, a trend that has continued for the seventh consecutive year.

Chart 10: Long term regional fleet development (start-year)

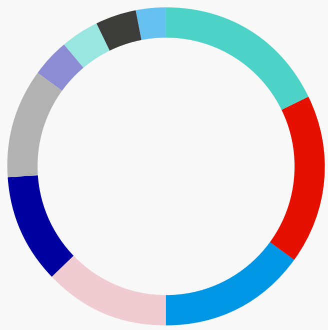
Million GT



Source: Clarksons Research

Chart 11: Regional ownership

Percent, August 2024



Other Europe	18%
China P.R.	17%
Greece	15%
Other Asia/Pacific	13%
Japan	11%
Others	11%
United States	4%
South Korea	4%
Germany	4%
Other Americas	3%

Source: Clarksons Research

17%

China's dominant share of the global fleet

23

23 years: Average age of a merchant vessel

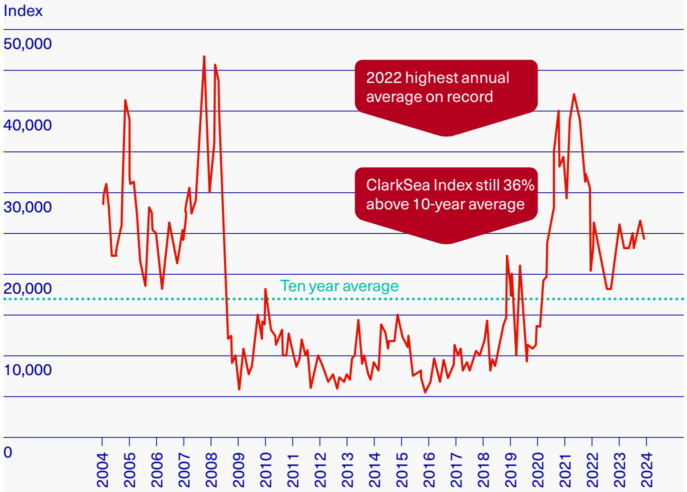
Vessel earnings across all classes have softened since the post-pandemic recovery in mid-2022 but they remain at historically firm levels and above the 2023 average.

Asset prices for new builds of VLCCs, capesize bulkers and panamax containerships continue to rise, as do second hand prices, but the massive jump in containership prices seen last year has now reversed. Insured values of vessels are expected to continue to rise. Generally it can be observed that second hand prices follow the same development as new builds.

In terms of age, the global fleet continues to grow older with the average age of a vessel now approaching 23 years.

Chart 12: Clarksea Index

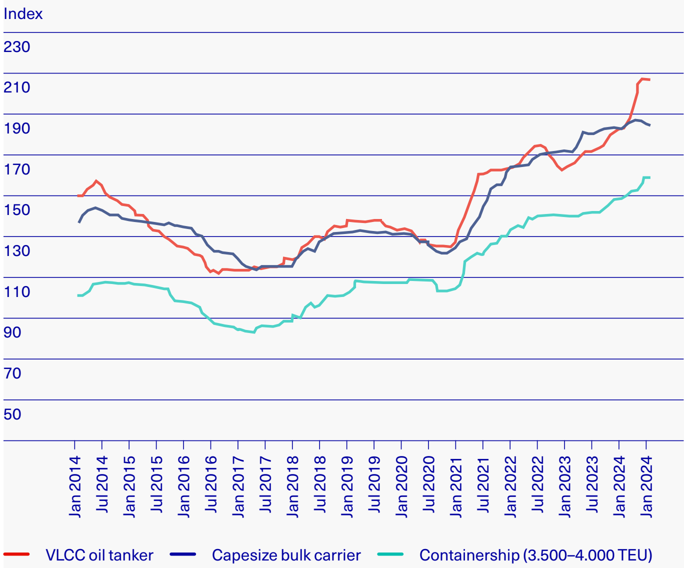
USD/day



Source: Clarksons Research

Chart 13: New build prices short-term

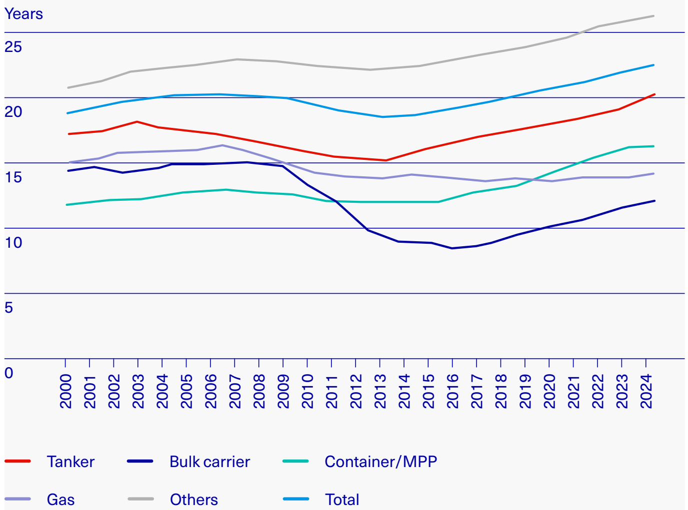
Index: Jan 2000=100



Source: Clarksons Research

Chart 14: Average age by ship type

Years

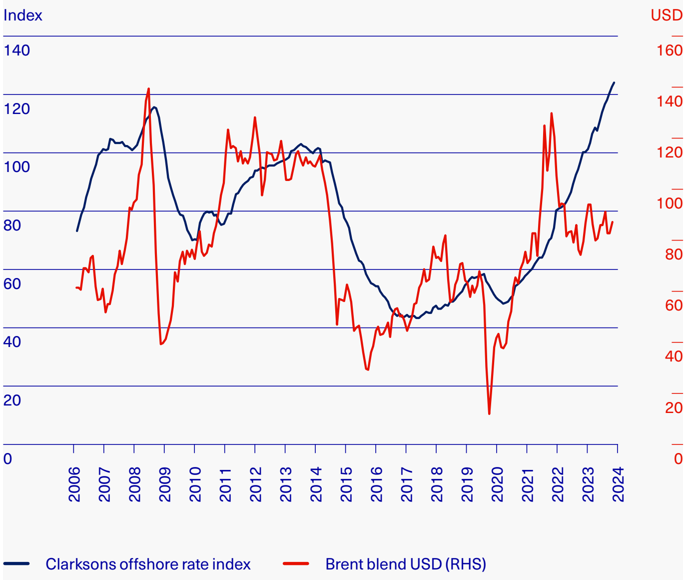


Source: S&P Global Market Intelligence

Offshore wind

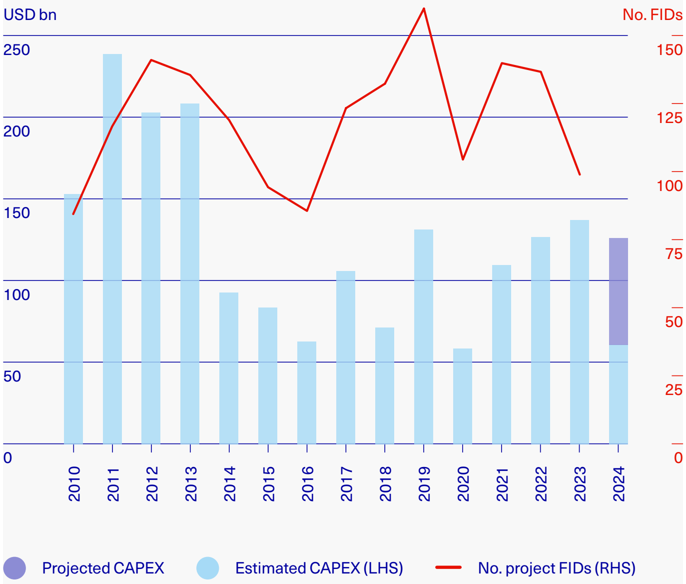
The offshore energy market is currently in a strong position as energy companies work to make their existing oil & gas activities as clean and efficient as possible alongside significant investment in renewables. Day rates have largely followed the oil price and investment has now recovered following the challenging years of 2014–2020. Rig demand is relatively strong and stable as demand-side growth has increased amidst limited availability, this has tightened the markets somewhat.

