



Gallagher

Insurance | Risk Management | Consulting

The P&I Pre-renewal Review

2021



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Timeline 2020–2021



October 2020

The State of California increases criminal penalties for oil spill related offences, with fines being doubled.

Britannia makes a capital distribution of USD10 million to class 3 members with ships on risk as of 20 October 2020.

November 2020

Gard amends the final call on its 2019–2020 policy year from 0% to 15%, thus giving owners an effective 5% reduced call for the year amounting to USD18.5 million.

Gard further announces an up-front Owners General Discount—for 2021–2022, this is set at 5%.

Standard & Poor's amend the rating outlooks for North of England, Gard and the UK Club from stable to negative, whilst leaving their respective actual ratings unchanged.

December 2020

The collective overspill layer of the 2021–2022, IG reinsurance programme renews at slightly above expiring rates—the balance of the programme having already been placed on a two year deal in the previous year.

A fifth vessel type rating category is introduced for allocating the reinsurance cost, with container vessels being split away from the “dry” category.

January 2021

Shipowners Club enters into a strategic partnership with Fender Marine AS in Norway.

February 2021

Following court approval, Britannia completes Part VII transfer of all of its business, except that via the Japanese branch, to Britannia Europe.

James Alexander Tyrell succeeds Pratap Shirke as Chairman of North P&I Club.

March 2021

The International Group MLC reinsurance programme faces a 23.125% shortfall on placing, which is taken up by the pool via Hydra. The reinsurance is subject to COVID-19 and cyber risk exclusions.

UK Club entered “Ever Given” grounded in Suez Canal for six days before being freed.

Steamship Mutual launches a new cyber insurance product aimed at assisting members to respond to cyber-attacks on vessels and insuring loss of income as a consequence of such.

April 2021

Standard & Poor's amend the rating outlook for West of England from stable to negative, whilst leaving the actual rating unchanged. Six clubs now have negative outlooks, with one positive.

May 2021

Gard announces that it is reducing the 2020–2021 ETC by 10%, cutting the call by USD38.4 million.

August 2021

Shipowners Club sells CTRL Marine Solutions Ltd to Campbell Johnston Clark enabling the company to offer its services to different clubs.

Standard Club defers its target date to complete Part VII transfer of the legacy business to Standard Ireland by 12 months, to 31 December 2022.

Standard Club complete transition to its new in-house management model.

The Swedish Club reports an operating deficit of USD13.7 million for the six months to 30 June 2021 with free reserves falling to USD218 million. The combined ratio is 132% and the investment yield is 2.8%.

London Club launches a new Kidnap & Ransom policy to complement their existing discretionary P&I cover for this risk.

September 2021

The Shipowners Club reports an operating surplus of USD15 million for the six months to 30 June 2021 with free reserves rising to USD394.1 million. The combined ratio is 100.9% and the investment yield is 2.9%.

Skuld reports an operating deficit of USD24.9 million for the six months to 20 August 2021 with free reserves falling to USD424.5 million. The combined ratio is 127% and the investment yield is 1.1%.

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 US Dollars			
	2018–2019	2019–2020	2020–2021
Original Call Income	3,760,733	3,812,740	3,823,556
Additional/(Return Calls)	(51,008)	(79,000)	15,500
Actual Call Income	3,709,725	3,733,740	3,839,056
Acquisition Costs	388,807	378,083	357,225
Reinsurance	716,609	748,816	761,900
Claims Incurred	2,623,191	2,839,159	3,019,368
Administrative Expenses	309,535	260,394	251,377
	4,038,152	4,226,452	4,389,870
Underwriting Result	(328,427)	(492,712)	(550,814)
Investment Income	101,782	767,577	588,048
Exchange Gains/(Losses) etc	(63,791)	(14,356)	45,649
Taxation	19,700	(33,794)	(70,326)
	57,691	719,427	563,371
Overall Result	(270,736)	226,715	12,557
Cash and Investments	11,676,097	11,889,801	12,349,958
Other Net Assets	382,139	419,252	214,787
	12,058,236	12,309,053	12,564,745
Net Outstanding Claims	6,686,899	6,752,325	7,005,460
Free Reserves	5,351,837	5,537,228	5,539,785
Debt Capital	19,500	19,500	19,500
Capital Transactions in Year	-133,266	-41,324	-10,000

For all years, the figures above include the non P&I operations, assets and liabilities of all Clubs e.g., Gard Marine & Energy, Swedish Club Hull class, Skuld and Standard's Lloyd's run-off syndicates, etc. In 2018–2019, the Standard Club acquired the Strike Club which added USD18.5 million to Free Reserves; in addition, during 2018–2019 the UK Club repaid its USD100 million hybrid capital.

In 2020–2021, the American Club changed its accounting policy in order to recognise premium earned but not booked on open years of account. Results for 2019–2020 and 2018–2019 have been retrospectively adjusted to reflect this change in these figures.

During 2018–2019, Britannia made USD30 million capital distributions, a further USD25 million in 2019–2020 and a further USD10 million in 2020–2021. Steamship Mutual also returned capital amounting to USD21.9 million in 2018–2019 and USD16.3 million in 2019–2020.

Aggregate Policy Year Results

Development of key figures at the end of 12, 24 and 36 months respectively on the open policy years at 20 February 2021 are as follows.

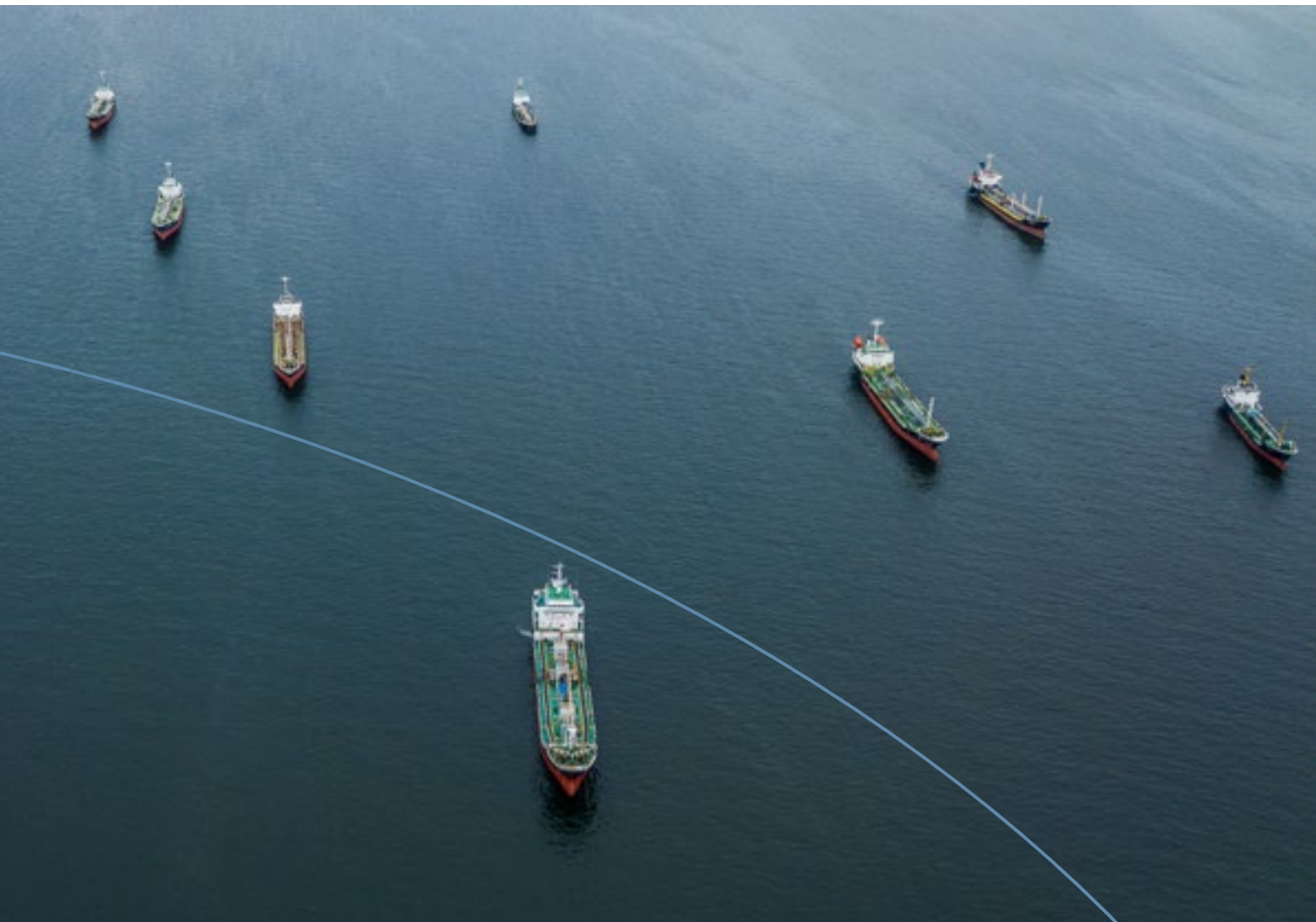
1. Call Income In '000s of US Dollars			
	at 12 months	at 24 months	at 36 months
2020–2021	2,858,575	–	–
2019–2020	2,813,170	2,968,108	–
2018–2019	2,892,457	2,975,363	2,983,797
2017–2018 (closed)	2,954,977	3,045,949	3,071,339
2016–2017 (closed)	3,170,039	3,269,925	3,271,273
2. Claims Incurred In '000s of US Dollars			
	at 12 months	at 24 months	at 36 months
2020–2021	2,582,437	–	–
2019–2020	2,436,608	2,536,716	–
2018–2019	2,408,169	2,458,325	2,420,581
2017–2018 (closed)	2,317,718	2,278,170	2,273,732
2016–2017 (closed)	2,193,114	2,113,413	2,057,495
3. Underwriting Result In '000s of US Dollars			
	at 12 months	at 24 months	at 36 months
2020–2021	(788,465)	–	–
2019–2020	(670,736)	(626,402)	–
2018–2019	(646,105)	(627,274)	(581,620)
2017–2018 (closed)	(431,263)	(297,574)	(270,480)
2016–2017 (closed)	(176,112)	6,115	68,707
4. Overall Result In '000s of US Dollars inc Investment Allocation			
	at 12 months	at 24 months	at 36 months
2020–2021	(497,044)	–	–
2019–2020	(352,838)	(306,880)	–
2018–2019	(498,727)	(455,856)	(386,679)
2017–2018 (closed)	(172,439)	(30,025)	33,591
2016–2017 (closed)	(40,936)	142,169	237,169

Overview

2020-2021 was the first year of the clubs' effort to return to sustainable underwriting levels—albeit with a somewhat half-hearted level of around 5% general increase. Unfortunately for this strategy, the pandemic took a firm grip of the market for the majority of the policy year and this lead to substantial lay up returns and other premium rebates for reduced trading. This had the effect of nullifying the planned premium growth and, in reality, most clubs embarked on the drive for sustainable underwriting from 20 February 2021, where an average increase of some 8% was sought.

With hopes for modest premium increases extinguished by the pandemic, there was a matching hope that claims levels would be similarly depressed, but, as the underwriting loss in the chart below suggests, this did not really manifest itself. Whilst the initial burst of pool level covid claims soon died back as the cruise industry was mothballed, other claim types stood up to the plate and the underwriting result suffered accordingly.

As with the preceding year, investment income has bailed out the underwriting results, although for the first quarter of 2020-2021 this scarcely looked likely with all clubs experiencing negative investment returns as the pandemic took down yields and asset values. Fortuitously this was a short-lived phenomenon and the bounce-back resulted in another solid investment return. Volatility still stalks the arena however and indications are that yields will be significantly lower in 2021-2022.



Contributions to Results 2012/3-2020/21



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 quantum of back year improvement seen in the past two years is nowhere near as good as has been historically achieved.

There remains an inverse relationship between underwriting results and investment returns, which has enabled the clubs, consciously or otherwise, to allow free reserve development and in some cases return surplus funds. However, the last 18 month has seen two clubs needing to make excess calls. The continued reliance on investment income to bail out underwriting inadequacy would appear to have reached the end of the road.

Some may argue that the model shown in the above chart actually reflects how mutuality should work, and in practice, there may be a degree of truth in that. However, the counter cyclical anomalies seen in 2016 and 2019 show the flaws in that approach.

The trend for returns of capital or premium seen in the last few years is in reality nothing to do with balanced underwriting results and the distribution of the resulting surplus arising from core trading. Rather it's a return of surplus investment income which is recognised at the end of a year, with certain clubs being prepared to accept substantial underwriting deficits on the closing of policy years, backed by investment yields, and still rebate funds to the member.

This is all very well for so long as fortune favours the brave. But it isn't a particularly stable or indeed low-risk strategy. A far more sustainable model is to get the right premium in the first place (perhaps recognising, for example, a 2% expected investment return) and incorporate a mechanism that leads to returns of a premium or capital if the resultant combined underwriting and investment yields allow. This way, during years where investment yields dry up, free reserves are not extensively dipped into and there may still be an opportunity to return money even in more volatile years. This would also enable the clubs to carry a lower level of free reserve, because the volatility is minimised.

By subsidising underwriting rates up front, in advance, the clubs have been in effect taking into account investment income that they have yet to receive or earn, and at levels which, as the earlier table demonstrates, are getting out of control.

On a purely 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 extremes of the policy year underwriting result.

US USDmillions	2019-2020	2020-2021
ETC based Underwriting Result	(449.1)	(572.3)
Investment Income	767.6	588.0
Foreign Exchange	(14.4)	45.6
Other Income/(Expense)	(3.4)	(2.8)
Taxation	(30.4)	(70.3)
Result for the Year	270.3	(11.8)
Excess Calls	24.7	0.0
EBUB Adjustment**	4.1	7.3
Returns of CallNet*	(72.4)	17.1
Returns of Capital to Members	(41.3)	(10.0)
Movement in Free Reserve	185.4	2.6
Free Reserve, start of year	5,371.3	5,556.7
Free Reserve, end of year	5,556.7	5,559.3

*Gard return 2020-2021: USD38.4 million, adjustment to increase 2019-2020: USD55.5 million

**American Club change in accounting policy, applied retrospectively

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, if any, has gone to augment free reserves.

Financial Year Underwriting

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

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	Cum
American**	-8,916	-2,407	-12,305	-2,180	-10,907	-36,715
Britannia* inc Boudicca	45,848	7,146	-21,516	-53,675	-31,906	-54,103
Gard*	28,218	-24,282	-101,000	-85,812	-18,644	-201,520
Japan*	23,949	14,153	6,907	-7,191	-11,350	26,468
London	1,696	-15,222	-33,674	-36,100	-36,715	-120,015
North of England*	-19,150	-12,644	-16,443	-84,293	-56,420	-188,950
Shipowners	2,802	1,761	-8,197	-10,273	-9,033	-22,940
Skuld*	9,226	1,972	8,036	-35,218	-30,130	-46,114
Standard*	17,500	-24,500	-49,500	-109,700	-62,100	-228,300
Steamship*	41,935	-38,710	-31,842	3,741	-64,965	-89,841
Swedish*	5,508	-11,056	-5,810	-8,079	-28,793	-48,230
United Kingdom*	-22,126	49,156	-37,057	-50,779	-106,597	-167,403
West of England	23,217	-28,234	-26,026	-13,153	-80,361	-124,557
Aggregate	149,707	-82,867	-328,427	-492,712	-547,921	-1,302,220

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

In 2018-2019 just two out of 13 Clubs achieved an underwriting surplus; by 2019-2020 that number had reduced to just one. In 2020-2021 the number reduced by a further one, such that nobody underwrote to surplus. The last two years have seen underwriting losses in excess of USD1 billion and it is not expected to be a quick fix to get this anywhere near back to sustainable levels.

The last five years has seen only the Japan Club show an aggregate financial year underwriting surplus, and there results are regularly distorted by exchange rate movements between the yen and the dollar. In fairness, Gard would also have shown an aggregate surplus over those five years had they called premium to full ETC, but they chose not to.

The signs are best seen in the decline in the overall underwriting result year on year, with each successive year deteriorating when compared to the prior one. The sustained period of zero general increase across the middle of the period in part explains this—the clubs inability or unwillingness to underwrite to that nil general increase is equally to blame.

The latter days of this period has seen the return of excess calls at the American Club, which has also introduced the concept of EBUB—effectively a virtual excess call, and, subsequent to 20 February 2021, the London Club. These two clubs are, it should be said, amongst the more thinly capitalised Clubs, but there has also been a downward drift in the quantum of amounts rebated to members by the stronger clubs.

A mood of austerity surely hangs over the clubs as they try to find the most “member friendly” way to return to sustainable underwriting—a task made more difficult by still having USD5.5 billion of members money in their free reserves, despite these results. The environment is sufficiently bleak to even move Standard & Poor’s to pronounce the outlook for the majority of clubs as negative.



Policy Year Underwriting

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

Components of financial year underwriting result:

P&I Policy year U/W deficit 2020-2021	(788,645)
Change in P&I policy year U/W result, 2019-2020	44,334
Change in P&I policy year U/W result, 2018-2019	45,654
	(698,657)
Boudicca U/W FY 2020-2021	(11,400)
Diversified Operations:	
Lloyds	(0)
Other	12,200
FD&D	20,000

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 certain components of the result but does not seek to fully reconcile these elements with the overall financial year underwriting loss of USD547.9 million. The biggest intangible is the result attributable to closed year policy year development, which remain influential with regard to the ultimate financial year result. Inferentially this was in the region of USD100 million in 2020-2021.

The above analysis incorporates 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 and lack the clarity of the P&I class of business. It includes an estimate of results for the FD&D and other long standing minor classes, which continue to be broadly profitable.

During 2020-2021, the 2018-2019 P&I policy year underwriting result improved by USD45.7 million and stood at a loss of USD581.6 million. Claims incurred improved by USD37.7 million, whilst net premium improved by USD8.4 million, the majority of which was attributable to the EBUB adjustment at the American Club beyond the 24-month valuation date offset by exchange variances at the Japan Club. Administrative and acquisition costs rose slightly, as did the reinsurance costs. An underwriting deficit of USD581.6 million ensued at three-year closure, and an overall deficit of USD386.7 million resulted, after an allocation of USD194.9 million investment income. The improvement in the claims experience between 24 and 36 months at least offset most of the deterioration seen between months 12 and 24, but the claims incurred at closure was still 0.5% higher than valued atter 12 months.

P&I policy year 2019-2020 has improved at underwriting level by USD44.3 million despite claims incurred deteriorating by USD100.1 million (4%). This was offset by USD147.9 million of additional net

premium to the policy year, with the recognition of unearned premium and EBUB premium at the American Club and the deferred call at the Japan Club amounting to USD73.6 million. The decision after the end of the policy year by Gard to call USD54 million of the USD72 million deferred call for 2019-2020, previously provisionally waived, was also a significant element of the increase. The balance is down to late reported premium at Skuld of some USD20 million and minor fluctuations elsewhere.

This is the second consecutive policy year that has seen claims incurred deteriorate between 12 months and 24 months (2018-2019 was 2%). The last time this adverse development such as this had been seen was in 2006. Despite the slight overall improvement, an underwriting deficit of USD626.4 million remains on the year after 24 months, and an overall deficit of USD306.9 million existed after 24 months, after an allocation of USD317.5 million investment income.

In current terms, premium income booked so far for 2020-2021 stands at USD2.86 billion but not all calls have been accounted for:

Call Income in USDmillions	2019-2020	2020-2021
Policy year income after 12 months	2,813.2	2,858.6
Undercalls already levied therein	(72.4)	(38.4)
Deferred calls to be booked in future	42.2	42.0
Unearned premium adjustment	16.0	16.0
Under-calls not yet booked	0.0	0.0
Excess calls not yet booked	0.0	22.5
Estimated natural in year development	25.0	20.0
Projected call income for year	2,896.4	2,959.1
Actual @ 24m	2,975.4	

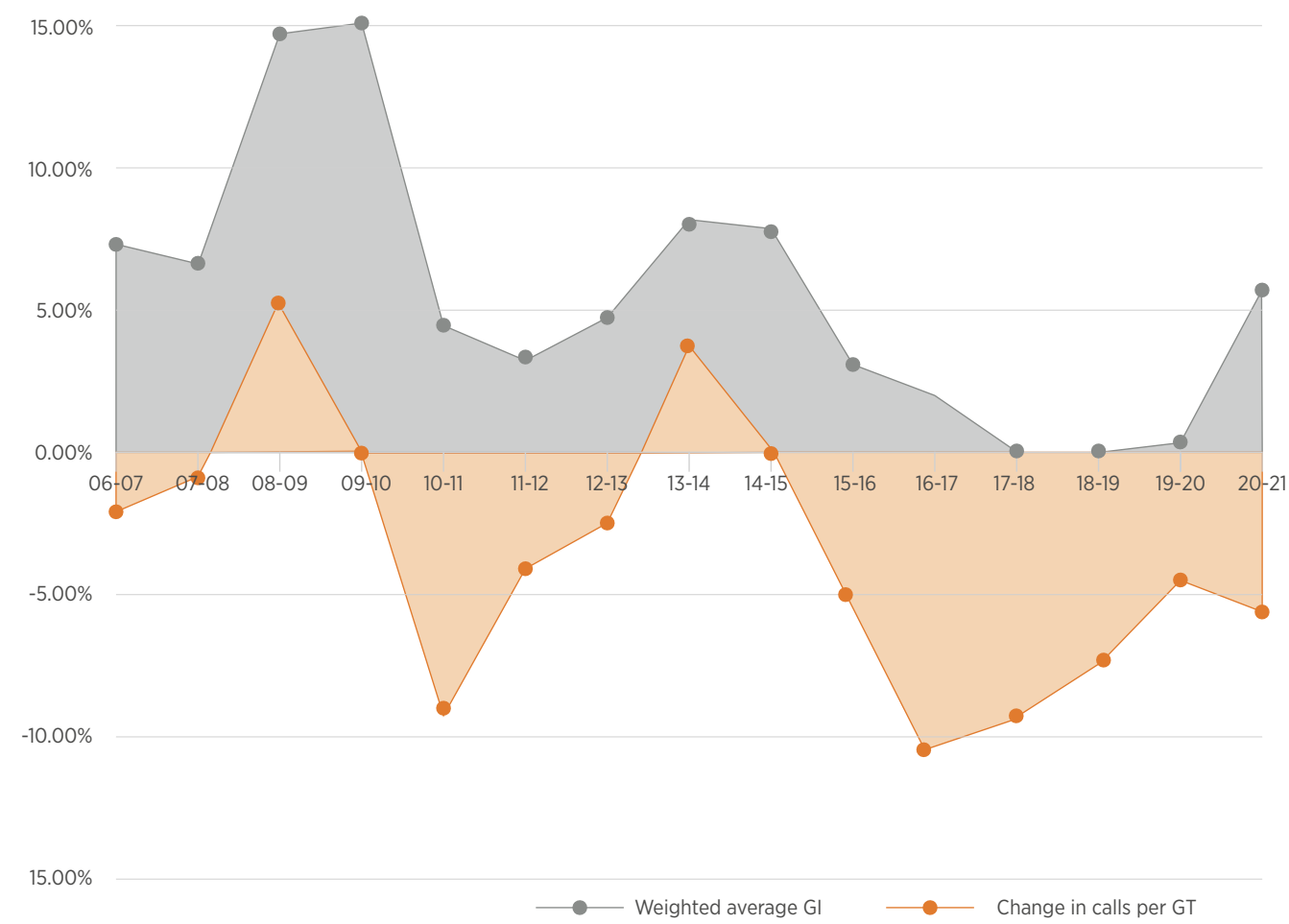
Premiums for the current year look likely to end up around USD2.96 million, 0.5% lower than the premium for the prior year on an actual basis. On an ETC basis, 2020-2021 premium is expected to be around 0.6% lower than in the prior year.

Premium income for the 2019-2020 policy year has exceeded our projection last year by almost USD80 million, but USD54 million of this is a direct result of Gard’s decision to call 15% part of 20% of its deferred call for that policy year in November 2020, having previously provisionally waived it in its entirety. The other major unknown factor 12 months ago which has contributed to this difference is the American Club EBUB adjustment (a “virtual excess call”) which has boosted policy year premiums.

The EBUB plus the London Club all too real excess call will both boost actual premium for 2020-2021, as would any other subsequent call decisions in the next 18 months. At this point it is unclear how much the American Club’s conversion of EBUB into a real call will contribute in absolute terms.

In any event, the small decrease in ETC between 2019-2020 and 2020-2021 does not reflect the impact of increased tonnage entered. In the case of owner’s entries, this was some 3.57% (1.99% in the previous year) or 4.01 % if one includes growth in chartered entries. So we estimate that ultimately ETC per ton will be approximately 5.5% down on the previous policy year, as opposed to the across the board 5.4% weighted average general increase sought at renewal for 2020-2021. These figures compare to a 4.9% decrease in ETC per GT in 2019-2020 contrasted to a 0.35% weighted average general increase for that year.

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 into the original rating exercise. The grey area are shows the weighted average general increase declared for the year.

Somewhat perversely the change (reduction) in average rate per GT attained by the clubs in 2020-2021 was pretty much the same as that attained in the previous year. The difference was that in 2019-2020, 12 of the 13 clubs were not seeking a general increase, whereas in 2020-2021 they were all looking for between 2.5% and 7.5%.

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;

- New-buildings being subject to heavy competition, resulting in below average rates being offered to secure the business;
- Premiums being traded away for higher deductibles or amendments to cover;
- Specifically on 2020-2021, lay-up returns and other returns for not trading, particularly in the cruise and passenger sector, as a direct result of the pandemic will reduce the actual premiums achieved. The spike seen in the above chart in the 2020-2021 policy year has been significantly influenced by this factor.

There will also be various, less substantial, reasons why the rating shortfall exists, including changes in mix variance of fleet profiles or between owned and chartered tonnage. The influence of these factors will vary from 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.

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 2019-2020 it becomes ever more difficult for underwriters to reduce premiums below the internal target rate. With a return of, albeit small general increases, there is more scope to undercut internal targets.

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.

The recent low level of the general increase has been very influential in reducing the implied churn in the three years up to 2019-2020, which has seen the churn rate almost halve over a period when general increases were at best 2.5% and mostly nil. It would have been interesting to see if it would have started to tick back up on the return of modest general increases, but the pandemic has distorted the figures somewhat. If we assume that the pandemic took USD100 million of premium out of the system, then the implicit churn rate would fall by over 3% to a fraction over 8%.

Secondly, there is 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 the 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 and taking premium out of the market.

Notwithstanding the short-term impact of the pandemic, new-building rates 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. Reflecting upon the factors above, we would estimate that this pure churn rate has fallen in the last three years, and may well have stabilised were it not for the disruptive influence of the pandemic.

As we predicted last year, this analysis for 2020-2021 has proved to be challenging, and the same will be true for 2021-2022 with certain sectors of the shipping industry still mired in lethargy (particularly the cruise and passenger sectors) and others experiencing very positive trading conditions.



Claims

2020-2021 saw financial year claims per GT rise, albeit at a slower rate than in the past two years whilst policy year claims per GT fell. This latter scenario may well be a function of the pandemic, where it was generally expected that claims per GT would fall, but in that case, why did financial year claims not mirror this fall.

Part of the answer to this conundrum may lie in the fact that one large pool claim in the policy year 2019-2020 was not reported until the 2020-21 financial year — the MSC Guyane, which we understand to have been an approximate limit loss to the pool. Flipping this loss back into the financial year in which it arose would result in the financial year trend being downwards and the two thus lines both heading in the same direction.

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 is due to:

- 1. Timing difference in the recognition of claims development;
- 2. 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;
- 3. Diversification—non P&I business is not included in the policy year figures.

