

Global Marine Insurance Report 2010

Astrid Seltmann

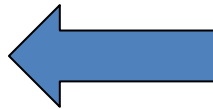
Facts and Figures Committee, Vice Chairman

Analyst/Actuary @ Cefor, The Nordic Association of Marine Insurers



Global Marine Insurance Report 2010

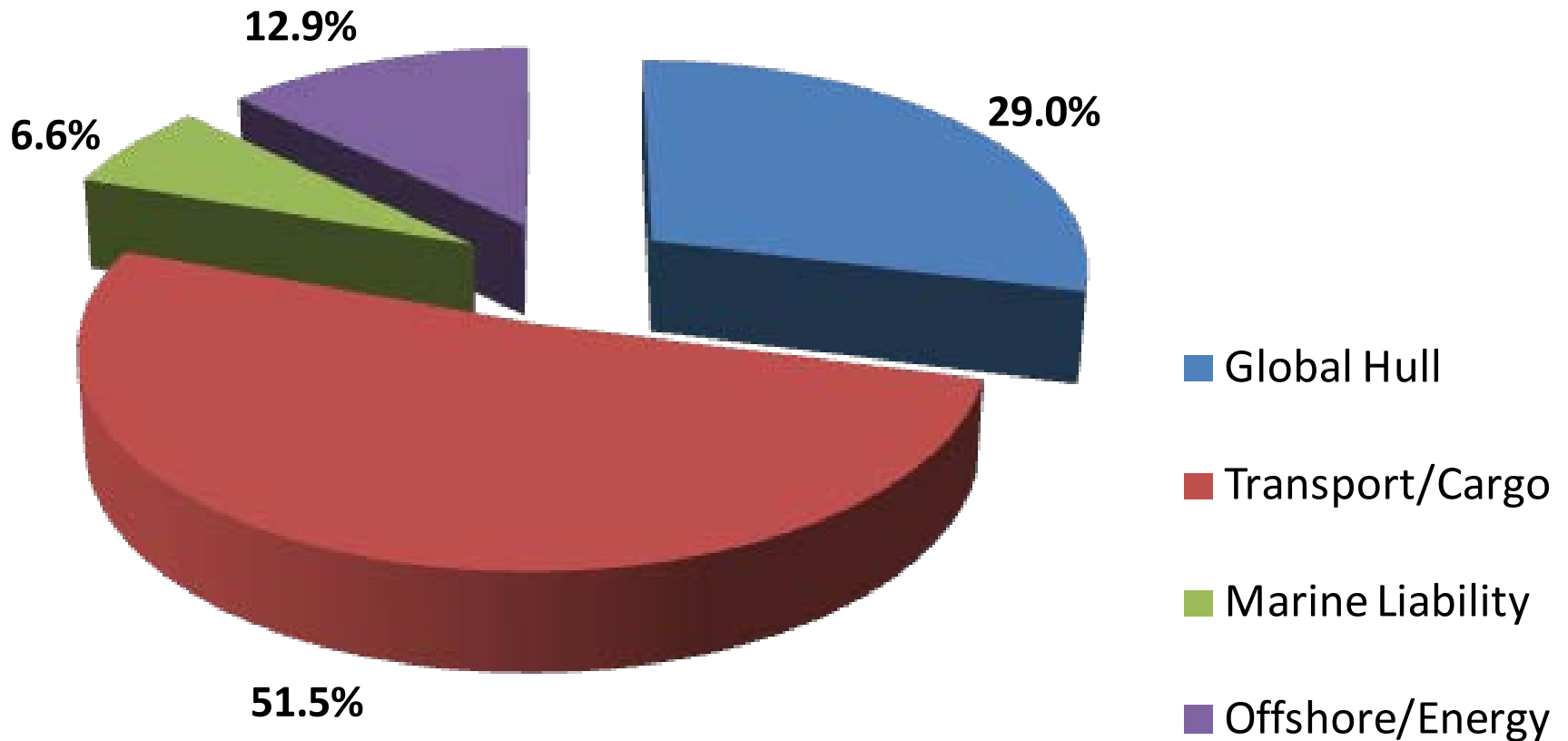
- Global **Marine Insurance** - Overview
- Global **Cargo** market
- Global **Hull** market
- Global **Offshore Energy** Market
- Addendum (in download only):
Tables with underlying reported figures



12 TO 15 SEPTEMBER

Global Marine Premium 2009, by line of business

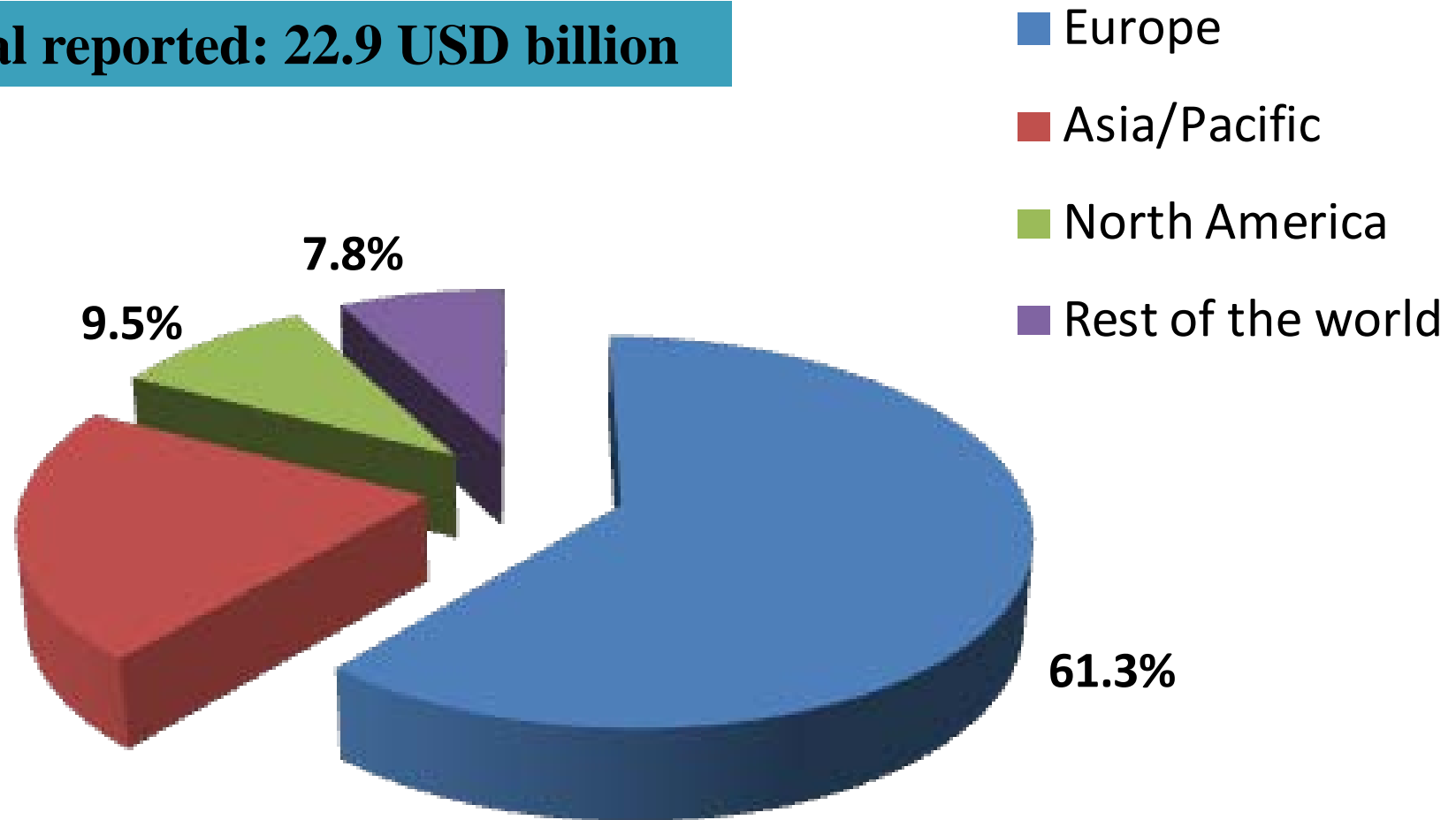
Total reported: 22.9 USD billion



Total estimated including not reported: 23.6 USD billion

Market Shares 2009

Total reported: 22.9 USD billion



Europe : Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Nordic (Cefor), Poland, Portugal, Romania, Russia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom (IUA + Lloyds)

