

Offshore Energy Market Review

AIMU Marine Insurance Day

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Offshore Energy Insurance 2009 Market Overview

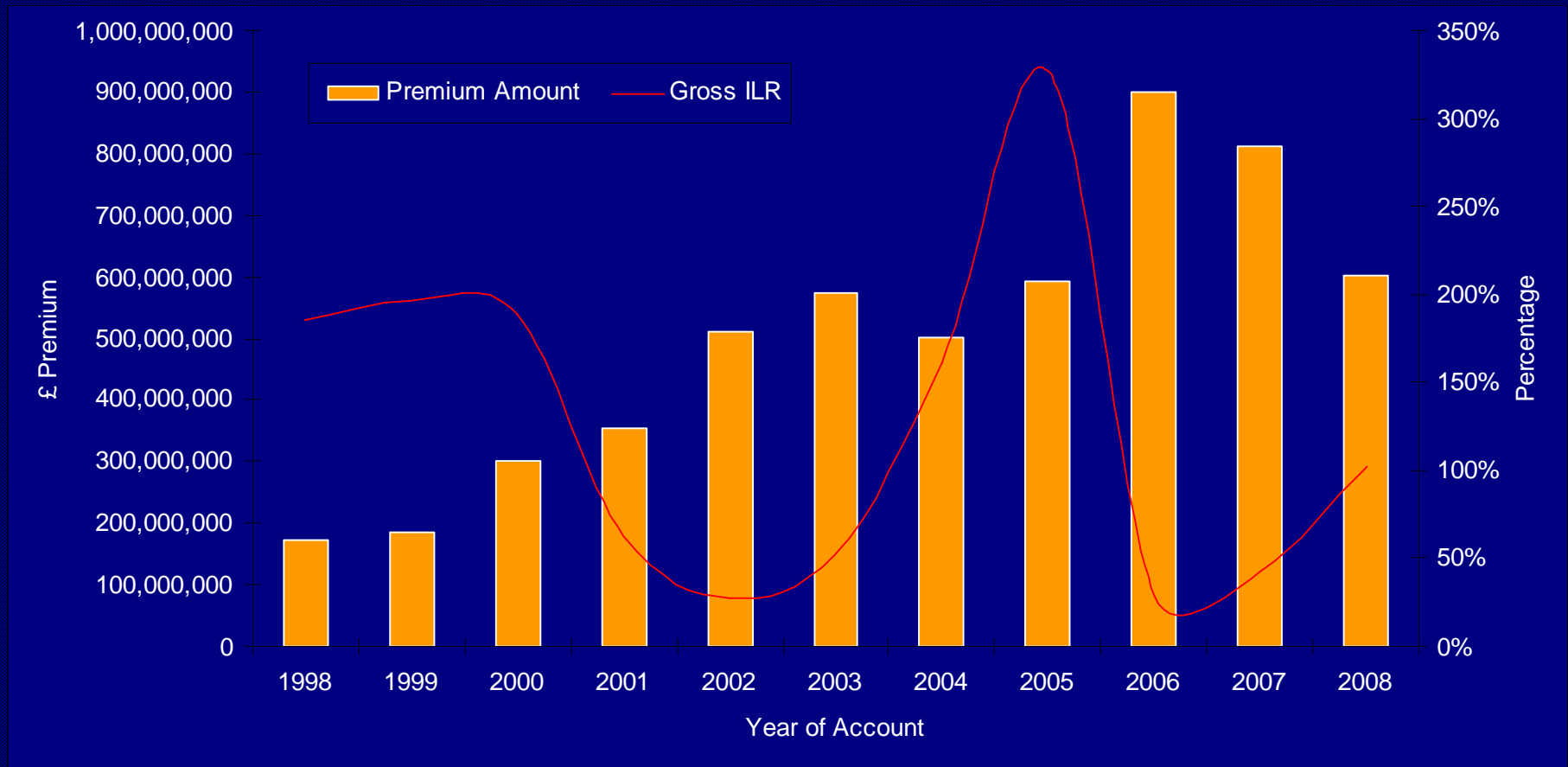
- Market Underwriting Statistics
- 2009 Market Structure
- 2009 Gulf of Mexico
- Mobile Offshore Drilling Units
- Questions



Energy Lloyd's Market Statistics 1998 - 2008

- Offshore Physical Damage/Control of Well
- Underwriting Year Basis
- Net of Acquisition Costs
- Before Reinsurance Costs/Recoveries
- Actual NOT Ultimate Figures
- Representative of Worldwide Market

