

THE NORDIC ASSOCIATION OF MARINE INSURERS

ANNUAL REPORT 2010

Cefor in brief...	2
The Cefor year in review	3
The Cefor marine insurance market 2010	6
The Nordic Marine Insurance Statistics (NoMIS) 2010	7
Relative stability after a turbulent period	7
About the NoMIS database	13
Coastal Hull trends	15
Organisation & Members	18

CONTENTS

CEFOR IN BRIEF...

Cefor, the Nordic Association of Marine Insurers, represents marine insurers in the Nordic region. Our objective is to strengthen and develop the basic concepts of the Nordic marine insurance market and promote the members' common interests on key issues for the marine insurance industry.

In order to advance our purpose the Association shall work:

1. to make available to its members appropriate statistics from the NoMIS database to support the activities of the individual members and the general objectives of the Association,
2. to contribute to the provision of educational programmes that ensure adequate recruitment to and expertise among its members,
3. to develop and maintain competitive Nordic insurance conditions in collaboration with customers, trade associations and other affected parties, and
4. to influence the industry's framework conditions.

The Association shall not engage in independent economic activity, nor shall it be an organisation that promotes practices that in any way are detrimental to competition.

The members of Cefor engage in

- hull and machinery insurance (ocean and coastal)
- protection and indemnity insurance
- cargo insurance
- legal defence
- war risks
- energy and offshore insurance

The Cefor mission

To serve the interests of our Nordic members by promoting quality marine insurance through;

- comprehensive statistics,
- competence building,
- agreed all risks conditions,
- a common public voice.

THE CEFOR YEAR IN REVIEW

In recent years, efforts have been undertaken by Cefor and its members to build a pan-Nordic marine insurance market and to unite and coordinate its members around key issues facing the global marine insurance industry. An important milestone was reached in November, when Cefor and four Nordic shipowners' associations signed an agreement to draft and present the first Nordic Marine Insurance Plan in 2013.

Statistics

The 2010 claims trends and more detailed information about the Nordic Marine Insurance Statistics (NoMIS) database are presented in a separate article starting on page 7.

Cefor compiled and published specific NoMIS reports for ocean and coastal hull claims trends, including mid-year updates. In addition, a machinery claims analysis was carried out, the results of which were presented at the International Marine Claims Conference in September. Another important issue was to support the creation of a hull repair cost index as well as research on the correlation between macroeconomic factors and hull claims cost. A follow-up project has been initiated to investigate more closely the implications between macroeconomic factors and hull claims and monitor developments in times of change. Furthermore, the data quality in the NoMIS database was monitored and improved, and a project initiated to simplify and improve reporting into the NoMIS database.

Cefor continued to play a vital role on the International Union of Marine Insurance's (IUMI's) Facts and Figures Committee, including traditional responsibility for compiling data and presenting the "Global Marine Insurance Report 2010" at the IUMI Conference in Zürich. In 2010, Cefor also contributed to a special IUMI section

dedicated to the role of actuaries in marine insurance.

Cefor Academy

One-year part-time programme

The first students on a new comprehensive marine insurance education programme graduated from the Cefor Academy in June 2010. Through a final home assignment, the students demonstrated a good general understanding of the many aspects of marine insurance as intended for this intermediate level programme. Equally important, the students also established a strong network in the industry involving themselves and the many experts from Cefor member companies, the Scandinavian Institute of Maritime Law and a Norwegian Average Adjuster lecturing during the six sessions.

26 new students were accepted into the 2010-2011 programme in August which runs until June 2011. The third programme is due to commence in August 2011.

Plan training course

In 2009, Cefor and the Scandinavian Marine Agency (SMA) introduced a new training course targeting The Norwegian Marine Insurance Plan of 1996. More than 30 professionals working within the marine insurance and ship operating industries signed up for the second course in Copenhagen in April 2010.

Executive summary

- Statistics – up-to-date claims trends for ocean and coastal hull.
- Cefor Academy – competence-building in high demand.
- Nordic Plan Agreement – strengthening the world's most comprehensive set of insurance conditions.
- Framework conditions – safety at sea a key priority in a pivotal year with increasing piracy activity and stricter sanctions.

Conditions

The Nordic Plan Agreement

An agreement was reached on 3 November 2010 on the drafting of a Nordic Marine Insurance Plan effective from 1 January 2013. The five signatory parties are: the Norwegian Shipowners' Association, the Danish Shipowners' Association, the Swedish Shipowners' Association, the Finnish Shipowners' Association and Cefor. The Nordic Plan will be based on the Norwegian Marine Insurance Plan of 1996, Version 2010, with its tried and tested solutions through a set of comprehensive and coordinated rules based on the all risks principle and with provisions about claims designed to support the well-known Nordic claims handling model.

A newly established Cefor Plan Revision Forum has the authority to recommend changes on behalf of Cefor. A permanent Standing Revision Committee is given the task of drafting the first Plan with revisions every three years.

The Committee is chaired by Trine-Lise Wilhelmsen, Professor, LL.D., from the Scandinavian Institute of Maritime Law at the University of Oslo, and also comprises members from the five signatory parties and a Nordic Average Adjuster representative.

Sanction Limitation and Exclusion Clause

An EU Council sanction against Iran was adopted on 26 July, following the passing of UN Resolution 1929 on 9 June and the signing into law in the United States of the Comprehensive Iran Sanctions, Accountability, and Divestment Act on 1 July. With the expanding number of states imposing sanctions against Iran and insurers now becoming direct targets for these sanctions, as was the case with both the U.S. and the EU sanctions, Cefor produced and published a Sanction Limitation and Exclusion Clause on 25 August.

New Cefor Form for small coastal vessels

The insurance conditions for commercial vessels smaller than 15 metres or 25 gross tons were revised and issued as Cefor Form No. 268 in November.

Framework conditions

The overall objective of Cefor's framework-related activities is to promote legislation and industrial policies that are conducive to a sustainable and

prosperous Nordic marine insurance market.

To operate efficiently, marine insurance and shipping are international industries that depend heavily upon a global regulatory framework. Cefor is a strong supporter of the principle of international, as opposed to regional or domestic, regulation of an essential global industry.

Safety at Sea

In spite of all efforts to the opposite, accidents at sea do happen and we should all take advantage of learning from past mistakes. Marine insurers gain knowledge of incidents and causes through a large portfolio of claims. We believe in sharing this knowledge and our observations with shipping companies in a joint effort to minimize the risks.

Summing up our involvement and priorities in this area, Cefor presented a Safety at Sea Statement in December. On an individual level, Cefor members continued the hands-on support offered by Nordic marine insurers to clients in this regard.

