

Elias Tsakiris : “Hellenic Hull Mutual Association owes its successful operation to the quality of the Membership”

Consistent to the values of mutual insurance and attracting only quality membership Hellenic Hull Mutual Association has followed a rapidly evolving and upward trend.

Mr. Elias Tsakiris managing director of Hellenic Hull Management believes that quality underwriting is the best way of achieving a sustainable premium and premium cost. As he says “One of the most important tasks an Underwriter has to attend is to maintain quality in his/hers portfolio and at the same time achieve the targets set for each policy year. In theory this can be a very challenging task. However, Hellenic being a Mutual insurer is in a much better position than any other privately owned insurance company, due to the fact we operate on a nonprofit basis.

In view of our nonprofit status our main objective is to maintain in our books, when it comes to quality, a homogenous group of shipowners that first of all believe in Mutuality and are prepared to constantly adhere to our underwriting criteria. For us there is no quality underwriting but quality shipowners. Our main underwriting criterion is the people who run the business and not necessarily the age of the vessel even if this might affect our premium income. For Hellenic, the quality of the Membership is the main ingredient for a successful Mutual insurer. The Members of the Association have trusted their insurances to us and we as Managers haven't failed them. Our Underwriting model during all the years of operation has been extremely successful as we have never levied any supplementary calls or any general increases to our “precious” Members, unlike other “Mutuals”.

In 2011 the Association will be entering its 17th year of successful operation, and the wisdom gained after all these years is that the best way of achieving a sustainable premium in the long term, is to keep the faith to the quality of the Members even if this conviction in the short term might show a different result. Taking into consideration the above statement, we have managed to create long lasting relationships with our Members. Most of them are Members of the HMA for more than 7 years, so we have a good knowledge of how they have handled the extraordinary last years in Shipping, and we are confident that their practices are best suited for riding the current wave of uncertainty in the insurance market. As a result we are also confident that their quality is an added value for HMA and the corner stone for the sustainability of our target premium.

Furthermore, the Greek Owned Fleet in general has been renewed drastically the last years. According to Petrofin's research the average age for the Greek owned fleet has been reduced to 16.64 years from 23 during the last 5 years. “The whole fleet is now 16.64 years of age, down from 17.6 in 2009, 18.4 in 2008, 18.71 in 2007, 19.14 in 2006 and 23 years in 2005.” This steady downward age trend shows that the Greek Ship - owners invest in quality of their vessels and we consider that the above trend will remain for the next years.

Therefore we consider ourselves fortunate as we are in a position to select our new members from a pool of fleets which are rapidly evolving.

Mr. Tsakiris explains how underwriters made money for the first time in years in 2010 after many years of negative results. He points out that “the positive underwriting figure is a combined result of both factors with the claims' improved picture weighting more. In Written Premium terms Global Hull premiums have increased only by 4.6% during 2009 (which is still open) compared to 2008. During 2010 we see clearly an uptrend's acceleration which is however due to the recovery of vessels' insured values after the 15% free fall of 2009 and not due to any keyed lift of rates in the market. Referring to claims the overall gross loss ratio remains constantly on a downward trend since 2006 and is currently close to the desirable 70% level where the technical break even is normally achieved. However what we observed during the past two years is lower frequencies in the upper claim band and not an actual dip in the overall claims field which would be the result of a real reduction of claims costs. It must be said that the cost of raw materials despite the recessionary trend in shipping maintained its upward trend which did not assist in bringing the claims costs at substantially lower levels. During 2009 it was clearly the operating positive performance that brought



Mr. Elias Tsakiris managing director of Hellenic Hull Management

satisfactory financial figures to a number of Hull Underwriters and especially Hellenic despite the fact that we remained trapped in an environment of low interest rates and a volatile stock market. Hellenic Hull Mutual Association Plc. achieved a net profit margin of 7.5% for 2009 year of account with the result taking shape well above the technical break - even point and being double of managers' original projections.

During the IUMI conference this year in Zurich it was reported that Hull and Machinery market has been technically a loss making business for 14 consecutive years, the reasons being the oversupply of Marine Underwriters thus maintaining the premium levels to record low whilst the quality of crews on board the vessels who are responsible for almost 80% of the claims did not show any improvement and to this effect we are far from being convinced that any major changes will take place in the market in the near future. Therefore the answer to your question and taking into account this unstable market environment of high volatility, as far as Hellenic is concerned, was our ability to spread the risk and maintain our exposure at reasonable levels which obviously produced a profit making year.”

Regarding piracy problem Mr. Tsakiris points out that “Since early 2008, as it is widely appreciated, piracy, especially in certain areas of the globe, has increased dramatically, affecting both the ship-owners and the Underwriters in general.

The piracy issue led the majority of the Hull and Machinery Insurers to exclude piracy from their insurance covers, as they were of the belief that the amount of premium earned was not representative of the risk that they were undertaking.

The Managers of the Association having harked its Members decided to offer them exclusively an insurance product that will cover not only events following the seizure of the vessel but also the prevention of same. This is a unique product that covers equipment, ransom, loss of hire and related expenses.

This is an innovative, tailor made and intergraded product, which always have in mind the shipowners' concerns when transiting this perilous areas. Hellenic, having experienced piracy events in the past, is standing by the Greek and Cypriot ship-owners by improvising solutions which will assist our Members to cope with this menace.”

Finally Mr. Tsakiris describes HMA's activities during 2010. This year we have been the witnesses of yet another successful year for the Association. We saw our Membership increasing by 20%, our Underwriting profit margin increased by 10.5% whilst our claims are 50% down from last year.

Whilst we are still completing the built up of a sound financial basis to support Hellenic's further expansion (phase 3 of our business model set up on 2006) we have already started the realization of the next phase which refers to Hellenic's expansion. Three major actions towards this direction were successfully implemented. Firstly, the steady increase of our Membership base with even more prominent and influential Shipowners, which in turn is translated in an increased market share which further enhances our objective to become the leading Underwriter for Greek and Cypriot Shipowners. Secondly, we have launched our piracy protection programme which has been very well received by our Members. We must also add that we are in the process of launching a further insurance product in the very near future, but this we prefer to announce it at a later stage. Thirdly, in order to support our expansion plans and our business patterns we have contracted Microsoft through its partners in Greece to implement an ultramodern software platform which will cover our existing and future needs not only on the day to day functions of the Managers but also on all our future business and actuarial models, and at the same time releasing valuable human resources to the core of our business which is to serve exclusively the Greek and Cypriot Shipowners.

Hellenic's success is its Members. If our Members continue to prosper their exclusive Underwriter has every reason to look in the future with optimism and rigor to excellence.