



Cefor

Annual Seminar

29 March 2012

The Nordic Association of Marine Insurers

Cefor Board of Directors as per 29 March 2012

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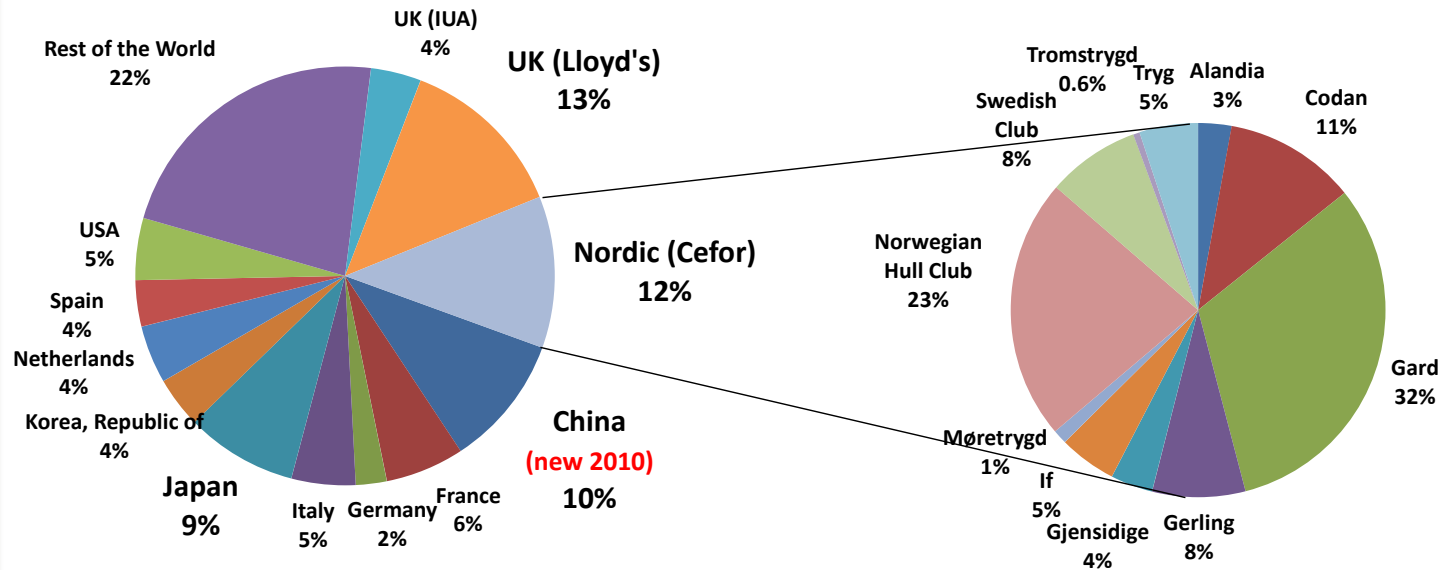
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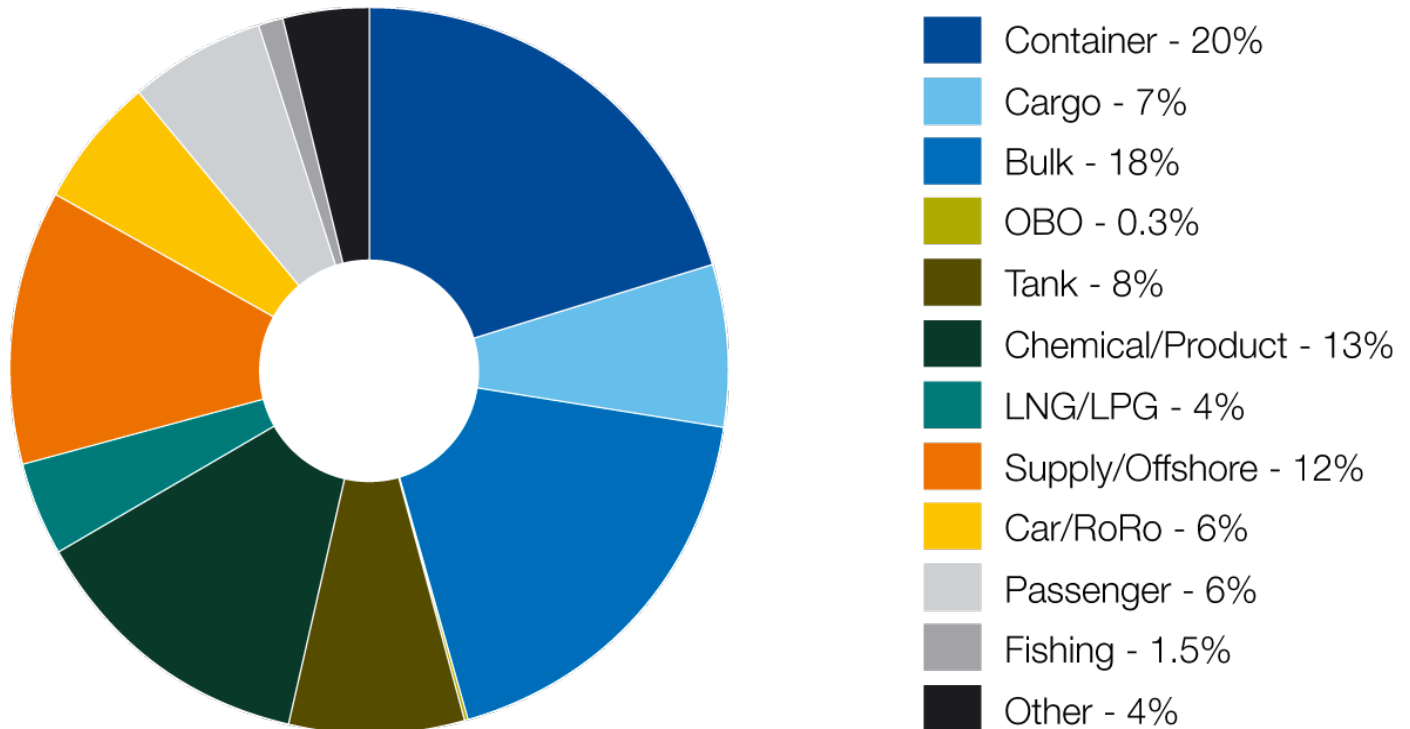
Distribution of Global Marine Hull Premium 2010



