TUESDAY 14 DECEMBER 2021

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Insurance Day is the world's only daily newspaper for the international insurance and reinsurance and risk industries. Its primary focus is on the London market and what affects it, concentrating on the key areas of catastrophe, property and marine, aviation and transportation. It is available in print, PDF, mobile and online versions and is read by more than 10,000 people in more than 70 countries worldwide.

First published in 1995, *Insurance Day* has become the favourite publication for the London market, which relies on its mix of news, analysis and data to keep in touch with this fast-moving and vitally important sector. Its experienced and highly skilled insurance writers are well known and respected in the market and their insight is both compelling and valuable.

Insurance Day also produces a number of must-attend annual events to complement its daily output, including the *Insurance Day* London Market Awards, which recognise and celebrate the very best in the industry.

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ISSN 1461-5541. Registered as a newspaper at the Post Office. Published in London by Informa UK Ltd, 5 Howick Place, London, SW1P 1WG.

Printed by Stroma, Unit 17, 142 Johnson Street, Southall, Middlesex UB2 5FD.

Print managed by Paragon Customer Communications.

UK building cost inflation now 'running at 20%'

Recent storms add to perfect storm of supply chain issues, as cost inflation now five times higher than industry benchmark

Marc Jones
News editor

Storm Arwen bought snow and severe weather to parts of the UK in late November

Wayne HUTCHINSON/Alamy Stock Photo

The recent storms that hit the UK in December have caused large increases in claims inflation that the insurance industry must watch carefully.

Speaking to *Insurance Day*, Steven Wallace, managing director – UK and Ireland at McLarens, said claims inflation was running well ahead of industry benchmarks, as the recent storms, as well as other severe weather earlier in 2021, had affected a large number of buildings, leading to many of them requiring repairs.

"BCIS [Building Cost Information Service], which is the data the industry will default to in terms of rebuilding costs, has estimated an annual inflationary increase of 3% to 4% over the next five years," Wallace said. "We've done our own research and our own modelling and we would suggest the impact is closer to 20%."

Although this level of inflation is unlikely to continue, Wallace stressed it is the average level of increase the insurance industry is seeing in terms of rebuild costs and in dealing with typical commercial claims.

"This is a big problem and it's going to be really difficult for underwriters to really get to grips with the likely cost of claims," he said.

Wallace said McLarens is still waiting to see the effects of the most recent Storm Barra, but added Storm Arwen had certainly been significant in terms of the impact on the insurance market, with notifications of claims still coming through.

The company has seen notifications from the agricultural and property spaces increase around 300% – and they are still continuing to be received by the company. For McLarens, the losses are relatively minor and manageable, but Wallace pointed out the company does not deal with the high-volume domestic business other firms deal with.

This year has seen a number of significant weather events in the UK, with the flooding in London in July standing out particularly because of the value of the claims, as some high-net-worth residential areas of the city were badly hit.

Wallace also highlighted the fact supply chain issues have risen steadily over the past six to 12 months and are now starting to affect areas that are trying to repair damage from some of these extreme weather events.

"This is a big issue for the [insurance] industry in terms of trying to get to grip with this supply/demand challenge we are facing," Wallace said. "It really is remarkable there seems to be a shortage of almost everything, from building materials to fairly common household goods. Everything seems to be taking longer to get hold of and, of course, is more expensive."

McLarens has been looking at the impact of inflationary pressure on supply pressures, as well as the impact of that on reserves and the indemnity outcome on claims, whether storm-related claims or standard business as usual claims.

Wallace described this as "significant", adding he does not think anyone has managed to establish with any certainty to what extent this is going to have an impact on the cost of claims.

Many variables have come together to create the perfect storm in many respects, Wallace said. It started with the impact of the original lockdowns and cessation, in some cases, of production.

Next came the impact of production ramping up when lockdowns were lifted, followed by staff shortages, with many industries facing real challenges in hiring people and having trouble meeting increased levels of demand.

"Life can't go back to normal at the flick of a switch," he said. "There will be bottlenecks and it will take time to find a natural equilibrium."

Carbon appoints claims manager

London market underwriting business Carbon Underwriting has appointed Kirsty Coates as claims manager, *writes Marc Jones*.

Coates will be responsible for managing Carbon's portfolio of claims across all product lines, as well as supporting the senior management team in the execution and delivery of the company's strategic goals and objectives.