Chart 15: Offshore day rates index



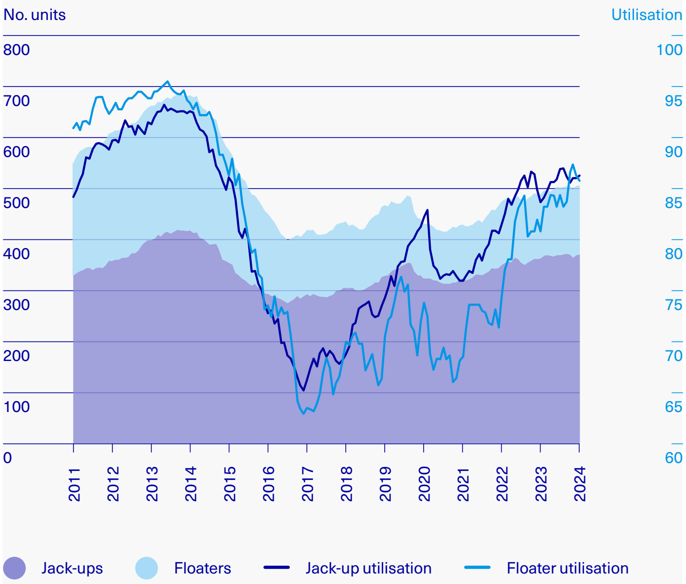
Source: Clarksons Research

Chart 16: Offshore oil and gas investment



Source: Clarksons Research

Chart 17: Rig demand and utilisation

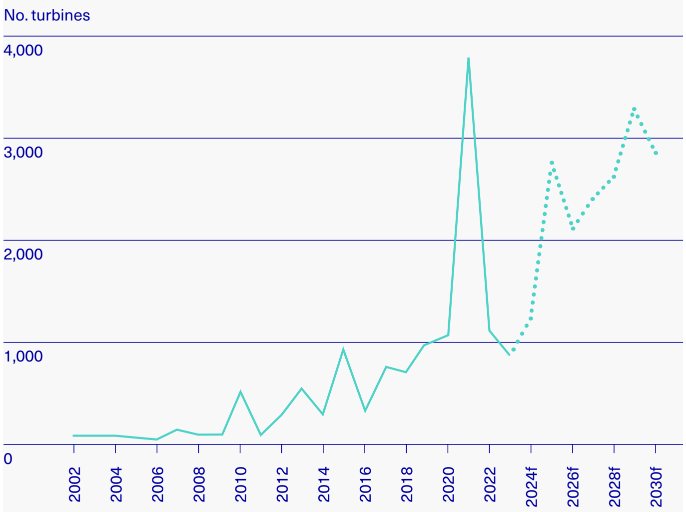


Source: Clarksons Research

Strong growth in offshore wind forecast

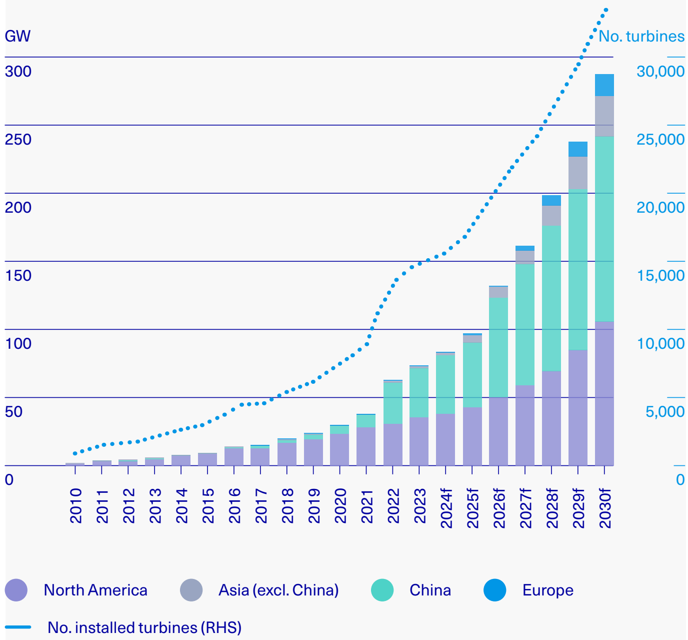
Offshore wind continues to develop although certain headwinds are impacting performance. These include rising commodity prices such as steel and copper alongside interest rate hikes and supply chain bottlenecks. Nonetheless, the number of turbine start-ups – as well as capacity – is forecast to grow significantly.

Chart 18: Number of turbine start-ups



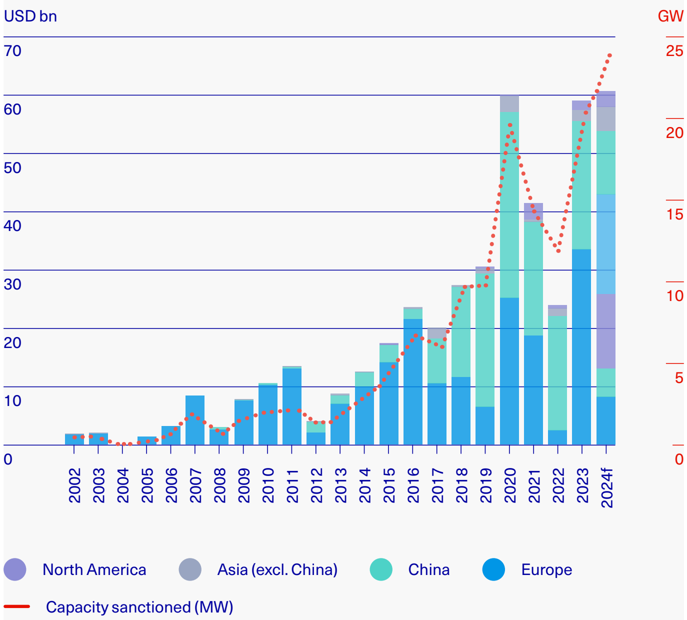
Source: Clarksons Research

Chart 19: The growth of offshore wind



Source: Clarksons Research

Chart 20: Investment in global offshore wind projects



Source: Clarksons Research

Marine insurance

38.9 bn

USD 38.9 billion marine insurance premiums in 2023

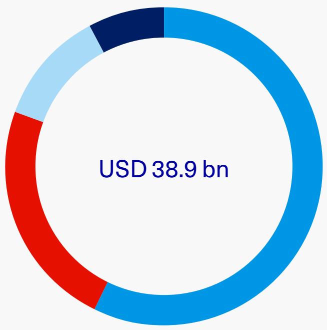
Positive development across all marine insurance lines of business continued in 2023

The global marine insurance premium base for 2023 reached USD 38.9 billion representing an uplift of 5.9% from the previous year. Development was seen across all lines of business with the offshore energy sector enjoying a 4.6% increase, cargo insurance 6.2% increase and ocean hull 7.6% increase.

Global premiums reflect a combination of insurable volumes and prices per unit. The drivers for the increase in premiums are typically a continued rise in global trade volumes and values (cargo), coupled with increases in vessel values (hull), or the increase in oil price encouraging more activity in the offshore energy sector. From an insurance perspective, the available insurance market capacity – or lack of it – is also an important factor. More widely, geopolitical conditions will have impacted premiums in a number of regions but overall, 2023 was a positive year for marine underwriters.

By line of business, cargo continued to command the largest share with 56.9%, followed by hull (23.6%), offshore energy (11.9%) and marine liability (excluding P&I) at 7.7%.

Chart 21: Marine premiums 2023
By line of business

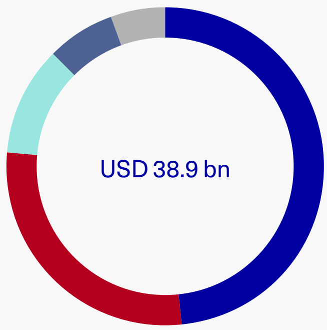


Transport/Cargo	56.9%
Global Hull	23.6%
Offshore/Energy	11.9%
Marine Liability*	7.7%

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

Source: IUMI

Chart 22: Marine premiums 2023
By region



Europe	48.5%
Asia/Pacific	28.1%
Latin America	10.9%
North America	7.0%
Other	5.5%

NB: Some figures updated retrospectively, graph not directly comparable with previous presentations

Source: IUMI

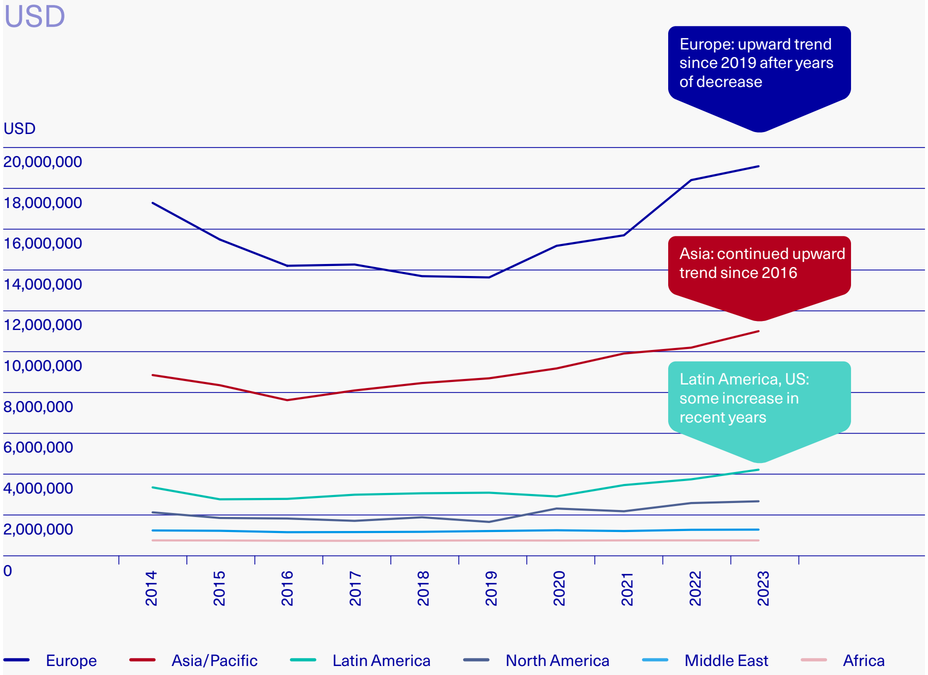
48.5%

Europe's dominant share of the global marine insurance market

By region, there was little change from the previous year. The European markets were continuing their upward trend after many years of decline and Asia/Pacific was also continuing to enjoy an upwards trend which began in 2016. Latin America and the United States had also seen positive market development whilst other regions remained relatively static. Overall, the general trend for global premiums continued upwards. However, care should be taken as exchange rates impact all markets, particularly cargo where business tends to be written in local currencies.

Premium trends must be considered in the context of the claims environment which has been relatively benign over the past few years despite individual severe claims giving rise to concern such as large vessel fires. There has also been some visible inflation impact on the average cost of attritional losses. However, ever larger vessels, increasing value accumulations, changes in technology and fuels as well as changes to trading routes all mean a change of risk which should be monitored carefully and taken into account going forward.

Chart 23: Marine premium by region 2014–2023
USD



Source: IUMI

Global marine hull insurance

9.2bn

USD 9.2 billion ocean hull insurance premiums in 2023

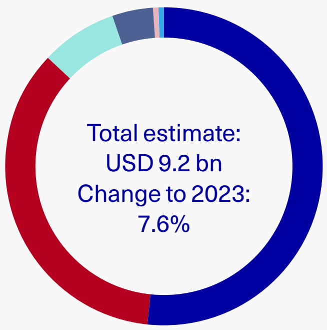
Positivity and uncertainty on the cards for ocean hull underwriters

Global marine hull insurance premiums reached a total of USD9.2 billion in 2023 showing a 7.6% uplift on 2022. Growth was attributed mainly to a rise in fleet numbers, an increase in vessel values and limited market capacity.

Distribution across regions and markets was relatively stable with Europe retaining the dominant share (51.8%) followed by Asia/Pacific at 35.5% and then Latin America (7.6%) and North America at 4.3%. The UK, China and Latin American markets had all experienced an increase in share during 2023 whilst the recent (and dramatic) rise in the Nordic market now appeared to have stabilised.

In previous years there had been concern over the large gap between total gross tonnage/number of vessels and global premiums which had opened markedly between 2011–2018. This gap began to close slightly from 2020 and, in 2023, had continued to reduce.

