



# Global Marine Insurance Report 2009

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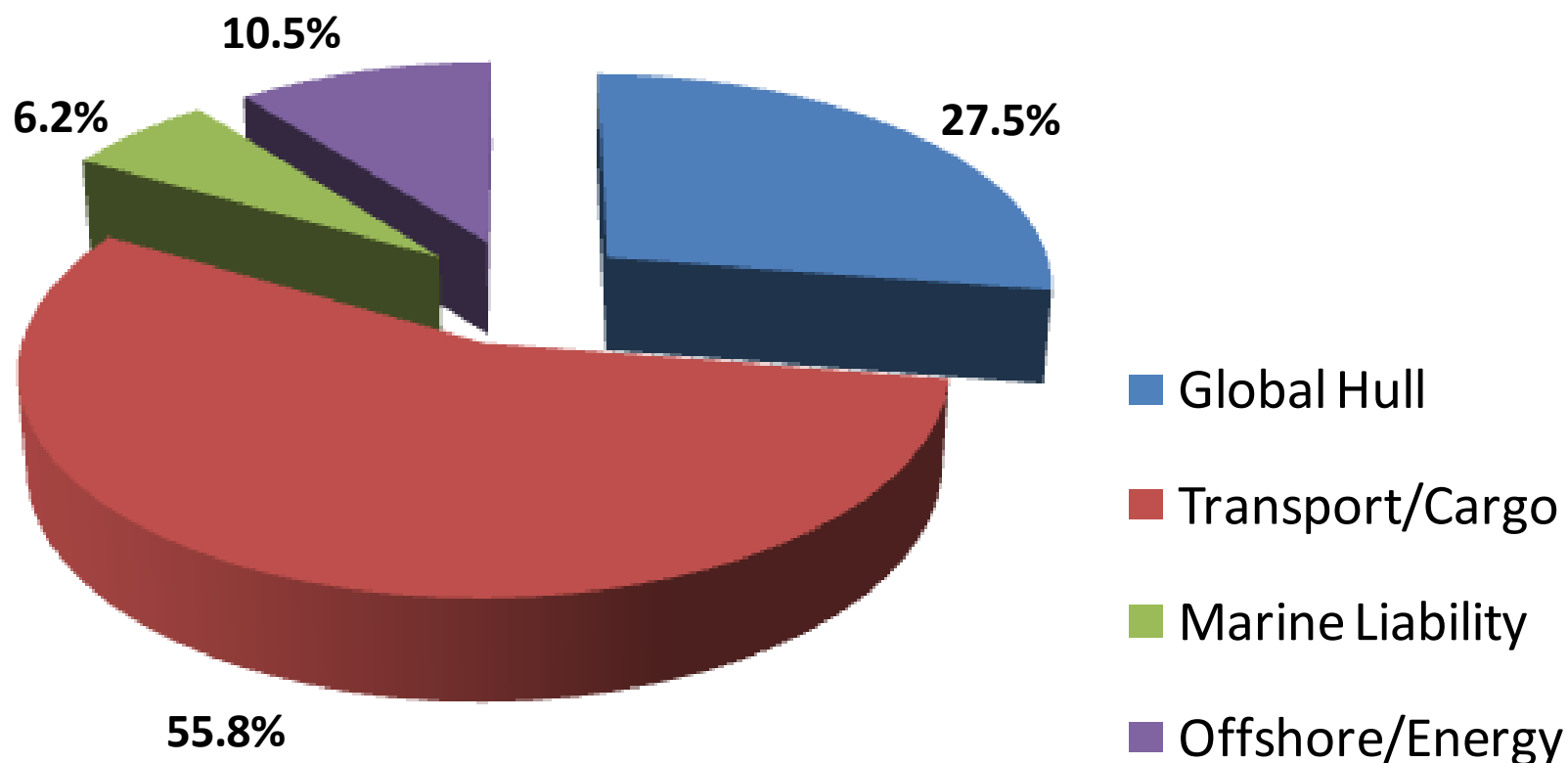
- Global **Marine Insurance** – Overview
- Global **Hull** market
- Global **Cargo** market
- Global **Offshore Energy** Market
- Addendum (in download only):  
Tables with underlying reported figures

