



State of the Hull Market

Fred Robertie

Chairman – Hull Committee

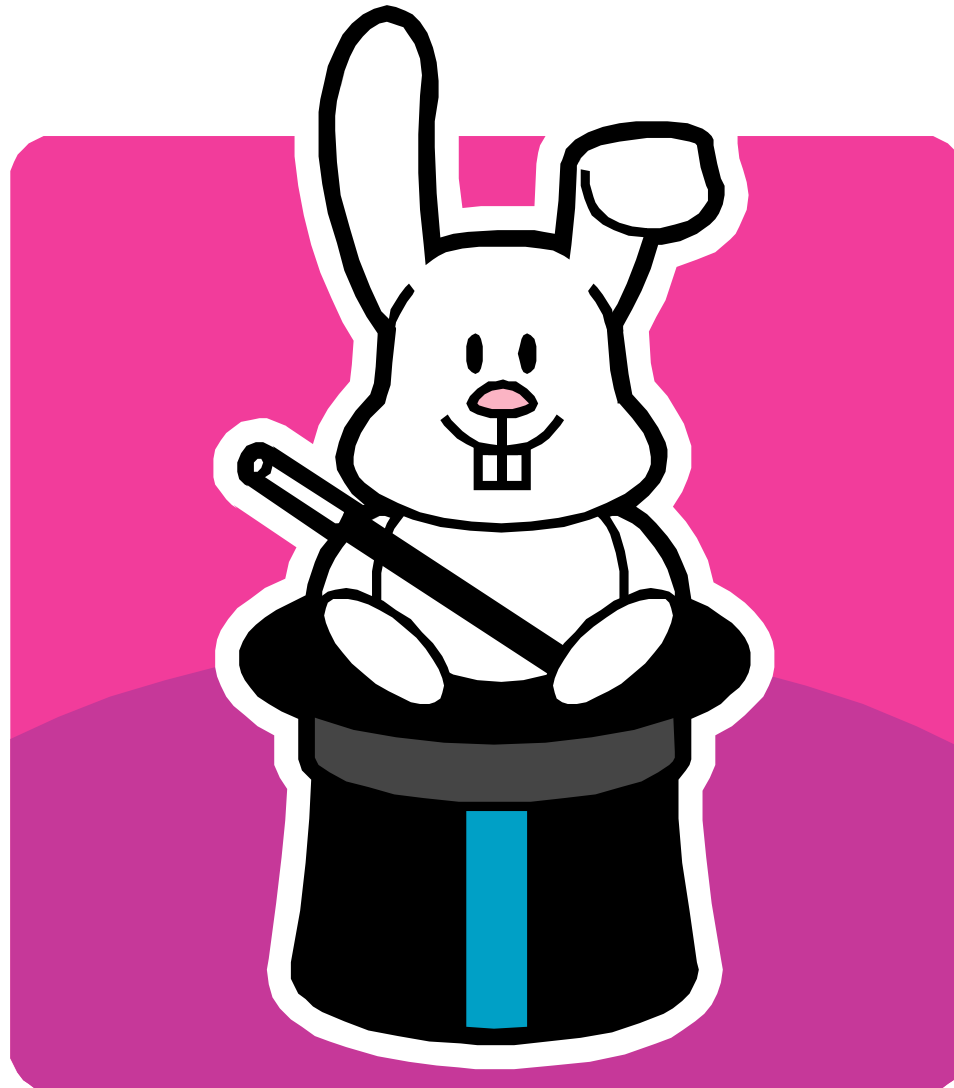


Committee Members

William Beveridge*	United Kingdom	
Andrea Cupido*	Italy	
Denis Develey	France	
Jenny Groeneveld	The Netherlands	
Peter McIntosh	United Kingdom - Vice Chairman	
Bjorn Olav Norby*	Norway	
Leif Nordlund	Finland	
Fred Robertie	United States - Chairman	
Neil Smith	United Kingdom – Secretary	
Takaaki Tamai*	Japan - Executive Committee Liaison	
Sergey Trubitsyn	Russian Federation	
Tetsurou Umeno*	Japan	

