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## INTRODUCTION

- World trade
- Underwriter's role
- Premiums
- Loss ratio
- Reinsurance

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# World Trade

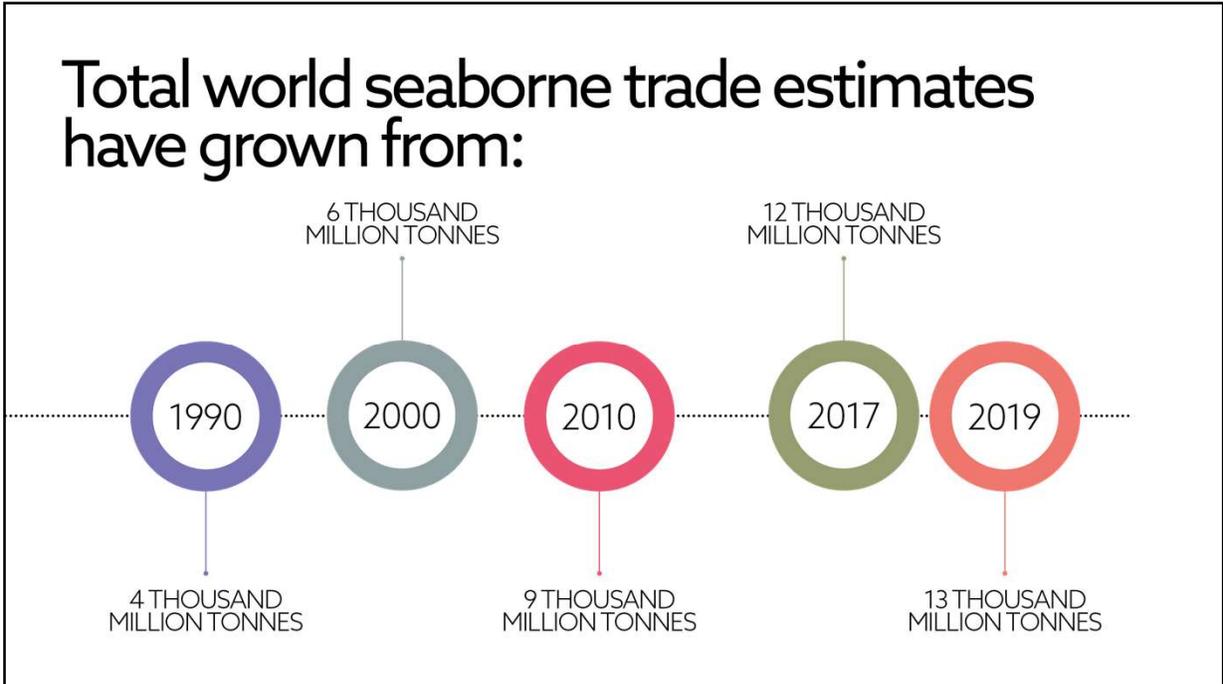
Without shipping the impact and export of goods on the scale necessary for the modern world would not be possible.

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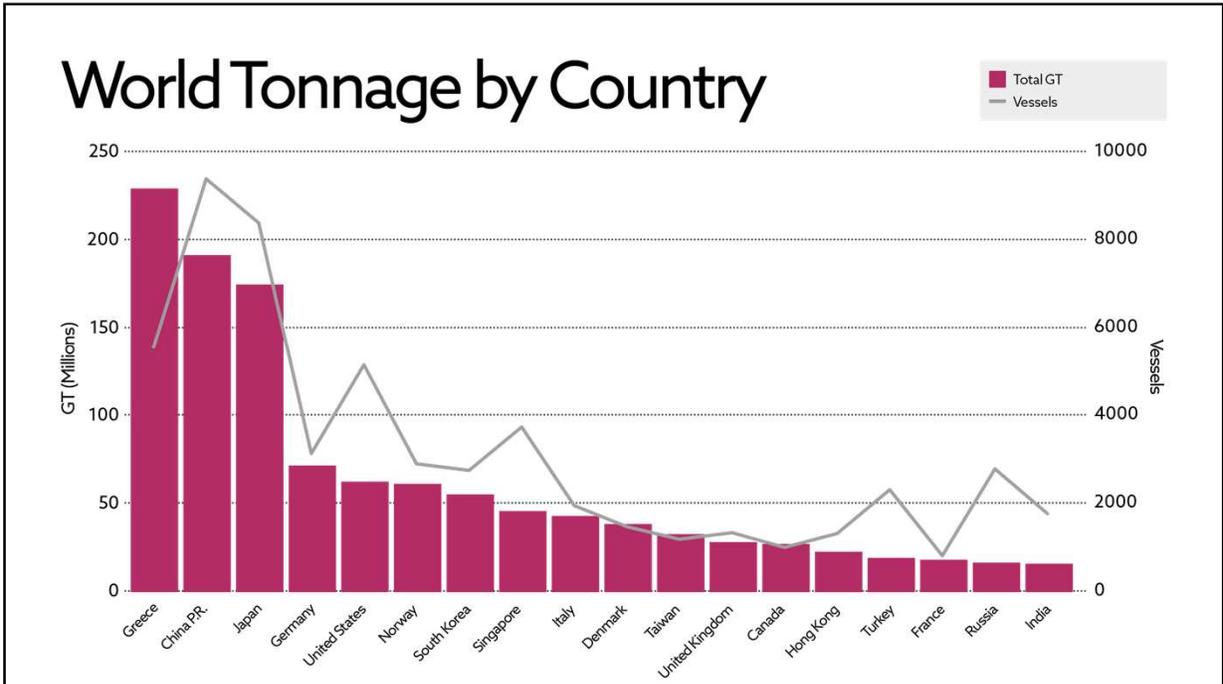
## Today shipping accounts for...



