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## Board Meeting

October 2021

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Dear Member,

At the Board Meeting, held in London on 26 October 2021, the following developments were reported:

### Highlights

- Claims from Covid have continued through this policy year (2021/22) but with lower severity; so the impact is less than in the previous year.
- Whilst the number of International Group (IG) Pool claims in 2021/22 is lower compared to the previous year, severity is significantly greater.
- The Club's own retained claims for the year are higher than originally projected.
- The 2021/22 financial year combined ratio is again expected to be over 100%. The Board therefore decided that a 12.5% general increase should be applied to premium on all classes of business.
- Investment returns are lower than last year, but nevertheless currently projected to remain well in surplus at year end.
- The Club's Standard & Poor's (S&P) rating has been reaffirmed at A, but with a negative outlook which the agency attributes to exceptionally high levels of IG pool claims.
- Owned gross tonnage has increased by approximately 6.7% in the year to October.

### Impact of Covid-19

The Managers continue to work closely with the Members in connection with Covid-19 issues - notably those which have affected crew. The latest film in a series of productions (the 6th in the series) to support crew training and education deals with the vaccine programme.

The claims provision for Covid-19 related liabilities has been increased slightly for prior years, reflecting the continuing impact of the pandemic. Claims in the current policy year, however, are lower.

### Underwriting Results

#### 2021/22 Policy Year

At six months the Club's own incurred claims, excluding Covid-19 liabilities, are higher than at the same point last year. Whilst, the number of IG Pool claims is lower compared to the previous year, severity is significantly greater. Premium levels in some sectors including passenger vessel operations are expected to be lower, reflecting reduced exposure and activity.

#### 2020/21 and Prior Years

The overall development of the Club's own prior year claims is less favourable than expected, whilst claims in the Pool have developed in line with expectations.

### Investments

In the eight months ending October 2021, the Club recorded a return of 1.6%, excluding currency movements, amounting to US\$19 million.

### **2022/23 Premium Ratings**

The Board recognised the need to improve the Club's underwriting result in order to achieve breakeven. The Directors also took account of the burden on the Club from its own claims and those from the IG Pool. Considering these and other factors, the Board decided that there should be a general increase of 12.5% in premium ratings for all classes of business.

As usual the Managers have been instructed to correct individual Member premium ratings where necessary and to pass on to Members any adjustments in the costs of the International Group reinsurance programme.

### **Deductibles**

The Board ordered a 10% increase in Class 1 P&I deductibles to apply to all deductibles which are US\$ 100,000 or less.

### **Capital Management**

The Board noted the Club's continuing financial strength and robust capital position. However, they concluded that it would not be appropriate to order a capital distribution at this time, given the volatility that is currently affecting the claims outlook.

Standard & Poor's (S&P) have again reaffirmed the Club's A rating, but on this occasion with a negative outlook, which they attribute to exceptional and adverse IG Pool claims. The Club's capital is projected to remain comfortably above the S&P's AAA requirement.

### **Release Calls**

After reviewing the development of open policy years and the overall financial position of the Club the Directors decided to adjust the level of release calls, for mutual Class 1 P&I and Class 2 FD&D entries, as follows:

- 2019/20: 12.5%
- 2020/21: 12.5%
- 2021/22: 15%

The release call for the 2022/23 policy year will be set at 15%.

### **Tonnage**

The Directors were pleased to note the continued growth in the Club's owned entry by 6.7% in the period 20 February to 20 October 2021, increasing the combined owned and chartered entry to over 178M tons.

Club Circular E.37

Yours faithfully,

STEAMSHIP MUTUAL  
UNDERWRITING ASSOCIATION (EUROPE) LIMITED