

## GENERAL INCREASE BULLETIN NO. 2 / 20

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### Club – West

27<sup>th</sup> October 2020

#### **P&I:**

- 7.5% ‘surcharge’ to apply.
- Deductibles increase from USD 13,000 to USD 14,000. Individual deductibles below this level to be increased by USD 2,500.

#### **FD&D:**

- 7.5% ‘surcharge’ to apply.
- No change to the standard one fourth deductible rules structure.

The West is the second club of the International Group of P&I Clubs to release their review and requirements for the forthcoming Policy Year 2021/22 following to the meeting of the Board held on 21<sup>st</sup> October 2020.

The presentation by the club to their Members in the issued circular, relative to the current drivers which weigh upon the club, and indeed upon the P&I industry in general at present and which necessarily need to be considered moving forward with appropriate steps for remedial action, resonates with the published commentaries of their peers and the extensive articles seen in the press over the year and increasingly in the recent months.

Claims costs, in particular those falling upon the International Group Pooling system, are noted as historically higher than in 2018 and 2019. This element of cost for the Clubs is a significant element on their balance sheets and is independent to an individual club retained claims which in general are considered to be under presently under control, even if with a cautious eye upon future Covid consequences. The impact of the pool cost element to a club’s balance sheet in the present environment has drawn much attention from all Clubs Board of Directors when determining renewal strategy given volatility of investment returns and erosion of the available premium base.

Investment returns, increasingly uncertain and volatile in the current global scenario is reported by the Club to be positive at +2.6%, to date.

Whilst the combined ratio is expected to be in excess of 100%, the capital remains strong and in excess of the 'AAA' level set by S&P.

The deliberations of the Board for the 2021/22 Policy Year are,

- For Class 1 (P&I) entries a 7.5% standard surcharge has been set to apply to all mutual premium rates,

A clear and robust message thereafter follows from the Club,

*“For Members whose records are adverse, de-risking action will be taken where necessary and rates and terms will be increased and adjusted as appropriate to reflect record and/or risk exposure.”*

Class 1 (P&I) deductibles will be amended as noted above in our opening summary.

Furthermore, rates will be adjusted to reflect any changes in the cost of the International Group reinsurance programme, whether up or down.

- Class 2 (FDD) increases will be as set out in our summary above with other terms as expiring.

On conclusion the Club introduces the inevitable consequences of the current commercial insurance environment which will flow into placements where the cover provided by the club is supported by separate market reinsurances and therefore the non-mutual covers for example charterers liability and additional extensions to basic mutual poolable cover. Accordingly the Club advises,

*“Reinsurance costs associated with these classes of business have significantly increased over the last 12 - 24 months across the entire industry.*

*Accordingly, whilst the Board has not set a standard surcharge, rates and terms will be increased and adjusted as appropriate to reflect the increased reinsurance cost, Member's record and/or risk exposure.”*

Should you have any queries regarding the above arguments and insurance issues, please do not hesitate to get in touch with your usual P.L. Ferrari contact or get in touch via our website at <https://www.plferrari.com>

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