Nordic Marine Insurance Statistics (NoMIS)

- Hull & Machinery insurance (ocean & coastal)
- Underwriting years 1985 through 2011
- 250,558 registered vessel years
- 64,779 claims

Number of vessels per type of vessel, year of exposure 2011



NoMIS Ocean & Coastal Hull reports: www.cefor.no



Members

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Swedish translation of the Norwegian Plan

08.03.12, Clauses

[Download Swedish translation of the Norwegian Marine Insurance Plan, Version 2010](#)



Adjusting Course 18-20 April 2012

06.03.12, Education

Cefor and the Scandinavian Marine Agency (SMA) introduces a revised training course in Adjusting. Application deadline: 23 March

[Read More](#)



Nordic Marine Insurance Education Programme 2012-2013

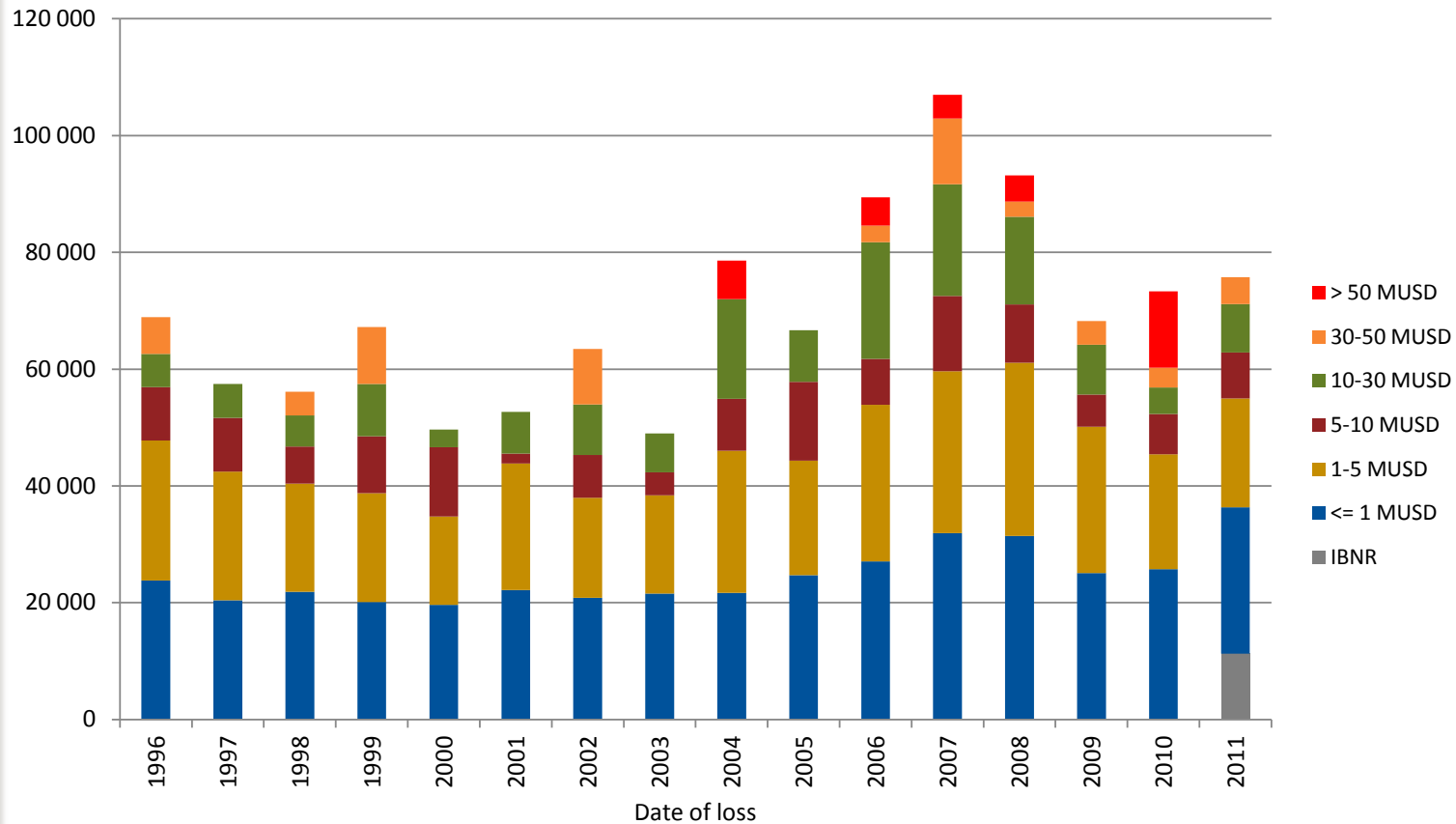
01.03.12, Education

Registration is now open to applicants for the comprehensive Nordic Marine Insurance Education Programme 2012-2013.

[Read More](#)

Absence of major claims...

Claim per vessel (USD), by date of loss



...but one is all it takes ...

'COSTA CONCORDIA'

Counting the cost of cruiseship loss

Wide range of insurers braced to take big hit

Rumours of a \$1.5bn payout for the 'Costa Concordia' look on the high side.

Jim Mulrean London

A disaster that appears to have claimed 34 lives and has left a large, modern ship owned by the biggest cruise operator capsized is certainly a high-profile loss.

But, even so, the 114,000-gt *Costa Concordia* (built 2006) tragically appears unlikely to be quite as costly as the figures of up to \$1.6bn being quoted by financial analysts, nor an insurance-market-changing event.

Copies of the hull-insurance slip circulating in the London insurance market put the total hull and increased-value exposure at \$516m but a full payout requires an actual or constructive total loss and at the moment it is unclear if that is in prospect.

But the insured value and the replacement costs of the *Costa Concordia* are so high that spending even hundreds of millions to repair the vessel may make economic sense.

Whether there is a total loss probably depends on if the vessel can be stabilised in its current position without slipping into deeper water and on the question of whether stress fractures the capsized hull.

The P&I cover on the *Costa Concordia* and other Carnival Corp vessels is split 50-50 on a quote share basis between the Standard and Steamship Mutual clubs, with the former the claims lead in this case.

The P&I clubs pick up the bill for death and injury to passengers and crew, any pollution that arises



RESCUERS: Divers looking for victims trapped inside the "Costa Concordia"

Photo: Scapix

or pollution prevention and, if the worst comes to the worst, wreck removal.

Italy is not a party to the Athens Convention, which sets a no-deduct limitation value on personal claims but passengers may also seek compensation from Costa Cruises or Carnival under the legal systems where they bought their tickets.

Italy is, however, a jurisdiction perceived to have rather generous death-and-injury compensation awards compared to elsewhere in Europe.

Personal claims could be as little as \$50m or as high as \$500m-plus with the payout arising from

trauma suffered by the survivors a much more significant element of the bill than compensation for death or bodily injury.

If there are 35 dead and families get \$250,000 each, the compensation is less than \$1m. At \$500,000 each, it would be \$17.5m and even at \$1m each a total of \$35m.

If there are 100 injuries, then that is \$5m at an average of \$50,000 each or \$10m at an average of \$100,000 per person.

But trauma compensation is the big imponderable as there are potentially more than 4,000 claimants. If the payout was at an average of \$10,000-a-person, that is

\$40m, but at \$100,000-per-head it jumps to a huge \$400m.

