




CBMU

Canadian Board of Marine Underwriters

WORLDWIDE MARINE RESULTS & OVERVIEW OF IUMI 2015

Isabelle Therrien, CBMU Vice President
Falvey Cargo Underwriting 

Our Agenda for Today

IUMI- Global Marine Insurance Market
Cargo – Market & Result
Hull – Market and Result

Canadian Market
Performance of Canadian Marine market



Report on IUMI 2015
Berlin 13-16 September



Snapshot IUMI Committee Presentations
Highlights of some of the presentations



News
 



Report on IUMI 2015



TECHNICAL, FINANCIAL AND HUMAN FACTOR- IS THERE A NEW NORMAL?

- Conference attended by over 600 worldwide delegates
- Canadian representatives from the CBMU
 - Roger Fernandes - CBMU President
 - Isabelle Therrien - CBMU Vice President/Cargo Committee
 - Mariella Dauphinee - Loss Prevention Committee
- Strengthen the IUMI office
 - Education program
 - Communicate Strategy – New Website/ PR Partner
- Liase and Lobby – "Fight for your rights"
 - Political Forum

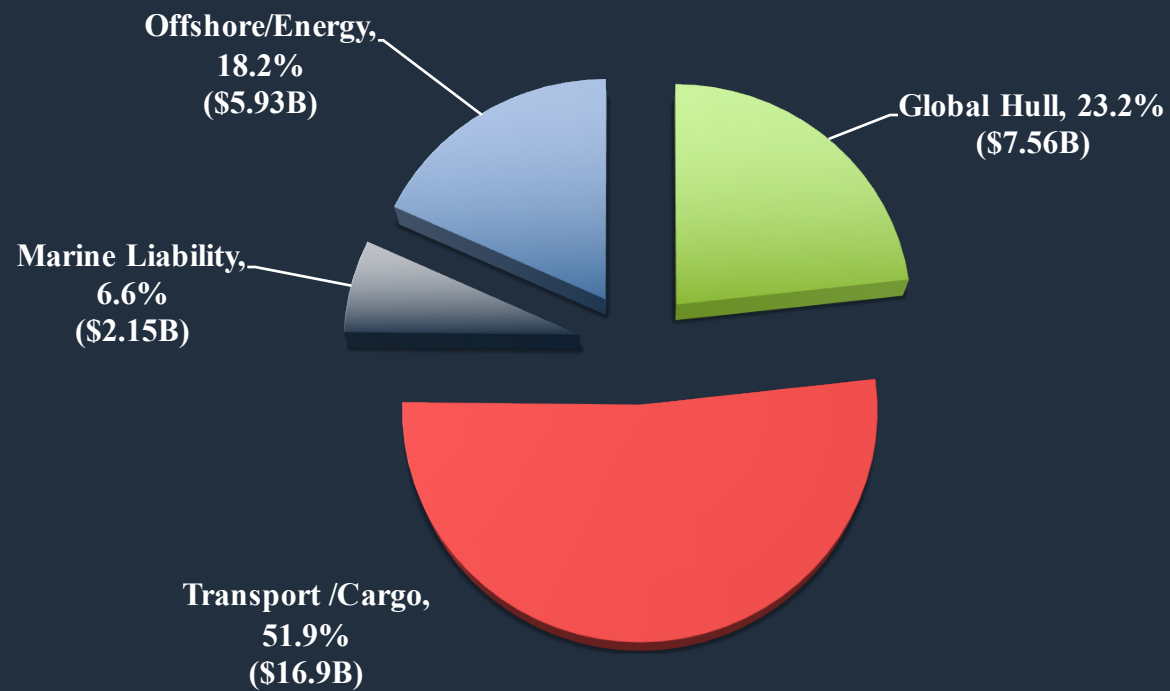


2014 Global Marine Insurance Market

Cargo & Hull

Worldwide Marine Premium 2014

(By line of business)



