

# Economic analysis on development of marine insurance

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Though the analysis we conclude that Shanghai has advantages in such key factors as property insurance development and ergo handling capacity.

These advantages should help Shanghai to develop marine insurance most effectively, strengthen the link between international shipping and financedevelopment, and continuously promote the local economic development. Finally, the paper suggests high-priority development of marine insurance in Shanghai.

Keywords: Marine Insurance, Partial Correlations, Economic development 1

Introduction The government document, suggestions for development of modern service and advanced manufacturing industry and establishment of international finance and shipping center in Shanghai, is significant to the economic reform and long-term velveteen of Shanghai. It is also a strategic plan for further promoting reform and opening up policy, transforming the economic development mode and enhancing overall national strength.

In order to achieve thegoals, marine insurance industry should be put great emphasis on because it relates to both finance and shipping factors. Ship financing, fund settlement, shipping market derivative and marine insurance are traditional finance services in shipping industry. Marine insurance is a branch of insurance with a long history. The objects of insurance are not only ships, argues and other movable property on the sea, but also the freight, rate, commission, expected interests and third party liabilities due to the maritime perils.

Marine insurance initiated early in Western countries, but its contents changed rapidly according to its appliance. The studies of marine insurance

mostly concern its juristic aspect. Martinet Reintroductions (1990) [6] conducted theoretical research of marine insurance by systematical modern insurance ideals. Modern theories of economics and management bring the theory of marine to completion. Hong Zoo, Mike B. Adams (2006) [2] studied the logistic insurance as a major property insurance.

Through the research of the purchasing behavior of property insurance of Chinese enterprises, a link was established between insurance and economy. Research of marine insurance is a new direction for scholars in China. Marine insurance is separated from logistic insurance. As water transport is a vital form of logistics forms, marine insurance is also essential in logistic insurance. Lie Hen (2007) [5] studied the risks of modern logistics and demands for logistic insurance. Rene Wing, Wang Wee (2009) [7] analyzed the accelerating effect of insurance to the development to logistic industry.

The development to marine insurance can bring along the finance, shipping, and overall development in the whole region. Jinn (1993) [3] set the establishment of shipping center and transport network as primate strategy based on the analysis of the trend of economic globalization. A hierarchical shipping center network should be surrounded by core city in order to promote cooperation. Khan (2000) [4] considered that the effect marine insurance bring about is a result of 'Economics of Scale' in finance system and improvement of integrated efficiency.

International shipping center denotes port city with hard infrastructure such as container transportation hub port, departed fairway, collection and distribution network, and soft infrastructure such as finance, trade, and

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information services. The 21 economic growth is refer to the growth of the real economy such as GAP and per capita GAP, the improvement of production technology, the optimization of economic structure and the perfection of economic system. Nevertheless, due to the lagging development of marine insurance and the fact that researchers rarely have chance to acquaint practical operations, some researches are lack of pertinence.

In positive view, the new subject provides new opportunities to researchers. The train of thought and technical route of this paper is taking the cross-industry feature of marine insurance into consideration, conduct a correlation analysis of economic aggregate index and statistics in logistic and finance industry. Choosing port throughput and total amount of property insurance as typical detail indicator of shipping logistics and insurance industry afterwards, the paper conducts further studies of partial correlations without the influence of economic aggregate.

Finally we mind out the major factor of marine insurance development by comparing those coefficients of correlation. Marine insurance is developing rapidly in Shanghai, the most developed port city in China. This research is not only to the actual need of marine insurance industry but will also accelerate the theoretical innovation in marine insurance. 2 The Externalities and Social Benefits of Marine Insurance Marine insurance provide not only basic functions as risk sharing and compensate for loss or damage but derivative functions as risk management as well.

Ships as huge movable assets of high value, face frequent and serious accident risks, thus, risk management is especially vital in marine insurance business. The function of risk management benefits the whole shipping industry and other related industries as marine architecture, and trade. Besides, the level of finance service will be improved along with the development of marine insurance. Specifications in services as valuation of assets, credit guarantee, and auction of cargoes will be established and perfected.

Those specifications can serve broad fields in the society. Because the operation of marine insurance is on the basis of credit system and legal safeguard, the development of marine insurance is of great importance to the financial firms and the government especially in the establishment of credit system.

### 3 Factor Analysis on Developing Marine Insurance

#### 3. 1 Partial Correlations Method

Partial correlation method is to obtain the degree of correlation of two variables in a multivariate model by figuring out the coefficient of correlation when controlling other variables.