

MARINE INSURANCE GROWING IN LOCK-STEP WITH SINGAPORE'S BOOMING INTERNATIONAL MARITIME INDUSTRY



The dynamic rise of Singapore as a premier global shipping hub continues, as international maritime businesses flock to the island state to take advantage of the myriad benefits on offer. The local marine insurance sector has surged in parallel, attracting world-class capability and evolving locally underwritten insurance covers to meet the growing complexities in today's modern world of shipping.

SHIP-SHAPE SINGAPORE

Singapore has grown to become one of the world's premier shipping hubs.

The Port of Singapore is the second busiest port in the world. In 2012, almost 13,500 vessels passed through the port, container throughput was at an historic high of more than 30 million twenty-foot equivalent units, and it handled record levels of cargo tonnage.

Singapore has also become the preferred choice of flag for many ship owners. Last year, around 65 million gross tonnes of shipping vessels – or more than 4,200 ships – were registered under Singapore's flag³. This is almost 50% higher than just five years ago and more than triple since the formation of

the Maritime and Port Authority of Singapore in 1996.

This puts Singapore's Ship Registry among the top 10 worldwide.

According to the Port of Singapore, the island state is now home to more than 120 international shipping groups, employing more than 170,000 people and contributing some 7% to Singapore's gross domestic product¹.

PREFERRED CHOICE FOR INTERNATIONAL SHIPPING

A growing number of international shipping companies are choosing to register vessels, construct vessels and establish or expand operations in Singapore.

The world's largest ocean carrier, Maersk Lines, is reported to have increased its fleet of ships under Singapore's flag to about 120 with 7.5 million gross tonnage, and more in the pipeline². This is second only to the number of ships under its Danish home flag.

Japan's Mitsui OSK Lines continues to accelerate its bulker business in Singapore, having recently signed a 20-year freight service agreement for 200,000-ton-plus class iron ore carriers with Rio Tinto. The company is expected to domicile up to 45 bulkers in Singapore.

In recognition of the importance of the market, Rolls-Royce relocated its marine business global headquarters to Singapore in 2009 and, last year, opened a state-of-the-art marine training facility.

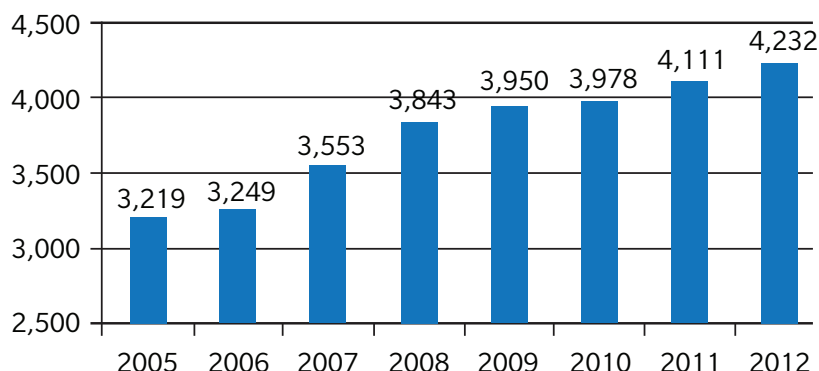
1. Maritime and Port Authority of Singapore Media Release January 2013 "Singapore's 2012 Maritime Performance Port of Singapore registers good growth in 2012"
2. Kyunghee Park, Bloomberg "Maersk Line to add more ships to Singapore Base", 6 March 2013

As demand for drillships climbs, Singapore-based specialist shipbuilders are being handpicked as preferred construction partners and more operators are setting up Singapore corporate hubs.

