



CBMU

The Canadian Board of Marine Underwriters

Worldwide & Canadian Marine Results & Overview of IUMI 2014



Isabelle Therrien - CBMU Vice President

FALVEY CARGO UNDERWRITING

IUMI 2014 Hong Kong Conference

Sunday 21 – Wednesday 24 September 2014

The InterContinental Hong Kong



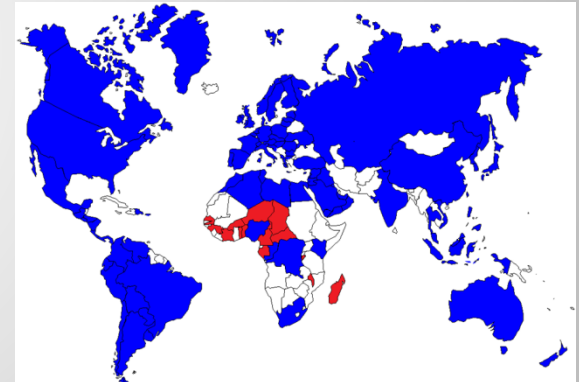
- Theme: Building expertise for a changing world
- Conference was attended by over 500 worldwide delegates
- Canadian representatives from the CBMU
 - Roger Fernandes – CBMU President
 - Isabelle Therrien – Cargo Committee
 - Narayan Iyer – Loss Prevention Committee
- New chairman: **Dieter Berg**– Munich Re (Germany)
- IUMI has been through organizational issues
 - Employment of new secretariat in Hamburg
 - Modernizing articles of incorporation
 - Implementing external auditing process
- Challenges for the future
 - Increased visibility
 - Focus on added value to membership



Global Marine Insurance Report 2014

1. IUMI Global Marine Insurance – Overview

- a) **Cargo** – Market & results
Focus: Post Sandy
- b) **Hull** – Market & results
Focus: Absence of claims – the risk remains...

