

GLOBAL MARINE INSURANCE REPORT 2015

Astrid Seltmann, Vice Chair F&F, Analyst @ Cefor



Statistics are history

The Sea is History by Derek Walcott

THIS YEAR'S ADVICE

Before you enjoy 2014 results...

- Check impact of recent 2015 events (Tianjin explosion)!

Before you believe in sustainable improvement...

- 2015 economic & global environment:
Substantial changes with impact on marine market.
- 2014 is history.
- Focus on 2015 (& 2016) risks and conditions.

GLOBAL MARINE INSURANCE REPORT



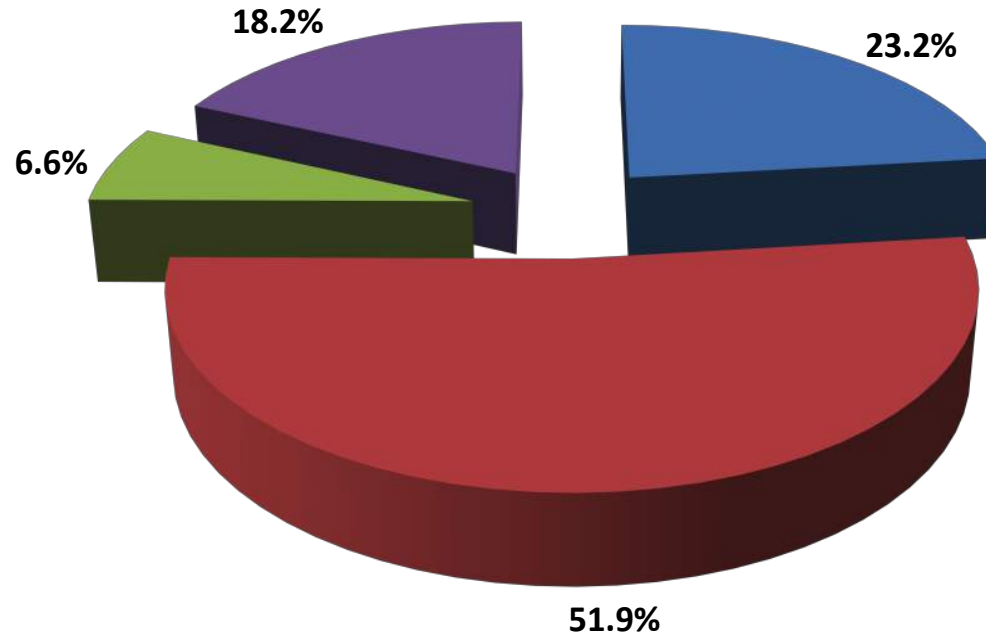
- **Global Marine Insurance – Overview**
 - Focus: The exchange rate rollercoaster
- **Cargo – Market & results**
 - Focus: Aggregation risk
- **Hull – Market & results**
 - Focus: 2015 trends
- **Offshore Energy – Market & results**
 - Focus: A changed market environment

@ www.iumi.com: Tables: Premiums by country & Loss ratios triangulations

MARINE PREMIUM 2014 - BY LINE OF BUSINESS

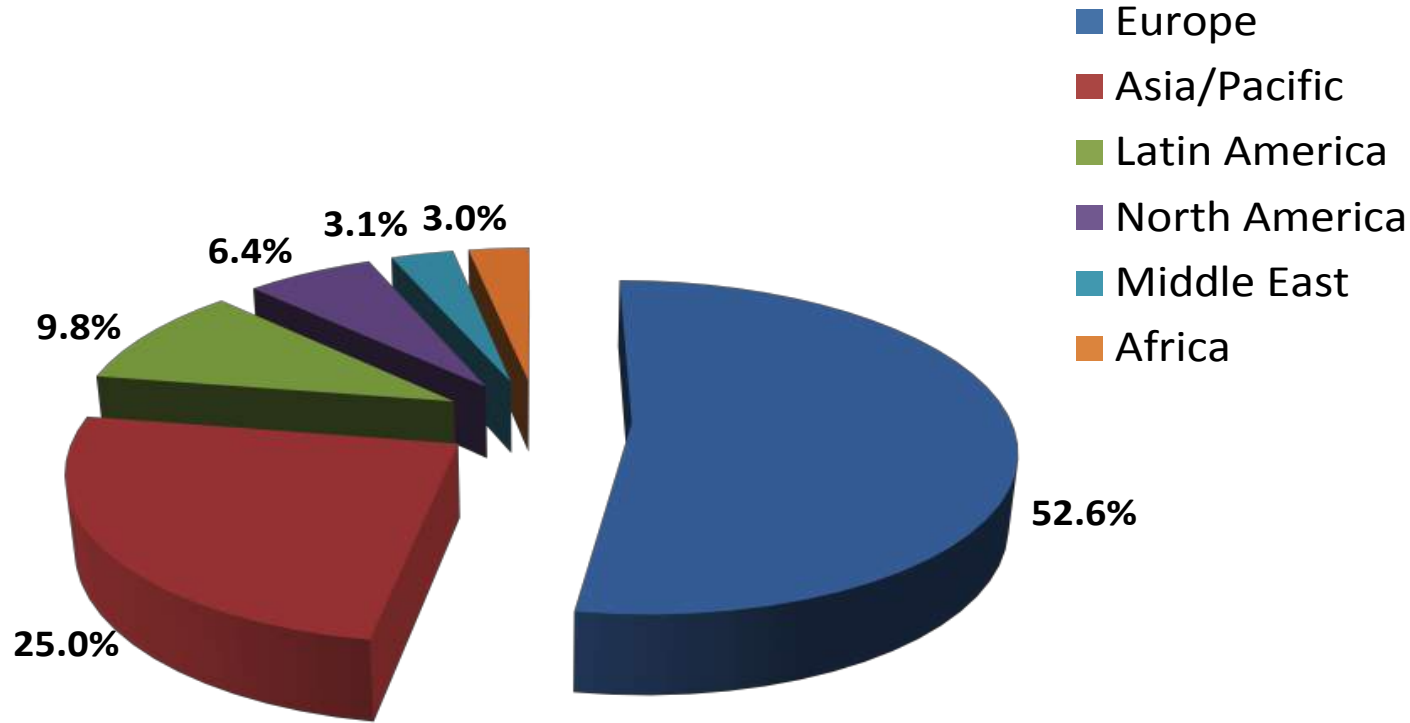
Total: 32.6 USD billion
Change 2013 to 2014: -3.2%

Reduction due to strong USD!
In most local currencies,
income stable or increased.



- Global Hull
- Transport/Cargo
- Marine Liability
- Offshore/Energy

MARINE PREMIUM 2014 – BY REGION



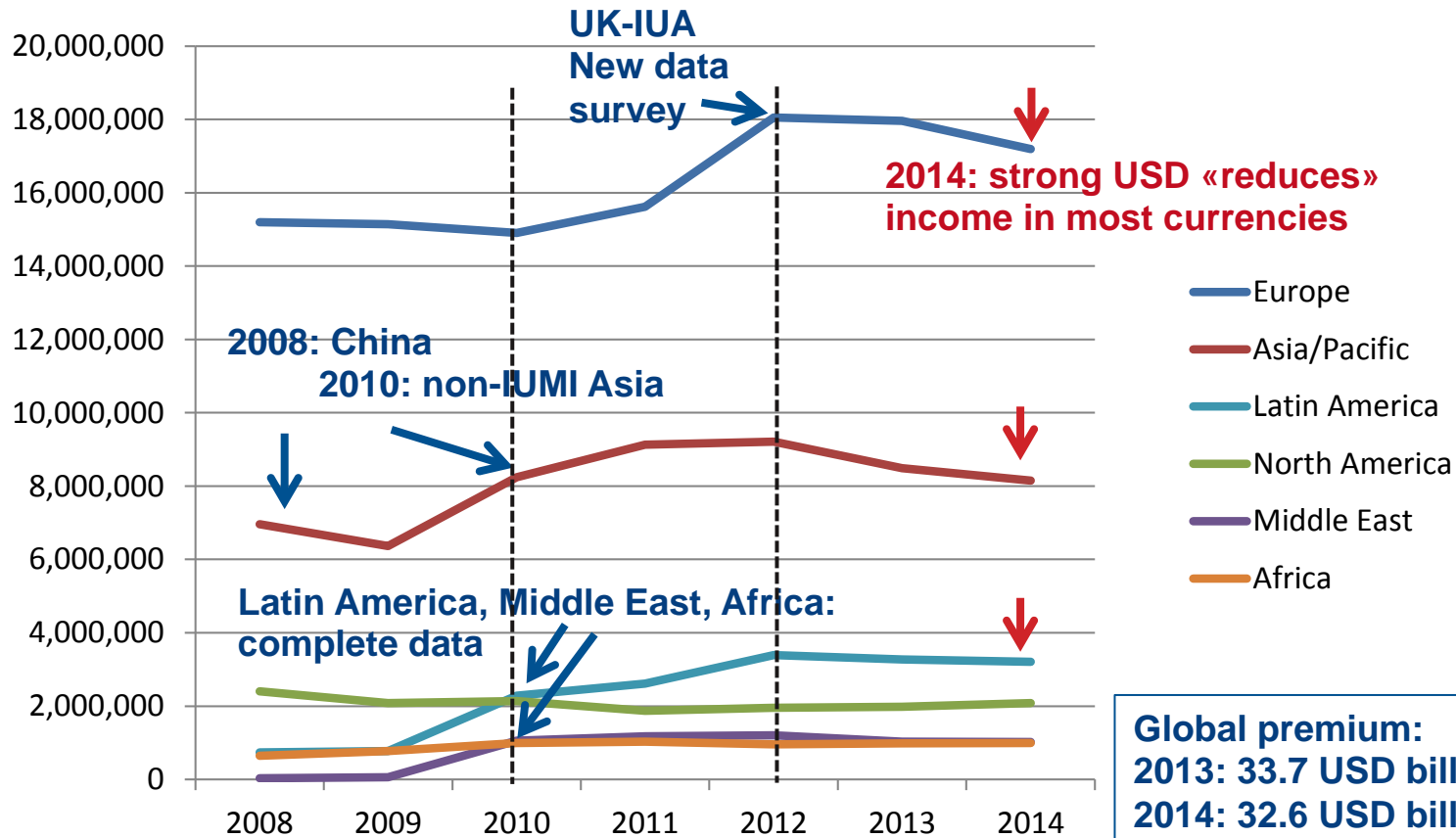
Total: 32.6 USD billion

BUILDING UP DATA - PREMIUMS

Start date	Area	Association		Data from
1993	IUMI members	IUMI, with Cefor		1992
2010	Russia	RUMI	more market data	2008
2011	China	Research Vivian		2008
2012	Asia non-IUMI	Research Vivian		2010
	Latin America complete	ALSUM		2010
	Middle East complete	GAIF		2010
2014	UK – IUA	IUA	complete IUA market	2012
	Africa FANAF countries	FANAF/CESAM		2010
2015 -	USA	AIMU	Increase US market coverage	ongoing

**Premiums
change
also
backwards!**

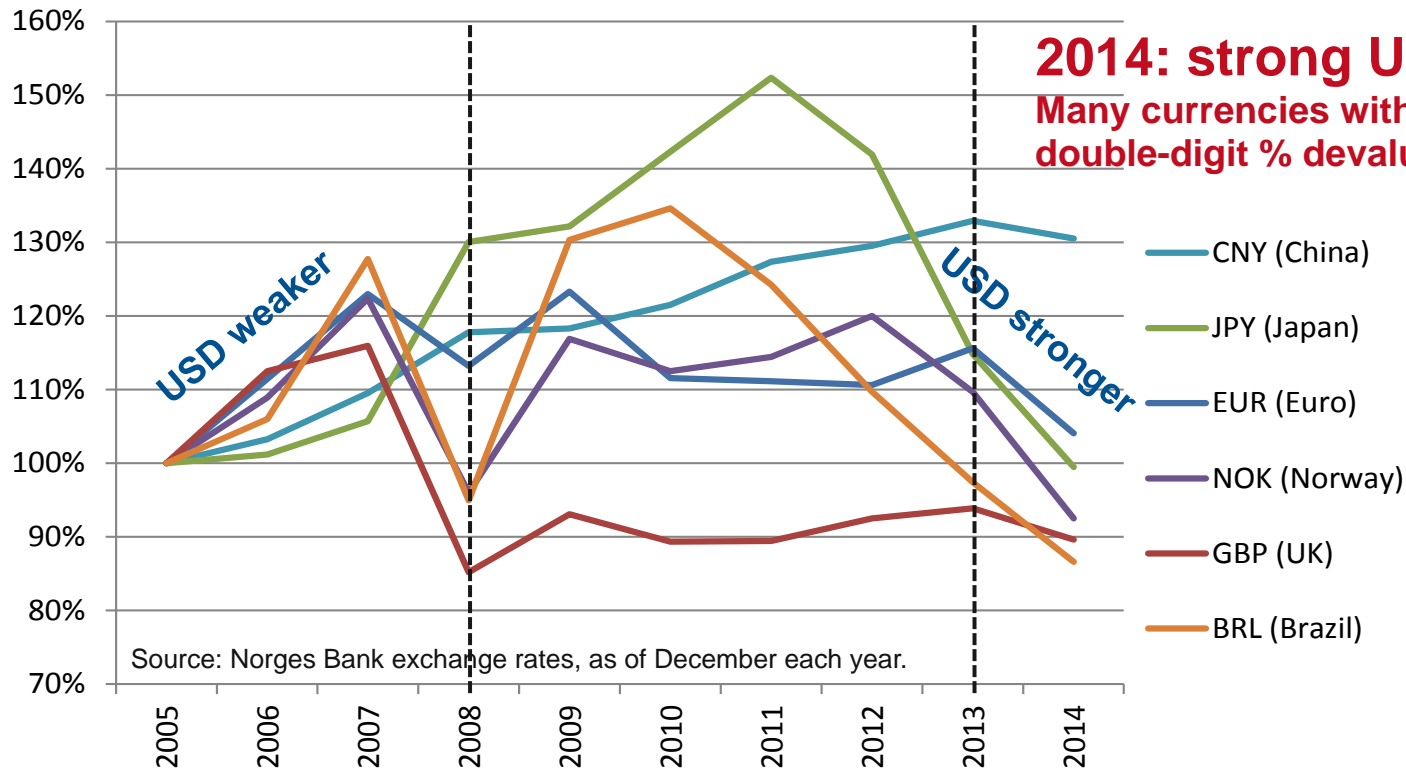
MARINE PREMIUM 2008-2014 – AS OF 2015



Global premium:
2013: 33.7 USD bill.
2014: 32.6 USD bill.
 (both as of 2015)

