

# KOREA P&I CLUB AUTUNM SEMINAR

## 2012/13 Renewal Prospects

Seoul, 28 November 2011

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Senior Vice President

# European Commission's Investigation of the IG P&I Clubs

What is the Commission looking at:

1. Is the International Group consuming re-insurance capacity?
2. The International Group's quoting procedures
3. Release calls

***“The opening of antitrust proceedings does not imply that the Commission has conclusive proof of an infringement...”***

***“The Commission opened the investigation on its own initiative”***

Source: EU Press Release, Brussels, 26 August, 2010

# In a State

## How the Major EU Economies Debts Stack Up

ITALY



GERMANY



GREECE



SPAIN



FRANCE



UK



Source: Daily Telegraph 10 Nov., 2011

# Economy 2011 Comparison

|   | South Korea       | USA                  | UK                  | Italy               | Spain             | Greece            |
|---|-------------------|----------------------|---------------------|---------------------|-------------------|-------------------|
| <b>Population</b>   | 49,574,246        | 311,604,657          | 62,571,232          | 60,248,493          | 46,048,493        | 11,000,000        |
| <b>Public Debt</b>  | \$260,687,397,260 | \$10,458,919,452,055 | \$1,830,855,068,493 | \$2,247,586,027,397 | \$895,289,863,014 | \$377,267,397,260 |
| <b>Public Debt per person</b>                                 | \$5,255.81        | \$33,555.71          | \$29,271.94         | \$37,313.71         | \$19,427.38       | \$34,304.96       |
| <b>Public Debt as % of GDP</b>                                | 23.60%            | 68.90%               | 80.30%              | 120.00%             | 70.10%            | 135.20%           |
| <b>Total annual debt change</b>                               | 10.90%            | 10.50%               | 11.10%              | -1.50%              | 11.30%            | 0.70%             |
| <b>Ranking in Transparency International's Corruption</b>     | 39th              | 22nd                 | 20th                | 67th                | 30th              | 78th              |
| <b>Ranking in World Economic Forum—Global Competitiveness</b> | 24th              | 5th                  | 10th                | 43th                | 36th              | 90th              |
| <b>Expected economic growth for 2012</b>                      | 3.50%             | 3%                   | 2.10%               | 0.10%               | 0.80%             | 1,1%              |
| <b>S&amp;P Rating</b>   | A                 | AA+                  | AAA                 | A                   | AA-               | CCC               |

## 2012/13 Renewal Prospects Some Common Market Themes

- **Solvency II**

- Now due for implementation 1<sup>st</sup> January, 2014
- Capital adequacy requirements not finally confirmed
- Clubs on target
- But will the known targets be revived?

***Result: Capital preservation is critical***

- **Demands:**

1. A conservative investment portfolio;
2. Technical underwriting must be achieved

## 2012/13 Renewal Outlook

### What are the Clubs saying?

***“...retained claims in the 2010/11 policy year have been higher than 2009/10 and the current policy year to date has seen a further increase....”***

