

# CIRCULAR

## 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 with some changes to the structure
- Hydra has maintained its participation on the first layer and introduced an AAD
- Oil pollution cover limit remains at US\$1 billion for the 2019 policy year
- MLC is renewed from 20 February 2019 with a limit of US\$200 million

## TO THE MEMBERS

### 2019 POLICY YEAR

The reinsurance programme of the International Group Pool for the 2019 policy year is as follows:

- Club retention: US\$10 million as in 2018.
- Pool retention: The Pool covers US\$90 million (in excess of US\$10 million) in two layers. First, the Lower Pool retention covers US\$40 million in excess of US\$10 million and second the Upper Pool covers US\$50 million in excess of US\$50 million.
- General Excess Loss Cover: US\$2 billion (in excess of US\$100 million).
- Overspill protection: US\$1 billion in excess of the underlying General Excess Loss Cover.

### Club retention and GXL attachment

The individual club retention of US\$10 million per event remains unchanged for the 2019/20 policy year. The attachment point on the Group GXL reinsurance programme remains US\$100 million for the 2019/20 policy year.

### Reinsurance arrangements

The Group reinsurance rates (per gt) will be charged to Members for 2019 as follows:

Tonnage category	2019 rate per gt (US\$)	% change from 2018
Persistent oil tankers	0.5747	-1.68
Clean tankers	0.2582	-1.69
Dry cargo vessels	0.3971	-1.67
Passenger vessels	3.2161	-1.67

## Reinsurance structure changes

Following the Group reinsurance broker tender process undertaken during the spring of 2018, a number of recommendations for changes to the structure were made aimed at ensuring sustainability whilst improving the cost-efficiency of the collective reinsurance arrangements.

The main changes to the programme structure for 2019/20 involve adjustment of the current programme second and third layer attachment points, the introduction of a new multi-year private placement, and the introduction of a US\$100 million AAD within the 80% market share in first layer of the programme.

The first layer of the revised programme will provide cover from US\$100 million to an increased upper limit of US\$750 million, the second layer will cover from US\$750 million to US\$1.5 billion, and the third layer from US\$1.5 billion to US\$2.1 billion. There will be no change to the Collective Overspill layer which will provide US\$1 billion of cover in excess of US\$2.1 billion.

One of the three 5% multi-year private placements (US\$1 billion excess US\$100 million) expires on 20 February 2019, and this will be replaced by a new multi-year 10% private placement within the new first layer (US\$650 million excess US\$100 million), increasing the private placement participation in the first layer from 15% to 20%.

Within the market share (80%) of the first layer, there will be a US\$100 million AAD which will be retained by the Group's captive, Hydra

## Hydra participation

From 20 February 2019, following the changes to the reinsurance structure outlined above, Hydra will continue to retain 100% of the pool layer US\$30 million - US\$50 million, 92.5% of the pool layer US\$50 million - US\$100 million. In addition, Hydra will retain a US\$100 million AAD in the market share (80%) of new first layer of the General Excess Loss programme.

## Reinsurance cost allocation 2019/20

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 Subcommittee have 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\$2.1 billion, 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 2019 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 2019 the limit of the Association's aggregate liability for claims in respect of oil pollution shall remain US\$1 billion 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 billion each event in respect of liability to Passengers and to US\$3.0 billion 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 2019 policy year will be provided in a forthcoming circular.

## **US oil pollution surcharge**

This surcharge will remain at nil for the 2019 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.