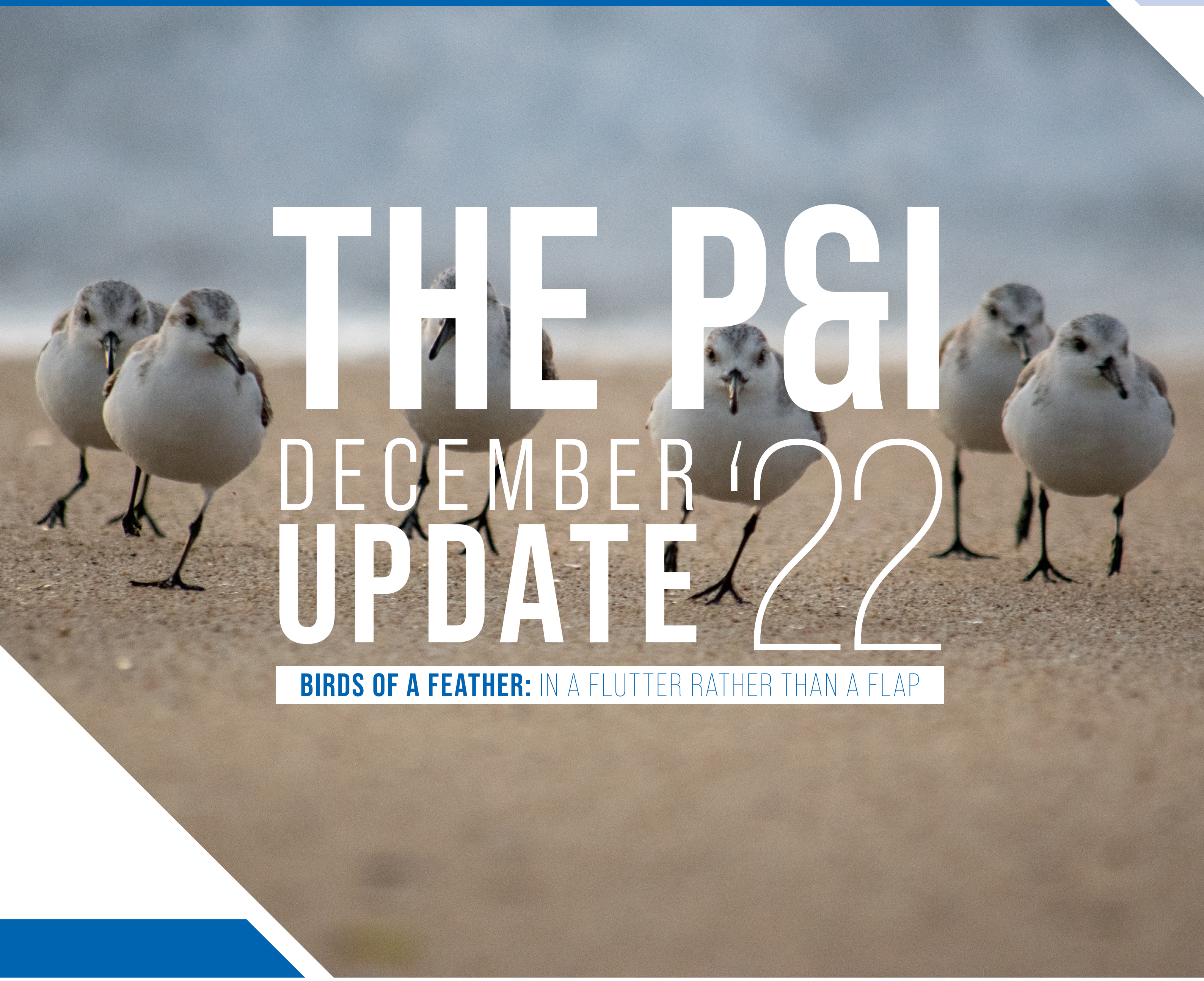
TYSERS

International Insurance and Reinsurance Brokers



THE P&I DECEMBER UPDATE '22

BIRDS OF A FEATHER: IN A FLUTTER RATHER THAN A FLAP

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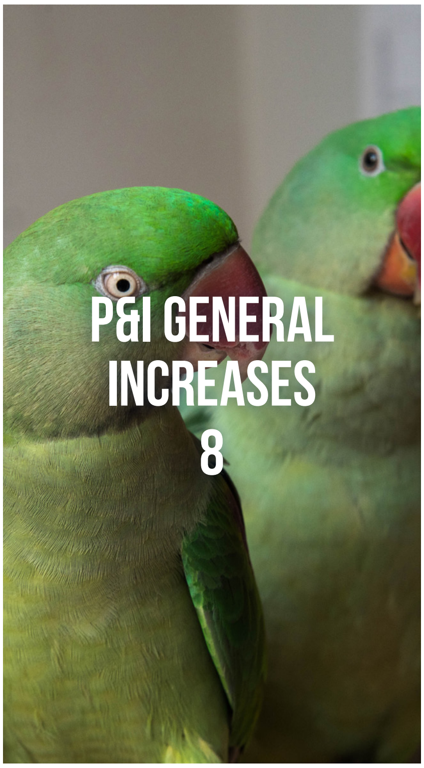
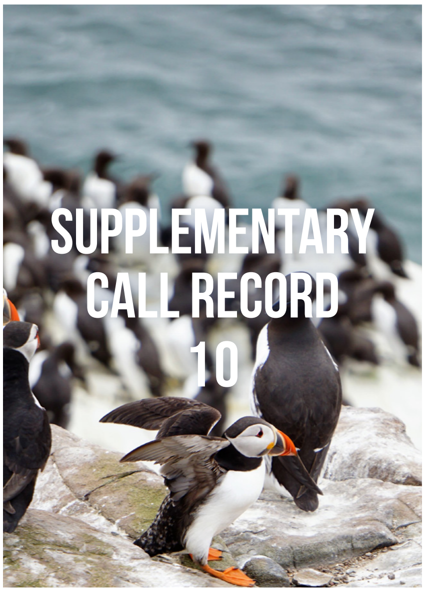




A FLUTTER BUT NO FLAP

RENEWALS FEBRUARY 2023

P&I GENERAL INCREASES RANGE FROM 0% TO 10%

Apart from the small number of Clubs which publish half year Accounts, there is a distinct lack of hard facts and figures from many of the others to justify their renewal strategies for 2023. We wonder if this is due to current substantial investment losses prejudicing an improved technical result and Clubs hoping financial markets will improve before the policy year end.

There is a continuing trend towards no formal general increase, with five Clubs now adopting this policy although four have stated their overall premium increase target. The exception is the London Club which needs a rise more than any but may be too embarrassed to publish its aspirations. We have no issue with targets rather than traditional general increases except they do make some of our tables more complicated!

The general/target increases are slightly lower than expected, ranging from zero to 10% compared to 5% - 15% last year. Nine Clubs have opted for 10% and, excluding London Club, the average is 8.71% compared to last year's 11.54%. An excellent year for Pool claims, with most Clubs also reporting a reduction in retained claims due, in part, to a reduced level of Covid-related claims, has allowed the Clubs to temper their requirements despite the likely increase in the cost of claims due to high inflation. The Clubs are no doubt hoping that investment losses, mainly on fixed income portfolios, will be reversed over a short period of time although it would be optimistic to assume recovery will come in time to improve the 2022/23 balance sheets.

A number of Clubs have felt the need for a higher increase on FDD premiums to cover inflationary rises in costs, and general/target increases range from zero to 15% with an average, again excluding London Club, of 9.96%.

