



Cefor

The Nordic Association of Marine Insurers

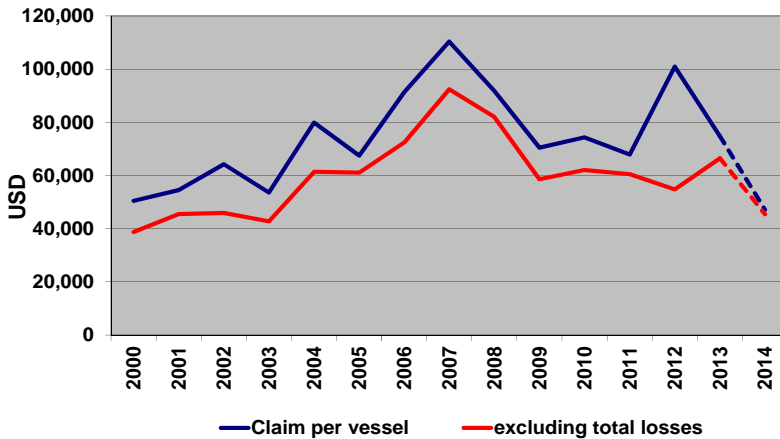
# Hull Claims Update 2014

per 30 June 2014, issued by the Cefor Statistics Forum

Portfolio: since 85: 200,068 registered vessel years / uw year 2013: 11,975 vessels (with IMO-No.)

## 1 – Claim cost per vessel (Claim cost divided by number of insured vessels)

### Claim cost per vessel (incl. IBNR)



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

#### 2014 figures

Claims (cost, numbers) are as reported by 30 June 2014, including an estimate of incurred but not reported claims. For comparability, 2014 claims are related to portfolio figures for a half year.

#### Extraordinary absence of major claims in 2014

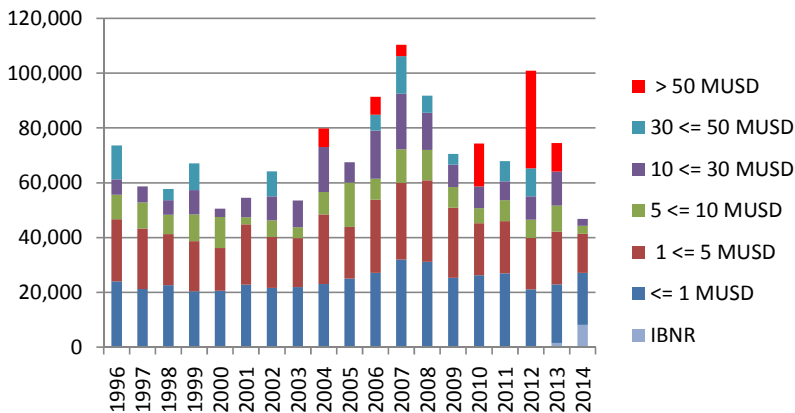
In 2012 and 2013, major claims had a substantial impact on the claims cost. In the first half of 2014, there was only one claim exceeding USD 10 million, compared to ten such claims in both 2012 and 2013, of which six incurred in the first half year.

While the absence of claims in excess of USD 30 million is within the statistical variation to be expected, the surprising fact is that the number of claims in excess of USD 10 and USD 5 million is significantly lower than the 2009-2013 average – given the risk exposure represented by increasing vessel sizes and values (see p.3).

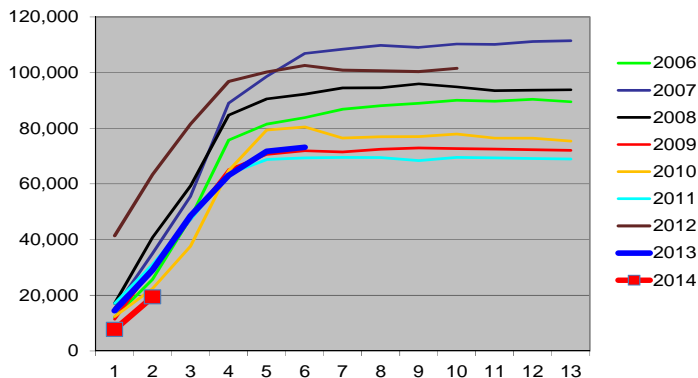
#### Average repair cost

Excluding total losses, the average repair cost per vessel has had a stable to positive development since 2009, continuing into 2014. A certain increase in 2013 was mainly due to two costly claims of a special character.

