

Facts & Figures Committee



Impact of the worldwide Recession on Marine Insurance

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14 September 2009

Economic Situation and uncertain Outlook

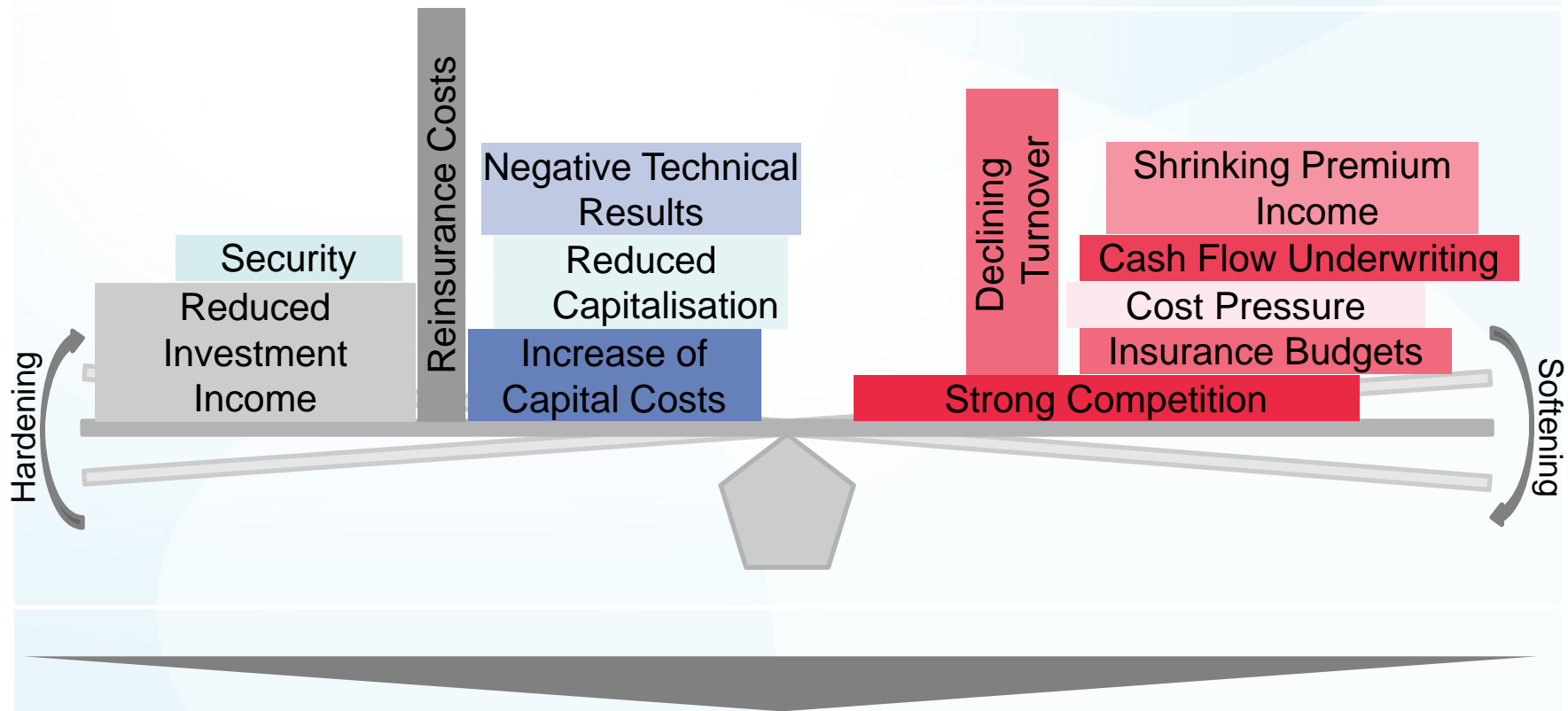


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- Worst financial crisis since Great Depression
- Credit crisis still not overcome
- Possible recovery in 2010
- Still high uncertainty of forecasts: Historically recessions following a financial crisis have been long and deep
- Different economic dynamics in the USA, Europe and Asia
- Logistics heavily affected: Rebound of trade volume will take time to reach level of 2007/08
- Insurance sector will feel the (possible) recovery with a time lag



Consequences of the Recession on the Insurance Cycle



Trend still unclear and fluctuating

Analysis of the Financial Crisis on Marine Insurance



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- Hull / Yacht
- Cargo
- Liabilities / P&I
- Energy Offshore

Munich Re Recession Analysis

General Concept



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Observed Risk Factors in Marine LoBs

Risk Factors with negative impacts ...

