



# Autumn Statement 2021

Your partner for a safer tomorrow at sea



UK P&I CLUB  
IS MANAGED  
BY **THOMAS  
MILLER**



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Over the last eighteen months, we have witnessed the most dramatic change to working and economic conditions in our lifetime. However, the Club and the shipping industry have shown considerable resilience under these difficult circumstances.

The Club has had an encouraging start to the year. Despite the high profile incident involving the EVER GIVEN, the Club has benefitted from relatively few large claims during the first six months. Investment returns were also positive with a half year return of 3.8%, although investment markets remain volatile.

## **COVID-19**

COVID-19 continues to impact the Club's results and does not appear to be a one-off cost. 2020 saw the Club's COVID-19 exposure dominated by a few large Cruise related claims; the 2021 year has been very different with a steady flow of relatively small Non-Cruise related claims amounting to approximately 5% of net mutual premium.

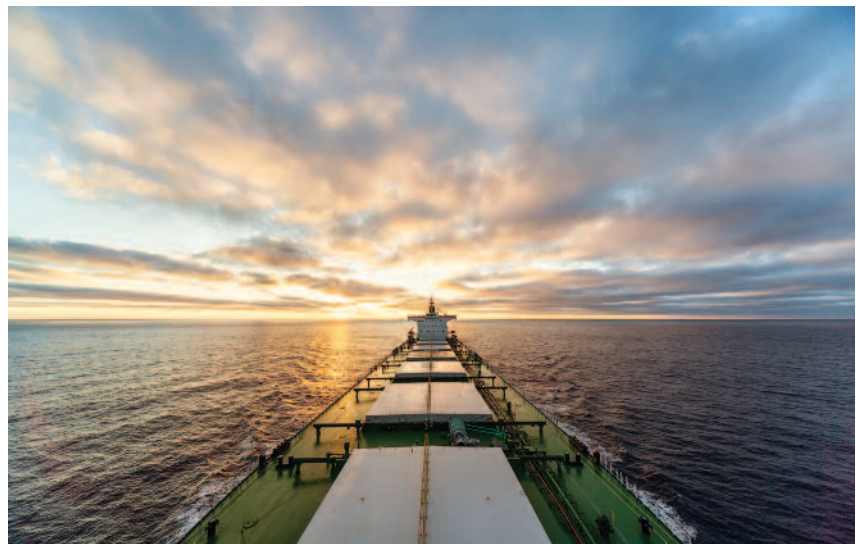
## **International Group Pool**

The adverse Pool claims experience of 2020 has continued into 2021. After six months the number of Pool claims was consistent with previous years, however the estimated cost for these claims is the largest in history and the UK Club's share of those claims exceed the Club's own claims.

One of the key benefits of the mutual system is the ability to share these large losses across the shipping community, protecting individual shipowners and clubs from the full impact of such claims. However, by sharing the cost of these claims it is also necessary for each shipowner to contribute sufficient premium to the mutual system to cover the overall cost.

## **Premium Adequacy**

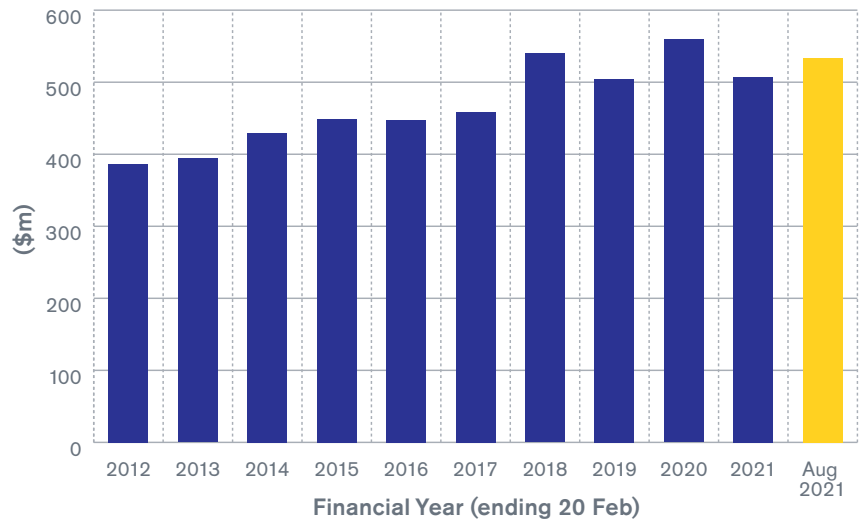
Mutual premium rates continue to be insufficient to cover the associated claims and expenses – a common feature across the sector. The pressure on policy year results is increasing as large claims and reinsurance costs increase. The impact of the pandemic represents a new risk to the Club, further exacerbating the underlying inadequacy in premium rates. Action must be taken in order to restore premium levels and preserve financial stability going forward.



