Renewal 2023/2024

3 NOVEMBER 2022 – At the half year stage, the Club reported a Combined Ratio of 96.2%, with an underwriting surplus of US$ 4.3m. Mindful of increases in premium requested through General Increases in recent years and the overall positive Underwriting result, the Board resolved that no General Increase would be applied across the Membership.

2022 Financial Year

Both claims from the Club's Membership and to the International Group Pool have been lower than expected which has offset the impact of inflation. Since the half year point, however, claims from the Club's Membership have been running at a slightly higher level. This includes a number of relatively significant claims in the superyacht sector arising from fires (arising from lithium-ion batteries and other electrical faults), groundings and sinkings.

Over the last few years, with the exception of 2020 which saw a much lower level of operations due to COVID-19, we have seen a steady increase in the level of claims from the Yacht sector such that the overall result is coming under significant pressure. To a lesser extent we continue to see claims from the Dry Cargo sector also running higher than can be covered by the premiums debited, although this is more dependent on the geographic area in which operations are undertaken. Despite these relatively poorer performing sectors, with the 5% increase in premium requested for 2022 and better than expected organic and new business growth, the Club is on course to report income in excess of budget and a Combined Ratio of less than 100%.

From an investment position it has been a significantly more challenging year. Unusually, investments in fixed income and equities have both seen declines. This, coupled with US Dollar strength generating FX losses, has led to a marked reduction in the Club's portfolio, both as at the half year and since.

Close to half of the investment losses are mark to market losses on the fixed income book as a result of increasing yields pushing prices down. Looking ahead we would expect a significant element of these fixed income losses to reverse, as the investments move to maturity, and we see prices 'pull to par'. Thereafter the Club will be able to invest at higher yields than has been possible in recent years.

2023 Financial Year

Whilst there is uncertainty as to the prospects for the global economy going forward, we expect to continue to see modest growth in Members, vessels and total GT in 2023, building on the support that we have experienced during 2022. The Club is encouraged by steady, organic growth but as always, our focus remains on servicing our existing Membership, maintaining underwriting discipline and striving to offer a supportive approach to claims.

Inflation will continue to be influential in terms of overall claims costs and we also expect to face modest increases in reinsurance costs for next year.

We will continue to focus on helping Members mitigate the risks that are faced, through Loss Prevention advice, which helps to offset the increasing cost of claims.

2023 Renewal

When the Board met on 31 October 2022 it was noted that the Club was in a market leading underwriting position, but potentially faced some headwinds by virtue of inflation running at higher than historic levels. The Board felt that this was likely to remain the case for the foreseeable future. Despite the challenges in the investment markets the Board also noted the Club remained well capitalised and that the majority of losses remained un-realised.

Mindful of increases in premium requested through General Increases in recent years and the overall positive Underwriting result, the Board resolved that no General Increase would be applied across the Membership. Noting the adverse claims trends in the Yacht sector they concluded that a 10% increase in premiums would be applied to this sector, and that increases would be applied as required to Members operating Dry Cargo vessels. No fixed increase would be applied here but increased premiums would be requested in those areas suffering from a poor underwriting result. All adjustments would be inclusive of any additional reinsurance costs that may apply.

They also resolved that, cognizant of the effects of inflation, all deductibles under US$ 50,000 would be increased by 10% but subject to a minimum monetary increase of US$ 500.

As in previous years the Managers will also review individual Members' claims records and operational risks, applying commensurate adjustments in premiums and terms where appropriate. This may include further adjustments to deductible levels. The Club's policy of applying selective ship inspections and management audits will also remain.

It is at this time that the Club would kindly like to remind all Members and their brokers that renewal terms cannot be concluded whilst any premiums remain outstanding.