

IMSF 2013 London

The year of the titans –
are the 2012 losses just bad luck
or the sign of a new risk picture?

Astrid Seltmann

Cefor Analyst/Actuary

astrid.seltmann@cefor.no

The Nordic Association of Marine Insurers (Cefor)

Contents

1. Recent claims trends
 1. Overview
 2. The good news
 3. The bad news

2. Major claims impact
 1. as of December 2011
 2. ... and as of December 2012

3. The future risk exposure? – Evolution of ship values

Contents

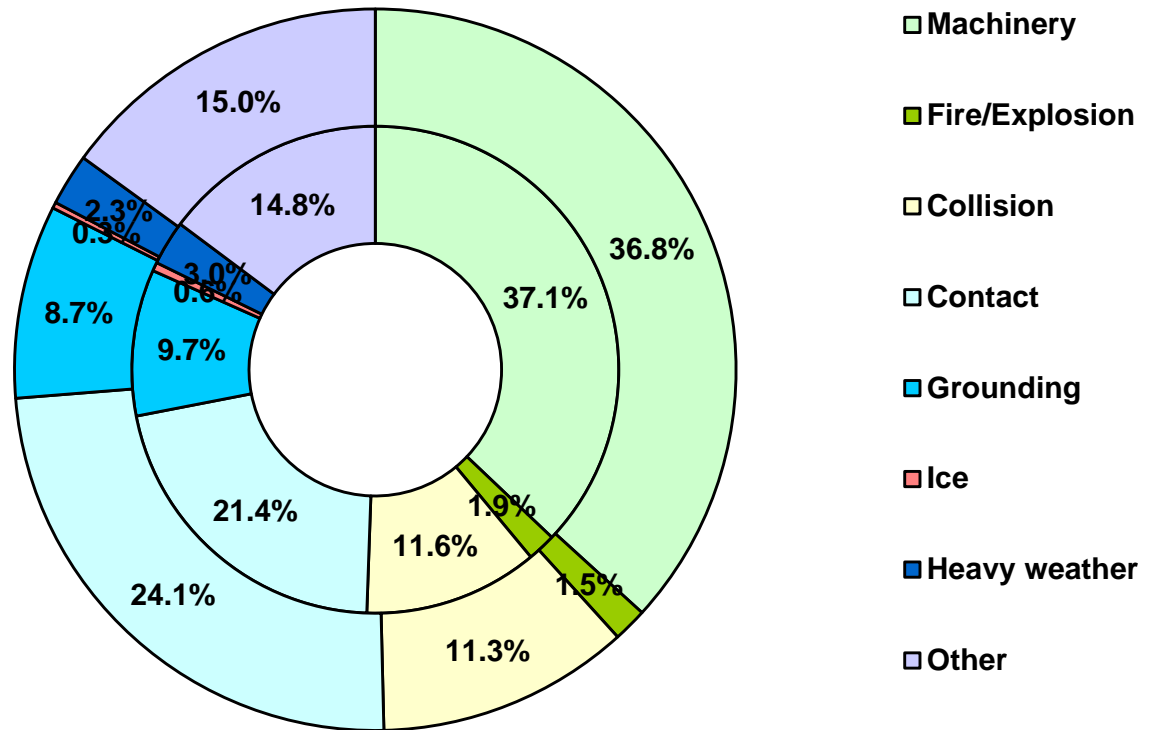
1. Recent claims trends
 1. The good news
 2. The bad news
2. Major claims impact
 1. as of December 2011
 2. ... and as of December 2012
3. The future risk exposure? – Evolution of ship values

