

P&I Circular

No. 2664/2020



Gothenburg : **3 December 2020**

**Protection & Indemnity
Insurance 2021/2022**

Protection & Indemnity Insurance 2021/2022

The terms for Protection & Indemnity Insurance for the 2021/2022 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

Business Development

Stable Growth

The Club's portfolio has increased by 4,5% in tonnage during 2020 and the Club has continued to exceed the industry average growth rate for the past five years. Total owners GT is now at 52.4 million and Charterers at 34.7 million.

Combined Ratio

The Club's targeted combined ratio of 100% for P&I for 2020/2021 will not be reached, largely due to a high number of pool claims for the International Group in combination with retained claims. Pool claims deterioration for 2019/2020 started late in the last year and has affected the Club negatively in 2020. The forecast for 2020/2021 shows a combined ratio in excess of 100%.

Budget for 2021/2022 – premium adequacy must be addressed

The Club is budgeting for a balanced underwriting result in 2021/2022. 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

Average claim costs and frequency of all claims remain stable in line with recent policy years. Frequency of the Club's own claims in excess of USD 500,000, as well as average cost for such claims are both stable and at low levels. It is estimated that the annual claims inflation will remain at about 3%.

Pool claims

The policy year 2018/2019 and 2019/2020 have been some of the worst years for the pool in terms of both frequency and cost. 2020/2021 also looks like a year with a high frequency and severity of claims and is likely to surpass both previous years in terms of claims cost.

The Club has so far not had any pool claims during policy year 2020/2021. Last pool claim reported by the Club was in 2017/2018.

Renewals

Rationale for General Increase

Four years without general increases (2016-2019) and a 5% general increase at last renewal mean that current overall premium is at a level below expected claims cost. In addition, the increase in costs for the International Group Pool claims in the last few years has made premium adequacy an issue of importance to address.

Terms for Protection & Indemnity Insurance 2021/2022

Decisions and Instructions

At the per capsulam meeting on 3 December 2020, the Board of Directors decided the following regarding premium and deductibles for the P&I policy year 20 February 2021 to 20 February 2022:

- To levy 5% general increase for the policy year 2021/2022
- 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
- Deductible to be addressed individually for owners

Premiums

All premiums are debited as advance and supplementary calls. It is anticipated that this policy year will be closed in 2024. 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 2021. The current estimated supplementary call for 2021/2022 is 0%.

Release Call

The release call for 2021/2022 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 2020 is as follows:

Year	Status	Estimated Supplementary Call	Release Call
2018/2019	Open	0%	5%
2019/2020	Open	0%	12%
2020/2021	Open	0%	15%
2021/2022	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 2021/2022 will be based on the Member's record for the five-year period 2015-2020, 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 2021/2022 will be applied to the net premium applicable for policy year 2020/2021 (gross premium less commission if applicable). Once the XS reinsurance cost for policy year 2021/2022 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 2021/2022. Thereafter the commission (if applicable) 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 2021/2022 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 2021/2022
- Lay-up conditions 2021/2022
- 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.

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