

Allianz Global Corporate & Specialty

Press release

Allianz: Shipping losses lowest this century, but incident numbers remain high

- Safety and Shipping Review 2019: 46 large ships lost worldwide in 2018, down by a record 50 percent annually and 55 percent below the 10-year average of 104.
- Total losses significantly fell in accident hotspots such as South East Asia. Weather losses halved due to quieter storm year.
- Number of shipping incidents is stable. Machinery damage is the major cause, responsible for 1 billion dollars worth of marine insurance industry claims in five years.
- Challenges for shipping industry: political threats to vessel security; impact of 2020 emissions rules and growing number of fire incidents.

Johannesburg/London/Munich/New York/Paris/Sao Paolo/Singapore – June 4, 2019:

Large shipping losses are now at their lowest level this century having declined by over 50 percent year-on-year, according to Allianz Global Corporate & Specialty SE's (AGCS) [Safety & Shipping Review 2019](#). The annual study analyzes reported shipping losses over 100 gross tons (GT).

In 2018, [46 total losses of vessels](#) were reported around the shipping world, down from 98 12 months earlier, driven by a significant decline in activity in the global loss hotspot, South East Asia, and weather-related losses (10) halving after quieter hurricane and typhoon seasons.

While this plummet in total losses is encouraging, the number of reported shipping incidents overall (2,698 in 2018) shows little decline – less than 1 percent year-on-year. Machinery damage is the major cause, accounting for more than a third of the 26,000+ incidents over the past decade – twice as many as the next highest cause, collision. Machinery damage is one of the most expensive causes of marine insurance claims, accounting for 1 billion dollars plus in five years¹.

"Today's record low total loss activity is certainly influenced by fortunate circumstances in 2018, but it also underlines the culmination of the long-term improvement of safety in the global shipping industry," says **Baptiste Ossena, Global Product Leader Hull & Marine Liabilities, AGCS**. "Improved ship design, technology, tighter regulation and more robust safety management systems on vessels have also helped to prevent breakdowns and accidents from turning into major losses. However, the lack of an overall fall in shipping incidents, heightened political risks to vessel security, complying with 2020 emissions rules and the growing number of fires on board bring challenges."

¹ Based on analysis of 230,961 marine insurance industry claims featuring AGCS and other insurers between July 2013 and July 2018.

Worst accident locations and common causes of loss

The South China, Indochina, Indonesia and Philippines maritime region remains the top loss location. One in four occurred here in 2018 (12), although this is significantly down from 29 a year earlier. The East Mediterranean and Black Sea (6) and the British Isles (4) rank second and third. Despite signs of improvement, Asia will remain a hotspot for marine claims due to its high level of trade, busy shipping routes and older fleets. However, newer infrastructure, better port operations and more up-to-date navigation tools will help to address challenges.

[Cargo ships \(15\)](#) accounted for a third of vessels lost around the world in the past year. The most common cause of ship losses remains foundering (sinking), which has accounted for over half (551) of the 1,036 lost over the past decade. In 2018, 30 cases were reported.

[Fires](#) continue to generate large losses on board with the number of reported incidents (174) trending upwards. This has continued through 2019 with a number of recent problems on container ships and three significant events on car carriers. Misdeclared cargo, including incorrect labelling/packaging of dangerous goods is believed to be behind a number of fires at sea. On board fire-fighting capability can be limited. If considerable outside assistance is required significant damage can occur to the ship before this happens, greatly increasing the size of any salvage claim. Meanwhile, the loss of hundreds of containers over board from a large vessel in early 2019 provides a reminder that damaged goods is the most frequent generator of marine insurance claims, accounting for one in five over five years¹.

