

POLICY YEAR 2021 - RENEWAL

18 December 2020

Circular Ref: 2020/040



CIRCULAR

POLICY YEAR 2021 - RENEWAL

The arrangements for the renewal of the International Group's ("Group") General Excess of Loss Reinsurance ("GXL") Contract have now been finalised. As explained in Circular number 2019/026, the Group's decision to renew the majority of the programme last year for two years, has provided Members with the benefits of pricing stability and continuity of cover at a time of unparalleled disruption as a result of COVID-19.

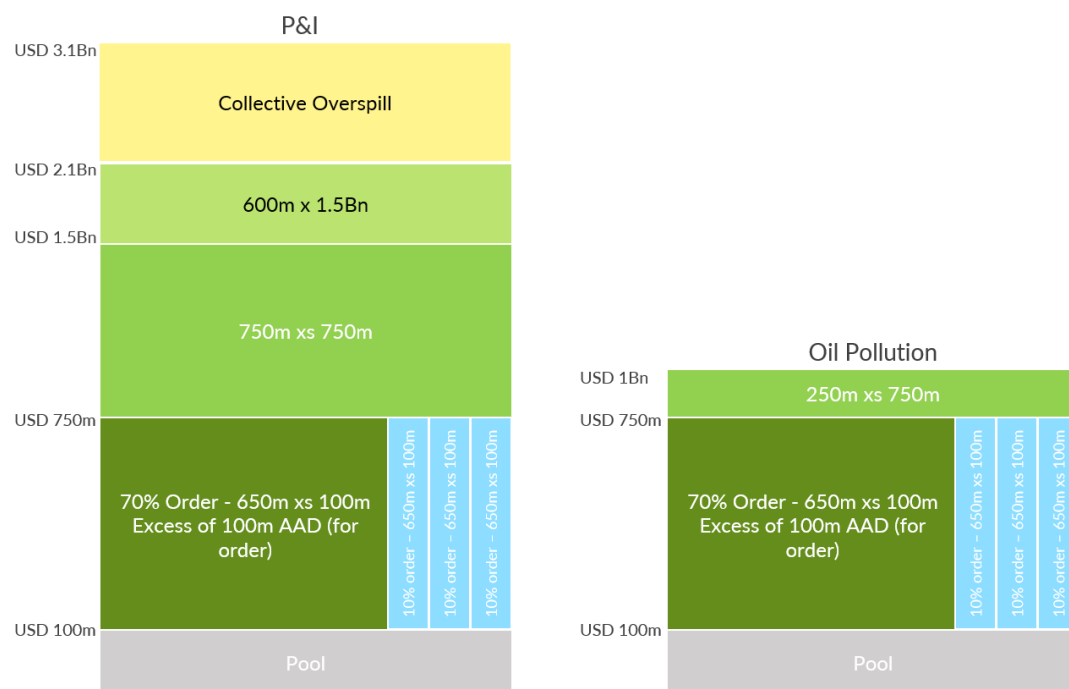
In summary, the main GXL programme comprising Layers 1 – 3 (US\$2 billion excess of US\$100 million) was fixed for two years in February 2020 and is therefore not subject to renewal in 2021. The main focus has instead been on the Group's expiring Collective Overspill programme (comprising the Layer US\$1 billion excess of US\$2.1 billion). The Group's reinsurance captive Hydra Insurance Company Limited ("Hydra") continues to support the Group through its risk retention within the primary elements of the Group's reinsurance structure. The further strategy of placing a share of the reinsurance programme on a standalone basis, through the use of multi-year private placements, has continued to give Members greater stability in a year when Market sentiment has been volatile as a result of the impact of the COVID-19 pandemic. Together, these factors enabled the Group to achieve another satisfactory GXL programme renewal result, with the rates for shipowner Members increasing by an average of only 1.4% year on year across most vessel categories. In addition and importantly, the decision taken to renew for two years has meant that shipowner Members will not now face any restrictions in cover for COVID-19 related claims.

Structurally, the GXL programme remains unchanged, with the individual Club retention remaining unchanged at US\$10 million for the 2021/22 Policy Year. The attachment point on the GXL programme will also remain unchanged at US\$100 million. In addition, and given the two year placement agreed for the main GXL programme (Layers 1 – 3 for claims US\$2 billion excess of US\$100 million) in February 2020, the Group's Reinsurance Sub-Committee ("RISC") decided against making any further structural changes for the 2021/22 Policy Year.

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.

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 structure of the GXL programme for 2021/22:



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, is being renewed for a further 12 months from 20 February 2021 and at a competitive cost which will again be included within the overall reinsurance rates set out below.

Finally and following detailed consideration as part of its annual analysis to ensure the fairness of reinsurance costs allocation as between the different vessel types, the RISC concluded that Fully Cellular Container ships ("FCC's"), bearing in mind that they now represent approximately 20% of the tonnage entered with Group Clubs and also the loss experience of this category, ought to be separated from their previous allocation within the "dry cargo ships" category. A new fifth category has therefore been created for FCC's, with its own rating, together with a commensurate adjustment to reflect the improved record on persistent oil tankers.

The rates for 2021 therefore, inclusive of the Excess War Risks cover, will be as follows (these rates have been rounded to three decimal places):

Tonnage Category	2021 Rate per GT	% Change from 2020
Persistent Oil Tankers	US\$0.563	-2.1%
Clean Tankers	US\$0.262	+1.4%
Dry cargo Ships	US\$0.403	+1.4%
FCC's	US\$0.425	+7%
Passenger Ships	US\$3.262	+1.4%

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