

The P&I Pre-renewal Review 2020



Gallagher

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01

Marine P&I Market Overview 2020

Welcome to the 2020 Gallagher Pre-Renewal P&I Review



Malcolm Godfrey

Executive Director, Marine P&I Division

Autumn seems to have come round very quickly again this year, a year which has been like no other. Now that our summer is at an end, our thoughts are already focussed on the next February renewal. We had hoped, until the middle of September that we might have been able to resume face to face meeting with our clients and underwriters in a more substantial manner: indeed some Clubs have reopened their offices on a voluntary basis and with reduced staff numbers.

Outside of The City, we are currently faced with travel restrictions and disruptions, meaning our regular client renewal meetings will be limited, at least for the time being, to meetings hosted on online platforms. Fortunately, we have strong personal contacts with our clients and the Clubs and their underwriters, so that this limitation will be overcome. Indeed, face to face contact with senior Club management and underwriters has and will continue to take place where possible. This may well now be the shape of the future until a plausible vaccine emerges, but it is my fervent hope we will not be echoing a similar introduction to next year's review.

Turning to the recently completed 2019-20 results for the Clubs, these were dominated by continuing poor underwriting results and, by chance excellent investment results.

The Clubs are presently underwriting to typical combined ratios of between 115 and 120%, with some significantly higher, and just Steamship at below 100%. This is the culmination of several consecutive years of nil general increases and combined ratios have spiralled upwards, with the trend being further exacerbated by rapidly deteriorating pool loss experience, which has seen two years with in excess of USD400 million of losses, and a 2020-21 year which at six months has losses of around USD300 million.

The result for the year was rescued by an exceptional year for investment income which bounced back from the modest results for 2018-19 and generated enough revenue USD767 million – to offset the USD497 million underwriting result and still leave some of the Clubs with enough flexibility to return premium or capital. We never got the chance to see if this was indeed a sustainable recovery from the lows of 15 months prior, since the investment markets were turned on their head by COVID-19 in the months just after the end of the reporting cycle. As we write, the prospect of significant market upheaval remains ever-present.

Results that have emerged so far for the first half of the year point to a general slight improvement in underwriting result with combined ratios remaining level to down. Given the extremely poor pool record being experienced, this suggests that attritional, and to some extent mid-range, losses are declining. It is however way too early to draw too many conclusions on where the full 12 month result may go.

Turning to pooling losses for a moment, the size of these losses is at record levels in most people's memories. At 20 August 2020, 11 pool claims had generated an estimated cost to the pool of almost USD300 million, and, including the individual Club retentions, a gross loss cost of over USD400 million to the system. That already makes it one of the worst years in the past decade, and there are still six months to go, including the traditionally costly North Atlantic winter. The 2019-20 policy year has been hit by significant adverse development of over USD100 million, and stands at over USD400 million, nearer USD650 million including Clubs' retentions.

Within this, the pool has seen potentially three COVID-19 quarantine/repatriation pool level claims, but with the cessation of almost all cruise operations, this exposure is at least staunch. It is important for all Members across the Group to understand that a significant element of their premium requirements is governed by their Club's exposure to the Pool. Arguably, the smaller the Club, potentially the greater risk there is to instability in the level of these liabilities.

For many years we have pointed to the changing shape of the Clubs' exposures to loss, as large losses have replaced attritional losses as the primary driver. At least for now it looks as if pool level losses are replacing mere large losses as that primary driver. Perhaps the risk retention hunger shown in the steady increase of the pool limit to USD100 million and with Hydra's involvement in the first excess reinsurance layer is beginning to bear bad fruit.

If we put COVID-19 aside for a moment, we would have expected to see the outcome of 2019-20 result in a further upward adjustment in rates as part of an exercise that had begun at the 2020-21 renewal.



At last renewal the Clubs had started to try to arrest the slide in premium rates, and even push them up somewhat. In all probability the increases achieved at 20 February 2020 will have started this process, but there is still some way to go.

Whilst no one realistically expected a continuation of investment income at 2019-20 levels, simply due to inherent volatility and cycles in the markets, equally no one would have anticipated the massive tumbles in the market as global events unfurled. At a stroke the combined ratios of the Clubs came even more under the spotlight.

So what does all this mean for future premium levels? As we have been discussing with Club management following their results, is it not feasible for all Clubs to extend the current terms through to 2022, allowing Shipowners/operators to focus on their businesses. Unsurprisingly this suggestion was met with a rather frosty reception, and we acknowledge that doing so would perhaps only defer measures being taken to address the current technical underwriting issues.

To what extent can the Clubs delay or reduce their theoretical premium increase requirements in view of the limited recovery, and uncertainty of, their members' financial standing. What we are hearing is that Managers recommendations are for premium adjustments in the region of 5-12.5%, indeed we have seen recent announcements at this level. I deliberately do not use the phrase "general increase" since four Clubs have abandoned the concept and one or two more are considering dropping it at the forthcoming renewal.

At the moment the deficit is being largely met by investment income and/or Free Reserves. However, if we remedy this shortfall with increased premiums it has to be accepted that a mechanism be put in place to return surplus funds which historically have largely accrued on investment return.

The fact remains that the investment collapse, perhaps for now, has reversed and yields of around 2.5% are being seen seven months into the year. Given the level of free reserves, surely it is now time for all International Group Clubs to put in place formal mechanisms to return surplus investment income to their stakeholders, the Club's Mutual Members. Any such mechanism would have to incorporate the provision that a Club can reasonably retain such earnings if by distributing these, they would jeopardise the Clubs financial stability, which is, of course not in any Members interest. This leads on to a requirement that managers should be publicly disclosing their individual Solvency comfort levels, which are currently agreed privately between themselves and the Board.

Whilst the Clubs appear to have, at least for now, stabilised their financial position, with investment yields in the range of 2.5%-3% at the seven month period, the same cannot be said of the shipowner, where global trade is still significantly down in many sectors. A bounce back seems likely in the fourth quarter but there remain underlying issues for the long term recovery in global trade and thus the fortunes of the shipping industry.

The continued rise of protectionism, the increased interest in onshoring and the changing nature of supply chain risk

management will all hamper speedy recovery and so shipowners revenue streams will suffer. The post virus world economy remains an unknown, and the outlook for shipping is far from clear.

It is for these very reasons outlined above that the Clubs have in excess of USD5.5 billion in free reserve, and significant amounts of regulatory capital headroom. If ever there was a chance to subsidise the members predicament by the use of these reserves to abate or defer the needed premium increases, this would be it.

The time for vanity projects is not now, suspend diversification plans and get back to the core values of mutuality and the helping with members difficulties. We call for compassion in this time of COVID-19.

The ever-present conjecture surrounding Club consolidation remains, rekindled by the savings on overheads and management expenses during lockdown. Whilst consolidation might reduce exposure to pool volatility, this would come at the cost of less choice and where mutual premium levels could be dictated by the few.

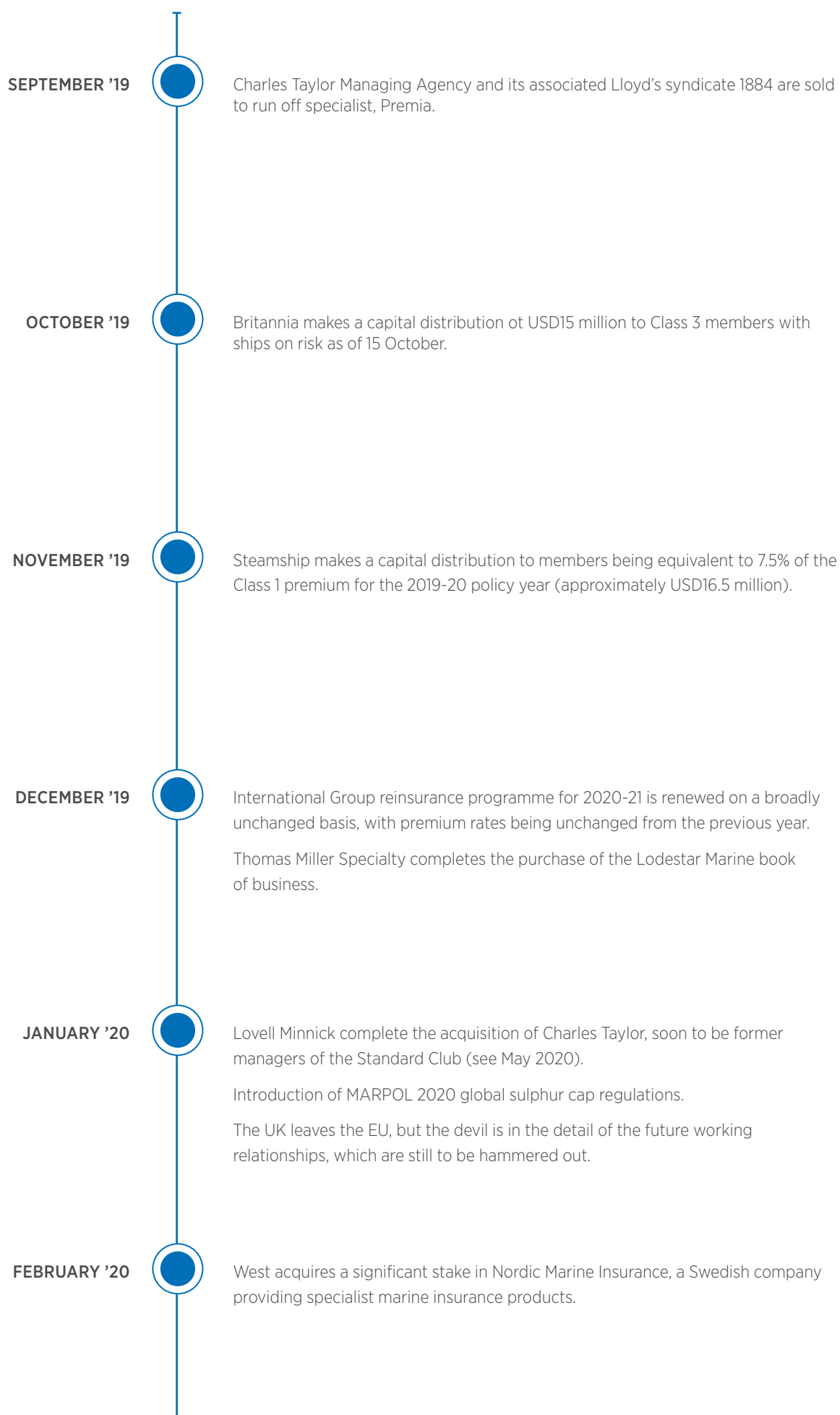
The last four to five years have been a very soft market, allowing Members to achieve beneficial renewal results. Clearly we find ourselves in turbulent times and would argue that it has never been more important to use a broker with a Global outlook and reach, whilst also being at the heart of the insurance World.

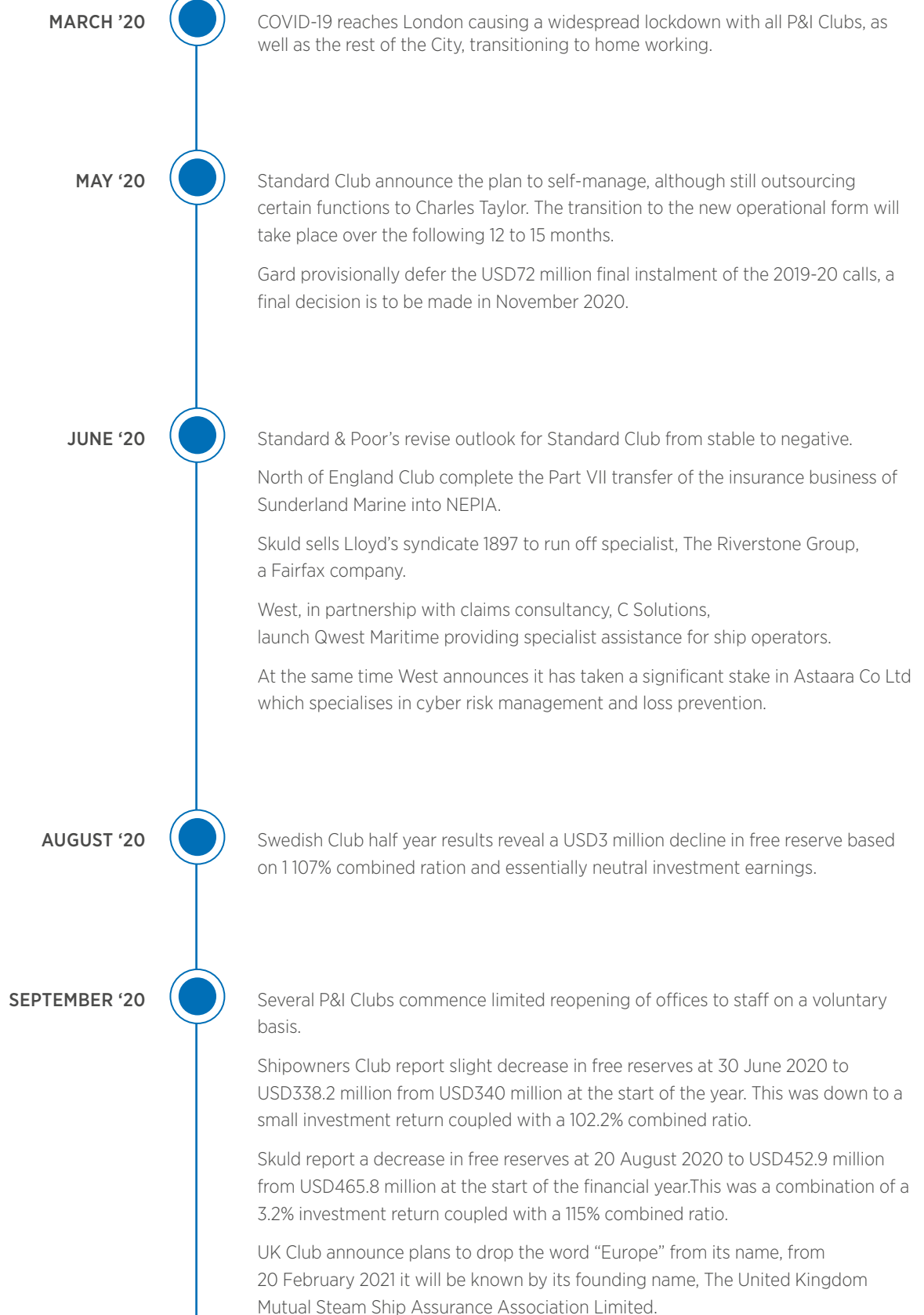
Stay safe, and we look forward to renewing long standing acquaintances in the none too distant future.

Malcolm Godfrey

Executive Director, Marine P&I Division

Timeline 2019 – 2020





Aggregate Financial Year Results

The following table shows the composite results of the International Group Clubs for the last three years. Figures include the pledged assets of Boudicca Insurance Co Ltd, Figures for those Clubs who do not report as at 20 February are included on the basis of their results for the nearest year-end to 20 February of any given year. No adjustment is made to eliminate inter-Club transactions, in particular pooling transactions.

In '000s of USD

	2019-20	2018-9	2017-18
Original Call Income	3,808,606	3,760,733	3,819,421
Return Calls	(79,000)	(51,008)	(128,218)
Actual Call Income	3,729,606	3,709,725	3,691,203
Acquisition Costs	378,083	388,807	369,296
Reinsurance	748,816	716,609	724,895
Claims Incurred	2,839,159	2,623,191	2,445,370
Administrative Expenses	260,394	309,535	234,634
	4,226,452	4,038,152	3,774,195
Underwriting Result	(496,846)	(328,427)	(82,992)
Investment Income	767,577	101,782	538,993
Exchange Gains / (Losses) etc	(14,356)	(63,791)	18,945
Taxation	(33,794)	19,700	(15,318)
	719,427	57,691	542,594
Overall Result	222,581	(270,736)	459,602
Cash and Investments	11,889,801	11,676,097	12,195,663
Other Net Assets	397,695	364,716	167,461
	12,287,496	12,040,813	12,363,124
Net Outstanding Claims	6,752,325	6,686,899	6,605,208
Free Reserves	5,515,671	5,334,414	5,638,600
Debt Capital	19,500	19,500	119,316
Capital Transactions in Year	- 41,324	- 133,266	-30,000

For all years, figures above include the non P&I operations, assets and liabilities of all Clubs e.g. Gard Marine & Energy, Sunderland Marine, Skuld and Standard's Lloyd's run off syndicates etc. In 2018-19 the Standard Club acquired the Strike Club which added USD18.5 million to Free Reserves; in addition, during 2018-19 the UK Club repaid its USD100 million hybrid capital.

During both the 2017-18 and 2018-19 years Britannia made USD30 million capital distributions, and a further USD25 million in 2019-20 Steamship Mutual also returned capital amounting to USD21.9 million in 2018-19 and USD16.3 million in 2019-20.

Figures reflect prior year application of changed accounting policies, where appropriate.

Aggregate Policy Year Results

1. Call Income In '000s of USD

	at 12 months	at 24 months	at 36 months
2019-20	2,813,170	-	-
2018-19	2,892,457	2,975,363	-
2017-18	2,954,977	3,045,949	3,071,339
2016-17 (closed)	3,170,039	3,269,925	3,271,273
2015-16 (closed)	3,417,108	3,515,199	3,515,038

2. Claims Incurred In '000s of USD

	at 12 months	at 24 months	at 36 months
2019-20	2,436,608	-	-
2018-19	2,408,169	2,458,325	-
2017-18	2,317,718	2,278,170	2,273,732
2016-17 (closed)	2,193,114	2,113,413	2,057,495
2015-16 (closed)	2,431,861	2,371,766	2,369,855

3. Underwriting Result In '000s of USD

	at 12 months	at 24 months	at 36 months
2019-20	(670,736)		
2018-19	(646,105)	(627,274)	
2017-18	(431,263)	(297,574)	(270,480)
2016-17 (closed)	(176,112)	6,115	68,707
2015-16 (closed)	(192,078)	(45,864)	(48,416)

4. Overall Result In '000s of USD inc Investment Allocation

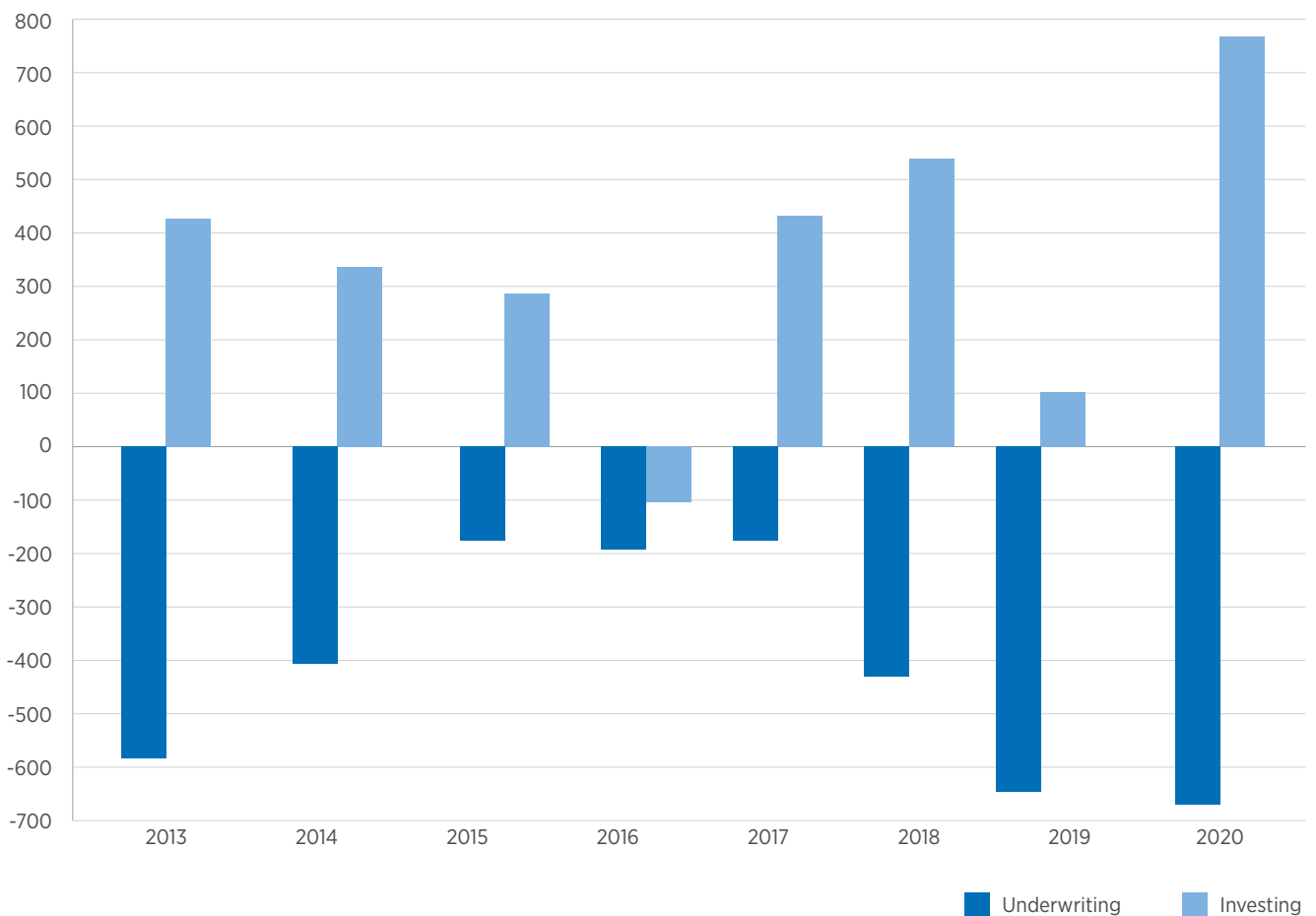
	at 12 months	at 24 months	at 36 months
2019-20	(352,838)	-	-
2018-19	(498,727)	(455,856)	-
2017-18	(172,439)	(30,025)	33,591
2016-17	(40,936)	142,169	237,169
2015-16 (closed)	(111,733)	12,267	70,281

Financial Commentary

2019-20 was characterised as the last year of the era of the zero general increase, which had lasted, in most cases, for four years. The impact of that policy can clearly be seen, although the declining underwriting performance has at least been arrested – albeit at a level of USD600 million underwriting loss. As in 2018, the deteriorating underwriting outcome was bailed out by investment earnings.

It is hard to say which trend is more unsustainable: consecutive years of massive underwriting losses, or a year when the investment income generated double the income of the previous seven year average level.

Contributions to Results 2012/3-2019/20



The above table shows financial year investment income, excluding exchange gains and tax, trended against the policy year underwriting result for the year, as seen at 12 months maturity. The use of 12 month data ensures a consistent view of each policy year, although in practice each of these years will have improved, or are expected to improve, with age. The eventual outcome of each of those years have not historically proved as bad as initially appears the case, but, as we will see later in this report, the improvement seen in 2019-20 is substantially below historic trends.

There was a neat symmetry to the graphic between 2012-13 and 2017-18 where the fall and rise of the underwriting loss was mirrored by the fall and rise of the investment income. Sadly, for those who favour planning, this symmetry seems to be more a simple twist of fate than an intended consequence. Things started to go pear shaped in 2018-19 where investment income collapsed, and only reached positive levels in the last months of the year; 2019-20 saw the rising trend that started in late 2018 continue unabated and a sufficiency of investment income arose to cover the

continuing underwriting loss. The less said about the early part of 2020, the better.

So does the trend for returns of capital or premium seen in the last few years really have anything to do with underwriting results? We suggest it's a return of surplus investment income, with certain Clubs being prepared to accept substantial underwriting deficits on closing policy years. Arguably this is what mutuality means – but central to this theory is a balanced consistent use of investment income to offset premiums set at non commercial rates.

Aim to underwrite to breakeven, cover the costs out of investment income and give the surplus back after making allowance for regulatory solvency and a safety margin. Of course, nothing is ever that simple. Reduce your ETC year on year and it becomes expected and may point to the fact that you are charging your members too much if you can still return money in even the worst of investment years or most volatile of years.

On a financial year basis similar trends to those in the above graphic have been seen, although these have been influenced by the impact of diversification and the later development of both the open and closed P&I underwriting years in a subsequent financial year both of which tend to smooth some of the worst aspects of the policy year underwriting result.

The following table summarises the sources of revenue generated by the Clubs in each of the past two years, and the way they have utilised these funds, either as loss absorption, distributions to members or business development and restructuring. The balance has gone to augment free reserves.

USD million	2019-20	2018-19
ETC based Underwriting Result	(449.1)	(277.4)
Investment Income	767.6	101.8
Foreign Exchange	(14.4)	(63.8)
Other Income / (Expense)	(3.4)	20.4
Taxation	(30.4)	(0.7)
Result for the Year	270.3	(220.7)
Excess Calls	24.7	0.0
Returns of Call	(72.4)	(51.0)
Returns of Capital to Members	(41.3)	(51.9)
Returns of Capital to Other Sources*	(0.0)	(99.9)
Acquisition of New Businesses	0.0	18.5
Movement in Free Reserve	181.3	(404.0)
Free Reserve, start of year	5,353.9	5,757.9
Free Reserve, end of year	5,535.2	5,353.9

*this in part included members but not in their capacity as such.

The table shows how the Clubs are evolving. Ten years ago the movement in free reserve was, generally speaking, entirely down to the result for the year, nowadays there are several impacts on free reserve other than just the annual operating result.



Financial year underwriting

The following table summarises the financial year underwriting result of each Club over the past five years.

	2019-20	2018-19	2017-18	2016-17	2015-16	Cum
American	-6,314	-12,305	-2,407	-8,916	-1,966	-31,908
Britannia * inc Boudicca	-53,675	-21,516	7,146	45,848	-2,331	-24,528
Gard *	-85,812	-101,000	-24,282	28,218	112,669	-70,207
Japan *	-7,191	6,907	14,153	23,949	17,165	54,983
London	-36,100	-33,674	-15,222	1,696	15,319	-67,981
North of England *	-84,293	-16,443	-12,644	-19,150	100,264	-32,266
Shipowners	-10,273	-8,197	1,761	2,802	3,247	-10,660
Skuld *	-35,218	8,036	1,972	9,226	22,070	6,086
Standard *	-109,700	-49,500	-24,500	17,500	17,700	-148,500
Steamship *	3,741	-31,842	-38,710	41,935	76,172	51,296
Swedish *	-8,079	-5,810	-11,056	5,508	184	-19,523
United Kingdom *	-50,779	-37,057	49,156	-22,126	17,820	-42,986
West of England	-13,153	-26,026	-28,234	23,217	30,149	-14,047
Aggregate	-496,846	-328,427	-82,867	149,707	408,462	-349,971

Clubs with * under called in one or more of the years in question. Results incorporate the effect of pension fund adjustments necessary in a number of Clubs, applied retroactively where appropriate.

Just one of the 13 Clubs achieved an underwriting surplus on a financial year basis in 2019-20: Steamship Mutual as opposed to 2 in the preceding year. Just three Clubs have achieved an aggregate positive result over the past five years (Steamship, Japan and Skuld). On an ETC basis Gard would have returned an underwriting profit. For every 2019-20 there is a 2015-16 – a look at those two years shows a USD900 million swing on underwriting result, and, on an ETC basis the swing approaches USD1 billion.

As much as the 2015-16 result justified a period of nil increase, then the 2019-20 points to a sustained period of increases to regain balance.

The American Club remains the only one of the thirteen Clubs to have consistently sustained underwriting losses in each the last five years, but several of the other Clubs are dependent on the excellent 2015-16 result to pad their result, including Skuld and West.

North presents an unusual example of the extremes of performance, having seen underwriting results between +USD100 million in 2015-16 to USD84 million in 2019-2020, with no particular influence from call deviations.

Gard also present an anomaly, having sustained a USD86 million underwriting loss in 2019-20, in contrast to a USD112.7 million surplus four years earlier. The current year result is impacted by the decision, albeit one that will be reviewed in November, to waive the final instalment of the 2019-20 ETC at a “cost” of USD72 million.

Standard Club results continue to be heavily influenced by the result attributable to syndicate 1884 which withdrew from Lloyd's from 2019 and was placed in runoff. The Club took a big hit against its 2018-19 results due to the syndicate, and again suffered a loss in 2019-20 before it finally managed to sell the syndicate, and its run off.

In all, across its period of membership of Lloyd's, we estimate the Club sustained approximately USD100 million of underwriting technical loss. That still leaves a five year average loss on other business of maybe USD9 million a year, but it reinforces emphatically the risks associated with diversification.

We examine the underwriting results of each Club in greater detail on the Club pages later in this document.

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Components of underwriting result:

P&I Policy year U/W deficit 2019-20	(670,736)
Change in P&I policy year U/W result, 2018-19	18,831
Change in P&I policy year U/W result, 2017-18	27,094
Boudicca U/W FY 2019-20	(49,900)
Diversified Operations:	
Lloyds	(51,300)
Other	26,600
FD&D	27,300

With increased diversification (see table later in this section) any analysis of the components of the financial year underwriting result becomes increasingly complex.

The data in the table to the right summarises the components of the result, but does not seek to fully reconcile those results to the overall financial year underwriting loss of USD496.8 million.

The biggest intangible is the result attributable to closed year policy years development which remain influential with regard to the ultimate financial year result. Inferentially this was a substantial positive contribution for 2019-20 of perhaps USD175 million.

Policy year underwriting

The above analysis shows the results in other classes which do not flow through the P&I policy year statements, to the extent that they are disclosed – be that on a policy year or financial year basis. In some cases disclosures are inconsistent. It includes an estimate of results for the FD&D and other long standing minor classes, which continue to be broadly profitable.

The 2017-18 P&I policy year underwriting result improved by USD27.1 million: Claims incurred improved by less than USD5 million, whilst net premium improved by some USD24 million, in part due to a USD10.6 million excess call by the American Club beyond the 24 month valuation date. Administrative and acquisition costs rose slightly. An underwriting deficit of USD270.5 million ensued at three year closure, and an overall surplus of USD33.6 million resulted, after an allocation of USD304.1 million investment income. The improvement in the claims experience between 24 and 36 months was minimal, as opposed to a typical 2% (USD45 million) improvement as might have been expected based on the last 20 years experience.

P&I policy year 2018-19 has improved at underwriting level by just USD18.8 million: Claims incurred deteriorated by USD50.1 million and USD74 million of additional net premiums arose, with the unearned premium at the American Club and the deferred call at the Japan Club amounting to USD63 million being brought into account generating the lions' share of the increase. The balance is down to minor fluctuations in acquisition and administrations costs. This 2% deterioration in incurred claims for this policy year represents the first time a deterioration has been seen since 2006-07. An underwriting deficit of USD627.3 million remains on the year after 24 months, and an overall deficit of USD455.9 million existed after 24 months, after an allocation of USD171.4 million investment income.

The claims deterioration of the 2018-19 policy year, and the relative lack of improvement seen in 2017-18 is a new phenomenon not seen since the period between 2005-6 and 2006-07 when claims experience regularly deteriorated year on year until closure.

