THE FORTHCOMING P&I RENEWAL SEASON

ATLANTIC´S OUTLOOK

ATLANTIC
INSURANCE & REINSURANCE BROKERS S.L.

TABLE OF CONTENTS

01. The P&I market commentary 3

02. Gard 4

03. Swedish Club 5

04. The Shipowners Club 6

05. Britannia 7

06. UK CLUB 8

07. Steamship Mutual 9

08. Skuld 10

09. West 11

10. The North of England 12

11. Standard 13

12. American Club 14

13. Japan 15

13. London 16

14. Industry issues 17

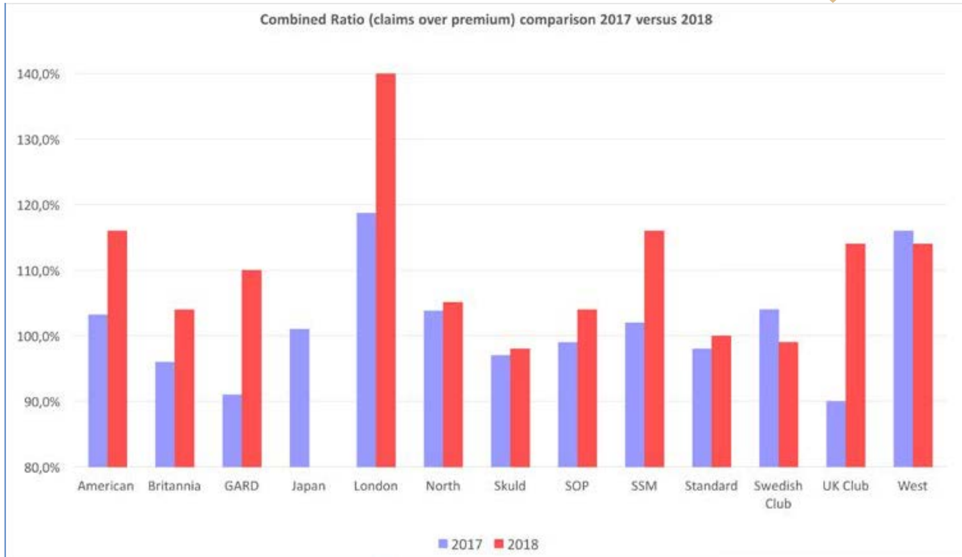
15. The fixed Premium Market 18

THE P&I MARKET COMMENTARY

01

Increases lie ahead but don't be alarmed!!

The P&I Clubs 2018 reviews are now in, and the indications are that the Clubs are 'warming up' the market for potential increases in premiums for the next renewal. The larger claims (in x/s of $3m) seem to be having an impact on the Clubs, attritional claims seem to be broadly similar in number but have been affected by inflationary increases in their value. Pool claims are not as many in numbers but are still having a significant impact, especially for those Clubs with higher percentage pool contributions. Some Clubs have been hurt by the lack of investment income, whilst some have been saved, but the past has taught us that the Clubs should never rely on investment proceeds, this is why the Combined Ratio figures are so important, as they are the true position of income against expenses excluding investment income.
Whilst there are positive signs in the freight markets in various sectors and world trade is generally growing, history shows that with an upturn in world trade then a corresponding increase on P&I claims follows, hence the Clubs are preparing themselves.
Whilst the Clubs have produced a variety of results for last year, they mostly remain financially sound for the time being. Collectively they have approximately $5.5b in Financial reserves, however it is noticeable that approximately $380m has been wiped off the free reserves in this year alone, so the general concern is that, should a further rise in claims occur, the erosion of the free reserves can be rapid.
It is of key importance that Clubs retain the prized "A rating", which remains a requirement for most shipowners to be able to use their insurance capacity, so they will continue to keep robust free reserves in order to maintain that position.
Trying to predict what may happen at the next renewal is not a straightforward task, due to the volatility of the claims and investment environments but almost all have forewarned the market that General Increases may be required. Last year saw a 5% General Increase from the West which signaled the start of a firming up that has been seen across the board within the wider insurance market. Whilst we would not expect these increases to be significant, Shipowners should be prepared and budget for this. However if you have a well-run fleet with a favorable loss record most Clubs will not wish to lose you, so favorable terms should still be able to be negotiated outside of the general increases, and we will be able to navigate you through the process with our in depth knowledge of the Clubs.
Ultimately, the Club's ethos is all about stability of costs and trying to ensure that their Members are not affected by large fluctuations in premium.
Acting as an independent broker, and as the summer hots up we would like to offer our thoughts as to which Clubs are warming themselves up for a potential General Increase compared to others.



London, July 2019

HOME

02

GARD

THEIR FIRST LOSS IN OVER 9 YEARS.

THEY CONTINUE TO REMAIN VERY ROBUST, AND DELIVER A STRONG PRODUCT AND SERVICE.

The seemingly infallible Gard have shown they are human after all having reported their first loss in over 9 years. It is interesting to note that at the 6 month period they were in profit, but a combination of a few very severe claims, "an impairment of an IT project due to a change of direction and vendor"(costing $40m!) and a negative investment return has resulted in a $53m loss for the year.

