

## GENERAL INCREASE BULLETIN NO. 9 / 18

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### *Club – North*

20<sup>th</sup> November 2018

#### P&I

- No General Increase will be applied
- All Owned deductibles below US\$25,000 will be increased by a minimum of US\$1,000 per deductible

#### FDD

- No General Increase will be applied

The North has produced their renewal circular and in setting out the Board deliberations have sent a very clear message to their Membership. The explanation of the drivers behind the requirements for 2019/20 is robust and expressed in simple clear language. We use directly the words of the Club in this bulletin, *noted in italics*, to underline the guidelines to be adopted at the 2019/20 renewal which the board has mandated that the managers carry forward. The club notes however that it is confident that their 2019 renewal strategy, allied with a disciplined financial approach and a prudent underwriting philosophy, will position the Club appropriately to meet the oncoming challenges of a “hardening” insurance market.

The Club notes an increase on the year to date number and cost of large retained claims (those over US\$1M in value) as well as an increase in Pool claims. A continuation in the trend of premium income erosion which combined with the increase of high value claims, is projected to result in a combined ratio for the Club at the financial year end of 110% with a consequent expectation that free reserves could reduce slightly.

In the meantime, volatility in global financial markets has resulted in a modest investment return at the mid term point of the policy year. It is expected that further fluctuations during the remainder of the year will occur and as such there is an uncertain future for investment returns.

All considered, “and whilst corrective action to address premium erosion will be required in order to halt any longer term decline in capital”, the Board decided as follows:

#### Mutual and Fixed Premiums

The Board has taken the decision not to declare a general premium increase at the forthcoming renewal. The Managers will however *“be undertaking a significant exercise to review all Members premiums and terms in order to ensure that declining rates of premium are halted and equitably adjusted to properly reflect performance and exposure going forward”*.

*“This exercise will be robustly undertaken to obviate the need for greater premium increases in subsequent years.”*

All Owned P&I deductibles below US\$25,000 will be increased by a minimum of US\$1,000 per deductible.

#### Reinsurance

Members' rates will also be adjusted to incorporate any changes in the costing and structure of the International Group General Excess of Loss Reinsurance Programme.

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