

Club: UK P&I
Circular Date: 27/03/2002
Circular Title: Overspill Reinsurance Arrangements (Ref: 7/02)

Author: Angela George/Thomas Miller **Date:** 27/03/2002 13:55

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TO THE MEMBERS

Dear Sirs

Overspill Reinsurance Arrangements

We refer to Circular 3/02, dated February 2002, in which the Members were informed of the reinsurance arrangements for the 2002 policy year. At that time it was unclear whether it would be possible to purchase once again the special reinsurance cover which protects the Members of the Association from the UK Club's share of an overspill claim of \$1 billion in excess of the group reinsurance contract limit. The Directors have now decided to buy reinsurance to cover a substantial proportion of the Association's share of such a claim for the 2002 policy year.

If a claim were to exceed \$2.03 billion i.e. the limit of the Group pool's excess of loss contract, the excess or "overspill" would 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 all 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.

However, in the event of an "overspill" claim in the 2002 policy year, the Association has available the special reinsurance referred to above, its own Catastrophe Reserve and further protection through the ability to make a recovery under the long term reinsurance arrangements with the Swiss Re. The Swiss Re reinsurance is designed to maintain the Association's free reserves within its target band, and in addition provides specific protection against an overspill claim at a high level. The extent to which these protections are used to minimise or avoid the need for an overspill call on the membership would be a decision for the Directors to take in the light of all the circumstances of a potential claim.

Yours faithfully

THOMAS MILLER (BERMUDA) LTD.