Britannia Circular Oct., 2011

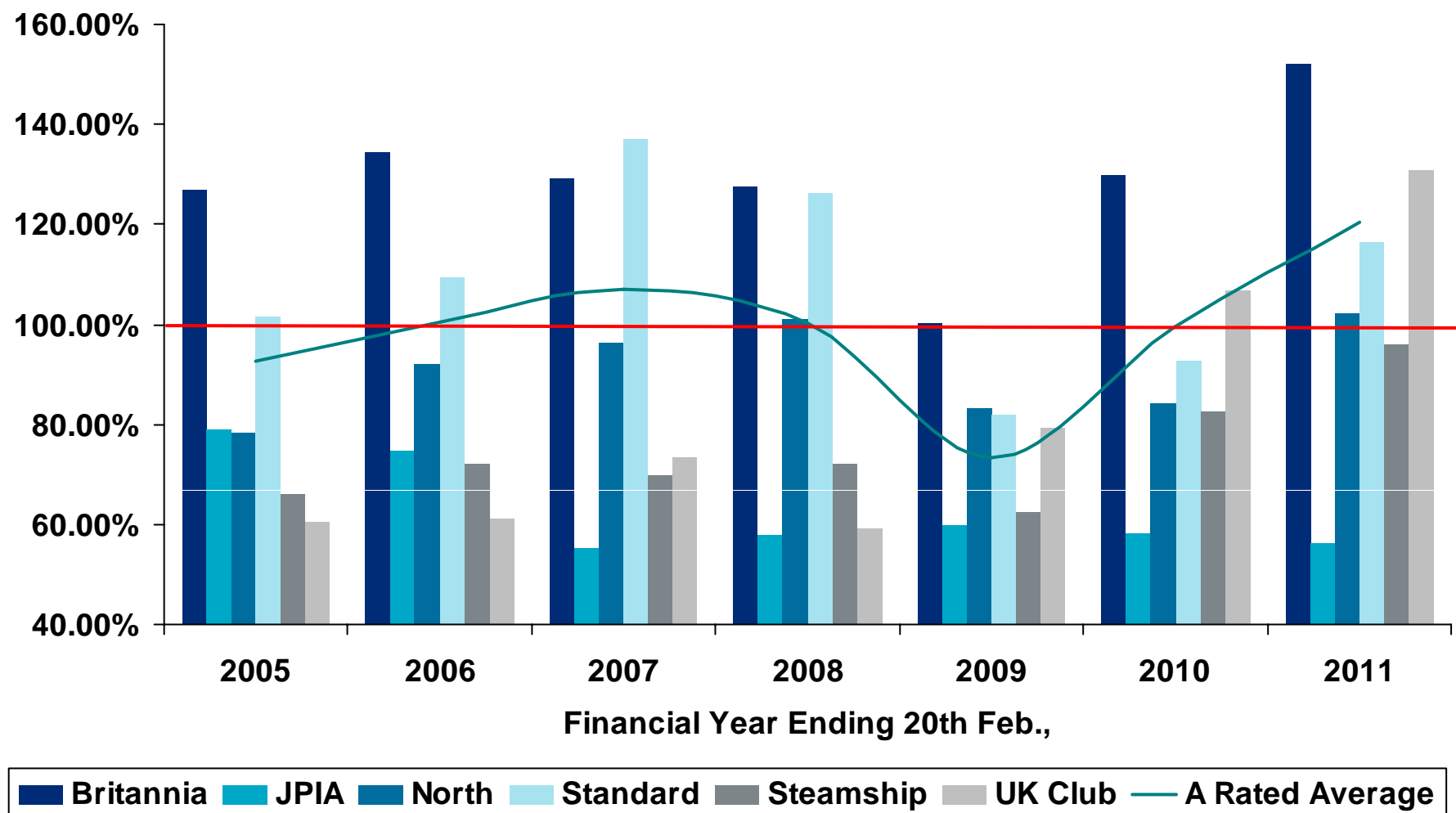
***“2010/11: claims in this year are significantly higher than in previous years...”***

