



HULL CLAIMS²⁰¹⁶

The Nordic Association of Marine Insurers

Report as of 30.06.2016

Executive Summary

Claims trends per 30 June 2016

- **Total losses: 2015 increase does not continue into 2016**
While 2015 saw an increase in the number of (constructive) total losses, this trend did not continue in the first half year of 2016.
- **Major losses**
Only two losses exceeding USD 10 million were reported by 30 June, as compared to five such losses in the first six months of 2015. No losses exceeding USD 30 million by 30 June 2016.
- **Repair cost**
The claim cost per vessel, excluding total losses, shows a downwards trend.
- **Claims frequency**
Downwards positive trend continues.
- **Insured values**
On renewals, the change in insured values for all vessels combined is at an average level with a drop of 5.6%, although the value of bulker and supply/offshore vessels are substantially down also in 2016. Overall, the average value stays stable due to the continued inflow of high-value new builds.
- **Portfolio**
Vessels with IMO-number: 227,549 vessels years since 1985 (2015: 13,386 vessels, 2016: 9,684 vessels as of 30 June). Compared to the world fleet, NoMIS statistics reflect 25% of the total world fleet, and 42% of vessels above 10,000 gross ton.

1. Claim cost per vessel

Claim cost divided by number of insured vessels

FEW TOTAL AND MAJOR LOSSES IN 2016

After a slightly worrying increase in the frequency of total losses in 2015, there were only three total losses in the first six months of 2016, and none of these exceeding USD 10 million.

The picture is similar for major losses. In 2016, there were no claims in excess of USD 30 million and only two claims exceeding USD 10 million reported as of 30 June.

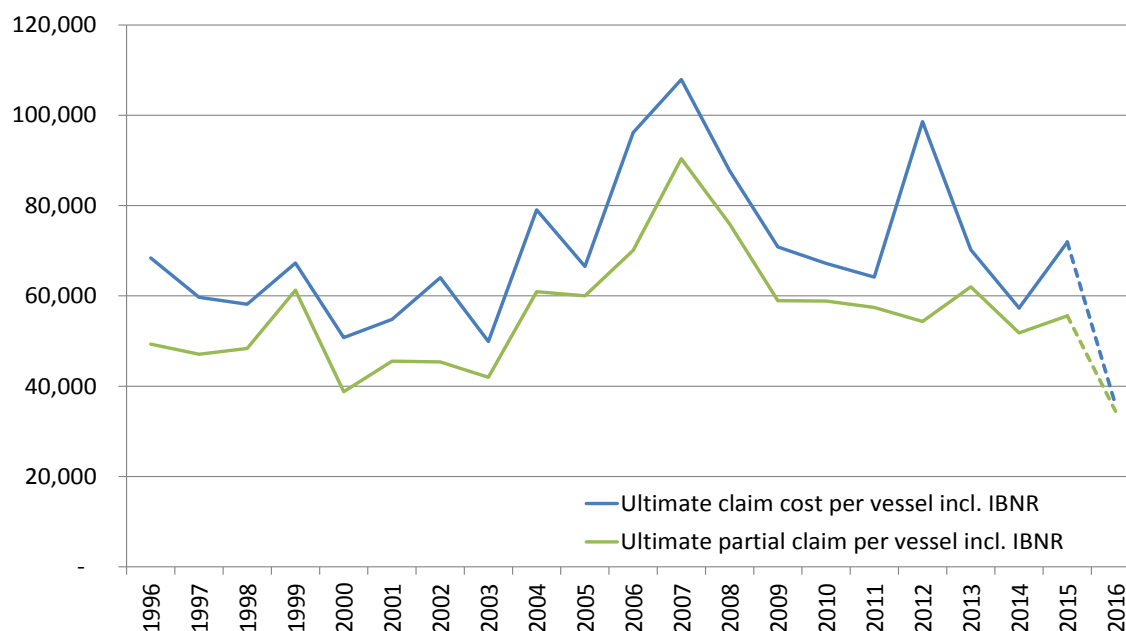
REPAIR COST DOWN

Excluding total losses, the claim cost per vessel has decreased compared to the previous years. However, it is still too early to conclude for 2016.

