



## **Change or no change? – (How) did the financial crisis affect hull claims trends?**

International Maritime Statistics Forum 10-12 May 2010,  
at EMSA, Lisbon

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The Nordic Association of Marine Insurers

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- Overview Cefor and NoMIS database
- Hull Claims trends
  - Changes in the global marine environment 4Q 2008
  - Change in claims trends (cost / frequency)
- Analysing the impact of certain factors on claim trends

## Cefor – The Nordic Marine Insurance Association

- Trade association for Nordic marine insurance companies
- 15 members in Nordic countries
- Cefor members insure the following risks:
  - Hull and machinery (H&M)
  - Protection and Indemnity (P&I) = shipowner's liability
  - Cargo
  - Energy/offshore
  - War risk
  - Legal defence

## Cefor – Core Activities

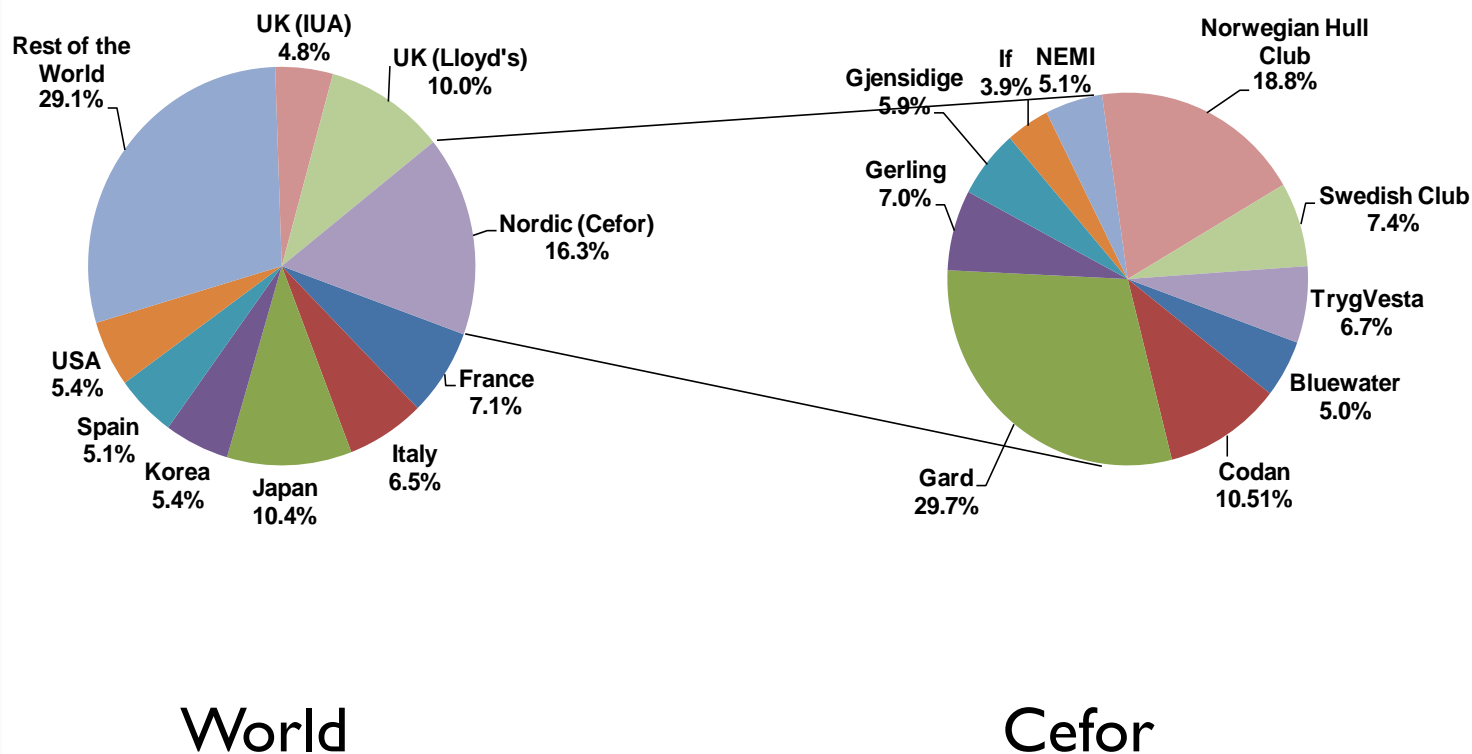
- Nordic insurance conditions / legal issues
- **Statistics**
- Framework conditions for the marine insurance industry
- Education

## Cefor – Administration 2010

- Managing director – Helle Hammer
- **Analyst/Actuary** – Astrid Seltmann
- Legal counsel – Viggo Kristensen
- Executive Secretary – Hilde Spro

