



## 中国船东互保协会

China Shipowners Mutual Assurance Association

4th December 2023

TO THE MEMBERS

### **Renewal 2024 Policy Year**

As the renewal of the 2024 policy year approaches, for the purpose of providing better service to all Members and in order to conclude a smooth renewal, the Managers would like to draw the Members' attention to the following factors regarding the upcoming renewal:

In the first half of the 2023 policy year, there has been an increase in the number of claims and the amount of losses compared to last year. However, larger claims are performing better than those in the 2020 and 2021 policy years.

In recent years, geopolitical tension has become increasingly complicated and volatile. The ongoing Russia-Ukraine conflict and the current conflict between Palestine and Israel have casted shadows on the shipping trade and consequently made the marine insurance market more unpredictable, particularly for P&I insurance, which covers liabilities arising from the global shipping trade.

The sustained high inflation rate on a global scale continues to put pressure on the consumer market. Consequently, a rise in loss is gaining momentum. On the other hand, the abnormal fluctuations in the exchange rates between the US dollar and Chinese Yuan have affected the dollar-denominated reserves of the Association, resulting in certain exchange losses.

The number of Pool Claims, i.e., claims of single event amount exceeding US\$10m, reported for the 2022 policy year has dropped significantly, which is deemed to be an ease for the International Group of P&I Clubs after five years of constant heavy losses, whilst most members of the International Group Clubs are experiencing a recession in investment returns which results in a shrunk of free reserve in comparison to that of the last policy year.

For the 2024 Renewal, most members of the International Group Clubs announced a relatively moderate general increase, while a few of them went further to increase their deductibles. As per the current reinsurance arrangement of the Association, overall reinsurance costs are anticipated to increase.

The so-called "churn effect" on premiums is still a spotlighted issue with the Association's current underwriting result. From a technical perspective, the question mark remains whether the current premium rating level would substantially catch up with claims deterioration and increasing claims frequency.





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On 1st September 2023, AM Best affirmed the Association an A- (Excellent) Financial Strength Rating which underlines the Association's robust financial stability and strength in the insurance sector. The rating not only confirms the Association's financial steadiness but also enhances its standing globally. To maintain this rating, the Association should ensure operational stability and financial equilibrium in its insurance activities.

The Board of the Association has decided to set the ETC Discount at 20% for the 2024 policy year. This decision is based on a positive and stable investment return, which is essential for the Association to provide this discount to its Members. The ETC Discount is a long-term policy that exemplifies the mutual advantage of P&I clubs in order to help members reduce insurance costs.

As outlined above, in accordance with Rule 21 of the Rules of the Association, the following renewal policy has been determined for the 2024 policy year:

## 1. Owners P&I Entry 2024

A general increase of 5% has been set to apply to the ETC rates. A release call of 15% should apply to the ETC rate. This adjustment will be applicable to all mutual P&I Members, irrespective of their past record and performance.

In addition, all deductibles will increase by a minimum of US\$2,000 per deductible.

After applying the 5% general increase and the minimum US\$2,000 per deductible increase, rates and terms will be further adjusted to reflect individual Members' claims records and risk exposure in the 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 an equitable 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. Charterers' Entry 2024

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 the past six policy years.

## 3. FD&D Entry 2024

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 the past six policy years.

## 4. Commission of Insurance Brokers

For any Member who concludes the renewal contract with the Association through the Member's



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appointed insurance brokers, the Member's loss ratio calculation will be based on the net premium after deducting broker commissions.

### 5. No renewal for Members with outstanding premium

As of 20th February 2024, 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.

### 6. Condition Survey

As of 20th February 2024, 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.

### 7. Payment Arrangement

The Estimated Total Calls or fixed premium of the 2024 policy year shall be collected in three installments as follows:

- 40% due on 20th March 2024;
- 30% due on 20th July 2024;
- 30% due on 20th November 2024.

Yours faithfully,

**Song Chunfeng**  
Managing Director