Gard report a 110% combined ratio, as compared to 91% for 2018 and 83% for 2017.

The Club has, however, continued to return premiums for the last 10 years, and in May 2019 it was decided to reduce the deferred call for 2018 by 12.5%, the return amounts to approx. $37m, which is effectively a 10% reduction to the forecast ETC.

It is difficult to criticise the Gard's performance, as they continue to remain very robust, and deliver a strong product and service. Unless they have a poor first six months in claims figures it is unlikely that they will be looking for an increase this coming renewal as they are simply too financially robust, but they will remain firm on renewals.

The Club continues to drive innovation and data analytics and is strongly committed to maritime sustainability. Although by far the largest Club we must concede that CUO Bjørnar Andresen is running a very tight and coordinated ship where even smaller owners are getting increasing attention.

03

SWEDISH CLUB

A STRONG PERFORMANCE AT 99% COMBINED RATIO MAKES THEM ONE OF THE FEW CLUBS BELOW 100%

DELIVERED A 5% REBATE TO MEMBERS

A strong performance at 99% Combined ratio (P&I and FDD) makes them one of the few Clubs below 100%, impressive especially bearing in mind they have the highest allocation of contributions to the Pool.
They have recently received an Upgrade to A- (Stable) S&P, which is clearly a positive sign for the club. The have delivered a zero increase to Members for the 4th year, and comment that they had a relatively benign claims year which differs from the other clubs, maybe they have been lucky?
The Club has delivered a 5% rebate to Members.
Significant revision of claims estimates by $45.7m, clearly has an impact on the overall result. They reported at their AGM that "All the clubs will be looking at a premium increase again. They looked at it last year, but it didn't happen because they were financially strong with 7% to 8% investment returns," he said.
This year, however, they incurred a negative investment return of 1.6%, resulting in a relatively small investment loss of $5.2m, largely as a result of an "equity freefall"
They look for the time being quite strong, and have not (as yet) talked up the prospects of an increase in premiums...

The Swedish Club

04

THE SHIPOWNERS CLUB

The Club advises of an increased Combined ratio from 99% to 104%, comparing to 10 yr average of 96%.

The SOP currently has 34,000 vessels on risk

Investment income has highlighted the volatility of the investments markets year on year reporting a $26m loss compared to $50m gain from last year. This illustrates how Clubs cannot rely on investment income and must try to maintain around 100% combined ratios which are net of investment income

Their commitment to Asia continues, having produced significant income from $56m in 2009, and now $89m in 2018, they have now purchased an office in Singapore.

On the claims side they report a 7% decrease in the number of claims but a 20% increase in the value of claims. The infamous 2018 circular addressing the lack of balanced liability provision contracts in South America has made impact: we understand the Club´s claims experience in LATAM has improved where we hear some LATAM members have achieved impressive changes iro the local contract certainty landscape.

The Club continue to perform successfully, with a 99% retention rate of Members, which is even more remarkable bearing in mind the ongoing aggressive competition from the Fixed Premium market. A hardening and accountability driven Lloyd´s market has helped the Club too, as the many fixed based P&I providers suddenly were struggling to complete their reinsurance programmes which naturally made many owners wonder how solid some of these providers actually are.

As a noteworthy industry development, the Club has just announced the first dedicated autonomous vessel P&I policy, which is a step into this innovative market that is developing fast.

The SOP have previously ditched the traditional General Increase approach, and underwrote each account on its merits, so in keeping with this approach they are perhaps, less likely than others to revert back to the General Increase requirements, in the short term...

SHIPOWNERS

WITH 34,000 VESSELS ON RISK, THEY CONTINUE TO PERFORM SUCCESSFULLY WITH A 99% RETENTION RATE.

