

TO ALL MEMBERS

16 February 2017

Dear Sirs

RENEWAL 2017/18 POLICY YEAR

We are now able to update members on various renewal matters:

1 **Changes to the P&I, Offshore and Defence class rules**

The changes set out in our circular dated 9 December 2016 were approved at the meetings of members held on 31 January 2017.

2 **Limits of cover for the 2017/18 policy year**

The proposed cover limits are the same as the current policy year, which are set out below:

Owners' entries

- Oil pollution claims will continue to be limited to \$1bn any one event, subject to the usual Group non-aggregation wording.
- Crew and passenger claims will be limited to \$3bn in the aggregate any one event, with passenger claims being sub-limited to \$2bn, subject to the full limitation wording.
- All other claims will be limited as defined in the overspill claim rules.

Charterers' entries

Cover in respect of charterers' entries, cover for charterers named as joint entrants and co-assureds, and cover for members' liabilities arising under consortium arrangements, is subject to a limit of \$350m for P&I risks unless otherwise stated in the certificate of entry.

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Charterers' P&I cover is provided pursuant to reinsurance placed separately from the Pool. This reinsurance can accept risks with a combined single limit (P&I and Damage to Hull) of up to \$1bn by agreement.

The cover for charterers can include, if agreed by the managers and against an additional premium, cover for liabilities of the charterer in his capacity as owner of the cargo.

Additional covers

For additional covers, such as fixed premium P&I, Hull and P&I war risks, offshore and specialist risks, contractual covers, K&R, professional liability, traders etc., limits are as specifically agreed and are dependent on cover under the non-poolable reinsurance programme (currently not exceeding \$1bn) or other specific reinsurances. These are specific to the member concerned and set out in each certificate of entry.

3 War risks

Cover for excess war and terrorism risks in respect of standard cover continues, as before, with a limit of \$500m. Cover for war and terrorism risks in respect of additional covers continues to be limited to the amounts specifically agreed by the club and set out in the certificate of entry, or \$100m, whichever is the lesser. Cover for bio-chem risks for owners continues to be limited to \$30m.

4 US terrorism risks

The board has resolved that cover for acts of terrorism as defined in the *US Terrorism Risk Insurance Program Reauthorization Act 2015* will be made available for the forthcoming policy year. The Act applies 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. Under the terms of the Act, the US Government pays a proportion of covered terrorism losses exceeding the statutory established deductible paid by the insurance company providing the cover.

The Act, as amended, also imposes a program trigger on the Government's compensation, i.e. insurers cannot have the benefit of the Government's compensation, unless the aggregate industry insured losses from a certified act of terrorism exceed a certain insured loss or 'trigger' amount (currently \$140m). In addition, if the aggregate insured losses exceed \$100bn during any program year, the Government shall not make any payment for any portion of the amount of such losses that exceeds \$100bn and no insurer that has met its insurer deductible shall be liable for the payment of any portion of that amount that exceeds \$100bn.

5 Blue cards

The club will provide blue cards in respect of the CLC and Bunkers Convention, Wreck Removal Convention and the EU Passenger Liability Regulation for ships entered in the club for the forthcoming policy year. Blue cards will also be issued prior to agreement of renewal terms provided the member gives a written undertaking to the club to renew with the club or another International Group P&I club.

6 MLC Certification

The club will provide MLC certification in respect of outstanding wages and repatriation of seafarers together with incidental costs and expenses in accordance with MLC Regulation 2.5, Standard A2.5.2 and Guideline B2.5, and compensation for death or long-term disability in accordance with Regulation 4.2, Standard A4.2 and Guideline B4.2. Upon completion of the MLC application form, the club is able to provide MLC Certificates on the basis set out in the MLC Extension Clause. This provides that the club will pay claims advanced by seafarers which fall within the scope of the Regulations and Standards specified in the MLC Certificates. The clause also provides that if such payments fall outside the scope of standard cover, members will be obliged to reimburse the club. Where the P&I policy excludes crew risks, the insurers who provide owners with P&I cover for crew risks should provide the MLC Certificates, however, in certain circumstances, the club may still issue the MLC certificates upon receipt of a club approved indemnity.

7 Calls and releases

The board reviewed the club's financial position at its meeting on 31 January 2017. No supplementary calls are expected to be necessary for any open policy year for any of the P&I, Defence or London classes.

For the P&I and Defence classes, release call margins were confirmed at 2% for the 2014/15 policy year, 3% for the 2015/16 policy year and 7% for the 2016/17 policy year. The 2014/15 policy year is expected to be closed in May 2017.

The London class release call margins were confirmed at 0% of ETP for the 2014/15 policy year, 0% for the 2015/16 policy years and 0% for the 2016/17 policy year.

8 Outstanding premiums

Members are reminded that all renewals are subject to there being no outstanding sums owing to the club at 20 February 2017. In the event that any sums are outstanding, cover will be suspended from 20 February 2017 without further notice, until such sums are paid. Members are also reminded that when they appoint a broker, the broker is the member's agent. Accordingly payment of premium to the broker does not constitute payment to the club and it remains the member's responsibility to ensure that premium is paid to the club.

All insured parties are deemed to have confirmed that they accept to be bound by all of the club rules including, but not limited to, the rules relating to supplementary calls, release calls, overspill calls, law and jurisdiction, and accept the liability to pay supplementary, release and overspill calls as levied by the board under rules 18, 19 and 21 respectively. The reference to these specific obligations and rule provisions does not in any way derogate from all insured parties' agreement to be bound by all of the club rules.

Yours faithfully



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