CIRCULAR REF: 2018/037

CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS **21 DECEMBER 2018**
ATTENTION INSURANCE DEPT **TK/DW**

POLICY YEAR 2019 – 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 claims development during the current 2018/19 Policy Year. This, combined with continuing surplus market capacity, 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 further rate reductions across all vessel categories. This therefore represents a fifth consecutive year of renewal premium reductions on the programme.

The individual Club retention will remain unchanged at US$10 million for the 2019/20 Policy Year. The attachment point on the GXL programme will also remain unchanged at US$100 million for the 2019/20 Policy Year.

Following the changes introduced in the Pool structure (US$30 million to US$100 million) for the current 2018/19 Policy Year, no further changes to the structure will be made for the 2019/20 Policy Year. Instead, and following the Group reinsurance broker tender process undertaken last Spring, and the resulting appointment of Miller and Aon as co-brokers on the GXL and the Collective Overspill reinsurance programmes, a review of the current structure was undertaken with the brokers. As a consequence, a number of recommendations for structural change were made, aimed at ensuring sustainability whilst improving the cost efficiency of the collective reinsurance arrangements, as well as simplifying the programme.

The main changes to the programme structure for 2019/20 involve adjustment of the current programme Second and Third Layer attachment points, the introduction of a new multi-year private placement as well as the introduction of a US$100 million AAD within the 80% market share in the First Layer of the programme. The First Layer of the revised programme will therefore now provide cover from US$100 million to an increased upper limit of US$750 million. The Second Layer will cover 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.

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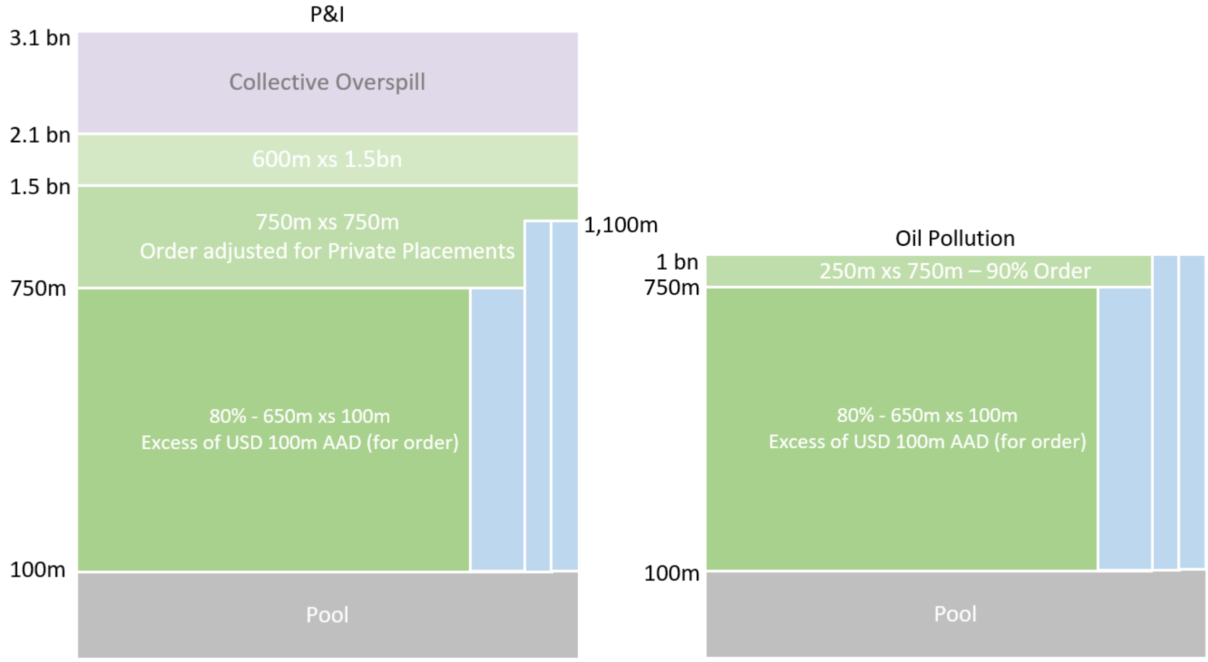
Of the three current 5% multi-year private placements (US$1 billion cover excess of US$100 million), one of them expires on 20 February 2019 and this will instead now be replaced by a new multi-year 10% private placement within the new First Layer (US$650 million excess of US$100 million), thereby increasing the private placement participation in the First Layer from 15% to 20%.

Finally, within the 80% market share of the First Layer, there will be a US$100 million AAD which will be retained by Hydra. From 20 February 2019 therefore and following the 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 of course now Hydra will retain a US$100 million AAD in the 80% market share of the new First Layer of the GXL programme.

The diagram below illustrates the revised Layer and participation structure of the GXL programme for 2019/20.



The market reinsurance cover (now 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 2019 and at a competitive cost which will again be included within the overall reinsurance rates set out below.

The rates for 2019 therefore, inclusive of the Excess War Risks cover, will be as follows (these rates have been rounded to three decimal places):

Tonnage Category	2019 Rate per GT	% Change from 2018
Persistent Oil Tankers	US$0.575	-1.7%
Clean Tankers	US$0.258	-1.9%
Dry cargo Ships	US$0.397	-1.7%
Passenger Ships	US$3.216	-1.7%

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
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