




CBMU
The Canadian Board of Marine Underwriters



The Canadian Board of Marine Underwriters

an active force in representing the goals and interest
of the Marine Insurance Industry in Canada.

President's Report - CBMU Fall Conference
28 November 2017
TORONTO

Isabelle Therrien, CBMU President



Happy



100th!



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The Canadian Board of Marine Underwriters

CBMU 100th Anniversary – May 25, 2017





A little Anecdote....

- CBMU officially joined IUMI in 1952 after the Board agreed to investigate (in 1951) the possibility of becoming a member. The first CBMU delegate to attend IUMI was the President J.A. Parker accompanied by his wife in 1953 to the San Sebastian, Spain conference. They sailed from New York on the new Italian Liner "Andrea Doria" (later to become a total loss in a collision with the "Stockholm" in 1956). After his return, Mr. Parker gave an enthusiastic report and the pattern was set to send a delegate every year!





1:00-1.15pm

President's Report

1:15-2:00pm

2016 Worldwide and Canadian Marine Figures

Isabelle Therrien, CBMU President, Falvey Cargo Underwriting
Matthew Lewis, CBMU Vice President, CNA Canada

2:00-2:45pm

Arctic Shipping

Julie Gascon, Assistant Commissioner Canadian Coast Guard

2:45-3:15pm

Legal Update/ Recent Cases

Peter Pamel, BLG Montreal

Coffee Break



3:30-4:00pm

Impact of Hurricane Harvey, Irma and Maria

Sean Dalton, MunichRe

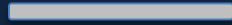
4:00-4:45pm

Latin America, an overview

Mariella Dauphinee, Intact Insurance



President's Report 2017



Our Agenda for Today

Report on IUMI 2017
Global Marine Insurance Market
Cargo & Hull Market and Results



President's Report

Review of CBMU activities in 2017



Canadian Market

CBMU and Canadian Underwriter Statistics

CBMU News





President

Isabelle Therrien – Falvey Cargo Underwriting

Vice President

Matthew Lewis – CNA Canada

Past President

Roger Fernandes – Great American Insurance Company

Secretary Treasurer

Halyna Troian – BB&C Management Services

Directors

- | | |
|--|--|
| • Patrick Barco, Burns & Wilcox Canada | • Steven Price, Travelers Canada |
| • Bryan Benson, Intact Insurance | • Dave Swindells, Zurich |
| • Lucie Chevette, CNA Canada | • Mike Wills, Eagle Underwriting Group |
| • Nick Ott, Liberty International Underwriters | |



Working Committees and Mandates

- *To monitor and report on actual or pending changes in Canadian maritime law with a view to keeping our members fully informed of the changes and trends which affect the legal environment within which we operate.*
- *To transmit the views of the CBMU Executive to Canadian Government officials so as to influence favorable development of Canadian maritime law. To act as liaison with the Canadian Maritime Law Association of which CBMU is a constituent member.*

Legislative

Chair: Keeley Wylie



- *To monitor and comment on issues which pertain to marine cargo, hull and yachts, and to report and provide recommendations to the marine insurance community.*

Underwriting

Chair: Mark McNeil



- *To monitor and comment on issues which pertain to marine loss prevention, and to report and provide recommendations to the marine insurance community.*

Claims and Loss Prevention

Chair: Rory Barnable





Working Committees and Mandates

- *To plan and deliver an annual program, including seminars, Spring and Fall Conferences, offering continuing education events that further the professional goals of the CBMU membership.*
- *Joint CBMU/Insurance Institute of Canada Committee on re-writing the marine insurance course materials*
- *Providing Canadian commentaries to the updates and new editions of the marine insurance text books from the UK*
- *Setting and marking exams for the IIC marine courses*

Program and Education

Chair: Danielle Jackson



- *To develop and implement the effective communication network to keep all target audiences (including members, prospects, allied organizations, government and general public) informed of the CBMU activities.*

Communications

Chair: Melissa Cleary



- *To plan and organize social events that will foster industry networking opportunities catering to the needs and interest of the membership.*

Social

Co-Chairs: Patrick Barco
& Nick Ott





CBMU Corporate Members

AIG Global Marine
Allianz Global
Berkshire Hathaway Specialty Insurance
Burns & Wilcox Canada
CHUBB
CNA

Eagle Underwriting Group
Falvey Cargo Underwriting
Great American Insurance Company
Harlock Murray Underwriting
HDI Global SE Canada Branch
Intact

22
members

Liberty IU
Lloyd's Canada Inc.
Markel Canada
Munich Re
Northbridge General Insurance

Royal Sun Alliance/Coast Underwriters
Swiss Re Corporate Solution
Travelers Insurance Company
XL Insurance Company
Zurich Insurance Company



CBMU Associate Members

Adjusters

Braden Marine Inc.

ClaimsPro Inc.

Ian W. Fraser Inc.

Insurance Brokers

AMBRI Assurances Inc.

Aon Reed Stenhouse Inc.

Arthur J. Gallagher Canada Limited

BMS Re

HUB International

Integro Canada Ltd.

Marsh Canada

McLean Hallmark Insurance Group Ltd.

Nacora Insurance Brokers

Osborn & Lange Inc.

Vericclaim Canada

Lawyers

Alexander Holburn Beaudin & Lang LLP

Bernard LLP

Bersenas Jacobsen Chouest Thomson Blackburn

Borden Ladner Gervais LLP

Cox + Palmer

Cozen O'Connor

Davies Ward Phillips & Vineberg

De Man Pillet

Denton Canada LLP

Faguy & Co.

Fernandes Hearn LLP

Gasco Goodhue St-Germain

Giaschi & Margolis

Gibson Robb & Lindh LLP

Isaacs & Co.

Koskie Minsky LLP

Metcalf & Company

Navilex Inc.

Oland & Co.

Ritch Williams & Richards

Robinson Sheppard Shapiro

ROUTE Transport & Trade Law

Stikeman Elliott LLP

Whitelaw Twining



CBMU Associate Members

Service Providers

Oceanwide
World Assurance

Partner Associations

AIMU

CMLA

IUMI

MIABC

The Association of Average Adjusters of the United States and Canada

Surveyors

AVA Marine Group

Baxter Marine Services Inc.

Bay Pilots & Marine Consultants Inc.

Braemar

Charles Taylor Adjusters

Campbell Insurance Surveys

Coastwise Management Inc.

Demers Insurance Adjusters Inc.

Fulcrum Marine Consultancy Ltd.

Hayes Stuart Inc.

North American Marine Inc.

Regional Reporting Inc.

Society of Accredited Marine Surveyors

Universal Marine Consultants (Atlantic)



- Economy hitting it “out of the park”
- Project GDP growth of 3.1% in 2017
- Increase in consumer spending, business investments
- Increase in price of oil
-  = \$0.80 US
- Canadian-European Union Free Trade Agreement (CETA)



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On July 20th, Davie unveiled the MV Asterix, the largest naval ship to be built in Canada and the first naval ship to be built in Canada in over 20 years.

The Resolve-Class naval support ship will be the largest naval platform in service with the Royal Canadian Navy for the foreseeable future and will provide a wide range of functions from at-sea replenishment of fuels and cargo to aviation support, fleet medical support and humanitarian and disaster relief.



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Compulsory Insurance Ships
Carrying passengers
C\$250,000 per passenger



Proposed Wreck Removal
Legislation (Bill C-64)
Bringing the Nairobi Convention
into law in Canada



