2017 Global Marine Insurance Market

Data sourced from IUMI 2018 Facts and Figure Committee Presentation

Global Marine Marine Insurance Report

Big thanks to Astrid Seltmann
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Vice chair, IUMI Facts & Figures Committee

Please Note & Disclaimer

Figures reflect the 2018 state of reporting and will change retrospectively. Some figures are estimates.

For comparison purposes, therefore compare the updated premiums and loss ratios at www.iumi.com !

All information given is of informational and non-binding character.

Figures related to the marine market's performance reflect market averages.
They do not disclose single companies' or local markets' results.
As with all averages, individual underwriting units may out- or underperform compared to the average.

IUMI's aim is to provide information as available and raise consciousness for the importance of a fact-based evaluation of the risk exposure covered – and inspire everyone to do their own critical evaluation of real and seeming facts.

Global Marine Marine Insurance Report

Market overview	Income by line / by region
Cargo	Premiums / Loss ratios
Hull	Income / Vessel values / Claims / Loss ratios

Additional data (https://iumi.com/statistics)	Marine premiums by line of business by country Loss ratios triangulations Hull, Cargo, Energy

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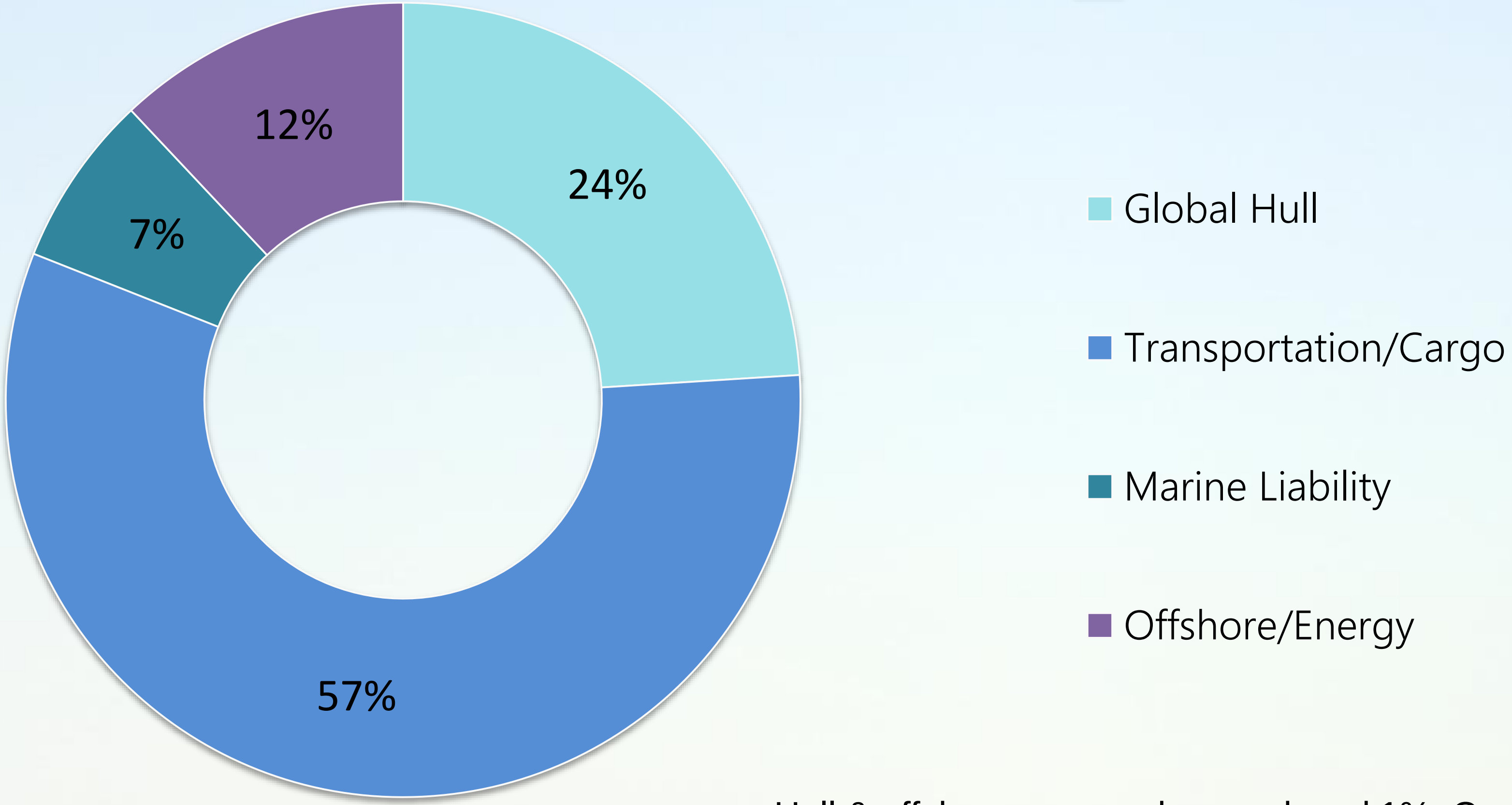
The Canadian Board of Marine Underwriters

Global Marine Premium 2017 (By Line of business)

Total Estimate $28.5B USD

NB: Exchange rate effects!

2% from 2016 to 2017



Hull & offshore energy share reduced 1%, Cargo share up 2%.

CBMU
The Canadian Board of Marine Underwriters

Global Marine Premium 2017 (By Region)

Europe
49.2%

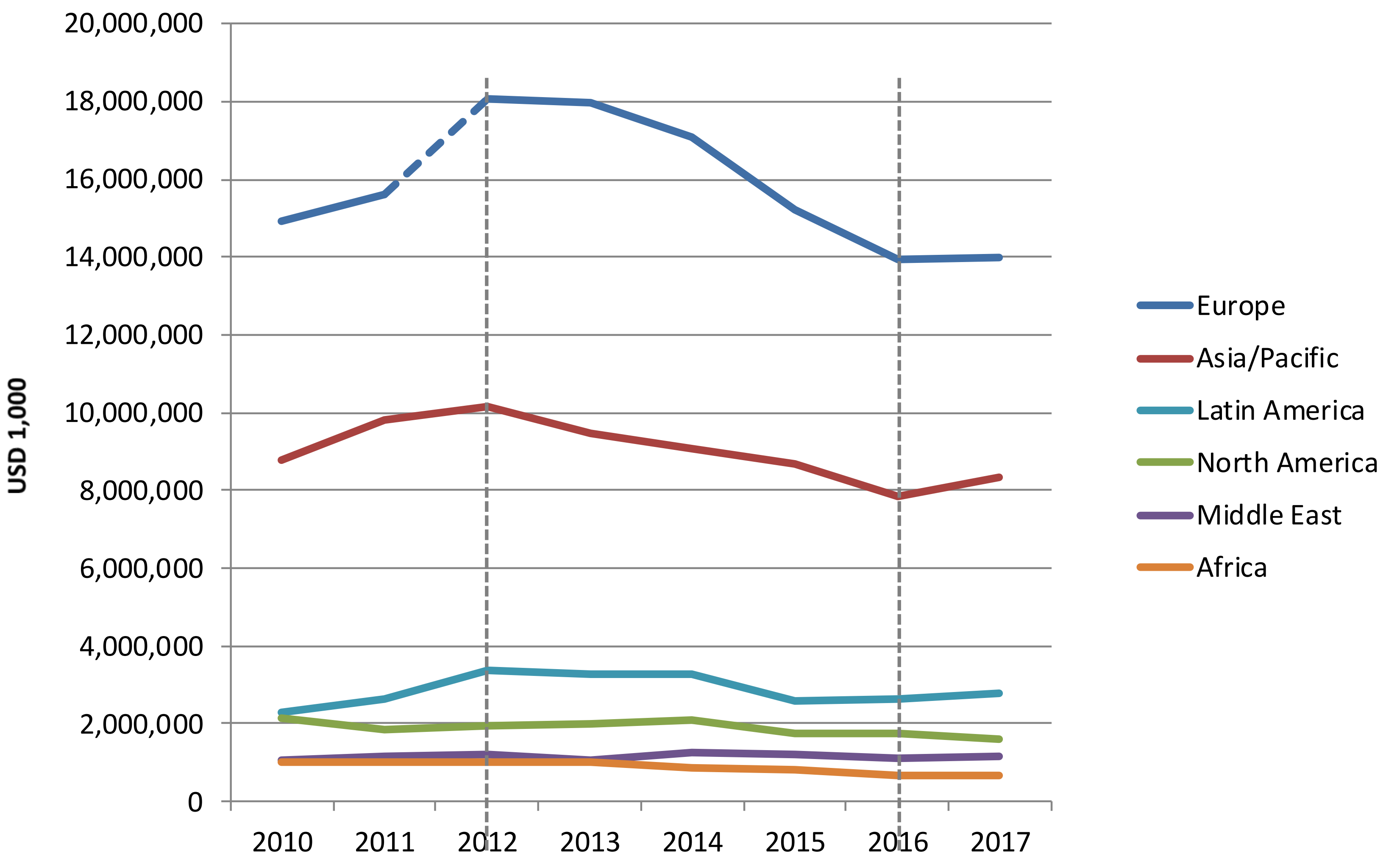
Asia Pacific
29.2%

LATAM
9.7%

North America
5.6%

Other
6.3%

Marine premiums by region 2010-2017



Premium reduction 2013-16: Combination of strong USD and market conditions.