# Financial Highlights

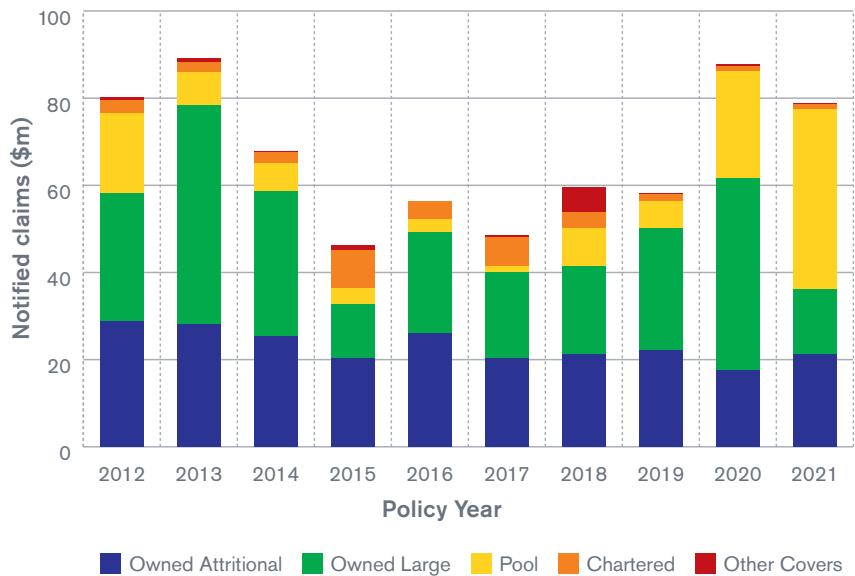
## Free Reserves

- The combined ratio for the first six months was 115%.
- Strong investment returns offset this deficit and helped free reserves grow to \$534m by the half-year. However, this will have fallen back with subsequent market volatility.
- The Club's capital continues to meet S&P's AAA rating requirement.



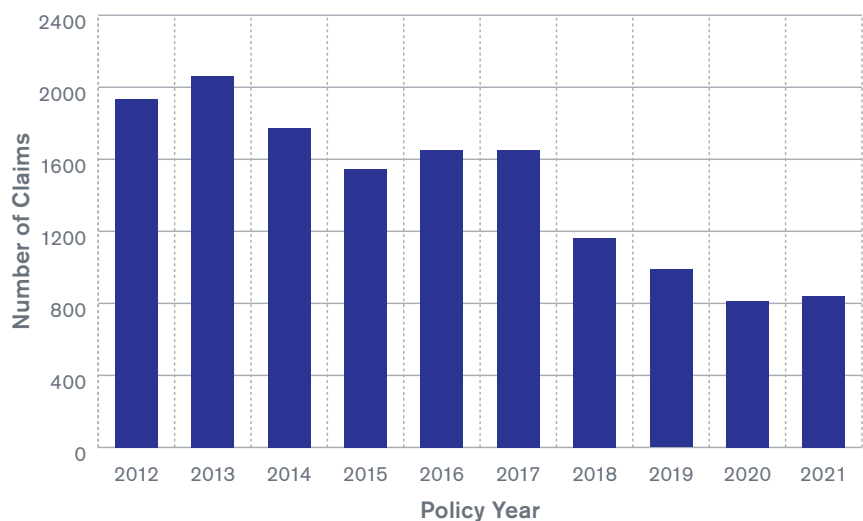
## Total net notified claims for policy years 2012-2021 at 6 months by claims category