Asia/Pacific : Australia, Chinese Taipei, Hong Kong, India, Japan, Korea DPR, South Korea , Malaysia, New Zealand, Singapore

North America : Bermuda, Canada, USA

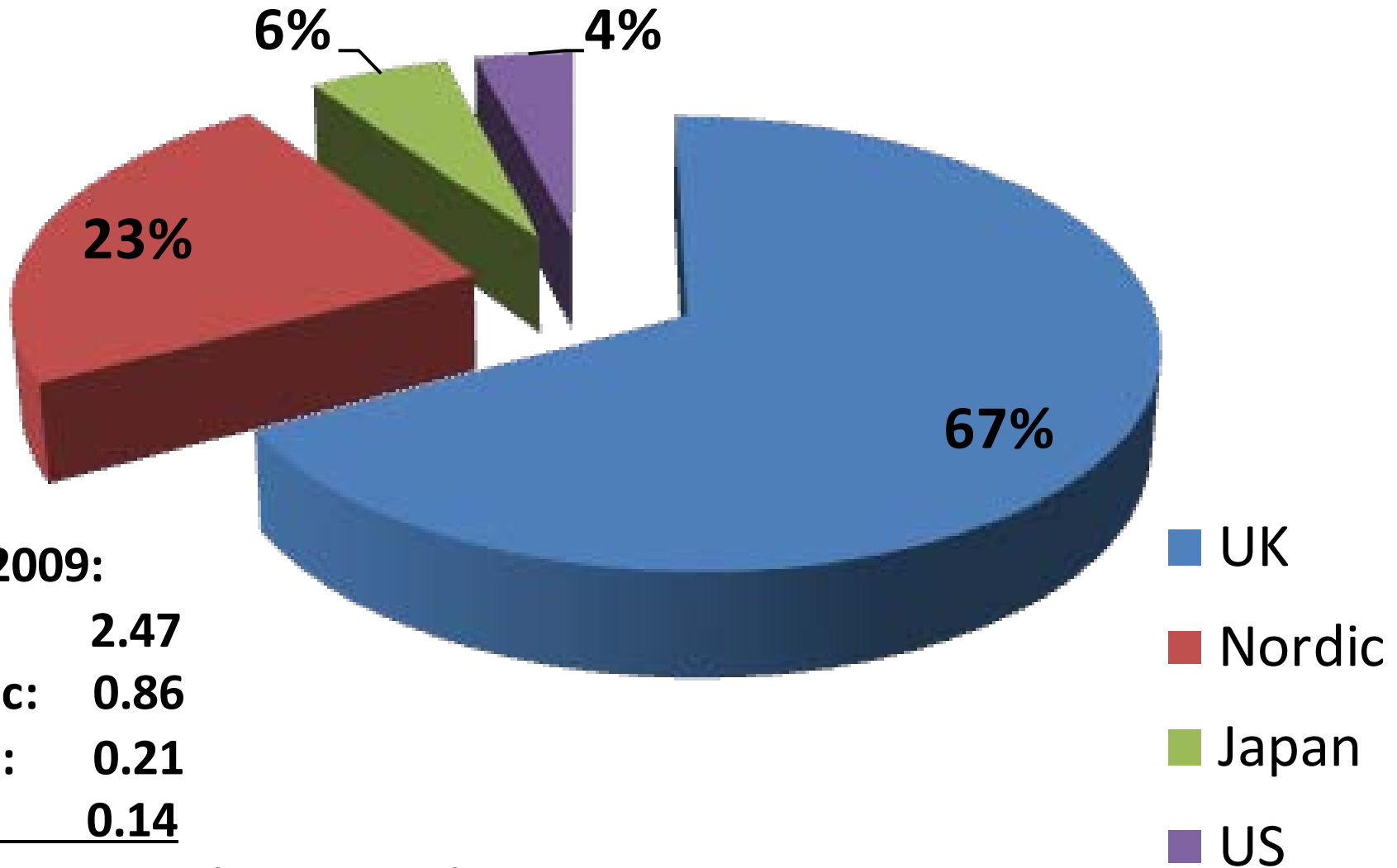
Rest of the World : *Bahrain, Brasil, Congo, Egypt, Israel, Kazakhstan , Kenya, Lebanon, Mexico, Morocco, Nigeria, South Africa, Tunisia, United Arab Emirates*

Countries in italics did not report in 2010

MARINE MUTUAL MARKET

P&I Clubs **International Group**

Gross Calls 2009 (Premium) - Operational location



Calls 2009:

UK: 2.47

Nordic: 0.86

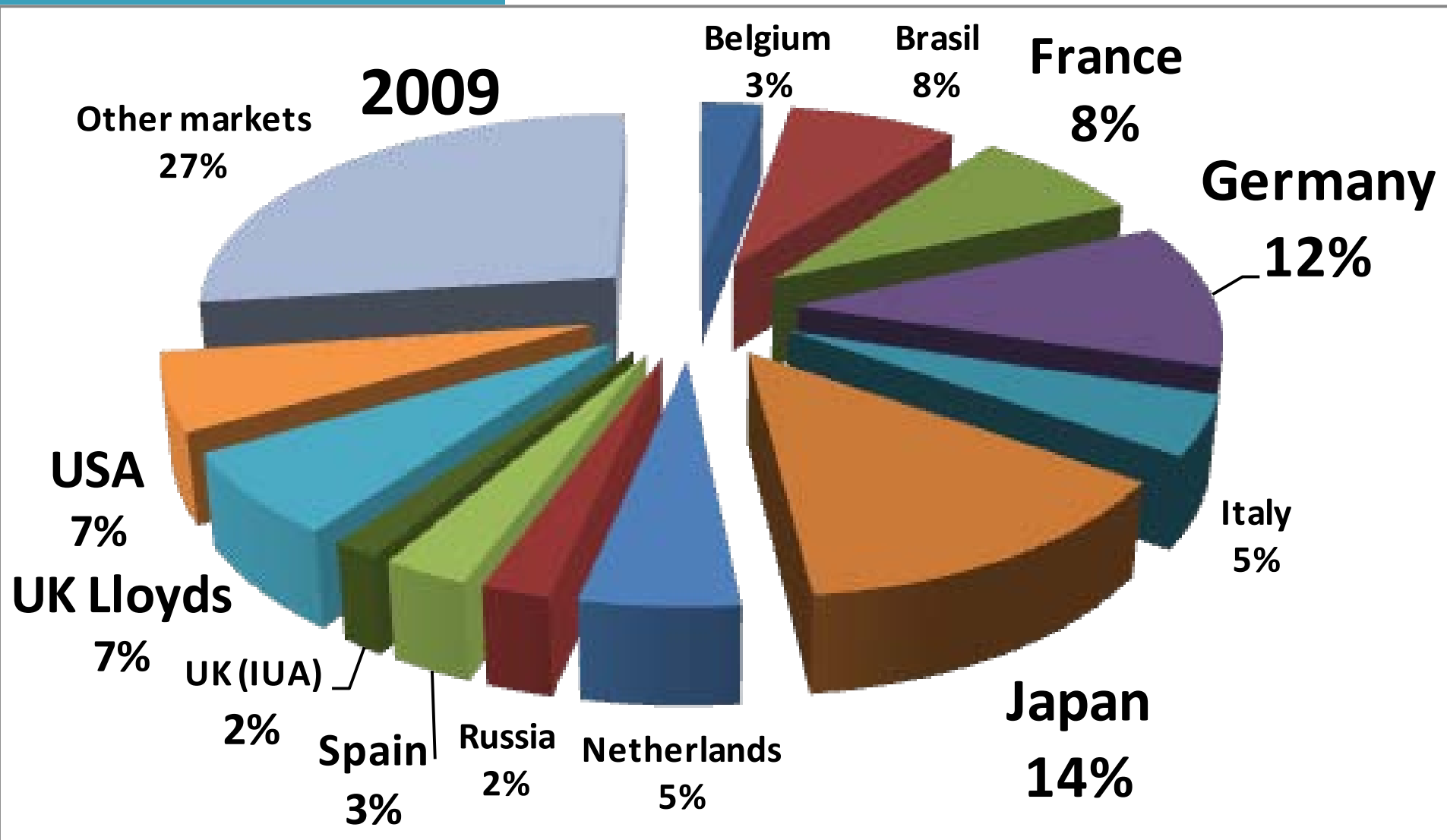
Japan: 0.21

US: 0.14

Total: 3.68 (USD billion) / +27%

Global **Cargo** Premium by markets

Total: 11.8 USD billion



Global Hull Premium by markets

Total: 6.6 USD billion

2009

Other markets
26%

France
7%

Italy
6%

Japan
9%

Korea, Republic
5%

USA
5%

Netherlands
5%

UK (Lloyds)**

14%

UK (IUA)

4%

Spain
5%

**Nordic*
(Cefor)**
14%

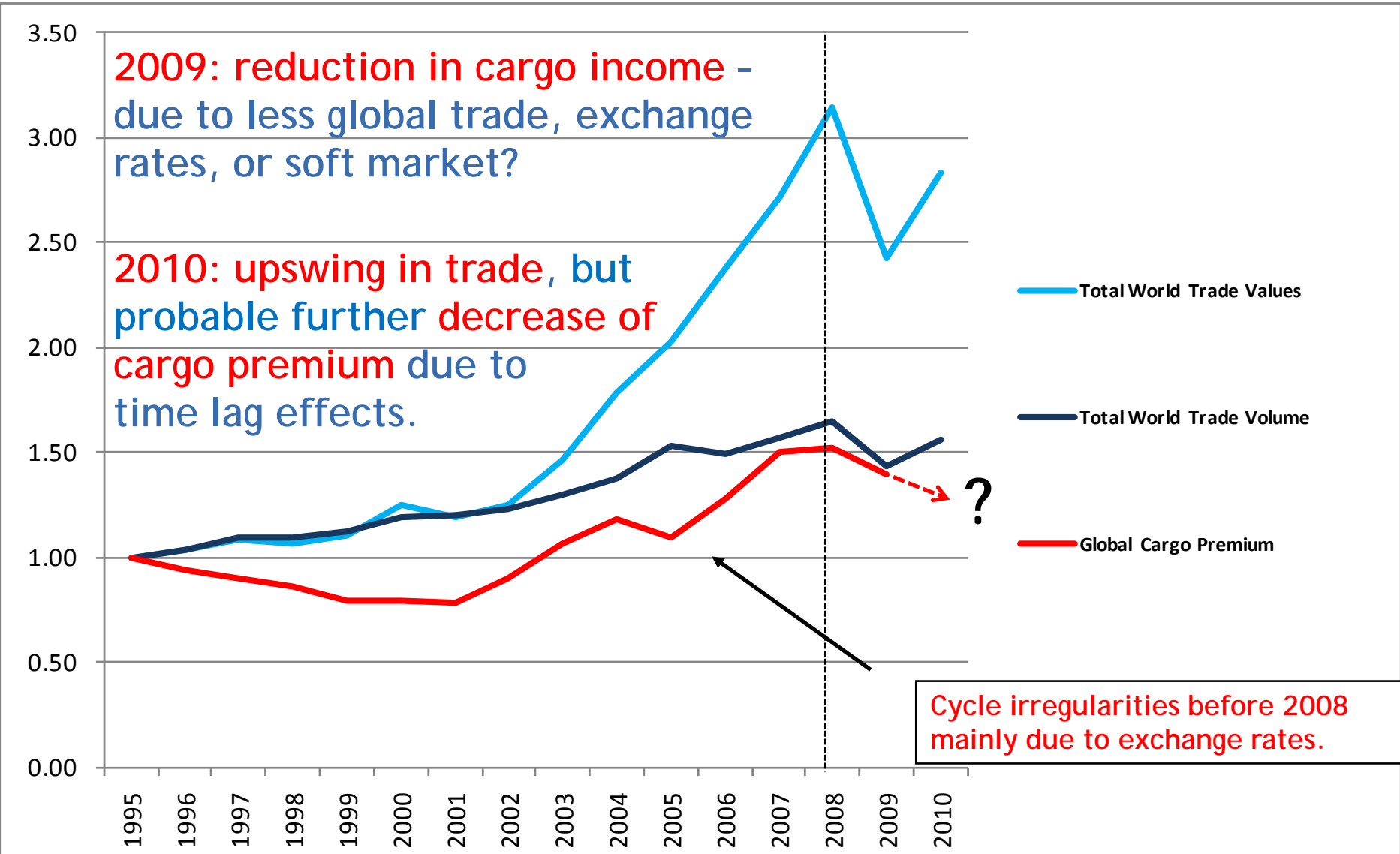


** Includes facultative and prop. reinsurance

12 TO 15 SEPTEMBER

* Cefor members in Norway, Denmark, Sweden, Finland

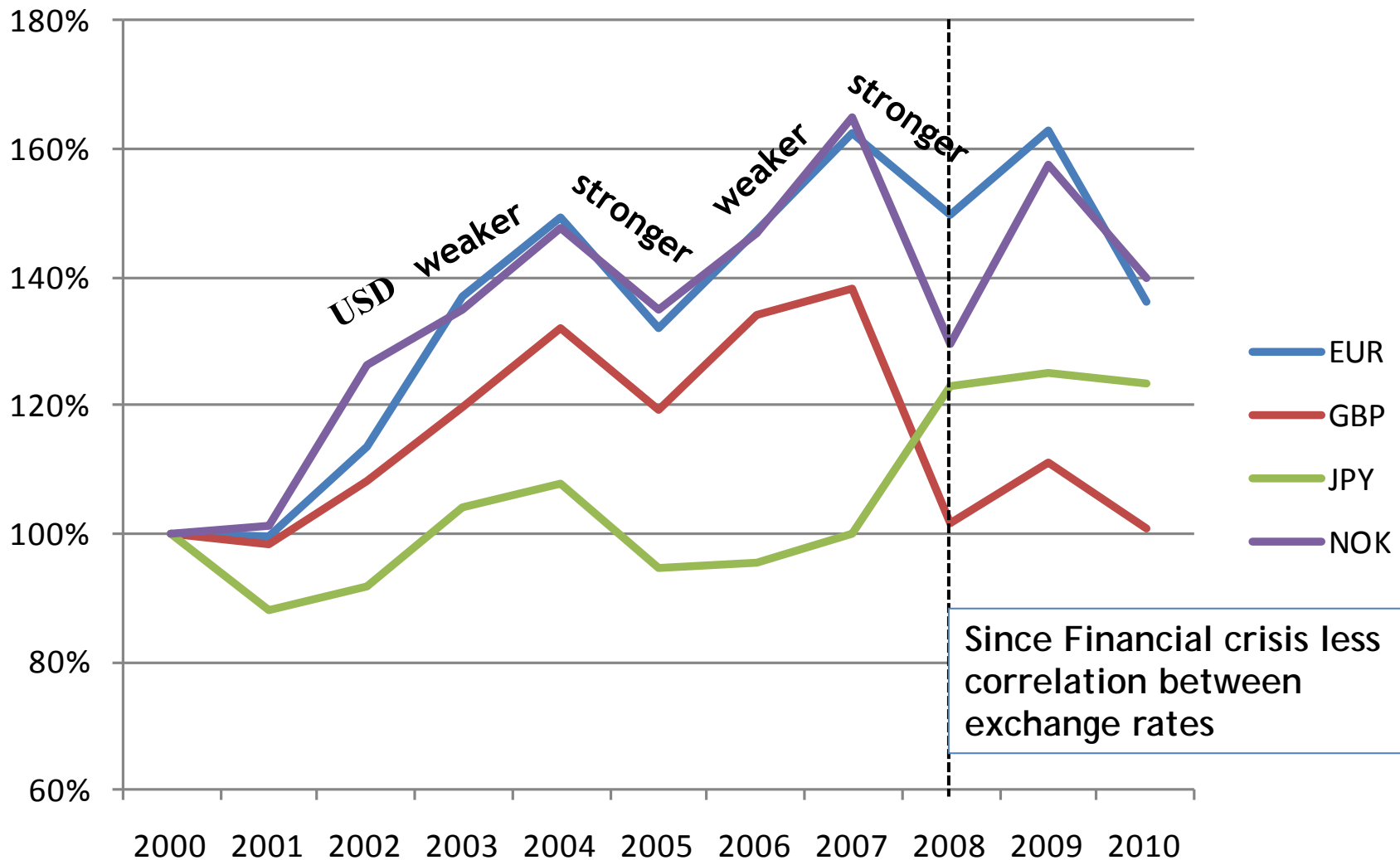
World Seaborne Trade Volume and Trade Values, Global Cargo Premium, Index of evolution, 1995 = 100%



