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### IUMI 2016 Shipping Statistics - Analysis

*Provided by Mark Edmondson, Chairman Ocean Hull Committee*

Key features of Casualty and World Fleet Statistics as at August 2016:

- **Continuing growth in the world fleet**

Despite difficult trading conditions in liner and dry bulk sectors, the dry bulk, tanker and container/multipurpose fleets continue to grow with a corresponding reduction in the rate of scrapping over the same period.

The container sector reached a milestone during 2016 exceeding global capacity of 20m TEU for the first time, representing a doubling of capacity over a period of just 10 years. In comparison the tanker fleet took 21 years to achieve the same rate of growth.

There is a continuing correlation between the increase in fleet size in these classes and a reduction in the number of vessels being delivered, resulting in an increase in average vessel size which is well documented. For example the average size of container vessel currently in commission is 3,832 TEU whereas the average size of vessel on order is 8,030 TEU.

- **Value of offshore & speciality tonnage orders reduced**

Overall the value of the world fleet on order has reduced year on year from around \$293bn to \$277bn.

Offshore and speciality tonnage represents over a quarter of the world order book as at August 2016 by value, albeit a reduction compared to 2015 year on year, possibly a reflection of the uncertainty in the price of oil.

Despite a downturn in orders more recently, South Korea and China continue to dominate the construction market by value, with European yards representing the third largest market. By the number of vessels, Far Eastern yards retain a larger share of the order book with the value of European order book skewed by the predominance of cruise vessel construction.



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- **Distress shipping markets, increased impact on insurers from the offshore sector**

According to Clarksons Research, earnings for particularly dry bulk remain at an all-time low. Following an increase in average earnings in the tanker sector in 2015 and a spike in 2014, rates have reduced significantly during 2016 year to date.

Conditions in the offshore support market remain depressed particularly in the USG with a significant proportion of the fleet remaining in lay-up correlating with low levels of activity in offshore E&P. This has had a notable impact on insured asset values and consequently insurance premium during the past two years.

Recent events in the liner trade also demonstrate the difficulties faced by the container industry with overcapacity depressing earnings across many trade routes.

- **Average age of the world fleet increasing**

Whilst global capacity has increased, the net effect of a reducing number of vessels being delivered allied to a reduction in the amount of tonnage being scrapped has resulted in a further increase in the average age of the world fleet overall, with bulker tonnage and gas carriers being the exception amongst the major vessel classes.

- **Spike in the 2015 loss distribution**

Following a year on year reduction since 2010, 2015 witnessed a significant increase in the frequency of major casualty and total loss, clearly reflected in the performance of individual hull markets and the global market overall. This type of loss is indicative of the much discussed volatility within the marine hull market.

This trend was particularly evident in the dry bulk, container and tanker sectors although the frequency of major casualty in non-cargo, specialised and passenger tonnage has continued to trend downwards.

In contrast to the 2015 year, it is reported that the 2016 year to date has experienced a reduction in major casualty so far and in the case of some markets, a reduction in overall claims frequency.



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- **Total loss by causation, little change**

Unsurprisingly, heavy weather represent the most frequent cause of total losses 2001 - 2015. However, the frequency of total loss caused by grounding has increased more quickly than other categories of casualty, followed by fire and explosion which has remained constant since 2006.