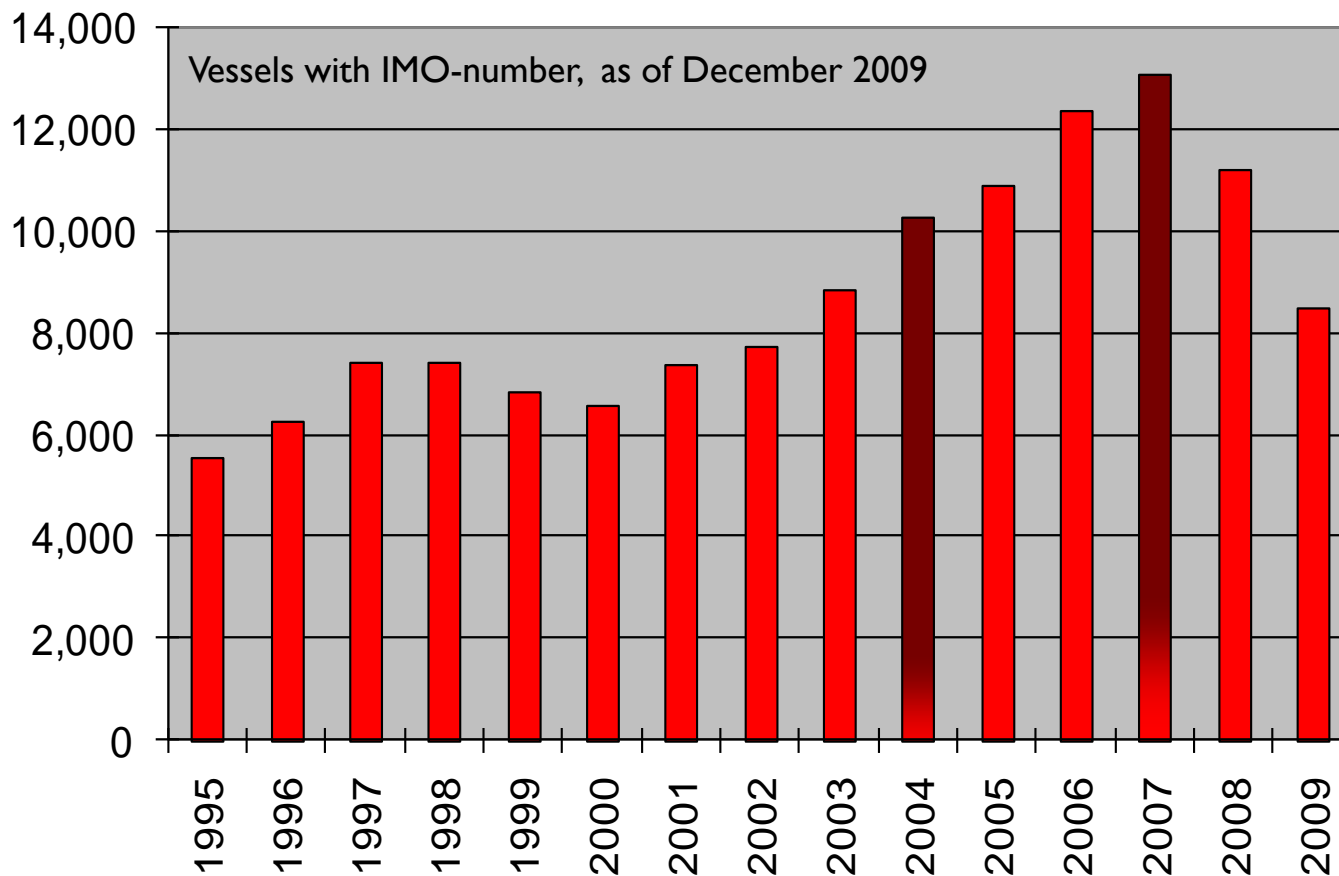
# The Cefor **Hull** market in the global context

## Distribution of Global Marine Hull Premium 2008



## Nordic Marine Insurance Statistics Database

### No. of Vessels per Underwriting Year



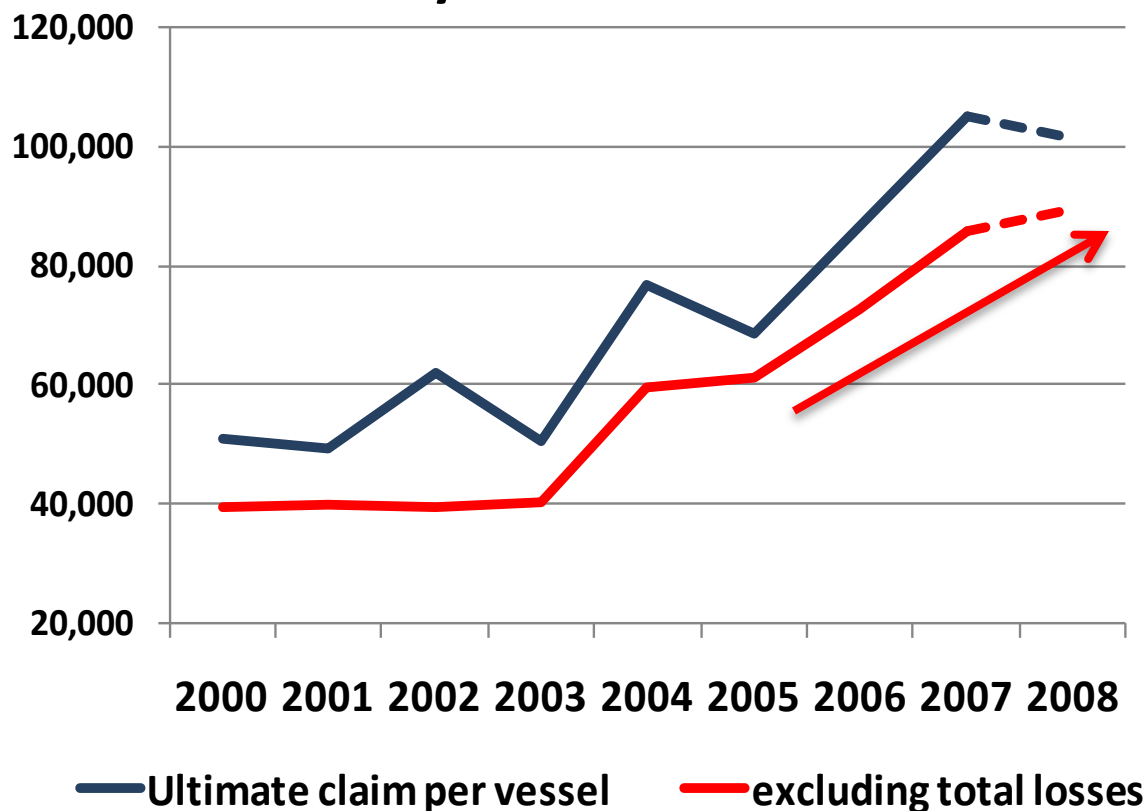
NoMIS fleet  
in % of world  
merchant fleet  
xs 300 GT:

15 - 25%  
of no. of vessels

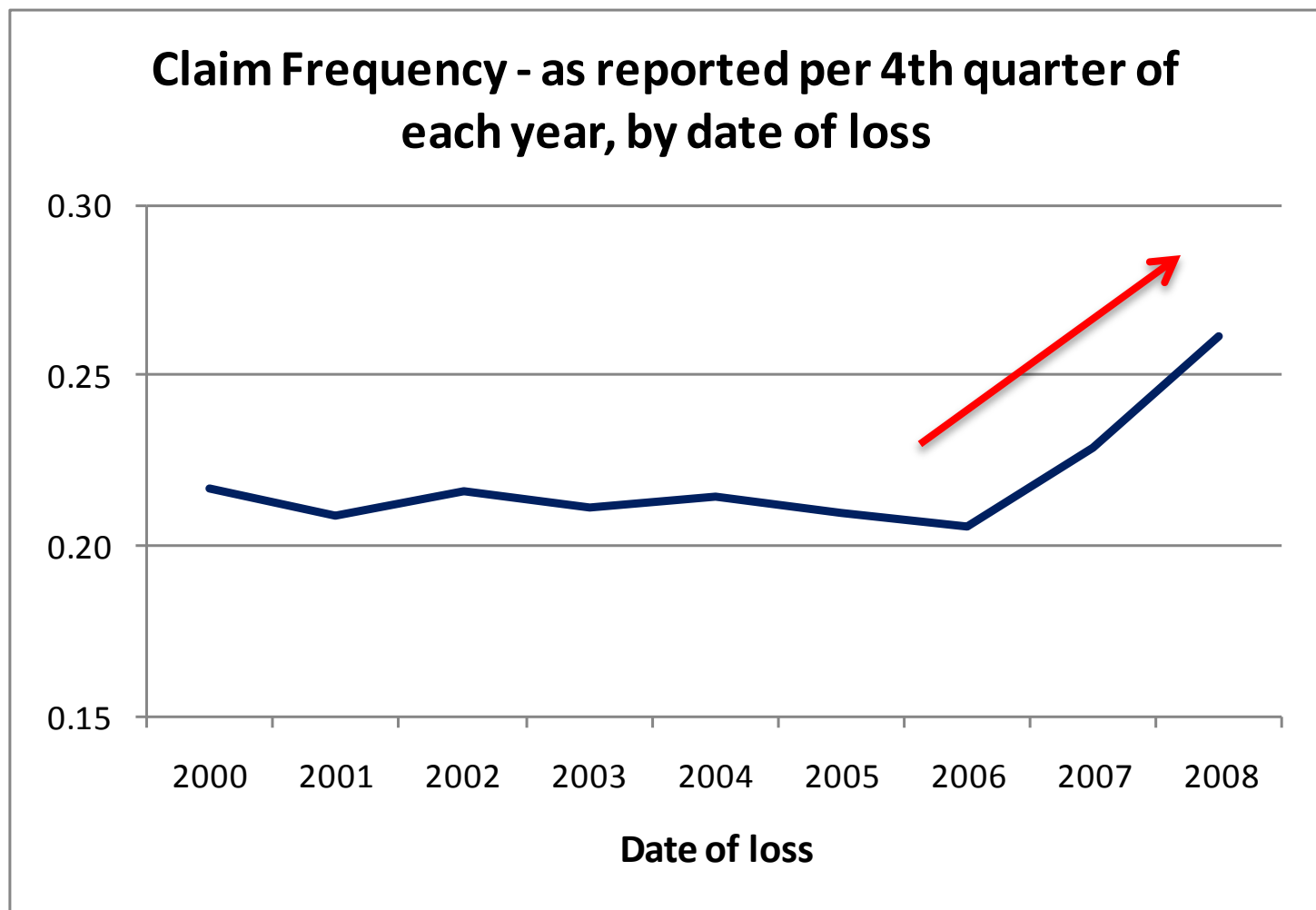
30 - 50%  
of tonnage

# Claim cost per vessel as at **December 2008**: soaring claim cost

## Ultimate claim cost per vessel (USD) by date of loss



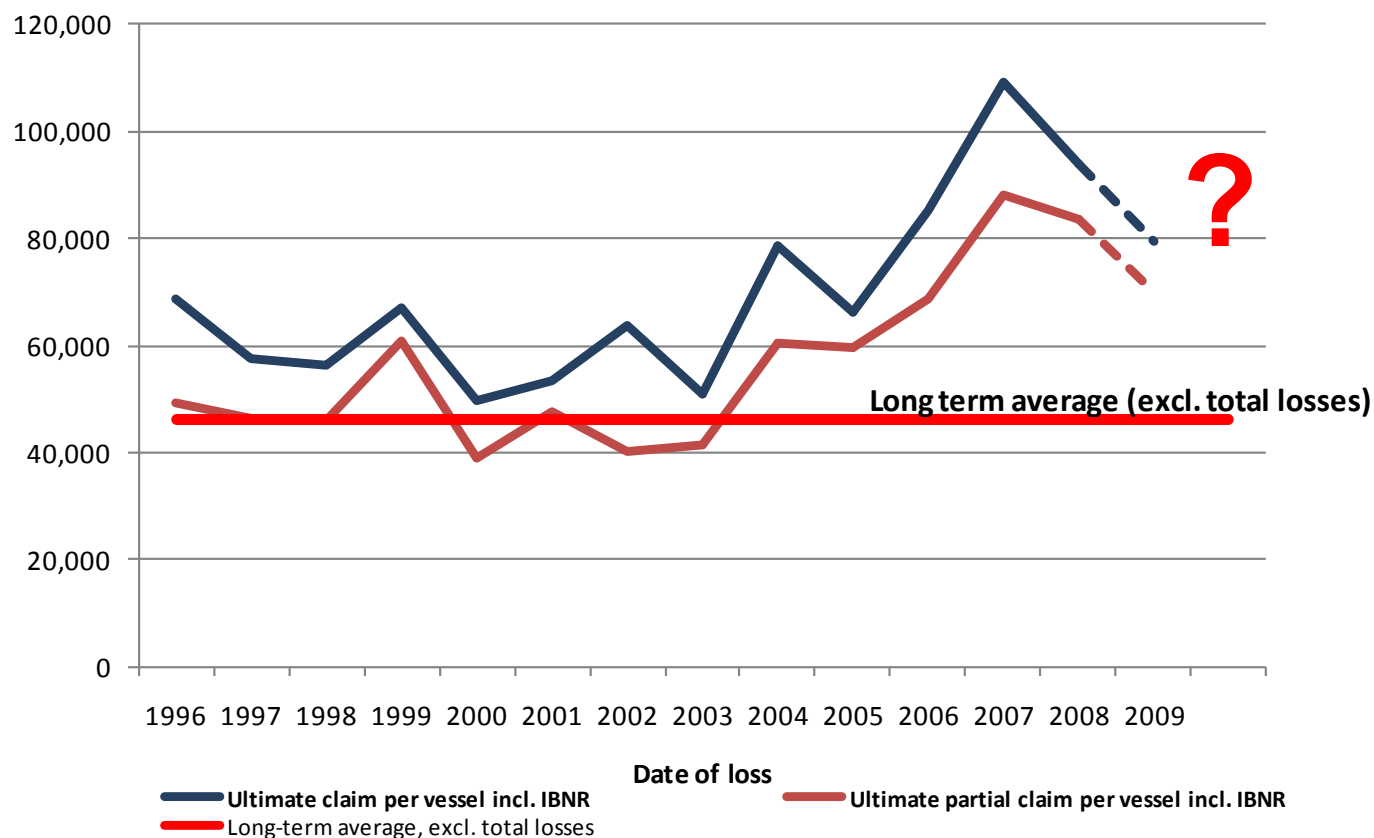
## ... and a substantial increase in claim frequency



