

Financial Review and Renewal 2023

25 November 2022

Circular Ref: 2022/030



Financial Review and Renewal 2023

The Directors met in London on 21 November 2022 to review the Club's financial position and to consider requirements for the 2023 Renewal. Decisions taken regarding open Policy Years are set out at Appendix A.

The year to date has seen a reduced level of both retained as well as Pool claims. This follows the elevated claims experience of the last few years, that has negatively impacted the underwriting result. The volatility in investment performance seen in the second half of last year, has however continued to such an extent that we are now expecting to report a significant investment loss at the financial year end 2023. The ongoing uncertainty surrounding future investment performance means that Clubs can no longer rely on this to subsidise underwriting deficits.

The War in the Ukraine and the consequent geopolitical impact on general inflation worldwide, adds further complexity to claims forecasting, but there is no doubt that inflationary pressures will impact the claims experience next year. Indeed, whilst this year's relatively benign experience is clearly an aberration, there are already early indicators across insurance markets that claims inflation is on the rise.

Whilst the Directors are still focused on the need to support our Membership, responsible action to increase premium rating levels to contend with these inflationary pressures will be required in order to halt any longer-term decline in capital and to preserve the financial equilibrium of the Club. In the interests of transparency and sound corporate governance, the Directors believe that it is appropriate to notify Members of the Club's overall budgetary requirements for the forthcoming Policy Year. They have therefore concluded as follows: -

P&I CLASS

Mutual and Fixed Premiums – to declare a 10% increase in premium rates at the forthcoming renewal. The managers will nevertheless also continue to robustly review all Members' premiums and terms in order to ensure that premiums are further adjusted to properly reflect performance and exposure going forwards. Members with adverse loss records will therefore have their rates and terms adjusted in excess of these minimum requirements, in order to ensure that they make an equitable contribution.

In addition, and in order to contend with inflationary pressures on claims, all crew and other people related claims deductibles below US\$50,000 will be increased by a minimum of US\$2,500. All cargo and other claims deductibles will be increased by a minimum of US\$1,000. These increases are intended to ensure that equitable and sustainable levels of risk are retained by Members.

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.

FD&D CLASS

Mutual and Fixed Premiums - to declare a 15% General Increase in premium rates, in the light of the inflationary cost pressures presently affecting the Class and which are anticipated to increase into the future. Premiums will however further be adjusted to reflect individual Members' claims performance and exposure.

The Directors also decided to approve the FD&D Rules deductible remaining at 25%, with the minimum of US\$10,000 per claim, but to remove the maximum deductible limit of US\$150,000 per claim in order to ensure that Members continue to make an equitable contribution to larger claims.

PREMIUM COLLECTION

P&I premiums for Mutual Owned entries will be collected in four equal instalments of 25% during the Policy Year, on 3rd April 2023, 1st June 2023, 1st September 2023 and 1st December 2023.

FD&D premiums will continue to be collected in two equal instalments on 3rd April 2023 and 1st September 2023.

The Club's Pre-Renewal Report has been published on 25 November 2022 and will provide detailed information on the financial position and claims development during the current Policy Year. Please click [here](#) to view or download your copy of the Report.

The Directors are satisfied that the Club remains in strong financial health and are confident that our prudent 2023 renewal strategy allied with our disciplined financial approach and equitable underwriting philosophy, will position the Club appropriately to meet the ongoing geopolitical uncertainty and inflationary pressures; whilst securing the sustainable platform necessary to enable the merged NorthStandard's Members to continue to receive the excellent levels of service together with financial stability.

PAUL JENNINGS

CHIEF EXECUTIVE / EXECUTIVE DIRECTOR

The North of England P&I Association Limited / North of England P&I DAC

APPENDIX A – OPEN POLICY YEARS

P&I Class

2019/2020 The Policy Year was closed, and the final cost was on target at 100% of the originally estimated total premium.

2020/2021 This Policy Year will be reviewed in May 2023, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 0%.

2021/2022 This Policy Year will be reviewed in May 2023, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.

2022/2023 This Policy Year will be reviewed in May 2023, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 15%.

2023/2024 The Manager's assessment of Release Calls is 15%.

FD&D

2019/2020 The Policy Year was closed, and the final cost was on target at 100% of the originally estimated total premium.

2020/2021 This Policy Year will be reviewed in May 2023, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 0%.

2021/2022 This Policy Year will be reviewed in May 2023, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.

2022/2023 This Policy Year will be reviewed in May 2023, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 15%.

2023/2024 The Manager's assessment of Release Calls is 15%.