

## Facts & Figures Committee



# Impact of the worldwide Recession on Marine Insurance

Dieter Berg, Munich Re

14 September 2009

# Economic Situation and uncertain Outlook



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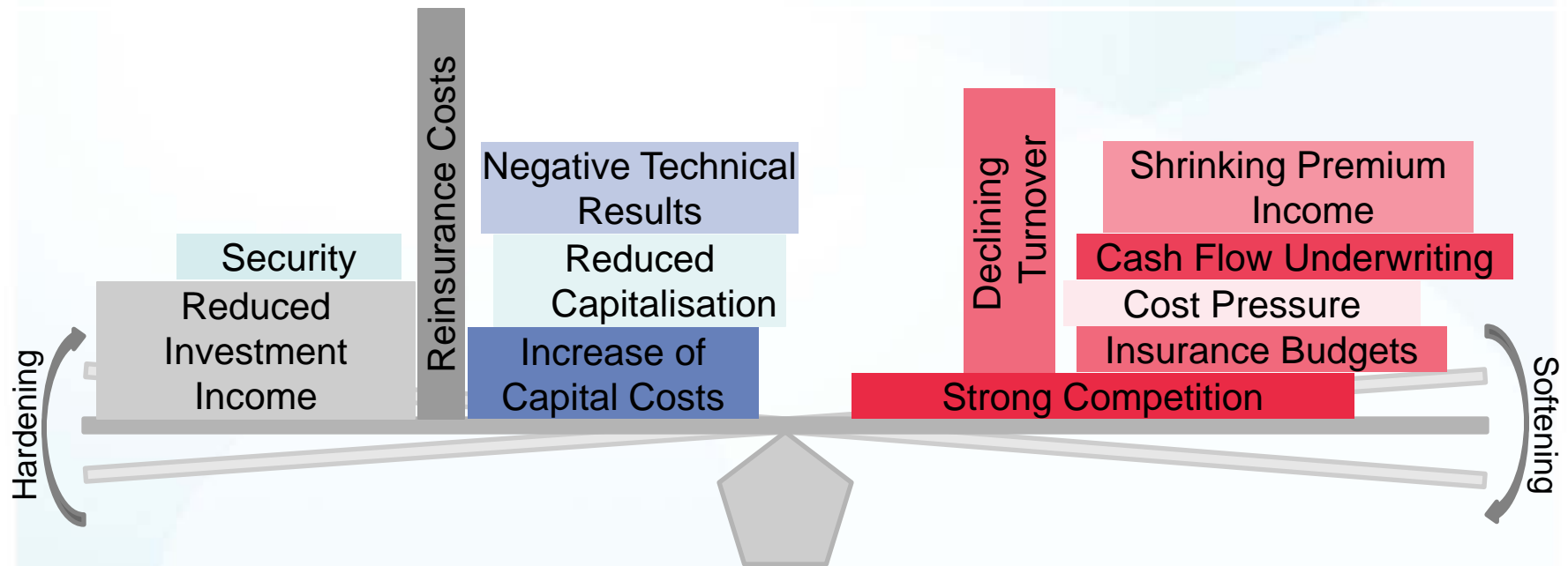
- Worst financial crisis since Great Depression
- Credit crisis still not overcome
- Possible recovery in 2010
- Still high uncertainty of forecasts: Historically recessions following a financial crisis have been long and deep
- Different economic dynamics in the USA, Europe and Asia
- Logistics heavily affected: Rebound of trade volume will take time to reach level of 2007/08
- Insurance sector will feel the (possible) recovery with a time lag



# Consequences of the Recession on the Insurance Cycle



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Trend still unclear and fluctuating

# Analysis of the Financial Crisis on Marine Insurance



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- Hull / Yacht
- Cargo
- Liabilities / P&I
- Energy Offshore

# Munich Re Recession Analysis

## General Concept



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### Observed Risk Factors in Marine LoBs

