



COASTAL HULL TRENDS

as at 31.12.2023

The Nordic Association of Marine Insurers



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Claims and portfolio trends per 31st December 2023

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Executive Summary

Claims and Portfolio trends per 31st December 2023

This report presents coastal hull trends from the Nordic Marine Insurance Statistics (NoMIS) database as of December 2023, with focus on small craft and fishing vessels in Nordic waters.

For statistical purposes, the 'coastal' portfolio includes all types of fishing vessel regardless of size, and all other vessels up to 5,000 gross tonnes or up to 15 metres in length (except supply/offshore vessels, as these are analysed as part of the ocean hull trend statistics).

The main trends in the coastal hull portfolio were:

- **Total losses**
The total loss frequency in the coastal portfolio has in general higher been higher but also more stable than in the ocean hull portfolio. In 2023, it showed some downward trend, reaching its lowest level over the past ten years.
- **Major losses**
In 2023, two claims above NOK 50 million were reported, both of which were groundings. In the coastal portfolio, the costliest claims typically are groundings or fires and more seldom other types of casualties. The relative share of claims above NOK 10 million had increased in the years 2017 to 2022 but came down again in 2023.
- **Claim cost per vessel**
There was some upward trend in the claim cost per vessel over the past ten years except some dip in 2020/2021 which may be connected to pandemic effects. From 2022 there has been a rising trend which may reflect some inflation effect.
- **Claims frequency**
There has been a slight increase in the claims frequency since 2022 but not exceeding the levels of the previous ten years.
- **Portfolio features**
Nearly half of the vessels in the coastal segment are fishing vessels. Other larger subgroups are cargo and passenger vessels and the 'other' group which consists to a high degree of various types of working boats, barges/pontoons, research vessels and yachts.
The average age in the coastal segment is rather high and relative stable, which is related to the high share of coastal fishing and passenger vessels. Insured values have seen an upward trend since 2021 for the main subsegments.

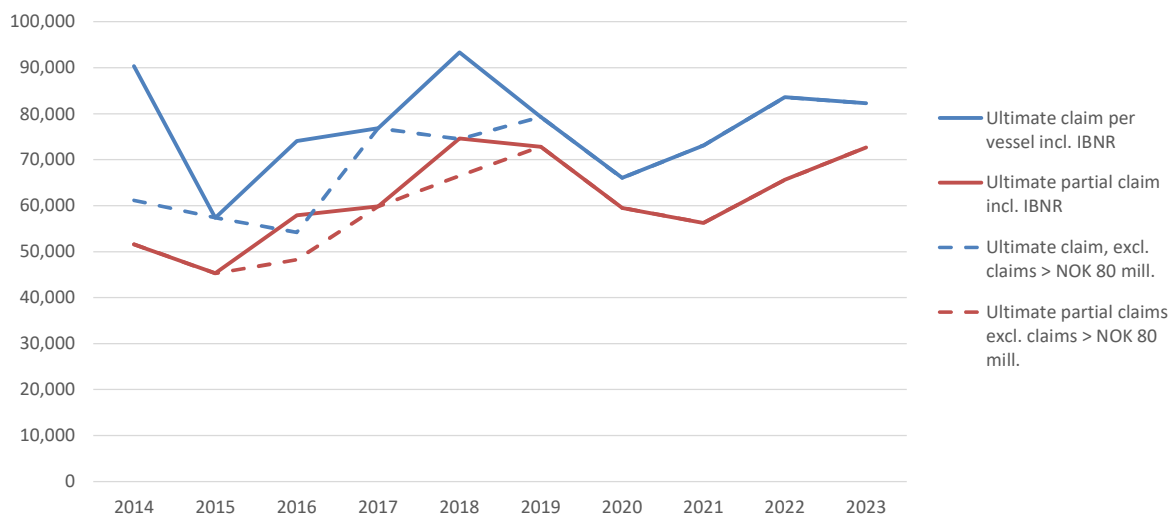
1. Claim cost per vessel

Claim cost divided by number of insured vessels

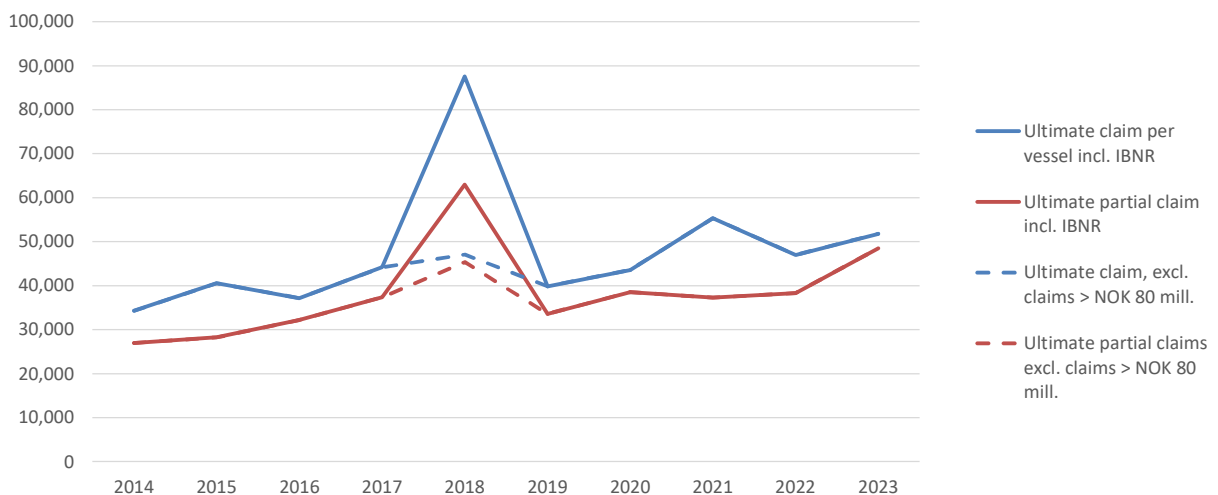
Some upward trend may reflect inflation impact

Although isolated costly claims can occur, mostly groundings or fires, very expensive claims are not typical for the coastal segment. Excluding claims above NOK 80 million, the partial and total claim cost per vessel has shown a moderate upward trend, albeit broken in 2020 and 2021, probably in connection with pandemic effects (graph 1.1, dotted lines). After the pandemic, the claim cost per vessel has been rising again, which may reflect both a return to pre-pandemic usage in combination with inflation effects.