Carnival has had a uniquely high and controversial P&I deductible of \$10m since 2007, so is believed to pay very modest premiums.

That may now become an issue as the loss will affect other clubs through claims pooling and joint reinsurance arrangements.

But fortunately for this year's reinsurance talks, the *Costa Concordia* loss came just days after the deal for the policy year from 20 February was signed off. (*Costa Concordia's* loss hits P&I year, page 26.)

Huge repair bill may make rebuilding unviable

Jonathan Boontzaker Singapore

The extent of the damage to the *Costa Concordia* will play a large part in determining whether the ship can be patched and raised in

one piece, or whether it will have to be cut up in situ.

Latest reports suggest the ill-fated vessel is in a stable condition, albeit perched precariously on a rocky shelf off Giglio island.

A long gash with a large rock embedded in it is visible on the starboard side of the ship but any other damage incurred during its grounding and subsequent sinking remains hidden.

Even if the vessel is raised, the potential bill may make repairing it and returning it to service financially unfeasible.

Unlike a tanker or a bulk carrier, repairs to a sunken cruiseship involve a lot more than repairing damaged steel.

The *Costa Concordia* is reputed to have cost \$600m when it was first built.

On average, 70% of a cruiseship's construction costs go towards interior outfitting and kit.

The interiors of cruiseships are highly susceptible to damage from salt water and this will require almost all of the *Costa Concordia's* accommodation to be replaced.

Given the poor outlook of the European economy and the potentially enormous costs of rebuilding the vessel, Costa might well be tempted to neither rebuild nor replace the *Costa Concordia*.

Shares during the initial construction phase are kept in check by prefabricating much of the interior and building the ship in a modular manner.

Replacing the interiors of an existing structure will likely push costs substantially higher and therefore make building a replacement ship a more cost-effective undertaking.

Jim Mulrean London

Copies of the *Costa Concordia's* hull-insurance slip circulating in the London insurance market show a huge range in the exposure of underwriters to the loss of the ship.

Gard has the top share of more than 12% of the hull and increased-value risk that could cost them more than \$40m if there was a full total-loss payout.

At the other end of the scale is Atrium Underwriting at Lloyd's with a \$1.4m line on only the increased value.

The Aon-brokered slip shows the hull as being insured for EUR 271m (\$347m) with an EUR 134m increased value or owners' interest cover on top to lift the total sum insured to EUR 405m.

Although Gard has the biggest single line, RSA — formerly Royal Sun Alliance — is the claims lead with a more than 11% line.

The RSA logo is visible in the text area.

Other underwriters on the slip in order of dollar exposure are Aescor, Asxa, Allianz, Arch, QBE/Colin O'Farrell, Generali, Talbot, Navigators, Chaucer, Hiscox, Taveillers, Chubb, Mitsui, Aspen, Catlin, American Hull Insurance Syndicate, National Union/Charis, Starz, Antares, Markeform, Amilin, Korean Re, Ace and Atrium.

The deductible on the *Costa Concordia* is declared at \$5m, although Carnival Corp also has an annual aggregate deductible that limits its total exposure to hull losses to \$30m.

There are a total of 28 underwriting groups on the slip with all the big-name participants one might expect on a large hull placing.

Shares are generally proportionate to market presence, although Allianz with just over 5% and Generali at under 4% may be lower than one might expect.

The big name missing from the *Costa Concordia* cover is the Norwegian Hull Club.

It may be that it has all the cruise-industry exposure it wants as claims leader for many Royal Caribbean vessels, or it is possible that its underwriters were not impressed with the premium Carnival pays.

Carnival Corp has a captive underwriting company, Trident Insurance, but the role it plays in covering its more-than-100-vessel fleet is unclear.

