

GENERAL INCREASE BULLETIN NO. 2 / 18

Club – West of England

25th October 2018

P&I

- A 5% standard surcharge has been set to apply to all expiring mutual and fixed premium rates.
- Rules Deductible for Class 1 entries will be increased from \$12,000 to \$13,000, and where individual deductibles are below this level, they shall be increased by 10% or by \$1,000, whichever is the higher.

FDD

A nil standard surcharge has been set to apply to all expiring mutual and fixed premium rates.

This, our second renewal bulletin sets out the mandated requirements for the forthcoming renewal on 20th February 2019 as instructed by the Board of Directors following their meeting and review in October.

The renewal circular identifies that a higher claims cost has developed with respect to recent years and in particular with respect to the policy years 2017 and 2018 to-date. In this context whilst the attritional claims are tracking within club expectations/projections the stresses are resulting from the frequency of larger value claims in excess of US\$ 3m and a more active incidence in notified pool claims.

The investment market remains volatile but the Board's conservative investment policy has protected the Club against the worst of the adverse movements in the equity markets, leading to an investment return of 0.9% as at August 2018.

The financial overview of these factors leads to club to consider that the club free reserve is forecast to fall, estimated by the club 'to a little below' US\$ 300m at 20th February 2019 (reserves last communicated by the club circular in May 2018 were of US\$ 308.5m). The Club however states that their capital position remains very strong.

In considering the requirements for the 2019/20 renewal the Board noted that claims are on the rise across the industry and that premium levels have been steadily eroded over recent years to a point where they are no longer sustainable. They also noted that the continuing volatility in the financial markets will make investment returns uncertain.

In light of these considerations we set out schematically the Board's key decisions as follows:

CLASS 1 (P&I) AND CLASS 2 (FD&D) RENEWALS 2019/2020

CLASS 1 (P&I) OWNED

- For Class 1 (P&I) entries a 5% standard surcharge has been set to apply to all expiring mutual and fixed premium rates.
- Group reinsurance costs for owned mutual entries shall continue to be charged separately as a fixed cost per GT in accordance with the Club's usual practice. The standard surcharge will not apply to the group reinsurance component of the rate.
- For Members whose records are adverse, rates and terms will be increased and adjusted as appropriate to reflect record and/or risk exposure.
- The Rules Deductible for Class 1 entries will be increased from \$12,000 to \$13,000, and where individual deductibles are below this level, they shall be increased by 10% or by \$1,000, whichever is the higher.

CLASS 2 (FD&D) OWNED

- For Class 2 (FD&D) entries a nil standard surcharge has been set to apply to all expiring mutual and fixed premium rates.

CHARTERERS COVER CLASS 1 (P&I) AND CLASS 2 (FD&D)

- A nil standard surcharge has been set.

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