The 2007 CEFOR Report on Hull Claim Trends

The cause of recent claim trends:

Crew, congestion and harder trade, or purely a matter of inflation?

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NoMIS Seminar 13.03.2008

”Recent claim trends”

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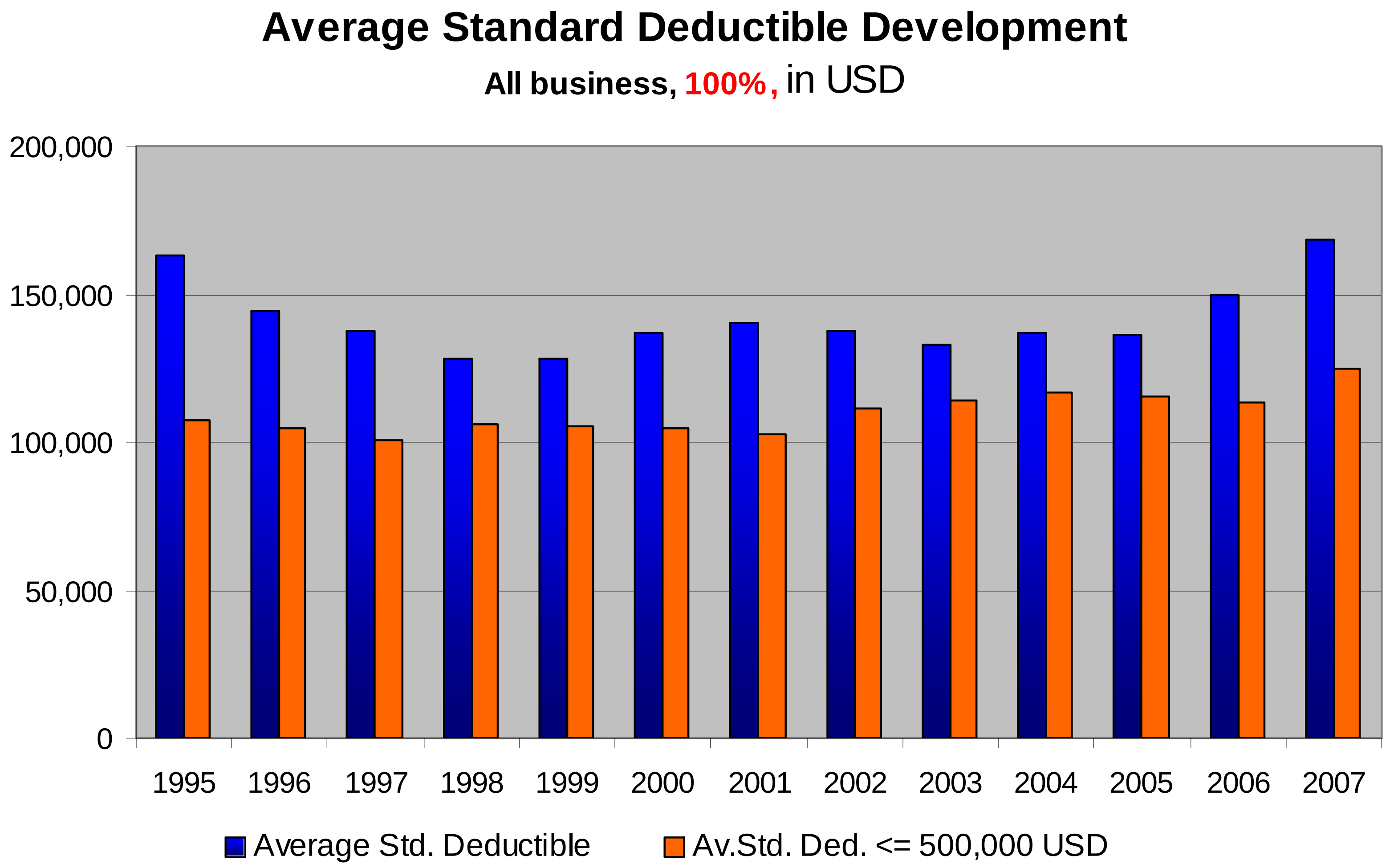
1. General claim trends

2. Special claim trends
   (including nautical, engine)

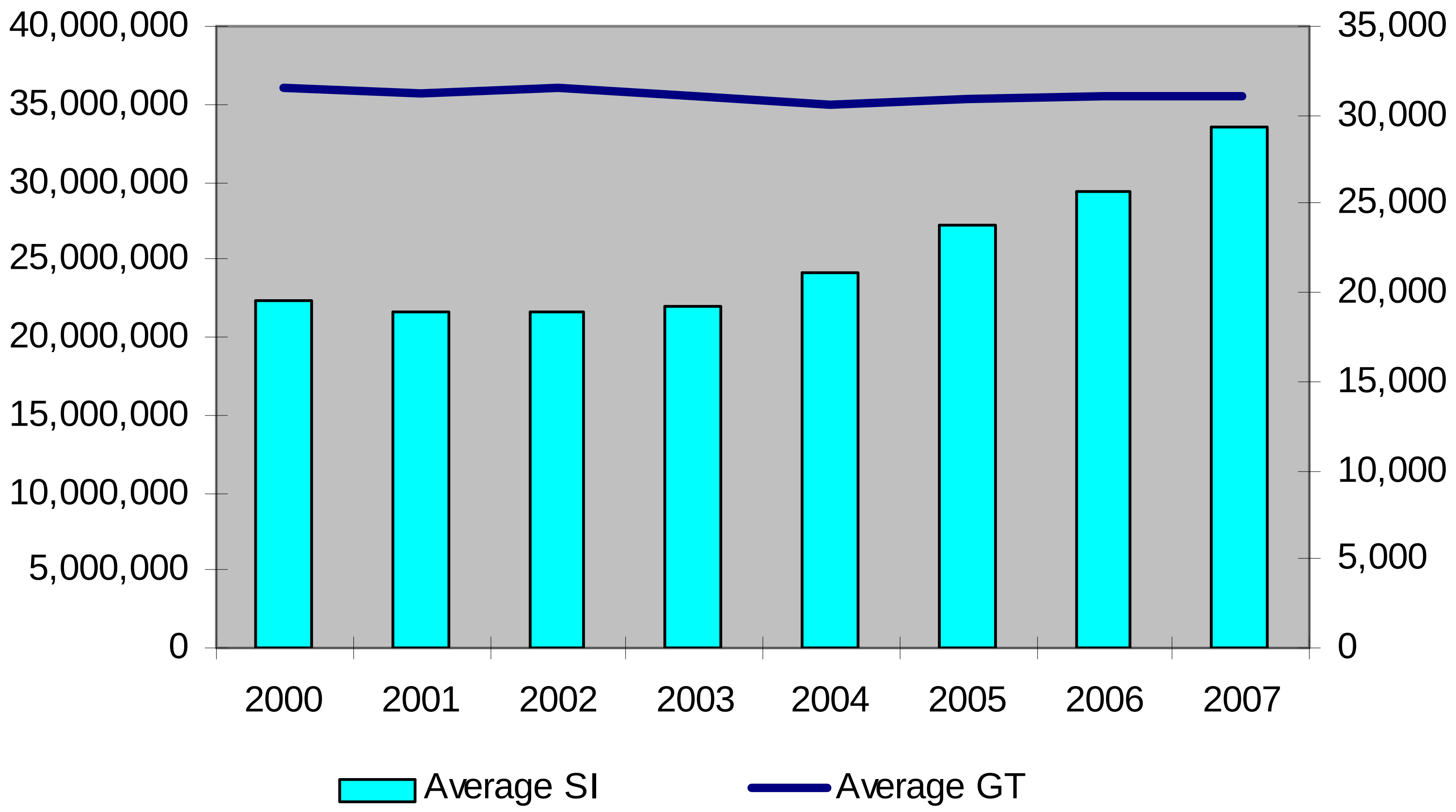
3. Cost-driving factors

CEFOR
General Claim Trends

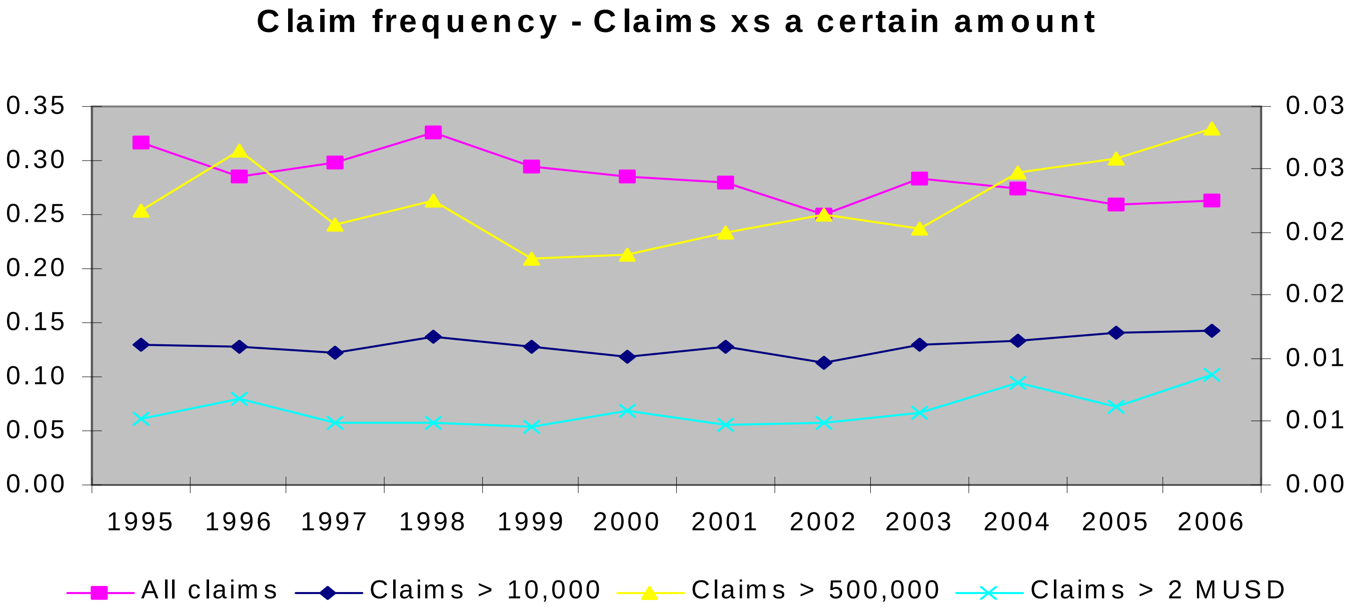
1. General trends - Deductibles, by underwriting year



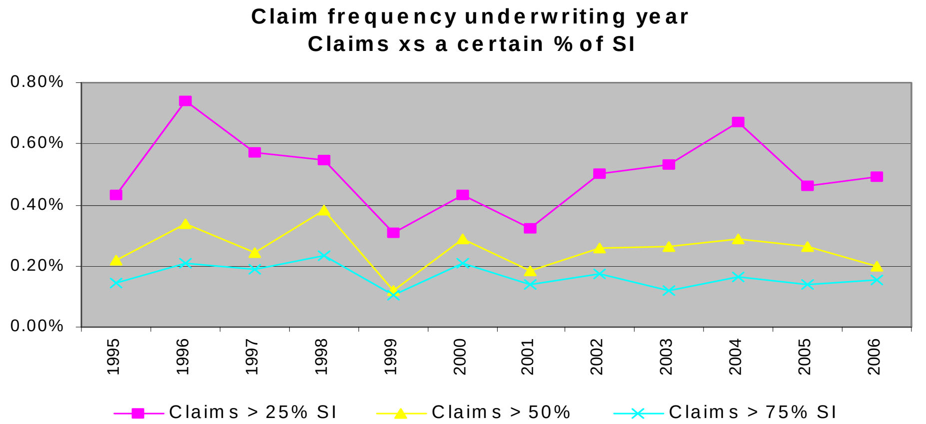
1. CEFOR fleet – Evolution of average SI and Gross ton per vessel, by underwriting year



