

THE REINSURANCE PERSPECTIVE ON THE WORLD WE DO BUSINESS IN

Matt Smith

Deputy Head of International

GC Global Marine & Energy Specialty



A photograph of a sailboat on the ocean. The sailboat is white with a large white sail that has a red dot on it. The sky is blue with some white clouds. The water is a deep blue. The boat is moving forward, and the camera is positioned on the deck looking towards the front of the boat.

2002-2019
Marine Reinsurance
Generally Plain sailing?

2019 to Present

Coverage, Coverage, Coverage

2019-2023 Cyber Coverage

- Increased Marine and Lloyd's focus
- Old & New Clauses
 - 380
 - 5403
 - 007
- IT Hazards

2020-2021 COVID-19

- Possibly the most complex reinsurance wordings ever created
- Limited eventual impact for Marine (re)insurance with one exception.....

2022-2023 Russia / Ukraine War

- Live monitoring of situation
- Inconsistent coverage & products split out
- Uncertain direction for future of coverage

A Global Reinsurance market perspective

Drivers of Dynamic Market Conditions

2023 – Where are we now?



Macro Headwinds



Ongoing
Inflation



Rising
Interest Rates



Ongoing War
in Ukraine



Supply Chain
Disruptions



Climate
Change Anxiety



Global Cat
Loss Activity



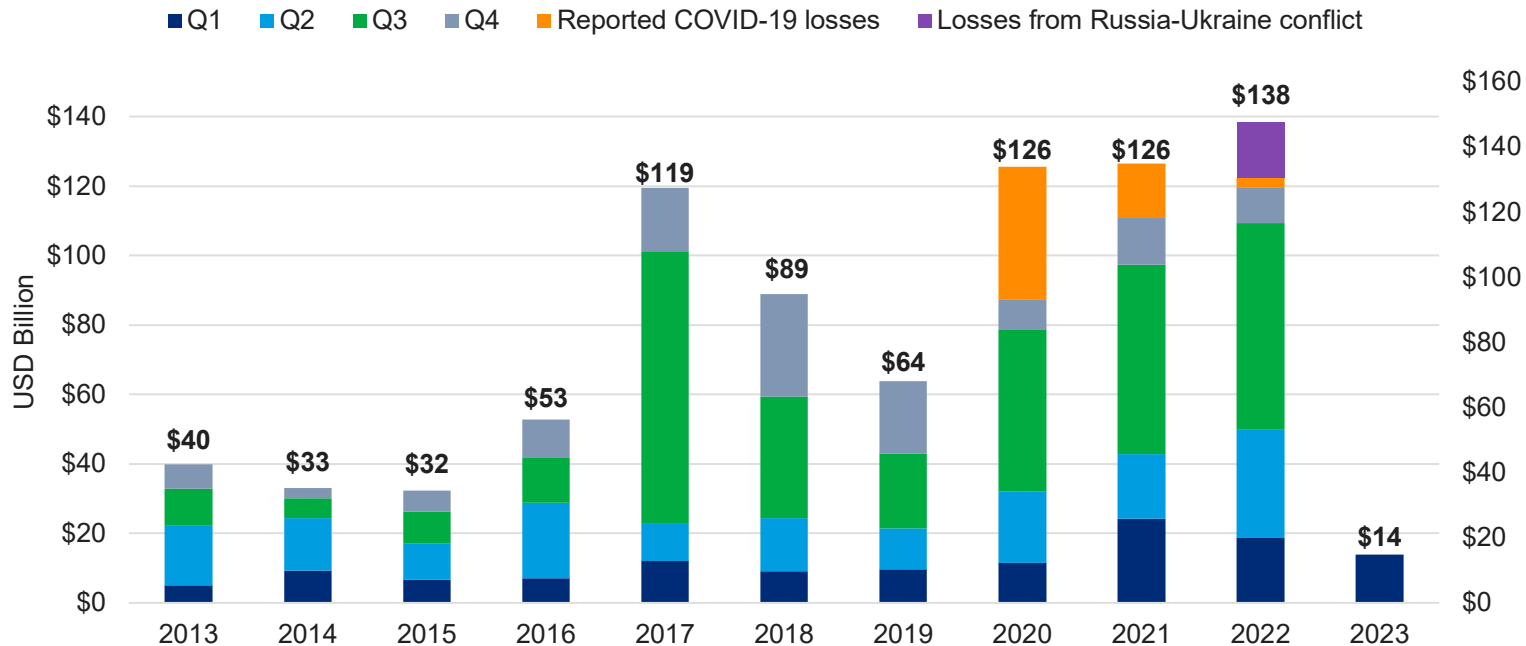
Constrained
Retro Capacity

Global Large Loss Activity

2013-2023*



Significant Insured Losses (2013 to 1Q2023)



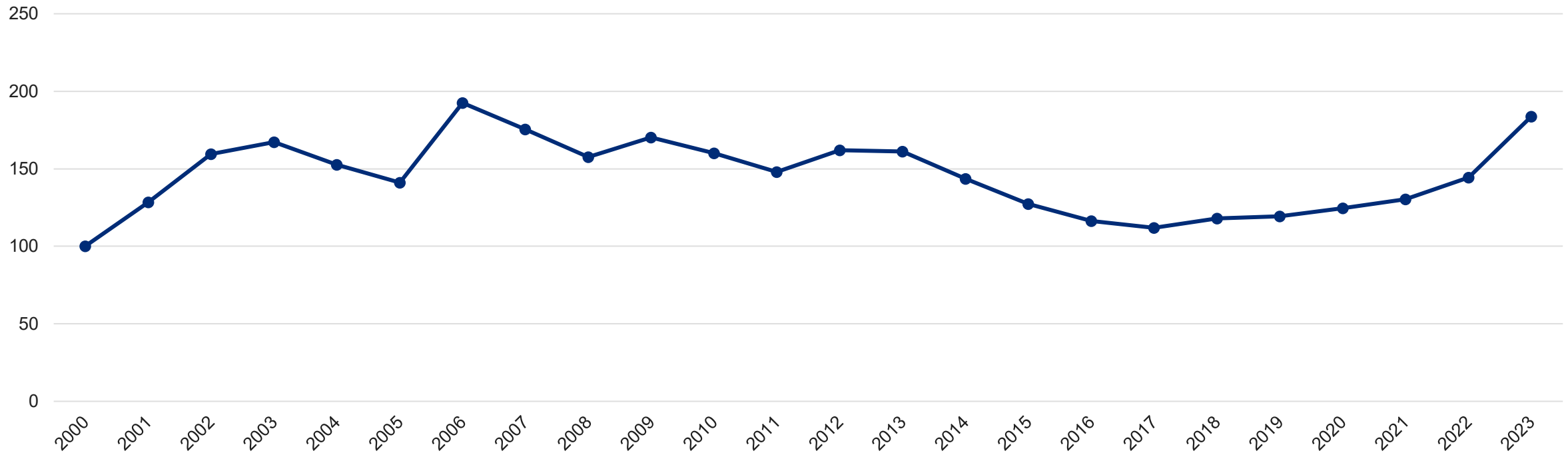
Dedicated reinsurance capital in 2022 declined 12%

- The projected annual 2022 large loss total rose to **USD 138 billion**, driven by Hurricane Ian.
- Too early to quantify impact of Ukraine conflict
- Q1 2023 large losses est to be approximately **USD 14 billion**.
 - Earthquakes in Turkey & Syria - losses of approx. **USD 3.4 billion**
 - other notable large losses included severe convective storms in the US and floods in the North Island of New Zealand.

* Significant Insured Losses (Est. losses > USD 100M). The Q1 2023 significant insured loss estimate is updated as of 4/10/23. Sources: PCS, ICA, AIR, PERILS, Verisk, Guy Carpenter.

