

## Why claims data has always been king

The choice of insurers for P&I risks has significantly changed in recent years. 25 years ago, aside from limited liability cover that was available on the back of the H&M policy, there were very few choices outside the International Group of P&I Clubs (IG) system. Alternative facilities were established but the volatility associated with liability claims made it difficult to deliver consistent results. That same challenge remains true today and can only be overcome by a significant spread of risk. Back then it was also the case that other IG clubs weren't overly keen on smaller vessels, focusing on ocean going blue water tonnage, and often referred such enquiries to the Shipowners' Club.

More recently, insurance markets have been awash with capital looking to generate a return. That capital has been deployed in support of a plethora of fixed premium P&I facilities. IG Clubs, striving for growth, have also taken a different view on smaller vessel risks and only very occasionally refer business our way.

Despite these changes, the fundamentals of small vessel P&I haven't changed. Small vessels still operate closer to navigational hazards, load and discharge cargo more often, undertake a much wider variety of operations and will therefore generate a different claims experience to those larger vessels operating further afield. However, operations do tend to be better defined and often conducted closer to the management base which means the risk can in many cases be better assessed and more accurately priced.

Twenty-five years ago, the Club underwrote 11,475 vessels totalling just under 3.5M GT. Net premium income stood at US\$ 40M and claims for the 1993 policy year were US\$ 27.5M. The average size of an entered vessels was just over 300 GT, the achieved premium per ton was US\$ 11.42, and the cost of claims per ton US\$ 8.00. Since then, our entered tonnage has grown to 27.25M GT in 2018 and net annual premium income to US\$ 196M. Claims in the most recent years continue to develop but for 2015, the most recent policy year where claims have developed to close to their ultimate figure, the gross cost of claims per GT currently stands at US\$ 5.92, over 25% lower than in 1993. However, average vessel size is now over 700 GT. While 1993 and 2015 are just two individual years they reasonably represent our general experience.

General improvements in risk management, efforts in loss prevention and more modern vessels mean fewer incidents occur but the same incident today costs much more than it did many years ago. For that reason, the cost of claims per GT has actually reduced over the 25-year period, and likewise so have the premiums per GT that we charge. This is also partly a reflection of the average size of vessels having increased.

Why, you may ask, is this relevant? There is much talk in the press today that "Data is King",

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the new crude oil that has to be carefully refined. That expression may be relatively new to other industries, but in the world of P&I we believe it has always been that case. In the last 25 years the Club has handled almost 75,000 liability claims. The data associated with these allows the Club to analyse by trading area, member domicile, vessel type, class, flag, age, price appropriately and achieve an underwriting result as close as possible to break even year after year. Getting it right allows us to offer cover at cost, without overcharging and then giving money back. Our ability to do this is a fundamental [Benefit of Club membership](#).

Our history and longevity are also important, we still have numerous claims files dating back to 1997 and one which dates back to 1990 (none of which relate to either asbestosis or industrial deafness, those potentially go back even further). When you place your P&I cover at the 20<sup>th</sup> February renewal, can you be sure that others will still be around in 20 years to look after your potential liabilities?