Claims by type of claim – Numbers

Number of claims

Inner ring: 2007-2011

Outer ring: 2012



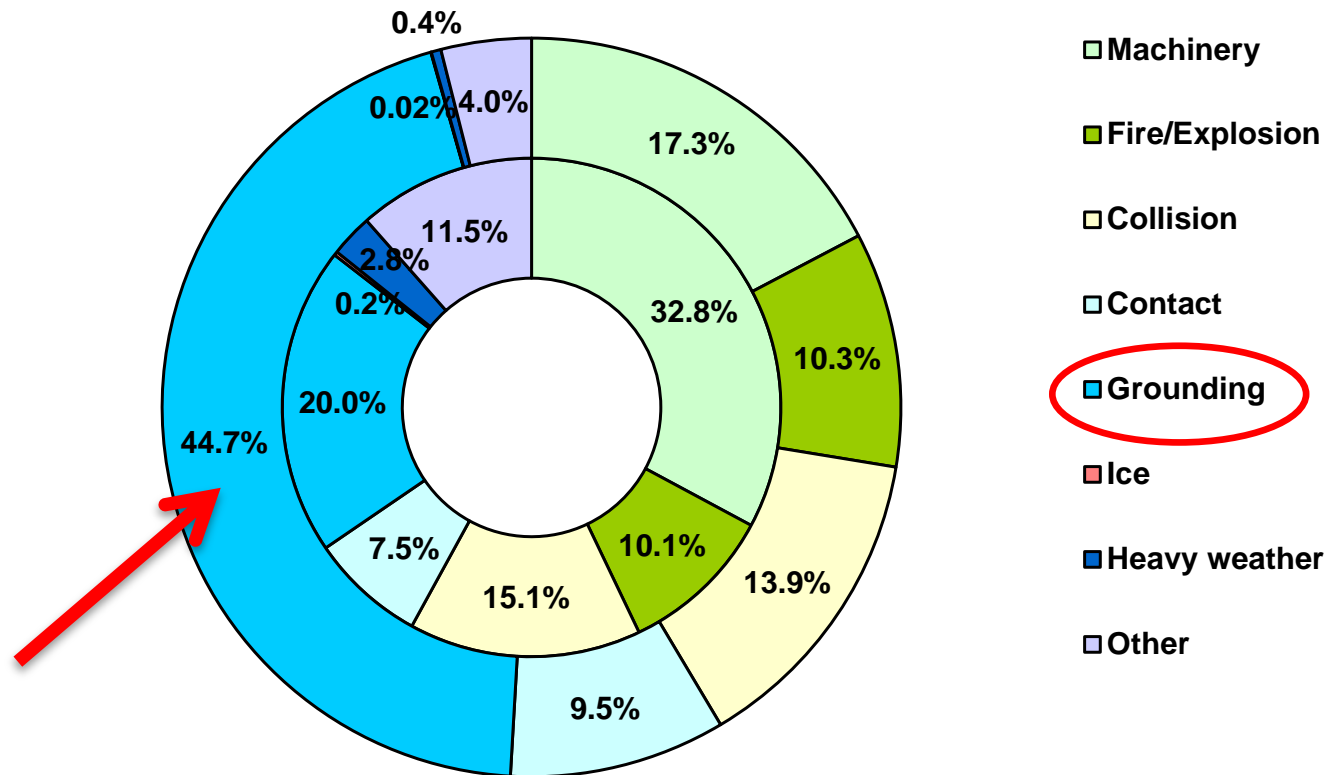
Totals
 2007-11: 16,127
 2012: 2,239

Claims by type of claim – Cost

Cost of claims

Inner ring: 2007-2011

Outer ring: 2012

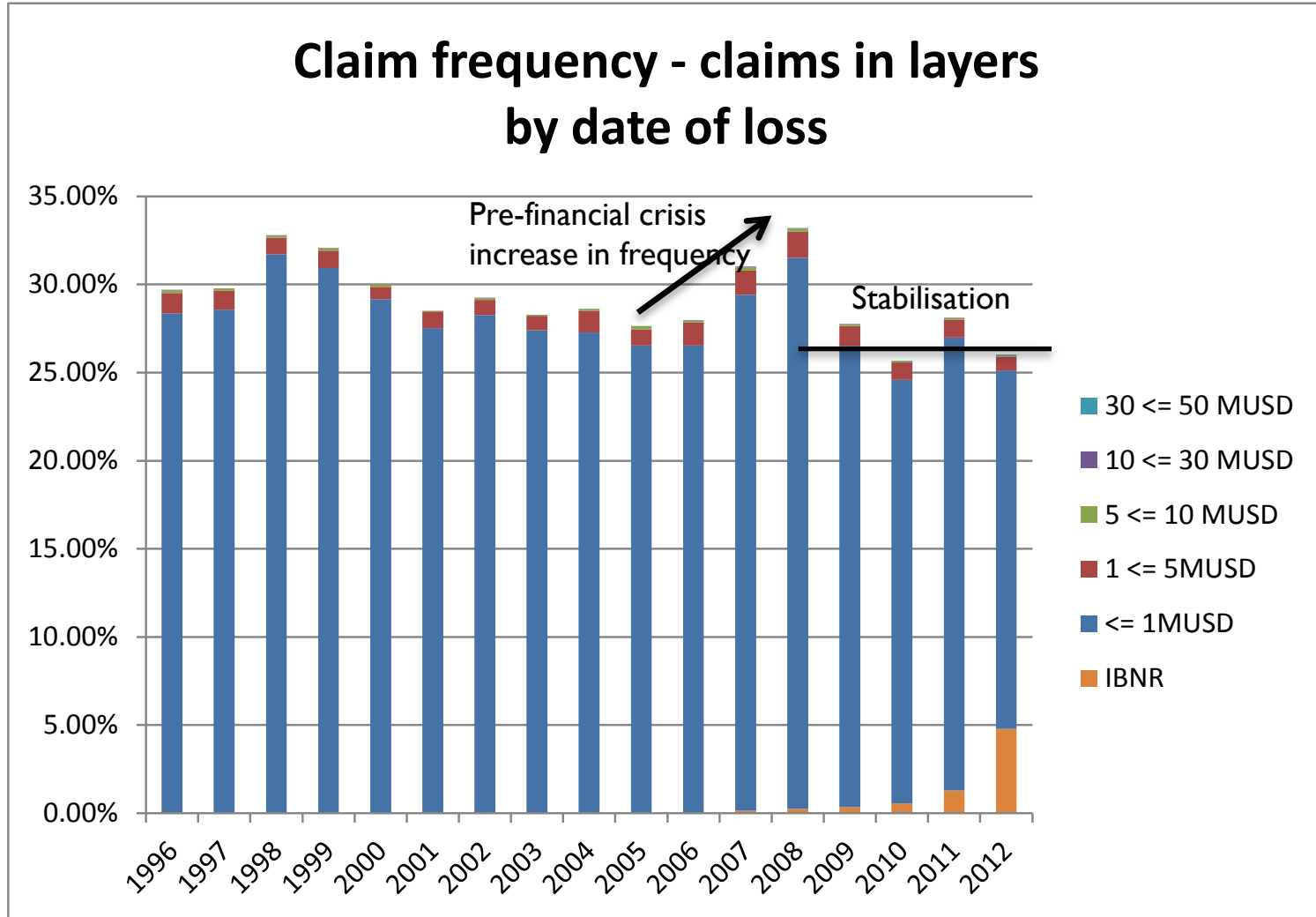


Totals

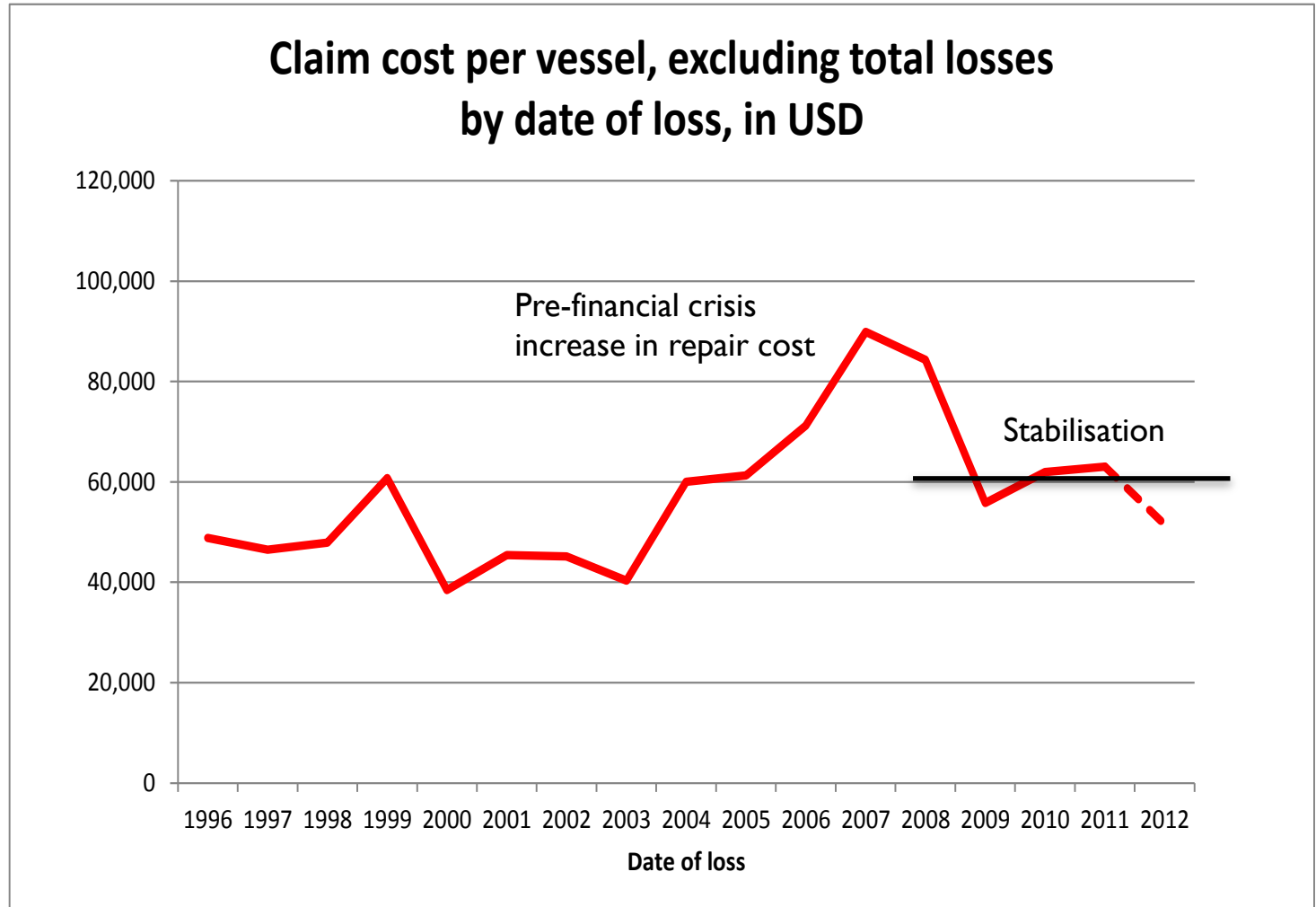
