

THE CHAIRMAN'S ANNUAL ROUND-UP

The International Group of P&I Clubs has experienced its first collective deficit for 10 years. Three years of no general increases, gradually declining income, a small increase in claims, and a fall in investment income have all culminated in the run of healthy profits posted by the International Group coming to an end. The cost of claims rose by 7% leading to a \$326m underwriting deficit, and a weaker than usual investment return of \$83m resulted in an overall \$243m deficit for the 2018 policy year.

The cost of International Group pool claims have continued to rise. The large claims were varied but frequently involved collisions or groundings, resulting perhaps unsurprisingly through human error.

The Investment markets which have so often 'bailed-out' the Clubs' poor underwriting performances, seem unlikely to recover in the near future with the inversion of the yield curve in the US (when interest rates on 2 year government bonds exceed the rates on 10 year bonds), which analysts see as a sign of a coming recession. Many bonds have sub-zero yields and many Central Banks are overloaded with government and industrial bonds in an effort to stimulate flagging economies, leaving them with little room for manoeuvre.

The outlook for Shipowners and world trade looks somewhat delicate with continued friction between America and China with signs of protectionism coming to the fore. For P&I Clubs, any slowdown in world trade may help keep the level of large claims in check, but it will likely increase resistance from brokers and Members should Clubs adopt a particularly tough stance at the forthcoming renewal.

The IMO 2020 Sulphur Cap and Brexit may also cause some disruption and volatility to the industry, especially concerning likely delays at bunker terminal and ports, which could lead to a flood of Defence Class claims, and may well take a number of years to rectify current underwriting deficits! However, the Clubs do have very substantial levels of free reserves and more than adequate regulatory capital to handle any problems in the foreseeable future.

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.

Dudley Taylor