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International Insurance and Reinsurance Brokers

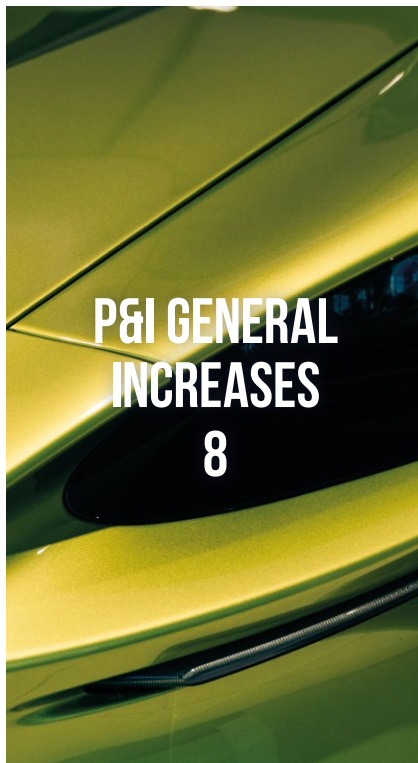
THE P&I DECEMBER '23 UPDATE

SPEEDING AHEAD OR BREAKING DOWN?



TYSERS

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EASY ON THE ACCELERATOR



RENEWALS FEBRUARY 2024 P&I GENERAL INCREASES RANGE FROM 5% TO 7.5%

Despite the conflicts in Ukraine and the Middle East, continued high inflation and volatility in the financial markets, it looks like the 2023/24 policy year will turn out to be a rather better year than many might have expected, with most Clubs expecting to end the year in a stronger financial position than 2022/23. Inflation is having some impact on routine claims and operating costs, but another quiet year for the Pool means most Clubs are expecting an underwriting result around the break-even mark or better which, together with modest investment returns, should see an overall increase in free reserves.

P&I general/target increases for 2024/25 are all within the narrow range of 5-7.5% compared to 0-10% last year, with inflation and low investment

returns the drivers. The average is 6.5% compared to 8.7% last year and 11.5% in 2022. Some Clubs are also increasing lower-level deductibles. The good news for the Clubs and members is that the high level of Pool claims in 2020 and 2021 no longer appears to have set a new norm and may well prove to have been exceptions, with levels now reverting to historical norms – a timely improvement to balance poor investment returns.

The approach of the Clubs does not look unreasonable as they strive to maintain technical results around the break-even mark, and it could be argued some (notably American Club and London) should have put their foot on the accelerator rather more but applied the brakes in order to be in line with the rest of the market.

POOL CLAIMS

Estimated Pool Claims (US\$m) – before ICR applied and excluding coassurance/AAD

	2017	2018	2019	2020	2021	2022	2023
After One Year	227	306	259	463	399	75	-
February 2023	380	448	513	724	621	75	-
August 2023	379	470	514	719	635	134	92

SUPPLEMENTARY CALLS

Britannia, Gard and Steamship Mutual have decided their capital positions are strong enough to allow them to make returns to members. Britannia is returning \$10m to mutual members, Steamship is returning \$25m to members who renew into 2024/25, and Gard has increased the Owners General Discount for 2024/25 from 5% to 10%.

At the other end of the spectrum, it will come as no surprise that the American Club has had to resort to further additional supplementary calls of 25% for 2020 and 40% for 2021, with the likelihood of a

supplementary call in the future for 2022, which would mean seven consecutive years of unbudgeted calls.

It is more of a surprise that the London Club has not announced an additional call for 2022/23, which saw free reserves plummet by \$50m to \$114m. The Club perhaps feels that a drop in owned tonnage of 13m GT over the last two years, partly due to its de-risking efforts, allows it some scope to try to rebuild financial stability via rate increases on its reduced but hopefully more stable membership.