1.1: Coastal portfolio: Ultimate partial and total claim cost per vessel (NOK), by accident year



1.2: Fishing vessels: Ultimate partial and total claim cost per vessel (NOK), by accident year

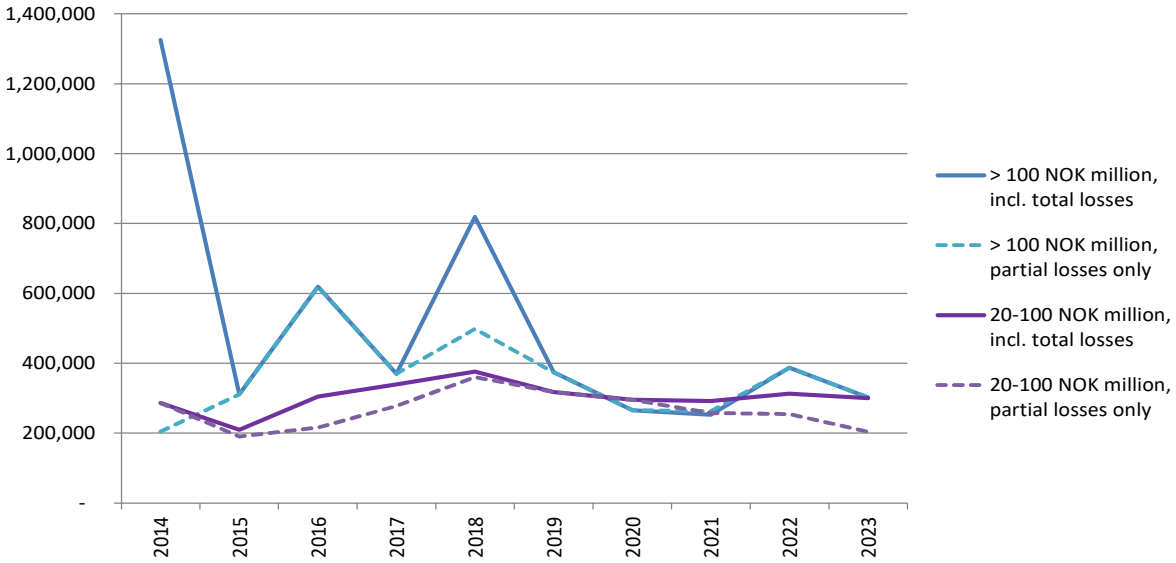


The claim cost per vessel for fishing vessels has been showing a slight upward trend. The year 2018 was exceptional due to the impact of one large claim. In general, the fishing vessel portfolio shows a slightly increasing cost trend.

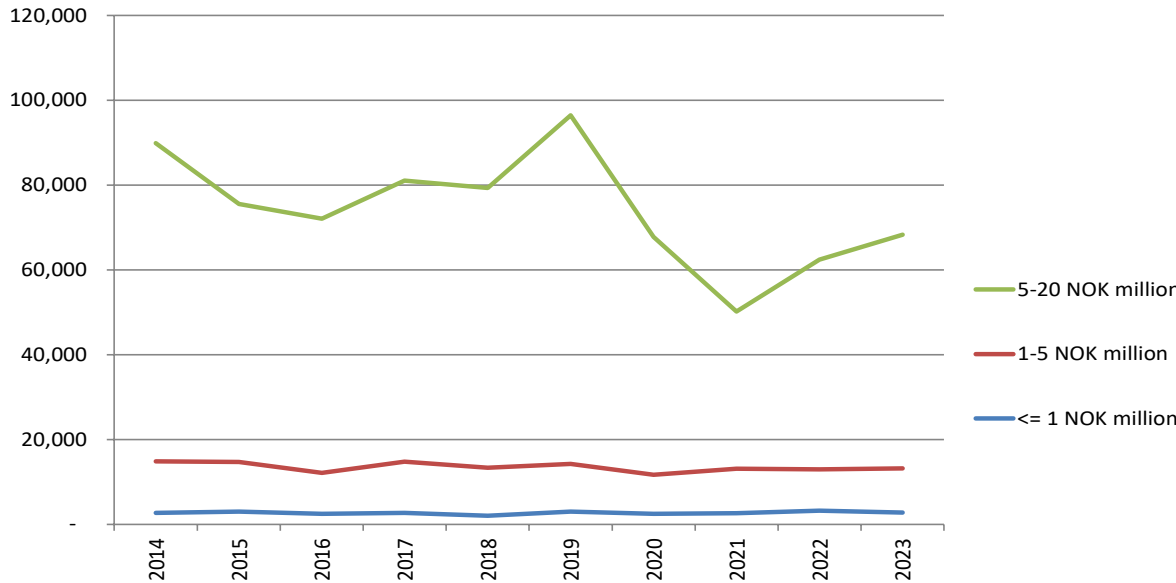
Reasons for some upward trend in claim costs could be effects of inflation connected to ship repairs in the Nordics (partial losses), in combination with a continuous increase in the average insured values of coastal vessels on renewal over the last ten years (total losses).

Claims cost and vessel values – Stable in low-value, volatile in high-value segment

1.3: Claim cost per vessel by intervals of the insured value (NOK), by accident year



1.4: Partial claim cost per vessel by intervals of the insured value (NOK), by accident year



Claims trends need to be interpreted in relation to the characteristics of the underlying portfolio. To illustrate this, graphs 1.3 and 1.4 show the partial claim cost per vessel split into sum insured bands. For vessels with insured values below NOK 5 million, the average repair cost has been relatively stable over time. For vessels with higher insured values, the cost per vessel is far more volatile, particularly when total losses are included in the claim cost. With relatively few high-value vessels in the coastal portfolio, single exceptionally costly claims have a big impact on the total claim cost per vessel in the year that they occur.

For vessels with insured values over NOK 5 million, the (partial) claim cost per vessel is more volatile than for the lower value vessels. The partial claim cost for vessels in the NOK 5-20 million band dropped substantially from 2019 to 2021 but has been rising somewhat again since.

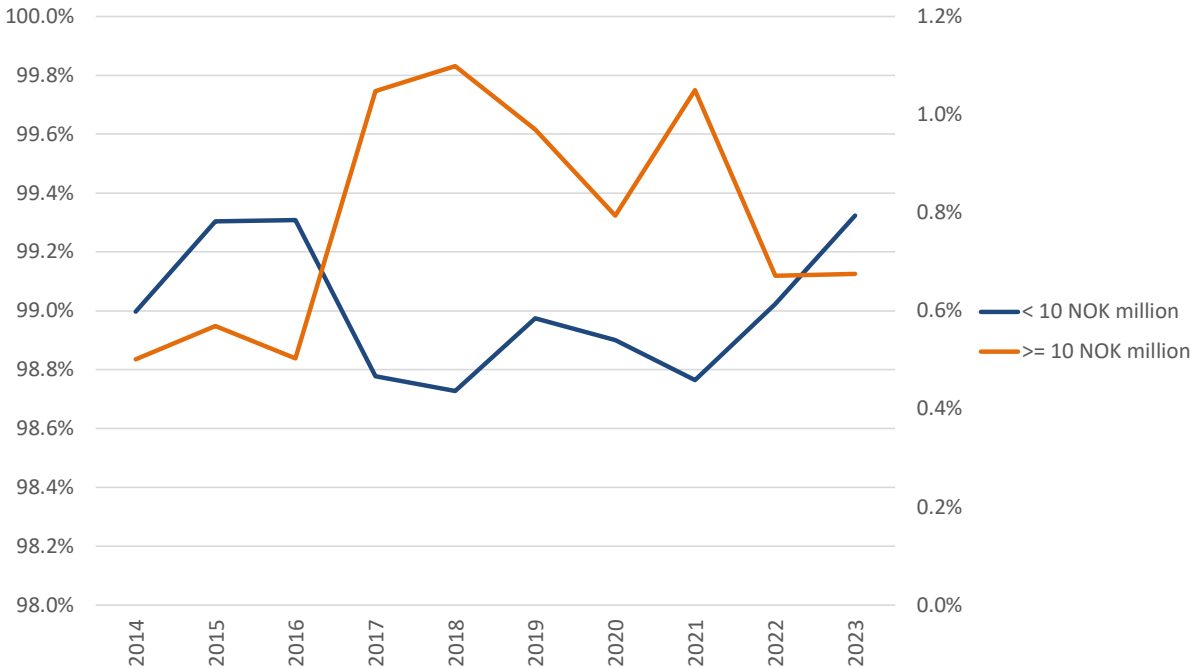
2. Major and special loss events

The typical claim in the coastal portfolio does not exceed NOK 20 million and only very rarely NOK 50 million. The most notable exceptions were one exceptionally costly grounding in 2014 resulting in a claim for about NOK 300 million, two claims exceeding NOK 100 million in 2016, and the grounding of the fishing vessel Northguider in Arctic waters in 2018.