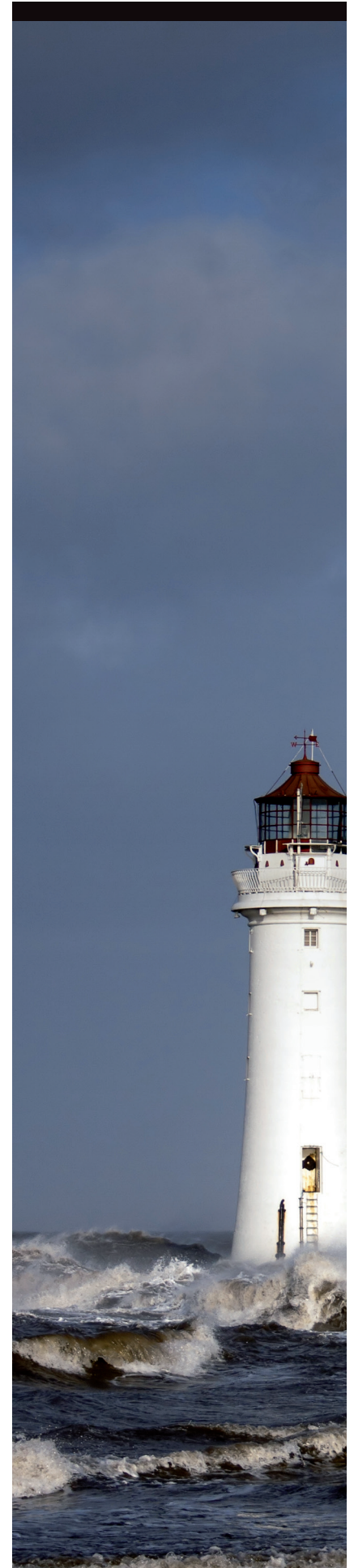
The International Union of Marine Insurance (IUMI)

IUMI is registered as a non-governmental organisation in consultative status with the International Maritime Organization (IMO), and also represents the global marine insurance industry in the International Oil Pollution Compensation (IOPC) Funds discussions. Being an IUMI member, IUMI is thus the main tool for addressing the needs of Cefor members at an international level. At the conclusion of the 2010 IUMI conference in Zurich in September, Cefor Chair and Director of the Norwegian Hull Club, Ole Wikborg, was elected President of the IUMI. He is the second Norwegian to hold this position.

Piracy

Following an increasing level of activity throughout the year, piracy was also at the top of the international maritime agenda in 2010. International Trading Warranties for war risks insurance have been extended to include most of the Indian Ocean, reflecting the increasing activity in a much larger geographical area.

As a member of IUMI, Cefor supported a petition against piracy, urging flag states to take uniformed action to stop this threat to global trade.



A new U.S. Executive Order concerning Somalia, published in April, added more uncertainty to the situation. The Order declares that insurers involved in the payment of ransom to pirates listed as terrorist by the U.S. will be subject to sanctions.

International Maritime Organization (IMO)

In April 2010, a Diplomatic conference adopted a Protocol to the 1996 HNS Convention¹ concerning contributions to the liquefied natural gas (LNG) account. It remains to be seen if a sufficient number of States ratify the Protocol in order for the HNS Convention to come into force.

Another Diplomatic conference adopted amendments to the STCW Convention and Code in June, including bridge and engine room resource management principles that became mandatory standards as opposed to the previous guidance.

Environmental salvage

In the course of 2010, environmental salvage and a possible amendment of the Salvage Convention became a topic of discussion also among members of the IUMI. In view of the risk of unbalancing the existing and well-functioning salvage award system worked out as a compromise between all the various interests, and causing a negative impact on salvage operations, Cefor recommended against any changes to the Convention.

EU Block Exemption Regulation

On 24 March 2010 the European Commission adopted a new block exemption regulation (BER) for the insurance sector: regulation No. 267/2010. The regulation renews the block exemption of agreements concerning joint compilation, tables and studies, and common coverage of certain types of risk (pools). Cooperation concerning standard policy conditions and cooperation concerning security devices are no longer block exempted. Draft guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements were published in early May. In view of these guidelines, the Board concluded that the Plan complies with EU competition rules.

Low-sulphur fuel

Towards the end of 2009, Cefor joined

several stakeholders in expressing safety concerns over aspects of the forthcoming implementation of a new low-sulphur EU Directive. An extension period of eight months was recommended by the Commission. Cefor issued information about precautions when changing to low sulphur fuel, introduced a separate claims code to detect any early claims trends and established a working group under the Cefor Underwriting Forum to monitor developments. The issue will continue to be on the Cefor agenda through active information sharing and reporting. Cefor has also raised the need for more class involvement in relation to the use of fuel onboard ships through IUMI and in direct contact with classification societies.

Solvency II

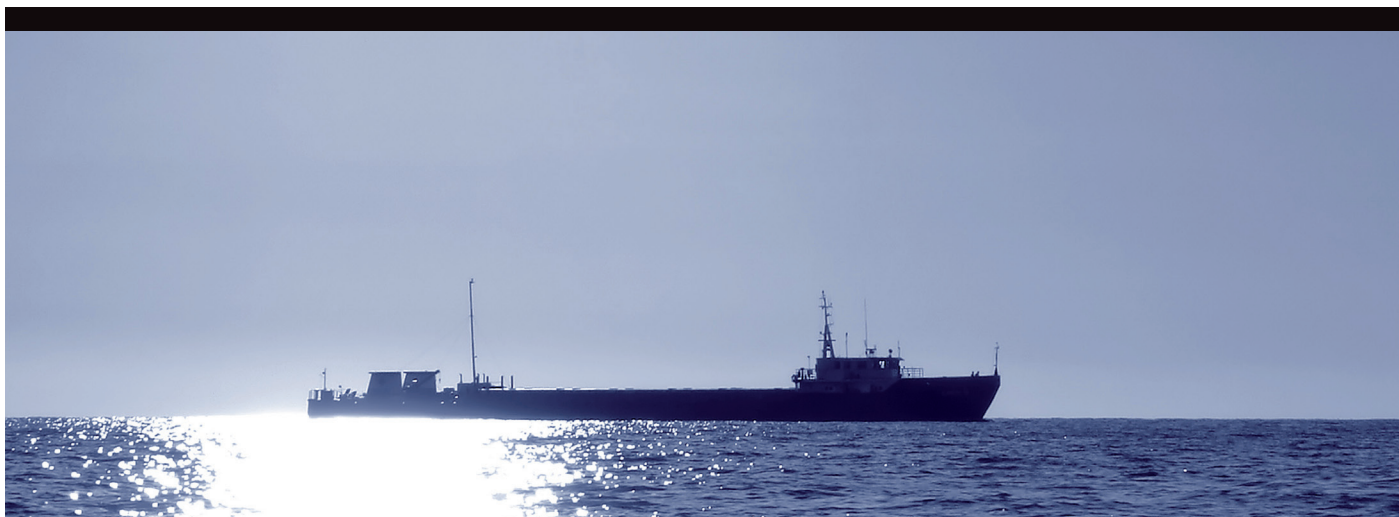
Solvency II represents a fundamental review of the capital adequacy regime for the European insurance industry. Cefor has expressed some concerns regarding proposed new calibration of the non-life underwriting risk, which may lead to a considerable increase in capital requirements for marine insurers. The new regime is due to be implemented towards the end of 2012. In March, Christian Irgens of the Norwegian Hull Club was appointed Cefor representative in a reference group tasked with preparing for implementation of the new regulations in Norway.

U.S. salvage and marine fire-fighting requirements

Tanker owners are obliged to submit vessel response plans that comply with the new U.S. Coast Guard rules, mandating owners to enter into salvage and fire-fighting contracts with service providers no later than 22 February 2011. Similar rules have been proposed for non-tankers, but no date has so far been set for the final rulemaking.