Chart 24: Hull premiums 2023
By region

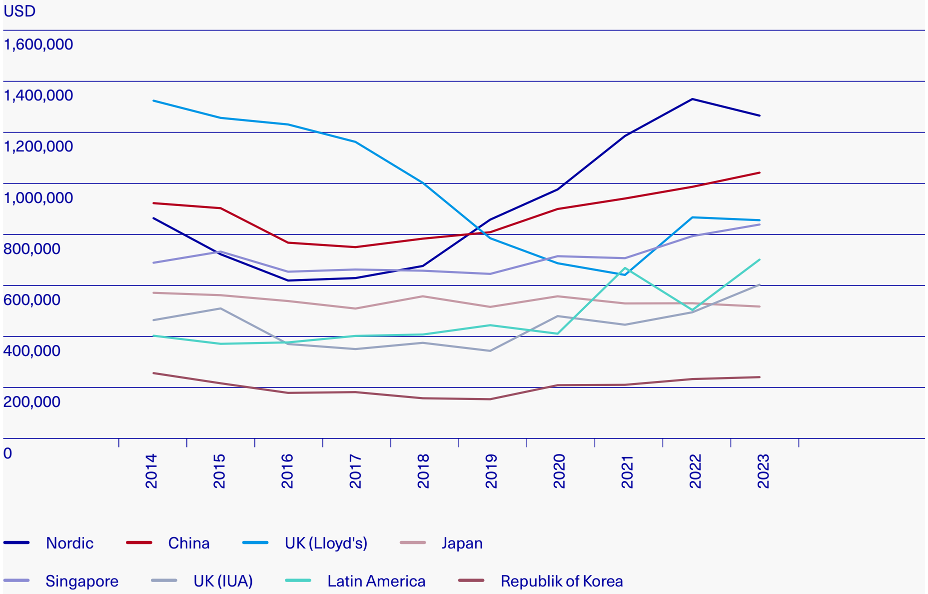


Europe	51.8%
Asia/Pacific	35.5%
Latin America	7.6%
North America	4.3%
Africa	0.6%
Middle East	0.3%

Source: IUMI

Chart 25: Hull premium trends by major market

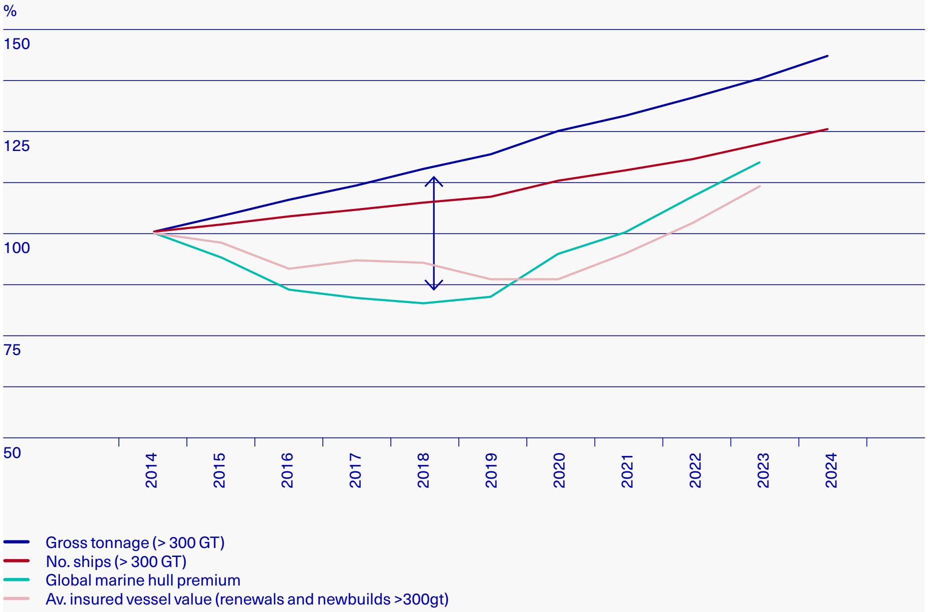
USD



Source: IUMI

Chart 26: Hull premium versus world fleet

Percent



Source: Vessels Value, Cefor, IUMI

With unchanged market conditions, the value of the world fleet will tend to reduce as vessels age. However, demand tends to drive vessel values which differ greatly by segment. As recently published figures by the Nordic Association of Marine Insurers (Cefor) show, in line with increasing demand in some segments, vessel values appear to have recovered somewhat since the pandemic.

The volatility in containership values reflects the post-pandemic surge in demand followed by a downward trend. This now appears to have normalised although the recent rerouting of vessels around the Cape of Good Hope and the subsequent increase in container freight rates may drive up container vessel values again. The increase in demand (and therefore value) of tank vessels is probably due to the change in trade patterns as vessels avoid high-risk areas. A stable and relatively high oil price has encouraged more offshore activity and this is the likely cause for the recent increase in offshore supply vessels.

Chart 27: Loss ratios – Europe
Percent

Notes: Technical break-even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition costs, capital cost, managements expenses). Data included from Belgium, France, Germany, Italy, Netherlands, Nordic (Cefor), UK

Source: IUMI

With regard to hull casualty trends, the Cefor report also shows that following the post-pandemic reactivation, the frequency of hull claims showed some increase but has not yet exceeded pre-pandemic levels. Total loss frequency has also showed a slight recent increase but remains at a very low level. The claim cost per vessel increased somewhat and in 2023, for the first time, exceeded the pre-pandemic level. This was mainly due to increased major loss impact, particularly from costly vessel fires, which remains an ongoing issue.

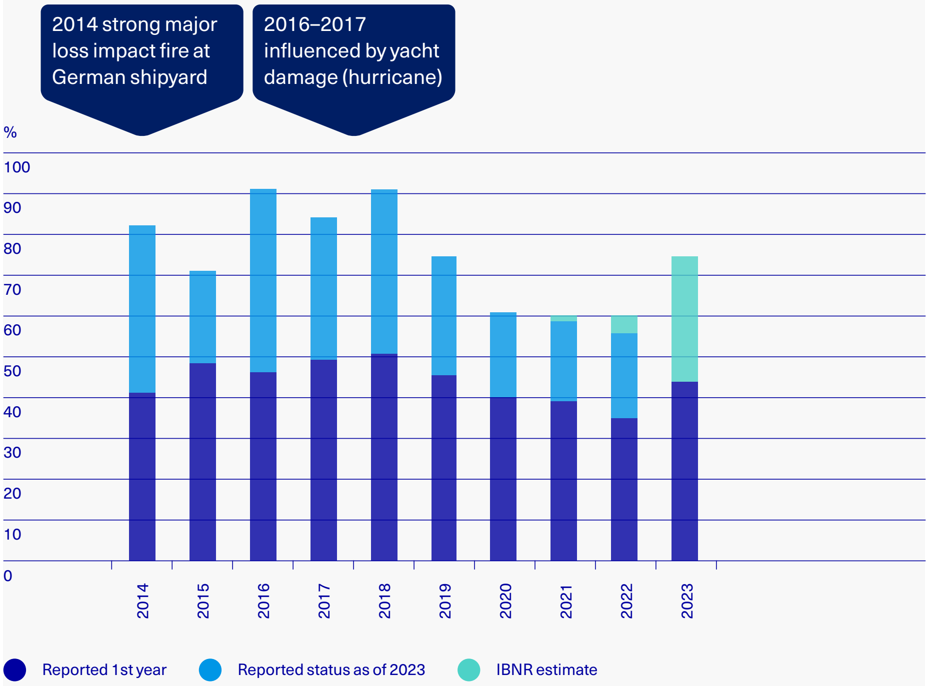
The cost of claims per vessel (H&M cover only) remains relatively stable but, for the first time in a ten-year period, claims above USD 50 million were recorded in 2023. This is due to the impact of vessel fires onboard large containerships and car carriers. The first half of 2024 has been relatively moderate. It should be noted that inflationary pressures will have affected the lower claims brackets from 2022 onwards.

Loss ratios for Europe are presented as underwriting year and not accounting year (as they are for other regions). These ratios will develop over time in line with claims being reported to the insurers and their cost assessed. It should be noted that while 2022 started at the lowest point since 2017 it showed a much steeper development than average, probably due to inflationary pressure on repair costs. 2023 loss ratios started at a higher point likely due to the (by then) known inflation impact and thus increased claims costs. Given that the underwriting year 2023 will follow the typical development pattern, it is likely that 2023 will be less profitable than the years 2019-2022.

Similarly, the 2023 accounting year loss ratios for Asia also show a small deterioration, while US loss ratios seem to have improved slightly in 2023 but include a substantial amount of inland hull ('brown water') and may not be directly comparable to other markets which have their main exposure on ocean hull business.

Chart 28: Ultimate loss ratios – Europe

Underwriting years 2014–23, gross premiums, paid and outstanding claims

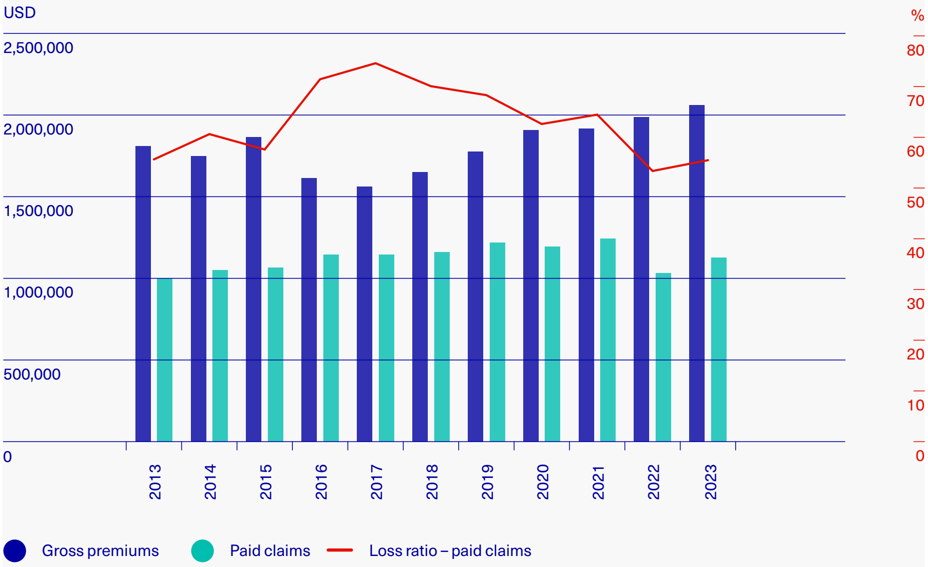


Notes: Technical break-even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cots, capital cost, managements expenses). Data included from Belgium, France, Germany, Italy, Netherlands, Nordic (Cefor), UK

Source: IUMI

Chart 29: Hull loss ratios – Asia

Accounting year, gross premiums, paid claims

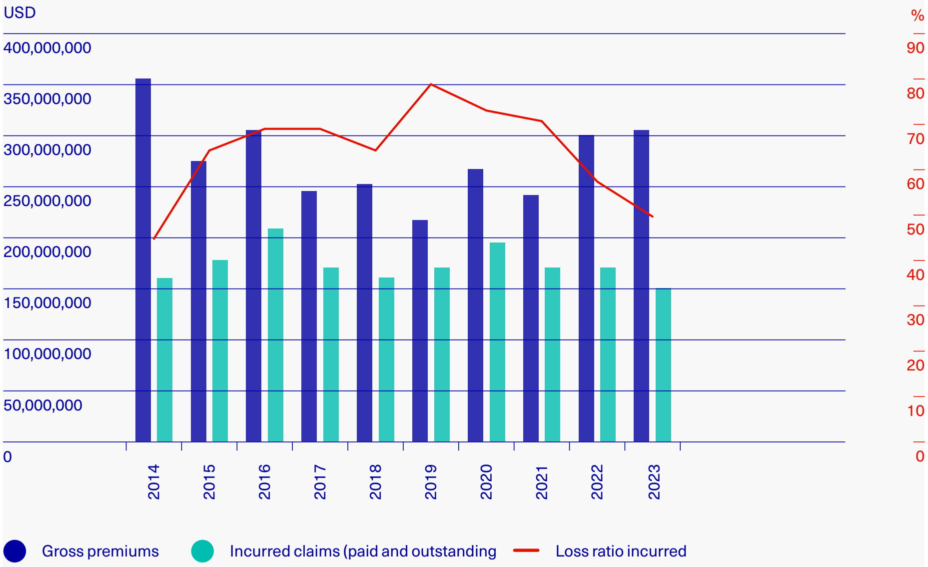


Notes: Data from China, Japan, Hong Kong and India from 2015, Singapore not included.

