



Ocean Hull Committee Workshop

Chairman's Report & Introduction

Mark Edmondson

Head of Marine

Syndicate 2488/1882, Chubb Global Markets

Genova
18-21 September 2016

Ocean Hull Committee Workshop Chairman's Report & Introduction

■ Agenda

- Chairman's Introduction
- IPP Presentation
- Technical Presentations (coffee break 16.00)
- Q&A, Summary & Conclusions



Ocean Hull Committee: Current Squad

Genova
18-21 September 2016



Jan Linnell
(Finland)



Andrea Cupido
(Switzerland)



Mitsuhiko Kayanuma
(Japan)



Massimo Gabarino
(Italy)



Norbert Plancher
(France)



David Bellamy
(Norway)



Mike McKenna
(USA)



CM Jang
(South Korea)



Guoyong An
(PRC)



Timothy Lee
(Hong Kong)



Jenny Groeneveld
(Netherlands)

Team Manager: Mark Edmondson (UK LMA)

FIFA Rep: Agnes Choi (EC Liaison)

Physio: Neil Roberts (UK LMA)



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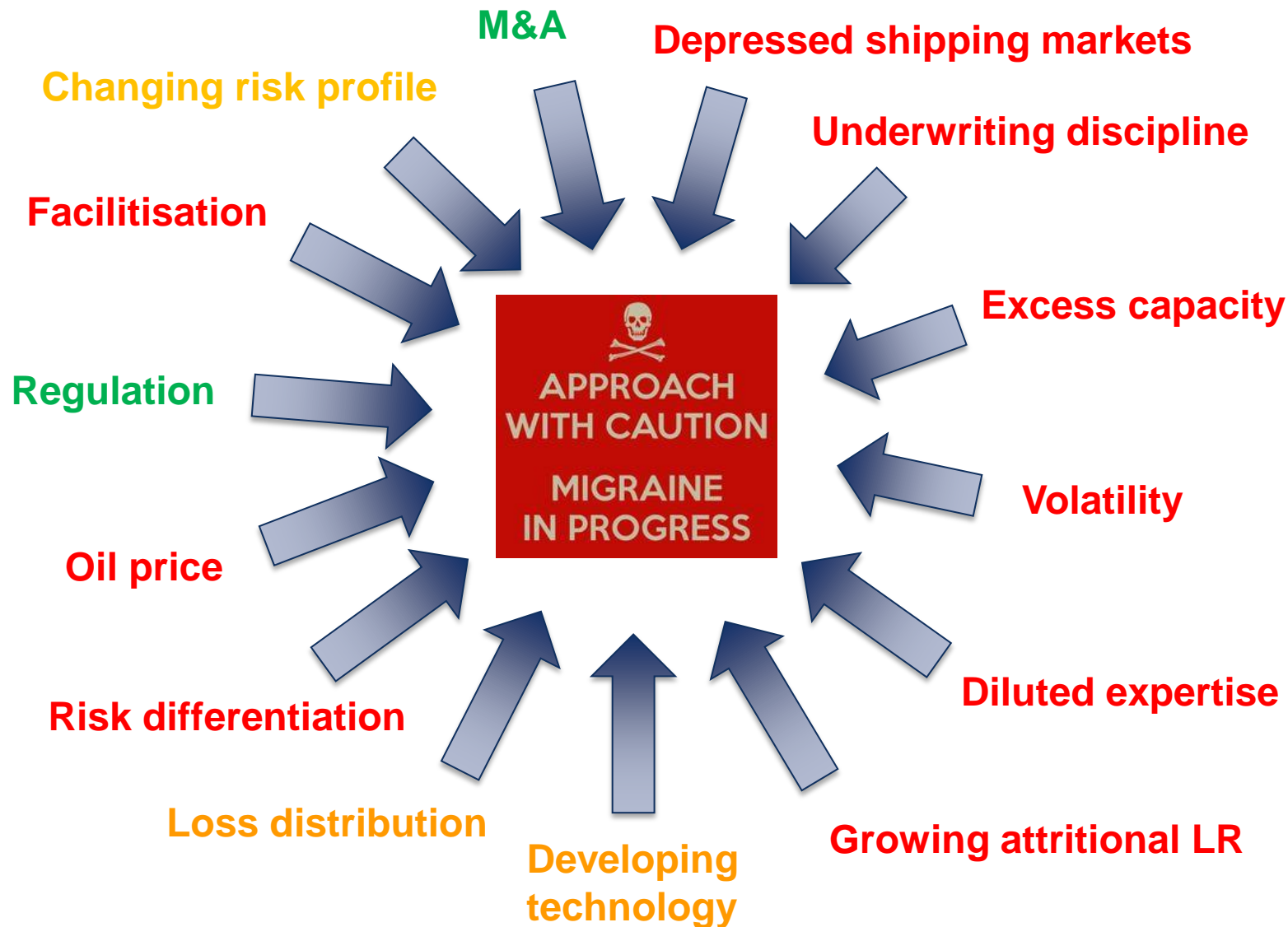
Ocean Hull Committee: Composition