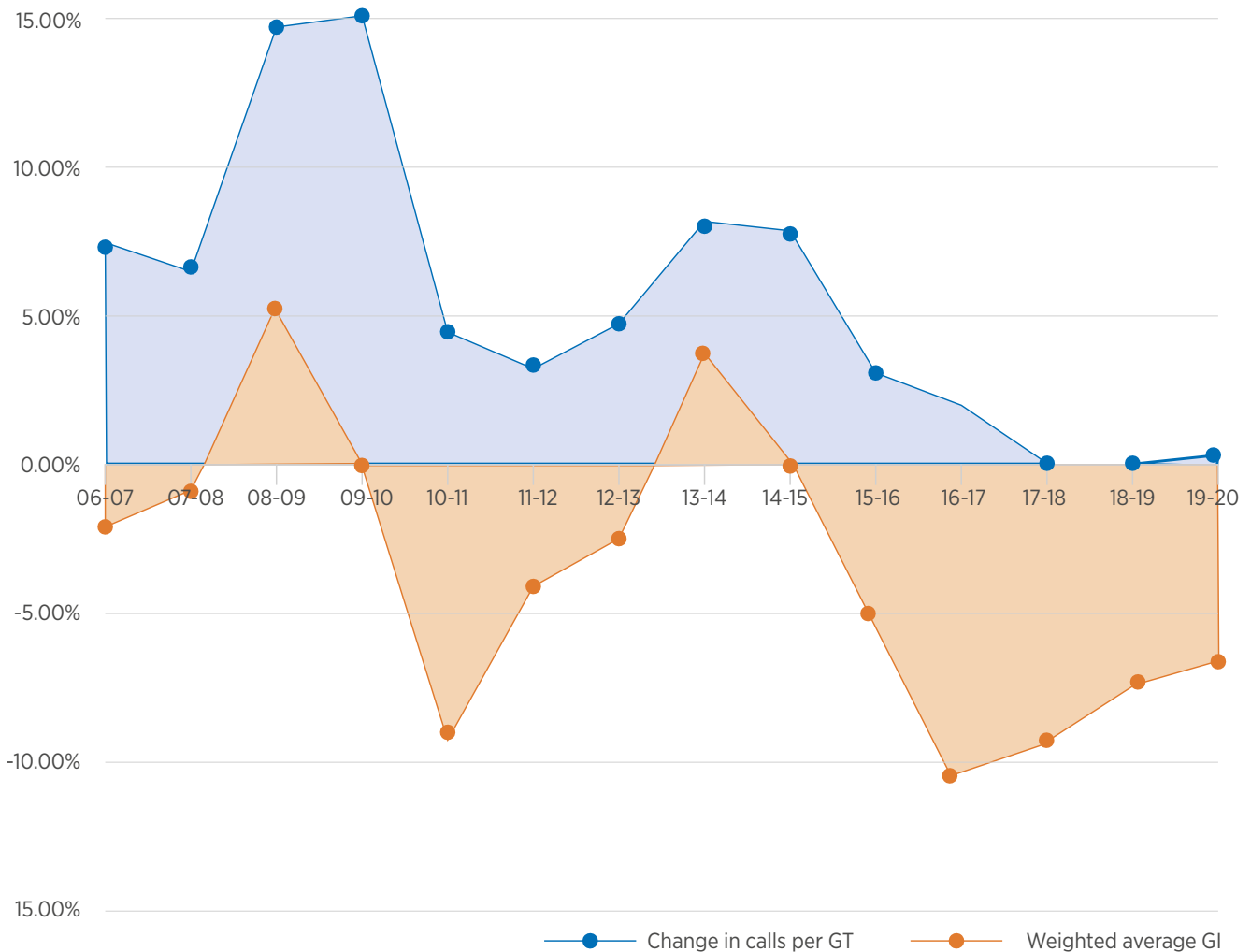
In current terms, premium income booked so far for 2019-20 stands at USD2.81 billion but not all calls have been accounted for:

Premiums for the current year look likely to end up around 2.66% lower than the premium for the prior year on an ETC basis, once under and over calls have been adjusted in the computation. On an actual basis this figure is broadly unchanged at 2.74%. We have included an estimate for a reduced amount of late premium development from the Clubs, particularly Skuld into this year's projection but the ultimate level of policy year premium will be further impacted should the Clubs decide to rebate 2019-20 premium to owners as either reduced deferred calls or return calls as part of the November premium requirement decisions.

This decrease does not reflect the impact of increased tonnage entered. In the case of owners entries this was some 1.92% (3.91% in 2018-19) or 3.52 % if one includes growth in chartered entries. So we estimate that ultimately ETC per ton will be approximately 6.8% down on the previous policy year, as opposed to the across the board 0.35% average general increase sought at renewal of that year. These figures compare to a 7.91% decrease in ETC per GT in 2018-19 contrasted to a ero general increase across the board for that year.

Call Income in USD millions	2019-20	2018-19
Policy year statement after 12/24 months	2,813.2	2,892.5
Undercalls already levied therein	(72.4)	(41.7)
Deferred calls to be booked in future	42.2	47.2
Unearned premium adjustment	16.0	13.2
Under-calls not yet booked	0.0	0.0
Excess calls not yet booked	0.0	0.0
Estimated natural in year development	25.0	30.0
Projected call income for year:	2,896.4	2,992.9
Actual @ 24m		2,975.4

Theoretical premium rate achieved v General Increase (ignoring excess calls)



The orange area shows the change in actual policy year premium income per GT, as adjusted to negate the impact of over and under calling, which would have not been factored in to the original rating exercise. The dark blue area shows the weighted average general increase declared for the year.

The difference between the general increase target and the theoretical increase attained is largely unchanged in 2019-20, having fallen from 7.91% to 7.16%. This compares to a recent difference of 12.61% as recently as 2016-17, which was the last year prior to the onset of the

zero general increase cycle. The shortfall in rate achieved vs target rate can be attributable to a number of factors:

- Lack of resolve on the individual Clubs' part at renewal resulting in anticipated premium rates not being achieved;
- The "churn" effect whereby older more heavily rated tonnage goes off risk via scrapping, lay up etc and may, or may not, be replaced by newer vessels with lower per GT premiums;
- Newbuildings being subject to heavy competition, for resulting in below average rates being offered to secure the business;

- Premiums being traded away for higher deductibles or amendments to cover.

There will also be various, less substantial, reasons why the rating shortfall exist, including changes in mix variance of fleet profiles or between owned and chartered tonnage. The influence of these factors will vary Club to Club and reflect how they wish to position themselves in the market.

This graphic cannot explain away every shift in the market, but some interesting points emerge.

Policy year underwriting – continued

Firstly, the question of lack of resolve by the Clubs in obtaining the general increase. In times where general increases are zero to low, as they have been for the last four years, in particular – only West of England adopted a general increase for 2019-20, it becomes ever more difficult for underwriters to reduce premiums below the internal target rate.

When general increases were averaging around 15% a decade ago, it was easy to see why the “implicit churn” rate shown in this graphic rose in the next couple of years. Whilst a lot of it was down to genuine churn following the turmoil in the market following the 2008 financial crisis, there was also a lot of scope for the Clubs to deviate from their own general increases in order to gain new business or retain existing accounts.

This factor has been very influential in reducing the implied churn in the past three years, which has seen the churn rate almost halve over a period when general increases were at best 2.5% and mostly nil.

Secondly, there a limit to the amount that deductibles can be traded away before the essential nature of the Club as a primary insurer becomes impacted. We can see this at pool level, where the substantially increased retentions by each Club and by the pool itself over the last decade has changed the claims patterns and focussed attention on large losses as the primary driver. The impact of attritional claims (essentially dollar swapping) has reduced as higher deductibles eat away at claim frequency. The point may well have been reached where it makes no economic sense to keep increasing the deductibles.

Newbuildings remain as competitively priced as ever, and the impact of “new for old” and movements of fleets between Clubs will always be there and manifest itself as the pure churn. Notwithstanding the other factors above, we would estimate that this pure churn rate has fallen in the last three years, reflecting the slight positive shifts in some of the sectors of the shipping industry. Traditional thoughts are that claims will rise in a slightly recovering freight market, and this we have seen to a limited, yet mixed, effect in 2019-20 (see later).

In 2020-21, this analysis will prove to be very difficult as the premiums received will be impacted by COVID-19 inspired reduced trading premium returns and/or layup returns, particularly in the cruise and passenger sector. Whilst in terms of technical underwriting the effect of these return premiums will be offset by reduced claims activity, the impact on rates per ton will be to reduce the average rate per GT “artificially” as the underlying risks change dramatically. But this is a problem to tackle in next year’s review.



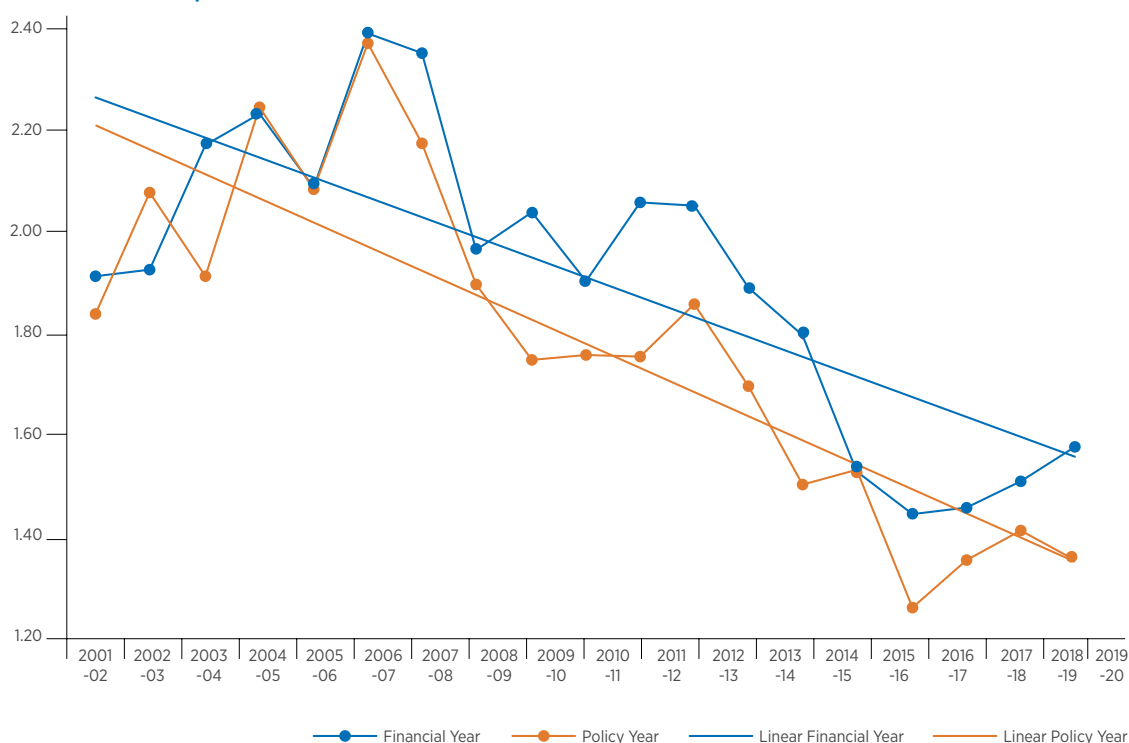
Claims

2019-20 saw a strange phenomenon emerge – financial year claims per GT rose whilst policy year claims per GT fell back to 2017-18 levels. In absolute terms, claims incurred in both of the most recent policy years have been steady at around USD2.45 billion and the decline is due to increasing tonnage being entered. By contrast, financial year claims rose by more than USD200 million.

Claims per GT on a financial year basis have risen from USD1.51 to USD1.58, whilst on a policy year basis have fallen from USD1.42 to USD1.36. We noted above that very little claims development, favourable or otherwise, has occurred on the two older open policy years during 2019-20: thus the 2018-19 claims incurred per ton has not fallen by a projected

2.5%, and in fact has risen by 1.7%. Had “normal” claims development been seen, then the 2019-20 policy year would have seen claims per GT at the same level as the prior year.

Claims incurred in US USD per GTE – all Clubs



The chart above shows the trend in claims per total GT

In essence the difference between the two trend lines are due to:

- Timing difference in the recognition of claims development;
- The inclusion of P&I claims development occurring after the 36 month cut off in the financial year trend, but not in the policy year trend;
- Diversification – non P&I business is not included in the policy year figures.

Also one must bear in mind that in an ever more diverse market, the use of “per GT” is an increasingly poor measure of risk, but it is all we have and is relevant to around 80% of the assumed risk in the market.

We are nonetheless left with an anomalous scenario. The two most recent policy years have seen little in the way of claims development, and our analysis of the financial year result above suggests that significant favourable closed year claims development has arisen. So why have 2019-20 financial year claims deteriorated by USD200 million, whilst the current policy year is experiencing similar levels of claims to 2018-19, and older open years are largely unchanged?

In part diversification will be responsible for this, yet, with the exception of the results from Lloyd’s, the technical results from diversified operations have improved over 2018-19. However volumes of business on non P&I classes have also risen, and so claims incurred on M&E business could still be rising but with the increase in premium rating and business volumes, its not inconceivable that an underwriting surplus could result despite actual claims numbers rising.

It would be easy to leave the issue for now and see how 2020-21 pans out to see whether this is just a statistical blip, but of course the impact of COVID-19 is likely to make any historic statistical data difficult to marry up with current experience.

At individual Club levels there will always be the occasional “rogue” Club where the claims experience bucks the market trend – usually as a result of an unexpected run of high value claims. In 2019-20, the majority of Clubs saw policy year claims costs per GT continue to fall or remain static. Four saw claims rise, most significantly so at the Japan and Swedish Clubs where claims per GT rose around 10%. Experience at the Standard Club also rose, which is hardly surprising given that they incurred five pool level claims in the year, and they suffered an S&P outlook downgrade in part due to this.

Significant improvement, for the second year in a row, was seen at West of England, although its debateable whether this will be sustained into 2020-21 as they appear to be the unlucky Club who gets the large losses so far in 2020-21.

Whilst the trend over the last few years is of decreased claim frequency and increased claims severity, if one looks at a stratification of claims some interesting insights emerge. For reasons of consistency and comparability we will look more closely at the experience of three particular Clubs and add excerpts from others as appropriate. This is not to invalidate observations made by other Clubs, but the three example Clubs continue to give an interesting perspective on the market trends:

Attritional claims are slightly differently defined by different Clubs but they tend to be those between 0 and USD250,000 or USD500,000. As a rule the frequency of these claims have been, and continue to be, falling, as deductibles increase and combined deductibles feature more prominently. Furthermore, as older ships are taken out of service and risk management procedures improve the overall claims picture is shifting away from the high frequency, low severity model.

Our three example Clubs point to the consistent recurring experience being seen across almost all Clubs, that of stable levels of attritional claims values with falling frequency offsetting somewhat increased severity. In addition to the observations by our chosen three, Britannia also reports that attritional claims are now at levels consistent with 2016-17 with 4,175 attritional claims notified. This contrasts with 7,351 for the 2011-12 policy year.

The UK Club note that the total cost of attritional claims, being those claims under USD0.5 million, is dependent upon the overall frequency of claims and inflationary pressures on the cost of each claim. The number of claims reported to the Club has fallen steadily over recent years so offsetting the impact of underlying inflation. The trend continued in the 2019 policy year. The number of claims notified in 2019 was 20% lower than in the previous year and 50% lower than ten years ago. The annual cost of such claims remains broadly stable.

Steamship comment that attritional owned claims (less than USD250,000) again demonstrated the level of consistency experienced over prior years. Their number and aggregate value declined in comparison with the last two prior years.

The London Club comment that in the lowest severity band (claims with a value of less than USD100,000), the aggregate cost of these claims increased by USD3.7 million over the 2018/19 comparator. The rise is attributable to increased costs of both personnel and cargo claims. There is a modest rise in the aggregate value of claims in the band from USD100,000 to USD500,000 but a more significant increase in the claims which fall in the band from USD500,000 to USD1 million. In the latter band, the net incurred position is USD4.9 million higher than last year. A broader range of claim types drives this increase. Although there are some unusual personnel claims, there is also a mix of cargo claims across a range of ship types but a higher number of medium-sized collision claims than in the prior year.

Higher value claims / large losses however continue to demonstrate a mixed trend insofar as which Club suffers most from them. The consensus remains that severity is increasing and, in recognition of the more random nature of these claims, frequency shows unpredictable trends.

We have noted in our past report, West of England's unfortunate experience with large loss in excess of USD5 million over the two years 2017-18 and 2018-19 where they incurred seven and five such claims in the respective policy years. Things returned to a more normal, and manageable, two such claims in 2019-10, reinforcing the suggestion that losses of such magnitude are random. However the indications for the 2020-21 policy year are not great with potentially four large – potentially pool – level claims having been incurred by the mid point of the year.

Our guinea pig Clubs report that:

The UK Club comment that The cost of the Club's own large claims were favourable in 2019-2020. Further they observe that large claims are relatively rare but can have a significant influence on the total cost of the policy year. For example, a mere seven claims account for the USD40 million difference between the UK Club's large claims experience over the last two policy years.

At Steamship, the number of large claims reduced slightly. Passenger claims increased, almost entirely due to the Pool claim experienced in this category. The other Pool claim incurred was in respect of FFO damage but the aggregate total of FFO claims fell significantly from the prior year. For the 2019 year the Club incurred 54 claims in excess of USD250,000 and, whilst this was 13 claims fewer than in 2018, the total estimated exposure, net of individual claim deductibles, closely mirrored the figures reported for the previous year, approximately USD106 million. In 2018 there was also a significant rise in the number [15] and severity of large claims in respect of chartered entries totalling USD42.5 million. For 2019 the picture better reflects the experience of earlier years, with only four large claims totalling USD3 million

The London Club observe that in the high severity band (claims in excess of USD1 million) there is at least the potential for post-expiry developments to offset significantly the year-on-year increase of just under USD5 million. The most expensive claim involves a collision in a jurisdiction which does not have a great deal of experience in such matters. There is a scenario in which the apportionment of blame could move considerably in favour of the entered ship.

Turning to pooling claims, this is fast becoming the key driver of claim levels (and hence premium requirements), more so than even large losses within individual Club retention, which generally are abated by reinsurance. Many Clubs point to pool losses as the primary reason for their poor underwriting results, whilst noting their improved experience as regards their own membership. This might be a little disingenuous, as, after all, someone has to have ownership of those pool losses via one of their own members.

2018-19 is, as at February 2020, the worst year in the past decade with USD456 million in losses, exceeding 2011-12 (the year of the Costa Concordia and the MV Rena pool limit losses) and the two subsequent years with pool costs in the region of USD400 million annually. After four fairly benign years, pool losses returned with a vengeance. 2019-20 pool losses were valued at USD259.2 million after 12 months. Both policy years had 18 reported claims at the

12 month point, but these figures have since worsened to 28 and 24 respectively. Both years also have featured claims that have penetrated the first layer of the IG reinsurance programme / Hydra AAD – the Maersk Honan in 2018-19 and the MV Golden Ray in 2019-20

In 2018-19, 4 Clubs each had four pool claims: Gard Britannia, North of England and West. In 2019-20, Standard went one better with five, although it is understood that these are all relatively modest. Across the last two years, Standard have had 8 pool claims and Gard and Britannia 7 each.

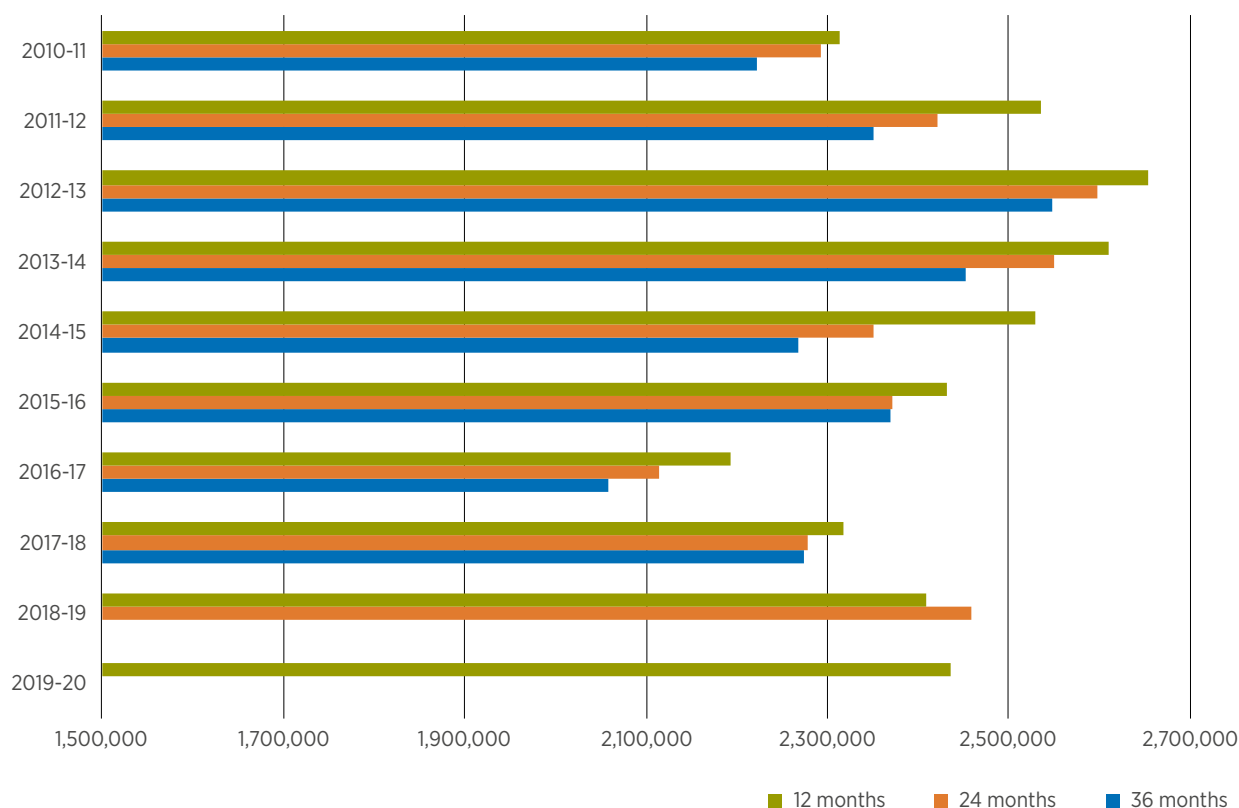
In our conclusions to this section of the review we will focus on what has happened to the level of pooling losses by August 2020, and indeed the experience during the fledgling 2020-21 pool year. Suffice it to say here that open years are deteriorating and 20-21 is experiencing claims at levels not seen for over 20 years.

An examination of claims development during the first 36 months of the policy year, until formal closure shows how certain policy years have performed significantly better than others. It must be borne in mind that the development shown in the graphic below is only up to 36 months, and further development (be it favourable or negative) that takes place after the year is formally closed cannot entirely be determined from public data, although the Solvency II reporting requirements and inclusion of 10 year claims triangles in some Club's financial statements has given further clarity.

At the moment 50% of the market publish 10 year claims development triangles, on a gross or not basis, and in one case by class. For the moment we cannot use this data to evaluate the market since half of said market do not provide it, but we are keeping this under continual review for the future.



Total incurred P&I claims at development points



What stands out most clearly in the above table, and this being a point we have raised earlier in this section, is the curious nature of claims development on open policy years during 2019-20. On average over the past 20 years, claims incurred have improved by 2.2% during the period from 12 months after inception to 24 months, and a further 2.2% between 24 months and 36 months.

In those 20 years, there was a 3-year period between 2004-05 and 2006-07 where claims incurred deteriorated between 12 and 24 months, but then clawed back some of that deterioration between 24 and 36 months.

In 2019-20, the 2018-19 policy year deteriorated by 2.08% between 12 month and 24 month valuation dates, and the 2017-18 policy year only improved by a meagre 0.19% between 24 and 36 months. It is conceivable that much of this is in fact linked to adverse development in the pool, since this is more volatile than that seen in respect of members' own claims, but nonetheless it is a trend worth watching. The inference is that Clubs may be more accurate in their initial reserving, but also that there may be less fat in the open policy years available to release into subsequent financial years to boost combined ratios and bottom line.

Diversification

In the above discussion we have primarily focussed on policy year P&I premium income, however, with increased diversification, most Clubs now have revenue streams arising from outside their core owners P&I activity, albeit some more than others. Whilst it is not possible to split owned and chartered P&I premium in all cases, we can reasonably estimate the impact of diversification on financial year premium income:

Financial Year Premium Income	P&I	FD&D / War etc	M&E	Lloyd's	Other	Total
American (net)	92,224	2,866	13,584	-	-	108,674
Britannia	193,792	7,393	-	-	-	201,185
Gard	442,052		313,232	-	-	755,283
Japan	180,139	2,924	-	-	-	183,063
London	103,401	12,774	-	-	-	116,175
North of England	268,438	21,218	-	-	68,461	346,567
Shipowners	224,902		-	-	-	224,902
Skuld *	268,745	65,265		56,700	-	390,760
Standard	254,400	13,900	-	65,100	20,100	353,500
Steamship *	281,454	27,271	-	-	-	308,725
Swedish	93,285	6,801	57,275	-	-	157,361
United Kingdom	305,037	-	-	-	-	305,037
West of England	209,561	12,102	-	-	-	221,663
Approx Split	77.85%	5.0%	11.5%	3.25%	2.40%	3,701,306

*In certain cases premium income splits are interpolated from policy year information etc. Amounts shown across two columns are not split by the respective Club.

Around 40% of Skuld's policy year P&I premium income (excluding Lloyd's) is in respect of fixed premium business, mostly their charterer's book and a growing amount of diversified business written under Skuld corporate security; 13.4% of the Japan Club premium is fixed, split approximately 70% coastal craft and 30% charterers business etc. These figures are surprisingly consistent year on year between 2017-18 and 2019-20.

The proportion of premium attributable to diversified operations continues to slowly rise despite the cessation of involvement in Lloyd's and the rationalisation of the SMMI portfolio but this is primarily attributable to a parallel fall in P&I income by 3.5%. M&E premium income has risen during the year both as a proportion of the book and in absolute terms – despite overcapacity in the sector. Results for M&E for the established players have returned to acceptable levels of underwriting profit in 2019-20, and it is interesting to note that North of England are returning to the sector after a number of years away.

The experiment with Lloyd's syndicates is now officially over. Standard placed their syndicate into run off in late 2018 and finally sold the "Lloyd's division" to a run off specialist during 2019-20. The experiment would appear to have resulting in some USD100 million of underwriting losses, and they can perhaps reflect upon a lost opportunity to have given their members a 10% return premium for five years at the same cost. Skuld too has sold its "Lloyd's division" to a run off company, citing excessive operating costs on the Lloyd's platform. The underwriting result of their involvement is not clear, but a loss seems probable. Nonetheless they continue to stick with the wider diversification plan using their own corporate security.

The three Scandinavian Clubs, North of England, Standard and the American Club remain the primary Clubs pursuing a diversification policy on the inside, notwithstanding the cessation of the Lloyd's involvement. The Standard Club have created a new delay/disruption class following its acquisition of the Strike Club. Britannia and UK were both diversifying into fixed premium P&I areas via unrelated companies within the control of their managers, but whilst the Thomas Miller venture continues to grow apace with several acquisitions, the Tindall Riley facility has been "sold" to Michael Else & Co.

To date there appears to have been little tangible financial benefit arising from diversification beyond the "traditional" FD&D and War Risk classes, outside of Scandinavia where the involvement in M&E has been more long standing. It is to be accepted that all business development into broader marine risks is a long term project, but results so far suggest it has not been particularly financially successful on a free standing basis: the problem with trying to enter a market already flush with capacity and declining premium rates. The benefit of solvency II diversity credits is also somewhat over-rated as the Clubs all carry sufficiently high free reserves such that they do not "need" those credits.

Nonetheless, more and more, the Clubs seem to be adopting diversification strategies. With West and London expanding their fixed premium offerings and North re-entering the H&M class.

Overall result

Investment income for the year could best be described as stellar, being at its highest levels since the recovery following the 2008 market crash. That much of it reversed only weeks after the year end of most Clubs is perhaps unfortunate, but subsequent to April 2020 there has been a recovery and the majority of the losses of the early COVID-19 weeks have been recovered.

Yields at the Clubs with 31 December year ends were enhanced by the fact that they had seen little of the start of the recovery in the back end of 2018-19. On the other hand, the Japan Club, with its 31 March year end, saw the start of the COVID-19 losses in its 2019-20 figures, and their yield was well down for the year. Fortunately for the Club its inability to invest in equities limited its exposure and allow the yield to at least be positive. Its all a matter of timing.

Overall result in '000s of US Dollars

	2019-20	2018-19	2017-18	2016-17	2015-16	Cumulative
American	8,967	-12,389	6,196	-4,992	-2,190	-4,408
Britannia * inc Boudicca	31,827	-23,996	70,515	88,346	-32,871	133,821
Gard *	20,347	-90,177	114,168	124,748	41,061	210,147
Japan *	-1,941	11,352	18,101	21,293	14,760	63,565
London	5,048	-25,799	6,630	27,305	3,293	16,477
North of England *	-19,105	12,595	19,687	2,512	90,292	105,981
Shipowners	36,149	-37,901	47,685	14,663	-20,895	39,701
Skuld *	13,122	10,697	47,951	45,845	13,035	130,650
Standard *	-41,000	-45,300	31,000	40,400	9,800	-5,100
Steamship *	64,617	-27,002	5,678	69,969	64,134	177,396
Swedish	18,517	-8,294	17,715	11,041	-1,061	37,918
United Kingdom *	54,401	-32,395	71,893	10,533	-1,225	103,207
West of England	31,774	-2,160	2,021	29,851	32,969	94,455
Aggregate	222,723	-270,769	459,240	481,514	211,102	1,103,810

Clubs with* under called in one or more of the years in question. Results incorporate the effect of pension fund adjustments necessary in a number of Clubs, applied retroactively where appropriate.

Buoyed by the exceptional investment yields, the Clubs, in most cases, overcame a deteriorating underwriting performance and, in all but two cases, generated overall profits, allowing free reserve growth. Those Clubs which saw overall losses had exceptional reasons as to why that was so. Standard Club was burdened by continuing losses related to its Lloyd's syndicate, now thankfully staunch. North of England suffered a further deterioration on the investment values of their old, now closed, defined benefit pension scheme.

Free reserves

2018-19 saw the first reversal in the inexorable rise in Club collective free reserves, but this trend was swiftly reversed in 2019-20 where a further USD182 million was tucked away, after having returned USD41 million in capital and a net USD48 million in unplanned call adjustments. Underwriting results deteriorated still further, but such loss was comfortably covered by a substantial contribution from investment income generating USD¾ billion.

The resulting 3.4% increase in free reserves in 2019-20, whilst modest compared to that seen in previous years, was achieved notwithstanding a USD½ billion in underwriting losses and further evidences the

critical dependency on investment income to sustainability. The investment crash during March / April 2020 starkly demonstrated what could go wrong when negative investment income collided with underpriced underwriting. Fortunately this COVID-19 inspired investment crash has proved transitory so far, but the COVID-19 story has possibly not yet run its full course.

The solvency headroom of 70% (see later) confirms that the market is still overcapitalised, despite suffering from this inadequate premium rating, which leaves it in a somewhat anomalous position. At the same time this embarrassment of riches restricts the Clubs'

abilities to remedy premium inadequacies: specifically in the context of a 5-year period when capitalisation has risen by almost USD1 billion, despite many Clubs returning surplus funds. The three Clubs who have returned the most money to members across this 5-year period – Britannia, Gard and Steamship have each still managed to grow their free reserves despite this generosity.

The following table demonstrates the sources of balance sheet growth in all Clubs over the last five years.

5 year Development of Reserves 2015 to 2020 (Financial Year Basis)

Club In USD '000s	Underwriting Result	Investment Income	Other Income	Surplus/ Shortfall	Outside Funding	Reserve Change
American	(56,608)	27,713	(213)	(29,108)	44,200	15,092
Britannia	37,769	121,688	(14,836)	144,621	(95,800)	48,821
Gard	236,823	367,272	(78,485)	525,610	(315,463)	210,147
Japan	84,104	38,365	(29,783)	92,686	(29,121)	63,565
London	(67,981)	86,482	(2,024)	16,477		16,477
North of England	(18,704)	140,315	(1,910)	119,701	(14,000)	105,701
Shipowners	(10,660)	79,155	(28,794)	39,701		39,701
Skuld	25,286	121,330	3,234	149,850	(19,200)	130,650
Standard	(126,900)	179,200	(35,800)	16,500	(3,100)	13,400
Steamship	102,664	143,841	(17,741)	228,764	(89,609)	139,155
Swedish	(11,407)	59,506	(2,335)	45,764	(7,846)	37,918
United Kingdom *	(26,074)	193,125	(46,932)	120,119	(108,711)	11,408
West of England	(14,047)	127,698	(19,196)	94,455		94,455
Total	154,265	1,685,690	(274,815)	1,565,140	(638,650)	926,490

* UK outside funding change includes amortisation of subordinated loan of USD100 million.

"Outside funding" in the table above is defined as both excess/return call income and other Free Reserve development caused by changes to loan capital in the case of the American and UK Clubs. It also includes the impact structural/ acquisition changes (acquisition of Strikes Club by Standard Club). The underwriting result column is also adjusted to reflect the effect of returns of premium as well as excess calls for premium, thus is an ETC equivalent result.

Solvency II

The introduction of Solvency II disclosures in 2017 allows a further ability to contextualise the growth of Club Free Reserves. Interestingly the Solvency Capital requirement for those Clubs reporting under these rules, having risen by some 4% between 2016-17 and 2017-18, actually fell by 14% in the year ended 2018-19, before rising back by a further 4% in the current year, as detailed in the table below. The largest component of the changes in the SCR year on year is the investment market risk.

This is the fourth (or, for two Clubs, the fifth) year of data regarding regulatory solvency, and so we are now able to start to make more meaningful conclusions concerning the International Group risk profile from that data. Whilst these reports are produced for a variety of different regulators, they are all broadly consistent in principal, and provide an interesting insight into the amount of capital that the Clubs need to retain to run their businesses in compliance with the regulations.

Extraordinarily, and hopefully coincidentally, the basic solvency “headroom” (excess solvency BOF assets over regulatory requirements) has been a consistent 169% for the last three years.

The Japan and American Clubs are outside the scope of the Solvency II regime, and the North of England reporting is only available at a “UK Group” level.