... with neutral impacts

... with positive impacts on the marine risk.

Observed Risk Factors in Hull / Yacht



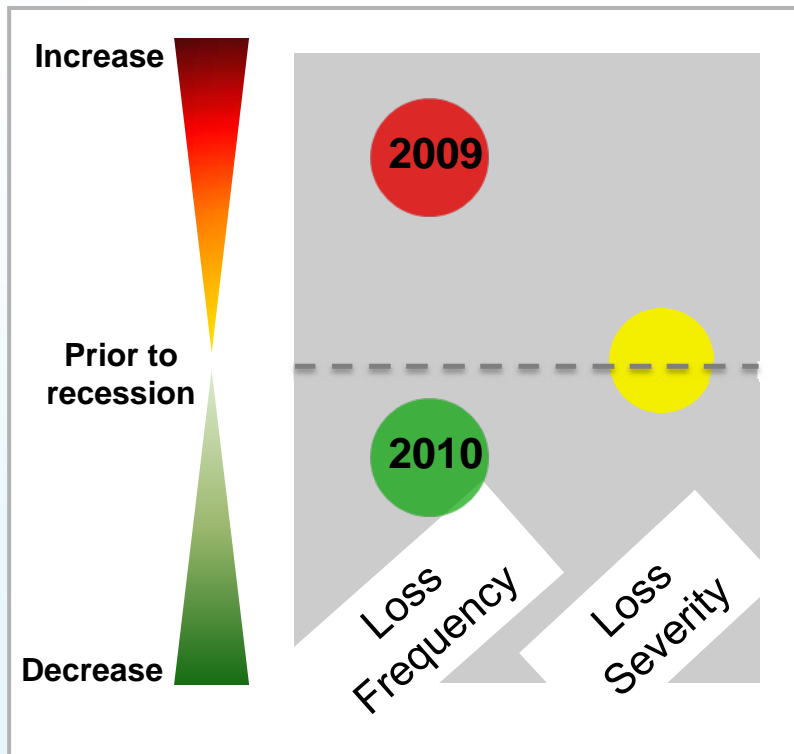
- Claims ex post Lay-up
- Use of Vessels as Storage facilities
- Shipowner's Financial Situation
- Moral Hazard (Yacht / Hull - Loss of Hire)

- Valuation of Ships
- Crew






- Repair Cost: Steel, Labour & Energy
- Slow Steaming, less Traffic due to Overcapacity & Lay-Up's
- Average Age of World Fleet

