

“MARINE” IN COMPANY NAMES

You might remember Tokio Marine (the largest insurer in Japan)



TOKIO MARINE

There are a few other companies with “Marine” in their names:
in Japan



Mitsui Marine and Fire Insurance Co. Ltd. (3rd largest in Japan)

The Fuji Fire & Marine Insurance Co. (AIG in Japan)

The Asahi Fire & Marine Insurance Co.

The Daido Fire & Marine Insurance Co.

The Kyoei Fire & Marine Insurance Co.

The Nisshin Fire & Marine Insurance Co.



in South Korea



Samsung Fire & Marine Insurance Co.

Hyundai Marine & Fire Insurance Co.

Meritz Fire and Marine Insurance Co.



in the USA

St. Paul Fire & Marine Insurance Co.

International Marine Underwriters

Samsung Fire & Marine Management Corporation, New Jersey

Navigators Group, Inc. (also at Lloyd's)



and in Europe



Marine Insurance Co. (subsidiary of RSA) (UK)

Sunderland Marine Mutual Insurance Co.

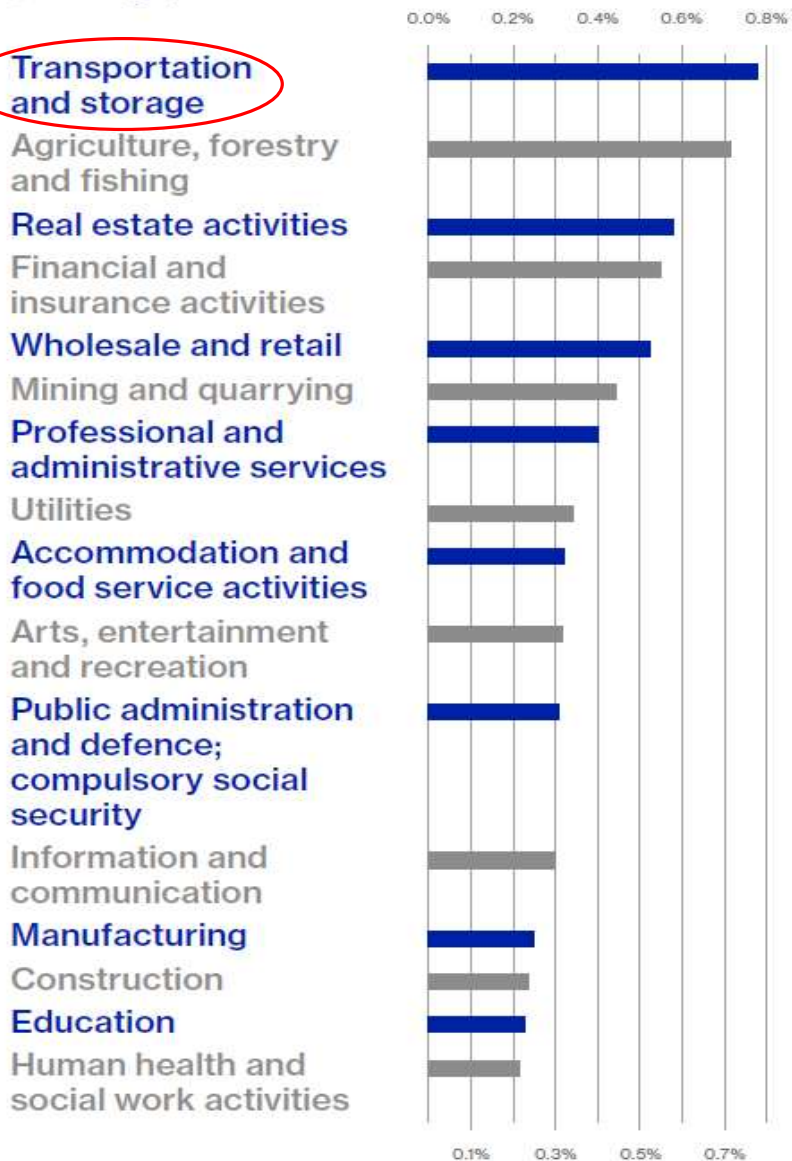
Samsung Fire & Marine Insurance Company of Europe Ltd, London



