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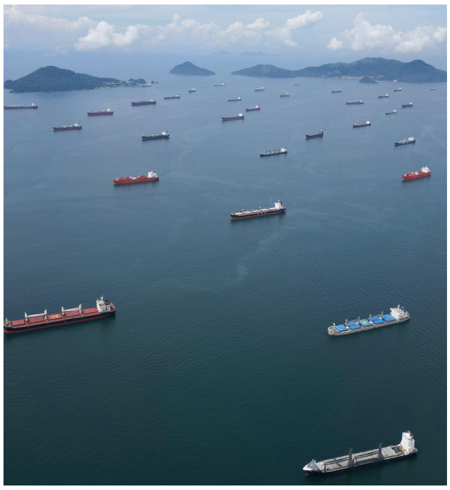
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Insurance Day's sister publication, Lloyd's List, traditionally speaks to protection and indemnity insurers. This special report from Insurance Day examines the broader concerns of marine insurers and reinsurers: a new 'hard' market, the status of Lloyd's, claims trends, safety challenges, sustainability issues and war risks.

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Maritime Insights & Intelligence Ltd is registered in England and Wales with the company number 13831625 and address 5th Floor, 10 St Bride Street, London EC4A 4AD

Lloyd's List Intelligence is a trading name of Maritime Insights & Intelligence Ltd.

Marine re/insurers must offer support with emerging risks: Iumi's Denèfle

Frédéric Denèfle, president of the International Union of Marine Insurance, describes the environmental and economic tests the marine insurance market must pass

The president of the International Union of Marine Insurance (Iumi), Frédéric Denèfle, highlighted "strength and stability in turbulent seas" in his opening address to delegates at Iumi's annual conference held in Edinburgh in September, *writes Louise Isted.*

Discussing current turbulence, Denèfle defined "business as usual" for marine underwriters.

"We are used to managing an array of casualties and losses on board a variety of vessels and in ports and other shoreside facilities. Dealing with the fallout from natural catastrophes such as earthquakes and weather events are also workaday issues. Similarly, operating among geopolitical chaos is an ongoing problem we face but this has been exacerbated recently with the war in Ukraine," he said.

"Marine insurers actively supported the creation of the original grain corridor to ensure Ukrainian exports could still continue. Now that agreement has broken down, marine insurers are in discussions with the Ukrainian government to provide cover for the vessels moving Ukrainian cargoes," he added.

Denèfle also said fragmentation in trade, with the Covid pandemic having revealed a range of strategic dependencies, has led to a general reduction in global demand and encouraged a relocation of activity closer to the consumer. On the legal side, he continued, shipping and insurance are being targeted with increased sanctions as well as local green regulations where, for example, some jurisdictions will not register vessels above a certain age.

A consequence of inflation, caused by the pandemic and the war in Ukraine, was already manifesting itself, he said, in the increased cost of claims, the requirement to take on more risk as asset values increase and a related need for more capacity in the market.

"We are heading towards new fuels, new machinery and new equipment vessels. These are evolutions that will impact the risks we insure"

Frédéric Denèfle
International Union of Marine Insurance

Added to this, a general technological shift in terms of clean energy, clean propulsion and autonomous vessels is creating more "turbulence", he said, but all new technologies and climate change reduction measures are "to be welcomed".

Although the marine insurance market is "in a state of flux", Denèfle said he is confident in its ability to cope: "As the world's oldest insurance business, our sector has demonstrated its ability to flex to new needs and conditions, both market and macroeconomic."

He predicted a return to dedicated, experienced teams; a heightened reliance on intelligence and data systems to anticipate the consequences of geopolitical uncertainty; the emergence of local teams underwriting local business in their own areas to challenge fragmentation; an adjustment of market capacities and pricing to fight inflation pressures; and the creation of specialist teams to fully understand the implications of new technologies. "Of course, much of this is already happening," he stressed.

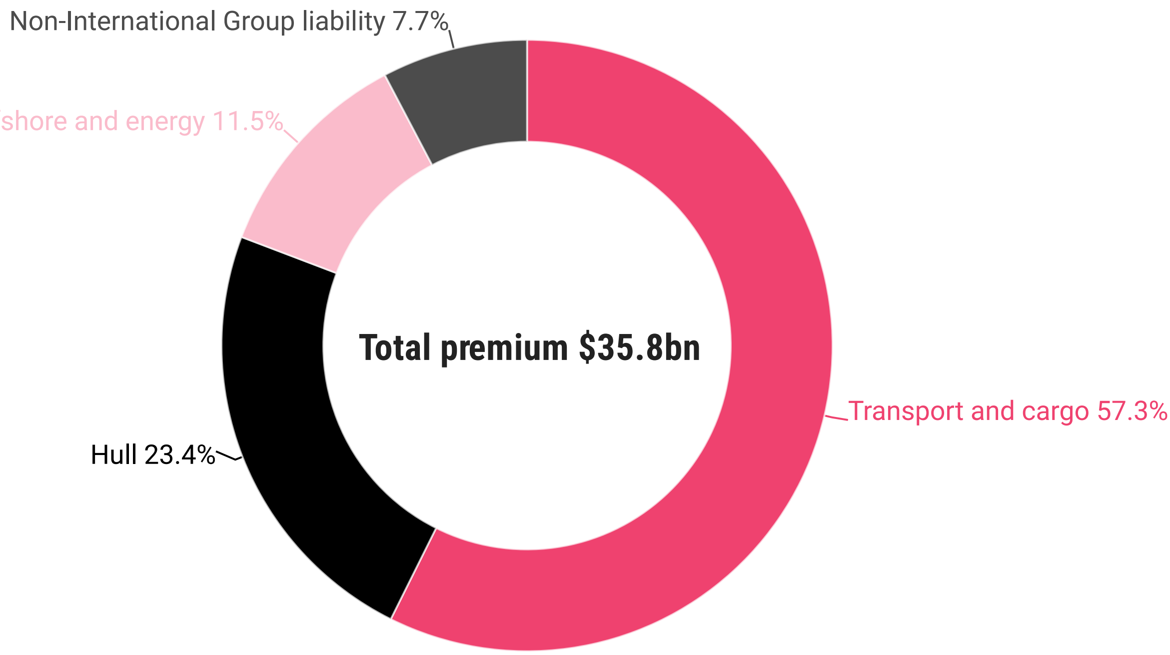
Beyond the headlines

Marine insurance has continued the healthy growth seen in the past three years, with premiums jumping 8.3% in 2022 to reach $35.8bn. The big picture is characterised by a consistent upward trend across all classes since 2019, regardless of the pandemic.

In combination with a benign claims impact, this has translated into a

Marine premiums rise in 2022 with transport and cargo still the biggest line

Graph: **Marine insurance line of business by premium, 2022 (%)**



Source: Iumi

much better performance in terms of loss ratios, specifically for hull and cargo. Of the four main classes, transport and cargo remains the biggest line, accounting for 57.3% of the book. Hull makes up 23.4% of premiums, followed by offshore and energy on 11.5% and non-International Group liability cover on 7.7%.

Another headline that emerged from the Iumi conference was protection and indemnity (P&I) clubs are publishing combined ratios of below 100% for the first time since the late 2010s.

In an interview with *Insurance Day*, Denèfle says it is important to look beyond these numbers and to emerging risks. "These numbers are positive and encouraging for any one of us who has invested into the underwriting or the support of marine insurance, but we have to consider what is ahead of us in terms of the situation we are going to face," Denèfle says.

The first challenge he highlights is changes to international trade patterns. "Transport is heavily influenced by the geopolitical situation. The war between Russia and Ukraine is, of course, an important piece of that, but we're also considering the various approaches taken by large states, such as the US and China, and by regional organisations, like the EU, in relation to controlling their international trade," Denèfle says.

This is linked to the sanctions and embargoes that have been decided and imposed, which now number as many as 3,000, he continues, citing the International Monetary Fund.

"On top of this geopolitical situation, which impacts international trade, there are regular risks to our activity. This includes the quality of crews, technological shifts and the influence of new regulation to decarbonise shipping as much as possible. We are heading towards new fuels, new machinery and new equipment on board vessels. These are evolutions that will impact the risks we insure," he says.

Electric vehicles

There are growing concerns within the shipping community, including among marine underwriters, about fires breaking out on car carriers and roll-on/roll-off vessels, with the assertion many of these fires are attributable to electric vehicles (EVs).

In response, Iumi researched these claims and published recommendations on the safe carriage of EVs. This research showed fires in battery EVs are not more dangerous than fires in conventional vehicles nor are they more frequent.

Understanding the potential risks from lithium-ion batteries is, however, "work in progress", Denèfle says.

"All kinds of batteries are being built all around the world and this will certainly increase. We must ensure insurers understand from one battery to another, from one use to another, from one situation to another, there are some specific loss prevention measures that have to be considered. This must be a case-by-case analysis each insurance company has to consider in its risk assessment process. Iumi's role here is to remind insurers e-batteries are classed as dangerous goods, which needs to be factored into their risk analysis."

Could there be a reaction to this advice that sees insurers simply exclude e-batteries from policies?

"I can't see that we would have a general market approach to exclude them. What we are facing is a regular type of risk linked to the fact those fires are difficult to manage. Certainly, what will happen is marine insurers will consider some specific loss prevention measures going together with their insurance contracts. Some marine insurers may consider specific deductibles, to make sure there is a good apportionment of the risk between the insured and the insurance company," Denèfle says.

Iumi urges its members and public not to fall into the trap of automatically blaming EVs for fires on board vessels, because that risk has not yet been proven.

"When it comes to saying e-batteries cause fires, don't go in that direction because there is no one who can demonstrate that. We can trust e-batteries, but we have to acknowledge whenever there is a fire involving them, it's much more difficult to extinguish. That's for sure," he says.

ESG and decarbonisation

The chief executive of French war risk underwriter Garex, Denèfle was appointed Iumi president in September 2022. He picked up the baton from Richard Turner, including Turner's work on environmental, social and governance (ESG) policy.

"Iumi's ESG group has a constant watch on what marine insurers are doing to meet ESG targets," Denèfle says. "As marine insurers, we have to make sure the activity of the community of insureds we protect should be as harmless as possible towards the environment. We also need to ensure diversity in the people with whom we work. For this, we must welcome a new professional profile – by gender and also geography. This is crucial to how we see the evolution of our personnel."

Iumi does not set ESG targets for its members, he continues. Instead, it focuses on transparent messaging. "It's more about having clear statements on how important these principles on diversity and sustainability are," Denèfle stresses.

He underscores the importance of the Poseidon Principles for Marine Insurance, a global framework for assessing climate alignments of insurers' hull and machinery portfolios. The Poseidon Principles use the decarbonisation ambitions of the International Maritime Organization (IMO) and the Paris Agreement as benchmarks.

Iumi regards the IMO's recent strengthening of its greenhouse gas (GHG) emissions reduction goals as heralding a significant turning point for the shipping industry and, consequently, a heightened impact on marine insurers.

The IMO's new targets are net-zero

A dual-fuel engine room on board a vessel

Christian Charisius/dpa/Alamy Live News

emissions by "close to 2050", with a 20% to 30% reduction by 2030 and a 70% to 80% reduction by 2040 – from the 2008 baseline.

To achieve this, Denèfle told delegates at Iumi's annual conference the industry will need to adopt a series of immediate measures followed by intermediate technologies and, finally, a long-term technology shift. "It's gratifying to see leading shipowners, supported by charterers, have already made the first steps with some trail-blazing their way to early decarbonisation," he said.

Maersk, for example, is investing in green methanol. "They're putting their money into this because they own the vessels and want to adapt as much as possible to the shipping green evolution. Insurers are not part of that decision-making process because they do not have the means to influence investors," Denèfle tells *Insurance Day*. "Where they can have influence is in finding ways to insure new fuels and technology, to support shipowners and car exporters in following ESG principles."

The transition process has already begun with a rapid move to the digitalisation of the supply chain to introduce operational efficiencies, together with the introduction of a variety of onboard energy-saving devices, such as route optimisation and propellor/hull energy-saving innovations.

Temporary measures

As an interim solution, Denèfle says some shipowners are adopting liquefied natural gas dual-fuel, biofuels and wind-assisted propulsion. Longer-term, zero-emission propulsion options might include ammonia, hydrogen or methanol. Each of these new technologies would give rise to a new set of risks marine underwriters will need to insure, he stresses, and as the transition proceeds, retrofits will give way to newbuilds, again giving rise to new types of risks.

"With new innovations and a changing risk profile, the need for enhanced information becomes paramount," Denèfle says, adding it will be important for underwriters to receive and analyse data on ESG, economic and technical performance.

"In the past, we had relied on historical information and statistics but today real-time, dynamic data such as weather, geopolitical, regulatory, routing and engine information are all available to us. We need to capitalise on this, as some underwriters are already doing, to ensure our cover remains relevant," he says. "Predictive risk management and improvement to risk quality will, inevitably, lead to greater sustainability and profitability of our sector."

"Before new fuels, such as ammonia, are developed to the point where they can be deployed on a large scale, the efficiency that should drive each and every shipowner is using renewable electricity onshore, wherever it's available to them"

Frédéric Denèfle
International Union of Marine Insurance

Renewables will be "extremely important" as a source of electricity for the marine sector, Denèfle tells *Insurance Day*, "for at least one phase of shipping activity" – when vessels call into port and are connected to the local power grid.

"By using renewable electricity in harbour facilities, you can increase the energy efficiency of those vessels connected to the grid. That's certainly a point on which shipping as a whole can improve the overall environmental situation – the less you use fossil fuels for machinery on board a vessel, the greater the emissions reduction will be," he says.

"That's not to say it is the full solution, because vessels are not yet in a situation where they could use electricity from renewables on a large scale and in a way that enables them to navigate. There are some prototypes in Norway, where vessels have engines fully charged with electricity from huge batteries . Before new fuels, such as ammonia, are developed to the point where they can be deployed on a large scale, the efficiency that should drive each and every shipowner is using renewable electricity onshore, wherever it's available to them."

Decarbonising shipping

There are two approaches to the decarbonisation of shipping that are already under way, Denèfle says.

"There are two types of shipowner: the ones who are able to invest in new technology and new designs of vessels, and the ones who are not able to invest right away but are taking measures to improve the energy efficiency of their vessels. That second way is certainly a quick win. Iumi is interested in understanding the progress shipowners are making and seeing what support they need," he says.

An example of such support, he adds, is how marine insurers are working out the risks associated with vessels calling into ports to use technology designed for improved energy efficiency and how this could also contribute to the reduction of emissions.