# Global Marine Premium 2008 by line of business



Total reported: 22.23 USD billion

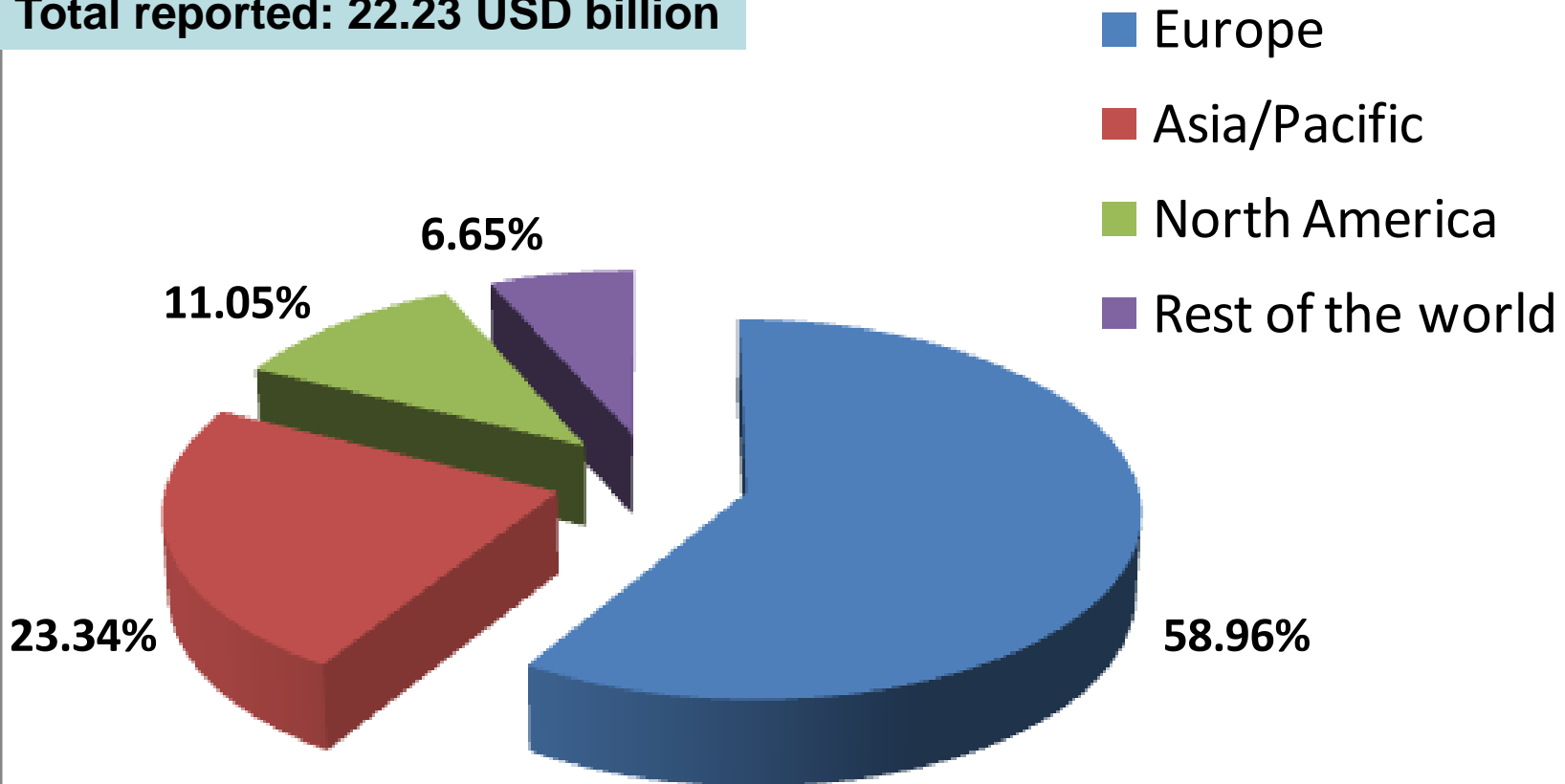
2008



Total estimated including not reported: 22.9 USD billion

# Market Shares 2008

Total reported: 22.23 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

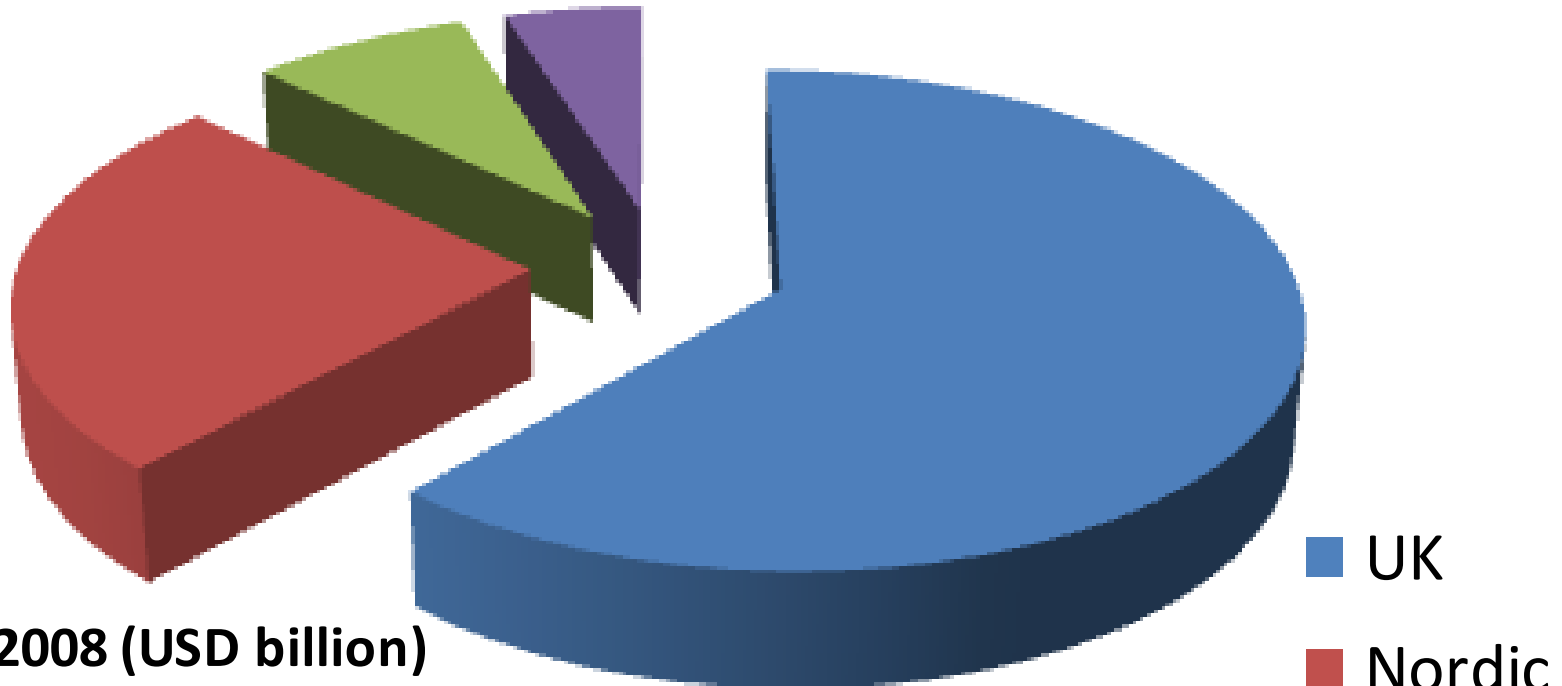
**Rest of the World :** *Bahrain (new 09)*, Brasil, Congo, Egypt, Israel, Kazakhstan (new 09), Kenya, Lebanon, Mexico, Morocco, Nigeria, South Africa, *Tunisia, United Arab Emirates*