Total \$32.6 USD Billion

Change 2013 to 2014: **-3.2%**



due to strong USD

Worldwide Distribution of Marine Premium

By region

Europe 52.6%

Asia Pacific 25%

LATAM 9.8%

North America 6.4%

Middle East 3.1%

Africa 3%



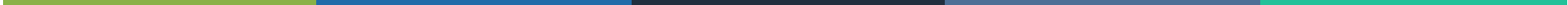
YOY Distribution of Marine premium

2011 to 2014



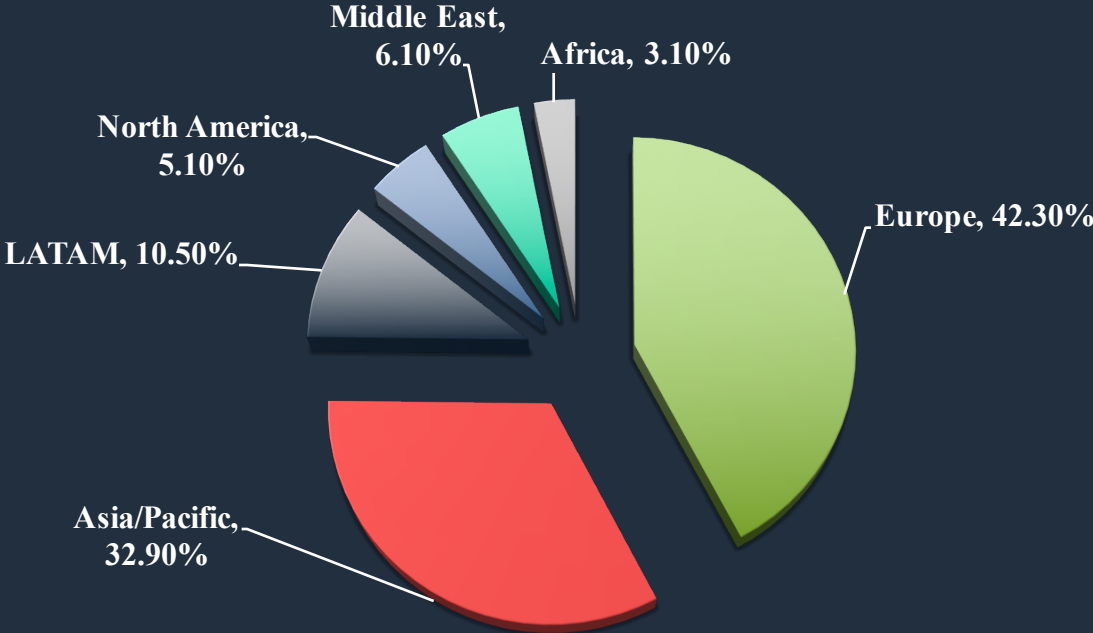


Worldwide Cargo Results 2014



Worldwide Cargo Premium 2014

By Region



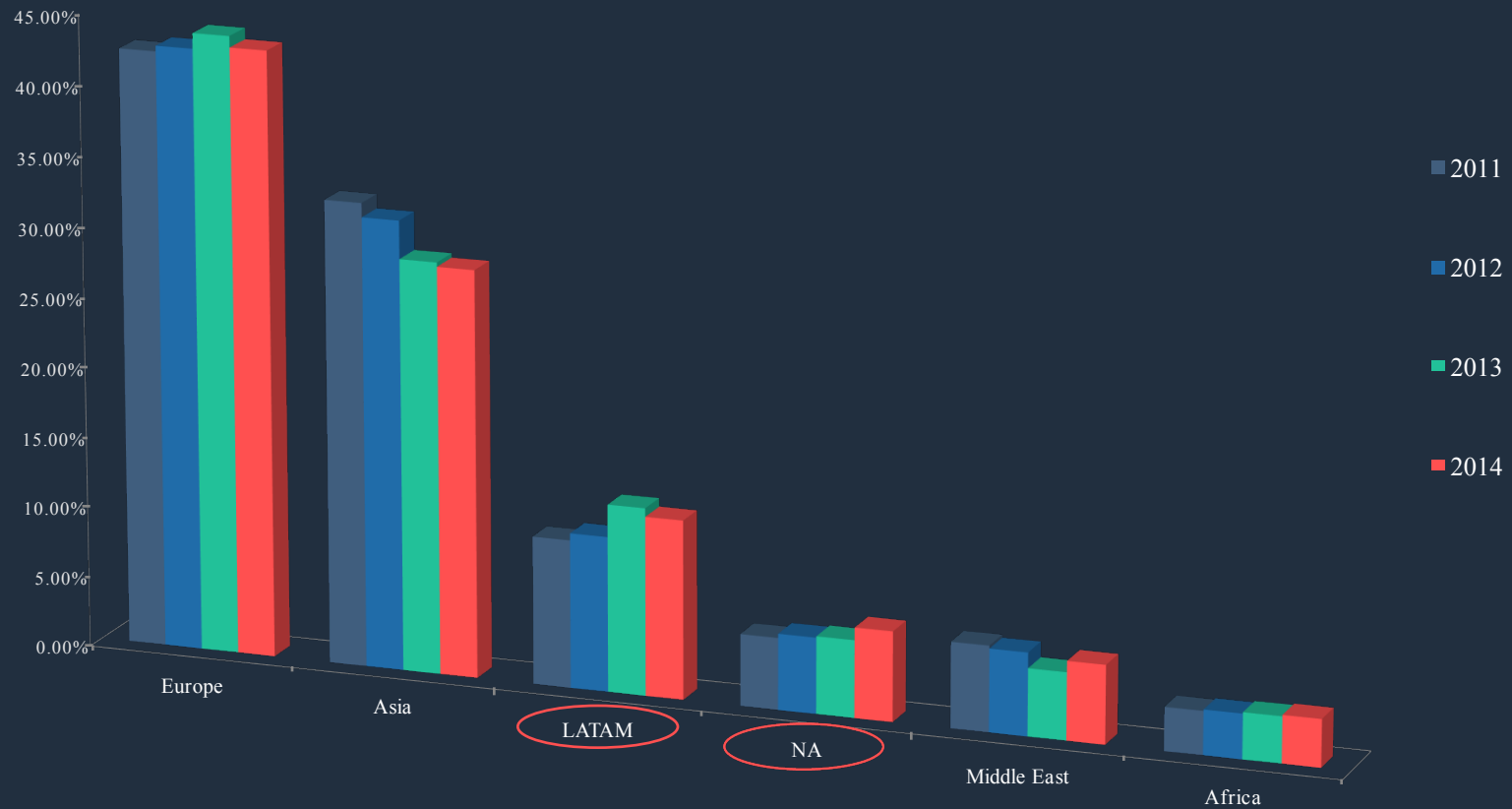
Total \$16.95 USD Billion

Change 2013 to 2014: **-7.1%**

↓ due to strong USD

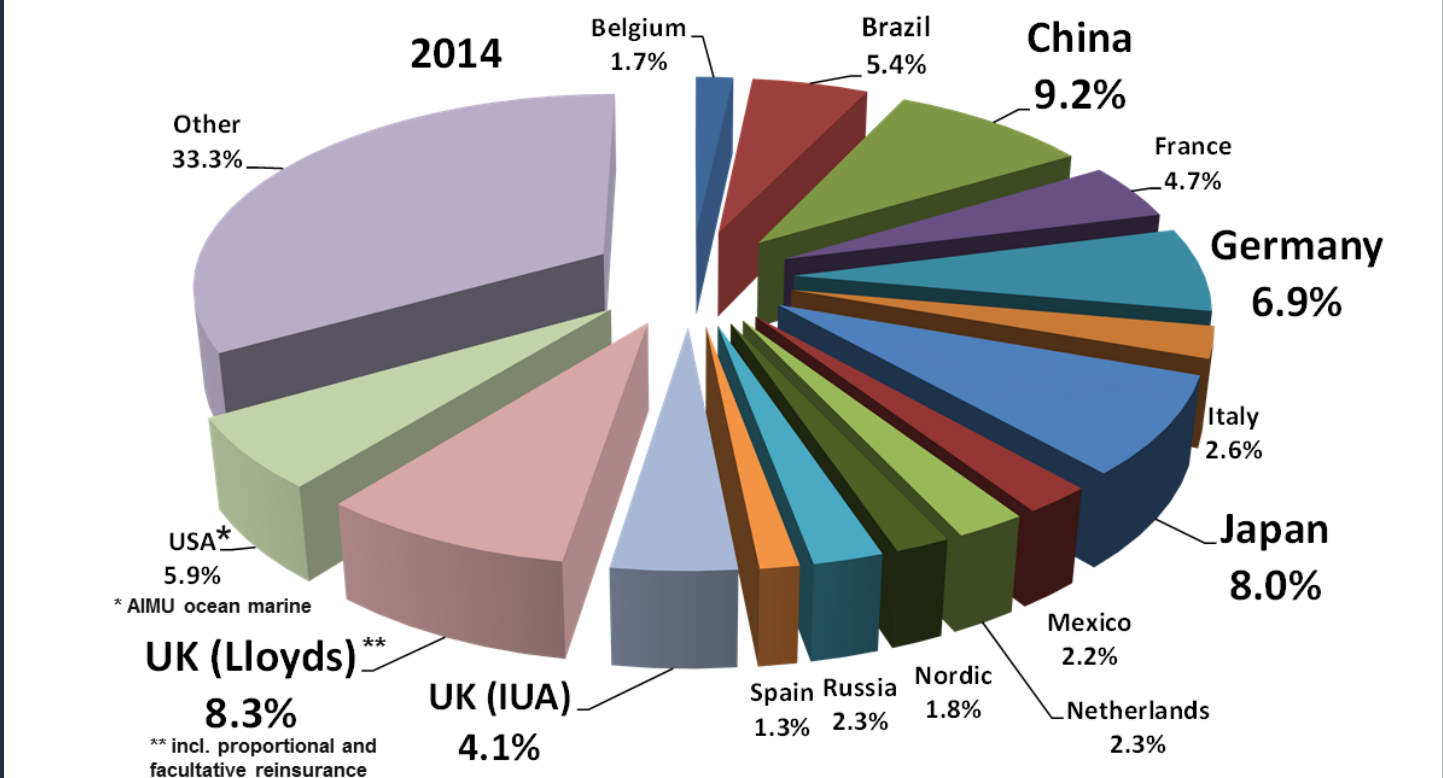
YOY Distribution of Cargo premium

