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2011 Global Marine Insurance Report

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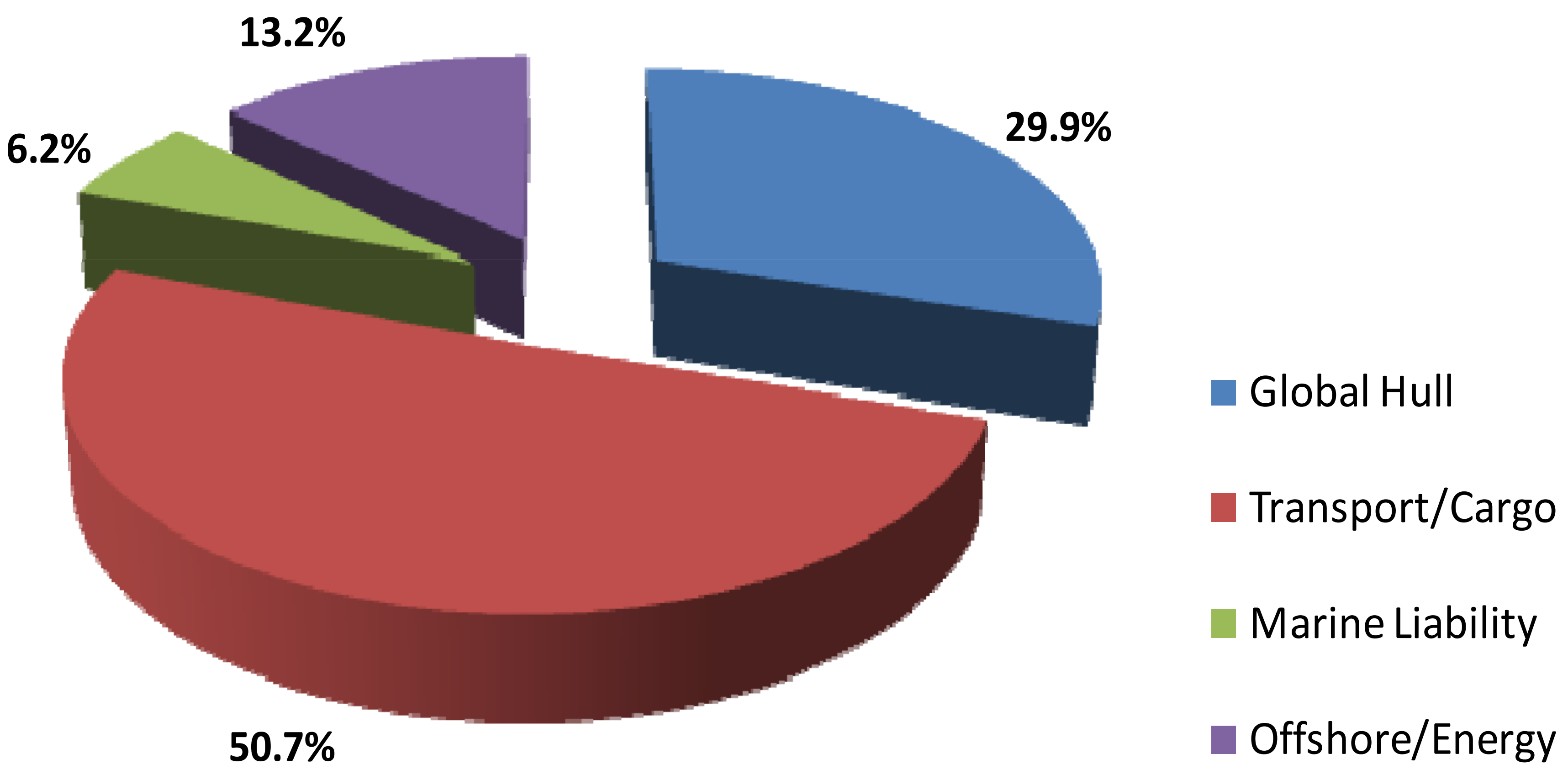
Global Marine Insurance Report 2011

- Global Marine Insurance – Market overview
- Global Hull and Cargo market and results
- Global Offshore Energy market
- Addendum (for download only):
  Tables with underlying reported figures