Standard Circular Nov., 2011

***“Over the first three months of 2011, the Club experienced significant claims deterioration...”***

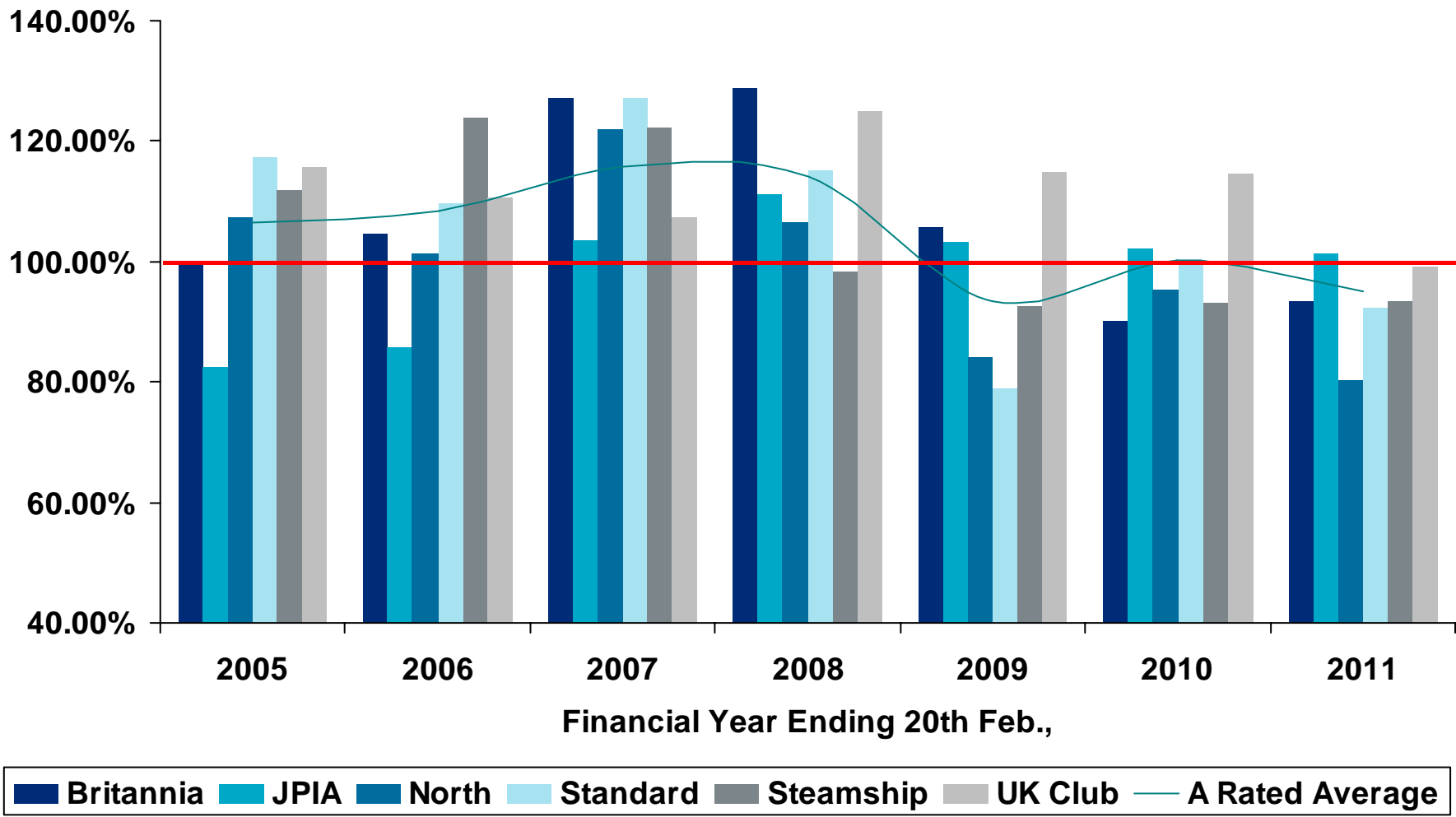
Steamship Circular Nov., 2011

# Selected Clubs Free Reserves as a Percentage of Gross Call Income



1. Britannia includes Boudicca net assets
2. UK Club includes hybrid capital
3. JPIA is for financial year ending 31<sup>st</sup> March

