

# Marine Cargo Insurance Market Insights 2021



## Overview

Contrary to much of the global marine products and demographics, marine cargo insurance in Australia is weathering the storm.

Already this year we are witnessing a surge in interest and appetite to underwrite marine cargo which is increasing free capacity in Australia. As a true test of market conditions, we are yet to see a placement that couldn't be filled, and underwriters are still capable and investing in quoting entire programs.

Notwithstanding, based on insurer market losses it is evident that the current marine cargo premiums remain unsustainable and will continue to see gradual year on year rate adjustments to correct ratios to offset growing industry losses.

Interest in stock throughput (STP) placements are increasing, with a focus on moving stock or inventory from the ISR/property to a STP / manufacturers output placement to free up needed capacity in the property market.





There are a few markets that will consider these types of policies, with bespoke basis of valuation still allowing for the increase in value or profits through production and sales.

Furthermore, a growing number of clients are kicking off large infrastructure and renewable energy projects such as wind and solar farms, which has seen an increase in Marine Cargo and delay in start-up (DSU) policies being placed in our local markets.

We have seen an increasing number of container ship losses over the past 12-24 months triggering concerns over international trade. Shipping companies maximised their vessel capacity to keep up with demand brought on by COVID-19 and ultimately to the detriment of cargo owners. Adding to the mounting pressure to move cargo, we are seeing major delays in shipping caused by heavy weather where container ships are being either slowed down or, in the case of the Ever Given on the Suez Canal, being run aground.

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Category	Outlook	Commentary
Claims	↑	<ul style="list-style-type: none"><li>Bushfires, container losses, general average and port losses are driving the loss ratio in Australian and worldwide.</li></ul>
Appetite	↗	<ul style="list-style-type: none"><li>Handful of markets are open to consider stock throughput, with a couple considering EPS risks.</li><li>Project cargo and DSU continues to hold appetite in the market.</li><li>Medium-sized general cargo account is of increasing interest to the majority of the cargo</li></ul>
Pricing	↗	<ul style="list-style-type: none"><li>Steady increases but fewer large fluctuations and or rate corrections.</li><li>Accounts with good loss experience are seeing increases of up to 10%.</li><li>Accounts with poor records are seeing increases of over 10%, with some premium consideration for increased excesses.</li></ul>

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Limits		<ul style="list-style-type: none"> <li>• Sub-limits being used as a means to manage pricing and capacity.</li> <li>• Additional or increased limits will now come at a cost.</li> <li>• Extra expense/forwarding expense coverages and sub limits are now being significantly cut back and this is largely due to the potential implications of COVID-19.</li> </ul>
Retentions		<ul style="list-style-type: none"> <li>• Retention levels should be being assessed by clients on a case-by-case basis, in order to entice more markets to the table.</li> <li>• Aggregate deductibles are still an original method of managing retentions.</li> </ul>
Coverage		<ul style="list-style-type: none"> <li>• STP placements continue to be a creative way to transfer stock from ISR/property, however this doesn't always result in a saving.</li> <li>• Food &amp; beverage/ frozen food accounts are on the rise - seeing several new opportunities within this space.</li> <li>• Communicable disease and cyber exclusions introduced on all new policies and alterations to existing policies.</li> </ul>
Capacity		<ul style="list-style-type: none"> <li>• Overall capacity is there, most insurers are eager to write more business.</li> <li>• Witnessing new players enter the market.</li> <li>• Excess stock capacity in the U.S. and London markets has been exhausted – with very little capacity left.</li> </ul>

## State of the Market

The state of the market remains firm with general increases across renewals and expectations for those increases to slow over the next 12 to 24 months as Insurers return to profit and reinsurance costs steady.

As with all things, we are observing underwriters applying more scrutiny to the underwriting information with focus on procuring accurate data for assessment. Increased emphasis is being placed on detailed senders information, shipping/carriers and storage locations. A substantial deductible/excess is a sure way to entice positive underwriting as is favourable rights of recovery under carrier agreements.

The impact that recent industry losses will have on ratings is unknown but, inevitably, if they continue then we will see some variations to the way underwriters approach writing international marine cargo risk, and premium increases will follow.

## Looking Ahead

We expect general premium increases for the next 12-24 months from anywhere between 5-10% and eventually a plateau. At which point we then anticipate renewals will be seen to be placed at expiring rates with minimal general increases but always subject to global losses and reinsurance costs.

We can lessen these increases by working together with our clients, ensuring they are aware of the risk and educating them on the causes behind major losses and how to avoid them. Using risk prevention strategies to mitigate losses should result in limited surprises come renewal.

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