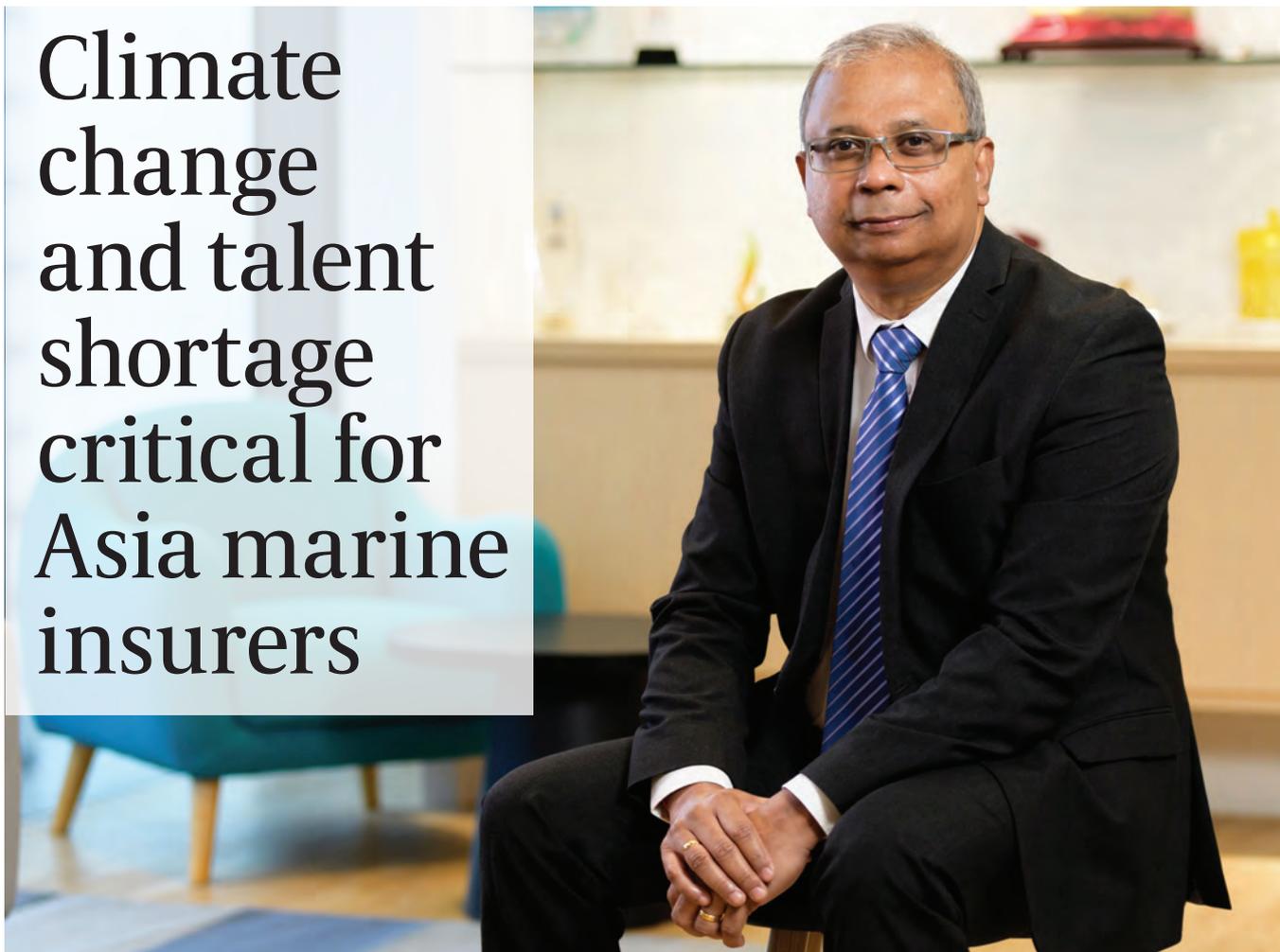




# Climate change and talent shortage critical for Asia marine insurers



The marine insurance market in Asia continues to see a steady increase in its share of global marine insurance premium. With Asia being the dominant player in the shipbuilding sector, marine insurers face challenges such as geopolitical tensions, climate change, talent shortages and inadequacies of international regimes to tackle environmental and operational risks. *Asia Insurance Review* finds out more from **QBE Asia's Mr Rama Chandran**.

