



HELICOPTER VIEW - UPSTREAM CONSTRUCTION ALL RISKS

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Energy Underwriter

Watkins Syndicate

Syndicate 457
Underwriters at Lloyd's
Watkins Syndicate
Singapore Pte Limited



- General Overview
- The Market Stats
- Sustainability? – An Underwriters' View

General Overview

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- Severe Market Softening

RATES



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-
- Capacity Increase – 9th year in a row!
 - Capacity currently estimated to be USD 5.5 bn of maximum capacity
 - with minimum of –A security
 - working capacity estimated to be circa USD between 4 bn - 4.5 bn

 - Alternative Leaders continue to emerge
 - particularly for ‘smaller’ projects

General Overview

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-
- Increasing Captive involvement across all insurance
 - a small pot made even smaller

- Oil Price



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THE MARKET STATS

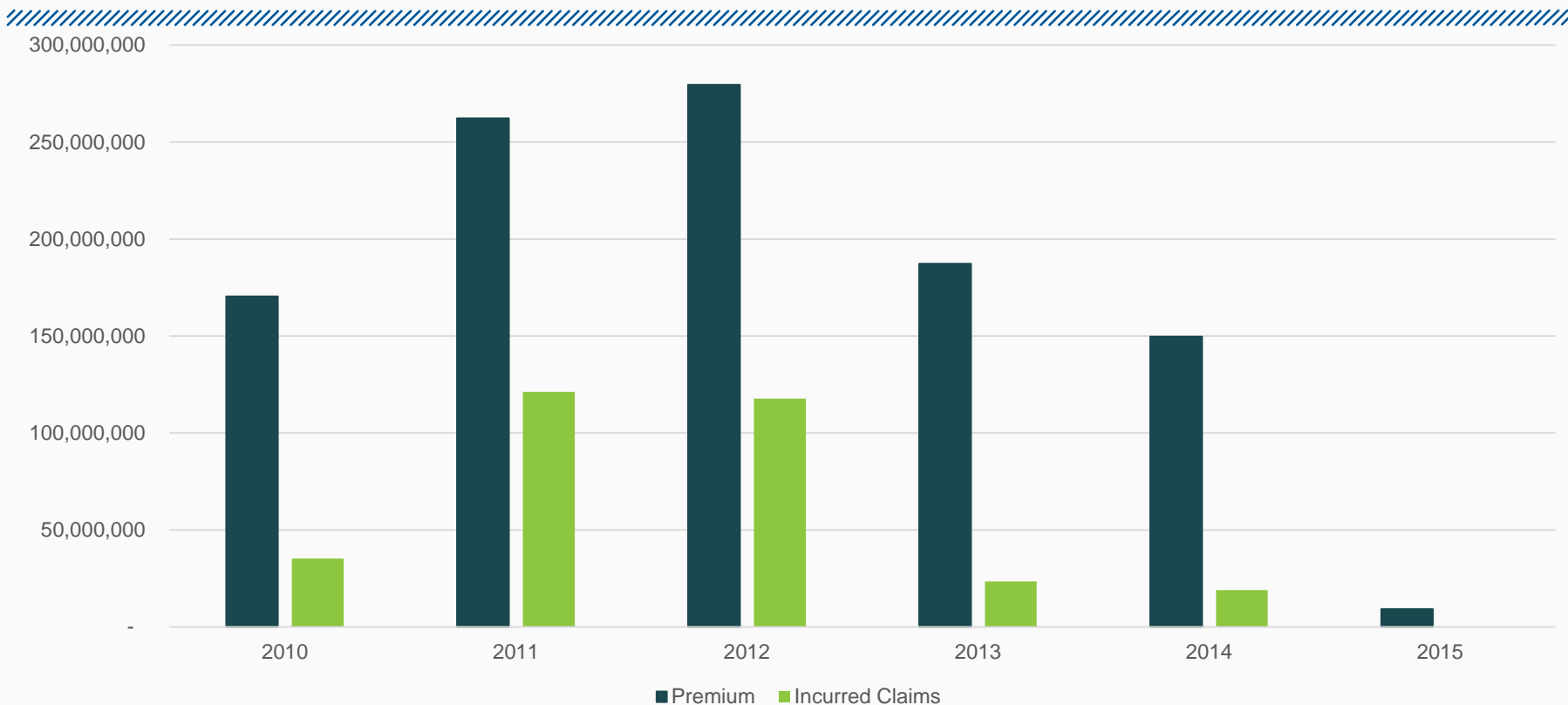


Market Results

Lloyds Risks Code Data - "EC" (GBP)

