



Fire and explosion incidents account for almost a quarter of insurance claims by value. Photo: Adobe Stock

EXECUTIVE SUMMARY

471,326

Total number of claims analyzed

Businesses have to navigate an increasingly complex risk landscape. As well as combatting the threat posed by a host of natural and man-made hazards, companies also have to deal with the demands of a less forgiving regulatory and legal environment and emerging risks posed by our growing reliance on technology. All of these factors can combine to impair successful running of operations and insurers have a vital role to play in ensuring any disruption following a loss event is minimized.

This report examines global developments in corporate insurance claims, highlighting the top causes of loss, and other trends. It also examines a number of industry-specific trends that will impact the claims landscape in future.

THE TOP 10 CAUSES OF LOSS

The report highlights the increasingly high values at risk in corporate insurance claims. AGCS has identified the top causes of loss and emerging trends from more than **470,000 insurance industry claims** in **over 200 countries and territories** with which it has been involved between 2013 and 2018¹. These claims have an approximate value of **€58.1bn (US\$66.5bn)**.

The analysis shows that over 75% of financial losses arise from 10 causes of loss, with the largest single identified cause being **fire/explosion**, which account for almost a quarter (24%) of the value of all claims. In the past five years, fire and explosion incidents have caused in excess of **€14bn** worth of insurance losses from over 9,500 claims and are responsible for more than half (11) of the 20 largest non-natural catastrophe loss events analyzed. Even the average claim from such an incident totals almost **€1.5mn** at **€1.47mn**. **Aviation collision/crash incidents** (14%) rank as the second top cause of losses globally according to value of claims. **Faulty workmanship/maintenance** (8%) is third.

GLOBAL CLAIMS TRENDS

Despite recent record-breaking recent activity in the US and elsewhere around the world, **storm** is the only natural catastrophe event to appear in the top 10 causes of loss. Analysis of claims shows the vast majority of losses are caused by technical or human factors. In total, non-natural hazard events accounts for 87% of the total value of all claims and 95% of claims by number.

Claims payments vary enormously in scale reflecting the diverse nature of the risk landscape. Significant corporate insurance losses (**>€100mn**), such as those arising from fires, aviation crashes or shipping incidents for example, account for less than 1% of claims by number but a third of the total value of all losses analyzed, equating to **€18.9bn**. Conversely, around 90% of losses are valued at or below €50,000, accounting for just 4% of total value.

TOP CAUSES OF LOSS BY TOTAL VALUE OF CLAIMS (2013-2018*)

1.	Fire/explosion	24%
2.	Aviation collision/crash	14%
3.	Faulty workmanship/maintenance	8%
4.	Storm	7%
5.	Defective products	6%
6.	Damaged goods (including handling/storage)	5%
7.	Machinery breakdown (including engine failure)	5%
8.	Water damage	3%
9.	Ship sinking/collision	2%
10.	Professional indemnity (e.g. negligence/misadvice)	2%

Source: Allianz Global Corporate & Specialty. *Based on analysis of 471,326 insurance industry claims between July 1, 2013 and July 1, 2018. "Other" causes of loss account for 24% of the value of all claims.

Claims involving **damaged goods**, which can result from a number of different causes including storage, handling, loading and unloading issues – or when in transit – constitute the most frequent losses for insurers, accounting for 11% of all claims by number around the world. However, such claims only equate to 5% by value.