Denèfle concludes: "For the marine insurance community, it is vital we maintain pace with all the incoming changes and innovations so we fully understand each and every risk involved, enabling us to support shipowners to derisk their new operations. This will include ensuring the continued safety of our crews at sea, their training and their wellbeing, as well as the safety of the vessels themselves and their cargoes." ■

Lloyd's remains watertight as marine market of choice: Gallagher's James

DBURKE/Alamy Stock Photo

Gallagher's managing director of marine insurance, Andrew James, discusses new capacity into the sector, pricing trends and the impact of Ukraine war exclusions

Of the three most common types of marine re/insurance – hull, cargo and liability – only liability in ports and terminals can be described as a hard market at the moment, according to Andrew James, managing director of marine at Gallagher, *writes Louise Isted*.

In an interview with *Insurance Day*, James, who manages the broker's hull and non-protection and indemnity (P&I) liability business, says US demand is "far outpacing" the speed with which insurers can keep up with liability coverage.

"Not only is the general quantum far higher than we've ever seen before, we also now have what we call nuclear verdicts, which are becoming much more common. We've also seen reinsurance pressures over the past couple of years having a real impact on underlying carriers, so there's been a reduction in capacity," James says.

There has also been a "significant" impact on reinsurance programmes emanating from Russia-Ukraine-Belarus (RUB) war exclusions.

"Many marine treaties typically used to include things like terrorism in their composite programmes but, as a result of the Russia-Ukraine war, many of these programmes had to be placed on a monoline treaty basis, which significantly increased costs," James says.

There is a trend, he continues, for reinsurance clients to try and unbundle their packages of cover.

He says: "So much was bundled into these treaties at one point that they've now had to separate it all out. If you look at the ports and terminals sector, which, on the whole, has performed reasonably well, you've got the natural catastrophe side of things, which has caused issues.

"Recent hurricanes, like Irma, have put significant pricing pressure on the non-marine market, which has had a significant effect on marine because, quite often, those big packages are layered with parts going into the marine market and with excess going into the non-marine market."

In other words, each syndicate has a finite supply of capacity it is willing or able to deploy in a region, so when the pricing of one product line changes significantly, this has an impact on the other lines vying for that same capacity.

James says, on the liability side, the only company to have "dropped out" this year has been Liberty. "I think that's the first time a marine syndicate was pulled out of liability in isolation. Typically, if anyone exits liability, it's because they've pulled out of a class, in this case marine, in full," he says.

Markel has "significantly" pulled back on its liability offering and Aegis has exited US P&I, maritime employers' liability and umbrella-related businesses.

Carriers that have performed well, according to James, are Munich Re, Tokio Marine, Houston Casualty, Atrium and Beazley. New market entrants that have also "done very well" are IQUW, Inigo and Convex, he adds.

"Those new players have been market changers in the marine liability sector, bringing fresh capacity and new teams that don't have the legacy history some of the other carriers have," he says.

Opportunities on the liability side include the use of technology to streamline operations.

"There is a requirement for greater intelligence, both for underwriters and brokers, given the sanctions list and the dark fleet issues, and we all have to monitor trade much more carefully these days," James says.

The outlook for the liability market is more stable than earlier this year, he continues.

"Underwriters will still continue to push for rate rise, but they are now differentiating between accounts," he says.

The average rate rise will be about 7.5% until the end of this year, with slight deviations between jurisdictions. For example, a "heavy" US element to a policy would make coverage more expensive.

James says: "With ports and terminals, much of the wind-exposed accounts will have renewed by this point in the year and therefore we're unlikely to see the rate rises we saw in the first three quarters because the rest of the account being renewed now will not be exposed to the wind. We're estimating for non-catastrophe-exposed accounts, about a 7.5% rate rise, but that could be more for big natural catastrophe-exposed areas."

As a result of nuclear verdicts in social inflation, there has been a "significant realisation" as to true exposure on the excess layer placements, James says.

Underwriters have had to significantly restructure their line sizes and then "ventilate" their involvement to try and maintain stability.

"The newer capacities, such as IQUW and Everest, have all become involved in the incumbent London business without the need to significantly upset the applecart," he says.

The challenge is selling the rate rises to clients. "In that liability market, we're now feeling the fatigue of four or five years of rate rise and it's getting the clients to understand the need for increased premiums," James says.

War risks exclusions

Just as hull is not in a hard market, nor is P&I liability for war risks, according to James.

Markel, Vessel Protect, Navium and Convex "continue to lead the way" on war risks, he says, alongside established carriers like Beazley and Liberty. The only notable "absentee" has been Talbot, owing to challenges AIG has faced with its RUB exclusions.

"Although there have been big losses, underwriters have been charging some quite decent rates for vessels going in and out of the Black Sea. Moreover, there haven't been the kind of big piracy losses that we had been seeing in West Africa and so that factor now is genuinely quite benign."

RUB exclusions within reinsurance treaties have been an issue, however.

James says: "Most of the war risk underwriters who want to participate in that trade are writing net lines. To start with, I think we all in the industry panicked a bit to see if there would be appetite or capacity, but there has been, and some of those underwriters have been pretty successful in writing that business."

The real issue with war exclusions has been a lack of consensus, he says.

"Two or three of the big reinsurers had some form of exclusionary language, but it wasn't necessarily the same. If you're an underwriter and you buy your reinsurance from several different carriers, you might have two or three different types of exclusion within your wordings," James says.

He continues: "I know AIG in particular struggled with the RUB exclusions and, as a consequence, its Lloyd's syndicate Talbot had to stop writing a lot of business out there."

The problem AIG faced was many shipowners could not accept a

"There might be a few storm clouds gathering in the future but, as a rule of thumb, we've come out of the soft market cycle we'd had for more than 18 years and have had four years of rate rises. Now, hull underwriters, touch wood, are making some money"

Andrew James
Gallagher

clause against trading in the Black Sea because their long-term charter-party would not have exclusionary wording.

James says: "If the charter wants to legally go and pick up grain from Ukraine then the ship owner wouldn't be able to stop them. Consequently, AIG had to come out of placing their business with Talbot.

"On the direct side, most players in that market are writing on a net line basis now anyway. Subject to there not being a breach of sanctions, they're happy to continue providing cover for those trades," he adds.

Hull is stable

In contrast to liability, James says the hull market is "quite stable".

"There might be a few storm clouds gathering in the future but, as a rule of thumb, we've come out of the soft market cycle we'd had for more than 18 years and have had four years of rate rises. Now, hull underwriters, touch wood, are making some money."

They are only two issues that could possibly "dampen the party" for hull underwriters, James says.

The first is inflation. "This is the great unknown, but 10% to 15% on loss ratios, once claims have developed, could well put the market back into a loss-making position."

The second question is reinsurance. "A lot of the carriers had their reinsurance renewals on the first of January. Last year, on the back of some quite punitive terms, a lot more retention was taken by the underlying carriers. And then, on the back of the war losses, there were a lot of RUB exclusions, which focused minds as well," James says.

Capacity follows rate rises and profitability, so there have been a lot of new entrants into the hull market over the past year, James says.

"I don't think that's going to cause a soft market necessarily, because one would hope underwriters have long enough memories not to go down the path of big rate reductions. I think underwriters would find it hard to charge inflationary rises at the moment, however, but only because there is such capacity out there that fleets might move."

The technology available to underwriters now is such that they can manage their portfolios more closely, meaning poorer-performing business is more visible, James stresses. That gives them the ability to be more sector-specific, by analysing different types of vessels and different trade trends.

"There's a particular worry about large container vessels and that's actually not necessarily to do with the performance of the ship itself, but with misdeclared cargo ," James says.

Car carriers are a particular concern. "There's been some quite big losses in that market over the past few years and there's a question mark above what the underlying cause of fire is. One of the big question marks is over electric vehicles. There's no definitive proof but there is a suspicion they combust quite easily and they burn very hot, which is a real problem for that industry," James says.

Specific targets

All hull market underwriters have generally performed "very well", according to James.

"It was really a couple of years ago when we saw the real burn, when underwriters either had their wings clipped, or didn't get their business plans approved, or significantly reduced their willingness to write hull. But I think most hull underwriters have performed very well this year," he says.

Certain underwriters will target specific kinds of tonnage, he continues.

"We've seen Fortify and others come into hull as a new market for them, and they're specifically going for a certain size and type of business, rather than writing just a marine hull portfolio. I think there will continue to be more underwriters coming in to focus on certain types of tonnage, which they believe will outperform the rest of the market."

Have they been proved right about "outperformance"?

"It's too early to say because they've only really been going a year, but they are doing quite well. If you do the analysis over the portfolio, there are definitely certain sectors that outperform others, but successful underwriters at Lloyds, those top-tier underwriters – the Ascots, the Chubbs, the Axa XLs – they will write a cross-section of business and they will do it successfully. So, one could argue, it's about having the right underwriter in place and setting the right terms that makes the profitability."

Lloyd's position as the market of choice for marine is watertight, according to James. "The Lloyd's market is still very strong and still a main player in the industry. We're all enjoying the Underwriting Room now being back up and running, from both the broking and underwriting sides, and we really want to encourage people to use it," he says.

"It's very hard to put a number on it, but I would guess that, by not having face-to-face broking, premiums probably went up in certain sectors by 5%. Microsoft Teams is very good for certain things, but you can't beat sitting in a box with an underwriter, thrashing out a deal. The other benefit of being face-to-face is training our youngsters."

A sign London is in good shape, he adds, is the number of large Scandinavian insurers, including Gard, the Norwegian Hull Club and the Swedish Club, that have all recently opened an office in the city.

James concludes: "So, London is probably still the most important marine market." ■

Marine reinsurance capacity still plentiful: Lockton Re's Stephenson

Head of Lockton Re's marine and energy division, Martin Stephenson, gives his assessment of the impact of Russia-Ukraine-Belarus exclusions

There is plenty of capacity in the marine reinsurance market despite continued concerns about war risk, the head of Lockton Re's marine and energy division says, *writes Louise Isted*.

In an interview with *Insurance Day*, Martin Stephenson says the biggest challenge for reinsurers this year has been the Russia-Ukraine-Belarus exclusions presented to clients in the 2023 renewal.

Some reinsurers took a stronger stance on war risk than others and this divergence of opinion continued throughout the renewal season, he said, with some reinsurers "willing to let business go". This business found a natural home with other competing markets, which underlines the fact this is not a true hard market, Stephenson stresses.

"In 1993, we brokers were sleeping in our cars outside re/insurance offices, waiting for the underwriters to come to work," he says. "The dynamics might be different now, thanks to the internet and email, but the fact remains a hard market is what you get when there's a real lack of supply. What we have now is simply a market that's somewhat constrained around terms and conditions."

Perhaps as much as 20% of marine and energy reinsurance aggregate changed between carriers this year, he adds. In addition, many reinsurance programmes were restructured, which called for further aggregate to be deployed by the market.

"The unfortunate outcome of this was some longstanding trading relationships in the London market parted ways, though not to the extent they were irrevocably fractured," he says.

"A hard market is what you get when there's a real lack of supply. What we have now is simply a market that's somewhat constrained"

Martin Stephenson
Lockton Re

Considering a potentially very benign loss year and both cedants and reinsurers having had time to digest the potential impact of the Russia-Ukraine war, he expects a reuniting of most, if not all, of these relationships. "The fact capacity was easily replaced on programmes, many of which were signed down, proves this market has a way to go before we need to start sleeping in cars again," he says.

For marine re/insurers, loss ratios have fallen from the "typical" sub-100% to an expected 60%, notwithstanding a return to normal global trade after it "fell off a cliff" during the Covid-19 pandemic, he adds.

Sensitivities around war continue to permeate the market, he continued, with China-Taiwan and Israel-Palestine "to name but two political hotspots", Stephenson says.

Hard market or not, providing marine and aviation war cover takes courage, he says, giving John Charman as an example from the market's archives. As chief executive of Tarquin, Charman famously made his name during the 1990-1991 Gulf War by offering war risk insurance seven days a week.

"I remember people were saying, 'Oh my gosh, Lloyd's of London open on a Saturday?' Yes, and it was because Charman was ready and willing to provide war cover," Stephenson says.

There are still markets doing this today, he adds, most notably centred in London, which has always had a global reputation for answering the call when clients are distressed.

He continues: "When everything's fine in the world, providing war risk cover is easy, but when war does break out it's the underwriters who have the aforementioned courage to take this risk on who stand out from the crowd.

"What we are seeing is a very complex situation, where markets fundamentally don't yet know and are struggling to predict the potential losses from the Russia-Ukraine war. They know there's a train coming down the track; they can hear it, but they still can't see it."

Stephenson concludes: "That creates uncertainty in the market and when the market is uncertain or nervous, it typically charges a premium. ■

Marine insurance: what the buyers want

Trust is more important than getting the lowest-cost cover, buyers insist

However you break down the cost centres, marine insurance remains one of the largest outlays for shipping companies after crewing costs, *writes David Osler*.

The size of the typical spend is one of those "how long is a piece of string" questions, as premiums vary widely by fleet value and claims record. But on some reckonings, it makes up around 10% to 15% of typical total opex.

Lloyd's List's website offers extensive coverage of protection and indemnity (P&I), hull and machinery (H&M) and war risk insurance. But we tend to write from the perspective of insurers and brokers, the audience *Lloyd's List* was founded to cater for as a print publication in 1734.

The P&I clubs into which any given vessel is entered is rightly a matter of public record and can be checked on the International Group's website but details of H&M and war risk cover are not in the public domain. Typically, the risk is spread between multiple underwriters accepting a percentage point share of liabilities and they prefer not to reveal the extent of their exposure.

The buyers' view

How do things stand from the customers' point of view? What do shipowners want when they make buying decisions? Are they happy with what they get?

Most owners are reticent to discuss such points. These are matters generally considered commercial in confidence and therefore rarely aired.

Lloyd's List approached several companies, most of which politely declined interview requests. The exceptions are Ireland's product and chemtanker operator Ardmore Shipping and Panama-based dry bulk outfit Sagitta Marine, and we thank them for taking part.

Ardmore's insurance manager, Georgina Alderman, stresses the great store her employers put on relationships within insurance. Trust is far more important than low price.

"You might be able to get it cheaper but you need to know at the end of the day insurers are going to pay out and pay out in a timely fashion and you're not left out of pocket for an extended period," she says.

"You want the support of your under-

Ivan Nesterov/Alamy Stock Photo

"You might be able to get cover cheaper but you need to know at the end of the day insurers are going to pay out and pay out in a timely fashion and you're not left out of pocket for an extended period"

Georgina Alderman
Ardmore Shipping

writers to get the vessel back out and up and running and earning money for you."

For a company the size of Ardmore, which operates a fleet of 22 product and chemtankers centred on 16 medium-range (MR) tankers, her position of insurance manager is a full-time job.

Additionally, Ardmore's management joint venture with Anglo-Eastern Ship Management – Anglo Ardmore – handles day-to-day administration of crew insurance.