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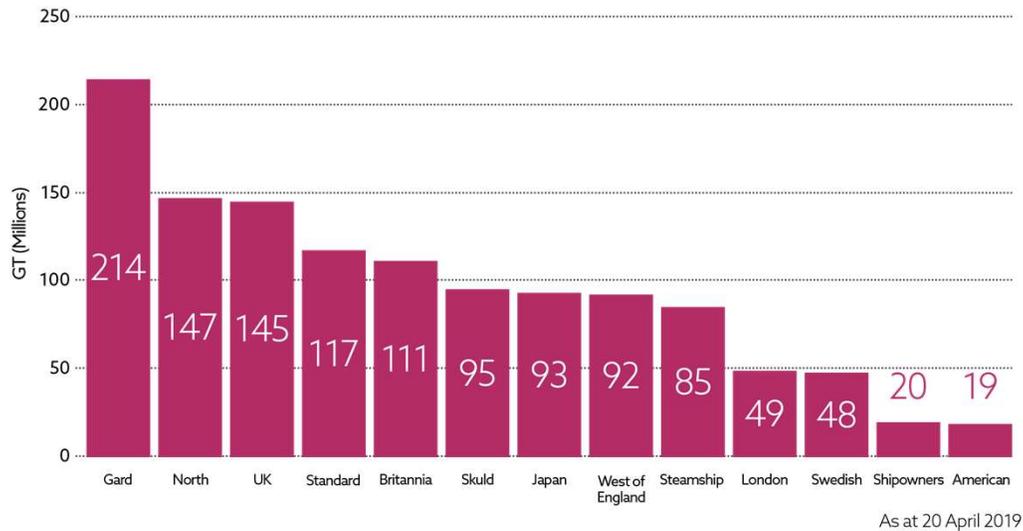


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## IG Club Tonnage Comparison



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## WHAT WE DO?

- P&I
- FD&D
- Extended and ancillary covers
- War
- Newbuilding cover



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## THE UNDERWRITER'S ROLE

- Premium Levels
  - Cost of Claims
  - Cost of Reinsurance
  - Cost of Running the Club
  - Reserves
- Terms of Cover
  - Rules
  - International Group Pooling Agreement
  - Reinsurance Terms



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## THE UNDERWRITER'S ROLE – DAY TO DAY

- New Business
  - New Owners – KYC
  - New Members – IGA Business
- Existing Business
  - Addition to Fleet
  - Renewal 20 February



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## THE UNDERWRITER'S ROLE – QUOTING

- Vessel details
  - Age, GT, Type, Flag, Class (IACS)
- Member details
- Owner, Operator, Manager, Charterer
- Trade and crew
- Compatibility
- Trade references
- Financial standing
- Condition of vessel
- Ship type / Member Information
- Claims experience
  - Club wide record
  - Member specific record
- Reinsurance costs
- Administration costs

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## PREMIUM – DEFINITIONS RULE 2

**Premium:**

Amount that can be quantified prior to entry

MUTUAL PREMIUM

FIXED PREMIUM

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## PREMIUM – DEFINITIONS RULE 2

### Call:

Amount that cannot be quantified, but which member may become liable to pay as mutual member