She joins Carbon from Antares Managing Agency, where she was a specialty claims manager with a focus on worldwide delegated contracts across multiple product lines.

Before that she was a claims adjuster with Atrium Underwriting.

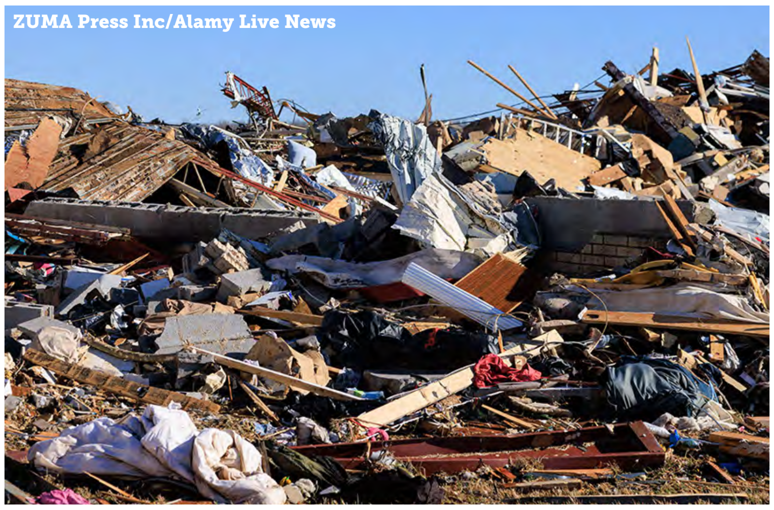
Carbon chief executive, Nick Tye, said: "I am delighted someone of Kirsty's calibre has joined our team and I know we will benefit enormously from her wealth of international claims handling experience."

NEWS

Quad State tornado industry losses ‘on a par with 2020 derecho’

Insured losses from devastating tornado outbreak – including a possible EF5 twister – could hit $7bn, according to early analysis

Michael Faulkner
Editor



ZUMA Press Inc/Alamy Live News

This weekend’s deadly Quad State tornado outbreak could cost re/insurers as much as the $7bn derecho wind that battered the Midwestern US in August 2020, early analysis has suggested.

While formal market loss estimates are yet to be made, analysts said the tornado outbreak, which led to intense tornado activity – including a possible EF5 tornado – across Arkansas, Missouri, Tennesse and Kentucky, will cost re/insurers “a material sum” in aggregate.

BMS Group chief meteorologist, Andrew Siffert, said “events like this typically run into the low single-digit billions of dollars range”, adding: “This will be one of the costliest severe weather events for the month of December, which typically counts on a quiet fourth quarter.”

Lloyd’s members’ agent Argenta suggested the insured loss could be even higher, putting losses on a par with the Midwest derecho in 2020 with an insurance cost of $7bn, according to Swiss Re.

Argenta said the derecho event added around two percentage points to the 2020 loss ratios of supported syndicates, with more than 97% of the loss allocated to the 2020 year of account.

“Our early expectation would be an event of similar magnitude for syndicates’ 2021 year of account arising out the weekend’s losses,” Argenta added.

The losses will add to an already costly year for the re/insurance industry, with annual insured losses already expected to exceed $100bn.

This weekend’s tornado outbreak saw 37 tornado reports and 258 strong wind and damage reports, according to the National Oceanic and Atmospheric Administration’s storm prediction centre.

Survivors spent the weekend digging through the rubble of ruined homes and businesses after the deadliest US tornado outbreak in a decade on December 10 into December 11.

The death toll rose to 80 on December 12 but authorities said that figure was likely to exceed 100, as the rescue effort was turned into a search-and-recovery effort late on December 12.

The worst-hit area was Mayfield, Kentucky, where a tornado reduced a wide swath of the town of 10,000 to piles of rubble. At a candle factory in Mayfield, only 40 of the 110 workers working the late shift on December 10 were rescued from the destroyed facility.

In Edwardsville, Illinois, 25 miles east of St Louis, another tornado levelled half an Amazon warehouse that was once the size of a football field, killing at least two.

CNN meteorologists reported a single tornado remained on the ground for more than 250 miles, carving a path from Arkansas into Kentucky.

Writing in a blogpost, Siffert said the reports coming in “indicate truly a historic tornado outbreak”.

