

CIRCULAR

OUTLINE

- Group reinsurance rates reduced for all tonnage categories
- Individual Club retention to increase to \$10 million
- The Group Pool retention to remain at \$80 million
- Hydra has increased its participation on the first layer
- Oil pollution cover limit set at \$1 billion for the 2016 policy year

TO THE MEMBERS

2016 POLICY YEAR

Pooling arrangements for 2016

For the 2016 policy year, the Club retention will increase to \$10 million. The Group Pooling retention will remain unchanged at \$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.

Reinsurance arrangements

For 2016 the Hydra Participation on the First Layer of the main contract is 75% of \$20 million excess of \$80 million, 60% of \$20 million excess of \$100 million and 30% of \$460 million excess of \$120 million.

The result of the renewal negotiations and programme restructuring is a reduction in reinsurance cost for all categories as set out below.

The Group reinsurance rates (per gt) will be charged to Members for 2016 as follows:

Tonnage Category	2016 rate per gt	% change from 2015
Dirty Tankers	\$ 0.6567	-10.25
Clean Tankers	\$ 0.2816	-10.26
Dry Cargo Vessels	\$ 0.4537	-7.18
Passenger Vessels	\$ 3.5073	-7.19

Overspill Reinsurance

If a claim were to exceed \$2,080 million, 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 2016 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 2016 the limit of the Association's aggregate liability for claims in respect of oil pollution shall remain 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 2016 policy year are set out in the Club's Circular Ref 2/16.

US oil pollution surcharge

This surcharge will remain at nil for 2016/17 and, therefore, no requirement to make any declarations under this scheme.

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, 2016 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).

Yours faithfully

THOMAS MILLER (BERMUDA) LTD

For more information

Members requiring further information should contact their usual Club contact.