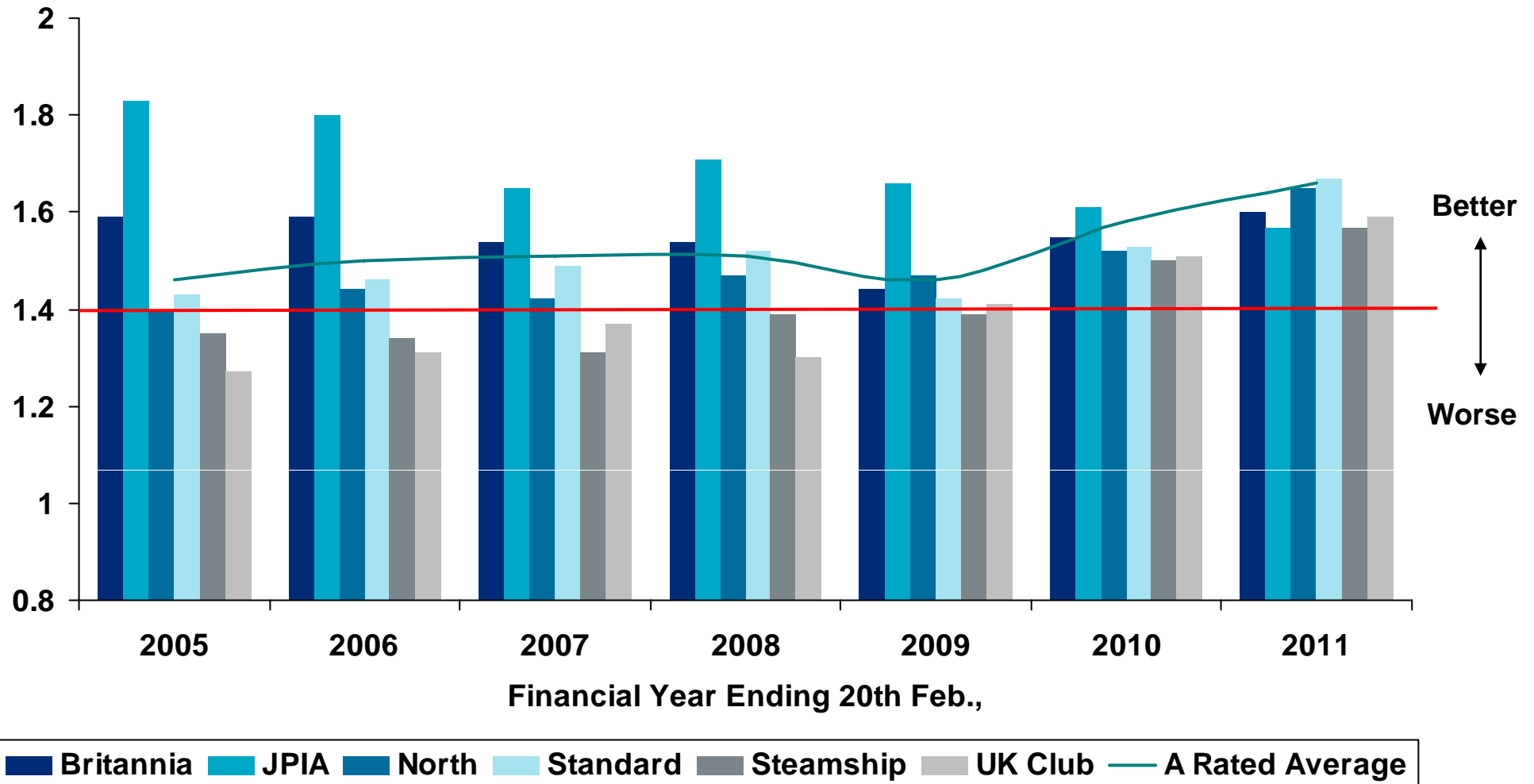
# Selected Clubs Combined Net Ratio on Gross Call Income



1. Britannia includes Boudicca  
 2. JPIA is for financial year ending 31<sup>st</sup> March  
 14 December 2011



# Selected Clubs Claims Cover



*Claims Cover = Provisions for Outstanding Claims + Surplus & Capital / Estimated Liability for Outstanding Claims*



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