HOME

05

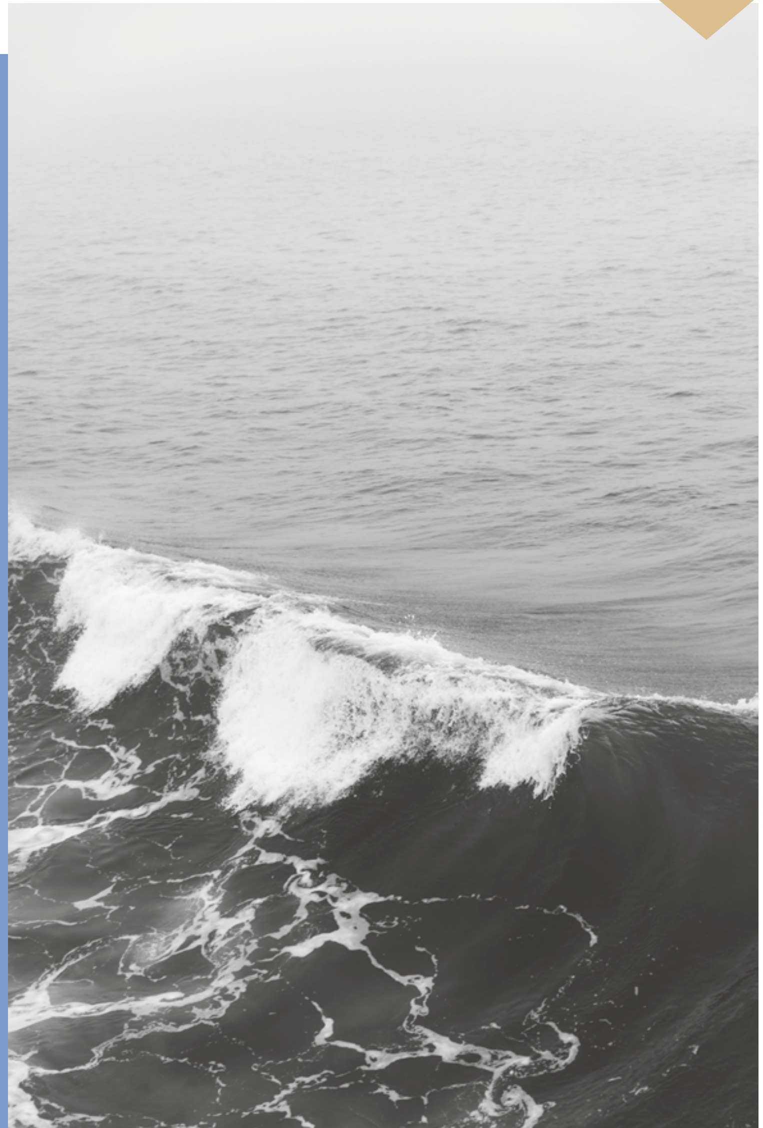
BRITANNIA

Often regarded as a privilege to be invited to join the Club in the past, the Britannia has not been immune to the difficulties faced by all Clubs in terms of increased claims costs and un-reliable investment income, but they are prone to doing the right thing for the long-term, so if the figures at the mid-year position show that another deific is likely then they may well make a standpoint on principal, with a small increase to guarantee at least maintaining the current premium.

The Club reports a challenging year incurring a deficit of $9.3m including an investment loss of $2.6m but still managed to declare another $10m dividend. Their Fixed Premium facility, Carina, has now left the TR family, all part of the streamlining of their business activities and getting back to the core of what they do. The Club has also embarked upon a route to increased international presence by opening up and boosting their own offices in Singapore and Copenhagen. Head of Underwriting Mike Hall appears to be driving a more commercial approach and has also triggered an ambitious IT and information technology project. Last, but not least, Mike can probably be credited to have been the driving force of the IG reinsurance structure changes (and subsequent premium saving!). Thumbs up here!

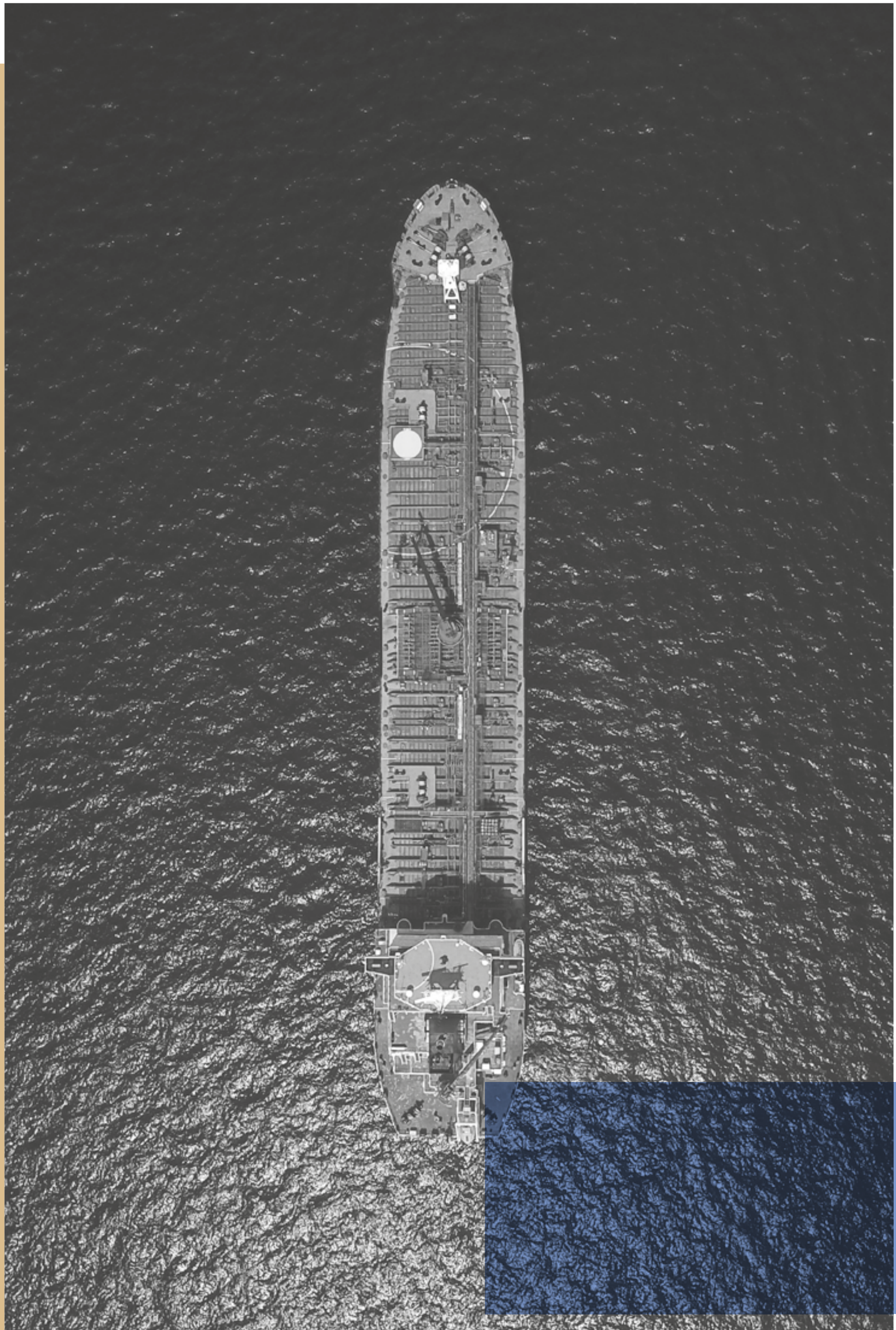
The Club remains strong, and if any increase it will be minimal, and the Club may even continue to reward Members for their loyalty by issuing further dividends.