■ Current Committee

- Chairman, Deputy, Sec plus 10 members
- Markets currently represented:
 - UK(LMA), Japan, France, China, Italy, Switzerland, Norway, Finland, Netherlands, South Korea, Hong Kong, United States
- Strengthen committee through representation from:
 - Singapore
 - UK (LMA/IUA)
 -for which **nominations are invited** from respective market associations post conference
- Plus one technical appointment
 - Surveyor (TBA)



Ocean Hull: your world.....



Ocean Hull Committee Workshop International Market **Update** 2016

■ Global Capacity

2016 previously reported or new issues?	Status?
Few withdrawals, no significant start up's	Limited number of withdrawals, some notable start-up activity, specifically at Lloyd's Some carriers seeking wider distribution (London, Singapore, Dubai)
Covert increase in capacity	Facilitisation continuing to occur, typically through larger broking houses
M&A activity clearly evident	2016 witnessed significant M&A activity (Ace/Chubb, Mitsui-Amlin, XL-Catlin)
Increased appetite for international business from traditionally indigenous carriers	No significant developments



Ocean Hull Committee Workshop International Market **Update** 2016

- **Global Capacity**



Ocean Hull Committee Workshop International Market **Update** 2016

■ Global Capacity

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Ocean Hull Committee Workshop International Market Update 2016

■ Global Capacity (cont'd)

2016 previously reported or new issues?	Status?
Centre of gravity continues to move eastwards	Significant latent capacity in the Far East Some changes in Singapore (+/-)
Record capacity levels now prevail for international business (notional estimate \$2.25bn)	



Ocean Hull Committee Workshop International Market Update 2016

■ Overall Market Conditions

2016 previously reported or new issues?	Status?
Pricing under increasing pressure	No change
Underwriting discipline & risk differentiation	Underwriting discipline under increasing pressure Risk & price differentiation in decline
Verticalisation and re-marketing increasingly commonplace	Accelerating as the soft market continues to prevail
Skill and experience gap accentuating soft market conditions – underwriting and broking standards have declined	



Ocean Hull Committee Workshop International Market Update 2016

■ Risk Environment

2016 previously reported or new issues?	Status?
Increased volatility is a given	Increasing further : a shrinking premium base vs a changing risk profile Global GWP -8.5% 2014 to 15
Some uw's modifying their appetite	Some attempts to introduce more spread, diversification and specialism
Size, scale & complexity	Outrunning rating levels
Malicious cyber coverage	Limited write back momentum to date
Distress shipping markets: oil price impact on tanker and E&P support fleets Increasingly difficult conditions evident in container sector	Tanker fleet, no correlation evident Crippling effect on E&P support (OSV, AHV, construction vessels, DSV, liftboats etc)



Ocean Hull Committee Workshop International Market Update 2016

■ Risk Environment (cont'd)

“Moody’s has changed it’s outlook on the global shipping sector to negative as it expects growth to outpace demand growth in 2016.....” Moody’s (March 2016)

“In the dry cargo markets, despite healthy demand and good transaction volumes, overcapacity continues to suppress freight rates to historically low levels” Braemar (August 2016)

“The shipyards become the next victim of the deteriorating conditions in the dry bulk, container and offshore markets as 2016 looks to set the record for the lowest newbuilding contracts in more than 20 years.” BIMCO (Sept 2016)



