

# CLAIM TRENDS IN MARINE INSURANCE

**Dear Readers,**

We are sharing an overview with an effort to make you aware about ongoing trend in marine insurance claim. There are a number of factors which lead to experiencing huge claims in marine insurance industry or leave an impact on frequency/severity of marine claims. Few recent cases have knocked the door of marine underwriters, brokers and claim consultants over the world to take an appropriate course of action.

Factors which cause majority of the claims:-

➤ **FIRE**

Fire has overtaken other perils to be the number one cause for marine claim by value over the past five years. It solely accounted for 18% of the marine claim for the period ending on 31<sup>st</sup> December 2021. This can be caused by numerous factors like non declaration/mis-declaration of hazardous cargo, crew competencies and modern technology.

Another major factor which is responsible for major fire incident is Lithium Ion Battery in electric vehicle or in cargo that is not handled properly. A very recent incident with **FELICITY ACE** ship which lead to sinking of ship along with 4000 vehicle caused by battery fire only.

One more concern which make the fire risk inevitable is increased ship size which has made more difficult to tackle the fire at sea. Other recent incident which happened with ZIMS CHARLSTON caused by fire in cargo hold which subsequently lead to general average claim.

➤ **INFLATIONARY TREND**

Inflationary trend continue to soar the prices of many commodities which results into severe claims. Higher steel prices increases the cost of spare parts, increased labor cost are all increasing the machinery breakdown claims figure drastically

“It is not unusual to see one container valued at \$50mn or more for high value cargos like pharmaceuticals etc. Such cargos need additional risk mitigation measures, such as GPS trackers and sensors that provide real time monitoring on temperature, moisture shock, light and door openings, for example. Cargo interests should also keep a close eye on insured values. Clients may need to adjust their insurance and policy limits, or risk being underinsured. A larger ship having container capacity of 20000 can have huge accumulation due to inflationary impact on cargo value.

➤ **CARGO CLAIMS (Handling and storage losses)**

Cargo damaged due to **handling, storage and packaging** has also emerged to be a major loss causing factor to marine insurance industry. In fact it is the top cause by frequency and third largest by value. But recent claim trends also show that **high value theft (Copper, electronics goods) and temperature**

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**variation** has increased in recent years. These incidents happens at port warehouse, in transit or by armed robbers. We are also witnessing cases where container possessions being taken over by fake buyers on submission of fake documents. Marine insurance market have also experienced large claim for pharmaceutical shipment due temperature variation.

One more reason that is container shortage in market due to boom in container demand which results in increased number of marine claims. This is happening due to bringing back of damaged container into use which further increase the claim frequency and claims like ingress of water and moisture damage.

## ➤ SUPPLY CHAIN EXPOSURE AND DISTRUPTION

Few recent global incidents like Covid-19, Russia-Ukraine war, Suez –canal block, ship fire incidents, natural catastrophe and many other factors have also disrupted supply chain like port congestion, labor shortage and container shortage. Larger vessels which are more efficient also requires improved port infrastructure and logistical support, but in absence of such facilities in case any incident happened to the larger ship it would affect large volume of cargo.

Most of the ports are also prone to cyber-attack, recently JNPT was also affected in one of such incident. These incidents have proved that how shipping industry plays a major role in our supply chain so any disruption to port operation can disturb the supply chain to a great extent.

## ➤ CLIMATE RISK CONTRIBUTING TO CLAIM

Natural catastrophes are the fifth biggest cause of marine insurance claims by frequency and severity for the last five years. Many droughts incidents brought water level to record low for many inland water ways. Which lead to grounding of barges and ships through inland waterways. Rough weather also causes loss of container in sea.

According to the World Shipping Council, the annual average number of containers lost at sea has increased 18% over the past 14 years to 1,629 in 2021. Average losses for the two-year period 2020-2021 alone were 3,113 compared to 779 in the previous period. As 90 % of the world trade is carried on by sea route hence shipping is the major contributor of greenhouse emission which cause damage to OZONE layer.

Hence with an objective to cut down the use of GHGs and shifting towards green energy would also give rise to new claim experience. Machinery breakdown is the fourth largest cause of claims by frequency and value over the past five years – and there have been a number of these claims and contaminated fuel claims. **(Data taken from global risk dialogue-AGCS)**

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**Thank You**