Ardmore also buys non-marine classes of insurance, for instance on buildings and contents, staff insurance or directors' liability. Those purchases are the responsibility of its finance department.

Alderman describes her role as "looking at our own claims record, looking at the clubs' general increases, looking at areas where we've made improvements or we think we can bring costs down or bring down the risks from our side".

Building relationships

She does spend a fair amount of time working with underwriters and tries to meet them throughout the year so she can build up that relationship. Contact increases as the renewal deadlines of January 1 for H&M and February 20 for P&I draw nearer.

She declines to specify the company's annual insurance spend. But the Baltic Investor Indices (BII) give the annual cost of all types of insurance on an MR right now as $569,000, up from $373,000 when such statistics were first collated in 2020.

That would imply Ardmore's insurance outlay runs to somewhere in the region of $12m a year. Alderman will only say that figure is "probably not far off" and confirm Ardmore's insurance bill runs to the millions.

The 2024 P&I renewal round is now under way, with three International Group affiliates – Steamship, Shipowners' Club and Gard – having unveiled 5% increases for the coming policy year.

Modal average P&I premium increases came in at 7.5% in 2020, 10% in 2021, 12.5% in 2022 and 10% in 2023, compounding out at around 46%. Broker Gallagher predicts increases for 2024 will average 5% to 7.5%.

H&M rates have also hardened. While premiums are not publicly revealed, market sources suggest they rose 10% last year and will rise by 5% to 10% in 2023.

While Alderman has felt the impact of rising premiums in recent years, in Ardmore's case the jump has not been as high as the 50% or so the BII figures suggest.

"We haven't seen an increase of that size. Overall, from our point of view, we do feel like we're getting value for money from the clubs and from our [H&M] underwriters."

P&I claims are relatively frequent and contact can often be daily. The clubs often benefit from a tendency to inertia, and fleet churn is much reduced even on 20 years ago.

If members have a good relationship with club managers, few will bother with the hassle of switching for nugatory savings or forking out the so-called release call owners have to pay on leaving a club.

Discount or divide?

What is more, P&I quotes are often discounted where owners are willing to entrust entire fleets. The flipside is, it is beneficial to spread risk among multiple insurers and that argument saw Maersk and Mediterranean Shipping Company move some of their tonnage away from the merged NorthStandard last January.

Moreover, clubs eager to win new business have been known to top fleet discounts and are reputedly sometimes even willing to pare pricing down to loss-leading levels.

Ardmore has traditionally used the West of England P&I Club. But it started to split its fleet after acquiring six units seven years ago and entered three of them with the UK Club.

"At that time, we had a larger fleet, up to 28 vessels. It was a good idea to split them off to get a different point of view from both clubs and see how different clubs operate and what they can bring to a company," Alderman says.

"People assume if you enter the entire fleet with the one club you get the best discount, but that's not necessarily true. There might be small differences, the clubs each year announce different general increases or some ask for supplementary calls."

Ardmore uses the same underwriters for H&M and war risk. It has been with them for some time and presumably gets keen pricing on the back of a good claims record. Without naming them, Alderman praises them for being open to negotiation.

The nature of the company's trading patterns means it often needs to ask for security updates and sanctions information.

This is a two-way street, as underwriters sometimes want to know about Ardmore's intentions on issues such as future fuels.

"They know us, we know them. There's a lot to be said for that, especially when you have an incident," Alderman says.

"If we want a rate for a region, they come back very quickly. They are very fair, we can discuss. If we're in an area for a long period, we can negotiate a lower rate."

The same broker is used for all classes of insurance, with Alderman also citing relationship building as grounds for sticking with an established partner.

Sagitta Marine is active in the handy- and ultramax sectors in Panama, Mexico and Venezuela and performs an average of between 100 and 150 voyages a year.

Sagitta's finance director, Ricardo Azpurua, says the company's annual insurance spend varies depending on what covers it takes and the number of ships or voyages entered with a particular policy.

Purchasing decisions are taken on the basis of identifying risks and looking for the best available insurance options.

'Different options, best terms'

"Our insurance brokers help identify different options and gather the best terms they can get for us based on our requirements. Once we weigh the pros and cons we enter into a negotiation phase where we try to fine-tune the coverage and service being quoted."

Sagitta seeks three things from its insurers; namely reliability, reputation and service. "We need to know an insurer will step up when it is needed. This is, of course, dependent on a good financial position, but also on its internal policies regarding what is covered and what is not. Its outlook and approach to every case in particular makes a big difference for us," he says.

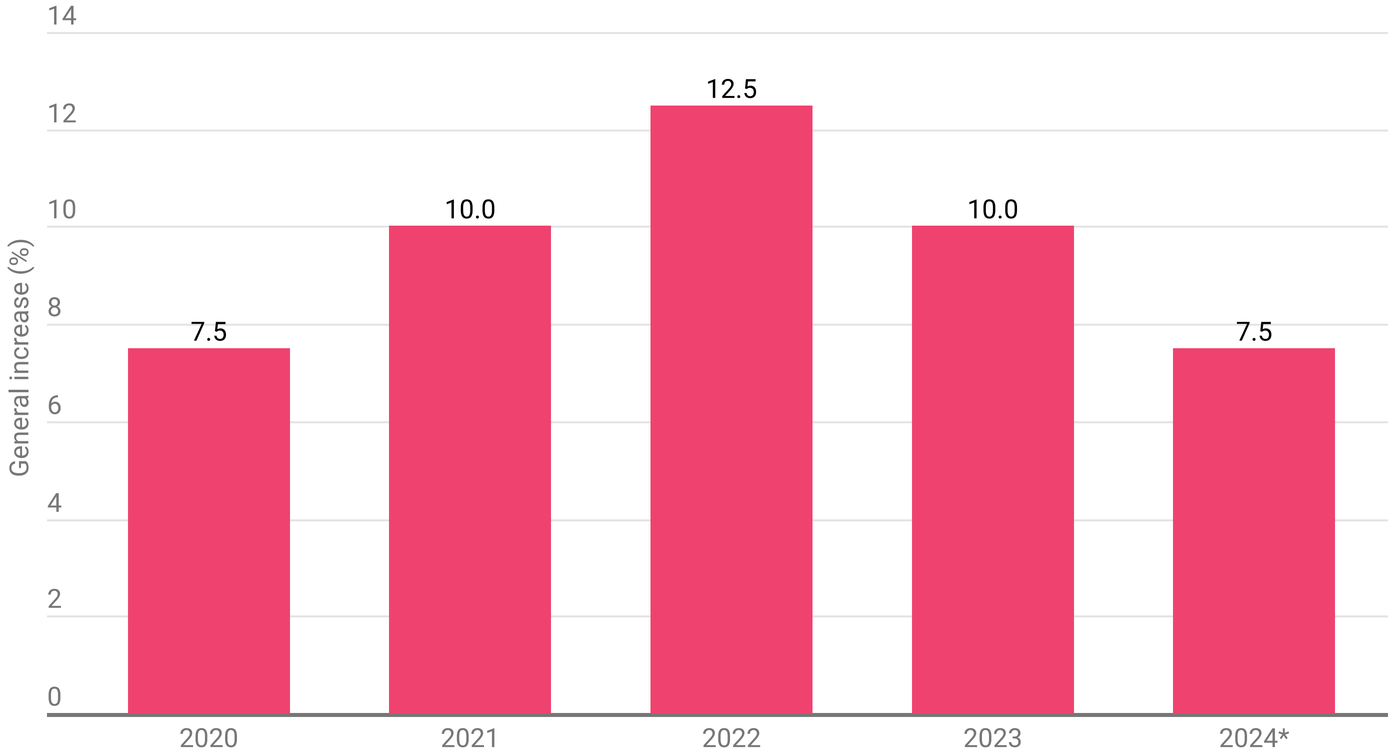
The reputation of its insurer gives the company peace of mind it is in good hands. Having a good insurer by its side makes it easier for it to transact with top counterparts in the industry.

"Things move very quickly and claims have become commonplace," Azpurua adds. "Having timely and detailed advice and support from an insurer with commercial acumen makes a big difference.

"Good communication allows us to learn and avoid risks, leveraging the experience of our insurers." ■

P&I clubs' compound five-year general increases likely to top 50% in 2024

Graph: P&I club 'going rate' general increases, 2020/21 to 2024/25



*upper end of Gallagher estimate of 5% to 7.5% general increase

Source: company announcements

Hull market trends have not taken the shine off London

The London market may have lost some of its dominance in hull insurance, but its longstanding reputation in marine remains strong

For the past 20 years the London marine market has faced an "ongoing curse" of decreasing hull premiums, the International Union of Marine Insurance's (Iumi) general secretary lamented at *Marine Insurance London* in March, *writes Francis Churchill.*

Lars Lange said London was "no longer the number one" when it came to hull, with strong competition from Scandinavia and Singapore. Other emerging markets, including China, were also posing a threat in other areas of marine business, Lange warned.

Speaking at the same event, Tom Midttun, head of production at Lockton Marine, framed things differently. "London has been losing the competence game [but has] an immense advantage in the capital game," he said.

In jurisdictions such as Norway, Midttun continued, the insurance sector has a much closer relationship with the shipping industry, which gives them greater technical skills and stronger market connections.

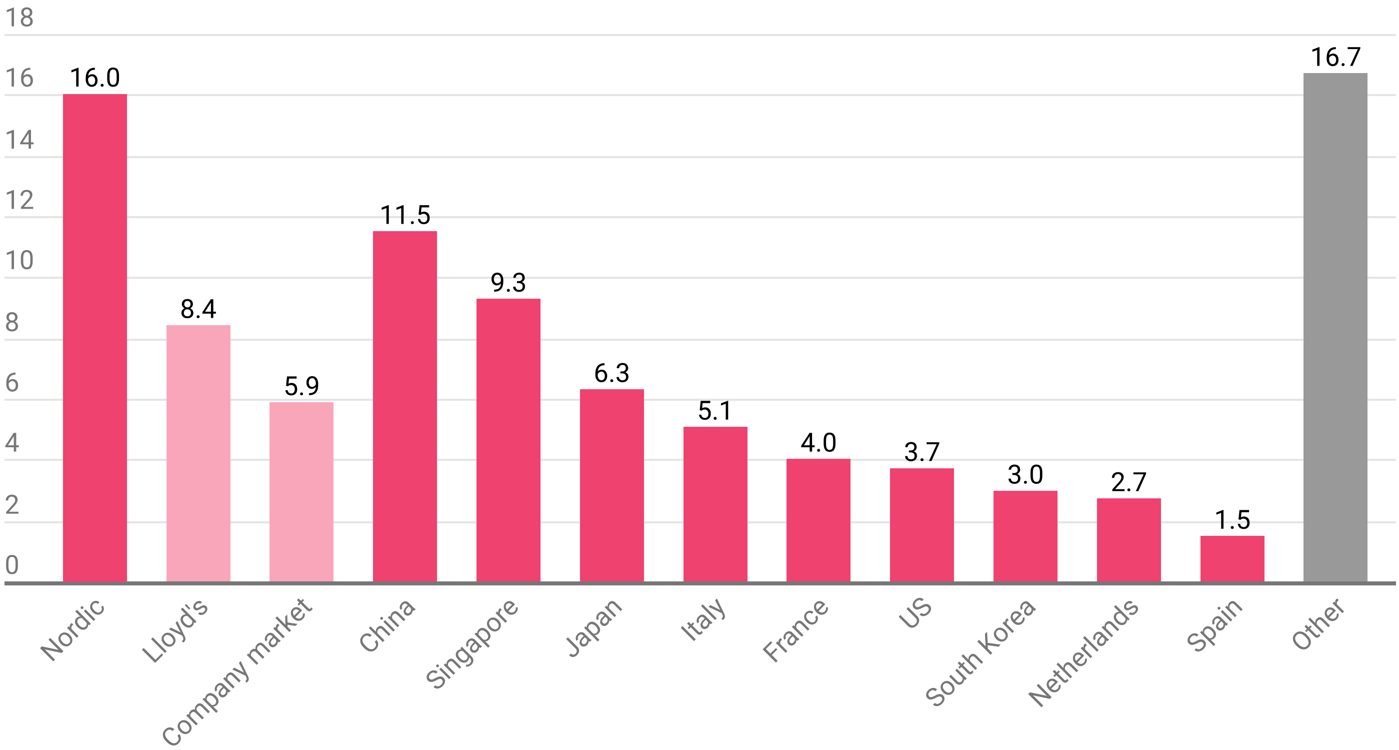
The most recent Iumi figures for 2022 present a mixed picture. In the hull market, Lloyd's was responsible for 8.4% of global premiums, while the London company market held 5.9% – giving London a combined 14.3% share of the global market. This was higher than competing jurisdictions in Asia – China and Singapore had shares of 11.5% and 9.3% respectively – but below the Nordics' 16% in hull.

The story was slightly different in the cargo market, where Lloyd's and the London companies market held 13.5% of global premiums (9.2% and 4.3% respectively), higher than China at 12.5%, the US at 8.8% and Japan at 7.5%.

