



The P&I market now and in the future

Will premiums go up

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Skuld



Skuld Profile

- The Skuld name (Goddess of Fate)
- Offices widespread
- Market focus: Scandinavia, Europe, North America and Far East
- Focus on technical results
- Extensive in-house services
- Pro-active casualty approach
- A-rating by S&P
- Member of the International Group of P&I Clubs



The International Group - IG

- comprises 13 non-profit-making mutual insurance associations (“Clubs”) –
- and insure over 90% of world ocean-going tonnage
- and insure over 95% of ocean-going tankers

The International Group

Group functions

- to co-ordinate the operation of the claims pooling agreement for claims in excess of the individual club retention (\$7m) and the collective reinsurance for the Group clubs (\$50m - \$3.05bn)
- to provide a forum for the exchange of information between clubs and other maritime organisations and sectors
- to represent the views of clubs' shipowner members on matters of concern to the shipping industry in relation to insurance and liability issues

The International Group

More than 80 sub-committees and working groups, including:

- Bills of lading
- Claims Co-operation
- Compulsory 3rd Party Liability Insurance
- Capital Adequacy
- Maritime Security
- Blue Cards
- Personal Injury
- Pilotage
- Pollution
- Regulatory Affairs
- Reinsurance
- Representation
- Salvage
- Ships' Standards
- Ship Technical
- War and Terrorism

The International Group

Group liaison and consultation roles

- inter-governmental bodies such as IMO, IOPC Funds, UNCTAD, UNCITRAL and OECD
- national governments and EU organisations and agencies
- other industry organisations such as BIMCO, ICS, Intertanko, OCIMF, ITOPF and Intercargo
- promoting and encouraging industry positions on practical and legislative issues
- providing technical advice and input in the drafting of new legislation, regulations, conventions and protocols

The International Group

Current and future issues and challenges include:

- Adverse claims environment
- Competition legislation and regulations
- Threat of national and regional challenges to the international Convention system
- National/supranational pressures to increase liabilities and compensation levels
- Reinsurance capacity
- Increased political and public focus on ship quality and standards