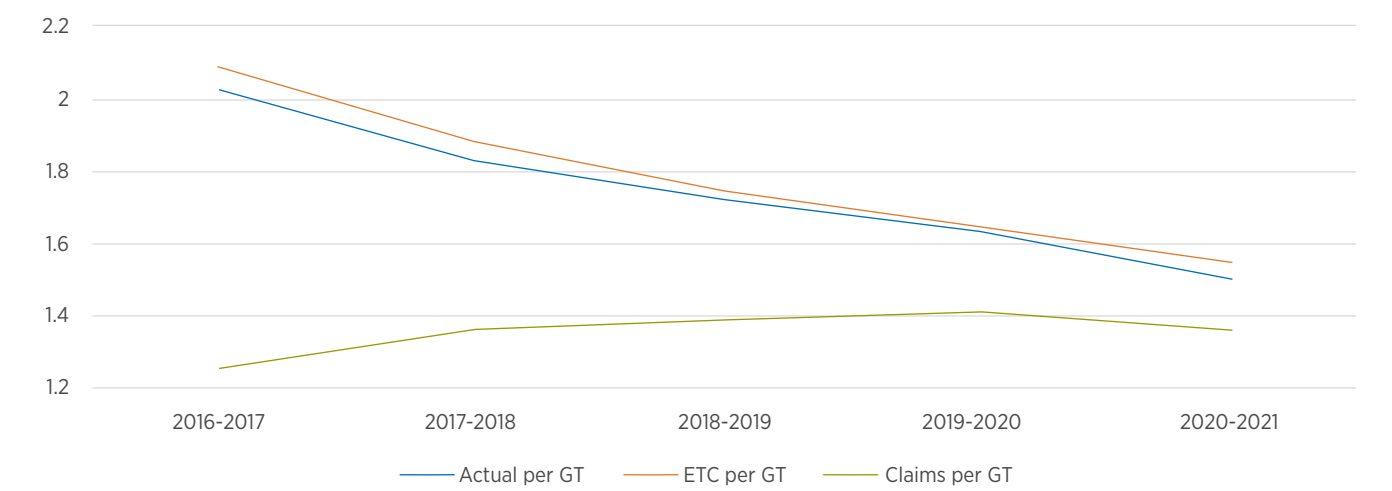
Also one must bear in mind that in an ever more diverse market, the use of “per GT” is an increasingly poor measure of risk, but it is all we have and is relevant to around 80% of the assumed risk in the market.

On a notionally adjusted basis, trends in the market for 2020-2021 are a slight downturn in claims per GT, so why the sudden need for double-digit premium increases? Firstly, we must re-emphasise the fact that the 2020-2021 trend is distorted by the impact of the pandemic. Despite increased deductibles, there are still elements of the market that amount to “dollar swapping” policies, and 2020-2021 will have seen sizeable chunks of both premium and claims taken out of the statistics. Secondly, whilst claims may have dipped this year, the trend over the last five years is an increase: and over those past five years premiums have consistently fallen.

So let us not be fooled into thinking that the fall in claims seen this year is permanent—history may prove it to be so, but for now, we believe it’s a statistical blip due to the pandemic impact.

At individual club levels, eight of the clubs say claims per ton falling, despite rising pool costs. The most significant rises were seen at Japan, Skuld, Standard and West: the latter club having suffered four pool level losses. The London Club saw a 16.5% decline in claims incurred per GT for the policy year 2020-2021, but this was insufficient to prevent the calling of excess funds a little over six months after the policy year ended. Claims per GT were in fact at the same level as 2015-2016 at this Club—the problem being that premium pre-GT was 25% lower.

5 Year Premium and Claim per GT Entered



P&I claims per GT at the Standard Club rose for the fourth consecutive year, suggesting that its problems were not entirely down to its involvement in the Lloyd’s syndicate: premiums fell 15% across these years, whilst claims rose 15%. Claims at the UK Club and Steamship were fractionally lower than in the preceding year, but, as both clubs are significantly involved in the cruise industry, where the pandemic likely had a positive impact on non-pool claims, one wonders what this is masking as an underlying trend.

The trend over the last few years is of decreased claim frequency and increased claims severity, and this again continued in 2020-2021. 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 and consistent 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 theme being seen across almost all Clubs, that of generally stable to slightly increasing levels of attritional claims with falling frequency offsetting the somewhat increased severity. Lending a slightly different perspective Britannia discloses a 16% increase in the total number of claims for 2020-2021, returning levels to those of 2016-2017 although the claims for 2020-2021 are slightly lower than the average of the previous two years.



- At the UK Club, attritional claims have fallen to a little over USD40 million in 2020-2021 from around USD50 million the year before. Claims frequency has fallen from around 2,500 to just over 1,500, inferring a rise in severity. This amount will include some COVID-19 related claims, which are in the region of USD25 million including large/pool claims. In 2021-2022, the COVID-19 claims have been relatively small and amount to some 5% of net mutual premium. Predominantly these are now being seen in the industrial sectors, rather than passenger vessels. Overall, the value of attritional claims has risen since 20 February 2021 and inflation continues to push severity upwards.
- At Steamship, at the end of the 2020-2021 policy year, total estimated claims from the Association's Members, net of reinsurance, were less than at the same stage in the prior year. Attritional claims (those less than USD250,000) were almost identical in number and aggregate amount to the 2019-2020 year. Estimated COVID-19 claims, net of reinsurance, for the 2020-2021 year were USD26.7 million. COVID-19 claims appear to be relatively short-tailed so significant deterioration is not anticipated.
- For the London Club, at USD80.8 million, the total cost of P&I claims at the expiry of the 2020-2021 policy year was a welcome USD7.9 million lower than the comparable figure for the 2019-2020 policy year. The total level was nevertheless higher than all other recent years except for 2019-2020. The total cost of the two lowest severity bands, USD1 to USD100,000 and USD100,000 to USD500,000 climbed for the fourth consecutive year. The single biggest driver for both the increased file count and increased claims cost was the pandemic. There were 55 files opened for known or suspected COVID-19 cases and the quarantine or medical treatment costs on those files are expected to cost in excess of USD1 million. The impact of COVID-19 was expected to reduce through 2021-2022, however the mid-year review of 2021-2022 shows COVID-19 claims to be a significant factor in the elevated level of claims seen in that year.

We have noted in our past report, West of England's unfortunate experience with large losses in excess of USD5 million over the two years 2017-2018 and 2018-2019, where they incurred seven and five such claims in the respective policy years. Whilst things improved in 2019-2020 there was a little of the "same old, same old" from the club in 2020-2021 with four claims in excess of USD5 million. This may not have been out of line with expectations, but the severity was such that all four of these incidents ended up being notified to the pool. Four claims in excess of USD10 million each a disproportionate share for a club of their size.

Our guinea pig clubs report that:

- The UK Club notes that large claims experience was adverse during 2020-2021 and included COVID related losses—with the pool experiencing its most expensive year in history, net of reinsurance. Overall however, the impact of own large losses, ignoring the pool, was still an improvement over the extremes of 2018-2019. For 2021-2022 to date, large own member claims are comparatively benign.
- At Steamship there were 48 claims in excess of USD250,000 in 2020, six fewer than in 2019 and with a total estimated exposure of just over USD80 million, a reduction of USD24.5 million (down 23%) when compared with the previous year. The club experienced three Pool claims in excess of its retention during the policy year. Two of these were COVID-19 related cruise claims where the Association's insurance was on a quota share basis, thus limiting its exposure. The third was a pollution claim consequent on the loss of containers overboard. These claims make up 38% of the Club's large claims exposure.
- The London Club saw the aggregate cost of claims in the bands USD500,000 to USD1 million and USD1 million and over contract sharply in 2020-2021. By mid-year 2021-2022, claims incurred by the Club's Mutual P&I Membership in the most recent three expired Policy Years were 35% more expensive than in the preceding three-year period. The equivalent increase for the Club's share of claims on the International Group's Pooling system was 61%.

Turning to pooling claims, these now seem to be 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. The past two years have been amongst the worst in pool history, and the current 2021-2022 year is threatening to be even worse. Many clubs point to pool losses as the primary reason for their poor underwriting results, with some noting their improved experience as regards their own membership. This might be a little disingenuous, since everybody's pool claims are somebody's owned members, claim and, by and large, pool claims are not concentrated on any one club year on year, but rather someone always seems to have that bad year—as noted above, West of England in 2020-2021.

The nature of pooling, and the impact of the second tier ICR in the higher echelons of the pool, do tend to mean that clubs who cause pool losses have a worse than average loss experience across the board that year and, over time, their individual loss modifiers in the pool loss sharing calculation will ratchet upwards causing them to ultimately "pay for their own losses" across the next 10 or more years.

At this time last year, we were looking at 2019-2020 being the worst year for pool losses in a decade. Now that record belongs to 2020-2021 which is being described as the worst year for pool losses ever. 2021-2021 may not hold that record for long, with the current 2021-2022 policy year, at least after six months, being on course to surpass its predecessor. We have observed over the last decade that the shape of the clubs' retained loss experience is changing from high frequency/low severity losses to low frequency/high severity ones. Could this now be happening to the pool loss experience, with the current year having (at the time of writing) possibly seven claims costing the system over USD500 million and the pool itself around GBP380 million.

That means the average pool each claim is now over USD50 million net to the pool, compared to a "mere" USD28 million last year. The biggest positive so far in the current year is that the number of pool claims is down on the previous two years. If last year's frequency was aligned to this year's severity, we would be staring down the barrel of a USD1 billion pool net.

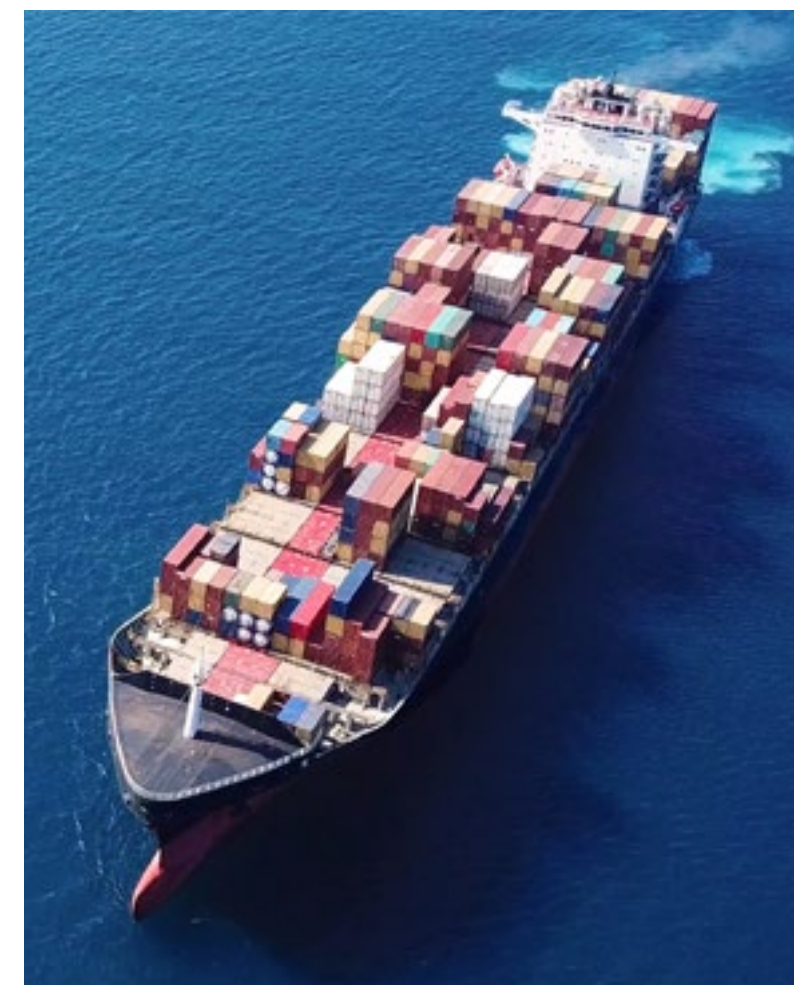
What does this mean for club underwriting models? We estimate that, in 2020-2021, the pool cost the International Group 58 cents for every GT entered (from ground up) as at 18 months development. This represents some 38% of mutual premium for the year. For the very raw and undeveloped 2021-2022 policy year, those figures approximate 35 cents per ton and 22.5% of premium. That is a substantial burden to incorporate into rates for members, even after allowing for net reductions as a result of judicious reinsurance buying. Then of course we have to consider the pressure these losses are putting on Hydra and the group reinsurance programme.

Of course, within the average market statistic of 58 cents per GT, there will be winners and losers. Some clubs may be paying over 80 cents, whilst other may seeing 45 cents or less. The selection of the right club may mean that owners are either facing big renewal pricing pressure, or a comparatively relaxed stance.

This is now three years that we have been asking ourselves if this pool trend is permanent, or is it just a blip. It is perhaps time to recognise that it's more of the former than the latter.

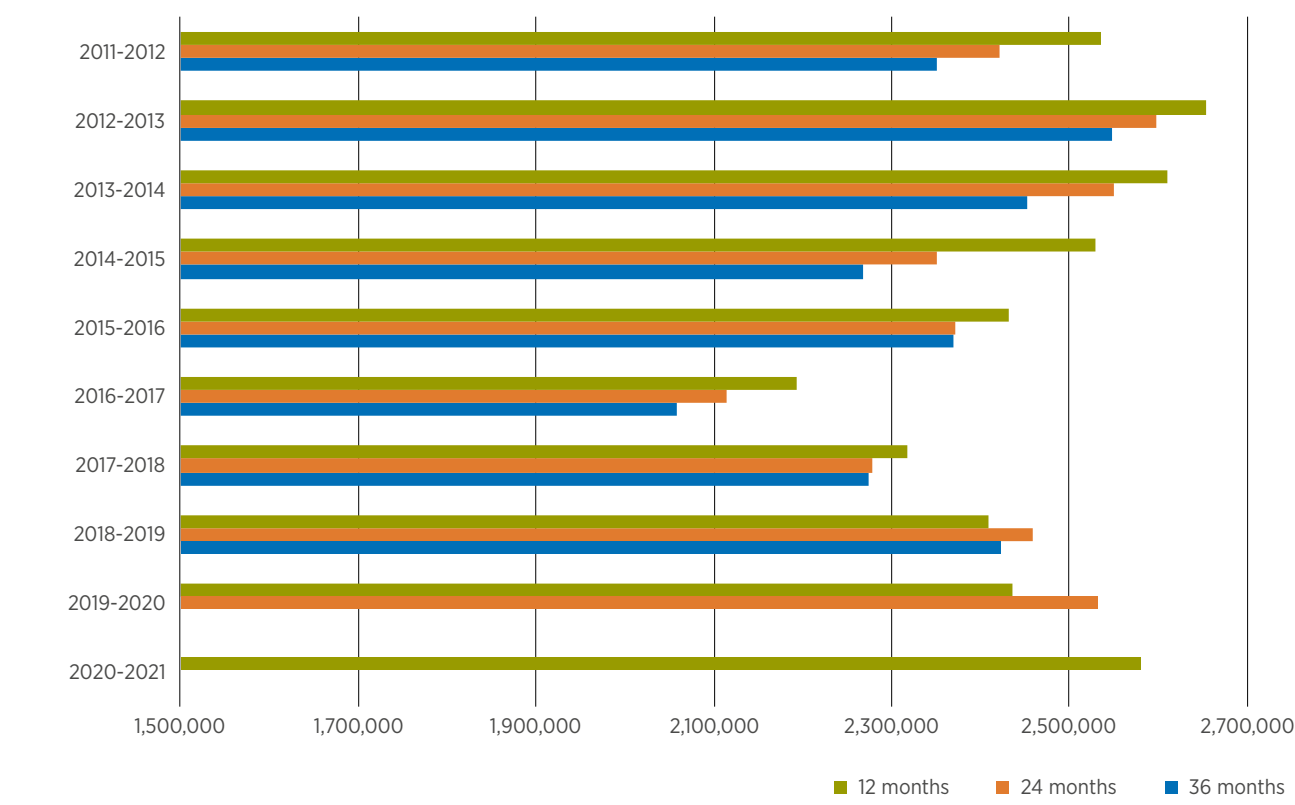
An examination of overall claims development during the first 36 months of the policy year, until formal closure, shows how certain policy years have performed significantly better than others. It must be borne in mind that the development shown in the graphic below is only up to 36 months, and further 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.

Currently 50% of the market publishes 10-year claims development triangles, on a gross or net basis (or rarely, both), and in one case by class. As of now, we cannot use this data to evaluate the market since half of said market does not provide it, but we are keeping this under continual review for the future.



Diversification

Total incurred P&I claims at development points



What stands out from the above table is the adverse claims development suffered between 12 month and 24 month development points for the last two policy years. These are the only years where this has been observed and in the past 20 years there was just a three-year period between 2004-2005 and 2006-2007 where claims incurred deteriorated in this same way.

2018-2019 clawed back some of the adverse development seen after 24 months, but there was still overall deterioration in claims levels between the 12 months and 36 months development points. It would seem highly likely, absent a significant over reserving emerging, that 2019-2020 will also show an overall deterioration in incurred claims by formal closure.

So what of 2020-2021? We would not be entirely surprised to see this year go the same way, but a number of circumstances may work against that conjecture. Firstly, clubs may, after a three or four year span of significant growth in claims, have readjusted their reserving methodologies to reflect this new normal, and be making higher provisions earlier into the claim cycle. Secondly, 2020-2021 will feature a lot of COVID-19 claims which are, by their very nature, more short-tail and, with 12 months reserving experience, hopefully, more predictable. Finally, since the clubs are now intent on driving premium rates back up to more sustainable levels, they may be less inclined to recognise surpluses in older years so quickly.

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	95,521	4,343	13,070			113,934
Britannia	193,846	6,240				200,086
Gard	519,838		367,813			887,651
Japan	180,139	1,692				177,453
London	106,727	12,770				119,497
North of England	291,233	25,792			89,134	406,159
Shipowners	232,081					232,081
Skuld*	277,567	108,075			5,197	390,839
Standard	257,800	16,500			18,400	292,700
Steamship*	259,010	25,395				284,405
Swedish	94,115	7,210	72,513			173,838
United Kingdom	286,376					286,376
West of England	229,611	13,406			20	243,037
	3,020,486	113,348	561,471		112,751	3,808,056
Approx. Split	79.3%	3.0%	14.7%	0.0%	3.0%	

*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 premium income is in respect of fixed premium business, mostly their charterer’s book and a growing amount of diversified physical damage business written under Skuld corporate security. 14.8% of the Japan Club premium is fixed, split approximately 75% coastal craft and 25% charterers business, etc. These figures are surprisingly consistent year on year between 2017-2018 and 2019-2020.

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 doubtless also influenced by the declining rating levels for P&I premium. 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 and questionable profitability. Results for M&E for the established players have returned to closer to acceptable levels of underwriting profit in the past couple of years, and it is interesting to note that North of England is returning to the hull/physical damage sector after a number of years away following the cessation of MSM.

The experiment with Lloyd’s syndicates is now officially over with firstly Standard having placed their syndicates into managed run off and then disposed of the residue of the business itself. Secondly, Skuld did essentially the same thing, but transferred such renewal business as they wanted onto their own corporate paper. The result is that diversified physical damage and FD&D book almost doubled its premium throughput, but not by as much as the business formerly in the Lloyd’s syndicate.

The 3 Scandinavian Clubs, North of England, Standard and the American Club remain the primary clubs pursuing a diversification policy, notwithstanding the cessation of the Lloyd’s involvement. The Standard Club has created a new delay/disruption class following its acquisition of the Strike Club, which has allowed them to remain somewhat diverse. Britannia and UK had been both diversifying into fixed premium P&I areas via unrelated companies within the control of their managers, but the Tindall Riley facility was “sold” to Michael Else & Co. The Thomas Miller Specialty (“TMS”) venture acquired various facilities and has now rationalised/realigned those books of business. Indeed the UK Club will, from 1 January 2022, act as underwriting security on certain marine elements of the TMS book.

Overall Result

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.

The levels of investment income attained in the year, of USD588 million, could best be described as extraordinary and unpredictable, despite being some 23% less than in the previous year. The two years combined have generated in excess of USD1.35 billion of investment income, allowing the quite bizarre scenario of the clubs losing over a billion on underwriting yet still increasing free reserves and in some cases giving capital back.

The thing that makes the 2020-2021 yield so extraordinary is that the first quarter of the financial year brought with it substantial investment losses as the pandemic hit world markets hard. By the mid-year point, most clubs had returned to around breakeven to slight positive in terms of yields. The bounce-back in the second half year underpinned the overall returns. At the same time, there was an impression of this bounce being overheated, and this is seen in the volatile, unstable levels of yields being seen in the first nine months of 2021-2022.

Yields at the clubs with 31 December year ends were somewhat lowered as they enjoyed less of the bounce but in compensation, the higher pre-COVID-19 yields in the first two months of 2020 inured to their benefit. The Japan Club, with its 31 March year-end, saw the biggest yield variance year on year—the pandemic inspired crash had eaten into the clubs 2019-2020 yields significantly, with only USD2 million return in that year. With a bigger dip to recover from, the Club made a USD24 million investment return in the current year, and is the only club to have more investment income this year than last.



Overall result in ‘000s of US Dollars

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	Cumulative
American**	-4,992	6,196	-12,389	13,101	-3,749	-1,833
Britannia* inc Boudicca	88,346	70,515	-23,996	31,827	42,467	209,159
Gard*	124,748	114,168	-90,177	20,347	83,720	252,806
Japan*	21,293	18,101	11,352	-1,941	7,731	56,536
London	27,305	6,630	-25,799	5,048	-20,320	-7,136
North of England*	2,512	19,687	12,595	-19,227	6,463	22,030
Shipowners	14,663	47,685	-37,901	36,149	39,091	99,687
Skuld*	45,845	47,951	10,697	13,122	-6,766	110,849
Standard*	40,400	31,000	-45,300	-41,000	-33,400	-48,300
Steamship*	69,969	5,678	-27,002	64,617	-4,278	108,984
Swedish	11,041	17,715	-8,294	18,517	408	39,387
United Kingdom *	10,533	71,893	-32,395	54,401	-51,796	52,636
West of England	29,851	2,021	-2,160	31,774	-47,013	14,473
Aggregate	481,514	459,240	-270,769	226,735	12,558	909,278

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

Rescued by a second year of eventually exceptional investment yields, six of the clubs overcame a deteriorating underwriting performance and seven did not. The overall result for the group may have been virtual breakeven, but at the extreme, Gard enhanced free reserves by USD84 million (and gave money back to members), whilst the UK Club lost USD52 million.

However, it must be noted that Gard’s result was enhanced by clawing back USD54 million of calls from the previous policy year, leaving Britannia and SOP as the shining lights in an otherwise gloomy night sky.

Free Reserves

Should analysts look back to the 2020-2021 P&I year from the far distant future, they may be tempted to say “nothing happened in that year. Free reserves were flat, a couple of clubs gave back some money to members, nobody made any excess calls—what was all the fuss about?”

On the surface, indeed, you might conclude that it was a “nothing year” from a cursory examination of the numbers, and, from the surface that could be said to be true—but if you look under the surface, you will realise that it’s not always where you got to that matters, but how you got there.

The clubs still hold some USD5.5 billion dollars in free reserve, still have unsustainable underwriting models, still are dependent on volatile investment yield and still provide great service and value for money to their members. We hope that the discussion above has helped you see under the surface.

Five year Development of Reserves 2017 to 2021 (Financial Year Basis)

Club In USD'000s	Underwriting Result	Investment Income	Other Income	Surplus/ Shortfall	Outside Funding	Reserve Change
American	(68,642)	34,495	387	(33,760)	49,350	15,590
Britannia	30,811	199,198	(10,050)	219,959	(105,800)	114,159
Gard	61,480	503,657	(49,331)	515,806	(263,000)	252,806
Japan	55,589	55,503	(25,435)	85,657	(29,121)	56,536
London	(120,015)	114,612	(1,733)	(7,136)		(7,136)
North of England	(175,469)	209,832	1,509	35,872	(14,000)	21,872
Shipowners	(22,940)	128,468	(5,841)	99,687		99,687
Skuld	(29,685)	190,952	(31,038)	130,049	(19,200)	110,849
Standard	(206,700)	215,300	(35,300)	(26,700)	(3,100)	(29,800)
Steamship	(38,473)	201,566	(2,741)	160,352	(89,609)	70,743
Swedish	(40,384)	89,908	(2,291)	47,233	(7,846)	39,387
United Kingdom*	(149,738)	263,111	(43,072)	70,301	(109,816)	(39,515)
West of England	(124,557)	148,454	(9,424)	14,473		14,473
Total	(828,903)	2,355,056	(214,360)	1,311,793	(592,142)	719,651

*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, actual or virtual, 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).

Whilst free reserves remained static, the solvency headroom reduced from around 70% of basic own funds to 55% (see later). Clearly by whatever measure, the market is still overcapitalised, despite suffering from the matters under the surface discussed above. The embarrassment of riches has restricted the clubs’ abilities to remedy premium inadequacies, but the pandemic has shown this embarrassment in a new light. At mid-year, fortunes had dipped and some clubs, although not all, may have been more than happy for the surplus capital as a buffer. If the resolution to start to remedy the underlying difficulties was not there at the start of 2020-2021, it certainly was by the end of the year—perversely some club managers may have cause to be thankful for the pandemic in helping them kickstart the drive for premium sustainability.

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

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. Finally, the retrospective element of American Club change of accounting policy (“EBUB”) is included in the outside funding element as if it were an excess call.

Solvency II

The introduction of Solvency II disclosures in 2017 allows a further ability to contextualise the levels of and changes in Club Free Reserves. Interestingly the Solvency Capital requirement for those clubs reporting under these rules, having peaked at the end of 2017-2018, currently stands some 4% below that level, as detailed in the table below. Over the same time, BOF solvency assets available to cover the SCR have fallen some 12%—with a consequent reduction in the headroom across the market.

This is 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.

Solvency Assets	2017	2018	2019	2020	2021
BOF	4,409.1	4,896.6	4,237.0	4,401.3	4,313.6
AOF	1,034.9	1,157.9	1,122.4	1,161.3	1,206.5
Total	5,444.0	6,054.5	5,359.4	5,562.6	5,520.1
Risk					
Market	1,062.7	1,243.1	957.4	1,061.2	1,142.7
Counterparty	310.6	359.1	353.7	380.4	372.2
Underwriting	2,088.4	1,919.6	1,816.7	1,838.9	1,971.8
Operational	182.8	213.4	219.6	223.5	261.2
Other	35.3	22.5	22.5	0.2	0.0
	3,679.8	3,757.7	3,369.9	3,504.2	3,747.9
Diversity	775.8	835.8	742.7	773.2	817.9
Tax	123.7	32.3	131.6	137.9	154.6
SCR	2,780.3	2,889.6	2,495.6	2,593.1	2,775.4
Ratios					
BOF : SCR	158.58%	169.46%	169.78%	169.73%	155.42%
Total : SCR	195.81%	209.53%	214.75%	214.52%	198.89%

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

Whilst these reports are produced for a variety of different regulators, they are all broadly consistent in principle, 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.

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. Notwithstanding these restrictions, the data below is consistent year on year.

calls, and point to the many years that have passed since they last had to do so, they do by and large all include in the solvency returns a not insignificant amount of AOF most of which reflects the agreed value of the ability to levy a call.

The London Club became the first club subject to the Solvency II regime to raise an excess call when it did so in October 2021. The call amounted to some USD75 million, whereas the amount incorporated in AOF in the club’s solvency return was USD25 million. So the excess call has actually generated USD50 million more than has been allowed against solvency at February 2021. The interesting question will be to see what is included by the club in AOF at 20 February 2022, after they have already raised one excess call on that year as well as on the other two policy years that would be open at that date.

2022-2023

Within the components of risk assessed in the SCR calculation, the amount of capital required in connection with “underwriting risk” rose markedly, by around 7.25%. This finally takes the requirement back to levels that existed three or four years earlier. The surprise is not so much that the requirement rose, but that it is still below 2017-2018 levels when premium rates were some 17.25% higher, claims were running at about the same level per GT and there were 10%-15% less vessels entered.

In their accounts the clubs point to the poor underwriting conditions in 2020-2021, when they made a USD548 million underwriting loss—so why is it that in 2017-2018 the SCR underwriting risk was considered higher after a year when underwriting losses were a mere USD83 million?

Turning for a moment at market risk—essentially the risk of losses on the investment portfolios—the trend here does seem to make more sense. The cost to capital is increasing on the back of considerable levels of unrealised investment valuation gains and an impression of a market overheating and perhaps overreacting in response to the second quarter 2020 market drops due to the pandemic.

One of the less regularly mentioned impacts of the pandemic on the P&I industry has been the slowing down of claims settlements due to delays in getting the physical work done and the slowing down in court sittings, etc. This has had the double effect of inflating both sides of club balance sheets (financial assets and claims liabilities). The impact of this is that both underwriting risk and investment risk are increased, squeezing margins.

Other elements of the SCR calculation have not significantly changed year on year, and the outcome is that the solvency capital requirement remains comfortably exceeded by basic own funds, albeit substantially less so than in the previous three years. The excess over requirement, 55%, remains more than adequate, even allowing for safety margins set by prudent boards, without the added bonus of the AOF.