*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**

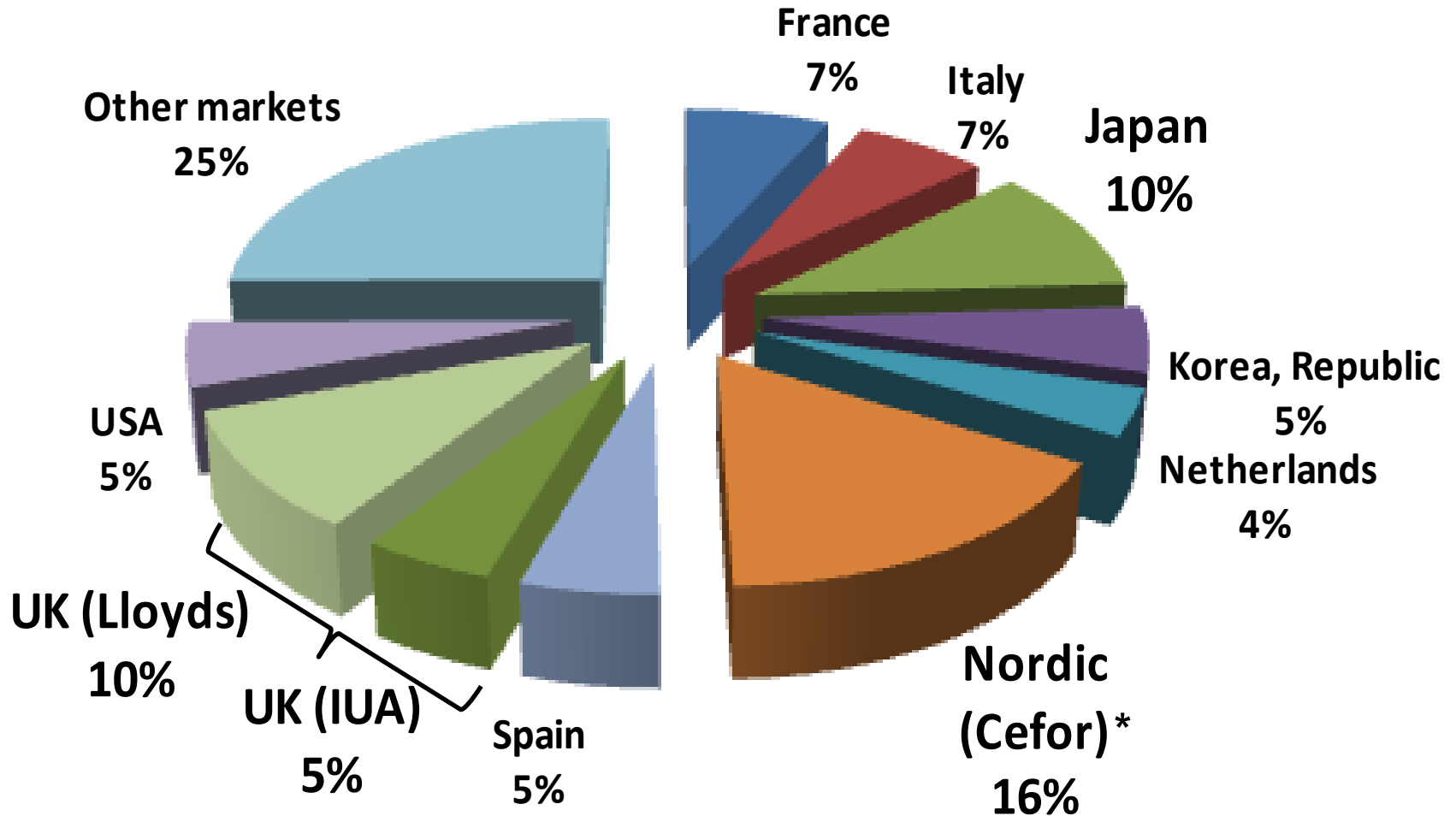
Source: Standard & Poors Marine Mutual Report 2009

