TYSERS

EST. 1820

200 YEARS OF INSURANCE

International Insurance and Reinsurance Brokers

# THE P&I UPDATE

DECEMBER '21

OLYMPICS SPECIAL EDITION

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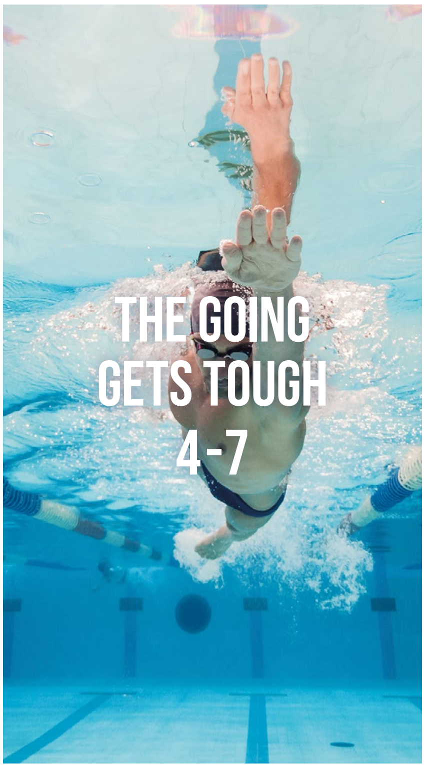
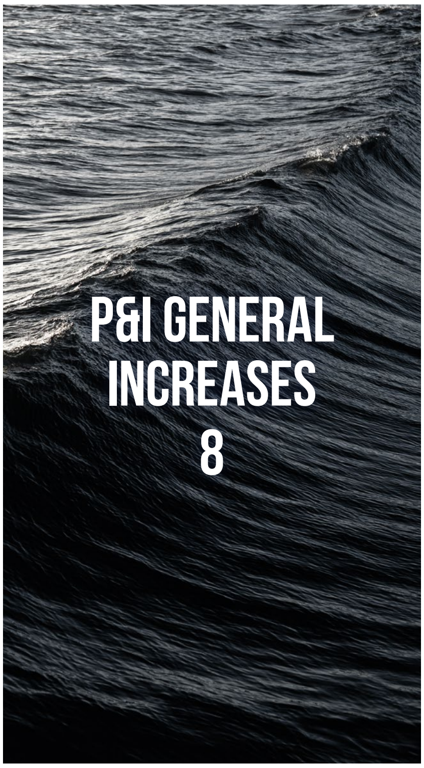
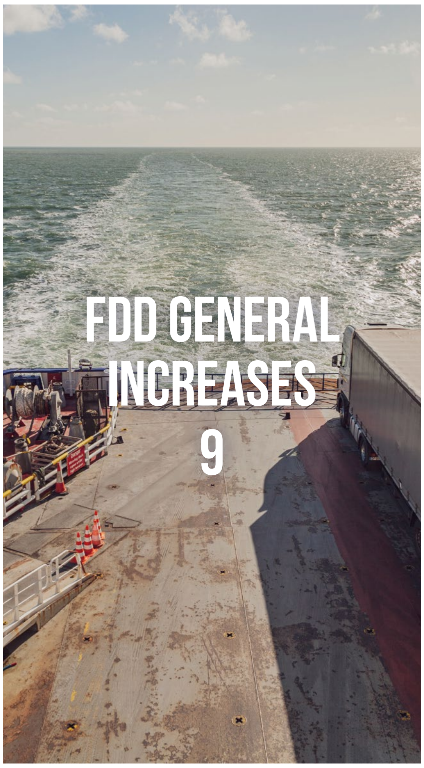
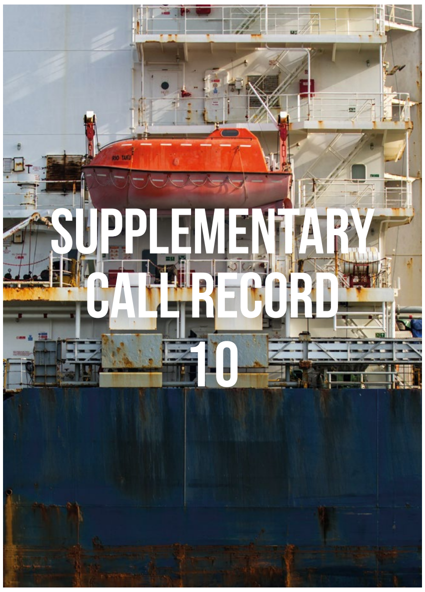




# RECENT DEVELOPMENTS

## POOL CLAIMS

At the halfway point of the current policy year, there had been just five Pool claims but these total $287m, the highest ever recorded after six months. For the 2020/21 year, there are now 24 claims totalling $504m, compared to $463m at February 2021.