Global Marine Premium 2010, by line of business

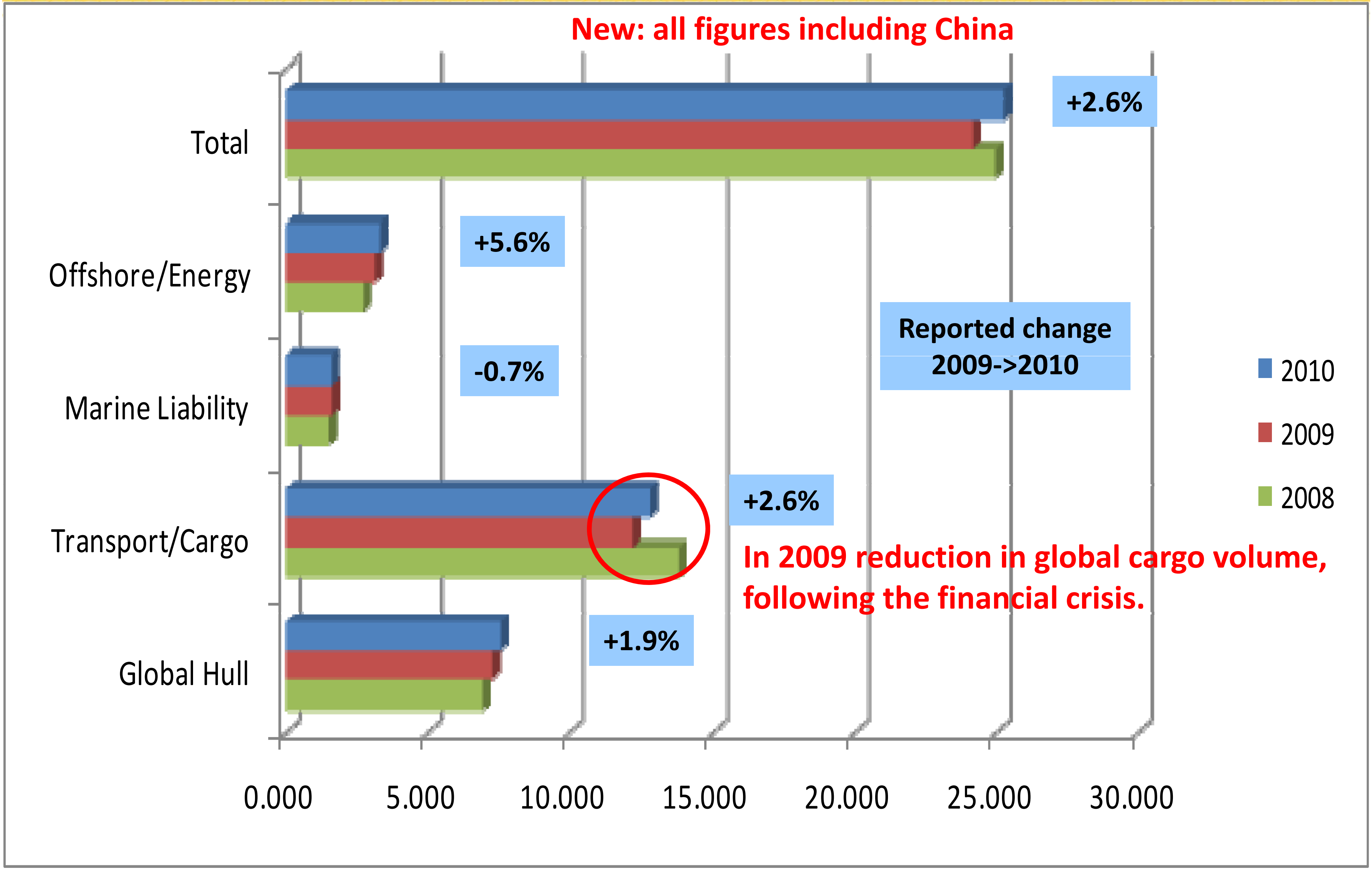
Total reported: 25.3 USD billion

New: China included.
Impact: 1.96 USD billion



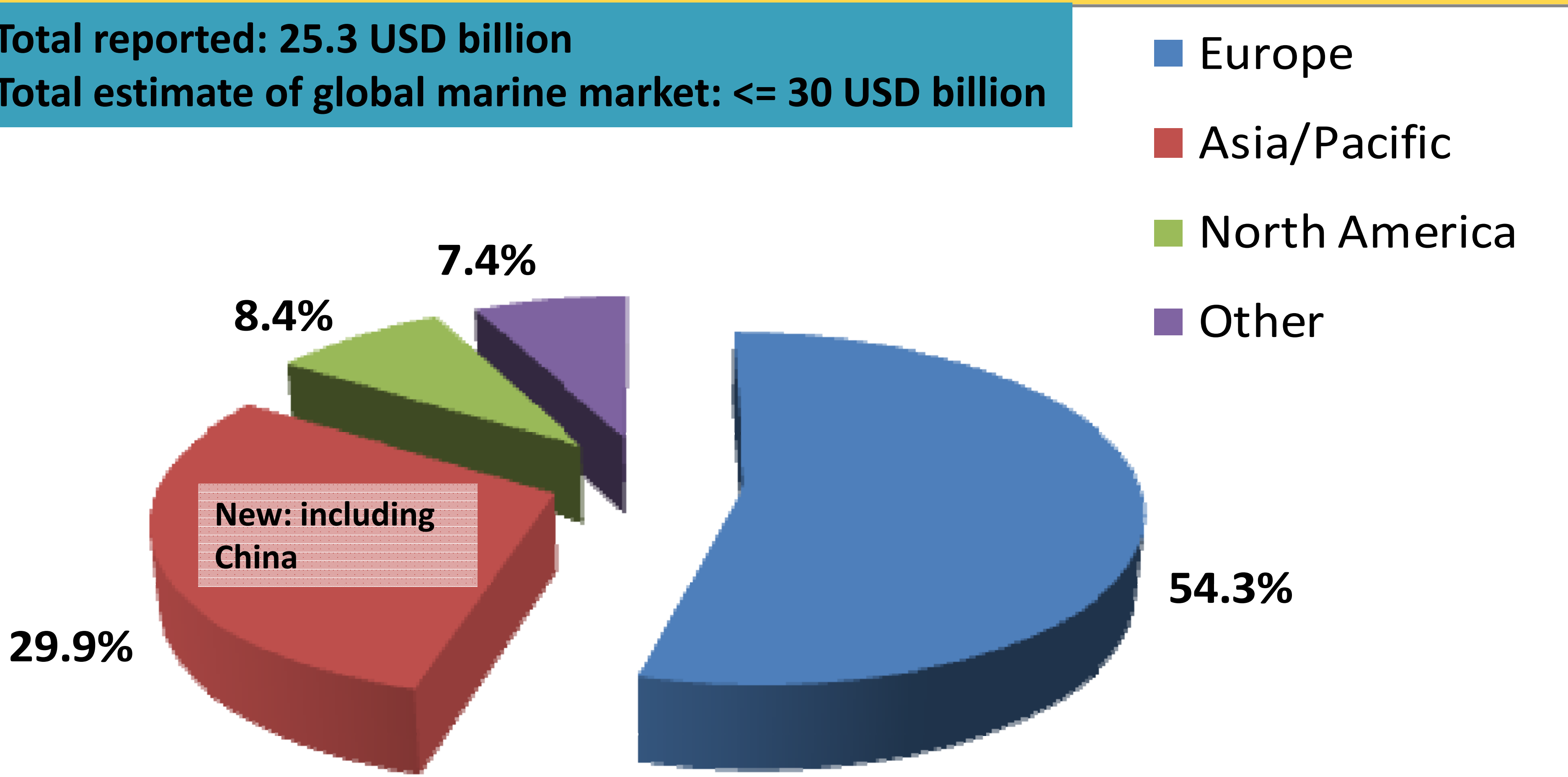
Total estimate of global marine market: <= 30 USD billion

Global Marine premiums reported 2008 to 2010



Market Shares 2010

Total reported: 25.3 USD billion
Total estimate of global marine market: <= 30 USD billion

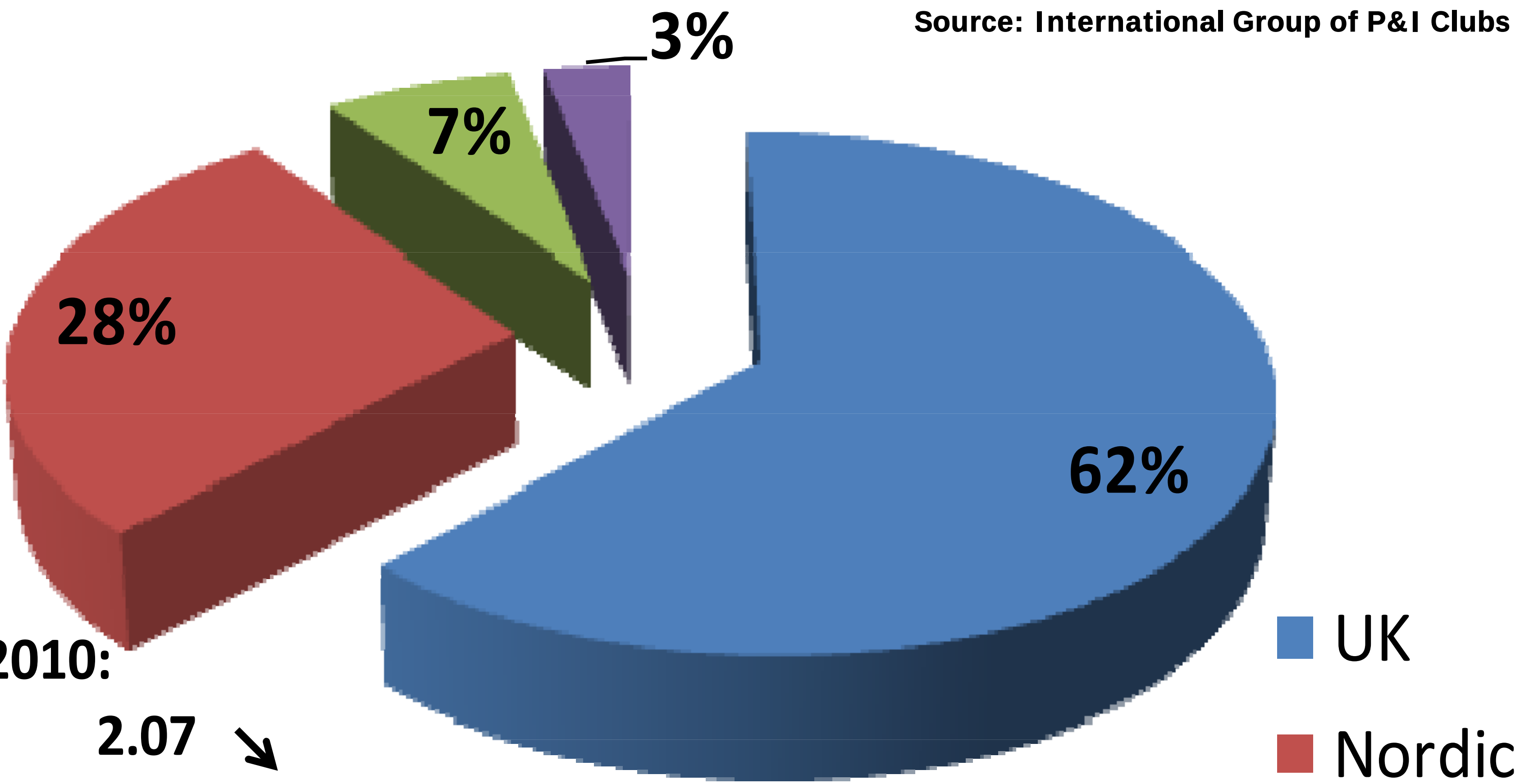


Europe : Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Nordic (Cefor), Poland, Portugal (2010 est.), Romania, Russia, Slovenia, Spain, Sweden, Switzerland, Turkey, *Ukraine*, UK (IUA + Lloyds)
Asia/Pacific : Australia, China (new!), Chinese Taipei, Hong Kong, India, Japan, Korea DPR, South Korea , Malaysia, New Zealand, Singapore
North America : Bermuda, Canada, USA
Other : *Bahrain,* Brasil, *Congo*, Egypt, Israel, Jordan (new!), Kazakhstan , Kenya, Lebanon, Morocco, Nigeria, South Africa, *Tunisia*, *United Arab Emirates*

Countries in italics did not report in 2011

P&I Clubs International Group –
Gross Calls 2010 (Premium) – Operational location

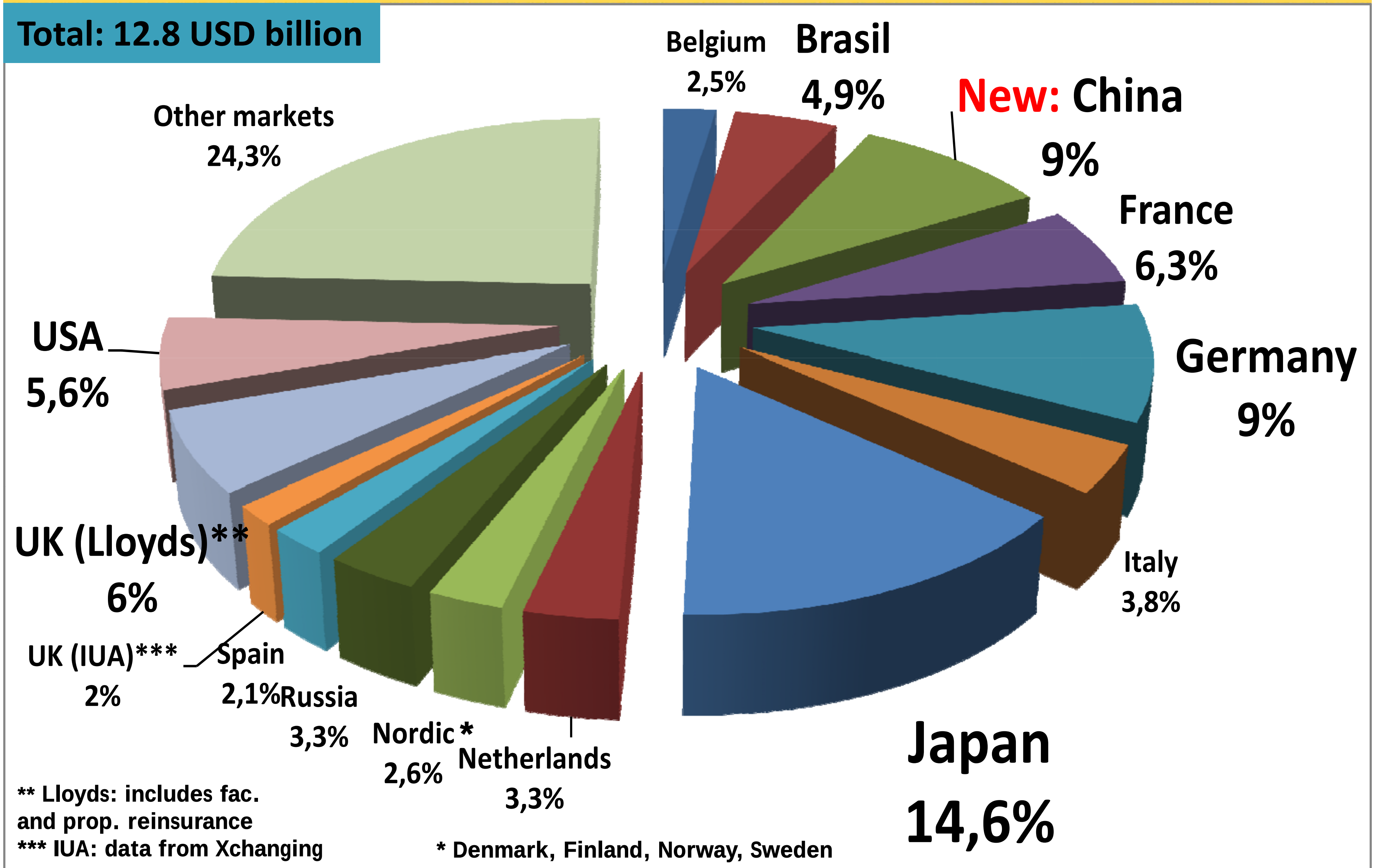
Source: International Group of P&I Clubs



