Newsletter September 2003

September 2003

I began the last (May) Newsletter with the words "summer is grudgingly approaching" in Europe. Well, shortly afterwards summer really did come and we enjoyed temperatures in London of 100 °F, which do not well suit the Central Line Underground!

Iraq remains a deeply unsolved and worrying situation. It is clear that the Post-fighting scenario was not thought through and is causing profound problems and loss of lives, British and US particularly, but also of Iraqis and other nations serving the UN and Red Cross. The Iraqi Oil output is under constant threat and is having a considerable effect on fragile tanker rates.

SARS happily is in the past though I for one am not yet clear as to its origins and its future as possible long-term threat. It certainly cost Hong Kong dear and Adrian Swire recently told me of the frightening daily haemorrhage of losses of Cathay Pacific as an example.

Shipping has had a pretty good quarter - even the Container Trades over which I had special misgivings have moved into profitability though, as Maersk-Sealand have recently reported, this is due more to restoration of Container movements than to improvement in rates.

It is important to consider the longer-term problems confronting us all.

The activities of the EU.

The unilateral behaviour of the EU in relation to Maritime Affairs remains a distinct problem although it is good that more discussion appears to be happening with IMO. The EU position regarding Single Hull Tankers remains and has understandably recently drawn a furious denunciation from the Greek Shipo\vners' President Nicos Efthymiou and incidentally has led to the displacement of the Greek Minister of merchant marine, Mr Anomeritus who, it was felt by the owners, had behaved in a pusillanimous way on the issue during Greece's Presidency of the European Union. He had permitted endorsement of an accelerated phase-out of Single Hull Tankers.

Others who are less than happy with the EU are the Asian Shipowners. They equally feel that European Politicians have ignored the interests and opinions of the Asian Maritime Community where after all, most of the World's ships are built and more than half are operated. As a persona] comment I would agree with these sentiments, at the same saying that too few Asian Shipowners remain Members of IMIF and if more did join/rejoin we could do our bit to ensure that their views were properly taken into account.

Shipbuilding

Shipbuilding has had a very busy year. Korean yards have been booked solid and made record deliveries at - to put it euphemistically -"supremely attractive" prices. Japan yards have also had a good year though now staying way behind Korea.

But the "new" force in this and in so many things is China. Their ability to produce quality ships - assisted by technical advice from Japan and Korea - has grown exponenti ally. Already forecasters are predicting that China could seriously outstrip Japanese and Korean yards as early as 2005. The forecast was made before China State Shipbuilding Corp announced its plan to build a $2.4bn shipyard at Chanxing Island. But the study said the creation of CSSC, together with the China Shipbuilding Industry Corp, which consolidated 50 smaller shipyards into two large enterprises, has helped provide the catalyst for change. Dalian New Shipyard recently reported that turnover had climbed to Yuan 17.4bn ($2.12bn) in the first half of this year. This compared with turnover of Yuan 11.6bn for the whole of last year.

On a visit to China in the mid 90's the Chairman of China National Shipbuilding told me that the work-force in his yards was over 600,000. I have no idea what it is today and whether it has gone up or down, the latter being achievable by greater technical advance, robotics etc.
It is surely a situation to be watched