Solvency Assets	2020	2019	2018	2017	2016
BOF	4,401.3	4,237.0	4,896.6	4,409.1	1,352.8
AOF	1,161.3	1,122.4	1,157.9	1,034.9	478.0
Total	5,562.6	5,359.4	6,054.5	5,444.0	1,830.8
Risk					
Market	1,061.2	957.4	1,243.1	1,062.7	0.0
Counterparty	380.4	353.7	359.1	310.6	0.0
Underwriting	1,838.9	1,816.7	1,919.6	2,088.4	0.0
Operational	223.5	219.6	213.4	182.8	0.0
Other	0.2	22.5	22.5	35.3	0.0
	3,504.2	3,369.9	3,757.7	3,679.8	0.0
Diversity	773.2	742.7	835.8	775.8	0.0
Tax	137.9	131.6	32.3	123.7	0.0
SCR	2,593.1	2,495.6	2,889.6	2,780.3	0.0
Ratios					
BOF : SCR	169.73%	169.78%	169.46%	158.58%	-
Total : SCR	214.52%	214.75%	209.53%	195.81%	-

Basic Own Funds (“BOF”) are, in essence, the Club’s free reserves, revalued and adjusted using statutory accounting rules and excluding certain asset categories. Ancillary Own Funds (“AOF”) are additional assets available for Solvency II at a second tier level, and include restricted assets (for example, Hydra) and an allowance for the Clubs’ ability to raise excess calls.

The Solvency Capital Requirement “SCR” is the amount that the Clubs are required to maintain effectively as capital under the regulations. It is determined by a somewhat more sophisticated modelling process that had been in force prior to the introduction of solvency II.

There are one or two unusual facets in this evaluation, not least of which is the fact that whilst all Clubs subject to this solvency regime boast of the fact that they do not intend to levy excess calls, and point to the many years that have passed since they last had to do so, they do by and large include in the solvency returns a not insignificant amount of AOF reflecting the agreed value of the ability to levy a call.

The amount of capital required in connection with “underwriting risk” had fallen by 13% during the two years since the introduction of the new regime, although this has stabilised and slightly risen in the 2019-20 year. Regardless of this 1.2% increase, this trend still seems counter intuitive, since in the same period premiums have been falling and underwriting deficits are standing at unacceptable levels

At the same time entered owned GT has risen, risk retentions via Hydra and pooling has increased, pool claims have been rising and the general claims environment becoming ever more extreme.

All those elements which one would instinctively associate with underwriting risk have been increasing, yet the underwriting risk “cost” to solvency capital has fallen since 2017. This suggests that a linear relationship with premium levels persists, as opposed to the more sophisticated modelling that we are led to believe exists. It seems that a counter cyclical relationship exists between reality and this aspect of the solvency II regime, which rather undermines the integrity of the model.

Looking for a moment at market risk – essentially the risk of losses on the investment portfolios – this does reflect a general global view. In 2019 the market risk fell significantly from its high level in 2018, no doubt reflecting the poor investment performance in 2019 and the depressed market values in the balance sheet. In 2020 the market risk rose as the investment market recovered strongly and the risk of overheated market values rose. The decline in investment values during the early part of 2020-21, albeit inspired by COVID-19 concerns, reflects the rational aspect of this element of solvency II.

Finally, diversity credits have risen slightly, notwithstanding the exit from the Lloyd’s market of both the Standard and Skuld Clubs and the reduced premium income in Sunderland Marine. Whilst Skuld have exited Lloyd’s its diversified premium income continues to flow via its corporate paper which will enhance / maintain that Club’s diversity credit.

Other elements of the SCR calculation are broadly unchanged year on year, and the outcome is that the requirement is comfortably exceeded by basic adjusted reserves. The excess over requirement of 70% is probably more than adequate, even allowing for safety margins set by prudent boards, without the added bonus of the AOF. This suggests that, whilst the prospect of a supplementary call has been allowed for, it remains a remote possibility. The above assertion is however based on a market wide view, and individual Clubs may experience contrary trends.

More detail relating to the solvency position of the individual Clubs is to be found in subsequent sections of this report.

Conclusions

In a normal year, we would conclude by saying that Clubs cannot continue to rely on a volatile investment income stream to prop up what is fast becoming a chronically underpriced insurance product. Certainly mutuality, as a concept, should allow underwriting to be subsidised by investment income and, for example, combined ratios of 102.5% to 105% would be acceptable as even modest investment yields can cover such a shortfall. But with combined ratios in the 130% range in some cases, this rationale breaks down.

A 1% shift in annual investment returns, earned on an almost USD12 billion collective investment fund is worth perhaps a 4% shift in premium income, net of reinsurance cost. This is great when investment returns are rising, but, with record investment yields having been seen in 2019-20, the only way is down. And every 5% lost on investment yields points to a need for 20% more premium. The maths is compelling: the need for a sustained period of price correction is equally compelling.

But we started by saying “in any normal year” and, sad to say this is a far from normal year and, for a few months at the start of the 2020-21 policy year, we saw the devastating impact of a collapsing investment market across most, if not all, asset classes.

So before we expound on what we believe will be the consequences of the 2019-20 result, we have to set this in the context of the events of the subsequent 6 month period.

Firstly, COVID-19 This may now be familiar territory to many readers, but for the first few weeks of the European lockdowns the uncertainty was intense. Now things have settled down a bit, perhaps temporarily before a second wave impact, we need to see how the pandemic has impacted the Club financial performance.

There are three aspects of financial impact to consider, the first and most obvious one is the investment income. At its worst point the market was showing substantial valuation losses, albeit largely unrealised, but the Clubs have, at least until September, weathered the storm and are showing modest net investment yields in the region of 2% to 2.5%.

The second impact to consider is the impact on premium income. Owners will have sought, and mostly obtained, reduced premiums either for lay up or substantially reduced trading levels. Nowhere is this more obvious than in

the cruise ship industry, which has focussed exposure on a small number of the Clubs only. So we expect a reduction in net retained premium across the group. But by way of compensation for this, the particular recurring claims exposures will also fall – a cruise ship not carrying passengers will not have the same potential for claims.

There will naturally be some COVID-19 specific claims in the cruise sector during the early days of COVID-19, for quarantine, repatriation and mental health issues relating to passengers and crew. Indeed, there is one such claim in the 2019-20 pool, and potentially two more in the 20-21 pool. But beyond that, increased claims relating to the pandemic have yet to emerge in force. There may be a delay in crew related claims from the industrial sector, particularly following crew changes, but as yet these have not manifested themselves to any great degree. Equally there may be some shipowner bankruptcies, causing MLC claims and bad debt exposures to the Clubs but so far these exposures are relatively quiet.

In summary, the combined ratios at 6 months have not been too badly impacted by COVID-19, settling at similar levels to 2019-20 around 110% and 115%. Also we would expect churn rate to fall. But the year is yet half done.

The second thing that needs examining before considering premium decisions is the vexed question of the pool. We mentioned above that the past two years experience had been bad as at 20 February 2020. In the words of Bachman Turner Overdrive “You ain’t seen nothing yet”. The first six months of 2020-21 have generated record levels of pool claims, approaching USD300 million with the North Atlantic winter still to come. This is on the back of just 11 claims, and does not include estimates for incidents such as the New Diamond or Gulf Livestock 1 which arose after 20 August. Furthermore the 2018-19 year has deteriorated by over USD100 million to USD406 million, principally because of the claim related to the MSC Gayane, which has the potential to penetrate the first layer of the IG reinsurance programme.

So, on top of the pressure created over the last 3 to 4 years by premium inadequacies, the Clubs are looking at an explosive start to the year’s pooling losses and curtailed investment earnings due to COVID-19 (although reality suggests these would have been curtailed anyway as the investment

market was overheating at the start of 2020). And of course, there is then the uncertainty surrounding the impact of second or third waves of pandemic restrictions. Who would want to be on a shipowners board making these decisions, but at least mutual insurers have a fall back option, however unacceptable this may be, of the excess supplementary call if things go wrong.

The question of the general increase for the forthcoming year is not so much whether, but how much and for how long. Will such increases be matched with sweeteners such as returns of capital, or contingent returns of premium? We would imagine these niceties may be reduced in value or eliminated unless the financial outlook continues to improve.

A wise head in the P&I insurance market has suggested that it is perhaps 20% underpriced in terms of premium today. This cannot be made up in one or even two years in the current environment where shipowners are probably struggling financially more than the Clubs themselves. A period of maybe four smaller annual increases is called for, starting this November. Perhaps 5% across the group and fine tuning things in subsequent years as the immediate future becomes more clear.

This of course assumes that general increases will continue. Already a number of Clubs have moved away from the concept, and others are contemplating doing the same. But however dressed up, rises are needed over a period of years – and abolishing the general increase simply makes this process less transparent.







02

Club Pages

Summary of Clubs Financial Position at 20 February 2020

I&E ACCOUNT - ALL CLASSES	American USD	Britannia USD	Gard USD	Japan USD	London USD	North of England USD
ETC Calls	112.4	201.2	827.7	183.0	116.2	346.6
Additional Calls	24.7	0.0	(72.4)	0.0	0.0	0.0
	137.1	201.2	755.3	183.0	116.2	346.6
Total Expenditure	(143.4)	(254.9)	(841.1)	(190.3)	(152.3)	(414.7)
Underwriting (Deficit) /Surplus	(6.3)	(53.7)	(85.8)	(7.3)	(36.1)	(68.1)
Investment Return	15.3	88.6	122.8	2.0	41.4	66.0
Exchange	0.0	(1.4)	(6.2)	(0.4)	0.1	(2.5)
Tax etc	0.0	(1.7)	(10.5)	3.7	(0.3)	(14.5)
	9.0	31.8	20.3	(2.0)	5.1	(19.1)
P&I CLASS ONLY						
2019/20 POLICY YEAR						
ETC Calls	77.2	193.7	513.9	137.1	100.1	250.7
Additional / Return Calls	16.0	0.0	(72.4)	42.2	0.0	0.0
	93.2	193.7	441.5	179.3	100.1	250.7
Total Expenditure	(95.8)	(264.0)	(560.1)	(225.5)	(135.2)	(329.1)
Underwriting (Deficit) /Surplus	(2.6)	(70.3)	(118.6)	(46.2)	(35.1)	(78.4)
Reserve Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Investment income allocation	2.4	30.8	0.0	13.7	20.3	9.1
	(0.2)	(39.5)	(118.6)	(32.5)	(14.8)	(69.3)
2018/19 POLICY YEAR						
ETC Calls	89.3	199.1	520.0	192.9	93.2	259.0
Additional Calls	0.0	0.0	(37.3)	0.0	0.0	0.0
	89.3	199.1	482.7	192.9	93.2	259.0
Total Expenditure	(100.1)	(254.1)	(627.3)	(214.2)	(126.5)	(331.6)
Underwriting (Deficit) /Surplus	(10.8)	(55.0)	(144.6)	(21.3)	(33.3)	(72.6)
Reserve Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Investment income allocation	3.5	32.1	0.0	5.1	12.1	26.2
	(7.3)	(22.9)	(144.6)	(16.2)	(21.2)	(46.4)
2017/2018 POLICY YEAR						
ETC Calls	90.5	196.1	543.4	217.4	92.0	277.5
Additional Calls	10.6	0.0	(79.0)	0.0	0.0	0.0
	101.1	196.1	464.4	217.4	92.0	277.5
Total Expenditure	(106.3)	(239.8)	(491.8)	(217.2)	(106.3)	(315.2)
Underwriting (Deficit) /Surplus	(5.2)	(43.7)	(27.4)	0.2	(14.3)	(37.7)
Reserve Transfer	0.0	0.0	0.0	0.0	0.0	0.0
Investment income allocation	4.7	29.5	0.0	14.8	23.4	11.1
	(0.5)	(14.2)	(27.4)	15.0	9.1	(26.6)

SOP USD	Skuld USD	Standard USD	Steamship USD	Swedish USD	UK USD	West of England USD	Total USD
224.9	390.8	353.5	308.7	157.4	305.0	221.7	3,749.1
0.0	0.0	0.0	0.0	0.0	0.0	0.0	(47.7)
224.9	390.8	353.5	308.7	157.4	305.0	221.7	3,701.4
(235.1)	(426.0)	(463.2)	(305.0)	(165.5)	(355.8)	(234.8)	(4,182.1)
(10.2)	(35.2)	(109.7)	3.7	(8.1)	(50.8)	(13.1)	(480.7)
47.8	48.9	83.9	64.5	32.8	106.4	47.1	767.5
0.6	6.1	(5.9)	(3.2)	(0.6)	0.0	(1.0)	(14.4)
(2.0)	(6.7)	(9.3)	(0.4)	(5.6)	(1.2)	(1.2)	(49.7)
36.2	13.1	(41.0)	64.6	18.5	54.4	31.8	222.7
229.2	249.9	253.6	281.5	94.1	304.5	207.9	2,893.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	(14.2)
229.2	249.9	253.6	281.5	94.1	304.5	207.9	2,879.2
(249.0)	(263.7)	(330.4)	(313.1)	(107.5)	(367.8)	(250.6)	(3,491.8)
(19.8)	(13.8)	(76.8)	(31.6)	(13.4)	(63.3)	(42.7)	(612.6)
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	48.2	67.5	57.7	16.4	26.8	25.0	317.9
(19.8)	34.4	(9.3)	26.1	3.0	(36.5)	(17.7)	(294.7)
223.1	273.2	269.6	282.9	94.9	322.8	205.9	3,025.9
0.0	0.0	0.0	0.0	(4.4)	0.0	0.0	(41.7)
223.1	273.2	269.6	282.9	90.5	322.8	205.9	2,984.2
(255.0)	(296.0)	(330.9)	(309.2)	(101.9)	(405.6)	(259.2)	(3,611.6)
(31.9)	(22.8)	(61.3)	(26.3)	(11.4)	(82.8)	(53.3)	(627.4)
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	10.7	9.6	7.2	4.5	25.3	35.0	171.3
(31.9)	(12.1)	(51.7)	(19.1)	(6.9)	(57.5)	(18.3)	(456.1)
216.8	291.5	294.6	294.1	98.8	357.4	203.2	3,173.3
0.0	(9.6)	(10.6)	0.0	(3.4)	0.0	0.0	(92.0)
216.8	281.9	284.0	294.1	95.4	357.4	203.2	3,081.3
(211.4)	(317.7)	(284.9)	(301.0)	(112.1)	(388.7)	(259.6)	(3,352.0)
5.4	(35.8)	(0.9)	(6.9)	(16.7)	(31.3)	(56.4)	(270.7)
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	39.4	42.6	36.5	22.2	23.6	56.4	304.2
5.4	3.6	41.7	29.6	5.5	(7.7)	0.0	33.5

Summary of Clubs Financial Position at 20 February 2020 – continued

I&E ACCOUNT - ALL CLASSES	American USD	Britannia USD	Gard USD	Japan USD	London USD	North of England USD
OLDER YEARS BALANCES	78.2	297.1	1,469.8	311.8	181.7	522.6
OTHER RESERVES	(16.0)	185.6	0.0	(42.2)	0.0	5.2
OTHER FUNDING	19.5	172.3	0.0	0.0	0.0	0.0
P&I CLASS RESERVE	73.7	578.4	1,179.2	235.9	154.8	385.5
OTHER CLASS SURPLUS ETC	0.0	16.0	0.0	0.0	19.1	58.3
TOTAL FREE RESERVE	73.7	594.4	1,179.2	235.9	173.9	443.8

P&I CLASS FREE RESERVE						
20-Feb-13		206.6	270.3		126.5	54.8
20-Feb-14	56.9	452.8	919.6	150.4	147.2	281.6
20-Feb-15	57.9	522.3	969.1	172.4	143.8	265.7
20-Feb-16	75.4	491.8	1,003.4	187.1	146.2	353.0
20-Feb-17	70.6	576.5	1,134.9	208.4	171.8	362.1
20-Feb-18	76.3	608.8	1,249.0	226.5	178.3	370.9
20-Feb-19	64.7	557.5	1,158.9	237.9	152.0	404.5
20-Feb-20	73.7	578.4	1,179.2	235.9	154.8	385.5

% MOVEMENT P&I FREE RESERVES						
2013-2014	-9%	-6%	8%	-6%	7%	-2%
2014-2015	2%	15%	5%	15%	-2%	-6%
2015-2016	30%	-6%	4%	9%	2%	33%
2016-2017	-6%	17%	13%	11%	18%	3%
2017-2018	8%	6%	10%	9%	4%	2%
2018-2019	-15%	-8%	-7%	5%	-15%	9%
2019-2020	14%	4%	2%	-1%	2%	-5%
Last 7 years	38%	37%	32%	50%	10%	35%
Last 5 years	27%	11%	22%	37%	8%	45%
Last 3 years	4%	0%	4%	13%	-10%	6%

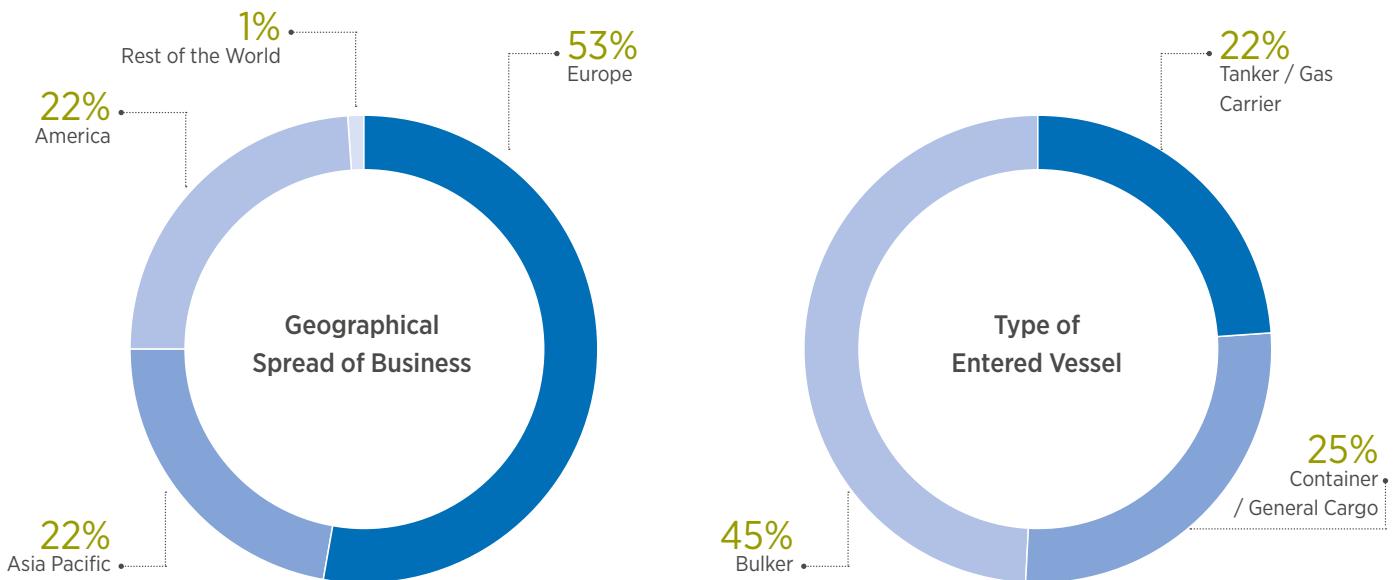
SOP USD	Skuld USD	Standard USD	Steamship USD	Swedish USD	UK USD	West of England USD	Total USD
386.3	439.9	365.1	446.0	161.5	660.7	285.1	5,605.8
0.0	0.0	0.0	0.0	0.0	0.2	40.7	173.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	191.8
340.0	465.8	345.8	482.6	163.1	559.2	289.8	5,253.8
0.0	0.0	47.9	32.7	59.0	0.0	48.4	281.4
340.0	465.8	393.7	515.3	222.1	559.2	338.2	5,535.2
	101.5	178.4	104.3	65.8	364.1	146.2	1,618.5
298.9	342.0	299.9	272.4	98.7	528.3	196.6	4,045.3
300.3	338.2	298.6	349.1	103.1	547.8	174.6	4,242.9
279.4	358.2	307.4	403.0	110.0	546.9	204.0	4,465.8
294.0	419.8	348.0	475.6	123.7	557.8	245.2	4,988.4
341.7	442.0	381.7	484.9	145.3	640.0	236.0	5,381.4
303.8	452.7	386.8	425.2	143.5	504.8	261.8	5,054.1
340.0	465.8	345.8	482.6	163.1	559.2	289.8	5,253.8
17%	6%	3%	-5%	0%	2%	0%	4%
0%	-1%	-0%	28%	4%	4%	-11%	5%
-7%	6%	3%	15%	7%	-0%	17%	5%
5%	17%	13%	18%	12%	2%	20%	12%
16%	5%	10%	2%	17%	15%	-4%	8%
-11%	2%	1%	-12%	-1%	-21%	11%	-6%
12%	3%	-11%	13%	14%	11%	11%	4%
23%	51%	10%	82%	10%	13%	61%	33%
13%	38%	16%	38%	58%	2%	66%	30%
16%	11%	-1%	1%	32%	0%	18%	18%

AMERICAN STEAMSHIP OWNERS MUTUAL P&I ASSOCIATION INC.

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S&P Rating (last change: increase to BBB- from BB+ in 2013) **BBB-Stable**



Questions & Answers with... Joe Hughes – Chairman and Chief Executive Officer

To date, what is the most valuable lesson learnt from 2020?

The Club's success in combining its considerable IT resources with the diligence and adaptability of its management, board, members and their brokers to maintain unimpaired service during the pandemic has been the most valuable lesson learned in 2020, and may speak to new ways of doing business in the future.

Would you have done anything differently?

Everyone sees the world with perfect clarity in retrospect. Foresight is trickier! In responding to the upheaval created by the sudden onset of COVID-19, the Club would not have done anything differently, to any significant degree, in meeting the unprecedented challenges of recent months.

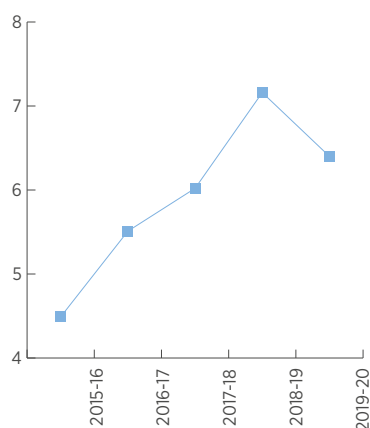
Our Club comment

In November 2019, the Club announced excess calls on two older open years: USD10.6 million (17.5%) on the 2017-18 policy year and USD14.1 million (22.5%) in the 2016-17 policy year, which has subsequently closed.

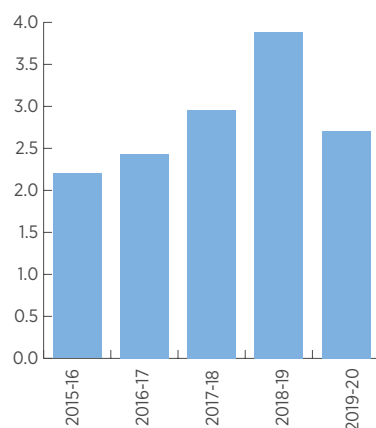
Eagle Ocean Marine, the fixed premium facility for small vessels, continued to grow and is running at a combine ratio of between 75 and 80% since the facility started in 2011. The Club has recently restructured the security for the program and the Club is now underwriting 100% of the primary USD2 million and the balance to USD500 million is reinsured by Lloyd's. Premium volume is around USD15 million.

The results of the diversification into the hull & machinery sector, American Hellenic Hull, continue to improve and in the 2019 year made a small loss. It is understood that the facility has improved into underwriting profit in 2020. Premium volume is around USD14 million.

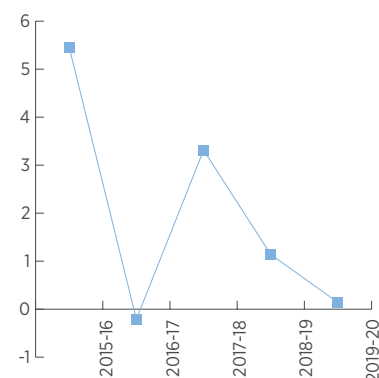
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	18.4	17.1	15.5	14.1	13.9
Chartered Tonnage	3.8	1.5	1.1	1.1	1.2

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	17.5%	22.5%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	n/a	0.0%	0.0%	0.0%	2.5%
On ETC	n/a	0.0%	0.0%	0.0%	2.5%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	93.2	89.3	99.9	108.9	96.7
Incurred Claims	48.8	45.2	49.2	59.2	40.9
Total Outgoing	95.8	100.1	105.1	109.3	91.3
Underwriting Result	-2.6	-10.8	-5.2	-0.4	5.4
Call Income/GT	4.79	5.51	6.02	7.16	6.40
Claims Incurred/GT	2.20	2.43	2.96	3.89	2.71

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	54.2	45.2	57.6	51.4	56.4
Hybrid Capital	19.5	19.5	19.5	19.5	19.5
Tier 1 Capital	69.8	59.2	74.8	66.0	-
Tier 2 Capital	0.0	0.0	0.0	0.0	-
Solvency Capital Required	7.5	7.5	7.5	7.5	-

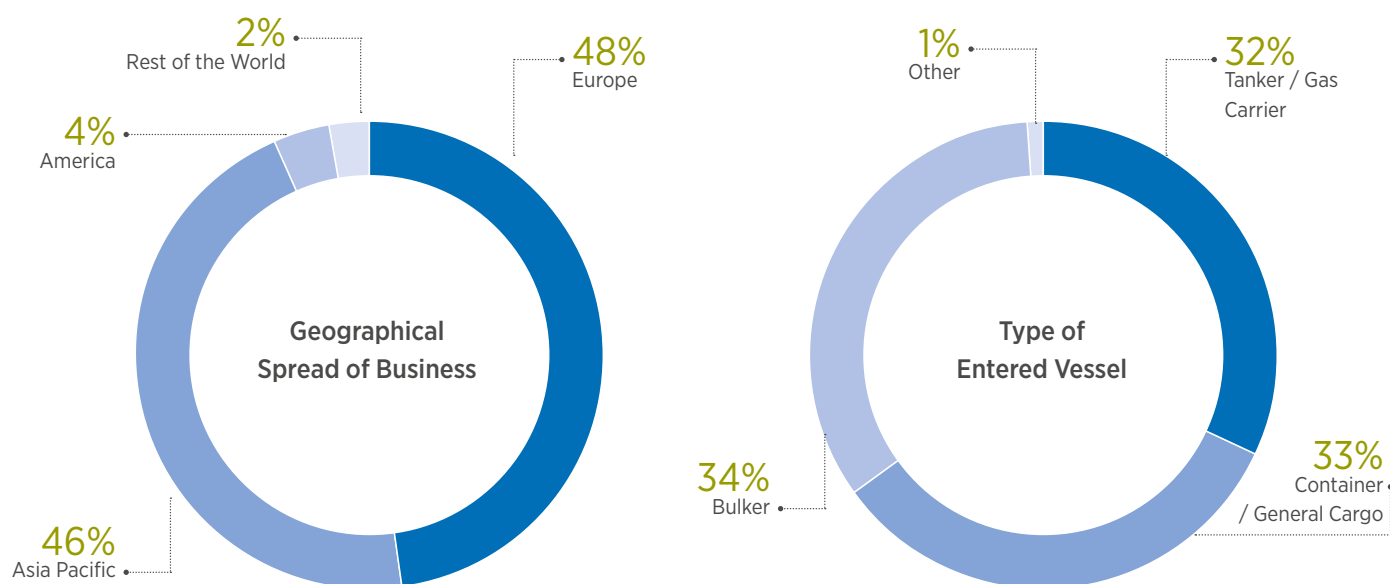
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	5.46%	-0.21%	3.13%	1.41%	0.14%

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LTD

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S&P Rating (interactive rating granted in 2014) A Stable



Questions & Answers with... Andrew Cutler – Chief Executive Officer

To date, what is the most valuable lesson learnt from 2020?

To always remember that we have a highly professional and dedicated team in Britannia and the Managers, including the claims, underwriting and loss prevention teams as well as the support departments such as finance and actuarial, HR and IT. This has enabled us to continue to provide the highest level of service to Britannia's Members during this incredibly challenging period.

Would you have done anything differently?

We continue to benefit from robust IT systems and solid in-house procedures that allowed remote working for all of our offices before it was imposed at different times by governments across the world. Our BCP proved itself, although inevitably lessons have been learned (and applied), not least of all the need to enhance personal and team level communication. The personal stand-out for me would have been to have had a decent haircut before our first global townhall meeting held shortly after London went into lockdown.

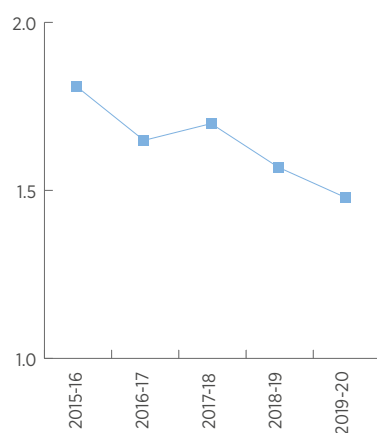
Our Club comment

During the year the Club returned a further USD25 million to its members by way of a capital distribution. This distribution was made in two tranches of USD10 million and USD15 million in May and October 2019 to members with entered vessels (in effect) at the date of announcement. No announcement of a capital return was made in May 2020, when the Club was in the grip of the COVID-19 lockdown and investment earnings were very uncertain. The return has not been allocated to any particular policy year and is not payable to members who have left the Club, although they may still have open older policy years at the time of announcement.

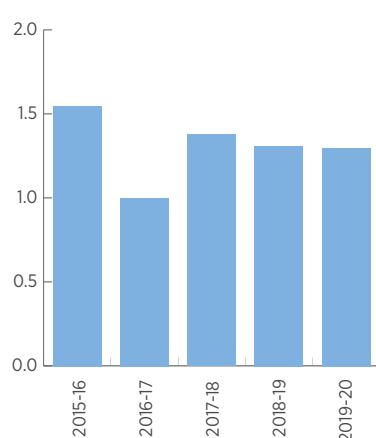
During the year, the Club continued with its strategy to reduce its investment in its Hydra Insurance cell, reducing it via a "dividend" of USD4.2 million (2019: USD5.8 million) leaving an equity value in the cell of USD19.5 million. This enhances capital utilisation efficiency for Solvency II purposes (which regards Hydra as a third party insurer), but the impact is neutral as regards group Free Reserves (where GAAP regards it as a subsidiary).

The Club's Brexit vehicle, Britannia Europe, registered in Luxemburg is not expected to start underwriting until 1 January 2021 but it is expected that at 20 February 2021 the entire book will be renewed into Britannia Europe. Additionally a Part VII transfer of the entire historic book of Britannia into Britannia Europe is under consideration.

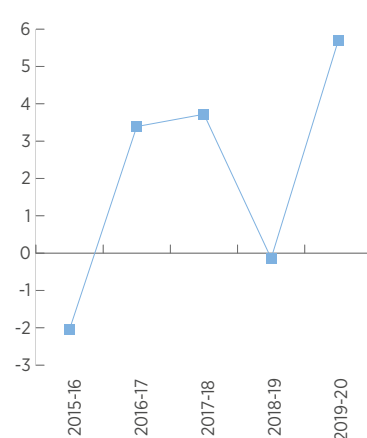
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	111.9	107.0	100.4	105.9	108.5
Chartered Tonnage	19.0	20.0	15.0	35.0	27.0

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	45%	45%	45%	45%
Latest Estimate	0%	45%	45%	45%	45%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	n/a	0.0%	0.0%	0.0%	2.5%
On ETC	n/a	0.0%	0.0%	0.0%	2.5%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	193.7	199.1	196.1	232.8	245.3
Total Outgoing	264.0	254.1	239.8	231.7	302.0
Underwriting Result	-70.3	-55.0	-43.7	1.1	-56.7
Call Income/GT	1.48	1.57	1.70	1.65	1.81
Claims Incurred/GT	1.30	1.31	1.38	1.00	1.55

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	422.1	390.7	430.0	379.4	346.4
Boudicca Net Assets	172.3	196.9	211.6	221.7	166.3
Capital Returned	-25.0	-30.0	-30.0	-	-
Tier 1 Capital	396.5	427.7	518.3	571.9	439.8
Tier 2 Capital	129.5	129.5	129.5	0.0	120.0
Solvency Capital Required	261.2	266.9	265.9	252.7	259.0

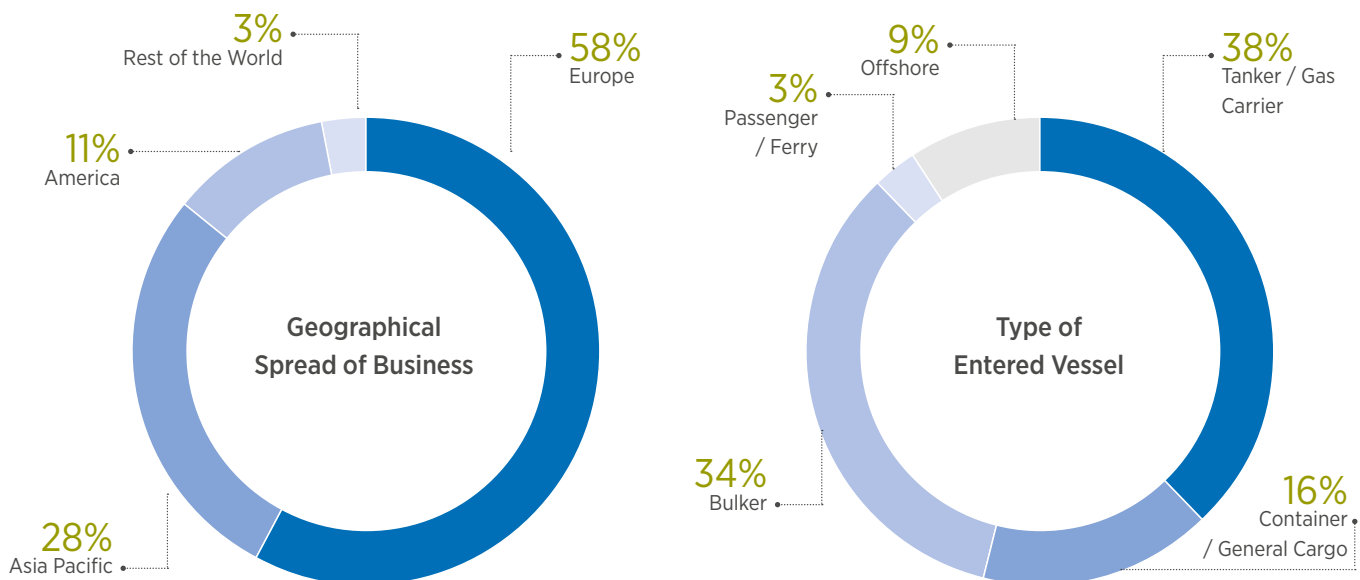
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	5.70%	-0.14%	3.72%	3.39%	-2.04%

ASSURANCEFORENINGEN GARD GJENSIDIG

www.gard.no

Kittelbuktveien 31, NO-4836, Arendal, Norway Tel: +47 37 01 91 00 Fax: +47 37 02 48 10

S&P Rating (last change: increase to A+ from A in 2012) **A+Negative**



Questions & Answers with... Bjornar Andresen – Group Chief Underwriting Officer

To date, what is the most valuable lesson learnt from 2020?