Calls 2010:

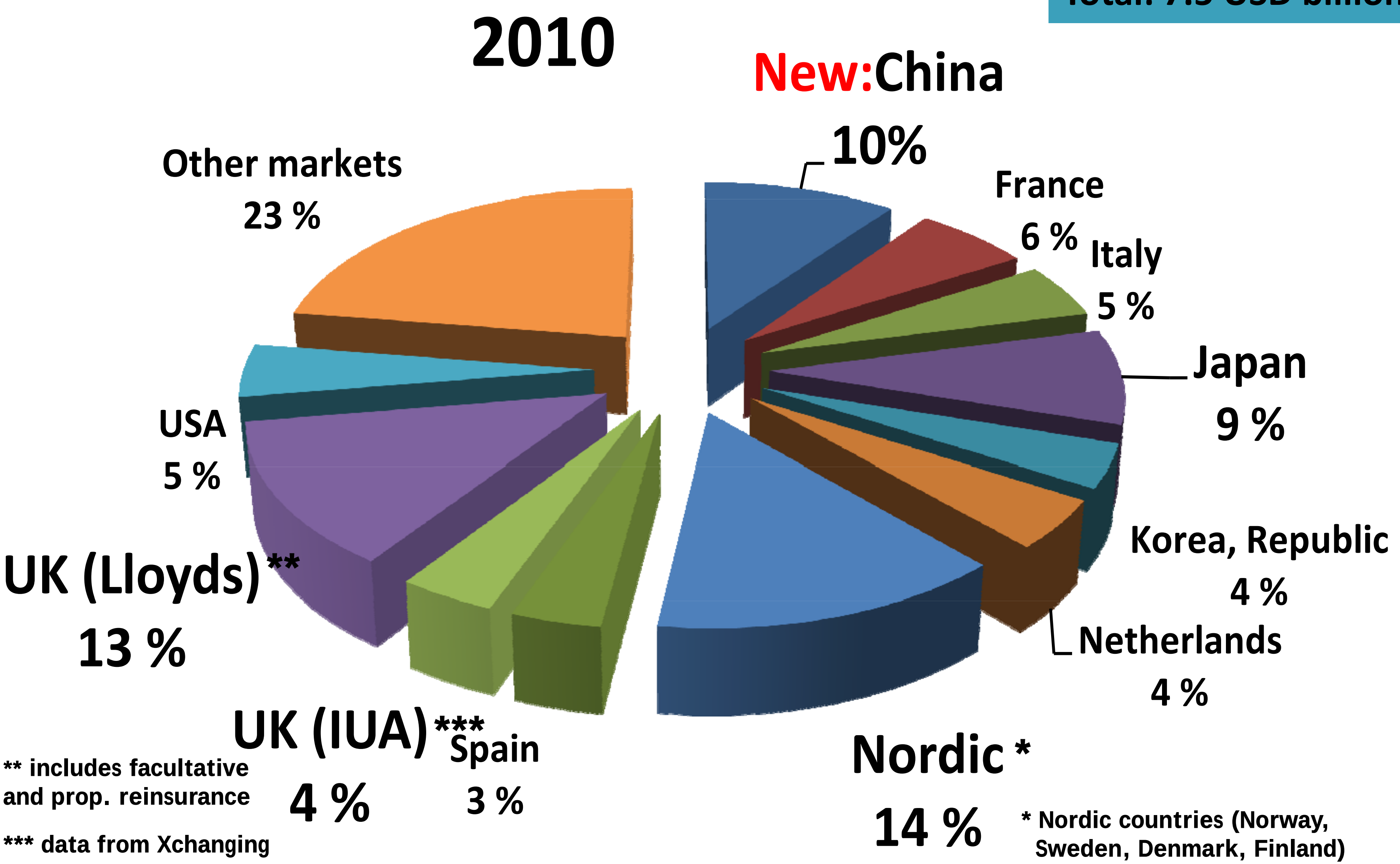
UK:	2.07	↘
Nordic:	0.92	↗
Japan:	0.23	↗
US:	0.11	↘
Total:	3.33 (USD billion)	↘

Global Cargo Premium by markets 2010



Global Hull Premium by markets 2010

Total: 7.5 USD billion

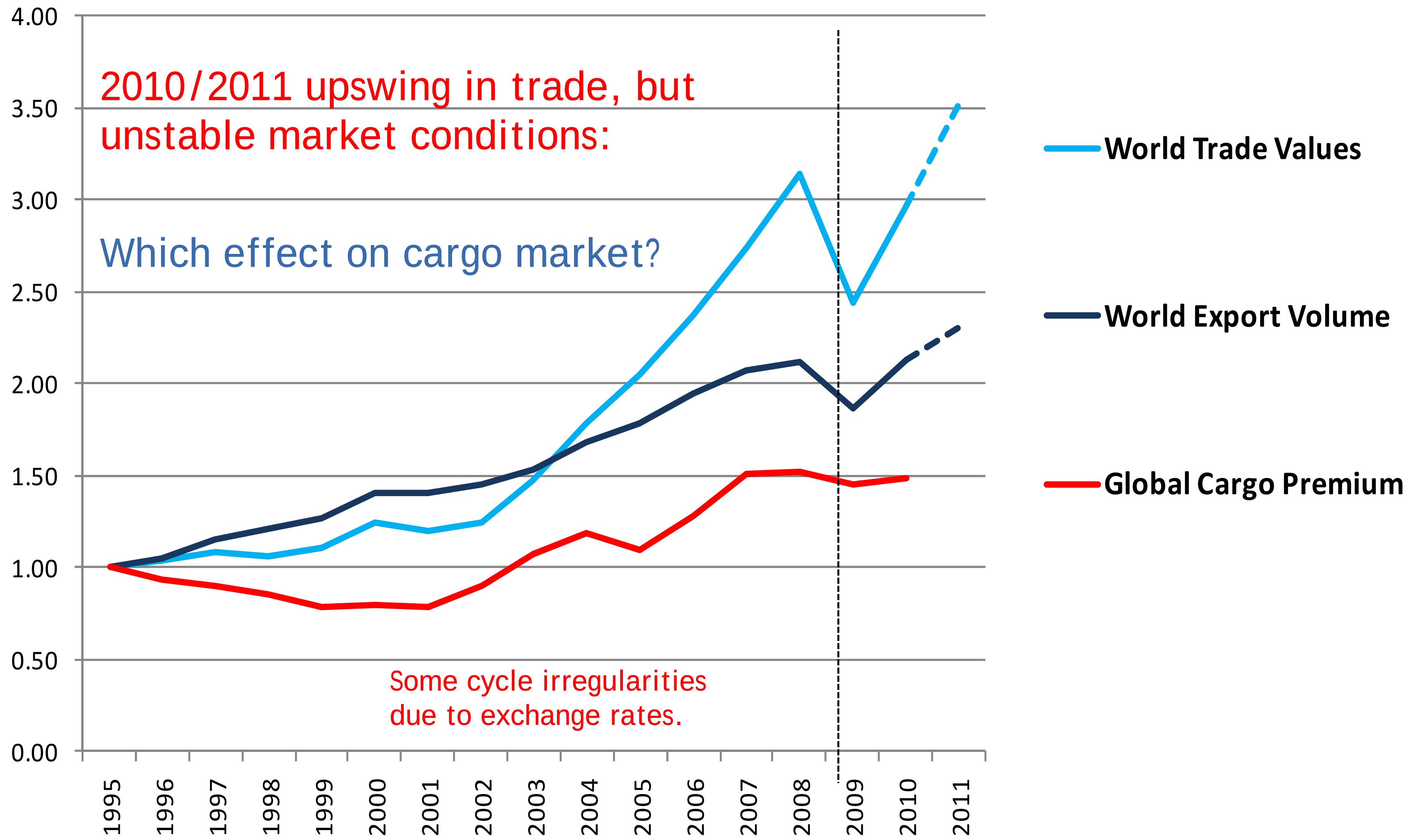


** includes facultative and prop. reinsurance

*** data from Xchanging

* Nordic countries (Norway, Sweden, Denmark, Finland)