On the personnel side, Britannia's Andrew Cutler has taken over from North's Paul Jennings as Chair of the International Group. At Shipowners Club, CEO Simon Swallow will retire shortly and current CFO Simon Peacock will take over – smiling Simon will be sadly missed in the P&I world but a peacock for a swallow is not a bad deal in our Birds market.

A word of thanks to the Clubs. The Ukraine conflict has led to a new mass of ever-changing sanctions affecting the shipping industry, and the Clubs have undertaken an enormous amount of work to clarify the different regulations applicable under US, EU and UK law and ensure shipowners understand the complexities involved.

POOL CLAIMS

There were no Pool claims in the first half of the current policy year, and only one from the Japan Club has been reported since. This is a welcome relief after the awful run on the Pool since 2017, and very timely given the investment losses this year. The Clubs would certainly have been flapping if the claims levels of previous years had been repeated in 2022.

Year	2017	2018	2019	2020	2021	2022
Estimated Pool Claims at August 2022 (US$m)	455.2	487.0	576.6	591.3	603.3	0.0

SUPPLEMENTARY CALLS

The London Club had already decided last year that the 2021/22 year required an additional call of 35%, and the American Club has recently confirmed the expected 30% additional call for the same year.

The Japan Club has announced that the Board has authorised the Managers to charge an additional call of up to 25% for both 2020 and 2021, and the final decision will be made in 2023.

