

# 2007 IUMI Meeting - Copenhagen

Copenhagen

Current Status of the Hull Market

## Committee Members

* Bjornar Andresen	Norway
Bartolomeo Barberis	Italy
Denis Develey	France
Volker Dierks	Germany
* Jenny Groeneveld	Holland
Peter McIntosh	UK
Leif Nordlund	Finland
Fred Robertie	US
Ryuji Segawa	Japan
Sergey Trubitsyn	Russia
Neil Smith	UK

\* New member since Tokyo meeting

# Market Update

# Number of Underwriters

- Stable
- (with some localized growth)

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- Stable
- (with some localized growth)

## Capacity

- Consistent. In most cases more than necessary.
- But Appetite seems to be changing

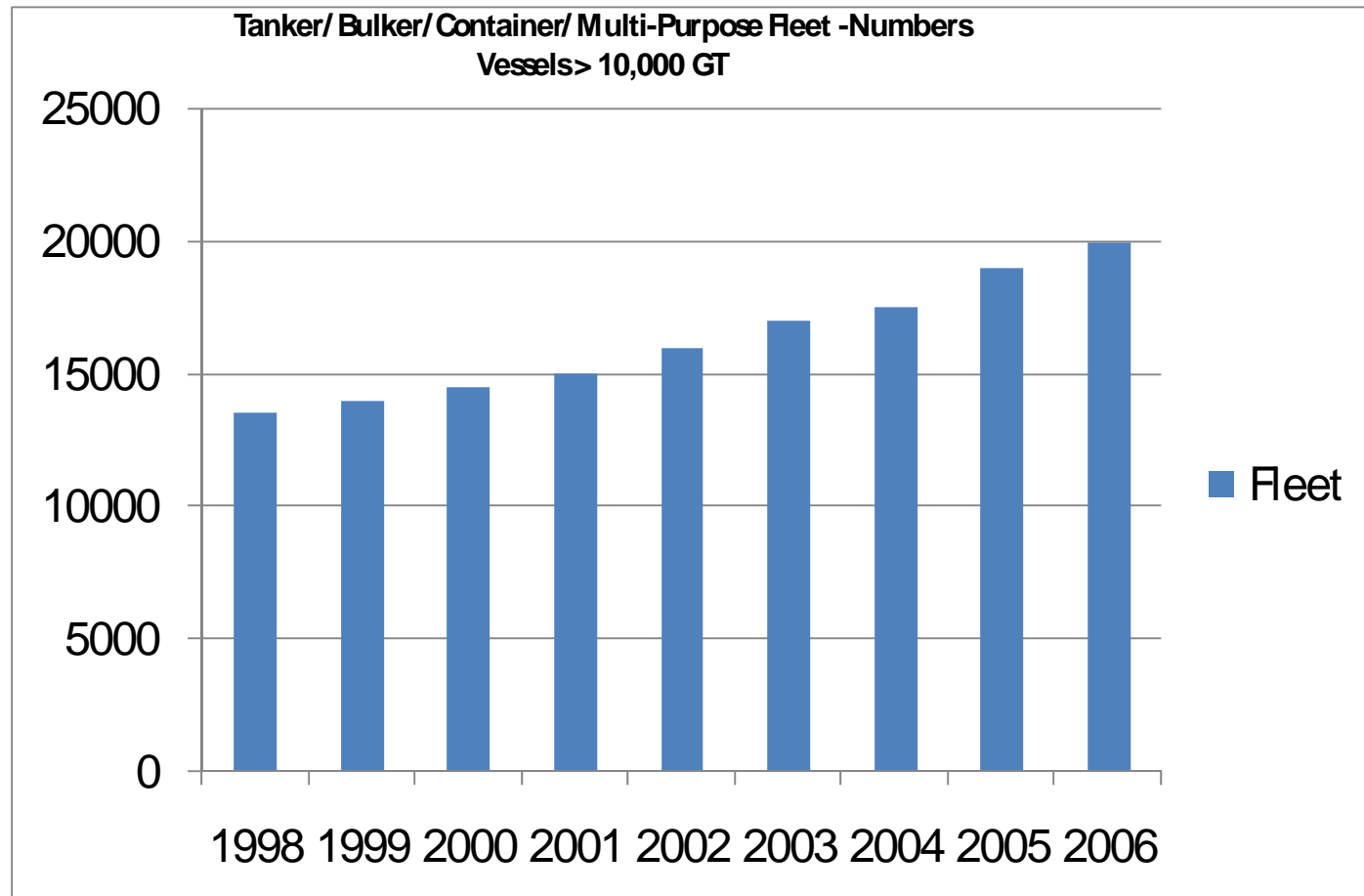
# Demand

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- Number of vessels is up 30% or more since 1998.

