

# What makes us Different

The Chairman's perspective

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As 2021 comes to an end I wanted to take the opportunity to reflect on the past year and to look forward to the 2022 renewal and the year ahead.

I was honoured to become Chair of the UK Defence Club in June, 2020. Since then I have been considering what it is that makes this Club so valued by its Members and so different from its competitors. A fundamental point that is often overlooked is that first and foremost we are not a P&I Club, we provide legal costs insurance to our Members. We are focused solely on Defence risks and are not impacted by other classes of business. Few others can say this and it makes us Clearly Different from the majority of our competitors.

**Basil Goulandris**

Chairman

December, 2021



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## We are not a P&I Club, we provide legal costs insurance to our Members.

### Clearly different

The last year has been one like no other. Covid-19 dominated and indeed continues to dominate. It has impacted us all, personally and professionally. My heartfelt condolences to anyone directly affected.

In terms of the insurance market the true financial costs will be unknown for some time to come. Whilst the Managers have dealt with in excess of 400 Covid-related queries from Members, few claims have developed and of those only one has progressed to an arbitration. To date claims directly arising from Covid-19 have totalled \$1.1 million and therefore have not been a significant draw on the Club's reserves. This is in stark contrast to the P&I market which has been more significantly affected.

### Industry leading insight

Looking beyond Covid, the implementation of the new IMO 2020 low sulphur regulations were long anticipated. In the lead up to the implementation date they were an area of key focus for both the Club Board, and indeed the Managers. A dedicated area was created on our website and numerous publications were produced to share our extensive experience and expertise with Members and to highlight new issues as they emerged. The Managers were extremely proactive in assisting with numerous legal and practical queries.

There was much speculation as to the potential impact of IMO 2020, and the claims that might arise, and this was an issue that was considered as part of our financial planning for the 2020 policy year. The provision that was made for it ensured that we have been able to deal with in excess of 370 cases without any material impact on the Club's finances. The costs incurred in dealing with IMO2020 related claims currently stand at around \$2 million.

Looking forward we expect to support our Members in navigating the challenges that come with the drive for a carbon neutral shipping industry. We have already established a dedicated area on our website focused on "green" issues and will continue to share our knowledge and assist Members with their contractual and other queries.

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## Clarity on finances

Our financial position is clear and transparent. Members can see our financial strength for themselves as our finances are not combined with other capital. At the end of the 2020 policy year we had total assets of £65 million with free reserves of £37 million. The combined loss ratio for the year was 94%. Whilst it is still too early to predict the financial results for the 2021 policy year I have no doubt that the capital position of the Club will have been further strengthened.

We are clear in our belief that the reserves of the Club should be maintained at levels which are appropriate to the risks we cover. Our financial strength has allowed us to continue our successful Continuity Credit scheme and, since 2014, we have returned in excess of \$10 million of capital to our Members. For the 2022 policy year the full fleet credit of 2.5% will be maintained and is available to existing Members and also to any new Members transferring tonnage to the Club at the 2022 renewal. As in previous years a further additional distribution will be considered in June, 2022 depending on the Club's overall financial position at the year-end.

In setting premium requirements for the 2022 policy year the Directors considered a number of factors. These included the more noticeable inflation in claims costs; a hardening reinsurance market and an expectation of higher global inflation generally. Collectively these factors are likely to impact the Club's combined ratio. Members will appreciate the importance of maintaining our underwriting book and the combined ratio at around the breakeven point over the medium term in order to maintain the Club's strong financial position. In view of this the Board decided that a general increase in premium of 7.5% is required, with individual Members' renewals reflecting their own risk profile and claims experience.

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## A Club for its Members

I am delighted to be able to say that the Club has continued to grow. This reflects not only the value which Members place on the Club; the cover it provides and its service but also its market-leading reputation which in itself has encouraged new Members to join the Club. We have over 3200 owned ships entered, representing in excess of 180 million GRT. When taking in to account the Club's sizeable chartered book of business, the number of entered ships well exceeds 4,000.

Over the last 18 months our business structure has evolved and we established a European subsidiary in Cyprus, UK Defence Club (Europe). This became fully operational in October, 2020 and underwrites in the order of 20% of our business and this will grow in the years ahead.

I strongly believe that this Club is unique in the way in which it supports you, our Members.

### **We focus solely on:**

- your Defence cases;
- your legal and other related costs in progressing or defending disputes, regardless of the cost or complexity; and
- achieving the right outcome for you.

### **In order to do this we:**

- don't impose mandatory deductibles;
- offer a \$15 million limit on cover without sub-limits for different types of disputes; and
- don't require release calls - with Member retention in excess of 97% we don't need to.

We provide a breadth of cover which is unrivalled and at a premium which is extremely competitive. These factors combined highlight why this Club is so different from its competitors.



**Basil Goulandris**  
Chairman  
December, 2021

As we look forward to the year ahead I would like to thank my fellow Directors who have continued to meet, entirely virtually, in order to undertake the affairs of the Club. A great deal of work is devoted by your Board to the management of the Club, much of which goes unnoticed but is the inevitable consequence of being a regulated insurer. I would also like to express my thanks to the Managers. Their role is to steer and to guide the Board and to deliver the Board's vision for the Club. Their efforts, particularly in the establishment of our European presence, are much appreciated.

Most importantly, I would also like to extend my sincere thanks to you for your Membership of this unique Club. At the end of the day we must always remember that this Club is your Club.

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