

Protection & Indemnity Insurance 2018/2019

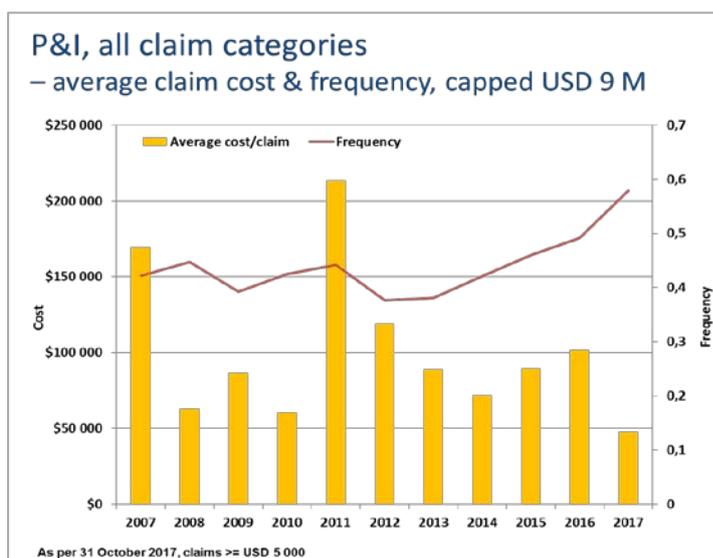
Section 1: Statement from the Management

Executive summary

- The Club's overall claims frequency has increased during the past two years, as per the graph below, but as the years develop frequency normally comes down. Average claim costs remain fairly stable on an overall basis.
- After a benign 2016/2017, the 2017/2018 policy year seem to resume the earlier long-term trend of costlier large claims for the International Group.
- Underlying estimated claims inflation runs just below 3 % per annum.
- International Group excess reinsurance negotiations are on-going and a small increase or an "as expiry" renewal is expected.
- We are expected to come in just above the Club's targeted combined ratio of 100 % for P&I for 2017/2018 and we budget for a balanced result for policy year 2018/2019.
- Growth rate is as per expectation and GT is now at 49.1 million with an additional 25.8 million GT of Charterers' entries.
- A General Increase of 0 % is proposed, in addition to changes in Group reinsurance costs. Cargo and Crew deductibles to be increased by USD 1,000 respectively.

Claims frequency and severity

The overall rise in claims frequency, notably in respect of cargo and crew claims, has continued during policy years 2016/2017 and 2017/2018. These frequencies, however, reduce over time as the years develop and claims notifications are closed. Average claim costs remain fairly stable. Frequency of claims in excess of USD 500,000, as well as average cost of such claims, have increased for the 2016/2017 and 2017/2018 policy years. We estimate that the annual rate of claims inflation will run just below 3 %.