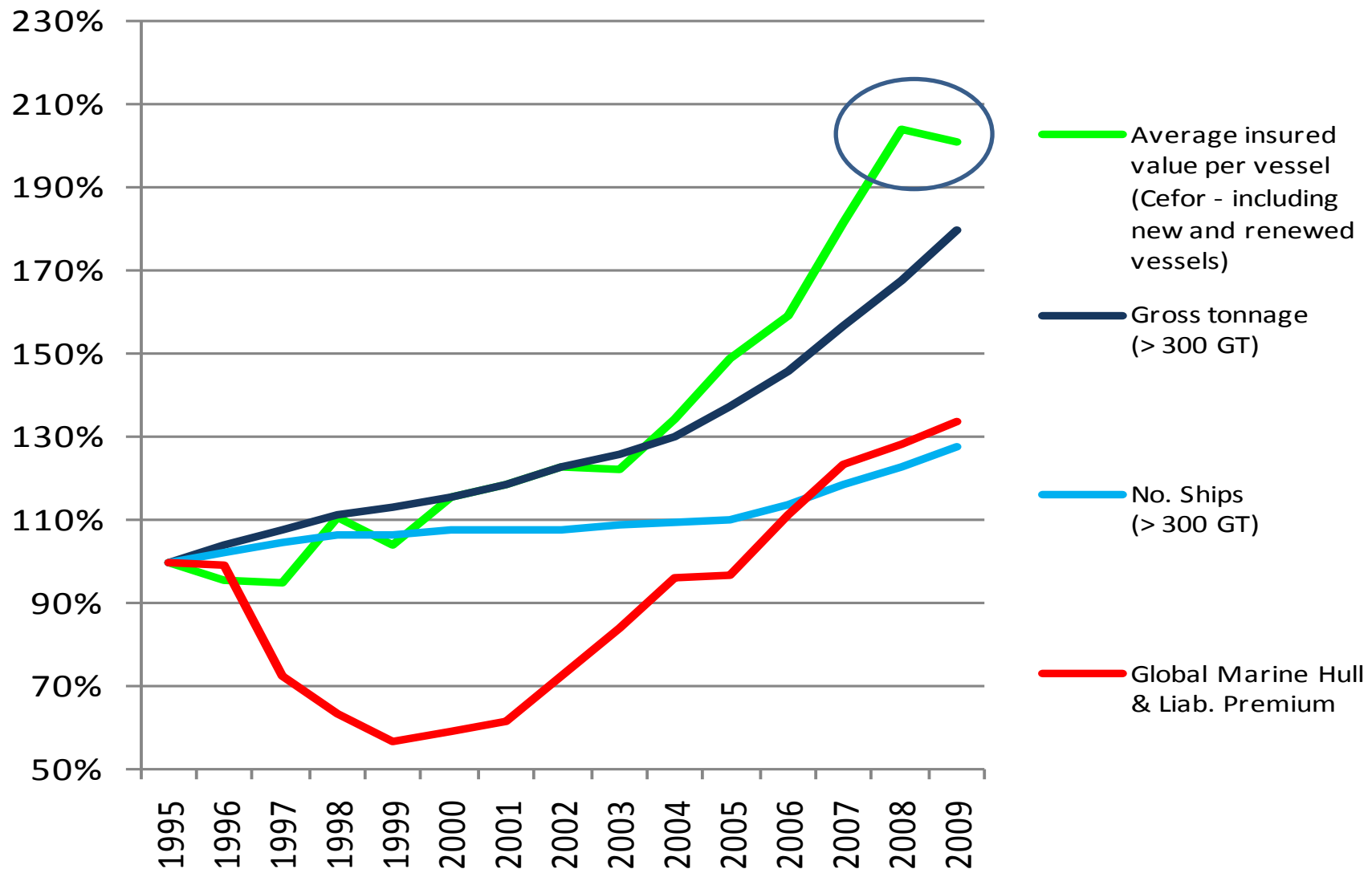
Source: Indicators for World Trade Volume from ISL Bremen, 2010 figures based on IMF estimates

Index of Evolution of USD Exchange rate against selected currencies

(exchange rates as of December each year, 2010 as of June 10)



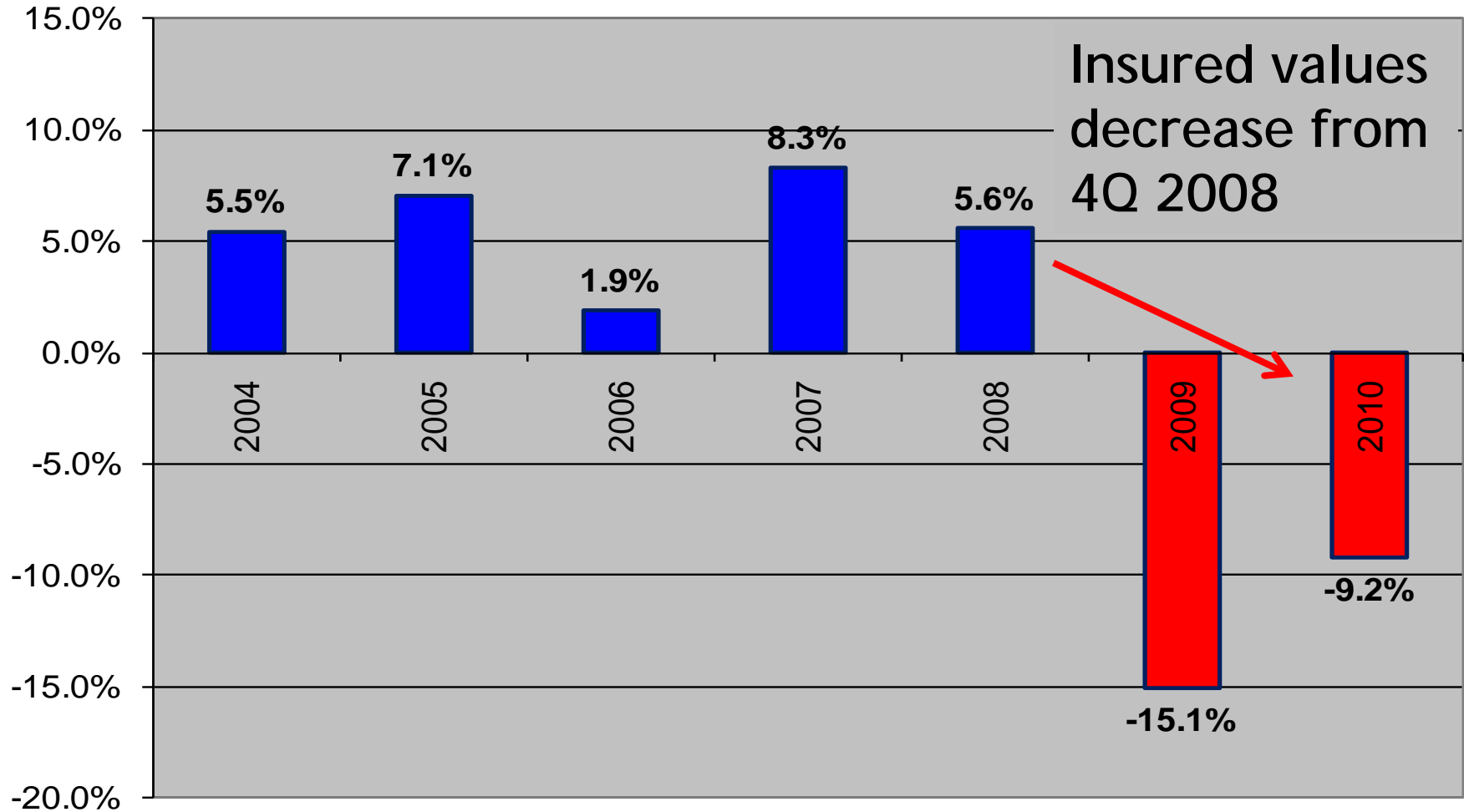
World Merchant **Fleet** and Global Marine **Hull** & Liability Premium, Index of evolution, 1995 = 100%



