



Circular

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OUTLINE

- Club retention maintained at US\$8 million for 2012
- Pooling retention maintained at US\$60 million for 2012
- Oil pollution claims remain subject to a special limit under Rule 5B(ii) of US\$1,000 million for owned ships
- US voyage surcharge premiums and War risks P&I reported separately in Club circulars 1/12 and 3/12
- Charterers P&I cover remains limited to sums recoverable from reinsurers for claims in excess of US\$100 million
- The aggregate liability for claims in respect of passengers remains limited to US\$2,000 million and limited to US\$3,000 million in respect of passengers and seamen

TO THE MEMBERS

Dear Sirs

2012 POLICY YEAR

Pooling arrangements for 2012

For the 2012 policy year, the Club retention will continue at its current level of US\$8 million. The Group Pooling retention will continue at US\$60 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 International Group's general excess of loss contract has been renewed on the same terms and structure as for the 2011 policy year. The Group's Pooling retention remains at \$60 million.

As usual, the Group managers have assessed the contributions payable by different ship types to the overall cost of the Group's programme and, in adjusting the reinsurance rates for the different ship types, the Group managers have given consideration in particular to the claims record of those ships on the reinsurance programme over the years.

The Group reinsurance rates (per gt) will be charged to Members for 2012 as follows:

| Tonnage Category | 2012 rate per gt | Per cent change from 2011 |
|-------------------|------------------|---------------------------|
| DIRTY TANKERS | \$0.6515 | - 7.43 |
| CLEAN TANKERS | \$0.2798 | - 8.41 |
| DRY CARGO VESSELS | \$0.3561 | - 3.99 |
| PASSENGER VESSELS | \$1.3992 | - 5.33 |

Overspill Reinsurance

If a claim were to exceed US\$2,060 million i.e. the limit of the Group excess of loss contract, the excess or overspill will be pooled amongst the Group clubs. The overall Group Pool limit for such an overspill remains unchanged at 2.5 per cent of the property limitation funds under the 1976 Limitation Convention of all mutual ships entered in the International Group 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 2012 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 2012 the limit of the Association's aggregate liability for claims in respect of oil pollution shall be: 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), with effect from 12 noon GMT on 20th February 2012, 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 bare boat charterer.

War risks P&I

Details of the Club's special war risks P&I excess cover for the 2012 policy year are set out in the Club's Circular Ref 3/12.

Charterer's P&I Limit

"Pursuant to proviso (ii) of the Introduction to Rule 2 of the Association's Rules, the Directors RESOLVED that:

With effect from 12 noon GMT on 20th February, 2012, where the entry of a ship in the Association is in the name of or on behalf of a charterer, other than a demise or bareboat charterer, and the Association's liability in respect of the insurance provided to such charterer for the risks set out in Rule 2 is limited to a sum exceeding US\$100 million, the Member shall not be entitled to recover from the Association any amount exceeding US\$100 million in respect of those risks arising out of any one event unless and to the extent such amount is recovered by the Association from reinsurer(s)".

Oil pollution risks in the United States - tanker voyage additional premium

For some time, the Group's policy has been to continue to reduce the premium charged to tankers in the absence of significant US oil pollution claims from tankers. Most of the significant claims for oil pollution in the US have come from dry cargo ships in recent years. A combination of a reduction in the Hydra premium and an "as before" renewal of the main contract has enabled the Group to make a larger reduction to the surcharge while still being able to make a meaningful reductions to the reinsurance rates. Details for the 2012 policy year are set out in the Club's Circular Ref 1/12.

Yours faithfully

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CONTACT

- Members requiring further information should contact their usual Club contact.