

## GENERAL INCREASE BULLETIN NO. 7 / 20

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*Club – UK P&I Club*

13<sup>th</sup> November 2020

### **P&I**

- A 10% increase on expiring mutual rates.

Following the meeting of the Board held to review the open and closed policy years and to determine the requirements for renewal of the 2021/22 policy year the club has issued their Autumn update and 2021 renewal circular.

Despite the reigning situation presented by the global pandemic, substantial investment market volatility and increased volatility in large claims, a position already highlighted and expressed by all P&I clubs who have so far announced review and renewal requirements, the club advises that it remains financially strong.

Claims pressure is seen as originating from not only from the volatility in club retained claims falling in a band in excess of US\$ 2m but also from what they describe as a 2020 year that could represent the most expensive in history with respect to shared pool claims and which for the club sees an increase, in the measure of three times, for their contribution over the first half of 2020 relative to proceeding years with the same cut off period. A stark indicator of what this element of club cost represents in the current environment.

In front of the above the club writes that *“premium is no longer sufficient to cover the cost of claims and expenses after rate declines across the market over several years”*. With further comment the club emphasizes that with investment return volatility anticipated to continue in the future no reliance can be made on this element to subsidise underwriting losses, losses resulting not so much from the retained low level attritional claims, which appear to be relatively under control, but rather from the pressure of large and invariably random large claims, to which all members are exposed, which requires from across the membership an increase in premiums on renewal to rectify and respond to current trends and future pressures.

As set out at the start of the issued circular, Outline summary bullet points of the deliberations made, the club notes,

*“The Board has set a general increase of 10% on all mutual premium rates for the 2021 renewal to correct the the underwriting deficit. Members with adverse records should anticipate higher increases”*

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>

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