Polar Code
Entered into force
internationally on
1 January 2017



Natural Catastrophes





Report on IUMI 2017

IUMI 2017 TOKYO



Disruptive Times-Opportunity or Threat for Marine Insurers

- 34 Member Associations represented
- 504 Attendees

CBMU Delegation

Isabelle Therrien

Mariella Dauphinee

Mark McNeil

CBMU President/ Cargo Committee Vice Chair

Loss Prevention Committee Member

2017 IUMI Bursary Recipient





IUMI 2019



IUMI
TORONTO 2019



TORONTO 15-18 September 2019

15 - 18 SEPTEMBER

IUMI
TORONTO 2019

MAIN VENUE

15 - 18 SEPTEMBER

IUMI 

TORONTO  2019



Fairmont
ROYAL YORK



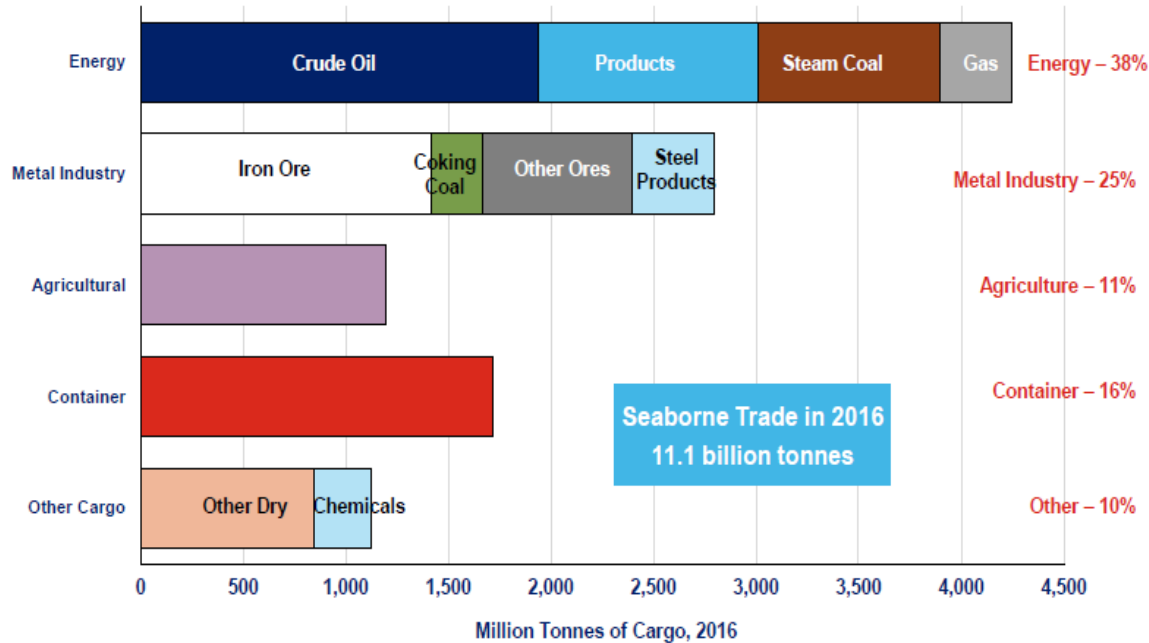


2016 Global Marine Insurance Market

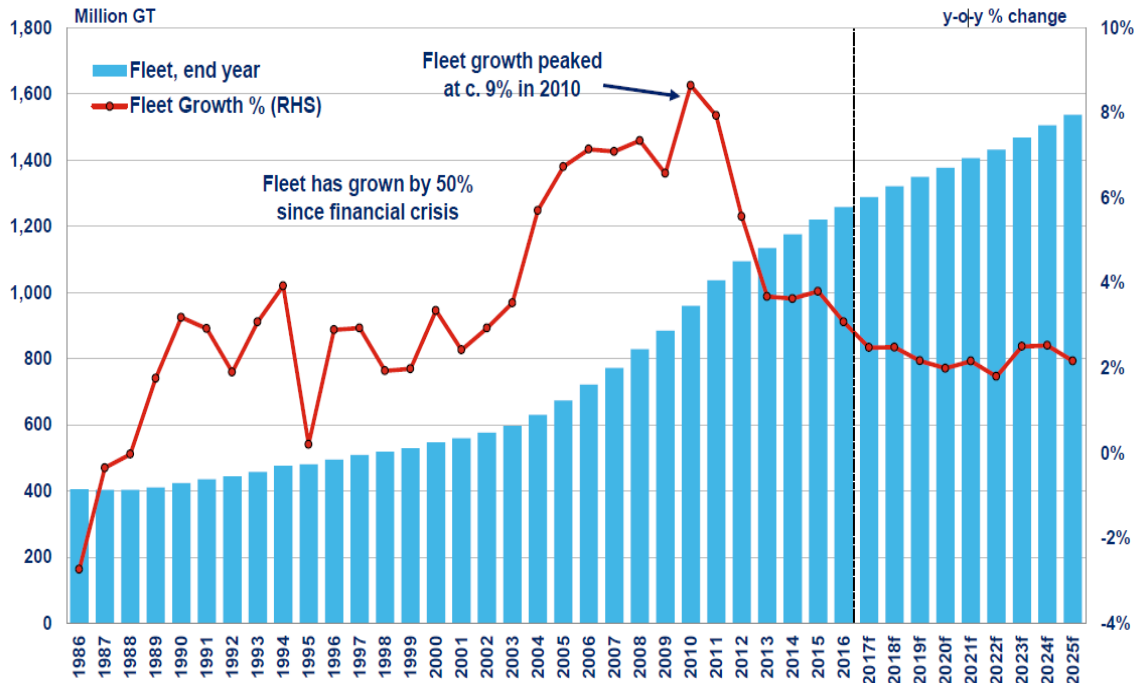


Data sourced from IUMI 2017 Facts and Figure Committee Presentation

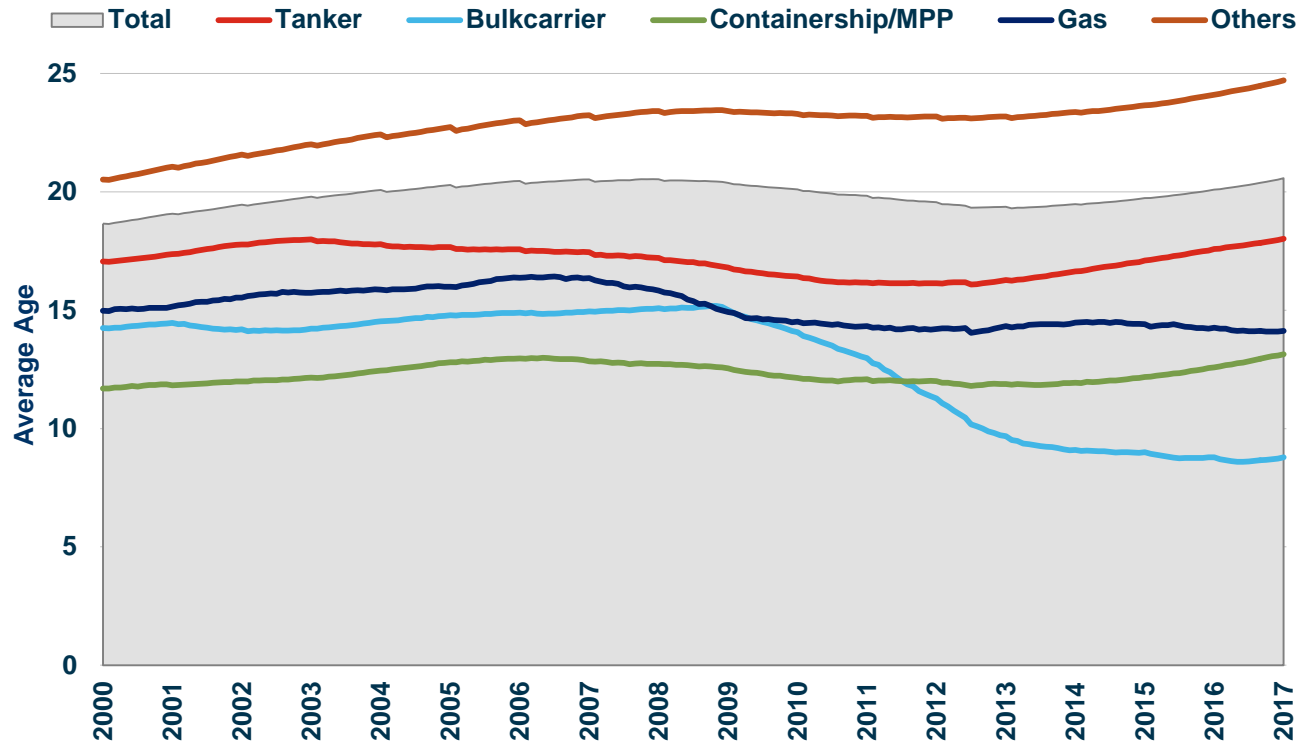
Global Seaborne Trade by Main Commodity



World Fleet Growth Easing



Average Age of the World Fleet



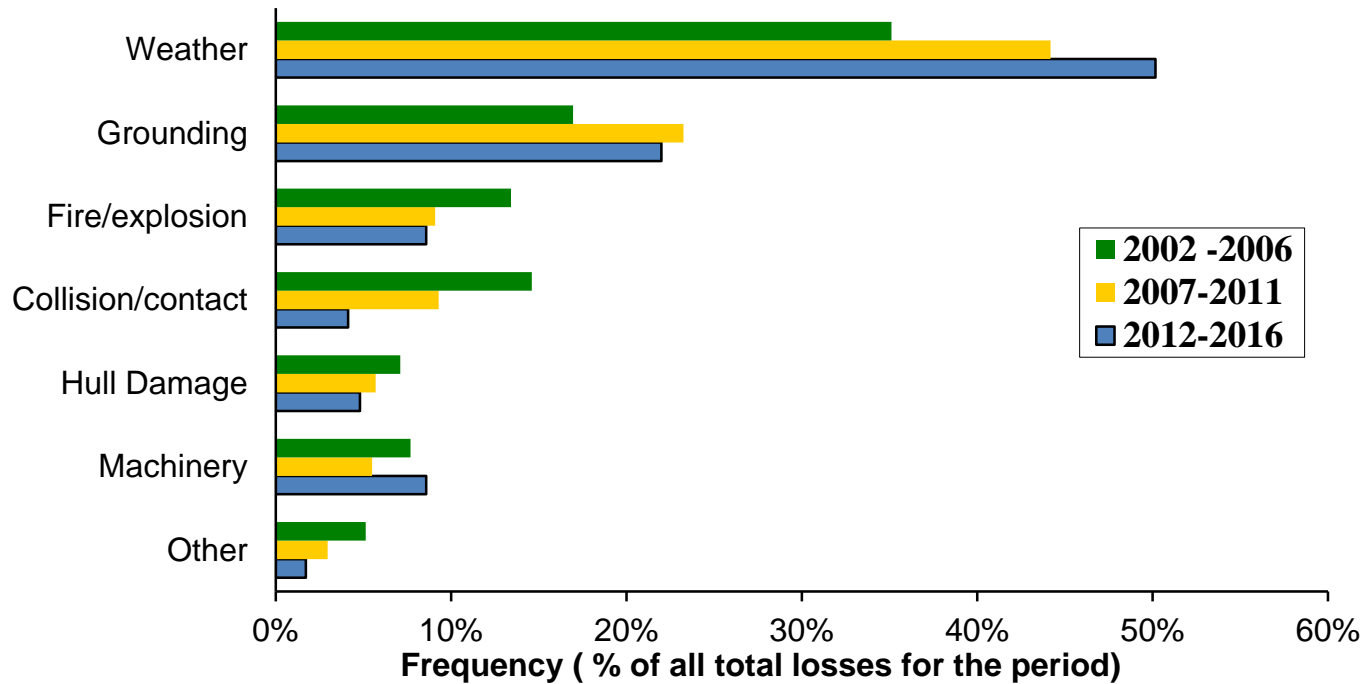
Source: Clarksons Research, January 2017

Note (1): Includes all vessels in these categories above 100 GT.