The updated position of supplementary calls is shown in the table on page 10

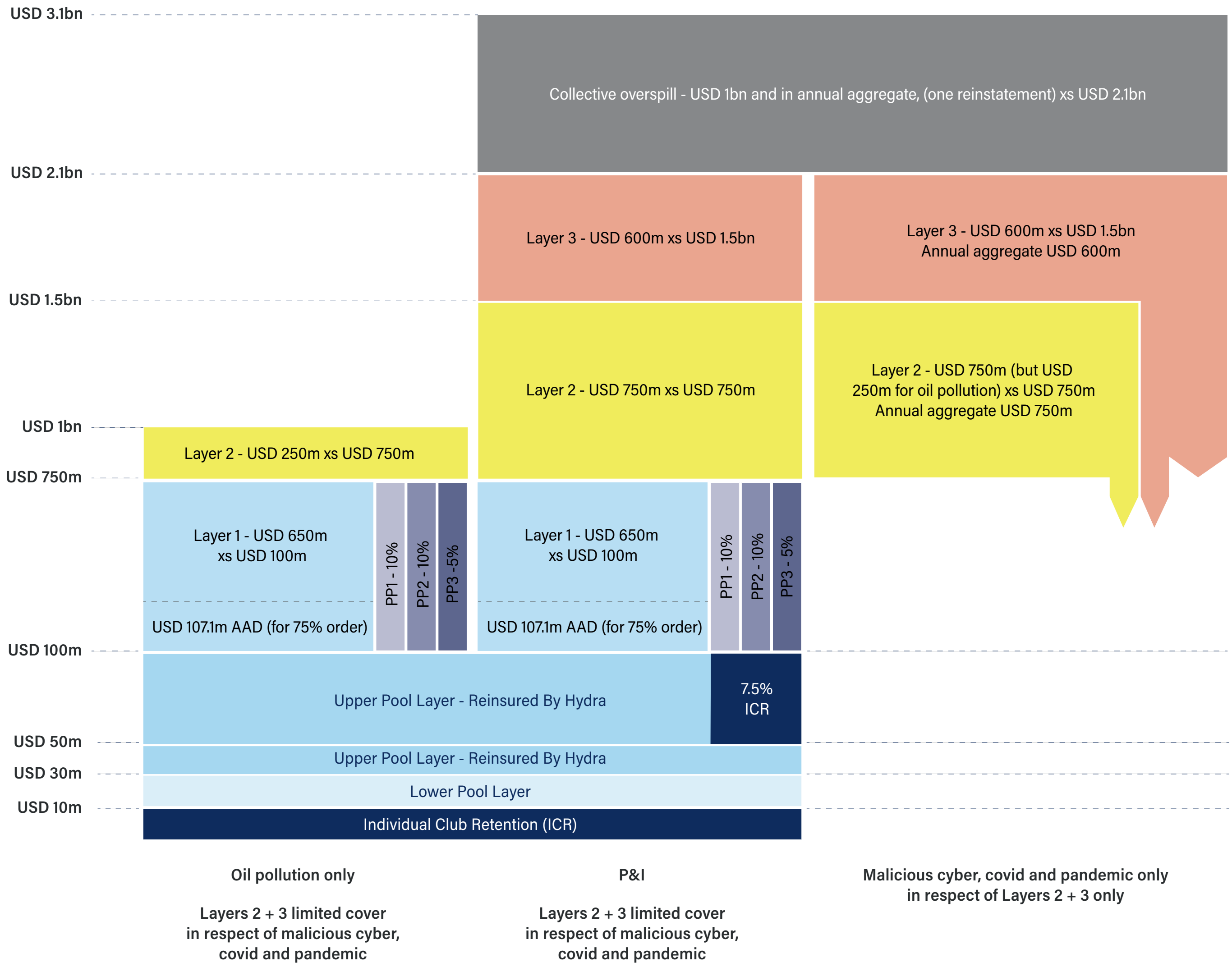
STANDARD AND POORS

S&P is concerned that investment losses will impact significantly on free reserves and has downgraded Swedish Club and West from A- to BBB+, although the outlook for both has changed from negative to stable to reflect improved underwriting results. Japan Club has also been downgraded from BBB+ to BBB (stable outlook) but this was the result of large claims.

While London Club remains BBB, the outlook has just been changed from stable to negative.

POOLING AND REINSURANCE 2023/24

There are no changes to Club retentions or the Pool for 2023. The Excess Loss contract has been renewed with an approximate 5% increase in premium, and the current layers 1 ($100m - $550m) and 2 ($550m - $750m) have been merged into one. The Hydra Annual Aggregate Deductible on the 75% market share of the Programme has increased from $100m to $107.1m, and the Private Placements on the layer $650m excess of $100m have reduced from 30% to 25%.



EXCESS LOSS RATES

The International Group Excess Loss rates were only finalised in mid-January 2023 and are now confirmed as below. Increases range from 0% for Passenger Vessels to 10.5% for Container Vessels and Clean Tankers:

Category	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Dirty Tankers	0.5845	0.5747	0.5747	0.5625	0.6469	0.6663
Clean Tankers	0.2626	0.2582	0.2582	0.2619	0.3666	0.4051
Dry Cargo Vessels	0.4038	0.3971	0.3971	0.4028	0.5639	0.5991
Passenger Vessels	3.2707	3.2161	3.2161	3.2624	3.8677	3.8677
Container Vessels	(same rate as Dry Cargo until 2021/22)			0.4249	0.6586	0.7277

TYSERS

P&I GENERAL/TARGET INCREASES 2014-2023

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

	Shipowners**	Gard	Skuld*	Britannia	Swedish	Steamship	American	West***	Japan	London	North	UK	Standard
2014	5	5	8.5	2.5	7.5	10	10	7.5	7.5	10	7.5	10	12.5
2015	0	2.5	0	2.5	2.5	0	4.5	2.5	3	6	4.75	6.5	5
2016	0	2.5	0	2.5	0	0	2.5	0	3	5	2.5	2.5	2.5
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	5	0	0	0	5	7.5	0	2.5	7.5	7.5	7.5	7.5	7.5
2021	5	0	0	0	5	5	5	7.5	10	10	10	10	10
2022	5	7.5	10	12.5	12.5	12.5	12.5	15	10	12.5	15	12.5	12.5
2023	0	7	10	10	10	7.5	10	10	10	0	10	10	10
Total 2014/ 2023	122	127	131	133	150	150	153	161	163	163	173	176	177

