2018 Global Marine Insurance Market

Data sourced from IUMI 2019 Facts and Figure Committee Presentation

Global Marine Marine Insurance Report

Please Note & Disclaimer

Figures reflect the 2019 state of reporting and will change retrospectively. Some figures are estimates.

For comparison purposes, therefore compare the updated premiums and loss ratios at www.iumi.com !

All information given is of informational and non-binding character.

Figures related to the marine market's performance reflect market averages.
They do not disclose single companies' or local markets' results. As with all averages, individual underwriting units may out- or underperform compared to the average.

IUMI's aim is to provide information as available and raise consciousness for the importance of a fact-based evaluation of the risk exposure covered – and inspire everyone to do their own critical evaluation of real and seeming facts.

Big thanks to Astrid Seltmann
Analyst/Actuary, The Nordic Association of Marine Insurers (Cefor)
Vice chair, IUMI Facts & Figures Committee

Global Marine Marine Insurance Report

Market overview Income by line / by region

Cargo Premiums / Loss ratios

Hull Income / Vessel values / Claims / Loss ratios

Canada Premiums / Loss ratios / Market View

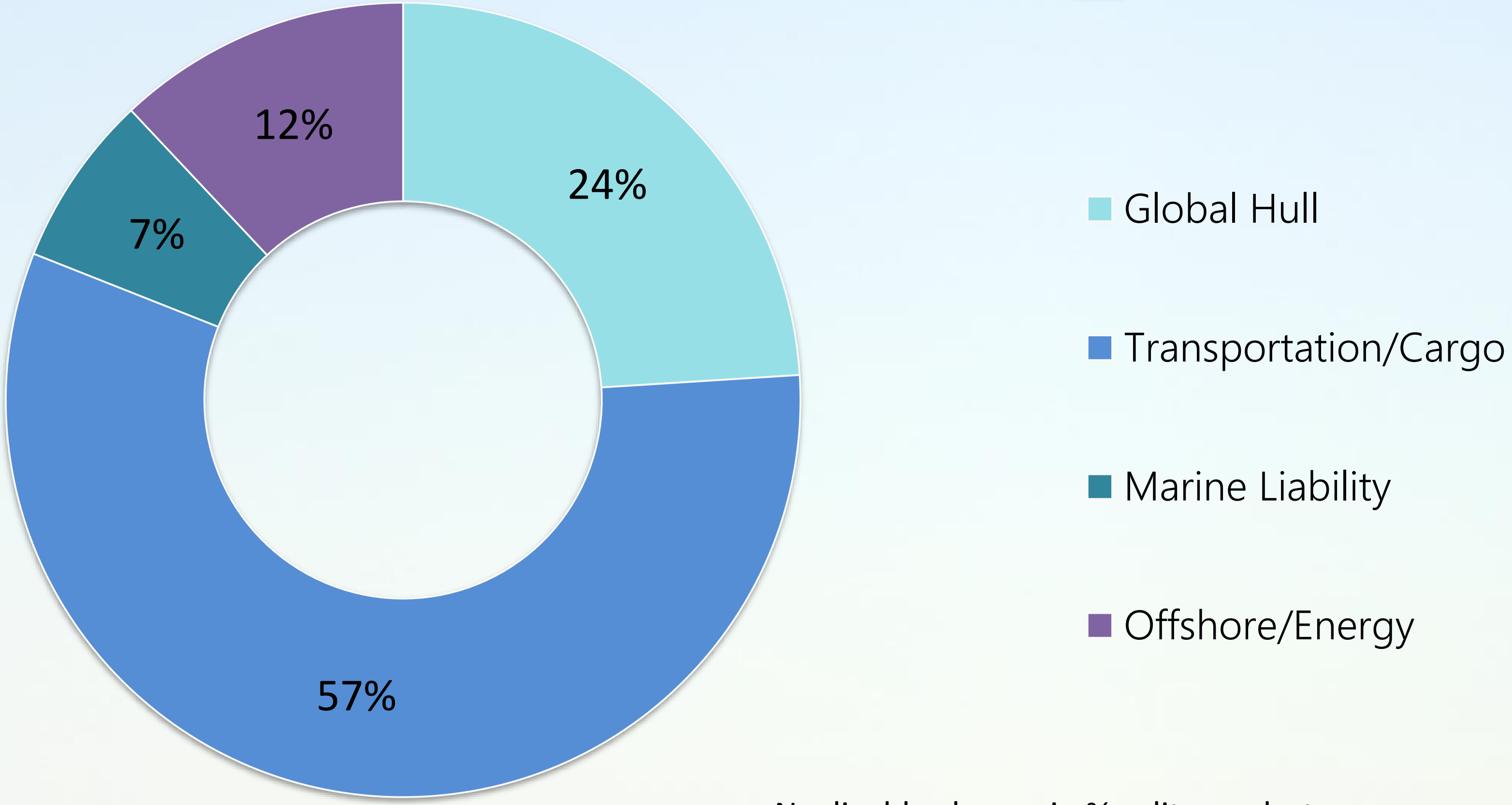
Additional data (https://iumi.com/statistics)
Marine premiums by line of business by Country
Loss ratios triangulations Hull, Cargo, Energy

Global Marine Premium 2018 (By Line of business)

CBMU
The Canadian Board of Marine Underwriters

Total Estimate $28.9B USD

1% from 2017 to 2018



Negligable change in % split over last year.

CBMU
The Canadian Board of Marine Underwriters

Global Marine Premium 2018 (By Region)

Europe
46.4%
(49.2% in 2017)

Asia Pacific
30.7%
(29.2% in 2017)

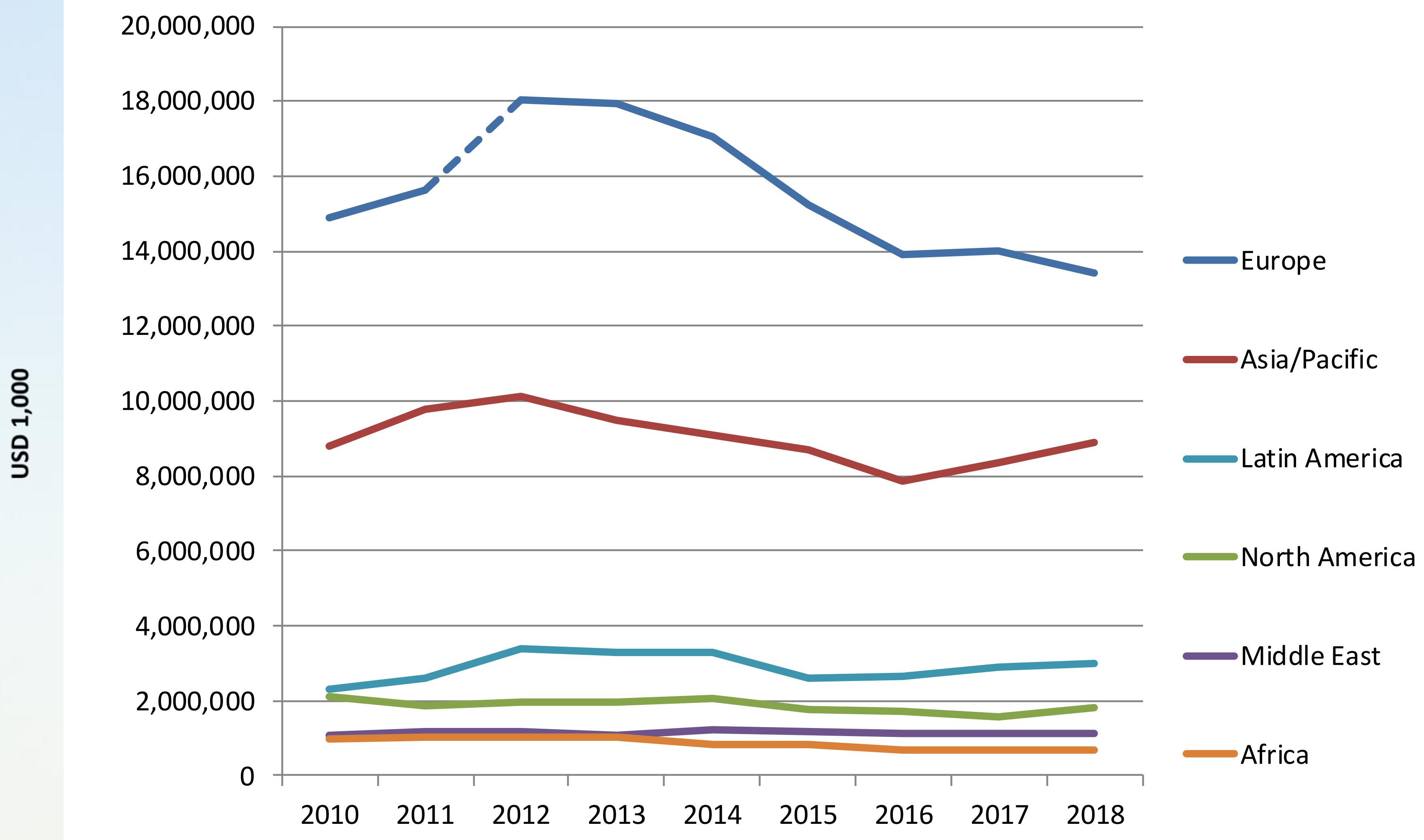
LATAM
10.4%
(9.7% in 2017)

North America
6.2%
(5.6% in 2017)

Other
6.3%
(unchanged)

CBMU
The Canadian Board of Marine Underwriters

Marine premiums by region 2010-2018



Europe share decreasing – Asia increasing.