Note (2): Average age is calculated using number of vessels. Calculations are based on year and month of build.

Total Losses 2000 – 2016

By Cause, All Vessel Type
(vessels > 500 GT)

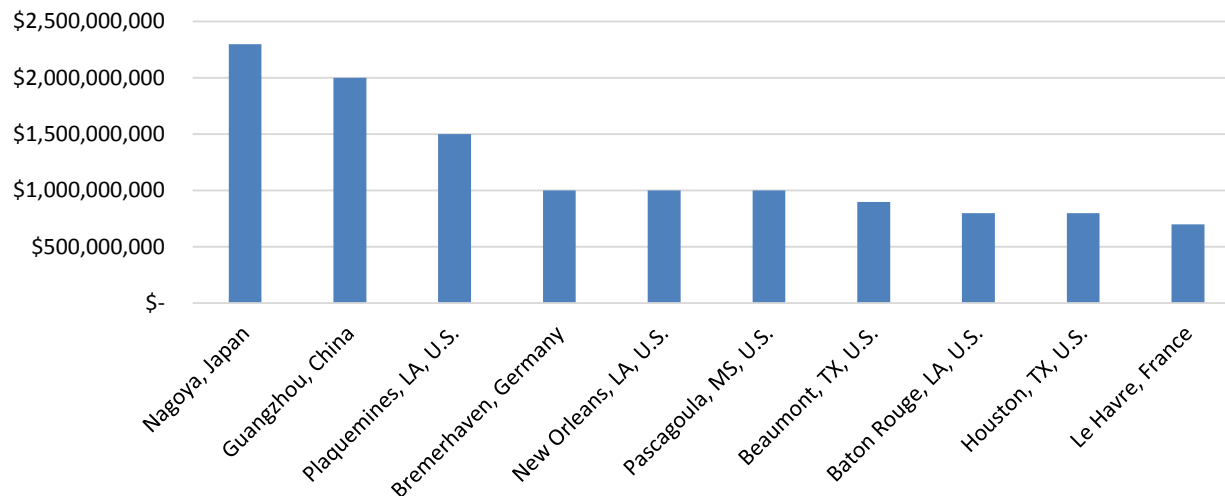


Marine Top Risk Accumulation in Ports

(1 in 500 year modelled catastrophe loss for earthquake, wind, and storm surge perils)

Estimated Marine Cargo Loss

Ports at risk for highest losses

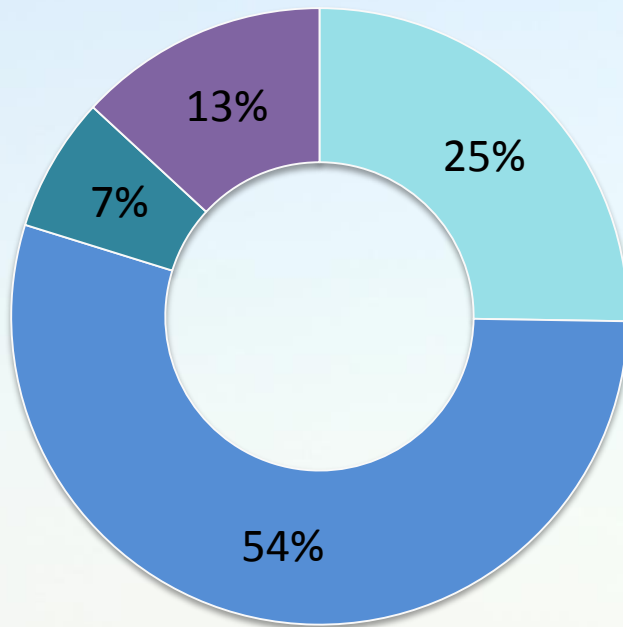






- Not just the biggest container hubs have a high risk of loss, but also smaller ports due to their cargo type and the natural hazards they face
- No strong correlation between port's size and its catastrophe loss potential
- The modeling takes into account: cargo type (e.g. autos, bulk grains, electronics specie), precise storage location (e.g. coastal, estuarine, waterside or within dock complex), storage type (e.g. open air, warehouse, container – stacked or ground level), dwell time (which can vary due to port automation, labor relations and import/export ratios)