Sources: Indicators for World Fleet from ISL Bremen, Vessel value index: Cefor, as of 30.06.10

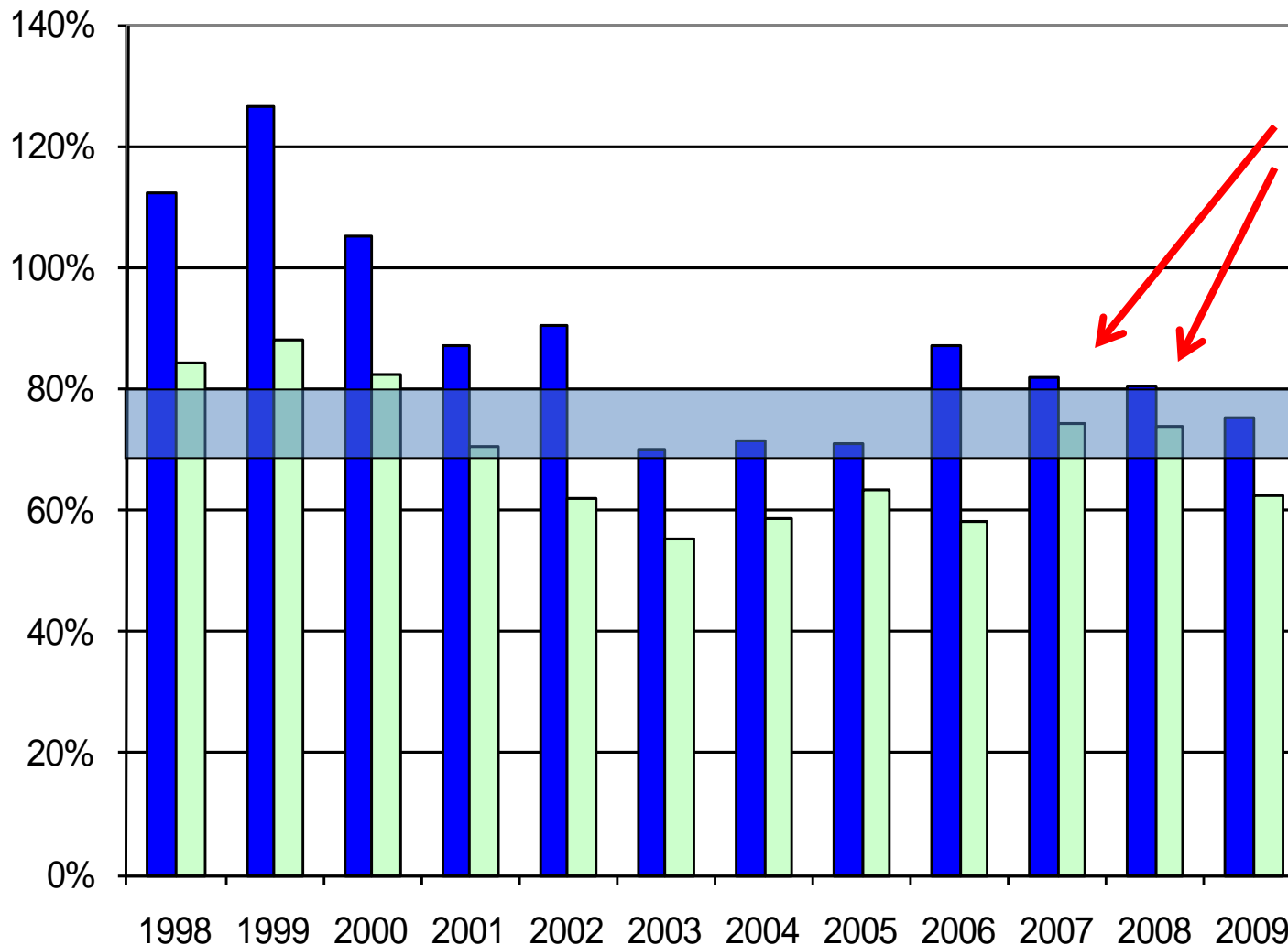
Change in insured values on renewed vessels, by year of renewal

(= insured value on renewal / insured value previous year)



Marine Hull ■ and Cargo/Transport □

Gross* Ultimate Loss Ratio, U/W Years 1998 to 2009



2007 / 2008:
Changing frame and market conditions provoke **increase in claims reserves** for both cargo and hull.

2009: signs of improvement, but **uncertainty** as to effect of unstable environment on ultimate results.

* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (usually 20%-30% acquisition cost, capital cost, management expenses)

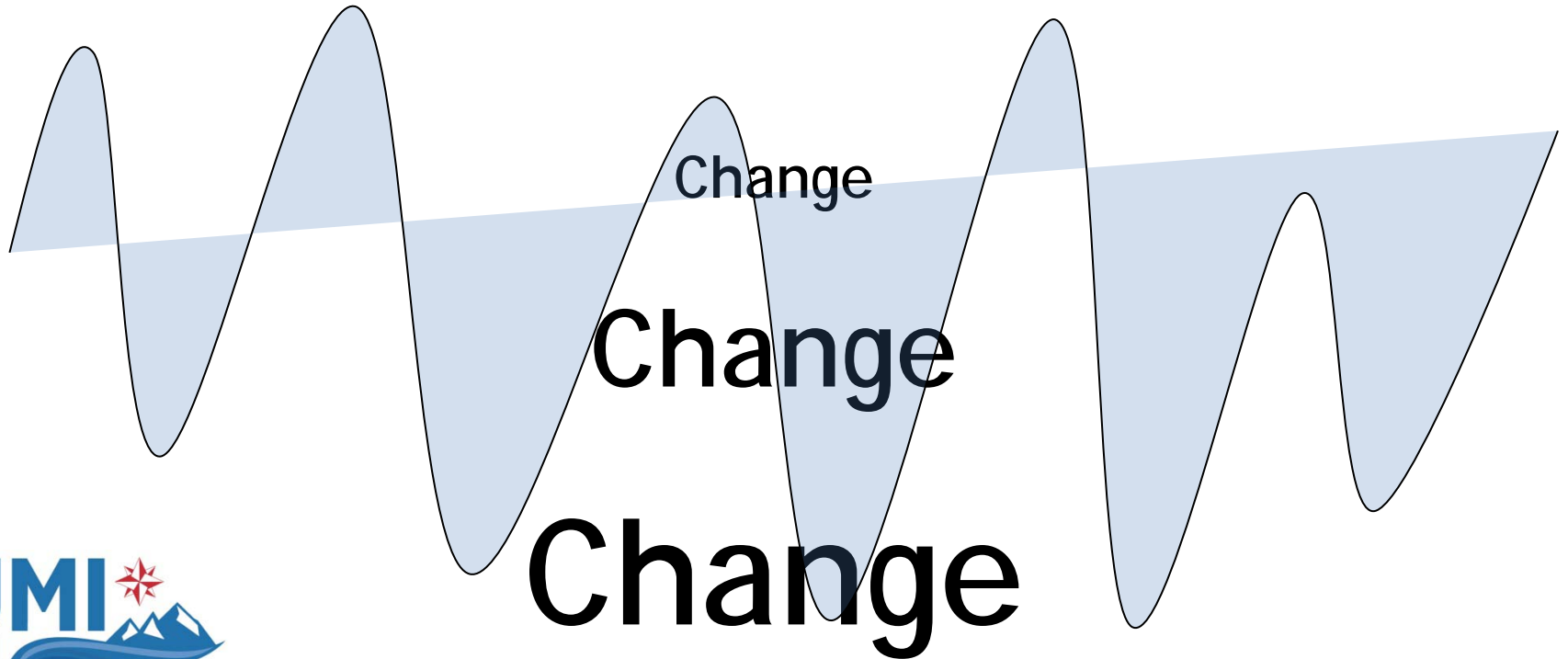
Macroeconomic parameters/
Market conditions \longrightarrow Claims cost

