

Swiss Re's Deirdre Littlefield: key focus for US marine insurers is to improve combined ratio, work to secure ports

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While the marine insurance industry has performed slightly better than the overall property/casualty market in recent years, the business is still navigating in some extremely stormy seas. That's the assertion of Deirdre Littlefield, outgoing chairman of the American Institute of Marine Underwriters (AIMU) who, in addressing the AIMU annual meeting Thursday, said the US market's success is tied to both achieving an industry-wide combined ratio of 91.6 percent and ensuring that trade security is made a global priority.

In discussing a return to profitability, Littlefield, who serves as Swiss Re Americas Division Senior Vice President and Business Unit Head of Special Lines, said her outlook is buoyed by the combined ratio of the US marine market's two largest lines representing more than 50 percent of US net written premium - cargo (86.1) and yacht (93.4).

Additionally, AIMU reports its members posted a combined ratio of 98.9 percent, representing an improvement from the nearly 102 percent combined ratio in 2000. Still, Littlefield said, the industry has a long way to go to achieve a combined ratio below 91.6 percent, "the magic number needed to cover capital costs."

"It's difficult to say what the final results will be for our industry 2002, as there are some wild cards," said Littlefield, citing the long-lasting West Coast port strike, the effects of a bridge collision in Oklahoma and several other recent large losses.

"I believe the market has at least kept pace with the rest of the p/c industry in moving to secure more adequate pricing," said Littlefield. "Our operations are well capitalized, and risks will continue to gravitate toward marine carriers with financial strength. I believe that gives US marine underwriters a competitive edge."

Nonetheless, Littlefield still points to the Maritime Security Bill, recently passed by both the House and Senate as a key to ensuring that "our seaports do not remain vulnerable to terrorist activity."

Among the key elements of the bill:

- Implementation of a comprehensive maritime security plan with specific area plans.
- Security systems of foreign ports to be assessed. Legislature to include unilateral authority for the U.S. to deny entry to vessels from ports that do not maintain effective security.
- Vessel personnel and workers in designated port areas will be required to have transportation security cards issued by the Department of Transportation.
- Provides for cargo tracking, identification and a screening system for containers shipped to and from the U.S. directly or through a foreign port.

"For many years, marine insurers have been at the forefront of the effort to improve port security, and we will continue to play a significant role in that effort to push back borders," said Littlefield.

Editors Notes:

Deirdre Littlefield is the first woman to serve as chairman of the American Institute of Marine Underwriters, the 104 year-old trade association representing ocean marine insurers in the US. She also is the first representative from a reinsurer to hold this two-year post.

Representing 90 percent of the commercial marine insurance market in the US, AIMU (www.aimu.org) comprises more than 100 insurance company members and associate members, including insurance brokers, lawyers and others involved in maritime activities.

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. For 2001, Swiss Re reported a net loss of CHF 165 million, largely due to the 11 September event. Gross premiums in 2001 were CHF 28.5 billion. At the end of June 2002, Swiss Re's shareholders' equity amounted to CHF 18.3 billion and the total balance sheet stood at CHF 168 billion. Swiss Re is rated "AA+" by Standard & Poor's, "Aa1" by Moody's and "A++" by A.M. Best.

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