USD EXCHANGE RATE 2005-2014

AGAINST SELECTED CURRENCIES, INDEX, 2000=100%

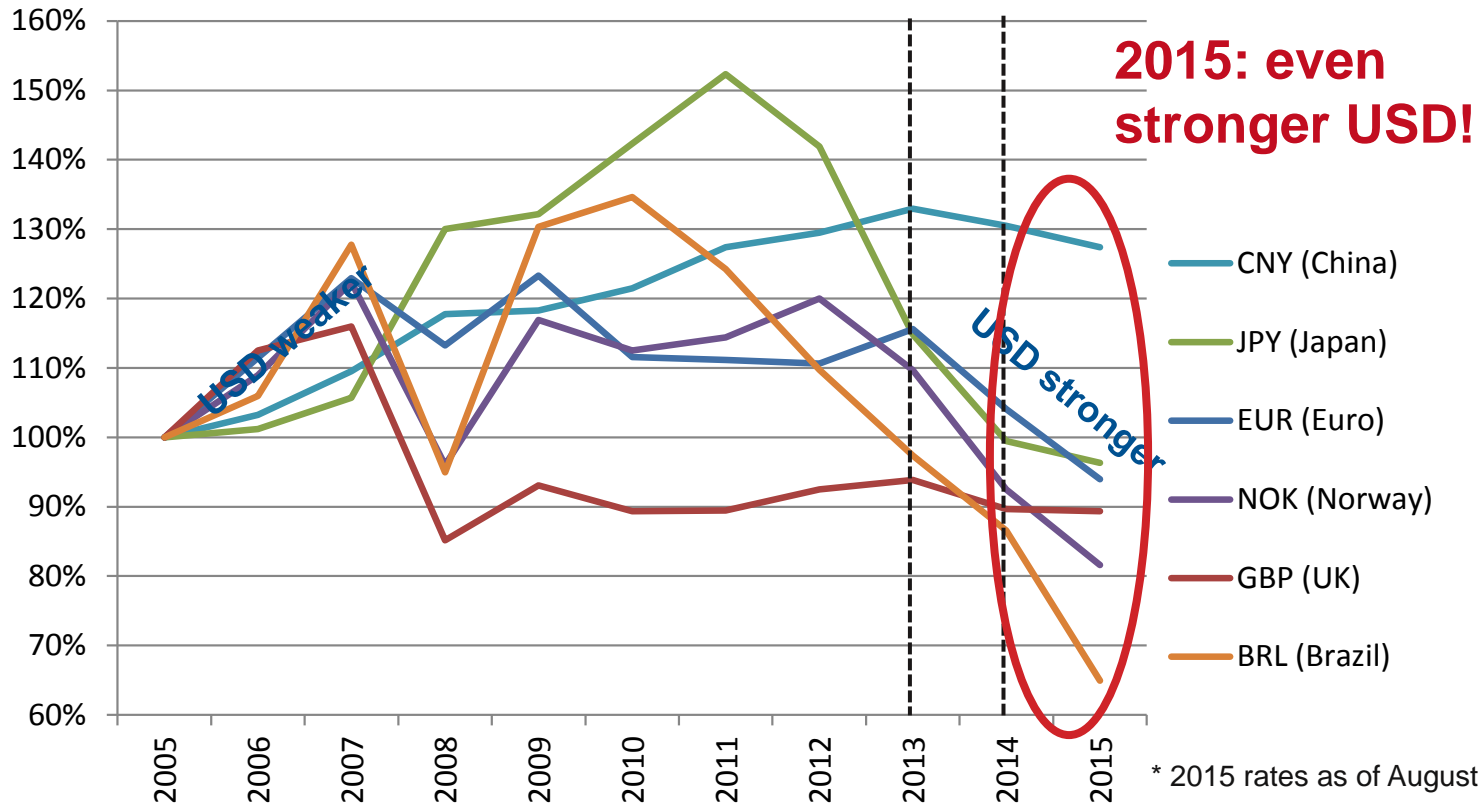


2014: strong USD!
Many currencies with
double-digit % devaluation.

Exchange rates not necessarily correlated, but in 2014 weakened most against USD.

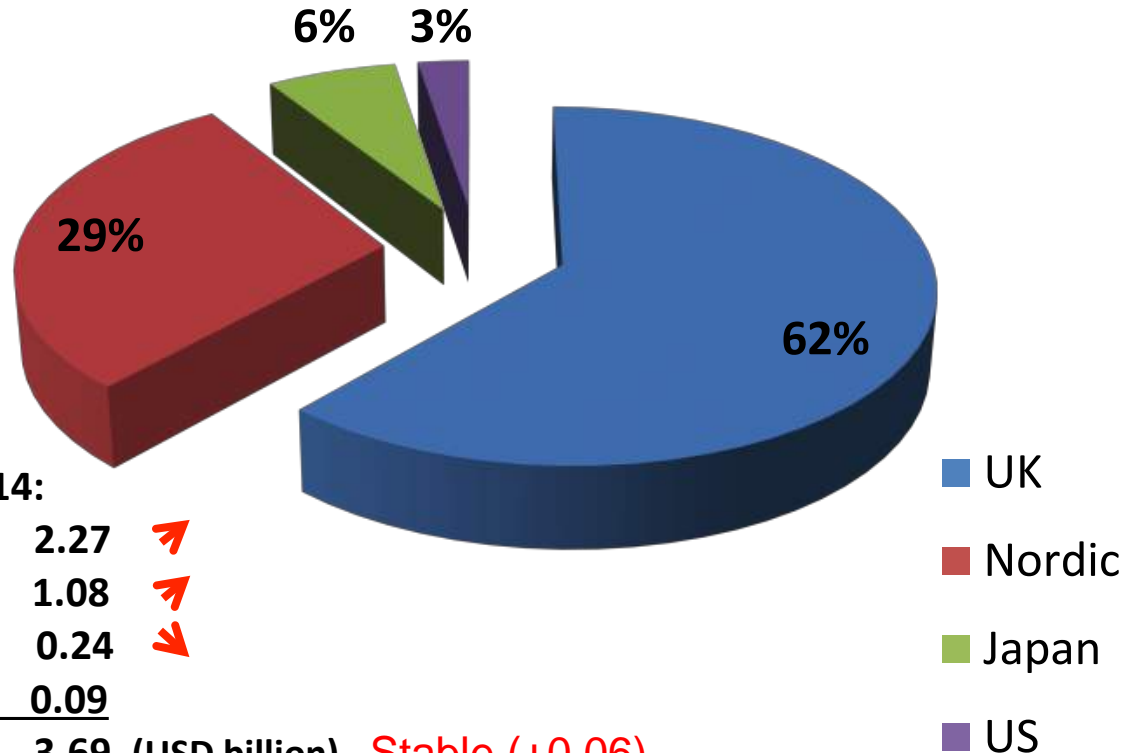
USD EXCHANGE RATE UNTIL 2015

AGAINST SELECTED CURRENCIES, INDEX, 2000=100%



P&I CLUBS INTERNATIONAL GROUP

GROSS CALLS (PREMIUM) 2014 – OPERATIONAL LOCATION



Calls 2014:

UK: 2.27 ↗

Nordic: 1.08 ↗

Japan: 0.24 ↘

US: 0.09

Total: 3.69 (USD billion) Stable (+0.06)

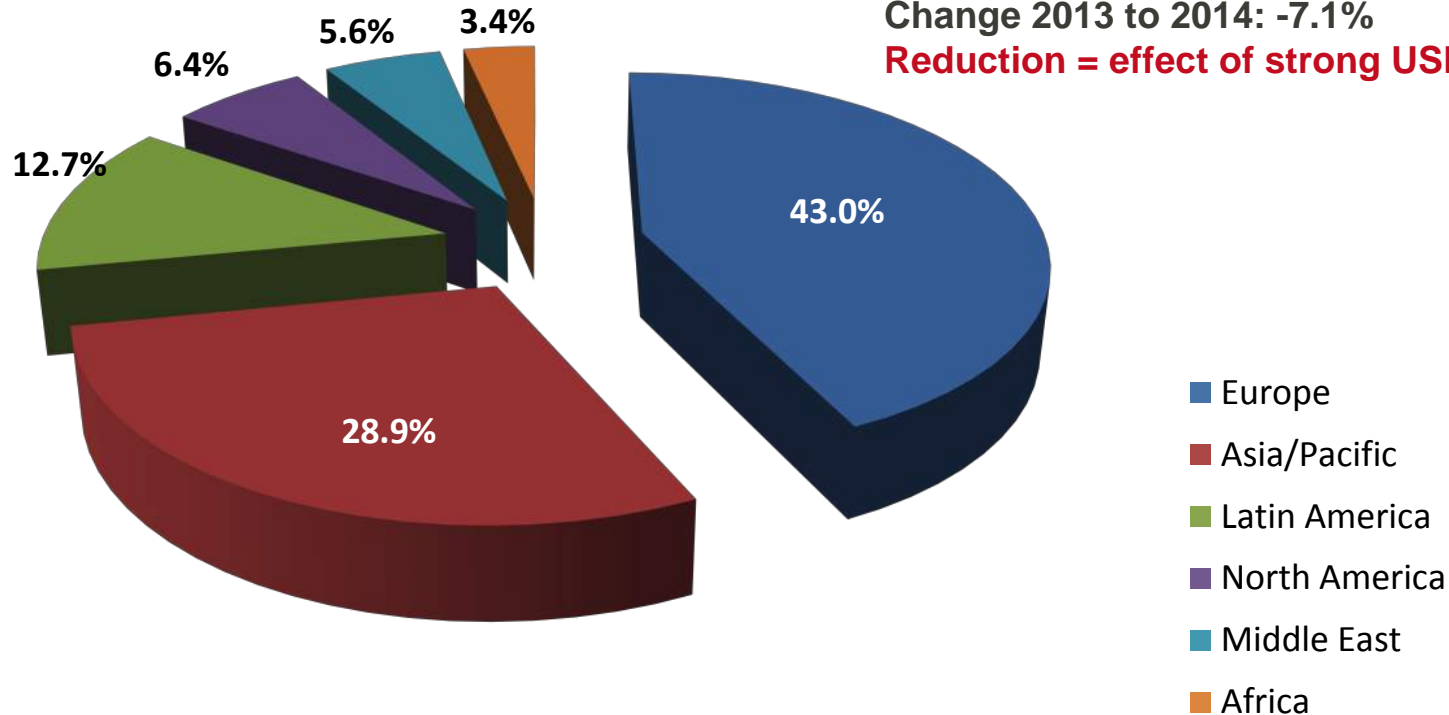
GLOBAL MARINE INSURANCE REPORT



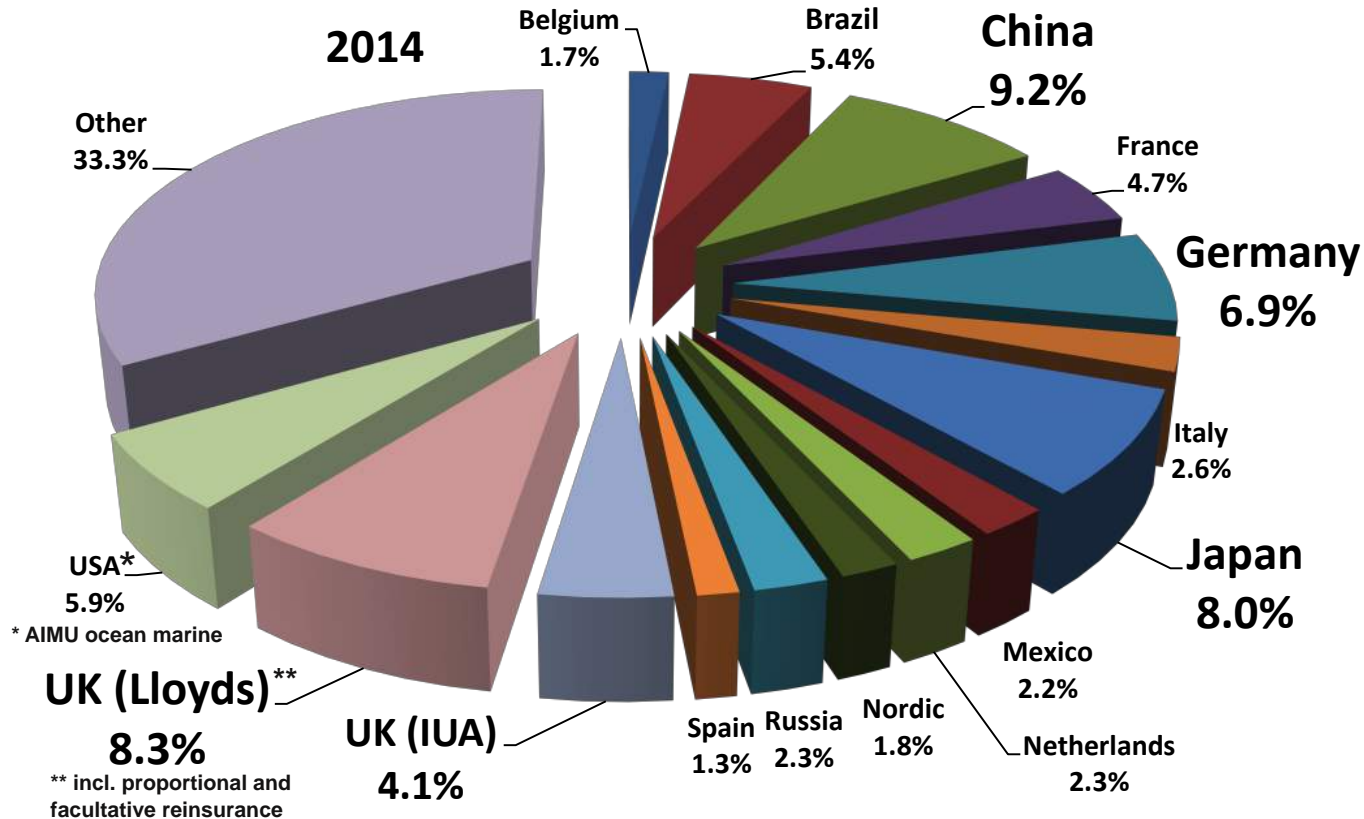
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CARGO PREMIUM 2014 - BY REGION

Total: 16.95 USD billion
Change 2013 to 2014: -7.1%
Reduction = effect of strong USD!