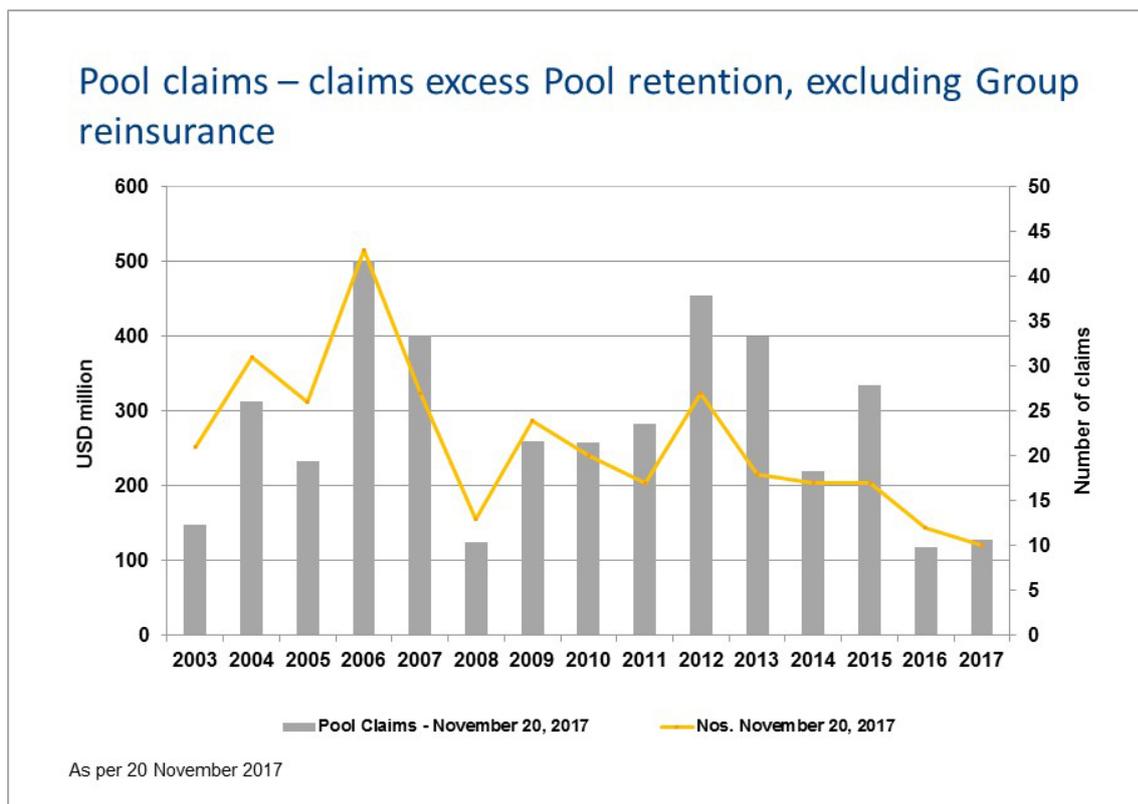
Underwriting results P&I

The Club was able to meet the 100 % combined ratio target in 2015/2016. 2016/2017 is on target and we budget for a balanced result for 2018/2019.

Pool claims

Whereas the policy year 2016/2017 seems to develop towards a less challenging pool year compared with previous policy years, the 2017/2018 policy year appears to resume the long-term trend of costlier large claims for the International Group. After a benign beginning of the year, a number of pool claims have been reported during the year which have deteriorated the result. In addition, the policy year 2015/2016 has also continued to deteriorate during 2017.

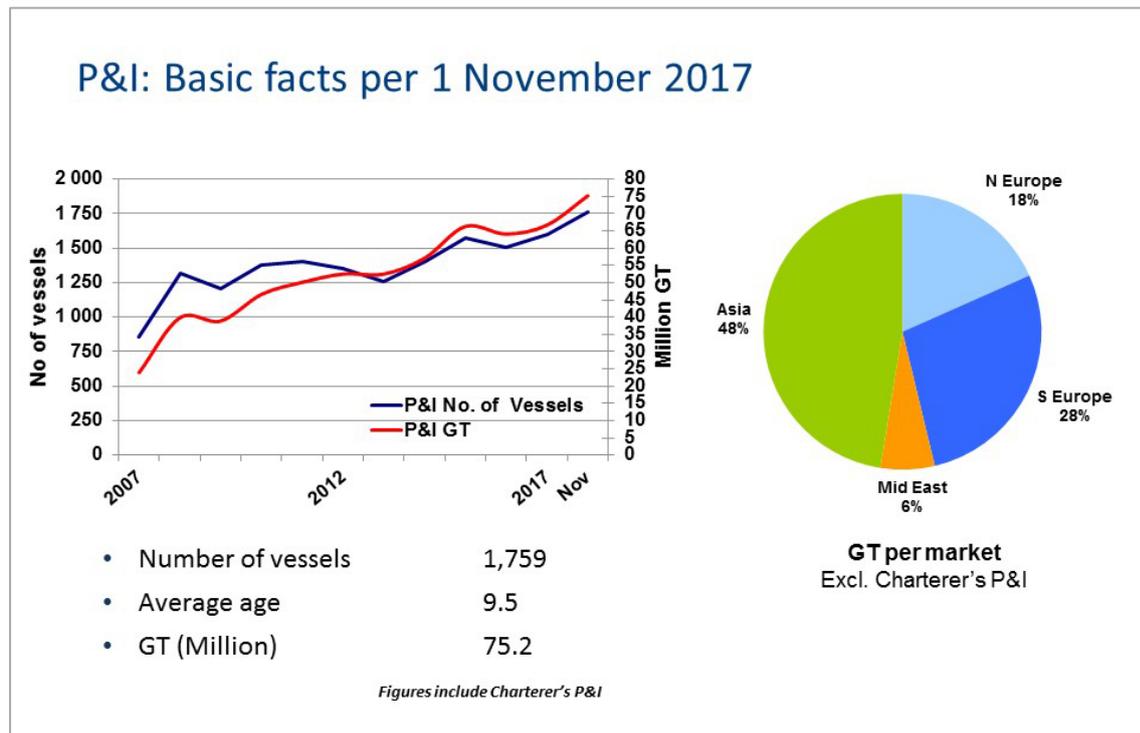
The Club has so far had one claim pool claim during policy year 2017/2018. This casualty, involving the vessel CHANG HANG TAN SUO that grounded off Guangzhou, China, has a current reserve of USD 17.5 million.



