

CIRCULAR

To the Members

Report on the 602nd Meeting of the Board of Directors

The 602nd Meeting of the Association's Board of Directors was held in Tokyo on 26 November 2019 to review open policy years, decide on the 2020 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 31 October this year, the total number of vessels entered with our Association has been maintained at 4,251, across 98.83 million gross tons in the aggregate. Turning to the claims received by the Association in the 2019 policy year, the loss record for ocean-going vessels is worsening because of some significant accidents which occurred in the first half of the year, and the effects of Typhoon Faxai. On the other hand, the loss record for coastal vessels (Naiko Class, fixed premium entries) has been stable compared to last year. However, the result has not been great and we must keep an eye on forthcoming developments. Having considered the 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 2020 policy year.

Main Decisions

1. Calls and Premiums

Owners' entries

Policy Year	Original Estimated Supplementary Call	Paid Supplementary Call	Board's Decision	Release Call
2016	40%	30%	Closed	Closed
2017	40%	40%	Further supplementary call was reduced to 0%.	5%
2018	40%	0%	40% of the supplementary call will be levied for payment by 31 January 2020.	5%
2019	40%	0%	Remains unchanged.	45%
2020	40%	-	There will be a 7.5% general increase.	45%

The details of the above decisions are as follows:

2020 Policy Year

Advance Call

There will be a 7.5% general increase in advance call rates for owner's entries. In addition, call rates may be adjusted, where necessary, in relation to any change in the cost of the International Group (IG) Excess Loss Reinsurance Contract. 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

2016 Policy Year

The original supplementary call estimate was 40%. In January 2018 supplementary calls of 30% were levied. The Board has decided to close the year without a further supplementary call.

2017 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 40% was levied in January 2019. In view of the present situation, the board has decided that a further supplementary call will remain at 0% and the release call rate at 5%, with the year remaining open.

2018 Policy Year

Present situation

The policy year's loss record was 105.0%. It is expected that there will not be a significant change in the future.

Supplementary Call

The Board decided that a supplementary call of 40% will be levied, as originally estimated, 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

The above-mentioned supplementary call will be levied for payment by Friday, 31 January 2020.

2019 Policy Year

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

Charterers' entries

2020 Policy Year

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

FD&D cover

2020 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

2016 Policy Year

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

2017 Policy Year

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

2019 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for the 2019 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

2020 Policy Year

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

2. Laid-up returns

For Ongoing vessels insurance, special cover for charterers and Naiko Class insurance, if the ship, completely free from cargo, is laid-up in any safe port or place for a period of thirty or more consecutive days after finally mooring there (the period shall be computed from the day of arrival to the day of departure, one day only being excluded), a Member is entitled to a return of calls or premiums paid attributable to the period of layup for his Entered Ship by multiplying the following return rate.

- 1) 60% if the ship is laid-up with its crew on board
- 2) 75% if the ship is laid-up without its crew (excluding security personnel) on board

3. Changing the calling basis

We considered applying the Mutual Premium system instead of our Supplementary Call system from the 2020 policy year. However, we decided not to apply the Mutual Premium system in the 2020 policy year as we came to the conclusion that we should further consider the best way for the Members and the Association to change the calling basis including the transition measures and timing. We will continue to consider application of the Mutual Premium system for the 2021 policy year onwards.

4. Alterations to the Rules of the Association

Alterations to the following Rules were approved to be effective from 20 February 2020:

Rule 26. (Towage Liabilities) (1)

This alteration is to clarify the wording.

Rule 29 (Cargo Liabilities) 2.(2)

This alteration is to require that, in the case of a deviation authorized by the Member, the Member should give prior notice of the intended deviation to the Association.

Rule 30 (General Average) (1)

The purpose of this alteration is to make it clear that only where the Member claims indemnity for cargo's unpaid proportion of GA will it be necessary for the Entered Ship to have been insured by the Association under Rule 29.

Rule 34 (Deductibles) 2

This alteration is to allow flexibility based on agreement with a Members concerning the application of deductibles.

Rule 35 (Risks Generally Excluded) 1(7), (8), (13), (14), 2 (6)

The purpose of these alterations is to keep the Rules of the Association aligned with the Pooling Agreement of the International Group, which has been amended in respect of exclusions concerning specialist operations.

Rule 46 (Collection of Insurance Money)

This provision is to specify the treatment of insurance money recovered from a third party.

Further details of these alterations will be reported to the Members in a Club circular to be issued in late January 2020.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association