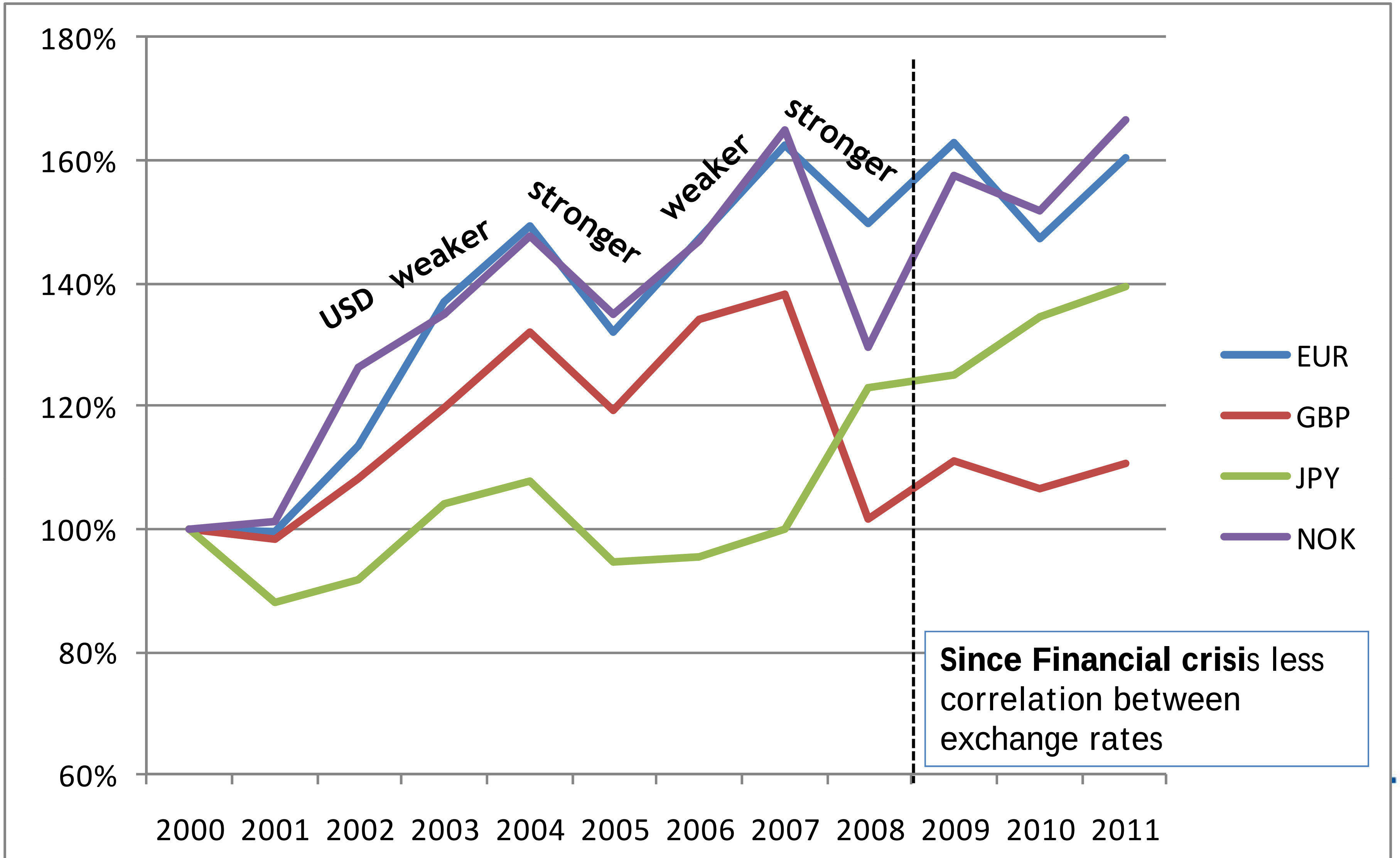
World Seaborne Trade Volume and Trade Values, Global Cargo Premium, Index of evolution, 1995 = 100%



Source: World Trade Values: IMF

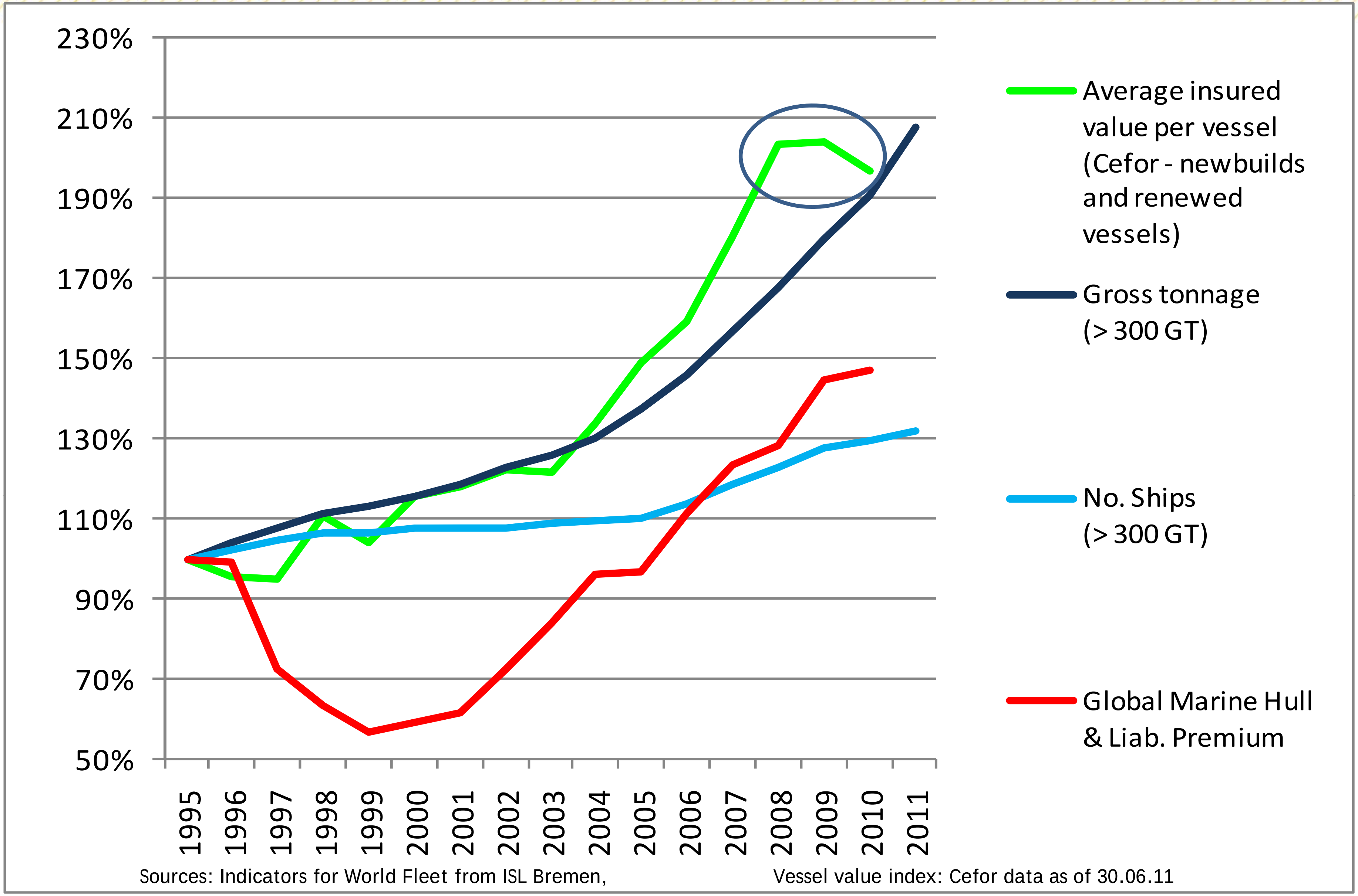
Index of Evolution of USD Exchange rate against selected currencies

(exchange rates as of December each year, 2011 as of June 11)