INDUSTRIAL INSURANCE PENETRATION

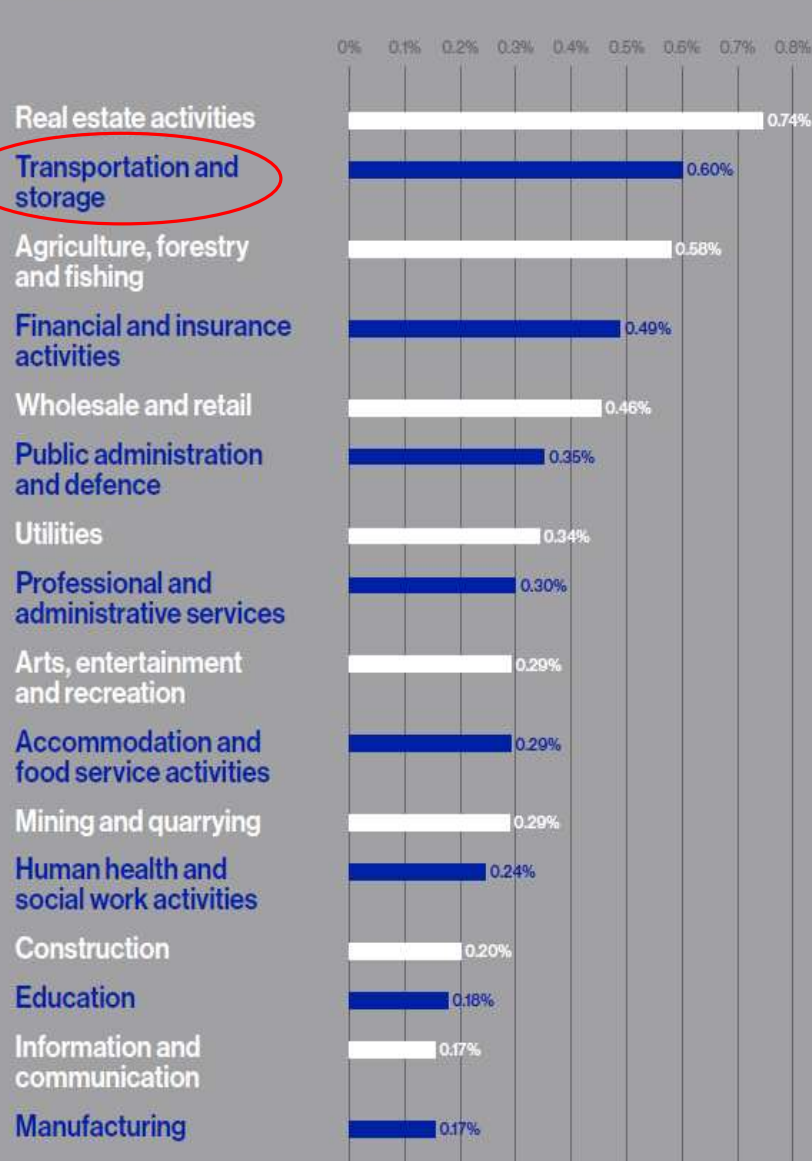
Average industrial insurance penetration
(2012 figs)

2012



Average industrial insurance penetration
(2018 figs)