A working group under the Cefor Claims Forum has closely monitored the final interpretations and wordings. Focusing on the insurer's role in salvage and fire-fighting contracts, the Board adopted in October several recommendations to hull insurers concerning the salvage and fire fighting contracts into which owners must enter pursuant to USCG regulations.

¹ 1996 Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea



The Cefor marine insurance market 2010

Market shares, all sectors

Gross premium income, direct insurance 2010: USD 1,540.9 million

USD 1= EUR 0.7550	EUR mill.	USD mill.	%
Hull	667.3	883.8	57.4 %
P&I	455.3	603.0	39.1 %
Cargo	40.9	54.1	3.5 %
Total	1,163.4	1,540.9	100.0 %
Hull¹			
Gard	202.9	268.8	31.7 %
Norwegian Hull Club	144.6	191.5	22.6 %
Codan	72.8	96.4	11.4 %
Gerling	51.5	68.2	8.0 %
Swedish Club	51.3	67.9	8.0 %
Tryg ²	32.4	42.9	5.1 %
If	31.8	42.1	5.0 %
Gjensidige ³	23.3	30.9	3.6 %
Alandia ⁴	18.4	24.4	2.9 %
Møretrygd	7.9	10.4	1.2 %
Tromstrygd	3.6	4.8	0.6 %
Total	640.5	848.4	100.0 %
DNK (war risks)	26.8	35.5	
P&I			
Gard	373.0	494.0	82.2 %
Swedish Club	64.0	84.8	14.1 %
Norwegian Hull Club ⁵	12.0	15.9	2.6 %
Other Cefor members ⁶	4.8	6.4	1.1 %
Total	453.8	601.1	100.0 %
DNK (war risks) ⁷	1.5	1.9	
Cargo⁸	40.9	54.1	

¹ Hull, hull interest, freight interest, loss of hire, builders' risks, mobile offshore units and fishing (catch & gear)

² Run-Off premium; Tryg withdrew from hull market spring 2010

³ Includes coastal marine clubs

⁴ Forsäkringsaktiebolaget Alandia only

⁵ Charterer's Liability

⁶ Alandia, Møretrygd, If, Tromstrygd, Gjensidige, Codan

⁷ Cruise vessels only; for other vessel types, P&I coverage is included in hull war premium

⁸ Norwegian income only

RELATIVE STABILITY AFTER A TURBULENT PERIOD

After a period of growth and sudden decline in the world economy as well as the shipping sector, we now appear to have entered into more stable conditions. Many of the factors affecting marine insurance claims, such as vessel values, utilization rates etc. that were in decline a year ago, now seem to be levelling off. However, the general picture for the global economy and hence world trade is one of great uncertainty in which the prevailing conditions for marine hull insurance may rapidly change.

Claims cost improvement tailing off

The sharp drop in the claim cost per vessel noted in 2009 did not continue in 2010, and the cost level is thus very close to that of 2009.

Although compared to last year the changes seem to be marginal, it is too early to draw any firm conclusions about the long-term results of marine hull underwriting. The conditions for the industry changed substantially during the last few years, resulting in positive as well as negative effects on both costs and income. According to available sources, e.g. www.platou.com, utilisation rates for major vessel types are still considerably lower than during the peak years of 2007/2008. Closing this gap could rapidly erase the observed improvements.

The relationship between macro-economic factors and claims results is an important area for adequate claims predictions. The Cefor Statistics Forum encourages further development in this field, and is currently supporting selected university students with statistics for their master theses.

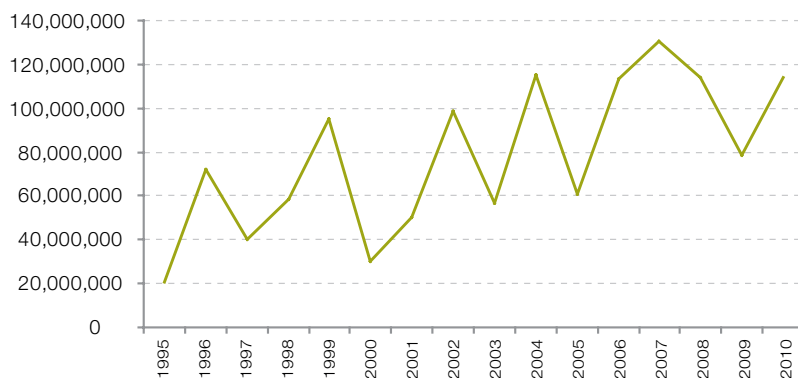
In 2010 a considerable number of vessels were still in lay-up, though the number has gradually decreased during the year. The underlying data in the NoMIS database provides no information on this, so claims figures for fully trading vessels may deviate from the average figures in this report.

Major claims – unpredictable as ever

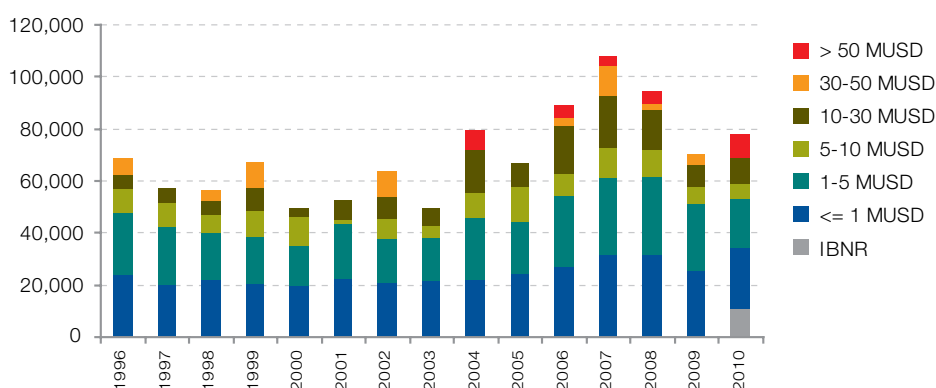
Until the 3rd quarter of 2010, the development looked very favourable for major claims with no claims reported in excess of USD 30 million. The year 2009 was also relatively free of severe major claims, unlike the previous years where these claims had had a strong impact. However, in the 4th quarter of 2010 the most costly claim ever was registered in the NoMIS database. Although this remains the only claim in excess of USD 30 million last year, 2010 did not end as fortuitously as 2009 with regard to major claims. Though vessel values naturally have an impact on the size of the largest claims, 2010 again proved the volatility in such claims and the necessity of being prepared at all times for major claims.

The graph "Cost of the three maximum claims per year" (next page) shows a steady increase in the cost of the three most expensive claims per year, reflecting an increase in ship values. However, it is worth noting that although we experienced the worst claim ever in 2010, there were still 831 vessels, or 10% of all insured vessels, registered for underwriting year 2010 in the NoMIS database that had values in excess of this claim.

