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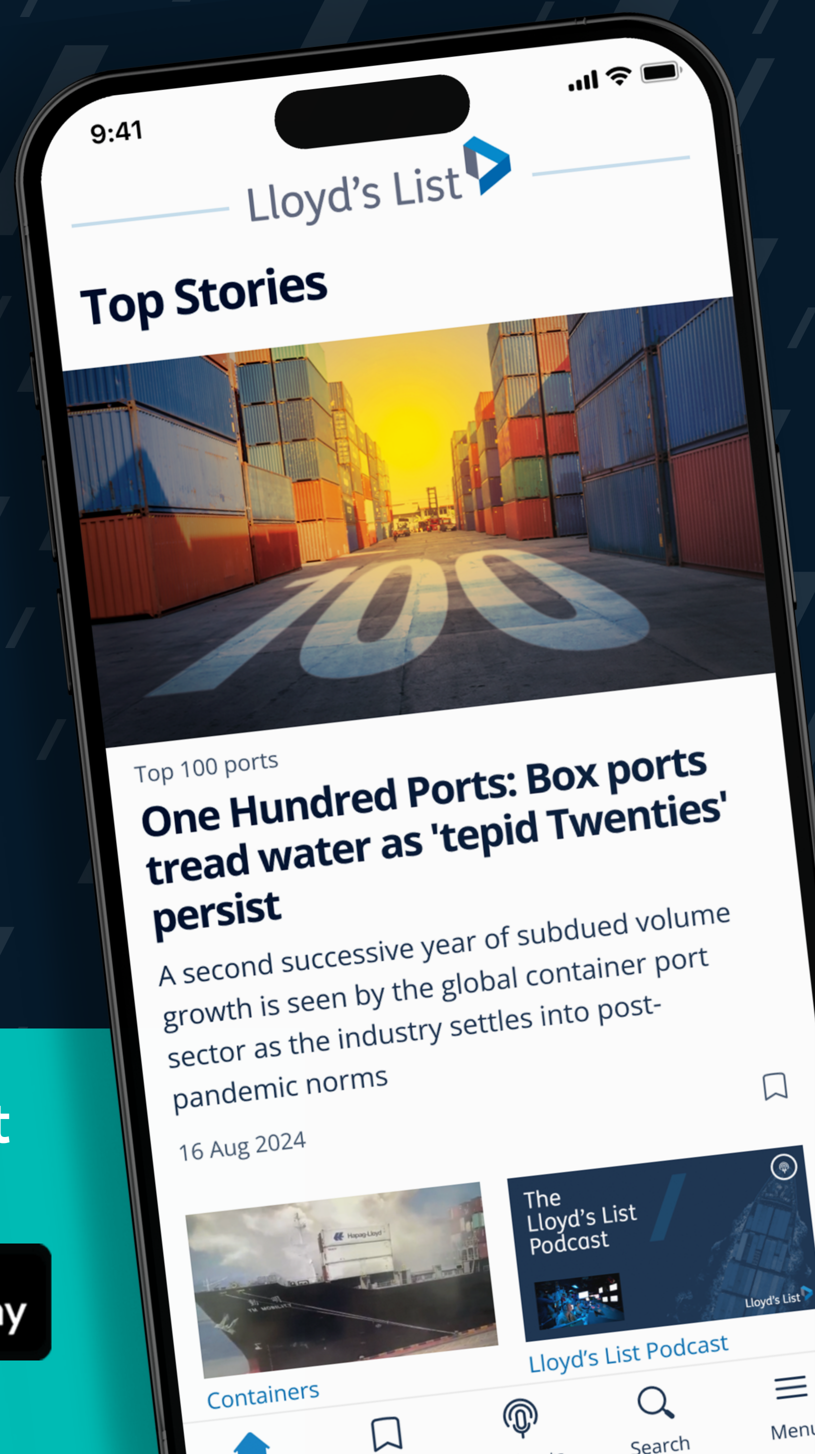

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Marine risk

With geopolitical tensions ever more fraught and the impacts of climate change ever more apparent, marine re/insurers are focused on a collaborative approach to risk.

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War on shipping routes is more than a marine insurance issue: Iumi's Denèfle

Risk managers should be alert to the impact of war on seaborne transit, International Union of Marine Insurance president argues

War has been a headache for shipping in the Red Sea but risk managers focused on Europe also have cause for concern, according to the president of the International Union of Marine Insurance (Iumi), Frédéric Denèfle, *writes Louise Isted.*

Speaking at the Federation of European Risk Management Associations' forum in Madrid in October, Denèfle first described how the critical conduit for 30% of the world's container traffic is currently facing a shipping crisis of unprecedented scale.

The Red Sea conflict, from a shipping perspective, is an exercise in crisis management, Denèfle said, from missile attacks, fatalities, salvage and general average actions, ship losses, cargo losses and pollution.

The risks to trade, he added, take seven main forms – reducing marine transit; restricting shipping to regional trade; decreasing crew availability; creating longer routes, which present new risks; providing no alternative transport; disrupting supply chains; and impacting inflation on commodities and manufactured items.

He pointed out the Red Sea and Suez Canal shipping route covers 10,000 nautical miles and it takes 25.5 days, based on the average speed of 16.48 knots for an ultra-large container vessel, while an alternative route, around the Cape of Good Hope, is 13,500 nautical miles and takes 34 days.

Other factors shipping companies are having to manage are the difficulty in securing insurance for ships and cargoes and the "spiralling effect" of the tit-for-tat situation caused by sanctions imposed on Russia.

The casualties of the "dark fleet", moreover, are creating headlines around the world. One example is the *Pablo* aframax tanker, which exploded in May 2023 in Malaysian waters, killing three crewmembers. This 1997-built ship had reportedly transferred 16 million barrels of Iranian oil on 29 occasions and had no confirmed insurance.

A European worry

Since Russia's invasion of Ukraine, the dark fleet of old vessels that lack proper insurance, have opaque ownership and switch flags between different permissive ship registries has ballooned. They pose risks to other ships, to the environment and to countries affected by the maritime accidents these vessels cause.

A recent notable example is the liquefied natural gas (LNG) carrier *Pioneer*, which reappeared off Norway's northern coast a week after calling at Russia's sanctioned Arctic LNG 2 project. The vessel is part of an emerging dark fleet of LNG carriers assembled by Russia to circumvent Western sanctions.

According to vessel tracking sites, *Pioneer*'s route had an elliptical pattern between Norway and the islands of Svalbard and Novaya Zemlya, yet it appeared at the Arctic LNG 2 project 1,000 nautical miles away several days later. The perfect sym-

"Any kind of state opening its borders to ships should make sure those ships are insured the right way, are insured with the right schemes… I think governments in the states where those ships are trading should be extremely cautious about the consequences of there being no serious insurance schemes to face those losses"

Frédéric Denèfle
International Union of Marine Insurance

metrical nature of its AIS track, therefore, suggests it was a computer-generated spoof.

Denèfle, who is also chief executive of French war risk underwriter Garex, said this behaviour creates concern for Norway and the wider European region.

Speaking to *Insurance Day* after his presentation, Denèfle said: "Anything coming from Russia to Europe has to be taken seriously and Norway, being very close to Russia, certainly has some thoughts about how to handle a situation that could get worse for everybody involved."

Denèfle said Russia and Norway's relationship with the Svalbard islands has long been marked by political tension, including disputes over maritime boundaries.

"Those issues are rooted in history, which explains why the situation is as it is now, and how it could deteriorate. We must think about that and make sure we have answers," he said. "It's not only about marine insurance, but a potential international crisis that could come closer to our borders."

Marine insurers have been "constantly supporting" all shipping activity from Ukraine since Russia's invasion, Denèfle stressed. "That's more than two years of war where marine insurers were able to directly support Ukrainian exports, which is certainly a good signal to the Ukrainian government and to the Ukrainian population, and which has enabled the avoidance of an international food crisis, and has also fought inflation.

"It has been a very positive move from the marine insurance industry to show that, even during war, the private sector could make sure that [Ukraine] could still be open to international trade," he said.

On the dark fleet, Denèfle said marine insurers are being "extremely cautious" about sanctions embargoes and have been quick to apply them and to understand the consequences of uninsured ships.

Trygve Finkelsen/Alamy Stock Photo

He said: "Any kind of state opening its borders to ships should make sure those ships are insured the right way, are insured with the right schemes. We know shipping can raise some issues in terms of liabilities, in terms of pollution in some cases, and I think governments in the states where those ships are trading should be extremely cautious about the consequences of there being no serious insurance schemes to face those losses. That means these losses will have to be picked up by the government, its tax system, its own people, because insurers are not able to support activities that are sanctioned or embargoed."

Likewise, any vessel that it incorrectly flagged ought to be a concern for countries open to seaborne trade. "They should be conscious about avoiding shadow flags and shadow insurance schemes, but that is a public decision more than anything else, in my opinion," Denèfle said.

Ready for the worst

On his main message to risk managers, Denèfle emphasised how war disrupts supply chains.

"Supply chains are the first difficult situation you have to handle and so any risk manager should ask themselves, how their supply chain could be affected by the disruption to shipping in a time of war, or by an international crisis that all of a sudden forbids the usual shipping activities. That is basically a question which should be on the table for every one of us."

This means having a proactive understanding of "what if?"

"It's something that can be modelled and absolutely be foreseen, and it's why we are now seeing more onshoring, reshoring and friendshoring decisions to avoid supply chain disruption due to an obvious potential crisis that one could experience with some countries," Denèfle said.

"This has already started but it should be accelerated because we must consider the worst-case scenarios when the shipping supply chain to some parts of the world is not efficient enough."

Can Iumi assist risk managers with that analysis?

"Iumi is sending this question at every conference we have, that we're not in front of a globalised world any more. This is not something that only marine insurers have to appreciate in order to address their new risks, but also those who are relying on marine insurance, be they risk managers, financiers, banks, etc. We have to consider this issue together to fix it," Denèfle said. ■

A residential area of Odesa in Ukraine after a missile attack by Russia

Ukrinform/Alamy Stock Photo

Managing geopolitical risk in unprecedented times

From conflicts in Ukraine and the Middle East to emerging threats from China and the US, few underwriters have faced a geopolitical landscape as dynamic as it is now

The past five years have been a tumultuous time for hull and cargo underwriters, *writes Francis Churchill.*

There has always been a geopolitical edge to shipping, but the sabotage attacks on four commercial ships off the United Arab Emirates in May 2019 helped create a situation insurance markets have not had to face for many years.

On top of a number of active hotspots – including the ongoing war in Ukraine and Houthi attacks on ships in the Red Sea – there are others that threaten global trade. Iran could still block the Strait of Hormuz, one of the narrowest yet most important shipping choke points; China could potentially escalate tensions with Taiwan; and US president-elect Donald Trump has promised to impose high international tariffs.

Escalating global tensions

"It's fair to say, from a geopolitical perspective, we haven't seen a dynamic like the one we see today, certainly in my career and I've been in the market for 27 years," Dan McCarthy, director of marine at Markel, says. His is a sentiment shared by many in the market.

The turning point for McCarthy was the 2019 attacks in the Gulf of Oman. The region has been a flashpoint ever since, with marine attacks, vessel detainments, drone attacks and aviation incidents. This has been exacerbated by the outbreak of war in Ukraine and later in Israel. The past few years have been "a very difficult dynamic for our clients to get their heads around" – both the business and human impact of conflict, he says.

Gary Brice, head of marine and space at Brit Insurance, says of Russia's invasion of Ukraine: "It's fair to say no one anticipated an event in continental Europe that would result in the immediate closure of multiple ports." The possibility of another similar event "has to form part of our considerations", he adds.

Russia's aggression and the Houthi attacks have led to tangible changes in the way war risks are written, Andreas Bisbas, chairman of marine

mutual reinsurance and head of mutual war at Miller, says.

Some of the biggest losses in recent years were from ships trapped in Ukraine's waters, he highlights. "Even though you could see Russian assets building up on the Ukrainian border, no one could be sure of what was going to happen, so ships continued plying their trade," he adds.

In the past, marine writers would write war risk as "bonus premium", Bisbas continues. "Nobody really expected to pay a war risk claim, but you had to have the cover and it was always cheap."

This all changed with the enormous detention claims resulting from the war in Ukraine. Russia's invasion also saw a lot of treaty reinsurers withdraw their cover, meaning primary insurers that continued to provide cover in the region "were running net lines", he adds.

"[Monitoring risk aggregation is] something we're investing in all the time to make sure not only are we offering a best-in-class product, but we're also doing that safely knowing what sort of aggregations we have at any one time all around the world"

Dan McCarthy
Markel International

Selective risks

Whereas war rates used to be strictly linked to the regions a ship was travelling through, now underwriters are taking into account warnings issued by the Houthis – often sent via email – of plans to attack a ship with links to the US or Israel. Insurers will often increase pricing or decide not to provide cover if a ship travelling through the Red Sea has been to Israel earlier in its journey.

"Ships that have connections to democratically elected governments, carrying legal cargos; lawful, non-sanctioned trade, are being told, sorry, you can't have insurance because the Houthis tell us you've been to Israel. That, as far as I know has never happened before," Bisbas says.

Many shippers are self-selecting their own risks and avoiding the Red Sea altogether, choosing to take the longer route around the Cape of Good Hope, Scott Heeley, lead underwriter for cargo at IQUW, says. This decision is not without its own risks, with the longer voyage potentially increasing other losses such as perishable goods. "It's fair to say we've seen an increase in hull claims as a result of rerouting," McCarthy adds.

However, Heeley says with bigger cargo portfolios such as commodity trading and oil and gas where customers tend to be more global, underwriters need to pay more attention to where ships are coming from and going to.

"We found if we were writing a global trader, part of their portfolio was always going to be coming out of Russia or the Middle East, so they're the areas where we'd be more involved and making sure that – if you're leading or if you're following – you're comfortable with the checks that are in place and the vessels are acceptable," he says.

"Insurance companies and markets are here to provide so ships have a ticket to trade. It would be counterintuitive to say they're going to withdraw cover or charge premiums that are not commensurate with the risk"

Andrew Bisbas
Miller

Aggregation tools

The outbreak of war in Ukraine and the subsequent pulling back of reinsurance capacity has forced innovation in the hull and cargo markets, McCarthy says, most notably the development of aggregation tools. These were already in the works at Markel before Russia's invasion; however, as soon as conflict broke out in the region, McCarthy said it was clear a pulling back of reinsurance cover was on the cards.

"Reinsurers didn't have comfort; they imposed exclusionary language on reinsurance contracts and therefore companies like ours had to get our heads around making sure we knew exactly what those aggregations could look like," he says. Monitoring aggregations has been reasonably standard in the property market for years, but in commercial maritime and movable asset portfo-

"Let's say half-a-trillion [dollars] of goods doesn't move from China to the US, where are those goods going? Are they all sitting in a port in Singapore or Mumbai? And therefore, what's the exposure? This is how the market works; it only finds out what's where and what's been on what vessel and how much is in a port when a loss occurs"

Julian Kirkman-Page
Russell Group

lios it has only existed in its present format in the past two or three years, he adds.

