

CHAIRMAN'S REPORT

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

In the thirteen months to 30 June 2018 PAMIA recorded a deficit of £0.155m, compared to a surplus of £1.870m for the twelve months in the previous year.

The deficit reduced PAMIA's free reserves (the capital PAMIA holds in excess of its liabilities) to £15.711m. Free reserves for regulatory capital purposes, which discount the value of PAMIA's assets to take account of factors such as market risk, were £15.101m, and £9.828m in excess of PAMIA's regulatory capital requirement of £5.273m. PAMIA's Business Plan requires it to aim to hold free reserves for regulatory capital purposes between of £5m and £7.75m in excess of its regulatory capital requirement. At the year end the excess was £2.078m above the top end of the target range. At the 2017 renewal, PAMIA took action to seek 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 2018. That aim has been achieved, but free reserves remain above the top end of the target range. Therefore, further action was taken at the 2018 renewal to deliver a reduction in premium income, 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.

In the thirteen months to 30 June 2018 PAMIA recorded a gain of 1.68% (2017: 11.68%) on its investments, which in money terms amounted to £0.368m (2017: gain of £2.229m). Investment returns were lower than in the previous financial year, because there was no repeat of the significant reduction in the value of sterling against the US dollar and euro and equity returns were lower. PAMIA's Investment Policy targets medium term returns in excess of CPI inflation and such returns are being achieved.

The amount PAMIA paid out in claims increased from £155k to £346k. The net reserves set aside for claims increased from £4.62m to £4.92m. This provision reflects PAMIA's assessment of the likely future cost of claims on notifications made to PAMIA, and has been reviewed by the Managers' actuaries and PAMIA's auditors.

Reinsurance is an important tool used by PAMIA to reduce its risk exposure. For the 2017 Policy Year PAMIA was able to negotiate improved reinsurance cover, limiting the aggregate net cost of all claims to PAMIA on the 2017 Policy Year to £2.3m, down from £2.5m in 2016. The premium remained the same for this improved protection, which was effectively a reduction in view of the fact that the 2017 Policy Year was thirteen months, instead of the normal twelve.

In the financial period to 30 June 2018 premium income decreased by 0.5%. 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 two 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. The final decision on international expansion, if considered appropriate by the Board, would rest with the Members.

Graham Lambert of Haseltine Lake was elected to the Board at the AGM in 2018 and has joined the Investment Committee. The Board will be nominating Daniel Wise of Carpmaels & Ransford to be elected as a Director at the AGM in 2019.

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
10 October 2018