

IUMI

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san diego
2012

2012 Global Marine Insurance Report

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Global Marine Insurance Report 2012



- **Global Marine Insurance – Overview**
- **Cargo – market & results**
- **Hull – market & results**
(with some words on major losses...)
- **Offshore Energy – market & results**



-
- **Underlying Data – for download**
(Premium by country, Loss ratio triangulations)
-



- **Global Marine Insurance – Overview**

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(with some words on major losses...)



- **Offshore Energy market/results**

New this year (1):



- **Latin America** – fully covered via ALSUM
(Latin American Marine Underwriters Association)
- **Middle East** – improved data via GAIF
(General Arab Insurance Federation)
- **Asia** – data of non-IUMI countries included
(research from official sources)

New this year (2):



Further premium increase due to:

- **UK/Lloyds** – Gross premiums (previously net)
- **UK/IUA** – 2011 premiums reflect market better
(more realistic market coverage, based on recent income study)

➔ **Global Premiums:** «complete» world income (?)
(some estimates & parts of central Africa missing)

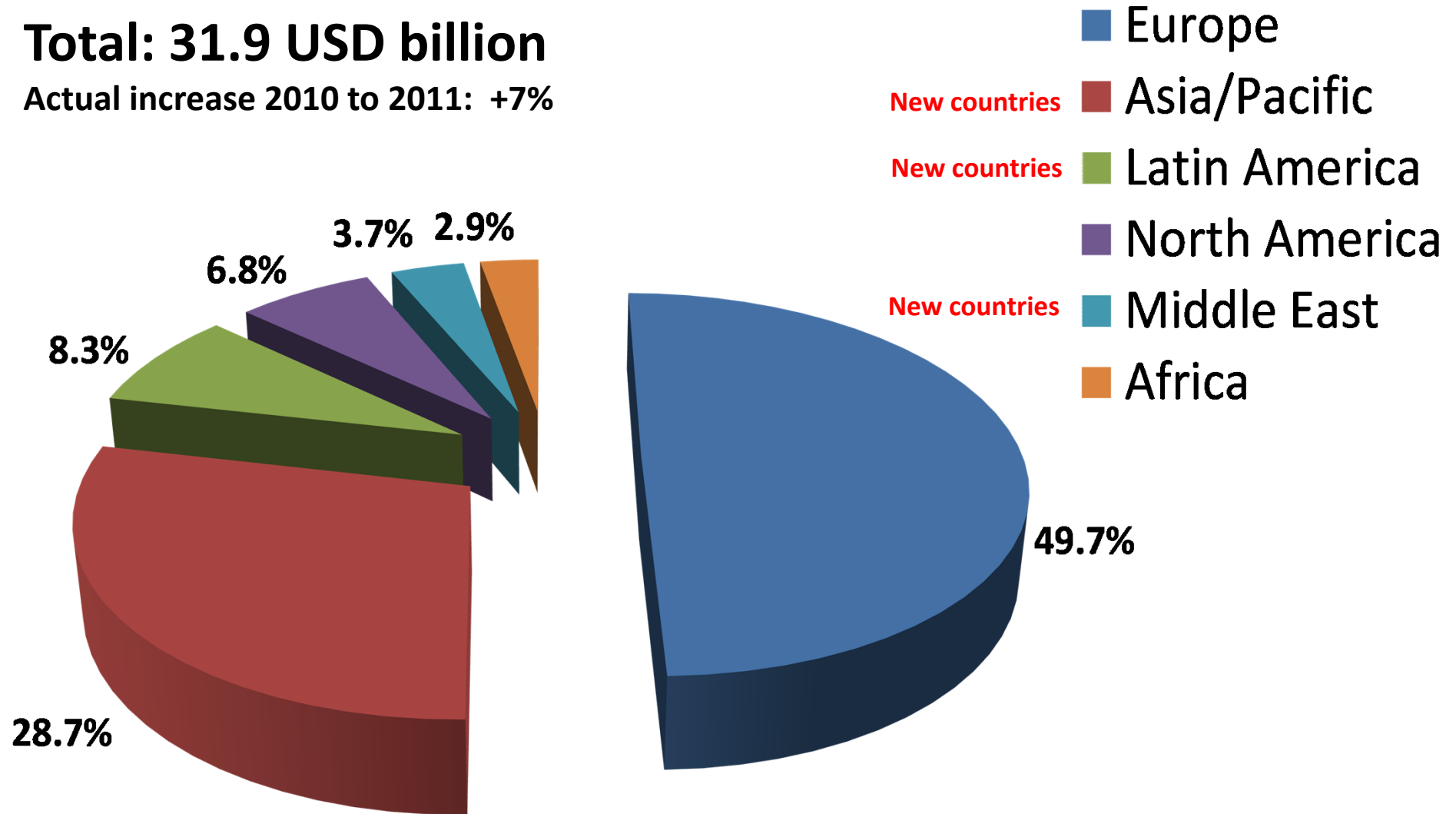
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- **Offshore Energy Loss ratios** – include liability

Marine Premium 2011 – by region



Total: 31.9 USD billion

Actual increase 2010 to 2011: +7%

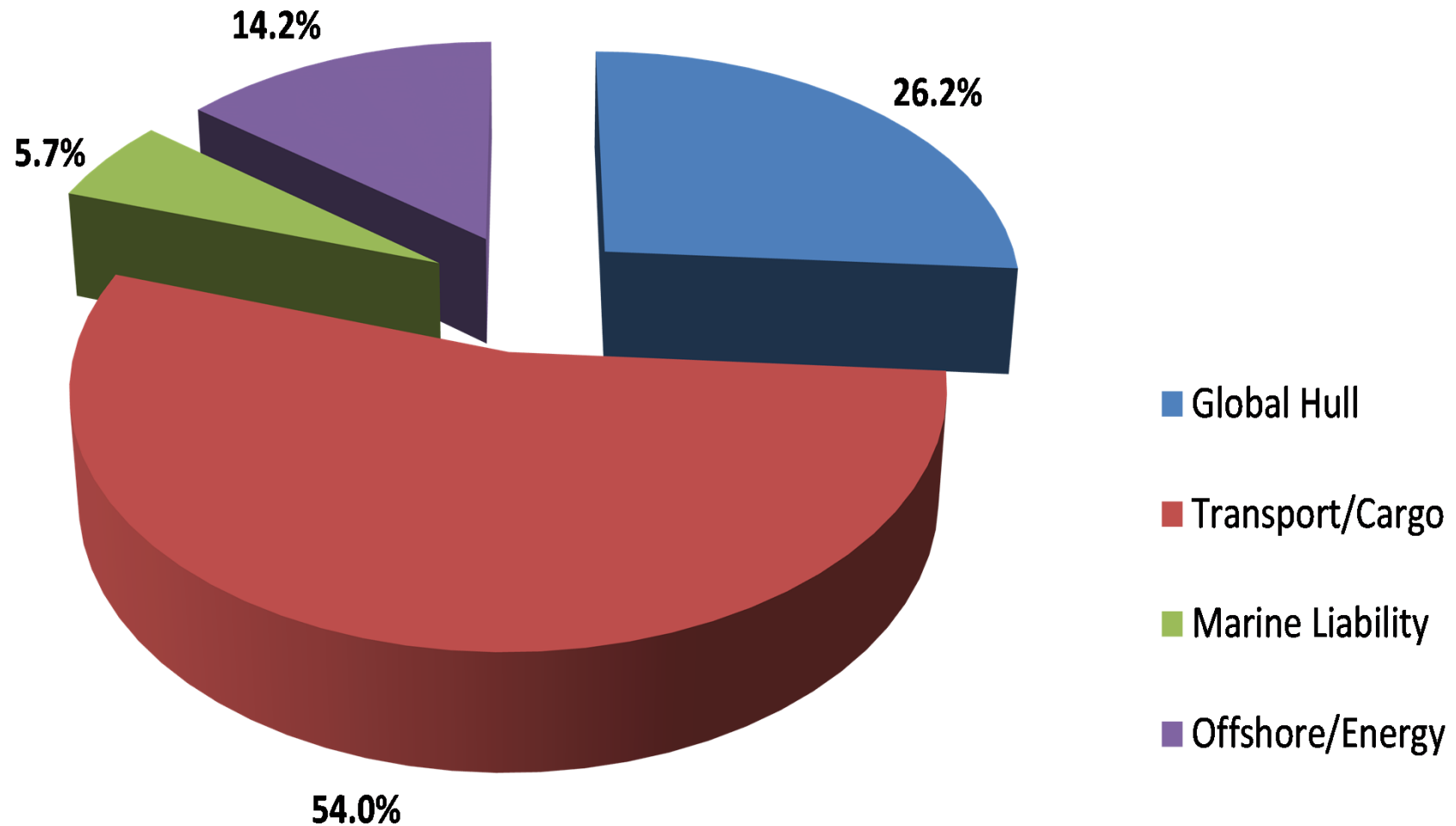


Check download for marine premiums by country.

Marine Premium 2011 – by line of business



Total: 31.9 USD billion

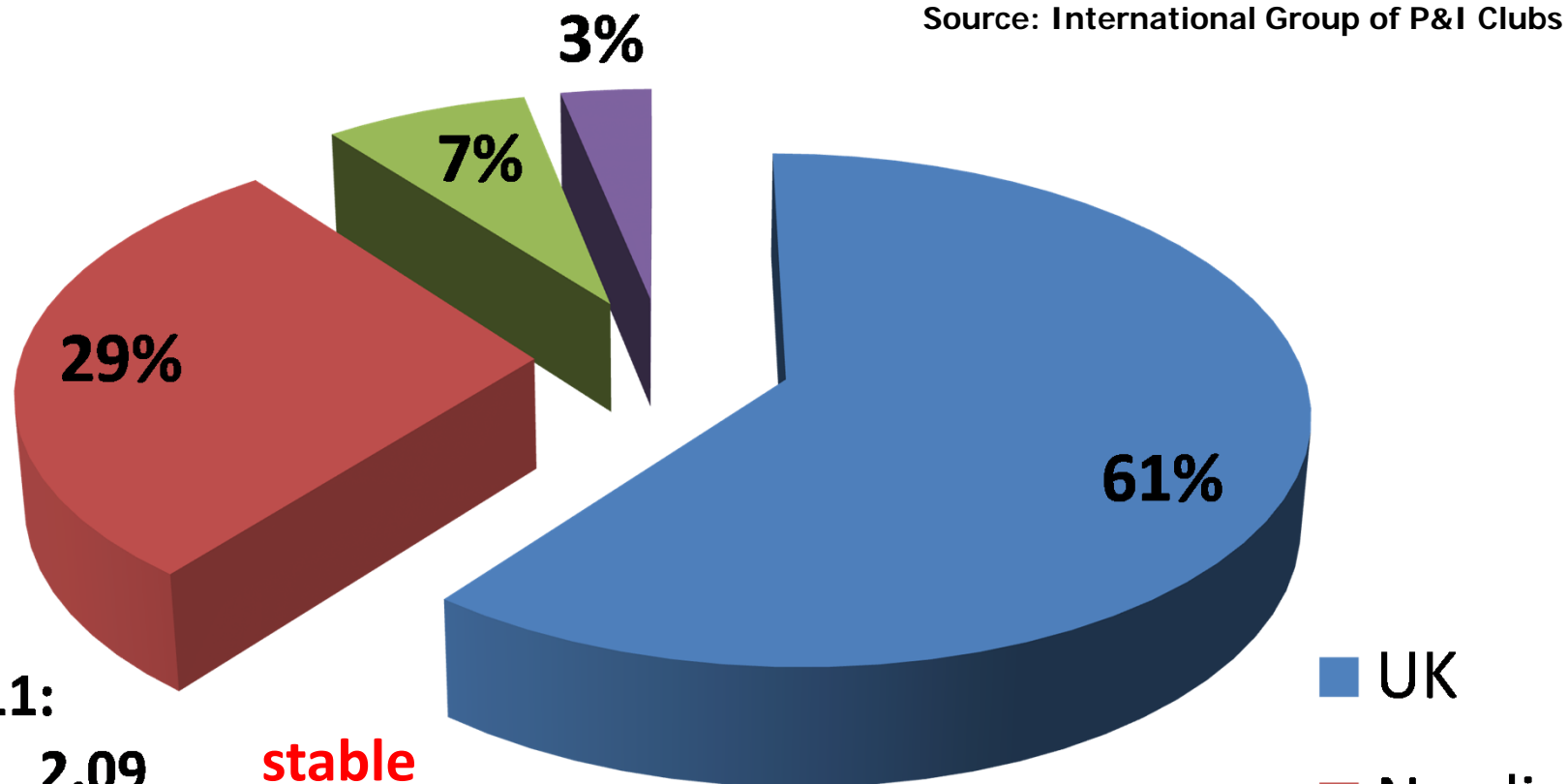


P&I Clubs International Group

Gross Calls (premium) 2011 – Operational location



Source: International Group of P&I Clubs



Calls 2011:

UK:	2.09	stable
Nordic:	0.99	up 8%
Japan:	0.25	up 9%
<u>US:</u>	<u>0.11</u>	up 6%
Total:	3.44 (USD billion)	up 4%





- **Global Marine Insurance – Overview**

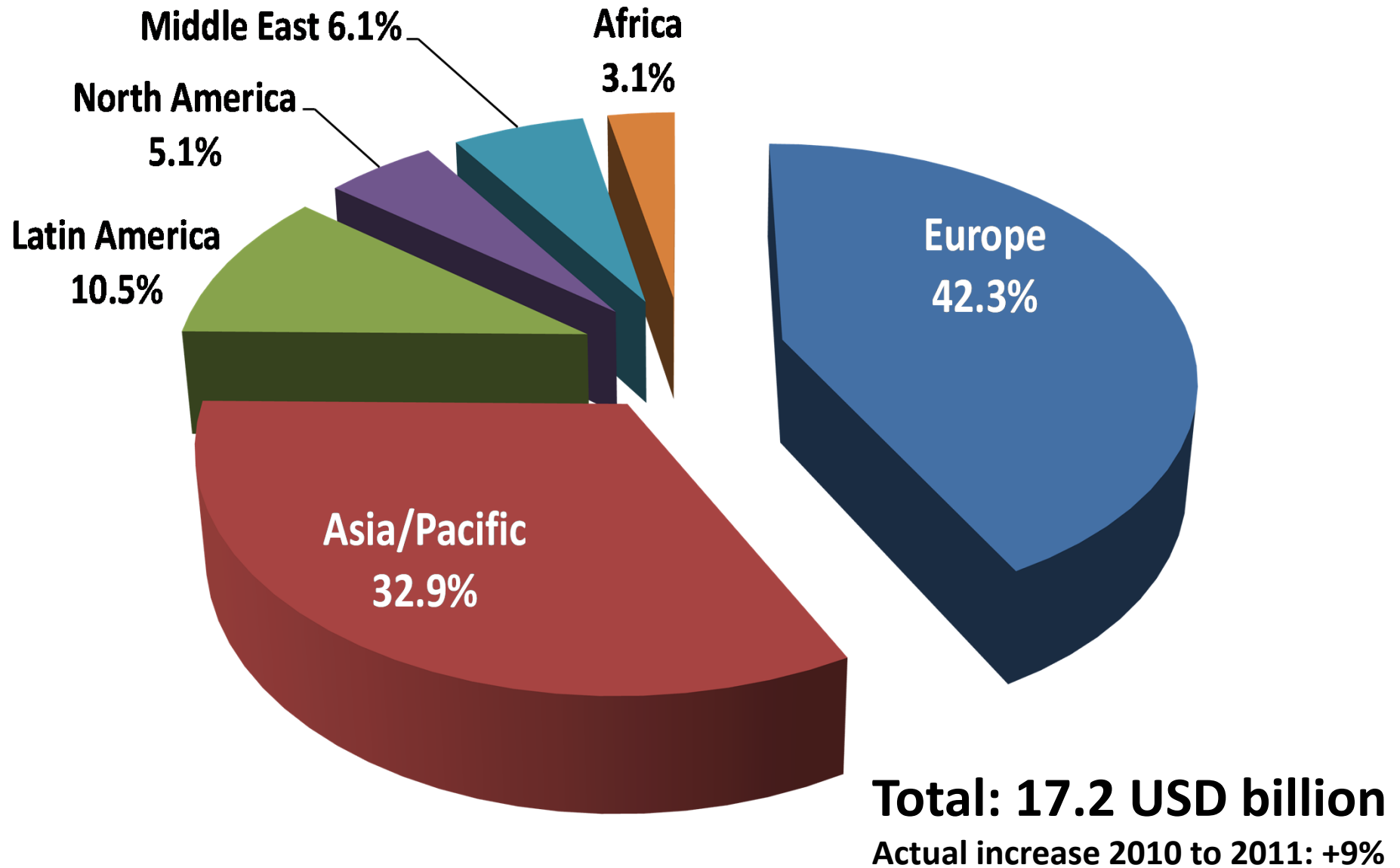
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- **Offshore Energy market/results**