In 2023, there were two claims of more than NOK 20 million, both of which were groundings. Typically, the costliest claims are groundings and fires and only occasionally other types of casualties.

Graph 2.1 shows the share of claims below and above NOK 10 million. The share of larger claims had increased since 2011 but reduced again in 2022 and 2023. The occurrence of such claims is typically much more volatile than for low-cost claims.

2.1: Claims exceeding NOK 10 million as a % of all claims, by accident year



3. Claims frequency

No. of claims divided by the number of insured vessels

Claims frequency – return to pre-2020 level for higher value vessels

The overall claims frequency for the coastal segment has had a long-term positive trend and since 2015 kept below 15%. In 2020, the claims frequency showed a small, extraordinary dip similar to the ocean hull portfolio, but the effect of Covid-19 on the coastal portfolio was much less.

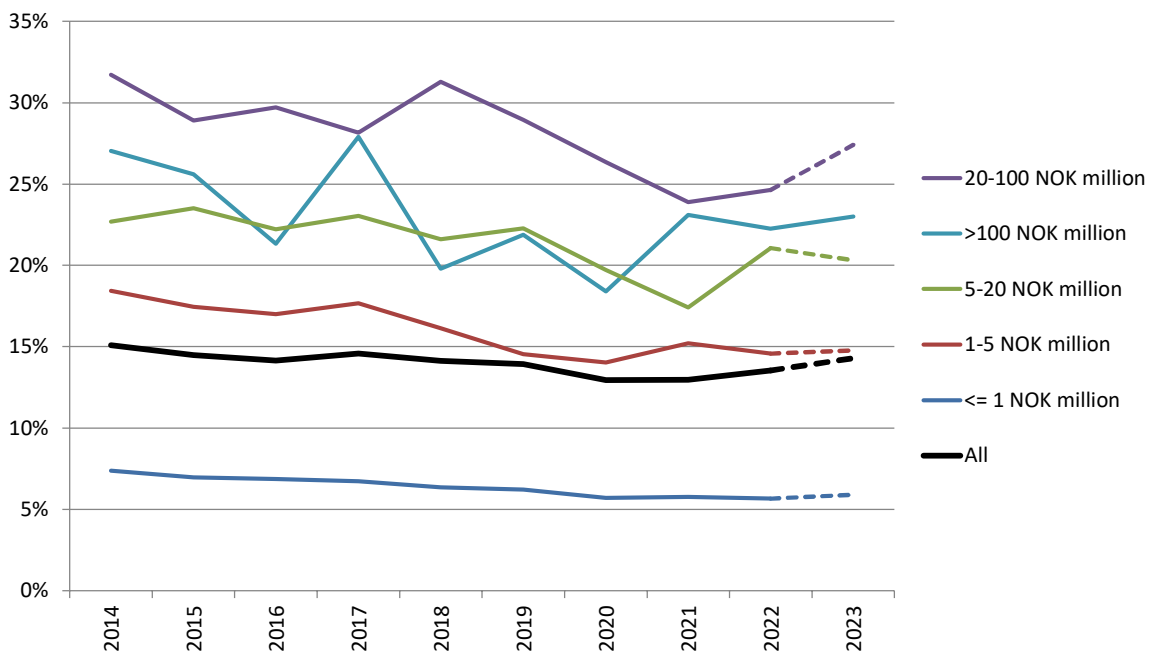
In 2022 and 2023, the claims frequency has shown some upward trend, particularly for the higher value vessels in this segment, but not exceeding the levels of the years back to 2014.

A relatively low claims frequency is typical for smaller tonnage (see graphs 3.1 and 3.2 and the extensive coastal hull statistics at cefor.no/statistics). The claims frequency for vessels with values below NOK 5 million is generally lower and more stable than for vessels with higher values. This stability is partly due to the large number of vessels in this lower value band.

The trends for vessels with values above NOK 5 million can be compared to those of the ocean hull portfolio (see separate ocean hull trend report), while claims trends for small coastal tonnage in the Nordics are subject to different drivers. In general, with comparably few vessels in the high-value bands, the claims frequency will naturally show a higher volatility in the large value bands than in the lower value bands which represent the bulk of the typical coastal vessels.

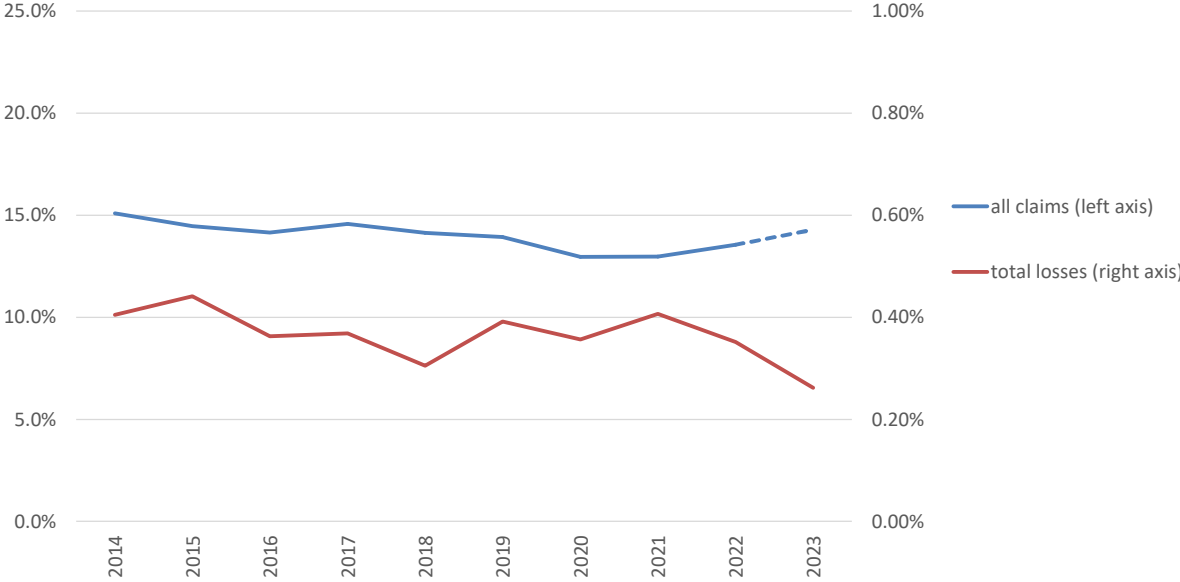
When interpreting the claims frequency, one should be aware that several factors tend to affect the claims frequency, such as deductibles, weather conditions, economic conditions, and portfolio-related factors such as vessel types and sizes and the type of trade.