Total Estimate \$27.5B USD

 9% from 2015 to 2016



-  Global Hull
-  Transportation/Cargo
-  Marine Liability
-  Offshore/Energy



Europe
50.2%

Asia Pacific
27.9%

LATAM
9.5%



North
America
5.6%

Other
6.8%



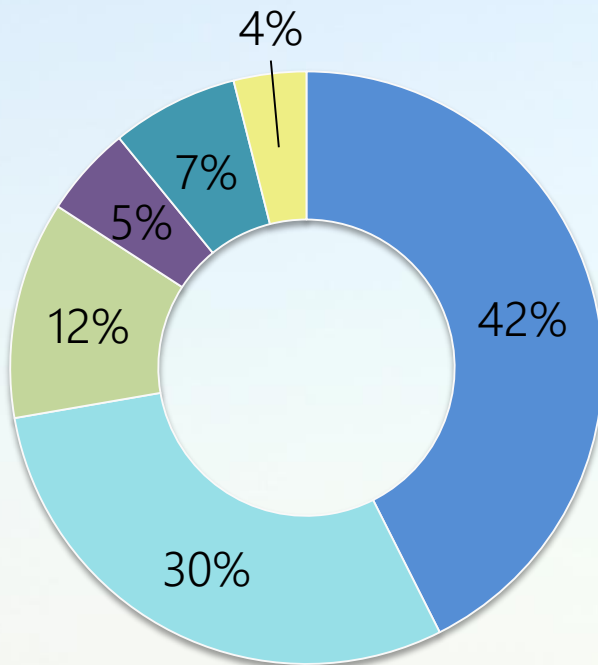
Global Cargo Results 2016



Total \$15B USD



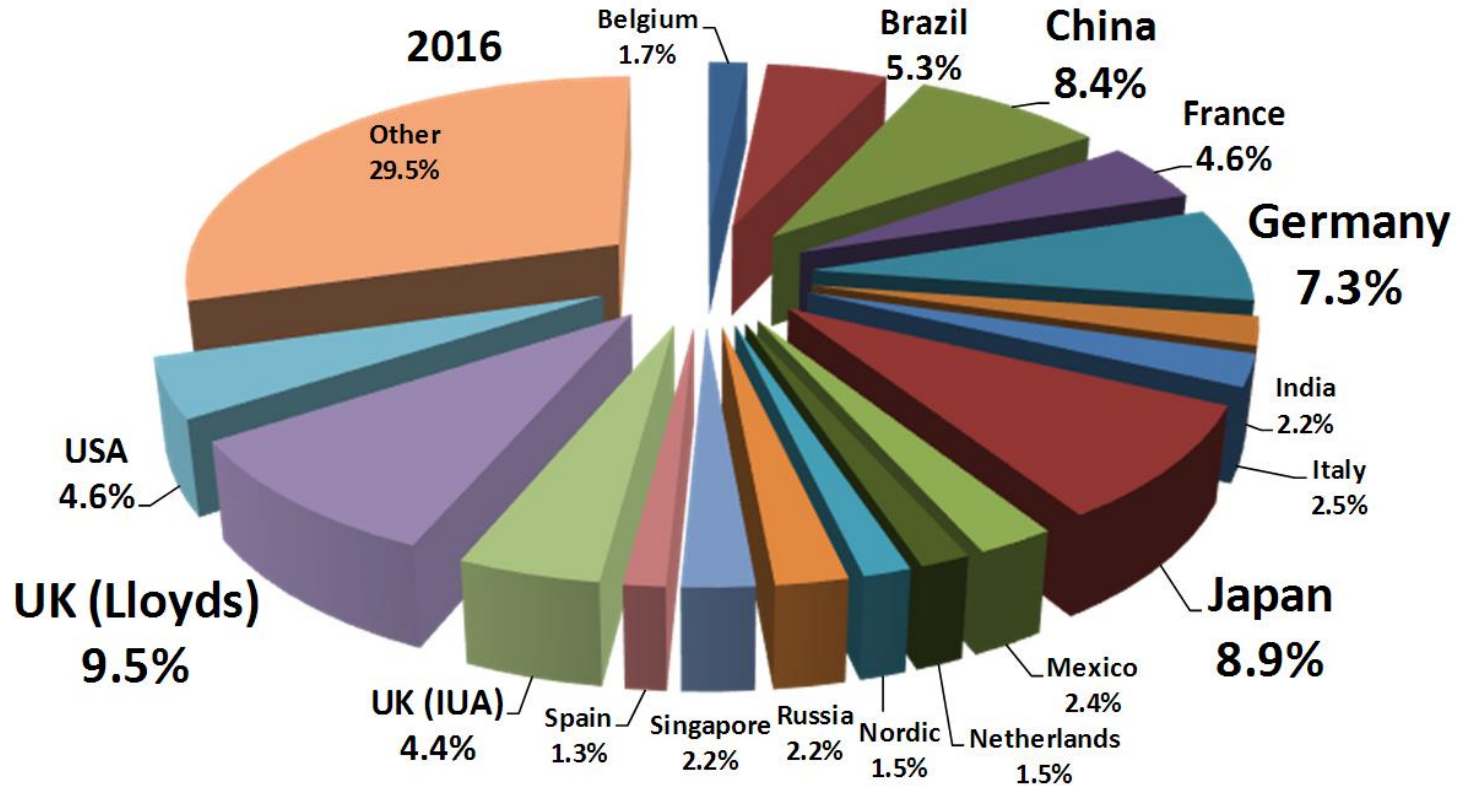
6% from 2015 to 2016



- Europe
- Asia Pacific
- Latin America
- North America
- Middle East
- Africa



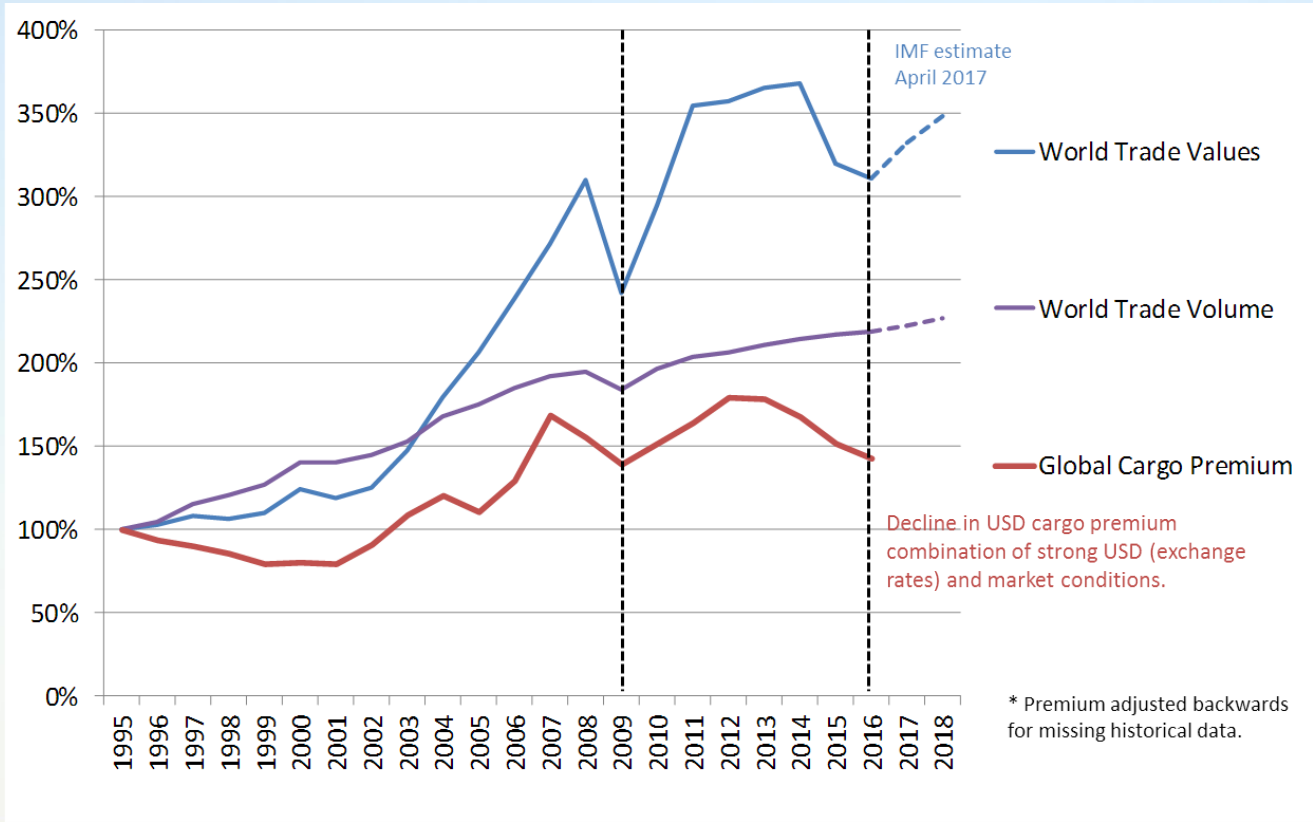
Global Cargo Premium 2016 (By Market)





World Trade Values and Exports

Index of evolution 1995 = 100%





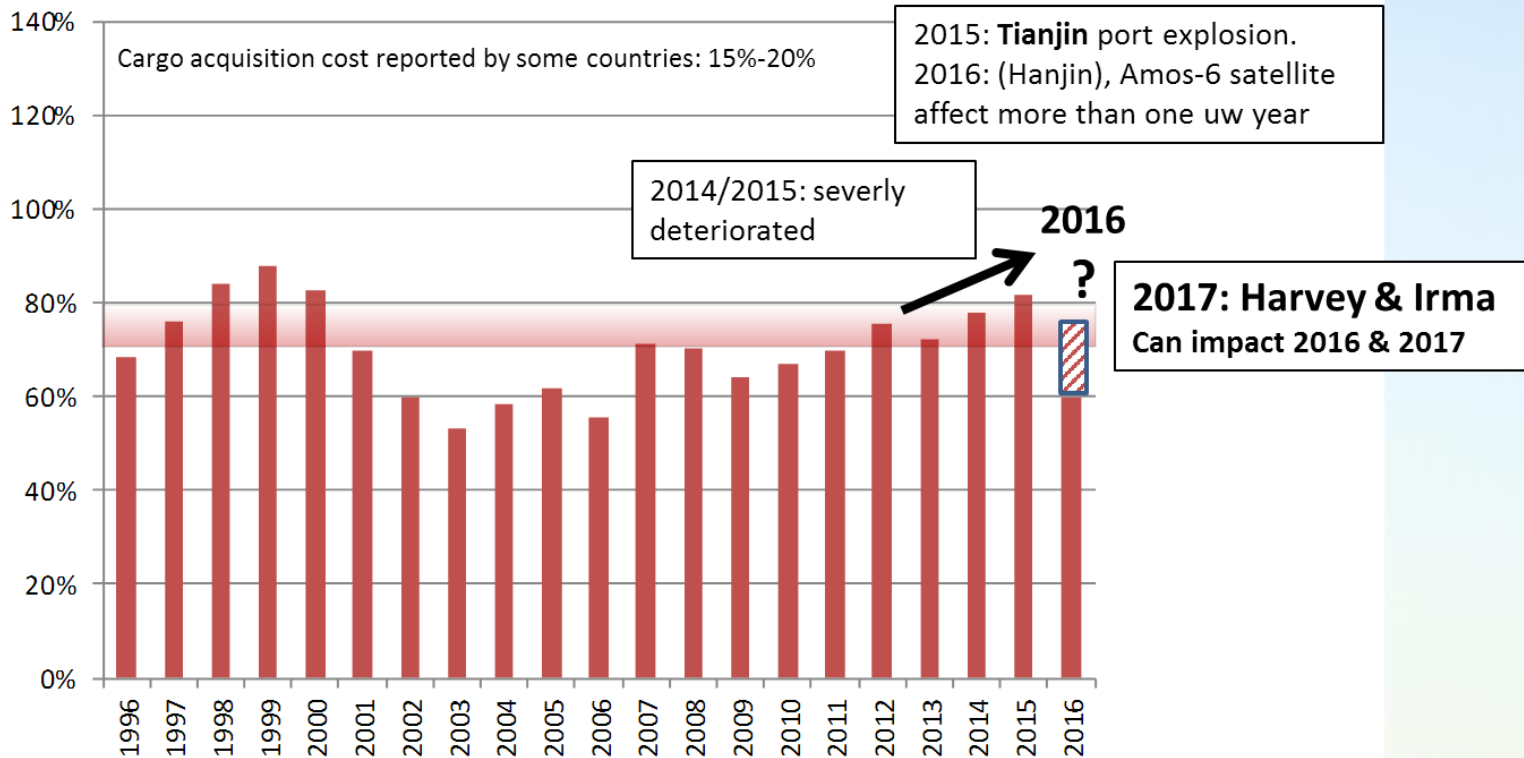
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And then...There's the Cargo Loss Ratio!





