



# State of the Hull Market

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Chairman, Ocean Hull Committee

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*September 14 - 18, 2003*



# AGENDA

- **Casualty Statistics**
  - Total Loss Trends
  - Major Partial Loss Trends
  
- **Shipping Statistics**
  - Freight Rates
  - Cost of Repairs
  
- **Underwriting Statistics**
  - Market Results
  - Relative Rating



# Marine Hull Losses 4<sup>th</sup> Quarter 2002

## Claims greater than US\$7m

Vessel Name	Type	Casualty	Total Loss
Diamond Princess	Cruise	Fire	
Tricolor	Car Carrier	Collision & sank	ATL
Limburg	Tanker	Attacked & Fire	CTL
CGG Mistral	Research	Fire & Sank	ATL
Hual Europe	Car Carrier	Grounded, Typhoon Higos	ATL
Treasure Bay	Casino	Storm damage	CTL
Wind Song	Cruise	Fire, Engine room	CTL
Hanjin Pennsylvania	Container	Explosion, fire	CTL
Hidir Bey	Bulk	Sank	ATL
Gaz Poem	LPG	Fire	CTL
Matten	Container	Listed, abandoned & sank	ATL
Shin An	Fishing	Sank at anchorage	ATL
Prestige	Tanker	Broke in two & sank	ATL

**Approximate Total Claim Amount US\$ 700m**

Source: Joint Hull Committee



# Changes in Risk Profile

## Cruise Vessels > 75,000 Grt

<i>Number operating during 2000.....</i>	<b>24</b>
<i>Number operating/under construction 2003.....</i>	<b>65</b>

## LNG's > 75,000 Grt (approx. 125,000 cubic meters)

<i>Number operating during 1990.....</i>	<b>40</b>
<i>Number operating during 2003.....</i>	<b>150</b>

## Container Vessels > 50,000 Grt

<i>Average no. of vessels delivered p.a. 1981-1994.....</i>	<b>7</b>
<i>Average no. of vessels delivered p.a. 1995-2003.....</i>	<b>33</b>
<i>No. of vessels currently under construction.....</i>	<b>166</b>

Source:  Lmiu



# Casualty Statistics



## Total Loss Trends

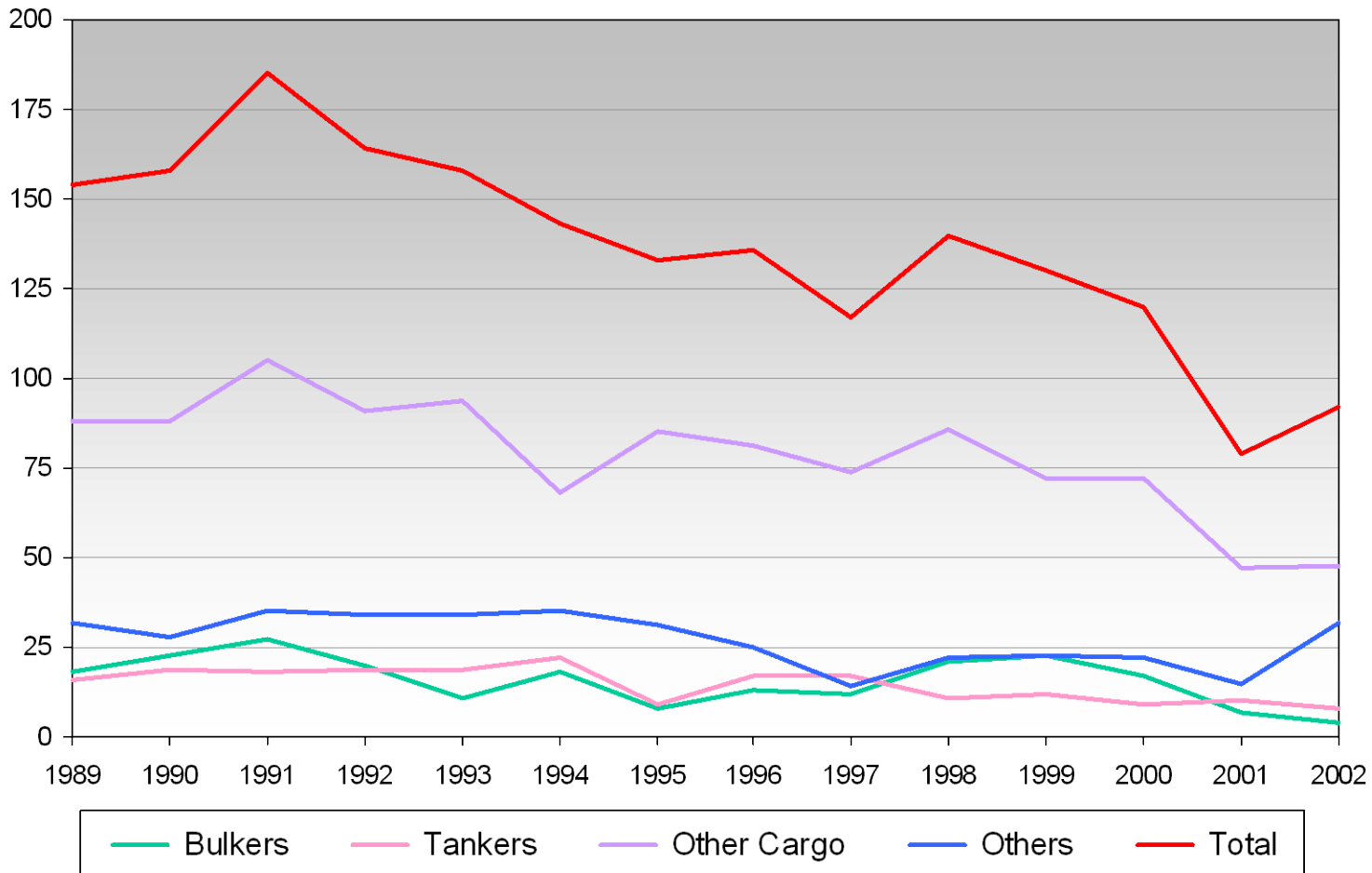


# Total Losses 1989 – 2002

## By Number

Vessels > 500Grt

Number



Source:  Lmiu

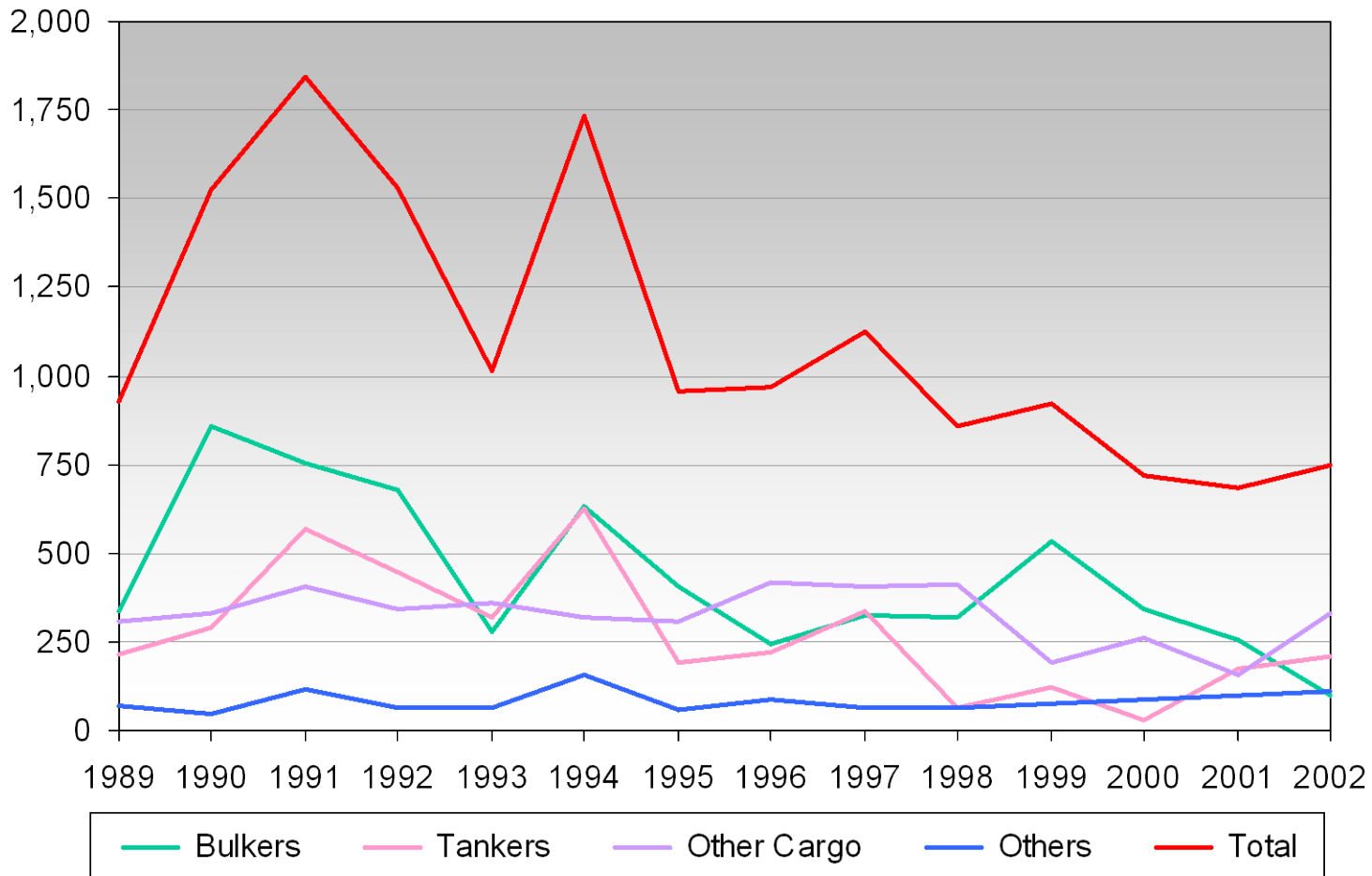


# Total Losses 1989 – 2002

## By Tonnage

Vessels > 500Grt

GRT (000's)



