

CIRCULAR

To the Members

2024 Renewal and Open Policy Years

At their meeting held in Tokyo on 20 November 2023, the Association's Board of Directors reviewed open policy years and decided on the 2024 renewal.

1. Introduction

Thanks to the continued support of the Members of the Association, as at 31 October 2023, the total number of vessels entered with the Association has been maintained at 3,682, across 88.9 million gross tons in the aggregate of owners' entries and Naiko Class (Japanese coastal vessels) entries.

For the 2023 renewal, a general increase of 10% was applied to owners' entries, charterers' entries and FD&D. As for Naiko Class entries, total premium increased by 15% after Members' rates were adjusted to reflect their individual claims record. Also for owners' entries, a 25% of unbudgeted supplementary call was made for each of the 2020 and 2021 policy years, when there were significant deteriorations in loss records. These measures were taken to improve the balance of income and expenditure and ensure the soundness of the financial base. As a result of these, the Association's reserve, which had fallen significantly in 2021, was restored to JPY 27.44 billion as at 31 March 2023. We would again like to thank Members for their cooperation with these measures.

While claims for the 2023 policy year have been developing at a relatively favourable level, the Association had one pool claim for owners' entries in the first half of the 2023 policy year and one large claim exceeding JPY 300 million for Naiko Class entries in the second half. Careful attention will be given to future claims development.

Although progress has been made in restoring underwriting balance over the past years, premium levels are still inadequate. Further, the business environment surrounding the Association remains uncertain and challenging, including continued inflationary pressures on claims costs and war risks such as the Russia-Ukraine war.

Having recognised that overall rate increases are still required to ensure sustainable underwriting in the future, the Board reached the following decisions. We would be grateful for the Members' understanding and support.

2. Owners' entries

Policy Year	Original Supplementary Call Estimate	Supplementary Call charged	Board's Decision	Release Call
2020	40%	65%	Closed.	Closed
2021	40%	65%	No further supplementary call is expected, with the year remaining open.	5%
2022	40%	0%	A supplementary call of 40% due for payment by 31 January 2024.	5%
2023	-	-	The position remains unchanged.	3.5%
2024	-	-	A 7.5% general increase to be applied to mutual premium rates.	3.5%

The details of the above decisions are as follows:

2024 Policy Year

There will be a 7.5% general increase in mutual premium rates for owners' entries, including additional covers. 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.

Release Call

The release call is set at 3.5% of mutual premium (*).

Open Policy Years

2020 Policy Year

The originally-estimated supplementary call of 40% was made in January 2022. However, the expected ultimate loss for this year deteriorated as the year developed. To address this, an unbudgeted supplementary call of 25% of advance calls was collected. As a result of this, the loss ratio for this year became 101.2%. This year is hereby closed without a further supplementary call.

2021 Policy Year

As the expected ultimate loss for this year deteriorated as the year developed, an unbudgeted supplementary call of 25% of advance calls was collected in addition to the originally-estimated supplementary call of 40%. As a result of this, the loss ratio for this year became 100.05%. No further supplementary call is expected and the release call rate remains at 5%, with the year remaining open.

2022 Policy Year

Claims for this year have been developing as expected and it is expected that there will not be a significant change in the future. The Board has accordingly 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 2024.

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

2023 Policy Year

At this stage there is no change in the mutual premium rate and the release call rate of 3.5% for this year.

3. Naiko Class entries

2024 Policy Year

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

4. Charterers' entries

2024 Policy Year

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

5. FD&D cover

2024 Policy Year

There will be no general increase for FD&D cover. Members' rates will be adjusted as appropriate to reflect their individual claims record.

The release call is set at 3.5% of mutual premium (*).

Open Policy Years

2020 Policy Year

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

2021 Policy Year

The original supplementary call estimate of 20% and the release call rate of 25% for this year remain unchanged.

2022 Policy Year

The original supplementary call estimate of 20% and the release call rate of 25% for this year remain unchanged.

2023 Policy Year

At this stage there is no change in the mutual premium rate and the release call rate of 3.5% for this year.

- * Release calls under owners' entries and FD&D cover above are set 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. The release calls for 2021 and 2022 policy years are set at 5% of each supplementary call, and for 2023 and 2024 at 3.5% of mutual premium.

6. 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/place for a period of 30 or more consecutive days after finally mooring there, Members are entitled to a 40% return of premiums paid attributable to the period of lay-up (the period shall be computed from the day of arrival to the day of departure, one day only being excluded).

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association