

# CIRCULAR

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By your side

## TO ALL P&I AND DEFENCE CLASS OWNERS AND MEMBERS

9 November 2021

### FINANCIAL POSITION, OPEN POLICY YEARS AND RENEWAL 2022

The board reviewed the club's financial position, the open policy years and the requirements for the 2022 renewal at its recent meeting.

#### RENEWAL 2022

The club made positive progress at the last renewal towards its goal of breakeven underwriting. The board remains firmly focussed on achieving a sustainable underwriting result and increases in owners and members' premium contributions are necessary at the 2022 renewal.

While the 2021/22 policy year is predicted to perform materially better than 2020/21, the policy year combined ratio is anticipated to be in the region of 115%, which remains above the target set by the club board. This is primarily due to the frequency and cost of large claims in the International Group Pool (the Pool) and Covid-related claims, but also reflects the general low level of premium rating across the industry.

The first six months of the current policy year have seen a reduction in the frequency of other clubs' Pool claims. However, the average value of these claims has significantly increased, generating claims estimates of a similar magnitude to 2020/21.

In the meantime, the investment portfolio remains defensively positioned and is not expected to offset the underwriting deficit.

Consequently, the board has decided to apply a general increase of 12.5% to owners/members' P&I and FDD premiums at 20 February.

In addition to P&I rate adjustments, the board views owners and members increasing their retentions as a key component in the club's strategy towards breakeven underwriting. Having not published a specific P&I deductible adjustment for two years, the board has determined to increase all deductibles by 10%, subject to a minimum increase of US\$ 2,500 for crew and cargo and US\$7,500 for collision/fixed and floating objects. The managers have been instructed to apply additional premium adjustments for any owners/members preferring to maintain their existing deductibles.

There will be no change to FDD deductibles.



Additional costs in respect of the International Group excess of loss reinsurance programme will be passed to owners and members. Similarly, the cost of the club's non-pool reinsurance programme has increased and indications are that it is expected to increase further into 2022/23.

To ensure all owners/members are treated fairly, the managers will continue to carry out detailed analysis of individual owners/members' rating adequacy, terms and deductibles together with their historical and forecast claims exposures.

Owners and members whose ratings levels are currently insufficient to cover the cost of their own claims, reinsurance, and a proportionate share of large market losses, will need to increase their contributions in excess of the general increase.

## **OPEN POLICY YEARS**

### **P&I class**

The club's own claims in respect of the 2020/21 policy year, have developed slightly better than expected since 20 February 2021. However, as has been previously reported to owners/members, the record level of large claims incurred within the International Group Pool, and a material number of claims arising from the pandemic, means that the policy year still has a significant underwriting loss. Whilst the combined ratio for that year has improved, it currently stands at 124%.

Policy years 2019/20 and prior are largely performing as expected and reflect a marginal overall improvement in the level of estimated claims.

No call is expected in addition to Estimated Total Premium (ETP) for all open policy years and release call percentages will remain at the levels set by the board earlier this year:

- Nil for policy year 2019/20
- 6% for 2020/21
- 12.5% for the current policy year

### **Defence class**

This class continues to perform within expectations for all open policy years, and no call is expected in addition to Estimated Total Premium (ETP).

Release call percentages will remain in line with the P&I class.

- Nil for policy year 2019/20
- 6% for 2020/21
- 12.5% for the current policy year



We remain committed to providing excellent service and support to our owners/members at the lowest sustainable price. We wish to thank all owners and members for their ongoing support at this renewal.

Yours faithfully

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