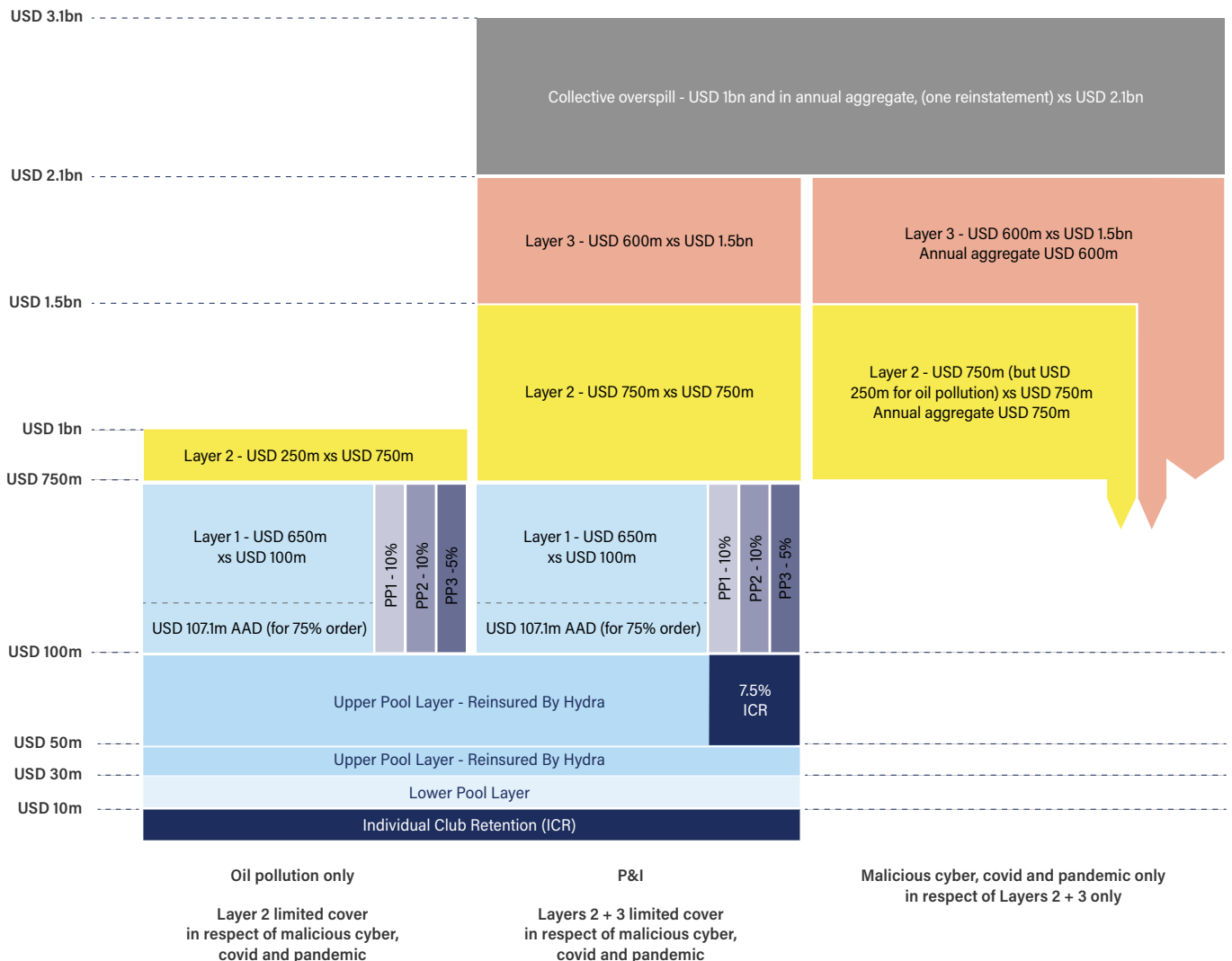
STANDARD AND POORS

During 2023, S&P has given an A rating with stable outlook to NorthStandard, and returned Skuld and Steamship Mutual from negative to stable outlooks

with their A ratings. Three Clubs remain with a negative outlook - Britannia, London and American Club.

POOLING AND REINSURANCE 2024/25

There are no changes to Club retentions or the Pool for 2024. The Excess Loss contract has been renewed with a small reduction in overall premium reflecting the improved performance over the last two years. The structure of the contract will remain unchanged for 2024/25.



