
50 Predictions: Marine, Aviation & Transport / Energy

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Making predictions about the future of the insurance market is not for the faint-hearted. Our experts have boldly looked ahead at the challenges you may face over the next year and produced 50 focused predictions.

Disputes over territorial waters will increase disruption to shipping

Growing geopolitical tensions and disputes over territorial waters are causing increased disruption to shipping, which naturally has a knock-on effect on the marine insurance markets. Transit chokepoints are a particular concern, with the recent events in Yemen and Iran's actions in the Strait of Hormuz highlighting the fragile state of some regions. Looking forward, how might further instability in the Middle East (in part due to the activity of the Islamic State group), China's 'nine-dash line' and increasing claims over the major part of the South China Sea, and Russia's unclear intentions in the Baltic/Crimea regions and beyond, impact shipping in the coming years? Insurers need to be alive to such possible developments and the associated risks.

Insurers need to review provisions on reimbursing ransom payments

Providers of kidnap and ransom insurance will need to review their provisions on reimbursing ransom payments in light of the Counter-Terrorism and Security Act 2015. The existing Terrorism Act 2000 makes it an offence to enter into an arrangement which will result in money or property being made available to another whom the insurer knows, or has reasonable cause to suspect will, or may use it for the purposes of terrorism. The new insurer-specific provision includes payments in respect of money that has been handed over, meaning that reimbursing a ransom payment, as well as providing the funds to make it, is now an offence.

Mixed fortunes as a result of falling oil prices

Oil prices have fallen by around 50% since June 2014, having a mixed impact on the marine and offshore energy industries. Lower oil prices have sharply reduced the cost of shipping, where fuel can account for 60% or more of the total operating costs of transporting freight by sea. There is also a demand for floating storage units to hold oil until prices rise. Insurers of such vessels and cargo need to consider where they will be located and whether this increases weather, piracy and terrorism risks. Depressed oil prices will, however, have a negative impact on offshore energy. The significant reduction in capital expenditure by the oil majors last year is now being felt across the industry, raising concerns as to whether cutting corners and aged assets could lead to increased claims.

Key developments in 2014/15

- [Counter-Terrorism and Security Act 2015](#)
- [Insurance Act 2015](#)
- [Gard Marine and Energy Ltd v China National Chartering Co Ltd](#)
- [Versloot Dredging BV and another v HDI Gerling and others](#)

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