

14 November 2023

TO ALL MEMBERS

Dear Sir or Madam

Class 5 (P&I) and Class 8 (FD&D) – 2024/25 Renewal

This Circular provides background to and detail of the Club's approach to the 2024/25 Renewal.

Background

The Club's income and tonnage growth in 2023/24 are in line with projections. The continuing upward trend in revenues, allied to a favourable higher severity claims experience, produced a better than expected combined ratio of below 100% at the six month stage of the financial year. The claims experience remained favourable at eight months, at which point other Clubs had reported four claims to the IG Pool with estimates in excess of the US\$10m Pool attachment point. Further rises in interest rates have continued to exert downward pressure on fixed income capital values, largely offsetting the income receipts during the period and leading to a breakeven year-to-date investment result.

Prior year reserve movements have stabilised following higher than expected post expiry deterioration in the 2022/23 financial year principally attributable to Pool claims.

The Board is adopting a cautious approach to the February 2024 Renewal, as set out below. This recognises the effect of persistent inflationary pressures on claims and operating costs, uncertainty as to the future direction and level of interest rates, and the prospective impact of a small number of higher severity claims.

2024/25 Renewal

Class 5 (P&I)

No general increase is set and whilst an overall increase of 7.5% in average rates is targeted, renewal terms will be based on individual Member loss records and risk profiles, incorporating the anticipated impact of inflation on future claims costs. Attention will continue to be given to the adequacy of 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 2024/25 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 in line with expectations, FD&D risks are long tail by nature and also subject to inflationary pressures. As with the P&I Class, whilst an overall increase of 7.5% in average rates is targeted, renewal terms will be based on individual Member loss records and risk profiles, incorporating the anticipated impact of inflation on future claims costs. Attention will continue to be given to the adequacy of fleet rating and deductible levels so that an equitable contribution to a balanced underwriting result is made by all Members.

The Release Call rate for the 2024/25 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 2020/21 policy year should be closed and reached the following decisions in respect of Release Call rates:

- 2021/22: 5.0% of the Annual Call
- 2022/23: 15.0% of the Annual Call
- 2023/24: 15.0% of the Annual Call

Class 8 (FD&D)

The Board has confirmed that the 2020/21 policy year should be closed and reached the following decisions in respect of Release Call rates:

- 2021/22: 5.0% of the Annual Call
- 2022/23: 15.0% of the Annual Call
- 2023/24: 15.0% of the Annual Call

Payment Arrangements

Annual Calls will again be charged in three instalments that will come due on 31 March 2024; 31 July 2024; and 30 November 2024.

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

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)

5:635
8:120