

Fewer clubs would provide stability in the P&I sector

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FEWER clubs in the International Group would provide greater stability without diminishing competition or diluting service, Tysers' protection and indemnity (P&I) report for 2009/10 has suggested.

Earlier in the year, Tysers questioned the need for 13 clubs in the P&I market, and whether a smaller group of larger, merged clubs would provide both the sector and shipowners with greater stability without reducing competition or limiting the effectiveness of their service. And the broker is in "no doubt" it would improve the market, although "the instinct of self-preservation among P&I managers is too highly developed" for this actually to happen.

Six of the 13 clubs had to make substantial unbudgeted calls totalling more than \$500m following the onset of the financial downturn, but without these calls the International Group would have suffered a total deficit of around \$1bn.

Despite the unbudgeted calls, according to Tysers, the future is looking rosier for P&I clubs, with claims levels expected to fall and many once again reporting solid investment returns. The North of England and Steamship Mutual clubs both completely removed equities from their investment portfolios, and as a result have not benefited from the improvements in the financial markets. The Japan Club has similarly missed out, although its investment strategy has always concentrated on fixed-rate bonds and cash as opposed to equities.

These three clubs will be placing an increased focus on solid underwriting to prevent further erosion to their reserves, while Tysers said the remaining clubs may decide upon similar investment strategies: "We shall not be surprised



Shipowners and the market as a whole would enjoy greater stability if there were fewer clubs in the International Group, with little impact on service or competition, says the Tysers' P&I report for 2009/10

if other clubs cash in their equity gains and move to a more defensive investment strategy over the coming months."

Some clubs have been pushing for the individual club retention to increase from \$7m to \$8m, but Tysers believes it should not change: "The clubs singularly failed to cope with the last increase six years ago, and the

greatest need is a period of consolidation and stability rather than unnecessary change."

2010 will be "a much better year" for shipowners, with average standard increases "well under double figures" according to the broker. The UK, West of England and London P&I clubs are all attempting to turn around technical deficits, but

the remainder have moved on. As a result, the market may see zero standard increases and underwriting on merit rather than 5% increases to achieve a neutral result. However, Tysers has warned shipowners with good records are likely to push hard for premium reductions and may not accept "as expiry" as a good result.