



State of the Hull Market



Simon Beale
Chairman, Ocean Hull Committee



IUMI Ocean Hull Committee

- Simon BEALE UK Lloyd's
Chairman
- Sergey TRUBITSYN Russia
- Antonio SALGADO Gorostizaga Spain
- Ole WIKBORG Norway
- Volker-Joachim BERGEEST Germany
- Denis DEVELEY France
- Bartolomeo BARBERIS Italy
- Ryuichi SEGAWA Japan
- Fred ROBERTIE USA





AGENDA

- **Casualty Statistics**
 - Total Loss Trends
 - Major Partial Loss Trends
 - Building Risk Losses
- **Shipping Statistics**
 - Fleet Growth
 - Freight Rates
- **Underwriting Statistics**
 - Market Results
 - Pricing Analysis





Casualty Statistics



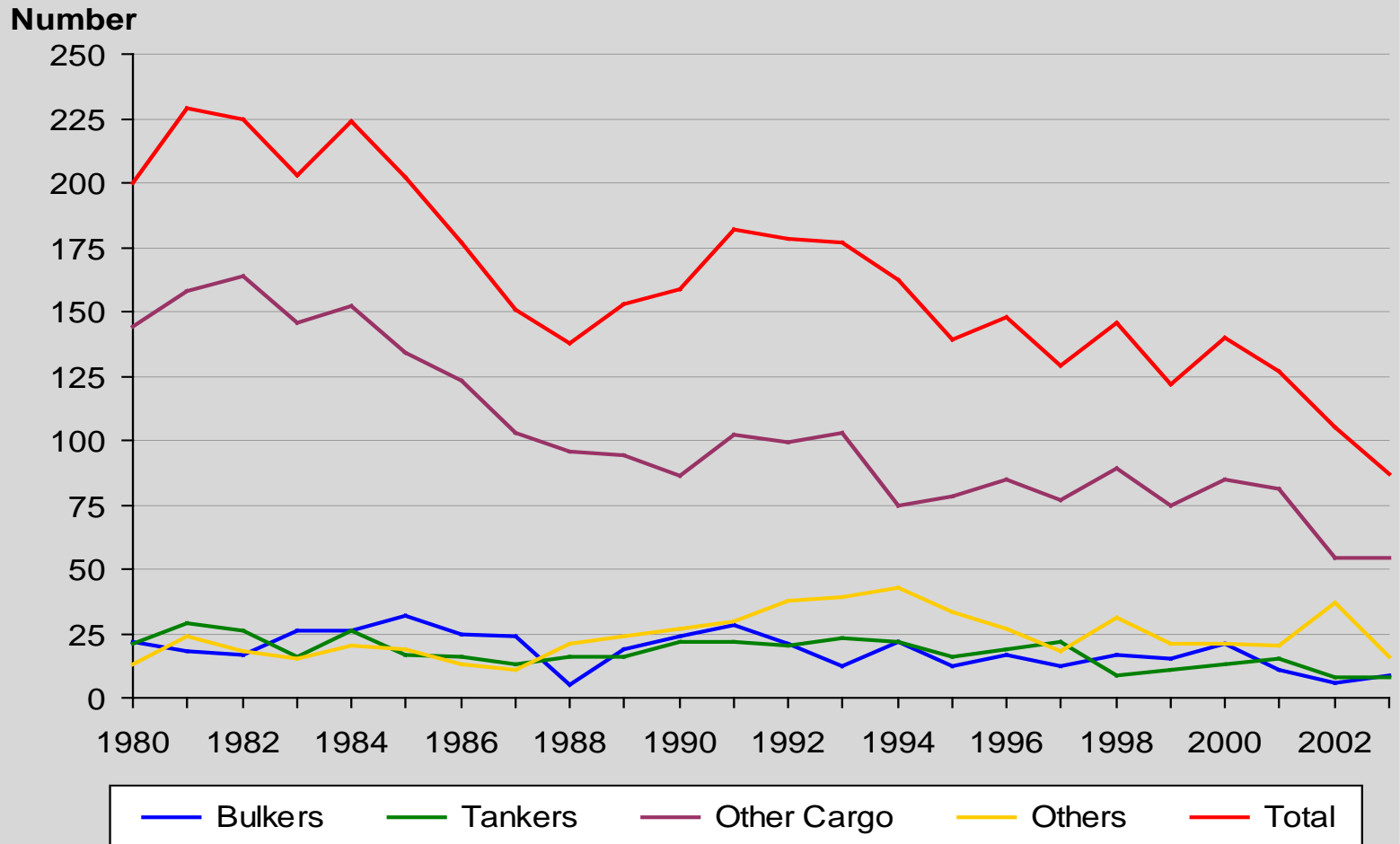
Total Loss Trends



Total Losses 1980 – 2003

By Number

Vessels > 500Grt

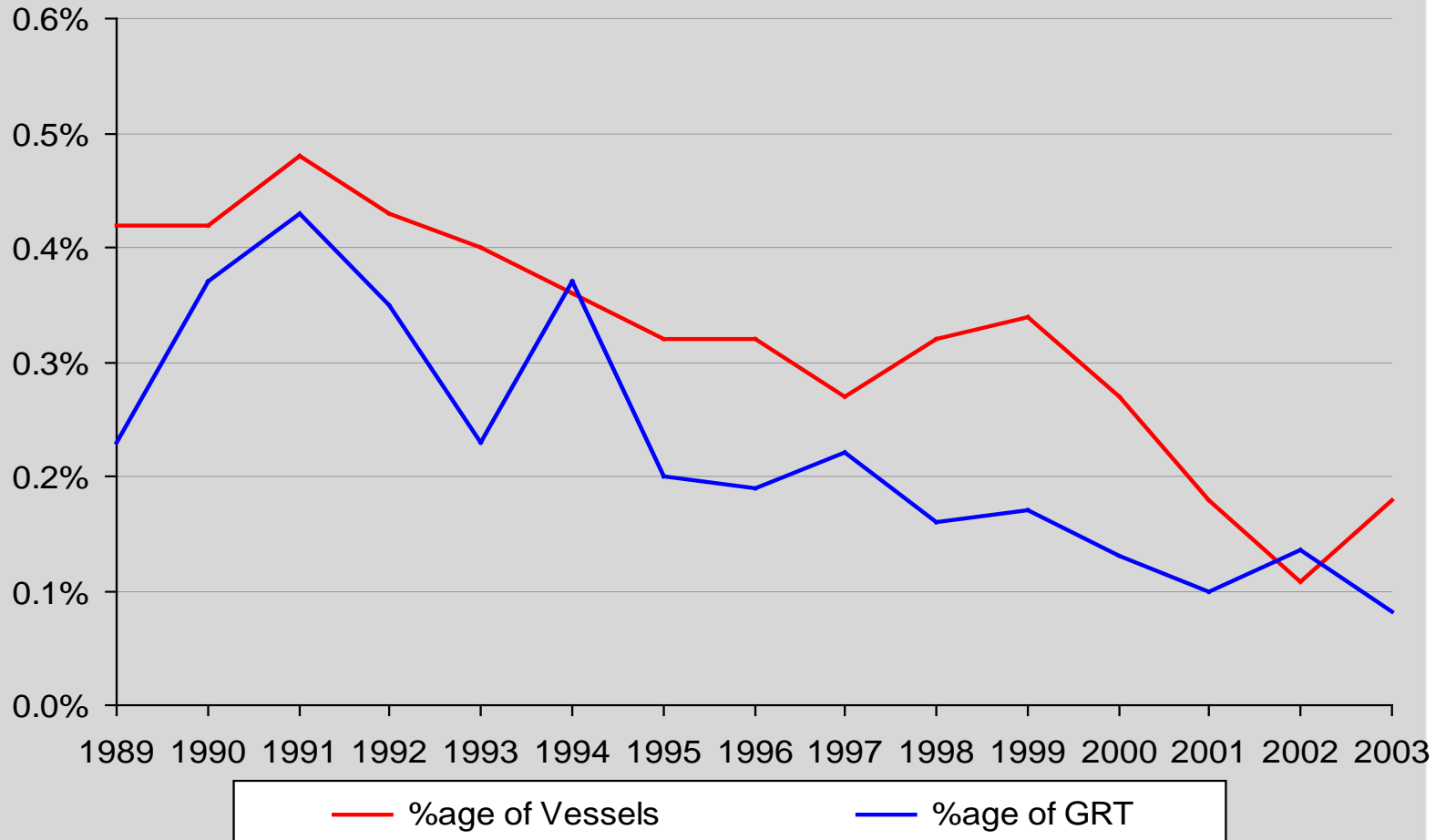


Total Losses 1989 – 2003