Global Property Catastrophe Rate-on-Line (ROL) Index

2000-January 1, 2023*

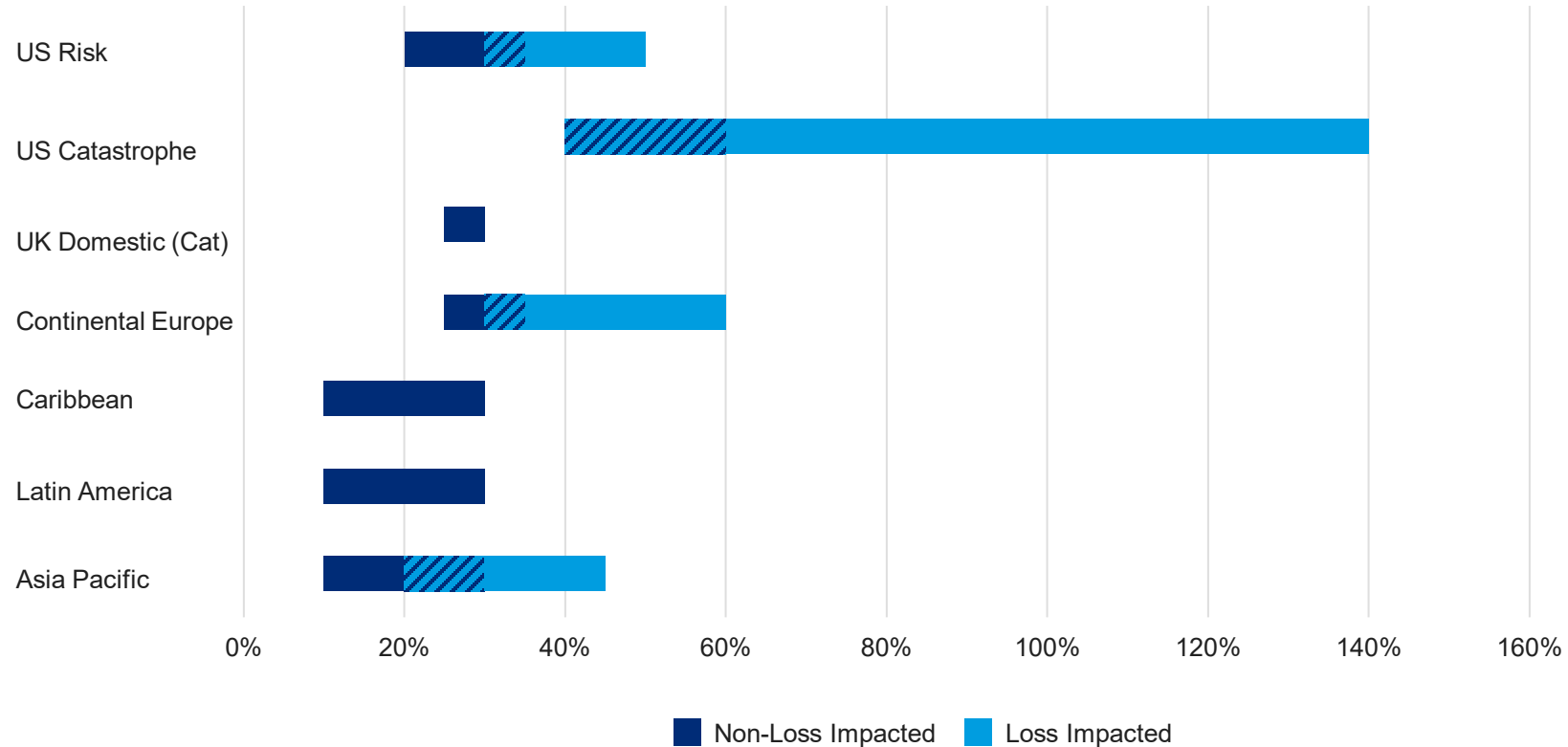


The Global ROL Index increased 27.2%, primarily driven by pricing and attachment point adjustments in the US and Europe.