For protection and indemnity clubs,

London cedes top spot in hull insurance to Nordics with rivals closing the gap

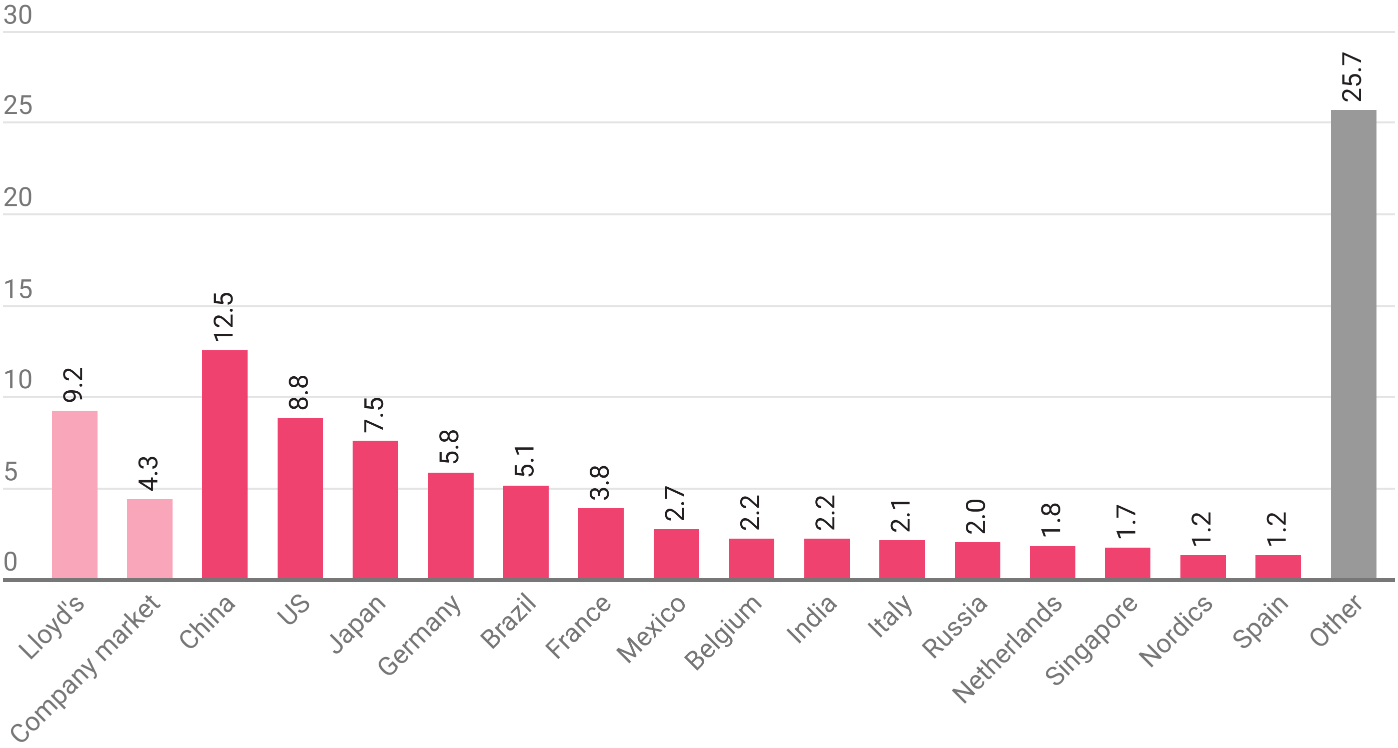
Graph: Share of hull insurance premium for 2022 by market (%)



Source: Iumi

Lloyd's and London remain the leading cargo insurance market by premium

Graph: Share of cargo insurance premium for 2022 by market (%)



Source: Iumi

Iumi said the UK accounted for 62% of gross premiums in 2022, while London covered 65% of offshore energy premiums.

Growing competition

The future of the London market depends heavily on the line of business in question, one senior underwriter who preferred not to be named tells *Insurance Day*. Over the past few years, marine hull has seen some rate increases but premium levels have dropped off, indicating business is going elsewhere, she says.

"We've typically seen the Scandinavian market pick up that premium, so there is a lot of competition," the underwriter says. Cargo, on the other hand, is less transferable between markets and tends to be placed in one market or another.

But, the underwriter continues: "London is the market across all lines that provides probably the biggest capacity out there, so you'll likely see the biggest, most complex risks will always stay in London."

Lloyd's also has both the ratings and the reputation for being able to pay claims, which is particularly important for bigger risks.

"We offer very similar products to everywhere else in the world, but obviously Lloyd's has a very good reputation," the underwriter says. "The ability of Lloyd's and the London market to offer very large stretches across multiple carriers is also something that entices people," she adds.

While London has lost some market share, it is still among the top players in all marine classes, according to Chris Jones, director of legal and market services at the International Underwriting Association (IUA), which represents the London company market.

The IUA says total marine premiums for London insurance companies increased "significantly" to £5.1bn ($6.23bn) in 2022, up from £3.8bn the previous year and nearly double the £2.7bn reported five years ago.

"We offer very similar products to everywhere else in the world, but obviously Lloyd's has a very good reputation. The ability of Lloyd's and the London market to offer very large stretches across multiple carriers is also something that entices people"

London market underwriter

"The trend has been towards a decrease in market share, but it's obviously coming from an extremely strong base," Jones says.

"You can speculate why that is. There's some preference for localised policies if you're thinking about Asia, China particularly. Certainly, you could make an argument London has a higher cost base in terms of how products are put together and produced."

Where London still has the advantage, Jones stresses, is with large and complex global marine business.

"The level of capacity we have in London is superior to other hubs and that's where we have a real advantage. The concentration of expertise, the concentration of capacity is in excess of other hubs," he says.

This expertise is becoming even more important in the current geopolitical environment. With the war in Ukraine and the Israel-Gaza conflict, the London market is "meeting these challenges with innovation and a degree of capacity we just don't see in other hubs", Jones says. Among these innovations are the Ukraine grain corridor and facilities to meet the G7 oil price cap requirement.

The London market has also produced other innovations. "The market has done quite a lot of work around the use of lithium batteries and their transportation risk," Jones says.

"The joint hull committee published a clause to manage the risks around that, not to exclude but to work with and recognise this is a growing technology that is not going away."

A unique culture

There are still challenges – such as attracting and retaining new talent – that are faced by the whole marine sector. Another challenge is how the growth in remote working has had an impact on one of the London market's unique selling points.

Jones says: "Historically one of the biggest advantages of London is everyone's here in person; you can just pop down to a box at Lloyd's or you can see the company market easily enough. That's still possible, but obviously the way in which we work has changed."

"The level of capacity we have in London is superior to other hubs and that's where we have a real advantage. The concentration of expertise, the concentration of capacity is in excess of other hubs"

Chris Jones
International Underwriting Association

Neither of these issues is unique to the London market, he stresses, but London is getting to a place where both face-to-face and hybrid working are supported.

"It's working well, particularly the increasing use of electronic placing and system management, which is helping to drive that innovation," he says. "It is a challenge in terms of attracting and retaining talent... if people aren't face-to-face, day-to-day it's just a different dynamic, but that's a challenge for everyone, really."

Iain Henstridge, class leader for marine hull at Lloyd's re/insurer Apollo, is bullish about the future of the London market and also the culture of Lloyd's as a unique place to write business. The recent re-opening of the Underwriting Room at Lloyd's has made it "a vibrant, buzzy place to be", he says.

Apollo has made a commitment to its brokers in having underwriters in its box Monday to Thursday. "Because we had great attendance during Covid, we secured more box space for ourselves. We're quite bullish on that," he says. "Lloyd's remains the only space for specialty insurance," he adds.

Iumi statistics show the London market's position has "come off a little bit in terms of dominance in the marine hull sector", Henstridge says. This needs to be seen in the context of the Lloyd's Decile 10 initiative, he adds, which took out more than half of the market's hull capacity in 2018 and 2019.

Market dynamics

There have also been changes in dynamic, including the rise in managing general agents (MGA), led by underwriters who are either entrepreneurial or "disaffected" in their current roles, he says.

This has made the ratings environment "slightly more marginal" and has led to underwriting discipline "coming off a little", he adds. It has also had an impact on capacity – some of these MGAs have been backed by the Lloyd's market, leading to other Lloyd's insurers "coming up short" on capacity for their plans, he says.

That said, for buyers of insurance, the decision where to place business comes down to how confident they are claims will be paid – whether that be from Lloyd's, a delegated authority or another jurisdiction.

"Some of the Asian markets have some very strong security there, certainly on paper, but I'd be guided by brokers as to how good the claims-paying ability of various insurers is," Henstridge says, adding not all A-rated companies are equal.

Kumar Sriskandan/Alamy Stock Photo

Henstridge expects to see greater emphasis on lead underwriting within the Lloyd's market. "I think it's going to be more difficult as a following underwriter who – not to put too fine a point on it – is getting a free ride on the talents of the leaders."

In the Nordic markets, for example, lead underwriters charge for claims services, something that does not happen in Lloyd's, Henstridge points out.

At the same time, he says he expects a more dedicated follow market to develop, adding Apollo is working on its own smart follow capacity. "We've got a fairly sophisticated product we're rolling out to brokers in the coming months," he says.

Hull is largely an attritional class of business, Henstridge adds, which has been a strength of the London market. "If you don't get your deductibles and conditions right, all those little claims will tally up and come and hurt you, so managing attrition is key. I think London's done a pretty good job of that," he says.

London is itself an international market, which therefore makes direct comparisons with other jurisdictions less straightforward. "There are German underwriters here, Japanese-backed underwriters, American-backed, French-backed, Chinese-backed, you name it, so a lot of our international competition is sat among us," Henstridge says.

This sentiment is echoed by Jones. The Nordic markets have seen an increase in hull business, but this has been a gradual increase and does not necessarily mean the London market is losing out on business, he says.

"In London we do have some of those Nordic markets already operating," he says. "To split out markets [geographically] in that way is perhaps not illustrative of the actual position because we all have bits and pieces in each of those markets."

Digitalisation and bringing down the cost of doing business will help keep the London market competitive, Jones says, but it also needs to capitalise on its ability to create bespoke solutions, particularly for emerging risks.

"There's a huge issue in the marine market around decarbonisation, how we build that in and what that means in terms of potential liabilities. But we're very well placed in London to understand that risk," Jones says. "It's about meeting the client's needs and innovating towards that. We have the talent base to do that at the moment and hopefully that will continue." ■

"Some of the Asian markets have some very strong security there, certainly on paper, but I'd be guided by brokers as to how good the claims-paying ability of various insurers is"

Iain Henstridge
Apollo

Marine is firmly part of SiriusPoint's vision: Smyth

SiriusPoint's Stephen Smyth describes the state of play in marine underwriting, the enduring appeal of Lloyd's and his outlook on the international market

Marine liability will come under greater scrutiny at Lloyd's next year, according to Stephen Smyth, the new head of marine at SiriusPoint, *writes Louise Isted*.

A veteran of the marine market, Smyth joined the specialist re/insurer in October as active underwriter (subject to Lloyd's regulatory approval) for its Lloyd's syndicate 1945.

In an interview with *Insurance Day*, Smyth says marine liability is expected to "go into Decile" for some syndicates for 2024 because "the tail has started to catch up with them". Launched in 2018, Lloyd's Decile 10 initiative is designed to bring underperforming syndicates and classes of business back to profitability.

"The back years have had adverse development, which has been a combination of claims inflation and increased court awards in the US," Smyth says. "Now, if you want to write the excess lines book, the attachment points are very different because people are adjusting their risk appetite on excess liability business."

Pointing out some players pulled out of marine liability this year, Smyth says "syndicates with a heavily excess liability book are saying, 'If we can't turn this around, we might as well just exit it as a line of business'."

He continues: "Every syndicate will need reinsurance to operate but if it's not available or it's cost-prohibitive, it means their business plan doesn't stack up."

Back-year deterioration

The risk of deterioration in liability classes in the back years is one of several risks facing the market, marine and non-marine. Others include fire on board vessels, misdeclared cargo, value accumulation and rising repair costs, which all remain issues to be carefully considered, he adds.

"We all think we're writing good business, but it's important never to be complacent, to always keep our eye on what's going on in the market and further afield in the wider economy," he says.

Decile 10 has helped produce a significant and ongoing market correction. Smyth says: "There's been an adjustment of risk appetite, an increase in rates and a tightening of terms and conditions. Reinsurers towards the end of last year were saying 'double, double, half' – double retention, double the price and half the ceding commission. That's obviously necessitated an evaluation of business plans, not only with Lloyd's, but internally as well."

Are Lloyd's rates sustainable? "More than they were a few years ago," Smyth says, "but companies are still carrying rate, because the market needs them to."

He continues: "We've got rising costs of claims and so companies are being far more forensic in their review of their own portfolio. It's not just about pricing; it's about terms and conditions as well."

On competition, Smyth says Lloyd's needs to stay relevant and continue to innovate. "There's Norway, Germany, Sweden, Singapore, China, North America and Latin America, because the marine market is global by its nature. These markets have always been competitive and always will be. Each one has strength in certain classes, such as the Nordics in hull and the UK and European market in cargo."

Smyth highlights Lloyd's Lab. "This isn't just for insurtechs and startups. It's all about the goal of sharing risk because some risks are too big for any one organisation to underwrite 100%. Lloyd's has the fantastic ability of paying claims, backed by the Lloyd's Central Fund. People often underestimate that, but it proves just how strong Lloyd's is as an entity.

"We all think we're writing good business, but it's important never to be complacent, to always keep our eye on what's going on in the market and further afield in the wider economy"

Stephen Smyth
SiriusPoint

"There's the best atmosphere at Lloyd's since the pandemic as a result of the refurbishment," Smyth says, referring to the Underwriting Room. "It's a very efficient way to do business, in terms of the face-to-face interaction, because there's nothing better than actually seeing the whites of a broker's eyes."

Is the marine market hard or hardening? "The market is the market. Sometimes conditions are better for underwriters than other times. Our view at SiriusPoint is market conditions are always good, because there's always opportunity, and those opportunities can come in various forms," Smyth says.

"How can rates be maintained? It's all about underwriting discipline. If you don't understand the risk, you shouldn't be deploying underwriting capacity in writing that risk."

New partnerships

More capacity clearly came into the Lloyd's marine market this year and more, though probably not as much, will enter in 2024, Smyth says. Whatever the trend proves to be, he stresses SiriusPoint always intended to add marine to its product lines.

Smyth was handpicked by Scott Egan, who became SiriusPoint's chief executive in September last year, and Rob Gibbs, who joined in December as chief executive of its international business.

"Obviously, the more attractive rates in the marine market helped support them when they took the decision to add marine to the board but, wherever they've worked, Scott and Rob have always had a marine division and Rob's first words to me were: 'Steve, we're missing marine.'"

Smyth joined SiriusPoint from Travelers, where he built a specialist insurance operation for UK marine risks as managing senior underwriter of marine. Before Travelers, he was head of UK regional marine and head of office at Beazley. Before that, he had marine underwriting roles at Allianz, AIG and Commercial Union.

As well as developing SiriusPoint's marine capabilities in the London market, Smyth is tasked with supporting its Stockholm-based marine team in international markets. As part of this, SiriusPoint and Nordic Marine Insurance, also based in the Swedish capital, recently announced a new strategic partnership. It is the second managing general agent (MGA) to have emerged through SiriusPoint International's MGA Centre of Excellence, which launched this year to deliver a collaborative onboarding experience for new MGA partners. The first MGA to emerge from this, in August, was UK property/casualty MGA Eaton Gate.

Ever since it was announced Smyth was joining SiriusPoint in October, further MGA opportunities "have been coming in thick and fast", he says. Although he cannot share details of potential MGA partnerships, as they are subject to non-disclosure agreements, Nordic Marine is a good illustration of what SiriusPoint is looking for.

Smyth says: "MGA distribution is a core part of our international growth strategy, where we develop partnerships with MGAs, based on their risk appetite alignment and synergy with our own expertise, our own vision and our own values. Nordic Marine has a business we would find it difficult to replicate in a reasonable timeframe and for a reasonable cost as well."

Smyth will be working alongside the other underwriting leads at the MGA Centre of Excellence, such as in accident and health, energy and international casualty. "I'll see how I can optimise the performance of their existing portfolios, to deliver our growth and profitability targets, so we'll work together to evaluate new opportunities and develop our business for syndicate 1945."

SiriusPoint will have "at least another two or three" MGA partnerships in the coming months, "depending on how quickly we can get them across the line", he says. Importantly, these partnerships would extend SiriusPoint's reach beyond London and Europe to the Far East and the Americas, he adds.

