

Lloyd's List

Premiums to go up but no plan for blanket rise

By James Brewer - Tuesday 24 December 2002

INSURERS of merchant shipping liability on a fixed premium basis are joining their mutual rivals in taking a tough line in the forthcoming renewals — but are shying away from imposing a blanket increase in rates.

Shipowners entered with mutuals are expecting all-round premium rises of between 10% and 25%, plus an element for reinsurance, and those registered with other suppliers of protection and indemnity can expect to pay more too.

In both sectors, deductibles are likely to rise for many contracts.

Robert Johnston, head of British Marine Managers which covers a substantial tranche of smaller tonnage, has written to clients stressing: “The record of each assured will be the gauge of the appropriate terms to quote.”

He said: “There will not be a standard increase in premium applied, irrespective of individual performance.

“British Marine is acutely aware of how important it is that our client base should feel that renewal terms proposed are a fair reflection of both individual performance and perceived risk, and not simply the employment of a standard measure of increase wholly unrelated to record.”

Mr Johnston said an improvement in underwriting results had to be achieved to underpin a more stable marine market.

“In the view of British Marine, this necessary process is more equitably achieved by ensuring that increases are borne particularly by those who produce claims. In this regard we will look to increase P&I deductibles as we deem appropriate. All deductibles will be inclusive of the cost of legal and other professional expenses.”

British Marine recently won an upgrade from Standard & Poor's, to BBB+ (positive) from BBB+ (stable), following a turnaround in trading. The agency forecast capital adequacy would improve further because of improved operating performance, and that the company would achieve real and profitable growth.

Martin Lanting, president of competitor Raets Club Marine Insurance, which conducts P&I underwriting and claims handling for 100% carrier Fortis, said underwriting had been profitable in the first year of the exclusive relationship with Fortis.

While an extra premium was imposed on all clients a year ago because of the reinsurance cost, reinsurance had been kept steady for 2003, “so our policy for that year is not to impose a general increase, but to look at each account.

“The good performers are going to be rewarded, but those with the least attractive insurance records will be facing some increase.

“We have no general policy of increasing deductibles. We will judge that on the individual account.”

Raets Club expects a further growth in its portfolio in 2003, lifting premium income of more than \$30m by 20% to 30%.

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