Source: IUMI

Chart 30: Hull loss ratios – US

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



Notes: Large share represents inland hull ('brown water')

Source: IUMI

Commentary

Geopolitical tensions on global trade routes, particularly in the Middle East, were significantly impacting ocean hull insurance. In the Red Sea, the activities of the Houthi rebels caused considerable disruption with many shipowners choosing to avoid the Suez Canal and taking the longer route around Africa to safeguard their vessels and crews. These longer voyages expose vessels to unfamiliar waters and and heightens the risk of delays. The lack of salvage and repair facilities on these alternative routes means that even minor incidents could escalate into significant claims. However, the combined effect on claims may go in either direction. It might be assumed that the frequency of navigational-related casualties will decrease when vessels spend longer periods at sea, while weather-related claims due to harsh conditions around the Cape of Good Hope might increase. What is certain is that the rerouting of vessels means a change of risk which should be monitored. Underwriters are increasingly cautious when it comes to vessels with connections to high-risk regions. Past experiences in conflict zones, particularly around the Red Sea, are now playing a larger role in risk assessments. Insuring vessels with ties to countries such as the US, UK, and Israel are now more complex and risk selection is becoming more selective. Insurers are having to examine closely the physical and political risks involved.

In addition to the operational risks, longer distances increase fuel consumption and emissions. This is a serious concern as shipping is working towards reducing emissions in line with international targets.

Other challenges include insurers supporting the transition to more sustainable shipping. The push towards dual-fuel vessels and the exploration of alternative fuels is changing the makeup of the global fleet. New vessel deliveries are strong but, in general, the fleet is ageing which brings its own set of challenges.

Of major concern is the growing “dark fleet”, vessels with unclear ownership and often dubious classification presents significant risks for marine insurers. These ships are often operated by questionable entities and their lack of transparency makes it difficult to assess liability in case of accidents or pollution.

The changing geopolitical landscape and the drive towards sustainability are likely to impact significantly on marine underwriters going forward

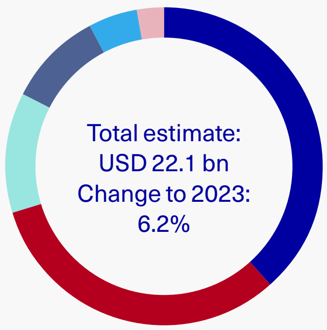
Global marine cargo insurance

Stability and improvement for cargo insurance

The global premium base for the cargo market in 2023 was reported at USD22.1 billion, a 6.2% improvement on 2022. This market has continued to develop over a number of consecutive years.

All regions experienced growth with Europe and Asia enjoying marked positive development. Overall, Europe claimed a 39.8% share followed by Asia/Pacific (32.2%), Latin America (11.9%), North America (7.5%), Middle East (6.0%) and Africa (2.7%). In terms of major markets, the Chinese premium growth was impressive and partly related to an increase in e-commerce and the insurance of returned goods. A post-pandemic increase was seen in a number of markets including UK (Lloyd's and IUA), US and Brazil. As ever, key drivers for growth included global trade, rate adjustments, general market conditions and the impact of exchange rates.

Chart 31: Cargo premiums 2023
By region



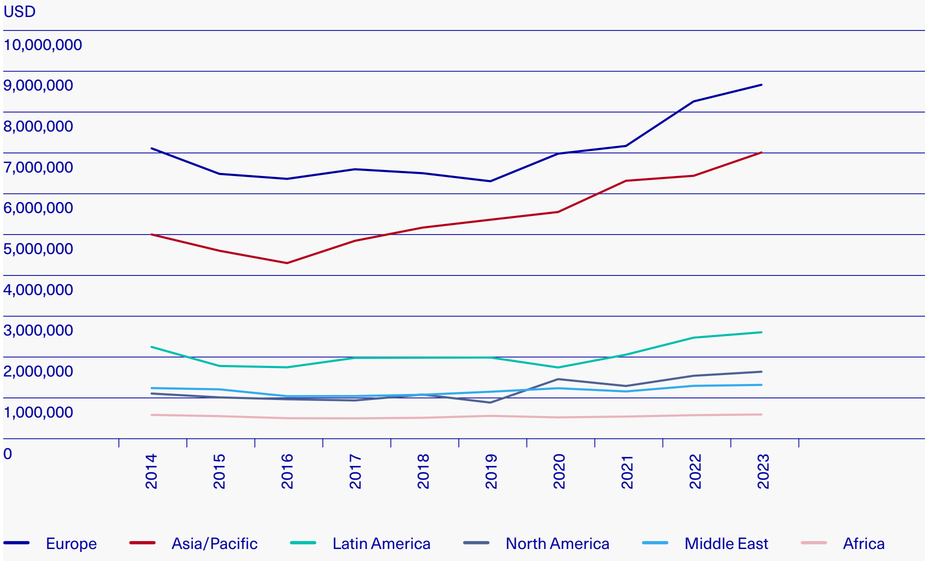
Europe	39.8%
Asia/Pacific	32.2%
Latin America	11.9%
North America	7.5%
Middle East	6.0%
Africa	2.7%

Source: IUMI

22.1bn

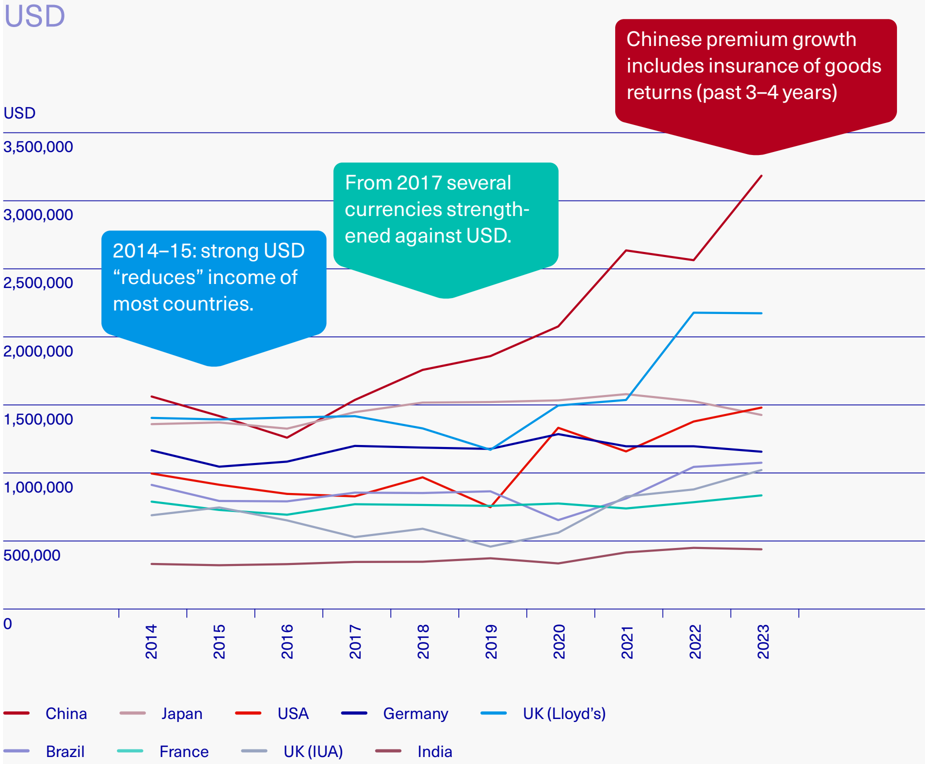
USD 22.1 billion cargo marine insurance premiums in 2023

Chart 32: Cargo premium trends by region
USD



Source: IUMI

Chart 33: Cargo premium trends by major markets
USD

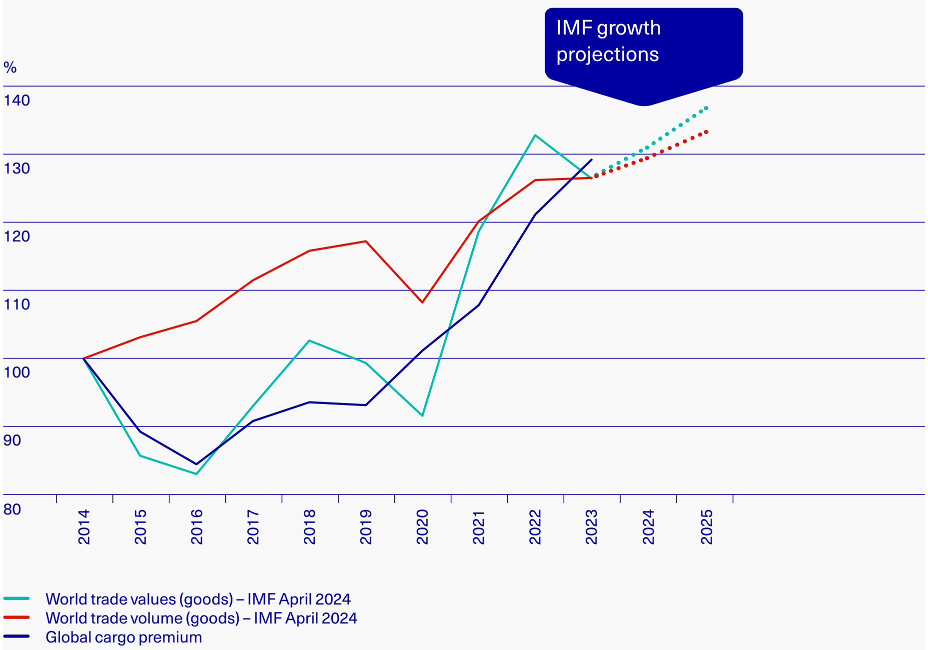


Source: IUMI

Continued growth is predicted for global trade

In general, development of the cargo market tends to reflect global trade volumes and the value of goods transported. These are both growing strongly following a dip caused by the pandemic. According to projections by the World Economic Outlook of the International Monetary Fund , this growth is projected to continue but other forecasts do differ, and in the light of the current geopolitical landscape there is an increased uncertainty around such projections. The scope of the risks covered as well as large event losses caused by accumulations should also be taken into account.