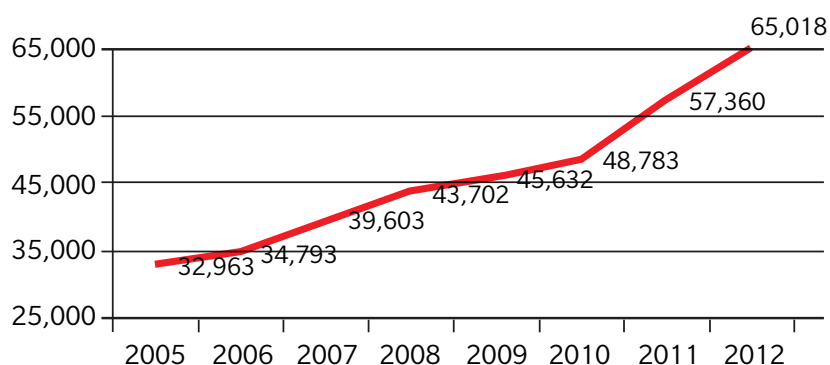
Of the 97 members of the Singapore Shipping Association, 50% are companies with international operations.

The number of ships registered with Singapore's Registry of Ships has grown significantly in recent years.

Number of vessels registered with Singapore flag



Gross Tonnage of vessels registered with Singapore flag ('000)



Source: Maritime and Port Authority of Singapore

INCENTIVISING THE MARITIME BOOM

The dramatic rise of Singapore as a premier shipping and logistics hub has been spurred by various Government incentives, including tax exemptions, funding programs and other initiatives designed to attract international operators.

Profits derived from the operation of a Singapore vessel are exempt from Singapore income tax and significant tax concessions are available to ship leasing companies and support service providers under the Maritime Sector Incentive Scheme.

Similarly, loan repayments to finance the purchase or construction of new ships enjoy automatic withholding tax exemptions, while businesses that support the maritime industry enjoy a GST zero-rating.

Under another state initiative, the Maritime Cluster Fund, grants are available to companies interested in developing the capabilities of their employees; financing new maritime company start-ups; or those expanding into new lines of maritime business.

Registering a vessel under a Singapore flag attracts lower fees than that of many other countries and no barriers exist for ship operators to employ crew members of any nationality.

Singapore is a party to all major International Maritime Organization conventions on ship safety and marine pollution prevention, has a good safety record, and experienced and responsible administration. With its strong links to all key regional economies, Singapore is also a natural gateway for international firms to access Asia and for Asian businesses to access the world.

Together, these significant advantages are attracting many local and international maritime industry players, who view Singapore as a welcome port in a world where their commercial survival depends upon cutting costs and maintaining quality.

NOT JUST THE SHIPS

Supplementing the growing number of shipowners and operators, many ancillary maritime service providers are also flocking to Singapore.

Demand is strong for the full spectrum of organisations – ship financing, brokering and chartering, maritime law and arbitration, port terminal management planning and development, maritime training, marine engineering and naval architecture, as well as seafaring.

The combination of robust demand, coupled with the extension of Government incentives to these ancillary services, is contributing to the dynamic momentum of the entire industry.

As the marine insurance segment expands, Singapore's maritime industry is benefiting from increased insurance capability and capacity. The size of the marine insurance pool written in Singapore has increased exponentially in recent years.

MARINE INSURANCE GROWING IN LOCK-STEP

Singapore's maritime boom has sparked a commensurate surge in the local marine insurance industry.

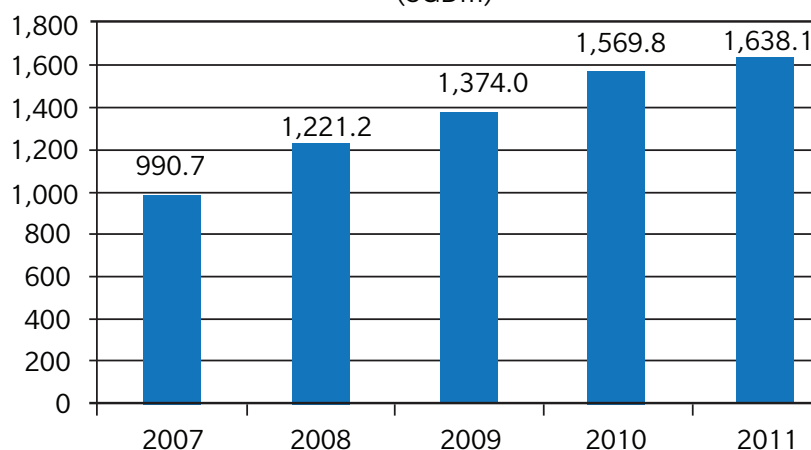
An increasing number of international insurers offering marine cover have established Asian headquarters in Singapore. Setting up a local presence ensures they are close and accessible to the burgeoning market, can gain a better appreciation of the region's maritime risks, and can also benefit from the country's favourable tax incentives and pro-business environment.

