Global Marine Insurance Report 2009

- Global Marine Insurance – Overview
- Global Hull market
- Global Cargo market
- Global Offshore Energy Market
- Addendum (in download only): Tables with underlying reported figures
Global Marine Premium 2008
by line of business

Total reported: 22.23 USD billion

2008

- Global Hull: 27.5%
- Transport/Cargo: 55.8%
- Marine Liability: 10.5%
- Offshore/Energy: 6.2%

Total estimated including not reported: 22.9 USD billion
**Market Shares 2008**

**Total reported: 22.23 USD billion**

- **Europe**: 58.96%
- **Asia/Pacific**: 23.34%
- **North America**: 11.05%
- **Rest of the world**: 6.65%

**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 (new 09), Brasil, Congo, Egypt, Israel, Kazakhstan (new 09), Kenya, Lebanon, Mexico, Morocco, Nigeria, South Africa, Tunisia, United Arab Emirates

*Countries in italics did not report in 2009*
MARINE MUTUAL MARKET
P&I Clubs in International Group
Gross Calls 2008 (Premium) – Operational location

Calls 2008 (USD billion)
UK: 1.79
Nordic: 0.74
Japan: 0.23
US: 0.14
Total: 2.91

Source: Standard & Poors Marine Mutual Report 2009
Global Hull Premium by markets

2008

- France: 7%
- Italy: 7%
- Japan: 10%
- Korea, Republic: 5%
- Netherlands: 4%
- Nordic (Cefor): 16%
- Spain: 5%
- UK (Lloyds): 10%
- UK (IUA): 5%
- Other markets: 25%
- USA: 5%

Total: 6.1 USD billion

* including Non-Norwegian members
World Merchant Fleet and Global Marine Hull & Liability Premium

Index of evolution, 1995 = 100%

2009 drop in ship values: Effect on hull premium level?

Sources: Indicators for World Fleet from ISL Bremen, Vessel value index: CEFOR, as of 30.06.09
Renewed Hull vessel values –
Change in insured values, renewals by month
(= insured value on renewal / insured value previous year)

After strong increase in 07 and 08, insured values decrease from 4th quarter 2008

Source: Cefor, The Nordic Association of Marine Insurers
Global Cargo Premium by markets

Total: 12.4 USD billion

- 2008
- Belgium: 3%
- Brasil: 6%
- France: 8%
- Germany: 11%
- Italy: 5%
- Japan: 16%
- USA: 7%
- UK (Lloyds): 5%
- UK (IUA): 2%
- Spain: 4%
- Netherlands: 5%
- Other markets: 38%
World Seaborne Trade Volume and Trade Values, Global Cargo Premium
Index of evolution, 1995 = 100%

Source: Indicators for World Trade Volume from ISL Bremen, 2009 figures based on IMF estimates

Cycle irregularities mostly due to exchange rates against USD!
(Cargo written in local currency)
Evolution of USD Exchange rate against selected currencies, Index
(exchange rates as of December each year, 2009 as of July 09)

Source: Norges Bank Exchange Rates Statistics

2008: USD stronger against most currencies, but less correlation between countries
Marine Hull and Cargo/Transport Gross* Ultimate Loss Ratio
U/W Years 1997 to 2008

Hull 06: Major claims incurred in 2007, but attaching to 2006
Cargo 05: including Katrina

Hull 08: fewer major claims, but uncertainty as to effect of change in frame conditions on repair costs and ultimate results

* Technical break even is achieved when the gross loss ratio does not exceed 100% minus the expense ratio (usually 20% to 30% acquisition costs, capital costs, management expenses)
Summing up Hull – until 2008…

- **Frame conditions**
  - World trade and world fleet increasing
  - Steel prices up (-> hull repairs!)
  - Repair yard capacity not sufficient (-> repair cost!)
  - Exchange rate effects on repair cost

- **Major claims**
  - Strong impact in 2006! and 2007
  - Some relief in 2008

- **Repair cost / Attritional losses**
  - Increase in average repair cost 2004 to 2008

- **Claim frequency**
  - Increasing from 2006, after long period of stability
And Hull into 2009…

- **Frame conditions: change dramatically 4Q 2008**
  - Reduction in world trade/values/freight rates
  - Steel price down / oil price down
  - Many vessels in lay-up
  - But world fleet still increasing, due to previous orders

- **Effects on Hull Insurance**
  - Reduction in insured vessel values

- **But positive effect on hull repairs (?)**
  - Steel prices down
  - Better capacity at repair yards
  - More time for maintenance ?
  - Better availability of qualified seafarers ?
And the future for Hull…

- **Future Global Hull Market will depend on**
  - Adjustment of rates to match expected claim cost in combination with reduction in vessel values
  - No. of vessels in lay-ups, scrapped, new builds
  - Market discipline / capacity (in 2009 signs towards more prudent underwriting)
  - Effect of changes in frame conditions on repair cost
  - and as always: the impact of major claims
Summing up Cargo

- Dramatical reduction in **insured values**, with respective effect on cargo income.

- Will **claim amounts** be proportionally reduced? Not too sure because of increasing
  - Accumulation
  - Moral hazard
  - Theft frequency

- Knowing 2008 is close to breakeven, uncertainties on the profitability of 2009.
Global Offshore Energy Premium by markets

Total: 2.3 USD billion

2008

- UK (IUA): 4.5%
- UK (Lloyds): 57.9%
- USA: 10.9%
- Other markets: 26.6%
Energy Mobiles, Day rates, Oil Price
Global Offshore Energy Premium
Index of evolution, 2000 = 100%

2008 drop in energy premium: Exchange rate effect!
(as-if: stable premium level)

Sources: No. Contracted rigs, day rates: RigZone, Oil price: Energy Information Administration (US), 2009 figures as of 31.07.09
Offshore Energy
Gross Reported Loss Ratios
U/W Years 1996 to 2008

2005
Katrina & Rita

2004
Ivan

Insufficient rate levels

2008 – Ike loss not yet fully known!

paid 12th year
paid 11th year
paid 10th year
paid 9th year
paid 8th year
paid 7th year
paid 6th year
paid 5th year
paid 4th year
paid 3rd year
paid 2nd year
paid 1st year

outstanding
Hull versus Offshore Energy
Development of Gross “Paid” Loss Ratios per UW year, as reported at 1, 2, 3, 4, 5 and 6 years

Hull

A ”typical” loss development pattern for Energy? –> need to analyse Hurricanes separately…
Summing up Offshore Energy

- Extremely volatile business, results/profitability depend strongly on hurricane impact.

- Long time lag between accident and claims payment, due to the technical complexity of the insured objects.

- No regular claims patterns. Claims reserves are set depending on knowledge about individual claims.

- Rates and Terms & Conditions have significantly improved since 2001 and following recent hurricane activity in the Gulf of Mexico.
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