Chart 34: Cargo premium versus world trade values and volume
Index 2014 = 100%



Source: IMF/IUMI

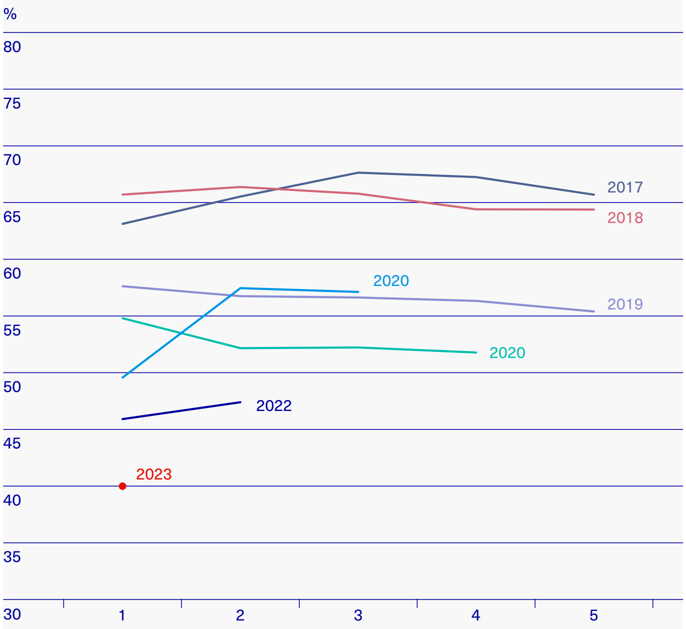
For the European markets, following a number of years which suffered from the impact of heavy losses, loss ratios showed a positive trend from 2019 onwards. Although fires and floods have had an impact on claims in recent years, loss ratios for Europe in 2023 appear more positive than in recent years. They start at their lowest point since 2017 which is very positive for cargo underwriters. As cargo loss ratios typically show a flat development it is likely the year will end with a positive result.

In other regions, loss ratios are reported by accounting year and, in the main, have also enjoyed an improvement since 2019. The overall claims impact remained stable.

40%

2023 loss ratios for Europe (although they will develop)

Chart 35: Cargo loss ratios – Europe



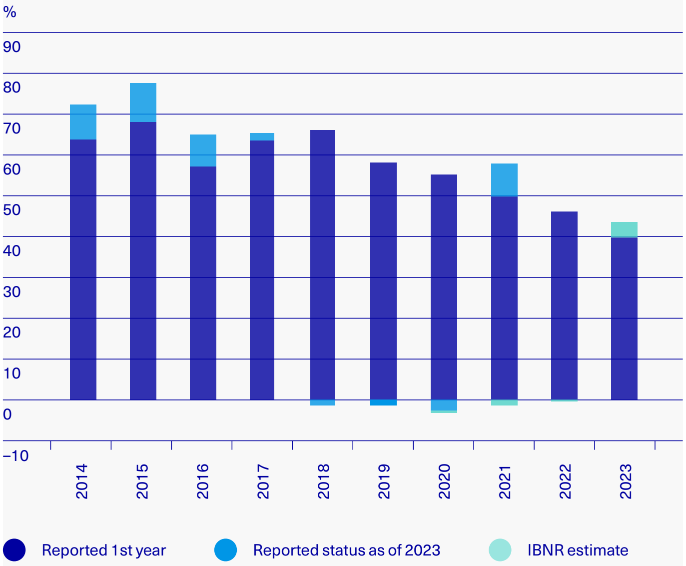
Underwriting years 2017–23, as reported at 1,2,3,4,5 years, Gross premiums, paid + outstanding claims

Notes: 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

Source: IUMI

Chart 36: Ultimate cargo loss ratios – Europe

Underwriting years 2014–23, gross premiums, paid and outstanding claims

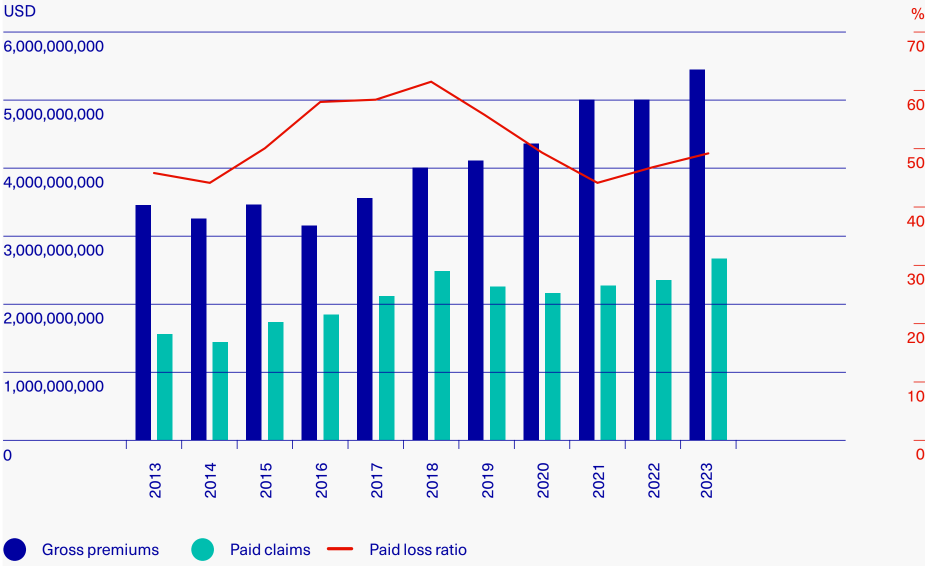


Notes: Technical break-even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition costs, capital cost, managements expenses). Data is included from Belgium, France, Germany, Netherlands, Italy and UK

Source: IUMI

Chart 37: Cargo loss ratios Asia

Accounting year, gross premiums, paid claims

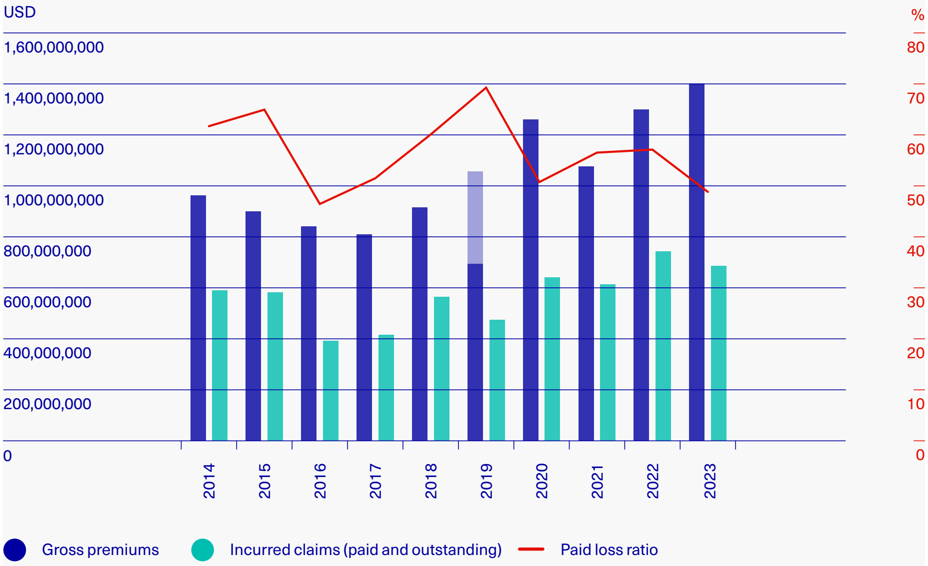


Note: China, Japan, Hong Kong, India from 2015

Source: IUMI

Chart 38: Cargo loss ratios US

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



Source: IUMI

Commentary

In general, the cargo market is healthy and in a good part of the cycle. Losses have improved over the past five years with major losses down year-on-year. It appears that carriers and operators are focusing much more on loss prevention which is good for all concerned, particularly those serving at sea.

A change in global weather patterns is concerning for all insurance classes but with marine bearing the brunt. Marine cargo losses due to extreme weather events are no longer localised and resultant losses are starting to increase – this includes static and in-transit cargoes. Similarly, containers lost at sea and onboard fires are also on the rise.

International conflict continues to be a concern with cargoes being affected as they transit high-risk areas such as the Red Sea and the Russia/Ukraine war zone. Hijackings are also reported to be on the increase globally.

Accumulation of risk on single vessels or in ports or other shoreside facilities continues to be an issue but assureds and underwriters are much more aware of the issue than previously. In general, knowledge is so much better and so steps can be taken to better mitigate this particular risk. With regard to fires, issues that address better prevention, detection and fighting of fires as well as declaration of dangerous goods on ever-larger vessels have been raised but it will take time until improvements are implemented across the fleet.

Insurance companies appear to be paying more attention to their marine business than in recent years and although marine is usually a small part of the overall portfolio, losses can be significant. Cargo underwriting discipline is improving and companies are focusing on their loss ratios and not chasing business based on premiums alone. This is good news and, as a result, the market appears to be moving in a positive direction.

Global offshore energy insurance

4.6bn

USD 4.6 billion offshore energy premiums in 2023

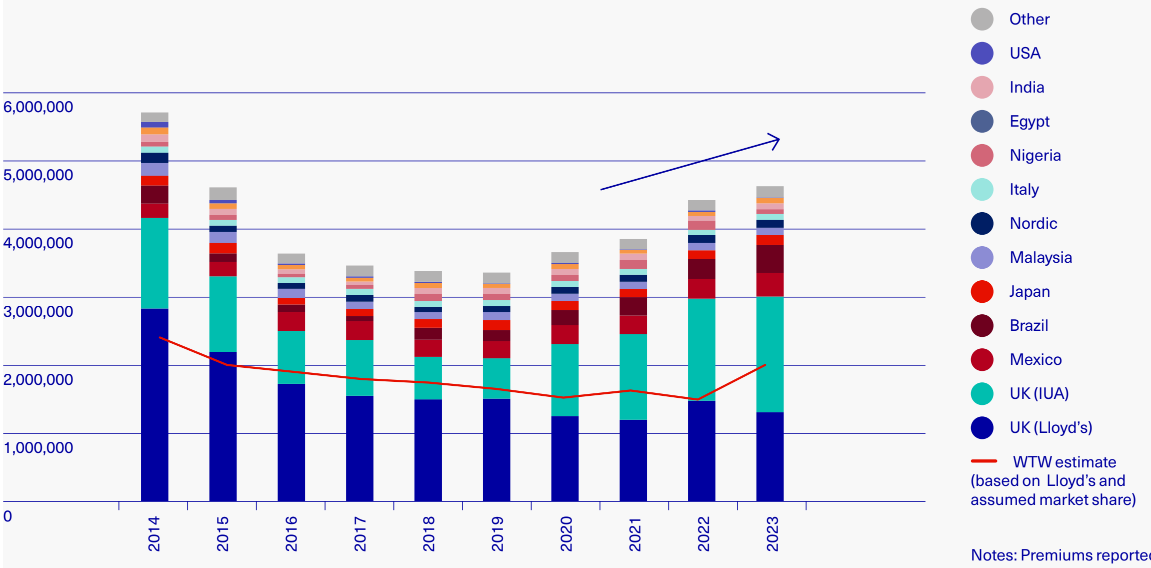
Underwriting is changing to reflect our transition to a cleaner future

The offshore energy market continued to develop on the back of a healthy and relatively stable oil price. The 2023 premium base was reported to be USD4.6 billion for the year, up by 4.6% on last year. The strong oil price was encouraging a corresponding uplift in offshore activity which was driving the development in premiums. Premiums had rallied after reaching a low in 2019 and have continued upwards since then. The future trend will depend on the stability of the oil price and OPEC+ production decisions as well as insurance market capacity.