Scrapping

This has certainly been a busy period for scrapping. As I write there is news of a Papachristidis vice going to Indian breakers for a healthy S237 per lwt.
I recently had out of the blue an approach by e-mail from the President of China National Shipscrapping Association. They are old IMIF members who have been somewhat distant but are now seeking advice and discussion on the present and future of shipbreaking worldwide. We are entertaining their large-ish delegation to lunch here at the Baltic on 11th September, to which we have asked a number of our Shipbroker members.
Another planned event is an IMIF delegation to Breskens in Holland to be hosted by Peter Vroon. This again is to focus on Shipbreaking and the Dutch initiative in setting up a "Green friendly" Scrapyard at Eemshaven. We have invited our friend from Greenpeace Marietta Harjono and shall be addressed by Chairman of the Eemshaven initiative Doebron Mulder.
The Seatrade London International Maritime convention on 16th - 18th September will contain a Debate on the topic of 'This house believes that traditional shipowning has no future' I shall, in totally unbiased style, be chairing this clash of some very interesting speakers. The real object of the debate is to direct attention to the growing over-regulation in our industry and the erosion of the way Shipping has conducted its affairs over so many years, which many of the older hands like my self deeply regret.
Finally, I should mention our Finances which were scrutinised at the last Deputy Chairmen's meeting. We have survived another year with a "surplus", gained mainly from achieving even tighter administrative cost and no distant travelling, of some £2,000. Our loyal members have been excellent but a further 10 or so would totally solve our problems.
The saddest thing is that our wonderful maid of all work, Louise Young, is going back to her homeland, Zimbabwe, to rejoin her husband who himself recently returned there. Louise will be departing after the Annual Dinner for which she will generously stay on to assist us. We shall miss her terribly, and also her husband William, a computer expert who has voluntarily helped us through any computer glitches that occur from time to time, while Louise patiently and determinedly went about computerising the IMIF office to an acceptable modem standard during the time she was here.

J G Davis - CBE

IMIF new members

Andrew Craig Bennett*		Consultant & commentator
Ed Harris*		Maritime Finance Advisor
Jamaica Ship Registry		Alec Crawford
....		

*individual members

Wednesday 21st May 2003 at 12.30 - 14.30 hrs

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Venue	**:**	**Moore Stephens Training Centre, 1 Snow Hill, London, EC1**
Hosted	**:**	**Moore Stephens / Richard Greiner**
Speakers	**:**	**Simon Beale, Divisional Underwriter, KJ Coles, Arnlin Group**
Subject	**:**	**Is the Phoenix rising? A marine underwriter's view.**

Members of IMIF assembled in a state of enquiring expectation at the Moore Stephens Training Centre in Snow Hill to hear just what Simon Beale might have to say. After a luncheon of such excellent quality as to inspire our Chairman into commenting that the 'summer pudding' was "quite godlike" Jim Davis first thanked our jovial host, Moore Stephens' Richard Greiner before introducing Simon Beale, "that great underwriter and Chairman of the Joint Hull Committee - at least until he retires from it in July!"

Simon immediately set about discussing current underwriting trends. "When I was first approached earlier this year by IMIF to talk about the market" he said, "I had hopes that things might actually be improving, but today there is just doom and gloom. There appears to be no phoenix rising at the moment." A pause while Simon produces the first illustration. "Hull underwriters must change," he continues, "if they hope to survive! We are in a strong insurance market - but Marine Hull is weak."

Simon produces a graph of 'Lloyd's Hull Premium 1993-2003'. "In 1993 there was a strong hull insurance market - as you can see, it topped £500m+ for Lloyd's, but by 1996 we were losing business," (he points to the graph now fallen to a level of £3 50m in 1998), "and after that the market effectively plateaus. In 2000 - 2002 things remain flat, and as for 2003 ?" Another graph appears - 'Lloyd's Hull Premium and Claims 1993 - 2003'. Simon continues. "As you can see, in 1993 the proportion of income to claims was too rich, around 50% of the premium paid out in claims therefore exceptional profits from '93 to '96 were made but after '96 we are losing all the way to 2000. A slight improvement in 2001 and there may be a very small profit in 2002 - it's too early to say."

