

PRESS INFORMATION

18th October 2011

UK P&I Club announces 3 per cent general increase for 2012

Key financial indicators

- General increase for 2012 set at 3 per cent
- Combined ratio for 2011 policy year on target for underwriting balance
- Free reserves and capital increased to \$486 million at 20th August 2011
- 2011 policy year has started well with low claims frequency
- Investment income remains positive at 2 per cent
- De-risking of investment portfolio reduces equities to less than 10 per cent of holdings
- Total assets of \$1.6 billion
- Free reserves per ton \$4.5/gt
- Capital adequacy in AAA range of S&P capital model
- S&P rating: A- (Stable outlook)

2012 general increase

The premium rating of all UK P&I Club Members will be increased by three per cent from 20th February 2012. This was agreed by the UK Club's Directors at their meeting in Athens on 17th October.

This decision was taken in response to continuing underlying claims inflation. Although the frequency of claims had reduced significantly in 2009, 2010 and 2011, the average cost per claim has continued to increase over this period.

Free reserves and capital

At 20th August, the UK Club's total capital stood at \$486 million, an \$8 million improvement on the position since 20th February 2011 (\$478 million). This further increase in the Club's capital base has been achieved whilst maintaining a consistent and prudent approach to claims reserving.

Investment performance & policy

Investment return for the half year to 20th August was \$14.5 million, equivalent to a 1.8 per cent return. The Club reduced portfolio risk in September reducing equities to 9 per cent of the portfolio and increasing fixed interest holdings to 72 per cent. Ninety-nine per cent of all bonds invested in by the Club are A grade or better.

Combined ratio

The Club is expecting to see its combined ratio below 100 per cent for the current year.

Looking forward

Speaking at the evening reception for UK Club Members after the Board meeting, Chairman Dino Caroussis explained their decision on the general increase:

“We were determined to strike a balance between ensuring our premium does not fall behind claims inflation while at the same time doing all we could to limit the impact of the increase on our shipowner members. Although we have been fortunate to enjoy lower claims numbers, there is still an average inflation on P&I claims of around 5 per cent. This underlying inflation will quickly manifest itself in our claims costs once the frequency picks up again, as it surely will one day. Taking all of this into account we set the general increase for 2012 at 3 per cent.

Mr Caroussis continued, “This strengthening of our financial position has been largely brought about by a reduction in the number of claims, driven mainly by the drop in world trade. But we have also been able to contribute to that reduction by careful management of our risks.”

Mr Caroussis also commented on the UK Club’s financial standing, “Free reserves have been rebuilt. Last year these stood at \$478 million. Today, those reserves have grown to \$486 million. The Club’s capital adequacy as measured by S&P’s capital model is now in the AAA range and we have free reserves of \$4.50 per ton.”

Club reorganisation

The Club continues to make significant and substantial progress in its preparations for the implementation of the new Solvency 2 regime. It has been reviewing its corporate structure and has identified that a reduction in the number of regulated entities would permit more efficient management of the Club’s solvency capital requirements as well as reduced compliance costs and streamlined governance. The Club Managers will be providing more details shortly by way of a dedicated area on the Club’s website.

For further information:

*The Club provides a detailed explanation of claims performance in its **October 2011***

***Review**, published this week. Copies can be downloaded from the UK Club website*

www.ukpandi.com or obtained from the press contacts listed below.

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Notes to editors

UK P&I Club

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited is generally known as the UK P&I Club. As a mutual association, the UK P&I Club has no outside shareholders and no financial links with other organisations. Since its establishment in 1869, the Club exists solely for the benefit of its Members. Its structure enables it to be uniquely responsive to the changing needs of its assureds and allows it to provide superior service, attention and coverage to those Members.

Overall control of the UK Club lies with the Directors, who are elected by the Members from among themselves. They meet four times a year usually to formulate policy on calls, the scope of cover, finance, underwriting and claims matters, reinsurance and current industry issues affecting the P&I world. They resolve specific claims which may not fall clearly within the cover.

In 350 ports around the world, on-the-spot help and local expertise is always available to Members and to the masters of their ships, from the Club's 460 correspondents. The network includes offices of the managers Thomas Miller in London, New Jersey, Hong Kong, San Francisco, Piraeus, Tokyo, Beijing, Shanghai and Singapore.

Thomas Miller

The Thomas Miller Group manages a number of world-leading mutual insurance organisations (clubs) providing insurance for shipping, transport and professional indemnity risks.

Thomas Miller manages captive insurance companies in the Isle of Man and Bermuda; provides risk management consultancy services; and, through its regulated specialist subsidiaries, delivers a full investment management service to mutual clubs, captives and other clients.

Previously a group of partnerships, the firm incorporated in 1999, and is now owned and controlled by its 550 employees worldwide.