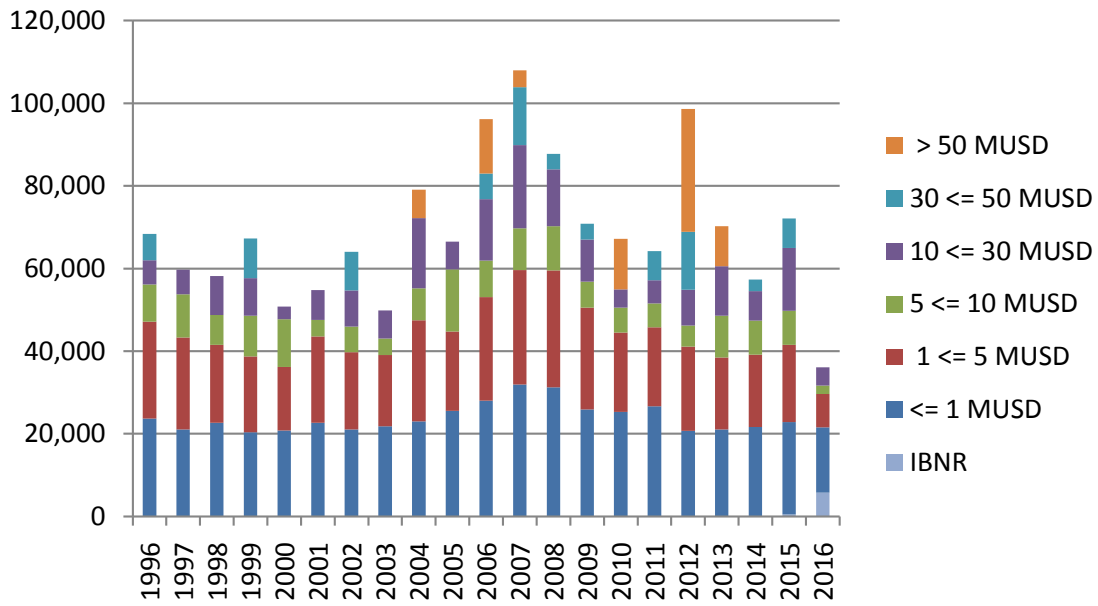
EXCHANGE RATES

Compared to the Euro and other currencies, the USD remains much stronger than only a few years ago. As repair cost is influenced by other currencies than USD, a strong USD will, all else being equal, imply a reduced claim cost measured in USD.

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



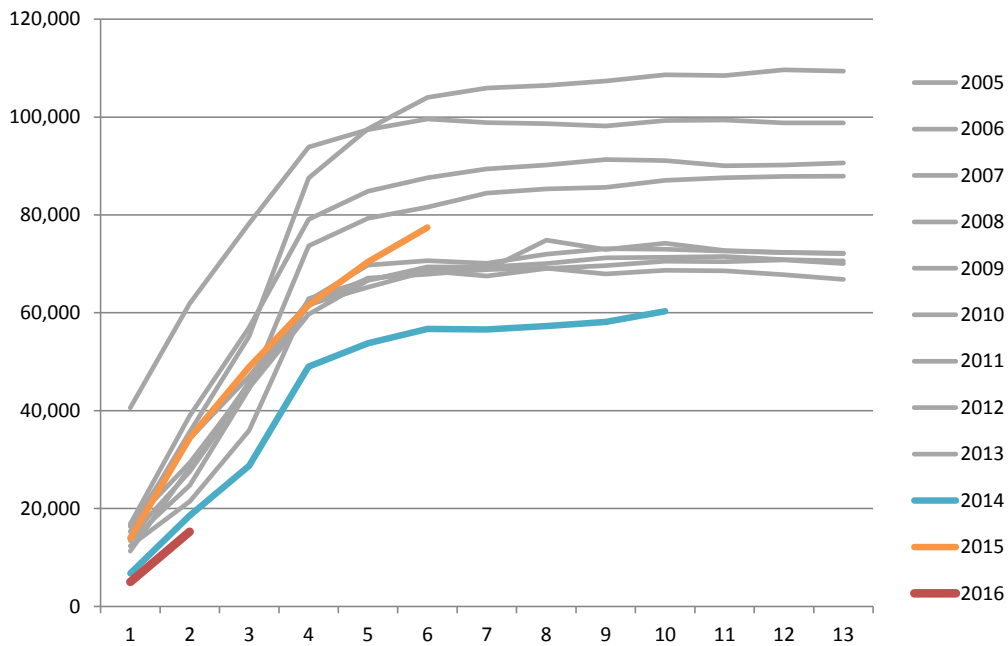
Claim per vessel, by date of loss (USD)



