

Club: UK P&I
Circular Date: 07/02/2006
Circular Title: 2006 Policy Year (Ref 7/06)

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7-06 2006 Policy Year.doc

Ref: 7/06

FEBRUARY 2006

OUTLINE

- Confirmation that the Group reinsurance contract will be renewed at an overall increase of approximately 7 per cent on a per ton basis
- The Club intends to continue its protection of the first US\$1,000 million of its overspill claim exposure.
- Oil pollution claims remain subject to special limit under Rule 5B(iii) - US\$1,000 million for owned entries and US\$350 million for chartered entries.
- Special war risks P&I and US oil pollution are reported separately in Club circulars 5/06 and 6/06

TO THE MEMBERS

Dear Sirs

2006 POLICY YEAR

Reinsurance Arrangements

The Group reinsurance contract has been renewed on the same terms as the 2005 policy year with an overall increase in premium on a per ton basis of approximately 7 per cent.

Hydra

The Group segregated account captive, Hydra, continues to reinsure the Club's liabilities in respect of the layer US\$20 million excess of US\$30 million within the Pool's retention of US\$50 million and in the Group's 25 per cent co-insurance of the first layer of the general excess loss contract of US\$500 million excess of US\$50 million.

Hydra reinsures its 25 per cent share of claims falling in the co-insured layer in the amount of US\$500 million in the aggregate excess of US\$50 million. The terms of reinsurance will be on the same basis as 2005 albeit with an increased premium in line with that on the Group reinsurance contract.

Pooling arrangements for 2006

For the 2006 policy year the Club retention remains at US\$6 million. The Group Pool continues to be structured in two layers: US\$6 million - US\$30 million (the lower Pool) and US\$30 million - US\$50 million (the upper Pool). The upper Pool layer will be pre-funded as it was for the 2005 policy year. Premium allocated to this layer will be paid into Hydra.

Overspill Arrangements

If a claim were to exceed US\$2.05 billion i.e. the limit of the Group Pool's excess of loss contract, the excess or overspill will be pooled amongst the Group clubs. The overall Group Pool limit for such an overspill claim remains unchanged at 2.5 per cent of the property limitation funds under the 1976 Limitation Convention of all ships entered in the International Group Pool clubs. 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 2005 policy year, the Association purchased a special overspill reinsurance to cover 100 per cent of its estimated share of the first billion of such an overspill claim.

At the meeting of the Board of the Association on 2nd February, 2006 the Directors decided to buy, subject to price and capacity, similar protection for the 2006 policy year. Details of these arrangements will be notified to the Members once the contract has been placed.

Oil pollution limit

The Board has determined in accordance with Rule 5B(iii) that for the 2006 policy year, the limit of the Association's liability for claims in respect of oil pollution shall be: US\$1,000 million each accident or occurrence in respect of each ship entered by or on behalf of an owner not being a charterer other than a demise or bareboat charterer, or a combined single limit of US\$350 million (for oil pollution and other risks) each accident or occurrence in respect of each ship entered by or on behalf of a charterer (other than a demise or bareboat charterer), or by more than one such charterer as joint owners.

War Risks - P&I

Details of the Association's special War Risk P&I cover for the 2006 policy year are set out in the Association's Circular Ref 5/06.

Oil Pollution risks in the United States - tanker voyage additional premium
Details of the additional premiums for 2006 are set out in the Association's Circular

Yours faithfully

THOMAS MILLER (BERMUDA) LTD.