Global opportunity

Smyth highlights growth in global trade has been "muted" but is still expected to increase slightly less than 2% this year and slightly more than 3% next year.

"It's thought 40% of the world's cargo that is moved by sea is actually uninsured, so as an industry we're looking at alternative distribution methods to see how we can close that gap, how can we get to those people who don't buy cargo. It might be they choose not to or it might be they're ignorant to the risks" Smyth says.

Shipbuilding is expected to grow from slightly less than $150bn this year to about $185bn in 2028, he adds.

"There's lots of investment going on to address supply chain challenges and so we think the opportunities in marine can only grow," he says. This growth will be supported by new technology, which is "getting cheaper all the time".

He continues: "Several years ago it was almost cost-prohibitive but there are now signs on the horizon for a greater level of autonomous shipping, including container vessels. We've already seen autonomous surface vessels operating in ports in and around Europe, so the technologies are there and are going to get more widespread. However, we can't compromise risk quality and while technology is an enabler, it also comes with risks which need to be understood."

Smyth will be recruiting for his marine team over the coming months. "It's an open book how many underwriters we hire," he says. "If an opportunity calls for additional expertise then we will go out and hire that additional expertise."

He concludes: "This is my 33rd year in marine and I've got a strong ambition to deliver a best in class marine business for SiriusPoint." ■

Identifying marine risks in the transition to a decarbonised future

Alternative energy sources have cost, availability, storage and environmental concerns that will directly affect the industry and need to be addressed, write **Sharon Stewart** and **Mehmet Shukri**

The International Maritime Organization (IMO) enhanced its strategy of reducing the shipping industry's greenhouse gas (GHG) emissions in July 2023.

According to the "2023 IMO Strategy on Reduction of GHG Emissions from Ships", the industry needs to strive to reduce total GHG emissions by 30% by 2030, 80% GHG reductions by 2040 and to reach the target of net-zero GHG emissions by or around 2050.

Meeting these global decarbonisation goals is a significant challenge. Alternative energy sources have cost, availability, storage and environmental concerns that will directly impact the industry and need to be addressed.

Vessels

The decarbonisation of shipping will result in alterations to the vessels themselves. For example, it is likely vessels will grow in size, as larger ships consume less fuel per container and therefore are more environmentally friendly.

As ships grow larger, cargo accumulations and exposures will increase. This will lead to an increase in salvage costs as fewer ports and shipyards are capable of repairing and servicing larger containerships. There is also a greater risk of port blockages as a result of the increased size of vessels, as seen in March 2021 when *Ever Given* blocked the Suez Canal for six days.

It will be necessary to retrofit fleets to use conventional fuels and adopt different operational practices to improve their efficiency. This will create challenges relating to defining and applying standards for new fuels, as well as identifying the stages at which vessels are ready to use them.

Cargo

Another major concern is the potential safety risks posed by alternative fuel technologies. One example of this is fire and explosion hazards when transporting electric vehicles (EVs) containing lithium-ion batteries.

As part of the wider global efforts to reduce carbon emissions, more and more EVs are being transported by sea. The emerging risk of fires on car carriers has been highlighted by recent losses such as *MV Felicity Ace*, *Grande Costa D'Avorio* and *Fremantle Highway*.

Although the exact cause of these fires is unknown, lithium-ion batteries in EVs on *Felicity Ace* ignited and made it impossible to contain the fire. All crew members abandoned the ship and the fire continued to burn until the ship sank on March 1, 2022, two weeks after the initial blaze started.

US Coast Guard/APFootage/Alamy Stock Photo

The New York Fire Department tackles a fire on board Grande Costa D'Avorio

The risk of such fires originates from the specific design of the batteries within EVs. A lithium-ion battery provides power through the movement of ions between two electrodes immersed in a liquid electrolyte, which can be highly volatile and flammable at high temperatures.

Physical contact between these two electrodes is prevented by a porous plastic separator. If this separator gets damaged and the electrodes touch one another, an electrical short circuit can occur, which will generate heat and gases inside the cells of the battery. The rising temperature can result in a chain reaction, potentially resulting in fire or explosion.

Common causes of the failure of the separator are manufacturing defects, physical damage or internal electrical failure caused by overcharging, overdischarging or short circuiting.

Electrochemical fires start and intensify quickly and fixed firefighting systems on car carriers are often not capable of bringing such fires under control. In many cases the initial fire can be extinguished only for a secondary fire to reignite, since damage to the battery leaves it with a potential to continue to self-heat.

The reignition may not happen for several hours or even days later and the ship may then be limited in its ability to fight a secondary fire.

Even though modern car carriers are now capable of carrying upwards of 6,000 vessels a voyage, at present there is no systemic approach to storing and transporting EVs.

In response, the suggestion has been put forward that all vehicles could be loaded on to the bottom deck of a vessel, which can then be sealed and intentionally flooded in the event of a fire (potentially saving the vessel from sinking). Beyond this, risk mitigation measures are likely to include better training for crew members on electrochemical fires and improving the labelling of EVs to help crew members identify them.

As ships grow larger, cargo accumulations and exposures will increase. This will lead to an increase in salvage costs as fewer ports and shipyards are capable of repairing and servicing larger containerships

To provide early detection of lithium-ion battery problems, some operators are investigating the use of gas detectors that can identify the specific gases produced by these batteries, as well as thermal cameras that can monitor temperatures during loading and throughout the the voyage.

Regulation and climate litigation

A growing challenge for regulators across the globe is the need to develop necessary rules, standards and guidelines in relation to new fuels in shipping. The development and implementation of international regulations is a complex process, one that is likely to be exacerbated by the increasing volume and scope of climate change litigation, which will also affect the shipping industry.

Such an impact has already been seen in the oil and gas industry. For example, on April 24 the US Supreme Court declined to consider five climate change-related tort claims despite the defendants – all fossil fuel companies, including Exxon Mobil, Suncor Energy and Chevron Corp – arguing these should be heard in federal courts, rather than at the state level.

The position the Supreme Court has assumed has significant ramifications for climate change litigation, since state courts are generally considered to be more favourable to plaintiffs than federal courts. It also makes clear local bodies – for example, municipalities – can pursue global firms at a regional level for regional alleged environmental harm.

Insurers and reinsurers are therefore now facing the prospect of their policyholders being pursued by plaintiffs in numerous protracted, complex and expensive pieces of litigation. With regards to the shipping industry, similar litigation may arise if a vessel is present in a jurisdiction around the world which allows local court proceedings to be initiated.

Shipping companies will therefore need to be conscious of their potential legal obligations to abide by new regulatory standards, since failing to do so could result in climate change-associated litigation that resembles the cases affecting the oil and gas industry.

Many other factors could lead to an increase in climate litigation in the shipping industry, including technical disputes – such as performance issues from retrofits or bunker disputes – or the contractual implications of operational efficiency clauses.

In a future with increased regulations and more transparent sustainability reporting there could also be a rise in greenwashing disputes predicated on the specific choices made in relation to fuel and technology intended to meet decarbonisation obligations.

There is the possibility shareholders could initiate actions against a company for failing to decarbonise, which potentially could affect the value of the company. ■

Mehmet Shukri is deputy head of claims and client services and Sharon Stewart is head of protection and indemnity claims at Aon Reinsurance Solutions

'Dark fleet' a major concern for marine losses: WTW's Lockwood

Dariusz Kuzminski/Alamy Stock Photo

Rise in sanction-busting practices has had a more dramatic influence on marine insurance than the pandemic, WTW's head of shipowners, Simon Lockwood, says

Geopolitical instability will continue to drive marine losses as insurers manage the risk posed by the "dark fleet", WTW's head of shipowners says, *writes Queenie Shaikh*.

Simon Lockwood says the impact of sanctions on Russia from its war in Ukraine, and the rise of sanction-busting shipping practices, has had a "more dramatic influence" on marine insurance than the coronavirus pandemic and he expects its impact on losses to continue.

The war has "prompted significant changes within the industry as businesses aim to handle sanctions and their consequences", Lockwood tells *Insurance Day*.

The dark fleet is a term used to describe vessels whose ownership is unclear, whose insurers are obscure and that continue to trade Russian oil in defiance of Western sanctions and the G7 oil price cap.

While these vessels do not present a challenge in terms of direct insurance, Lockwood says, having dark fleet operators sailing in proximity to compliant, International Group-insured owners creates its own insurance risks.

"What happens when your ship collides with a vessel that is part of the dark fleet? What happens when one of those ships runs aground and causes a massive pollution event that isn't going to get covered?" he asks.

Lockwood is clear there is a high degree of uncertainty about what would happen in the case of a hypothetical incident involving a dark fleet vessel.

The outbreak of the Russia-Ukraine war caused an initially choppy period for war insurers of vessels using the Black Sea, Lockwood says. The unique geographical constraints of the Bosporus meant "significant claims" were caused not by physical losses or damage – although some vessels were attacked – but because owners and operators were deprived of the use of their vessels as they became stuck in Ukrainian ports.

Lockwood suspects the final loss numbers would not come close to the $900m-worth of ships that were initially stuck and "would probably be less than $500m".

Mounting conflict

With respect to the mounting conflict between Israel and Hamas, he says the consequences, especially concerning the potential involvement of Iran, need to be "closely watched". Iran's history of targeting ships – most prominently when the country seized the UK-flagged *Stena Impero* in 2019 – was part of a picture of "increasing regional tensions", Lockwood says.

Aside from geopolitical risks, Lockwood says insurers need to be aware of the "enhanced" risks associated with the shipping industry's decarbonisation efforts, mainly associated with the adoption of new technologies and transitioning sources of energy for the global fleet.

This year has been a bellwether one for the sector's sustainability pathway, with the International Maritime Organization – the industry's UN-backed regulator – establishing a net-zero target "on or around" 2050.

This increased ambition, combined with a range of other UN- and EU-driven laws aimed at curbing the sector's carbon impact, has pushed insurers to "support clients' long-term moves to do the right thing".

However, Lockwood continues, the industry's push to decarbonise could cause "short-term losses that are driven by the teething problems of technological change".

Lockwood points out the industry is looking to shift away from fossil fuels and things that have long been taken for granted, such as fuel availability, might be compromised in a market where ships are burning ammonia, green methanol, biofuels and other low-carbon fuels.

The binding nature of the IMO's targets for the entire global fleet means insurers will find it difficult to avoid these risks, and with the average lifespan of a commercial vessel pegged at around 20 years, shipping companies and insurers have only until the end of this decade to establish and, where feasible, derisk their decarbonisation strategies. "For every evolution, there's going to be a new challenge", Lockwood says.

"What happens when your ship collides with a vessel that is part of the dark fleet? What happens when one of those ships runs aground and causes a massive pollution event that isn't going to get covered?"

Simon Lockwood
WTW

On pricing trends for hull and machinery, he says he does not expect "significant correction" of pricing in either direction.

That the market environment for hull and machinery insurance is, he says, at its "most positive level" since 2017. A reduction in hull and machinery claims and growing premium income is currently combining to drive "an increase in capacity and an increase in appetite", but Lockwood says this increase in capacity is coming not only from incumbents looking to grow their market share, but also from new market entrants.

Ultimately, this competition will benefit insurance buyers, he adds.

Lockwood concludes there are continued signs of optimism for insurers. "This is an industry that thrives in times of instability and crisis," he says. "Look at what the tanker market is doing at the moment in terms of profitability – the insurance market will respond to that accordingly."

An Iranian Revolutionary Guard vessel detains tanker Stena Impero in 2019

Saeed Abdolizadeh/Alamy Stock Photo

Cargo insurers shifting more attritional loss to clients: IQUW's Heeley

Specialty re/insurer IQUW's lead marine cargo underwriter, Scott Heeley, outlines how marine claims have evolved and the increasingly prominent role of contract logistics

Marine cargo insureds are bearing more attritional loss than before, which is sharpening their focus on risk management, according to IQUW's lead underwriter for marine cargo, Scott Heeley, *writes Louise Isted.*

In an interview with *Insurance Day*, Heeley says this is the main discernible trend for cargo in an otherwise increasingly unpredictable world for marine re/insurers.

Heeley is predominantly a cargo and cargo liability underwriter but sits within the wider marine team at the specialty re/insurer. IQUW's cover is underwritten by Lloyd's syndicate 1856 and Heeley's work spans international marine markets.

"It's an interesting time to talk about claims because it's becoming harder to tell whether something is a trend or a trigger," Heeley says.

The most obvious recent trigger has been the Covid pandemic, which not only reduced global maritime trade but also the rate of shipbuilding and container construction, he says. As the world emerged from the pandemic, freight rates increased but new types of triggers for claims emerged owing to increased leakage in older containers and an ageing fleet.

Regular losses

Maritime losses in the past few years have not been as significant as the likes of the *MOL Comfort* disaster of 2013, certainly not for cargo insurers, Heeley stresses, but they have been "regular". These include onboard fires, particularly involving car carriers, and damaged imports from rough handling, owing to pressure on ports to get trade moving again.

"Fast-forward 12 months to now and freight rates have dipped, we know there's been some blank sailings and there's been a build-up of empty containers," Heeley says, "but something that's hard for cargo insurers to understand is which vessel a container is placed on."

Insurers can give their clients best practice advice on checking containers before they load them, but the task of checking and loading is increasingly being done by third-party logistics providers, Heeley adds.

Although many customers have "significant" warehousing, there is also a trend towards outsourcing logistics, meaning they will have less control over the shipping and storage elements until the cargo ends up at their warehouse or factory, although they could still have responsibility for it, he says. "The world is changing rapidly from the many years of 'samey' types of goods, like oil and gas, to cargo with specific needs, such as temperature-controlled pharmaceuticals," Heeley says.

"Supply chain disruption causes delays that can lead to the deterioration of such goods in ports because the more something is handled or if the required conditions are not maintained, the more opportunity there is for human error and therefore damage or contamination," he adds.

Climate challenges

Cargo insurers also have concerns about wider changes to shipping, including environmental exposure from increased demand for emissions reduction, alongside changes to fuel, machinery and equipment needed to propel vessels in a more climate-friendly way.

Insurers are themselves "on a journey" with the safe transit and storage of electric vehicles and lithium-ion batteries, Heeley stresses.

The *Fremantle Highway* incident in July this year highlighted how car carriers pose one of the biggest challenges for marine cargo insurers because of the risk of onboard fires. They also face the challenge of the compound storage of cars, Heeley continues, which brings with it a lot of natural catastrophe exposure as well, especially to hail and flood.

The future of shipping from a net-zero perspective is also top of mind.

"We want to be innovative and understand how we can provide ongoing coverage to our customers in this changing environment, which will have long-term impact on the world's fleet," Heeley says.