BRITANNIA P&I
TRUSTED SINCE 1855



THEY REPORT A CHALLENGING YEAR INCURRING A DEFICIT OF $9.3M...BUT MANAGED TO DISTRIBUTE ANOTHER $10M DIVIDEND TO MEMBERS.

HOME



06

UK CLUB

They are celebrating the significant landmark of 150 years this year.
They have seen a reduction in free reserves from $640m to $505m due to a combination of adverse claims and lower investment returns (6% to 1.4%).
Reporting a worse Combined ratio at 114% as compared to a 90% last year, however their 8-year average stands approximately at 100%., providing the stability over time.
They have now repaid the $100m Hybrid Capital, which was put in place to address the need for solvency capacity at that time and last renewal probably came out as one of the most commercial Clubs adding some large fleets to the membership.
Claims are on the increase especially in personal injury, whilst a small decrease in the number of attritional claims there has been an inflationary increase in their value by 4%.
Larger claims in x/s of $3m have had an impact on the Combined ratio by approx. 15% (12 reported in 2018 compared to an average of six on the previous 10 years). The UK Club´s pool claims record remains good, with a credit balance of $100m within the pool which will reduce their volatility/exposure to Pool claims.
Members should budget for a minimal Increase (if any), for next year, but it may depend on how the first 6 months of the year pan out for them.

UKP&I

CELEBRATING 150 YEARS THIS YEAR. REPAID THE $100M HYBRID CAPITAL.

07

STEAMSHIP MUTUAL

The Club reports having seen a fall in the cost of claims within their $10m retention by 2.5%, and the cost of attritional owned clams (under $250,000) has been relatively consistent over the last 6 years. On the larger claims, the numbers have increased however their values have reduced by approximately 13%, but they admit that this is largely attributable to the Club not having a Pool claims for 2018, so luck has been on their side.

A Combined Ratio of 116% compared to last year's 102%, and over a 6 year period it is averages a positive 91.6%. Last year they returned $21.9m to Members, however this is not included in the combined ratio figure for this year.

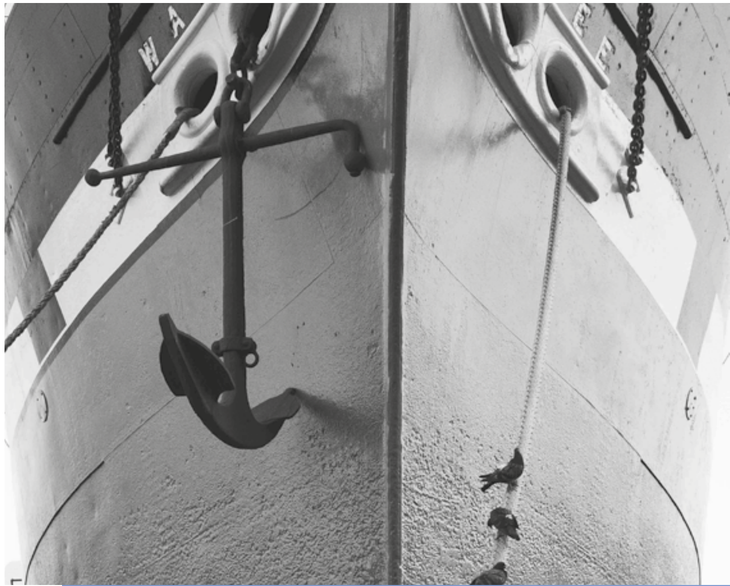
Free reserves have dropped from$516m to $489m, before the capital distribution to members of $21.9m, and consideration will be given in October as to whether there will be any further distribution of funds.