That really significant change can happen at unimaginable speed and affect literally everyone. So, we have to respond as a business and collaborate with relevant stakeholders to solve problems. Our aim is to maintain high service standards, and balance help for individual Members and clients with the maintenance of the long-term financial health of the Group.

Would you have done anything differently?

These are unprecedented times so we are all learning, usually by doing, in response to developments. We are continuously responding to feedback from Members, clients and brokers, which is helping us to adapt and to develop new solutions and ways of working which can support our customers.

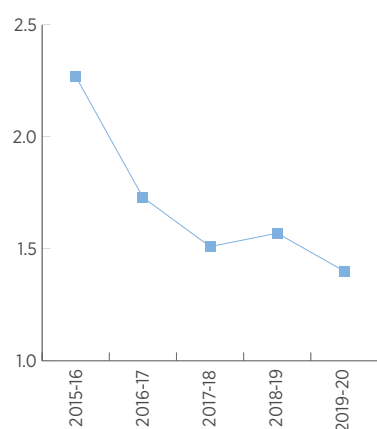
Our Club comment

In recent years Gard has established a policy of reducing its 25% deferred call either partially or in its entirety when it releases its 20 February annual financial statement in the following May. Following the change in calling patterns and terminology the Club in effect continued this practice by waiving the final 20% instalment of the ETC in May 2020. However, in view of uncertainties surrounding the pandemic, this decision is provisional only and will require ratification at the November 2020 board meeting when 2021-22 premium decisions are considered.

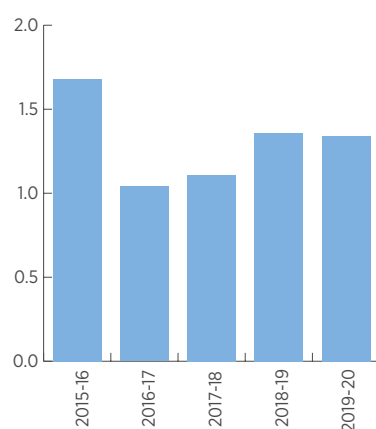
Gard Norway and Gard M&E Europe established branches in Finland during the year which will begin writing business with effect from the start of the 2020-21 policy year.

The Club's financial year result in 2019-20 was underpinned by USD70 million of favourable development in claims incurred in previous years (P&I: USD39 million; M&E: USD31 million) which is considerably less than the USD158 million positive development in the prior year (P&I: USD101 million; M&E: USD56 million).

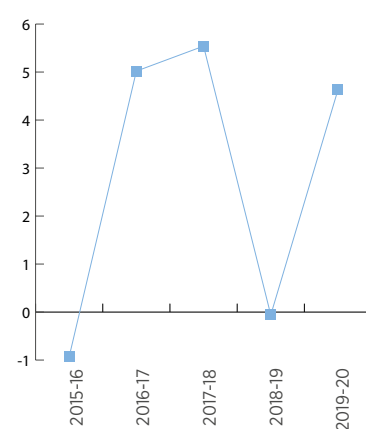
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	229.5	223.3	216.6	215.2	209.4
Chartered Tonnage	85.0	85.0	90.0	90.0	60.0

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	20%	25%	25%
Latest Estimate	0%	-20%	10%	0%	0%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	0.0%	0.0%	0.0%	0.0%	2.5%
On ETC	0.0%	0.0%	0.0%	0.0%	2.5%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	441.5	482.7	464.4	529.5	610.7
Incurred Claims	421.3	419.9	340.9	316.2	452.1
Total Outgoing	560.1	627.3	491.8	493.2	627.0
Underwriting Result	-118.6	-144.6	-27.4	36.3	-16.3
Call Income/GT	1.40	1.57	1.51	1.73	2.27
Claims Incurred/GT	1.34	1.36	1.11	1.04	1.68

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	1,179.2	1,158.9	1,249.0	1,134.9	1,010.2
Tier 1 Capital	1,089.0	1,106.0	1,192.0	996.0	913.0
Tier 2 Capital	255.0	245.0	328.0	338.0	358.0
Solvency Capital Required	511.0	490.0	657.0	676.0	742.0

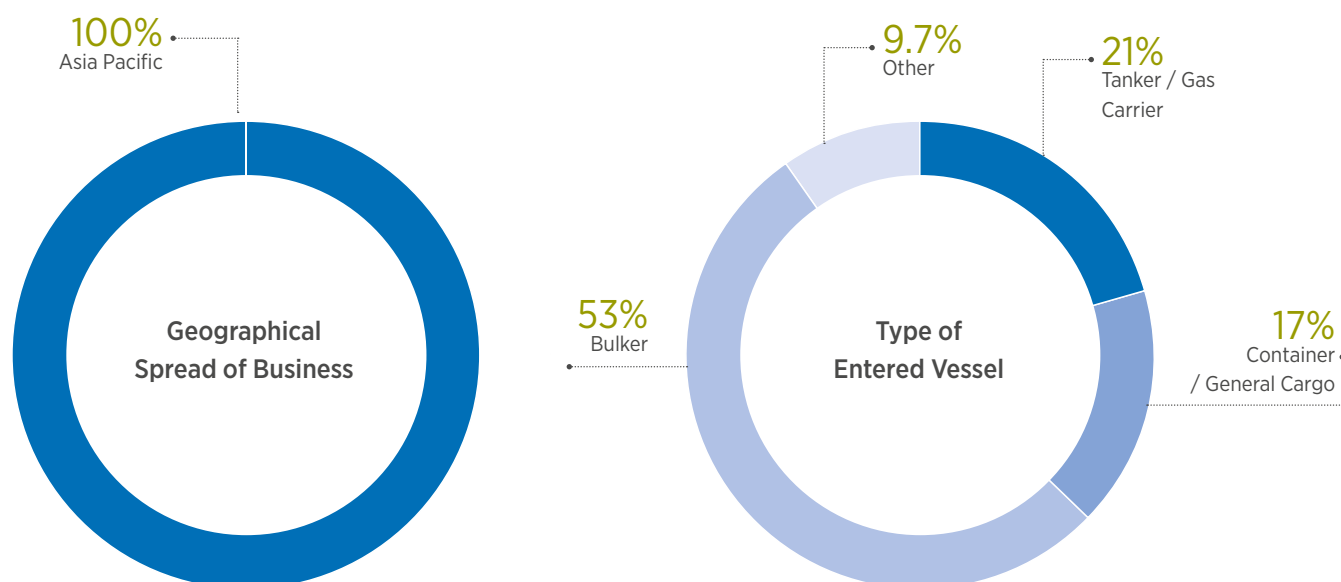
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	4.63%	-0.06%	5.54%	5.02%	-0.93%

JAPAN SHIP OWNERS MUTUAL P&I ASSOCIATION

www.piclub.or.jp

2-15-14 Nihonbashi-Ningyocho, Chuo-ku, Tokyo 103-0013, Japan Tel: +81 3 3662 7213 Fax: +81 3 3662 7225

S&P Rating (increased to BBB+ from BBB in 2013) **BBB+ Positive**



Questions & Answers with... Shizuo Takahashi – Director General

To date, what is the most valuable lesson learnt from 2020?

The coronavirus pandemic, which broke out suddenly, has been globally causing enormous damages to people, society and economy. The shipping industry is no exception to this. We are facing unprecedented challenges to the enormous impact of pandemic. I learned my lesson and the saying 'Disasters befall us when we least expect them' was etched on my heart. The key for companies to develop in the future is to take this crisis as a rare opportunity and review the business operation to restructure for stronger resilience.

Would you have done anything differently?

We have promptly provided our Members having problems caused by coronavirus with relevant information and additional coverage of cargo claims caused by deviation for crew repatriation, but at the same time we should continue to proactively consider improving the preparation for coming crisis.

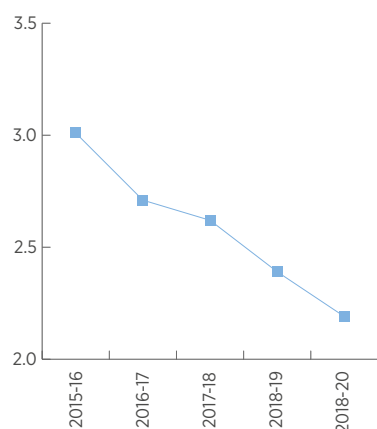
Our Club comment

The figures presented for the Japan Club have to be considered in light of the significant effect that the Japanese Yen: USD exchange rate has had on them in the past few years. Whilst at the end of 2019-20 (in this case March 31) the dollar was at Yen 108.83 compared to a rate 12 months prior to this of Yen 110.99 to the dollar and so historic figures should be considered with care.

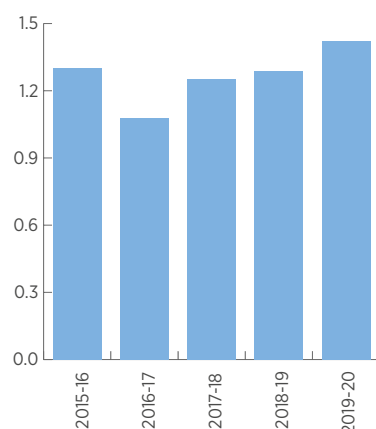
This currency volatility has a tendency to distort the policy year data in particular where, in dollar terms, premium income and claims incurred are fluctuating significantly year on year although in Japanese Yen terms this trend is not evident. Whilst all Clubs are exposed to operational exchange rate variances, because the Japan Club is the only one to report principally in a non dollar currency, such distortions are more evident here.

The inclusion (or exclusion) of exchange rate variations has an approximate 6% impact on the financial year combined ratio, being 107.5% including currency gains in claims reserves and 113.3% excluding such.

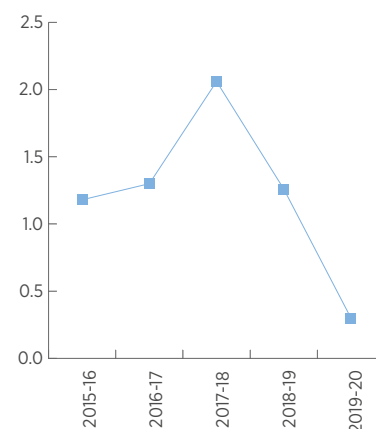
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	95.5	93.5	93.7	91.5	92.2
Chartered Tonnage	13.7	12.1	12.2	12.5	12.5

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	40%	40%	40%	40%
Latest Estimate	0%	40%	40%	40%	30%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	7.5%	0.0%	0.0%	0.0%	3.0%
On ETC	7.5%	0.0%	0.0%	0.0%	3.0%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	179.3	192.9	217.4	221.8	255.3
Incurred Claims	155.6	136.6	132.5	112.1	136.6
Total Outgoing	225.5	214.2	217.2	201.0	227.8
Underwriting Result	-46.2	-21.3	0.2	20.8	27.5
Call Income/GT	2.19	2.39	2.62	2.71	3.01
Claims Incurred/GT	1.42	1.29	1.25	1.08	1.30

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	235.9	237.9	226.5	208.4	187.1
Tier 1 Capital	N/A	N/A	N/A	N/A	-
Tier 2 Capital	N/A	N/A	N/A	N/A	-
Solvency Capital Required	N/A	N/A	N/A	N/A	-

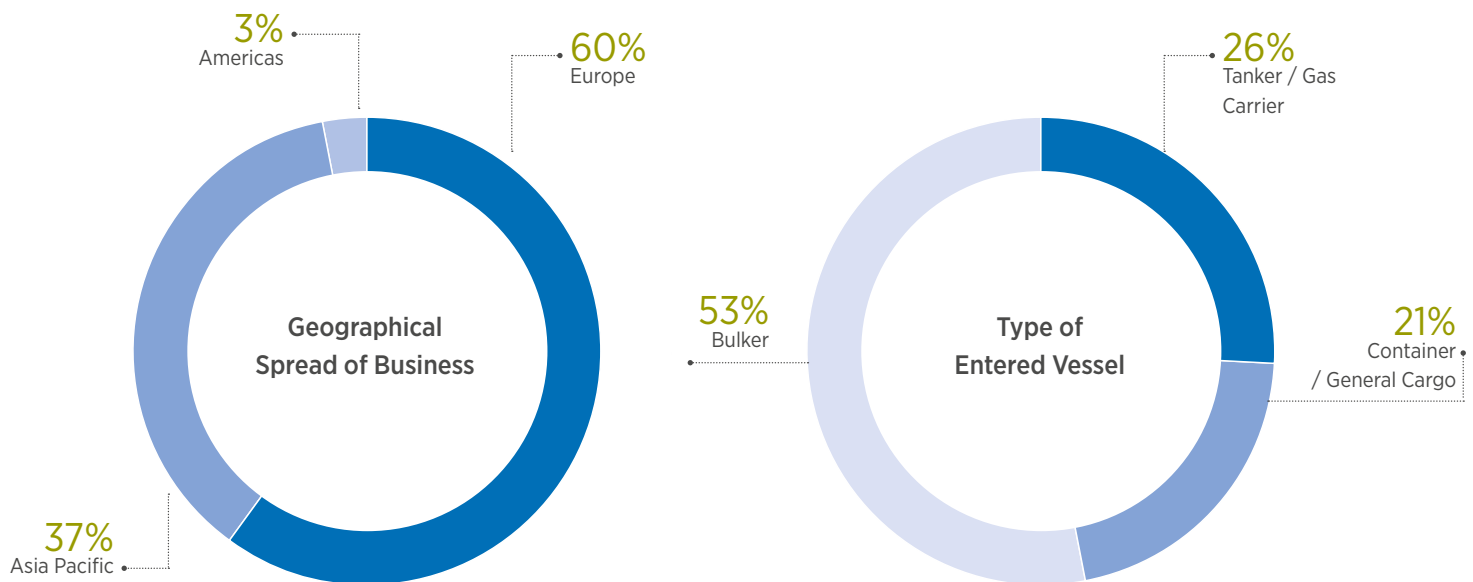
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	0.30%	1.26%	2.06%	1.30%	1.18%

LONDON STEAM-SHIP OWNERS' MUTUAL INSURANCE ASSOCIATION LTD

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S&P Rating (interactive rating granted in 2014) **BBB Negative**



Questions & Answers with... Ian Gooch – Chief Executive

To date, what is the most valuable lesson learnt from 2020?

The impact of COVID-19 has underlined again the vital importance of the world's seafarers. Throughout the pandemic, the men and women who crew the ships whose cargoes feed, clothe, heat and shelter us have served society with a level of commitment and selflessness we should all be proud of.

Would you have done anything differently?

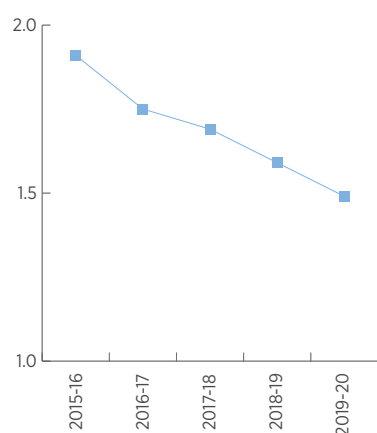
Taking a 360 degree look at how we work and learning from past practice is how we aim to achieve continuous improvement. If we are honest with ourselves, we could have tried to do some things more creatively – we'll use and learn from the experience.

Our Club comment

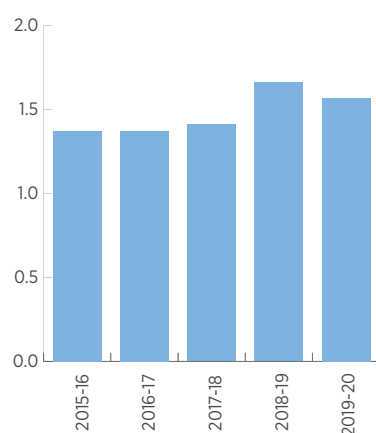
The Club has historically produced one of the best investment returns of any Club. The seven year average investment return is a clear 2% better than the market average. This year was no exception with a 9.44% return, but this does include the benefit of revaluing their office premises in London and Hong Kong. These were revalued upwards by USD8.9 million in the year, but with the pandemic depressing the demand for central London office premises, with what seems to be a permanent trend towards home working, one wonders how sustainable this unrealised gain will be.

The Club has seen growth in non poolable business covered by the Association's fixed premium products for charterers and the Owners of smaller ships and financial year premium income has risen by over 10%, to the highest level in the past decade.

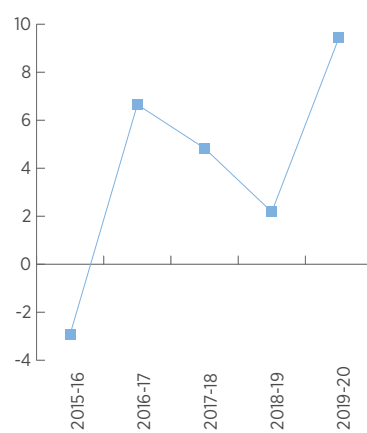
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	51.1	46.7	45.0	43.9	44.7
Chartered Tonnage	16.0	12.0	9.5	9.8	7.3

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	0%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	7.5%	0.0%	0.0%	0.0%	5.0%
On ETC	7.5%	0.0%	0.0%	0.0%	5.0%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	100.1	93.2	92.0	93.8	99.1
Incurred Claims	105.2	97.4	76.9	73.6	71.4
Total Outgoing	135.2	126.5	106.3	103.4	102.7
Underwriting Result	-35.1	-33.3	-14.3	-9.6	-3.6
Call Income/GT	1.49	1.59	1.69	1.75	1.91
Claims Incurred/GT	1.57	1.66	1.41	1.37	1.37

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	173.9	168.8	194.6	188.0	160.7
Tier 1 Capital	148.3	145.6	166.1	165.9	-
Tier 2 Capital	25.0	25.0	25.0	35.0	-
Solvency Capital Required	117.6	113.3	123.8	124.6	-

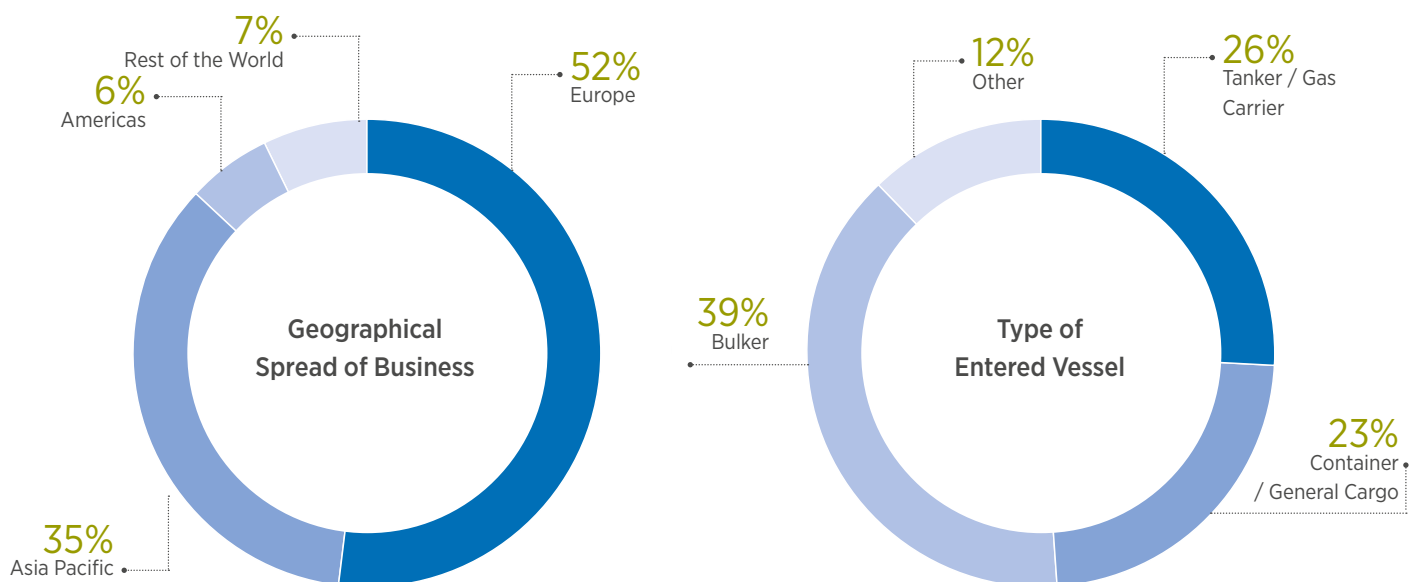
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	9.44%	2.18%	4.83%	6.65%	-2.91%

NORTH OF ENGLAND PROTECTING & INDEMNITY ASSOCIATION LTD

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S&P Rating (unchanged in last 7 years) **A Negative**



Questions & Answers with... Paul Jennings – Chief Executive

To date, what is the most valuable lesson learnt from 2020?

During the pandemic, the International Group of P&I Clubs (IG) launched its online dashboard to help shipowners track COVID-19 worldwide. Made possible by North sharing its digital assets, this initiative highlighted that Club co-operation delivers tangible value to shipowners. At Club level, North's effective response to the pandemic again demonstrated that our continued success depends on our greatest asset: our people. It is thanks to the skills, determination and tenacity of our teams that challenges such as COVID-19 can be overcome with no disruption to our member service.

Would you have done anything differently?

Throughout the COVID-19 pandemic the shipping industry has played a vital role, working tirelessly to ensure that global supply chains remain open. As we have seen, closer co-operation between P&I Clubs can benefit the wider maritime sector. Giving earlier consideration to these common challenges, the value of shared resources and understanding the critical supporting role of logistics, such as crew repatriation measures, may have helped the maritime sector further improve their response to the pandemic.

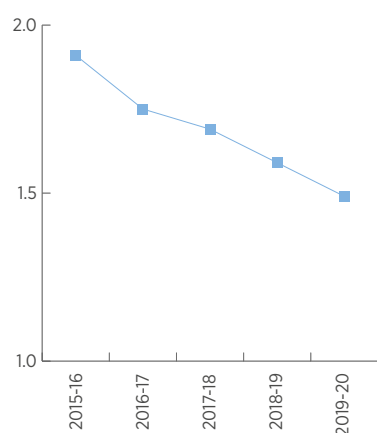
Our Club comment

The restructuring of the Sunderland Marine business, acquired in 2104, continues with a view to completing the transfer of the residual business into North during the 2020-21 policy year. Regulatory approval has been received and the transfer looks to be on schedule. North has continued to build on its diversification programme, establishing a fixed premium small craft programme towards the end of 2019-20. It also launched its re-entry into the hull & machinery sector, in addition to that class of business carried on in Sunderland Marine, in mid 2020.

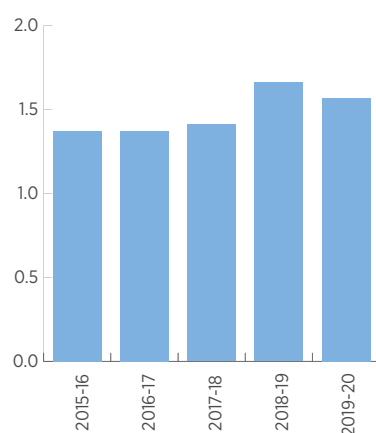
Unlike some, North has activated its Brexit vehicle in Dublin, and, for the 2019-20 policy year, policies relating to EEA members were written into North of England P&I DAC

The Club's result for the year was adversely impacted by a further USD 16.1 million deterioration on the deficit in the (now closed) defined benefit pension schemes.

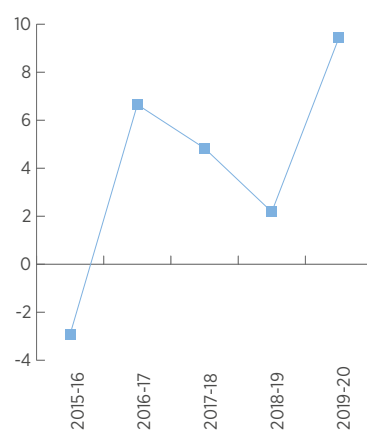
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	147.0	142.0	140.0	131.0	127.0
Chartered Tonnage	60.0	53.0	50.0	54.0	43.0

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	-5%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	7.50%	0.00%	0.00%	0.00%	2.50%
On ETC	7.50%	0.00%	0.00%	0.00%	2.50%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	250.7	259.0	277.5	293.5	335.1
Incurred Claims	224.7	228.3	215.5	173.6	194.9
Total Outgoing	329.1	331.6	315.2	283.7	307.9
Underwriting Result	-78.4	-72.6	-37.7	9.8	27.2
Call Income/GT	1.21	1.33	1.46	1.59	1.97
Claims Incurred/GT	1.09	1.17	1.13	0.94	1.15

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	443.8	463.1	450.5	430.8	428.4
Tier 1 Capital	201.6	206.8	225.8	152.0	-
Tier 2 Capital	59.5	67.2	69.9	74.9	-
Solvency Capital Required	119.1	145.9	160.7	149.9	-

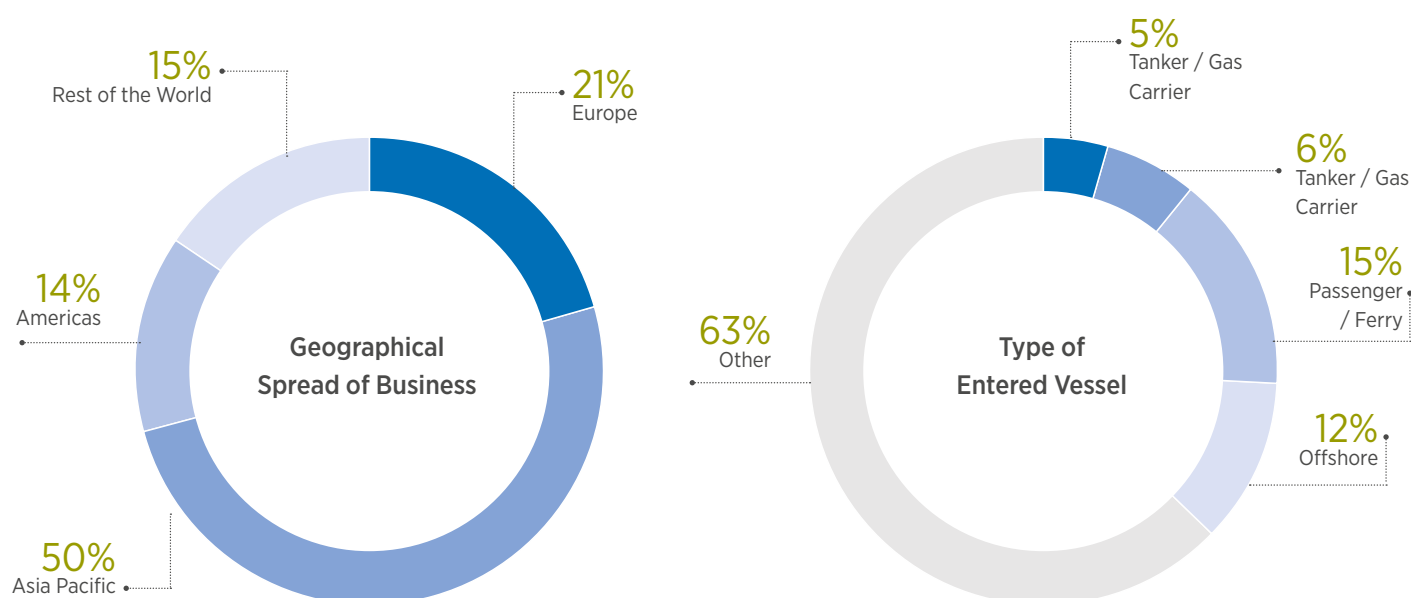
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	5.31%	2.18%	2.31%	2.35%	-0.77%

SHIPOWNERS MUTUAL P&I INSURANCE (LUXEMBOURG)

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S&P Rating (last change: increase to A from A- in 2016) **A Stable**



Questions & Answers with... **Simon Swallow** – Chief Executive Officer & **Simon Peacock** – Chief Financial Officer

To date, what is the most valuable lesson learnt from 2020?

SS: In these unpredictable times, when some insurers continue to focus on growth, we have been reminded that our existing Members' seek predictability and consistency – in service, in premium and, so importantly, in our absolute focus on promptly settling and paying claims. It is these simple but vital areas that ensure peace of mind for our Members and their brokers.

Would you have done anything differently?

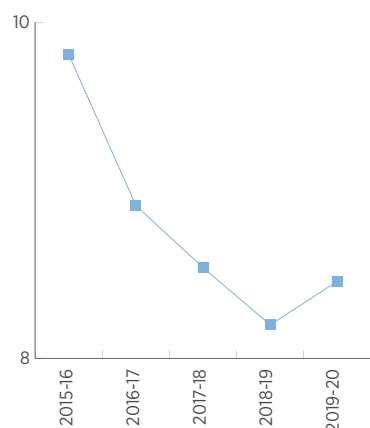
SP: It would be easy to choose what we could have done differently, with the benefit of hindsight. In the absence of a crystal ball, we are delighted with how the Club has performed. Our remote working has worked well these past six months; if only we had sub-let our offices!

Our Club comment

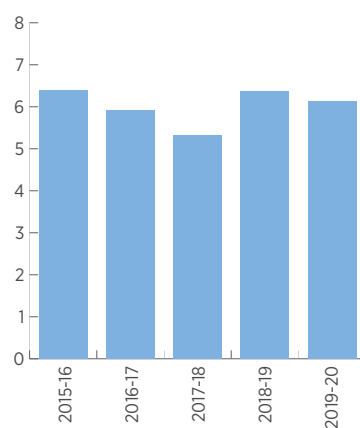
The Club has reported on its half year results to 30 June 2020 which confirms that the significant collapse in investment asset values occasioned earlier in the year by the COVID-19 pandemic had been reversed by 30 June. The Club earned a small investment yield in this period which, coupled with underwriting at a 102.2% combined ratio, resulted in a small loss of USD2.1 million at the half year point.

The Club's solvency return reveals that the Club has USD155.6 million in ancillary own funds (Tier 2), of which USD100.5 million are eligible for SCR purposes. Whilst some of these funds may derive from adjustments regarding its Hydra cell and other sources, the lions share of such amount will be attributable to the Club's potential to raise supplementary calls. Given that perhaps 50% of the Club's premiums are from members who are entered on a fixed basis, in a Club that has not made an excess call in living memory, this figure does seem incongruous.