3.1: Claims frequency by intervals of the insured value, including IBNR, by accident year



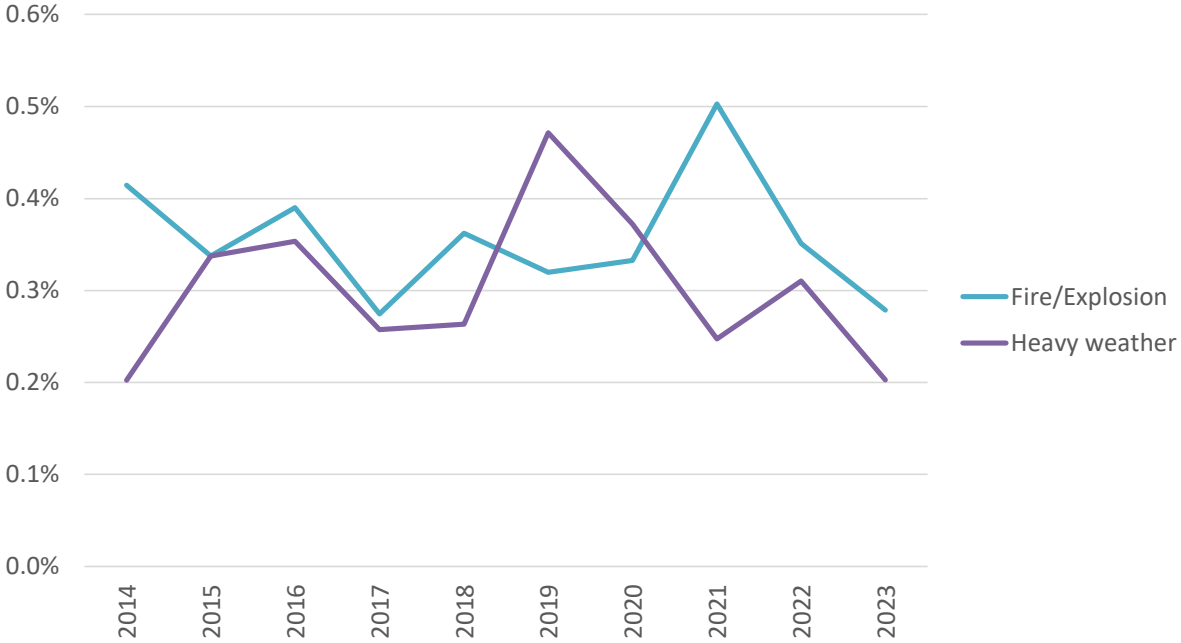
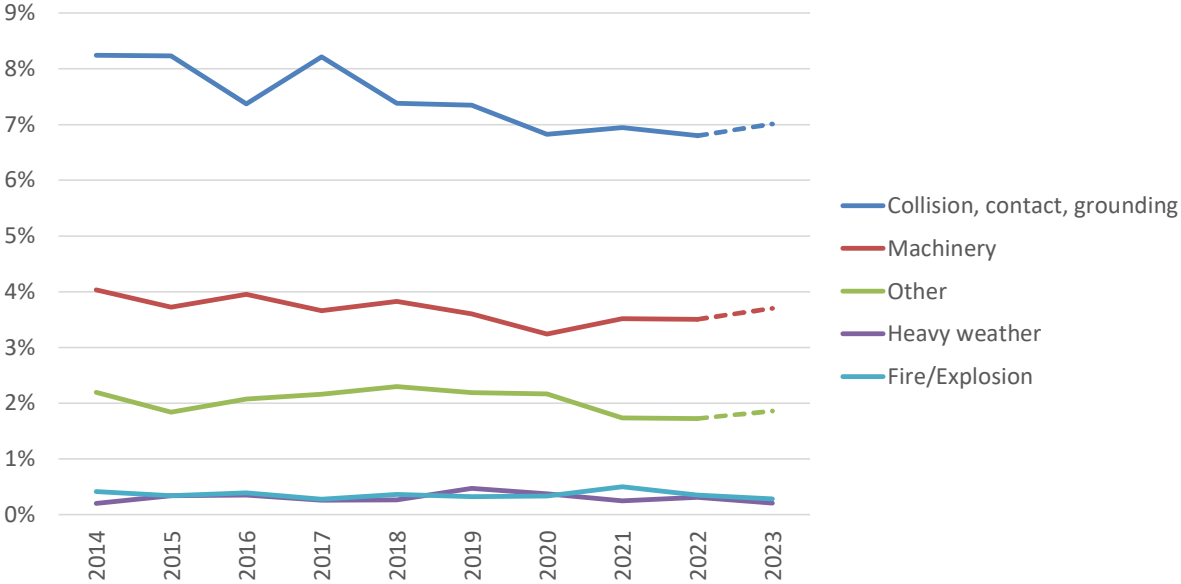
One characteristic of the coastal portfolio is a substantially higher total loss frequency than for the ocean fleet. Another feature is that the frequency of total losses in the coastal segment used to be more stable than in the ocean hull segment. 2023 was a favourable years in terms of total losses, with the frequency of total losses reaching its lowest level over the past ten years.

3.2: Overall and total loss frequency, including IBNR, by accident year



The claims frequency by type of casualty has been quite stable in recent years for most types of casualties, except a slight upward trend in machinery damage, although not exceeding the pre-2020 average level.