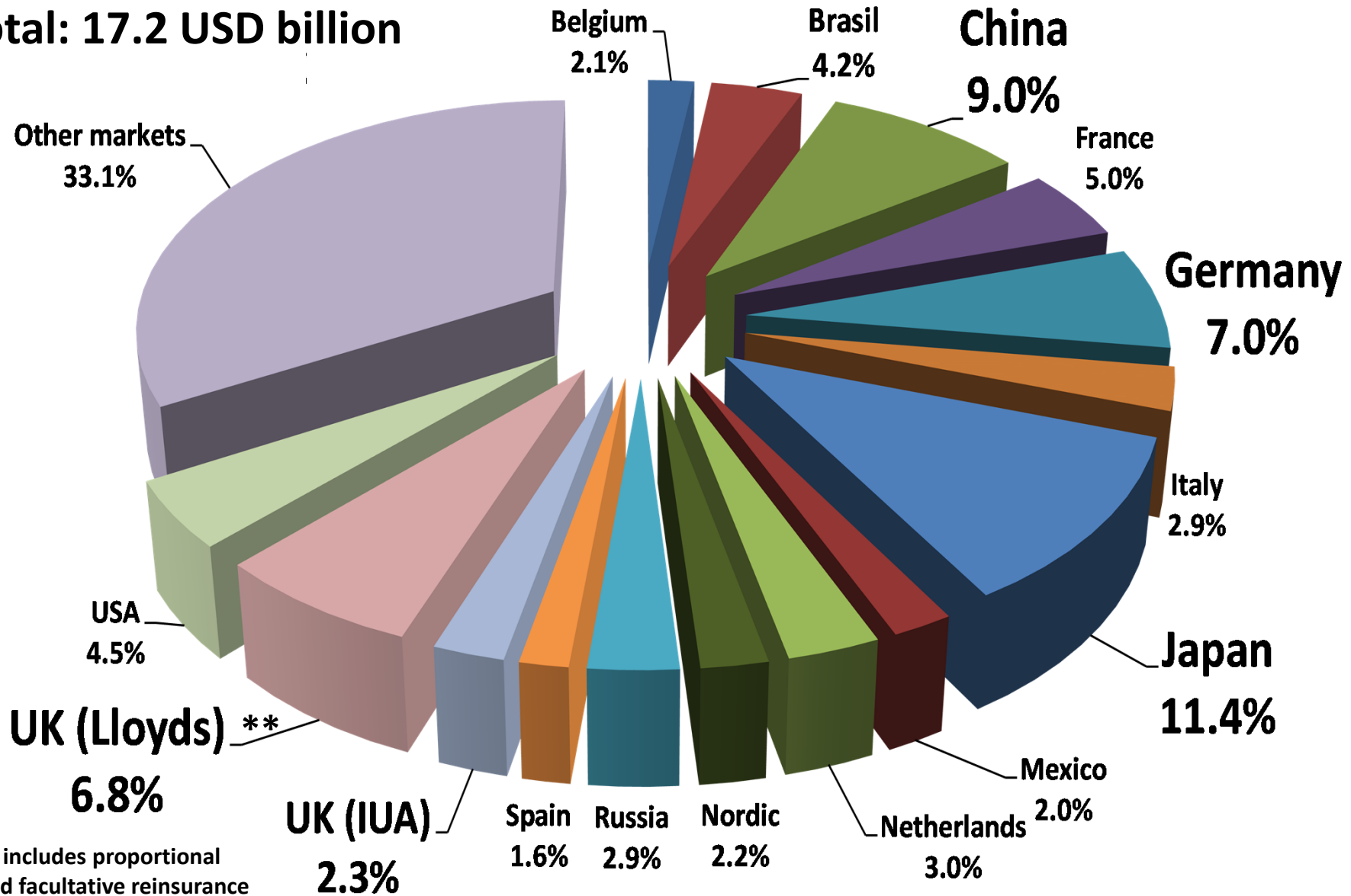
Cargo Premium 2011 – by region



Cargo Premium 2011 – by markets



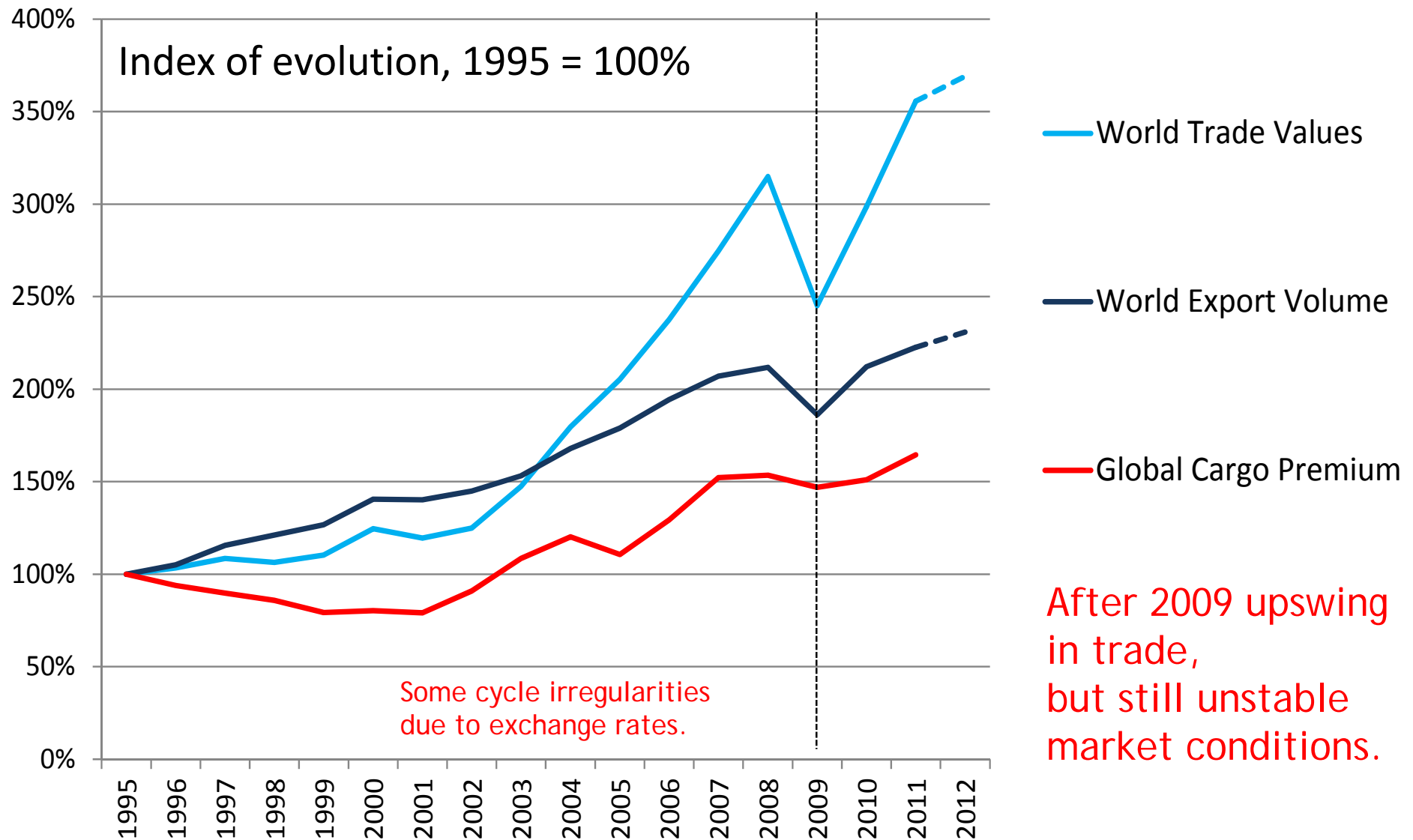
Total: 17.2 USD billion



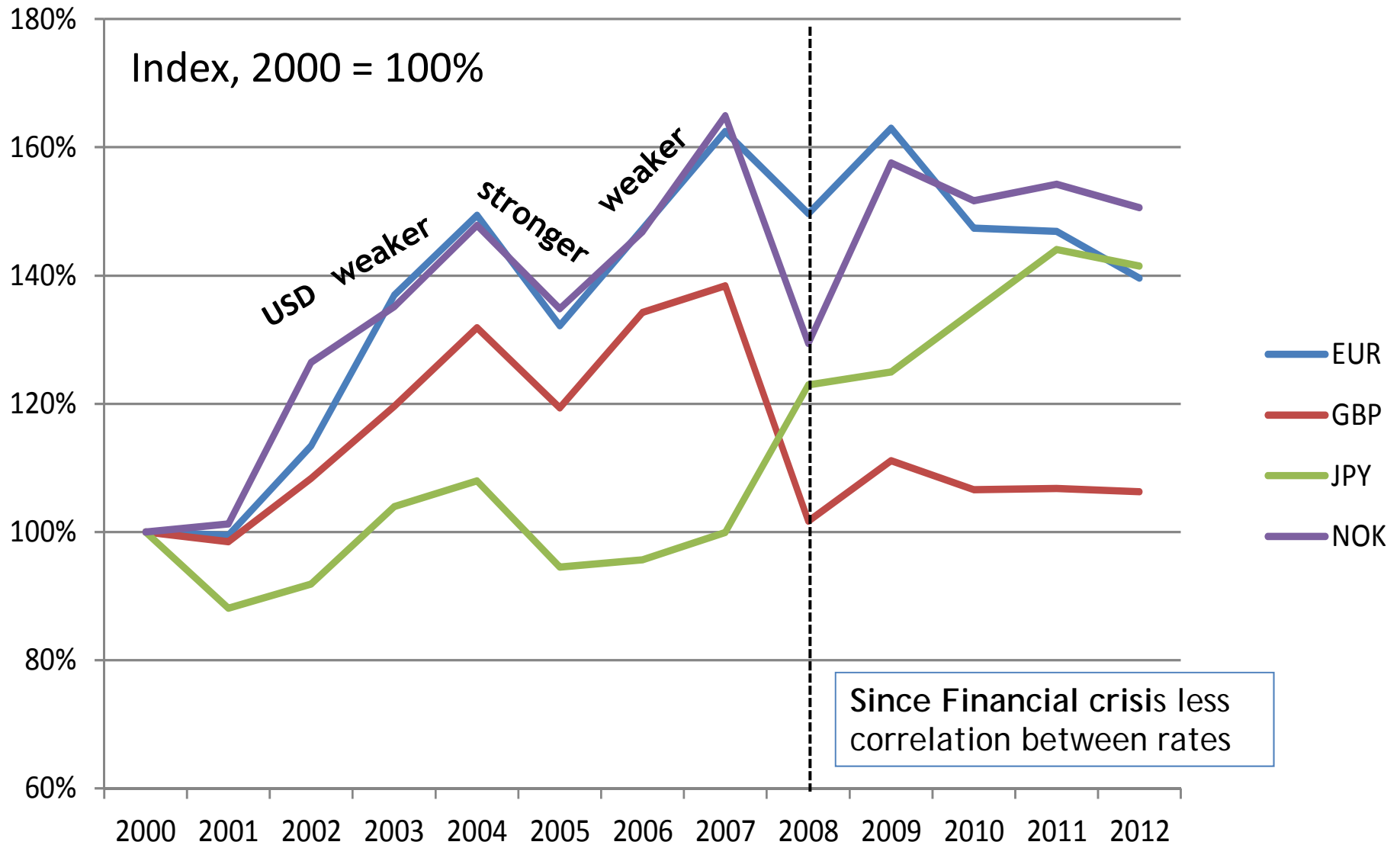
** includes proportional and facultative reinsurance

Cargo Premium

World Trade Volume & Trade Values



USD Exchange rate index against selected currencies

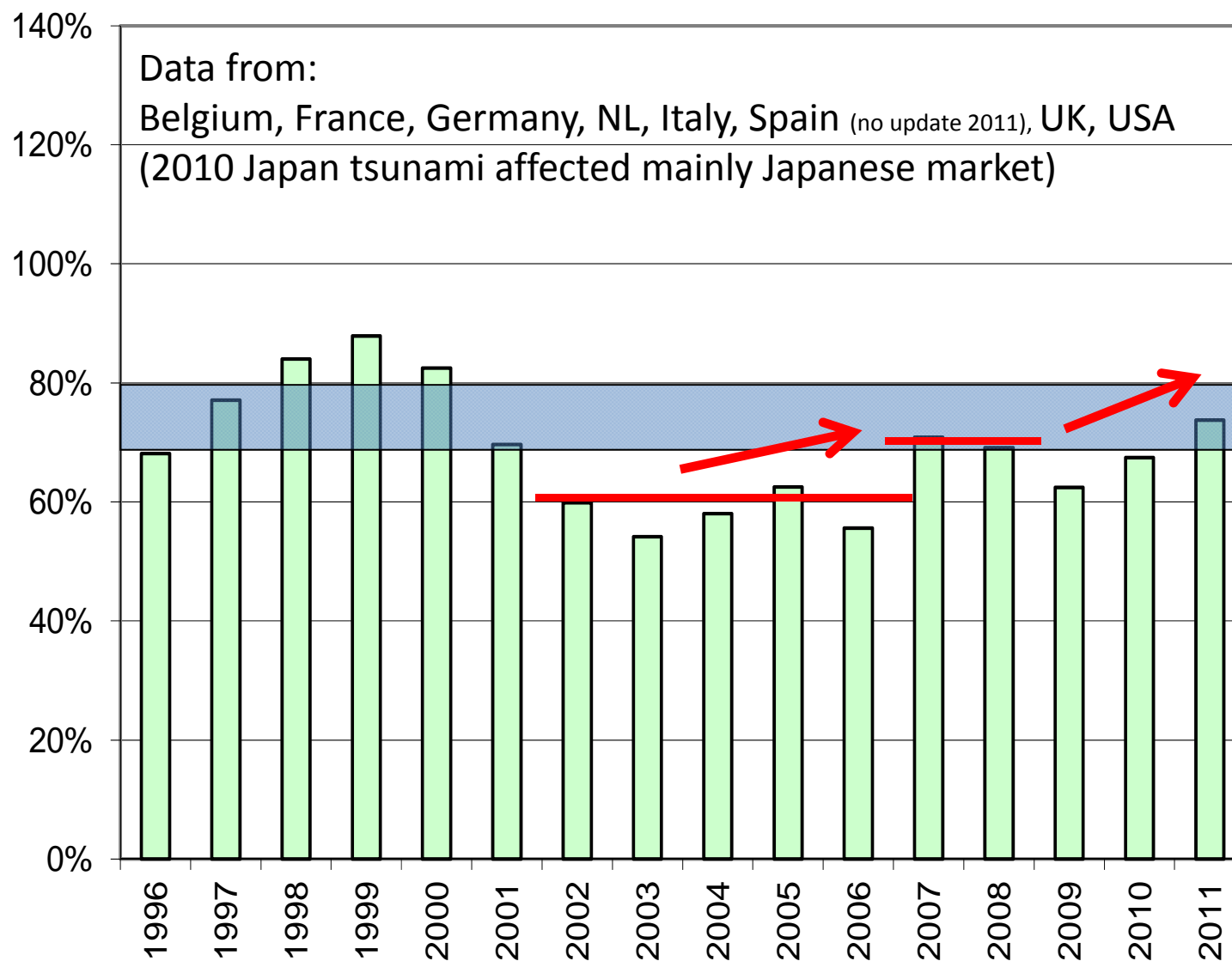


Source: Norges Bank Exchange Rates Statistics, Exchange rates as of December each year, 2012 as of June 2012

Cargo – Gross* Ultimate Loss Ratio



Underwriting years 1996 to 2011



2011:
Starts high at 72%,
may end at 74%.
No technical profit.

..and 2012?

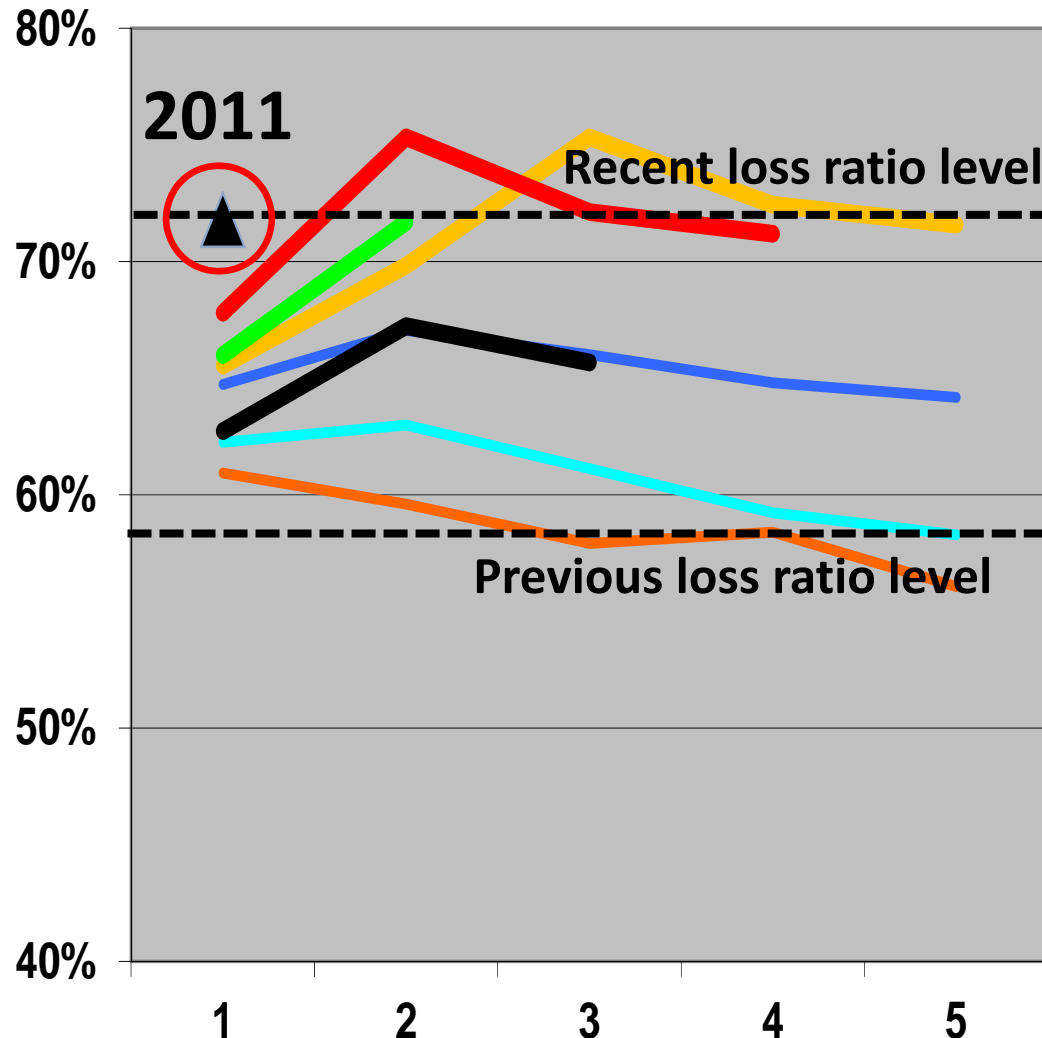
Since 2007:
Deterioration of
results .

