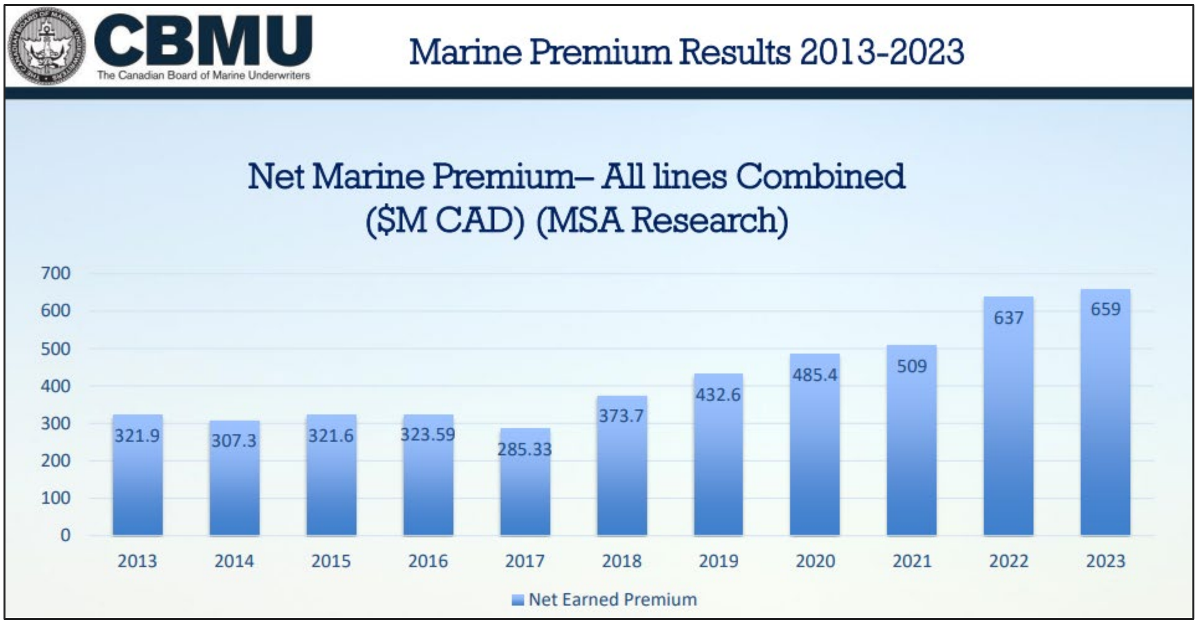
Marine Insurance Market Outlook for 2025

Executive Summary:

The Canadian marine insurance market is expected to remain stable in 2025, with insurers focusing on prudent risk selection and underwriting discipline. Additional capacity is entering the market on some marine lines sparking competition and more favorable conditions for policyholders. However, insurers are remaining vigilant regarding global developments and their potential impact on the domestic market which is tempering the return to soft market conditions.

Highly volatile trade environments leading to anxiety around return on investments coupled with rising claim costs and social inflation (particularly related to US exposures) may lead underwriters to push for low single-digit rate increases. Certain higher risk marine business segments are subject to greater scrutiny than others.



**Source: CBMU*

2025 Expected Average Rate Increase/Decrease

Cargo: -5% to 0%
Hull and Machinery: -2.5% to +2.5%
P&I: 0% to +7%
Marine Liability: 0% to +2.5%
Excess Marine Liability: 0% to +4%

Marine Cargo:

