



# HULL TRENDS as at 30 June 2023

*The Nordic Association of Marine Insurers*



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Nordic Marine Insurance Statistics – Data and other reports

# Executive Summary

## *Claims and Portfolio trends per 30 June 2023*

### Pandemic, war, inflation and the green transition

This report presents hull trends from the Nordic Marine Insurance Statistics (NoMIS) database as of mid-year 2023. The figures in this report are derived from the hull and machinery portfolio insured by Cefor members. They do not include other types of hull-related insurance nor war-specific insurance.

Over the past years Cefor analysed how the **Covid-19 pandemic** and the stages of **post-pandemic recovery** were reflected in the NoMIS hull trends. In 2023, the pandemic has subdued and supply chain issues have eased. On the other hand, since 2022 the war in **Ukraine** affected global trade and shipping in other ways. Another concern is the rising **inflation** and its effect on repair costs as a result of increased cost of spare parts and labour. The [Cefor Annual Report 2022](#) threw light on some of these effects. The year-end hull trends were also explained in more detail in the context of global trade and the shipping environment in a [webinar by Cefor analyst Astrid Seltmann](#).

As of mid-2023, the hull trends continue largely along the same lines as per year-end 2022. Both the **claims frequency** and the **claim cost per vessel** have returned to pre-pandemic moderate levels but do not exceed these yet. **Claim cost inflation** is to some degree reflected by some upward trend in the average cost of the reported claims.

The most interesting segment to watch in recent years were **container vessels**. These showed an identifiable reaction during different stages of the pandemic and subsequent supply chain issues. With the ever-increasing size of these vessels and the broad spectrum of goods they transport, they continue to be in the spotlight also because of a high occurrence of severe fires. Cefor has issued several [analyses](#) on this subject over the past years and contributes actively to various initiatives with the goal to improve both the prevention of fires as well as fire-fighting on board such vessels.

The **cruise** market has, with some delay compared to other vessel segments, been finally back in full activity in 2023. This is clearly reflected by the claims frequency bouncing back to pre-Covid levels but not exceeding these yet.

The **total loss frequency** shows a small increase in 2023 but which nevertheless continues the general trend of oscillating around a level trend of 0.05% since 2018. **Major losses** show some increase in 2023 compared to the extraordinary benign past years (with the exception of fires). In 2023, the first loss exceeding USD 30 million was reported since 2019. With both the container and cruise segment having resumed full activity in 2023 and related increases in insured values in the portfolio, one may expect some further increase in major losses going forward. This applies not only to total losses which are related to insured values but also to repair cost. The engines and machinery on these vessel types tends to be more complex, and the costliest machinery claims often are related to these segments.

The recent **oil price rally** led to some new activity in the **supply/offshore segment**, reflected by a recent improvement in vessel values for this segment. With the oil price decreasing again in 2023 it is too early to tell if this segment may experience a more lasting recovery.

Cefor is highly committed to contribute to a sustainable ocean industry and support shipowners in their efforts to reduce greenhouse gas emissions. In April 2023, we published the first [statistics about CO2 emissions of the Cefor NoMIS fleet](#).

## Hull claim trends observed as of 30 June 2023

- **Total losses**

There was a slight increase in the total loss frequency in 2023. This does however not break the long-term positive trend, with the total loss frequency since 2010 oscillating around a low level of about 0.05%.
- **Major losses**

In 2023, four losses exceeding USD 10 million were reported, of which one was in the USD 30 to 50 million range. This compares to four such losses in the first half of 2022 and seven in the whole year 2022, all of which were below USD 30 million. Major claims impact was generally very benign in recent years with the exception of fires (see special [Cefor analyses](#)), but is slightly rising again in 2023. From a statistical perspective, this is in line with expectations in the context of renewed post-pandemic vessel activity, particularly of high-value segments such as container and cruise vessels.
- **Claim cost per vessel back to pre-pandemic level**

The claim cost per vessel has shown an increase after 2020. This is in line with expectations related to the return of shipping activity to pre-pandemic levels. In 2023, the cost per vessel as of mid-year is about the level of the years prior to the pandemic. This represents still a modest level.
- **Average claim cost affected by inflations**

The average cost of reported claims has shown a rising trend, reflecting some impact of inflation on repair costs. When claims reserves on already reported claims are adjusted upwards, it also means that more claims may grow into higher cost ranges. The graphs on pages 11 and 13 illustrate such changes for claims above USD 500,000 as compared to the reporting status as of year-end 2022.
- **Claims frequency**

The long-term trend was a substantial reduction from about 30% to a level of around 20% in the years prior to the pandemic. This was followed by an extraordinary dip in 2020 in connection with reduced vessel activity in some segments. Since 2021, the claims frequency has been rising again parallel with trade and hence shipping resuming its pre-pandemic activity, but the claims frequency does so far not exceed pre-pandemic levels.
- **Claims by type of casualty**

In recent years, most casualty types showed a positive trend, with the exception of fires. Cefor published several [analyses](#)<sup>1</sup> on that issue. Particular focus was on container/RoRo fires. While the impact of fires was slightly reduced in 2022 compared to the years prior to 2022, the year 2023 started with a major fire on a passenger vessel reported into the NoMIS database. In all, three out of the four largest reported losses in the first half year of 2023 were fires. A further reminder of the severity of this issue was the fire on the car carrier Freemantle Highway which is not captured by the statistics in this report. Other types of casualties such as navigational-related claims have shown a rather positive trend.

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<sup>1</sup> <https://cefor.no/statistics/analysis-with-special-focus/>

## Hull portfolio trends as of 30 June 2023

- Insured values

Vessels renewed in the first six months of 2023 showed an average decrease in insured values of 7.0%. This compares to an increase of 4.0% in the whole year 2022. This means a substantial change compared to the previous two years which showed an increase in average values on renewal. It should however be noted that the situation differs substantially by vessel segment (see section 3). Both the drop in 2023 and the value increases in the previous two years were to a large degree driven by the container segment. The high demand for container transport in 2021 and the first half year of 2022 drove value increases to new record levels for that segment. This extraordinary situation did however not last but bounced back already in the second half of 2022. The extraordinary value increases in the container segment were followed by a similarly steep decline which continued into 2023 renewals. This reflects well the swinging demand in that segment both during and after the pandemic.

For new vessels, the increase in steel prices may have contributed to an inflation of newbuilding prices and vessel values.

For supply/offshore vessels, the decrease in values on renewal reduced over the past three years from -11.5% in 2021 to only -2.5% in 2023. This reflects that the increase in oil price in 2021 and 2022 led to some increase in activity in the offshore market. With the recent new drop in the oil price it remains to be seen if this segment may experience a more lasting recovery.

The tanker segment saw the highest increase in vessel values in 2023 with an average increase of 7.2% for Chemical/product and 13.9% for tank vessels. This is a substantial increase from the previous years and needs to be seen in the context of the changed geopolitical landscape and energy transition.

- Portfolio: Number of vessels and share of world fleet

Vessels with IMO-number: 375,941 vessel years for the years 1995 to 2023 (2022: 23,407 vessels in all, 2023: 16,043 vessels renewed as of 30 June).

NoMIS statistics reflect over the past three years roughly 31% of the total world fleet of vessels above 1,000 gross tons, and 53% of vessels above 20,000 gross ton.

- It should be noted that 2023 figures naturally only comprise vessels renewed/written during the first half year of 2023. With a substantial number of renewals still due in the third and fourth quarter of 2023, NoMIS portfolio characteristics by year end 2023 may differ somewhat from the status as of 30 June.

# 1. Claim cost per vessel

*Claim cost divided by number of insured vessels*

## Major and total losses

2023 is the first year since 2019 in which again a loss exceeding USD 30 million was reported. From 2016 to 2022, major claims impact was very benign, with the exception of 2019 being the only year with claims in the range above USD 30 million.

2020 saw an extraordinary drop in both claims frequency and cost in line with reduced activity in some shipping segments. In 2021, the situation started to reverse again with a moderate increase when most vessel segments returned to more normal activity patterns. At the same time, in 2021 and early 2022 supply chain issues led to deviations from normal sailing patterns. In 2023 the claim cost per vessel is back to about the level of the years prior to the pandemic, which represents a still comparably modest level.

In 2023, four losses were reported exceeding USD 10 million, comparing to the same number in the first half year of 2022, and seven in the whole year 2022. With full activity in 2023 in high-value segments such as large container or cruise vessels, claims costs and the occurrence of major losses in particular may be expected to raise further. Three of the four largest losses in 2023 were fires and the fourth a collision.