Exchange rate Euro and Nordic currencies against USD as of June 2016

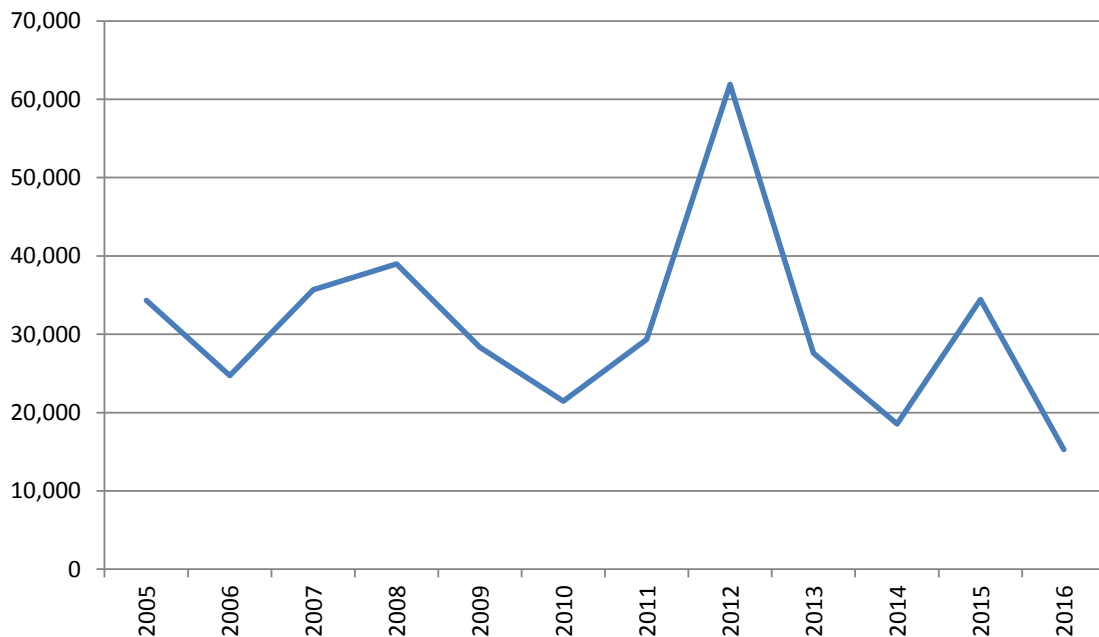


Claim per vessel (USD) – accumulated quarterly development



The quarter ladder statistics compile the accumulated development of claims originating from a certain year by quarter. Thus you can directly compare the development of each accident year as of each quarter. These statistics show that the 2016 claim cost per vessel lies below the average level by the end of the first half year. In both graphs on this page the annual exposure is used – therefore the claim cost per vessel by end of the 2nd quarter is half as high as in the other graphs visualizing the expected ultimate results per year.