# Global Hull Premium by markets



Total: 6.1 USD billion

## 2008



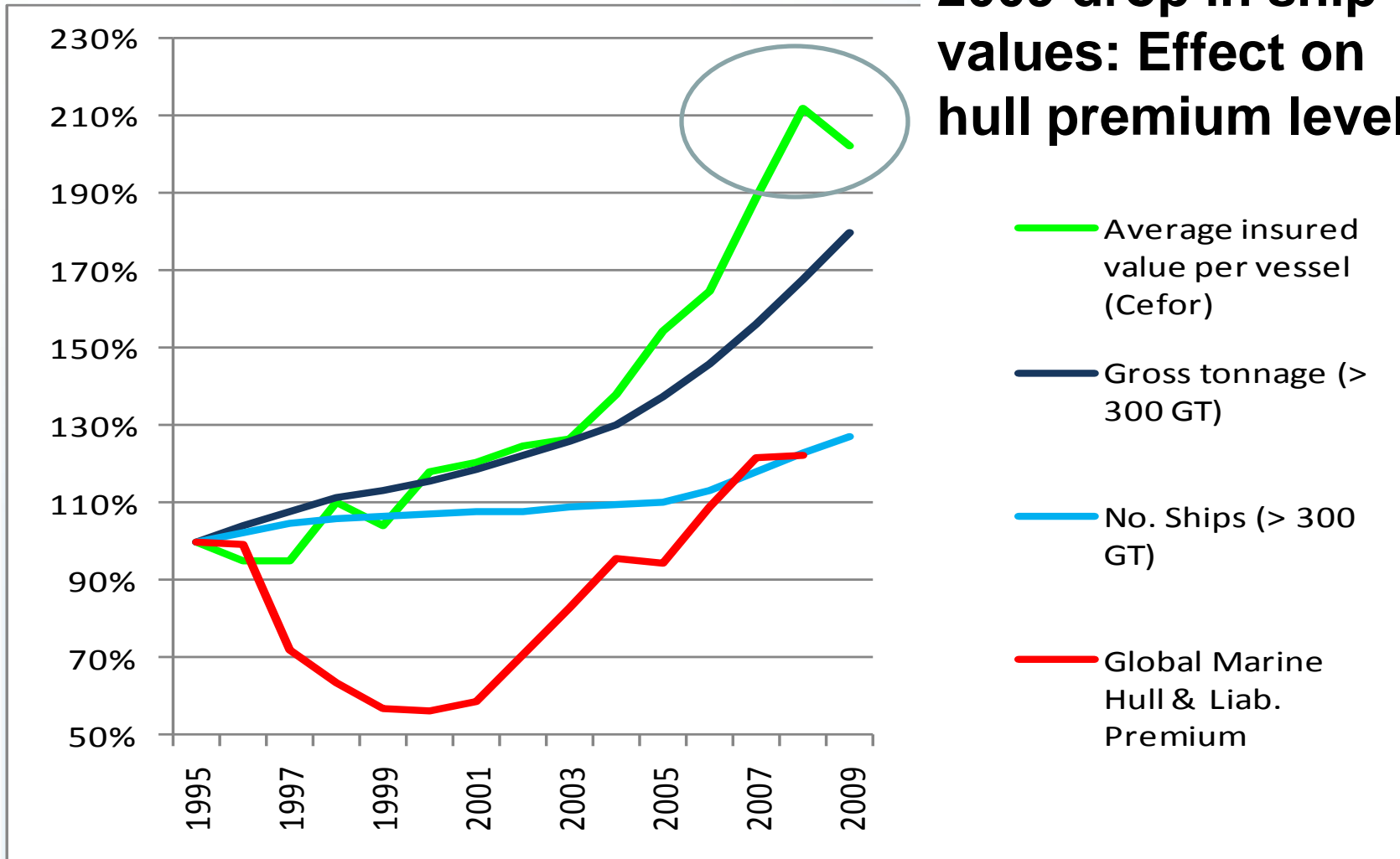
\* including Non-Norwegian members

# World Merchant Fleet and Global Marine Hull & Liability Premium

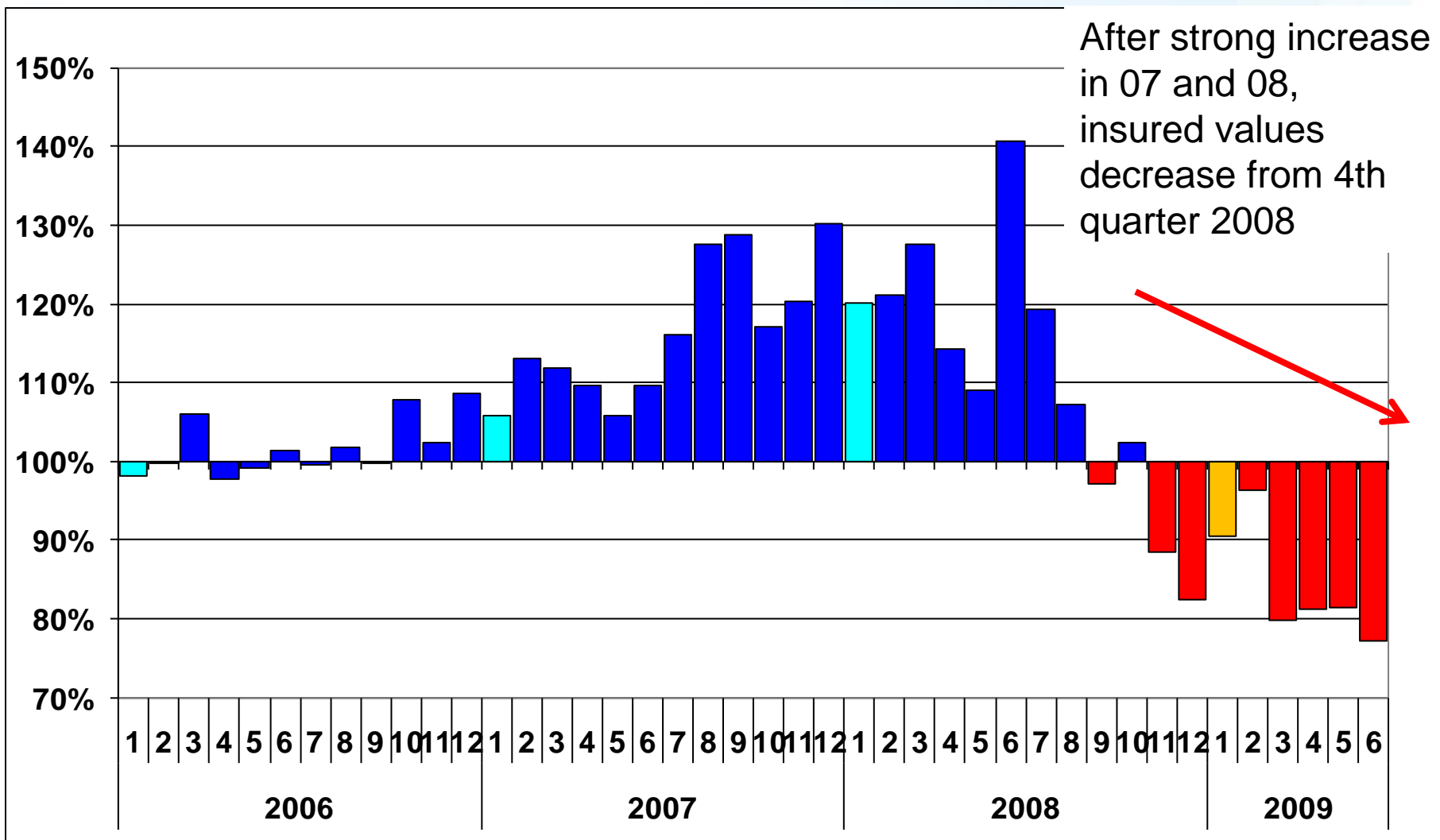


Index of evolution, 1995 = 100%

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



# Renewed Hull vessel values – Change in insured values, renewals by month (= insured value on renewal / insured value previous year)