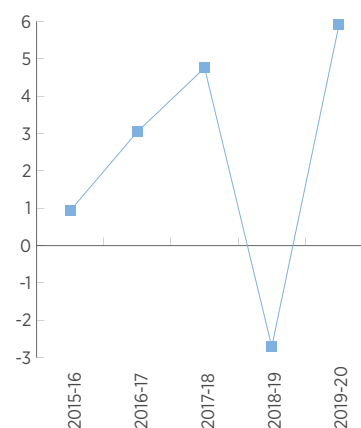
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	26.6	26.7	24.9	24.8	24.0
Chartered Tonnage	0.5	0.5	0.5	0.6	0.6

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	0%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	0.0%	0.0%	0.0%	0.0%	0.0%
On ETC	0.0%	0.0%	0.0%	0.0%	0.0%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	229.2	223.1	216.8	226.4	241.4
Incurred Claims	166.2	173.5	135.1	150.1	157.3
Total Outgoing	249.0	255.0	211.4	228.0	236.7
Underwriting Result	-19.8	-31.9	5.4	-1.6	4.7
Call Income/GT	8.46	8.20	8.54	8.91	9.81
Claims Incurred/GT	6.13	6.38	5.32	5.91	6.39

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	340.0	303.8	341.7	294.0	279.4
Tier 1 Capital	280.9	266.2	312.1	274.3	
Tier 2 Capital	100.4	98.5	107.3	108.3	
Solvency Capital Required	200.9	197.0	214.7	216.6	

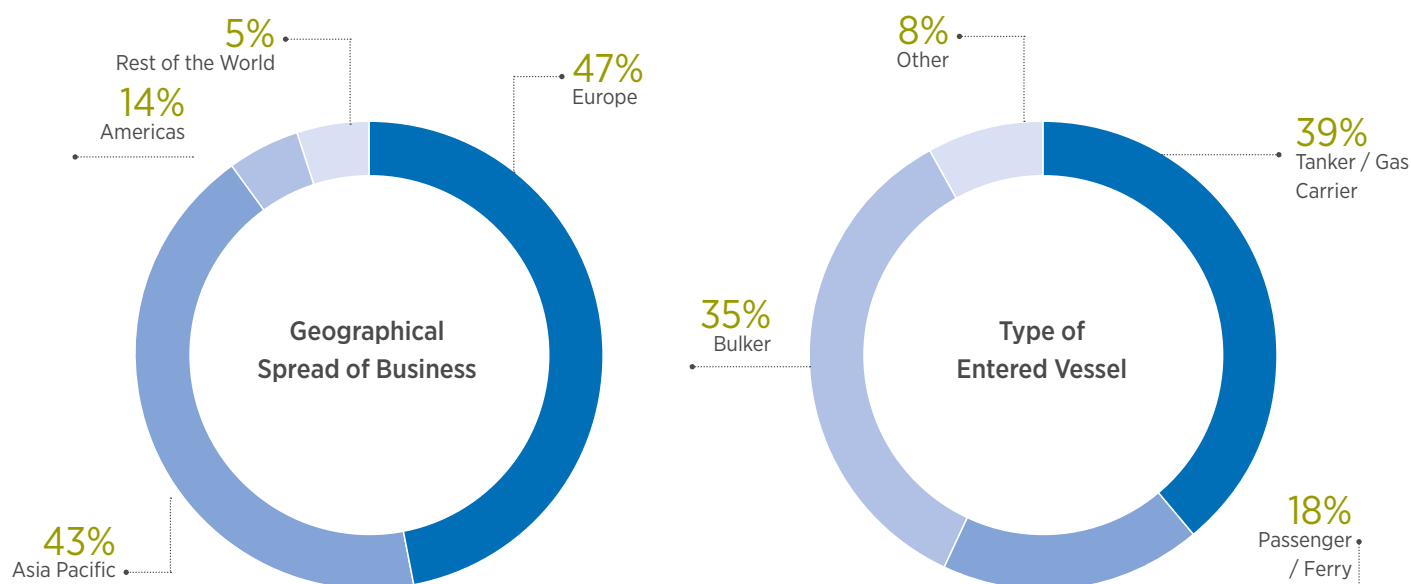
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	5.91%	-2.71%	4.76%	3.05%	0.99%

ASSURANCEFORENINGEN SKULD GJENSIDIG

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S&P Rating (last change: increase to A from A- in 2012) **A Stable**



Questions & Answers with... Ståle Hansen – President and Chief Executive Officer

To date, what is the most valuable lesson learnt from 2020?

We empower Skuld employees to act independently to ensure Skuld's service levels always reach the highest standards. Lockdown tested that strategic approach, and proved it robust. It showed that our focus on a digital journey combined with Skuld's personal touch is powerful for members, and the right way to operate.

Would you have done anything differently?

Lockdown forced improved efficiencies on everyone, including by replacing in-person visits with online meetings, which saves money and helps the planet. We could have adopted these practices much earlier, although I miss seeing members and clients in person. Physical meetings will always play a vital role in our complex industry.

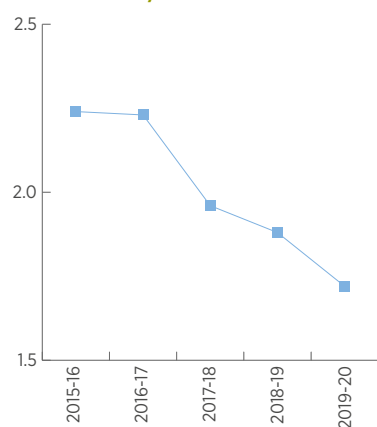
Our Club comment

During the previous year, Skuld announced that its Lloyd's syndicate 1897 would cease underwriting with effect from 1 July 2019, with the business being transferred, where appropriate, to its own corporate paper. Having previously announced an intention to manage the run off in house, the Club actually sold the syndicate to RiverStone following a tender process. Skuld will continue to underwrite all its hull and offshore energy business as Skuld Hull, the A-rated corporate platform of Skuld Assuranceforening, through Skuld UK in London and Skuld Marine Agency in Oslo.

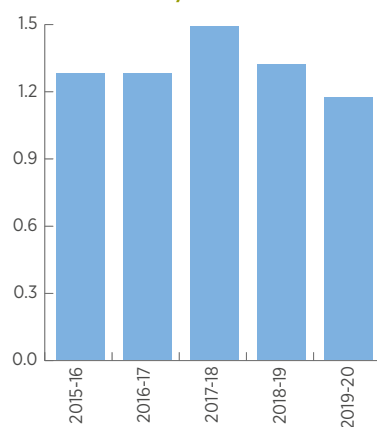
The Club's performance in 2019-20 is reflected in the different combined ratios seen in each sector. Owners P&I mutual had a combined ratio of 119%, well above target; commercial business ran a 100% combined ratio. Skuld Hull, if one excluded Lloyd's operations, would have returned a 74% combined ratio.

Skuld ended the first six months of the 2020/21 policy year with a negative result of USD14.3 million. A combined ratio of 115% generated a USD25.5 million underwriting loss, which reflected some COVID-19 related claims in the cruise ship sector. The Club did however reach 20 August with a 3.2% investment yield in a fast recovering market.

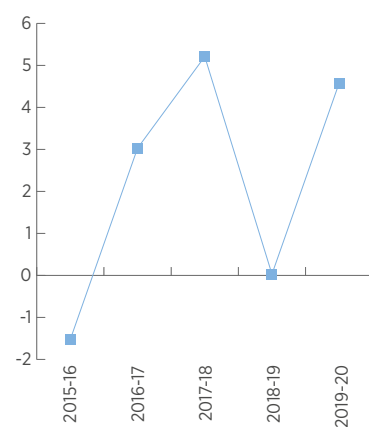
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	100.7	100.0	99.0	93.1	84.7
Chartered Tonnage	45.0	45.0	45.0	37.0	50.0

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	-2.5%	-2.5%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	n/a	n/a	n/a	n/a	n/a
On ETC	n/a	n/a	n/a	n/a	n/a

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	249.9	273.2	281.9	290.0	301.3
Incurred Claims	169.8	192.0	214.1	167.0	171.8
Total Outgoing	263.7	296.0	317.7	271.9	277.5
Underwriting Result	-13.8	-22.8	-35.8	18.1	23.8
Call Income/GT	1.72	1.88	1.96	2.23	2.24
Claims Incurred/GT	1.17	1.32	1.49	1.28	1.28

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	465.8	452.7	442.0	394.0	348.2
Tier 1 Capital	367.7	328.6	425.0	235.8	-
Tier 2 Capital	144.9	128.3	186.4	142.3	-
Solvency Capital Required	289.8	256.5	372.8	284.5	-

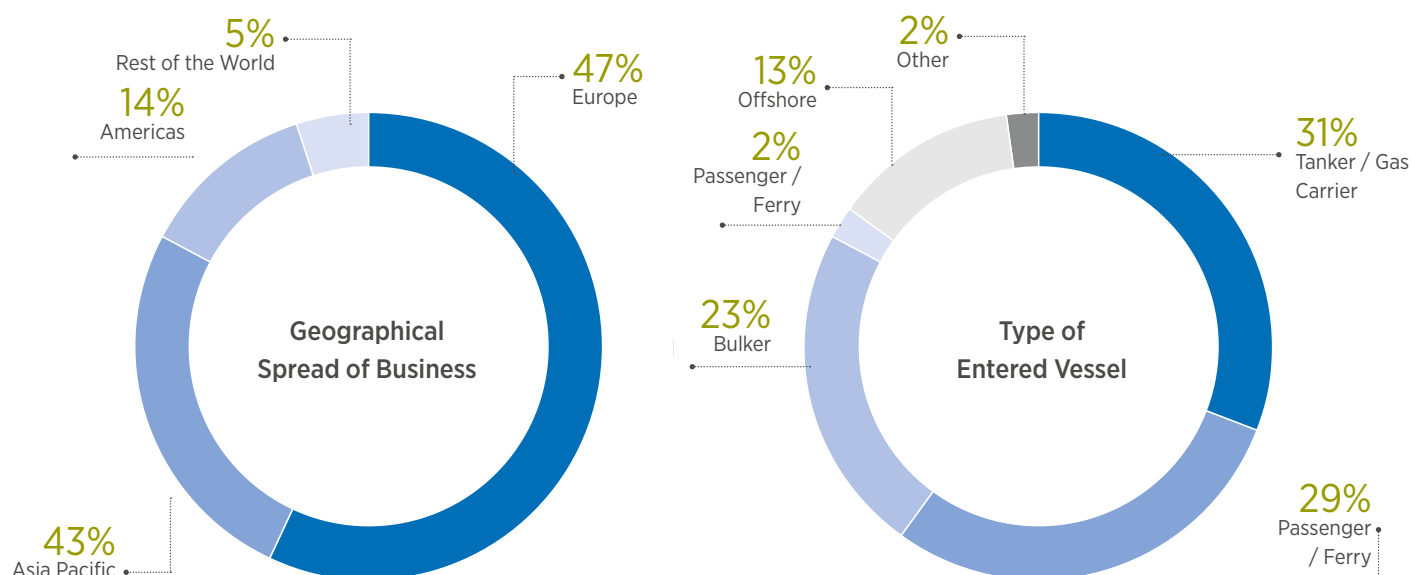
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	4.58%	0.03%	5.21%	3.03%	-1.52%

THE STANDARD CLUB

www.standard-club.com

The Minster Building, 21 Mincing Lane, London EC3R 7AG Tel: +44 203 320 8888 Fax: +44 203 320 8800

S&P Rating (last change: unchanged in last 7 years) **A Negative**



Questions & Answers with... Jeremy Grose – Chief Executive

To date, what is the most valuable lesson learnt from 2020?

The COVID-19 situation has highlighted for me that risks which are considered to be remote may not in reality be quite so unlikely.

Would you have done anything differently?

Despite the fact that I am firmly an advocate of the benefit of a 'real' interaction with colleagues, members and brokers, I think it is a shame that it has taken the confinement brought about by the pandemic to make us all really appreciate how we can get positive benefits from remote working and communication and I would have incorporated these into BAU earlier.

Our Club comment

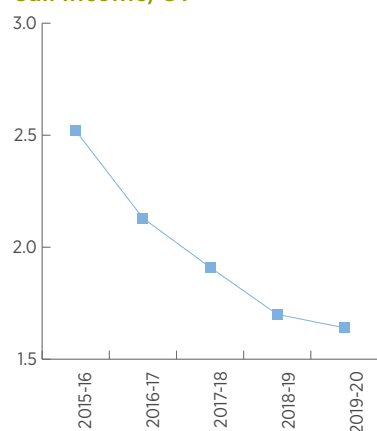
2019-20 concluded, we hope, a traumatic few years for Standard which culminated with an outlook downgrade from Standard & Poors, from stable to negative. Whilst a negative, or positive, outlook is not necessarily a precursor of a rating change it is indicative of problems that the Club had experienced with its underwriting ratios and the unfolding of further losses associated with Lloyd's, which now look to be about USD100 million at a technical level.

The Club has managed to sell the syndicate to a run off specialist, Premia, which should staunch the bleeding once and for all.

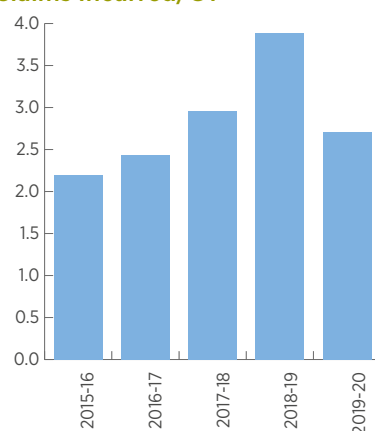
In September 2019, the directors of Charles Taylor plc (the Club's managers at the time) unanimously recommended that their shareholders accept a deal which in effect privatised the company under ownership of venture capital / private equity. The deal was eventually completed in early 2020 which in part explains the Club's excellent investment income in 2019-20.

However following the change of ownership of the management company, the shipowning board determined to bring the Club management back in house, a process which has started recently. Most of the core staff will remain under employment contracts with the Club, and a 12 month timeframe is envisaged to complete the transition. Certain core services, such as IT, will remain sub contracted with Charles Taylor Managements.

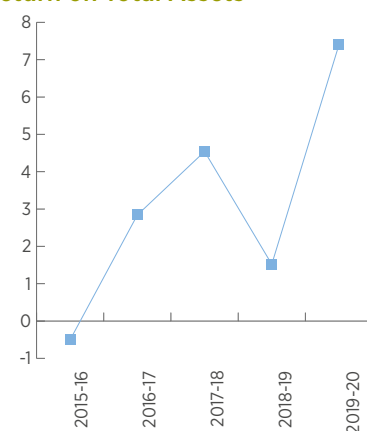
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	133.0	135.0	125.0	116.0	112.0
Chartered Tonnage	22.0	24.0	24.0	24.0	23.0

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	-5%	-5%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	7.5%	0.0%	0.0%	0.0%	2.5%
On ETC	7.5%	0.0%	0.0%	0.0%	2.5%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	253.6	269.6	284.0	298.0	340.3
Incurred Claims	227.2	222.9	186.4	180.2	227.5
Total Outgoing	330.4	330.9	284.9	283.9	361.5
Underwriting Result	-76.8	-61.3	-0.9	14.1	-21.2
Call Income/GT	1.64	1.70	1.91	2.13	2.52
Claims Incurred/GT	1.47	1.40	1.25	1.29	1.69

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	393.7	434.7	461.5	430.5	390.1
Tier 1 Capital	345.6	284.2	365.2	395.1	-
Tier 2 Capital	52.1	64.4	34.0	44.6	-
Solvency Capital Required	229.1	215.2	193.7	181.1	-

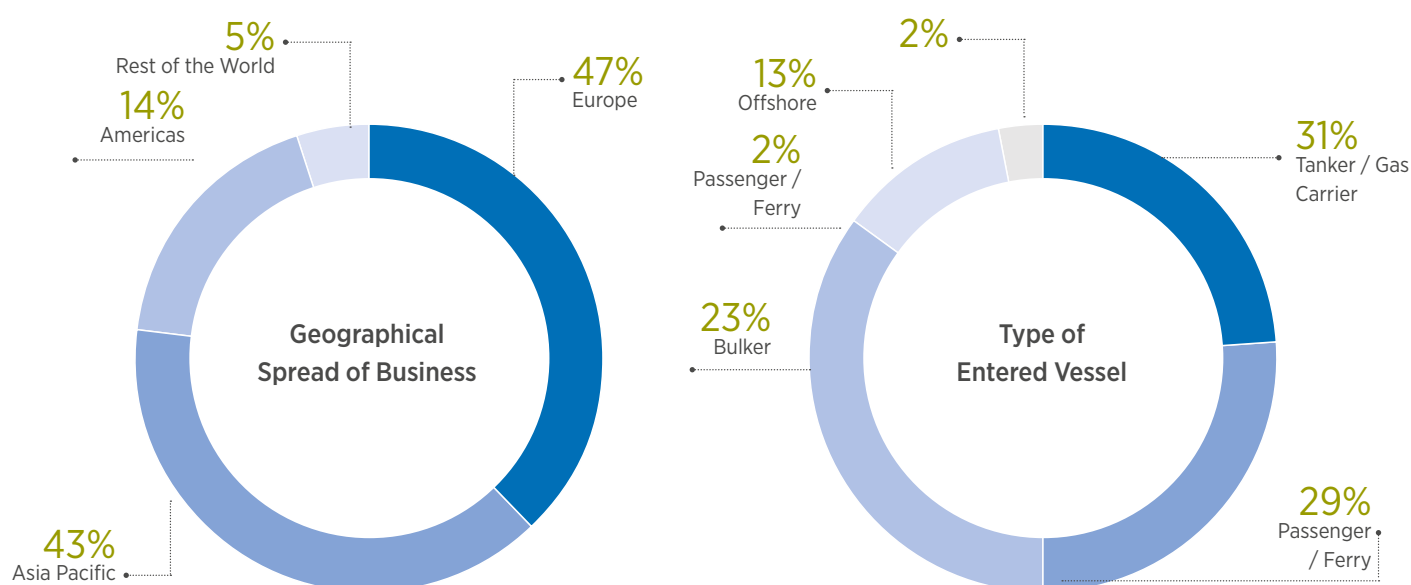
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	7.40%	1.52%	4.54%	2.84%	-0.50%

STEAMSHIP MUTUAL UNDERWRITING ASSOCIATION (BERMUDA) LTD

www.simsl.com

Aquatical House, 39 Bell Lane, London, E1 7LU, UK Tel: +44 207 247 5490 Fax: +44 207 426 6800

S&P Rating (last change: increase to A from A- in 2016) **A Stable**



Questions & Answers with... Stephen Martin – Chief Executive Officer

To date, what is the most valuable lesson learnt from 2020?

It seems clear that the efforts of the World's nations to control and eliminate the viral threat will take longer, cost more and wreak more damage than was widely expected even as recently as a few months ago. Catastrophic or unimaginable events are by definition hard to predict and may take us by surprise; but insurers should be sufficiently capitalised to withstand unexpected losses and to meet, within reason, the expectations of their policy holders.

This is not to say that the club is unaffected by the events of the last 6 months, or that members have avoided the impact of Corona. We believe however that the Club strikes the right balance between maintaining a reasonable level of reserves on the one hand, and avoiding excessive premium demands on the other.

Would you have done anything differently?

Capital is only one of the Club's strengths; service and commitment, and careful member selection, play equally important roles in achieving the Club's goals. One can always think of things we might have done differently, but overall we believe we met the challenges, not least because we place great emphasis on financial resources, security and service. We are fortunate to enjoy the confidence of members and brokers alike, and will continue to do what is necessary to justify that confidence.

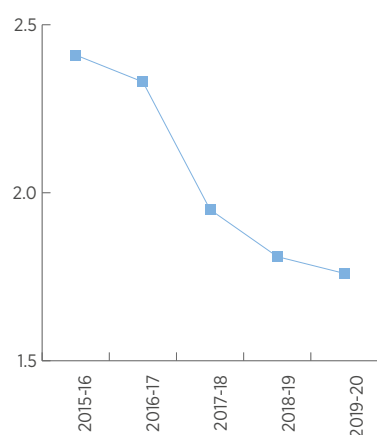
Our Club comment

The Club was the only one to operate at a combined ratio of under 100% during 2019-20, with this to no little extent due to releases from back years as their current year policy year underwriting results did not reflect the same profitability, being at 113% after 12 months. The average combined ratio across the last 6 years has been 92.1%

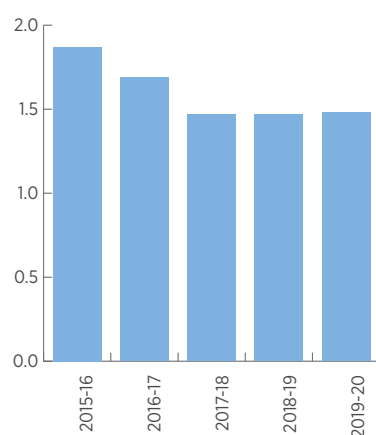
The Club continued its programme of returning funds to members in 2019-20, once more using the mechanism of a capital distribution to return USD16.3 million to members. This means the Club has returned almost USD90 million to members over the recent cycle of return funds, via both capital distributions and return calls.

As part of the Brexit process, with effect from 20 February 2020, the contracts of continuing Members with a country of management in the EEA were renewed into SMUAE, a newly authorised insurer incorporated in the Republic of Cyprus.

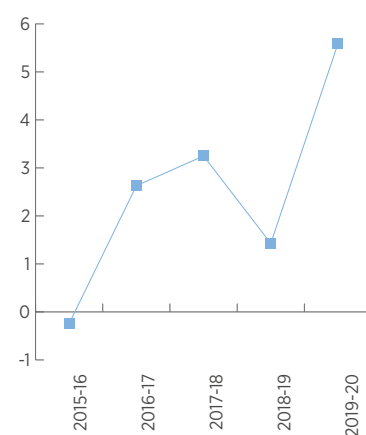
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	85.6	84.6	84.3	77.8	74.3
Chartered Tonnage	74.5	71.5	66.7	51.2	46.0

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	0%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	7.5%	0.0%	0.0%	0.0%	0.0%
On ETC	7.5%	0.0%	0.0%	0.0%	0.0%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	281.5	282.9	294.1	300.5	289.9
Incurred Claims	236.4	228.9	221.9	217.6	225.3
Total Outgoing	313.1	309.2	301.0	305.8	319.6
Underwriting Result	-31.6	-26.3	-6.9	-5.3	-29.7
Call Income/GT	1.76	1.81	1.95	2.33	2.41
Claims Incurred/GT	1.48	1.47	1.47	1.69	1.87

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	515.3	467.0	516.0	510.3	440.3
Capital Returned	-16.3	-21.9	-	-	-
Tier 1 Capital	461.1	455.4	505.9	504.6	-
Tier 2 Capital	88.5	80.8	93.6	106.3	-
Solvency Capital Required	251.1	245.4	247.0	227.3	-

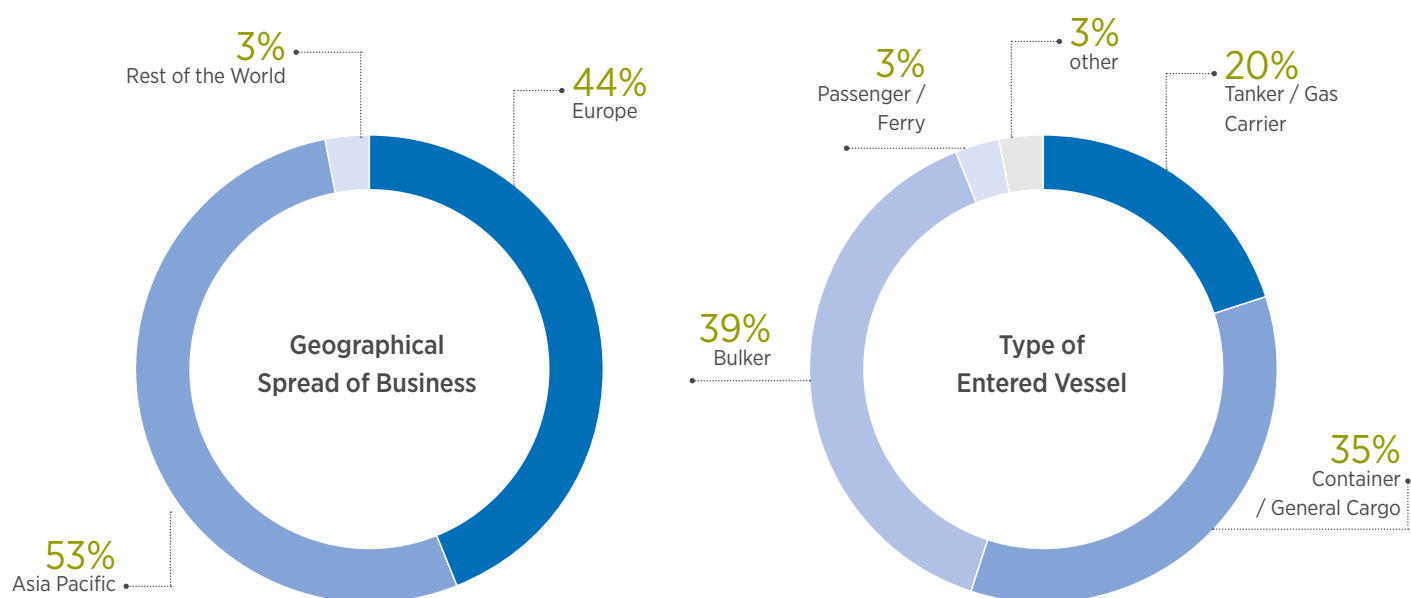
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	5.59%	1.43%	3.25%	2.63%	-0.24%

SVERIGES ANGFARTYGS ASSURANCE FORENING

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S&P Rating (last change: increase to A-from BBB+ in 2019) **A- Stable**



Questions & Answers with... Lars Rhodin – Managing Director

To date, what is the most valuable lesson learnt from 2020?

Whilst the purpose of underwriting is to provide cover for unlikely events, it is true to say that COVID-19 is a black swan that few people saw coming. This has forced the marine insurance industry to face an exposure which, although challenging, is now an inevitable part of business. We have, as has the whole industry, adapted to the situation, and taken all actions necessary so we can continue to serve our members and business partners. Flexible working has been key, as has making the most of all digital tools available to us.

I am very proud of the people in our organisation who have worked so hard to ensure we continue to deliver the top-quality service our members require.

Would you have done anything differently?

Whilst the purchase of a crystal ball may have been beneficial at the beginning of the year, in hindsight, it is difficult to see what we could have done differently. Our business is about risk and facing uncertainties and so being prepared for contingencies is key. The Swedish Club has one of the strongest solvency rates of all the IG group Clubs and this has stood us in good stead during these difficult times.

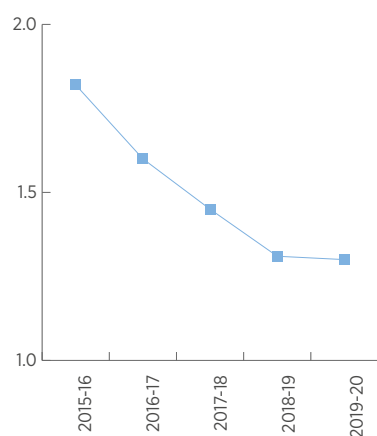
Our Club comment

The Club has launched an innovative new Trade Enabling Loss Prevention (“TELP”) product in 2019-20, providing real time loss prevention advice personalised to their location and voyage profile. This will enable members to receive specific advice when nearing areas of specific risks at each stage of a given voyage.

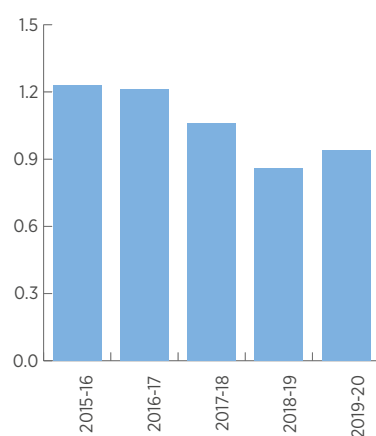
During 2020, the Club is applying for an insurance licence through its Hong Kong branch with the Insurance Authority of Hong Kong. The Hong Kong branch currently is tasked with providing marketing, client liaison and advisory services only.

The Club has reported on its results for the 6 months to 30 June 20. Free Reserves have fallen by USD3.4 million to USD225 million as a result of a 107% combined ratio, which generated an underwriting loss of USD3.3 million. The combined ratio is in line with the 108% ratio seen in the first 6 months of 2019. Investment income was essentially neutral, a small loss of USD0.1 million.

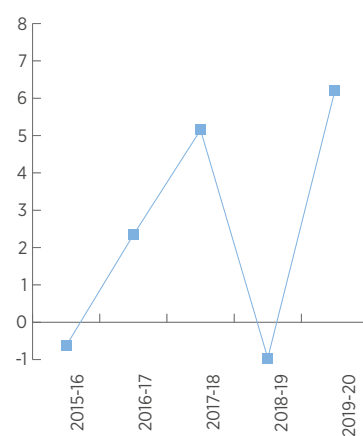
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	48.3	51.1	46.8	43.6	41.5
Chartered Tonnage	24.0	18.0	18.8	21.4	18.9

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	-5%	-4%	0%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	5.0%	0.0%	0.0%	0.0%	0.0%
On ETC	5.0%	0.0%	0.0%	0.0%	0.0%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	94.1	90.5	95.4	104.1	110.0
Incurred Claims	68.0	59.7	69.4	78.4	74.3
Total Outgoing	107.5	101.9	112.1	118.4	115.6
Underwriting Result	-13.4	-11.4	-16.7	-14.3	-5.6
Call Income/GT	1.30	1.31	1.45	1.60	1.82
Claims Incurred/GT	0.94	0.86	1.06	1.21	1.23

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	222.1	203.5	211.8	194.1	183.1
Tier 1 Capital	244.3	229.2	234.1	215.6	-
Tier 2 Capital	53.7	48.4	54.1	59.3	-
Solvency Capital Required	107.4	96.8	108.2	118.5	-

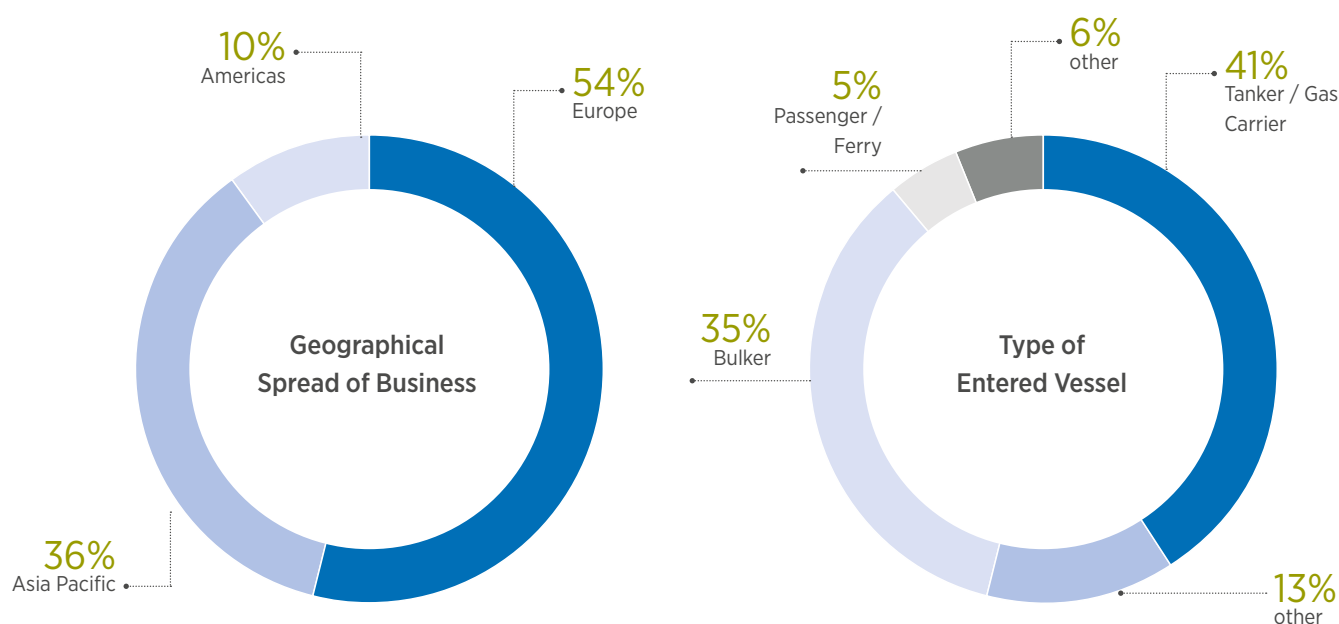
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	6.21%	-0.96%	5.15%	2.34%	-0.63%

THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (BERMUDA) LTD

www.ukpandi.com

90 Fenchurch Street, London, EC3M 4ST, UK Tel: +207 283 4646 Fax: +207 549 4243

S&P Rating (last change: increase to A from A- in 2014) **A Negative**



Questions & Answers with... Andrew Taylor – Chief Executive Officer

To date, what is the most valuable lesson learnt from 2020?

COVID-19 has underlined the importance of a resilient mutual system. The Club's strength makes it well placed to deal with such challenges while focussing on our key aim of providing top level service for all members. COVID-19 has required greater flexibility than ever before to maintain the Club's high standards.