2002 to 2006:
Gross loss ratios
stayed below 60% -
technical profit.

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

Cargo – Gross reported Loss Ratios

Underwriting years 2004–11, as reported after 1, 2, 3, 4, 5 years



2004

2005

2006

2007

2008

2009

2010

2011

2011:

Starts high at new maximum of 72%.

2010:

follows 2007/2008 pattern; passed 70%

2007/2008:

improved, but still at high levels > 70%

Since 2007:

Market changes demand adjustment of claims reserves => Change in typical pattern



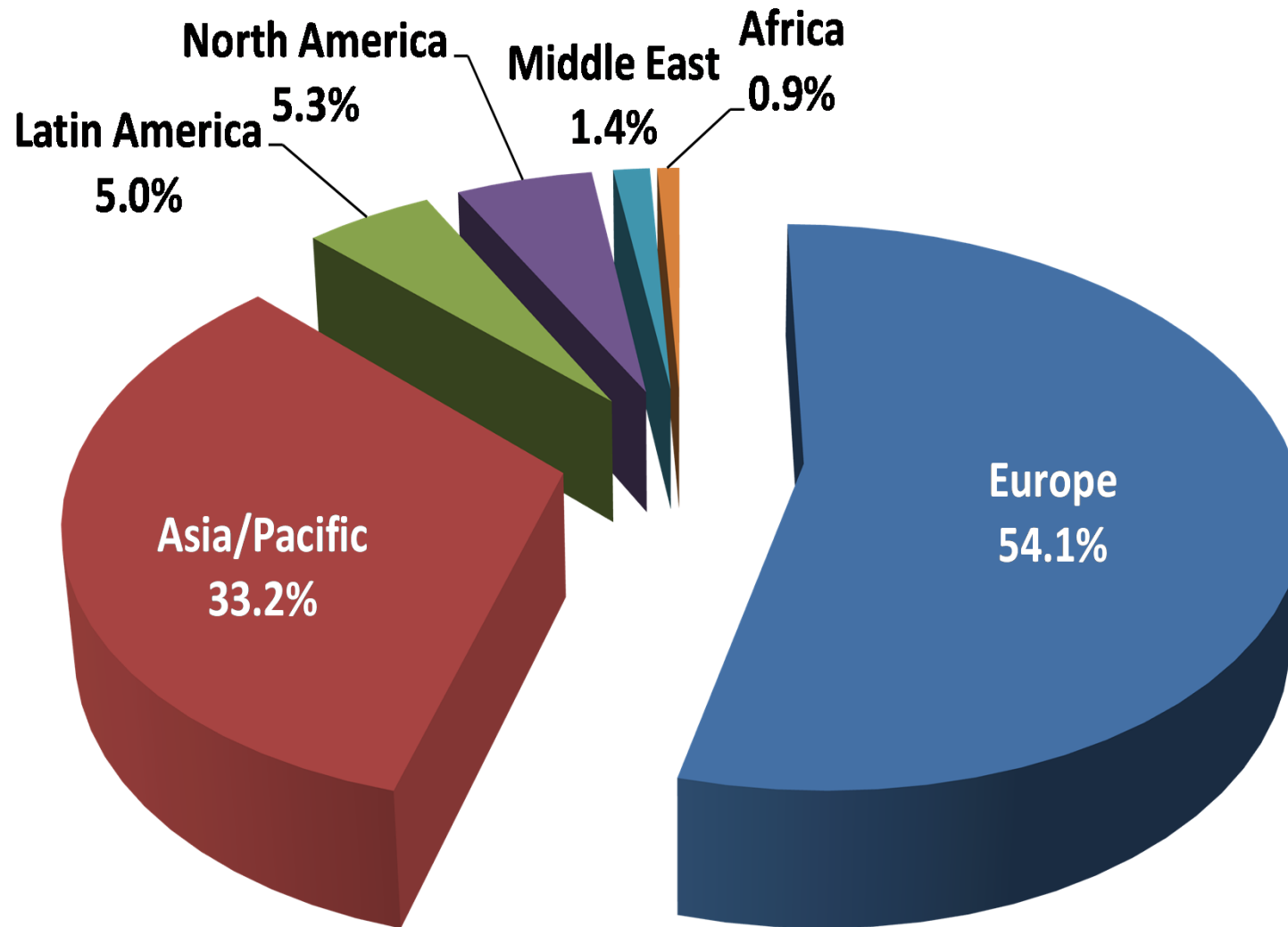
- **2011 Premium growth reflects upswing in trade**
Commodity prices rising, stock throughput programs expanding (US), but economical environment remains unstable.
- **Increase in claims reserves – change in pattern**
2007/2008 improved later, but loss ratios stay high.
- **2011 Loss ratio starts at new maximum of 72%**
Impact of **Natural catastrophes** (Thailand floods), more general average claims, increasing acquisition costs.
- **Claim cost unlikely to decrease**
Increased accumulation risk, moral hazard, theft frequency, natural catastrophes. Sanctions and piracy still a concern.



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Hull Premium 2011 – by region