2011 to 2014



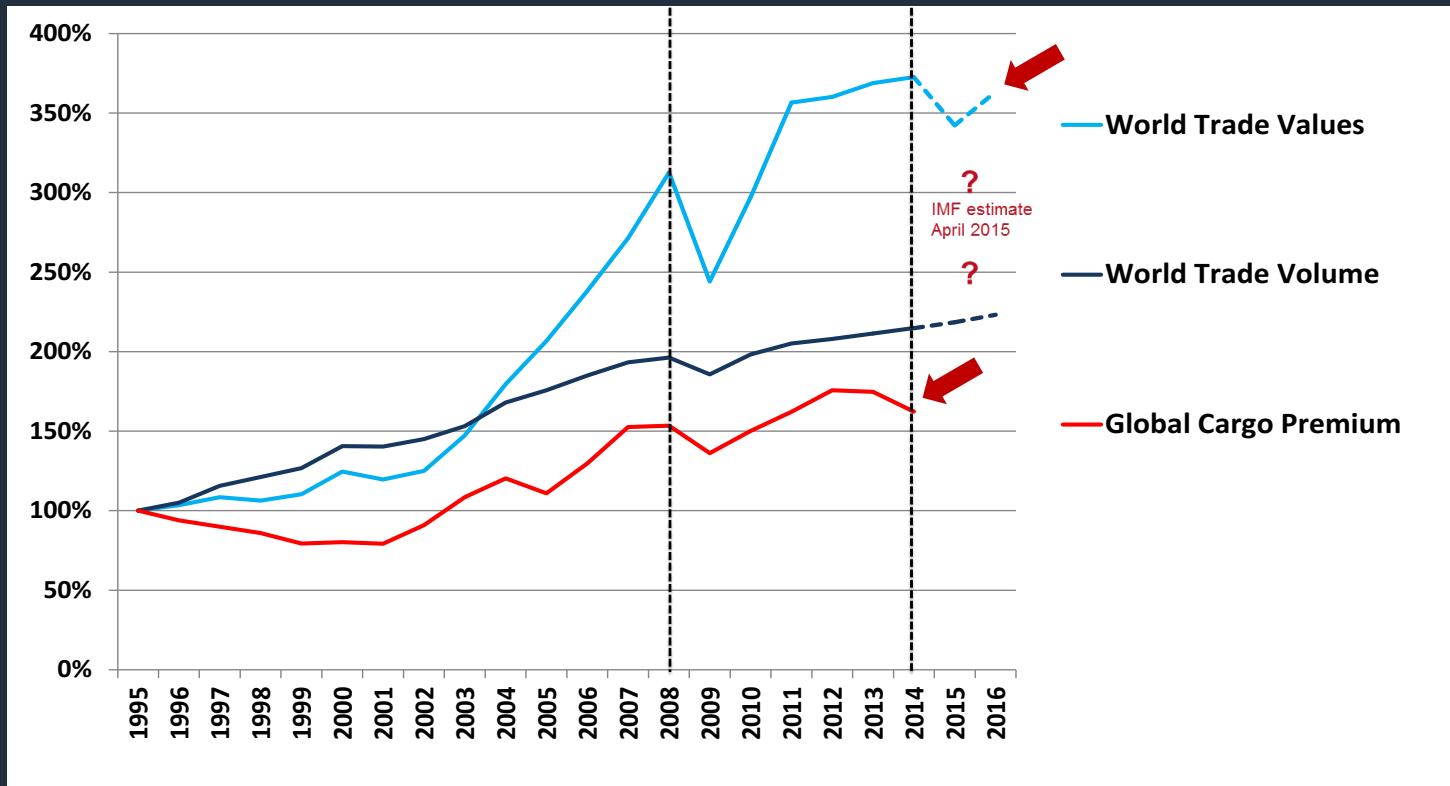
Worldwide Cargo Premium 2014

By Markets



World Trade values and Exports

Compared to Cargo Premium



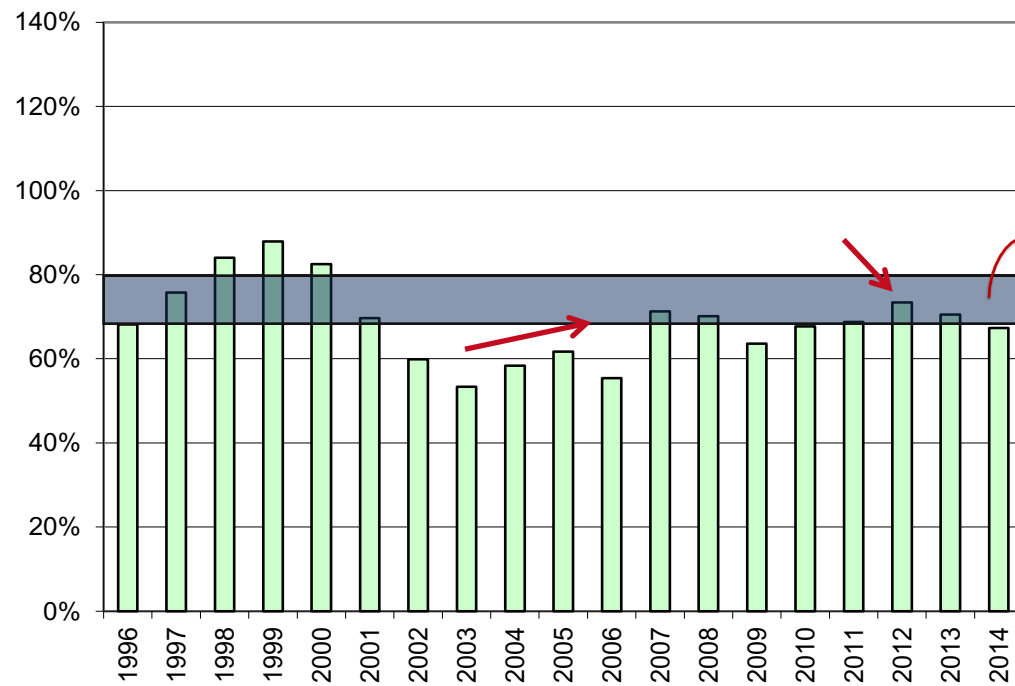
Impact of USD rate exchange on Cargo premium

And then there is the Cargo loss ratio...



Cargo Ultimate* Loss Ratios

Europe/USA** - Underwriting Years 1996-2014



**August 2015
Tianjin port
explosion:
Which
impact on
2014
uw year
result?**

Since 2007 most years expected to end >70% L/R

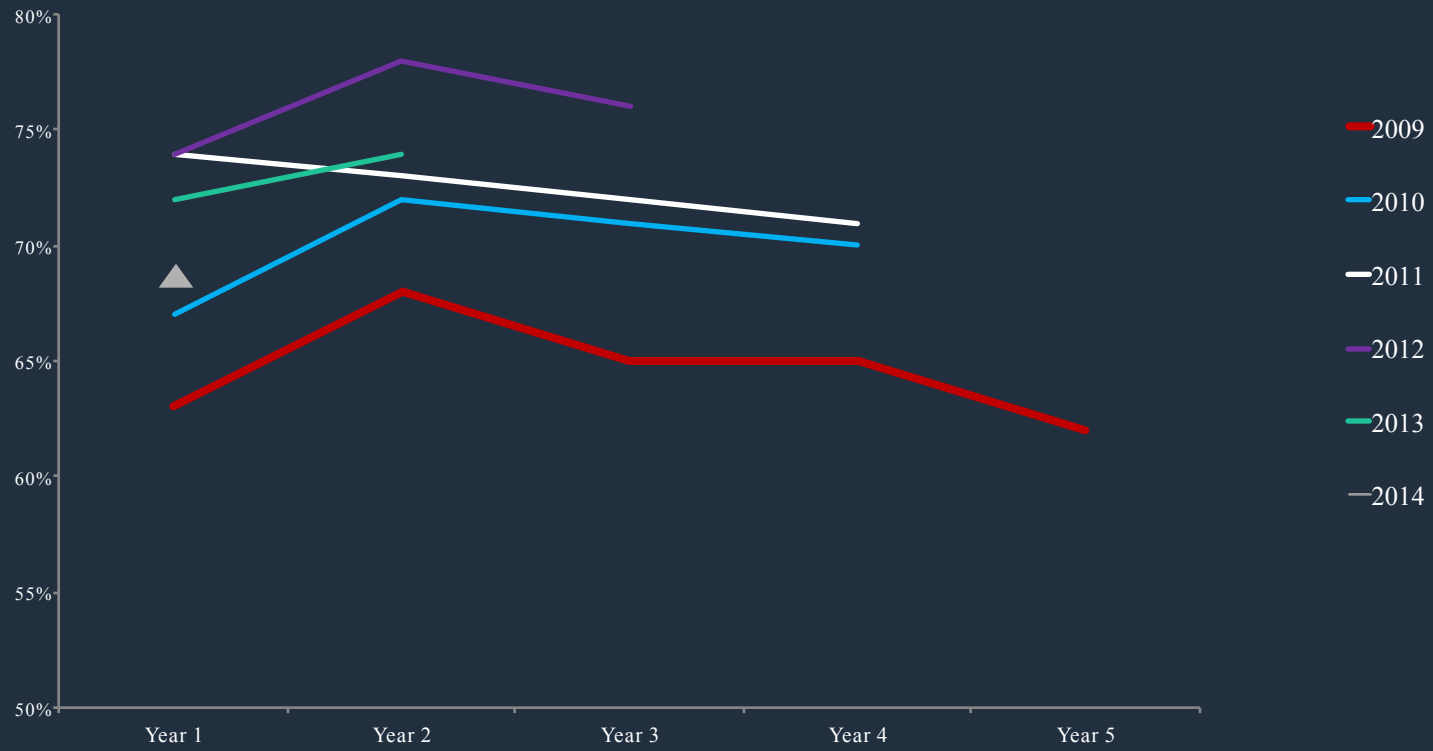
2014 seems to be improving but may deteriorate due to the Tianjin explosion

