

Marine Market

2021 Half Year Review

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Marine market continues to defy gravity

At the end of the first quarter of 2021, Lloyd's posted its year end results for 2020. For the fourth consecutive year these were an underwriting loss with a combined ratio of 110.3%, largely due to the Covid-19 pandemic and adverse development of prior years. Excluding Covid, the Lloyd's market turned in an underwriting profit with a 97% combined ratio.

In September, Lloyd's posted results for the first half year of 2021. Without the same impact of Covid, and with prior years now better reserved, the combined ratio showed an improvement by 18 points to 92.2%. With similar results being declared by the Company market, this signalled a vastly improved market but also the deleterious impact of Covid and previous under reserving of prior year losses.

The positive outlook for almost all lines of business continues to attract new capacity, with these new entrants benefitting from little/no Covid exposure, as well as no legacy less satisfactory underwriting.

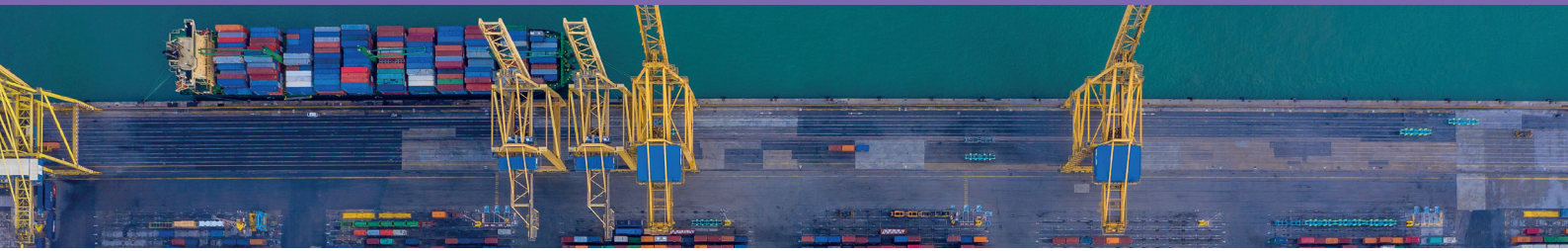
The hull market faces an uncertain period with competing factors pulling in different directions, resulting in a form of fragile equilibrium.

↑ Upward pressures:

- Competing lines of business have responded with greater resolve than the hull market.
- Adverse development of prior years combined with lack of investment income has put additional pressure on coal face underwriters to maintain a hard underwriting stance.
- Supply chain dislocation.
- Higher commodity prices and consequent increase in freight rates have resulted in some vessels, which would otherwise be recycled, continuing to be traded.

↓ Downward pressures:

- Correction/over correction in pricing.
- Increase in the supply of capacity following third consecutive year of premium increases imposed on shipowners.
- Early encouraging signs for underwriters in the most recent period.
- Enhanced risk appetite from overseas markets as well as London companies.



Losses

Container losses in the half year

Of particular issue at the end of 2020 and start of 2021 was the high incidence of containers lost overboard. In a World Shipping Council 2020 update, it was estimated, based on survey data from 2008 to 2019, that on average 1,382 containers are lost at sea each year.

Five instances of containers being lost overboard have already occurred this year:

Containers lost overboard	
Ever Liberal	2014 built 8,452 teu lost 36 40' boxes overboard, plus 21 collapsing onboard on 2 January 2021 in East China Sea.
MSC Zoe	2015 built 19,000 teu lost 342 boxes overboard in the Wadden Sea on 2 January 2021.
Maersk Essen	2010 built 13,000 teu lost 750 boxes overboard 16 January in the North Pacific.
MSC Aries	2020 built 14,000 teu lost 41 boxes overboard on 29 January in the North Pacific.
Maersk Eindhoven	Lost some 260 boxes overboard on 17 February.

Other marine losses in the half year



MSC Lirica - built 2003, fire loss in Corfu whilst in lay-up. It appears that the fire was contained and managed. There may be some not insignificant smoke damage to passenger accommodation and public areas, but the integrity of the vessel was maintained.



Ever Given - 20,000 teu containership grounding and blocking the Suez canal for six days.



Seacor Power lift boat - estimated valued of around USD130 million capsized and sank with the sad loss of thirteen lives during severe weather eight miles off Port Fouchon.



X-Press Pearl - total loss of a three month old feeder containership off Sri Lanka following fire in the vessel's cargo 1,486 containers, among them 81 carrying dangerous goods, which included 25 tonnes of nitric acid, along with other chemicals, cosmetics and low-density polyethylene (LDPE) pellets (the very pernicious-nurdles).



Accommodation barge Papaa 305 - sank off Gujarat with the tragic loss of 49 seafarers.



Other matters

Ship abandonments soared in 2020

There were 85 ship abandonments reported in 2020, compared with 40 in 2019 and just 34 the year before that, the International Transport Workers' Federation (ITF) reported. The ITF had been involved in helping hundreds of seafarers who were abandoned by shipowners, helping them to access food, water, fuel and flights home.

Covid-19 - Seafarers, the forgotten people of the pandemic

Reports state that there are about 100,000 seafarers stranded at sea beyond their regular stints, some of whom have not set foot on land for nearly nine months. The crisis is double edged as the same report states that there are about another 100,000 stuck on shore, unable to board the ships they need to earn a living on. Only 1 in 40 seafarers have been vaccinated according to the GCaptain website.

The United Nations describes the situation as a humanitarian crisis at sea and says governments should class seafarers as essential workers. Given ships transport around 90% of the world's trade, the deepening crisis also poses a major threat to the supply chains we rely on for everything from oil and iron to food and electronics.

It has been expressed that as many as 25% fewer seafarers are joining vessels than pre-pandemic. More storm clouds on the horizon.



Looking to the future

The first six months of 2021 has shown how fragile the supply chain can be, but also how important shipping is as the links for that chain. Shipping, unless there is a large loss of life or environmental issue, seldom makes the front page of the national papers. Over 60,000 merchant vessels and over 1,000,000 seafarers provide the links to that chain and keep working tirelessly to keep shipping out of the limelight.

As 95% of all goods consumed will have at some point been on board a ship, society should be eternally grateful for the role that shipping plays in our everyday lives.