2017 influenced by strengthening of local currencies against USD (besides market conditions).

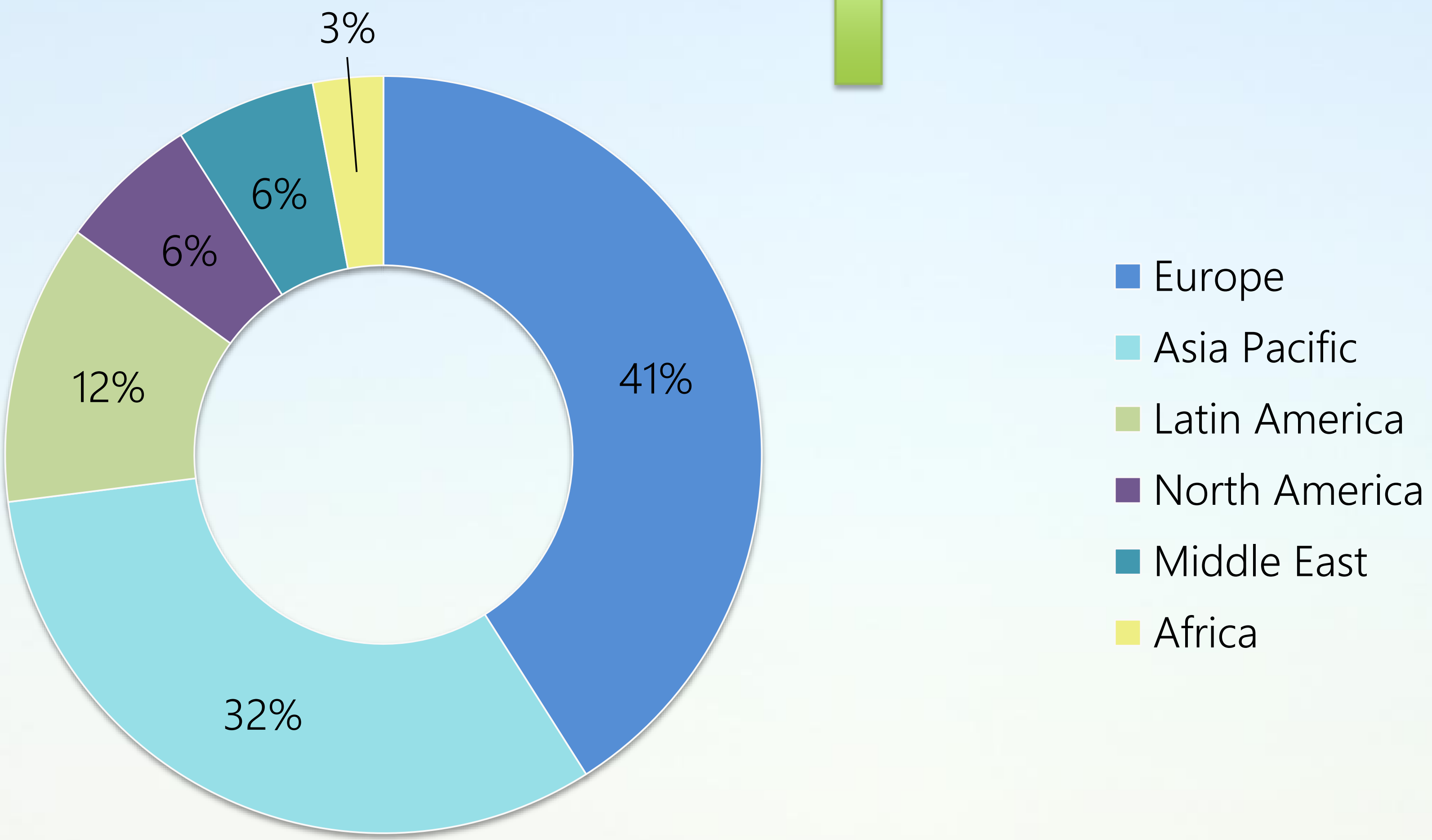
2016 Total: 27.9 USD
2017 Total: 28.5 USD (+2%)

Global Cargo Results 2017

Global Cargo Premium 2017 (By Region)

Total $16.1B USD

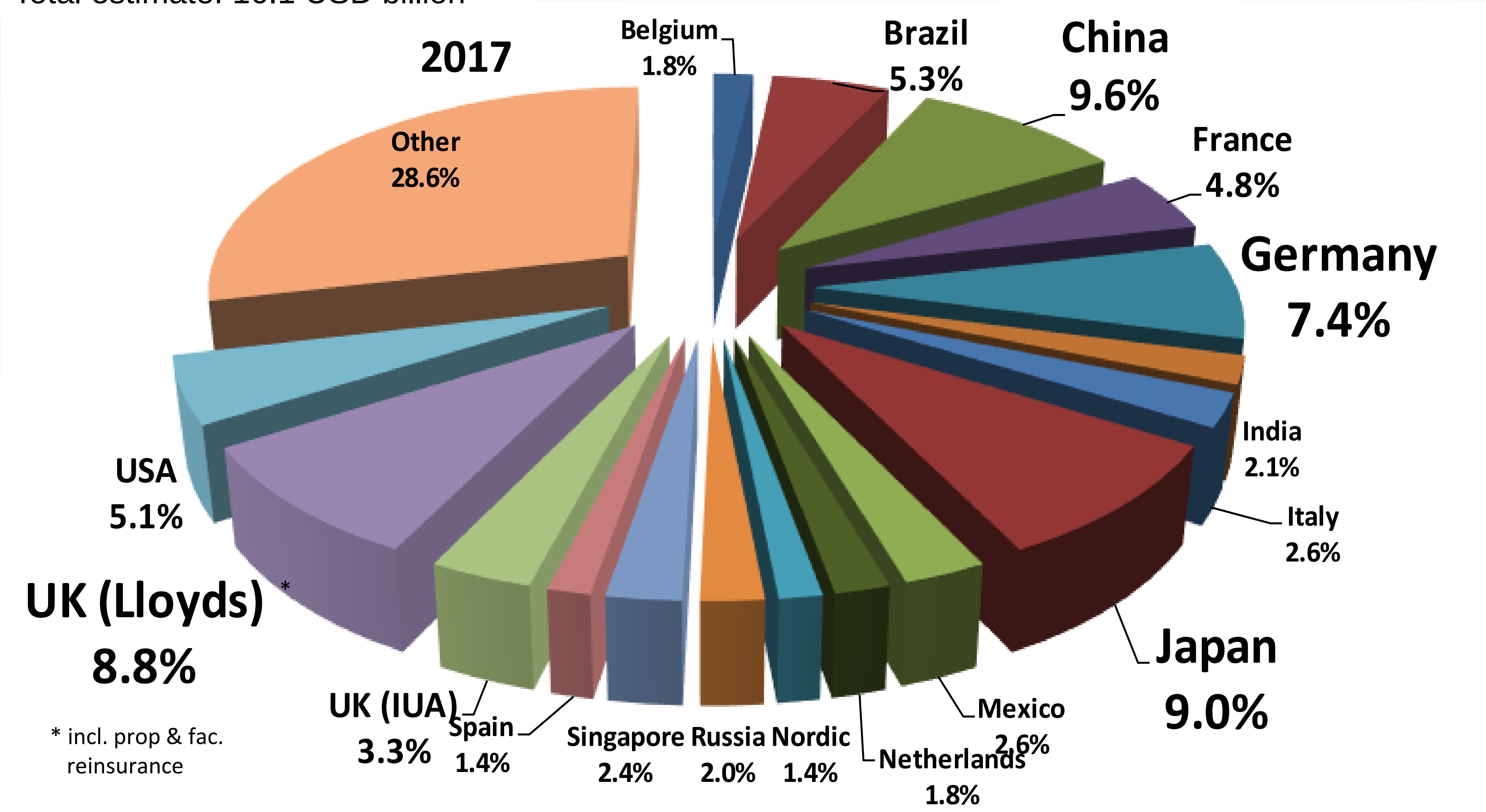
6% from 2016 to 2017



CBMU The Canadian Board of Marine Underwriters

Global Cargo Premium 2017 (By Market)

