Annex 3

President's Opening Session Speech

Monday, 13th September 2010

Ladies and Gentlemen, Dear Colleagues,

Good morning and a very warm welcome to our 2010 IUMI program. It is my honor to call to order the 136th meeting of the International Union of Marine Insurance.

I am delighted to begin today's program by recognizing and thanking all of those who have contributed so much of their time and energy to preparing our Zurich conference -- the members of the Swiss Insurance Association, the members of the Zurich 2010 Organizing Committee and the members of IUMI's very important technical committees.

On behalf of the Organizing Committee and the Executive Committee I also would like to express our gratitude to all of our conference sponsors for so generously supporting this year's conference. Some of our 29 sponsors have very interesting exhibition booths set up and I encourage everyone to visit the exhibition area and meet all of these exciting companies during conference free periods.

The Zurich Organizing Committee led by Bruno Schiess and his colleagues have selected the beautiful city of Zurich, a city located at the heart of Europe and at the center of Switzerland. Nestled on the shores of Lake Zurich with the magnificent Alps as a back drop, Zurich is also one of the world's most important financial services centers. Insurance plays a major role in the Swiss economy with over 70% of the industry's income developed from overseas -- largely as reinsurance. Switzerland as host to some of the world's leading reinsurers is a very fitting venue for our 2010 conference.

The organizing committee has taken care of every detail to guarantee that our meetings and social programs highlight the rich culture, heritage and beauty of this city on the lake and the magnificent surrounding area in order to guarantee that our 2010 conference is a memorable and enjoyable conference for all those attending.

The Chairmen and members of our technical committees have worked very hard to create a program that captures all of the intricacies that define the current global economy, international shipping and the insurance industry in order to present a program that highlights and explores the many issues that confront marine professionals on a daily basis. We are also very fortunate to be joined this year by a group of world class experts who have very kindly agreed to participate in this year's program and whose attendance will enrich and expand our discussions.

The organizing committee and the technical committee members drive our September conferences and have made it the important annual event it has become. So please join me in thanking them for their strong support of IUMI and for their commitment to making IUMI 2010 a memorable and highly productive conference. Thank you all for your hard work!

As you know the Executive Committee and the technical committees meet several times during the course of the year to handle the business of our Union and plan for the future. These meetings are very kindly arranged and hosted by our member associations and I would like to briefly review the work that has taken place since we last met in the beautiful city of Bruges for the highly successful 2009 IUMI Conference.

On Wednesday afternoon, September 16, 2009, following our Bruges Conference the EC and TC chairs met to review all of the program details and critique each committee's performance in order to continually enhance the content and format of our conference.

On Thursday, September 17th, the Executive Committee met to discuss progress made in the achievement of IUMI's strategic goals and to begin the planning process for 2010. Our new EC member Kio Sano from Japan was warmly welcomed to the meeting. It was agreed that for the 2009/2010 year the EC Ambassadorships were as follows:

Bernie Cissek	IFY
Dominick Hoare	LL
Carlo Franchini	OE
Etienne Haenecour	OH
Fritz Stabinger	FF
Ole Wikborg	LP
Kio Sano	Cargo
President	NC

As you know each of our EC members is also assigned a special IUMI initiative and Kio graciously accepted "Membership Development" as his special assignment. In addition, Max Zaccar was named special envoy to Africa and the Middle East in recognition of his ongoing membership development efforts in the region. Max will work in tandem with Kio to expand IUMI membership particularly in the Far East, Middle East and Latin America. I would like to thank all of my colleagues on the Executive Committee for their active involvement and many contributions throughout the year.

The EC also developed and finalized the membership requirements and rules for our new category of membership, IUMI Professional Partners (IPP's), and I am pleased to advise you that there are 6 IPP's here with us today -- to our new IPP's, a very warm welcome to the IUMI family.

I would like to once again thank Etienne Haenecour and all of the members of the Bruges Organizing Committee for the excellent conference arrangements and also for hosting our EC meeting following the conference.

On January 25th and 26th we held our winter EC/ TC meeting in London at the kind invitation of Lloyd's of London. Many thanks to our own Neil Smith, Neil Roberts and to all of the other members of the LMA for once again inviting IUMI to London and for hosting our important winter meeting. Our meeting began with an EC working session on Sunday, January 24th, and continued on the 25th. One significant area of discussion centered on the growing importance of IUMI's relationship with its affiliated members and the EC agreed to maintain and regularly update items of common interest in order to work collaboratively with our affiliates.