2007-11: 4,689.1 MUSD

2012: 1,045.2 MUSD

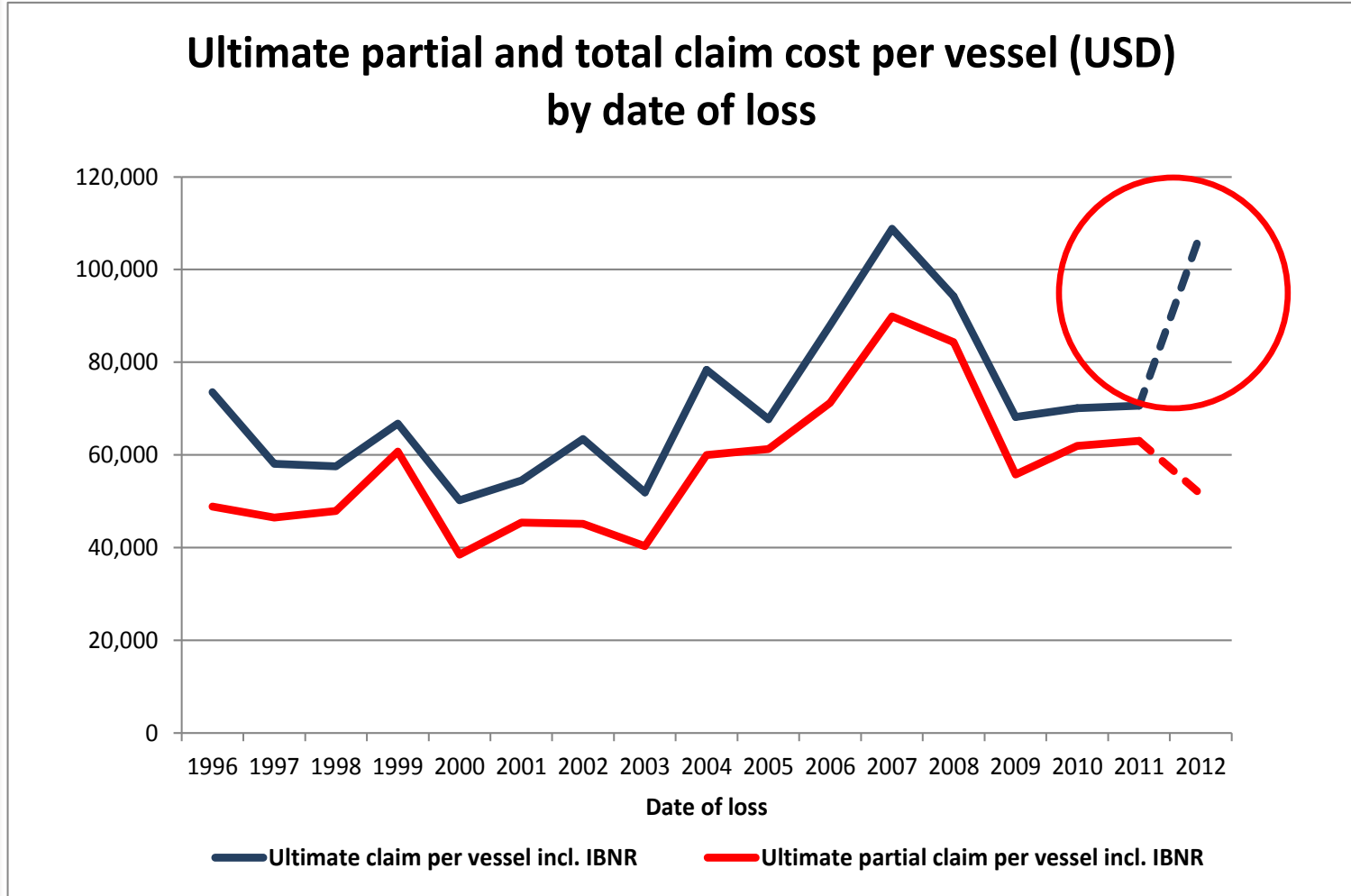
The good news (1): Claim frequency stable



The good news (2): Average repair cost stable

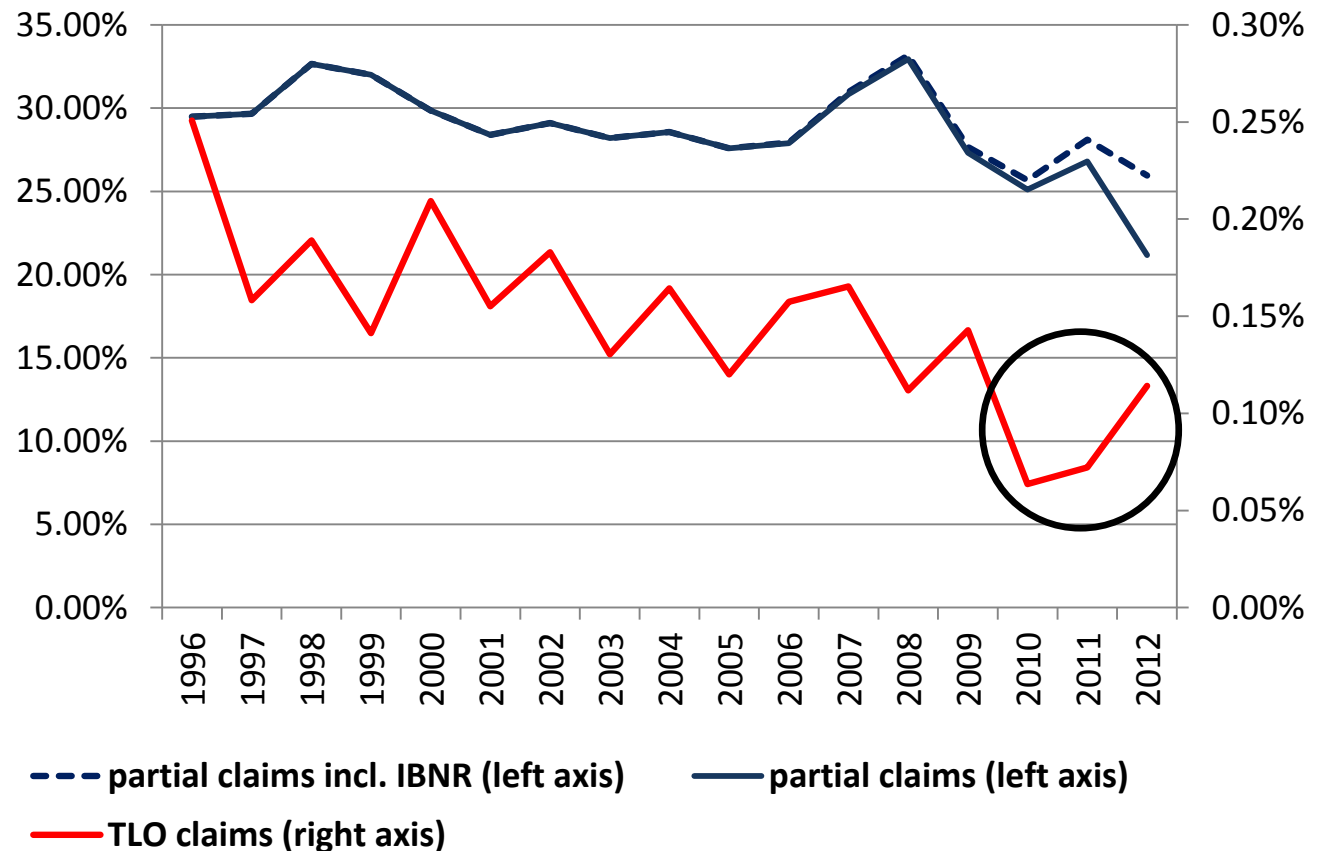


The bad news (1): Total loss cost up!



The **bad news (2): Total loss frequency also up**
(Costa Concordia was not the only one!)

