



# Comparing ‘serious’, ‘major’ and ‘total’ losses

Extract of Cefor Half-year hull trend report 2017

# 6. Major, serious and total losses

## *Beware of the terminology*

### ‘SERIOUS’ VERSUS ‘MAJOR’ LOSSES

While marine insurers usually are interested in ‘major’ losses, thus meaning extraordinary costly losses, marine bodies like the International Maritime Organisation (IMO) or commercial data providers such as Lloyd’s List Intelligence (LLI) or IHS use the term ‘serious’ casualties, with ‘serious’ relating to the nature of what happened.

To illustrate this, first some of the definitions used:

**IMO (International Maritime Organisation)** definitions of degrees of ‘seriousness’:

*"Very serious casualties" are casualties to ships which involve total loss of the ship, loss of life, or severe pollution, the definition of which, as agreed by the Marine Environment Protection Committee at its thirty-seventh session, is as follows:*

*"Serious casualties" are casualties to ships which do not qualify as "very serious casualties" and which involve a fire, explosion, collision, grounding, contact, heavy weather damage, ice damage, hull cracking, or suspected hull defect, etc., resulting in:*

- *immobilization of main engines, extensive accommodation damage, severe structural damage, such as penetration of the hull under water, etc., rendering the ship unfit to proceed, or*
- *pollution (regardless of quantity); and/or*
- *a breakdown necessitating towage or shore assistance.*

*"Less serious casualties" are casualties to ship which do not qualify as very serious casualties or serious casualties and for the purpose of recording useful information also include marine incidents which themselves include "hazardous incidents" and "near misses."*

**Lloyds List Intelligence** defines ‘serious casualties’ as follows:

*Sinkings, groundings where hull damage has been reported, structural damage rendering the vessel unseaworthy, i.e. penetration of hull under the waterline, significant spillage of oil, severe fires causing damage, vessels towed into port, collisions where damage is reported, incident causing any significant delay.*

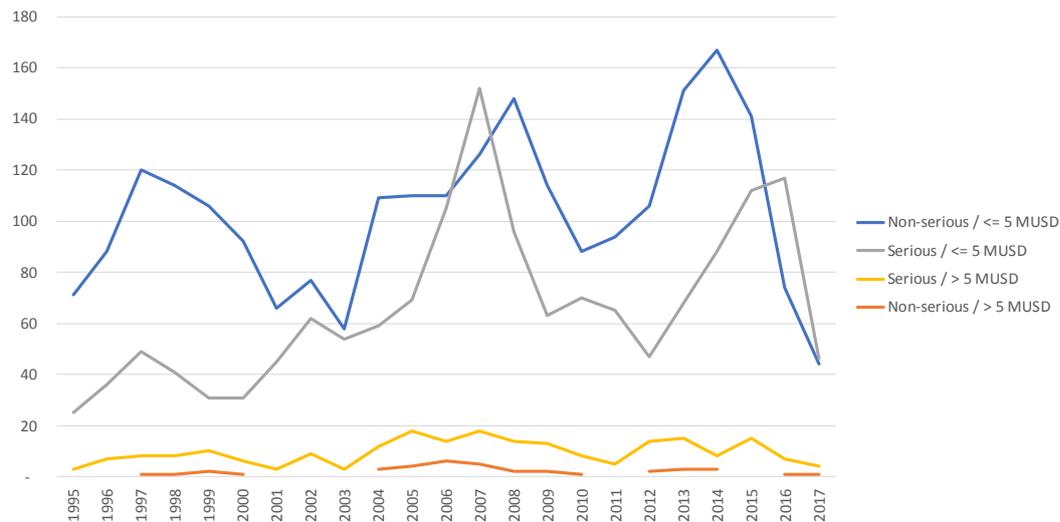
### **Marine Hull insurance:**

Insurers usually define ‘major losses’ in terms of cost, meaning extraordinary costly losses. Within the NoMIS context, for most purposes hull claims exceeding USD 5 million - reflecting about 0,7 % of all claims - or USD 10 million - about 0,3 % of all claims - are considered to be major losses. These are losses that have major economic impact on the total claim costs within the NoMIS hull market. This is illustrated in graph 12 ‘Claims in excess of USD 10 million as % of total claim costs’.