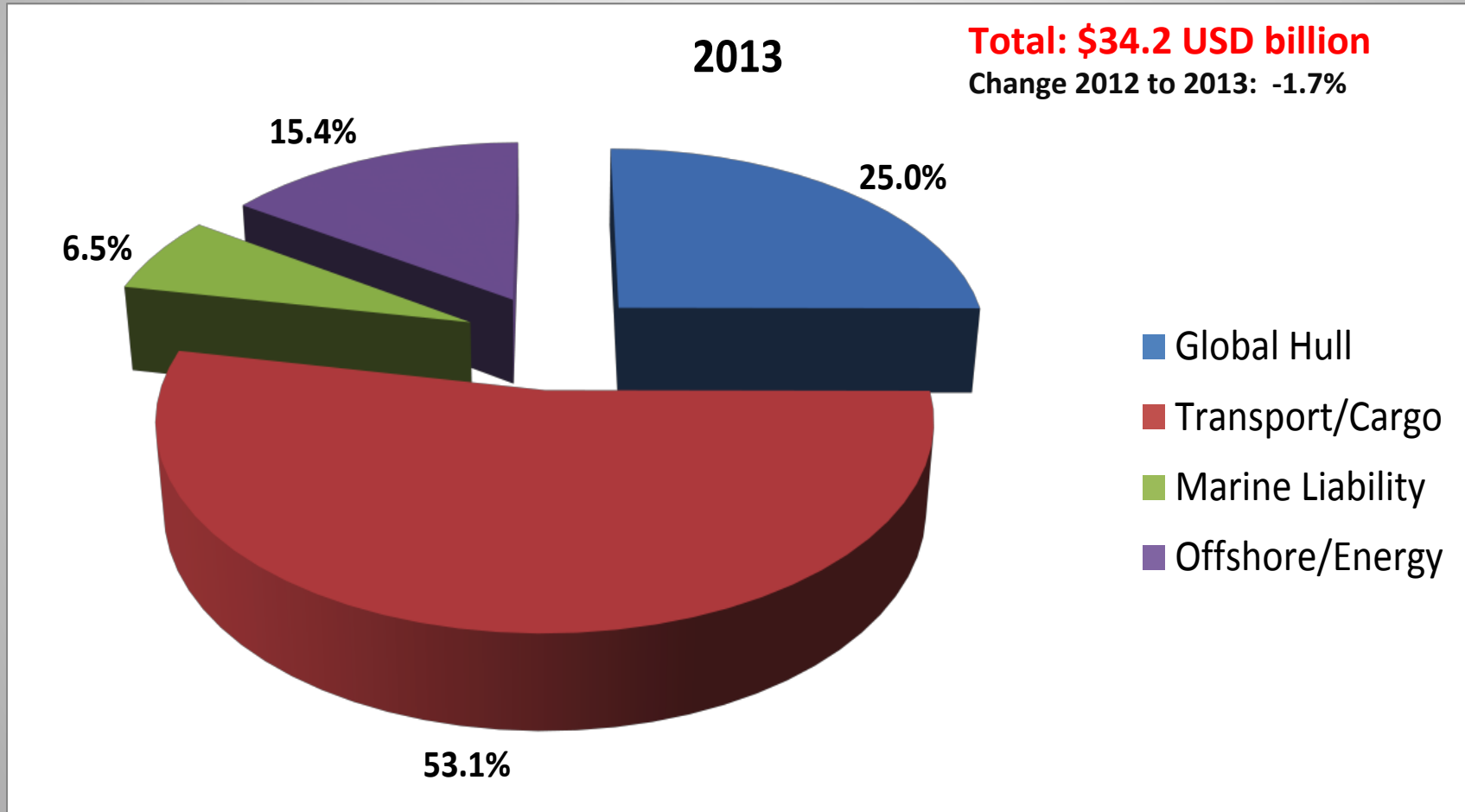


2. Canadian Results - Overview



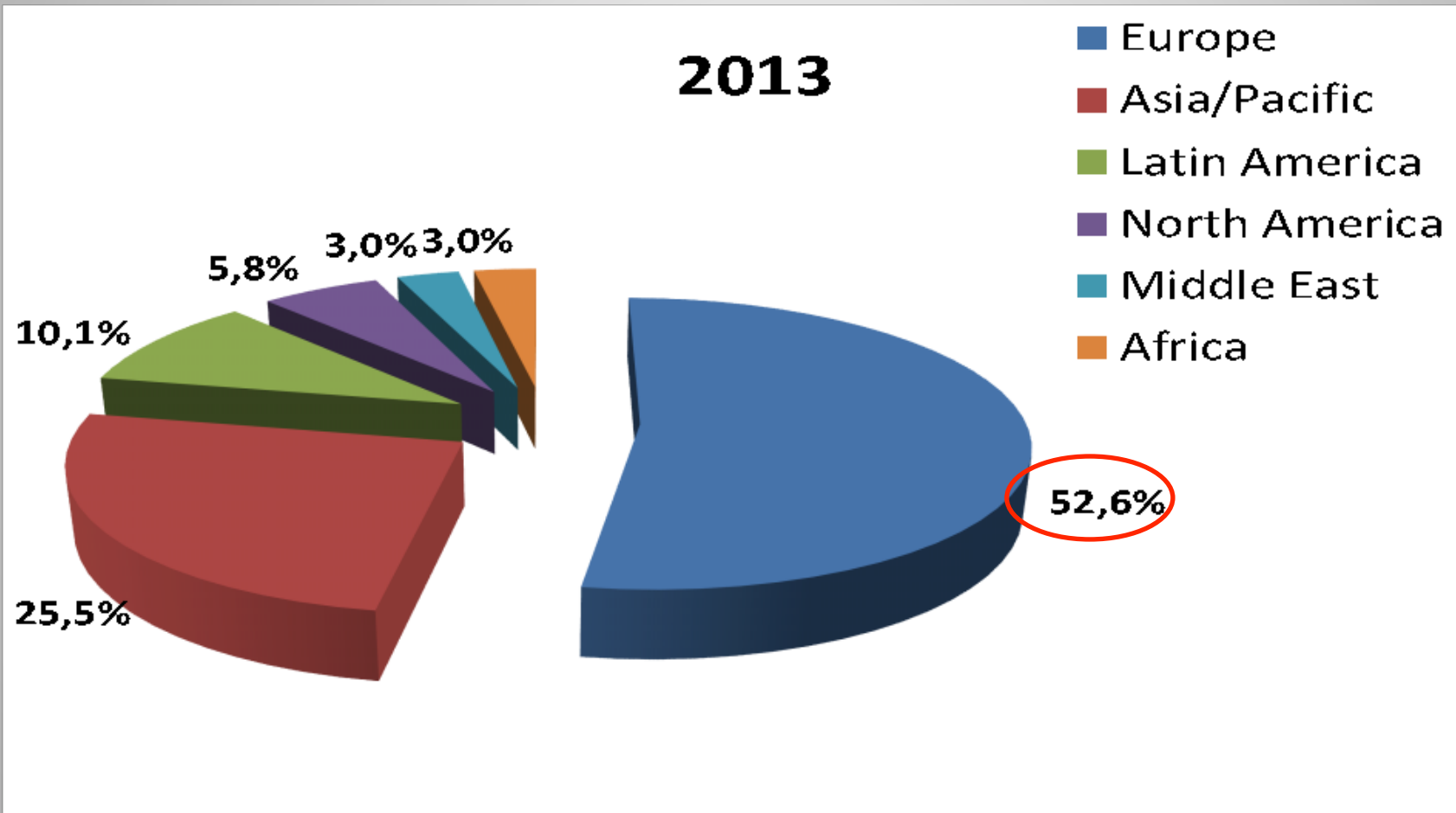
Worldwide Marine Premium 2013

(By line of business)