"It was a real differentiator for us in the market and now that technology lives on," he continues. "It's something we're investing in all the time to make sure not only are we offering a best-in-class product, but we're also doing that safely knowing what sort of aggregations we have at any one time all around the world."

US policy changes

As well as these tangible threats, the market is also wary of emerging geopolitical risks. US tariffs on China at the scale promised by Trump could have unexpected impacts on international trade, Julian Kirkman-Page, head of business development at Russell Group, says.

Goods intended for the US market will either be shipped elsewhere or end up stockpiled in ports – which increases port exposure for underwriters. The difficulty is there is no easy way for an underwriter to understand how these changes lead to risks elsewhere.

"Let's say half-a-trillion [dollars] of goods doesn't move from China to the US, where are those goods going? Are they all sitting in a port in Singapore or Mumbai? And therefore, what's the exposure? We've seen recently the Chinese are dumping cars in a lot of these ports," Kirkman-Page says.

"This is how the market works; it only finds out what's where and what's been on what vessel and how much is in a port when a loss occurs."

Project cargo lines – specifically large infrastructure projects that include nuclear, solar and offshore wing power – could also be affected by a change in US policy. "Trump has already said he wants to retrench from all of that and start pumping oil again. That could have a huge impact on the project cargo market by taking a huge percentage of that market away from underwriters," Kirkman-Page says.

Any policy changes could happen within a week of Trump coming into power. Unlike his first term, where Trump did not expect to win and was therefore largely unprepared and reliant on the incumbent Republican leadership to fill his cabinet, this time, Kirkman-Page says, he will likely hit the ground running with a hand-picked team ready to follow his agenda.

"I think we'll know straight away," he says on the likelihood of increased tariffs. "The impact and how people will react to that is a bit unknown," he says.

Kirkman-Page is optimistic, however, that China does not want a global trade confrontation.

If something does happen between China and Taiwan, "there will quite possibly be a lot more to worry about than insurance rates", Bisbas says, drawing "quite a response from many corners of the world".

Low-probability scenarios

Bisbas says the Strait of Hormuz is a particularly important chokepoint since, if Iran chooses to block it, that could cause huge problems for oil and gas shipments. This is not an event he believes to be likely, however. "I find it inconceivable. Would the world let it happen?" he says.

He continues: "Insurance companies and markets are here to provide so ships have a ticket to trade. It would be counterintuitive to say they're going to withdraw cover or charge premiums that are not commensurate with the risk." Even too much talk and emphasis on these types of scenarios run the risk of making the market seem more concerned about low-probability scenarios than it really is, he adds.

Whatever the geopolitical risk, capacity remains a key factor, Bisbas says. "The market has ample capacity, there are a lot of people that have invested heavily in the market and that capacity needs to be fed with premium income," he says. Instability creates opportunities for shippers, and therefore opportunities for the insurance market too, he adds.

McCarthy shares that optimism. "There have been several challenges over the past five or six years for carriers writing marine war products. But the way I see it, if there was ever a time to lean in and offer the product, underwriting leadership and claims leadership to support the demand from our clients, during this period, this has been it," he says. ■

Claims are the barometer of operational quality: Gard CUO

Bjørnar Andresen, chief underwriting officer of the world's biggest P&I club, outlines how to manage the ups and downs of claims frequency

The gradual decrease in claims over the past 15 years is "one of the positives" in the protection and indemnity (P&I) business and is an indicator of quality among shipowners, according to Gard's chief underwriting officer, Bjørnar Andresen, *writes Louise Isted*.

In an interview with *Insurance Day*, Andresen says the trend reflects how the service P&I clubs provide goes above and beyond insurance.

"The fact we don't see a huge increase in the frequency of claims is one of the positives in the P&I business because the frequency of claims has gone down step by step since around 2010 and we believe that has to do with shipowners taking operational quality more seriously and running their ships in a better manner, on average," Andresen says.

"We can only speak for ourselves, but I believe this is something most clubs have seen and although it's gone up a little bit again from the lowest point, it's still good compared with 15 years ago," he adds.

Information sharing and loss prevention efforts are two of the ways Gard supports shipowners, he continues. "More than being just a provider of insurance capacity, we are appreciated as a service provider," he says.

Claims are clearly higher than they were last year, but 2023 produced lower costs than expected on large claims. Managing such volatility is one of the advantages of the mutual system.

Gard's business model is to use the profits from its commercial lines, which include the world's largest hull book as well as offshore, to subsidise mutuality and budget for a small loss on P&I activities.

Right balance

The club estimates a 4% increase in P&I premiums is necessary to maintain a rough balance.

"What's important in this sector is to manage volatility. This is something we take very seriously and it's a very good fit with our mutual ownership that has an interest in the wellbeing of the portfolio and of the insurer. Moreover, we can think long term and not simply quarter by quarter or year by year"

Bjørnar Andresen
Gard

"With a moderate premium adjustment, we are ensuring we can continue to offer mutual P&I at competitive prices, while at the same time ensuring the group's long-term stability," Andresen says. "The macroeconomic outlook continues to be uncertain, and we need to take into account an expected increase in claims."

Andresen says in all marine products, there is always a small margin. "We are here for our members and nothing else, which means we try and find the balance every year, where we can – with a small contribution from the commercial products and from the investments – run a small loss on the P&I mutual," he says.

Finding a balance means aiming for a combined ratio of around 102.5% to 105% on the mutual product alone, he adds, which is then supported by a very small profit at a company group level.

"The P&I mutual market today is fairly balanced. It's not like some in the media have said that it's more expensive than it's been in the past. Actually, on an international group level, our estimate is the average premium, including reinsurance, is a low double-digit figure lower compared with 2014, so in the past 10 years, it's actually cheaper, on average, in premium per gross tonne," Andresen says.

"It has been lower before and it is an increase on the past few years, but not severely and not close to where it was 10 years ago," he adds.

Looking across the portfolio and at all the factors, including infla-

Connect Images/Alamy Stock Photo

tion, affecting claims development, a modest increase in the estimated total premium – also known as the estimated total call – required for a P&I policy is justified, he continues, to keep Gard's book in balance.

Enough capital

Gard also looks at its capital situation, which Andresen says presents an opportunity to provide an owner's general discount (OGD) to its members. That discount is not seen as a part of the renewal as such, he points out, because it is a capital adjustment that is done to benefit the owners, which are the mutual's members. "To give predictability before the renewal, we are announcing the OGD every November now. It used to be at the end of the policy year, but now it's up front, so the members know what to expect for the next year," he adds.

The club's capital situation is "good" and Andresen expects it to continue to be so over the next year, which is why it can discount the premium with a 10% pro rata for next year for all vessels that renew with the club.

"It's two separate topics. One is to get the underwriting right – always marginal, but right and sustainable. And the other is to make sure we don't have too much capital but we are still a financially strong club," Andresen says.

To Gard's board, a strong club means not only having an A rating but maintaining that when there is a sudden change in the claims climate or investment market. Andresen says: "The span is between A- and A+ and we currently have an A+ rating with a stable outlook from S&P Global. In fact, we are the only club within the International Group of P&I Clubs to have an A+ rating and we have been so for a while now."

What does "too much capital" mean? Andresen replies: "In our modelling, we are using the same principle as Solvency II to measure capital adequacy, which takes into account the insurance portfolio, but also other risks, like operational risk and financial risk. This is done on an internal model basis, which is approved by the Norwegian financial supervisory authority."

Looking to the 2025 P&I renewal more broadly, he points to the backdrop of a beneficial financial year in 2023, with good income for all clubs, which has continued during this year. "But at the same time, we saw as a group a deterioration in the pool claims during the current year, but that is on the back of very good years in 2023 and 2022," Andresen says.

"There will be a situation where clubs are fairly healthy, but with differences between them and in terms of capital, and some will be struggling to have balance in their underwriting result going forward. That's why you see some increases to be predicted from clubs, but of course this plays out in an environment where there is also fierce competition, and I think most clubs would like to grow and how that plays out is going to be interesting," he says.

"I think it will be necessary for clubs to raise premiums. If they are not able to do so then they will have consequences later, but it won't be, for most clubs, a consequence that gives any supplementary calls, which is always the backdrop of P&I," he adds.

There have been instances of this in the past three years, as a way of capitalising, where the club asks every

member to pay a certain percentage of the premium of the open policy years. Andersen does not expect that situation at the 2025 renewal, but says to avoid it in the long run, a sound insurance result, balanced with results from the investment market, is necessary.

"Many people think hull insurance is more competitive than P&I and we do both, but I would say P&I is even more competitive because the consequences there and then for the clubs are smaller than the hull insurers, which are operating commercially on a quarter-to-quarter basis," Andresen says.

"You have to be short-term on the hull side, although we see a lot of different conduct there as well on the portfolio basis. For example, in 2018/19, a lot of companies had to exit from marine hull while others were more stable through a difficult, soft market period."

Different profiles

There is plenty of capacity in the P&I mutual market, Andresen stresses. In fact, there is never a lack of capacity and always an overcapacity, he adds, because the ability to write business among the clubs is good.

The differences between them instead lie in their respective profiles. He says: "The size and capitalisation of the clubs are examples where they differ, but in what used to be very much a conforming market, where everyone asked for the same and were performing very similarly, over the past 10 to 15 years differences between the clubs have emerged, partly because more and more of them are also looking at commercial products."

For example, Gard covers all types of shipping, while some other clubs concentrate on tankers, bulkers or smaller vessels. "This does not mean they are specialised clubs, but rather their profiles differ slightly from each other," Andresen says. "The differences between clubs are bigger today than they were in the past, but capacity is plentiful and all clubs do most business, it's just the profiles and the ways clubs are being run, are performing and are capitalised are different."

Where all clubs agree, however, is in their understanding the geopolitical situation is the most severe emerging risk, not least the emergence of complex sanctions. Insurance companies and service companies that fail to enforce sanctions see their vessels ousted from the International Group's insurance programmes.

To mitigate such a risk, Gard strives to ensure it has the full picture of the situation through investment in both internal intelligence systems and people. Externally, in the broader business context, sanctions, predominantly against tankers, have had a great impact on the industry, Andresen says, and has required "a build-up of functions and competence we haven't had before".

The best approach to sanctions is collaboration between regulatory authorities, he stresses, to avoid differences between them that make a shipowner's ability to comply more difficult.

He says: "We need a clear regime that is relevant and aligned across jurisdictions, not only a national scheme that only applies to the insurers in that given country. Complying with sanctions is much easier when it is an aligned regime between, let's say, the EU and the US and Britain, because then you can actually act swiftly in accordance with intentions. But when you are in a situation where you have one regime that says one thing and another saying something else, and depending on where you are regulated, it can be a difficult situation to act promptly. So, the clearer the picture, the easier it would be."

A reaction to the sanctions has been the arrival of a crop of systems providers that "have probably done well", he says, in terms of selling their data programs.

Strategic objectives

Gard's aim is always to be a predictable and stable provider of a good service and financial backing for its members and clients, Andresen says, which is why it is important for the club to have balance between its business areas. Gard only operates in marine and energy and P&I and it wants to maintain that balance.

"We have built a robust system where we can provide better service than the average on different products where there is a crossover in expertise," he stresses. "That means we can help our members understand the risks better and hence provide coverage at a more competitive premium than they could get elsewhere."

For this, Gard needs to continue to be strongly capitalised, he adds, to enable flexibility as situations change and evolve. An important element of that, he continues, is "investing in the future". For example, Gard is in the process of acquiring Codan's marine and energy portfolio in Denmark. The $163m transaction, which is expected to be completed in March 2025, will give Gard a leading position in the renewable energy segment. "This will make us even stronger on the renewable energy side as Codan's portfolio is very complementary to ours," Andresen says. "We will be not only a capital provider, but also have an ability to lead and to make a real difference in that area."

The broader picture of marine and energy, including P&I, is a matter of "marginal products over time", he stresses. "What's important in this sector is to manage volatility. This is something we take very seriously and it's a very good fit with our mutual ownership that has an interest in the wellbeing of the portfolio and of the insurer. Moreover, we can think long term and not simply quarter by quarter or year by year."

He concludes: "Long-term relationships combined with an elevated service is what we are always striving to achieve." ■

Underwriting profits surge for top Lloyd's MAT writers

Munich Re, QBE, Beazley outperform in Lloyd's marine and aviation business

Marine, aviation and transport (MAT) underwriters at Lloyd's enjoyed a strong overall performance in 2023, supported by increased profitability of the largest syndicates, according to *Insurance Day*'s analysis, writes Michael Faulkner.

The analysis of syndicate annual reports shows the 10 largest writers of MAT business made their size and market position count, recording a significant outperformance compared with the rest of the market.

Table 1, drawn from information provided in individual syndicate annual reports, shows the MAT insurance underwriting of all syndicates, except those where MAT premium is less than 1% of the total premium written and special-purpose syndicates with a 6000 number. Premium and underwriting results are given for the two most recent years, as well as the importance of MAT business to each syndicate's overall account (MAT as a % of total). So, for the largest writer of this class, Munich Re Syndicate, MAT business represented 31.5% of the syndicate's overall book in 2023.

The syndicates marked with an asterisk report in dollars and we have converted their figures into sterling at the exchange rates shown at the foot of the table. Lastly, as these figures conform to statutory reporting conventions, they do not necessarily tally with syndicates' own internal divisions and grouping of business.

The difference in performance across all syndicates is stark. The top 10 writers made an aggregate profit of 10.1% of gross MAT premiums written in 2023, up from 9.6% in 2022 (see table 2). This compared with an aggregate underwriting profit of 6.8% of MAT premiums in 2023 for all 59 syndicates analysed, compared with 6.6% in the previous year.

The top 10 writers booked MAT premiums of £2.26bn ($2.86bn) in 2023, an increase of 12.9% on the previous year. This growth was marginally ahead of the 59 syndicates analysed, which booked MAT premiums to £4.88bn, representing a 12.7% year-on-year increase.

Challenging conditions

The improved MAT profitability came despite challenging operating conditions in 2023, including significant inflationary pressures and geopolitical tensions. The war in Ukraine, the conflict in Gaza as well as disruption to global supply chains arising from escalating tensions in the Middle East affected MAT writers.

The market's financial performance for 2023 was also significantly affected by increased reserves for syndicates' indirect Russia/Ukraine losses, including those related to western leased aircraft in Russia.

Against this backdrop, marine writers benefitted from compounding price increases, wording tightening and portfolio re-underwriting in marine, Lloyd's said in its 2023 annual report. However, price increases slowed in 2023, Lloyd's added, and premium growth was driven predominantly by inflationary factors and exposure.

Lloyd's marine business encompasses a wide variety of sub-lines including cargo, hull, marine war, marine liabilities, and specie and fine art. Cargo represents the largest class in this line.

Meanwhile, aviation pricing "fell short of expectations" in most areas, Lloyd's said, with the exception of aviation war, with prices increases in response to the conflicts in Ukraine and the Middle East.

Three biggest writers

The strong performance of the top 10 MAT syndicates was driven by the results of the three largest writers, which increased underwriting profits significantly year on year.