Energy Lloyd's Market Statistics 1998 - 2008



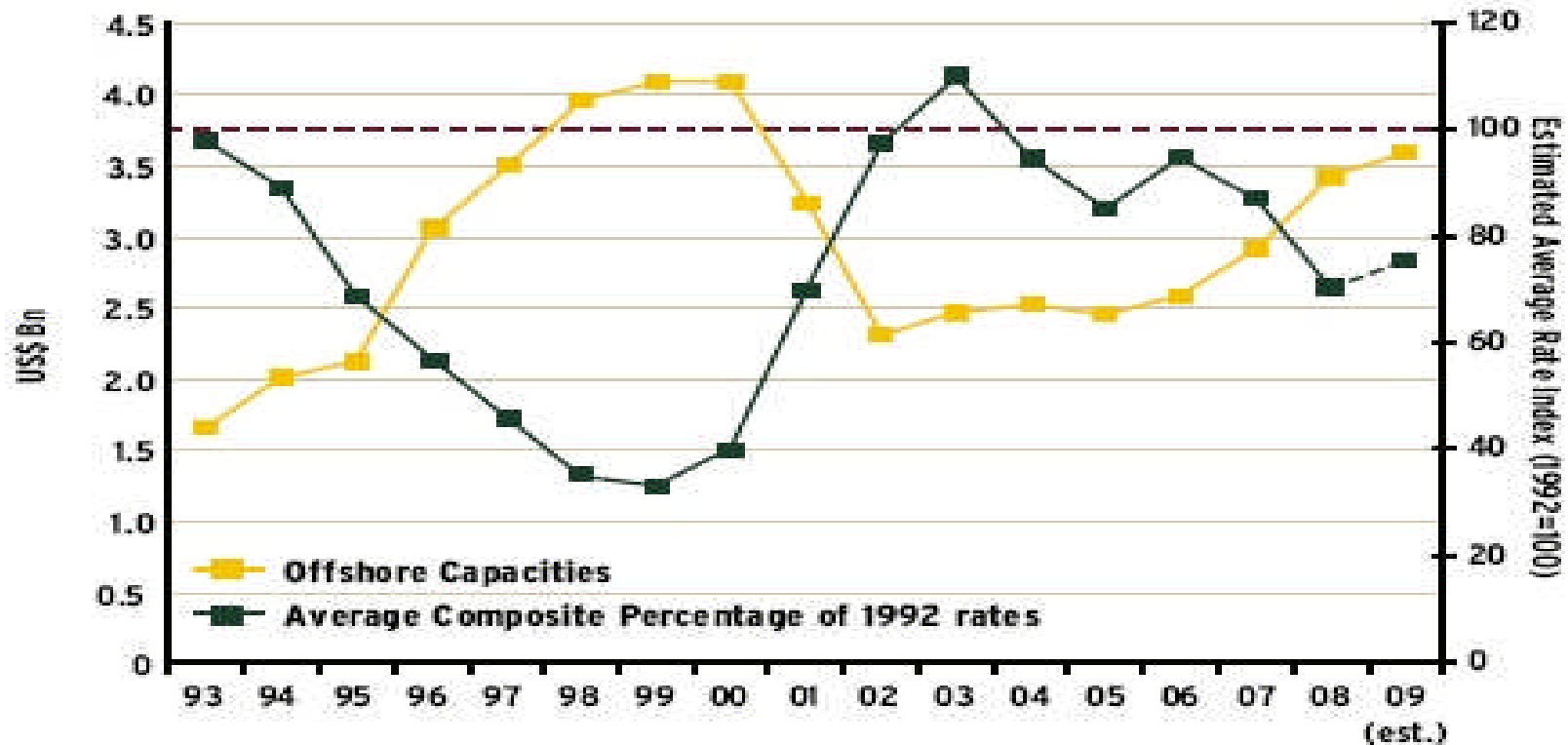
Energy Lloyd's Market Statistics 1998 - 2008

- Negative trend in place
- Aggregate Loss Ratio of 115.6%
- Significant changes necessary

Worldwide Offshore Capacity (Ex Gulf Of Mexico Wind)

CAPACITY

Energy Insurer Capacities and Average Rating Levels,
1993-2009 (Excluding Gulf Of Mexico Windstorm)