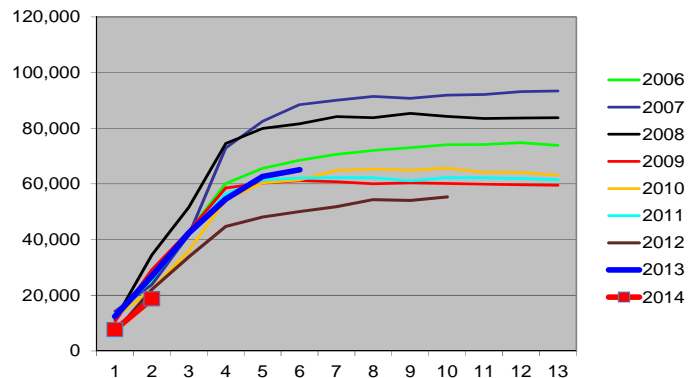
### USD Claim per vessel, by date of loss



### Claim per vessel (incl. total losses) accumulated quarterly development



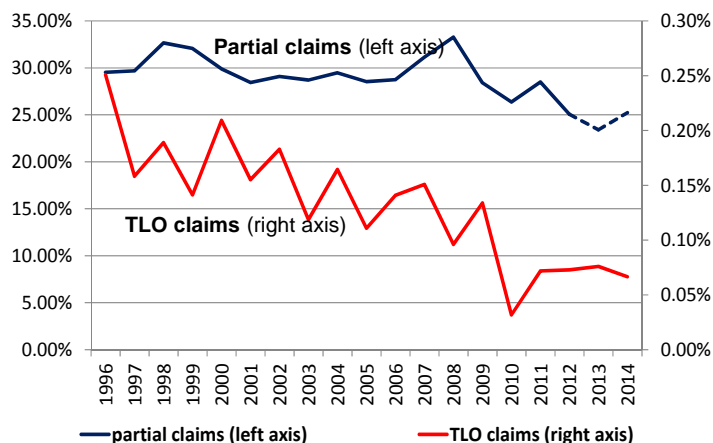
### Claim per vessel (excl. total losses) accumulated quarterly development



All figures reflect 100% of the included vessels. The 2012 figures include the unprecedented cost of the «Costa Concordia» accident, of which only a minor share was covered in the Nordic market.

## 2 – Claim frequency (Number of claims divided by number of insured vessels)

### Claim frequency, by date of loss

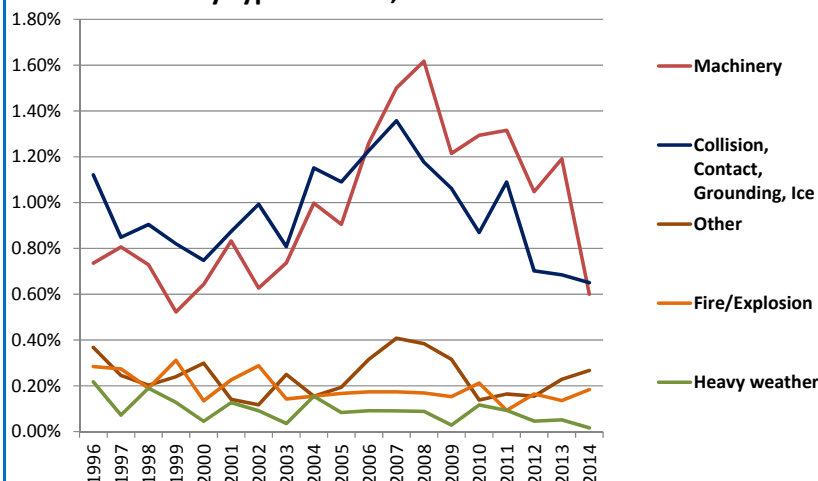


The overall claim frequency has fallen after the peak in 2008.

The frequency of total losses shows a long-term positive trend. 2014 stays at about the same level as 2012 and 2013, but the total losses reported in 2014 as of June had less impact on the claims cost.

The claim frequency for most types of claims has shown a positive or stable long-term trend, only interrupted by the peak in 2008.