On December 12, US president, Joe Biden, issued a federal disaster declaration for 15 counties in Kentucky.

Insured losses from Canadian flooding pegged at C$450m

The series of atmospheric rivers that brought torrential rains and flooding to southwestern British Columbia in late November and early December caused around C$450m ($352.8m) in insured losses, the Insurance Bureau of Canada (IBC) has reported, *writes John Shutt, Los Angeles*.

Total losses from the storms and flooding are expected to be much higher owing to the relatively low penetration of flood insurance among local homeowners and business owners.

The IBC deemed the disaster “the most costly severe weather event in the province’s history”.

The atmospheric rivers established new rainfall records in British Columbia, pushing local rivers and streams into flood stage and washing out numerous roads and bridges.

The flooding forced the closure of the main railways and motorways into the metro Vancouver area, causing serious disruptions at the Port of Vancouver, the largest port in Canada and third-largest in North America as measured by cargo tonnage.

At the peak of the flooding, nearly 15,000 residents were evacuated. Flooding also caused widespread damage to agriculture and livestock in the inland Sumas Valley.

The province’s flood losses are in addition to the C$155m in insured losses the area incurred from wildfires during the summer.

Dale swoops on ArgoGlobal for senior property hire

Dale Underwriting Partners, the Lloyd’s underwriting business, has appointed Marcus Turner as a class underwriter in property insurance, *writes Lorenzo Spoerry*.

Turner (*pictured*) will be responsible for building out Dale Underwriting’s property open market business, an area of expected growth for the company in 2022.

He joins from ArgoGlobal where he was head of property direct and facultative, where he wrote a portfolio of medium to large US property risks.

Turner has more than 30 years’ experience in property insurance working as both a broker and an underwriter.

Ian Bridge, deputy active underwriter at Dale Underwriting, said Turner’s “extensive experience in property will be a major asset as we continue to expand our open market business in 2022”.

Davies buys actuarial firm Merlinos

Insurance service firm Davies is to acquire Merlinos & Associates, a US-focused actuarial consulting business, *writes Marc Jones*.

Based in Georgia, Merlinos provides a range of compliance, risk management and wider actuarial consulting solutions to the property/casualty (P&C) and life and health markets in the US.

Merlinos will form part of Davies’ global insurance services business led by chief executive, Steven Crabb. Its existing management will continue to lead the day-to-day operations and will report to Davies’ Insurance Services US chief executive, Robert Dewen.

All 50 Merlinos employees will continue in their roles in Davies.

Davies has expanded steadily in 2021. In September it announced it had signed a deal to acquire Asta, a provider of insurance management solutions to Lloyd’s syndicates.

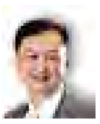
In October Davies acquired IRS, a P&C insurance inspection firm that provides a range of tech-enabled residential and commercial inspections to support underwriting decision-making.

“The addition of Merlinos significantly enhances our existing actuarial services capability,” Dan Saulter, group chief executive of Davies, said.

VIEWPOINT

Insurance is critical to delivery of an inclusive economic recovery

Inclusive insurance will demand a fundamental change in industry mindset and require international carriers to develop new products tailored to local needs and circumstances



Clarence Wong
Peak Re

The coronavirus pandemic has widened social inequality and increased global poverty – nearly half a billion people could have been added to the poverty ranks since the onset of the pandemic, according to the UN University. Many poor or underprivileged people, including migrants and informal workers, are at risk and are not usually covered well by social security schemes.