HEBEI SPIRIT



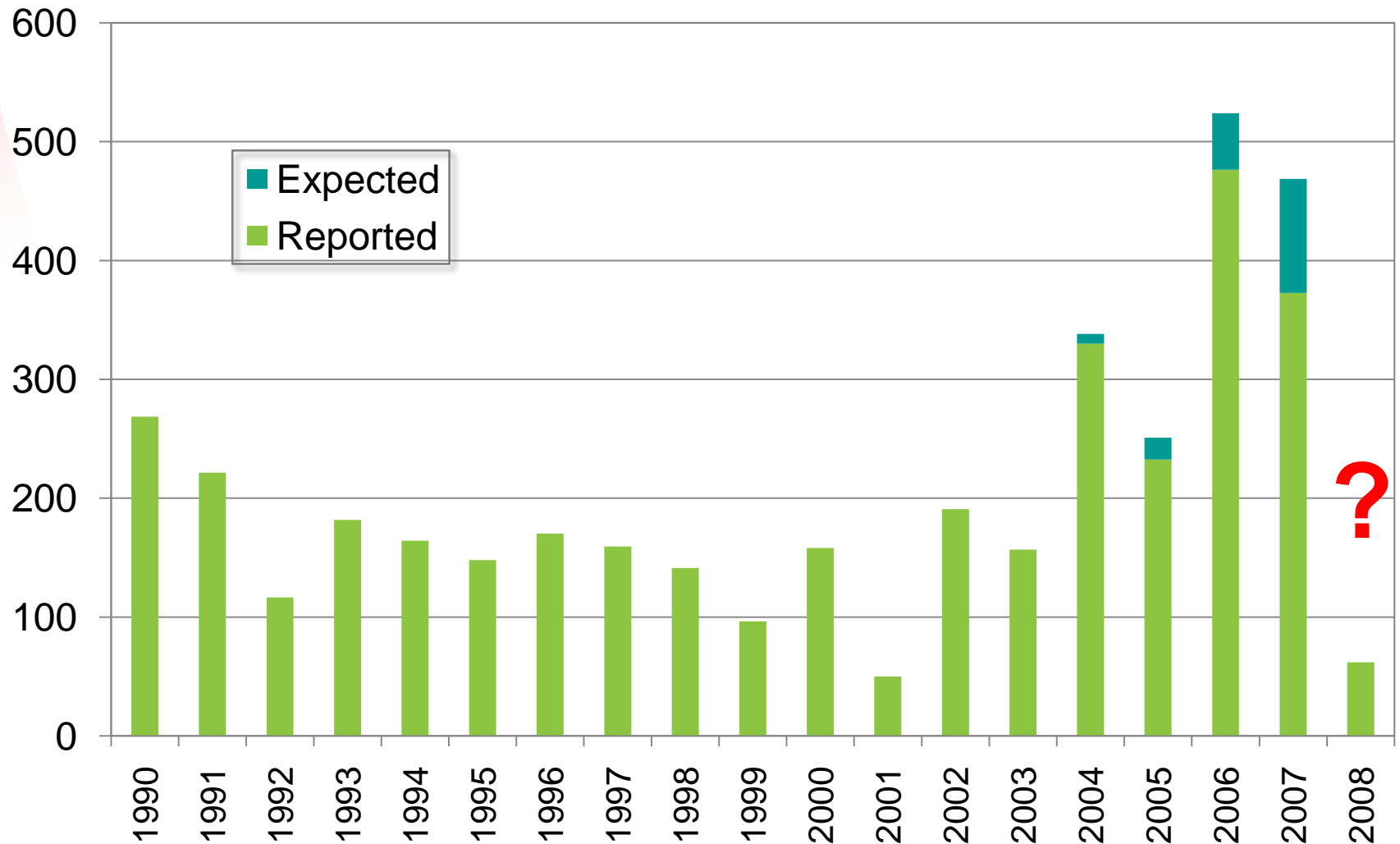
HEBEI SPIRIT – Daesan Korea 7 Dec 2007

What happened

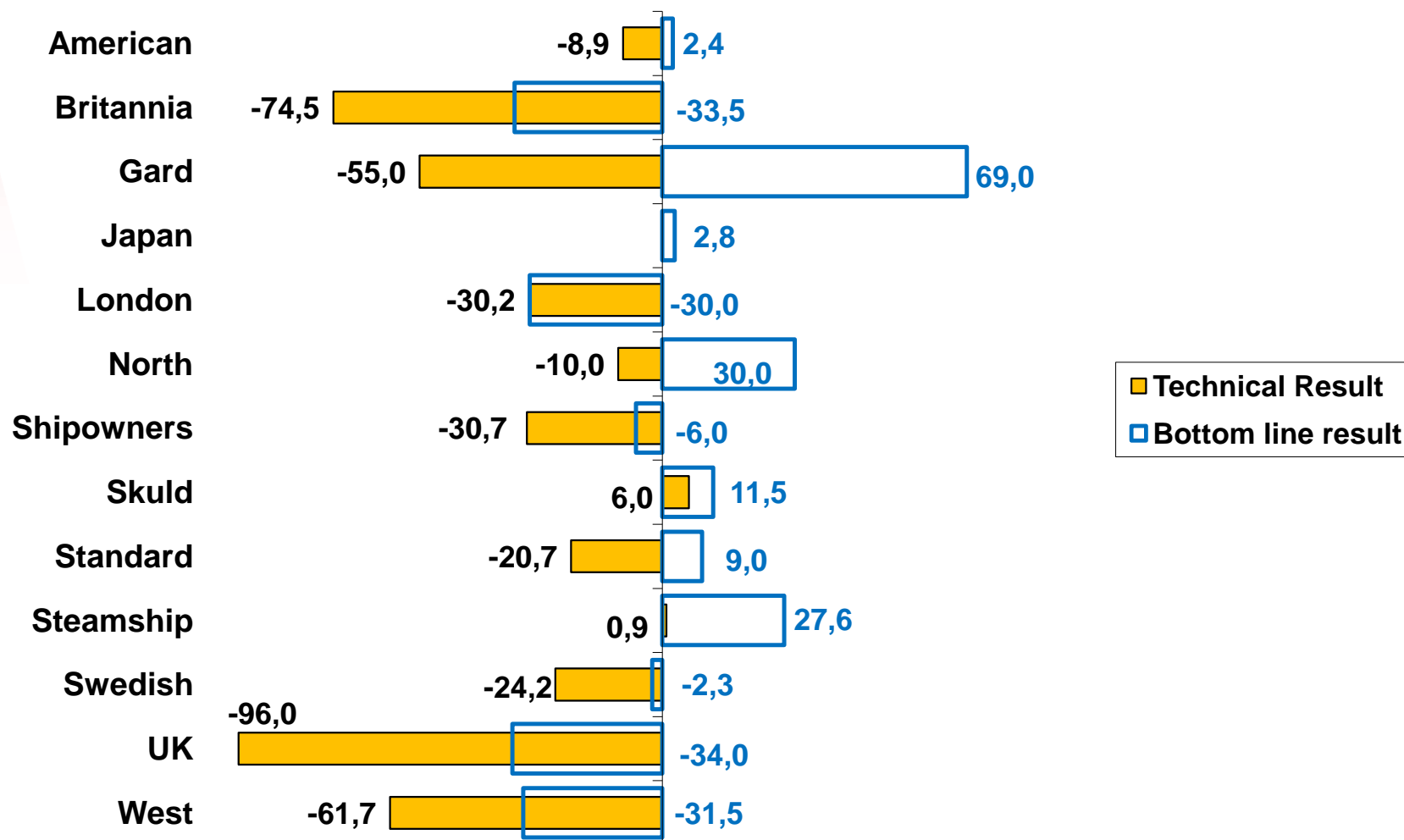
- Hebei Spirit at anchor
- Damage to port side
- Approx 12,000 Mts lost
- Conventions
 - CLC USD 142 M
 - Fund USD 175 M – 317m
 - (Sup F USD 854M) – 1.171m
- Criminal Liability