Highlighting Maersk's use of green methanol for the maiden voyage of the world's first methanol-enabled container vessel, he stresses wider use of these new developments is "untested in the insurance market, but we will be watching closely in the coming months and years".

Cargo's exposure to natural catastrophe risk is especially "prolific" in North America. "Climate is huge for us, for road transport and goods at sea, but also from a static inventory perspective," Heeley says. "The increase in wildfires in California, Canada, Oregon and parts of Washington is something we now expect every year effectively."

Damage to Fremantle Highway after a fire broke out

Lars Penning/dpa/Alamy Live News

He continues: "We try to understand what our customers need to do to minimise the impacts, such as husbandry around their properties and contracts with fire departments to provide specialist services."

Although there is "relatively well-established" modelling for earthquake, windstorm and flood, tornadoes are showing a strong propensity for loss.

Heeley says: "From among the secondary perils, tornadoes are much more arbitrary. I was in the Midwest in April and I visited some sites where there had been tornado damage. What spoke to me was how indiscriminate that was, with one warehouse still standing but three others over the road not.

"Getting our arms around that from a loss perspective is quite challenging, but we're doing our best to iterate our models as often as we can and engage with companies that aggregate that data."

Inflation

In relation to an estimate by international transport and logistics insurer TT Club in 2019 that a major containership fire incident at sea occurs on average every 60 days, Heeley stresses this does not automatically result in a significant claim for cargo insurers. "If a general average is declared, then that's obviously going to filter through to the cargo industry," he says, adding the average value per box is going up considerably.

"Where there has been a loss, even in the attritional space, the same loss three years ago might have cost $200,000 but that has risen to $300,000," he says.

Amid continued global inflationary pressures, cargo insurers need to be mindful of the potential for more significant and possibly frequent general average contributions with new and emerging risks within the shipping industry.

The rise in inflation has been a counterweight to the drop in demand during the Covid pandemic.

"Volumes weren't increasing massively, but values were as a result of inflation, so limit requirements for customers definitely went up," Heeley says. "The volatility and severity risk we started seeing as a market led to the requirement for additional limit, but that wasn't automatically driven by volume, rather by inflation pushing up value. Some of that normalised but was then impacted again by the start of the war in Ukraine."

Concerns about natural gas supply in the winter of last year led to requirements for excess capacity within the marketplace. There has been price volatility and not only in crude oil and natural gas markets.

Heeley says: “We also saw some huge price rises in lithium coming out of Argentina and Chile as demand started to ramp back up for consumer electronics and electric vehicle batteries. Before the pandemic, there hadn’t been enough stockpiling but then customers did stockpile and bought a lot of additional capacity. That has since normalised.”

War risks

From a war perspective, cargo re/insurers do not face much loss, Heeley says. “We do write it, but we don’t tend to write it standalone from a cargo perspective. IQUW has a war and political violence team, led by Dan Callow, who are experts in that class and have significant experience in both land and marine war risks. For example, from an IQUW cargo perspective, the Russia-Ukraine war has not given rise to a significant amount of waterborne war loss,” he says.

The fact sanctions against Russia started to be imposed soon after its invasion of Ukraine in February 2022 has meant international markets are not insuring cargo on Russian-flagged vessels.

“The market reacted quickly in response to the sanctions, which has meant we haven’t seen a significant uptick in loss,” Heeley says.

However, Heeley refers to the piracy attack on two tanker vessels off the coast of Iran in the summer of 2019, which caused a spike in insurance rates for vessels in the Gulf of Oman.

“Subsequent to that attack, that whole area west of longitude 58°E was subject to enhanced war restrictions and/or additional premiums. But since that incident, we have seen improved risk management and I don’t believe there’ve been any further significant incidents,” he says.

As well as the Russia-Ukraine war,

“A lot of what was considered historically as attritional loss is being borne by customers now. That obviously means they need to focus on their risk management”

Scott Heeley
IQUW

marine re/insurers are also now watching the conflict in Gaza.

“It has been terrible to see the devastation of war unfold in Ukraine and we’re now following the terrible events in the Israel-Hamas conflict. Similarly to the outbreak of war in Ukraine, it’s too early to predict the impact of events. However, up until now we haven’t seen any actual waterborne loss,” Heeley says.

He continues: “The thing to remember is as soon as cargo has made it to shore, generally speaking coverage wouldn’t be available in the marine market and would have to be provided by the war and land market. Some cargo insurers do provide that coverage but it’s not provided as standard.”

Piracy has become much less of an issue in recent years.

“I was underwriting cargo in the late 2000s, when piracy in the Gulf of Aden was at its peak, but we haven’t seen anything anywhere near those levels for quite a long time. It’s something we’re always mindful of, but it’s definitely normalised,” Heeley says.

Retainable risk

Regarding the trend towards increased retainable risk, Heeley says rates rose as claims came through Decile 10 and conversations with clients about attritional loss ensued.

“A lot of what was considered historically as attritional loss is being borne by customers now. That obviously means they need to focus on their risk management because the more they can reduce their attritional loss, the better it will be for their balance sheet,” Heeley says.

Clients are also moving that risk on to their third-party carriers.

“We are seeing a lot of customers negotiating relatively strong contracts with their logistics providers, less obviously on the deep-sea risks, but certainly with regards to warehousing and truck cargo around the US and Canada,” Heeley says.

“It’s harder to spot trends in marine cargo because a lot of the small impact damage from rough handling is now being dealt with within the customer’s own deductibles. From the market’s perspective, then, the biggest trend is attrition is forming a smaller part of our portfolio.”

Has this made attritional loss more opaque to re/insurers? “That’s a really good point because, if you’re basically saying to a customer ‘we’re not going to provide the first $50,000 of insurance, so that’s for you’, then there is no requirement for them to tell us. But it’s always good practice to say to customers ‘in the event you think you have a loss that could breach your deductible, let us know about it’.”

He concludes: “The marine cargo market is in a positive position at the moment because we’ve got our arms around modelling better than we ever had before, both in terms of natcat and pricing, which means we can understand adequacy of premiums relative to risk.” ■

Welcome to the shipping coalface

Lloyd's List recently reported the deaths of five seafarers in the North Sea as well as the hotel detention of 19 others for three months and counting after an insurance dispute in which they have no part

We still do not know the names or nationalities of four out of the five people who died after British-owned general cargoship *Verity* (IMO: 9229178) sank in the North Sea in the early hours of October 24, *writes David Osler*.

But tabloid papers tell us Docenito Paler Junior has been revealed by friends as among those who will not be coming back from the trip. Paler, a Filipino national whose rank has not been specified, was a young man, probably in his 30s to judge from the pictures on his Facebook page. He leaves behind a partner and five children.

His story serves as a reminder that, while shipping has been getting steadily safer for several decades, it remains a dangerous profession.

According to Lloyd's List Intelligence data, there were 96 recorded fatalities on merchant vessels in 2022. The real number is likely to be far higher.

It is no coincidence professional seafarers notoriously regard the low-margin shortsea trades as the most stressful gig of them all. Crew levels are never one single person more than specified on the Minimum Safe Manning Certificate, with the fatigue that inevitably results from six hours on/six hours off working patterns and frequent port calls an omnipresent risk to mental health.

We of course extend the industry's best wishes to the two *Verity* seafarers who were rescued and are now receiving medical care, and condolences to the grieving families of those who have not survived.

Thanks are due to the prompt rescue operations led by Germany's Havariekommando, the Central Command for Maritime Emergencies, assisted by ships in the area including a P&O cruiseship.

We can only trust a British response to a similar situation – something that will inevitably happen, sooner or later – would be equally effective, despite the budget cuts for rescue services seen over the past decade.

The proximate cause of the casualty was a collision with a far larger bulk carrier, the 38,000 dwt *Polesie* (IMO: 9488097), south-west of Helgoland. But the full story will not be known until the Marine Accident Investigation Branch, on behalf of flag state Isle of Man, issues its report.

At least Red Ensign group flags can be depended upon to publish casualty investigations. Even now, some 40% of major casualties do not get that far. That is unacceptable for many reasons, not the least of them being the relatives, partners, children and friends of deceased have a right to know how their loved one passed away.

Insurance-based compensation for the injured and the families of the deceased will be available, but the level will be dependent on where they came from.

Payouts will be in line with life insurance policies for any citizens of the developed world and rather less generous for those from the labour supply countries such as Paler's homeland the Philippines, which make up the majority of our industry's workforce.

Another recent sorry tale has been the plight of the 19 Azerbaijanis who crewed *Angel* (IMO: 9256406), an old flag of convenience feeder vessel that capsized in the entry to the Taiwanese port of Kaohsiung in July. The port authority is not unreasonably demanding $30m to pay for the cost of wreck removal, container retrieval and the clean-up operation that tackled bunker pollution.

The owner and its fixed-premium protection and indemnity provider cannot agree on who should foot the bill, with the upshot being the crew have been detained in a local hotel for three months, even though their presence is no longer required by police. Several have serious medical conditions; the master has recently lost his mother, but there is little prospect of him being home for her funeral.

What is gained by continuing to hold them in Taiwan? Nothing, as far as we can see. The crew has written to Taiwan's president, Tsai Ing-wen, for clemency; she should exercise it.

Shipping supports large numbers of jobs, many of them nicely salaried white-collar positions in well-appointed offices, with a cancelled commuter train typically the worst thing that can happen on any given working day. Never forget the somewhat harsher perils faced by the men and women who make this possible.

Those of us who work directly for shipping companies or shipmanagers, or in marine insurance, maritime law, ship finance, shipping journalism and sundry other service roles – not to mention every single consumer in the developed world – ought to be properly grateful. Hold them in your thoughts. ■

This article was first published in Lloyd's List, a sister publication of Insurance Day

Insurers can do more to improve safety in shipping

In almost every shipping incident, the issue is non-compliance with regulation. The procedures are in place, but the practice is lacking

Shipping lags behind many other industry sectors in terms of safety, *writes Rasaad Jamie*.

According to a 2014 report on fatal accidents and injuries among merchant seafarers worldwide, a British seafarer was five times more likely to have a fatal accident than someone working in another "high-risk" industry, such as construction. The seafarer was also 21 times more likely to suffer a fatal accident on the job than someone in the general British workforce.

Since the publication of that report nearly 10 years ago, both the UK and European construction industries have improved their safety performance, making the contrast between the shipping and construction industries even starker in terms of their respective focus on worker safety.

Other high-risk industries have recorded strong improvements as well, according to Dr Grahaeme Henderson, chairman of Together in Safety, a coalition of shipping industry bodies he initiated in 2019 to improve the safety performance of the shipping industry.

Henderson, who previously served as chief executive of Brunei Shell Petroleum, global head of shipping at Shell International, and president of the UK Chamber of Shipping, points out over the past decade there has been a reduction in passenger and worker fatalities in the commercial airline sector from around 700 to 100 annually, including a reduction in fatal worker accidents from around 30 to six annually. For the UK rail industry, the number of fatal train accidents has reduced during the past 20 years to almost zero in recent years.

Before 2019, the issue of poor safety at sea had not been highlighted, he says. "Even now, there is little coverage in the shipping media. What was needed then – and now – is a strategic, analytical approach and an understanding of the realities."

The realities behind the poor safety performance in shipping are many. They include the financial fortunes of the industry. Falling freight rates and increasing cost pressures because of inflation have had a significant impact on investment in this area, a situation not made any easi-

A fire on board a containership

LOUIS KRUK/Alamy Stock Photo

er by another reality, the significant challenge faced by bodies such as Together in Safety in uniting the industry around safety.

According to Henderson, the realities also include getting the insurance sector to do more to make shipping a safer industry in which to work.

Here, Henderson has in his sights the two main sectors of the marine insurance market: the protection and indemnity (P&I) mutuals or clubs, where the vast bulk of maritime liability insurance, including death covers, are written, as well as the commercial hull, machinery and cargo insurers.

Too financially driven

There are exceptions, he says, but in general the insurance market is too financially driven and is not as focused on improving the shipping industry's safety performance as it should be. "While safety can be said to be the direct responsibility of the shipping companies, it is also a collective responsibility and that is why it is important for the insurance market to be part of the solution. I believe the insurance industry has room for improvement in its contribution to improving safety performance in the shipping industry," he adds.

Insurance companies, he argues, are in competition with each other to win business. "And yet, no one wants a shipping incident that tarnishes the reputation of the industry, no one wants to see seafarers killed or injured or to see the oceans polluted, so there is a collective responsibility and safety is not a competition," he says.

The P&I clubs, he says, have their loss prevention groups (LPGs), but there are limits to their resources and authority. "The safety advice videos and webinars provided by the LPGs to the shipping companies are not enough on their own."

For Henderson, the LPGs are not necessarily addressing the real root

"No one wants a shipping incident that tarnishes the reputation of the industry, no one wants to see seafarers killed or injured or to see the oceans polluted, so there is a collective responsibility and safety is not a competition"

Grahaeme Henderson
Together in Safety

causes behind the general lack of leadership, incident prevention, and the care of seafarers.

For example, the insurance industry could have a critical role during hard market cycles such as the one being experienced by the shipping industry at present.

To date, the increases in premiums have not had a significant impact in highlighting the cost to both the shipping and insurance industries of not having effective safety regimes in place, Henderson says.

Shipping companies are simply paying those increases. "There needs to be an understanding on the part of the insurers and the shipping companies that the costs of claims and premiums will continue to rise with increasing scrutiny and expectation from the public and governments around compensation costs and for repairs to faulty equipment and machinery, which are often the cause of serious injuries and fatalities," Henderson says.

According to Captain Rahul Khanna, global head of marine risk consulting at Allianz Global Corporate & Specialty (AGCS), this is starting to happen. AGCS, for example, is taking into account claims records as well as conducting detailed risk-quality assessments through its Allianz Risk Consulting (ARC) unit, which includes master mariners, engineers and supply chain professionals. Since 2014, the company has also published an annual safety and shipping review.

There is always room for improvement, Khanna says. "As insurers, we can keep the pressure on substandard shipping and incentivise higher standards of safety. We know a large percentage of accidents and casualties are the result of human error, so we place great importance on identifying the risks associated with crewing and training, and that includes crew wellbeing.

"Hull and machinery insurers might not be able to access this information easily, but we source as much detail as possible to enable our risk assessment process to factor in such risks. ARC works very closely with underwriters to risk-assess these factors."

There is no doubt to move forward, the industry needs to improve its monitoring and analysis of health and safety data. This, however, is much more challenging than it sounds.

To begin with, there is no global, comprehensive, reliable and accurate data source that includes shipping incidents, seafarer fatalities, suicides and serious injuries involving seafarers.

"The incident data that is available is of inconsistent quality and coverage, with regional disparities very apparent. There are also large numbers of seafarers that are reported as missing each year, which are not recorded as fatalities and are presumably lost at sea, thus hiding these tragedies from the data statistics," Henderson says.