* 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, Netherlands, Italy, Spain (until 2007), UK, USA

Cargo Loss Ratio Triangulations

Europe & USA, UW Years 2009-2014



Cargo Conclusions



1 Growth

Masked by the effect of currency fluctuation in environment where USD is strong

2 Results

Might produce improved results however will most likely be outweighed by Tianjin loss affecting 2014 and 2015 UW years

4 Outlook

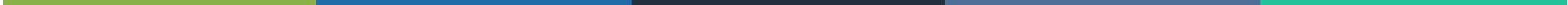
Impact of China/ World Economy and commodity/oil prices
Further strengthening of USD?

3 Claims

- Tianjin port explosion potentially the largest single cargo loss in history
- Auto industry major contributor to Cargo/stock losses
- Risk of costly Cargo claims expected to increase (Nat Cat – SANDY and Risk Accumulation – TIANJIN)

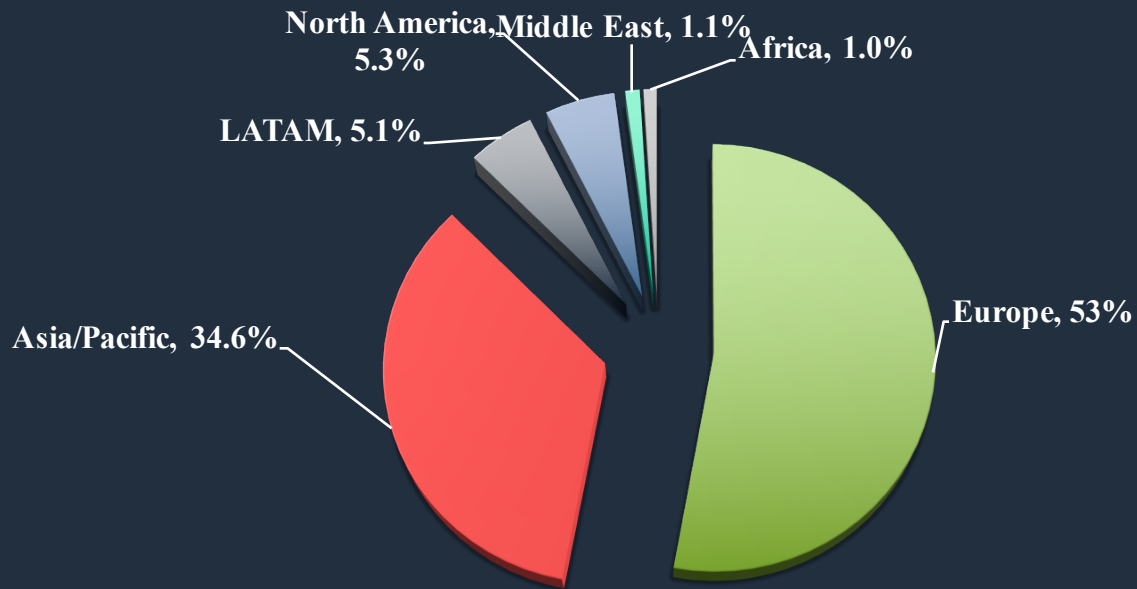


Worldwide Hull Results 2014



Worldwide Hull Premium 2014

By Region



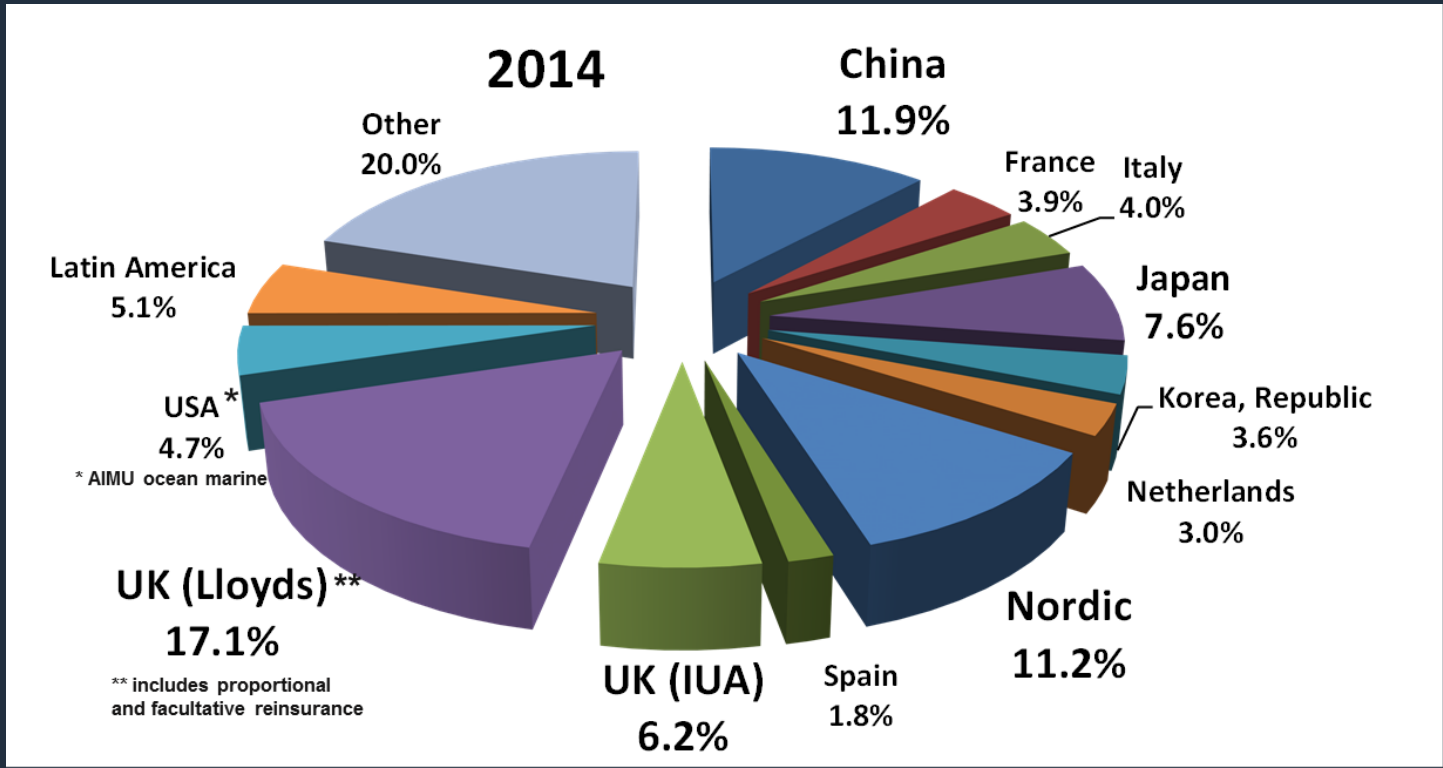
Total \$7.6 USD Billion

Change 2013 to 2014: **-5.8%**

↓ due to strong USD

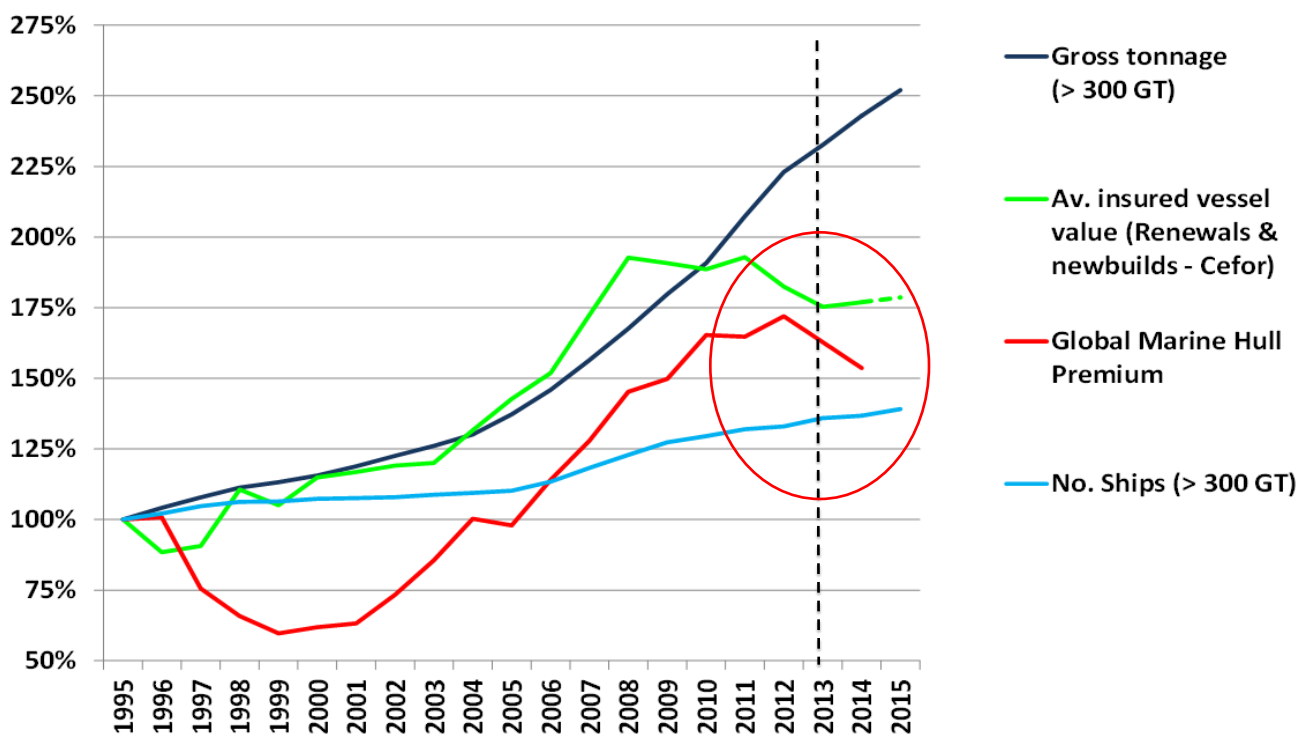
Worldwide Hull Premium 2014

By Markets



Hull Premium vs. World fleet

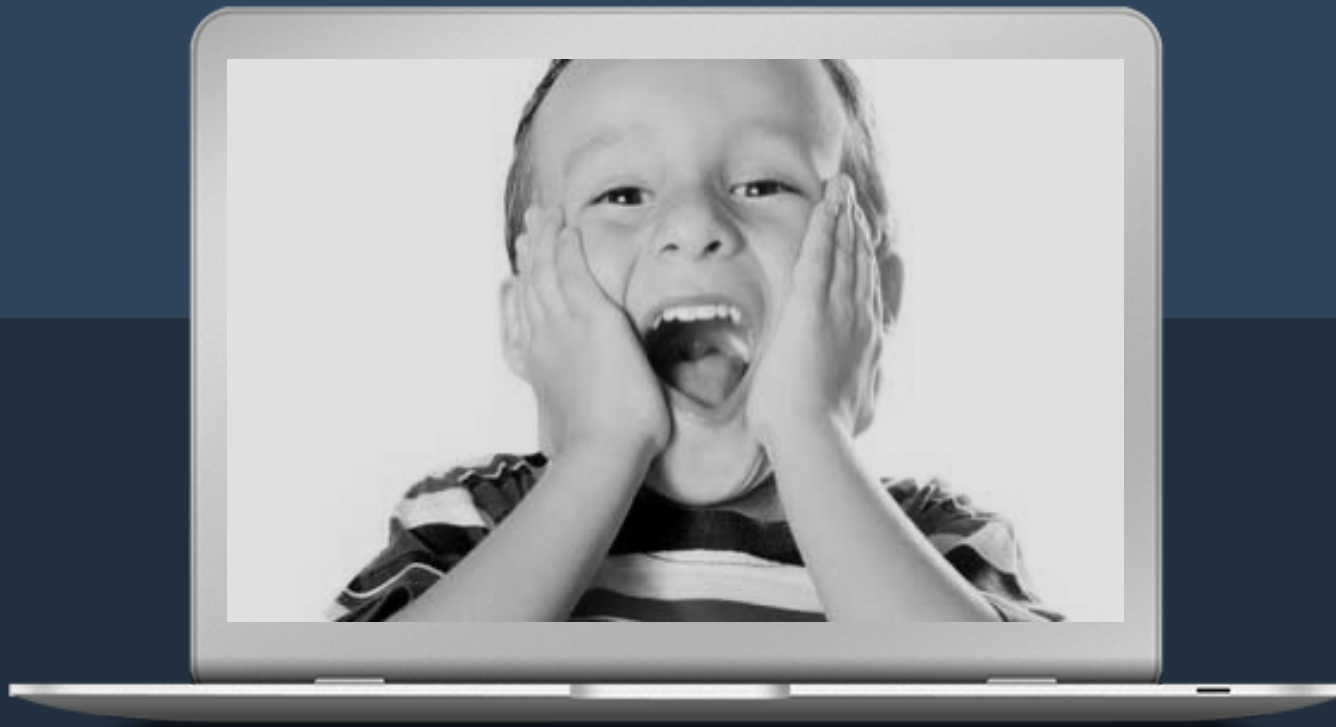
Index of Evolution 1995 = 100%



Drop in 2014 Hull premium cannot only be explained by strong USD as global Hull is often written in USD. Currency fluctuation has less of an impact.