EXCESS LOSS RATES

The rates for 2024/25 for all vessel types have been reduced, with the reductions ranging from 1% for container vessels to 12.5% for passenger ships.

Category	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Dirty Tankers	0.5747	0.5747	0.5625	0.6469	0.6663	0.6163
Clean Tankers	0.2582	0.2582	0.2619	0.3666	0.4051	0.3982
Dry Cargo Vessels	0.3971	0.3971	0.4028	0.5639	0.5991	0.5863
Passenger Vessels	3.2161	3.2161	3.2624	3.8677	3.8677	3.3842
Container Vessels			0.4249	0.6586	0.7277	0.7204



P&I GENERAL/TARGET INCREASES 2015-2024

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	Steamship	Swedish	American	London	West**	Japan	UK	North Standard
2015	0	2.5	0	2.5	0	2.5	4.5	6	2.5	3	6.5	N/A
2016	0	2.5	0	2.5	0	0	2.5	5	0	3	2.5	N/A
2017	0	0	0	0	0	0	0	0	0	0	0	N/A
2018	0	0	0	0	0	0	0	0	0	0	0	N/A
2019	0	0	0	0	0	0	0	0	5	0	0	N/A
2020	5	0	0	0	7.5	5	0	7.5	2.5	7.5	7.5	N/A
2021	5	0	0	0	5	5	5	10	7.5	10	10	N/A
2022	5	7.5	10	12.5	12.5	12.5	12.5	12.5	15	10	12.5	N/A
2023	0	7	10	10	7.5	10	10	0	10	10	10	N/A
2024	5	5	5	7.5	5	7.5	7.5	7.5	7.5	7.5	7.5	5
Total 2015/2024	122	127	127	140	143	150	150	159	161	163	172	N/A

↓
Average 147

*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 2014 premium of 100

FDD GENERAL/TARGET INCREASES 2015-2024

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

	Japan	Shipowners	UK	Skuld	Gard	Steamship	American	West	Britannia	London	Swedish	North Standard
2015	0	0	0	0	10	0	4.5	0	0	6	5	N/A
2016	0	0	0	0	2.5	0	0	0	0	5	0	N/A
2017	0	0	0	0	0	0	0	0	0	0	0	N/A
2018	0	0	0	0	0	0	0	0	0	0	0	N/A
2019	0	0	0	0	0	0	0	0	0	0	0	N/A
2020	0	5	0	0	0	7.5	0	0	0	7.5	5	N/A
2021	0	5	5	0	0	5	5	7.5	0	10	10	N/A
2022	10	5	7.5	10	7.5	12.5	12.5	15	15	12.5	15	N/A
2023	10	0	5	10	7	7.5	10	15	15	0	15	N/A
2024	0	5	5	5	5	5	7.5	5	15	7.5	7.5	5
Total 2015/2024	121	122	124	127	136	143	146	149	152	159	172	N/A

↓
Average 141

The total shows the cumulative increase based on 2014 premium of 100

SUPPLEMENTARY CALL RECORD

(Original Estimate/Current Estimate)

Policy Year	American	Britannia	Gard	Japan	London	North Standard	Shipowners	Skuld	Steamship	Swedish	UK	West
2015	0/0	45/40	25/15	40/30	0/0	N/A	0/0	0/0	0/-10	0/0	0/-3	35/35
2016	0/22.5	45/45	25/0	40/30	0/0	N/A	0/0	0/-2.50	0/0	0/0	0/0	35/35
2017	0/17.5	45/45	25/0	40/40	0/0	N/A	0/0	0/-2.50	0/0	0/-4	0/0	35/35
2018	0/15	45/45	25/12.5	40/40	0/0	N/A	0/0	0/-2.50	0/0	0/-5	0/0	0/0
2019	0/35	45/45	0/-5	40/40	0/35	N/A	0/0	0/0	0/0	0/0	0/0	0/0
2020	0/60	0/0	0/-10	40/65	0/30	N/A	0/0	0/0	0/0	0/0	0/0	0/0
2021	0/70	0/0	0/-5	40/65	0/35	N/A	0/0	0/0	0/0	0/0	0/0	0/0
2022	0/0	0/0	0/-5	40/40	0/0	N/A	0/0	0/0	0/0	0/0	0/0	0/0
2023	0/0	0/0	0/-5	0/0	0/0	N/A	0/0	0/0	0/0	0/0	0/0	0/0
2024	0/0	0/0	0/-10	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 2023