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

Due to the timing of the release of this year’s report, we are in a position to comment upon the clubs’ reaction to last year’s results and the current depressed levels of premium, high levels of large claims and volatile investment markets.

One club, the London Club, has levied excess calls across the past three policy years, raising approximately one year’s worth of additional mutual premiums—about USD75 million. The Club is the only one to have adopted this approach to date, but it would be unwise to assume that this will remain the case during the next 18 months.

Club	Increase	Notes	Deductible Change ?
American*	12.5%	Redefined as “minimum increase”	N
Britannia	N/A	Target 12.5% across book	Y
Gard	N/A	Target “a balanced underwriting result”	N
Japan	10%	Introduces abatement at USD3m	Y
London*	N/A	Target 12.5% across book	N
North	15%	7.5% mandatory “for pool”	Y
SOP	5%	GI uniquely includes Group Reinsurance cost	N
Skuld	N/A	Minimum increase 10%	N
Standard	12.5%		Y
Steamship	12.5%		Y
Swedish			
UK	12.5%		N
West	15%	Redefined as “standard surcharge”	Y

*Plus excess call on older years
Not all clubs have released their renewal plans at time of going to print

As the above table indicates, the clubs are increasingly moving away from the phrase “general increase” but in practice not moving far away from the financial impact of obtaining across the board rises in premium under different terminology. A rose by any other name smells just as sweet.

The value of increasing deductible in a market currently driven by infrequent large losses is questionable, but this process has been happening for the past decade or more and has reduced the

sheer volume of claims handling, and its cost, that the clubs have incurred. The strategy may also help to contain the impact of continuing covid crew related claims, but, looking beyond the pandemic, the value of trading deductibles for premium may be seen less and less.

The premium decisions should be seen as a second, incremental, step in a multi-year drive to restore premiums levels towards

A second, the American Club, having included a “virtual excess call” in the form of an EBUB adjustment in its 31 December 2020 financial statements, converted this into a real one in November 2021. Actual excess calls were announced that will raise USD26.5 million across 2018 and 2019, and the club has warned of a potential further call in the region of USD22.5 million on the 2020 year.

All clubs have stepped up the drive to increase premiums and several have again chosen to increase deductibles. The decisions made so far are set out in the table below, in so far as they relate to the mutual premiums for 2022-2023.

sustainability after several successive years of erosion. We would expect this strategy to continue for at least one more year, if not more, unless there is a significant favourable shift in the market trends vis a vis, in particular, large and pooled losses. The likelihood of such a shift seems remote, given the “post pandemic” escalation in shipping activity and the congestion and disruptions in the supply chains occasioned by continuing crew issues being faced, hold ups in the ports and (for example) the shortages of containers.

The increase in the group reinsurance programme is understood to be in the region of 40% across the programme, and, whilst this does not necessarily mean that mutual members will see a 40% increase in the amounts they are charged for reinsurance, it certainly is indicative of a substantial increase in the level of the recharge. That said, a 25% increase in the amount members are charged for reinsurance would simply take the rates back to the levels seen in the wake of the Costa Concordia.



02

Club Pages

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Summary of Clubs Financial Position at
20 February 2021

I&E Account — All Classes	American USD million	Britannia USD million	Gard USD million	Japan USD million	London USD million
ETC Calls	113.9	200.1	872.1	177.5	119.5
Additional Calls	0.0	0.0	15.5	0.0	0.0
	113.9	200.1	887.6	177.5	119.5
Total Expenditure	(124.8)	(232.0)	(906.3)	(188.8)	(156.2)
Underwriting (Deficit)/Surplus	(10.9)	(31.9)	(18.7)	(11.3)	(36.7)
Investment Return	7.1	70.8	112.6	24.0	16.7
Exchange	0.0	5.1	3.1	6.3	(0.2)
Tax etc	0.0	(1.5)	(13.3)	(11.3)	(0.1)
	(3.8)	42.5	83.7	7.7	(20.3)
P&I Class Only					
2020/2021 Policy Year					
ETC Calls	78.4	196.3	502.1	138.6	101.1
Additional/ <i>Return</i> Calls	16.0	0.0	(38.4)	42.0	0.0
	94.4	196.3	463.7	180.6	101.1
Total Expenditure	(79.9)	(287.7)	(573.5)	(233.9)	(127.9)
Underwriting (Deficit)/Surplus	14.5	(91.4)	(109.8)	(53.3)	(26.8)
Reserve Transfer	0.0	0.0	0.0	0.0	5.6
Investment Income Allocation	1.0	29.4	0.0	11.3	21.2
	15.5	(62.0)	(109.8)	(42.0)	0.0
2019/2020 Policy Year					
ETC Calls	106.2	191.3	516.5	174.0	105.1
Additional Calls	0.0	0.0	(18.5)	0.0	0.0
	106.2	191.3	498.0	174.0	105.1
Total Expenditure	(111.2)	(261.0)	(568.1)	(209.3)	(147.5)
Underwriting (Deficit)/Surplus	(5.0)	(69.7)	(70.1)	(35.3)	(42.4)
Reserve Transfer	0.0	0.0	0.0	0.0	22.1
Investment Income Allocation	3.1	30.8	0.0	13.5	20.3
	(1.9)	(38.9)	(70.1)	(21.8)	0.0
2018/2019 Policy Year					
ETC Calls	81.8	198.5	519.9	189.8	93.6
Additional Calls	10.6	0.0	(37.3)	0.0	0.0
	92.4	198.5	482.6	189.8	93.6
Total Expenditure	(97.0)	(252.9)	(629.3)	(200.3)	(127.3)
Underwriting (Deficit)/Surplus	(4.6)	(54.4)	(146.7)	(10.5)	(33.7)
Reserve Transfer	0.0	0.0	0.0	0.0	21.5
Investment Income Allocation	4.1	32.1	0.0	5.0	12.2
	(0.5)	(22.3)	(146.7)	(5.5)	(0.0)

North of England USD million	SOP USD million	Skuld USD million	Standard USD million	Steamship USD million	Swedish USD million	UK USD million	West of England USD million	Total USD million
406.2	232.1	390.8	292.7	284.4	173.8	286.4	243.0	3,792.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.5
406.2	232.1	390.8	292.7	284.4	173.8	286.4	243.0	3,808.0
(462.6)	(241.1)	(421.0)	(354.8)	(349.4)	(202.6)	(393.0)	(323.4)	(4,356.0)
(56.4)	(9.0)	(30.2)	(62.1)	(65.0)	(28.8)	(106.6)	(80.4)	(548.0)
60.0	42.4	55.7	30.9	55.2	27.5	53.4	31.7	588.0
3.2	7.0	7.2	(1.5)	5.6	6.5	0.0	3.5	45.8
(0.3)	(1.3)	(36.5)	(0.7)	(0.1)	(4.8)	1.4	(1.8)	(70.3)
6.5	39.1	(3.8)	(33.4)	(4.3)	0.4	(51.8)	(47.0)	15.5
275.4	232.8	259.1	252.8	259.0	94.6	278.8	227.9	2,896.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.6
275.4	232.8	259.1	252.8	259.0	94.6	278.8	227.9	2,916.5
(343.2)	(245.7)	(311.0)	(323.6)	(318.7)	(108.5)	(384.3)	(309.3)	(3,647.2)
(67.8)	(12.9)	(51.9)	(70.8)	(59.7)	(13.9)	(105.5)	(81.4)	(730.7)
0.0	0.0	0.0	33.7	0.0	0.0	0.0	0.0	39.3
28.9	0.0	54.5	37.1	52.4	2.4	13.4	40.0	291.6
(38.9)	(12.9)	2.6	0.0	(7.3)	(11.5)	(92.1)	(41.4)	(399.8)
255.8	228.1	268.2	252.2	281.7	94.1	304.5	208.9	2,986.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(18.5)
255.8	228.1	268.2	252.2	281.7	94.1	304.5	208.9	2,968.1
(340.9)	(247.4)	(289.1)	(325.9)	(329.2)	(116.4)	(386.2)	(262.6)	(3,594.8)
(85.1)	(19.3)	(20.9)	(73.7)	(47.5)	(22.3)	(81.7)	(53.7)	(626.7)
0.0	0.0	0.0	6.2	0.0	0.0	0.0	0.0	28.3
9.0	0.0	48.1	67.5	58.7	3.8	37.7	25.0	317.5
(76.1)	(19.3)	27.2	0.0	11.2	(18.5)	(44.0)	(28.7)	(280.9)
259.5	223.0	273.6	269.0	282.1	94.9	322.9	206.3	3,014.9
0.0	0.0	0.0	0.0	0.0	(4.4)	0.0	0.0	(31.1)
259.5	223.0	273.6	269.0	282.1	90.5	322.9	206.3	2,983.8
(322.4)	(252.9)	(289.6)	(328.1)	(297.9)	(109.4)	(402.0)	(256.4)	(3,565.5)
(62.9)	(29.9)	(16.0)	(59.1)	(15.8)	(18.9)	(79.1)	(50.1)	(581.7)
0.0	0.0	0.0	49.5	0.0	0.0	0.0	0.0	71.0
26.2	0.0	10.7	9.6	8.4	4.2	32.4	50.1	195.0
(36.7)	(29.9)	(5.3)	(0.0)	(7.4)	(14.7)	(46.7)	0.0	(315.7)

Summary of Clubs Financial Position at 20 February 2021 (continued)

I&E Account — All Classes	American USD million	Britannia USD million	Gard USD million	Japan USD million	London USD million
Older Years Balances	74.9	345.1	1,589.5	350.9	134.4
Other Reserves	(16.0)	212.4	0.0	(42.0)	0.0
Other Funding	19.5	177.8	0.0	8.6	0.0
P&I Class Reserve	91.5	612.1	1,262.9	248.2	134.4
Other Class Surplus etc	0.0	14.8	0.0	(4.5)	19.2
Total Free Reserve	91.5	626.9	1,262.9	243.7	153.6

P&I Class Free Reserve					
20 February 2015	57.9	522.3	969.1	172.4	143.8
20 February 2016	75.4	491.8	1,003.4	187.1	146.2
20 February 2017	70.6	576.5	1,134.9	208.4	171.8
20 February 2018	76.3	608.8	1,249.0	226.5	178.3
20 February 2019	82.1	557.5	1,158.9	237.9	152.0
20 February 2020	95.2	578.4	1,179.2	235.9	154.8
20 February 2021	91.5	612.1	1,262.9	248.2	134.4

% Movement P&I Free Reserves					
2014–2015	2%	15%	5%	15%	-2%
2015–2016	30%	-6%	4%	9%	2%
2016–2017	-6%	17%	13%	11%	18%
2017–2018	8%	6%	10%	9%	4%
2018–2019	8%	-8%	-7%	5%	-15%
2019–2020	16%	4%	2%	-1%	2%
2020–2021	-4%	6%	7%	5%	-13%

Last 7 years	61%	35%	37%	65%	-9%
Last 5 years	21%	24%	26%	33%	-8%
Last 3 years	20%	1%	1%	10%	-25%

North of England USD million	SOP USD million	Skuld USD million	Standard USD million	Steamship USD million	Swedish USD million	UK USD million	West of England USD million	Total USD million
575.1	440.9	434.6	321.3	473.7	199.9	690.0	269.4	5,899.7
(68.5)	0.3	0.0	0.0	0.0	1.3	0.2	44.5	132.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	205.9
354.9	379.1	459.1	321.3	470.2	156.5	507.4	243.8	5,241.4
95.4	0.0	0.0	39.0	40.9	66.0	0.0	47.3	318.1
450.3	379.1	459.1	360.3	511.1	222.5	507.4	291.1	5,559.5

265.7	300.3	338.2	298.6	349.1	103.1	547.8	174.6	4,242.9
353.0	279.4	358.2	307.4	403.0	110.0	546.9	204.0	4,465.8
362.1	294.0	419.8	348.0	475.6	123.7	557.8	245.2	4,988.4
370.9	341.7	442.0	381.7	484.9	145.3	640.0	236.0	5,381.4
404.5	303.8	452.7	386.8	425.2	143.5	504.8	261.8	5,071.5
385.5	340.0	465.8	345.8	482.6	163.1	559.2	289.8	5,275.3
354.9	379.1	459.1	321.3	470.2	156.5	507.4	243.8	5,241.4

-6%	0%	-1%	0%	28%	4%	4%	-11%	5%
33%	-7%	6%	3%	15%	7%	0%	17%	5%
3%	5%	17%	13%	18%	12%	2%	20%	12%
2%	16%	5%	10%	2%	17%	15%	-4%	8%
9%	-11%	2%	1%	-12%	-1%	-21%	11%	-6%
-5%	12%	3%	-11%	13%	14%	11%	11%	4%
-8%	12%	-1%	-7%	-3%	-4%	-9%	-16%	-1%

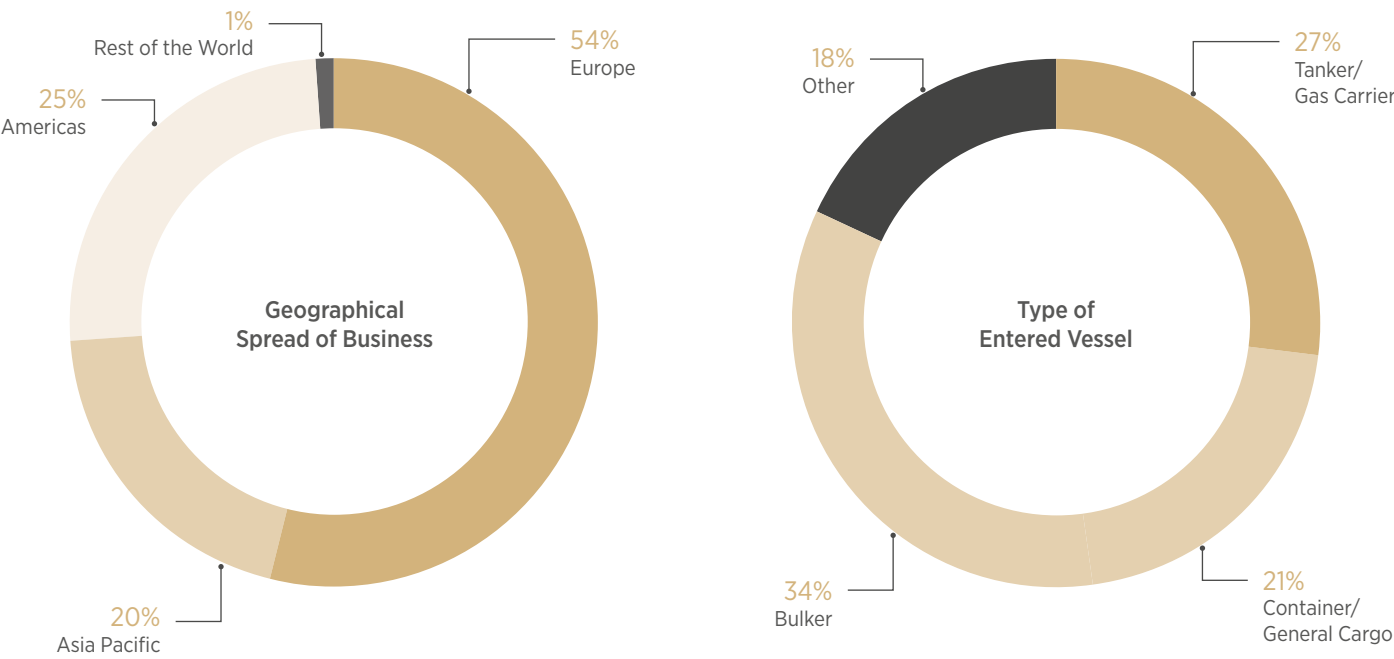
24%	27%	34%	7%	73%	59%	-4%	24%	33%
1%	36%	28%	5%	17%	42%	-7%	20%	24%
-4%	11%	4%	-16%	-3%	8%	-21%	3%	5%

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**



Club Commentary

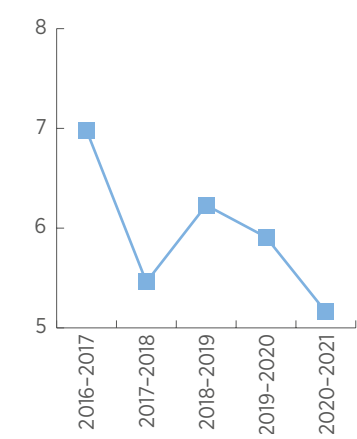
During the year, the American Club changed their accounting policy as regards the recognition of call income, specifically addressing its ability to make excess calls. The Club now includes an amount approximating the deficits on the three open policy years as “earned but unbilled” premium in insurance debtors, and hence in free reserves. This policy change has been endorsed by both the auditors and New York State regulators, and reflects the treatment the Club uses for accounting for ring-fenced pre-1989 asbestos claims.

In effect, the Club is booking excess call income, but without actually calling it. Any excess call that the Club might make in the future will not necessarily result in an increase in free reserve. The change of policy has increased 31 December 2020 free reserve by USD24.65 million. Figures in this report reflect the change retrospectively for years 2018 and 2019.

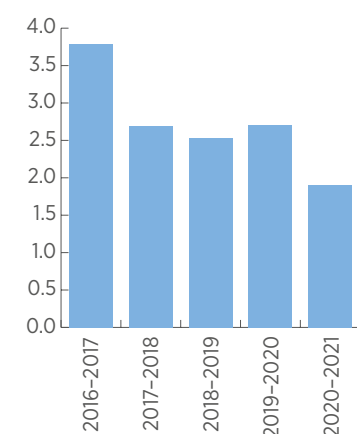
Free Reserves also include an amount of USD19.5 million relating to an interest-bearing surplus note issued in 2015 and maturing in December 2040. Repayment of the surplus note may not be made without the prior approval of the New York insurance regulator.

In November 2021, the club effectively converted the EBUB “virtual excess call” into actual excess calls in respect of the 2018 (15%) and 2019 (35%) P&I class policy years. This will raise approximately USD26.5 million but the impact on free reserve is not immediately obvious as EBUB is already included at a value determined as at 31 December 2020. A decision as regards the 2020 policy year will be made in 2022. Simultaneously the club is seeking a 12.5% general increase for the forthcoming year.

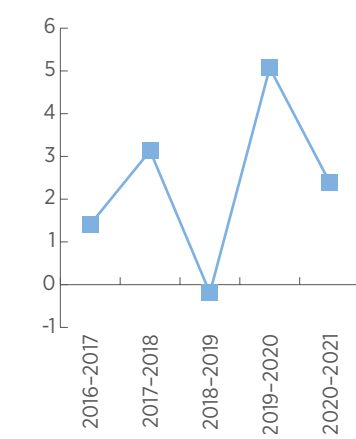
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	14.1	15.5	17.1	18.4	17.0
Chartered Tonnage	1.5	2.8	1.5	3.8	3.0

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2021-2022
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	17.5%	0%	0%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2021-2022
On Advance Call	0.0%	0.0%	0.0%	N/A	5.0%
On ETC	0.0%	0.0%	0.0%	N/A	5.0%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2021-2022
Call Income	108.9	99.9	102.7	118.0	87.1
Incurred Claims	59.2	49.2	47.1	60.1	37.9
Total Outgoing	109.3	105.1	107.3	123.0	88.6
Underwriting Result	-0.4	-5.2	-4.6	-5.0	-1.5
Call Income/GT	6.98	5.46	6.23	5.91	5.16
Claims Incurred/GT	3.79	2.69	2.53	2.71	1.90

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	51.4	57.6	62.6	75.7	72.0
Hybrid Capital	19.5	19.5	19.5	19.5	19.5
Regulatory Capital	66.0	74.8	59.2	64.7	63.0
Tier 2 Capital	0.0	0.0	0.0	0.0	0.0
Solvency Capital Required	7.5	7.5	7.5	7.5	7.5

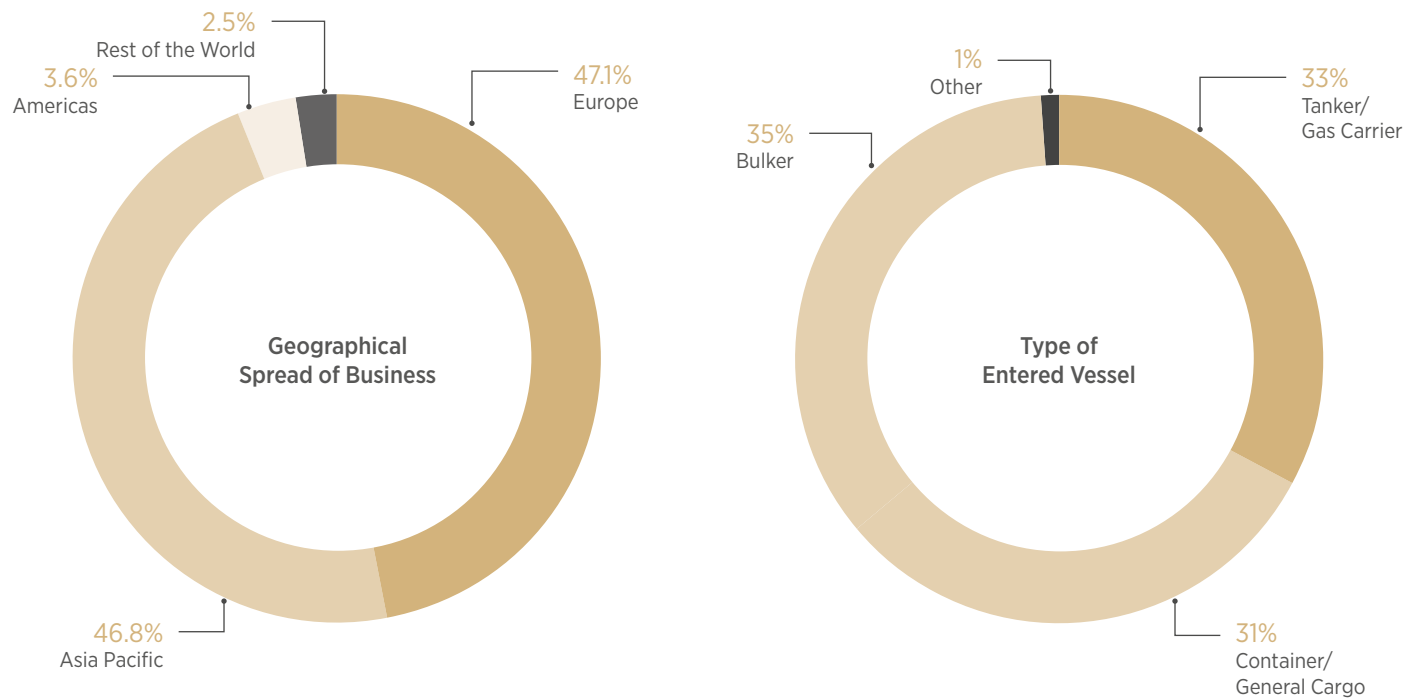
INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	1.41%	3.13%	-0.19%	5.07%	2.40%

The Britannia Steam Ship Insurance Association Ltd

<https://britanniapandi.com/>

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



Club Commentary

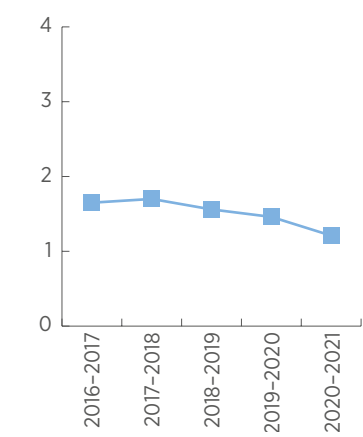
During the year, the Club returned a further USD10 million to its members by way of capital distribution. This distribution was made in one tranche in October 2020 to members with entered vessels (in effect) at the date of the announcement. This brings the total of such distributions to USD95 million.

In October 2021, the club announced a further USD25 million capital distribution as part of its 2022–2023 renewal strategy. Britannia has once more elected to not feature a general increase for either the P&I or FD&D classes for 2022–2023. Instead, the club has set a target increase in ETC of 12.5% for P&I and 15% for FD&D, to be based on claims record and risk profile for the respective members. Minimum P&I deductibles are to be increased by between 15% and 25%.

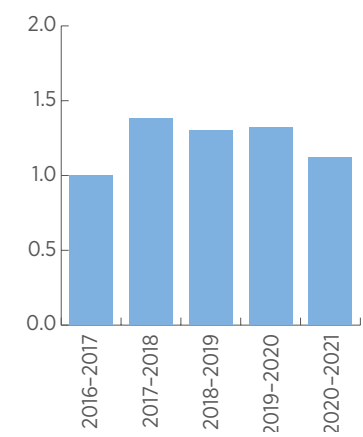
The club anticipates a higher than expected deficit for the 2021–2022 policy year.

Standard & Poors' downgraded the Club's ratings outlook to negative in October 2021.

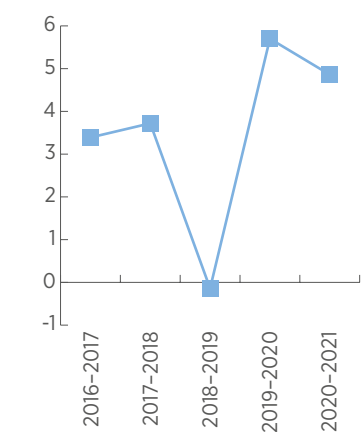
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	105.9	100.4	107.0	111.9	117.5
Chartered Tonnage	35.0	15.0	20.0	19.0	45.0

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	45%	45%	45%	0%	0%
Latest Estimate	45%	45%	45%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2020-2021	2020-2021
On Advance Call	0.0%	0.0%	0.0%	N/A	N/A
On ETC	0.0%	0.0%	0.0%	N/A	N/A

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	232.8	196.1	198.5	191.3	196.3
Incurred Claims	141.4	159.4	164.8	173.0	182.7
Total Outgoing	231.7	239.8	252.8	261.0	287.7
Underwriting Result	1.1	-43.7	-54.3	-69.7	-91.4
Call Income/GT	1.65	1.70	1.56	1.46	1.21
Claims Incurred/GT	1.00	1.38	1.30	1.32	1.12

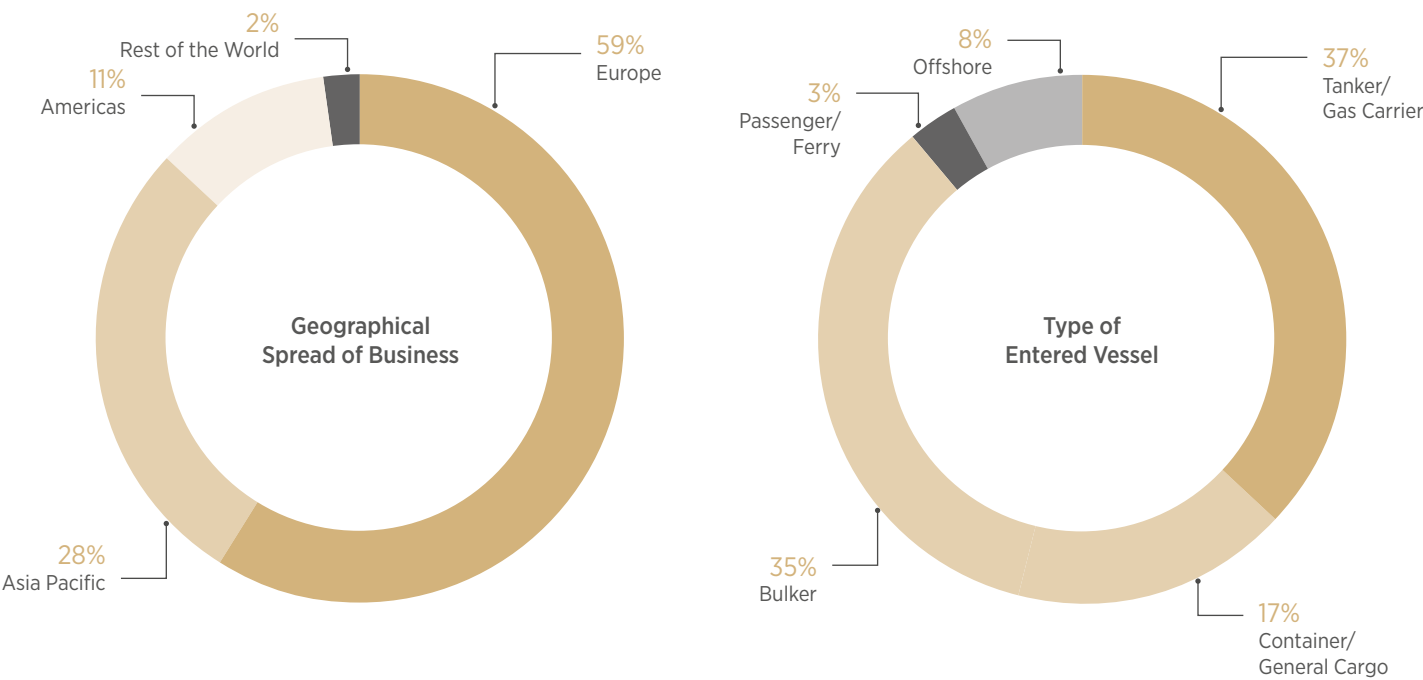
SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	379.4	430.0	390.7	422.1	449.1
Boudicca Net Assets	221.7	211.6	196.9	172.3	177.8
Capital Returned	-	-30.0	-30.0	-25.0	-10.0
Tier 1 Capital	571.9	518.3	427.7	396.5	435.5
Tier 2 Capital	0.0	129.5	129.5	129.5	129.5
Solvency Capital Required	252.7	265.9	266.9	261.2	298.1

INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	3.39%	3.72%	-0.14%	5.70%	4.86%

Assuranceforeningen Gard Gjensidig

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



Club Commentary

Last year, the Club in effect provisionally waived the final 20% instalment of the ETC relating to the 2019–2020 policy year. At the time, they noted that, in view of uncertainties surrounding the pandemic, the decision would require ratification at the November 2020 board meeting when 2021–2022 premium decisions are considered. In the event, the Club called 15% of that 20%, leaving an ultimate 5% waiver on the year. This had the impact of switching USD54 million of revenue for 2019–2020 and 2020–2021.

