

Renewal 2019/2020

In our Half Year Report, it was noted that the Club had delivered a Combined Ratio of 106.4%, representing an underwriting deficit of US\$ 6.17 million.

This represented a deficit marginally higher than budget, with claims in the year at a higher level than 2016 and 2017 and development of those years being slightly worse than anticipated. The Board noted that the 2018 position had been impacted by two claims in excess of US\$ 5 million. The Board also noted that the quantum of claims reported by Clubs to the International Group through the Pooling mechanism was likewise higher than at the same stage in 2017. The Club therefore anticipates an underwriting deficit for the year, reflecting the decision to utilise investment income generated in 2016 and 2017 to subsidise the Underwriting position and hence to support our Members. The Club continues to absorb changes to reinsurance premiums on behalf of the Membership.

Investments

The Club's year to date return on investments has been lower than expected, leading to a total loss for the Club of US\$ 20.1 million for the six months to 30 June being reported. Whilst the third quarter saw those losses reduce, markets have continued to be volatile and we do not anticipate a sufficient improvement to eradicate the losses incurred during the first half.

2019 Financial Year

Looking ahead to 2019, the Club expects to continue to see growth in tonnage and vessel numbers and there has been encouraging organic growth coupled with new enquiries. Claims are broadly expected to be in line with 2018. Whilst volatility in larger claims remains, the overall cost of lower value claims remains similar year on year with risk management, newer vessels and our ongoing focus on quality offsetting other inflationary factors. We nevertheless expect a small underwriting deficit in the 2019 financial year.

2019 General Increase

While the Club has a policy of underwriting to a breakeven position, the Board recognises the continuing strong financial position of the Club. At its recently held Board meeting the Board therefore agreed to utilise the Club's strong capital position to subsidise the underwriting position, essentially returning capital to Members by providing insurance at below cost. Therefore no General Increase for 2019 will be applied. This will be inclusive of any adjustment for reinsurance premiums.

The Board has always sought to support Members, especially in times when the shipping industry is depressed. As a consequence your Club has not sought a General Increase since 2014. Nevertheless, there has been recent widespread market commentary, from other clubs, brokers, regulators and the Lloyd's market that premiums are now at levels that are unsustainable in the longer term, and that increases are likely to be required in the near future to restore underwriting balance. The Board noted and agreed with this sentiment.

As with all previous renewals, the Managers will review individual Members' claims records and operational risks, applying commensurate premium and deductible increases. Our policy of applying ship inspections and management audits will also remain.

It is at this time, that the Club would kindly like to remind all Members and their brokers that renewal terms cannot be provided whilst any premiums remain outstanding.