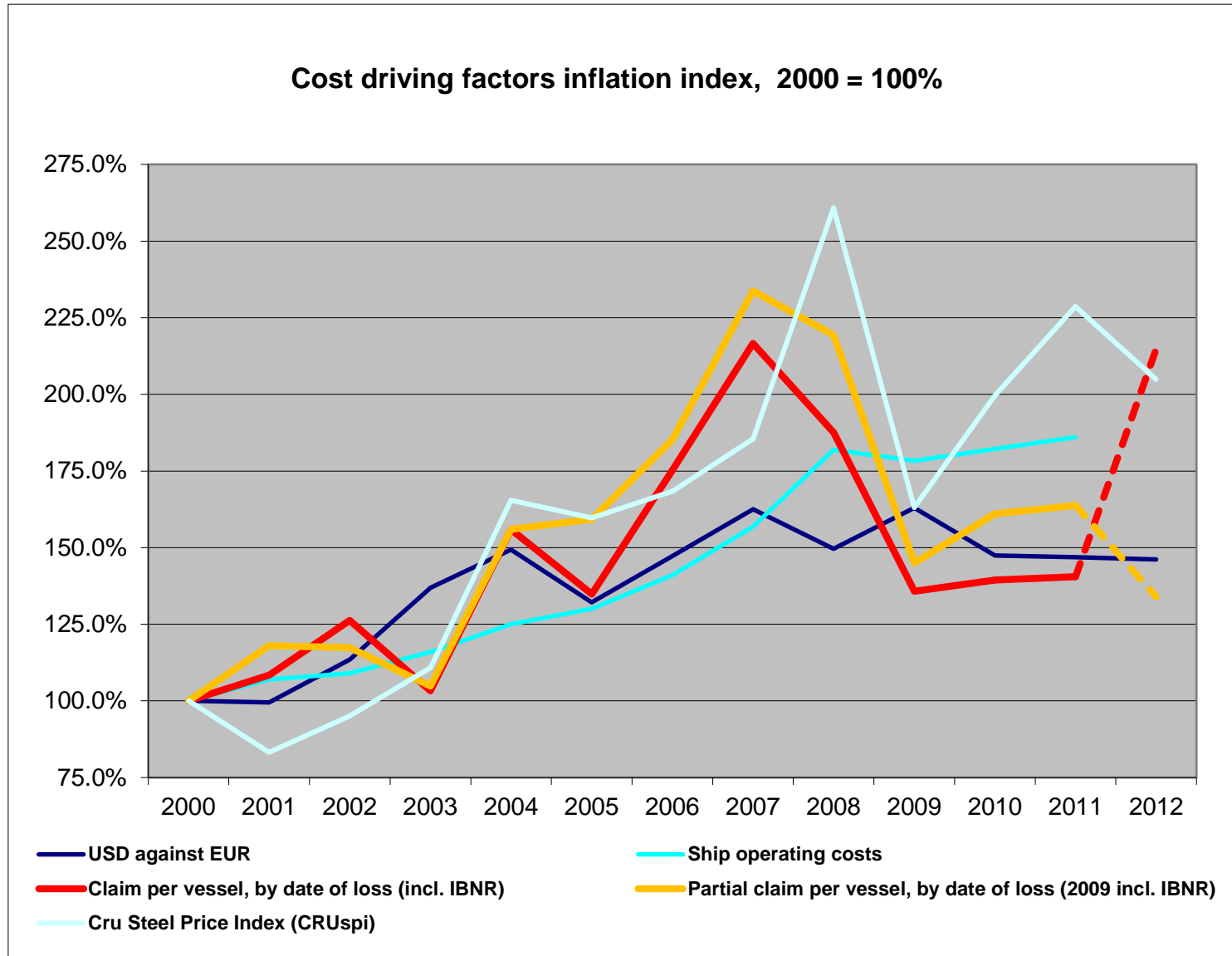
Claim frequency, by date of loss





Cefor

Cost driving factors – which correlation?



Sources:

Claim index: Cefor NoMIS data as of 31 December 2012; Exchange rates: Norges Bank, Ship operation costs: Moore Stephen's, Steel: CRU Steel Price Index (<http://www.cruonline.crugroup.com/Steel/CRUspi.aspx>)

Contents

1. Recent claims trends

1. The good news
2. The bad news

2. Major claims impact

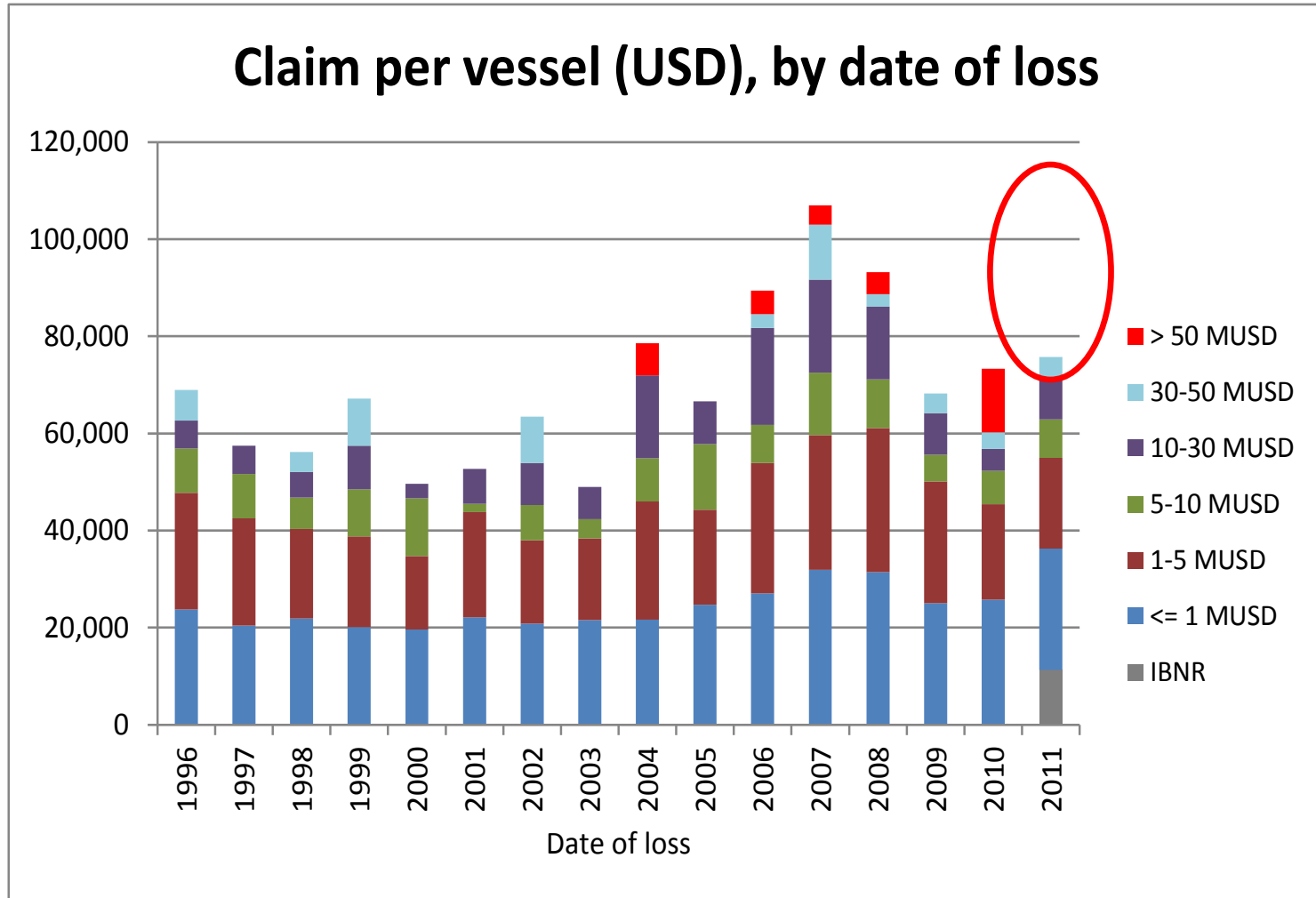
1. as of December 2011
2. ... and as of December 2012

3. The future risk exposure? – Evolution of ship values

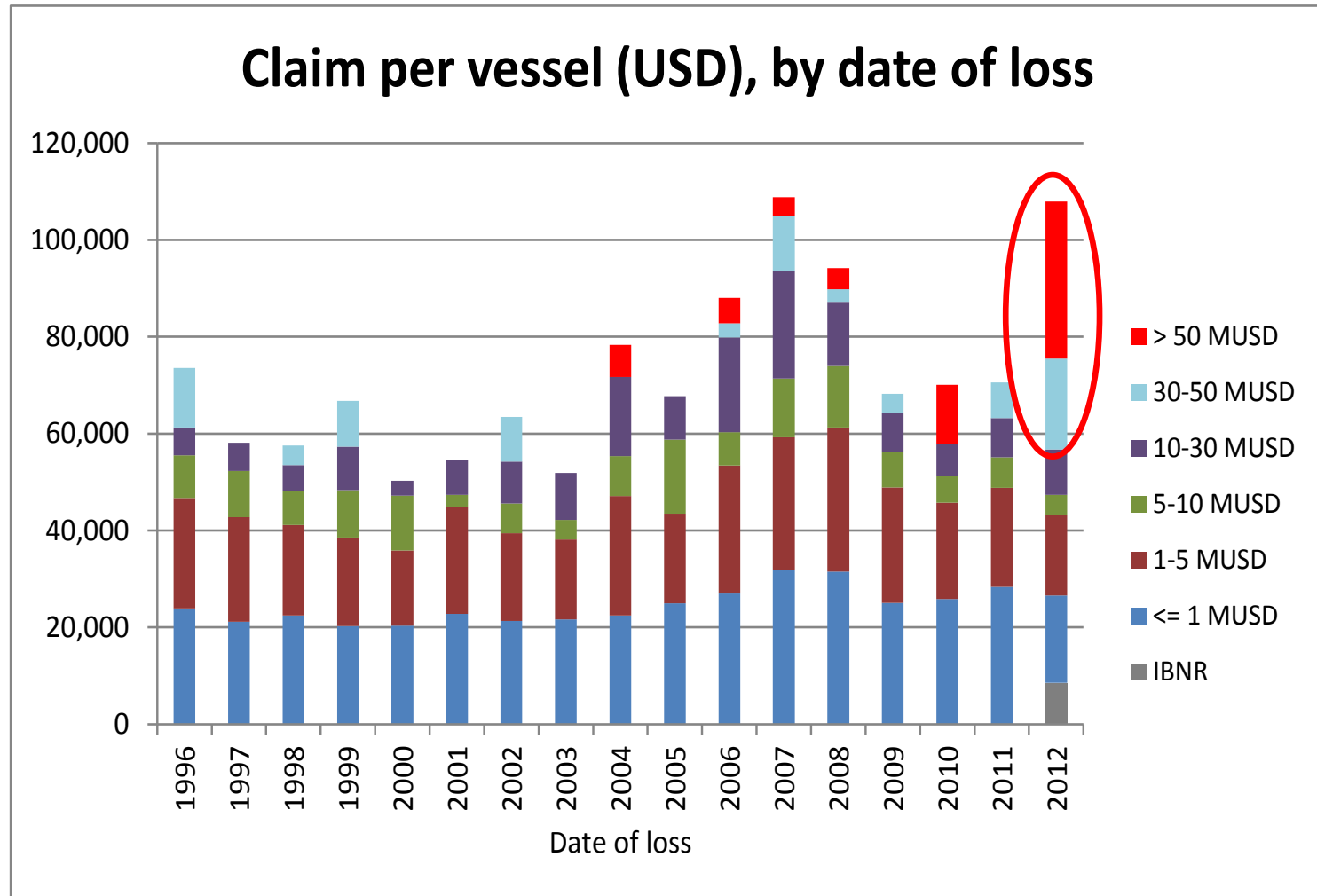
2011: Calm before the storm...?