No Club has yet suffered more than one Pool claim in 2021/22, but last year seven Clubs suffered multiple claims with Japan Club producing three claims totalling $176m and West four claims totalling $100m.

Pool claims are by far the overriding factor behind the Clubs' renewal strategies for 2022.

## SUPPLEMENTARY CALLS

Against substantial underwriting losses something had to give, and it is no great surprise that the London Club was the first to announce additional unbudgeted calls - 35% for 2019 and 2021, and 30% for 2020. Please refer to our commentary on the London Club for more details. Even less of a surprise is the recent American Club decision to make additional calls, with 15% for 2018 and 35% for 2019, plus an expected 35% for 2020 to be confirmed during the first half of 2022.

We had previously warned that American and London Clubs would probably need to resort to supplementary calls to cover underwriting deficits. As the stable P&I market of the last decade moves into a period of considerable volatility, we cannot discount other Clubs following suit unless investment returns improve sufficiently to cover technical losses.

# STANDARD AND POORS

S&P has recently downgraded the UK Club from A to A-, with the outlook changed from negative to stable. There have been no other downgrades, but S&P has amended its outlook for a number of Clubs and eight are now on negative outlook.

Japan Club continues with a positive outlook, and Shipowners rightly remains stable. Following the announcement of additional calls, London Club has moved from negative to stable, and American Club has held on to stable. Our understanding is that the London and American Clubs are already regarded by S&P as comparatively uncompetitive, so additional calls do not prejudice their weak position in the market any further but do improve the Clubs' capital base.

Yet more proof that our rating of the Clubs is more relevant than S&P's.

# RENEWALS FEBRUARY 2022

## GENERAL INCREASES RANGE FROM 5% TO 15%

Britannia and Skuld have for some time ceased to declare a general increase, and London Club has decided to follow suit this year. However, this year they have officially confirmed the overall percentage increase in total premium they will be seeking. Skuld call this a "minimum market adjustment", Britannia and London a "target increase". As general increases are subject to further adjustment for record, we fail to see the difference between them and overall target increases or adjustments. We have thus included the latter in our general increase tables, shown in red, as we feel this provides for a more accurate comparison between the Clubs.

Gard has not announced any general increase, but we understand that the Club has an internal target for a 7.5% increase, subject to adjustments for record.  Members will benefit from an already announced 5% return on the 2022/23 ETC.

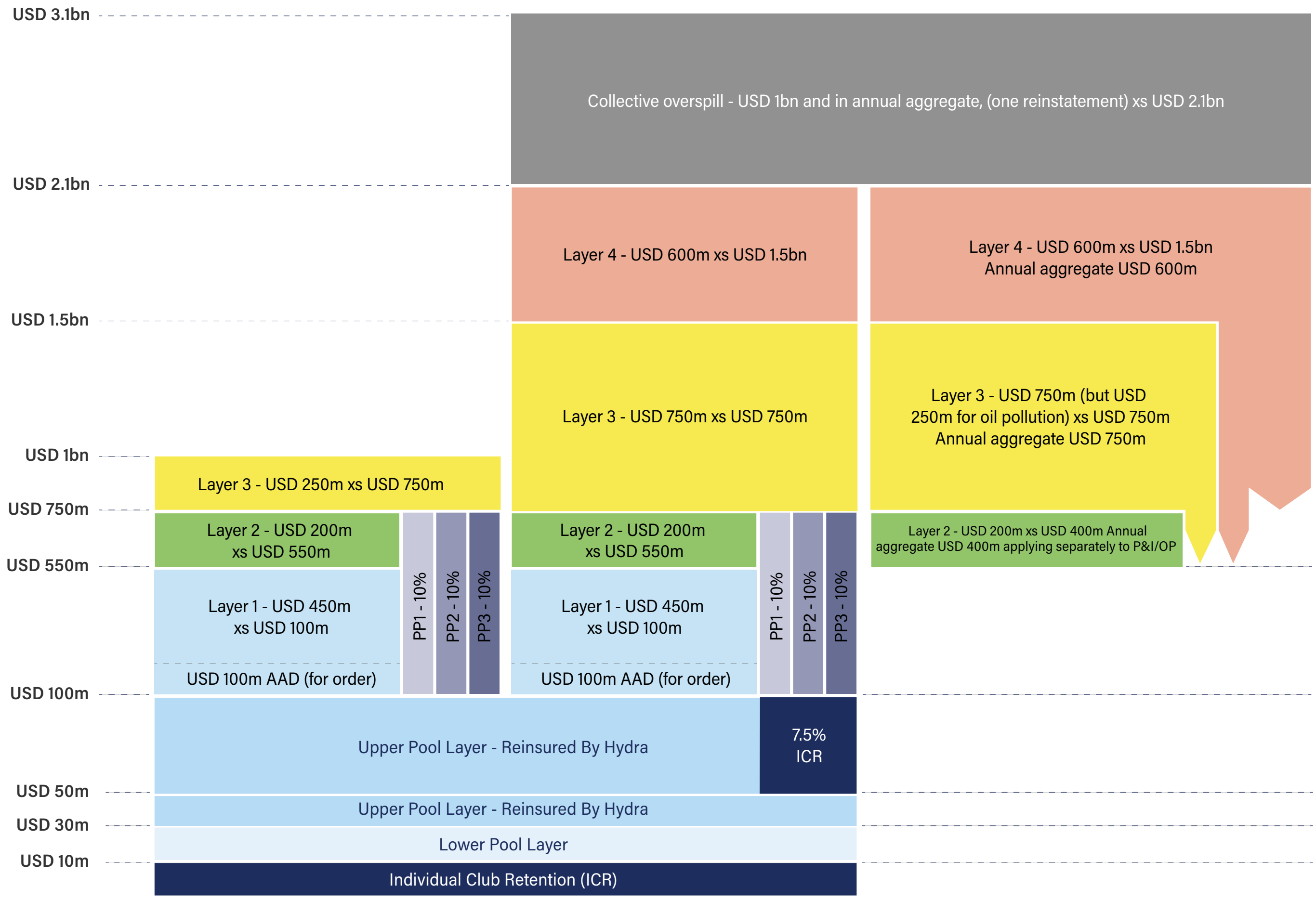
12.5% is the most popular increase and the overall average is 11.54%, when including Gard's 7.5% internal target into the calculation. Most Clubs strive for a break-even underwriting position, and with average P&I combined ratios of 116% and 124% for the last two completed years, there will be relief among many shipowners that the Clubs have not sought higher rises and are looking to correct rates progressively over a number of years. There is no doubt also pressure on Clubs not to be seen to be out of line with the rest of the market. The worry is whether other Clubs besides London and American have the resources for such a gradual approach or will need to resort to unbudgeted calls to maintain acceptable capital levels, particularly with investment income likely to be insufficient to cover underwriting losses.