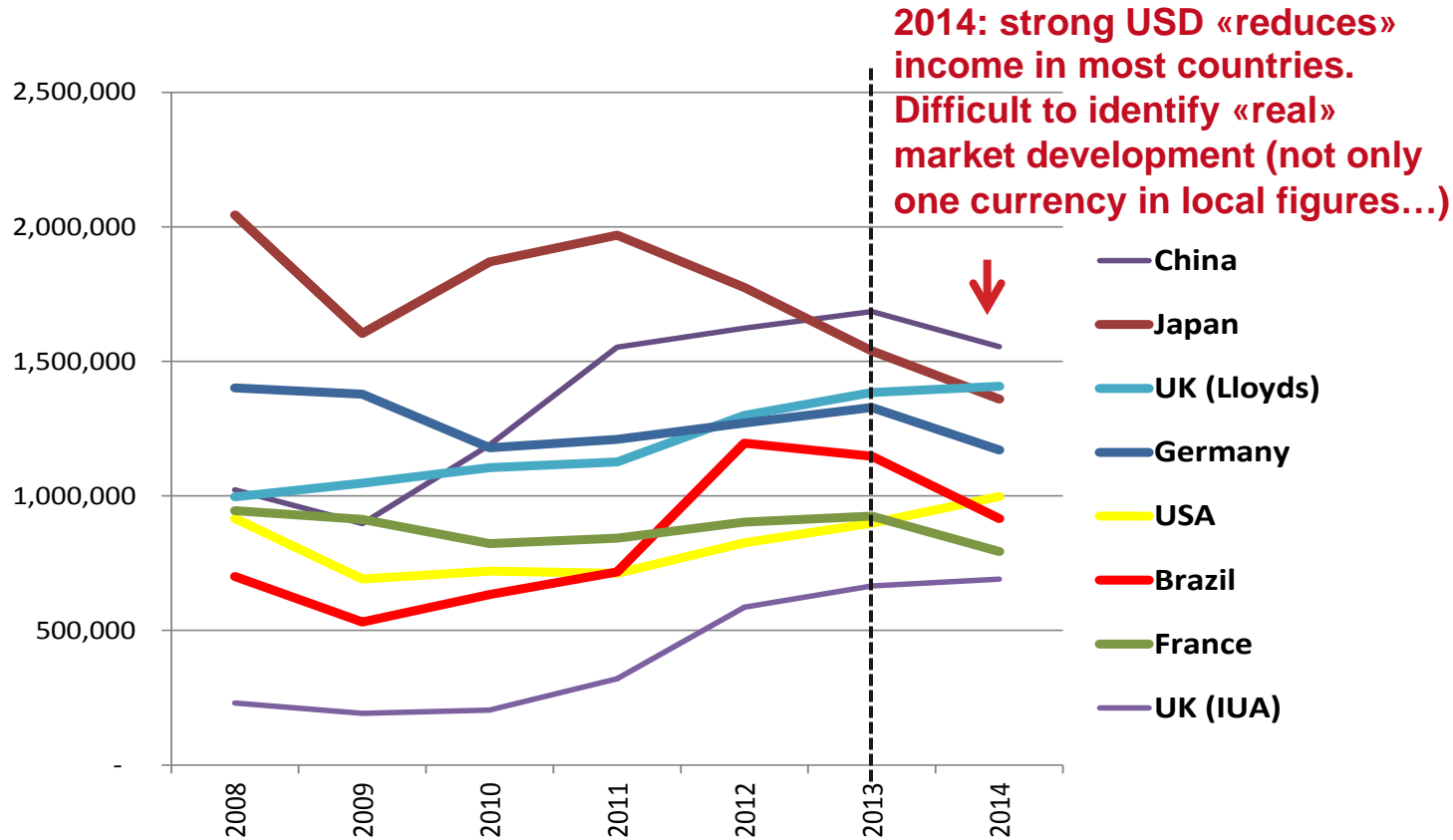


CARGO PREMIUM 2014 - BY MARKETS

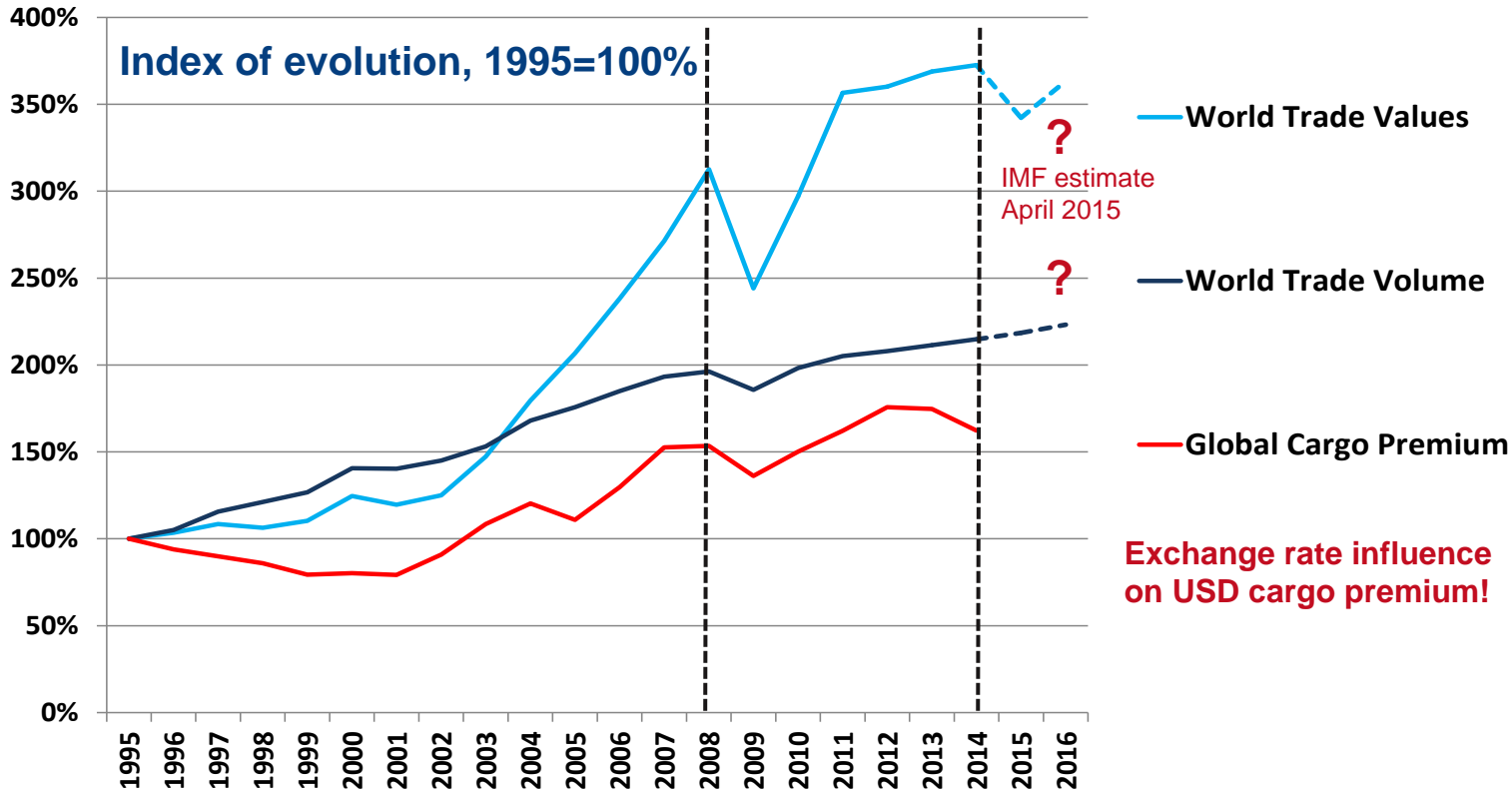


CARGO PREMIUM 2008-2014

SELECTED MARKETS

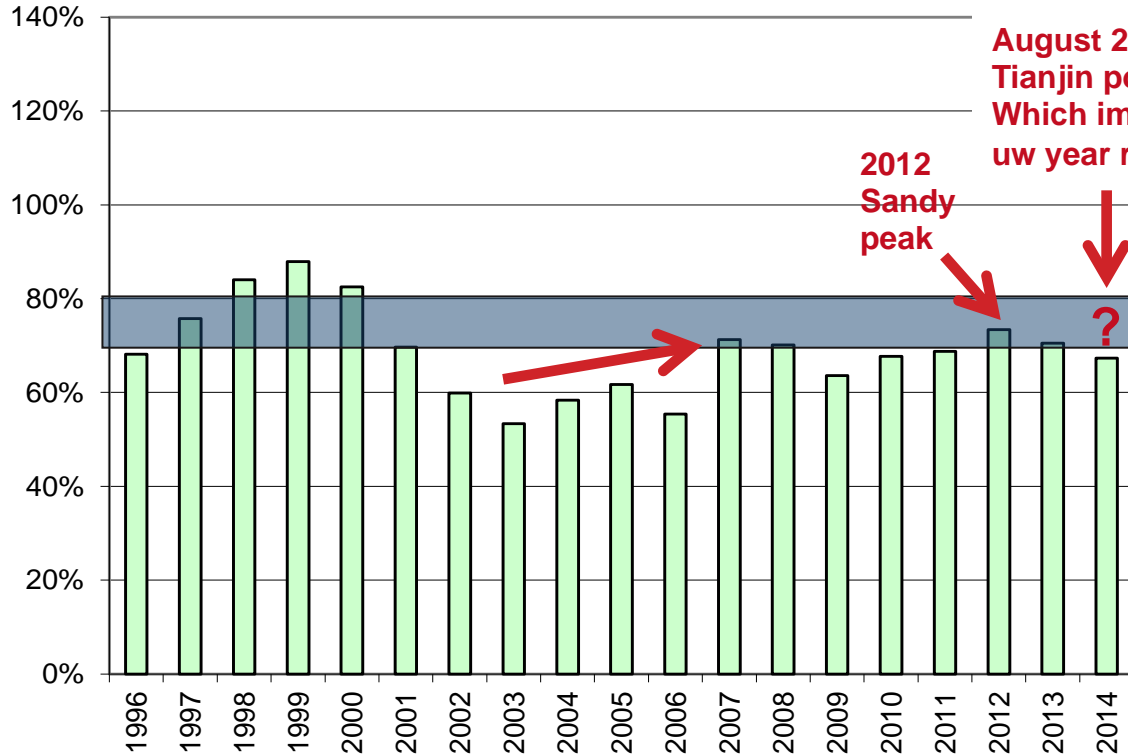


CARGO PREMIUM / WORLD TRADE VALUES & EXPORTS



CARGO – ULTIMATE* LOSS RATIOS

EUROPE/USA**, UNDERWRITING YEARS 1996 TO 2014



Since 2007: Most years expected to end > 70% gross loss ratio.

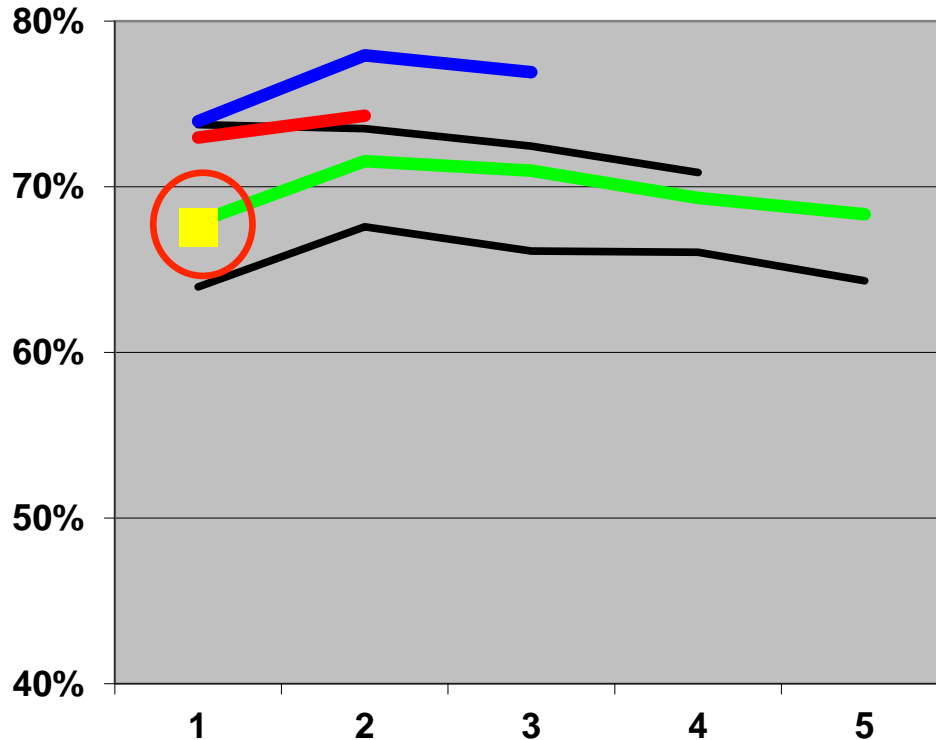
2014: Seeming improvement may deteriorate due to Tianjin explosion.

* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

** Data: Belgium, France, Germany, Netherlands, Italy, Spain (until 2007), UK, USA

CARGO – ULTIMATE LOSS RATIOS

EUROPE/USA**, UNDERWRITING YEARS 2004-13, AS AT 1, 2, 3, 4, 5 YEARS



— 2009

— 2010

— 2011

— 2012

— 2013

— 2014

2011-2013:

Start at similar level. Gross loss ratio expected to end above 70%.