Average 152

* 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

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

FDD GENERAL/TARGET INCREASES 2014 - 2023

Target increases are included from 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	Shipowners	UK	Japan	Britannia	Gard	American	Steamship	West	North	Standard	London	Swedish
2014	0	5	5	7.5	0	10	10	10	7.5	5	12.5	10	7.5
2015	0	0	0	0	0	10	4.5	0	0	2.5	5	6	5
2016	0	0	0	0	0	2.5	0	0	0	2.5	0	5	0
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	5	0	0	0	0	0	7.5	0	7.5	7.5	7.5	5
2021	0	5	5	0	0	0	5	5	7.5	5	0	10	10
2022	10	5	7.5	10	15	7.5	12.5	12.5	15	7.5	12.5	12.5	15
2023	10	0	5	10	15	7	10	7.5	15	15	10	0	15
Total 2014/ 2023	121	122	124	130	132	143	149	150	153	154	157	163	172

Average 144

* Gard 2022 is an estimated internal target figure

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

TYSERS

SUPPLEMENTARY CALL RECORD

(Original Estimate/Current Estimate)

Policy Year	American	Britannia	Gard	Japan*	London	North	Shipowners	Skuld	Standard	Steamship	Swedish	UK	West
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	0/35	0/0	0/-10	40/65	0/30	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
2021	0/30	0/0	0/-5	40/65	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
2023	0/0	0/0	0/-5	0/0	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.

* Japan 2020 and 2021 to be confirmed February 2023

RELEASE CALLS

P&I Release Calls as at December 2022

Policy Year	American	Britannia	Gard	Japan*	London	North	Standard	Shipowners	Skuld	Steamship	Swedish	UK	West
2020	15	0	5	3.6	0	0	6	0	7.5	12.5	15	5	10
2021	30	5	5	3.6	15	5	12.5	0	10	12.5	15	10	15
2022	20	7.5	10	3.6	15	15	12.5	0	15	15	15	15	15
2023	20	15	10	3.5	15	15	TBA	0	15	15	15	20	15

All release calls expressed as a percentage of estimated total premium

*Japan Club release call 2020 and 2021 excess of expected 25% additional calls

AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION, INC.

P&I General increase
Nil but target 10%
Deductibles under $10,000 to rise by $1,000
Deductibles $10,000 - $50,000 to rise by 10%

FDD General Increase
Nil but target 10%

New CEO Dorothea Ioannou continues the tradition of her predecessor in issuing the longest Club renewal circular in the International Group, and sadly it contains more bad but not unexpected news.

We warned in our main Report that there would be an additional call for 2021 and this is now confirmed at 30% for both P&I and FDD, the sixth successive year the Club has had to resort to supplementary calls to bolster reserves, which at the end of September 2022 had dropped to $41m. Worryingly, the Club has also increased the release call for 2021 to a further 30% on top of the additional call and also raised the release call for 2020 from 5% to 15% above the 35% call already announced.

The Club blames "social inflation" and the lingering effects of Covid for the continued deterioration of claims in 2020 and 2021, with investment income unable to come to the rescue, but it does feel there have been some positive developments in 2022 – increased premium, a "healthy"growth in tonnage and a combined ratio at the half-year point of 98% with some hope this result will hold out for the rest of the year. We are not told how investments have faired to date in 2022.

The Club confirms that premiums are still in need of upward adjustment but has decided to adopt the growing trend of not announcing a formal general increase. However, to take account of inflation and "hostile trends" in the claims environment, the Board has ordered the implementation of a minimum 10% increase "in the pricing of risk on expiring rates overall", plus any uplift in the Club's own reinsurances and the IG Excess Loss contract. Deductibles will also rise as detailed above.

