



CIRCULAR

To the Members

Report on the 608th Meeting of the Board of Directors

The 608th Meeting of the Association's Board of Directors was held in Tokyo on 17 November 2021, to review open policy years, to decide on the 2022 renewal, and to 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 30 September 2021, the total number of vessels entered with the Association (owners' entries and Naiko/coastal class entries) has been maintained at 4,022, across 94.6 million gross tons in the aggregate.

Turning to the claims received by the Association in the 2021 policy year to date, the loss records for both ocean-going vessels and Naiko/coastal vessels have worsened compared to recent years. In addition, the adverse trend of International Group Pool claims of 2020 has continued into 2021, and the estimated cost for these claims is at the highest level ever recorded.

Given the claims situation as described above and having considered the various factors essential for the management of the Association, such as Members' difficult business environment and ensuring the soundness of the Association's income and expenditure, the Board has reached the following decisions on the 2022 renewal.

Main Decisions

1. Calls and premiums

(1) Owners' entries

Policy Year	Original Supplementary Call Estimate	Paid Supplementary Call	Board's Decision	Release Call
2018	40%	40%	Closed	Closed
2019	40%	40%	No further supplementary call is expected, with the year remaining open.	5%
2020	40%	0%	A supplementary call of 40% due for payment by 31 January 2022.	5%
2021	40%	-	The position remains unchanged.	45%
2022	40%	-	A 10% general increase to be applied to advance call rates.	45%

The details of the above decisions are as follows:

2022 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% (*).

Open Policy Years

2018 Policy Year

The originally-estimated supplementary call of 40% was made in January 2020. This year is hereby closed without a further supplementary call.

2019 Policy Year

The originally-estimated supplementary call of 40% was made in January 2021. No further supplementary call is expected and the release call rate remains at 5%, with the year remaining open.

2020 Policy Year

The claims development for this year is less favourable than expected, but it is expected that there will not be a significant change in the future.

The Board has decided that a supplementary call of 40% will be made, as originally estimated. Members will be invoiced for payment of the supplementary call by 31 January 2022.

No further supplementary call is expected and the release call rate is reduced to 5%.

2021 Policy Year

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

Changing the calculation basis of Members' loss records

From the 2022 renewal, the calculation method of Members' loss records for renewals will change from a gross basis to a net basis, i.e. reinsurance, pooling and abatement costs will be taken into account in addition to individual Members' claims. The calculation period will also change from the previous 5 policy years and the first half of the current policy year to the previous 6 years (claims in the current policy year may also be taken into account). For further details, please see a separate circular to be issued in due course.

(2) Charterers' entries

2022 Policy Year

There will be a 10% general increase in premiums for charterers' entries. In addition, Members' rates will be adjusted as appropriate to reflect their individual claims record.

(3) FD&D cover

2022 Policy Year

There will be a 10% general increase in advance call rates for FD&D cover. In addition, Members' rates will be adjusted as appropriate to reflect their individual claims record.

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

Open Policy Years

2018 Policy Year

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

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.

2021 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% for each 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

2022 Policy Year

There will be a 10% general increase in premiums for Naiko class entries, other than harbour tugs, to which a 5% increase will be applied. In addition, Members' rates will be adjusted as appropriate to reflect their individual claims record.

The standard deductibles will be increased as follows:

Crew	JPY50,000 each accident or occurrence (no change)
Cargo	JPY750,000 each single voyage (from JPY500,000)
All others	JPY200,000 each accident or occurrence (from JPY100,000)

Marine Cyber Exclusion Clause will apply to Naiko class entries from the 2022 policy year.

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 will be 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:

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

3. Changing the calling basis: Mutual Premium system

The Board has decided to apply the Mutual Premium system to Owners' entries and FD&D cover from the 2023 policy year. Further details will be announced in due course.

4. Alterations to the Rules of the Association

Alterations to the following Rules were approved to be effective from 20 February 2022.

Rule 1 (CONCLUSION OF INSURANCE CONTRACT) 10

To stipulate that the Association is entitled to refuse an application under certain conditions.

Rule 8 (DEFAULT IN PAYMENT OF CALLS AND PREMIUMS) 3 (3)

To stipulate the allocation in cases that principal, interest, and expenses should be paid.

Rule 10 (CONTINUATION OF INSURANCE CONTRACT) 1,1(4)

To stipulate that the Association may discontinue the insurance contract in the ensuing policy year if the Association and a Member cannot agree on the insurance conditions, and also to make clear such reasons as the Association may deem it justifiable to discontinue the insurance contract.

Rule 15 (JOINT ENTRY) 6

To make it clear that the limits on the cover shall apply to all insured parties in the aggregate.

Rule 21 (LIABILITIES IN RESPECT OF ILLNESS, INJURY OR DEATH OF THIRD PARTIES) 1(1), (3)

To make it clear that the person who may be landed can either be sick, injured or dead.

Rule 24 (LOSS OF OR DAMAGE TO PROPERTY)

To make it clear that the losses in connection with liabilities which a Member assumes as a result of entering into a contract with third parties and where the terms of such contract have not been approved by the Association in advance shall not be indemnified.

Rule 35 (RISKS GENERALLY EXCLUDED) 1(13)

The IG pooling agreement in respect of non-marine personnel previously set out a minimum distance between the insured vessel and an oil or gas production or exploration facility. This distance provision has now been deleted, and the clause amended such that Clubs should focus on a contractual allocation of risk, which must be approved in advance.

Further details of these alterations will be reported to the Members in a Club circular to be issued in early February 2022.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association