The number of Lloyd's syndicates writing insurance in Singapore has grown to 18, with 16 of these writing marine insurance. Five of the 13 international group protection and indemnity clubs now have offices in Singapore with more on the way, and nearly all major international insurers write marine business in Singapore.

In total, around 30 insurers currently offer both direct and reinsurance cover to all sectors of Singapore's maritime industry, including cover for hull and machinery damage, liability, protection and indemnity, and cover for offshore risks.

The size of Singapore's gross written marine insurance pool has increased exponentially in recent years. Gross cargo and hull liability premiums written in Singapore totalled around S\$1,638 million in 2011, up 65% from S\$991 million in 2007.

Gross Premiums – Cargo and Hull Liability Singapore (SGDm)



Source: Monetary Authority of Singapore (Singapore Insurance Fund Direct Insurers and Reinsurers and Offshore Insurance Funds Direct Insurers, Reinsurers, Captive Insurers)

DEVELOPMENTS IN SINGAPORE'S MARINE INSURANCE

As the marine insurance segment expands, Singapore's maritime industry is benefiting from increased insurance capability and capacity.

There is no doubt shipping is becoming increasingly sophisticated, with higher values at stake and more complexity in the risk profiles of many shipping operations. For example, as Asia's first open-access, multi-user LNG terminal comes on line in Singapore this year, the number of LNG carriers constructed and operated locally is set to increase. The risk profile of these vessels is highly complex and a considerable level of technical sophistication is required to structure and place an appropriate insurance program.

It is not uncommon for these, and other vessels such as the new breed of super passenger cruisers, to be valued in excess of \$1 billion.

As a result, locally-based underwriters are required to be more technically skilled and adopt a more sophisticated attitude to risk so as to develop comprehensive and

appropriately structured insurance programs for ship owners, operators and ancillary businesses.

Marine insurance policy conditions are also evolving, regionally and globally, in response to the growing complexity and changes within the industry. In December 2012, 'The Nordic Marine Insurance Plan 2013' was released³, evolving the guide for marine claims handling processes which had been used for almost 106 years. It included a chapter on the insurance of mobile offshore units, which demonstrates the issues around new technology and risk management complexity. Singapore-based marine insurers use these guides as master hull policy wordings to develop domestic policies.

Capacity in the market is increasing in step with demand. With a greater number of underwriters entering Singapore's market, a more diverse choice is available locally to ensure the most appropriate panel is structured, offering the right level of cover.

As competition continues to intensify among the insurers, average premium increases across the hull and cargo classes are

constrained and brokers continue to achieve preferential terms. However, premiums for offshore energy operations could also rise, reflecting the significant risk attached.

WIN-WIN FOR WHOLE SINGAPORE SHIPPING SPHERE

The expansion and growing sophistication of Singapore's marine insurance segment is adding fuel to the fire of Singapore's growth as a globally dominant shipping hub.

There remains strong capacity in the market and the capability of local underwriters is world-class, giving ship owners and operators the comfort that insurance programs can be appropriately crafted to suit the exact nature of their business.

Importantly, maritime businesses in Singapore have the convenience of underwriters being close to hand to work through risk management requirements and to support the claims process.

3. The Nordic Association of Marine Insurers

Data used throughout this report has been sourced from the Maritime and Port Authority of Singapore, the Singapore Registry of Ships and the Monetary Authority of Singapore.

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