... as of 2011: **Absence of major losses**

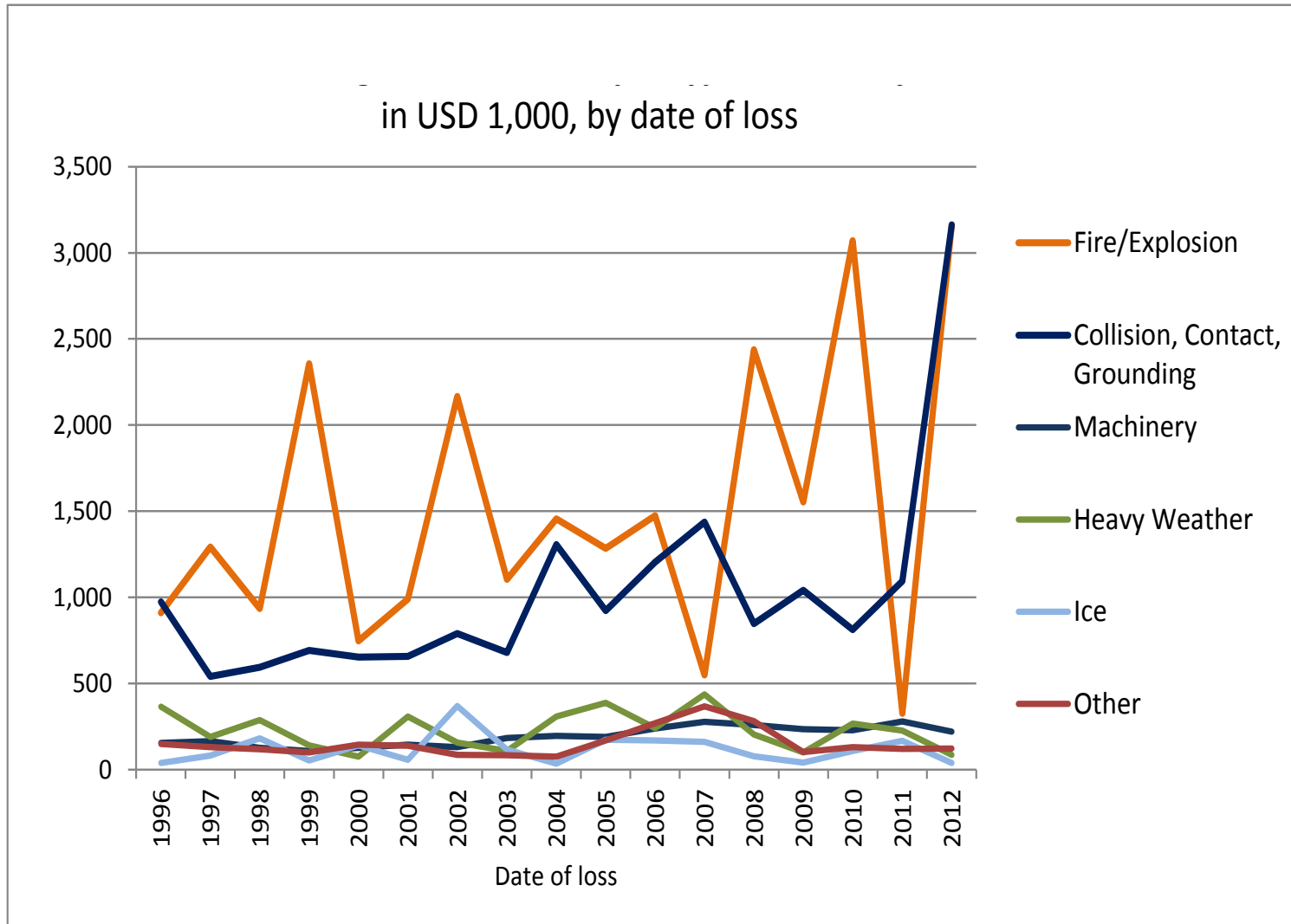


...as of end 2012: **Unprecedented major loss impact**



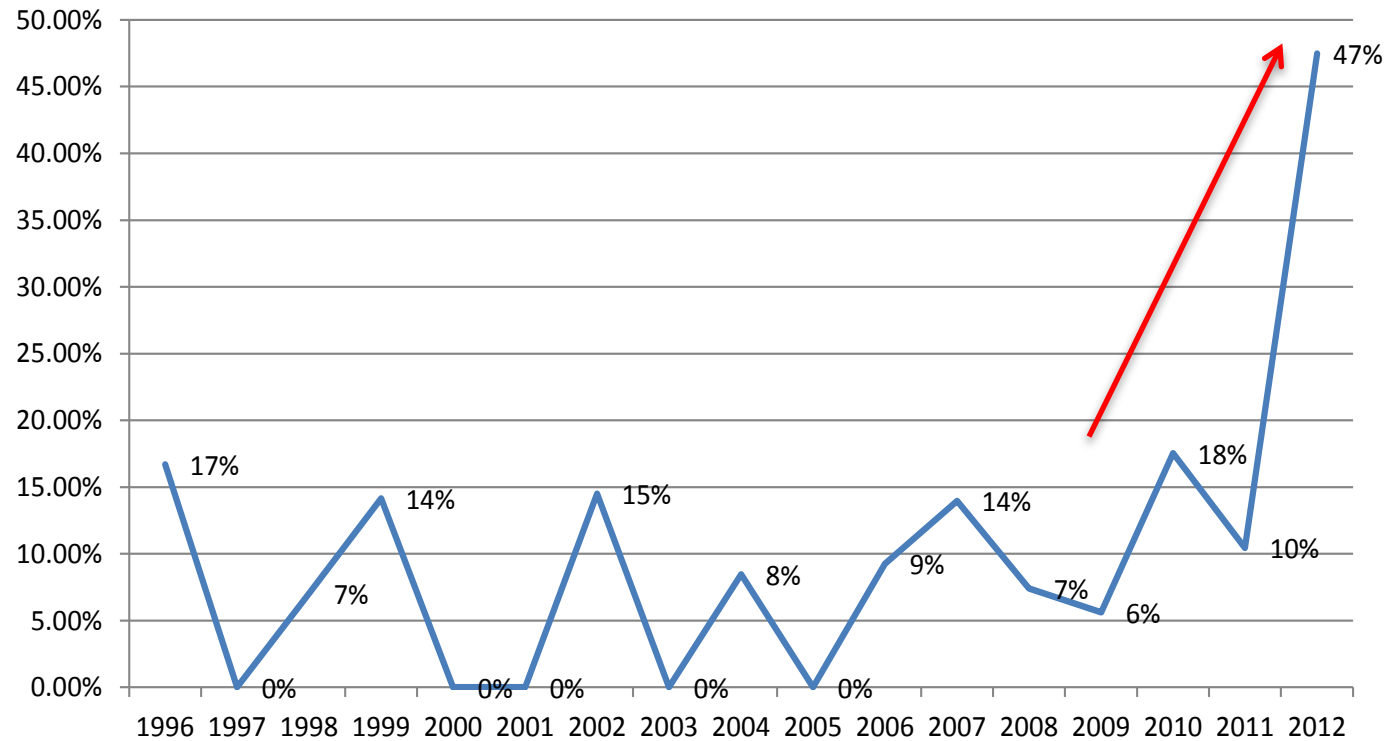
Average claim cost by type of casualty

= total claim cost / number of claims (per section)



