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CEFOR Newsletter

Dear friends,

According to Chinese astrology, 2005 has been the year of the rooster. The year has also been the year of natural disasters and hurricanes. Premium increases at renewals in the CEFOR hull insurance market fell from 19% in 2004 to 5% in 2005 and the market cycle is apparently reaching a breakpoint. The question is: Where to next?

Reinsurance renewals in late 2005 were still too early to reflect the hurricane related losses and substantial increases for most lines should be expected for 2006. These increases will in most cases be passed on to direct insurance. According to the Chinese again, the year 2006 will be the year of the dog. It may sound like a bad omen but the question is once more: For whom? Have a Merry Christmas and a Doggone New Year!

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CEFOR 2006 Annual General Meeting

The Grand Hotel, Oslo
April 4th 2006

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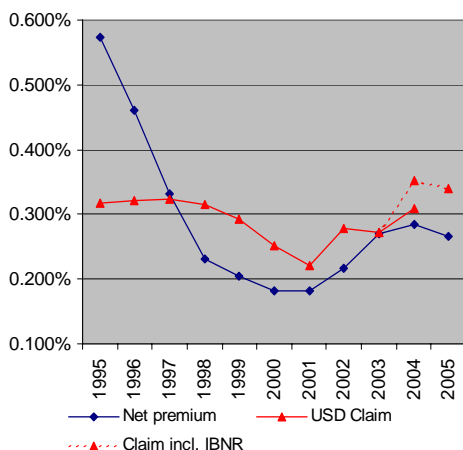
CEFOR Seminar – Nautical claims on the rise

On 18th November CEFOR held a member seminar on recent claim trends, with special focus on nautical related claims such as collision, contact, grounding, and ice. The seminar gathered about 20 underwriters, claims- and loss prevention managers and analysts.

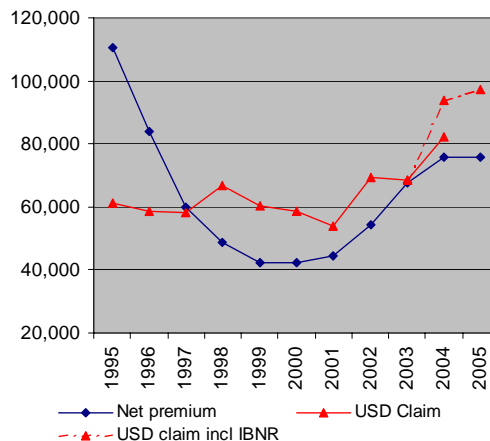
Contrary to underwriting years 2001-2003, which were characterized by costly high-profile events, 2004 has to date no claims excess of 30 MUSD. But instead of soothing underwriters' nerves, the statistics show a rather disconcerting rise in claim cost per vessel in almost all claim ranges below 30 MUSD.

Underwriting year 2004 currently shows an increase in claim per vessel of more than 50% compared to prior years (including IBNR). The claim per sum insured is also increasing – despite a strong growth in vessel values.

Premium and Claim per Sum Insured



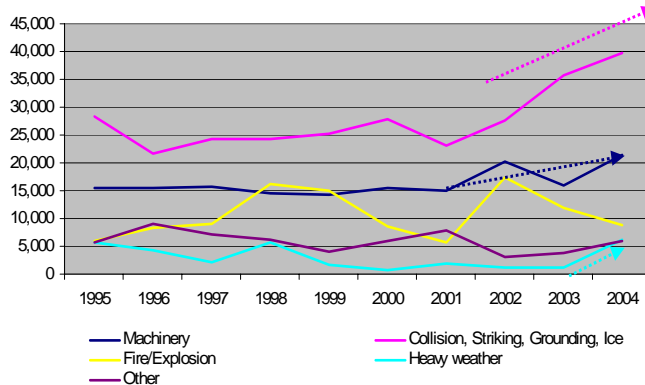
Premium and Claim per Vessel



USD Claim per vessel

Looking more into detail, much of the rise in claim per vessel can be attributed to nautical-related claims. The machinery claim cost is also increasing, but this is mainly due to two major claims in 2002 and 2004.

Only a minor part of the increase is attributable to changes in the CEFOR portfolio. Increasing steel prices and repair cost, a weaker USD and increasing vessel-values are all risk factors that have a natural impact on the claim cost. The effect of the booming shipping market, congested



waters and crew issues gave rise to an interesting debate. A short summary of the claim trends discussed at

the seminar is available from the CEFOR website www.cefor.no.

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The Central Union of Marine Underwriters (CEFOR) was founded 15 August 1911 by Norwegian and foreign insurance companies. The Committee of Mutual Marine Insurers (GSK) was founded 5 June 1885

The object of CEFOR is to strengthen and develop the basic concepts of the Norwegian marine insurance market and unite and coordinate its members around key issues for the marine insurance industry.

See us also at:

www.cefor.no

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No 2006 Version of the Marine Insurance Plan

The 2003 Version of the Norwegian Marine Insurance Plan (the Plan) will apply also throughout 2006. The CEFOR working group for

the Plan is reviewing proposed amendments in cooperation with the Norwegian Shipowners' Association. This

will probably lead to a 2007 Version.

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New hope for Norwegian marine insurance transparency - Ministry of Industry takes the lead

In our last Newsletter we reported on the efforts of the marine insurance industry to ensure a legal basis for the right to share and exchange information about the condition of ships and how they are being managed, maintained and operated in order to avoid insuring substandard vessels. Norwegian professional secrecy legislation concerning insurance contracts impedes such efforts.

The Ministry of Finance turned down the industry's request for an exemption on the grounds that no exemption from the professional secrecy rules under the Norwegian Insurance Activity Act can be given nor would the Act be amended.

The Ministry of Finance called for the Ministry of Industry to

propose special legislation in order to enable marine insurers to exchange and share information regarding substandard ships. In October the Ministry of Industry sent a proposal for such legislation on a hearing to the shipping industry and other interested parties. The deadline for comments was set to 9 December. It is expected that this legislation will be included in the proposed act on ship safety and that the Government will submit the proposal to the Storting (Parliament) in the spring session of 2006.

In the meantime the P&I clubs Gard and Skuld face the fact that they are not able to participate in the sharing of information with the other clubs in the International

Group. In order to alleviate this situation CEFOR approached the Ministry of Finance in October extensively explaining how the actual operation of the P&I clubs within the International Group now rests on all clubs being able to participate in sharing information. The Ministry has so far not responded. A positive response from the Ministry would benefit the efforts of Gard and Skuld to improve ship safety in the framework of the International Group.

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CEFOR members spearhead the work on an international claims handling protocol

In the aftermath of the first International Marine Claims Conference held in 2004 in Portmarnock, Ireland, the CEFOR Claims Forum formed a working group to draft a hull claims handling protocol for the purpose of establishing claims handling principles that eventually could become

internationally accepted. This would be in the spirit of the Portmarnock conference which aims to create a better understanding of ways the different markets handle claims. The claims handling protocol was presented to the second International Marine Claims Conference which was

held in Portmarnock in October 2005. The draft protocol was received by the conference delegates as a good starting point for further work.

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