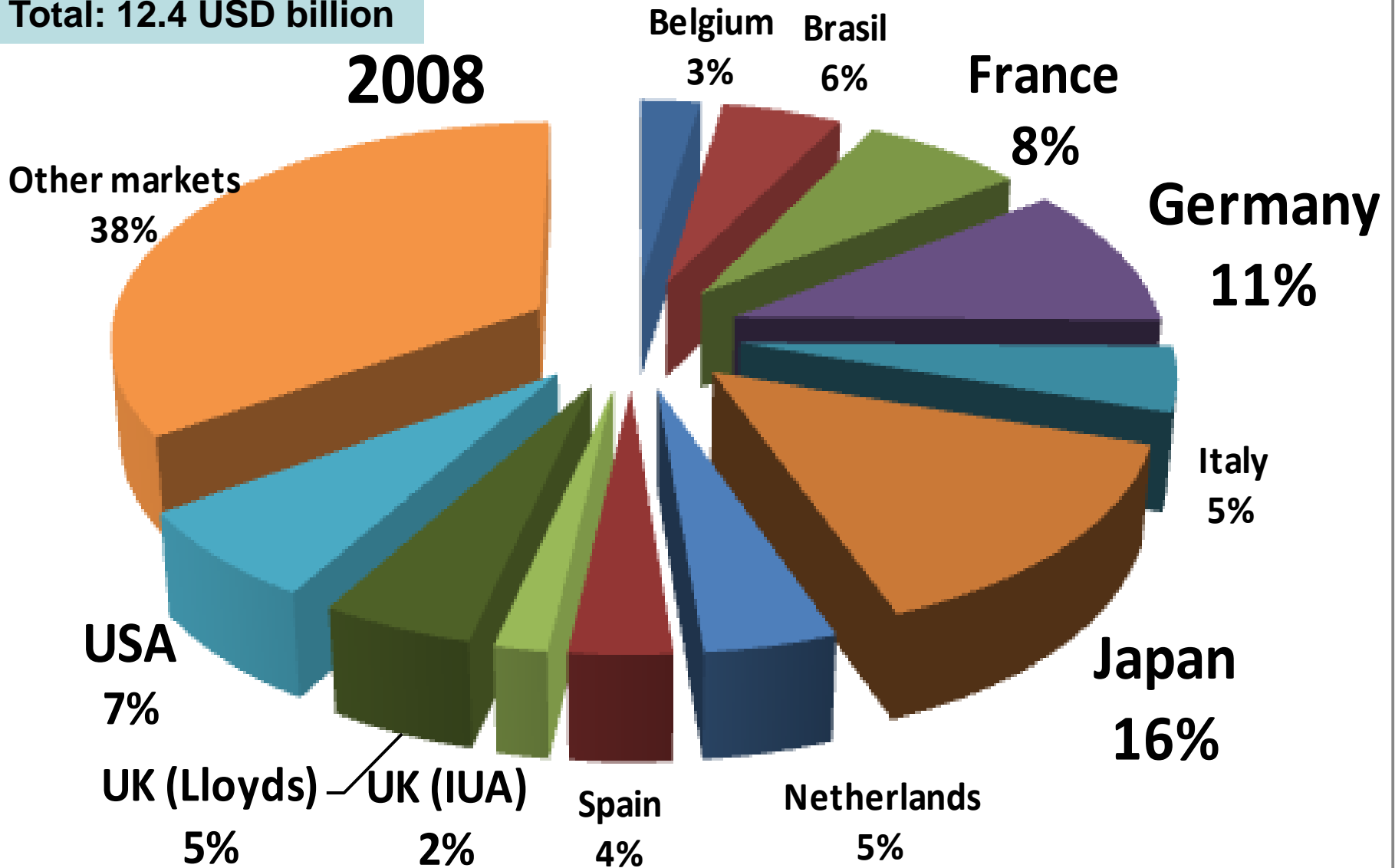


# Global Cargo Premium by markets

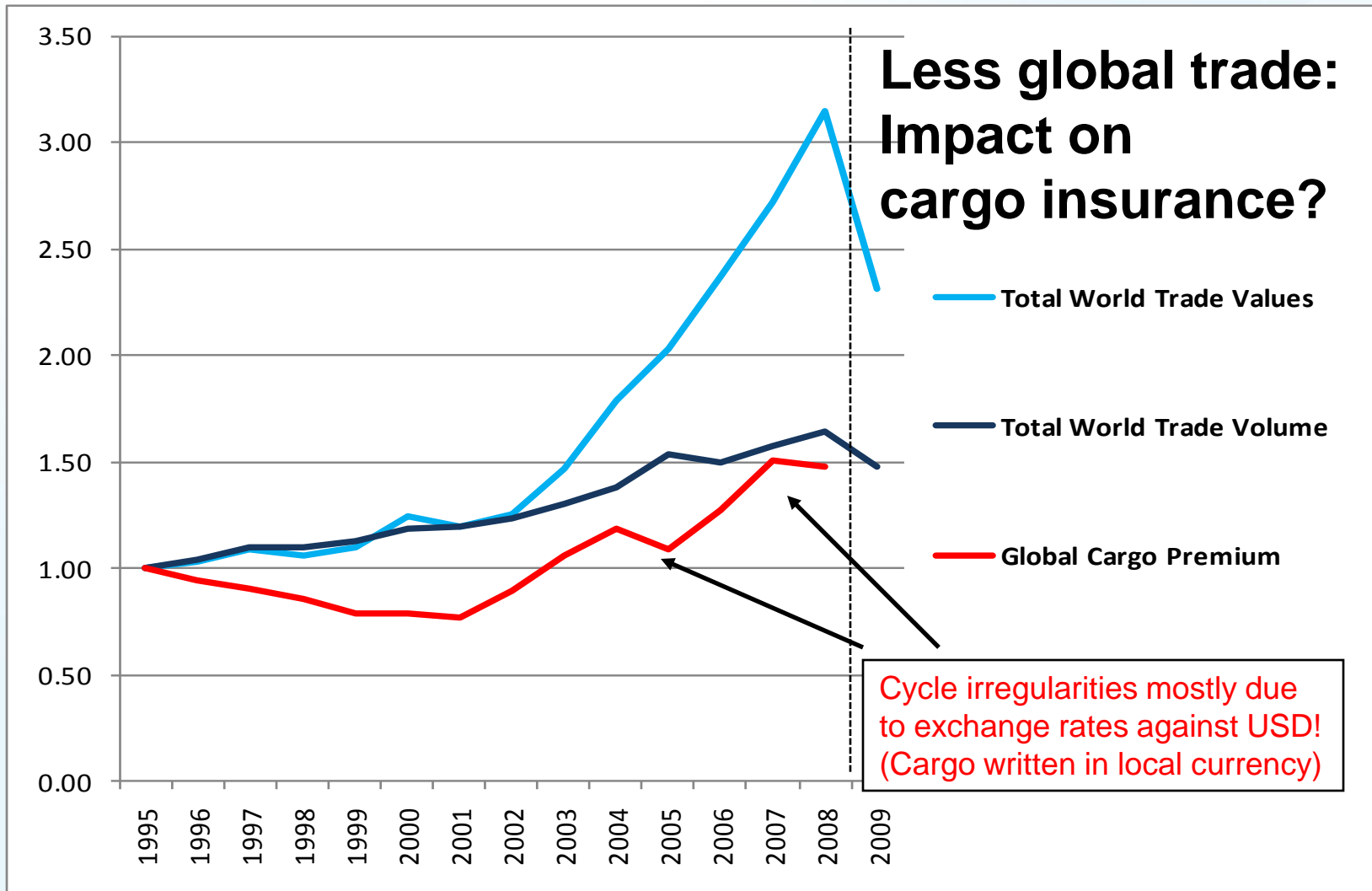


Total: 12.4 USD billion

2008

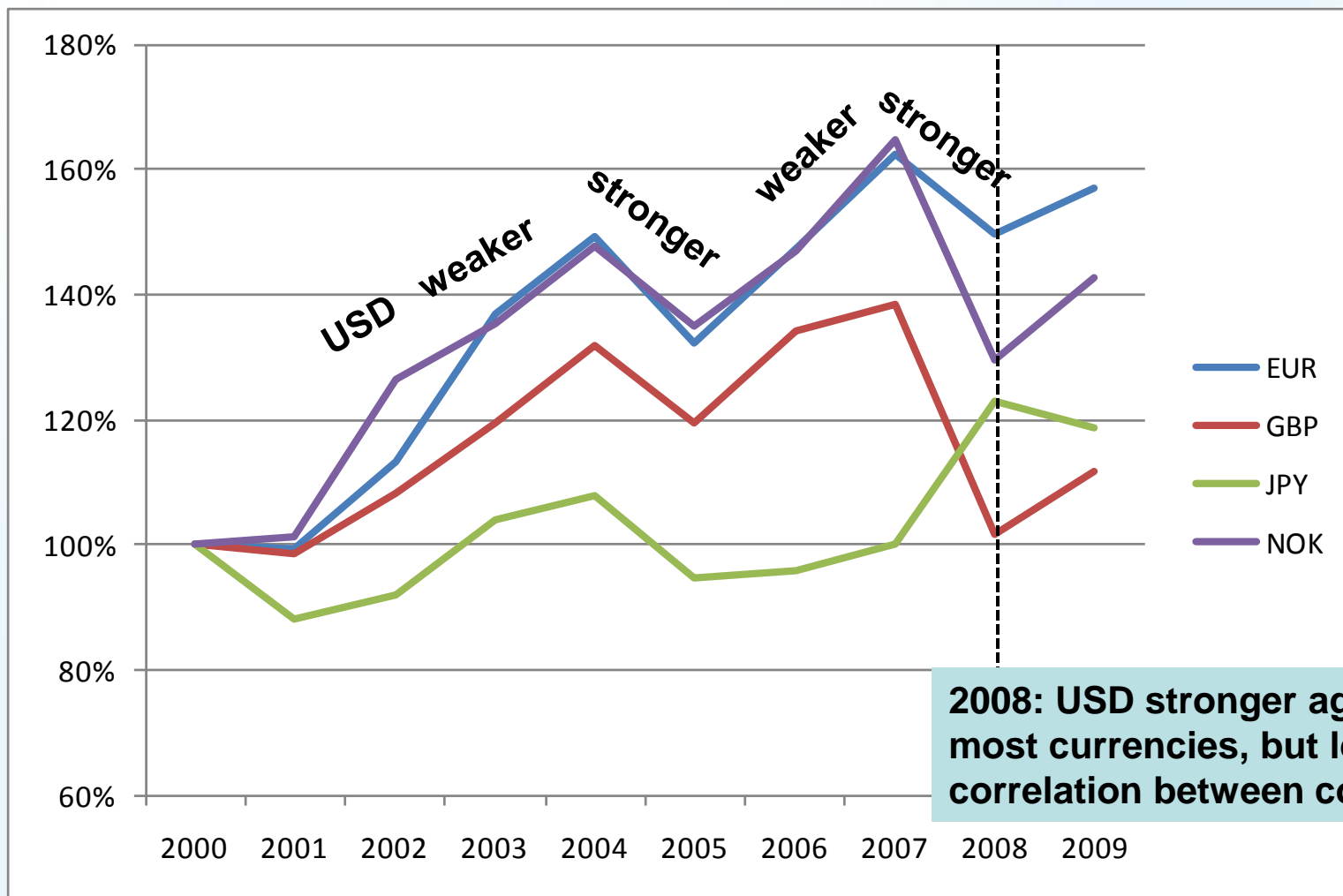


# World Seaborne Trade Volume and Trade