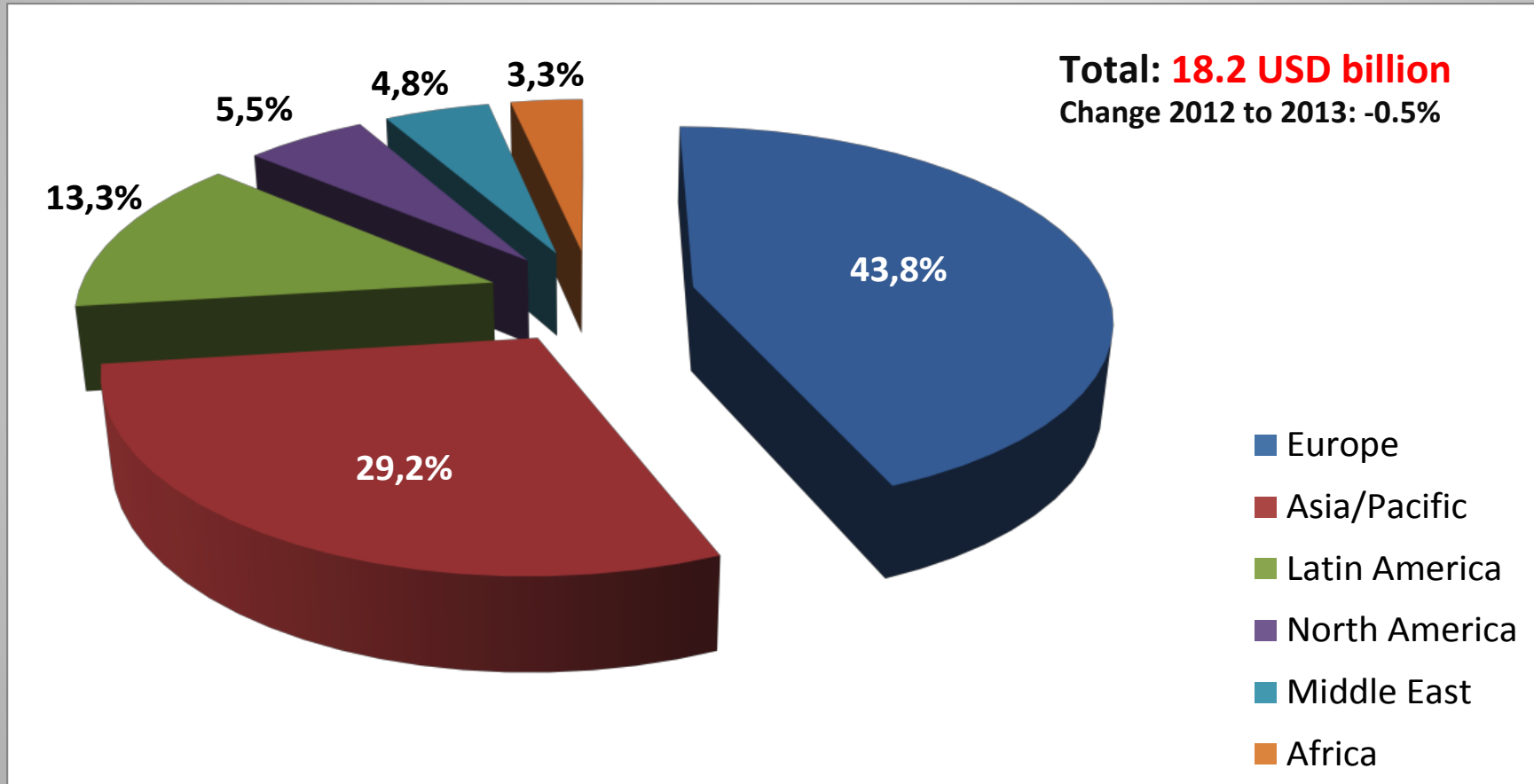
Worldwide Marine Premium 2013

(By region)



Worldwide Cargo Premium 2013

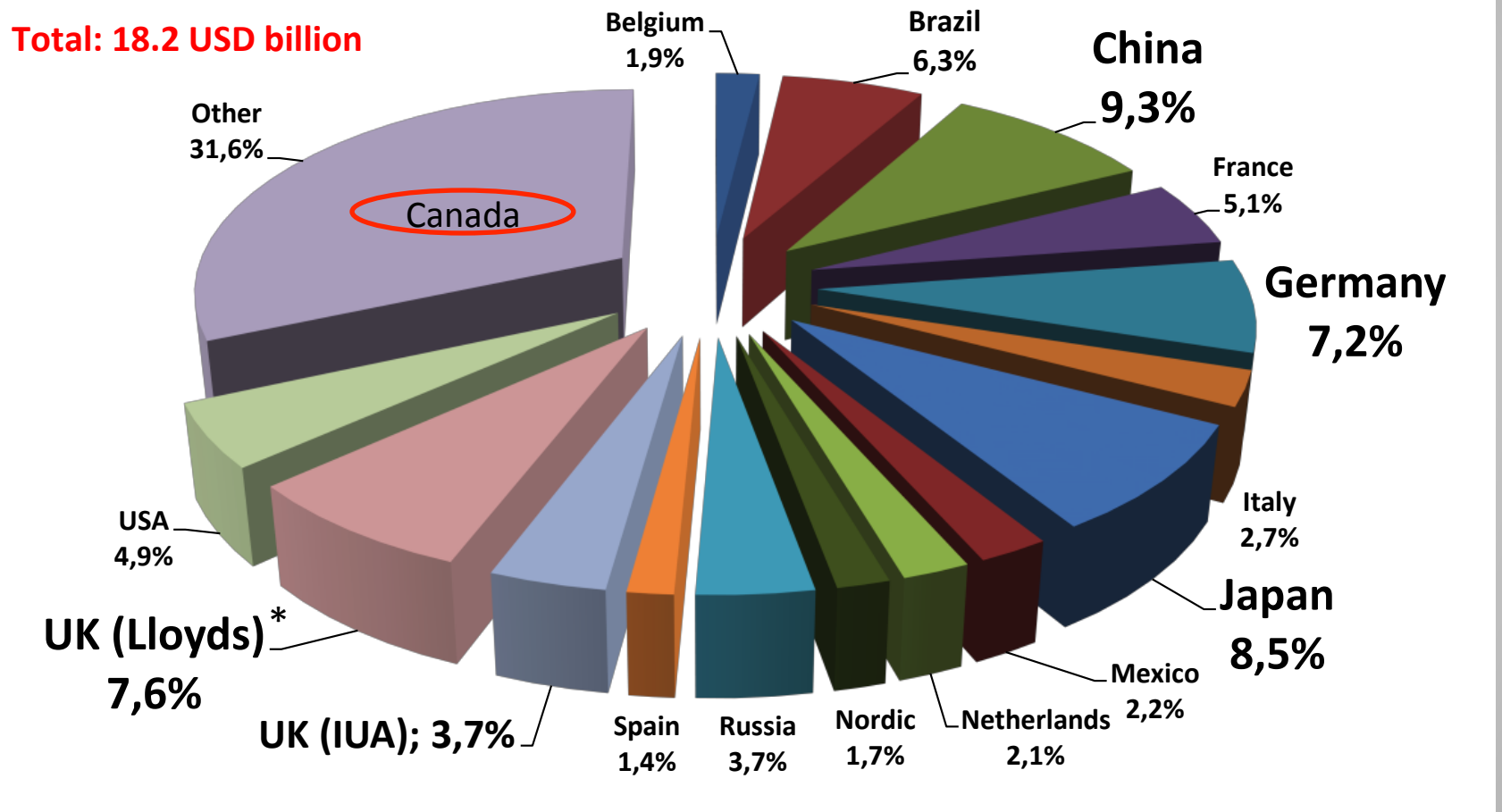
(By region)



