

CIRCULAR REF: 2015/004

**CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS
ATTENTION INSURANCE DEPT**

**20 JANUARY 2015
PAJ/JAK**

POLICY YEAR 2015 - RENEWAL

We hereby provide Members with an up-date on a number of issues applying to Renewal and the New Policy Year.

Rules and Terms of Entry

Various amendments have been notified to Members in the Club's Circular Ref: [2015/003](#) of 20 January 2015.

International Group Reinsurance

The International Group's General Excess of Loss Reinsurance ("GXL") Contract has been renewed. Unfortunately, the 2011/12 Policy Year in particular, which produced both the first and the third largest ever claims on the International Group Pool (the "Group Pool"), continued to deteriorate during 2014. This deterioration in incurred losses since the 2014 Renewal, amounts to approximately US\$400 million, but is countered by the relatively favourable experience for reinsurers (to date) of the policy years following 2011/12. This, coupled with increased market capacity, the continuing positive financial development of the Group captive Hydra Insurance Company Limited ("Hydra"), thereby facilitating additional Hydra risk retention, and the use of a further multi-year fixed placement, has enabled the Group to achieve favourable renewal terms, resulting in rate reductions for both tankers and dry cargo vessels, and no increase for passenger vessels.

Whilst Hydra reinsurance of the Group Pool will remain unchanged at US\$50 million excess of US\$30 million, Hydra will now retain additional risk as follows :-

- Hydra will increase its current 30% co-reinsurance share in the first layer of the GXL (US\$500 million excess of US\$80 million) to include an additional 30% share of the layer between US\$80 million and US\$120 million; and
- Hydra will now take a 10% share of the layer between US\$80 million and US\$100 million.

This will work in conjunction with the additional 5% market placement made in two layers of cover from US\$100 million to US\$1.1 billion on a multi-year fixed placement basis, which is additional to the initial multi-year 5% placement made on the same basis at the 2014 Renewal.

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The North of England P&I Association Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK.

The individual Club retention will however remain at US\$9 million and for 2015/16 therefore, there will once again be a three layer Pool structure with a lower Pool layer from US\$9 million to US\$45 million, an upper Pool layer from US\$45 million to US\$60 million (within which, as currently, there is a claiming Club retention of 10%) and a top Pool layer from US\$60 million to US\$80 million (within which there is a claiming Club retention of 5%).

The rates for 2015 therefore, inclusive of the excess War Risks cover will be as follows (these rates have been rounded to three decimal places):-

Tonnage Category	2015 Rate per GT	% Change from 2014
Dirty Tankers	US\$0.732/GT	- 8.45%
Clean Tankers	US\$0.314/GT	- 8.62%
Dry Cargo Ships	US\$0.489/GT	- 6.28%
Passenger Ships	US\$3.779/GT	0.00%

The GXL Contract will continue 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.

Sanctions

Members are reminded that pursuant to the amendments to the 2011/2012 Rules, liabilities, costs and expenses that are not recovered from the International Group's GXL Contract by reason of the fact that payment of such claims would expose reinsurers to sanctions, are excluded from Pooling.

Charterer's Entries

The standard limit of cover under the Club's reinsurance programme for Charterers will remain as per the Rules at US\$350 million each event for all claims under any one Entry. However, alternative limits of cover may be agreed by the Managers and declared in the Certificate of Entry.

P&I War Risks

The limit of cover for excess P&I War Risks cover provided by the Club in respect of an Owners Entry, will continue to be US\$500 million each event in excess of the Ship's value, with the same aggregate limits as at present. Members are reminded of the need to ensure that they have arranged adequate underlying war risks insurance with cover for P&I risks, including crew, for the risks excluded by the Club's Rule 24(1), up to the proper value of the Entered Ship or US\$100 million, whichever is the lesser.

The limits of cover in respect of P&I War Risks cover for Charterer's Entries will be as set out in each Member's individual terms of entry, and the cover will operate in excess of the Member's appropriate deductible with the Club .