\downarrow
Income



\downarrow
Insurance results

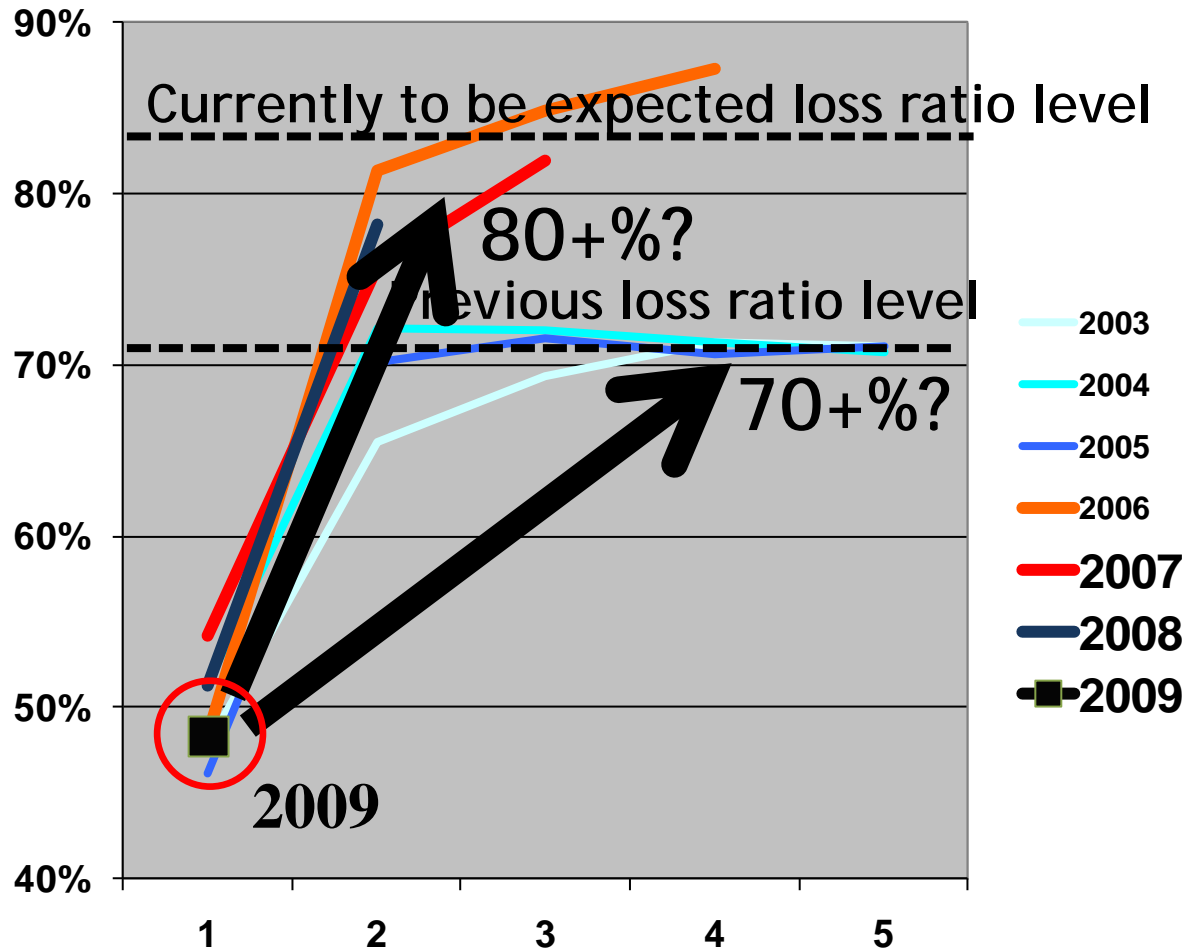
Market predictability?



Marine Hull - Gross* Loss Ratio

Underwriting years 2003 to 2009

as reported after 1, 2, 3, 4 and 5 years



From 2007:

Repair cost driven up by **changing frame conditions**. Extraordinary upwards adjustment of claims reserves.

=> Change in typical claims pattern!

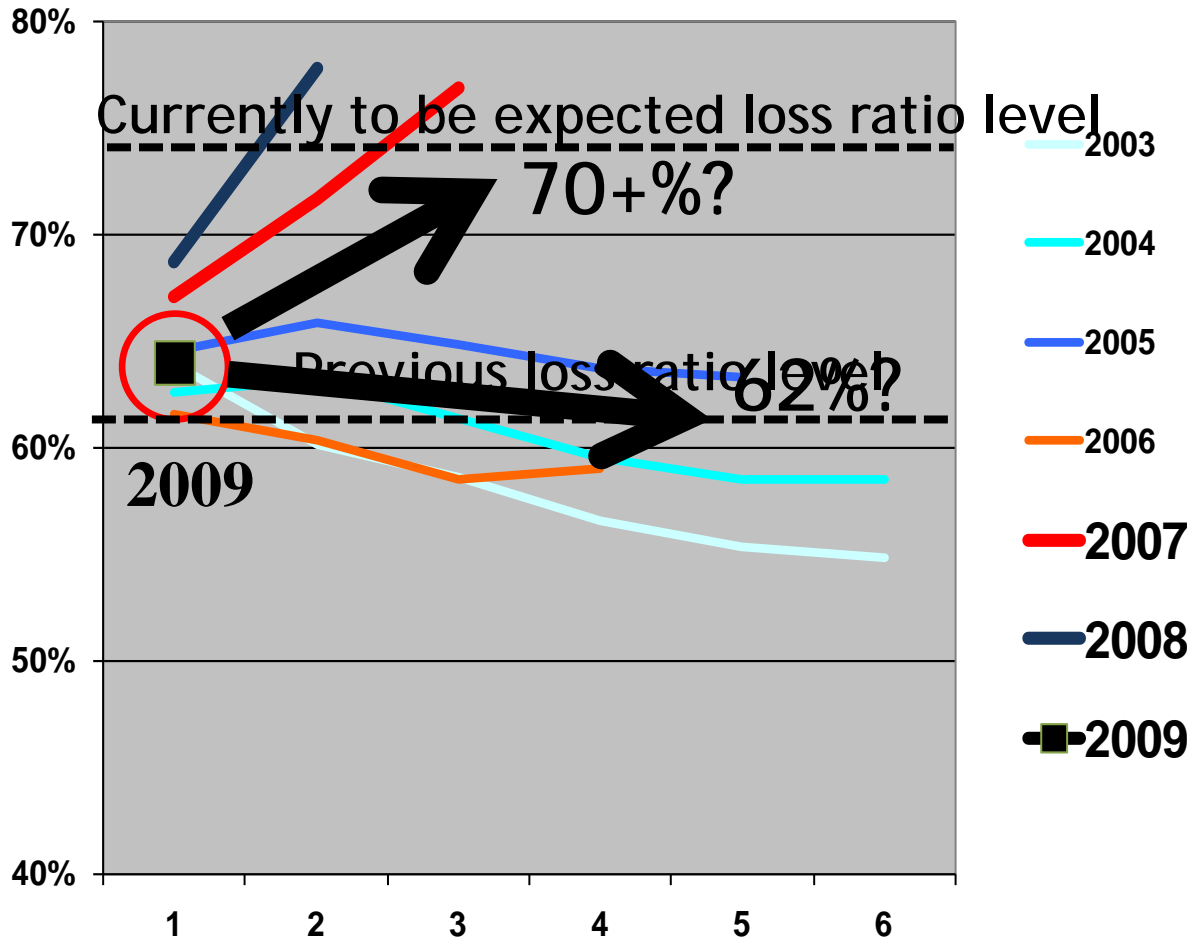
2009:

Price-driving factors turn back to more "normal" level, but no stable frame conditions
=> uncertain effect on claim level.

Marine Cargo - Gross* Loss Ratio

Underwriting years 2003 to 2009

as reported after 1, 2, 3, 4 and 5 years



2007 / 2008:

Changing frame conditions demand extraordinary upwards adjustment of claims reserves.

=> Change in typical claims pattern!

2009: uncertain effect of unstable market conditions on final outcome.

Summing up Hull in a changing world...

- Frame conditions - **swing in various directions**:
steel prices / repair yard capacity / exchange rates /
world trade / commodity prices / vessels in lay-up / ...
- Changes influence both **income** (vessel values) and **cost**
(claim frequency and repair cost).
- Repair cost and claims frequency increased until 2008.
In 2009 signs of returning to more "normal" levels.
But too early to tell, strongly depending on further
development of frame conditions / price-driving factors
in an unstable economical and trade environment.
- Strong major claims impact in 2006/07, improvement
in 2008/09, but **major claims may occur at any time!**

Summing up Hull in a changing world...

- Hull **technically at loss** for **14 consecutive years!**

So not everything is changing after all...

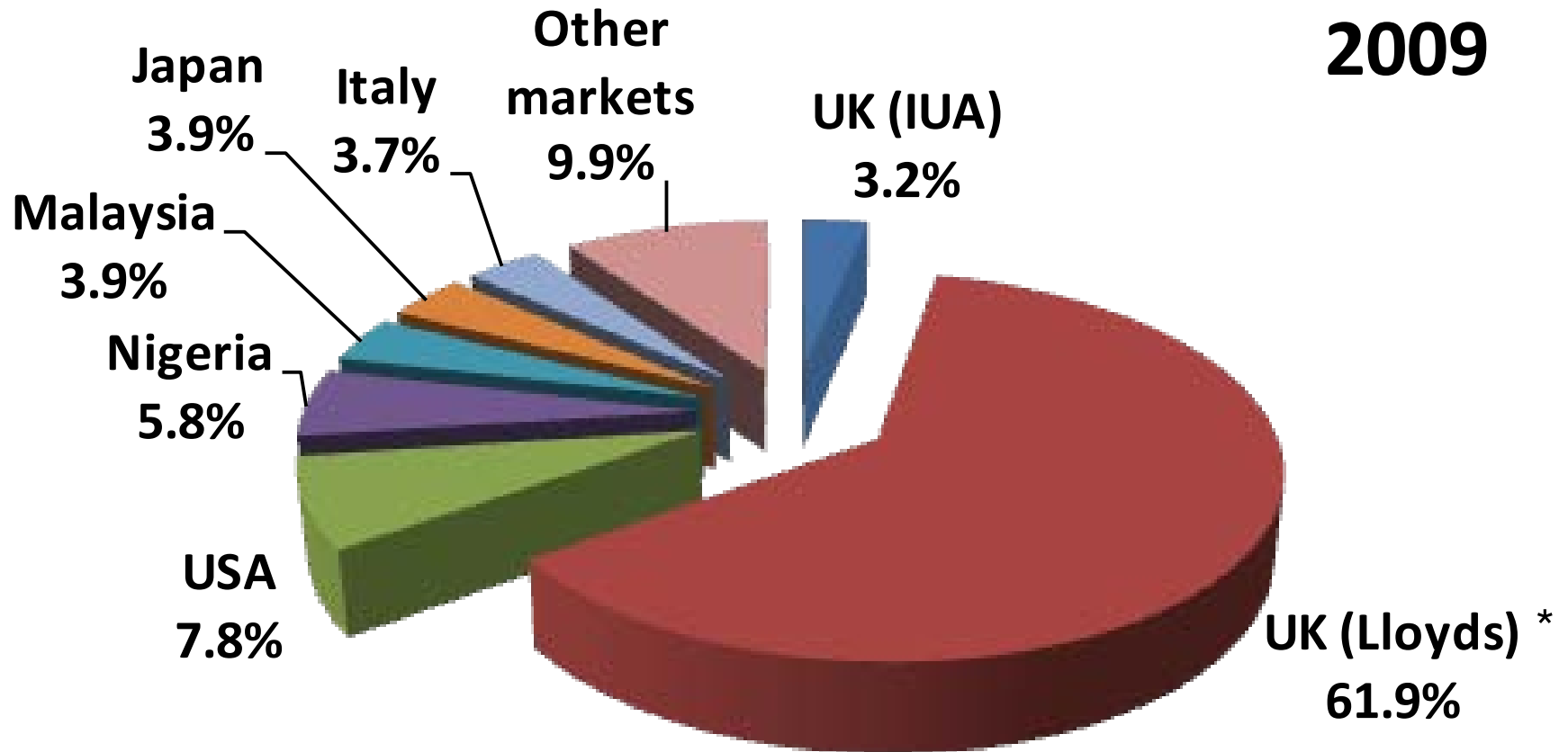
- **Future Global Hull Market depends on**
 - Better understanding of dependencies between macroeconomic parameters and repair cost
 - Improved models to estimate expected claim cost (= risk premium)
 - Trade / Fleet development
 - Market discipline / capacity
 - and as always: the impact of major claims

Summing up Cargo in a changing world...

- From 2008 **reduction in insured values**, with respective effect on cargo income.
- Strong **upwards adjustment of 2007/2008 claims reserves**. If claims reserves prove to be correct, this produces a **technical loss for the first time since 2000**.
- Uncertainties as to the profitability of 2009.
- The future: **Claim amounts unlikely to decrease** because of increased risk of accumulation, moral hazard, theft frequency.

