



SEMAPHORE

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Rise of Shipbuilding Investment Impacts on Marine Insurers

Investment in newbuilds by shipowners is having a flow-on impact for the marine insurance sector, which is also at risk from geopolitical conflicts and the rise of the “dark fleet”.

Ilias Tsakiris, general manager of American Club Europe, chief executive of Hellenic Hull and chair of the International Union of Marine Insurance Ocean Hull Committee (pictured), told the latter’s annual conference that increased shipping activity and the rising value of vessels was behind the continuing rise of global ocean hull premiums.

“Shipowners are investing in growing their fleets with more technologically-advanced vessels to meet the demands of global trade and consequently hull underwriters have expanded their covers for these higher-value assets,” he said.

However, he warned of potential challenges on the horizon from new capacity entering the market, particularly through existing insurers seeking rapid growth.



Mr Tsakiris also touched on the changes in claims activity, noting that 2023 saw an increase in claims frequency and costs compared to recent years, though they remained at pre-pandemic levels. That situation appeared to be stabilising, he noted.

He highlighted that the post-pandemic environment had introduced new dynamics to the claims landscape, but the industry was adjusting accordingly.

“We’re seeing shifts but the industry is responding well. The fluctuation in claims is something we’ll continue to track but the outlook is more balanced for now.”

One of the significant issues Mr Tsakiris raised was the impact of geopolitical tensions on global trade routes, particularly in the Middle East. He pointed to the ongoing Red Sea crisis, where the activities of the Houthi rebels had led to considerable disruption.

“Many shipowners are avoiding the Suez Canal, choosing longer routes around Africa to safeguard their vessels and crews.

“These longer voyages expose vessels to unfamiliar waters and less-developed ports, which heightens the risk of damage and delays. The lack of salvage and repair facilities on these alternative routes means that even minor incidents can escalate into significant claims.”

In addition to the operational risks, Mr Tsakiris addressed the environmental toll of these rerouted voyages, noting that with longer distances comes increased fuel consumption and higher emissions.

“Whilst CII [Carbon Intensity Indicator] rating may seem improved, the ships are burning more fuel as they take these longer routes which directly impacts the industry’s carbon footprint. This is a serious concern as we work towards reducing emissions in line with international targets. We need to find solutions that not only meet regulatory requirements but also genuinely reduce the carbon impact of global shipping.”

Mr Tsakiris also explored the changing risk landscape as a result of geopolitical tensions.

“Underwriters are increasingly cautious when it comes to vessels with connections to high-risk regions. Past experiences in conflict zones, particularly around the Red Sea, are playing a larger role in risk assessments.”

He explained that sanctions and geopolitical strain had made insuring vessels with ties to countries like the United States, United Kingdom and Israel more complex.

“Risk selection is becoming more selective. Insurers are closely examining both the physical and political risks involved.”

Looking to the future, he highlighted the industry’s ongoing efforts to support the transition to more sustainable shipping.

“The push towards dual-fuel vessels and the exploration of alternative fuels is changing the makeup of the global fleet. New vessel deliveries are strong, but we’re also seeing an ageing fleet, which brings its own set of challenges.”

One major concern is the increasing number of vessels with unclear ownership and often dubious classification.

“This so-called ‘dark fleet’ presents significant risks for marine insurers. These ships are often operated by questionable entities and their lack of transparency makes it difficult to assess liability in case of accidents or pollution. This is a growing concern for marine insurers.”

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