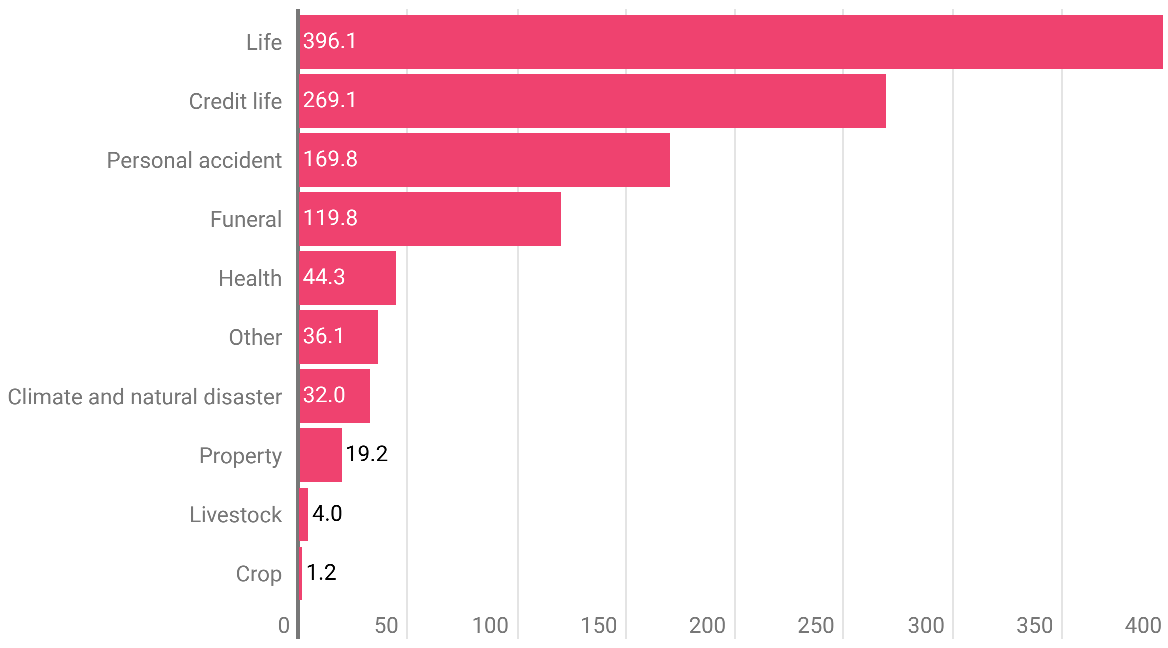
To a certain extent, generous social security benefits arranged by governments have helped cushion some of the fallout from the pandemic. Still, the sustainability of those benefits is increasingly uncertain because of mounting government fiscal deficits and debts. The unfolding global economic recovery offers an opportunity to tackle widening inequality and close protection gaps.

Inclusive insurance is not necessarily insurance that covers the poor – higher-income households without access to insurance have also benefited from inclusive insurance products. Broadly, it targets the unserved, underserved, vulnerable or low-income populations in an affordable and accessible manner.

Conventional insurance has so far not been accessible or affordable to some segments of society. In many cases, a lack of appropriate regulations and policies has limited the applicability of conventional insurance. Furthermore, there is a lack of infrastructure and underwriting data or else a low level of financial literacy, particularly among the poor.

Microinsurance premiums exceed $1bn mark during 2019

Graph: Microinsurance premiums in all regions by product line, 2019 ($m)



Source: Microinsurance Network

Affordable insurance has not been available to all segments of society around the world

Keren Su/China Span/
Alamy Stock Photo

VIEWPOINT

Insurance products that can be characterised as inclusive are generally simplified products (cost-efficient to structure, easy to explain and understand), have a flexible structure that fits the needs and circumstances of the insured (premium that is not collected on a monthly basis but tied to the income stream of the insured, for example) leverages new technologies (using mobile phones for distribution, premium collection, claims submission and disbursement), follows sustainable and responsible principles (in line with national guidelines) and aims to cover a broad group, including those not served by conventional insurance.

Inclusive insurance can target the needs of agriculture businesses and small to medium-sized enterprises (SMEs) or cover financial and health matters, but it can also partly cover pandemic-related business continuity challenges.

What is an inclusive recovery? The OECD characterises an inclusive recovery as one that addresses inequalities in education; supports people, jobs and small businesses; closes the digital divide; measures what matters in people's lives and ensures they work together on health, tax and trade. Efforts are under way to pursue a job-rich recovery that empowers the youth and workers while focusing on environmental protection and tackling climate challenges.

Many conventional policy tools are being exhausted; the redistribution effect of monetary policies is well known to be limited, while large fiscal spending is increasingly unattainable because of rising government debts and threat of higher debt servicing costs.

It is becoming clear a multi-stakeholder approach will be required to sustain an inclusive recovery that leverages the capability of the public sector, private companies, multinational institutions, institution investors, non-governmental organisations and other stakeholders.

Inclusive insurance is what the insurance sector needs to promote. Insurers can help build resilience and narrow protection gaps, contribute to financial stability and thereby broaden their franchise and validate the value of insurance.