Policy Year	American	Britannia	Gard	Japan	London	North Standard	Shipowners	Skuld	Steamship	Swedish	UK	West
2021	2.5	0	5	3.6	5	0	0	7.5	5	15	5	10
2022	35	5	5	3.6	15	5	0	10	5	15	7.5	15
2023	20	7.5	10	3.5	15	12.5	0	15	10	15	10	15
2024	20	15	10	3.5	15	TBA	0	15	10	15	15	15

All release calls expressed as a percentage of estimated total premium

AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION, INC.



P&I General increase

Nil but target 7.5%

FDD General Increase

Nil but target 7.5%

The Club reports that despite continuing negative influences such as geopolitical tensions, social inflation and volatile investment markets, there has been an improvement in operating results for 2023 following two years of tonnage and premium growth. The combined ratio for 2023 is currently 95%, but further rate increases are needed to meet “the changing risk landscape”. There is no

official general increase for 2024 but the Club is targeting an increase of 7.5% for all classes of business to cover inflation and developing trends in the claims environment. Besides any changes to the IG reinsurance programme, members will also bear any increase in the cost of the Club’s own whole-account reinsurance.

This rather pales into insignificance as the Club has also announced that members will be debited in 2024 with further additional supplementary calls of 25% for 2020 and 40% for 2021 to cover policy year deficits and bolster free reserves. The release call for 2022 has also been increased from 20% to 35% and will no doubt result in a visit to the supplementary call garage in the future.

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED



P&I General increase

Nil but target 7.5%

FDD General Increase

Nil but target 15%

In its November renewal summary, the Club reports that retained claims for the current policy year are high but within projections while Pool claims have suffered deterioration on prior years, compensated by another good year so far in 2023. The underwriting result is improving but the Club accepts that

further work is needed to achieve a break-even underwriting position. Owned tonnage has increased by 3m to 145m GT since the February 2023 renewal.

The Club has set a target increase of 7.5% for P&I and 15% for FDD as it seeks to protect long term financial strength and encourage S&P to improve its outlook

from negative to stable. While rates need to rise, the Club feels comfortable enough to confirm a capital distribution of \$10m to mutual members with vessels on risk on 24th October 2023.

We hope these repairs will help the Club run more smoothly.

GARD (P&I) BERMUDA LIMITED



P&I General increase

5%

FDD General Increase

5%

The Club has reported a surplus of \$47m at the halfway point for 2023, pushing free reserves up to \$1,307m. On an ETC basis, the combined ratio across all lines was 99% (2022 comparable figure 79%), with P&I at 95% and Marine at 105%, the latter a substantial deterioration from the 66% for the full 2022 year.

For P&I, gross earned premium was up

\$8m at \$324m, while claims rose by \$6m to \$220m. Own claims were below budget but there was further deterioration on Pool claims from other Clubs.

After two years of overall target increases, the Club appears to have reverted to a traditional general increase for 2024 with a 5% premium increase to maintain stability against the impact of high inflation.

However, in view of the overall strong capital position of the Club, the Owners' General Discount will rise from 5% to 10% for 2024 – the 15th consecutive year of capital returns to the mutual membership.

It is still full speed ahead for the market leader.

THE JAPAN SHIP OWNERS' MUTUAL PROTECTION & INDEMNITY ASSOCIATION



P&I General increase

7.5%

FDD General Increase

Nil

The Club appears to be more comfortable with its current financial base following last year's additional calls of 25% for 2020 and 2021 and the 10% general increase at the last renewal. Claims in 2023 are reported to be developing at "a relatively favourable level" although the Club has suffered one Pool claim as well as a large

claim on the Naiko (coastal) class.