The 'CEFOR Hull Premiums v's Claims 1990-2002' graph appears. Quoted in dollars it shows initial losses in 1990, a gradual improvement's premiums exceed claims, peaking in 1995 & 1996 then the claims match and overtake premium income with consistent losses from 1998 to 2002. Simon adds that losses are also predicted for 2003 and '4 - "so we are looking at losses for nearly 8 years on the trot!" he says. 'Global Hull Premium - Market Share 1992 - 2000' appears next analysed over London, Japan, France, Norway, Italy and Spain. The London share of the market shows a steady decline from just over 40% in 1992 down to under 25% in 2000. 'Rating' follows with an analysis of the value of renewal terms set at $1 value premium using as an example 'a Major Greek Dry Bulk Operator'. In 1975 the base is $1 value. By 1981 it has fallen to 60 cents and by 1990 to 55 cents, A brief rally in 1992-3 takes it up to $1.35 but by 2002 it is back to 60 cents, exactly where it was in 1975. The 'Lloyd's Result versus Rate Movement' graph shows a similar movement, up and then back down.

A somewhat different image now hoves into view for the assembled audience. It is nothing less than the mighty ULCC 'Jahre Viking', 458.5m in length, 564,763 DWT, 50,000 bhp -and a top speed of 17 mph! Simon tells us that the world's largest ship now attracts a premium one third less than it did in 1992. Hovering in a parallel profile above 'Jahre Viking' is the Empire State Building - only 381 m in length compared to the marine giant below it, Simon points out that the Empire State Building is said to be insured for $600m (excluding terrorism) at a rate of 0.5%.. A new $800m cruise vessel shortly to be launched is allegedly being rated at 0.1%. "Which would you rather insure?" Simon asks. There is a changing risk and for actual Total Losses the trend is very much down although for serious casualties the trend is up! Simon shows graphs of losses - by number and by tonnage. The major losses for Autumn 2002 total $709m (including Diamond Princess at $300m).
There are other factors affecting the World Economy including the effect of S.A.R.S. on containers.
Another image of a marine dream machine floats into view to illustrate the changing nature of Risk.
"Queen Elizabeth II' b.l969 / 293m in length / 70,327 GT with 1,850 passengers and valued at $26m attracts a rate of 1%. "Ecstacy", the dream machine on view, b.l999 / 311m in length / 137,300 GT with 3,840 passengers and valued at $500m attracts a rate of around 0.1%. Simon turns to his audience again. "A 300,000 DWT vicc can be insured (not by him) for less than $100,000 and yet that vessel's hi-grade specially cast anchor, if lost will cost half a million dollars!

Simon presents some 'State of the market' conclusions. He says he can see no sense in the market at all. A two-tier market appears to be developing. Smaller fleets are less popular with insurers so where cover is provided rates are more realistic. As a result the small operators are effectively subsidising the large chaps - and that is a cause for concern. "Non marine insurers are saying that they have never had it so good - yet at the same time in marine insurance 'Hull' is the weakest of all the marine sectors", says Simon. "If we are to survive the key element must be return on capital. If we can't get the prices up it will be bad news for the owners who will be deprived of choice. Hull underwriters are dying the death of a thousand cuts - it is a creeping death. The phoenix is NOT rising!"

The discussion which follows between owners and insurers present is detailed and probing.

Jim Davis asks just why are the underwriters selling their services so cheaply?"

Simon replies that one thing is missing from the equation - re-insurance and when the market is soft re-insurance is 'crazily' soft.

Peter Goodfellow says that he can't see how we get away with the market with all its ups and downs.

Simon emphasises just how crucial it is to avoid this up / down cycle year in, year out and repeats how he would like to build up Hull to a more stable product.

Jim Davis comments that the EU is trying to lay down the law in a didactic way. Is that worrying?

Simon replies that this does not impact Hull & Machinery insurers too much.

Richard Greiner asks how the new security code will impact on underwriters,

Simon replies that Regulations do not have any real effect on rates, Total losses may be going down but - serious casualties are going up and it is noticeable that there has been an increase since the implementation of 15m.

Paul Hinton comments that some are saying now 'don't invest in insurance'.

Simon re-iterates that the return on capital is the key influence for insurers at present which bodes well for investors -but it is a market..

Jim Davis brings proceedings to a close. "IMIF has been telling people for years what the reality is. Unfortunately people say 'stop worrying about the ball, let's enjoy the game!' Things will drift on but not in any logical way. I can only wish you 'Good luck' Simon. Try to bring some sense back into the market!