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



Claim per vessel (USD), by date of loss

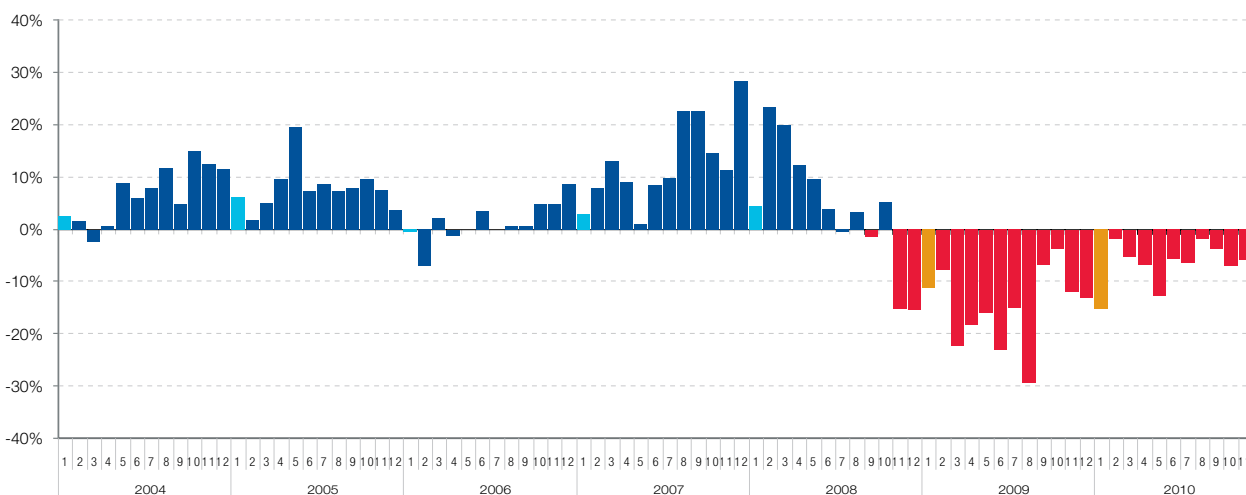


Reduced average sum insured

A contributing factor to the lower claims cost per vessel since 2008 is the decrease in the average sum insured, which reduces the liability of insurers. The decrease in ship values was first noted near the end of 2008 and continued throughout 2009 and 2010, especially for bulk and container vessels. This had a direct effect on the cost of total losses and to a lesser extent on the partial claim per vessel. Although the reductions continued in 2010, the decrease was much higher at the beginning of the year than near the end. This trend seems to be continuing during the first months of 2011.

It should be noted that the graph below includes renewed vessels only; newbuildings and other new entries are excluded. In stable market conditions, we would expect to see a slight reduction in the sum insured per vessel due to the aging factor.

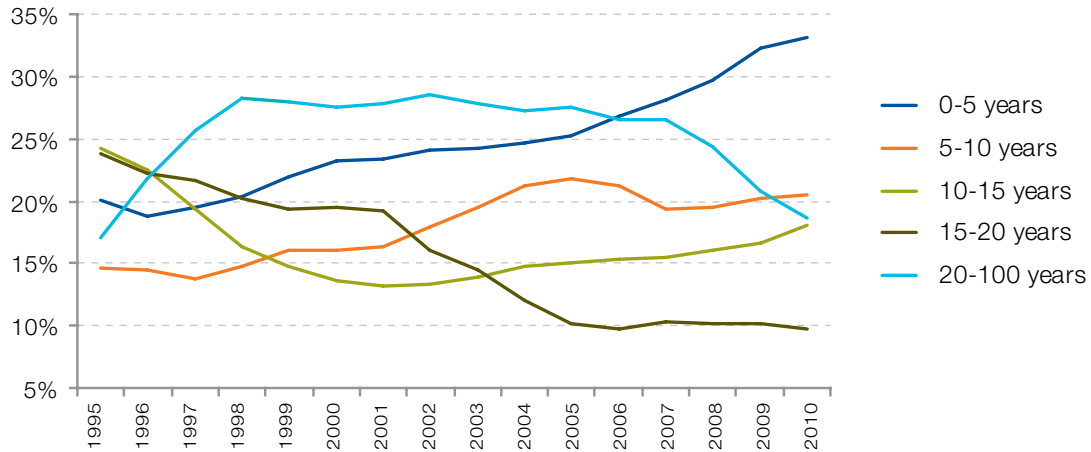
Average change in sum insured for all renewals in the respective month compared with the previous underwriting year



Steady growth in the percentage of younger vessels in the NoMIS fleet

The last decade has seen considerable growth in the world fleet. This is also reflected in the NoMIS database, where there has been a steady growth in the percentage of vessels less than five years old. In the mid 1990's approximately one out of five vessels was less than five years old. Today, the corresponding figure is one out of three vessels.

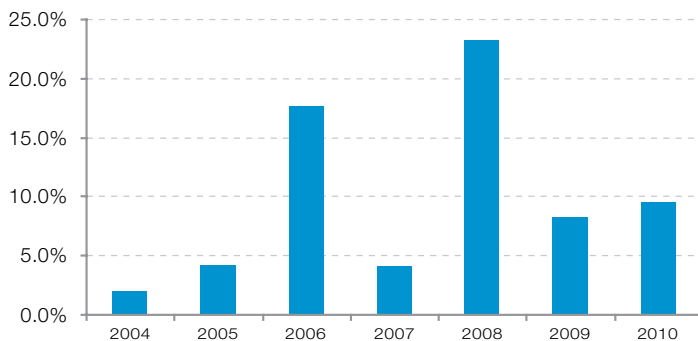
Number of vessels per age group in % of all, by underwriting year



Increased deductibles

In 2010, the average standard deductible increased slightly relative to the previous year. However, for vessels with deductibles below USD 500,000, the level was unchanged.

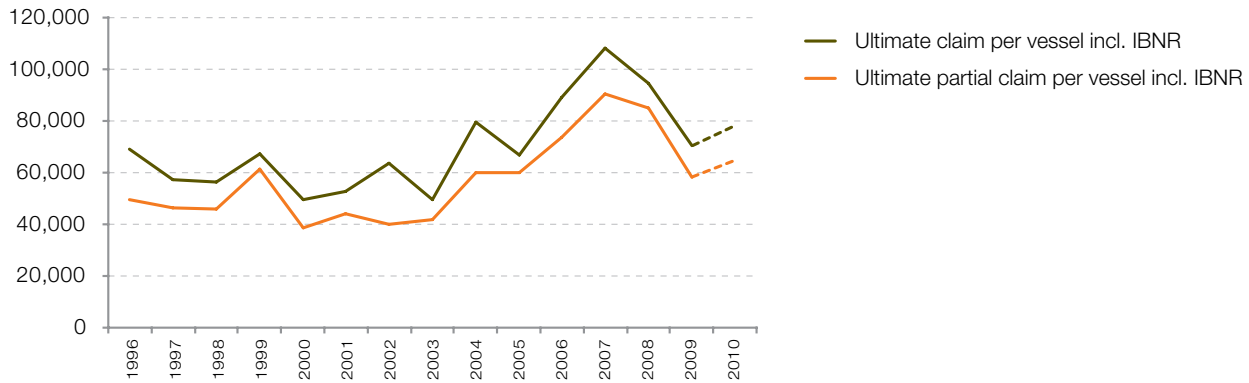
Average change in standard deductible on renewal, compared to the previous underwriting year



Summing up the claims cost

The downward trend in claims cost per vessel from the two previous years has come to an end, and claims costs are once again increasing. The future will reveal if this is a lasting trend or a result of volatility. Without a crystal ball, we can only make a qualified guess at what the claims cost might be for the years to come. The costs in 2010 were slightly up from the year before, but by no means back to the peak levels of 2007 and 2008. Perhaps now we are back to a level that can be expected to continue in a long-term perspective?