Munich Re Syndicate 457 was the largest MAT syndicate, booking £382.1m

Fahroni/Alamy Stock Photo

of gross premiums in 2023, although this was down slightly year on year. The underwriting result for the class of business increased sharply, more than tripling to £58.9m, which represented 15.4% of premiums written.

Beazley syndicate 2623 – the third largest writer – was the most profitable MAT syndicate, reporting an underwriting profit of £91.9m last year. This represented a profit 34.7% of the £264.9m of MAT premiums written in 2023. MAT premiums written by the syndicate edged up slightly to £264.9m.

QBE syndicate 2999 returned its MAT account to profit in 2023, with an underwriting result of £58.3m, representing 20.7% of premiums written. The syndicate's MAT premiums written climbed nearly 25% to £281.8m on the back of "strong rate increases and organic growth across a number of opportunities", it said. The syndicate was the second-largest MAT writer last year.

Tokio Marine Kiln syndicate 510 and Axis Managing Agency 1686 posted

Marked difference in performance across all syndicates

Table 1: Lloyd's marine, aviation and transport insurance class results by syndicate

Managing agent	Syndicate	GWP (£m, 2023)	GWP (£m, 2022)	MAT (%, 2023)	MAT (%, 2022)	Result (£m, 2023)	Result (£m, 2022)
Hiscox*	33	168.8	131.6	8.9	7.9	5.7	56.7
CNA hardy	382	11.4	14.8	3.1	4.6	0.1	(2.3)
Faraday	435	14.9	14.4	2.3	2.7	(2.6)	(3.2)
Munich Re	457	382.1	385.9	31.5	37.0	58.9	16.8
Tokio Marine Kiln	510	183.3	135.7	10.2	8.6	(39.1)	(41.5)
Atrium	609	233.4	223.8	24.0	24.2	(21.8)	27.7
Beazley*	623	57.4	57.5	7.3	8.2	18.1	13.5
SA Meacock	727	3.8	5.1	3.3	4.1	0.85	1.0
Chaucer*	1084	133.5	118.5	7.8	7.4	10.4	(0.2)
Talbot	1183	93.4	93.0	6.6	7.2	(5.1)	9.0
Westfield Specialty**	1200	44.6	35.5	7.7	5.6	6.8	2.4
Hartford	1221	74.1	65.3	17.8	17.5	0.3	(9.8)
Aegis	1225	105.5	98.6	10.1	10.9	17.6	11.0
Antares*	1274	202.3	182.6	41.9	40.9	8.9	38.3
Inigo	1301	66.3	17.2	6.0	2.1	7.5	(9.2)
Ascot**	1414	149.0	138.7	10.3	10.3	15.9	27.5
RenaissanceRe	1458	16.8	25.3	1.6	2.1	(13.0)	1.5
Axis*	1686	172.2	127.3	12.1	10.1	12.4	14.4
Dale	1729	4.9	2.9	1.3	0.9	(2.4)	0.3
IQUW	1856	48.6	28.7	6.6	5.3	3.4	0
Tokio Marine Kiln	1880	47.2	34.2	10.6	8.5	(12.1)	(17.5)
Starr*	1919	42.5	39.1	10.0	10.2	5.2	2.6
Sirius International	1945	19.2	14.7	12.0	13.4	3.9	0.8

Table 1: Lloyd’s marine, aviation and transport insurance class results by syndicate

Managing agent	Syndicate	GWP (£m, 2023)	GWP (£m, 2022)	MAT (%, 2023)	MAT (%, 2022)	Result (£m, 2023)	Result (£m, 2022)
Arch	1955	19.2	4.8	3.2	0.9	1.9	0
Apollo*	1969	63.9	61.7	10.9	12.7	8.4	16.1
MS Amlin	2001	204.4	184.7	11.7	11.7	36.7	12.4
Axa XL	2003	311.0	340.5	23.5	27.7	28.3	(16.3)
Lancashire*	2010	13.5	13.6	3.7	4.0	2.7	11.7
Arch	2012	38.8	38.9	7.0	8.9	5.3	(6.5)
Argenta	2121	30.8	43.6	5.4	7.5	3.5	4.7
Allied World	2232	17.9	15.6	4.3	4.5	(0.1)	(2.9)
Chubb	2488	141.5	118.0	20.4	18.2	43.2	38.3
Beazley*	2623	264.9	261.9	7.3	8.2	91.9	65.9
Asta/Everest	2786	30.6	0.5	12.2	0.3	0.2	0.27
MAP	2791	20.8	16.9	3.1	3.3	5.0	3.3
Asta/Sukoon*	2880	17.4	10.2	53.5	69	(0.6)	1.0
Brit*	2987	166.8	141.6	7.5	5.6	16.5	16.6
Brit	2988	17.1	16.8	8.1	6.7	2.6	2.5
QBE	2999	281.8	226.2	12.7	12.5	58.3	(15.2)
Markel	3000	153.1	136.6	21.8	21.9	32.8	(12.2)
Lancashire*	3010	94.7	80.0	28.2	29.0	1.5	6.5
Ark	3902	77.3	68.1	37.7	40.4	9.8	5.9
Hamilton	4000	33.9	23.1	6.2	5.0	1.6	0.4
Ark	4020	91.0	77.5	14.6	15.6	11.5	13.5
Tokio Marine HCC	4141	58.0	46.2	24.2	21.3	1.6	2.0
Canopius	4444	138.4	111.3	6.8	6.6	13.0	11.9
Liberty	4472	225.0	206.4	13.3	12.8	(126.7)	(23.2)
Aspen	4711	11.7	9.6	1.5	1.1	0.7	5.6
Travelers	5000	84.8	88.0	19.6	22.0	1.3	2.2
Total		**4,883.5**	**4,332.7**	**621.4**	**627.1**	**330.69**	**284.27**
Average				**12.7**	**12.8**		
Increase on 2022		**12.7%**				**16.3%**	
Result (% GWP)						**6.8**	**6.6**

*converted from US dollars at a rate of £1=$1.24 **marine only

Source: Lloyd's syndicate accounts

the strongest MAT growth in 2023, with both reporting premiums increased year on year 35%.

Syndicate 510's MAT premiums increased from £135.7m to £183.3m in 2023. However, the syndicate booked an underwriting loss of £39.1m for the year, owing to losses in its aviation business, which the syndicate attributed to "provisions for potential exposures arising from the Ukraine war, in addition to losses arising from the Sudan conflict and adverse developments on the closed years within the aviation excess liability account".

Axis syndicate 1686 booked MAT premiums of £172.2m in 2023, up from £127.3m in 2022. The syndicate's MAT underwriting declined 14% to £12.4m. The syndicate did not provide commentary on the segment.

Looking ahead, the MAT segment continues to face a range of challenges, not least geopolitical with the continuing war in Ukraine and the Red Sea crisis.

As a result, marine writes will need to "balance" growth and servicing clients' needs while managing exposures arising from conflict in the Red Sea, Lloyd's said. The conflict is likely to continue to place upward pressure on marine war premiums.

In contrast, premium rates for forthcoming marine hull could be the most favourable for shipowners for the past few years, brokers have suggested, as insurers fight it out for market share amid an influx of new capacity, including from MGAs. Increased capacity is also putting pressure on cargo insurance rates. ■

"[Syndicate 510 posted a 2023 underwriting loss because of] provisions for potential exposures arising from the Ukraine war, in addition to losses arising from the Sudan conflict and adverse developments on the closed years within the aviation excess liability account"

Syndicate 510

Top 10 writers of MAT business outperformed rest of market

Table 2: Lloyd's marine, aviation and transport insurance class results by syndicate

Managing agent	Syndicate	GWP (£m, 2023)	GWP (£m, 2022)	MAT (%, 2023)	MAT (%, 2022)	Result (£m, 2023)	Result (£m, 2022)
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QBE	2999	281.8	226.2	12.7	12.5	58.3	(15.2)
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Hiscox*	33	168.8	131.6	8.9	7.9	5.7	56.7
Brit *	2987	166.8	141.6	7.5	5.6	16.5	16.6
Total		**2,260**	**2,001.3**	**167.8**	**166.7**	**228.4**	**192.1**
Average				**16.8**	**16.7**		
Increase on 2022		**12.9%**				**18.9%**	
Result (%, GWP)						**10.1**	**9.6**

*converted from US dollars at a rate of £1=$1.24 **marine only

Source: Lloyd's syndicate accounts

Cargo rates softening on back of new capacity

Red Sea disruption, Asian port congestion, US strikes, Glencore switch to captive and extreme weather events top list of concerns

Cargo insurance rates are softening under the impact of new capacity, while avoiding a return to the soft market conditions that characterised the end of the last decade, according to marine insurance sources, *writes David Osler, Lloyd's List*.

Issues facing cargo underwriters right now include disruption in the Red Sea, which has seen an increase in heavy weather losses as a result of rerouting round the Cape of Good Hope, extreme climate events and the spate of strikes at US ports.

In addition, a number of London portfolios are thought to have taken a hit after a decision from Switzerland-based commodities trader Glencore to place its cargo premiums, worth $50m annually, with a captive.

Cargo is by far the biggest class of marine insurance, with premiums up 6.2% to reach $22.1bn last year, according to statistics revealed at the International Union of Marine Insurance conference in Berlin in September.

That makes the niche twice as large by volume as marine hull, where premiums totalled $9.2bn in the same period, the figures showed.

Like hull and machinery, cargo insurance was something of a Cinderella in the opening years of this century. But rates firmed up after the Lloyd's Decile 10 purge on underperformers, transforming it into a profitable line in recent years.

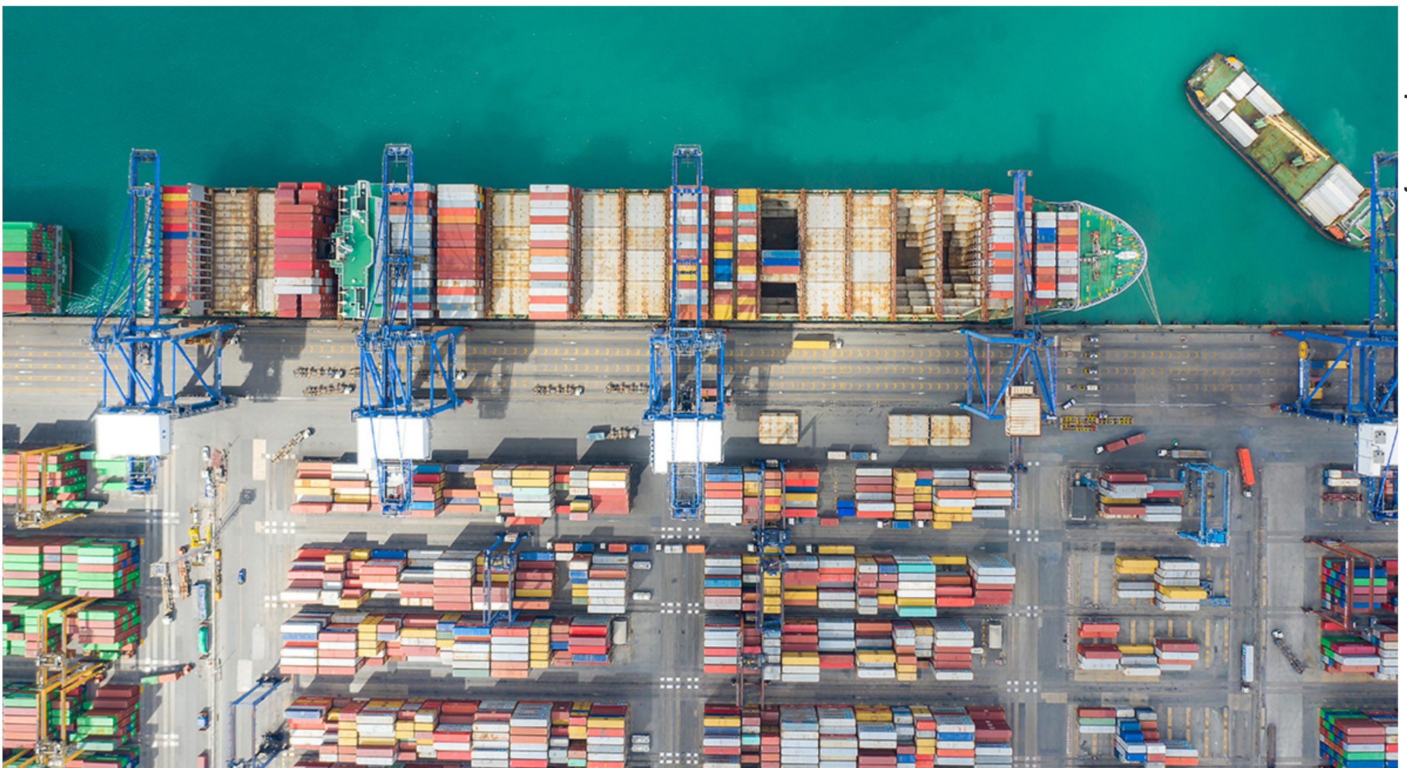
Additionally, London cargo underwriters have not faced the same level of competition from the Nordic market as hull underwriters have experienced of late and nor have they had to make major payouts on war risk.

Tide turning

The apparent reversal in its fortunes therefore comes as something as a surprise to cargo insurers, which had been looking forward to continuing growth this year. But with hindsight, it now looks as if the tide turned in the first quarter.

Instead, they are having to concede discounts in the 5% to 10% range to better-performing accounts, with marked softening in London and the US reportedly more competitive still.

This all represents something of a turnaround from 2023, when pre-



Prasit Rodphan/Alamy Stock Photo

miums jumped significantly on the back of high commodity prices, rocketing inflation and a positive rate environment for underwriters.

But despite the crop of challenges, appetite for cargo business remains substantial, feedback suggests.

A report from Alec Russell, executive director at broker Gallagher, points to four London cargo managing general agent markets either opening or waiting to open. New Lloyd's entries are planned in both this quarter and in early 2025.

In June, K2 Group Holdings launched Rubicon Specialty, with ex-Ascot underwriters Gavin Wall and Chris McGill, while the same month saw Amphitrite Underwriting expand its cargo entry. In October, Probitas 1492 established a special-purpose arrangement cargo book underwritten by Anthony O'Dwyer, while Cincinnati Global hired James Hyett to build a cargo book targeting £10m of premium income next year.

In many cases, we are seeing the return of insurers that had exited the class in recent years but now view conditions as suitably attractive. In addition, existing players have been ready to increase the capacity they will commit.

"Most market participants aim for price adequacy and are generally satisfied with their pricing," Russell says. "However, there's a concern about the potential for the emergence of a two-tier market, where new business is priced lower than existing business."

"Most market participants aim for price adequacy and are generally satisfied with their pricing. However, there's a concern about the potential for the emergence of a two-tier market, where new business is priced lower than existing business"

Alec Russell
Gallagher

Essentially, things come down to a fight for market share, with insurers valuing underwriting control and risk management over pricing discipline, indicating a desire to maintain a given slice of the pie.