Would you have done anything differently?

This crisis is far from over and there may be more challenges to come. We continue to learn and adapt to the situation as it evolves and have remained focussed on ensuring the safety of our people and providing support and excellent service for our members.

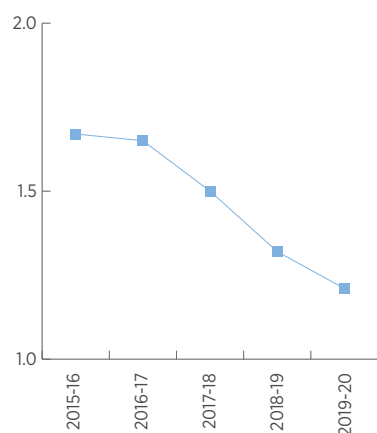
Our Club comment

From 21 February 2019, the Group renewed all of its EEA members into the Group's new subsidiary undertaking in Rotterdam known as UK P&I NV.

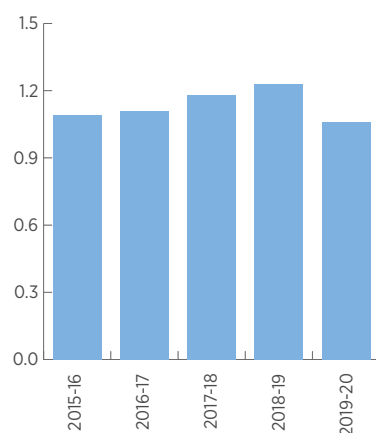
In the year to 20 February 2020, The Club began fronting professional indemnity business on behalf of The International Transport Intermediaries Club, a mutual insurance company for transport intermediaries managed within the wider Thomas Miller group. This business is 100% reinsured back to ITIC, so that the Club does not retain any of the risk.

Following the year-end, on 27 February 2020, an arrangement was reached with an external insurer, Randall & Quilter, in respect of the Club's occupational disease claims which, it is hoped, should eliminate the Club's future exposure to long tail volatile exposures, particularly related to asbestos. This will have the added benefit of improving the Club's solvency position.

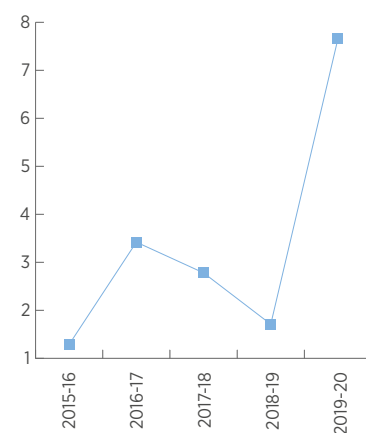
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	144.0	143.7	139.0	135.0	130.0
Chartered Tonnage	108.0	100.0	100.0	100.0	100.0

CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	0%

GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	n/a	0.0%	0.0%	0.0%	2.5%
On ETC	n/a	0.0%	0.0%	0.0%	2.5%

POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	304.5	322.8	357.4	387.0	383.6
Incurred Claims	266.0	300.2	283.1	260.3	250.4
Total Outgoing	367.8	405.6	388.7	383.3	370.4
Underwriting Result	-63.3	-82.8	-31.3	3.7	13.2
Call Income/GT	1.21	1.32	1.50	1.65	1.67
Claims Incurred/GT	1.06	1.23	1.18	1.11	1.09

SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	559.2	504.8	540.0	458.4	447.8
Hybrid Capital	0.0	0.0	99.8	99.4	99.1
Tier 1 Capital	549.7	478.4	656.2	597.9	-
Tier 2 Capital	164.7	151.5	38.2	39.2	-
Solvency Capital Required	329.4	303.0	343.7	375.0	-

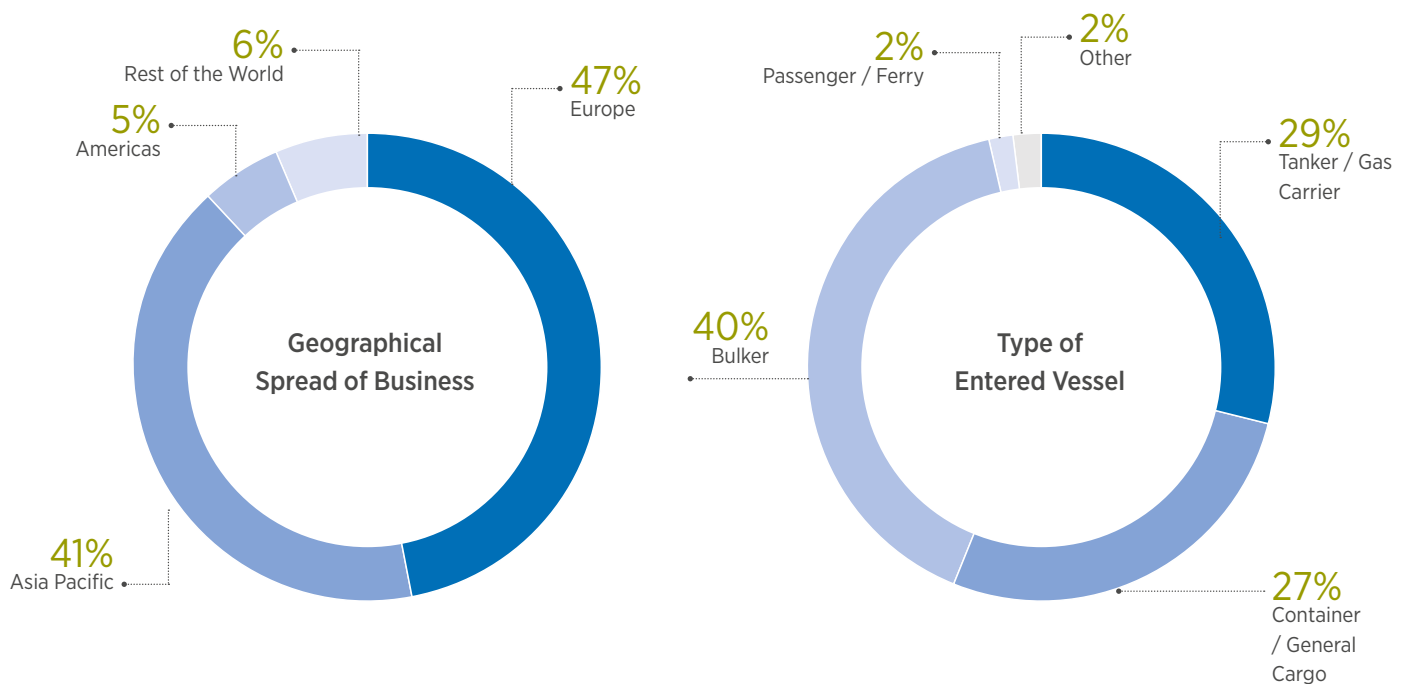
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	7.66%	1.71%	2.78%	3.42%	-1.29%

WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION

www.westpandi.com

90 Fenchurch Street, London, EC3M 4ST, UK Tel: +207 283 4646 Fax: +207 549 4243

S&P Rating (last change: increase to A from A- in 2014) **A Stable**



Questions & Answers with... Tom Bowsher – Group Chief Executive Officer

To date, what is the most valuable lesson learnt from 2020?

The need to continually to adapt and evolve to meet our Members' needs. We successfully and rapidly changed the way we work on a daily basis due to the pandemic but as importantly demonstrated our progressive outlook through the launch of our partnerships and joint ventures that enhance the product suite available to our Members'. We have and must always remain sufficiently agile to meet the changing demands of our shipowners.

Would you have done anything differently?

In 2020, we have all been forced to navigate in waters that are uncharted for society as a whole let alone insurers and we, like everyone else, have had to learn lessons quickly along the way. But we are proud that our business has continued to function seamlessly and look forward to the return of normality whenever that might be.

Our Club comment

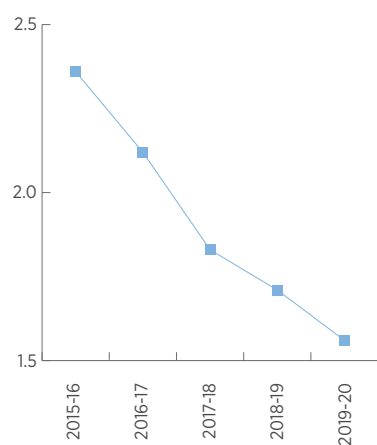
In the previous financial year the Club sold its Headquarters building which, with the benefit of hindsight and in light of the probable ramifications on central London commercial property prices from sustained home working, could prove to have been a very sound decision.

During 2020-21, the Club has embarked on a sequence of diversification following the recent introduction of a fixed premium small craft product which has brought some 1.8 million GT of new business in its early days. The Club has also acquired an equity stake in Nordic Marine Insurance, from Alandia Insurance, which provides specialist products for the shipowner and charterer including delay cover and lien insurance.

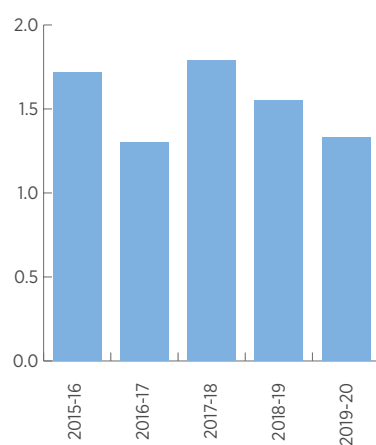
Other diversification has been more in the lines of ancillary services with the acquisition of interest in two other projects. Firstly the Club has acquired a significant stake in Astaara Company Ltd, a marine cyber insurance provider / risk manager. Astaara was founded by former Standard Club underwriter, Robert Dorey.

Secondly, the Club has set up, in partnership with C Solutions Limited, QWEST which aims to offer products and services to assist ship operators, such as legal and claims support, forensics and assistance with demurrage recoveries.

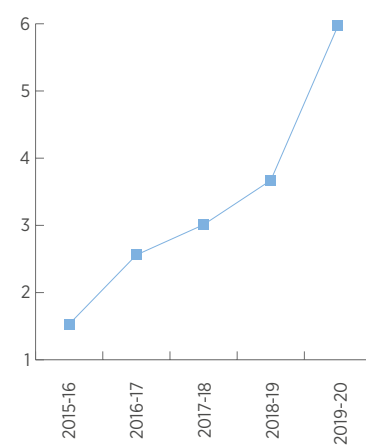
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2019-20	2018-19	2017-18	2016-17	2015-16
Owned Tonnage	93.1	90.5	83.6	73.4	68.4
Chartered Tonnage	40.0	30.0	27.5	25.0	23.0
	40				
CALL HISTORY	2020-21	2019-20	2018-19	2017-18	2016-17
Forecast Call	0%	0%	0%	35%	35%
Latest Estimate	0%	0%	0%	35%	35%
GENERAL INCREASE	2020-21	2019-20	2018-19	2017-18	2016-17
On Advance Call	2.5%	5.0%	0.0%	0.0%	0.0%
On ETC	2.5%	0.0%	0.0%	0.0%	0.0%
POLICY YEAR DATA	2019-20	2018-19	2017-18	2016-17	2015-16
Call Income	207.9	205.9	203.2	208.5	216.1
Incurred Claims	176.8	186.9	198.6	127.6	157.1
Total Outgoing	250.6	259.2	259.6	198.4	233.2
Underwriting Result	-42.7	-53.3	-56.4	10.1	-17.1
Call Income/GT	1.56	1.71	1.83	2.12	2.36
Claims Incurred/GT	1.33	1.55	1.79	1.30	1.72
SOLVENCY	2019-20	2018-19	2017-18	2016-17	2015-16
Total Free Reserve	338.2	306.4	308.5	306.5	276.7
Tier 1 Capital	321.6	308.9	296.0	300.0	-
Tier 2 Capital	87.9	82.7	92.0	87.0	-
Solvency Capital Required	175.8	165.4	184.0	174.1	-
INVESTMENT INCOME	2019-20	2018-19	2017-18	2016-17	2015-16
Return on Total Assets	5.97%	3.67%	3.01%	2.56%	1.53%





03

Industry Statistics

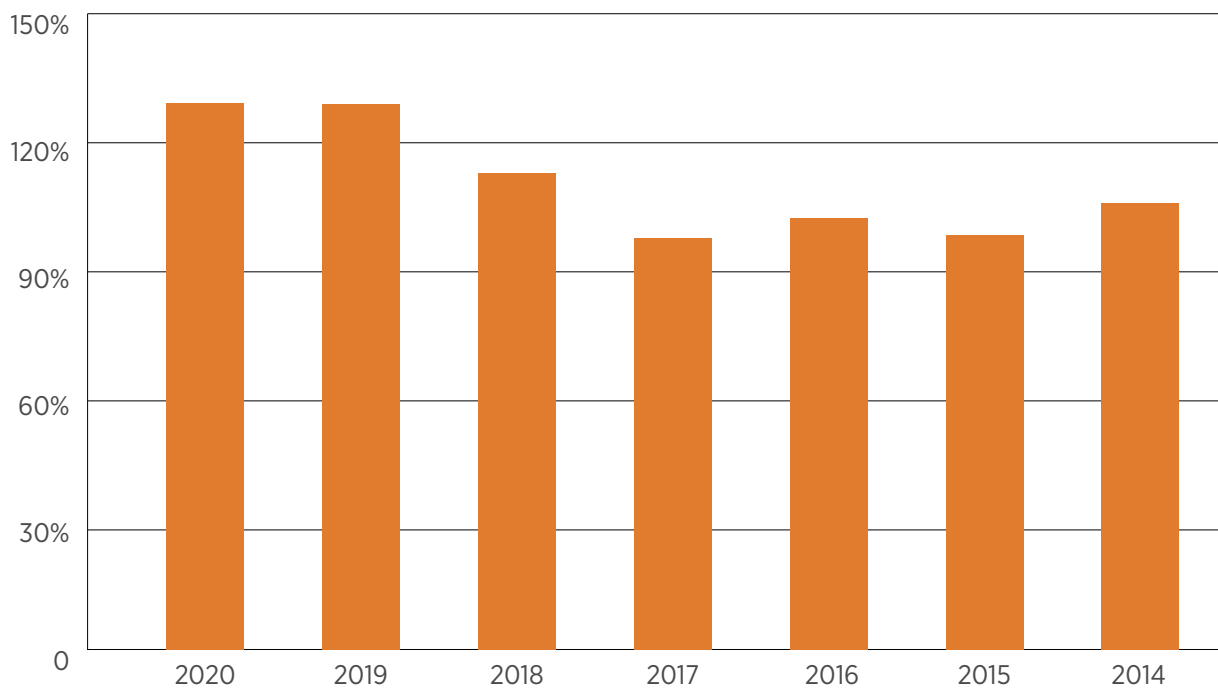
7 Year Combined Ratio

7 Year Combined Ratio, after eliminating excess call income, policy year basis

	Average		Best		Worst
Japan	99.61%	2015-16	85.73%	2019-20	134.47%
Skuld	100.68%	2015-16	89.27%	2017-18	117.37%
Shipowners	101.83%	2013-14	88.25%	2018-19	119.53%
Steamship	105.61%	2014-15	95.04%	2019-20	113.98%
Gard	107.58%	2016-17	90.99%	2018-19	138.31%
North	109.21%	2015-16	89.77%	2019-20	138.97%
Average	109.44%	2016-17	97.16%	2019-20	128.94%
UK	110.32%	2015-16	95.39%	2018-19	134.38%
American	111.66%	2015-16	92.50%	2017-18	126.49%
Standard	113.09%	2016-17	93.22%	2019-20	147.00%
Swedish	114.54%	2014-15	94.80%	2017-18	124.57%
West	115.26%	2014-15	82.43%	2017-18	139.61%
Britannia	128.18%	2016-17	99.26%	2019-20	161.94%
London	129.61%	2015-16	105.02%	2018-19	150.03%

Underlying data capped at 36m development

Combined Ratio



Premium & Claims per GT

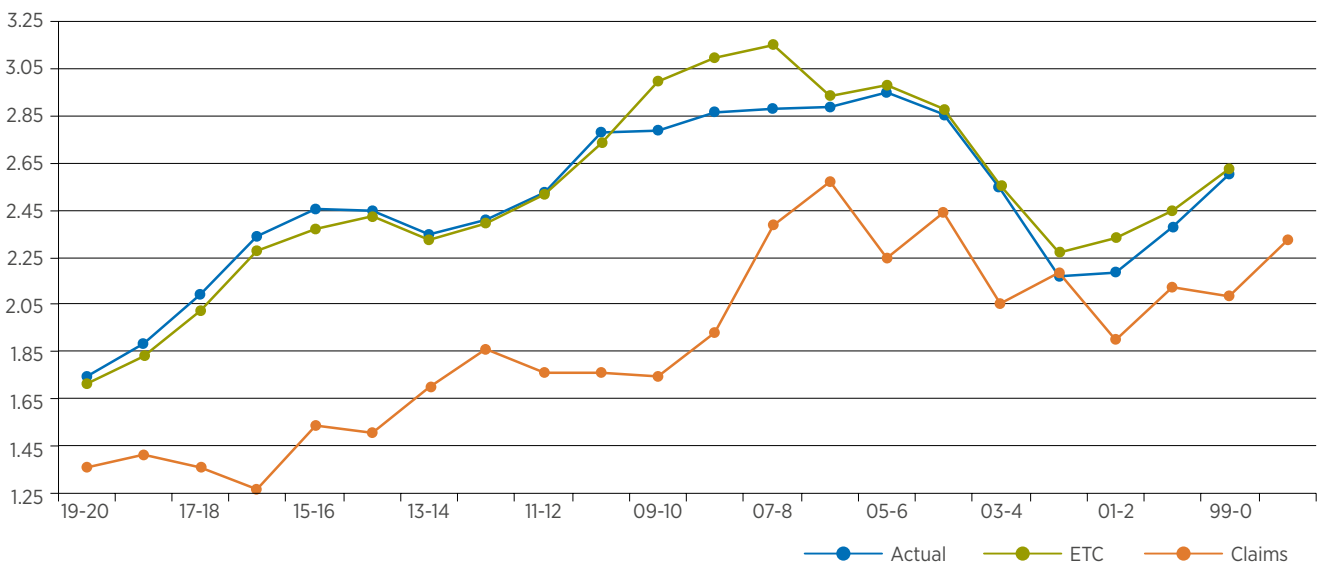
Expressed in USD per total Entered Ton (Policy Year Figures)

Policy Year:		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
American	Premium	4.79	5.51	6.02	7.16	6.4	6.39	6.67
	Claims	2.20	2.43	2.96	3.89	2.71	3.76	4.01
Britannia	Premium	1.48	1.57	1.70	1.65	1.81	1.94	2.03
	Claims	1.30	1.31	1.38	1.00	1.55	1.29	1.66
Gard	Premium	1.40	1.57	1.51	1.73	2.27	2.36	2.40
	Claims	1.34	1.36	1.11	1.04	1.68	1.53	1.55
Japan	Premium	2.19	2.39	2.62	2.71	3.01	2.04	2.16
	Claims	1.42	1.29	1.25	1.08	1.30	1.05	1.49
London	Premium	1.49	1.59	1.69	1.75	1.91	1.98	2.10
	Claims	1.57	1.66	1.41	1.37	1.37	1.88	1.84
North of England	Premium	1.21	1.33	1.46	1.59	1.97	2.05	2.04
	Claims	1.09	1.17	1.13	0.94	1.15	1.44	1.27
Shipowners*	Premium	8.46	8.20	8.54	8.91	9.81	10.51	10.32
	Claims	6.13	6.38	5.32	5.91	6.39	6.88	5.94
Skuld	Premium	1.72	1.88	1.96	2.23	2.24	2.41	2.35
	Claims	1.17	1.32	1.49	1.28	1.28	1.47	1.47
Standard	Premium	1.64	1.70	1.91	2.13	2.52	2.62	2.42
	Claims	1.47	1.40	1.25	1.29	1.69	1.51	1.92
Steamship	Premium	1.76	1.81	1.95	2.33	2.41	2.64	2.98
	Claims	1.48	1.47	1.47	1.69	1.87	1.65	2.05
Swedish	Premium	1.30	1.31	1.45	1.60	1.82	1.83	1.91
	Claims	0.94	0.86	1.06	1.21	1.21	1.03	1.35
United Kingdom	Premium	1.21	1.32	1.50	1.65	1.67	1.79	1.90
	Claims	1.06	1.23	1.18	1.11	1.09	1.17	1.46
West of England	Premium	1.56	1.71	1.79	2.12	2.36	2.56	2.66
	Claims	1.33	1.55	1.79	1.30	1.72	1.34	2.00

* Historic undercalling impact of Shipowners Club is not significant on figures

Blue figures are policy years when excess calls have been accounted for.
Orange figures are policy years when under calling has happened.

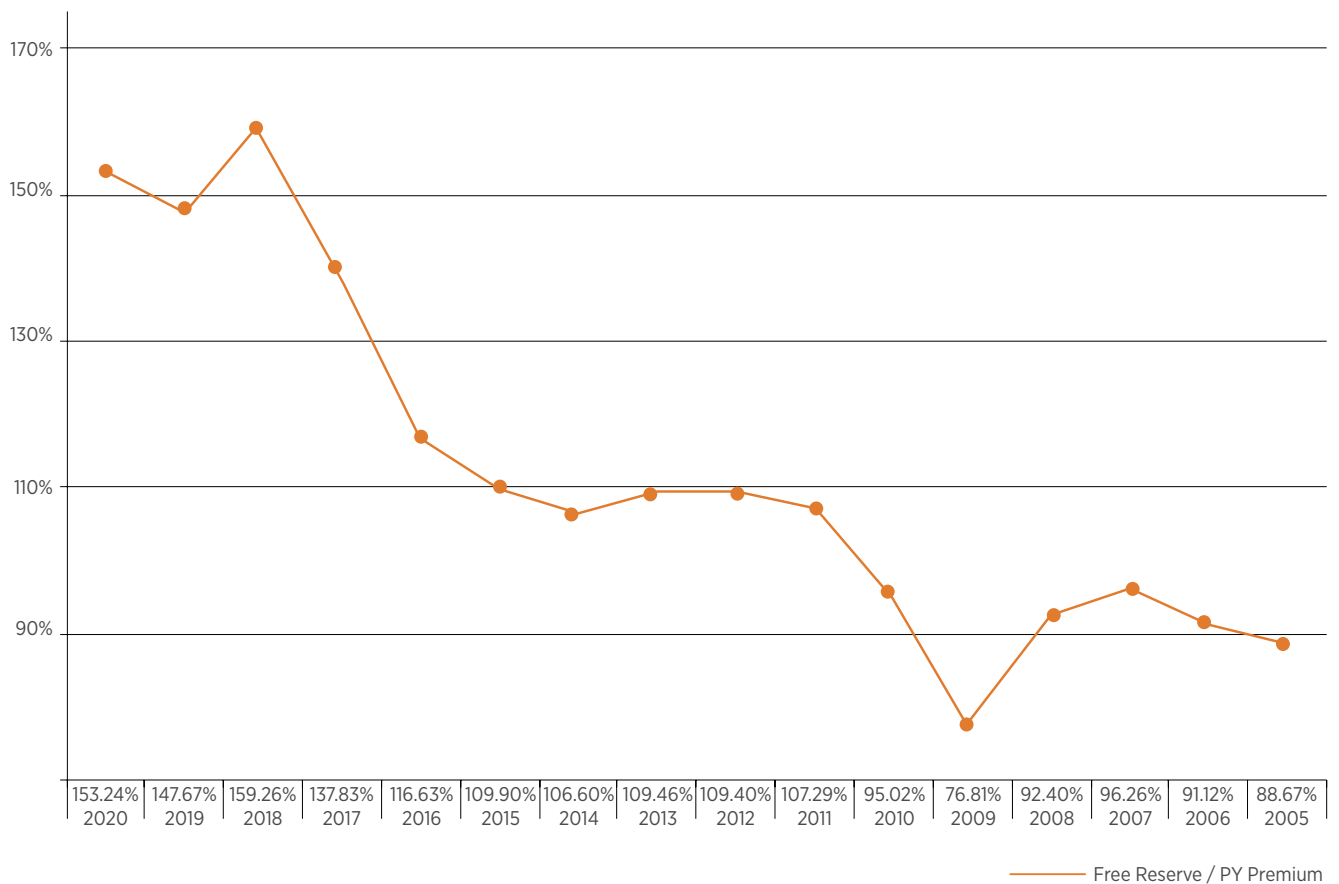
\$ Per GT Tonnage



Free Reserves

Free Reserves: Premium income

Club	2020	2019	2018	2017	2016	2015	2014	2013
American	65.57%	67.46%	93.90%	78.95%	87.12%	57.58%	57.49%	55.53%
Britannia	306.78%	295.09%	327.83%	258.18%	209.04%	214.43%	171.72%	154.15%
Gard	156.13%	157.69%	183.35%	147.89%	112.57%	100.26%	100.78%	102.69%
Japan	131.57%	123.33%	104.19%	93.96%	73.30%	80.72%	68.83%	87.58%
London	173.74%	187.22%	211.72%	200.44%	162.23%	157.24%	166.29%	168.34%
North of England	128.06%	134.21%	116.22%	100.57%	87.46%	71.77%	81.42%	85.46%
Shipowners	148.36%	136.21%	157.61%	129.88%	115.75%	121.61%	122.75%	124.05%
Skuld	119.22%	112.72%	109.64%	98.89%	84.94%	84.54%	88.18%	97.01%
Standard	111.37%	112.50%	138.05%	127.07%	110.10%	107.43%	109.64%	117.31%
Steamship	183.10%	165.07%	175.43%	169.82%	151.91%	125.11%	98.92%	102.34%
Swedish	141.11%	143.68%	141.32%	116.05%	101.48%	101.89%	95.63%	87.10%
United Kingdom	183.63%	156.36%	178.22%	144.13%	142.57%	138.23%	132.37%	138.26%
West of England	162.67%	148.79%	151.84%	147.00%	128.03%	117.41%	110.37%	106.54%
Total	153.24%	147.67%	159.26%	137.83%	116.63%	109.90%	106.60%	109.46%



Solvency II Analysis

(In millions of USD)

Club	SCR	Capital Tier 1	Capital All Tiers	Cover Tier 1	Cover All Tiers
Swedish	107.4	244.3	298.0	227.5%	277.5%
Gard	511.0	1089.0	1344.0	213.1%	263.0%
Steamship	251.1	461.1	549.6	183.6%	218.9%
West of England	175.8	321.6	409.5	182.9%	232.9%
UK	329.4	549.7	714.4	166.9%	216.9%
Britannia	261.2	396.5	526.0	151.8%	201.4%
Standard	229.1	345.6	397.7	150.9%	173.6%
Shipowners	200.9	280.9	381.3	139.8%	189.8%
Skuld	289.8	367.7	512.6	126.9%	176.9%
London	117.6	148.3	173.3	126.1%	147.4%
North of England (UK)	119.1	201.6	261.1	169.3%	219.2%
Market Average 2020				170.0%	214.6%
Market Average 2019				172.8%	217.6%

All data above is based on the reporting group as analysed elsewhere in this document, except for North of England. This Club does not present Solvency II information in a manner consistent with the combined financial statements which are used for analysis throughout the rest of this report. Data relating to those elements of the Group that are subject to UK regulation are included for information only but are not truly comparable with the peer group.

The American and Japan Clubs are not subject to the Solvency 2 regime.

Terminology:

SCR

Solvency Capital Requirement, as proscribed by the regulatory body responsible for the supervision of the particular Club / reporting group. Precise terminology may differ between countries.

Tier 1

This is the basic capital as shown in the Solvency II adjusted balance sheet.

Tier 2/3

These are ancillary funds available to the Club, predominantly reflecting the ability to make excess calls but may also include restricted, ring fenced, funds in the balance sheet that do not form part of Tier 1. The treatment of Hydra has changed in 2018 reports, as described more fully later in this report.

Cover

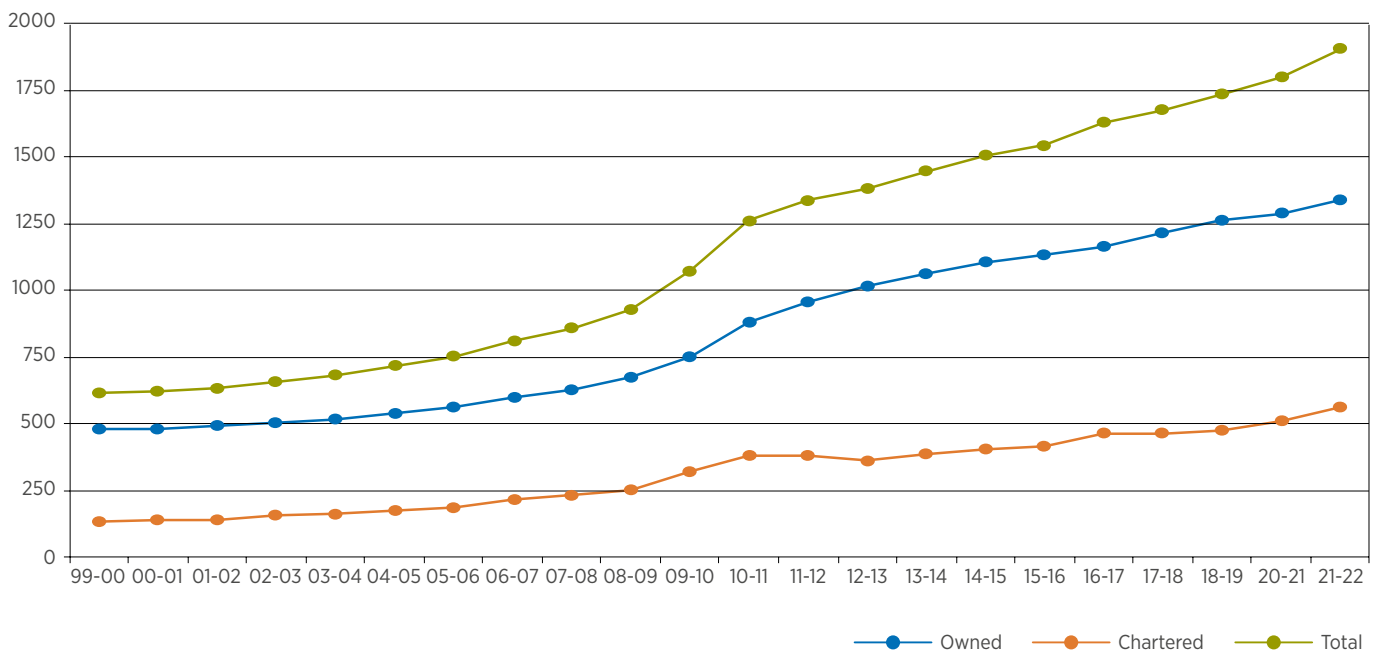
Shows the percentage by which available capital exceeds Solvency II requirements.