As Percentage of World Fleet

Vessels > 500Grt

% of World Fleet



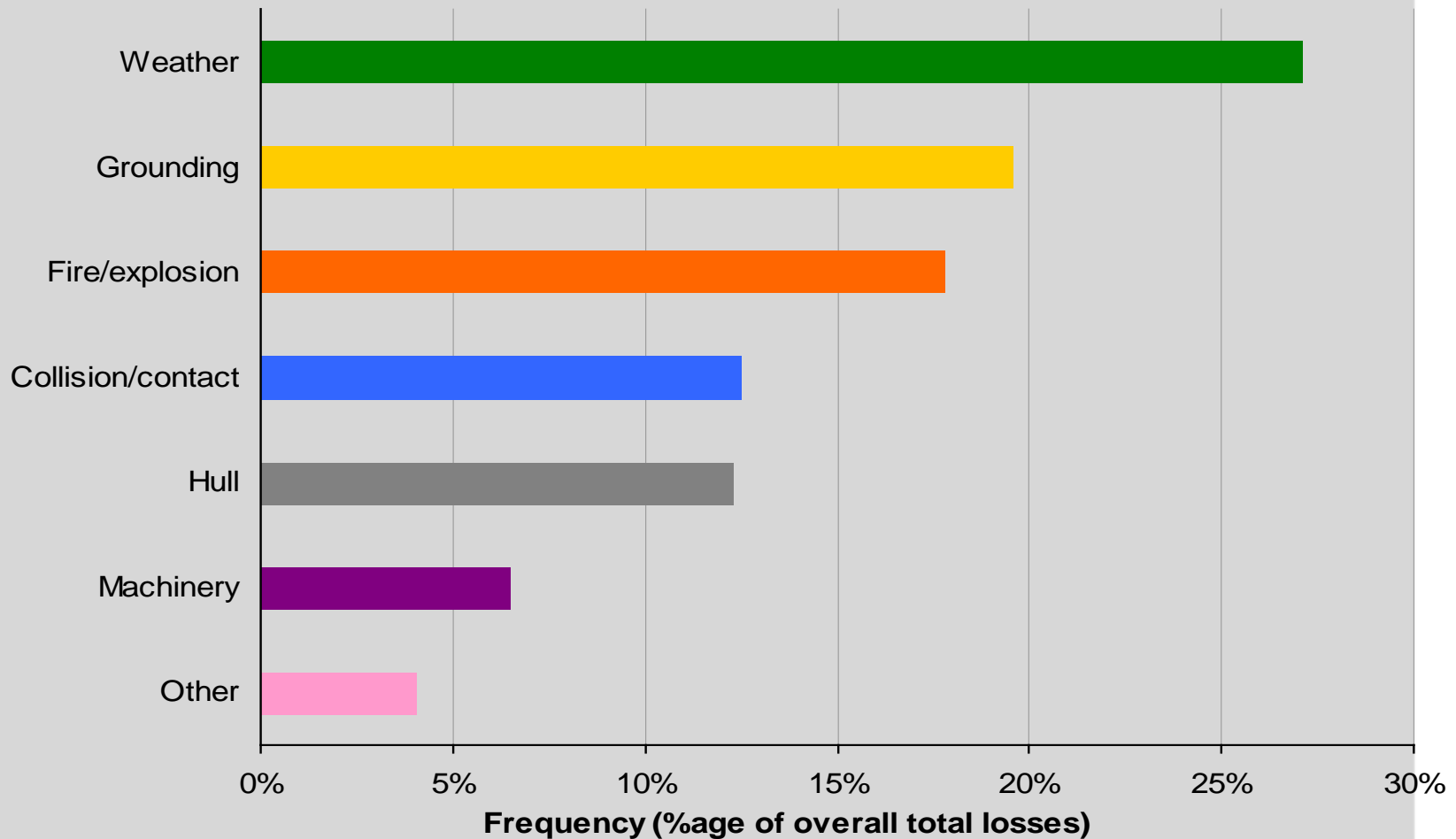
Source: LMIU for Joint Hull Committee



Total Losses 1994 – 2003

By Cause, All Vessel Types

Vessels > 500Grt



Source: LMIU for Joint Hull Committee





Casualty Statistics

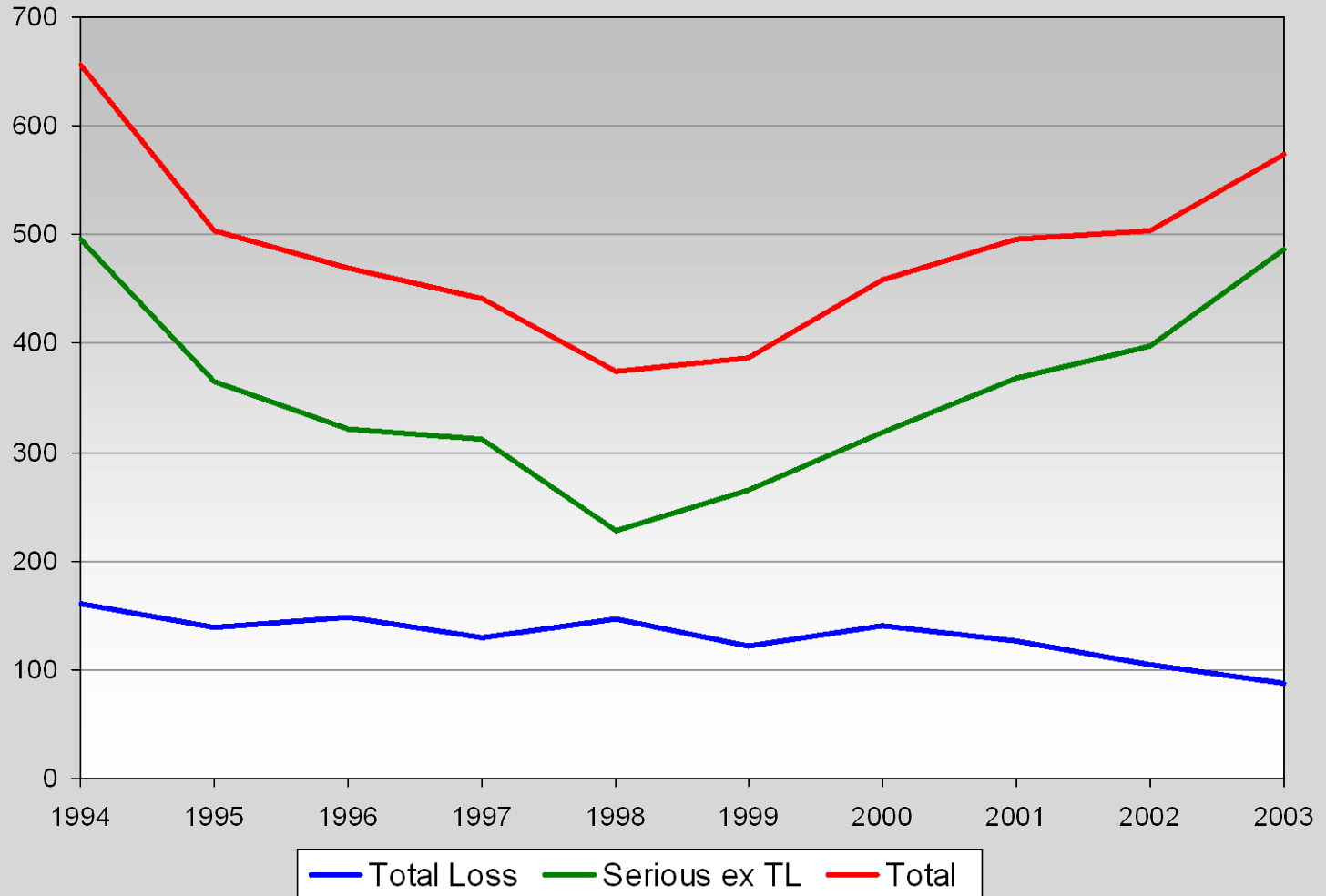


Major Partial Loss Trends

Partial Loss Casualties 1994 – 2003

Serious Losses and Total Losses by Number

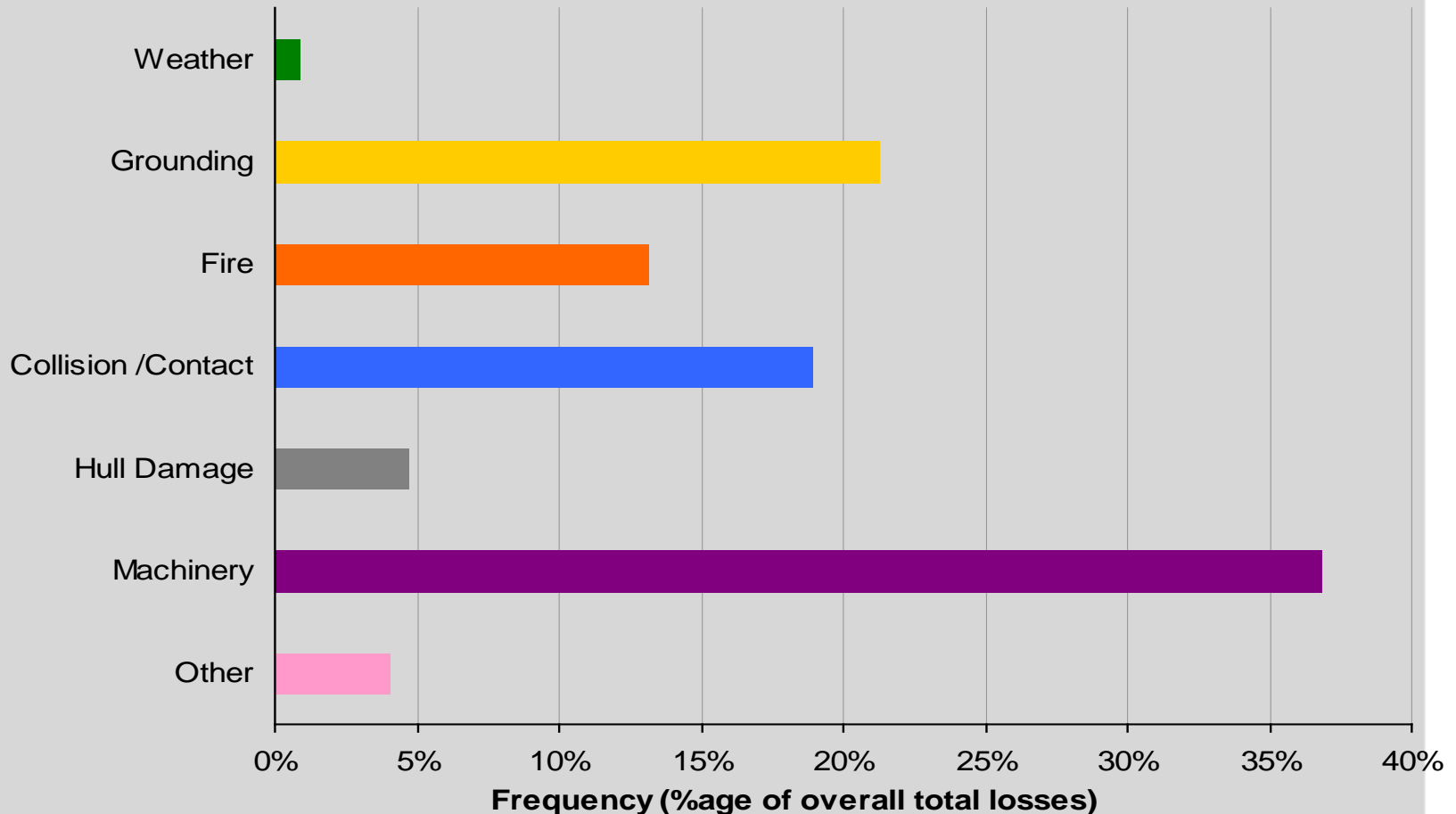
No. of Incidents



Partial Losses 1994 – 2003

By Cause, Principal Vessel Types

Vessels > 500Grt



Source: LMIU for Joint Hull Committee





Casualty Statistics



Building Risk Losses



Recent Major Building Risk Losses

(October 2002 – January 2004)

- **Diamond Princess** \$310m (including \$60m Owner's interest)
