

CIRCULAR

11/17 DECEMBER 2017

OUTLINE

- Group reinsurance rates reduced for all vessel categories
- Individual Club retention to remain at US \$10 million
- The attachment point on the Group GXL reinsurance programme, will remain at US \$100 million
- Hydra has maintained its participation on the first layer
- Oil pollution cover limit remains at US \$1 billion for the 2018 policy year
- MLC cover will be renewed for a further 12 months from 20 February 2018 with an increased limit of US \$200 million

TO THE MEMBERS

2018 POLICY YEAR

Pooling arrangements for 2018

Following a detailed review of the current pool structure during 2017, a number of recommendations for changes to the pool structure were made by the Pool Review working group, aimed at simplifying and improving the efficiency of the pooling arrangements. These changes were reviewed and approved by the Reinsurance subcommittee. At present, the lower pool layer attaches from US \$10 million to US \$45 million, and the upper pool layer attaches from US \$45 million to US \$80 million.

With effect from 20 February 2018, the lower pool layer ceiling/upper pool attachment point will be lifted from US \$45 million to US \$50 million and the layer from US \$80 million to the GXL attachment (US \$100 million) will be absorbed into the pool and merged with the upper pool layer which will attach from US \$50 million to US \$100 million with an individual club retention of 7.5% across the layer. A diagram showing the revised pool layer structure for 2018/19 is included below.

Club retention and GXL attachment

The individual club retention, which was increased with effect from 20 February 2016 to US \$10 million, remains unchanged for the 2018/19 policy year. The attachment point on the Group GXL reinsurance programme, will remain at US \$100 million for the 2018/19 policy year.

Reinsurance arrangements

The Group reinsurance rates (per gt) will be charged to Members for 2018 as follows:

| Tonnage Category | 2018 rate per gt | % change from 2017 |
|-------------------|------------------|--------------------|
| Dirty Tankers | US \$0.5845 | -1.85 |
| Clean Tankers | US \$0.2626 | -1.83 |
| Dry Cargo Vessels | US \$0.4038 | -1.85 |
| Passenger Vessels | US \$3.2707 | -1.84 |

Hydra participation

Currently, the layer from US \$80 million to US \$100 million is reinsured 100% by Hydra. From 20 February 2018, following the changes to the pool structure outlined above, the Hydra reinsurance within this layer will be reduced to 92.5%, with the remaining 7.5% retained within the individual club retention layer. Hydra also currently reinsures 30% of the first layer of the GXL (US \$100 million to US \$600 million) which will remain unchanged for 2018/19.

Private placements

The three multi-year private placements covering the first and second layers of the Group GXL placement (US \$1 billion excess of US \$100 million) will remain in place for the 2018/19 policy year.

Reinsurance cost allocation 2018/19

In accordance with the Group's general reinsurance cost allocation objectives, principally that of moving towards a "claims versus premium" balance for each vessel type over the medium to longer term, the Group's Reinsurance Strategy Working Group and Reinsurance Subcommittee have again reviewed the updated historical loss versus premium records of the current four vessel-type categories. This detailed review included a focus on claims by vessel type, and consideration of whether the available claims data merited extending the current vessel-type categories for the purposes of the reinsurance cost allocation exercise.

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 2018 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 2018 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 2018 policy year will be provided in a forthcoming circular.

US oil pollution surcharge

This surcharge will remain at nil for the 2018 policy year and, therefore, no requirement to make any declarations under this scheme.

Yours faithfully

THE MANAGERS

For more information

Members requiring further information should contact their usual Club contact.