### Claims frequency of claims > 500,000 USD by type of claim, date of loss

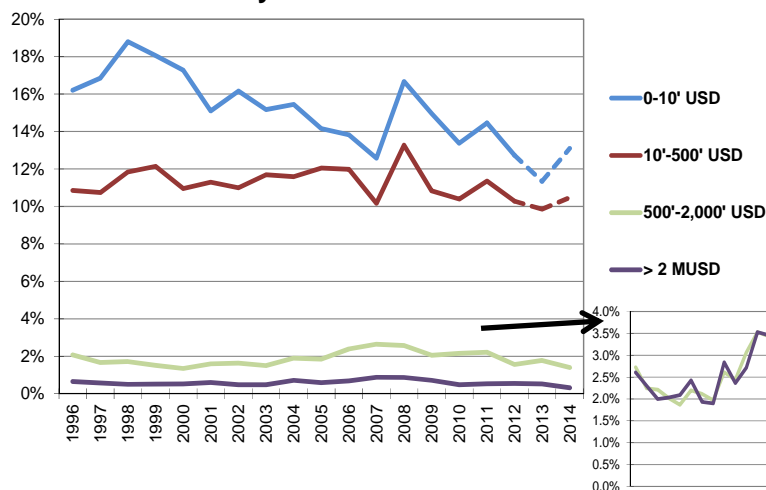


Looking at claims over a certain size by type, the frequency of machinery and navigational-related losses in excess of USD 500,000 is substantially down since 2008.

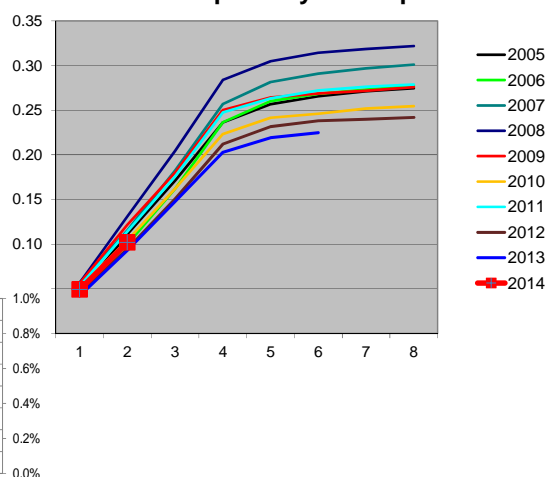
It may however be treacherous to believe that we thus can identify a trend towards a reduced number of major claims. The risk exposure continues to be high due to the inflow of high-value vessels (s. next page). In addition, the occurrence of major losses is often due to special circumstances rather than rationally identifiable causes alone, and can thus not be overlooked.

The quarterly ladder statistics show that the 2014 claim frequency as reported by 2<sup>nd</sup> quarter is slightly below average level.