Source: Guy Carpenter. * Preliminary January analysis, subject to updates. The Guy Carpenter ROL Index is a measure of the change in dollars paid for coverage year-on-year on a consistent program base. The index reflects the pricing impact of a growing (or shrinking) exposure base, evolving methods of measuring risks and changes in buying habits, as well as changes in market conditions.

Property Typical Risk-Adjusted Pricing Changes

January 1, 2023*



Fortunately these rate rises were not seen on Marine Hull & Cargo Reinsurance in Europe!



International Marine Reinsurance market perspective

Future of Marine

Global trade shipping routes



Shipping remains vital for the global economy, with roughly **90% of all goods moved across the world by ships**. If shipping stops, so does the world economy.

Maritime **trade volumes are set to triple by 2050**, according to the Organisation for Economic Co-operation and Development (OECD).

Insurance underpins global trade.

Marine insurance at the forefront

Marine Reinsurance 2023 Renewal Topics

Overall significant uncertainty, but more stability than Property and Retro Renewals



Reinsurers: **inflation** threat, **interest rate rise**, shareholder **return on capital** requirements

In the background on the Marine side compared to Property



Hard market dialogue and **Reinsurer confidence**



International Marine & Energy Reinsurance market didn't harden from a pricing perspective to the same level as Property & Casualty but trading conditions were tough

Yet again coverage topics emerged

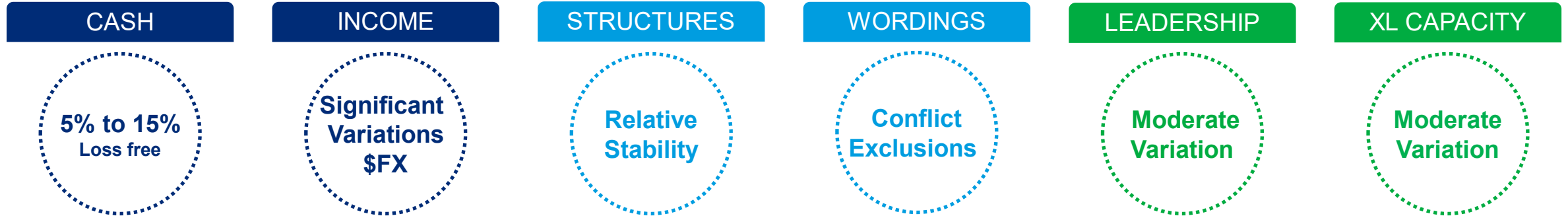


Significant discussions over conflict exclusions to get best results

No Reinsurance market standard - GC had to drive the discussion

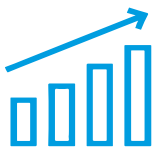
Reinsurance Market end of Q1 2023

International Marine & Energy Outcome



Price & Structure

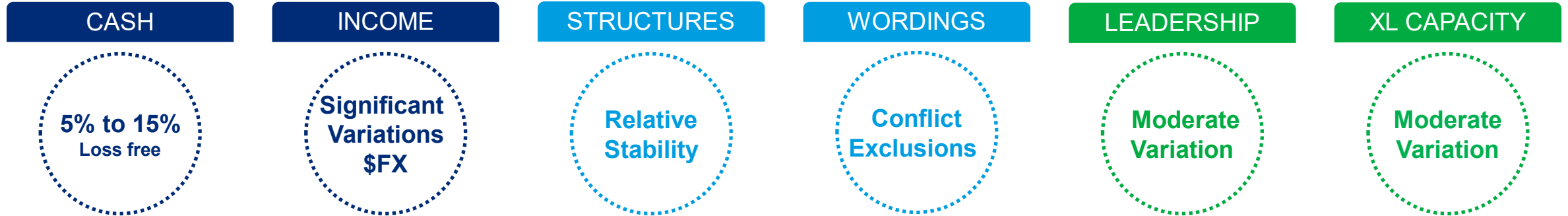
XOL & Proportional



- 5% – 15% increase on clean non-proportional business with some larger rises
- **Differentiation between International and London Market** Composite Programmes
- Push for increase in attachment points but expiring structures predominantly maintained
- Proportional business – commissions maintained or reduced on a case by case basis.