Delegates attending

Delegates that attended:	
Ritchard Greiner	Moore Stephens
Simon Beale	KJ Coles Amlin Group
Jim Davis	Chairman, IMIF
David Anstis	Moore Stephens
Nigel Barton	Citigroup
Alan Brauner	Stephenson Harwood
James Brewer	Lloyd's List

Michel Butler	Moore Stephens
David Cotton	The Salvage Association
Peter Cowling	Deputy Chairman, IMIF
Andrew Craig-Bennett	
Mike Dance	Jackson Parton
John Faraclas	Shipping International Monthly Review
Peter Goodfellow	Stelmar Shipping Ltd
Paul Hinton	The London Steam-Ship Owners' Mutual Ins Ass Ltd
Paddy McKnight	The Japanese Shipowners' Association
Otto Norland	Northern Navigation International
Struan Robertson	Stephenson Harwood
David Southwood	Heath Lambert Marine Group
Tony Suchy	Ince & Co
Ian Bouskill	Secretary, IMIF

<u>Wednesday 11th June 2003 at 12.30 - 15.00 hrs</u>

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Venue	**:**	**Kempson House, Camoirule St. London, EC3**
Hosted	**:**	**Norton Rose**
Subject	**:**	**IMIF Shipping Bankers' Forum Basel II - a reconsideration**

There were two principal speakers at this meeting, Ed Harris of Landesbank Schleswig Holstein and Philip Bailey of Theisen Securities Ltd. Both speakers prepared summaries of their presentations for publication in the IMIF newsletter. These now follow:

(By Ed Hams)

1.	EH opened the meeting by informing the attendees of previous activities of the IMIF committee on Basel 2. The committee had analysed the Basel 2 proposals and had submitted a document to BIS raising certain questions in relation to shipping finance and making some suggestions. The main questions and suggestions revolved around the treatment of ships as collateral. EH said that the Basel 2 proposals as they presently stand do not incorporate collateral values as a component of rating of a credit and its consequent capital allocation. EH reported that it had not been possible to obtain any reaction from BIS. This experience is in common with most other industry bodies, for instance the aviation industry. EH concluded that the only effective form of submission to BIS is via national supervisory agencies.
2.	EH reported on other recent Basel 2 developments. The proposed commencement date has been further postponed to 2006, and EH gave his personal opinion that this date is quiet probably unrealistic. There are few signs that any of the national regulatory agencies are well advanced in their preparations, and there appears to be substantial disagreement amongst the G10 countries about the nature and details of Basel 2. Recently the US FDIC is appearing to back pedal on implementation of Basel 2. Previously the US has been the strongest advocate of further capital adequacy measures. In particular the Japanese and German authorities are holding back the Basel 2 process.
3.	Phil Bailey made a technical presentation to the Meeting. His main points were (a) that generally Basel 2 will decrease the relative risk weighting on lending activities and increase the weighting on other exposures and operational risks, (b) Despite this overall positive risk weighting of lending activities, it appears that shipping credits will not be highly rated. The prospect is that the best shipping credits will incur a 150% weighting, that is capital allocation will rise from 8% to 12%. There is therefore a realistic scenario that many shipping loans will incur capital allocations at least double the present levels.
4.	EH agreed with PB's conclusions. He stated that the lower rating of shipping credits relative to other corporate borrowers is neither new or a surprise, however in the past this has been compensated by the existence of vessel mortgage security. The IMIF committee has been very concerned that Basel 2 realistically considers vessel security as a component of risk weighting and efforts continue to try to achieve this.
5.	EH noted, and PB agreed, that a majority of banks are by operating risk adjusted return models, prompted to do so by the imminence of Basel 2. However it appears that all these models use collateral as a direct component of risk evaluation. These models therefore do not appear to conform to Basel 2 specifications.