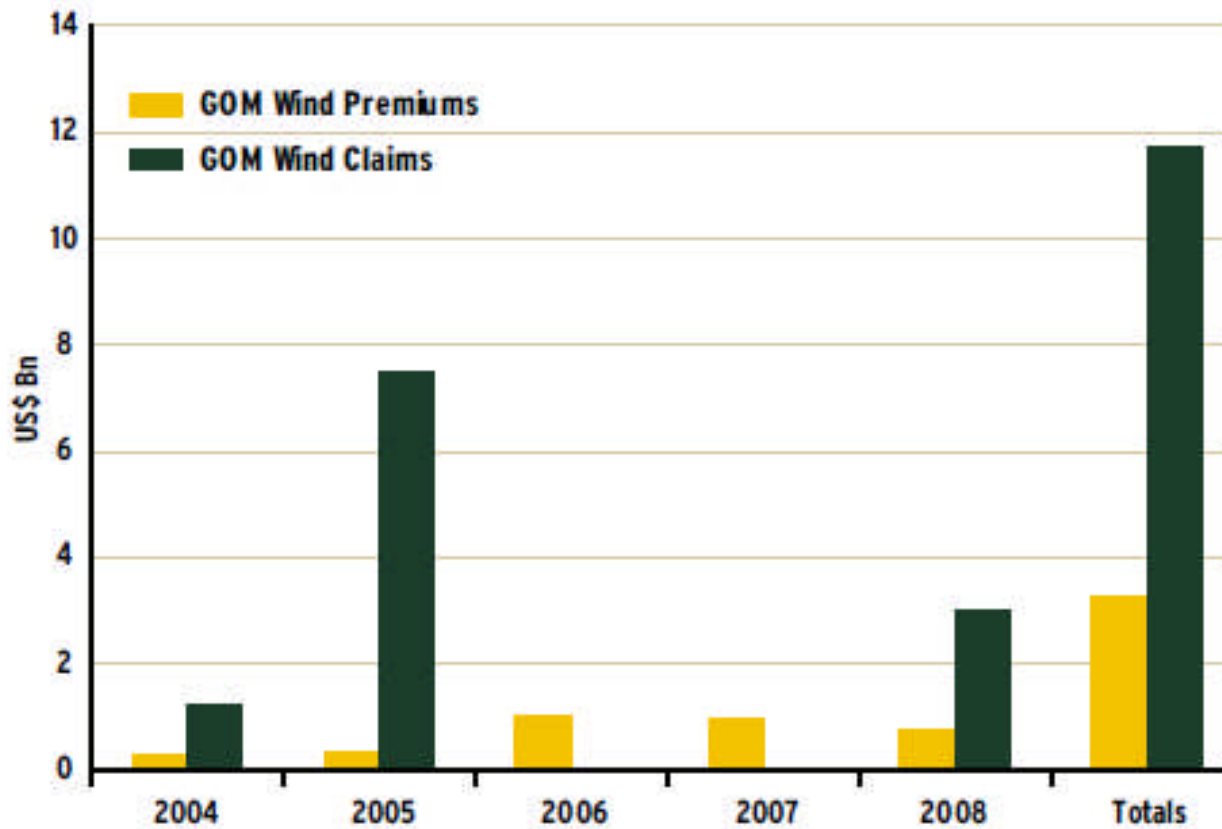


Source: Willis

Gulf of Mexico Wind History

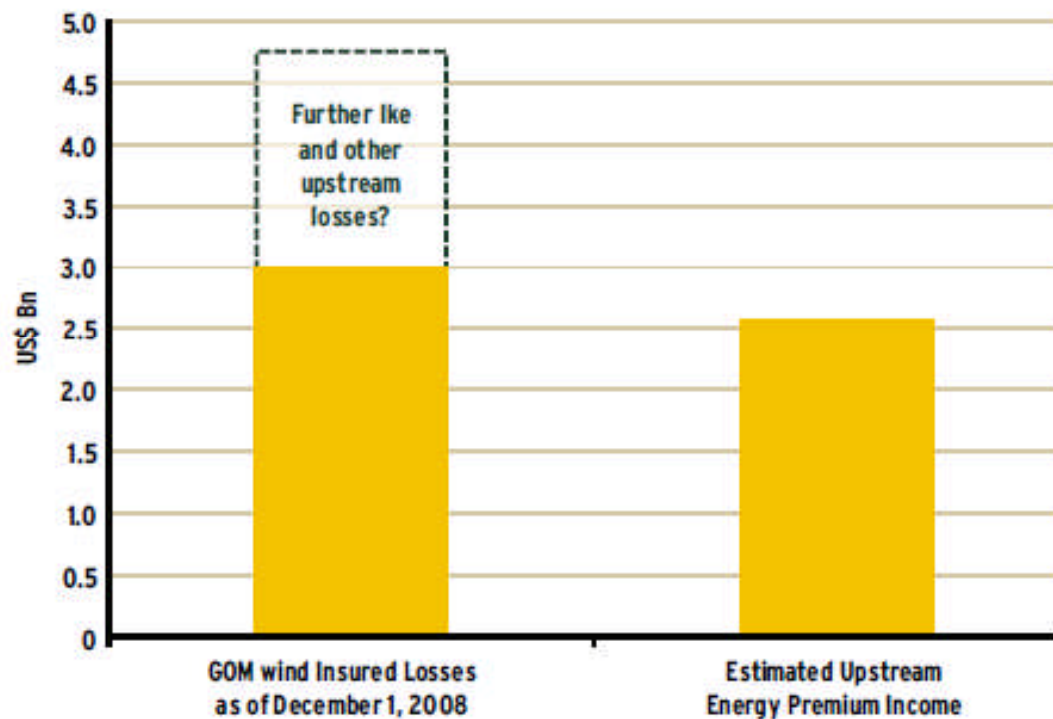
- Hurricane Ivan “The original Big One”
- Hurricanes Katrina/Rita “Market Changing Event”
- Hurricane Ike “More Questions Than Answers”

Energy Insurance Market Gulf of Mexico Premium v. Claims Estimates, 2004-08



Source: Watkins Syndicate

GOM wind insured losses compared to overall estimated upstream energy premium income, 2008



The offshore energy portfolio incurred loss ratio for 2008 is likely to be significantly greater than 100% once the final figures are collated and adjusted.

Gulf of Mexico

- When is a Category 2 not a Category 2?