### Claims frequency - by intervals of claim cost by date of loss

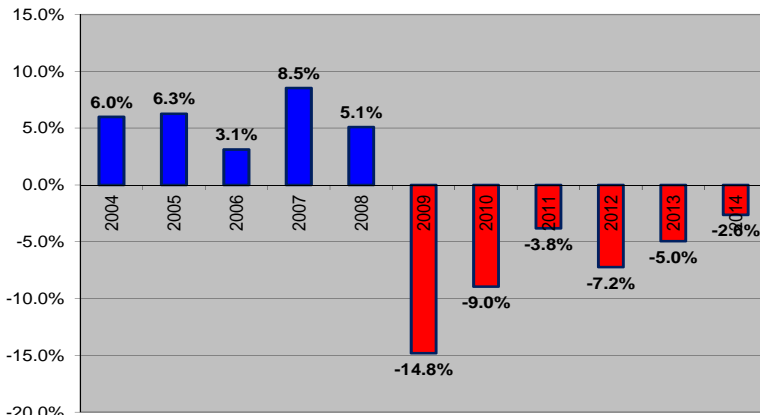


### Claim frequency accumulated quarterly development



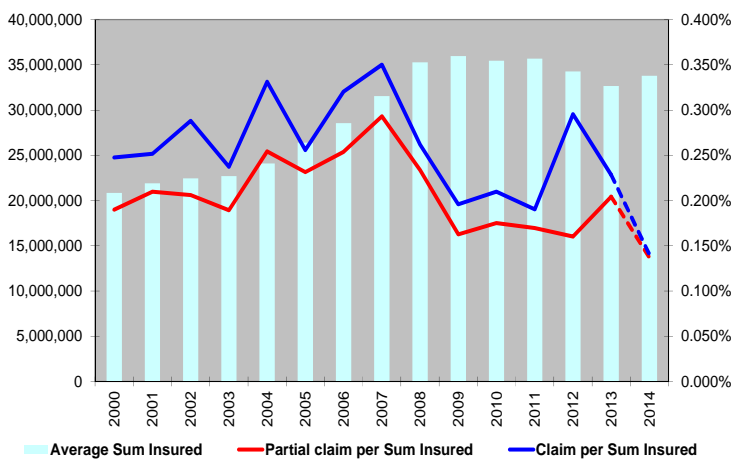
### 3a – Sum Insured development and Claim per Sum Insured (Claim cost divided by insured values)

Average annual change in insured values on renewed vessels



Since 4Q 2008, there was a substantial drop in insured values on renewals. While 2011 showed some stabilization of the insured values at a lower level, the decrease in insured values accelerated again in 2012. However, in 2014 the development seems to normalize. Under similar market conditions, some reduction in the insured value on renewal – compared to the previous insured period for the same vessel – would be expected due to the aging factor.

Claim per Sum Insured & Average Sum Insured, by date of loss



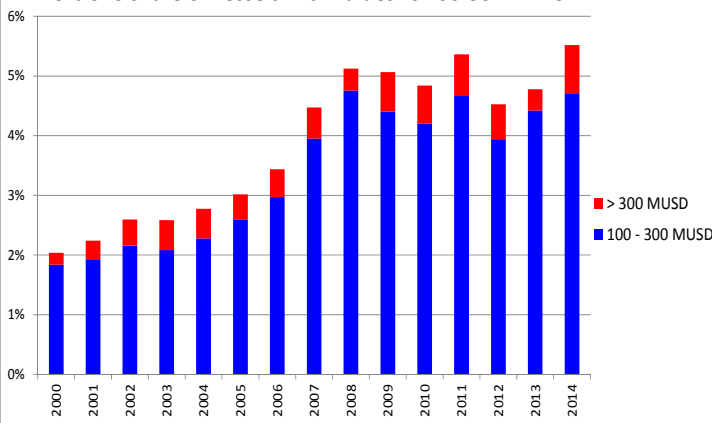
The average insured value of the portfolio has been quite stable since 2008, with the drop in insured values to a large degree being compensated by the inflow of newer and more expensive vessels.

For «normal» repair cost claims, the claim cost per insured value showed a stable to positive trend since 2009. The peak in 2013 was mainly due to two extraordinary claims (no total losses). Including total losses, the claim cost per insured value was in 2013 back to «pre-Costa Concordia» levels, and seems to reduce further in 2014. However, it should be noted that the general exposure to extreme claims is higher than some years ago (see below).

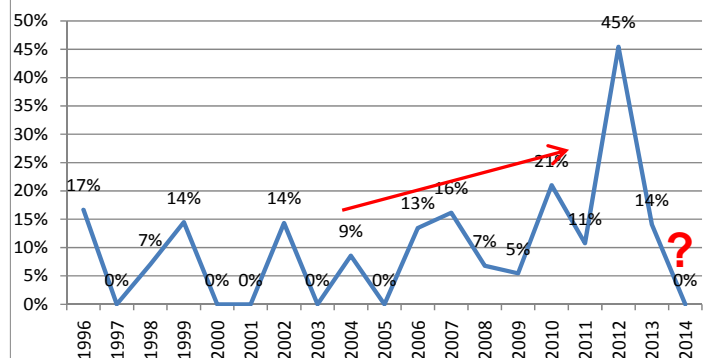
### 3b – Exposure to major losses – what to expect?

Despite value reductions on renewal, the inflow of high-value vessels may increase the occurrence of costly losses. This was reflected by the claims cost, where major claims represented an increasing share of the total cost. It is too early to conclude that 2014 may be a trend breaker, as with increasing exposure the risk of expensive losses is not decreasing.