Total estimate: 16.1 USD billion

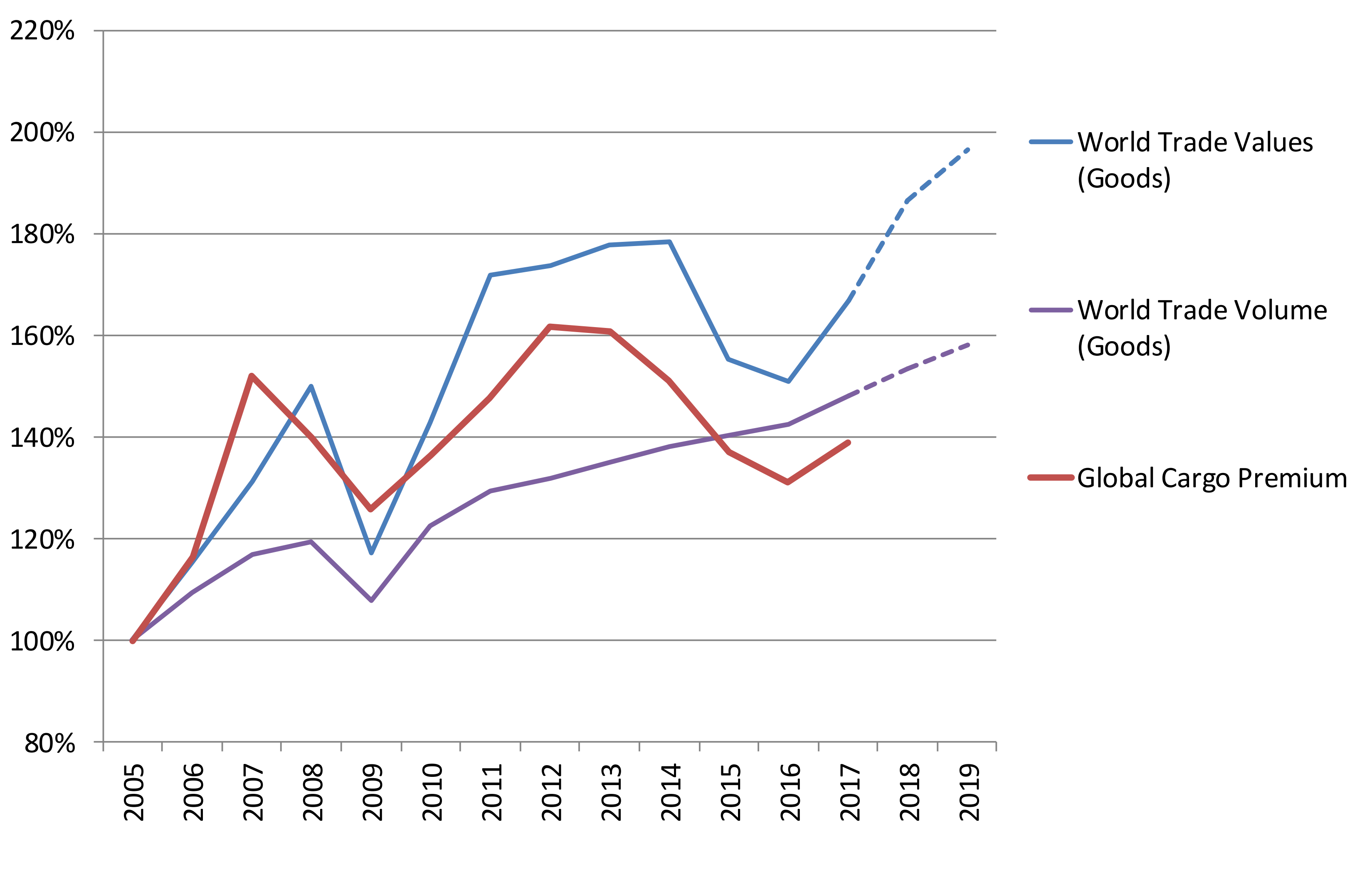


2017 Top 5:
China 9.6%
Japan 9%
UK (Lloyds) 8.8%
Germany 7.4%
Brazil 5.3%

2016 Top 5:
UK (Lloyds) 9.5%
Japan 8.9%
China 8.4%
Germany 7.3%
Brazil 5.3%

World Trade Values and Exports

Index of evolution, 2005=100%



Evolution of world trade values and cargo premium seem to correspond.

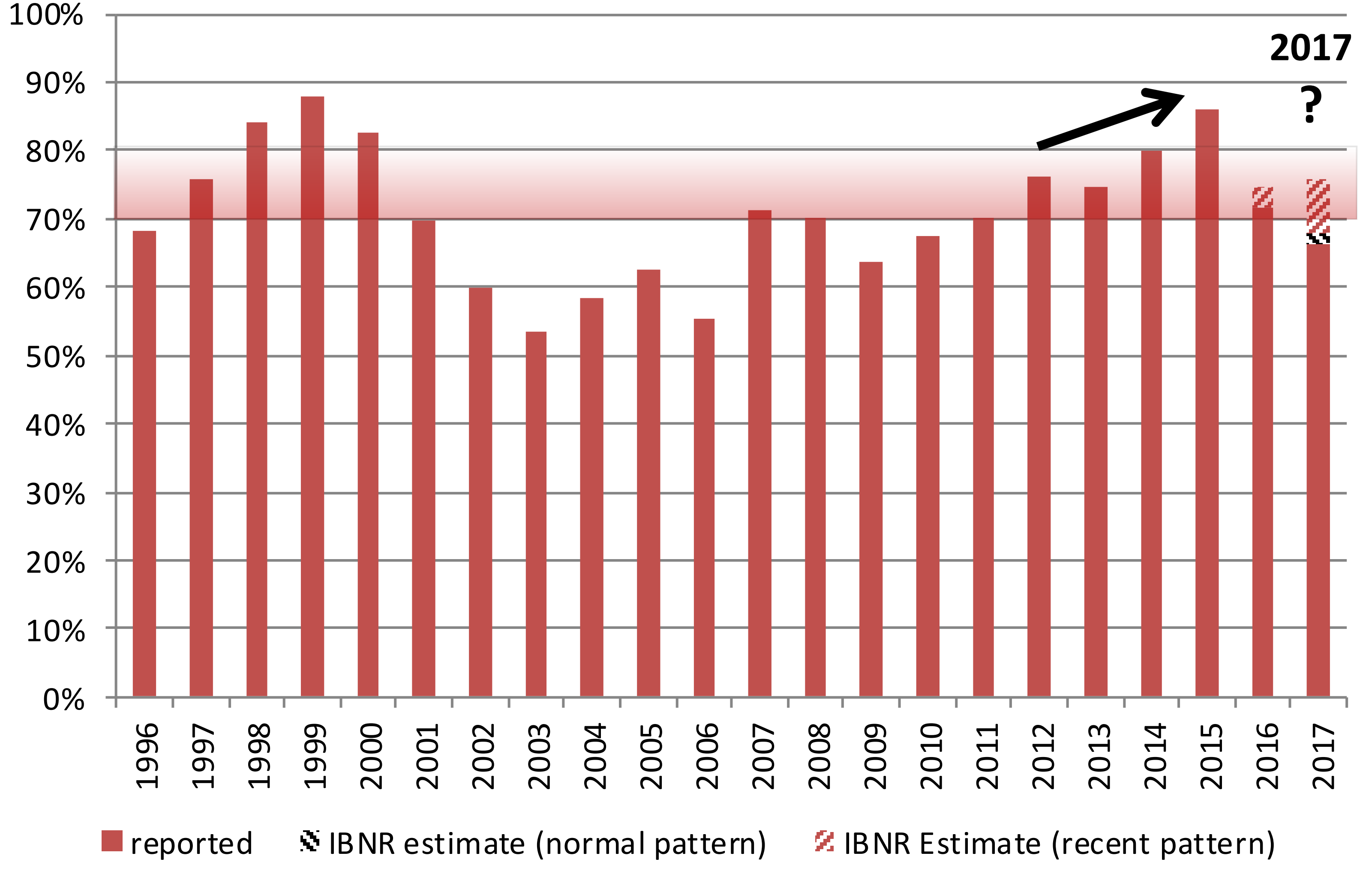
Premiums increase in 2017 purely reflects exchange rate influences (USD).

Extended risk covers and the increasing risk of event losses (risk accumulation) need also to be taken into account!

And then…There's the Cargo Loss Ratio!

Cargo Gross Loss ratio (UW Years 1996-2017 **)

Gross Premiums, Paid & Outstanding Claims



Recent years strong impact by outlier & Nat-cat event losses:

2015: Tianjin port explosions
2016: Hanjin, Amos-6 satellite
2017: Hurricanes / Nat Cat
2018: Mærsk Honam

Increasing expenses a concern.