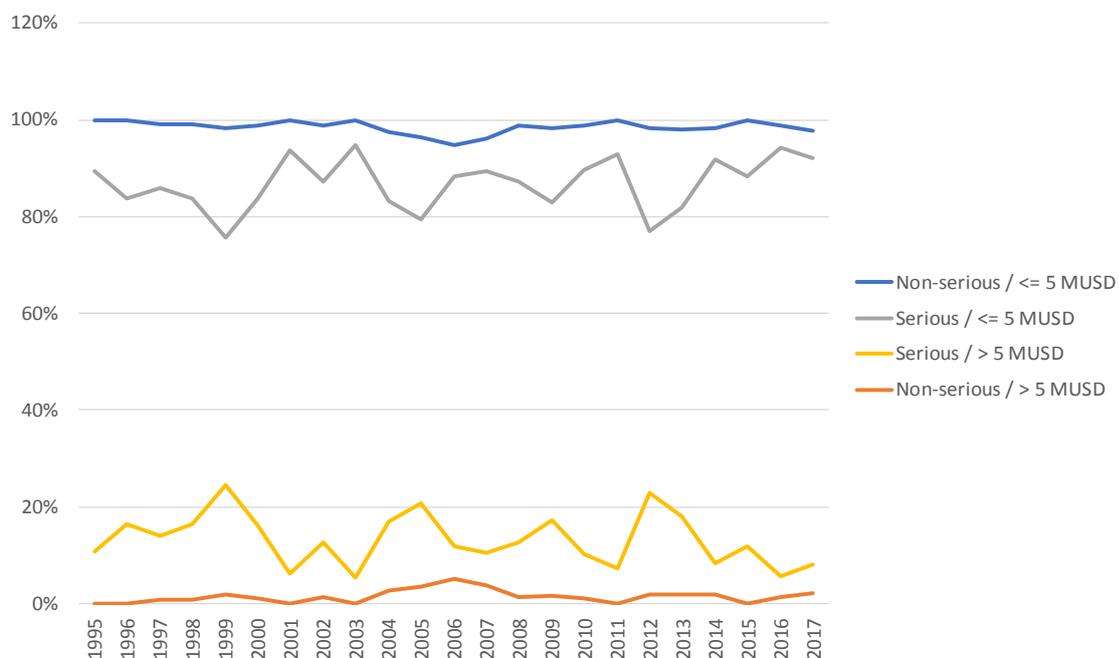
While such major losses in nearly all cases are due to an event with a ‘serious’ nature, it is not true the other way around which Graph 14 illustrates.

In a recent analysis, the Cefor analyst identified all claims reported into the NoMIS database with a counterpart in the Lloyd’s List Intelligence database. This was the case for about 7% of the claims registered by NoMIS. Matching these claims showed that the majority of claims marked as ‘serious’ by Lloyd’s List Intelligence were not ‘major’ losses in the usual understanding of insurers. Less than 40% of the ‘serious’ casualties had a cost exceeding USD 1 million, 13% had a cost exceeding USD 5 million, and 6% had a cost exceeding USD 10 million.

#### 14: Number of ‘serious’ and ‘non-serious’ casualties below/above USD 5 million



#### 15: ‘Serious’ and ‘non-serious’ casualties below/above USD 5 million as % of all casualties of the same category



## TOTAL LOSSES

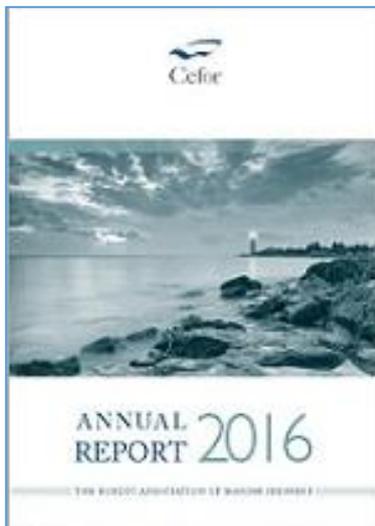
When it comes to 'total losses', the understanding of all parties is pretty much the same. Generally, a 'total loss' would be a vessel which is lost, e.g. sunk, or otherwise beyond repair.

For insurers, a total loss means being liable to pay the total insured value of the vessel – or sometimes even more, including salvage costs and/or 3<sup>rd</sup> party liability. A 'constructive total loss' occurs when the assumed repair costs exceed e.g. 80% of the agreed insured value of the vessel.

Statistics on the frequency of total losses, as issued by different marine bodies as well as insurers, therefore usually show the same long-term trend.

# Nordic Marine Insurance Statistics (NoMIS)

Further information is available on the Cefor website at [www.cefor.no/statistics](http://www.cefor.no/statistics)



Cefor Annual Report 2016,  
NoMIS analysis of ocean and coastal hull trends.



The 2016 NoMIS Reports for Ocean & Coastal Hull  
Claims trends by age group, size group, vessel types,  
insured value layers, plus exposure curves and other key figures.

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