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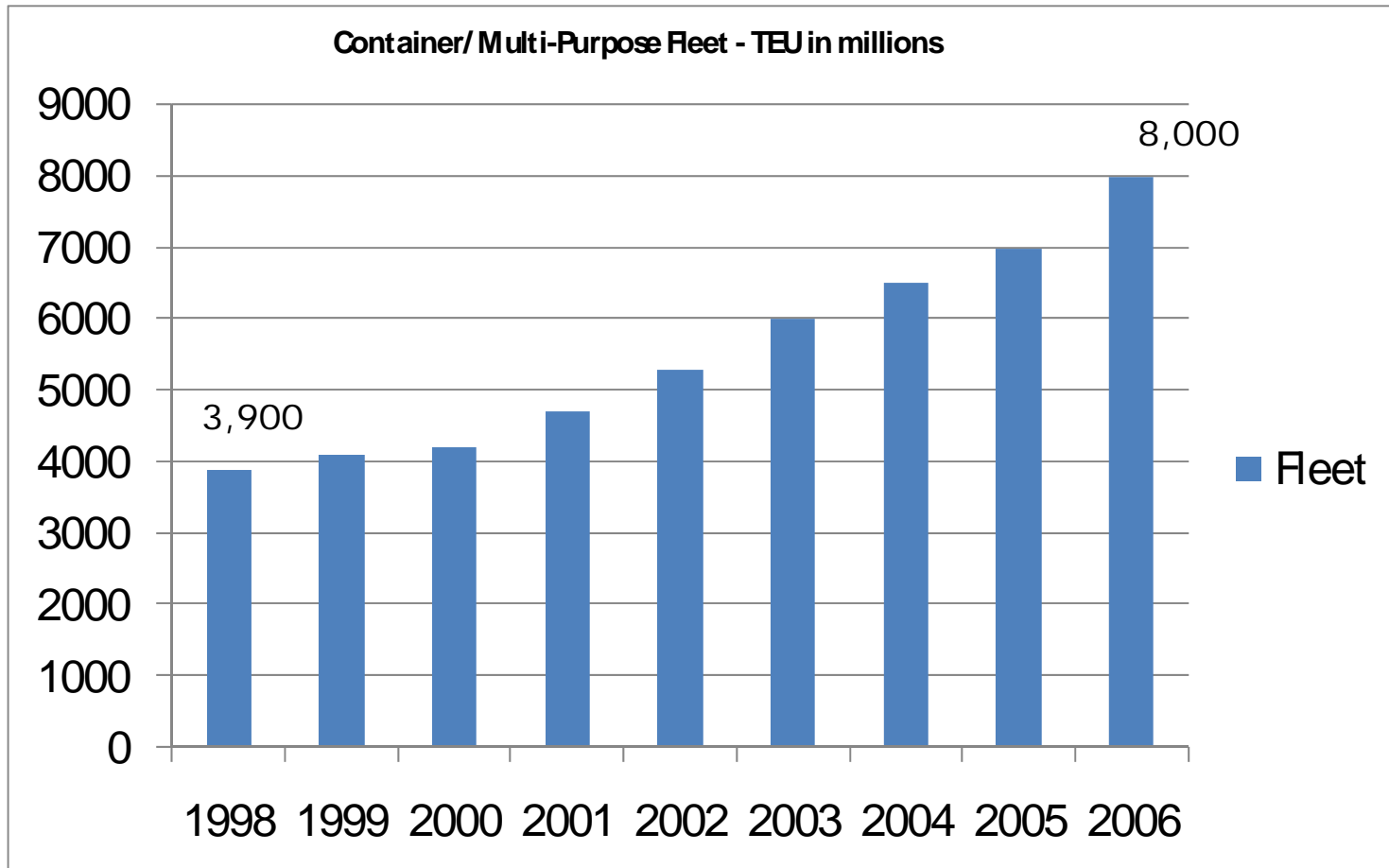