...and observed Trend Factors for the (difficult) Hull Market

Loss Expectation



Terms & Conditions

Rates	 
Premium Volume	
Deductibles	
Conditions	



Loss Ratio



Observed Risk Factors in Cargo

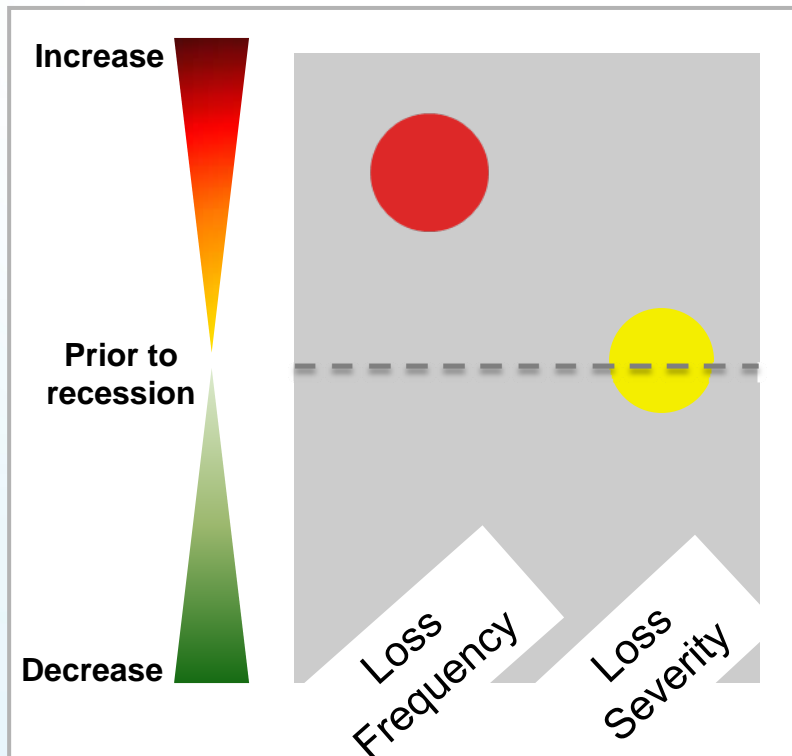
- Thefts, Fraud + mysterious Disappearance
- Maintenance of Basic Infrastructure
- Accumulation of Values, Exposure + Storage
- Moral Hazard (Economic Total Losses)
- General Average Contribution

- Protectionism

- Claims Awareness
- Cargo Handling & Loss Prevention
- Turnover (-20% to -30%)
- No of Containers shipped (-12%)

...and observed Trend Factors for the Cargo Market

Loss Expectation



Terms & Conditions

Rates



Premium
Volume



Deductibles



Conditions



Loss Ratio



Observed Risk Factors in Marine Liabilities / P&I



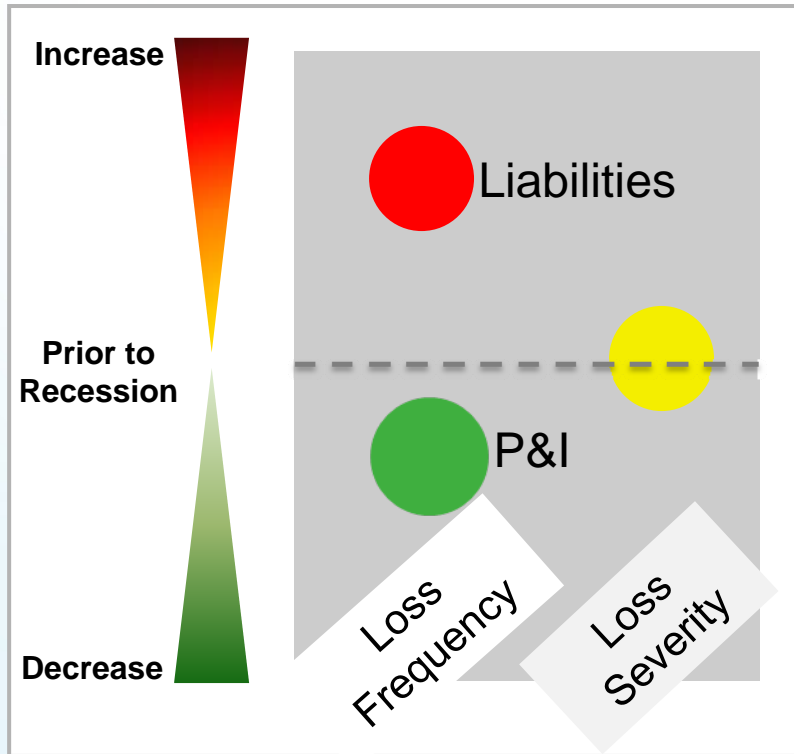
- Technical Aspects / Loss Prevention
- Legal Environment