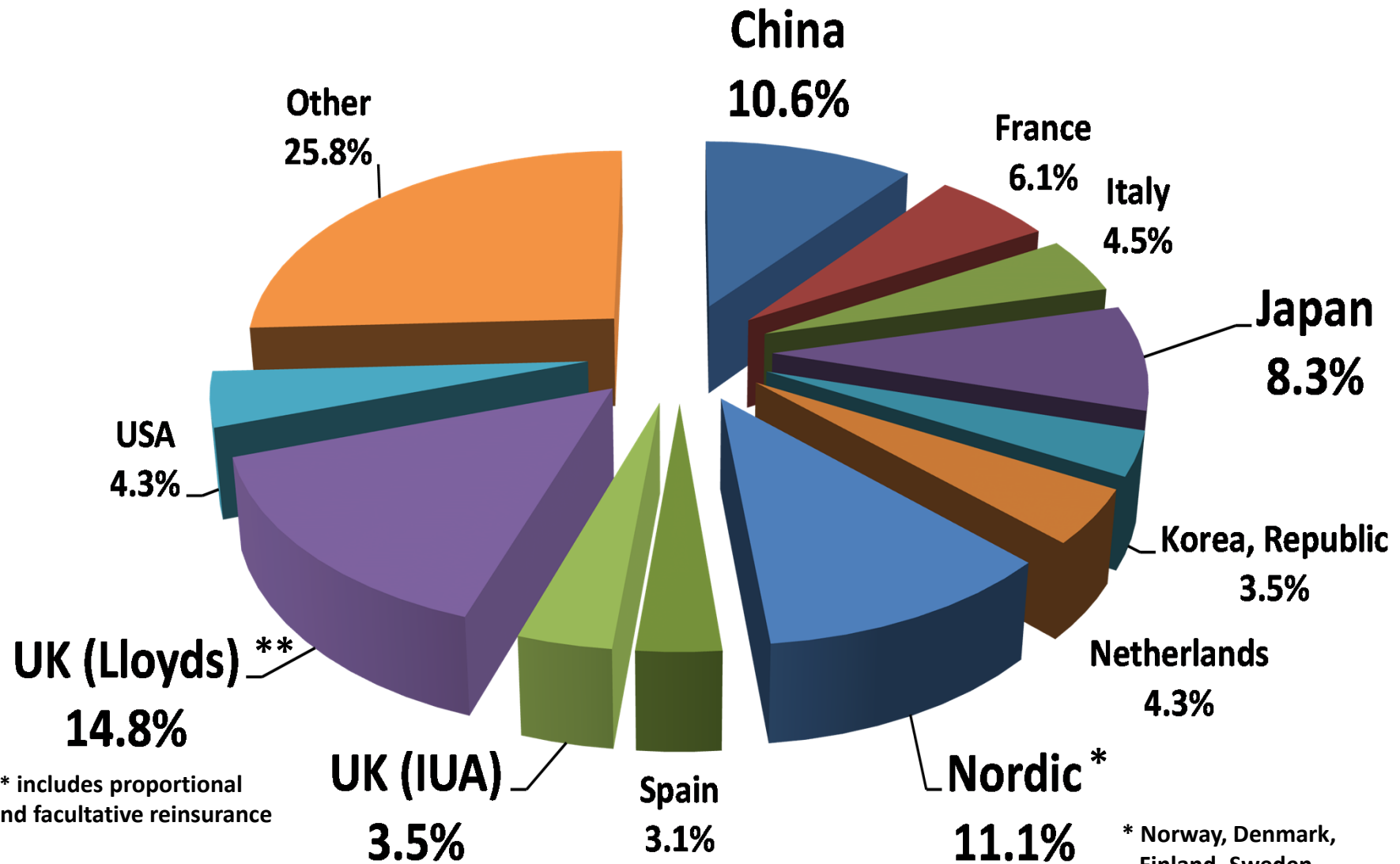
Total: 8.3 USD billion

Actual increase 2010 to 2011: +1%

Hull Premium 2011 – by markets



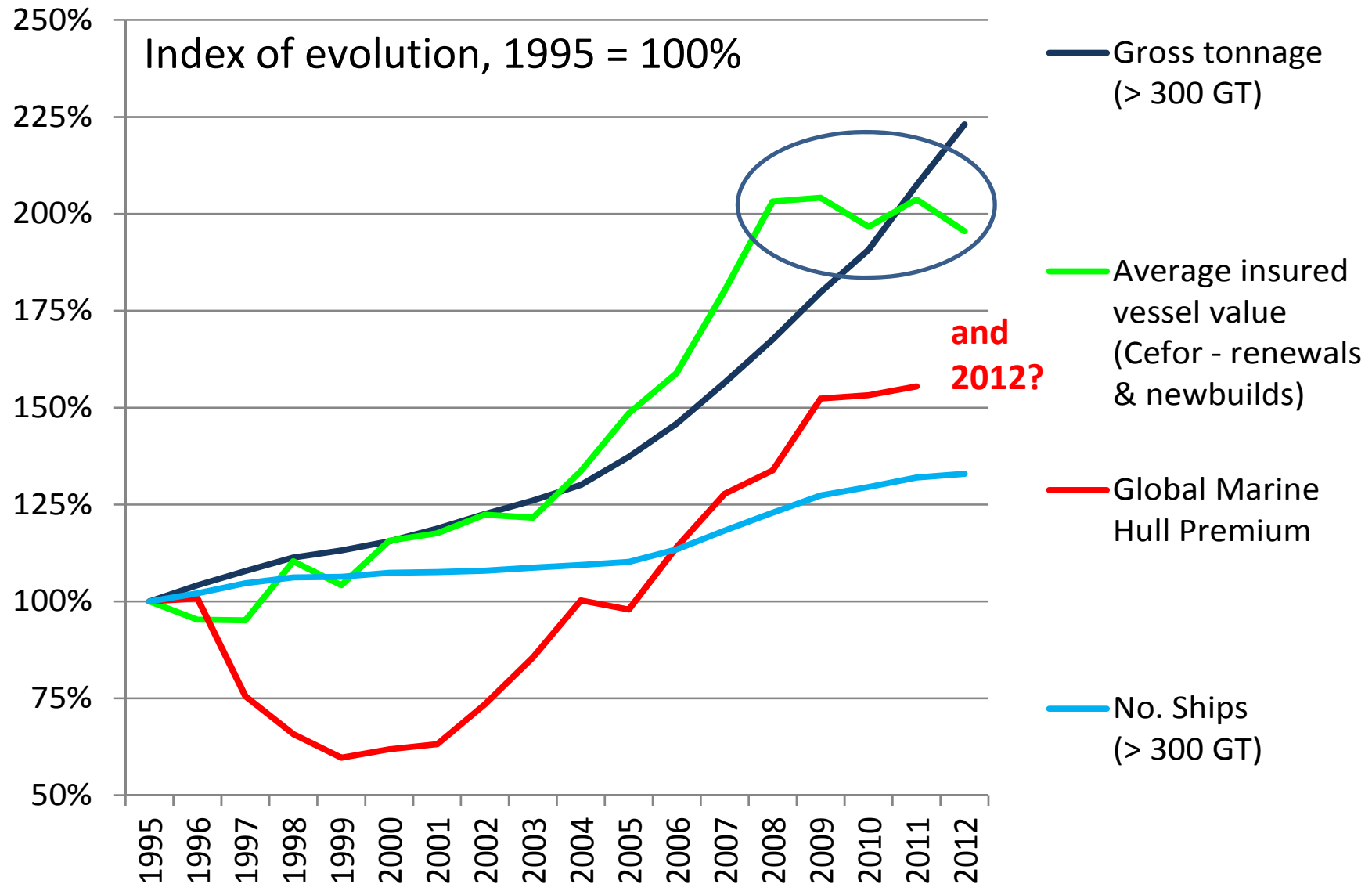
Total: 8.3 USD billion



** includes proportional and facultative reinsurance

* Norway, Denmark, Finland, Sweden

Hull Premium World Merchant Fleet



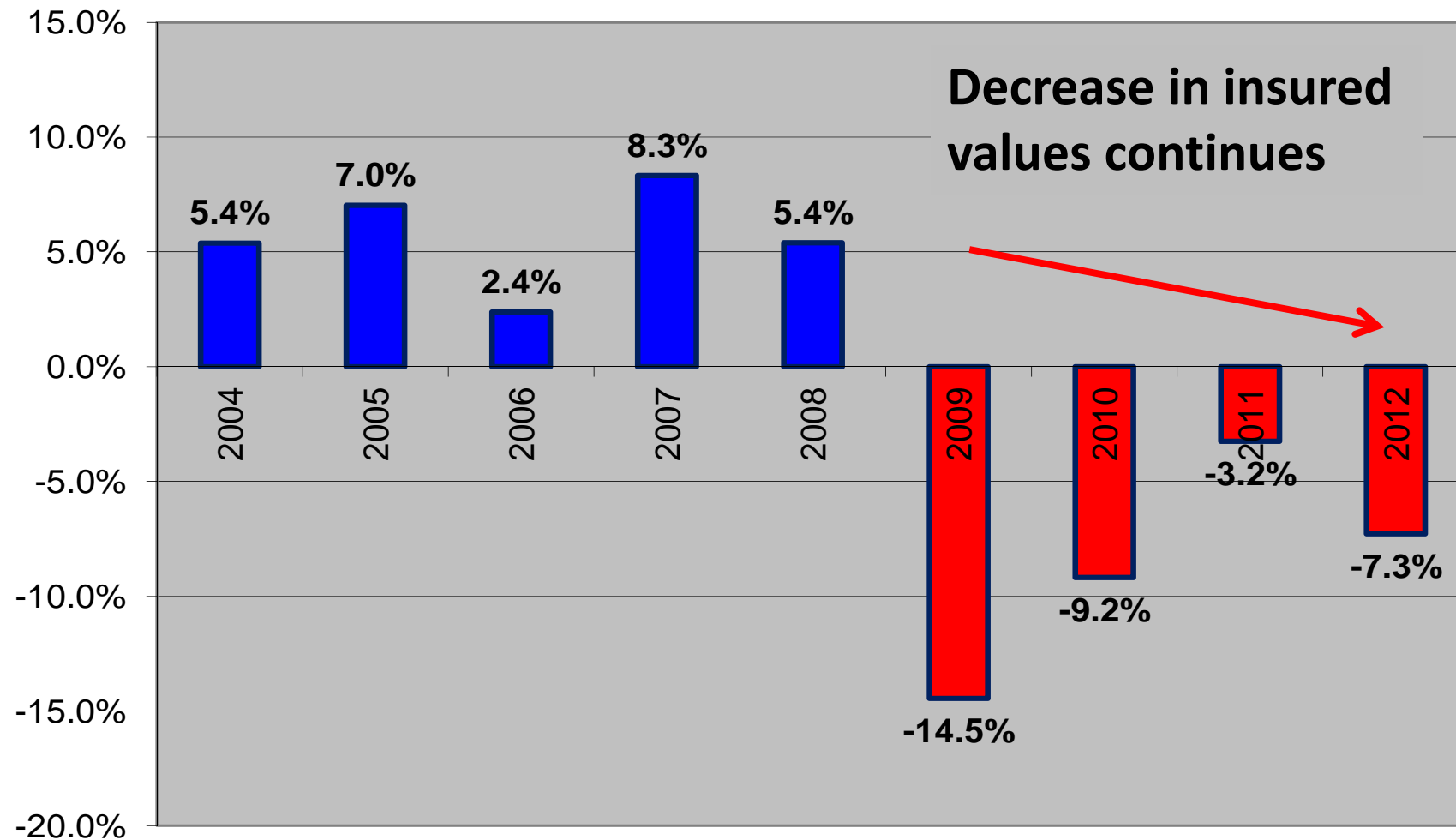
Sources: Insured vessel values: Cefor – Nordic Marine Insurance Statistics as of 30 June 2012;

No. Ships & tonnage: ISL Bremen

Change in insured values on renewed vessels by year of renewal



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



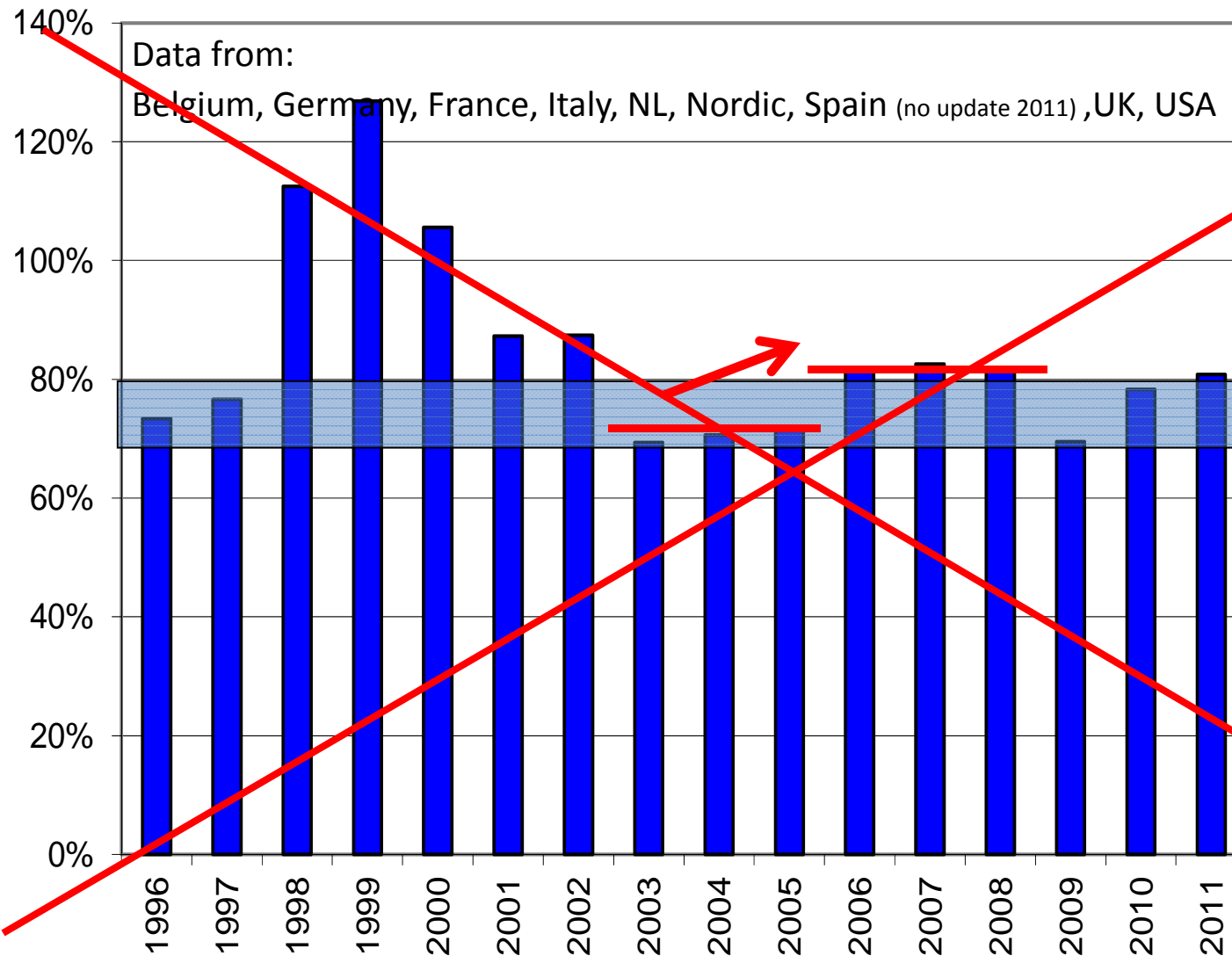
Source: Cefor - Nordic Marine Insurance Statistics as of 30 June 2012

Hull – Gross* Ultimate Loss Ratio



Underwriting years 1996 to 2011

“Actuarial nonsense”, based on pre-Costa Concordia data...:



Hull – 2009 to 2011:

Some improvement compared to peak years 2006-2008.

But: Claim cost and loss ratios **stay at high levels, some increase since 2009.**

2011:
Similar to 2010.

No technical profit.

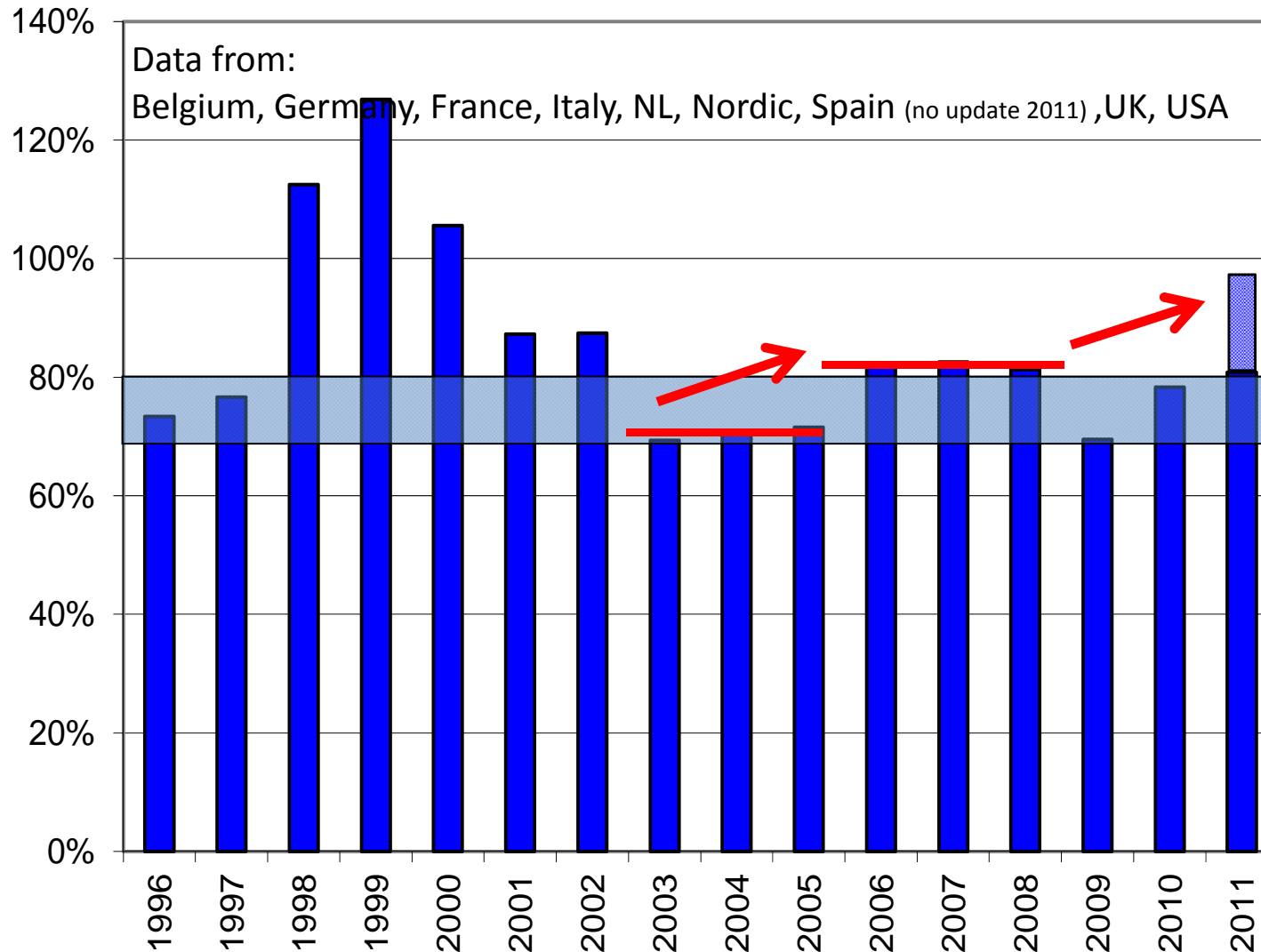
* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (usually 20%-30% acquisition cost, capital cost, management expenses)

Hull – Gross Ultimate Loss Ratio



Underwriting years 1996 to 2011

... and real life: with total losses 1 Q 2012 – the true picture?



