THE CHAIRMAN'S ANNUAL ROUND UP

Once again the International Group clubs have defied the pessimists and the forecasters with a collective annual surplus of $470m, adding a further 8% to their combined free reserves, which now exceed $5.7bn. The overall results come largely due to the performance of the investment managers in a climate of reduced premium income levels and rising claims. All clubs' Investment Managers achieved returns of 2.5% or higher with an average return of almost 6% across the board.

However, when we look at the clubs' underwriting results things do not look so positive. This year only two clubs reported underwriting surpluses in excess of $1m, compared to only two clubs reporting underwriting deficits greater than $1m last year. Overall, the clubs reported a $92m underwriting deficit compared to a $110m surplus a year earlier – a swing of over $200m.

With the cost of incurred claims for the 2018 financial year only marginally lower than the year earlier, the driver behind this reversal has been another reduction in net premium income which fell by 5%, after many clubs returned calls or discounted members' annual premium. In addition to returning and discounting members' annual premium, the clubs remain incredibly competitive on the pricing of new tonnage with many rates quoted hardly covering club overhead costs and clearly not sustainably priced.

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Although overall claims figures remain similar to 2017, early signs in 2018 are showing an upturn in claims with the Pool showing its highest level of claims at 6 months since 2012/2013.

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We have argued for a number of years that clubs should place a cap on the levels of their free reserves with any excess amounts being returned to the Membership. We will continue to fight on this point but so far the clubs are reluctant to act on this issue and appear happy to see their free reserves continue to increase. This seems most unmutual.

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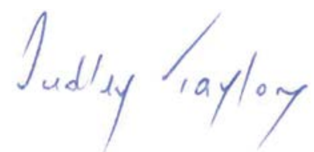
For 2019, despite the underwriting losses referred to above we do not anticipate the clubs charging general increases at this renewal. We do however expect the clubs to be much tougher this year particularly with Owners with adverse loss records as they seek to redress their Underwriting deficits.

Notwithstanding the fact that much comment has been made regarding the potential benefits of club mergers this has yet to come to fruition since the breakdown of merger talks between the UK Club and Britannia. Although not an advocate of a reduced International Group I personally believe it is inevitable at some stage we will see another merger initiative. Make no mistake these club mergers do not tend to be straightforward with two club Boards of Directors and potentially two sets of Managers (having to agree how they combine into one club). The same however cannot be said of brokers as in recent years we are seeing acquisition after acquisition of small broking houses selling to much larger concerns. Even more recently we are also now seeing mega broking houses taking over other major broking houses. These acquisitions are slowly restricting Shipowners' options when it comes to selecting a broker of choice.

What is happening to the small boutique broker? For a company like Wilson we have always prided ourselves on the personal service we provide to our clients. Our Shipowners are not just a number but represent in all cases a relationship built on trust where we seek to understand individual client's needs and expectations and convey this message to the clubs. For Wilson the relationships we have established are not just with the Shipowners but also with the clubs. This mutual respect only enhances our position as we seek to obtain the best possible results for our clients.

Wilson continues to be a major player in the P&I market with some 75 million gross tons and selectively seek to add to our established portfolio. The personal service we provide to our clients is only possible due to our staff and my grateful thanks extends to them for all their hard work over the last 12 months.



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