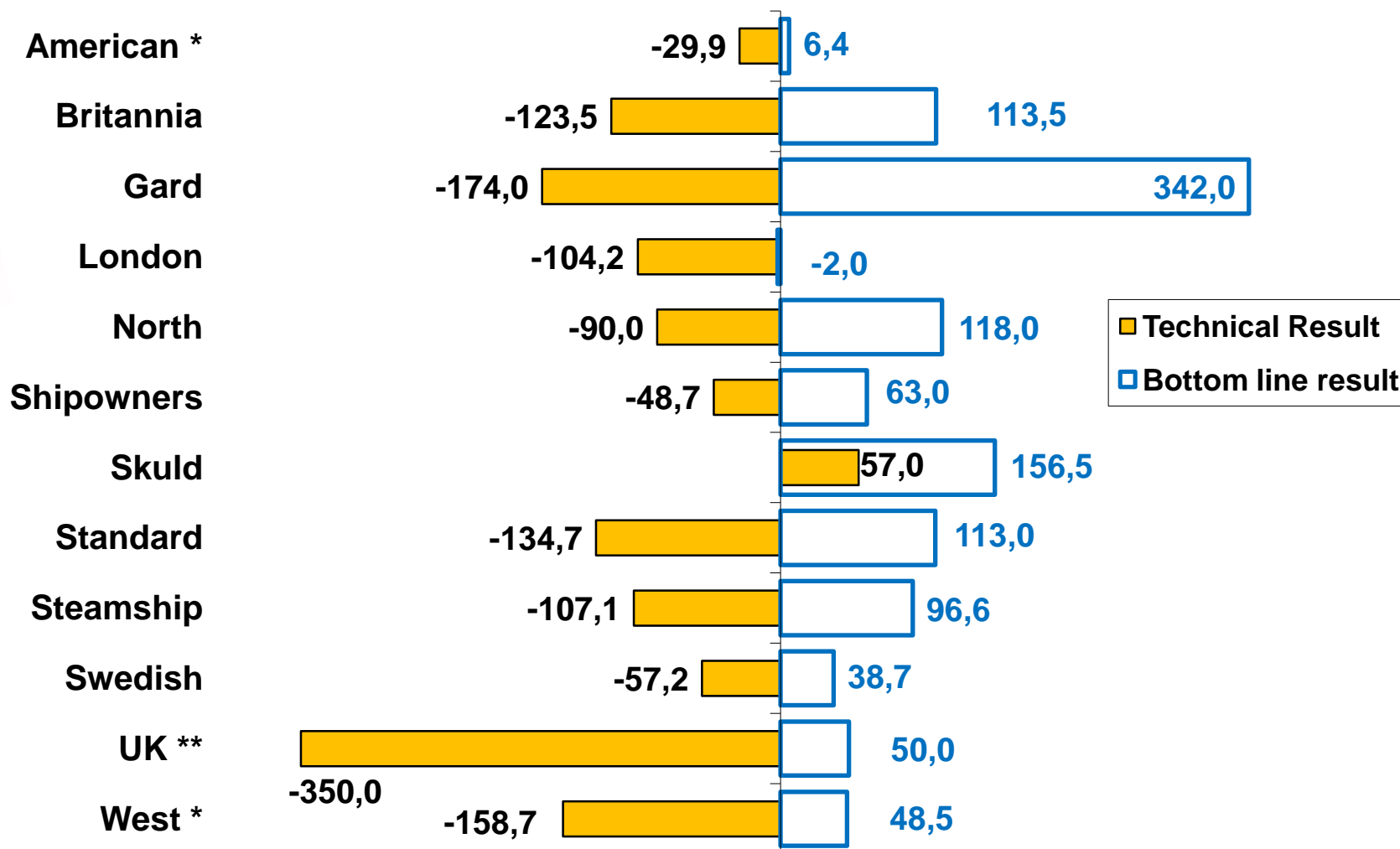
Pool claims have gone through the roof!



Club results for 2007 (mill USD)



Sum of Club results 2003 - 2007 (mUSD)