Various influences. Market conditions, exchange rates. In 2017, a number of currencies strengthened against USD after some years of a strong USD.

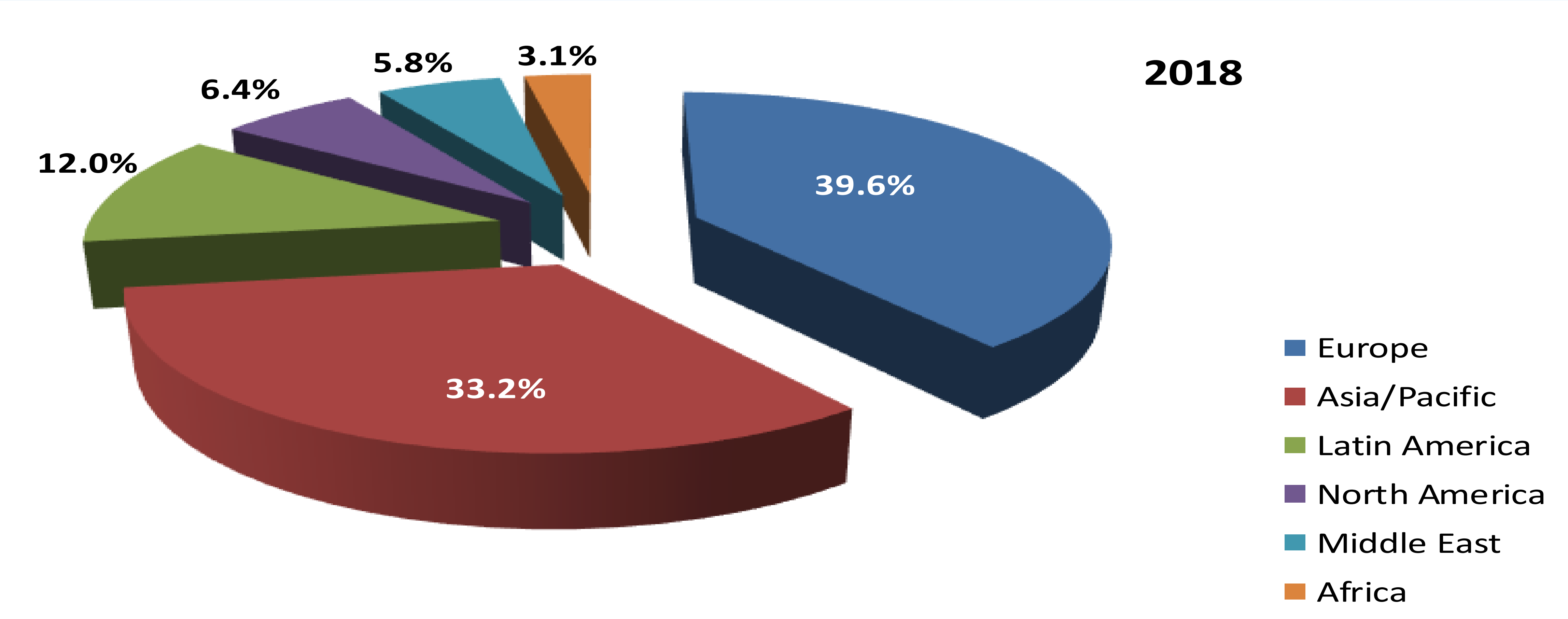
2016 Total: 27.9 USD
2017 Total: 28.6 USD
2018 Total: 28.9 USD (+1%)

Global Cargo Results 2018

Global Cargo Premium 2018 (By Region)

The Canadian Board of Marine Underwriters

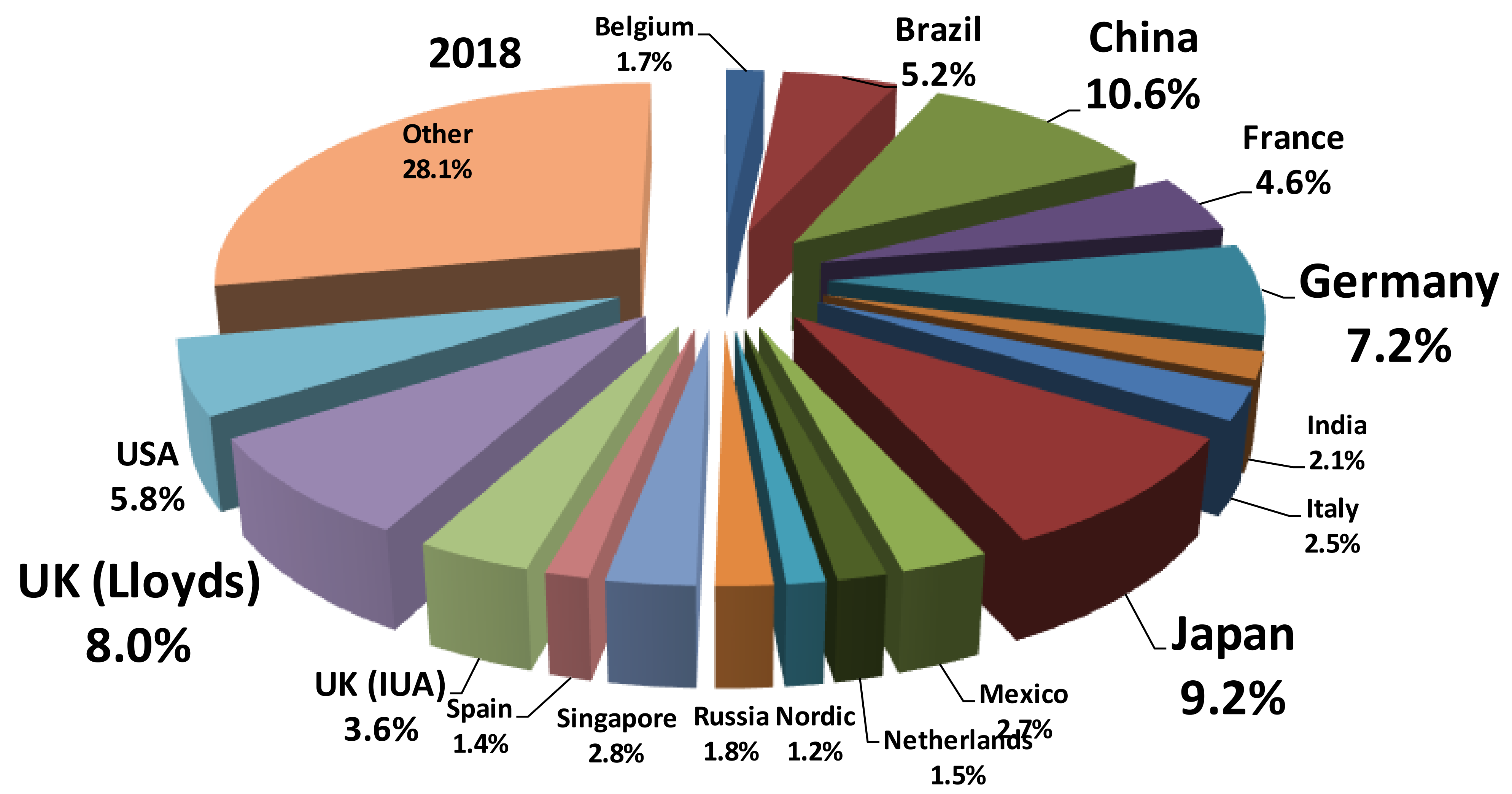
2.5% from 2017 to 2018



Global Cargo Premium 2018 (By Market)