3.3: Claims frequency by type of casualty, by accident year

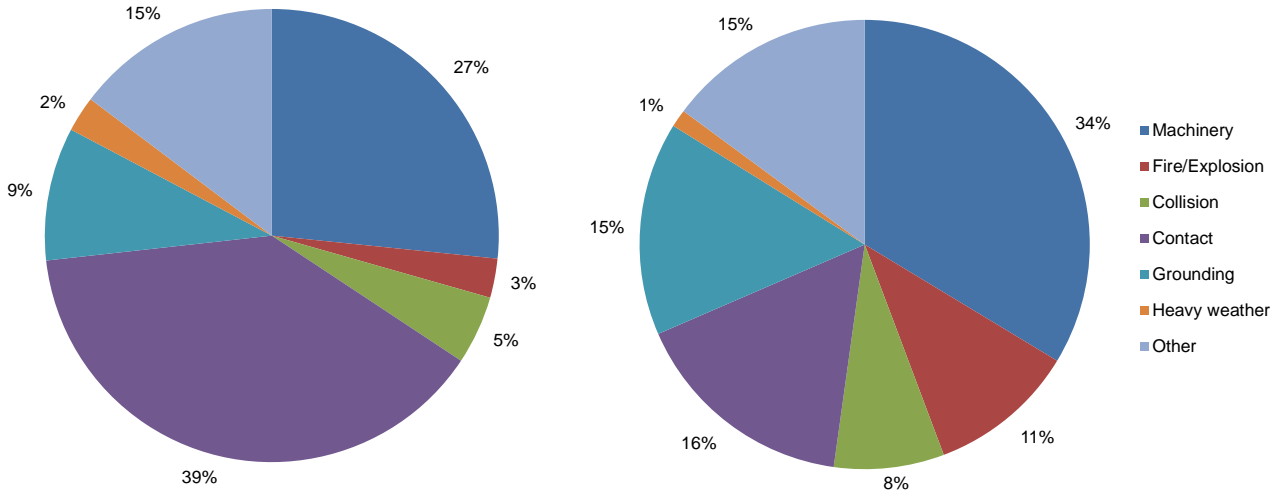


4. Claims by type of casualty

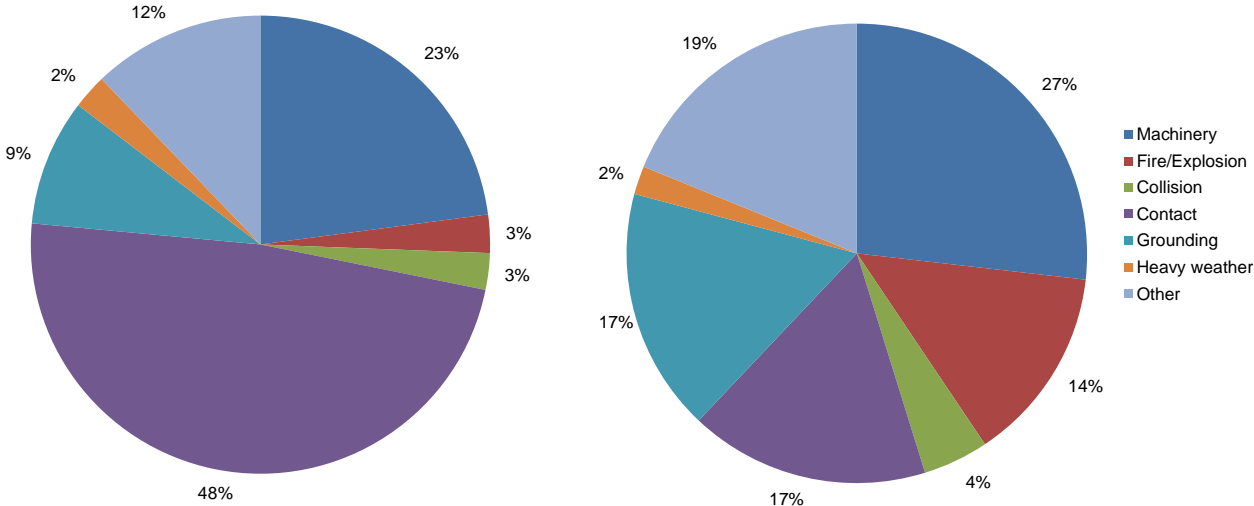
Breakdown of claims by type of casualty

Many 'high frequency - low severity' contact claims are typical for the coastal fleet. One explanation is the strong representation from fishing vessels exposed to claims directly or indirectly caused by their fishing gear. However, despite representing 39% of all claims (48% for fishing vessels), contact claims account for just 16% of the total claims cost (17% for fishing vessels) over the years 2019 to 2023. Of particular concern is an increasing number of claims arising from contact with plastic litter floating in the sea, which gets into the propeller, for example, or causes other damage to the vessel.

4.1: All coastal: Breakdown of claims by type of casualty, by accident year
 Numbers (%), 2019-2023 Cost (%), 2019-2023



4.2: Fishing vessels: Breakdown of claims by type of casualty, by accident year
 Numbers (%), 2019-2023 Cost (%), 2019-2023

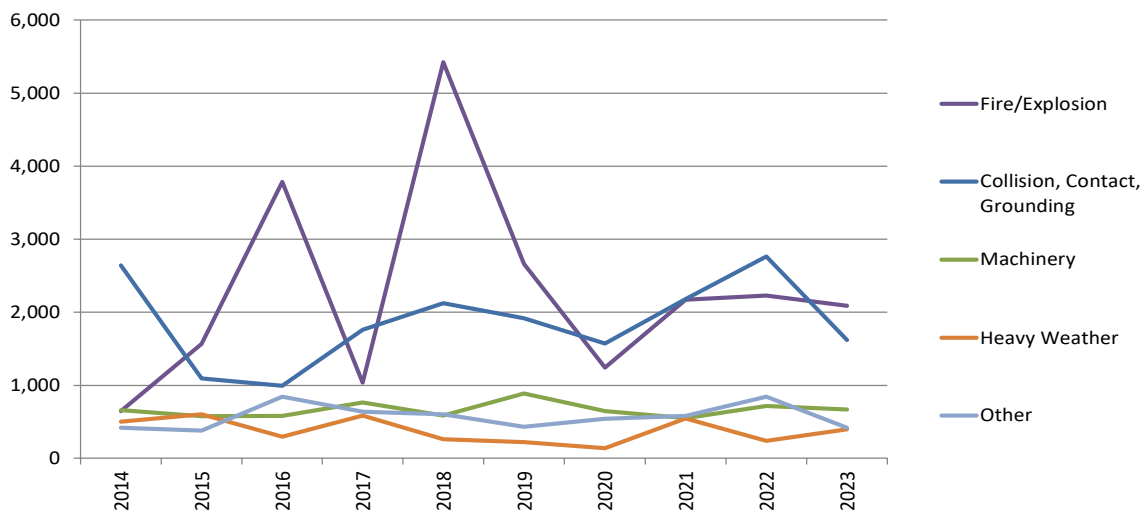


Machinery claims account for 27% of all claims in terms of numbers and a somewhat higher share (34%) of the total claims cost. Groundings and fires/explosions usually follow the same pattern as the ocean hull fleet, with a relatively low frequency and a higher share of the cost.

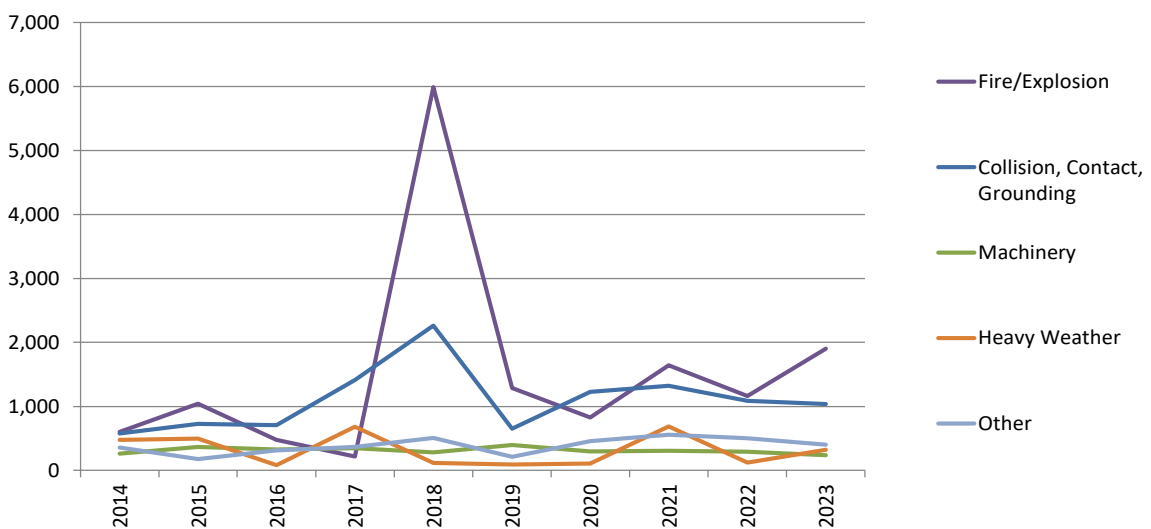
Average claim cost by type of casualty

The average cost per type of casualty is far more volatile than the claim cost per vessel. Major claims, particularly fires/explosions and nautical-related claims such as groundings and collisions, can cause a wide variation in the average claim cost from year to year.