Whilst the Club saw a small increase in GT by approximately 1m, looking at the premiums per GT, they report that the "churn effect" (replacement of older higher rated tonnage with newer lower rated tonnage) had improved in recent years having seen a 6.1% reduction in rate per GT in 2016/17, 4.1% in 2017/18 and in 2018/19 only 1.3%. This indicates that they are now charging higher rates for incoming tonnage than in previous years.

Investment return was 1.8% ($18.8m), excluding a currency loss of $9.5m on assets held to match currency exposure in claims.

They remain strong and may decide to adjust premiums with a small increase, but there could also be room for a small return in premium…

It is noteworthy to mention that Stephen Martin has taken the reigns as CEO of the Club and Gary Field has now taken over as Head of Underwriting and some sources report to have seen him at two different airports at the same time….! On a more serious note we believe the SSM continues to apply a very healthy commercial approach and Members continue to praise their very solid Americas claims team.



FREE RESERVES DOWN FROM $516M TO $489M. SEEING HIGHER RATES FOR INCOMING TONNAGE THAN IN PREVIOUS YEARS.

HOME

08

SKULD

OVERALL COMBINED RATIO OF 98%... CONTINUES THE IMPRESSIVE RUN OF POSITIVE UNDERWRITING FIGURES FOR THE LAST 16 YRS.

One of the few Clubs reporting positive figures with an overall combined ratio of 98%. (Split by 101% Mutual risks, and 95% commercial risks). This continues the impressive run of positive underwriting figures for the last 16 yrs.

Technical profit of $8m, Free reserves at $453, Investment return Zero.

Their claims picture follows that of most Clubs having experienced less claims frequency but an increase in the number of larger claims within their retention.

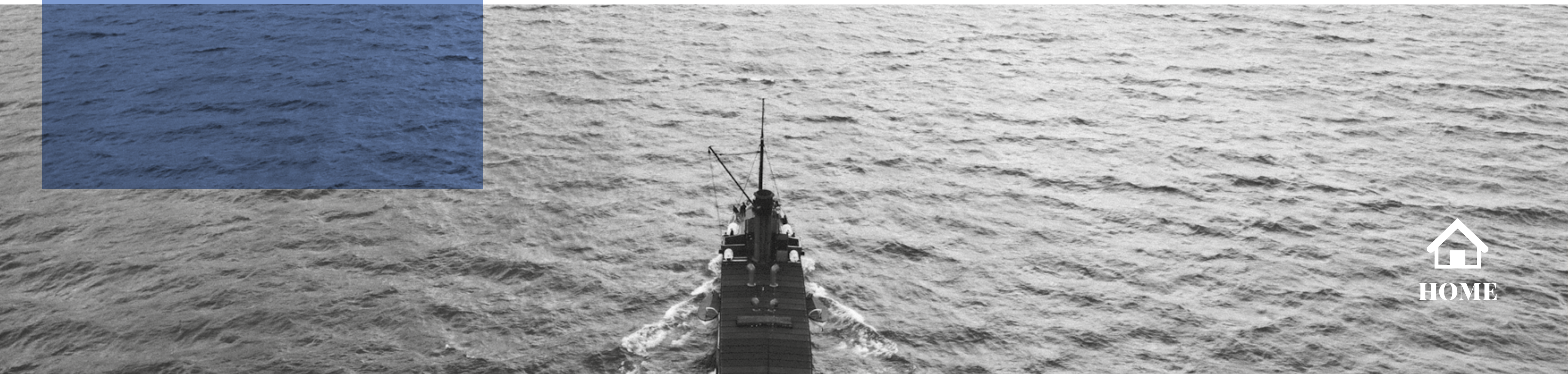
They were another Club affected by Iranian sanctions resulting in loss of a significant account in terms of tonnage and premium.

The closing of their Lloyds Syndicate 1897, after a few turbulent years in the Lloyds market, means that all commercial underwriting is now written on their Corporate paper.

They are illustrating their forward thinking by exploring an on-line trading platform using new technologies and for enhanced data analytics

They remain strong, and unlikely to deliver an increase of significance, unless the claims turn dramatically against them in the first 6 months of the year.

SKULD



09

WEST

The only Club last year to announce a General increase (5%), generally regarded as a brave move, as they were one of the first Clubs to announce, and some would say that most Clubs should have done the same, but decided against it due to either shipowner pressure or sympathy for the shipowners who were still struggling in the depths of the shipping recession. They report a Combined Ratio of 114%, and whilst they had a tough 2017 year for claims with 10 claims in excess of $3m, had only 6 for 2018 but this has still had an impact and as a result they have increased its claims reserving to protect them going forward.

They remain the only Club to not make any General Increase applicable to the reinsurance costs which are kept separate.

The West report an encouraging positive investment return of 3.9%.