2012:
strong total loss
impact (on uw
years 2011 & 2012)

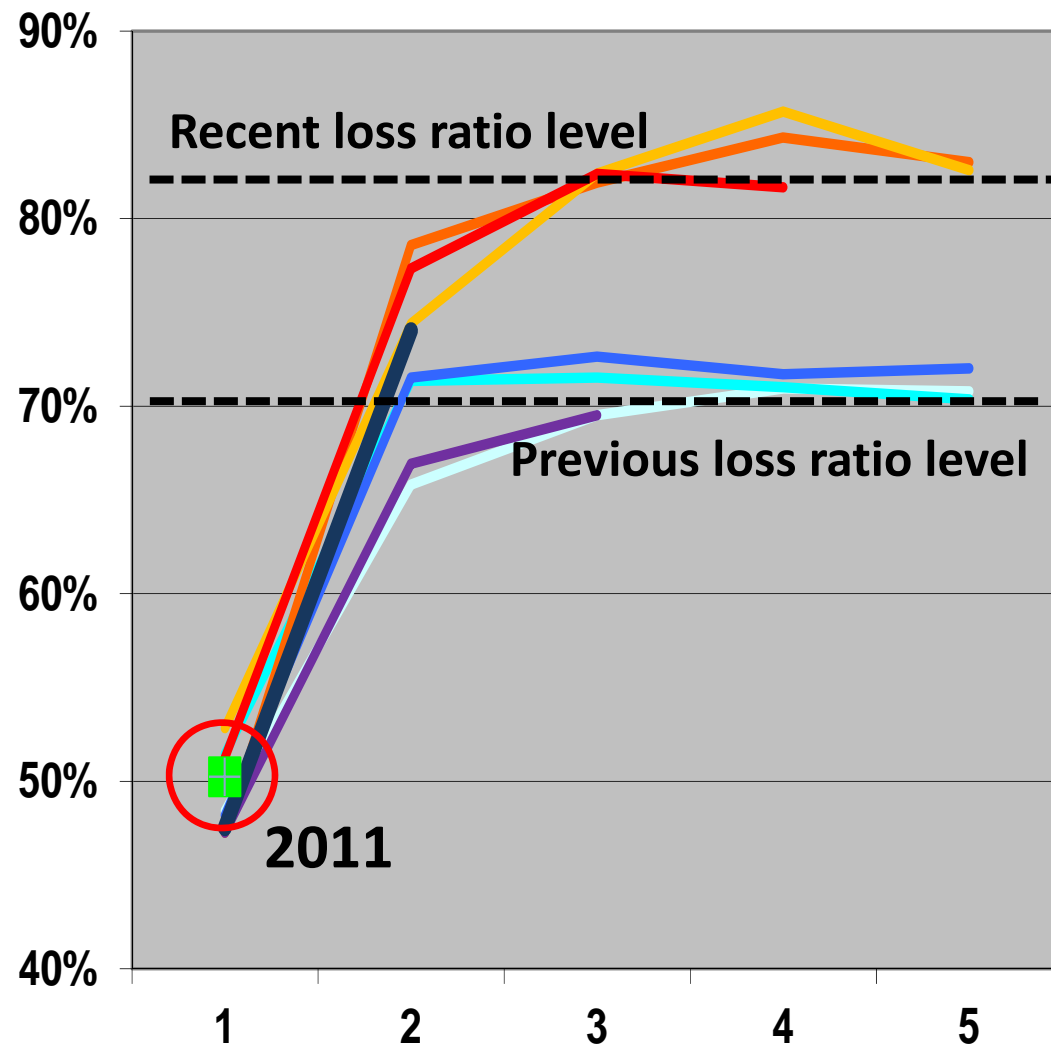
Costa Concordia:
Carnival Corporation
& PLC website:
508+17 MUSD from
H&M insurance.
(2Q financial report,
issued 02.07.2012)

**...and more total
losses** in excess of
30 MUSD did incur
1st half 2012
(partly attaching to
uw year 2011).

Hull – Gross* Reported Loss Ratio



Underwriting years 2003-2011, as reported after 1, 2, 3, 4, 5 years

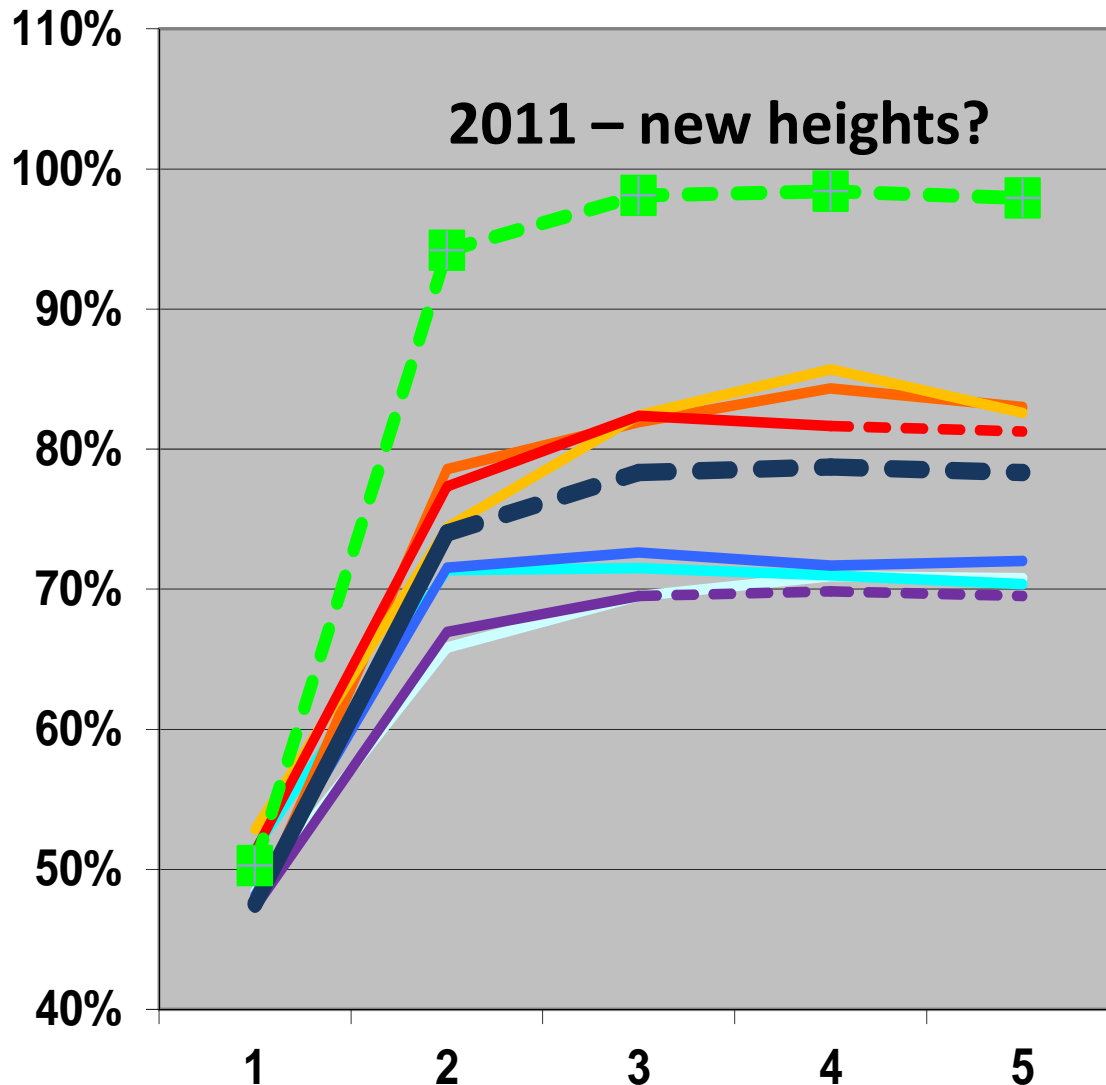


- 2003 starts at normal level.
 - 2004
 - 2005
 - 2006
 - 2007
 - 2008
 - 2009
 - 2010
 - 2011
- 2011:** starts at normal level.
- 2009-2010:** Price-driving factors return to "normal" levels, but no stable environment.
- 2006-2008:** Repair cost driven up by changing frame conditions => Change in claims pattern
- 2010 strong increase.

Hull – Gross* Ultimate Loss Ratios



Underwriting years 2003-2011 – estimated development towards ultimate



2003

2004

2005

2006

2007

2008

2009

2010

2011

2011:

Unprecedented total loss impact - loss ratio may reach new heights.

1st half 2012:

Increase in no. of losses x30 MUSD. Impact on underwriting years 2011 and 1012.

Summing up Hull (1)



■ **Frame conditions – still unstable**

Steel prices / repair yard capacity / exchange rates / commodity prices / vessel utilization / newbuildings / world trade / Euro crisis...

Influence

- **Income** (ship values)
- **Cost** (claim frequency/repair cost).