In practice

Inclusive insurance is not wholly new and has already come about in the form of microinsurance, digitally enabled insurance, mutual insurance, public-private partnerships and even takaful, a form of insurance that complies with the fundamentals of Islam.

Table: Inclusive insurance at a glance

Line of business	Market size (latest year)	Target customers	Key features
Microinsurance	$1.06bn	Low-income populations and those without access to mainstream insurance or government programmes	Flexibility and simplicity, addressing key risks facing those clients
Digitally enabled insurance	n/a	All customer segments, including those constrained by affordability and accessibility issues	Flexibility that cuts across the whole insurance supply chain
Mutual insurance	$1.3trn	Member-customers of mutuals and not exclusive to low-income clients	Alignment of interest of the insurer and its member-customers
Public-private partnership	n/a	Typically unserved and uninsured households and businesses	Ex-ante risk financing and leveraging respective strengths of the public and private sectors
Takaful	$2.4bn	Customers who cherish sharia-compliant insurance	Alignment with sharia laws

Source: Peak Re

Microinsurance: microinsurance typically services the low-income population. There is a market of four billion individuals globally and offers a viable alternative for low-income households to manage their risk exposure. A study by the Microinsurance Network across 27 countries and 194 insurers demonstrated between 41 and 102 million people have already been covered with microinsurance products in 2019 at total premiums of $1.06bn (*see graph, p4*). At present, most products cover life, personal accident, funeral expenses and healthcare but efforts are under way to spread covers to include climate disasters and other property lines.

Digitally enabled insurance: meanwhile, digitally enabled insurance use cases are vast and growing. Digitally enabled insurance is extensively used in conventional insurance but more can be done. Some 2.9 billion people have access to mobile network services in the Asia-Pacific region alone. One out of 10 mobile-based microinsurance transactions recently was a person's first experience with insurance, according to the Insurance Information Institute.

Mutual insurance: mutual insurance is another significant segment of the global insurance market. Typically, the insurance carrier that provides risk protection is owned by its member-customers (policyholders) and offers risk sharing that satisfies the everyday needs of members. The largest markets for mutuals are in North America and Europe.

Public-private partnerships: in public-private partnerships (PPPs), the public sector takes on a more prominent position in enabling affordability by subsidising premiums or purchasing insurance for the underprivileged. The number of cases of PPP has increased steadily in recent years, mainly covering disaster risks and life and health. Some PPPs have also leveraged governments' capacity as "insurers of last resort" to provide for example pandemic business continuity insurance, particularly to SMEs.

It is becoming clear a multi-stakeholder approach will be required to sustain an inclusive recovery that leverages the capability of the public sector, private companies, multinational institutions, institution investors, non-governmental organisations and other stakeholders

Takaful: takaful insurance was born with the notion that conventional insurance does not comply with some of the fundamentals of Islam. A subset called micro-takaful works as an alternative coping strategy for low-income Muslim households excluded from conventional insurance and existing social security schemes.

The work begins now

As specified earlier, such inclusive insurance products can help reduce volatility in financial outcomes and reduce social inequality by covering risks that may pull lower-income households into poverty, such as premature death and disability (of the main breadwinner), job displacements and the financial stresses caused by increased longevity and old age poverty.

Insurance, both conventional and inclusive, can contribute to economic growth and the wellbeing of societies, such as a healthier population leading to higher labour productivity.

The pandemic has exposed major fault lines in existing social security protection. While governments have mobilised unprecedented resources to scale up social protection to shield vulnerable people from the pandemic and recession, there inevitably are those who are not adequately protected. Furthermore, these relief measures have a relatively short shelf life, averaging only four months.

Luckily, there is now substantial regulatory support for inclusive insurance – post-pandemic changes in institutional settings and consumer behaviours are also acting as tailwinds.

The shift from "small government" to a more "dynamic public sector", for example, offers hope of more flexible schemes that allow PPPs or partnerships with social insurance schemes. A shift from "yearly results" to "patient finance" also bodes well for a renewed focus on the wellbeing of policyholders or member-consumers instead of short-term financial outcomes.

A change in mindset could well be the most challenging aspect for the adoption of inclusive insurance. Insurers will have to think innovatively – for example, they might have to structure tailored products and understand local idiosyncratic needs and circumstances, not simply downsize and adapt existing or traditional products for lower-income segments.

