

State of the Hull Market

Ole Wikborg

Chairman, Ocean Hull Committee

IUMI Ocean Hull Committee

- Ole Wikborg Norway (Chairman)
- Bartolomeo Barberis Italy
- Simon Beale UK Lloyd's
- Volker Bergeest Germany
- Denis Develey France
- Peter McIntosh UK Lloyd's
- Leif Nordlund Finland
- Sergey Tubitsyn Russia
- Fred Robertie USA
- Ryuichi Segawa Japan

Agenda

- Follow-up from IUMI in Singapore
 - Builders' Risk
 - Uncritical reinsurance support
 - OECD report

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- Major events in 2004 and 2005
 - Crew
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- Other Industry Issues
- Ocean Hull Committee Workshop

Builders' Risk

- Follow-up from IUMI in Singapore
 - Significant premium rises
 - Conditions less broad, pre-entry surveys
 - Some larger losses, but fewer and less costly
 - Loss prevention cooperation between yards

Uncritical reinsurance support

- Follow-up from IUMI in Singapore
 - New players, with limited experience, are in business thanks to support from reinsurers
 - Capital providers only, no additional service
 - Blue chip Assureds stay away due to lack of Insurers' rating
 - Limited impact on the Ocean Hull Market

The OECD Report

- Follow-up from IUMI in Singapore
 - The P&I Clubs (through the International Group) have implemented minimum survey requirements to ensure that vessels are not substandard
 - No unified effort by the more fragmented global hull market
 - National associations in some countries have requested exemptions from the competition regulations to share information on substandard vessels, - so far, without success

Some incidents

Capsizing
bulkcarrier
January 2004





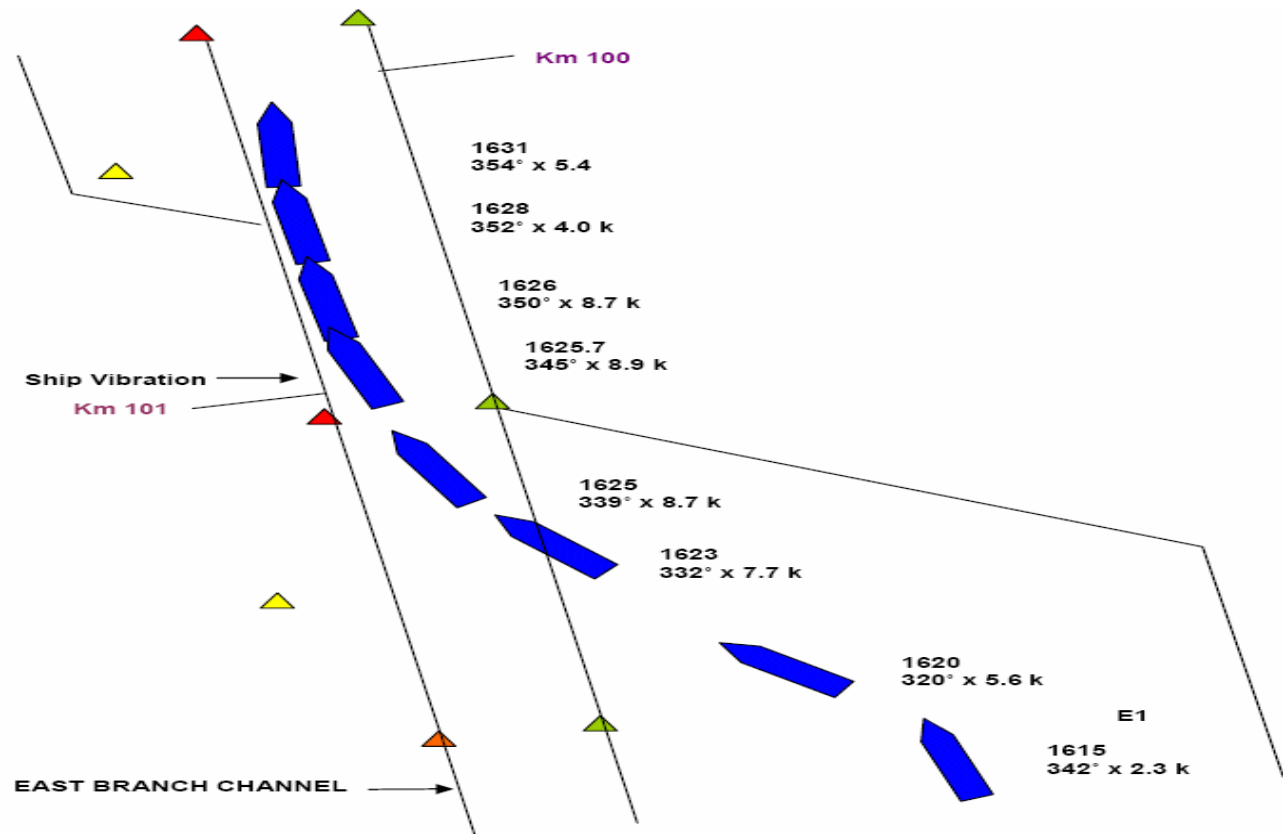


Redelivered
July 2005



Total loss
chemical carrier
February 2004

Suezmax grounding in Suez (one of many) February 2004



Suezmax grounding
in Suez
(one of many)
February 2004



Total loss
following collision
Car Carrier
May 2004



Azipod damage to
cruise vessels



LNG Carrier drifting
following main
engine breakdown
September 2004



Total loss
after stranding,
following main
engine breakdown
December 2004



Engine room fire,
fully loaded
container vessel
Substantial GA contribution
from cargo insurers
December 2004





Collision



...and two older ones
which I simply couldn't resist to show...

Grounding South Africa



Grounding Libya



Common for all cases

- Human error is the dominating factor
- Extensive costs involved, - often with a significant salvage element and general average contribution from cargo insurers
- Repair costs escalate due to present shortage of repair capacity and high steel prices

Primary concern I

The Quality of the Crew

Primary concern II

The Quality of the Claims handling,
including
Claim's Leader's ability (and willingness)
to approve claims correctly

Perceptions of the developments in the Ocean Hull Market

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- Stable

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- Contracting

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- Loss ratios
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- Deterioating and unprofitable

Perceptions of the developments in the Ocean Hull Market

- Number of active uwrs
- Capacity
- Exposure
- Claim frequency
- Overall claims cost
- Loss ratios
- 2004 renewals
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- Contracting
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- Increasing in 2004
- Significant increase
- Deterioating and unprofitable
- 2.5 – 12.5% increases

The immediate future



The immediate future

- The 2005 hurricanes will affect the reinsurance markets and consequently the cost of reinsurance capacity
- Fewer players with large(r) capacity(-ies) gives a less predictable market development
- Ultimately, luck is the determining factor for an portfolio to be profitable or not

Other industry issues

- The classification societies have agreed on revised common rules to improve new construction quality and prolong the life of vessels
- The shipping industry needs to improve its image
- Marine insurance is a part of the shipping industry and should contribute

Ocean Hull Workshop

**"Shipping at full speed ahead –
increased exposure?"**

Ocean Hull Workshop

- Tuesday 20.9. at 09:00
- Analysing the quality of new constructions (John Waite)
- Crew quality (Angus Campbell)
- Oil export from Primorsk (Markku Mylly)
- Factors influencing the claim's cost (John Lillie)
- Claim trends (Nick Wilmot)
- Is the cover too extensive? (Morten Lund-Mathiesen)
- Underwriter's point of view (Fred Robertie)

Ocean Hull Workshop

See you there...