6.	Finally EH concluded by saying that although Basel 2 appears to give serious concerns for the cost of shipping finance, the final nature of the proposals remains unclear and the advent may be significantly delayed.

(By Philip Bailey)

Theisen Securities's Recent Experience in Dealing with BIS II Issues

Theisen Securities has been involved in shipping credit risk assessment for the last 14 years and in the past has developed Value at Risk (VaR) models for bank clients to assist with the evaluation of shipping portfolios. Recently, it has been working with clients to develop new credit risk assessment methodologies to assess Probability of Default ("PD") and Loss Given Default ("LGD") evaluation for shipping loans in line with the BIS II "Advanced" Internal Rating Based (IRB) requirement, as well as for internal bank rating purposes.

Latest BIS II Developments

The initial Consultation Paper was issued by the Bank for International Settlements ("BIS"), Basel Committee on Banking Supervision in January 2001 ("BIS II") and it is this paper, together with subsequent updates, that the IMIF BIS II Banking Committee has been reviewing. This initial paper was substantially confirmed by the latest consultative document, The New Basel capital Accord, issued for comments in April 2003. There have been some changes to the initial proposals but they are minor. Implementation of the new capital requirements for banks is scheduled by BIS for I" January 2007

In October 2002 BIS conducted a Quantitative Impact Study ("QIS3") where banks were requested to assess the impact of the New Capital Accord proposals. The conclusion from this review was that for banks following the proposed "Standardised" approach their capital firnding would need to increase, for those following the "Foundation" approach their capital could decrease a little and for those following the "Advanced" approach their capital could decrease slightly more (see Table 1). As planned by BIS, at the macro level the overall capital requirement impact under BIS II would be neutral.

Table 1: Extract from QIS3 Results May 03 • Change in Bank Capital Requirements

	STANDARDISED			FOUNDATION			ADVANCED		
	Avg	Max	Min	Avg	Max	Min	Avg	Max	Min

EU	**6%**	**31%**	**-7%**	**-4%**	**55%**	**-32%**	**-6%**	**26%**	**-31%**

QIS3 also showed that in nearly all cases the requirement for capital to support credit risk was down (typically by 15%) but capital to support the new operating risk category was up (typically by 10%), resulting overall in a 6% reduction in capital for the large EU banks using the "Advanced" approach.

It should be noted that for large EU banks, corporate credit risks accounted for just 32% of credit exposure (and only 16% for smaller/specialised EU banks). Other credit exposure would be retail and trading related. But secured lending (such as most ship financing) was only 7%-8% of corporate portfolios (i.e. only 2% to 3% of total credit risk). Therefore, it is not surprising that secured ship lending is not, at least at the macro level, a major issue for National Regulators, for BIS or indeed for most banks.

However, the BIS II proposals will become a major issue for both specialised ship-lending banks and for ship-lending units within banks where they need to justify intenial capital allocation. This is because for any "specialised lending", such as secured shipping loans, rated internally by a bank the equivalent of BB- or less, there will be a higher bank capital allocation required since this BB- rating will now attract 150% risk weighting and therefore require 12% capital allocation (compared to 8% capital allocation today). Many medium-sized shipping companies fall into the BB to BB- category and therefore their loans are right on the edge of requiring additional capital allocation. Lenders will then have to choose to either subsidize such borrowers by leaving loan pricing unchanged, increase loan pricing to reinstate their return on capital or allocate their bank's capital to other borrowers all together.

Shipping Data

The feedstock used in any VaR or similar predictive default model is a statistically significant historical database covering several market cycles. It is clear that suitable shipping market data is available, although the accuracy and consistency is sometimes questionable. It takes a lot of time and effort to get a robust database in place that adequately covers the variety of ship types in the industry.

Credit Assessment

Many banks have an existing or are now developing their own internal credit risk assessment models. These are usually a mixture of quantitative and qualitative assessment that map through to established Rating Agency ratings and in turn to risk weights used by the banks to allocate capital. These bank-wide systems are usually simple correlation matrix models and tend to be inflexible as far as facility structure or where asset security is involved. However, they have the benefit of matching established Rating Agency and Regulator methods and expectations.