On January 26th we had a full day meeting with the TC chairs to develop the Zurich program and to select the common theme for the conference. In addition, we reviewed the feedback you submitted on the Bruges Conference and I am pleased to report that our 2009 conference received the highest scores recorded since we launched the new feedback system 4 years ago. The overall professionals and quality benchmark for our conferences is now quite high based on your feedback.

Following the IUMI winter meeting I once again had the opportunity to speak about IUMI at the IUA January market briefing in London. My thanks to the IUA for providing IUMI with the opportunity to participate in this important market event.

The Hong Kong Federation of Insurers hosted our IUMI Spring Meeting in the bustling and exciting city of Hong Kong on March 14th and 15th. In addition to providing us with the forum to finalize the IUMI program for Zurich, the Hong Kong Federation kindly arranged a very informative market overview given by a guest speaker from the Government of Hong Kong. As has become our custom at the Spring Meeting a mini IUMI was again conducted by members of the TC. Many thanks to our good friends at the Hong Kong Federation including Peter Tam and Selina Lau for their amazing hospitality and a hugely successful Spring Meeting. The members of the Federation were also kind enough to invite me to speak about IUMI at a luncheon that they held at the Cricket Club on March 16th which was very well attended by insurance and banking professionals from the region.

At the invitation of the Croatian Insurance Bureau the Executive Committee was invited to Split to hold its annual meeting on the 19th and 21st of May. Our good friends Robert Stude and Zoran Zaninovic, long time attendees at IUMI conferences, proved beyond a shadow of a doubt that you do not have to be a large association to host a very successful IUMI meeting. Robert and Zoran, we would like to congratulate and thank you for your outstanding hospitality.

Ladies and gentlemen, IUMI is dependent on the generosity of its member associations to host our meetings throughout the year and during 2010 our meetings have been organized at an extremely professional business level and have also enabled all those attending to fully appreciate the very distinct cultures and sights of three amazing cities: London, Hong Kong and Split -- so please join me in thanking these associations for the generous and enthusiastic way they welcomed IUMI.

The theme of our 2009 Conference was “Mastering Rough Seas” and while the insurance industry has come through the financial storm of the last 2 years in good shape, there remain a whole host of economic and political challenges that marine professionals face across the globe as we meet here in Zurich for IUMI 2010. To capture the full array of issues on the horizon we have selected “Marine Insurance -- Meeting the Challenge of the New Decade” as the common theme for this year’s conference.

While only 9 months old the new decade is indeed off to a challenging start. For the first half of the year we were focused on the burgeoning economic recovery, the stronger than expected up tick in world trade projections and significant increase in global commodity prices. Now, however, the optimism that spread earlier in the year seems to have slipped as the still fragile global economy has been battered by financial shocks and some leading global indicators have fallen. To borrow a phrase from the U.S. Federal Reserve Chairman the current global economic outlook can only be described as “unusually uncertain” and this uncertainty has the potential to ripple through the marine insurance industry as it is inextricably linked to the state of the global economy.

The global economy, battered by two-and-a-half years of crisis, was recovering faster than previously anticipated, with worldwide growth bouncing back from negative territory in 2009 to a forecast 4.6% growth this year and 4.3% in 2011 according to the International Monetary Fund’s July report. This represents an upward revision of about one-half percentage point in 2010, reflecting stronger activity during the first half of the year. There were also encouraging signs right through May of growth in private demand as industrial production posted double digit growth, employment growth resumed in advanced economies and consumer confidence continued to improve, supporting predictions for modest but steady recovery in most advanced economies and strong growth in developing countries according to IMF data. In addition, several major shipping companies posted after tax profits for the first half of the year as container volumes jumped by double digits and freight rates rose.

Global indicators of real economic activity were strong right through April and stabilized at a high level in May with the IMF reporting that the world economy expanded at an annualized rate of over 5% during the first quarter which exceeded expectations, largely due to robust growth in Asia.

However, just as the Euro area economy was struggling to recover from the impact of the global crisis, it was hit by market concerns surrounding the sovereign debt risk of some of its member countries. The market turmoil surrounding sovereign risk has clouded prospects for strong regional and global recovery in 2010 and 2011 according to the World Bank. Although the global economic recovery remains intact, progress toward financial stability definitely experienced a setback as the crisis threatens to spill over to other regions. So far, the fall out from the European debt crisis seems to have been contained; however, should current uncertainty regarding developments in Europe persist it could have a knock on effect on World GDP growth and international trade in the coming quarters.