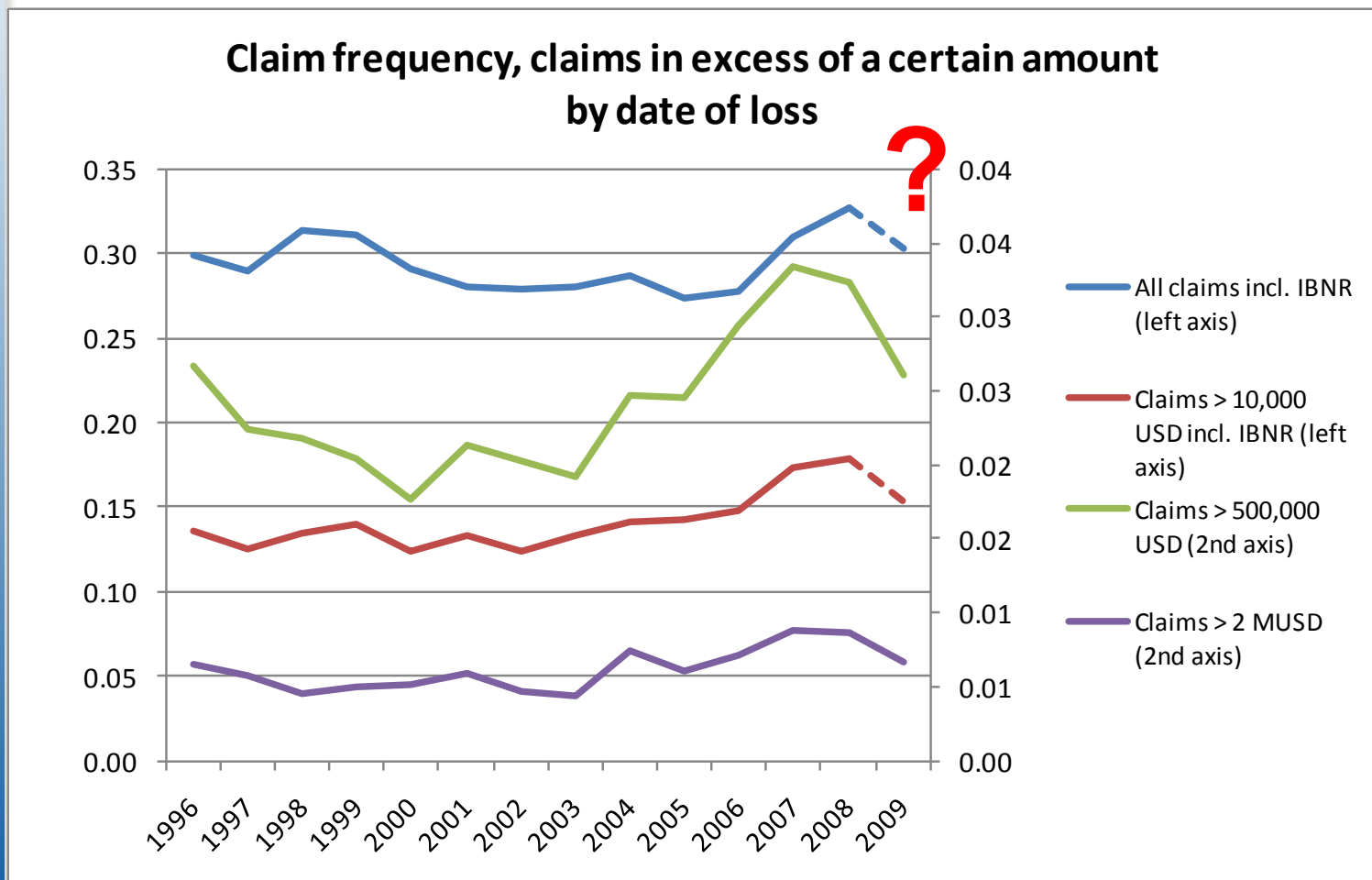


# Claim cost per vessel as at **December 2009** – much improved?

**Ultimate partial and total claim cost per vessel (USD)  
by date of loss**



.. as well as the claim frequency?



## 2009 trend shifts?



## Factors with impact on hull claims:

- Steel prices
- Repair yard capacity
- Spare part availability
- Vessel types (high/low utilization rates)

**Most factors influence hull claims but not necessarily to the same extent.**

- Vessels age
- Seafarer qualifications
- Vessel values (total cost)
- Lag effects of economic boom
- Exchange rate policies in USD, in European currencies)

**Any effort to predict the combined effect of these factors would be audacious!**

- Insurance deductibles
- Vessel types

## Factors "under control":

- Steel prices
- Repair yard capacity
- Spare part availability
- Strain on vessels (high/low utilization rates)
- Good/bad maintenance
- Vessels in lay-up
- Seafarer qualification
- Vessel values
- Lag effects of shipbuilding boom
- Exchange rates
- Slow steaming
- Major claims
- Insurance deductibles

