GENERAL INCREASE BULLETIN NO. 12 / 18

Club – Shipowners'

27th November 2018

P&I
- No general increase ordered.

FDD
- No general increase ordered.

On occasion of the recent Board Meeting the directors have undertaken a review of the operating position of the club in the third quarter and following to the findings published in the Half Year Report issued in June.

In summary the club has seen claims in the 2018 policy year at a higher level than in 2016 and 2017 combined with a development of those years being slightly worse than was previously anticipated. It was also noted that the quantum of claims reported by Clubs to the International Group through the Pooling mechanism was likewise higher than at the same stage in 2017.

The Club's year to date return on investments has been lower than expected and negative. Whilst the third quarter saw the first six months to 30 June losses reduce, markets have continued to be volatile with the club not anticipating an improvement on performance sufficient to cancel the losses incurred during the first half year.

In this scenario the club is anticipating an underwriting deficit for the 2018 year. Investment income generated in 2016 and 2017 will be utilised to subsidise the Underwriting position.

The Board has however recognised the continuing strong financial position of the Club and has agreed to utilise the Club's strong capital position to subsidise the underwriting position into the 2019/20 policy year. For the renewal at 20th February 2019 no General Increase will be applied. The Club will continue as in previous year renewals to absorb any eventual changes to the International Group reinsurance premiums on behalf of the Membership.

On conclusion of their circular the club has voiced a recurring theme found in other International Group club renewal circulars when looking to the future beyond the 2019/20 policy year which we quote below for clarity:

"……………… there has been recent widespread market commentary, from other clubs, brokers, regulators and the Lloyd's market that premiums are now at levels that are unsustainable in the longer term, and that increases are likely to be required in the near future to restore underwriting balance. The Board noted and agreed with this sentiment. "

As with all previous renewals, the Managers will review individual Members' claims records and operational risks, applying commensurate premium and deductible increases where considered appropriate. The club policy of applying ship inspections and management audits will also remain.

This Newsletter, and our information archive, can also be accessed at www.plferrari.com

P.L. FERRARI & CO S.r.l.