

Marine

Willis

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DROP IN IUA MARINE PREMIUMS

The International Underwriting Association, in its annual report, reveals an increase in non marine net written premiums but a drop in marine and aviation business for the 2000 year of account.

There was an increase of 11% in non marine premiums to £2.9 billion after premium increases of 17% in excess of loss treaties. Non marine premiums have been increasing since 1998 although claims have also accelerated and in 2000 grew faster than premiums, producing a negative result of £125 million.

As regards marine and aviation, all lines recorded a drop in premium income, with the largest fall recorded in excess of loss treaties. Claims grew 9% in 2000, outstripping premiums and producing a negative result of £727 million. Combined premiums for non marine and marine increased by 6% to £3.9 billion.

	1999		2000	
	NWP	% of total	NWP	% of total
Non marine				
Direct/fac reinsurance	965	37	1010	35
XL treaties	1231	47	1435	49
Proportional treaties	429	16	467	16
Total	2625	72	2912	75
Marine/Aviation				
Direct/fac reinsurance	666	66	645	68
XL treaties	262	26	224	24
Proportional treaties	86	8	80	8
Total	1014	28	949	25
Combined Market				
Direct/fac reinsurance	1631	45	1655	43
XL treaties	1493	41	1659	43
Proportional treaties	515	14	547	14
Total	3639	0	3861	0

There was a drop in the number of marine transactions processed by the London Processing Centre (LPC) on behalf of the IUA members, with member cases reducing by 25% to 709,000 and broker cases falling 9% to 207,000. The average number of lines per case has fallen in both marine and non-marine, with the strong subscription marine market showing a fall to 3.43 lines per case from 4.14 per case.

Chart 1 (left) sets out the net written premiums for the years 1999 and 2000 and Chart 2 (below) shows premiums and claims for the period 1996 to 2000.

	1996	1997	1998	1999	2000
Non marine					
Net premiums	2639	2343	2283	2625	2912
Claims	1839	1642	1883	2388	3037
Result	800	701	400	237	-125

	1996	1997	1998	1999	2000
Marine/Aviation					
Net premiums	1469	1170	1038	1014	949
Claims	2085	1802	1574	1541	1676
Result	-616	-632	-536	-527	-727

Newsletter

MOMENTUS DAY FOR WILLIS

Willis returned to the stock market by listing on the New York Stock Exchange on Tuesday 12 June. Willis Chairman, Joe Plumeri opened the morning's trading by ringing The Opening Bell with the shares opening at US\$13.50. Mr. Plumeri announced that "these are exciting times to be at Willis" and that public ownership brings extraordinary opportunities. The share price has continued to rise despite falls in the Dow Jones index.

Front Row (L/R) Michael Carpenter (Salomon Smith Barney), Perry Golkin (KKR), Dick Grasso (NYSE), Joe Plumeri (Willis), Nancy Plumeri, James Fisher (KKR), Tom Colrairie (Willis).

Back Row (L/R) George Ugeux (NYSE), Chris Plumeri, Richard Bucknall (Willis), Stephen Maycock (Willis), Scott Nuttall (KKR), Jay Plumeri.



QUALITY - AT A PRICE

There was some tough talking from Basil Papachristidis at the recent Intertanko conference held in Sydney. Mr. Papachristidis, who has a tanker operating company, Hellepont, addressed a number of issues concerning tanker construction and design and was forthright with his opinions. "Ships are designed today for economy of construction, not quality. Quick fabrication takes precedence over structural continuity. No tolerance is made for corrosion or fatigue. Yard specifications are generally too low." He went on to say that "construction procedures themselves undermine quality" citing such problems as poor steel preparations, inferior welding and poor tailshaft alignment. "Once the contract is signed, the task of the yard is to build a ship as cheaply as possible. Yards bear virtually no responsibility for the quality of their product. The 12-month guarantee they give is less than a toaster." In a blunt warning to the shipping and ship building industry he said "the quality of the ships turned out by the yards is a matter of grave economic concern to the shipping industry. It will affect the longevity of our vessels, their earning ability, the cost of their operation and maintenance and their residual values."

SPOTLIGHT ON FLAG STATES

Two researchers at Cardiff University in Wales have devised a methodology of categorising and measuring the performance of flag states. The methodology provides a tool for measuring "the capacity of a flag state both to enact relevant maritime legislation and to effectively enforce it."

