

P&I Circular

No. 2640/2018



Gothenburg : **10 December 2018**

**Protection & Indemnity
Insurance 2019/2020**

Protection & Indemnity Insurance 2019/2020

The terms for Protection & Indemnity Insurance for the 2019/2020 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

Growth rate slightly below expectations with Owners GT now at 48.5 million and Charterers at 32.6 million

The P&I portfolio has seen a minor decline during 2018/2019, attributable in large to loss of tonnage due to sanctions imposed on Iran. Nonetheless, the Association has continued to exceed the industry average growth rate for the past five years. GT has gone down by 5 % since 20 February 2018 and is flat in the last 12 months.

Combined Ratio expected to reach targeted 100%

The Association is expecting to reach its targeted combined ratio of 100 % for P&I for 2018/2019 mainly due to recoveries on old years.

Balanced budget for 2019/20 but premiums eroded

A balanced result is budgeted for 2019/2020. The Association is however mindful of premium erosion over the last few years as churn effects (disproportionate premium for new tonnage) and absence of General Increases for previous years has reduced the premium income per GT (USD/GT ratio).

Claims Trend

Frequencies - Increased during past two years

The overall rise in claims frequency, notably in respect of cargo and crew claims, has continued during policy years 2017/2018 and 2018/2019. These frequencies, however, reduce over time as the years develop and claims notifications are closed but even with this in mind frequencies are increasing.

Costs - Average claims cost down this year but benign year rather than trend

Bearing in mind that the average claim costs in previous years has been fairly stable on an overall basis, it is too early to draw any long-term conclusions on this year's decrease in costs other than it has been a benign year.

Large Claims – Increase on both frequency and costs

Frequency of claims in excess of USD 500,000, as well as average cost of such claims, have decreased for the 2017/2018 and 2018/2019 policy years. The Association estimates that the annual rate of claims inflation will run just below 3 %. Furthermore, the long-term trend of costlier large claims for the International Group is back for 2017/18 and 2018/19 following a very benign 2016/2017.

Renewals

Small changes predicted for International Group excess reinsurance

The renewal negotiations for the International Groups excess of loss reinsurance program is underhand. Minor structural changes are discussed, but we do not foresee any substantial changes to the rates.

Rationale for proposing no General Increase

The rationale for proposing a 0 % general increase is a commitment to support our members in a market that remains weak. At the same time, we need to be mindful of the fact that we have seen premium erosion for a number of years, to the extent there is a danger of the formula becoming unworkable. For the benefit of our members and the long-term future of the Club, we need to ensure premiums remain in line with exposures. Claims inflation alone runs at a pace of 3 %. The current year of P&I underwriting for the Club is expected to be balanced. Premiums will be subject to changes in Group reinsurance costs. Individual members' claims records and risk exposure will be considered in the renewal process.

Terms for Protection & Indemnity Insurance 2019/20

Decisions and Instructions

At the meeting in London on 6 December 2018, the Board of Directors decided the following regarding premium and deductibles for the policy year 20 February 2019 to 20 February 2020:

- to levy no general increase for the policy year 2019/2020
- instructed the management to contact each Member individually to discuss renewals for 2019/2020
- 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 2019/2020 policy year

Premiums

All premiums are debited as advance and supplementary calls. It is anticipated that this policy year will be closed in 2022. 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 2019/2020 is 0 %.

Release Call

The release call for 2019/2020 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 2018 is as follows:

Year	Status	Estimated Supplementary Call	Release Call
2016/2017	Open	0 %	3 %
2017/2018	Open	0 %	8 %
2018/2019	Open	0 %	15 %
2019/2020	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 2019/2020 will be based on the Member's record for the five-year period 2013-2018, 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 2019/2020 will be applied to the net premium applicable for policy year 2018/2019 (gross premium less commission if applicable). Once the XS reinsurance cost for policy year 2019/2020 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 2019/2020. 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 2019/2020 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 2019/2020
- Lay-up conditions 2019/2020
- 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.

Global ratings agency A.M. Best has awarded The Swedish Club a Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-", with a stable outlook. S&P Global Ratings (S&P) recently revised its outlook on The Swedish Club to positive from stable. It also affirmed its 'BBB+' long-term insurer financial strength and issuer credit ratings for the Club.

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.