



THE JAPAN SHIP OWNERS' MUTUAL PROTECTION & INDEMNITY ASSOCIATION

SPECIAL CIRCULAR

No. 16-015
22 November 2016

To the Members

Dear Sirs,

Report on the 593rd Meeting of the Board of Directors

The 593rd Meeting of the Association's Board of Directors was held in Tokyo on 22nd November 2016 to review open policy years, decide on the 2017 renewal and adopt proposed alterations to the Rules of the Association. (The decisions made thereon are set out in part II.)

I. Introduction

While there is a view that the trend of the recession in economies here and abroad was slowing down in the first half of 2016, there is still uncertainty around, including in the shipping industry, where the market is expected to remain severe in 2017. Even in such difficult circumstances, as at 20 October this year, the total number of vessels entered with our Association has been maintained at 4,412, across 91.89 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 the 2016 policy year, the loss record for ocean-going vessels (mutual entries) was good, assisted by our Members' continuous efforts for safe ship operations. Also, the loss record of coastal vessels (Naiko Class, fixed premium entries) was better than last year's, which was not favourable. However, given that the tendency of claim occurrence increased in the second half of the year, the situation remains in the balance.

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 2017 policy year.

II. Main Decisions

1. Calls and Premiums

(a) Owners' Entries

1) 2017 Policy Year

(i) *Advance Call*

There will be no general increase in advance call rates for owner's entries. 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) 2013 Policy Year

The original supplementary call estimate was 40%. In January 2015 supplementary calls of 40% were levied. The Board has decided to close the year without a further supplementary call.

(ii) 2014 Policy Year

[i] Present situation

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

[ii] Supplementary Call

The originally-estimated supplementary call of 20% was levied in January 2016 against the original estimated figure of 40%. As no significant change is expected in the future, the board decided that the further supplementary call should be changed to 0% and the release call rate to 5%, with the year remaining open.

(iii) 2015 Policy Year

[i] Present situation

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

[ii] Supplementary Call

The Board has decided that a supplementary call of 30% will be levied against the original estimated figure of 40%. The further estimated supplementary call rate was reduced to 10% and the estimated release call rate was reduced to 15%.

[iii] Due Date

30% of the above-mentioned supplementary call will be levied for payment by 31 January 2017.

(iv) 2016 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

• 2017 Policy Year

There will be no general increase in premiums for charterers' entries.

(c) FD&D Cover

1) 2017 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) 2013 Policy Year

The original supplementary call estimate was 20%. The Board decided to close the year without levying the estimated supplementary call of 20%.

(ii) 2014 Policy Year

It is expected that there will not be any significant change in the future. The estimated supplementary call of 20% and release call rates of 25% for the 2014 Policy Year remain unchanged.

(iii) 2015 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for the 2015 Policy Year remain unchanged.

(iv) 2016 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for the 2016 Policy Year remain unchanged.

※Release calls under (a) and (c) above 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

• 2017 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 2017:

Rule 2-3 (Duties of Disclosure and Notification)

Rule 10 (5) (Continuation of Insurance Contract)

Rule 11-2 (Cessation of Insurance Contract)

Rule 16-1 (5) (Maintenance of Classification and Compliance with Statutory Requirements)

This alteration is to make it clear that notice to the Association by Members of any important information, which may affect the basis of the provision of insurance by the Association, has to be made in writing.

Rule 19-1(6), (8), 2-(3), 4 and 4-(v) (Liabilities in Respect of Seamen)

This alteration is to delete the provisions relating to the Maritime Labour Convention (MLC). The Amendments (2014) to the MLC will be effective from 18 January 2017. With the entry into force of the amendments to the MLC, the provisions with regard to the MLC in the Rule will be deleted from the Rule and transferred to the Special Clause, which will be established before 18 January 2017.

Rule 25-1(a) (Liabilities in Respect of Pollution)

This alteration is to include the York Antwerp Rules (YAR) 1974 and 2016 in addition to the 1994. The YAR 2016 were adopted by the Comité Maritime International (CMI) Assembly in May 2016. After a review by the International Group of the P&I Clubs (IG), it was recognised that there is still possibility that contracts incorporating the YAR1974 and 1994 may be used. In such circumstances, the three versions of the YAR, i.e., 1974, 1994 and 2016, are withal included in the Rules.

Rule 29-2(4)(c)(i) (Cargo Liabilities)

This alteration is to clarify, in accordance with the amendments to the IG Pooling Agreement, that proper delivery is required in the case of an electronic bill of lading just as with a conventional bill of lading, and that the Member is covered for mis-delivery claims even if delivery has been made

to the person entitled to take delivery under the rules of the electronic trading system approved by the Association.

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

This alteration is to narrow, in accordance with the amendments to the IG Pooling Agreement, the drilling and production exclusion by clarifying that whether the exclusion will apply will be judged on whether the connection with and/or disconnection from the well is pursuant to a contract.

Rule 35-2(7) (Risks Generally Excluded)

This alteration is to add a new clause so that the Association can issue certificates in compliance with the MLC as amended.

Further information about these alterations will be reported to the Members in a special circular to be issued in late January 2017.

3. Amendments to STOPIA and TOPIA

The Board of Directors decided to approve the amendments to STOPIA (Small Tanker Oil Pollution Indemnification Agreement) and TOPIA (Tanker Oil Pollution Indemnification Agreement), which are voluntary private agreements to which tanker owners are a party, to complement the pollution compensation regimes under international conventions. The amendments are expected to enter into force on 20 February 2017. For further details of STOPIA and TOPIA, please refer to the previous special circular No.05-13 dated 7 February, 2006.

The outline of the amendments is as follows:

- a) Align the time period of future STOPIA and TOPIA reviews with the current ten-year review period
- b) ensure that the claims data from all STOPIA and TOPIA reviews are taken into account in future reviews; and
- c) address the real risk of future sanctions legislation that affects the ability of the P&I Clubs which are members of the IG to reimburse the 1992 Fund/Supplementary Fund under STOPIA and TOPIA

Further details about the amendments will be provided in due course.

Thank you.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association