2014:

Starts lower than 2012/2013, but **deterioration** expected due to **Tianjin explosion!**

CARGO CONCLUSIONS

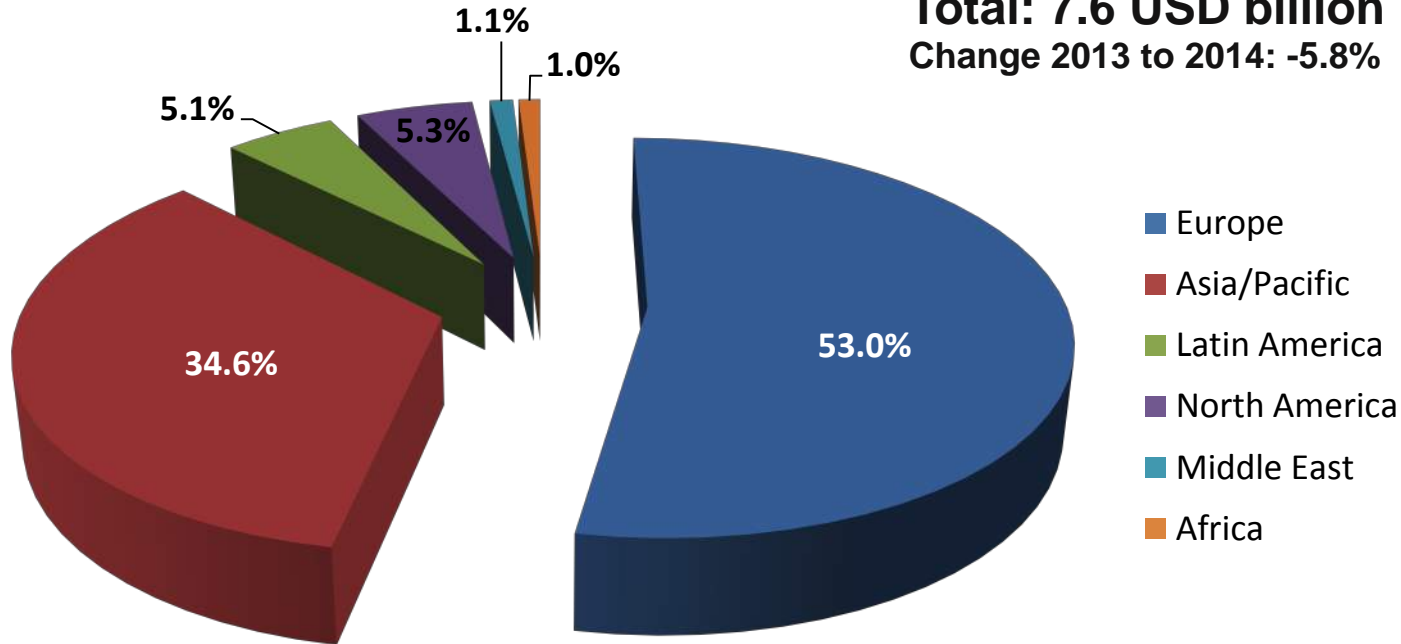
- **Market:**
 - Strong USD ‘hides’ local market growth.
 - Market growth and results differ by region.
- **Results:**
 - Seeming improvement probably outweighed by Tianjin port explosion (2014 and 2015 underwriting years, various countries).
- **Claims:**
 - Tianjin port explosion potentially largest single cargo loss event ever.
 - Auto industry major contributor to cargo/stock losses.
 - Risk of costly cargo claims expected to increase:
 - **Natural catastrophes** (Thailand floods, Sandy)
 - **Increased accumulation risk** (Tianjin port)
- **Outlook:**
 - Impact of China/world economy and oil price on trade.
 - Further strengthening of USD. Euro crisis solved?
 - Difficult to predict combined impact of changing economic environment.

GLOBAL MARINE INSURANCE REPORT

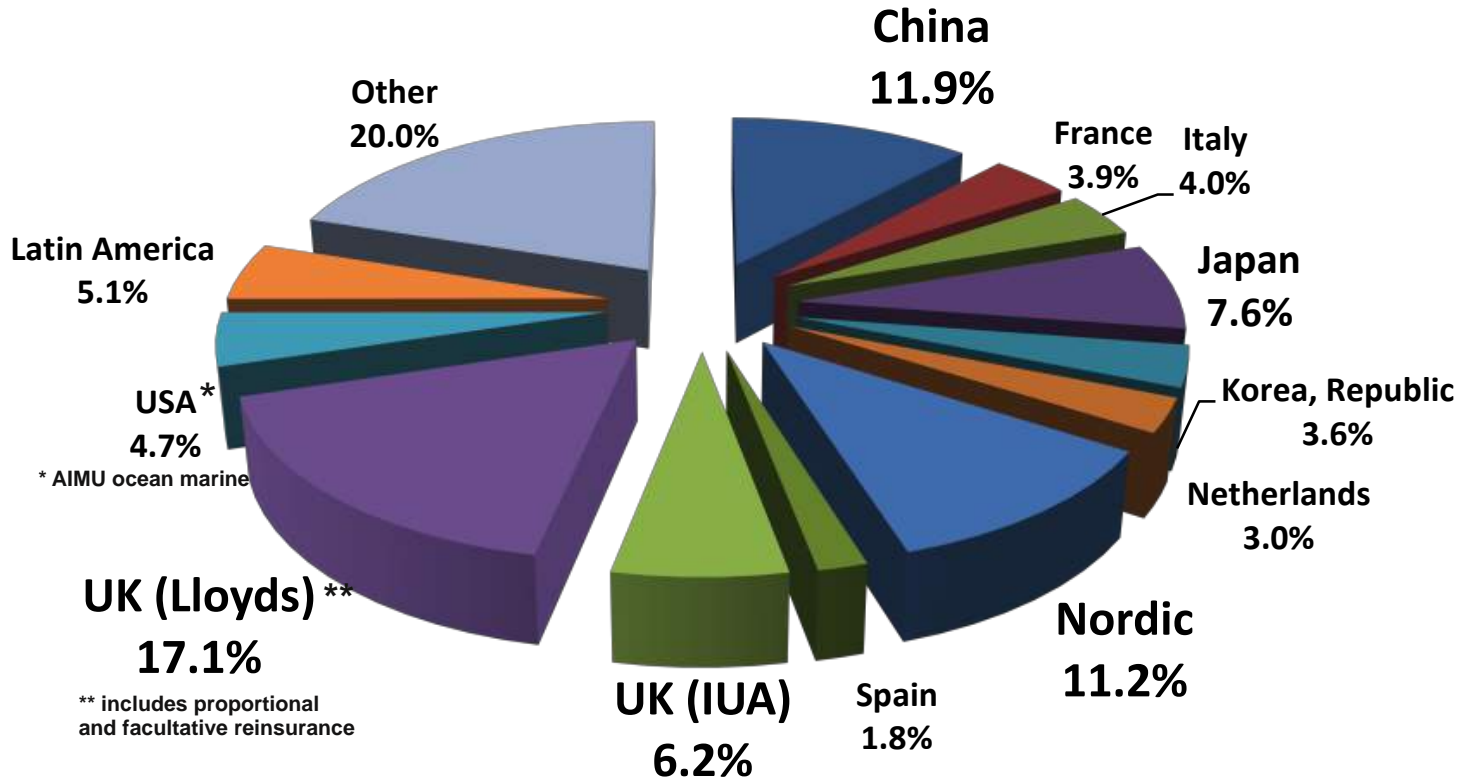


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HULL PREMIUM 2014 – BY REGION