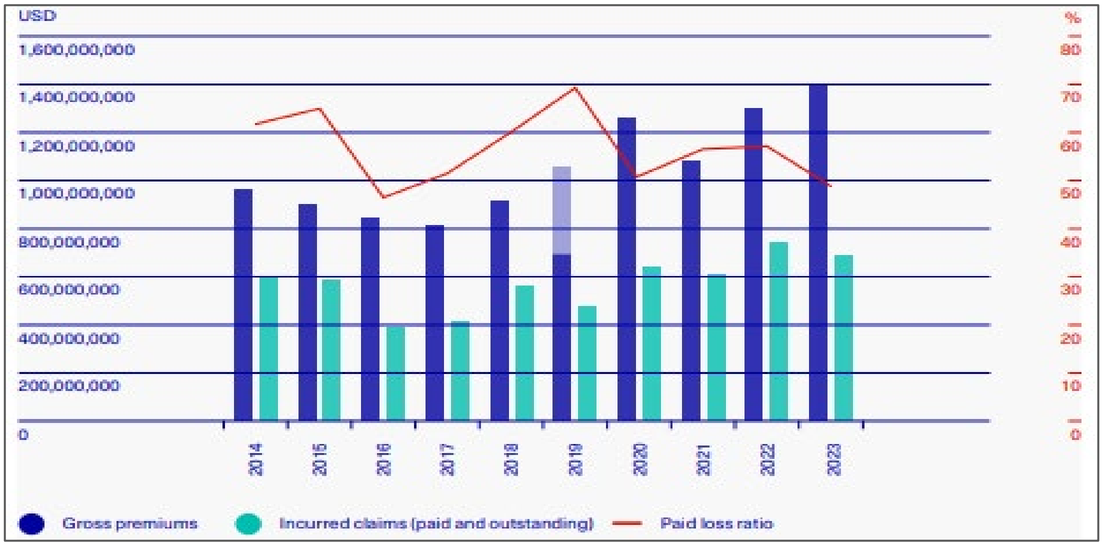
In 2023, global Cargo insurance premiums reached $22.1 billion, marking a 6.2% increase from the previous year, reflecting continued expansion in global trade. Marine cargo insurance in Canada makes up approximately 50% of all gross written Marine Insurance premiums.

The cargo insurance market is currently experiencing increased competition as insurers who had previously withdrawn from the sector are re-entering, drawn by the now favorable market condition, and existing markets looking to increase their current capacity levels. Although the cargo space is experiencing softening conditions, providing comprehensive exposure data and clearly distinguishing risks from others in their industry is still essential for obtaining competitive coverage terms and rates. Cargo owners should be reminded that price isn't the only factor to consider in today's market and with more capacity available it's important to carefully evaluate which carrier is taking on the risk.

Although the favorable market conditions, insurers are closely reviewing their stock throughput portfolios to control risk accumulation in regions prone to catastrophic events. Losses in marine cargo due to extreme weather events are no longer confined to specific areas and are increasingly widespread, affecting both stationary and in-transit goods. Additionally, incidents involving containers lost at sea and onboard fires are becoming more frequent. The concentration of risk on individual ships, ports, and other coastal facilities remains a concern.

As trade relations between Canada and the United States evolve, potential changes to tariff policies are drawing increased attention from the marine insurance industry.

Cargo Loss Ratios: US



**Source: IUMI*

With cargo values directly impacted by duties and fees, it is crucial for Canadian exporters to understand how these developments could affect their insurance coverage and any imposition of U.S. tariffs on Canadian goods could significantly impact the marine cargo insurance sector. Canadian businesses shipping to the United States need to evaluate their insured values, warehouse accumulations, and coverage/per loss limits to ensure adequate coverage on their Cargo and Stock Throughput programs. If such tariff expenses are incurred but not declared, cargo owners will not be able to recover these added incurred expenses from their insurers in the event of a covered claim.

2025 Expected Average Cargo Rate Increase/Decrease: -5% to 0%

Hull & Machinery:

The commercial hull insurance market has shown signs of stabilization after several years of significant rate increases. Hull & Machinery insurance renewals are generally achieving as-expiring premiums, with most renewals seeing no more than a 3% to 5% rate increase. The post-COVID period has seen an increased demand for materials like steel, leading to higher costs for ship repairs and maintenance.

The current inflationary environment has further elevated expenses related to materials, shipyard services, and labor, impacting claims costs and insurer profitability. In addition, reinsurers are transferring higher costs resulting of mounting claims linked to natural disasters and geopolitical threats to primary insurance companies which have a direct impact on rates.

Global trade has been disrupted by events such as Houthi militant attacks on commercial ships in the Red Sea, escalating tensions in the South China Sea, and the ongoing conflict in Ukraine, making some shipping routes significantly more hazardous. Consequently, war risk insurance premiums have seen substantial increases for coverage on high-risk paths.

Hull Loss Ratios: US

**Source: IUMI*

Expected Average 2025 Hull and Machinery Rate Increase/Decrease: -2.5% to +2.5%

Protection & Indemnity (P&I):

The majority of P&I Clubs have announced general increases in premiums for the 2025 policy year. After two years of relatively low pool claims, the 2024 policy year experienced a significant uptick in both the number and severity of such claims. These claims, as well as increases to inflation and reinsurance costs has adversely affected the underwriting performance of P&I Clubs, prompting the need for higher premiums in 2025 to maintain financial stability.