- **Ulysees Yacht** \$ 25m
- **Costa Fortuna** \$ 20m
- **Westerdam** \$ 75m
- **Typhoon Maemi** \$ 50m
- **Riyadh Yacht** \$ 30m
- **Pride of America** \$228m
- TOTAL** **\$738m**



Ocean Hull Committee Workshop

Tuesday 14th September 2004

9.00 am – 12.30 pm



Building Risks - Is there a Market?



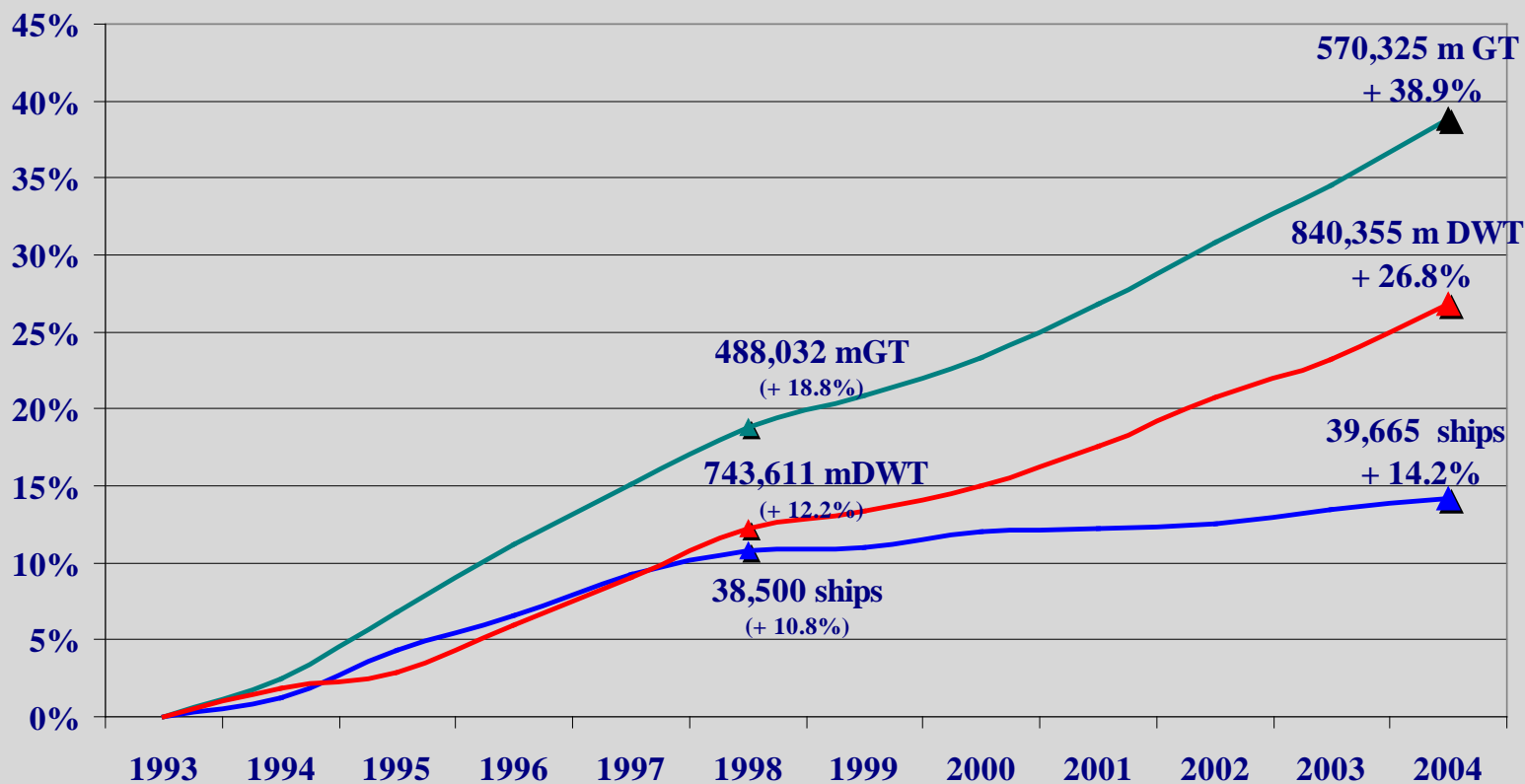
Shipping Statistics



Fleet Growth

World Merchant Fleet of ships of 300gt and over

Evolution of the growth rates (GT, DWT, and Number of ships)
between 1003 and 2004



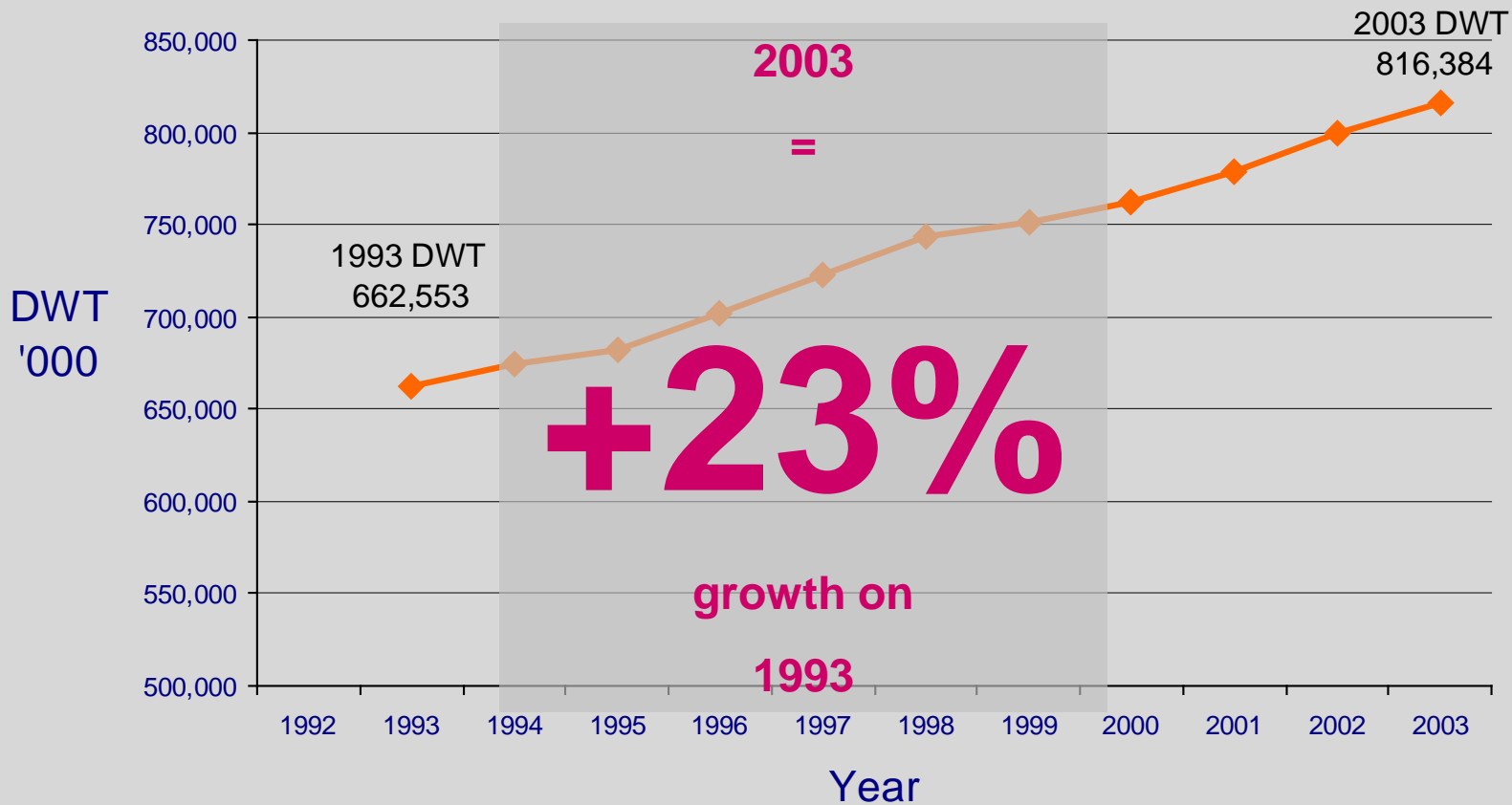
Source: Indicators issued from various sources such as ISL Bremen for World fleet and trading figures (as at May 2004) and Clarkson Research Studies for shipbuilding and scrapped vessels (as at June 2004).





