MARSH JLT SPECIALTY

MARINE & CARGO PRACTICE

P&I Review 2019

MARSH

Contents

MARK CRACKNELL
Head of P&I

International Group - Change at the helm

As Andrew Bardot's tenure as the first International Group (IG) CEO, with a mandate beyond the mere coordination of meetings, comes to an end, the IG secretariat welcomes the arrival of new CEO Nick Shaw. Andrew skilfully guided the IG through a flurry of international convention and regulation, which culminated in the IMO Global Sulphur Cap 2020. Having helped the IG clubs support their members through a barrage of change, he has set the stage for a period of relative stability.

With very little in the way of new convention or regulation on the horizon, Nick will have time to consider tasks that can transform the organisation. One must surely be how to make the IG a more effective decision-making body. Much has been said, and written, about the value of the IG to the shipping industry and to the vital interests of global trade of the mutual P&I system. While we do not intend to repeat any of that here, we do offer our support for the proposition. In our opinion, the areas where the IG could be more effective fall into two main categories: the tactical and the strategic.

In the first category we place issues such as the scope and limits of cover ordinarily afforded by the P&I clubs. Some of the deficiencies in club cover that trouble our clients seem to be simply a failure to keep abreast of the pace of events.

Sulphur caps

An example is the potential for the imposition of fines for exceeding sulphur caps for bunker fuel. There can, of course, be a moral hazard when it comes to cover for fines. However, where a fine arises as a result of differences between two recognized authorities in the measurement of the sulphur content of fuel, it seems egregious that there should be any question of cover when a ship owner has loaded fuel — accepting in good faith the representations of a first competent body in respect of that sulphur content — but faces a fine when a subsequent authority disputes the earlier findings.

Club directors' time is valuable

Club managers could and should have discretion to make a determination that the member has or has not done everything reasonably possible to avoid such a penalty. If, in the opinion of club managers, the member has acted in good faith and could not reasonably have taken steps to avoid a fine, cover should be afforded. This is a practical as well as a technical and moral imperative. Such cases likely will be numerous in the future. It is not the most effective use of club directors' time to be asked to deliberate on such matters.

Passenger cover

Another issue, with potentially greater financial consequences for those concerned, is the limit on cover for liability toward passengers. An ever-increasing number of new generation modern cruise ships now have a requirement under the EU Passenger Liability Regulations (PLR) to provide certification for a sublimit in excess of the USD2 billion for passengers cover. Non-compliance with PLR is not an option. The clubs insuring these vessels under the current arrangements are only able to provide the necessary certification (in excess of the USD2 billion) with the support of additional reinsurance.

A mutual risk

The USD2 billion sublimit would have been more than adequate to meet the PLR requirement of the largest passenger vessels operating when it was first established; today it falls short. And what seems to be a mutual P&I risk is being transferred from the mutual pooling system to commercial insurers, among whom there is fairly limited capacity for this exposure on the terms required. As a result, those underwriters with the required appetite are able to benefit from a seller's market.

Success story

Whereas a decade or so ago the number of clubs that would accept cruise business could be counted on the fingers of one hand, that is no longer the case. Nearly every P&I club either already writes cruise business or has expressed a strong interest in doing so. This is because the passenger shipping, and particularly cruise, is a "success story" of the shipping industry and so a growth area for the clubs. At the same time, the cruise operators have shown themselves to be committed and responsible contributors to the mutual P&I system.

The law of unintended consequences

Today, an unintended outcome of the original decision to place a cap on passenger cover (at a level vastly in excess of any regulatory requirement for it when the cap was introduced), is that some of the cruise industry's most successful operators are now effectively being penalized by the P&I system as a consequence of their growth. This results from a requirement to pay for the very expensive "top up" reinsurance that enables their clubs to issue PLR certification for some of their ships, which seems contradictory to the fundamental principles of the mutual (not for profit) P&I system.

Part of the system

If it is accepted that the cruise industry is part of the mutual P&I system, as it very clearly is today, then it seems reasonable that the P&I system should not discriminate against the industry; nor should it needlessly operate counter to the industry's needs. There is an easy solution here, which is to remove the passenger sublimit so that USD3 billion limit of cover for personal injury claims applies howsoever those claims may arise. The clubs could then provide PLR certification for all of today's cruise fleet (and what is envisaged for several years) without the need to engage commercial reinsurance markets.

Easier said than done

Most of the club managers appear to support this change, at least according to the conversations we have had. Most believe it's simply a fair solution to an unforeseen, but easily manageable, structural deficiency in the current arrangements. Some are also worried about the potential for damage to the reputation and standing of the IG, in the very remote eventuality of a large passenger claim where club cover could fall short of the PLR compensation requirement.

The challenge is the IG decision-making process. Every club has the same vote, and while the required two thirds of the majority may be moving towards a consensus for this change, dissenters have plenty of opportunity to establish roadblocks.

Fewer clubs

Our *2018 P&I Market Review* considered the number of P&I clubs, focusing on the financial and competitive efficiencies that would come from having fewer clubs. We made the case that there should be no more than eight P&I clubs. We argued that, through the better use of the substantial amounts of capital already contributed by ship owners to their P&I clubs, efficiencies could be achieved. In the simplest terms, the report discussed the potential to increase the per-club retention in a way that would allow the abolishment of the International Group Agreement (IGA), bringing benefits all round.

Alternatively, if the remaining clubs chose to operate the mutual P&I system exactly according to the current structure, an estimated USD1 billion+ of surplus capital could be returned to members; a happy choice for club members to make.

Eight is great

Either way, we expect the additional benefit of quicker, more effective decision making.

Eight remaining clubs, if not actually completely homogenous, would naturally have more common ground on most issues than is currently the case as the opportunity for individual directors to dominate small clubs would be reduced. Some would say one size does not fit all. I say, why not, if a smaller number of larger clubs level up to the highest current standard? Moreover, assuming that in this brave new world the remaining eight clubs are the most successful of the current crop of thirteen, market intelligence indicates the necessary majority would be able to move forward quickly and decisively on issues such as the limit of cover available for passenger claims.

General increases?

A smaller group of better capitalised clubs would end the discussion around a requirement to increase P&I rates. Even with the current clubs, the idea that this is necessary seems incorrect (except perhaps in a couple of cases at the lower end of the tonnage scale). The supposed justification appears limited to relative comparisons of capital strength, mostly made by the clubs themselves about each other. In absolute terms there is not much to report. The majority are quick to point to their AAA S&P capital strength ratings, which are unlikely to be diminished by holding P&I rates at their present level, or even reducing them. Despite the reported and much bemoaned overall reduction in free reserves and recorded combined ratios mostly worsening during the 2019 P&I financial reporting season, capital adequacy (as shown in Solvency II filings) once again improved for the clubs as a whole.

Time for a change. Will anyone rise to the challenge?

JOHN TREW
Special Advisor

In last year's P&I Market Review, I wrote about the challenges that shipowners and charterers often face when trying to compare and evaluate the 13 clubs in the IG. Brokers, and the clubs themselves, all produce tables showing headline comparative figures: tonnage, premium, claims, net ratio and free reserves. That provides a lot of information, but is it the whole story?

And what do the clubs have to say about themselves? Each club has a different way of presenting itself, but a review of their marketing material shows that they all position themselves in a similar way: strong finances, exceptional service, a first class membership and a strong commitment to mutuality. Are they all so very similar?

Given our relationship with all 13 clubs, Marsh JLT Specialty is ideally positioned to dig deeper. Not only do we have the data needed to assess their rating models and overall finances, but our team has considerable experience of working with the clubs.

While it is tempting to rank clubs into a table, thereby identifying the best performers, this approach is ultimately unhelpful. Many shipowners are members of clubs that they feel are 'right for them'. Paying what they perceive to be a 'fair deal' and receiving a proactive service from claims handlers they know and trust is far more important to them than knowing where their club ranks based on a standardised set of criteria. Their only real concern may be the prospect of unbudgeted supplementary calls.

Furthermore, it has become customary for some brokers to analyse the whole P&I market in their annual reports. This is not helpful as it ignores the differences between the clubs and the real choice available to shipowners. Despite their marketing material, the clubs are not a cohesive, homogeneous group that need to take 'collective' action. While some clubs might arguably need to reconsider their rates, others do not. Likewise, the extent to which clubs are over-capitalised needs to be assessed at an individual club level, not in the aggregate.

In this context I offer a short overview of each club, providing information on their recent performance, their client offering and what challenges lie ahead. Looking at the profiles, you can see how different they are; while some are flourishing, others find themselves in choppier waters. Some are investing in new technology, developing online digital platforms to provide members with a variety of data relating to ports and areas where their ships may be trading. Clubs without plans to develop these tools may be left behind.

About John Trew

With over 35 years, John started his career with Ellerman City Liners, working on one of their Mediterranean trades. In 1985, he moved to Tindall Riley, managers of the Britannia P&I club. In 2018, he retired as Chairman of Tindall Riley before joining Marsh JLT Specialty as a Special Advisor.

With deep expertise in the maritime industry, John was instrumental in developing new insurance policies for ship owners. Most notably, he led the launch of the hull policy 'Marianne' with Allianz and the Small Ships Facility, Carina. In addition, he wrote Britannia's Guide to Oil Pollution Legislation. John is a qualified barrister.

P&I Club Profiles

The American Club

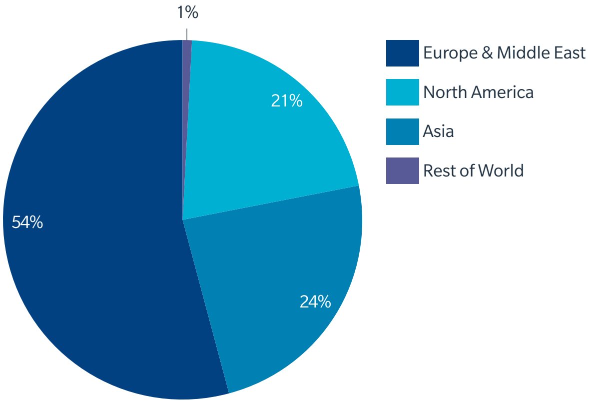
S&P Rating **BBB-** (STABLE)

Highlights

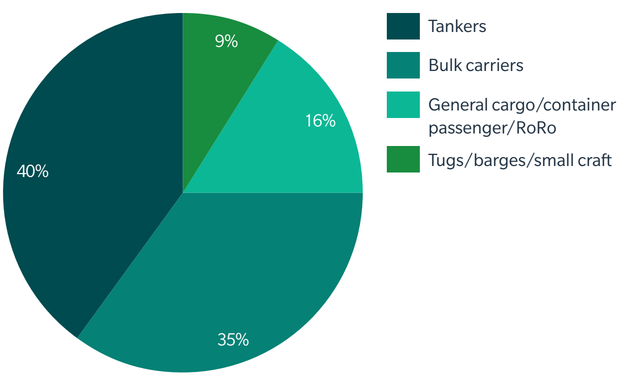
- ↓ **-1%** Net Premium
- ↑ **26%** Net Claims
- ↑ **25%** Total Tonnage
- ↓ **-22%** Free Reserves
- **117%** CNR

Distribution of Tonnage

Entered tonnage by area of management



Members' tonnage by vessel types



Consolidated Income & Expenditure

Year ending 31 December (USD '000)

	2017	2018	2019
GWP	104,183	98,673	96,977
RI Premiums	(14,168)	(24,194)	(22,546)
Change in UPR, Unbilled Assessments & RPs	5,310	(284)	(1,026)
Recovery from US Oil Spill Liability Trust Fund	4,264	0	0
NET CALLS	99,589	74,195	73,405
Net Incurred Claims	(70,761)	(36,302)	(45,905)
Expenses	(37,744)	(40,300)	(39,805)
UNDERWRITING RESULT	(8,916)	(2,407)	(12,305)
Investment Income & Exchange	6,951	8,049	6,383
Unrealised Investment Income (Net of gains & losses)	(2,948)	525	(6,911)
Investment Return		8,574	(528)
Tax	(79)	29	444
OVERALL RESULT	(4,992)	14,770	(12,389)
Total Balance Available (Total Assets less RI recoveries)	280,836	271,886	256,949
Outstanding Net Claims Liabilities (Gross Claims less RI)	(171,706)	(145,465)	(143,006)
Free Reserves (Total Members Equity)	51,418	57,614	45,225
Total Tonnage (m)	16.5	16.6	20.7
NET LOSS RATIO	71.05%	48.93%	62.54%
COMBINED NET RATIO	108.95%	103.24%	116.76%

John Trew says...

