MARINE INSURANCE REPORT

UIMI is the International Union of Marine Insurance and currently has 55 national associations as members, protecting and advancing their interests. It also provides an essential annual forum to discuss and exchange ideas, information and statistics of common interest, attended by marine underwriters and other marine professionals. IUMI’s roots date back to 1874.

Major casualties at sea continue at a disturbing level, marine insurers are warning. The number of incidents reported in 2010 followed the negative trend of the previous four years, IUMI reports in its substantial annual statistical exercise covering vessels over 500 gt issued on 23rd April.

According to the IUMI communiqué there have been 623 serious losses reported to date for 2010, a similar figure to 2009. This means that 2010 joins the five worst vessel loss years in the last 17.

The pattern seems to dash hopes raised a year ago of a reversal in casualty experience when shipping activity had slowed as a result of recession in many leading nations. Patrizia Kern (a senior underwriting director at Swiss Re), chair of the facts and figures committee, one of IUMI’s seven technical committees, said that even ahead of a full picture of the year from claims reports, there was no doubt that the failure to stem the high level of casualties was of great concern to insurers. She added, “When IUMI’s annual conference is held in September, our committee will undoubtedly report higher 2010 figures for total losses and serious losses, illustrating the longtail nature of hull and machinery claims.”

One the subject of total losses the number for 2010 stands at 63, similar to the figure reported by IUMI, 12 months ago, for 2009. Since last year’s report the outcomes for 2008 and 2009 have deteriorated. The number of reported total losses has increased for 2008 from 89 to 96, and for 2009 from 67 to 86. This would suggest that 2010 will be similar to its preceding two years. At this early stage of development of the book, nearly 600,000 gt has already been reported as lost in 2010, against nearly 645,000 gt in 2009. Weather continues to be the major cause of total losses, followed by groundings.
The number of dry bulkers and tankers which suffered total losses continues to be low relative to the world fleet, but there appears to be a trend of losses to larger vessels. The size of the average dry bulker lost has risen from 19,000 gt in 2008 to 23,000 gt in 2009 and 32,000 gt in 2010. For tankers, the average has risen from 8,000 gt to 11,000 gt and then to 36,000 gt in 2010.

On major serious losses, worryingly, the number of major incidents remains consistent with the trend over the previous four years, and the back year figures continue to deteriorate.

The leading cause of serious or partial losses remains as incidents involving the machinery and engineroom, accounting for 35.7% of cases over the last five years. Half of all such losses occurred to vessels over 20 years of age.

As for the world tanker fleet, this continued to grow, with 625 vessels delivered in 2010, albeit fewer than in 2009. The number of tankers scrapped increased by 50% reaching 270 in 2010, but there was a net growth in both number of tankers and tonnage. The dry bulker fleet grew, as deliveries reached a record, with 957 vessels being added during 2010, the highest figure in a decade and an increase of 74% over 2009. The number scrapped was down.

Regarding order books, China continues to have the largest order book by number of vessels (41%) and by tonnage (38%), with the Republic of Korea still in second place. A total of 7,277 vessels are currently on order, only slightly down on the number reported last year. Dry bulk carriers account for 45% of the book, followed by tankers (20%), and containerships (16%). However, Clarkson Research Services in its report for IUMI states that, going forward, the order book will be influenced by delays, cancellations and the renegotiation of contracts. Thus, there is considerable uncertainty.

Turning to the world fleet of mobile offshore drilling units, the size of the fleet continues to increase, as it has done since 2006, and stands at 767 units, a direct result of the surge in newbuildings to meet the demand for deepwater drilling. The Gulf of Mexico is an exception, where the latest trend is downward as a result of the drilling moratorium after the Deepwater Horizon disaster. As for newbuildings the number delivered in 2010 was 52, with 59 projected in 2011. This follows 50 deliveries in 2009. The period
2008-2011 has been the most active for rig construction since the early 1980s. Almost all the newbuildings are rigs capable of drilling in deep water.

Attritional losses in the world mobile offshore drilling fleet in 2010 continued to be high, partly because of the significant increase in the size of the fleet and in the number of wells drilled. This points to the inadequacy of insurance deductibles, given the impact of inflation and rising labour and material costs, said IUMI. Mobile drilling rig claim costs last year spiked sharply following the total losses of the *Deepwater Horizon* and *Aban Pearl*.

Ole Wikborg (director and senior underwriter at Norwegian Hull Club), IUMI president, commented that the collation of statistics by IUMI was recognised as extremely valuable to individual underwriters in the hull and machinery and energy sectors, in the daily process of providing accurate risk assessment; and indeed to the entire marine industry, in helping safety lessons to be drawn.

Statistics released by IUMI are based on information provided by a number of authoritative sources, including Lloyd’s Marine Intelligence Unit, Clarkson Research Services, Rigzone and Willis.