Total Merchant Fleet

DWT 1993 - 2003



Source: Institute of Shipping Economics & logistics.





Fleet Growth Conclusion

- **Since 1993**

- **Strong growth in world fleet**

- 13% in number of vessels

- 23% in DWT

- 35% in GRT

- **Growth in vessel size**

- Avge DWT (19,100 DWT – 20,700) + 9%

- Avge GRT (11,800 – 14,000) + 19%

- **? increased values**

- **? increased premiums**





Shipping Statistics



Freight Rates



Freight Rates

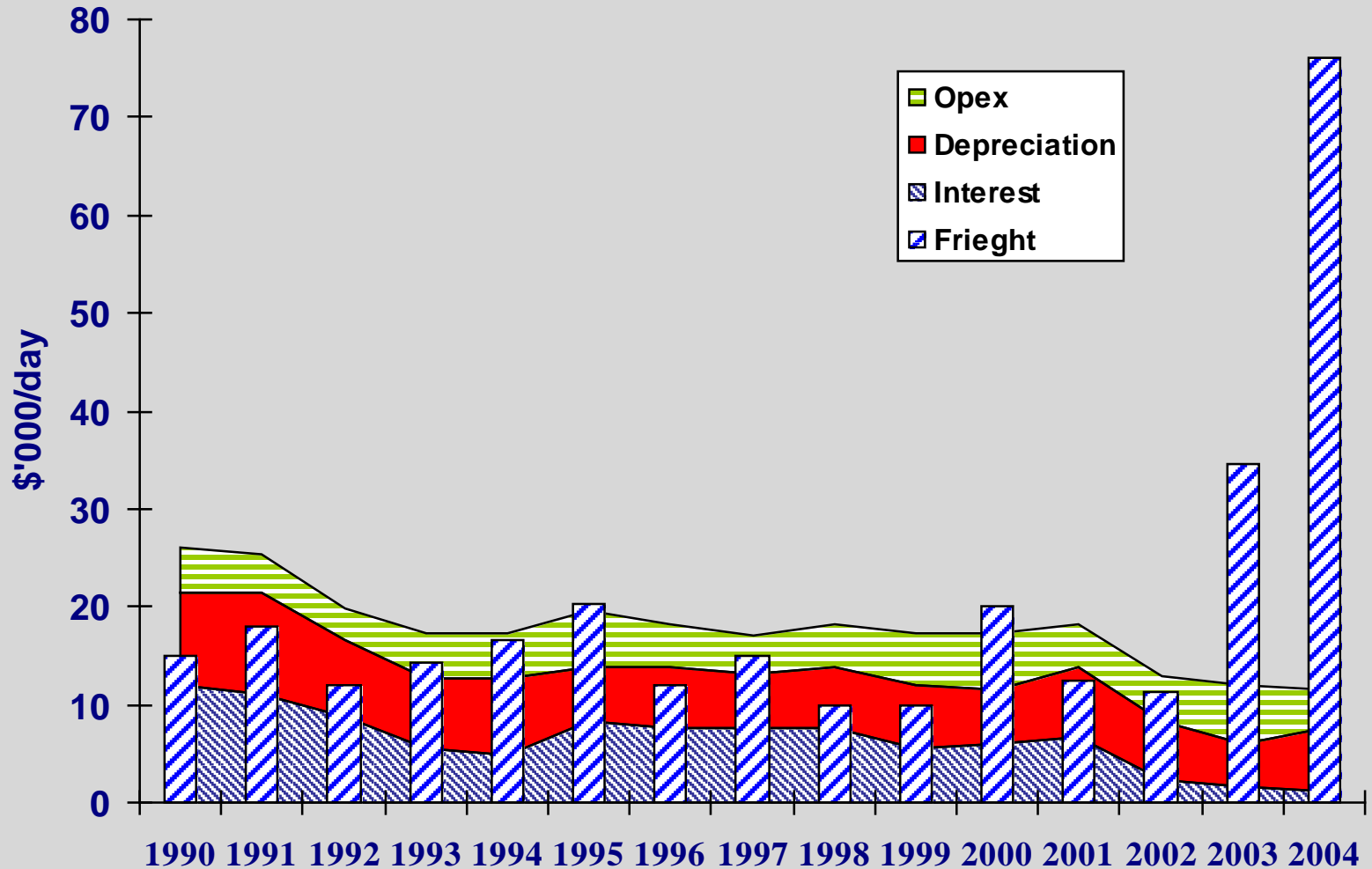
Clarksons Index 1990 - 2004



Source: Clarksons Freight Index

Capesize Operator Earnings V's Expenditure

Depreciated over 20 years, interest at LIBOR



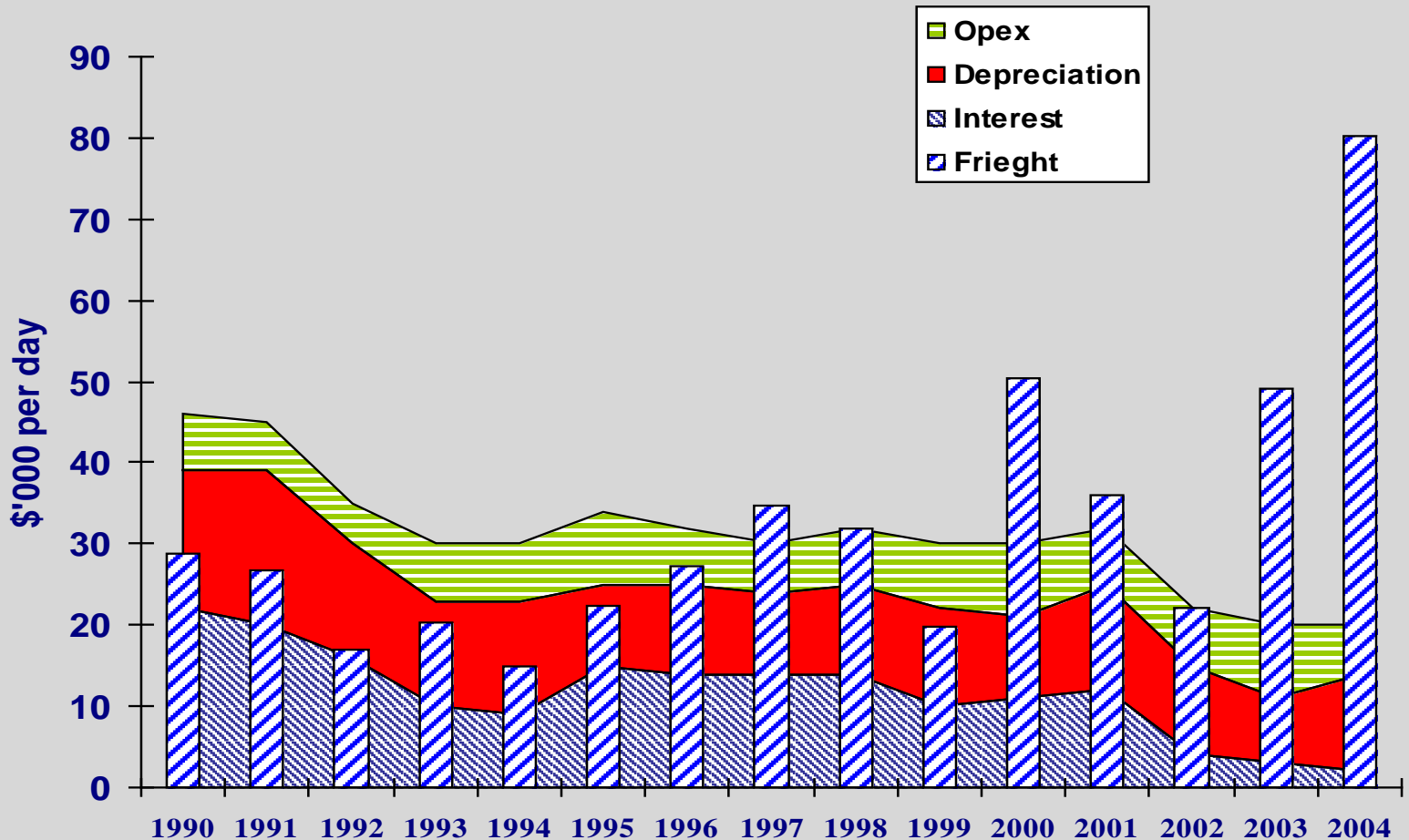
Source Clarksons