Our portfolio

Our portfolio has continued to grow for 2017/2018 despite a loss of tonnage at renewals. We have continued to exceed the industry average growth rate for the past five years.

GT has increased by more than 5 % since 20 February 2017 and 2.7 % in the last 12 months.



Rationale: No General Increase – policy year 2018/2019

The rationale for proposing a 0 % general increase for the third consecutive year is to give members the benefit of a fairly good claims year, although the claims trend for most claims segments are on the rise including the IG pool, and a good investment year. We should however be mindful that claims inflation runs just below 3 % and that the Club's premium is affected by "churn".

Individual members' claims records and risk exposure will be considered in the renewal process.

Section 2: Descriptive part

Decisions and Instructions

At the meeting in London on 7 December 2017, the Board of Directors decided the following regarding premium and deductibles for the policy year 20 February 2018 to 20 February 2019:

- to levy no general increase 2018/2019
- instructed the management to contact each Member individually to discuss renewals for 2018/2019
- 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
- to apply a general deductible increase for Cargo and Crew deductibles by USD 1,000 respectively for the 2018/2019 policy year

Owner's Protection & Indemnity

Premiums

All premiums are debited as advance and supplementary calls. It is anticipated that this policy year will be closed in 2021. 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 2019. The current estimated supplementary call for 2018/2019 is 0 %.

Release Call

The release call for 2018/2019 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).

Renewals

The premium for 2018/2019 will be based on the Member's record for the five-year period 2012-2017, including the current year, if adverse. Records and claims summaries are available through SCOL, located on the Association's website at: www.swedishclub.com

The information is updated daily.

Application of General Increase and adjustments for records

The announced zero General Increase and adjustments for records relevant to policy year 2018/2019 will be applied to the net premium applicable for policy year 2017/2018 (gross premium less commission if applicable). Once the XS reinsurance cost for policy year 2018/2019 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 2018/2019. 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 2018/2019 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

Members are allowed up to 50 % premium returns for vessels laid up in a safe port for more than thirty (30) consecutive days, if the vessel has only watchmen and no cargo on board. No premium return is granted for vessels less than 500 GT, or for tugs, barges or passenger ships/ferries in coastal trade.

A claim for lay-up returns should be made to the Association as soon as possible, however, and at the latest 3 months after expiry of the policy year. Sufficient information has to be supplied in order for the Association to calculate the return. A lay-up return application form is enclosed.

Old years

The release call percentages reflect an assessment of the risk that it could become necessary for the Club 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.

The current position of the open years as decided by the board in December 2017 is as follows:

Year	Status	Estimated Supplementary Call	Release Call
2015/2016	Open	0 %	3 %
2016/2017	Open	0 %	8 %
2017/2018	Open	0 %	15 %
2018/2019	Open	0 %	15 %

Charterers' Limited Liability Cover

For 2018/2019 the Association also offers limited cover for Charterers including Charterers' Liability to Hull. The overall maximum is limited, but may be arranged up to USD 750 million for any claim or occurrence. For further details, please contact each Team respectively.

Special covers

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

Yours faithfully,
The Swedish Club



Lars Rhodin

Enclosures:

- P&I Rule changes 2018/2019
- Procedures for payment of premium
- Lay-up return

P&I rule changes

Proposed changes 2018/2019



Summary proposed changes

Rule 2

Clarification that “charterer” means “bareboat charterer”.