100% C/R doesn't cut it any more

* 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 Loss Triangulations (UW Years 2011-2017)

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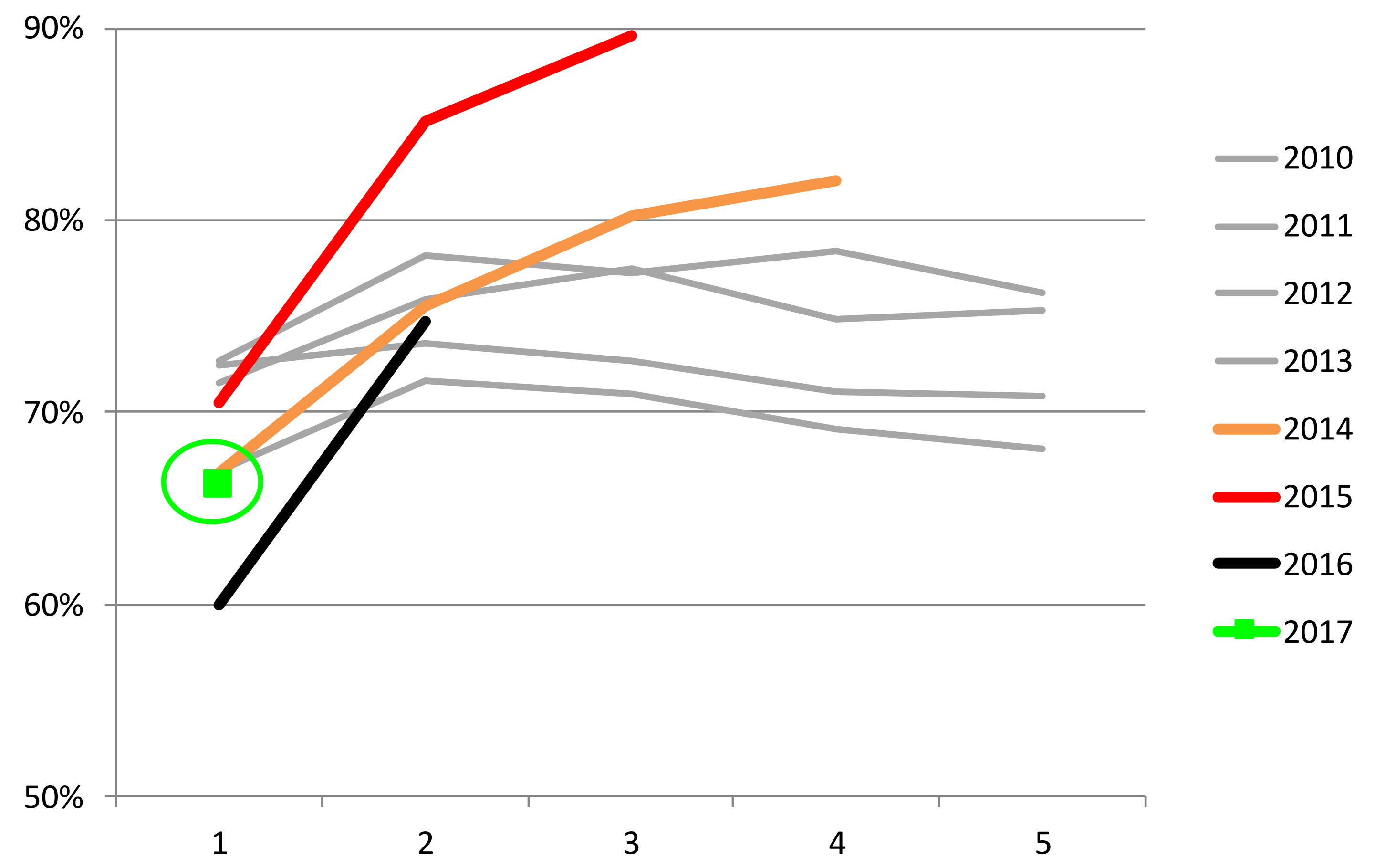
Gross Premiums, Paid & Outstanding Claims



*Data included from: Belgium, France, Germany, Netherlands, Italy, UK, USA

2014, 2015, 2016: Each year extraordinary increase in loss ratios. Change in typical pattern.
The new normal?

2017 starts at 2014 level.
With a 'normal' pattern (grey lines), 2017 would end around 70%.
With recent pattern, 2017 ends around 80%.

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Cargo Conclusions

1 Growth

Trade growth accelerating, but change in economical and political frame conditions makes prognoses uncertain.

USD premium influenced by combination of market conditions and exchange rates.

2 Results

Tianjin affecting 2014 & 2015 UW years. Amos 6, Hanjin and HIM will affect 2016 & 2017. Maersk Honam impacting 2018.

2014-2016 results all severely deteriorated.

2017 underwriting year also expected to deteriorate more than average. New normal?

3 Claims

Tianjin port explosion potentially the largest single cargo loss in history.

Risk of large event losses (Nat Cat and man-made) substantially increased.

4 Outlook

Unstable, uncertain.

Trade wars and Protectionism.

Covered risks increasingly represent stock exposure rather than just transit exposure.

Increasing value accumulation on single sites/vessels.

Tightening London market, repatriation of some accounts.

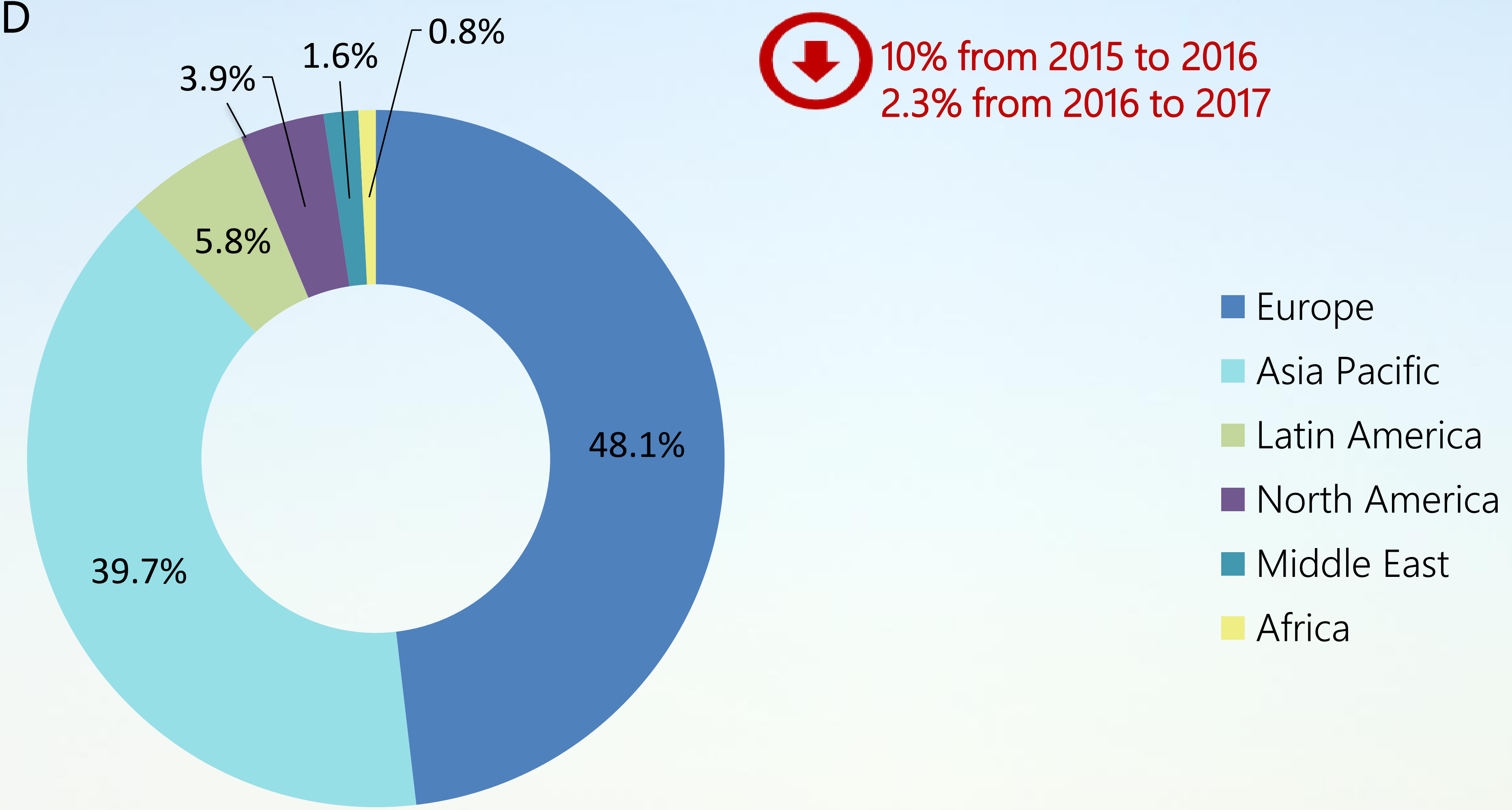
CAT events every year?