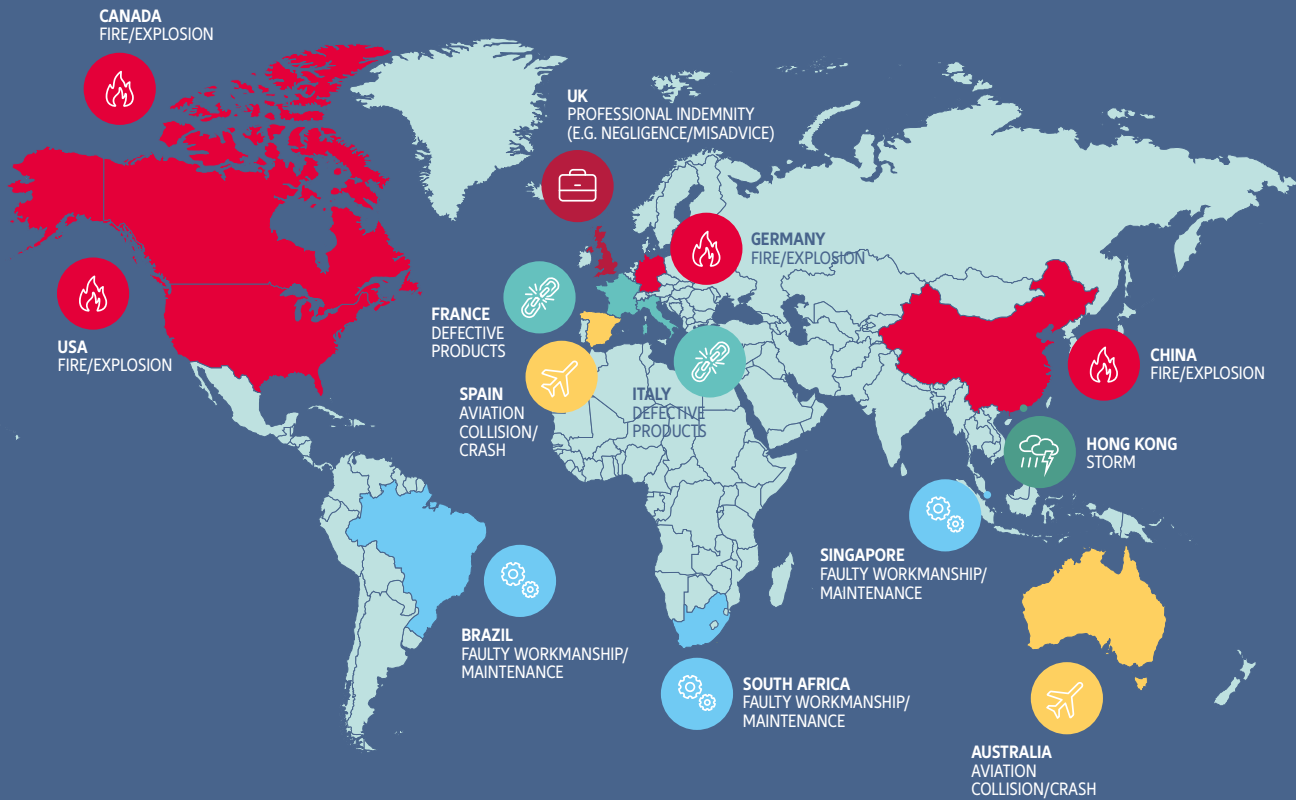
The claims analysis also highlights the growing relevance of **business interruption (BI)** as a consequence of losses in property insurance, heightened by today's increasingly interconnected and globalized business environment. Almost all large property insurance claims now include a major BI element, which typically accounts for the majority of the loss when previously the split might have been nearer to 50:50. The average business interruption property insurance claim now totals over **€3mn** at **€3.1mn**. This is around 39% higher than the corresponding average direct property damage loss (**€2.2mn**)² or a split of 58:42.

¹ Claims analysis is for the period July 1, 2013 to July 1, 2018. The values of the claims analyzed in this report also include the share of other insurance companies in addition to AGCS who have participated on the same risks

² Based on analysis of 1,175 corporate insurance claims which have both a property damage and business interruption loss component.

TOP CAUSES OF LOSS

AROUND THE WORLD*



Fire is the top cause of corporate insurance losses in Canada, China, Germany and the USA. Aviation collision/crash incidents rank as the major losses in Australia and Spain. Storm activity is responsible for the most expensive losses in Hong Kong.