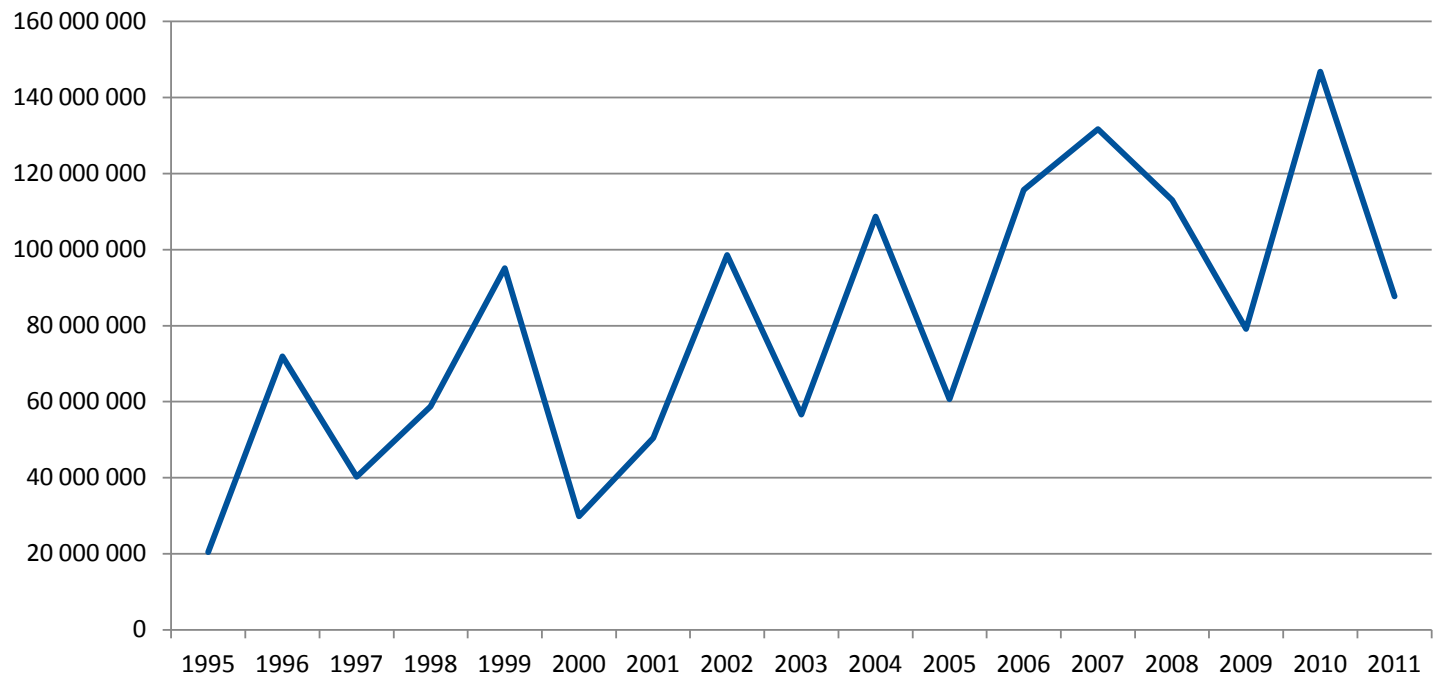


BREACH: The damage to the hull of the "Costa Concordia"