CBMU
The Canadian Board of Marine Underwriters

Total estimate: 16.6 USD billion

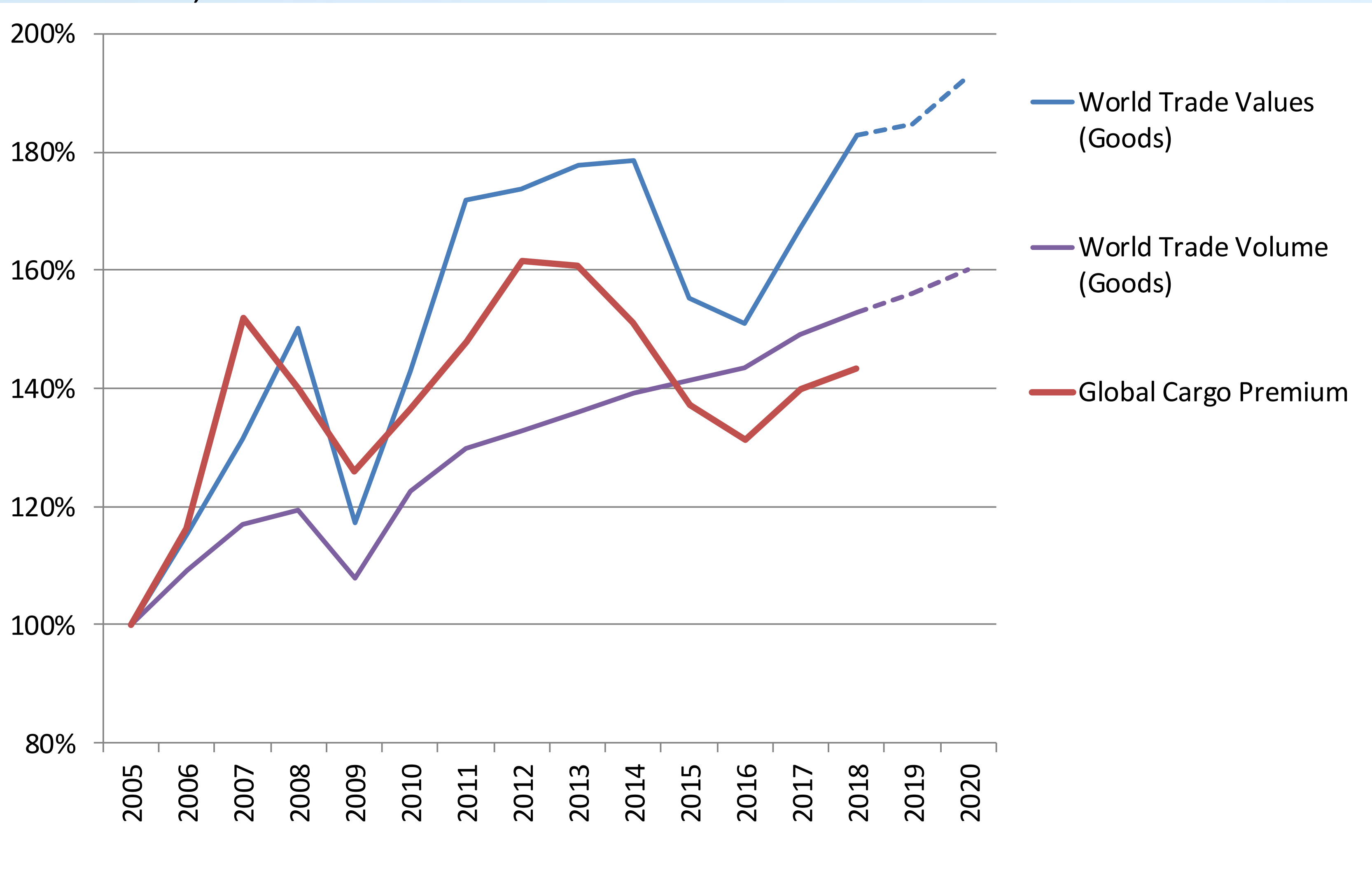


2017 Top 5:
China 9.6%
Japan 9%
UK (Lloyds) 8.8%
Germany 7.4%
Brazil 5.3%

2018 Top 5:
China 10.6%
Japan 9.2%
UK (Lloyds) 8%
Germany 7.2%
USA 5.8%

World Trade Values and Exports

Index of evolution, 2005=100%



Evolution of world trade values and cargo premium seem to correspond.

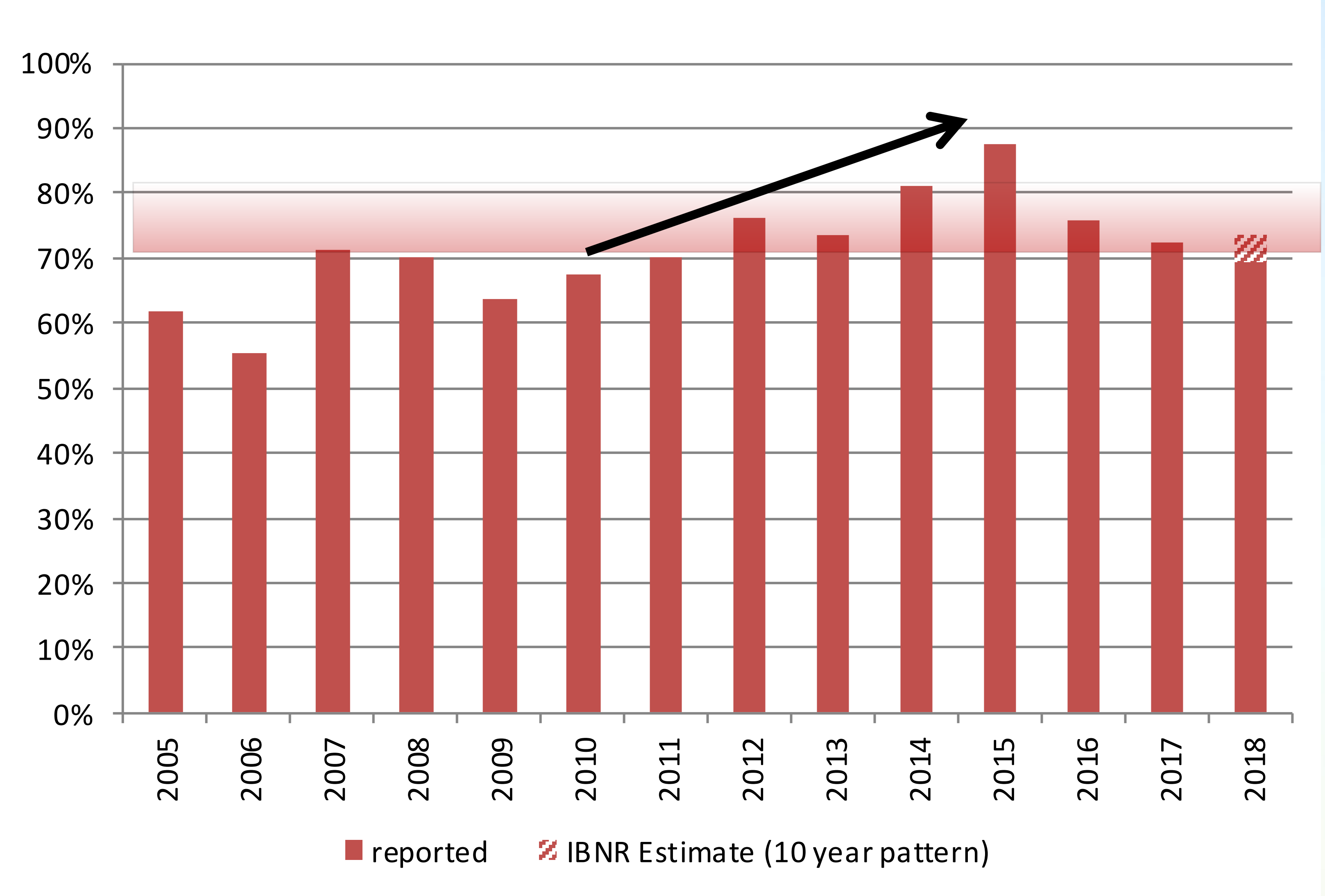
Exchange rate influences (USD).

Extended risk covers and the increasing risk of event losses (risk accumulation) need also to be taken into account!

And then…There's the Cargo Loss Ratio!

Cargo Gross Loss ratio (UW Years 1996-2018**)

Gross Premiums, Paid & Outstanding Claims



Recent years strong impact by outlier & Nat-cat event losses:

2015: Tianjin port explosions
2016: Hanjin, Amos-6 satellite
2017: Hurricanes / Nat Cat
2018: Mærsk Honam / Hurricanes
(2017/18 little US data: loss ratios may not reflect full hurricane impact)

Increasing expenses a concern.

* 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

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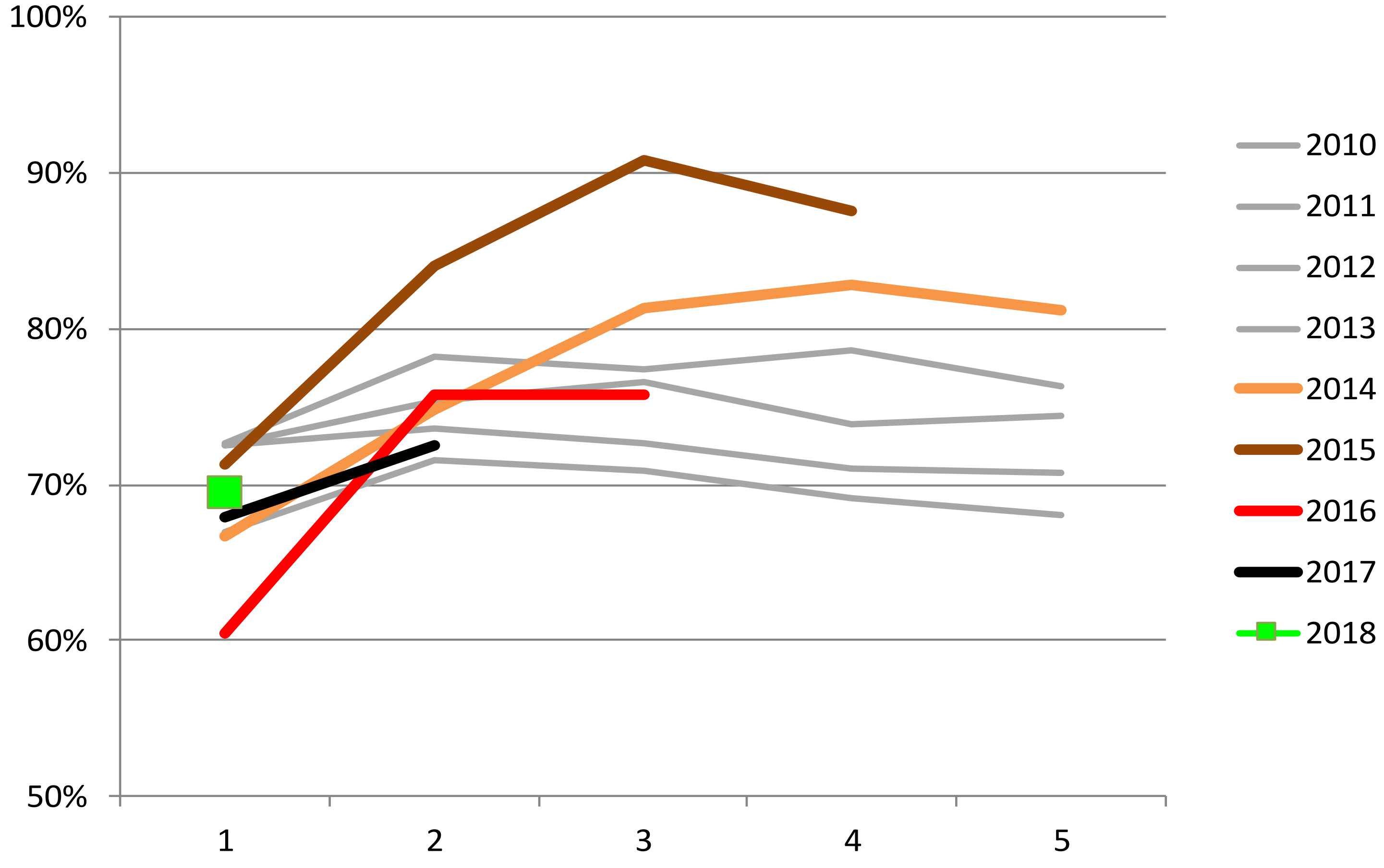
The Canadian Board of Marine Underwriters

Cargo Loss Triangulations (UW Years 2010-2018)

Gross Premiums, Paid & Outstanding Claims



2014, 2015, 2016: Each year extraordinary increase in loss ratios. Change in typical pattern.
The new normal?