The collapse of the Francis Scott Key Bridge remains a major claims worry

Brianna Clay/US Army/Alamy Live News

Claims concerns

Claims continue to be a concern, he went on. While the Baltimore bridge collapse is the obvious biggie, the level of attritional claims remains a worry.

There have been a handful of larger claims, notably from Dollar Tree, a US discount retailer that has a substantial damages and recovery claim after a tornado wrecked its distribution centre in Oklahoma earlier this year.

There is also concern about exposure and accumulation risks as a result of congestion at Asian ports. Gallagher estimates in the first half of the year, the trade cost at risk flowing from congestion at Singapore, Port Klang and Tanjung Pelepas at $131bn.

While the peaks of the Asian cyclone season and north Atlantic hurricane season have now passed, above-average activity is predicted and we have seen the arrival of the earliest category five hurricanes since records began.

Losses from hurricanes Helene and Milton, which thankfully gave Tampa a swerve, have not been on the scale initially feared, although some losses are starting to creep into the market.

While shipping has come to terms with the Houthi onslaught on merchant tonnage in the Red Sea, Russell highlighted a warning from Maersk chief executive, Vincent Clerc, that the global maritime supply chain is at breaking point due to a lack of vessels.

Another potential flashpoint is the ongoing political tensions between China and Taiwan and the claims that could arise should vessels be denied access to Taiwan for any significant period.

"Absent a significant major loss event, the remainder of the year will likely be defined by further market softening and carriers' efforts to access new business," Russell concluded. ■

The continued rise of marine MGAs

Marine managing general agents are entering markets where traditional carriers sometimes fear to tread

As ships continue to sail an extra 3,000 miles around the Cape of Good Hope to avoid conflict in the Red Sea, the maritime industry faces further stark reminders of its vulnerability to geopolitical upheaval, *writes Queenie Shaikh*.

With shipping's ambitious climate targets promising to lead to a fundamental overhaul of routes, assets and infrastructure and cyber threats testing traditional risk models, the sector's insurers find themselves navigating uncharted waters.

The traditional bastions of marine insurance – particularly protection and indemnity clubs – have long been the bedrock of shipping coverage. But as risks become more complex and immediate, a more agile approach is emerging. Enter the managing general agent (MGA). These nimble operators, once considered supporting actors in the grand theatre of marine insurance, are now stepping into the limelight, offering solutions where traditional markets sometimes prefer not to go.

At their core, MGAs are specialist intermediaries with a crucial difference. Unlike traditional brokers who work on behalf of policyholders, MGAs act for insurers, wielding delegated authority to underwrite and bind coverage. Their value lies in their deep specialist expertise – a particularly vital asset in the complex world of marine risk. Through partnerships with major carriers, MGAs can offer the security of established insurance markets combined with the agility and specialist knowledge of a focused operator.

This specialist approach is proving particularly valuable in addressing the marine sector's challenges.

"MGAs' ability to operate in specific industry niches allows them to quickly understand what customers are looking for and what they can do to assist," Andrew James, managing director for marine at Gallagher Specialty, says.

Gallagher places about £800m of marine insurance premium annually, with £80bn in insured hull values and £24bn of insured port values on its books. James emphasises MGAs are "highly responsive, provide quotes and information quickly and their service is excellent".

This is evident from recent launches of new marine MGAs such as Ai Marine Risk, specialising in marine hull insurance with a focus on global risk solutions and a strong Scandinavian distribution network. Similarly, Alta Signa Europe introduced a marine division earlier this year, offering hull and yacht insurance, cargo insurance and shipyard coverage, underwritten in partnership with leading insurers such as SiriusPoint and Sompo International. Meanwhile, Pen Underwriting's marine division expanded in the sector by acquiring several niche MGAs, adding expertise in marine trades, ports and terminals and vessel protection, contributing more than £90m in gross written premium to its portfolio.

Much-needed agility

What is clear is their agility is needed now more than ever. Jennifer

"MGAs are a great home for underwriters who may have worked at large multi-line insurers and are looking to become the masters of their own destiny, as they can make the critical decisions much more easily than in some large organisations"

Andrew James
Gallagher Specialty

D'Arcy, executive vice-president at Acrisure Re's facultative reinsurance division, highlights how "geopolitical tensions, including trade wars, sanctions and key elections, contribute to instability in the marine market". She points out shippers often need to adjust routes or find alternative trade partners, which leads to longer journeys and higher shipping costs.

These disruptions have significant downstream effects. "The increase in shipping costs and container shortages have significantly impacted the marine sector, leading to higher insured values and more complex risk assessments," D'Arcy says. "These economic pressures are compounded by other evolving risks, including physical damage from cyber attacks, extreme weather events linked to climate change

and potential disruptions from geopolitical tensions such as trade wars and sanctions."

MGAs appear well positioned to navigate these challenges, particularly through their adoption of technology, with many embracing artificial intelligence (AI) and advanced analytics to enhance underwriting accuracy and streamline claims processes. This tech-forward approach, including blockchain implementation and digital platforms, is helping to create more transparent and efficient operations.

By leveraging data-driven insights, MGAs are increasingly able to offer more nuanced risk assessments and tailored coverage solutions that traditional carriers might find challenging to replicate.

The recent boom in marine MGAs has its roots in the Covid-19 pandemic. "The changes in our ways of working during Covid has helped the MGA sector as these businesses were much more used to working electronically or by phone and when Lloyd's was closed, they were really able to shine," James says. This adaptability has led to sustained improvements in service delivery, with many MGAs promising 24-hour response times but often delivering in an even shorter period.

James says the pandemic demonstrated not only the sector's operational resilience but also its ability to maintain high service standards under pressure. While traditional markets grappled with the sudden shift to remote operations, MGAs' existing digital infrastructure and flexible working practices allowed them to maintain seamless service delivery, winning broker loyalty in the process.

MGA appeal

The appeal of MGAs extends beyond their operational efficiency. "MGAs are a great home for underwriters who may have worked at large multi-line insurers and are looking to become the masters of their own destiny," James says, "as they can make the critical decisions much more easily than in some large organisations." This entrepreneurial environment has helped attract top talent to the sector.

"New marine MGAs bring additional capacity to the market and are often more willing to underwrite emerging risks traditional carriers might avoid. This supports clients by offering diverse and competitive solutions"

Jennifer D'Arcy
Acrisure Re

It has also helped to attract the financial interest of several major insurers. As James points out, "MGAs are also attractive for a large insurer to invest in because, if the market is attractive and rates are stable or rising, they can increase capacity easily and vice versa if not". This flexibility in capacity management has contributed to their growing prominence in the marine sector.

The recent influx of new marine MGAs into the market appears to be built on a solid foundation. "There have been a number of new marine MGAs entering the market over recent years and [they] look to be in it for the long term, which is great news for brokers like us," James says.

These new entrants are taking strategic steps to ensure long-term stability, including diversifying their sources of capacity and building strong partnerships with re/insurers.

What sets modern MGAs apart is their strategic approach to capacity management. "New marine MGAs bring additional capacity to the market and are often more willing to underwrite emerging risks traditional carriers might avoid," D'Arcy says. "This supports clients by offering diverse and competitive solutions."

However, challenges remain. D'Arcy cautions "the stability of MGAs depends on the long-term appetites of their capacity providers and how they navigate changing regulatory landscapes".

Regulatory changes can increase operational demands and affect the business models, profitability, and sustainability of MGAs, she adds.

To address these challenges, D'Arcy says MGAs are diversifying their sources of capacity and prioritising strategic partnerships. "This approach ensures they are well supported even if capacity providers adjust their appetites. Partnering closely with re/insurers and focusing on balanced risk management also contributes to their long-term stability," she adds.

D'Arcy's observation MGAs are often more willing to underwrite emerging risks traditional carriers might avoid points to their likely expanding role in the years ahead. As shipping routes shift, vessels adapt to new environmental regulations and cyber threats evolve, the industry will need underwriters who can move quickly and think creatively. The marine MGA, it seems, is no longer just an alternative – it is increasingly becoming the market's answer to a raft of unabating and all-too-inevitable challenges. ■

Sompo eyes marine growth in Europe

Japanese-owned carrier's head of marine and specialty for continental Europe describes how long-term commitment is key to client confidence

Sompo is focused on growing its marine insurance book as it builds out its European operations, according to the global re/insurer's head of marine and specialty insurance for continental Europe, *writes Louise Isted*.

In an interview with *Insurance Day*, one month on from Sompo's launch of a national marine insurance proposition for the UK, René Huber describes how the continental European marine business has a leading role in the next stage of the international carrier's evolution.

Huber has more than 25 years' experience in multinational business, with a focus on marine and specialty products. Having joined Sompo in June 2023 from Axa XL, where he was senior manager of the French re/insurer's global programmes business, Huber is now responsible for developing Sompo's marine/specialty underwriting and distribution strategy, sustainably growing the marine book and building a team across the continent.

When asked what drew him to joining Sompo, he refers to the company's Japanese roots, highlighting its strong reputation, financial stability, growth strategy and parent company Sompo Holdings' 130-plus-year history of innovation.

Values and culture

Having worked for Swiss, UK, US and French-headquartered companies, Huber appreciates the values ingrained in Japanese-owned Sompo. "With Asian cultures, business is viewed in the long term. That's important because it gives customers confidence when we set goals and shows we work as a community," he says.

"I was familiar with Sompo and I was impressed by what the company was doing internationally," he says. "Sompo already had mature operations in Japan, of course, but it was also growing steadily in North America, the UK and Brazil, together with Europe and Asia-Pacific."

Huber's team is mainly concentrated on providing multinational cargo programme solutions for its commercial property/casualty (P&C) and financial lines clients across continental Europe.

In marine hull insurance, Sompo is following a more country-specific strategy, he says, adding this is aligned with the carrier's overall marine insurance strategy, especially when it comes to aggregation in the international hull business.

Since starting its marine operations in continental Europe last year, Sompo has experienced "significant growth" and is receiving "very positive feedback" from its clients and brokers, which is "motivating us to move ahead on our journey", Huber says.

Huber continues: "Our goal is to be one of the major international leaders in the marine insurance business across continental Europe and the preferred market for our brokers and our clients.

"With the continued expansion of our continental European operations we have steadily built up our expertise in underwriting, operations, claims and risk control engineering. We offer a great combination of strong financials and ratings coupled with a broad suite of capabilities and without any legacy issues, we are able to quickly and efficiently deliver tailored solutions and integrate new technologies."

Sompo offers marine cargo and hull insurance on a primary and excess

"Theoretically everything is insurable, but it depends on the price. However, in reality, it's about the accumulation and assessment of a risk. It is a challenge, however, because the world is changing, climate-wise, technology-wise, regulation-wise. The answer is we must approach new risks together, as a community"

René Huber
Sompo

Events such as the October US port strikes show 'how quickly everything can collapse', René Huber says

Michael Nigro/Pacific Press via ZUMA Press Wire/Alamy Stock Photo

basis, as well as coverage for a range of marine liability and specie risks. With hubs in North America, continental Europe, the UK and Asia-Pacific, Sompo says its integrated multinational platform makes it easier for clients with global operations to access the commercial P&C coverage they need through a single point of contact.

"Sompo believes in empowering its underwriters to be decision-makers and is known throughout the market to be solutions-driven," Huber says. "I expect my team to have in our DNA the motivation to think outside the box, which also means empowering colleagues at the local level and having open discussions," he adds.

Emerging risks

Huber says the three top emerging and emergent risks – geopolitical instability, supply chain disruption and climate change – are now obvious to marine re/insurers.

While much of the world's attention is on the Russia-Ukraine and Middle East conflicts, marine insurers are also "facing the reality" of the potential for geopolitical tensions to impact shipping in the East and South China seas, he says, as well as the possibility of disruption to trading routes around Latin America and Africa. Specific challenges include the old – piracy – and the new – sanctions.

"We're working closely with our political risk and crisis management teams, exchanging information and assessing what could happen over the next four months, which we then feed back into discussions with brokers and clients," Huber says.

"It's this type of intelligence that enables us to have detailed conversations with clients, so they understand fully all the risks they potentially face and also some of the options they have," he adds.

On supply chain disruption, Huber says the Covid-19 pandemic showed "how quickly everything can collapse". Additionally, port closures – such as the US labour strikes in October that affected 36 ports – and unforeseen events, such as the Baltimore bridge collapse in March, further reinforce the potential fragility of the supply chain.

Huber says: "Cargo relies on the resilience of the supply chain and insurance has a crucial role to play here. Risk managers understand this and recognise the financial value and certainty insurance can bring in the long term."

Climate change is "definitely" having an impact on marine cargo operations, with the recent Atlantic hurricanes as an example, Huber says. There is an opportunity for marine re/insurers, therefore, to have an impact on environmental, social and governance strategies – for example, with the transition to cleaner fuels. "It's important for marine insurers to influence what we can in the focus on climate change, although this is something where everybody has to participate," he adds.

Huber spoke to *Insurance Day* at the Federation of European Risk Management Associations' (Ferma) forum in Madrid, where Ferma issued the warning the modern risk manager is dealing with both insurable and, increasingly, uninsurable risks.

"Theoretically everything is insurable, but it depends on the price," Huber stresses. "However, in reality, it's about the accumulation and assessment of a risk. It is a chal-

lenge, however, because the world is changing, climate-wise, technology-wise, regulation-wise. The answer is we must approach new risks together, as a community."

Nascent opportunities

Economic recovery from the pandemic is pulling cargo into sharp focus for marine re/insurers, Huber says, pointing to the latest data from the UN Conference on Trade and Development (UNCTAD).

UNCTAD has announced global maritime trade increased 2.4% in 2023, with a forecasted 2% growth for 2024 and 2.4% a year for 2025 to 2029, despite ongoing geopolitical tensions.

"The world economy overall is in good shape and there is confidence of further growth," Huber says, pointing out world trade in the 2020 pandemic year was as low as -9%.

There are also good signs from specie, he adds, with an increased market for high-value items, such as luxury watches, jewellery and fine art. "And so, overall, the cargo specie side, that's definitely an opportunity," he says.

Another opportunity Huber highlights is digital transformation. "It's more and more common for clients, brokers and insurers to be using devices with internet of things technology and telematics to have better real-time assessment, to predict what could happen, to avoid claims," he says.

However, artificial intelligence, while obviously an important development, is no substitute for the assessment capability of a human underwriter, he adds.

Compliance with tax and other legislative requirements, is a challenge for risk managers, he continues, but an opportunity for multinational carriers like Sompo, because they have the expertise to offer solutions that comply with local policies.

Market outlook

Continuing growth in the world economy means the market outlook "remains positive" for cargo, Huber says, and "stable" market conditions are expected next year as well. "Of course, well-performing risk management accounts in the market might see slight rate reductions, but if you've got distressed accounts then there may be rate increases, terms and conditions tightened or there will be more investment in risk control engineering," he says.

The hull market is also stable, he continues, although there have been press reports of some softening. Huber says: "Overall, there's enough capacity. There's new capacity like ours, to certain extent, but I think it's a common understanding in the market we continue to stick to disciplined underwriting."

Prices, he says, are "adequate". "It's a healthy environment for the customers, the brokers and the insurers, which was not the case maybe five years ago," he says.