While the **American** Club benefits from an alphabetical ordering, in terms of tonnage, net premium, free reserves, and its S&P rating it would not rank quite so high. It enjoys a loyal following and its tonnage again grew at the 2019 renewal. Joe Hughes, Chairman and CEO, has huge experience and is a strong advocate for the club and its benefits.

The club has diversified in recent years with its fixed premium P&I facility for smaller ships, Eagle Ocean, in which the club takes a modest line.

The hull book has been running at a loss but, assuming a stable claims environment, a hardening of rates should turn the book into profit. The club's reserves reduced last year as a result of poor investment results, but the managers advise these have now substantially recovered. The club has not produced an underwriting surplus for the last five years and its vulnerability to the effects of the investment markets may be a cause for concern going forward. A club, perhaps, for the few rather than the many.

Britannia

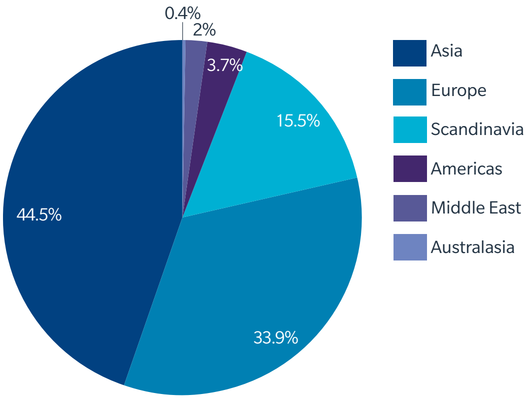
S&P Rating **A** (STABLE)

Highlights

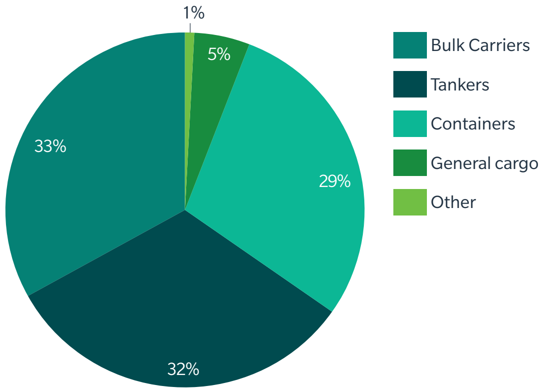
- ↓ -6% Net Premium
- ↑ 28% Net Claims
- ↑ 4% Total Tonnage
- ↓ -8% Free Reserves
- 104% CNR

Distribution of Tonnage

Entered tonnage by area of management



Ship by type (% of total)



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	2018	2019
GWP	225,854	208,147	204,415
RI Premiums	(64,748)	(55,757)	(61,683)
NET CALLS	161,106	152,390	142,732
Net Incurred Claims	(130,268)	(93,552)	(119,599)
Expenses	(25,719)	(25,666)	(28,649)
SURPLUS/(DEFICIT)	5,119	33,172	(5,516)
Investment Income & Exchange	32,122	48,626	(2,643)
Unrealised Investment Income (Net of gains & losses)	(3,406)		
Tax	(889)	(1,183)	(1,137)
SURPLUS/(DEFICIT)	32,946	80,615	(9,296)
Total Balance Available (Total Assets less RI recoveries)	1,176,564	1,174,559	1,123,046
Outstanding Net Claims Liabilities (Gross Claims less RI)	(775,651)	(721,179)	(714,454)
Free reserves excluding Boudicca	379,342	429,957	390,661
Boudica Adjustment (see Boud Adj below)	221,700	211,600	196,900
	601,042	641,557	587,561
Total Tonnage (m)	115.4	125.9	130.9
NET LOSS RATIO - EXCLUDING BOUDICCA	80.86%	61.39%	83.79%
NET COMBINED RATIO - EXCLUDING BOUDICCA	96.82%	78.23%	103.86%

John Trew says...

For decades, **Britannia** has been a byword of strength and stability – it continues to stand out from the crowd by virtue of its excellent finances. The club has expanded and enhanced its regional office network, and a shift of resources to the East is appropriate given the profile of its membership. Opening an office in Greece was a major move for a club that in the 1980s boasted only two Greek members. Britannia's reserves may be considered a strength or weakness, according to your point of view. The club has not had an unbudgeted supplementary call for over 40 years and it has given back over USD85million by way of capital distributions since 2017.

That is, for them, a major selling point. It will be interesting to see whether their decision to abandon general increases from the 2020 renewal starts a trend.

Britannia has spurned 'diversity' and never put so much as a small toe into fixed P&I or marine and energy business. They will undoubtedly look at the recent experiences of Standard and Skuld and feel justified in their approach. Nonetheless, tonnage growth has consistently eluded the club and it is unlikely that new and expanded offices will significantly change it. In terms of owned tonnage, the club would stand fifth in a league table, with Skuld fast catching up. In respect of total tonnage, they would stand seventh. If their focus is not on growth – which is a perfectly valid strategy – it may not matter.

Gard

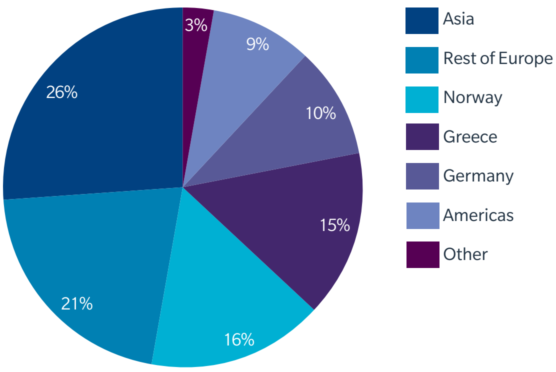
S&P Rating **A+ (STABLE)**

Highlights

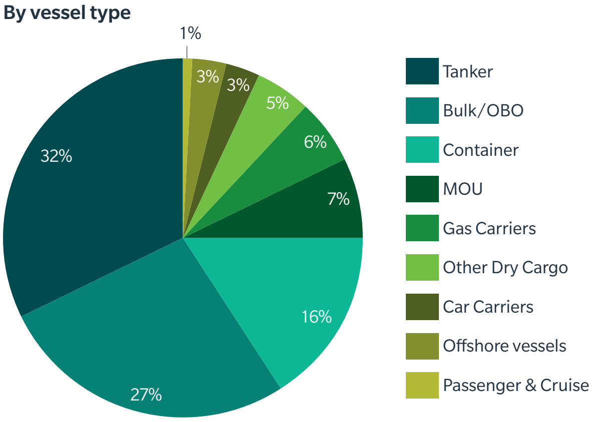
- ↑ 6% Net Premium
- ↑ 12% Net Claims
- ↑ 2% Total Tonnage
- ↓ -7% Free Reserves
- 117% CNR

Distribution of Tonnage

By domicile of tonnage



By vessel type



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	2018	2019
Gross earned premium	767,364	681,244	734,916
RI Premiums	(150,181)	(134,172)	(153,708)
Change in UPR, Unbilled Assessments & RPs	1,395	1,659	2,084
NET CALLS	618,578	548,731	583,292
Net Claims	(493,045)	(479,232)	(537,093)
Expenses	(94,392)	(89,540)	(144,696)
SURPLUS/(DEFICIT)	31,141	(20,041)	(98,497)
Investment Income & Exchange	8,920	36,254	37,855
Unrealised Investment Income	94,744	107,547	(47,045)
Tax	(8,909)	(8,918)	18,659
SURPLUS/(DEFICIT)	125,896	114,842	(89,028)
Other comprehensive		(675)	(1,148)
TOTAL COMPREHENSIVE INCOME/(LOSS)		114,167	(90,176)
Total Balance Available (Total Assets less ri)	2,750,391	2,612,144	2,586,158
Outstanding Net Claims Liabilities	(1,249,629)	(1,199,205)	(1,277,886)
Free Reserves	1,134,862	1,249,030	1,158,853
Total Tonnage (m)	306	308.3	314.5
NET LOSS RATIO	79.71%	87.33%	92.08%
COMBINED NET RATIO	94.97%	103.65%	116.89%

John Trew says...

In many ways, **Gard** looks to be unstoppable. When applied to active records, the Marsh JLT Specialty Rating Engine regularly shows their underwriting to be competitive and their reserving to be realistic. While some of their competitors have attempted to develop similar models, no one has successfully replicated it. Therefore, it is perhaps not surprising that their tonnage (240m gt) is so much greater than their nearest rival (UK club, 131m gt.

This year, however, Gard reported its first loss in 10 years (USD53m). This was largely due to a failed IT project that required them to write off USD40m of already capitalised costs – an amount almost equivalent to the American club's entire free reserves. Secondly, despite an increase in written premium on the hull and energy book, the year saw a loss of USD37m (against a profit of USD22m in the previous year). This was driven by a sharp increase in claims, totalling USD199m (USD77m previous year). One claim exceeded USD35 million, representing almost half the total increase in claims for the year. Gard recognises that its premium rating in this sector needs to be increased. Notwithstanding these developments, the club retains an A+ (stable) S&P rating and will be reducing its estimated total call (ETC) for the 10th year in a row.