As regards the 2020–2021 year, the Club waived 10% of the ETC amounting to USD38.4 million.

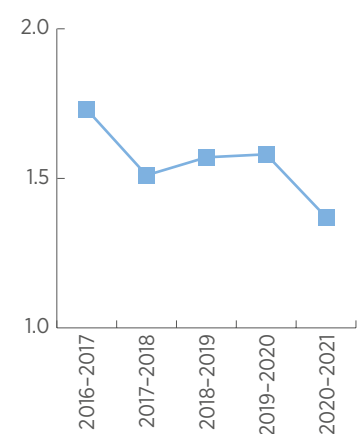
The Club introduced an “owners general discount” with effect from the 2021–2022 policy year which was based on the capital position

of the Club in the preceding autumn. This was set at 5% for the first year, and in October 2021 the Club confirmed that the discount would continue at 5% for the 2022–2023 policy year. This discount is estimated to be worth between USD15 and USD20 million each year.

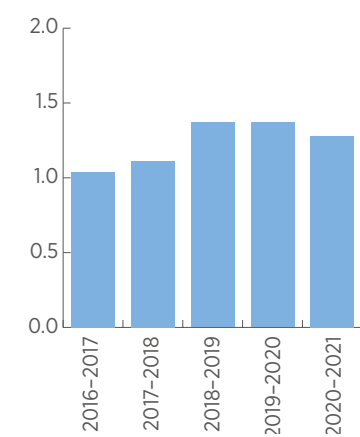
The Club’s half-year results to 20 August 2021 identify a technical loss of USD59.7 million. On an ETC basis (i.e., ignoring the owner’s general discount) this amount reduces to USD50.2 million, which equates to a combined ratio of 113%. The actual combined ratio is thus likely to be a little higher.

Investment and other income contributed USD23 million, meaning that free reserves fell by USD36.7 million to USD1,226.2 million.

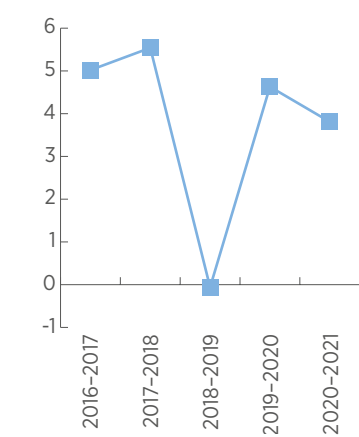
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	215.2	216.6	223.3	229.5	244.7
Chartered Tonnage	90.0	90.0	85.0	85.0	95.0

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	25%	20%	0%	0%	-5%
Latest Estimate	0%	10%	-5%	-10%	-5%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
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	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	529.5	464.4	482.6	498.0	463.7
Incurred Claims	316.2	340.9	422.3	429.6	433.3
Total Outgoing	493.2	491.8	629.2	568.1	573.5
Underwriting Result	36.3	-27.4	-146.6	-70.1	-109.8
Call Income/GT	1.73	1.51	1.57	1.58	1.37
Claims Incurred/GT	1.04	1.11	1.37	1.37	1.28

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	1,134.9	1,249.0	1,158.9	1,179.2	1,262.9
Tier 1 Capital	996.0	1,192.0	1,106.0	1,089.0	1,155.0
Tier 2 Capital	338.0	328.0	245.0	255.0	279.0
Solvency Capital Required	676.0	657.0	490.0	511.0	558.0

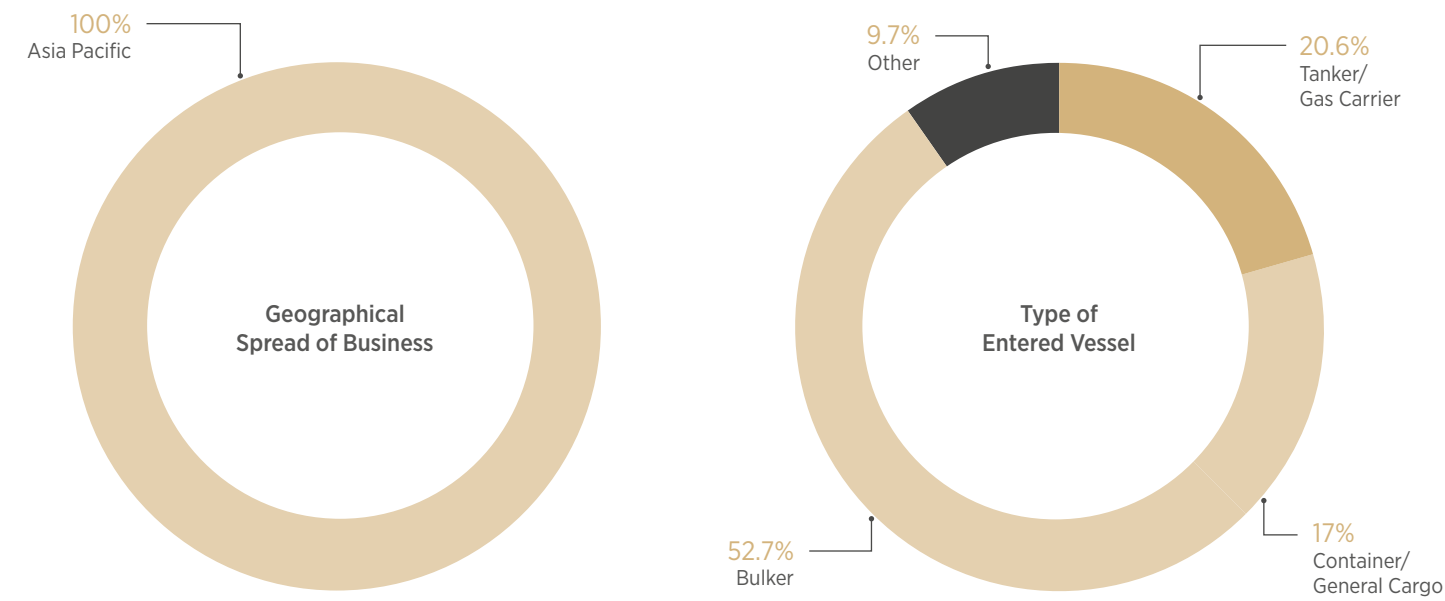
INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	5.02%	5.54%	-0.06%	4.63%	3.81%

Japan Ship Owners Mutual P&I Association

www.piclub.or.jp

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

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



Club Commentary

The figures presented for the Japan Club have to be considered in light of the significant effect that the Japanese Yen: US Dollar exchange rate has had on them over the past several years. 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 fluctuate significantly due to forex as the policy year matures.

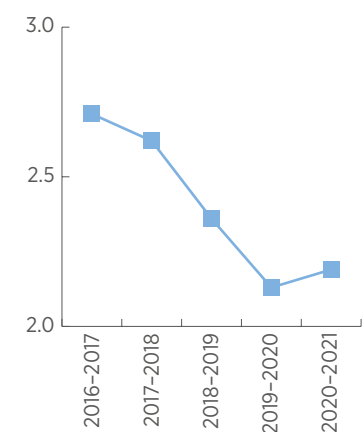
The Club's investment income improved significantly during 2020-2021, but this is largely a function of the impact of the pandemic and the Club's 31 March financial year end. Across the two years 2019-2020 and 2020-2021, the yield was more or less average, but the timing of the COVID investment market slump meant that the Club suffered a greater dip in 2019-2020 and in effect more of the bounceback in 2020-2021 than did its peer group.

The Club remains the only one to retain its S&P positive outlook when last reviewed in July 2021. The positive outlook reflects S&P view of an at least a one-in-three chance that Japan P&I will continue to strengthen its capital through an accumulation of free reserves, triggering an upgrade within the next two years.

The Club's half-year results to 20 August 2021 identify a technical loss of USD59.7 million. On an ETC basis (i.e., ignoring the owner's general discount) this amount reduces to USD50.2 million, which equates to a combined ratio of 113%. The actual combined ratio is thus likely to be a little higher.

Investment and other income contributed USD23 million, meaning that free reserves fell by USD36.7 million to USD1,226.2 million.

Call Income/GT



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2019-2020
Owned Tonnage	91.5	93.7	93.5	95.5	97.0
Chartered Tonnage	12.5	12.2	12.1	14.0	12.6

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2019-2020
Forecast Call	40%	40%	40%	0%	0%
Latest Estimate	40%	40%	40%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2019-2020
On Advance Call	0.0%	0.0%	0.0%	7.5%	10.0%
On ETC	0.0%	0.0%	0.0%	7.5%	10.0%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2019-2020
Call Income	221.8	217.4	189.8	174.0	180.6
Incurred Claims	112.1	132.5	124.6	141.7	158.1
Total Outgoing	201.0	217.2	200.3	209.3	233.9
Underwriting Result	20.8	0.2	-10.5	-35.3	-53.3
Call Income/GT	2.71	2.62	2.36	2.13	2.19
Claims Incurred/GT	1.08	1.25	1.18	1.29	1.44

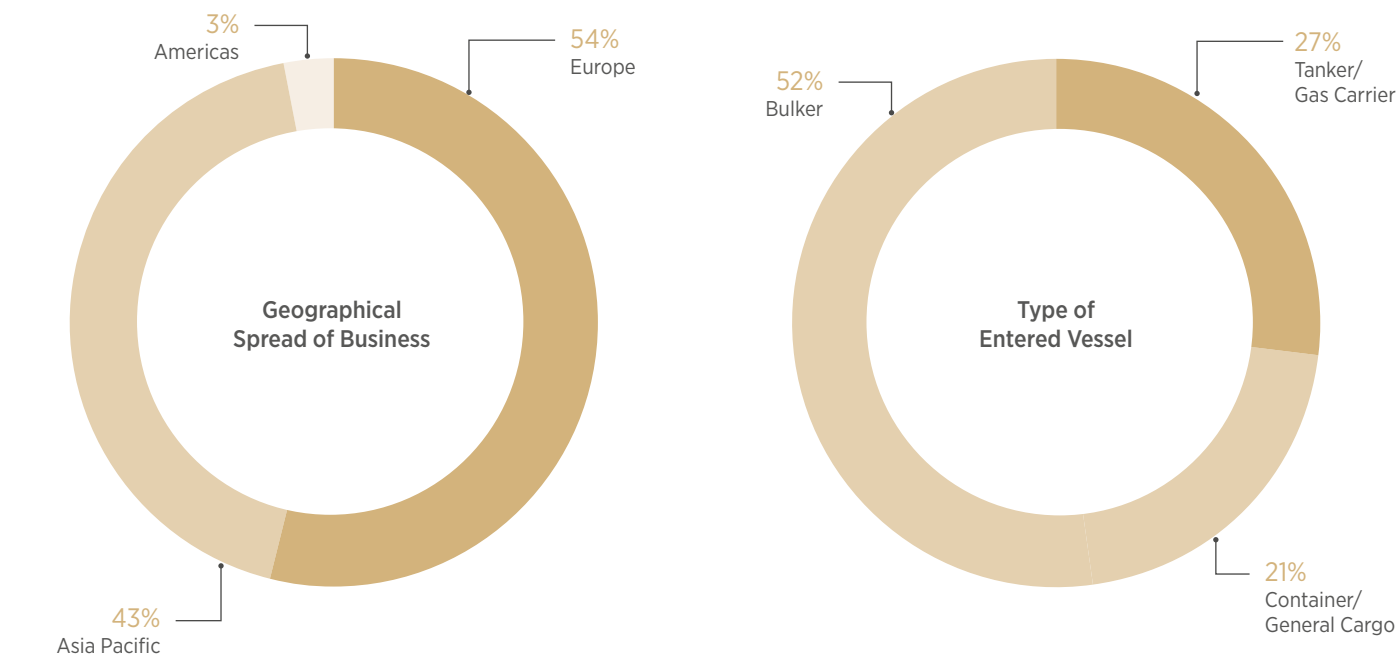
SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2019-2020
Total Free Reserve	208.4	226.5	237.9	235.9	243.7
Tier 1 Capital	N/A	N/A	N/A	N/A	N/A
Tier 2 Capital	N/A	N/A	N/A	N/A	N/A
Solvency Capital Required	N/A	N/A	N/A	N/A	N/A

INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2019-2020
Return on Total Assets	1.30%	2.06%	1.26%	0.30%	3.57%

London Steam-Ship Owners' Mutual Insurance Association Ltd

www.lsoo.com

50 Leman Street, London, E1 8HQ, UK | T: +44 (0)207 772 8000 | F: +44 (0)207 772 8200
S&P Rating (interactive rating granted in 2014): **BBB Stable**



Club Commentary

After having suffered from sustained underwriting losses amounting to USD106 million in the past three years, bolstered by market-leading investment income yields, the Club finally bowed to what many had seen as inevitable in October 2021. The Club's incurred claims six months into the current policy year continue to rise, standing at almost double the level seen in the preceding year at the same development point.

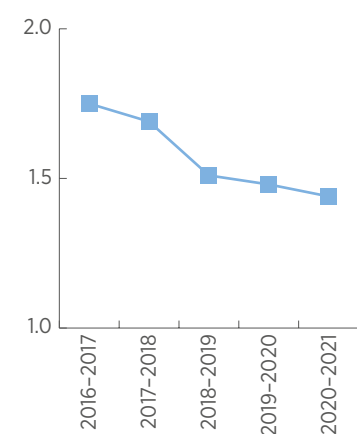
The Club announced excess calls on the current, 2021-2022, policy year as well as additional calls on the preceding two policy years. A 35% excess call was levied on the current policy year, a 30% excess call on the 2020-2021 policy year and a further 35% on the 2019-2020 policy year. It is anticipated that this will generate a USD75 million boost to Free Reserves.

As a second stage of the Club strategy to correct the technical deficits, the Club has abandoned the concept of the general increase but is seeking an overall 12.5% increase in rates focussed on individual member claims records and risk profiles.

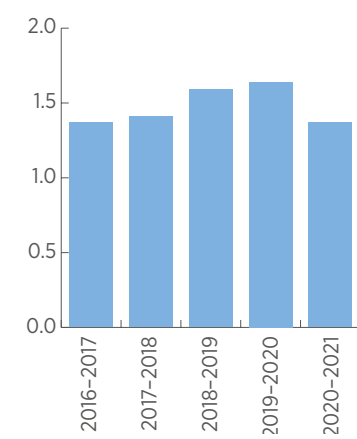
In contrast to the performance of its mutual book, the Club's fixed premium products have been profitable, with a combined ratio of below 100% across the past six years.

Standard & Poors' restored the Club's ratings outlook to stable in October 2021, in response to the above.

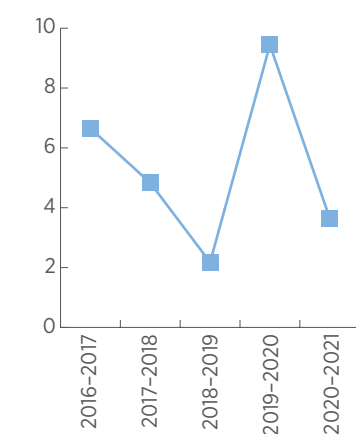
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	43.9	45.0	47.4	52.7	51.1
Chartered Tonnage	9.8	9.5	14.4	18.3	19.2

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	35%	30%	35%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
On Advance Call	0.0%	0.0%	0.0%	7.5%	10.0%
On ETC	0.0%	0.0%	0.0%	7.5%	10.0%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	93.8	92.0	93.6	105.1	101.1
Incurred Claims	73.6	76.9	98.2	116.7	96.6
Total Outgoing	103.4	106.3	127.3	147.5	127.9
Underwriting Result	-9.6	-14.3	-33.7	-42.4	-26.8
Call Income/GT	1.75	1.69	1.51	1.48	1.44
Claims Incurred/GT	1.37	1.41	1.59	1.64	1.37

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	188.0	194.6	168.8	173.9	153.6
Tier 1 Capital	165.9	166.1	145.6	148.3	126.4
Tier 2 Capital	35.0	25.0	25.0	25.0	25.0
Solvency Capital Required	124.6	123.8	113.3	117.6	111.4

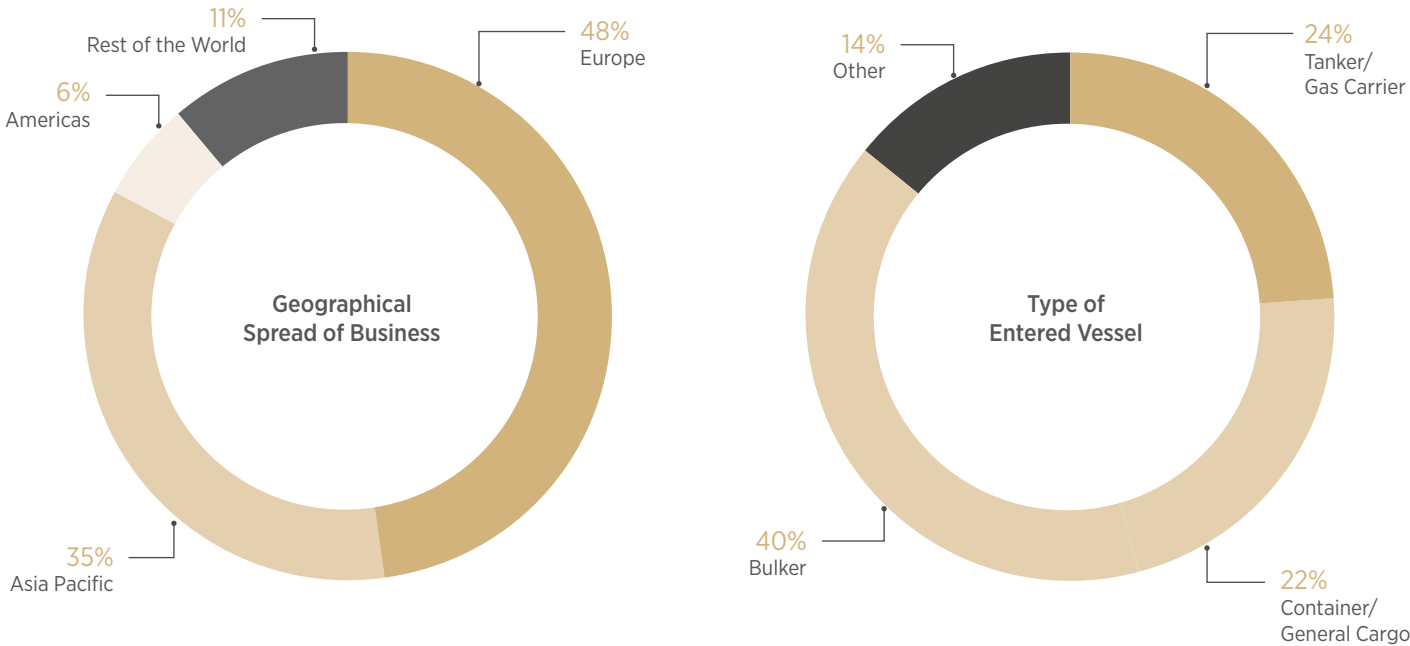
INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	6.65%	4.83%	2.18%	9.44%	3.65%

North of England Protecting & Indemnity Association Ltd

www.nepia.com

The Quayside, Newcastle upon Tyne, NE1 3DU UK | T: +44 (0)191 232 5221 | F: +44 (0)191 261 0540

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



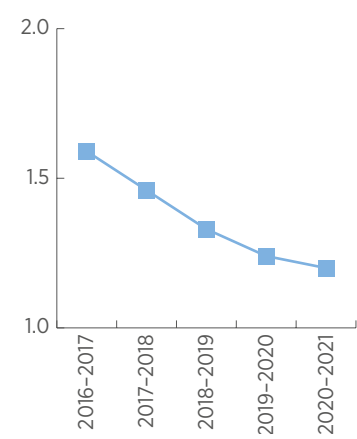
Club Commentary

North of England Club is seeking a 15% general increase for both the mutual and fixed premium P&I class entries. Notwithstanding the general increase, members will also continue to be rated based on claims record. The anticipated increase in the international group reinsurance cost will be passed on to members.

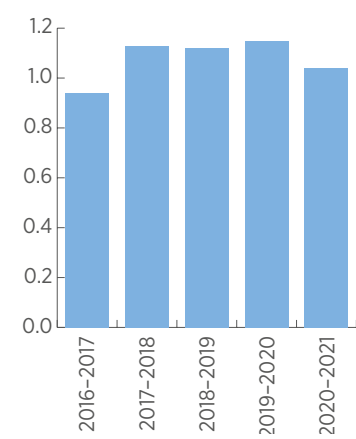
Of this amount, 7.5% is a mandatory increase and related to the high levels of pool claims being seen in the past three years, including the current one. Deductibles below USD50,000 will also rise by a minimum of USD2,500 (USD5,000 for crew or “people claims”).

The Club is currently running with a combined ratio in excess of 110% and anticipates a decline in free reserve by 20 February 2022.

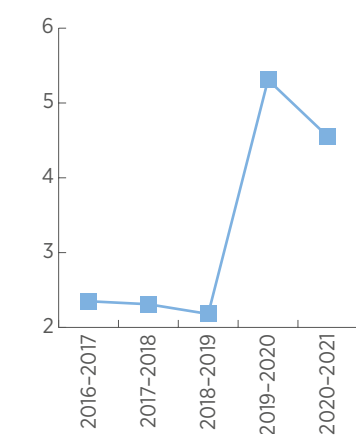
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	131.0	140.0	142.0	147.0	160.0
Chartered Tonnage	54.0	50.0	53.0	60.0	70.0

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
On Advance Call	0.00%	0.00%	0.00%	7.50%	10.00%
On ETC	0.00%	0.00%	0.00%	7.50%	10.00%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	293.5	277.5	259.5	255.8	275.4
Incurred Claims	173.6	215.5	219.3	237.9	240.0
Total Outgoing	283.7	315.2	322.4	340.9	343.2
Underwriting Result	9.8	-37.7	-62.9	-85.1	-67.8
Call Income/GT	1.59	1.46	1.33	1.24	1.20
Claims Incurred/GT	0.94	1.13	1.12	1.15	1.04

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	430.8	450.5	463.1	443.8	450.3
Tier 1 Capital	152.0	225.8	206.8	201.6	230.2
Tier 2 Capital	74.9	69.9	67.2	59.5	66.1
Solvency Capital Required	149.9	160.7	145.9	119.1	132.5

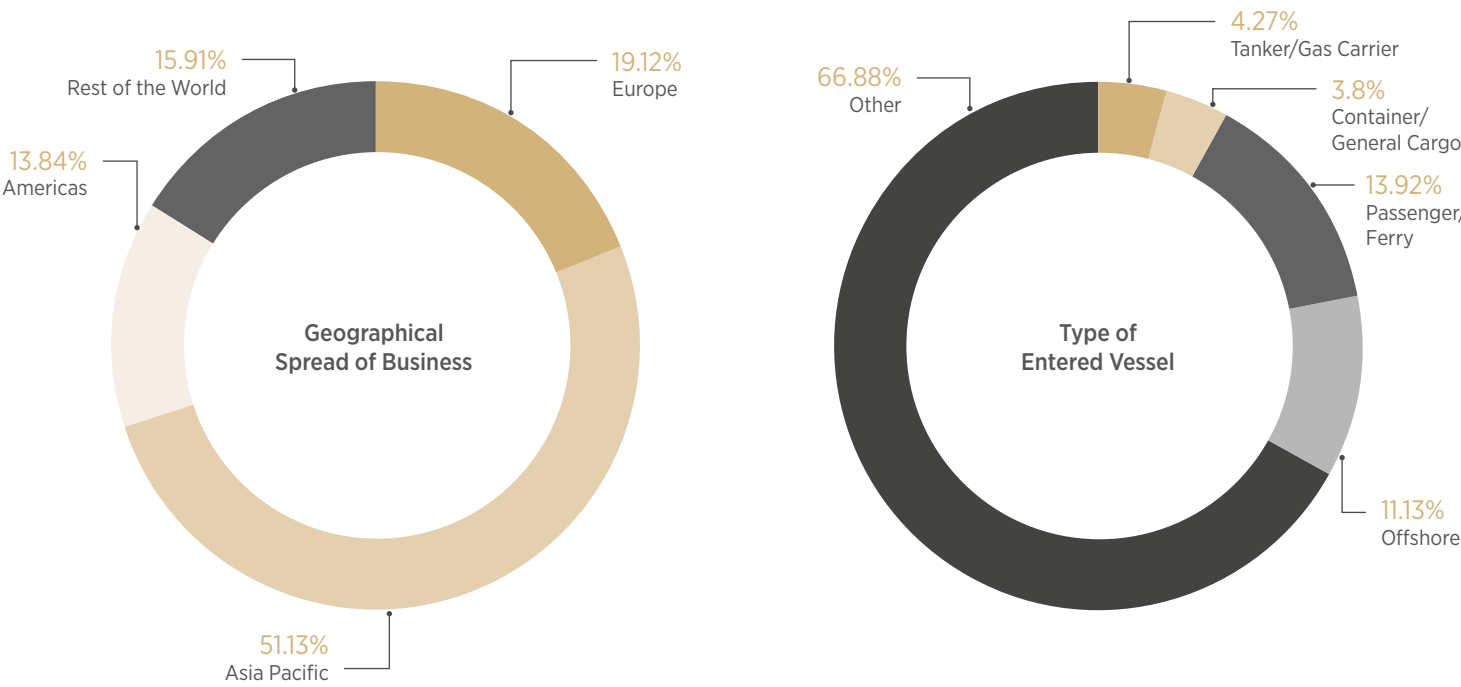
INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	2.35%	2.31%	2.18%	5.31%	4.55%

Shipowners Mutual P&I Insurance (Luxembourg)

www.shipownersclub.com

White Chapel Building, 10 Whitechapel High Street, London E1 8QS, UK | T: +44 (0)207 488 0911 | Fax: +44 (0)207 480 5806

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

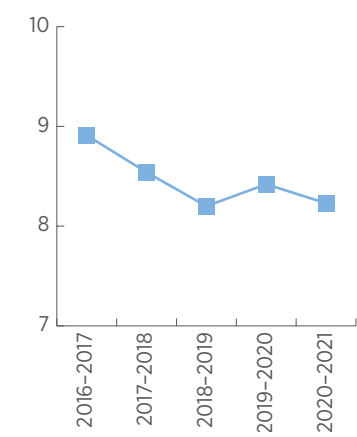


Club Commentary

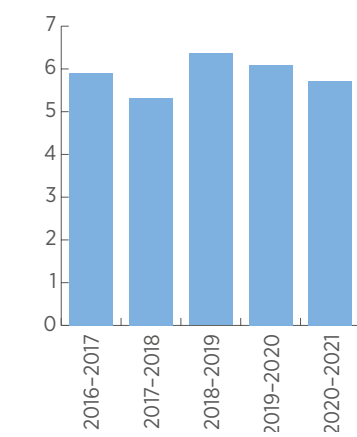
The Club has announced a 5% general increase in premiums for 2022–2023 which, probably uniquely, will include the incremental cost of the international group reinsurance premium. For a specialist insurer of smaller ships, with correspondingly higher premium rates per ton, this may not be as strange as it first seems, with the cost of the reinsurance programme representing a smaller proportion of the total premium charged than that seen in their big ship peers.