Under-reporting and misreporting of all types of incidents are a significant issue. The reason for this is there is no benefit to be gained by the company reporting an incident, according to Henderson.

"Reporting can attract increased attention from authorities, with the potential for costly delays and additional management time. It is a black mark that can influence chartering the ship in the future, damage a company's reputation, increase insurance premiums, and negatively impact employee morale. Instead, not reporting the incident is often seen as the 'easy' option," he argues.

Compliance

Few think increased regulation will help increase the shipping industry's safety performance. Regulation has improved in recent years, but in almost every shipping incident, the issue is non-compliance, Henderson says.

"The procedures are in place, but the practice is lacking. There is much corner-cutting and complacency, and a desire to get the job done as quickly as possible. Executives and leadership teams are often not aware of what is actually happening," he adds.

Khanna agrees the implementation of regulations, in certain segments of the industry and in some geographical locations, is lacking. But he does not believe increasing regulation is the answer.

"Shipowners and crew members are already burdened with a myriad of regulations. The implementation of these at a local level needs to improve – a task best managed by local administrations – but we, as an industry, can influence this to some degree," he says.

Justus Heinrich, global product leader for marine hull at AGCS, says it is important to be mindful of the significant differences in regulation that exist between marine industry segments, such as in a highly regulated segment like tankers, for example, compared with general cargo vessels.

He says, in general, AGCS has seen an improvement in its shipping clients' safety standards. "This is not only due to the increased use of technology over the past decade, but also because of improved standards in crew training and the greater implementation of lesson-learned processes, including near-miss reporting," Heinrich says.

Technology

The potential of new technology to increase compliance and thereby the safety performance of the shipping industry is not in question. But while the industry has adopted technology in many areas, including the improved monitoring of engine performance and predictive maintenance, the pace of adoption has been slower than expected.

According to Khanna, some of the major ship owners have taken the lead and adopted the internet of things (IoT) in many processes, but this has not filtered down to the other end of the spectrum, where some owners do the bare minimum.

IoT container cargo monitoring is not new, but the industry has been slow to scale this technology, which can not only help avoid cargo losses, but also assist in fire detection.

"One of the most significant problems we face is misdeclaration of cargo by shippers – a contributing factor in many containership fires. New tech is on hand to support in this area too. Advanced monitoring can make compliance with industry guidelines and requirements much easier, so we encourage the use of this," Khanna says.

Although new technologies are supporting improvements in safety and will continue to do so, Heinrich warns that they are not a solution in themselves and can also introduce additional risks.

"Without the right crew training, the best new technology will fail. In our experience, tools supporting the monitoring of vessel performance and supporting lessons-learned processes are good examples of technology's potential to increase safety." ■

"As insurers, we can keep the pressure on sub-standard shipping and incentivise higher standards of safety. We know a large percentage of accidents and casualties are the result of human error, so we place great importance on identifying the risks associated with crewing and training, and that includes crew wellbeing"

Rahul Khanna
Allianz Global Corporate & Specialty

Investors in clean shipping must accept risk of stranded assets: UCL's Smith

Michele Ursi/Alamy Stock Photo

Dr Tristan Smith, director of Umas, outlines the investment risks associated with the fuels needed to decarbonise shipping

Global shipping, which accounts for about 3% of total greenhouse gas (GHG) emissions, is not covered by the Paris Agreement and responsibility for this is instead borne by the International Maritime Organization (IMO), *writes Louise Isted.*

In 2018, the IMO set a target to reduce GHG emissions from international shipping by "at least" 50% by 2050 compared with the 2008 level. A revised IMO strategy, agreed in July this year, sets the goal of net-zero emissions by "near to 2050". Countries agreed to cut total shipping emissions "at least 20%, striving for 30%" by 2030 from a baseline of 2008. They also agreed to cut emissions "at least 70%, striving for 80%" by 2040 compared with 2008.

The final IMO agreement says measures ought to take into account the "well-to-wake" GHG emissions of marine fuels. Well-to-wake refers to the entire process of fuel production, delivery and use on board ships and all emissions produced therein. This requirement means to avoid the use of clean fuels produced on land in an emissions-intensive manner, such as by using coal.

Untangling the net

In the IMO's latest strategy, "net" leaves an unfortunate loophole for future uses of emissions offsets, according to Dr Tristan Smith, associate professor of energy and transport at University College London (UCL) and director of University Maritime Advisory Services (Umas).

In an interview with *Insurance Day*, Smith says: "Broadly speaking, when you apply 'net zero' to a country or government, this is because there are sources of – and also sinks for – greenhouse gas emissions.

"You can have a positive greenhouse gas emission, as long as you've also got a counterbalancing negative emission. That makes for 'net' on condition we're sequestering CO2, which can happen from afforestation or technologies like bioenergy combustion with carbon capture and storage on the exhaust.

"There are various things you can do as a state, recognising you've got land and rock formations that can store emissions. In shipping, of course, there are no land or rock formations and so the IMO's regulatory jurisdiction is not inclusive of sinks; it's only inclusive of sources of greenhouse gas emissions."

Therefore, many countries interpret "net" in the IMO context of net zero as the shipping sector being able to purchase negative emissions from governments as offsets. Unfortunately, the IMO strategy is ambiguous on this point; it does not explicitly say whether net zero for shipping excludes offsets. "The fact that language isn't there is a clear signal the consensus view the IMO wanted to present was to leave offsets on the table. That's where it's unhelpful," Smith says.

The important thing, he continues, is "net" in the IMO strategy is only in the context of its "near to 2050" target. Its wording for GHG emissions reduction by 2030 and by 2040 are well-to-wake targets.

He says: “The 2030 and 2040 targets are unambiguous. It means we have to do the striving for 80% without any offsets. The question is whether we’re going to have to come back to the discussion at the IMO and someone is going to say, ‘We’ve done 80% but to get to zero we going to need offsets for the last 20%’. That’s a conversation for the future, I think.”

Investment risks

What do insurers need to know? A good place to start is the investment risks associated with clean fuels.

Smith says there is a “natural competitiveness” between the different fuels but also a “high probability” ammonia is the least costly solution for decarbonising shipping in the long run. This assumption creates investment risk for an asset not aligned with the ammonia pathway because it could become a stranded asset.

There are various ways to mitigate the risk of stranding. “You can accept these fuel developments are transitory and therefore there is a business case for paying off before the period of market use is reached,” Smith says.

“Methanol certainly has that potential and we can see today biofuels, used for biogenic methanol, are attractively priced compared with what it would cost to make green ammonia or even blue ammonia.”

Green refers to fuel produced using renewable energy, while blue is when carbon generated from steam reforming is captured and stored underground through industrial carbon capture and storage.

“There is a credible business case, therefore, for using methanol for some period into the future but that future is finite if demand for biogenic carbon increases very rapidly, pushing prices up,” Smith says.

Umas’s modelling forecasts the green ammonia pathway will be more competitive “somewhere in the 2030s or early 2040s”, he adds. That means a five- to 10-year window for some of these transitory fuel solutions.

“What we need is low-cost electrons. We don’t know how low cost we’ll get with solar and wind, while nuclear isn’t there but maybe it will be in the future. The point is the shipping industry doesn’t need to agonise over where the electricity comes from”

Dr Tristan Smith
University College London

“That’s not very long when compared with the life of a ship, so people need to be super-careful about the stranded asset risk,” Smith says. “It doesn’t mean they shouldn’t go for it, but they need to see what they would do to that asset. If it’s a ship then they need to be ready to retrofit it with ammonia and if it’s a fuel supply chain then be ready to expect a very short return on investment. The cost of a very short life would need to be factored into the mix.”

Making green fuel

Umas models “tens of different ways” to make methanol, Smith says. “You can make it directly out of the biogenic feedstock from biogas. You can make it using green hydrogen with a carbon atom, which you add in to the molecule, which has been extracted either from biogenic carbon – so from biomass – or it has been captured from an industrial process.”

Neither of those two ways, in UCL’s analysis, are wholly zero-carbon or scalable. “They’re technologically feasible but they don’t look attractive for the same argument biofuels don’t look generally attractive,” Smith stresses.

“If you’re reliant on a scarce supply, it can work for a period of time until the whole of the market jumps on it and then the price goes up and it’s not credible or scalable because there just isn’t enough biogenic carbon. Then you have to go to direct air-captured carbon, which is credible as a green fuel. In fact, that’s the original definition of green fuel before green methanol was rebranded because any sort of methanol was going to be better than fossil fuels.”

Methanol produced from direct air capture with renewable energy as the input could be “just as good as” green ammonia, which involves extracting nitrogen from the atmosphere and combining it with hydrogen atoms.

The problem is green methanol is 30% to 50% more expensive and that is what Smith warns creates stranded asset risk.

“It’s a very similar process to the ammonia synthesis, it’s just it requires a massive amount more of renewable electricity,” he says. “That’s not a technological constraint, but more from thermodynamics. It’s entirely within the laws of physics that it is more energy-intensive to extract carbon than it is to extract nitrogen from the atmosphere. No one is going to solve that in a clever way in the next few years.”

Green, blue and pink

The terminology “green” and “blue” has become unhelpful, Smith warns, adding percentages are a better measure. “It’s all about the well-to-wake greenhouse gas reduction and if you do that with methanol there’s no reason why you can't get to the mid- to high 90s, in percentage terms."

That is what needs to be reached by 2040, according to the IMO's latest strategy for the decarbonisation of shipping. "It's the number we look for as the minimum potential greenhouse gas intensity reduction – of 90% – rather than use this term 'green'," Smith says.

Another colour, pink, refers to nuclear power. "We should make hydrogen from any source of low-carbon energy that is affordable. We're agnostic as to whether that's nuclear or solar or wind," Smith says.

"We don't have any particularly strong analysis that would eliminate nuclear from the supply but the cost of the nuclear electricity in most evaluations is higher than the cost of solar and wind, so there isn't a compelling case for pink hydrogen."

Smith has seen no evaluations that indicate nuclear power – when the construction cost of a reactor is included – is cheaper per kilowatt hour than the best-performing solar and wind installations. "I don't see how that makes any sense," Smith says. "It all comes down to the cost per kilowatt hour, whether on land from a large nuclear installation or at sea from a small modular reactor."

Citing a 2020 joint report by the International Energy Agency and the OECD Nuclear Energy Agency, Smith says nuclear long-term operation – life extensions for existing reactors – is the cheapest form of any electricity production.

"But if you compare conventional nuclear it doesn't look that good relative to onshore wind and utility-scale solar. That's before you factor in the fact that, to make hydrogen you would naturally do this in the very cheapest – best renewables – locations globally and be able to get to the bottom of the ranges," he says.

Nuclear power would still not be cost-competitive compared with renewables if used as small modular reactors (SMRs) placed on commercial ships to produce green hydrogen, Smith continues, and he has "yet to be convinced" molten salt reactors are a credible technology. "This technology has been in development for 60 years and I don't know why someone suddenly decides now is going to be the time when they'll be able to break some of the nuclear physics problems they've had," he says.

There are other types of SMRs under development, however, including nuclear submarine technology from Rolls-Royce.

"It's not that you can't make SMRs," Smith says. "The question is what's the cost of the electricity they'll produce. Invariably it seems to be about 10 pence per kilowatt hour, while renewable energy is coming in at half or less than half of that, so I don't understand why we should look particularly at nuclear. That doesn't mean it can't be part of the solution, but it's not cost-competitive."

Smith says the cost of the Rolls-Royce SMR and the Hinkley Point C nuclear power plant under construction in Somerset, England are very similar. Therefore, nuclear power versus renewables is "just a distraction" from the issue, Smith stresses. "What we need is low-cost electrons. We don't know how low cost we'll get with solar and wind, while nuclear isn't there but maybe it will be in the future. The point is the shipping industry doesn't need to agonise over where the electricity comes from."

The idea of putting a nuclear reactor on a ship that is mobile is not an attractive option, however, since there are countries with political opposition to nuclear energy.

"If we're talking about stationary production, I don't have a problem with nuclear in general, but it's not appearing as economic. If we're talking about placing a nuclear reactor on a ship as a power plant the problem then is where can you actually trade," Smith says.

"There is a scenario where a bilateral agreement between two countries that are nuclear power producers and therefore understand the technology enables a route to use nuclear reactors. That's relatively plausible but it doesn't solve the need for moving goods around the world. It just means there are a subset of voyages you could start to imagine as a nuclear route, assuming you could make the economic case for it."

Chicken and egg

Smith warns against waiting for the perfect fuel, saying the operative word is transition.

"Conversations about decarbonisation immediately go to the fuels topic but that oversimplifies the nature of the transition," he says, "because that happens while you're in the process of discussing the regulation that would make it happen."

The key to enabling faster investment in scalable zero-emission fuels, he continues, is early adoption.

"I can't think of a good historical example of where the IMO policy was what enabled some early adoption. Take sulphur limits; some of the actions taken in individual countries that led to exploring alternative fuels and scrubbing technology wasn't because of any IMO policy, so why are we imagining the IMO is suited to do the kind of innovation stage we are entering at this point in time with emissions-free fuels?"

GHG emissions need to be halved by all sectors by 2030 but shipping is not going to achieve that "unless something miraculous happens", Smith says, "so it is far behind the curve."

The point is to gain experience and to support "no regrets" investments. "We need to be very careful about how we communicate about the genuine scalability in the long run of some fuels, like liquefied natural gas and biofuels. There's the biomethane pathway, but it's not something that provides anything like the volumes of energy shipping needs." ■

Insurers must lose their fear of covering perishable cargo: Parsyl's Spencer

'We're on a growth trajectory that hasn't been seen in the cargo market for many years,' Parsyl's chief insurance officer, Gavin Spencer, says

Parsyl stood out from its peers at Lloyd's Lab by being the first firm ever to graduate to a syndicate-in-a-box (SIAB). The insurtech insurer now stands out for its receipt of a US secretary of state award for corporate excellence, *writes Louise Isted*.

Even more notable is that when the Denver, Colorado-based firm joined the first Lloyd's Lab cohort in 2018, it had no insurance people on its team.

"To be supported with a syndicate when you don't employ any insurance people proved Parsyl's value proposition," the company's chief insurance officer, Gavin Spencer, says in an interview with *Insurance Day*.

Spencer, who joined Parsyl in September 2021, says it realised the beauty of insurance lay in distribution. "You can have the best product in the world, but if you're not sure who to talk to about it or how to network across the globe with it, that becomes the main issue," he says.

Parsyl says it is changing the way perishable cargo is monitored and protected by using data and technology to better understand, manage and mitigate risk. It provides internet of things-enabled supply chain visibility and insurance solutions for shippers and suppliers of pharmaceuticals, food and other sensitive goods.

