

How can fuel insurance support companies' transition to cleaner fuels?

On the 1st January 2020, the International Maritime Organization (IMO) announced a new regulation to reduce fuel sulphur emissions by 85% - from 3.5% to 0.5% - to reduce the environmental impact of the marine industry.

New cleaner fuel with sulphur limits of 0.5% are around 25% more expensive than standard fuels. Since fuel is one of the highest operating costs for the marine industry, protecting against fluctuations in the market price of fuels is an operational imperative.

A solution: fuel price insurance

Fuel price insurance – a new product launched in the insurance market – provides a mechanism for companies to protect their balance sheets from fluctuating fuel prices and help to protect operating costs as they transition to higher-cost cleaner fuels.

“The cost of fuel represents around 50% of shipping firms' operating costs and the recent IMO regulation impacts over 50,000 vessels. Our new insurance solution helps our clients protect against sudden price increases as the industry transitions to cleaner fuels, which is currently over 25% more expensive.”

Chris Bhatt, Chief Executive Officer of Global Marine at Aon

Backed by AAA rated credit insurance, the coverage is activated if the price of fuel rises and exceeds the agreed limit. The policy will cover the difference between the agreed price and the higher monthly price, with payments being made monthly.

The insurance policy is a solution for companies in industries such as marine, aviation, construction, energy and mining, wanting to manage their fuel cost exposure and avoid significant spikes in market price. By protecting the costs of fuel consumption, fuel price insurance is designed to support the long-term sustainability of organizations' operating models.

"Aon is committed to identifying and understanding our clients' unmet needs, and innovating solutions. Transitioning to environmentally-responsible operating models is an organizational imperative for Aon and for our clients. With the launch of this solution, we are supporting our clients as they navigate an increasingly complex commercial environment and transition to higher-cost, cleaner fuels.”

Lee Meyrick, Chief Executive Officer of Commercial Risk Solutions at Aon

Aon is at the forefront of innovation

Fuel price insurance is one of a number of solutions Aon has introduced to the market to help organisations strengthen their operating models.

Aon continues to innovate at scale. Access insights on navigating new forms of volatility, building a resilient workforce, and rethinking access to capital in, "**Helping Clients Navigate an Increasingly Complex World**".

To learn more information on fuel price insurance, please contact **Chris Bhatt**.

About Aon

Aon plc (NYSE: AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

© Aon plc 2021. All rights reserved. The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Aon UK Limited is authorised and regulated by the Financial Conduct Authority.

FP.GLOBAL.459.TP