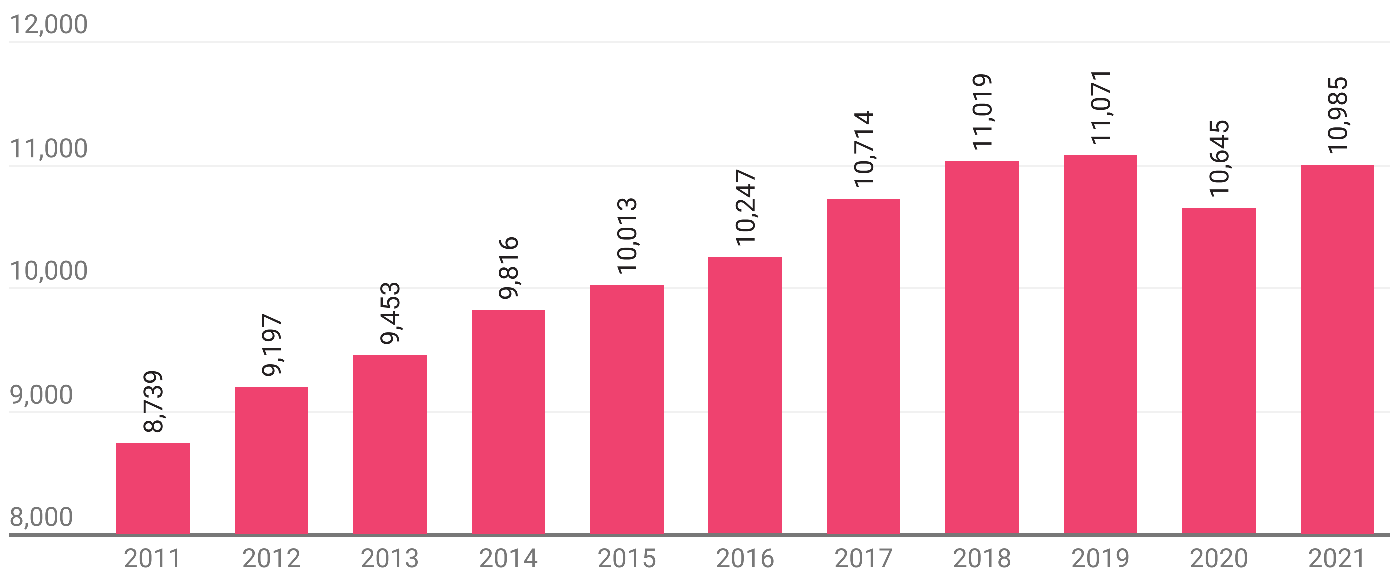
Overall industry losses from the Baltimore bridge collapse, he says, could be close to those of the *Costa Concordia* disaster of 2012 – the most expensive marine loss in history for insurers.

"We don't yet know exactly how much it will cost the insurance industry – it's too early to tell. It will depend on the overall economic cost and what has to be paid by insurers, but *Costa Concordia* gives us an idea of the size of the claims expected, especially on the marine liability side," Huber says.

Will the market be able to absorb that cost? "Definitely, we will have to absorb it. It's a major event, but it will not shock the market." ■

Maritime trade bounces back from Covid-19 with 3.2% growth in 2021

Graph: Goods loaded worldwide, billions of tonnes, 2011 to 2021



Source: UN Conference on Trade and Development

P&I clubs are well versed in sustainability: The American Club's Hamilton

The American Club's chief underwriting officer, Tom Hamilton, discusses the 2024 P&I renewal, his market outlook and the path to sustainability

The effects of the consolidation of the International Group to 12 clubs were felt "to a degree" during the 2024 protection and indemnity (P&I) renewal season, according to The American Club's chief underwriting officer (CUO), Tom Hamilton, *writes Louise Isted*.

A not-for-profit association whose member clubs provide marine liability cover for 90% of the world's ocean-going tonnage, the International Group was reduced from 13 clubs following the merger in February last year of North of England and the Standard Club to form NorthStandard.

In an interview with *Insurance Day*, Hamilton says the key takeaway from the consolidated International Group's first renewal is each club has a role to fulfil in the marine insurance ecosystem and further contraction is "largely not desirable" for shipowners and their brokers.

"Some shipowners are more passive in their interest of activities of the clubs beyond risk transfer and the role the International Group has for the marine industry in general, but a majority we interact with are keener to ensure representation and recognition from their club as well as in the broader audience the International Group engages under the auspices of P&I," Hamilton says.

Additionally, during the course of the 2024 renewal, there was evidence of the value loyalty, particularly during these uncertain times, holds "up and down the P&I chain", he adds. In terms of renewal results for The American Club, Hamilton considers the multi-year effort to better align premium levels with the post-pandemic risk landscape.

"We have focused on long-term sustainability in premium rating adequacy and this has led to premium levels increasing 30% over the period between 2021 and 2024 and even through this effort we were encouraged by a 93% retention rate during the challenging 2024 renewal cycle," Hamilton says.

Claims volatility

The CUO's outlook in terms of claims is there was some moderation in activity during 2023 but it is necessary to prepare for a period of increased claims volatility within the club's retention as well for its share of International Group Pool claims.

Social inflation is a significant driver of this volatility globally, Hamilton says. "Given the degree to which ships and seafarers interact with the environment along with the unique aspects of life at sea, this has an acute impact on the cost of P&I claims. With increasing volatility, even a modest increase in loss frequency can be detrimental to overall performance," he says.

These are factors that contribute to the necessary concentration for all clubs on premium sustainability, he stresses. "We have come through a hardened market period for P&I; however, that only followed a

"As a result of lessons learned out of developments arising since the Industrial Revolution, it is today a sacred opportunity to collectively accept the challenge of preserving for the future the opportunity for prosperity and the entrepreneurial spirit that has benefitted so many in the marine sector. This is the core of sustainability for us"

Tom Hamilton
The American Club

decade-long soft market during which time there was dramatic rate erosion. The rating softness during that period was the consequence of a relatively benign claims experience and an extended period of generally poor trading conditions for shipowners," he says.

Notwithstanding the improved underwriting performance in 2023, Hamilton says care is needed to avoid an overreaction to the short-term experience of moderated claims. Indeed, 2024 so far shows a slight uptick in direct and pool incidents compared to 2023, he adds.

It is useful to recall, he continues, that P&I clubs were not designed to make profits and similarly to consider how P&I has evolved rapidly in the past 25 years, where the reach of product diversification and large investment portfolios affect actual underwriting performance.

Hamilton says: "Traditionally, clubs sought to adjust the P&I offering by adding cover in response to changing regulatory environments as well as the needs of shipowners and, more recently, diversification has expanded to include P&I-adjacent insurances previously provided by commercial insurers. For us, it is critically important to remain focused on the level of service provided to member insureds and where possible to offer ancillary products that support that comprehensive service mindset."

The American Club will continue to exert efforts to deliver balanced underwriting results, he stresses. For the 2025 renewal, the club expects premium increases will be "appropriate and always in line" with its underwriting process intended to achieve fairness between member insureds, he adds.

Approach to ESG

From the earliest days, P&I cover responded to elements of environmental, social and governance (ESG), particularly regarding the first two, Hamilton says.

"Around the time P&I clubs began to form 170 years ago, the daily life of a seafarer was incredibly difficult by modern standards. Their rights and compensation were, up to that point, not well defined. That position began to change in the first half of the 19th century with the development of maritime laws that included liability and compensation regimes," he says.

P&I clubs were formed and grew in response to these developments and, critically, these included benefits to seafarers. Hamilton says: "It is reasonable to link the earliest iterations of merchant shipping acts all the way to the Maritime Labour Convention providing cover for owners' liabilities and protection for seafarers. In an informal way, ESG criteria has always been a part of the DNA of P&I."

In practice, P&I cover terms require regulatory compliance with flag state and classification standards, which include elements of ESG. In a related way, The American Club's underwriting guidelines for quality incorporate ESG principles. This extends, Hamilton points out, to compliance with international conventions and International Maritime Organization (IMO) regulations; for example, requirements to use compliant fuels aimed at reducing emissions.

"We encourage member insureds to use best practices to achieve standards for crewing and to foster seafarer wellbeing, including medical exams. These exams are a tool for

Encouraging member insureds to foster crew wellbeing is part of The American Club's ESG commitment

Eric Farrelly/Alamy Stock Photo

loss prevention; however, they also ensure seafarers obtain a medical exam on a regular basis," he says.

Importantly, the club seeks opportunities to provide cover for operators whose business is aligned with a green economy and reduce the impact shipping has on the environment. "We avoid operators with a history of regulatory violations or crewing issues. However, we have a willingness to engage with them and lay out the standard we would expect of them to be eligible in the future," Hamilton says.

Best practice

The American Club's loss prevention department has a broad scope of activities, he continues, including ship surveys and technical services. Increasingly, however, it supports club initiatives that are designed to aid member insureds in adopting best practices under ESG criteria to assist the member insureds' operation.

Examples include pollution avoidance, safe cargo handling, sexual assault/sexual harassment (Sash) awareness and training and seafarer wellness. Notably, the club was recently recognised by Safety4Sea for its Sash awareness initiative.

The American Club hosts seminars around the world, Hamilton adds, to focus on specific areas, demonstrate the value of its products and provide a platform for shipowners to exchange ideas to improve their individual efforts.

P&I at its core is aligned with ESG criteria, he stresses. "The structure of mutual P&I clubs speaks to this as not-for-profits. The idea clubs should take in the minimum premium necessary to balance costs and claims means shipowners' exposure to liabilities are protected in an efficient and transparent manner, with club boards of directors responsible for governance being composed of shipowner member insureds," he says.

The American Club is engaged in various IMO initiatives via the International Group, he continues, and also builds and fosters relationships with other industry stakeholders, including through active participation in organisations such as the North American and Hellenic marine environment protection associations: Namepa and Helmepa, respectively.

The American Club seeks to provide opportunity for P&I cover for operators that invest in emerging alternative fuels and use renewable power sources whenever practical, Hamilton says.

He explains: "As underwriters, we encourage member insured and seafarer training, ship surveys and management reviews. Not long ago a request from a P&I club to perform a management review by its loss prevention department was considered a disciplinary step, whereas today it is seen broadly as a positive opportunity to leverage the collective experience the club has and improve on existing practices."

All these actions and the strategic direction of The American Club are supported and monitored by its board of directors, which Hamilton describes as a diverse group of individuals who represent the array of member insureds.

"We are very proud to have several member insureds who are actively pursuing alternative fuels, including one who has developed a system of capturing and removing diesel emission from auxiliary engines at berth/anchor. This type of technology is foundational to the end goals of the recently announced US Clean Port Program, designed to drive the transition to fully zero-emission port operations," he says.

Sustainability

"Sustainability in the marine sector is the recognition of the critical role our industry plays in ensuring the world's future is protected, as it underpins global trade," Hamilton says.

"The reality of day-to-day shipping and the marine sector requires a mindset from all stakeholders of attention to detail to drive commercial and economic advantage. Each ship operates, even in this technologically advanced age, with a great degree of autonomy and in the event of a casualty a single ship has the potential to impact the global view on the whole industry and seaborne global trade.

"All facets of the marine sector work in concert for the safe operation of a ship and collectively it is important that a wider view is taken on what is necessary and correct to ensure that future generations are able to similarly co-operate."

A process for considering that wider view is reflecting and reporting on sustainability initiatives, which serves as a "valuable marker for accountability", he says, and an understanding of each stakeholder's role. "A chief role we have, as a P&I club, is to provide robust protection for other stakeholders, including primarily shipowners, and by doing so we effectively support the whole chain, enabling safer, more efficient, reliable and secure global trade," Hamilton says.

An inherent quality of stakeholders in the marine sector, he adds, is an attitude of turning problems into commercial opportunities.

"Advances in technology, since the age of sailing ships closed, have presented new challenges and they continue to emerge," he says. "As a result of lessons learned out of developments arising since the Industrial Revolution, it is today a sacred opportunity to collectively accept the challenge of preserving for the future the opportunity for prosperity and the entrepreneurial spirit that has benefitted so many in the marine sector. This is the core of sustainability for us."

Hamilton concludes: "It may not be a unique opportunity before us, but seizing the opportunity is necessary more now than ever before in our history." ■

Insuring the maritime sector's voyage to net zero

Suphanat Khumsap/Alamy Stock Photo

Insurers have a crucial role in directing shipowners away from fossil fuels

Policy debates about reducing carbon emissions from transport usually focus on planes, trains and automobiles and less often focus on the world's merchant fleets, *writes Ben Margulies*.

The International Maritime Organization (IMO), which adopted its first emissions reduction strategy in 2018 and unveiled a revised version last year, aims for the international shipping industry to reach net zero by around 2050. That means reducing its greenhouse gas (GHG) emissions at least 20% by 2030 and at least 70% by 2040 using 2008 as the baseline.

Like other forms of transport, shipping must use less carbon-intensive fuels, which already – or will shortly – exist. But shipping is not yet on track to reduce its emissions at the scale the IMO wants. For its clean energy transition to pick up steam, insurers are critical, not least in providing cover for ships with untried propulsion systems, but also in drawing up the guidelines for the safe use of these fuels.

The IMO highlights shipping's contribution to global anthropogenic emissions increased from 2.76% in 2012 to 2.89% in 2018 and the UN Conference on Trade and Development (UNCTAD) estimates maritime emissions surpassed 800 million tonnes of CO_2 last year.

According to IMO data, taken from nearly 29,000 vessels, the sector consumed about 213 million tonnes of fuel in 2022. An IMO dashboard currently says 99.31% of ships in operation use conventional fuels, while the UNCTAD gives the slightly lower figure of 98.8% for 2023.

After oil, after gas

The IMO's 2023 strategy calls for the uptake of "zero or near-zero" emissions technologies, with fuels and/or energy sources to represent at least 5% (and striving for 10%) of the energy used by international shipping by 2030.

Getting there from here will be difficult. As Jean-Marc Bonello, principal consultant at marine consultancy UMAS, tells *Insurance Day*, shipping's use of clean fuels at present is "virtually zero".

There are two main types of alternative marine fuels: biofuels and hydrogen-based fuels.

Biofuels, such as biodiesel and biomethanol, are any fuels produced from recent organic matter (as opposed to ancient fossils), such as agricultural products or waste. This category includes "advanced biofuels", which use fewer resources that might otherwise be used for agriculture.

Hydrogen-based fuels include hydrogen itself or hydrogen-containing ammonia (NH_3), which is conventionally produced from natural gas. Hydrogen and ammonia fuel can be "green" forms of electricity generation. Alternatively, it is possible to decarbonise fossil fuel-powered hydrogen or ammonia production using carbon capture, producing what is called "blue" hydrogen or ammonia.

Not all of these fuels are in commercial production yet and very few ships run on any of these power sources at present. IMO figures show nearly 5% of ships on order will use methane, hydrogen or ammonia – the vast majority of these will use methane.

"The very little innovation that is currently in operation on the water comes in the form of drop-in fossil fuels based on biogenic feedstocks, such as waste agricultural products in the shape of biodiesel, biomethane and biomethanol," Bonello says.