2018 starts at near 70%.
With a 'normal' pattern (grey lines), 2017 would end around 70%.
With recent pattern, 2018 ends around 80%.
2017 offers some hope

Cargo Conclusions

1 Growth

Trade growth accelerating, but change in economical and political frame conditions makes prognoses uncertain.

USD premium influenced by combination of market conditions and exchange rates.

2 Results

Tianjin affecting 2014 & 2015 UW years. Amos 6, Hanjin and HIM affecting 2016 & 2017. Maersk Honam impacting 2018.

2014-2016 results all severely deteriorated over time.

2018 underwriting year starting at 70% expected to deteriorate to above 80%.

3 Claims

Tianjin port explosion potentially the largest single cargo loss in history.

Risk of large event losses (Nat Cat and man-made) substantially increased.

4 Outlook

Trade wars and Protectionism.

Covered risks increasingly represent stock exposure rather than just transit exposure.

Increasing value accumulation on single sites/vessels.

Tightening London market, markets exiting, capacity reducing in certain lines.

CAT events every year?

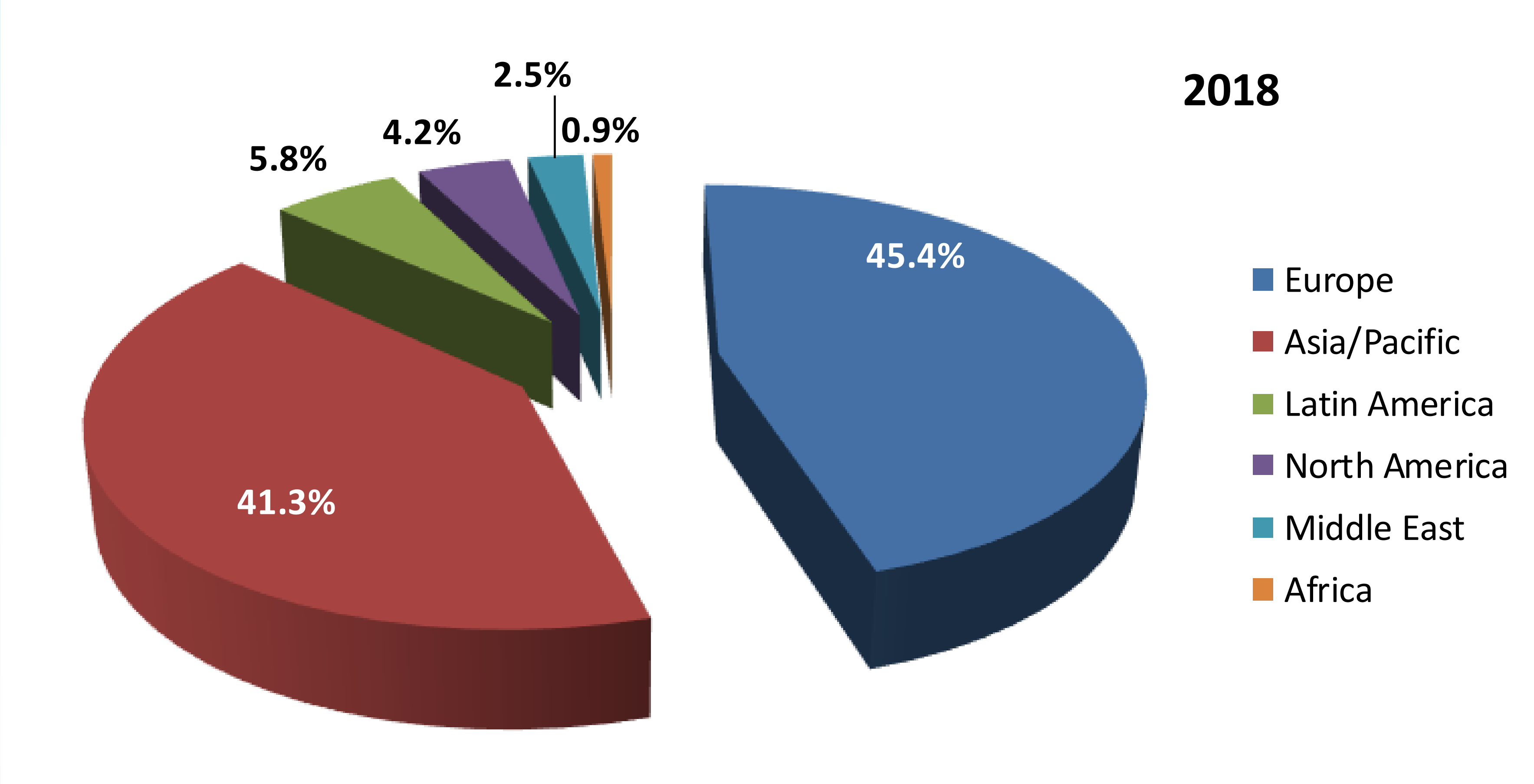
Global Hull Results 2018

Global Hull Premium 2018 (By Region)

The Canadian Board of Marine Underwriters

$7.0 USD Total Estimated Premium

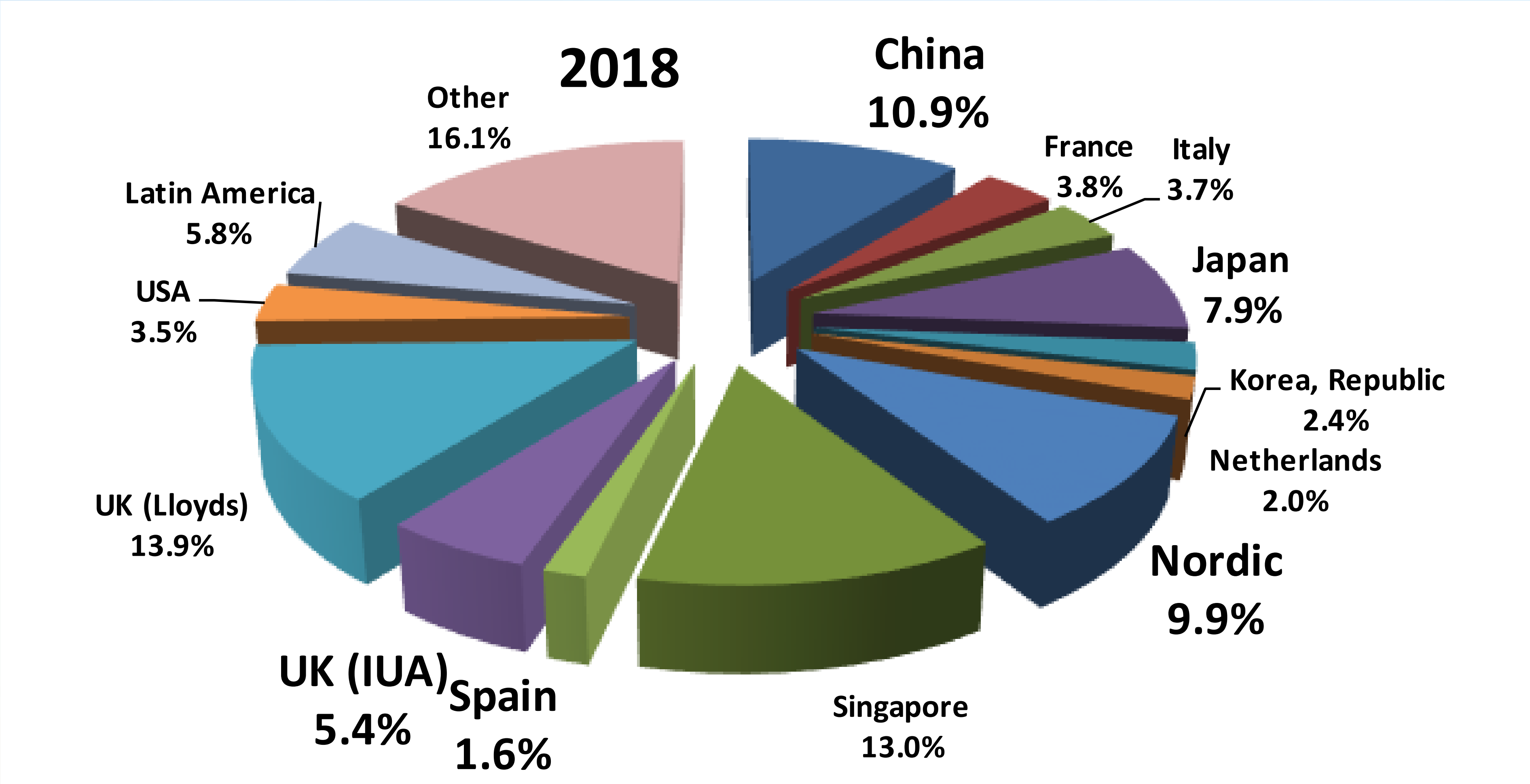
10% ↘ from 2015 to 2016
2.3% ↘ from 2016 to 2017
Unchanged 2017 to 2018 (World fleet ↗)