In short, inclusive insurance can be a powerful tool to amplify the equalisation and inclusive effect of conventional insurance. It can be deployed to supplement and complement public schemes, which typically have a stronger redistribution impact to mitigate widening income and wealth disparities. At the same time, inclusive insurance can help promote financial literacy, one of the main factors hindering the development of inclusive finance. ■

Clarence Wong is chief economist at Peak Re

VIEWPOINT

Alternative fuel confusion is biggest exposure for marine risk market

Insurers have a critical role in bringing clarity to the alternative fuel debate and building consensus among maritime industry players

Maritime Photographic/Alamy Stock Photo

A container ship powered by liquefied natural gas sails into the port of Southampton

Yves Vandenborn
Standard Club

Ammonia, biofuels, hydrogen, electrification, liquefied natural gas (LNG), methanol – clearly there are several options when it comes to alternative fuels. Adding to the confusion is the case for and against each option, the required infrastructure to support these options and the variety – or lack of – in the "basket of fuels" options. With a plethora of possible problems and pitfalls strewn along the path to a greener future, there is no clear route ahead for now.

The International Maritime Organization's (IMO) response following the 2015 Paris agreement was to set an ambitious goal to reduce greenhouse gas emissions by half by 2050. This includes reducing CO_2 emissions by at least 40% by 2030, with a target reduction of 70% by 2050 compared with 2008 levels. There are also grand plans to phase greenhouse gas emissions out entirely this century. This raises the question: what is the best alternative fuel option as the industry transitions to net zero carbon emissions?

With no absolute clarity regarding the best fuel choice, the industry's response has been varied, with shipowners adopting different approaches.

CMA CGM has invested in 44 LNG-fuelled vessels that will be ready in 2024 and has partnered with energy company Engie in its decarbonisation path. This will see Engie develop bio and synthetic LNG to power these vessels.

Maersk has placed its bet on methanol-powered vessels, which will make their debut in 2024.

Meanwhile, Euronav NV's fleet rejuvenation programme includes three Suezmaxes and two very large crude carriers, with the option for a third on order, that will be ammonia-powered. The vessels will be delivered from the third quarter of 2023 to the first quarter of 2024. To add to the excitement, the world's first hydrogen-powered cargo vessel will be delivered soon from the ATG shipyard in Romania.

As part of the Flagships project in Europe, inland French shipowner Compagnie Fluviale de Transport's *Zulu* barge vessel will be operational on the Seine in summer 2022.

NYK's approach differs from its counterparts, with ships that will run on LNG in the interim, while exploring the possibility of converting them to vessels that will run on ammonia or hydrogen in the future.

For example, the *Sakura Leader*, a vehicle carrier, already runs on LNG. As part of NYK's "bridge solution", the NYK Group and Elomatic are developing a concept design for an "ammonia fuel-ready LNG-fuelled vessel" (ARLFV), which will convert this vessel to an ammonia-powered ship once supply is ready. NYK and Elomatic have been working to identify the challenges to the actual design and construction of the ARLFV and the results of this will be released in January 2022.

These investments are risky ventures for shipowners as they transition to alternative fuel... The vessels delivering soon will be around for the next 20 to 30 years once they start sailing and the reality of the best fuel option will only unfold gradually over the next decade or so

Risky ventures

These investments are risky ventures for shipowners as they transition to alternative fuels and race ahead to meet the demands for reduced emissions stipulated by the IMO.

The vessels delivering soon will be around for the next 20 to 30 years once they start sailing and the reality of the best fuel option will only unfold gradually over the next decade or so.

LNG is poised to be the lead-

VIEWPOINT

ing option as a transition fuel that is in line with the IMO's medium-term carbon intensity reduction plan for 2030. However, this choice comes with its own set of challenges. The World Bank's recommendations against investing in LNG bunkering infrastructure because of methane slip have resulted in some anti-LNG sentiment, with the arguments against it now being reviewed by the IMO.

Methane is the second-largest greenhouse gas after carbon dioxide and the impact of methane slip risk is 25 times greater than CO_2 emissions.

Despite the controversy over its use as an alternative fuel, 30% of newbuild tonnage will be dual-fuelled LNG-powered vessels, which will also be able to use very low-sulphur fuel oil.