Reinsurance Market end of Q1 2023

International Marine & Energy Outcome



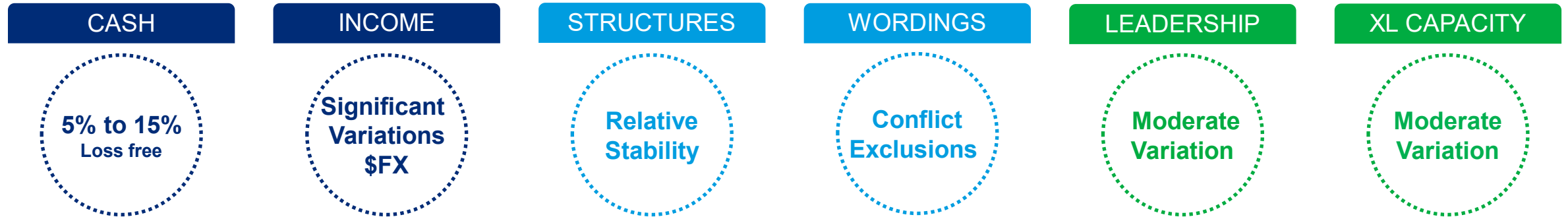
Original Portfolios - Income and Losses



- Normal loss activity – no unusual market severity losses
- **Limited potential hull or cargo losses advised from Ukraine/Russia** hostilities
- Underlying income volatility predominantly driven by US\$ FX rates