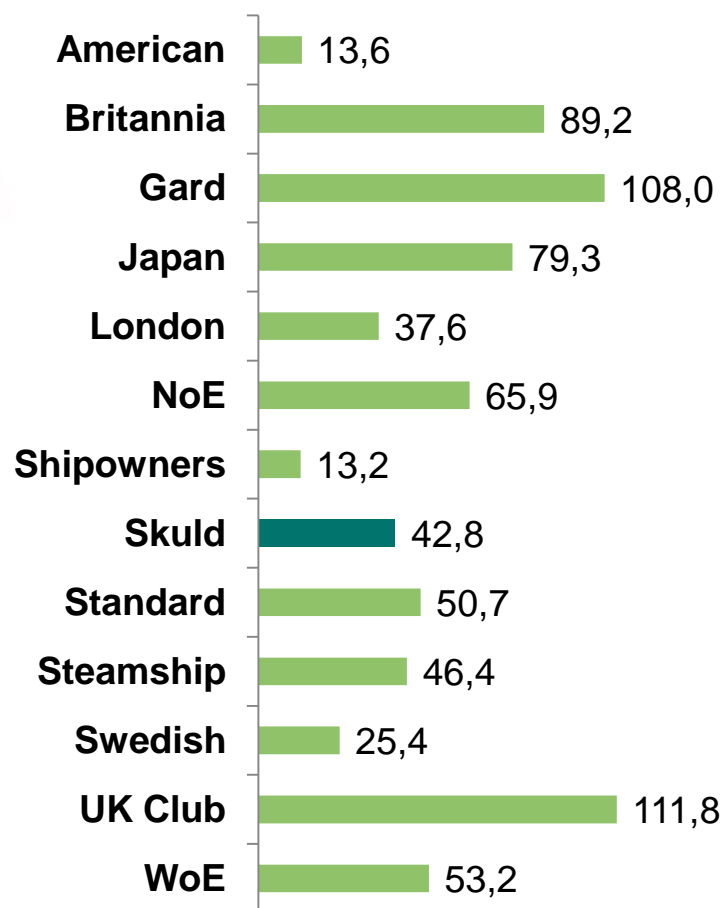


*) After extraordinary supplementary calls

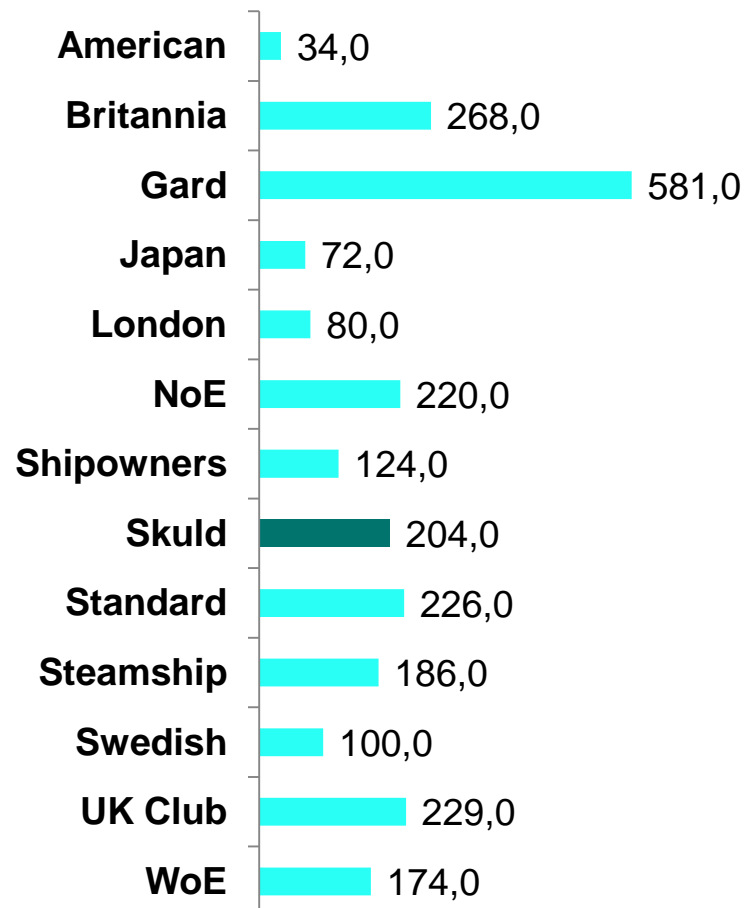
