

Policy Year 2020 - Renewal

20 December 2019

Circular Ref: 2019/026



CIRCULAR

Policy Year 2020 - 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; thereby providing Members with early certainty of next year's reinsurance costs.

The loss experience of the programme since 2012/13 remains acceptable to reinsurers, notwithstanding the general hardening of the reinsurance market and the upward pressure on premiums. This, combined with the consistently 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 another satisfactory reinsurance renewal, resulting in the rates for shipowner Members remaining flat across all the vessel categories.

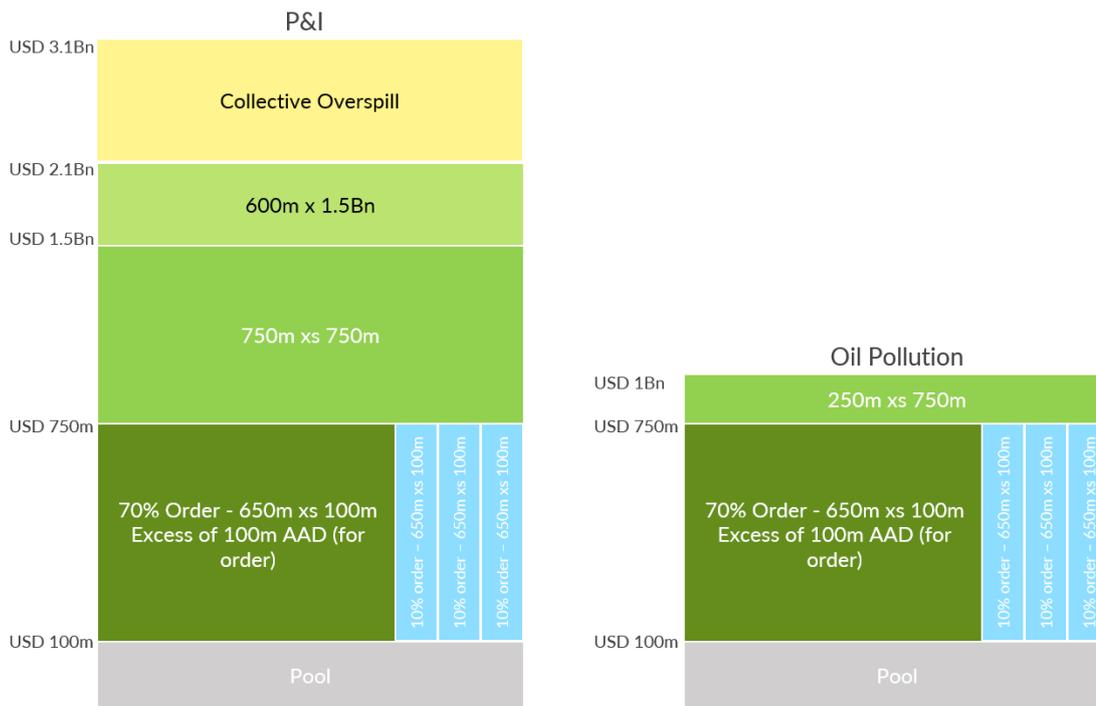
The individual Club retention will remain unchanged at US\$10 million for the 2020/21 Policy Year. The attachment point on the GXL programme will also remain unchanged at US\$100 million.

Following the structural changes made for the current 2019/20 year, no further major changes will be made for the 2020/21 Policy Year, apart from the modest adjustment to the two expiring 5% private placements in the US\$1 billion excess of US\$100 million layer; they are being replaced by two new 10% multi-year private placements in the First Layer. This will therefore now see the introduction of three 10% private placements for the 2020/21 Policy Year, with the 70% balance placed in the market.

The US\$100 million AAD (retained by Hydra) therefore remains within the 70% market share in the First Layer of the programme. The First Layer of the programme will continue to provide cover from US\$100 million to US\$750 million. The Second Layer covers claims from US\$750 million to US\$1.5 billion, and the Third Layer from US\$1.5 billion to US\$2.1 billion. There will be no change to the Collective Overspill Layer, which will continue to provide US\$1 billion of cover in excess of US\$2.1 billion.

From 20 February 2020 therefore and following these modest changes to the reinsurance structure, Hydra will continue to retain 100% of part of the Lower Pool Layer (US\$30 million to US\$50 million), 92.5% of the whole Upper Pool Layer (US\$50 million to US\$100 million), and the US\$100 million AAD in the 70% market share of the First Layer of the GXL programme.

The diagram below illustrates the revised structure of the GXL programme for 2020/21:



The market reinsurance cover (US\$200 million excess of US\$10 million) which was originally 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 2020 and at a competitive cost which will again be included within the overall reinsurance rates set out below.

The rates for 2020 therefore, inclusive of the Excess War Risks cover (for a period of 12 months), will be as follows (these rates have been rounded to three decimal places):

Tonnage Category	2020 Rate per GT	% Change from 2019
Persistent Oil Tankers	US\$0.575	0
Clean Tankers	US\$0.258	0
Dry cargo Ships	US\$0.397	0
Passenger Ships	US\$3.216	0

The commercial market element of the placement has been confirmed for two years (providing a degree of pricing stability), but the rates above have only been set for the 2020/21 Policy Year alone.

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.

THYA KATHIRAVEL
 CHIEF UNDERWRITING OFFICER
 The North of England P&I Association Limited / North of England P&I DAC