The recent relocation to new offices, with a rebranding and relatively new and energetic CEO Tom Bowsher has injected a new freshness into the Club, and it will be interesting to watch how it develops, and what changes may be afoot, but the first move has been to diversify into the offshore market with recent hire of Will Tobin to head a new team.

Another possible small increase on the horizon for them this year.

WEST

NEW OFFICES... REBRANDING... NEW FRESHNESS

INCREASED THEIR CLAIMS RESERVES AGAINST A COMBINED RATIO OF 114%

10

THE NORTH OF ENGLAND

The Club reports a combined ratio of 105%., and an increase in free reserves by $12.6m lifting them to $463m

Their positive investment return 2.45% has gifted them $29.5m which has provided a handy cushion for the year.

A greater number of claims (34) in excess of $1m, and their exposure to the Pool has resulted in their total claims increasing by $27m from 2017, but they comment that they expect to see increased claims values and numbers of claims as freight markets recover.

There is a positive impact of $11m from their hidden champion Sunderland Marine's activities, may be further improved in due course having recruited a team from Eagle Ocean.

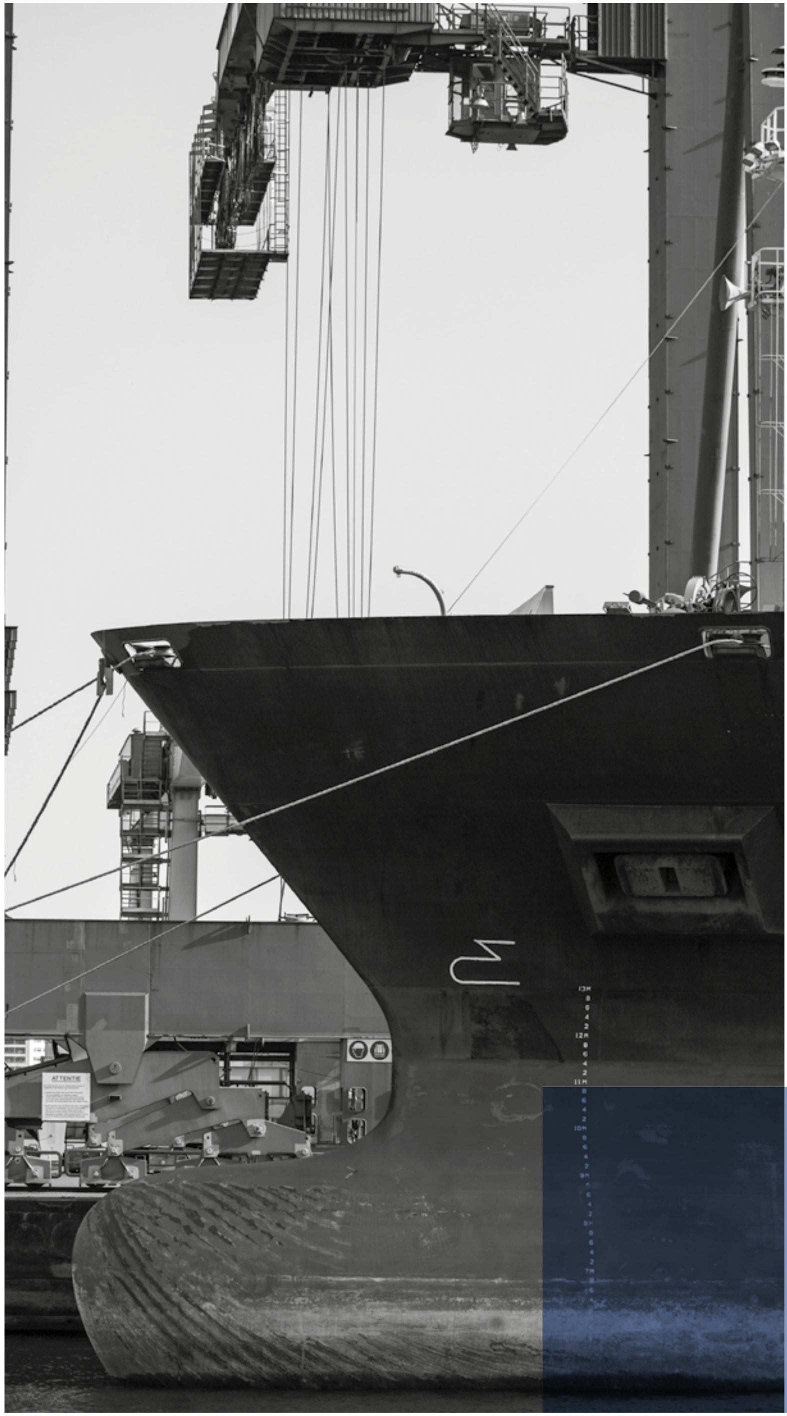
They indicate that in order to support Members going forward that an adjustment in premium levels over future renewals may be necessary, so a small increase may be expected. History says that they are not afraid of toughening up, and in the past have done so effectively.

The Club´s Underwriters continue to be extremely active and travel tirelessly around the globe. The Club is also said to be opening a small office in London.