## Repair cost continues at moderate levels

Excluding total losses, the claim cost per vessel showed a similar level as in the years 2017 and 2018. This is a return to pre-pandemic levels but still on the modest side. For the eighth year in a row, the partial claim cost per vessel has been lower than the preceding 11-year period 2004-2015.

## Influencing factors

As repair costs are influenced by other currencies than USD, exchange rates impact the statistics. A strong US dollar will, all else being equal, imply a reduced claim cost measured in USD. After 2016, European and other currencies have alternately been strengthening and weakening against the USD but not regained the same strength as prior to 2013.

Other factors with influence on hull repairs are the price of steel and spare parts and conditions at repair yards. With an increase in steel prices in recent years and inflation in spare parts and labour cost this naturally contributes to an increase in the cost of individual claims (see section 6.).

When considering the impact of inflation, one should be aware that the claim cost per vessel reflects both the claims frequency and severity, calculated as the total claim cost per year divided by all insured vessels in the portfolio, including those without claims. To monitor claim cost inflation, the average claim cost can give a better indication, where the total claim cost per year is divided by the number of claims (see section 6.).

## Ultimate claim cost per year

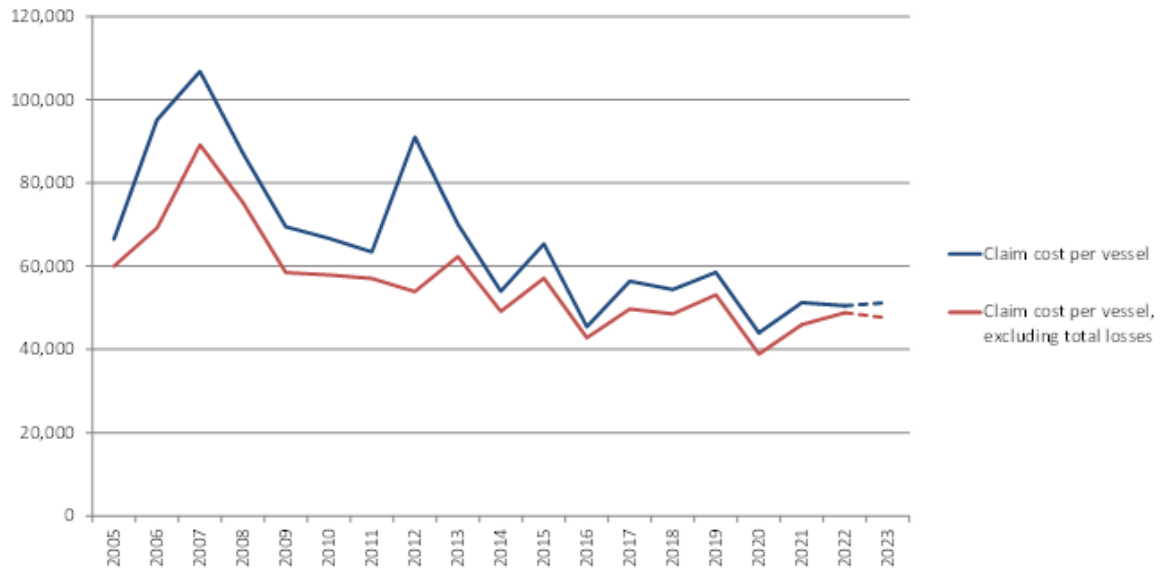
The estimated ultimate claim cost per vessel for 2023 is based on claims reported as of 30 June 2023. In order to compare 2023 to the previous full years, these claims are related to half of the number of vessels expected to be covered in the whole year 2023. The claim cost per vessel as illustrated in graphs 1 and 2 includes an IBNR<sup>2</sup> reserve. No IBNR is added to reported total losses, as these due to their nature reflect 100% of the ultimate claim cost.

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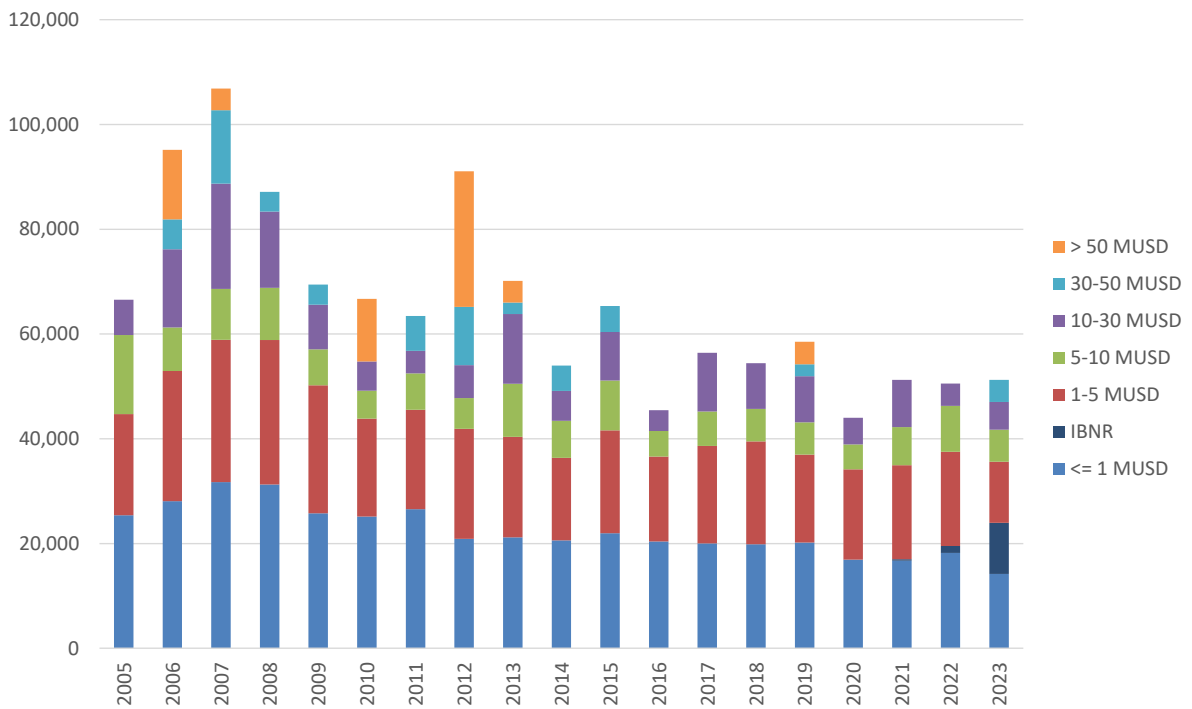
<sup>2</sup> IBNR = Incurred But Not Reported = reserve for expected claims adjustment and registration backlog.



1: Ultimate partial and total claim cost per vessel (USD), by accident year<sup>3</sup>

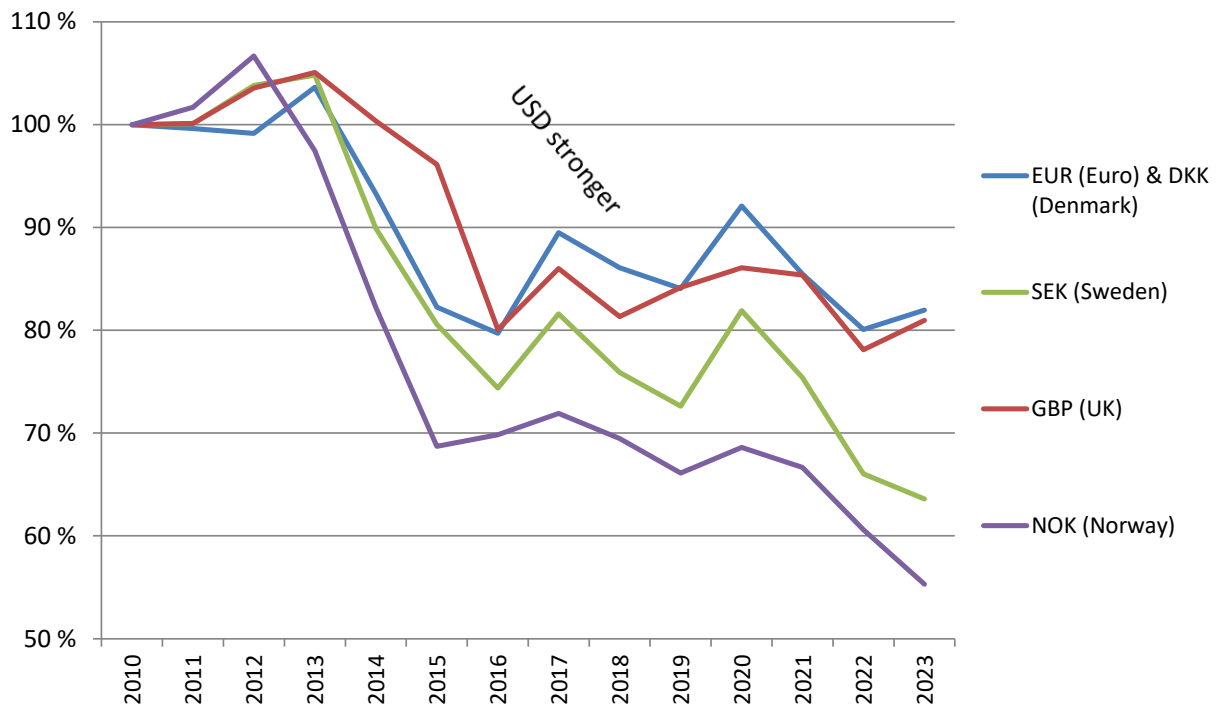


2: Claim per vessel by intervals of claim cost, by accident year (USD)



<sup>3</sup> Accident year, or 'date of loss' perspective = Claims are grouped by the year in which the accident occurred (as opposed to grouping claims by the underwriting year, i.e. the inception year of the insurance coverage).

