

The Nordic Marine Insurance Statistics (NoMIS) 2015

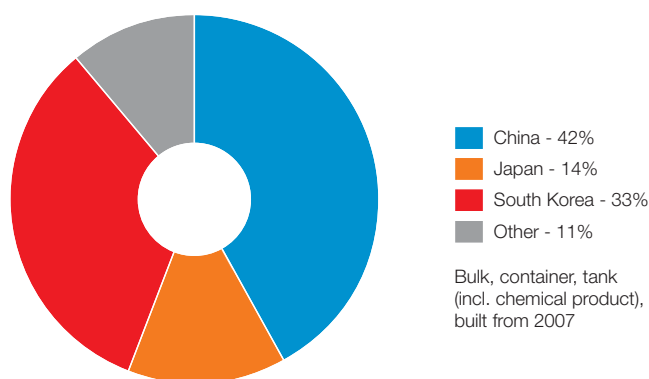


Spotlight on vessels built in Asia

WHO BUILDS THE VESSELS?

In the period 2007-2015, South Korea, Japan and China delivered the vast majority of crude, product and chemical tankers, as well as bulk and container vessels insured by members of Cefor. A particular feature of this period was the tremendous growth in newbuildings from Chinese yards and the corresponding growth in market share for China. In 2015, these three countries represented almost 90% of all vessels built after 2006 in these large segments, and yards in the rest of the world only 11%. For other ship types, the country of build is more balanced towards other countries.

I: Distribution of number of vessels by country of build, year of exposure 2015



QUALITY OF SHIPBUILDING COUNTRIES – STATISTICAL CONSIDERATIONS

The rapid growth in newbuildings from China – some of them from new yards – has caused insurers to question whether the quality of these vessels represents a higher risk. Cefor has so far been hesitant to publish statistics by factors such as builder, class, flag or engine maker, since the statistical characteristics of such segments might say more about the type of vessels and type of owner that dominates the segment than the segment as such. Even with the limited possibilities for drawing indisputable conclusions from the data, it is still interesting to use Cefor data to illustrate the country of build perspective. In order to ensure a like-for-like comparison, the analysis hereafter focuses on the tanker (including chemical/product), bulk and container segments.

CLAIMS FREQUENCY DEPENDING ON VESSEL TYPE AND SIZE

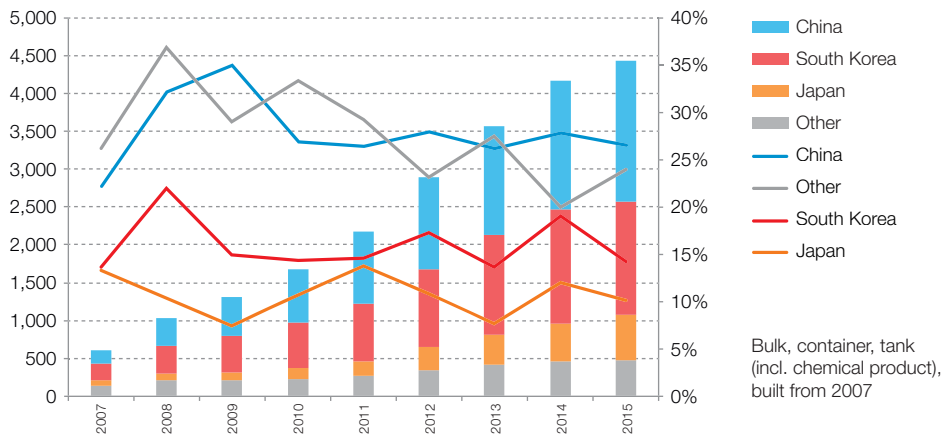
It is well known that different vessel types have different claims frequencies and that the claims frequency differs depending on size, deductible and age within a vessel type group. Age is not a major issue, since our analysis is limited to vessels built in 2007-2015, i.e. 0-8 year old vessels. The other characteristics are dealt with by splitting the analysis by type and size.

Bearing these limitations in mind, we are ready to present our findings, focusing in particular on Chinese built vessels in comparison with other Asian shipbuilding nations.

