Group Excess Reinsurance Rates 2017/18

The International Group RI rates (per GT) including Hydra premium, Collective Overspill Cover and Excess war risk P&I for the year commencing 20 February 2017 are as follows:

	2016/17 ETC Rate USD per GT	2017/18 ETC Rate USD per GT	Adj in ETC rate USD per GT	%AGE CHANGE from 2015
Tanker Dirty	0.6567	0.5955	-0.0612	-9.32%
Tanker Clean	0.2816	0.2675	-0.0141	-5.01%
Dry	0.4537	0.4114	-0.0423	-9.32%
Passenger	3.5073	3.3319	-0.1754	-5.00%

Chartered Entries

Reinsurance Costs including excess war risks will be **$0.2237** (2016 **$0.2380**) for chartered tankers, and **$0.1093** (2016 **$0.1163)** for chartered dries.

US Oil Pollution Surcharge 2017/18

Following the decision taken for the last three policy years, the surcharge will remain at **nil** for 2017/18.

International Group reinsurance 2017/18 renewal update December 2016

(source: http://www.igpandi.org/article/international-group-reinsurance-renewal-update-december-2016)

Wednesday, 14th December 2016

The arrangements for the renewal of the International Group General Excess of Loss (GXL) reinsurance contract and the Hydra reinsurance programmes for 2017/18 have now been finalized. The Group has taken the opportunity provided by the current favourable state of the marine reinsurance markets and the long relationship with its panel of reinsurers to advance the traditional renewal timetable by approximately one month with the objective of assisting both shipowners and clubs in their negotiations for the 2017/18 P&I renewals.

Renewal overview

The loss experience of the reinsurance programme on the 2012/13 to 2016/17 (year to date) policy years remains favourable to reinsurers, notwithstanding some past year claims deterioration. This factor, combined with surplus market capacity, the positive financial development of the Group captive, Hydra, the effective use of multi-year private placements and a number of structural changes outlined below, has enabled the Group to achieve advantageous reinsurance renewal terms, with reductions across all layers of the programme and on the Excess War P&I cover, resulting in a further year of reinsurance rate reductions across all vessel categories.

Club retention and GXL attachment

The individual club retention, which was increased with effect from 20 February 2016 to US $10 million, remains unchanged for the 2017/18 policy year.

The attachment point on the Group GXL reinsurance programme, which has remained at US $80 million since 2014, will be increased to US $100 million from 20 February 2017.

Hydra 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, 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 and, from February 2017, will reduce this participation to 30%, with the remaining 30% being absorbed by the market GXL placement. The objective of these changes is to simplify the current Group reinsurance programme structure through the introduction of a “flat” attachment for the GXL and private placements at US $100 million.

Private placements

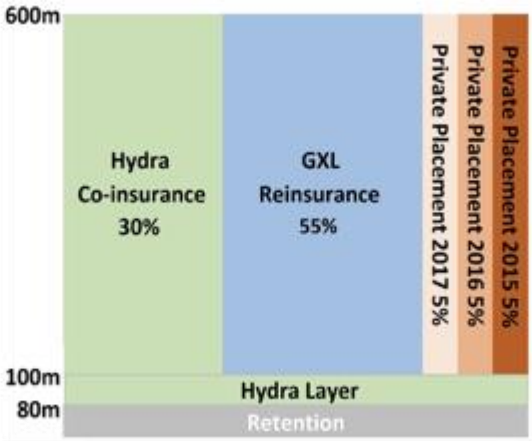
The first of the three current 5% private placements covering the first and second layers of the Group GXL placement (US $1 billion excess of US $100 million) expires at the end of the current policy year in February 2017. A new 5% three-year private placement will replace this expiring placement as from 20th February 2017 on more favourable terms and pricing. In addition, the Group has negotiated an extension to the second 5% three-year private placement for two years beyond 20th of February 2018 on favourable terms and pricing.

MLC cover

As part of the solution developed by the Group clubs to assist and meet shipowners’ 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 (US $190 million excess of US $10 million) at a competitive cost which is will be included within the overall reinsurance cost for allocation at 20 February 2017.

2017/18 Group Layer 1 GXL structure

The diagram below illustrates the revised participation structure of the first layer of the Group GXL programme for 2017/18.



Reinsurance cost allocation 2017/18

In accordance with the Group's general reinsurance cost allocation objectives, principally that of moving towards a claims versus premium balance for each vessel type over the medium to longer term, the Group's Reinsurance Strategy Working Group and Reinsurance Subcommittee have again reviewed the updated historical loss versus premium records of the current four vessel-type categories. This review included a focus on claims by vessel type, and consideration of whether the available claims data merited extending the current vessel-type categories for the purposes of the reinsurance cost allocation exercise.

Tankers

In the clean tanker category, the 2015 "Alpine Eternity" claim, on which there has been further development during 2016, continues to impact the clean tanker record, whilst the dirty tanker record continues to show improvement.

Dries

In the dry cargo category, during 2016/17 the claims and premium record has continued to develop favourably. The absence of any significant container vessel claims arising during the 2016/17 policy year to date means that there still remains insufficient historical claims data to support separate treatment of container vessels from dry cargo vessels for reinsurance cost rating purposes for the 2017/18 policy year.

Passengers

In the passenger category, following several years of significant increases in reinsurance costs as a result of the claims arising from the Costa Concordia incident, the claims and premium record is developing favourably. It is not anticipated that there will be any further significant development on these claims, and, in the absence of any further major passenger vessel incidents, the sector should continue to move towards claims/premium equilibrium over the medium term. Based on its review of comparative performance by vessel type category, and reflecting the most improved performance within the dry cargo and dirty tanker categories, the subcommittee approved reductions in reinsurance costs for 2017/18 of approximately 9.3% for dry cargo vessels and dirty tankers, and approximately 5% for clean tankers and passenger vessels. Chartered rates are reduced by approximately 6% for chartered tankers and chartered dries.

The 2017/18 rates are set out below

2017/18 rates summary

Tonnage Category	2017 rate per gt	% change from 2016
DIRTY TANKERS	$0.5955	% - 9.32
CLEAN TANKERS	$0.2675	% - 5.01
DRY CARGO VESSELS	$0.4114	% - 9.32
PASSENGER VESSELS	$3.3319	% -5.00
CHART TANKERS	$0.2237	% -6.01
CHART DRIES	$0.1093	% -6.02

This is another positive reinsurance renewal for the International Group and its Members, and over the last three renewals premium savings of approximately $100M have been delivered from the Group programme.

Paul Jennings
Chairman, International Group Reinsurance subcommittee
13 December 2016