Claim per vessel (USD) – as of 2nd quarter of each year



2. Claims frequency

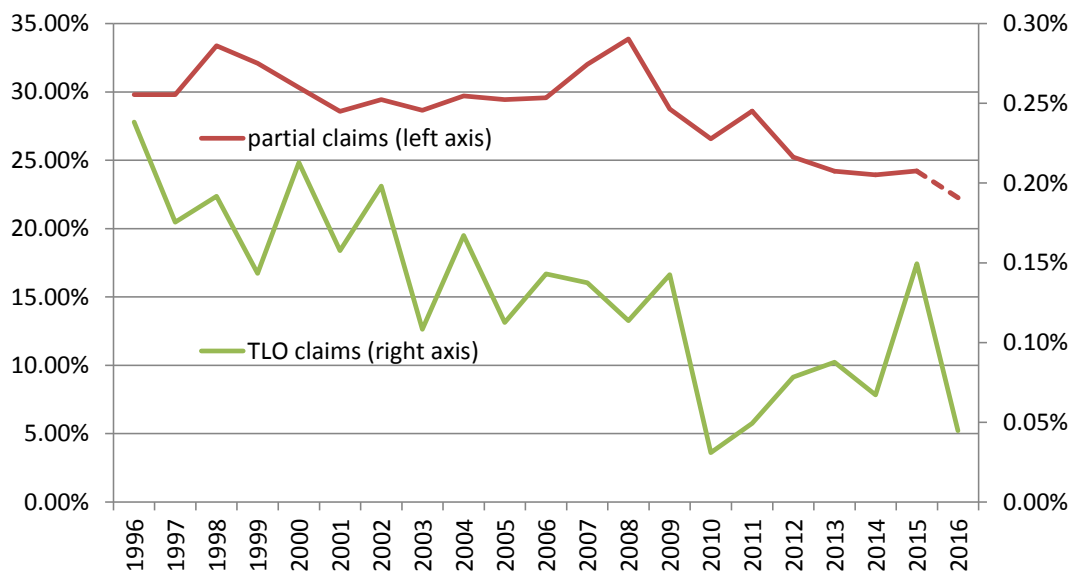
Number of claims divided by the number of insured vessels

CLAIMS FREQUENCY CONTINUES DOWNWARD TREND

Based on the number of claims reported in the first six months, the overall claims frequency is expected to continue its downward trend also in 2016.

The long-term positive trend for total losses was broken in recent years with some new increase in the total loss frequency. However, the short-term upwards trend that became especially evident in 2015 did not continue into the first half year of 2016. On the contrary, thus far in 2016 the total loss frequency is almost back to its lowest level noted in 2010.

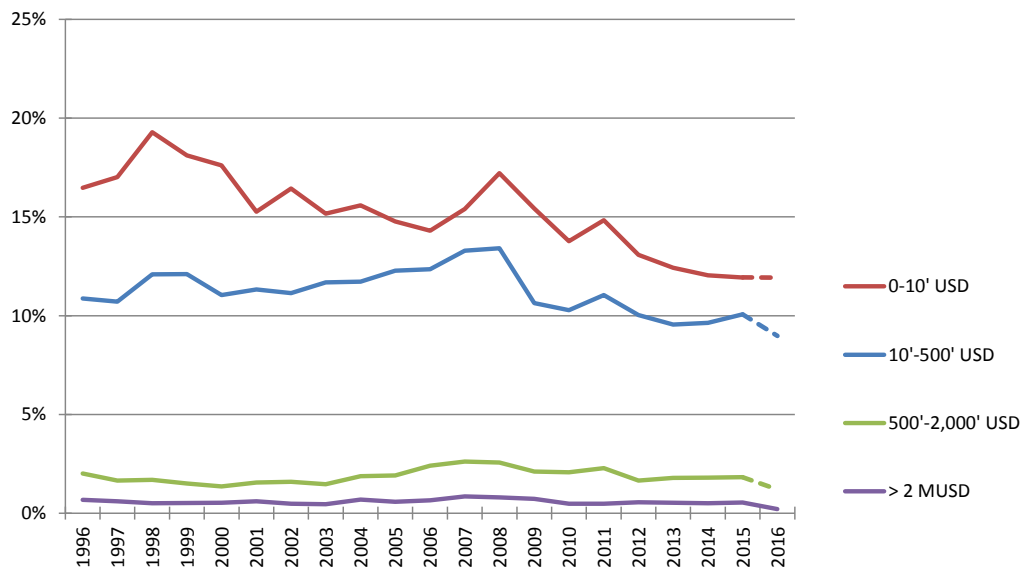
Claims frequency by date of loss



MAJOR CLAIMS FREQUENCY

The risk exposure continues to be high due to the inflow of high-value vessels, and the occurrence of major losses is often due to special circumstances rather than rationally identifiable causes alone.