Global Offshore Energy Premium by markets

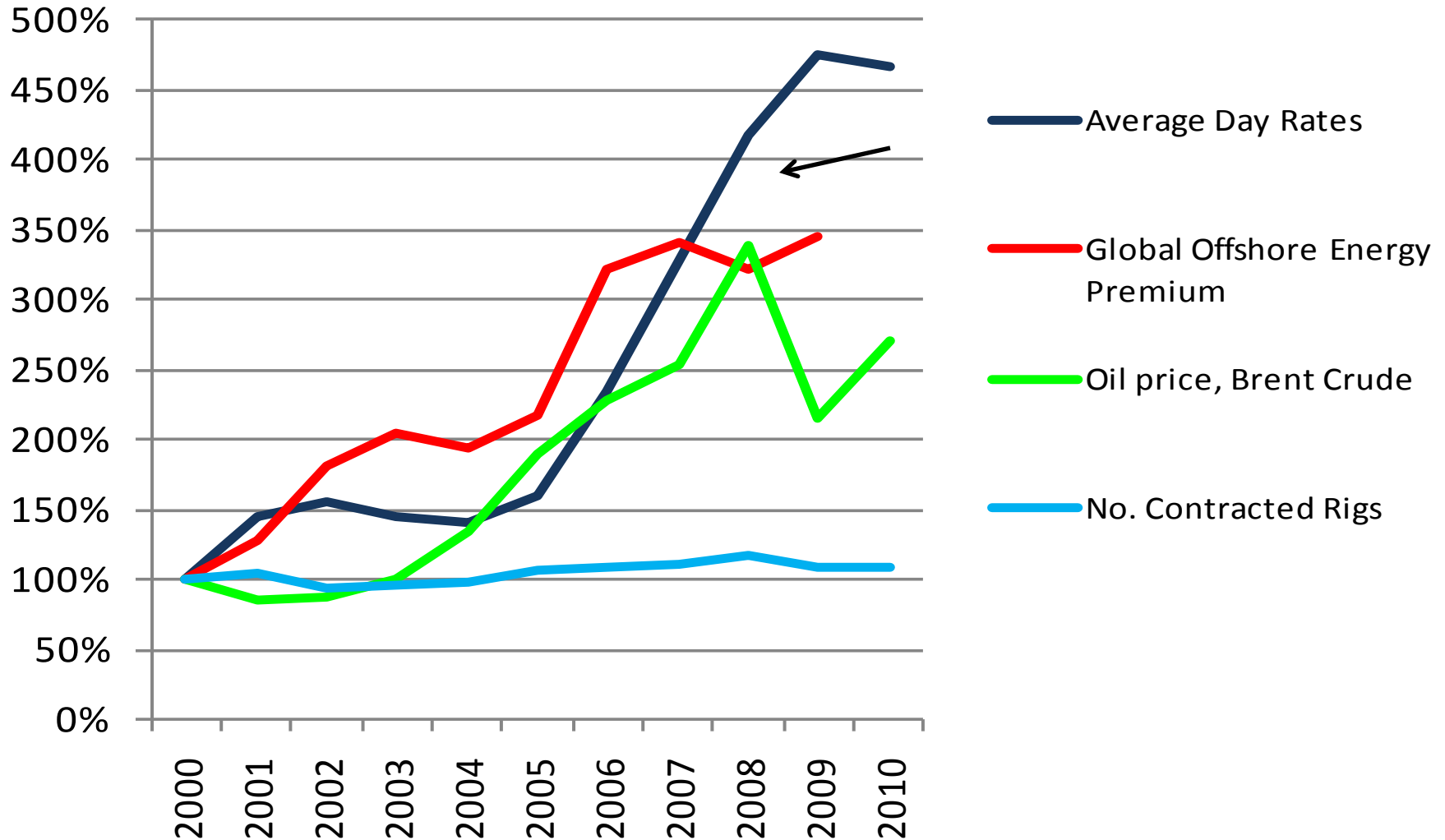
Total reported: 2.95 USD billion



No data: Nordic region, Russia, Kazakhstan.

* includes facultative and prop. reinsurance

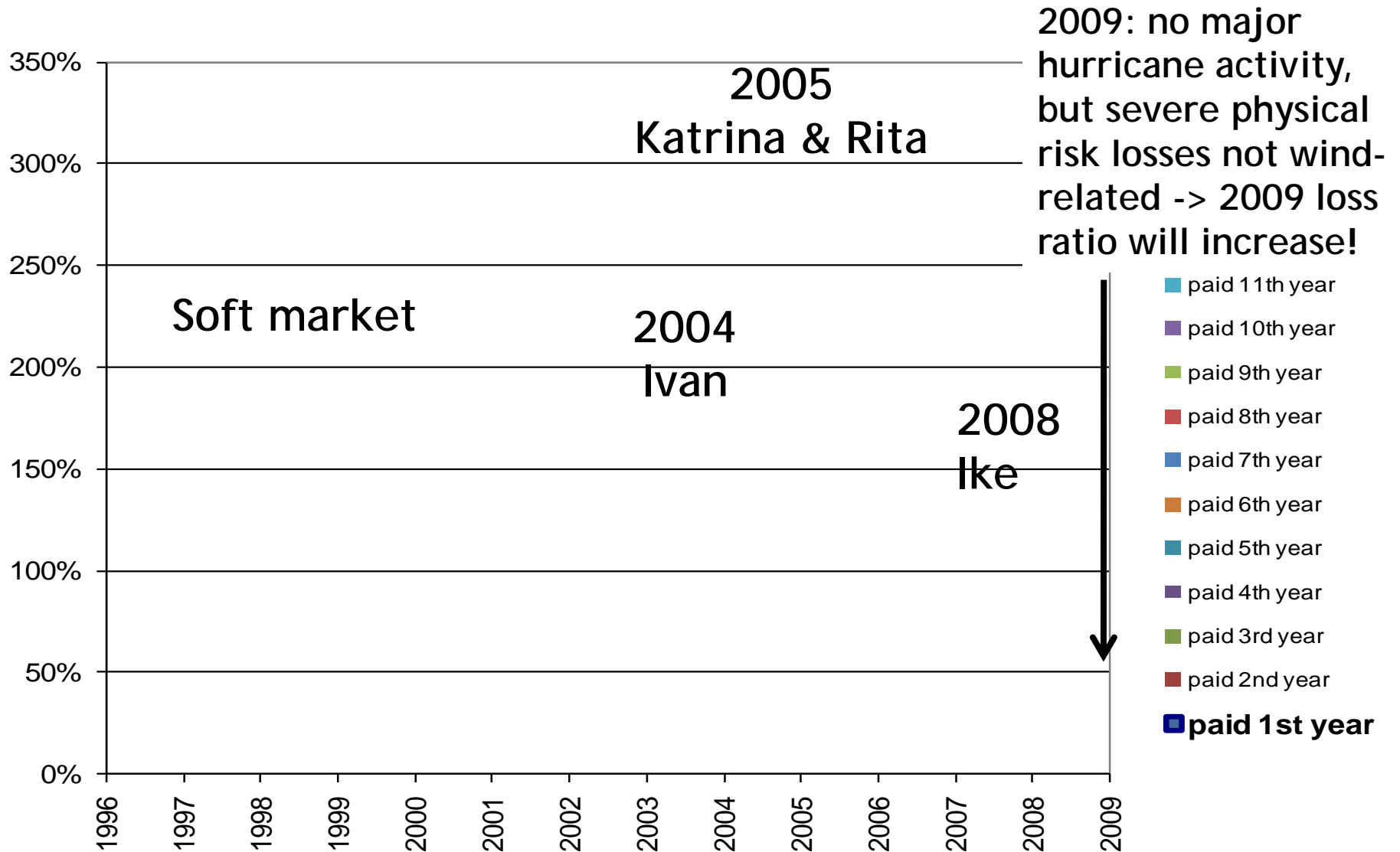
Energy Mobiles, Day rates, Oil Price Global Offshore Energy Premium, Index of evolution, 2000 = 100%



Sources: No. Contracted rigs, day rates: RigZone, Oil price: Energy Information Administration (US), 2010 figures as of 31.07.10

Offshore Energy **Gross Reported Loss Ratios**

U/W Years 1996 to 2009, as reported at 31 December 2009



Summing up Offshore Energy

- **Volatile** business, results depend strongly on hurricane impact, but trend towards self-insurance in Gulf of Mexico. But no hurricanes does not mean no losses!
- Rates and Terms & Conditions improved after 2000, following hurricane activity in Gulf of Mexico.
- **Long time lag** between accident and claims payment, due to technical complexity of the insured objects.
- **No regular claims patterns**. Claims reserves are set depending on knowledge about individual claims.
- **Deepwater Horizon** estimate > 2 USD bill., impact on 2009 & 2010 uw year.
- 2009: **more physical damage losses not related to wind!**