Big Four Vital Statistics Comparison

	Ivan	Katrina	Rita	Ike
Saffir Simpson	Cat 4	Cat 5	Cat 4	Cat 2
Hurricane Severity Index	33	47	42	36
Integrated Kinetic Energy	4.4	5.1	4.3	5.2
No. of Platforms Destroyed	7	46	69	54
No. of Platforms Damaged	24	20	32	95
Commercial Market Loss	US\$ 1,250m	US\$ 3,000m	US\$ 3,500m	US\$ 3,000m

Source: Watkins Syndicate

Where Do We Go From Here?

- Withdrawal from Gulf of Mexico
- Raise Rates / Coverage Restrictions
- Reintroduce the Concept of Indemnity

Mobile Offshore Drilling Units IUMI Statistics 2009

- Thanks to Facts and Figures Committee
- World Fleet Profile
- New Buildings
- Financial Dynamics
- Loss Analysis



Mobile Offshore Drilling Units World Fleet Profile

- 699 units (610 units in 1999)
- Gulf of Mexico fleet has been declining.
1999 at 197 units, 2008 at 125 units
- 162 New Buildings to be delivered between
2008 and 2010
- Fleet increase of 98% from 1999 to 2010

Source: Rigzone



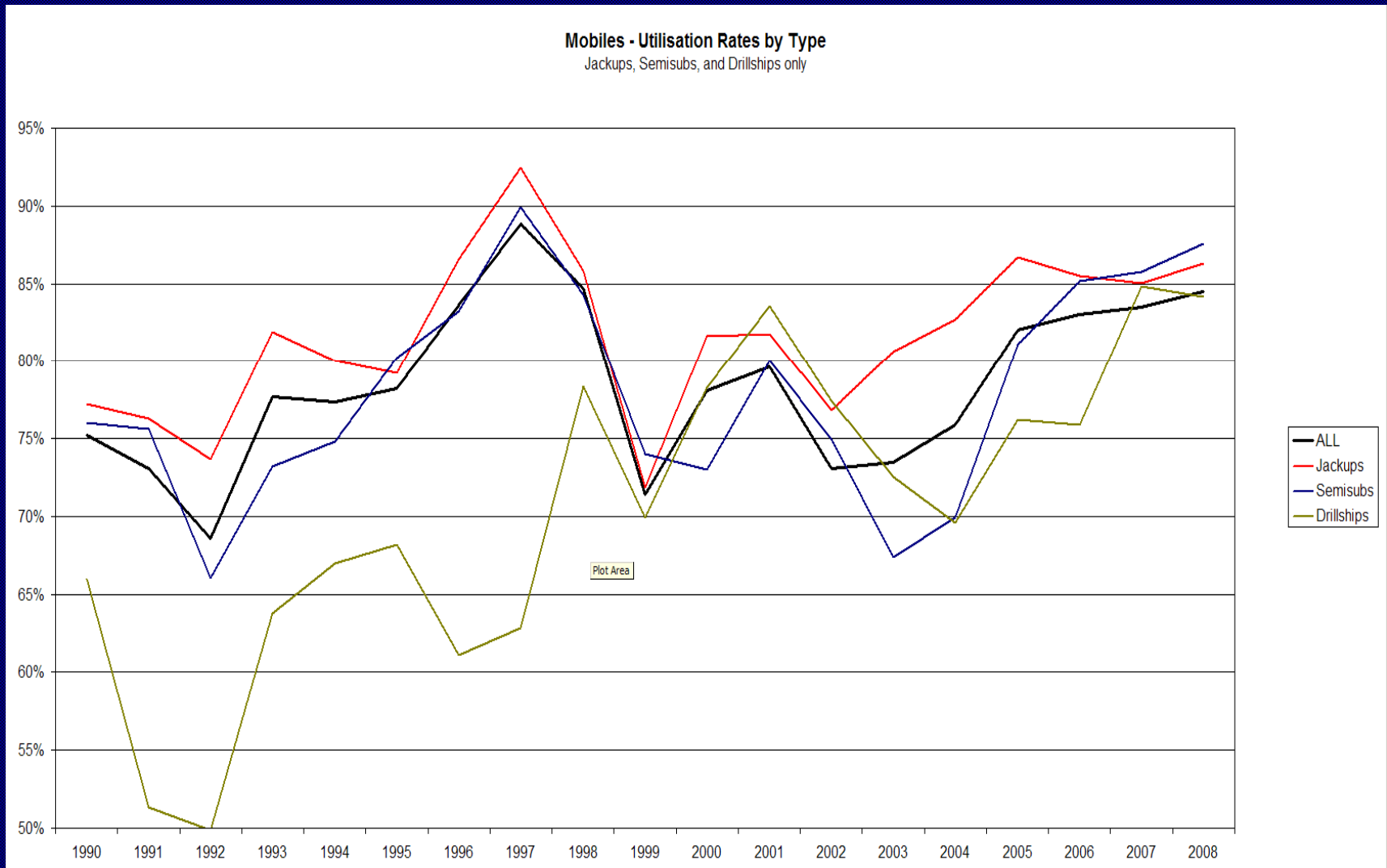
Mobile Offshore Drilling Units Financial Dynamics - 2008

- Current Worldwide utilisation rate of 84%
(2003 66%)
- Average Worldwide day rate increase of
25%
- Market has changed in 2009