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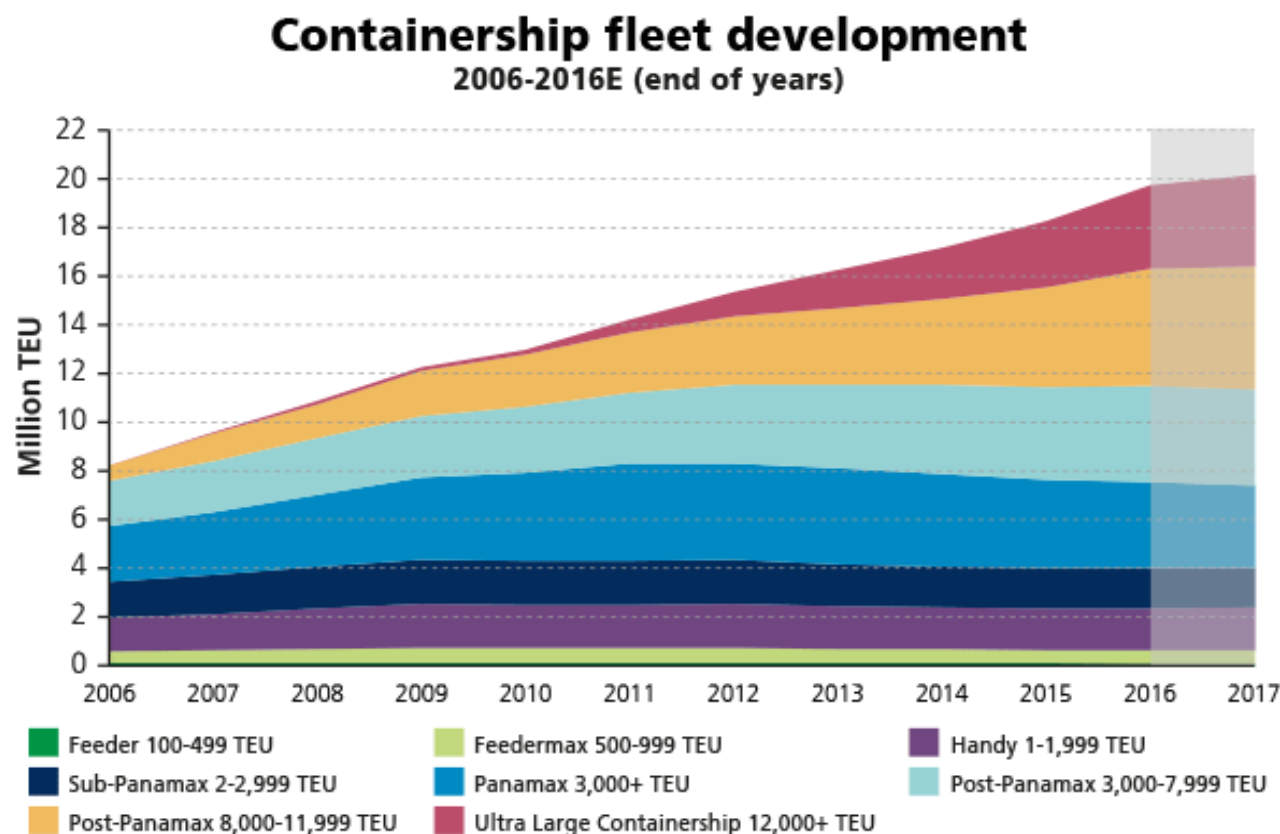
■ Risk Environment (cont'd)

2016 previously reported or new issues?	Status?
World blue water fleet profile – inc in average vessel size	Continuing, particularly container, cruise and bulker sectors



Ocean Hull Committee Workshop International Market Update 2016

■ Risk Environment (cont'd)



Source: BIMCO, Clarksons



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■ Risk Environment (cont'd)



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■ Risk Environment (cont'd)

2016 previously reported or new issues?	Status?
World blue water fleet profile – inc in average vessel size	Continuing, particularly container, cruise and bulker sectors
Technological & operational developments	<p>Propulsion; novel systems will be required</p> <p>Development of advanced materials</p> <p>Increased use of robotics, sensor technology & autonomous system design</p> <p>Smart ship technology: physical technology has limits</p> <p>Extended navigating range</p>



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■ Risk Environment (cont'd)



Crystal Serenity

2003

68,870 Grt

1,070 pax

655 crew

NW Passage Transit
32 days
August/September 2016



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■ Claims environment & UW performance

2016 previously reported or new issues?	Status?
Market trend is for increased severity of PA casualty, but lower frequency	<p>2015 experienced an uptick in loss frequency & another spike in T/L and major casualties</p> <p>Some markets reporting a reduction in <i>both</i> frequency and average claim cost during 2016 YTD</p>
Year on year downward trend in total losses	<p>Reversed trend in 2015 with increased frequency of TL in bulker, tanker, container vessel and general cargo tonnage</p> <p>Passenger and non-cargo tonnage continue to trend downwards</p> <p>Heavy weather and grounding significantly higher frequency since 2011</p>



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- **Claims environment & UW performance**
 - Volatility.....definitely