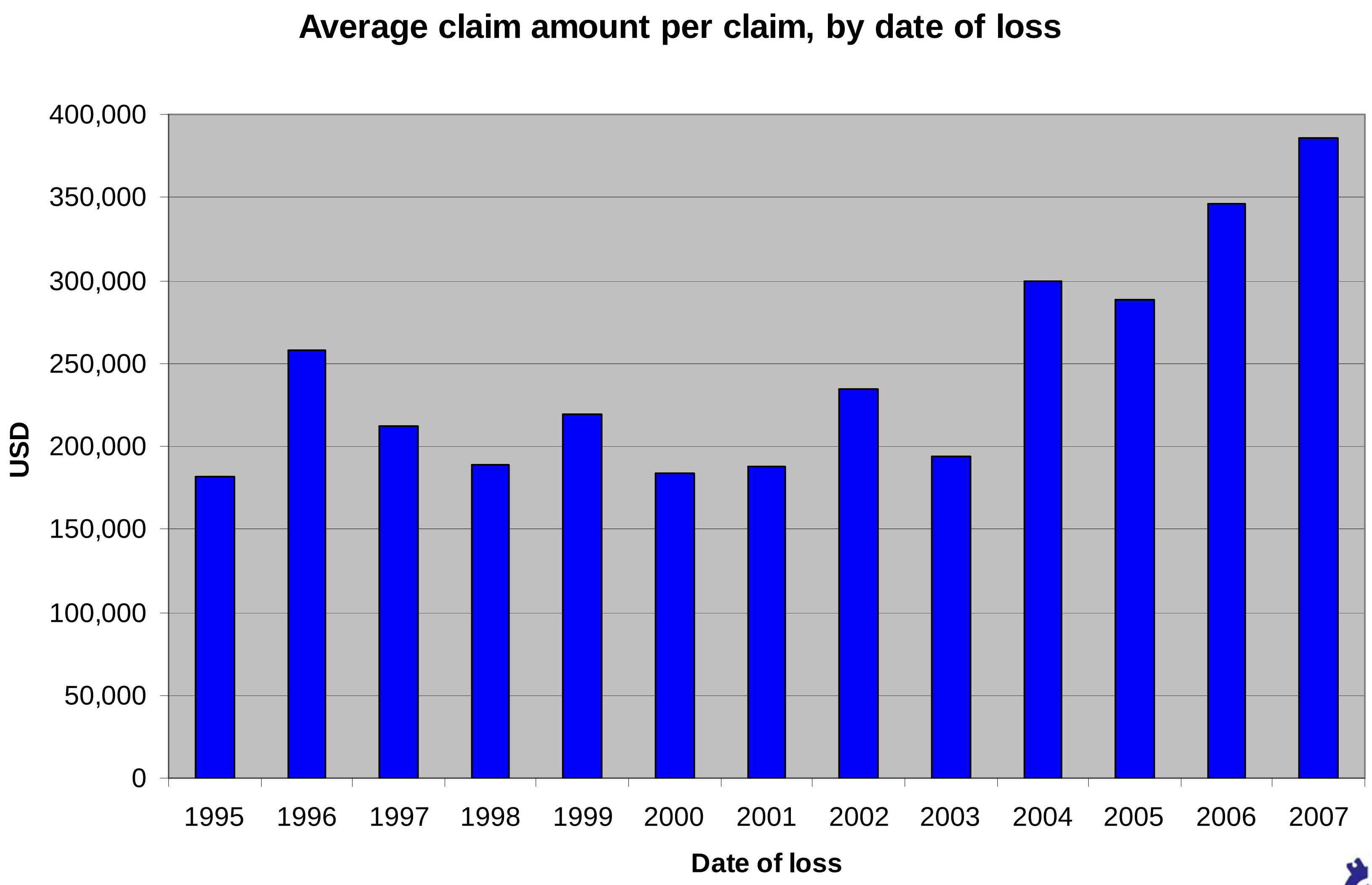
1. General claim trends – Claim frequency,
by underwriting year



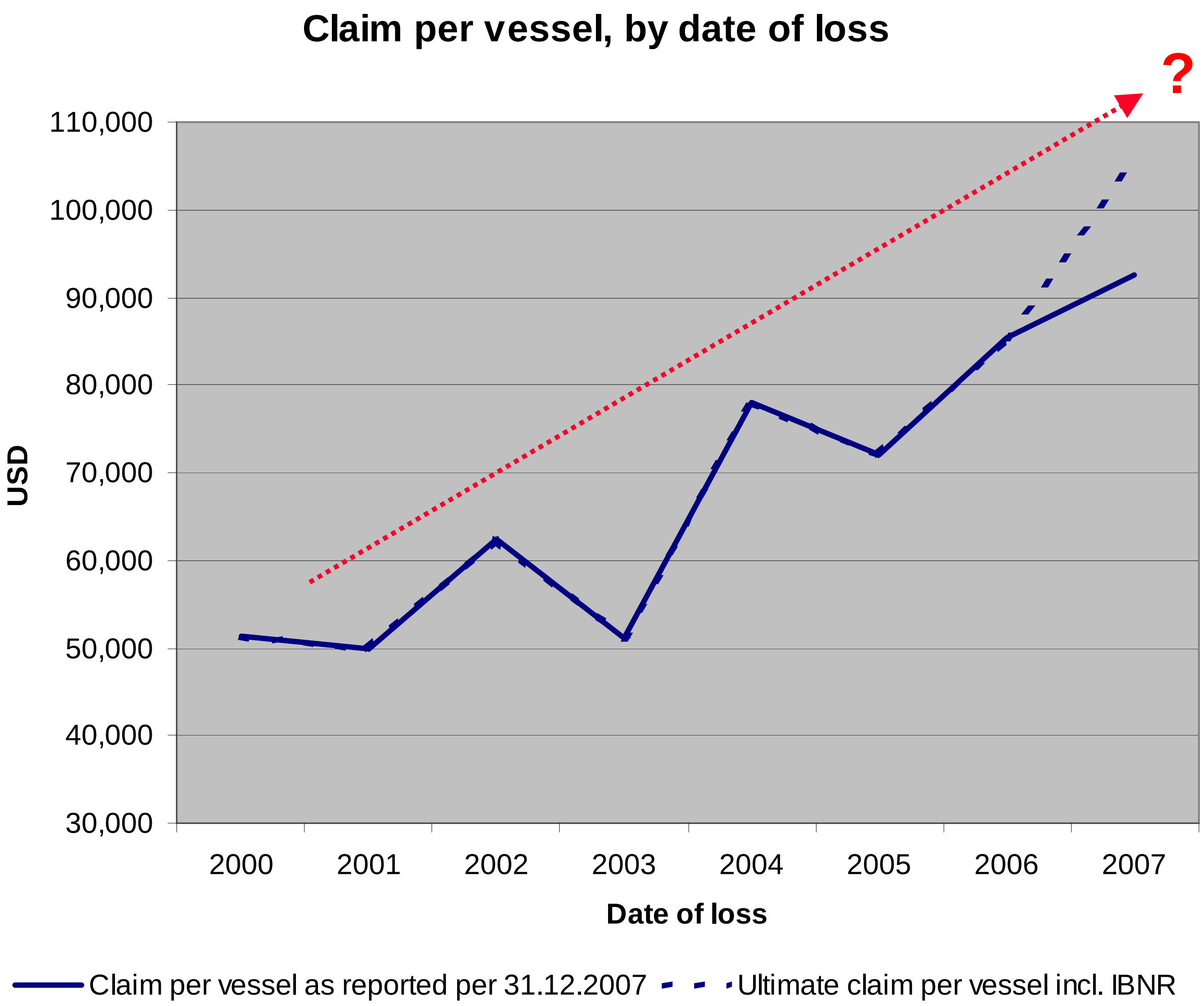
No increase in frequency in CEFOR data: Why?



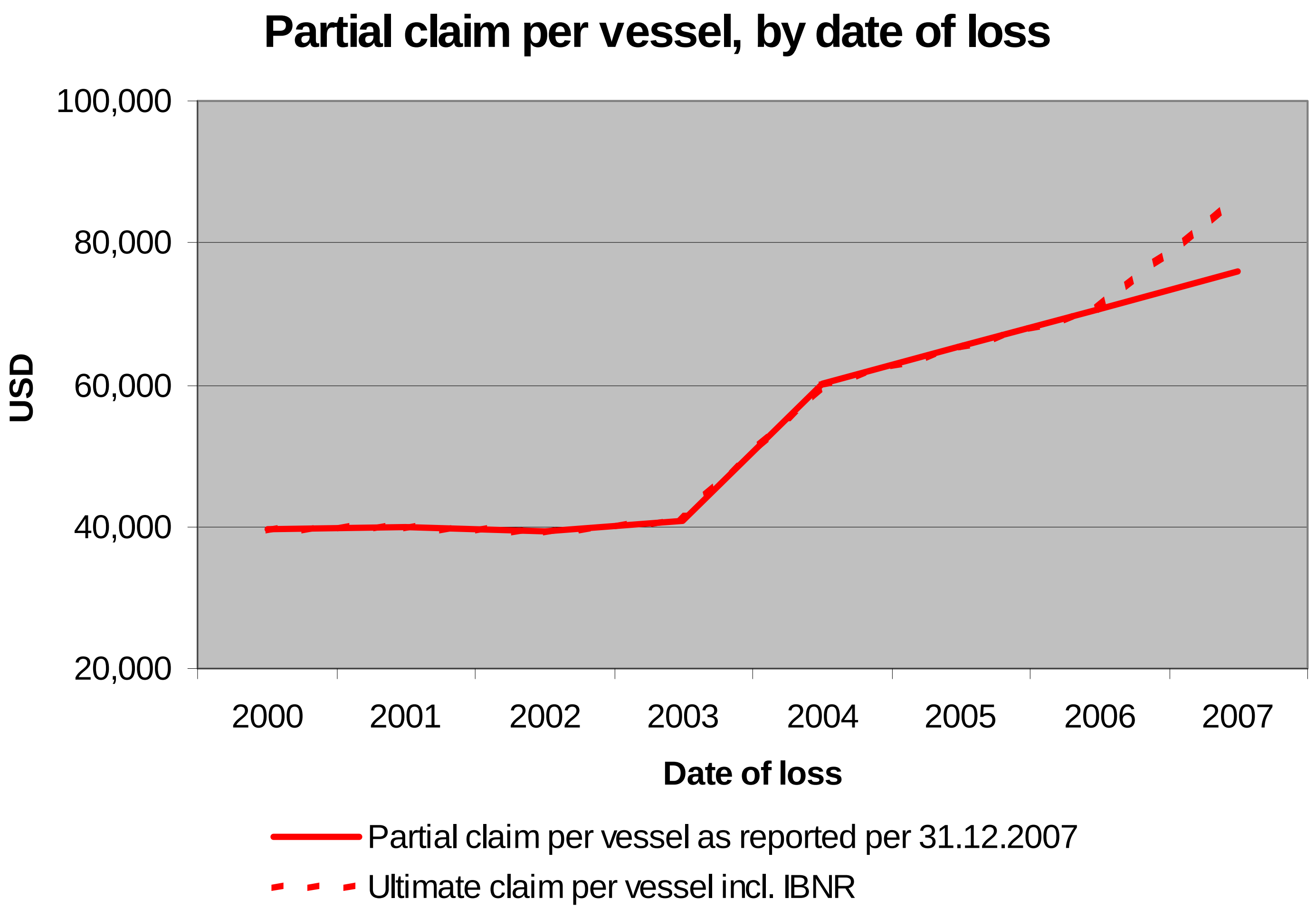
1. General claim trends – Cost per claim



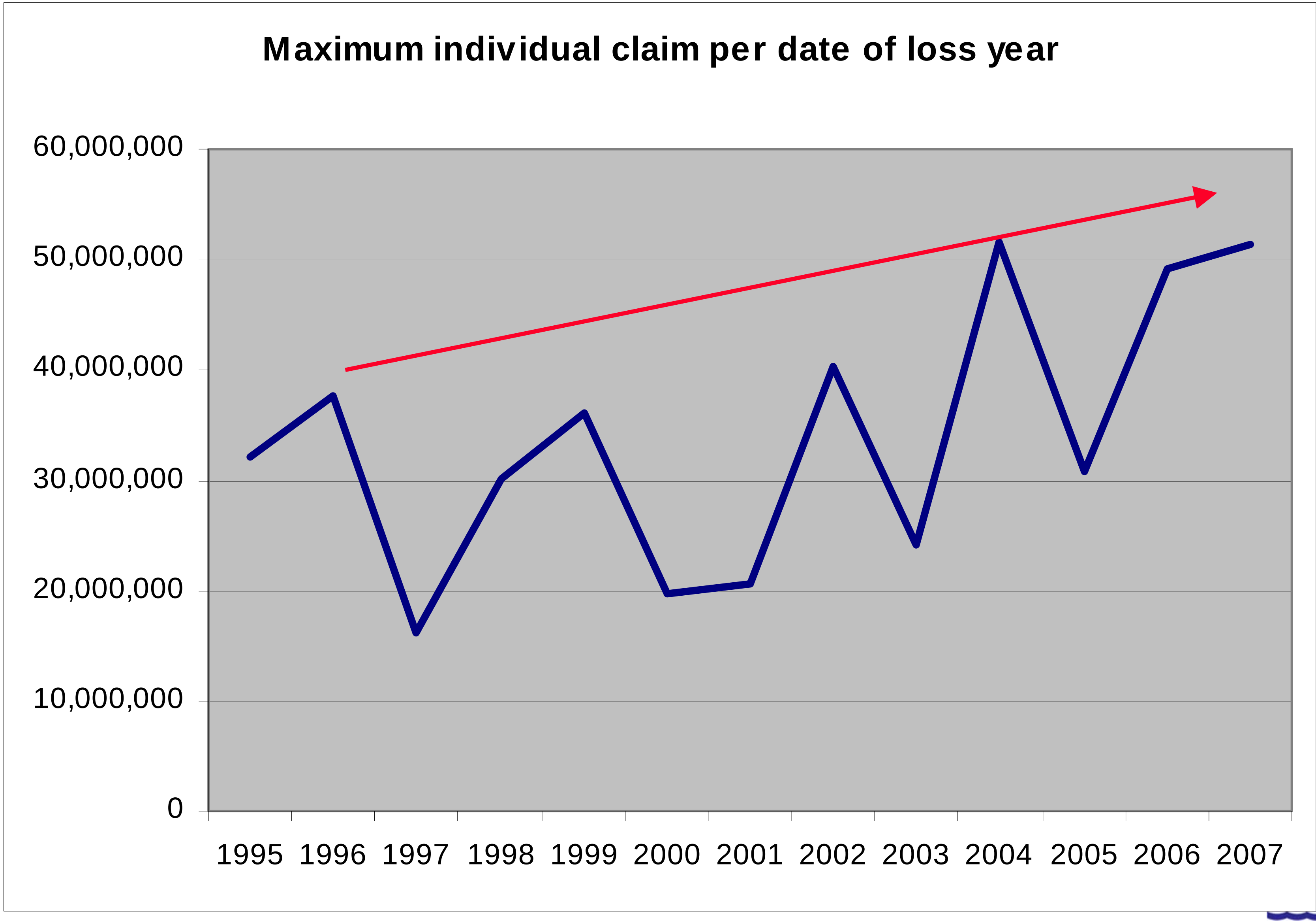
1. General claim trends – Claim per vessel