Analytical Model Methodology

In order to achieve a high confidence level in our PD and LGD analysis as well as meet Regulator and Rating Agency requirements, over the last year we have had to invest heavily in R&D and advanced software programming. We continue to develop new methodologies that are more robust and flexible. When discussing our approach here with our Regulator, the FSA, they encouraged us to continue to develop our own approach to credit assessment for the specific asset class and not to be only driven by BIS II requirements - it was banks getting the underlying credit assessment right that mattered to them.

Delegates that attended:	
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Harry Theochari	**Host,** Norton Rose
Ed Harris	**Speaker**, LB Kiel
Jim Davis	**Chairman**, IMIF
Jeremy Baer	Lloyds TSB
R. Philip Bailey	Theisen Securities
Nigel Barton	Citigroup
Jan Fraser Jenkins	Marsoft
Richard Greiner	Moore Stephens
Anita Hagen	Den Norske Bank
Jeremy Hodgson	Deutsche Schiffsbank
Tony Julien	IRI
Janos Koenig	Eurofin
Hanne Rae Larsen	Danmarks Skibskreditfond
Peter Measures	Curtis Davis Garrard
Inge Mtchell	Baltic Exchange
Boris A Nacharnkin	Seatrust Shipping Services
Otto Norland	Northern Navigation Intemational Ltd
Struan Robertson	Stephenson Harwood
Victoria Santos Pires	Eurofin
Peter Stokes	Lazard Services Ltd
Toby Wallis	Citigroup
Robert Wester	DVB Nedship Bank
Ian Bouskill	Secretary, IMIF

Monday 23th June 2003 at 13.00 hrs

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Venue	**:**	**35 Cosway Street, London NWI (formerly Christchurch Marylebone - designed by Thomas Hardwick in 1822)**
Hosted	**:**	**Alan Marsh / Braemar Seascope Ltd**

On Monday 23th June 2003 Braemar Seascope Limited hosted a meeting of the Chairman and Deputy Chairmen of IMIF followed by lunch at the splendid headquarters of Braemar Seascope at 35 Cosway Street, London NWI, formerly Christchurch, Marylebone and designed by Thomas Hardwick in 1822.

The luncheon was held in what had been the crypt of the former church, brick walled with impressive vaulting and proved an ideal venue for our Chairman, Jim Davis CBE, to thank those attending for their support to IMIF and to reiterate the key aims of IMIF. He recalled that the dangers of substandard ships and the need to improve maritime safety have been well-known and long-established concerns of IMIF, as is the solution recommended by IMIF- namely the removal of the overhang of surplus tonnage which, with the consequent rise in freight rates, can then justify proper investment in new "quality" ships.

The lunch was hosted by James Freeland of Braemar Seascope. IMIF delegates attending the lunch included David Moorhouse Chairman, Lloyd's Register of Shipping, Ravi Mehrotra, Chairman of the Foresight Group, Peter Vroon, Chairman, Vroon BV, David Southwood, managing director of Heath Lambert Marine and Deputy Chairman, IMIF, Alan Brauner, Vice Chairman, IMIF Steering Committee, Maria Dixon Consultant Head of Shipping, Panamanian Consulate, Richard Greiner Partner, Moore Stephens, Jean Richards managing director of Fairwind Shipping, Harry Theochari Partner, Norton Rose, and Struan Robertson Partner, Stephenson Harwood.