The 'Flag State Conformance Index' (Flasci) is described as a "highly accurate and robust means of measuring the performance of flag states on a wide range of variables" and could prove a useful and interesting guide for shipowners, underwriters and financiers.

The index which has been produced is a composite of measures of best practice and combines the perceptions of seafarers with more measurable factors such as port state control detention records, the legal and social regime, casualty statistics and pollution figures. The characteristics of the registered fleet under each flag is assessed, along with trends over the last 10 years.

The study looked at 37 flag states and grouped them under certain general characteristics. The highest scores were given to traditional maritime nations and second registers that are centrally operated and controlled.

Medium to high scores were given to semi-autonomous second registers, while medium scores were attached, both to more established open registers, (some seeking EU membership) and national registers.

Newer open registers make up the next category, with low to medium scores, while new entrants to open register market were found to have the lowest scores.

The study showed that Bolivia was the fastest growing ship-register, which between 1997-99 saw the vessels under its flag increase by a staggering 5,900%. Cambodia saw its fleet increase by 140% during the same period.

Rank	Country	Score
1	Norway	84
2	UK	80
3	DIS	77
	NIS	77
5	Netherlands	76
6	GIS	75
7	Kerquelen Islands	72
8	Hong Kong	64
	Isle of Man	64
	Maderia	64
11	Bermuda	63
12	Cayman Islands	62
13	Canary Islands	60
	Latvia	60
15	Estonia	58
	Singapore	58
17	Cyprus	50
18	Malta	49
19	Netherlands Antilles	48
	Russia	48
21	Philippines	46
22	Vanuatu	44
23	Bahamas	43
	Liberia	43
25	Antibua and Barbuda	42
	Barbados	42
27	Panama	41
	Turkey	41
29	Marshall Islands	36
	Ukraine	36
31	Honduras	35
	Lebanon	35
33	Bolivia	30
	Saint Vincent and The Grenadines	30
35	Belize	27
36	Equatorial Guinea	24
37	Cambodia	19

O'NEILL STAYS FOR ANOTHER TWO YEARS

Secretary General of IMO (International Maritime Organisation), Bill O'Neill (pictured) is to continue in his role for a further two years. It was expected he would bow out at the end of this year, but a recent meeting of the IMO's ruling council granted him his wish.



O'Neill is generally accepted as making IMO a more pro-active organisation and has held it together in the face of threats of unilateral action, firstly from the US over OPA '90 and more recently from the European Union in the wake of the sinking of the "Erika".

ISU'S VOLUME OF WORK INCREASES IN 2000



Members of the International Salvage Union (ISU) responded to 310 casualties with a potential for causing environmental damage, as against 232 in 1999, an increase of one third. The aggregate figures of cargoes and bunkers rose by just over 36%, from 434,100 tons to 591,202 tons. Despite the increase the recovery is much lower than the levels for the years 1994-1998, due primarily to the absence of laden VLCC salvage operations. Other trends include a sharp drop in the amount of chemicals involved in salvage operations and a growing focus on the removal of marine fuels as the first step in casualty salvage. This is reflected in an increase of nearly 28% in the volume of bunkers recovered last year.

Lloyd's Open Form retained its preferred status during 2000, when nearly one third of all services covered were rendered under this contract, noted as the most regularly utilised salvage agreement.

SOUTH AMERICA - A PROMISING SOURCE

Firstly, in Brazil, a new and lucrative market for Brazilian insurance companies is opening as a result of the energy crisis, as companies require "engineering risk" coverage of very large projects. Currently there are 15 projects underway. The Brazilian subsidiary of Royal SunAlliance expects the premium received from this class of business to increase by 12% from the current R€70 million. During 2000, this class of business grew from 4 -5% to 8%.

Secondly, in Bolivia, a country with proven gas reserves of about 6,000 billion cubic feet, two major European energy companies are exploring the possibility of transmitting liquefied natural gas to energy-starved California.

TotalFina Elf of France and Repsol YPF of Spain have carried out separate initial valuation studies of what would be a multi-billion dollar LNG scheme. Both companies' proposals are still at very early stages, which analysts say would require investment of up to US\$4 billion.