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED

P&I General increase
Nil but target 10%
All minimum deductibles to rise by $1,000 to
Crew $7,000
Cargo $19,500
All other claims $13,500

FDD General Increase
Nil but target 15%

The Club only provides some very general background information to support its renewal strategy. Retained claims are slightly above projections and while there are no Pool claims to date, prior year Pool claims have deteriorated. Owned tonnage has increased from 134.7m to 136.1m GT.

This is all we get to justify a 10% overall target increase for P&I and 15% for FD&D, plus an increase of $1,000 in all minimum P&I deductibles. The Club describes this as a robust approach to address its underwriting deficit and protect its financial strength, as it strives to achieve a combined ratio of 100% "while supporting Members and securing sustainable growth".

The Club is also keen to convince S&P it deserves a stable outlook to its A rating, as opposed to the current negative one, which will require a big improvement in its underwriting performance of the last five years despite the fact these years include returns to members totalling $120m.

TYSERS

GARD (P&I) BERMUDA LIMITED

gard

P&I General increase	FDD General Increase
Nil, but target 5-7%	Nil, but target 5-7%

The half-year accounts show a loss of $60m, including the Owners General Discount (OGD) of $11m, reducing free reserves to $1,218m. The overall combined ratio was 85% with P&I at 98% (ETC basis) and Marine and Energy a remarkably good 68%, producing a surplus of $68m but the investment result was a loss of $109m.

The Club is happy enough with the results, and will again give members an OGD of 5% for 2023. However, it sums up the global outlook as "a perfect storm of uncertainty" and will be looking for increases in the range of 5-7% from members with acceptable records as it seeks a balanced underwriting account for the P&I portfolio.

The Club is changing its financial year to a calendar year basis.

THE JAPAN SHIP OWNERS' MUTUAL PROTECTION & INDEMNITY ASSOCIATION

P&I General increase	FDD General Increase
10%	10%

S&P has downgraded the Club from BBB+ to BBB, and the Club recognises it must urgently stabilise and improve its financial strength to avoid a further downgrade. The Board has authorised the Managers to charge an additional call of up to 25% for both 2020 and 2021, and the final decision will be made in February 2023.

While the Club has seen an improvement in claims in 2022, it has suffered the only Pool claim in the IG this year. There has been significant deterioration on 2020 and 2021, with the combined ratio for the latter now an awful 190%. The Club has decided it must seek to recover the drop in free reserves last year, which in dollar terms totalled $63m, so we assume the full 25% additional calls will be charged.

A 10% general increase has been ordered for all mutual covers and chartered entries, and for the Naiko (coastal) class the Club is targeting 15% to help cover the substantial rise in reinsurance costs following a large claim in 2021. Advance/supplementary premium is also changed from 2023 to the total mutual premium system already adopted by the rest of the IG.

LONDON STEAMSHIP OWNERS MUTUAL INSURANCE ASSOCIATION LTD

P&I General increase	FDD General Increase
Nil	Nil

The Club has this year avoided providing any hard facts behind its renewal strategy, with the only figure given that of a 5.3% loss on investments to November 2022. It does comment that much of this loss remains unrealised and will unwind in the form of higher future yields to maturity.

We are told income, tonnage and retained claims are in line with projections, with claims falling back from the awful 2021/22 year and below the average for the three preceding years. However, 2021/22 retained claims have deteriorated more than projected and there has also been an increase in the expected cost of the Club's share of prior year Pool claims.

Last year, following the announcement of unbudgeted calls for 2019, 2020 and 2021, the Club decided not to announce an official general increase but did admit to a target overall increase of 12.5%. This year, the Club again has no general increase and has also not intimated any target, merely stating renewal terms will be based on individual Member records incorporating the anticipated impact of inflation on future claims costs.

Given the deterioration on prior years and the investment loss in the current year, this looks to be a dangerous strategy for such a fragile Club. S&P is clearly not impressed as it has very recently changed its BBB stable rating to BBB with a negative outlook.