- Shore based Staff / Crew








- Turnover / Volume
- Repair Cost
- Quality of the World Fleet
- Vessel Value

...and observed Trend Factors for the Liability Market / P&I

Loss Expectation



Terms & Conditions

Rates	 
Premium Volume	 
Deductibles	 
Conditions	



Loss Ratio



Observed Risk Factors in Offshore Energy

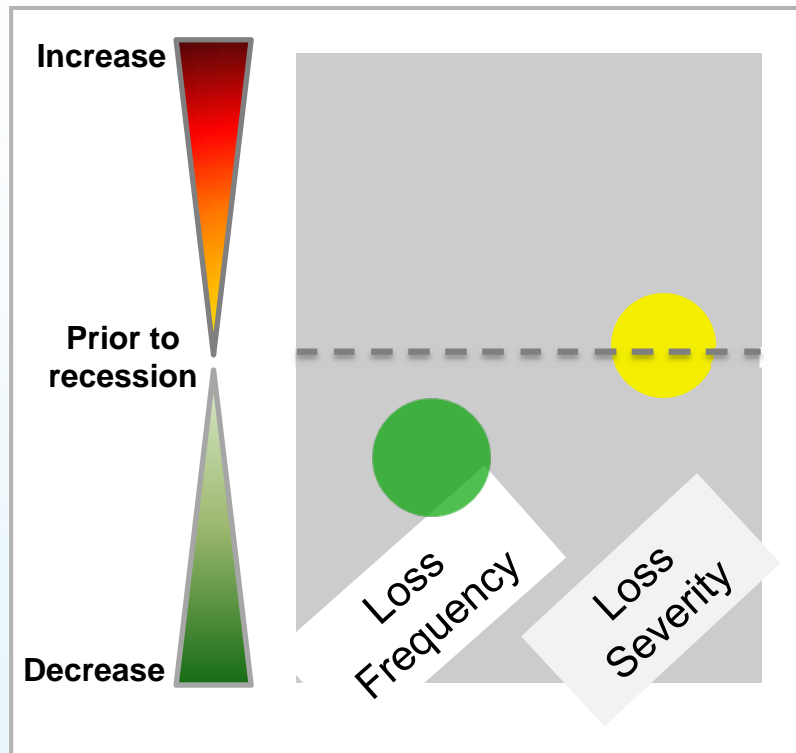
- Maintenance
- Nationalization and Confiscation of Assets

- Regulatory Standards
- Cat Exposure
- Claims Settlements
- Moral Hazard





- Crew
- Repair Cost
- Drilling and Exploration Activity
- Lay-Up's
- Construction / New Buildings