Source:  Lmiu

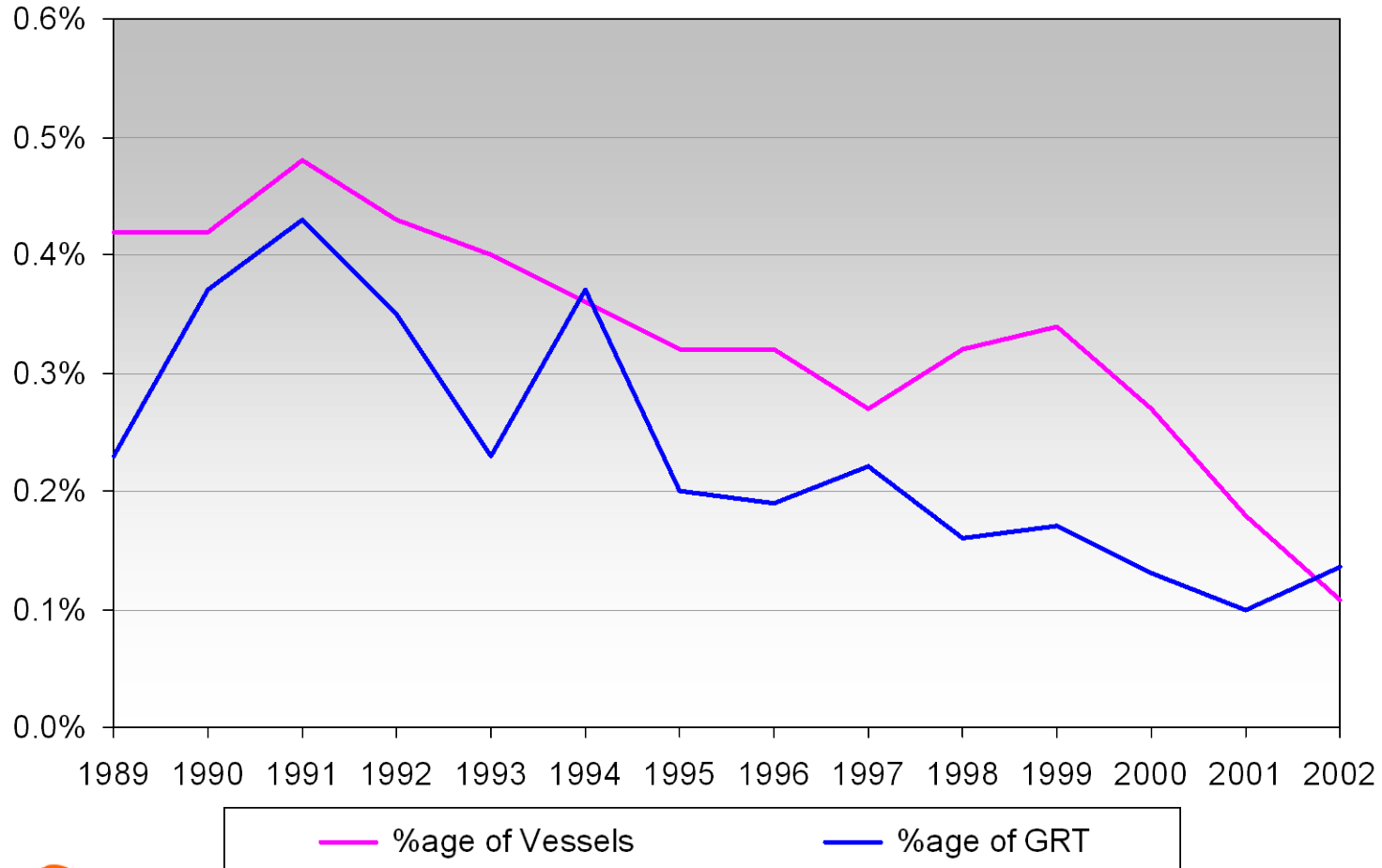


# Total Losses 1989 – 2002

## As Percentage of World Fleet

Vessels > 500Grt

% of World Fleet



Source:  Lmiu

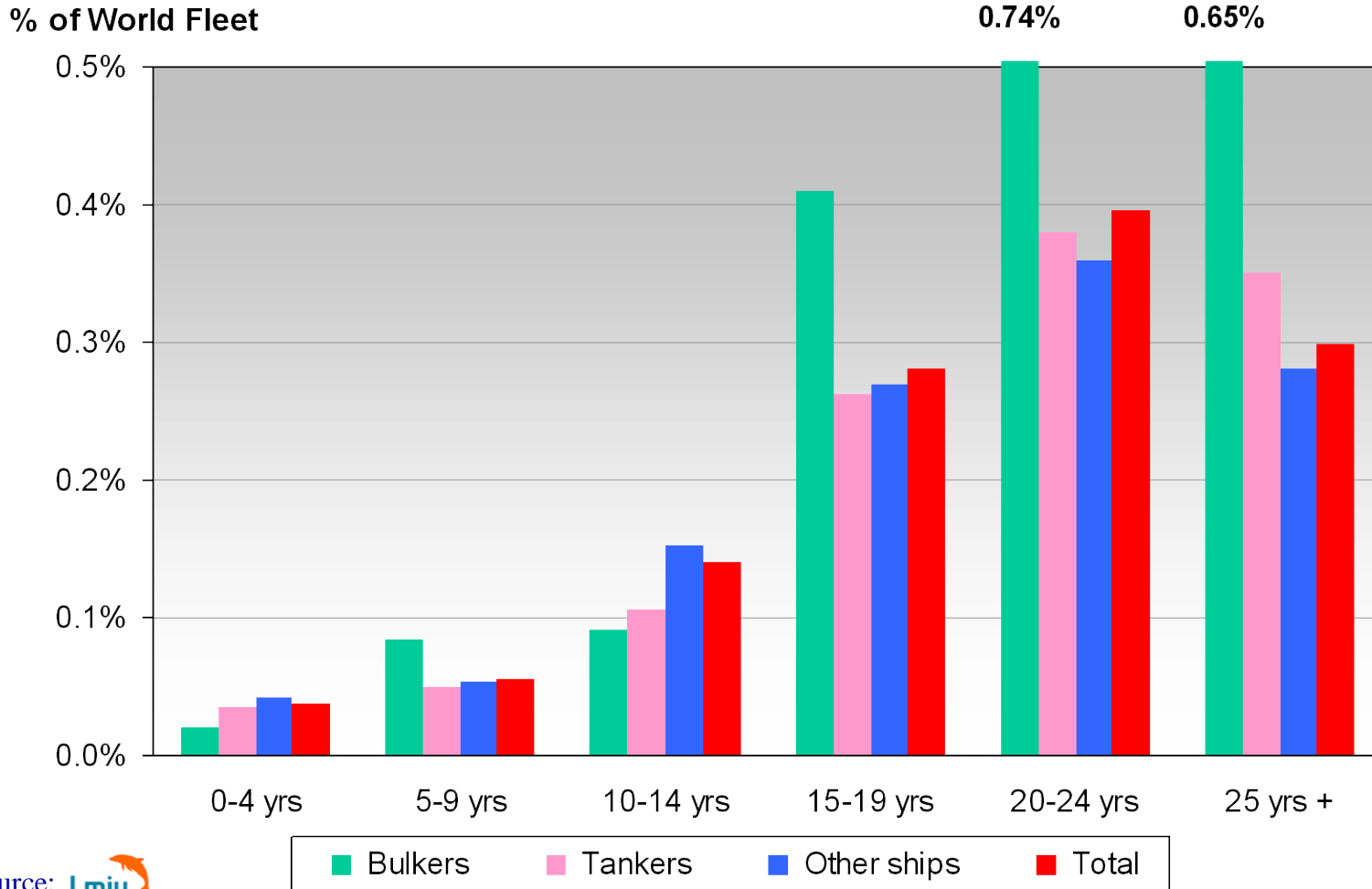




# Total Losses 1989 – 2002

## Age / Type Profile

Vessels > 500Grt



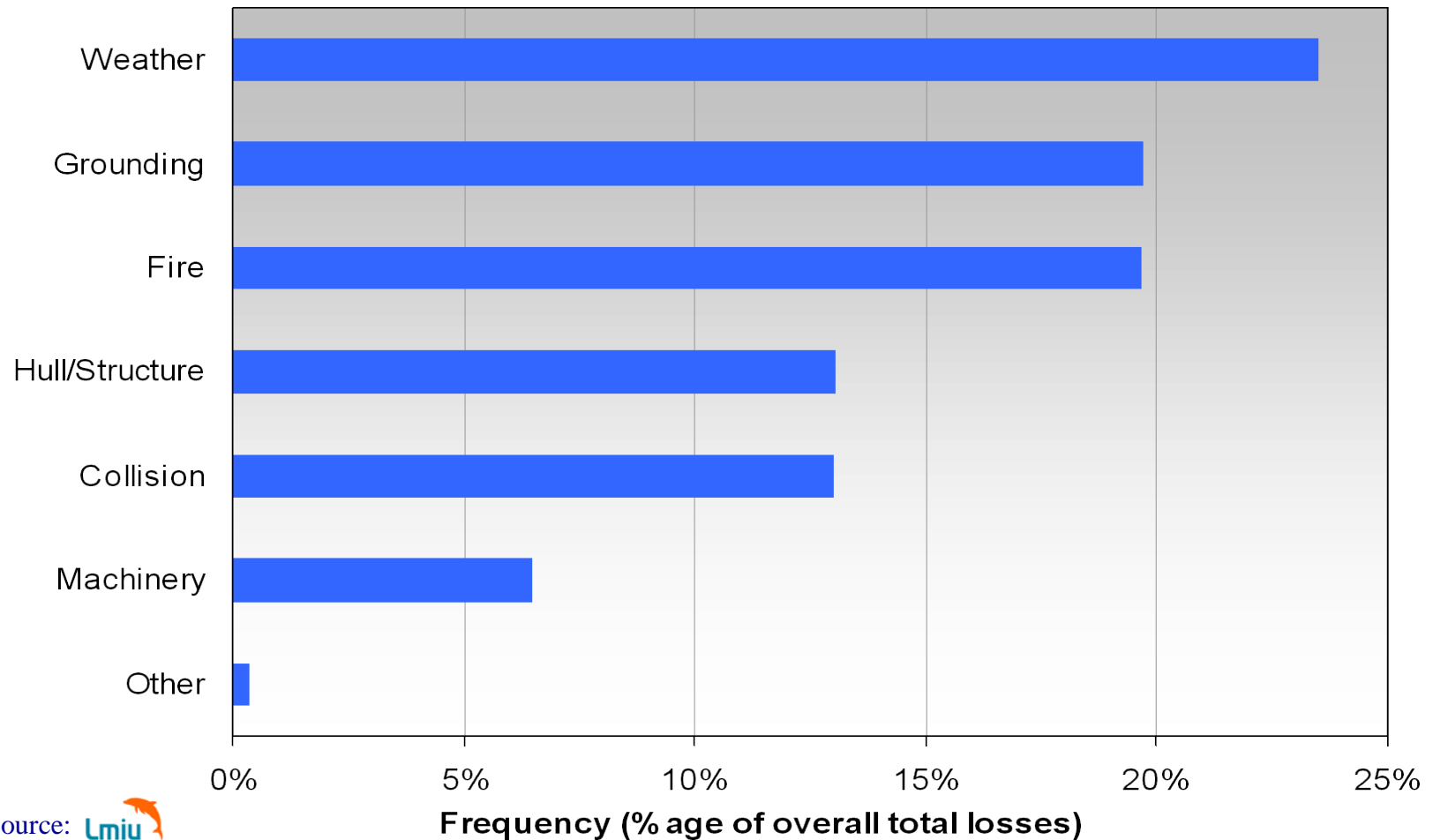
Source:  Lmiu



# Total Losses 1994 – 2002

## By Cause, All Vessel Types

Vessels > 500Grt



Source:  Lmiu



# Total Loss Trends

## Conclusion

- **By number, by tonnage, as %age of world fleet:-**
  - Downward trend
    - *Despite the losses of 2002, overall improvement in recent years.*
    - *Trend arrested in 2002*
  
- **The most influential factors:-**
  - Age & weather



# Casualty Statistics



## Partial Loss Trends

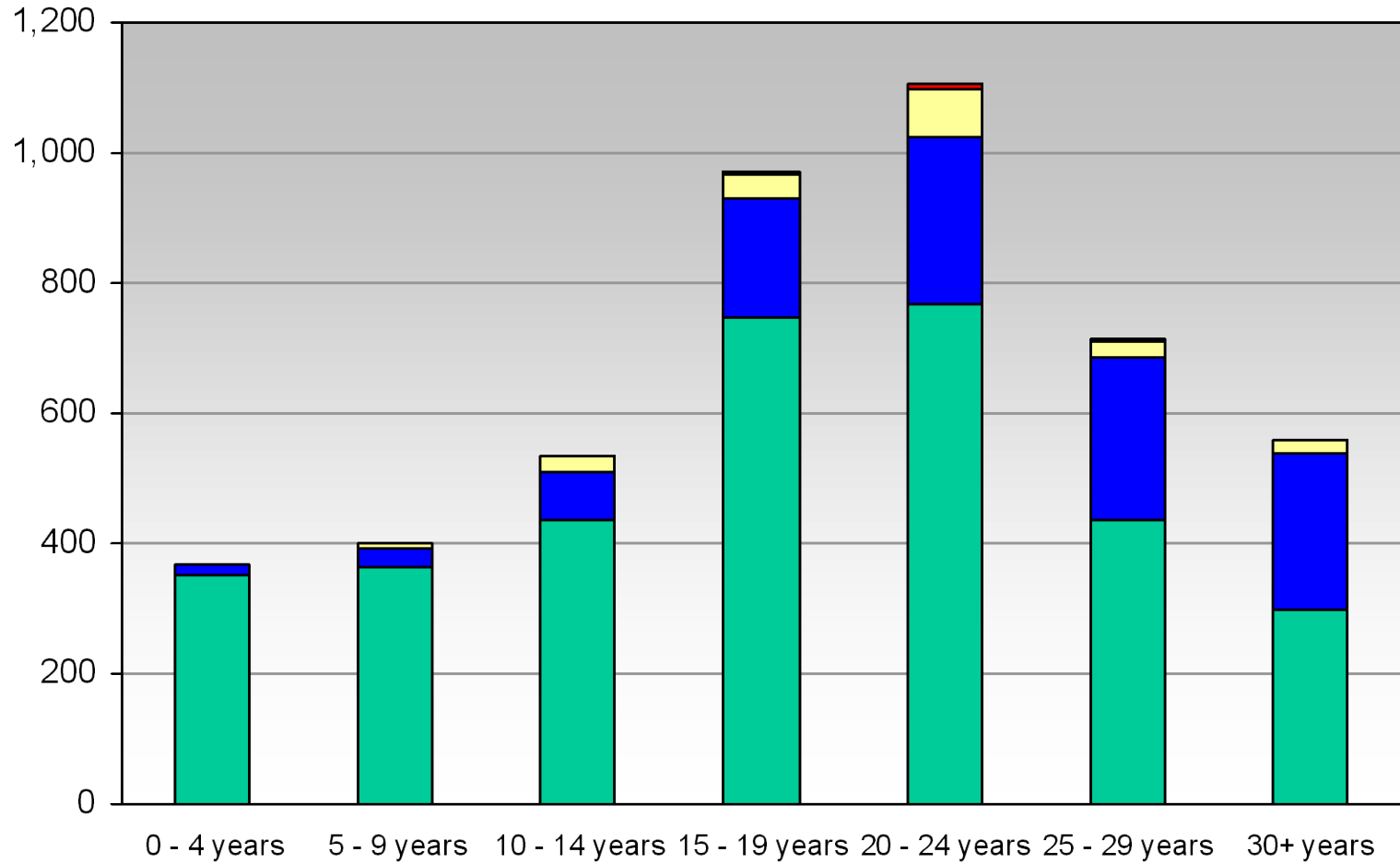


# Partial Loss Casualties 1994 – 2002

## Serious Losses and Total Losses by Age Category

No. of incidents

Vessels >500 Grt.