Rule 7 Section 10 & Appendix II Rule 3

The rules pertaining to consortium claims which were removed last year have been reinstated and are now part of both owners’ and charterers’ rules.

Rule 2

English: Rule 2 Nature of cover

The cover afforded by the Association is set out in these Rules subject to any special terms which may be agreed. The Member shall have the burden of proving that any claim against the Association results from a risk covered by the Rules.

The Member is covered in respect of liabilities, costs or expenses incurred by him in his capacity as owner, operator or [bareboat](#) charterer of the entered ship and arising out of an event during the period of insurance as a direct consequence of the operation of that ship.

Unless the Association otherwise decides the Member is only covered in respect of such sums as he has paid to discharge liabilities, costs or expenses referred to in Chapter II.

The cover afforded by the Association shall not include the deductible fixed by the Association or otherwise agreed with the Member.

The cover afforded by the Association shall not exceed the sum to which the Member would be entitled to limit his liability under applicable law on limitation of liability.

These Rules are subject to the Articles of the Association. Furthermore, the General Swedish Marine Insurance Plan of 2006 (SPL 2006) and Swedish Law in relevant parts to apply in matters not provided for in these Rules.

The Association may amend these Rules at any time during the period of insurance in order to avoid the Association becoming subject to any sanction, prohibition or adverse action by any State or International organisation.

Swedish: Regel 2 Försäkringens grunder

Föreningens ansvarighet framgår av dessa villkor såvida annat ej överenskommits mellan försäkringstagaren och Föreningen. Det åligger försäkringstagaren att visa att anspråk mot Föreningen angår ansvar som är angett i villkoren.

Försäkringen omfattar ansvar, kostnader eller utgifter som åsamkats försäkringstagaren i hans egenskap av det försäkrade fartygets ägare, redare eller [bareboat](#) befraktare och som

uppkommit på grund av en händelse under försäkringstiden som en direkt följd av fartygets drift.

Ansvar, kostnader eller utgifter enligt Kapitel II ersätts av Föreningen endast i den utsträckning betalning härför först erlagts av försäkringstagaren, såvida Föreningen inte annorlunda bestämmer.

Föreningens ansvarighet omfattar inte den självrisk som fastställts av Föreningen eller eljest överenskommits med försäkringstagaren.

Föreningens ansvarighet skall inte överstiga det belopp vartill försäkringstagaren skulle ha ägt begränsa sitt ansvar i enlighet med tillämpliga rättsregler om begränsning av redaransvaret.

Dessa villkor är underkastade Föreningens bolagsordning. Dessutom gäller i tillämpliga delar Allmän Svensk Sjöförsäkringsplan av år 2006 (SPL 2006) och svensk lag i frågor som inte reglerats i dessa villkor.

Föreningen kan ändra dessa villkor under försäkringstiden för att undvika att Föreningen blir föremål för sanktioner, förbud eller skadliga åtgärder från någon stat eller internationell organisation.

Comment: It is clarified "charterer" means bareboat charterer. Other charterer risks are dealt with in the rules for charterers' cover.

Rule 7

English: Rule 7 Section 10 - Consortium claims

The Association's liability for consortium claims shall be limited to such sums and be subject to such terms and conditions as set out in Appendix II Rule 3.

Swedish: Regel 7 § 10 - Konsortiumkrav

Föreningens ansvar med avseende på konsortiumkrav begränsas till det belopp och lyder under de villkor som anges i Appendix II Regel 3.

Appendix II, Rule 3

English: Consortium claims

Consortium Agreement: Any arrangement under which a Member agrees with other parties to the reciprocal exchange or sharing of cargo space on the entered ship and consortium ships.

Consortium ship: A ship or space thereon, not being the entered ship, employed to carry cargo under a consortium agreement.

Consortium Claim: A claim shall be a consortium claim where:

- (a) it arises under a P&I entry of an insured ship; and
- (b) it arises out of the carriage of cargo on a consortium ship; and
- (c) the Member and the operator of the consortium ship are parties to a consortium agreement; and
- (d) at the time of the entry of the Member in respect of consortium claims, the Member employs an insured ship pursuant to that consortium agreement.

Unless otherwise agreed the Association is not liable for consortium claims.

A consortium agreement must be submitted and approved by the Association.

