

P&I Circular

No. 2673/2021



Gothenburg : **9 December 2021**

**Protection & Indemnity
Insurance 2022/2023**

Protection & Indemnity Insurance 2022/2023

The terms for Protection & Indemnity Insurance for the 2022/2023 policy year are outlined in this circular. The Association will continue to make comprehensive insurance cover available to suit the needs of individual members at rating and deductible levels reflecting exposure.

Update

Business Development

Stable Growth

During current policy year the Club's portfolio has experienced a stable and positive growth. The Club has for five consecutive years exceeded the industry average growth rate. The club currently insures around 1550 vessels for owners P&I. Total Owners GT is now at 61 million (52 million), with an additional 32 million (33 million) GT of Charterers' entries.

Combined Ratio

The Club had a P&I combined ratio well above 100% in 2020, and with a claims level in 2021 beyond what was expected an even higher combined ratio is anticipated. Approaching the end of the policy year, it is becoming clear that 2021 deficits in the P&I market are likely to be the worst since early 1990's. Whilst exposures in relation to environmental, crew and third parties have continued to rise, the premium level has clearly fallen behind.

Budget for 2022/2023 – premium adequacy must be addressed

Mindful that premium levels were not sufficient to cover expected claims, the Club budgeted for a negative result in 2021/2022. In order to bring premiums to a sustainable level, price correction by means of a general increase is therefore needed. The gap between premium level and expected claims will, however, need time to fully correct, wherefore the Club will budget for a deficit also in 2022/2023.

Claims Trend

Claims frequency and severity

The overall frequency of claims remains stable, however, the Club has seen a notable increase in claims frequency in respect of large claims. In addition, Covid-19 related claims have impacted the Club substantially. As for average cost of claims an increase can be noted, in particular for claims in excess of USD 500,000. It is estimated that the annual claims inflation is about 3%.

Pool claims

The policy years 2018-2020 have been some of the worst years in history for the International Group Pool in terms of cost. The policy year 2021 has experienced a somewhat lower frequency, however, a substantial increase in severity of Pool claims. The 20 August 2021 level is the highest outcome experienced during the interval 2005-2021, which has had a negative impact on the Group Clubs and captive vehicle Hydra.

Reinsurance

Hydra

The International Group captive reinsurance arrangement Hydra provides cover for all claims between USD 30–100 million plus a USD 100 million Annual Aggregate Deductible for claims in excess of USD 100 million. As claims outpaced premiums with a wide margin for the first 6 months of 2021, the contingency capital of Hydra went below statutory requirements. This triggered a mandatory replenishment/injection of capital from the Clubs of USD 240 million whereof the Clubs' share was USD 12 million. Premium level for Hydra is anticipated to increase by 30-40% in 2022/2023.

International Group Excess of Loss programme

The International Group Excess of Loss reinsurance programme provides cover for claims between USD 100 and USD 3.1 billion in different layers. The reinsurance programme comes out of a two-year fixed agreement with a substantial loss to reinsurers, where claims for the first layer is already about twice as high as premiums for the full period. Reinsurers are likely to look for a premium increase of 30-40% together with exclusions for communicable diseases and cyberattacks. Such exclusions are however problematic as International Group Clubs are obliged to provide cover in accordance with international conventions not allowing for such exclusions. A solution will be constructed, most likely with sub-limits.

Renewals

Rationale for General Increase

After four years without general increases (2016-2019) and with 5% general increase at last two renewals, the Club now finds itself in a situation where the current premium is insufficient to meet the expected claims for the policy year. The cost for environmental, crew and third-party liabilities continues to rise at a fast pace and premium levels need to be adjusted accordingly. With the above in mind, the Board of Directors has decided on a 12.5% General Increase for the policy year 2022/2023.

Terms for Protection & Indemnity Insurance 2022/2023

Decisions and Instructions

At the per capsulam meeting on 9 December 2021, the Board of Directors decided the following regarding premium and deductibles for the P&I policy year 20 February 2022 to 20 February 2023:

- To levy a 12.5% general increase for the policy year 2022/2023
- Instructed the management to contact each Member individually to discuss renewals
- The new call will be adjusted by any changes in the International Group's reinsurance cost. The call will also reflect the true exposure of the Club's retention, as well as estimated contributions to pool claims, together with an assessment of the Member's records
- Deductible to be addressed individually for Members

Premiums

All premiums are debited as advance and supplementary calls. It is anticipated that this policy year will be closed in 2025. The Board decided that the premium will be debited in four instalments: at inception on 20 February, 20 May, 20 August and 20 November. The premium will be based on Gross Tonnes (GT) as per the International Convention on Tonnage Measurements of Ships 1969.

Supplementary Call

Any supplementary call for this year will initially be decided upon in 2022. The current estimated supplementary call for 2022/2023 is 0%.