Tonnage

Entered Tonnage Expressed in Millions of GT

		2020-21(p)	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
American	Owned	17.5	18.4	17.1	15.5	14.1	13.9	16.7	15.1	16.1	16.1
	Charter	45.0	19.0	20.0	15.0	35.0	27.0	23.0	25.0	28.9	32.8
Britannia	Owned	117.5	111.9	107.0	100.4	105.9	108.5	108.0	110.5	111.1	103.2
	Charter	45.0	19.0	20.0	15.0	35.0	27.0	23.0	25.0	28.9	32.8
Gard	Owned	244.7	229.5	223.3	216.6	215.2	209.4	206.7	186.7	174.3	162.1
	Charter	95.0	85.0	85.0	90.0	90.0	60.0	57.5	57.5	60.0	57.5
Japan	Owned	98.8	95.5	93.5	93.7	91.5	92.2	93.1	92.0	90.2	89.9
	Charter	14.0	13.7	12.1	12.2	12.5	12.5	11.8	12.8	13.5	13.6
London	Owned	51.6	51.1	46.7	45.0	43.9	44.7	43.5	42.2	40.7	39.2
	Charter	15.0	16.0	12.0	9.5	9.8	7.3	7.1	3.9	4.2	5.4
North of England	Owned	160.0	147.0	142.0	140.0	131.0	127.0	131.0	127.0	123.0	123.0
	Charter	70.0	60.0	53.0	50.0	54.0	43.0	49.0	43.0	39.0	40.0
Shipowners	Owned	27.0	26.6	26.7	24.9	24.8	24.0	23.0	23.1	21.4	19.3
	Charter	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5	0.5
Skuld	Owned	105.4	100.7	100.0	99.0	93.1	84.7	80.3	80.2	80.2	66.9
	Charter	45.0	45.0	45.0	45.0	37.0	50.0	48.0	51.0	42.8	45.0
Standard	Owned	133.5	133.0	135.0	125.0	116.0	112.0	104.0	108.0	94.0	85.5
	Charter	22.5	22.0	24.0	24.0	24.0	23.0	27.0	27.0	30.0	37.5
Steamship	Owned	88.4	85.6	84.6	84.3	77.8	74.3	68.7	65.3	62.6	57.8
	Charter	68.1	74.5	73.5	66.7	51.2	46.0	45.0	37.0	30.0	34.0
Swedish	Owned	51.0	48.3	51.1	46.8	43.6	41.5	41.0	37.1	34.8	33.9
	Charter	35.7	24.0	18.0	18.8	21.4	18.9	16.8	15.3	15.9	15.9
United Kingdom	Owned	142.0	144.0	143.7	139.0	135.0	130.0	127.0	120.0	116.0	112.0
	Charter	110.0	108.0	100.0	100.0	100.0	100.0	95.0	90.0	80.0	80.0
West of England	Owned	102.6	93.8	90.5	83.6	73.4	68.4	59.2	53.7	50.9	49.2
	Charter	40.0	40.0	30.0	27.5	25.0	23.0	22.0	20.0	17.0	17.5
Totals	Owned	1340.0	1285.4	1261.2	1213.8	1165.3	1130.6	1102.2	1060.9	1015.3	958.1
	Charter	563.8	511.5	474.6	462.0	462.0	413.1	403.6	384.0	362.7	380.0
	Total	1903.8	1796.9	1735.8	1675.8	1627.3	1543.7	1505.8	1444.9	1378.0	1338.1

International Group Tonnage Development



Comparative Growth Factors

Growth in key statistics between 2014-15 and 2019-20

Club	Owner Tonnage	PY Call Income	Free Reserve Total	Free Reserve Natural
Note	(1)	(2)	(3)	(4)
American	+10.18%	-16.02%	+25.75%	-49.67%
Britannia	+3.61%	-28.17%	+8.98%	+24.53%
Gard	+11.03%	-21.22%	+21.69%	
Japan	+2.58%	-22.17%	+36.88%	
London	+17.47%	-0.02%	+10.47%	
North of England	+12.21%	-32.11%	+31.26%	
Shipowners	+15.65%	-7.19%	+13.22%	
Skuld	+25.40%	-19.13%	+38.98%	
Standard	+27.88%	-26.17%	+3.52%	-1.34%
Steamship	+24.60%	-13.79%	+36.99%	+47.16%
Swedish	+17.80%	-11.21%	+20.59%	
United Kingdom	+13.39%	-24.73%	+2.09%	+20.31%
West of England	+58.45%	+0.15%	+38.76%	
Market	+16.62%	--20.08%	+20.10%	+24.12%

(1) This ratio is the growth in owned tonnage;

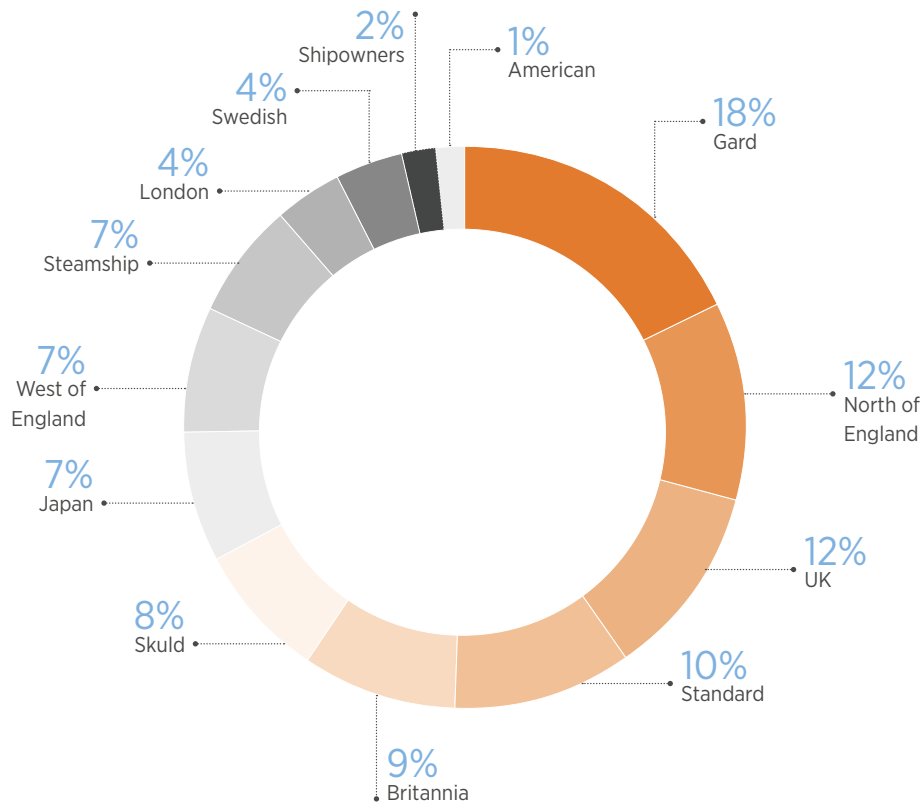
(2) This ratio is the growth in policy year P&I premium income, stripped of the effect of any excess calls and adjusted for any under-calling in the two years in question. It may not reflect the full impact of late developing premium in the 2018-19 policy year;

(3) This ratio is the growth in Free Reserve caused by any activity in the period, including calling patterns, mergers and capital raising through debt issuance;

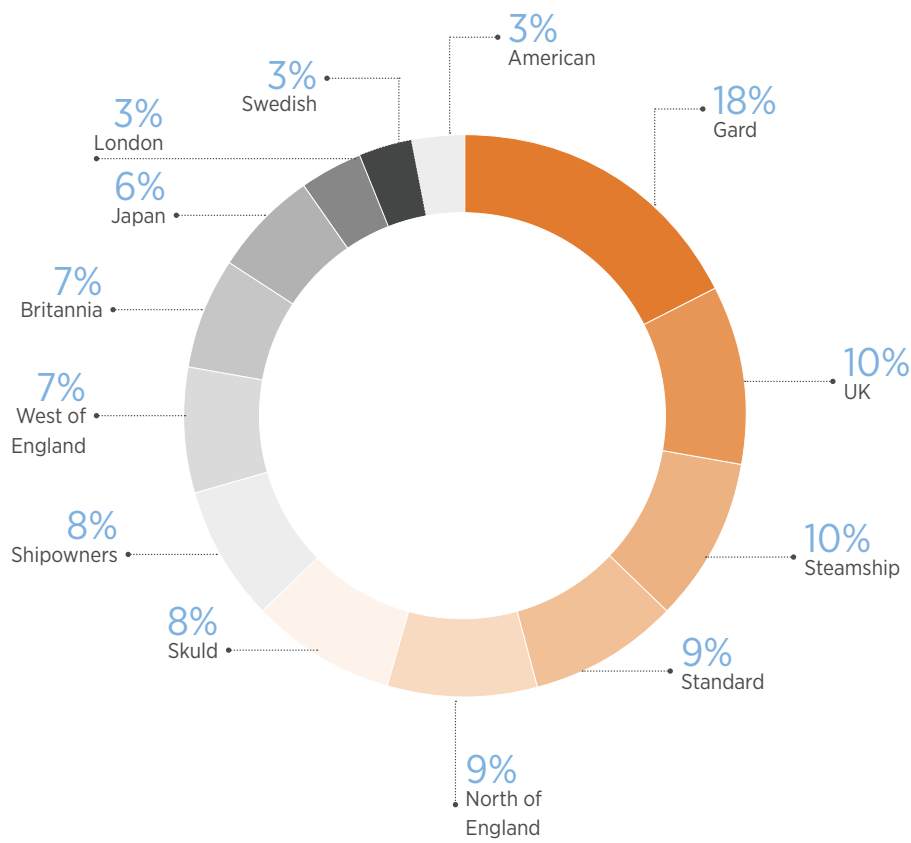
(4) This ratio shows the change in Free Reserve attributable to normal trading activity, ie it excludes the impact of over calling (but not under-calling) and also the impact of new capital and structural changes. Where a figure is not shown, the column 4 figure is the same as column 3.

Market Share

Market Share by Owned Tonnage



Market Share by P&I Policy Year Premium



General Increases 2013 – 2020 – Effective ETC Basis

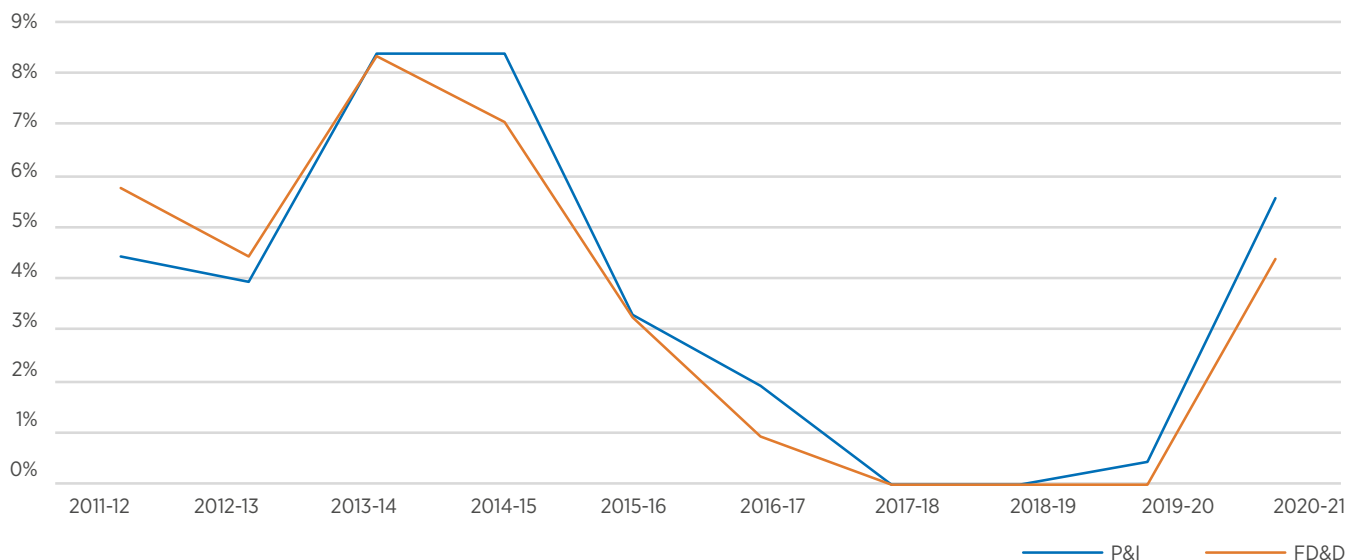
	Class	2020	2019	2018	2017	2016	2015	2014	2013
American	P&I	n/a	0.0%	0.0%	0.0%	2.5%	4.5%	10.0%	10.0%
	FD&D	n/a	0.0%	0.0%	0.0%	0.0%	4.5%	10.0%	10.0%
Britannia	P&I	n/a	0.0%	0.0%	0.0%	2.5%	2.5%	8.1%	10.5%
	FD&D	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%
Gard¹	P&I	0.0%	0.0%	0.0%	0.0%	2.5%	2.5%	5.0%	5.0%
	FD&D	0.0%	0.0%	0.0%	0.0%	2.5%	10.0%	5.0%	5.0%
Japan	P&I	7.5%	0.0%	0.0%	0.0%	3.0%	3.0%	7.5%	5.0%
	FD&D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.5%	0.0%
London	P&I	7.5%	0.0%	0.0%	0.0%	5.0%	6.0%	10.0%	12.5%
	FD&D	7.5%	0.0%	0.0%	0.0%	5.0%	6.0%	10.0%	12.5%
North of England	P&I	7.5%	0.0%	0.0%	0.0%	2.50%	4.75%	7.5%	15.0%
	FD&D	7.5%	0.0%	0.0%	0.0%	2.5%	5.0%	5.0%	10.0%
Shipowners	P&I	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%
Skuld²	P&I	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.5%
	FD&D	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.5%
Standard	P&I	7.5%	0.0%	0.0%	0.0%	2.5%	5.0%	12.5%	7.5%
	FD&D	7.5%	0.0%	0.0%	0.0%	0.0%	5.0%	12.5%	15.0%
Steamship	P&I	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	7.5%
	FD&D	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	7.5%
Swedish	P&I	5.0%	0.0%	0.0%	0.0%	0.0%	2.5%	7.5%	7.5%
	FD&D	5.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%
United Kingdom	P&I	n/a	0.0%	0.0%	0.0%	2.5%	6.2%	10.0%	7.5%
UK Defence	FD&D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	7.5%
West of England	P&I	2.5%	5.0%	0.0%	0.0%	0.0%	2.5%	7.5%	7.5%
	FD&D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.5%	9.0%

1 Gard express their premium plans in terms of "Combined Ratio Net" which is then converted to an effective General Increase.

3 For 2020 American, Britannia and UKPI all ceased to levy a general increase.

2 Skuld have abandoned General Increases and figures shown in this table are their anticipated incremental premium requirements where advised.

General increases by class



Average Expense Ratio

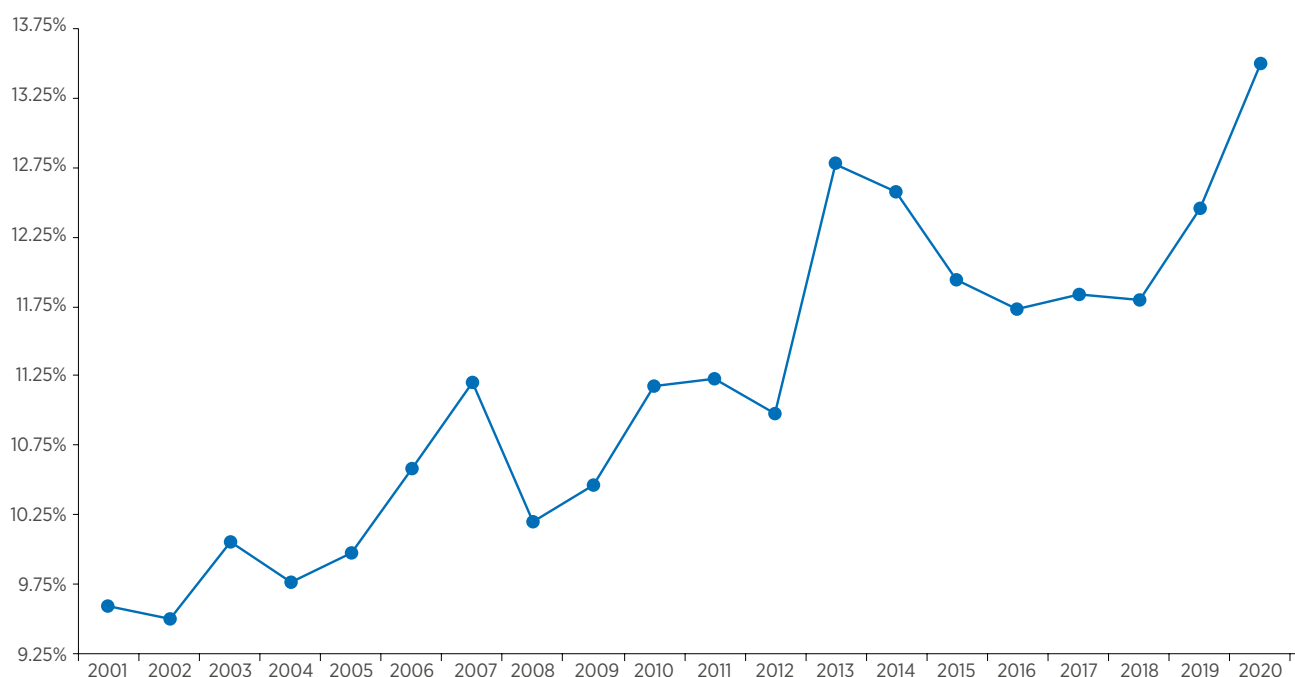
Policy Year:	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
American	18.30%	20.50%	21.50%	24.20%	24.20%	21.60%	19.30%
Britannia	11.50%	10.90%	9.73%	9.12%	9.12%	8.43%	8.03%
Gard	12.81%	13.04%	11.21%	11.84%	11.84%	11.40%	11.30%
Japan	7.42%	6.52%	6.21%	5.18%	5.18%	5.25%	5.73%
London	10.41%	10.30%	9.68%	9.52%	9.52%	8.78%	8.36%
North of England	13.70%	12.70%	12.10%	12.40%	12.40%	12.40%	12.50%
Shipowners	23.00%	24.00%	22.00%	21.00%	21.00%	20.00%	18.00%
Skuld	13.00%	12.80%	12.70%	12.80%	12.80%	12.90%	12.30%
Standard	12.90%	12.78%	12.50%	12.20%	12.20%	11.40%	10.90%
Steamship	12.10%	12.40%	12.20%	12.10%	12.10%	11.80%	11.30%
Swedish	13.20%	13.80%	13.40%	13.30%	13.30%	13.00%	12.10%
United Kingdom	11.28%	11.09%	10.31%	10.17%	10.17%	9.66%	9.35%
West of England	14.60%	14.68%	14.75%	15.50%	15.50%	14.86%	14.24%

After a drop in 2013-4 as the negative investment income of 2008-09 dropped out of the calculation for many Clubs, the AER continued to drift upwards, encouraged in 2015-16 and 2018-19 by another bout of reduced or negative investment income.

In the current year the movement was fairly evenly split, rather a curiosity since investment income was unusually high in 2019-20 which should have resulted in the AER falling, particularly since the year dropping out of the rolling computation was the relatively “average” (at least, for investment income) year 2014-15.

It is interesting to note that the majority of the explanation for moves in the AER level stem from investment and foreign exchange trends. This basically demonstrates that the measure is rather divorced from the assessment of underwriting management expenses, and is of little value in comparing Clubs.

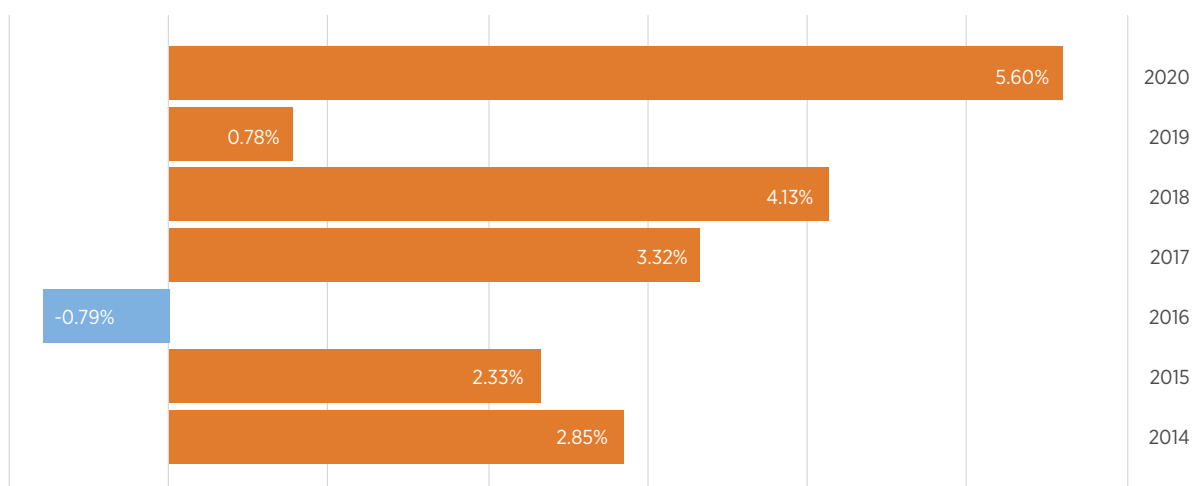
Average Expense Ratio



7 Year Investment Return expressed as a percentage of Total Assets

	Average		Best		Worst
London	4.79%	2019-20	9.44%	2015-16	-2.91%
West of England	3.43%	2019-20	5.97%	2015-16	1.53%
UK	3.00%	2019-20	7.66%	2015-16	-1.29%
Standard	2.74%	2019-20	7.40%	2015-16	-0.50%
Gard	2.71%	2017-18	5.54%	2015-16	-0.93%
Skuld	2.61%	2017-18	5.21%	2015-16	-1.52%
American	2.60%	2019-20	5.46%	2018-19	-0.21%
Market Average	2.60%	2019-20	5.60%	2015-16	-0.79%
Swedish	2.33%	2019-20	6.22%	2018-19	-0.96%
North of England	2.30%	2019-20	5.31%	2015-16	-0.77%
Shipowners	2.29%	2019-20	5.91%	2018-19	-2.71%
Steamship	2.19%	2019-20	5.59%	2015-16	-0.24%
Britannia	2.18%	2019-20	5.70%	2015-16	-2.04%
Japan	1.39%	2017-18	2.06%	2019-20	0.30%

Market investment yield



Investment Allocations

Investment Allocation by Club 20 February 2020

Club	Equities	Fixed Interest	Cash	Other
American	35.28%	52.95%	7.94%	3.83%
Britannia	29.29%	40.67%	29.81%	0.03%
Gard	25.05%	66.93%	8.02%	0.00%
Japan	0.00%	57.25%	42.75%	0.00%
London	15.38%	64.57%	14.18%	5.87%
North of England	11.93%	77.84%	10.33%	-0.10%
Shipowners	15.73%	64.79%	19.48%	0.00%
Skuld	21.03%	57.02%	20.41%	1.54%
Standard	21.20%	70.07%	8.72%	0.01%
Steamship	7.88%	71.45%	12.08%	8.59%
Swedish	19.03%	73.46%	7.42%	0.09%
UK	21.61%	63.69%	11.24%	3.46%
West of England	16.55%	72.34%	11.11%	0.00%
Market	18.86%	64.88%	14.66%	1.60%

Blue - Lowest
Orange - Highest

Proportion of Equities held by Club over time

Club	2020	2019	2018	2017	2016	2015	2014
American	35.28%	40.65%	38.99%	38.16%	36.21%	40.05%	40.63%
Britannia	29.29%	23.79%	23.75%	21.90%	18.05%	18.96%	20.00%
Gard	25.05%	27.04%	28.02%	23.13%	40.43%	33.85%	32.42%
Japan	0.00%	0.02%	0.00%	0.00%	0.02%	0.00%	0.00%
London	15.38%	20.31%	20.75%	21.61%	19.89%	22.84%	25.11%
North of England	11.93%	10.75%	9.91%	8.29%	5.93%	6.95%	6.86%
Shipowners	15.73%	22.16%	24.32%	25.62%	24.10%	22.92%	24.00%
Skuld	21.03%	18.46%	17.74%	15.99%	14.26%	18.86%	19.69%
Standard	21.20%	20.45%	19.30%	22.91%	21.29%	17.22%	20.66%
Steamship	7.88%	6.71%	9.17%	7.58%	5.02%	5.65%	3.64%
Swedish	19.03%	16.92%	14.95%	20.31%	20.03%	20.77%	23.41%
UK	21.61%	19.73%	26.67%	19.53%	27.71%	23.07%	25.97%
West of England	16.55%	14.35%	10.32%	7.73%	8.68%	9.20%	15.20%
Market	18.86%	19.44%	17.57%	20.50%	21.43%	20.36%	16.64%

Blue figures - Increased by > 5
Orange figures - Reduced by > 5%

Supplementary Calls History

Expressed in terms of Supplementary Call projected/ultimate

Year Commencing:		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
American	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	25%
	Latest	0%	0%	0%	17.50%	22.50%	0%	0%	0%	0%	25%
Britannia	Original	0%	45%	45%	45%	45%	45%	45%	45%	40%	40%
	Latest	0%	45%	45%	45%	45%	40%	35%	45%	40%	40%
Gard	Original	0%	0%	25%	25%	25%	25%	25%	25%	25%	25%
	Latest	0%	-20%	12.50%	0%	0%	15%	15%	15%	15%	20%
Japan	Original	0%	40%	40%	40%	40%	40%	40%	40%	40%	40%
	Latest	0%	40%	40%	40%	30%	30%	20%	40%	40%	40%
London	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
North of England	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	0%	-5%	0%	0%	0%	0%	0%
Shipowners	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Skuld	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	-2.5%	-2.5%	-2.5%	0%	0%	0%	0%
Standard	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	-5%	-5%	0%	0%	0%	0%	0%
Steamship	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	0%	0%	-10%	-10%	0%	0%	0%
Swedish	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	-5%	-4%	0%	0%	0%	0%	0%	0%
United Kingdom	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	0%	0%	-3.0%	-2.5%	0%	0%	-2.5%
West of England	Original	0%	0%	0%	35%	35%	35%	35%	35%	30%	30%
	Latest	0%	0%	0%	35%	35%	35%	35%	35%	30%	30%

Indicates a capital return made in lieu of return premium

Orange - Undercalls

Blue - Overcalls

P&I Release Call Statistics

Expressed in terms of percentage of Original AC

Policy Year:	2020-21	2019-20	2018-19	2017-18
American	20.00%	20.00%	20.00%	5.00%
Britannia	15.00%	7.50%	5.00%	0.00%
Gard	10.00%	5.00%	5.00%	C
Japan	5.00%	5.00%	5.00%	5.00%
London	15.00%	15.00%	12.5%	5.0%
North of England	15.00%	5.00%	0.00%	0.00%
Shipowners	n/a			
Skuld	15.00%	10.00%	7.50%	0.00%
Standard	6.00%	0.00%	0.00%	C
Steamship	10.00%	10.00%	0.00%	C
Swedish	15.00%	12.00%	5.00%	C
United Kingdom	15.00%	10.00%	5.00%	5.00%
West of England	15.00%	15.00%	7.50%	0.00%

C = Closed

Data as at 12 September 2020

The above amounts are in addition to any as yet uncalled parts of the original ETC, and also in addition to excess supplementary calls levied but as yet unbilled, if any.

The above amounts are believed to be current at the end of July 2019, but are prone to alter as circumstances change. Accordingly please consult your AJG contact or your Club for specific rates appropriate at the time you may wish to release.

Following the cessation of the EU investigation into the International Group in 2012 the Clubs have introduced a degree more transparency into the calculation of the Release Call levels.

The factors to be used in determining the level of Release Call is now laid out in Clause 8 of the 2013 IG Agreement, and include:

- a) Premium risk
- b) Reserve risk
- c) Catastrophe risk
- d) Market risk
- e) Counterparty Default risk
- f) Operational risk

Whilst the above was largely a codification of existing practice, this should ensure a high degree of correlation between the Solvency II calculations and the Release Call assessments, in that they can both emerge from the same risk model. Release calls have continued to fall steadily under the new regime with Shipowners Club having abolished them completely, and Britannia having reduced all years to Nil.

Lay Up Returns

In the current continued recessionary environment, the laying up of vessels still remains an alternative for owners. It is thus important for the owner to appreciate the insurance implications of laying up his vessels, particularly in terms of return premiums. Each Club has a different approach to returning premiums, and some leave it simply to the discretion of the managers.

The amounts quoted below are usually applied to the premium after deduction of the International Group reinsurance cost. Further allowance is made for within retention reinsurance costs, pooling and administration expenses. This allowance tends to be the inverse of the Club's "acceptable loss ratio" and will vary from vessel to vessel, even within the same fleet. In some cases adjustments are also made for brokerage, although this is not universally the case.

Also a return premium is usually not calculated on that element of the premium which is attributable to overspill risks – this is usually a "premium for capacity" issue and so ought not be subject to any pro rata time or risk related refund.

Club	Minimum Days	Percentage Allowance
American	45 days	80%
Britannia	30 days	50% with crew on board 90% without crew
Gard	30 days	As 0%
Japan	30 days	60% with crew 75% with no crew
London	30 days	50% with crew 75% with no crew
North of England	30 days	as agreed by managers
Shipowners	30 days	40% P&I risks 15% FD&D risks
Skuld	30 days	as agreed by managers
Standard	30 days	75%
Steamship	30 days	50% with machinery operative 90% with machinery shut down
Swedish	45 days	not specified
UK	30 days	as agreed by the managers
West of England	30 days	75% 50% with crew but not cargo

Rating Agencies

Standard and Poor's Ratings

	Current	2019	2018	2017	2016	2015	2014
American	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
Britannia	A	A	A	A	A	A	A pi
Gard	A+	A+	A+	A+	A+	A+	A+
Japan	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+
London	BBB	BBB	BBB	BBB	BBB	BBB	BBB pi
North of England	A	A	A	A	A	A	A
Shipowners	A	A	A	A	A	A-	A-
Skuld	A	A	A	A	A	A	A
Standard	A	A	A	A	A	A	A
Steamship	A	A	A	A	A	A-	A-
Swedish	A-	A-	BBB+	BBB+	BBB+	BBB+	BBB+
United Kingdom	A	A	A	A	A	A	A
West of England	A-	A-	A-	A-	A-	BBB+	BBB

Current ratings as at 12 September 2020

Orange = Positive
Light Blue = Negative
Black = Stable

"pi" ratings are based on public data only, others are based on a periodic review by S&P analysts.

Ratings BBB or higher are regarded as having financial security characteristics that outweigh any vulnerabilities, and are likely to have the ability to meet financial commitments.

AA: "Very Strong" financial security characteristics.

A: "Strong" financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

BBB: "Good" financial security characteristics, but is more likely to be affected by adverse business conditions than are higher rated insurers.

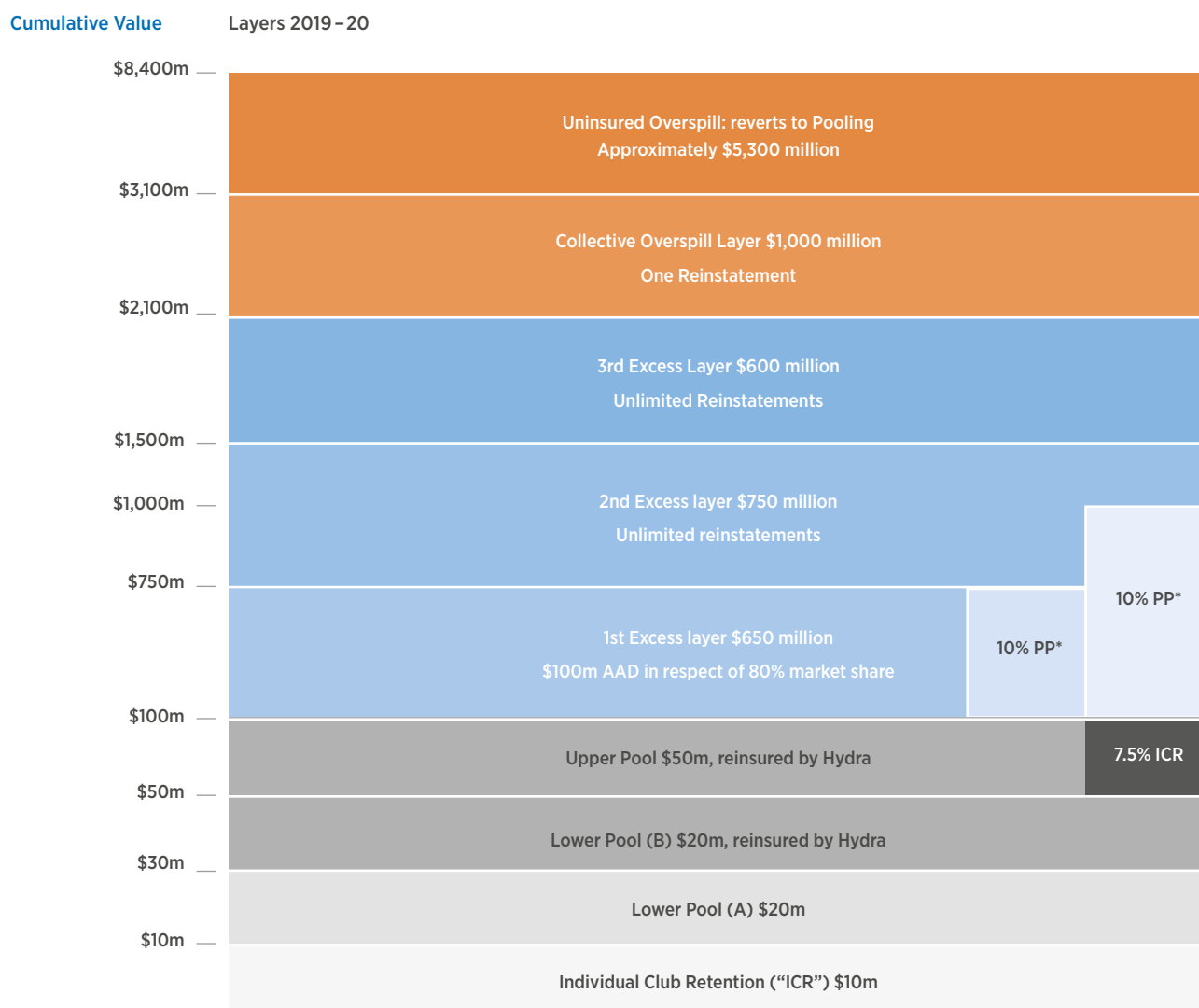
Ratings BB or lower are regarded as having vulnerable characteristics that may outweigh the strengths.