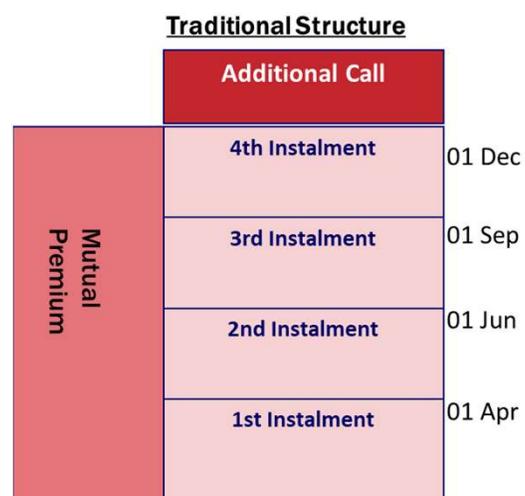
ADDITIONAL CALL

OVERSPILL CALL

RELEASE CALL

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## PREMIUM – STRUCTURE



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## LOSS RATIO

$$\text{Loss Ratio} = \frac{\text{Level of Claims}}{\text{Premium}} \times 100\%$$

Fleet Example:

Claims = US\$300,000  
 Premium = US\$500,000  
 Loss Ratio = 60%

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## LOSS RATIO

### P&I LOSS RATIO REPORT OWNED SHIPS ONLY

POLICY YEAR	NET PREMIUM	CLAIMS PAID	CLAIMS OUTSTANDING	CLAIMS TOTAL	LOSS RATIO %	PRO RATA GT
	USD	USD	USD	USD		
2013	183,437	4,988	0	4,988	2.7	165,946
2014	145,708	0	0	0	0.0	130,658
2015	110,444	0	0	0	0.0	99,673
2016	107,632	0	0	0	0.0	130,431
2017	67,119	3,385	43,275	46,660	69.5	107,061
2018	82,848	0	25,000	25,000	30.2	150,932
<b>Total</b>	<b>697,188</b>	<b>8,373</b>	<b>68,275</b>	<b>76,648</b>	<b>11.0</b>	
2019	66,434	0	0	0	0.0	141,260

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# LOSS RATIO

## P&I LOSS RATIO REPORT OWNED SHIPS ONLY

POLICY YEAR	NET PREMIUM	IG RI COSTS <sup>1</sup>	POOL COSTS <sup>2</sup>	ABATEMENT COSTS <sup>3</sup>	NET NET PREMIUM <sup>4</sup>	CLAIMS PAID	CLAIMS OUTSTANDING	CLAIMS TOTAL	CLAIMS NET OF ABATEMENT <sup>5</sup>	LOSS RATIO %	PRO RATA GT
	USD	USD	USD	USD	USD	USD	USD	USD	USD		
2013	671,230	360,859	75,676	92,366	142,329	157,540	0	157,540	157,540	110.7	509,072
2014	2,992,790	1,329,503	212,668	503,884	946,735	623,353	716,380	1,339,733	1,339,733	141.5	2,249,348
2015	2,840,534	1,176,953	222,883	170,942	1,269,756	312,039	0	312,039	312,039	24.6	2,165,647
2016	2,610,562	1,322,467	174,578	425,395	688,122	2,298,232	49,001	2,347,233	2,347,233	341.1	2,701,043
2017	2,414,018	1,250,692	233,883	478,363	451,080	390,468	98,345	488,813	488,813	108.4	2,826,718
2018	1,511,022	843,015	209,662	508,991	-50,646	3,016,922	7,288,058	10,304,980	3,472,806	-	2,102,414
<b>Total</b>	<b>13,040,156</b>	<b>6,283,489</b>	<b>1,129,350</b>	<b>2,179,941</b>	<b>3,447,376</b>	<b>6,798,554</b>	<b>8,151,784</b>	<b>14,950,338</b>	<b>8,118,164</b>	<b>235.5</b>	
2019	1,593,793	862,804	153,502	279,716	297,771	48,572	612,501	661,073	661,073	222.0	2,189,126

Notes:

<sup>1</sup> - The cost of the International Group Excess Loss Reinsurance Contract calculated using the rates agreed by the IG and allocated according to entered tonnage

<sup>2</sup> - The estimated cost of the Club's contribution to claims on the International Group Pool allocated amongst the membership according to entered tonnage and annualised premium.

