

21st INTERNATIONAL P & I CONFERENCE (WEBINAR)

Following 3 links of the whole event

Opening Address and Topic No 1 :

Is the sustainability of the P&I mutual system at risk ? Is the ever increasing aggregate volume of pool claims taking a toll on the system?

<https://embed.kwikmotion.com/Embed/UWIH1FmNc7dShbHTQjBT7Q>

Topic No. 2:

Why has P&I premium pricing been in significant decline over the last decade and where might it be expected to go over the next five years?

<https://embed.kwikmotion.com/Embed/KLVV5VgtJlsrVmJ8ZQ>

Topic No 3

Do the operators of vessels which bring disproportionate exposures both to individual clubs and to the larger mutuality of the International Group as a whole make a fair contribution to the cost of those exposures?

And

Topic No 4

Decarbonisation and Alternative Fuels are today's need and tomorrow's reality. What claims will likely be raised in this connection and will P&I Clubs stand by their members on these ?

And

Questions & Answers

Closing remarks by the Chairman Mr. Dinos Caroussis

<https://embed.kwikmotion.com/Embed/P8jTZ8YfnDB1fdkFe5umg>

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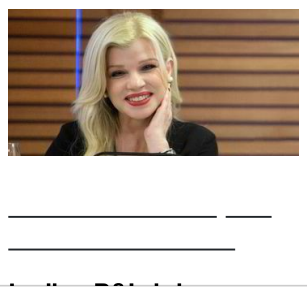
American Club CEO Joe Hughes says the commercial market would demand higher rate rises than are being applied by P&I clubs. Photo: Scott Dalton

P&I bosses come out fighting to defend double-digit rate rise

As policy renewal deadline gets closer, mutual managers argue that P&I is still cheap at the price

Leading executives from protection and indemnity mutuals have defended their double-digit rate rises, saying that even at these higher levels, mutual insurance still represents good value for money.

The executives were speaking at the 21st International P&I Conference hosted by the Piraeus Marine Club, as some shipowners are preparing to decide on last-minute take-it-or-leave-it offers from their clubs, ahead of the 20 February policy renewal deadline.



P&I clubs have been forced by an unprecedented level of mega-claims, and a dip in the investment market, to call for double-digit rate rises from their shipowner members.

American Club chief executive Joe Hughes said that despite reporting significant underwriting combined ratio deficits across the board, P&I mutual insurers are still offering cheaper rates than would be possible in the commercial market.

“If that kind of combined ratio had been suffered by the commercial insurer, you can be certain that that commercial insurer would have withdrawn from the sector, or would have applied increases to rates far in excess of anything the International Group members are inclined to do at the moment,” he said.

Steamship Mutual chief executive Stephen Martin said the mutual system was designed to cope with exactly the sort of exceptional spike in expensive claims that is being experienced today.

“The clubs are there to provide support for really major incidents and adverse events. That is what is being illustrated by events today,” he said.

“Claims are not taking a toll on the system — they are revealing the system’s strength, which are manifold, including the compensations paid to individuals and corporations rapidly and fairly, something that sustains the reputation of the clubs.”

The unexpected emergence of Covid-19 claims from shipowners demonstrated how the clubs can respond to a crisis, Martin pointed out.

Shipowners are also facing a double-digit rise in their contribution to the International Group of P&I Clubs reinsurance bill — which for some owners will be more expensive than the increase in general P&I costs.

North P&I Club’s chief financial officer, Ed Davies, said the recently agreed increase in price with reinsurers, which cover claims costs up to \$3bn, returns costs to previous levels.

The ability of the International Group members to come together and mitigate claims costs could not be achieved in the commercial market, according to Davies.

“The reinsurance side is as cheaply run as we can manage to do it. We are bearing a lot of risk ourselves as clubs,” he explained.

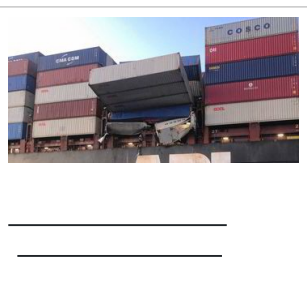
Getting back

“Yes, the reinsurance rates have gone up a lot, but we are only getting back to where we were a number of years ago. We manage the claims, and we manage the claims well, by reducing exposure. The value of the system is the expertise which comes together.”



Some shipowners are annoyed that through the mutual system they are having to pay for claims with which they have no connection, via the higher reinsurance costs.

West of England chief executive Tom Bowsher argued that the International Group is the only realistic way all shipowners can secure the level of cover they require to trade internationally at a reasonable price.



“I can understand those owners that have not had a pool claim, or are operating in a system which does not trouble the pool too much, asking why should they pay for others’ claims,” he said.

“But if you look at the way we structure this, and if you look at the alternatives to provide cover for what is essentially high-cost, low-frequency claims, it would be incredibly expensive. And the reinsurance markets provide us with the limits which owners need to trade.”

P&I clubs, Bowsher added, are also providing additional services in helping shipowners deal with safety and security through their work on loss prevention, sanctions and the environment.

“It is easy to look at price and the limits and the cost of cover, but you have to look at what you get. The International Group itself does a huge amount of work with regulatory bodies, particularly now [environmental, social and corporate governance] is such a big focus,” he said. (Copyright)