



Circular

Ref: 1/14

FEBRUARY 2014

OUTLINE

- Individual Club retention to remain at \$9 million
- The Group Pool retention increased to \$80 million
- Hydra's coinsurance share of the first layer to remain at 30 per cent
- Group Pool to remain in three layers but adjusted for the increased Pool retention
- 5 per cent of the market reinsurance placed in two layers excess of \$100 million to \$1.1 billion on a three year fixed basis
- US Voyage surcharge reduced to nil
- Reinsurance rates per gross ton increased for all ship categories

TO THE MEMBERS

Dear Sirs

2014 POLICY YEAR

Pooling arrangements for 2014

For the 2014 policy year the Club retention will remain at \$9 million. The Group Pooling retention will increase by \$10 million to \$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. Hydra's coinsurance share of the first layer of the general excess of loss contract to remain at 30 per cent.

The Pool will continue with a three layer structure with a lower pool from \$9 million to \$45 million, an upper pool layer from \$45 million to \$60 million, within which there is a claiming club retention of 10 per cent. A top pool layer from \$60 million to \$80 million, within which there is a claiming club retention of 5 per cent.

For 2014/2015 the Group has placed 5 per cent of the market reinsurance cover in two layers from \$100 million to \$1.1 billion on a three year fixed basis.

Reinsurance arrangements

The market rates for the International Group's excess of loss contract for the 2014 policy year have increased substantially.

The Group reinsurance rates (per gt) will be charged to Members for 2014 as follows:

Tonnage Category	2014 rate per gt	Per cent change from 2013
DIRTY TANKERS	\$0.7963	+ 5.26
CLEAN TANKERS	\$0.3415	+ 5.24
DRY CARGO VESSELS	\$0.5203	+ 5.28
PASSENGER VESSELS	\$3.7791	+ 20.00

Overspill Reinsurance

If a claim were to exceed US\$2,080 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 2014 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 2014 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), 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 2014 policy year are set out in the Club's Circular Ref 2/14.

Charterers' 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, 2014, 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)”.

USA Oil voyage surcharge

For 2014 the rates have been reduced to nil and there will therefore be no requirement to make any further declarations under this scheme. This decision reflects the continuing improvement of the tanker record on the Group contract and followed a policy over recent years of reducing the voyage surcharge rate with the eventual aim of reducing the surcharge to nil in the absence of any intervening major incidents.

Yours faithfully

THE MANAGERS

CONTACT

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