

# **INCREASED UNDERWRITING EXPOSURE**

## **An Underwriters Prospective**

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**Will Loss Cost (Severity & Frequency) increase  
in the next 5 Years?**

**And how should underwriters respond?**

# **COST OF REPAIR**

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- **More Yards Shifting to New Construction**
- **Steel Prices continue to rise**
- **Machinery Damage**
- **Ancillary Costs**
  - **Attorneys**
  - **Surveyors**
  - **Salvors**

# CREWING ISSUES

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- **Factors affecting the supply of properly trained crewmen:**
  - **Economic factors in the country of origin**
  - **Crew Safety – Piracy**
  - **Attitude of Port States**
  - **Exposure to Criminal Prosecution**
  - **Who is doing the training?**

# CHANGING TRADING PATTERNS

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- **Heavily Travelled “Bottlenecks”**
- **Increased trade to extreme weather ports**
- **Qualified Pilots**

# COOLING FREIGHT MARKET

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- **Deferred Repairs**
- **Lower charter Rates = pressure on maintenance budgets?**

# WILL LOSS COSTS INCREASE?

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## YES!!

### HOW MUCH?

**Its very difficult to Predict.**

- Short term and probably long term**
- Frequency and Severity**

# WHAT CAN WE DO?

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- **Know our Assureds**
- **Understand their trades**
- **Vet crewing practices**
- **Maintain adequate deductibles**



# IT'S THE PRICE!

- Can we absorb increased Loss Costs?

# WHERE IS THE HULL MARKET TODAY?

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- **Rate levels 20%-25% below 1996**
- **Persistantly unprofitable since 1997**
- **Most Underwriters not covering loss Costs**
  - **Expenses?**
  - **PROFIT???**

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**2010 L/R = 128%**

# GOOD NEWS

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## Good News

- **There should be a significant contraction in capacity**
- **Supply and Demand will be more in balance**
- **This meeting in 2010 could be held in a more intimate & cozy setting**



# BAD NEWS

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## Bad News

- **Our customers will have fewer options to service their needs**
- **Most of us will not be here to see it**