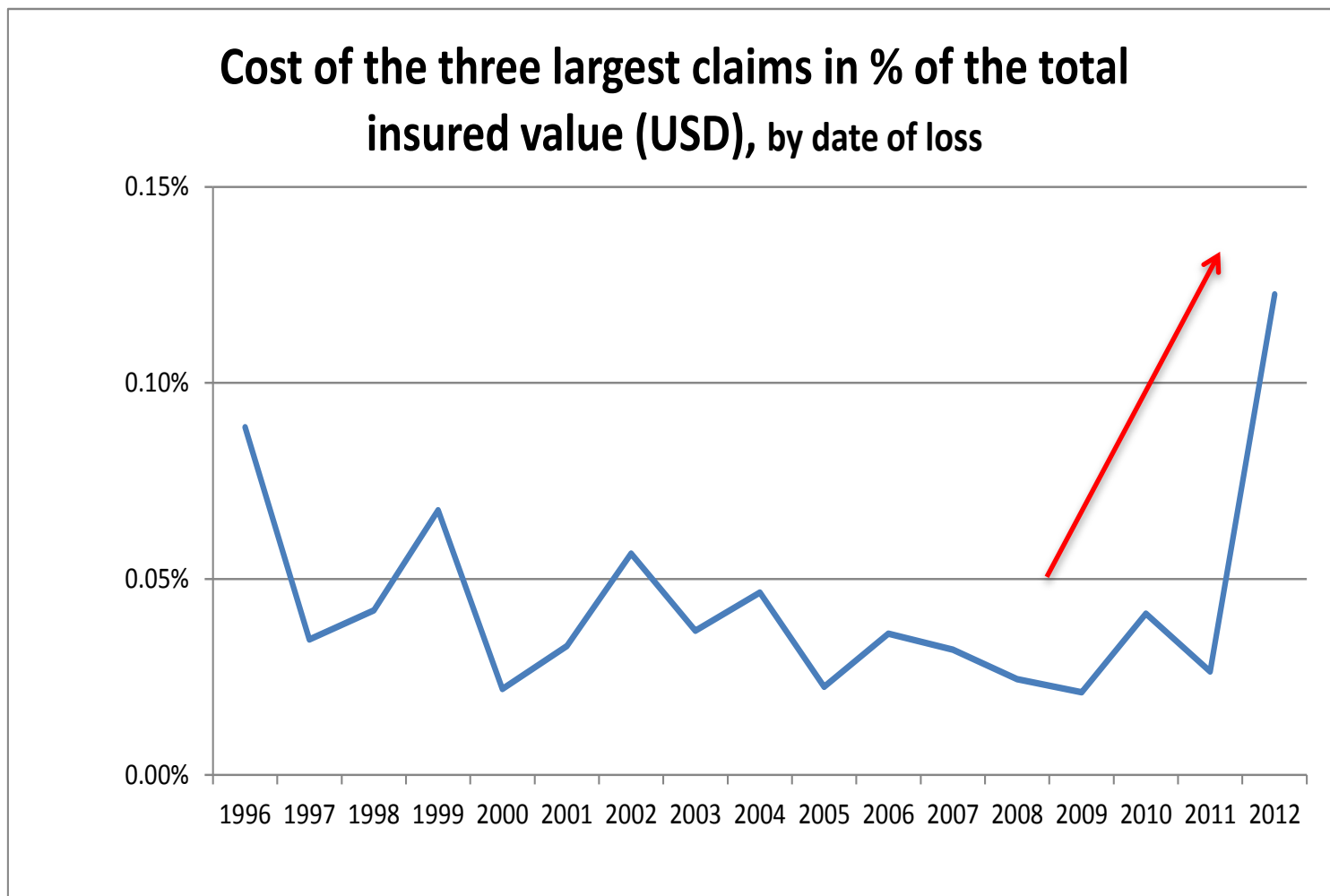
Largest claims in % of the total claim cost:

Claims in excess of 30 MUSD
as % of the total claim cost



Six claims
account for half
of the total
claim cost.

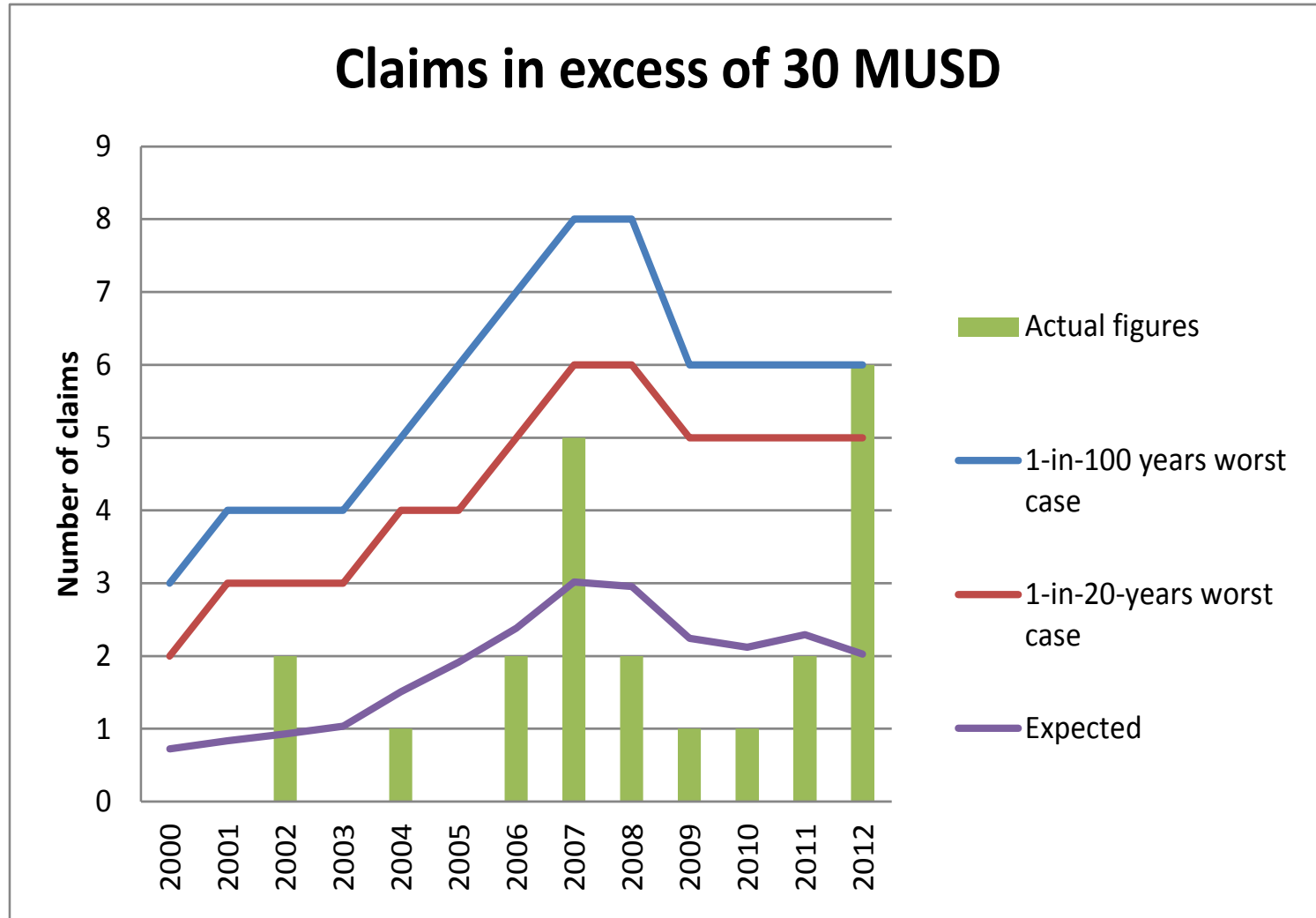
Largest claims in % of all ship values:



Actual numbers versus statistical expectation

Number of large losses in 2012 exceeds the range of expected statistical variation

=> Are there hidden causes for the increase in the number of large losses? (Industry frame conditions?)



Major claims summary:

- **2012 large losses are different in character:**
(Costa Concordia not the only one!)
- **Ship types:** various
(Passenger, Car/RoRo, Container, Tank)
- **Loss types:** various
(Grounding, Fire/Explosion, Collision, Contact)
- **Age:** various
- No substandard vessels
- Increase in total losses hard to explain by normal statistical variation alone.



