

CIRCULAR

OUTLINE

- Group reinsurance rates reduced for all tonnage categories
- Individual Club retention to remain at US\$10 million
- The Group Pool retention to remain at US\$80 million
- Hydra has maintained its participation on the first layer
- Oil pollution cover limit set at US\$1 billion for the 2017 policy year

TO THE MEMBERS

2017 POLICY YEAR

Pooling arrangements for 2017

For the 2017 policy year, the Club retention will remain US\$10 million. The Group Pooling retention will remain unchanged at US\$80 million and continues to be insured by the Group captive, Hydra, and pre-funded by a premium contribution from each club. This premium is included in the reinsurance rates.

Reinsurance arrangements

The Group reinsurance rates (per gt) will be charged to Members for 2017 as follows:

Tonnage Category	2017 rate per gt	% change from 2016
Dirty Tankers	US\$0.5955	-9.32
Clean Tankers	US\$0.2675	-5.01
Dry Cargo Vessels	US\$0.4114	-9.32
Passenger Vessels	US\$3.3319	-5.00

Hydra

Currently, the layer from US\$80 million to US\$100 million is reinsured 75% by Hydra and 25% by the first layer of the market GXL placement. From February 2017, Hydra will absorb the 25% market share in this layer and will therefore reinsure 100% of the layer. Hydra also currently reinsures 60% of the layer from US\$100 million to US\$120 million and, from February 2017, will reduce this participation to 30%, with the remaining 30% being absorbed by the market GXL placement. The objective of these changes is to simplify the current Group reinsurance programme structure through the introduction of a “flat” attachment for the GXL and private placements at US\$100 million.

MLC cover

As part of the solution developed by the Group clubs to assist and meet shipowners' certification requirements under the financial security provisions of the Maritime Labour Convention which will enter into force in January 2017, the Group clubs have collectively arranged a market reinsurance cover (US\$190 million excess of US\$10 million) at a competitive cost which will be included within the overall reinsurance cost for allocation at 20 February 2017.

Overspill Reinsurance

If a claim were to exceed US\$2,100 million, i.e. the limit of the Group's excess of loss contract, the excess or overspill is pooled amongst the International Group Clubs. The overall Group Pool limit for such an overspill claim remains unchanged at 2.5% of the Property Limitation fund under the 1976 Limitation Convention of all ships entered in the International Group Pool Clubs. Mutual Members remain ultimately liable to pay an overspill call up to a maximum of this limit for each entered ship, in accordance with Rule 22 of the Rules of the Association. For the 2017 policy year, the Group has once again purchased reinsurance protection on behalf of each club for an overspill claim of up to US\$1,000 million. This reinsurance will be available to all Group clubs to reduce the need to make an overspill call on their members.

Oil pollution limit

The Board has determined in accordance with Rule 5B(ii) that with effect from 12 noon GMT on 20th February 2017 the limit of the Association's aggregate liability for claims in respect of oil pollution shall remain US\$1,000 million each event in respect of each ship entered by or on behalf of an owner not being a charterer other than a demise or bareboat charterer.

Passenger/Crew limits

In accordance with Rule 5B(iii), the Association's aggregate liability for any and all claims is limited to US\$2,000 million each event in respect of liability to Passengers and to US\$3,000 million each event in respect of liability to Passengers and Seamen, in respect of each ship entered by or on behalf of an Owner not being a charterer other than a demise or bareboat charterer.

War risks P&I

Details of the Club's special war risks P&I excess cover for the 2017 policy year will be provided in a forthcoming circular.

US oil pollution surcharge

This surcharge will remain at nil for the 2017 policy year and, therefore, no requirement to make any declarations under this scheme.

Yours faithfully

THOMAS MILLER (BERMUDA) LTD

For more information

Members requiring further information should contact their usual Club contact.