Japan Club

S&P Rating **BBB+** (POSITIVE)

Highlights

↓ -7% Net Premium

↑ 4% Net Claims

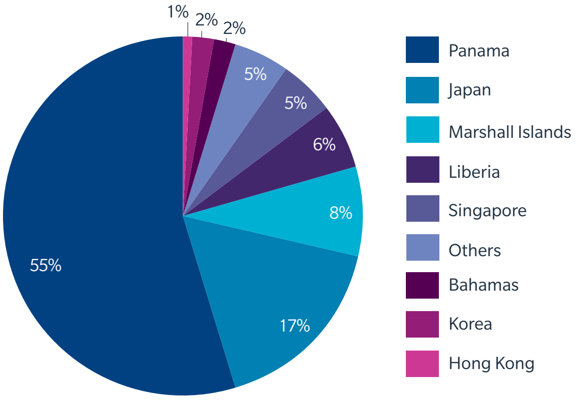
↑ 3% Total Tonnage

↑ 5% Free Reserves

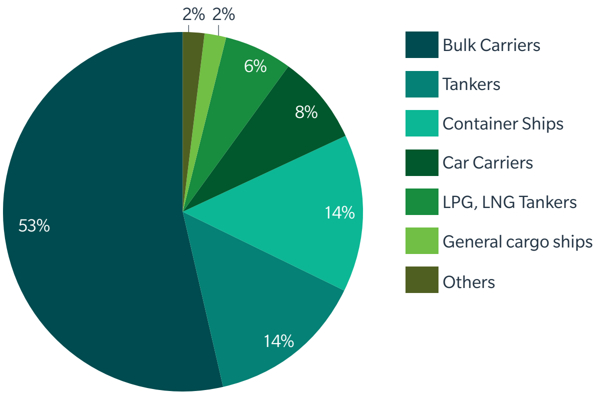
99% CNR

Distribution of Tonnage

Entered tonnage by ships registry



Entered tonnage by type



Consolidated Income & Expenditure

Year ending 31 March (USD '000)

	2017	2018	2019
GWP	209,115	201,515	189,836
RI Premiums	(49,132)	(50,681)	(42,351)
Change in UPR, Unbilled Assessments & RPs	12,011	12,726	3,895
NET CALLS	171,994	163,560	151,380
Net Incurred Claims	(127,432)	(118,248)	(123,140)
Expenses	(25,441)	(27,863)	(26,854)
SURPLUS/(DEFICIT)	19,121	17,449	1,386
Investment Income & Exchange	4,942	(1,706)	20,962
Unrealised Investment Income	0		
Other Special Gains			19
Other Special Losses	(18)	(5)	(15)
Tax	(6,713)	(4,536)	(6,279)
SURPLUS/(DEFICIT) AFTER TAX	17,332	11,202	16,073
Surplus balance after appropriation		11	11
Unappropriated surplus, ending balance		11,213	16,084
Total Balance Available (Total Asset, as ri netted off)	626,834	646,160	643,569
Net Outstanding Claims Liabilities	(293,292)	(306,324)	(306,148)
Free Reserves	208,423	226,524	237,876
Total Tonnage (m)	91.50	93.70	96.30
NET LOSS RATIO	74.09%	72.30%	81.34%
COMBINED NET RATIO	88.88%	89.33%	99.08%

John Trew says...

JPIA has had a successful year in which claims have reduced and free reserves have increased. As a result, the club's S&P rating has strengthened slightly to BBB+ with a 'positive' outlook.

Service levels have reportedly improved over the last few years and the London office has expanded. However, this is still predominantly a club for Japanese owners and it would benefit from a more international approach in order to reach a wider audience.

Many brokers do not report in much detail on JPIA, but as the market in Japan evolves, there will be an increased focus on what the club has to offer and how it compares to other IG clubs. Although that will undoubtedly be a challenge for JPIA, it can also be viewed as a considerable opportunity for both the club and its very loyal membership.

The London Club

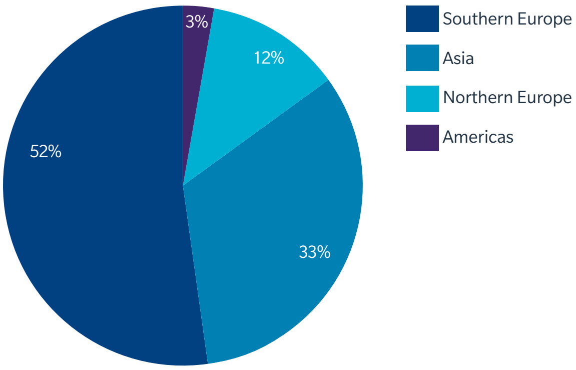
S&P Rating **BBB** (NEGATIVE)

Highlights

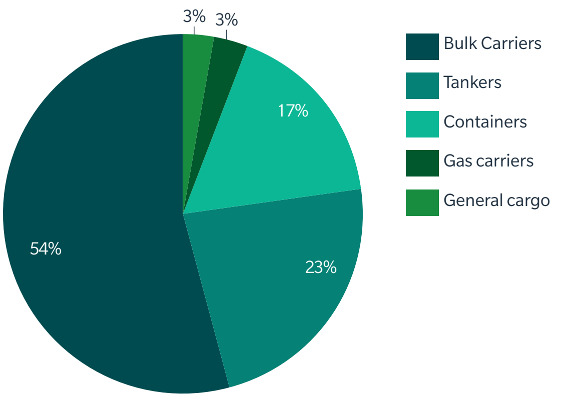
- ↑ 4% Net Premium
- ↑ 24% Net Claims
- ↑ 7% Total Tonnage
- ↓ -13% Free Reserves
- 140% CNR

Distribution of Tonnage

Regional spread of members



Entered ship types



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	20187	2019
GWP	104,002	102,258	104,896
RI Premiums	(19,927)	(20,817)	(19,347)
Change in provision for UPR	(1,365)	(954)	(1,560)
NET CALLS	82,710	80,487	83,989
Net Incurred Claims	(69,472)	(83,902)	(104,019)
Expenses	(11,542)	(12,655)	(13,644)
SURPLUS/(DEFICIT)	1,696	(16,070)	(33,674)
Investment Income & Exchange	11,083	22,951	13,887
Unrealised Investment Income	14,778	(874)	(5,711)
Tax	(252)	(225)	(301)
SURPLUS/(DEFICIT)	27,305	5,782	(25,799)
Total Balance Available (Total Assets less RI)	409,333	433,755	409,355
Outstanding Net Claims Liabilites	(206,284)	(219,059)	(223,945)
Free reserves	188,012	194,642	168,843
Total Tonnage (m)	54.1	56.1	60.0
NET LOSS RATIO	83.99%	104.24%	123.85%
COMBINED NET RATIO	97.95%	119.97%	140.09%

John Trew says...

The **London** club has not had a good year. Its technical underwriting result has continued to deteriorate due to increased claims and declining premium. Its reserves have fallen by USD27m to USD168m. On top of that, the club was downgraded by S&P to BBB-.

The managers imply in their statements that this can be attributed to S&P's new Insurers' Rating Methodology. However, this new methodology applied to all the clubs rated by S&P and two of them (JPIA and Swedish) achieved an upgrade. The truth is that the London club needs a few good years to get back on track. Avoiding further erosion of its premium and capital base must be priorities for the future.

North of England

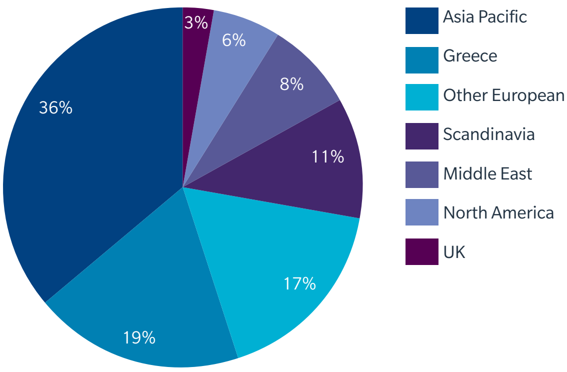
S&P Rating **A** (STABLE)

Highlights

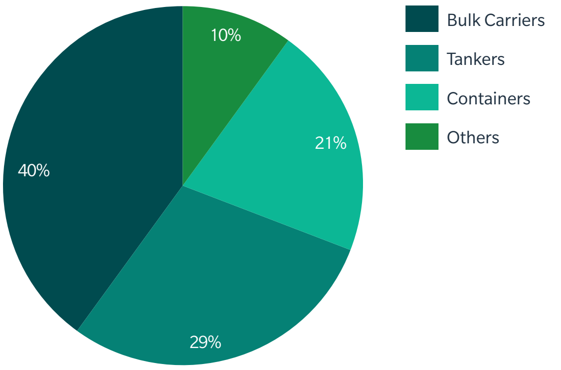
-7%	-7%	6%	3%	105%
Net Premium	Net Claims	Total Tonnage	Free Reserves	CNR

Distribution of Tonnage

Entered GT by Geographical Region



Entered GT by Ship Type



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	2018	2019
GWP	420,040	367,981	339,597
RI Premiums	(92,096)	(68,176)	(58,043)
Net Change in provisions for Unearned Premiums	2,015	6,468	1,764
NET CALLS	329,959	306,273	283,318
Net Claims	(246,013)	(243,994)	(227,138)
Expenses	(75,698)	(77,410)	(71,411)
SURPLUS/(DEFICIT)	8,248	(15,131)	(15,231)
Investment Income & Exchange	14,199	19,129	20,040
Unrealised Investment Income	16,130	9,851	17,590
Tax	(1,621)	(926)	(469)
SURPLUS/(DEFICIT)	36,956	12,923	21,930
Exchange differences on translation of foreign operations		7,612	(5,547)
Net other comprehensive income not to be reclassified to profit or loss		(723)	(3,755)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		19,812	12,628
Total Balance Available (Total Assets less RI)	1,220,747	1,223,052	1,209,061
Net outstanding claims liabilites	(612,936)	(643,412)	(621,584)
Free reserves	430,775	450,462	463,037
Total Tonnage (m)	190.0	195.0	207.0
NET LOSS RATIO	74.56%	79.67%	80.17%
COMBINED NET RATIO	97.50%	104.94%	105.38%

John Trew says...

North continues to perform well. If it were to be judged solely on its marketing, following a major rebranding exercise, it would be the leader of the pack. They have just launched a new digital platform called GlobeView, which provides members with port index information, sanctions updates, selected weather reports, and maritime threats and incidents.

The club remains committed to diversification, largely through its fixed premium subsidiary, Sunderland Marine, which contributed USD11m to the club's results. North has just announced that Sunderland will be the vehicle for a new, small ships (up to 10,000 gt) fixed premium P&I product. Certificates, Blue Cards, and guarantees will be issued by North, thereby easing any regulatory issues.

North's tonnage – both owned and chartered – has shown steady year-over-year growth over the past 5 years. Call income has fallen steadily over the last four years, and the underwriting deficit in 2018/19 of USD60.8m suggests a potential vulnerability should claims increase further and investment results deteriorate. The club produced an investment return (net of fees) of 2.45% across its portfolio. This was a reasonable performance, but, as North explains: "not one which is sufficient on its own to subsidise current rating levels in the longer term." The annual report and accounts suggest that the managers feel a need to increase their premium base, so an increase is to be expected at the next renewal

Paul Jennings, the current CEO at North, is also the chairman of the International Group and has the unenviable job of juggling two ever more demanding roles.