### 3: Exchange rate Euro and Nordic currencies against USD Index, 2010=100%, as of June 2023



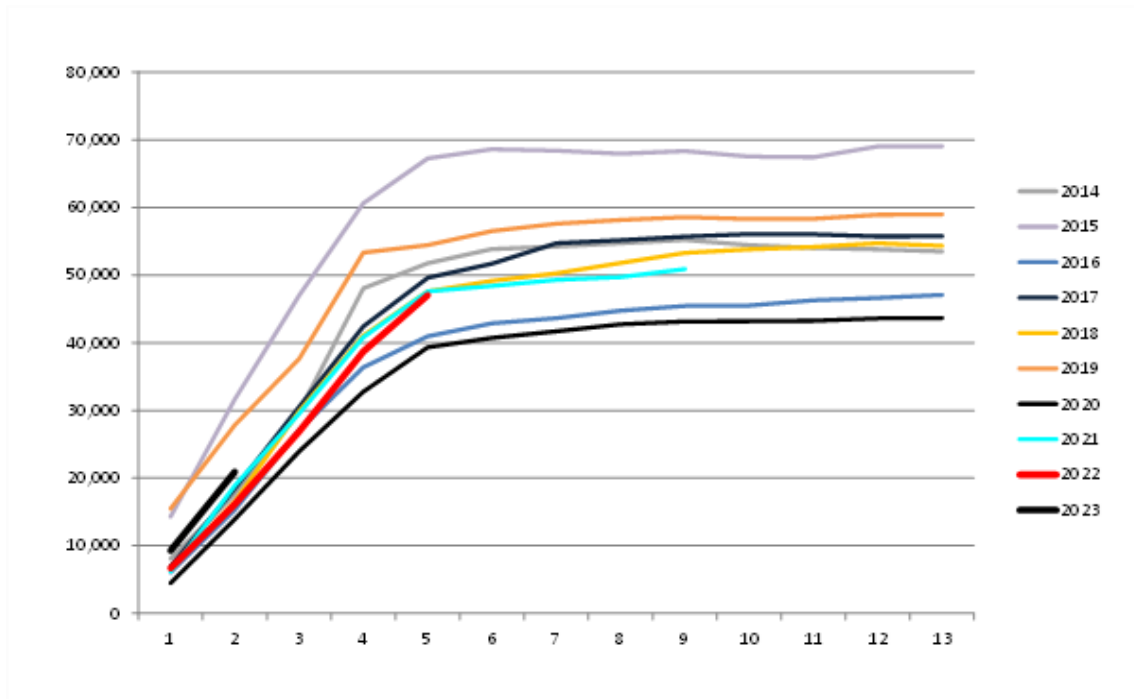
The quarter ladder statistics as reflected by graphs 4 and 5 compile the accumulated development of claims originating from a certain accident year by quarter. Thus one can directly compare the development of each accident year by quarter. With the exception of the years 2015 and 2019, all years from 2016 started at a similar low level. 2020 had the lowest claim cost of all, which needs to be seen in connection with reduced vessel activity during the pandemic. From 2021 claim costs catch slightly up again, with 2023 exceeding 2021 and 2022 but still at a comparably modest level.

One interesting aspect when looking at graph 4 is to check whether one can detect inflation impact. If for example outstanding claims estimates are adjusted upwards more than usual due to cost inflation factors, this would be reflected by a steeper curve and deviation from the typical development pattern. In particular, the question is if cost inflation has led to an extraordinary upwards adjusting of claims occurred in 2022 and 2023. The 2022 claim per vessel curve does indeed show a rather steep increase in the fourth and fifth development quarter. Nevertheless the development of 2022 does not yet deviate substantially from the pattern of previous years other than the extraordinary benign years 2016 and 2020. The year 2023 starts with slightly higher costs than the preceding years but so far does not deviate substantially from the typical pattern either.

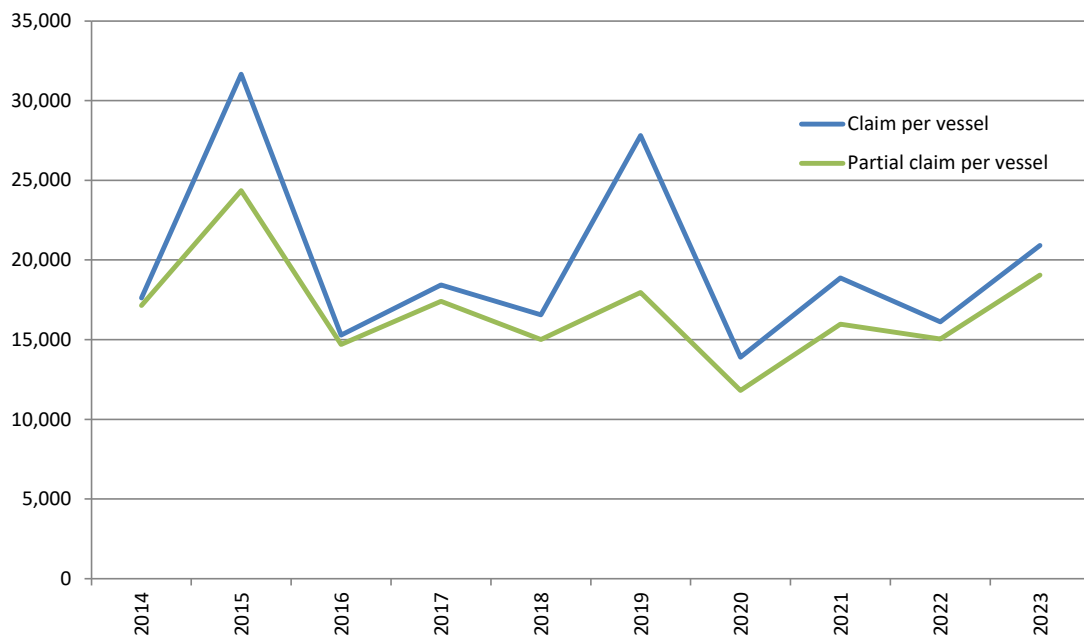
On the other hand, graph 5 which compares the claim per vessel as reported by the second quarter of each year shows an increasing recent trend after the dip in 2020.



4: Claim per vessel (USD) – accumulated quarterly development<sup>4</sup>, by accident year



5: Claim per vessel (USD) as of 2nd quarter of each year<sup>6</sup>, by accident year



<sup>4</sup> In graphs 4 and 5 the annual exposure is used, i.e. the total number of vessels expected to be covered in the respective year. Therefore, the claim cost per vessel by end quarter 1 to 3 is less than in those graphs that visualize the expected ultimate results per year.