■ **Repair cost / Claim frequency – Stabilize**

But: catching up of trade/higher utilization rates may cause **repair cost** to rise again

■ **Major claims – strong impact 1st half 2012**

- Unprecedented costly event
- **Increase in total loss frequency 1st half 2012**
- Continuing downturn in insured values creates more constructive total losses



- Hull **technically at loss for 16 consecutive years!**
- **Future Global Hull Market:**
 - Understand **dependencies** between macroeconomic parameters and repair cost
 - **Models** to estimate expected claim cost (=risk premium)
 - Trade / Fleet development
 - Market discipline / capacity
 - The impact of **major claims**

➔ Understand the actually covered **exposure**



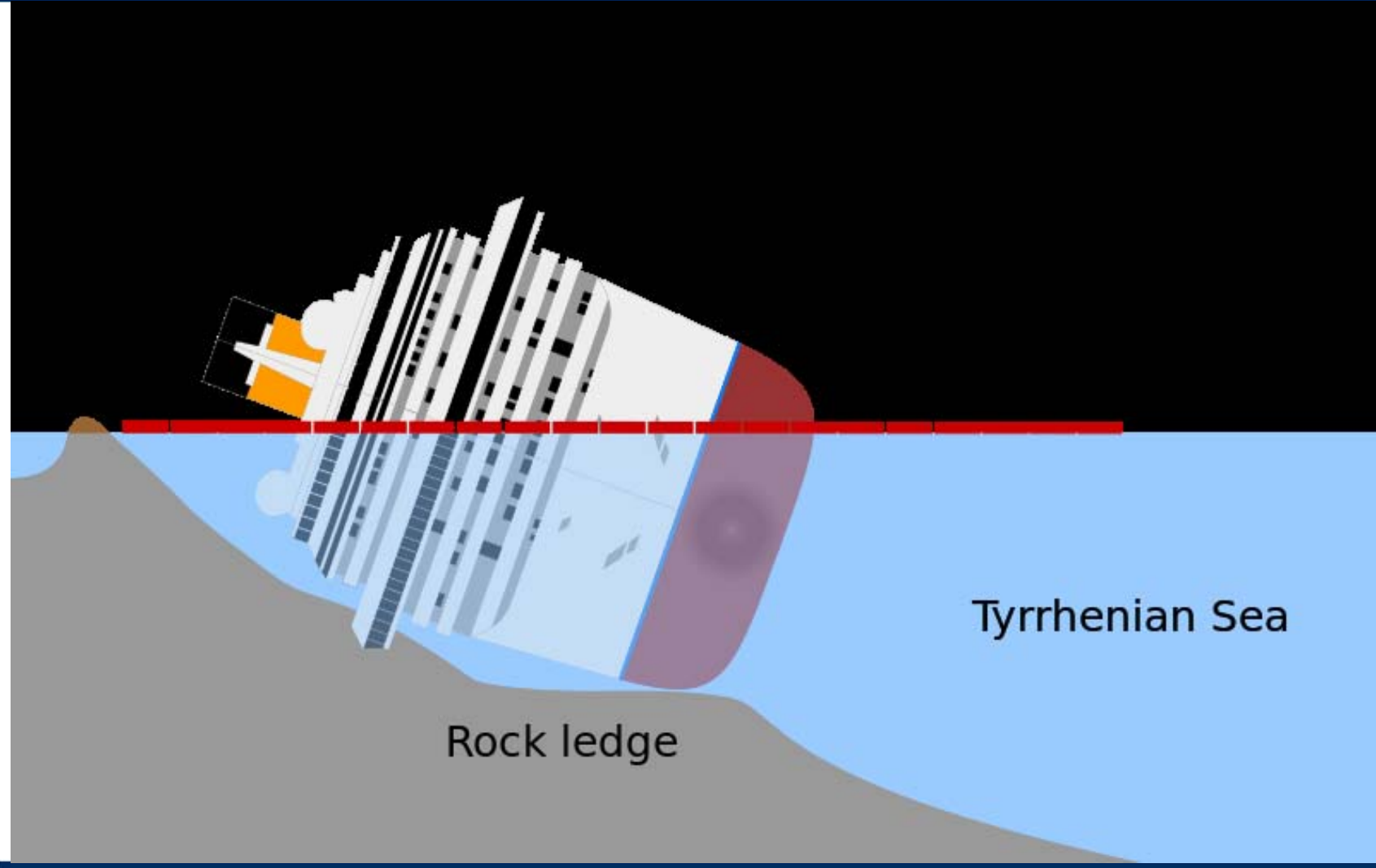
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Major losses 2012