**Let's look at the as-if  
effect of some factors!**

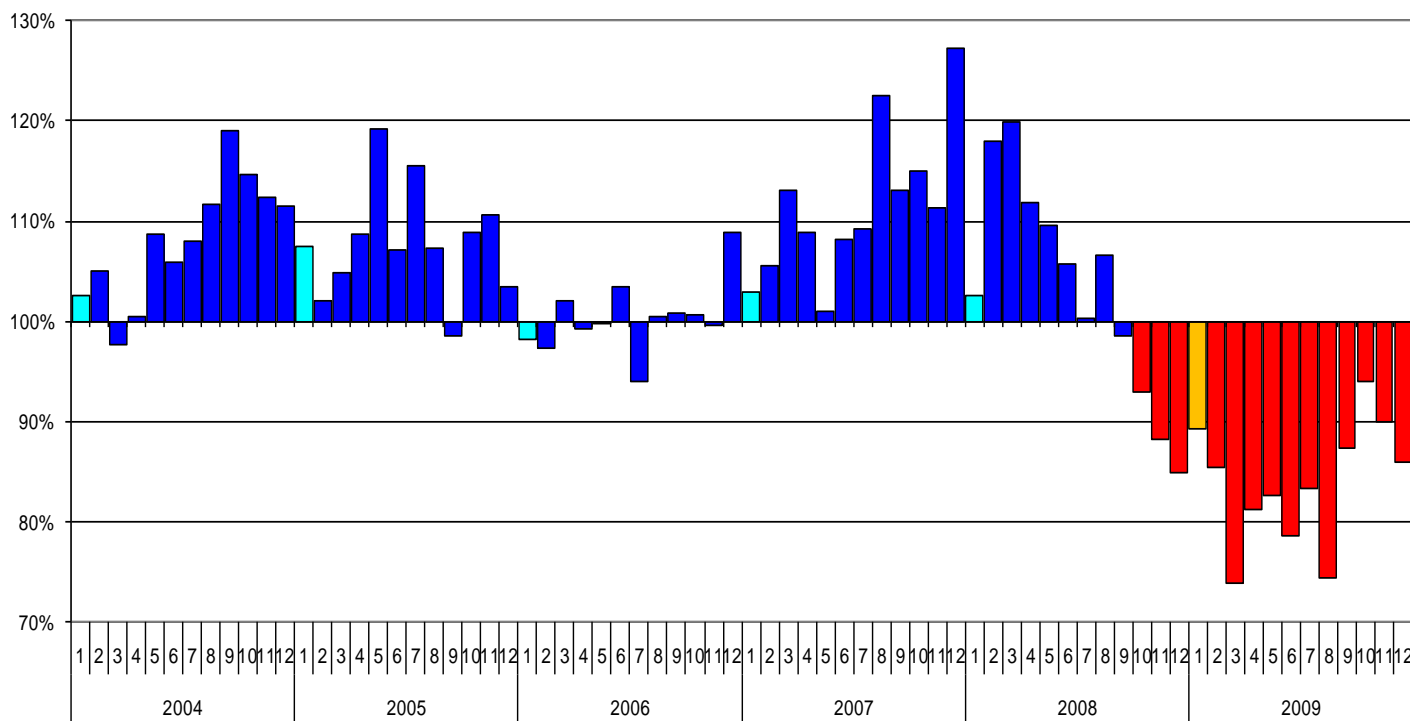


## Predicting the future can be difficult...



## Values drop since 4Q 2008

Average change in Sum Insured for all renewals in respective month, compared to previous underwriting year



In 2009, vessel values **down 14%** compared to 2008

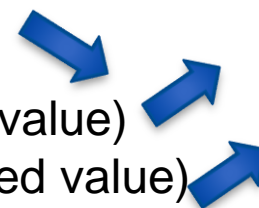
For certain vessel types drop values up to 30%.

Effects:

Reduced cost of total losses (= insured value)

But: More constructive total losses (xs 75 % of value)

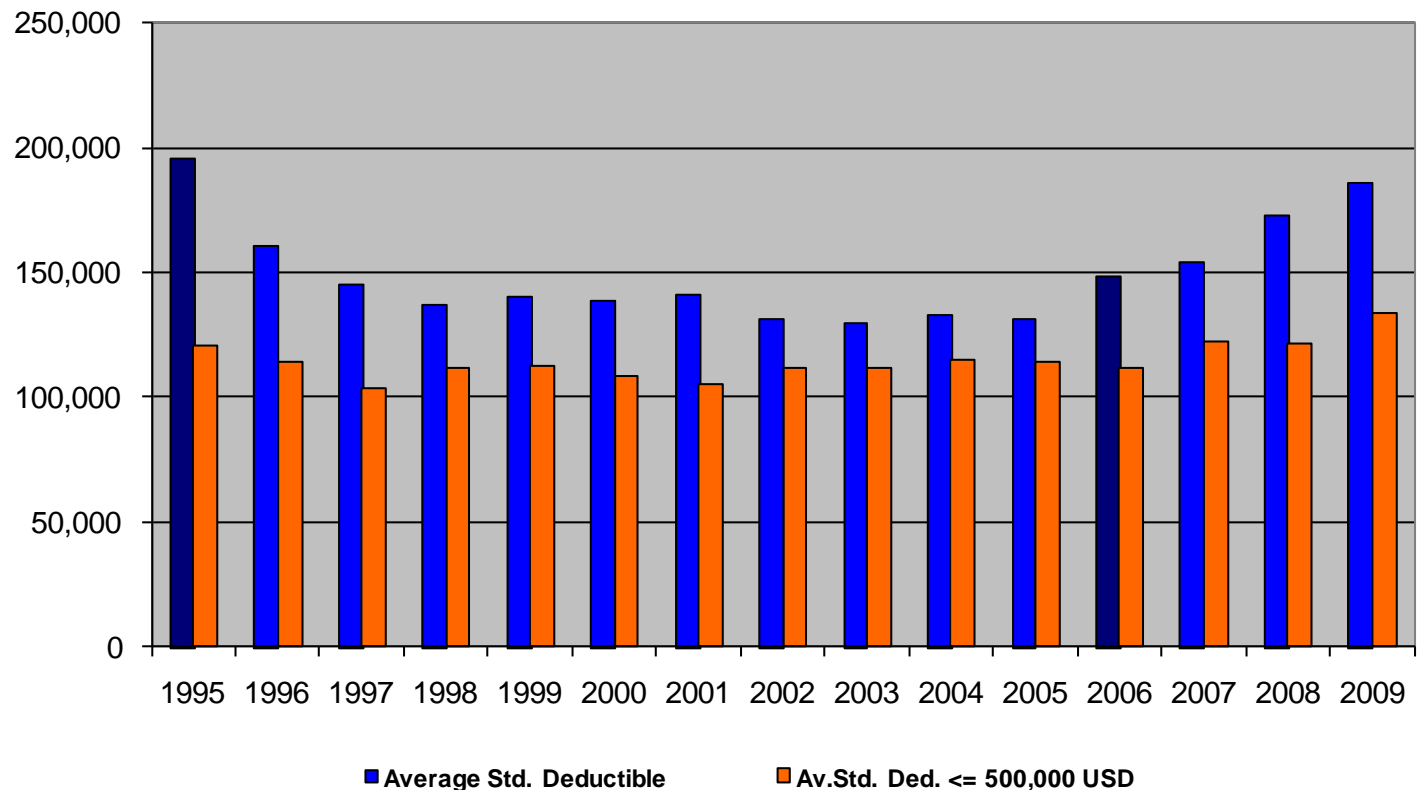
& Income reduction (premium rate = % of insured value)