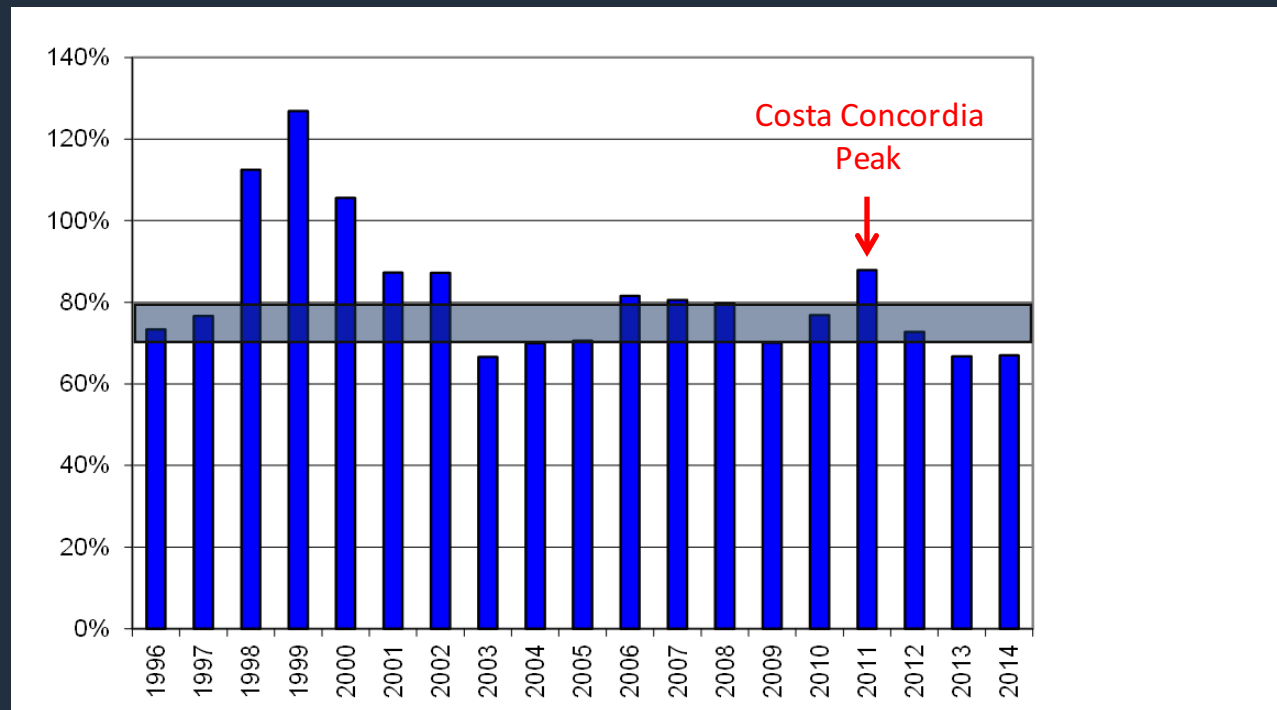
Data source: Insured vessel values: Cefor NoMS statistics as of June 2015; No. Ships & tonnage: ISL Bremen, as at January 2015.

And then there is the Hull loss ratio...



Hull Ultimate* Loss Ratios

Europe/USA** - Underwriting Years 1996-2014



Since 2009 repair costs relatively stable. Volatility due to impact of major losses

2014 Record-low. No major loss impact (before El Faro)

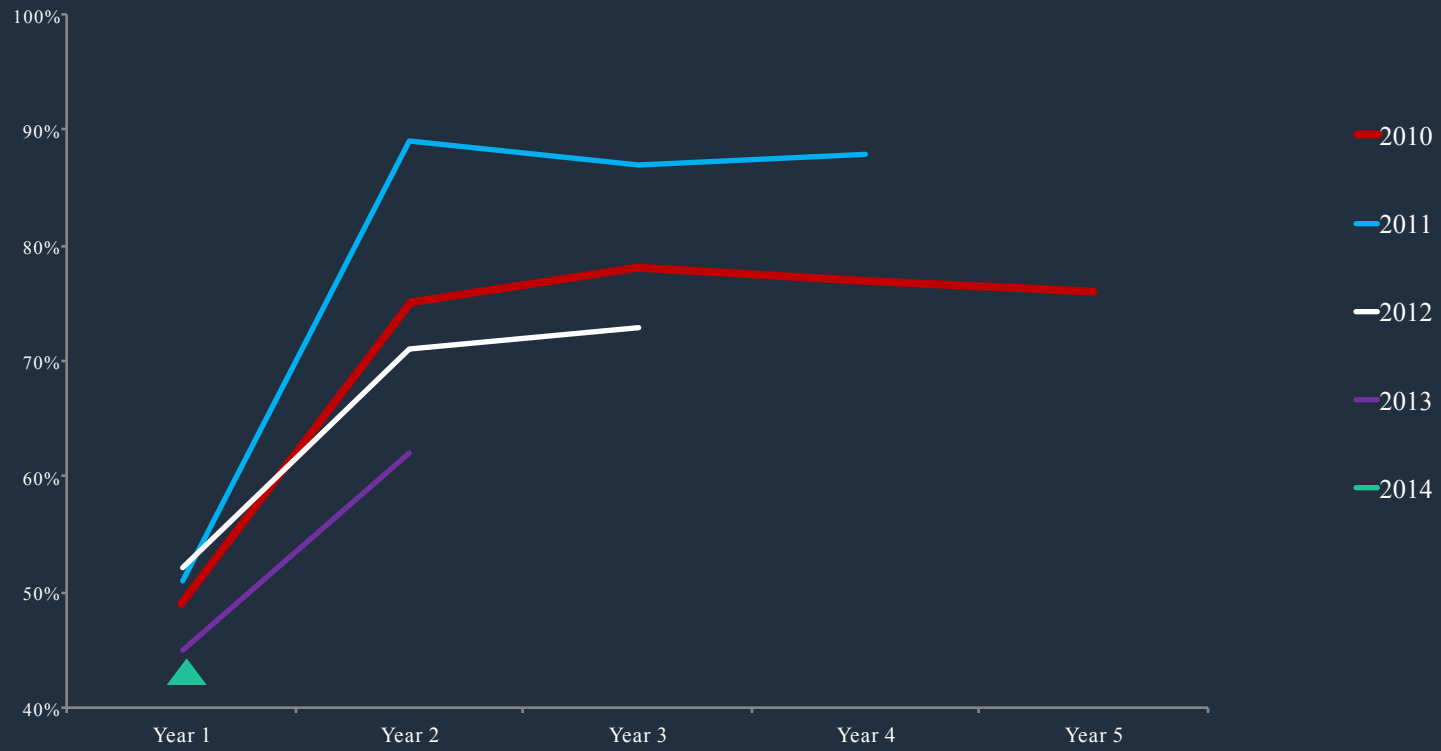
2013 – Improvement
Impact of strong USD when repair are not in USD?