2018



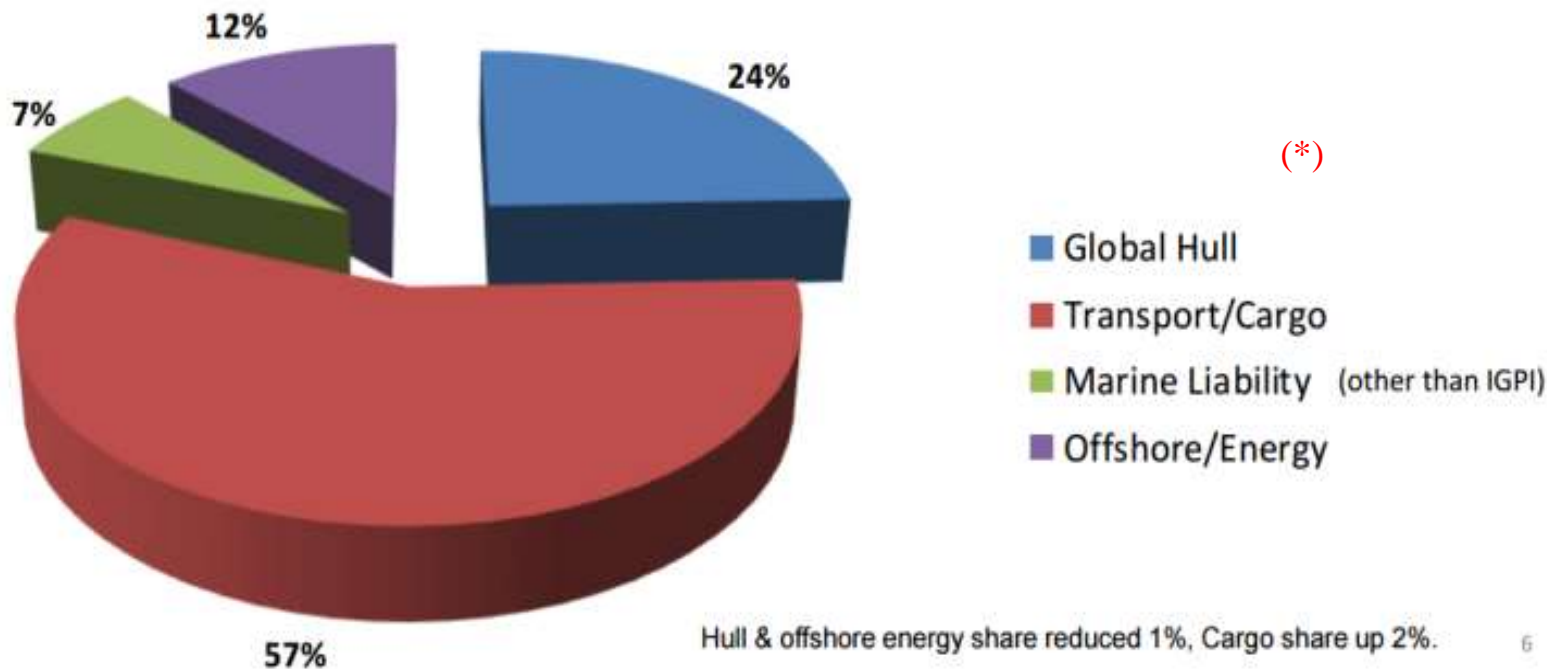
MARINE PREMIUMS - WORLD-WIDE

Marine Premium 2017

by line of business

Total estimate 2017: 28.5 USD billion / Change 2016 to 2017: +2%

NB: Exchange rate effects!



(°)

(*)

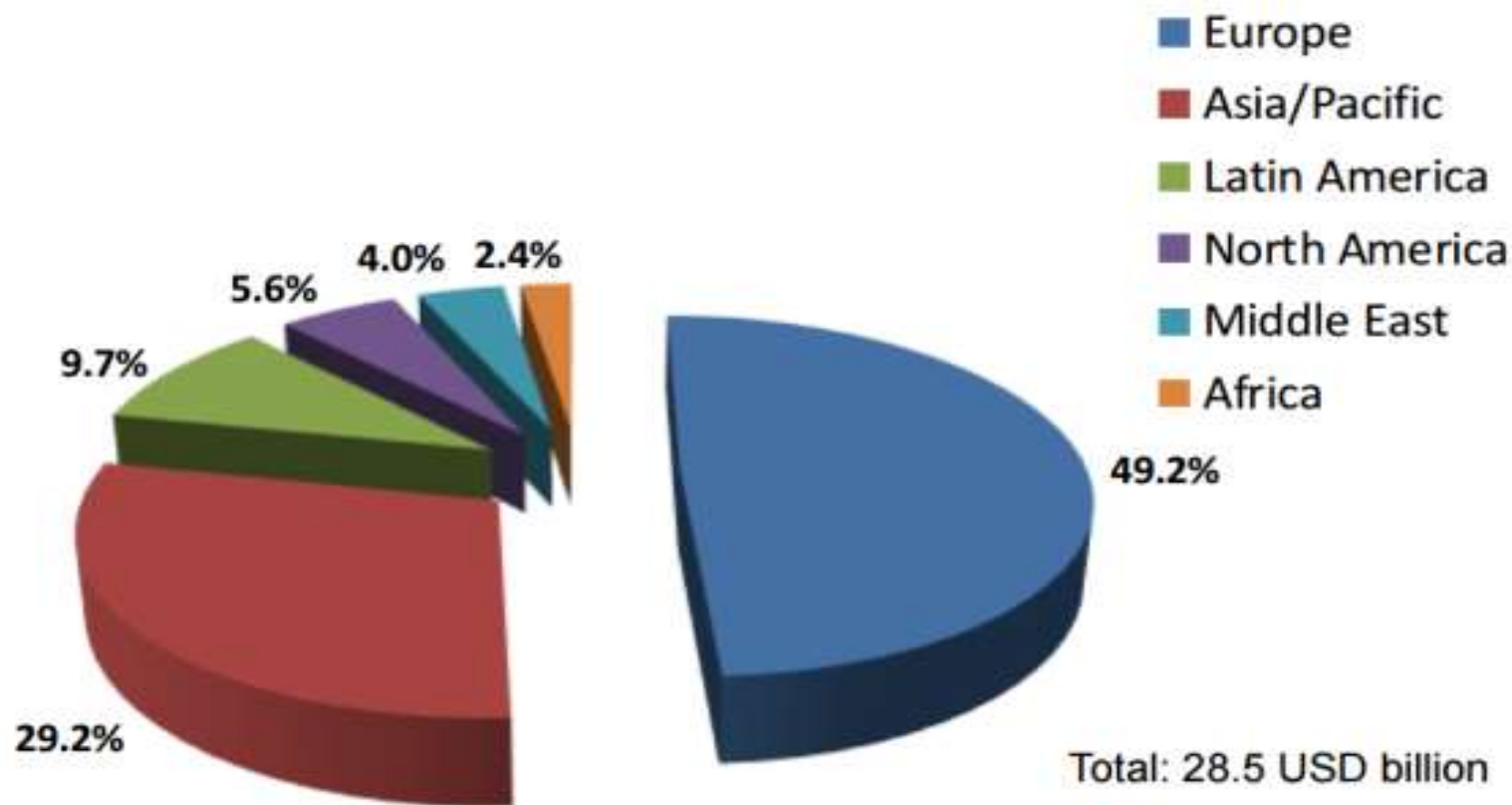
(°)