Cargo Gross Loss ratio (UW Years 1996-2016 **)

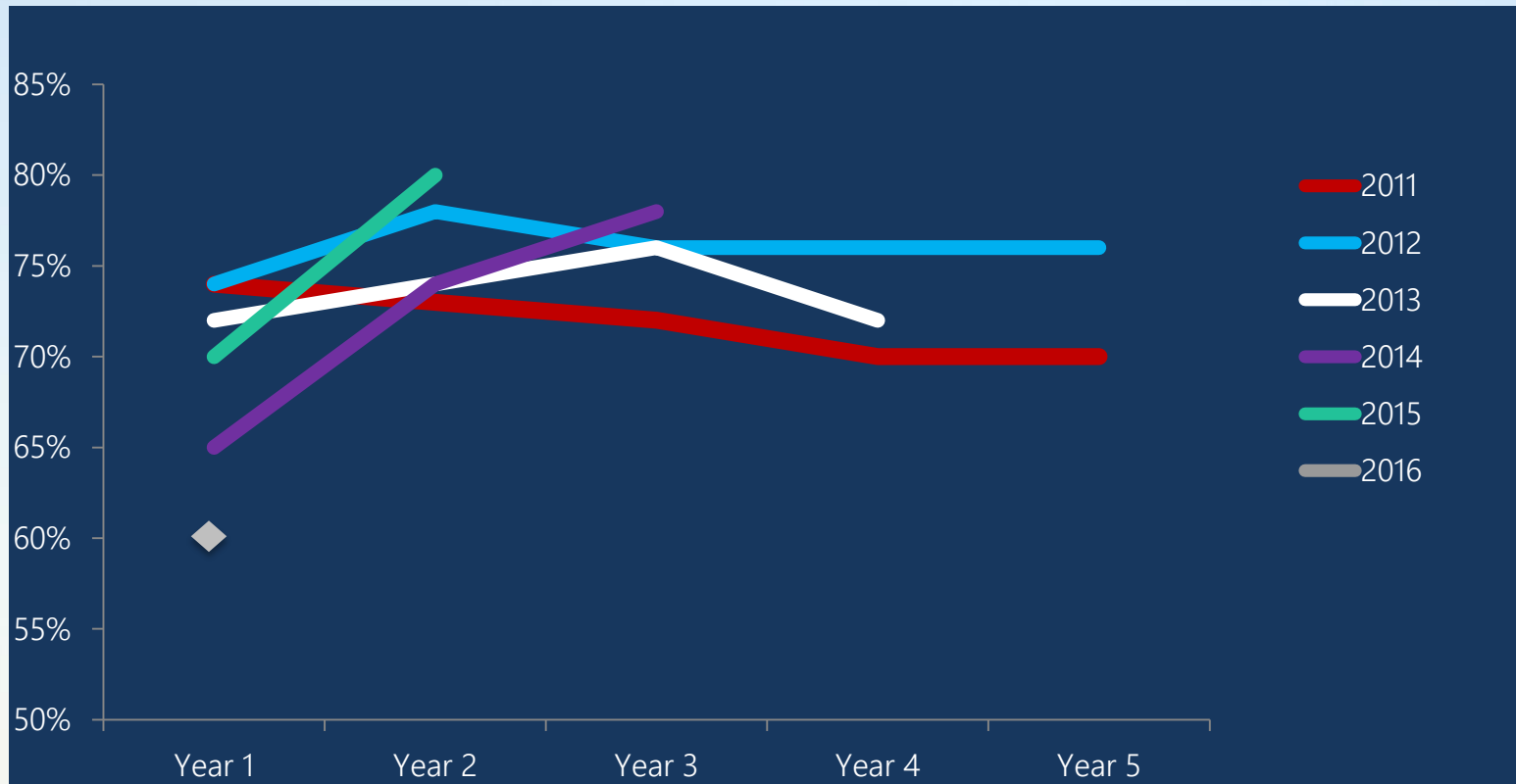


* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

** Data: Belgium, France, Germany, Netherlands, Italy, Spain (until 2007), UK, USA



Cargo Loss Triangulations (UW Years 2011-2016)





Cargo Conclusions



1 Growth

Cargo decrease in premiums and currency fluctuation are negatively affecting growth



2 Results

Tianjin loss affecting 2014 and 2015 UW years
Amos 6, Hanjin and HIM will affect 2016 & 2017



3 Claims

Tianjin port explosion potentially the largest single cargo loss in history
Risk of costly Cargo claims expected to increase



4 Outlook

Better outlook than last year with synchronized global growth (China, Europe, North America) but still uncertain outlook