- Claims excluding the Pool are at low levels compared to past years.
- After 6 months, the cost of Pool claims made up over half of the cost of the notified claims.
- The Pool has, however, been extremely adverse. After six months, the number of Pool claims were consistent with previous years, however, the estimated cost for these claims is unusually large.



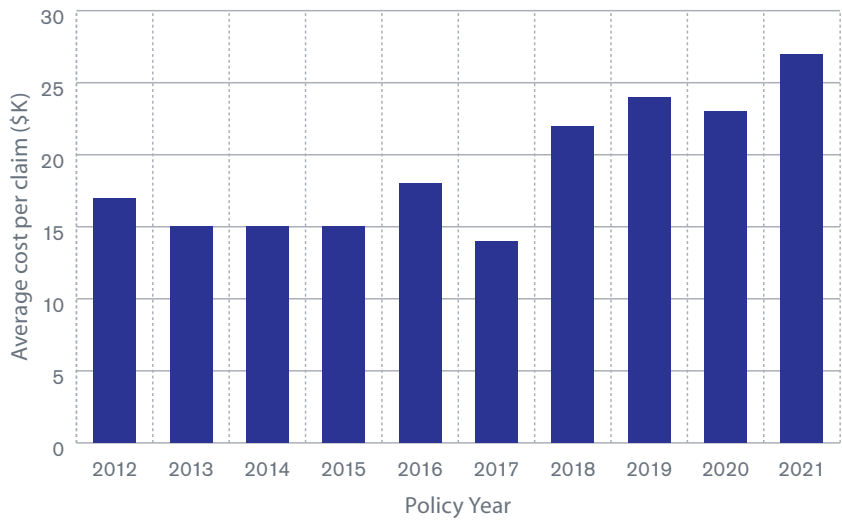
## Total Non-Pool claims by frequency for policy years 2012-2021 at 6 months

- Attritional claim frequency (up to \$0.5m) in recent years has been low. This is due to changes to Member deductibles and risk selection at renewal.



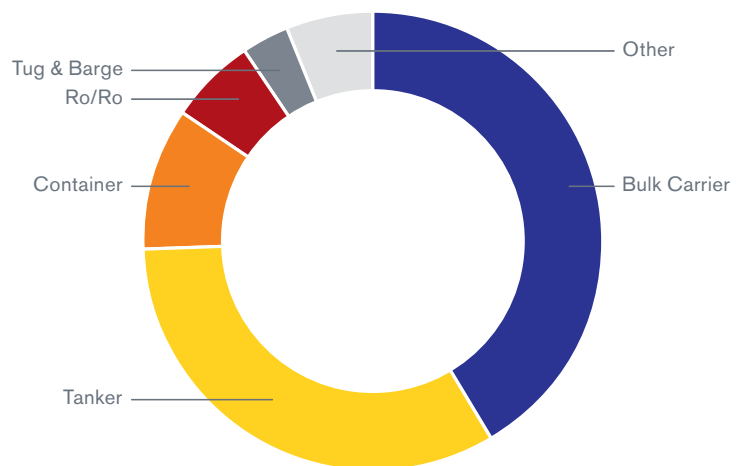
**Total Non-Pool Attritional claims by size for policy years 2012-2021 at 6 months**

- Inflationary pressures remain as the average cost of claims continues to trend upwards.



**Distribution of COVID-19 Claims by trade in 2021**

- COVID-19 claims are a new risk for the Club, representing approximately 5% of net mutual premium in 2021 at current levels.
- COVID-19 claims arise from all trades.



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