

Circulars

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To the Members

Dear Sirs,

Report on the 596th Meeting of the Board of Directors

The 596th Meeting of the Association's Board of Directors was held in Tokyo on 30 November 2017 to review open policy years, decide on the 2018 renewal and adopt proposed alterations to the Rules of the Association. The decisions made thereon are set out in part II.

I. Introduction

The world economy is growing solidly, and the shipping industry in general is also gradually recovering, but not across the board; some sectors are still in a difficult situation. In such circumstances, as at 20 October this year, we are pleased to report that the total number of vessels entered with our Association has been maintained at 4,345, across 93.92 million gross tons in the aggregate, thanks to the continued support of the Members of the Association.

Turning to the claims received by the Association, the first half of the 2017 policy year saw a favourable claims trend for ocean-going vessels (mutual entries), continuing from last year. However, since the middle of this year, the loss record has worsened due to some large claims. On the other hand, the claims trend for coastal vessels (Naiko Class, fixed premium entries) has been positive, better than last year's. That said, close attention should be paid as the tendency of claims occurrence increases during the winter season in the Northern Hemisphere.

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 part II.1 below on advance call rates, supplementary calls and release calls for the 2018 policy year.

II. Main Decisions

1. Calls and Premiums

(a) Owners' Entries

1) 2018 Policy Year

(i) 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.

(ii) Supplementary Call / Release Call

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

2) Past Policy Years

(i) 2014 Policy Year

The original supplementary call estimate was 40%. In January 2016 supplementary calls of 20% were levied. The Board has decided to close the year without a further supplementary call.

(ii) 2015 Policy Year

[i] Present situation

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

[ii] Supplementary Call

The originally-estimated supplementary call of 30% was levied in January 2016 against the original estimated figure of 40%. As no significant change is expected in the future, the Board decided that the further supplementary call should be changed to 0% and the release call rate to 5%, with the year remaining open.

(iii) 2016 Policy Year

[i] Present situation

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

[ii] Supplementary Call

The Board has decided that a supplementary call of 30% will be levied against the original estimated figure of 40%. The further estimated supplementary call rate was reduced to 10% and the estimated release call rate was reduced to 15%.

[iii] Due Date

30% of the above-mentioned supplementary call will be levied for payment by 31 January 2018.

(iv) 2017 Policy Year

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

(b) Charterers' entries

2018 Policy Year

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

(c) FD&D Cover

1) 2018 Policy Year

(i) There will be no general increase in advance calls for FD&D entries.

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

2) Past Policy Years

(i) 2014 Policy Year

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

(ii) 2015 Policy Year

It is expected that there will not be any significant change in the future. The estimated supplementary call of 20% and release call rates of 25% for the 2015 Policy Year remain unchanged.

(iii) 2016 Policy Year

The estimated supplementary call of 20% and release call rates of 25% for the 2016 Policy Year remain unchanged.

(iv) 2017 Policy Year

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

*Release calls under (a) and (c) 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.

(d) Naiko Class entries

2018 Policy Year

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

2. Alterations to the Rules of the Association

Alterations to the following Rules were approved to be effective from 20 February 2018:

Rule 10(2) (Continuation of Insurance Contract)

Rule 16.2 & 3 (Maintenance of Classification and Compliance with Statutory Requirements)

This alteration is to make it clear that the Association may cancel the contract of insurance if the Entered Ship ceases to be classed or qualified with a Classification Society or other equivalent and competent organisation approved by the Association.

Rule 19.1(1)(e) (Liabilities in Respect of Seamen)

This alteration is to add a new subparagraph providing for coverage of costs and expenses for which the Member is socially responsible, subject to prior approval by the Association.

Rule 25.1 (Liabilities in Respect of Pollution)

The alterations are (1) to clarify the source of escape or discharge of pollutants, and (2) in accordance with an amendment to the IG Pooling Agreement, to adopt a generic reference to the York Antwerp Rules without reference to any specific version.

Rule 30(1) (General Average)

This alteration is to amend the wording.

Further details of these alterations will be reported to the Members in a Club circular to be issued in late January 2018.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association