Worldwide Cargo Premium 2013

(By markets)

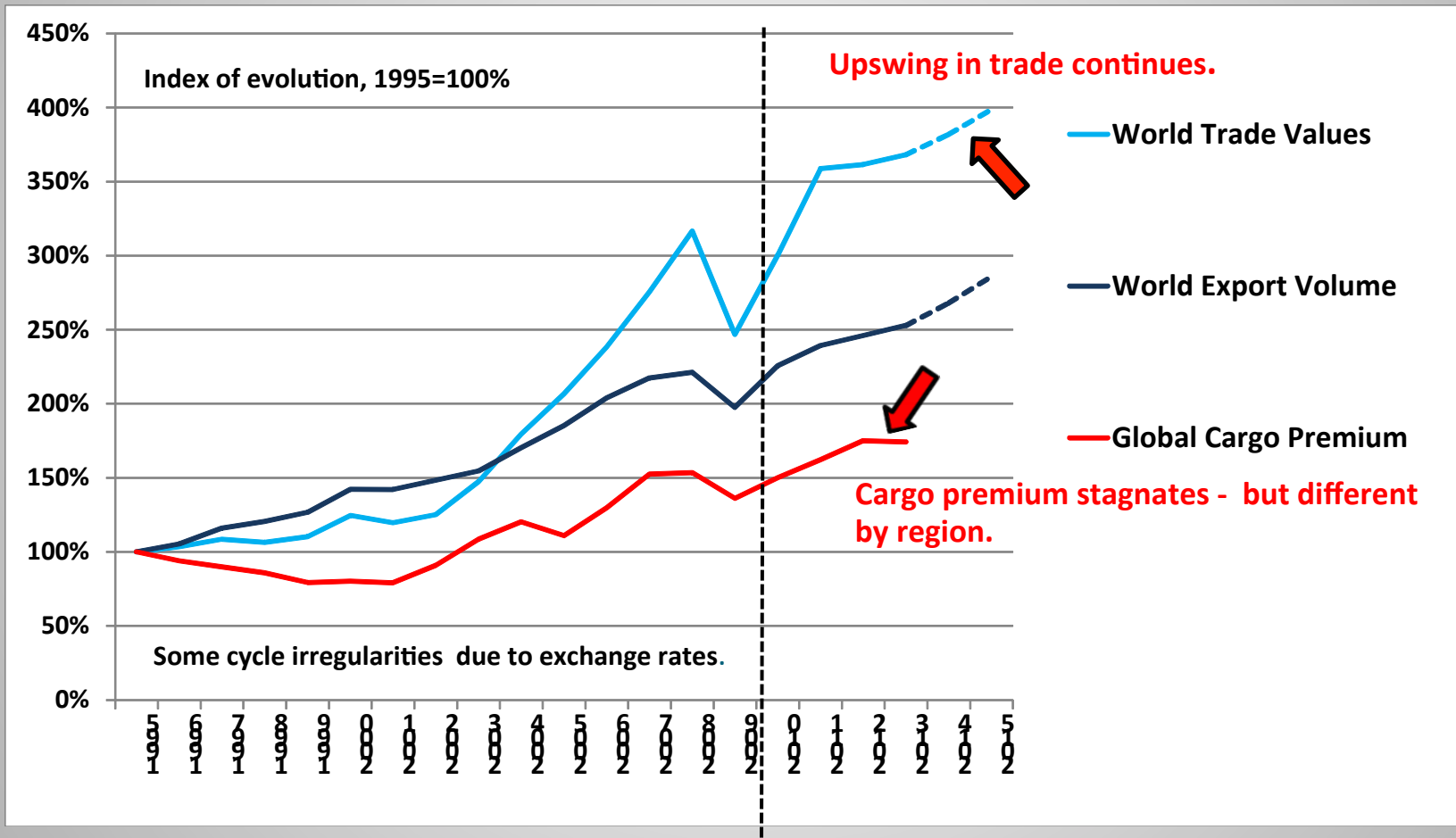
Total: 18.2 USD billion



*Includes proportional and facultative reinsurance

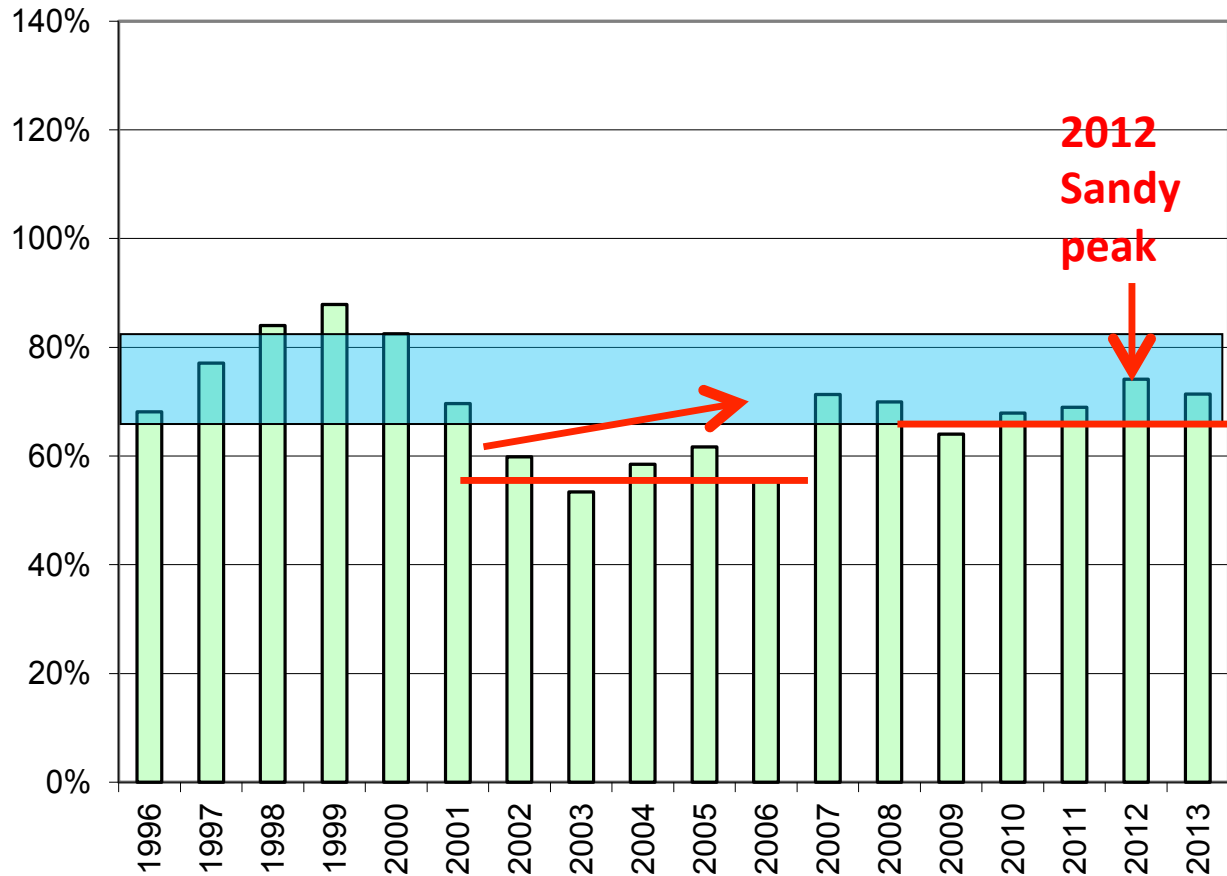


Cargo Premium, World Trade Values & Exports



Cargo Gross* Ultimate Loss Ratio

Europe/ USA ** UW Year 1996-2013



Since 2007:
Deterioration of good 2002-2006 results.

2009-2013
2011-2013 start at about 72%.

2012 Sandy affects mainly US.

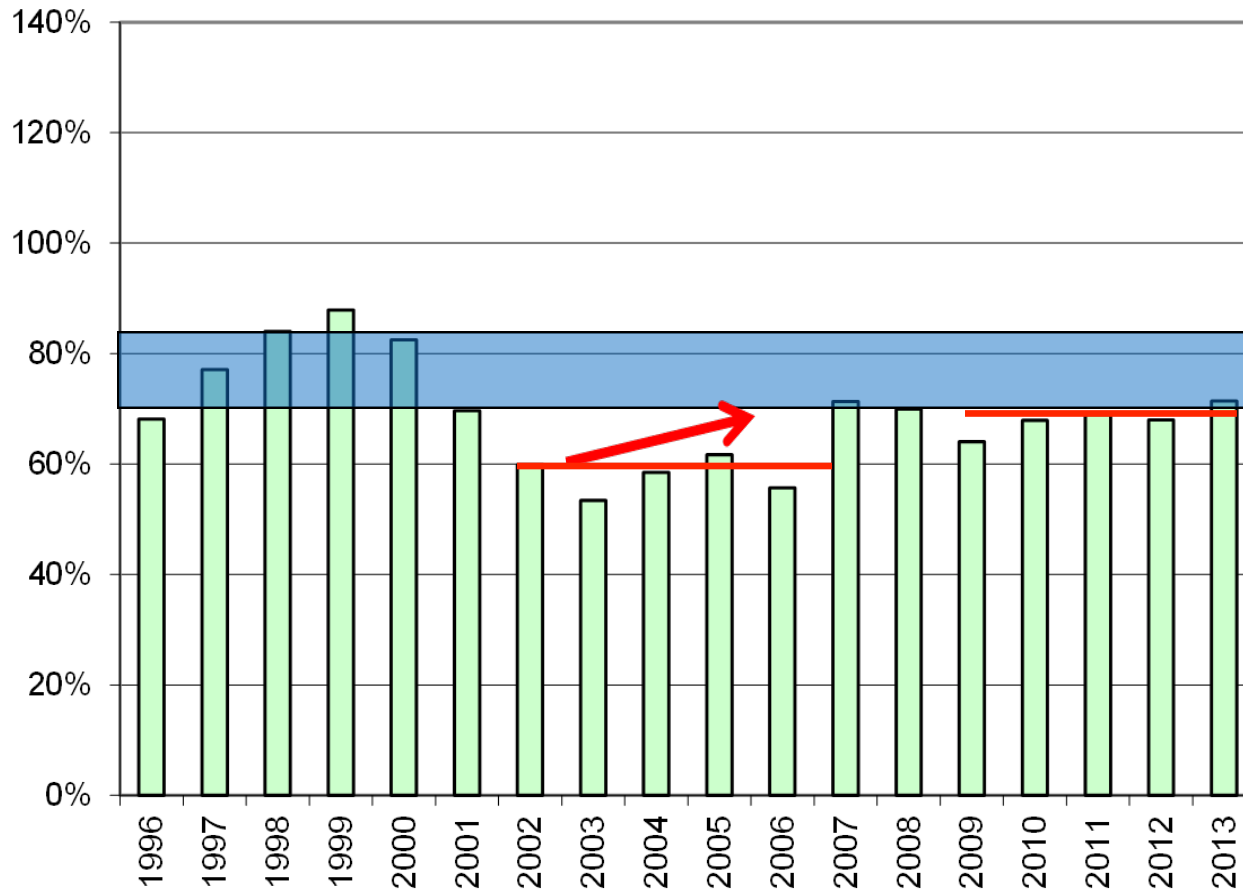
* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (usually 20%-30% acquisition cost, capital cost, management expenses)

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



Cargo Gross* Ultimate Loss Ratio

As-if EXCLUDING Sandy



2010-2013

Similar results
70%+. Little or
no technical
profit.

But:

Cargo results
differ strongly by
region.
Some do well.
No unique
picture.

* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (usually 20%-30% acquisition cost, capital cost, management expenses)