All Clubs except Shipowners will be passing on the extra cost of the Excess Loss reinsurance, and the American Club will also be adding the extra cost of their own additional reinsurances.

# POOLING AND REINSURANCE 2022/23

As anticipated in our main Report, there are no changes to Club retentions or the Pool for 2022. The Excess Loss contract structure has changed slightly with the first layer of $650m excess of the Pool limit $100m being split into two layers of $450m and $200m. Otherwise, the structure remains unchanged, with losses being dealt with by premium increases rather than changes to exposure.

On a 100% basis, we believe the total increase to the Excess Loss programme is around $125m, although two of the three 10% private placements in the first layer $650m excess $100m were not up for renewal this year.




Oil pollution only

Layers 2, 3 & 4 limited cover in respect of malicious cyber, covid and pandemic

P&I

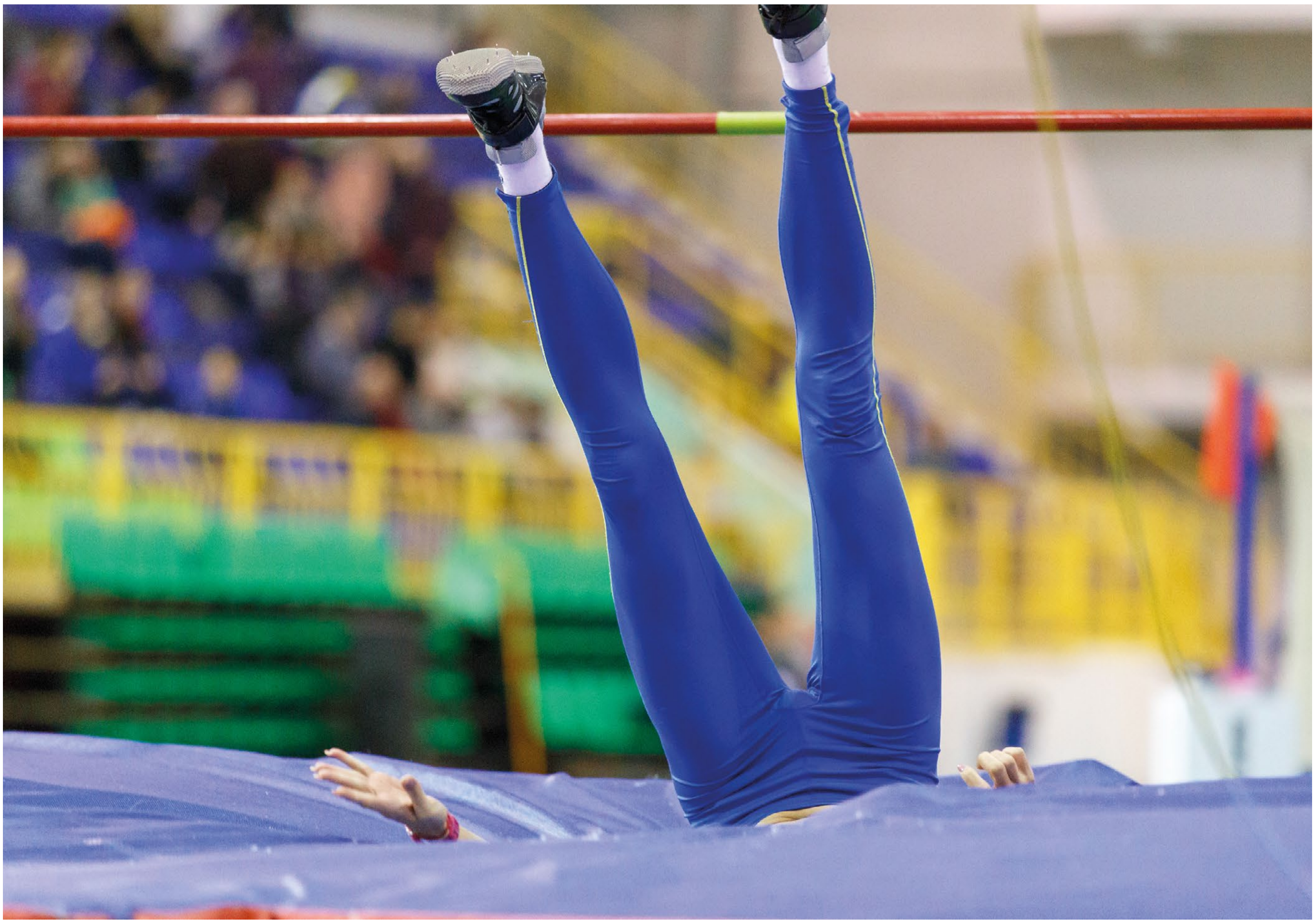
Layers 2, 3 & 4 limited cover in respect of malicious cyber, covid and pandemic

