

CIRCULAR REF: 2017/025

**CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS
ATTENTION CHRIS KLINE**

**19 DECEMBER 2017
PAJ/DAW**

POLICY YEAR 2018 - RENEWAL

The arrangements for the renewal of the International Group's ("Group") General Excess of Loss Reinsurance ("GXL") Contract have now been finalised. Once again, this has been achieved approximately one month in advance of the traditional Renewal timetable and notwithstanding the uncertainty in the insurance and reinsurance markets following the 2017 windstorm, earthquake and wildfire events; thereby providing Members with early certainty of next year's reinsurance costs.

The loss experience of the programme over the last six years remains acceptable to reinsurers, notwithstanding some past year claims deterioration. This, combined with continuing surplus market capacity, the continuing positive financial development of the Group captive, Hydra Insurance Company Limited ("Hydra") and the effective use of multi-year private placements, has enabled the Group to achieve satisfactory reinsurance renewal terms, resulting in further rate reductions across all vessel categories. This therefore represents a fourth consecutive year of renewal premium reductions on the programme.

The individual Club retention will remain unchanged at US\$10 million for the 2018/19 Policy Year. The attachment point on the GXL programme will also remain unchanged at US\$100 million for the 2018/19 Policy Year.

A detailed review of the Pool structure this year has however resulted in a number of recommendations aimed at simplifying and improving the efficiency of the pooling arrangements. At present, there is a two layer Pool structure, with the Lower Pool from US\$10 million to US\$45 million and the Upper Pool from US\$45 million to US\$80 million (with a claiming Club retention rate of 7.5%). With effect from 20 February 2018 therefore, the Lower Pool ceiling/Upper Pool attachment point will be lifted from US\$45 million to US\$50 million and the layer from US\$80 million to the GXL attachment (US\$100 million) will be absorbed into and merged with the Upper Pool layer, which will therefore now attach from US\$50 million to US\$100 million (with a claiming Club retention rate of 7.5% across the whole layer). Correspondingly, the layer from US\$80 million to US\$100 million which is currently reinsured 100% by Hydra will from 20 February 2018 following these changes to the Pool structure, result in the Hydra reinsurance within this layer being reduced to 92.5%. Hydra will nevertheless continue to reinsure 30% of the first layer of the GXL (US\$100 million to US\$600 million).

The three multi-year 5% private placements covering the first and second layers of the GXL programme (US\$1 billion excess of US\$100 million) will, following the changes made at the last Renewal, remain in place for the 2018/19 Policy

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Year.

The market reinsurance cover (US\$190 million excess of US\$10 million) which was put in place with effect from 18 January 2017 as part of the solution developed by the Group Clubs to assist and meet Members certification requirements under the financial security provisions of the Maritime Labour Convention, has also been renewed for a further 12 months from 20 February 2018, but with an increased limit of US\$200 million and at a competitive cost which will again be included within the overall reinsurance rates set out below.

The rates for 2018 therefore, inclusive of the Excess War Risks cover, will be as follows (these rates have been rounded to three decimal places):

Tonnage Category	2018 Rate per GT	% Change from 2017
Dirty Tankers	US\$0.585	-1.85%
Clean Tankers	US\$0.263	-1.87%
Dry cargo Ships	US\$0.404	-1.70%
Passenger Ships	US\$3.271	-1.83%

The GXL Contract continues to include a further US\$1 billion collective overspill protection cover in addition to the US\$2 billion Excess Loss programme, which is intended to protect Members against overspill calls arising from any catastrophe claims up to US\$3 billion.

US Voyage Surcharges

Following the decision taken for the 2014/15 Policy Year, Members that are carrying persistent oil as cargo to or from ports within the United States or the United States Exclusive Economic Zone ("EEZ") as defined in OPA 1990, will continue to benefit from not having to pay any additional premiums.

The Club's Underwriting department will be happy to deal with any questions arising on any of the above matters.

PAUL JENNINGS
JOINT MANAGING DIRECTOR
The North of England P&I Association Limited