Commodity prices that began a rally in early 2009 continued to show strong gains into 2010 as the recovery intensified. Increased demand from China, production cuts and weather related factors contributed to higher prices and by the end of April energy prices were up 80 percent from the lows of 2009 while non-energy commodity prices increased by approximately 17%. Prices for industrial commodities fell sharply during May in the wake of the Euro debt crisis. Oil prices plunged by nearly $20 a barrel to $68 bbl, and a number of metal prices fell more than 20% off their April highs based on figures released by the World Bank. Commodity prices appeared to stabilize by June but uncertainty about demand persists.

Throughout 2010 the speed of the recovery has varied significantly across the globe with some emerging markets in the lead and the major advanced economies growing more slowly. The fragile recovery in most advanced economies is still highly dependent on the extraordinary policy stimulus put in place during 2009. The U.S. economy is now projecting 3.3% growth for 2010, and the Euro area is predicted to grow by only 1%, Japan is projected to grow by 2.5%. Collectively high income countries are projected to grow between 2.1% and 2.3% in 2010, which is not enough to undo the 3.3% contraction experienced in 2009 according to World Bank statistics.

The so-called emerging markets, led by China and India, are expected to achieve strong growth rates of 10.5% and 9.4% respectively in 2010 and an equally strong showing in 2011. The Middle East is expected to grow by 4.5% assisted by an increase in the price of oil and Latin America is experiencing robust economic growth with the World Bank forecasting 4.5% growth in the region this year. Overall, developing economies are expected to grow between 5.7 and 6.2 percent each year from 2010 to 2012.

A stall in the European recovery that spilled over to global growth could affect fast growing economies in Asia and India through both trade and financial channels. Although base line forecasts for 2010 were revised upward in July, downside risks have intensified for the second half of the year and for 2011, as a result of the financial turbulence in the Euro area.

To add to the economic uncertainty, by the end of July container shipowners had taken delivery of 950,000 TEUs of new vessels or 7.3 percent of the current fleet. The 2010 surge in capacity threatens to take the steam out of the rate rally, according to published reports. Alphaliner estimates deliveries will reach 1.45 million TEUs in 2010. This represents 11.1 percent of the global fleet at the beginning of January 2010. Coupled with the reactivation of 1.2 million TEUs of idled ships, the deliveries pushed active capacity up 16% year-to-date with Alphaliner expecting global capacity to increase 9.6% for full year 2010.

Despite the influx of new buildings, the idle fleet has fallen to just 2 percent of available liner capacity, down dramatically from 11.6 percent at the beginning of the year, due to higher than expected recovery in demand in the first half of the year and the impact of "extra slow steaming," which has absorbed additional TEU capacity. Only 150 ships with nominal capacity of 274,000 TEUs were sitting idle at the end of July, the lowest level since the third quarter of 2008 when the depth of the global crisis pressed carriers to pull ships from service. The current number of idle ships is expected to shrink further during the annual August-September peak season according to Alphaliner, but could rise again as new vessels enter service and demand tapers off toward the end of the year.

For the first time since the shipping boom ended abruptly in 2008 two major shipping companies have placed orders for new container vessels to meet future growth projections and replace vessels with charter agreements that will expire in the next few years. These new builds are expected to be delivered in 2013 and 2014.

The pace of scrapping has slowed down considerably since last year's highs. The number of container vessels scrapped in the first six months of this year reached only 111,000 TEUs. The delivery of new builds, redeployment of vessels from lay-up and a reduction in the scrapping of older tonnage means that the world fleet is larger today than at any other time in history.

Somewhat surprisingly while the world fleet has continued to grow, retailers have been fighting for scarce cargo space on ships, often paying multiples of 2009's freight rates and still getting merchandise weeks late. Freight rates for shipping a standard 40 foot container have tripled since last year going from 871 per FEU in July of 2009 to 2,624 in July of 2010 according to Drewry. The problem stems from 2009 when stores slashed inventory. With little demand for shipping, ocean carriers took ships out of service -- more than 11 percent of the global shipping fleet was idle in spring 2009. Carriers also moved to slow steaming to keep more vessels working. In addition, the companies that produce 20 and 40 foot containers essentially stopped making them. Fewer vessels and containers in service have resulted in higher prices and capacity shortages for shippers around the world. As new vessels and boxes come online and existing inventories are shifted to high demand routes the current space shortage issue is expected to ease.

