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▶ RENEWAL 2021/2022

30 NOVEMBER 2020 – At the 2020 half year stage, the Club reported a Combined Ratio of 102.2%, with an underwriting deficit of US\$ 2.2m. Whilst this represented a deficit in line with expectations, this result is against the turbulent backdrop of COVID-19. As a result of the pandemic, the Club has experienced a lower incidence of claims, which in most cases was due to reduced vessel operations. This reduction however, was offset by some sizeable claims as a result of COVID-19 outbreaks on board vessels.

When the Board met this month, it was noted that, whilst claims to the 2020 Policy Year had continued to develop in line with budget, the 2019 Policy Year had continued to show a much higher level of claims than any recent prior year, due to the Club's own claims and contributions to the International Group's Pooling mechanism. Furthermore, the Club continues to cautiously monitor the 2020 Policy Year and make provisions for an even higher level of claims to the International Group Pool (as already notified) which will further impact the Club's overall position.

INVESTMENTS

The Club's year to date return on investments has been impacted by the market fluctuations resulting from COVID-19. An overall gain of US\$ 752k had been recorded at the end of June 2020. Since then the markets have continued to generate positive returns, but market volatility is such that the Club cannot place reliance on the investment portfolio to offset any underwriting shortfalls.

2021 FINANCIAL YEAR

Looking ahead to 2021, the Club remains absolutely committed to supporting Members by striving to maintain a supportive and sympathetic approach to claims, ensuring prompt settlement and continuing to provide cover for liabilities that may arise from COVID-19. The Club expects to see continued growth in Member numbers, vessels entered and total tonnage, building on the encouraging organic growth and also new enquiries that the Club has so far experienced during 2020. Quality over quantity remains a determinant factor in any Member growth but, most importantly, the Club's focus remains on servicing our existing Membership and helping them through these difficult times.

Claim frequency is expected to revert to previous norms in 2021 as Member activities in some sectors increase. It is hoped that claims to the International Group Pool will also moderate in 2021.

2021 GENERAL INCREASE

The Club has a policy of seeking to underwrite to a breakeven position, but has sought to subsidise the underwriting position over the last three years by utilising its strong capital position. As part of the Club's longer term financial plan, it was anticipated that a 5% General Increase would be required to return to a balanced underwriting position in 2021. As a consequence, the Board determined that a 5% General Increase

will be applied to all P&I and LCC premiums from 20th February 2021. This will be inclusive of any adjustment for reinsurance premiums. Premiums in respect of other additional covers will be assessed based on risk profile.

Historically, the Club has not applied across the board increases in deductibles, but for 2021 that policy has been reviewed. In some cases deductible levels have not been adjusted for over 20 years and the Board determined that a 10% increase in deductibles should be applied to all deductibles under US\$ 50,000. A minimum increase of US\$ 500 would be applied to deductibles that are currently under US\$ 5,000.

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. 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.