

Protection & Indemnity Insurance 2023/2024

The Board of Directors met in London on 8 December 2022 to review the Club's financial position and consider renewal requirements for the coming policy year 2023/2024. Decisions taken regarding open Policy Years are set out below.

Update

In terms of International Group Pool claims and the Club's Retained Large Claims, the 2022 policy year has so far been benign. Looking at the Club's average cost for Large Claims it remains at a stable level, and to date there have only been two claims notified by other clubs to the pool for current policy year.

The trend of an overall increase in claims frequency noted in preceding years has however continued into 2022. This higher frequency, which was previously largely attributed to the pandemic, can now be noted throughout all claim categories. Although the Club expects an improved combined ratio for this policy year, P&I is still running with a negative technical result.

Mindful that premium level was not sufficient to meet expected claims, the Club acknowledged the industry-wide need for corrective action already in 2020 by deciding on a General Increase. This was followed up by further increases in the two policy years thereafter. These measures have gradually improved premium adequacy. There is however still some way to go. Further measures is therefore needed this year to close the gap between premiums and claims costs, in particular as the latter will now be impacted by inflation.

It should be remembered that inflation has only started impacting claims during the current policy year, a year which saw the start of the Ukraine conflict. Further to a very complex sanctions environment, the events taking place in Ukraine have contributed to the worldwide inflation. Indicators from all aspects of insurance are now showing an increase in claims inflation, leaving little if no doubt that inflation will have an impact on the cost of claims next year and with the full impact on claims to be seen in the years to come. As a result, the Club has increased the figure for expected claims inflation from 3% to 6%.

There has been significant volatility in investment markets during 2022 affecting investment income. The Club's solvency remains strong although the declines has admittedly had a negative impact on our reserves. Looking forward, higher interest rates and improved technical underwriting performance as a result of better premium adequacy for P&I will provide us with a strong base for the years to come. The importance of improving the technical result of P&I is currently our main priority.

Realizing the importance of continued premium correction and taking into account the pressure from claims inflation, the Board of Directors acknowledged the need for responsible action to increase premium rating levels in order to safeguard the Club from any decline in capital. The Board of Directors therefore decided on a 10% General Increase for the policy year 2023/2024.



Terms for Protection & Indemnity Insurance 2023/2024

Decisions and Instructions

At the Board meeting on 8 December 2022, the Board of Directors decided the following regarding premium and deductibles for the P&I policy year 20 February 2023 to 20 February 2024:

- To levy a 10% general increase for the policy year 2023/2024
- 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 the Club's retention, as well as estimated contributions to pool claims, together with an assessment of the Member's records
- To increase deductibles as follows;
 - Cargo Recommended minimum USD 15,000 +10% if above minimum
 - Crew Recommended minimum USD 10,000 +10% if above minimum
 - Third Party Recommended minimum USD 25,000 +10% if above minimum
 - Other liabilities Recommended minimum USD 10,000 +10% if above minimum

Premiums

All premiums are debited as advance and supplementary calls. It is anticipated that policy year 2023/2024 will be closed in 2026. 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 Tonnes (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 2023. The current estimated supplementary call for 2023/2024 is 0%.

Release Call

The release call for 2023/2024 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 2022 is as follows:

Year	Status	Estimated Supplementary Call	Release Call
2020/2021	Open	0%	15%
2021/2022	Open	0%	15%
2022/2023	Open	0%	15%
2023/2024	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 2023/2024 will be based on the Member's record for the five-year period 2017-2021, 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 2023/2024 will be applied to the net premium applicable for policy year 2022/2023 (gross premium less commission if applicable). Once the excess reinsurance cost for policy year 2023/2024 is known, the old excess reinsurance cost will be taken out of the new net premium and replaced with the new cost of the excess reinsurance applicable for policy year 2023/2024. Thereafter the commission (if applicable) will be calculated/added and the new gross premium will be fixed.

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 2023/2024 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 etc., will be provided prior to the new Policy Year.

Yours faithfully,

Lars Rhodin

Enclosures:

- P&I Rule changes 2023/2024
- Lay-up conditions 2023/2024
- Procedures for payment of premium