Values, Global Cargo Premium Index of evolution, 1995 = 100%



# Evolution of USD Exchange rate against selected currencies, Index

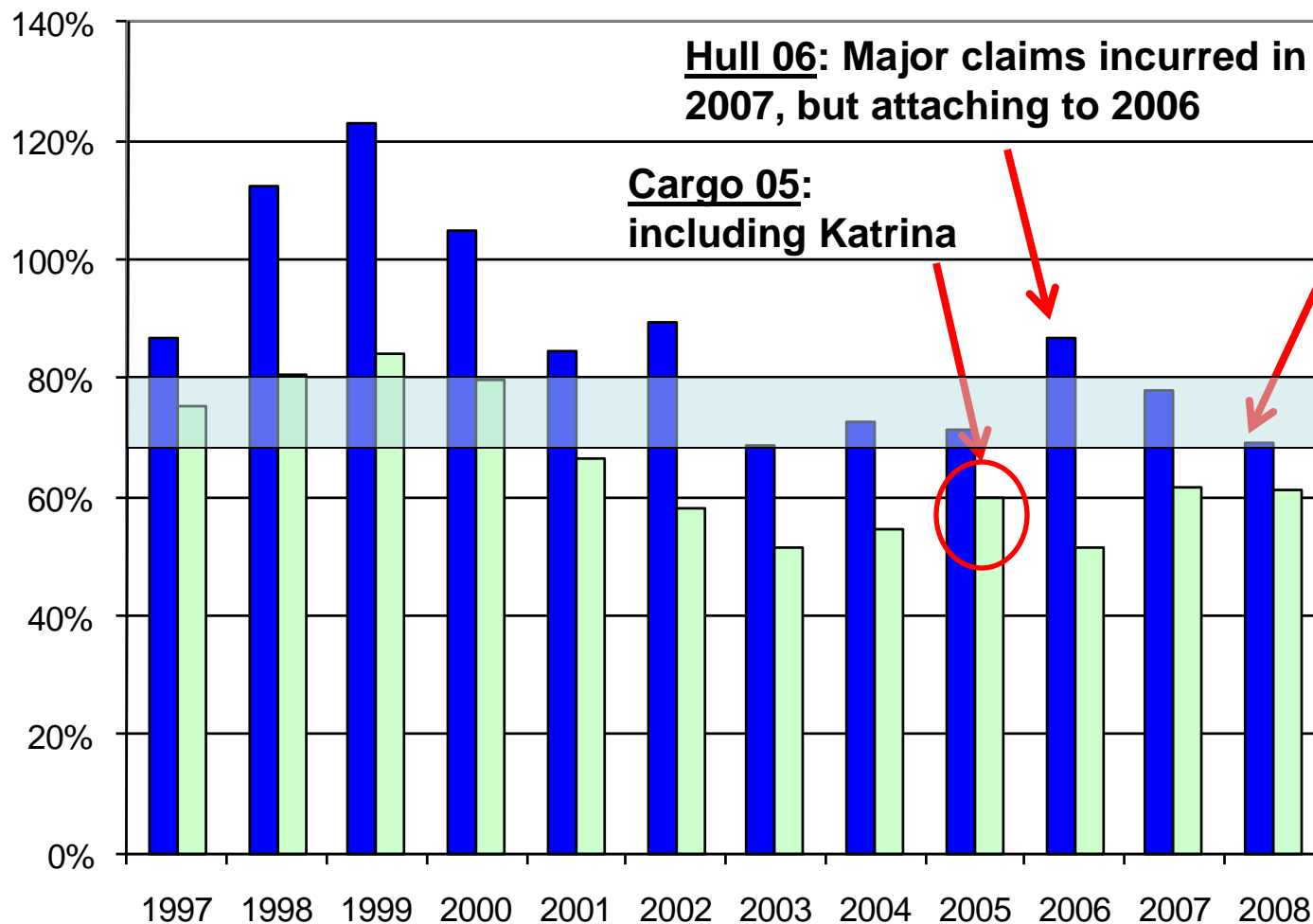
(exchange rates as of December each year, 2009 as of July 09)