Shipowners

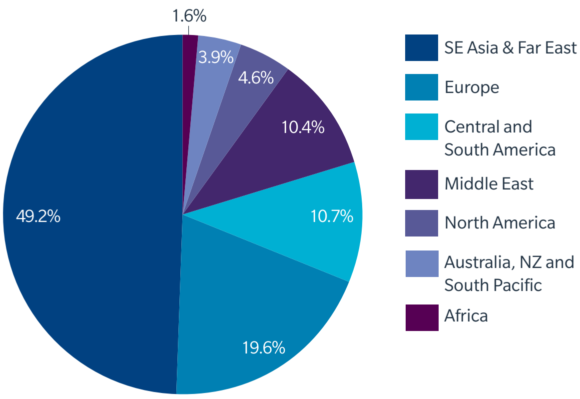
S&P Rating **A** (STABLE)

Highlights

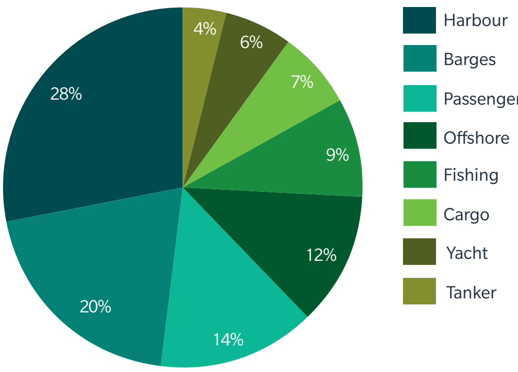
- ↑ 4% Net Premium
- ↑ 11% Net Claims
- ↑ 7% Total Tonnage
- ↓ -11% Free Reserves
- 104% CNR

Distribution of Tonnage

Entered Vessels by Region



Total entered vessels by type



Consolidated Income & Expenditure

Year ending 31 December (USD '000)

	2017	2018	2019
GWP	228,585	217,832	228,391
RI Premiums	(27,365)	(29,314)	(29,644)
Change in UPR	(167)	(1,883)	(3,750)
NET CALLS	201,053	186,635	194,997
Net Claims	(149,087)	(136,165)	(151,038)
Expenses	(49,164)	(48,709)	(52,156)
SURPLUS/(DEFICIT)	2,802	1,761	(8,197)
Investment Income & Exchange	11,726	47,442	(28,754)
Unrealised Investment Income			(236)
Tax	135	(1,518)	(714)
SURPLUS/(DEFICIT)	14,663	47,685	(37,901)
Total Balance Available (Total Assets)	719,655	776,696	759,025
Outstanding net claims liabilites	(329,975)	(342,723)	(356,157)
Free reserves	294,041	341,726	303,825
Total Tonnage (m)	25.4	25.5	27.3
NET LOSS RATIO	74.15%	72.96%	77.46%
COMBINED NET RATIO	98.61%	99.06%	104.20%

John Trew says...

Shipowners (SOP) continues to flourish. It suffered the heaviest investment losses of any club in the 2018/19 policy year (in percentage terms), but seems to have largely clawed those back in the first half of 2019. The fixed premium market that suddenly blossomed around five or six years ago – both inside and outside the Group – has to some extent settled down and SOP has done well to maintain – and slightly increase – its market share.

Maintaining premium levels against market competitions has probably been a struggle, and last year's deficit, also due to increased claims, was disappointing. However, a combined net ratio of 104% is better than the results achieved by some of their larger peers.

It would be instructive to have a breakdown of how their tonnage is split between mutual and fixed. This would enable members and brokers to evaluate the performance of each sector of the membership.

Skuld

S&P Rating **A** (STABLE)

Highlights

-3% Net Premium

-3% Net Claims

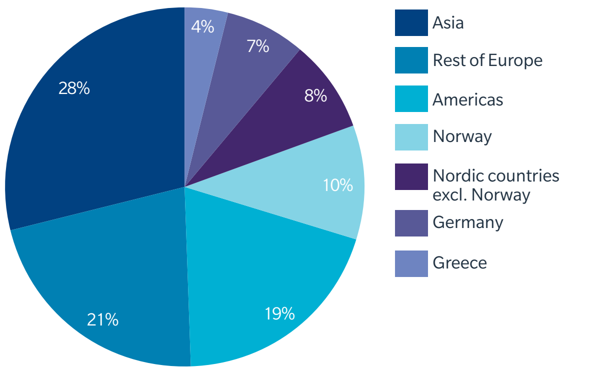
-1% Total Tonnage

2% Free Reserves

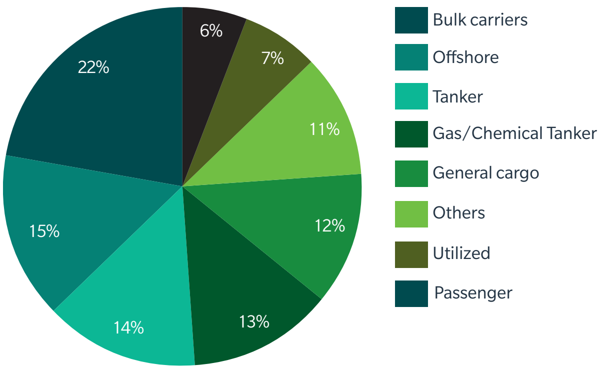
98% CNR

Distribution of Tonnage

Premiums distributed by region



Premiums distributed by vessel type



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	2018	2019
GWP	403,235	412,739	401,621
RI Premiums	(71,636)	(57,363)	(56,070)
NET CALLS	331,599	355,376	345,551
Net Claims	(229,143)	(251,580)	(244,577)
Expenses	(88,510)	(92,244)	(92,937)
SURPLUS/(DEFICIT)	13,946	11,552	8,037
Investment Income & Exchange	4,365	(2,485)	13,799
Unrealised Investment Income	33,966	48,630	(10,680)
Tax	(1,712)	(166)	(458)
Distribution to members		(9,580)	
SURPLUS/(DEFICIT)	50,565	47,951	10,697
Total Balance Available (Total Assets, as RI netted off)	1,000,465	1,070,091	1,040,143
Outstanding claims liabilites	(507,194)	(527,741)	(528,971)
Free reserves	394,075	442,026	452,723
Owned Tonnage (m)	85.00	90.00	89.00
NET LOSS RATIO	69.10%	70.79%	70.78%
COMBINED NET RATIO	95.79%	96.75%	97.67%

John Trew says...

Skuld has built a loyal book of business and is highly regarded for the quality of its ancillary products. In July 2019 it ceased the Lloyd's operation of Skuld's syndicate 1897. This does not mean that Skuld has given up writing hull but, rather, that it will in future underwrite all its hull and offshore energy business on Skuld's corporate paper.

Skuld's model will therefore be similar going forward. Its current total mutual P&I premium (excluding charterers fixed premium) is estimated to account for just 45% of the club's total premium income.

Skuld has always been transparent in the way its accounts are presented and it is hoped that this will continue in the way that the hull book is presented going forward.

Standard

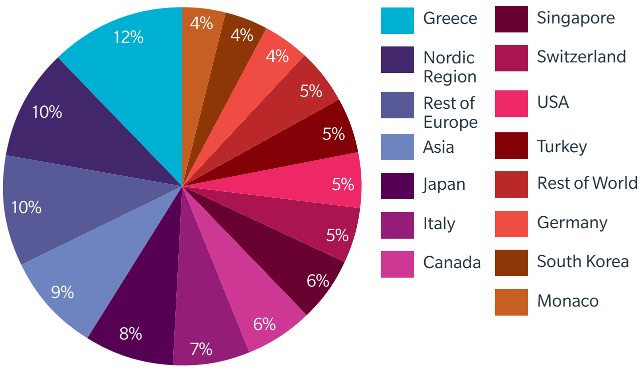
S&P Rating **A** (STABLE)

Highlights

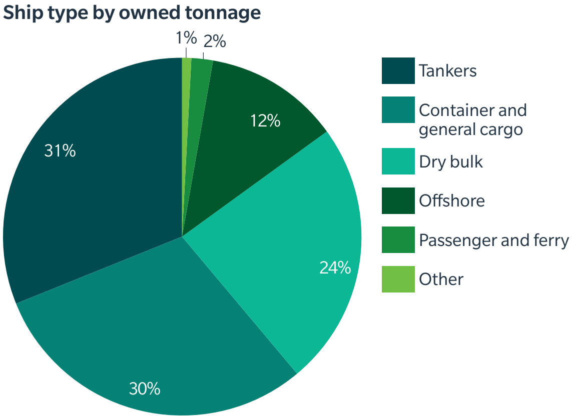
↑21%	↑18%	↓-3%	↑3%	116%
Net Premium	Net Claims	Total Tonnage	Free Reserves	CNR

Distribution of Tonnage

Country of management - owned tonnage



Ship type by owned tonnage



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	2018	2019
GWP	338,800	334,300	386,400
RI Premiums	(77,000)	(80,800)	(80,700)
NET CALLS	261,800	253,500	305,700
Net Claims	(200,800)	(232,300)	(274,100)
Expenses	(43,500)	(45,700)	(81,100)
SURPLUS/(DEFICIT)	17,500	(24,500)	(49,500)
Investment Income & Exchange	19,200	36,400	23,600
Unrealised Investment Income	3,500	14,200	(12,000)
Tax	1,000	4,900	(7,400)
SURPLUS/(DEFICIT)	41,200	31,000	(45,300)
Total Balance Available (Total Assets less RI)	1,058,600	1,143,400	1,178,000
Outstanding net claims liabilites	(554,200)	(578,000)	(618,800)
Free reserves	430,500	461,500	434,700
Total Tonnage (m)	150.0	159.0	155.0
NET LOSS RATIO	76.70%	91.64%	89.66%
COMBINED NET RATIO	93.32%	109.66%	116.19%

John Trew says...

Like Skuld, **Standard** waved goodbye to its Lloyd's Syndicate in 2019. The syndicate wrote marine and energy business, predominantly, for Club members. The chairman's statement in Standard's 2018/19 annual report and financial statements contrasts this disappointing result with the absorption of the Strike Club into the Standard Club with effect from 1 February 2019. This resulted in over USD18m being added to the Club's consolidated funds and largely offset the negative impact of the Syndicate's closure. The Strike Club does not bring a large amount of premium income, but it does increase the Standard Club's diversity.

Standard Club also had a difficult claims year in 2018/19, with one of the highest combined net ratios in the IG (119%). With owned P&I premium falling over the last five years, this will put pressure on the club to increase rates at the coming renewal.

The club's reserves, however, remain strong, despite the impact felt from closure of the Syndicate.

Standard's arrangement with Tokio Marine & Fire has been successful, but it remains to be seen whether the model remains valid in the market. The new venture with Chinese insurer Ping An further demonstrates an active growth strategy.

There has been some concern expressed about the re-privatisation of its managers, Charles Taylor, and the involvement of a private equity firm. However, we believe this should be a positive development because it allows the managers to concentrate on their overall business strategy, without having to focus too much on their share price.

