

CHAIRMANS REPORT

I am pleased to present my ninth Chairman's Report.

For the year ended 30 June 2019 PAMIA recorded a deficit of £0.057m, compared to a deficit of £0.155m for the thirteen months in the previous period.

The deficit reduced PAMIA's free reserves (the capital PAMIA holds in excess of its liabilities) to £15.654m. Free reserves for regulatory capital purposes, which are determined on a different basis, were £15.040m, £9.398m in excess of PAMIA's regulatory capital requirement of £5.642m. PAMIA's Business Plan requires it to aim to hold free reserves for regulatory capital purposes of between £5m and £7.75m in excess of its regulatory capital requirement. At the year end the excess was £1.648m above the top end of the target range. At the 2018 renewal, PAMIA had taken action to bring the free reserves back into the target range by reducing premium rates and increasing the deferral, with the aim of incurring a deficit in the financial period to 30 June 2019. That aim has been achieved, but free reserves remain above the top end of the target range. Therefore, further action was taken at the 2019 renewal to deliver a reduction in premium income. This was done by maintaining premium and deferral rates in the expectation that this would help to generate a further deficit which would in due course bring the free reserves back into the target range.

The Board will continue to consider taking appropriate action to lower the free reserves. However, it will exercise caution, because reinsurance premiums may go up, as a result of the hardening of the insurance market, and the regulatory capital requirement may go up, if PAMIA is successful in expanding its business to insure patent attorneys in Canada.

For the year ended to 30 June 2019 PAMIA recorded a gain of 3.13% (2018: 2.22%) on its investments, which amounted to £0.569m (2018: £0.254m). Investment returns were higher than in the previous financial year, PAMIA's Business Plan targets medium term returns in excess of CPI inflation and such returns are being achieved.

The amount PAMIA paid out in claims decreased from £0.345m to £0.279m. The net reserves set aside for claims increased from £4.942m to £5.333m. This provision reflects PAMIA's assessment of the likely future cost of claims on notifications made to PAMIA, and has been reviewed by PAMIA's actuaries and Auditors.

Reinsurance is an important tool used by PAMIA to reduce its risk exposure. For the 2018 Policy Year PAMIA was able to negotiate the same reinsurance cover for the same premium as in 2017, with an improvement in the stop loss element of cover.

In the financial period to 30 June 2019 premium income decreased by 0.2%. This reflected the action taken by the Board to reduce premium income to seek to achieve a deficit in the financial year.

In my last three reports I mentioned that, following an approach from the Intellectual Property Institute of Canada, PAMIA was considering extending membership eligibility to patent and trade mark attorneys in Canada. Work is ongoing into considering the feasibility of expanding into Canada and the Board is open to considering the possibility of offering insurance to patent attorneys and trade mark attorneys in other compatible jurisdictions with a view to PAMIA being in a position to offer cover to Canadian patent attorneys from 2021. The final decision on international expansion, if considered appropriate by the Board, would rest with the Members.

CHAIRMANS REPORT (continued)

I am aware that some Members experienced difficulties purchasing excess layer cover at the 2019 renewal. Although this cover is not provided by PAMIA, the Board does want to help try and ensure that appropriate cover is available to Members. Therefore, the Board is reviewing with Thomas Miller (the Managers) and insurance consultants the arrangements that are in place to offer this cover to Members and measures which may be put in place to seek to ensure that the process runs more smoothly in the future.

Daniel Wise of Carpmaels & Ransford was elected to the Board at the AGM in 2019 and has joined the Claims Committee.

Being a Director of PAMIA is a demanding, unpaid role and I wish to thank all my fellow Directors for their hard work and dedication to ensuring that PAMIA continues to provide strong protection for our profession.

I would also like to thank Thomas Miller and Willis for the consistently excellent service they provide to PAMIA.

Alice Findlay
Chairman
4 October 2019