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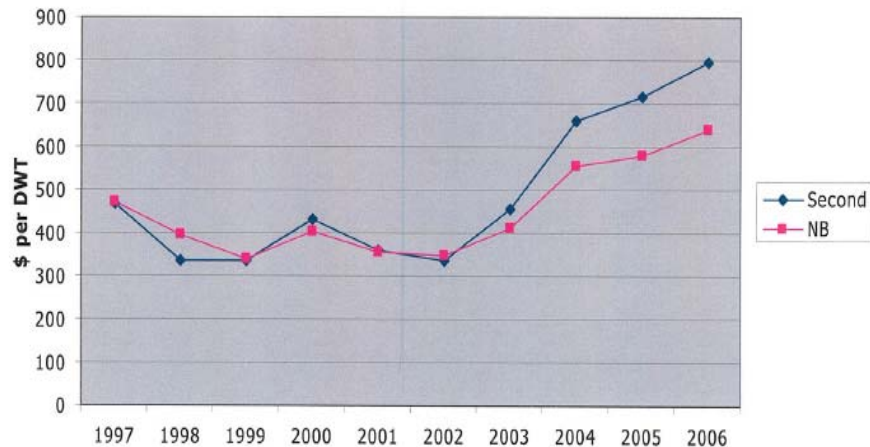
## Demand

- Increasing.
- Number of vessels is up 30% since 1998.
- Cargo capacity has increased by a similar factor led by TEU's for Container and Multi-Purpose vessels, which has more than doubled since 1998.
- Vessel values are also increasing.

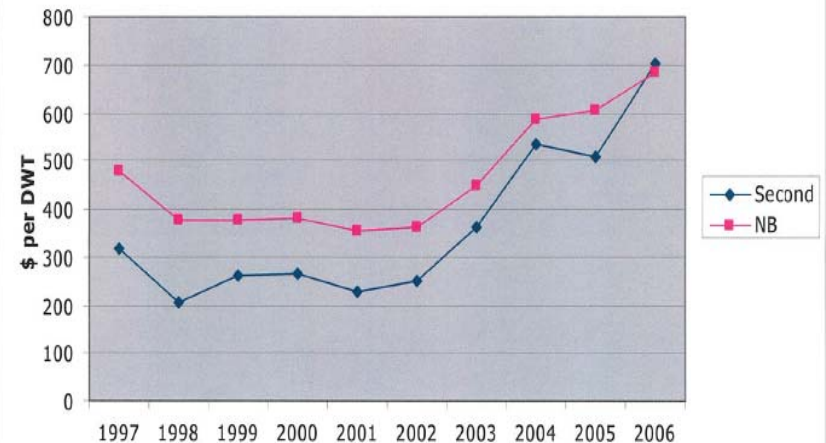
# Demand

- Values of vessels are increasing.

Comparison between Newbuilding (NB) and Secondhand prices - Tankers



Comparison between Newbuilding (NB) and Secondhand prices - Bulk Carriers



**What is the Outlook over the next 5 years?**

# Projected increases in Seaborne Trade

	<u>Avg. 49/BBL Moderating Oil Prices</u>	<u>Avg. 58/BBL High Oil Prices</u>
● Crude Oil	20%	15.5%
● Oil Products	21%	16%
● Dry Bulk	27.5%	23%
● Container	62%	52%
● LNG	40%	29%
● LPG	18%	12.5%

## Size of World Fleet

- Cargo capacity is expected to increase by a factor of 35% over the next 5 years.
- 2006 – 760 million GT
- 2012 – 1 billion GT

## Size of World Fleet

- The number of vessels is expected to increase by as much as 40% over the next 5 years.
- In 14 years (1998-2012), the world fleet has/will increase by over 65%.



# Pricing

- Pricing had been flat but has started to show signs of softening. The frequent introduction of Profit Sharing / Continuity / Premium Collection clauses and some outright reductions have started to erode the premium base.
- This despite marginal to unacceptable results in 04-06 after 8 years of consistently poor results.