The two major markets in this sector are both in the UK (Lloyd's and IUA). The IUA market continues to grow at the expense of Lloyd's and market shares across other regions are relatively stable.

The premium base tends to mirror the oil price which has been relatively strong since late 2020 and has been stable for more than a year. Changes in the oil price will drive an uplift or decline in offshore activity, generally after an 18 month lag. As of 2023, the increased oil price had a clear impact on average day rates and the number of contracted rigs and the overall premium base as a result.

Chart 39: Offshore energy premium 2014–2023

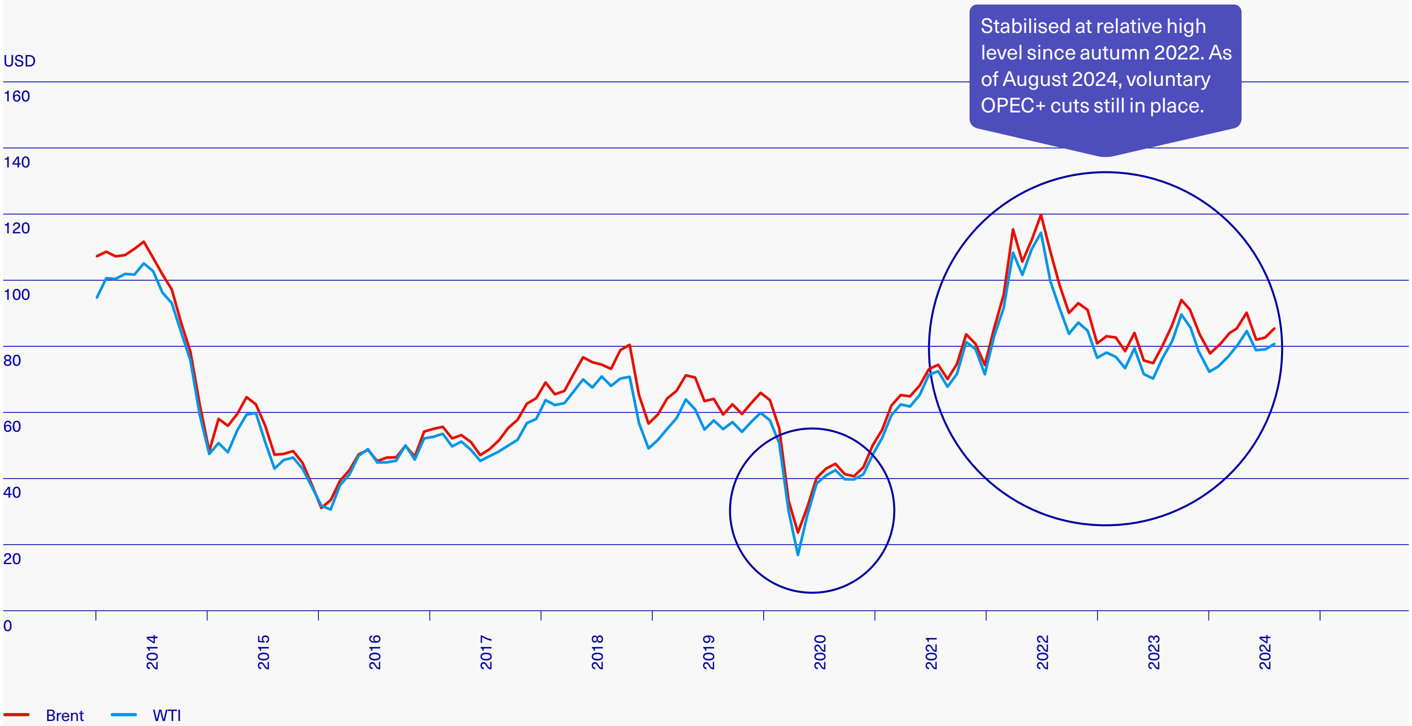


Notes: Premiums reported by associations. Some double-reporting due to global nature of business. Some overestimation of global premium. WTW (Willis Tower Watson): Based on Lloyd's data alone, global premium estimated by assuming Lloyd's represents a certain market share. Underestimation of global premium. Trend started to deviate after decrease in Lloyd's share

Source: IUMI/WTW

Chart 40: Average oil price per month

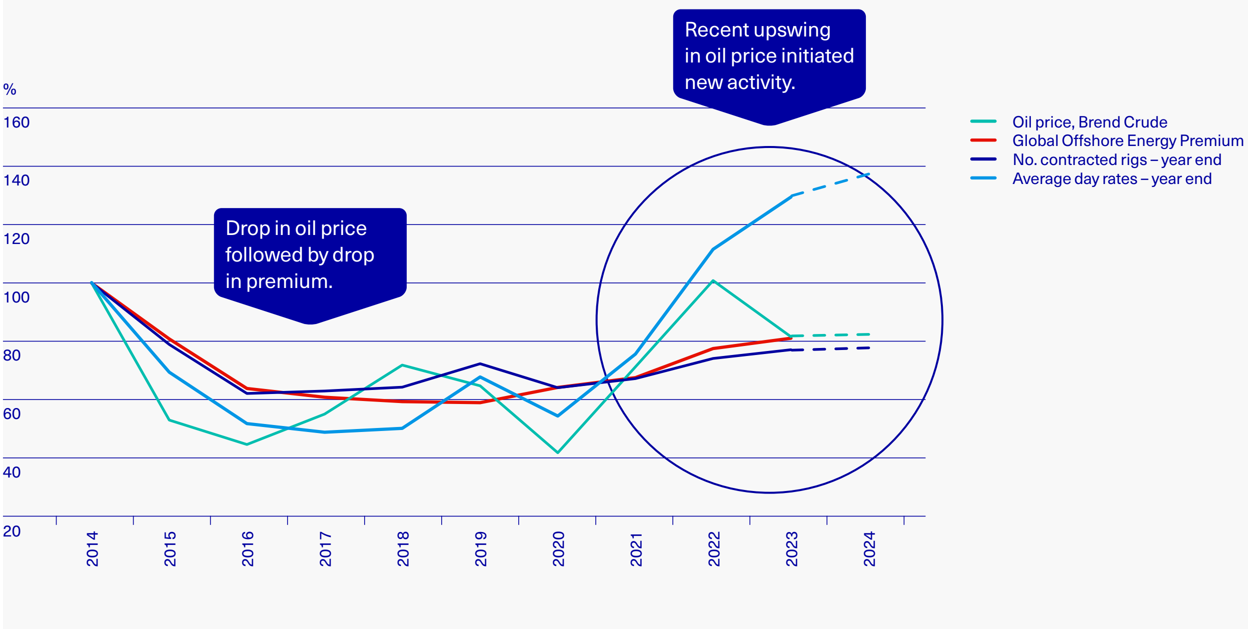
USD/bbl



Source: World Bank

Chart 41: Energy premium versus mobile units, day rates, oil price

Index 2014 =100



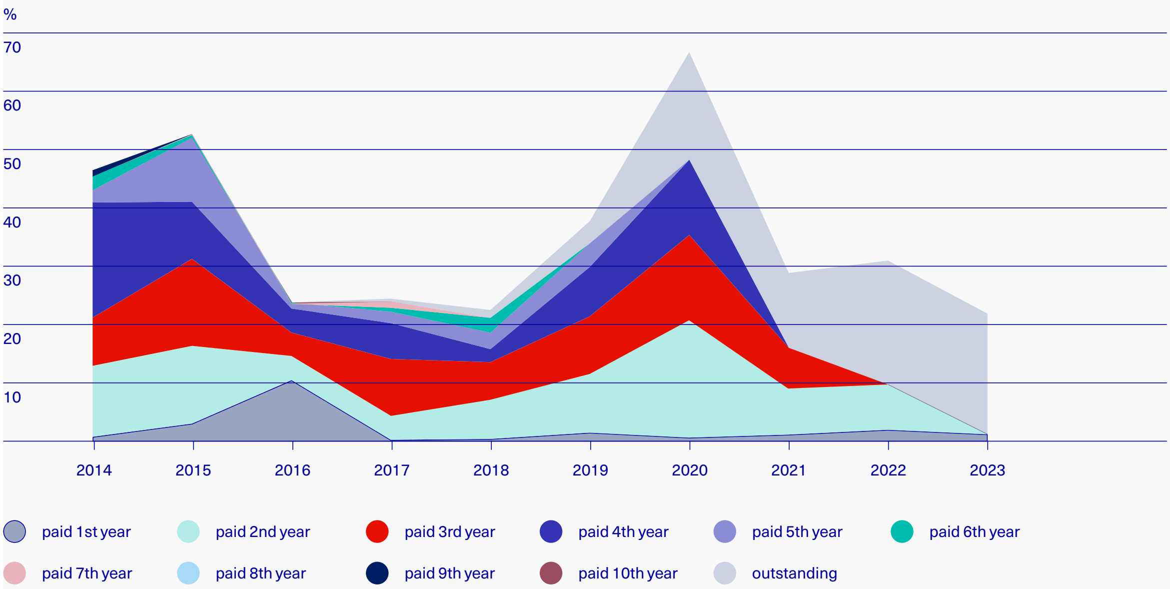
Source: IUMI, Clarksons Research, World Bank

A fragile balance exists between reduced premiums and a modest claims impact

There is generally a long back-log in claims reporting which makes loss ratios challenging to analyse and predict. The youngest underwriting years will continue to develop, often over a number of years. There is no typical development pattern, such that one year can be quite different from another. On the whole, losses in this sector remain low and relatively stable although there were two major losses reported in 2023. Therefore, loss ratios for this year start higher than in previous years which is not surprising as activity has also increased. A fragile balance remains, however, with reduced premiums (but now rising) and a modest claims impact. Risks and claims resulting from unit activation have the potential to disrupt the balance although this was not seen in 2023.

