

CIRCULAR

To the Members

Report on the 605th Meeting of the Board of Directors

The 605th Meeting of the Association's Board of Directors was held in Tokyo on 2 December 2020. 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 30 September 2020, the total number of vessels entered with the Association has been maintained at 4,226, across 100.3 million gross tons in the aggregate.

Turning to the claims received by the Association in the 2020 policy year, the loss record for ocean-going vessels has worsened as the cost of large claims increased in the first half of the year compared to recent years. On the other hand, the loss record for coastal vessels (Naiko Class, fixed premium entries) was stable in the first half of the year compared to recent years.

Having considered the various factors essential for the management of the Association in facing the continuously challenging P&I insurance market, such as 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, supplementary call and release call rates for the 2021 policy year.

Main Decisions

1. Calls and Premiums

(1) Owners' entries

Policy Year	Original Supplementary Call Estimate	Paid Supplementary Call	Board's Decision	Release Call
2017	40%	40%	Closed	Closed
2018	40%	40%	No further supplementary call is expected, with the year remaining open.	5%
2019	40%	0%	A supplementary call of 40% due for payment by 29 January 2021.	5%
2020	40%	-	The position remains unchanged.	45%
2021	40%	-	A 10% general increase to be applied to advance call rates.	45%

The details of the above decisions are as follows:

2021 Policy Year

Advance Call

There will be a 10% general increase in advance call rates for Owners' entries. In addition, Members' rates will be adjusted as appropriate to reflect their individual claims record, as well as any changes in the cost of the International Group's reinsurance programme.

Supplementary Call / Release Call

The estimated supplementary call for this year is set at 40% of advance call, and the release call at 45% (*).

The standard deductibles will be increased as follows:

Crew	USD 5,000 each accident or occurrence (from USD 3,000)
Cargo	USD 15,000 each single voyage (from USD 10,000)
All Others	USD 10,000 each accident or occurrence (from USD 5,000)

Past Policy Years

2017 Policy Year

The originally-estimated supplementary call of 40% was made in January 2019. This year is hereby closed without a further supplementary call.

2018 Policy Year

Supplementary Call

The originally-estimated supplementary call of 40% was made in January 2020. No further supplementary call is expected and the release call rate remains at 5%, with the year remaining open.

2019 Policy Year

Present situation

The policy year's loss record is 153.8% and it is expected that there will not be a significant change in the future.

Supplementary Call

The Board has decided that a supplementary call of 40% will be made, as originally estimated. No further supplementary call is expected and the release call rate is reduced to 5%.

Due Date

Members will be invoiced for payment of the above-mentioned supplementary call by 29 January 2021.

2020 Policy Year

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

(2) Charterers' entries

2021 Policy Year

There will be no general increase in premiums for charterers' entries. However, Members will be underwritten individually to achieve a sustainable level of premiums, given the worsening loss record.

(3) FD&D cover

2021 Policy Year

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

The estimated supplementary call for this year is set at 20% of advance call, and the release call at 25% (*).

Past Policy Years

2017 Policy Year

The original supplementary call estimate was 20%. This year is hereby closed without making the estimated supplementary call of 20%.

2018 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for this year remain unchanged.

2019 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for this year remain unchanged.

2020 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for this 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, taking into account various risk factors, such as premium risk, reserve risk, catastrophe risk, market risk, counterparty default risk and operational risk.

(4) Naiko Class entries

2021 Policy Year

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

2. Laid-up returns

This provision is for Owners' entries, Charterers' entries and Naiko Class entries. 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, Members are entitled to a return of calls or premiums paid attributable to the period of layup (the period shall be computed from the day of arrival to the day of departure, one day only being excluded) for their Entered Ship by multiplying the following return rate (the rate has been reviewed and reduced from previous years):

- (1) 40% if the ship is laid-up with crew on board (from 60%)
- (2) 40% if the ship is laid-up with no crew other than for maintenance or security (from 75%)

3. Changing the calling basis: Mutual Premium system

As decided at the 602nd Meeting of the Association's Board of Directors held on 26 November 2019, we have continued to consider application of the Mutual Premium system. We will not, however, apply this system for the 2021 policy year, given the changes in the standard deductibles and the rate of laid-up returns as described above. We will continue to consider its future application.

4. Alterations to the Rules of the Association

Alterations to the following Rules were approved to be effective from 20 February 2021:

Rule 28 (QUARANTINE EXPENSES)

To make it clear that an outbreak of infectious disease "on board" is the coverage trigger.

Rule 31 (FINES) 1 (1)

The amendment is made along the lines of amendments to the Pooling Agreement.

Rule 34 (DEDUCTIBLES) 2

Where a deductible is a percentage of a covered amount and in case a limitation fund is constituted, it may be difficult to finalise the amount of the deductible, as a sum payable (deposit) would usually have interest running from the date of occurrence on top of the payment amount. This is why RULE 37 has been made an exception to RULE 34. We have a specific deductible amount, and not a percentage, for claims under most of our Rules (except for FD&D). We are therefore amending RULE 34 (2) to allow the deduction from a payment of insurance money an agreed deductible amount. The amount of the deductible will be agreed by the Association and member and will be applied to the sum of liabilities, costs and expenses in case of claims that involve limitation funds.

Rule 35 (RISKS GENERALLY EXCLUDED) 1 (6)

To make it clear that the excluded “salvage operations” include any similar operations other than the ship wreck removal.

Further details of these alterations will be reported to the Members in a Club circular to be issued in early February 2021.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association