The Association's liability in respect of a consortium claim shall be limited to such sum or sums and be subject to such terms and conditions as the Association may from time to time determine and the aggregate amount recoverable from the Association and/or all other Associations participating in the Pooling Agreement for consortium claims arising out of one and the same incident or occurrence shall not exceed that limit.

The aggregate of all claims recoverable from the Association or and/or all other associations' participating in the Pooling Agreement from any one consortium ship shall not exceed USD 350 million any one event.

Appendix II, Regel 3

Swedish: Konsortiumkrav

Konsortiumavtal: Varje överenskommelse enligt vilken en försäkringstagare avtalar med andra parter om ett ömsesidigt utbyte av eller om delat lastutrymme i det försäkrade fartyget och konsortiumfartyg.

Konsortiumfartyg: Ett fartyg, eller utrymme däri, som inte är det försäkrade fartyget, och som används för att transportera last enligt ett konsortiumavtal.

Konsortiumkrav: Ett krav är ett konsortiumkrav när:

- (a) det uppkommer under försäkringsavtalet; och
- (b) det uppkommer med anledning av transport av last på ett konsortiumfartyg; och
- (c) försäkringstagaren och redaren för konsortiumfartyget är parter i ett konsortiumavtal; och
- (d) försäkringstagaren använde ett försäkrat fartyg i enlighet med konsortiumavtalet vid den tidpunkt då försäkringstagaren tecknade försäkring för konsortiumkrav.

Om ej annat överenskommit har Föreningen ingen ansvarighet för konsortiumkrav.

Konsortiumavtal måste inlämnas till och godkännas av Föreningen.

Föreningens ansvarighet med avseende på konsortiumkrav begränsas till det belopp och lyder under de villkor som Föreningen föreskriver och det sammanlagda belopp som kan erhållas från Föreningen och/eller annan part i Pool avtalet för konsortiumkrav avseende ansvar som har sitt ursprung i en och samma skada eller händelse skall inte överskrida detta begränsningsbelopp.

Summan av alla ersättningsanspråk som täcks av Föreningen och/eller alla andra parter i Pool avtalet för varje konsortiumfartyg skall inte överskrida USD 350 miljoner för varje enskild händelse.

Comment: Provisions pertaining to consortium claims are reinstated in the rules (it was moved last year to charterers' rules) since these claims can also involve an owner's entry.

Procedures for payment of premium

- Debit notes will be mailed to Members/Brokers one month prior to due date in order to provide ample time for arranging payment.
- To speed up the transfer of funds we recommend an electronic payment order. Cross-border payments should always be effected with relevant IBAN, our bank's name, address and SWIFT address (Bank-/BIC-Code) being HANDSESS to ensure an easy and quick settlement. The debit note reference number (i.e. invoice number) should always be stated on the payment order, enabling the Club's accounting department to quickly trace the payment.
- At renewals and risk attachments, debit notes for the first instalment might not have been received prior to due date. In such cases Members are requested to transfer the outstanding amount prior to receiving the debit note.
- In case premiums are not received by the Club on the due date, interest calculated at one per cent (1 %) per month will be charged from the day after the due date. The interest will be debited per calendar quarters.
- Should premiums still be outstanding 30 days after the due date, the Club may issue a notice of cancellation to the Member and relevant Mortgagees.

Lay-up return application

Member name:

Vessel:

Insurance class: Hull & Machinery Protection & Indemnity

Arrival date: Time:

Departure date: Time:

Port of place:

Exact location at arrival:

Cargo at arrival: Loaded Ballasted
 Cargo at departure: Loaded Ballasted

Crew: Full crew Reduced crew % Watchmen only

Reason for lay-up: Awaiting berth Awaiting orders Other (please state):

.....

Approval from Class for mooring at lay-up location: Yes No

Have repairs been carried out during lay-up period? Yes No

If Yes: Owners work period:.....
 Claims repairs period:

Shifting/Mooring/Unmooring operations:

From date/time	Location	To date/time	Location

Other information attached to this form:

It is hereby confirmed that the vessel was always in a safe condition during the time for lay-up claimed.

Authorized signature: Date:.....

Lay-up return will be subject to assessment of the provided information. This form has to be completed and submitted to the Club within time frames as set out in Marine and/or P&I Circulars respectively. Please do not hesitate to contact the Club for further information.