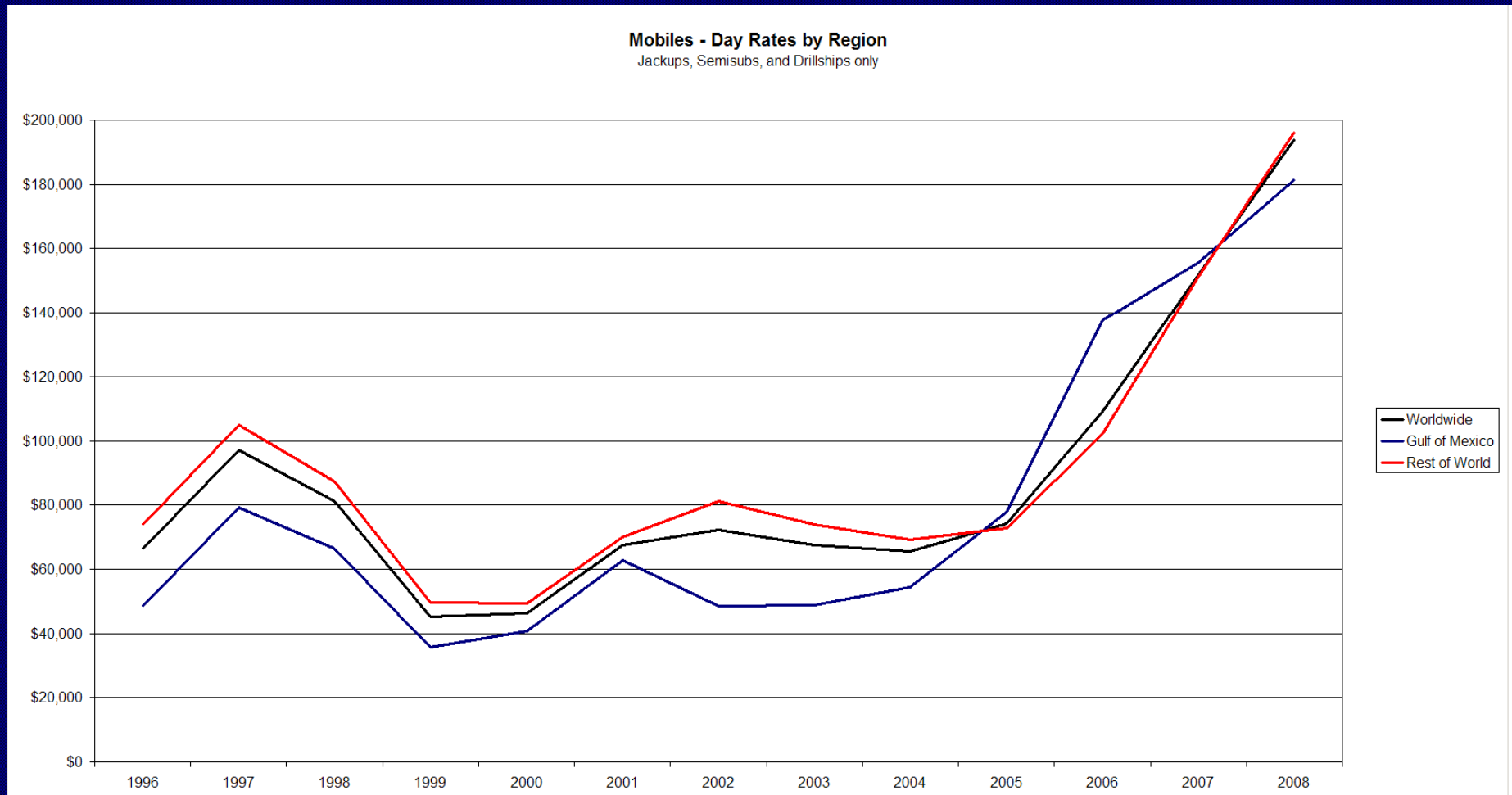
Source: Rigzone



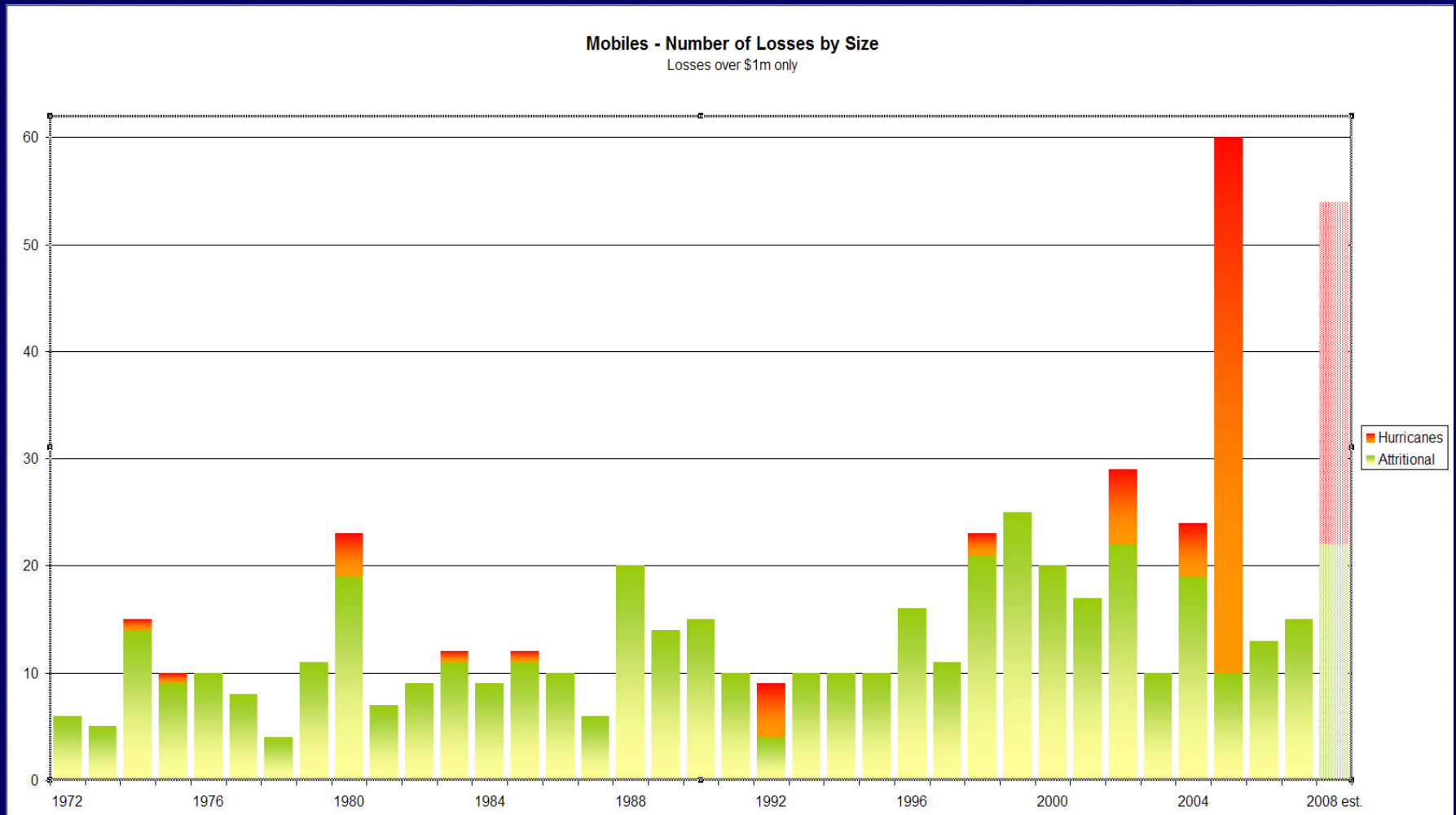