The Club has reported on its half-year results to 30 June 2021 which revealed a small underwriting loss of USD0.9 million on the back of a 100.9% combined ratio. The investment return of USD16.7 million (2.9%) was below the 2019–2020 yield but ahead of the equivalent yield at 30 June 2020. This meant that free reserves rose by USD15 million to USD394 million.

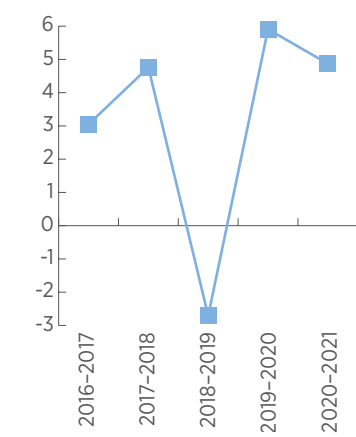
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	24.8	24.9	26.7	26.6	27.8
Chartered Tonnage	0.6	0.5	0.5	0.5	0.5

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
On Advance Call	0.0%	0.0%	0.0%	5.0%	5.0%
On ETC	0.0%	0.0%	0.0%	5.0%	5.0%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	226.4	216.8	223.0	228.1	232.8
Incurred Claims	150.1	135.1	172.9	165.4	161.6
Total Outgoing	228.0	211.4	252.9	247.4	245.7
Underwriting Result	-1.6	5.4	-29.9	-19.3	-12.9
Call Income/GT	8.91	8.54	8.20	8.42	8.23
Claims Incurred/GT	5.91	5.32	6.36	6.10	5.71

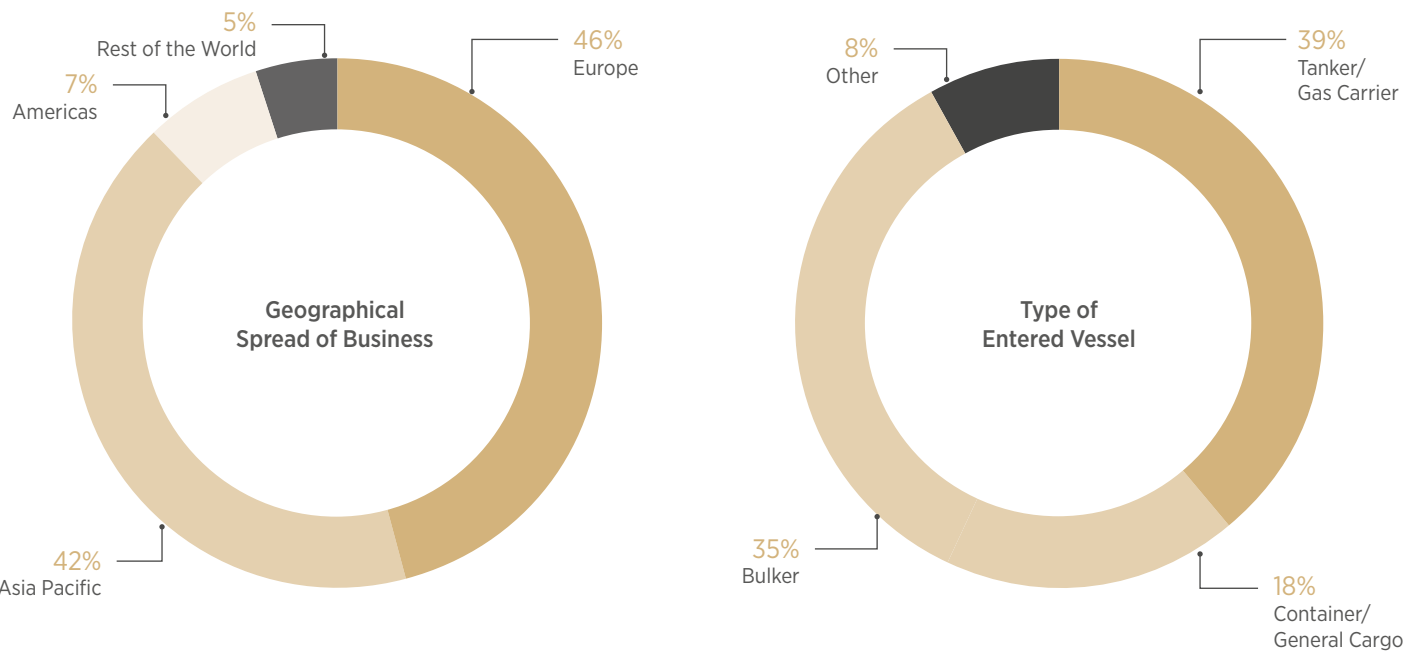
SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	294.0	341.7	303.8	340.0	379.1
Tier 1 Capital	274.3	312.1	266.2	280.9	322.5
Tier 2 Capital	108.3	107.3	98.5	100.4	115.1
Solvency Capital Required	216.6	214.7	197.0	200.9	230.3

INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	3.05%	4.76%	-2.71%	5.91%	4.87%

Assuranceforeningen Skuld Gjensidig

www.skuld.com

Radhusgata 27, 0158 Oslo, Norway | T: +47 22 00 22 00 | F: +47 22 42 42 22
S&P Rating (last change: increase to A from A- in 2012): **A Negative**



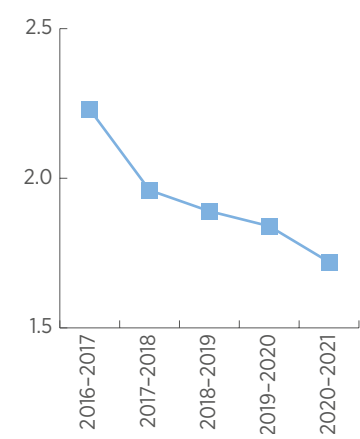
Club Commentary

Skuld is continuing its practice of not declaring a general increase, but in this year’s renewal strategy circular, they have made it clear that they will strongly adhere to the need to achieve a minimum 10% increase in overall P&I premiums based on underwriting on the basis of member claims records and risk profiles.

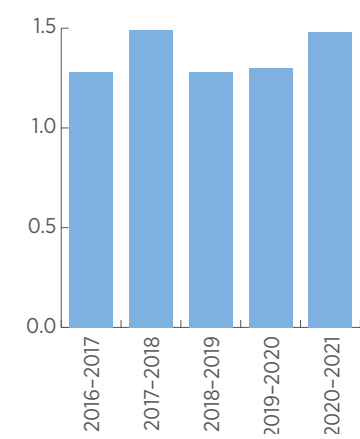
The Club has reported on it's half-year results to 20 August 2021 which feature an underwriting loss of USD54.1 million on the back of a 127% combined ratio. The investment return of USD16.7 million (1.1%), coupled with a USD12.5 million tax credit, meant that free reserves fell by USD24.9 million to USD424.5 million, including USD64 million in the form of a deferred cessation tax credit.

Standard & Poor’s downgraded the Club’s ratings outlook to negative in October 2021.

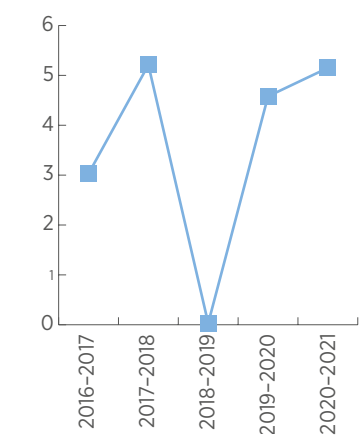
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	93.1	99.0	100.0	100.7	105.4
Chartered Tonnage	37.0	45.0	45.0	45.0	45.0

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	-2.5%	0%	0%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
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	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	290.0	281.9	273.6	268.2	259.1
Incurred Claims	167.0	214.1	185.6	189.9	222.3
Total Outgoing	271.9	317.7	289.5	289.1	311.0
Underwriting Result	18.1	-35.8	-15.9	-20.9	-51.9
Call Income/GT	2.23	1.96	1.89	1.84	1.72
Claims Incurred/GT	1.28	1.49	1.28	1.30	1.48

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	394.0	442.0	452.7	465.8	459.1
Tier 1 Capital	235.8	425.0	328.6	367.7	347.0
Tier 2 Capital	142.3	186.4	128.3	144.9	129.5
Solvency Capital Required	284.5	372.8	256.5	289.8	259.1

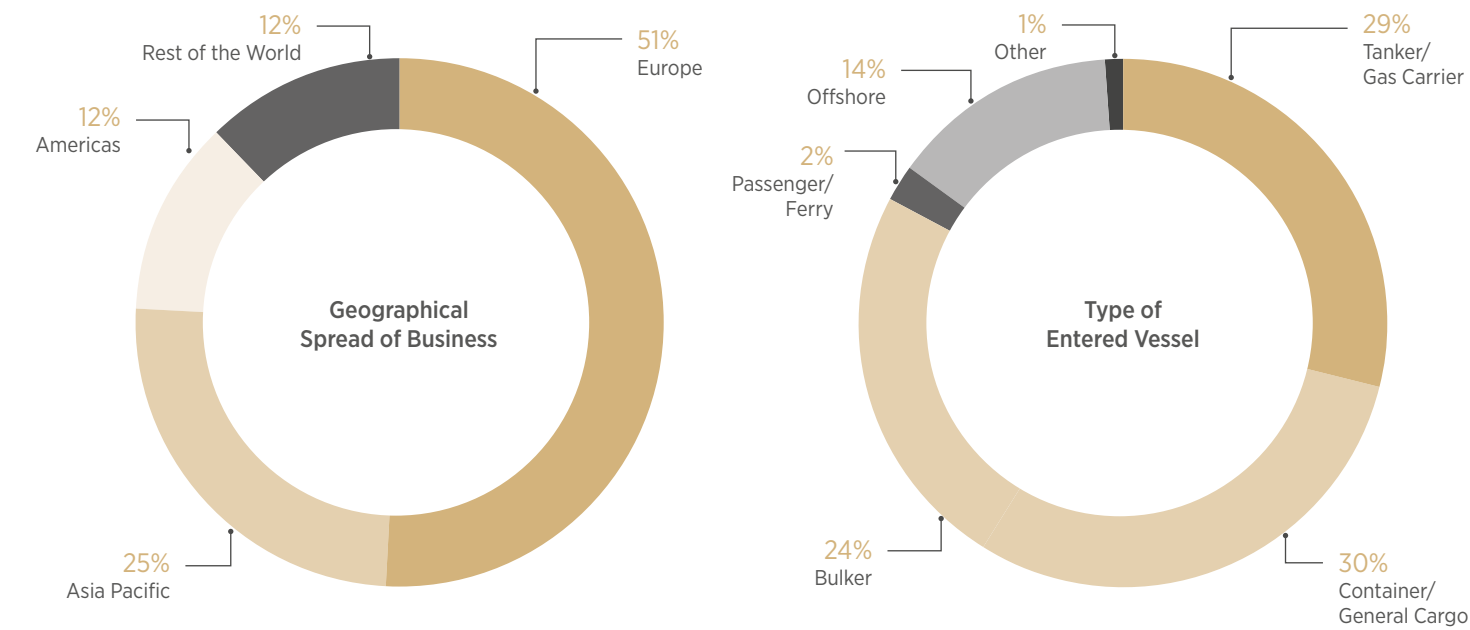
INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	3.03%	5.21%	0.03%	4.58%	5.15%

The Standard Club

www.standard-club.com

The Minster Building, 21 Mincing Lane, London EC3R 7AG, UK | T: +44 (0)203 320 8888 | F: +44 (0)203 320 8800

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



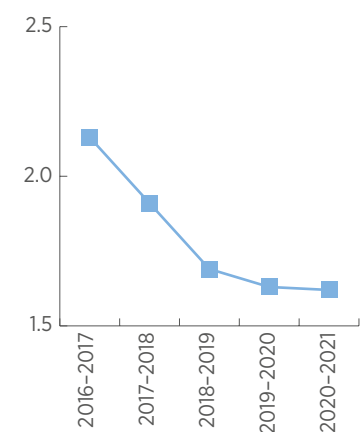
Club Commentary

Following the change of ownership of Charles Taylor, the shipowner board determined to bring the Club management back in house. This 12 month process started in July 2020, and has now concluded, seemingly seamlessly. Most of the core staff have remained under employment contracts directly with the Club. However certain core services, such as IT, remain sub-contracted to Charles Taylor Management.

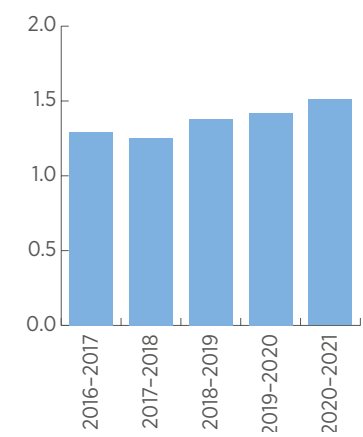
The Club is seeking a 12.5% increase in both the P&I and the FD&D estimated total premium for the 2022-2023 policy year, as well as a 10% increase in deductibles levels, subject to minimum dollar values.

The 2021-2022 policy year P&I combined ratio is predicted to be 115% and, whilst the combined ratio for 2020-2021 has improved slightly, it is still running at 124%. The Club's investment portfolio remains defensively positioned and is not expected to offset the underwriting deficit for the current financial year, pointing to further erosion in free reserves by 20 February 2022.

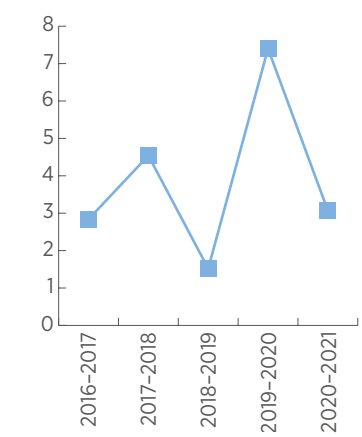
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	116.0	125.0	135.0	133.0	133.5
Chartered Tonnage	24.0	24.0	24.0	22.0	22.5

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	-5%	0%	0%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
On Advance Call	0.0%	0.0%	0.0%	7.5%	10.0%
On ETC	0.0%	0.0%	0.0%	7.5%	19.0%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	298.0	284.0	269.0	252.2	252.8
Incurred Claims	180.2	186.4	220.1	220.6	236.1
Total Outgoing	283.9	284.9	328.1	325.9	323.6
Underwriting Result	14.1	-0.9	-59.1	-73.7	-70.8
Call Income/GT	2.13	1.91	1.69	1.63	1.62
Claims Incurred/GT	1.29	1.25	1.38	1.42	1.51

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	430.5	461.5	434.7	393.7	360.3
Tier 1 Capital	395.1	365.2	284.2	345.6	303.3
Tier 2 Capital	44.6	34.0	64.4	52.1	45.5
Solvency Capital Required	181.1	193.7	215.2	229.1	228.0

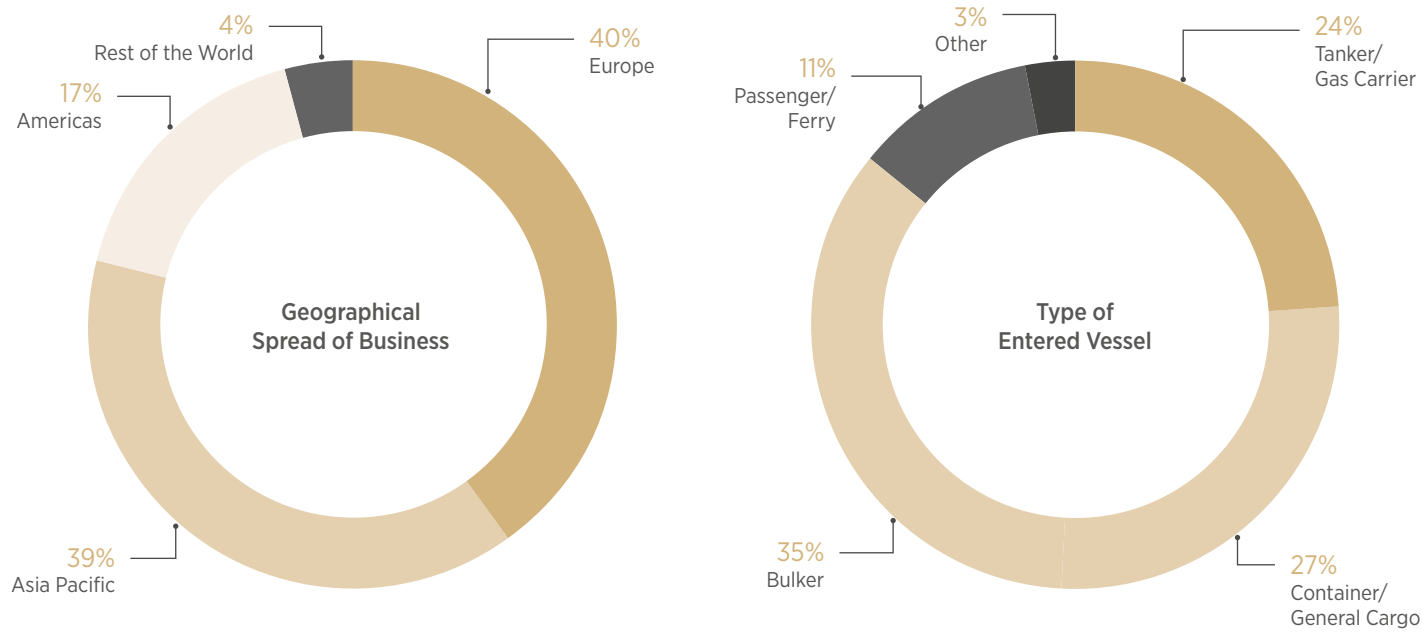
INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	2.84%	4.54%	1.52%	7.40%	3.07%

Steamship Mutual Underwriting Association (Bermuda) Ltd

www.simsl.com

Aquatical House, 39 Bell Lane, London, E1 7LU UK | T: +44 (0)207 247 5490 | F: +44 (0)207 426 680

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



Club Commentary

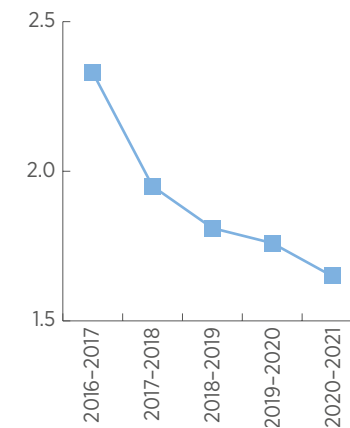
The Club are requiring a 12.5% general increase, for both the P&I and FD&D classes, as part of their 2022-2023 renewal strategy. In addition, there will be a 10% increase for all P&I deductibles below USD100,000.

The Club's programme of returning funds to members stalled in October 2021 after two years during which a total of USD38.2 million has been distributed.

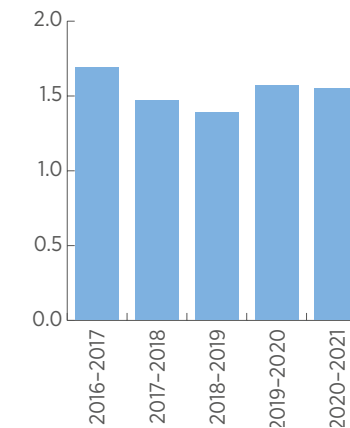
The Club's combined ratio for 2021-2022 is expected to exceed 100% and prior year claims development is less favourable than expected. During the first eight months of the year, the Club's investment income was USD19 million (1.6%) and is projected to remain in surplus for the full year ended 20 February 2022.

Standard & Poor's downgraded the Club's ratings outlook to negative in October 2021.

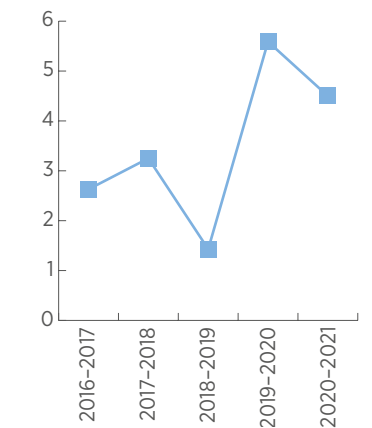
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	77.8	84.3	84.6	85.6	88.4
Chartered Tonnage	51.2	66.7	71.5	74.5	68.1

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
On Advance Call	0.0%	0.0%	0.0%	7.5%	5.0%
On ETC	0.0%	0.0%	0.0%	7.5%	5.0%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	300.5	294.1	282.1	281.7	259.0
Incurred Claims	217.6	221.9	217.7	251.6	243.2
Total Outgoing	305.8	301.0	297.9	329.2	318.7
Underwriting Result	-5.3	-6.9	-15.8	-47.5	-59.7
Call Income/GT	2.33	1.95	1.81	1.76	1.65
Claims Incurred/GT	1.69	1.47	1.39	1.57	1.55

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	510.3	516.0	467.0	515.3	511.1
Capital Returned	-	-	-21.9	-16.3	0.0
Tier 1 Capital	504.6	505.9	455.4	461.1	465.7
Tier 2 Capital	106.3	93.6	80.8	88.5	76.4
Solvency Capital Required	227.3	247.0	245.4	251.1	277.3

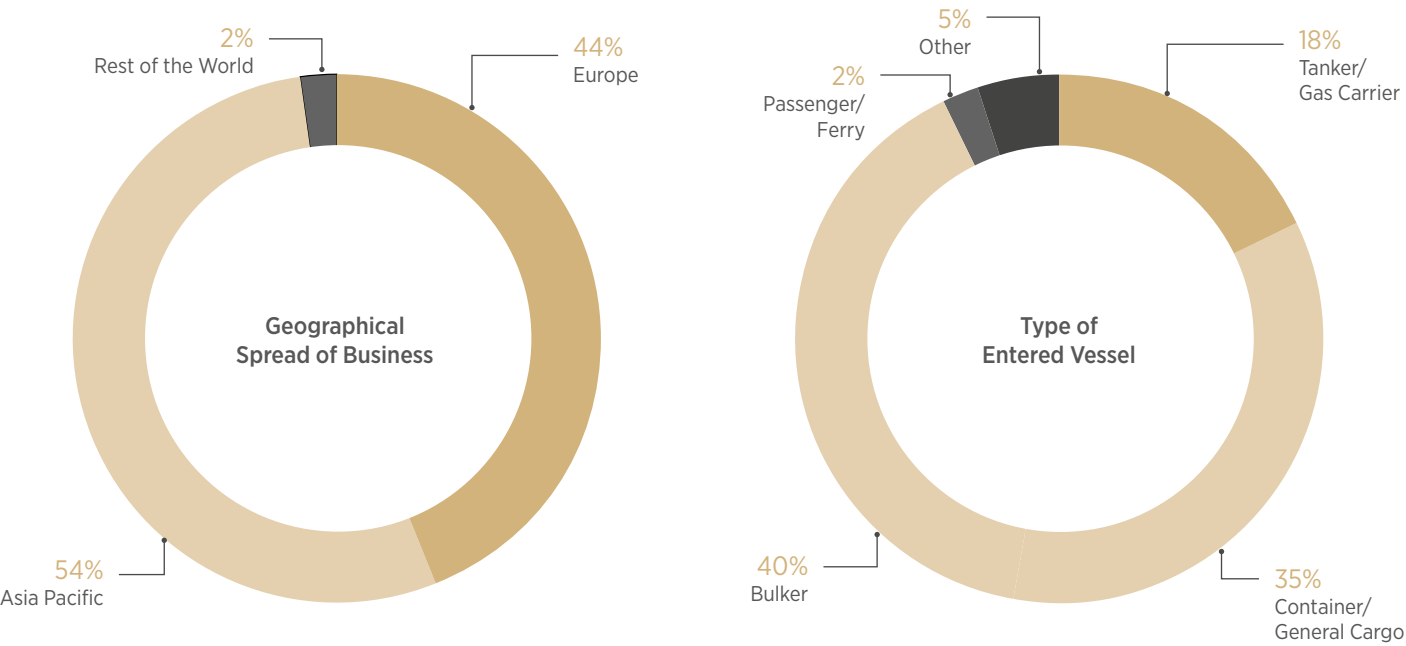
INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	2.63%	3.25%	1.43%	5.59%	4.50%

Sveriges Angfartygs Assurance Forening

www.swedishclub.com

Gullbergs Strandgata 6, SE 40122, Goteborg, Sweden | T: +46 31 638400 | F: +46 31 156711

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



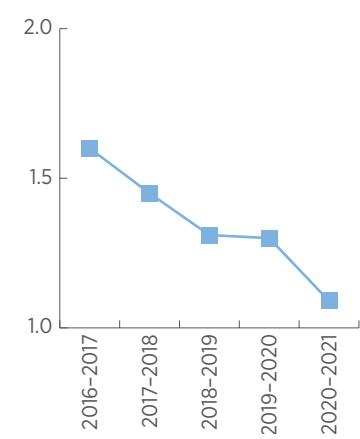
Club Commentary

The Club has reported on its results for the six months to 30 June 2021. Free Reserves have fallen by USD5.8 million from USD222.5 million at 31 December 2021 to USD217.7 million. The Club incurred a technical loss of USD23.2 million, with a 132% combined ratio, compared to 107% in the first six months of the preceding year. Investment income was USD9.5 million (2.8%), a great improvement on the prior year's flat result.

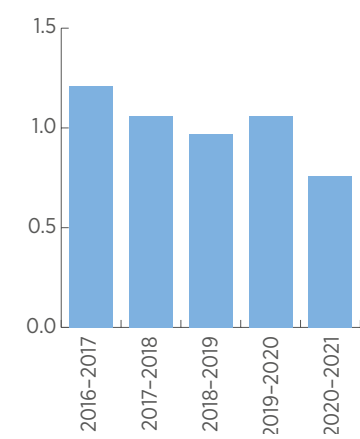
The Club's solvency capital requirement rose to USD143 million at 30 June 2021, but the solvency ratio still exceeds 200%.

Standard & Poors' downgraded the Club's ratings outlook to negative in October 2021.