Besides, when it comes to infrastructure and the versatility of using both synthetic and bio LNG, LNG emerges as the front-runner. The infrastructure is already in place and both synthetic and bio LNG would easily work interchangeably with the LNG bunkering infrastructure that is generally found at major ports.

As shipowners enter this era of decarbonisation, the other contenders for a greener future in shipping are ammonia, methanol and hydrogen. The main drawback of these alternative fuels is the lack of existing infrastructure, coupled with uncertainties about factors related to their safety, toxicity and flammability, among other factors.

That said, shipowners are not shying away from these options, as they know they must act now to secure a zero-carbon future. Methanol has several advantages, with 10 ships already operational using it as an alternative fuel and more than 10 newbuilds under construction that will be delivered in 2022 and 2023.

There are also several ongoing development projects to support its use as a fuel of the future. Furthermore, methanol exists in its liquid state and existing infrastructure can be repurposed to use it with efficient retro-fits of engines and vessels. It also offers a significant reduction in NOx and SOx production, although the same cannot be said for CO_2 production.

70%
IMO's targeted reduction in carbon emissions by 2050, as compared to 2008 levels

While methanol-powered ships are already in operation, the world's first ammonia- and hydrogen-powered ones will take to the water in 2022. Fortescue Metals will have its first ammonia-powered 75-metre supply ship ready by the end of 2022 and CFT's hydrogen-powered cargo vessel will be in operation in mid-2022. Hydrogen is cheaper to produce than ammonia. However, when it comes to storage and handling, ammonia has an advantage – hydrogen must be stored at -253°C, while ammonia is a liquid at -34°C.

Improving energy efficiency in vessels will reduce their fuel consumption and their carbon footprint. This aligns with the decarbonisation goal set out by the IMO and would certainly be a welcome move among shipowners

Drawbacks

Ammonia is not without its drawbacks, however, as it is highly toxic and careful handling and storage are crucial.

In terms of infrastructure in ports, some already exists as the well-established fertiliser industry has paved the way for this.

There is also plenty of research and development ongoing with the aim of producing blue and green ammonia, which are cleaner fuels. Blue ammonia harnesses carbon capture and storage technology while green ammonia is produced without the use of any fossil fuels.

As for hydrogen, there are still knowledge gaps to address in its storage, handling and bunkering. It is also a highly flammable option and one that must be carefully considered in the marine environment, which can be more challenging than land-based transport where it is already widely used.

For all these options, the main challenge lies in storage and refuelling infrastructure.

Energy efficiency

In addition to exploring the best alternative fuel options, shipowners should also consider energy efficiency technologies that will significantly reduce fuel consumption. These technologies rely on improvements in machinery, such as the main auxiliary engines, and propulsion and hull to improve the efficiency of the hydrodynamic performance of the vessel.

Improving energy efficiency in vessels will reduce their fuel consumption and their carbon footprint. This aligns with the decarbonisation goal set out by the IMO and would certainly be a welcome move among shipowners.

With no definitive answer as to which is the best alternative fuel option, it is certainly a difficult multimillion-dollar decision for shipowners, with long-term repercussions. Maybe a "basket of fuels" is a possible option to meet the IMO's emissions target.

Also, the best alternative fuel choice would depend on the type of ship and where the vessel is trading. For example, the hydrogen-powered solution may work better for short-haul services and smaller vessels, while LNG, methane or ammonia would work better for liner services that call at major ports.

The protection and indemnity clubs acknowledge these challenges and remain committed to supporting its members in this period of transition. Standard Club keeps up with the evolving maritime landscape by providing members and brokers with the information they need to make informed decisions that will be ideal for their businesses.

The objective is to replace confusion with clarity, achieve a certain degree of consensus among industry players and equip members with the knowledge that will help them decide on the best alternative fuel option to suit their fleet type and trading areas. ■

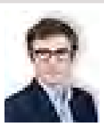
Captain Yves Vandenborn is director of loss prevention at the Standard Club

A container ship ElbBlue is refuelled with climate-neutral fuel
dpa picture alliance/Alamy Stock Photo

insuranceday

Net zero presents ‘significant opportunities’ for insurers

Insurers will be increasingly innovative as they evolve to cater to the changing needs of societies, AM Best says


Lorenzo Spoerry
Deputy editor


Stuart Collins
Journalist

The global transition to a low-carbon economy could present “significant underwriting opportunities” for re/insurers that tailor their products accordingly, AM Best said.