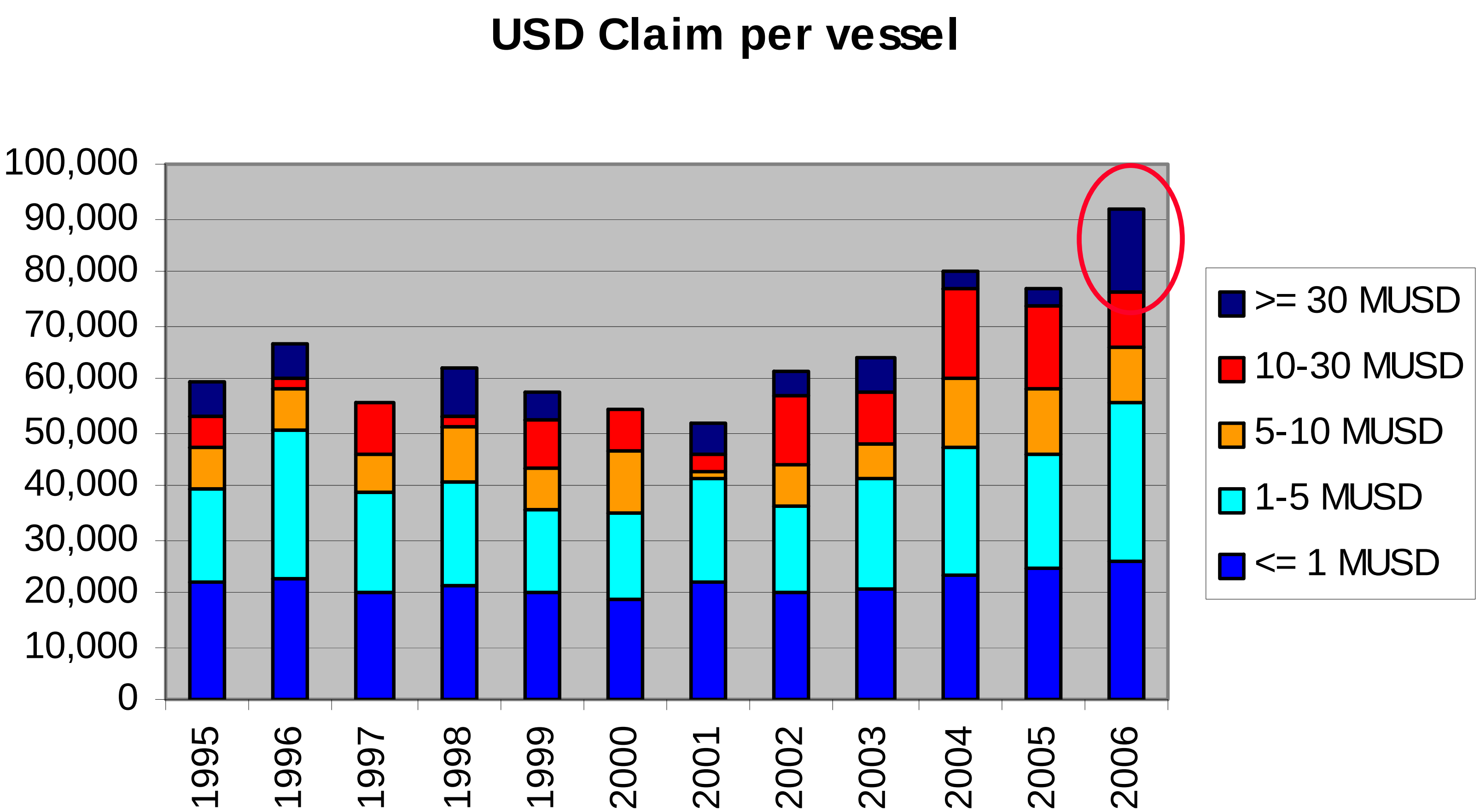
1. General claim trends - Partial claim per vessel



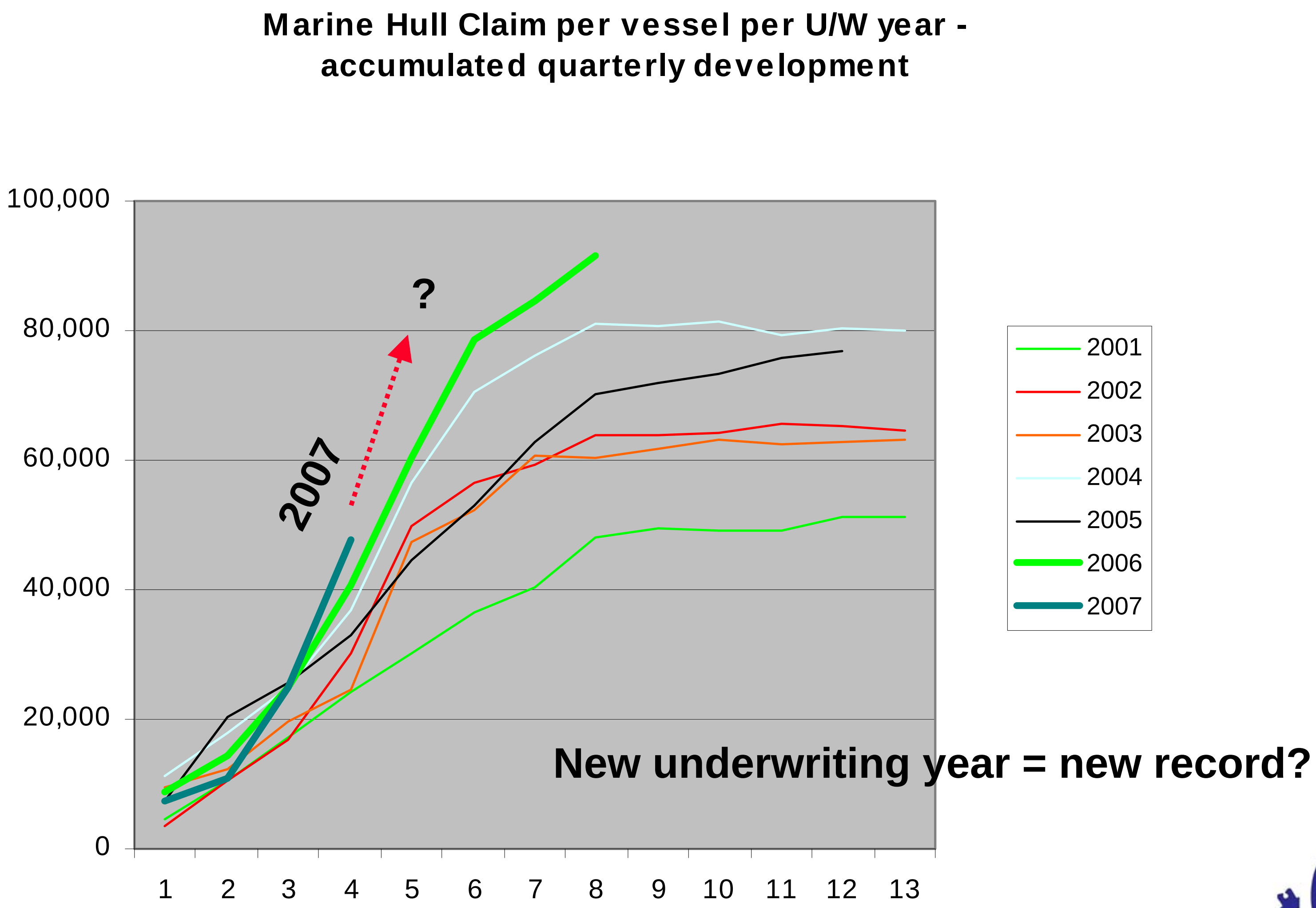
1. Maximum individual claim



1. General claim trends – Claim bands
by underwriting year

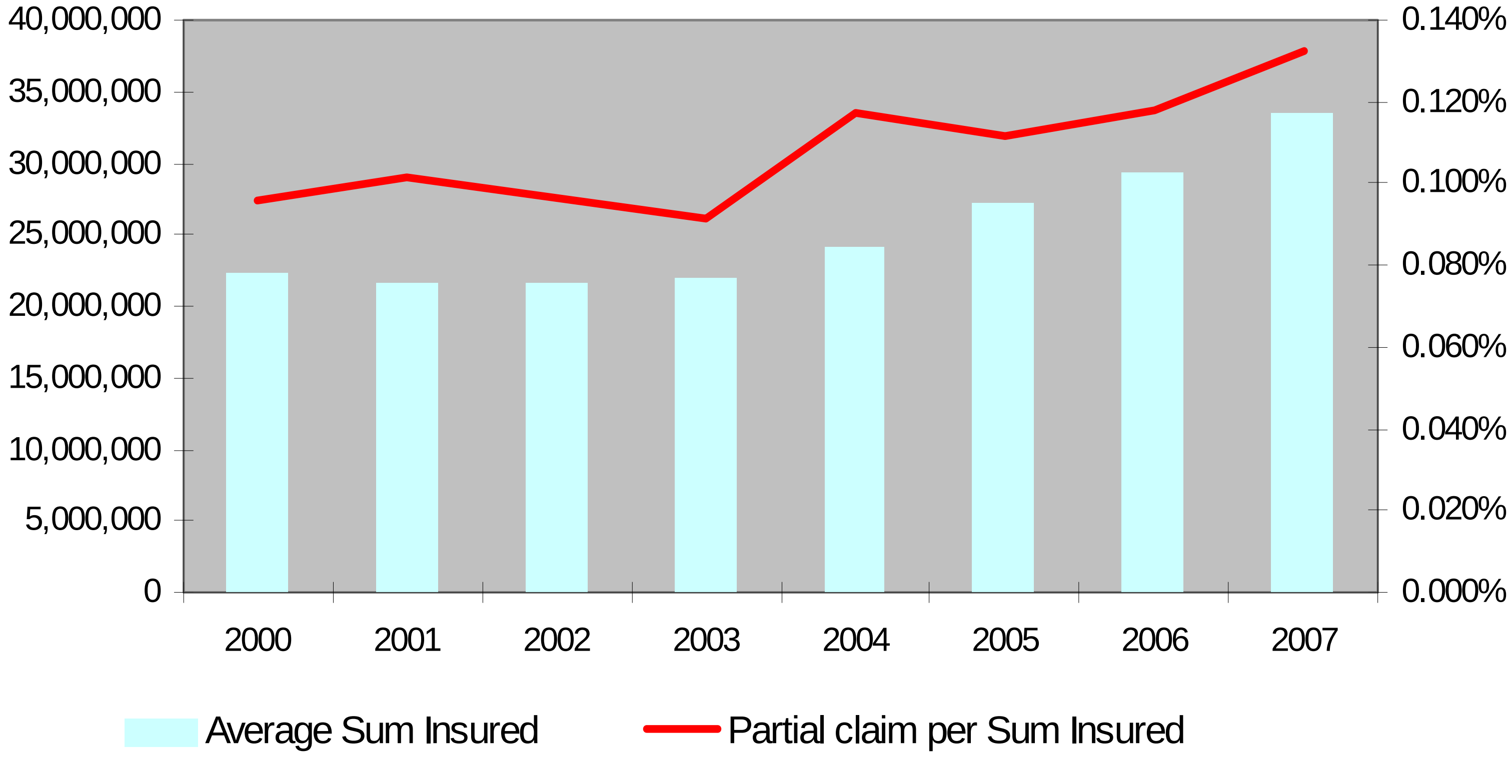


1. Claim per vessel – Quarterly development per underwriting year



1. Partial claim per SI as per 4th quarter against average SI development

Partial claim per Sum Insured as reported per 4th quarter & Average Sum Insured, by underwriting year