Global Hull Premium 2018 (By Market)

The Canadian Board of Marine Underwriters

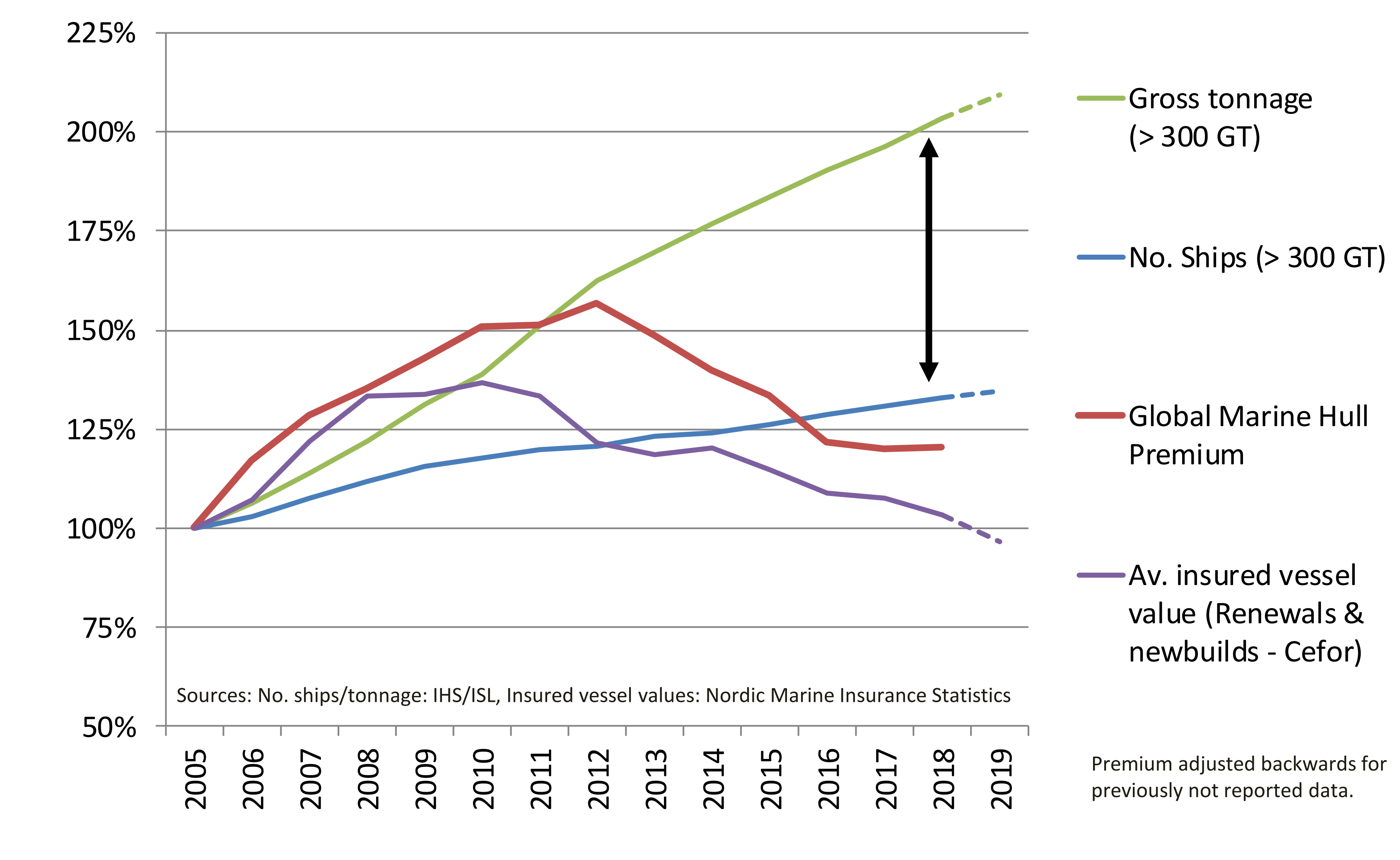
Total estimate 2018: USD 7.0 billion



2017 Top 5:
UK (Lloyds) 16.4%
Singapore 12.1%
China 10.6%
Nordic 9.0%
Japan 7.3%

2018 Top 5:
UK (Lloyds) 13.9%
Singapore 13.0%
China 10.9%
Nordic 9.9%
Japan 7.9%

Hull Premium / World Fleet



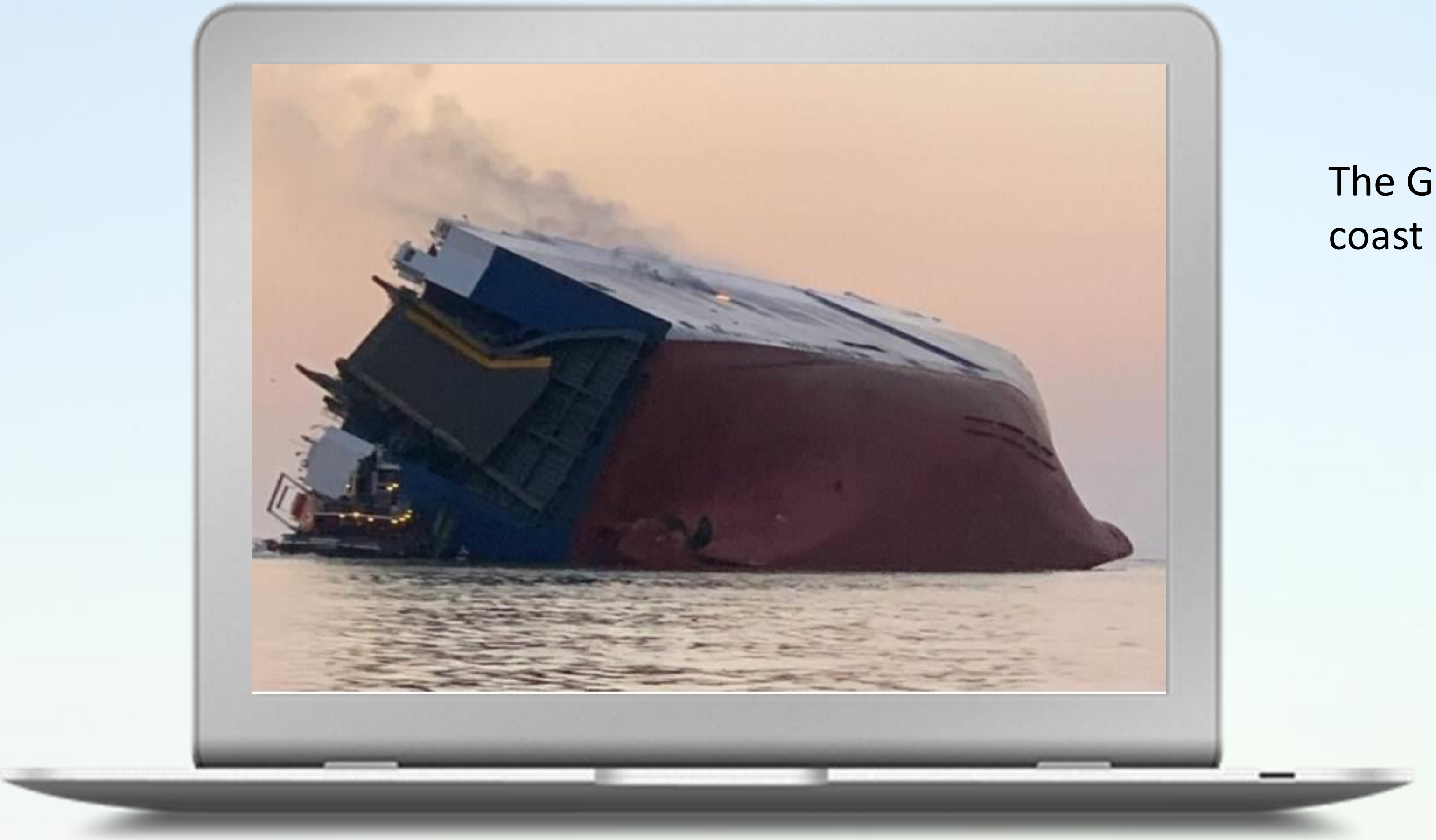
World fleet continues to grow, especially in tonnage.

Hull premium deteriorates in line with ship values.

Increasing mismatch between fleet/vessel growth & income.