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Year Of Account	Premium	Paid Claims	Outstanding	Incurred %
2010	170,515,862	23,987,473	11,318,294	20.71%
2011	262,260,475	57,804,764	63,355,677	46.20%
2012	279,580,913	87,695,643	30,067,973	42.12%
2013	187,354,376	5,482,607	18,026,787	12.55%
2014	149,701,136	8,061,524	10,958,817	12.71%
2015	9,237,231	-	-	0.00%
TOTAL	1,058,649,993	183,032,011	133,727,548	29.9%

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SUSTAINABILITY?



- Construction risks are entered into a model

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CONSTRUCTION
(Figures in USD) **1.61**
1.61

TOP LEVEL ADJUSTMENTS

Brokerage factor	1.000
Other discounts factor	1.000
T&C factor	1.000
Client factor	1.000
Yard Based Risk? - No	1.000
Combined single limit	
Project ECV - calculated	0
Project ECV - actual	0
Project ECV - factor	1.000

OVERALL RESULTS

Actual premium non-subsea	0
Actual premium pipeline & subsea	0
Actual premium M&D	0
Actual premium other coverages incl liability	0
Total actual premium	0
Total benchmark premium	0
Price adequacy %	0%
Benchmark loss ratio %	0%
Expected account loss ratio	0%

COMMENTS

STRUCTURES

Add structure
Remove

Description	Structure 1
Structure	
Type	
Location	

Design & Project Management

Clash group	
ECV	
Base Rate (FGU)	0.863%
Other factor	1.000
Top level adjs	1.000
Benchmark Rate	0.863%
Actual Rate	
Benchmark Premium	0
Actual Premium	0

Procurement / Prefabrication / Construction

Clash group	
ECV	
Excess	
Rating Basis	Monthly

PIPELINES

Add Pipeline
Remove

Description	Pipeline/Subsea 1
Equipment	
Type	
Diameter (inches)	
Depth (feet)	
ECV	
Excess	
Base Rate (FGU)	1.725%
Type loading	1.000
Structure factor	1.000
Other factor	1.000
Top level adjs	1.000
Benchmark Rate	1.725%
Actual Rate	
Benchmark Premium	0
Actual Premium	0