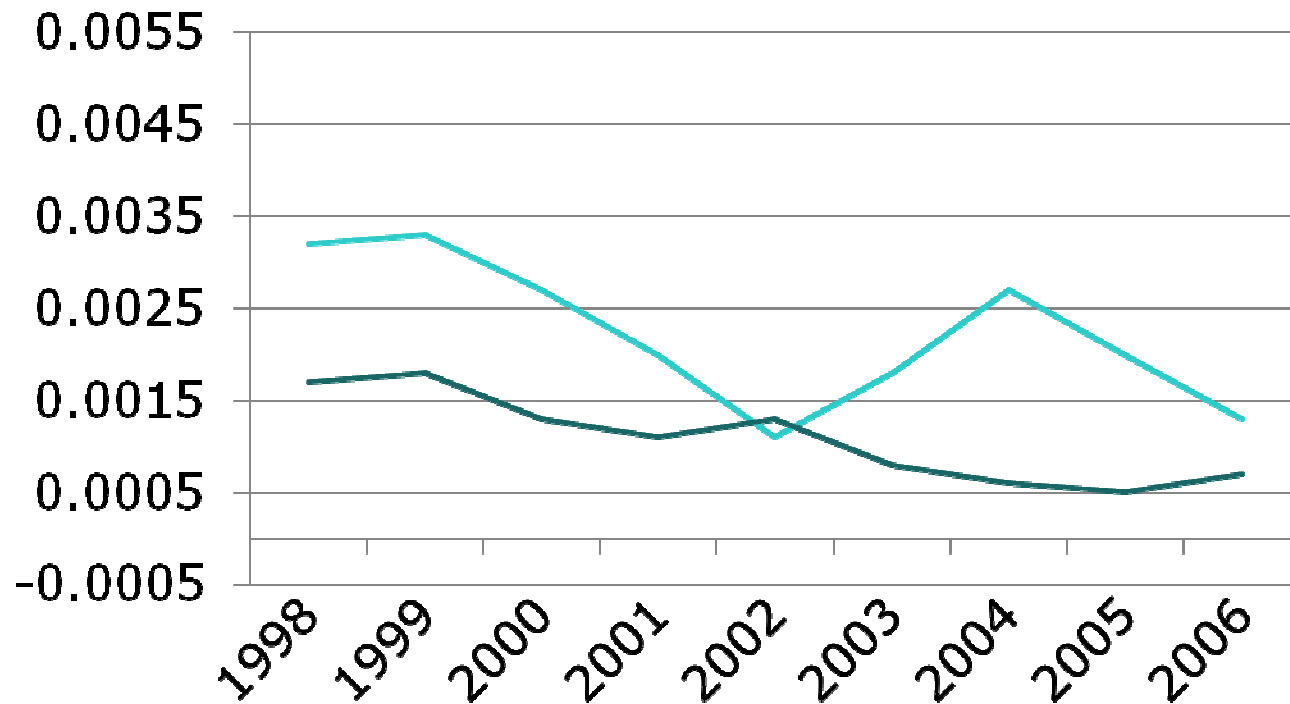
# Claims Trends

## Good News

- Over time Total Losses are down
- BUT – some concern due to 06 & 07

# Claims Trends

Total Losses 1998-2006  
As a percentage of World Fleet  