The Global Maritime Forum (GMF) says tracking actual consumption of "well-to-wake" zero-emission shipping fuels poses challenges, "particularly in distinguishing vessels consistently using these fuels versus those merely capable". A Copenhagen-based non-governmental organisation that works to encourage sustainability in the maritime sector, the GMF tells *Insurance Day* nearly 60 medium to large vessels run on biofuels at present, including *Laura Maersk*, which entered service last year. This vessel can also run on conventional diesel.

Will goals be left unmet?

In the short term, alternative fuels are likely to continue to form a negligible share of marine power sources. Analysts using an S&P Global scenario estimate "low-carbon supplies" would only comprise 2.2% of the 328 million tonnes of fuel shipping will use in 2030.

In a report submitted to the IMO in 2023, researchers estimated on current trends the marine sector was nowhere near meeting the interim 2030 goal. At best, the sector would reduce its emissions 4% from 2008 levels and, at worst, it would increase them more than one-third. The research, by Ricardo Energy and Environment and DNV, concludes "increased policy ambition" could mean alternative fuel development and production would make it possible to reduce marine emissions 50% or even 80% from 2008 levels. "Several energy-efficiency technologies are already mature with potential for greater roll-out," their report says. Biofuels are already available and will be "fully mature" technologies before 2030, as will green and blue hydrogen fuels, it adds, and green and blue ammonia fuels should be fully available before 2035.

"With increased regulatory pressure and customer demand for a more climate-aligned service, a low-emission vessel becomes less susceptible to changes in regulation that might make it obsolete or a stranded asset due to environmental credentials"

Jean-Marc Bonello
UMAS

There are already marine engines that can run on biomethane, e-methane and methanol, the report continues. Its authors expect hydrogen-, ammonia- and biodiesel-powered engines will be commercially viable by the end of the decade; some marine engines can use a mix of biodiesel and conventional diesel.

Bonello points out the first ammonia-ready vessels are projected to be on the water in 2026 or 2027, assuming existing orders are fulfilled. "At the moment, these are mostly bulk vessels with dual or triple fuel capability."

The European Maritime Safety Agency (EMSA) published a series of reports in 2023 on the viability of hydrogen, ammonia and biofuels for maritime transport. These reports concluded by 2040 there would be enough renewably sourced electricity to meet maritime demands for green hydrogen and green ammonia, although other sectors also use these fuels.

In its 2023 reports, EMSA estimated there would be enough biomass in the EU to produce between 6.3 and 8.0 exajoules of energy by 2030, while the "international maritime transport sector" used 12 exajoules of energy in 2021.

But the transition will be expensive. UNCTAD estimates decarbonising the world's fleet by 2050 could require an investment of between $8bn and $28bn annually. The associated infrastructure would be even costlier, at $28bn to $90bn each year. UNCTAD says if the marine sector does nothing then its emissions would be 2.3 times the 2008 level by 2050. Full decarbonisation could double yearly fuel costs, it adds.

Role of marine insurers

In December 2021, a group of marine insurers adopted the Poseidon Principles for Marine Insurance, which are linked to the IMO's net-zero goals. The principles require them to regularly measure the carbon intensity of the fleets they insure according to IMO metrics against their "alignment... with a decarbonisation trajectory that meets the corresponding IMO ambition".

The Poseidon Principles apply to insurers who write or sponsor hull and marine policies; as such, brokers, protection and indemnity (P&I) clubs, insurance associations and others only have affiliate membership in the principles' governing body. Signatories include Skuld, Axa XL, Scor and Swiss Re Corporate Solutions, while brokers WTW, Gallagher and Lockton are among the affiliates.

One obvious driver of insurers' interest in reaching net zero is the risk posed by extreme weather events. "Natural disasters are among the top causes of marine insurance claims in both frequency and severity, with climate-related risks expected to per-

sist and potentially increase," Lars Lange, secretary-general of the International Union of Marine Insurance (Iumi), says.

Lange tells *Insurance Day* retrofitting ships with more advanced propulsion technologies "will increase the value of the global fleet and, consequently, the level of risk to be covered".

Insurers will also need to be willing to grant policies for new ships using untested fuels. Christian Ponzel, a spokesperson for German insurance association Gesamtverband der Deutschen Versicherungswirtschaft, tells *Insurance Day* the insurance industry has an important role to play, both in supporting decarbonisation and in developing safe and efficient alternative fuels, not least by insuring operators as they adopt "new, sometimes immature" fuel technologies.

Bonello says underwriters must recognise alternative risks create new perils while in other ways making ships more secure. "With increased regulatory pressure and customer demand for a more climate-aligned service, a low-emission vessel becomes less susceptible to changes in regulation that might make it obsolete or a stranded asset due to environmental credentials," he says.

Insurers will also play a role as investors that finance research and development into new marine fuels. GMF says it may be worth investigating "an alternative fuel version" of the International Oil Pollution Compensation Fund, an insurance pool that pays out compensation for oil spills.

"Guidelines for the safe use of ammonia and hydrogen as propulsion technologies have already been published and most class societies have issued a range of relevant notations"

Lars Lange
International Union of Marine Insurance

Anna Erlandsen, chief strategy and sustainability officer at Skuld, tells *Insurance Day* the Oslo-based P&I club is participating in two pilots on fossil-fuel alternatives – one testing shipboard carbon capture and storage and the other nuclear propulsion.

Another reason insurers are involved is because new fuels can be dangerous to handle and store. Hydrogen is highly flammable, while ammonia, as the EMSA report highlights, has a "relatively narrow range of flammability" compared with some other fuels being considered for the shipping industry. Ammonia is, however, "toxic and very reactive".

In a January 2024 note, Marsh technical analyst Stephen Harris said hydrogen is "mainly untried and untested" in a marine environment, while ammonia can be "toxic and highly caustic if not handled correctly, posing a hazard to crews, marine life and the engine". Both fuels must be stored at sub-zero temperatures – hydrogen at as low as -273°C – and Harris says there is no data about what could happen with these fuels "under harsh maritime sea conditions over lengthy periods".

"Skuld is gaining knowledge about the various types of alternative fuels at an early stage, [which] makes us better equipped to understand the risks related to each fuel type"

Anna Erlandsen
Skuld

IMO spokesperson Natasha Brown tells *Insurance Day* there are specific risks linked with different fuel types depending on the nature of the fuel, how it must be handled and so on. "This is why IMO has been developing interim safety guidelines for various fuel types," including hydrogen and ammonia, she says.

Ponzel says collaboration on these standards must involve "extensive co-operation and knowledge sharing between owners, classes, flag states, insurers and others to reduce the risks to ship, cargo, crew and the environment when using new fuels".

Erlandsen says Skuld's participation in pilots allows it to better understand the risks of novel fuels. "Skuld is gaining knowledge about the various types of alternative fuels at an early stage," she says, which "makes us better equipped to understand the risks related to each fuel type and to support the transition by sharing insight and experience across our client base".

Lange says insurers will have to work with companies, regulators and other actors to establish safety protocols for using fuels like ammonia and hydrogen. He adds Iumi is already working with the IMO and other bodies – including the International Association of Classification Societies – to develop manuals for the safe handling of new fuels.

"Guidelines for the safe use of ammonia and hydrogen as propulsion technologies have already been published," Lange adds, "and most class societies have issued a range of relevant notations." ■

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Inland waterways are vulnerable to climate change

Research by Marsh details how low and high water levels each exacerbate the challenge of navigating inland routes

Many of the world's busiest ports rely on inland waterway navigation for accessibility, but these routes are particularly vulnerable to the effects of climate change, according to a new report by Marsh, *writes Louise Isted*.

If water levels are low but still navigable, the report says, vessels may be required to reduce their load factors and carry fewer goods. This means the ratio between actual loading and total capacity decreases. During Europe's drought in 2022, for example, low water levels in the Rhine River led to a 75% reduction in cargo capacity on some vessels.

When the load factor of multiple vessels is reduced in periods of low water, the report says, the costs per tonne of transported goods increases. Furthermore, where vessels operate with a reduced cargo capacity, more trips are required to carry the same quantity of goods, likely increasing the amount of carbon emissions released.

Flood problems

Low water levels are not the only challenge affecting navigability levels. Flooding events associated with high water levels, the report says, are becoming increasingly common with climate change.

Marsh McLennan analysis shows since 1980, the number of flood disasters has increased 181% globally.

High river levels impact the ability of vessels to navigate channels, it continues, because of fast-moving water and over-full channels, which increase the likelihood of delays and accidents occurring in waterways. During high water levels, locks may face operational restrictions or closure and during extremely low water levels, there may be limited water available to fill the locks.

"The waterways of the future may look radically more engineered and managed compared to where they are today," the report says.

"By spearheading breakthroughs and by way of strategic investment," it continues, "all stakeholders can drive improvements and build resilience in key waterways worldwide, while mitigating potentially catastrophic outcomes. With waterborne

freight still one of the most sustainable transport methods, stakeholders attuned to the emerging and growing threat of climate-related risks will be best placed to respond and capture future opportunities."

The report, Navigating waterways: climate change implications for the maritime sector, was co-authored by Marsh's head of climate and sustainability risk, Nicholas Faull.

In an interview with *Insurance Day*, Faull outlines the benefits and limitations of the three main insurance solutions the report highlights. These are trade disruption insurance (TDI), parametric insurance and Sentrisk.

TDI solutions can address the financial impact of supply chain disruption for all stakeholders as well as manufacturers, suppliers and others affected by supply chain volatility.

"TDI is an existing insurance, which is one of its advantages, but the line sizes are relatively limited, which reduces the ability for it to be widely deployed," Faull says.

Contingent business interruption is the most widely used existing insurance solution, rather than TDI, but it is only triggered by damage, for example to property.

"Contingent business interruption is widely used, but it has a narrow application," Faull says. "TDI is quite broad in scope, because it can cover a whole range of different trade disruptions, but the capacity sitting behind it is more limited."

Parametric solutions

The report describes how parametric solutions can provide financial coverage for property damage and business interruption when a river is above or below a certain water level. Parametrics respond to movements of an independent index – such as a river's water levels – rather than the occurrence of an event or a specific loss of value.

"Parametric insurance is a mechanism that's based on a certain trigger and that means it has the flexibility to be deployed in areas more traditional insurances are not," Faull says.

Parametric insurance is thus a "bespoke" offering and its time has come, Faull stresses, since its application because of climate change is becoming more relevant. "The flip side is there's no standardised way of deploying parametric insurance in this context, so finding opportunities to deploy it requires upfront work. Once it's been deployed, however, it could be replicated quite easily," he adds.

Sentrisk – Marsh McLennan's artificial intelligence-powered platform designed to reduce supply chain vulnerabilities – is helping to transform supply chain risk exposure into business opportunities by reducing volatility and avoiding losses.

Faull says: "One of the key bits of information our clients don't have is visibility into the tier two and tier three suppliers that are very often the source of disruptions to their supply chains and broader business models. The Sentrisk platform enables us to give clients that visibility."

He adds: "It's important in the insurance context because that information can then be used to inform contingent business interruption policies for clients and that is a very widely used component of property damage business interruption policies and so better information about the extent of their supply chain network enables the existing policies to be much more effective." ■

"Parametric insurance is a mechanism that's based on a certain trigger and that means it has the flexibility to be deployed in areas more traditional insurances are not. The flip side is there's no standardised way of deploying parametric insurance in this context, so finding opportunities to deploy it requires upfront work"

Nicholas Faull
Marsh

Maritime incident under-reporting is a recurring issue

The IMO's Maritime Safety Committee recently adopted new reporting requirements for containers lost at sea, due to take effect January 2026

Throughout the International Maritime Organization (IMO)'s history, disasters or trends in disasters beget regulation, *writes Sabrina Edwards, Lloyd's List*.

The clamouring from environmentalists, coastguards and insurers on the issue of container loss is no exception – the IMO's Maritime Safety Committee has recently adopted new reporting requirements for containers lost at sea, which are due to take effect in January 2026. These changes include requirements for vessels to report lost containers and could boost the quality of data we can expect as an industry.

Changes to the International Convention for the Safety of Life at Sea (Solas) include changes to the Global Integrated Shipping Information System (GISIS) to accommodate new reports from both ships' masters and flag states, as well as requirements to report drifting containers to nearby ships and coastal states.

Reporting detail changes include the following:

- For containers lost: reports made as soon as possible, including updates; final counts of lost containers; position and descriptive information on containers lost, including if any dangerous goods were lost; and voluntary details as deemed relevant.
- For drifting containers found: position and total number of containers; and any other voluntary details, including descriptors/conditions.

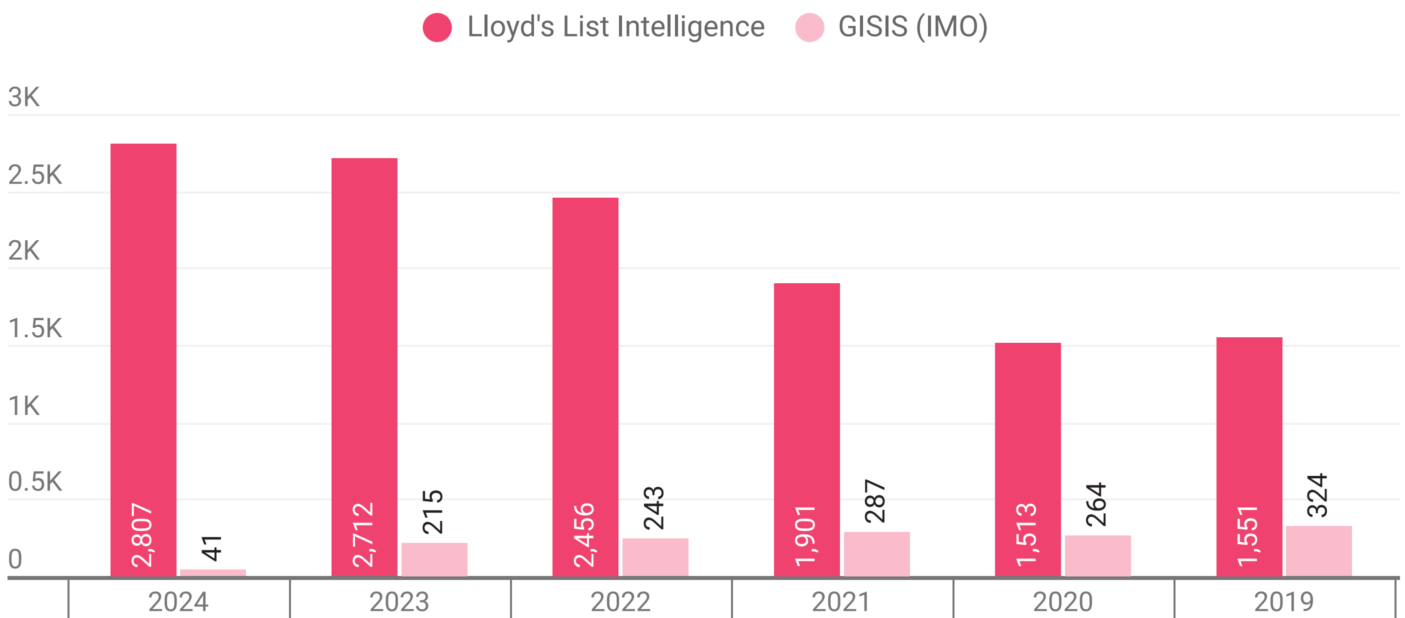
The intention of the changes is to introduce more accountability for lost containers, hopefully preventing negative environmental impacts, reducing the likelihood of vessel collisions with floating containers, and alerting coastal states to potential debris in or near their waters for tracking and planning. Despite the best intentions from the IMO, these reporting-forward changes are unlikely to close container loss reporting gaps completely when considered alongside existing casualty reporting deficiencies.