Reinsurance Market end of Q1 2023

International Marine & Energy Outcome



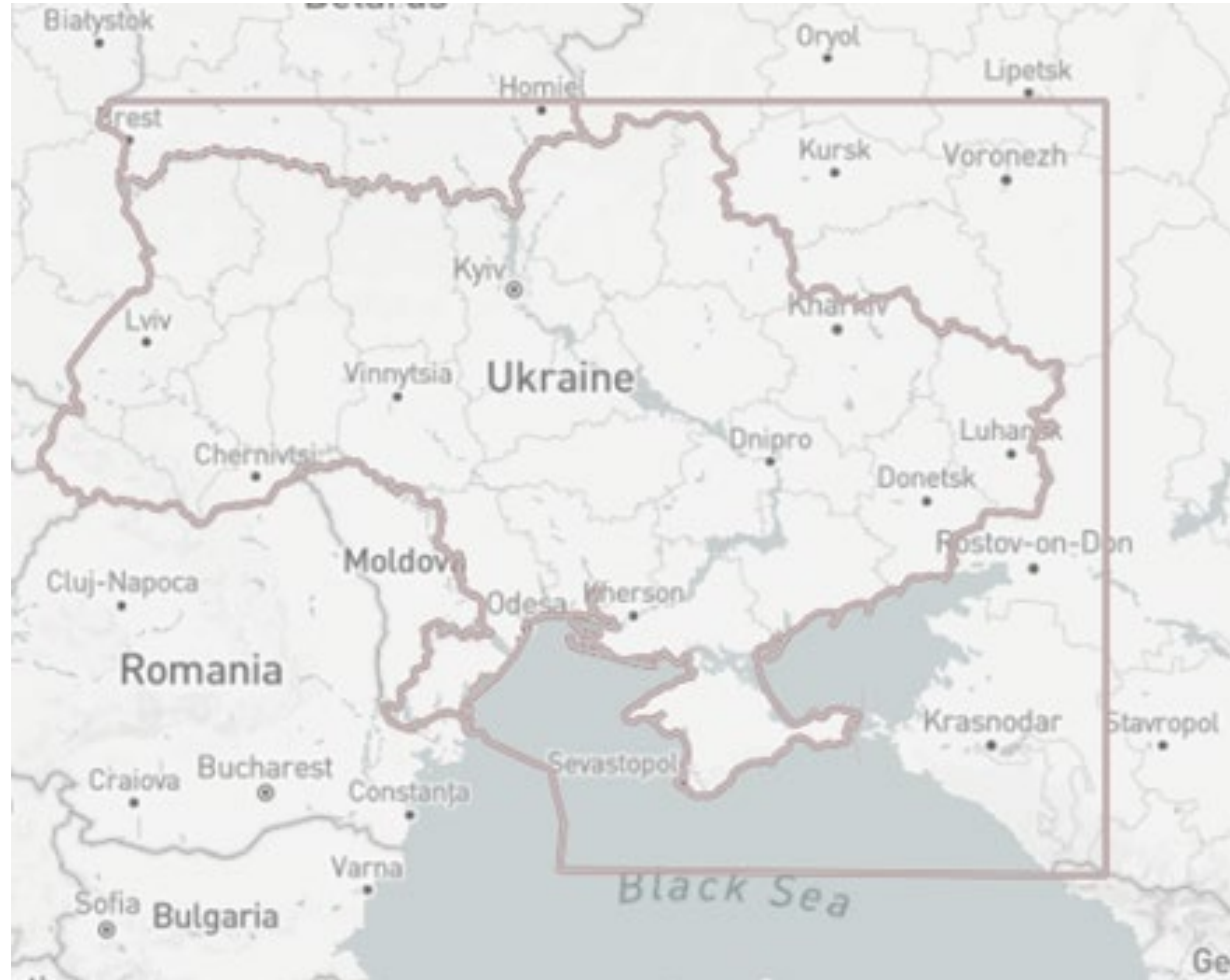
Wordings – Dominant focus of renewals



- Reinsurers now require some form of **conflict exclusionary language**
- **Significant variation** in language requested by Reinsurers and heavily negotiated
- European conflict zone and war on land the predominant exclusions applied across International portfolio

Ukraine/Russia Conflict Language

Best in Class Coverage Limiting exclusion to the territorial waters of Ukraine & Russian only



Indirect causation & expansionary language remains in the Marine Reinsurance market

Marine War Coverage

Humanitarian Grain Corridor

How many ships were trapped in the Black Sea?

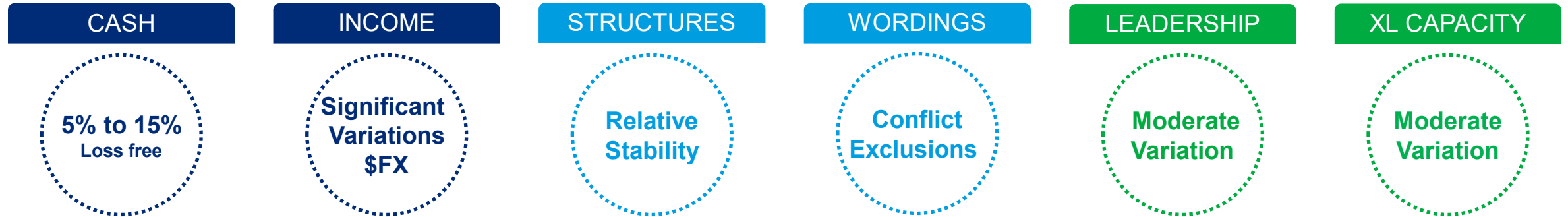
- About 2000 seafarers in 112 ships were berthed in Ukrainian ports across the Black Sea and the Sea of Asov before Russia's invasion.
- On 22 July 2022, an agreement was struck to open a safe maritime humanitarian corridor in the Black Sea to allow Ukraine to export grain.
- First grain shipment left the Port of Odesa on the 1st August 2022. Sierra Leone-flagged Razoni, carrying 26,000 tonnes of Ukrainian corn.
- Since then over 900 ships full of grain and other foodstuffs have left Ukrainian ports.