Cefor

Question:

Was 2012 an exceptional year and just bad luck?

Or do we have to wait more of this?

Contents

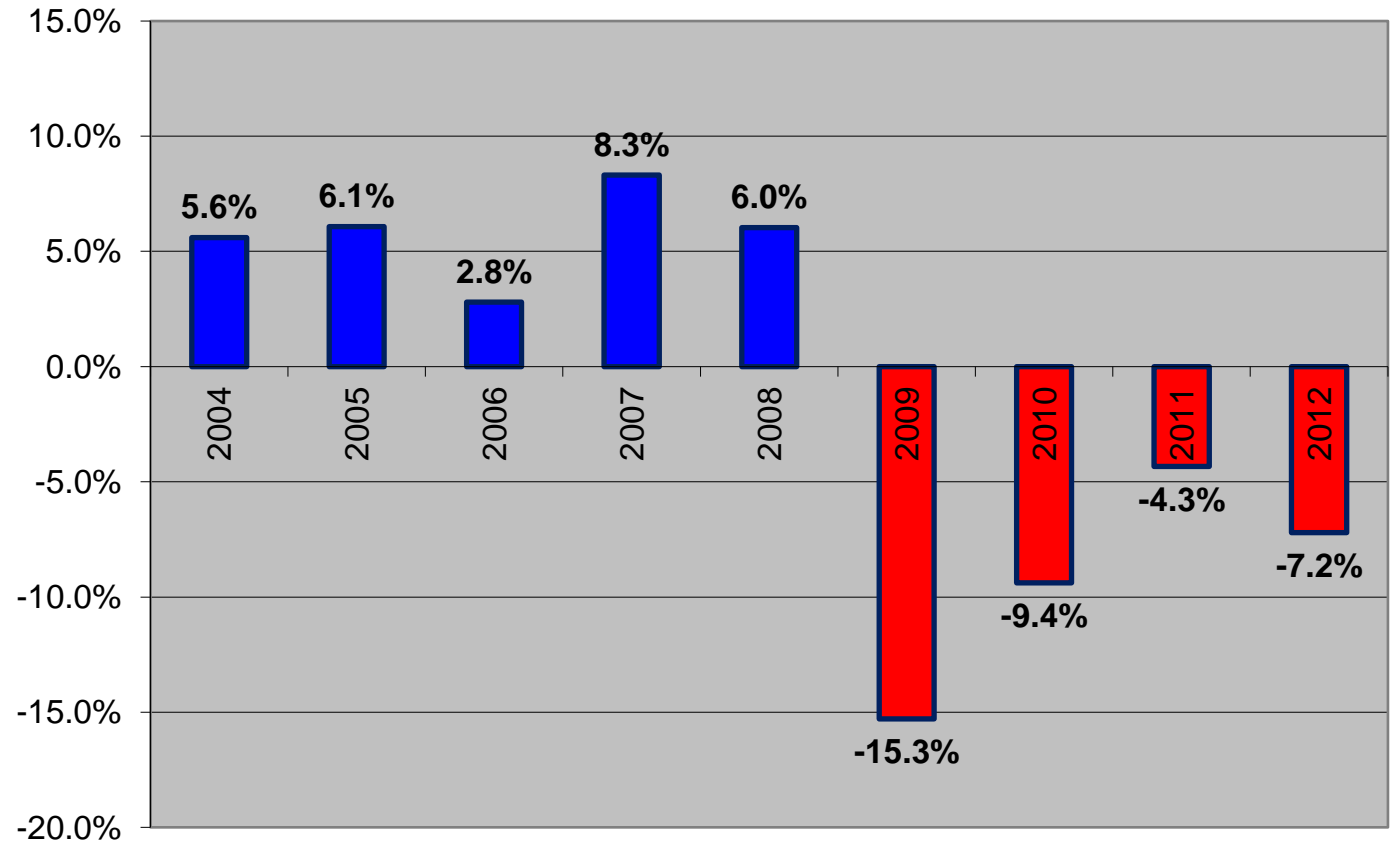
1. Recent claims trends
 1. The good news
 2. The bad news

2. Major claims impact
 1. as of December 2011
 2. ... and as of December 2012

3. The future risk exposure? – Evolution of ship values

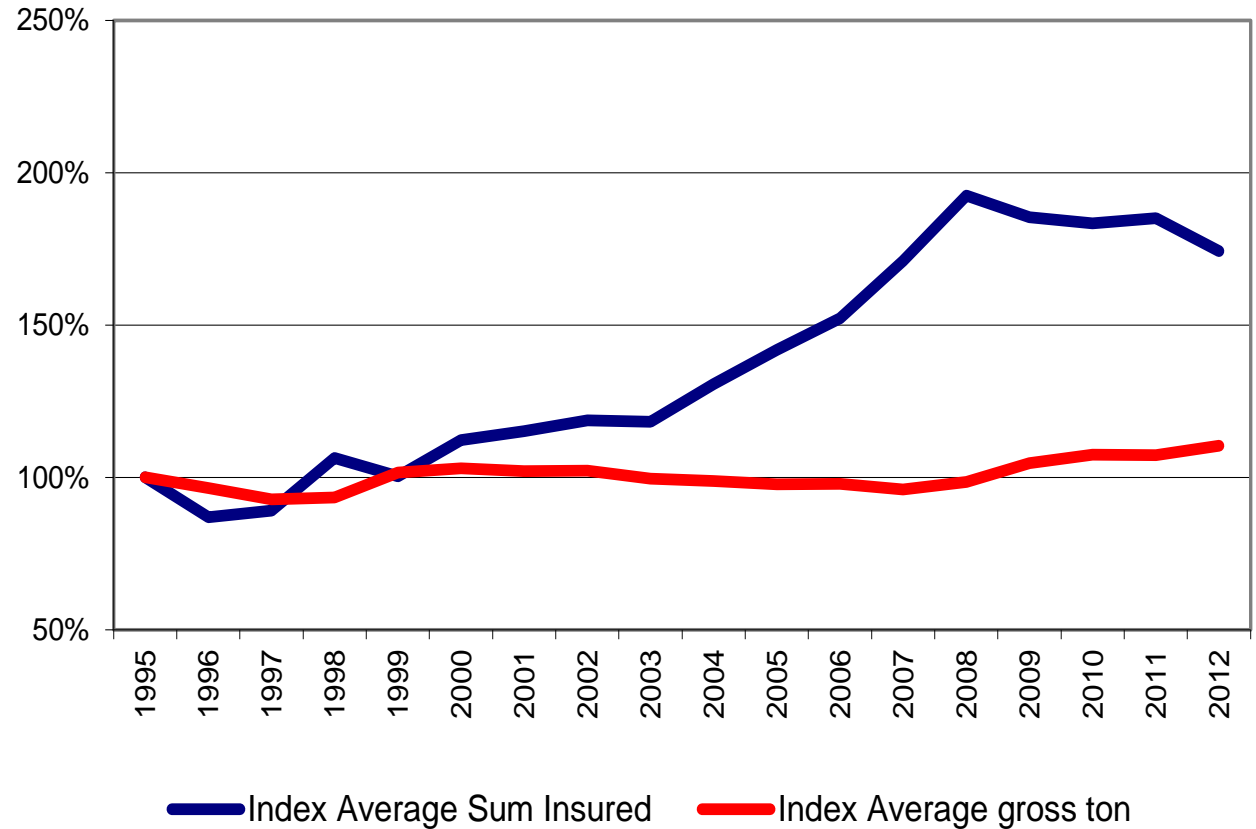
2012: Renewed drop in vessel values on renewals

