

Renewal 2020/2021

At the 2019 half year point, the Club reported a Combined Ratio of 105.9%, with an underwriting deficit of US\$ 5.7m. This represented a deficit marginally higher than budgeted, which was determined to be largely the result of the increased quantum of claims in both 2018 and 2019 when compared with 2016 and 2017.

When the Board met this month, it was noted that the 2019 position had been impacted by two claims in excess of US\$ 5m but also an increase in claims activity in the claims band US\$ 500,000-US\$ 5m. It was also acknowledged that the quantum of claims reported by Clubs to the International Group, through the Pooling mechanism, had continued at a higher level than in 2016 and 2017. The Club therefore anticipates that the underwriting deficit reported at the half year stage will continue for the 2019 year.

Investments

The Club's year to date return on investments has been higher than expected; an overall gain of US\$ 32.8m had been recorded at the end of June 2019. This should be viewed in the context of an investment loss for 2018 of US\$ 28.8m.

2020 Financial Year

Looking ahead to 2020, the Club expects to see continued growth in Member numbers, vessels entered and total tonnage, building on the encouraging organic growth and also the new enquiries that the Club has so far experienced during 2019.

Claims are broadly expected to be in line with 2019. 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. Claims frequency continues to fall year on year but the cost of the same claims today are higher than they were when the Club last asked for a general increase in premium.

2020 General Increase

While the Club has a policy of underwriting to a breakeven position, the Board has agreed for the last two years to utilise the Club's strong capital position in order to subsidise its underwriting position. Therefore, the Club has returned capital to Members by providing insurance at below cost. However, this approach cannot be sustained indefinitely and so consequently, after five years of no increases, the Board have applied a 5% general increase in premiums for all covers for 2020. This will be inclusive of any adjustment for reinsurance

premiums.

Historically, the Club has not applied across the board increases in deductibles. That policy will continue for 2020, however, a thorough review of all applicable deductible levels will be undertaken as part of the renewal process and increases may be requested where deductibles do not reflect either the frequency or quantum of claims.

As with all previous renewals, the Managers will review individual Members' claims records and operational risks, applying commensurate adjustments in terms where appropriate. The Club's policy of applying selective 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.