## Deductibles increase

### Average Standard Deductible Development

All business, **100%**, in USD



In 2009, the standard insurance deductible increased by nearly 10% or USD 10,000.

Effect:  
-> Reduction in reported claim cost and frequency.



With 2009 deductibles, the 2008 claim cost would have been 5% less.



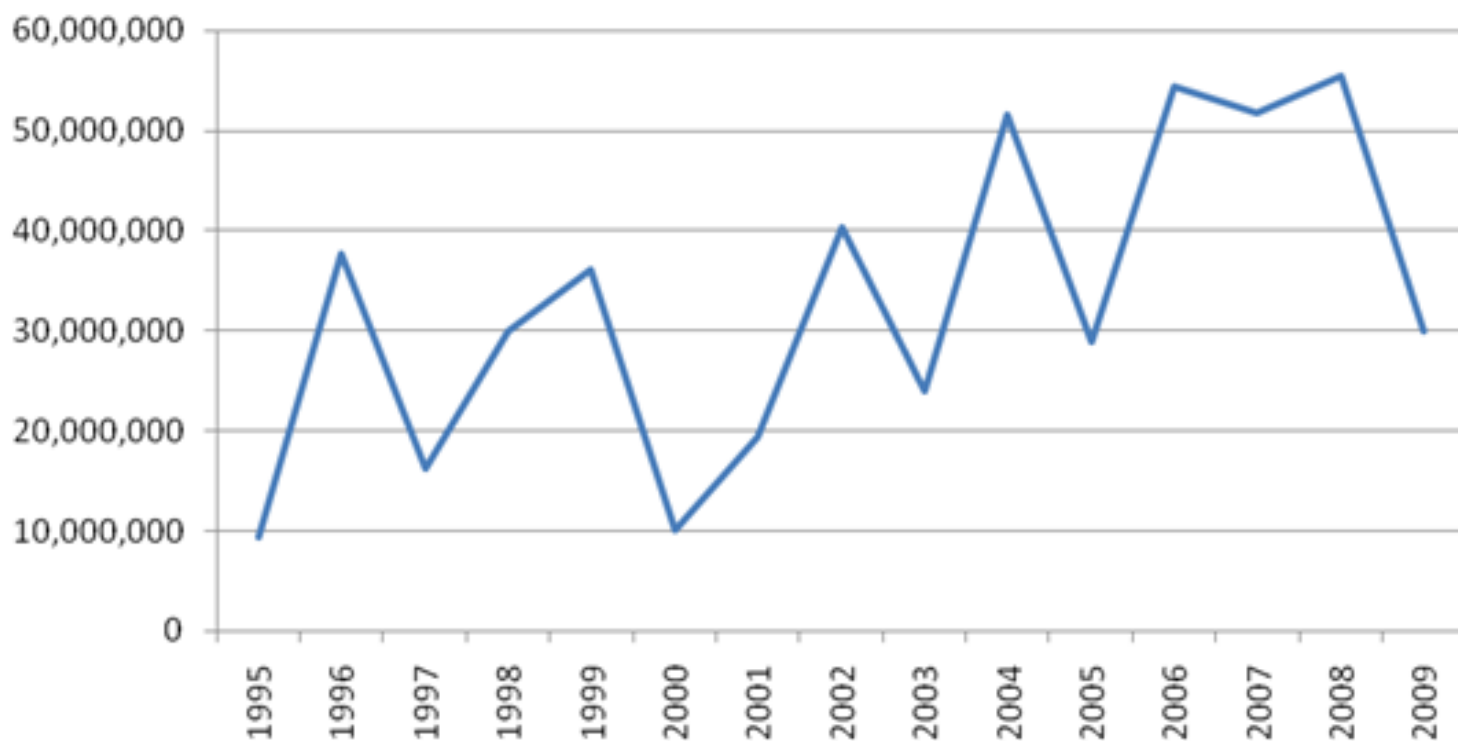
## Major claims – a fortunate year: No claim in excess of USD 30 million in 2009

In 2009, no major claims exceeding 30 MUSD.

Effect:  
Less impact of major claim cost reduces overall claim cost.

