UK DEFENCE CLUB

The Managers
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TO: ALL MEMBERS

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PREMIUM REQUIREMENTS FOR 2022/23 POLICY YEAR

The Club's Directors met on the 18th November to consider future premium requirements.

As Members will be aware the Club prides itself on providing cover which is not only market-leading but also one which is consistent year on year, both in terms of the breadth of the cover that is offered, and also in terms of its annual premium requirements. In addition the Club's continuity credit scheme has returned in excess of $10 million of capital to its Members. In addition, the Club

- does not impose mandatory deductibles;
- does not require release calls;
- nor does it insist on individual claim limits.

This places the Club in a unique position when viewed across the competitive landscape.

In recent years the Club has seen some upward movement in claims levels which in 2020 and beyond was driven largely by IMO sulphur related issues. Covid-19 disputes have not however, had any material bearing on the Club either in terms of claims numbers or expenditure.

General charterparty related disputes continue to dominate the underlying claims picture as do disputes relating to MOA and newbuilding contracts. The Managers provide extensive advisory assistance to Members, with over two thirds of all cases being handled in-house, however the Club does of course continue to provide Members with support for litigation and related costs if and when they arise.

Inflation in claims costs is becoming more noticeable. The costs of arbitration or court proceedings are significant irrespective of the jurisdiction where proceedings are taking place. Although the Club continues to promote the use of Alternative Billing Arrangements ("ABAs") in order to provide greater certainty over the costs of litigation, and while the Directors would like to see service providers using a greater variety of ABAs in the coming years, at the present time claims costs inflation combined with a hardening reinsurance market, and an expectation of higher global inflation generally, means that combined loss ratios will almost certainly suffer as a result.

The Club currently maintains a strong level of free reserves. Member~~s~~ will understand however, that it is essential that the Club's underwriting base and combined ratio is maintained around breakeven levels over the medium term so that the Club can maintain its strong capital position rather than allowing it to deteriorate. In view of this the Directors have decided that a general increase in premium of 7.5% is necessary in order to achieve this aim. Premium adjustments will of course be subject to Members' individual exposure and claims experience.

With regard to continuity credits, Members will recall that this programme has operated successfully since 2014. It has been allocated between a full fleet credit of 2.5% for those Members entering their full fleet with the Club, and a further amount depending on the Club's overall financial position in any given year. This latter distribution is determined annually in June and is then offset against the August premium instalment. The full fleet credit of 2.5% will be maintained for the 2022/23 policy year and is available immediately to any Member transferring tonnage to the Club at the 2022 renewal, where that transfer means that a full fleet entry is achieved.

Yours faithfully
THOMAS MILLER DEFENCE LTD.
Managers

UK DEFENCE CLUB IS MANAGED BY **THOMAS MILLER**