Global Hull Results 2017

Global Hull Premium 2017 (By Region)

The Canadian Board of Marine Underwriters

Total $6.9B USD



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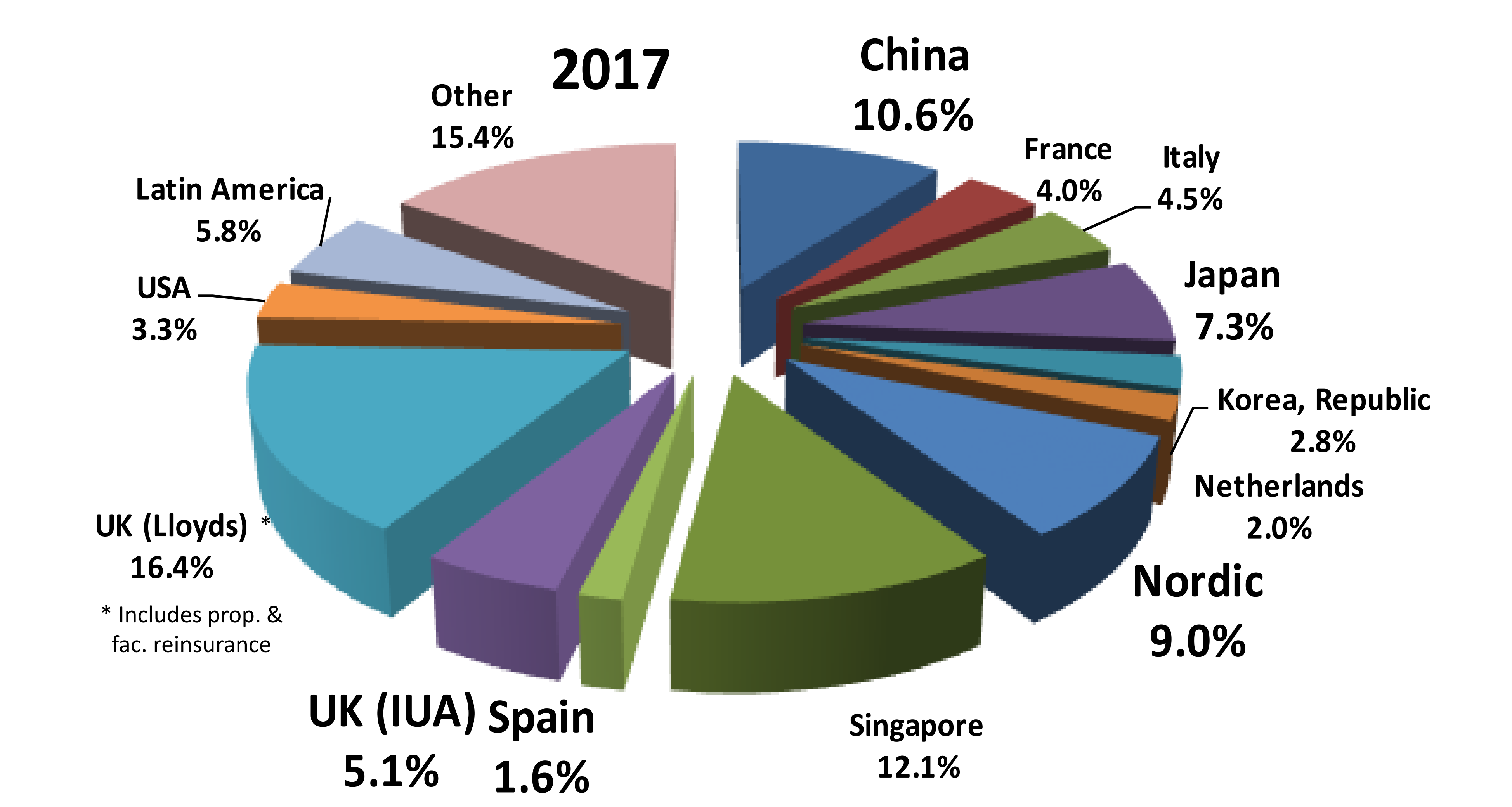
Global Hull Premium 2017 (By Market)

Total estimate 2017: USD 6.9 billion



2017 Top 5:
UK (Lloyds) 16.4%
Singapore 12.1%
China 10.6%
Nordic 9.0%
Japan 7.3%

2016 Top 5:
UK (Lloyds) 17.3%
Singapore 11.8%
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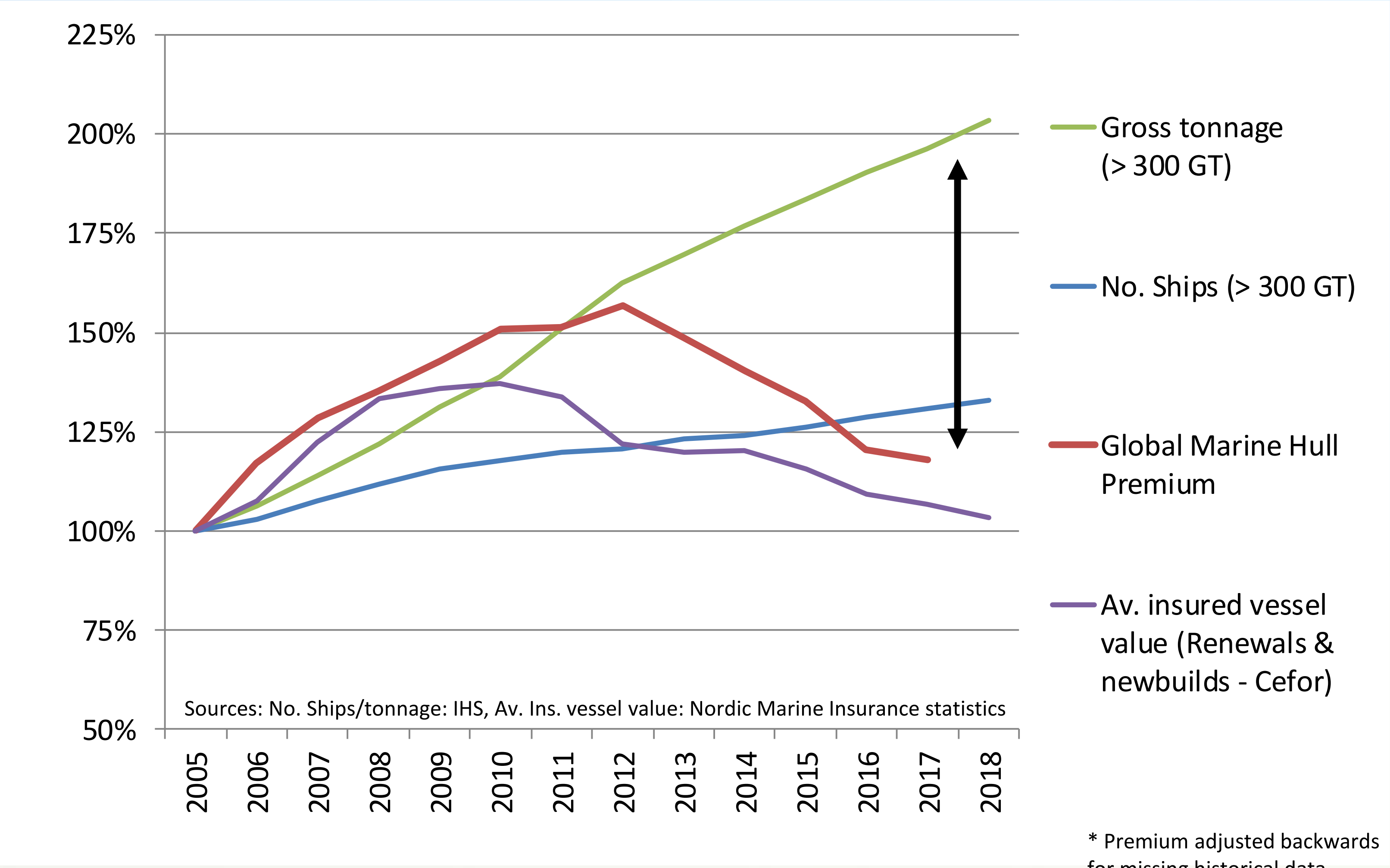
Hull Premium / World Fleet

World fleet continues to grow, especially in tonnage. Hull premium deteriorates in line with ship values (FX has less impact)



World fleet continues to grow, especially in tonnage.

