

POLICY YEAR 2021 - RENEWAL

10 February 2021

Circular Ref: 2021/005



CIRCULAR

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We hereby provide Members with an update on a number of issues applying to Renewal and the new Policy Year.

International Group Reinsurance

The International Group's ("the Group") General Excess of Loss Reinsurance ("GXL") Contract has been renewed and the details of this renewal have already been notified to Members in the Club's Circular Ref: 2020/040 dated 18 December 2020.

Owner's Entries

Owner's P&I cover will continue as per Rule 22 to be subject to the following particular limits:-

- Oil pollution: US\$ 1 billion in the aggregate for all claims arising out of any one event under each Owner's entry relating to an Entered Ship.
- Passenger and seamen combined: US\$ 3 billion in the aggregate for all claims arising out of any one event in respect of all Owner's entries for an Entered Ship.
- Passenger (sub-limit): US\$ 2 billion in the aggregate for all claims arising out of any one event in respect of all Owner's entries for an Entered Ship.

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 will be shown in the Certificate of Entry. The Club's website, www.nepia.com, contains details of the comprehensive package of covers available to Charterers.

P&I War Risks

As part of the renewal of the Group's GXL Contract for the 2021 Policy Year, the excess War Risks P&I cover has also been renewed for a period of 12 months, with the costs included in the total rates charged to Members.

The terms on which the excess War Risks P&I Cover will be provided for the 2021 Policy Year are the same as for the current Policy Year, including the limit of cover of US\$500 million each event. The minimum excess of the policy remains the proper value of the Entered Ship or US\$500 million whichever is the lesser. Members are accordingly 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\$500 million, whichever is the lesser. Members are therefore deemed to have underlying cover with such conditions equal to at least the proper value of the Entered Ship. Furthermore, the Group's cover is excess of any cover which the Member has actually taken out which covers the risk, unless the cover is a corporate general liability umbrella cover.

Members are also reminded that where payment by the Club under a guarantee or a certificate is in respect of war risks, Members shall indemnify the Club to the extent such payment is recovered or would have been recoverable under a standard P&I War Risk policy.

The limits of cover in respect of P&I War Risks 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](#), the Club will, at no additional premium, continue to provide cover which is pooled with the other Group Clubs on the same basis as in the current Policy Year, namely for:-

- i) 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
- ii) 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 Member's 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 the aggregate regardless of whether or not they are entered in different 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.

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.

United States Terrorism Risk Insurance Act (TRIA)

At their meeting on 4 February 2021, the Directors have resolved that cover for acts of terrorism as defined in TRIA (which has been further extended by the Terrorism Risk Insurance Programme Reauthorisation Act of 2019, up to 31 December 2027) will continue to be made available. The Act applies only to certain 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. A separate, more detailed notice has been given to eligible Members.

Extended and Ancillary Insurance Covers

The Club's website, www.nepia.com, contains details of the extended and ancillary covers available to Members for the 2021 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.

Malicious Cyber and Coronavirus Exclusions – Chartered and Fixed entries, Extended and Ancillary Covers

Members will recall from Circular Ref: 2020/040 last December, that principally because of the multi-year placement of the main GXL Contract, Poolable cover for Shipowner Members will not be subject to any Coronavirus exclusions in the 2021/22 Policy Year.

Insofar however as Charterers P&I, damage to hull, extended covers such as contractual liabilities and specialist operations, as well as the Owner's P&I cover written on a fixed basis under our Sunderland Marine brand, Members will be aware from their renewal offer letters, that the Club has been negotiating its reinsurance programmes that support these lines of business. As anticipated, the relevant reinsurance for the forthcoming Policy Year will now be subject to two new exclusions of cover :

- The first of these relates to “Malicious Cyber” exposures and consequently Members’ and Fixed Policyholders’ terms will be updated to reflect the market exclusionary language contained in LMA5403, the full text of which is attached.
- The second is an exclusion of liabilities arising from and related to Covid-19 exposures in accordance with the market exclusionary language contained in LMA5395, the full text of which is attached.

In relation to this latter Coronavirus exclusion, the Directors have agreed that the Club should provide cover to a limited extent for Members and Policyholders, in line with that currently provided up to full policy limits. Consequently, for the 2021 Policy Year, the exclusion with regards to Covid-19 exposures will not apply until the total of all liabilities, losses, costs and expenses which would otherwise be excluded by virtue of LMA5395, exceed the total sum of US\$ 5 million each vessel each event, but always limited to the maximum amount in the aggregate per Fleet (as defined in accordance with Rule 10), of US\$ 5 million per annum.

There will however be no cover provided for “Malicious Cyber” exposures.

Summary of Cover

In addition to the Certificates of Entry for the 2021 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

All renewal documentation including Certificates of Entry and Debit Notes, will be forwarded in electronic format only.

Laid up Returns

Members are reminded of the Club's requirements in respect of any entitlement to laid up returns (pursuant to Rule 15) 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 February 2016.

Premiums and Releases

As advised in Circulars Ref: 2020/036 and 2020/037, issued in November 2020, the Club remains in a strong financial position with an “A” rating from Standard & Poor's. The Release Calls assessed in November 2020 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.

PAUL JENNINGS

CHIEF EXECUTIVE / EXECUTIVE DIRECTOR

The North of England P&I Association Limited / North of England P&I DAC