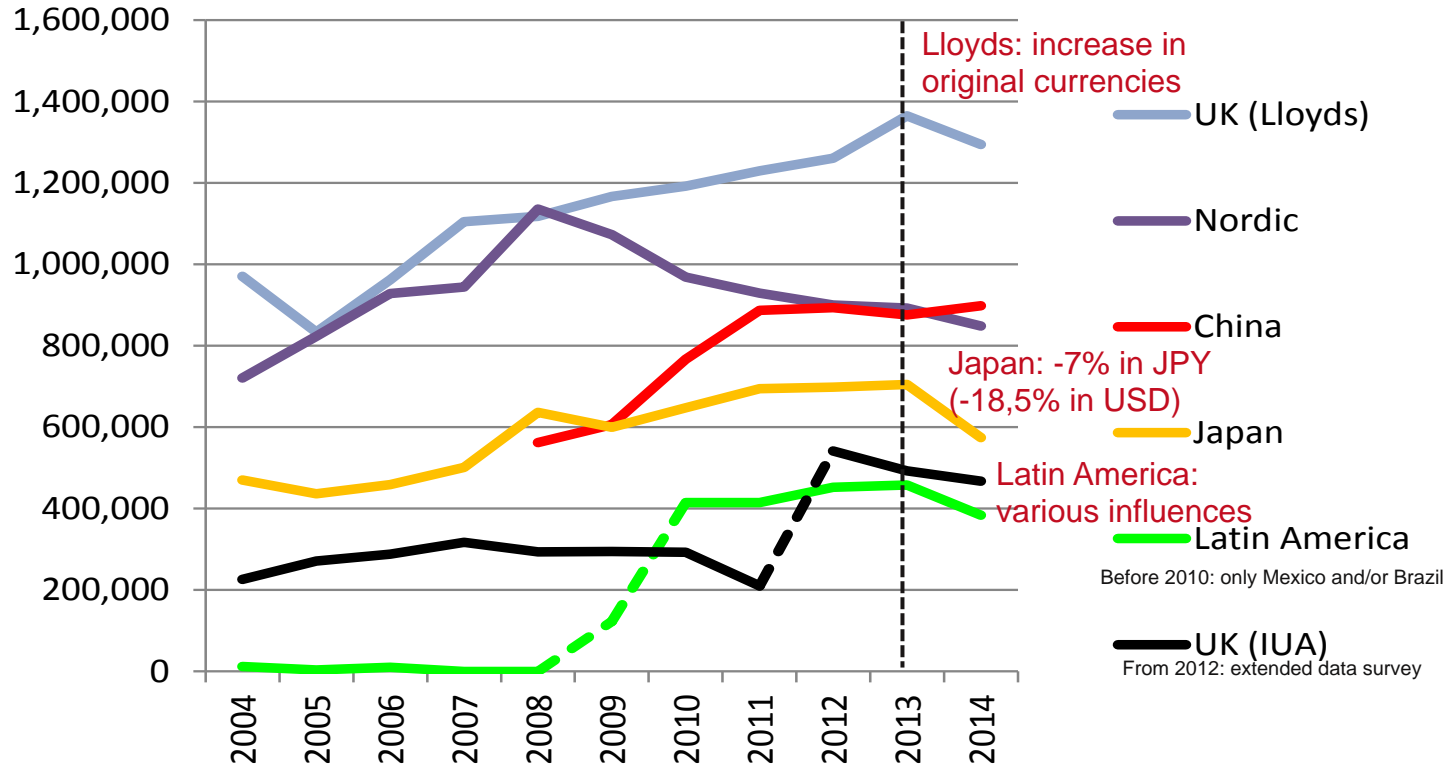


HULL PREMIUM 2014 – BY MARKETS



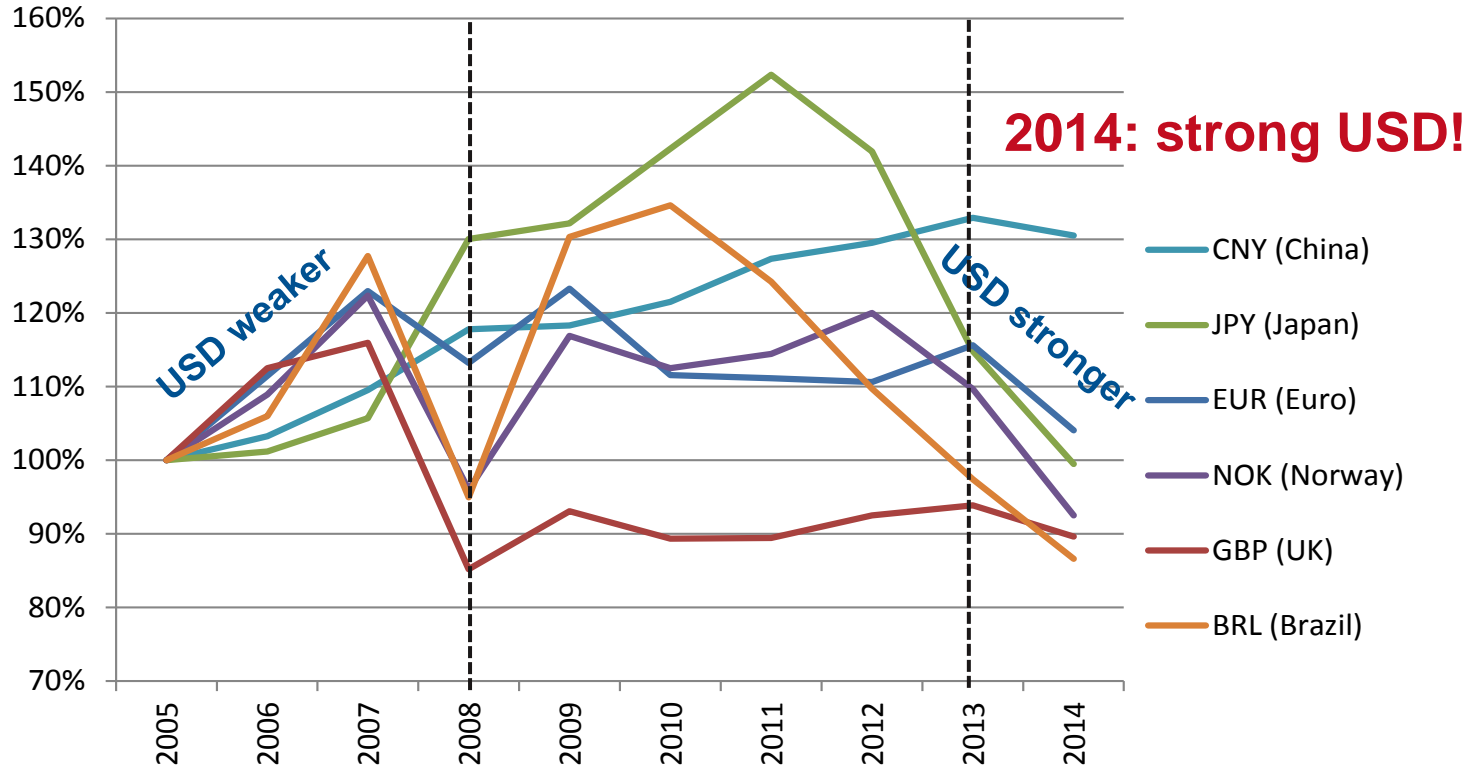
HULL PREMIUM 2004-2014

SELECTED MARKETS



USD EXCHANGE RATE 2005-2014

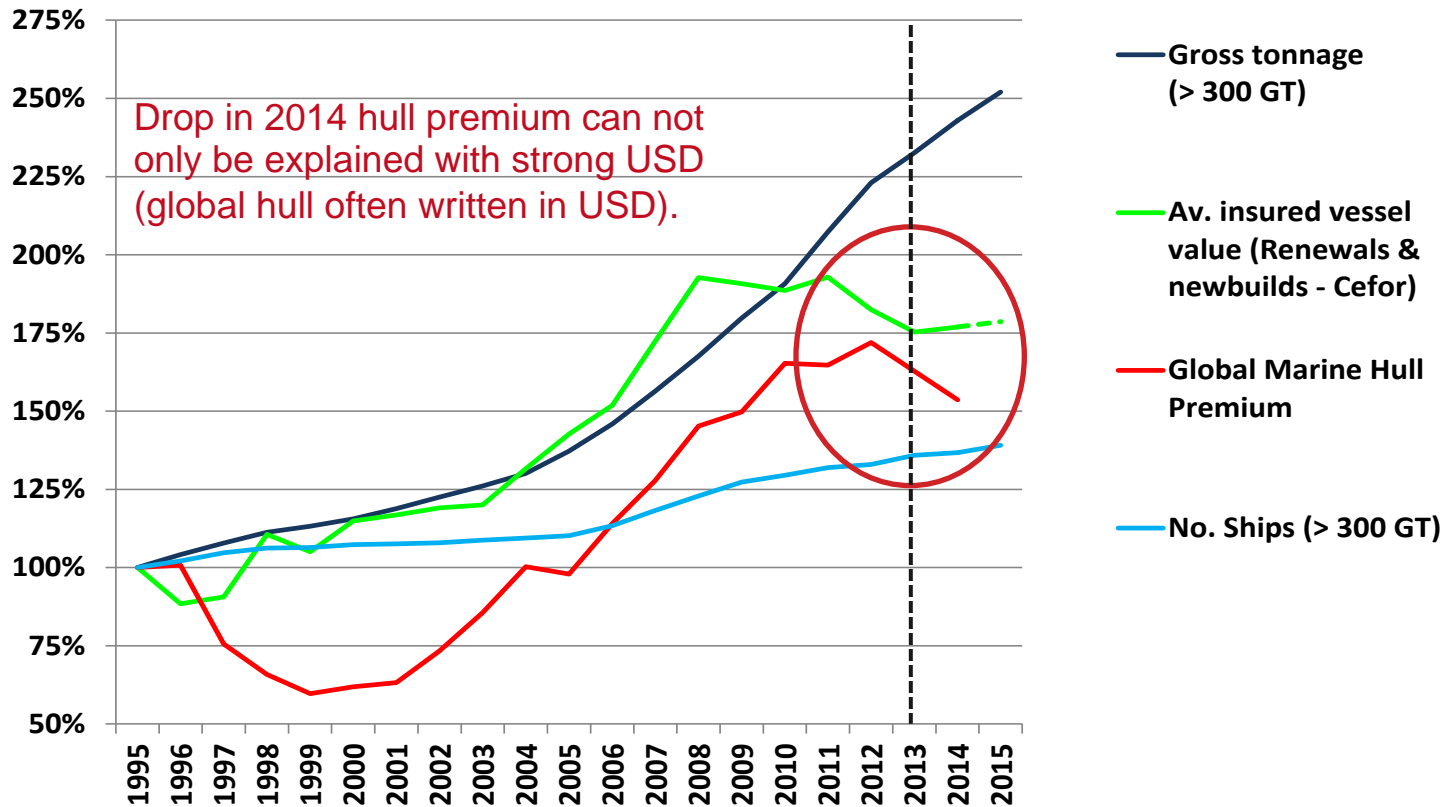
AGAINST SELECTED CURRENCIES, INDEX, 2000=100%



Exchange rates not necessarily correlated, but in 2014 weakened most against USD.

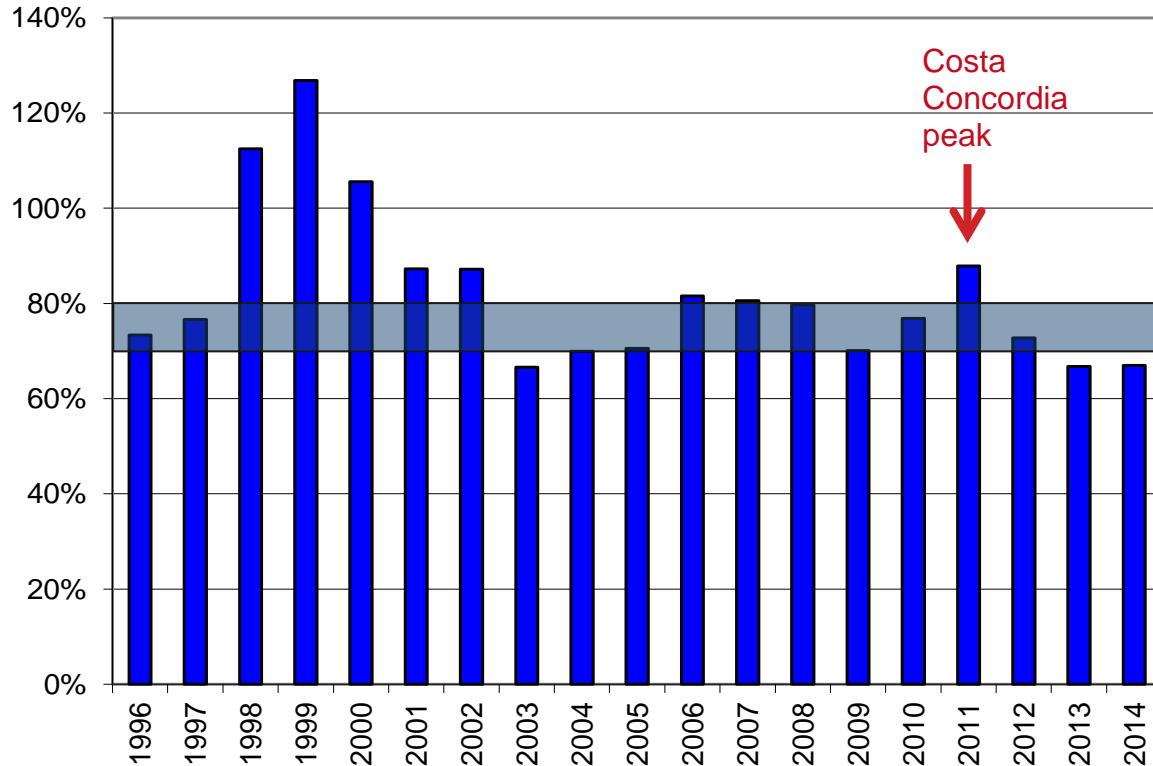
HULL PREMIUM / WORLD FLEET

INDEX OF EVOLUTION, 1995 = 100%



HULL – ULTIMATE LOSS RATIOS*

EUROPE/USA**, UNDERWRITING YEARS 1996 TO 2014



Since 2009:
Repair cost relative stable. Volatility by major loss impact (strong until 2011).

2014: Record-low major loss impact.
Technical profit for first time in years?

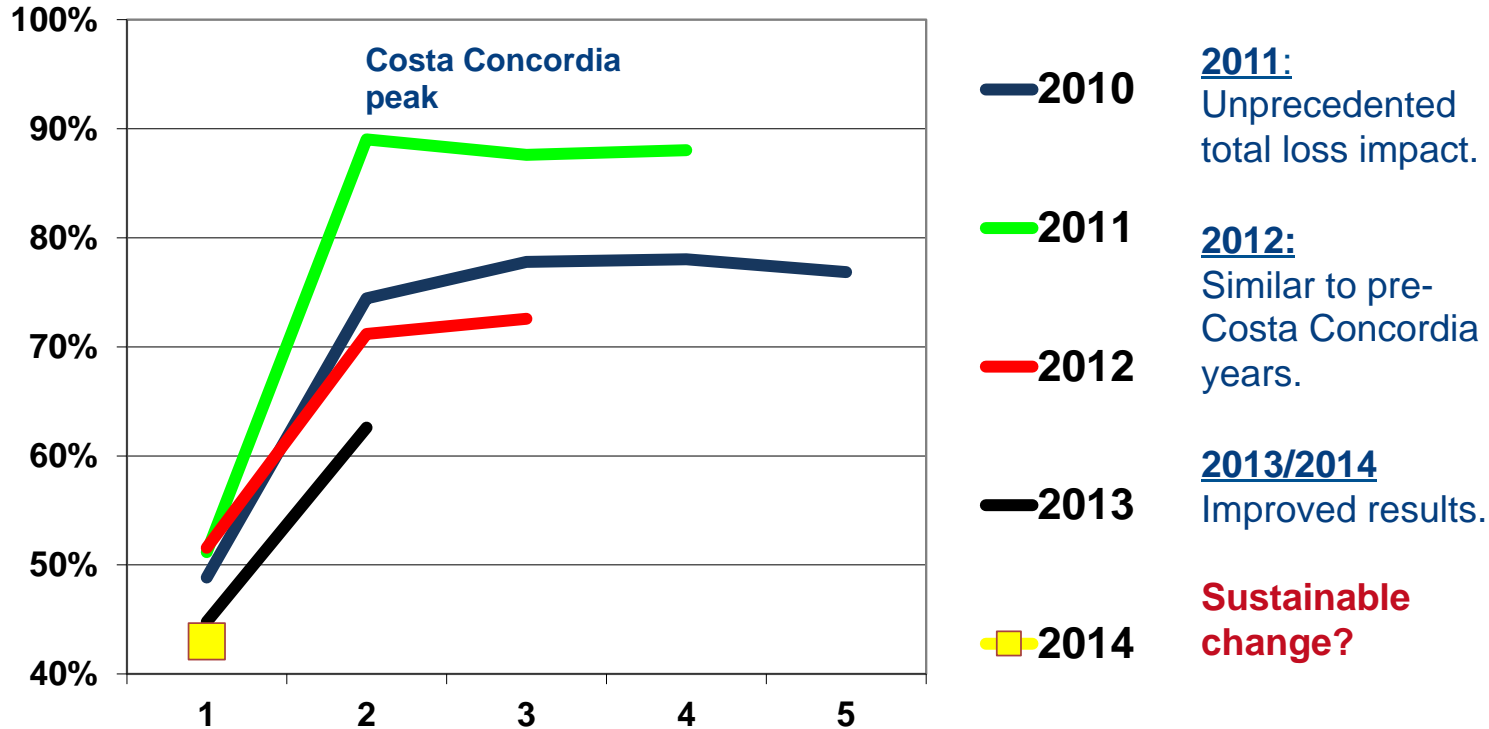
2013 also improved (USD effect, when repairs not in USD?)

* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

** Data: Belgium, France, Germany, (Netherlands), Italy, Spain (until 2007), UK, USA

HULL – ULTIMATE LOSS RATIOS*

EUROPE/USA**, UNDERWRITING YEARS 1996 TO 2014



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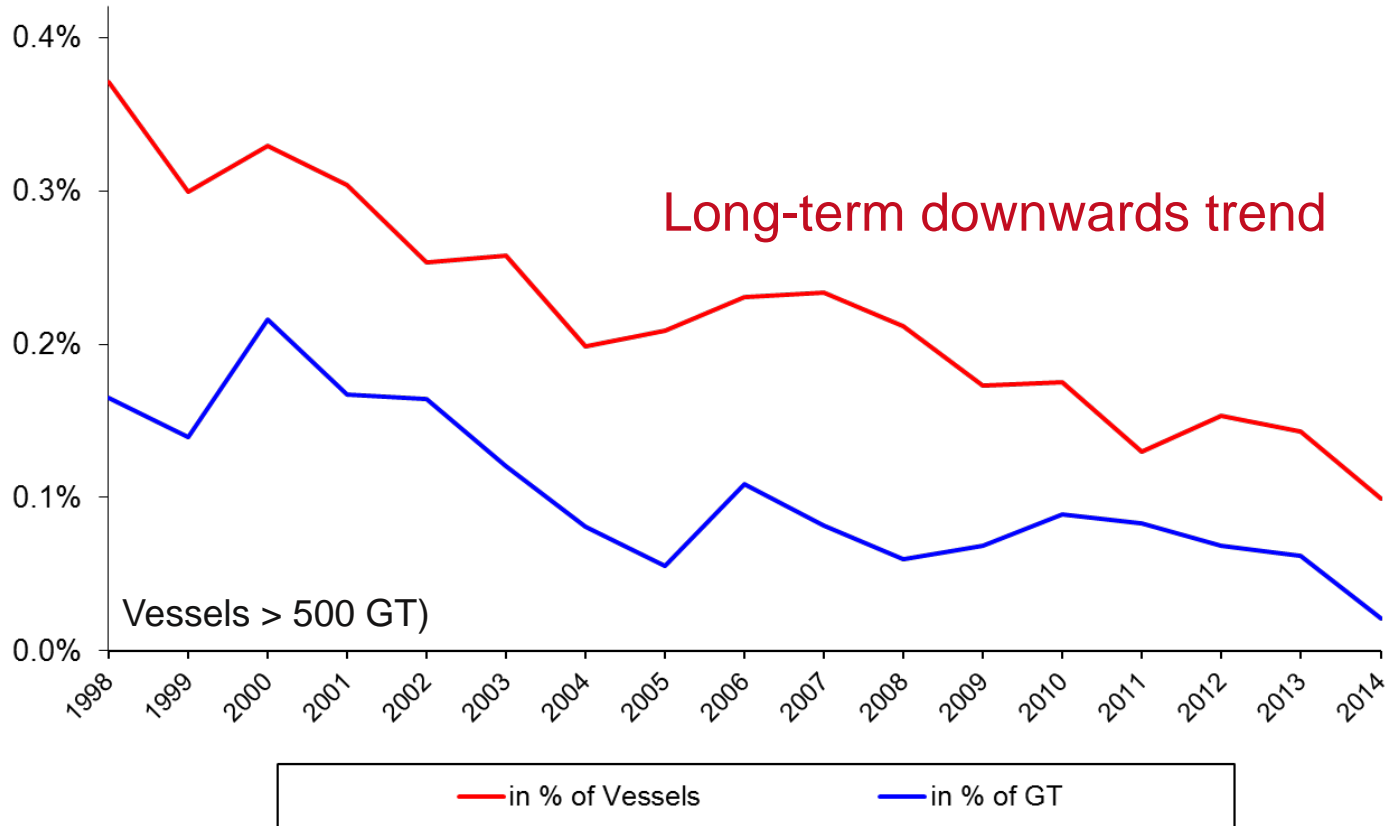
HULL CLAIMS TRENDS



