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www.cefor.no

The CEFOR website has undergone a face-lift.

You are welcome to visit the "new" website, where information and structure will appear as previously.

Optimal viewing is achieved with 1024x768 (SVGA) resolution.

**CEFOR 2004
Annual Meeting**
Grand Hotel, Oslo
April 1st, 2004.

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Dear Reader,

The year 2003 is coming to a close and with a marine insurance industry hopefully in a better shape than this time last year. Nevertheless, marine insurance continues to be underpriced and establishing a global market equilibrium remains our number one challenge, also for 2004. We at CEFOR would like to wish you all a Merry Christmas and a Happy and Prosperous New Year!

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IUMI Conference 2003 – Seville, Spain

The International Union of Marine Insurance held its annual conference from September 14th through 18th, this year in Seville, Spain. The conference theme was "Our voyage to quality, safety and profitability", with particular emphasis on the financial dire state of the marine insurance industry.

Warnings were issued from several speakers and with Swiss Re CFO John Baxter taking the lead by stating that

his company will certainly manage the cycle and withdraw capital if it cannot reach their targets for any segment of the business. Chairman of IUMI's Ocean Hull Committee, Simon Beale of Amlin, went on further when saying that urgent action is required in order to avoid a total market collapse.

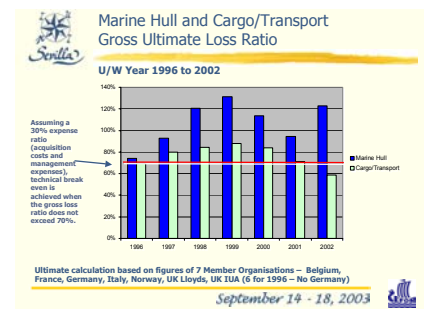
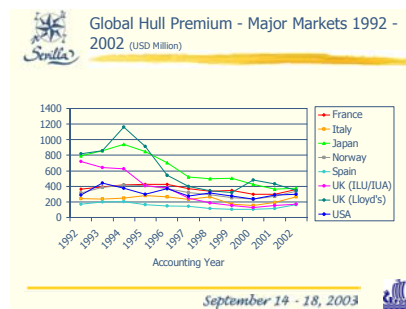
These sentiments were echoed by other speakers such as Volker Bergeest (Allianz), Christiaan Serty

(AXA) and Hans Terje Anonsen (AON).

In addition to global premium figures, a presentation of reported and estimated gross L/R (cargo and ocean hull) based on a selection of major markets were presented for the first time.

For further IUMI details see www.cefor.no.

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CEFOR participates in a Government Committee appointed to propose a new act on seaworthiness

A Government Committee was appointed by a Royal Decree of 24 October 2003 to propose a new act on seaworthiness. Although the current Seaworthiness Act of 9 June 1903 has been amended on a number of occasions often following Norway's ratification of international conventions

concerning safety at sea, the Act is regarded as too detailed and out of date as a supervisory act. The Committee's main objective is to propose an act on seaworthiness based on modern supervisory principles. The Committee Chairman is professor dr. juris Hans Jacob Bull at the

Scandinavian Institute of Maritime Law of the University of Oslo. CEFOR was called upon to propose Committee representatives and amongst the nominees, lawyer Marit Helleberg of Gjensidige NOR Forsikring was appointed by the Government as the CEFOR representative.

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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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CEFOR Faglig Forum: "Marine risk – Pricing models and risk evaluation"

On November 19th, CEFOR resumed the tradition of organizing market evenings to discuss topics of interest with an expert guest panel. In the wake of several major accidents hitting the market in late 2002, and 2004 renewals well underway, focus this time was on marine risk evaluation and pricing models. In excess of 40 participants met to follow the event:

Christian Irgens, Norwegian Hull Club, introduced the theme from the actuarial point of view, giving an overview over traditional pricing mechanisms and their pitfalls, with emphasis on evaluation of typical 3-5 years ship owner statistics and the traditional burning cost application. Their major weakness lies in the inability to adequately take into account the risk of major claims. The price will turn out either unreasonably low or

high, depending on whether a major claim occurred in the given random historical period or not. By showing examples with outcome, Irgens motivated the necessity of applying stochastic models to give a realistic idea of real claims risk. CEFOR claims statistics further underline this. With 22.500 claims accumulated since 1985, these give a pretty good idea, over a longer period of time, of the random occurrence of major claims.

Tor Erik Andreassen, Assuransforeningen Skuld, presented the P&I perspective. Agreeing with all main points made he does see a necessary trend towards more risk adequate pricing, as reflected in Skulds recent risk modeling measures. A solution enabling discounts for good performance may lie in splitting the rate into frequency and catastrophe elements. The catastrophe element must be priced adequately according to the portfolio risk whereas a

good frequency claims record may lead to a discount on the pure frequency part of the rate.

Tom Middtun, NorthEdge Risk Services, showed that traditional Burning Cost pricing leads to high instability and unpredictability in insurance cost over time, as opposed to the idea of insurance as a stabilizing factor to make budgeting predictable. He furthermore suggested that ship owners knowingly pay for low coverage not necessarily needed, as necessary excess catastrophe coverage is included "for free". This leaves financial instruments and ART (alternative risk transfer) little chance to compete.

During the summing up the audience raised a number of points, which were put forward to the panel. The evening was concluded with a dinner, and lively discussions continued around the tables.

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The Norwegian Marine Insurance Plan

The 2003 Plan will remain in force throughout 2004. The Standing Revision Committee has, however, agreed upon some minor amendments to the Commentary which in fact are mere clarifications. The amendments relate to the Commentary wording of

§ 12-1, § 12-8 and § 16-16. The amended wording is spelt out in CEFOR Circular No. 11/2003 which will be available on our website www.cefor.no in both Norwegian and English.

The Standing Revision Committee is considering

amendments in the trading area clause for the Baltic Sea following the severe and extraordinary ice conditions during the winter and early spring of this year.

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Revision of the Norwegian Cargo Clauses on its way

Last year the CEFOR Cargo Forum began its work of revising the Norwegian Cargo Clauses. The proposed amendments were submitted to the Confederation of Norwegian Business and Industry, the Federation of Norwegian Commercial and Service Enterprises and the

Federation of Norwegian Transport Users which were also invited to propose other amendments. Insurers and industry met in June and agreed upon amendments which were submitted to professor dr. juris Hans Jacob Bull in his capacity as Chairman of the Revision

Committee. The Committee will meet in the beginning of 2004 to review the wordings. The revised Clauses and Commentary will hopefully enter into force on 1 July 2004.

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