

RENEWAL BULLETIN NO. 1 / 21

Club – WEST

15TH October 2021

P&I Mutual entries

- A +15% standard surcharge.
- No change to the Rules Deductible for Class 1 entries however all other deductibles will be increased by 15% and a minimum increase of US\$ 2,500 will be applied.

FDD Mutual Entries

- A +15% standard surcharge.

The recent Board meeting has concluded by setting a +15% standard surcharge to be applied on expiring P&I and FDD mutual premiums at 20th February 2022. In addition, rates will be adjusted to reflect any changes in the cost of the International Group reinsurance programme, whether up or down. Further news will follow later to detail any changes to the International Group reinsurance rates, scope of cover and limits. Members with adverse records will in addition have rates and terms increased to reflect as appropriate records and/or risk exposure.

No change will be made to the P&I Rules Deductible for Class 1 entries however all other deductibles will be increased by 15% and a minimum increase of US\$ 2,500 will be applied. For FDD Rules Deductible in Class 2 no changes will be made. Estimated total mutual call for both P&I and FDD will be debited in 5 instalments each of 20% with four instalments been called during the policy year with the remaining instalment to be called in August of the following year.

Commenting upon the Board decision the following driving factors have been noted in forming their decision to address the premium and claims imbalance,

- Underlying P&I claims experience noted as in line with expectations but, Covid related claims and in particular following to the Delta variant have escalated leading the Board to adjust upwards the expected final claims cost for the current policy year.
- International Group Pool claims are currently tracking expectations in terms of the number of cases but significantly the severity of these claims have increased to the effect that at six months into the current policy year the incurred cost far exceeds the previous year which already is reporting at a historically high level.
- The prospect for future investment returns remains low and whilst forecast to be positive at year-end will not be sufficient to cover the Club's technical deficit. The Club's combined ratio whilst expected to improve is anticipated to be in excess of 100%. The Free Reserve forecast is expected to fall at 20th February 2022.

With reference to Class 1 (P&I) and Class 2 (FDD) non mutual covers the club notes that the Reinsurance costs have increased over the past years and that the indications are that they will further increase at the 2022/23 renewal. The Board has not set a standard surcharge for this class of business written by the club but advise that rates and terms will be increased and adjusted to reflect the increased reinsurance costs, Member's record and/or risk exposure.

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