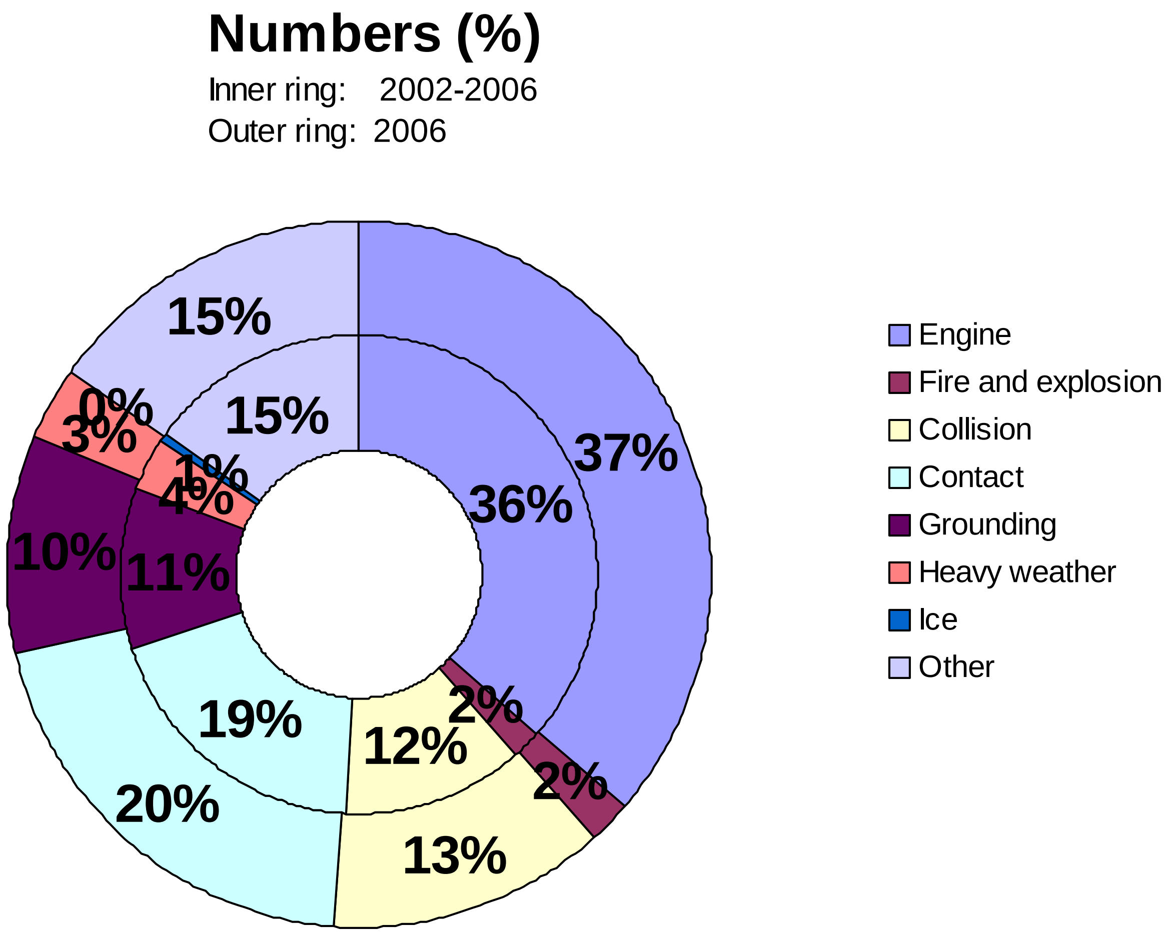


Summing up general claim trends

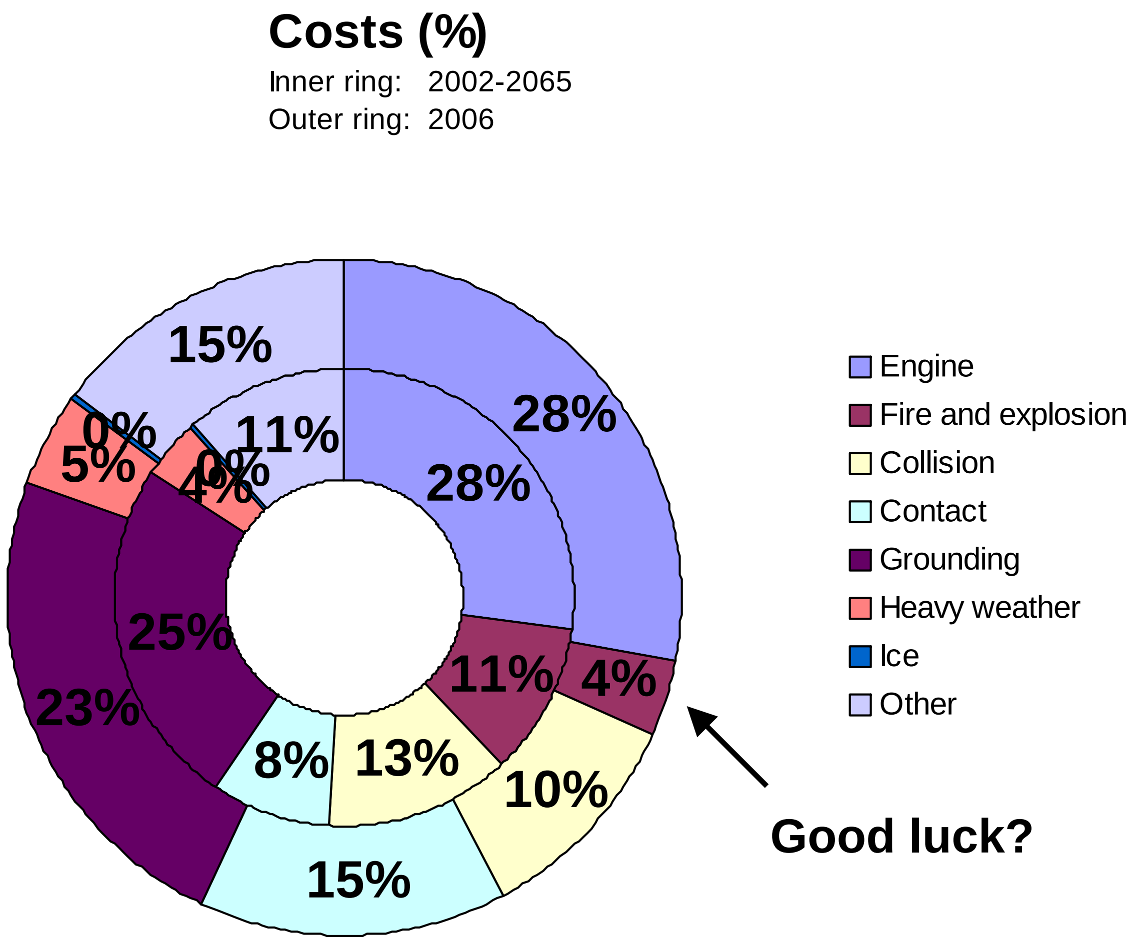
- Claim per vessel doubled since 2003 (both overall and PA claim alone)
- Increase in maximum individual claim
- 2007 worse than any previous year
- Increase in PA claim per Sum Insured
- Increase in claims of all sizes
- but stable frequency

CEFOR
Special Claim Trends

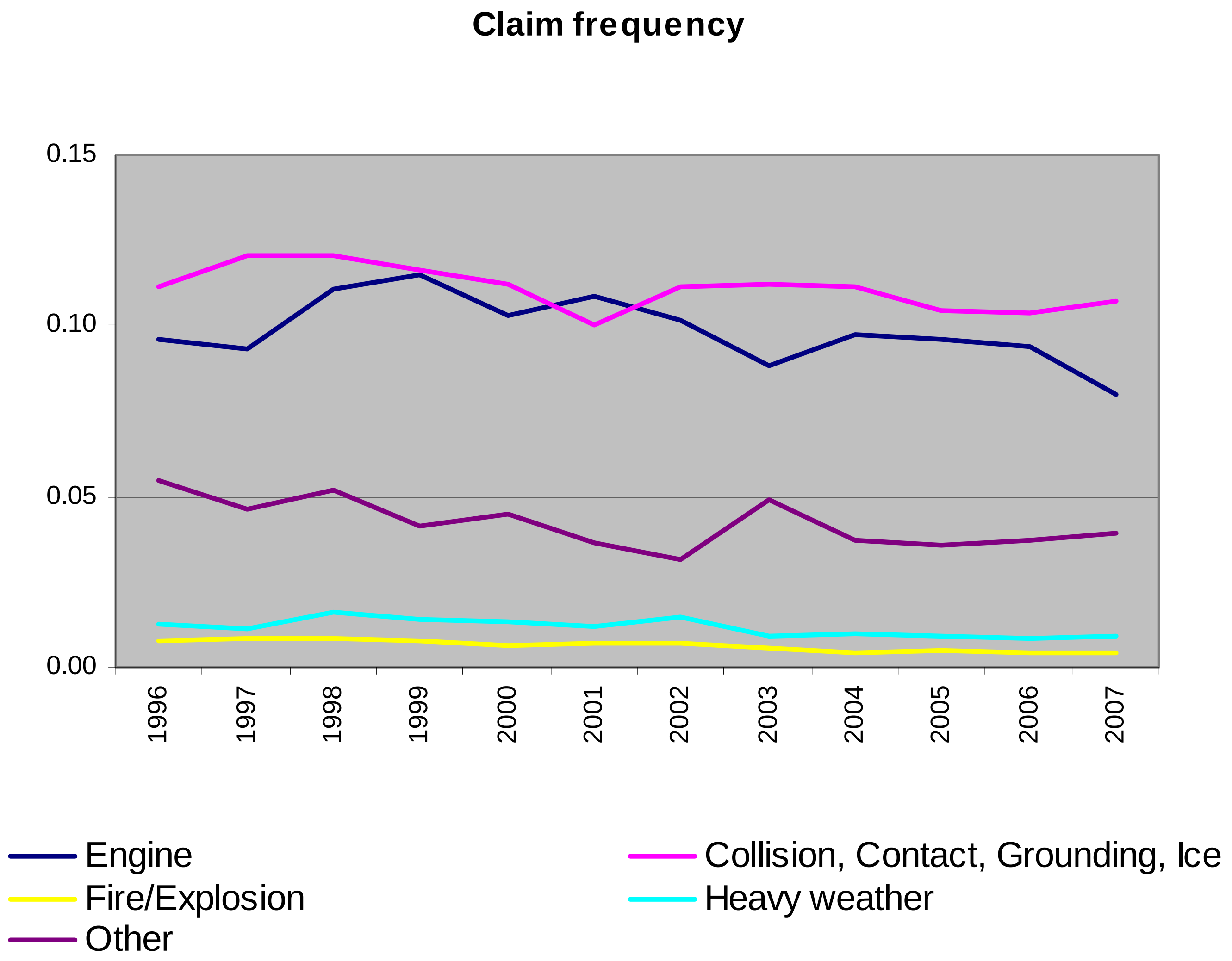
3.a. General claim trends – Claims by type



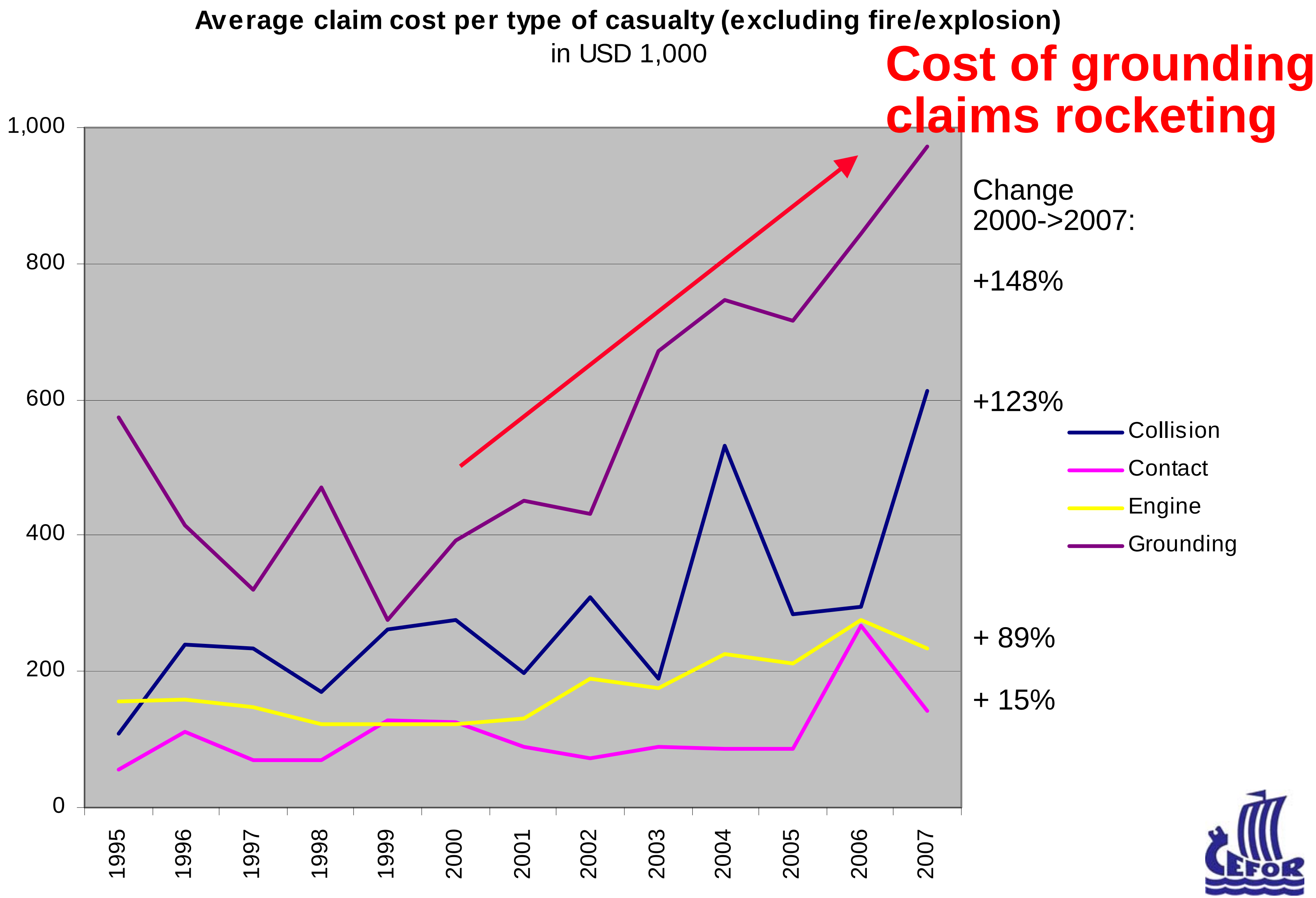
3.a. General claim trends – Claims by type