Chart 42: Offshore energy gross loss ratios – Europe*

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



* Lloyd's, IUA, Nordic

Source: IUMI

Commentary

In general, the role of the offshore energy underwriter is changing to mirror how clients are decarbonising. That said, offshore oil & gas is extremely important and will continue to be so for many years to come. Society needs energy companies to continue to invest in fossil fuels to enable more efficient and less carbon intensive extraction. This will allow a more effective and manageable transition to renewable energy sources. Recently, the IEA reported a USD 3 trillion global energy investment with two-thirds of this going to clean energy technologies. This demonstrates how fast these companies are moving towards a cleaner future and gives a call-to-action for energy underwriters to follow suit.

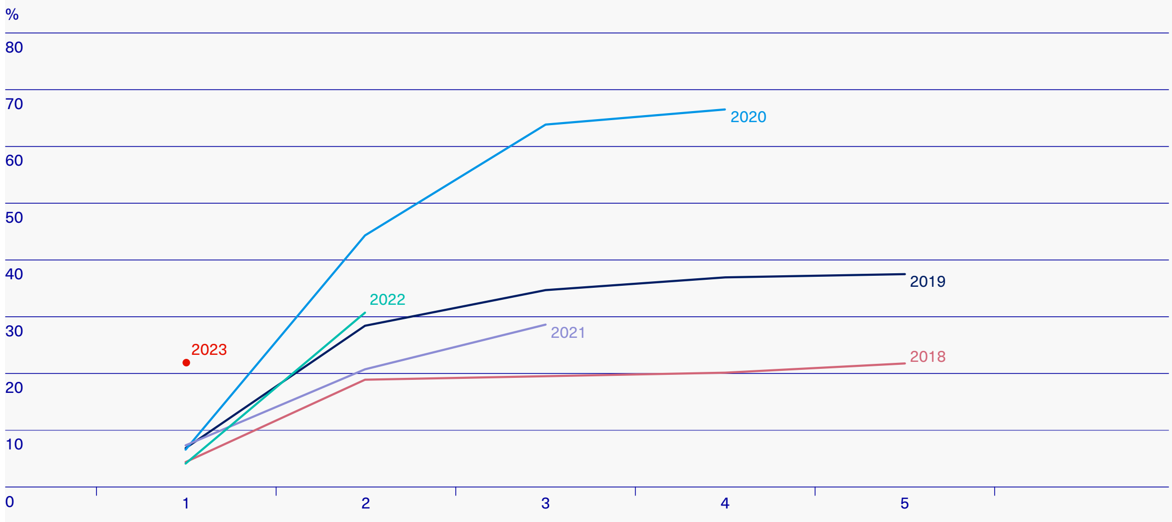
Forward looking energy insurers are already reinforcing their long-term partnerships with their clients to fully understand the new and innovative activities underway or in the pipeline. It is not always easy for underwriters to fully understand these imaginative and not-seen-before projects and many will need to adapt the way they currently operate.

Underwriters cover risk based on historical data but often this doesn't exist for these new projects and technologies. Underwriters will need to work hard to establish deep and trusting partnerships with their assureds so that new and relevant insurance products can be created. Support from capital providers will also be needed. As projects get underway there will be a continued and enhanced need for on-site surveyors to be the insurers' eyes and ears, reporting on progress and what is likely to be a developing risk profile.

Many insurance companies are evolving and their energy underwriters are becoming "hybrid". Underwriters have tended to specialise in upstream, downstream or power but many are now re-skilling to understand traditional fossil fuel activities as well as renewables. This is to mirror their clients' activities allowing them to offer a more comprehensive and combined offer.

Chart 43: 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.

Source: IUMI

Major claims database

28

Participating insurance associations

As regular readers will know, we began creating our major claims database in 2013 and have been recruiting national associations to contribute their data. This year, 28 associations are participating and we welcome the addition of Egypt for both hull and cargo numbers. We are also pleased to report that a number of individual insurers are also contributing.

Currently, our hull data extends to 10,300 observations covering 10 data fields and totalling USD 14.6 billion in cumulative losses. Cargo observations total 6,400 representing USD 10.9 billion spanning 12 data fields.

As ever we thank all contributors, IUMI Professional Partner, the Boston Consulting Group and the IUMI project team members.

Chart 44: Contributing countries

Hull

Countries

Data fields

Date of accident	IMO number
Underwriting year	Vessel name
Loss amount	Vessel type
Type of loss	Comments
Location of loss	
Event name	

Cumulated losses

~ $14.6b
~ 10,300 observations

+ 20%[1]

Cargo

Countries

Data fields

Date of accident	IMO number
Underwriting year	Vessel name
Loss amount	Mode of transport
Type of loss	Type of cargo
Location of loss	Standard industrial classification
Event name	Comments

Cumulated losses

~ $10.9b
~ 6,400 observations

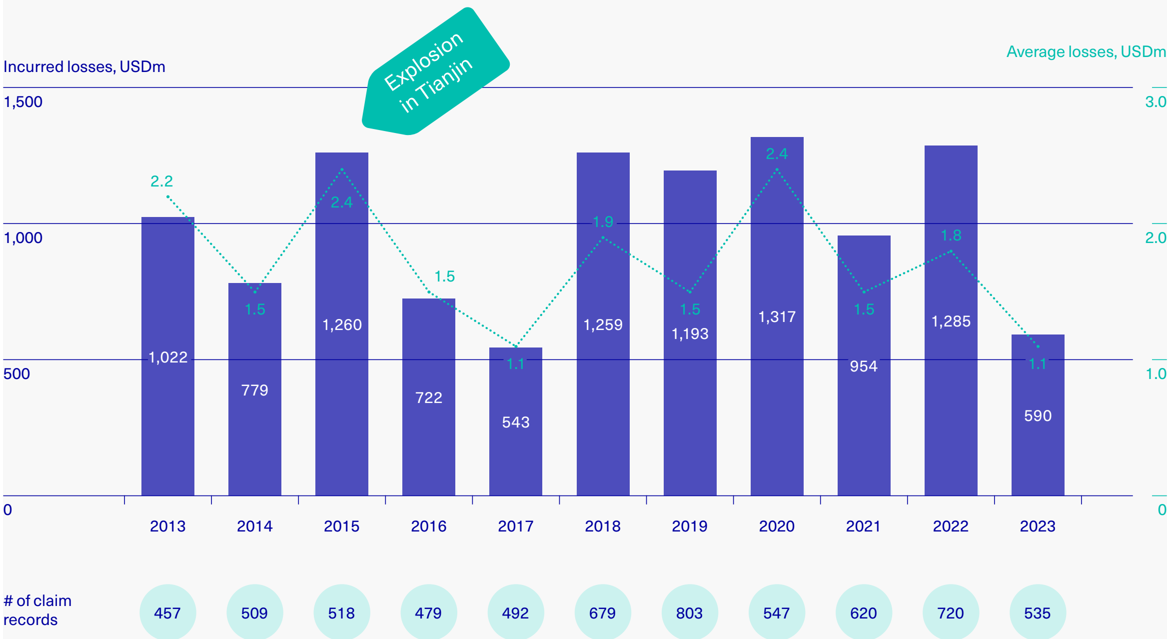
+ 12%[1]

Source: IUMI Major Claims Database

In 2023, both the absolute number of claims and the average size of claims exceeding USD 250,000 decreased to 535 reported claims, with a total value of USD 590 million. This continues a trend observed since the pandemic, with the only exception being a slight increase in 2022, likely driven by global inflationary pressures. While it is somewhat unexpected to see a further decline in major cargo claims in 2023 – given that global inflation hovered around five percent and fire risks remain significant – the relative stability in cargo losses suggests that the average loss of USD 1.1 million may hold steady moving forward.

Chart 45: Cargo – Incurred losses and average losses inthe period 2013–2023

USDm

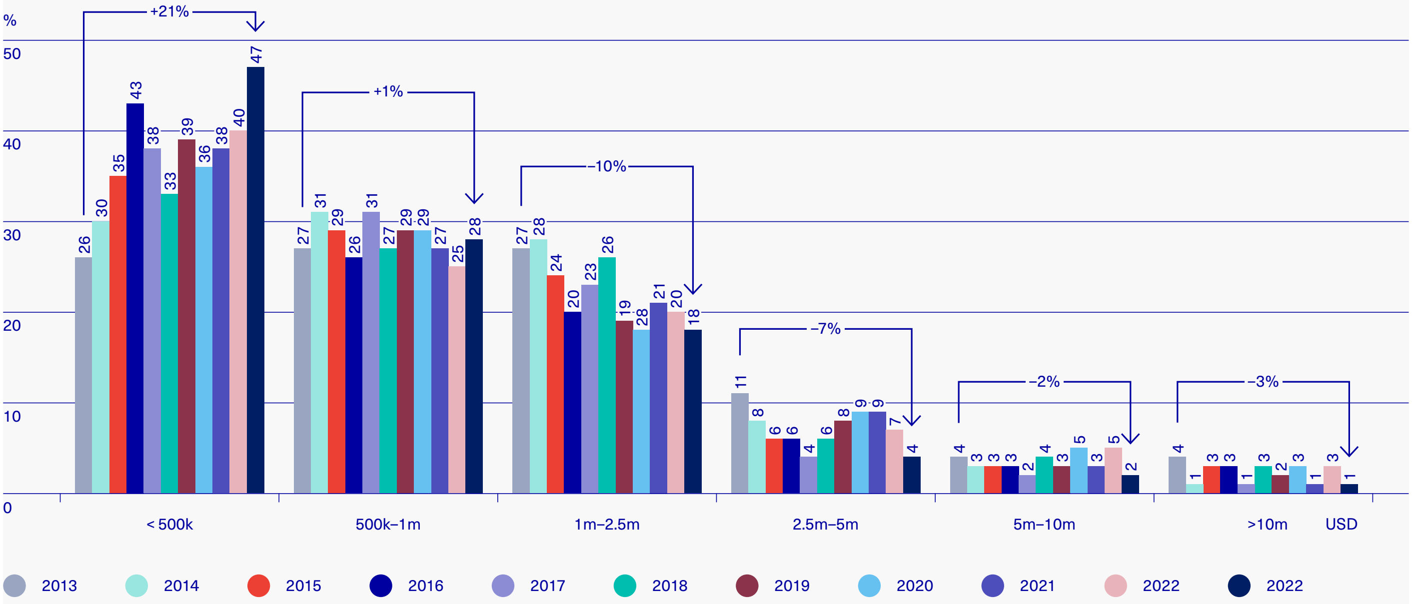


Source: IUMI Major Claims Database

Cargo insurers need to deal with claims arising from a number of shipping issues such as border congestion, port closures, labour shortages, the lack of new containers (and hence their increased value) and difficulties with capacity utilisation. Disruption is occurring frequently through complex and fragile supply chains. These effects are noticeable especially in the lower band of reported cargo claims: We see a positive year-on-year trend for claims USD >1 million; a rise in claims USD >500k; and a relatively stable state for claims in the band USD 500k – 1 million.