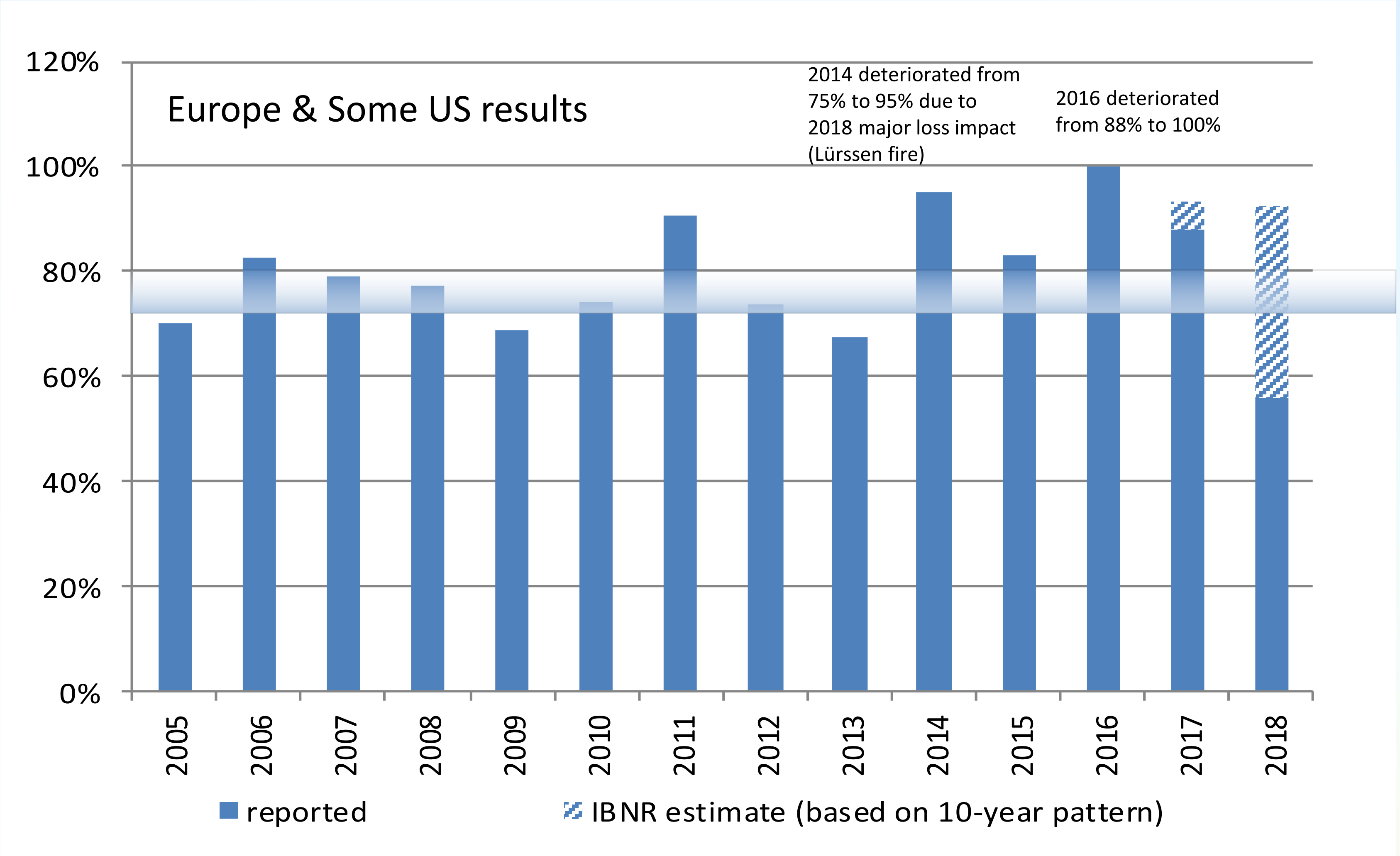
2019 signes of change, enough to re-establish balance?

And then…There's the Hull Loss Ratio!



The Golden Ray off the coast of Georgia, USA

Hull – Ultimate Loss Ratio* (UW Years 1996-2018**)



2014-18: Unsustainable level.

Overcapacity, dropping vessel values and reduced activity influenced income negatively.

Yacht damage (hurricanes) impacted 2016/17.

Few major claims, but attritional losses erode (reduced) income.

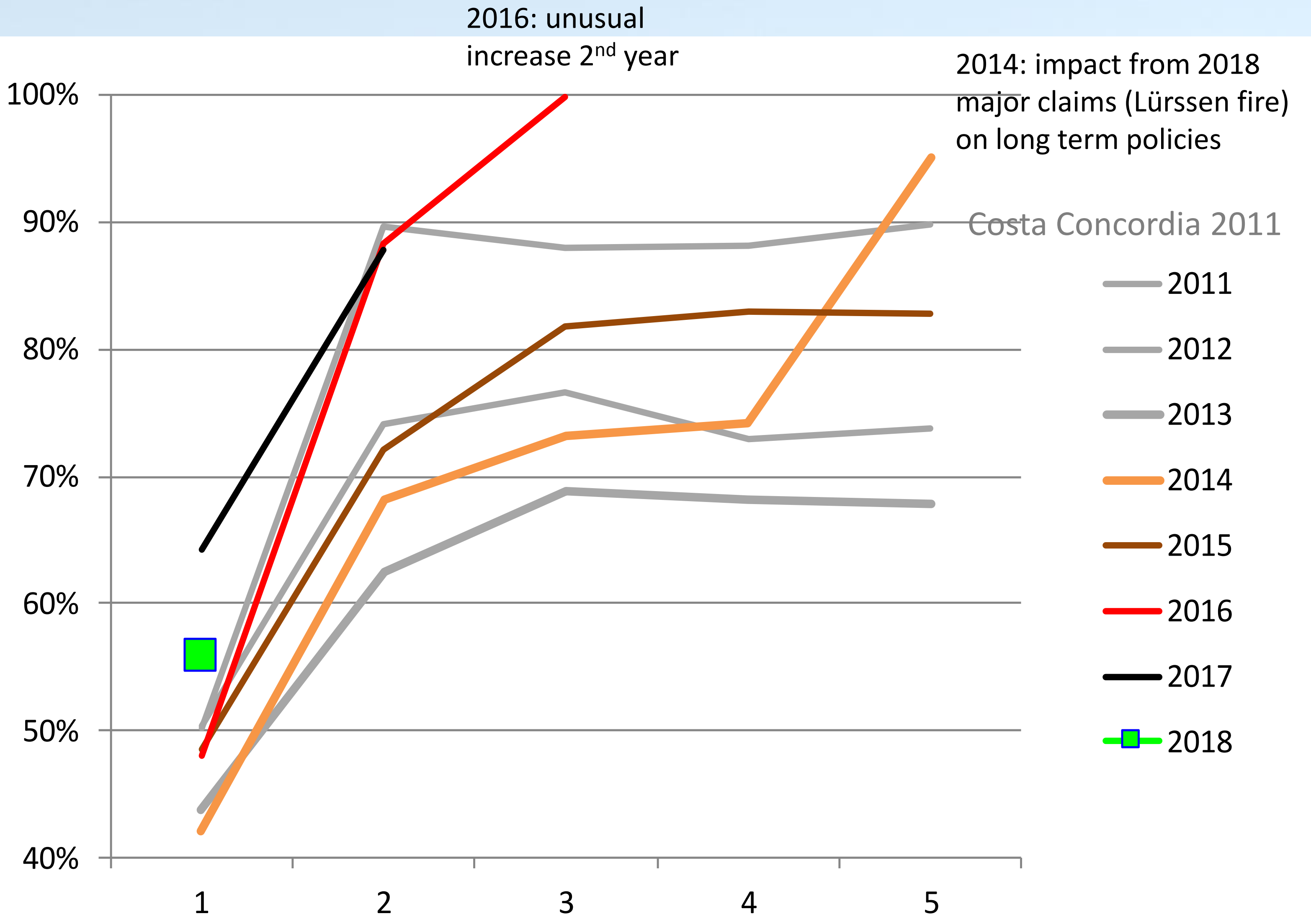
What to expect for 2019 ?

- Income recovering
  Major losses return (cost).
- Result = ?
- Capacity withdrawing

* 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, some USA

Gross Hull loss ratio Development - Europe (& part US)



Ugly!

2014 & 16:
What actuaries hate:
Deviate from typical pattern.
Unusual increase in severity.

2016 to 2018:
Few major losses, but in some markets strong impact by 2017 hurricane yacht damage.

Attritional losses vs increasingly eroded hull premium.

Hull Market : Trends and Conclusions

Exposure

- Insured values and premium down, contrary to increasing fleet & vessel size.
- Higher single-risk exposure (with inherent risk of unprecedented major claims).

Claims (other than yachts)

- Claims frequency and cost per vessel: Stable at moderate level.
- Total losses: long-term downward trend. Came to a halt with fluctuation below 0.1%.
- Major losses:
  - Return in 2019 after unusually little impact 2016-2018 (except 2018 Lürssen fire impact on builder's risk).
  - Higher volatility steered by their (non-) occurrence.

Results

- 2016-18: Few major claims, attritional losses represented an increasing share of the total cost.
- 2014-18 impacted by special events (2017 hurricane yacht damage, single casualties in 2018/2019 attaching to previous year's policies).
- Income did not suffice to cover expected cost (attritional losses), no buffer for major losses.
- 2019 sees rising premiums, but also return of major losses.

CBMU
The Canadian Board of Marine Underwriters

Marine insurance market is challenging

Cargo

- Results strongly impacted by recent years' unprecedented event losses (man-made & Nat-cat).
- Value ACCUMULATION an issue (on land and at sea)

Hull

- Results deteriorate further despite last years' benign claims trends (except yachts).
- Current income unsustainable, does not cater for expected normal repair cost any more.

Market environment

- Trade growth accelerating, but political and economic uncertainty prevails.
- Capacity withdrawing, rate increases more prevalent.
- Climate change / Nat-Cat losses /accumulation / new risks.