PREMIUMS IN 2017

BY REGION

Marine Premiums 2017

by region

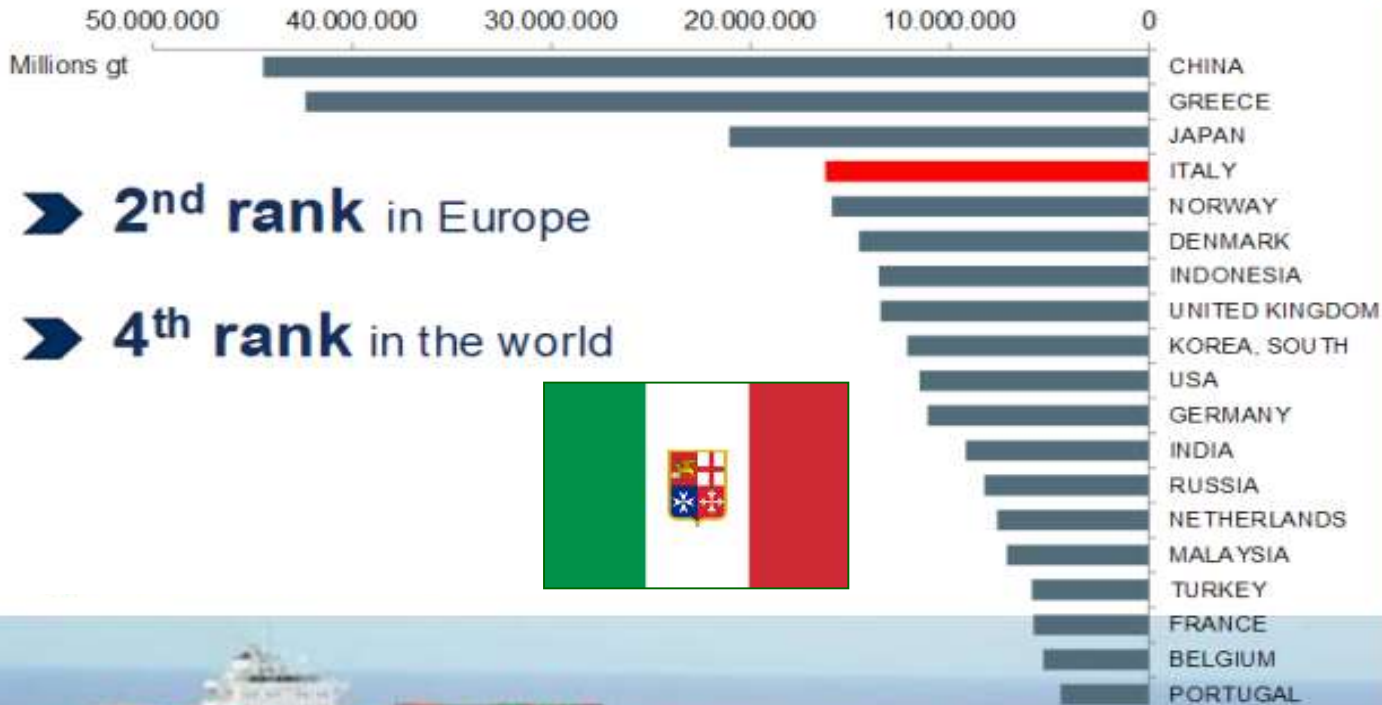


ITALY AND THE MARITIME WORLD - 1

Genova
18-21 September 2016

IUMI

ITALIAN FLEET



ITALY AND THE MARITIME WORLD - 2

Italian Ro-ro cargo, ro-ro pax and cruise markets continue to expand



World leading ro-ro fleets

	Paesi/Countries	Passenger ro-ro cargo		Ro-ro cargo		Totale Total	
		N.	GT	N.	GT	N.	GT
1	ITALIA/Italy	191	2.353.429	60	2.673.368	251	5.026.797
2	Giappone/Japan	261	900.327	75	563.048	336	1.463.375
3	Regno Unito/UK	108	898.224	17	428.531	125	1.326.755
4	Svezia/Sweden	56	798.041	20	497.955	76	1.295.996
5	Cina/China	117	1.224.316	9	49.387	126	1.273.703
6	Finlandia/Finland	46	562.397	33	550.671	79	1.113.068
7	Panama	55	489.853	86	577.306	141	1.067.159
8	Grecia/Greece	174	982.868	5	33.471	179	1.016.339
9	Malta	13	199.785	24	562.762	37	762.547
10	Turchia/Turkey	67	144.008	34	612.144	101	756.152
11	Francia/France	47	708.564	3	28.394	50	736.958
12	Danimarca/Denmark	64	388.230	14	402.433	78	790.663
13	Indonesia	224	491.075	33	180.059	257	671.134
14	Usa	102	264.590	12	401.201	114	665.791
15	Norvegia/Norway	300	660.066	5	288.523	305	948.589
16	Cipro/Cyprus	37	552.531	6	94.311	43	646.842
17	Paesi Bassi/Netherlands	18	279.586	17	312.970	35	592.556
18	Canada	98	489.792	11	86.352	109	576.144
19	Bahamas	23	464.889	8	79.446	31	544.335
20	Spagna/Spain	33	481.092	6	47.124	39	528.216
	Altri/Others	850	3.229.475	342	3.230.016	1.192	6.459.491
	TOTALE TOTAL	2.884	16.563.138	820	11.699.472	3.704	28.262.610