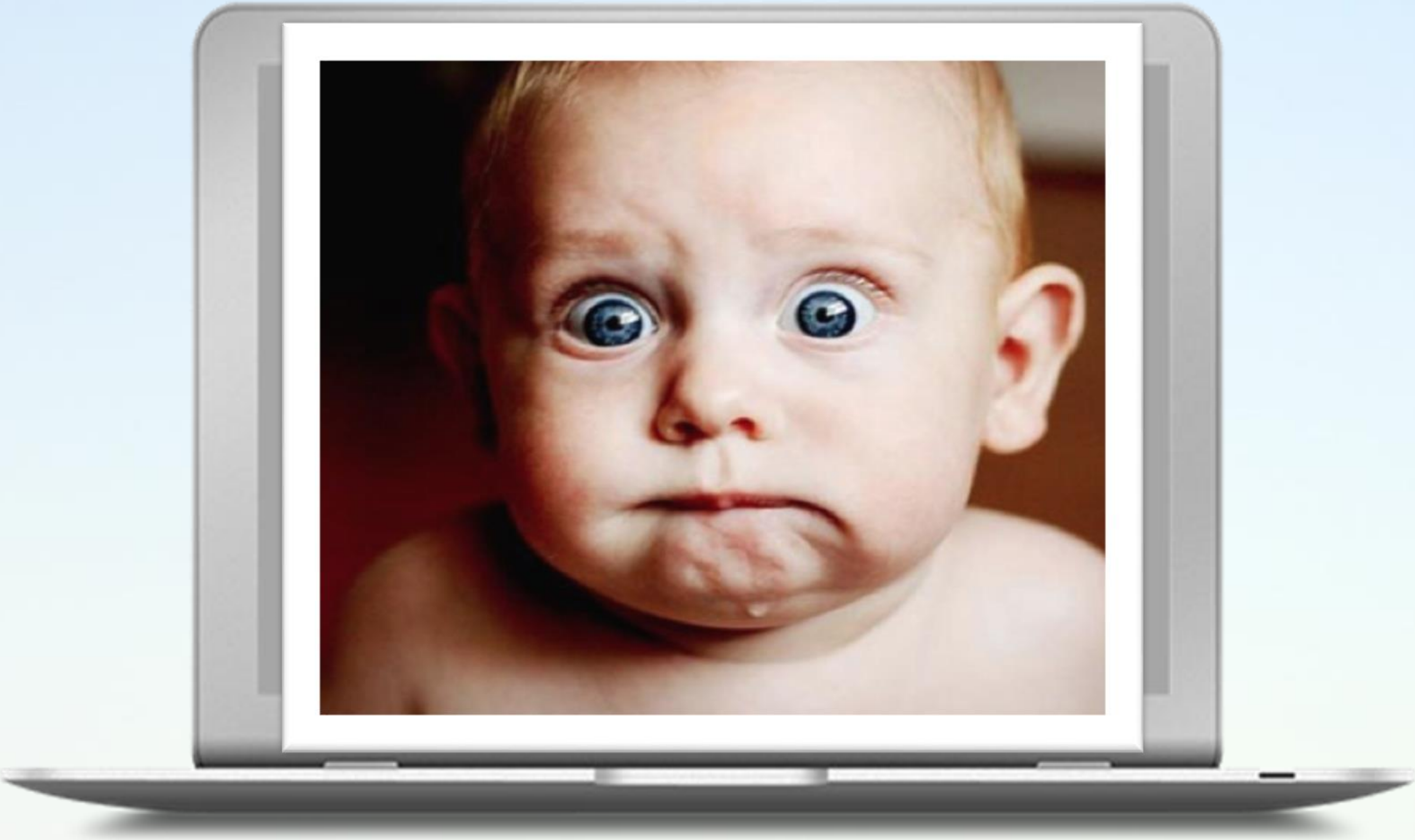
Ship values depressed by supply/demand

Hull premium deteriorates in line with ship values.

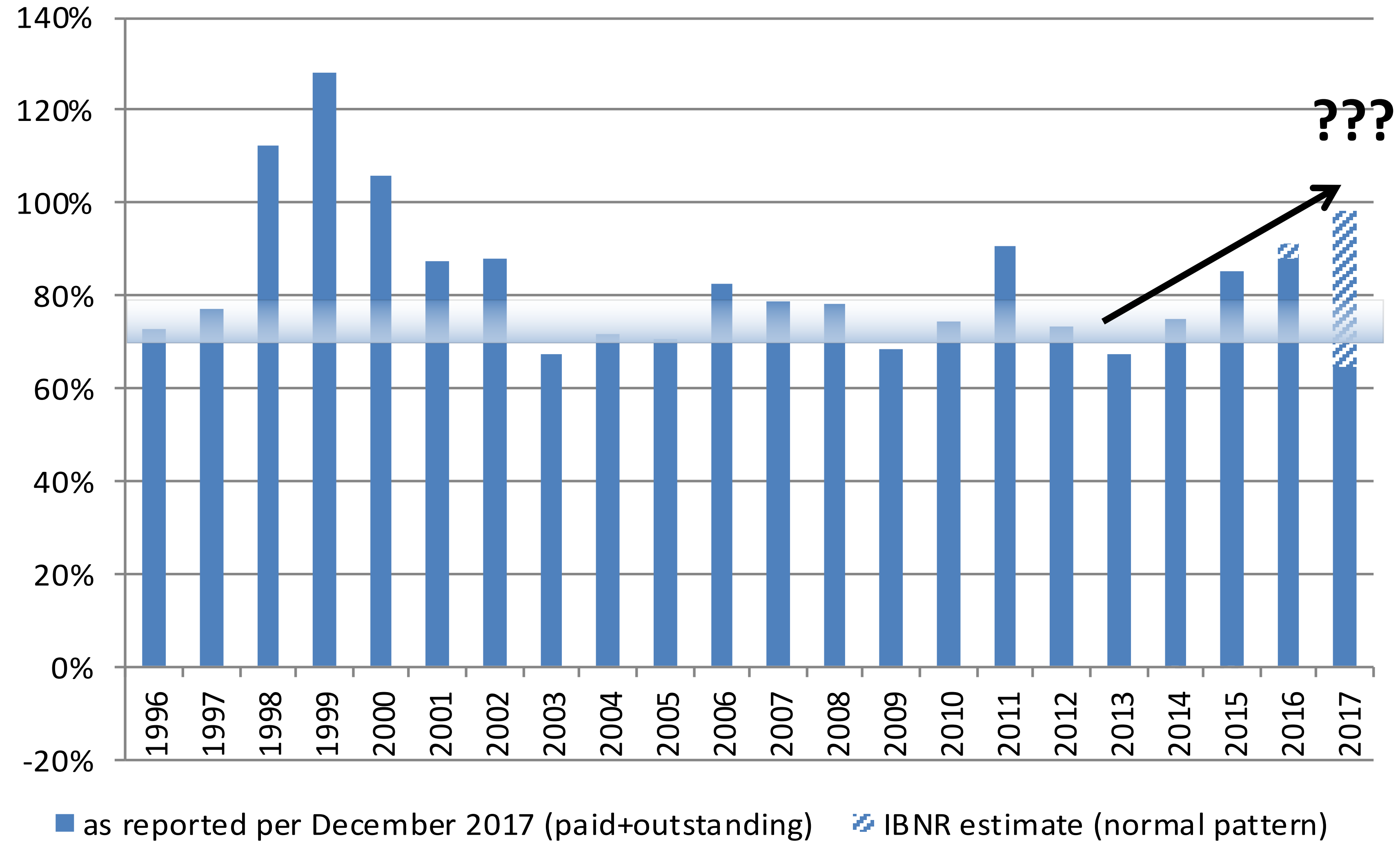
Increasing mismatch between fleet/vessel growth & income.

* Premium adjusted backwards for missing historical data.

And then…There's the Hull Loss Ratio!



Hull – Ultimate Loss Ratio* (UW Years 1996-2017**)



Substantial deterioration of loss ratios since 2013.

Overcapacity, dropping vessel values and reduced activity influenced income negatively.

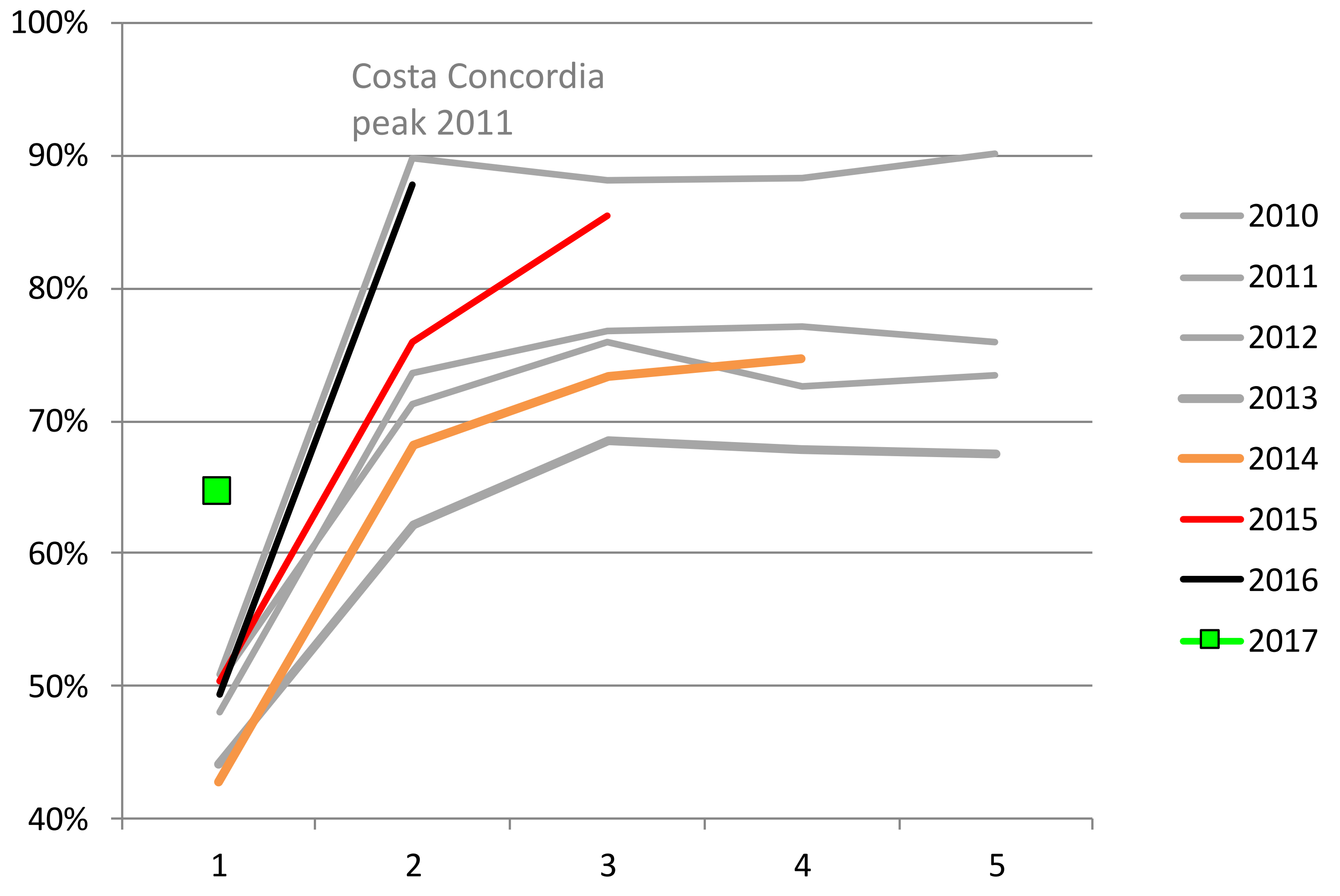
Yachts impact 2017 results, but:

The income does not seem to cater for expected 'normal' repair cost any more.

