



It's been now two years since the Facts and Figures Group was promoted as a Technical Committee. Its objectives are to provide each IUMI conference with an update of the shipping industry key figures as well as an overview of trends in the Marine insurance market, improving each year the scope and accuracy of analysis.

1. Work achieved by the Facts & Figures Technical Committee

Since last conference in New York, a meeting has been held in Paris on the 17th of March in order to analyse feedback on last year's presentation, based on evaluation from participants, and discuss the general content and format of Seville conference presentation.

Last year, following a need expressed by many participants, the Committee had improved its presentation by including an analysis of claims figures, on an underwriting year basis. This information, even though considered as a step forward, was not fully satisfactory since limited to paid claims. Outstanding claims and IBNR were not available from all markets.

This year, the Committee has decided to overcome this difficulty by calculating its own IBNR factors. These calculations are based on an actuarial approach including a 7 years database, so that it can provide a reliable estimate of the ultimate loss ratios of each underwriting year. The results of this study will be presented during this year's conference.

Additionally, the Committee will present a comparison showing the respective evolution of insurable interests and premium volumes.

2. Major trends since last conference - September 2002

Last year's IUMI conference in New York took place at a moment when a stagnating economy negatively impacted all sectors of industry. Our marine insurance activity, already hit by several years of poor technical results, did not escape this general economic trend.

The fall of the financial markets which started in July 2000, following a period of double digit growth which allowed underwriters to supplement their technical losses, imposed the need to charge increased premium levels. The events of 11th September 2001, apart from its tragic human dimension, accelerated this movement.

Since then, our market has been obliged to apply a more conservative underwriting approach with main focus on the bottom line technical result. The significant rise in reinsurance costs and retention levels as well as increased pressure on business unit managers to reach underwriting profit amplifies this trend.

You will see from the Facts & Figures presentation that the global market premium increase for 2002 is 12%, of which at least half is the result of fluctuations of currencies. This clearly illustrates that overall the premium increases have been very modest compared to the unsatisfactory market results of the past. However these premium level increases as well as reinforced underwriting discipline seem to have created, for the 2002 underwriting year, a market balance for the Cargo line of business. But the Hull & Machinery market saw, in the last quarter of 2002, an unprecedented series of accidents that wiped out about 25% of the worldwide Hull & Machinery annual premium. This put a hold on the H&M market's return to profitability.

The 2003 year started in a climate of economic and political uncertainty and did not really take off until the crisis in Iraq calmed down and the international community won the battle against SARS.

Current freight rates are an indicator of a growing demand for transport services. We can expect the marine insurance market to develop in parallel with this positive evolution.

At the same time, a variety of international initiatives and measures aimed at improved security at sea will accelerate the reduction of the average age of the world fleet.

In spite of these promising outlooks, we still have to face the reality that most of our clients consider insurance as a simple commodity, price being the main – if not the only – factor of consideration rather than the quality of service and level of financial security offered. In such a market, which moreover is characterized by an inversed production cycle whereby the ultimate cost of the product is known well after the sales price has been fixed, disciplined underwriting with permanent reference to

technical pricing models based on portfolio profile and performance is an absolute requirement in order to achieve the profitability demanded by our shareholders. Under no circumstances should underwriters resign themselves to the possibility of non-profitability on their overall portfolio. It is therefore crucial to convince, first of all, ourselves that writing individual risks is not the essence of our business; it is only a means to establish a larger mutuality which is our real ultimate challenge.

3. Presentation

With the foregoing in mind, the Committee has decided to organise an open forum titled : « Our voyage to transparency » in addition to the usual presentation which will be made by T. Forsmo on Wednesday.

During this open forum, we would like to focus on cost of capital issues in marine insurance and address the various components of a targeted combined ratio complying with current ROE requirements, shedding light on current issues at stake such as claims pattern, frictional expenses, reinsurance costs,....

Representatives from the financial, underwriting and broking sides, will be invited to present their views on Tuesday 16th of September.

4. Conclusion

I wish to express my sincere thanks to all national associations for their participation in collecting and issuing data relating to their own markets. Of course, I convey my most sincere thanks also to all members of this Facts & Figures Committee for their active contribution.