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



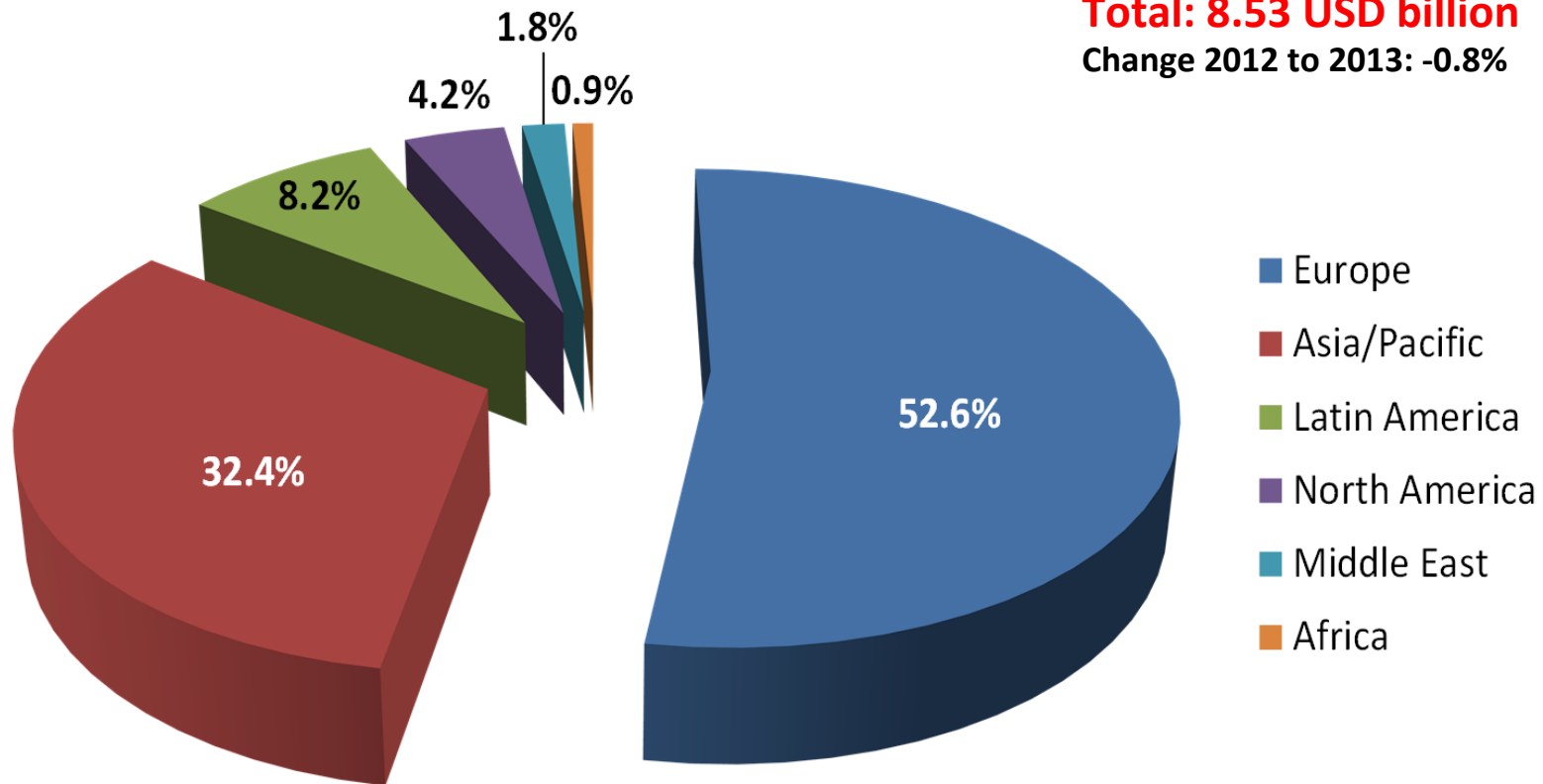
Summarizing Cargo

- Upswing in trade continues, cargo premium stagnates.
- Without Sandy, 2010-2013 show similar loss ratios.
- Claims pattern differ in recent years.
Impact of natural catastrophes (Thailand floods, Sandy).
- Claim cost unlikely to decrease.
Increased accumulation risk (storage and vessel), moral hazard, theft, natural catastrophes, sanctions.
- Results differ by region – some do well, some deteriorate.
- Future uncertain – difficult conditions continue.



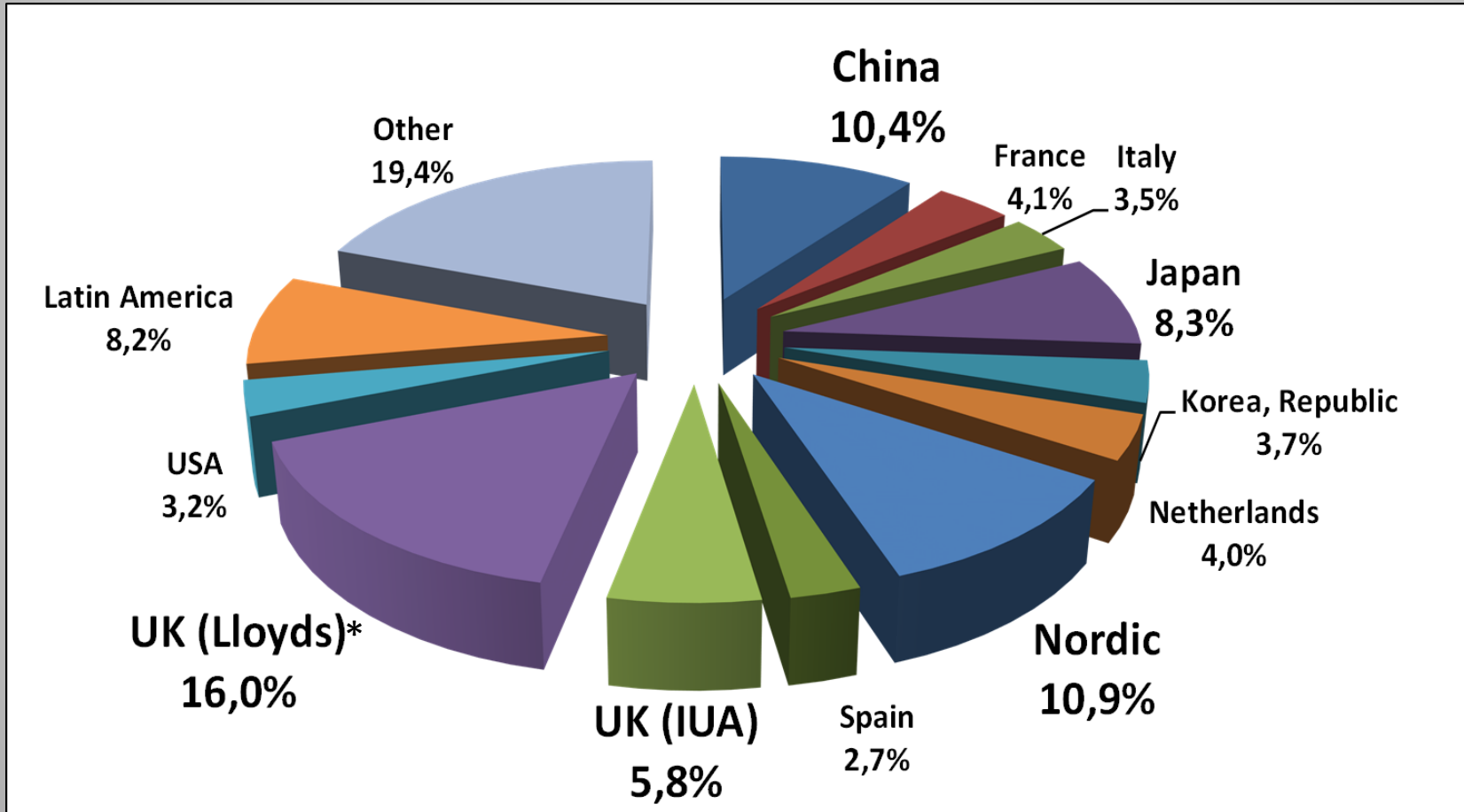
Worldwide Hull Market

Total: 8.53 USD billion
Change 2012 to 2013: -0.8%



Worldwide Hull Premium 2013

(By Markets)