Since IUMI 2018, some London markets have withdrawn from Hull.

* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)
** Data: Belgium, France, Germany, Italy, Spain (until 2007), UK, USA

Gross Hull loss ratio Development - Europe (& part US)



Trend towards more severe loss ratio development. (Steeper increase/ change in pattern).

2017: Extreme 1st year loss ratio compared to previous years.

2017 Hurricane impact (yachts). Ocean hull: Little major loss impact, loss ratios driven up by ‘normal‘ repairs (attritional losses).

Outlook for 2018 poor
- Vessel fires
- Italian mega yacht losses

Hull Market : Trends and Conclusions

Exposure

- Values and income down, contrary to increasing fleet & vessel size.
- Higher single-risk exposure (with inherent risk of unprecedented major claims).

Claims (other than yachts)

- Claims frequency and cost per vessel: Stable at moderate level.
- Total losses: long-term downward trend. Came to a halt with fluctuation below 0.1%.
- Major losses: modest impact after 2015, but increased volatility steered by (non-) occurrence.
- 2017 Nat Cat event loss with severe impact (yachts).

Results

- With reduced major claims impact, partial losses account for an increasing share of the total claims cost.
- Loss ratios rise. **Current income level does not even cater for expected 'normal' repair cost any more**!
- **No buffer for the return of major losses**.
- For sustainability a balance between the risks covered and the cost must be re-established. All risk aspects must be taken into account.

The Canadian Board of Marine Underwriters

Marine insurance market is challenging

Cargo

- Results strongly impacted by recent years' unprecedented event losses (man-made & Nat-cat).
- Value ACCUMULATION an issue (on land and at sea)

Hull

- Results deteriorate further despite last years' benign claims trends (except yachts).
- Current income unsustainable, does not cater for expected normal repair cost any more.

Market environment

- Trade growth accelerating, but political and economic uncertainty prevails.
- Climate change / Nat-Cat losses /accumulation / new risks.

Canadian Marine Insurance Market

2017 Results

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Canadian P&C Insurance Premium 2017 (Ex-Life)

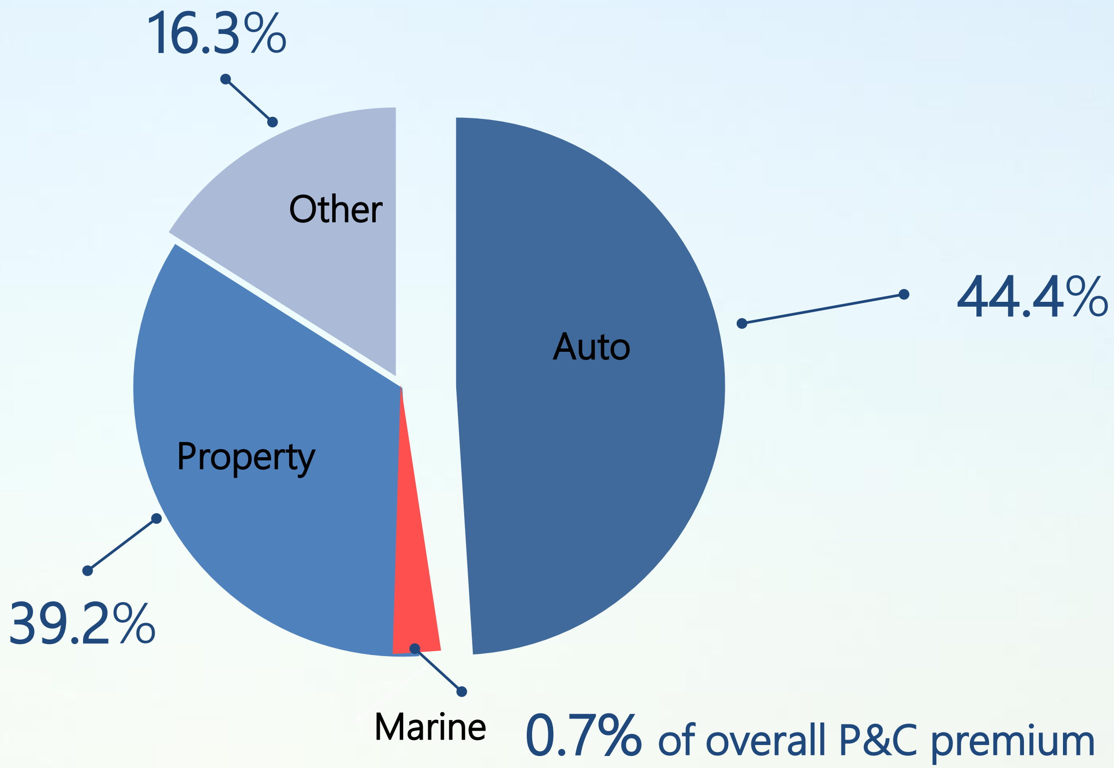
Source Canadian Underwriter Statistical Issue 2017

$46.928B (Net Written Premium)

THE MARINE PREMIUM IS CLASSED UNDER PROPERTY

Marine Insurance Premium (DWP)
CAD $332,900,000*
*(1.8% of Net Earned Property premium of CAD $18.41B)

Up slightly from 2016: CAD $323,595,000



Note: DWP = before RI

2017 Direct Canadian Marine Premium

Total DWP: $332.9 CAD

Cargo	$113M
Yacht	$110M
Hull	$56.6M
P&I/Liabilities	$53.3M

Source: Reported to Canadian Underwriter, spilt based on historical data as reported by CBMU members.