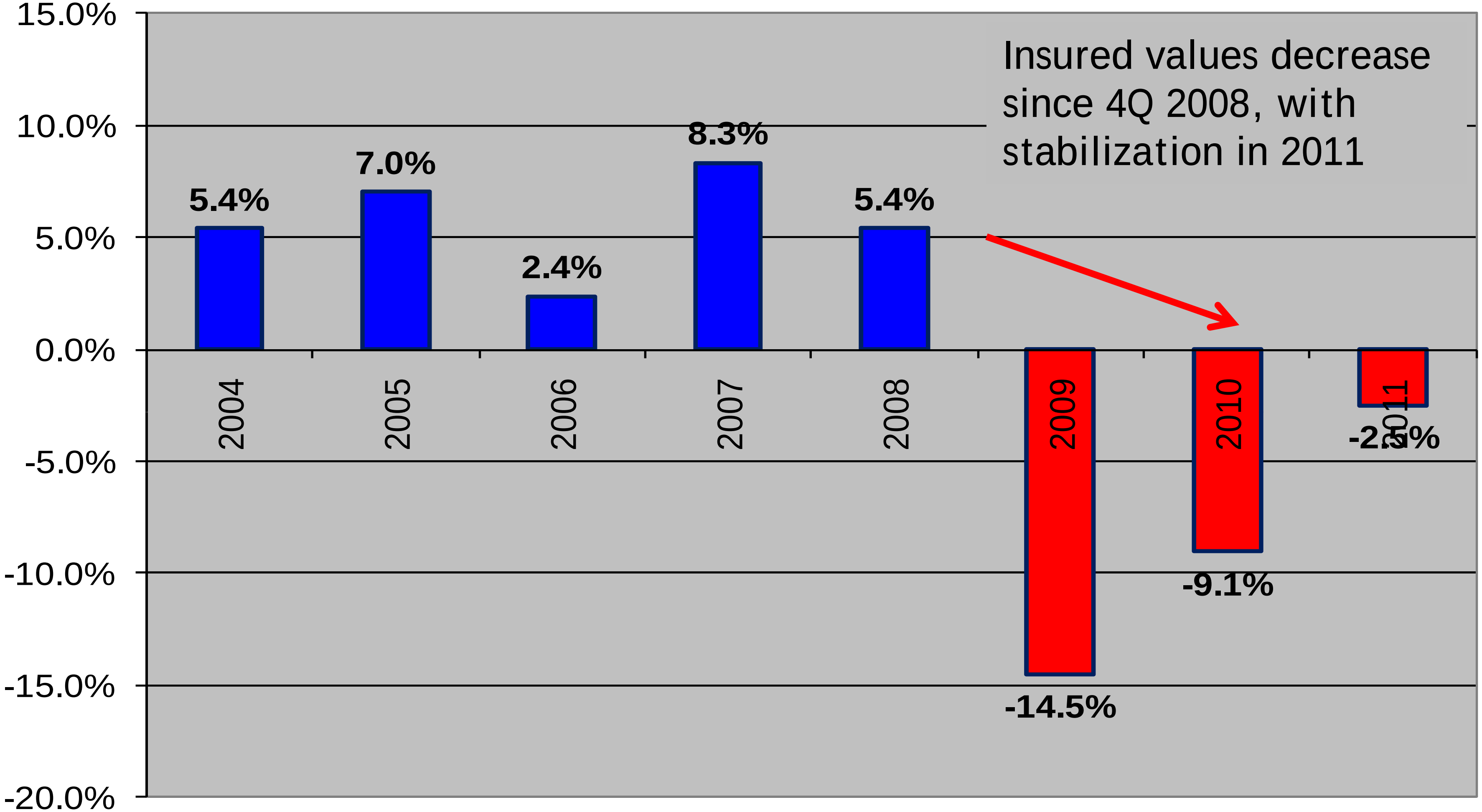
Source: Norges Bank Exchange Rates Statistics

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



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

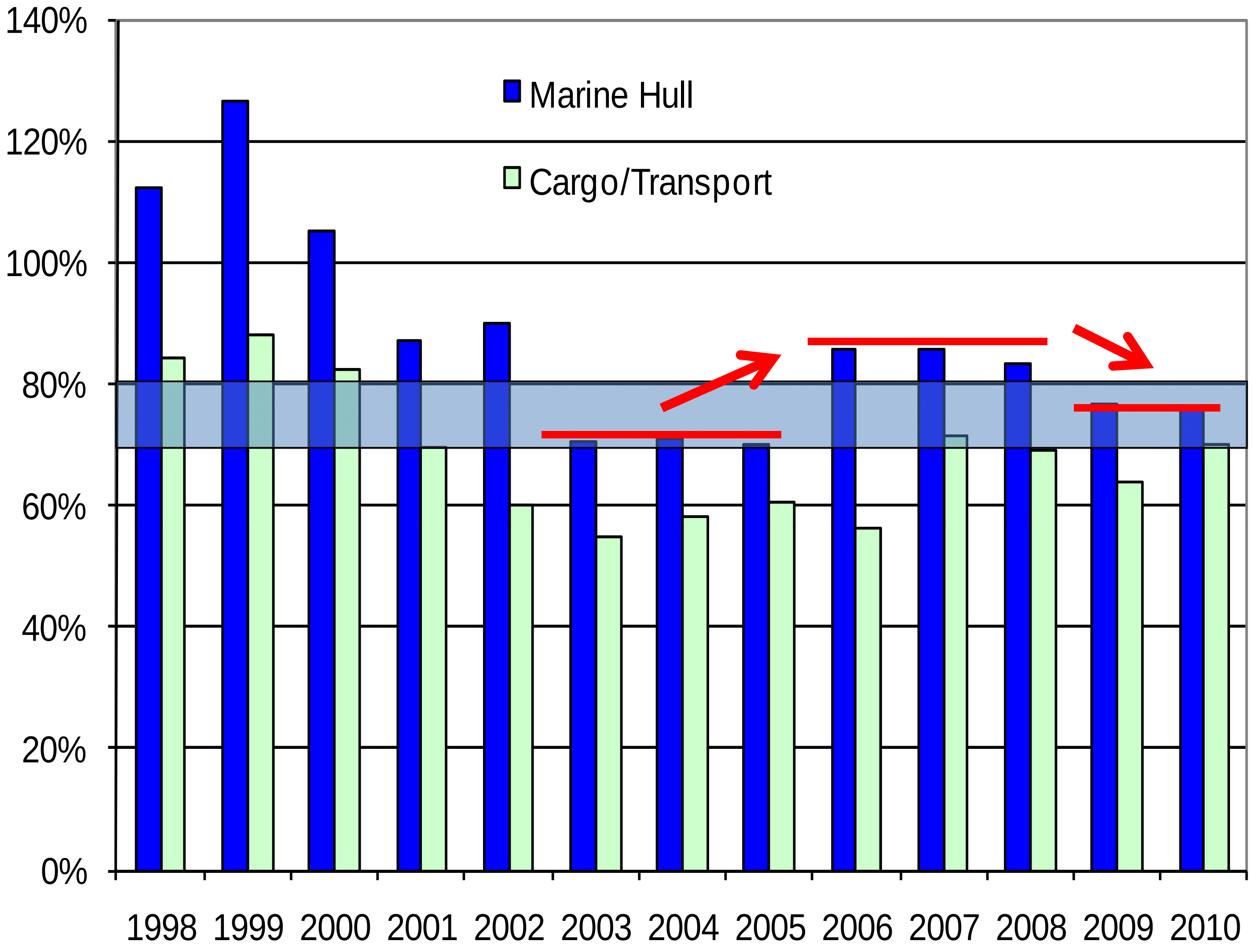
(= insured value on renewal / insured value previous year)



Source: Cefor, The Nordic Association of Marine Insurers, figures as of 30 June 2011

Marine **Hull** and Cargo/Transport

Gross* **Ultimate** Loss Ratio, U/W Years 1998 to 2010



Hull - 2009/2010:

Some improvement compared to peak years 2006 to 2008.

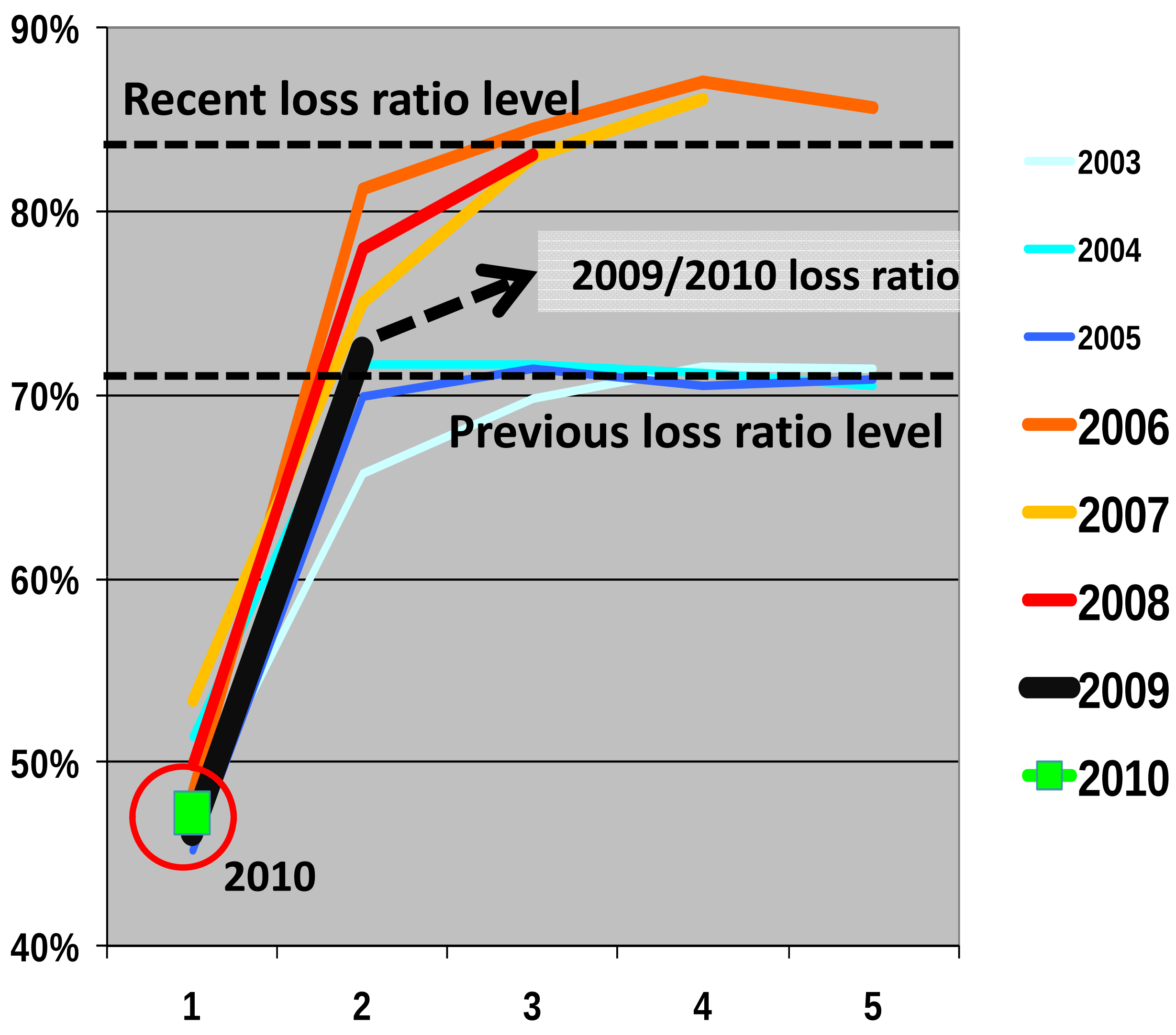
But: Claim cost and loss ratios **stabilize at high levels**.

