

# Marine Industry Forum Hot Topics

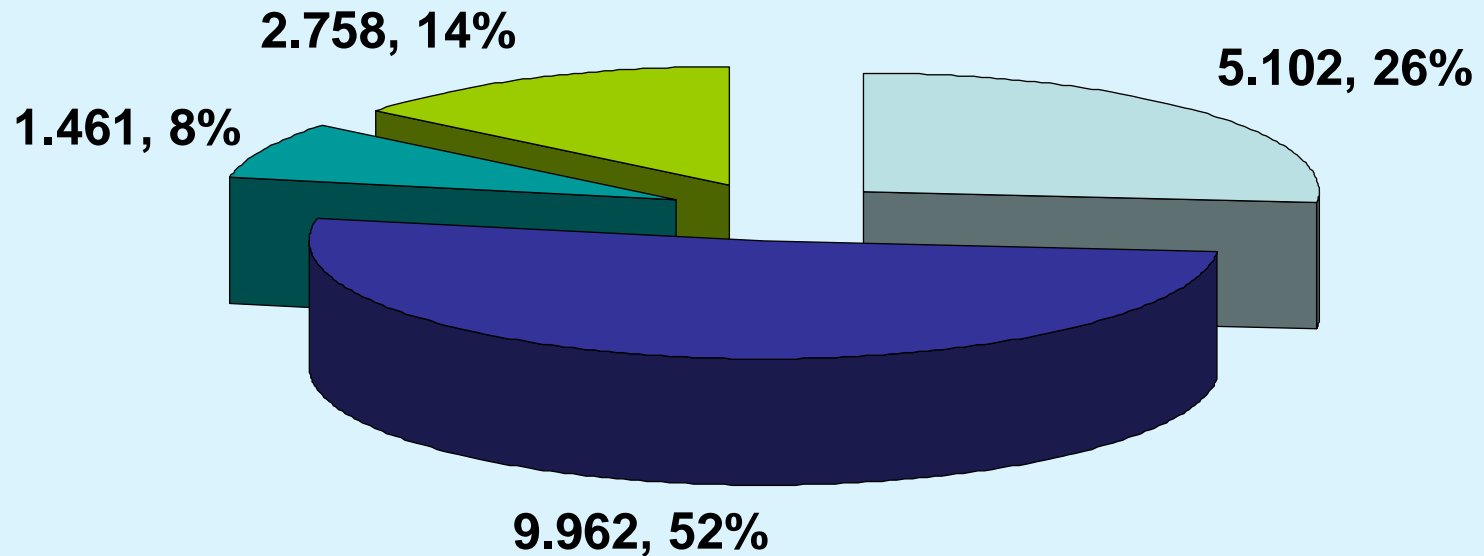
## A Broker Perspective

Jim DeLeeuw

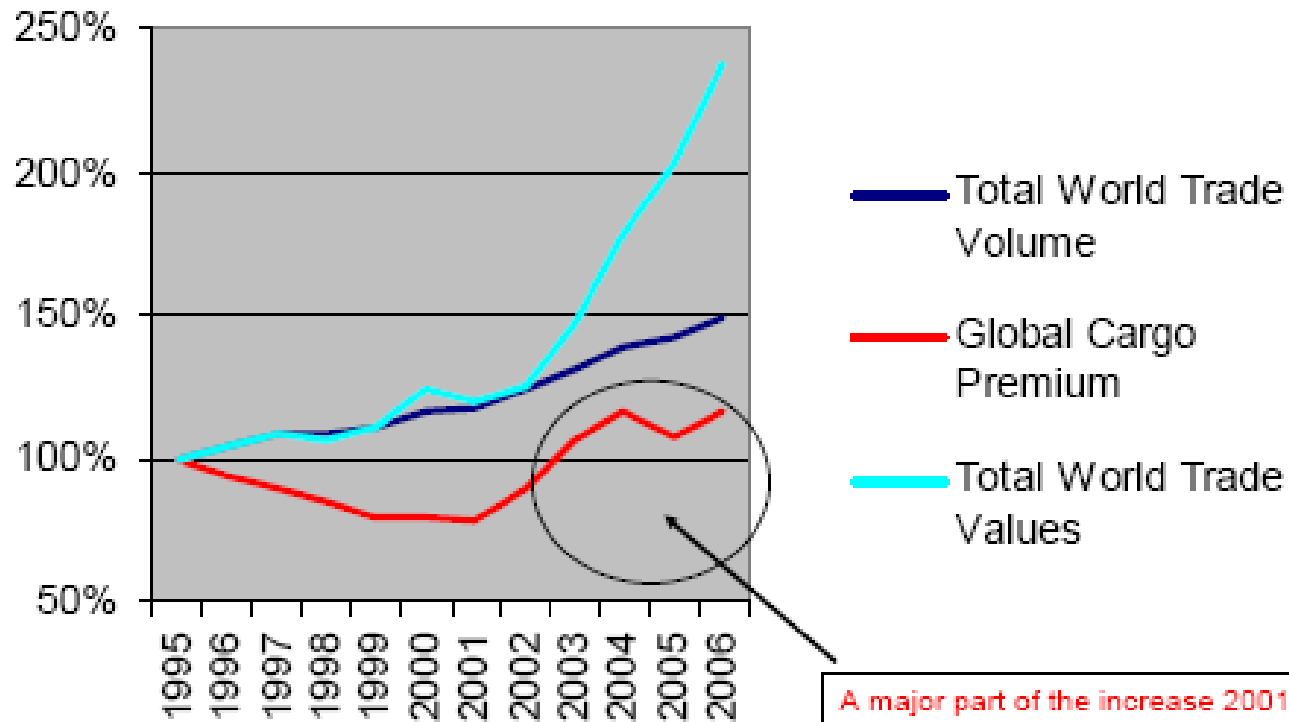
Willis Marine NA

# 2006 Global Marine Premiums

Premiums Reported Shown in US\$ Billions Total = \$19.648B\*



# Global Cargo Premiums



Source: Indicators for World Trade Volume from ISL Bremen

IUMI 2007



# Global Loss Ratios

- Marine Hull
  - Policy Years 2003 to 2006
  - Ultimate Loss Ratios projected at 70% - 80%
- Marine Cargo
  - Policy Years 2003 to 2006
  - Ultimate Loss Ratios projected at 50% - 60%

# How about the other lines?

- Property
  - Reductions in the 20% range
  - Impacts cargo pricing
    - Inland transit
    - Warehousing/Stock coverage
- Casualty
  - Reductions in the 20% - 30% range



# What does this mean for you?

- Rate/Premium reductions over last few years for “good” accounts (except P&I Clubs!)
- New entrants into the market
  - Valiant
  - Max Re
- New markets more aggressive than Incumbent?
- Coverage enhancements – now is the time to ask!
- Consolidate Global Marine Coverages



# Hot Broker Topics

- Brazil – Open market?
  - Not quite...
- Internal Premium Allocations
  - Canada - TOUGH on Taxes!
  - Other Foreign Countries
    - Cargo
    - Inland Transit
    - Static Risks (e.g., Warehousing)
- What does it take to differentiate?

# Marine Insurance – Hot Topics

Presented by:

Peter Knowles

RLI Marine

# U.S. Marine Insurance – Combined Loss Ratios (American Institute of Marine Underwriters)

	2001	2002	2003	2004	2005	2006	2007
<b>TOTAL</b>	99%	92%	90%	92%	99%	99%	95-100
<b>Cargo</b>	86%	75%	80%	65%	75%	77%	
<b>Ocean Hull</b>	113%	132%	116%	108%	93%	98%	
<b>Other Hull</b>	117%	95%	102%	94%	105%	84%	