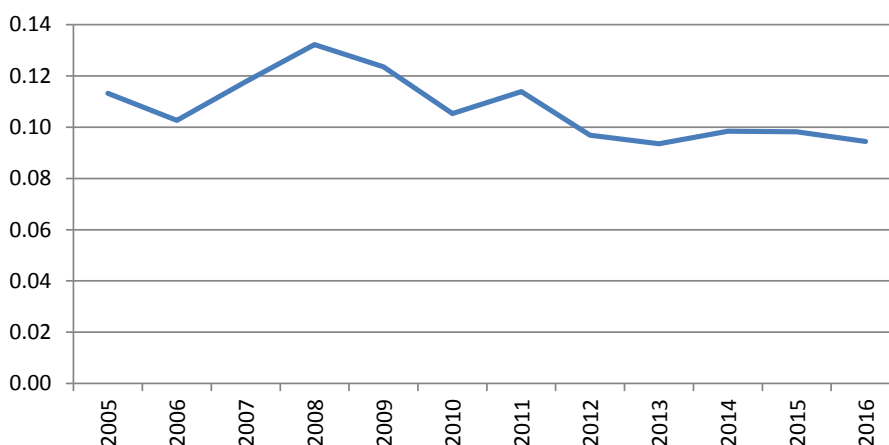
Claims frequency – by intervals of claim cost by date of loss



QUARTERLY LADDER STATISTICS

The quarterly ladder statistics show that the 2016 claims frequency continues the positive trend of the last years and lies slightly below the 2014/2015 level, compared to the number of claims reported by the second quarter of each year. In this graph the number of claims is related to the annual exposure – therefore the claims frequency by end of the 2nd quarter is half as high as in the graphs visualizing the ultimate claims frequency per year.