The lunch gave an excellent opportunity for the guests to explore the ways in which IMIF could assist its members in meeting their objectives and some of the current issues facing the shipping industry. Gatherings like this are a valuable opportunity to promote the aims of IMIF and all those attending expressed their gratitude to Braemar Seascope for that opportunity as well as for their excellent hospitality. IMIF delegates attended:

Delegates that attended:	
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James Freeland	**Host,**Braemar Seascope
Jim Davis	**Chairman**, IMIF
Struan Robertson	Partner, Stephenson Harwood.
David Southwood	MD of Heath Lambert Marine and Deputy Chairman, IMIF
Alan Brauner,	Vice Chairman, IMIF Steering Committee
Maria Dixon	Consultant Head of Shipping, Panamanian Consulate
Richard Greiner	Partner, Moore Stephens
Ravi Mehrotra	Chairman of the Foresight Group
David Moorhouse	Chairman, Lloyd's Register of Shipping
Jean Richards	MD, Fairwind Shipping
Harry Theochari	Partner, Norton Rose
Peter Vroon	Chairman, Vroon BV

Press Cuttings

Lloyd's List

Thursday May , 22 2003

'Daft' rates are leading to creeping death says marine hull leader

SIMON Beale, leader of London's marine hull underwriters, has made his strongest appeal yet to his fellow practitioners to stem the "creeping death" engulfing the market.

He said that underwriters were losing money in huge amounts in the sector by writing business for shipowners at 'daft' rates.

Mr Beale disclosed that modern fleets were getting their hull rates at the cheapest prices because everyone wanted to underwrite the business.

Smaller fleets were less popular with underwriters, so insurers who did provide cover were able to get closer to a realistic price. "These operators are subsidising the bigger chaps."

The outspoken chairman of the joint hull committee was speaking at a meeting of the International Maritime Industries Forum, hosted by shipping accountants Moore Stephens.

Mr Beale and his colleagues have been waging a campaign to persuade underwriters to lift rates to economic levels, so that their sector can survive. Marine hull, the genesis of modern insurance, has dwindled to 2% of the £14.4bn ($8.6bn) Lloyd's market.

He said that in contrast to the rating improvements in general insurance, "this is the worst hull insurance market I have experienced, and I have been in the market for 20 years".

Hull rates had risen a little but remained pathetically weak, "and we have to do something about it if we are going to survive and continue to provide the product we do to our clients".

London had lost business to the Norwegian market, although the latter too was suffering, with a 'staggering' eight successive years of losses.

In the hard market of 1993 Lloyd's took in £500m of marine hull premium, and Mr Beale guessed that the 2003 figure would be £350m.

As an example of the downturn, representatives of the world's largest ship, the 564,763 dwt tanker Jahre Viking, were reportedly paying one third of the premium they did in 1992.

A very large crude carrier of 300,000 dwt might pay less than $100,000 in hull insurance, yet a specially-cast VLCC anchor could cost $500,000.

Said Mr Beale: "We are very much becoming the second class citizens of the insurance world."

Mr Beale said that pricing was so off-track that maritime regulatory changes had little effect on rating, and the International Safety Management Code had not been proven to have had any impact on the number of casualties.

· New York's Empire State Building is reported to be insured for $600m, excluding terrorism, at a rate of 0.15%. An $800m cruiseship about to be launched has been rated at 0.1%. "Which would you rather insure?" Mr Beale asked his audience.

The Nautical Institute May 2003	*Seaways* May 2003

2003 Marine Charity Ball

A sell-out attendance of 704 attended the 2003 Marine Charity Ball at the Hyatt Regency hotel in Dubai on the evening of 6 March. The theme for the evening was 'The Great Liners - the Captain's Table'. The vessel chosen as the representative liner was the *Aquilania* and the Hyatt Regency staff did a fantastic job of transforming the ballroom into the main dining saloon of the vessel complete with brass portholes showing scenes of Dubai's coastline by night.

Access to the 'vessel'was via a wooden gangway and through a tunnel to the accompaniment of surf sounds and the call of gulls - very atmospheric. The tunnel brought guests out into the whiteboard auction room where the committee were on hand to welcome every guest aboard and steer them towards the whiteboard auction which did very brisk business until closing at midnight. From the whiteboard auction area guests moved into the main reception area which was also decorated in keeping with the theme. A piano and string trio played appropriate music until the ballroom doors opened at 2030 to show a room full of thick fog and the sounds of various vessels' whistles.

