

New Insurer - New Challenges

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Presentation to “Aquaculture
Insurance and Risk Management
Conference” at Vigo

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New Insurer - New Challenges

- The Story So Far
 - Research and Development phase - Dec 2003 to Sept 2004
 - Product Launch - October 2004
- Outline of Presentation
 - Review of the Aquaculture Insurance market in 2003
 - Economic Environment
 - Assessment, Management and Control of the Insurance Risk
 - The Future?

Aquaculture

The Insurance Market in 2003



The Aquaculture Insurance Market in 2003

- Constrained capacity
 - Some withdrawals following \$23m superchill losses on Eastern US seaboard
- Small no. of specialist insurers trading either on w/w or localised basis
- Strong dependence on reinsurance protection, notably from the majors
- Aquaculture embedded in Marine or Agriculture P&L accounts
- Mixed industry track record over a 30-year period
- Some problems issuing “local” paper
- Relative lack of market data
- And yet...

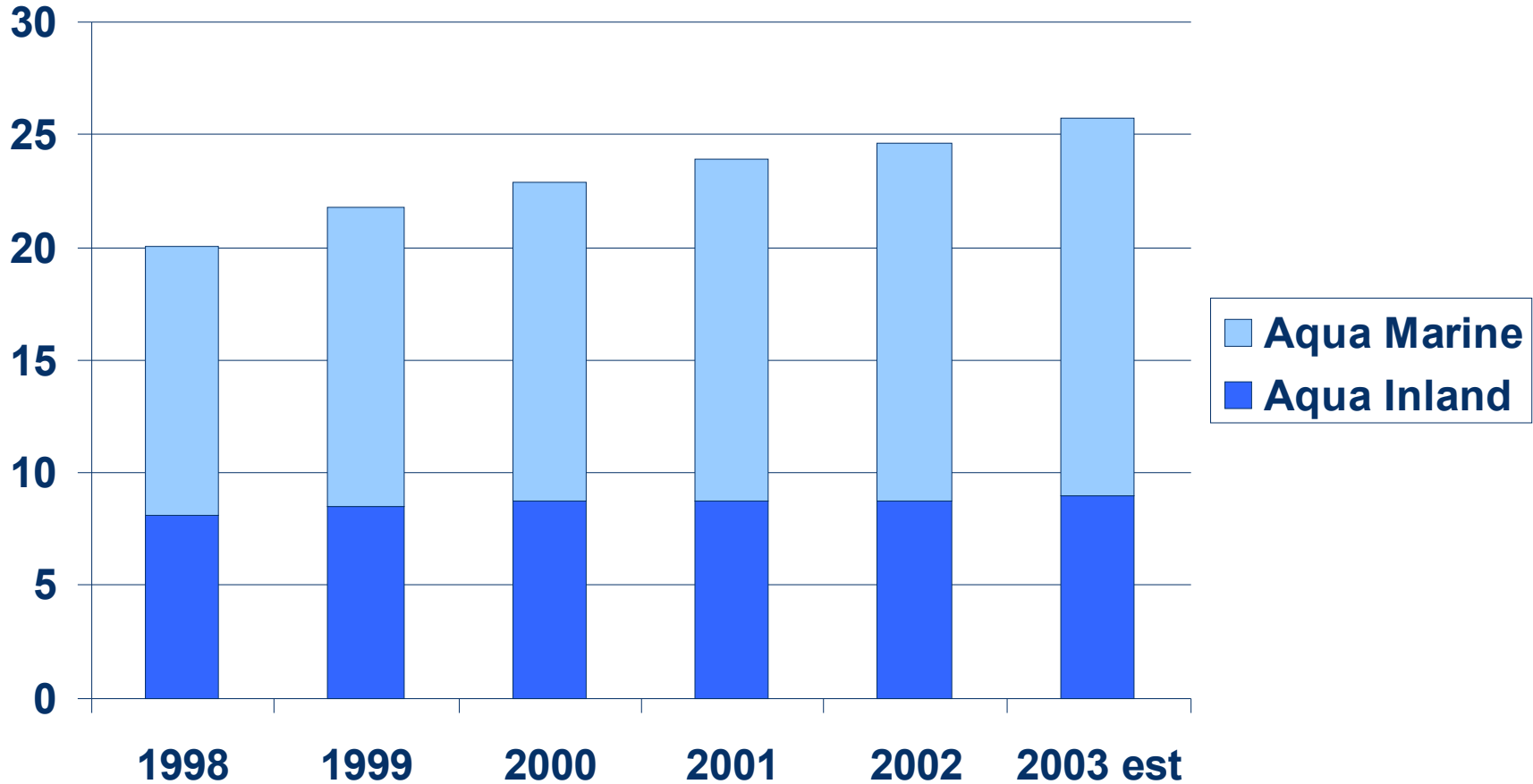


Aquaculture

Economic Environment

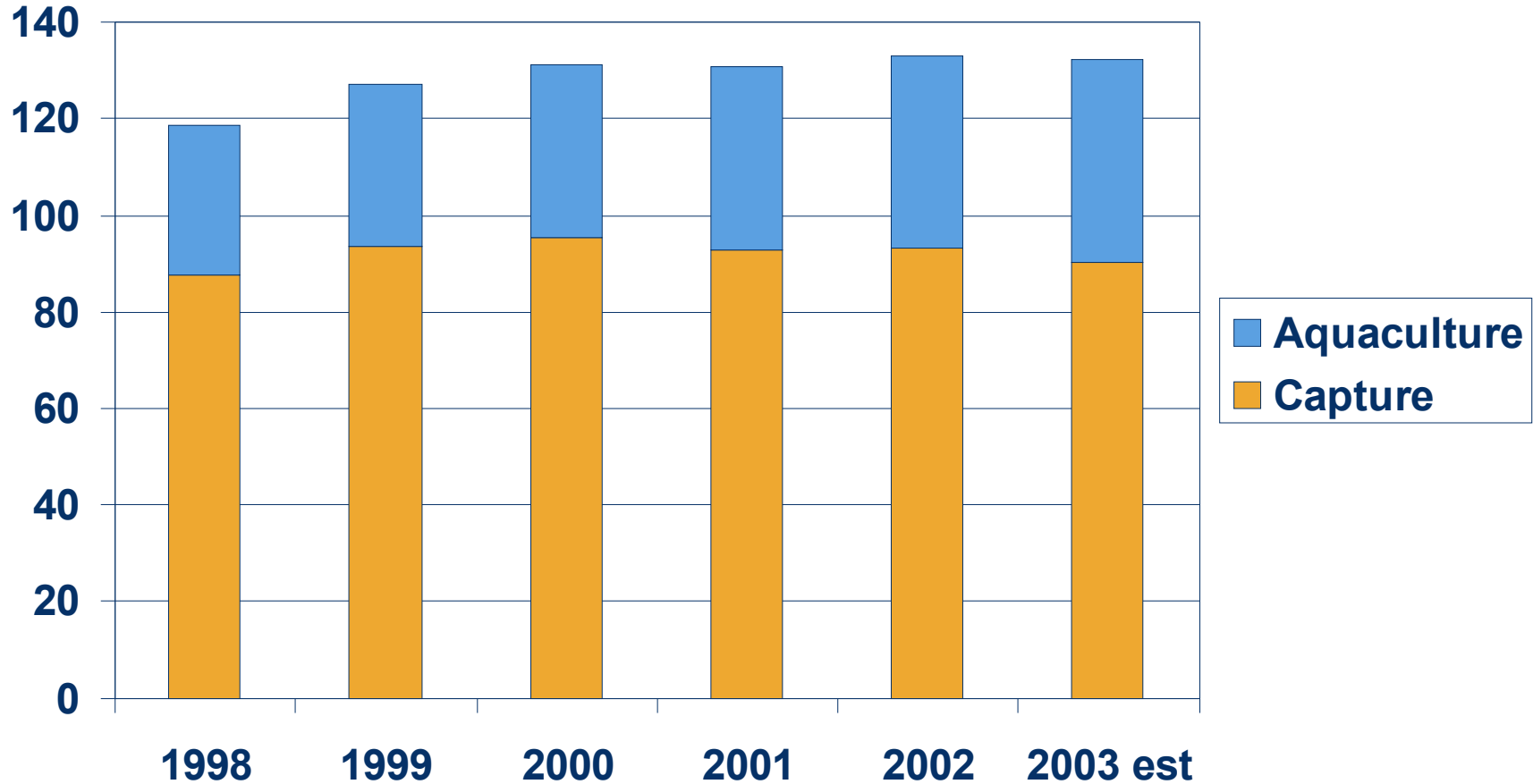


Global Production Aquaculture - Inland v Marine



Source: FAO

Global Production Capture Fisheries and Aquaculture

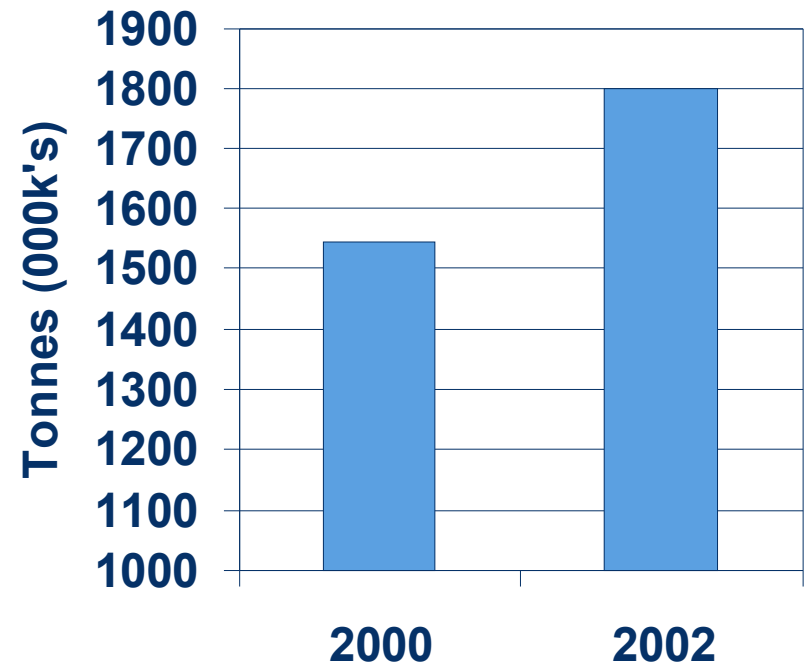


Source: FAO

Economic Background - Sustained Growth

- Aquaculture share of Fish, Crustaceans and Molluscs grew from 3.9% (1970) to **29.9%** (2002).
- Average sector growth of **8.9%** per annum since 1970 (traditional capture methods grew by 1.2% p.a.)
- Total Aquaculture Production of **USD60bn** in 2002

Salmon and Trout Production



Source: FAO

Industry Developments

- Future prospects suggest:
 - Continued increase in global demand for fish
 - Traditional fishing methods not able to meet increased demand
 - Increased geographical diversity
 - » Increased capacity within existing areas
 - » Development of existing species into new areas
 - Increased species diversity
 - » Emergence of Atlantic Cod farming
 - » Development of Wild Tuna “fattening” processes in places like Spain and Australia
 - » Emergence of Organic farming
 - Environmental Pressure Groups focussing on sustainable fishing

Aquaculture

Assessment, Management and Control of
the Insurance Risk



Aquaculture - Customer Perspective

- Increasing consolidation
- New Technology
- Risk Management techniques
- Quality and Expertise of People in the sector
- Global Networking and Knowledge
- Learning from the mistakes of the past

Market Demographics

- Geographic spread of business key to managing catastrophe risk
- Current industry well spread:
 - » Chile
 - » Canada
 - » UK
 - » Ireland
 - » Australia
 - » New Zealand
 - » Norway
 - » Spain
 - » Turkey
 - » Japan
 - » China

Risk Assessment and Exposure Management

- Demographics of the Industry:
 - » Spread of Geographical risk
 - » Spread of Fish Species