Reporting requirements

Under Solas, incidents must be reported and, if considered "serious", must be investigated by the flag state. Even with mandatory reporting requirements, under-reporting

Serious incidents not being adequately reported to IMO specifications

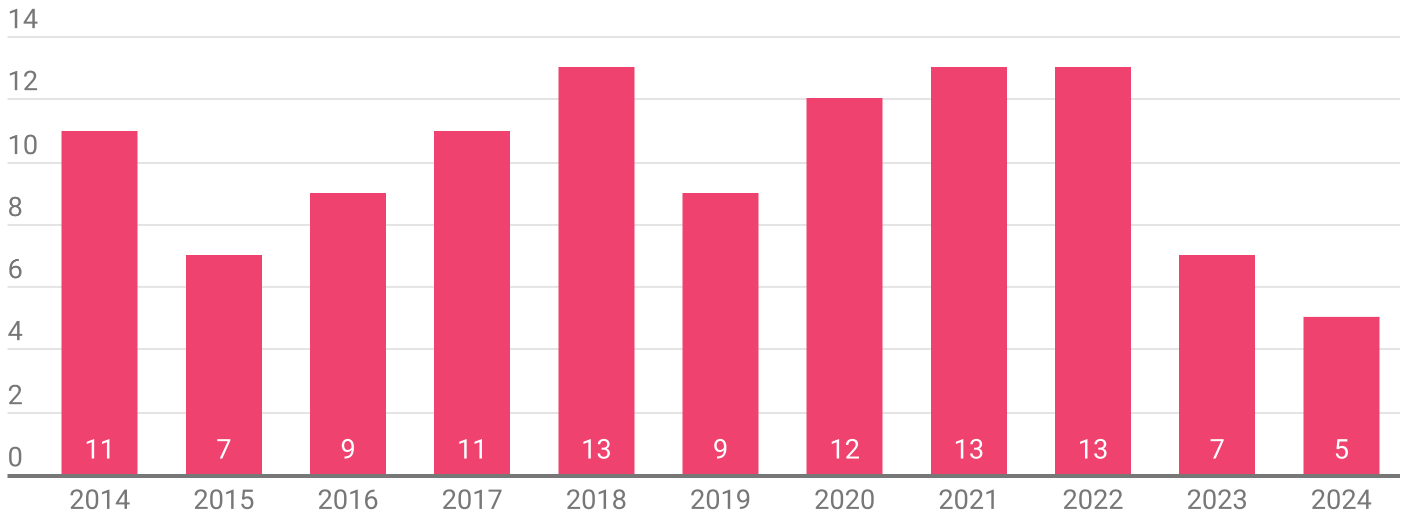
Chart: **Serious incidents reported to LLI vs IMO GISIS investigation report**



Source: Lloyd's List

Number of damaged or lost containers is very difficult to quantify

Chart: Count of incidents involving lost containers, 2014 to 2024



Source: Lloyd's List

of marine casualties remains a significant industry problem – the IMO has acknowledged there have been "serious gaps" in casualty reporting and investigations over time.

There have been small improvements – *Lloyd's List* reported on a 12% bump in materialised reports in the four years to July 2024 – but the ultimate outcome is that "serious" incidents involving the loss of a vessel, significant environmental harm, death, or a combination, are not being adequately reported to IMO specifications.

The onus is on the vessel operators and owners to report, and in cases where there are no injuries or damage to a vessel (as there may not be in the case of shipping container losses) incidents may go unreported to protect records and prevent expensive insurance rate hikes and to limit other operational and reputational costs.

Many flag states also have limited ability to conduct investigations, owing to a combination of resources, volume of reports or external pressures.

According to Lloyd's List Intelligence (LLI) research, nearly 40% of very serious casualties do not result in a flag state investigation being published and mandatory reports required by the casualty investigation code often fail to meet basic reporting standards.

When incidents result in cargo loss of any kind, the self-reporting does not get any better. In the past 10 years, LLI has captured more than 2,500 incidents involving container vessels through our network of Lloyd's agents and marine casualty correspondents. The number of containers damaged or lost from these incidents is much harder to quantify.

The World Shipping Council, which exclusively tracks shipping container losses, estimated 221 containers were lost in 2023, with 33% recovered. While LLI would produce a similar figure, we generally understand this to be an under-estimate. Some years have seen significant single incidents with confirmed container losses, such as the *MOL Comfort* (IMO: 9358761), which lost more than 4,300 containers in June 2013. However, in many cases the exact number of containers lost is not reported.

Worsening conditions

Reporting requirements are changing at a time when the actual conditions for container losses are also worsening – the Maritime Research Institute Netherlands reported in July 2024 that the causes for container losses are directly dependent on the laden-state of the vessel, distribution of weight, adequate lashing/storage and, most critically, weather/wave conditions.

With the Intergovernmental Panel on Climate Change predicting increasingly violent storm conditions, weather systems, and swells due to climate conditions, it is possible we will see a spike in container losses over the coming years, all due and required to be reported via new standards/forms to the IMO.

With the head of cargo in the IMO's maritime safety division, Alfredo Parroquin-Ohlson, telling the Associated Press, "We cannot be a police," it's unclear how fundamentally these new regulations will change public container loss reporting, even in the face of changing conditions at sea.

However, with environmental groups, shipping safety experts, and insurers themselves crowing for change, it is certainly a step in a more transparent direction for container losses. ■

Sabrina Edwards is maritime editorial data manager at Lloyd's List Intelligence

Taking a proactive approach to super-yacht casualties

Insurers are increasingly focusing on working with the super-yacht industry to reduce the number of vessel casualties

The sinking of the 56-metre super-yacht *Bayesian* off the coast of northern Sicily in August this year, which claimed the lives of seven people including British software entrepreneur Mike Lynch, is officially still under investigation, *writes Rasaad Jamie*.

But the incident and other casualties this year involving super-yacht fires, collisions and groundings, raise several questions for the super-yacht insurance market and the maritime emergency response service providers named on super-yacht insurance policies.

According to media reports, the yacht, which was carrying 22 people, went down and in just 16 minutes – a period during which the power failed and the GPS signal was lost – ended up 50 metres down on the seabed.

If the reporting of the facts is correct, the *Bayesian* appeared to have succumbed to a small and what should have been "manageable weather event", particularly given super-yachts (yachts longer than 24 metres with a full-time captain and crew), more so than most vessels, are built to rigorous safety standards and equipped with advanced technologies designed to enable the captain and crew to steer clear of extreme weather conditions.

Lizzie Johns, director of insurance at Northcott Global Solutions, which provides emergency response, medical evacuation and duty of care services to the super-yacht and other industry sectors, says while it might appear the *Bayesian* succumbed to a manageable weather event, maritime environments can change rapidly and unpredictably.

"While safety and risk management systems are required for super-yachts under frameworks like the Standards of Training, Certification and Watchkeeping and the Large Yacht Code, these standards are not always uniformly followed"

Lizzie Johns
Northcott Global Solutions

Indeed, experts believe the *Bayesian* was hit by a rare meteorological phenomenon known as a downburst, a localised powerful wind from a thunderstorm that spreads rapidly after hitting the surface. This would explain why it was the only one of many yachts anchored off that part of the Sicilian coast to sink that night.

"A downburst, like the one suspected in this case, can produce extreme wind and sea conditions, overwhelming even modern yachts with rigorous safety standards. It's important to recognise no matter how advanced the technology, human error, technical malfunctions or unexpected natural phenomena always pose a risk," Johns adds.

This is particularly relevant because the storm that caused the *Bayesian* to sink was unnamed and therefore any losses suffered as a result are covered by the hull and machinery (H&M), protection and indemnity (P&I), and crew and passenger accident and health (A&H) insurance policies super-yachts are obliged to have in place. In the super-yacht insurance market, named windstorm cover is routinely excluded by many underwriters, with the option of buying it back in, according to Rupert Beckett, executive director of super-yacht insurance at broker Gallagher.

"At the very least, if a vessel is to remain in the hurricane zone during the season then a detailed and realistic hurricane plan would be subject to detailed scrutiny under most policies. We would normally expect vessels to be out of harm's way before the hurricane arrives but, in some cases, this is not possible," Beckett says.

Safety standards

According to Johns, the Maritime Labour Convention Act 2014 has significantly improved safety standards in the yachting sector, particularly with regards to crew training and repatriation rights. However, there is still room for improvement. "While safety and risk management systems

An Italian fire service diving team involved in the search operation for the Bayesian

PA Images/Alamy Stock Photo

are required for super-yachts under frameworks like the Standards of Training, Certification and Watchkeeping and the Large Yacht Code, these standards are not always uniformly followed," she says.

She believes the introduction more recently of crew resource management (CRM) protocols, borrowed from aviation, in the yachting industry is proving valuable in enhancing decision-making, communication, and teamwork among super-yacht crews. "While many companies provide high-quality safety training, the industry as a whole could benefit from more frequent and rigorous evaluations of both crew preparedness and the implementation of safety protocols."

As climate change increases the frequency of extreme weather events, the need to have a emergency response plan in place and rehearsed has never been greater. "Here, the role of technology, including mass alert systems and real-time weather monitoring, to keep the captain and crew informed and prepared for any eventuality, is critical," Johns argues.

The role of key stakeholders such as insurers is also critical, particularly in terms of ensuring, through policy wordings and the design of the cover, crew emergency response protocols are up to date, fast and reliable.

Market response

Alex Lloyd-Miller, class underwriter and head of A&H at Aegis London, says this is already happening and the market is responding. Aegis London has seen an increase in inquiries about expanding the level and the scope of super-yacht A&H cover in the aftermath of the *Bayesian* sinking. "In response and in collaboration with our coverholder and broker partners, we are formulating smarter products, which take a more proactive approach," he says.

This new proactive approach involves providing crew with access to health and wellbeing resources from the outset, to assist in both their physical and mental wellbeing when carrying out their duties, according to Lloyd-Miller. "These preventative, rather than reactive, provisions help crew to manage the increasing demands of life at sea and in this way we are focusing on adding real value with our products rather than simply adding more cover."

The Shipowners' Club is equally keen to work with the industry to reduce the number of super-yacht losses in recent years. Nicola Kingman, yachts underwriting manager at the P&I club, says there are many factors contributing to the increase in super-yacht casualties.

Shipowners', therefore, is reluctant to speculate or focus on any one issue. Indeed, the feeling in the club is a holistic approach to the current trend of super-yacht casualties is critical. "There needs to be more focus on raising the standards all the way through the lifespan of a super-yacht, from the design and build stage; through the operational period of the yacht; through to the end of life when the yachts are decommissioned. A more standard approach to the training and qualifications for crew on both private and commercially registered yachts is also something that needs to be introduced," Kingman argues.

Rise in super-yacht casualties

The *Bayesian* sinking and other incidents this year involving super-yacht fires, collisions and groundings prompt the question: how concerned should the insurance market be about the increase in recent years in the number of casualties involving super-yachts?

According to super-yacht market intelligence provider SYT Iq, this year

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Nicola Kingman
Shipowners' Club

has seen the highest number of major incidents to date, with 17 major super-yacht casualties recorded by the end of August. A major casualty is defined as one in which a yacht is destroyed, sidelined for an extended period or in which a complete rebuild is required. The previous peak was 14 major casualties in 2019. This compares with a peak of four major casualties in 2014.

The 2024 figures include a fire in July at the Lürssen shipyard in Germany, which completely destroyed a super-yacht nearing completion. It is estimated the incident will trigger an insurance claim in the region of $150m, about the same as the sinking of the *Bayesian* will cost the market.

For Beckett, the super-yacht insurance market has learned some tough lessons in the past which will stand it in good stead now. For example, in the two years before the Covid lockdown at the end of 2019, super-yacht insurers, like the rest of the marine insurance market, suffered huge losses as the stubbornly low premium rate environment converged with an upsurge in hurricane activity and outbreaks of highly damaging fires onboard vessels and in shipyards.

This included a fire in 2018 at a Lürssen shipyard at another location in Germany, which destroyed a 100-metre super-yacht and caused significant damage to a building shed, specialist machinery and a floating dock at a cost of around $700m to the marine H&M market. The cumulative impact on the super-yacht insurance market (led by Lloyd's, where the bulk of the cover is written) was a radical restructuring of the market, with several carriers exiting the class.

For insurers with the resources and commitment to stay in the market, the hardening of the underwriting cycle during the pandemic, also coincided with an increase in demand for super-yachts. According to super-yacht market intelligence provider BOATPro, the number of super-yacht orders delivered in 2021 represented an increase of more than 80% on the previous year, when 365 such vessels came off the production line.

Despite the signs of new capacity coming into the super-yacht market and the recent uptick in casualty figures, Beckett believes super-yacht risks represent an attractive area of niche expertise that could deliver consistent longer term returns for specialty lines carriers as part of their overall marine offering.

"We think that well-run and managed super-yachts will always remain an attractive proposition to insurers. While referencing hurricanes, we would maintain a professionally crewed, permanently manned and managed super-yacht would always act in a prudent manner and typically would move in the event of a hurricane warning, especially with the accuracy of modern weather forecasts," he says.

New capacity usually means lower rating, but in the super-yachts sector there is no sign of significant reductions at present, Beckett says. "Underwriters were heavily scrutinised when the O risk code performed so badly for many years and I believe it would take a significant influx of capacity to change this. If anything, the rating levels will be driven by reinsurance costs, which in turn will be driven by damages far larger and less isolated than just the super-yacht losses."

Specialist marine broker Tysers, similarly, does not foresee a withdrawal of capacity for super-yachts in the future. "As for super-yacht H&M risks, the market appetite is ever increasing, especially for yachts valued at €50m and over. Keep in mind the super-yacht insurance market lost a significant amount of premium when carriers made the decision to withdraw capacity for Russian-owned yachts. However, different underwriting criteria may be imposed by carriers as often happens as a result of losses sustained," Tysers says. ■

"Preventative, rather than reactive, provisions help crew to manage the increasing demands of life at sea and in this way we are focusing on adding real value with our products"

Alex Lloyd-Miller
Aegis London

Ricky Deacon/Alamy Stock Photo

Ports and terminals face climate and infrastructure challenges

Re/insurers are an important part of the solution to protecting global trading routes, write **Hazel Ward** and **Sampson Rathaur**

The increasing severity and frequency of weather events caused by climate change is a challenge for re/insurers globally and the effects felt across multiple classes of business.