## 2. Claims frequency

*No. of claims divided by the number of insured vessels*

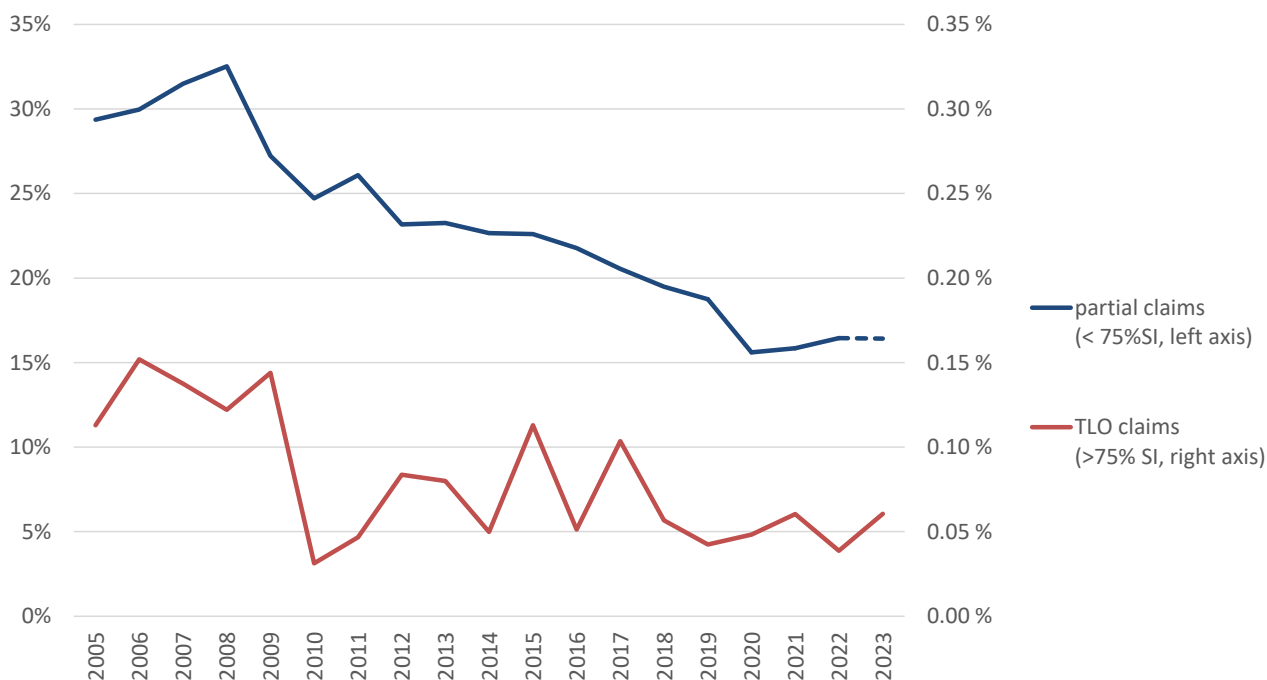
### Claims frequency on the rise post-Covid but still at moderate levels

After the extraordinary drop in the claims frequency in 2020 in connection with effects of the pandemic on ship activity levels, it has been rising again from 2021. This trend continues into 2023 and reflects a normalisation with the return of all ship segments to pre-Covid activity levels. That said, the claims frequency in 2023 still is at moderate levels and does not break the long-term positive trend.

The total loss frequency has in recent years been fluctuating around a low level of 0.05%. In 2023, it shows some increase compared to 2022 but within the range of fluctuation since 2018. The low total loss frequency of the last ten years may be interpreted as a result of improved risk handling and loss prevention measures.

Several factors influence the claims frequency. Actual improvements such as better loss prevention play an important role. The frequency also tends to be lower during periods of reduced vessel activity. From the insurance perspective deductibles also have an impact, as claims below the deductible usually are not reported to insurers, but the average standard deductible have been stable in recent years (see section 6.).

### 6: Claims frequency, by accident year



As newbuilds tend to be ever larger vessels, the risk exposure to high-value vessels continues to be high, although part of these were inactive in periods after the start of the Covid-19 pandemic. Container and cruise vessels have by now resumed pre-Covid activity levels. With these segments representing a high share of high-value vessels, after some years with low major claims impact one would from a statistical perspective expect some further increase in the number of major losses going forward.

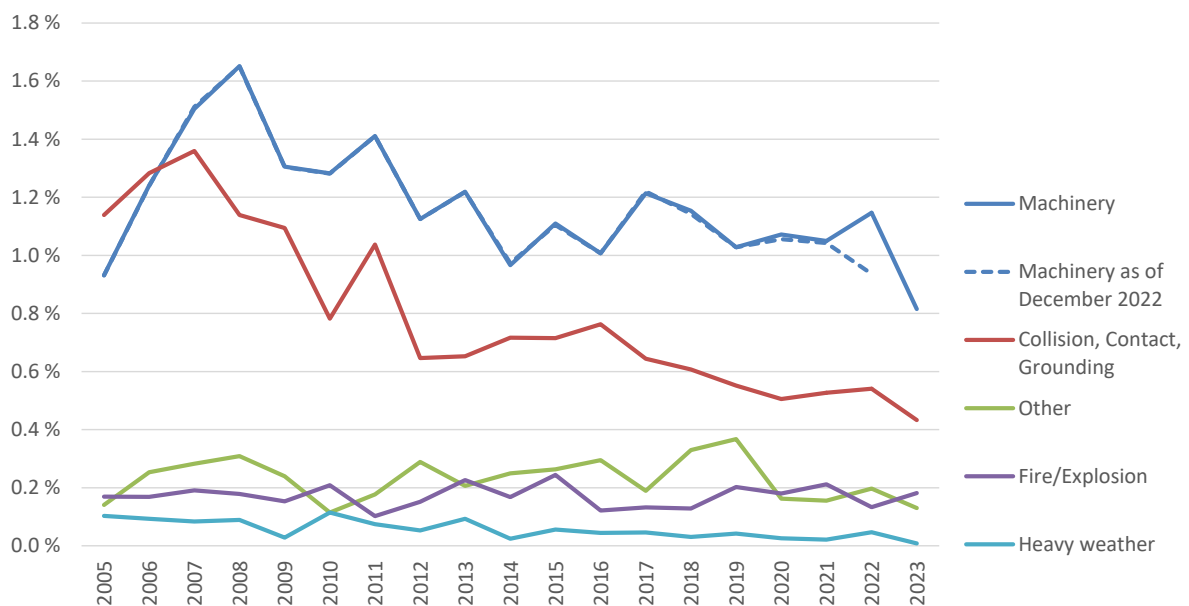
While very large single losses are not possible without very large insured values, the occurrence of major losses is often due to special circumstances rather than rationally identifiable causes alone.

## Large losses by type of casualty

Graph 7 illustrates the occurrence of claims over USD 500,000 by type of casualty. Plotting the claims reported by end of July 2023 against the claims reported by end of 2022, the graph also shows that machinery claims typically have a longer backlog in both reporting and until the final cost of such claims is established. The graph shows a substantial increase for machinery claims in 2022 and above USD 500,000 compared to year-end 2022 figures.

The situation is different for navigational-related claims such as collision, contact and grounding. For these claims, the frequency has not changed since the reported year-end 2022 figures. These claims are typically reported quickly and the final cost established in a short time span.

### 7: Frequency of claims > USD 500,000 by type of casualty, by accident year as reported, no IBNR added



## Claims frequency by vessel types

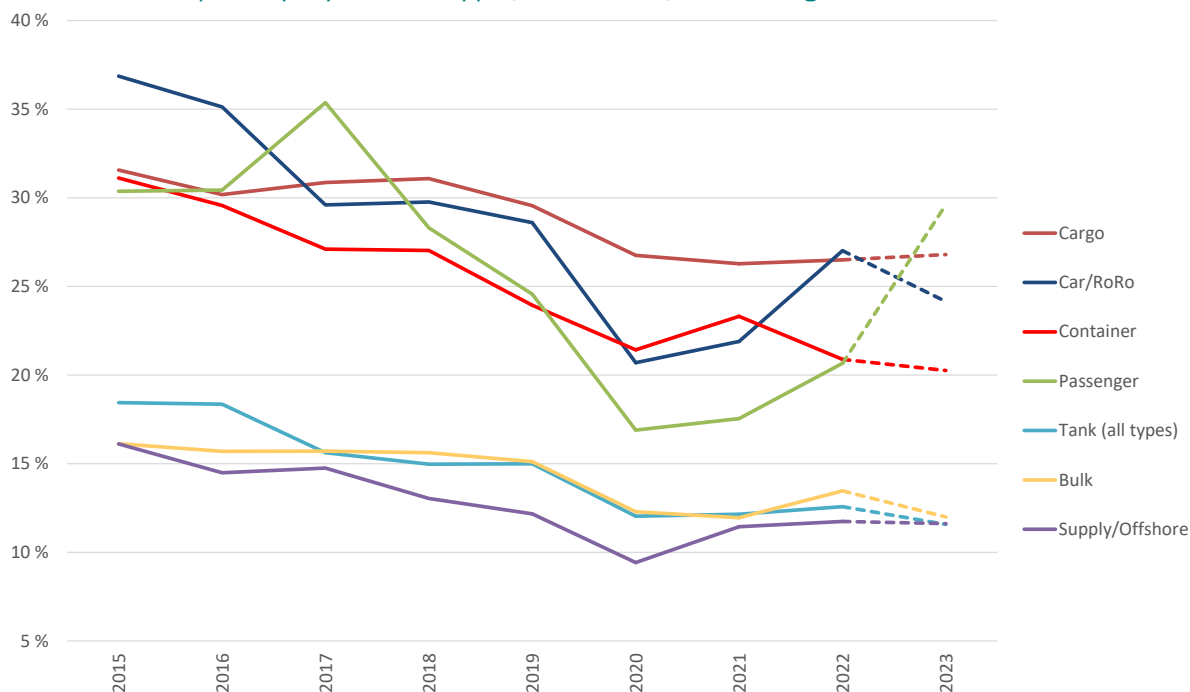
In particular since 2020, different vessel segments showed different casualty trends.