Claims frequency – as reported as of 2nd quarter of each year

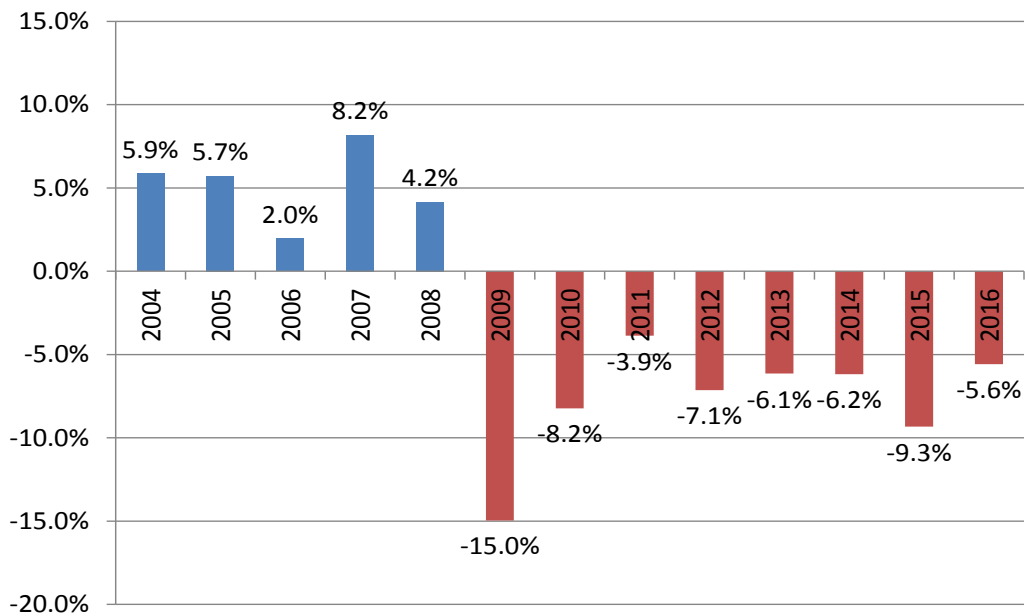


3. Sum insured development & Claim per sum insured

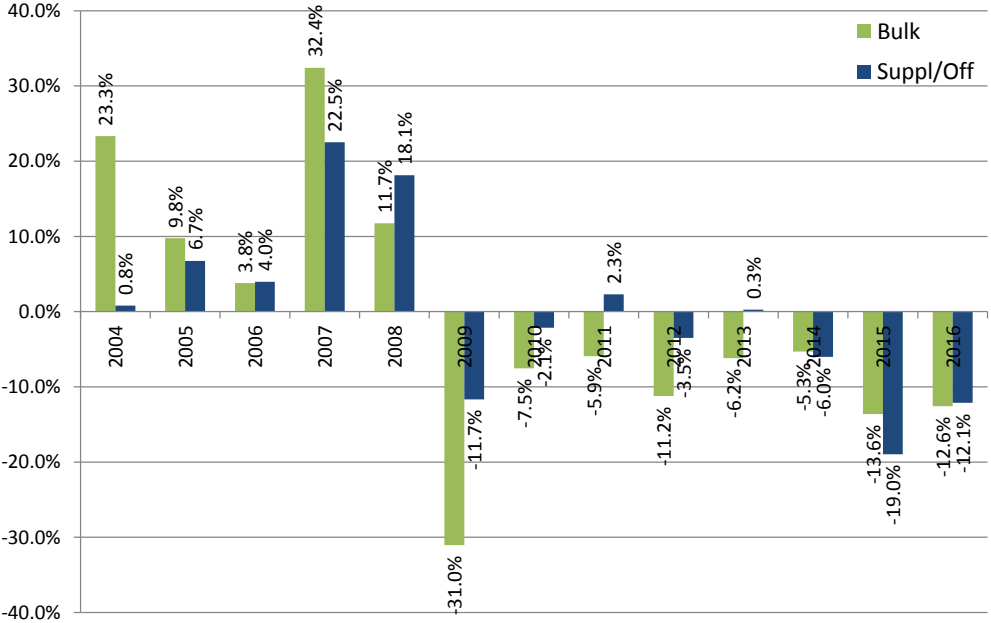
CHANGE IN VALUES ON RENEWAL

A decrease in ship values was first noted in the fourth quarter of 2008, followed by a substantial drop in insured values on renewals in 2009 and 2010. From 2011 to 2014, the reduction stabilized between 4% and 7%. Under unchanged market conditions, a certain reduction in the insured value, compared to the previous insured period for the same vessel, is expected due to the aging factor.

Average annual change in insured values on renewed vessels



In 2015, the decrease in the insured values on renewal was stronger than usual, partly caused by the strong drop in values for supply/offshore vessels. In 2016, the decrease in insured values on renewal has been about average, with the exception of bulkers and supply/offshore vessels. The values of these vessels continue to drop strongly also in 2016.