<sup>3</sup> - The cost of abated claims, i.e. all claims above the claims cap and below the Pool retention after application of the member's co-insured proportion, as determined for the relevant Policy Year. This cost is apportioned between the membership according to entered tonnage and annualised premium.

<sup>4</sup> - Premium net to the Association after deduction of brokerage, IG RI Costs, Pool Costs and Abatement Costs.

<sup>5</sup> - Member's own claims net of amounts abated.

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# REINSURANCE

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## REINSURANCE

- Re-insurance is passing risk to another insurer
  - Pooling with other Clubs
  - Market Reinsurance
- Purpose of Reinsurance
  - Avoids excessive fluctuation between years and provides stability
  - Provides higher limits of cover
  - Cost effective and efficient use of funds



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## IG REINSURANCE – CONTRACT

- 90 – 95% world's ship owners enter ships in an IG Club
- 13 International Group Clubs
- Levels of cover provided are vast but not defined
- Estimated to be approx. US\$8 billion
- All 13 IG Clubs pool claims
- All 13 buy re-insurance
- RI policy – largest marine policy in the world
- Pooling Agreement & International Group Agreement foundation of P&I
- Sharing of risk then some control of rating required
- TradeWinds "Cartel" – but most efficient system and proven

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## IG REINSURANCE – HYDRA

- Independent reinsurance vehicle/segregated cell company
- Based in Bermuda
- Reinsures each IG Club's liability to the pool within the Lower and Upper Pools - US\$50 xs \$30 million BUT
  - Individual Claiming Club Retentions in the Upper Pools
- Reinsures 30% - 60% of each claim within the First General Excess Layer - US\$80 to US\$580 million

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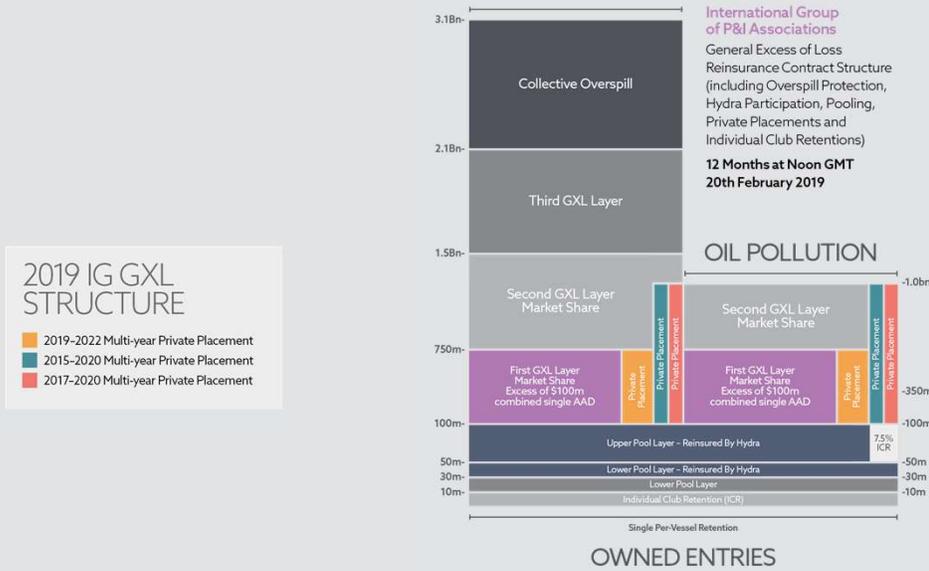
## IG REINSURANCE – COST

**USD**

Category	2018 /19	2019/20	Difference %
Dirty Tankers	0.585	0.575	-0.010
Clean Tankers	0.263	0.258	-0.005
Dries	0.404	0.397	-0.007
Passenger	3.271	3.216	-0.055

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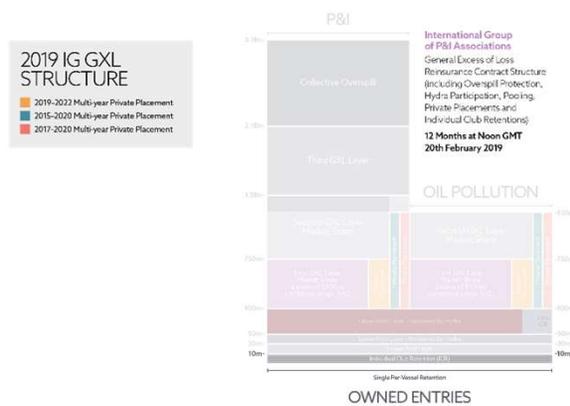
# IG REINSURANCE – STRUCTURE