Average annual change in insured values
on renewed vessels



Vessel value index – Renewals and new builds

Index of evolution of average Sum insured and gross ton
1995=100%

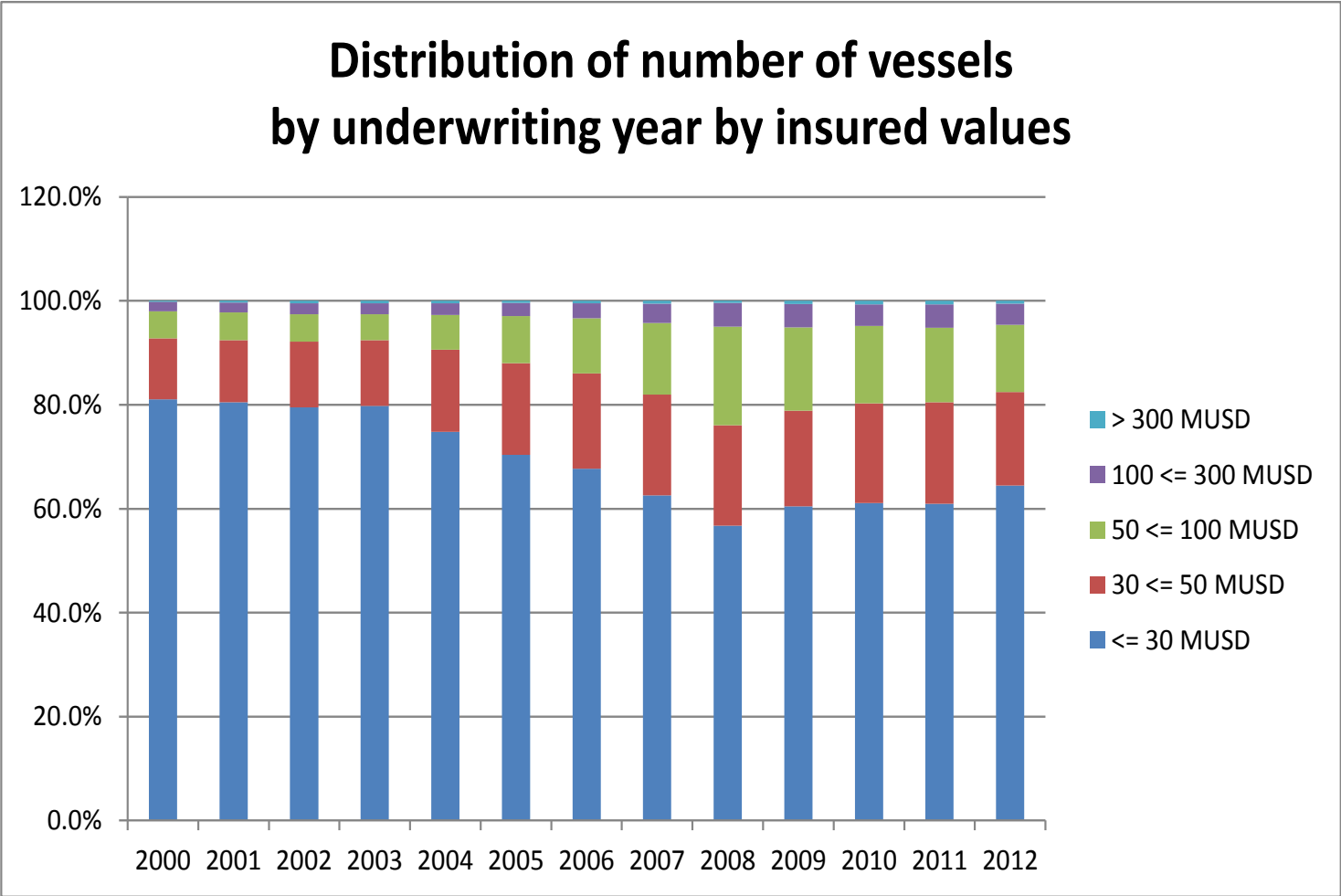


New and bigger vessels compensate to a certain degree for the reduction in values of the existing fleet.

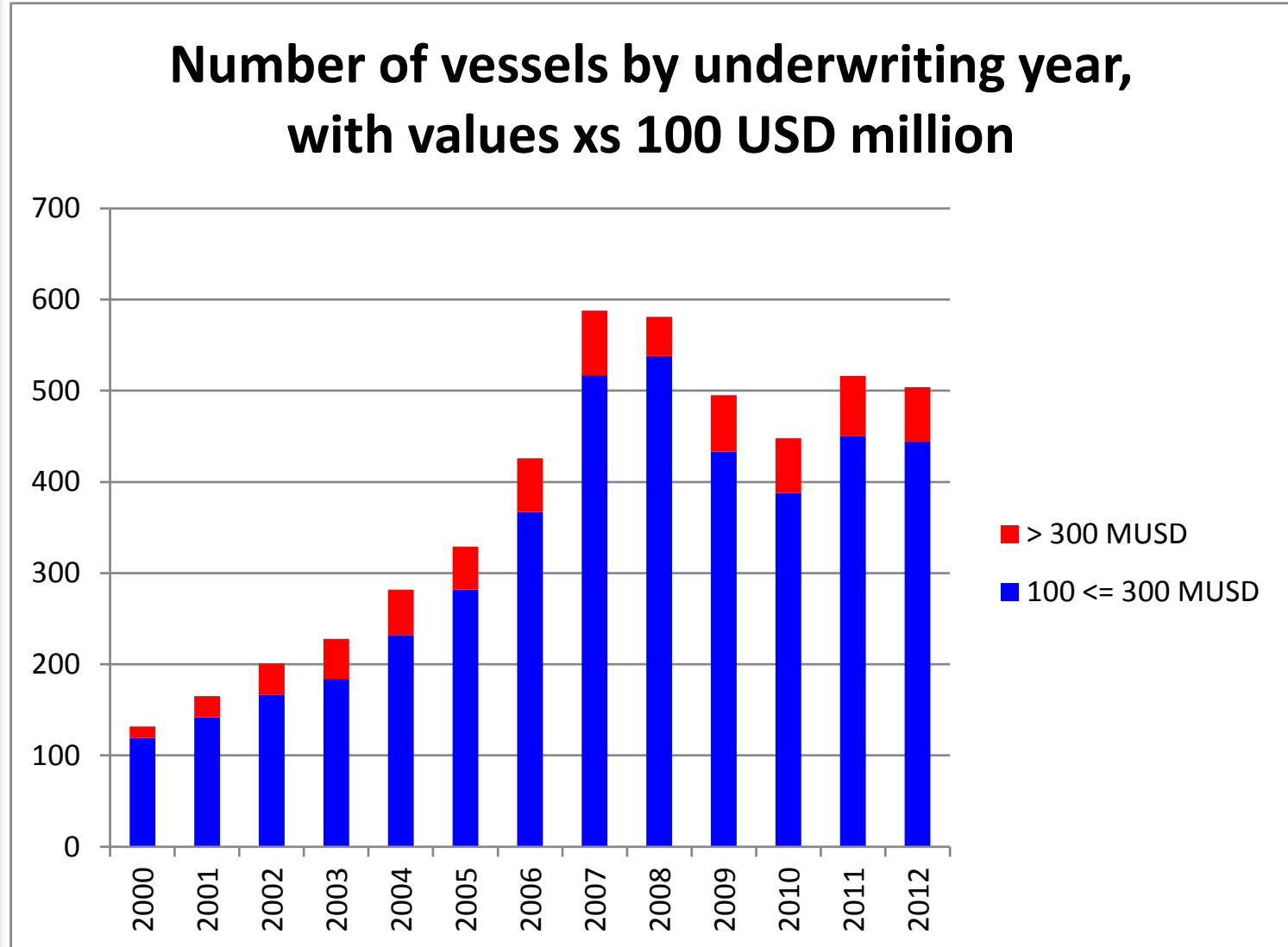
Despite recent drop in values: Increased share of high-value vessels

40% of all vessels have values xs 30 USD million

Until 2003: 20%



Increased number of high-value vessels => increased risk of costly claims



Summary

Pre – Financial crisis:

- Increase in claim frequency and repair cost

Post - Financial crisis:

- ☺ Claim frequency and repair cost stabilise
- ☹ Exceptional major loss impact in 2012; various shiptypes involved

Future (?):

- Ship values drop, but new and bigger ships increase the risk of even more costly claims.
- Watch out for changes in frame conditions which may trigger the risk of major claims.



Cefor

New loss prevention methods?



© 2010 Kristian Nygård

www.optipess.com

Thank you!



Cefor

Nordic Marine Insurance Statistics

Cefor statistics publications:

- Recent claims trends in Cefor Annual Report 2012
- The 2012 Cefor NoMIS OCEAN Hull Report
- The 2012 Cefor NoMIS COASTAL Hull Report
- Half-yearly Claims Update Fact Sheet
- Check statistics section @ Cefor website:
www.cefor.no/statistics
("NoMIS" – Nordic Marine Insurance Statistics)

Other marine insurance statistics:

- IUMI (International Union of Marine Insurance):
Statistics issued by IUMI's Facts & Figures Committee:
<http://www.iumi.com/index.php/committees/facts-a-figures-committee/statistics>

Contact: astrid.seltmann@cefor.no