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**IUMI CONFERENCE - TOKYO
SEPTEMBER 2006
CHAIRMAN'S REPORT**

Mr. President,
Members of the Executive Committee,
Honorary Members,
Ladies and Gentlemen

Good afternoon. I hope you all enjoyed your lunch.

We have all heard, through the many speeches today, interesting perspectives on our theme "Risk Assessment and Loss Prevention – A Common Goal". In the coming days, each committee will present workshops reinforcing this theme.

At the Spring meeting in Berlin, the IFY Committee discussed the common theme, and it's meaning. I would like to share with you our interpretation. Risk assessment and loss prevention are an increasing priority in our business. They are an important part of how we operate. Risk assessment must be made on a continuing basis. If the risk is changing, we must align our risk assessment. Information, knowledge, and data are all helpful in loss prevention and risk assessment. They are powerful, competitive tools which create value for the company stakeholders.

As I've stated in the past, education is vitally important to both the insurance industry and to those we insure. Underwriters must be educated on policy coverage, risk assessment, and market conditions in order to make proper decisions that will bring value to their corporation and sustain marine underwriting. Insureds must do their part to educate their employees with respect to vessel operations and common hazards of the trade. A well educated insured is better equipped to prevent loss which keeps premium at acceptable levels and thus brings value to their owners.

The IFY Committee sent out a questionnaire and received responses from 22 member countries. This is down from last year's total of 27 and the lowest response total since I have been Chairman. If what we hear is true, that you want us to continue with the questionnaire, then we ask that each country take the time to respond to those sections that apply. Detailed information on responses to this year's questionnaire can be found on the IUMI website.

Composition of Committee

It has been a busy year with respect to changes on the IFY Committee.

As a result of changes in his job responsibilities, Mr. Paolo Cerni of Italy had to step down. He is replaced by Mr. Nazareno Cerni (while a coincidence in last name, they are not related).

Mr. Vianney de Chalus of France will step down after this conference and be replaced by Mr. Jean Claude Mameaux.

Mr. Paul Miller, Lloyds market, will join the Committee after the Tokyo conference.

I want to thank Mr. Cerni and Mr. Du Chalus for their past contributions to this Committee. Both gentlemen were active participants in discussions and their input will be missed.

Finally, I have decided to step down as Chairman of the Committee after this conference. Mr. Harry Mulder, Vice Chairman, has graciously accepted the Chairmanship going forward.

I want to thank Patrick, Fritz, the Executive Committee and especially the members of the IFY Committee for all of their support these past 5 years. I will remain on the Committee as the U.S. representative and look forward to working and supporting Harry in his efforts as Chairman going forward.

The composition of the Committee post Tokyo will be:

Mr. Omar Bourhabi	Morocco
Mr. Nazareno Cerni	Italy
Mr. Eric De Smet	Belgium
Mr. Robert Gallagher	USA
Mr. Sven Gerhard	Germany
Mr. Jean Claude Mameaux	France
Mr. Paul Miller	Lloyd's
Mr. Harry Mulder, Chairman	Netherlands
Mr. Geoffrey Parkinson	UK
Mr. Joaquim Simplicio	Portugal
Mr. Harald Teige	Norway

A poll of the IFY Committee members on market conditions with respect to Inland Hull, Fishing Vessels and Yachts suggests market instability and price flattening to reductions on all lines of business. Competition among all lines is keen with new capacity entering the market across all lines of business.

Inland Hull

Country	Premium \$x1000			Claims \$x1000			Claim Ratio		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Belgium	12,646	10,043	6,173	8,999	6,057	3,426	71%	60%	55%
France	27,539	32,700	27,800					78%	59%
Germany	43,463	42,269	29,576	28,076	42,211	25,700	65%	95%	87%
Malaysia	5,858	8,287		5,683	4,510		97%	54%	
Morocco		582	815		479	525		82%	64%
Netherlands	76,000	83,000	85,000	65,000	42,000	33,000	86%	51%	39%
Portugal	12,614	11,722	10,453	1,713	2,772	3,777	14%	24%	36%
USA	152,569	153,816	173,124	94,593	90,524	126,380	62%	58%	73%

The slide above is a recap of the results provided by the members in response to our questionnaire.

The Netherlands has shown that the development of a Loss Prevention Program by the Bourse Insurance Companies and the Engine Loss Registration System do make a difference on ultimate loss ratios.

Other countries shown above have not fared as well, yet none of them have reported that prices are on the rise.

Fishing Vessels

Country	Premium \$x1000			Claims \$x1000			Claim Ratio		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Australia	13,877	12,649	9,672	6,657	6,596	5,578	48%	52%	58%
Belgium	1,523	2,487		553	1,484		36%	60%	
Canada	10,588	11,080	7,565	8,485	4,433	3,565	80%	40%	47%
France		36,400	29,400			4,200		57%	50%
French Polynesia	215	146	1,008	135	397	2,229	63%	273%	221%
Ireland	1,963	1,774	1,670	1,855	3,837	1,134	95%	216%	70%
Morocco	15,568	16,601		6,457	7,819		41%	47%	
Netherlands	1,878	1,694	1,828	454	1,950	819	24%	68%	45%
New Zealand	5,850	5,202	3,766	1,476	1,688	1,211	25%	32%	32%
Norway	41,134	39,070	36,189	38,773	34,795	27,486	94.2%	89%	76%
Portugal	5,092	5,331	4,787	3,548	5,754	3,925	70%	108%	82%
So. Africa	11,967	12,679	8,707	842	718	649	7%	7%	7%
United Kingdom	25,008	23,527	14,758	16,624	18,650	14,402	66%	79%	98%
USA	34,358	38,795	16,686	23,090	18,695	10,559	67%	48%	63%

Similar to last year, as a result of the inability of most countries to provide credible statistical information, I had asked someone who specializes in the insurance of fishing vessels to provide information to supplement what we receive from you. The slide above is the result of combining these figures.

