Circular

NORTH
SERVICE, STRENGTH, QUALITY

CIRCULAR REF: 2016/034

CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS **16 DECEMBER 2016**
PAJ/JAK

POLICY YEAR 2017 - RENEWAL

The arrangements for the renewal of the International Group's ("Group") General Excess of Loss Reinsurance ("GXL") Contract has now been finalised. This has been achieved approximately one month in advance of the traditional Renewal timetable, thus providing Members with early certainty of next year's reinsurance costs.

The loss experience of the programme over the last five years remains favourable to reinsurers, notwithstanding some past year claims deterioration. This, combined with increased market capacity, the positive financial development of the Group captive, Hydra Insurance Company Limited ("Hydra"), the effective use of multi-year private placements and a number of structural changes to the programme, has enabled the Group to achieve advantageous reinsurance renewal terms again this year, resulting in rate reductions across all vessel categories. Overall therefore, the Group has now delivered premium savings from the programme of approximately US$100 million over the last three renewals.

The individual Club retention will remain unchanged at US$10 million for the 2017/18 Policy Year. The current 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%), also remains unchanged, so that the Upper Pool limit is still at US$80 million.

The attachment point on the GXL Contract will however now increase to a flat US$100 million from 20 February 2017, together with a corresponding increase in Hydra's participation. Currently, the layer from US$80 million to US$100 million is reinsured 75% by Hydra and 25% by the first layer of the Market GXL placement. From February 2017 however, Hydra will absorb the 25% Market share in this layer and will therefore reinsure 100% of the layer. Hydra also currently reinsures 60% of the layer from US$100 million to US$120 million but from February 2017, will reduce this participation to 30%, with the remaining 30% being absorbed by the Market GXL placement. The objective of these structural changes is to simplify the current Group reinsurance programme structure through the introduction of a flat attachment point for both the GXL and the private placements, at US$100 million.

The first of the three current 5% private placements covering the first and second layers of the GXL placement (US$1 billion excess of US$100 million and incepted in February 2014) expires at the end of the current Policy Year in February 2017. A new 36 month private placement for 5% will therefore replace this expiring placement as from 20 February 2017 and on more favourable terms and pricing. The Group has also negotiated an extension to the second 36 month 5% private placement for a further two years beyond 20 February 2018, again on favourable terms and pricing.

THE NORTH OF ENGLAND P&I ASSOCIATION LIMITED 100 The Quayside, Newcastle upon Tyne, UK, NE1 3DU
Telephone: +44 (0) 191 2325221 Fax: +44 (0) 191 2610540 www.nepia.com

Finally, and 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 (which will enter into force in January 2017), the Group Clubs have collectively arranged a market reinsurance cover of US$190 million excess of US$10 million, at a competitive cost, which will also be included within the overall reinsurance rates set out below.

The rates for 2017 therefore, inclusive of the Excess War Risks cover, will be as follows (these rates have been rounded to three decimal places):

Tonnage category	2017 Rate per gt	% Change from 2016
Dirty Tankers	US$0.596	-9.3%
Clean Tankers	US$0.268	-5.0%
Dry Cargo Ships	US$0.411	-9.5%
Passenger Ships	US$3.332	-5.0%

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. This cover has been renewed for 24 months on favourable terms and pricing.

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