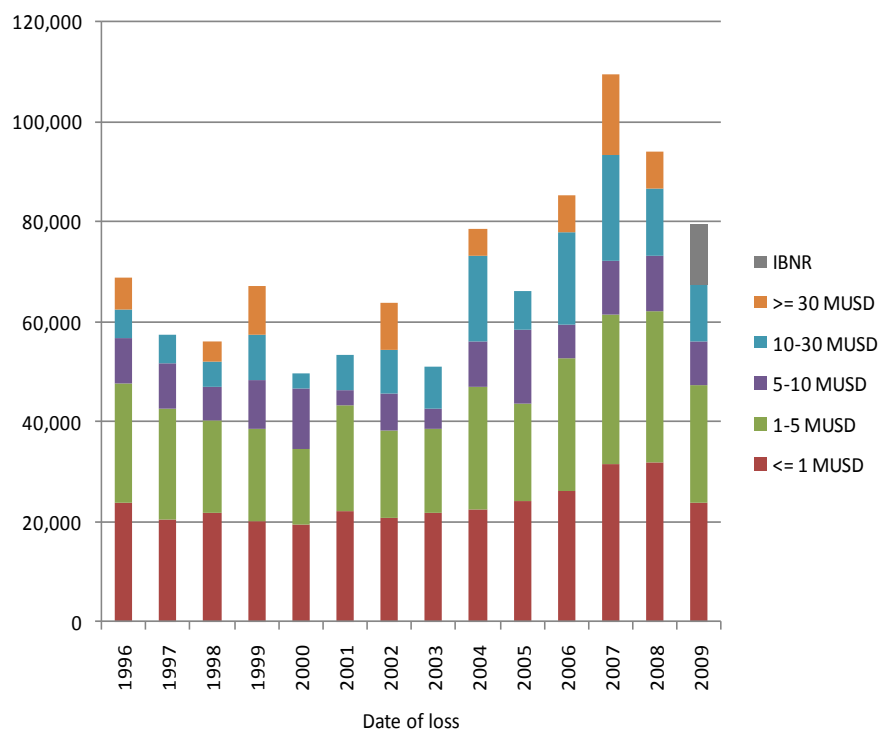
But: Great volatility in occurrence of major claims: "lucky" year rather than trend.