The trend in the first half year of 2023 clearly shows that the cruise segment is back in full activity, reflected by the steep increase in claims frequency in 2023. This does however not yet exceed the pre-pandemic level. Graph 9 shows that the segments with the highest claims frequency in general are cargo, car/RoRo, container and passenger vessels.

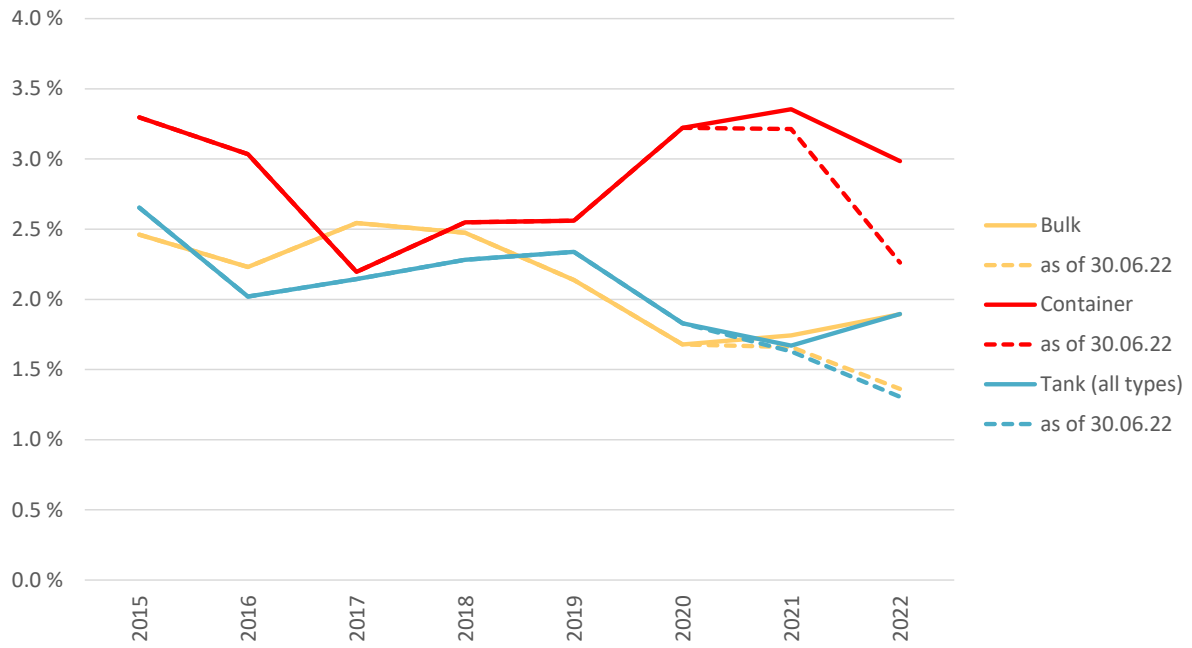
For large claims exceeding USD 500,000, the frequency is highest for the bulk, container and tank segment. Notable is that this frequency has been declining since 2019 for bulk and tank vessels, while container vessels showed a contrary trend and an increase in the frequency of large losses from 2020 to 2022. Reasons for this increase were a high occurrence of costly fires in combination with increased activity levels driven by the high demand for container transport in these years.

For 2023 it is still too early to conclude what the final frequency of such claims will be. Graph 10 shows the frequency of claims above USD 500,000 as reported by 30 June 2023, with no IBNR reserve added for the backlog in either reporting or the upward adjustment of outstanding claims reserves. The backlog for large claims has a higher variance than for high-frequency low cost claims. In combination with increased cost inflation over the past two years, it is more demanding to predict exactly how many claims will finally end up in that range, but one should be aware the reported figures as of 30 June 2023 do not reflect the final settlement status yet.

### 9: Claims frequency by vessel type, all claims, including IBNR



10: Frequency of claims > USD 500,000 by vessel type, as reported



# 3. Vessel values and size development

## Change of values on renewal

For vessels renewed in the first six months of 2023, the change in average value compared to the previous insured period was -7.0%. After two years with increasing values, 2023 marks a change again with a substantial decrease in the average value on renewals during the first half year.

Analysing value changes by segment, graph 12 reveals that the situation is very diverse and differs substantially between vessel types. Trades were affected differently by the pandemic, the subsequent recovery in parts of the global economy, followed by various geopolitical disturbances with impact on trade and shipping. The big increases in 2021 and 2022 and subsequent decrease in 2023 are to a large degree due to the variance in container vessel values, driven by changing market conditions. The downward adjustment from the 2021/2022 peaks started during the second half of 2022. Comparing graph 12 to previous versions published by Cefor as of June and December 2022, one can detect that also values on previously reported 2022 coverages were adjusted downwards. The various adjustments reflect the high demand for container transport in the wake of the pandemic, followed by a similarly sudden decline when supply chain issues started to resolve.

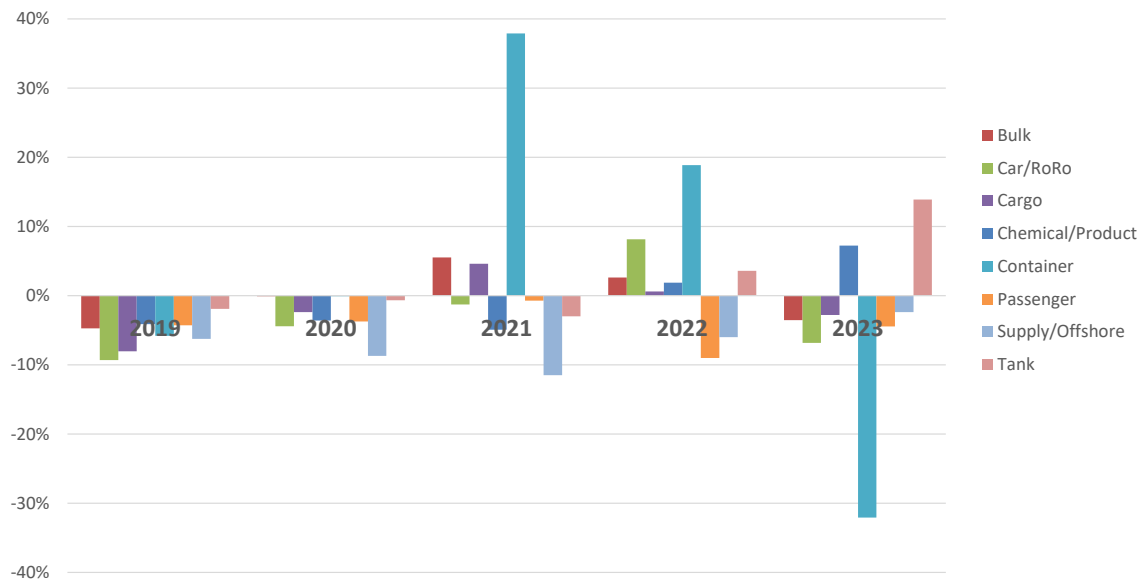
Generally, under unchanged market conditions, some reduction in the insured value of a vessel, compared to the previous insurance period, is expected due to the aging factor.