Only 48% of insurers in Europe and Asia-Pacific surveyed by the rating agency have identified and capitalised on opportunities in the environmental, social and governance (ESG) space, with even fewer doing so in the US.

But AM Best expects re/insurers to become increasingly innovative as they evolve to cater to the changing needs of societies.

“While underwriting opportunities exist, as with any new insurable risk, these will present underwriters with pricing challenges given their complex nature and lack of historical data,” AM Best warned.

Insurers also face reputational risks from the transition to net zero, including the insurability of transitioning sectors, the rating agency said. “Campaigners have criticised some re/insurers for what they claim is a lack of commitment to the net-zero agenda.

“It may be a slow and considered response by a re/insurer could be perceived in certain quarters as inaction, with a consequent risk to its reputation,” the rating agency said.

Shortage of insurance capacity could fuel business opportunities in the captive insurance space, AM Best said.

Ar present, average temperatures are 1.1°C above pre-industrial levels, and even with the commitments made at the COP26 UN climate change conference in Glasgow, the world is on a pathway to warming between 1.8°C and 2.7°C – potentially well above the global target of 2°C.

The UK government confirmed in late October 2021 the largest UK-registered companies and financial institutions will have to disclose climate-related financial data (via disclosures aligned with the Task Force on Climate-related Financial Disclosures) as early as April 2022.

AM Best said additional clarity in relation to disclosure requirements will allow for uniformity that is lacking at the moment. On a recent *Insurance Day* webinar, participants complained a lack of standardisation on data is holding back the London market’s progress on ESG-focused underwriting.


Insurers have not yet capitalised on opportunities in the ESG area

Zoonar GmbH/Alamy Stock Photo

Willis Towers Watson’s Swift joins LMG board

Alastair Swift (*pictured*), the head of corporate risk and broking at GB at Willis Towers Watson, has joined the board of the London Market Group (LMG), *writes Lorenzo Spoerry.*

Swift will be one of the elected board members chosen to represent the London & International Insurance Brokers’ Association (Liiba) on the LMG board.

He has served as deputy chairman of Liiba for the past three years.

Matthew Moore, chair of the LMG, said Swift’s decade of experience at Willis Towers Watson “will be able to give us valuable input from one of the largest organisations in the broker marketplace”.

Swift’s role at Liiba provides “a clear understanding of what trade bodies such as ours can and should be doing on behalf of this industry”, Moore added.

Validus returns to cat bond market with $275m Tailwind Re deal

AIG reinsurance subsidiary Validus is reported to be back in the catastrophe bond market to secure at least $275m in aggregate retrocessional cover through its Tailwind Re (Series 2021-1) transaction, *writes John Shutt, Los Angeles*.

The offering is designed to provide Validus with three years of collateralised retrocessional protection against losses from named storms and earthquakes in the US and Canada, according to *Artemis.bm*.

The offering appears to mark a renewal of Validus’ $400m Tailwind Re cat bond offering from 2017, which matures next month. The new deal may very well exceed the maturing transaction’s size, as it includes tranches of Class A, B and C notes totalling $275m in cover plus a tranche of Class D notes that have yet to be sized.

Beneficiaries of the new issuance are said to include Validus Re, Talbot Underwriting and Lloyd’s syndicate 1183.

Cover is to be provided on an annual aggregate basis using a Property Claim Services industry loss index trigger.

The 2017 deal reportedly marked Validus’s first full catastrophe bond issuance.

Fitch upgrades Generali rating by one notch

Fitch has upgraded the insurer financial strength (IFS) ratings of Generali to A from A-, *writes Stuart Collins.*

The rating agency also upgraded Generali’s long-term issuer default rating one notch to A-. The outlooks are positive.

The rating actions follow Fitch’s upgrade of Italy’s sovereign rating to BBB from BBB- and reflects the insurer’s reducing exposure to Italian sovereign debt.

The positive outlook reflects the group’s improved financial leverage and reduced Italian sovereign asset concentration risk, as well as Generali’s strong capitalisation and stable earnings, Fitch said.

Fitch expects Generali to continue gradually reducing its exposure to Italian sovereign bonds in 2021 and 2022.