4.3: All coastal: Average claim cost per type of casualty (NOK 1,000), by accident year



4.4: Fishing vessels: average claim cost per type of casualty (NOK 1,000), by accident year



The average cost of machinery damage for fishing vessels is less than half of what it is in the entire coastal portfolio. However, the impact of collisions and groundings on the average cost is greater in the fishing vessel fleet than for the total coastal portfolio.

5. The NoMIS COASTAL HULL PORTFOLIO

Portfolio characteristics

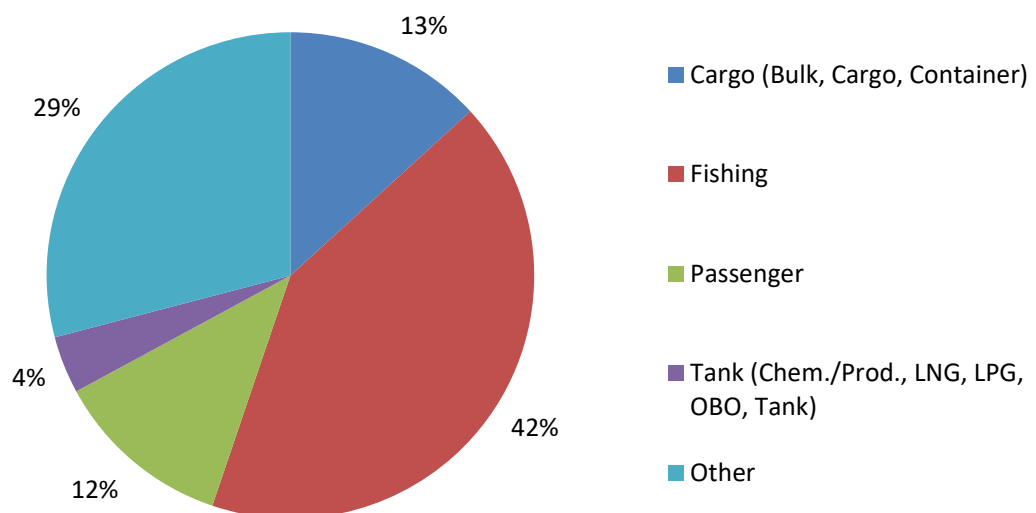
As of 2023, the number of vessels reported per year is nearly five times the number of vessels reported in 1996. Since 2010, most of minor coastal tonnage covered by the Norwegian coastal mutual clubs is reported into the NoMIS database.

The annual number of 'coastal' vessels reported has been between 10,000 and 12,000 vessels per year over the past ten years. For the underwriting years 2014 to 2023 this report is based on, nearly 120,000 vessel-years and 16,000 claims were reported.

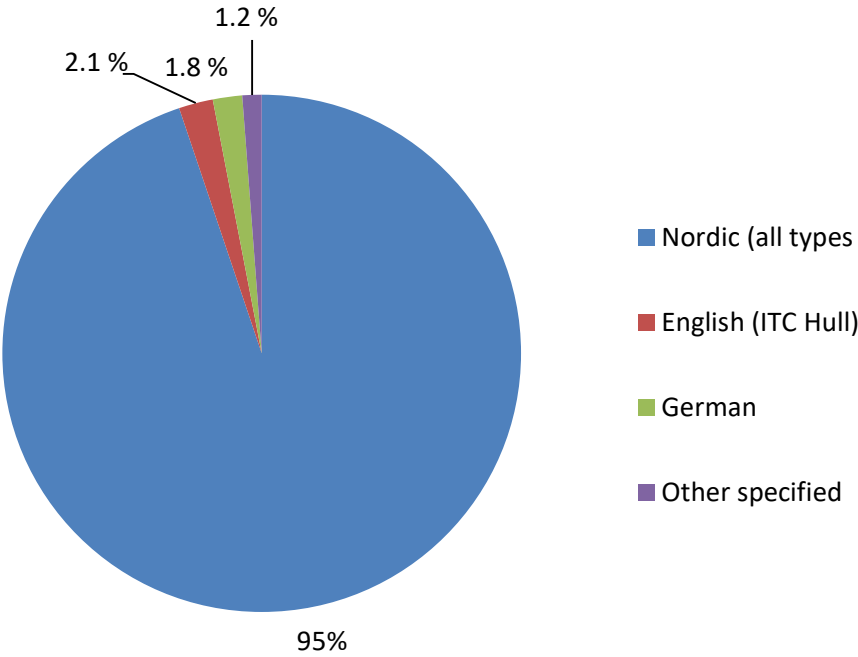
41% of the vessels in the coastal portfolio have values below NOK 1 million, and 67% under NOK 5 million (graph 5.2). Most of these are fishing vessels covered by Norwegian coastal mutual clubs, representing 42% of the total coastal segment (graph 5.1) but a much higher share of the low-value vessels.

The bulk of the coastal segment originates from Gjensidige (including Norwegian mutual coastal clubs), If, Codan and Alandia, but all the other NoMIS members also contribute to this portfolio.

5.1 Coastal hull portfolio breakdown by vessel segment, year of exposure 2023

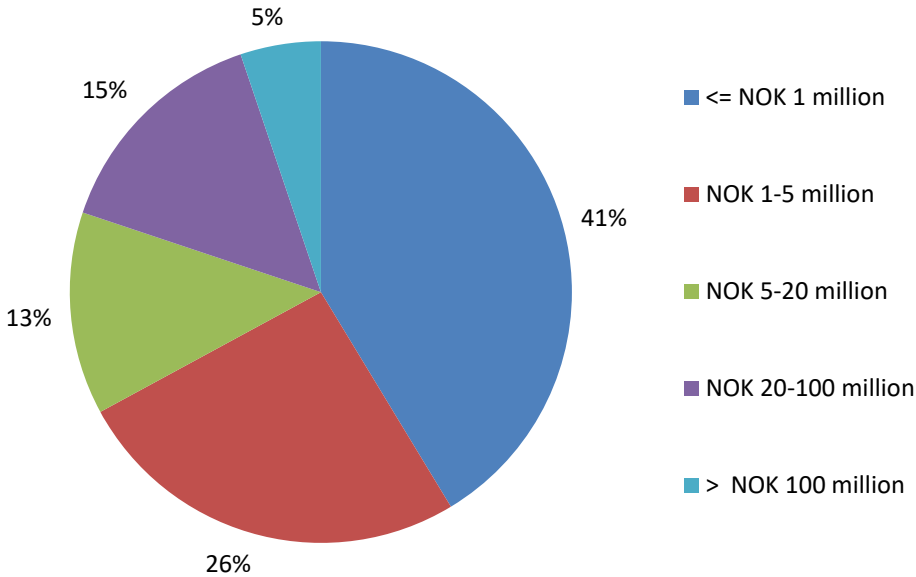


5.2 Coastal hull portfolio breakdown by type of insurance conditions, 2023



A major part of the coastal fleet consists of fishing vessels and local ferries in Nordic waters. This is reflected by 95% of the coastal fleet being insured on Nordic terms (Nordic Plan and national Danish/Finnish/Norwegian/Swedish insurance conditions for small craft). A large proportion of the coastal fleet is claims lead business, as smaller tonnage often is 100% insured with one insurer.