*Risk Factors with negative impacts ...*

*... with neutral impacts*

*... with positive impacts on the marine risk.*

# Observed Risk Factors in Hull / Yacht



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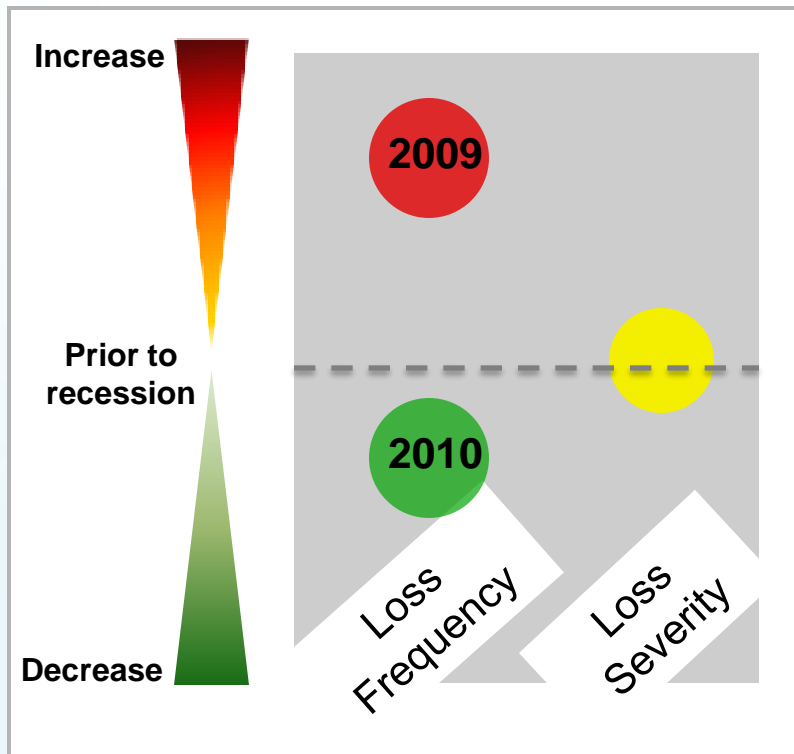
- Claims ex post Lay-up
- Use of Vessels as Storage facilities
- Shipowner's Financial Situation
- Moral Hazard (Yacht / Hull - Loss of Hire)

- Valuation of Ships
- Crew





- Repair Cost: Steel, Labour & Energy
- Slow Steaming, less Traffic due to Overcapacity & Lay-Up's
- Average Age of World Fleet

# ...and observed Trend Factors for the (difficult) Hull Market

## Loss Expectation



## Terms & Conditions

Rates	
Premium Volume	
Deductibles	
Conditions	



Loss Ratio

  
2009

  
2010

# Observed Risk Factors in Cargo



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- Thefts, Fraud + mysterious Disappearance
- Maintenance of Basic Infrastructure
- Accumulation of Values, Exposure + Storage
- Moral Hazard (Economic Total Losses)
- General Average Contribution