Include/Included Passenger/Ferry, Passenger ro-ro cargo, Passenger ro-ro/Cargo Ferry and ro-ro freight/passenger ships

Fonte/Source: elaborazione Confitarma su dati Clarkson Research Services Ltd Confitarma processing of Clarkson Research Services Ltd data



MARINE INSURANCE MARKETS IN 2006

(*) London Market: 5,507

5 times Italy



Market	2006 Premiums (\$m)	
01. Lloyd's (UK)	(*) <u>4,791</u>	4.39 times Italy
02. Japan	2,222	
03. USA	2,063	
04. Germany	1,587	
05. France	1,171	
06. Italy	<u>1,092</u>	
07. Norway	773	
08. IUA (UK) (former ILU)	(*) <u>716</u>	0.66 times Italy
09. Spain	675	
10. Netherlands	649	
11. South Korea	549	
12. Brazil	533	
13. Australia	412	
14. Belgium	320	
15. Malaysia	286	
16. Sweden	279	
17. Switzerland	278	
18. India	260	
19. Canada	241	
20. Singapore	205	
TOTAL (excluding P&I)	22,330	





MARINE INSURANCE MARKETS IN 2017

Total US\$ 28,444m



(*) Total UK: 7,083m

8.3 times Italy

Market	Premiums (\$m)	
01. Lloyd's (UK)	(*) 5,136	6 times Italy
02. IUA (UK)	(*) 1,947	2.3 times Italy
03. China	2,277	
04. Japan	2,112	
05. USA	1,416	
06. Germany	1,299	
07. Singapore	1,216	
08. Brazil	1,054	
09. France	1,052	
10. Mexico	870	
11. Italy	853	
12. Nordic (NO-SE-DK-FI: mainly Hull)	706	
13. South Korea	485	
14. India	451	
15. Russia	435	
16. Netherlands	424	
17. United Arab Emirates	410	(estimated)
18. Belgium	355	
19. Spain	347	
20. Indonesia	337	(estimated)
20. Australia	320	
21. Qatar	287	(estimated)
22. Malaysia	267	
23. Switzerland	244	
24. Turkey	237	
25. Saudi Arabia	195	(estimated)
26. Sweden	178	

IMPORTANT ORGANIZATIONS - 1

LLOYD'S

(1688)



SALVAGE ASSOCIATION

(1856)

(incorporated by Royal Charter, non-profit)

(in 2001 acquired by BMT Ltd.)

- conducts surveys
- supervises salvage operations
- available to underwriters, shipowners and others



I. L. U.

(1884)

(now part of IUA)



I. U. M. I.

(Berlin, 1874)

- to provide a forum for the improvement of the business
- to defend common interests
- to make contacts between markets
- to exchange information



IMPORTANT ORGANIZATIONS - 2



ASSOCIATION OF AVERAGE ADJUSTERS (1876)

- to insure uniformity in the preparation and statement of claims
- great influence on the law and practice of marine insurance



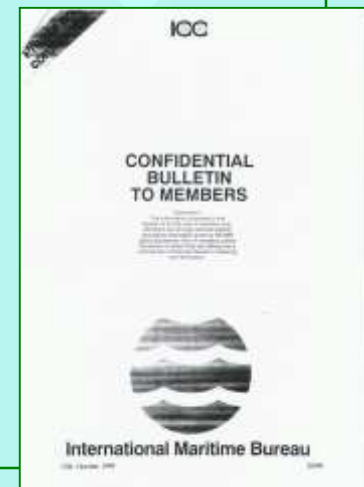
CLASSIFICATION SOCIETIES (Lloyd's Register of Shipping - 1764)

- set up by underwriters to be supplied with information on ships
- now controlled by impartial committees representing all shipping interests



INTERNATIONAL MARITIME BUREAU (1981) (London) (ICC Commercial Crime Services)

Commercial crime is growing faster than international trade. Frauds are more complex and involve larger sums than ever before. IMB has saved companies and individual investors billions of dollars in potential fraud and theft through its ability to recognize early warning signs. IMB has observer status with Interpol.