***) After ART

Club positions as of 20.02.2008

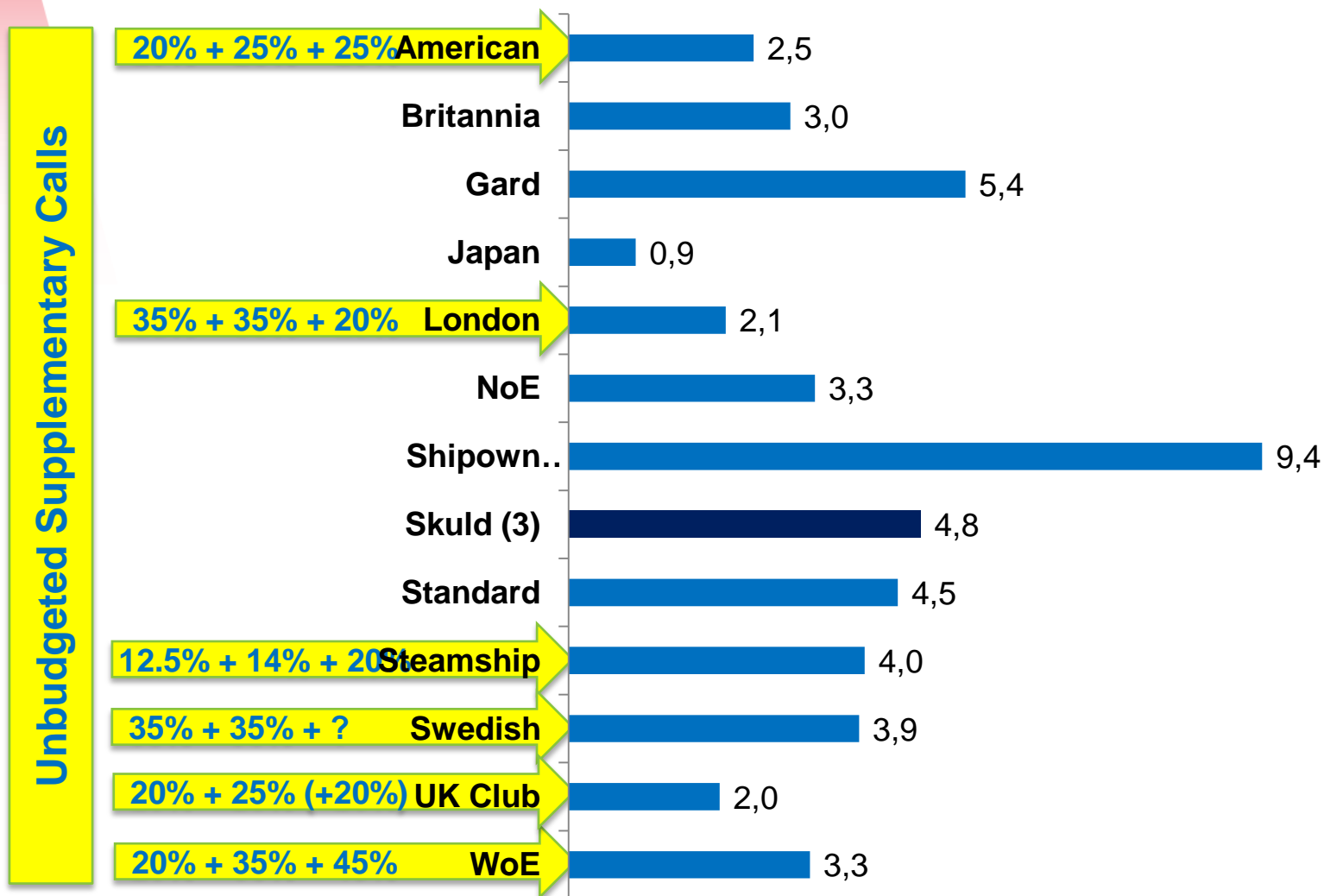
Mutual GT (mill)



