

# P&I Circular

No. 2649/2019



Gothenburg : **9 December 2019**

**Protection & Indemnity  
Insurance 2020/2021**

## Protection & Indemnity Insurance 2020/2021

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The terms for Protection & Indemnity Insurance for the 2020/2021 policy year are outlined in this circular. The Association will continue to make comprehensive insurance cover available to suit the needs of individual members at rating and deductible levels reflecting exposure.

### Update

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#### Business Development

**Growth rate stable at around 4% with Owners GT now at 49.3 million and Charterers at 32.0 million**

Following 2018, where we saw the portfolio declining due to new sanctions legislation imposed by the United States towards Iran, the portfolio has recuperated during 2019. The GT entered into the Club has increased by 4% since 20 February 2019, once again exceeding the industry average growth rate.

#### Combined Ratio expected to reach targeted 100%

The Club's targeted combined ratio of 100% for P&I for 2019/2020 will not be reached, largely attributable to a high number of pool claims for the International Group. Pool claims deterioration for 2018/2019 started late in the last year and has affected the Club negatively in 2019. The forecast for 2019 shows a combined ratio in excess of 100%.

#### Budget for 2020/2021 – premium adequacy must be addressed

The Club is budgeting for a balanced result in 2020/2021. The Association is mindful of premium erosion over the last few years as the absence of General Increases for four years together with churn effects has substantially reduced the premium income per GT (USD/GT ratio).

#### Claims Trend

##### Claims frequency and severity

The overall rise in claims frequency, notably in respect of cargo and crew claims, has continued during policy years 2018/2019 and 2019/2020. These frequencies, however, reduce over time as not all claims notifications result in actual claims. Average claim costs remain stable although current year is below expectations. Frequency of the Club's own claims in excess of USD 500,000, as well as average cost of such claims, have increased for the 2019/2020 policy year. It is estimated that the annual claims inflation will remain at about 3%.

##### Pool claims

The trend of costlier large claims for the International Group experienced in the last year has continued with 2018/2019 deteriorating into one of the worst years ever. Policy year 2019/2020 also looks like a year with a high frequency and severity of pool claims.

The Club has so far not had any pool claims during policy year 2019/2020.

## Renewals

### Small changes predicted for International Group excess reinsurance

The renewal negotiations for the International Groups excess of loss reinsurance program is underhand, with no substantial changes to the rates foreseen.

### Rationale for General Increase

Four years without general increases and with claims inflation running at about 3% per year has left the Club in a position where current overall premium is at a level below expected overall claims cost. In addition, the increases in costs for the International Group Pool claims in the last two years has made premium adequacy an issue of importance to address.

## Terms for Protection & Indemnity Insurance 2020/2021

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### Decisions and Instructions

At the meeting in London on 5 December 2019, the Board of Directors decided the following regarding premium and deductibles for the policy year 20 February 2020 to 20 February 2021:

- to levy 5% general increase for the policy year 2020/2021
- instructed the management to contact each Member individually to discuss renewals
- the new call will be adjusted by any changes in the International Group's reinsurance cost. The call will also reflect the true exposure of our retention, as well as estimated contributions to pool claims, together with an assessment of the Member's records

### Premiums

All premiums are debited as advance and supplementary calls. It is anticipated that this policy year will be closed in 2023. The Board decided that the premium will be debited in four instalments: at inception on 20 February, 20 May, 20 August and 20 November. The premium will be based on Gross Tons (GT) as per the International Convention on Tonnage Measurements of Ships 1969.

### Supplementary Call

Any supplementary call for this year will initially be decided upon in 2020. The current estimated supplementary call for 2020/2021 is 0%.

### Release Call

The release call for 2020/2021 is presently set at 15%. Members should be aware that, even if a release call has been paid, the Association retains the right to make overspill calls as per the P&I Rules (Rule 24).

The current position of open years as decided by the board in December 2019 is as follows:

Year	Status	Estimated Supplementary Call	Release Call
2017/2018	Open	0%	5%
2018/2019	Open	0%	10%
2019/2020	Open	0%	15%
2020/2021	Open	0%	15%

The release call percentages reflect an assessment of the risk that it could become necessary for the Association to levy an unbudgeted supplementary call. The assessment is made by examining the factors set out in the International Group Agreement, notably premium risk, catastrophe risk, reserve risk, counterparty risk, market risk and operational risk.