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)**

Marine Hull - Gross* Loss Ratio

Underwriting years 2003 - 2010 as reported after 1, 2, 3, 4 and 5 years



2006-2008:
Repair cost driven up by changing frame conditions
=> Change in claims pattern!

2009/2010:
Price-driving factors turn back to "normal" levels, but no stable environment
=> difficult to estimate effect on results.

Summing up Hull

- **Unstable frame conditions continue**

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

  Changes in market environment influence both **income** (vessel values) and **cost** (claim frequency and repair cost).

- **Repair cost** and **claims frequency** reached a peak in 2007/2008.

  Some improvement in 2009/2010, especially with regard to claims frequency, but **loss ratios and claims costs stabilize at high levels.**

- Catching up of trade in 2010 and higher utilization rates may cause **repair cost** to rise again.

- **Major claims** may smash a year's result and occur at any time!

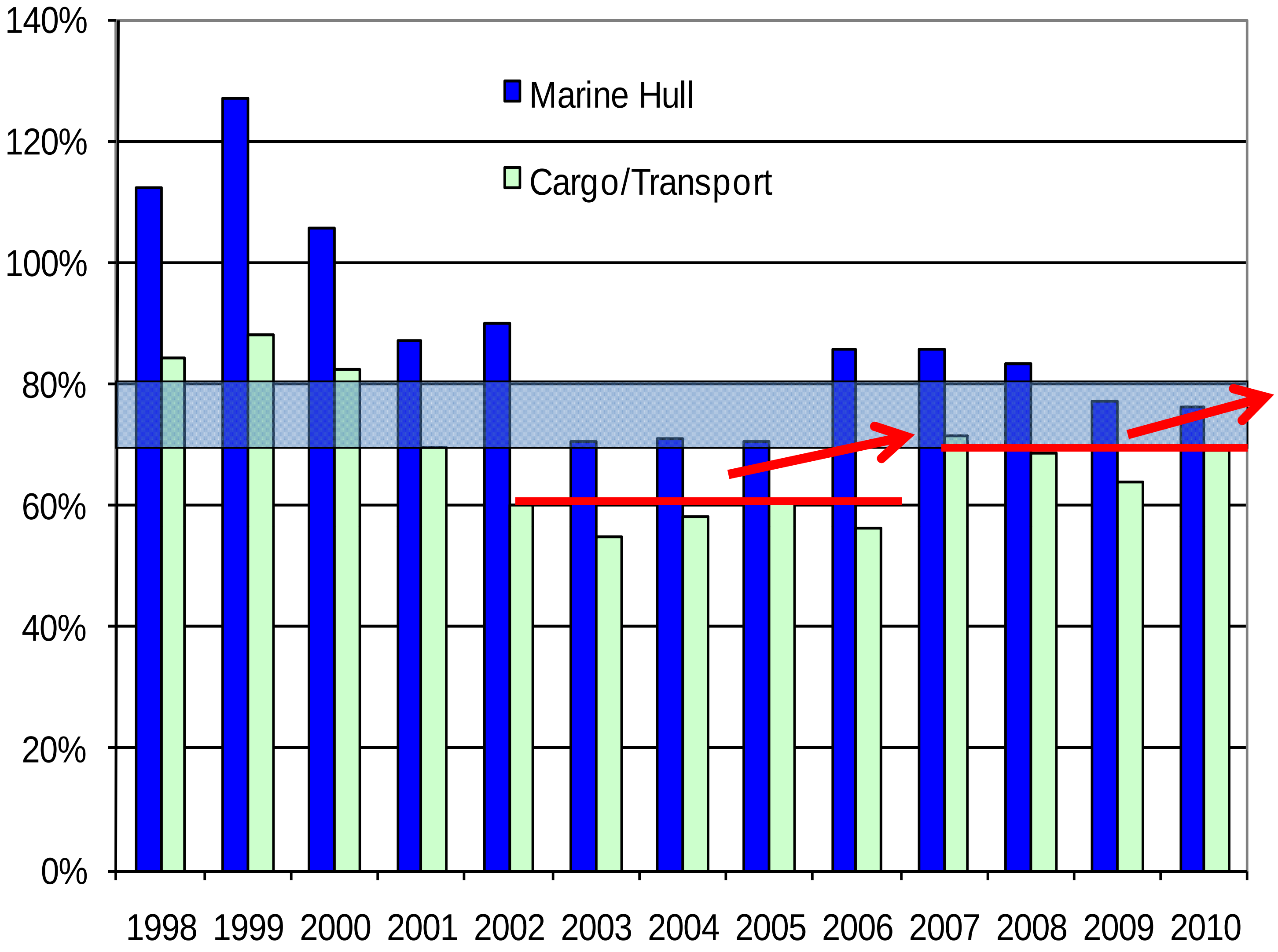
Summing up Hull

- **Hull technically at loss for 15 consecutive years!**

  Something's stable after all…

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

Marine Hull and Cargo/Transport
Gross* Ultimate Loss Ratio, U/W Years 1998 to 2010



2011:
New Zealand earthquake – **Japan earthquake & tsunami** – Floods – Tornados – New York storm

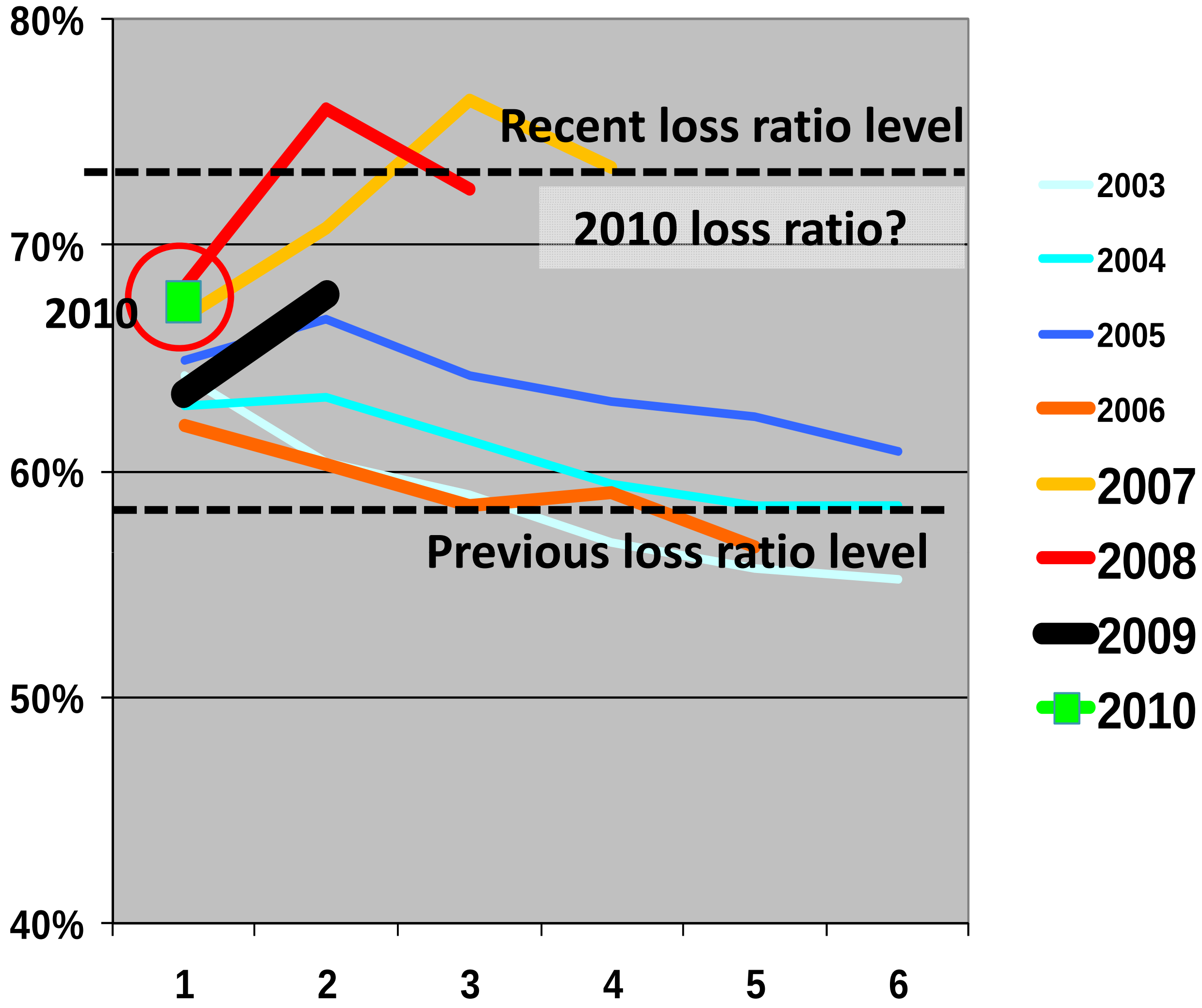
2011 level?

2007 to 2010:
Clear deterioration of results – profitability not ensured.