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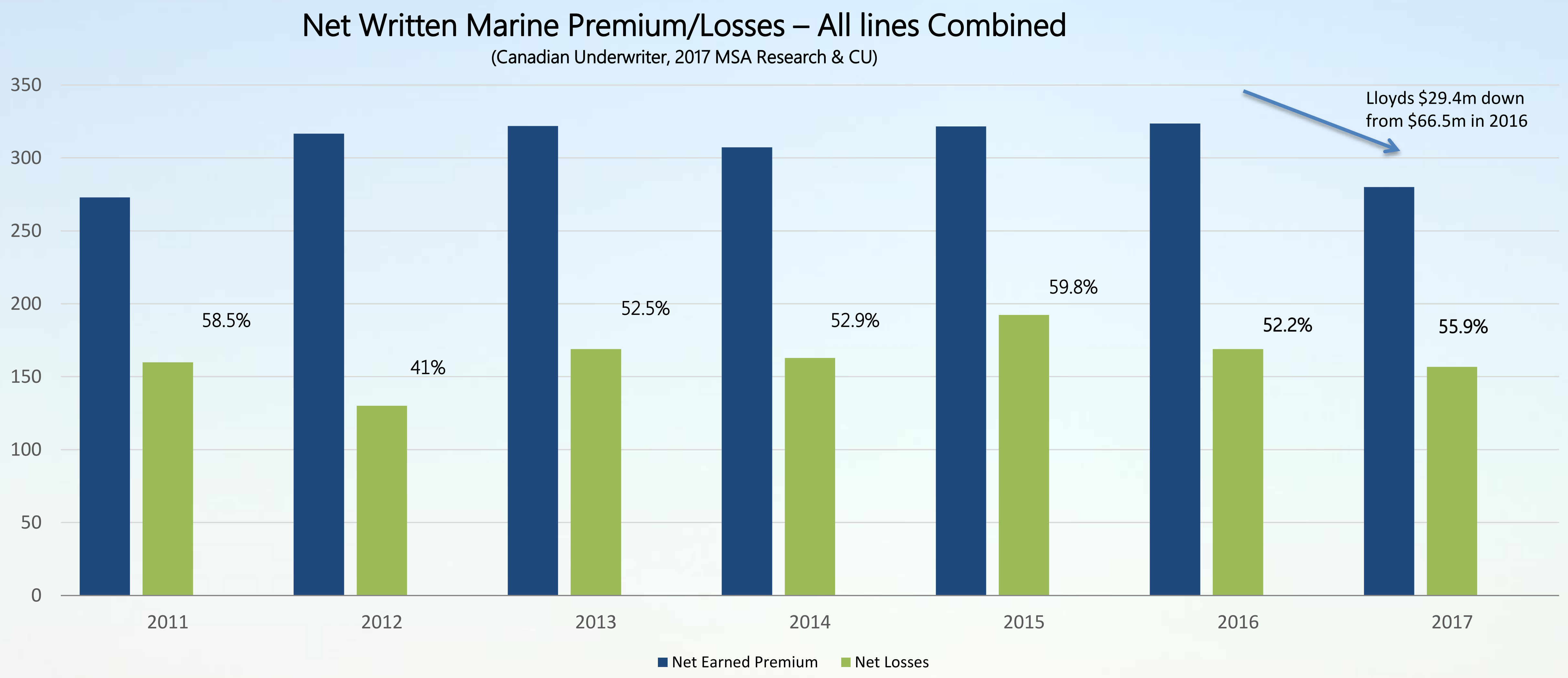
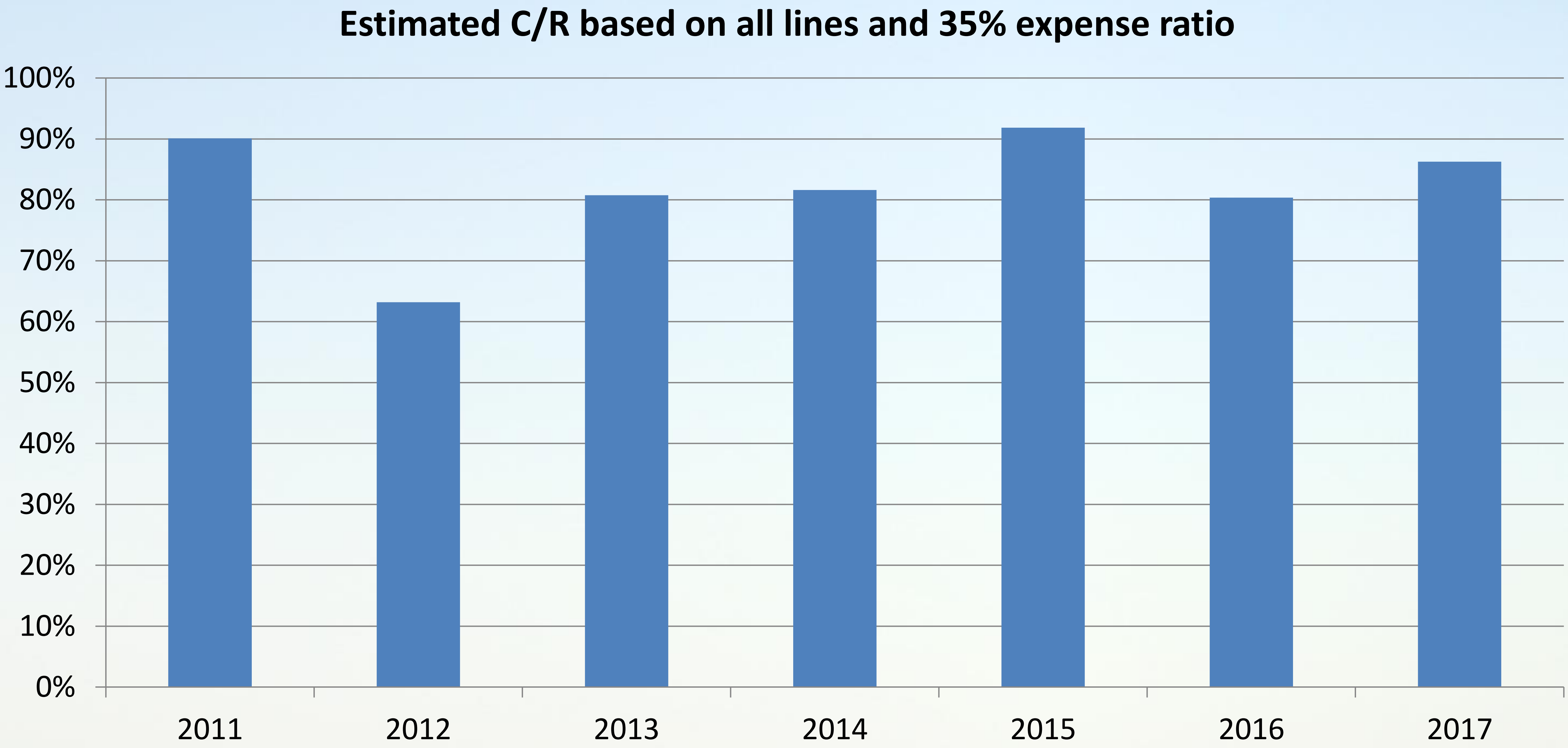
Marine Results 2011-2017

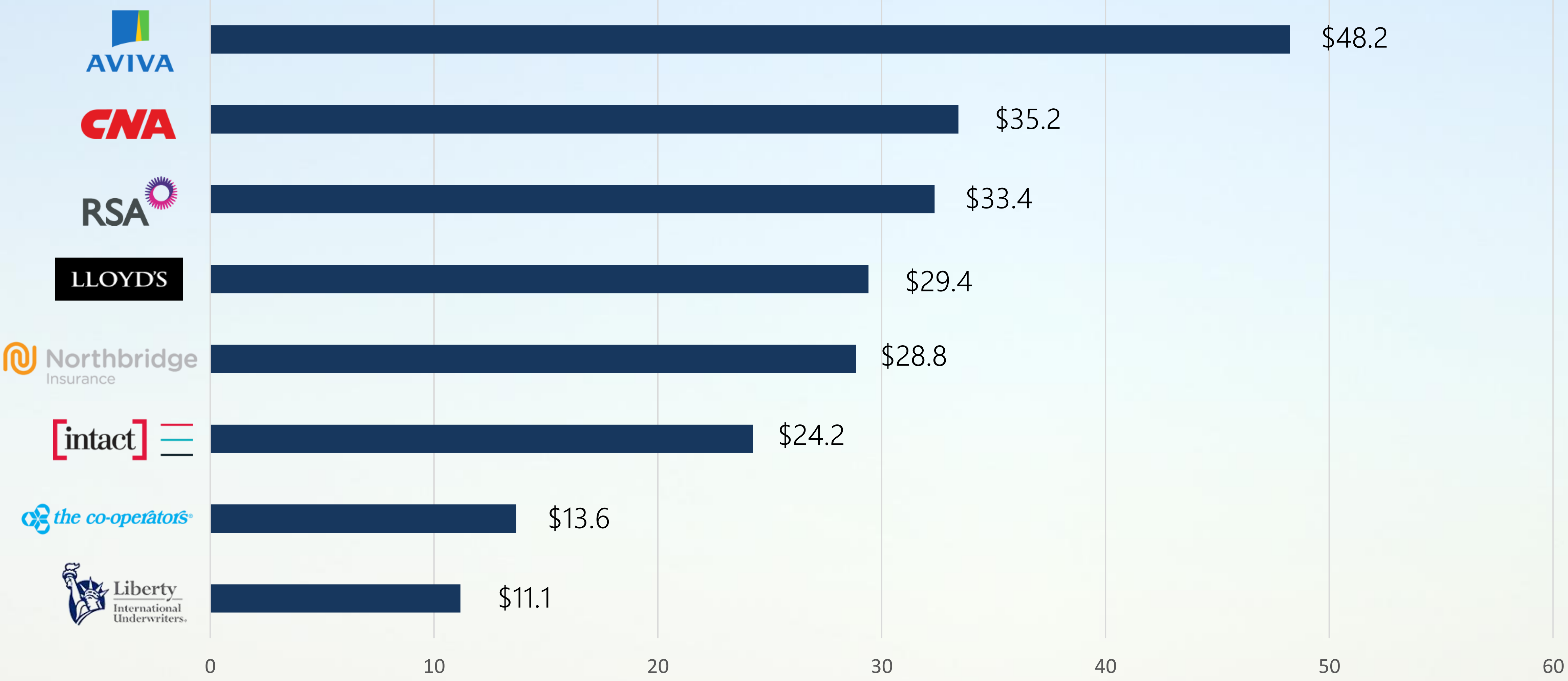


Marine Results 2011-2017



2017 Canadian Marine Results

2017 Net Marine WP > $10M – All lines (in Millions) – CANADIAN UNDERWRITER



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Canadian Market Summary

- Competitive
- Capacity still strong
- Increasing demand for stock as property market hardens
- Some repatriation of Cdn risks from Ldn
- CAT modelling more common on stock

Cargo

- Aging fleet
- Losses, especially on West Coast
- Rates depressed
- Tightening capacity in London leading to some repatriation of Cdn risks.

Hull/P&I

- CAT Losses
- Higher repair costs
- Capacity tightening especially in London
- Some CAT exposed risks seeing substantial premium increases.

Yachts

- Higher limits
- Capacity
- Competitive Pricing
- Disconnect between contracted liability and insurance cover
- Mind the gap!

Liabilities