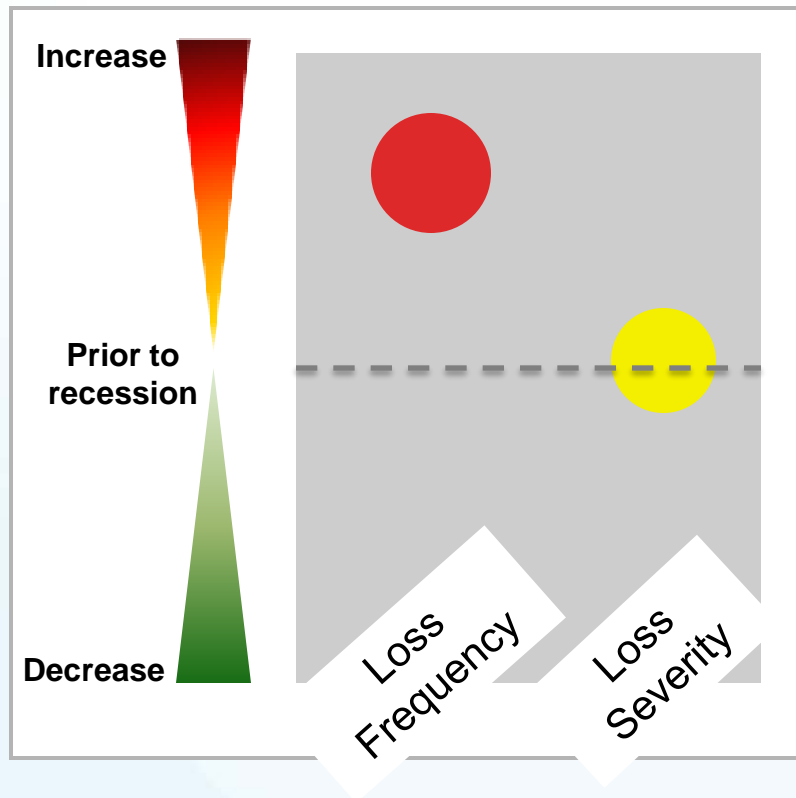
- Protectionism

- Claims Awareness
- Cargo Handling & Loss Prevention
- Turnover (-20% to -30%)
- No of Containers shipped (-12%)



# ...and observed Trend Factors for the Cargo Market

## Loss Expectation



## Terms & Conditions

Rates



Premium  
Volume



Deductibles



Conditions



Loss Ratio



# Observed Risk Factors in Marine Liabilities / P&I



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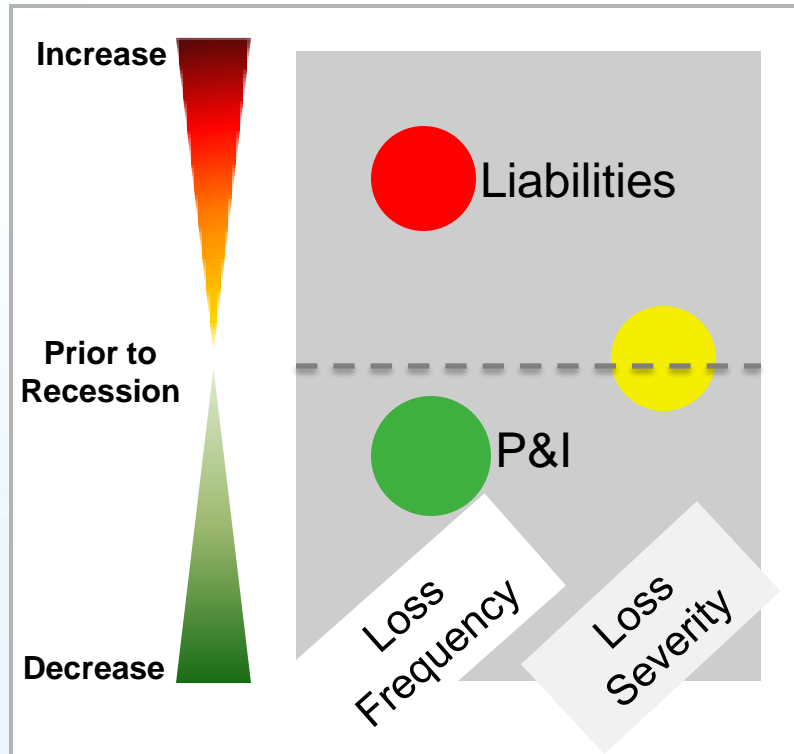
- Technical Aspects / Loss Prevention
- Legal Environment

- Shore based Staff / Crew

- Turnover / Volume
- Repair Cost
- Quality of the World Fleet
- Vessel Value

# ...and observed Trend Factors for the Liability Market / P&I

## Loss Expectation



## Terms & Conditions

Rates



Premium  
Volume



Deductibles



Conditions



Loss Ratio



Liab.