Malicious cyber, covid and pandemic only in respect of Layers 2, 3 & 4 only

# EXCESS LOSS RATES

The International Group have now published the rates which will apply for the 5 categories of vessel, which are shown below. The rates for all 5 categories are increased for the reasons detailed in our Report, with the most significant increases applying to clean tankers and dry cargo vessels, and an even more significant increase to the containership category which was first introduced in February 2021.

| Category | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2021/22 |
|---|---|---|---|---|---|---|
| **Dirty Tankers** | 0.5955 | 0.5845 | 0.5747 | 0.5747 | 0.5625 | 0.6469 |
| **Clean Tankers** | 0.2675 | 0.2626 | 0.2582 | 0.2582 | 0.2619 | 0.3666 |
| **Dry Cargo Vessels** | 0.4114 | 0.4038 | 0.3971 | 0.3971 | 0.4028 | 0.5639 |
| **Passenger Vessels** | 3.3319 | 3.2707 | 3.2161 | 3.2161 | 3.2624 | 3.8677 |
| **Container Vessels** | (same rate as Dry Cargo until 2021/22) | | | | 0.4249 | 0.6586 |



# P&I GENERAL/TARGET INCREASES 2014-2022

Target increases are included for 2022 and shown in red for those Clubs who have not declared an official general increase but have stated their overall premium increase requirement

| | Gard | Skuld* | Britannia | Shipowners** | Swedish | American | Steamship | West*** | Japan | North | UK | Standard | London |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2014** | 5 | 8.5 | 2.5 | 5 | 7.5 | 10 | 10 | 7.5 | 7.5 | 7.5 | 10 | 12.5 | 10 |
| **2015** | 2.5 | 0 | 2.5 | 0 | 2.5 | 4.5 | 0 | 2.5 | 3 | 4.75 | 6.5 | 5 | 6 |
| **2016** | 2.5 | 0 | 2.5 | 0 | 0 | 2.5 | 0 | 0 | 3 | 2.5 | 2.5 | 2.5 | 5 |
| **2017** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **2018** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **2019** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| **2020** | 0 | 0 | 0 | 5 | 5 | 0 | 7.5 | 2.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| **2021** | 0 | 0 | 0 | 5 | 5 | 5 | 5 | 7.5 | 10 | 10 | 10 | 10 | 10 |
| **2022** | 7.5 | 10 | 12.5 | 5 | 12.5 | 12.5 | 12.5 | 15 | 10 | 15 | 12.5 | 12.5 | 12.5 |
| **Total 2014/ 2022** | **119** | **120** | **121** | **122** | **137** | **139** | **140** | **147** | **148** | **157** | **160** | **161** | **163** |