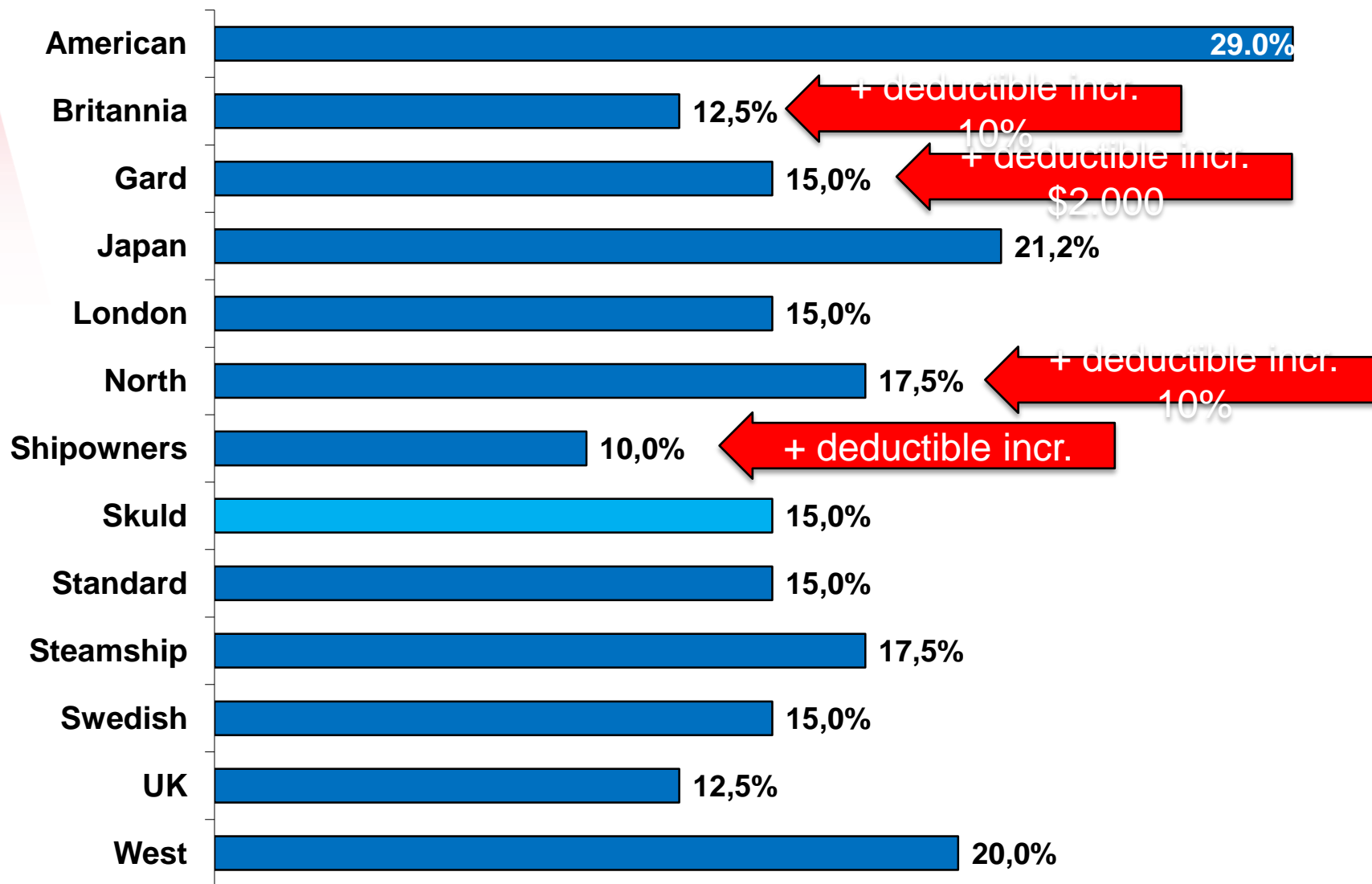
Free reserves (MUSD)