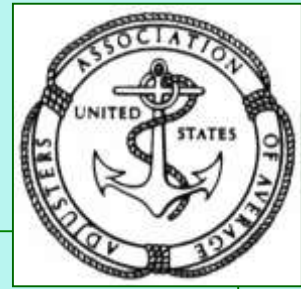


1869

AVERAGE ADJUSTERS



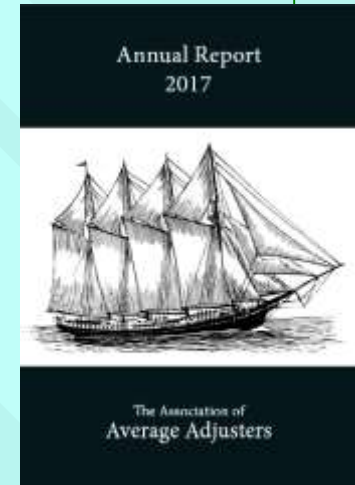
1879



Average Adjusters are expert in the law and practice of general average and marine insurance.

Average Adjusters may be appointed by any party involved in a marine claim.

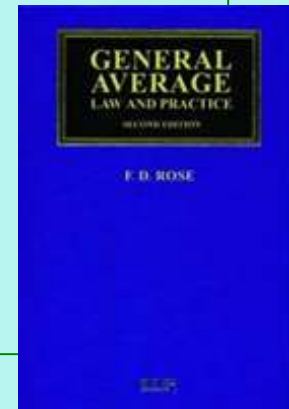
However, irrespective of the identity of that party, the Average Adjuster is bound to act in an impartial and independent manner.



Members of the Association of Average Adjusters have taken exacting examinations to ensure they meet the standards required by industry and then pledge to adhere to strict codes of conduct.



Marine only



LONDON - Today - 1



- Lloyd's of London
- Institute of London Underwriters (now : IUA)
- Lloyd's Register of Shipping
- Salvage Association
- IMO (International Maritime Organisation)
- LLP (formerly Lloyd's of London Press)
- Chartered Insurance Institute





LONDON - Today - 2



- The Baltic Exchange (18th Century)
- Institute of Chartered Shipbrokers
- Chartered Institute of Arbitrators
- International Association of Classification Societies
- International Salvage Union
- International Chamber of Shipping
- Witherby's



LLOYD'S OF LONDON - 1

Years of underwriting
experience: **330**



The Corporation of Lloyd's does not accept insurance.

It **provides** premises, administration and services. It is financed mainly by **subscriptions** from the **underwriting members**.

The elected Council appoints the Chairman and (also through the Franchise Board) oversees the Market, sets standards, approves business plans and manages the Central Fund.

Each member of a syndicate provides capital to support its underwriting.

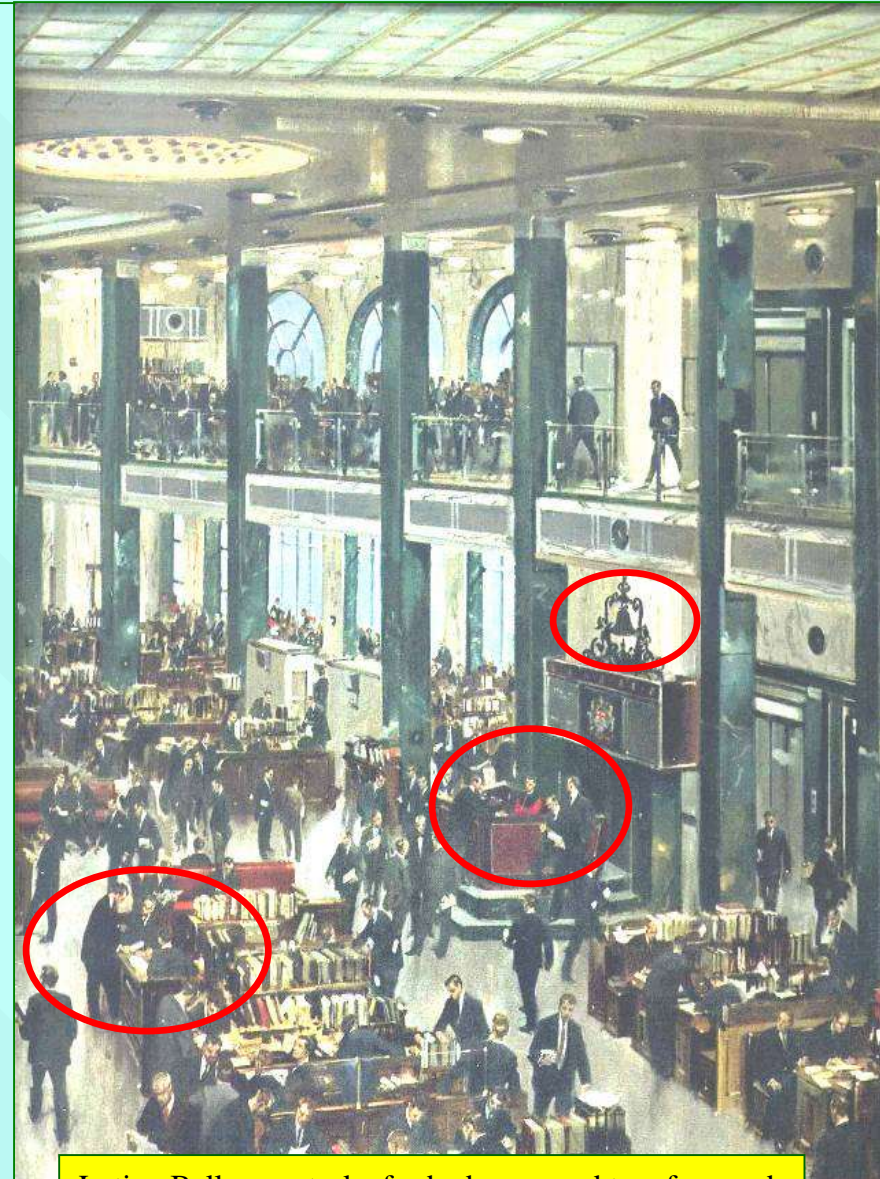
2017: 95 Lloyd's syndicates (the insurers) are run by **56** managing agents (in some cases they are also the capital providers).