* 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, Netherlands, Italy, Spain (until 2007), UK, USA

Hull Loss Ratio Triangulations

Europe & USA, UW Years 2009-2014



Hull Market

Trends and Conclusions

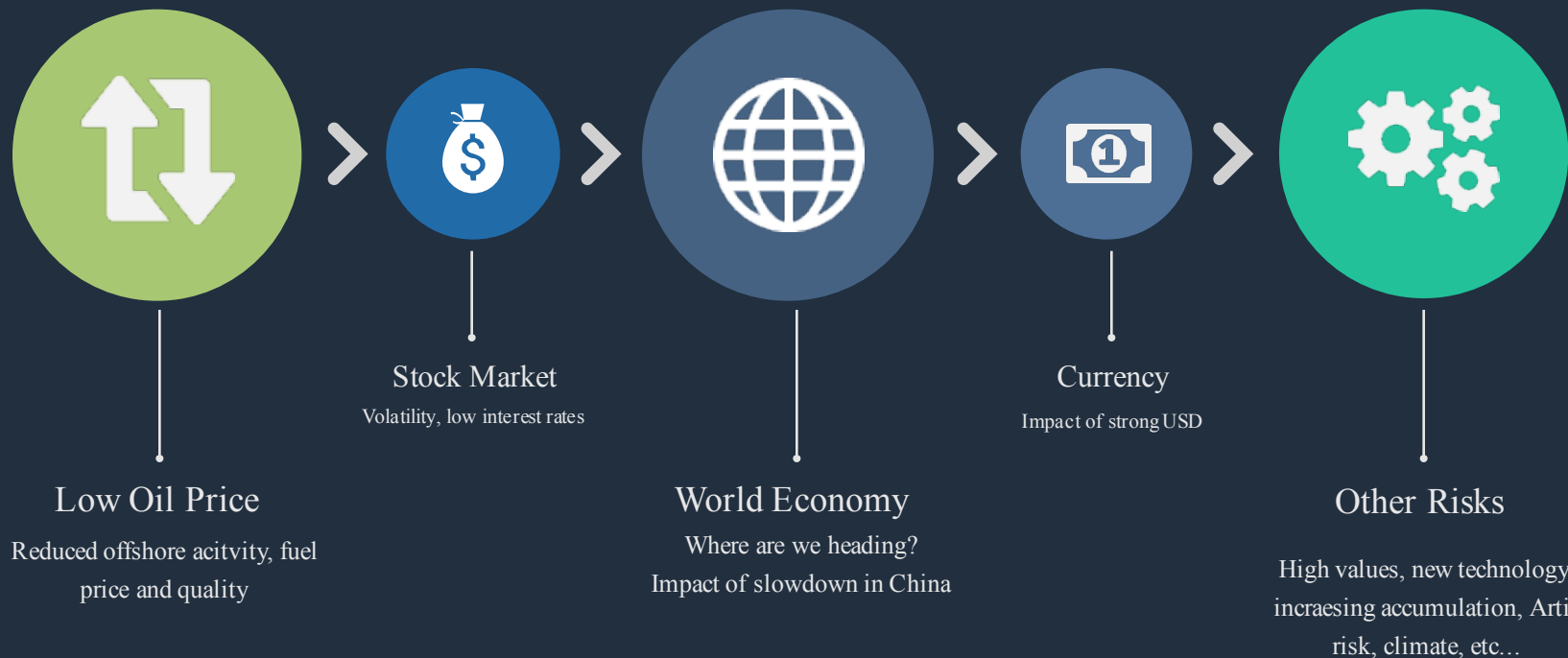


Improvement a trend?

- World fleet continues to grow, especially tonnage
- Claim frequency showing a positive long term trend
- Total loss frequency showing a positive long term trend with some increase projected for 2015 (this was pre El Faro)
- Claim cost stable since 2009 however strong USD might impact this statement as premium is written in USD and repairs are done outside the US in different currency
- Major Losses: Stays volatile. 2014 surprisingly very few major claims with 2015 expected to be back at historical levels
- Overall fleet: Inflow of high-value vessels outweighs value reduction on aging vessels

Marine Insurance market in challenging environment!

Volatility in global markets impacts outlook for 2015 results





IUMI Presentations

www.iumi.com



Cargo Committee

- Super Yachts – Loading and discharge
- Storage Risk Exposure
- Cargo Semantics – Terrorism versus War Definition



Ocean Hull

- Seizure of vessels by Authorities
- Challenges with the Salvage industry
- Recent developments in the classification of container ships



Legal and Liability

- UK Insurance Act 2015
- Classification – Current issues and challenges
- Summary of case law regarding Classification societies



Loss Prevention

- Navigational claim trends and causes
- Climate change
- Transport and storage of temp. sensitive product



Inland Hull, Fishing vessels and Yachts

- Fire Hazards in Yachts and fiberglass composite vessels
- Loss prevention for fishing vessels
- Specialized crew training

Due to rapid advancements in technology the market is facing unprecedented unpredictability. Vessel sizes are increasing, drilling activities have become far more complex and salvage work, though less frequent, is on a much larger scale than ever before. This is exposing the marine insurance sector to greater risk.

An uncertain world economy has put added pressure on the marine insurance industry. In a changing macro-economic environment, margins are under pressure and there are clear signs that the current soft market cycle is set to continue.

Turning to marine safety, 2015 began badly and looks like it will finish on the same note. Loss of life and loss of vessels resulted in large claims. With human factors playing a significant part in marine casualties it makes risk difficult to assess. Vessels are becoming larger and more complicated which has opened a distinct capability gap between salvage and risk. According to IUMI, these factors are combining to create a “new normal” in the marine insurance market.

"Technical, Financial and Human Factors - Is there a new normal?"



Canadian Marine Insurance Market

2014 Results

Canadian Insurance Premium 2014 (ex-Life)

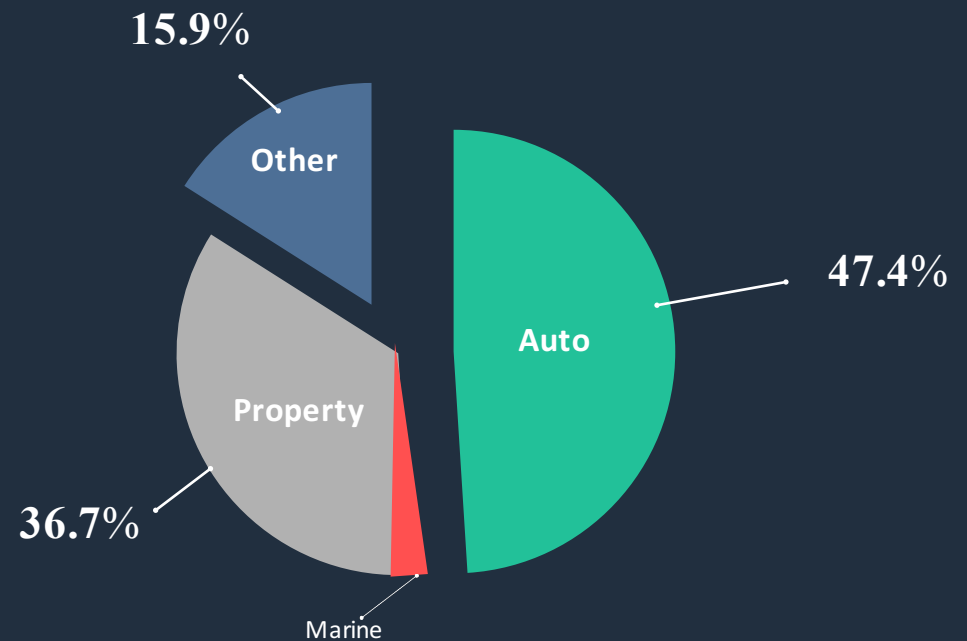
Source Canadian Underwriter Statistical Issue 2015

\$44.77B (Net Written Premium)