Ultimate partial and total claim cost per vessel (USD), by date of loss



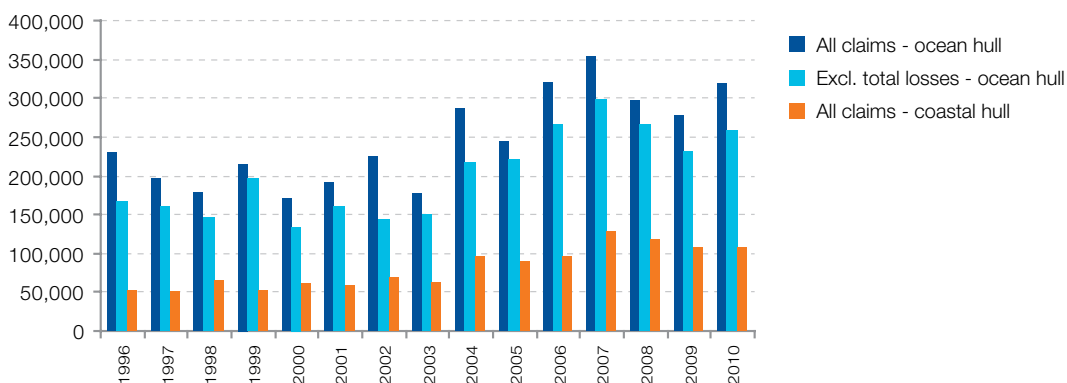
¹⁾ All claims data (numbers/costs) in this report are allocated to the calendar year in which the claim incurred.

²⁾ "Partial claim" means any claim that is not a total loss or a constructive total loss. For the purpose of this report, partial claims are defined as claims less than or equal to 75% of the insured value.

Average claim size increasing

The average claim amount per individual claim increased for the ocean-going hull business from 2009 to 2010. The level is actually among the highest ever (only 2006 showed similar and 2007 worse results). It should be noted, however, that the value is sensitive to deductible levels and claims frequency as well as to large individual claims and thus not necessarily a good measure of repair cost levels.

Average claim amount per individual claim (USD), by date of loss

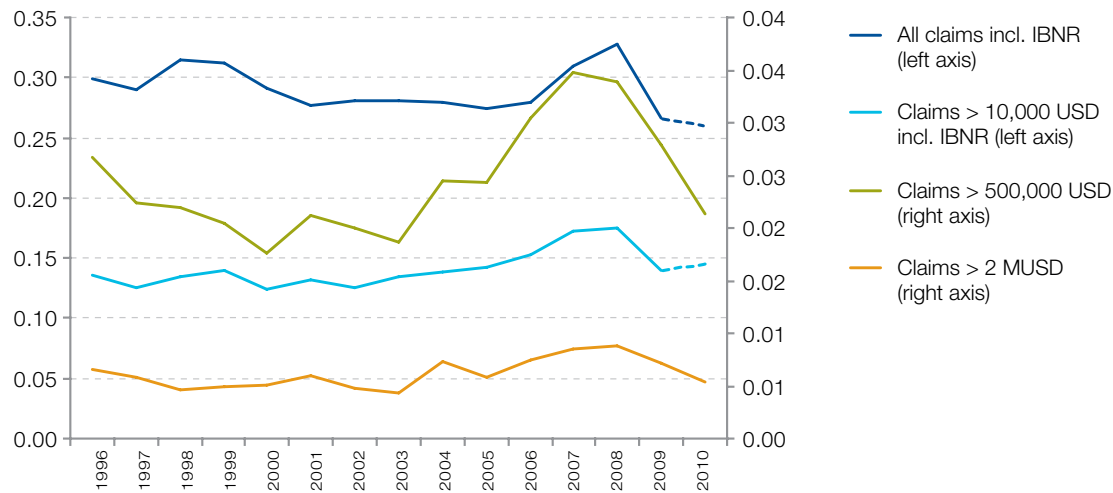


Number of claims per vessel – slightly down from last year

The reduction in claims frequency that was observed last year does not seem to have continued, and the claims frequency is now at more or less the same level as in the previous year. Claims frequency is very dependent on factors such as deductible levels and reporting practices (all registered claims were included, regardless of whether or not they led to an actual claim). There was also considerable variation among different vessel types (for details, cf. "The 2010 Cefor NoMIS Report", which can be downloaded from the Cefor website).

It can be further noted that for larger claims (claims above USD 500,000 and claims above USD 2,000,000) the downward trend is continuing. Most likely this reduced influx of severe claims is due to a combination of reduced repair costs, less strain on vessels and crew and random fluctuations.

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

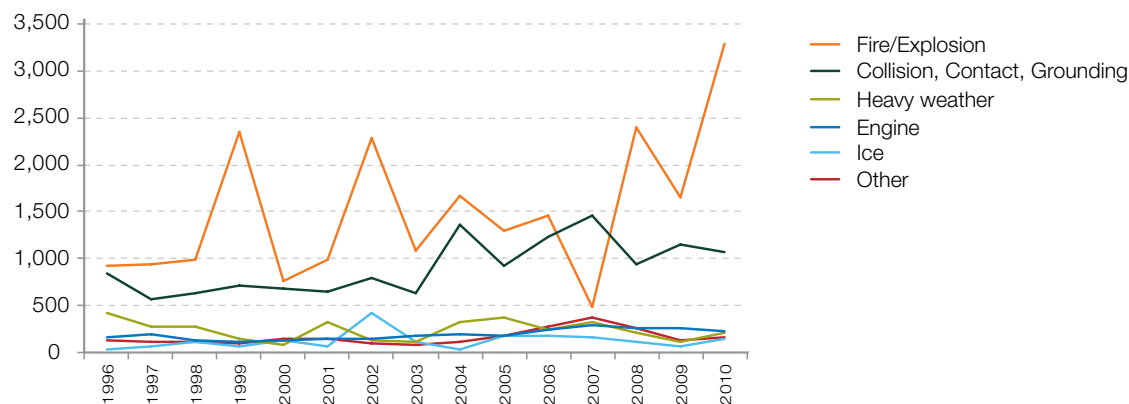


For claims > USD 500,000 and claims > USD 2 million, no IBNR is added, because the frequency may vary greatly from year to year and thus be difficult to project from historical figures.

Long-term increase in average cost for fire/explosion and nautical-related claims

The figures for 2010 confirm last year's observations. While there are great variations in the average fire/explosion and nautical-related claims cost from year to year, the long-term trend is toward a clear increase in the average cost. Due to the volatility, it is difficult to accurately assess the increase, but the graph indicates that the cost increases have been on the order of 50-100% since the late 90s.