Lloyd's and Managing Agents are regulated by the PRA and the FCA.



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



Lutine Bell: one stroke for bad news and two for good

LLOYD'S OF LONDON - 2

CAPITAL AT RISK AT LLOYD'S

For about 300 years: only “Names” with unlimited liability. In **1994** corporate capital was introduced.

Lloyd's capital providers 2018

US insurance industry	20.5%
Japan insurance industry	13.7%
UK insurance industry	13.4%
European insurance industry	12.8%
Bermudian insurance industry	12.6%
Private capital - limited and unlimited	10.5%
Rest of the World insurance industry	9.9%
Worldwide non-insurance	3.3%
Middle/Far East insurance industry	3.3%



Some examples



MS&AD
Insurance Group

Mitsui Sumitomo (JP),



LLOYD'S OF LONDON - 3

Premium Income (2017)

? 50% from USA & Canada
 15% from UK
 14% rest of Europe
 10% Central Asia &
 Asia Pacific
 6% other Americas
 5% rest of the World

These are the principal categories of business at Lloyd's (2016).

	All Regions	Rest of Europe
• Reinsurance	31%	29%
• Property	27%	20%
• Casualty	24%	22%
• Marine	8%	18%
• Energy	4%	4%
• Motor	4%	3%
• Aviation	2%	4%



Marine Insurance premium at Lloyd's (% of total income), including Aviation, Energy (estim. 75%) and Reinsurance (21%): 19.51%. From Rest of Europe: 31.09%

Licensed to underwrite direct insurance in over 75 countries.
 It can accept reinsurance from 220 countries and territories.



LLOYD'S OF LONDON - 4



Why so much (50%) from (mainly) the USA ?



For some obvious reasons, like the size of the US economy.

And for a less obvious, but not less important, historical reason: trust.



On 18 April 1906, San Francisco shook, crumbled and then burned to the ground. A massive earthquake brought the city to its knees, sparking fires that raged out of control for 3 days, taking several thousand lives and making half of the population homeless.

Cuthbert E. Heath



“Pay all of our policy holders in full, irrespective of the terms of their policies”



LLOYD'S OF LONDON - 5

LLOYD'S BROKERS

The only brokers who can place business directly at Lloyd's. All other brokers may obtain a Lloyd's policy only through a Lloyd's Broker. They are regulated by the FCA.



2001

Broker accreditation process: to encourage more brokers to access the market. From the regions of the UK and from overseas. 40 brokers applied, 18 (6 from overseas) were accredited.



Willis Towers Watson

End of 2017 - Number of Lloyd's Brokers : **287**

Brokers are directly responsible to the insurer for the premium
(this applies only to **Marine Insurance**)



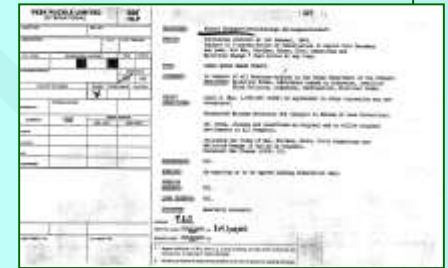
THE ACTUAL PLACING OF A RISK



A **slip** is a piece of light cardboard, bent many times to make it easier to handle. In a standard form it contains all the **details of a risk** to be placed in the market.



The Broker opens the **placing slip** in front of the prospective **Leading Underwriter** and can add any further information on paper, so that the underwriter can decide whether to “write it” (participate in the contract) at his conditions and premium rates and what “line” (participation in percentage) to write. The leader will stamp the slip and write his “line”.



The Broker reports progress to his client: he has an interested underwriter at such and such conditions and rates. If the client is happy with that, the Broker continues the placement. He offers other underwriters to participate at the conditions and rates agreed with the Leader. If they also agree, they will stamp the slip and write their “lines”.

When he has reached a reasonable percentage of placement and is sure to complete it, he asks his client for a **firm order** (definite), after which he completes the placement. Sometimes the slip “signs down” (more than 100% is placed): a proportional adjustment will be made.