* New members since Copenhagen meeting

Results

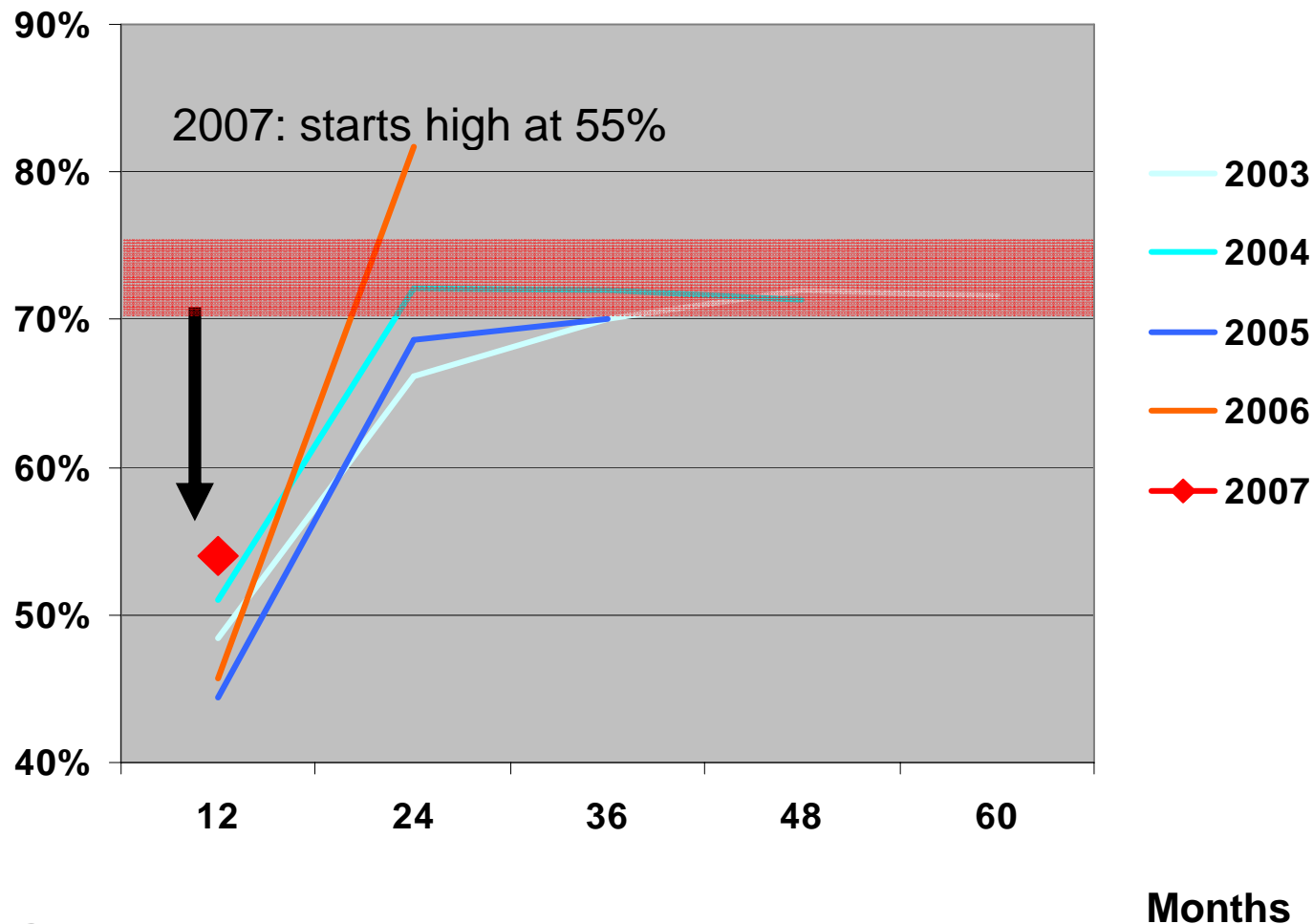


Results

- On a Gross basis after Marginal results in '03 -'05, 2006 will be unprofitable.
- 2007 has started out 10 points **worse** than 2006