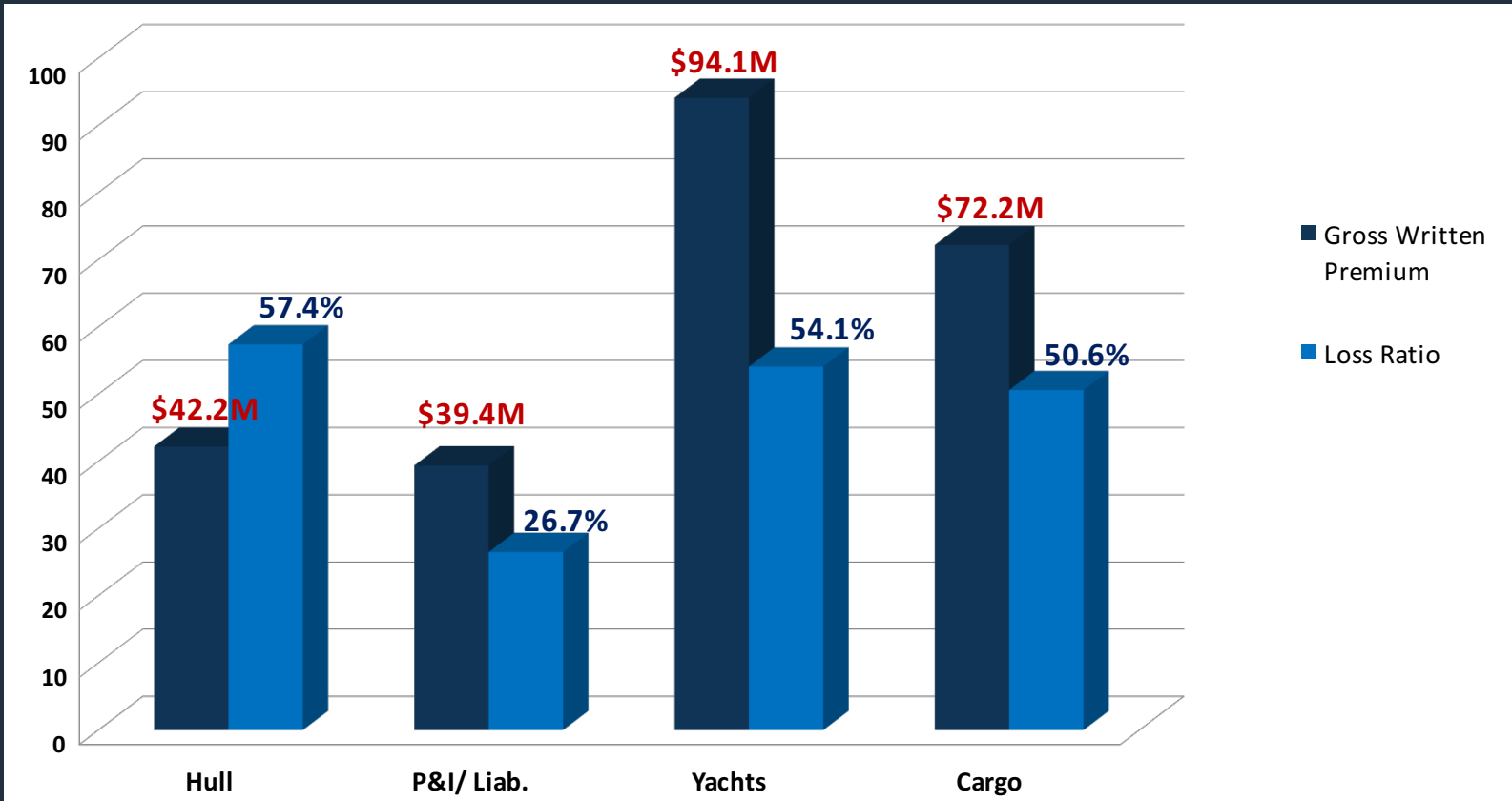
THE MARINE PREMIUM IS
CLASSIFIED UNDER PROPERTY

Marine Insurance Premium (NWP)
CAD \$329,751,000
(2% of Property premium of CAD \$16.47B)



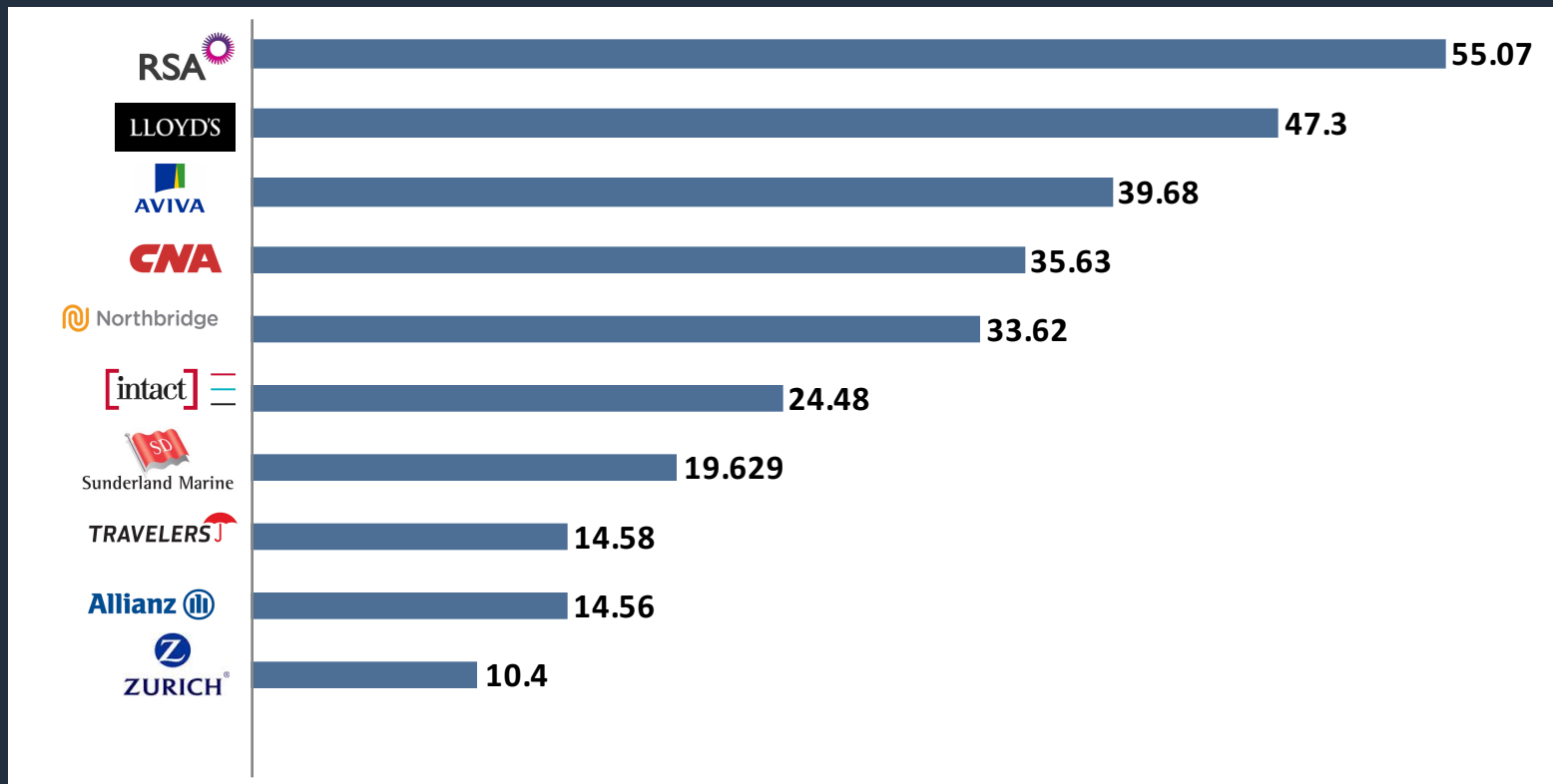
2014 Canadian Marine Results

By Line of Business - Reported by members of the CBMU (77.8% Participation rate)



2014 Canadian Marine Results

2014 Gross Marine WP > \$10M – All lines (in Millions) – CANADIAN UNDERWRITER





NEWS

We have a new website!

Updated CBMU Website

Mobile friendly, Twitter feed, LinkedIn

Why?

Because it was over 10 years old and wasn't compatible with mobile friendly devices

Who?

Communications Committee of CBMU, BB&C and BOD worked on the project



What?

New design and content
More information
Current events

Where?

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Questions?