COMPARING ASIAN SHIPBUILDING NATIONS

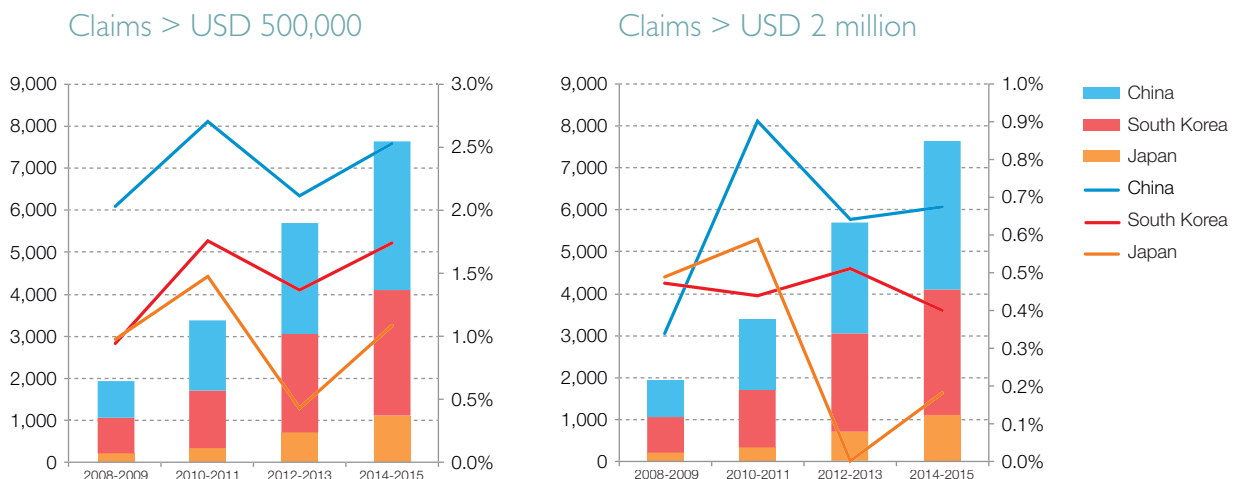
The first graph (graph 2) compares the claims frequency of three shipbuilding nations, without splitting the segment by type or size. It illustrates that the claims frequency has been 89% higher for vessels built in China and elsewhere in the world, compared to vessels built in Japan or South Korea. The difference between Japan and South Korea is mainly caused by the fact that very few container vessels are built in Japan, and that container vessels have a higher claims frequency than tankers and bulk carriers.

2: Number of vessels and claims frequency by country of build, by year of exposure



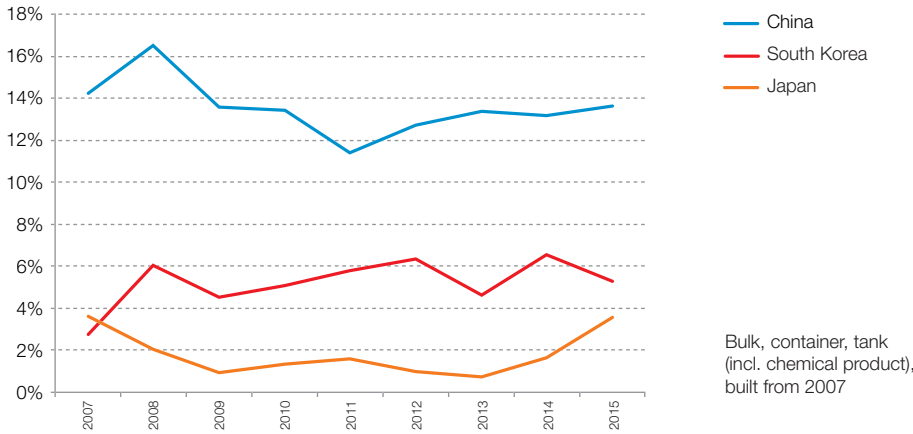
For claims in excess of USD 500,000, the frequency is 75% higher for Chinese than for Korean and Japanese built vessels combined. For claims in excess of USD 2 million, it is 52% higher (graphs 3 and 4).