P&I

# Observed Risk Factors in Offshore Energy



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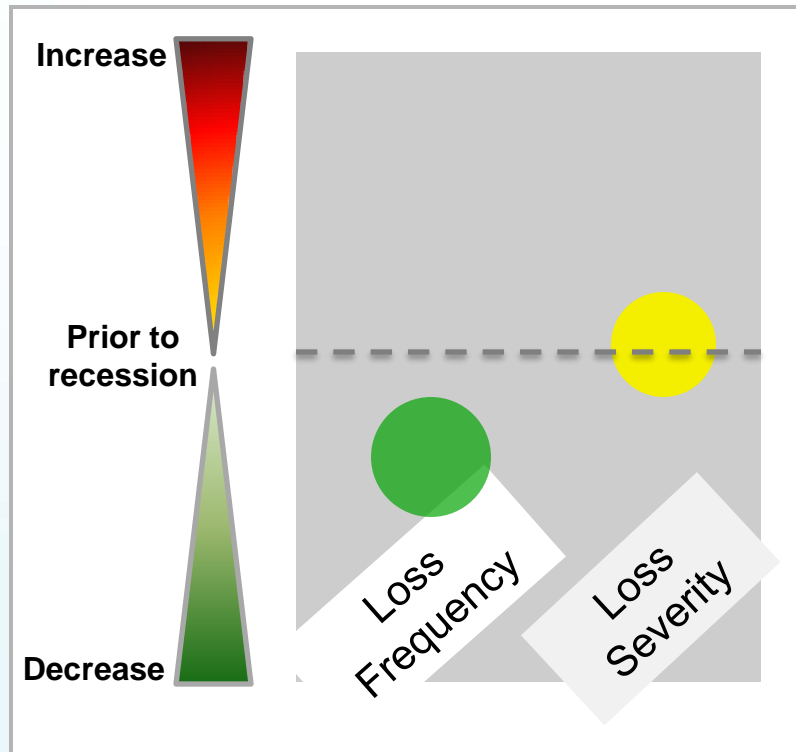
- Maintenance
- Nationalization and Confiscation of Assets

- Regulatory Standards
- Cat Exposure
- Claims Settlements
- Moral Hazard

- Crew
- Repair Cost
- Drilling and Exploration Activity
- Lay-Up's
- Construction / New Buildings

# ...and observed Trend Factors for the Offshore Energy Market

## Loss Expectation



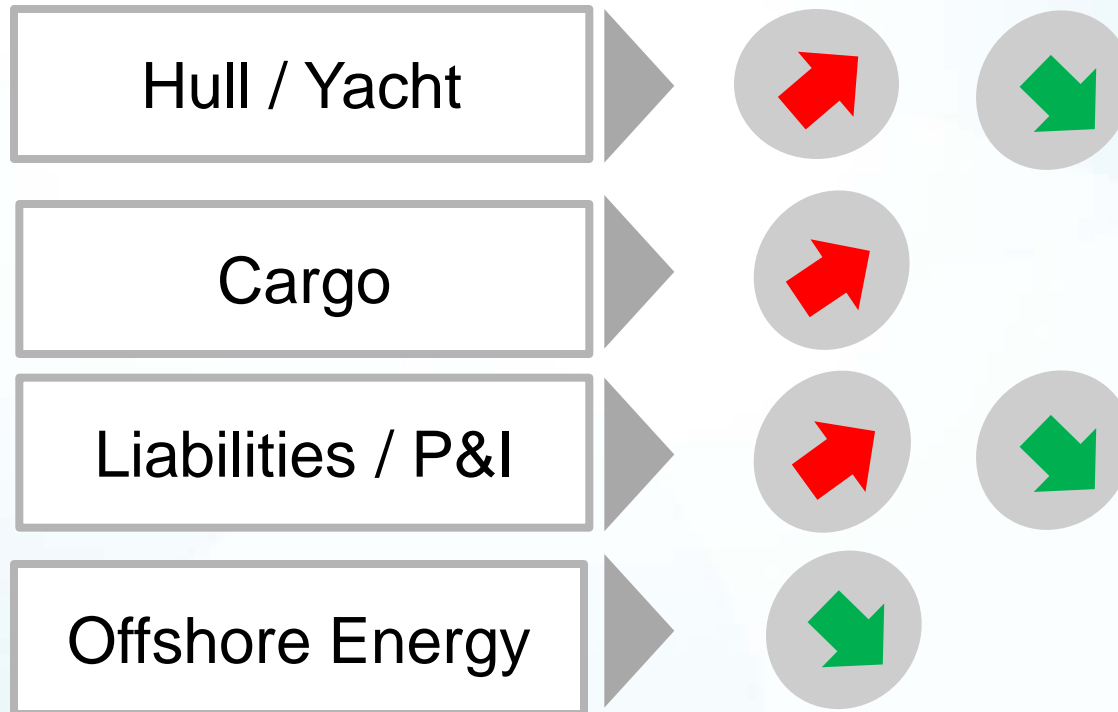
## Terms & Conditions

Rates	↗
Premium Volume	↘
Deductibles	↗
Conditions	↗

Loss Ratio



# Expected Impact of Recession on Marine Loss Ratios



Keep in mind:

- These are general trends only as a conclusion of individual assumptions !
- Trends may vary in different markets !
- Ratio trends do not give evidence about the profitability of any LoB !