5.3 Breakdown of the number of coastal vessels by insured value, year of exposure 2023

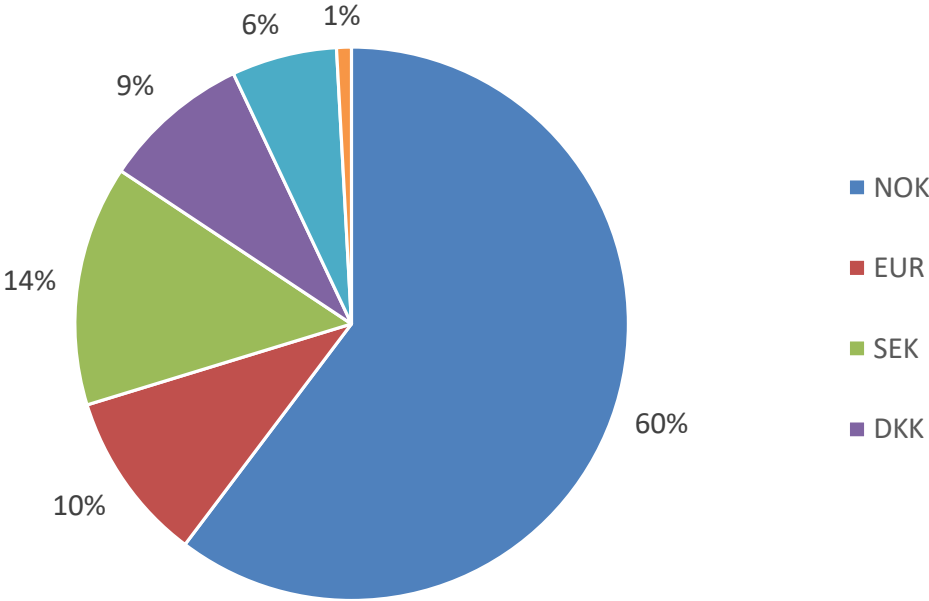


The coastal segment differs substantially in its characteristics from the ocean hull portfolio. While the ocean hull portfolio is characterised by vessels of all types, flags, sizes and global trading areas, the

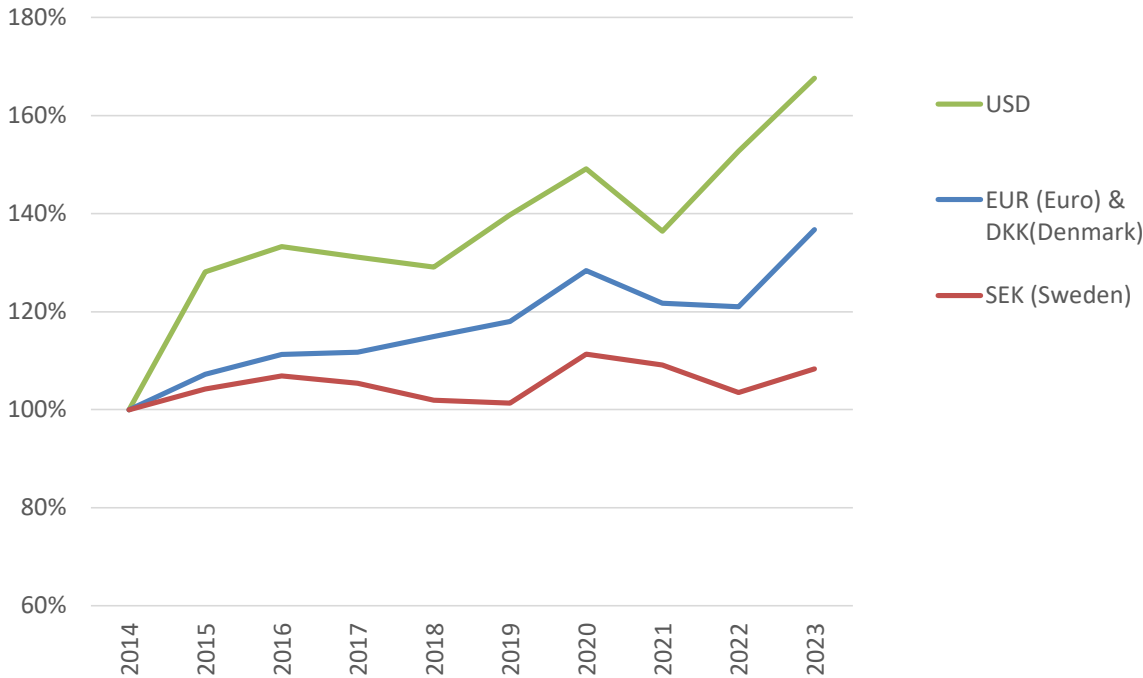
coastal segment consists largely of Nordic and particularly Norwegian small craft, and in particular captures most Norwegian fishing vessels.

With most vessels in this segment being of Nordic and particularly Norwegian origin, a conversion to USD might distort the actual claims trends due to variations in exchange rates. To give a realistic picture of the actual claims trends for this portfolio, therefore all figures/graphs for the coastal segment are shown in Norwegian kroner (NOK) instead of USD.