Drawing by
Dagfinn Bakke

TOTAL LOSS FREQUENCY 1998-2014

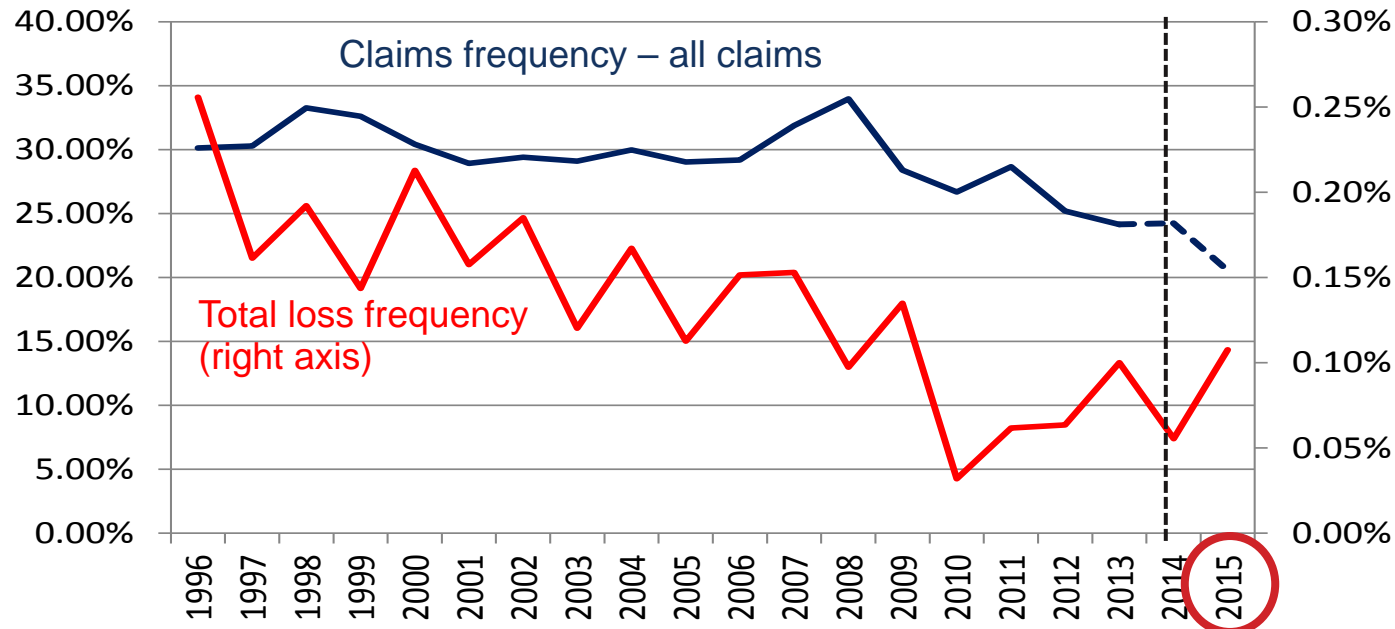
TOTAL LOSSES AS % OF WORLD FLEET



Sources: Lloyds
List Intelligence
(Casualty stats)
Clarkson Research
(World Fleet)

CLAIMS FREQUENCY AS OF JUNE 2015

CEFOR NORDIC MARINE INSURANCE STATISTICS

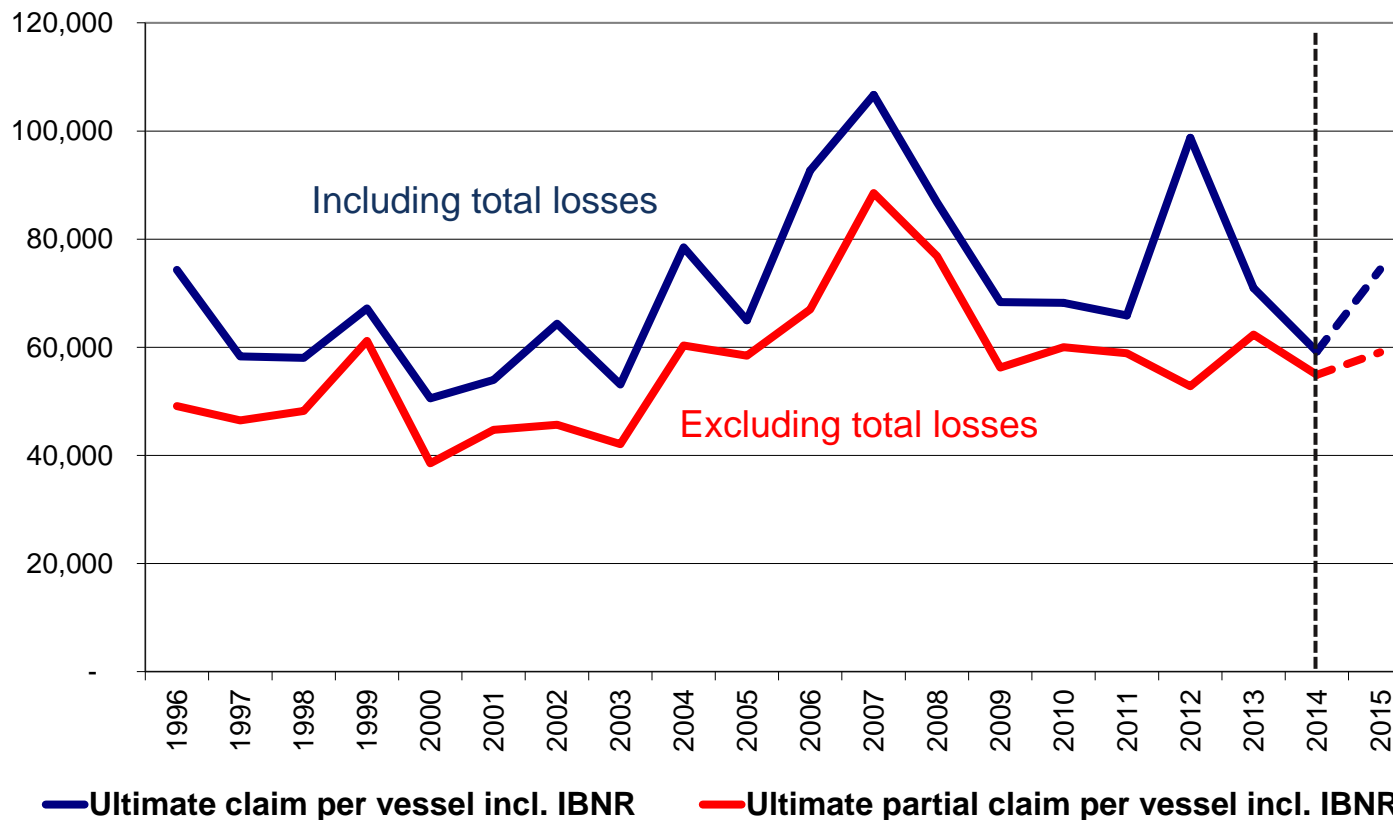


Overall claims frequency:
Downwards trend continues.

Total loss frequency:
Long-term positive trend – but do we see a new increase in 2015?

CLAIM COST PER VESSEL (USD)

CEFOR NORDIC MARINE INSURANCE STATISTICS



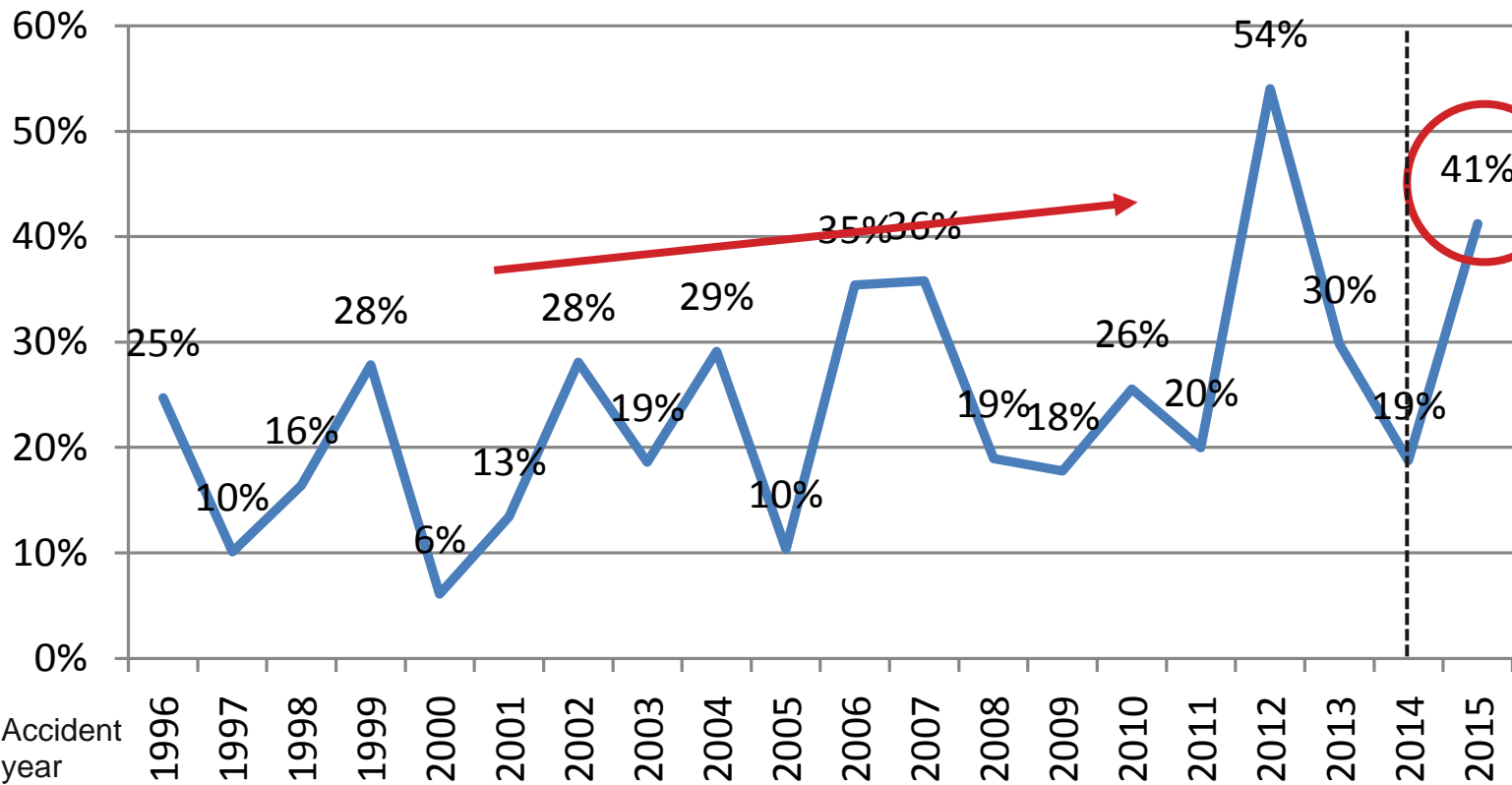
2014: Next to no total loss impact.

2015: Renewed total loss impact.

Excluding total losses:
Claim cost per vessel stable since 2009.

MAJOR CLAIMS IMPACT:

CLAIMS XS 10 USD MILLION AS % OF TOTAL CLAIMS COST



**2015:
Renewed
impact of
major claims.**

Cefor Nordic Marine
Insurance Statistics
as of June 2015
(claims costs reflect
100% of each vessel).

HULL CLAIMS TRENDS

- **Claims frequency:** Long-term positive trend, only interrupted by peak in 2008.
- **Total loss frequency:** Long-term positive trend, but some increase in 2015.
- **Claims cost excluding total losses:** Stable since 2009. Influence of strong USD on recent results?
(If hull premium written in USD, repairs done elsewhere)
- **Major losses:** stay volatile.
2014: Unusually few major claims.
2015: Impact back to expected level.