VLCC Operator Earnings V's Expenditure

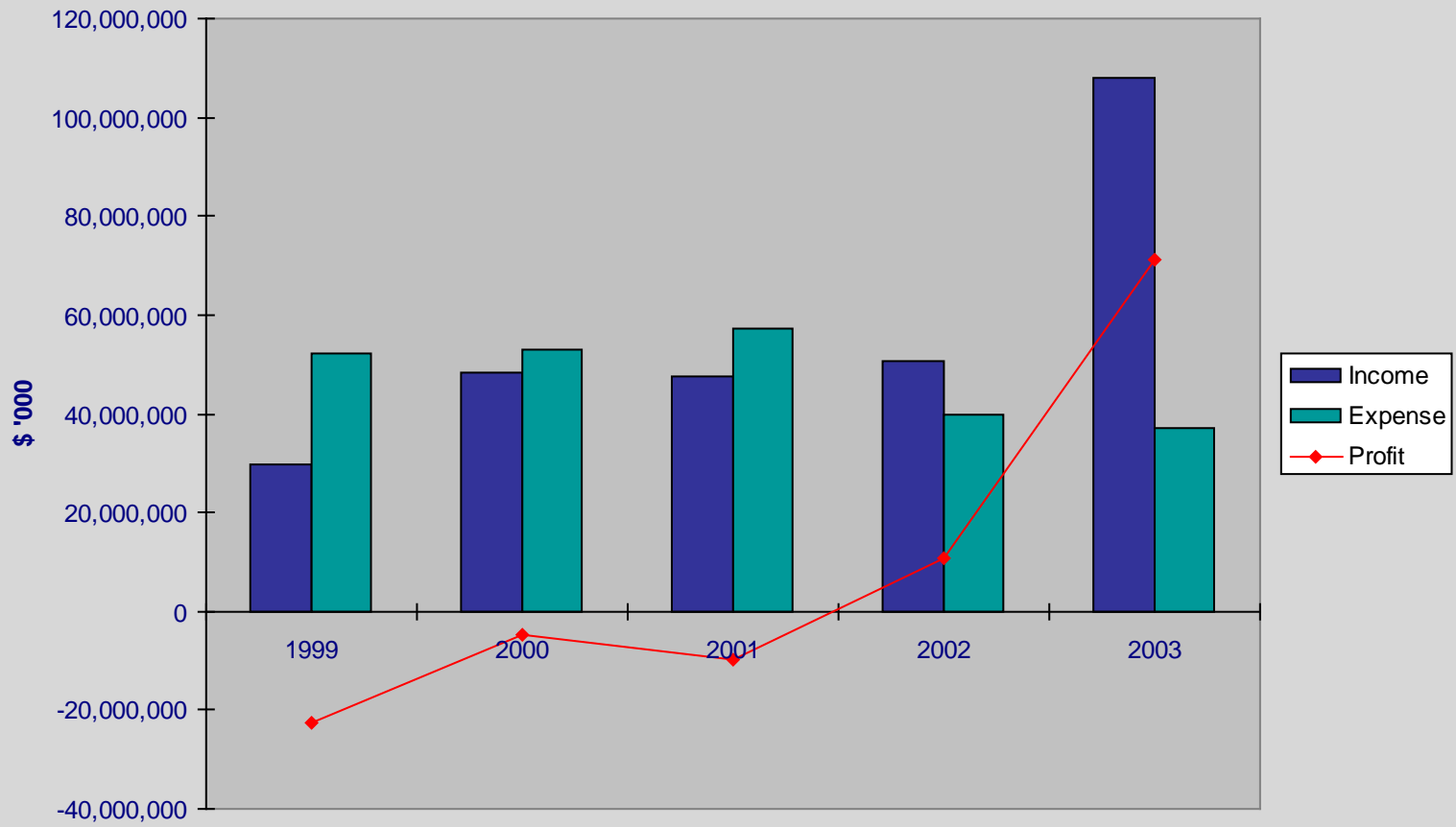
Depreciated over 20 years, interest at LIBOR



Source Clarksons



Cargo Shipowners' Earnings



Source: Joint Hull Committee





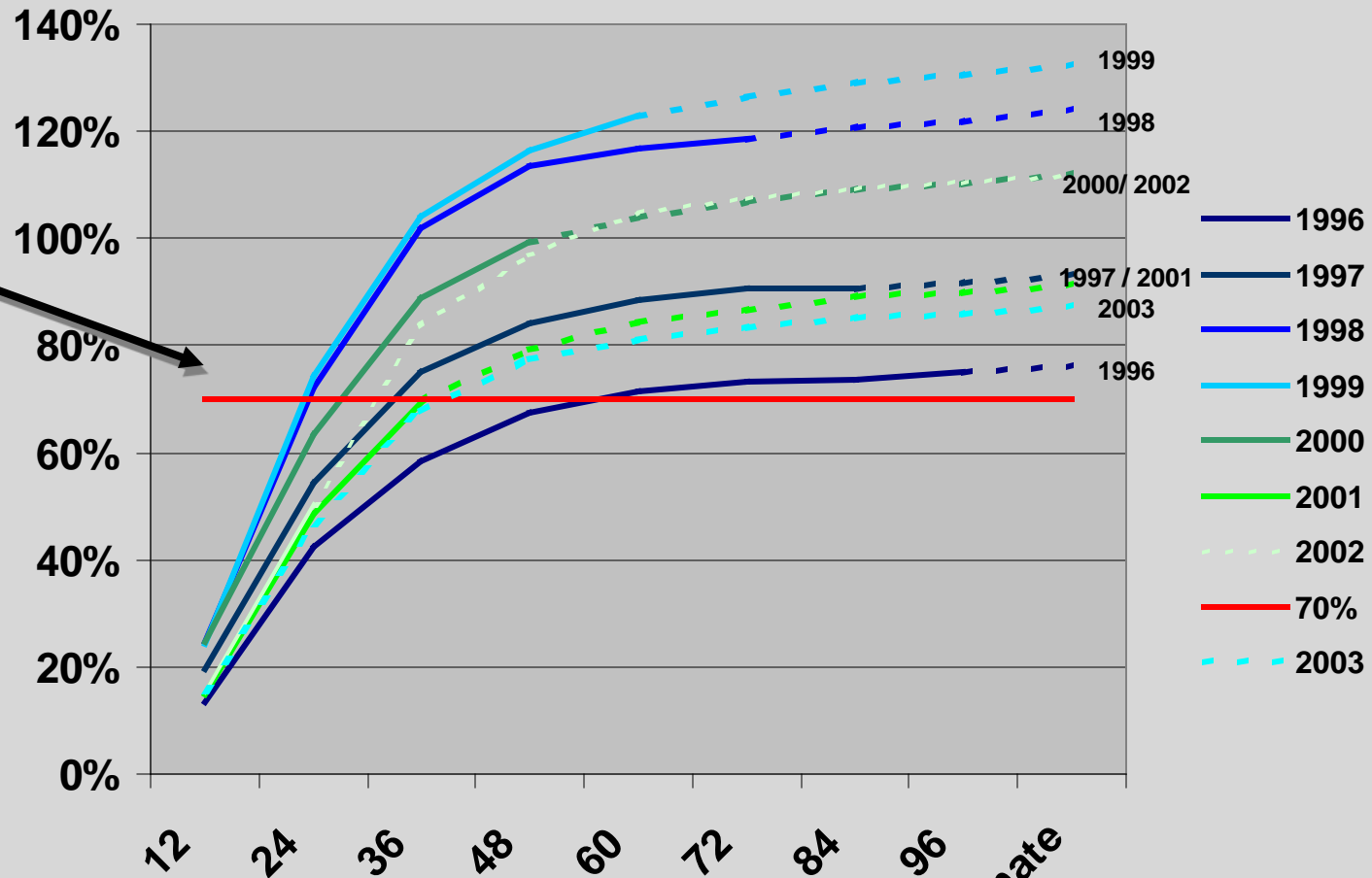
Underwriting Statistics



Market Results

Marine Hull – Evolution of Gross Loss Ratio, actual and estimated towards ultimate

U/W Year 1996 to 2003



Assuming a 30% expense ratio (acquisition and management expenses), technical break even is achieved when the gross loss ratio does not exceed 70%



Ultimate calculation based on figures of 6 Member Organisations: France, Germany, Italy, Norway, UK Lloyds, UK IUA (6 for 1996 – No Germany)