<b>P&amp;I</b>	116%	156%	97%	145%	97%	112%	
<b>Primary Liability</b>	94%	86%	88%	81%	79%	78%	
<b>Yachts</b>	93%	98%	99%	120%	111%	96%	
<b>Offshore Energy</b>	153%	93%	66%	102%	300%	60%	

# Marine Insurance – Hot Topics

**Continued Soft Market (especially Cargo)**

**Insurance still profitable (attracting investment)**

**+**

**Treaty reinsurance costs remain flat**

**=**

**Over capacity and fierce competition (15-20%  
reductions for good accounts)**

# Marine Insurance – Hot Topics

## WHAT'S NEXT ??

**Possible hardening of insurance market in next 18 – 36 months?**

Factors that might lead to change:

- Market overdue a CAT loss (EQ, Hurricane, Terrorism)
- Stock market drop / Low interest rates - dramatic decrease in ins. co. investment income while underwriting profits are too thin
- Sub-prime fallout will reduce insurable exposures and chance for growth
- Settling down of the AIG / Starr split
- Potential for company mergers or acquisitions that would reduce competition

# Marine Insurance – Hot Topics

## Other Marine Concerns

- A mega-containership loss (12,000+ TEU's) would drastically highlight the cargo markets' inability to track insured values and accumulation
- Vessel sizes and fleets growing - there is a shortage of qualified crew
- Slowdown of the economy and global trade (weak dollar / global recessions) will affect cargo insurance growth and results – so highlighting the thin profitability of other marine lines
- In times of weak economy, marine claims frequency and severity tend to increase

# Marine Insurance – Hot Topics

## Conclusions ?

- Unless there is a dramatic occurrence – then it's probably more of the same!
- Perhaps flattening market by end of 2009?
- So don't get too used to cheap premiums!