### 11: Average annual change in insured values on renewed vessels



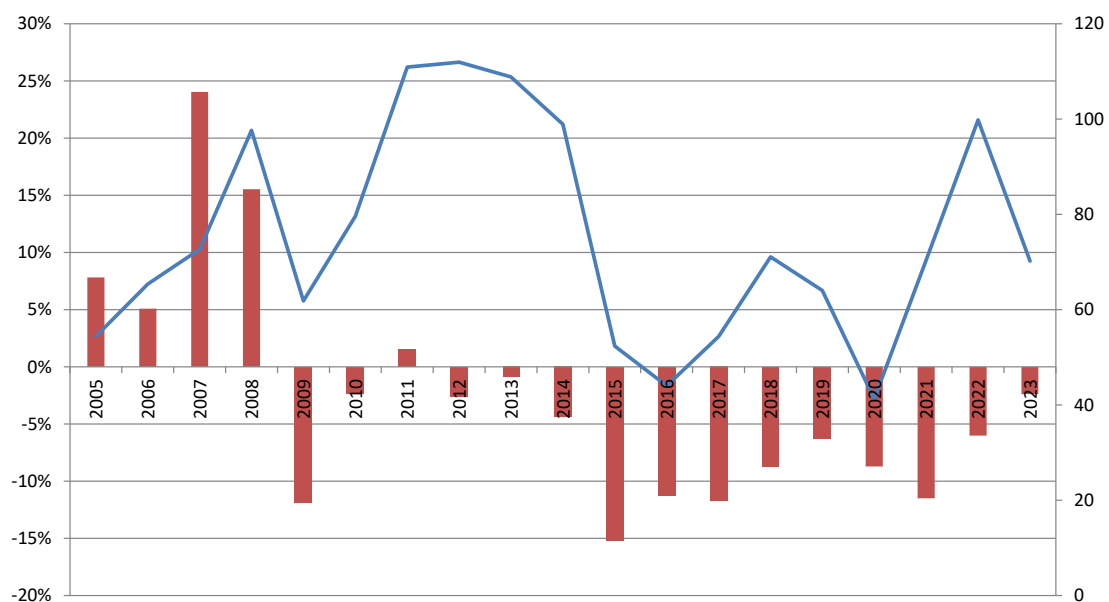


## 12: Change in average annual insured values on renewed vessels, by vessel type

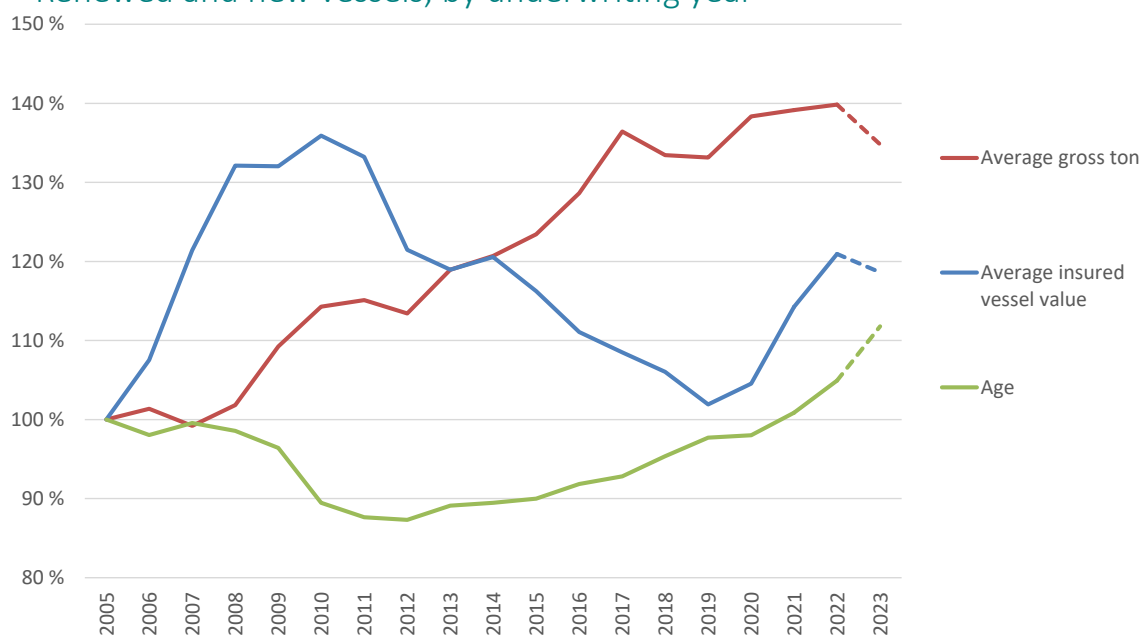


Despite the oil price rallying in 2021 and 2022, this was not equally reflected in renewal values for supply offshore vessels. This segment experienced difficult market conditions for a number of years. With a typical time lag between an increase in the oil price and activity in the offshore segment, the graph reflects some improvement for supply/offshore values over the past two years. It remains to be seen if the new drop in the oil price in 2023 may be a hinder for a more lasting recovery of this segment.

## 13: Change in annual average insured value on renewed supply/offshore vessels and annual average oil price



## 14: Index of evolution of average gross ton, age and insured values Renewed and new vessels, by underwriting year



The average size of vessels in the Cefor portfolio has been increasing over time in line with ever larger vessels entering the world fleet. After the financial crisis, in the years 2010 to 2019, this development had not been reflected by the average insured value which even showed an adverse development. From 2020 the situation changed again and the average insured values a big increase until 2022. It should however be noted that the increase in 2021 and 2022 mainly originates from container vessels (see previous pages), while other vessel types showed different trends. Similarly, the decrease in 2023 per June equally heavily influence by container vessels, the values of which started to be adjusted downwards again from the second half of 2022.

The figures in graph 14 include both renewed vessels as well as newly written and newbuilt vessels. As newbuilt vessels tend to be larger and thus often have higher values, this influences the average value over the whole portfolio, as compared to renewed vessels only.

The increase in age over the last years originates from several segments and cannot only be attributed to a particular segment alone. It reflects the general aging of the world fleet and hence also the NoMIS fleet.

It should be noted 2023 figures only comprise vessels renewed/written during the first half year of 2023. With a substantial number of renewals still due in the third and fourth quarter of 2023, NoMIS portfolio characteristics by year end 2023 may differ from the status as of 30 June.

The change in insured values may impact insurance results in various ways. On the one hand, when the insured value is reduced, the potential cost of a total loss of a vessel is also reduced. On the other hand, it may increase the probability of a constructive total loss which incurs when the assumed repair cost exceeds a certain percent of the insured value.

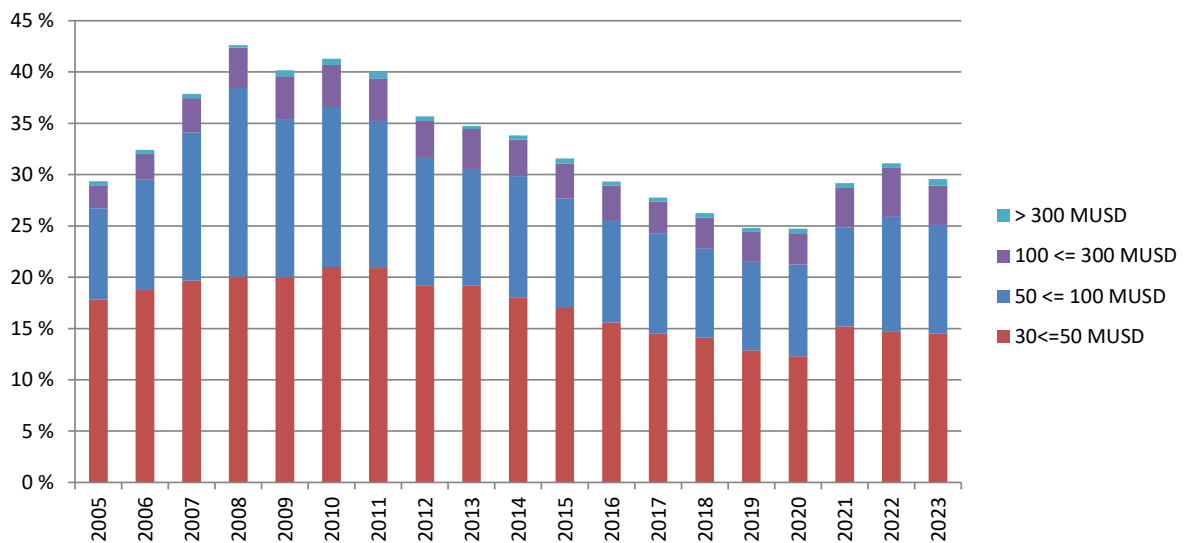
In addition, a value reduction is one of several factors which may influence the income side.