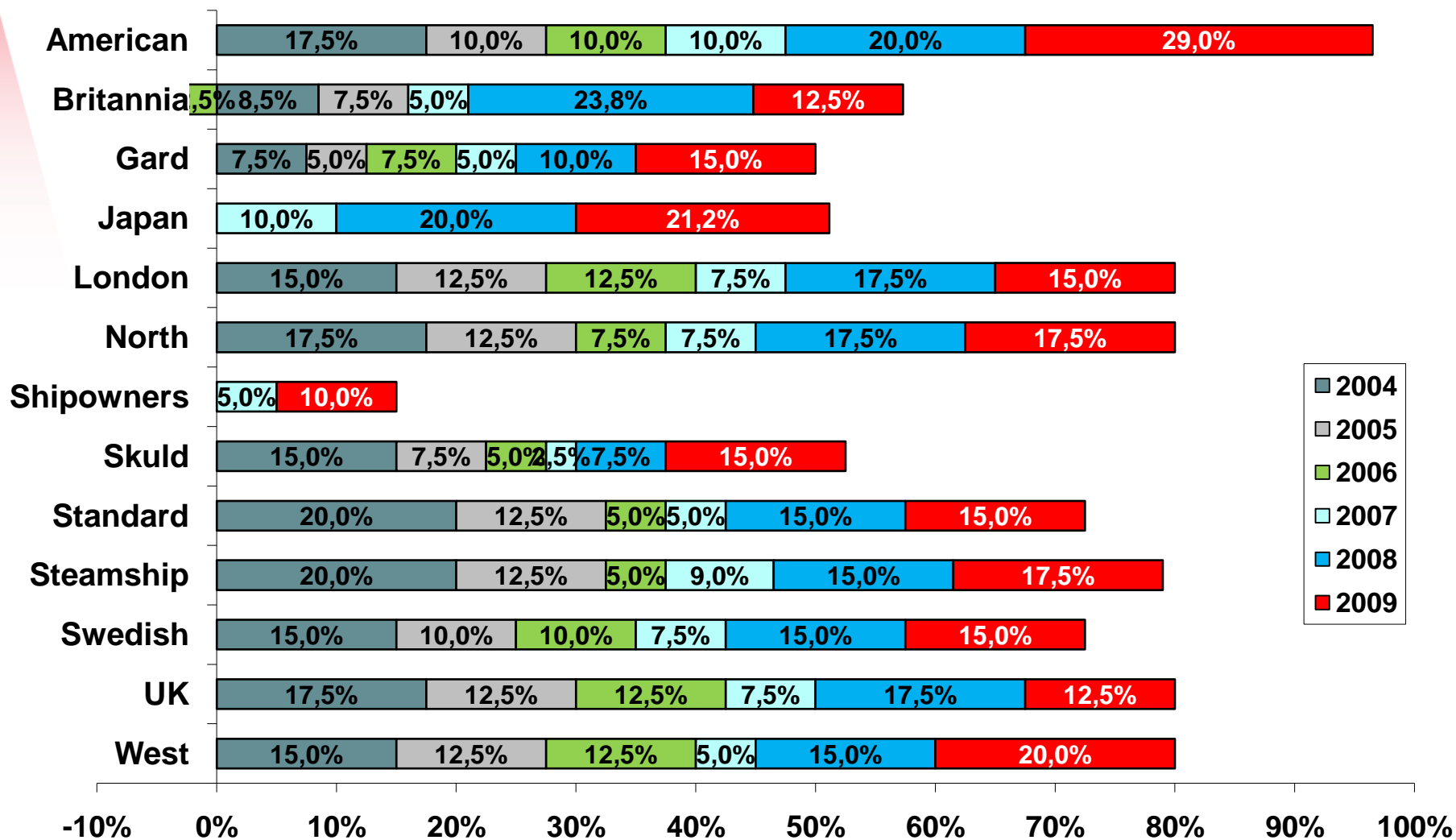
Free reserves per GT 20.02.2008



General Increases by P&I Clubs for 20/2/09



History of annual General Increases 2004 - 2009



Future environment

- **Uncitral - The Rotterdam Rules**
 - Nautical fault and fault in the management of the vessel gone
 - Limits increased SDR 666.7/875 = 31% and SDR2/3 = 50%
 - Exercise due diligence to make the ship seaworthy before/throughout the voyage
 - Time for suit 1year/2years
- **EU – Regional solution?**
 - European Commission stated that Rotterdam Rules do not conform with European multi modal expectations
- **EU – Passengers**
 - Increased limits - Delay compensation after 1 hour

Summary

- Premiums
 - Yes premiums will go up

- Market consolidation
 - True Club mergers are complicated, if not unlikely
 - Take-overs are possible, if not probable

Summary continued

- The financial crisis combined with Club results and increasing capital requirements (Solvency II) is a challenge for the industry
- Skuld has built financial strength through
 - Constant business process development
 - Continued positive technical results by accurate and prudent underwriting
- Product development is core on our current agenda
- Skuld is well positioned for the future!



• End of presentation