Steamship Mutual

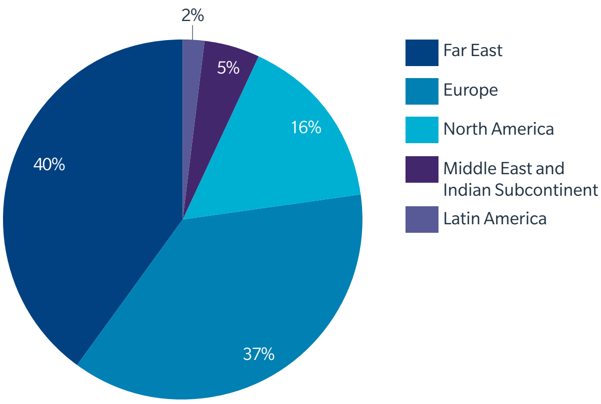
S&P Rating **A** (STABLE)

Highlights

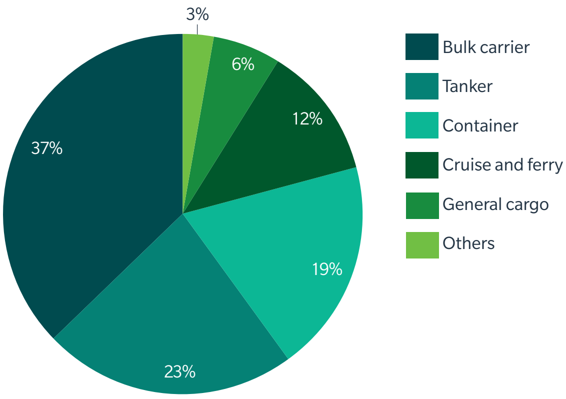
- ↑ **5%** Net Premium
- ↑ **2%** Net Claims
- ↑ **1%** Total Tonnage
- ↓ **-9%** Free Reserves
- **112%** CNR

Distribution of Tonnage

Gross tonnage by area



Gross Tonnage by vessel type



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	2018	2019
GWP	305,642	295,318	306,661
RI Premiums	(56,033)	(52,089)	(50,522)
NET CALLS	249,609	243,229	256,139
Net Claims	(168,455)	(241,369)	(246,358)
Expenses	(39,219)	(40,570)	(41,623)
SURPLUS/(DEFICIT)	41,935	(38,710)	(31,842)
Investment Income & Exchange	14,310	27,234	12,852
Unrealised Investment Income	13,801	17,379	(6,312)
Tax	(77)	(225)	(236)
Other income			(1,464)
SURPLUS/(DEFICIT)	69,969	5,678	(27,002)
Total Balance Available (Total Assets less ri)	1,099,166	1,136,872	1,123,168
Outstanding claims liabilites	(562,557)	(589,661)	(827,408)
Free reserves	510,290	515,968	467,049
Total Tonnage (m)	151.3	158.6	160.1
NET LOSS RATIO	67.49%	99.24%	96.18%
COMBINED NET RATIO	83.20%	115.92%	112.43%

John Trew says...

Steamship Mutual is a large, diverse club with a distinct style. They have produced successful results in recent years, with no general increases for five years and capital returns to members in the last three years. In fact, like Britannia, they could be accused of having been over-reserved, with a solvency capital ratio of 243% in 2018 (Britannia was 244%). This ratio has now reduced to 219%, partly as a result of the policy of returning funds to members.

Steamship Mutual is the latest club to open an office in Japan. They are currently strengthening their team and will provide yet more choice for Japanese shipowners. They are realistic about the time needed to establish a firm foothold, but confident that they have something different to offer.

The Swedish Club

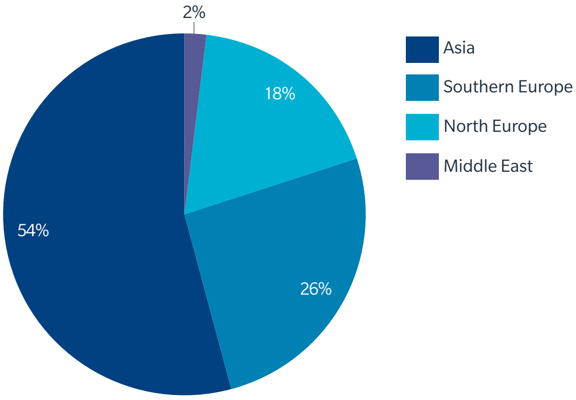
S&P Rating **A-** (STABLE)

Highlights

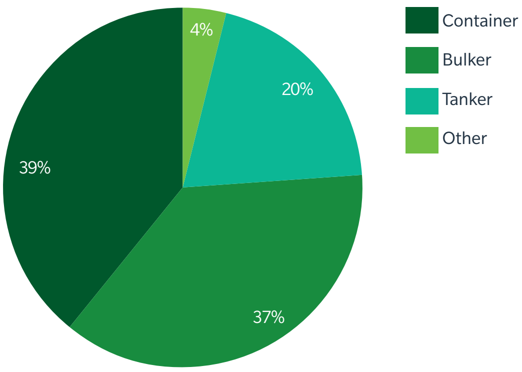
- **-5%** Net Premium
- **-12%** Net Claims
- **-1%** Total Tonnage
- **-5%** Free Reserves
- **103%** CNR

Distribution of Tonnage

Gross tonnage by area



Gross Tonnage by vessel type



Consolidated Income & Expenditure

Year ending 31 December (USD '000)

	2017	2018	2019
GWP	163,181	151,020	143,265
RI Premiums	(36,401)	(35,475)	(34,647)
Change in UPR, Unbilled Assessments & RPs	3,751	1,971	2,579
NET CALLS	130,531	117,516	111,197
Net Claims	(102,961)	(100,323)	(88,720)
Change in other technical provisions and Refunds and P&I discounts		(1,209)	(2,289)
Expenses	(25,439)	(24,831)	(23,859)
SURPLUS/(DEFICIT)	2,131	(8,847)	(3,671)
Investment Income & Exchange	(2,116)	23,672	128
Unrealised Investment Income	3,532	3,985	(6,051)
Appropriations: change in safety reserve		(23,091)	7,181
Tax on result for the year	(797)	(1,095)	1,297
SURPLUS/(DEFICIT)	2,750	(5,376)	(1,116)
Total Balance Available (Total Assets less RI)	441,110	456,272	468,218
Outstanding net claims liabilites	(188,244)	(184,513)	(166,255)
Free reserves	194,115	213,472	203,838
Total Tonnage (m)	71	83	82
NET LOSS RATIO	78.88%	85.37%	79.79%
COMBINED NET RATIO	98.37%	107.53%	103.30%

John Trew says...

The **Swedish** Club was upgraded by S&P from BBB+ to A-(stable) – though they are characteristically modest about the fact in their annual report. The Swedish Club strikes a different tone to most of the clubs in their report and accounts, focusing on individual interviews to convey their corporate messages.

The marine and energy business is a core segment of the club's offering, and now accounts for nearly 40% of its business by gross written premium. The Swedish Club has always seen itself as slightly different from the rest, and that trait continues strongly under the leadership of Lars Rhodin.

The United Kingdom Club

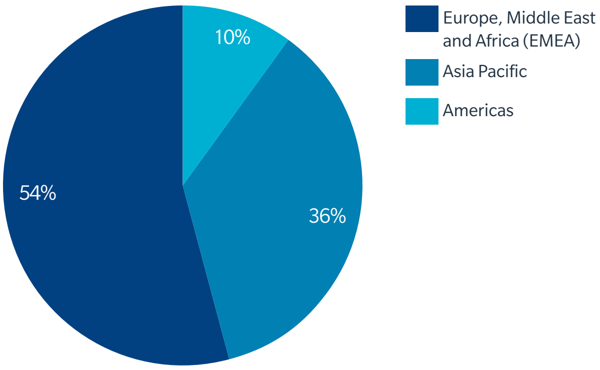
S&P Rating **A** (STABLE)

Highlights

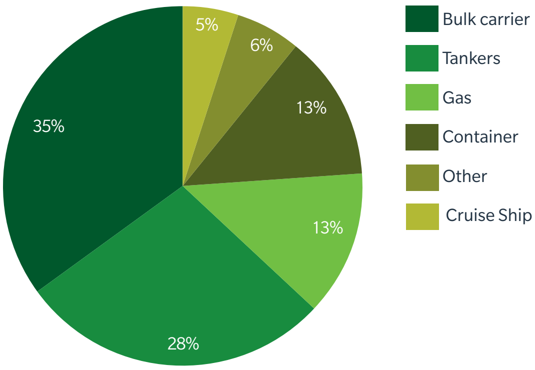
-13%	11%	2%	-21%	114%
Net Premium	Net Claims	Total Tonnage	Free Reserves	CNR

Distribution of Tonnage

Regional breakdown of owned entries by premium



Trade type



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	2018	2019
Gross premium earned	376,170	361,793	322,398
RI Premiums	(81,082)	(65,119)	(64,860)
NET CALLS	295,088	296,674	257,538
Net Claims	(273,619)	(225,700)	(250,941)
Operating expenses	(51,310)	(42,751)	(43,654)
Other income			83
SURPLUS/(DEFICIT)	(29,841)	28,223	(36,974)
Investment Income & Exchange	44,274	43,870	5,529
Unrealised Investment Income			
Tax	(417)	(207)	(950)
SURPLUS/(DEFICIT)	14,016	71,886	(32,395)
Total Balance Available (Total Assets less ri)	1,301,470	1,485,060	1,364,162
Outstanding net claims liabilites	(710,739)	(831,128)	(841,436)
Free reserves excl Hybrid	465,069	536,948	504,553
Free reserves Inc Hybrid	564,509	636,948	504,553
Total Tonnage (m)	239	239	244
NET LOSS RATIO	92.72%	76.08%	97.44%
COMBINED NET RATIO	110.11%	90.49%	114.36%

John Trew says...

The **UK** Club is entering a new era of leadership – even as it celebrates its 150th anniversary – with the appointment of Andrew Taylor as Chairman.

The UK Club had a difficult claims year in 2018/19, the additional cost of which increased the combined ratio for the financial year to 114%. However, the stand-out news was the repayment of the hybrid capital in August 2018 and the maintenance, nonetheless, of S&P's A (stable) rating. This is a major step forward and closes a difficult story for the club.

The UK Club has a significant chartered book and their overall combined tonnage is now the second largest of any IG club. They have stayed resolutely monoline in their business model, at the same time as the management company, Thomas Miller, has continued to grow and diversify.