Capacity shortages have required suppliers of "time sensitive" products to use air freight which has contributed to the 26.5% growth in international air cargo traffic experienced by the industry this year. Thanks to robust growth through the first half of the year air cargo levels are now 6% above the pre-recession peak of 2008 according to the International Air Transport Association.

While container freight rates have recovered from last year's lows, by June commodity shipping costs had fallen for the longest number of consecutive days in almost nine years because of low demand for materials like steel according to the Baltic Dry Index.

While we have experienced significant recent turmoil in the global economy and unusual uncertainty still plagues the shipping industry, the global P&C insurance industry has weathered the financial storm of the last two years quite well. Insurance companies in general are operating normally; they continue to write new business, renew existing accounts and pay claims. Unlike the banking industry, the insurance industry experienced far fewer problems because of their focus on underwriting and because the industry maintains a strong relationship between the amounts of risk it underwrites and the amount of risk it retains. In addition, insurance companies are comprehensively regulated around the world and their very conservative investment philosophy has enabled the industry to function normally despite the economic and financial conditions experienced over the last two years.

While the insurance industry remains fundamentally strong there are challenges on the horizon. Soft market conditions are now expected to impact P&C non-life results throughout 2010 with some improvement anticipated in 2011. This means that the industry will continue to struggle with the combined impact of deeply depressed rates at the same time written premiums have declined as a result of the global recession. In addition, a volatile stock market means insurers are earning less on their investment portfolios than in the past. Insurance companies have only two sources of income: premium income and investment returns. A drop in investment income means that insurers will need to collect more in premium through higher rates to compensate for the shortfall.

In my home market in the U.S., for example, the property/casualty insurance industry reported a statutory rate of return of 6.7 percent for the first quarter of 2010, which is up sharply from a negative 1.2 percent in the same quarter in 2009 according to ISO published results. However the cost of capital for the same period was approximately 10.5%, resulting in a significant gap between the actual rate of return generated by the industry and the rate of return that investors expect to earn. Unless this trend is reversed capital could leave the industry in search of adequate returns and insurance companies would find it difficult to raise additional capital following a major catastrophic event.

Another issue on the horizon for the industry is impact that the Solvency II regulatory initiative scheduled to take effect in 2012 will have on EU domiciled insurance company capital requirements. Companies that lack product and/or geographic portfolio diversity are expected to have increased capital requirements going forward which will no doubt have an impact throughout the industry.

All of these issues and uncertainties have an impact on marine insurance results and present us with numerous challenges that need to be understood and addressed. During the next three days you will learn more about these and other issues that will impact our business in the future and I know that our discussions and expert presentations will better prepare us all for the challenges faced by the Marine insurance industry in this new decade.

Please take advantage of all that our conference has to offer. I wish you all a very productive and enjoyable stay in Zurich and look forward to your active and lively participation during our IUMI 2010 conference. Thank you!

Before going on with our programme, I have the sad duty to inform you that two important and distinguished IUMI supporters passed away since we last met:

Eddie Mann, UK
Eddie passed away on 1st February 2010 at the age of 89. He last worked for Sun Alliance. From 1981 to 1983 he was a Vice Chairman of IUMI. He was also chairman of our nominating committee and member of the legal and liability committee and chairman of the cargo loss prevention committee as it was then called.

Bertrand Guillocher, France
Bertrand passed away on 19th May, at the age of 54. He started his professional career as a worker in the Renault factory and, always
having been a linguist (he mastered, a part from his mother tongue French, English, Italian and German), was the only worker fitting gear boxes and reading 'Der Spiegel' at the same time.
In 1981 he started his insurance career with Allianz, France where he obtained, in 1985 his diploma as Insurance Specialist. In 1989 he transferred to Royal Sun Alliance, France where he was promoted, in 1996, to Director Marine and Transport. He excercised the same function with Continent from 2002 to 2004 and with Generali from 2004 onwards.
All of us will miss Bertrand, who could only participate for a short time in our IFY committee.

Please join me in rising for a moment of silence to honor the memory and many contributions of each of these gentlemen.