Lower value claims are rising while higher value claims are falling in number

Chart 46: Cargo – Normalized* number of losses across different loss size buckets in the period 2013–2023



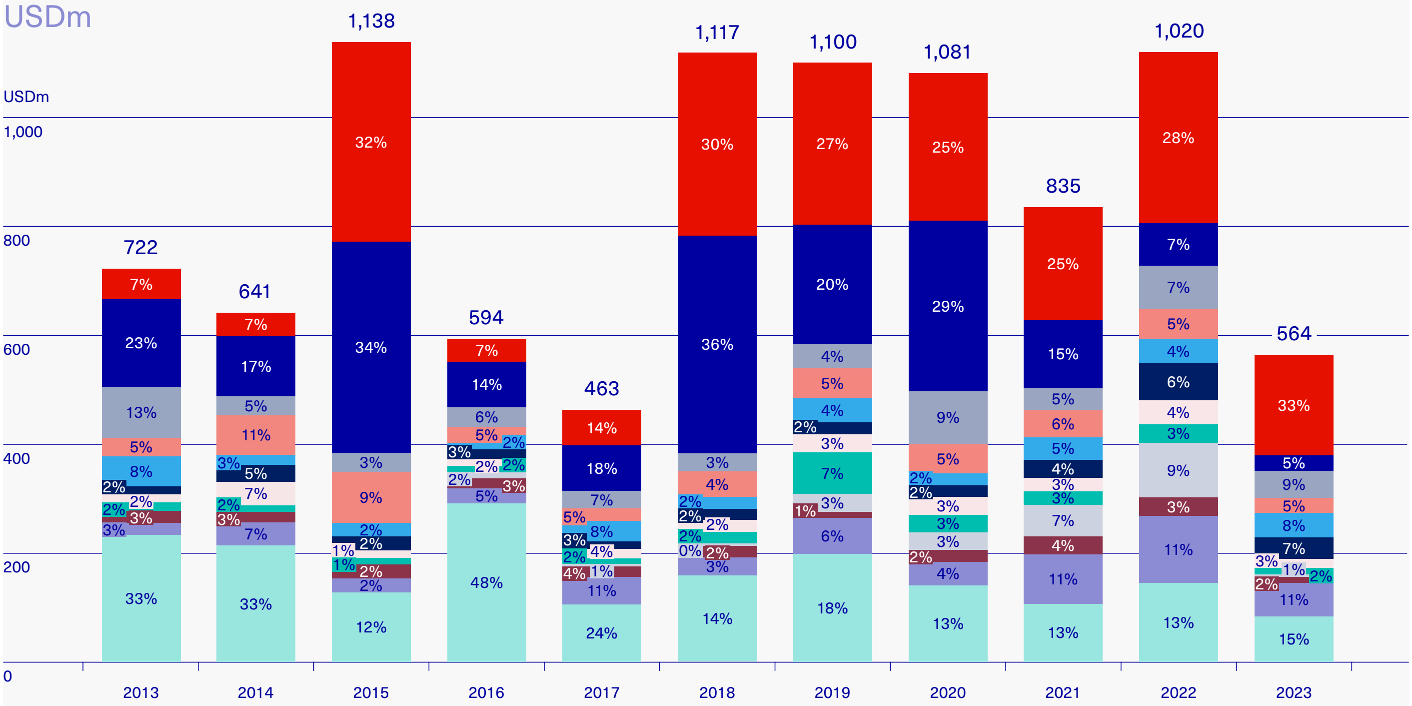
* Number of losses divided by number of claim records for every year

Note: More than 99% of all observations can be used for analysis;
Losses are categorized by individual claim records rather than aggregates/event

Source: IUMI Major Claims Database

Fires remained the leading cause of losses in 2023, a trend echoed by other industry data. The Nordic Association of Marine Insurers (Cefor) highlighted this concern in a series of special whitepapers released two years ago. Current data reinforces that fires continue to pose a significant risk to the marine insurance industry. The reported figures cover not only ocean-going cargo but also freight stored in ports, inland facilities and waterways, emphasising the broad scope and seriousness of the issue. Additionally, for the third consecutive year, losses due to theft have trended upwards. Given that many thefts are either unreported or fall below the USD 250,000 threshold of our database, this trend signals a growing challenge for cargo insurers.

Chart 48: Cargo – Top 10 major losses by type of loss in the period 2013–2023
USDm



Note: Due to manual mapping work about 85% of all observations can be used for analysis (compared to 82% otherwise); Remaining categories includes minor types of losses (e.g., piracy)

Source: IUMI Major Claims Database

Notes

More information

Additional information such as marine premiums by country, loss ratio triangulations for cargo, hull and offshore energy, and hull and cargo inflation indices are available for IUMI members from the member statistics section of IUMI's website.

Data sources

Information sources are clearly stated at the foot of each chart. IUMI thanks its partners who have kindly supplied charts or data for this document.

IUMI data

IUMI's total world-wide premium includes data from all relevant marine insurance markets in all continents. Loss ratio data is collected from a number of selected countries which are able to provide such data. Since 2017, IUMI has been adding information about accounting year loss ratios from major Asian and Latin American markets and in 2021 also from the US, in addition to the underwriting year loss ratios reported from major European marine insurance markets.

Care should be taken when making comparisons with earlier figures as data coverage varies in different years and a number of figures will be updated retrospectively. Underwriting year results do develop over a number of years due to a time lag in claims reporting and payments. The ultimate results as presented in the graphs for the youngest years are thus estimates derived from typical historical development patterns. When interpreting statistics, caution should always be applied regarding what the data actually relates to.

IUMI stresses that all figures released by IUMI's Facts and Figures Committee are global market sums or averages. While these reflect the average performance of the marine insurance market, individual companies' or countries' results may differ substantially. As with all averages, individual underwriting units may over or underperform compared with the average. IUMI does not make any statements about what actual applied premium rates were or should be. The aim of IUMI is solely to provide data as available and raise awareness for the importance of a critical evaluation of the risks covered.

Disclaimer

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About IUMI

The International Union of Marine Insurance (IUMI) represents 42 national and marine market insurance and reinsurance associations. Operating at the forefront of marine risk, it gives a unified voice to the global marine insurance market through effective representation and lobbying activities. As a forum for the exchange of ideas and best practice, IUMI works to raise standards across the industry and provides opportunities for education and the collection and publication of industry statistics. IUMI is headquartered in Hamburg and traces its roots back to 1874.

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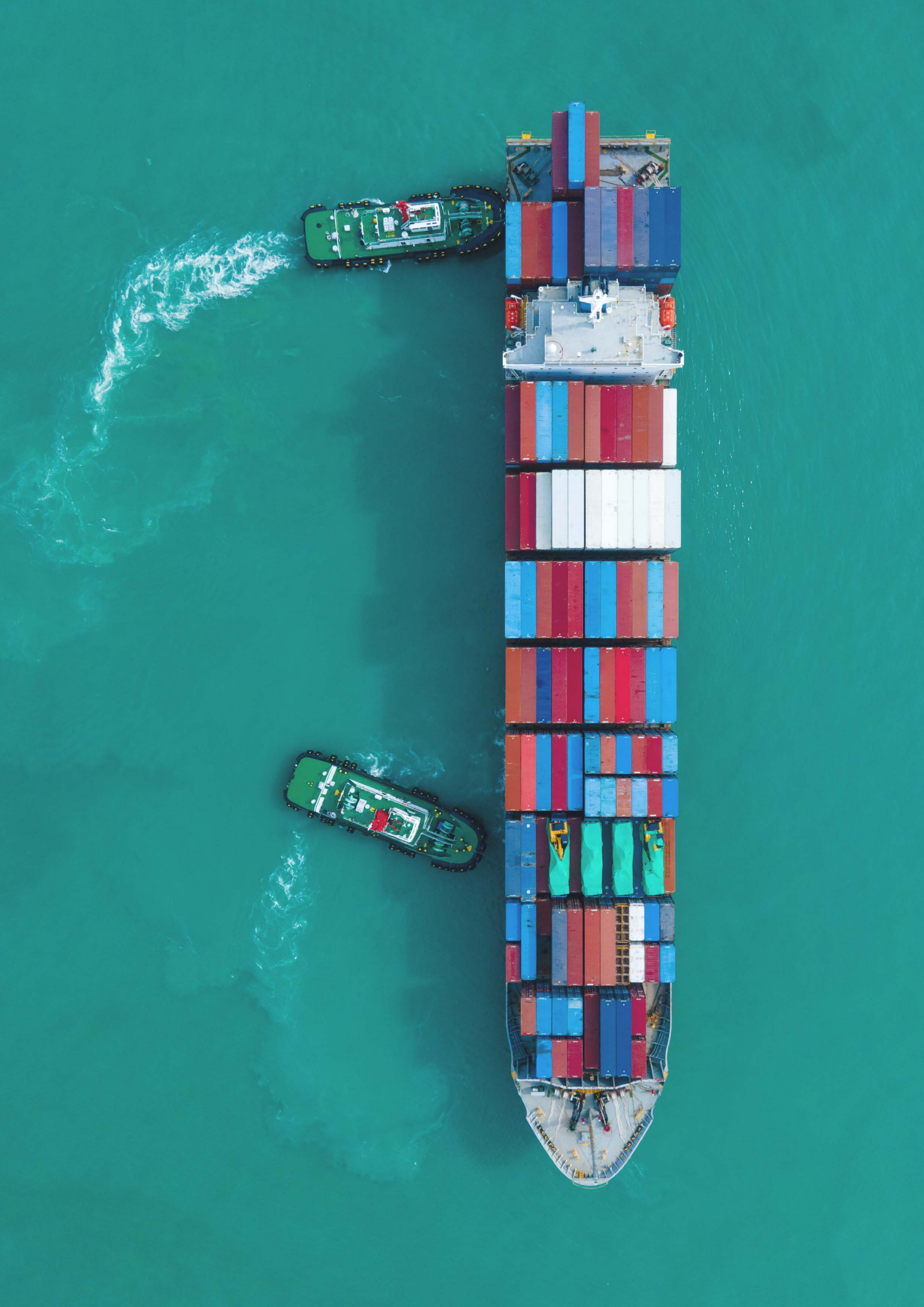

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