

Renewal 2022/2023

8 NOVEMBER 2021 – At the half year stage, the Club reported a Combined Ratio of 100.9%, with an underwriting deficit of US\$ 0.9m. Having requested a 5% policy year General Increase in February 2021 it was expected that rating levels would be sufficient to return the Club to a breakeven underwriting position.

2021 Financial Year

Whilst the necessary premium increases are being secured as Members renew their entries, the level of claims arising from COVID-19 has been significantly higher than had been anticipated. Vaccine rollout has been slow in many areas of the world and more transmissible variants have significantly increased the number of outbreaks that have occurred on Members' vessels. In the period from July to September 2021 alone 219 COVID-19 outbreaks were notified, compared with 115 in the prior three-month period, which in itself was higher than any previous quarter. Claims being made by clubs to the International Group Pool have also continued at a very high level in 2021. Claims otherwise have been broadly in line with expectations, with frequency having returned to pre-pandemic levels. The half year investment return was reported as 2.9%. Since then, we have seen increased market uncertainty. As such, the Club is treating ongoing investment return expectations with caution.

2022 Financial Year

The Club expects to see modest but continued growth in Members, Vessels and total GT in 2022, building on the encouraging support that we have continued to see during 2021. This is expected to extend to positive organic growth as some operating sectors are expected to see Member activity starting to increase. Whilst the Club is happy to support steady growth the Club's focus will remain on servicing our existing Membership, maintaining underwriting discipline and striving to offer a supportive approach to claims, ultimately seeking to ensure the peace of mind to our Members in their operations.

Coverage for liabilities arising out of communicable diseases, including COVID-19, will continue to be provided albeit coverage may in some cases, for certain entries need to be capped at US\$ 10m reflecting the limited reinsurance that is available from insurance markets for such risks. Given the number of COVID-19 outbreaks being experienced we must expect that claims frequency will remain high for the foreseeable future. We also expect that, in the short term at least, inflation will be a more significant factor, with overall claims costs increasing due to higher charter rates, commodity prices and social inflation all contributing to overall claim costs.

Whilst negotiations are progressing in relation to the scope of coverage and pricing of

reinsurance for 2022 it is too early to say definitively what impact these specialist renewals will have. Certain layers of the Club's fundamental reinsurance program will renew in February 2022 as will the International Group's general excess of loss placement. The latter, in particular, has experienced some significant losses and it is anticipated that increases in premium will be requested. The Club will maintain its peerless stance of offering renewal terms which include any adjustment for reinsurance, despite the uncertainty that exists. Aside from increases in premium it is also anticipated that further changes will be made to the scope of coverage and allowances may need to be made for increased retentions in some areas of cover.

2022 Renewal

When the Board met this month it was noted that the Club was in a market leading underwriting position, despite the impact of COVID-19 claims and a further year of high claims to the International Group Pool. They also noted that a significant increase in overall reinsurance costs would apply from the February 2022 renewal. They remain committed to the policy of seeking to ensure that the financial stability of the Club is maintained by underwriting to a breakeven position and therefore determined that a 5% General Increase in premiums would be applied to all covers. This will be inclusive of any increases applied to the International Group reinsurance programme.

As with all previous renewals, the Managers will review individual Members' claims records and operational risks, applying commensurate adjustments in premiums and terms where appropriate. This may include adjustments to deductible levels. The Club's policy of applying selective vessel 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 concluded whilst any premiums remain outstanding.