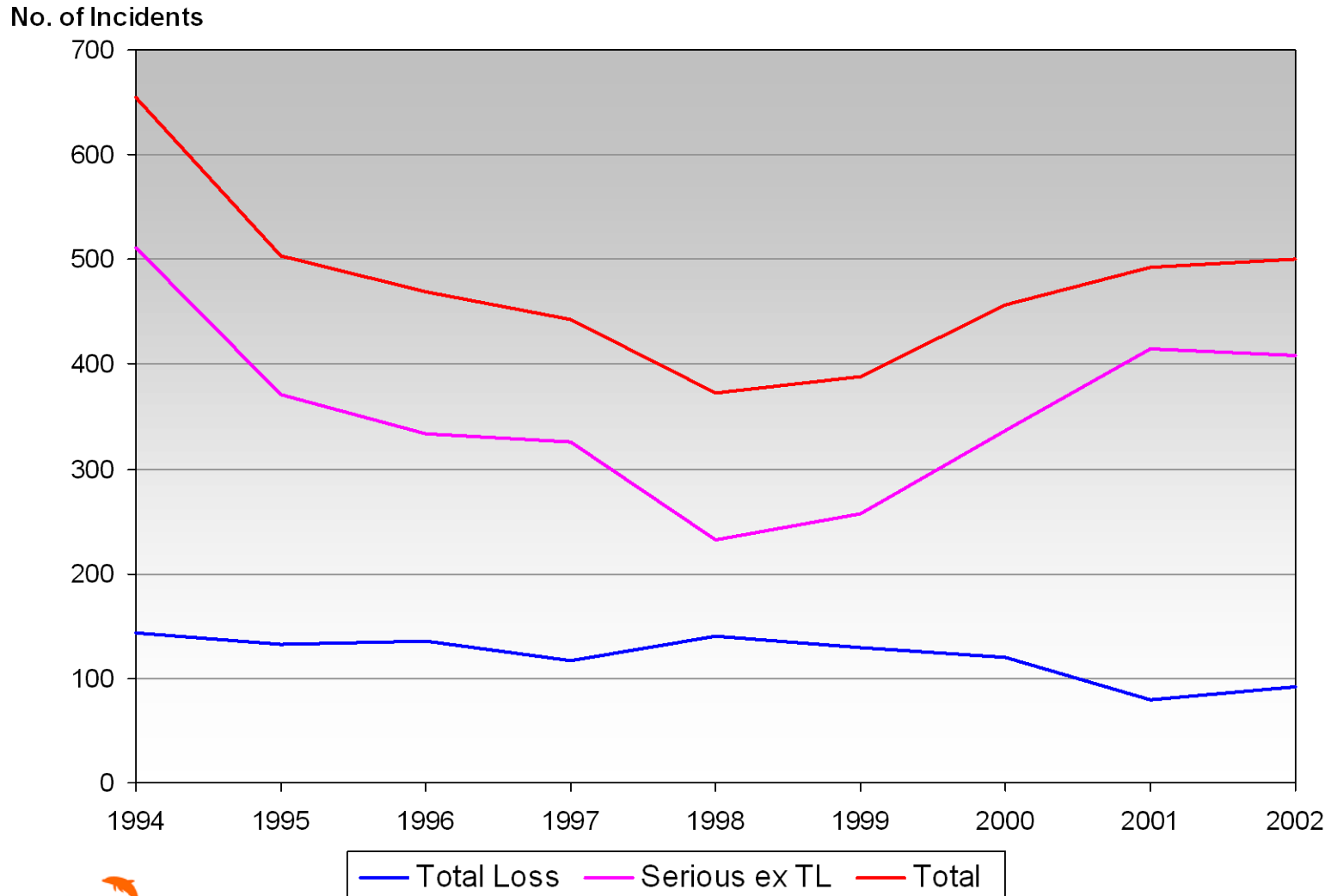
Source:  Lmiu

■ Serious ex TL ■ ATL ■ CTL ■ Compromised T/L



# Partial Loss Casualties 1994 – 2002

## Serious Losses and Total Losses by Number



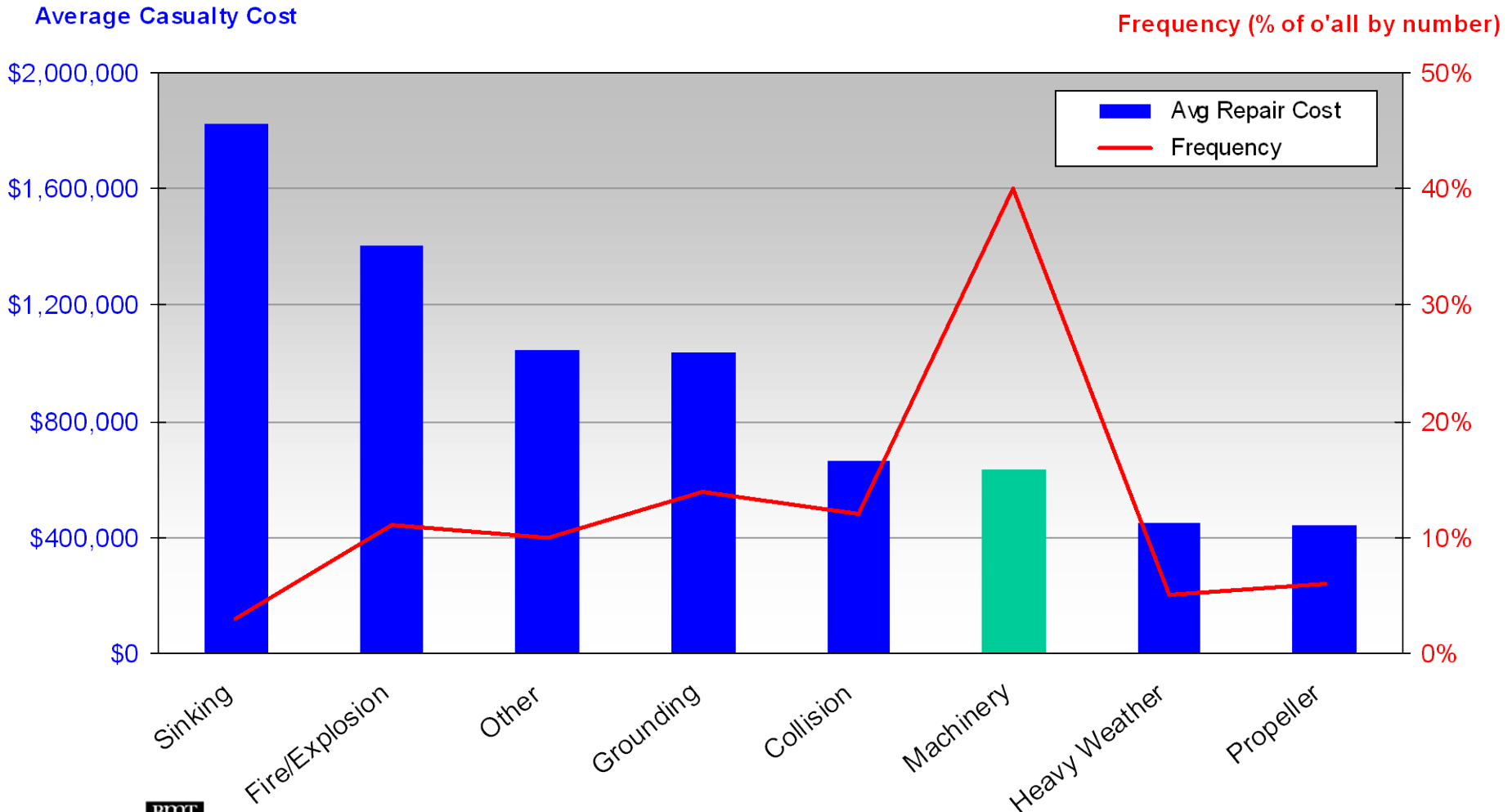
Source:  Lmiu



# Partial Loss Casualties 1999 – 2003

## Frequency & Magnitude, All Vessel Types

Estimated Cost of Repairs > US\$250,000



Source:



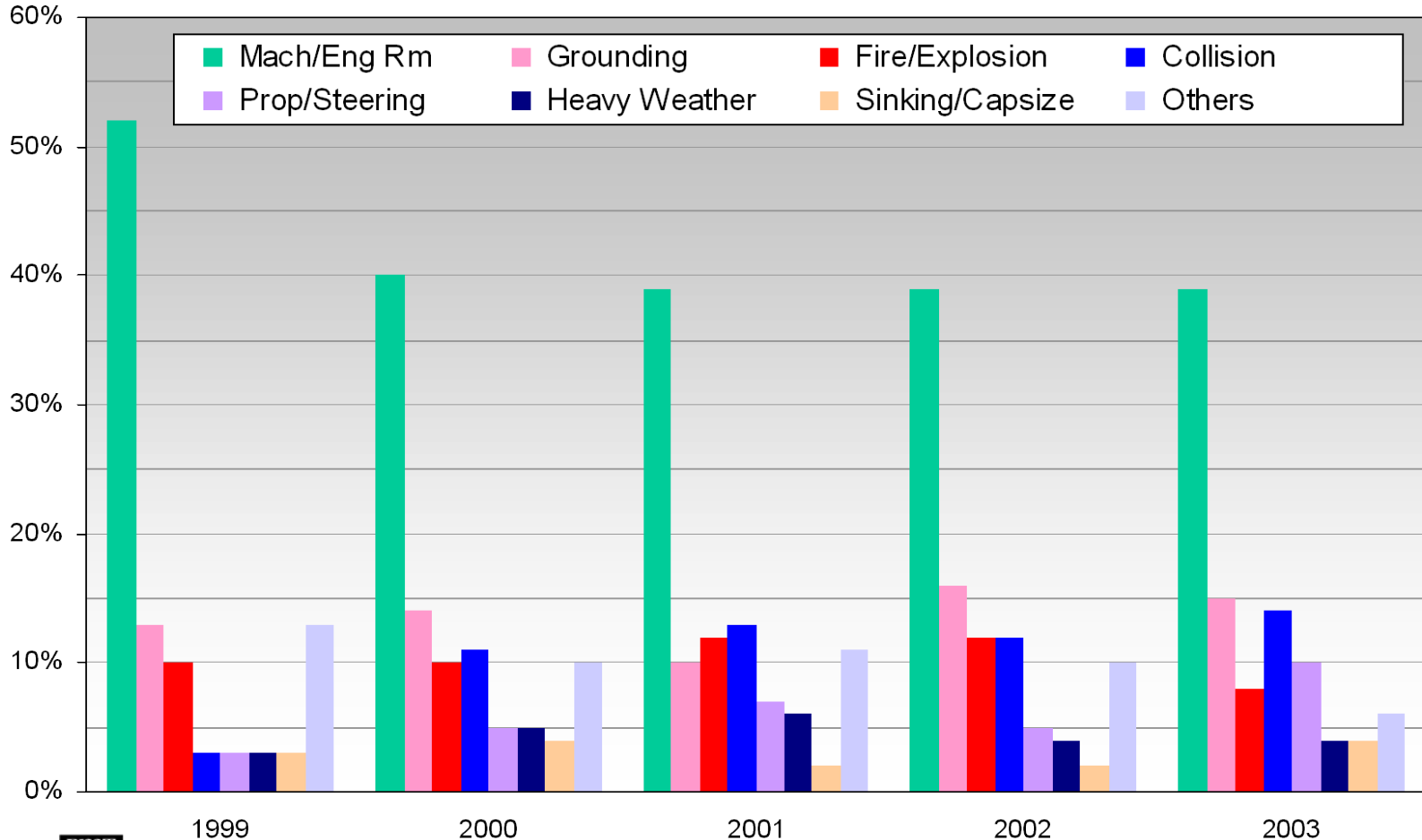


# Partial Loss Casualties 1999 – 2003

## By Cause, All Vessel Types

Estimated Cost of Repairs > US\$250,000

Frequency (%age of overall PA Casualties)



Source:





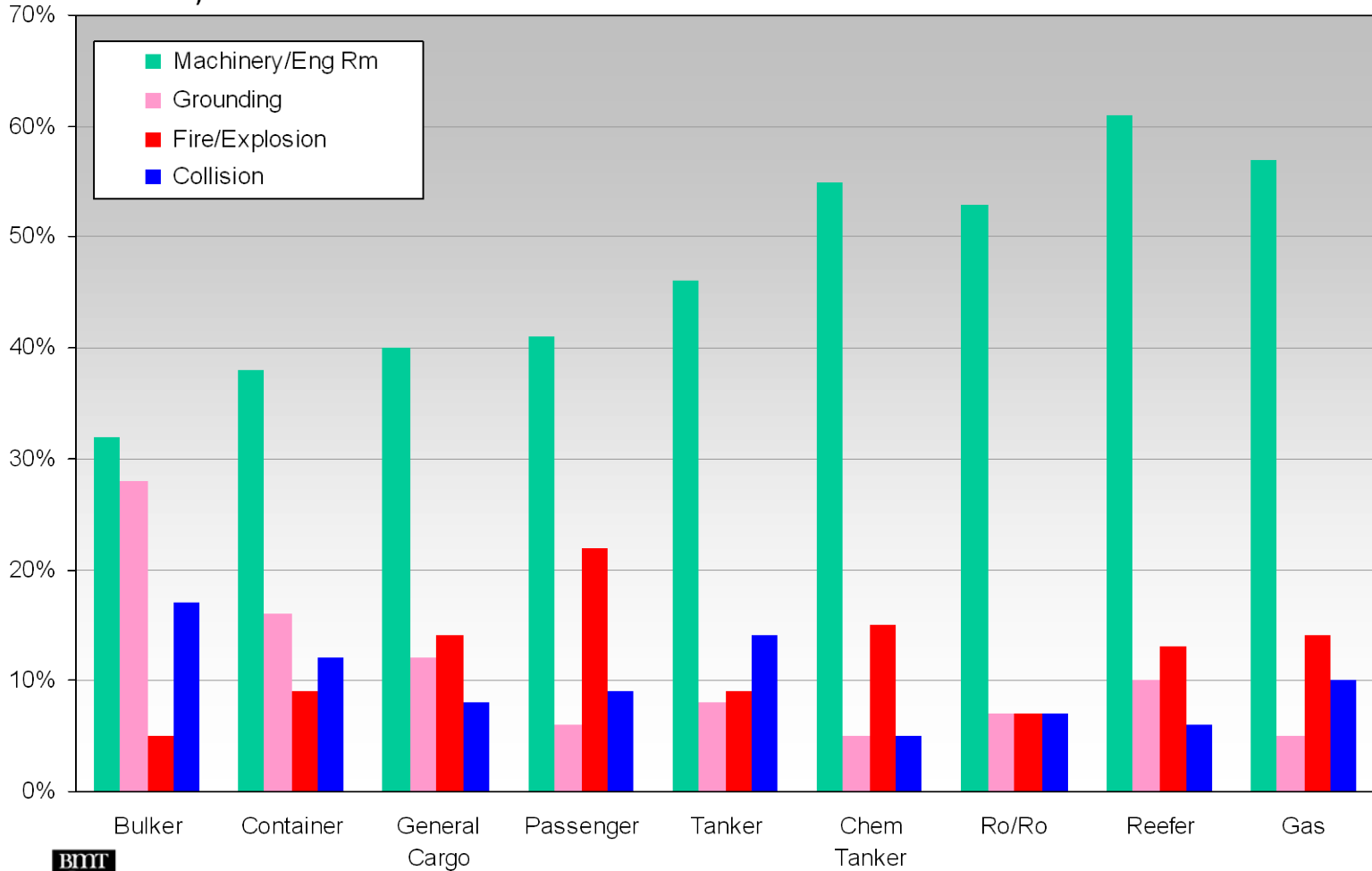


# Partial Loss Casualties 1999 – 2003

## Principal Cause and Vessel Type

Estimated Cost of Repairs > US\$250,000

Frequency (%age of PA Casualties)