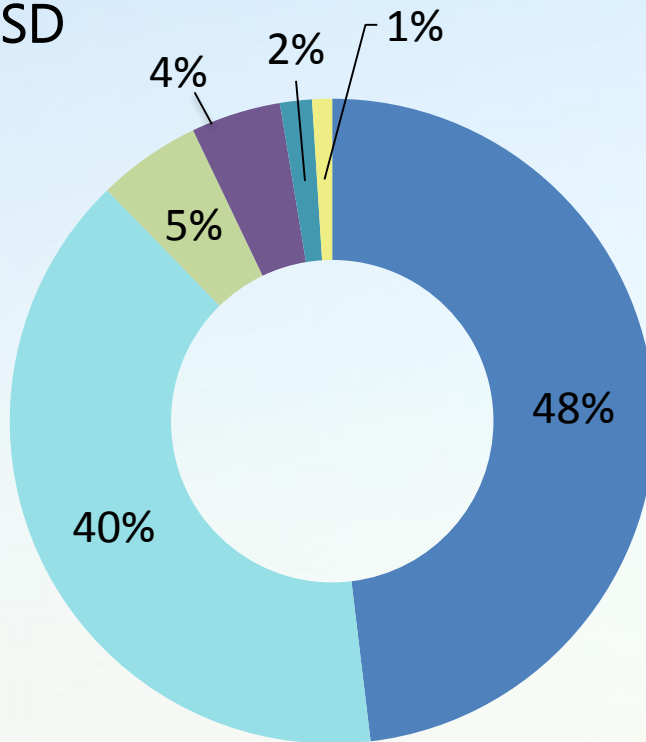


Global Hull Results 2016





Total \$7B USD

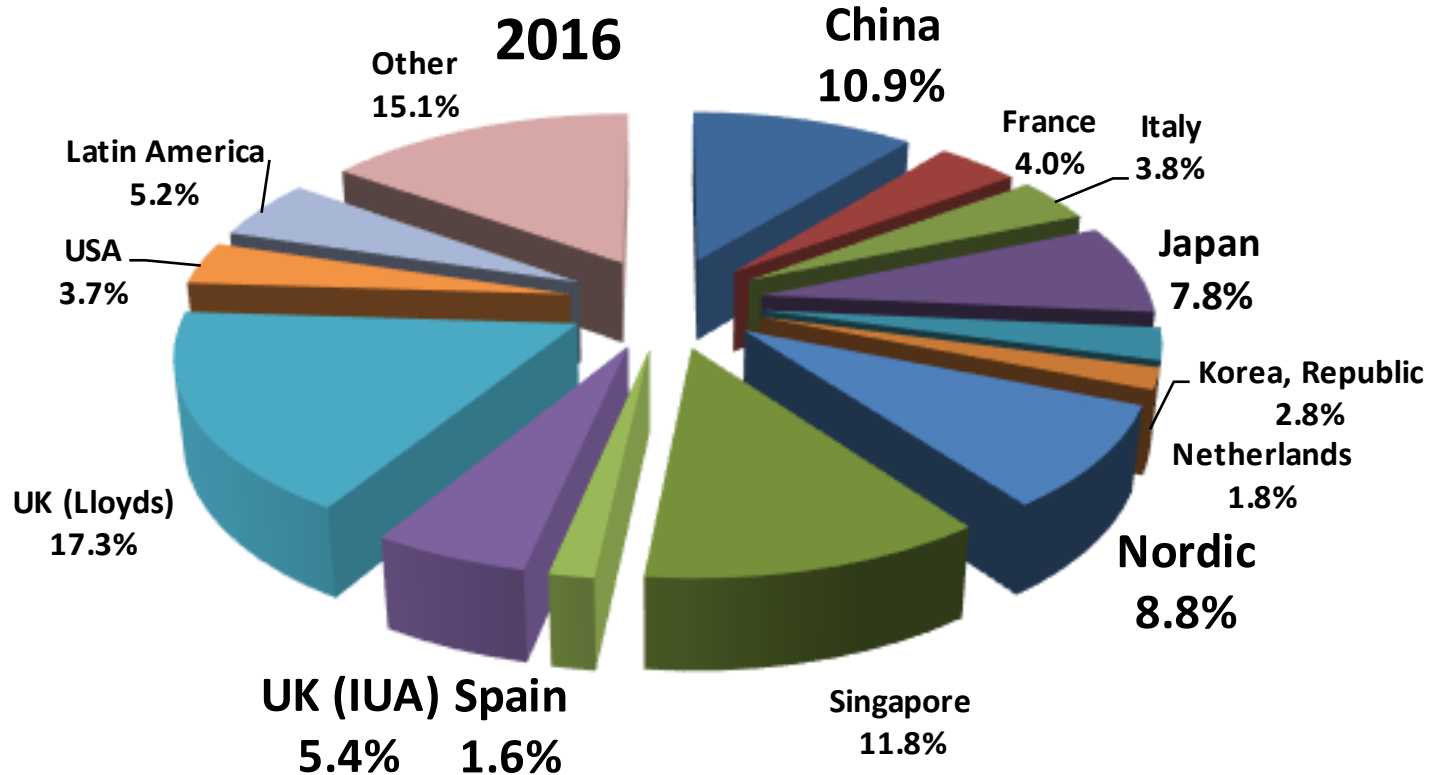


10% from 2015 to 2016

- Europe
- Asia Pacific
- Latin America
- North America
- Middle East
- Africa



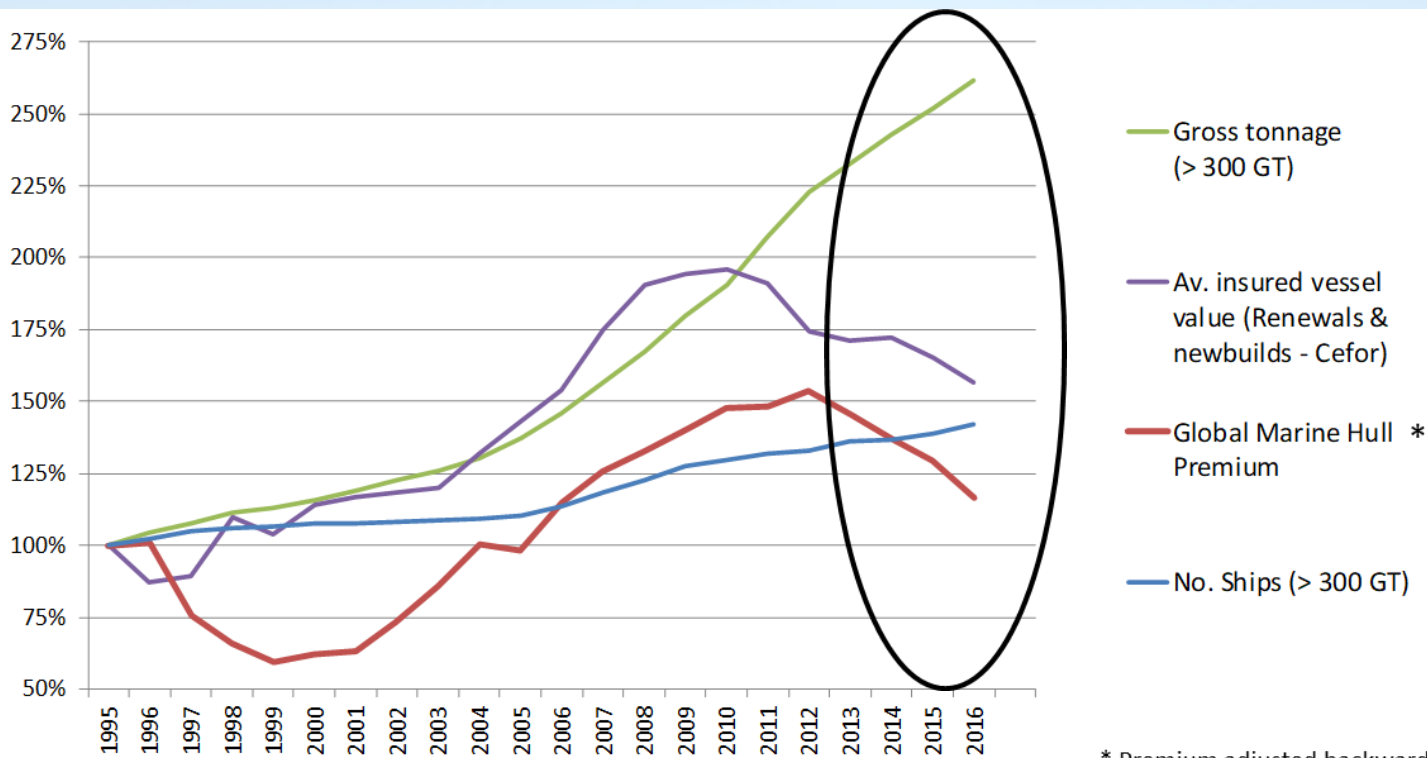
Total estimate 2016: USD 7 billion





Hull Premium / World Fleet

World fleet continues to grow, especially in tonnage. Hull premium deteriorates in line with ship values (FX has less impact)



* Premium adjusted backwards for missing historical data.



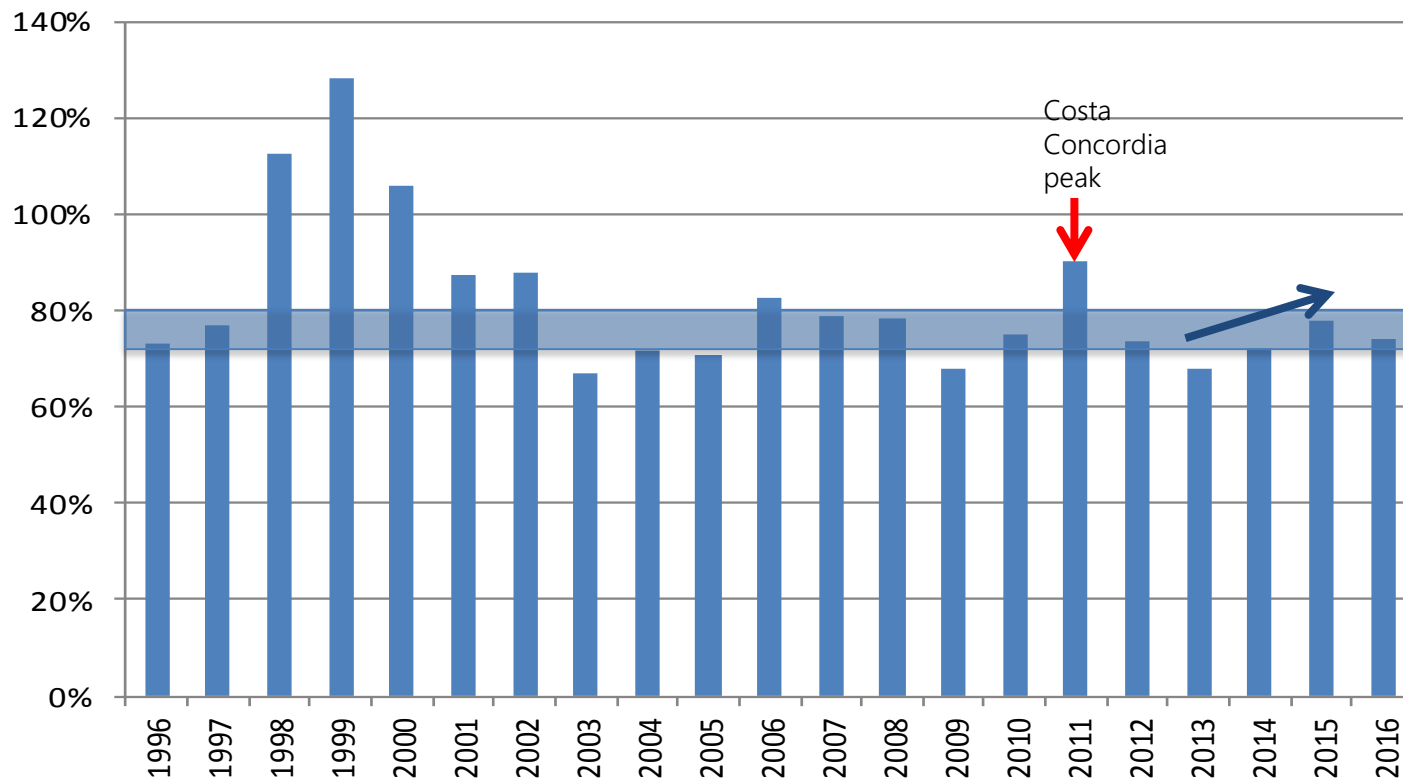
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And then...There's the Hull Loss Ratio!





Hull – Ultimate Loss Ratio* (UW Years 1996-2016**)



Hull acquisition cost as reported by some countries: 12%-18%

2013/2014: Low number of major losses but 2014 deteriorated above average (2015 major losses).
2015: Impacted by major losses and deteriorating premiums.
2016: Slightly below 2015 at end of Year 1