Underwriting Statistics

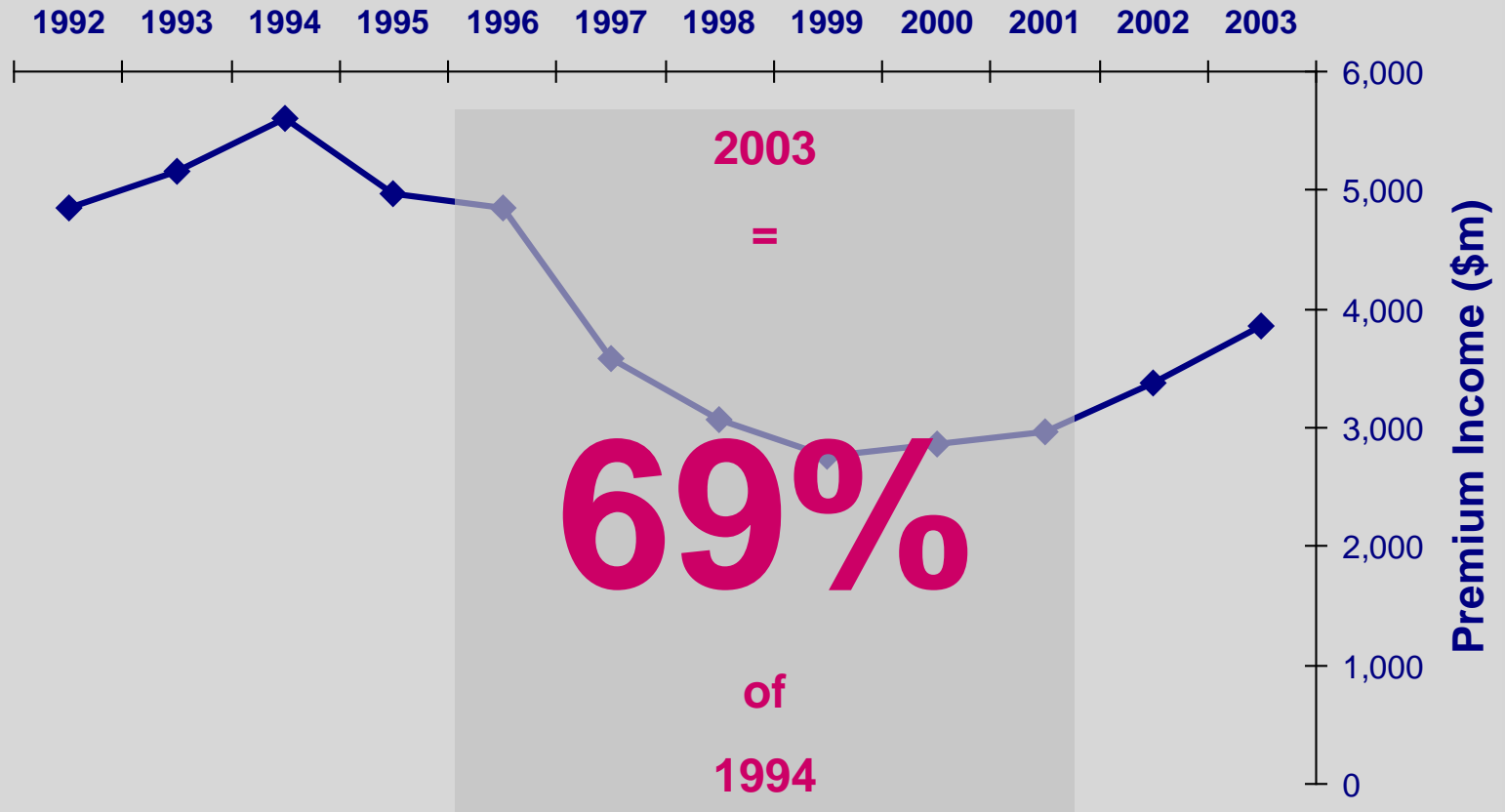


Pricing Analysis

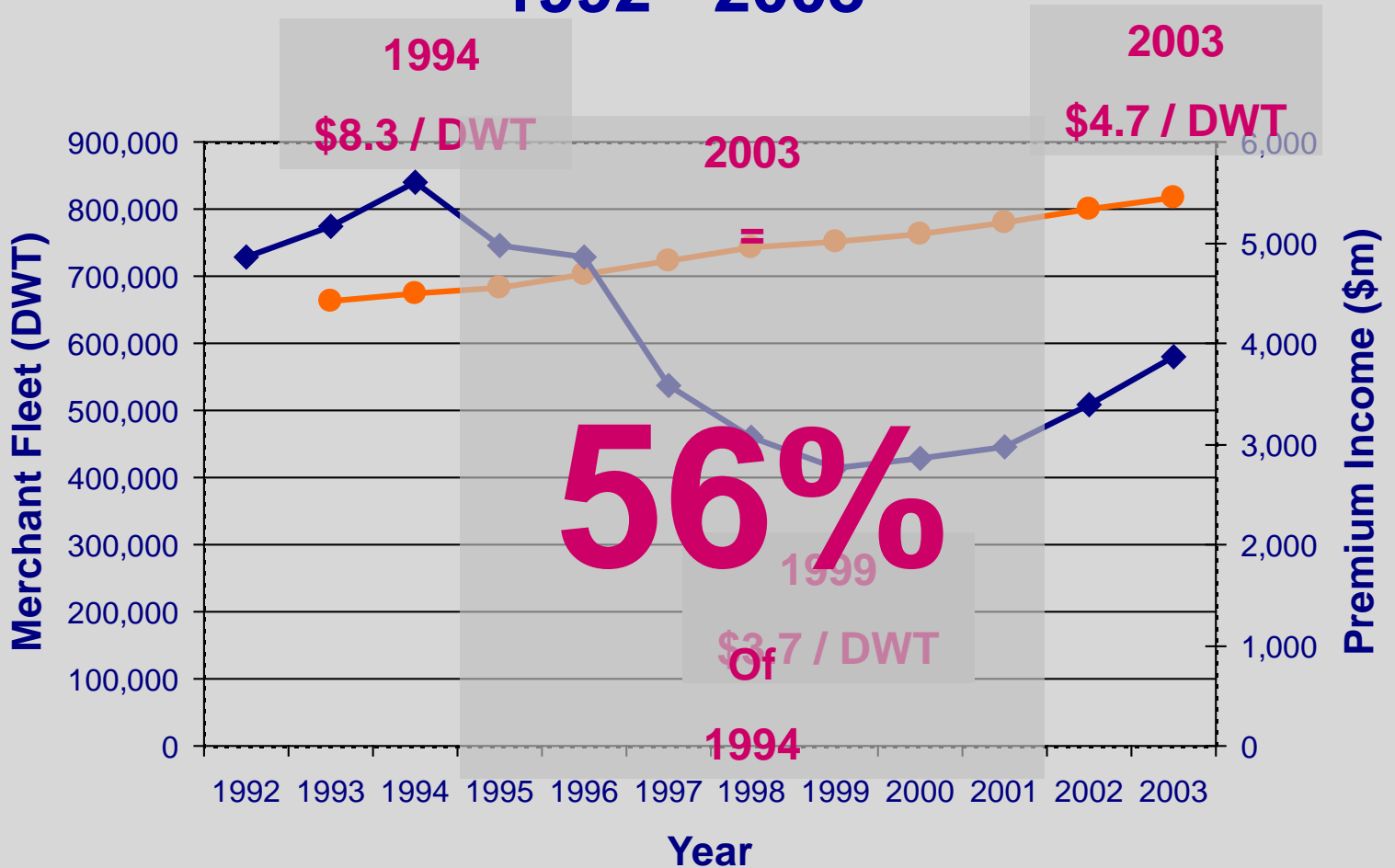


Global Marine Hull Premium (\$m)