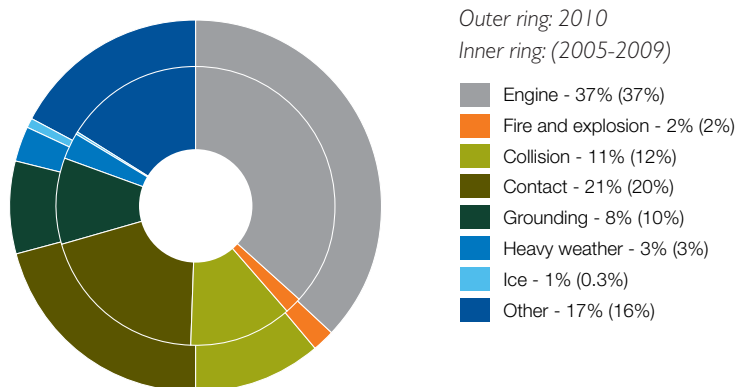
Average claim amount per type of casualty (USD 1,000), by date of loss



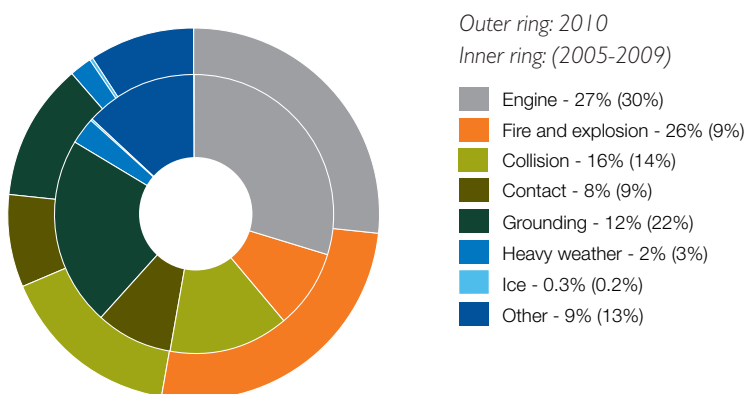
Average claim amount per type of casualty = total claims cost per type of casualty, divided by the number of claims per type.

Distribution of claim by type of casualty

Numbers (%) by date of loss



Costs (%) by date of loss



In terms of frequency, engine claims are still the most frequent individual claim type with 37% of all claims, but nautical-related claims combined (grounding, collision, contact, ice) account for another 45% of the total number of claims. In terms of claim cost, the breakdown among claim types is more volatile. Since engine-related claims include a number of minor claims, they only amount to an average of 30% of the total cost, whereas fire/explosions and groundings in particular are few but costly claims. In 2010, fire/explosion claims accounted for as much as 26% of the total claims cost reported as of 31 December, whereas their impact in terms of numbers remained constant at 2%. Groundings and collisions combined accounted for another 28% of the total cost.

ABOUT THE NoMIS DATABASE

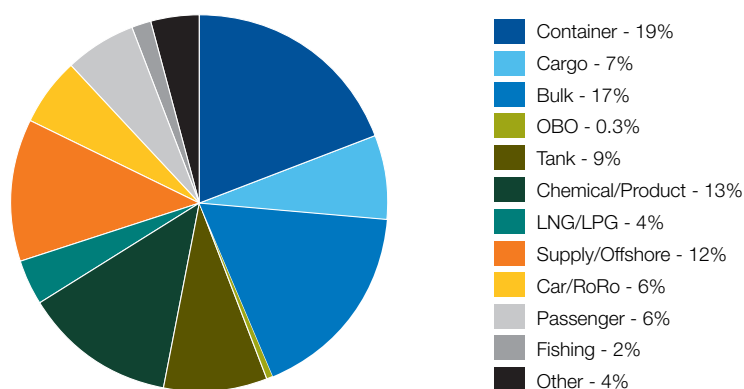
Since 1985, leading members of Cefor have compiled and analyzed statistical information relevant to their hull & machinery insurance portfolio. By the end of 2010, the Nordic Marine Insurance Statistics (NoMIS) database comprised 157,316 vessel years and 48,820 claims for vessels with a registered IMO number. Including small coastal vessels, the total number amounted to 234,406 registered vessel years and 61,479 claims. These figures encompass the underwriting years from 1985 to 2010.

Portfolio characteristics

Cefor members underwrite a wide range of tonnage. In addition to the conventional segments, the portfolio contains specialized tonnage, such as car carriers and energy-related units. In 2010, NoMIS members covered 8,485 vessels with a registered IMO number (16,423 when minor coastal vessels are included). Whereas the number of vessels with registered IMO-number was quite stable relative to 2009, the successful integration of the coastal hull segment in 2009 increased the impact of coastal hull vessels, which in terms of numbers now account for about half of the vessels registered in the NoMIS database. As these segments have somewhat different characteristics, Cefor started issuing specific statistics in 2009 for vessels with an IMO number and for the Nordic coastal segment respectively.

Excluding vessels below 300 GT and vessels in the "Other" group, this leaves 8,131 vessels with a registered IMO number weighing a total of 274.6 mGT and 389.5 mDWT, which amounts to roughly 17% of the 2010 world fleet in terms of number of vessels and 30% in terms of GT and DWT¹.

Number of vessels per type of vessel, underwriting year 2010



¹ World Merchant Fleet above 300 GT as per January 2010: 47,833 vessels with 909.1 million GT and 1,348.9 million DWT. Source: ISL Bremen.

Data

The main statistics in this report are based on vessels with a valid IMO number only, whereas the “coastal” statistics include vessels up to 5,000 gross tons or 15 meters in length as well as all vessels classified as “Fishing” and “Supply/Offshore”.

100% shares

All figures are adjusted to 100% of the vessel to give as objective a picture of the claims trends as possible and are thus independent of the respective share in the vessel underwritten by one single insurer.

Date of loss perspective

All claims graphs reflect the date-of-loss perspective, i.e. claims are grouped by the year in which the loss occurred, as opposed to grouping claims by underwriting year. The date-of-loss perspective allows a more up-to-date picture of recent claims trends and a more exact estimation of the ultimate expected claims amount for the latest year.

IBNR² adjustments thus represent only the expected adjustment of outstanding claims reserves for claims reported by 31 December, but no additional reserves for claims first incurring in 2011, but attached to the underwriting year 2010.

Exchange rates

Paid claims are converted into USD at the exchange rate of the month of payment; outstanding claims reserves are converted at the December 2010 exchange rate.

NoMIS and the Cefor Statistics Forum

Nordic Marine Insurance Statistics (NoMIS) as presented in this report comprise data from:

Cefor member	Joined NoMIS in:	Data reported for Underwriting years:
Bluewater Insurance	2004	2002 – 2008 (run-off)
Codan Marine	2005	2001 – 2010
Gard	Co-founder of NoMIS (then as Storebrand, Vesta)	1985 – 2010
Gjensidige – ocean	Co-founder of NoMIS	1985 – 2001 (run-off)
Gjensidige – coastal	2009	2000 - 2010
If	2008	1996 - 2010
NEMI	2004	2002 – 2009 (run-off)
Norwegian Hull Club	2003	1995 – 2010
Swedish Club	2006	1995 – 2010
Tryg	2009	2003 - 2008 (run-off)
Zurich Protector Forsikring	Co-founder of NoMIS	1985 – 2002 (run-off)

Cefor members report data for the complete commercial fleet underwritten from their Nordic offices.