## Renewals

The premium for 2020/2021 will be based on the Member's record for the five-year period 2014-2019, including the current year, if adverse. Daily updated records and claims summaries are made available in SCOL (Swedish Club OnLine), accessible through the Association's website.

## Application of General Increase and adjustments for records

The announced General Increase and adjustments for records relevant to policy year 2020/2021 will be applied to the net premium applicable for policy year 2019/2020 (gross premium less commission if applicable). Once the XS reinsurance cost for policy year 2020/2021 is known, the old XS reinsurance cost will be taken out of the new net premium and replaced with the new cost of the XS reinsurance applicable for policy year 2020/2021. Thereafter (if applicable) the commission will be calculated/added and the new gross premium will be arrived at.

## Payment of Premium

Premiums are to be paid in accordance with the enclosed "Procedures for Payment of Premium".

## Limit of Liability

The overall liability of the Association for 2020/2021 is, unless otherwise stated in the Policy or in the P&I Rules, limited to a maximum collection of a 2.5% contribution for each entered vessel, based on the International Convention on Limitation of Liability for Maritime Claims 1976, property claims Article 6 paragraph 1(b), in excess of reinsurance jointly placed by the International Group. (See also current P&I Rules, "Appendix".) The limit of liability for Oil Pollution is USD 1 billion. In respect of P&I Excess War Risk Cover, the limit is USD 500 million and in respect of war liabilities arising from Bio-Chem etc., the limit is USD 30 million. For passenger and seaman risks, the limit is USD 3 billion with a sub-limit of USD 2 billion for passenger claims only.

## Lay-up Returns

Applications for lay-up returns will be considered subject to the attached lay-up conditions.

## Special covers

Further information of reinsurance, special covers, US trading et cetera will be provided prior to the new Policy Year.

Yours faithfully,



Lars Rhodin

### Enclosures:

- P&I Rule changes 2020/2021
- Lay-up conditions 2020/2021
- Procedures for payment of premium



## About The Swedish Club

The Swedish Club is a leading marine mutual insurer, headquartered in Gothenburg, Sweden, with offices in Piraeus, Hong Kong, Tokyo, Oslo and London.

The Club, established by shipowners in 1872, is owned, self-managed and under the direct control of its members. We are a true mutual organisation with a focus on marine safety and loss prevention, with a commitment to furthering an enhanced safety culture at sea.

### The All-in-One Club

#### Protection & Indemnity

The Swedish Club is a member of the International Group of P&I Clubs and offers full mutual cover on a Group basis. Having handled complex P&I matters for more than a century the Club has gained extensive experience in large casualty response.

#### Hull & Machinery

Offering good relationships and close cooperation with our members, we can provide on-site assistance from our in-house surveyors and technical experts. Our team of in-house adjusters offers time and cost benefits to both our members and the Club.

#### Other Insurance Products

The Swedish Club offers a full range of insurance solutions for every area of your business. These include Freight Demurrage & Defence and Energy & Offshore insurance, in addition to specialist products such as Kidnap & Ransom and War Risks.

#### Loss Prevention

Loss prevention is at the heart of everything we do. We deliver a wide range of loss prevention initiatives, training and information, including the Club's Emergency Response Training, Loss Prevention Guides, benchmarking and campaigns. More information can be found at [www.swedishclub.com/lossprevention](http://www.swedishclub.com/lossprevention).

#### The Swedish Club Academy

In conjunction with The Swedish Club Academy we offer our members the benefits of the Maritime Resource Management (MRM) course. Designed to minimise the risk of incidents by encouraging safe and responsible attitudes, the Academy specialises in human factors training and related services for those who have marine safety, efficiency and job satisfaction as their main priorities.

#### Marine Insurance Courses

Our popular Marine Insurance Course and Marine Insurance Seminars are offered yearly to members around the world and cover the essential aspects of marine insurance, ranging from terms and conditions to the practical handling of claims and loss prevention.

#### SCOL - Swedish Club OnLine

Supporting you 24 hours a day, SCOL is a modern intelligence platform which adapts to your needs and helps inform decision making. Your gateway to The Swedish Club, it provides a comprehensive overview of your insurances and claims records at the touch of a button.

[www.swedishclub.com](http://www.swedishclub.com)