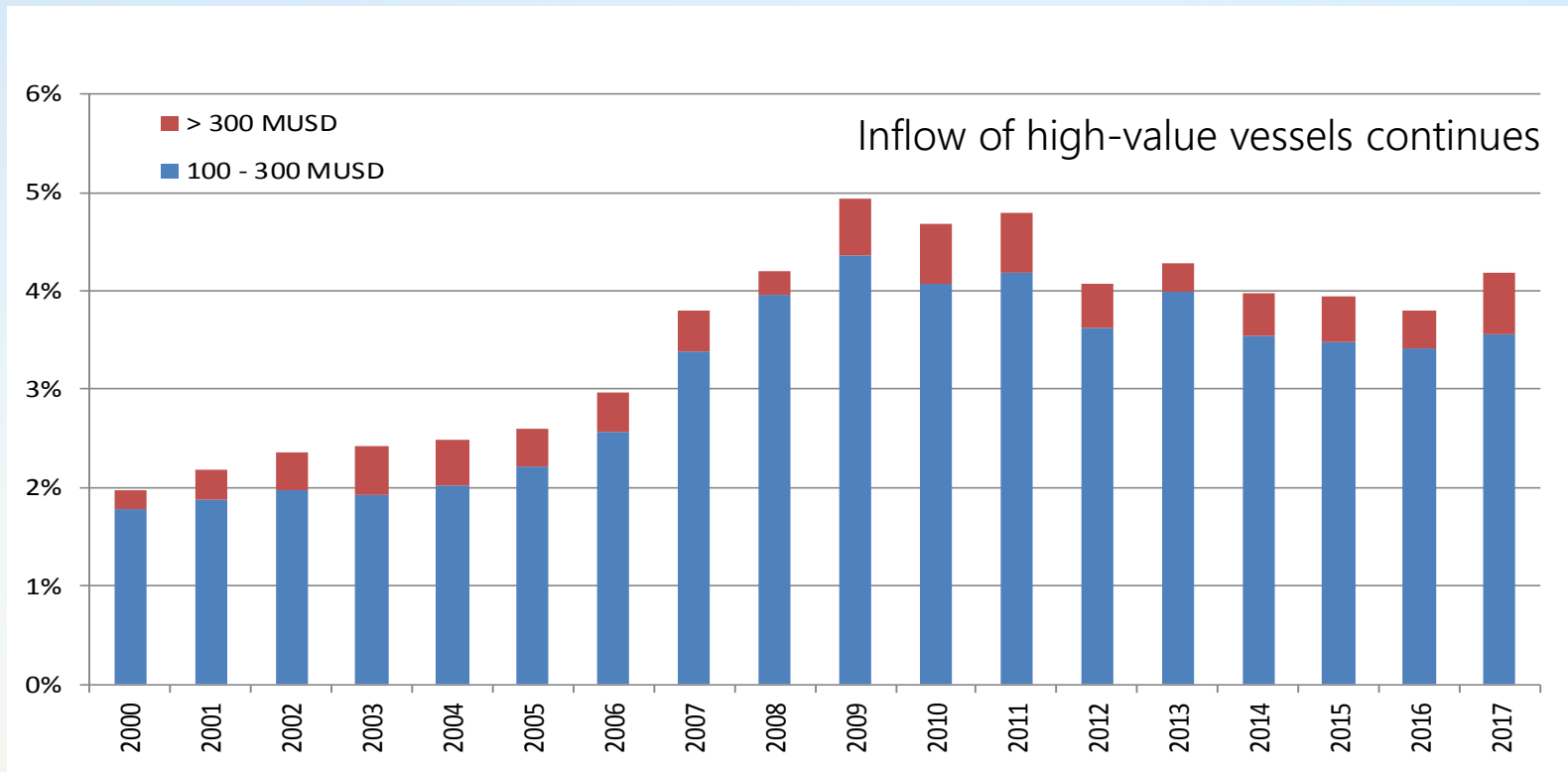
* Technical break even: gross loss ratio does not exceed 100% minus the expense ratio (acquisition cost, capital cost, management expenses)

** Data: Belgium, France, Germany, Italy, Spain (until 2007), UK, USA



Hull Market Trends and Conclusions

Portfolio share of ships with values xs USD 100 million



Source: Nordic Marine Insurance Statistics (Cefor) as of June 2017



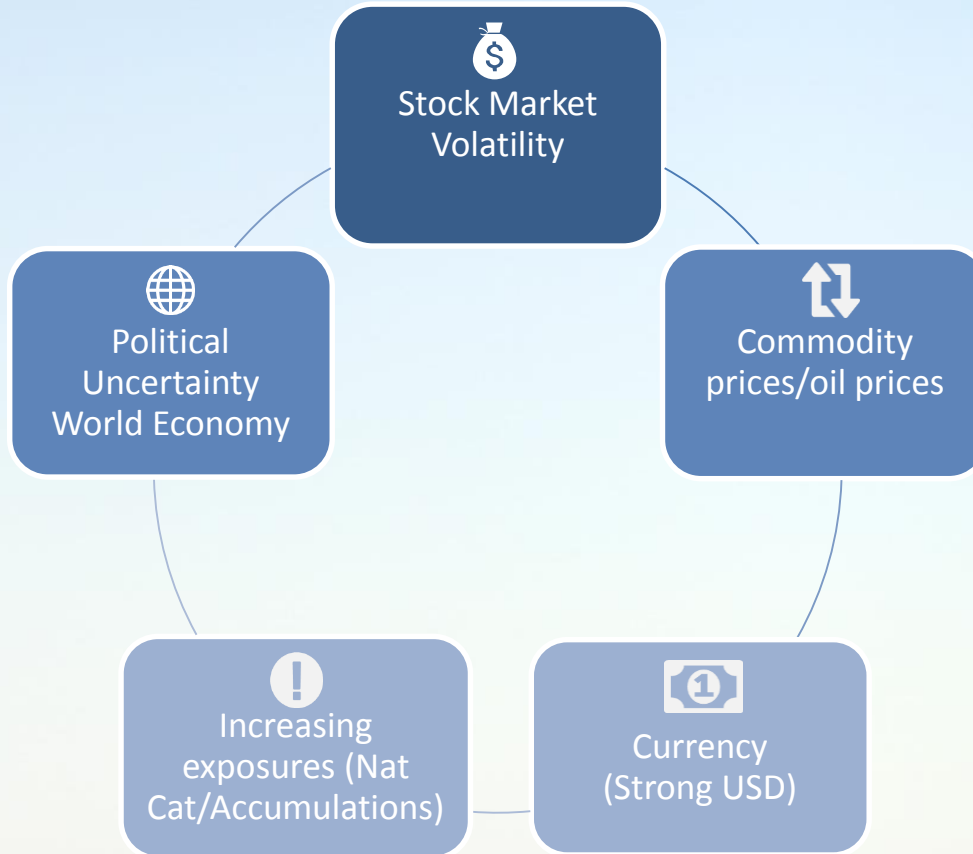
Hull Market : Trends and Conclusions



- World fleet is continuing to grow
- Insured values: inflow of high value vessel continues and outweighs the reduction in value of aging fleet
- Hull premium deteriorating despite losses. Effect of FX is minimal
- Total losses: Long term downward trend
- No major loss in 2016. Volatility driven by major losses



Marine insurance market is challenging





Canadian Marine Insurance Market

2016 Results



Source Canadian Underwriter Statistical Issue 2016

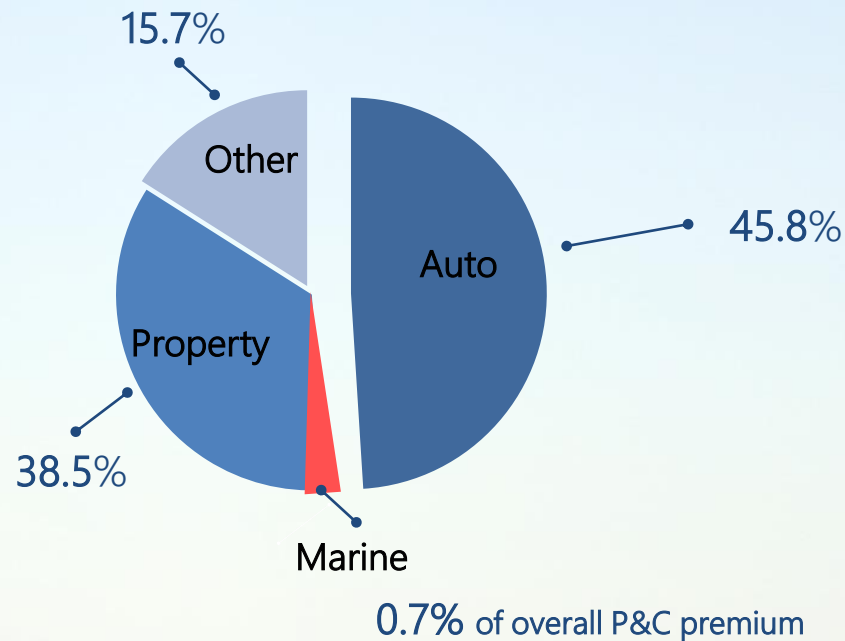
\$45.95B (Net Written Premium)