The company was co-founded by Ben Hubbard, a former chief of staff at the US Agency for International Development, who described perishables as a "highly underserved" part of the cargo market.

"Everyone loves insuring widgets," Spencer says, "because there's very little risk with them".

He says: "There are probably only three or four leaders in perishable cargo in the London market, including Parsyl, QBE and Chubb, whereas there are as many as 25 companies you can go to for insuring widgets. Perishables are underserved in terms of insurance capacity but also

Vaccines in a temperature-controlled container being loaded on to a plane

Xin Yuewei/Xinhua/Alamy Live News

"We don't believe people should be suffering from curable diseases just because they don't live near a vaccine refrigerator. Through our data visibility and the insurance to underpin that, we are able to give people the confidence to ship perishable goods"

Gavin Spencer
Parsyl

in terms of insurers that are committed to this class for the long term."

Unlike the majority of insurers, he adds, Parsyl will deploy all of its capacity for a risk it likes. "Normally, capacity comprises primary and excess layers in a subscription style, so brokers like us as an access point because they don't have to go and find insurers to complete a slip," he says.

How it works

Parsyl is a Lloyd's syndicate, consortium and coverholder.

Its syndicate 1796 refers to the year when physician Edward Jenner began experiments into smallpox that would lead to him producing the world's first vaccine. Parsyl's risk management technology, which is deployed in more than 80 countries, monitors vaccines for more than 200 million people at present.

Parsyl also leads the world's largest consortium for perishable cargo, called Essential, which is supported not only by syndicate 1796, but also by Scor's 2015, RenaissanceRe's 1458 and other "smart trackers", formerly known at Lloyd's as "follow-only" syndicates. Essential is Lloyd's first ever perishable consortium.

As a Lloyd's coverholder, Parsyl underwrites on behalf of select Lloyd's syndicates, including Axa XL, IQUW and Talbot.

Each member of the Essential consortium contributes a portion of the insurance limit. Risk is shared between them, diluting individual exposure, which makes them "more likely to insure goods they would otherwise avoid", Spencer says.

The consortium has achieved $26.2m in new capacity to date and expects to reach as much as $40m early next year. "We didn't start writing commercial insurance until May 2022, so already to be seen as one of the top three syndicates at Lloyd's for insuring perishable cargo is a testament to our data and the team we've built," Spencer adds.

From a Lloyd's Lab perspective, Parsyl's evolution has gone beyond its own expectations, Spencer says, but its mission has always been "huge". He says: "We don't believe people should be experiencing hunger when so much food is wasted every day and we don't believe people should be suffering from curable diseases just because they don't live near a vaccine refrigerator. Through our data visibility and the insurance to underpin that, we are able to give people the confidence to ship perishable goods."

The company's evolution began as a test of courage.

Spencer says: "When you're involving yourselves in the most traditional of insurance markets and you decide to be different, you must actively celebrate those differences, but in a way the technology doesn't scare people.

"We haven't tried to go against the grain; we've taken traditional insurers like Axa and Ascot with us as partners rather than competitors. That's allowed us to navigate the usual challenges of a start-up in a traditional environment most people maybe struggle with."

One of those struggles initially was from brokers not understanding the warranty requirements associated with the use of Parsyl's technology and data. The focus now is on incentives, such as premium reductions and increased coverage.

"This carrot rather than stick approach has made it easy for brokers to appreciate us for traditional things, like profit commissions and no claims bonuses," Spencer says.

He continues: "The traditional focus of our insurance partners isn't necessarily on our type of cargo, so we're not cannibalising their market, though, of course, there is always some overlap. Their rationale is 'we're very big insurance companies, we're very averse, traditionally, to this type of risk, but we'd like to support you because we think your data is the right direction for us to go in'."

It is difficult for insurers to aggregate data they have accrued over many years and use it in a meaningful way, Spencer says. The difference with Parsyl's technology is it uses a format that "translates the maths into English".

He continues: "Parsyl is a manufacturer of a suite of devices, both hardware and software, but they are a means to an end, which is collecting data in the most impactful way, and then using it in an incredibly efficient way so it is a real-time resource for our underwriters. Every time there's a risk selection, there is real-time data."

Parsyl's Souleymane Sawadogo (third from left) at the US secretary of state's Award for Corporate Excellence 2023

US Department of State

Life-saving impact

Launched in April this year, the Essential consortium supports capacity for Parsyl's flagship Global Health Risk Facility, which insures vaccines and pharmaceuticals to low-income and developing nations.

Parsyl's risk management technology is now the leading cold chain monitoring solution in emerging markets, Spencer says, and the company works with organisations engaged in humanitarian aid, such as the delivery of treatments for vaccines, sickle cell anaemia and cystic fibrosis. These organisations include Unicef, the US Department of State and the Global Alliance for Vaccines and Immunisation.

The facility used to be a standalone binder for Parsyl, with the sole purpose of covering life-saving commodities, Spencer says, but it now exists as a brand within the consortium. As such, Parsyl is able to insure "more than $1bn-worth" of vaccines, such as for measles and mumps.

The consortium co-ordinates with Parsyl's global health team, which is led by Parsyl's chief global health officer, Souleymane Sawadogo, to monitor vaccine shipments to 12 countries in Africa.

"Not only do we support the shipment of vaccines into Senegal, for example, we also insure them once they've arrived and our technology tracks how they are being distributed and stored by the local health ministries," Spencer says.

The US embassy in Côte d'Ivoire nominated Parsyl for one of the US Department of State's five Awards for Corporate Excellence, which it won in the category "sustainable supply chain leadership". US secretary of state, Antony Blinken, presented Parsyl with its award at the Department of State on October 30.

Are there any no-go countries? "It's challenging to navigate areas in geopolitical distress, but that doesn't change Parsyl's desire or its ability to support what these people need most, which is healthcare," Spencer says.

Climate change is the main challenge. "The biggest fear for cargo insurers is natural catastrophe perils and there's no doubt climate change affects how we see the impacts of those perils," Spencer says. "The drought in the Panama Canal currently means limiting the number of ships that can pass through. Transit through the biggest chokepoint in the world poses the risk of delay, which is a huge challenge for perishable cargo.

"If you have real-time data, you can track the cargo, and if you have the right algorithms, you can monitor the condition of that cargo," he adds.

The market ought to follow Parsyl's lead, he continues, and embrace sharing of data. "Most people in the supply chain want to hold on to their data, including when things go wrong, but the more transparency there is about the shipment of the foods you are going to eat and the medicine you are going to take, the better it will be for everyone."

Parsyl has a "direct impact" on the environmental, social and governance aims of its partners, which is broadening the appeal of its business, Spencer says.

He concludes: "We're on a growth trajectory that hasn't been seen in the cargo market for many years." ■

Mutuals have the leeway to pay discretionary claims

SOPA Images Limited/Alamy Stock Photo

The Russian invasion of Ukraine and the Hamas attack on Israel underline the crucial contribution insurance makes to allowing seaborne trade to continue when conflicts are in full flow

Hull and machinery insurance renews on January 1 and shipowners know what they are paying in premiums for the year, while protection and indemnity (P&I) cover, which renews on February 20, is theoretically subject to supplementary calls if a marine mutual's books do not balance at the end of the year, but that is a rare event, *writes David Osler*.

War risk, on the other hand, is the most volatile class in all of marine business. Quotes can vary by the day or even by the hour, as anxious news junkie underwriters think through the implications of battlefield developments for merchant shipping.

The cover extends substantially beyond wars and civil wars, revolutions and rebellions. It also includes capture and seizure, arrest and detainment, labour disturbances and riots and acts of terrorism, piracy and violent theft by people from outside the ship, which makes it entirely worth buying in a troubled world.

Listed areas

Ships pay a low basic premium that covers them for port calls in most of the world during the period of the policy. But a range of riskier places are designated "listed areas" by the joint war committee, made up of Lloyd's and London company market underwriters. Calls to listed areas attract additional premiums (APs in insurance jargon).

With Russia's invasion of Ukraine last year and the recent fighting between Islamist militants in Gaza and Israel, it has been a long time since the trade has been so busy.

Things move so rapidly any rates quoted are likely to be out of date once this piece appeared in print. But at the time of writing, pricing for calls to Ukraine, which reached an unprecedented 10% or more of hull value in the early weeks of the crisis, had settled down to the 3% to 6% range.

That seems on the high side judged by historical precedent. It compares to the 5% or so asked of tankers during the Iran-Iraq war of 1980-88, when shipping was explicitly targeted.

Israel and neighbouring countries have long been listed areas, with an understanding that fighting is prone to flare up every few years baked into everybody's calculations.

Before the Hamas insurgency on October 7, underwriters often set the APs at nil or a nominal 0.1% of hull value. At the time of writing, they stood at 0.25% to 0.5% and pushing towards 1% for Israeli ports that are in range of missile strikes. Rates for calls to adjoining Lebanon had doubled to 0.05%.

There is a simple explanation for the differentials between the Black Sea and the Red Sea. Russia has ample naval and sea mine capacity; Hamas does not.

While aggregate premium volumes are not in the public domain, the product unfortunately gives every impression of being a booming business, to such an extent that new players are joining the market.

War risk cover remains a Lloyd's forte, with providers including Ascot, Axa XL, Beazley, Canopius, Hiscox, Navium and MS Amlin among many others.

War risk is the most volatile class in all of marine business. Quotes can vary by the day or even by the hour, as anxious news junkie underwriters think through the implications of battlefield developments for merchant shipping

The field has always had a strong mutual presence too, including Norway's Den Norske Krigsforsikring for Skib (DNK) and two Thomas Miller-managed clubs: UK War Risks and Hellenic War Risks. Mutuals have the leeway to pay discretionary claims where boards are agreeable, which commercial insurers would not do.

P&I providers

A number of protection and indemnity (P&I) clubs also offer war risk classes as bolt-ons to basic P&I cover. The London Club and the old North and Standard clubs – now merged into NorthStandard – have long worked together in a pool known as the Combined Group of War Risk Associations.

Joining forces enables them to purchase comprehensive reinsurance from A-rated reinsurers at competitive rates, enabling them to offer higher cover limits.

Norwegian marine insurance giant Gard has recently expanded its existing war risk offer, with lead clients now getting access to intelligence reports produced by DNK, including live monitoring services.

The development underlines the extent to which mutuals are maintaining and even enlarging their foothold in the specialism.

The latest entrant to the niche has been West of England P&I Club, which launched its West War offering in March this year. The line is written commercially, with profits used to subsidise core mutual P&I activity.

Cover for excess liabilities arising from war risk – rather than war risk to the hull per se – comes as standard with International Group club P&I cover. The upper limit is $500m, but reduced to $80m for vessels transiting or calling in Russian waters.

This cover is designed for claims in excess of the proper value of an entered ship or the amount recoverable from war risk underwriters, whichever is greater.

It includes liabilities under the US Terrorism Risk Insurance Act 2002. International Group clubs also provide cover of $30m for risks from biochemical warfare.

Like almost all business insurance policies, there is an exclusion for nuclear war. ■

A sign on a beach at Odesa, Ukraine warns of the danger of mines in the water

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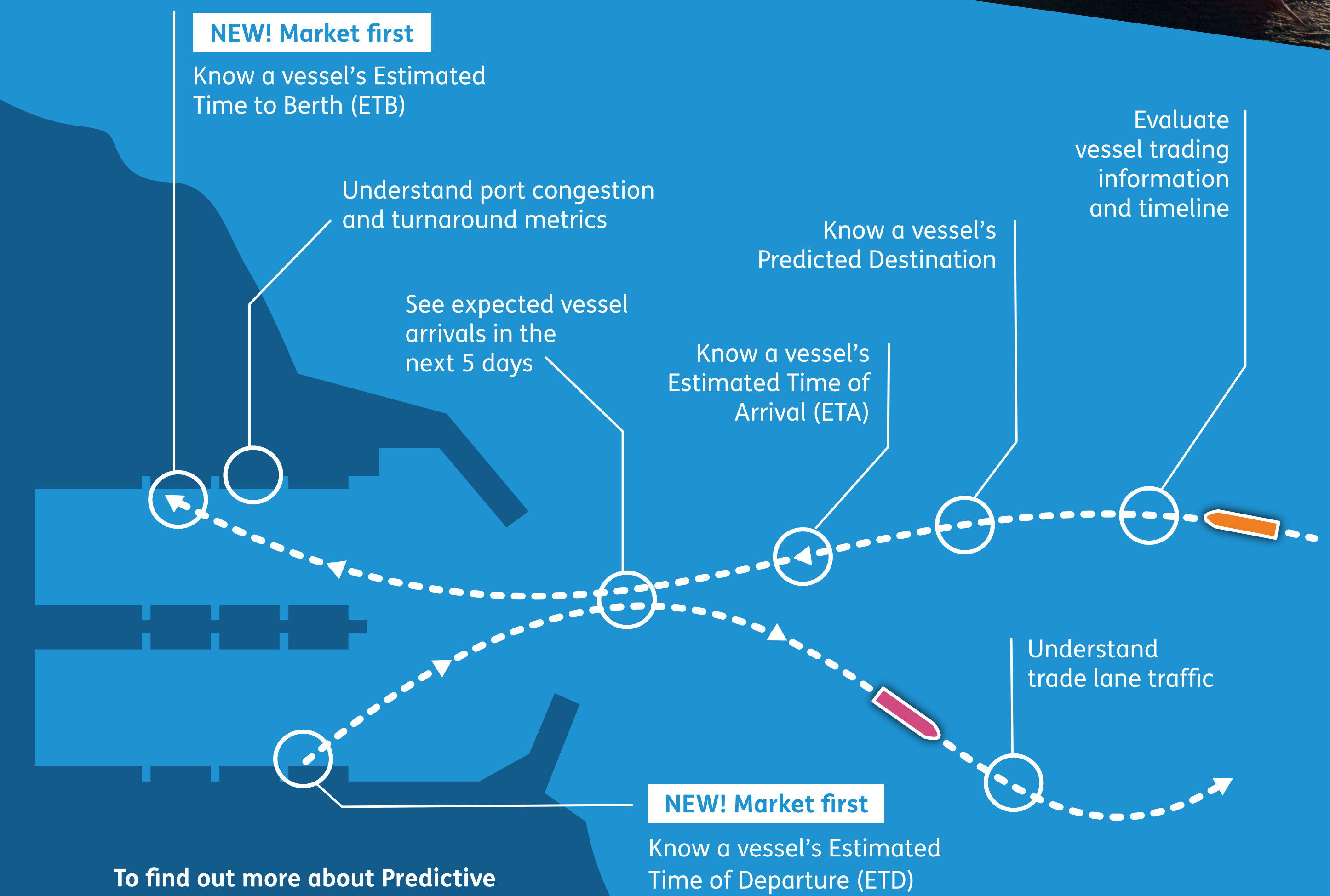

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