

Notices to Members

No.14 2022/2023 - Class 1 (P&I) and Class 2 (FD&D) Policy Year Balances, Financial Position and Renewals



Tom Bowsher
Group CEO

November 2022

The Board reviewed the latest Class 1 and Class 2 figures, the Club's mid-year financial position and agreed the Club's approach to renewals for the year beginning 20 February 2023 at their meeting on 16 November 2022.

Class 1 (P&I) and Class 2 (FD&D) Renewals 2023/2024

The Board were pleased to note the Club's improved financial performance with a combined ratio of 97.9% at the mid-year point but also that the current Policy Year has been abnormally affected by an almost complete absence of new Pool claim notifications.

Despite this improvement following the targeted and successful action taken at the previous renewal, the Board recognise that premium remains insufficient to meet current and expected future claims costs, especially having in mind the potential impacts of high global inflation.

In order to address these factors the Board decided as follows:

i) Class 1 (P&I) Owned Mutual

1. For Class 1 (P&I) entries a 10% standard surcharge has been set to apply to all mutual premium rates.
2. 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.
3. No change will be made to the Rules Deductible for Class 1 entries however all other deductibles will be increased by 10% and a minimum increase of \$2,500 will be applied.
4. An estimated total mutual call to be payable in 4 equal instalments, each of 25% of the total mutual call, during the Policy Year. A release call of 15% shall apply.
5. In addition to the 10% standard surcharge, rates will be adjusted to reflect any changes in the cost of the International Group reinsurance programme, whether up or down.

ii) Class 2 (FD&D) Owned Mutual

Inflation in the level of legal fees have directly impacted on the performance of this Class and its reinsurance costs are also expected to increase in 2023. The Board therefore decided as follows:

1. For Class 2 (FD&D) entries a 15% standard surcharge has been set to apply to all mutual premium rates.
2. For Class 2 entries no change will be made to the one fourth deductible formula.
3. As with Class 1, an estimated total mutual call to be payable in 4 equal instalments, each of 25% of the total mutual call during the Policy Year. A release call of 15% shall apply.

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

Reinsurance costs associated with these classes of business have significantly increased in recent years across the entire industry and indications are that they are expected to increase further so, while the Board has not set a standard surcharge, rates and terms will be increased and adjusted as appropriate to reflect the increased reinsurance cost, Member's record and/or risk exposure.

For charterers and fixed premium rates, no change will be made to current practice; premium shall be payable in up to 4 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)

2020/21 – Release call maintained at 10% of estimated total mutual call

2021/22 – Release call maintained at 15% of the estimated total mutual call

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

Class 2 (FD&D)

2019/20 – Release calls maintained at 0% of the estimated mutual call

2020/21 – Release calls maintained at 10% of the estimated total mutual call

2021/22 – Release call maintained at 15% of the estimated total mutual call

2022/23 – 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.

West Financial Presentation hosted by Tom Bowsher

West believes that our Members' interests are best served by clear and transparent financial reporting. We have therefore produced a short presentation hosted by Tom Bowsher, Group CEO, in which he discusses West's position at the Mid-Year and gives further background for the Club's approach to renewals.

Watch here.

Yours faithfully,

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

T Bowsher
Group CEO