**Average 141**

* Skuld 2014 is an estimated figure

**Shipowners increases are inclusive of changes to IG reinsurance costs

*** West increases were applied to premium net of group excess loss reinsurance costs until 2019

**** Gard 2022 is an estimated internal target figure

The total shows the cumulative increase based on 2013 premium of 100

# FDD GENERAL/TARGET INCREASES 2014 - 2022

Target increases are included for 2022 and shown in red for those Clubs who have not declared an official general increase but have stated their overall premium increase requirement

| | Skuld | Britannia | Japan | UK | Shipowners | Gard | West | North | American | Steamship | Standard | Swedish | London |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2014** | 0 | 0 | 7.5 | 5 | 5 | 10 | 7.5 | 5 | 10 | 10 | 12.5 | 7.5 | 10 |
| **2015** | 0 | 0 | 0 | 0 | 0 | 10 | 0 | 2.5 | 4.5 | 0 | 5 | 5 | 6 |
| **2016** | 0 | 0 | 0 | 0 | 0 | 2.5 | 0 | 2.5 | 0 | 0 | 0 | 0 | 5 |
| **2017** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **2018** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **2019** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **2020** | 0 | 0 | 0 | 0 | 5 | 0 | 0 | 7.5 | 0 | 7.5 | 7.5 | 5 | 7.5 |
| **2021** | 0 | 0 | 0 | 5 | 5 | 0 | 7.5 | 5 | 5 | 5 | 0 | 10 | 10 |
| **2022** | 10 | 15 | 10 | 7.5 | 5 | 7.5 | 15 | 7.5 | 12.5 | 12.5 | 12.5 | 15 | 12.5 |
| **Total 2014/ 2022** | **110** | **115** | **118** | **119** | **122** | **133** | **133** | **134** | **136** | **140** | **143** | **150** | **163** |

**Average 132**

* Gard 2022 is an estimated internal target figure

The total shows the cumulative increase based on 2013 premium of 100

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# SUPPLEMENTARY CALL RECORD

(Original Estimate/Current Estimate)

| Policy Year | American | Britannia | Gard | Japan | London | North | Shipowners | Skuld | Standard | Steamship | Swedish | UK | West |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | 0/0 | 45/45 | 25/15 | 40/40 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 35/35 |
| 2014 | 0/0 | 45/35 | 25/15 | 40/20 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/-10 | 0/0 | 0/-2.50 | 35/35 |
| 2015 | 0/0 | 45/40 | 25/15 | 40/30 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/-10 | 0/0 | 0/-3 | 35/35 |
| 2016 | 0/22.5 | 45/45 | 25/0 | 40/30 | 0/0 | 0/-5 | 0/0 | 0/-2.50 | 0/-5 | 0/0 | 0/0 | 0/0 | 35/35 |
| 2017 | 0/17.5 | 45/45 | 25/0 | 40/40 | 0/0 | 0/0 | 0/0 | 0/-2.50 | 0/-5 | 0/0 | 0/-4 | 0/0 | 35/35 |
| 2018 | 0/15 | 45/45 | 25/12.5 | 40/40 | 0/0 | 0/0 | 0/0 | 0/-2.50 | 0/0 | 0/0 | 0/-5 | 0/0 | 0/0 |
| 2019 | 0/35 | 45/45 | 0/-5 | 40/40 | 0/35 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 |
| 2020 | 0/0 | 0/0 | 0/-10 | 40/40 | 0/30 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 |
| 2021 | 0/0 | 0/0 | 0/-5 | 40/40 | 0/35 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 |
| 2022 | 0/0 | 0/0 | 0/-5 | 40/40 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 |

Called above Estimated Total Call | Called below Estimated Total Call | Called full Estimated Total Call

This table does not include capital distributions made by certain Clubs as these are not policy year specific and/or for the benefit of all members.

# RELEASE CALLS

P&I Release Calls as at December 2021

| Policy Year | American | Britannia | Gard | Japan | London | North | Shipowners | Skuld | Standard | SSM | Swedish | UK | West |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | 40 | 0 | 5 | 3.6 | 5 | 0 | 0 | 7.5 | 0 | 12.5 | 5 | 5 | 0 |
| **2020** | 40 | 5 | 5 | 3.6 | 5 | 5 | 0 | 10 | 6 | 12.5 | 15 | 10 | 15 |
| **2021** | 20 | 7.5 | 10 | 3.6 | 15 | 15 | 0 | 15 | 12.5 | 15 | 15 | 15 | 15 |
| **2022** | 20 | 15 | 10 | 3.6 | 15 | 15 | 0 | 15 | TBA | 15 | 15 | 25 | 15 |

All release calls expressed as a percentage of estimated total premium

# AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION, INC.

| P&I General increase | FDD General Increase |
|---|---|
| 12.5% | 12.5% |

We warned in our main Report that the Club's use of EBUB (earned but unbilled premium) was a clear warning unbudgeted additional calls were on the way, and these have now been confirmed for P&I at 15% for 2018, 35% for 2019 and an expected 35% for 2020 which for some reason will only be confirmed during 2022. That will make five consecutive years of additional calls. The blame for the more recent years is laid mainly on contributions to other Clubs' Pool claims which have doubled since 2018 and now account for around one-third of the Club's net claims expenditure. The Club itself has had no Pool claim since 2016 but has noticed the development of "social inflation", particularly on personal injury and environmental claims, which has impacted the Club's own retained claims.