OTHER COVERAGES

Defective part buy-back

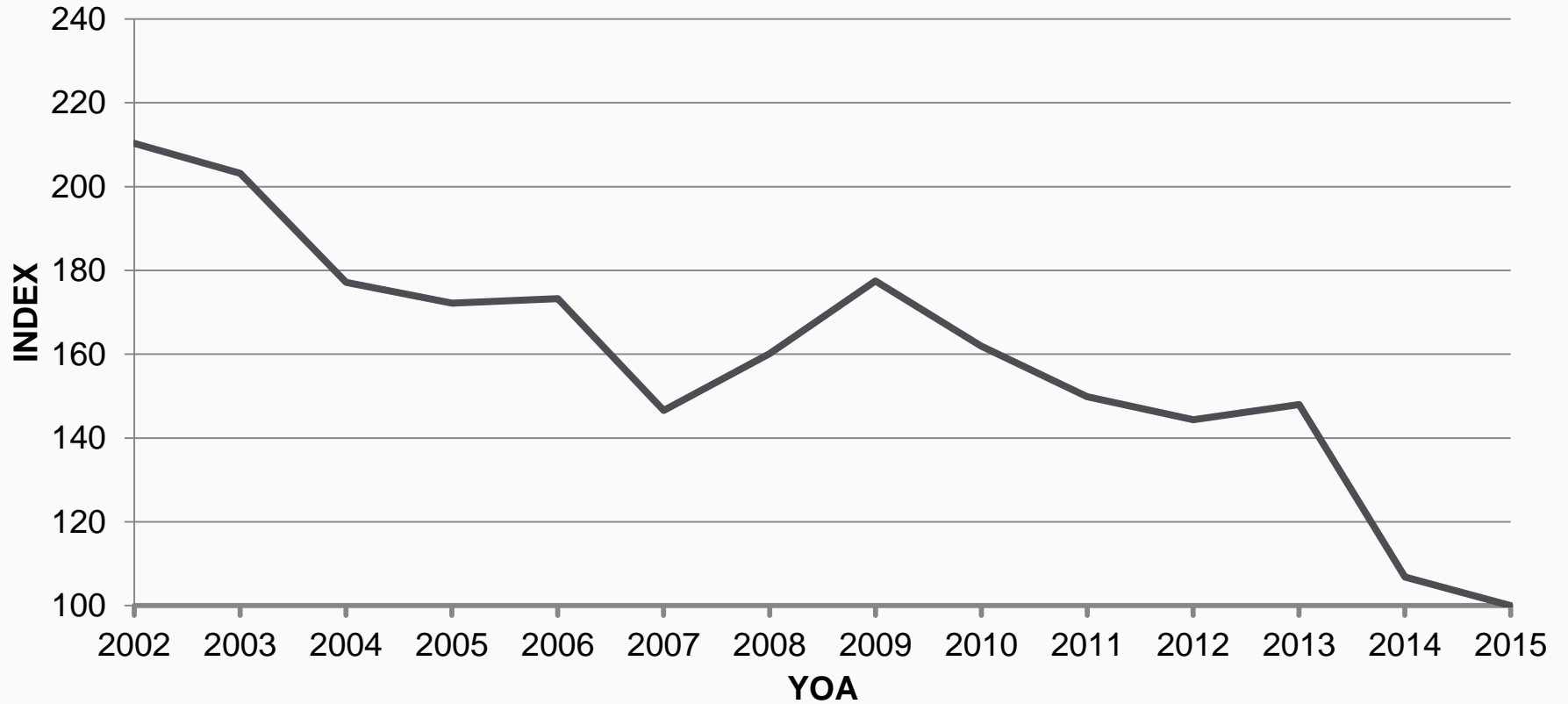
ECV	
Excess	
Base Rate (FGU)	3.4508%
Structure factor	1.000
Other factor	1.000
Top level adjs	1.000
Benchmark Rate	3.451%
Actual Rate	
Benchmark Premium	0
Actual Premium	0

Contingency

Limit	
Excess	
Base Rate (FGU)	0.4314%
Other factor	1.000
Top level adjs	1.000
Benchmark Rate	0.431%
Actual Rate	



Construction rate index 2002 - 2015 YoA (2015 Base = 100)



Theory

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Underwriting Year	Ultimate premium (\$000s) (1)	Proportion risk expired (2)	Premium (expired proportion) (3) = (1) x (2)	Incurred claims over expired premium (4)	Rate index (5)	2015 on-level earned ULR (6) = (4) x (5)
2002						
2003						
2004						
2005						
2006						
2007						
2008						
2009						
2010						
2011						
2012						
2013						
2014						
2015						

Results as at Sept 2015

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Underwriting Year	Ultimate premium (\$000s) (1)	Proportion risk expired (2)	Premium (expired proportion) (3) = (1) x (2)	Incurred claims over expired premium (4)	Rate index (5)	2015 on-level earned ULR (6) = (4) x (5)
All year ex last average	615,284	82%	505,047	69%		112%
10 yr ex last average	509,724	78%	399,487	72%		113%
5 yr ex last average	258,123	59%	152,565	86%		127%

Key Messages

-
- Construction Market continues to soften, despite significant reductions already accomplished in comparative rates year on year
 - Insurance capital remains a 'safe' haven and is predicted to remain so for the time being, as global economic miseries of other financial markets show no sign of improving
 - Capacity unlikely to diminish
 - General decline in the number of world wide project FID's and large projects shelved
 - Rates have dropped by over half over 15 years
 - No sign of Market recovery
 - Current environment unprofitable over time?

Conclusions Underwriters....

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Conclusions Brokers....

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Conclusions Buyers....

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CAR INSURANCE
POLICY





THANK YOU VERY MUCH
FOR YOUR ATTENTION

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