Source:

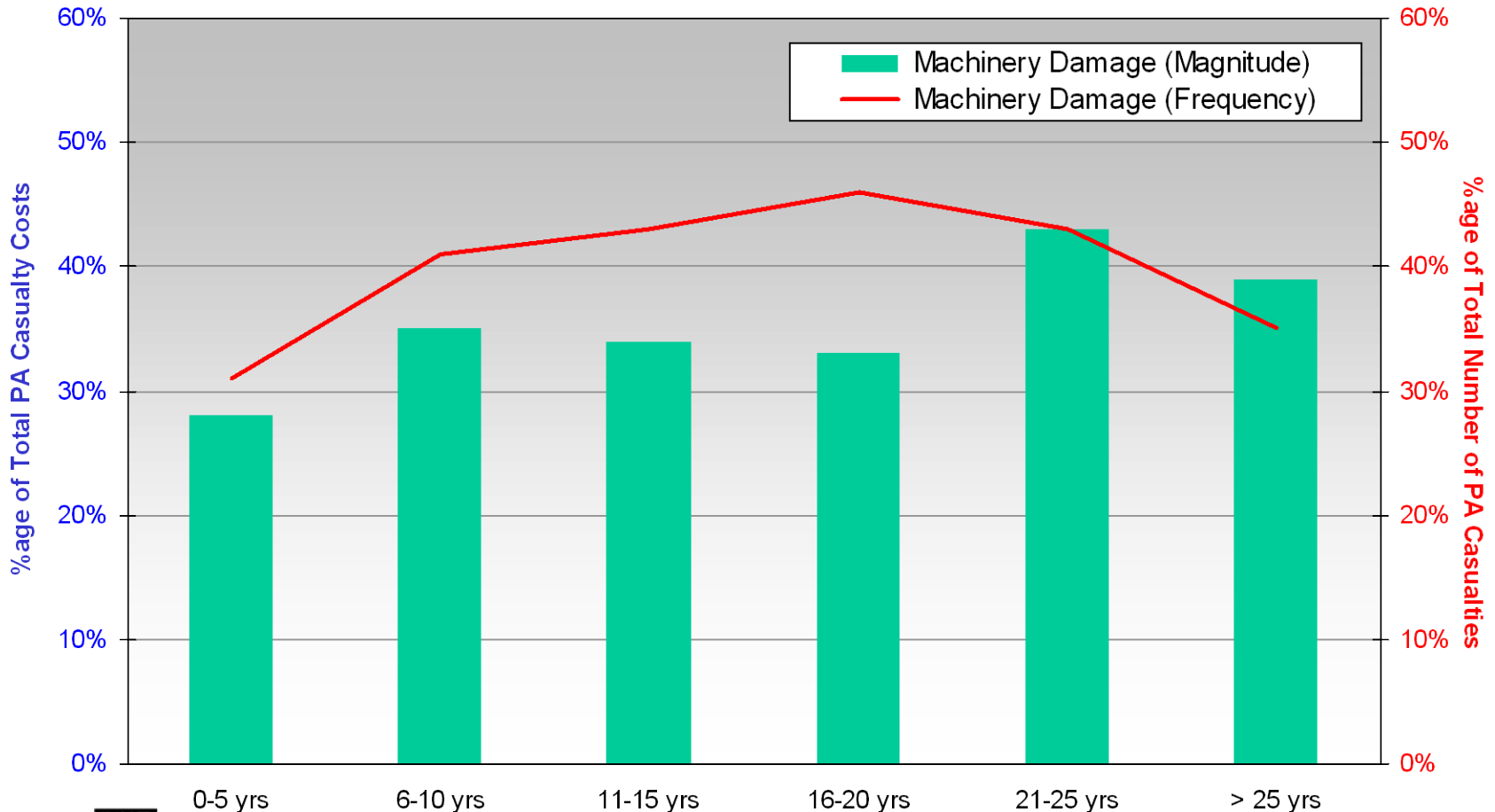




# Partial Loss Casualties 1999 – 2003

## Machinery / Engine Room, Frequency & Magnitude

Estimated Cost of Repairs > US\$250,000



Source:

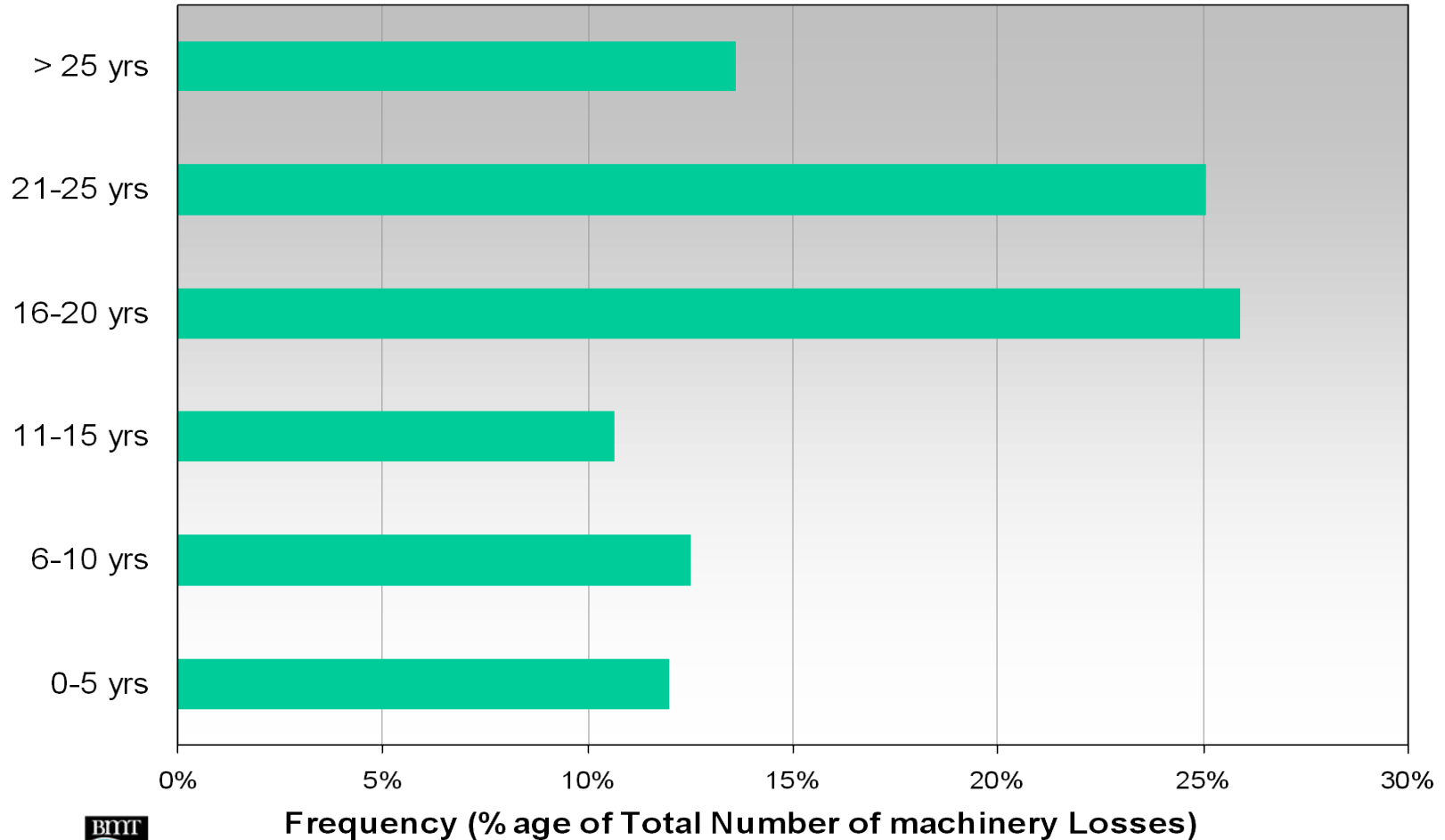




# Partial Loss Casualties 1999 – 2003

## Machinery Losses by Vessel Age

Estimated Cost of Repairs > US\$250,000



Source:





# Partial Loss Trends

## Conclusion

- Machinery / Engine Room Damage
  - *Highest frequency*
  - *Highest overall cost to Underwriter's book*
  - *All age and vessel types*
  
- Underwrite – Loss Prevention & Risk Assessment
  - *Do we consider engine types enough?*
  - *Are we happy with class surveys of engines?*
  - *Should we be covering machinery at all?*
  - *Should there be a (25%) coinsurance for machinery?*
  - *An allowance for betterment in respect of older tonnage?*



# Shipping Statistics



**Doll Shipping  
Consultancy**

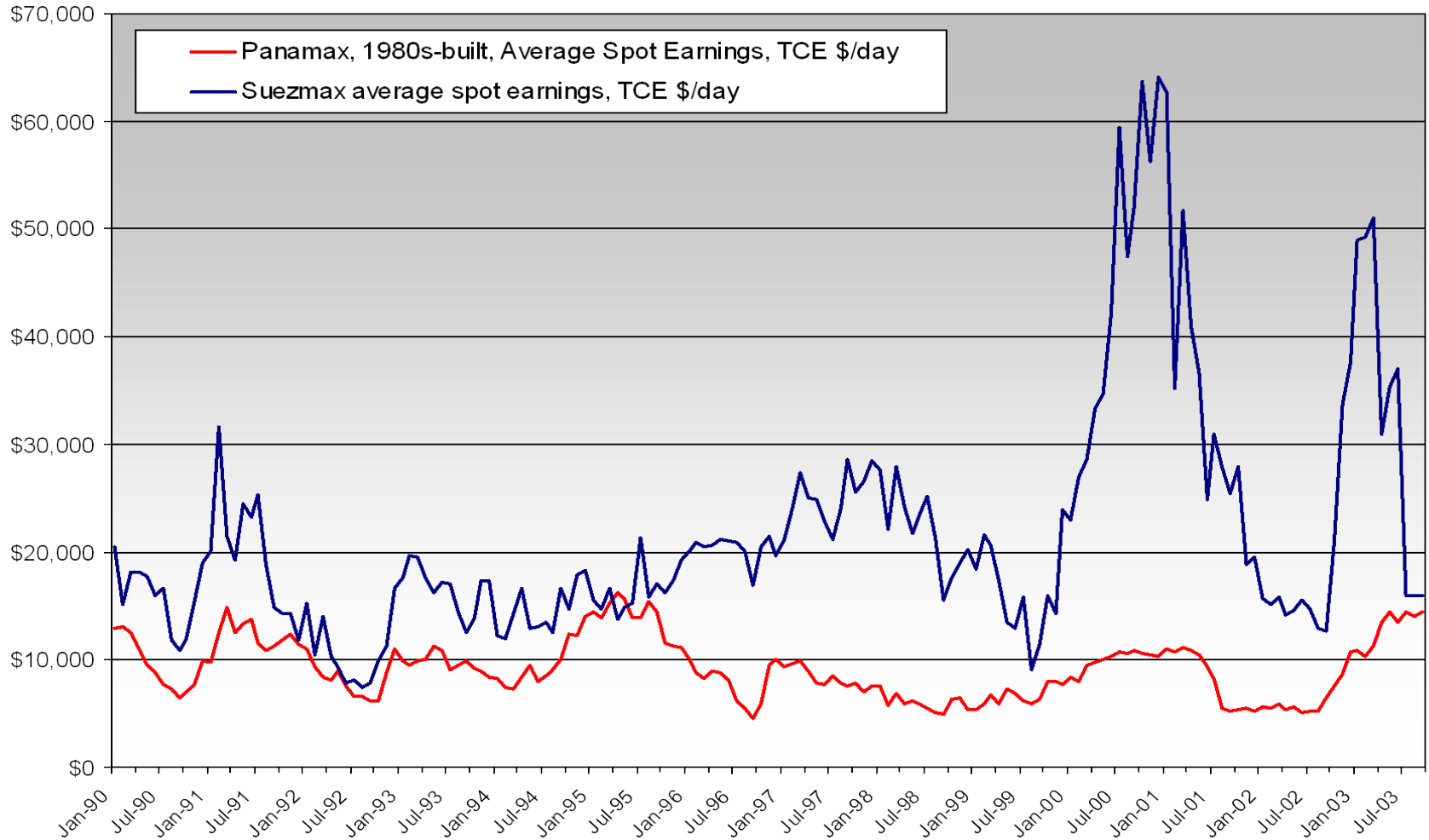
## Freight Rates



# Freight Rates

## Panamax & Suezmax Earnings 1990 - 2003

TCE \$/day



Source:

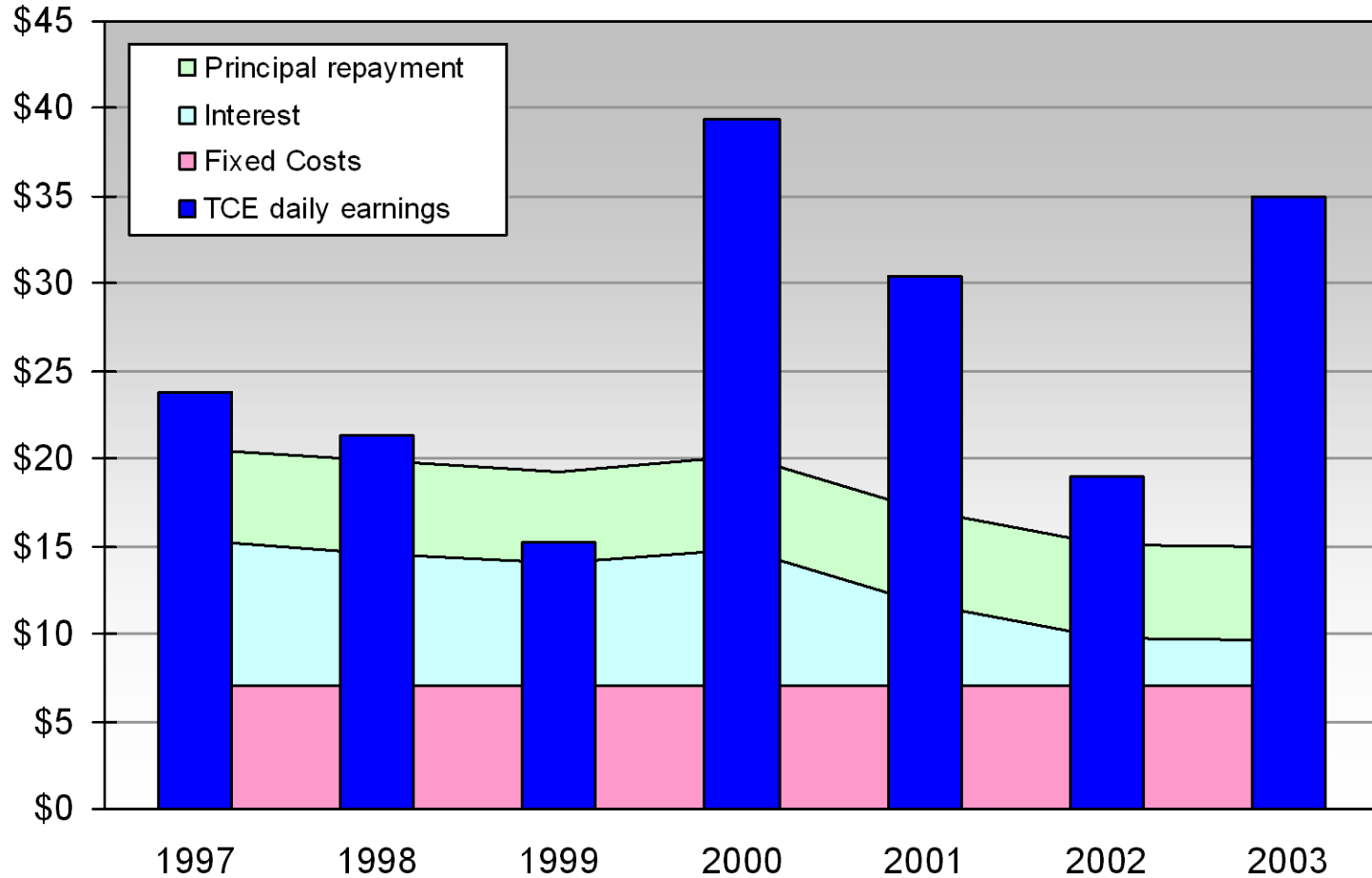




# Freight Rates

## \$54m Suezmax Operator - Earnings & Expenditure

\$/day ('000's)