The North is one of the first Club´s to explore and publicly embrace the need to share data across the IG and must therefore be credited for doing so as same will be - in our opinion – a core interest to shipowners in the future.

TOTAL CLAIMS INCREASED BY $27M FROM 2017...NOT AFRAID OF TOUGHENING UP.

NORTH
SERVICE, STRENGTH, QUALIT



11

STANDARD

One of the more adventurous managers has diversified into other sectors, but at cost, and the decision to put the Standard Syndicate into run-off was arguably a year too late. The reputation of The Standard Syndicate perhaps unduly affected the core P&I Club's reputation as other Clubs used it against them.

The Club reports that the gain in investment portfolio (2.2%) and the Strike Club joining the group has largely offset the syndicate's loss.

They were close to calling a General increase last year but resisted presumably as a result of pressure from their shipowner Board.

Their Free reserves have dropped by 5.9% from $461m to $435m, but they do appear to have broken even and report a combined ratio of 100%

The toughening up on renewals may have resulted in the drop in entered tonnage from 159m GT to 155m GT

A feature to be watched is that since 2015 they have seen their tonnage increase by 15% from 135m GT to 155m GT, but in the corresponding period their calls/premiums have fallen by 18% from $354m to $289m. With claims costs increasing, it is easy to see the Free Reserves eroded quickly, so action may be needed to address this, this renewal, and a small increase is a possibility.

The Standard continues to feature one of the youngest and possibly most energetic Underwriting teams of the IG and must be congratulated for having invested into highly qualified staff at the right time. Some other Clubs might find it hard to replace their ageing top tier Underwriters…

The Standard

SINCE 2015 SEEN TONNAGE INCREASE BY 15%... BUT IN THE CORRESPONDING PERIOD THE CALLS/PREMIUMS HAVE FALLEN BY 18%. BUT REPORT A COMBINED RATIO OF 100%

HOME

12

AMERICAN CLUB

They have experienced a sharp increase in their exposure to Pool claims which affected an otherwise good year for their own claims within their retention.
Combined ratio of 116%, means that they incurred losses in the region of $45.9m
Additionally, they report a poor investment return due to "an episode of exceptional volatility", although like other Clubs the American Club reports that they had bounced back in the first half of 2019 to recover those losses.
They have suffered some disruption on the EOM fixed premium side of the business with a team of 3 key individuals leaving to join the NOE/Sunderland set-up based in London – it remains to be seen what impact that will have.
They have traditionally not been shy in calling a general increase, and should it be required then there could be one delivered this coming renewal.

THE AMERICAN CLUB 1917

SHARP INCREASE IN THEIR EXPOSURE TO THE POOL CLAIMS. COMBINED RATIO OF 116%...NOT SHY OF CALLING A GENERAL INCREASE.

HOME

JAPAN

Limited information at the time of writing on their results for the 2018 year as their fiscal year runs from April to March; but early released figures illustrate that it was one of the Clubs that had been saved by a positive return on investment income, increasing from Yen 1.4bn ($12.9m) to Yen 2.4bn ($22m).

They report that P&I premiums had reduced from Yen 18.2bn ($167.4m) to Yen16.5bn ($151.75m), and Claims costs had reduced, bucking the trend seen by the other Clubs, with a reduction from Yen13.2bn ($121.4m) to Yen11.7bn ($107.6m).

Over the years they have been trying to attract more tonnage from outside Japan to be less reliant on their strong Membership in the region. They are failing to keep up with the increase in global tonnage, and as such are slipping back a little. Other Clubs may be ramping up their focus on the region, for example we hear the Skuld is due to open an office in Japan, whilst others like Britannia and Standard Club already have a strong presence in the region. Ultimately, they are controlled by a strong and loyal Japanese Membership, and for the time being deliver a good product servicing those members as they would like.

Their S&P rating remains at BBB+ (Stable), which is one of the lowest in the International group.

They have a newly elected Chairman of the Board with the appointment of Yukikazu Myochin from K Line who replaces Eizo Murukami, who is now the Chairman of K Line.

Whilst they are relatively stable, we suspect they will be guided by the announcements of other Clubs, unless their results are markedly different, and it remains to be seen what results they post. But stability is their key aim.

JAPAN

FORMAL RESULTS NOT YET PUBLISHED....BUT HAVE TENDED TO FOLLOW THE PACK IN GENERAL INCREASES

HOME

14

LONDON

A poor result for the very traditional London Club, having recorded a deficit of $25.8M, and a Combined Ratio of 140%, which is the highest of the International Group.
Whilst their net earned premiums increased by 3.3% this was countered by a deterioration of claims within their retention and 2 Pool claims of their own.
On the positive, they were able to record a 3% return on their investments, resulting in $8.2m.
It is highly likely that they will require a General Increase this coming renewal, to stop the further erosion of their Free Reserves.