... and other Factors influencing the Loss Ratio?

# Additional Factors influencing the Combined Ratio

## Capital Factors

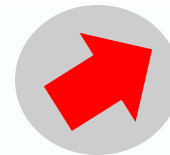
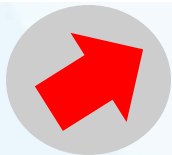
- Cost of Capital
- Risk Based Capital
- Rating/Security
- Regulation

## Economical Factors

- Competition
- Capacity
- Investment Returns
- Exchange Rates
- Political Impacts/  
Piracy

## Environmental Factors

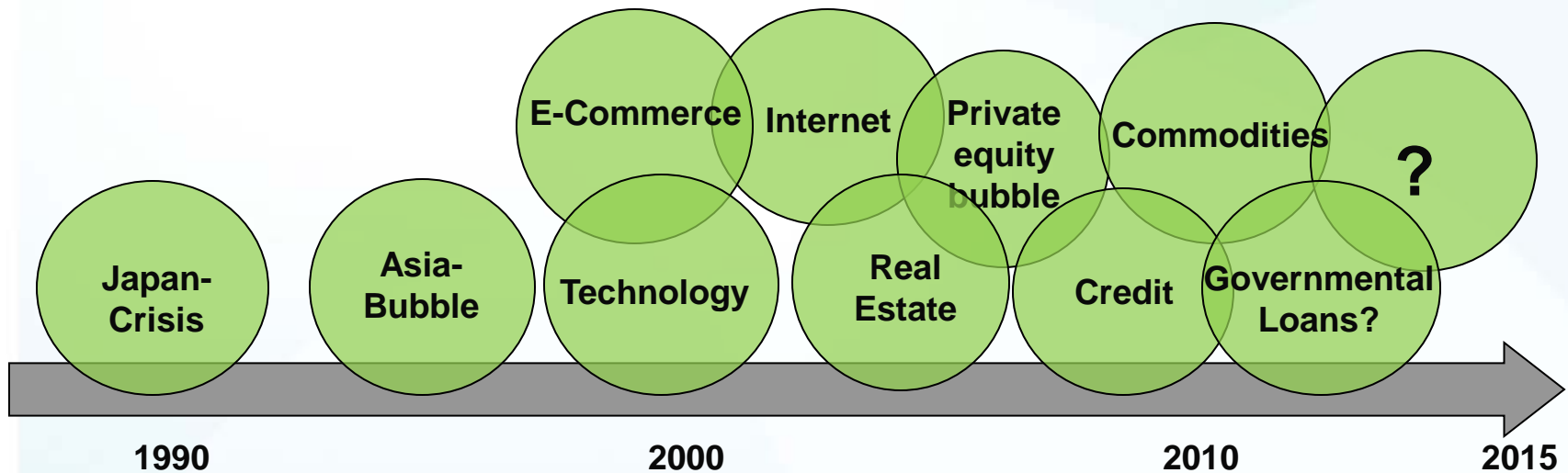
- Climate Change,  
e.g. Hail, Hurricane
- Pandemics