Photo: Scapix

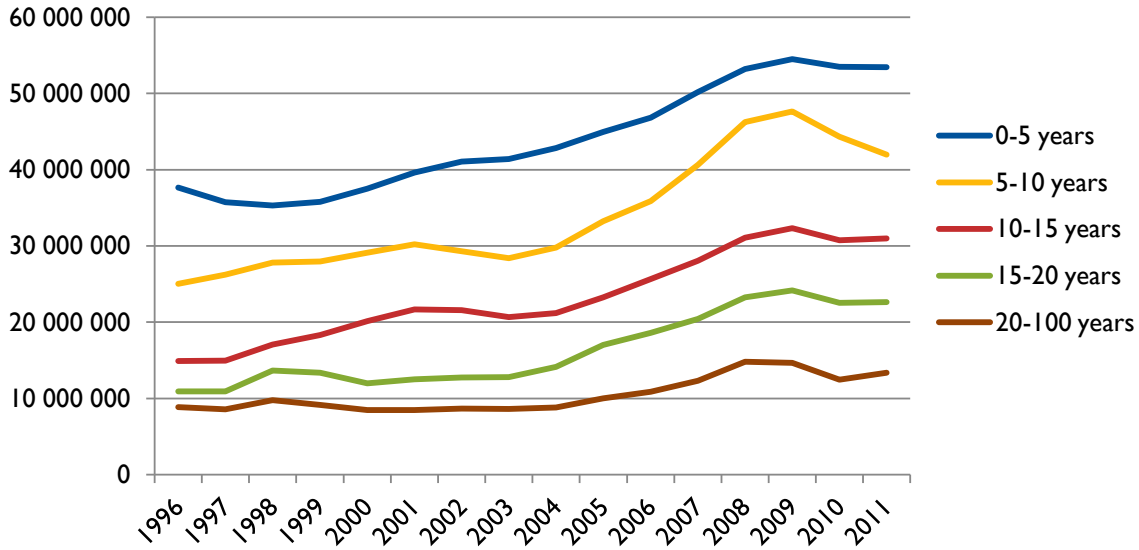
Cost of largest claims increasing

**Cost of the three maximum claims per year (USD)
by date of loss**