# 4. Major losses – Exposure and impact on total cost

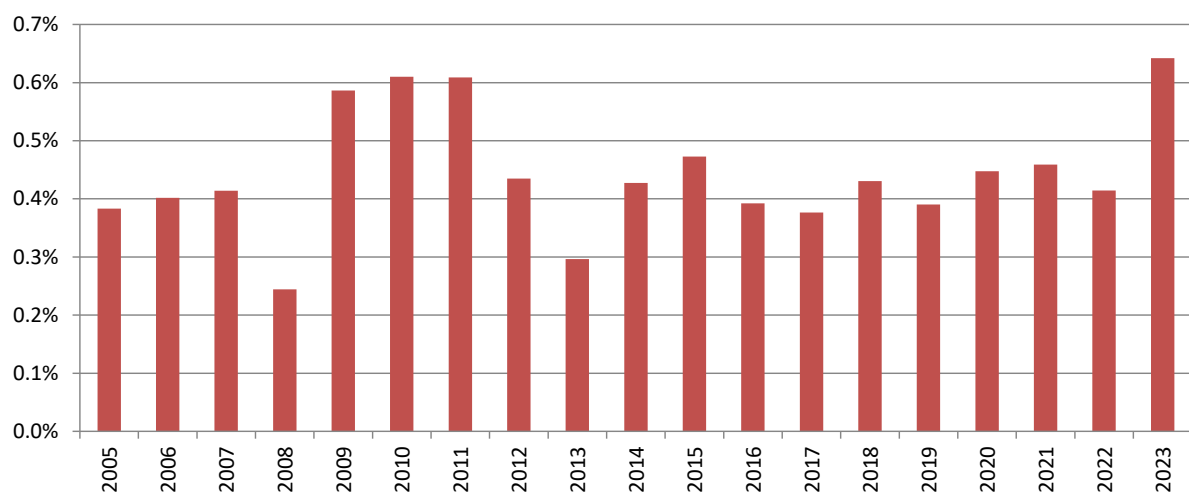
## Portfolio share of high-value vessels

The inflow of high-value vessels gained some traction again since 2021. Expensive vessels are a prerequisite for expensive claims, especially when it comes to total losses. With an increase in the values of the largest vessels follows also the potential risk of new record losses.

15.a: Portfolio share of ships with values exceeding USD 30 million



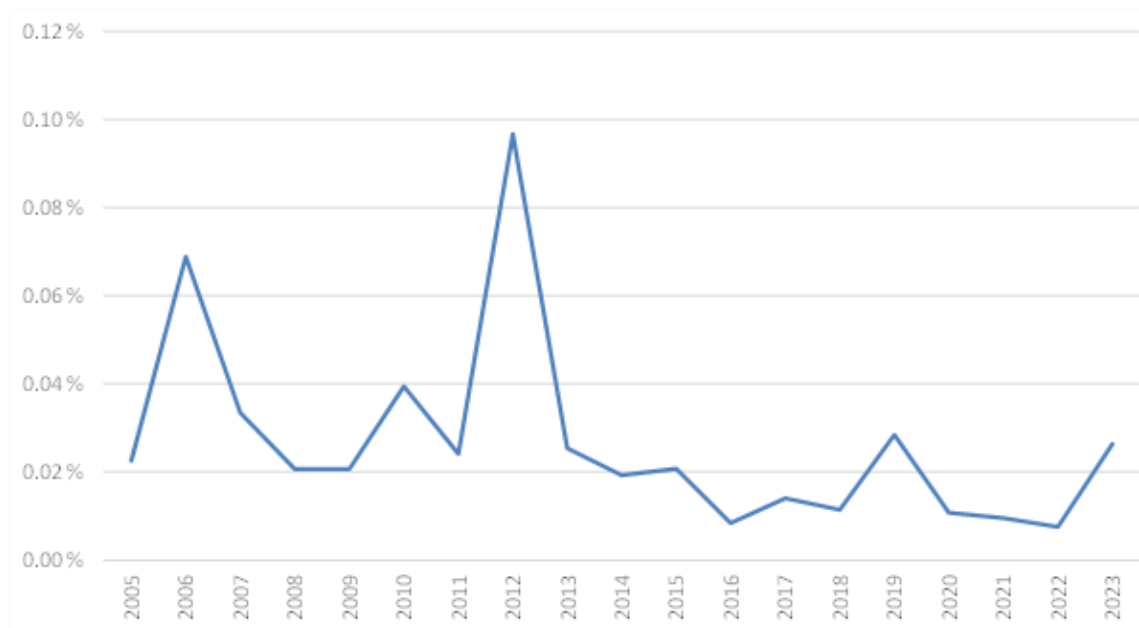
15.b: Portfolio share of ships with values exceeding USD 300 million



16: Claims exceeding USD 10 million as % of the total cost, by accident year



17. Cost of the 3 largest claims as % of the insured value, by accident year



In recent years, with the exception of 2019, the impact of major losses was generally low. In 2023 major loss impact increases again compared to the preceding years. As explained before, with rising vessel values in particularly the container vessel segment and renewed activity in the cruise vessel segment, it is reasonable to expect some increase in the occurrence of major losses.

# 5. Average claim cost by type

*Total cost divided by number of claims*

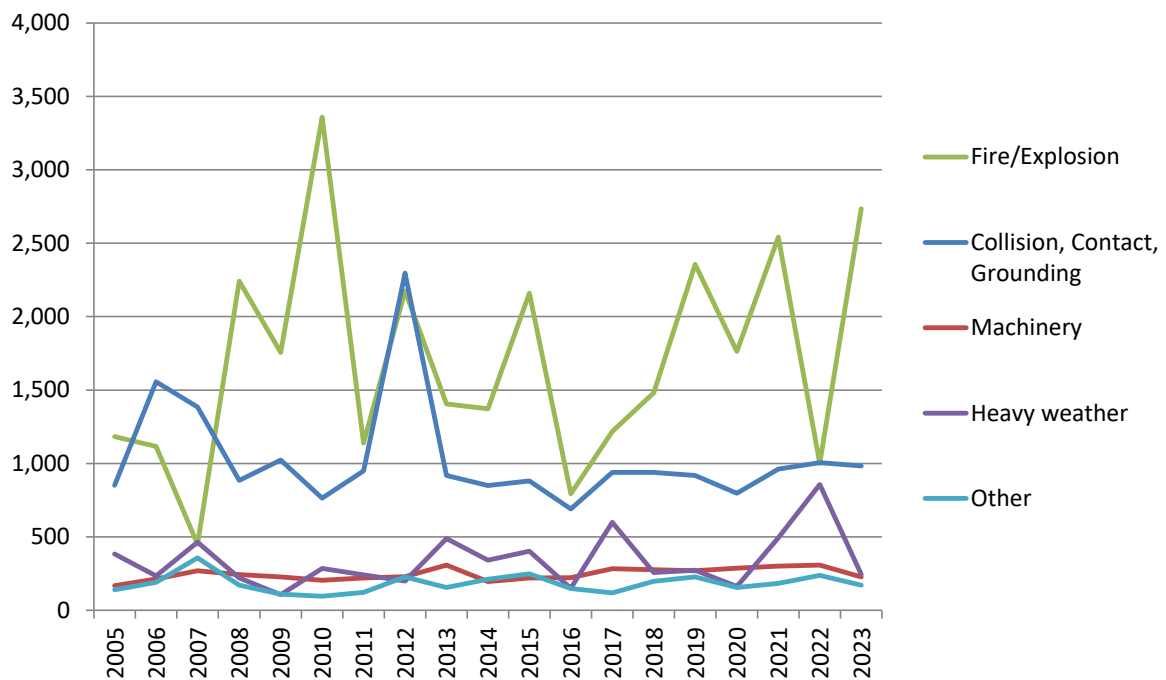
## Renewed impact of fire/explosion in 2023

While the average cost of fire/explosion claims was high between 2008 and 2015, fires only had a moderate impact in the years 2016 to 2018. In these years, few fire/explosion claims exceeding USD 10 million were reported, with none of these exceeding USD 30 million.

