AMWINS

Marine Coverage: A Deep Dive into Today's Marketplace

Throughout the first half of 2024, the property market showed signs of softening with many carriers taking advantage of the change. January 2024 reinsurance renewals provided existing marine writers with more capacity, enabling them to look at larger and more complex schedules of equipment and ultimately increasing competition in the marketplace. At the same time, we have seen new entrants offering fresh capacity, beating incumbent rates and offering lower deductibles and more attractive terms and conditions – causing further disruption for established carriers.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

LEGAL DISCLAIMER

Inland Marine

It is not unusual for inland marine accounts to have multiple coverage lines, which can make it challenging to talk about the marketplace as a whole. In this section we look at the market status of some the most common lines of coverage.

Contractors’ equipment

Over the past few years, carriers have felt the pain of upward trends in equipment valuation and inflating claim payments – especially when offering replacement cost valuation – and paying close attention to how equipment is being valued on an insured’s schedule. According to the Producer Price Index (PPI), prices for machinery and equipment rose 24.7% between January 2020 and March 2023. These numbers are still trending upward in Q4 of 2024.

Another challenge is the lack of available equipment for insureds to rent post-loss/post-claim. With some of the more specialized equipment manufactured overseas, the equipment rental marketplace is feeling the pinch. Insureds are not always able to readily rent equipment, resulting in a slow in down operations which is negatively affecting their bottom line.

Energy-related equipment

The inland marine market for energy has been relatively stable with no shortage of capacity and fierce competition for new business despite continuing claims losses. For example, we have seen multiple multi-million-dollar explosion losses in the past year – following a year with losses of $4M to $5M due to compressor station explosions or well blow-outs.

Coverage limitations/exclusions

With the entry of new and hungry inland marine markets, we are seeing coverage limitations and exclusions ease as most of the new players are offering broader coverage and lower rates to capture market share. We are also seeing more CAT capacity enter the marketplace for contractors and equipment operators where construction is expanding rapidly, especially in CAT prone areas of South Texas and Florida.

Ocean Marine

Cargo/STP

After almost two years of flat market conditions, the cargo market has begun to soften. Single digit rate reductions on clean renewal business are becoming more commonplace as most carriers are now willing to write more challenging interests and risk profiles, with no new coverage limitations or exclusions.

Some market leaders are now offering 100% lines on accounts with limits up to $50M. This is largely due to an influx of new capacity as underwriters seek to take advantage of rate adequacy. New entrants have fresh capacity and routinely beat incumbent rates, providing lower deductibles as well as more attractive terms and conditions – signifying a demand for growth. We have also begun to see a return of delegated authority in the form of binders, facilities, consortiums and MGAs.

Historically, the cargo market hasn't relied on traditional CAT modeling. However, due to aggregation issues and an uptick in cargo movement, some underwriters are beginning to utilize modeling results to price static cargo risks (which have historically been priced very low). Despite this new trend, CAT appetite remains stable.

With supply chain disruptions waning, the rise in exports poses significant challenges. As the number of containers in port and in transit increases, so too does the concentration of static cargo risk.

In terms of aggregation risk, cargo presents a different set of challenges. For example, as a dynamic risk, cargo's exposed values can change significantly over time. This can cause problems for cargo underwriters because unlike traditional/static property insurance, the cargo's value can fluctuate over the policy term, depending on factors such as supply and demand, commodity prices, supply chain movements/disruptions and seasonal trends.

Coverage limitations/exclusions

Cargo carriers in the London marketplace – as well as some domestic carriers – are beginning to implement the "Five Powers War Clause." Designed to help mitigate growing geopolitical tensions, this clause excludes coverage for loss or damage because of war (whether there has been a formal declaration or not) between the U.S., the UK, France, Russia and China.

Technological advancements

Carriers are using artificial intelligence (AI) to assess equipment valuation and to provide proper terms and conditions to fit insureds' needs. New AI software also enables construction companies to identify weaknesses in an insured's risk mitigation techniques, based on industry data gathered by the software.

Let's look at an example: Crane (both stationary and mobile) losses are common. These losses often relate to an overturn or collapse and are typically the result of lack of experience and improper training, as well as the absence of proper risk mitigation techniques. With the Power of AI, equipment operators are able to take advantage of new and emerging risk control techniques to reduce the frequency and severity of these losses for insureds.

When it comes to cargo coverage, AI software is helping carriers track their portfolio of risk as it moves across the globe. Historically, it has been hard to track and quantify cargo risk exposure while it is on the move because reliable information has not been available.

Looking Forward

As we look ahead to 2025, we expect to see increased competition in the marketplace. Retailers should be sure to speak with their wholesale partners about installing LoJack systems to the insured's equipment to help prevent theft and implementing a hurricane preparedness plan (which will be viewed favorably by underwriters).

Combining related lines of coverage under a single inland marine policy could also be considered as carriers are often more willing to offer rate decreases or better terms if they can leverage other lines of coverage under one policy. For example, combining the Contractors' Equipment, Motor Truck Cargo, Installation Floater and Riggers Liability exposure all under a single policy.

Takeaway

At Amwins, our brokers know the inland marine market inside and out – including local and national regulations and which markets are open to which states. We can help you capitalize on shifts in market conditions to provide your clients with the best solution.

Our team is not only adept at placing complex, layered and niche accounts across multiple lines, we help you stay ahead of the game. We specialize in inland marine coverage and have personal relationships with underwriters, including access to Lloyd's.

The **Amwins Global Risks** team in London offers an inland marine binder (up to $5M cover anything going anywhere in the world) as well as cargo, **Stock Throughput Policies** (STP) and excess motor truck coverage. They also can provide equipment coverage for expensive oil field equipment and difficult to place mobile energy equipment, as well as equipment located outside of the U.S.

With Amwins' expertise, value-added resources and unparalleled access to both admitted and specialty markets, you have the perfect partner to help you win.

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