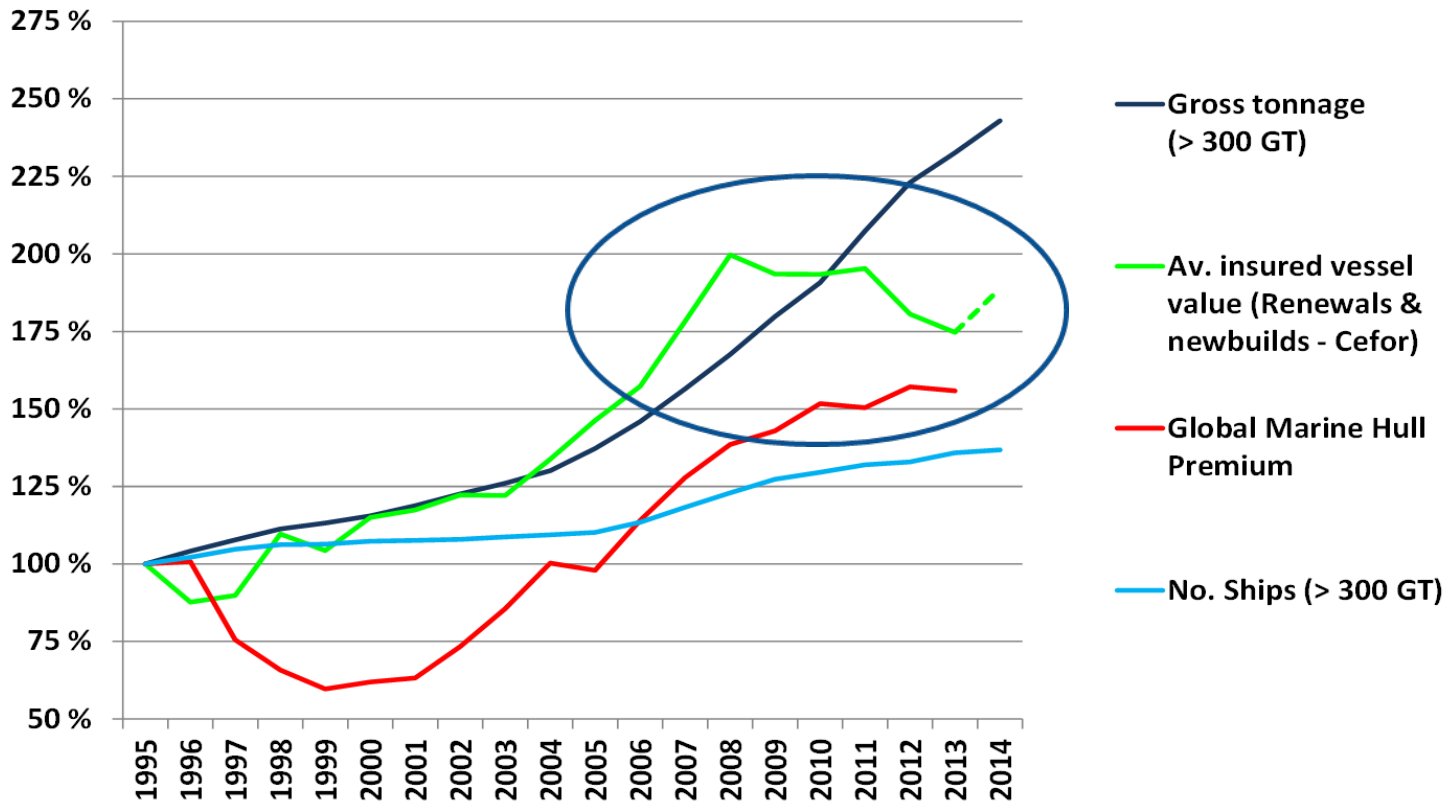


* Includes proportional and facultative reinsurance



Hull Premium/World Merchant Fleet

(Index of Evolution 1995 = 100%)

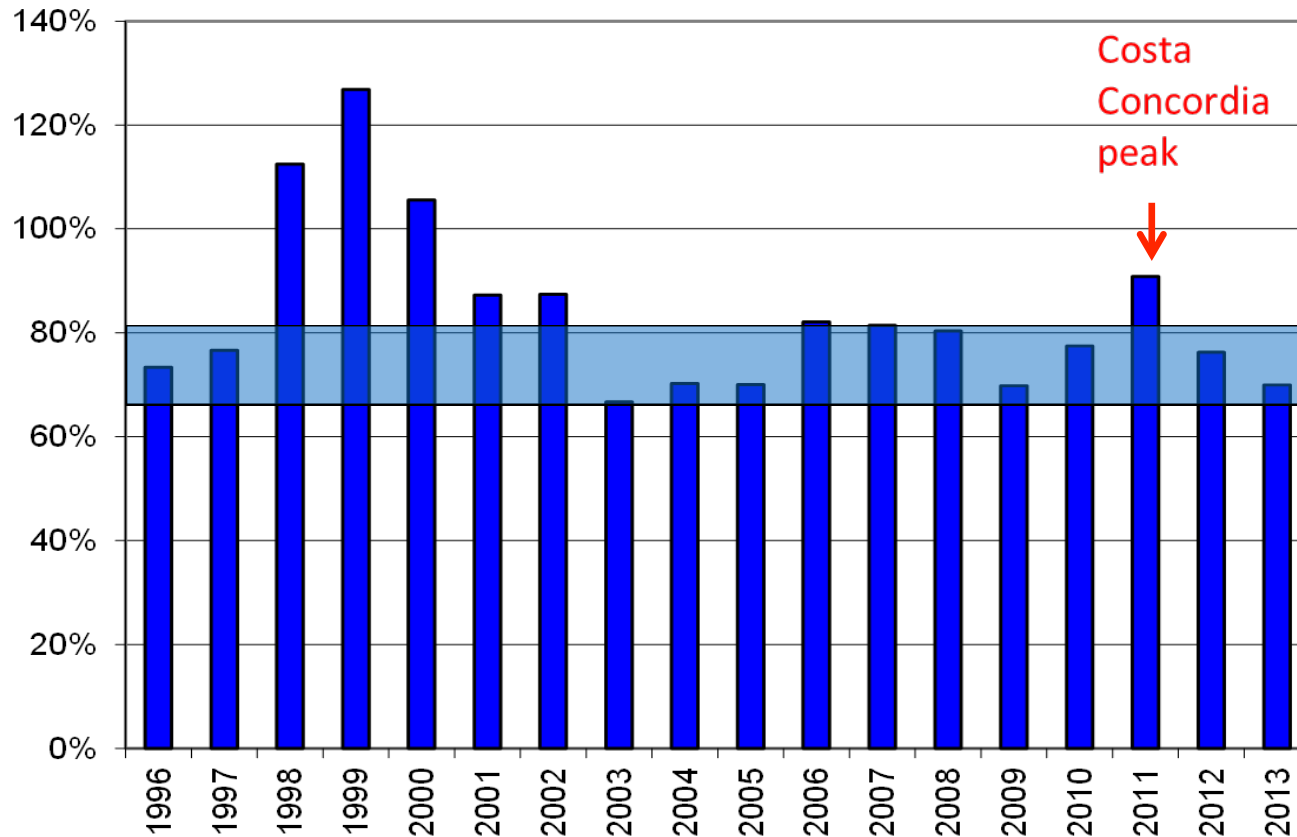


Sources: Insured vessel values: Cefor NoMIS statistics ; No. Ships & tonnage: ISL Bremen



Hull – Gross* Ultimate Loss Ratio

(Europe/USA ** Underwriting years 1996 to 2013)



2011

Strong major loss impact
(Costa Concordia & others)

2012/2013

Less major loss impact than 2011.

2013

Improvement, but technical result still at loss (18th year).