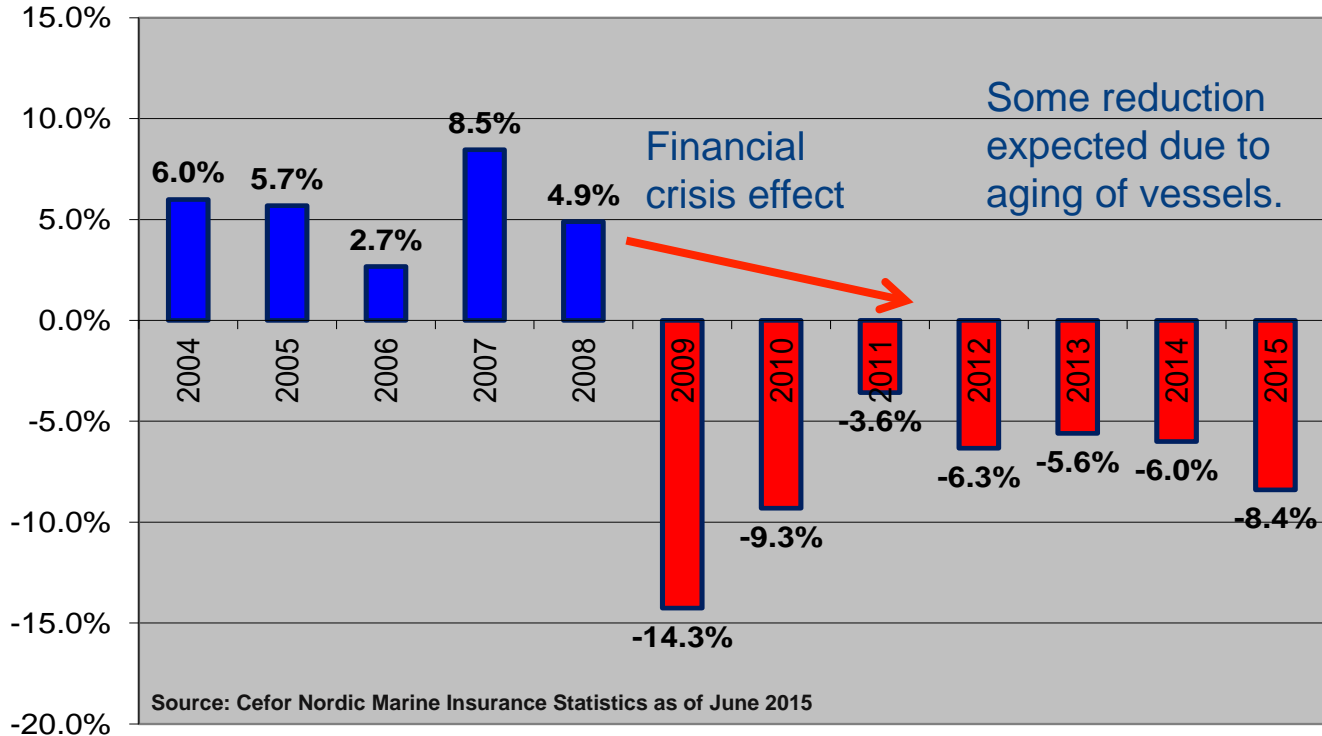
HULL PORTFOLIO TRENDS



Drawing by
Dagfinn Bakke

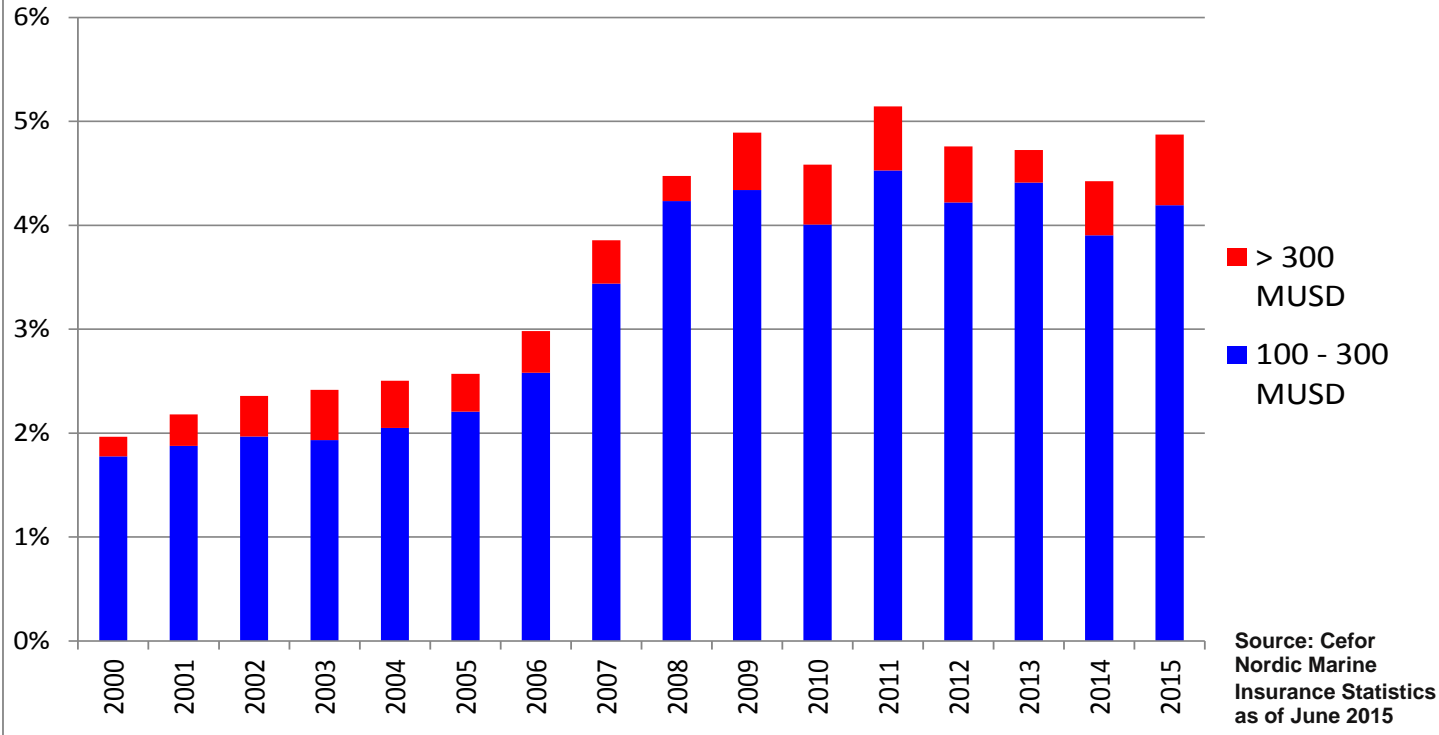
CHANGE IN VALUES ON RENEWAL

= VALUE ON RENEWAL / VALUE PREVIOUS UW YEAR FOR SAME VESSELS



THE RISK EXPOSURE – INFLOW OF HIGH-VALUE VESSELS CONTINUES

Vessels with values xs 100 USD million as % of total insured portfolio:



HULL PORTFOLIO TRENDS

- **World fleet:** Continues to grow, especially in tonnage.
- **Insured values:**
 - Renewals: some value reduction expected due to aging.
 - Newbuilds: Inflow of high-value vessels continues.
 - Overall fleet: Inflow of high-value vessels outweighs value reduction on renewals to a certain degree.
- **Global hull premium:** Reduction since 2012.
(Strong USD only partial explanation.)

STAYING IN CONTROL



ISSUES TO MONITOR (AND PRICE)



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High-value risks

The human factor/
Qualification

Oil price, fuel quality,
effect of ECA's?

Climate changes

Law and liability changes

Accumulation

Arctic risks

New technology

Navigation



Dagfinn Bakke



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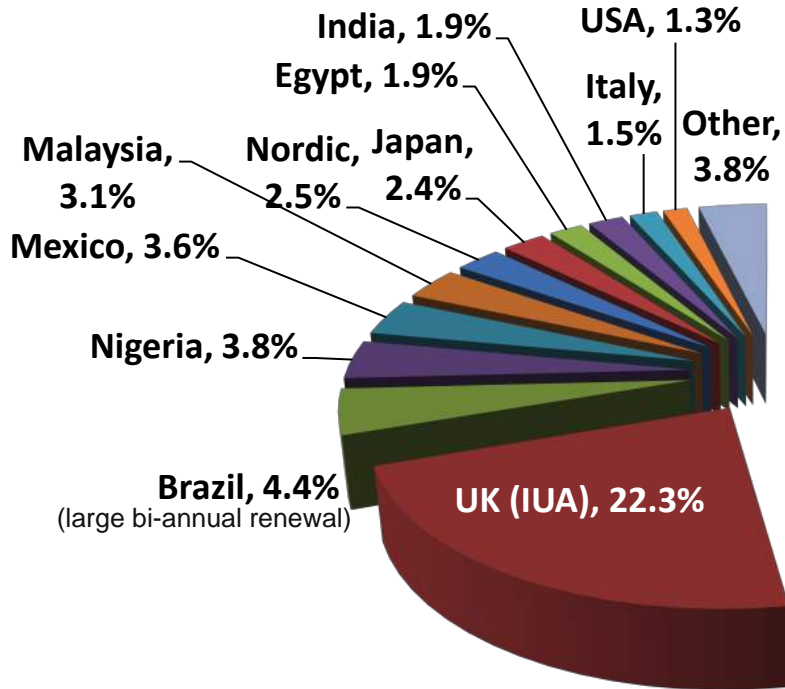
HULL CONCLUSIONS

- **World fleet** continues to grow, insured risk increases.
- **Global hull premium** reduced.
- **Claims frequency** improved.
- **Major claims risk** stays volatile and follows exposure.
- **Technical results** improved. For 2014 technical profit expected – due to extraordinary absence of major claims.
- **Economical environment** is rapidly changing.
- **For sustainability:** All risk aspects must be considered.

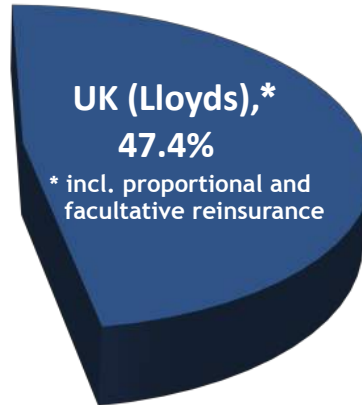
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OFFSHORE ENERGY PREMIUM 2014

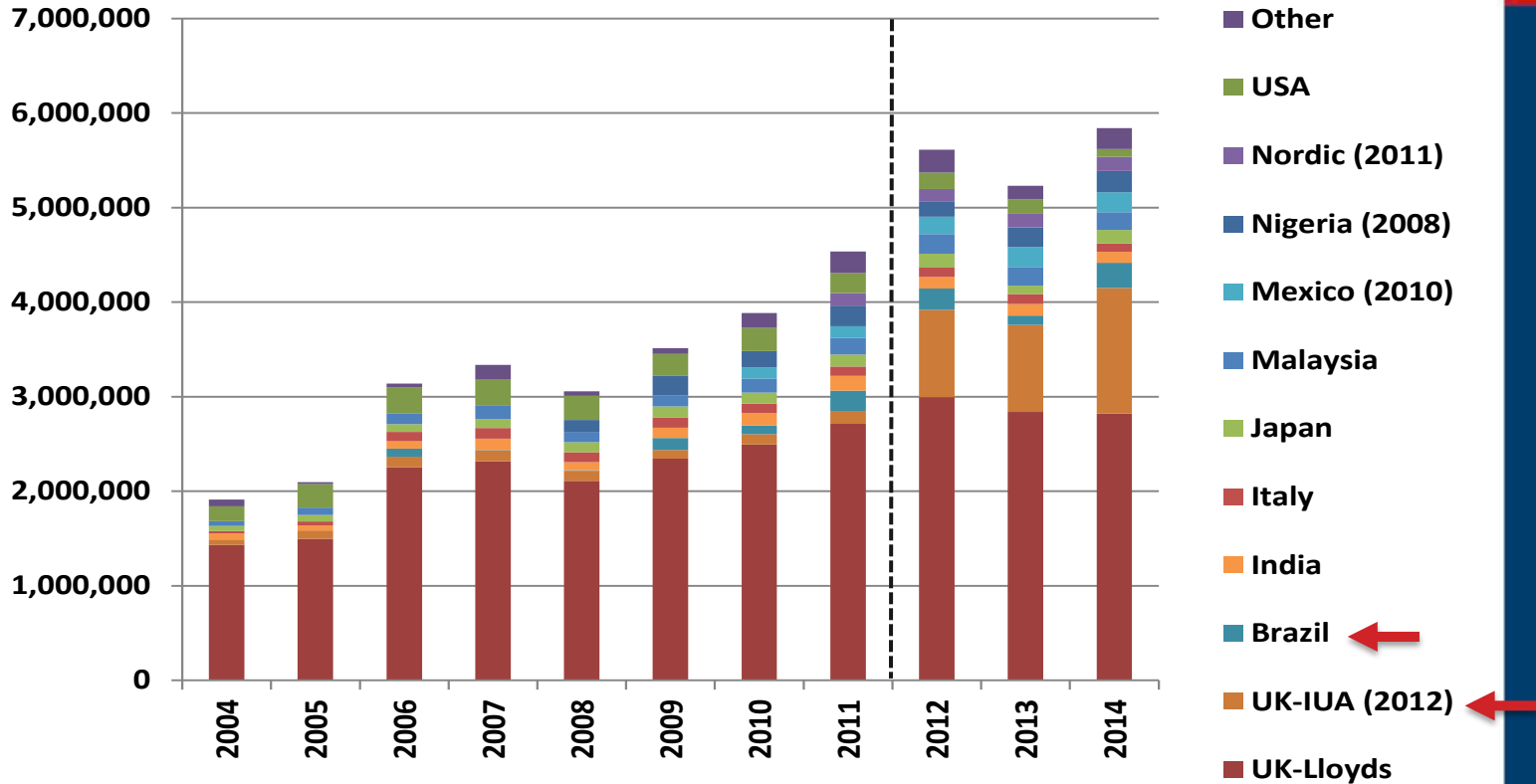


Total: 5.7 USD billion
Change 2013 to 2014: 11.1%
(major part written in USD; two units with substantial increases)



No data: Kazakhstan.