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# IG REINSURANCE – CLUB RETENTION

## 2019 IG GXL Structure



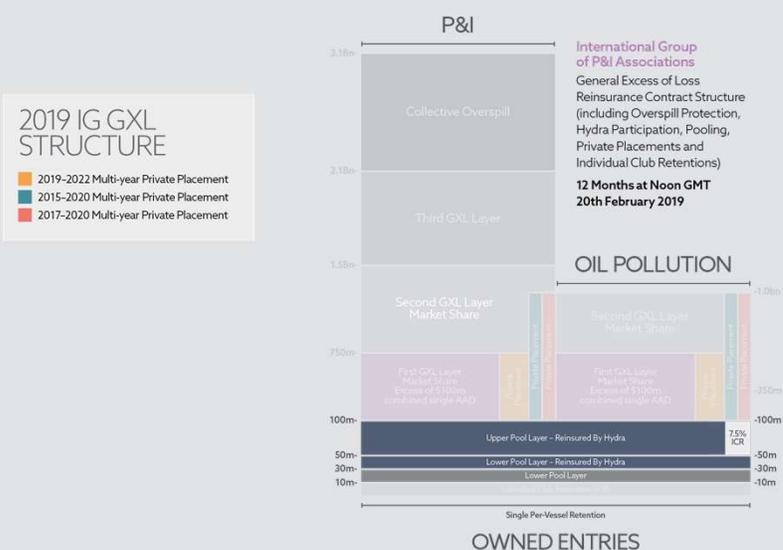
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## IG REINSURANCE – CLUB RETENTION

- Claims up to US\$10 million (currently)
- Maintains underwriting discipline
- Cost Effective
- Retention Reinsurance
  - Excess of Loss
  - Stop Loss

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## IG REINSURANCE – LOWER & UPPER POOL



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## IG REINSURANCE – LOWER POOL

- Claims from US\$10 million to US\$30 million
  - Each Club contributes in relation to:
    - Entered tonnage
    - Total mutual premiums
    - Pool claims record
- Claims from US\$30 – US\$50 million
  - Reinsured by Hydra

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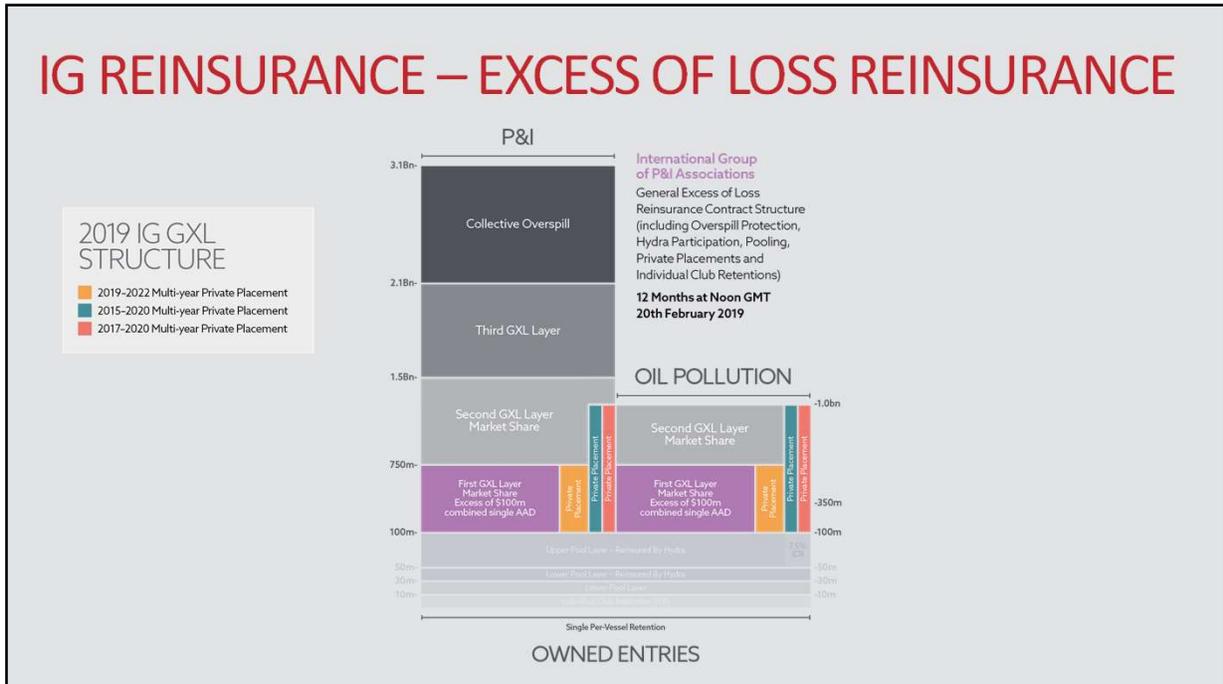
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## IG REINSURANCE – UPPER POOL