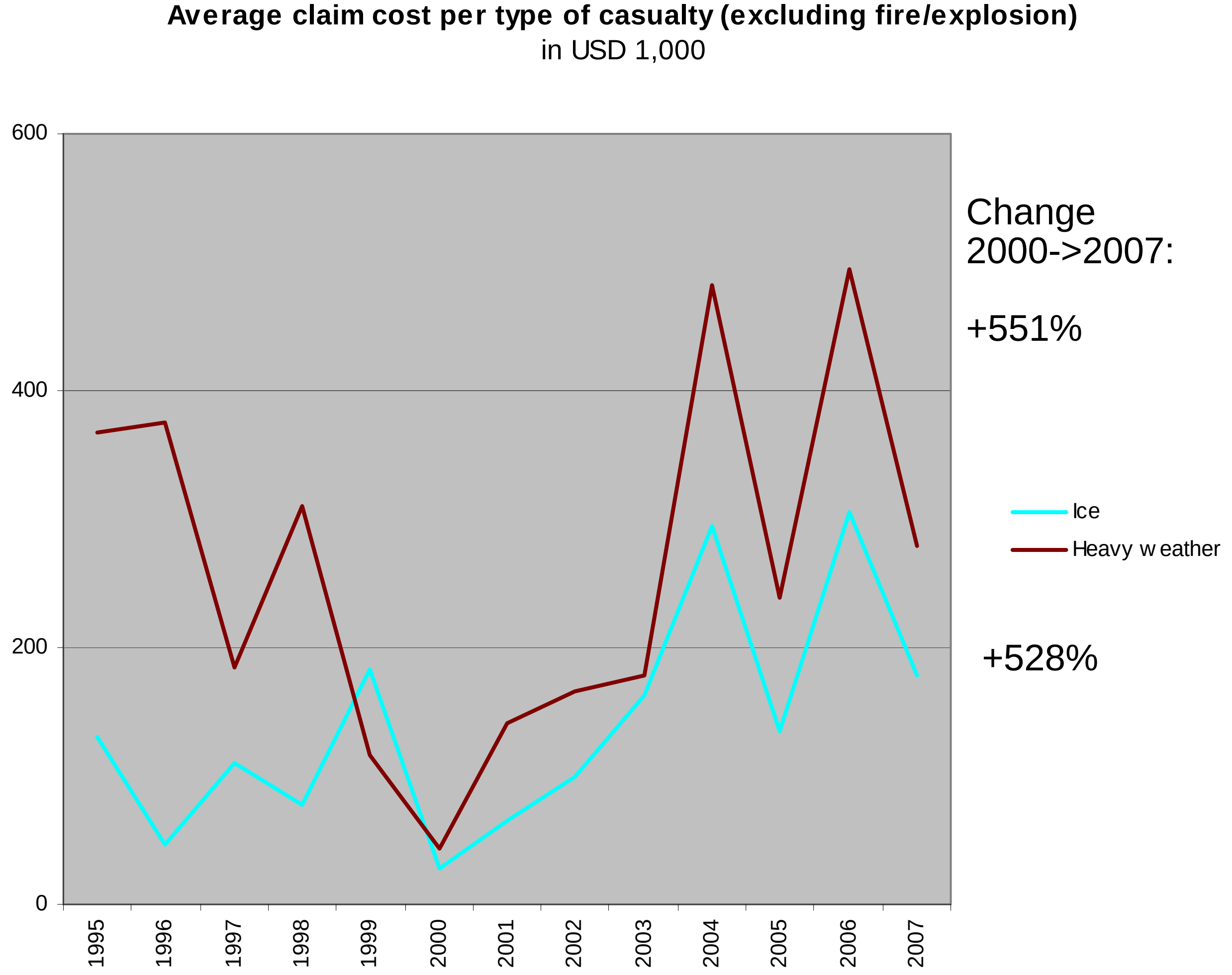
3.b. Nautical related claims – Frequency by type of claim, by date of loss



3.b. Cost per claim by type of claim – Nautical & Engine, by underwriting year



3.b. Cost per claim by type of claim – Weather-related, by underwriting year

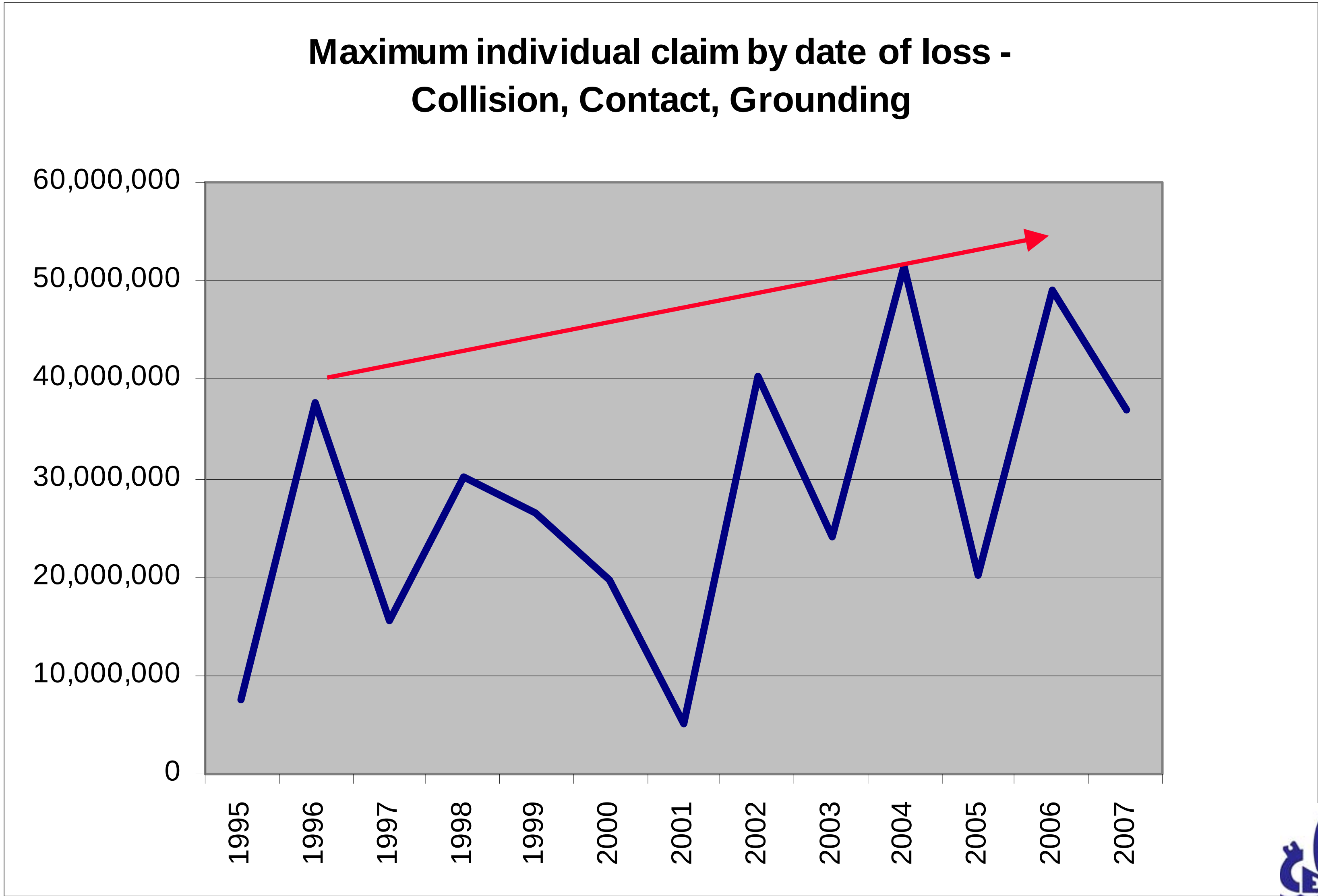


Change 2000->2007:

+551%

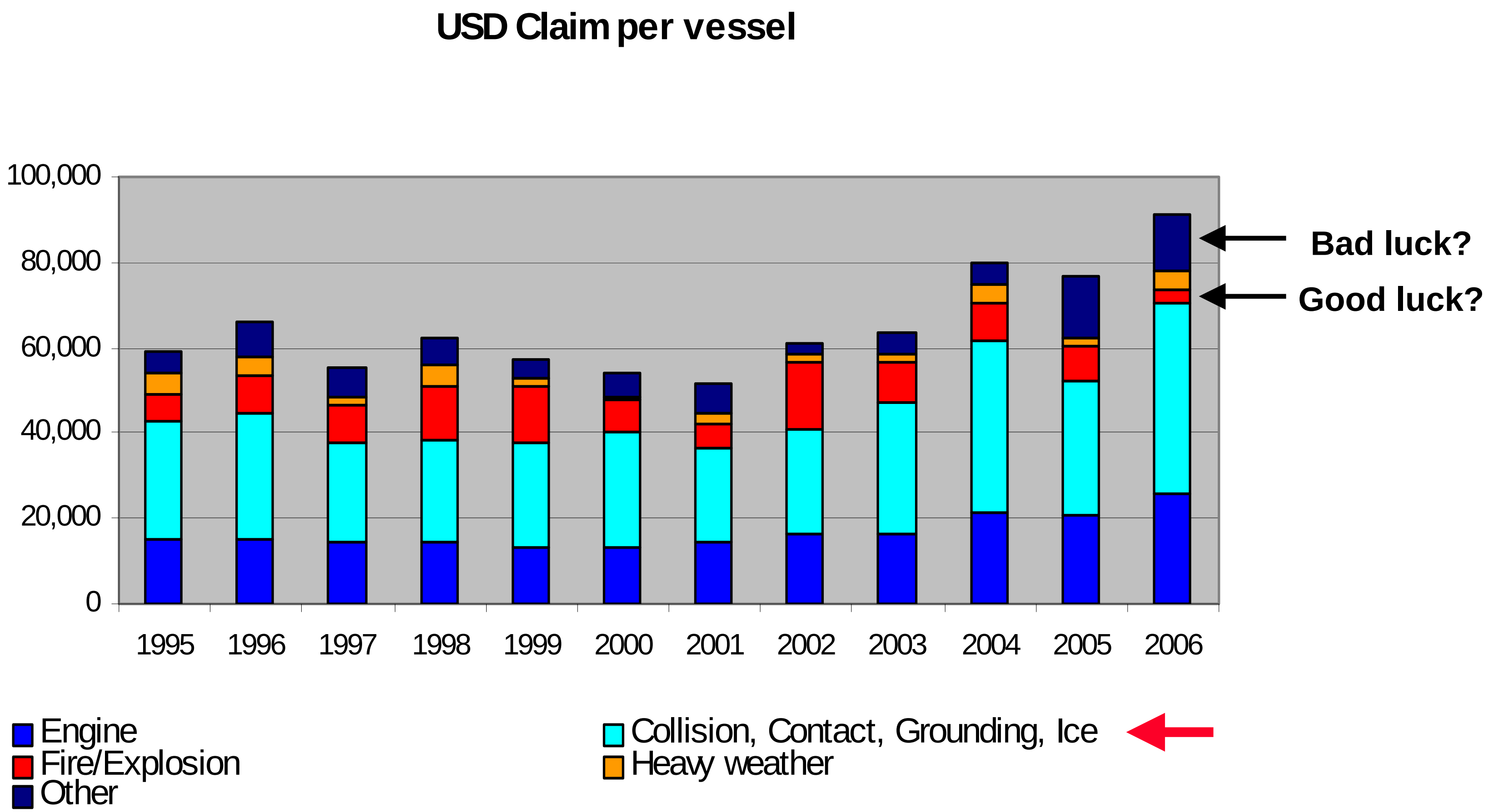
+528%

3.b. Nautical-related claims – Max. single claim



3.b. Claim per vessel by type of claim,

by underwriting year

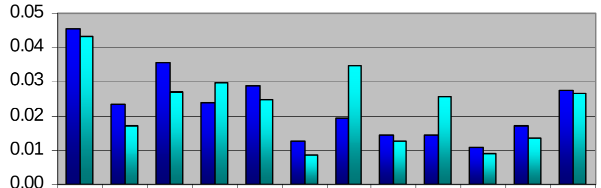


3.b. Nautical-related claims – Frequency by vessel type

No overall increase in frequency.

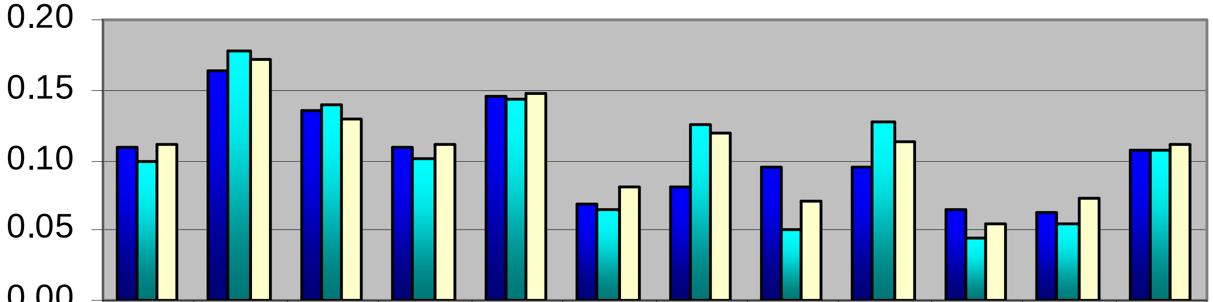
Individual sectors with increase in number of groundings: Chem./Product, OBO, Passenger

Grounding - Claim frequency



	Bulk	Car/RoRo	Cargo	Chem./Pro	Container	LNG/LPG	OBO	Other	Passenge	Suppl./Off.	Tank	all
2001-2003	0.05	0.02	0.04	0.02	0.03	0.01	0.02	0.01	0.01	0.01	0.02	0.03
2004-2006	0.04	0.02	0.03	0.03	0.02	0.01	0.03	0.01	0.03	0.01	0.01	0.03

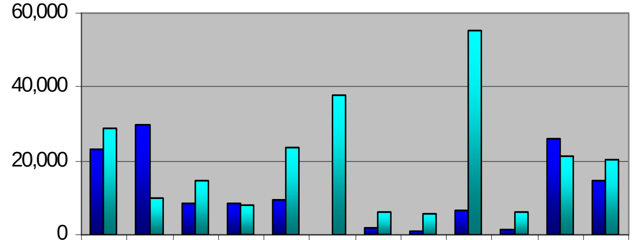
Collision, Contact, Grounding, Ice - Claim frequency



	Bulk	Car/RoRo	Cargo	Chem./Prod	Container	LNG/LPG	OBO	Other	Passenger	Suppl./Off.	Tank	all
2001-2003	0.11	0.16	0.14	0.11	0.15	0.07	0.08	0.09	0.10	0.06	0.06	0.11
2004-2006	0.10	0.18	0.14	0.10	0.14	0.06	0.13	0.05	0.13	0.05	0.06	0.11
1995-2006	0.11	0.17	0.13	0.11	0.15	0.08	0.12	0.07	0.11	0.05	0.07	0.11

