



SPECIAL CIRCULAR

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To the Members

Report on the 599th Meeting of the Board of Directors

The 599th Meeting of the Association's Board of Directors was held in Tokyo on 27 November 2018 to review open policy years, decide on the 2019 renewal and adopt proposed alterations to the Rules of the Association. The decisions made at the Meeting are set out in "Main Decisions", below.

Introduction

Thanks to the continued support of the Members of the Association, as at 20 October this year, the total number of vessels entered with our Association has been maintained at 4,284, across 95.30 million gross tons in the aggregate,

Turning to the claims received by the Association, in the first half of the 2018 policy year, the loss record for ocean-going vessels (mutual entries) began favourably. On the other hand, the loss record of coastal vessels (Naiko Class, fixed premium entries) has not been positive. However, considering the tendency of claim occurrence to increase during the winter season, the situation remains stable.

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 "Main Decisions" below on advance call rates, supplementary calls and release calls for the 2019 policy year.

Main Decisions

1. Calls and Premiums

Owners' entries

Policy Year	Original Estimated Supplementary Call	Paid Supplementary Call	Board's Decision	Release Call
2015	40%	30%	Closed	Closed
2016	40%	30%	Further supplementary call was reduced to 0%.	5%
2017	40%	0%	40% of the supplementary call will be levied for payment by 31 January 2019.	5%
2018	40%	0%	Remain unchanged.	45%
2019	40%	-	No general increase	45%

The details of the above decisions are follows:

2019 Policy Year

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.

Supplementary Call / Release Call

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

Past Policy Years

2015 Policy Year

The original supplementary call estimate was 40%. In January 2017 supplementary calls of 30% were levied. The Board decided to close the year without a further supplementary call.

2016 Policy Year

Present situation

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

Supplementary Call

The originally-estimated supplementary call of 30% was levied in January 2018 against the original estimated figure of 40%. In view of the present situation, the board decided that a further supplementary call will be changed to 0% and the release call rate to 5%, with the year remaining open.

2017 Policy Year

Present situation

The policy year's loss record was 98.5%. It is expected that there will not be significant change in the future.

Supplementary Call

The Board has decided that a supplementary call of 40% will be levied as the original estimated figure, in view of the present situation. The further estimated supplementary call rate was reduced to 0% and the estimated release call rate was reduced to 5%.

Due Date

40% of the above-mentioned supplementary call will be levied for payment by Thursday, 31 January 2019.

2018 Policy Year

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

Charterers' entries

2019 Policy Year

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

FD&D cover

2019 Policy Year

There will be no general increase in advance calls for FD&D cover.

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

Past Policy Years

2015 Policy Year

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

2016 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 2016 Policy Year remain unchanged.

2017 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for the 2017 Policy Year remain unchanged.

2018 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for the 2018 Policy Year remain unchanged.

- * Release calls under Owners' entries and FD&D cover 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.

Naiko Class entries

2019 Policy Year

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

2. Changing the calling basis

We are considering applying the Mutual Premium system instead of our Supplementary Call system from the 2020 policy year. The Mutual Premium system may help the Members to understand total amount of calls more easily.

3. Alterations to the Rules of the Association

Alterations to the following Rules were approved to be effective from 20 February 2019:

Rule 20.2(3) (Liabilities in Respect of Passengers)

This alteration is to make it clear that the Association covers the liabilities and costs which are incurred in an act of tort, in accordance with an amendment to Pooling Agreement of the International Group of P&I Clubs (IG).

Rule 34.1, 2 & 3 (Deductibles)

This alteration clarifies the rule that the Association shall deduct any amounts as agreed between the association and the member, no matter whether the insurance contract is with fixed sum insured or not.

Rule 47 (Matters Not Stipulated in the Rules)

This alteration changes the rule on jurisdiction in order to clarify that it complies with Japanese law.

Appendix – Overspill Claims and Calls 1.1

This alteration changes the definition of the phrase “Convention Limit”, which is used to calculate overspill calls, in accordance with an amendment to the IG Pooling Agreement.

Further details of these alterations will be reported to the Members in a Club circular to be issued in late January 2019.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association