THE NORTH OF ENGLAND P&I ASSOCIATION LIMITED

P&I General increase
10%
Crew/people deductibles below $50,000 to rise by $2,500
Other deductibles rise by $1,000

FDD General Increase
15%
Deductible cap $150,000 removed

Chair James Tyrell refuses to get enthusiastic about the much improved claims picture in 2022, and in the Club's pre-renewal report refers to the decline in claims as being the "eye of the storm", with rapidly rising inflation, commodity and shipping indices all pointing to a more turbulent future. The Club has to date suffered just eight claims over $1m, well down on the previous year, but the pattern is not expected to continue as trade adjusts to the distortions caused by the war in Ukraine and claims costs increase due to inflationary pressures.

The underwriting result is felt to be cautiously encouraging and the other diversified business lines have mitigated in part the losses on investments. The improved underwriting result should see the combined ratio fall below 100%, but investment losses which at the end of October 2022 had resulted in a negative return of over 6% are likely to result in a reduction in free reserves for the full year.

The Club has thus decided on a 10% general increase for P&I and 15% for FDD, with deductibles to be increased as detailed above. It concludes its pre-renewal report with the message that the merger with Standard Club from February 2023 will reduce volatility and deliver predictability and stability. We wish the merger well and hope it realises these ambitions.

THE STANDARD CLUB

P&I General increase
10%
All deductibles to increase by 10%, minimum increase of $2,000 for cargo and crew claims.

FDD General Increase
10%

The Club has reported a much improved claims year, which will be a relief for both it and North. The combined ratio for the 2022 policy year is expected to be 97%, but deterioration on prior years will result in a financial year combined ratio around 100%. The five year average is still too high at 111%. Investment losses at the half year point were 4.9%, due mainly to the bond portfolio which will reverse out as bonds reach maturity.

Like North, the Club regards the current year claim levels as unusual and is concerned at the potential impact of inflation on claims costs. It has therefore decided on a 10% general increase for P&I and FDD, with P&I deductibles also to increase by 10% as above.

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THE SHIPOWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION (LUXEMBOURG)

SHIPOWNERS

P&I General increase
Nil, except Yacht sector 10%
Deductibles under $50,000 to rise by 10%, minimum rise $500

FDD General Increase
Nil

For the half year to June 2022, the Club reports a combined ratio of 96.2% producing an underwriting surplus of $4.3m which was in line with budget. Earned premium rose 8% compared to the same period for 2021 and claims were down 2%, with no claims over $5m and only four over $1m, including two claims from other Clubs under the Pool.

As the Club reports on a calendar year basis, investment returns to June 2022 suffered from both the market falls in February as the war in Ukraine became inevitable as well as the volatility in later months. The six-months loss was $65m (9.3%), so free reserves fell from $396m at the end of 2021 to $335m. The Club has since pointed out that close to half the investment losses are on the fixed income book as a result of increasing yields pushing prices down, and it expects much of the losses to reverse as the investments move to maturity and prices "pull to par".Thereafter, the Club will be able to invest at higher yields than has recently been possible.

Claims have been running at higher levels since the half year point, with some significant claims in the superyacht sector arising from fires, groundings and sinkings, and dry cargo claims also on the increase in certain areas. However, the Club continues to see modest growth in entered tonnage and remains on course for a combined ratio for the year under 100%

Despite the likelihood of an increase in claims due to inflation and the challenges in the investment market, the Club feels it remains well capitalised so has decided no general increase is required, but deductibles under $50,000 will be increased by 10%. Also, the Yacht sector will face a 10% increase in premiums and members in the Dry Cargo sector with poor records will face appropriate rises. Any rises will as usual be inclusive of any changes to reinsurance costs.