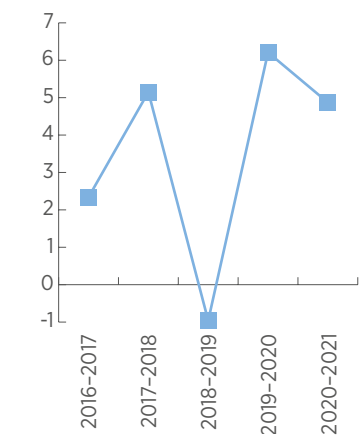
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	43.6	46.8	51.1	48.3	51.0
Chartered Tonnage	21.4	18.8	18.0	24.0	35.7

CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	-4%	-5%	0%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
On Advance Call	0.0%	0.0%	0.0%	5.0%	10.0%
On ETC	0.0%	0.0%	0.0%	5.0%	10.0%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	104.1	95.4	90.5	94.1	94.6
Incurred Claims	78.4	69.4	67.2	76.8	66.3
Total Outgoing	118.4	112.1	109.4	116.3	108.5
Underwriting Result	-14.3	-16.7	-18.9	-22.2	-13.9
Call Income/GT	1.60	1.45	1.31	1.30	1.09
Claims Incurred/GT	1.21	1.06	0.97	1.06	0.76

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	194.1	211.8	203.5	222.1	222.5
Tier 1 Capital	215.6	234.1	229.2	244.3	232.8
Tier 2 Capital	59.3	54.1	48.4	53.7	64.5
Solvency Capital Required	118.5	108.2	96.8	107.4	129.0

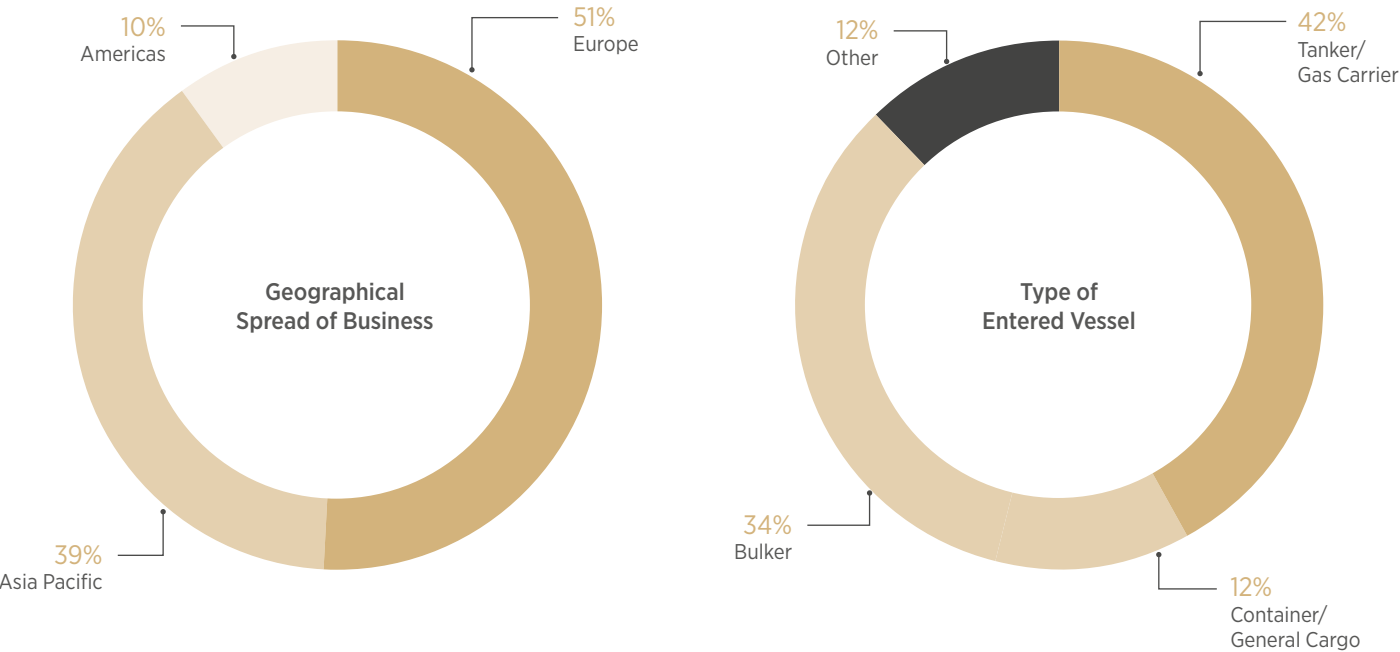
INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	2.34%	5.15%	-0.96%	6.21%	4.87%

The United Kingdom Mutual Steam Ship Assurance Association Ltd

www.ukpandi.com

90 Fenchurch Street, London, EC3M 4ST UK | T: +44 (0)207 283 4646 | F: +44 (0)207 549 4243

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



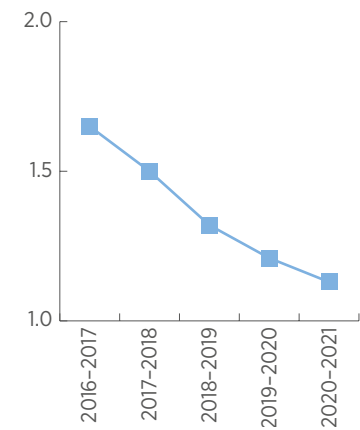
Club Commentary

The UK Club has opted for a 12.5% general increase across the mutual P&I class for 2022–2023. FD&D risks associated with the Club are underwritten as a sister company which has not yet indicated its renewal requirements.

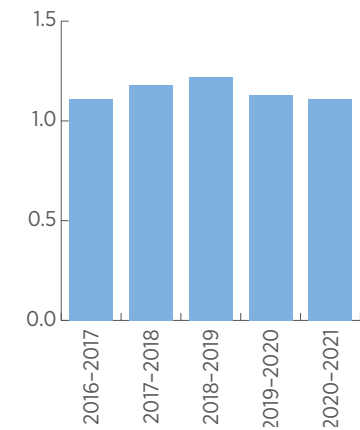
Thomas Miller Specialty, another sister company specialising in fixed premium Marine P&I, Offshore Marine and Energy, and other related risks, has announced that its three partnerships with AIG will end with effect from 1 January 2022. This will be replaced by a collaboration agreement with the UK Club.

In its Autumn Statement, reflecting on the first six months of 2021–2022, the Club has seen free reserves rise by USD27 million to USD534 million, despite a combined ratio of 115%—itself a considerable improvement on 2020–2021. Investment income performed strongly in the first six months to offset the underwriting deficit, but this has fallen back since 20 August.

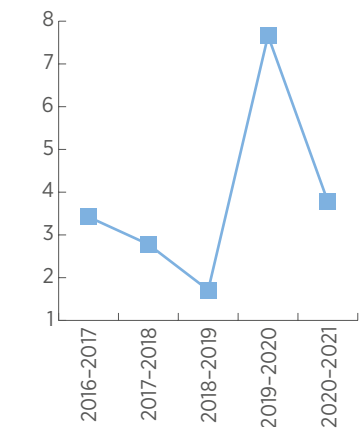
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
Owned Tonnage	135.0	139.0	143.7	144.0	137.5
Chartered Tonnage	100.0	100.0	100.0	108.0	110.0

CALL HISTORY	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
Forecast Call	0%	0%	0%	0%	0%
Latest Estimate	0%	0%	0%	0%	0%

GENERAL INCREASE	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
On Advance Call	0.0%	0.0%	0.0%	N/A	10.0%
On ETC	0.0%	0.0%	0.0%	N/A	10.0%

POLICY YEAR DATA	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
Call Income	387.0	357.4	322.9	304.5	278.8
Incurred Claims	260.3	283.1	296.6	284.4	274.8
Total Outgoing	383.3	388.7	402.0	386.2	384.3
Underwriting Result	3.7	-31.3	-79.1	-81.7	-105.5
Call Income/GT	1.65	1.50	1.32	1.21	1.13
Claims Incurred/GT	1.11	1.18	1.22	1.13	1.11

SOLVENCY	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
Total Free Reserve	458.4	540.0	504.8	559.2	507.4
Hybrid Capital	99.4	99.8	0.0	0.0	0.0
Tier 1 Capital	597.9	656.2	478.4	549.7	446.7
Tier 2 Capital	39.2	38.2	151.5	164.7	165.7
Solvency Capital Required	375.0	343.7	303.0	329.4	331.4

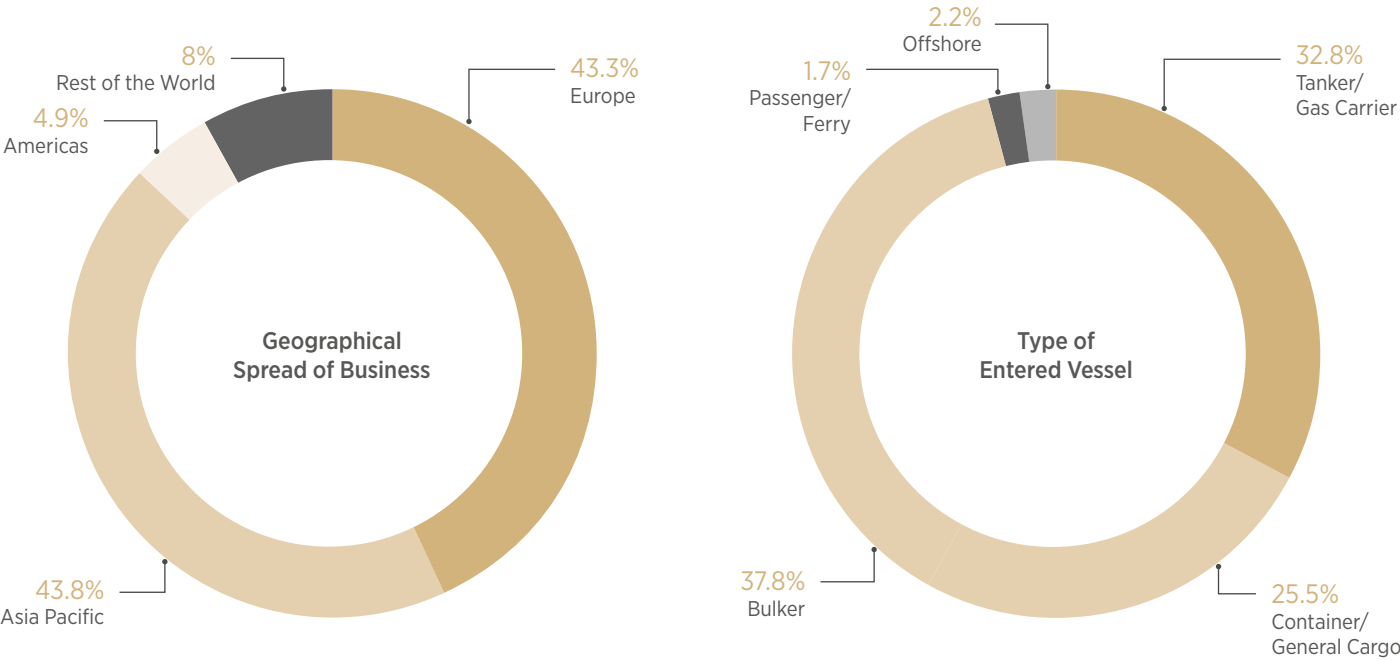
INVESTMENT INCOME	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
Return on Total Assets	3.42%	2.78%	1.71%	7.66%	3.78%

West of England Ship Owners Mutual Insurance Association

www.westpandi.com

One Creechurch Place, Creechurch Lane, London EC3A 5AF, UK | T: +44 (0)207 716 6000 | F: +44 (0)207 716 6100

S&P Rating (last change: change to A- from BBB+ in 2016): **A Negative**

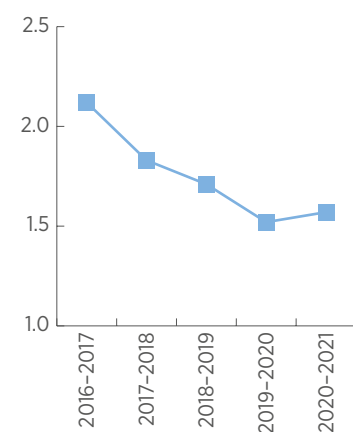


Club Commentary

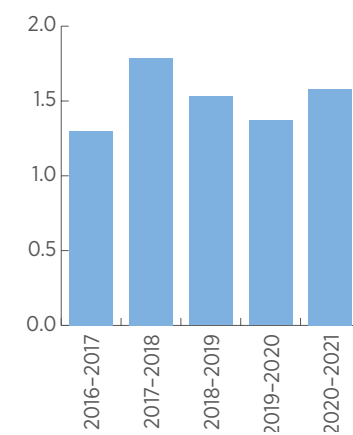
As part of its renewal strategy, the club has opted for a 15% standard surcharge for both P&I and FD&D mutual risks. Additionally, P& deductibles will be increased by 15% with a minimum of USD2,500. This increase, the first to be announced in the market, looks likely to be the market high point.

For the current, 2021-2022, financial year the combined ratio is expected to be better than the prior year but still to exceed 100%. The investment yield is running at 1.3% but, whilst it is expected to remain positive for the full year, is unlikely to cover the underwriting deficit. As a result, the Club anticipates a further fall in Free Reserve at 20 February 2022.

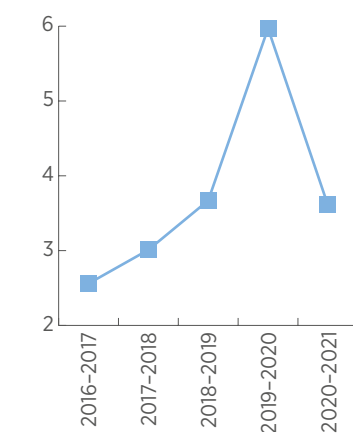
Call Income/GT



Claims Incurred/GT



Return on Total Assets



TONNAGE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Owned Tonnage	73.4	83.6	90.5	93.8	102.0
Chartered Tonnage	25.0	27.5	30.0	43.8	43.1
CALL HISTORY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Forecast Call	35%	0%	0%	0%	0%
Latest Estimate	35%	0%	0%	0%	0%

GENERAL INCREASE	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
On Advance Call	0.0%	0.0%	5.0%	2.5%	7.5%
On ETC	0.0%	0.0%	0.0%	2.5%	7.5%

POLICY YEAR DATA	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Call Income	208.5	203.2	206.3	208.9	227.9
Incurred Claims	127.6	198.6	184.1	189.0	229.5
Total Outgoing	198.4	259.6	256.3	262.6	309.2
Underwriting Result	10.1	-56.4	-50.0	-53.7	-81.3
Call Income/GT	2.12	1.83	1.71	1.52	1.57
Claims Incurred/GT	1.30	1.79	1.53	1.37	1.58

SOLVENCY	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total Free Reserve	306.5	308.5	306.4	338.2	291.1
Tier 1 Capital	300.0	296.0	308.9	321.6	248.5
Tier 2 Capital	87.0	92.0	82.7	87.9	110.2
Solvency Capital Required	174.1	184.0	165.4	175.8	220.3

INVESTMENT INCOME	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Return on Total Assets	2.56%	3.01%	3.67%	5.97%	3.61%

03

Industry Statistics

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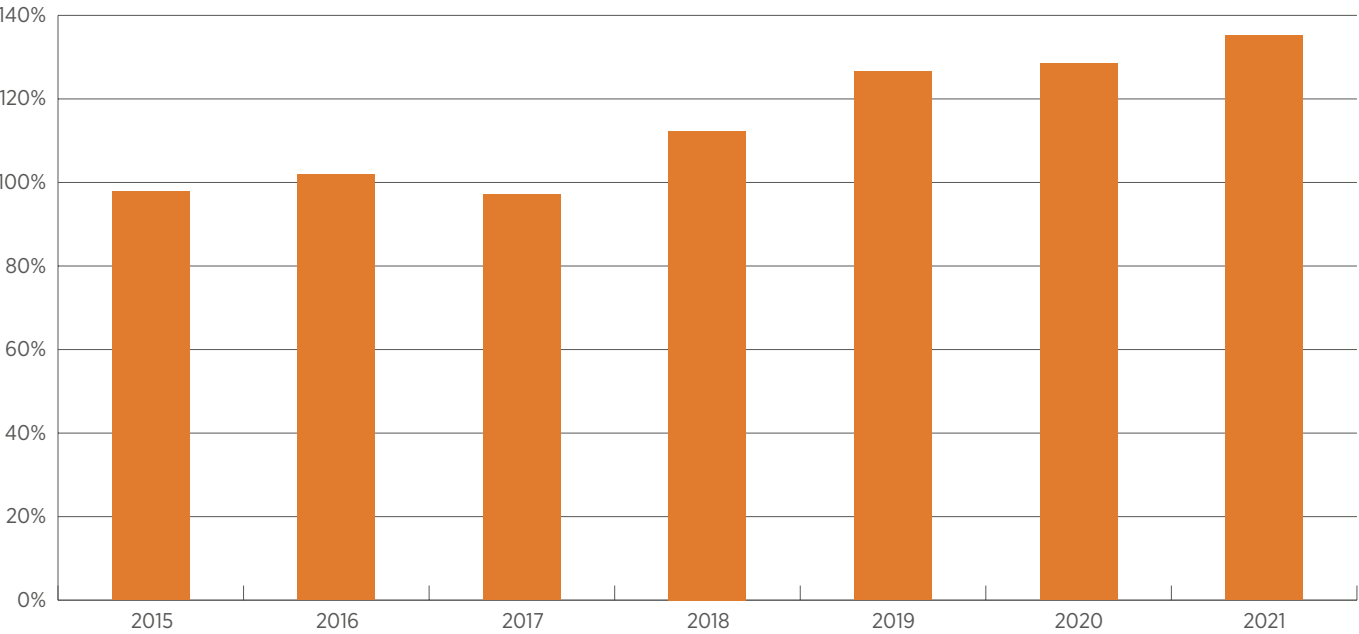
7 Year Combined Ratio

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

	Average	Best		Worst	
Japan	102.91%	2015-2016	85.73%	2020-2021	138.95%
Shipowners	104.48%	2015-2016	97.39%	2018-2019	118.17%
Skuld	105.02%	2015-2016	89.27%	2020-2021	126.61%
Steamship	110.07%	2014-2015	95.04%	2020-2021	129.39%
Gard	110.59%	2016-2017	90.99%	2018-2019	138.81%
Average	113.32%	2016-2017	97.16%	2020-2021	135.17%
North	113.74%	2015-2016	89.77%	2019-2020	141.00%
Standard	114.63%	2016-2017	93.22%	2019-2020	146.09%
American	115.22%	2015-2016	92.50%	2017-2018	126.49%
UK	115.31%	2015-2016	95.39%	2020-2021	154.55%
Swedish	117.27%	2014-2015	94.80%	2019-2020	132.69%
West	121.72%	2014-2015	82.43%	2020-2021	151.17%
London	132.21%	2015-2016	105.02%	2019-2020	154.82%
Britannia	134.75%	2016-2017	99.26%	2020-2021	186.76%

Underlying data capped at 36m development.

Combined Ratio



Premium & Claims per GT

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

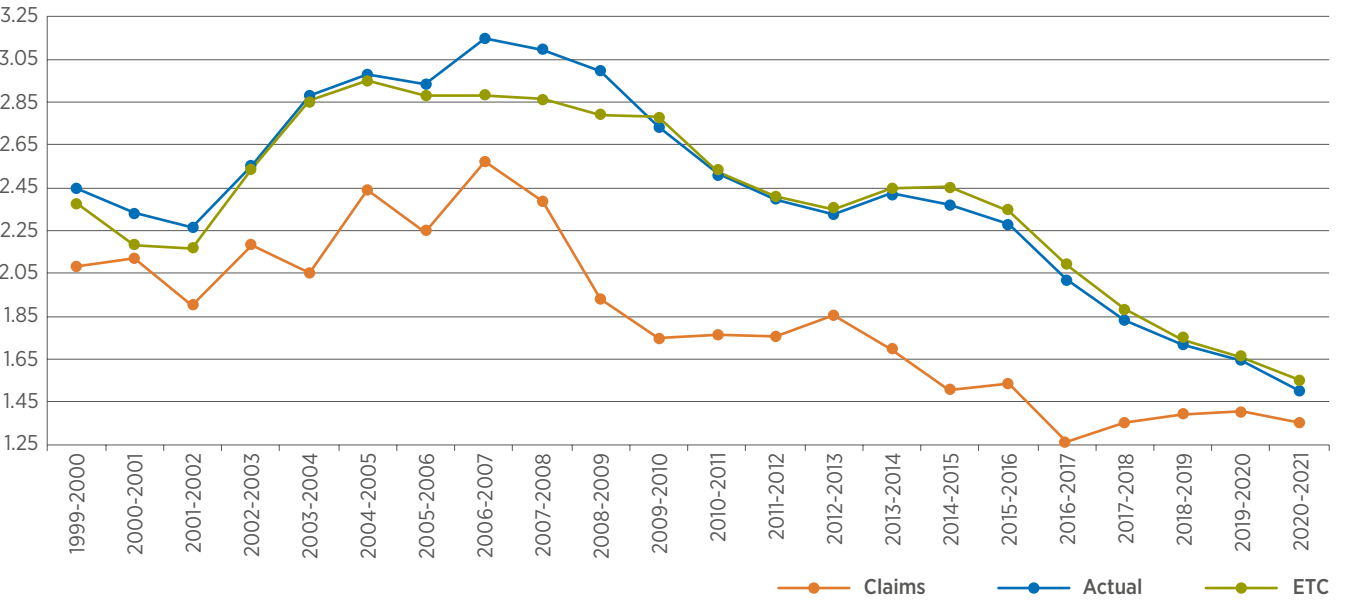
Policy Year:		2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
American (Claims @10m)	Premium	6.39	6.43	6.98	5.46	6.23	5.91	5.16
	Claims	3.76	2.71	3.79	2.69	2.53	2.71	1.90
Britannia	Premium	1.94	1.81	1.65	1.70	1.56	1.46	1.21
	Claims	1.29	1.55	1.00	1.38	1.30	1.32	1.17
Gard	Premium	2.36	2.27	1.73	1.51	1.57	1.58	1.37
	Claims	1.53	1.68	1.04	1.11	1.37	1.37	1.28
Japan	Premium	2.04	3.01	2.71	2.62	2.36	2.13	2.19
	Claims	1.05	1.30	1.08	1.25	1.18	1.29	1.44
London	Premium	1.98	1.91	1.75	1.69	1.51	1.48	1.44
	Claims	1.88	1.37	1.37	1.41	1.59	1.64	1.37
North of England	Premium	2.05	1.97	1.59	1.46	1.33	1.24	1.20
	Claims	1.44	1.15	0.94	1.13	1.12	1.15	1.04
Shipowners*	Premium	10.51	9.81	8.91	8.54	8.20	8.42	8.23
	Claims	6.88	6.39	5.91	5.32	6.36	6.10	5.71
Skuld	Premium	2.41	2.24	2.23	1.96	1.89	1.84	1.72
	Claims	1.47	1.28	1.28	1.49	1.28	1.30	1.48
Standard	Premium	2.62	2.52	2.13	1.91	1.69	1.63	1.62
	Claims	1.51	1.69	1.29	1.25	1.38	1.42	1.51
Steamship	Premium	2.64	2.41	2.33	1.95	1.81	1.76	1.65
	Claims	1.65	1.87	1.69	1.47	1.39	1.57	1.55
Swedish	Premium	1.83	1.82	1.60	1.45	1.31	1.30	1.09
	Claims	1.03	1.21	1.21	1.06	0.97	1.06	0.76
United Kingdom	Premium	1.79	1.67	1.65	1.50	1.32	1.21	1.13
	Claims	1.17	1.09	1.11	1.18	1.22	1.13	1.11
West of England	Premium	2.56	2.36	2.12	1.83	1.71	1.57	1.57
	Claims	1.34	1.72	1.30	1.79	1.53	1.37	1.58

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

Bold shaded areas are policy years when excess calls have been accounted for.

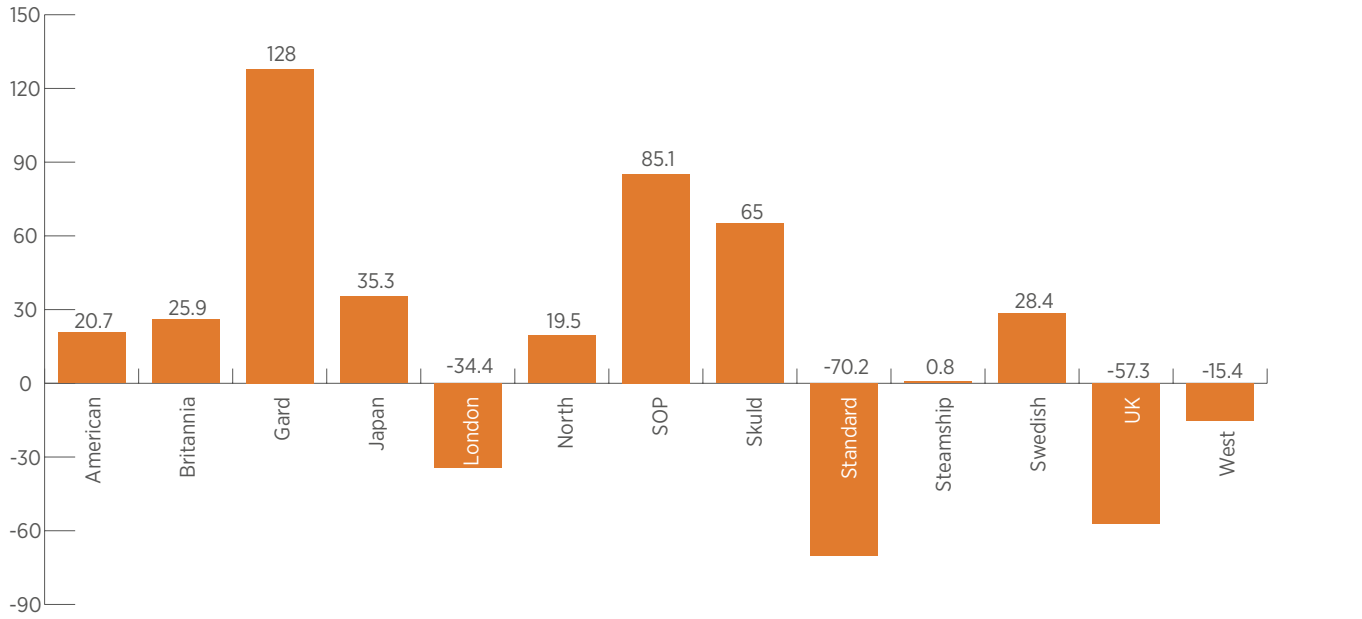
Blue shaded areas are policy years when under calling has happened.

USD Per GT Tonnage

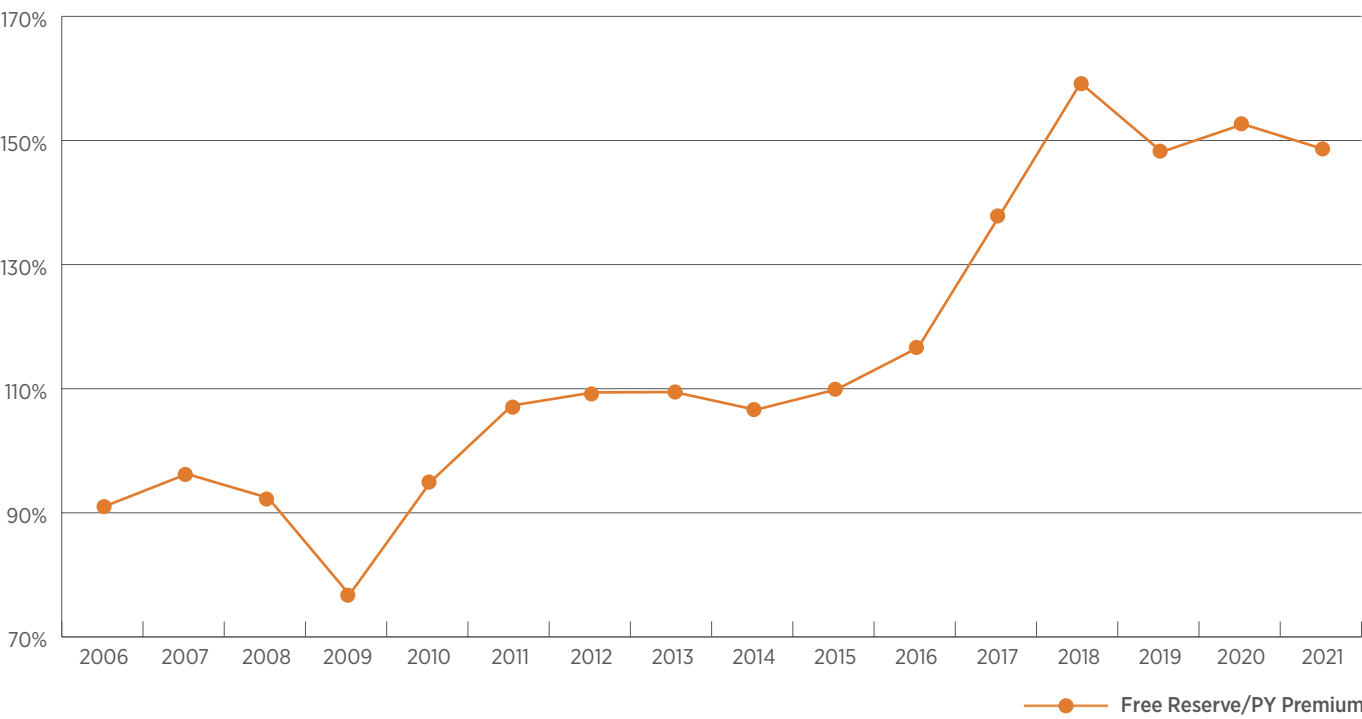


Free Reserves

Change In Free Reserves from 2017-2021



Free Reserves: Premium income



Solvency II Analysis

(In millions of USD)

Club	SCR	Capital Tier 1	Capital All Tiers	Cover Tier 1	Cover All Tiers
Gard	558.0	1,155.0	1,434.0	206.99%	256.99%
Swedish	129.0	232.8	297.3	180.47%	230.47%
Steamship	277.3	465.7	542.1	167.94%	195.49%
Shipowners	230.3	322.5	437.6	140.03%	190.01%
Britannia	298.1	435.5	565.0	146.09%	189.53%
UK	331.4	446.7	612.4	134.79%	184.79%
Skuld	259.1	347.0	476.5	133.93%	183.91%
West of England	220.3	248.5	358.7	112.80%	162.82%
Standard	228.0	303.3	348.8	133.03%	152.98%
London	111.4	126.4	151.4	113.46%	135.91%
North of England (UK)	132.5	230.2	296.8	173.7%	224.0%
Market Average 2021				154.5%	197.6%
Market Average 2020				170.0%	214.6%

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 II 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.