Maximum individual claim (USD)  
by date of loss

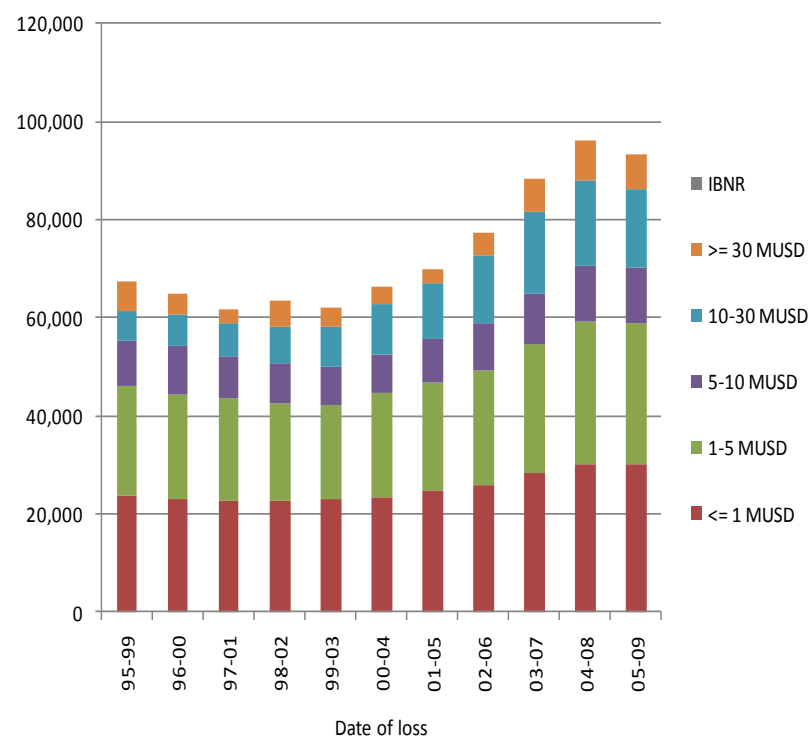


## Claim cost per vessel in bands of claim size – Annual cost compared to 5-year average

Claim per vessel (USD)  
by date of loss



Claim per vessel **5-year-average** (USD)  
by date of loss

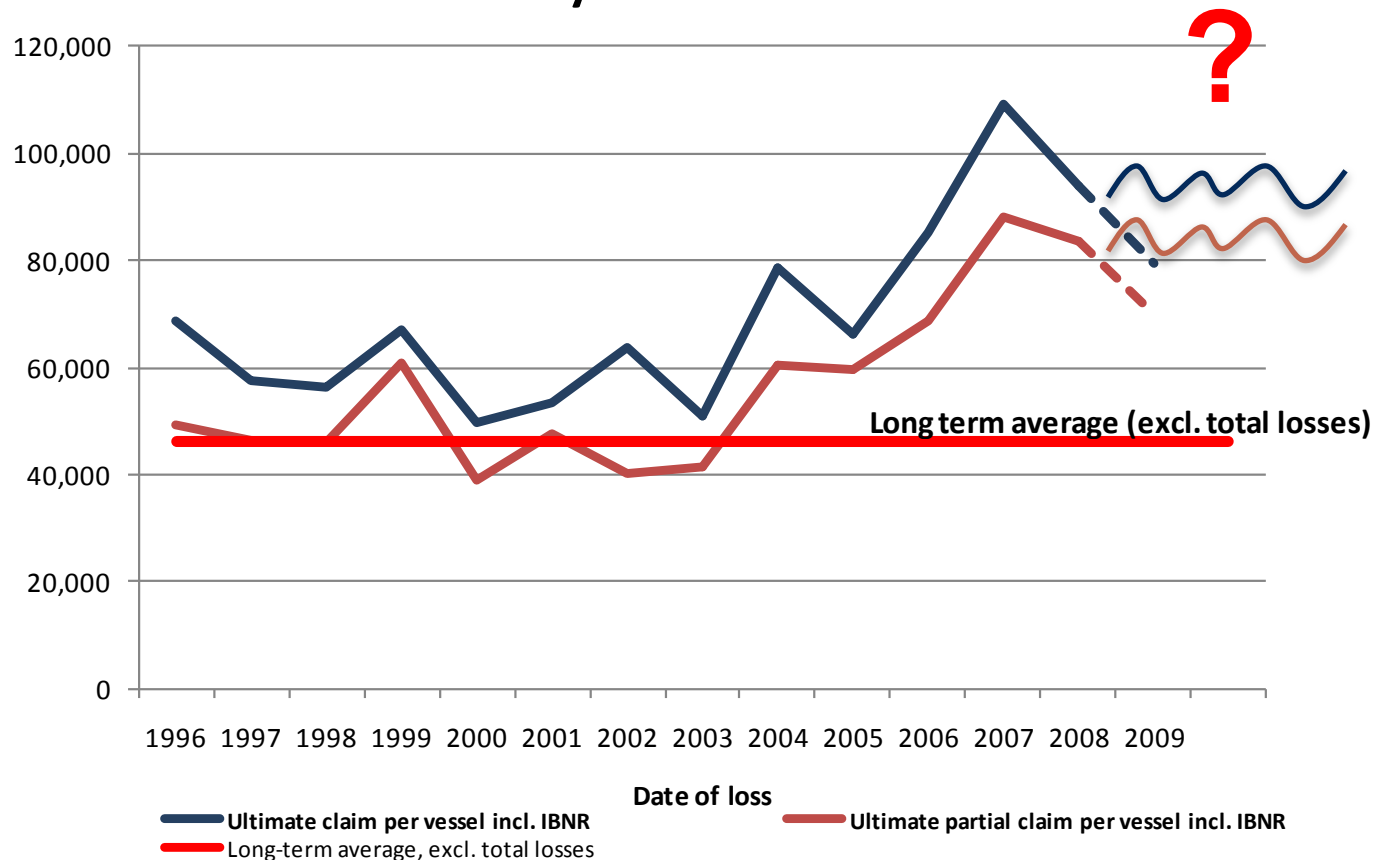


## Claim cost as at **December 2009** –

As-if effect for  
 - lay-ups,  
 - absence of  
 large claims  
 - drop in values  
 - deductible  
 increase:

2009 cost level  
 probably on par  
 with 2007/2008  
 level.

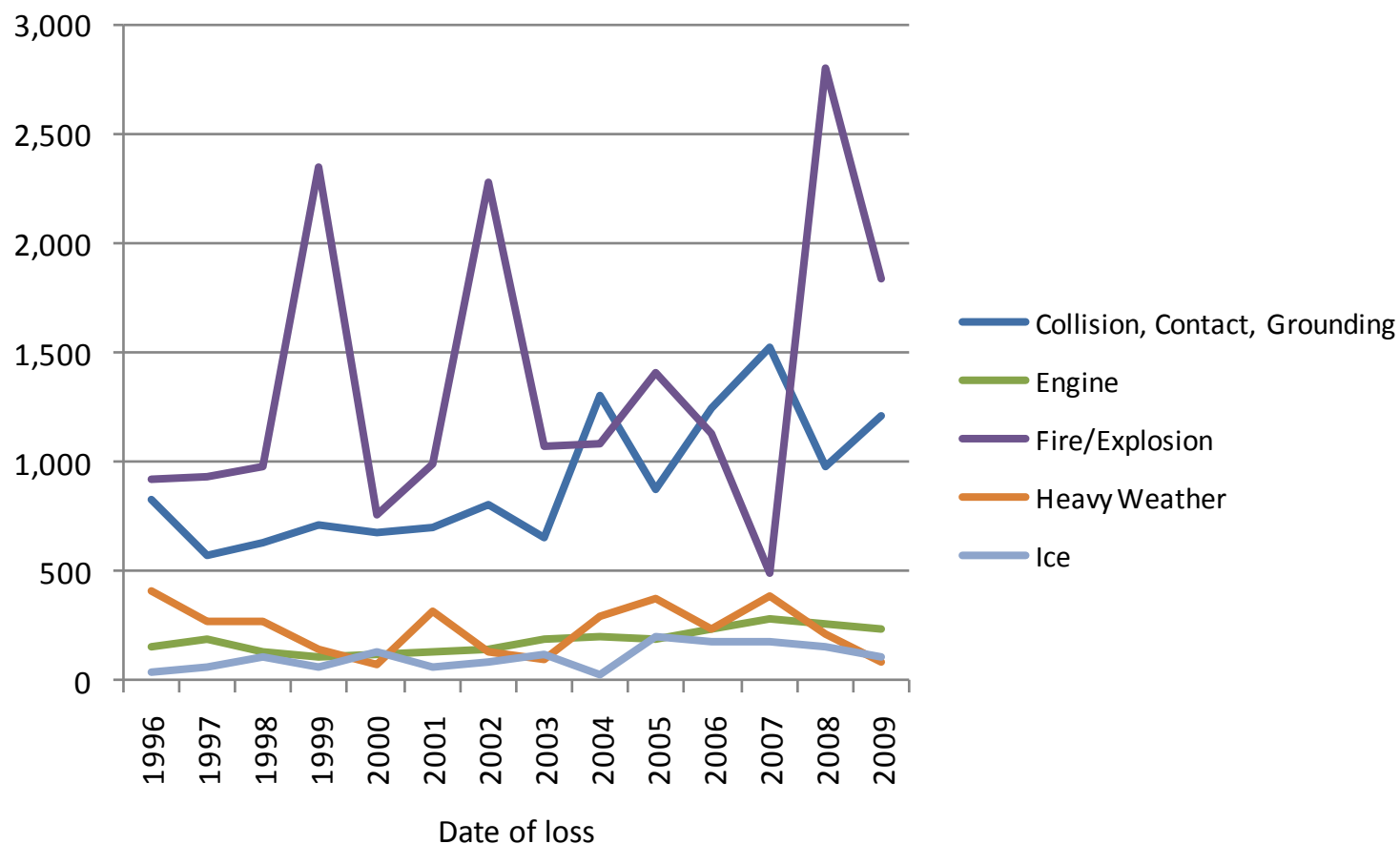
### Ultimate partial and total claim cost per vessel (USD) by date of loss



## ... and the Individual claim cost by claim type:

No trend shift for costly Fire/explosion and collision/grounding claims

**Average USD claim amount per type of casualty  
by date of loss**





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## Conclusion...

...drop in average claims cost expected, but no trend shift  
...claims costs still at very high level



## Cefor Nordic Marine Insurance Statistics @ [www.cefor.no](http://www.cefor.no)

- Cefor Annual Report 2009, page 10-17
- The 2009 Cefor NoMIS Report &  
The 2009 Cefor NoMIS COASTAL Report
- Claims Update Fact Sheet (as of June each year)
- All Cefor statistics are available for download from the statistics section of the Cefor website:  
<http://www.cefor.no/statistics/statistics.htm>

### **Other marine insurance statistics:**

- IUMI (International Union of Marine Insurance):  
Statistics issued by IUMI's Facts & Figures Committee:  
@ [www.iumi.com](http://www.iumi.com)