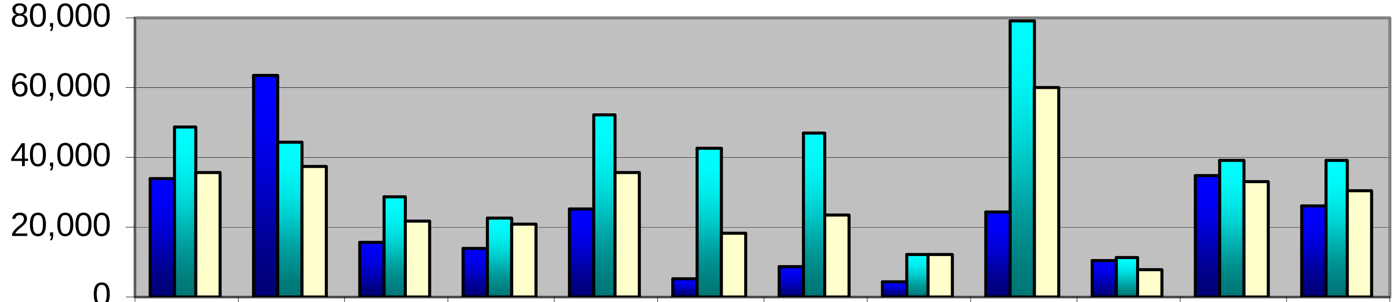
3.b. Nautical-related claims – Cost per vessel

Grounding - Claim per vessel



	Bulk	Car/RoRo	Cargo	Chem./Pro	Container	LNG/LPG	OBO	Other	Passenge	Suppl./Off.	Tank	all
2001-2003	23,31	29,99	8,728	8,365	9,358	233	2,061	962	6,381	1,531	26,00	14,59
2004-2006	28,83	9,805	14,78	7,863	23,42	37,84	6,153	5,782	55,22	6,378	21,11	20,31

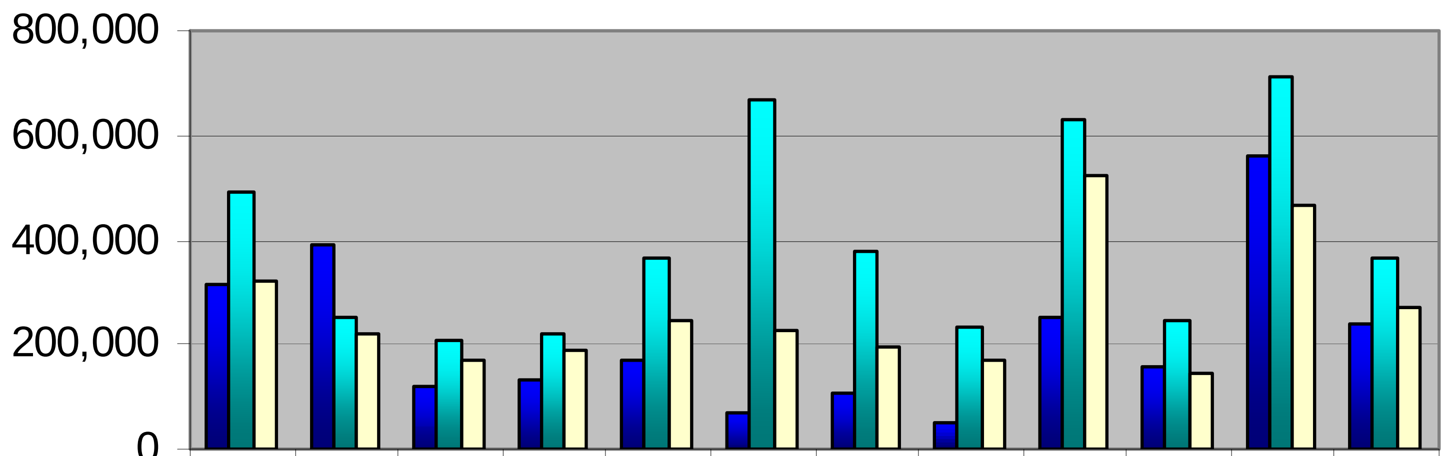
Collision, Contact, Grounding, Ice - Claim per vessel



	Bulk	Car/RoRo	Cargo	Chem./Prod.	Container	LNG/LPG	OBO	Other	Passenger	Suppl./Off.	Tank	all
2001-2003	33,933	63,622	15,830	14,169	25,231	5,009	8,599	4,687	24,021	10,101	34,969	26,068
2004-2006	48,596	44,531	28,555	22,536	52,056	42,586	47,314	11,894	79,490	11,160	39,131	39,097
1995-2006	36,040	37,325	22,173	20,979	36,074	18,623	23,142	11,761	59,633	7,988	33,353	30,291

3.b. Nautical-related claims – Av. claim cost

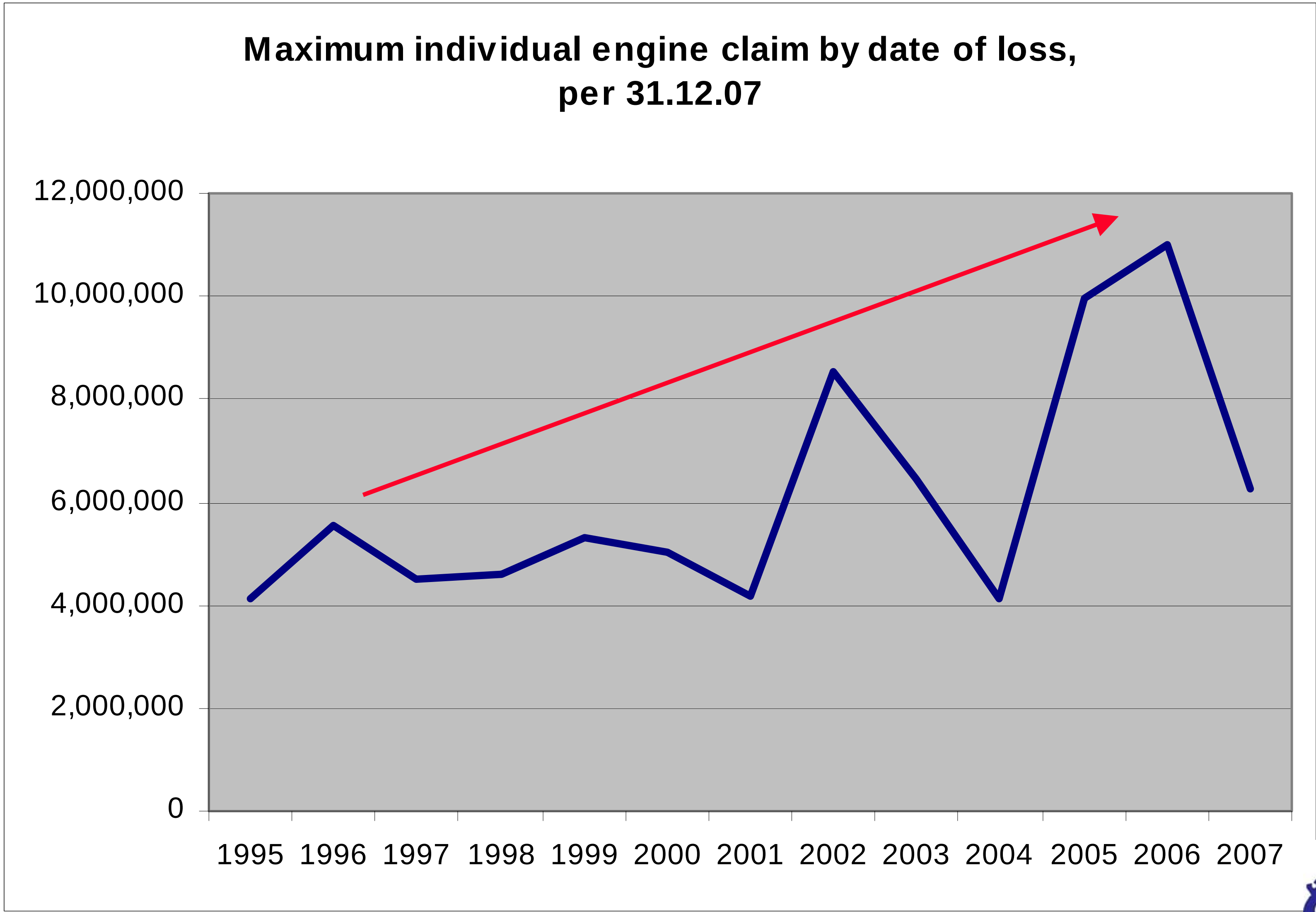
Collision, Contact, Grounding, Ice - Average claim amount



	Bulk	Car/RoRo	Cargo	Chem./Prod	Container	LNG/LPG	OBO	Other	Passenger	Suppl./Off.	Tank	all
2001-2003	312,7	390,0	117,0	130,8	172,6	72,27	106,0	49,53	250,3	156,8	559,1	241,9
2004-2006	488,6	249,9	206,2	221,3	363,5	666,2	376,8	234,4	626,9	246,8	709,1	363,3
1995-2006	321,5	218,2	170,7	187,9	243,6	228,5	194,0	168,2	525,2	145,7	464,5	272,2

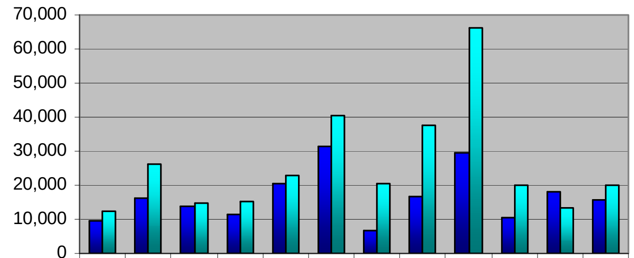
Average claim up for all vessel types except Car/RoRo.

3.b. Engine claims – Max. Individual claim



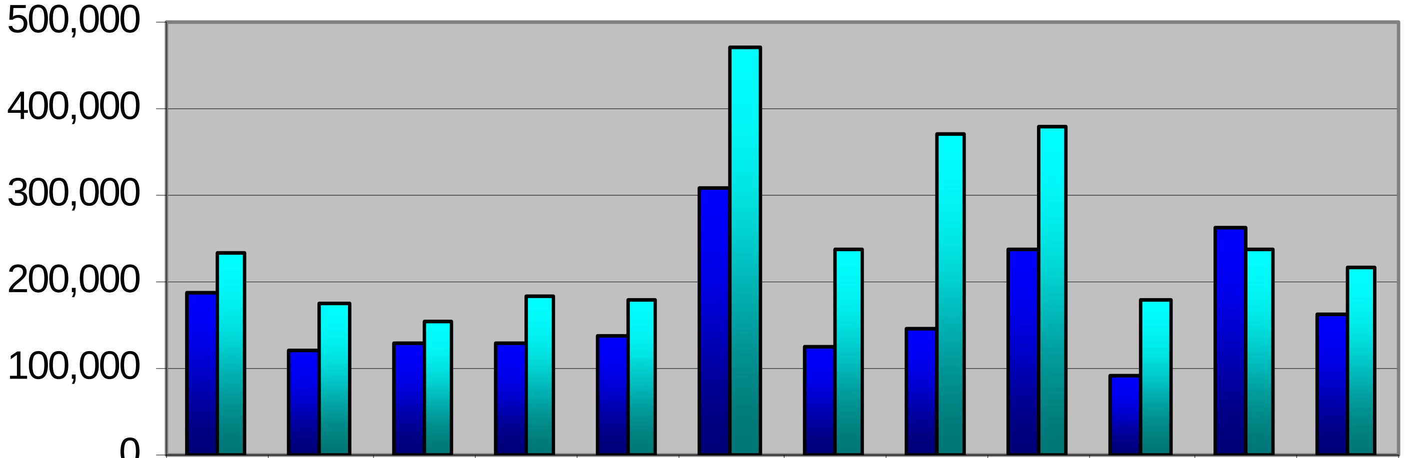
3.b. Engine claims

Engine - Claim per vessel



	Bulk	Car/ RoR	Carg o	Che m./Pr	Cont ainer	LNG/ LPG	OBO	Othe r	Pass enge	Sup pl./O	Tank	all
2001-2003	9,554	16,13	13,84	11,49	20,24	31,53	6,803	16,87	29,33	10,45	17,88	15,70
2004-2006	12,20	26,37	14,78	15,23	22,94	40,71	20,49	37,57	66,29	19,98	13,45	20,18

Engine - Average claim



	Bulk	Car/ RoRo	Carg o	Che m./Pr	Cont ainer	LNG/ LPG	OBO	Othe r	Pass enge	Supp l./Off	Tank	all
2001-2003	187,5	121,7	131,1	127,5	135,9	308,1	125,8	145,9	236,5	91,69	262,0	162,8
2004-2006	232,4	176,2	155,8	182,6	180,1	469,6	236,6	370,4	378,7	179,4	238,0	217,2

Average engine claim up for all vessel types except tank.