Hull portfolio Trends

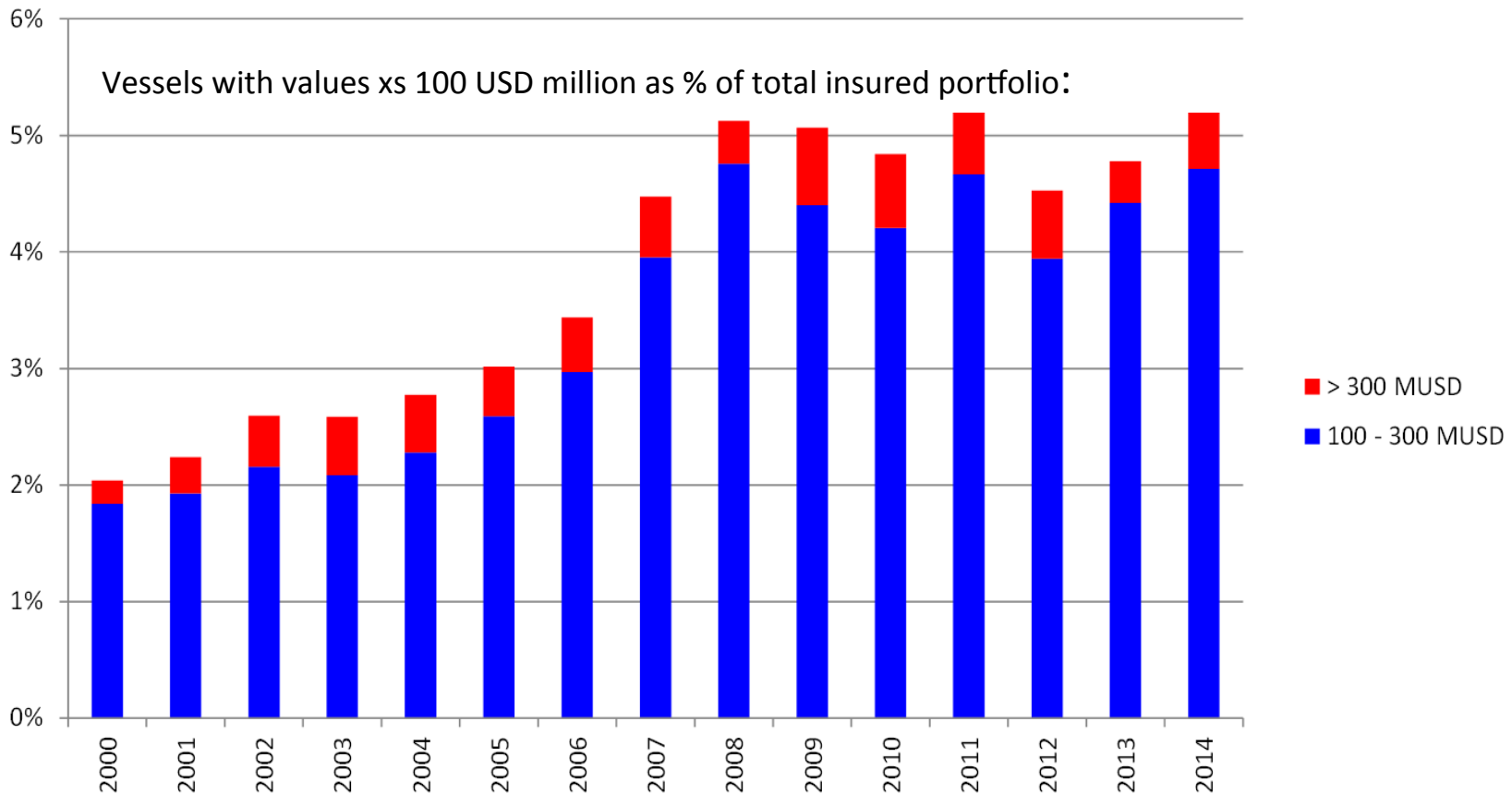
- **World fleet:** Continues to grow, especially tonnage
- **Insured values:**
 - Renewals: value reduction seems to normalize
 - Newbuilds: inflow of high-value vessels continues
- **Global hull premium:** 2012->2013 stagnation



Hull Risk Exposure

Inflow of high value vessel continues

Portfolio share of vessels with values xs 100 USD million



Source: Cefor NoMIS statistics as of June 2014 & IUMI Facts and Figures Committee 2014



Hull Pricing Challenge

- **Missing claims experience does not mean no risk**
 - Bigger ships, new technology, law & liability changes, new engine types, new fuel types, arctic routes, ...
- **Major claims cannot be assessed from one year**
 - Need to monitor longer time period
 - Need to know actual insured risk – potential for claims not yet experienced (Costa Concordia, Emma Mærsk, MOL Comfort,...)
 - Need to extrapolate from existing claims experience to areas with less or no statistical data.

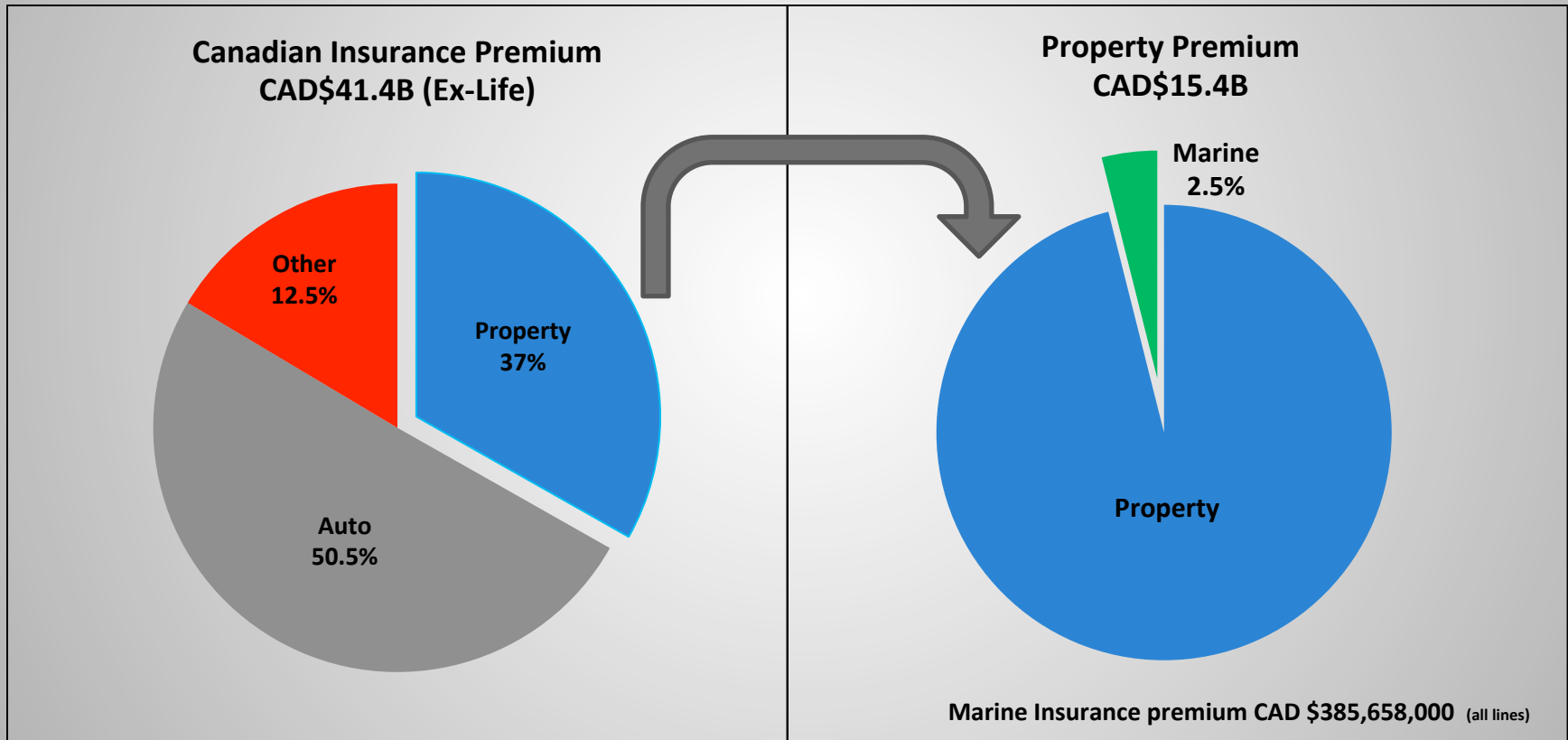


Summarizing Hull

- **World fleet** continues to grow, insured risk increases, **global hull premium** stays flat.
- **Claims cost & frequency** improve, but **major claims** risk cannot be judged from one year and follows exposure.
- **Technical results** still at loss (18th consecutive year). Some improvement, due to reduction in claims cost.
- **For sustainability:** All risk aspects must be considered