Canadian Marine Insurance Market

2018 Results

Canadian P&C Insurance Premium 2018 (Ex-Life)

CBMU
The Canadian Board of Marine Underwriters

Source Canadian Underwriter Statistical Issue 2019

MSA Research Inc. for Marine data.

$53.077B in 2018

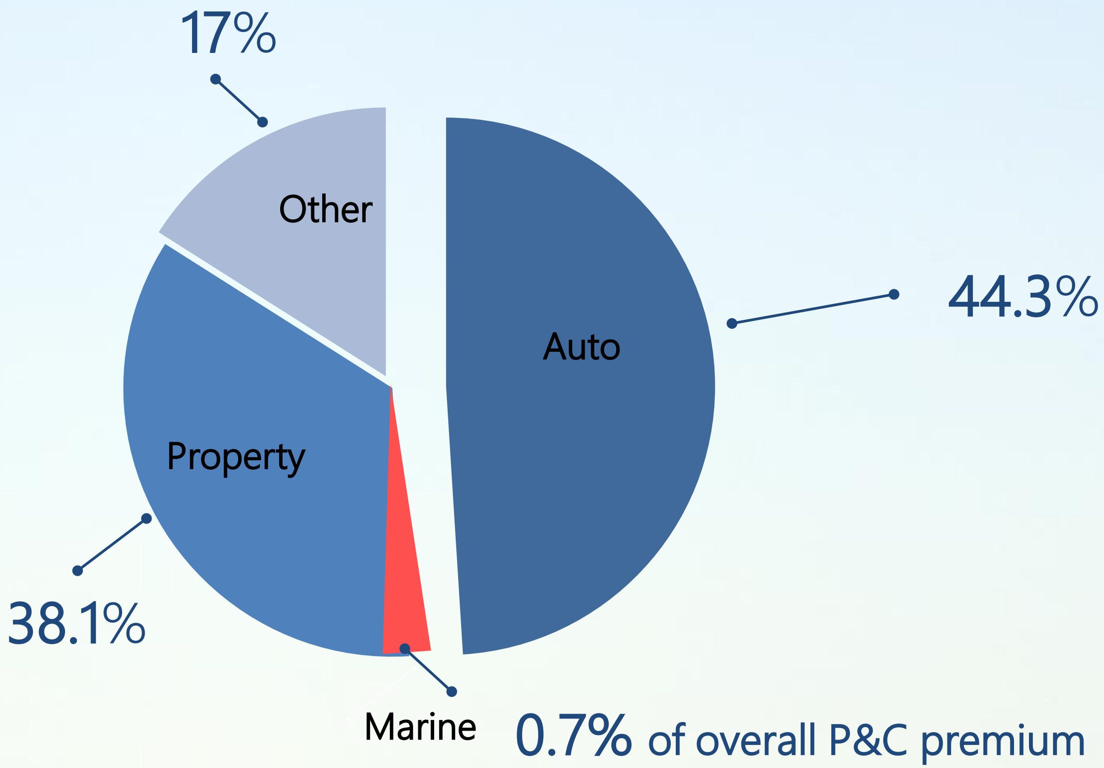
(vs $47.319B in 2017)

(Net Written Premium)

THE MARINE PREMIUM IS CLASSED UNDER PROPERTY

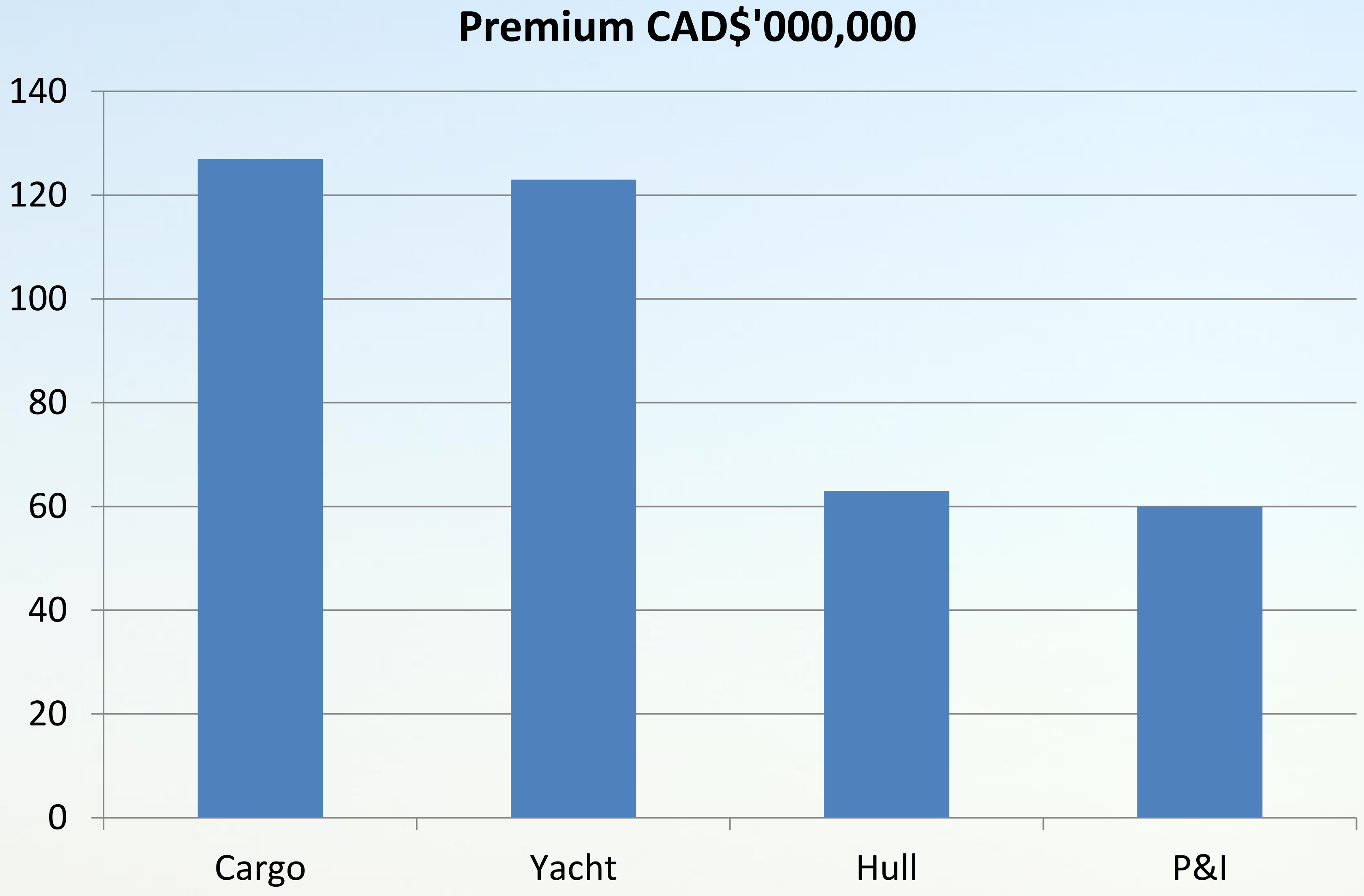
Marine Insurance Premium (DWP)
CAD $373,716,000*
*(1.8% of Net Earned Property premium of CAD $20.23B)

Up from 2017: CAD $333,082,000



Note: DWP = before RI

2018 Direct Canadian Marine Premium



Based on historical data provided to CBMU applied to $373,716,000

Given rate changes in last 18 months, Yacht may be higher than Cargo.