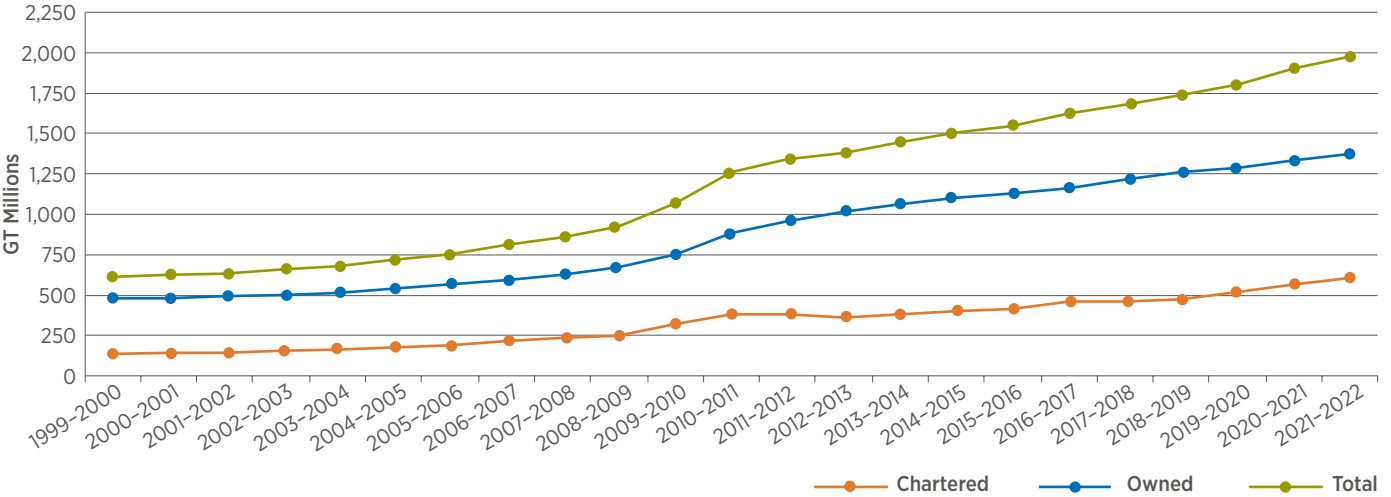
Tonnage

Entered tonnage expressed in millions of gt

		2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022 (p)
American	Owned	16.1	15.1	16.7	13.9	14.1	15.5	17.1	18.4	17.0	18.0
	Charter	0.9	1.0	0.9	1.8	1.5	2.8	1.5	3.8	3.0	3.0
Britannia	Owned	111.1	110.5	108.0	108.5	105.9	100.4	107.0	111.9	117.5	125.2
	Charter	28.9	25.0	23.0	27.0	35.0	15.0	20.0	19.0	45.0	53.1
Gard	Owned	174.3	186.7	206.7	209.4	215.2	216.6	223.3	229.5	244.7	261.3
	Charter	60.0	57.5	57.5	60.0	90.0	90.0	85.0	85.0	95.0	95.0
Japan	Owned	90.2	92.0	93.1	92.2	91.5	93.7	93.5	95.5	97.0	97.2
	Charter	13.5	12.8	11.8	12.5	12.5	12.2	12.1	14.0	12.6	8.6
London	Owned	40.7	42.2	43.5	44.7	43.9	45.0	47.4	52.7	51.1	52.0
	Charter	4.2	3.9	7.1	7.3	9.8	9.5	14.4	18.3	19.2	19.0
North of England	Owned	123.0	127.0	131.0	127.0	131.0	140.0	142.0	147.0	160.0	158.0
	Charter	39.0	43.0	49.0	43.0	54.0	50.0	53.0	60.0	70.0	90.0
Shipowners	Owned	21.4	23.1	23.0	24.0	24.8	24.9	26.7	26.6	27.8	28.0
	Charter	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Skuld	Owned	80.2	80.2	80.3	84.7	93.1	99.0	100.0	100.7	105.4	109.7
	Charter	42.8	51.0	48.0	50.0	37.0	45.0	45.0	45.0	45.0	50.0
Standard	Owned	94.0	108.0	104.0	112.0	116.0	125.0	135.0	133.0	133.5	121.0
	Charter	30.0	27.0	27.0	23.0	24.0	24.0	24.0	22.0	22.5	28.0
Steamship	Owned	62.6	65.3	68.7	74.3	77.8	84.3	84.6	85.6	88.4	96.0
	Charter	30.0	37.0	45.0	46.0	51.2	66.7	73.5	74.5	68.1	81.0
Swedish	Owned	34.8	37.1	41.0	41.5	43.6	46.8	51.1	48.3	51.0	58.9
	Charter	15.9	15.3	16.8	18.9	21.4	18.8	18.0	24.0	35.7	29.0
United Kingdom	Owned	116.0	120.0	127.0	130.0	135.0	139.0	143.7	144.0	137.5	139.0
	Charter	80.0	90.0	95.0	100.0	100.0	100.0	100.0	108.0	110.0	111.0
West of England	Owned	50.9	53.7	59.2	68.4	73.4	83.6	90.5	93.8	102.0	106.4
	Charter	17.0	20.0	22.0	23.0	25.0	27.5	30.0	43.8	43.1	40.0
Totals	Owned	1,015.3	1,060.9	1,102.2	1,130.6	1,165.3	1,213.8	1,261.9	1,287.0	1,332.9	1,370.7
	Charter	362.7	384.0	403.6	413.1	462.0	462.0	477.0	517.9	569.7	608.2
	Total	1,378.0	1,444.9	1,505.8	1,543.7	1,627.3	1,675.8	1,738.9	1,804.9	1,902.6	1,978.9

(p) = provisional figure.

International Group Tonnage Development



Comparative Growth Factors

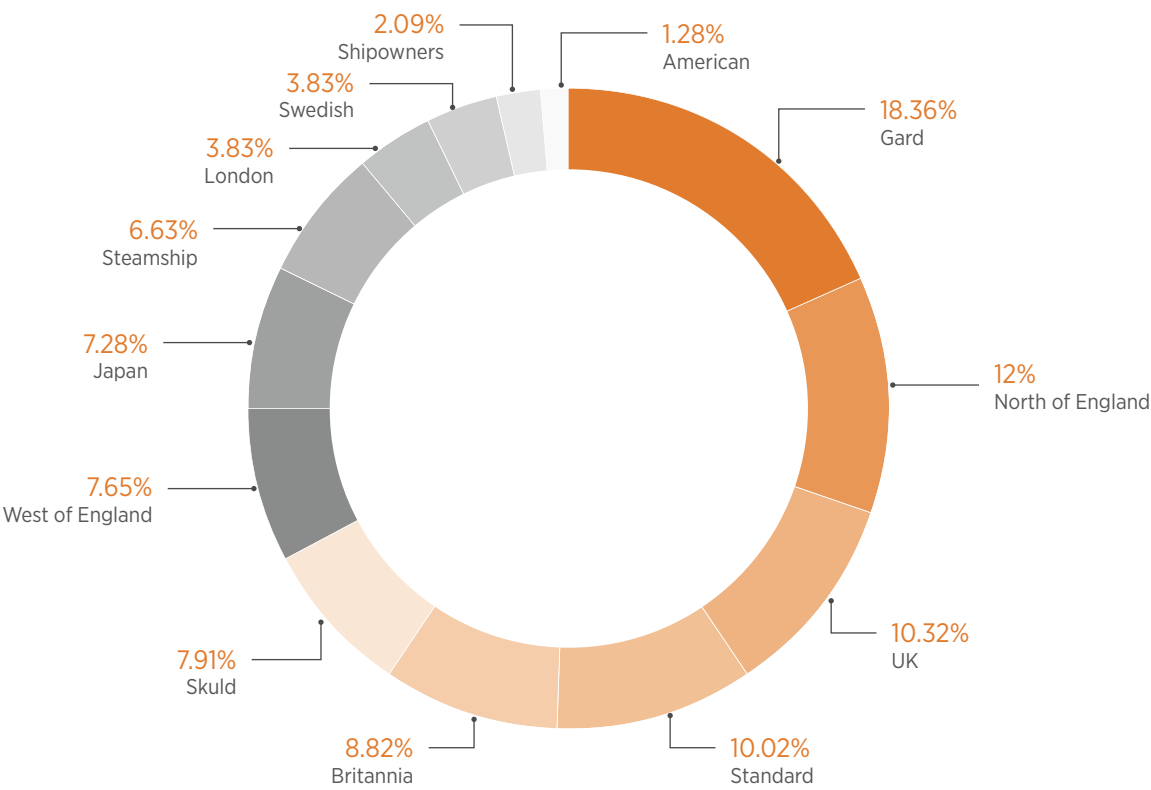
Growth in key statistics between 2015-2016 and 2020-2021

Club	Owner Tonnage	PY Call Income	Free Reserve Total	Free Reserve Natural
Note	(1)	(2)	(3)	(4)
American	+31.78%	+8.31%	+20.54%	-44.47%
Britannia	+8.29%	-19.97%	+22.27%	+40.80%
Gard	+16.86%	-19.17%	+25.03%	
Japan	+5.21%	-33.26%	+30.21%	
London	+14.32%	+2.04%	-4.44%	
North of England	+25.98%	-17.08%	+5.11%	
Shipowners	+15.83%	-3.53%	+35.68%	
Skuld	+24.44%	-15.32%	+31.83%	
Standard	+19.20%	-25.71%	-7.64%	-12.38%
Steamship	+18.98%	-17.90%	+16.07%	+24.75%
Swedish	+22.89%	-13.96%	+21.51%	
United Kingdom	+6.77%	-29.16%	-7.23%	+11.03%
West of England	+49.12%	+5.46%	+5.23%	
Market	+18.00%	-17.48%	+14.87%	+18.28%

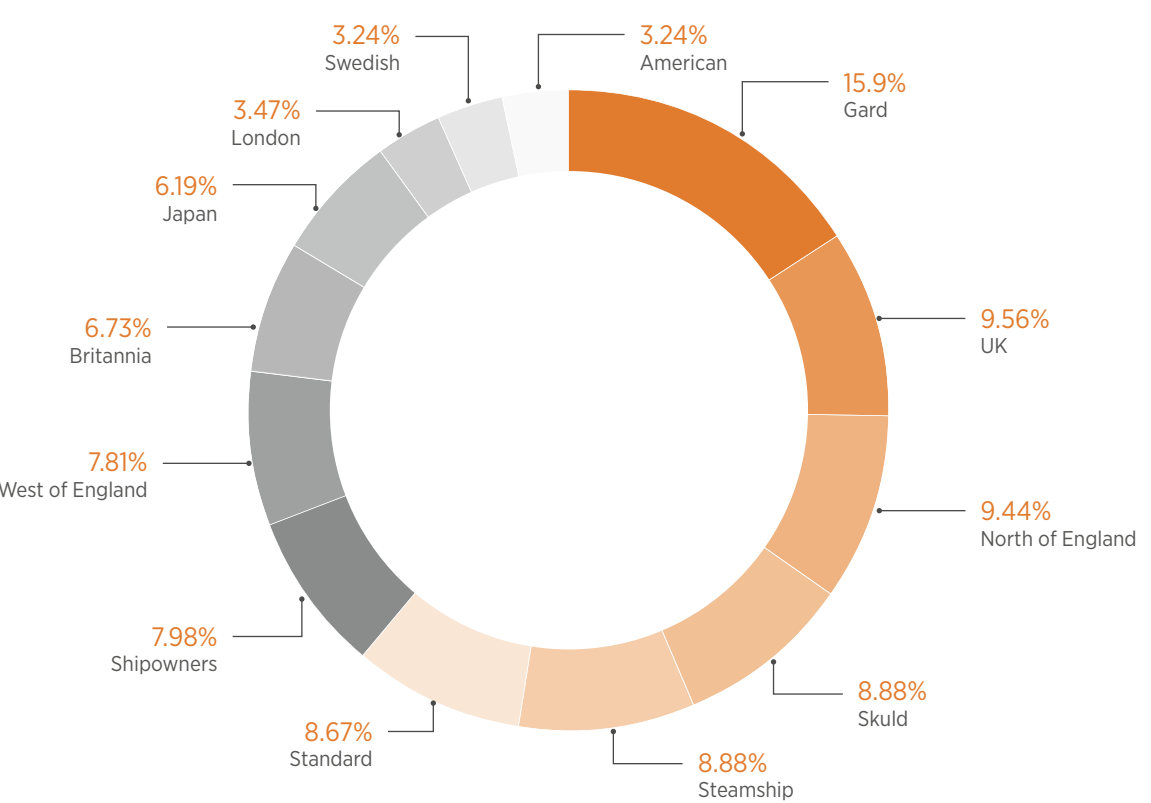
- (1) This ratio is the growth in owned tonnage.
- (2) This ratio is the growth in policy year P&I premium income, stripped of the effect of any excess calls and adjusted for any under-calling in the two years in question. It may not reflect the full impact of late developing premium in the 2018-2019 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, i.e. 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

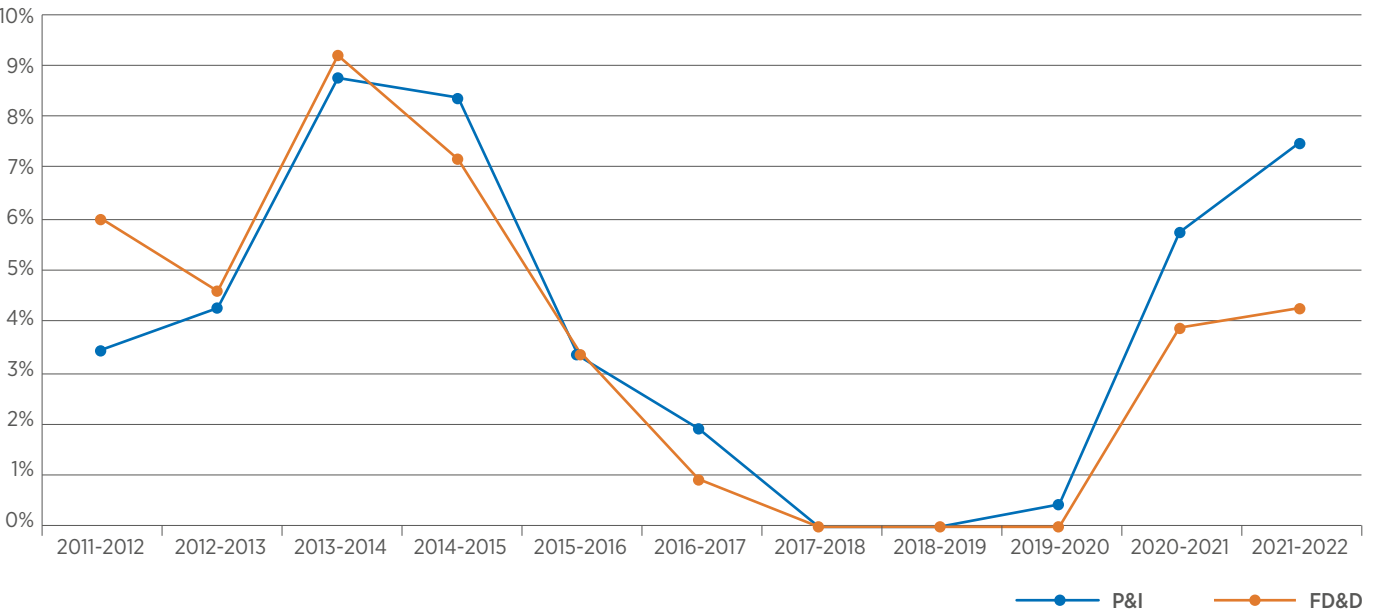


General Increases 2014-2015 to 2021-2022:
Effective ETC Basis

	Class	2014	2015	2016	2017	2018	2019	2020	2021	2022
American	P&I	10.0%	4.5%	2.5%	0.0%	0.0%	0.0%	n/a	5.0%	12.5%
	FD&D	10.0%	4.5%	0.0%	0.0%	0.0%	0.0%	n/a	5.0%	12.5%
Britannia	P&I	8.1%	2.5%	2.5%	0.0%	0.0%	0.0%	n/a	n/a	12.5%
	FD&D	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	n/a	n/a	15.0%
Gard (1)	P&I	5.0%	2.5%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	FD&D	5.0%	10.0%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Japan	P&I	7.5%	3.0%	3.0%	0.0%	0.0%	0.0%	7.5%	10.0%	10.0%
	FD&D	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%
London	P&I	10.0%	6.0%	5.0%	0.0%	0.0%	0.0%	7.5%	10.0%	12.5%
	FD&D	10.0%	6.0%	5.0%	0.0%	0.0%	0.0%	7.5%	10.0%	12.5%
North of England	P&I	7.5%	4.75%	2.50%	0.0%	0.0%	0.0%	7.5%	10.0%	15.0%
	FD&D	5.0%	5.0%	2.5%	0.0%	0.0%	0.0%	7.5%	5.0%	7.5%
Shipowners	P&I	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%
Skuld (2)	P&I	0.0%	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	10.0%
	FD&D	0.0%	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	10.0%
Standard	P&I	12.5%	5.0%	2.5%	0.0%	0.0%	0.0%	7.5%	10.0%	12.5%
	FD&D	12.5%	5.0%	0.0%	0.0%	0.0%	0.0%	7.5%	0.0%	12.5%
Steamship	P&I	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.5%	5.0%	12.5%
	FD&D	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.5%	5.0%	12.5%
Swedish	P&I	7.5%	2.5%	0.0%	0.0%	0.0%	0.0%	5.0%	10.0%	-
	FD&D	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	-
United Kingdom	P&I	10.0%	6.5%	2.5%	0.0%	0.0%	0.0%	7.5%	10.0%	12.5%
	FD&D	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	-
West of England	P&I	7.5%	2.5%	0.0%	0.0%	0.0%	5.0%	2.5%	7.5%	15.0%
	FD&D	9.0%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	7.5%	15.0%

(1) Gard express their premium plans in terms of "Combined Ratio Net" which is then converted to an effective General Increase.
(2) Skuld have abandoned General Increases and figures shown in this table are their anticipated incremental premium requirements where advised.
(3) For 2020 American, Britannia and UKPI all ceased to levy a general increase.

General Increases by Class

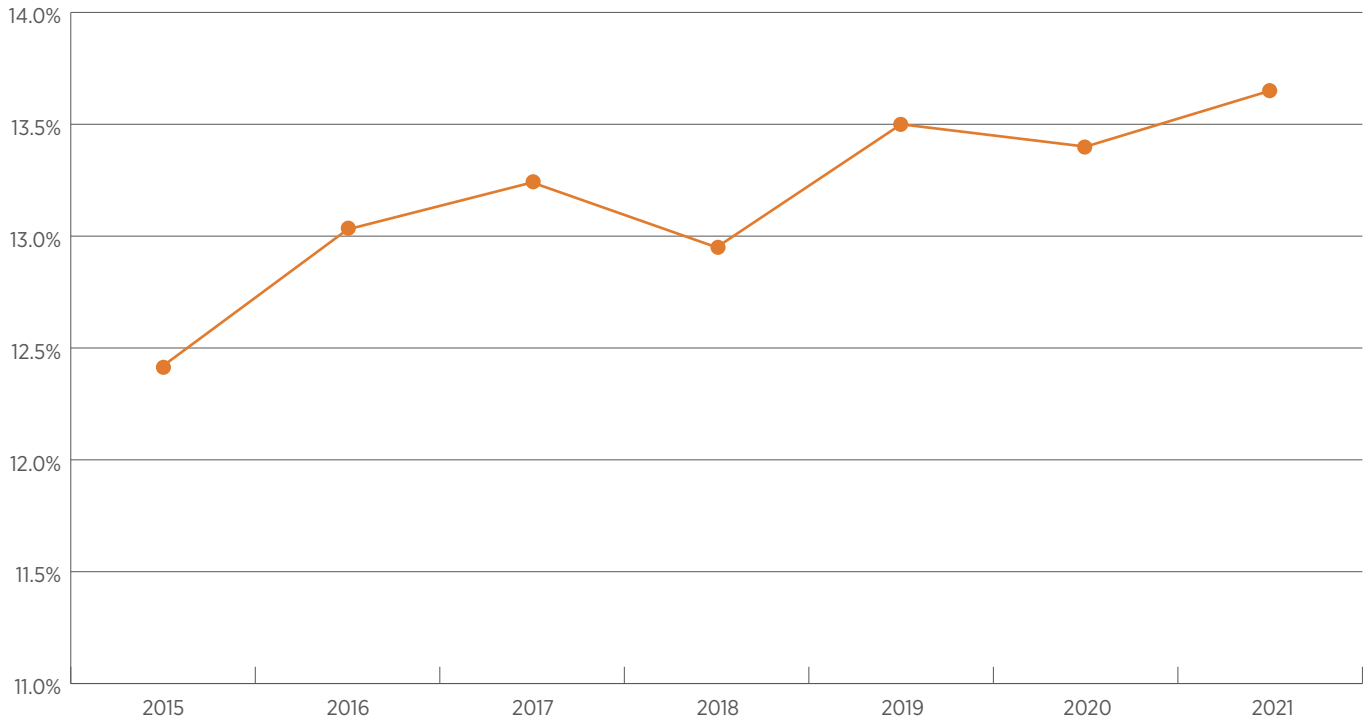


Average Expense Ratio

Policy Year:	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
American	21.60%	24.20%	24.20%	21.50%	20.50%	18.30%	22.20%
Britannia	8.43%	9.12%	9.12%	9.73%	10.90%	11.50%	11.66%
Gard	11.40%	11.84%	11.84%	11.21%	13.04%	12.81%	13.51%
Japan	5.25%	5.18%	5.18%	6.21%	6.52%	7.42%	8.02%
London	8.78%	9.52%	9.52%	9.68%	10.30%	10.41%	10.46%
North of England	12.40%	12.40%	12.40%	12.10%	12.70%	13.70%	13.60%
Shipowners	20.00%	21.00%	21.00%	22.00%	24.00%	23.00%	22.00%
Skuld	12.90%	12.80%	12.80%	12.70%	12.80%	13.00%	12.60%
Standard	11.40%	12.20%	12.20%	12.50%	12.78%	12.90%	12.70%
Steamship	11.80%	12.10%	12.10%	12.20%	12.40%	12.10%	11.90%
Swedish	13.00%	13.30%	13.30%	13.40%	13.80%	13.20%	12.80%
United Kingdom	9.66%	10.17%	10.17%	10.31%	11.09%	11.28%	11.45%
West of England	14.86%	15.50%	15.50%	14.75%	14.68%	14.60%	14.60%

The average expense ratios have been relatively stable in the past, although there has, if anything, been a slight drift upwards. This is somewhat curious in a period of substantial volatility in the components of the revenue against which the ratio is computed. Perhaps, the decline in premium base and enhanced investment income have offset one another across the five years across which the ratio is measured.

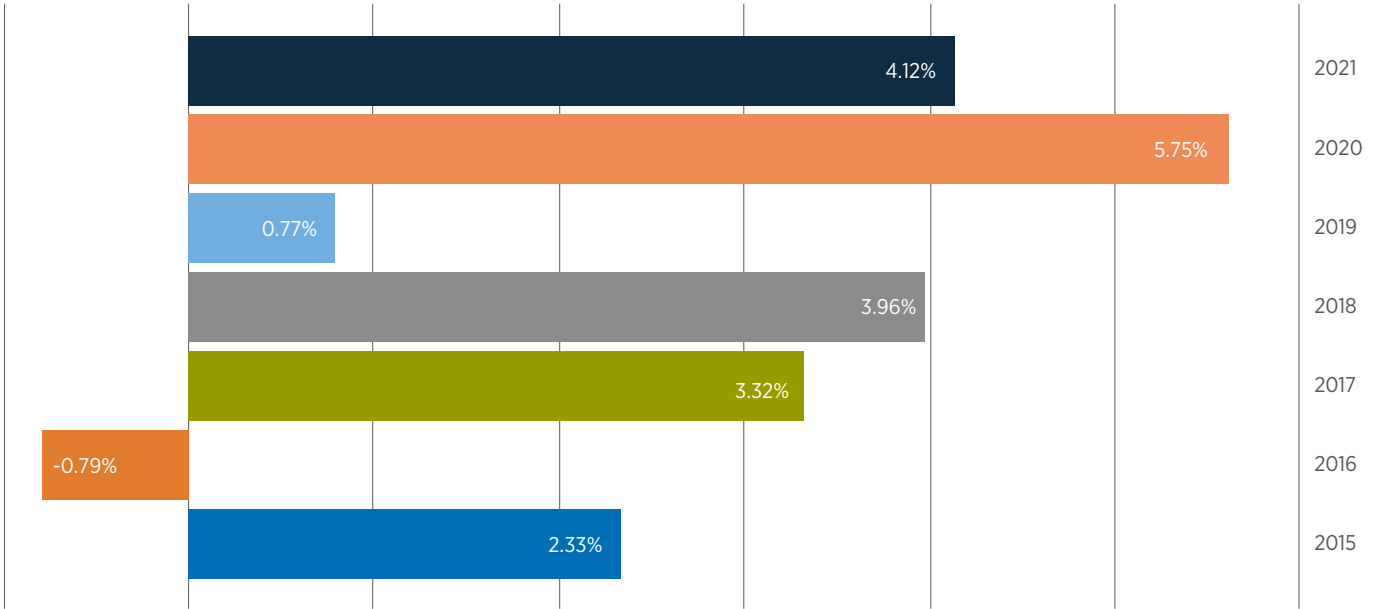
It is interesting to note that the majority of the explanation for any moves in the AER level stem from investment and foreign exchange trends. This basically demonstrates that the measure is rather divorced from the assessment of underwriting management expenses, and is of little value in comparing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



7 Year Investment Return expressed as a percentage of Total Assets

	Average	Best		Worst	
London	4.44%	2019-2020	9.44%	2015-2016	-2.91%
West of England	3.47%	2019-2020	5.97%	2015-2016	1.53%
UK	3.09%	2019-2020	7.66%	2015-2016	-1.29%
Standard	3.00%	2019-2020	7.40%	2015-2016	-0.50%
Skuld	2.84%	2017-2018	5.21%	2015-2016	-1.52%
Gard	2.82%	2017-2018	5.54%	2015-2016	-0.93%
Market Average	2.82%	2019-2020	5.75%	2015-2016	-0.79%
Steamship	2.77%	2019-2020	5.59%	2015-2016	-0.24%
North of England	2.75%	2019-2020	5.31%	2015-2016	-0.77%
Swedish	2.74%	2019-2020	6.22%	2018-2019	-0.96%
Shipowners	2.58%	2019-2020	5.91%	2018-2019	-2.71%
Britannia	2.27%	2019-2020	5.70%	2015-2016	-2.04%
American	2.17%	2019-2020	5.07%	2018-2019	-0.19%
Japan	1.66%	2020-2021	3.57%	2019-2020	0.30%

Market Investment Yield



Investment Allocations

Investment Allocation by Club 20 February 2021

Club	Equities	Fixed Interest	Cash	Other
American	36.41%	51.11%	9.54%	2.93%
Britannia	29.21%	41.23%	29.55%	0.01%
Gard	22.52%	68.22%	7.51%	1.75%
Japan	0.00%	53.46%	46.54%	0.00%
London	13.20%	53.20%	28.34%	5.26%
North of England	11.80%	75.22%	12.69%	0.28%
Shipowners	24.07%	54.56%	21.37%	0.00%
Skuld	23.85%	54.61%	17.80%	3.75%
Standard	20.57%	70.64%	8.81%	-0.01%
Steamship	8.58%	68.26%	15.15%	8.01%
Swedish	18.95%	74.32%	5.87%	0.86%
United Kingdom	20.83%	56.95%	18.53%	3.69%
West of England	14.79%	68.00%	16.64%	0.56%
Market	18.75%	62.37%	16.71%	2.17%



Proportion of Equities held by Club over time

Club	2015	2016	2017	2018	2019	2020	2021
American	40.05%	36.21%	38.16%	38.99%	40.65%	35.28%	36.41%
Britannia	18.96%	18.05%	21.90%	23.75%	23.79%	29.29%	29.21%
Gard	33.85%	40.43%	23.13%	28.02%	27.04%	25.05%	22.52%
Japan	0.00%	0.02%	0.00%	0.00%	0.02%	0.00%	0.00%
London	22.84%	19.89%	21.61%	20.75%	20.31%	15.38%	13.20%
North of England	6.95%	5.93%	8.29%	9.91%	10.75%	11.93%	11.80%
Shipowners	22.92%	24.10%	25.62%	24.32%	22.16%	15.73%	24.07%
Skuld	18.86%	14.26%	15.99%	17.74%	18.46%	21.03%	23.85%
Standard	17.22%	21.29%	22.91%	19.30%	20.45%	21.20%	20.57%
Steamship	5.65%	5.02%	7.58%	9.17%	6.71%	7.88%	8.58%
Swedish	20.77%	20.03%	20.31%	14.95%	16.92%	19.03%	18.95%
United Kingdom	23.07%	27.71%	19.53%	26.67%	19.73%	21.61%	20.83%
West of England	9.20%	8.68%	7.73%	10.32%	14.35%	16.55%	14.79%
Market	20.36%	21.43%	20.50%	17.57%	19.44%	18.86%	18.75%



P&I Release Call Statistics

Expressed in terms of percentage of Original AC

Policy Year:	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
American	5.00%	5.00%	40.00%	20.00%	20.00%
Britannia	C	0.00%	5.00%	7.50%	15.00%
Gard	C	5.00%	5.00%	10.00%	10.00%
Japan	C	5.00%	5.00%	5.00%	5.00%
London	C	5.0%	5.00%	15.00%	15.00%
North of England	0.00%	0.00%	5.00%	15.00%	tba
Shipowners	n/a				
Skuld	C	7.50%	10.00%	15.00%	15.00%
Standard	C	0.00%	6.00%	12.50%	tba
Steamship	C	13.50%	12.50%	15.00%	15.00%
Swedish	C	5.00%	15.00%	15.00%	
United Kingdom	C	5.00%	10.00%	15.00%	25.00%
West of England	C	0.00%	15.00%	15.00%	15.00%

Data as at 20 November 2021.