The MV Dali's allision with the Francis Scott Key Bridge in Baltimore in March 2024 also led to substantial claims and have impacted the resources of P&I Clubs, necessitating general increases to replenish reserves. Although the Britanna was the P&I Club for the MV Dali, the club will only bear their retention of US$10M plus their own pool contribution. However, the marine reinsurance industry is still evaluating the lasting impact of what stands to be the most substantial loss in recent history.

The owner of the MV Dali filed a petition in the U.S. District Court for the District of Maryland to limit their liability to approximately $43.7 million Under the Limitation of Liability Act of 1851. The estimated damages from the bridge collapse far exceed the proposed liability cap. Analysts projected that insurance claims for the bridge's destruction could reach up to $1.2 billion, with additional claims for wrongful deaths and economic losses ranging between $350 million to $700 million. The limitation of liability petition faced opposition from various claimants, including the City of Baltimore, challenging the owners' right to limit liability. In October 2024, a U.S. judge approved a $102 million settlement between the ship's owner and operator and the U.S. government to cover federal cleanup costs.

The invocation of the Limitation of Liability Act by the MV Dali's owners aimed to cap their financial exposure significantly below the total estimated damages. However, the substantial gap between the proposed liability limit and the actual damages has led to extensive and lengthy legal disputes and settlements.

Historical P&I Clubs General Premium Increase Announcements:

	2021	2022	2023	2024	2025
American	5%	12.5%	0%	0%	7%
Britannia	0%	0%	0%	0%	0%
Gard	0%	0%	0%	0%	0%
Japan	10%	10%	10%	7.5%	7%
London	10%	12.5%	0%	0%	0%
NorthStandard	N/A	N/A	N/A	5%	5%
Shipowners	5%	5%	0%	5%	0%
Steamship	5%	12.5%	7.5%	5%	5%
Swedish	5%	12.5%	10%	7.5%	5%
UK	10%	12.5%	10%	7.5%	6.5%
West	7.5%	15%	10%	7.5%	5%

Marine and Excess Marine Liability:

The marine casualty insurance market in Canada has remained competitive and continues to show signs of improvement. Both established insurers and new market entrants are actively pursuing growth opportunities by offering higher coverage limits, targeting new business sectors, expanding their risk appetites, and developing innovative products. Insurers have generally demonstrated a greater willingness to negotiate terms compared to previous years, presenting more flexibility in discussions. Having a knowledgeable broker who has strong market relationships is essential to securing the most advantageous renewal terms.

At the same time, claims inflation continues to be a significant challenge in the liability sector, especially with regard to exposures in the United States. A substantial claims record, high-risk exposures, or failure to demonstrate a strong risk mitigation strategy could create challenges in obtaining desired policy limits at a reasonable cost.

The excess marine casualty market continues to see intensified competition, particularly in the higher layers, where an influx of aggressive insurers has resulted in the displacement of some longstanding incumbents. In addition, several traditional excess insurers are now showing increased interest in lower attachment points on liability towers. These changes reflect a strategic shift in underwriting appetite and an evolving market dynamic. This capacity is frequently offered with ventilation or other structuring mechanisms to mitigate exposure and enhance portfolio diversification.

2025 Expected Average Marine Liability Rate Increase/Decrease: 0% to +2.5%
2025 Expected Average Marine Liability Rate Increase/Decrease: 0% to +4%

Authors:

Adam Parry-Wingfield
Partner, Marine | aparry-wingfield@wyliecrump.com, 236-233-9401

Adam Parry-Wingfield is a Partner with Wylie-Crump Limited, with 35 years of experience in commercial marine insurance. Having worked with a diverse group of clients in the marine and transportation industries, he specializes in providing insurance and risk advisory solutions to marine terminals, port authorities, vessel owner/operators of all types and sizes, shipyards, rail operators, and cargo owners. Adam is also an Associate of the Chartered Insurance Institute.

Shaun Booth
Senior Associate, Marine | sbooth@wyliecrump.com, 778-488-5143

Shaun Booth is a Senior Associate with Wylie-Crump Limited, providing comprehensive risk solutions to a diverse range of clients, including marine terminal operators, commercial vessel owners, shipyards, rail operators, and cargo owners. Holding a Business Administration degree in Entrepreneurial Leadership and recent a graduate of the Chartered Insurance Professional (CIP) program, he also serves as Vice President of the Marine Insurance Association of British Columbia.