3/4: Number of vessels and claims frequency by country of build



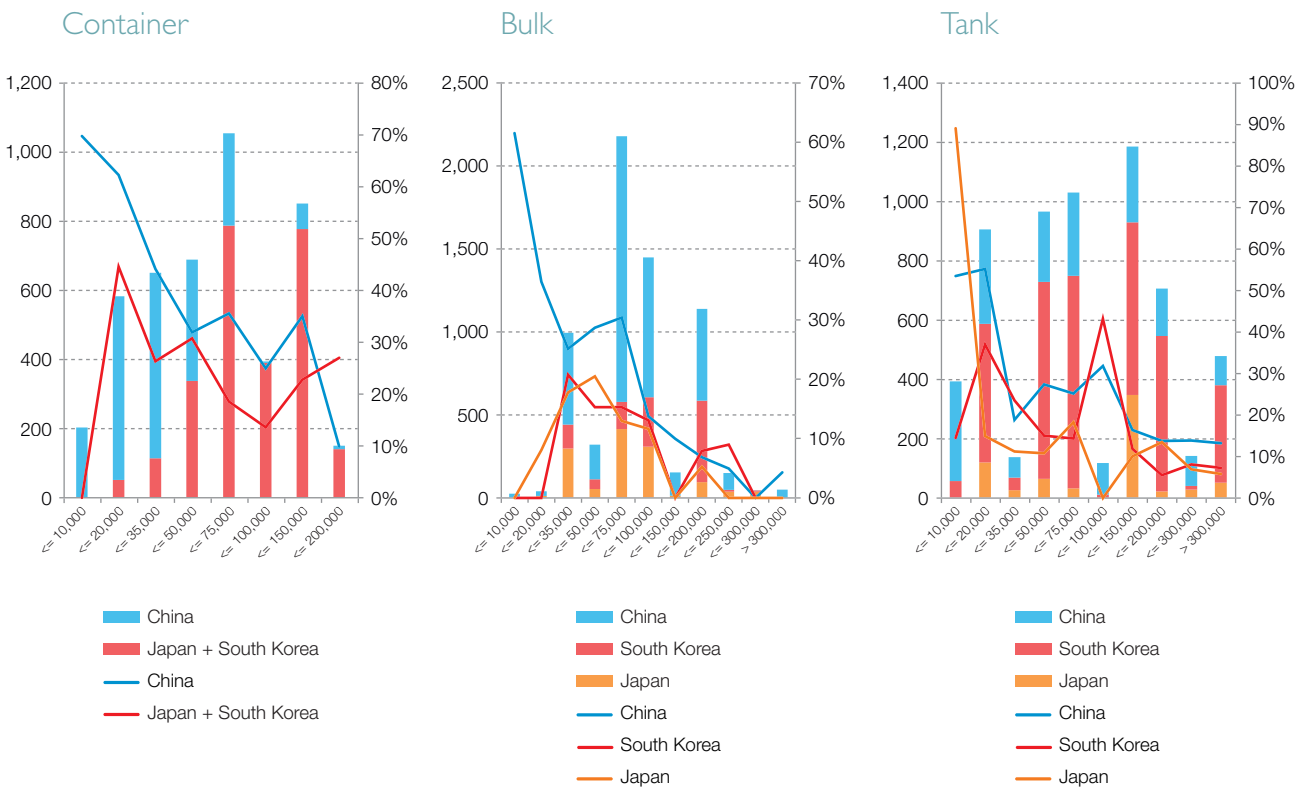
The frequency is particularly high in machinery claims on Chinese-built vessels (graph 5), but a similar pattern can also be observed for the other types of claims. Part of the reason is that Chinese yards deliver a higher number of smaller vessels than Korean and Japanese yards. Smaller vessels typically generate a higher claims frequency – except very small vessels, which are not part of this analysis (see ‘Coastal and Fishing vessels segment’ and ‘The Cefor NoMIS Ocean (Coastal) Hull report’ at www.cefor.no/statistics).

5: Machinery claims, by date of loss



The last series of graphs presented below splits the data by vessel type and size. The graphs show that the claims frequency is significantly higher for Chinese-built vessels in most of the segments they are represented in. Best performing are Chinese-built bulk vessels in excess of 75,000 DWT, where the frequency is in line with vessels built in South Korea and Japan. In the tanker segment, the high frequency is dominated by small claims, while the frequency of claims in excess of USD 500,000 is similar to that of South Korean and Japanese built vessels.

6/7/8: Number of vessels and claims frequency for selected vessel types by country of build



CONCLUSIONS/THE JOURNEY AHEAD

The statistics show that the frequencies of both machinery-related claims and non-machinery related claims were higher for the total number of tanker, bulker and container vessels built in China in 2007-2015 compared with similar types of vessel built in South Korea and Japan.

One should bear in mind that claims statistics are influenced by numerous factors, including vessel operational practices, maintenance standards, safety cultures, etc. Hence, we are not suggesting that the country of build is the only explanatory factor. Nevertheless, the observed differences are considerable and unlikely to be purely incidental.

The NoMIS database contains no details of the individual cases underlying the statistics. It is therefore not possible to share further insight on more specific claim characteristics of vessels built in China.

China has made major strides in modernising its shipbuilding industry in the past few years. The statistics of the past might therefore not be indicative of vessels built in the future. As outlined at the outset, we are not in a position to reach conclusions concerning the cause of the high claims frequency for vessels built in China. However, irrespective of the cause, it will be interesting to follow the performance of these vessels as they grow older.