However, it feels the Club's business environment "remains uncertain and challenging, including continued inflationary pressures on claims costs and war risks such as the Russia-Ukraine war", so rate increases are required to ensure sustainable underwriting in the future.

A 7.5% general increase has thus been declared for owned mutual business, with 10% for the Naiko class and for chartered entries. There is no increase for FDD business.

We hope this is sufficient to improve reliability.

LONDON STEAMSHIP OWNERS MUTUAL INSURANCE ASSOCIATION LTD



P&I General increase

Nil but target 7.5%

FDD General Increase

Nil but target 7.5%

The Club has reported a “notable improvement in claims experience” for the first half of the 2023 policy year, with just one claim over \$1m. We are told the combined ratio is below 100% but the full year forecast is a little over 100%. Premium income is up despite a 10% drop in owned tonnage, and the Solvency Capital Ratio has improved from 124% to 150%. It had been hoped that investment returns would

provide a surplus for the year, but at the eight-month stage returns are flat.

The Board has adopted a “cautious approach” to renewal which recognises inflationary pressure on claims and operating costs, uncertainty regarding investment returns and the potential impact of a small number of large claims. There is again no official general increase but this year the Club has admitted it is

targeting 7.5% for both P&I and FDD.

Unless the Club’s de-risking at recent renewals (which means not renewing some accounts with bad records) has totally transformed the technical position, we have our doubts that the renewal strategy is sufficient to see a change in the Club’s fortunes and a return to stability. A refill of its petrol tank via an additional call remains on the cards.

NORTHSTANDARD



NorthStandard

P&I General increase

5%

Deductibles below \$30,000 to rise by a minimum \$1,000

FDD General Increase

5%

The Club’s November pre-renewal report reveals that claims values are trending upwards but the number of claims is reducing. There have been nine claims over \$1m at the half-year point of the current policy year, which is more than the full previous year but while the upturn in values is pushing claims to higher levels than last year, they remain lower than previous years. A combined ratio just below 100% is expected, and a modest investment return

around 1.5% - 2.5% will see free reserves rise. Owned tonnage in the first half of the year has risen by 2.5% to over 260m GT.

The Club feels rates must rise to maintain a breakeven underwriting position in the face of persistent inflation, so has opted for a 5% general increase for both P&I and FDD and P&I deductibles under \$30,000 will rise by a minimum of \$1,000. North previously had no FDD limit for operational disputes, while Standard’s limit was \$5m. Going forwards,

NorthStandard has decided on a general limit of \$10m, with a sub limit of \$1m for new build/MOA disputes.

Operational rationalisation following the merger has continued throughout the year, and with an internal restructuring process now finalised, the Club feels the foundations are in place to realise the full advantages of consolidation. We expect it will be running at full speed very shortly.

THE SHIPOWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION (LUXEMBOURG)



P&I General increase

5%

FDD General Increase

5%

For the half year to June 2023, the Club reported a combined ratio of 98.5% producing an underwriting surplus of \$2m, in line with budget. Earned premium rose by \$7m compared to the same period for 2022 but claims also rose by \$6m due to an increase in large claims with one over \$5m (2022 nil) and seven between \$1m and \$5m (2022 four). A solid investment return of 5.2% (\$29m) for the six months

helped increase free reserves by \$32m to \$369m.

More recently, the Club has advised that 2023 claims will significantly exceed those of 2022, with inflation a major factor, but a break-even underwriting result is still expected for the year. A positive investment return is forecast.

The Club has decided that to cover

inflationary trends a general increase of 5%, inclusive as usual of any changes to reinsurance costs, is required. This increase will not be applied to the yacht sector as the 10% rise applied to it last year is felt to have been sufficient to correct the underwriting position.

We do not expect the Club to be hitting any potholes any time soon.

ASSURANCEFORENINGEN SKULD

P&I General increase

Nil but target 5%

The Club has reported solid results for the first half of the policy year, with a combined ratio of 90% across all lines of business producing a technical surplus of \$21m and an investment return of 2.2% (\$19m). Free reserves have increased from \$445m to \$479m. Premium was up 12% to \$256m compared to the same period in 2022, while claims were up \$2m at \$141m, with a "benign own large-claim environment."