THE MARINE PREMIUM IS
CLASSED UNDER PROPERTY

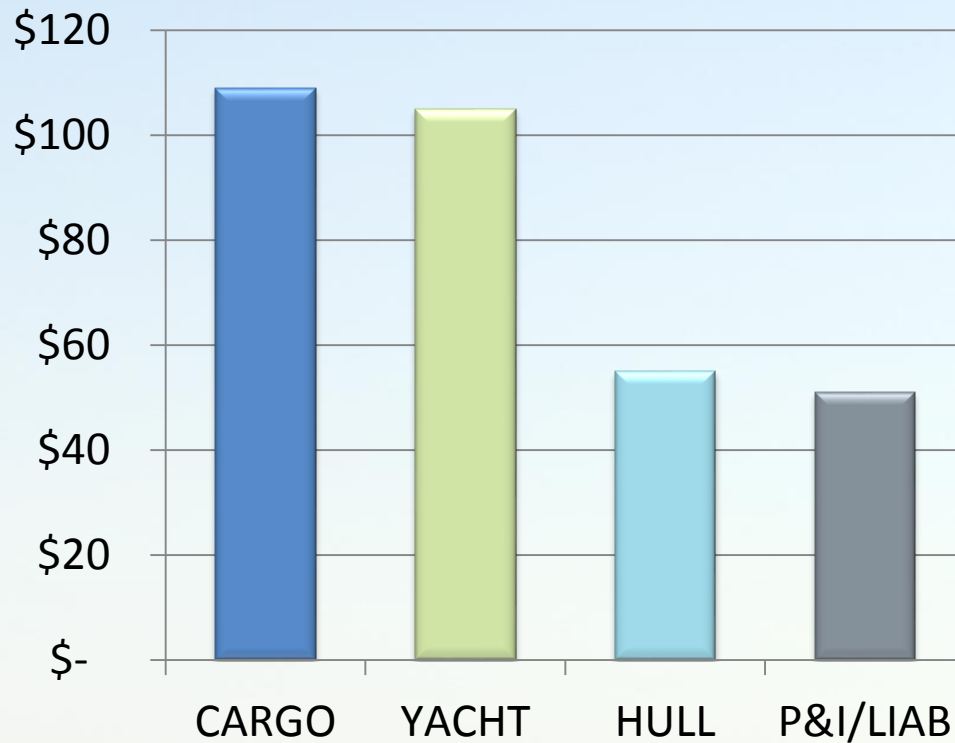
Marine Insurance Premium (NWP)
CAD \$323,595,000

*(1.83% of Net Earned Property premium of CAD \$17.69B)





2016 Net Canadian Marine Premium



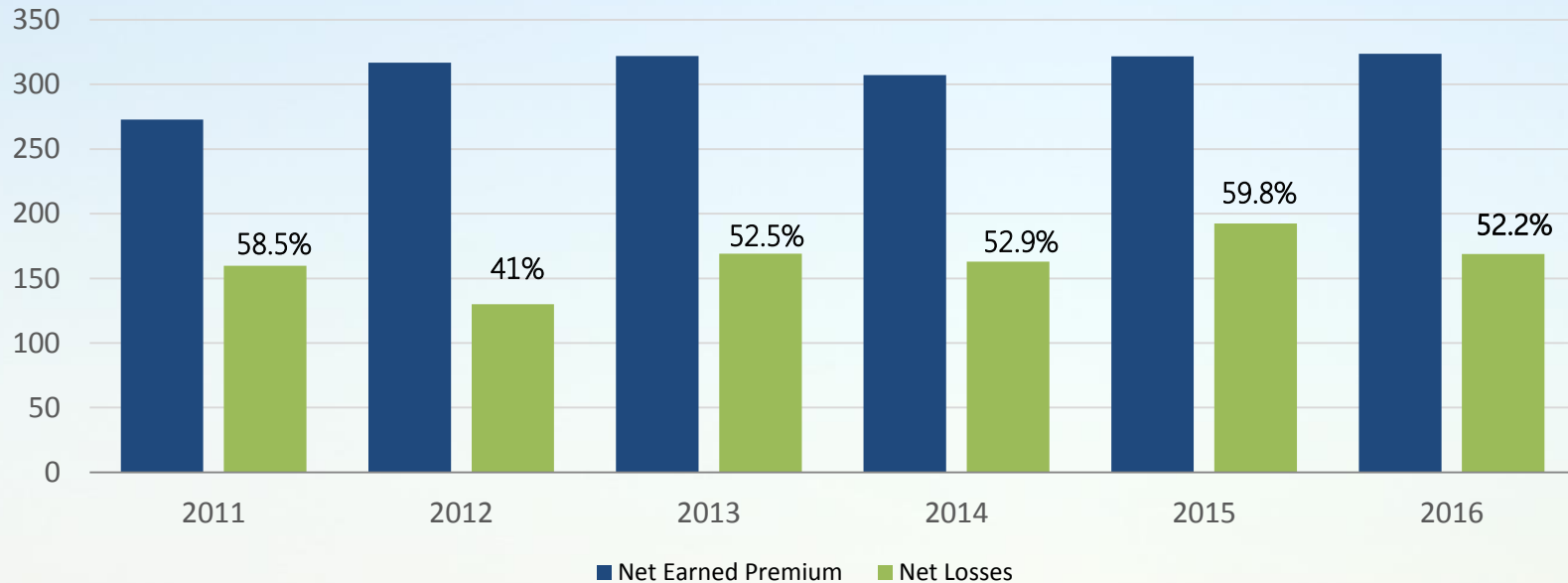
Total Net Premium: \$323.5M_{CAD}

Cargo	\$110M
Yacht	\$107M
Hull	\$55M
P&I/Liabilities	\$51.5M



Net Marine Premium/Losses – All lines Combined

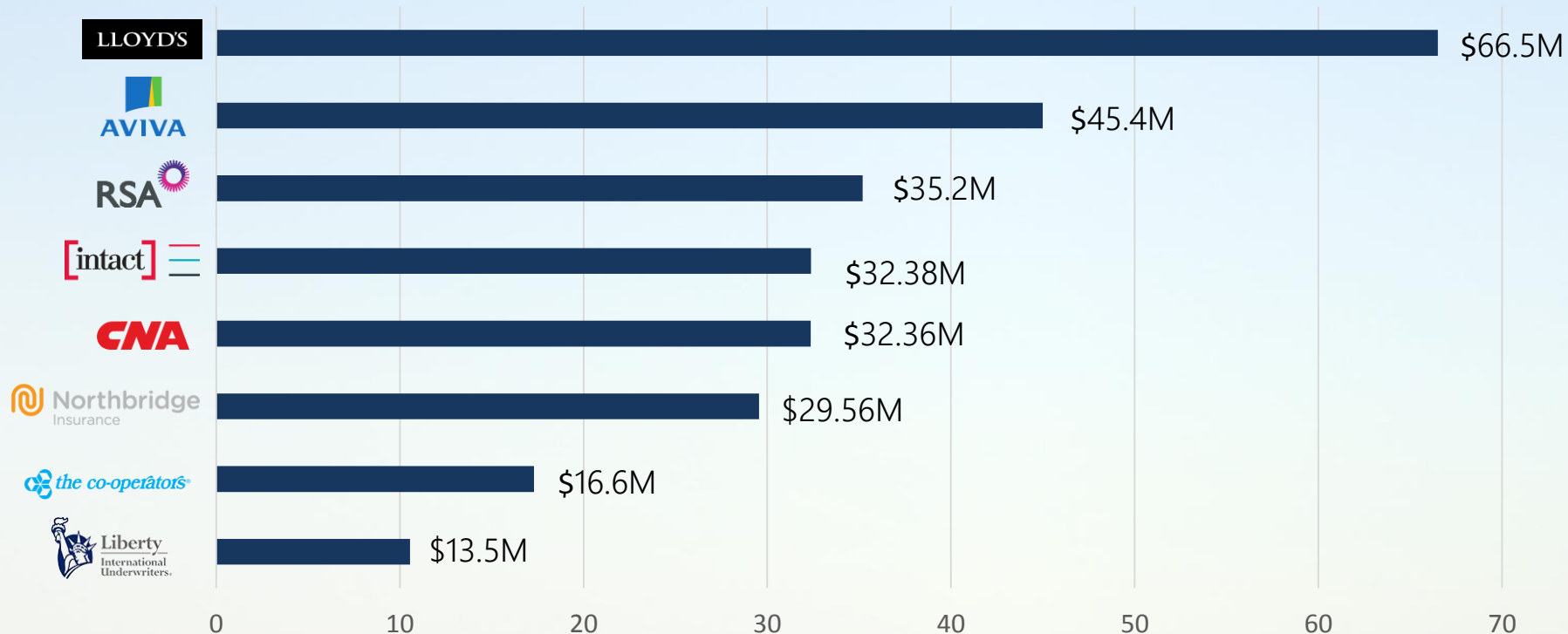
(Canadian Underwriter, 2016 MSA Research & CU)





2016 Canadian Marine Results

2016 Net Marine WP > \$10M – All lines (in Millions) – CANADIAN UNDERWRITER





Canadian Market by Line of business

- Competitive
- Capacity
- RI increases after HIM losses – impact on C/Rs – rate increase anyone?
- Is CAT cover on stock still free?

Cargo



- Aging fleet
- Losses
- Rates depressed
- What risk control?
Can't rely on TC anymore for surveys

Hull/P&I



- Losses
- Higher repair costs
- Capacity?
- Disruption following HIM losses
- Beware of cheap US imports

Yachts



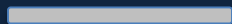
- Higher limits
- Capacity
- Competitive Pricing
- Disconnect between contracted liability and insurance cover
- Mind the gap!

Liabilities





News





- Awarded this year to **Mark McNeil** of Coast Underwriters in Halifax. Mark attended the IUMI Tokyo conference in September.
- Award will be made available again in 2018 for the IUMI Cape Town Conference. Applications will be received between April 1st and May 15th 2018



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CBMU FIRST Volunteer Day

The Mission to Seafarers strives to meet the needs of all seafarers and their families, irrespective of faith or cultural background. *Its simple mission is to care for the shipping industry's most important asset: its people.*

December 5th 2018

Toronto Mission to Seafarers
CBMU Volunteer Day



**Caring for seafarers
around the world**



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CBMU Spring Conference
Niagara-on-the-Lake, May 23-24, 2018



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Thank you!