West of England

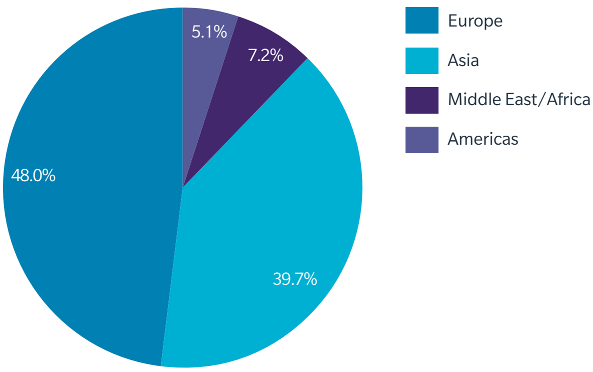
S&P Rating **A-** (STABLE)

Highlights

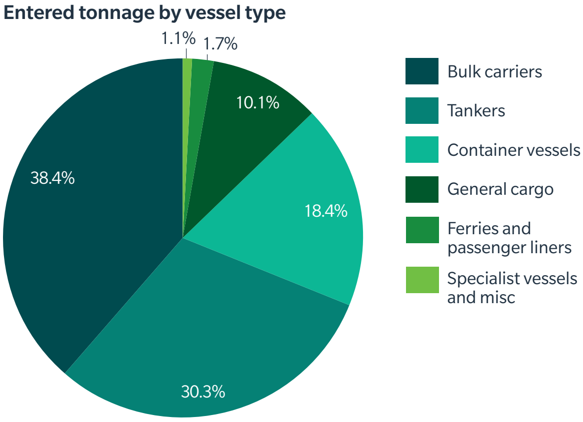
↑3%	↑0%	↑11%	↓-1%	114%
Net Premium	Net Claims	Total Tonnage	Free Reserves	CNR

Distribution of Tonnage

Entered tonnage by area of management



Entered tonnage by vessel type



Consolidated Income & Expenditure

Year ending 20 February (USD '000)

	2017	2018	2019
GWP	221,849	213,797	219,726
RI Premiums	(40,172)	(37,496)	(38,646)
NET CALLS	181,677	176,301	181,080
Net Claims	(123,772)	(169,143)	(169,668)
Expenses	(34,688)	(35,392)	(37,438)
SURPLUS/(DEFICIT)	23,217	(28,234)	(26,026)
Investment Income & Exchange	20,082	21,227	28,601
Unrealised Investment Income	(4,326)	-	-
Tax	(1,998)	(1,210)	(3,251)
SURPLUS/(DEFICIT)	36,975	(8,217)	(676)
Total Balance Available (Total Assets less RI)	732,539	769,659	754,186
Outstanding claims liabilites	(396,489)	(428,788)	(408,795)
Free reserves	306,512	308,533	306,373
Total Tonnage (m)	110	120	133
NET LOSS RATIO	68.13%	95.94%	93.70%
COMBINED NET RATIO	87.22%	116.01%	114.37%

John Trew says...

The **West of England** also has a relatively new helmsman in Tom Bowsher, who has been in the job for just two years following the retirement of Peter Spendlove. The club appears to have put on a considerable amount of chartered tonnage recently, taking its overall tonnage (133m gt) to just over Britannia's. However, their net premium income has not risen dramatically and they suffered a second bad claims year, with a CNR of 114% (116% in 2017/18).

The question for the West is whether its considerable growth over the last five years (81m gt in 2014; 133m gt in 2019) has been matched by sufficient premium growth – and whether the claims deterioration can be put down to bad luck or something else. What is incontestable is that their solvency ratio has grown from 211% in 2018 to 237% in 2019, well above the IG average.

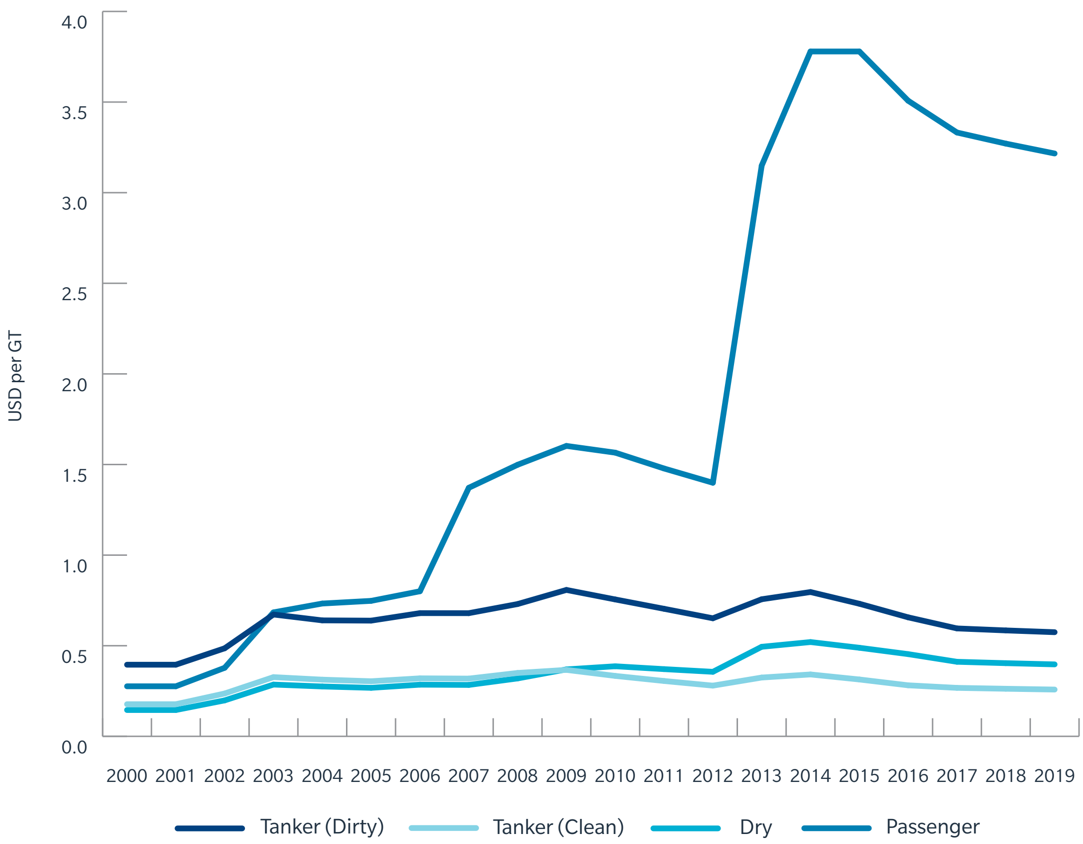
Following its rebranding and new leadership strategy, the West will certainly be one to watch.

Comparative Analysis of the Clubs

Group Excess Reinsurance Rates

US$ rate per GT (Full Cover)

	TANKER (DIRTY)	TANKER (CLEAN)	DRY	PASSENGER
2000	0.3953	0.1773	0.1453	0.2762
2001	0.3953	0.1773	0.1453	0.2762
2002	0.4859	0.2364	0.1984	0.3782
2003	0.6723	0.3268	0.2857	0.6841
2004	0.6399	0.3128	0.2752	0.7329
2005	0.6385	0.3041	0.2677	0.7476
2006	0.6799	0.3201	0.2851	0.8006
2007	0.6797	0.3187	0.2837	1.3714
2008	0.7300	0.3498	0.3196	1.4985
2009	0.8079	0.3667	0.3695	1.6026
2010	0.7554	0.3335	0.3867	1.5654
2011	0.7038	0.3055	0.3709	1.4780
2012	0.6515	0.2798	0.3561	1.3992
2013	0.7565	0.3245	0.4942	3.1493
2014	0.7963	0.3415	0.5203	3.7791
2015	0.7317	0.3138	0.4888	3.7791
2016	0.6567	0.2816	0.4537	3.5073
2017	0.5955	0.2675	0.4114	3.3319
2018	0.5845	0.2626	0.4038	3.2707
2019	0.5747	0.2582	0.3971	3.2161



General Increase History %

P&I CLUB	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
American	20.0	29.0	4.2	2.0	5.0	10.0	10.0	4.5	2.5	0.0	0.0	0.0
Britannia	23.9	12.5	5.0	5.0	5.0	16.5[1]	2.5[1]	2.5	2.5	0.0	0.0	0.0
Gard	10.0	15.0	0.0	0.0	5.0	5.0	5.0	2.5	2.5	0.0	0.0	0.0
Japan	20.0	21.2	12.5	10.0	3.0	5.0	7.5	3.0	3.0	0.0	0.0	0.0
London	17.5	15.0	5.0	5.0	5.0	12.5	10.0	6.0	5.0	0.0	0.0	0.0
North	17.5	17.5	5.0	3.0	5.0	15.0	7.5	4.8	2.5	0.0	0.0	0.0
Shipowners	10.0	10.0	5.0	0.0	0.0	5.0	5.0	0.0[2]	0.0[2]	0.0[2]	0.0	0.0[2]
Skuld	7.5	15.0	5.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Standard	15.0	15.0	3.0	3.5	5.0	7.5	12.5	5.0	2.5	0.0	0.0	0.0
Steamship	15.0	17.5	5.0	0.0	5.0	7.5	10.0	0.0	0.0	0.0	0.0	0.0
Swedish	15.0	15.0	2.5	2.5	5.0	7.5	7.5	2.5	0.0	0.0	0.0	0.0
UK	17.5	12.5	5.0	5.0	3.0	7.5	10.0	6.5	2.5	0.0	0.0	0.0
West	15.0	19.2	5.0	5.0	5.0	7.5	7.5	2.5	0.0	0.0	0.0	5.0
GROUP AVERAGE[3]	**15.7**	**16.5**	**4.8**	**3.4**	**4.3**	**8.9**	**7.9**	**3.3**	**1.9**	**0.0**	**0.0**	**0.4**

1. But 10.49% after application of 2013 cash alleviation (Britannia members will start 2014 renewal from a rate with a built-in increase of an additional 4.82%).
2. Inclusive of XSRI adjustment
3. Skuld is excluded from the average from 2011 onwards as GI abandoned

Supplementary Call History (P&I)

	2013		2014		2015		2016		2017		2018		2019	
	Original (%)	Current (%)	Original (%)	Current (%)	Original (%)	Current (%)	Original (%)	Current (%)	Original (%)	Current (%)	Original (%)	Current (%)	Original (%)	Current (%)
American	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Britannia	45	45	45	37.5	45	40	45	45	45	45[2]	45	45[3]	45	45
Gard (of AC)	25	15	25	15	25	15	25	0	25	0	25	12.5	0^	0
Japan	40	40	40	20	40	30	40	40	40	40	40	40	40	40
London	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North	0	0	0	0	0	0	0	-5	0	0	0	0	0	0
SOP	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Skuld	0	0	0	0	0	-2.5	0	-2.5	0	0	0	0[4]	0	0
Standard	0	0	0	0	0	0	0	-5	0	-5	0	0	0	0
SSM	0	0	0	0	0	-10	0	-10	0	0	0	0[5]	0	0
Swedish	0	0	0	0	0	0	0	0	0	-3	0	-4	0	0
UK	0	0	0	-2.5	0	-3	0	0	0	0	0	0	0	0
West[1]	35	35	35	35	35	35	35	35	35	35	0	0	0	0

Forecasted Deferred/Additional Call
Green: Waiver of budgeted deferred call/return of premium
Red: Unbudgeted Supplementary Call

1. Calculated excluding the allocation to XSRI.
2. A capital distribution of USD20m as at 9 May 2017 and a further US$10m as at 17th October 2017 to be paid to Members with ships on risk has been approved by the board. This is instead of a reduction in the deferred call for the 2016 policy.
3. A capital distribution of USD20m as at 23rd May 2018 and a further US$10m as at 16th October 2018 to be paid to Members with ships on risk has been approved by the board. A further Capital Distribution of USD15 million to mutual P&I Members with ships on risk at midnight (BST) on 15 October 2019
4. US$5m return based on the percentage of Individual member's five year statistical contribution.
5. 10% return of premium for P&I mutual entries in the 2018 policy year in respect of vessels whose entries are renewed for the 2019 policy year.