DETERIORATION OF CLAIMS WITHIN THEIR RETENTION.... RECORDED A DEFICIT OF $25.8M AND A COMBINED RATIO OF 140%

INDUSTRY ISSUES

The P&I Clubs collectively provide very useful knowledge databases for discussion of a variety of industry issues facing shipowners; acting independently through the International Group they also offer a useful lobbying forum. We will not try to emulate the production of this information, but merely point you to some of the relevant websites that neatly sum up these issues:

- Piracy and new BMP – see NOE Link
- Iran – Straits of Hormuz – see West Link
- MLC security for wages of captured seamen – See UK Club Link
- 2020 Global Sulphur limit – see SOP Link
- Sanctions -see Gard Link
- Cyber - see Steamship Mutual Link
- War rates – see UK War risks Club Link
- Autonomous vessels – See SOP Link

16

THE FIXED PREMIUM MARKET

EF Marine – The new kid on the block, backed by Swiss Re. They seem hungry and responsive. One to watch.

Thomas Miller Specialty (TMS) – Having purchased Osprey, Navigators and now Hanseatic, they have been trying to corner the Market. A few redundancies along the way, and a reorganisation between the London and Hamburg offices means that Hamburg effectively runs the European accounts, and London the rest of the world. With a large GWP, they will now go through a process of assessing the business they want to keep, so they may be toughing it out for the next couple of years.

Eagle Ocean – Recently suffered a key trio of underwriters leaving the team to join the Sunderland Marine Fixed Premium operation in London. Expect some business fall out from there, despite the reassurance that all will be fine….

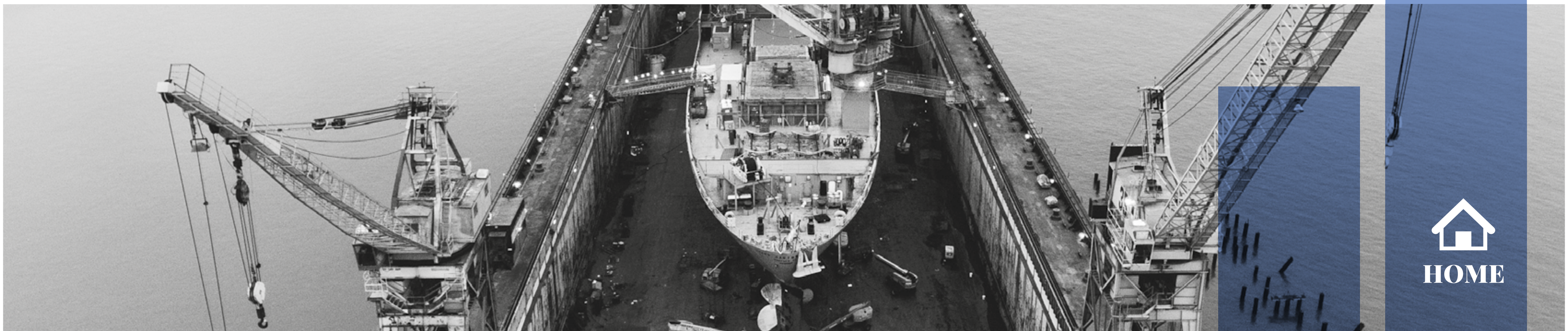
Carina – Tindall Riley decided to sell the operation to the MECO group (who are behind the Charterers Club). It makes sense to both sides, as Carina was not benefitting the Britannia in the way they wished but joining the MECO group dovetails nicely. It remains to be seen if their competitive underwriting will be allowed to continue

QBE/British Marine – Still maintaining a strong position in the market but might struggle to defend their position. They are hoping that other facilities will close down and if they can stick it out and maintain their market share then, then as premiums picks up, they will be back!

MS Amlin/Raetsmarine – Providing $500m ground up security via MS Amlin, and a top up to $1bn via Lloyds and other insurers, they seem to have weathered the storm thus far, and are poised to strengthen their book of business. They remain a key player in this market, but some owners have expressed service concerns

Lodestar – managed to finally secure reinsurance, but ultimately the future does not look good for them, having lost some key staff, and most of their claims team.

Most of the P&I Clubs also offer Fixed Premium covers, and have been raising their game in this sector, and have recently been quite competitive perhaps in an attempt to snuff out the threat that was emerging, and beginning to have an impact of some of their shipowners with smaller craft. It would seem to us that the most effective way for them to succeed would be to fully embrace the sector, and include them in their operations by sharing claims, IT and finance expertise to not only keep control but to keep the operational costs down…some Clubs are however seen to resist this and keep them at arm's length.



INSURANCE & REINSURANCE BROKERS S.L.

Manuel Ferrandez
FOUNDER/EXECUTIVE CHAIRMAN
ferrandez@atlanticinsbrokers.com

Richard Adler
KEY CLIENT BROKER & CCO
adler@atlanticinsbrokers.com

Jason Riley
MANAGING DIRECTOR
jriley@atlanticinsbrokers.com

Atlantic España - Madrid
+34 915 638 632
Calle Gobelas, 21 - 1º Derecha
28023 Madrid

Atlantic UK - London
+44 (0) 203 794 4490
34 Lime Street Room
303 EC3M 7AT London

Atlantic USA - Miami
+1 305 377 7887
40 SW 13th St. Suite: 904
Miami, Fl 33130