...and observed Trend Factors for the Offshore Energy Market

Loss Expectation



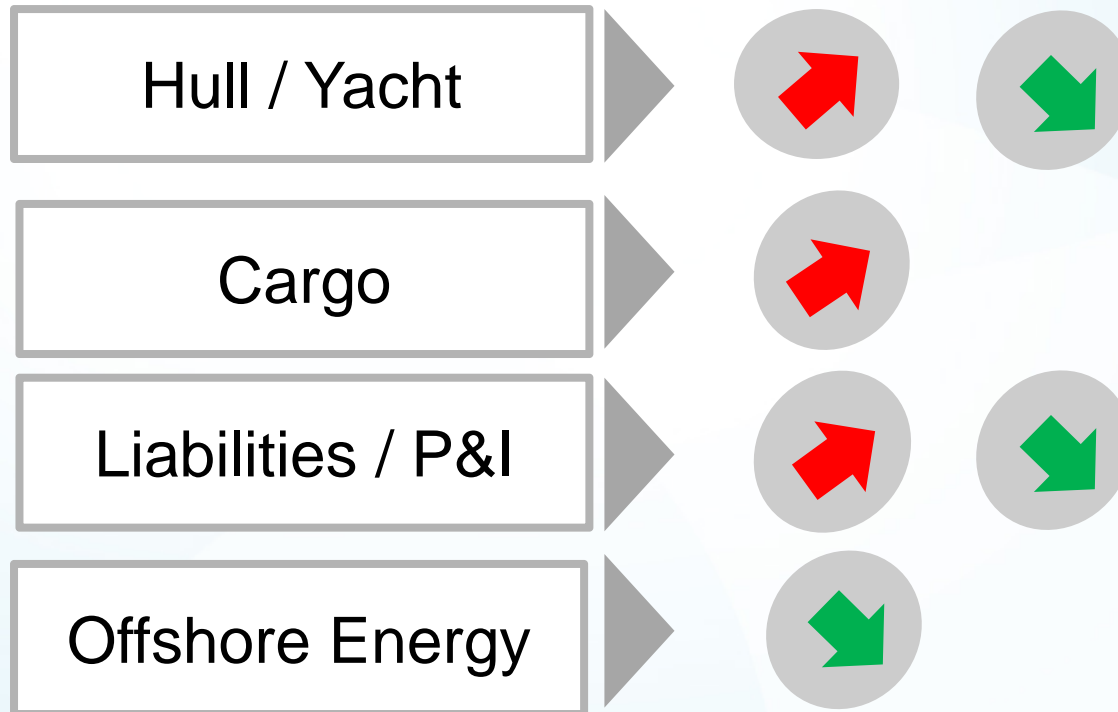
Terms & Conditions

Rates	
Premium Volume	
Deductibles	
Conditions	

Loss Ratio



Expected Impact of Recession on Marine Loss Ratios



Keep in mind:

- These are general trends only as a conclusion of individual assumptions !
- Trends may vary in different markets !
- Ratio trends do not give evidence about the profitability of any LoB !

... and other Factors influencing the Loss Ratio?

Additional Factors influencing the Combined Ratio

Capital Factors

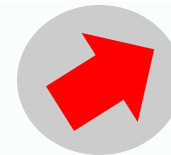
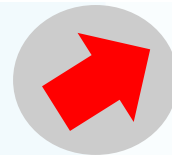
- Cost of Capital
- Risk Based Capital
- Rating/Security
- Regulation

Economical Factors

- Competition
- Capacity
- Investment Returns
- Exchange Rates
- Political Impacts/
Piracy

Environmental Factors

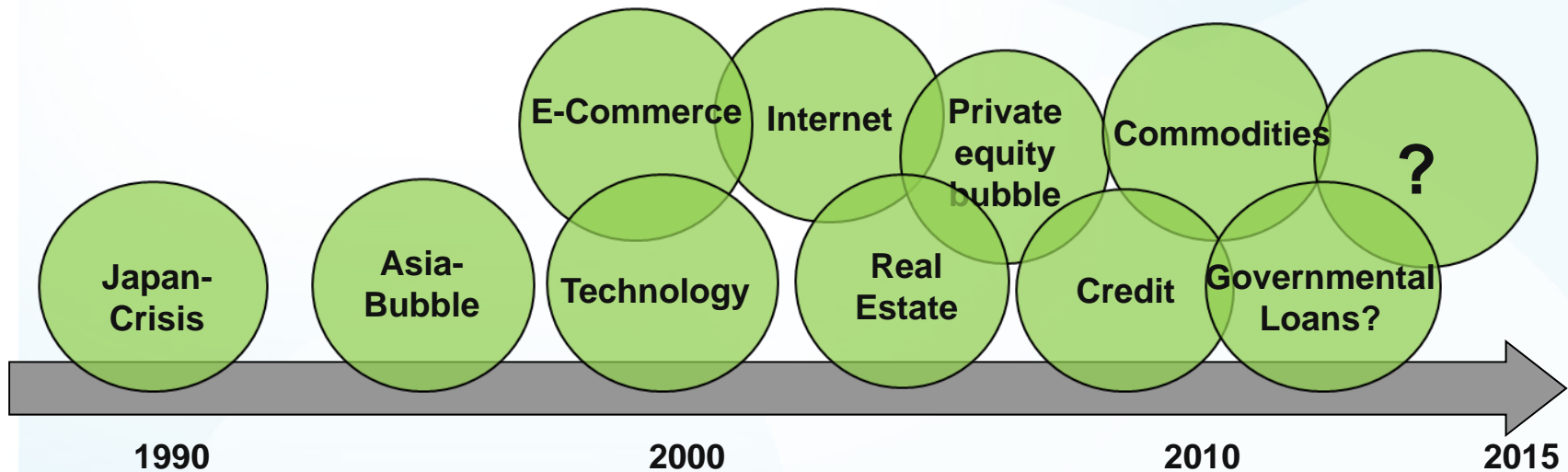
- Climate Change,
e.g. Hail, Hurricane
- Pandemics



...the next Bubble will come definitely



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Thank you!