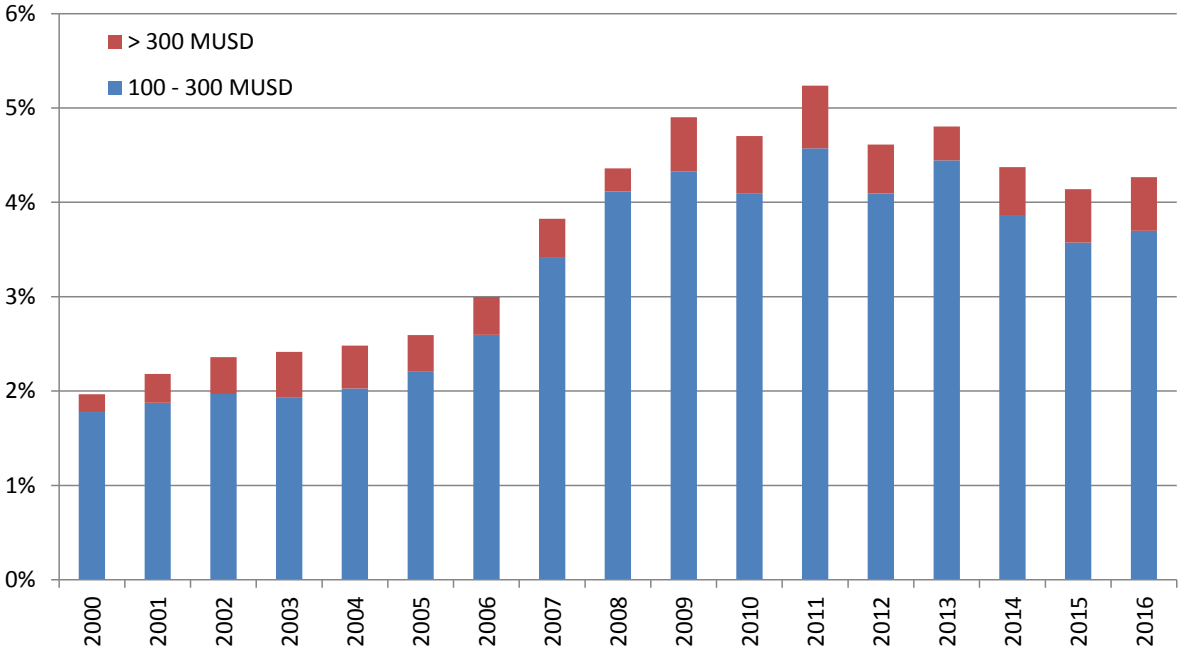


4. Exposure to major losses and impact on total cost

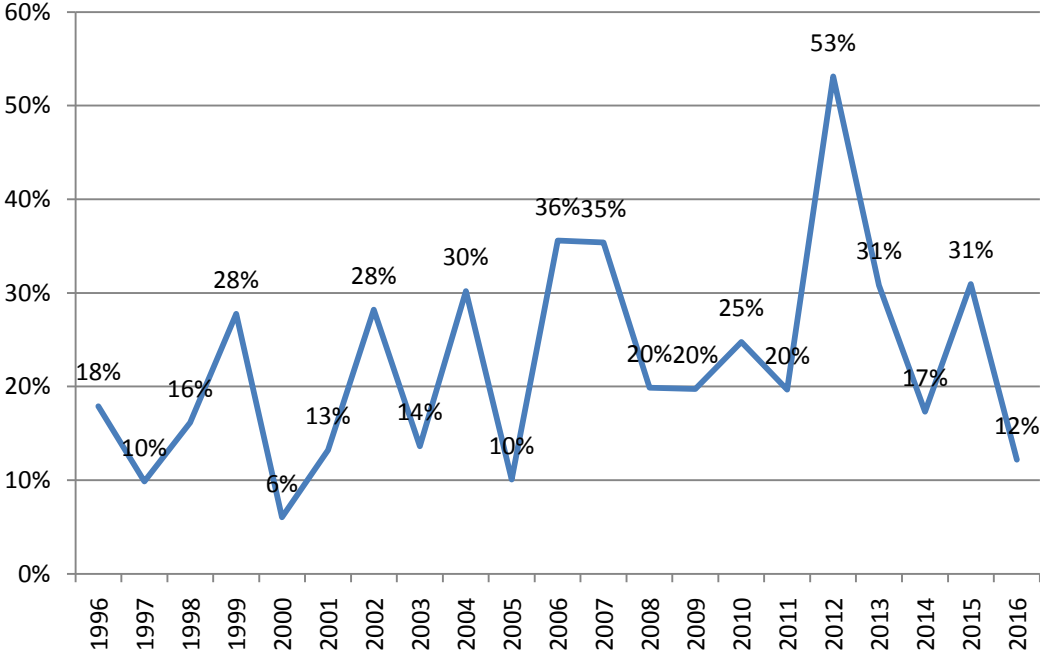
PORTFOLIO SHARE OF HIGH-VALUE VESSELS

Despite value reductions on renewal, the inflow of high-value vessels continues. This may affect the occurrence of costly losses. In recent years, major claims represented an increasing share of the total claims cost. However, in the first half year of 2016, losses exceeding USD 10 million accounted for only 12% of the total claims cost. Despite this seemingly positive trend, with increasing exposure to high-value vessels, the underlying risk of expensive losses is not expected to decrease.

