



SPECIAL CIRCULAR

No. 15-011
24 November 2015

To the Members

Dear Sirs,

Report on the 590th Meeting of the Board of Directors

The 590th Meeting of the Association's Board of Directors was held in Tokyo on 24th November 2015 to review open policy years, to decide on the 2016 renewal and to adopt proposed alterations to the Rules of the Association. (The decisions made thereon are set out in part II.)

I. Introduction

While domestic and overseas economies are still experiencing uncertainty, a slow improvement is expected in Japan, resulting from an expansion in economic autonomy. In the shipping industry, our Members continue to face a tough business environment where the market is not yet showing any sign of improvement. Even in such difficult conditions, as at 20 October this year the total number of vessels entered with our Association has been maintained at 4,472, across 92.14 million gross tons in the aggregate, thanks to the continued support of the Members of the Association.

Turning to the claims received by the Association, in the first half of this policy year, the loss record for ocean-going vessels (mutual entries) was good. However, some relatively large claims occurred since the second half began, and the Association will be paying close attention to their future movement. Furthermore, while the loss record for coastal vessels (Naiko Class, fixed premium entries) has continued to be comparatively stable since the 2011 policy year, the situation remains in the balance, as it does for ocean-going vessels, in the light of a relatively large claim reported in the 2015 Policy Year.

Having considered various factors essential for the management of the Association in facing the continuously challenging P&I insurance market, such as our Members' difficult business environment, ensuring the soundness of the Association's income and expenditure and so on, the Board has reached the decisions set out in part II below on advance call rates, supplementary calls and release calls for the 2016 policy year.

II. Main Decisions

1. Calls and Premiums

(a) Owners' Entries

1) 2016 Policy Year

(i) Advance Call

Advance call rates will be increased by 3%. Call rates may be adjusted, where necessary, in relation to any change in the cost of the International Group Excess Loss Reinsurance Contract. In addition, Members will be individually underwritten in the light of the above adjustment, if any, and their claims record.

(ii) Supplementary Call / Release Call

The estimated supplementary call was set at 40% of advance call, and the release call at 45%.

2) Past Policy Years

(i) 2012 Policy Year

The original supplementary call estimate was 40%. In January 2014 supplementary calls of 40% were levied. The Board decided to close the year without a further supplementary call.

(ii) 2013 Policy Year

[i] Present situation

It is expected that there will not be significant change in the future.

[ii] Supplementary Call

The originally-estimated supplementary call of 40% was levied in January 2015. The board decided that a further supplementary call was not expected and the release call rate was reduced to 5%. The position on this year remains unchanged.

(iii) 2014 Policy Year

[i] Present situation

It is expected that there will not be significant change in the future.

[ii] Supplementary Call

The Board has decided that a supplementary call of 20% will be levied against the original estimated figure of 40%. The further estimated supplementary call rate was reduced to 20% and the estimated release call rate was reduced to 25%.

[iii] Due Date

20% of the above-mentioned supplementary call will be levied for payment by 29 January 2016.

(iv) 2015 Policy Year

The original supplementary call estimate was 40% and the release call was 45%. The position for this year remains unchanged.

(b) Charterers' entries

•2016 Policy Year

There will be a 5% general increase in premiums for charterers' entries.

(c) FD&D Cover

1) 2016 Policy Year

(i) There will be no general increase in advance calls for FD&D entries.

(ii) The estimated supplementary call was set at 20% of the advance call, and the release call at 25%.

2) Past Policy Years

(i) 2012 Policy Year

The original supplementary call estimate was 20%. The Board decided to close the year without a further supplementary call.

(ii) 2013 Policy Year

It is expected that there will not be significant change in the future. The estimated supplementary call of 20% and release call rates of 25% for the 2013 Policy Year remain unchanged.

(iii) 2014 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for the 2014 Policy Year remain unchanged.

(iv) 2015 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for the 2014 Policy Year remain unchanged.

※Release calls are set at 5% with no exception for any open policy year, further to a comprehensive examination of various risk factors, such as premium, market, operations, counterparty default, etc.

(d) Naiko Class entries

• 2016 Policy Year

There will be no general increase in premiums for Naiko Class entries.

2. Alterations to the Rules of the Association

Alterations to the following Rules were approved by the Board of Directors and will be effective from 20 February 2016:

Rule 19-1(6) and (8) (Liabilities in Respect of Seamen)

This alteration is to extend cover in accordance with amendments to the Maritime Labour Convention, 2006, which will be effective from January 2017.

Rule 35-1(7) (Risks Generally Excluded)

This alteration in accordance with the Pooling Agreement of the International Group of P&I Clubs is to clarify the cover for a Member's liabilities, costs and expenses incurred in respect of entered vessels carrying out drilling or production operations in connection with oil or gas exploration or production.

Rule 35-1(10) and (11) (Risks Generally Excluded)

This alteration in accordance with the Pooling Agreement of the International Group of P&I Clubs is to clarify the cover for a Member's liabilities, costs and expenses incurred in respect of the operation by submarines and professional divers where the Member is responsible for such activities.

Further information about these alterations will be reported to the Members in a Club circular to be issued in late January 2016.

Thank you.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association