Portfolio share of vessels with values xs 100 USD million



Claims in excess of 30 MUSD as % of total claim cost

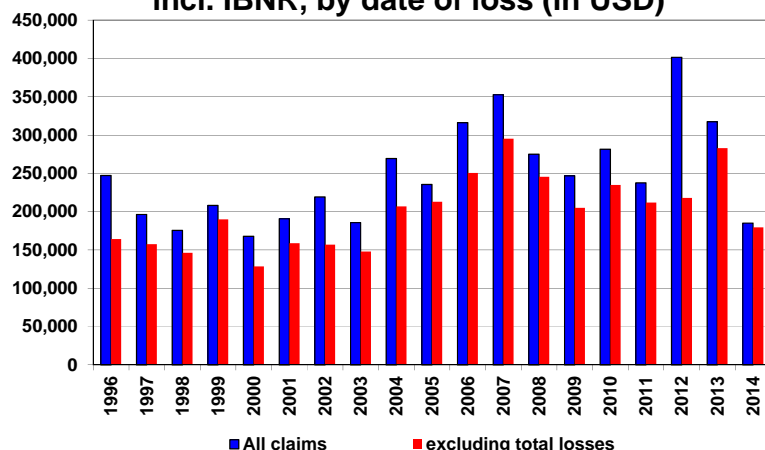


All figures reflect 100% of the included vessels. Note that the 2012 figures include the unprecedented cost of the «Costa Concordia» accident, of which only a minor share was covered in the Nordic market.

## 4 – Average individual claim cost (Claim cost divided by number of claims)

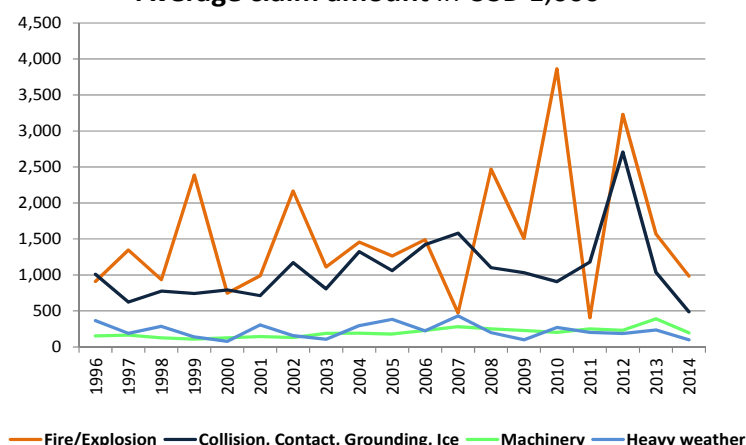
All figures reflect 100% of the included vessels. Note that the 2012 figures include the unprecedented cost of the «Costa Concordia» accident, of which only a minor share was covered in the Nordic market.

### Average claim cost per individual claim, incl. IBNR, by date of loss (in USD)



The average repair cost per individual claim (red) increased somewhat in 2013, mainly due to the impact of two major claims in the first half year of 2013. For 2014, the situation as of June looks positive, due to the absence of any loss exceeding 15 USD million in the first half of the year, in combination with a further reduction in the average repair cost.

### Average claim amount in USD 1,000



The average cost of fire/explosion claims was high in recent years, also taking into account the typical volatility of this type of claims. In 2014 no costly fire/explosion claims were reported yet.

The average cost of machinery claims showed a peak in 2013, mainly due to the impact two major claims of a special kind, but is back to an average level in 2014.

The cost of nautical-related claims (collision, contact, grounding) increased over time, but these claims have had little impact in 2013 and as of June 2014.

## Check also: Claims trends from the Nordic Marine Insurance Statistics (NoMIS) database, issued spring 2014:

Cefor Annual Report 2013, various NoMIS articles:



The 2013 Cefor NoMIS Reports for Ocean & Coastal Hull → (claims trends by age group, size group, vessel types, Sum Insured layers, plus exposure curves and other key figures)

Visit us at [www.cefor.no](http://www.cefor.no) for more information!



The 2013 Cefor  
NoMIS Coastal Hull Report  
(Small craft & Fishing vessels)



The 2013 Cefor  
NoMIS Ocean Hull Report

Nordic Marine Insurance Statistics  
Underwriting Years 1996–2013, as of 31 December 2013

All figures as reported by 31 December 2013  
(i.e. without "IBNR" loading for claims not yet registered or incurred by this date)

Included are only vessels with a registered IMO-nr.  
(i.e. not small coastal tonnage)

Issued by The Nordic Association of Marine Insurers (Cefor)