Source: Allianz Global Corporate & Specialty. Top causes of loss according to value of claims. Selected countries only. Based on analysis of 471,326 insurance industry claims worth €58.1bn between July 2013 and July 2018.

INDUSTRY OUTLOOKS AND LOSS TRENDS

AVIATION

The high values at risk in the aviation industry are highlighted by the fact it is the main driver of corporate insurance claims overall, accounting for 22% of all losses. Unsurprisingly, **collision/crash** is the top cause of loss, accounting for over half the value of all aviation claims (59%), followed by **faulty workmanship/maintenance incidents** (10%) and **machinery breakdown (including engine failure)** [6%].

Increasing repair costs from composite materials and more sophisticated higher value engines; a rise in attritional claims stemming from more congested airports; risks related to the sector's increasing reliance on automation; a shortage of pilots; cyber security; and more widespread use of drones are just some of the drivers which will shape the future claims landscape.

ENERGY

Energy insurance claims are infrequent compared with other analyzed sectors. However, losses are costly. The sector accounts for less than 1% of claims by number but 17% of all losses by value. The average significant loss³ in the sector is around **€13.8mn**.

Fire incidents are the top cause of loss accounting for almost half of the value of all claims (46%). Although natural catastrophes represent some of the sector's largest exposures, human-made incidents account for four of the top five causes of loss. In addition, the growing potential for cyber-related losses and the impact of a changing oil price – including the prospect of larger BI claims for producers – occupy the thoughts of companies and insurers alike.

FINANCIAL LINES

Financial claims notifications continue to rise globally while claims are increasingly larger, more complex and international, reflecting increasing regulatory activity and litigation across many important jurisdictions.

Professional indemnity losses such as negligence, misadvice or non-compliance with laws and regulations are the top cause of claims by value (61%). However, cyber-related losses in financial lines insurance are beginning to emerge with an increase in notifications already evident. Data protection violations are one of the most frequent reasons for cyber-related claims notifications.

LIABILITY

Claims in more mature economies have been reducing following improved safety and product quality, yet severity continues to rise globally. The potential for ever-larger liability claims is driven by many factors including increasing complexity, internationalization of claims and rising legal costs. Around a third of large corporate liability claims involve litigation, compared with property insurance where less than 1% of claims do on average.

Collectively, **defective products and faulty workmanship/maintenance incidents** account for almost 60% of the value of all liability claims. Product recall losses are a major contributor to the defective products total and are also increasing in size.

Claims resulting from our increasing reliance on technology; employment and discrimination issues; and environmental- and climate change-related liability issues are expected to increase in future.

MARINE

The frequency of major hull claims remains low yet natural catastrophe and fires have resulted in some large hull and cargo losses in recent years. Attritional claims, such as machinery breakdown, while stable in frequency are becoming more material for insurers.

Unsurprisingly, **ship sinking/collision** is the top cause of loss, accounting for 16% of the value of all marine insurance claims. Such incidents do not just include the loss of vessels; they also include collisions with harbor walls and even other vessels.

Meanwhile, larger ships and concentrations of cargo risks create the potential for ever-larger losses, while the move towards greater automation of shipping and cargo handling means that cyber-related losses will become an increasing feature of marine claims going forward.

PROPERTY

Changes in corporate risk and demand for broader coverage to support the impact of innovative technologies are driving a trend towards increasing volatility in property claims, with larger claims, as well as supply chain and cyber losses.

Analysis of AGCS claims shows an increase in the size of large losses, reflecting huge changes in how many sectors now operate. Globalization and the development of integrated supply chains are leading to much higher concentration of insured values, both in terms of assets and BI exposures. **Fire incidents** account for over half of the value of all property insurance losses (51%).

One area where property claims have shown increasing volatility has been in natural catastrophes. In particular loss events in Asia are becoming more relevant as businesses invest in regions with significant exposures to storms, flooding and earthquakes and as insurers follow their customers into these markets.

€58.1bn

Total value of claims analyzed

³ Based on losses over €100,000 in value