Release Call

The release call for 2022/2023 is presently set at 15%. Members should be aware that, even if a release call has been paid, the Association retains the right to make overspill calls as per the P&I Rules (Rule 24).

The current position of open years as decided by the board in December 2021 is as follows:

Year	Status	Estimated Supplementary Call	Release Call
2019/2020	Open	0%	5%
2020/2021	Open	0%	15%
2021/2022	Open	0%	15%
2022/2023	Open	0%	15%

The release call percentages reflect an assessment of the risk that it could become necessary for the Association to levy an unbudgeted supplementary call. The assessment is made by examining the factors set out in the International Group Agreement, notably premium risk, catastrophe risk, reserve risk, counterparty risk, market risk and operational risk.

Renewals

The premium for 2022/2023 will be based on the Member's record for the five-year period 2016-2020, including the current year, if adverse. Daily updated records and claims summaries are made available in SCOL (Swedish Club OnLine), accessible through the Association's website.

Application of General Increase and adjustments for records

The announced General Increase and adjustments for records relevant to policy year 2022/2023 will be applied to the net premium applicable for policy year 2021/2022 (gross premium less commission if applicable). Once the excess reinsurance cost for policy year 2022/2023 is known, the old excess reinsurance cost will be taken out of the new net premium and replaced with the new cost of the

excess reinsurance applicable for policy year 2022/2023. Thereafter the commission (if applicable) will be calculated/added and the new gross premium will be fixed.

Payment of Premium

Premiums are to be paid in accordance with the enclosed "Procedures for Payment of Premium".

Limit of Liability

The overall liability of the Association for 2022/2023 is, unless otherwise stated in the Policy or in the P&I Rules, limited to a maximum collection of a 2.5% contribution for each entered vessel, based on the International Convention on Limitation of Liability for Maritime Claims 1976, property claims Article 6 paragraph 1(b), in excess of reinsurance jointly placed by the International Group. (See also current P&I Rules, "Appendix"). The limit of liability for Oil Pollution is USD 1 billion. In respect of P&I Excess War Risk Cover, the limit is USD 500 million, and in respect of war liabilities arising from Bio-Chem etc., the limit is USD 30 million. For passenger and seaman risks, the limit is USD 3 billion with a sub-limit of USD 2 billion for passenger claims only.

Lay-up Returns

Applications for lay-up returns will be considered subject to the attached lay-up conditions.

Special covers

Further information of reinsurance, special covers, US trading etc., will be provided prior to the new Policy Year.

Yours faithfully,



Lars Rhodin

Enclosures:

- P&I Rule changes 2022/2023
- Lay-up conditions 2022/2023
- Procedures for payment of premium



About The Swedish Club

The Swedish Club is a leading marine mutual insurer, headquartered in Gothenburg, Sweden, with offices in Piraeus, Hong Kong, Tokyo, Oslo and London.

The Club, established by shipowners in 1872, is owned, self-managed and under the direct control of its members. We are a true mutual organisation with a focus on marine safety and loss prevention, with a commitment to furthering an enhanced safety culture at sea.

The All-in-One Club

Protection & Indemnity

The Swedish Club is a member of the International Group of P&I Clubs and offers full mutual cover on a Group basis. Having handled complex P&I matters for more than a century the Club has gained extensive experience in large casualty response.

Hull & Machinery

Offering good relationships and close cooperation with our members, we can provide on-site assistance from our in-house surveyors and technical experts. Our team of in-house adjusters offers time and cost benefits to both our members and the Club.

Other Insurance Products

The Swedish Club offers a full range of insurance solutions for every area of your business. These include Freight Demurrage & Defence and Energy & Offshore insurance, in addition to specialist products such as Kidnap & Ransom and War Risks.

Loss Prevention

Loss prevention is at the heart of everything we do. We deliver a wide range of loss prevention initiatives, training and information, including the Club's Emergency Response Training, Loss Prevention Guides, benchmarking and campaigns. More information can be found at www.swedishclub.com/lossprevention.

The Swedish Club Academy

In conjunction with The Swedish Club Academy we offer our members the benefits of the Maritime Resource Management (MRM) course. Designed to minimise the risk of incidents by encouraging safe and responsible attitudes, the Academy specialises in human factors training and related services for those who have marine safety, efficiency and job satisfaction as their main priorities.

Marine Insurance Courses

Our popular Marine Insurance Course and Marine Insurance Seminars are offered yearly to members around the world and cover the essential aspects of marine insurance, ranging from terms and conditions to the practical handling of claims and loss prevention.

SCOL - Swedish Club OnLine

Supporting you 24 hours a day, SCOL is a modern intelligence platform which adapts to your needs and helps inform decision making. Your gateway to The Swedish Club, it provides a comprehensive overview of your insurances and claims records at the touch of a button.

www.swedishclub.com