The results for most markets appear satisfactory and thus most areas report renewals going “as before”. Competition is not as fierce as other lines of business due to the reduction in market capacity the past few years.

IMO Begins Work for Safety of Small Fishing Vessels

The development of safety standards for small fishing vessels was initiated at the Sub-Committee on Stability and Load Lines and on Fishing Vessels Safety when it met for its 48th session. Commercial fishing is one of the most hazardous occupations in the world and it has been estimated by ILO, and reported by FAO, that the fishing industry suffers in excess of 24,000 fatalities per year and that the large majority of them occur on small fishing vessels. Currently, there are no international safety standards in place for decked fishing vessels of less than 12 m in length and undecked fishing vessels of any size and in many countries, national regulations, guidelines or standards for small fishing vessels are either non-existent or inappropriate. The proposed standards would address the safety concerns specific to these vessels. It is anticipated that the standards would primarily be used by the relevant competent authorities to upgrade their national laws and regulations.

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Yachts

One man's houseboat is another man's treasure (show large yacht then small one). All kidding aside, you will notice that the term "yacht" runs the gamut from the very small to ultra large.

2005 Year

Country	Premium x \$ 1000	Claims x \$ 1000	Claims Ratio %
Egypt	3,682	2,486	68%
France	125,000	73,750	59%
Germany	80,999	50,260	62%
Greece	13,303	6,499	49%
Italy	60,165	42,116	70%
Netherlands	84,000	49,000	58%
Norway	84,100	42,900	51%
Portugal	7,524	3,169	42%
So. Africa			62%
USA	373,952	258,027	69%
Total	832,725	528,207	63%

Results for 2005 are above. The total of 63% is 6 points lower than 2004 (69%) and 2 points lower than 2003 (65%). I would suspect the 2005 numbers are light considering the magnitude of losses that were sustained during last year's hurricane season.

Competition is very keen in all classes and sizes of yachts. Rates are flat for most areas except those prone to windstorm. In windstorm prone areas, double digit rate increases are not uncommon along with higher deductibles for wind in the range of 5% - 10% of the vessel's value.

Risk assessment and aggregation management are a must in this line of business. In this regard, the modeling firm RMS (Risk Management Solutions) has introduced a new model devoted to yachts called RMS 6.0.

In the USA, Florida has enacted a law relating to "derelict vessels" and the authority of marinas in the face of severe weather. The law authorizes marina owners to take "any and all reasonable actions" to remove or secure vessels following issuance of a severe weather watch and to charge vessel owners a reasonable fee for such service.

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Mega-yachts or “McYachts” have been in the news a lot this past year. There are an estimated 7,000 motor yachts over 80 feet long in use, up from about 4,000 a decade ago according to Show Boats International, a yachting magazine. Unfortunately, marina capacity has not kept pace with the growth in mega-yachts. Almost 16 miles of mega-yachts are under construction worldwide, which translates to 733 new yachts and demand for 4,300 new crew members. The growth in yachts has outstripped available crew capacity worldwide. Underwriters should be very diligent with their risk assessment of these risks.

Terrorism

USA TRIA extension was signed into law on December 22, 2005 for a two-year period. The size of an event needed to trigger the federal backstop was raised from \$5MM to \$50MM. Individual insurer retentions increased from 15% of premiums collected in 2005 to 17.5% and 20% in 2006 and 2007, respectively. Companies must be vigilant in monitoring their exposures as a TRIA event will be costly.

Committee Workshop

The IFY workshop is scheduled for Tuesday, 19th of September at 2:00 P.M. This year’s topic will be “Risk Assessment and Loss Prevention – a Business Priority in the Fishing Industry”. In this regard, we have lined up 5 speakers:

Mr. Joaquim Simplicio, IFY Committee Member, will open up the workshop by giving an overview of the fishing industry. He will touch upon the social importance of the industry, the various types of operations and vessels, and finally how the increased demand of fish and the reduction of fish stock have influenced fishing vessel operations.

Mr. Tetsuo Miyake, Senior Managing Director, Central Society of Fishing Vessel Insurance Association, will speak on the Japanese fishing vessel market and risk assessment. He will present an overview of the number and types of vessels, what is fishing vessel insurance in Japan, the current status of fishing vessel insurers, and conclude with causes of accidents and loss prevention measures.

Mr. Geoffrey Parkinson, Managing Director, Sunderland Marine and IFY Committee Member, will present an underwriter’s perspective on Risk Assessment and Sound Underwriting Practices of Fishing Vessels. He will concentrate on the specialized nature of a fishing risk and why it requires a different mind set to other marine risks.

Mr. Henk Arntz, Director of Marine and Energy, Van Ameyde International B.V., will address Non-Destructive Damage Prevention Inspections. He will present details on how these inspections can reduce/prevent engine damage claims.

We will conclude with Mr. Eric Berder, Director of Maritime Safety, French Ministry for Transport, Infrastructure, Tourism and the Sea. Mr. Berder will address the Improvement of Safety for Fishing Vessels. He will enlighten us on why and how the French ministries in charge of Fisheries and Transport have jointly decided to develop a holistic approach for the safety of fishing vessels.

Mr. Harry Mulder, IFY Committee Member, will be the moderator for the workshop.

I would encourage everyone to review the agenda and our Committee looks forward to seeing you in attendance.

Mr. President, ladies and gentlemen, this brings my presentation to an end. Thank you for your attention.