ASSURANCEFORENINGEN SKULD

P&I General increase
Nil but target 10%

FDD General Increase
Nil but target 10%

The Club has reported a surplus of $18m for the half-year to 20th August 2022, compared to a loss of $25m for the same period last year. The combined ratio across all lines of business was 95%, producing a technical surplus of $12m, but this was due to positive results on its commercial lines and P&I was still above target. The sale of its shareholding in the Lloyd's managing agency ASTA helped the figures but the investment return for the half-year was a negative 2%. Free reserves rose by nearly $9m to $439m.

The Club points to the benign large-claim environment as the driver for the improvement but warns that there remains a need for realism as the insurance and investment environments are still extremely challenging. Sensible pricing and selective underwriting remain essential.

For 2023, mutual records will be abated at $3m, and chartered and fixed records will include the costs of running the business. As usual, there is no general increase but all mutual members are warned they must expect an increase and the overall target is 10%.

STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED

P&I General increase
7.5%
Deductibles $50,000 or less to rise by 10%

FDD General Increase
7.5%

The Club reports that own claims for the half-year to August 2022 are less than budgeted and, while there were no IG Pool claims as at 20th September 2022, Pool claims for prior years have deteriorated more than expected.

The investment return to September was a negative 4.4%, excluding currency losses, equivalent to $51m, and there will be no capital distribution this year. Owned tonnage has grown by 3.5% so far this year, up from 110m to 114m GT, and combined owned and chartered tonnage now exceeds 200m GT.

A 7.5% general increase across all covers, combined with the P&I deductible increase shown above, is in line with expectations.

THE SWEDISH CLUB

P&I General increase
10%
Recommended minimum deductibles
$15,000 cargo
$25,000 Third party
$10,000 Crew/other claims
Deductibles above the minimums to rise by 10%

FDD General Increase
15%

S&P expect investment losses to put further pressure on the Club's capital base and has downgraded the Club from AAA- to BBB+, with a stable outlook.The Club accepts the rationale for the decision and appreciates it is due to the state of the investment market and is not a reflection of the Club's underwriting performance which at the the half-way stage of the year produced an overall combined ratio of 91%. It states that despite the downgrade "We are, however, confident that our underwriting performance, the trust of our members, and our robust track record in business development point to a continued positive future for the Club."

The general increase is 10% for P&I and 15% for FDD, and we imagine market forces dissuaded the Club from seeking a higher P&I figure, which it probably needs.

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

P&I General increase
10%

FDD General Increase
5%

With no Autumn statement this year, the Club has issued only a very brief renewal circular advising a general increase of 10% and no changes to deductibles. Premium instalments will reduce from four to three from next year.

We are surprised and disappointed the Club has provided no information whatsoever on how the current year is progressing both in terms of the technical result and investment returns, and why they feel 10% is the appropriate figure.

The UK Defence Club has announced a 5% general increase, and will again offer a 2.5% continuity credit for members who enter their full fleet in the Club.

THE WEST OF ENGLAND SHIPOWNERS MUTUAL INSURANCE ASSOCIATION (LUXEMBOURG)

P&I General increase
10%
Rules deductible unchanged at $14,000. All other deductibles to rise by 10%, minimum $2,500

FDD General Increase
15%

The Club is happy to report a return to underwriting profitability for the first time in five years, with a combined ratio of 97.9% for the half year to August 2022 and the expectation that the full year result may be even better. This is due mainly to the lack of Pool claims in the International Group in 2022 plus some favourable development on prior year claims. However, for the same period there was an investment loss of 2.9%.

The Club warns this is no time for complacency as the lack of Pool claims is unlikely to be repeated and inflationary pressures are growing. S&P clearly agree and the investment loss has seen the Club downgraded from AAA- to BBB+, although the outlook has changed from negative to stable to reflect the improved underwriting result. The Club is somewhat frustrated by the downgrade, pointing to the improvements made to their entered tonnage over the last two years and its improved brand and reputation. It has opted for a 10% general increase for P&I, and 15% for FDD, with P&I deductibles also increasing as above.

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