Vessels > 500 GT



## Claims Trends

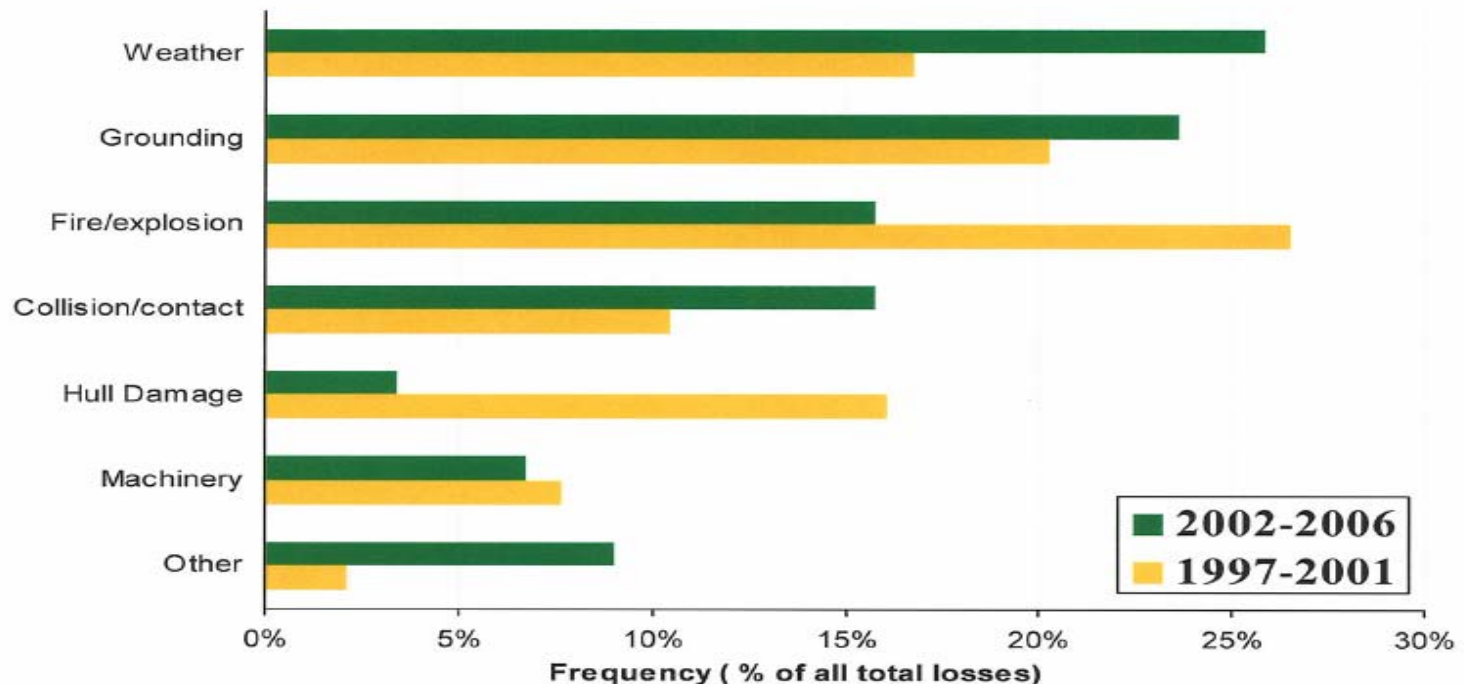
- Weather continues to be the largest cause of total losses. However, Groundings and Collisions leading to TL have increased in the past five years.