By Reva Ganesan

This year saw Singapore retain its crown as the leading maritime city in the world. In 2022, global marine insurance premium was about \$35.8bn and APAC's contribution was 28.4%, accounting for almost \$10.2bn – a rise of 6% in market share since 2006, according to reports from the International Union of Marine Insurance.

QBE Asia head of marine Rama Chandran believes that this rise will be more significant over the next 10 years. The marine insurance market in Asia continues to see a steady increase in its share of global marine insurance premium, he said.

“With the expected growth of middle-income households, the largest shipbuilding sector is expected to grow significantly due to International Maritime Organization (IMO) rules aimed at reducing greenhouse gas emissions from ships and from geopolitical tensions, where most countries are strengthening their naval capabilities,” Mr Chandran said.

“Asia is the dominant player in the shipbuilding sector, producing 96% of the new builds globally in 2021. We expect the shipbuilding sector to remain buoyant in the coming years, especially with the lower greenhouse gas emission requirements from the IMO,” he said.

“This does not include all the naval constructions that in terms of vessels, is currently seeing a significant rise. The Asia insurance market has been active and for 2023 it was resilient while at the same time promoting trade amid today's geopolitical challenges,” he said.

## Geopolitical tensions

A prominent feature of 2023 was the impact arising from multiple geopolitical tensions that occurred in a few areas around the world, he said.

Mr Chandran said the Black Sea has remained a heightened risk area since 2022 but “we have also seen the

situation in the Red Sea escalate very quickly and with significant losses”.

“Amid these real perils, marine insurers globally have maintained cover in those areas to ensure trade is not disrupted,” he said.

Another growing challenge faced by all marine insurers both in Asia and globally, he said, was attracting young talent.

“To meet this shortage, governments and public sector entities must actively promote the sector to ensure there is ample manpower to fulfil its needs, otherwise there could be future disruptions,” he said.

Aside from attracting talent to the industry, Mr Chandran said they must upskill their current workforces.

“Marine insurers across the globe have had to endure many Nat CAT and will continue to do so in the future. But the biggest challenge going forward is to identify the future skills required to meet an evolving industry in terms of technology, equipment and operating conditions,” he said.

Every aspect of marine insurance is rapidly being enhanced by technology, he said.

“For instance, increasingly, underwriting is leveraging AI, machine learning and advanced data analytics to conduct risk assessments more accurately and reliably, by accessing a wide range of data sources from historical claims information to weather conditions and more. Access to real-time data – in areas like vessel tracking, weather reports and indecent news and updates – is streamlining the claims process as well.

“However, the proliferation of these rapidly-evolving technologies is creating new risks as well - the marine insurance sector continues to be a prime target for cyber-attacks

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and other nefarious online acts and must respond accordingly with robust cyber security systems and processes. Insurers who invest in the above technologies and talent to manage these will reap the many rewards these new capabilities create,” he said.

#### Managing climate change risks

Mr Chandran said the significant impact from climate change remains one of the notable challenges facing marine underwriters.

The frequency and severity of weather events are increasing and for marine insurance, where most of the risk are in transit, this becomes a vital consideration for industry Insurers, he said.

“Polar ice sheets are melting, impacting North Sea shipping lanes. Extreme weather has now become common at the equator, with these new weather patterns having increased in severity. Global shipping routes through the Panama Canal were impacted in 2023 and all these events are disruption the supply

chains,” he said.

However, the biggest challenge impeding climate action in the marine sector is the inadequacies of international regimes to tackle environmental and operational risks.

“Nonetheless, although the international law perspective provides a lens through which to reflect the improvement of regulation over alternative fuel-powered ships, international law alone is not a panacea to address all related environmental risks, as many international legal measures are struggling with problems such as insufficient contracting parties, lack of legally binding effect, or failure to fulfil by the parties. Marine insurance’s underlying principles rely on legal and environmental regimes, and any gaps may pose some challenges in the general maritime sector,” he said.

#### Growth opportunities

The maritime sector is important to the global economy. Four-fifths of total world trade is completed by maritime transportation. Sea transportation therefore plays an important role in the development of the global economy.

“The shift to reduced GHG emission rules will ignite a super cycle in the ship building sector. The industry is keenly searching for clean, reliable and affordable alternative fuels: Whether it is liquid natural gas, ammonia, biofuels, methanol, hydrogen or nuclear power; these can severely reduce the maritime sector’s carbon footprint,” Mr Chandran said.

Notwithstanding the expected geopolitical turmoil, climate change and new technologies, he expects the marine insurance market in Asia to grow and those who are ahead of the curve should see the benefits and be part of the right conversations. ■

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