Mobiles-Utilisation Rates by Type



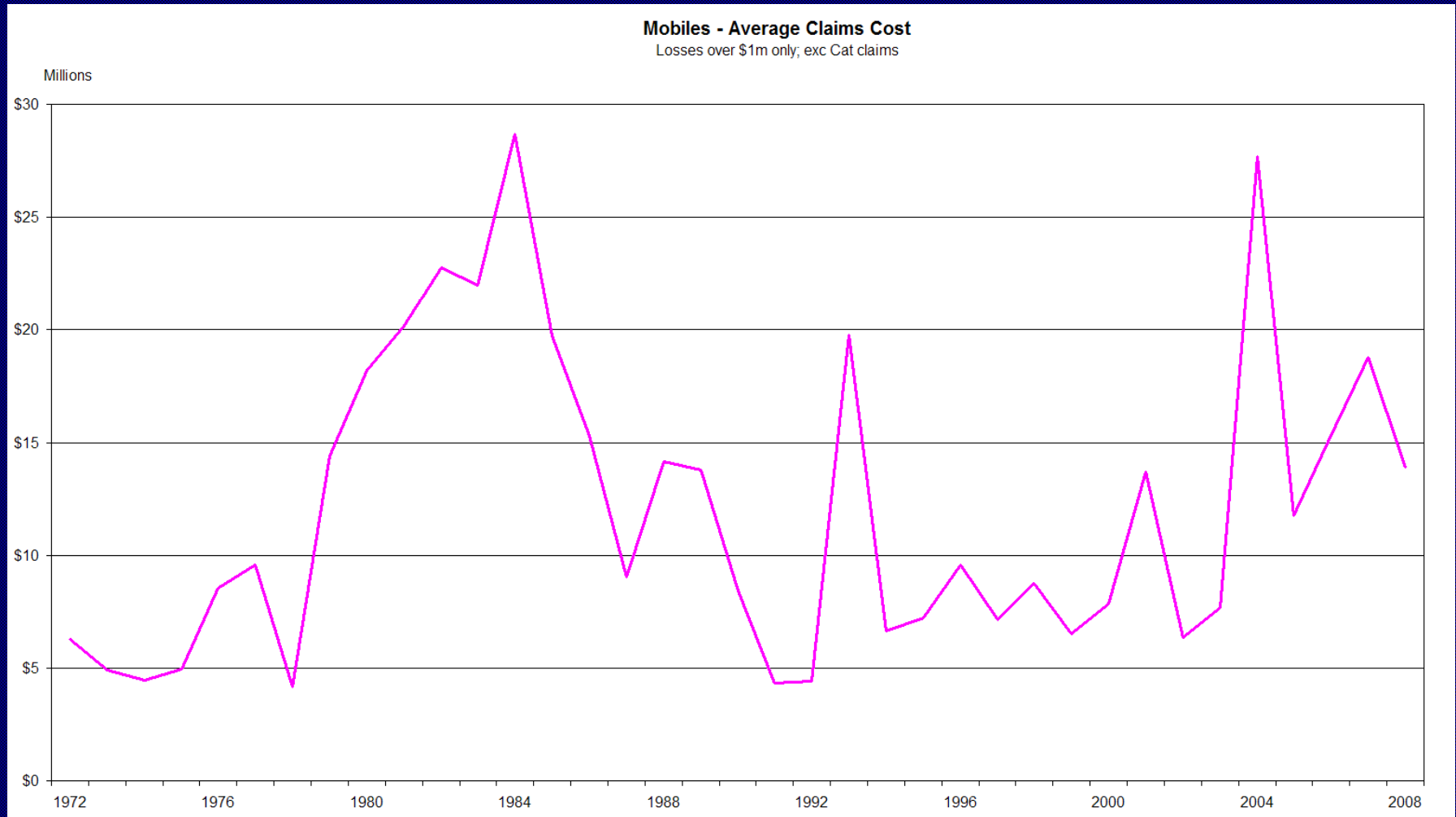
Mobile Offshore Drilling Units Day Rates



