

A Special Report on the Marine Market Florida Underwriter, October 2006

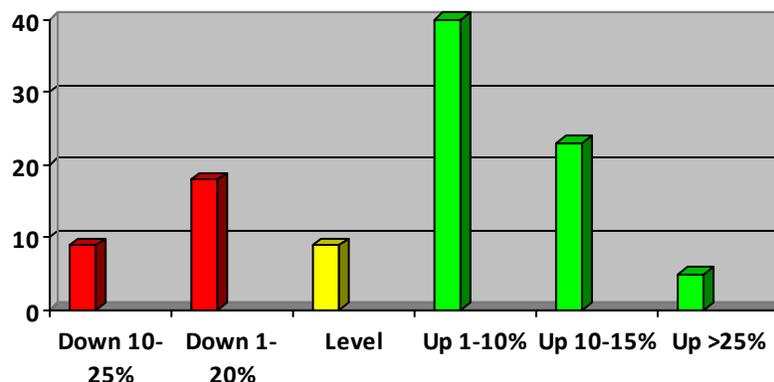
A Tale of Two Markets?

By Ian Greenway, President, LIG Marine Mangers

It was the best of times; it was the worst of times—well, maybe not the best or worst but certainly close. The overall picture for the Wet Marine Insurance Market for Florida and the Southeast, at first glance, appears to show a relatively straightforward picture in rate increases. In reality these simple numbers disguise a market with a split personality over the last year. One part is competitive and looks like it will be even more so in the next few months, while the other ranges from hard to impossible, with rates increasing and availability decreasing.

Marine Rates 2005 v 2006 for Southeast States

©Waveline 2006



The WaveLine survey was commissioned by LIG Marine Managers to measure the changes in availability and price of marine and longshore insurance over the last 12 months. WaveLine is managed by the online survey company KeySurvey. It shows that approximately 40 percent of respondents reported modest 1-10 percent rate rises in the Southeast on accounts renewing in 2006, whereas 20 percent of the respondents saw rises in the 10-25 percent range and a further 7 percent of respondents reported rises of more than 25 percent..

Marine liability markets are typically holding the line, and with at least two new players entering the market this year, there is a modest push downwards on rates and increases in competition in most lines. Risks such as marine general liability, ship repairs, legal liability, stevedore's liability and similar lines are becoming more competitive by the day. The recent survey revealed one-third of respondents reporting decreases, one-third increases, and the final third no change in rates.

Some Surprises

Surprisingly enough, despite some huge losses after Hurricane Katrina last year, the cargo market has not followed the expected path, and has remained soft with nearly two-thirds of survey respondents reporting rate reductions in 2006, and nearly as many reporting broader availability in all sectors of the cargo market, except long term storage.

Workers' Compensation/Longshore has seen some significant reductions in the filed rates over the last 12 months, particularly in Florida, with more than half the survey respondents reporting rate reductions over 2005. With the change in the Longshore load in mid 2004 and a further rate reduction at Jan 1, 2006, we are looking at Longshore rates for many marine businesses less than half those in effect in the first half of 2004. In addition, with the entry of one new carrier into the Florida Longshore market and the relaxation of underwriting rules for others, the availability has increased, with 44 percent of respondents reporting additional market available in this class.

The Other Side of the Coin

On the other side of the coin, we have the personal boat and yacht market, piers and docks, boat dealers, and other marine physical damage lines where rates are soaring, companies withdrawing and capacity very limited. Over 60 percent of all survey respondents reported increases in rates in the personal yacht market and the dock and pier markets, and almost 100 percent when the results were narrowed to Florida. Worse still, capacity appears to be nearing its maximum, and thus availability even more scarce—but for those of you in the property field, this is no surprise.

The survey respondents also report that the excursion and sightseeing vessels, casino boats, and commercial hull and P&I are all seeing some modest rise in pricing, but in most cases, without any associated capacity issues so far.

So, where do we go from here? I believe we will continue to see the dichotomy of the market through 2006, with the liability lines largely holding or softening, but the hull and other physical damage lines probably holding tight, with the potential for even more tightening if the 2006 storm season produces further significant losses.

Let's just hope the worst of times are still not ahead.

Ian R. Greenway can be reached at IRG@LIGInsurance.com.