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

■ Marine Hull  
□ Cargo/Transport

\* 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

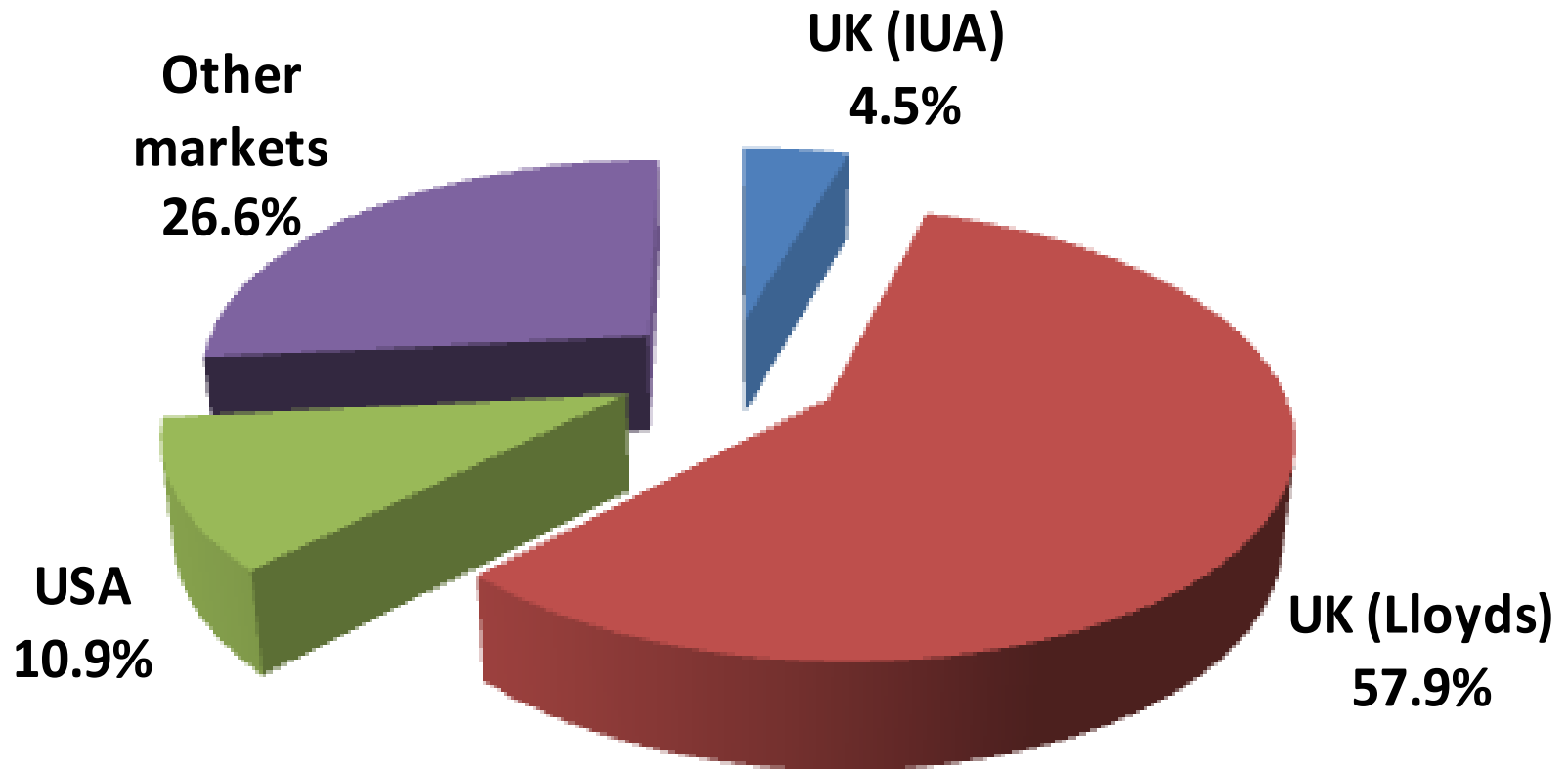
- Dramatical reduction in **insured values**, with respective effect on cargo income.
- Will **claim amounts** be proportionally reduced?  
Not too sure because of increasing
  - Accumulation
  - Moral hazard
  - Theft frequency
- Knowing 2008 is close to breakeven, uncertainties on the profitability of 2009.