Further statistics

In addition to this report, Cefor publishes “The 2010 Cefor NoMIS Report” and “the 2010 Cefor NoMIS Coastal Report” with breakdowns of claims trends for example by vessel type and age group on the Cefor website. Half-yearly claims trend updates and other specialized analyses are also available at www.cefor.no.

Statistics Forum 2010

Mats Lindau, Swedish Club (Chair – responsibility Ocean Hull)

Benjamin Raugland, If (Vice Chair – responsibility Coastal Hull)

Christian Irgens, Norwegian Hull Club

Helge Nordahl, Gard

Henrik Pilegaard, Codan

Robert Skar, Gjensidige

Astrid Seltmann, Cefor Analyst

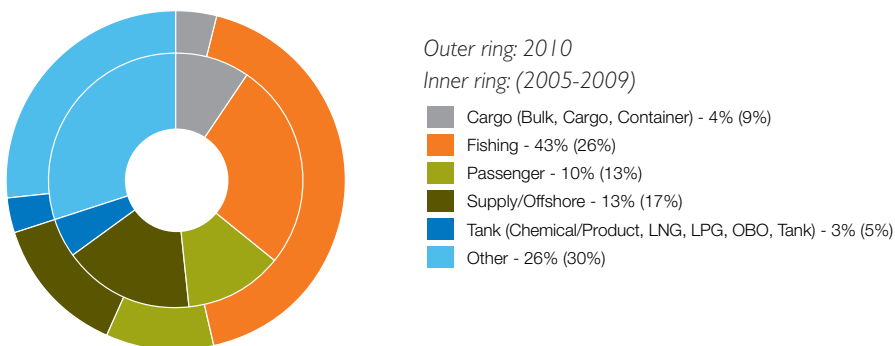
² IBNR = Incurred but not reported = reserve for claims adjustments and registration backlog.

COASTAL HULL TRENDS

After the integration of smaller coastal vessels into the NoMIS database in 2009, the coastal hull statistics were further developed throughout 2010. Cefor members Gjensidige, If and Codan still constitute the bulk of this segment, but all other NoMIS members also contribute to this portfolio. For statistical purposes, this segment includes all vessels up to 5,000 gross tons or up to 15 meters in length, as well as all "Fishing" and "Offshore/Supply" vessels.

A total of 105,962 vessel years were registered for the underwriting years 1985 to 2010, with a great increase in recent years and with 9,912 registered for the underwriting year 2010 alone. In 2010, fishing vessels represented 43% of this segment, with the other two major vessel types being passenger and supply/offshore vessels, which accounted for 10% and 13% respectively of all registered vessels. The significant increase in the fishing segment in 2010 was mainly due to the improved reporting of small coastal fishing vessels.

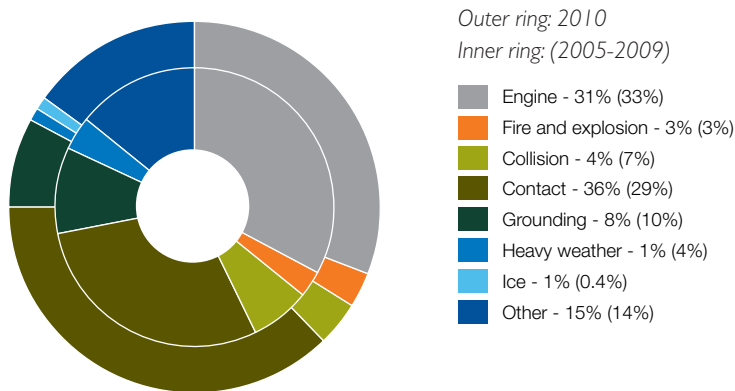
Coastal portfolio, distribution of vessels by type (%), by underwriting year



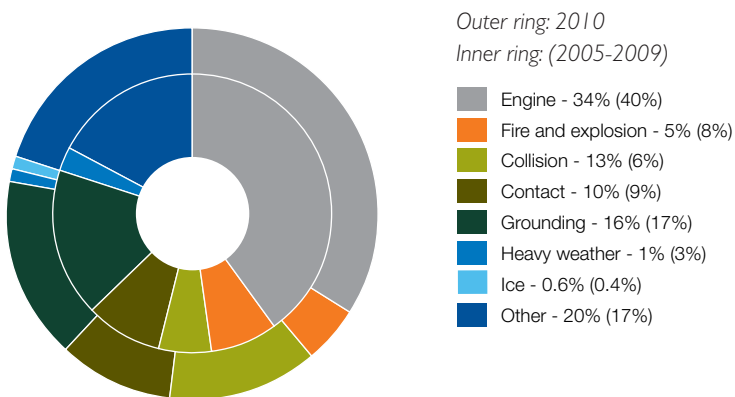
A high number of contact claims is typical for the coastal fleet, mainly because of the many fishing vessels with equipment in the sea. The relative increase in contact claims must therefore be seen in connection with the increased impact of fishing vessels in the coastal NoMIS portfolio. Nevertheless, these accounted only for a minor part of the total cost. Engine claims accounted for the other major share of the claims in both number and cost. Groundings and fire/explosion claims followed the same pattern as for the ocean hull fleet, with a relatively low frequency and a higher percentage of the cost.