Portfolio share of ships with values xs USD 100 million



Claims in excess of USD 10 million as % of total claim costs



5. Average claim cost by type

Total cost divided by number of claims

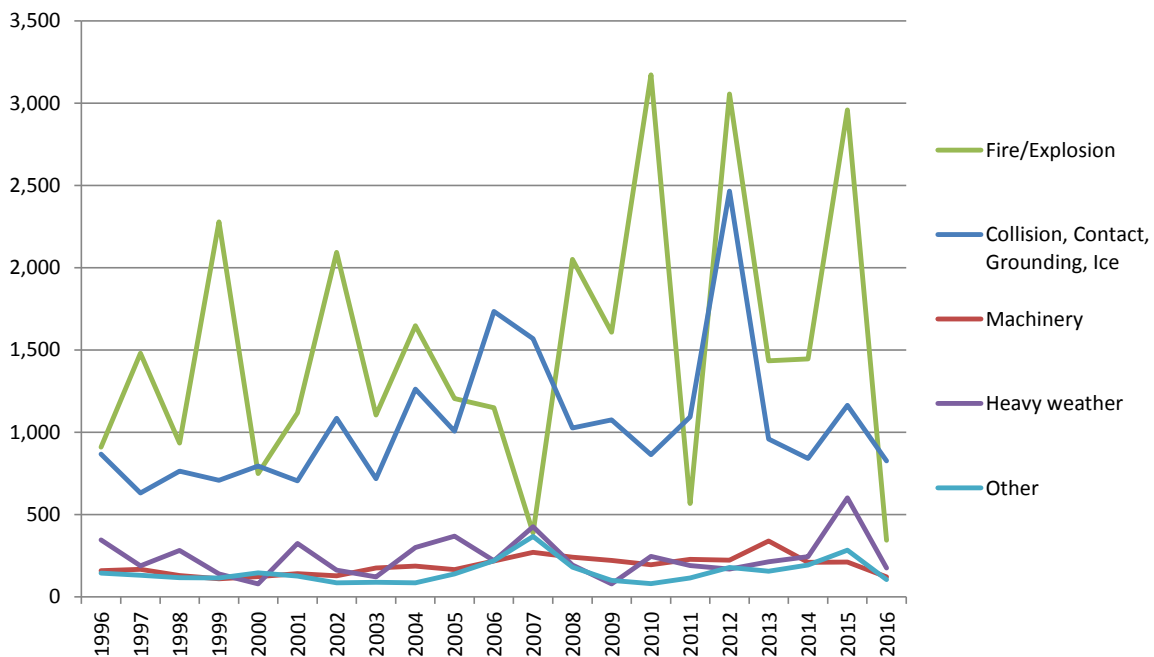
FIRE/EXPLOSION STILL A CONCERN

The average cost of fire/explosion claims has been high in recent years, even when taking into account the typical volatility of this type of claims. The impact of these claims is moderate in the first half year of 2016.

The average cost of machinery claims showed a peak in 2013, which was mainly due to the impact of two extraordinary major claims. The cost has since come back to average levels.

The cost of nautical-related claims (collision, contact, grounding) showed a small increase in 2015, but is in 2016 about the average of recent years – with the exception of 2012 when nautical-related costs passed new heights with the grounding of Costa Concordia.

Average claim cost in USD 1,000



Nordic Marine Insurance Statistics

Data in this report & other statistics

Data in this report has been prepared by the Cefor Statistics Forum.

If not indicated otherwise, claims are grouped by date of loss, i.e. calendar year in which the claims incurred (= accident year).

Figures reflect 100% of each vessel and resulting claims insured under a Hull & Machinery coverage, regardless of the share underwritten by one or more Nordic insurers. 2012 figures thus include e.g. 100% H&M cost of the «Costa Concordia» accident, although only a minor share was covered in the Nordic market.

2016 claims (cost, numbers) reflect the status as reported per 30 June 2016, including an estimate of incurred but not reported claims. For comparability to previous years, 2016 claims are related to 2016 portfolio data for half a year. In the two “quarterly development” graphs (p.5) the annual exposure is used – and the claim cost per vessel by 2nd quarter of each year therefore is half as high as in the other graphs showing the expected ultimate results per year.

Further information is available on the Cefor website at www.cefor.no/statistics



Cefor Annual Report 2015,
NoMIS analysis of ocean and coastal hull trends.



The 2015 NoMIS Reports for Ocean & Coastal Hull
Claims trends by age group, size group, vessel types,
insured value layers, plus exposure curves and other key figures.

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