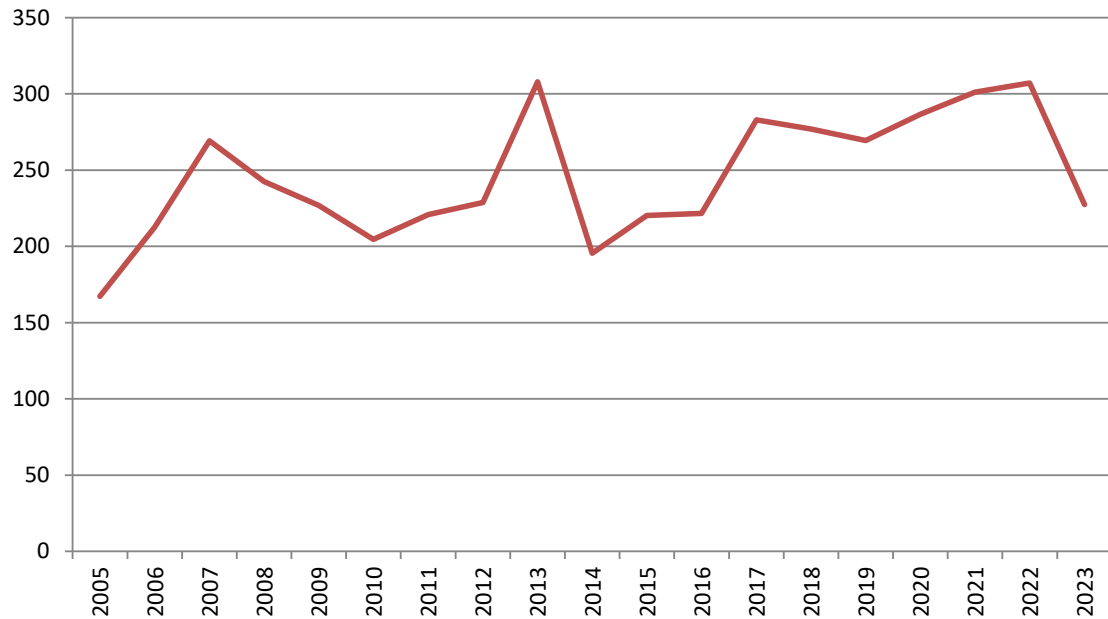
This changed since 2019 when particularly the number of severe fires on container vessels increased. Insurers and the marine industry got increasingly concerned by an escalating number of fires on container vessels in recent years, especially those starting in the cargo area of such vessels. While the impact of fires was comparably modest in 2022, in 2023 again severe fires occurred. Out of the four largest losses reported in the first half year, three were fires.

The cost of nautical-related claims (collision, contact, grounding) has been at a relatively stable and moderate level since 2014, with only a slight increase after 2020.

18: Average claim cost (USD 1,000) – all types of casualties



## 19: Average claim cost (USD 1,000) – machinery claims, as reported



The average cost of machinery claims has shown an upward trend over time, although figures may swing somewhat from year to year. A peak in 2013 was mainly due to the impact of two extraordinary costly machinery claims in that year.

As of June 2023, only one machinery claims exceeding USD 5 million was reported and none exceeding USD 10 million. This compares to six such claims in the first six months of 2022, while the whole year 2022 recorded 13 such claims of which one exceeded USD 10 million.

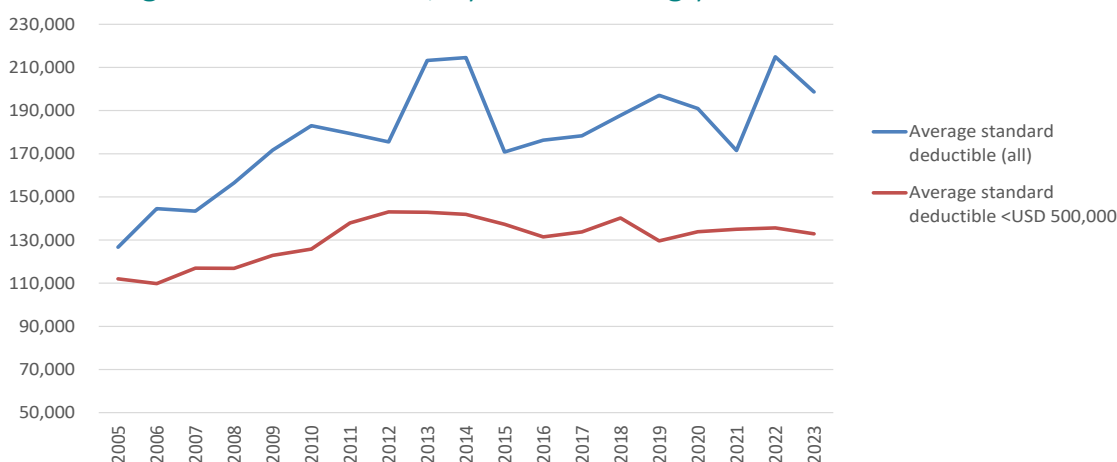
Machinery claims exceeding USD 5 million have occurred regularly since 2011. Claims exceeding USD 10 million are no longer an exception in this claim category either, occurring in four out of the last ten years.



# 6. Inflation

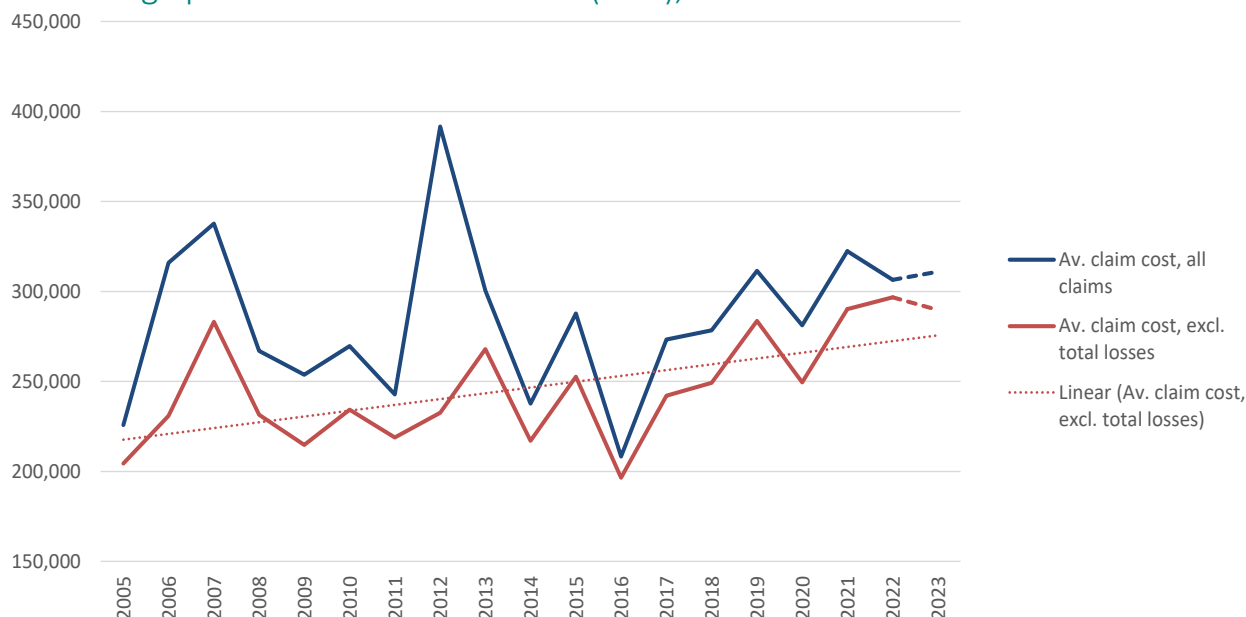
One of the hot topics currently discussed is inflation and how this impacts claims costs. An increase in steel prices, the cost of spare parts, labour cost and swinging exchange rates all influence repair costs. Exchange rates may influence repair cost in the sense that hull coverages often are written in USD, while ship repairs more often are carried out in areas with other currencies than USD. Thus a weak Euro or Asian currency may contribute to keeping claims costs at bay when converted to USD statistics. Deductibles and particularly changes in deductible levels also play a role when interpreting the statistics, as only claims exceeding the agreed deductibles are registered by insurers.

20: Average basic deductible, by underwriting year



Graph 21 shows the average cost of reported claims, including and excluding total losses. This has shown a recent upward trend which may be attributed to inflation impact. Average claims are also impacted by the presence or absence of very large claims and the frequency of very small claims. The latter has been reduced in later years and this might cause part of the increase.

21: Average partial and total claim cost (USD), incl. IBNR



# Nordic Marine Insurance Statistics (NoMIS)

## *Data in this report & other NoMIS statistics*

The statistics in this report reflect data reported by Cefor members into the Nordic Marine Insurance Statistics database as of 30 June 2023.

If not indicated otherwise, claims are grouped by accident year, i.e. calendar year in which the claims incurred (= accident year).

Figures reflect 100% of each vessel and resulting claims insured under a Hull & Machinery coverage, regardless of the share underwritten by one or more Nordic insurers.

2023 claims (cost, numbers) reflect the status as reported per 30 June, including an estimate of incurred but not reported claims. For comparability to previous years, 2023 claims – i.e. claims reported within the first half year – are related to 2023 portfolio data for half a year. In the two “quarterly development” graphs (p. 5) the annual exposure is used – and the claim cost per vessel by 2<sup>nd</sup> quarter of each year therefore is half as high as in the other graphs showing the expected ultimate results per year.

Further information is available on the Cefor website at [www.cefor.no/statistics](http://www.cefor.no/statistics)



Annual Report 2023:  
Update on the Cefor market & activities  
and NoMIS trends as of December 2022.



The 2023 NoMIS Reports for Ocean and Coastal Hull claims trends with breakdown by age group, size group, vessel types, insured value layers and other key figures, plus exposure curves.

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