The patterns are complex and the risks myriad. From hurricanes in the Gulf of Mexico to Atlantic storms in Europe and flash flooding in Dubai, insurers have had to adapt to each unique risk and factor in the strains on infrastructure, livelihoods and global supply chains.

Ports and terminals were already at risk because of ageing infrastructure. Now, the twin forces of climate change and the passage of time are combining to present a generational challenge for facility operators, shipping companies and insurers.

At the vanguard

Protecting ports and terminals around the world is of paramount importance to global trading routes and re/insurers are an important piece of the puzzle. The re/insurance industry has been at the vanguard, from providing new and innovative forms of coverage like parametric products to building resilience and advising on risk engineering.

A significant proportion of global trade takes place, as throughout history, on the seas. Shipping is a low-carbon form of commodity exchange, with all alternatives worse for the climate. It is therefore imperative, both for safeguarding supply chains in the present and a climate-friendly global commodity exchange in the future, to consider how to protect shipping infrastructure.

Without it, global supply chains come under strain. We saw the consequences of a severe disruption of trade through the Suez Canal dur-

ing the *Ever Given* obstruction and a slower-burn impediment because of drought conditions in the Panama Canal has caused further damage. Experts agree further climatic extremes are a certainty for future decades, which provides foresight for insurers when striving to prepare for and prevent increased harm.

Vulnerable link

The ports and terminals sector is often seen as a particularly vulnerable link in global supply chains. Much port infrastructure was built during the initial period of the container ships revolution and is struggling to cope with rising sea levels, changing weather patterns and an increased chance of climatic extremes.

Lock gates, for one, are seen as a significant risk factor and – both as a result of physical damage and the interruption in the port's function – a source of significant insurance claims. They need to be secured against rising sea levels and weather events, with each geographical location presenting individual and unique challenges.

Clients, whether individual facilities or large chain operators, should contact their brokers and insurers to see what expertise and insurance incentives are available.

This is particularly important for smaller, independent port operators – global re/insurance capital can provide access to additional engineering capabilities, among other assistance.

The marine industry is very different to what it was even a couple of decades ago. For one, the size of the ships themselves has grown significantly. Compare the Panamax standard, once an unattainable ideal, now easily surpassed by the largest oceanic vessels. Port operators are very much aware of the scale of vessels and the impact handling them can have on existing infrastructure.

Even bollards or tugboats, designed for ships of a significantly lower size, are now handling vessels 10 times the size or more. There is no stopping globalisation of supply chains and thus the expansion of shipping tonnage, so the infrastructure must be gradually upgraded to meet the challenge.

Infrastructure resilience

Again, the involvement of re/insurers is vital: by using all available expertise, port operators can ensure the resilience of infrastructure for many decades.

Securing the future of the marine industry is of the utmost importance, and something re/insurers and the shipping sector alike are focused on.

The same port infrastructure that is under strain because of the growth of global shipping traffic is now also at risk of either being underwater in the coming decades because of rising sea levels, increasingly frequent and severe storm damage, or of other potential long-term damage.

Re/insurers are evidently observing the threat, with some large shipping companies taking matters into their own hands and hiring vast internal risk engineering teams. All available expertise must be used to anticipate and mitigate the risks to port and terminal facilities from both climate-related threats and the strains of increased tonnage.

By working together, facility operators, shipping companies, insurers and reinsurers can safeguard the resilience of the ports and terminals sector for years to come. ■

Hazel Ward is underwriting manager for ports and terminals and Samson Rathaur is risk engineer at Liberty Specialty Markets

The ports and terminals sector is often seen as a particularly vulnerable link in global supply chains. Much port infrastructure was built during the initial period of the container ships revolution and is struggling to cope with rising sea levels, changing weather patterns and an increased chance of climatic extremes

Shipping's ageing fleet and mounting crew crisis heighten systemic risks for insurers

Maritime industry continues to push the global fleet to its limit, playing a dangerous game of Russian roulette with crew, oceans, cargo – and insurers' portfolios

Is yet another perfect storm brewing in the global maritime industry, *writes Queenie Shaikh*.

While some segments – particularly tanker ships involved in oil and chemical trades – are enjoying a historic bull run, the sector as a whole is struggling with ageing fleets and a dwindling supply of crew.

This is a sector that has had to endure more than its share of systemic risks over the past half a decade, from a pandemic that upended global supply chains to mounting geopolitical tension that has had all-too-real consequences for some vessels and crew.

Shipping is a cyclical sector by nature, but some shipping companies have had record years as a result of increasing volatility in the global trade ecosystem.

This pursuit of short-term cash does little to paper over the cracks. Research from Xclusiv Shipbrokers released earlier this month finds nearly 30% of the current bulk shipping fleet will be more than 20 years old by 2030. Similarly, 48% of tankers in deadweight tonnage terms will be entering their third decade of sailing by the same year.

Their findings match data from ship brokerage BRS, which earlier this year found even accounting for newbuildings, the average age for the global tanker fleet would increase to 15.1 years by 2028 from 12.6 years in 2024.

There is some good news for keen observers. According to data tracked by *Lloyd's List* earlier this year, new orders for tankers continue to pile up: 35% of all new vessel orders in 2024 have been for tanker ships of some kind.

Ageing vessels

However, the overall picture remains that the world's ship recycling yards are low on work, as shipown-

Niels Poulsen/Alamy Stock Photo

ers look to extend the life of their ships as long as possible and extract as much profit as they can from their operations.

Lloyd's List Intelligence data shows 2024 is set to see the lowest levels of ship scrapping in 33 years. Just 21 vessels, comprising only 204,500 gt, arrived at ship recycling centres on the Indian subcontinent and Türkiye in September.

Meanwhile, sanctioned trades – particularly of price-capped Russian oil – continue to reward unscrupulous owners of older tonnage with large returns, returns that may stay the shipyards' Grim Reaper scythe for years.

The rough and tumble of maritime economics means the age of the global fleet has become more than a matter of aesthetics; it is a critical safety and risk issue marine insurers and the wider supply chain are beginning to wake up to.

Older vessels are more prone to mechanical failures, structural weaknesses and technological obsolescence. They are less fuel-efficient, more polluting and increasingly incompatible with regulatory pressure on shipping to decarbonise.

These ageing vessels are disproportionately involved in maritime accidents, oil spills and costly breakdowns. As reported in *Lloyd's List* earlier this year, Allianz has found older dark fleet tankers have been linked to more than 50 accidents or incidents already. This includes the tragic explosion of *Pablo* off Malaysia earlier this year, which killed three crew and had no apparent insurer.

Nevertheless, the industry continues to push the global fleet to its limit, playing a dangerous game of Russian roulette with crew, oceans, cargo – and insurers' portfolios.

All of this would perhaps be fine, even manageable, in normal times. But there is another crisis compounding risk that is happening simultaneously.

Workforce crisis

If ageing vessels represent the hardware problem, the shipping industry's ongoing crew shortage is a critical software failure. While it is not widely discussed beyond the maritime global village, shipping is facing an unprecedented staffing crisis, one that threatens to leave ships understaffed and with inexperienced personnel at the helm.

The root causes are multifaceted: an ageing workforce, lack of new recruits, poor working conditions and the psychological toll of extended time at sea. The Covid-19 pandemic exacerbated these issues, with crew changes becoming logistical nightmares and many seafarers stranded at sea for months beyond their contracts.

The Russia-Ukraine war has not helped, with the International Chamber of Shipping (ICS) reckoning around 14% of all crew come from one of the two nations.

The ICS recently released a survey where global shipping executives reported that the availability of trained personnel is, in their view, the factor having the greatest impact on their operations.

The truth is this is a crisis the industry will struggle to solve into the long term. Shipping has failed to make seafaring an attractive career prospect for the younger generation, has neglected to invest in training and development and has turned a blind eye to the mental health challenges faced by those who keep the world's supply chains moving.

While it is not widely discussed beyond the maritime global village, shipping is facing an unprecedented staffing crisis, one that threatens to leave ships understaffed and with inexperienced personnel at the helm

This is not just a staffing issue; it is a ticking time bomb for maritime safety and efficiency. The interplay between these two crises – the crew shortage and an ageing global fleet – threatens to create a feedback loop of escalating risk.

Ageing vessels require more experienced hands to operate safely, but the world faces a shortage of seasoned mariners. Inexperienced crews are more likely to make errors, especially when dealing with outdated equipment or in crisis situations. This combination is a recipe for risk that insurers would do well to heed.

The increased likelihood of accidents, breakdowns and environmental disasters translates to higher claims and unpredictable losses. Insurers are caught between the need to accurately price these escalating risks and the pressure to keep coverage affordable for an industry where some operators are already (or perhaps perennially) struggling with tight margins.

In response, there has been a rise in exclusions, higher premiums and more stringent inspection requirements. Earlier this year, ship inspections company RightShip said it would be reducing its thresholds for mandatory ship inspections from 14 years to 10 years between now and 2026.

There is also a potential role for shipping's embattled regulator, the International Maritime Organization (IMO), to do more to weigh in on vessel ages and crew welfare standards.

The vast majority of shipping companies are a rule-abiding bunch. If the IMO or EU steps in on these issues, they will change their ways. Until then, the fundamental economics that rule shipping's decision-making will continue to reign supreme. Unless it's bad business to operate older tonnage, nothing will change. ■

Prevention is better than cure: How technology is reshaping approaches to risk

Gone are the days of relying solely on historical data and human judgment; today's risk assessment demands real-time analysis of complex, interconnected factors to stop losses before they occur, experts say

In an era of escalating geopolitical tensions, from the Red Sea crisis to the ongoing conflict in Ukraine, the insurance industry is undergoing yet another fundamental transformation, *writes Queenie Shaikh*.

What is emerging is a picture of an industry leveraging technology and data analytics not just to provide coverage, but to actively prevent and mitigate risks. It takes many innovations to truly change a market. But insurers and technology providers argue perhaps the most striking development to date has been the quick embrace of preventative risk assessment and real-time pricing in certain markets.

"Some underwriters are now updating their rates daily or even a couple of times a day for the areas of highest risk," Stefan Schrijnen, chief commercial officer at insurtech Insurwave, says.

It is a move that is "unusual and innovative", Schrijnen adds, and one that represents a seismic shift for

"We need insurers to be moving as fast as the landscape that they're operating in"

Lorraine Stack
Marsh

everything possible/Alamy Stock Photo

specialty insurance, particularly in marine coverage, where static pricing models were once the norm. More importantly, it enables insurers to act as early warning systems for their clients, using pricing signals to highlight emerging dangers before they materialise.

Increased granularity

The granularity of risk assessment has also increased dramatically, reflecting this new preventative approach. Take the Red Sea region, where what was once covered by three or four different rates now has 25 or 30 "distinct pricing zones", Schrijnen says.

The approach to risk assessment – an approach some may call microscopic – is not limited to the Red Sea. Similar patterns are emerging in other high-risk areas such as the Gulf of Guinea, where some policies now incorporate 50 to 60 different rates within a single region. This technology-fuelled granularity enables precise risk mitigation strategies tailored to specific geographical areas.

This evolution is not happening in isolation; it is being driven by a perfect storm of technological innovation and necessity. "We need insurers to be moving as fast as the landscape that they're operating in," Lorraine Stack, risk management leader for Europe at Marsh, says. This means not just developing new products but fundamentally rethinking how risk is understood, prevented, and managed.

It is an evolution occurring on land as well as at sea. Stack says a recent collaboration with the Ukrainian government used Marsh's data platform to show more than 60% of the country was not affected by the ongoing Russian invasion. In doing so, Marsh was able to help drive investment in the country despite the conflict, she adds.

Gone, it seems, are the days of relying solely on historical data and human judgment; today's risk assessment demands real-time analysis of complex, interconnected factors to stop losses before they occur. This preventative approach is particularly evident in marine insurance, where firms such as Insurwave are partnering with analytics providers to scrutinise vessel affiliations and ownership structures against published threat criteria – a crucial capability when dealing with actors like the Houthis, who openly publish their targeting criteria.

"Ten years ago, the insurance market would find out hours or even days after an event happened. But data is enabling them to be involved immediately"

Stefan Schrijnen
Insurwave

Proactive risk prevention

The transformation extends beyond maritime risks to the broader supply chain, where artificial intelligence-powered solutions are revolutionising how risks are identified and managed. Stack says Marsh's Sentrisk platform, which is capable of processing billions of documents in real time, exemplifies how insurance is moving away from reactive, manual processes towards proactive, automated risk prevention.

The industry is also becoming more prescriptive in its risk prevention requirements. Schrijnen notes how armed guards, once simply a basis for insurance discounts, are now becoming "a condition of cover" in high-risk areas.

However, as part of this, the industry is seeing the emergence of new collaborative models involving insurers, technology providers and security firms. The integration of operational security data with insurance platforms, allowing for real-time threat alerts to both vessel operators and underwriters, represents a new paradigm in risk prevention. This, Schrijnen says, enables "everybody to do all the things within their power, to mitigate and then actually deal with any events that do happen".

Challenges remain, however. The rise in spoofing activities demonstrates how technological advancement is a double-edged sword – creating new risks even as it helps prevent existing ones. Insurwave's response – filtering out some 300 spoofed positions daily using algorithmic logic – shows how the industry must continuously innovate its preventative measures.

Ultimately, the transition is one that will see insurers move from being a financial safety net to proactive partners for risk prevention. Schrijnen says this is welcome territory for many in the industry. "Think about what happens if there's a missile strike on a tanker. Crew are involved, you need to move operational infrastructure into the area to deal with the event, that needs to be financed... the insurance market is a key cog in the chain to get that process moving."

He adds: "Ten years ago, the insurance market would find out hours or even days after an event happened. But data is enabling them to be involved immediately, to unlock the funds quicker, and to ultimately resolve the situation faster."

This evolution mirrors a broader truth about our modern world: in an age of unprecedented complexity and interconnected risks, waiting to react is no longer enough. Perhaps, as Schrijnen and Stack hint, the future of insurance lies not in picking up the pieces after tragedy strikes, but in working tirelessly to ensure those pieces never fall apart in the first place. ■

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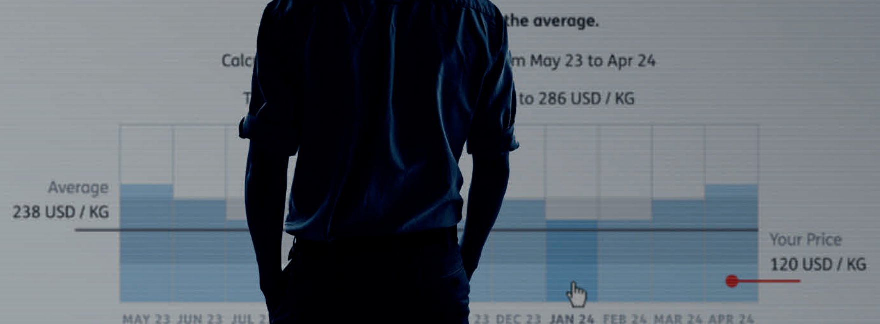

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