CEO Stale Hansen is very happy with

the results but warns "the insurance and investment environments remain challenging. Inflation and high energy costs alongside various geopolitical tensions keep us ever mindful of the need for sensible pricing, selective underwriting, and very close working relationships with all of our members and clients."

In its November renewal update, the Club reports that the performance of its mutual product continues to



FDD General Increase

Nil but target 5%

improve and for 2023/24 a breakeven underwriting result is expected. There have been no large claims but inflation is having an effect on the running of the business and investment markets remain volatile. There will again be no formal general increase but an overall 5% is targeted.

It is a shame none of the smaller Clubs have been in touch with Skuld to develop a bigger model.

STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION LIMITED



P&I General increase

5%

FDD General Increase

5%

An early announcement of 2024/25 renewal strategy is normally a sign of a confident Club, and Steamship was the first to announce its standard increase of 5% for all classes of business.

The Club is clearly enjoying a good year so far with own claims less than budgeted

for the first half of the year, another benign year for Pool claims and prior years developing satisfactorily. Owned tonnage has grown by around 4m to nearly 121m GT.

With an investment return to September 2023 of \$33m (2.6%) and a combined ratio likely to end up better than expected

for the full financial year, the Club feels comfortable enough to return 7.5% of 2023/24 premium to those members who renew – this is equivalent to around \$25m.

A continuing smooth ride for the members.

THE SWEDISH CLUB



P&I General increase

7.5%

Deductibles below \$15,000 (cargo), \$25,000 (third party) and \$10,000 (others) to rise by \$1,000.

FDD General Increase

7.5%

The Club has reported a surplus of \$16m for the half-year to June 2023, due mainly to improved investment returns. The combined ratio across all lines of business was 98%, compared to 91% for the same period last year and 102% for the full 2022 year.

M.D. Thomas Nordberg comments that the Club is in the final stages of developing and enhancing its portfolio with new products. One of these is Cyber insurance and, in an

interesting innovation, all members will be given a free three month trial of the basic cover from 1st January 2024. We shall be interested to see what further products are introduced to complement the P&I, Charterers, Hull and Energy covers.

As always, the Club is last to announce its general increase and it is no surprise it has followed the majority of the market with a rise of 7.5% for P&I and FDD, reflecting what it calls a balanced approach “to

meet the needs of its members and the continuing volatile operating environment faced by the shipping industry”.

Deductibles will also increase as above.

A small vehicle but offering an attractive package of extras.

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



P&I General increase

7.5%

Deductibles up to \$50,000 to rise by 10%, with a minimum rise of \$1,000.

FDD General Increase

5%

Until recently, the Club published useful and detailed Autumn updates which provided transparent information to members; this remains the practice of most other IG Clubs with some publishing full half-year accounts. The Club has not provided any information

regarding its performance so far in 2023. Such information would surely help its members to understand the level of its general increase, which for 2024 is 7.5% together with a 10% increase in deductibles below \$50,000. Without a Financial Update it is difficult to peer

through the tinted windows of this very popular and multi-purpose vehicle.

The UK Defence Club has announced a 5% general increase, offset by a 3.5% continuity credit and a further 2.5% for members who enter their whole fleet.

THE WEST OF ENGLAND SHIOWNERS MUTUAL INSURANCE ASSOCIATION (LUXEMBOURG)



P&I General increase

7.5%

Deductibles up to \$50,000 to rise by 10%

FDD General Increase

5%

West has announced the same P&I general increase as the UK Club but does provide some background to the decision. There have been some positive signs during 2023, with claims for the current policy year better than forecast and the development of prior years showing improvement. A combined ratio around break-even is expected, and a

small investment return should push free reserves up around \$10m to over \$240m, with the Solvency Capital Ratio also expected to improve slightly to around 180% from 176%. Owned tonnage is expected to hit 100m GT.

The Board feels that premium ratings remain insufficient to meet expected

future claims costs, which continue to suffer from inflationary pressures, and so decided that both premium rates and deductibles need to increase although the rises do not apply to non-mutual covers. We expect these measures will keep the Club in the middle lane.



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