Hull Gross Loss Ratio (Paid+O/S Claims / Gross Premiums)

Going In The Wrong Direction



Source: Cefor

Size of The Hull Market





Size of The Hull Market

- Stable
- We may be seeing some signs of real and/or virtual contraction.

Size of The Hull Market

- Some markets have withdrawn.
- Credit issues with certain underwriters.
- Inability to capitalize startups.
- Banks being more careful about underwriters security.

Demand



Demand

- Continues to Increase. Driven by increases in World trade.
- Number of vessels and DWT increasing
- Freight Rates remain strong for most segments

Growth of World Trade

2001 – 2006 (in million tons)

Petroleum Products	+12%
Dry Bulk	+38%
Other Cargo	+26%
Total Trade	+30%

2007 – 2012 (projected in million tons)

Petroleum Products	+17%
Dry Bulk	+38%
Other Cargos	+55%
Total Trade	+35%

Growth of World Fleet

2001 – 2006 (Actual Growth in million DWT)

Petroleum Products	+25%
Bulk Carriers	+36%
Container Carriers	+86%*
All Vessels	+38%

2007 – 2012 (Projected Growth in Million DWT)

Petroleum Products	+ 35%
Bulk Carriers	+ 82%
Container Carriers	+103%
All Vessels	+ 57%

Source – Clarksons / ABS
Measured in TEU's *

Growth of World Fleet

2001 – 2006 (Actual Growth in Number of Vessels)

Tankers	+ 20 %
Bulk Carriers	+ 36%
Container Carriers	+ 40%
All Vessels	+ 26%

2007 – 2012 (Projected Growth in number of vessels)