1992 - 2003



Global Marine Hull Premium (\$m) v's Merchant Fleet (DWT) 1992 - 2003

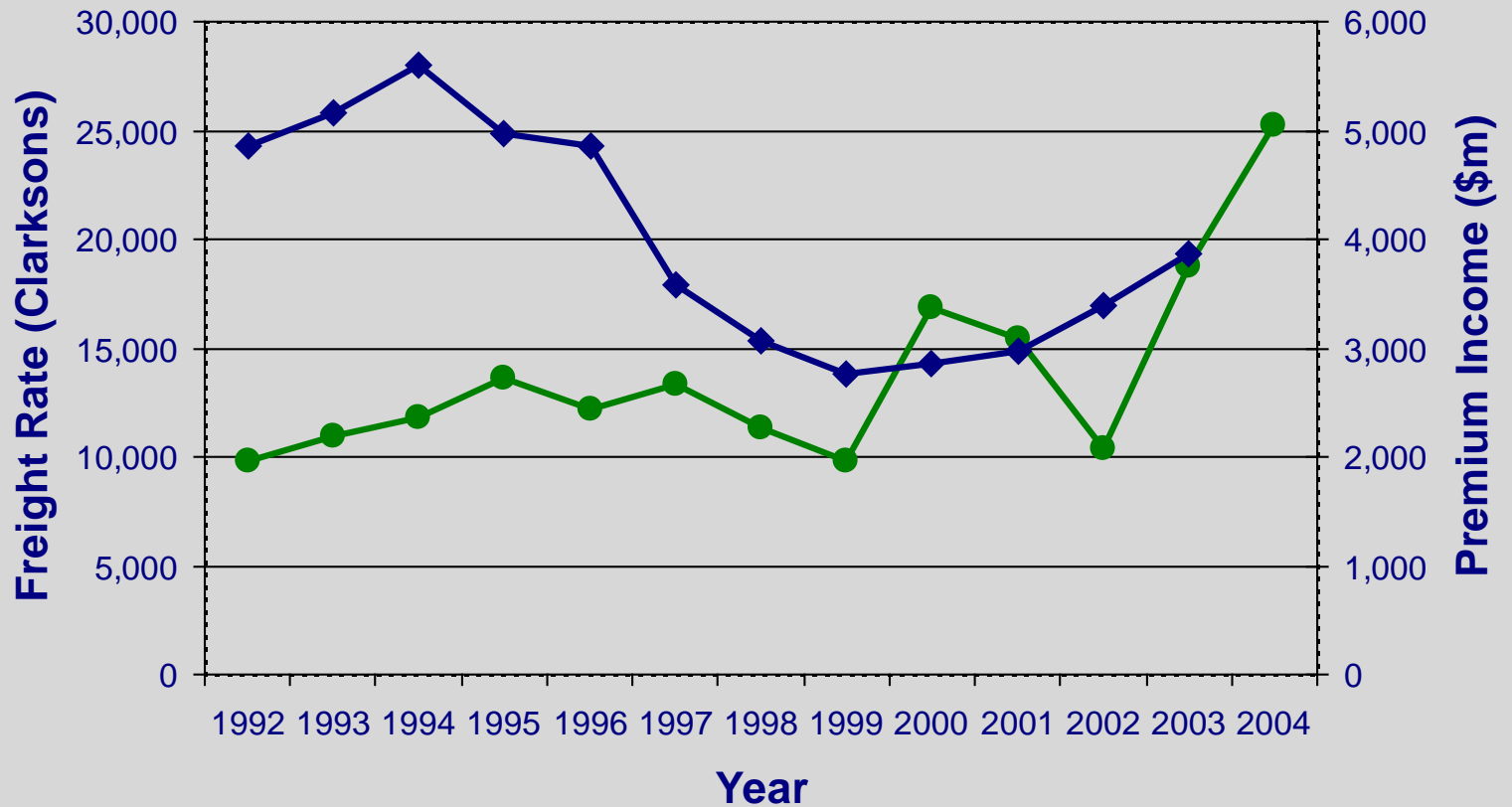




Global Marine Hull Premium (\$m)

v's Freight Rate (Clarksons Yearly Average)

1992 – 2003 (2004 avg to August)

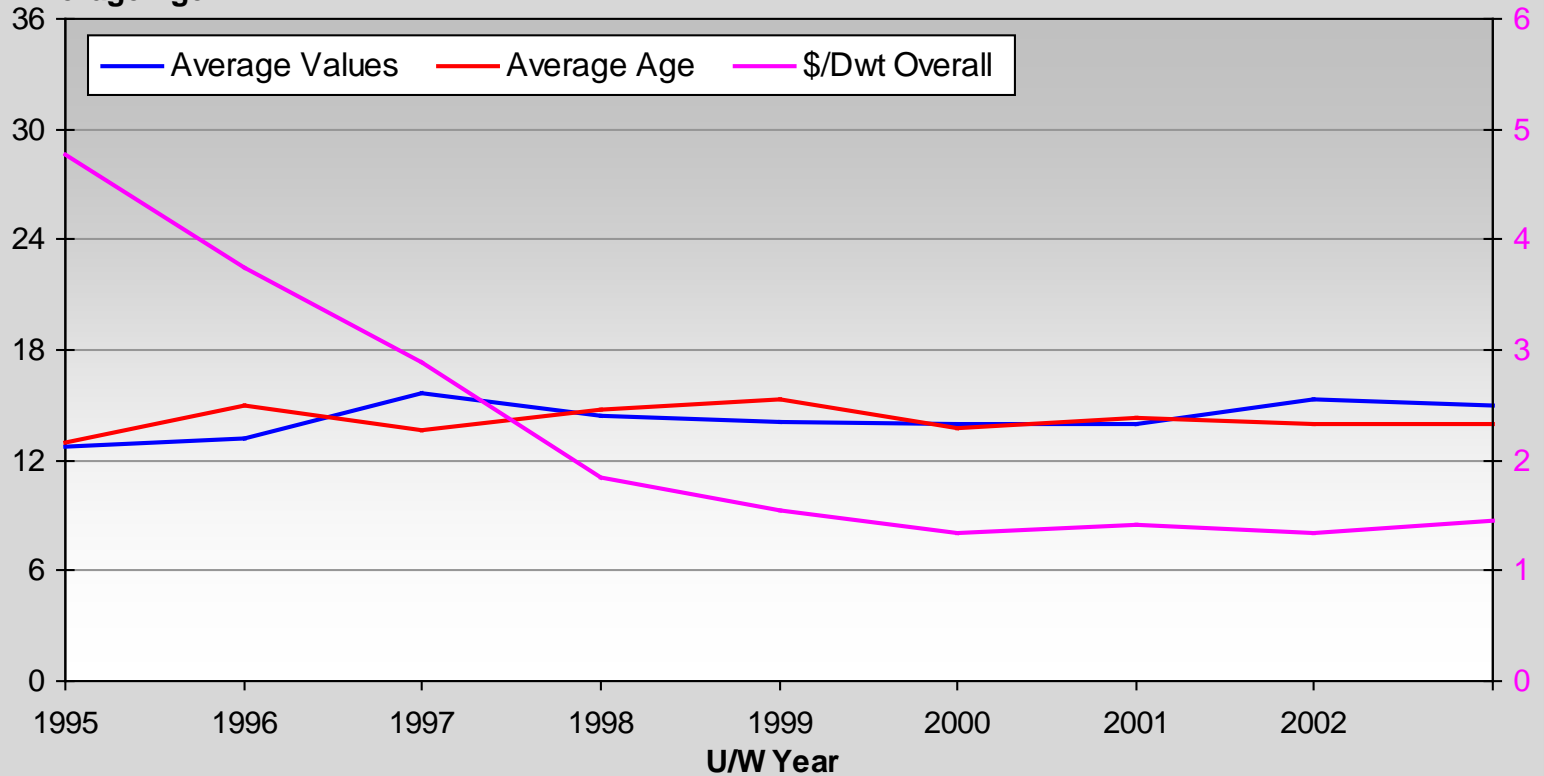


Underwriting Statistics Relative Rating 1995 – 2003

(Sample 1)