Mobile Offshore Drilling Units Number of Losses by Size



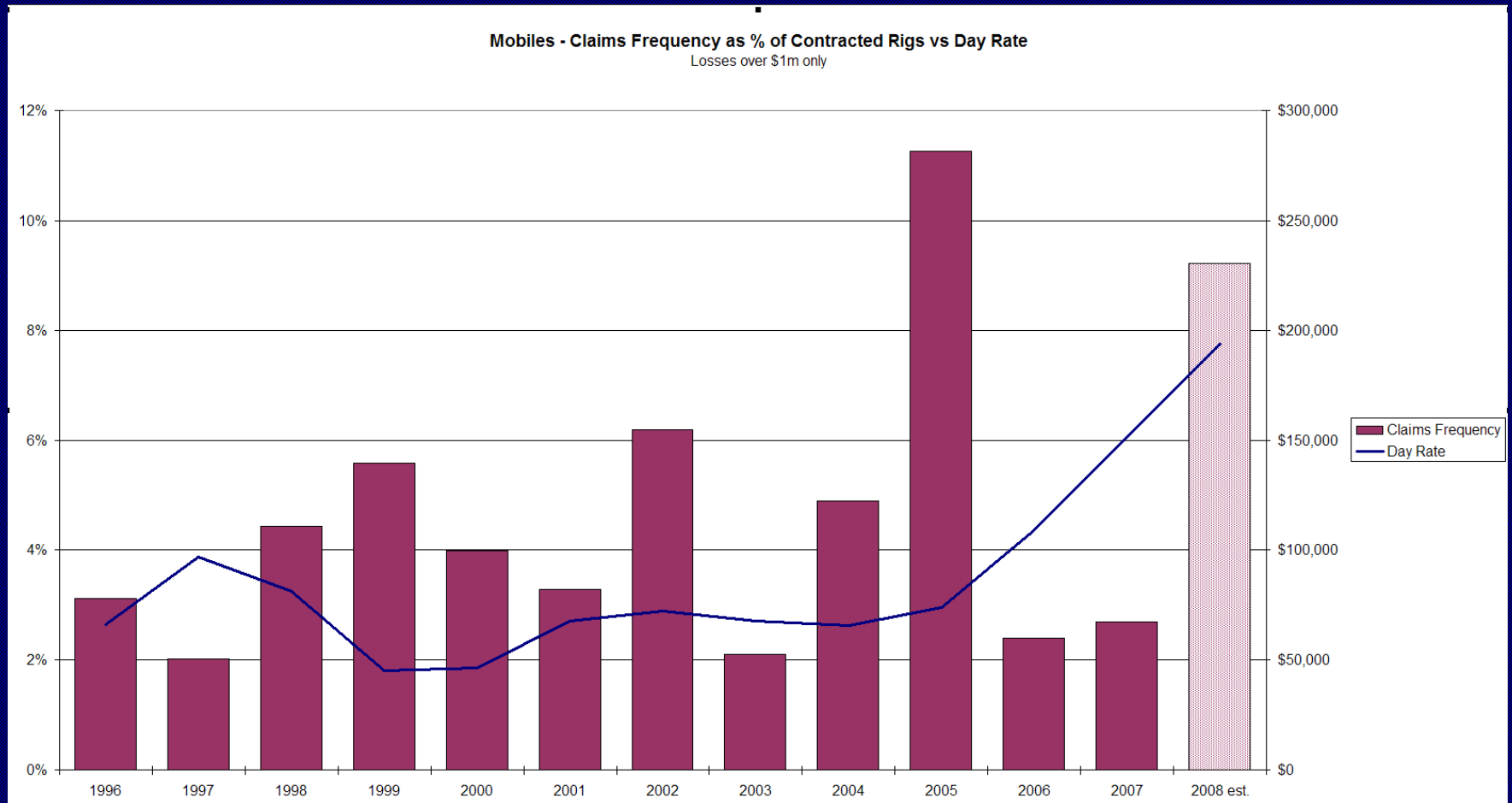
Mobile Offshore Drilling Units Average Claims Cost