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

Marine Cargo - Gross* Loss Ratio

Underwriting years 2003 - 2010 as reported after 1, 2, 3, 4 and 5 years



2007-2009:
Changing market demands upwards adjustment of claims reserves
=> Change in typical claims pattern

As of December 2010:
2007/2008 improved, but still at high levels

2010:
starts high – will end above 70%, if new pattern continues

Summing up Cargo

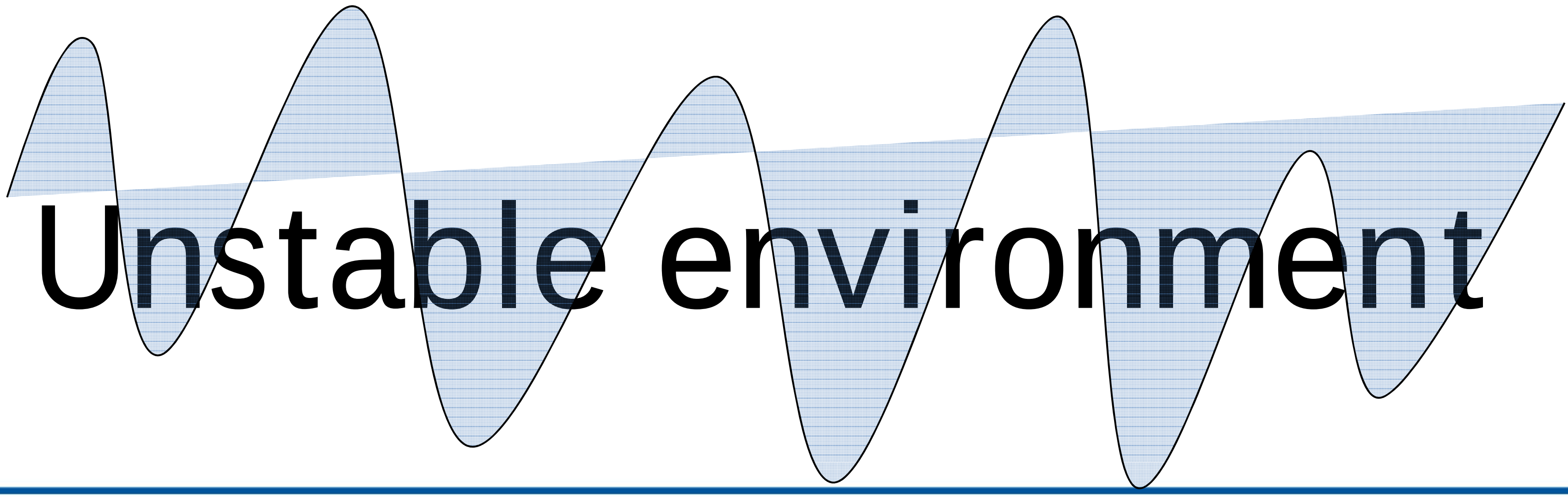
- Since 2008 **reduction in insured values**, effect on cargo income.
- **2010 growth in cargo premium reflects recovery in world trade** volumes, but economical environment remains unstable.
- **Unusual upwards adjustment of 2007-2009 claims reserves**.
  2007/8 somewhat improved in 2010, but loss ratios stay high.
  If these prove to be correct, cargo will produce a **technical loss.**
- **2010 loss ratio starts high**.
  Expected to end above 70%, if new pattern continues.
- **Claim amounts unlikely to decrease** because of increased risk of accumulation, moral hazard, theft frequency, natural catastrophes.
- **2011**: Increased impact of **natural catastrophes** (NZ earthquake, Japan tsunami, floods, tornados, US storms) and **unstable economical environment** may lead to further deterioration of results.