# ...the next Bubble will come definitely



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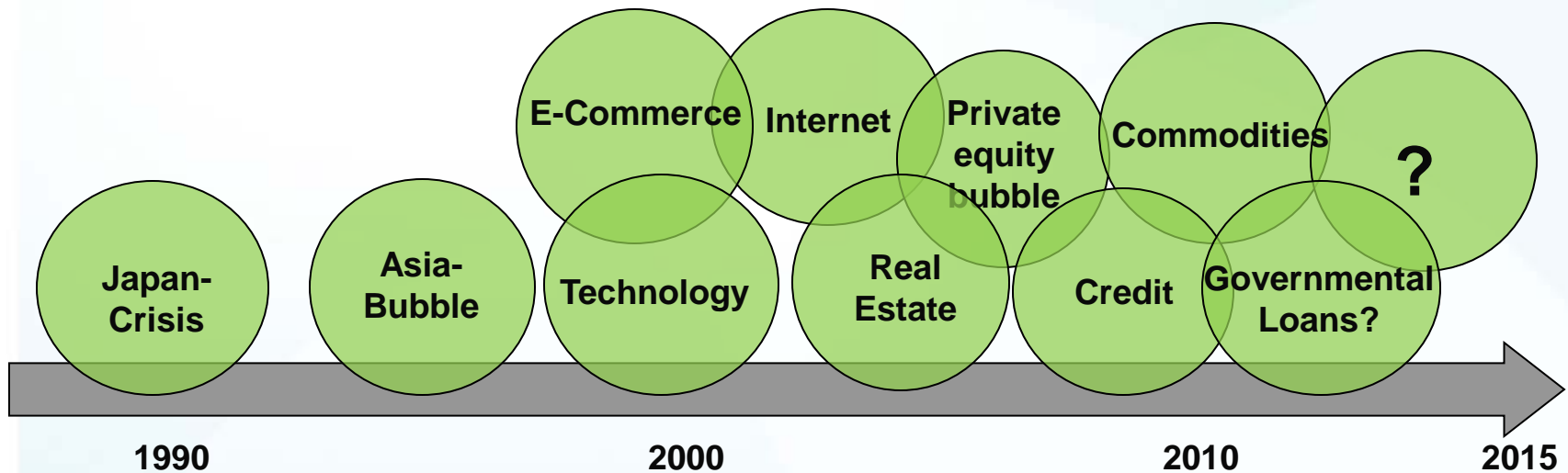
*Thank you!*



# ...the next Bubble will come definitely



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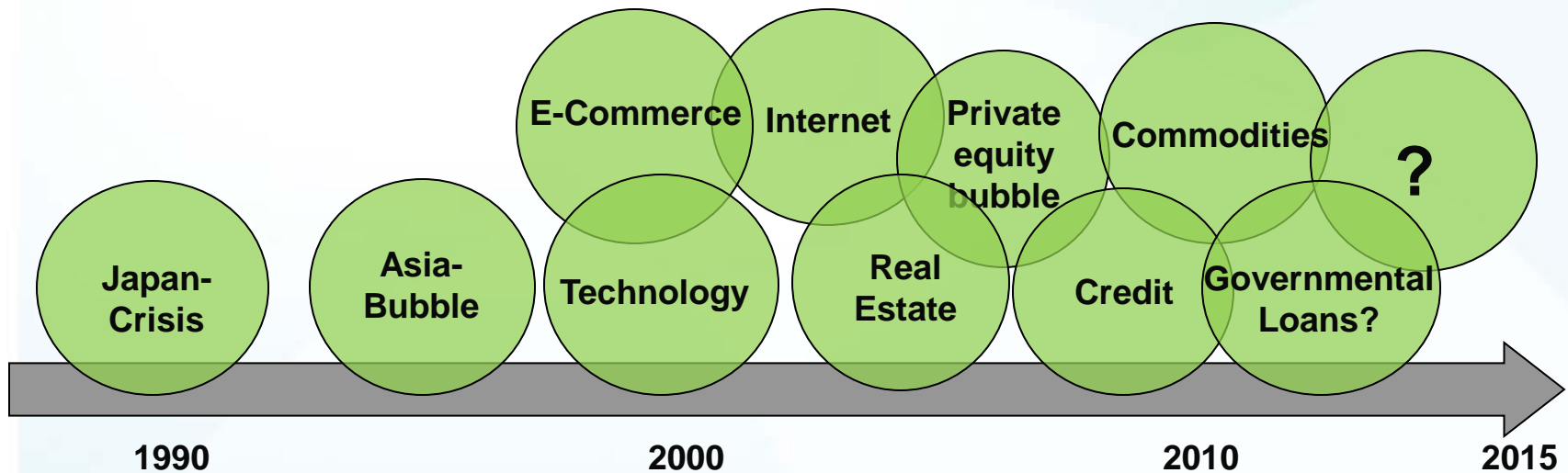


*Thank you!*

# ...the next Bubble will come definitely



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*Thank you!*