



Chairman's Comment

These remain very difficult times for Shipowners and Clubs alike. The global economy is starting to show signs of recovery and freight rates, in some sectors are beginning to rise. The number of Shipowners taking delivery of new builds has slowed, which can only assist in an industry which has a surplus of tonnage and is still struggling. The majority of Clubs on the other hand are reporting an increase in claims and rising deficits for the 2012 policy year. The latter issue will certainly have to be addressed by those Clubs showing significant underwriting losses. Investment income cannot be relied upon to cover repeated deficits! In this respect we draw your attention to the "combined ratios" shown within the "Key Performance Indicators" for each Club, contained within this financial analysis report. This measure provides an "at a glance" assessment of each Club's underwriting accuracy. Only the Shipowners Mutual P&I Club succeeded in achieving an underwriting profit or surplus at 97%, although Skuld were reported to be at breakeven at 100%. Notwithstanding the Clubs' overall poor underwriting results, collectively they succeeded in boosting their free reserves; the total free reserves across the International Group has surpassed \$4bn and is double the level of three years ago.

Readers of our newsletters *P&I INSIGHT* will have noted a trend in Clubs' Report and Accounts in identifying the rising cost and frequency of IG Pool claims as a driving force behind their failure to balance their underwriting. The International Group has recently reassessed the calculation of individual Club pool contributions in a bid to speed up the rate that Club contributions are adjusted. A full list of these changes can be found on page 8.

The 2013 policy year will again be challenging for the industry, with the large increases in reinsurance costs imposed by the commercial market at last renewal taking effect. The "Costa Concordia" and the "Rena" are but

two of the more serious claims presented in recent years. A criticism often levelled at the Clubs, and particularly at last renewal, was their failure to notify Brokers and Shipowners of proposed increases in a timely manner. The size of the last increase was a real shock. It is hoped that lessons will have been learned and in future more notice of reinsuring Underwriters' requirements be advised to Members and their Brokers in order to ensure that Members can budget accurately for the future costs of their P&I insurance. It is widely anticipated that the reinsuring Underwriters will again seek further increases for the 2014 policy year as there is still real concern at the escalating costs of recent wreck removal claims.

We believe that the 2014 renewal season will again be a difficult renewal for the industry but as always we will be seeking fairness from the Clubs in establishing renewal terms that properly reflect our clients' records and trading conditions.

Wilson Europe has a truly dedicated team of Brokers and support staff, which continues to grow in number and expertise and is focused on delivering efficient and personal service. We are extremely well placed to deal with any and all industry challenges that lie ahead and remain committed to delivering the very best renewal terms available for all our clients!

On the following pages we have included this year a brief history of Wilson, our current client base by region and ship type and reasons demonstrating why we believe we should be your first choice to handle your marine insurance risks.

Dudley Taylor
Chairman
Wilson Europe Limited