



中国船东互保协会

China Shipowners Mutual Assurance Association

11th December 2024

TO THE MEMBERS

Renewal 2025 Policy Year

As the renewal of the 2025 policy year approaches, for the purpose of providing first quality service to all Members and concluding a smooth renewal, the Managers would like to draw the Members' attention to the following factors regarding upcoming renewal:

In the first half of 2024 policy year, there has been significant increase in terms of the number of claims and ceiling amount of claims losses compared to same period of last policy year as a result from negative claims deterioration trend

In 2024, geopolitical tension has become increasingly complicated and volatile. The Russia-Ukraine conflict and the Palestine-Israel conflict continue. The increasing level of risk in the Red Sea trade route makes a large number of ships re-routing Cape of Good Hope which leads to a rise of the number of incidents and claims. High inflation rates in major economies have not been suppressed, also raising the cost of attritional claims.

The number of Pool Claims, i.e., claims of single event amount exceeding US\$10m, reported to increase in comparison to recent two policy years. Several cases of falling containers, collisions, pollution, damage to port and wreck removal have brought a substantial increase in Pool claims, including the one where "Dali" collided with and collapsed Baltimore Bridge.

For 2025 Renewal, all member clubs of the International Group announced general increases in both rating and deductibles. As per current reinsurance arrangement by the Association, the overall reinsurance costs are anticipated to increase.

The rapid growth of P&I market alongside delivery of significant tonnages from large newbuilds makes "churn effect" on premiums under spotlight. Question mark remains whether current premium rating level would catch up with claims deterioration.

In 2024, AM Best affirmed the Association an A- (Excellent) Financial Strength Rating which underlines the Association's robust financial stability and strength in insurance sector. The positive rating result not only confirms the Association's financial steadiness but also enhances its global standing. To maintain this rating, the Association must ensure operational stability and financial equilibrium in its insurance activities.

The Board of the Association has decided to set an ETC Discount of 20% again for 2025 policy year. The decision was made based on a positive investment return, which is essential support



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for the Association to continue providing this discount to its members. The ETC Discount policy, which has been carried out for 23 years consecutively, exemplifies the advantage of mutuality of P&I clubs in helping members reduce insurance costs.

As outlined above, in accordance with Rule 21 of the Rules of the Association, renewal policy has been determined for the 2025 policy year as following:

1. Owners P&I Entry 2025

A general increase of 5% has been set to apply to ETC rates. A release call of 15% should apply to ETC rate. In addition, all deductibles will increase by a minimum of US\$2,000 across board.

After applying 5% general increase, rates and terms will be further adjusted to reflect individual Members' claims records and risk exposure in past six policy years. Members with adverse loss records will consequently have their rates and terms adjusted in excess of these minimum requirements to ensure they make a fair contribution to mutuality.

In addition, any change in the cost of the International Group reinsurance program will be passed on to the mutual Members.

2. Loss Ratio Calculation

When calculating the P&I loss ratio, the maximum total claims amount for each case will be abated as US\$ 3 million (Abated Claims). That is, if the total claims amount of a case exceeds US\$ 3 million, only US\$ 3 million will be counted; if it is less than US\$ 3 million, it will be calculated based on its actual total claim amount. Any claim amount over USD 3 million in each single claim and other expenses of the Association will be shared by entire membership as total outgoings for the calculation of their individual loss ratios.

3. Charterers' Entry 2025

A general increase of 5% has been set to apply to the fixed premium rates for charterers' entry. Rates and terms will be further adjusted to reflect individual members' claims record and risk exposure in past six policy years.

4. FD&D Entry 2025

A general increase of 5% has been set to apply to ETC rates for FD&D entry. A release call of 15% should apply to the ETC rate. Rates and terms will be further adjusted to reflect individual members' claims record and risk exposure in past six policy years.

5. Marine Delay Insurance Entry 2025



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A general increase of 5% has been set to apply to ETC rates for Marine Delay Insurance. A release call of 15% should apply to the ETC rate. Rates and terms will be further adjusted to reflect individual members' claims record and risk exposure.

6. No Renewal for Members with Outstanding Premium

As of 20th February 2025, where a member fails to pay the Association any premium or any other sum due, unless otherwise agreed by the Managers, any and all ships of the Member shall not be renewed, the Managers will notify other P&I clubs and relevant parties concerned of the Member's non-payment record.

7. Condition Survey

As of 20th February 2025, any ship that has failed to meet the Managers' requirement to undergo a condition survey or a follow-up condition survey, or to rectify the defects listed in the Surveyor's report, shall not be renewed unless otherwise agreed by the Managers.

8. Payment Arrangement

The Estimated Total Calls or fixed premium of the 2025 policy year shall be collected in three installments as follows:

- 40% due on 20th March 2025;
- 30% due on 20th July 2025;
- 30% due on 20th November 2025

Yours faithfully,

China Shipowners Mutual Assurance Association