# Claims Trends

## Total Losses 1997 – 2006

By Cause, All Vessel Types

Vessels > 500 GT

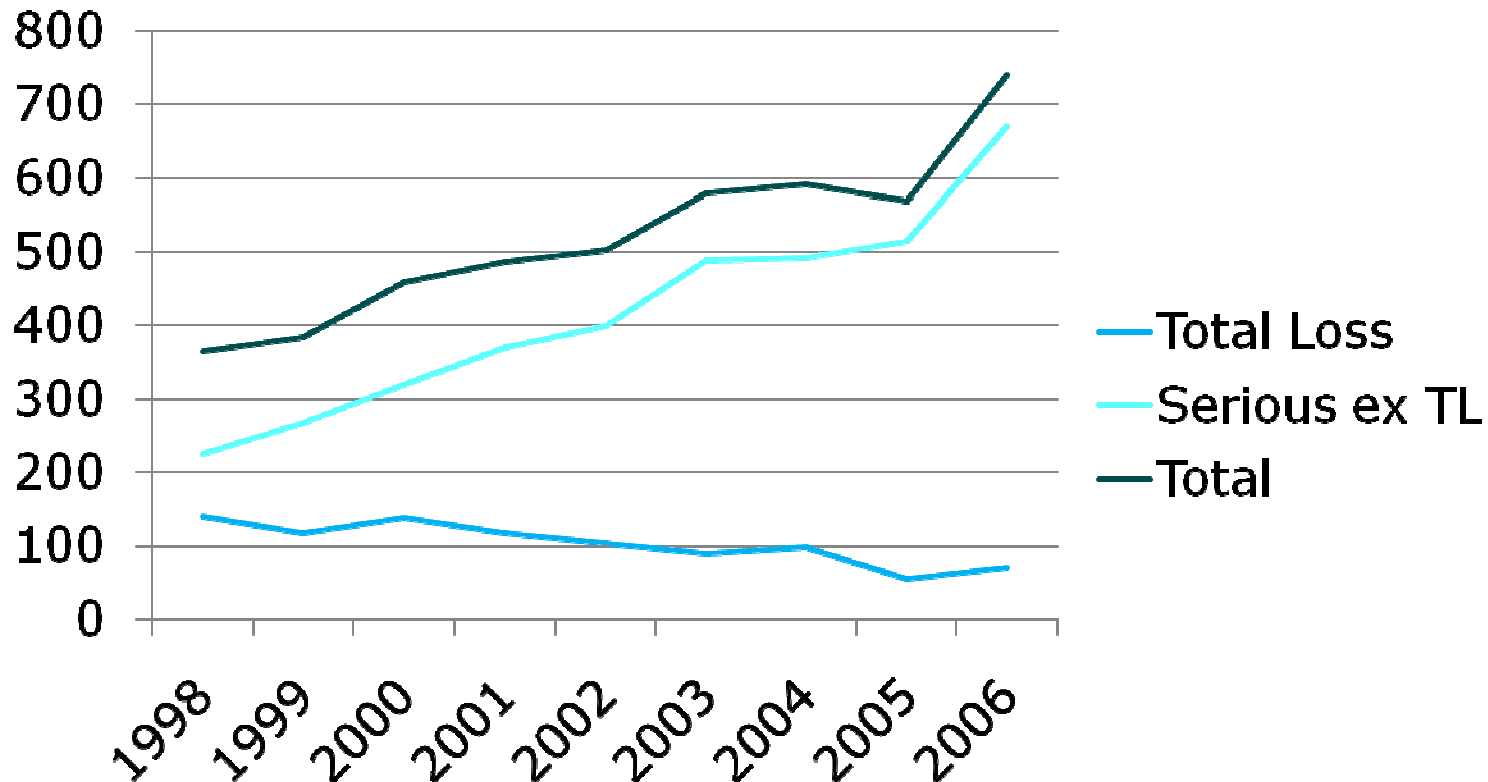


# Claims Trends

- Serious P/A losses are up.

# Claims Trends

Serious and Total Losses by Number  
1998-2006, Vessels > 500GT



# Claims Trends

- Serious P/A losses are up.
- While machinery damage is still the largest single cause, groundings and collisions have increased over the past five years with an overall upward trend.

