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GENERAL INCREASE BULLETIN NO. 16 / 18

International Group General Excess of Loss Re-Insurance Contract - Policy Year 2019/20

18th December 2018

The International Group has announced the reinsurance tariff rates for owned entries to take effect at renewal 20th February 2019.

Vessel category	2018 rate US$/GT	US$ change	% change	2019 rate US$/GT
Persistent oil tankers*	0.5845	-0.0098	-1.68	0.5747
Clean tankers	0.2626	-0.0044	-1.69	0.2582
Dry cargo vessels	0.4038	-0.0067	-1.67	0.3971
Passenger vessels	3.2707	-0.0546	-1.65	3.2161

* previously noted as Dirty tankers

This year's announcement comes with an introductory statement from Mike Hall, Chairman, International Group Reinsurance subcommittee. He has commented;

““The continuing support of the market has enabled another successful renewal of the Group General Excess of Loss and Collective Overspill insurance programme. Changes to the structure of the reinsurance programme for 2019/20 should deliver enhanced value to shipowners, balancing a cost-effective commercial market placement with a robust and well-funded risk retention strategy that strengthens the financial position of the Group's captive, Hydra. This will all come as welcome news for the Group's shipowners.”

Summary of the programme from 20th February 2019:

- individual Club retention will remain unchanged at US$10 million
- the Pool structure remains unchanged as does therefore the attachment point on the GXL contract which will remain at US$ 100 million

The main changes to the programme structure for 2019/20 involve adjustment of the current programme second and third layer attachment points, the introduction of a new multi-year private placement and the introduction of a US$100 million AAD within the 80% market share in first layer of the programme,

- the first layer of the revised programme will provide cover from US$100 million to an increased upper limit of US$750 million,
- the second layer will cover from US$750 million to US$1.5 billion,
- 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 provide US$1 billion of cover in excess of US$2.1 billion.

Hydra participation

From 20 February 2019, following the changes to the reinsurance structure outlined above, Hydra will continue to retain 100% of the pool layer US$ 30 million-US$ 50 million, 92.5% of the pool layer US$ 50 million-US$ 100 million. In addition, Hydra will retain a US$ 100 million AAD in the market share (80%) of new first layer of the General Excess Loss programme.

MLC cover

The market reinsurance cover will be renewed for a further 12 months from 20 February 2019 with the expiring cover limit of US$ 200 million (excess of US$ 10 million) at a competitive cost which is included within the overall reinsurance cost.

War cover

The excess War P & I cover will be renewed for 2019 at a reduced premium which will be included in the total rates charged to owners.

As last year the Group has reiterated the rationale behind the tariff rating with the objective to achieve within each vessel category a claims versus premium balance over the medium to longer term. The question of increasing the number of vessel rating categories has again been examined during the year and in particular to the noted ongoing debate regarding container vessels.

The evaluation of the performance in the vessel categories has been summarised as follows;

Tankers – both the persistent tanker (previously called dirty tankers) and clean tankers category claim records continue to develop satisfactorily

Dries – the dry cargo category continues to develop favourably. The subcommittee once again reviewed the desirability of, or necessity for, separating container vessels from dry cargo vessels for reinsurance cost rating purposes, and concluded that there remains insufficient historical claims data to support separate treatment for the 2019/20 policy year.

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Passengers – the passenger category continues to develop favourably

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