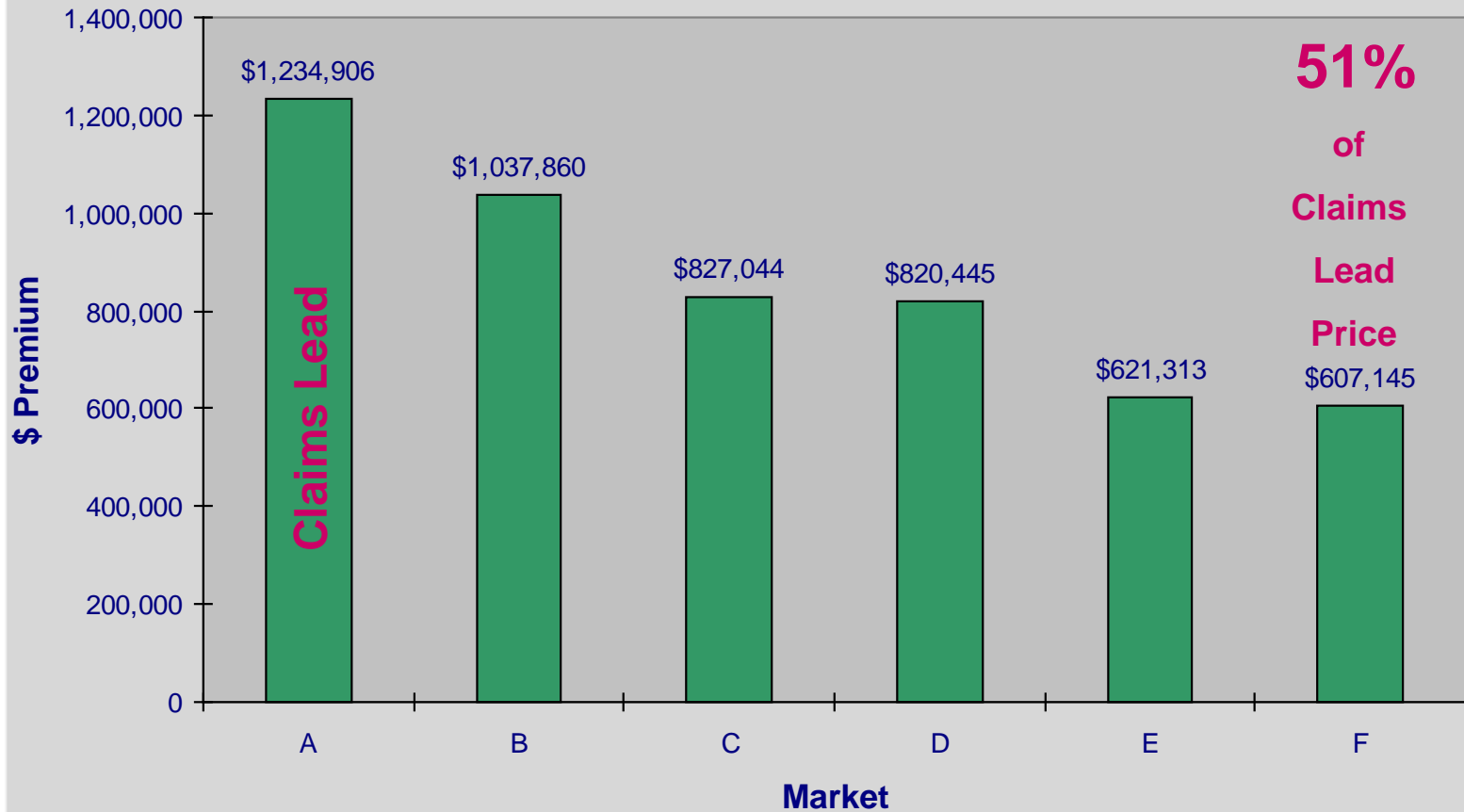
Average Value (\$m) &
Average Age

\$/Dwt Overall



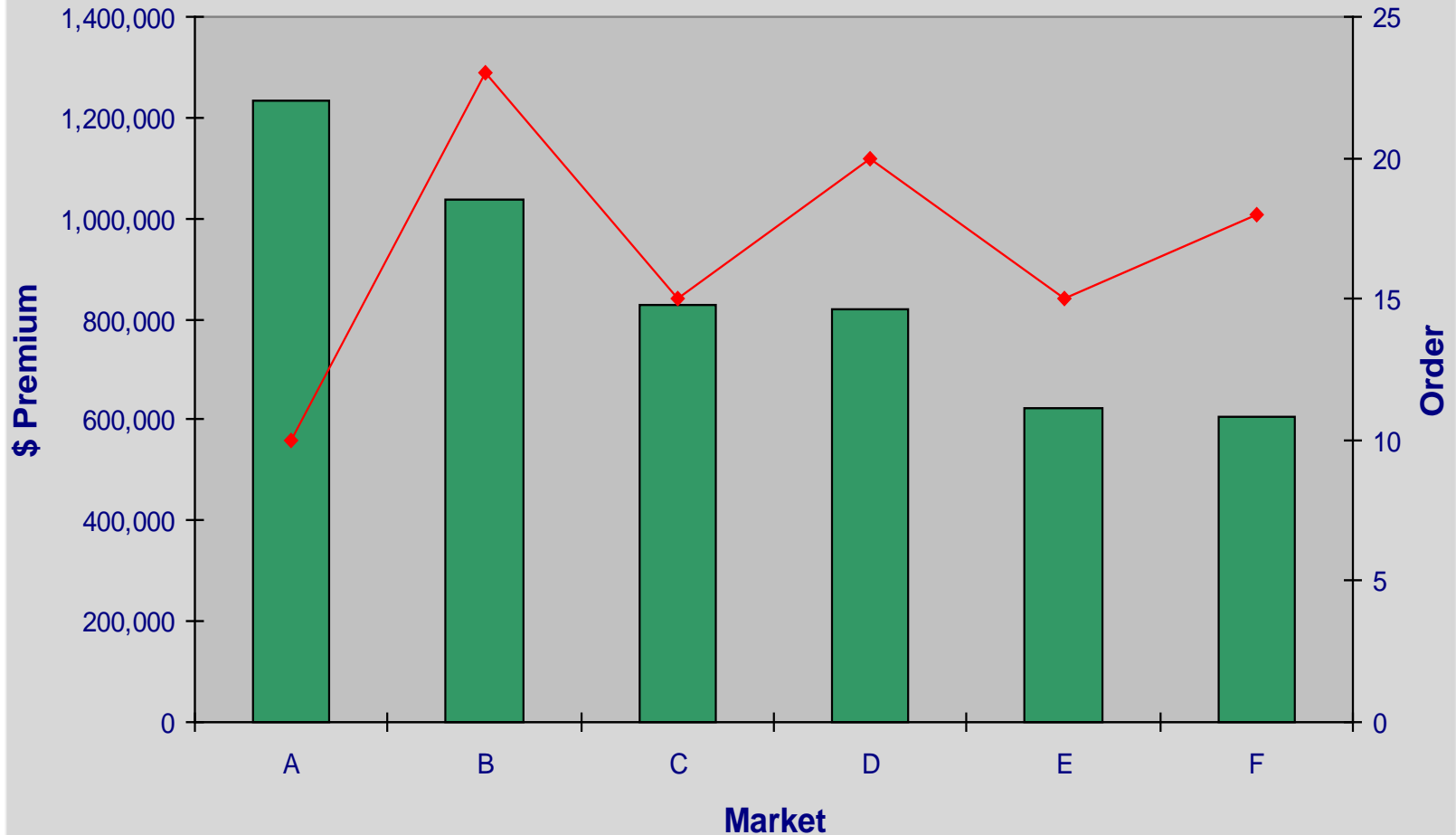


International Market Premiums 'Discounted' Fleet

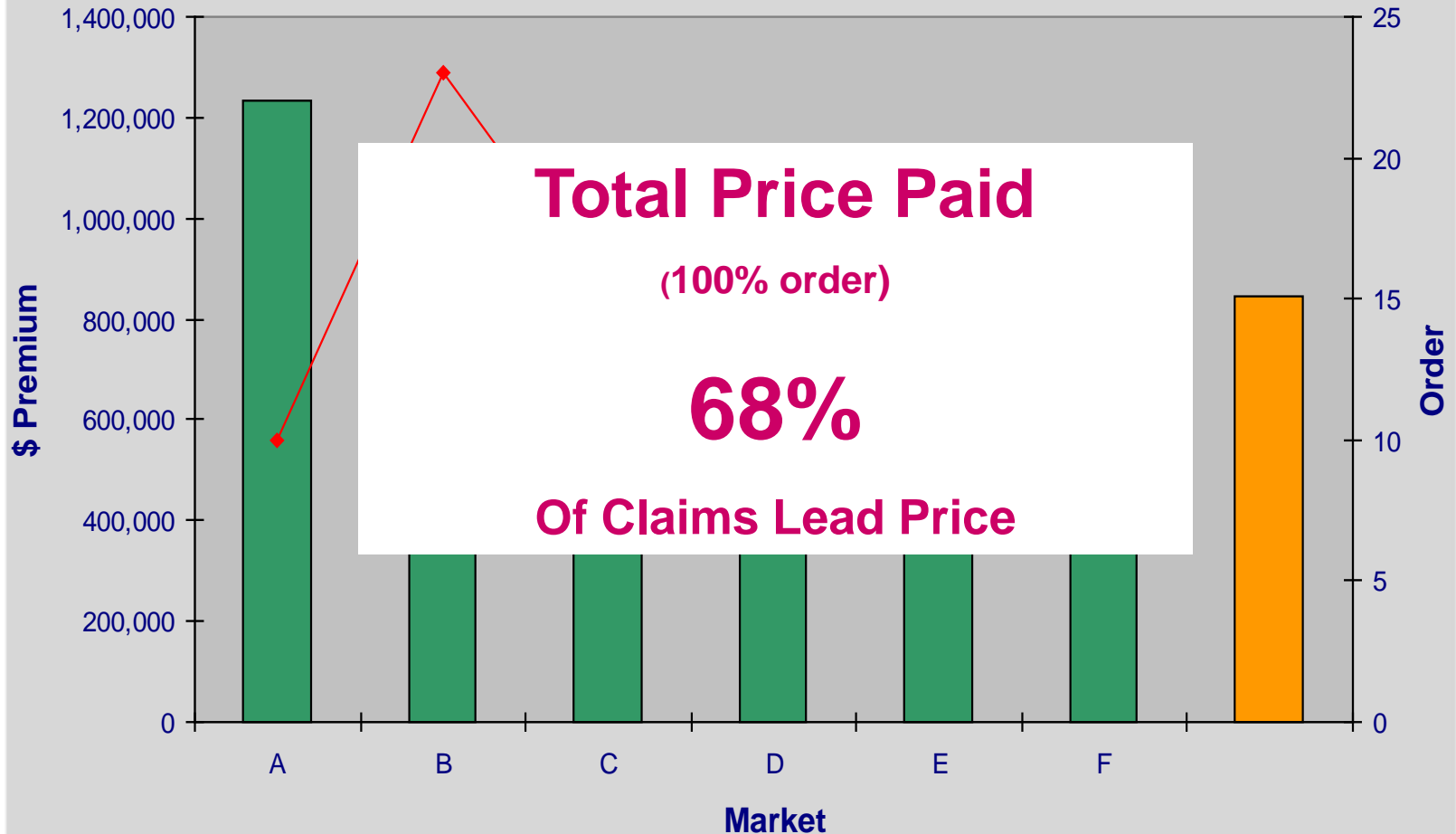




International Market Premiums 'Discounted' Fleet



International Market Premiums 'Discounted' Fleet



Source: Broker Research





International Pricing

- **Claims Lead Market (CLM) always has highest price**
 - order as low as 10%
 - as high as 85%
 - (normally 30%)
- **Dramatic price differential from 'CLM' price**
 - as low as 26% of Claims Lead price
 - as much as \$900,000 below (50%)
 - on average less than 60% of Claims Lead price
- **Overall price paid is 78% of 'CLM' price**

For world fleet **\$1bn** left 'on the table'





Conclusion

- **Losses on an upward trend**
- **Exposures increasing**
- **Underwriters' unprofitability continues**
- **Pricing improved Larger & higher value vessels**
 - **Lack of underwriting technical expertise**
 - **International dynamics**
 - **Lack of underwriting management / discipline**