Mobiles Offshore Drilling Units Loss Analysis

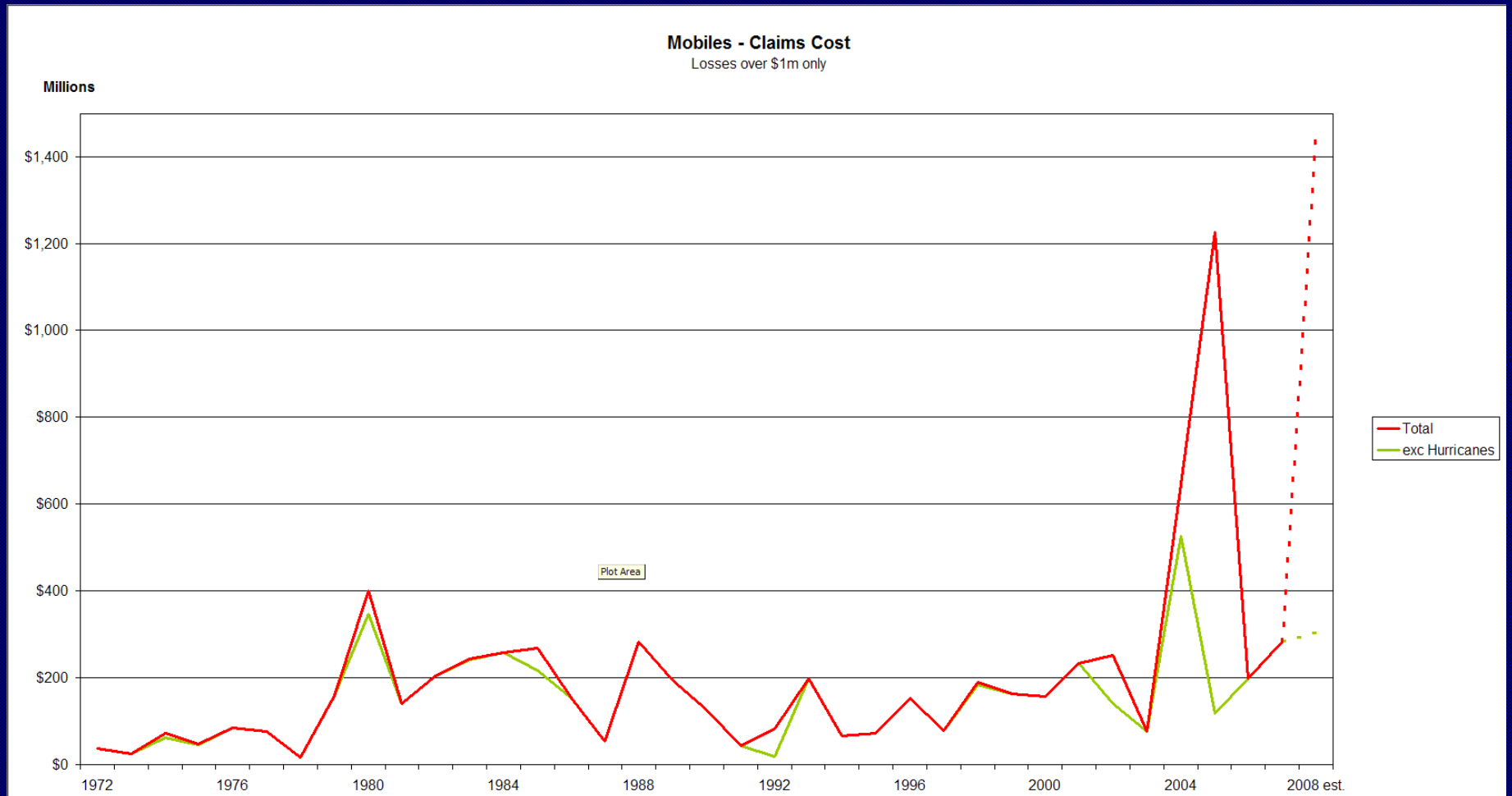
- Claims frequency (excluding hurricanes) appears to be increasing
- Claims severity (excluding hurricanes) appears to be on an upward trend

Mobiles Offshore Drilling Units Claims Frequency Analysis



Source: Willis

Mobles Offshore Drilling Units Claims Cost Analysis



Source: Willis

Take-Aways

- Gulf of Mexico at a critical point
- Adjusting to the economic realities of global recession and the new oil price environment
- Not losing sight of risk exposures and the challenges they pose