Summing up special claim trends

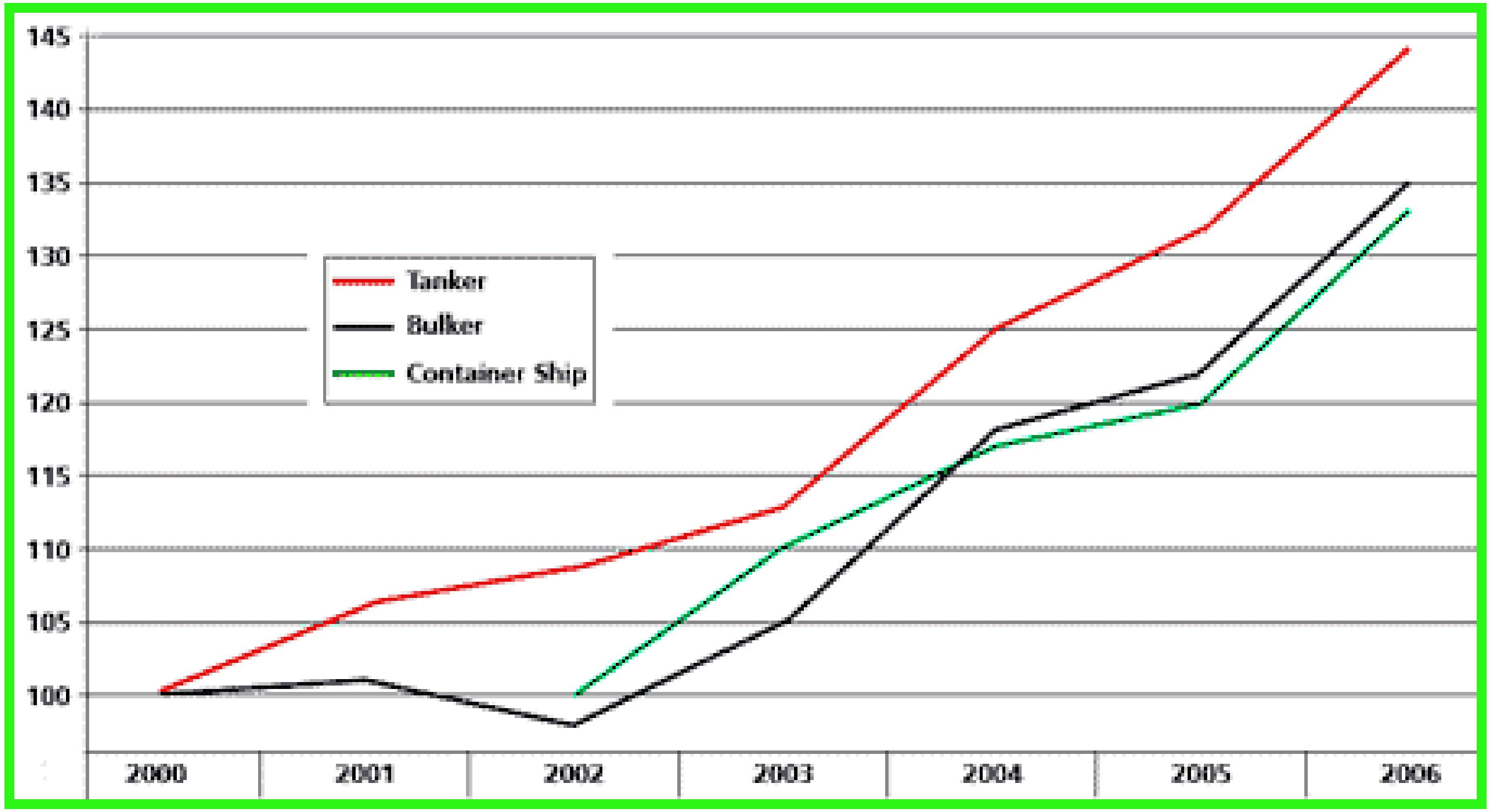
- Sharp cost increase of all claim types
- No frequency increase for any claim types
- Overall increase in claim per vessel for nearly all vessel types and claim types

Congested waters, shortage of qualified crew, harder trade, etc.…

=> Should have had less homogenous effects and effected the frequency?

Cost-driving factors

3.c. Cost driving factors – Ship operating costs

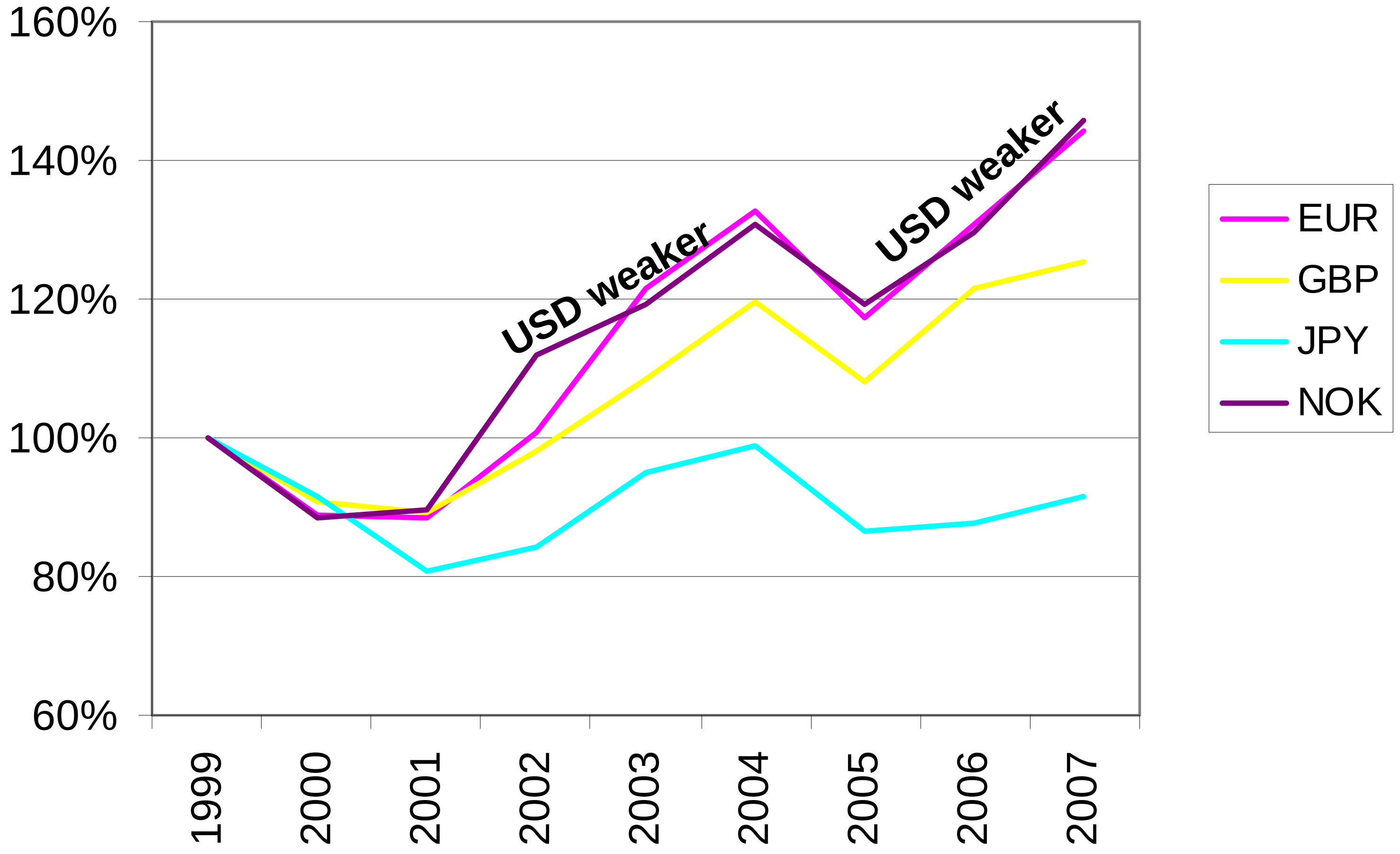


How Moore Stephens index of ship operating costs has increased.

Ship operating costs continued on a relentless upward path through last year with the average increase across all vessel types running to 8.5%.

Tradewinds, 24th September 2007

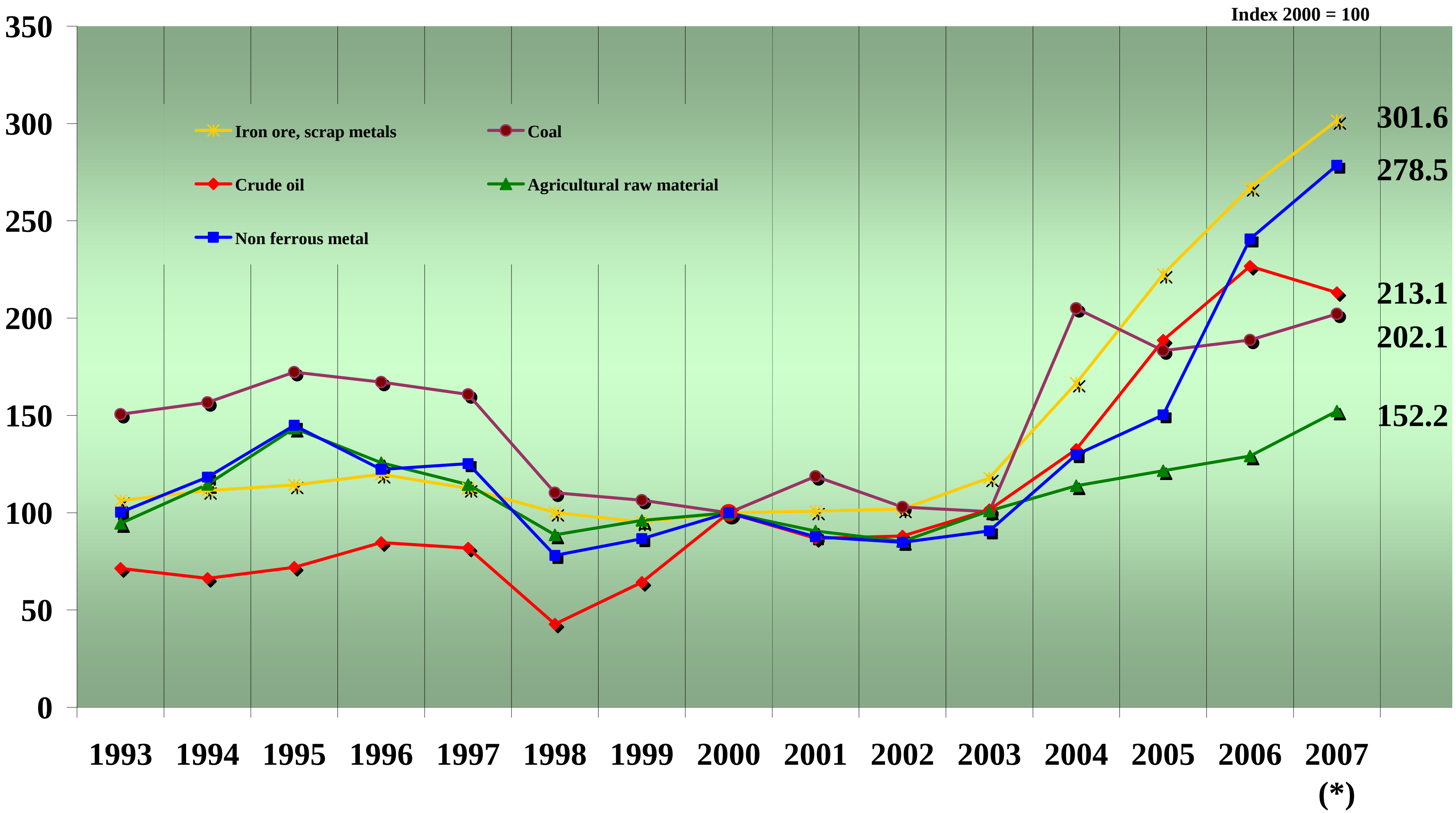
3.c. Cost driving factors – Exchange rates



- Hull policies / premium payments often in USD.
- Repair costs paid in local currency at site of repair yard or affected by spare parts, labor costs etc. paid in other currencies than USD
=> weaker dollar = higher repair costs in USD

3.c. World Market Price Indices for selected commodities

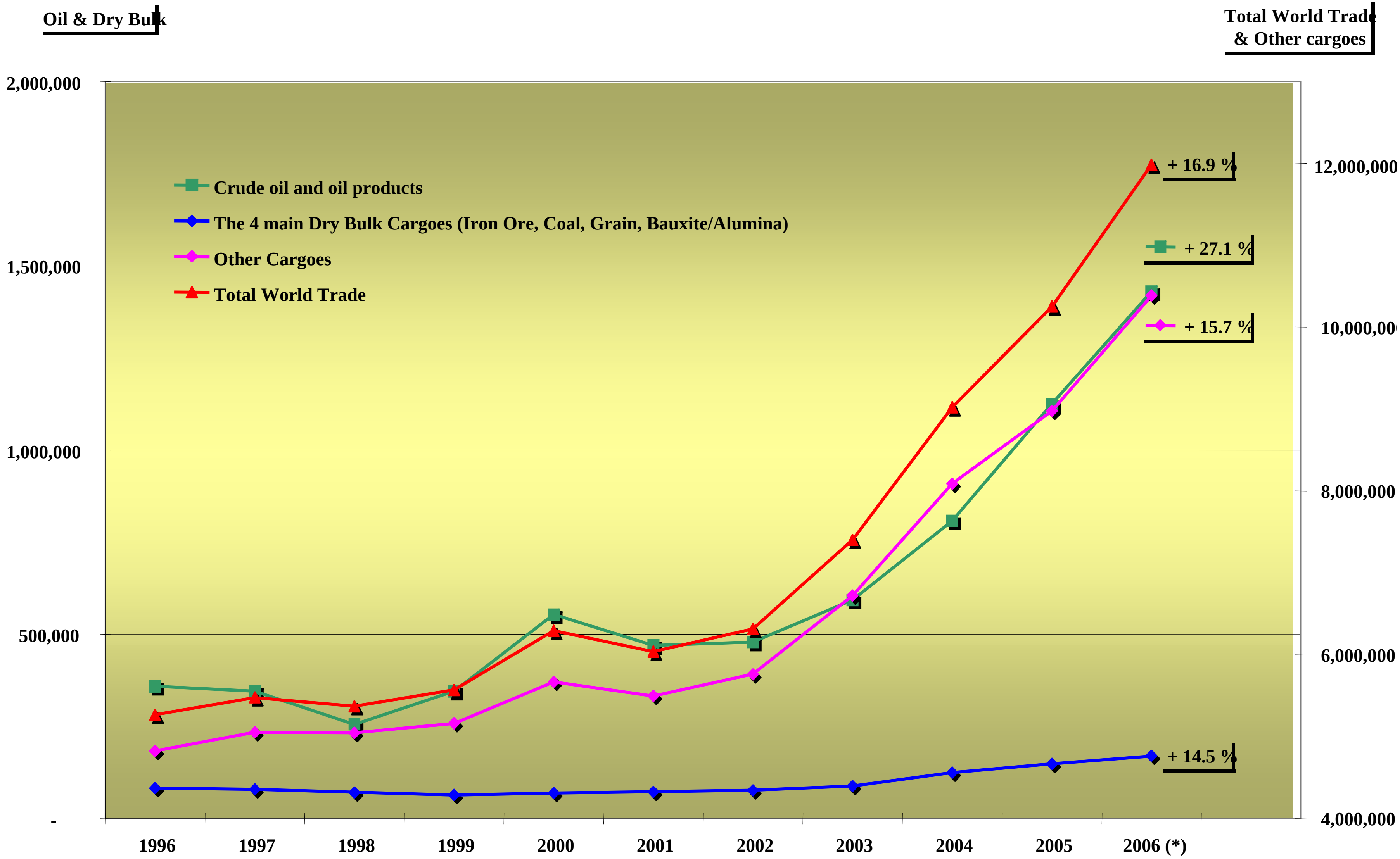
Annual Average (1993-2006) – Average in 2007 as at end of May (*)