BB: "Marginal" financial security characteristics. Positive attributes exist, but adverse business conditions lead to insufficient ability to meet financial requirements.

B: "Weak" financial security characteristics. Adverse business conditions will likely impair the ability to meet financial commitments.

+ or - signs show relative standing within the major rating category.

International Group Reinsurance Programme Structure & Rates



Coverage in respect of oil pollution mirrors the structure above, but is capped out at \$1 billion; cover for chartered entries also mirrors the above and is capped out at \$350 million.

*Private placements as follow:

- \$100 million to \$1 billion -2 tranches of 5% expiring end 2019-20 policy year;
- \$100 million to \$750 million – 1 tranche expiring end of 2021-22 policy year

In 2020-21 the programme renewed on the same basis save that there were 3 * 10% private placement tranches between \$100 million and \$750 million, with Hydra's AAD being for 70% rather than 80% in 2019-20.

Reinsurance Cost

Cost of reinsurance programme in USD per GT

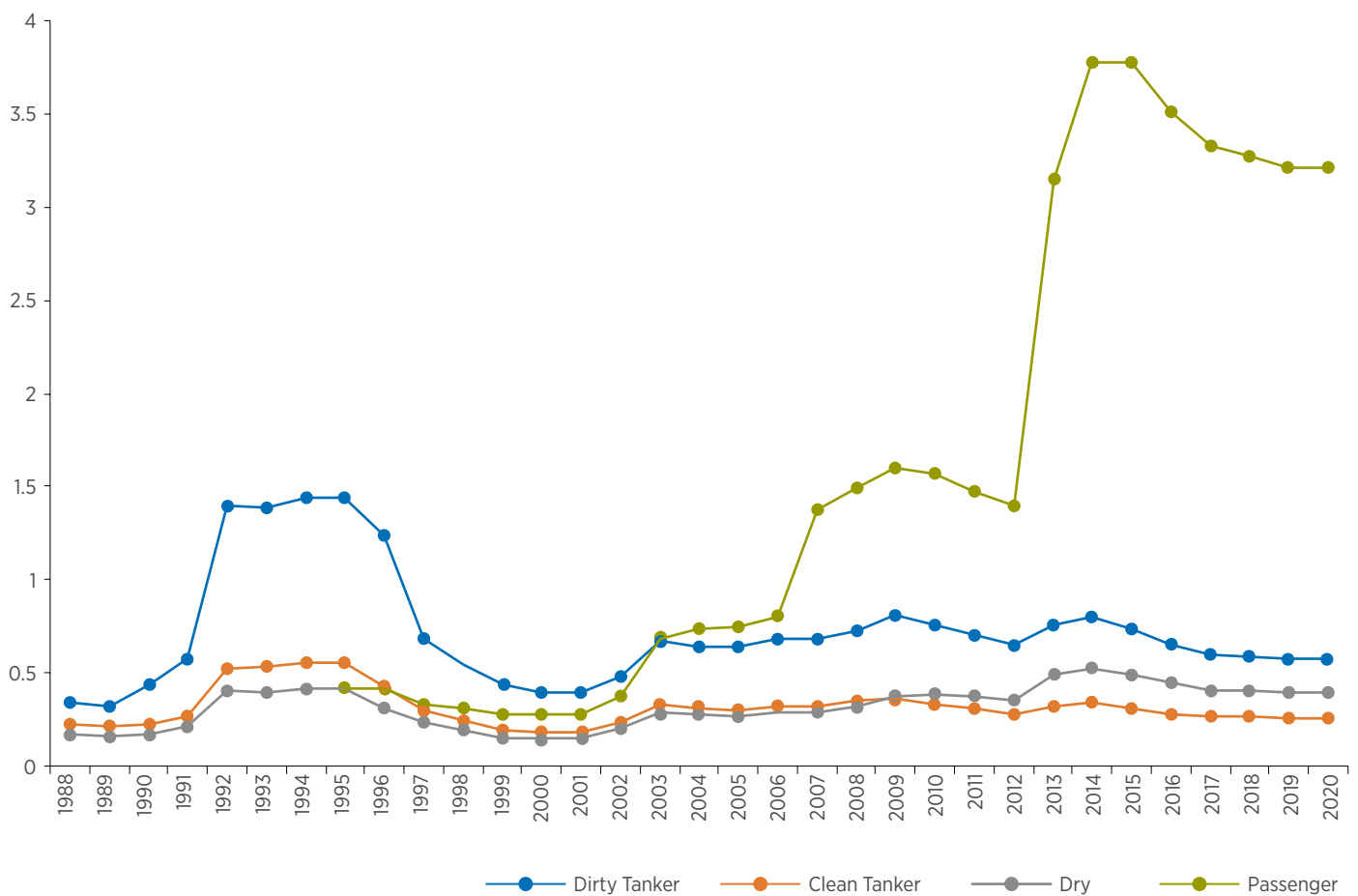
Excess Point	USD100m 2020-21	USD100m 2019-20	USD100m 2018-19	USD100m 2017-18	USD80m 2016-17	USD80m 2015-16	USD80m 2014-15
Dirty tanker	0.5747	0.5747	0.5845	0.5955	0.6567	0.7317	0.7963
Clean tanker	0.2582	0.2582	0.2626	0.2675	0.2816	0.3138	0.3415
Dry	0.3971	0.3971	0.4038	0.4114	0.4537	0.4888	0.5203
Passenger	3.2161	3.2161	3.2707	3.3319	3.5073	3.7791	3.7791

Percentage (%) change in reinsurance cost

Excess Point	USD100m 2020-21	USD100m 2019-20	USD100m 2018-19	USD100m 2017-18	USD80m 2016-17	USD80m 2015-16	USD80m 2014-15
Dirty tanker	0.00%	-1.68%	-1.85%	-9.32%	-10.25%	-8.11%	+5.26%
Clean tanker	0.00%	-1.68%	-1.83%	-5.01%	-10.26%	-8.11%	+5.24%
Dry	0.00%	-1.66%	-1.85%	-9.32%	-7.18%	-6.05%	+5.28%
Passenger	0.00%	-1.67%	-1.84%	-5.00%	-7.19%	0.00%	+20.00%

The following chart shows the development of the cost of the International Group programme as regards the different types of vessel

Reinsurance cost in US\$ per GT



Losses to Pooling

Pooling Losses in millions of USD at 20 February 2020 (source: Steamship Mutual)

After Policy Year	#	12m	24m	36m	48m	60m	72m	84m	96m	108m	120m
2010-11	22	179.1	241.1	266.9	252.5	250.6	159.0	259.9	254.0	266.3	266.2
2011-12	22	231.0	277.9	280.8	289.6	289.3	288.7	284.4	281.2	280.2	
2012-13	14	368.8	453.9	467.0	465.1	446.3	418.6	403.6	392.7		
2013-14	22	279.8	327.0	364.0	364.9	411.6	408.6	423.1			
2014-15	20	179.6	193.6	204.5	215.8	221.3	212.9				
2015-16	17	198.4	276.6	284.0	282.7	291.4					
2016-17	14	84.0	125.9	145.0	136.5						
2017-18	20	227.2	269.6	289.7							
2018-19	28	306.1	455.8								
2019-20	24	259.2									

The pooling figures are revalued every 6 months. At 20 August 2020 the figures for the current and previous two years stood as follows:

2018-19	28	487.3
2019-20	24	406.2
2020-21	11	288.9

The figure for the 2020-21 pool year, after 6 months, are the highest level seen for many years.

Claims in the first \$40 million range are apportioned between Clubs based on a calculation which determines each one's share based on a weighting of one third claims, one third premiums and one third tonnage. This calculation is then moderated by the application of a loss ratio which is intended, in the long term, to make each Club in effect pay for its own losses. Claims above \$50 million FGU are reinsured into Hydra and are funded using a weighted average of premiums (adjusted for lay up returns) and tonnage

The approximate shares that each Club pays under the "thirds rule" of a residual pool loss (ie net of the ICR's where appropriate), are as follows:

Club	2019/20	2018/19	2017/18	2016/17	2015/16
American	2.9%	3.1%	2.8%	2.7%	2.3%
Britannia	6.9%	7.5%	7.5%	8.2%	8.6%
Gard	16.3%	15.2%	16.6%	17.3%	16.1%
Japan	8.0%	8.0%	7.9%	8.1%	8.6%
London	4.1%	3.5%	3.8%	3.8%	3.9%
North of England	9.6%	8.4%	9.2%	8.8%	9.2%
Shipowners	4.6%	4.9%	5.1%	6.1%	5.8%
Skuld	6.9%	6.7%	4.7%	4.4%	4.2%
Standard	11.8%	11.6%	12.3%	11.7%	12.8%
Steamship	8.5%	8.8%	7.6%	8.0%	7.8%
Swedish	5.1%	6.9%	8.1%	7.2%	7.2%
UK	7.3%	7.7%	7.2%	7.9%	7.5%
West of England	8.0%	7.7%	7.2%	6.2%	5.9%

Hydra Insurance Company Limited

Hydra Insurance Company Limited is a Bermudian segregated cell company which, for the 2019-20 policy year:

- Reinsured the higher layer of the Lower Pool which is \$20 million xs \$30 million FGU;
- Reinsures the Upper Pool, subject to an Individual Club retention of 7.5%, which is \$50 million xs \$50 million FGU
- Reinsures the \$100 million AAD on the 80% open market share of the first excess layer.

Hydra's participation was renewed on the same basis for 2020-21, save that the AAD was in respect of a 70% order as the private placement participation was amended.

The vehicle is designed to enable the Clubs to continue to increase their risk retention in the future and thus reduce their dependence on the commercial reinsurance market, which is steadily evolving.

Hydra itself does not make financial information available, but Britannia and London both give details of the performance of their Hydra cells. Based on a review of this data we have seen a patchy and volatile performance from Hydra, as befits its underwriting strategy which is to reinsure large losses, rather than attritional losses.

In its early years Hydra was obliged to make what was in effect an excess calls as its early loss experience was poor. Subsequently performance has improved and funds increased significantly up to 2017. The last two years have seen the Clubs decapitalising their respective cells via dividends, in order to improve capital efficiency under the Solvency II regime.

Whilst counterintuitive in that Hydra continues to increase its risk profile year on year, it is generally fair to say that, as at 2017, the Hydra cells were overcapitalised in relation to their risk exposure. Thus the decapitalisation represented more of a realignment – nonetheless the capital remains within the individual Club groupings, and the cells can be refinanced if needs be, should the Hydra risk retentions rise disproportionately.

Since Hydra first started in 2004-05, the Britannia cell has received some \$257 million of premium from its host Club, including some \$20 million as an “excess call” in 2007-08. Over the same period claims of \$210 million have arisen.

Britannia's cell has returned \$37.1 million of capital in the last three years leaving a net equity of \$19.5 million in the cell, compared to a peak of almost \$44 million at 20 February 2016.

HICL Cell:	Cell Performance (USD)	
Britannia	20-02-20	20-02-19
Net Premiums	22,172,000	18,914,000
Net Claims	(17,248,000)	(11,582,000)
Other Expenses	(52,000)	(52,000)
	4,872,000	7,280,000
Inv. Income	2,752,000	1,592,000
Surplus	7,624,000	8,872,000
Dividend	(4,201,000)	(5,782,000)
Movement in Capital	3,423,000	3,090,000
Investments etc	76,679,000	68,373,000
Claims o/s	(57,227,000)	(52,344,000)
Cell Equity	19,422,000	16,029,000
Original Cost	30,000	30,000







04

Major Limiting
Conventions and
statutes affecting
P&I Risks

Developments in the past 12 months

Sanctions

Sanctions continue to be the “foreign policy tool of choice” both within the United Nations and the European Union as well as in individual countries such as the USA and UK. These can apply at all levels from the individual to the state.

Over the past 12 months in particular the US sanctions regime has toughened further, burdening the Clubs with ever greater compliance burdens. These are most clearly manifested in the handling of claims with banks choosing not to handle transactions in some jurisdictions and reinsurers being unwilling to make payments.

Specifically, the sanctions regimes against Iran, North Korea, Venezuela and Cuba have been strengthened

Pollution

Limits of liability under OPA 1990 rose in November 2019 in accordance with changes in the US consumer price index.

In April 2019, the group signed a memorandum of understanding with the Chinese Ship Source Oil Pollution Compensation Fund which will help facilitate restoration of environmental damage in Chinese waters.

January 2020 saw the introduction of Annex VI of MARPOL, 1/1/20, which require vessels to be fitted with scrubbers, or to use low Sulphur fuel has created less problems or claims associated with poor bunker quality on machinery. However with COVID-19 impacting the global shipping economy only a couple of months after the introduction of the sulphur cap, we may yet to have seen the full consequences of this change.

Brexit

Finally the seemingly never ending story of Brexit reached an interim conclusion when the UK left the EU on 31 January 2020. However, this has simply allowed the period of uncertainty to switch horses, and the UK are now in a transitional period until 31 December 2020 giving the parties time to work out the details of leaving, and a future trade relationship.

Again COVID-19 may yet be responsible for further delays in the final outcome beyond 31 December 2020. Delays in this process seem inevitable and, as we write, there seems to be little consensus on the mechanics of departure, suggesting that a no deal Brexit is back on the table.

Nonetheless the Clubs have all effected, where necessary, their restructuring to accommodate the loss of passporting. Not all have activated their EU companies completely but the financial and solvency data in this report reflects, on a consolidated basis, the adjustments involved in creating the EU based subsidiaries necessitated by Brexit. The following jurisdictions have been favoured by the London based Clubs (Note that West of England and SOP were already domiciled in Luxembourg):

Cyprus: London, Steamship

Luxembourg: Britannia (+West and SOP)

Ireland: Standard, North of England

Netherlands: UK Club.

Revisions to the IGA

In November 2019 various amendments were made to the International Group Agreement, notably:

1. With effect from 20-02-20 the IGA will not apply to any charterers' business;
2. ETC quote matching rules were amended to allow the process to reflect any future distribution or return of funds etc by the Holding Club but only to the extent that such distribution or return is conditional upon renewal by the holding Club.

There was no perceived need to amend the existing release call rules.

1. Convention on Limitation of Liability for Maritime Claims (LLMC), 1976 (in force 1 Dec 1986)

This convention applies to all vessels involved in incidents in signatory states, except such incidents to which the Civil Liability Convention (See Section 2) applies. In effect it replaced the 1957 Brussels Convention.

At 31 August 2020, it has been ratified by 56 states, covering 58.34% of world tonnage.

The right to limit losses under this convention is lost if the incident involves a personal act or omission carried out intentionally or recklessly and with the knowledge that loss would result.

Liability under the convention is calculated in accordance with the following formulae (note that, at 31 August 2020, SDR 1 = approximately USD1.424):

1.1 Personal Injury / Loss of Life

Vessel Size	Formula
500 GT or less	Minimum SDR 333,000
501-3,000 GT	Add SDR 500 per GT to the above sum
3,001-30,000 GT	Add SDR 333 per GT to the above aggregate
30,001-70,000 GT	Add SDR 250 per GT to the above aggregate
70,001 GT or more	Add SDR 167 per GT to the above aggregate
Example	
25,000 GT	SDR 8,909,000
75,000 GT	SDR 21,409,000

1.2 Property

Vessel Size	Formula
500 GT or less	Minimum SDR 167,000
501-30,000 GT	Add SDR 167 per GT to the above sum
30,001-70,000 GT	Add SDR 125 per GT to the above aggregate
70,001 GT or more	Add SDR 83 per GT to the above aggregate
Example	
25,000 GT	SDR 4,258,500
75,000 GT	SDR 10,508,500

1A. 1996 protocol to the 1976 LLMC (in force 13 May 2004)

This amends the limits of compensation payable and has been adopted by 61 states encompassing 69.45% of world tonnage at 31 August 2020. Until 8 June 2015 (see below) these limits were as follows:

1A.1 Personal injury / Loss of Life

Vessel Size	Formula
2,000 GT or less	Minimum SDR 2,000,000
2,001-30,000 GT	Add SDR 800 per GT to the above sum
30,001-70,000 GT	Add SDR 600 per GT to the above aggregate
70,001 GT or more	Add SDR 400 per GT to the above aggregate
Example	
25,000 GT	SDR 20,400,000
75,000 GT	SDR 50,400,000

1A.2 Property

Vessel Size	Formula
2,000 GT or less	Minimum SDR 1,000,000
2,001-30,000 GT	Add SDR 400 per GT to the above sum
30,001-70,000 GT	Add SDR 300 per GT to the above aggregate
70,001 GT or more	Add SDR 200 per GT to the above aggregate
Example	
25,000 GT	SDR 10,200,000
75,000 GT	SDR 25,200,000

1B. 2012 amendments to the 1996 protocol (in force 8 June 2015)

This further amended the limits of compensation payable. It was dealt with via the tacit acceptance system whereby it was deemed acceptable to all contracting states after 18 months following notification, and entered into force after a further 18 months: it thus came into force on 8 June 2015. The increased limits are 51% higher and are now as follows:

1B.1 Personal injury / Loss of Life

Vessel Size	Formula
2,000 GT or less	Minimum SDR 3,020,000
2,001-30,000 GT	Add SDR 1,208 per GT to the above sum
30,001-70,000 GT	Add SDR 906 per GT to the above aggregate
70,001 GT or more	Add SDR 604 per GT to the above aggregate
Example	
25,000 GT	SDR 30,804,000
75,000 GT	SDR 76,104,000

1B.2 Property

Vessel Size	Formula
2,000 GT or less	Minimum SDR 1,510,000
2,001-30,000 GT	Add SDR 604 per GT to the above sum
30,001-70,000 GT	Add SDR 453 per GT to the above aggregate
70,001 GT or more	Add SDR 302 per GT to the above aggregate
Example	
25,000 GT	SDR 15,402,000
75,000 GT	SDR 38,052,000

2. International Convention on Civil Liability for Oil Pollution Damage (CLC), 1969 (in force 19 Jun 1975); Protocol to CLC, 1992 (in force 30 May 1996)

The Civil Liability Convention covers those who suffer oil pollution damage resulting from maritime casualties involving oil-carrying ships. The Convention places the liability for such damage on the owner of the ship from which the polluting oil escaped or was discharged.

The original Convention has been largely replaced by the 1992 Protocol, which has been adopted by 141 states, encompassing 97.55% of world shipping as at 31 August 2020. 33 states encompassing 2.88% of world shipping remain under the original 1969 regime. Liability is strict, and insurance is compulsory.

Liability under the convention is calculated in accordance with the following formulae:

2.1 Liability under CLC (1992 protocol)

Vessel Size	Formula
5,000 GT or less	Minimum SDR 3,000,000
5,001 GT or more	Add SDR 420 per GT to the above sum
Maximum	SDR 59,700,000 (equivalent to 140,000 GT)
Example	
25,000 GT	SDR 11,400,000 See earlier comment regarding the mechanics of the calculation....
75,000 GT	SDR 32,400,000

Following the spill resulting from the loss of the “Erika”, the limits were increased under an amendment, without objection, in 2000 as follows:

2.2 Liability under CLC as amended in 2000 (in force 1 November 2003)

Vessel Size	Formula
5,000 GT or less	Minimum SDR 4,510,000
5,001 GT or more	Add SDR 631 per GT to the above sum
Maximum	SDR 89,770,000 (equivalent to 140,000 GT)
Example	
25,000 GT	SDR 17,130,000
75,000 GT	SDR 48,680,000

3. International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (FUND), 1992 Protocol (in force 30 May 1996)

The purpose of this Fund is to provide compensation for pollution damage to the extent that the protection afforded by the 1969 Civil Liability Convention is inadequate. It is also intended to give relief to shipowners in respect of the additional financial burden imposed on them by the 1969 Civil Liability Convention, with such relief being subject to conditions designed to ensure compliance with safety at sea and other conventions.

The Fund is financed by receivers of persistent oil cargoes in signatory states, via a governmental levy. It is managed by an inter-governmental organisation, the IOPC Funds.

The original 1971 Fund was denounced in 2002 when the number of contracting states fell below 25, being effectively replaced by the 1992 Fund which entered into force in 1996. Subsequently the limits in the 1992 Fund were increased by amendment in 2000, effective November 2003.

118 states have adopted the 1992 Protocol at 31 August 2020 covering 94.62% of the world fleet.

The 2000 protocol increased this maximum sum to SDR203 million via a tacit approval procedure, inclusive of the primary contribution under the 1992 CLC Protocol.

4. Supplementary Fund, 2003 (in force 3 Mar 2005)

The aim of this Fund is to supplement the compensation available under the 1992 Civil Liability and Fund Conventions with an additional, third tier of compensation. The Protocol is optional and participation is open to all States which are party to the 1992 Fund Convention. 32 states have adopted the 2003 protocol at 31 August 2020, covering 16.28% of the world fleet.

As with the 1992 Fund, the Supplementary Fund is financed by levies on receivers of persistent oil cargoes.

The total amount of compensation payable for any one incident will be limited to a combined total of SDR750 million inclusive of the amount of compensation paid under the existing CLC/Fund Convention system.

5. Tanker Oil Pollution Indemnification Agreements

In recognition of the potential disparities between contributions by shipowners and receivers of cargo towards the cost of pollution incidents, two agreements came into force in 2006 which sought to remedy the situation.

Under STOPIA, owners of small tankers of 29,548 GT or less indemnify the 1992 Fund for the difference between their 1992 CLC liability and SDR20 million.

Under TOPIA, all tanker owners indemnify the 2003 Supplementary Fund in respect of 50% of any claim falling on that fund.

These agreements were reviewed at their 10 year anniversary date with no revisions being made to the financial obligations imposed.

6. US Oil Pollution Act (OPA), 1990

The USA is not party to any of the above pollution related conventions, instead there are specific statutes which affect any vessels discharging oil, oil products or oil by-products in US waters.

The main one of these is OPA 1990, which imposes strict liability – the only defence being acts of war, acts of God or that the loss was caused solely by the actions of a third party.

The US Coast Guard periodically reviews the limits of liability under OPA 1990 and increases it in line with US CPI inflation.

The tables below show the most recent two changes in liability limits.

6.1 Limits of Liability under OPA 1990 between 20 December 2015 and 11 November 2019

Vessel Size	Formula
Single Hull Tanker: 3,000 GT or less	USD3,500 per GT with minimum USD7,048,800
Single Hull Tanker: 3,000 GT or more	USD3,500 per GT with minimum USD25,845,600
Double Hull Tanker: 3,000 GT or less	USD2,200 per GT with minimum USD4,699,200
Double Hull Tanker: 3,000 GT or more	USD2,200 per GT with minimum USD18,796,800
Other Vessels	USD1,100 per GT with minimum USD939,800
Example	
25,000 GT	Single: USD87,500,000 Double: USD55,000,000
75,000 GT	Single: USD262,500,000,000 Double: USD165,000,000
Deepwater Port, unless established under Reg 33 U.S.C. 2704(d)(2)	USD633,850,000
LOOP	USD96,366,000

6.2 Amended Limits of Liability under OPA 1990 with effect from 12 November 2019

Vessel Size	Formula
Single Hull Tanker: 3,000 GT or less	USD3,700 per GT with minimum USD 7,478,800
Single Hull Tanker: 3,000 GT or more	USD3,700 per GT with minimum USD27,422,200
Double Hull Tanker: 3,000 GT or less	USD2,300 per GT with minimum USD4,985,900
Double Hull Tanker: 3,000 GT or more	USD2,300 per GT with minimum USD19,943,400
Other Vessels	USD1,200 per GT with minimum USD997,100
Example	
25,000 GT	Single: USD92,500,000 Double: USD57,500,000
75,000 GT	Single: USD277,500,000,000 Double: USD172,500,000
Deepwater Port, unless established under Reg 33 U.S.C. 2704(d)(2)	USD672,514,900
LOOP	USD102,245,000

The US has also established an Oil Spill Liability Trust Fund (“OSLTF”) administered by the National Pollution Funds Center, which supports OPA 90 and is funded by a tax on oil produced and imported into the USA. The OSLTF responds where a responsible party denies liability or fails to meet that liability or where the first level of liability is insufficient to fund all claims. It can provide up to USD1 billion any one oil pollution incident.

7. US Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 1980

This legislation is focussed on “hazardous substances”, however there are circumstances where both CERCLA and OPA could apply to an incident involving a shipowner, operator, bareboat charterer etc. Club cover is discretionary as regards CERCLA related claims.

Limits of liability under section 9607 of CERCLA are as follows:

- a. For vessels over 300 GT carrying a hazardous substance as cargo – the greater of USD5 million or USD300 per GT;
- b. For any other vessel over 300 GT – the greater of USD500,000 or USD 00 per GT;
- c. For “incineration vessels” the limit is all costs of response plus USD50 million;

These limits did not change when the OPA 90 limits were most recently raised in November 2019.

In respect of obligations under both OPA and CERCLA, Certificates of Financial responsibility (COFRs) are required. As Clubs are unwilling to certify financial responsibility as required by the US regulators, the COFR is generally provided by an independent issuing company, and covers the aggregate of the CERCLA and OPA limits of liability.

Example

A double hull tanker of 25,000 GT will need a COFR of USD62.5 million, comprising USD55,000,000 under OPA 1990 as amended plus USD7,500,000 under CERCLA.

8. Athens Convention relating to the Carriage of Passengers and their Luggage by Sea (PAL), 1974 (in force 30 Apr 1989) & 2002 Protocol thereto (in force 23 April 2014)

The Convention consolidated and harmonised two earlier Brussels conventions dealing with passengers and luggage, which were adopted in 1961 and 1967 respectively. It established a regime of liability for damage suffered by passengers carried on a seagoing vessel. It declares a carrier liable for damage or loss suffered by a passenger if the incident causing the damage occurred in the course of the carriage and was due to the fault or neglect of the carrier.

However, unless the carrier acted with intent to cause such damage, or recklessly and with knowledge that such damage would probably result, it can limit its liability. For the death of, or personal injury to, a passenger, this limit of liability is set at SDR46,666 per passenger.

Liability is however further limited for losses arising from acts of terrorism to the practically insurable amount. As of 2006, this amount is SDR250,000 per passenger with an aggregate limit of SDR340 million.

Subsequent to the ratification of this convention (by 31 states to date, covering 43.74% of the world's fleet) the limitation amount has become more and more inadequate. A 1990 protocol increasing the limit to SDR175,000 was not adopted (now ratified by only three minor states) and has been superseded by the 2002 protocol.

Through 31 August 2020, 31 contracting states, including the European Union, representing 44.73% of world tonnage have acceded to this protocol.

Notwithstanding the above, the principle provisions of this protocol came into effect within the European Union and the European Economic Area via the EU Passenger Liability Regulation # 329/2009 on 31 December 2012.

8.1 Limits under 2002 Protocol to PAL

Type of Loss	Limit
Strict Liability Passenger Personal Injury / Death	SDR 250,000 per passenger
Operator Negligence Passenger Personal Injury / Death	SDR 400,000 per passenger
Loss or Damage to Cabin Luggage	SDR 2,250 per passenger
Loss or Damage to Vehicle and Luggage therein	SDR 12,700 per vehicle
Loss or damage to Other Luggage	SDR 3,375 per passenger

9. International Convention on Civil Liability for Bunker Oil Pollution Damage, (BUNKERS) 2001 (in force 21 Nov 2008)

The Bunker Convention reached its required criteria of 18 states' ratification in November 2007, and by 31 August 2020 had 99 acceptances covering 95.06% of the world fleet.

The Convention covers pollution caused by spills of oil carried as fuel on board the vessel. The limits are the same as those

10. ILO Maritime Labour Convention (MLC) 2006 (in force 20 August 2013)

imposed under LLMC 1976 as amended by the 1996 Protocol.

30 countries were required to ratify the Maritime Labour Convention for it to start the 12 month countdown to coming into force. On 20th August 2012 the 30th country signed up, being the Russian Federation. Accordingly the MLC came into force in August 2013.

At 23 January 2019 the MLC had been ratified by 97 states covering over 91% of world shipping GT and was in force / applicable in all but 3 of them. In these 3 states, "in force status" is expected by the end of May 2019.

The Convention is kept under continuous review by a tripartite committee including representatives of shipowners, seafarers and governments. Following the initial committee meetings, various amendments were agreed to the liability (relating to repatriation and unpaid wages) and financial security rules, which came into force On 18 January 2017.

Whilst most liabilities under MLC are typically covered by P&I insurance, the amendments to the financial security requirements include, inter alia, up to 4 months unpaid crew wages following abandonment which, whilst not a traditional P&I risk have been included from the in force date. This is a non poolable risk, with individual Clubs retaining the first \$ 10 million, and reinsurance in place for \$ 190m xs \$ 10m on a per fleet basis

11. International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea (HNS), 1996 and Protocol, 2010 (not yet in force)

The original 1996 HNS Protocol established a two tier compensation regime for amounts up to SDR 250 million and has still only been ratified by 14 states Or 14.99% of world fleet by 31 August 2020.

A Focus Group was established in 2007 in order to address administrative concerns of the ratifying states – particularly in respect of the operations of the 2nd tier of compensation, and the difficulty in establishing how much HNS was received in any country.

A revised 2010 protocol, based on the findings of the above focus group, was adopted in April 2010, with Norway being the first state to have ratified the convention. At 31 August 2020 there have been 5 ratifications covering 3.54% of the world fleet.

Under the 2010 protocol the total compensation remains the same, but the shipowner's maximum liability for an incident involving packaged HNS is increased from SDR 100 million to SDR 115 million. Thereafter compensation would be paid by a second tier HNS Fund, financed by cargo receivers. The shipowners liability for bulk HNS remains unchanged at SDR 100 million.

The revised protocol will enter force eighteen months after at least 12 States (including at least 4 with over 2 million GT) express their consent to be bound by it. Additional conditions relate to cargo receiving country contributions.

11.1 Limits of Liability under HNS 1996

Vessel Size	Formula – bulk HNS	Formula – packaged HNS
2,000 GT or less	Minimum SDR 10,000,000	Minimum SDR 11,500,000
2,001-50,000 GT	Add SDR 1,500 per GT to the above	Add SDR 1,725 per GT to the above
50,001 GT or more	Add SDR 360 per GT to the above aggregate	Add SDR 414 per GT to the above aggregate
Maximum	SDR 100 million	SDR 115 million
Example		
25,000 GT	SDR 44,500,000	SDR 51,175,000
75,000 GT	SDR 91,000,000	SDR 104,650,000

12. Nairobi International Convention on the Removal of Wrecks (NAIROBI WRC) 2007 (in force 14 April 2015)

The Convention provides a sound legal basis for coastal states to remove, or have removed, from their coastlines, wrecks which pose a hazard to the safety of navigation or to the marine and coastal environments, or both. It makes shipowners financially liable and requires them to take out insurance or provide other financial security to cover the costs of wreck removal. It also provides states with a right of direct action against insurers.

The Convention has been adopted by 53 states representing 75,9% of the world fleet at 31 August 2020, however not all of these states have extended the operation of the convention to their territorial waters.

13. UN Convention for the International Carriage of Goods Wholly or Partly by Sea (ROTTERDAM RULES) 2009 (not yet in force)

In 1996, in order to harmonise liability regimes, the United Nations Commission on International Trade Law (UNCITRAL) began a review of laws in the area of the international carriage of goods by sea. An additional aim was to update the regimes to reflect more modern transportation systems. This resulted in the “Rotterdam Rules” which became open for signature in September 2009 and will enter into force 12 months after 20 states have ratified it.

By 31 December 2019, 25 nations have signed the Rules, including major shipping nations such as Greece, Norway and the United States: collectively these signatories account for 25% of world trade.

The Convention will come into force one year after ratification by the 20th UN Member state. Whilst 25 have signed the Convention, only 5 states have ratified it at 31 July 2019

(Benin, Cameroon, Congo, Spain and Togo - with the Benin ratification being the most recent in November 2019). There appears to be little intention for any of the major trading nations to ratify the Rules

The European Parliament has recommended member states to move speedily towards ratification, but lethargy continues to be the watchword, and no significant progress is expected to be made by European nations either.

The Rotterdam Rules plan to erode some of the traditional defences available to sea carriers, for example the elimination of the nautical fault defence. The obligation of due diligence has been extended to apply throughout the duration of the voyage, and limits of liability per package, or unit of weight, have been significantly increased, beyond Hague-Visby and Hamburg Rules limits.

The table below contrasts the liability under the various regimes:

13.1 Contrasting liability under “Rules”

“Rule”	Limitation of Liability	Liability for Delay
Hague (1934)	£ 100 per package/unit	N/A
Hague Visby (1968)	Higher of SDR 2 per kg or SDR 667 per package	
N/A		
Hamburg (1978)	Higher of SDR 2.50 per kg or SDR 835 per package/shipping unit	2.5 times freight on goods delayed subject to an upper limit if lost
Rotterdam (2009)	Higher of SDR 3 per kg or SDR 875 per package/shipping unit	2.5 times freight on goods delayed not to exceed limit under rules
US COGSA (1936)	USD 500 per package/unit	N/A





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