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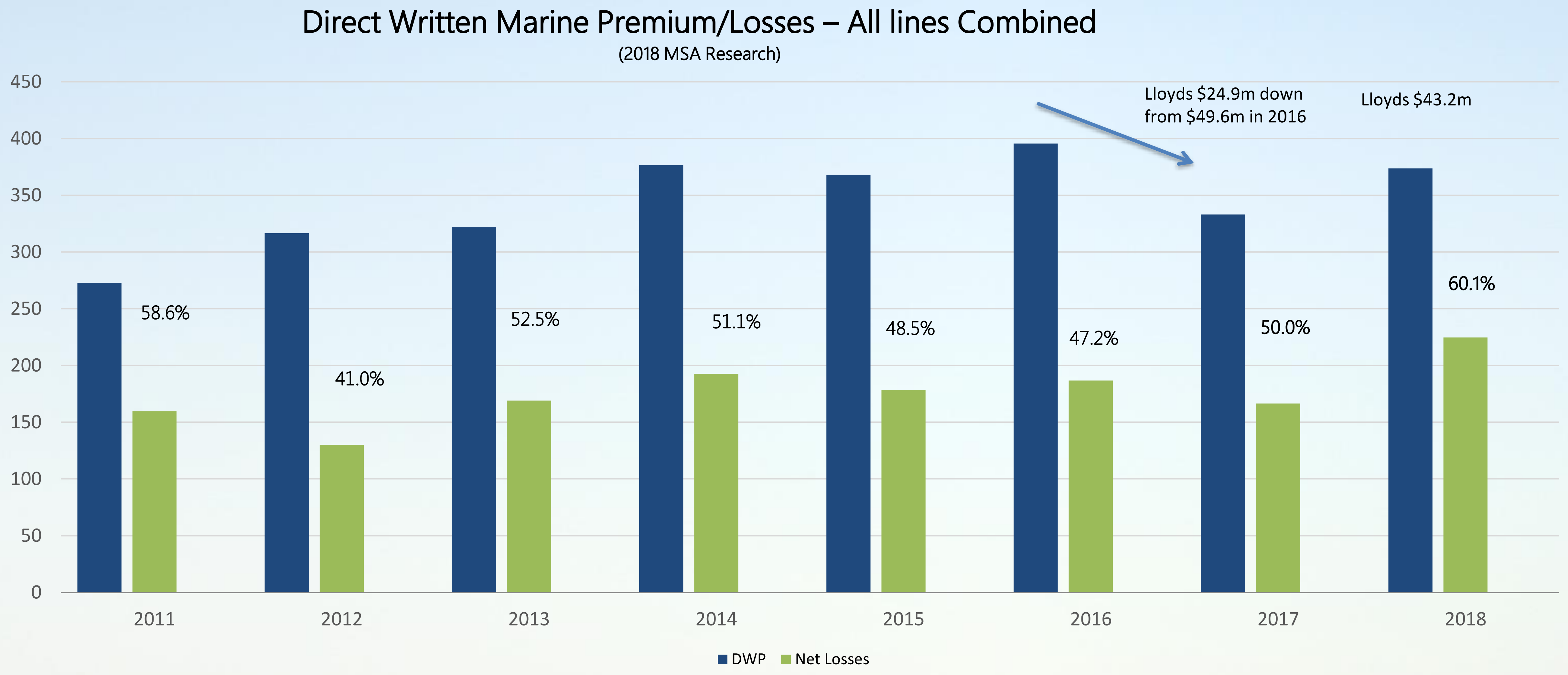
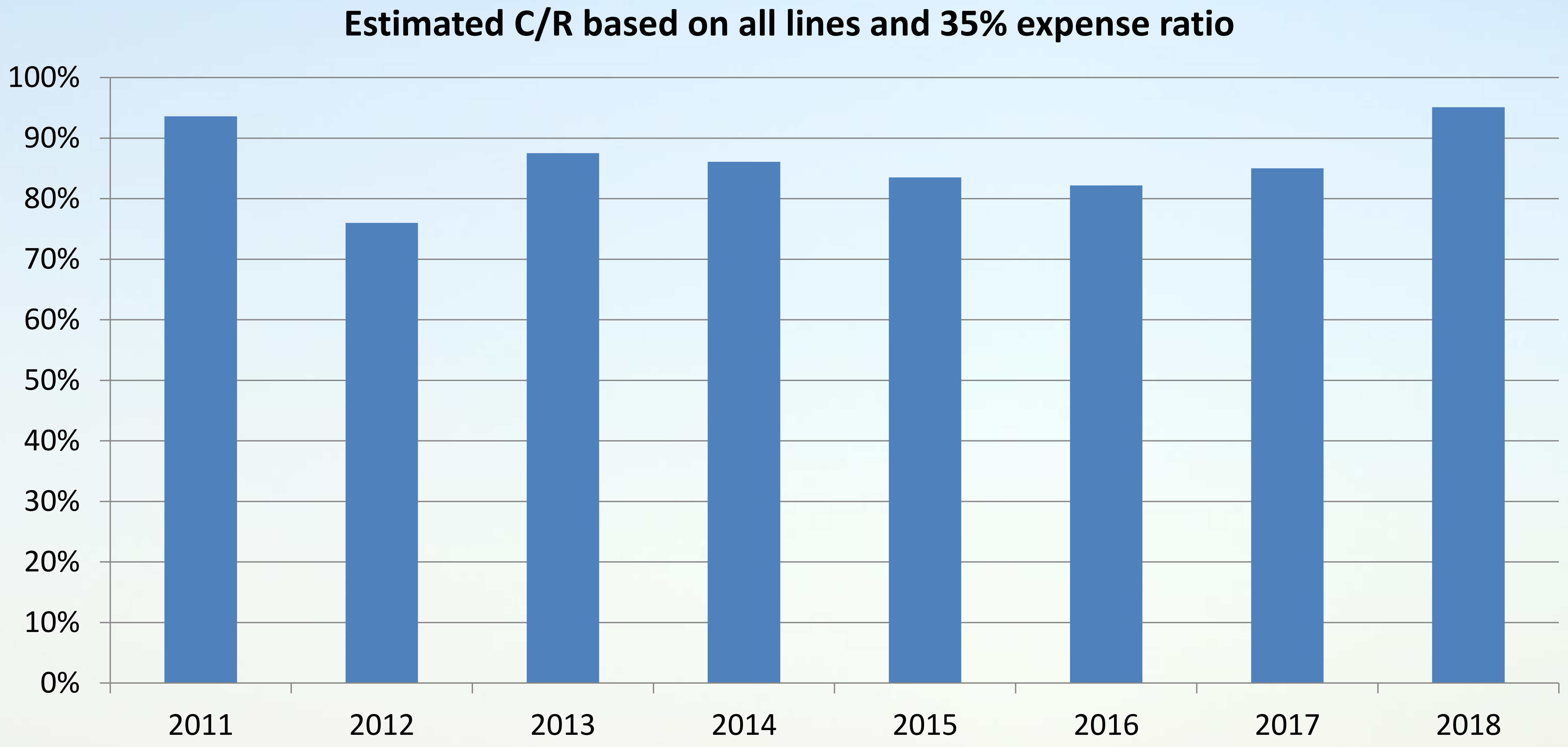
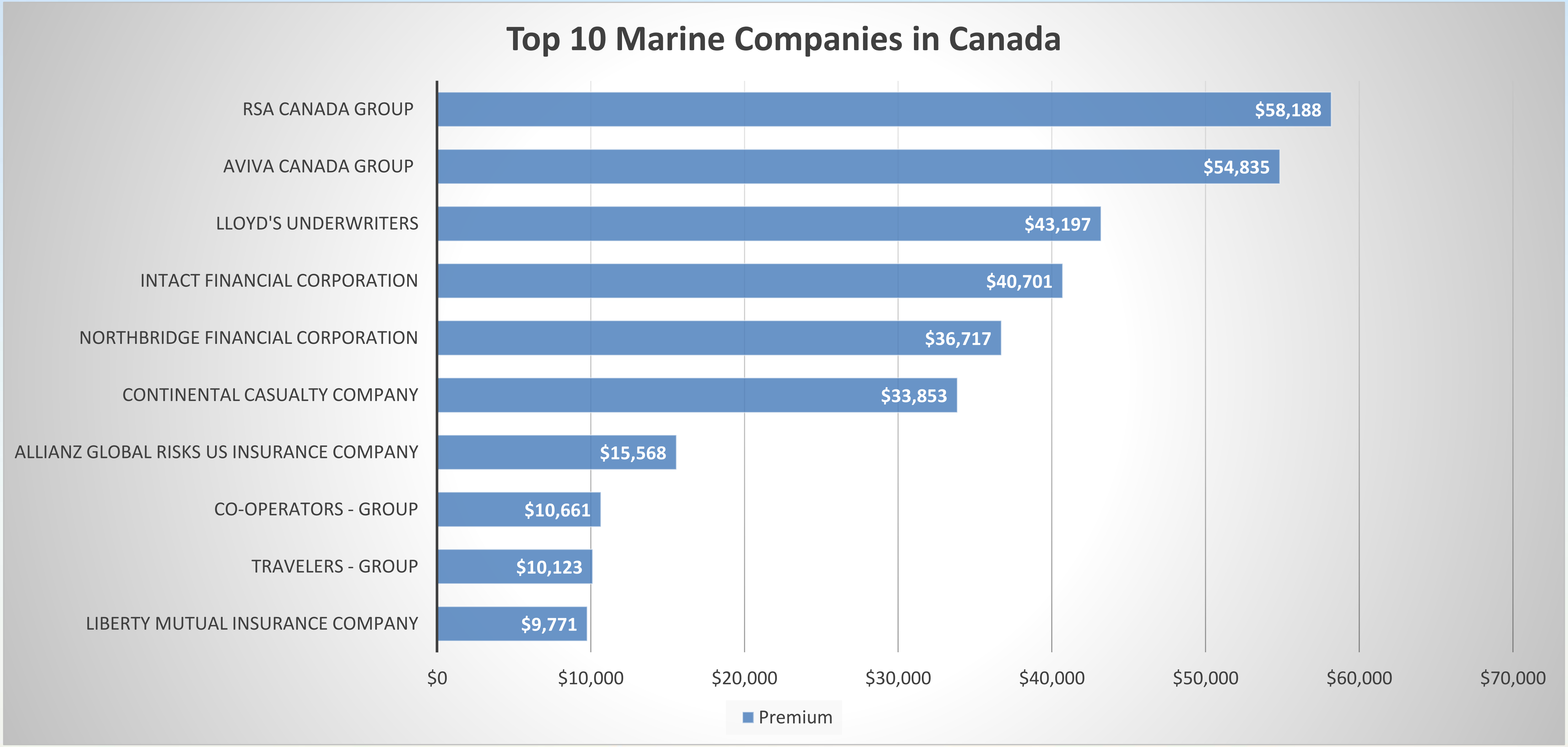
Marine Results 2011-2018



Marine Results 2011-2018



2018 Canadian Marine Results



Canadian Market Summary

My own personal observations….

- Competitive
- Capacity strong for clean risks
- Stock Throughput getting harder to place
- Some London binders withdrawn
- CAT exposure modelled on stock
- Modest rate rises

Cargo

- Aging fleet
- Reduced Capacity as Canadian & London markets withdraw
- Rates starting to rise

Hull/P&I

- CAT Losses
- Builders Risk losses
- Capacity tightening especially in London
- Substantial premium increases.

Yachts

- Capacity getting tight
- Some markets withdrawing
- Rates starting to rise
- Packaged Marine, GL, Auto and Products covers harder to place

Liabilities