2013 Canadian Marine Results

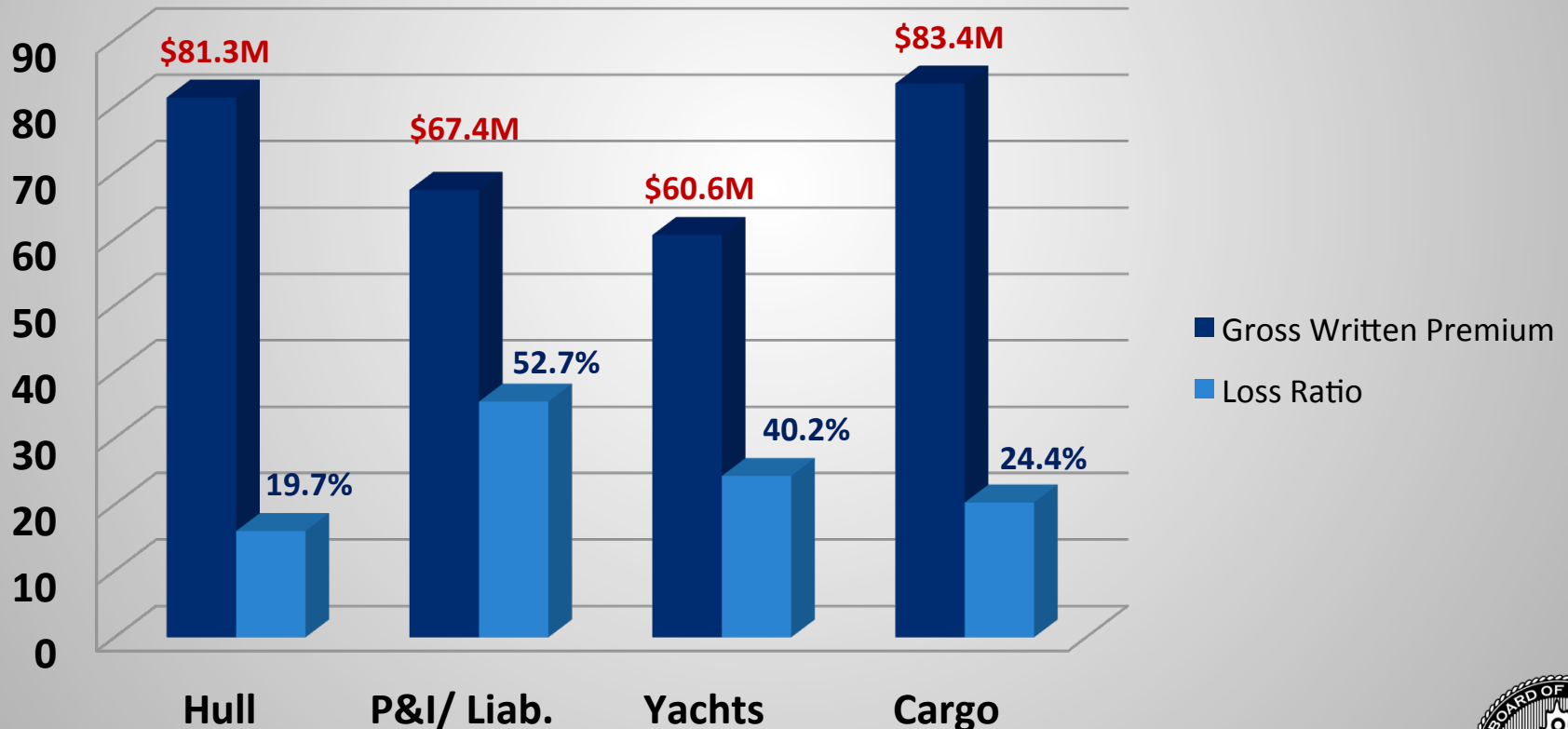


Source: Canadian Underwriter Statistical Issue 2014



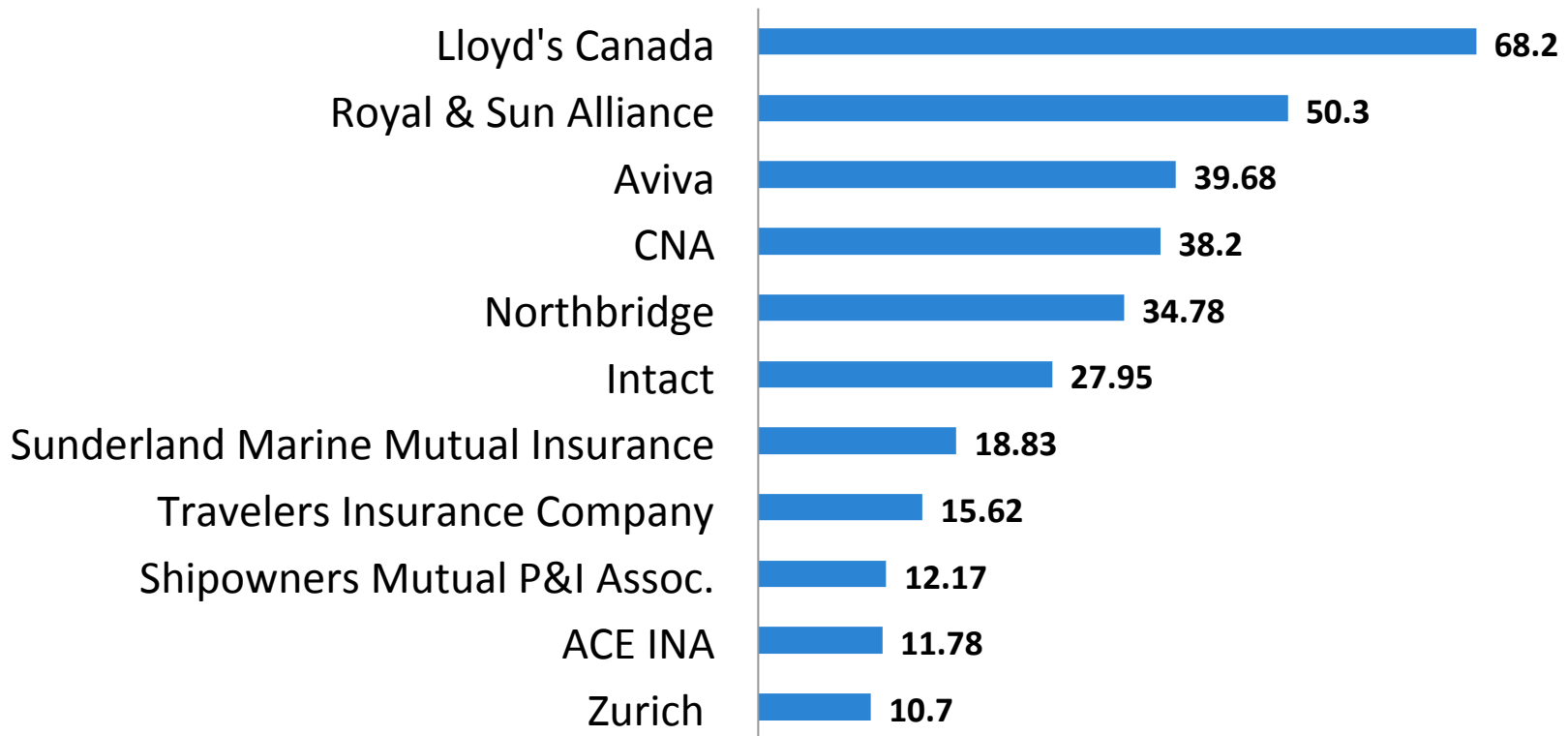
2013 Canadian Marine Results

2013 CBMU Members Reported results (65% participation rate)



2013 Canadian Marine Results

2013 Gross Marine Written Premium >\$10M - All Lines (in Millions)



Final Overall Thoughts

- More detailed presentations of WW results are available on the IUMI website at www.iumi.com
- There are additional presentations that could be of interest:
 - Cargo: DSU, Rail infrastructure in Asia, NAT CAT challenges for Cargo
 - Loss Prevention: New silk road China-Europe land bridge, New CTU guidelines
 - Legal & Liability: York Antwerp Rules ongoing discussion, Places of Refuge, General Average- Cargo perspective
 - And much more.. This is a good resource!
- Canadian Results: The information we provide you with is only as good as the data each member company provides us with!



Questions?