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**FINANCIAL UPDATE AND 2020 RENEWAL**October 2019

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**Dear Member,**

At the Board Meeting in Bermuda on 22 October 2019 the following developments were reported:

**Highlights**

- Entered gross tonnage has increased by 2.4m tons in the current year to September.
- Current year claims and Pool claims are at higher levels than in preceding years.
- Overall prior year claims are developing favourably.
- Nevertheless, the current year combined ratio is projected to exceed 100%.
- At the 2020/21 renewal there will be a 7.5% general increase, and an uplift of US\$ 2,000 in lower level deductibles.
- In the current year to September, investment income is 3.3%.
- There will be a capital distribution to Members, of 7.5% of 2019/20 mutual P&I premium for renewing vessels. This amounts to approximately US\$ 17 million.
- For many Members the increase in their mutual P&I rating will be matched, or broadly matched, by the capital distribution.
- There has been no general increase in premium ratings for 5 years, and the 2020/21 year will be the fourth in succession when funds have been distributed to Members.
- The Club's S&P rating is reaffirmed at A (stable). Projected capital remains comfortably in excess of the AAA level, after allowing for the distribution.

**Tonnage**

The Directors were pleased to note the continued growth in the Association's owned entry, 2.4 million tons in the period 20 February to 20 September 2019, increasing the combined owned and chartered entry to over 162 million tons.

**Underwriting results**2019/20 Policy Year

The Club's own claims are higher in the current policy year than at the same point last year, and higher than the average over the last six.

Other Clubs' pool claims up to US\$ 30 million are also higher than at the same point last year. With some notable casualties yet to be notified, pool claim estimates are still extremely immature at this stage and their future development remains uncertain, nevertheless an upward trend is evident.

2018/19 and Prior Years

The Club's own prior year claims have developed more favourably than projected, whilst other Clubs' claims in the Pool have deteriorated, most notably in the 2018/19 policy year.

### **Investments**

In the seven months ending September the Club has recorded a return of 3.3%, excluding currency movements, amounting to US\$ 36.3 million.

### **2020/21 premium ratings**

At their October meeting in Bermuda, the Directors acknowledged the need to achieve underwriting balance without dependence upon surplus capital. Amongst other things, they took account of claims trends, overall premium rates, investment returns and the combined ratio in recent years. The Board concluded that there should be a general increase of 7.5% in premium ratings for all classes of business at the next renewal.

In addition, the Board ordered an increase of US\$ 2,000 to be applied to all deductibles below US\$ 20,000 with the exception of FD&D.

As usual the Managers have been instructed to correct individual Member premium ratings when the general increase is insufficient, and to pass on to Members any adjustments in the cost of the International Group reinsurance programme, whether up or down.

### **Capital Management**

The Board noted the Club's considerable financial strength and surplus capital. Accordingly, the Bermuda Club Board ordered a distribution of funds to the Members, amounting to 7.5% of premium paid for Class 1 P&I mutual entries in the 2019/20 policy year, in respect of vessels whose entries are renewed for the 2020/21 policy year. This is equivalent to approximately US\$ 17 million and will be credited to Members shortly after the February 2020 renewal.

These decisions reflect the Board's policy of supporting and assisting Members when the Club is in a position to do so.

Standard & Poor's have recently reaffirmed the Club's A (stable) rating. The Club's capital is projected to remain comfortably above the AAA requirement, allowing for the capital distribution.

### **Release Calls**

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

2017/18: 0%

2018/19: 0%

2019/20: 10.0%

The release call for the 2020/21 policy year will also be set at 10.0%.

Yours faithfully,

STEAMSHIP MUTUAL UNDERWRITING  
ASSOCIATION LIMITED