A **signing slip** will be prepared, a copy of the placing slip, but all typed and containing the final share of each participant. This slip will be signed only by the leader and then will be taken to the Policy Signing Office to have the policy issued and to prepare all the consequent administrative work (endorsements, certificates, premiums, claims, etc.).

LLOYD'S OF LONDON - 6

BINDER BUSINESS

Coverholders (3,797 in 2017) are local agents with authority to write insurance on behalf of Lloyd's syndicates, allowing them to operate in countries as if they were a local insurer. A Lloyd's Broker may act as a Coverholder.

Service Companies (381 in 2017) are wholly owned subsidiaries of managing agents. Unlike Coverholders, they can sub-delegate underwriting authority to other Coverholders.

2002: Underwriters who “**give away their pens**” will need to carry out regular reviews and audits on their coverholders.

Reports should consider underwriting, financial management, staff experience, reserving system.

In 2010 Lloyd's undertook initiatives to improve market access for coverholders.

From the Annual Report 2012: Lloyd's developed a revised application process with the aim of completing branch approvals within a maximum target of one working week.



2015: **4,008** Coverholders generated **31%** of total premium income written by the Lloyd's market.



LLOYD'S OF LONDON - 7

UNDERWRITING CAPACITY

The underwriting **capacity** of a member of Lloyd's is the maximum amount of premium income (net of brokerage) which may be accepted by the member for any underwriting year.

Also called the "Overall Premium Limit" (OPL).

2001	: £ 11,100m	
2002	: £ 12,300m	
2003	: £ 14,900m	
2004	: £ 14,960m	
2005	: £ 13,720m	
2006	: £ 14,800m	
2007	: £ 16,100m	
2008	: £ 15,950m	
2009	: £ 17,000m (est.)	
2010	: £ 23,000m	"
...		
2014	: £ 31,680m	"
2015	: £ 26,000m	"



RESULTS - 1

Year 2000 : £ 1,211 million loss

2001 (including Sept. 11) : £ 3,110 million loss

No. of “Names”: In the early 90’s : **34,000**. In 2002 : **2,490**.

<u>No. of syndicates</u> :	<u>1992</u> :	<u>354</u>	2010 :	85
	1998 :	156	2012 :	87
	1999 :	139	2014 :	94
	2001 :	86	2015 :	97
	2009 :	80	<u>2017</u> :	<u>95</u>



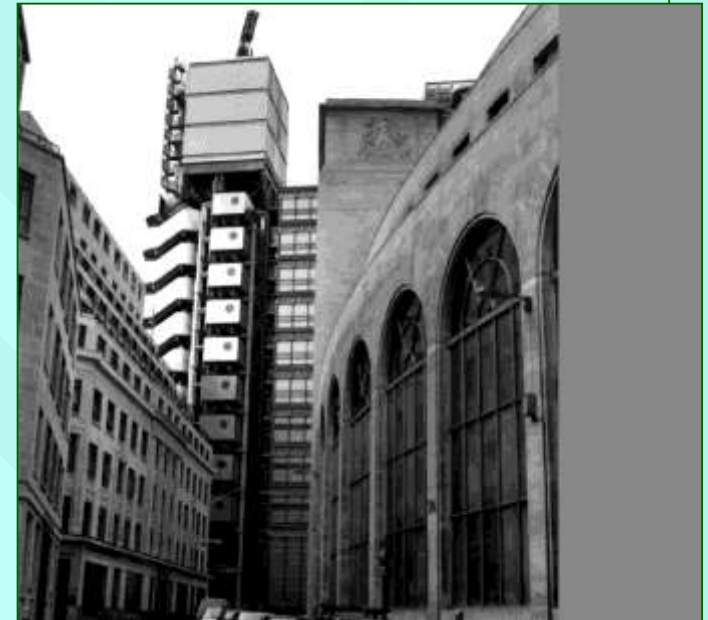
In the period 1992-2002 **Names** have often lost less than **corporate capital**.
 They usually spread risks over many syndicates, which they often know personally.
 They can balance the loss of one year with the profit from another (tax advantage).

Results 1992-2002 : “Names” : + **24%** of capacity ; Corporates - **23%**.

Year	<u>Gross written premium</u>	<u>Profit/(loss) before tax</u>
2006	£ 16,414	£ 3,662
2007	£ 16,366	£ 3,846
2008	£ 17,985	£ 1,899
2009	£ 21,973	£ 3,868
2010	£ 22,425	£ 2,195
2011	£ 23,337	£ (516) (*)
2012	£ 25,173	£ 2,771
2013	£ 25,615	£ 3,205
2014	£ 25,259	£ 3,016
2015	£ 26,690	£ 2,122
2016	£ 29,862	£ 2,107
2017	£ 33,600	(£ 2,000) (*)
2018		(£ 1,300) (*)

RESULTS - 2

In million
£ Sterling



(*) exceptional catastrophes: 2011 (earthquake and tsunami in Japan)

2017 (hurricanes in the Caribbean, earthquake in Mexico, wildfires in California)

2018 (“ Florence and Michael, typhoon Jebi in Japan and California wildfires