# Global Offshore Energy Premium by markets

Total: 2.3 USD billion

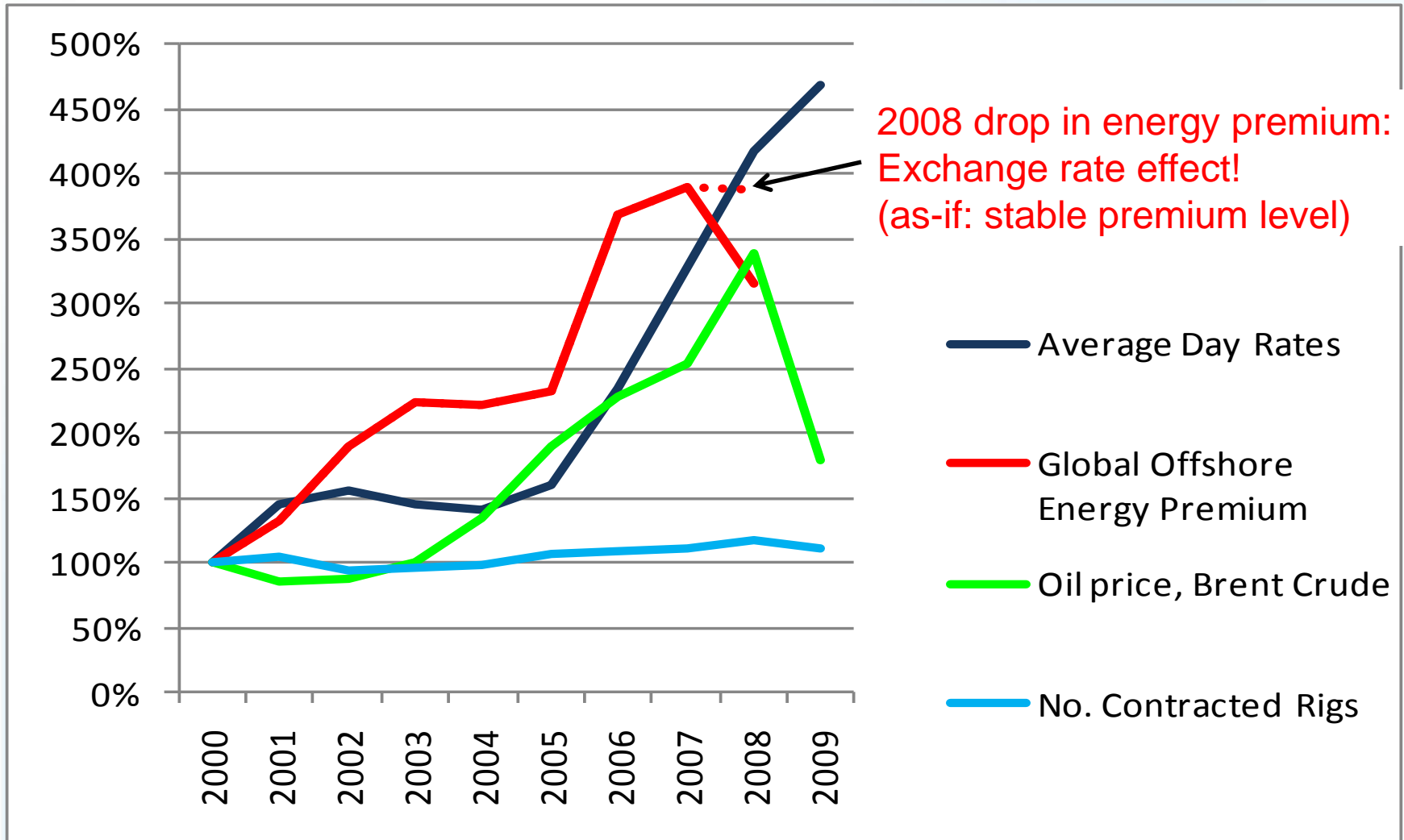
2008



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



Index of evolution, 2000 = 100%

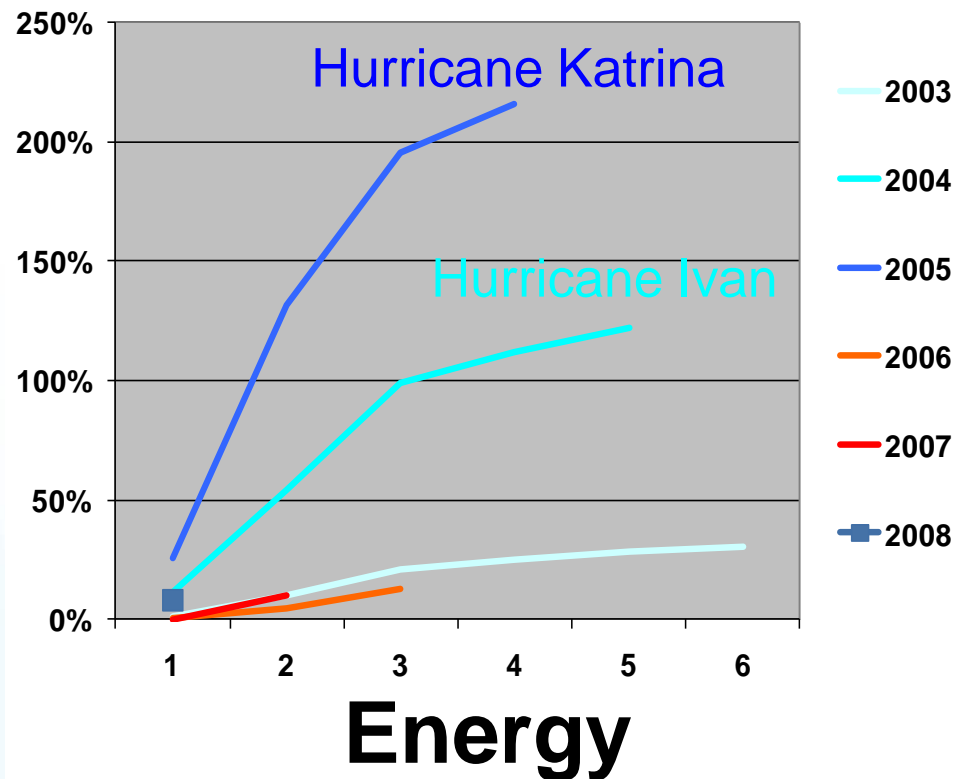




# Hull versus Offshore Energy

## Development of Gross “Paid” Loss Ratios

per UW year, as reported at 1, 2, 3, 4, 5 and 6 years



**Hull**

**Energy**

**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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