P&I Release Calls

	2015	2016	2017	2018	2019
American Of ETP	Closed	10%	20%	20%	20%
Britannia Of AC	Closed	0%	5%	7.5%	15%
Gard Of original ETC	Closed	Nil	5%	5%	10%
Japan Of current AC	Closed	5%	5%	45%	45%
London Of original ETC	Closed	5%	12.5%	15%	15%
North Of current ETP	Closed	0%	0%	5%	15%
Shipowners Of ETP	0%	0%	0%	0%	0%
Skuld of original ETP	Closed	0%	3%	7.5%	15%
Standard of current ETP	Closed	Closed	0%	0%	6%
Steamship of current ETP	Closed	0%	0%	10%	TBA
Swedish of current ETP	Closed	Closed	8%	10%	15%
UK of current ETP	0%	0%	5%	5%	10%
West Of AC net of RI	Closed	0%	0%	7.5%	15%

TBA: To be advised

BEN DILLON
P&I Specialist

Maritime Autonomous Surface Ships Raise Questions

Are fully autonomous vessels a dream or a reality? What could they mean in terms of P&I cover and P&I rates? Or are they too far in the future to be a real concern?

Undertake the most basic search for "autonomous ships" in Google and you'll receive in excess of 5 million results. Narrow it down by adding in the word 'insurance' and you will still be wading through more than 1 million sources.

Regardless of your position on autonomous shipping, it is, like blockchain, a hot topic within the maritime industry and one that will in some way impact us. The question is whether we will actually see fully autonomous vessels in the near future, and to what degree will they affect the P&I industry.

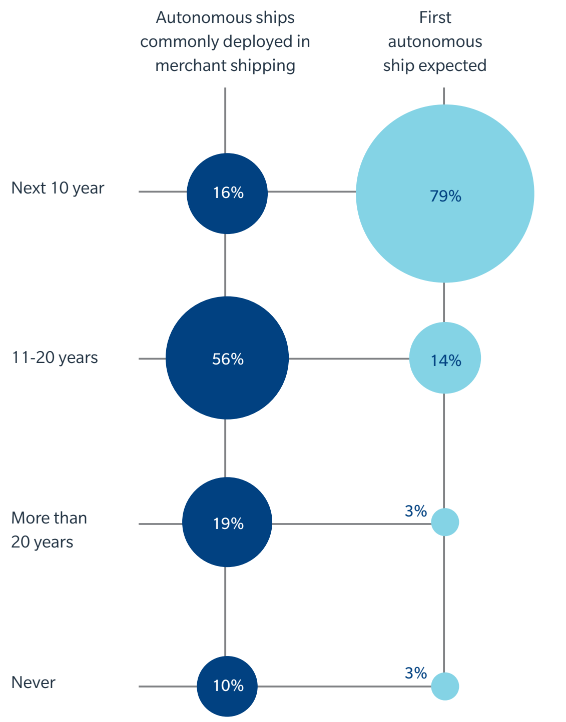
With the YARA BIRKELAND due to launch as early as 2020 and the Shipowners Club rolling out its Maritime Autonomous Vessel Liability Insurance policy this year, it could be argued that the Autonomous Age is dawning. One of the most optimistic predictions on the subject comes from Rolls-Royce Marine – sold in 2018 to Kongsberg Gruppen and a joint venture partner in the YARA BIRKELAND – which suggests that that by 2030 autonomous ships will be a common sight on the oceans.

The diagram opposite from the Nautilus Institute, a federation for marine professionals, suggests the commonplace use of autonomous vessels in international shipping trade is about 20 years from now. And Søren Skou, chief executive of Maersk, has been quoted as saying: 'I don't expect we will be allowed to sail around with 400-metre-long container ships weighing 200,000 tonnes without any human beings on board'.

One major hurdle to rolling out autonomous vessels is a change to the current regulatory framework that International Group Clubs require their members to follow to ensure their vessels remain in a seaworthy condition and remain within cover.
The process began in 2018 when the International Maritime Organization (IMO) Maritime Safety Committee (MSC) started a two-year scoping exercise to identify the extent to which they may need to amend the regulatory framework to enable the safe operation of automated vessels.

When Maritime Professional Expect Autonomous Adoption

SOURCE: NAUTILUS FEDERATION 2018



The size of the problem becomes apparent when looking at a few regulations that rely on the human element to ensure the seaworthiness of a vessel:

- The ISM Code (in particular Article 6.2) requiring shipowners to “ensure that each ship is manned with qualified, certificated and medically fit seafarers”.
- SOLAS Chapter V Regulation 5, stating that all ships must be “sufficiently and efficiently manned”.
- The United Nations Law of the Sea Convention, Article 94, requiring that each ship must be in the charge of a master ‘who possess appropriate qualifications, in particular in seamanship, navigation, communications and marine engineering’.

Add to this the predicted pecuniary cost of a fully automated vessel eroding a shipping company's profitability and the prospect of fully automated, clean fuelled ships seems no more than a pipe dream and their effect on the P&I industry nullified by commercial considerations. This is, of course, before the various and increasingly powerful health and safety executives have had their say.

More likely appear to be vessels as identified by the survey carried out by the Nautilus Federation in 2018, which highlighted that 80% of the those maritime professionals surveyed thought autonomous shipboard systems on board manned ships would be the safest route to the implementation of autonomous technology in shipping.

So where does this leave us? Although we now have a fixed premium cover through the Shipowners Club for maritime autonomous vessels, and projects such as the YARA BIRKELAND continue to be trialled domestically, internationally traded fully autonomous vessels appear to be decades in the future.

That said, if and when we see the roll out of fully autonomous seagoing vessels and when international maritime regulations are altered to fit their risk profile, cost savings should follow. With manned ships, the 'human element' has largely been reported as a major cause of all maritime casualties, and we are told that people-related claims represent in excess of 30% of the overall cost of P&I claims. Therefore, removing the human element through the use of fully autonomous vessels should present savings in terms of the cost of claims, not only in terms of crew claims, but all claims involving human error. As a result, clubs should be able to offer significantly reduced premium due to the reduced risk.

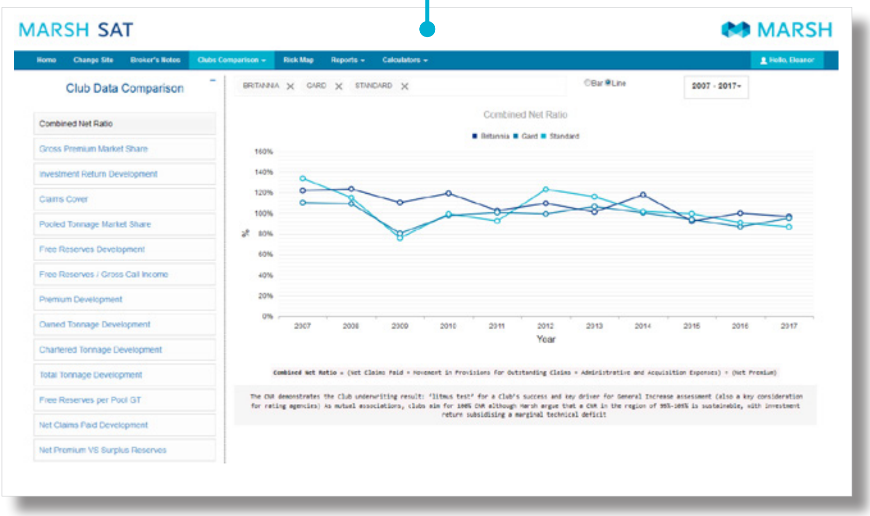
Our P&I Portal

The Marsh JLT Specialty P&I Portal is a comprehensive, user friendly online platform which consolidates information about the P&I market, including the advice and guidance published by the P&I clubs and is strengthened by our own P&I market knowledge and insights.

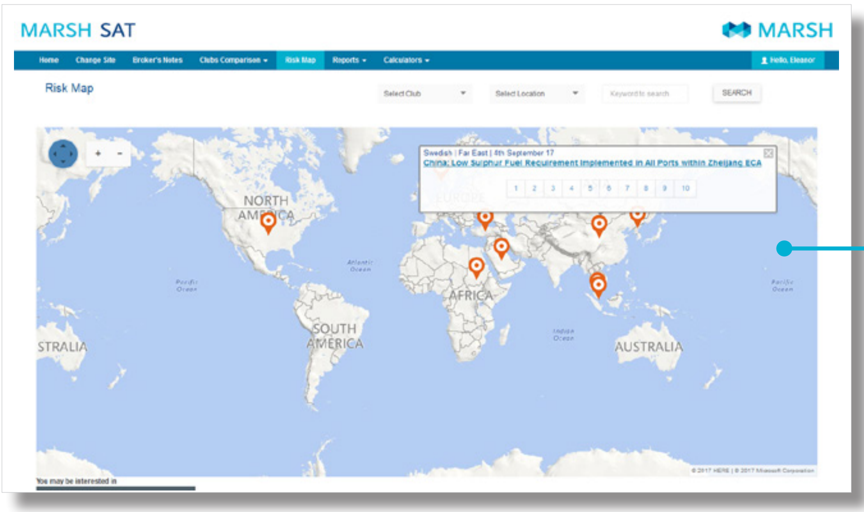
The **Marsh JLT Specialty P&I Portal** is available online to subscribers, and provides:

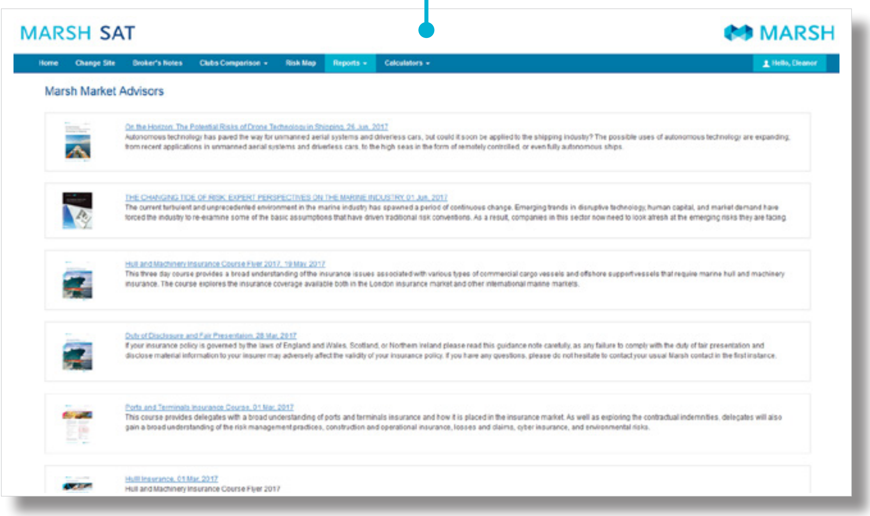
- **Broker's Notes**: Traditionally a hard copy booklet first produced by Marsh more than 20 years ago, the online version of Broker's Notes provides a varied range of technical information about the P&I market, including a brief overview of P&I and associated covers, details of the International Conventions that govern ship owners' liability and information about the P&I clubs themselves, such general increase histories, claims abatement policies and current release calls.