Source: Doll Shipping Consultancy



# Shipping Statistics



## Port State Control

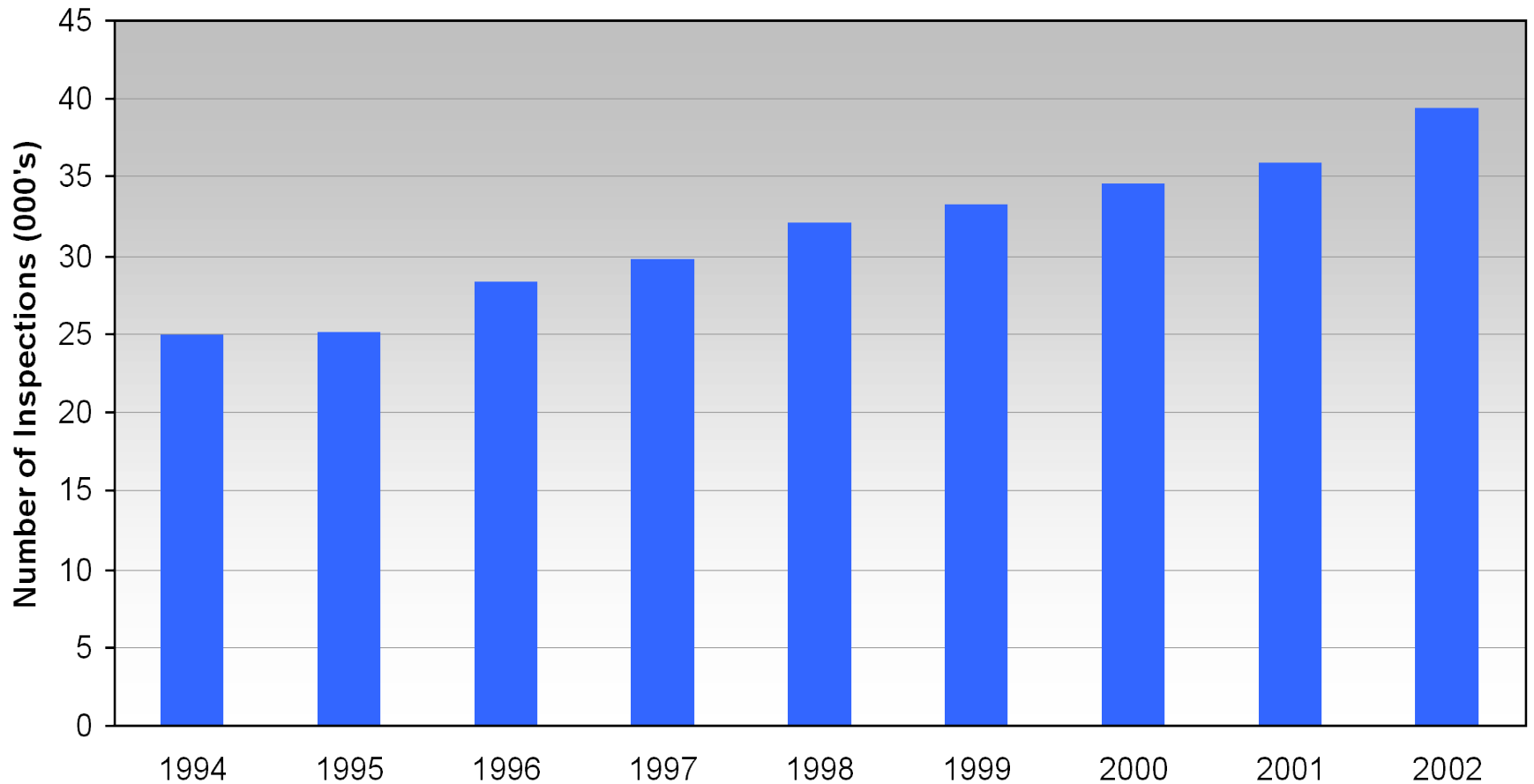




# Port State Control

## Overall Inspections 1994-2002

Paris & Tokyo MOU

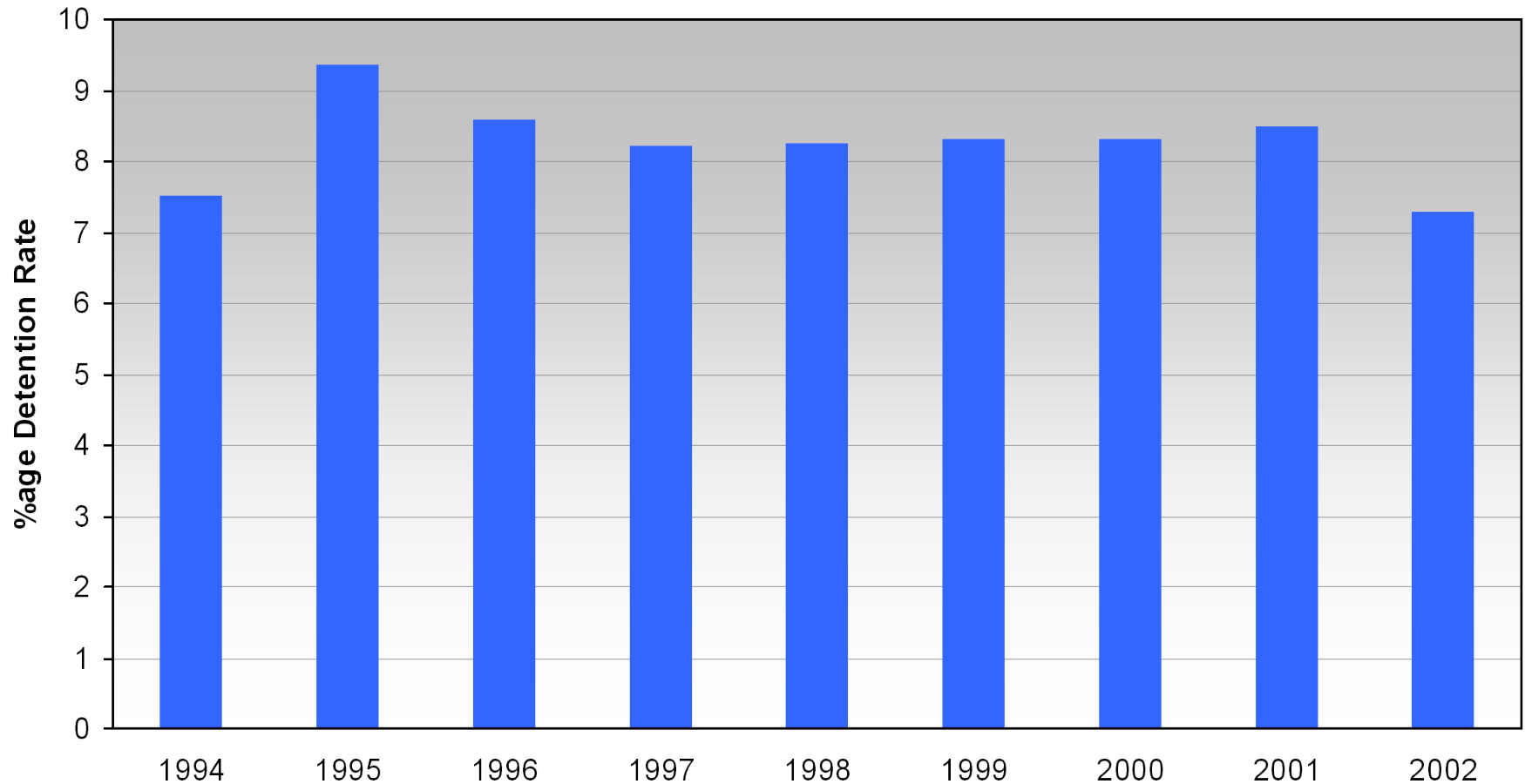


Source: PSC Memoranda Annual Reports 2002



# Port State Control Detention Rate 1994-2002

Paris & Tokyo MOU



Source: PSC Memoranda Annual Reports 2002



# Shipping Statistics



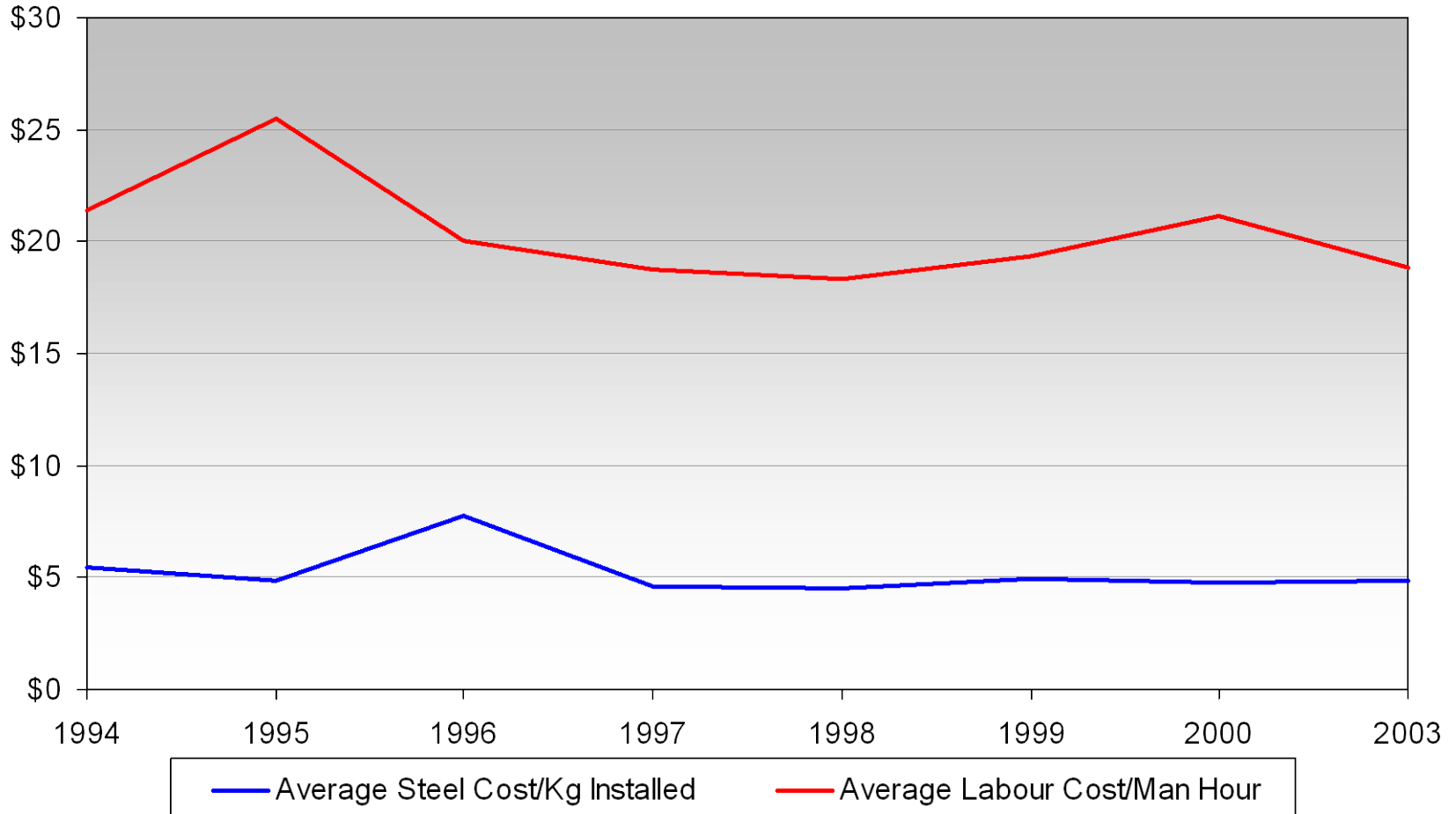
## Repair Costs



# Repair Costs

## Global Sample 1995 - 2003

Average Cost



Source: 



# Shipping Statistics

## Conclusion

- Shipowners are making significant profits
  - *Fixed cost are not rising*
  - *Underwriters can achieve rate rises with little impact*
  
- Port State Control
  - *Useful risk assessment tool*
  
- Repair costs not increasing
  - *Underwriters concentrate on rates, deductible levels may be OK*



# Underwriting Statistics

## Market Results

Lloyd's, Norway, Germany & France

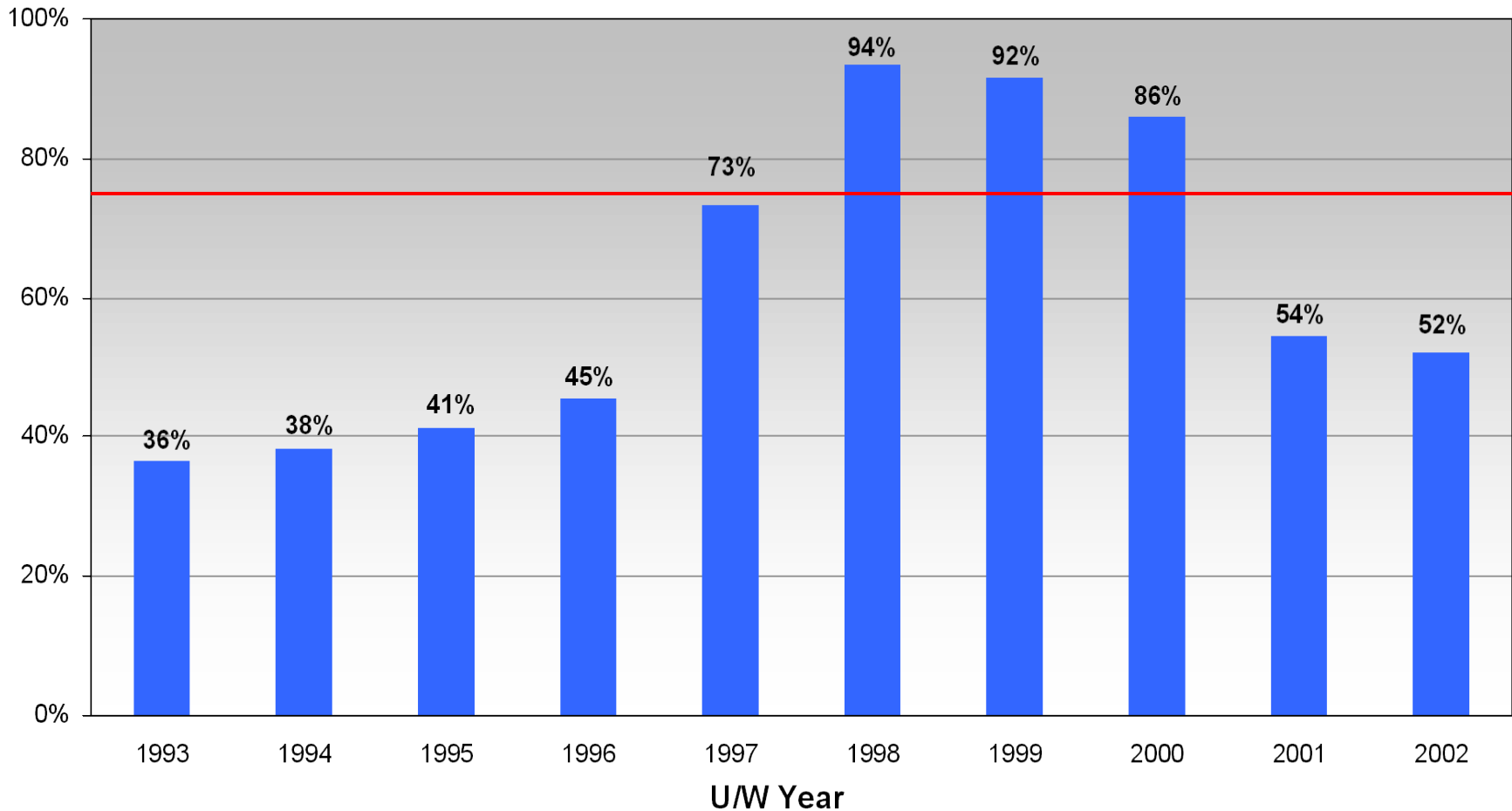


# Market Results – Lloyd's

## 'T' Audit Code Comparison of Incurred Loss Ratio

Net of Commission, Gross of R/I as @ Q6

### Incurred LR



Source: Lloyd's Loss Ratio Triangulations Q2/2003

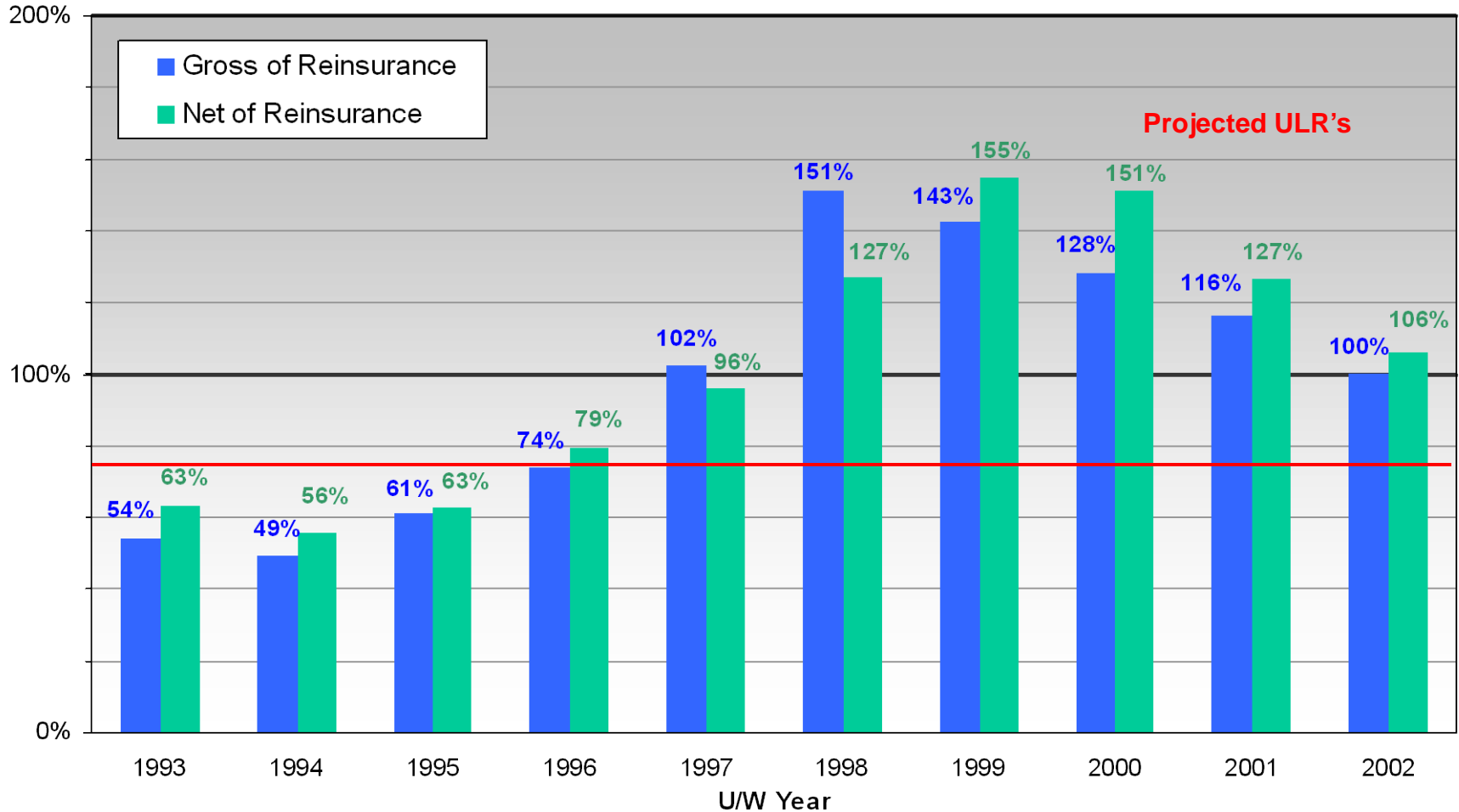


# Market Results – Lloyd's

## 'T' Audit Code Projected ULR's 1993 - 2002

Lloyd's Solvency & Reserving Data @ 31/12/2002, Net of Commission

Projected ULR



Source: Lloyd's Market Analysis Department



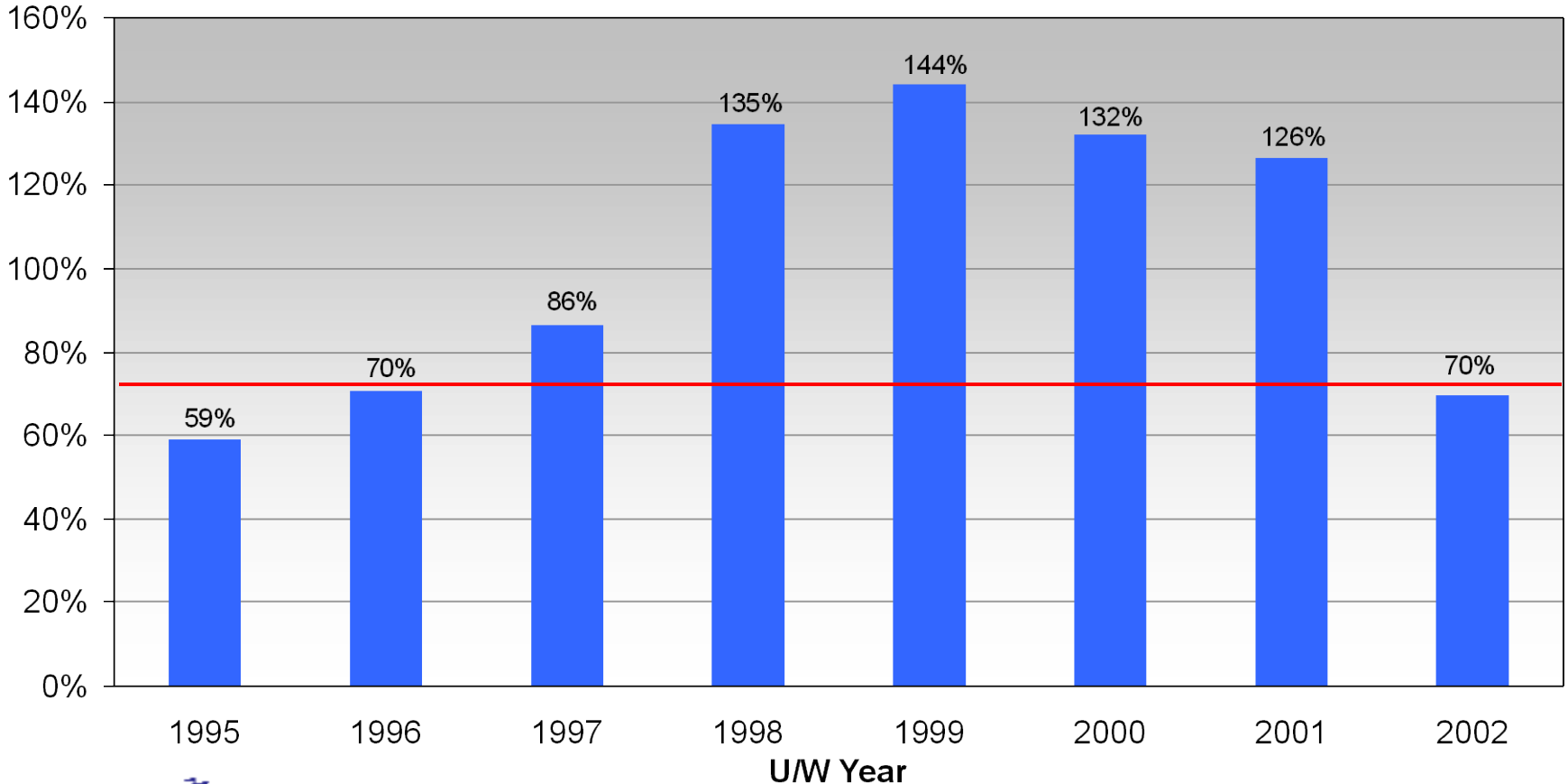


# Market Results - Norway

as @ 31/12/2002

Gross of R/I, Net of Commission

## Incurred LR



Source:



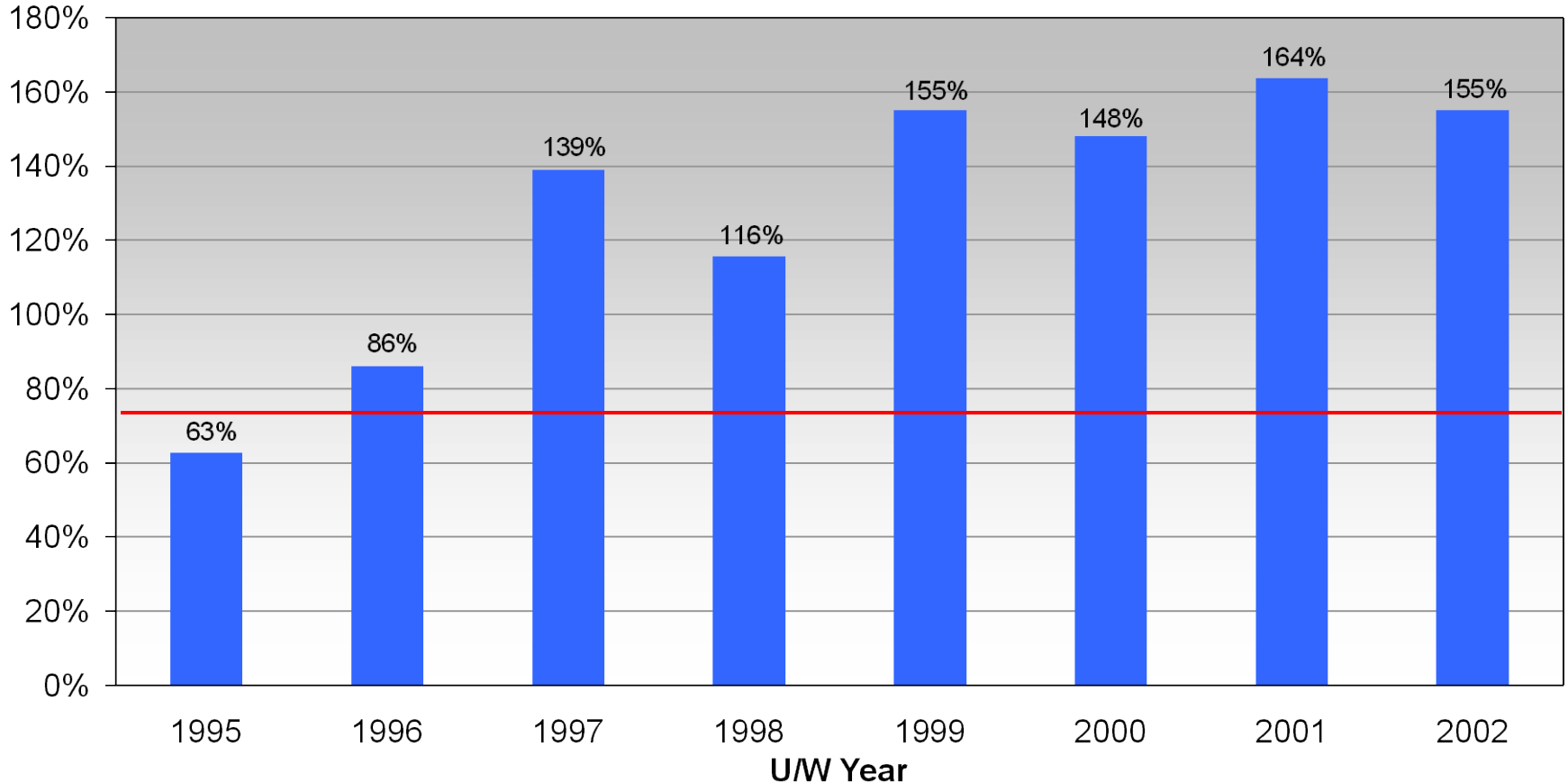


# Market Results – Germany

as @ 2<sup>nd</sup> Qtr 2003

Gross of R/I, Net of Commission

## Incurred LR



Source: IUMI 2003 Market Submission

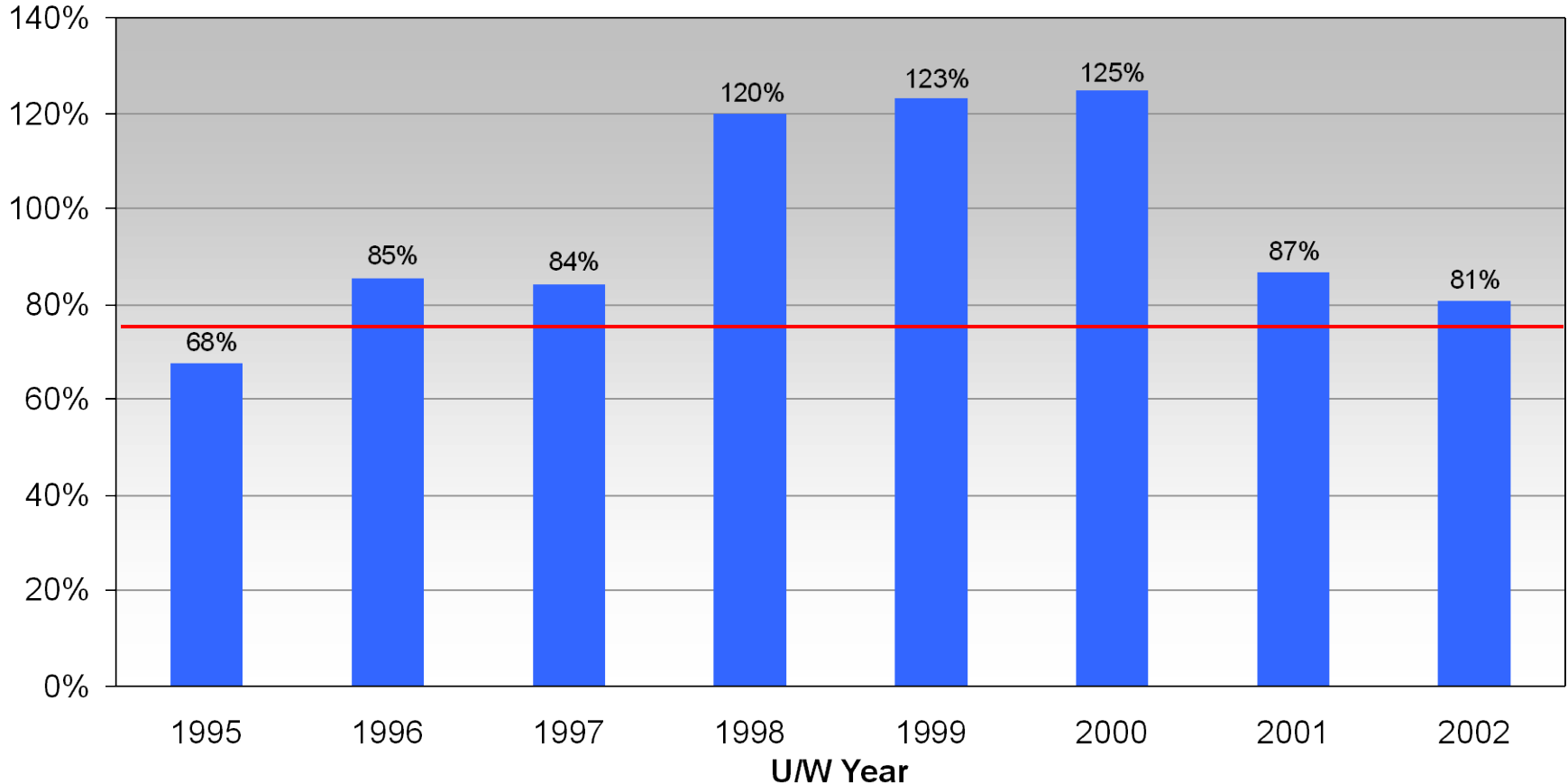


# Market Results – France

as @ 2<sup>nd</sup> Qtr 2003

Gross of R/I, Net of Commission

## Incurred LR



Source: IUMI 2003 Market Submission



# Market Results

## Conclusion

- **Worldwide Acute Results**
  - 6 – 8 years of appalling losses
- **Implications**
  - Capital withdrawal
  - Collapse of hull insurance market
  - Dramatically reduced choice for shipowners
- **Remedy**
  - Increase rates urgently



# Underwriting Statistics

## Relative Rating



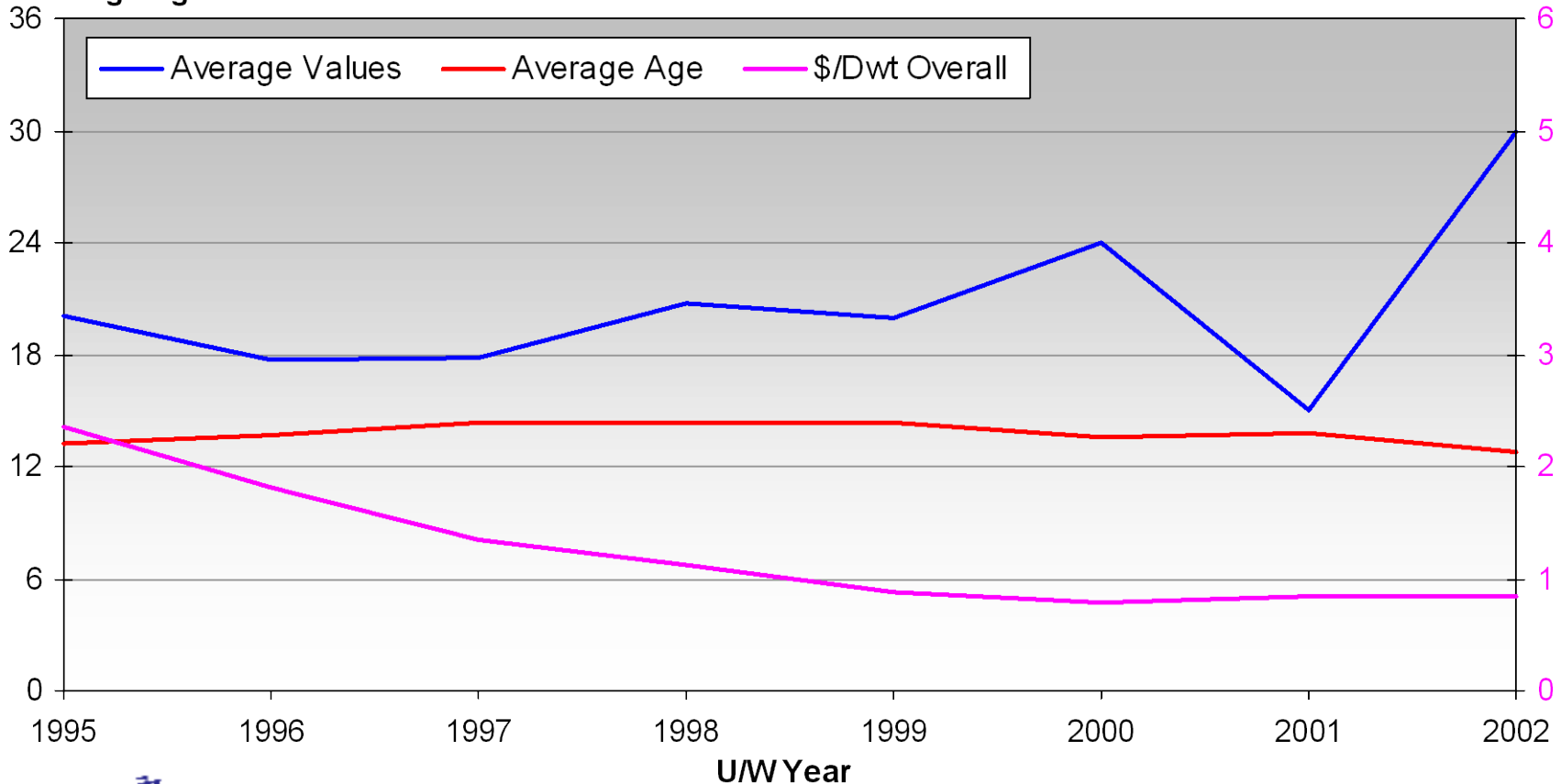


# Underwriting Statistics

## Relative Rating (CEFOR Index) 1995 - 2003

Average Value (\$m) &  
Average Age

\$/Dwt Overall



Source:





# Underwriting Statistics

## Relative Rating – Summary of Data Sample

### Sample 1

14 Fleets

Range 3-9 policy years

Average fleet 28 vessels

Max 97 vessels

Min 4 vessels

90 years data overall

### Sample 2

5 Fleets

Range 4-11 policy years

Average fleet 11 vessels

Max 22 vessels

Min 5 vessels

39 years data overall

### Sample 3

5 Fleets

Range 10 policy years

Average fleet 35 vessels

Max 59 vessels

Min 5 vessels

50 years data overall



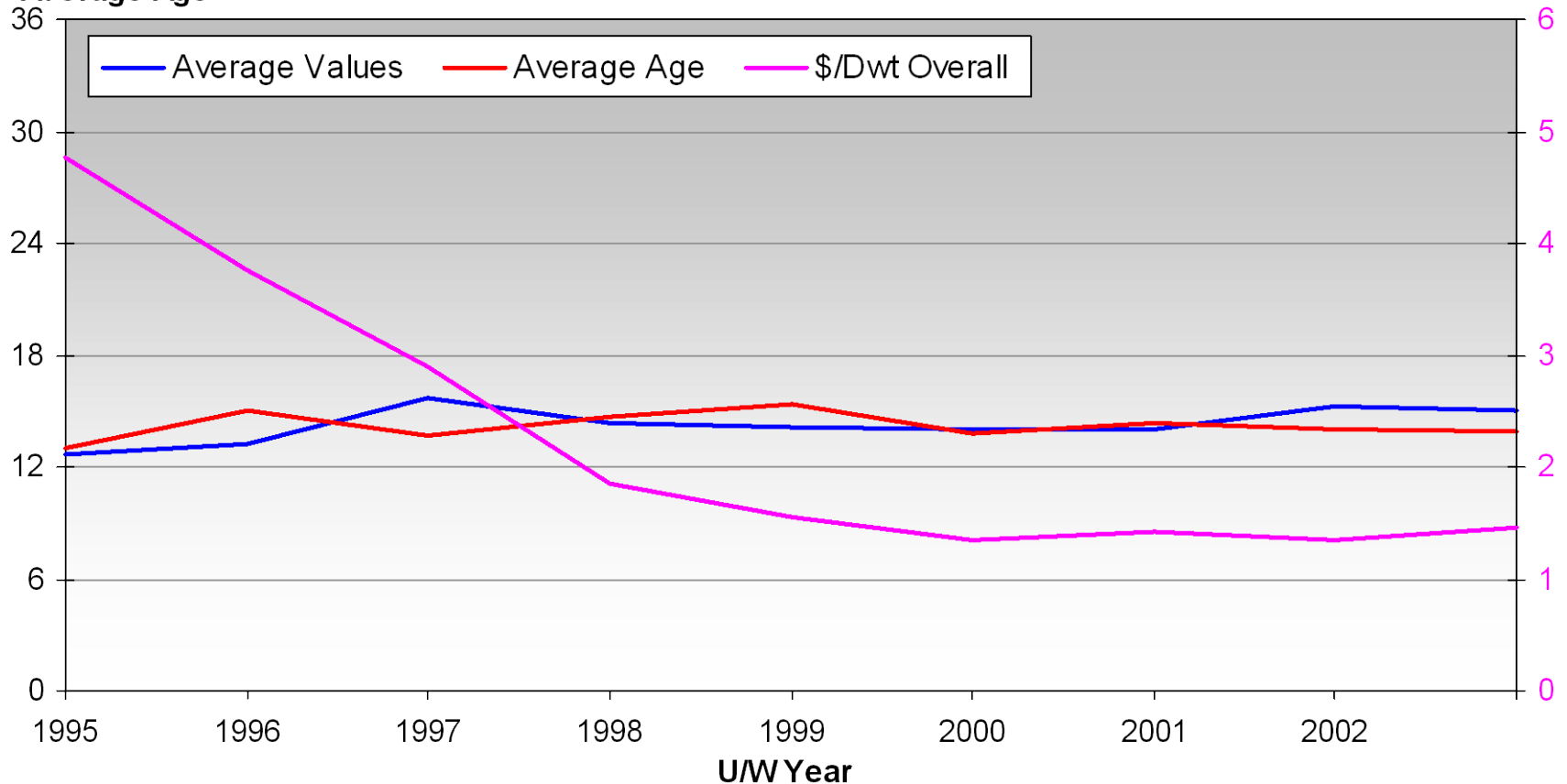
# Underwriting Statistics

## Relative Rating 1995 - 2003

### (Sample 1)

Average Value (\$m) &  
Average Age

\$/Dwt Overall



Source: Broker Portfolio (1) for Joint Hull Committee





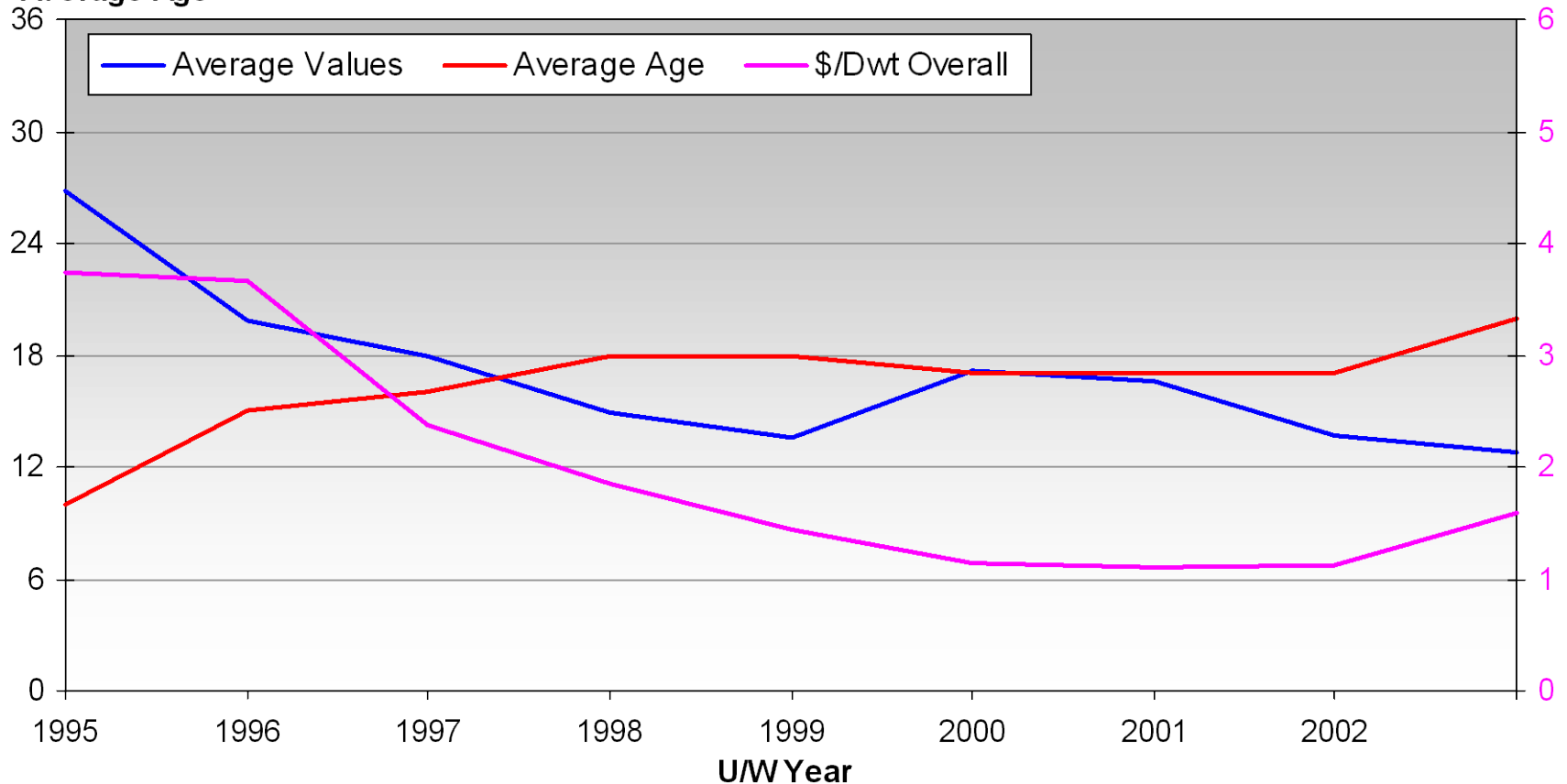
# Underwriting Statistics

## Relative Rating 1995 - 2003

### (Sample 2)

Average Value (\$m) &  
Average Age

\$/Dwt Overall



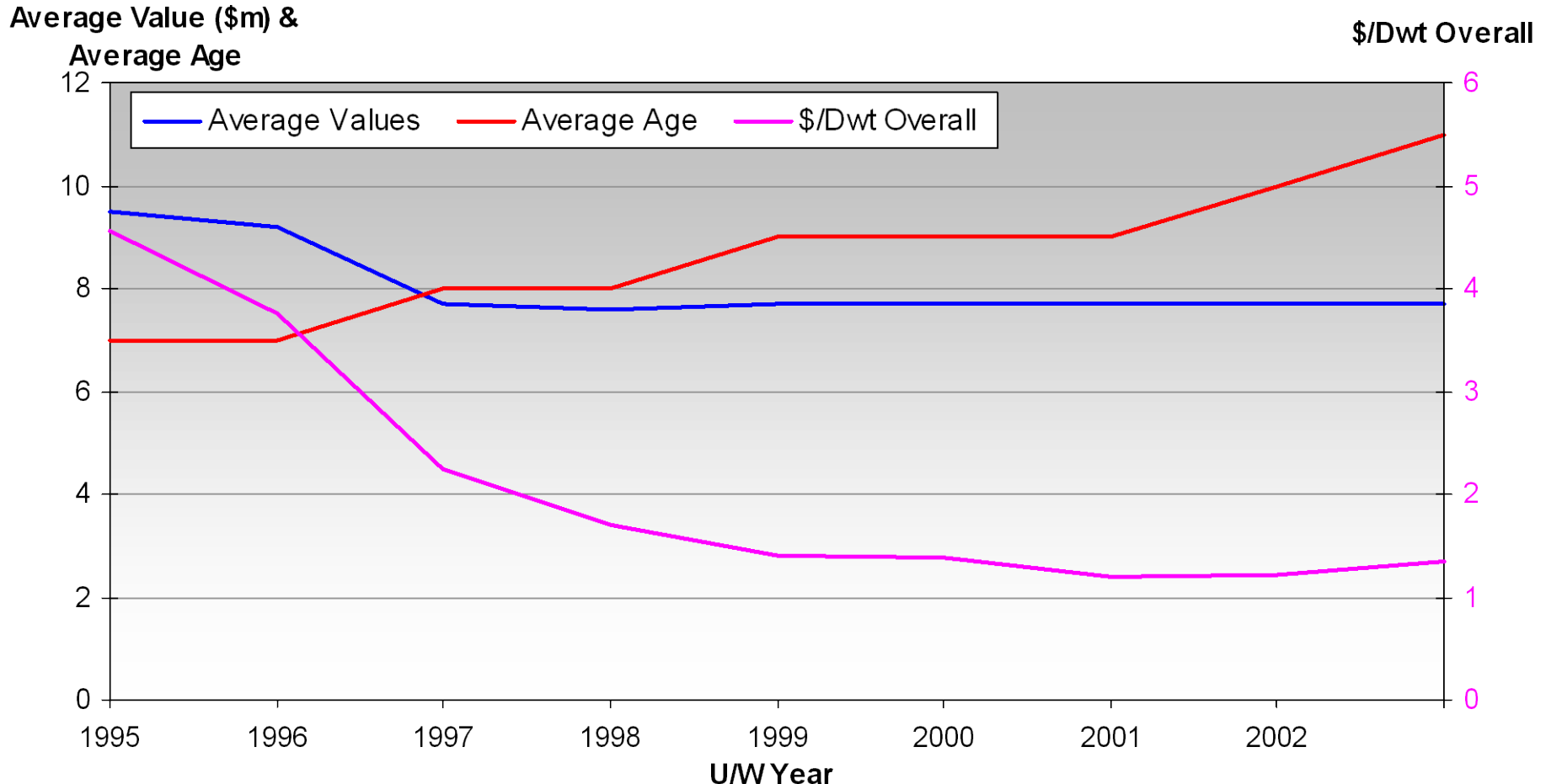
Source: Broker Portfolio (2) for Joint Hull Committee



# Underwriting Statistics

## Relative Rating 1995 - 2003

### (Sample 3)



Source: Broker Portfolio (3) for Joint Hull Committee



# Casualty, Shipping & Underwriting Statistics

## Conclusion

- **Marine Hull Insurance Market still losing money internationally**
- **Shipping world is relatively unchanged**
  - Greater exposure
- **Rating wholly inadequate**
  - Capital withdrawal imminent
  - Brave underwriting required
  - Shipowners can afford to pay for healthy market
- **Urgent action required now for Market survival**



# State of the Hull Market

Simon Beale

Chairman, Ocean Hull Committee

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