

## GENERAL INCREASE BULLETIN NO. 15/18

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### *The Summary*

13<sup>th</sup> December 2018

The announcements from The International Group of P&I clubs for their respective general renewal requirements at 20<sup>th</sup> February 2019 are now complete and represented herein in summary.

A swift glance would seem to indicate a mirror image of last year, save for the West of England 5% general increase request. There is however a different story to be told this year. A story that emerges from a careful reading of some club's renewal circulars. Where clubs have articulated more than others the drivers affecting the P&I world currently and their potential impact for the future there is a clear indication of concern which is not reflected in the simple statement of 'general increase or no general increase'.

The consideration is that clubs at 20<sup>th</sup> February 2019 are standing at the traffic light looking to choose, or straight on with 'same as before' including the approach to negotiations, or turn down a road of tighter underwriting discipline and stronger remedial action where needed. The announced zero general increase requirements this year mask an emerging sentiment that the time has come to put the handbrake on the consecutive reductions of the past renewal negotiations.

Volatility of investment returns, a creeping increase in claims for retention and pool claim activity are pitched against premium levels that would appear to be vulnerable to such changes, producing announced combined loss ratios in excess of 100% for a number of the clubs. P&I cover is being provided increasingly on a pure loss-making basis with free reserves cushioning the imbalance.

From a simple reading of the renewal deliberations in this summary only one club, The West of England has, as our PLFerrari Report 2018 title reads, "cast the first stone".

The reality is however somewhat different: the careful reading of Club circulars gives a truer picture in that many have "cast a stone" on the future health of the P&I Clubs and the actions which may have to be taken in the future if remedial action is not applied starting from the forthcoming 2019/20 renewals.

So what have some clubs pre-announced in their circulars?, below three examples;

North of England

*“The Board has taken the decision not to declare a general premium increase at the forthcoming renewal. The Managers will however” “be undertaking a significant exercise to review all Members premiums and terms in order to ensure that declining rates of premium are halted and equitably adjusted to properly reflect performance and exposure going forward”.*

*“This exercise will be robustly undertaken to obviate the need for greater premium increases in subsequent years.”*

Shipowners’

*“..... there has been recent widespread market commentary, from other clubs, brokers, regulators and the Lloyd’s market that premiums are now at levels that are unsustainable in the longer term, and that increases are likely to be required in the near future to restore underwriting balance. The Board noted and agreed with this sentiment”.*

UK P&I Club

(Taken from their Autumn Statement 2018, Financial Highlights)

*“Claim numbers continue to fall but a few large claims in first half of year.*

*With premium rates at historically low levels, the Club is exposed to an increase in larger claims. The combined ratio for the first 6 months of 107% is higher than the Club’s target of 100%.*

*If this trend continues increases in premium will be necessary in the future for the Club to continue to meet its underwriting targets”.*






As our P L Ferrari Market Review 2018 noted;

*“The lessons of the past demonstrate that, once sentiment crystallises, the market can change rapidly. Perhaps the West of England’s with 5% General increase is merely anticipating the market trend a year ahead”.*

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P.L. FERRARI & CO S.r.l.

	<p>P&amp;I    No General Increase</p> <p>FDD    No General Increase</p>
	<p>P&amp;I    No General Increase</p> <p>          minimum deductibles to increase as follows:</p> <p>          Cargo claims       - US\$ 14,000 minimum ( currently US\$ 12,500 )</p> <p>          Crew claims         - US\$  4,000 minimum ( currently US\$  3,000 )</p> <p>          All other claims   - US\$  8,000 minimum ( currently US\$  7,000 )</p> <p>FDD    No General Increase</p>
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	<p>P&amp;I No General Increase All P&amp;I Owned deductibles below US\$ 25,000 will be increased by a minimum of US\$ 1,000 per deductible</p> <p>FDD No General Increase</p>
	<p>P&amp;I No General Increase. Variations in GXL absorbed by Club.</p> <p>FDD No General Increase</p>
	<p>P&amp;I No General Increase</p> <p>FDD No General Increase</p>
	<p>P&amp;I No General Increase A 10% increase to all expiring deductibles with existing deductibles below \$20,000 increased by \$2,000</p> <p>FDD No General Increase</p>
	<p>P&amp;I No General Increase</p> <p>FDD No General Increase</p>
	<p>P&amp;I No General Increase A deductible increase for Cargo and Crew deductibles of USD 1,000 respectively</p> <p>FDD No General Increase</p>

	<p>P&amp;I      No General Increase</p>
	<p>FDD      No General Increase</p>
	<p>P&amp;I      5% General Increase  Rules deductible will increase from US\$ 12,000 to US\$ 13,000. Where individual deductibles are below the Rule deductible an increase of 10% or US\$ 1,000 ,whichever is higher, will be applied.</p> <p>FDD      No General Increase</p>

*Note: Unless otherwise noted all Clubs will be passing on to Members any cost adjustment of the tariff based GXL Reinsurance market placement as at 20th February 2019.*