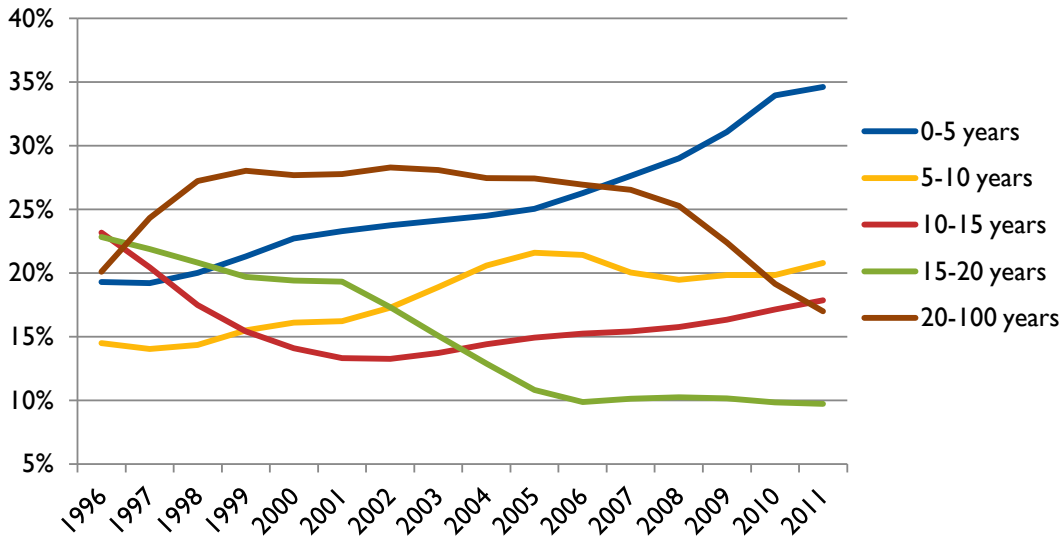


**Improved vessels →
higher risk exposure**

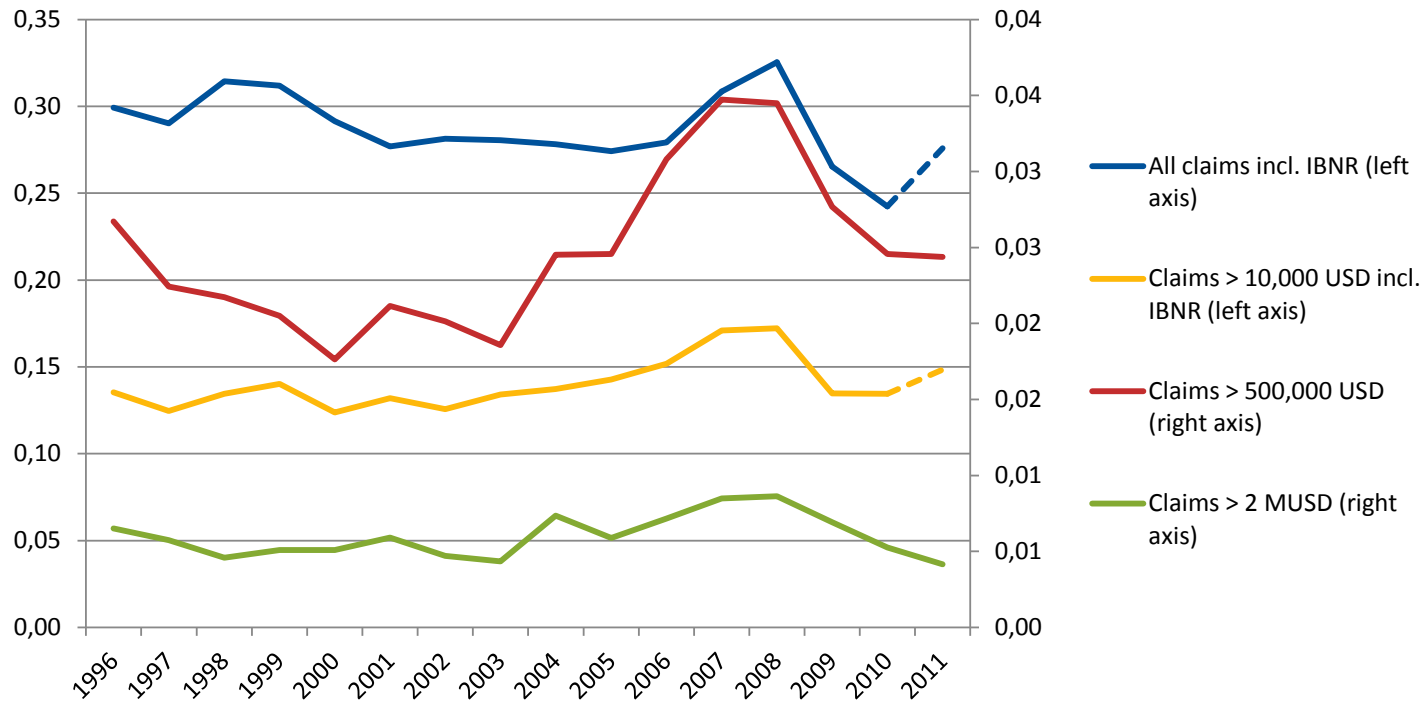
Average sum insured per vessel age group



