
As we write this, the world is facing an unprecedented global pandemic. The measures taken by governments across the globe to tackle COVID-19 are bringing huge changes to many aspects of the way we work and live. The spread of this virus continues to take a tragic toll on human life and is having a significant impact on the global economy, the full extent of which remains largely unknown and difficult to predict.

Shipping, being at the centre of global trade, is, as always, extremely sensitive to the effects of any global crisis, especially one of this nature. Resultantly, there have been direct effects from the spread of COVID-19 such as the many crew welfare challenges, coupled with the well-documented cancellation of many passenger services and cruise operations across the globe. The indirect consequences are also plentiful, as shipping comes to terms with the downturn in global trade as well as plummeting oil prices that have both stemmed from the pandemic.

From an insurance perspective, the industry is facing large losses as a result of COVID-19. We are only beginning to count the potential cost of losses, most notably arising from cancellation of events and disruption to business. No doubt, this will be against a short-term contraction in global premiums as activity in many sectors is significantly reduced. Nevertheless, the industry is robust in the face of these challenging circumstances. The London Market has quickly adapted to a completely new way of remote working back in March. The placement and servicing of risks continues to be handled efficiently by both insurers and brokers in London and around the world. The industry will step up to play an important role in rebuilding the sectors which have been so badly affected by this crisis, whilst aiming to help shape the global economy as it recovers.

Against the backdrop of the global pandemic, the Hull & Machinery Market has continued to follow a hardening trend in the early part of 2020. Where the London market was generally the first to come under pressure for rate increases in the second half of 2018 and throughout 2019, it seems most insurers around the world are now pushing for rises. Many insurers are being urged to write less premium more profitably and argue that even after successive increases, the majority of fleets are still priced at levels well below what is considered to be technically adequate. As such, many underwriters are still prepared to let business go if they do not see the rate increases they are looking for. In the absence (for the most part) of new capacity entering the market, the outlook appears to be for more hardening throughout the latter part of 2020 and possibly beyond.
A surge of industry losses due to COVID-19 is likely to increase financial pressure on many companies and syndicates and undoubtedly this will further reinforce the need for many to maintain a tough stance on rates. Nonetheless, how relevant is COVID-19 specifically for Hull & Machinery insurance? We are not seeing COVID-19 present an issue for insurers in respect of Hull & Machinery policies, which are covering losses in respect of physical damage to vessels; however, there is certainly plenty of debate and discussion around Loss of Hire policies and the possible inflation of claims due to COVID-19 related issues. If a vessel suffers a severe engine breakdown, the subsequent loss of hire claim can be more expensive due to extra time taken to carry out repairs. In this market update, we have taken some time to analyse how loss of hire wordings may respond differently in such circumstances.

 Whilst new entrants to the Hull & Machinery space have been limited, and far outweighed by those exiting over the last two years, the North of England Protection and Indemnity Club have announced they will begin writing Hull & Machinery from 1st July 2020. The intention is to offer shares for both North members and non-members based on quality of risk and suitability of terms. James Sutton (Class Underwriter) and Alex Fuller (Senior Underwriting Executive) have joined the marine insurance sector and we at Gallagher look forward to working closely with them as they look to develop a successful long term portfolio.

 There have been some notable piracy attacks in the Gulf of Aden close to the coast of Yemen in recent months. Whilst they have not been successful, it is a stark reminder that the threat still remains high, especially given the deteriorating situation within Yemen. There have been no further recent attacks on shipping in the Straits of Hormuz and Persian Gulf, however, the threat in this region also remains high due to the volatile political landscape. We continue to be advised of attacks in West Africa, most notably the Gulf of Guinea region where 16 seafarers were kidnapped from different vessels within the space of 5 days at the beginning of May.

 For the Gallagher Marine Team it is very much business as usual. Whilst we are still away from our offices for an unknown length of time, we have quickly become accustomed to our new way of working. The placement and servicing of our clients’ complex insurance and risk management programmes, and the settlement of claims are very much our top priority.

 Market Moves

 Richard Bridges and Ross Deering have joined Travelers to underwrite Hull & Machinery and War Risks. Both were previously at Axis Syndicate.

 Chris Goddard has left Travelers to underwrite War Risks for a new MGA called Vessel Protect.

 Would you like to talk?

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 Source
 2 https://lloydslist.maritimeintelligence.informa.com/LL1132328/

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