IUMI 2015 Cargo Statistics - Analysis

Provided by Nick Derrick, Chairman Cargo Committee

The global economy continues to grow despite the fall in base commodity values in particular Crude Oil and Products. The fall in values has led to a further scramble by Cargo Underwriters to write a bigger share of a reducing pie! Last year oil on a fully laden VLCC was valued around $200m now the value is $100m. In a normalised underwriting environment these reduced turnover values would be offset by increased rating, this is not being achieved. With new markets hungry to put business on their books coupled with Merger and Acquisition underwriters being pushed by their Management to make 1 + 1 = 2.5 the incumbent Underwriters are under pressure to reduce the rating on falling values of cargoes.

Much of the forecast data showing increasing exports was set before the China crisis and I have doubts as to the continued predicted growth unless there is a turnaround in China.

Another year with the absence of Nat Cats has propped up some profits for Cargo but the longer-term outlook is gloomier as investors continue pouring capital into Cargo as it’s seen as short term business with a small but stable return on equity.

Losses from the devastating blast at Tainjin Port are now starting to trickle into our Markets but exact loss amounts are difficult to assess as independent surveyors do not have access to the site. It is feared that many Cargoes that survived the blast may be contaminated with dangerous chemicals.

There is some good news the last successful taking of a large commercial vessel off the coast of Somalia was in 2012 thanks to BMP 4 and the continued patrolling of the area by the Worlds Navy’s. There are however approximately two attempts per month so the threat has not gone away.

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