

No.12 2025/26 - Class 1 (P&I) and Class 2 (FD&D) Renewals – 2026/2027

At their meeting on 5th November, the Board reviewed the latest Class 1 and Class 2 performance together with the Club's mid-year financial position and agreed the approach to renewals for the 2025/2026 Policy Year.

The Board noted that:

- The incurred cost of the Club's own claims for the 2025/26 Policy Year are within the initial forecast.
- The incurred cost of current Policy Year claims on the International Group Pool at the 8 month stage is higher than that of Policy Year 2024/25, and that 2024/25 has the highest incurred cost of any year at its current 20 month point.
- Back year claims experience has on the whole been favourable.
- A weakening in the USD against the Club's main operating currencies is increasing the Club's overall expense base.
- The combined ratio is forecast to be just under 100% at year end.
- The Club's investment return at 20 October was 5.9% (USD 48.5m).
- The Free Reserve is forecast to increase to over USD 360 million.
- Capital is expected to further increase at February 2026, to a Solvency Ratio around 195%.
- The Club's total premium is expected to be in excess of USD 400m for the year.
- The Club has had its A-rating with stable outlook re-affirmed by AM Best, and recently was awarded a positive outlook by S&P.

Despite the Club's strengthened capital position, the Board remains mindful of the volatile claims environment with particular focus on the increasing severity of incidents as evidenced by the Pool and the additional costs this creates for all Clubs. Furthermore, the continued inflationary pressures are expected to impact future claims and operating costs. The Board therefore reached the conclusion that a premium rise is necessary to address these pressures. Accordingly, to ensure the Club maintains its objective of breakeven underwriting, the Board agreed the following:

- For Class 1 (P&I) entries a 5% standard surcharge has been set to apply to all mutual premium rates.
- For Class 1 entries all deductibles under USD 50,000 will be increased by 10%.
- For Members whose records are adverse, additional action will be taken where necessary with rates and terms adjusted as appropriate to reflect record and/or risk exposure.
- A Release Call of 15% has been set for the 2026/27 Policy Year. No change has been made to the calling structure or instalments, i.e. an estimated total mutual call shall be payable in four equal instalments, each of 25% of the total mutual call during the Policy Year.
- In addition, following usual practice, rates will be adjusted to reflect any changes in the cost of the International Group Reinsurance Programme, whether up or down.

Class 2 (FD&D) Owned Mutual

The Club's Defence Class continues to perform well but nevertheless due to inflationary pressures, the Board decided as follows:

- For Class 2 (FD&D) entries a 5% standard surcharge has been set to apply to all mutual premium rates.
- For Class 2 entries no change will be made to the deductible structure.
- As with Class 1, an estimated total mutual call shall be payable in four equal instalments, each of 25% of the total mutual call during the Policy Year. A release call of 15% shall apply.

Class 1 (P&I) and Class 2 (FD&D) Non-Mutual Covers

Whilst no standard surcharge has been set by the Board for non-mutual covers, premium and terms will be adjusted as appropriate to reflect individual assureds record and/or risk exposure, together with any increased reinsurance cost.

No change will be made to current premium structure which shall continue to be payable in up to four equal instalments during the Policy Year.

Policy Years and Release Calls

In setting the level of Release Call percentages for each open Policy Year for Class 1 and Class 2, the Board has taken into account the Club's overall capital position and all the factors that are set out in Clause 8 of the International Group Agreement.

Class 1 (P&I)

2023/24 – Release call maintained at 7.5% of estimated total mutual call.

2024/25 – Release call maintained at 15% of the estimated total mutual call.

2025/26 – Release call maintained at 15% of the estimated total mutual call.

Class 2 (FD&D)

2022/23 – To be closed with no further call.

2023/24 – Release calls maintained at 7.5% of the estimated total mutual call.

2024/25 – Release call maintained at 15% of the estimated total mutual call.

2025/26 – Release call maintained at 15% of the estimated total mutual call.

International Group reinsurance rates

A further Notice to Members will be issued later in the year to detail any changes in the Group reinsurance rates, scope of cover and limits.

Yours faithfully,

For: West of England Insurance Services (Luxembourg) S.A.

(As Managers)