

# Marine Circular

No 442/2023 19 October 2023

# **Hull & Machinery Insurance 2024**

The terms for 2024 Hull & Machinery Insurance are outlined in this circular. The Association will continue to make comprehensive insurance cover available to suit the needs of individual members at rating and deductible levels reflecting exposure.

# **Update**

#### **Business Outlook**

The Marine Hull insurance industry in 2024 stands at a juncture, affected by market dynamics, regulatory changes, and emerging risks.

The recent period of the COVID pandemic saw a significant drop in frequency of claims, which correlated with the decreased activity in the shipping industry. This had the effect of improved underwriting results which made capacity return to the market. With more capacity and a benign claims situation it could have been expected that the market conditions would react with a softening. However, with shipping activity now back to nearly as before a slight increase in claims frequency can be noted. So far it is still in line with expectations and not breaking the decreasing trend seen prior to the pandemic. Nevertheless, it has had the effect of creating uncertainty in the market. Inflation is now clearly beginning to have an impact on claims costs, and with an increase in claims there are fears about the long-term effect inflation will have. In general, the hull insurance market has not yet applied inflationary increases on premiums which could lead to a reduction in overall profitability over the coming years. The market is therefore showing discipline and premiums overall are kept at steady levels.

In terms of vessel values, sums insured have come down mainly driven by the container segment. As for age of the world fleet, a decline in scrapping activity can be noted from 2020, and 2023 continues on this path. Although the container segment may expect increased disposing of older tonnage as orders are being delivered, we see an aging fleet which in turn may lead to an increase in claims, in particular on the machinery side.

On the regulatory side, stricter environmental regulations such as IMO 2020 and the upcoming IMO 2030 targets are reshaping vessel compliance. The shipping industry will need to adopt a number of immediate measures, followed by intermediate technologies which in long-term will lead to a shift in technology.

Another area gaining prominence is cybersecurity regulations, as increasing reliance on digital systems make vessels vulnerable to cyberattacks. As a result, the International Association of Classification Societies (IACS) Insurance has adopted new cyber safety requirements mandatory for new ships and offshore units with effect from 1 January 2024.

For the marine insurance industry, being updated with all changes and innovations will be essential in order to understand the risks involved and support shipowners in these changes. The Association will therefore closely monitor trends in risk pictures and claims patterns in this regard.



### **Business Development**

The Club have continued its strategy-of enhancing the marine portfolio by writing new business. The current number of insured vessels just short of 5,900 vessels plus an additional 1,000 in captive insurance solutions suggests a growth of 18% from last year. Focus remains on quality with continued work on improving the overall profitability of our marine book of business. Concurrently, we continue to seek to increase our involvement on covers ancillary to H&M with particular focus on War.

#### Renewals 2024

The Club will offer all members renewal terms tailored to individual performance and exposure.

# Terms for Hull & Machinery Insurance 2024

#### **Hull Premium**

The premium will be based on the type of vessel, management, value, risk exposure and loss records, in addition to the information stated above. In particular, the Association will ensure and prioritize that the premium fully covers the risk exposure.

#### Claims lead

The Association will have the claims lead at all times unless otherwise agreed in writing. For all policies where the Association has the claims lead, "The Swedish Club Claims Lead Clause" (A.4) shall apply.

Members are recommended to arrange for procedures to provide counter-security from counderwriters to the satisfaction of the Association, in cases where the Association decides to issue a Guarantee or a Letter of Undertaking for the full amount.

## Claims – Adjustments – Adjusters

Claims must be reported immediately to the Association by the member. Emergency, office, mobile telephone numbers, email addresses and other contact details are available on the Association's website. All claims are adjusted by the Association's in-house Adjusters. Adjusters for General Average shall be appointed in co-operation with the Association.

#### Renewals

Each member, or its broker, will be contacted individually for renewal discussions. Statistical records used for the 2024 renewals will reflect the results for 2018, 2019, 2020, 2021 and 2022. Claims development for 2023, if adverse, will also be taken into consideration when deciding renewal terms. Records are presented in SCOL (Swedish Club OnLine), available through the Association's website.

#### Lay-up returns

Applications for lay-up returns will be considered subject to the attached lay-up conditions.



#### **Club Clauses**

Mandatory Club Clauses will be based on the underlying Hull & Machinery conditions. For Nordic Marine Insurance Plan, German Hull Conditions, Institute Time Clauses and American Institute Hull Clauses, applicable clauses will at all times be published on the Club's website.

www.swedishclub.com/Hull Insurance Conditions

Please note the following additions and/or amendments in respect of Mandatory Club Clauses for the 2024 policy year further described in the attachment "Changes in respect of Mandatory Club Clauses 2024":

• A.11 - The Swedish Club Uniform Interest Rate Clause 2023-10-01

Policies should contain the full set of Mandatory Club Clauses as outlined in the respective attachments.

Yours faithfully,

**Thomas Nordberg** 

#### **Enclosures:**

• H&M Lay-up Conditions 2024 with Application Form