Some Reinsurers have been supportive of Humanitarian Grain Corridor coverage on a per vessel basis

Reinsurance Market end of Q1 2023

International Marine & Energy Outcome



Market – Supply > Demand



- Some variation in leadership due to mismatch in pricing expectations or exclusionary language requirements
- **Some Reinsurers lost business or reduced shares due to insistence on War stipulations**
- Some Reinsurers reduced participation due to mismatch in pricing expectations
- Some limited new XOL capacity but limited impact to date

Marine Market Large Losses

Felicity Ace Cargo Ship (16/02/2022) – a learning opportunity lost



- Caught fire on its way to the U.S., the vessel reportedly sunk off the coast of the Portuguese Azores archipelago.
- Loaded with luxury cars, the Felicity Ace left Emden, Germany for Rhode Island on the 9th of February. While sailing west, a fire emerged in the hold and while the crew were rescued after jumping ship, the Felicity Ace was left floating in the mid-Atlantic.
- The vessel was transporting some 4,000 luxury cars from brands like Volkswagen, Bentley, Porsche, Audi, and Lamborghini.

Estimated loss for car brands (cargo)
circa. \$280 million



Emerging Marine Reinsurance clauses

Emerging Language – Long term considerations

Five Powers Exclusion

This insurance excludes loss damage liability or expense arising from the outbreak of war (whether there be a declaration of war or not) between any of the following countries: United Kingdom, United States of America, France, Russian Federation, and the People's Republic of China.

Commonly requested at 1/1 & sometimes enforced by the Global Marine Reinsurance market in order to reduce potential for systemic risk as a result of a significant conflict.

Often existing Automatic termination in a Hull War Policy

Joint Cargo Committee released their wording early 2023 but prior to inclusion on original policies creates temporary gap in cover.

Emerging Language – 2024 Preparation

Vessel Detainment Clause

Notwithstanding any other term of this reinsurance, in the event that Vessel or Vessels shall have been the subject of capture seizure arrest restraint detainment confiscation or expropriation, and the Assured shall thereby have lost the free use and disposal of the Vessel or Vessels for a **continuous period of 12 months** then for the purpose of ascertaining whether the Vessel is a constructive total loss the Assured shall be deemed to have been deprived of the possession of the Vessel without any likelihood of recovery.

Furthermore, this reinsurance agreement excludes all losses, liabilities, costs or expenses, or any other amount arising out of, originating from, resulting from, caused by and/or contributed by confiscation, expropriation, nationalization, deprivation or restraining in movement of vessels and cargo within the territorial limits of Russia and Ukraine.

Targeting Blocking & Trapping triggers below 12 months

What is the future of Reinsurance and the World we live in

Future Considerations



Climate Change

- Increasing Frequency and Severity of Natural Disasters
- Increasing proportion of people living in catastrophe prone regions
- Insurance Gap increasing
- Renewable Energy and Alternative fuels

Shipping Industry

- Increasing Tonnage, Size and Value of vessels
 - Economies of scale reduce shipping costs but increase potential size of losses
 - Readiness of shipping infrastructure and facilities within ports
 - Potential further supply chain issues if more goods on smaller number of ships

Opportunities

- Innovation in (re)insurance sector
-

Renewable Energy

Positive developments on the horizon

- Solar energy (including floating solar panels offshore)
- Wind energy
- Hydro energy
- Tidal energy
- Geothermal energy
- Biomass energy
- Growing use of renewable energy in shipping industry
 - Wind, solar electric, hydrogen-powered ships e.g. Oceanbird Concept



Renewable energy sources make up 26% of the world's electricity today, but according to the International Energy Agency (IEA) its share is expected to reach 30% by 2024



Några frågor?



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