Tankers	+ 17%
Bulk Carriers	+ 66%
Container Carriers	+ 67%
All Vessels	+ 27%

New Buildings

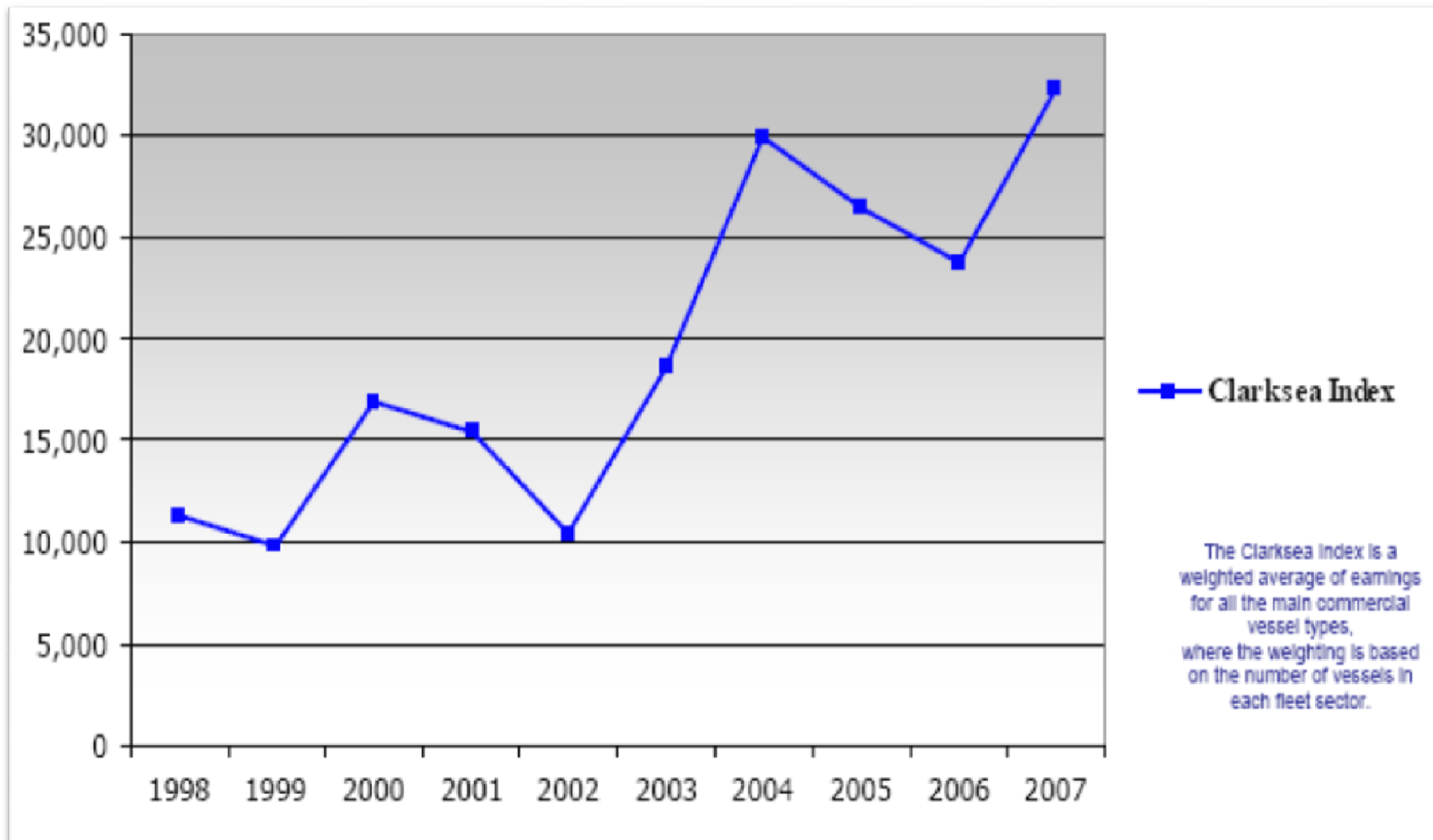
The order books have never been fuller

	<u>Deliveries</u>	<u>New Orders</u>	<u>Total Orderbook</u>
2003	37	77	115
2008	70	100	330
2012	85	115	210
2016	82	90	230

Demolition & Scrapping

Year	No. of Vessels	DWT
2001	325	21m
2007	85	3m

Freight Rates



Claims Trends



Photo AHIS

Claims Trends

Total Losses

After 20 years of a consistent downward trend, total losses have started to increase