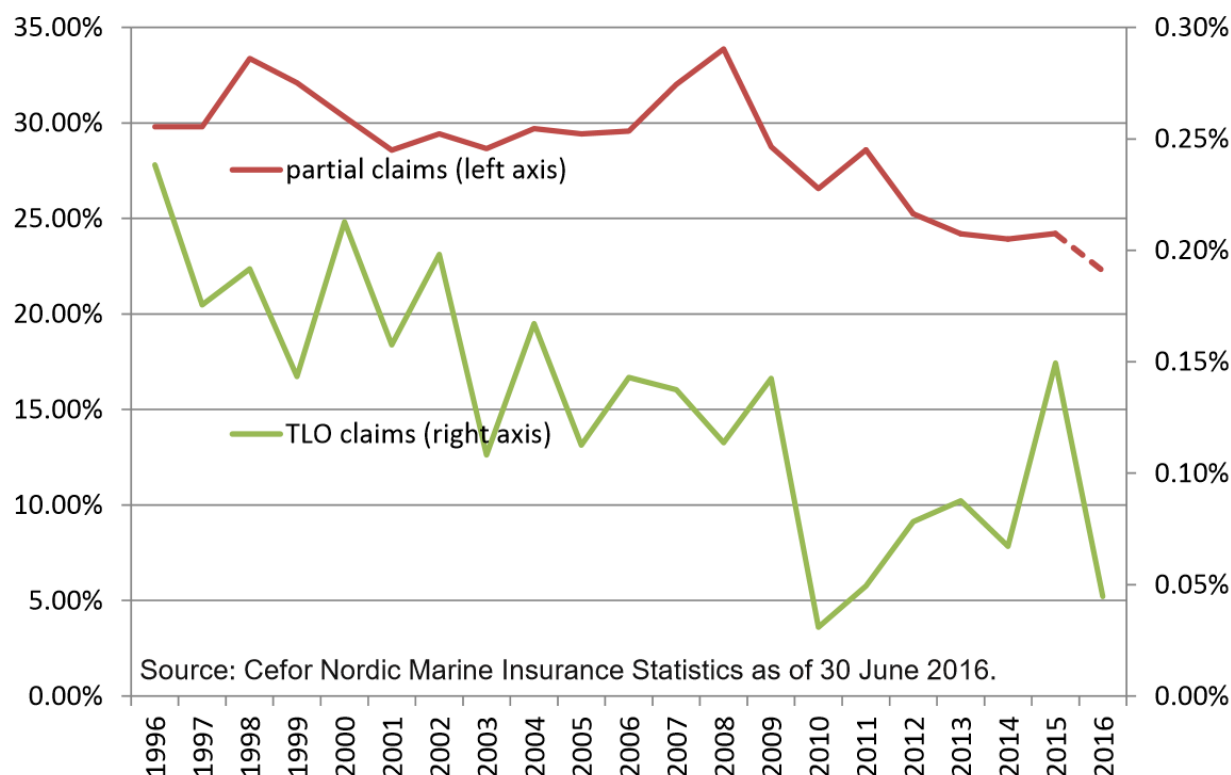
Lloyd's Risk Code 'T' (Q6 Reported LR, YoA)

YoA	2011	2012	2013	2014	2015
LR (n,g)	89.12%	60.40%	57.21%	57.32%	70.88%



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■ Claims environment & UW performance



Source: Cefor Nordic Marine Insurance Statistics as of 30 June 2016.



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■ Claims environment & UW performance

➤ Volatility.....definitely

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YoA	2011	2012	2013	2014	2015
LR (n,g)	89.12%	60.40%	57.21%	57.32%	70.88%

➤ Growing attritional.....possibly

Lloyd's Risk Code 'T' (Q2 Reported LR, YoA)

YoA	2012	2013	2014	2015	2016
LR (n,g)	24.83%	17.30%	14.23%	18.71%	29.6%



Ocean Hull Committee Workshop

In summary.....the international hull market?



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.....or?



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.....or perhaps?



Ocean Hull Committee Workshop

.....or perhaps?





OCEAN HULL WORKSHOP TECHNICAL PRESENTATIONS

Genova
18-21 September 2016

IUMI

Ocean Hull Committee Workshop

Technical Presentations

- **Recent Car Carrier Casualties – Concerns and Peculiarities Arising from Major Incidents**
 - *Richard Neylon, Partner, HFW (IUMI IPP)*
- **The Evolution and Risks Associated with Pure Car/Car & Truck Carriers**
 - *John Waite, Marine Investigations and Survey Services Ltd*
- **Practical Application of the New Insurance Act in English Law**
 - *Chris Zavos, Partner, Norton Rose Fulbright*
- **Evolving Risk within the Cruise Industry**
 - *Corrado Antonini, Advisor to Costa Crociere & Carnival Group*
- **Trends and Risks Associated with Lay-Up and Reactivation**
 - *Paul Hill, Chief Surveyor Western Europe, Braemar*





Grazie Mille.....

Mark Edmondson
Chubb Global Markets
Syndicate 2488/1882

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IUMI