The Club has announced a general increase of 12.5% for all covers for 2022. It states that this figure is a starting point and it will seek further increases based on record and exposure/risk profile.

# THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED

BRITANNIA P&I
TRUSTED SINCE 1855

| P&I General increase |
| --- |
| Nil but target 12.5% |
| Minimum deductible to increase as follows:<br><br>Crew: from $5,000 to $6,000<br><br>Cargo: from $16,000 to $18,500<br><br>All others: from $10,000 to $12,500 |

| FDD General Increase |
| --- |
| Nil but target 15% |

Retention claims in the current policy year, including Covid related claims, are running below projections. However, with IG Pool claims at the highest level ever recorded at this stage of a policy year, the Club is now projecting a policy year result worse than originally forecast.

Thus, while the Club has no declared general increase and states the renewal will be technical based to promote sustainable premiums and restore underwriting balance, it does admit that it has targeted a 12.5% overall increase on total P&I premium and 15% on FDD. Minimum P&I deductibles will increase as above.

However, it is not all bad news for members as the Club has agreed a further $25m capital distribution to members with ships entered for P&I on 19th October 2021. Since October 2016, members have benefited from deferred call waivers and capital distributions totalling $135m.

The message is clear: the Club remains strongly capitalised but rates need to rise if the strategic aim of a 100% combined ratio is to be achieved.

Owned tonnage has grown by nearly 3m to 128m GT during the year to date.

# GARD (P&I) BERMUDA LIMITED

| P&I General increase |
|---|
| Nil, but internal target 7.5% |

| FDD General Increase |
|---|
| Nil, but internal target 7.5% |

The Club's half-year accounts show a loss of $37m, compared to a loss of $62m for the same period for 2020. The loss includes the Owners P&I General Discount of 5%, equivalent to $10m. The overall combined ratio on an ETC basis was 113%, with P&I at 123% and Marine & Energy 101%., while investment income net of tax totalled $23m. As a result, free reserves have fallen to $1,226m from $1,263m at the start of the year.

However, since August 2021 we are told results have improved and the Club feels its capital position is such that for 2022 it can again allow an Owners General Discount of 5% on the agreed ETC for the 2022 year.

Whilst no General Increase has been announced, we understand that an internal target increase has been set at 7.5% for both P&I and FDD due to the negative claims development, in order to maintain predictability and relative stability in the portfolio

# THE JAPAN SHIP OWNERS' MUTUAL PROTECTION & INDEMNITY ASSOCIATION

| P&I General increase |
|---|
| 10% |

| FDD General Increase |
|---|
| 10% |

Firstly, we should mention that the Club's S&P rating is BBB+ with a positive outlook, and the Club has managed to maintain this despite many other Clubs being placed on negative outlook.

The Club does not provide any half-year figures but has confirmed that claims in 2021 are running at higher levels than previous years for both main P&I and the Naiko (coastal) class. In addition, the 2020 policy year is developing less favourably than expected. The Club has thus decided on a 10% general increase for all covers/classes, with standard deductible increases also announced for the Naiko class.

We are pleased to see the Club will from 2022 adopt the renewal methodology used by other Clubs of basing renewal terms on net rather than gross records, and has also introduced an abatement layer whereby claims between $3m and $10m are shared among all members. In addition, from 2023, the Clubs will adopt the policy already used by all other Clubs of charging all mutual premium up front with no division into Advance and Supplementary Calls.

We do wonder if 10% will be sufficient to justify S&P's optimism and maintain stability against a background of more frequent large claims.

# LONDON STEAMSHIP OWNERS MUTUAL INSURANCE ASSOCIATION LTD

| P&I General increase |
|---|
| Nil but target 12.5% |

| FDD General Increase |
|---|
| Nil but target 12.5% |

We warned in our 2019 Report that the Club was "drifting like a jellyfish and needs a clear direction to avoid the possibility of stinging its clients with additional calls" and made further reservations in 2020 and 2021 regarding its financial position. So, while additional unbudgeted calls have come as no surprise, we doubt we are alone at being shocked by the size of the calls - 35% for 2019, 30% for 2020 and 35% for the current year even though it still had four months to run at the time of the calls announcement.