5.4 Breakdown of the number of coastal vessels by currency, underwriting years 2019-2023

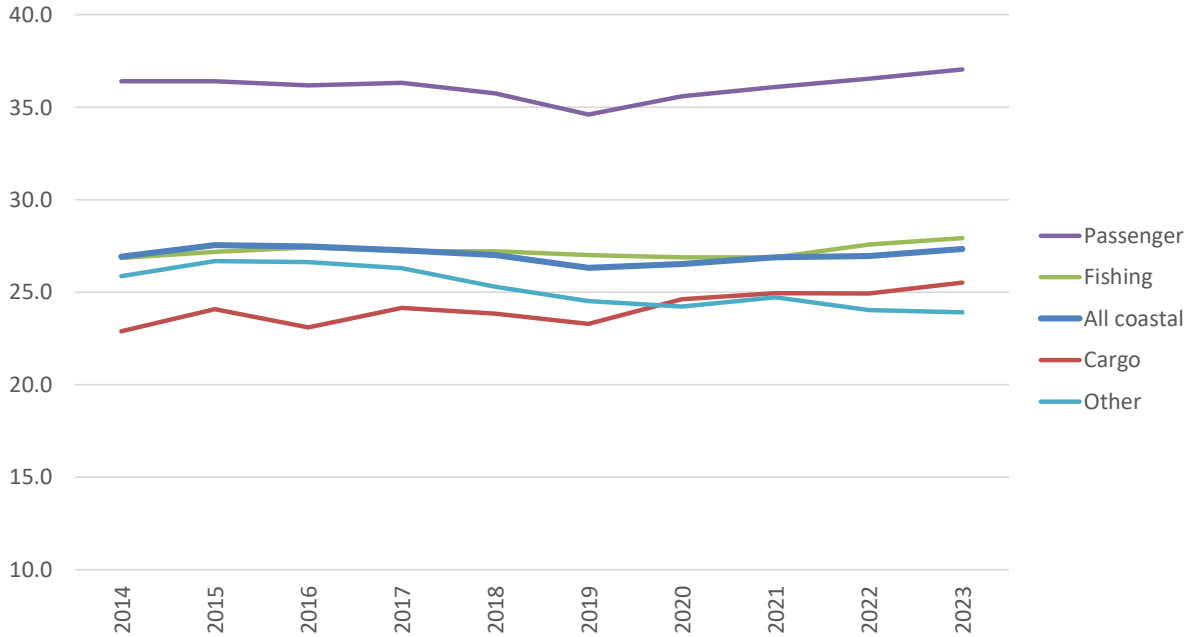


5.6: Index of exchange rates for DKK/EUR, SEK and USD against NOK



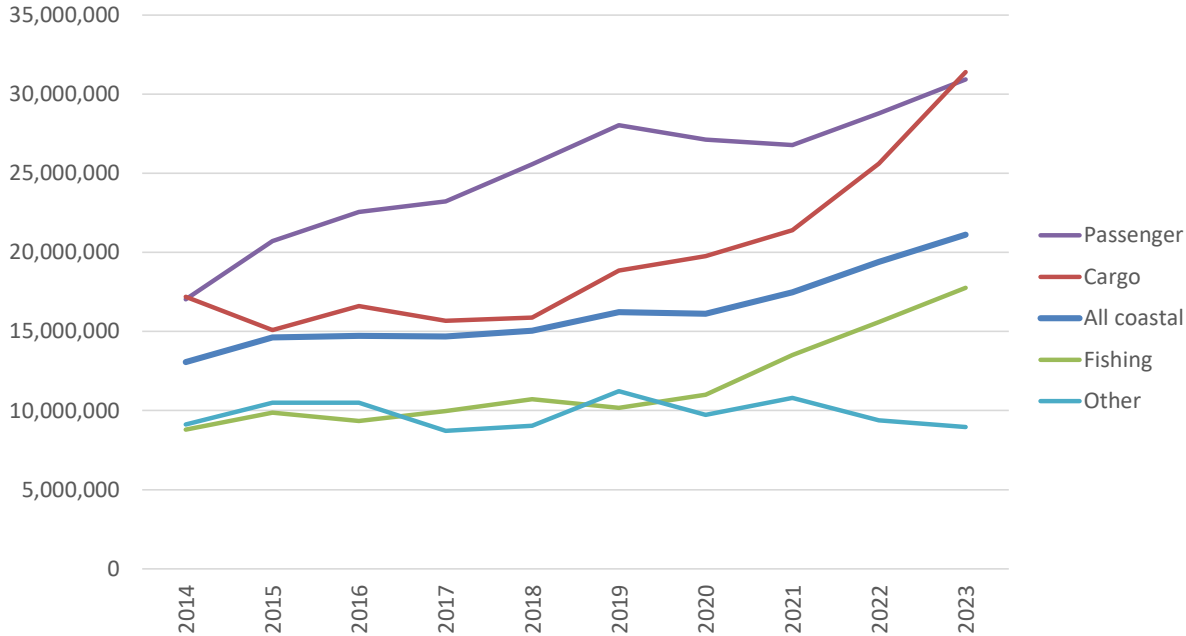
The average age in the coastal portfolio is quite high and relative stable over time, which is related to the high share of coastal fishing and passenger vessels in this segment.

5.7: Average age, all coastal and main subsegments, by underwriting year



The average insured values in the coastal segment has seen value increase in NOK since 2021, especially for the Fishing, cargo and passenger vessel segment.

5.7: Average insured vessel value (NOK), by underwriting year



6. Data explanations and further reports

Data: The statistics in this report reflect data reported by Cefor members into the Nordic Marine Insurance Statistics (NoMIS) database as of 31st December 20223. Coastal hull trends in this report are based on hull & machinery coverage for vessels classified as fishing vessels and any other type of vessel up to 5,000 gross tonnes or 15 metres in length (with the exception of supply/offshore vessels, which are analysed as part of the ocean hull statistics).

100% perspective: Figures reflect 100% of each vessel and resulting claims originating from the vessel's hull & machinery insurance, regardless of the share underwritten by any of the Nordic insurers. This approach enables to give an as objective picture of vessel and casualty trends as possible.

Date-of-loss perspective (accident year): Unless otherwise indicated, all claims are grouped by the calendar year in which the loss occurred, as opposed to grouping claims by underwriting year. This enables to give a more up-to-date picture of recent casualty trends and a more exact estimation of the ultimate expected claims amount for the latest year.

IBNR¹ 2023 claims (cost, numbers) reflect the status as reported per 31st December, including an estimate of incurred but not yet reported claims in this calendar year as well as expected claims cost adjustments for already reported claims. IBNR adjustments represent only expected reporting backlog and adjustments for claims incurred by 31 December but not any additional reserves for claims that may happen later but relate to previous underwriting years.

Exchange rates: All figures in this report have been converted to NOK. Paid claims have been converted into NOK at the exchange rate in the month of payment. Outstanding claims reserves have been converted at the December 2023 exchange rate.

Further information is available on the Cefor website at www.cefor.no/statistics

NoMIS and the Cefor Statistics Forum

As of 2023, the NoMIS database comprises data from the majority of Cefor members writing hull insurance, including run-off data from insurers no longer active. Cefor members report data for the entire commercial fleet underwritten from their Nordic and foreign offices.

Further statistics

In addition to this report, detailed statistics for ocean and coastal hull are available from the Cefor website, with breakdowns of claims trends by vessel type, age group, size group and many other characteristics. Annually updated exposure curves for ocean hull business as well as half-yearly hull trend updates are also published here: cefor.no/statistics/nomis/

Cefor also issues special analyses related to topics of current interest. Recent analyses illustrate claims trends for fires on container vessels and on car/RoRo vessels, the role of detentions as an indicator of future casualties, and how a change in a vessel's owner or flag impacts the claims frequency. An overview of all issues can be found here: cefor.no/statistics/analysis-with-special-focus/

¹ IBNR = Incurred But Not Reported = reserve for claims adjustments and registration backlog.

Cefor Statistics Forum as at January 2024:

Otto Rendedal, Skuld (Chair)

Jonas Svartström, Alandia

Mikkel Gardner Andersen, Codan

Tobias Abrahamsen, Gjensidige

Mikael Elhouar, HDI Global Specialty

Walter Johansson-Juup, If

Christian Irgens, Norwegian Hull Club

Christian Blindheim Børve, S Insurance

Anders Hultman, The Swedish Club

Astrid Seltmann (Cefor Analyst & Forum Secretary)



The 2023 NoMIS Reports for Ocean and Coastal Hull claims and fleet trends, with breakdown by age group, size group, vessel types, bands of insured value and other key figures.

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