Source: « Global Shipping Market Trends », IUMI Conference 2007

3.c. World Trade Values

Development 1996-2006 (in million USD) – Growth rate in 2006

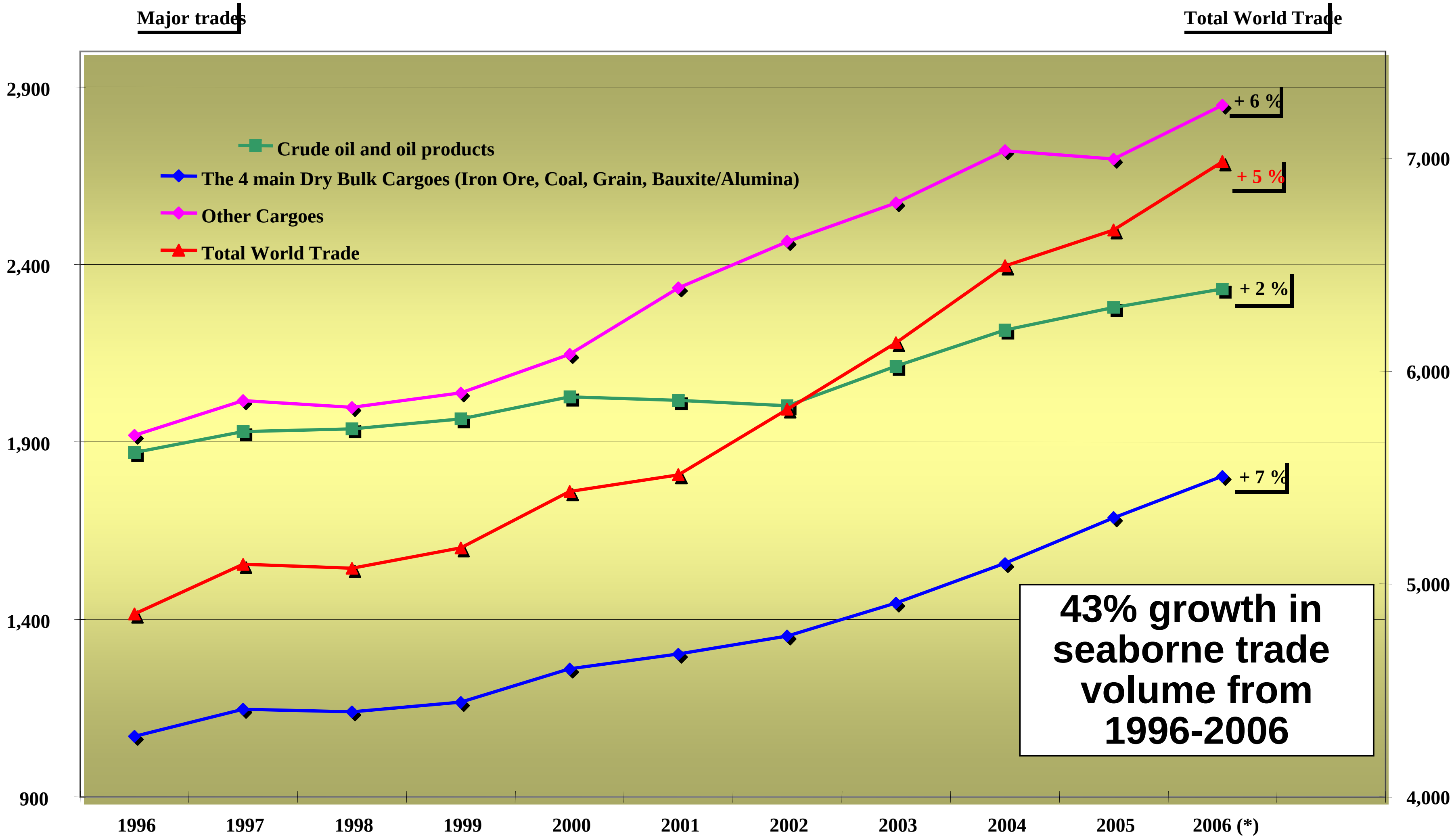


Source: « Global Shipping Market Trends », IUMI Conference 2007

(*)

3.c. World Seaborne Trade Volume

Development 1996-2006 *(in million tonnes)* - Growth rate in 2006



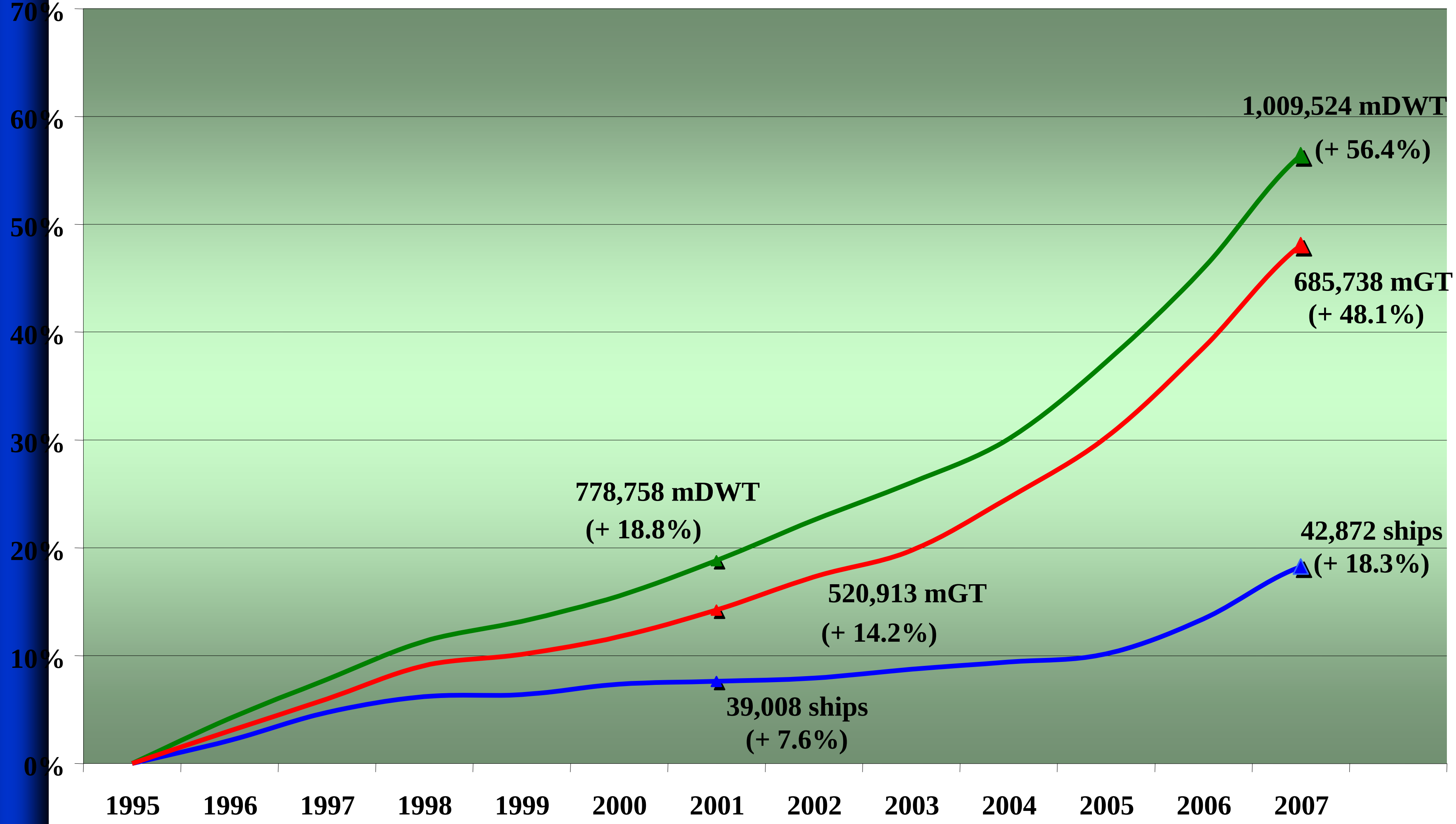
estimates ***(*)***

Source: « Global Shipping Market Trends », IUMI Conference 2007

World Merchant Fleet

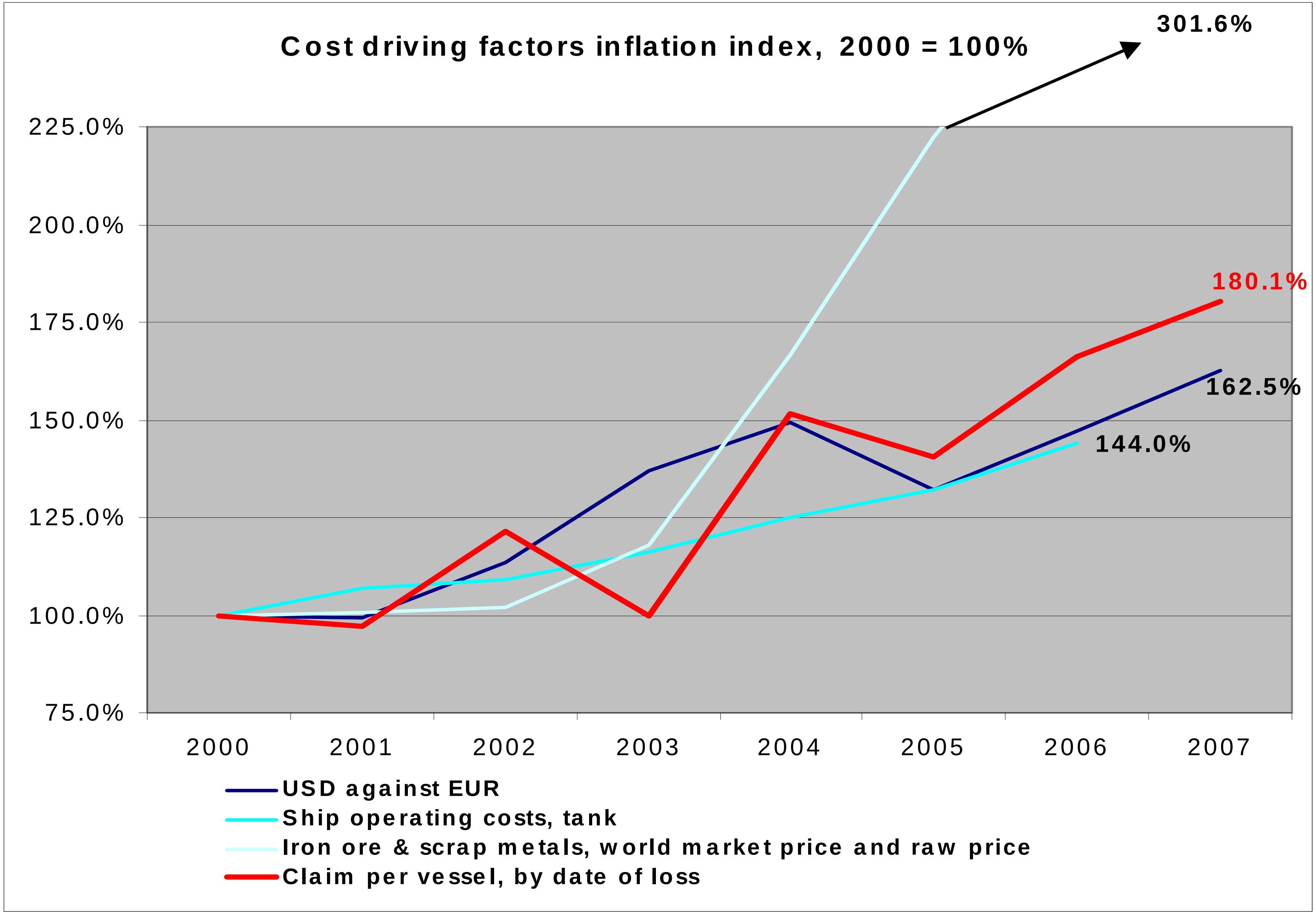
of ships of 300gt and over

Evolution of the growth rates (GT, DWT, and Number of ships) between 1995 and 2007



Source: « Global Shipping Market Trends », IUMI Conference 2007

3.c. Cost driving factors inflation index



Summing up cost driving factors

- ÷ Increase in ship operating costs
- ÷ Increase in steel prices -> repair costs
- ÷ Weakening of USD -> premiums paid in USD, claims affected by other currencies -> increase in repair costs (or reduced repair quality)?
- ? Increase in global trade volume and values -> ships driven harder, less time for maintenance – or compensated by a larger and more effective world fleet?
- ? Is slack and off-hire good…?