In its Financial Review of October 2021, the Club reports that P&I income was 11% lower in 2020/21 than in 2015/16 despite an 8% increase in tonnage over the same period. On the other hand, claims over the last three completed years were 35% higher than the prior three-year period and claims in the current year are at "an elevated level" due to Covid and Pool claims. The Club suffered a technical deficit of $106m over the three years ending February 2021 and with 2021 seeing another adverse claims' experience the Club had no option but to make additional calls to strengthen its capital position.

We are told the Club's Board of Directors are undertaking a broader, comprehensive review to identify further economies in addition to increased underwriting discipline, and we shall be fascinated to learn what these entail. Meanwhile, for reasons only known to the Club it has decided not to announce a general increase but has confirmed it is targeting an increase of 12.5% on both P&I and FDD entries.

# THE NORTH OF ENGLAND P&I ASSOCIATION LIMITED

| P&I General increase |
|---|
| 15% |
| Crew/people deductibles below $50,000 to rise by $5,000 |
| Other deductibles below $50,000 to rise by $2,500 |

| FDD General Increase |
|---|
| 7.5% |

The message from North is very clear: 2021 has been one of the most challenging years ever, with record levels of Pool claims which the Club feels will be the norm for the future, crew claims around double the normal cost due to a surge in Covid -related claims as global trade patterns return to normal, and inflationary pressures on other retained claims.

With low investment returns insufficient to compensate inadequate premium rates, the Club expects a combined ratio for 2021/22 in excess of 110% and a fall in free reserves. It has therefore decided on a general increase of 15% for P&I, of which half is to cover the Club's contribution to the escalating value of Pool claims and the balance for retained claims and to ensure sustainable underwriting in the future. Deductibles will also rise as shown above. We are told the Club will also robustly review all members' premiums and terms with further adjustment as required to reflect properly performance and exposure going forward. The FDD increase is 7.5%.

The Club believes responsible action to increase premium rating levels to a sustainable position is required to halt any longer-term decline in capital and to resolve the legacy of the recent soft market and elevated Pool experience. It sounds like members are in for a very tough renewal.

# THE SHIPOWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION (LUXEMBOURG)

SHIPOWNERS

| P&I General increase | FDD General Increase |
|---|---|
| 5% | 5% |

The Club's half-year report covering the period January - June 2021 reveals a continued good performance, with a combined ratio of 101% the same as that of the full 2020 year. The small underwriting deficit was easily covered by an investment return of over $16m, and free reserves have grown by $15m to $394m.Tonnage has remained stable at almost 28m GT.

The only hiccup came in the form of Cyclone Tauktae passing through the offshore sector of Mumbai and generating a number of claims including one in excess of $7m. Net claims for the half year totalled $80m, up $5m on the same period last year while gross premium rose by $7m to $120m.

While the Club bemoans the fact that the combined ratio is slightly higher than budgeted, the other Clubs would bite their hands off to report such a balanced set of figures in the current volatile market.

In its November renewal circular, the Club advises that Covid related claims are running at significantly higher levels than had been anticipated and also notes the inevitable increase to be charged for the IG Excess Loss contract. Since June, increased market uncertainty means the Club is treating ongoing investment return with caution. It has thus decided on a 5% general increase for all covers but, uniquely, this includes the adjustments to the IG reinsurance programme.

# ASSURANCEFORENINGEN SKULD

| P&I General increase |
|---|
| Nil but "minimum market adjustment 10%" |

| FDD General Increase |
|---|
| Nil but minimum adjustment 10% |

The Club's detailed half-year results paint a bleak picture. A combined ratio across all business of 127%, caused by large claims including one on the Pool, equates to a technical loss of $54m. A net investment return of 1.1% plus some tax reductions reduced the overall loss to $25m compared to $15m for the same period last year. As a result, free reserves fell to $425m, their lowest since 2017.

While the Club continues its policy of no official general increase, underwriting results of the last two and a half years indicate a clear need for premiums to rise across much of the membership. It has confirmed that there will be a minimum 10% increase for all mutual P&I and FDD entries with additional adjustment for members with challenging records. Fixed premium entries will be subject to individual performance adjustments "with an additional focus on increased large and attritional claims exposures" which implies that accounts with good records will still face increases.

# THE STANDARD CLUB

Standard Club

| P&I General increase |
|---|
| 12.5% |
| All P&I deductibles to rise by 10%,<br>minimum increase $2,500 cargo/crew, $7,500 collision/FFO. |

| FDD General Increase |
|---|
| 12.5% |

The Club reports that the current year is predicted to perform materially better than 2020/21 but the combined ratio will still be around 115% due primarily to Pool claims and Covid- related claims and also reflecting the general low level of premium rating across the industry. The investment portfolio remains defensively positioned and is not expected to cover the underwriting deficit so we can expect a further decline in free reserves.

A general increase of 12.5% has been announced for all covers, together with increases to P&I deductibles as detailed above. We are surprised the increase is not higher and imagine many members will be relieved it is only 12.5%.

# STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

| P&I General increase |
| --- |
| 12.5% |
| All P&I deductibles $100,000 or less to rise by 10% |

| FDD General Increase |
| --- |
| 12.5% |

The Club reports that own incurred claims at the half-way stage of the current year are higher than the same period for 2020/21 and worse than projected, and the development of prior year claims is also less favourable than expected. Premium levels in some sectors continue to be lower due to reduced exposure and activity.

An investment return of $19m (1.6%) has been achieved as at the end of October 2021, but the combined ratio for 2021/22 is expected to be over 100%.

Owned tonnage has grown by 6.7% during the year, but the combined owned and chartered entry has increased by just 1m to 178m GT.

The Club has maintained its S&P A rating, but like other Clubs the outlook has changed from stable to negative.

In view of all the above, it is no surprise the Club has announced a general increase of 12.5% for all covers, plus a 10% hike in all P&I deductibles under $100,000. Release calls have also been increased from 10% to 12.5/15%, which we hope is just a reflection of the state of the market and nothing more sinister.

# THE SWEDISH CLUB

| P&I General increase |
| --- |
| 12.5% |

| FDD General Increase |
| --- |
| 15% |

The half-calendar year unaudited results reveal a combined ratio of 132% across all lines of business, compared to 123% for the full 2020/21 year and 107% at the half-way point last year. This equates to a technical loss of $23m, partially offset by a decent $9m investment return so, before appropriations and tax, the overall loss was close to $14m, pushing free reserves down to $218m. Owned P&I tonnage has risen by 4m to 60m GT.

In our main Report we incorrectly advised that the Club's Solvency Capital Ratio was 180% - this should have stated 230% and we apologise for the error. It now stands at 239%.

Hull/Energy attritional claims remain stable but a small number of large incidents have pushed levels above initial expectations. P&I claims continue at high levels and, overall, claims net of reinsurance for the half year total $80m compared to $50m for the same period last year. By comparison, gross premium was up $6m at $92m.

The Club is always the last to announce its general increase and has decided to follow the most popular option of 12.5%. It blames the volatility of claims in 2021, plus an increase in Covid related claims, social and claims inflation and legislation which have produced a scenario where premiums need to be adjusted in line with exposures.

The Club is going to need an improved performance for the second half of the year in order to maintain its high Silver medal status.

# THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (BERMUDA) LIMITED

| P&I General increase |
|---|
| 12.5% |

| FDD General Increase |
|---|
| 7.5% |

In its Autumn statement, the Club reports an encouraging start to the 2021/22 policy year. The Ever Green blocking of the Suez Canal was one of relatively few large claims over the first six months, although Covid claims continue to impact results with a steady flow of relatively small claims totalling around 5% of net mutual premium.

The half-year combined ratio was 115%, but an investment return of 3.8% offset the technical deficit and resulted in free reserves rising by $27m to $534m. However, the Club expects the free reserves to fall in the second half of the year due to market volatility.

It is a bit of a surprise that the Club has opted for a general increase of only 12.5%, with no changes to deductibles. Release calls have been reduced for all open years, but the Club has for some reasons set a release call of 25% for 2022/23, the highest for many years. S&P appears to be unimpressed with the actions taken by the Club and has downgraded it from A to A-, although the outlook is now stable.

From January 2022, the Club will underwrite the fixed premium P&I business of its subsidiary Thomas Miller Speciality, whose security had previously been in the commercial market. We welcome this as a logical move by the Club and TMS.

The separate UK Defence Club has announced an FDD general increase of 7.5%. It will continue its full fleet continuity credit of 2.5%, which has returned over $10m to members since its introduction in 2014.

# THE WEST OF ENGLAND SHIPOWNERS MUTUAL INSURANCE ASSOCIATION (LUXEMBOURG)

| P&I General increase |
| --- |
| 15% |
| Rules deductible unchanged at $14,000<br>All other deductibles to increase by 15%, minimum increase $2,500 |

| FDD General Increase |
| --- |
| 15% |

West bravely set the bar in being the first to announce its general increase of 15% for mutual entries plus adjustment for reinsurance costs, with no increase for chartered or fixed premium entries although these will be subject to increases in the Club's reinsurance costs.

No half-year figures are provided but the Club reports that while the underlying claims experience is in line with expectations, Covid related claims have escalated particularly since the advent of the Delta variant. As a result, the final claims cost for 2021 will be higher than originally estimated. IG Pool claims also remain an issue; the frequency of such claims in the current year has not exceeded expectations but a marked increase in severity has resulted in the incurred cost at the half-year point exceeding 2020, the worst year on record.

The Club anticipates that its combined ratio will be better than last year's 140%, but still over 100%. Investment income will not be sufficient to cover the technical loss so free reserves will fall.

Tonnage remains virtually unchanged from the start of the year at 107m GT for owned entries and 40m GT for chartered entries.

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