

Managers
A. Bilbrough & Co. Ltd.

50 Lemn Street
London E1 8HQ
T. +44 (0)20 7772 8000
F. +44 (0)20 7772 8200
E. london@londonpandi.com

www.londonpandi.com

15 June 2020

TO ALL MEMBERS AND ASSURED

Dear Sir or Madam

2019/20 Financial Year Result and Overview

This Circular summarises the result for the 2019/20 Financial Year and other recent developments in the Club's business. Further information will be provided in the Annual Report & Financial Statements, which will be issued in the near future.

2019/20 Financial Year Result

The Club recorded an operating surplus of US\$5.0m and the free reserve has increased to US\$173.9m. Earned premium income net of reinsurance costs increased by US\$13.7m on the prior year comparative and the result included positive underwriting contributions from the Club's fixed premium products and FD&D Class. There was also an overall return of 9.1% from the investment portfolio. During 2019 there was a reduction in the allocation to equities and the portfolio has weathered the market volatility seen in the current year with a near breakeven return at the end of May.

At the same time there was an increase in the cost of mutual P&I claims costs incurred both by the Club's own Membership and through the pooling system. The former involved an atypical outturn of more expensive personnel and cargo claims. The latter involved an increase in the cost of contributions to other Clubs' Pool claims reflecting a deterioration in the cost to the Pool of the 2018/19 Policy Year and an expensive position at expiry of 2019/20. The strain that this experience placed on the Club's technical performance was compounded by the effect of reductions in average P&I rates seen over recent years and resulted in a combined ratio of 137%.

Overview

The Club's Circular (5:574) of 12 November 2019 emphasised the importance of reversing the downward trend in P&I rating levels in the face of the more challenging claims outlook. This objective was a driver of the Club's approach to the 2020 renewal, the outcome of which saw an increase in rates in line with target, inclusive of the impact of higher deductibles. In a small

number of cases it proved impossible to agree terms but the Club also saw 2.6m gt of additional mutual business entered at the renewal by existing as well as new Members. Additional information is available from the Club's 2020 Corporate Overview which can be accessed [here](#).

Towards the end of 2019/20, reports emerged of the Covid-19 outbreak. It quickly became apparent that ensuing pandemic presents a serious threat across all walks of life, to health and to economies and, as such, is a risk to which the Club is giving considerable attention and on which additional information is provided in the Annual Report. One of the practical issues arising involves the day to day operation of the Club and while much of our management team is still working remotely at this time, we strive to ensure that our Members continue to receive the Club's usual high quality support and service.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)