

Marine insurer: Risks to maritime industry changing at unprecedented speed

154 vessels attacked by Houthis since Nov. 19, 2023

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Container ships that normally travel through the Red Sea are looking for alternative routes. (Photo: Jim Allen/FreightWaves)

The flow of trade will always find a way to circumvent risk. It has to. Trade at rest is not making money. The freedom of navigation lifts the global economy. It also comes with massive risk that in the end governments and industry pay for.

The waterway superhighway has been altered many, many times to ensure freight arrives at its final destination as safely and with as much certainty as possible. This year, the most obvious challenge is the Red Sea diversions.

The safety of seafarers is the priority for the maritime industry. While a handful of ocean carriers continue to traverse the waterway, most are taking the longer route to ensure the safety of their crews and cargo.

In the Safety and Shipping Review 2024 by marine insurer Allianz Commercial, Capt. Rahul Khanna, global head of marine risk consulting, explained that the maritime industry's increased risk is changing at unprecedented speed.

Since Russia invaded Ukraine, the report noted sizable growth of Russia's "shadow fleet" of tankers, somewhere between [600](#) and [1,400](#) vessels.

According to Allianz Commercial, the vessels have been involved in at least 50 incidents to date, including fires, engine failures, collisions, loss of steerage and oil spills. "These are mostly older, often poorly maintained vessels that operate outside international regulation, often without proper insurance. This situation presents serious environmental and safety risks," says Justus Heinrich, global product leader, marine hull, Allianz Commercial.

"Conflicts such as in Gaza and Ukraine are reshaping global shipping, impacting crew and vessel safety, supply chains and infrastructure, and even the environment," said Khanna. "Piracy is on the rise, with a worrying re-emergence off the Horn of Africa."

U.S. Defense officials tell American Shipper 154 vessels have been attacked by the Houthis since Nov. 19, 2023. The most recent attack, on May 28, damaged the bulker. Finally, after months of silence, Chinese government officials are calling for attacks on civilian ships to stop. The recent declarations are a result of a series of Chinese-run tankers' being inadvertently attacked in the Red Sea based on old vessel information used by the Houthis.

Ocean carriers are going around the Cape of Good Hope to mitigate this risk. Khanna tells American Shipper quantifying the risk on these transits can be very difficult.

"The traffic in the Red Sea accounts for 30% of global container traffic and 40% of trade between Asia and Europe," he said. "As per 2024 analysis from Allianz Trade, a prolonged disruption to trade through the Red Sea could impact global GDP growth by -0.4% and cause inflation to increase by 0.5%."

The reality of these diversions is finally settling in after months of ocean carriers holding out on their outlook of when they would return to the Red Sea. With the Houthis' drone and missile attacks not slowing, shippers have built into their schedules the longer trade route for at least the rest of the year.

But with the Southern Hemisphere entering its winter season, logistical managers tell American Shipper they are concerned about the loaded container vessels traveling around the Cape of Good Hope and the rough weather they could face.

Asked about these risks, Khanna said smaller vessels navigating the coastal waters can find themselves in tricky situations. Weather around the cape can be very severe, especially if crews do not have enough experience sailing in such conditions.

"The weather conditions around Cape Horn can be harsher and can induce 'parametric rolling' and other dynamic loads on larger container vessels which could lead to containers falling over the side. These diversions are also having an environmental impact due to increased emissions as vessels increase speed to cover longer distances and erode the gains achieved through 'slow steaming.'"

Khanna said that according to Allianz risk records, weather-related incidents are not the highest cause of losses or accidents in shipping.

“The other risks facing maritime are human-caused,” he said. “This can include machinery damage and fire. It has been shown that a majority of accidents in shipping can be attributed to human error.”

Adding to the risk of adverse weather conditions and congested waters is the risk of GPS spoofing and cyberattacks, which can interfere with safe navigation.

“The result could be a catastrophic collision of vessels, grounding of vessels or collision with port infrastructures,” said Khanna. “Another significant concern would be cyberattacks on a vessel’s navigation equipment or engines, which could cause a major failure and possible collision and/or grounding.”

According to the report, 26 large vessels were lost worldwide and losses hit an all-time in 2023. The hot spots over the past year and decade are regions and countries that are top exporters: South China, Indochina and Indonesia.