2006

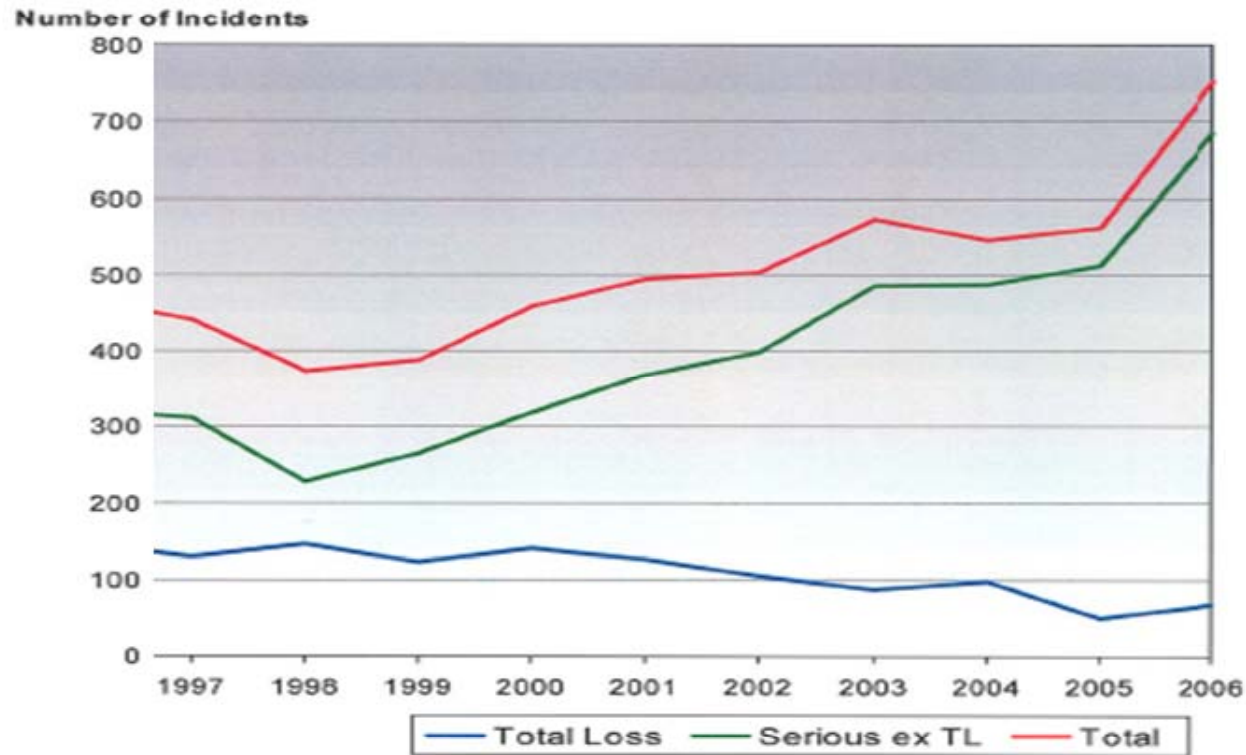
- 37% increase over '05 # of vessels
- 40% increase over '05 in tonnage

Serious Partial Losses

- Continue to increase dramatically:
 - +270 % in 10 years.
 - 1998 rate of serious partial losses was 0.64%
 - 2007 is 1.73%

Claims Trends

Serious and Total Losses by Number 1994 – 2006, vessels > 500 GT



Source: LMIU

Escalation of Claims Costs

- Turbocharger Replacement
 - 2002 - \$286,000
 - 2007 - \$425,000 - + 48%
- Hull Repair - 300 tons (of Steel) – Far East Yard
 - 2002 - \$1,000,000
 - 2007 - \$2,100,000 - + 110%

Claims Trends

Escalation of Claims Costs

For the past 5 years:

Claims costs have escalated 8% per year!

Reasons for Escalation:

- Lack of yard space
- Just in time inventory
- Larger more complex main engines
- Increased cost of steel
- Depreciating US Dollar
- “Yard Bonus” for timely completion.

Market Pricing



Market Pricing

- Pricing in '07 had shown some actual reductions in addition to Profit Sharing / Continuity Clauses, which started to become popular in 2006.
- Some signs for optimism in the 1/1 renewal season has continued through 2008.
- Some segments of the market have shown the discipline to push pricing in the face of increasing claims, claim costs and marginal to poor results

Summary

- The world fleet continues to grow.
 - 50% - 60% in 10 years.
- The number of large & total losses are increasing.
 - 150% in 10 years.
- The loss costs are increasing.
 - 8% per year in 5 years.
- The results reflect these trends

Summary

- Prices are starting to rise

Is it enough?

- Report on Pilot Error
 - Mark Williams, IGA Pilotage Sub-committee
- New Construction
 - Intro – P. McIntosh
 - A Class Perspective – L. Pendexter, ABS
 - An Owners View – P. Curtis, Seaspan Ship Mgt.
 - Where the Danger Is – S. Groves, Inserve

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