Distribution of claims by type of casualty

Numbers (%) by date of loss

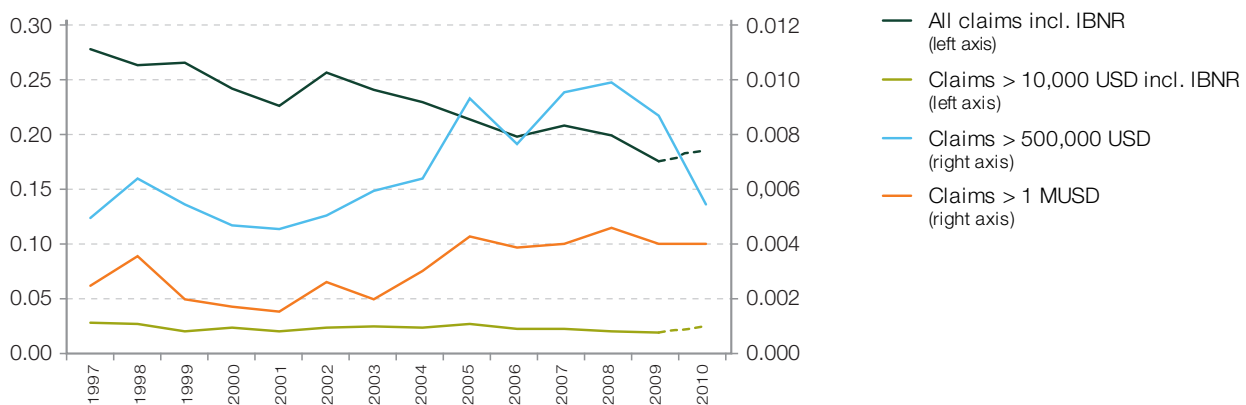


Costs (%) by date of loss

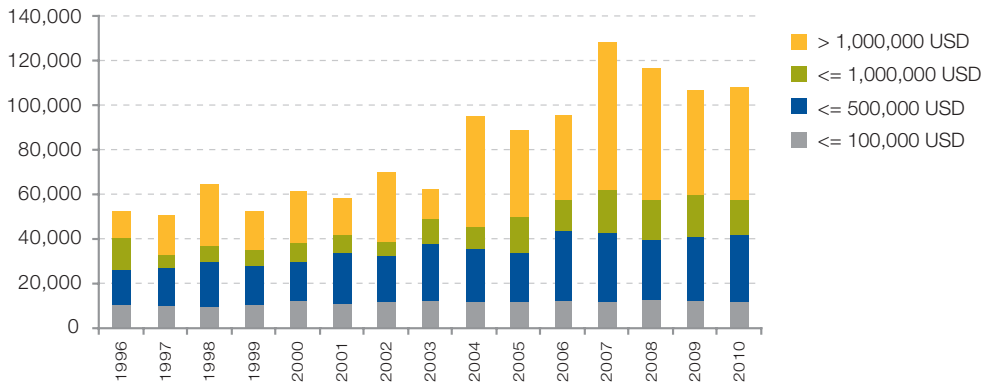


The overall claim frequency for this segment has decreased in recent years, from 0.27 in 1997 to less than 0.20 in 2009 and 2010. This was mainly due to a reduction in the number of minor claims. Contrary to the overall positive development, there was a higher frequency of claims exceeding USD 1 million in recent years, which also affected the average claims cost.

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



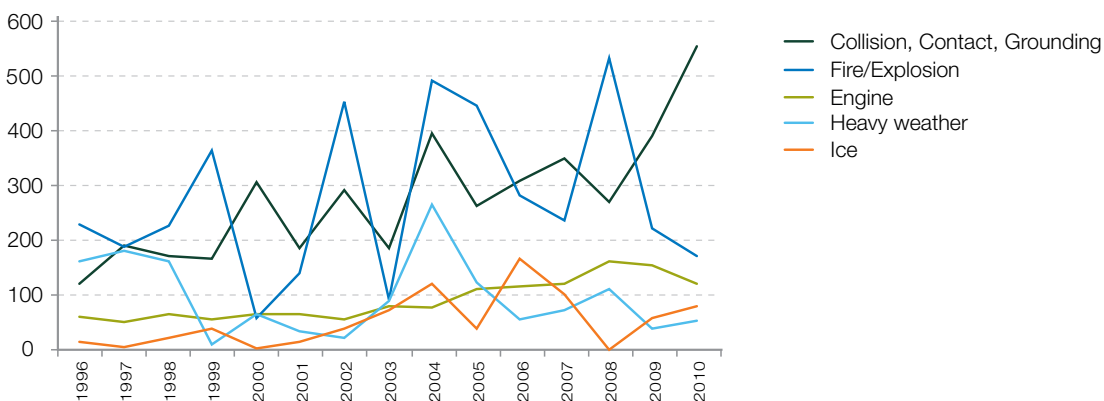
Average individual coastal hull claim (USD), by date of loss



If we analyze claims by type, the coastal portfolio shows similar trends to the ocean hull portfolio, with one exception. Whereas the general trend was an increase in the average claim amount until 2008 and some relief since 2009, the cost of nautical-related claims, such as collision, contact, grounding, has more or less increased continuously and not least in 2009 and 2010. Although the high 2010 average claims cost were mainly due to exceptionally costly single claims together with a reduced number of claims, the cost of nautical-related claims has clearly increased in recent years. Therefore, in 2011 the Cefor Coastal and Fishing Vessels Forum will focus on the causes of this increase and the expected correlation with various aspects of human error and bridge management.

Fire/Explosion claims are extremely volatile with expensive claims occurring about once every third year; whereas the trend toward more expensive engine claims up to 2008 has reversed somewhat since 2009.

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



A more detailed report on coastal hull claims trends is available on the Cefor website www.cefor.no.

ORGANISATION & MEMBERS

Board of Directors

Ole Wikborg, Chair
Director, Norwegian Hull Club

Svein Arne Aas, Deputy Chair
Head of Commercial Underwriting
(Norway),
If Skadeforsikring NUF

Kjetil Eivindstad
Senior Vice President, Gard

Lars Malm
Director, The Swedish Club

Leif Nordlund
Managing Director, Alandia-Group

Anders Hestbech
Nordic Marine Director, Codan¹

Nils Arne Fa gerli²
Director, Gjensidige

Petter Bøhler³
Head of Underwriting, Gjensidige

Carsten Mortensen⁴
Marine Director, Tryg

Administration

Helle Hammer
Managing Director

Viggo Thomas Kristensen
Legal Counsel

Astrid Seltmann
Analyst / Actuary

Hilde Spro
Executive Secretary

Forums

Cargo Forum
Chair: Inger Pedersen, Gjensidige
The Forum discusses general market issues for cargo such as insurance conditions, safety, market access and regulatory framework.

Claims Forum
Chair: Fritiof Granberg, The Swedish Club
The Forum discusses various aspects of claims and casualties and clauses related to claims.

Coastal and Fishing Vessels Forum
Chair: Ottar Gjerstad, If
The Forum discusses general market issues and insurance conditions for fishing vessels and coastal vessels trading in Nordic waters.

Energy and Offshore Forum
Chair: Liv Sand, Gard
The Forum discusses general market issues for mobile offshore units such as insurance conditions, safety, market access and regulatory framework.

Plan Revision Forum
Chair: Haakon Stang Lund, Norwegian Hull Club
The Forum discusses and recommends changes to the Nordic Marine Insurance Plan on behalf of Cefor.

Statistics Forum
Chair: Mats Lindau, The Swedish Club
The Forum is responsible for the Nordic Marine Insurance Statistics (NoMIS). For more information see page 13.

Underwriting Forum
Chair: Christer Lindevall, If
The Forum discusses general market issues for hull and P&I such as insurance conditions, safety, market access and regulatory framework.

Members 2011

Alandia-Group
www.alandia.com

Codan
[www.codanmarine.com /](http://www.codanmarine.com/)
www.codanforsikring.no

Den Norske Krigsforsikring for Skib
(The Norwegian Shipowners' Mutual War Risks Insurance Association)
www.warrisk.no

Gard
www.gard.no

Gjensidige Forsikring
www.gjensidige.no

HDI-Gerling Industrie VAG Filial Norge
www.hdi-gerling.com

If Skadeforsikring NUF
www.if.no

Industriforsikring AS

Møretrygd Gjensidig Forsikring
www.moretrygd.no

NEMI Forsikring AS
www.nemiasa.no

Nordisk Skibsrederforening
(Nordisk Defence Club)
www.nordisk.no

Norwegian Hull Club
– Gjensidig Assuranseforening
www.norclub.no

The Swedish Club
(Sveriges Ångfartygs Assurans Förening)
www.swedishclub.com

Tromstrygd Gjensidig
Sjoforsikringsselskap
www.tromstrygd.no

¹ Interim Commercial Director Sweden as of 25 October 2010

² Until 31 July 2010

³ From 24 August 2010

⁴ Until 24 August 2010