TotalFina Elf's proposal would involve building a pipeline through the Andes to the Chilean coast as well as a liquefied natural gas plant, where the company's gas would be processed. The gas would then be shipped to Rosarito in Baja, where there is a re-gasification plant and a pipeline to San Diego.

The French company has a 15% stake in the San Antonio and San Alberto fields in Bolivia, which are operated by Petrobras of Brazil. Repsol operates a similar project nearby and could use the same infrastructure as TotalFina Elf – an option believed to be favoured by the Bolivian government.

According to analysts, the LNG plans would need substantial further studies. Companies would need to be confident that US gas prices would remain above US\$3 per million cubic feet to move ahead. Gas prices have rocketed in recent months due to tight supplies and strong demand, but prices are expected to ease in the second half of the year from current levels of about US\$4.



■ ■ ■ ■ Shipment
— Pipeline

FRAUDULENT CERTIFICATES COULD HAVE HEAVY COST

Shipowners could face substantial commercial costs if they get caught up in seafarers' certificate frauds. The extent of certification scandals has been highlighted by the International Transport Workers' Federation (ITF), who have exposed loopholes in Panama's processing system. Additionally the ITF has exposed allegations of similar problems in lesser open registries and even traditional ones.

Owners are being drawn deeper into responsibility because of the demands of the International Safety Management code, which requires clear company strategies for quality operation. Port state control inspections at the same time are targeting crew standards and ships risk detention if papers are out of order. The North of England P & I Club recently underlined the financial consequences for owners of inadequate controls, in addition to the obvious risks for safety generally.

Cost of OPA '90

Costs of implementing the 11 principal OPA '90 regulations will be approximately US\$11 billion, according to the US Coast Guard. The costings for compliance and enforcement of the 11 principal regulations, which include double hulls, vessel response plans and certificates of financial responsibility, cover the period from 1996 to 2025.

During the same period the Coast Guard estimated that the same 11 regulations would prevent the spilling of 1.2 million barrels of oil. Two aspects of OPA '90 currently attracting particular attention are; the double hull requirement and tank level or pressure monitoring devices.

MARKET NEWS


Martin Reith looks set to return to the market as head of a new managing agency for Ascot Underwriting. This is a new Lloyd's syndicate being formed by AIG who are putting £100 million into the venture to write a general book of business from early 2002.

Markel has appointed Paul Jenks as active underwriter for marine and energy syndicate 1009.



Danish Re plans to increase its underwriting operations by consolidating its existing business at Lloyd's (Danish Re Syndicates Ltd.), with Newmarket Underwriting Limited.

Euclidian syndicate 1243 has been assigned A (excellent) rating from AM Best, which writes property (33%), marine (31%) and liability (13%). The syndicate has maximum capacity to write up to £250 million, which is backed with £125 million in funds at Lloyd's.

 **Wellington Underwriting Agencies** Limited plans to increase its underwriting capacity by 28% to £640 million for the 2002 year.



IUA (International Underwriting Association) has appointed Stephen Cane (pictured) as its new chairman. Mr. Cane is chief executive officer of Alea London. Stephen Riley, managing director of C N A Re has been elected deputy chairman in addition to current deputies Tony Medniuk, group chief executive of Global Aerospace Underwriting Managers and Tony Latham, group director global relationships at Royal Sun Alliance.

Also co-opted to the board is Carl Back, senior vice president UK and Ireland at ACE Global Markets.



Paul Jardine is leaving Equitas to join Catlin Underwriting Agencies Limited with specific responsibility for developing new financial products.

In Scandinavia **Bengt Humble** from *if*... will take over as chairman of the Swedish Association of Marine Underwriters in succession to Bengt Clarstedt. Mr. Clarstedt who is manager of the hull department of the Zurich Insurance Company in Stockholm has been chairman of the Swedish association for the past five years and is due to end a 40 year career in marine insurance this summer.

Final Reminder

This is the last edition of the Willis Marine Monthly Newsletter to be published in paper format. If you are unable to receive it by e.mail or through the internet at www.willis.com please advise us immediately so that alternative arrangements can be made. For those with electronic links and who have not yet advised their details, please do so as soon as possible by contacting Daniel Marsh (marshd@willis.com).

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