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 September 2021, 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 this new regime with Shipowners Club having abolished them completely. However, recent volatility in the market is likely to see an end to this practice and we will possibly see increased levels in the future.

Supplementary Calls History

Year Commencing:		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
American	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	22.5%	17.5%	15%	35%	0%	0%	0%
Britannia	Original	45%	45%	45%	45%	45%	45%	45%	0%	0%	0%
	Latest	45%	35%	40%	45%	45%	45%	45%	0%	0%	0%
Gard	Original	25%	25%	25%	25%	25%	25%	20%	0%	-5%	-5%
	Latest	15%	15%	15%	0%	0%	12.5%	5%	-10%	-5%	-5%
Japan	Original	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
	Latest	40%	20%	30%	30%	40%	40%	40%	40%	40%	40%
London	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	0%	0%	0%	35%	30%	35%	0%
North of England	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	-5%	0%	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%	-2.5%	-2.5%	-2.5%	0%	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%	-10%	-10%	0%	0%	0%	0%	0%	0%	0%
Swedish	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	0%	0%	0%	-4%	-5%	0%	0%	0%	0%
United Kingdom	Original	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Latest	0%	-2.5%	-3.0%	0%	0%	0%	0%	0%	0%	0%
West of England	Original	35%	35%	35%	35%	35%	0%	0%	0%	0%	0%
	Latest	35%	35%	35%	35%	35%	0%	0%	0%	0%	0%

Data as at 20 November 2021.

Undercalls

Overcalls

Indicates a capital return made in lieu of return premium

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 95% without crew
Gard	30 days	as agreed by managers
Japan	30 days	40% with crew 40% 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	a rate as appropriate
Standard	30 days	75%
Steamship	30 days	50% with machinery operative 90% with machinery shut down
Swedish	30 days	not specified
United Kingdom	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	2020	2019	2018	2017	2016	2015
American	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-
Britannia	A	A	A	A	A	A	A
Gard	A+	A+	A+	A+	A+	A+	A+
Japan	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+
London	BBB	BBB	BBB	BBB	BBB	BBB	BBB
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-	A-	BBB+	BBB+	BBB+	BBB+
United Kingdom	A	A	A	A	A	A	A
West of England	A-	A-	A-	A-	A-	A-	BBB+

Current ratings as at November 2021.

Outlook:

- Positive
- Stable
- Negative

“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.

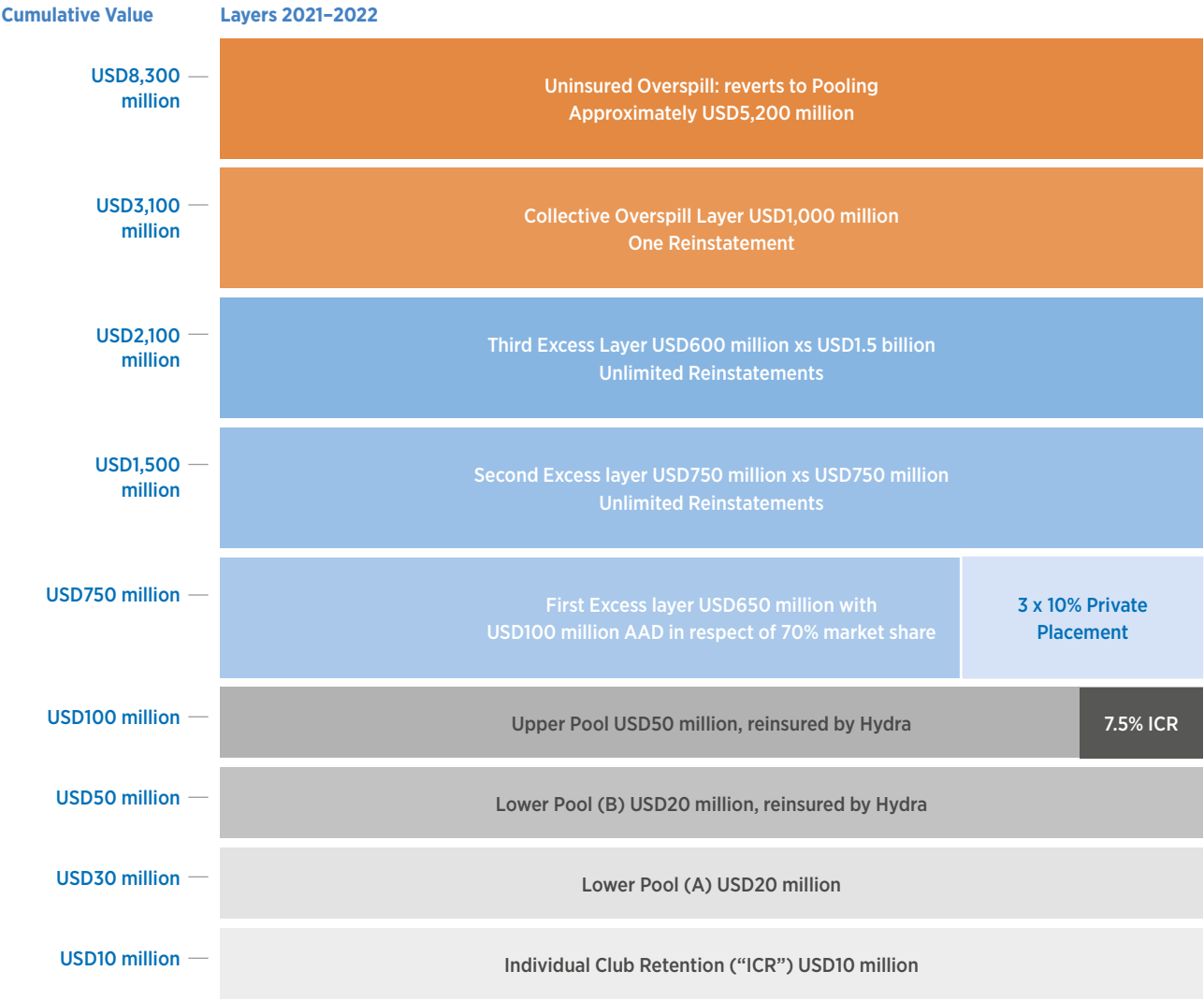
Ratings BB or lower are regarded as having vulnerable characteristics that may outweigh the strengths.

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 and Rates



Layers 1-3 of the above structure was set in place on a two-year basis from 2020–2021. The 2021–2022 renewal thus focussed on the renewal of the collective overspill layer which was achieved with a 15% increase. The aspects of the programme subject to the two-year deal do not feature communicable disease or cyber exclusions which were generally introduced by the reinsurance market in respect of 2021–2022.

The private placement elements of the first excess of loss programme are also placed on a multiyear bases.

Since 2017, the International Group has bought reinsurance for MLC risks, USD200 million in excess of USD10 million. For 2021–2022, the group was unable to complete this placement, and so 23.125% of the risk was assumed by Hydra.

Coverage in respect of oil pollution mirrors the structure above, but is capped out at USD1 billion; cover for chartered entries also mirrors the above and is capped out at USD350 million combined single limit for P&I and oil pollution.

Reinsurance Cost

With effect from 2021–2022, the International Group introduced a fifth vessel category for the purposes of allocating the cost of the reinsurance programme. Fully Cellular Container vessels, which represent some 20% of the tonnage entered with the Clubs, were, accordingly, split away from the Dry category.

Cost of reinsurance programme in USD per GT

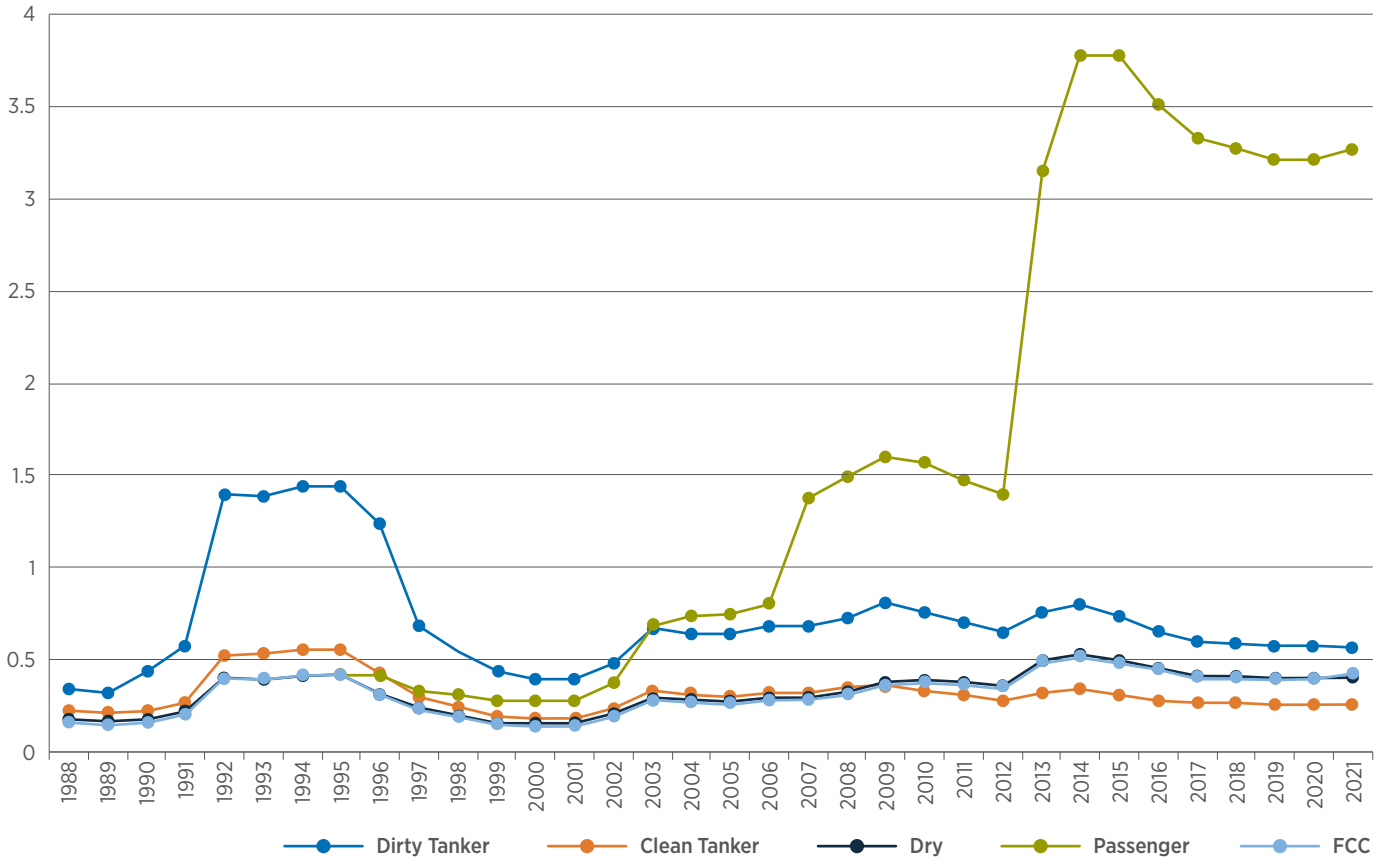
	USD80 million 2015–2016	USD80 million 2016–2017	USD100 million 2017–2018	USD100 million 2018–2019	USD100 million 2019–2020	USD100 million 2020–2021	USD100 million 2021–2022
Dirty tanker	0.7317	0.6567	0.5955	0.5845	0.5747	0.5747	0.5625
Clean tanker	0.3138	0.2816	0.2675	0.2626	0.2582	0.2582	0.2619
Dry	0.4888	0.4537	0.4114	0.4038	0.3971	0.3971	0.4028
FCC	0.4888	0.4537	0.4114	0.4038	0.3971	0.3971	0.4249
Passenger	3.7791	3.5073	3.3319	3.2707	3.2161	3.2161	3.2624

Percentage change in reinsurance cost

Excess Point	USD80 million 2015–2016	USD80 million 2016–2017	USD100 million 2017–2018	USD100 million 2018–2019	USD100 million 2019–2020	USD100 million 2020–2021	USD100 million 2021–2022
Dirty tanker	-8.11%	-10.25%	-9.32%	-1.85%	-1.68%	0.00%	-2.12%
Clean tanker	-8.11%	-10.26%	-5.01%	-1.83%	-1.68%	0.00%	1.43%
Dry	-6.05%	-7.18%	-9.32%	-1.85%	-1.66%	0.00%	1.44%
FCC	-6.05%	-7.18%	-9.32%	-1.85%	-1.66%	0.00%	7.00%
Passenger	0.00%	-7.19%	-5.00%	-1.84%	-1.67%	0.00%	1.44%

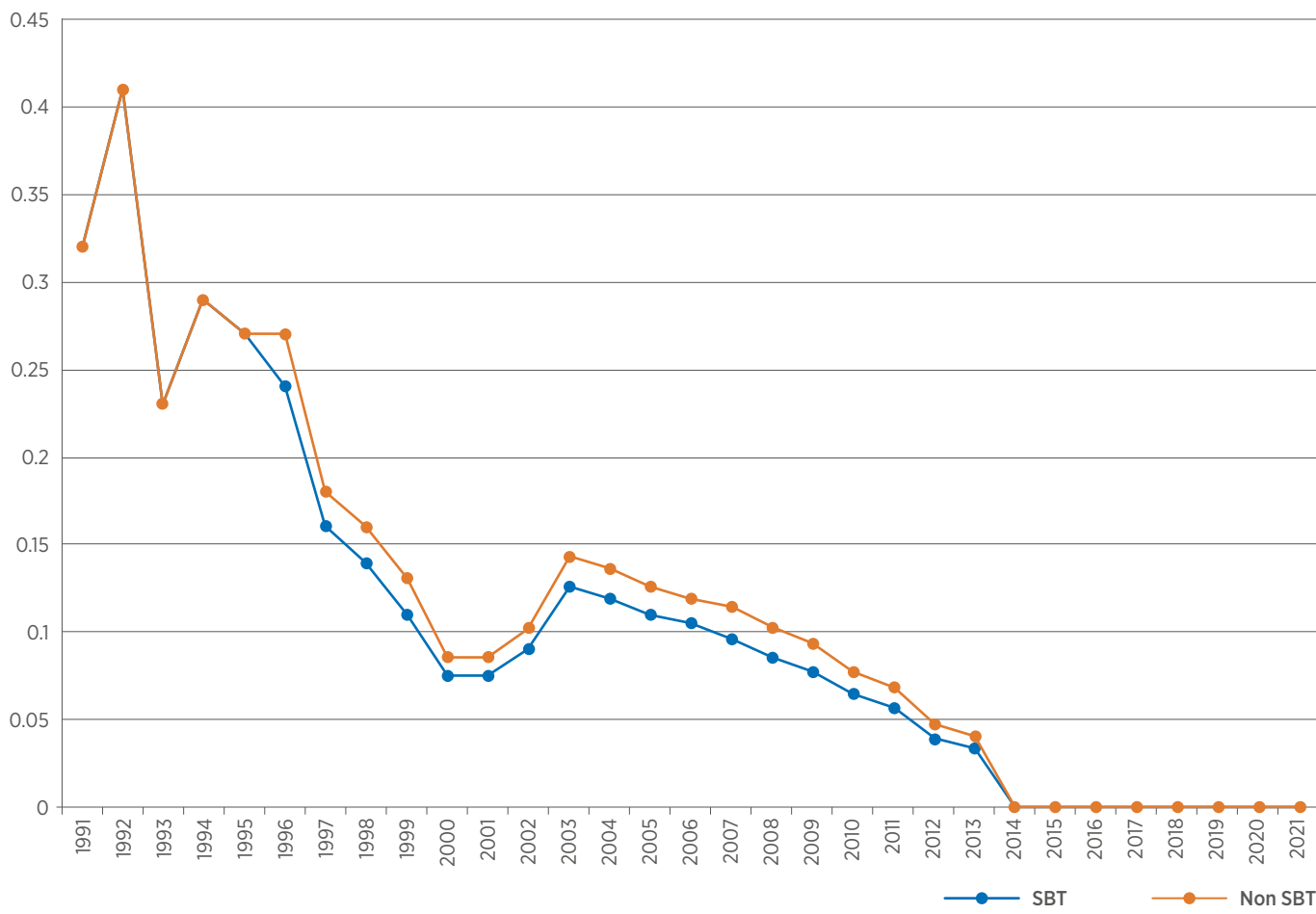
The following chart shows the development of the cost of the International Group programme as regards the different types of vessel.

Reinsurance cost in USD per GT



In addition, a surcharge historically had been made in respect of vessels transporting oil to the United States, different rates applying to vessels with and without segregated ballast tanks in accordance with regulation 13 of Annex 1 to MARPOL 73/78. This rate steadily fell since its introduction and was scrapped in 2014-2015.

Vessel Surcharge per voyage for tanker > 1,000 GT in US \$ per ton



Losses to Pooling and Hydra Insurance Company Limited

The figures below show the development of pooling claims on an historic basis in the past decade.

Pooling Losses in millions of US \$ at 20 February 2021 (source: Steamship Mutual)

After Policy Year	#	12m	24m	36m	48m	60m	72m	84m	96m	108m
2012–2013	14	368.6	453.9	467.0	465.1	446.3	418.6	403.6	392.7	383.4
2013–2014	22	279.8	327.0	364.0	364.0	411.6	408.6	423.1	430.6	
2014–2015	20	179.6	193.6	204.5	215.8	221.3	212.9	206.5		
2015–2016	17	198.4	276.6	284.0	282.7	291.4	295.5			
2016–2017	14	84.0	125.9	145.0	136.5	140.2				
2017–2018	20	227.2	269.6	289.7	310.5					
2018–2019	26	306.1	455.8	490.0						
2019–2020	23	259.2	441.7							
2020–2021	19	462.9								

The pooling figures are revalued every six months. At 20 August 2021, the figures for the current and previous two years stood at approximately:

2019–2020	23	520.0
2020–2021	19	530.0
2021–2022	6	310.0

The severity of the 2021–2022 pool year, after six months, is at the highest level since that of the 2020–2021 pool year, 12 months earlier, which itself was the worst seen for many years.

Claims in the first USD40 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 USD50 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 lower pool loss, are as follows:

Club	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
American	2.7%	2.8%	2.8%	3.0%	2.6%
Britannia	8.2%	7.5%	8.1%	8.4%	8.5%
Gard	17.1%	16.6%	15.0%	13.8%	15.8%
Japan	8.1%	7.9%	8.3%	8.2%	8.1%
London	3.8%	3.8%	3.7%	3.1%	3.2%
North of England	8.7%	9.2%	9.4%	11.2%	12.5%
Shipowners	6.1%	5.1%	4.8%	4.5%	4.5%
Skuld	4.4%	4.7%	6.6%	5.2%	5.4%
Standard	11.6%	12.3%	12.0%	11.2%	10.7%
Steamship	8.0%	7.6%	8.1%	8.8%	7.9%
Swedish	7.2%	8.1%	5.1%	4.7%	4.9%
United Kingdom	7.9%	7.2%	7.5%	9.9%	7.3%
West of England	6.2%	7.2%	8.5%	8.1%	8.7%

The above amounts will vary slightly over time, based on the future development of the three factors noted above over time, as well as the loss experience moderator. The initial calculation is done at the inception of the policy year and is then adjusted after 18 months and 42 months.

Respective shares for upper pool losses are somewhat different as they are only based on tonnage and premium, thus the “larger clubs” tend to pay a greater share.

Hydra Insurance Company Limited is a Bermudian segregated cell company which, for the 2020–2021 policy year:

- Reinsured the higher layer of the Lower Pool which is USD20 million xs USD30 million FGU
- Reinsures the Upper Pool, subject to an Individual Club retention of 7.5%, which is USD50 million xs USD50 million FGU
- Reinsures a USD100 million AAD on the 70% open market share of the first excess layer

Hydra's participation was renewed on the same basis for 2021–2022. Additionally, Hydra reinsures, for 2021–2022, the 23.125% share of the international Group MLC reinsurance programme, USD200 million excess of USD10 million, which could not be placed in the commercial market.

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, its exposures are continually evolving and, in the hard market to come, the role of Hydra is likely to become ever more important.

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 call 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 (as well as a strategy to enhance Solvency II capital utilisation)—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.

In August 2021, Hydra made a further cash call on the clubs, reflecting the recent bad experience in the pool and the first excess layer of the group reinsurance.

Since Hydra first started in 2004–2005, the Britannia cell has received some USD280 million of premium from its host Club, including some USD20 million as an “excess call” in 2007–2008. Over the same period claims of USD246 million have arisen.

HICL Cell:	Cell Performance (USD)	
Britannia	20 February 2021	20 February 2020
Net Premiums	23,052,000	22,172,000
Net Claims	(36,143,000)	(17,248,000)
Other Expenses	(37,000)	(52,000)
	(13,128,000)	4,872,000
Inv. Income	2,063,000	2,752,000
(Deficit)/Surplus	(11,065,000)	7,624,000
Dividend	(12,800,000)	(4,201,000)
Contributed Surplus	19,300,000	-
Movement in Capital	(4,565,000)	3,423,000
Investments etc	92,047,000	76,679,000
Claims o/s	(77,160,000)	(57,227,000)
Cell Equity	14,887,000	19,452,000
Original Cost	30,000	30,000

Britannia's cell has returned USD49.9 million of capital in the last four years leaving a net equity of USD14.9 million in the cell, compared to a peak of almost USD44 million at 20 February 2016. During the year, the ownership of the cell was transferred to a new company in the group as part of the reorganisation following Brexit, with a contributed surplus of USD19.3 million being injected into Hydra as part of this process.

The London Club cell also paid a significant USD8.9 million dividend to its parent in 2017–2018, but has not repeated this since, with the cell having broken even over the past three years. Cell equity stands at USD5.0 million at 20 February 2021 (2020: USD9.3 million).

Based on the above, we should not assume that all cells perform in the same way in terms of pure underwriting result.

04

Major Limiting Conventions and Statutes Affecting P&I Risks



Major Limiting Conventions and Statutes Affecting P&I Risks

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

On 30 September 2021, it has been ratified by 55 states, covering 51.87% 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 30 September 2021, SDR 1 = approximately USD1.411):

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 63 states encompassing 69.13% of world tonnage at 30 September 2021. 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 June 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 144 states, encompassing 97.52% of world shipping as at 30 September 2021. 32 states encompassing 2.94% 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:

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

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

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 the amendment in 2000, effective November 2003.

120 states have adopted the 1992 Protocol at 30 September 2021 covering 94.42% of the world fleet.

The 2000 protocol increased this maximum sum to SDR 203 million via a tacit approval procedure, inclusive of the primary contribution under the 1992 CLC Protocol.

4. Supplementary Fund, 2003 (in force 3 March 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 30 September 2021, covering 15.76% 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 SDR 750 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 SDR 20 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. U.S. Oil Pollution Act (OPA), 1990

The USA is not a 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 U.S. 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 U.S. Coast Guard periodically reviews the limits of liability under OPA 1990 and increases it in line with U.S. 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		6.2 Amended Limits of Liability under OPA 1990 with effect from 12 November 2019	
Vessel Size	Formula	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 less	USD3,700 per GT with minimum USD7,478,800
Single Hull Tanker: 3,000 GT or more	USD3,500 per GT with minimum USD25,845,600	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	USD2,200 per GT with minimum USD4,699,200	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	USD2,200 per GT with minimum USD18,796,800	Double Hull Tanker: 3,000 GT or more	USD2,300 per GT with minimum USD19,943,400
Other Vessels	USD1,100 per GT with minimum USD939,800	Other Vessels	USD1,200 per GT with minimum USD997,100
Example		Example	
25,000 GT	Single: USD87,500,000 Double: USD55,000,000	25,000 GT	Single: USD92,500,000 Double: USD57,500,000
75,000 GT	Single: USD262,500,000,000 Double: USD165,000,000	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)	USD633,850,000	Deepwater Port, unless established under Reg 33 U.S.C. 2704(d)(2)	USD672,514,900
LOOP	USD96,366,000	LOOP	USD102,245,000

The U.S. 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. U.S. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 1980

This legislation is focused 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:

- For vessels over 300 GT carrying a hazardous substance as cargo—the greater of USD5 million or USD300 per GT
- For any other vessel over 300 GT—the greater of USD500,000 or USD300 per GT
- 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 U.S. 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 April 1989) and 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 the 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 SDR 46,666 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 SDR 250,000 per passenger with an aggregate limit of SDR 340 million.

Subsequent to the ratification of this convention (by 24 states to date, covering 33.80% of the world’s fleet) the limitation amount had become more and more inadequate. A 1990 protocol increasing the limit to SDR 175,000 was not adopted (now ratified by only three minor states) and has been superseded by the 2002 protocol.

Through 30 September 2021, 31 contracting states, including the European Union, representing 43.87% of world tonnage have acceded to this protocol.

Notwithstanding the above, the principal 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 30 September 2021 had 102 acceptances covering 95.08% 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 imposed under LLMC 1976 as amended by the 1996 Protocol.

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

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

On 30 September 2021, the MLC had been ratified by 98 states covering over 92% of world shipping GT and was in force/applicable in all but Mozambique, where “in force status” is expected by 25 May 2022.

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 four 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 USD10 million, and reinsurance in place for USD190 million xs USD10 million 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 15.58% of world fleet by 30 September 2021.

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 second 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. On 30 September 2021, there have been five ratifications covering 3.57% 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 four with over two 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 56 states representing 78.05% of the world fleet at 30 September 2021, 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 over 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 five 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
U.S. COGSA (1936)	USD500 per package/unit	N/A





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CONDITIONS AND LIMITATIONS

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You should not act upon information in this bulletin nor determine not to act, without first seeking specific legal and/or specialist advice. Our advice to our clients is as an insurance broker and is provided subject to specific terms and conditions, the terms of which take precedence over any representations in this document. No third party to whom this is passed can rely on it. We and our officers, employees or agents shall not be responsible for any loss whatsoever arising from the recipient's reliance upon any information we provide herein and exclude liability for the content to the fullest extent permitted by law. Should you require advice about your specific insurance arrangements or specific claim circumstances, please get in touch with your usual contact at Gallagher.

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