Bio-chem Risks

In view of the exclusion of bio-chemical risks from the excess P&I War Risks cover and in recognition of the absence of suitable underlying facilities in the insurance market, as first advised in the Club's Circular of 1 March 2004 where full details may be found (at the "Circulars" section of the Club's website at www.nepia.com/news/circulars), the Club will, at no additional premium, continue to provide cover which is pooled with the other International Group Clubs on the same basis as in the current Policy Year, namely for :-

1. damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitution expense and shipwreck unemployment indemnity); and

2. legal costs and expenses incurred solely for the purpose of avoiding or minimising claims from Bio-chem Risks Cover is provided in excess of the Members usual deductible up to a limit of US\$30 million any one accident or occurrence or series of accidents or occurrences arising from one event each ship. This limit will apply to all interests (for example, Owners, Charterers and sub-Charterers) in each ship in aggregate regardless of whether or not they are entered in different International Group Clubs.

Cover is subject to a cancellation provision of 24-hours notice and areas of particular risk may be excluded from cover by decision of the Directors. There are no current excluded areas.

Heavy Fuel Oil Cargoes

Following renewal, Members will be required to declare to the Club, which of their ships have carried heavy fuel oil as cargo in the previous 12 months. This has been a requirement since February 2006, and may result in surveys of Members' ships.

U.S. 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.

Circulars

Members are reminded of the provisions of the Club's Circulars Rule 32 and that they should use their best endeavours to comply with any recommendation made by Circular. Copies of all Circulars may be viewed at or downloaded from the "Circulars" section of the Club's website at www.nepia.com/news/circulars.

United States Terrorism Risk Insurance Act (TRIA)

The Directors have resolved that cover for acts of terrorism as defined in the US Terrorism Risk Insurance Act 2002 (and as amended by the Terrorism Risk Insurance Programme Reauthorisation Act 2007) will continue to be made available as TRIA has been retroactively extended for a further six years from 31 December 2014. The Act will apply to very few ships entered in the Club but, for those that are eligible, a premium of US cents 0.25 per GT will be deemed attributable to these risks and will be included within the overall premium.

Ancillary Insurance Covers

The Club's website, www.nepia.com, contains details of the ancillary covers available to Members for the 2015 Policy Year. The reinsurance programme underlying many of the Club's ancillary covers is structured to provide flexibility and diversity to cater particularly for Members' non-Poolable insurance requirements.

Summary of Cover

In addition to the Certificates of Entry for the 2015 Policy Year, ships which are entered by owners will receive a Summary of Cover. This document is intended to be kept onboard ships and shown to port state authorities as evidence of the existence of P&I cover in relation to wreck removal and oil pollution. However, it should be noted that this document does not constitute any part of the Contract of Insurance and should not be construed as evidence of any undertaking, financial or otherwise, on the part of the Club to any other party. Presentation by the Member of this Summary of Cover as evidence of insurance under any applicable law relating to financial responsibility or otherwise, is not to be taken as any indication that the Club consents to act as guarantor or to be sued directly in any jurisdiction. The Club does not so consent.

Completed Renewal Documentation

Once again this year the Club will not be issuing paper copies of renewal documentation such as Certificates of Entry and Debit Notes. All documentation will continue to be forwarded electronically only.

Laid up Returns

Members are reminded of the Club's requirements in respect of any entitlement to laid up returns, and in particular, that ships should be laid up in a safe port approved by the Managers. In addition, the Managers must be advised in advance of any ship preparing to leave a period of lay-up as the ship may be required to undergo survey in accordance with the Club's survey requirements. The Club issued a loss prevention briefing in respect of vessel lay-up in April 2009.

Premiums and Releases

As advised in Circular Ref: [2014/030](#), issued in November 2014, the Club remains in a financially stable position and the Club's "A" Stable rating was recently reaffirmed by Standard & Poor's. The Release Calls assessed in November 2014 will remain unchanged and unbudgeted premiums are not anticipated in respect of any open Policy Years.

Outstanding Premiums

Final confirmation of renewal will be subject to there being no sums due or owed to the Club. Renewal documentation will not be made available to Members until any outstanding sums are paid or appropriately secured.

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

PA JENNINGS

JOINT MANAGING DIRECTOR

The North of England P&I Association Limited