- **Club Comparisons**: Includes a brief summary of the key financial indicators for each of the clubs and enables subscribers to make comparisons between P&I clubs based on a range of financial data points.

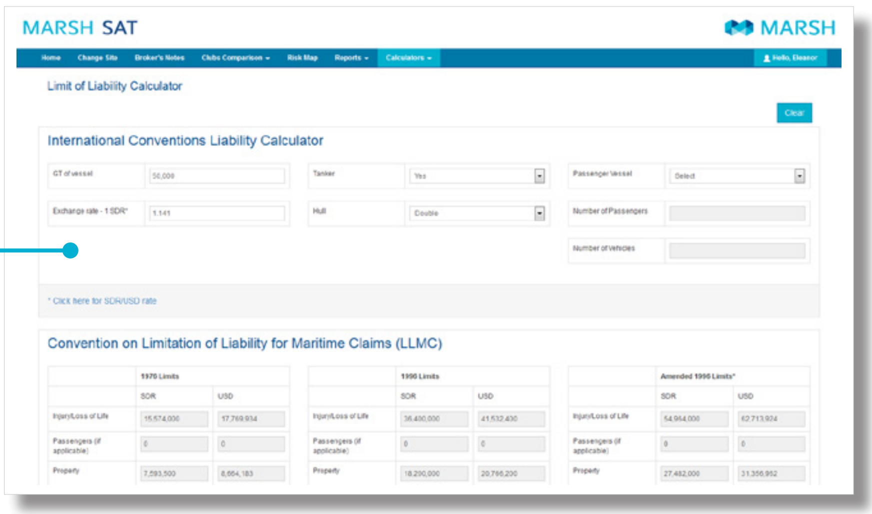


- **Risk Map**: Accessible via a dashboard the ever growing compendium of P&I circulars displays the geographical location of the topic under report with an easy to use search tool by club, topic or date, or keyword.





- **Reports**: Marsh Market Advisors, providing specific thought leadership, plus information on the most recent International Group Pool claims, a summary of the product offerings of the fixed premium P&I insurers and an index to the P&I club rule books.



- **Limit of Liability Calculator**: Allows subscribers to calculate vessel exposure according to International Convention.

The Marsh JLT Specialty Rating Engine

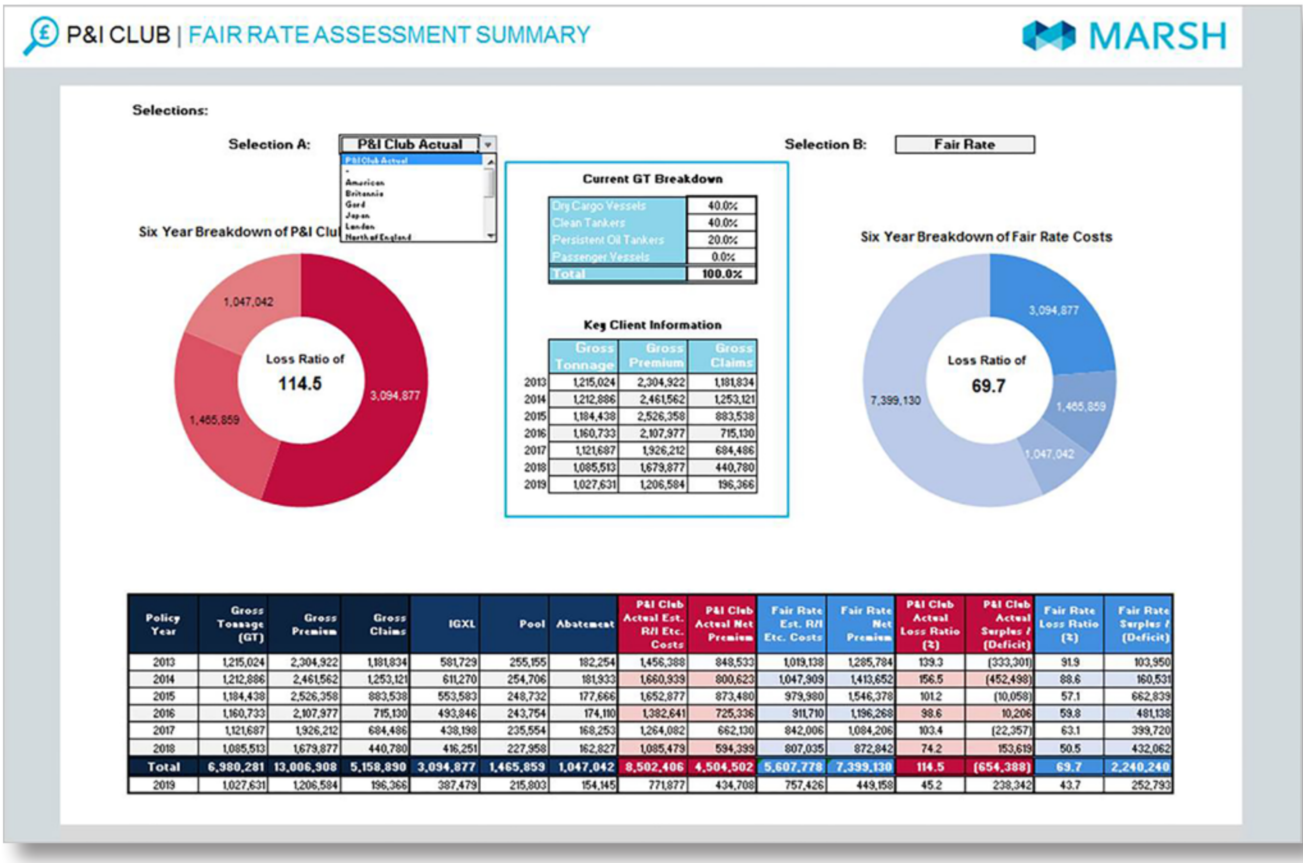
The **Marsh JLT Specialty Rating Engine**, a proprietary P&I premium modelling tool available via your normal Marsh contact, helps clients to navigate what many see as a paradox of the modern P&I market:

How is it possible that the collective surplus funds of the International Group clubs have risen exponentially in recent years while most club members are told that due to "costs" their business only breaks even (or worse)?

Our Rating Engine provides a forensic analysis of P&I club underwriting costs and claims reserving, enabling us to restate our clients' P&I loss records through an objective methodology, while calculating fair rates for our clients' P&I entries.

The **Marsh JLT Specialty Rating Engine**:

- Is a unique **P&I premium modelling tool** that has been built using insurance industry standard actuarial and analytical techniques.
- Provides a **reliable independent analysis** of all components of a P&I premium.
- Is **customisable** according to individual P&I club rating structures.
- Enables **true comparisons** between the premiums charged by different P&I clubs.
- Provides a **technically sound challenge** to P&I club pricing.
- **Empowers negotiations**.



Current GT Breakdown

Dry Cargo Vessels	40.0%
Clean Tankers	40.0%
Persistent Oil Tankers	20.0%
Passenger Vessels	0.0%
Total	100.0%

Key Client Information

	Gross Tonnage	Gross Premium	Gross Claims
2013	1,215,024	2,304,922	1,181,834
2014	1,212,886	2,461,562	1,253,121
2015	1,184,438	2,526,358	883,538
2016	1,160,733	2,107,977	715,130
2017	1,121,687	1,926,212	684,486
2018	1,085,513	1,679,877	440,780
2019	1,027,631	1,206,584	196,366

Policy Year	Gross Tonnage (GT)	Gross Premium	Gross Claims	IGXL	Pool	Abatement	P&I Club Actual Est. R/I Etc. Costs	P&I Club Actual Net Premium	Fair Rate Est. R/I Etc. Costs	Fair Rate Net Premium	P&I Club Actual Loss Ratio (%)	P&I Club Actual Surplus / (Deficit)	Fair Rate Loss Ratio (%)	Fair Rate Surplus / (Deficit)
2013	1,215,024	2,304,922	1,181,834	581,729	255,155	182,254	1,456,388	848,533	1,019,138	1,285,784	139.3	(333,301)	91.9	103,950
2014	1,212,886	2,461,562	1,253,121	611,270	254,706	181,933	1,660,939	800,623	1,047,909	1,413,652	156.5	(452,498)	88.6	160,531
2015	1,184,438	2,526,358	883,538	553,583	248,732	177,666	1,652,877	873,480	979,980	1,546,378	101.2	(10,058)	57.1	662,839
2016	1,160,733	2,107,977	715,130	493,846	243,754	174,110	1,382,641	725,336	911,710	1,196,268	98.6	10,206	59.8	481,138
2017	1,121,687	1,926,212	684,486	438,198	235,554	168,253	1,264,082	662,130	842,006	1,084,206	103.4	(22,357)	63.1	399,720
2018	1,085,513	1,679,877	440,780	416,251	227,958	162,827	1,085,479	594,399	807,035	872,842	74.2	153,619	50.5	432,062
Total	6,980,281	13,006,908	5,158,890	3,094,877	1,465,859	1,047,042	8,502,406	4,504,502	5,607,778	7,399,130	114.5	(654,388)	69.7	2,240,240
2019	1,027,631	1,206,584	196,366	387,479	215,803	154,145	771,877	434,708	757,426	449,158	45.2	238,342	43.7	252,793

Our Global Marine & Cargo Practice

We provide an international service, risk management, and placement proposition for international and regional ship owners from anywhere in the world. By combining international expertise with local delivery, we offer every client the personal and flexible service of an accessible team backed by the high level skills, broad experience and market intelligence.

720

Marsh JLT Specialty has 720 marine colleagues working on ports, shipping, shipyards, suppliers, traders and cargo risks.

26

In 26 countries with local marine and cargo expertise.

USD4+bn

Handling over USD4+bn in premium and accessing capacity in all the world's insurance markets.

166m gt

Our London P&I Team placed over 166 million tonnes of fleet P&I cover globally in 2018.

18%

Our London P&I Team handled 18% of the IG Tonnage.

11%

Our London P&I Team handled 11% of the IG Premium.

P&I SPECIALISTS AT MARSH JLT SPECIALTY'S LONDON OFFICE

John Trew, Nick Boyle, Samantha Brandon, Ben Dillon, Debbie Starling, Adam Starling, Ryan Witchard, Aanchal Kumar, Gillian Birrell, Mark Sumsion, Matthew Cramp, Mark Thurston, Mark Cracknell. Not present: Alexander Millar and Hugh Hallett.

MARSH JLT SPECIALTY

For further information, please contact your local Marsh office
or visit our website at marsh.com

MARK CRACKNELL
Head of P&I
Global Marine & Cargo Practice
+44 (0)20 7558 3816
mark.cracknell@marsh.com

October 2019 280990