

No.11 2023/24 - Class 1 (P&I) and Class 2 (FD&D) Renewals - 2024/2025

November 2023

At their meeting on 8th November, the Board reviewed the latest Class 1 and Class 2 performance together with the Club's mid-year financial position and agreed the approach to renewals for the 2024/2025 Policy Year.

The Board noted that:

- The Club's own claims for the 2023/24 Policy Year are better than forecast and claims development on prior years also showed general improvement.
- As expected, claims experience on the International Group Pool has increased from last year's low level of activity, with seven reported claims in the current Policy Year together with some adverse development on back year Pool claims notified by other Clubs.
- The combined ratio is forecast to be around 100% at year end.
- The Free Reserve is forecast to increase to around USD 241 million, with investment returns, although positive, being constrained by the continued rise of interest rates globally.
- Capital is expected to further increase at February 2024, to a Solvency Ratio of around 180%.
- The annualised mutual entry at year end is expected to be 100m GT with an annualised gross premium of around USD 250m.
- The Club achieved an A-rating with stable outlook from AM Best.

Despite the Club's overall strong performance, the Board recognised that premium remains insufficient to meet expected future claims costs as inflationary pressures continue. In order to ensure that the Club meets its long-term objective of breakeven underwriting, the Board therefore decided the following:

Class 1 (P&I) Owned Mutual

- For Class 1 (P&I) entries a 7.5% standard surcharge has been set to apply to all mutual premium rates.
- To reflect claims inflation, an increase of 10% will be applied to all deductibles below USD 50,000.
- For Members whose records are adverse, additional action will be taken where necessary with rates and terms adjusted as appropriate to reflect record and/or risk exposure.
- A Release Call of 15% has been set for the 2024/25 Policy Year. No change has been made to the calling structure or instalments, i.e. an estimated total mutual call shall be payable in four equal instalments, each of 25% of the total mutual call during the Policy Year.
- In addition, following usual practice, rates will be adjusted to reflect any changes in the cost of the International Group Reinsurance Programme, whether up or down.

Class 2 (FD&D) Owned Mutual

Inflation in legal fees continues to impact FD&D claims. To address this, the Board decided as follows:

- For Class 2 (FD&D) entries a 5% standard surcharge has been set to apply to all mutual premium rates.
- For Class 2 entries no change will be made to the deductible structure.
- As with Class 1, an estimated total mutual call shall be payable in four equal instalments, each of 25% of the total mutual call during the Policy Year. A release call of 15% shall apply.

Class 1 (P&I) and Class 2 (FD&D) Non-Mutual Covers

Whilst no standard surcharge has been set by the Board for non-mutual covers, premium and terms will be adjusted as appropriate to reflect individual assureds record and/or risk exposure, together with any increased reinsurance cost.

No change will be made to current premium structure which shall continue to be payable in up to four equal instalments during the Policy Year.

Policy Years and Release Calls

In setting the level of Release Call percentages for each open Policy Year for Class 1 and Class 2, the Board has taken into account the Club's overall capital position and all the factors that are set out in Clause 8 of the International Group Agreement.

Class 1 (P&I)

2021/22 – Release call maintained at 10% of estimated total mutual call.

2022/23 – Release call maintained at 15% of the estimated total mutual call.

2023/24 – Release call maintained at 15% of the estimated total mutual call.

Class 2 (FD&D)

2020/21 – Release calls maintained at 0% of the estimated total mutual call.

2021/22 – Release calls maintained at 10% of the estimated total mutual call.

2022/23 – Release call maintained at 15% of the estimated total mutual call.

2023/24 – Release call maintained at 15% of the estimated total mutual call.

International Group reinsurance rates

A further Notice to Members will be issued later in the year to detail any changes in the Group reinsurance rates, scope of cover and limits.

Yours faithfully,

For: West of England Insurance Services (Luxembourg) S.A.
(As Managers)