



Update from the Board

The Board and Members' Committee of the Club convened in Shanghai this week for a series of very productive meetings.

The topics discussed were wide ranging, covering the state of the global P&I market, recent Club performance, the Club's plans for renewal and the evolution of industry issues which are likely to have an impact on the future performance of the Club.

Market update

Over the past six years, market results have shown significant volatility due to increased frequency and severity of large losses. In 2024/5, most P&I Clubs produced higher than expected combined ratios caused by record pool claims and higher than normal club retained losses.

This has prompted close monitoring of early development for the 2025/6 year in advance of setting the 2026/7 renewal terms. After eight months, the Club's financial performance is generally in line with projections; however, pool claims are again developing at a faster rate than anticipated.

After eight months, the Club's share of reported pool claims ranks as the third highest in the past two decades, primarily due to a small number of very large claims. While it remains early in the development cycle, these results illustrate the potential for another demanding pool year, which would affect all Group clubs.

The Club has achieved strong investment returns in the year to date, supported by favourable conditions in global investment market. The investment return has increased overall free reserves to over \$500 million. The Committee noted the importance of the Club's financial strength given the volatility of major claims.

Renewal

The Club maintains a target combined ratio within the range of 97.5% to 105%. In recent years, the Club's combined ratio has been moving toward this target, following significant challenges experienced during the Covid period. However, this positive trend was disrupted by last year's losses, highlighting the necessity for continued pricing resilience to manage increased volatility.

The challenging result for 2024/5 was primarily attributable to a higher frequency and severity of pool losses, as well as an increase in large loss severity. Additionally, attritional loss inflation continues at approximately 4% per annum with general expense inflation running at a similar level. These factors underscore the requirement for further rating increases.

In response, the Directors carefully considered the appropriate level of General Increase for the 2026/27 year. It was agreed to implement a 7.5% General Increase, along with a targeted 10% increase to all deductibles below \$50,000, subject to a minimum increase of \$1,000.

Loss / industry trends

The impact of recent containership losses was discussed at length. The increased frequency of fires caused by dangerous cargoes combined with the lack of ports of refuge has resulted in two very meaningful industry losses during 2025 and the committee discussed some options that the industry continues to explore to prevent future similar losses.

Nurdle and plastic pellet pollution was also a topic of great interest. The committee considered the work that was being done to manage this risk and discussed possible future actions that the industry could take, alongside bodies such as IMO. Ideas discussed included potential hazardous cargo designation, amending the IMDG code, introducing minimum packaging standards and evaluating steps the insurance industry may take to enhance controls and protections, including the implementation of potential coverage limitations.

US bodily injury claims continue to have a major impact on Club loss records and the Club continues to invest in the already market leading expertise that Members enjoy to help them manage and minimise these risks.

Directors

The Members' Committee welcomed three new Directors to the Committee:
Tomás Arantes of Petrobras Transporte S/A - TRANSPETRO, Brazil.
Howard Flanders of Norwegian Cruise Line Holdings Ltd, Miami.
Nick Potter of AET, Singapore, and MISC Group, Kuala Lumpur.

The Club's Directors hosted a reception in Shanghai for the local market which is one of the most significant markets for the Club. An excellent evening was enjoyed by all.