The complexity of interdependencies…

Macroeconomic parameters/ Market environment → Claims cost

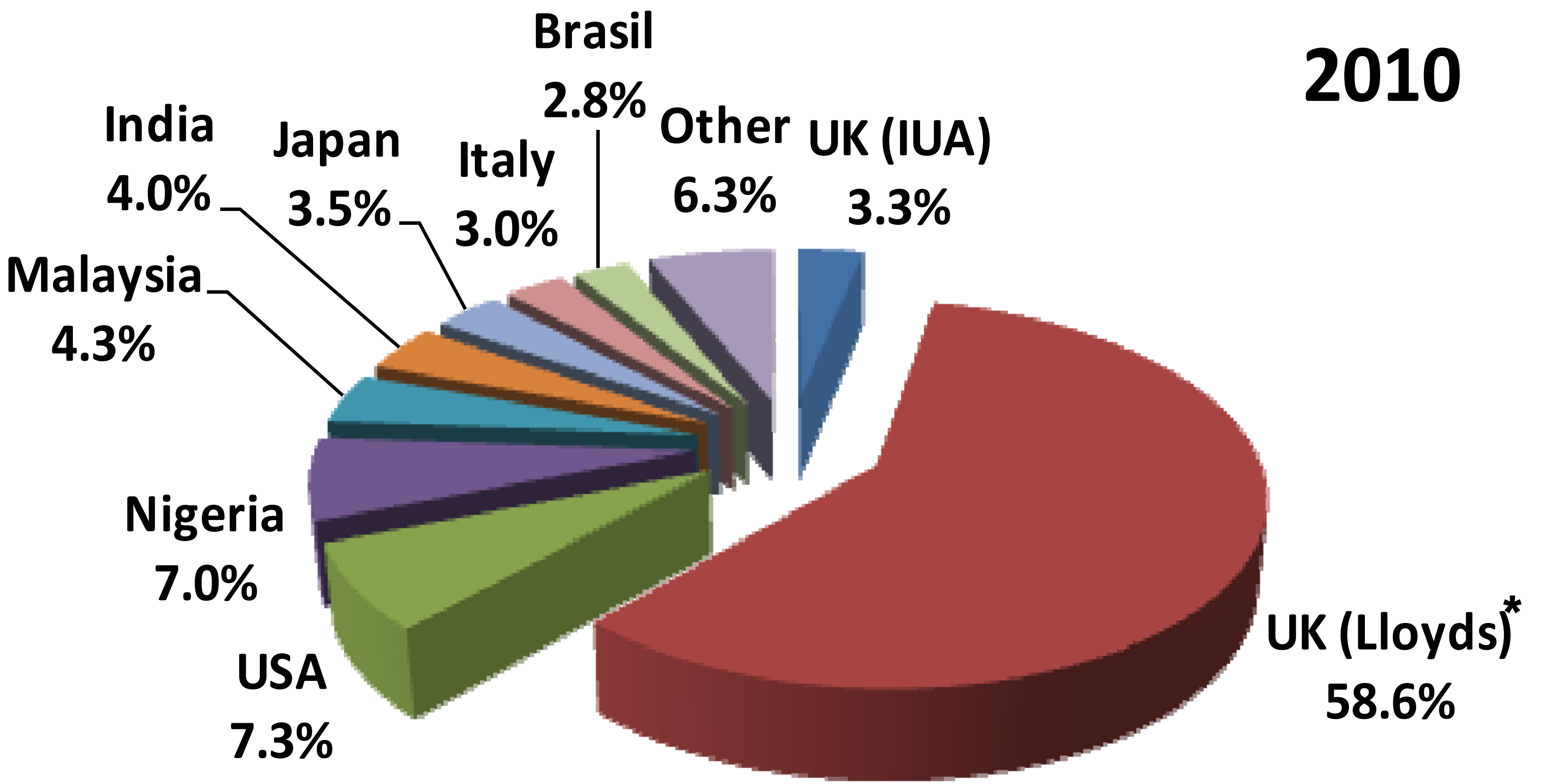
↓ ↓

Income → Insurance results



Global Offshore Energy Premium by markets

Total reported: 3.37 USD billion

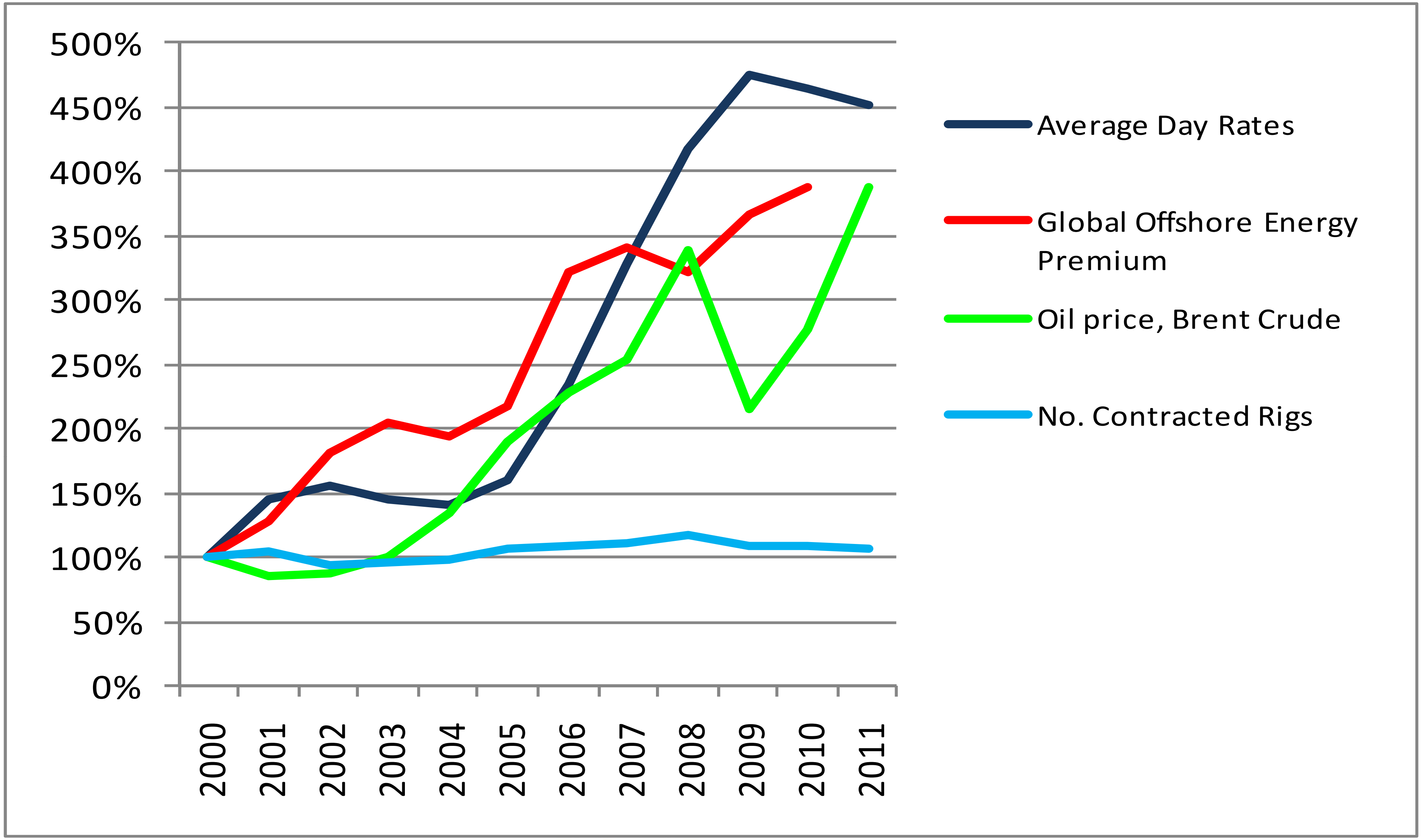


* includes facultative and prop. reinsurance

No data: Nordic region, Russia, Kazakhstan.

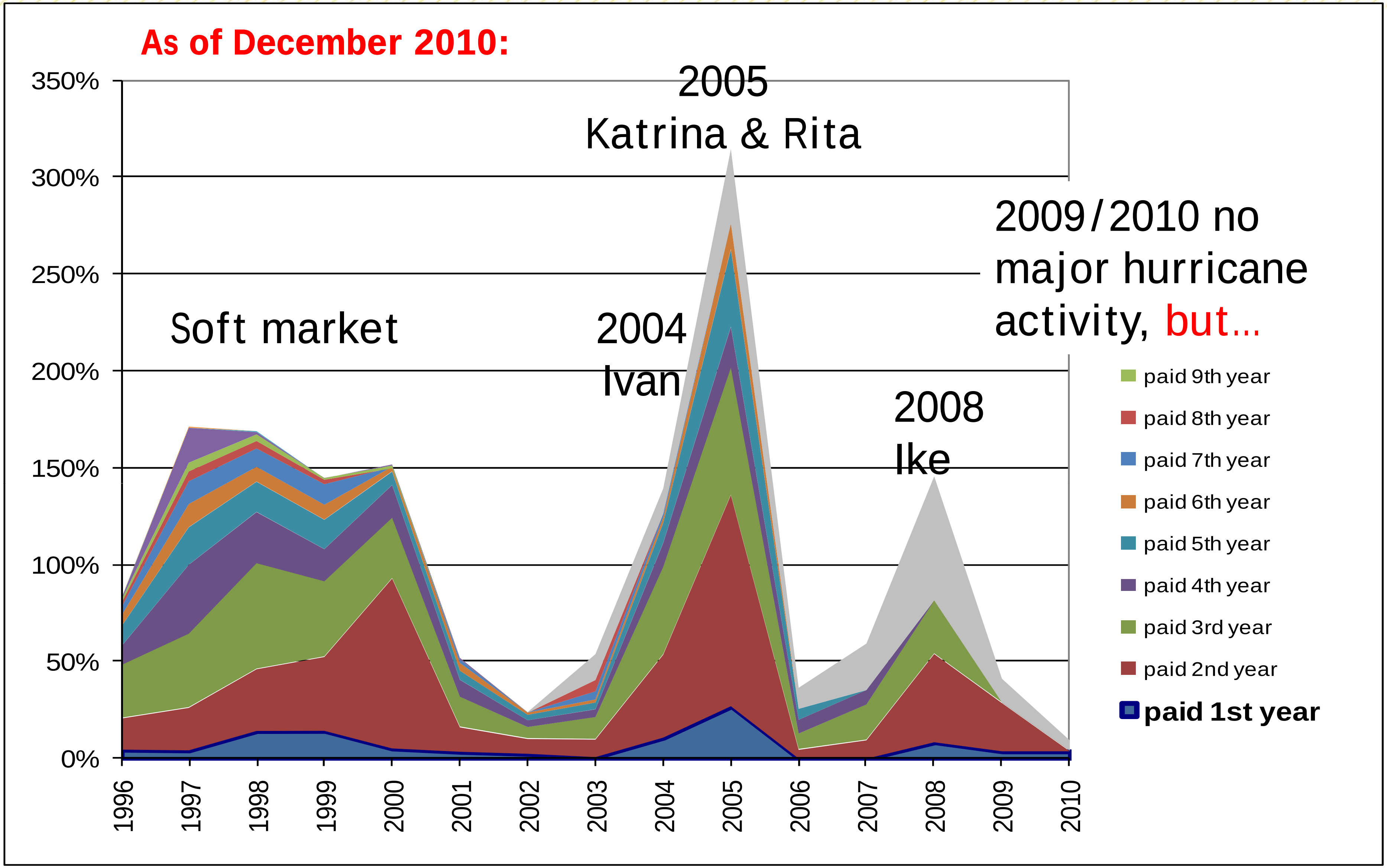
Energy Mobiles, Day rates, Oil Price, Global Offshore Energy Premium

Index of evolution, 2000 = 100%



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

Offshore Energy Gross Reported Loss Ratios (excluding liability) – U/W Years 1996 to 2009



Summing up Offshore Energy

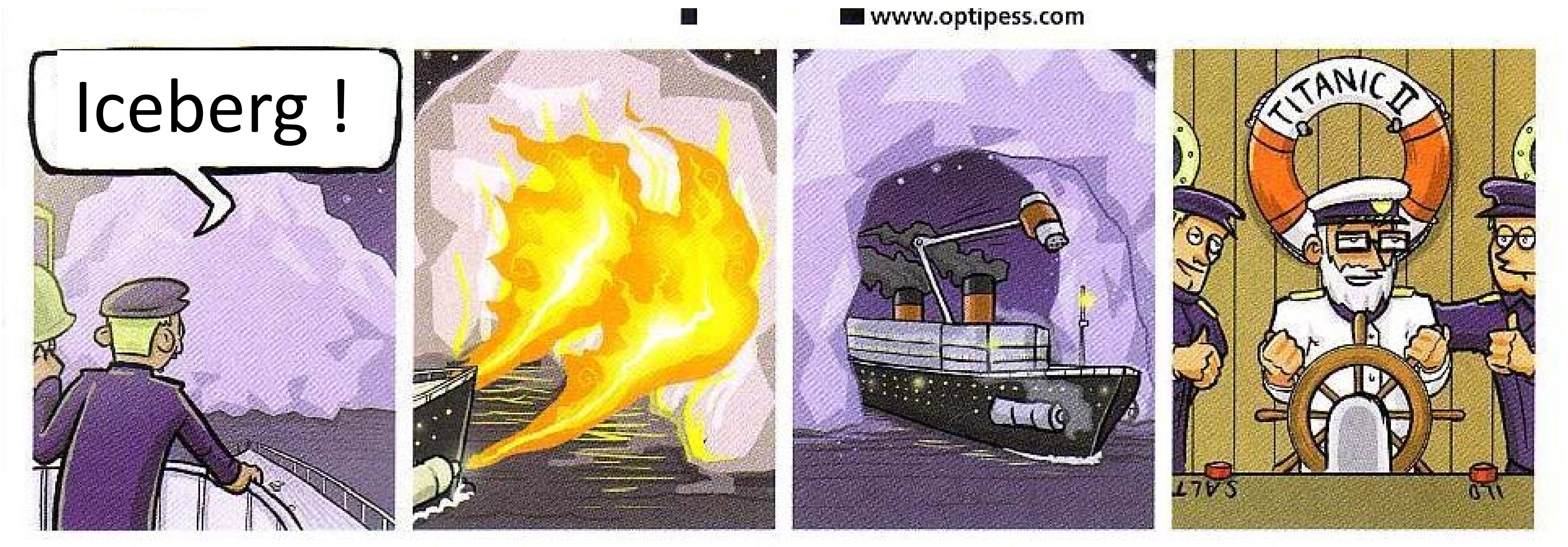
- Volatile business, strong hurricane impact – but reduced in recent years.

- 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.

- **2009 to 2011**:
  - Little hurricane impact.
  - **Increasing impact by single loss events!**
  - **Events with high liability cost** (2009 West Atlas, 2010 Deepwater Horizon) - **not reflected by reported loss ratios**.
  - In 2011 already three major single loss events – ca. 1.6 $ bn.

Thank you!



Sometimes you may need a new solution…
(or an actuary?)

The End – Vive la France!

Cédric Villani = famous French mathematician/physicist.

“How could we know that a mathematician could be so artistic & creative?”

(Blogger about Cédric Villani after the Scandinavian Talk Show “Skavlan” 1. okt. 2010)