Following an excellent meal, branch chairman Dunean McKelvie talked of the uses to which the US$ 45,000 raised at the 2002 ball had been put and outlined the targets for the money raised on this night.

Duncan then introduced the principal guest, Mr Jim Davis CBE, K(DK), Hon FNI, Chairman of the International Marine Industries Forum and Seatrade personality of the year 2002. Jim gave a hugely entertaining speech covering his 51 years of experience in the industry and finished by presenting a bottle of Dom Perignon to the best 1930's dressed couple, Jean and Don Ramsay.

The evening followed its usual pleasant path from the speeches to dancing to the band; then a 30 minute pause from midnight for the main auction where three main items gifted by local companies are auctioned from the stage and a fourth item, a binnacle gifted by previous , committee members is auctioned on a one year retention basis. This part of the evening is always very popular and the competition was very keen this year.

Press Cuttings

SHIPPING JUNE 2003

EVENTS

On 21st May 2003 at an IMIF buffet luncheon hosted by leading shipping accountants Moore Stephens delegates were addressed by Simon Beale, Divisional Underwriter, KJ Coles Amiin Group, Chairman of the Joint Hull Committee. "When I was first approached by IMIF to give this presentation I titled it 'Is the phoenix rising?' I thought there were signs of an improvement. I was wrong! The phoenix is not rising at all now. We are in a strong insurance market but marine hull is weak. Hull underwriters must change - to survive!" Using a series of charts and graphs Mr Beale showed just how much the market had fallen away. "This is the worst hull insurance market I have experienced and I have been in the market for 20 years" he added. He could see no sense in the market at all, with a 2-tier market developing. "The small operators are subsidizing the large chaps - and that has to be a cause for concern. Hull underwriters are dying the death of a thousand cuts, it is a creeping death. The phoenix is NOT rising". Mr Beale said the aim now was to avoid the continuous 'peaks and troughs cycle' year in, year out. He would like to build up hull marine into a more stable product. IMIF Chairman Jim Davis thanked the host, Richard Greiner as well as the guest speaker, "I wish good luck to you, Simon. Try to bring some sensé back to it all" he said.

(l to r) Simon Beale, Jim Davis and Richard Greiner

Lloyd's List

Thursday June 12 2003

Davis still dynamic

THAT peripatetic man about shipping, Jim Davis, often a cautionary voice, is optimistic about the current state of the industry.

"Tankers are doing well and bulk carriers are having a better experience. Container lines are picking up plenty of cargo," he told our man. But what of the cruise industry, arguably his first love?

"They seem to be doing quite well in spite of everything." He tells us that his own interest in the industry — through Luxus Holdings, where he is chairman — is "on the back burner". His cohort, Les Royle, is as keen as ever to build two luxury ships, but is cautious about the current state of the luxury market.

Davis has his doubts about Stelios Haji-Iaonnou's easyCruise concept, which he feels "flies in the face" of the all-inclusive nature of cruising. Davis feels that with £29 a day due for bed only, the whole experience could prove expensive.

At almost 75, the ebullient Davis shows no sign of retiring from his job running the International Maritime Industries Forum. He has had his critics, but nobody could doubt his enthusiasm.

Lloyd's List

21 February 2003

Class act CLASS NK, which opened its first overseas office in London more than 40 years ago, has decided to boost its presence with the establishment of a British committee, writes Michael Gray .

Chaired by International Maritime Industries Forum chairman Jim Davis, right, the invited members of the new committee are Robert Houston of Anglo-Eastern, Enys Dan of BP Group shipping vetting service, Embiricos Shipbrokers' Epaminondas Embiricos, Philip Atkinson of Graig Shipping Management, Captain Michael Marchant of P&O, Alan Davey of Shell Shipping Technology and Wallem's Vivek Puri.