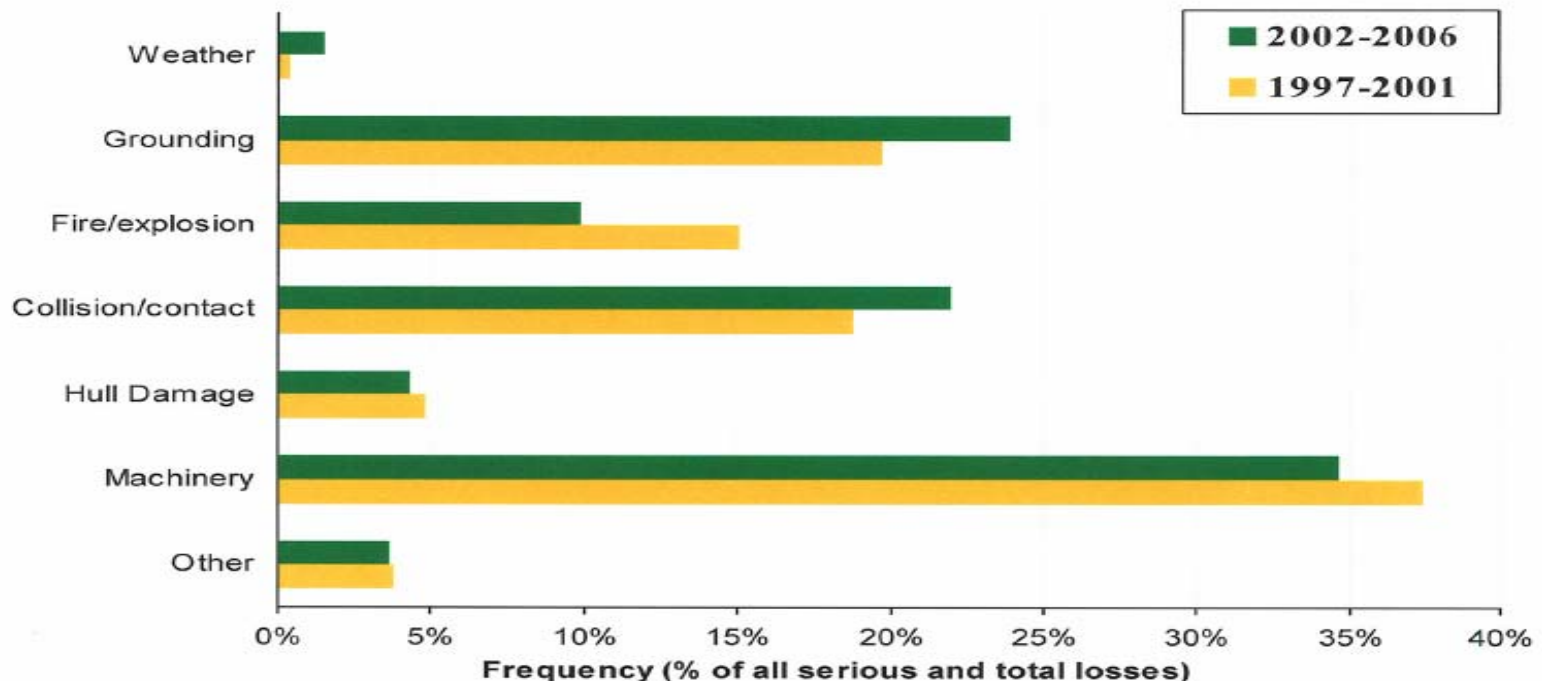


# Claims Trends

## Serious Losses 1997 – 2006

By Cause, All Vessel Types

Vessels > 500 GT



## Results - Getting Worse

- Evidence of dramatic deterioration in 2006, after two years of marginal results.
- Losses – Trending Upward = L/R UP  
Premium – Flat to Decreasing

# 2007

- 2007 – A VERY good year 

# 2007

- 2007 – A VERY good year 

If you are a salvor

# Hull Losses 2007



M/V Republica di Genoa capsized during loading on March 8 in Belgian port city Antwerp. According to a local newspaper, the cause investigation should look into the recent of bunkering of the vessel. However, another source talks about technical problems with the heeling & pump systems of M/V Republica di Genoa."



The passenger vessel M/V Sea Diamond suffered a grounding on a Volcanic reef off of the port of Santorini on April 5<sup>th</sup>. It was believed that the vessel had been stabilized and was later towed off the rocks she struck. The vessel sank approximately 15 hours after she ran aground.



# Hull Losses 2007



The Pasha Bulker was overwhelmed by heavy weather on June 8<sup>th</sup> causing it to run aground off of Nobby's beach, Australia. The vessel was pulled off of the beach on July 2<sup>nd</sup> and appears to have suffered severe damage to the propeller and rudder in addition to have developed creases in the hull along the starboard side of the vessel.



The MSC Napoli sailed from Antwerp on January 17<sup>th</sup> and sent a distress signal later that morning reporting that the vessel began to take on water in heavy weather. The vessel had developed an unexpected longitudinal crack on her starboard side shell plating near the engine room. The vessel was intentionally grounded on the evening of the January 19<sup>th</sup> and remains partially submerged.

# Hull Losses 2007



The Bourbon Dolphin capsized on Thursday 12th April whilst performing offshore services for the drill platform Transocean Rather. On the 15<sup>th</sup> of April, the Bourbon Dolphin was reported to be completely submerged and sank shortly after salvage attempts began.



The Safmarine Agulhas lost power and ran aground just outside of East London, South Africa on June 27<sup>th</sup>. After failed attempts to pull her free, the vessel remained aground and broke in two in late July.



# Hull Losses 2007



The WD Fairway, the largest dredger of its type was involved in a collision with the MSC Joanna on the 8<sup>th</sup> of March and proceeded to take on water. After failed salvage attempts, the vessel was later declared a CTL.



The New Flame was involved in a collision with the Torm Gertrud on August 12<sup>th</sup>, while transiting the Straits of Gibraltar. The Torm Gertrud is believed to have suffered minimal damage, while the New Flame proceeded to Sink and is resting on the sea bed in shallow water.



# Hull Losses 2007



On January 30<sup>th</sup>, a Zenit rocket carrying a satellite failed to launch and exploded aboard the platform "Ocean Odyssey". The explosion is said to have caused significant damage to the platform and several blast deflectors underneath the platform were knocked loose and lost at sea.