Major Hull losses 2012

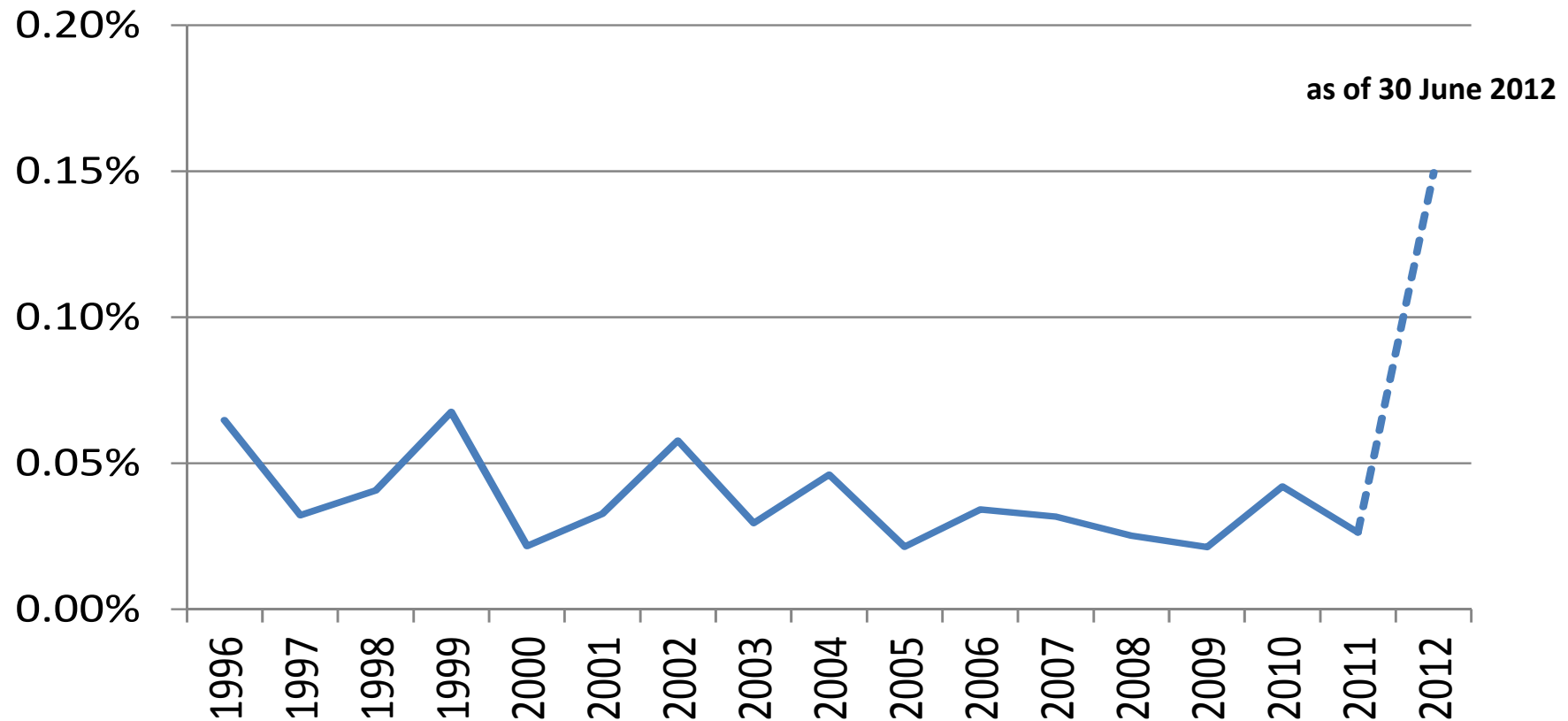


Major claims in % of ship values

by calendar year of occurrence



Cost of maximum three claims in % of total insured value

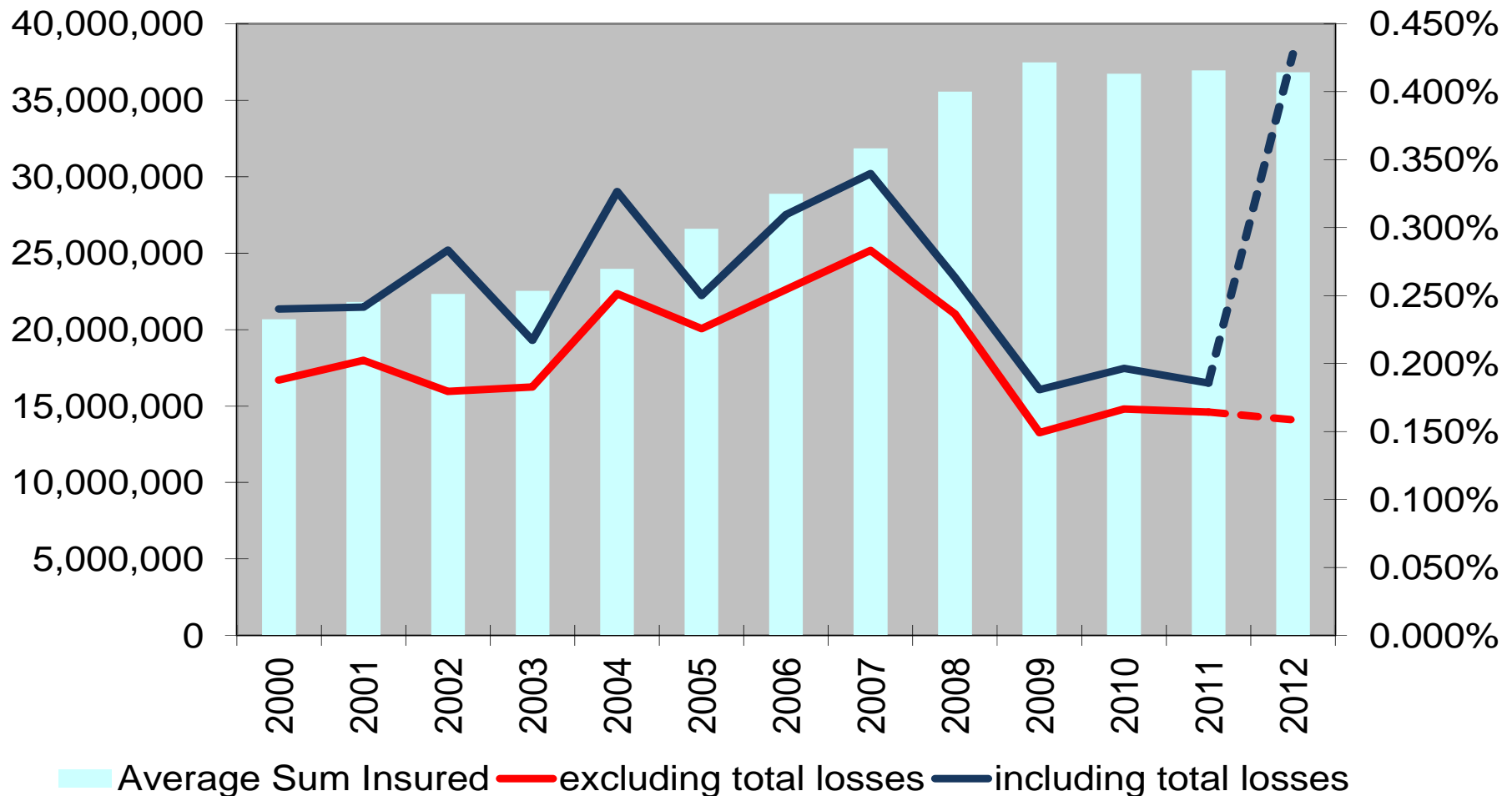


Average insured value

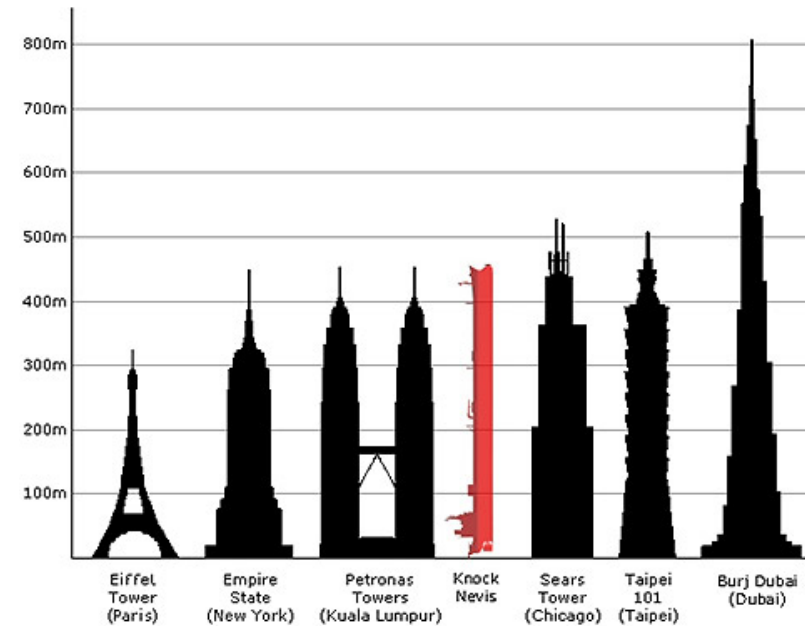
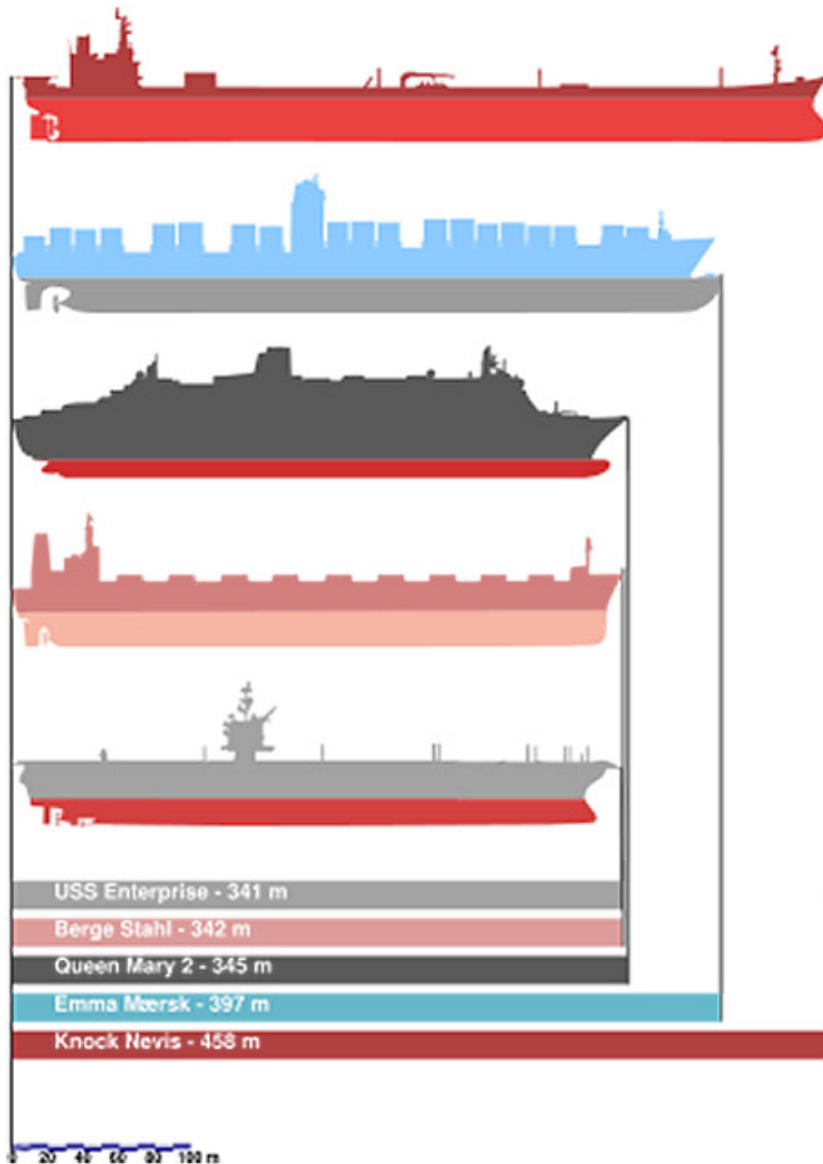
Claim cost in % of total total insured value



Watch your **Exposure** – one Costa Concordia can double the cost relative to the total insured value



Can it get worse...?



Increasing vessel size

**Increasing value
accumulation per vessel**

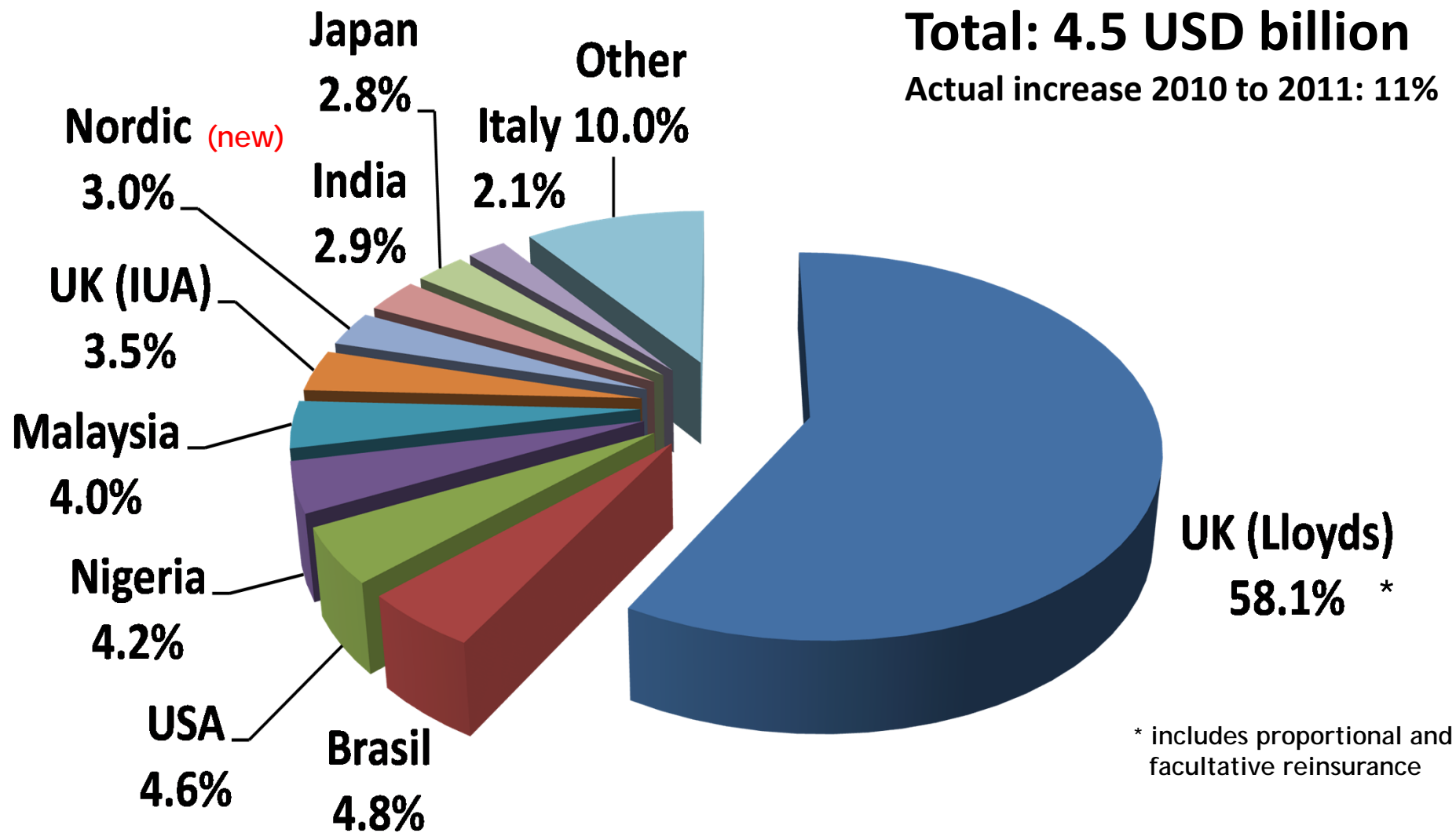


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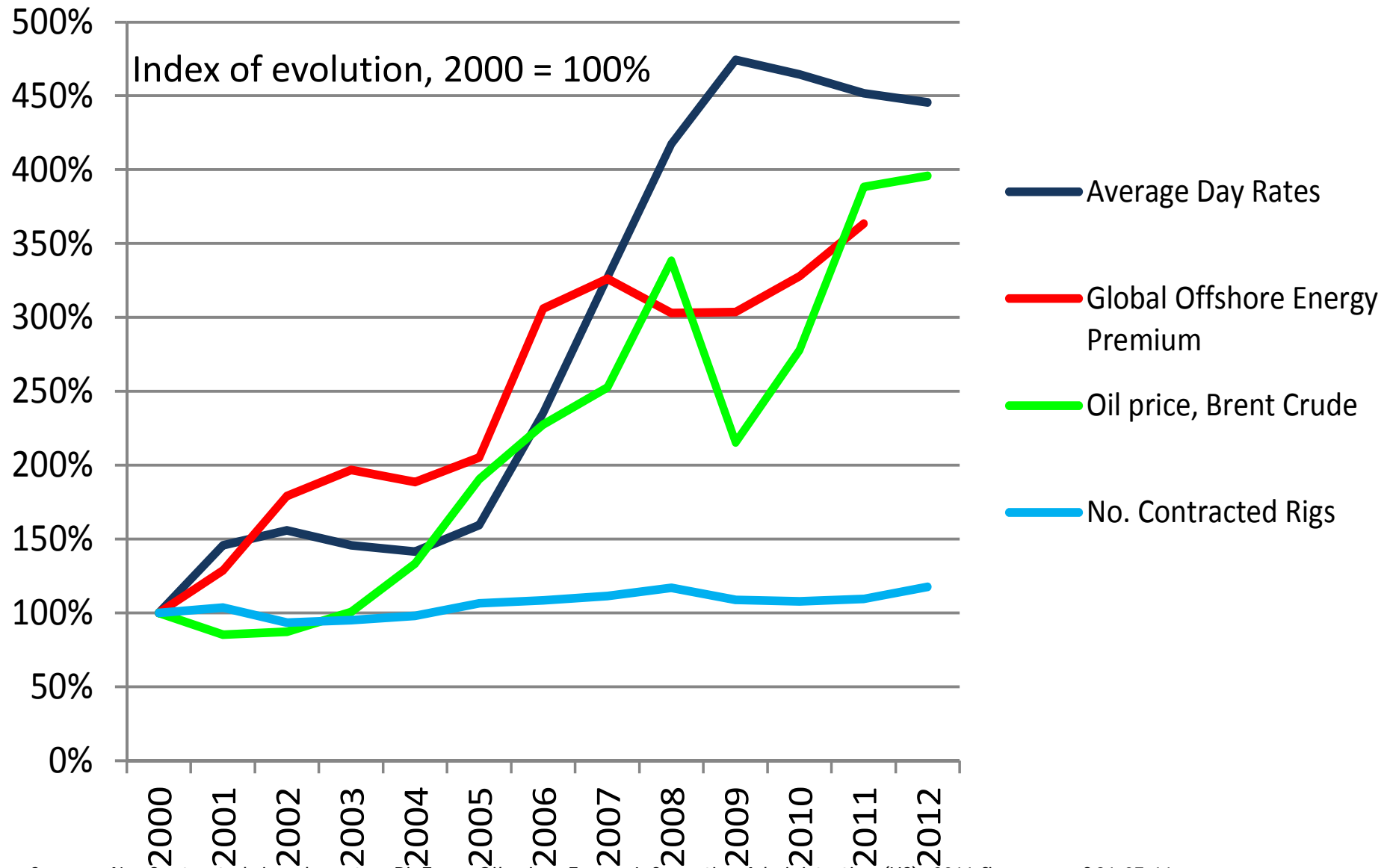
Offshore Energy Premium 2011 – by markets



No data: Kazakhstan.

Offshore Energy Premium

Energy mobiles, Day rates, Oil Price



Sources: No. Contracted rigs, day rates: RigZone, Oil price: Energy Information Administration (US), 2011 figures as of 31.07.11

Summing up Offshore Energy



- **Volatile** business, strong hurricane impact – less in recent years.
- **Long time lag** between accident and claims payment
(due to technical complexity of the insured objects)
- **No regular claims patterns.**
(Claims reserves set according to knowledge about individual claims).
- **Recent development:**
 - **Reduced hurricane impact** (2012 Hurricane Isaac:
first Gulf of Mexico hurricane in four years, little impact on results)
 - **Increasing frequency of large single loss events**
(physical loss and liability)
 - **Events with high liability cost in 2009 and 2010**
 - 2011: two losses xs 300 MUSD (Gryphon Alpha, Banff)
2012: one loss xs 300 MUSD (KS Endeavour)

Thank you!



F&F Cheerleaders

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