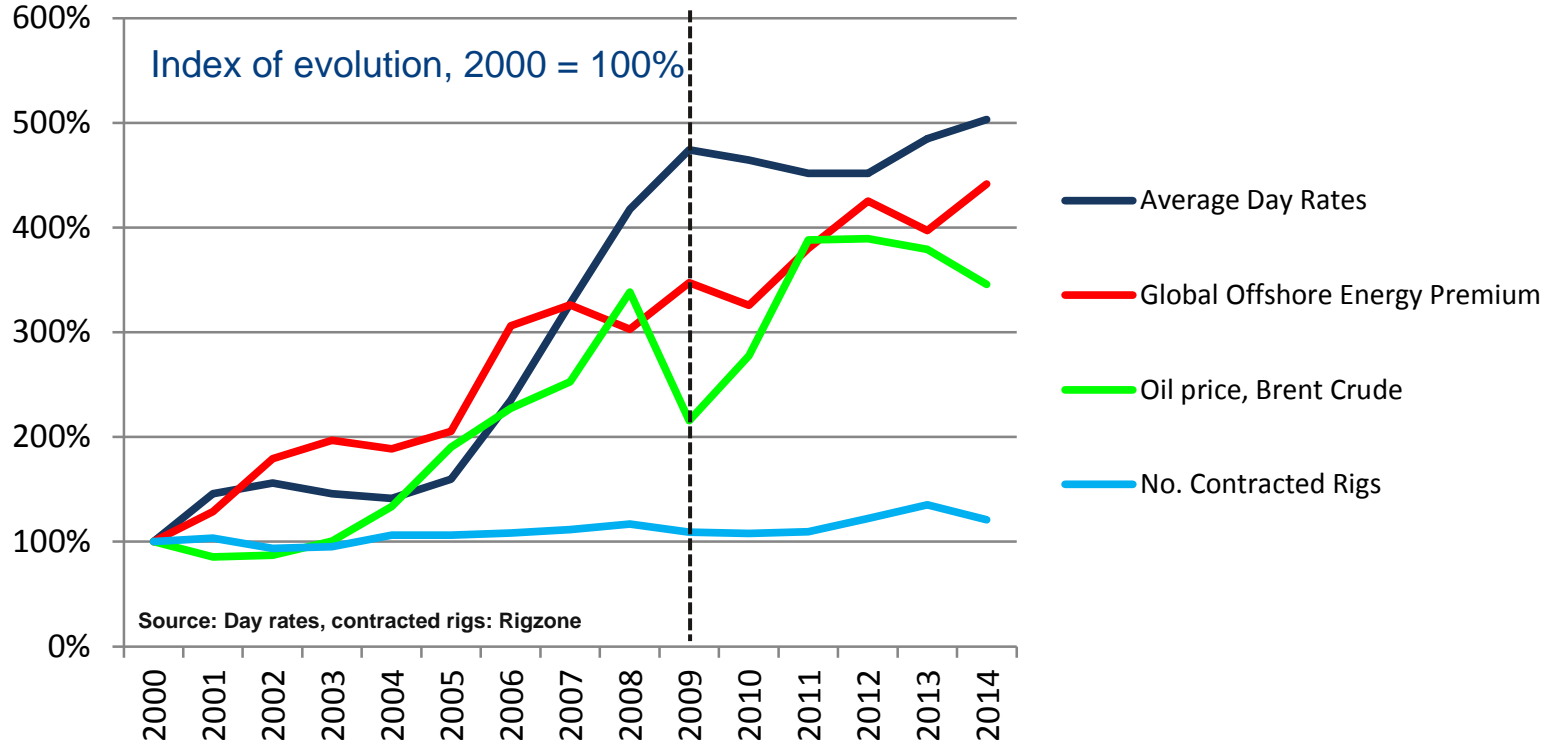
OFFSHORE ENERGY PREMIUM 2004-14



Nordic, Nigeria, Mexico: no data available before indicated year;
 UK- IUA: from 2012 extended data survey; Kazakhstan: no data available;

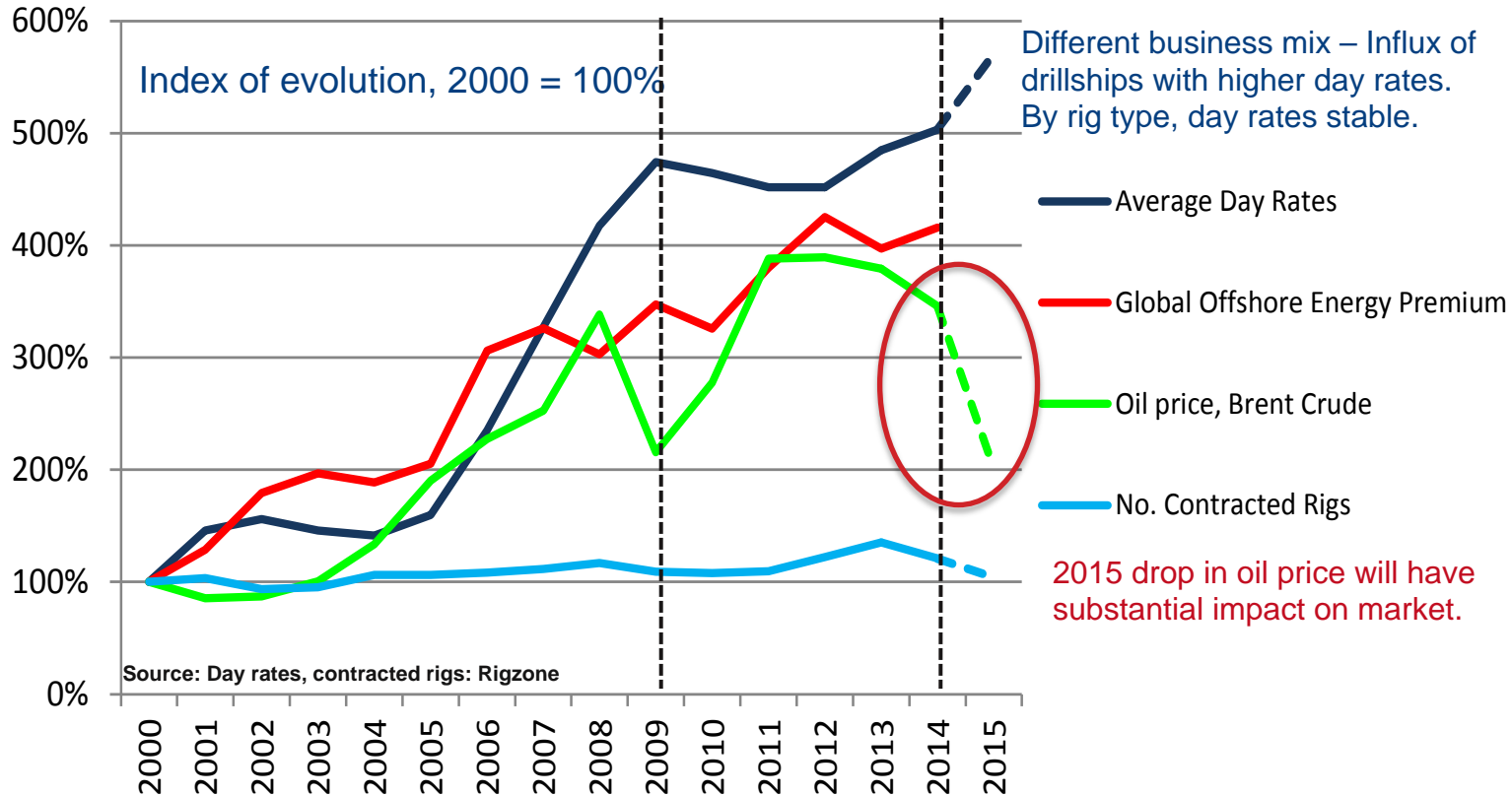
OFFSHORE ENERGY PREMIUM

ENERGY MOBILES, DAY RATES, OIL PRICE



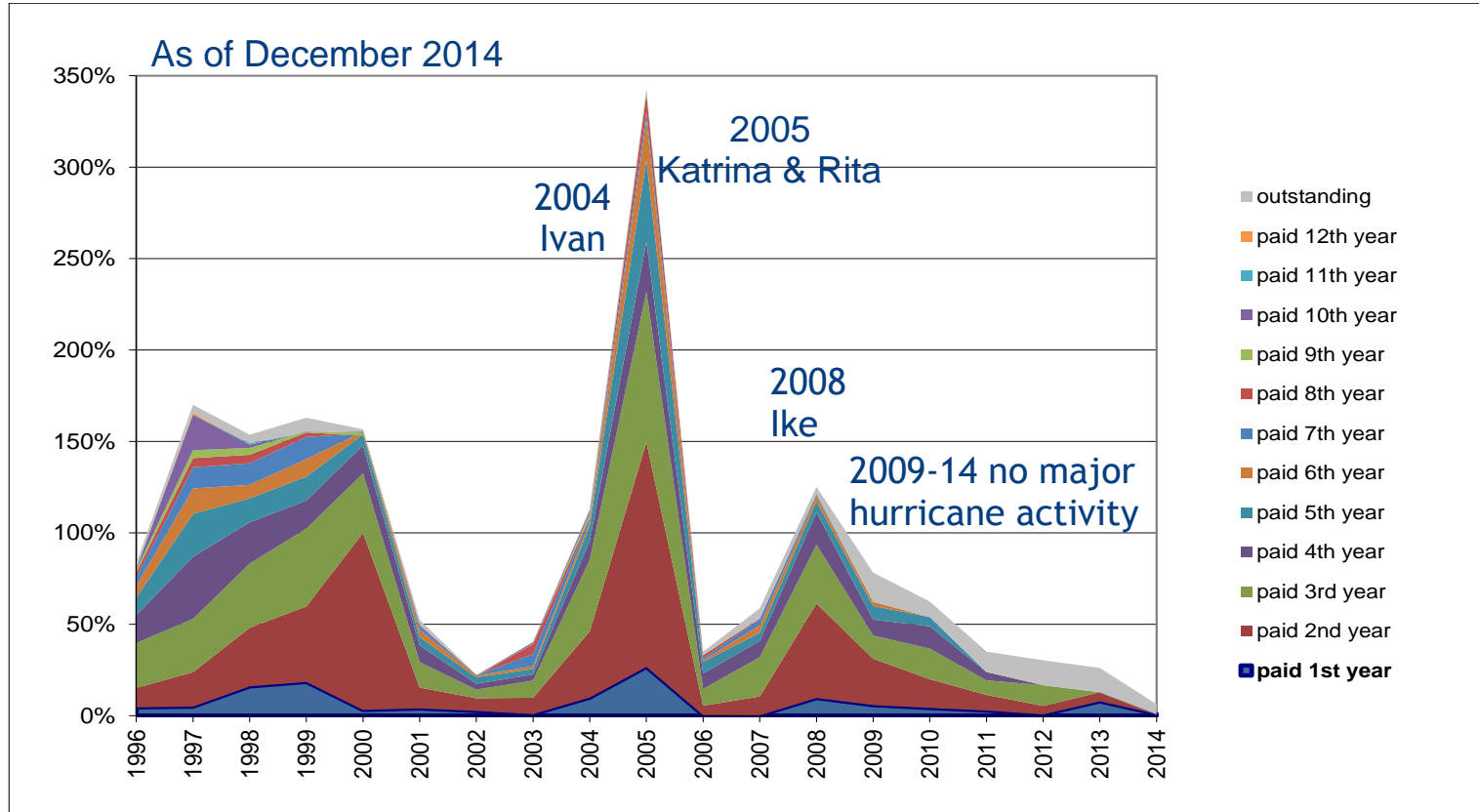
OFFSHORE ENERGY INTO 2015

ENERGY MOBILES, DAY RATES, OIL PRICE



Offshore Energy – Loss Ratios (incl. liability)

Underwriting years 1996 to 2014 / data from UK, US and (new!) Nordic



OFFSHORE ENERGY – AS OF 2014

- Hurricane/weather impact little in recent years (Gulf of Mexico).
- Some large single loss events (physical loss and liability) in recent years.
- Recent years still develop due to long time lag until cost is fully known, but no severe loss events in 2014.
- Positive results in recent years.



OFFSHORE ENERGY – 2015

- Strong drop in oil price
 - Downturn in activity
 - Costly new projects postponed (deep-water, Arctic)
- More risk retained in captives
- Series of high-profile losses in 2015
(Mexico: platform fire&jackup total loss; Brazil: FPSO fire; US: sinking of spar mooring tendons)
- Low interest rates / stock market instability
- Many mobiles currently idle.
- Weather: little hurricane activity predicted for 2015, but a single event can produce significant losses.

OVERALL CONCLUSIONS

- Seeming improvement in 2014 underwriting year results probably outweighed by 2015 event impact (cargo!).
- Trend towards unprecedented large losses continues
 - 2012 Costa Concordia
 - 2012 Sandy
 - 2015 Tianjin explosion largest marine claim ever?
- Market environment and conditions change rapidly.
- Focus on 2015 / 2016 risks and conditions!

2015: A CHALLENGING ENVIRONMENT

- Low oil price
(reduced offshore activity; fuel price and quality)
- Low interest rates / stock market volatility
(investment income)
- Where is China & the World economy heading?
(influence on global trade)
- Strong USD (various impact)
- High values, new technology, increasing accumulation,
Arctic risks, climate,...



A SAMPLE OF THE GLOBAL F&F TEAM



ALSUM/ Latin
America: Erika

Bermudas: Jesse

France: Mathieu

Japan: Tetsuya

Madrid: Javier

Milano: Laura

USA II: Donald



**F&F Guest speaker
2015:**

Graham Slack
Chief Economist
A.P.Møller-Mærsk Group

Thank you!

Astrid Seltmann

Vice chairman F&F
Committee

Analyst/Actuary @ The
Nordic Association of Marine
Insurers (Cefor)

astrid.seltmann@cefor.no



EXPLANATION OF TECHNICAL TERMS

Gross premium = Premium for insurance including the provision for anticipated losses (the pure premium) and for the anticipated expenses (loading), including also commission and brokerage but excluding taxes and other contributions on insurance premiums. Before deduction of any ceded reinsurance.

Written premium = Complete premium due for insurance policies which start, i.e. "are written", in a specific year (= the underwriting year of the policy).

Does not give any information on actual premium payments/instalments, i.e. the cash flow.

Paid claims = Amounts the insurer has paid for known and registered claims less recoveries.

Outstanding claims reserve = Claims reserve for reported, but not yet (fully) paid claims, of which the insurer has an estimation of the total amount to be paid. Includes loss adjustment expenses = Sum of total claims estimates minus any amounts already paid for these claims.

Total claim = Paid amounts + outstanding claims reserve for all reported claims.

IBNR = "Incurred but not reported" = additional claims reserve on top of the outstanding claims reserve, and which for claims incurred, but not yet known or registered in the insurer's system. The necessary IBNR reserve is derived by statistical methods based on historical claims ladder statistics.

Loss ratio = Claims divided by premiums. Indicator of whether premiums are calculated correctly to match claims and other expenses.

Gross loss ratio (in this presentation) = Sum of total claims (and IBNR reserves), divided by gross written premiums

Underwriting year basis = Insurance figures are registered with the calendar year in which the insurance policy starts, and to which the covered risks accordingly attach to. Example: a policy with cover period 01.07.06-30.06.07 has underwriting year 2006. Both claims occurring in 2006 and 2007 for risks attaching to this policy are thus attributed to underwriting year 2006. The underwriting year is not closed, so underwriting year figures change as long as there are payments related to policies with this underwriting year.

Accident year = Claims are registered with the calendar year in which an accident happens. Claims attaching to the same policy may thus be attributed to different accident years. Example: for the policy with cover period 01.07.06-30.06.07 a claim occurring in 2007 has accident year 2007, but underwriting year 2006. The accident year is not closed, so figures will change as long as there are claims payments related to claims occurred in that accident year, e.g. a claim payment made in 2009 for an accident which happened in 2007 will be attributed to accident year 2007.

Accounting year (also booking year) = Insurance figures, regardless of their original source date, are booked into that year of account which is open at the time of actually entering the figures in the books. Contrary to the underwriting and accident year, the accounting year is closed at some point in time, usually at the end of one calendar year, such that figures do not change any more once the accounting year is closed. These give the insurance results usually published in companies' annual reports.