- Based on the large losses in the first 8 months, the 2006 year of account will likely end up being the worst year for Hull Underwriters since 1999 – 2000 and the prospects for 2007 do not look promising.

# “Human Error”

Copenhagen

“A Growing Problem for Owners and Insurers”

## Being 99.9% Error Free ...

- 1 hour of unsafe drinking water every month
- 2 unsafe plane landings per day at a NY area Airport
- 500 incorrect surgical operations each week
- 12 newborns given to the wrong parents daily
- 18,322 mishandles pieces of mail each hour
- 291 pacemaker operations performed incorrectly

# Human Error

- There has been a 30% increase in the size of the world fleet with an additional 40% estimated over the next 5 years.
- There is currently a 10% shortage of trained seaman with 120,000 additional openings in the next 5 years.

- “Shipping Overwhelmed by inexperience” –
  - North of England P&I Club. 2007 Management Report
- “Manpower strains linked to accidents”
  - Det Norske Veritas March 2007
- “Philippines tackles officer shortage”
  - Fairplay January 2007

# Human Error

- Serious partial losses are dramatically up
- Most losses (60% - 75%) are the direct result of Human Error



# Hull Losses 2007



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# Hull Losses 2007



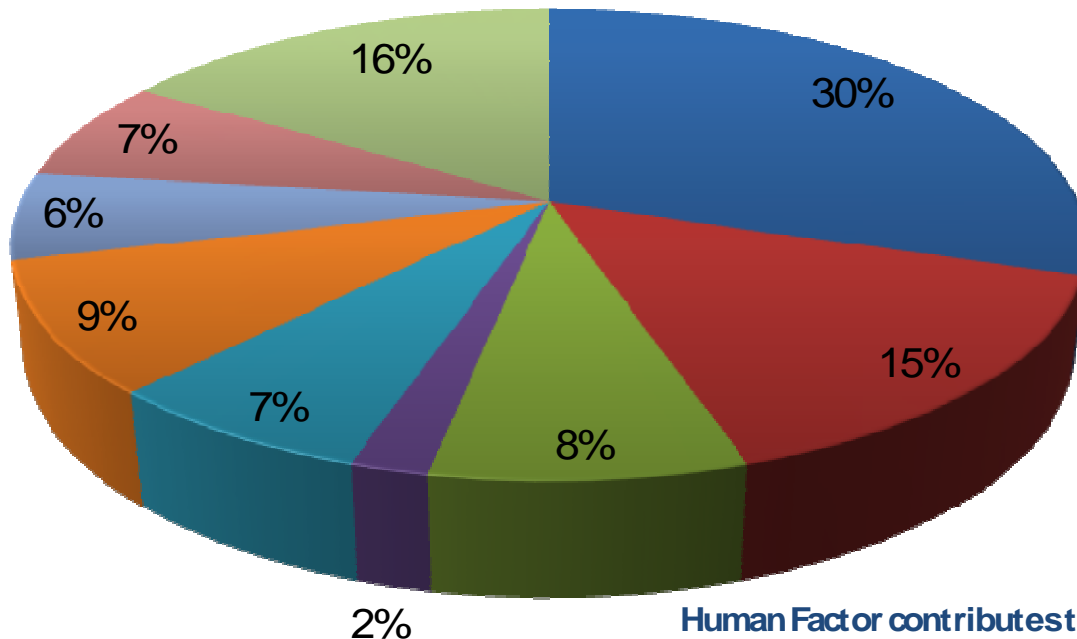
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# Claims Trends

- Deck Officer error   ■ Crew error   ■ Pilot error
- Eng. Officer error   ■ Shore Person error   ■ Equipment failure
- Mechanical failure   ■ Structural failure   ■ Other



**Human Factor contributes to 62% of all Loss activity in the maritime industry.**

## Scope of our Discussion

- Why is there a shortage of seaman
- Types – Errors vs Violations
- Has Technology helped
- Has ISM and other conventions helped
- What is the Crew Managers Role
- What is the Owners Role
- What can be done to improve the situation.

## Our Panel

John Poulson – Pres. Noble Denton New York

Eric Murdoch – Charles Taylor/ The Standard Club

Ivar Brynildsen – Senior Claims Exec. Gard