CIRCULAR

By your side

TO ALL MEMBERS

20 November 2019

Dear Sirs

THE STRIKE CLUB / STRIKE & DELAY CLASS
RENEWAL 2020/21 AND OPEN POLICY YEARS

The board of The Strike Club met in Luxembourg on 7 November to review the performance of the business and to make preparations, recommendations and decisions relating to the renewal of the business from 20 February 2020.

As you know from communications over the past year, The Strike Club is now a part of Standard Club, which has formed a Strike & Delay Class to continue the business of The Strike Club. The Strike / Delay business will be underwritten in the Strike & Delay Class of Standard Club from 20 February 2020, through its operating companies The Standard Club UK, The Standard Club Ireland and The Standard Club Asia. This is subject to regulatory approval, which is awaited. For the future, the business of the Class will be supervised by the Strike & Delay Class Committee of Standard Club, which will assume most of the functions of The Strike Club board.

The nature and scope of the product will not change and we will be clarifying and improving it through a set of new, more modern rules which will be put to members for approval in December. Members will benefit directly from the S&P A rating of Standard Club and continue to enjoy cover for a wide range of marine delay risks at the lowest sustainable cost as members of a leading mutual marine insurer.

Information about open policy years and financial performance for the period up to 20 February 2020 is set out in section A below.

Section B addresses the renewal proposals for the 2020/21 policy year.

A. Open Policy Years

The 2018/19 year has not experienced any significant development since it was last reviewed by the board in July. This is consistent with the short-tail nature of the exposure underwritten by The Strike Club.

Overall premium income for the 2019/20 policy year is expected to slightly exceed the forecast of $19.3m. Volume from chartering operators is slightly lower than expected but additional business for shipboard risks has more than offset this. Claims in the first nine months of the year have been within expectations.

To date, 2019 has not experienced the type of major shoreside delay events that characterised 2018 but the geopolitical situation is more volatile.

Investment performance has been positive with a return for the first nine months of 3.1%. Overall, the expected financial outcome is better than forecast, with a smaller underwriting deficit of approximately $1.4m.

For all Strike Classes, the Directors advise Members to budget for mutual premiums unchanged from the original ETP in both 2018/19 and 2019/20.

For all Strike Classes the Directors have set release calls at 20% of original ETP for both 2018/19 and 2019/20, a reduction of 5% from the previous level and an indicator of the greater security and financial confidence of the business.

B. Policy Year 2020/21

The risk environment that delay insurance offers protection from is changing at a faster pace than ever and some aspects of it are intensifying. There are numerous contributors to this change, including technical, political, economic and geographical factors. The implications of some, such as the IMO2020 low sulphur fuel regulations, are not yet clear whereas others, such as cyber-crime, are more fully understood but still loom large.

For shoreside risk, we are experiencing an increasingly volatile risk profile, punctuated by more extreme incidents. The ongoing US trade dispute with China is disrupting trade flows and freight rates. Stability in the Middle East is fragile and the tensions in the Persian Gulf have substantial implications for the security of oil and gas flows. Extreme weather events have continued to cause fatalities and destruction. Civil unrest around the world continues to threaten disruption to cargo flows.

Turning to shipboard perils, we have experienced more delay claims in 2019 from navigational incidents than expected. Sustained periods of low freight rates and overcapacity continue to drive increased efficiency and lower operational expenditure, which can exacerbate existing risk factors. Added to this is the recent and industry-wide challenge of successfully implementing the IMO2020 reduced sulphur emissions legislation. The delay risk from operational disruption, machinery breakdown or regulatory intervention is heightened.

The value of marine delay insurance cover is even more clear but the increasing exposure needs to be rated appropriately.

In light of this, the Strike & Delay Class Committee decided at its meeting on 7 November that a general increase of 5% on premiums for both shoreside and shipboard risks would apply. Where necessary, the Managers will seek individual increases and changes in terms in addition to the general increase to accurately reflect the exposure or claims experience of specific Members.

Release calls for the 2020/21 policy year have been set at 20% of ETP.

Where there is premium or other debt overdue for payment, overdue balances must be settled as a priority and the Committee has determined that renewal orders will not be confirmed until overdue amounts are paid.

Yours faithfully

William Robinson
Managing Director, Strike & Delay Class
Charles Taylor & Co Limited

Direct Line: +44 20 7767 2771
Email: william.robinson@ctplc.com