

17 November 2022

TO ALL MEMBERS

Dear Sir or Madam

Class 5 (P&I) and Class 8 (FD&D) – 2023/24 Renewal

This Circular provides background to and detail of the Club's approach to the 2023/24 Renewal.

Background

The Club's income and tonnage growth for the current policy year are in line with projections. Retained claims are also in line with budget, falling back from the very high level experienced in 2021/22 and below the average for the three preceding years. One claim has been notified to the IG Pool, by another Club, at the time of writing.

With regard to prior policy years, the post expiry development of retained claims from 2021/22 has been higher than projected. There has also been an increase in the expected cost of the Club's share of prior year Pool claims.

The global pandemic and Russia's invasion of Ukraine have each, in different ways, contributed to higher inflation which central banks are seeking to control through the imposition of higher interest rates. With bond prices being inversely related to interest rates, the Club has at the time of writing recorded an investment loss of 5.3% in the current financial year. Much of this loss remains unrealised and will unwind in the form of higher future yields to maturity.

2023/24 Renewal

Class 5 (P&I)

No general increase is set and renewal terms will be based on individual Member loss records and risk profiles incorporating the anticipated impact of inflation on future claims costs. The Board has instructed Management to pay particular attention to the adequacy of all fleet rating and deductible levels so that an equitable contribution to a balanced underwriting result is made by all Members of the Club.

Any adjustment to the cost of the Club's share of the IG's excess loss reinsurance programme, which has not yet been determined, will also be applied. The Release Call rate for the 2023/24 policy year is set at 15% of the Annual Call.

The Managers will be in further contact with Members and Brokers about the Renewal in due course.

Class 8 (FD&D)

Income for the current policy year is slightly ahead of projections. Although claims costs are lower than in recent previous years at the same point of development, FD&D risks are long tail by nature and have been trending upwards. As with the P&I Class, no general increase is set and renewals will be based on individual Member loss records and risk profiles. Particular attention will also be paid to the adequacy of all fleet rating and deductible levels so that an equitable contribution to a balanced underwriting result is made by all Members of the Club.

The Release Call rate for the 2023/24 policy year is set at 15% of the Annual Call. The Managers will be in further contact with Members and Brokers about the Renewal in due course.

Release Calls

Class 5 (P&I)

The Board has confirmed that the 2019/20 policy year should be closed and reached the following decisions in respect of Release Call rates:

- 2020/21: 5.0% of the Annual Call
- 2021/22: 15.0% of the Annual Call
- 2022/23: 15.0% of the Annual Call

Class 8 (FD&D)

The Board has confirmed that the 2019/20 policy year should be closed and reached the following decisions in respect of Release Call rates:

- 2020/21: 5.0% of the Annual Call
- 2021/22: 15.0% of the Annual Call
- 2022/23: 15.0% of the Annual Call

Payment Arrangements

Annual Calls will again be charged in three instalments that will come due on 31 March 2023; 31 July 2023; and 30 November 2023.

Payments should be made electronically using the banking details set out in the Club's debit note. To assist the prompt allocation of payments, Members and Brokers are urged to provide Fleet References and debit note numbers for all items being settled, whenever funds are remitted. These details should be e-mailed to **london.creditcontrol@londonpandi.com**

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)