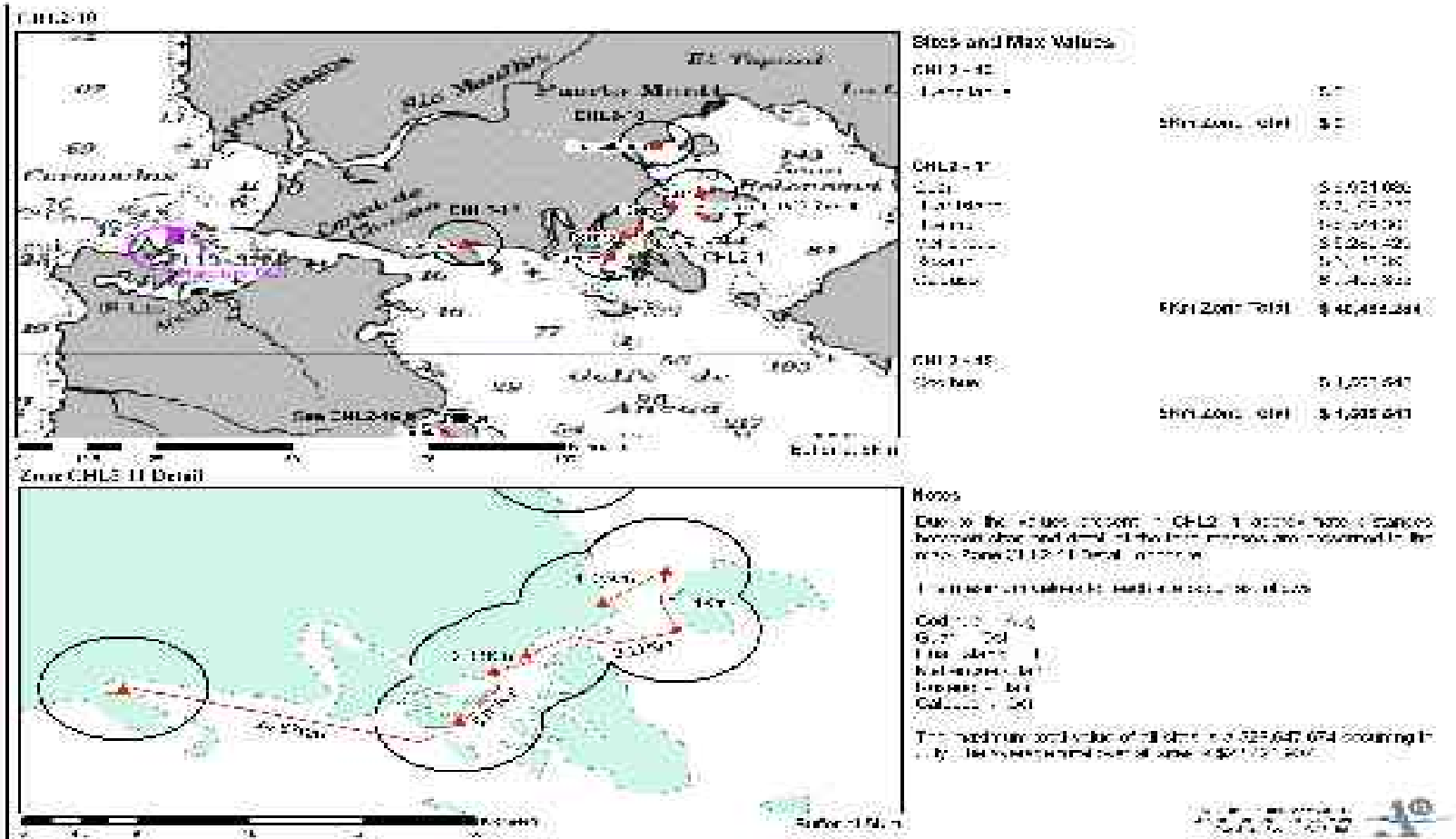
- Benchmarking across the industry sector

- The quality of risk assessment and selection - as ever - remains vital

- Aggregation and Risk Management techniques:
 - » Aggregate Exposure Management
 - » Monthly Stock returns



Aggregate Exposure Management



Aquaculture

The Future?



Aquaculture Insurance - The Future?

- RISKS?
 - Catastrophe claims activity
 - New geographical areas
 - New fish species
 - Climate Change?
- OPPORTUNITIES?
 - Generating extra sales
 - Organic growth from customer base
 - Investment in technical skills
 - Capital investment by banks

Thank you for your attention

