Chairman's Comment

The shipping market remains in a fragile state and in our opinion the time has come for the P&I Clubs to cease applying general increases year on year. The combined free reserves of the International Group now stand at more than US$4 billion. With the exception of a few clubs, general increases have been applied every year in the last decade. The reasons given are many and are for example increased pool claims, reduced investment income, too many attritional claims, too many larger claims, the churn effect (new tonnage attaching at discounted prices), monies required to meet Solvency 2…… and so the list continues! In some cases there has clearly been justification to apply a "general increase", but we now feel given the financial strength of the vast majority of the Clubs that the time for this practice has passed.

Shipowners and Operators have struggled in recent years and very regrettably some have failed. It really is time for the P&I Clubs to focus on their members' needs and for the Clubs to breakaway from this general increase cycle. The question needs to be asked "just how much money does a Mutual need to hold"? The Clubs do of course have to meet Solvency 2 requirements, which will likely be introduced in 2016 or 2017, but all Clubs are now holding sufficient funds and in some cases well in excess of Solvency 2 requirements. The rating agencies continue to play their part in driving up Club reserves and therefore premiums, but the reality is most clubs now enjoy a higher S&P rating than even that of Lloyds of London. In our view Club Managers and their Board of Directors should clearly state the reserving parameters they regard as appropriate, in order for the membership at large to be given a relatively clear indication as to what the Managers financial expectations are for the Clubs and, therefore, the "journey" to reach the ultimate goal.

There is no question that the International Group of P&I Clubs generally provide a first class claims service, but it certainly comes at a price! What we are now seeing, year on year, is the "acceptable loss ratios" (that is the amount of premium available to reimburse members through claims after the deduction of Club and Group reinsurance costs) reducing as the Clubs set aside ever increasing amounts of each members premium to cover these expenses. The loss records that the P&I Clubs currently produce give little or no indication of how those overheads are incurred and then broken down. We firmly believe there is a real need for greater transparency amongst the Clubs. We continue to make our views known to Club Managers but, at the present time, there does seem to be a real reluctance to change.

We again anticipate that the majority of P&I Clubs will be firm in their resolve at the 2015 renewal, but as always we remain completely focused and committed in achieving the best possible results for our clients.

The Wilson group now places in excess of 70 million gross tons of P&I insurance and have one of the most experienced and largest teams handling our clients renewals and day to day servicing needs. Shipowners are increasingly recognising the value of the role of the broker and are using the services of Wilson Europe and other leading broking houses specialising in the structuring and placement of P&I Insurance.

Wilson Europe continues to invest in bright, well-educated people and over the last 12 months have employed a further two young trainees to maintain our focus and commitment to deliver the highest levels of service for our clients.

Dudley Taylor
Chairman
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