Number of vessels per age group in % of all by underwriting year

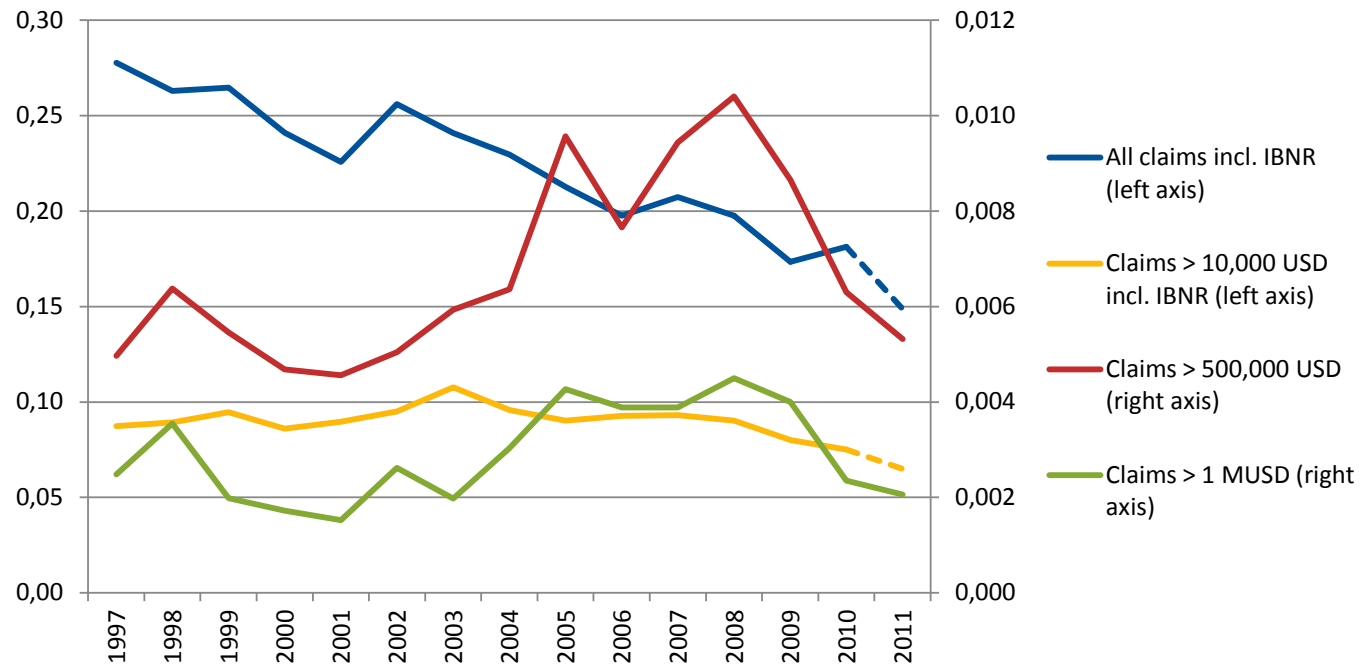


Claim frequency, claims in excess of a certain amount by date of loss

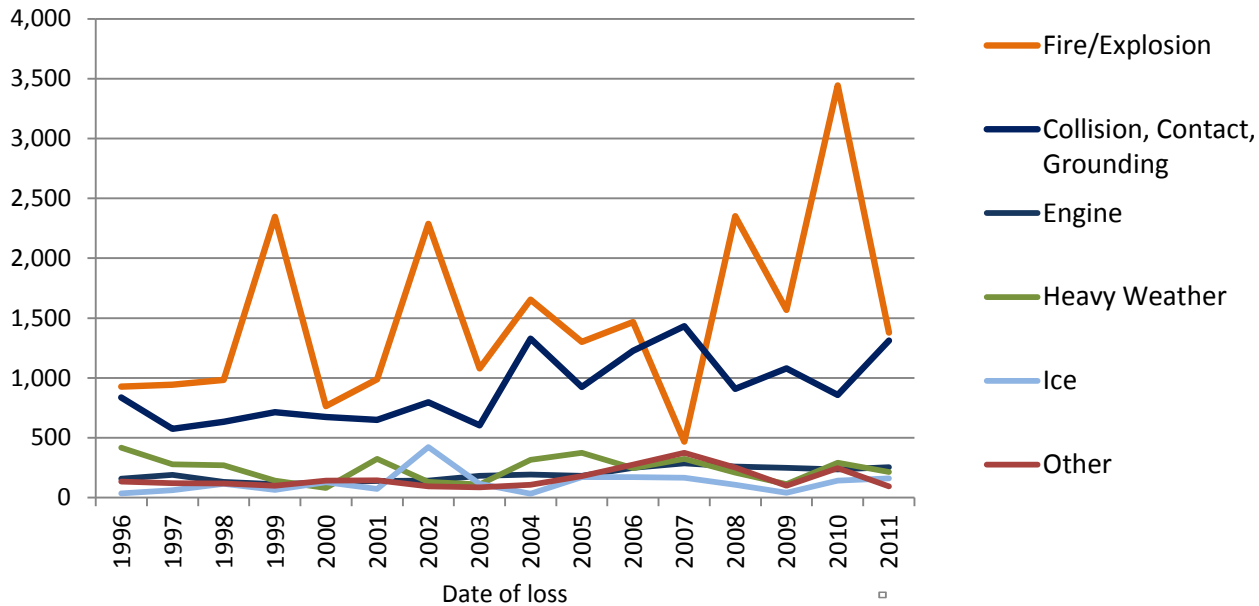


Positive development i coastal portfolio

Claim frequency, claims in excess of a certain amount
by date of loss



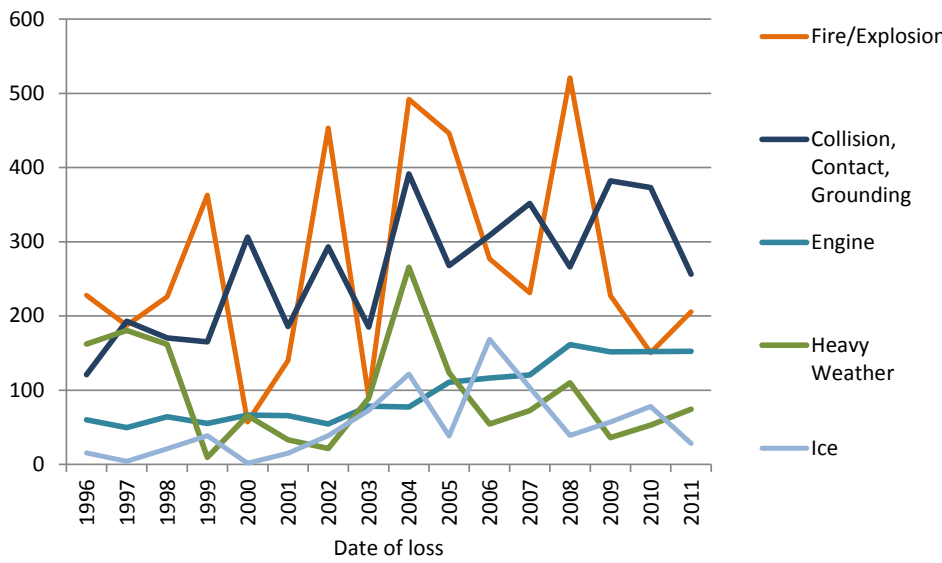
**Average claim amount per type of casualty (USD 1,000)
by date of loss**



Ocean ←

**Average claim amount per type of casualty (USD 1,000)
by date of loss**

Coastal →





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Program

- ❑ ***“Project HORIZON – a wake-up call”***

Prof. Mike Barnett, Project Manager
Warsash Maritime Academy



- ❑ ***“The Nordic marine insurance market and Solvency II from a rating agency’s perspective”***

Peter McClean, Director – Insurance, Standard & Poor’s

- ❑ ***“Exercise SkagEx11 – lessons learned on how to handle a major disaster at sea in the Skagerrak basin”***

Tor Honningsvåg, Senior Adviser, Norwegian Directorate for
Civil Protection and Emergency Planning (DSB)

Knut Morten Johansen, Manager, Color Line