- Reinsured by Hydra
- “Upper” Pool Claims
  - from US\$50m to US\$100m
  - 7.5% Back to individual club responsible for claim

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## IG REINSURANCE – EXCESS OF LOSS REINSURANCE



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## IG REINSURANCE – EXCESS OF LOSS REINSURANCE

- The General Excess of Loss Contract
- Multi-Year Fixed Contract
- First GXL Layer (US\$100m to US\$600m) / Hydra Participation
- Second GXL Layer (US\$600m to US\$1.1b)
- Third GXL Layer (US\$1.1b to US\$2.1b)
- Lloyds and world markets
- Costs apportioned on record and exposure

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## IG REINSURANCE – OVERSPILL PROTECTION

- Further US1b of protection (US\$2.1b to US\$3.1b) above Hydra pool/GXL participation
- Upper limit not fixed precisely
- Currently approximately US\$8 billion

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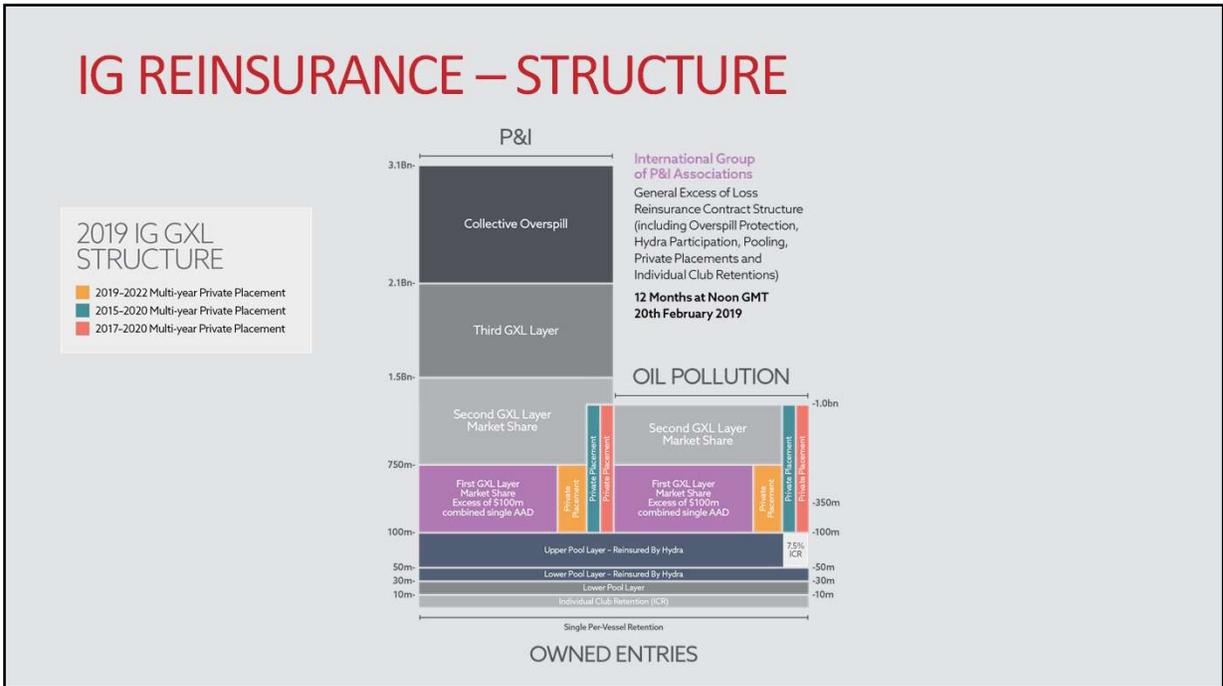
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## IG REINSURANCE – EXCESS OF OVERSPILL

- Back to individual Clubs
- Upper limit not fixed precisely
- Currently approximately US\$8 billion

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# IG REINSURANCE – STRUCTURE



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## SUMMARY

<https://vimeo.com/310965011>

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## SUMMARY

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