Emissions compliance brings challenges

Regulation limiting sulphur oxide emissions from January 2020 is likely to be a [game-changer for the shipping industry](#), with wide-ranging implications for cost, compliance and crew. Large ports globally are even considering deploying so-called “sniffer drones” to detect environmental rule-breakers – ships not using more expensive low-sulphur fuels may face significant penalties. “It is important shipping plays its part in a more sustainable environment. However, despite the fast approaching deadline, there is still a lack of international standards and concern over the availability and compatibility of low-sulphur fuel,” explains **Captain Rahul Khanna, Global Head of Marine Risk Consulting, AGCS**. “Insurers are concerned about a potential increase in machinery breakdown claims with the introduction of low sulphur fuels if the transition is not well-managed. There is also potential for disruptions and delays to voyages if there is a lack of compliant, compatible fuel in port.”

Security threats evolve and challenge

[Political risk](#) has heightened around the globe and increasingly poses a threat to shipping security, trade and supply chains through conflicts, territorial disputes, cyber-attacks, sanctions, piracy and even sabotage, as evidenced by recent attacks on oil tankers in the Middle East. The growing number of migrants at sea and an increase in stowaways on commercial vessels also has serious consequences for ship owners, leading to delays, diversions and pressure on crew. Piracy incidents increased in 2018 to more than 200 – Nigeria is now the top global hotspot.

Other risk topics in the AGCS Safety And Shipping Review include:

- **The growing number of incidents on larger vessels is concerning.** Container-carrying capacity has almost doubled over a decade and a worst case loss scenario could cost as much as 4 billion dollars in [future](#).
- **Trusting technology:** Safety-enhancing technology in shipping has been a positive for safety and claims, yet accidents continue to happen due to overreliance – even down to losses occurring from crew being on [phones](#).
- **Autonomous shipping makes waves:** Progress continues to be made but technology is not a panacea if the root cause of incidents and losses is not [addressed](#).
- **All at sea –** The most accident-prone vessels of the last year are three Greek Island ferries, all of which were involved in eight different [incidents](#).

AGCS provides global marine and shipping insurance for all types of marine risk, from single vessels and shipments to the most complex fleets and multinational logistics businesses. The [Marine Line of Business](#) contributed 11 percent to AGCS overall premium volume of 8.2 billion euros in 2018.

Press contacts

Johannesburg: Lesiba Sethoga	+27112147948	lesiba.sethoga@allianz.com
London: Michael Burns	+44 203 451 3549	michael.burns@allianz.com
Munich: Heidi Polke Daniel Aschoff	+49 89 3800 14303 +49 89 3800 18900	heidi.polke@allianz.com daniel.aschoff@allianz.com
New York: Sabrina Glavan	+1 646 472 1510	sabrina.glavan@agcs.allianz.com
Paris: Florence Claret	+33 158 85 88 63	florence.claret@allianz.com
Sao Paolo: Camila Corsini	+55 11 3527 0235	camila.corsini@allianz.com
Singapore: Wendy Koh	+65 6395 3796	wendy.koh@allianz.com

About Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty (AGCS) is a leading global corporate insurance carrier and a key business unit of Allianz Group. We provide risk consultancy, Property-Casualty insurance solutions and alternative risk transfer for a wide spectrum of commercial, corporate and specialty risks across 12 dedicated lines of business.

Our customers are as diverse as business can be, ranging from Fortune Global 500 companies to small businesses, and private individuals. Among them are not only the world's largest consumer brands, tech companies and the global aviation and shipping industry, but also wineries, satellite operators or Hollywood film productions. They all look to AGCS for smart answers to their largest and

most complex risks in a dynamic, multinational business environment and trust us to deliver an outstanding claims experience.

Worldwide, AGCS operates with its own teams in 34 countries and through the Allianz Group network and partners in over 200 countries and territories, employing over 4,400 people. As one of the largest Property-Casualty units of Allianz Group, we are backed by strong and stable financial ratings. In 2018, AGCS generated a total of €8.2 billion gross premium globally.

For more information please visit <http://www.agcs.allianz.com/> or follow us on Twitter @AGCS_Insurance and LinkedIn.

Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

The matters discussed herein may also be affected by risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking statement.