

# No. 12 2006/2007 - Class 1 P&I Renewals 2007/2008

February 2007

Dear Sirs

## **RENEWALS 2007/2008**

### **CLASS 1 (P & I)**

We refer to Notices to Members Nos. 6 and 9 dated December 2006 and January 2007. This Notice to Members provides an update.

#### **1. INTERNATIONAL GROUP POOLING AND REINSURANCE 2007/2008**

For 2007 the individual Club retention shall increase from \$6 million to \$7 million per claim; the Pool retention will remain unchanged at \$50 million. The first layer of the Group's excess of loss reinsurance programme for \$500 million will take effect at this figure, but, as is the case for 2006, the layer will only be placed for 75% of the risk because the Group will continue to co-insure the remaining 25%. The 25% co-insurance share shall be underwritten by Hydra, the Group's cell captive, which will continue to be protected by way of reinsurance if losses within the first layer exceed \$200 million in aggregate.

The second layer of the Group's reinsurance programme, for \$500 million, will be placed on expiring terms and conditions. Thereafter, a new third layer will extend for \$1 billion in excess of layer 2 so that the overall limit of Group reinsurance for non-oil pollution claims will continue to be \$2.05 billion.

#### **2. LIMITS ON CLUB COVER 2007/2008**

For oil pollution claims the overall limit of Club cover will continue to be \$1 billion (other than for charterer's risks) as set out in the Limitation of Cover clause for pollution and other risks which will be contained in the Members' terms of entry.

As indicated in Notice to Members No. 9 2007 / 2008, a new combined limit on Club cover for passenger and seamen's liabilities of \$3 billion each accident or occurrence for each entered vessel together with a sub-limit of \$2 billion for passenger liabilities shall also apply, and will be reflected in the terms of entry for all vessels entered on a mutual basis in the Club.

The overall limit of Club cover for claims other than for oil pollution and for claims involving passengers and seamen shall remain unchanged at 2.5% of the 1976 Limitation Convention limit for property claims in excess of \$2.05 billion, but, as indicated in Notice to Members No. 9 of January 2007, a Group overspill protection will be in place for 2007 to protect the Club for its share of any overspill liabilities for claims up to \$1 billion in excess of \$2.05 billion.

#### **3. GROUP REINSURANCE RATES 2007/2008**

For 2007 Group reinsurance rates per G.T., which are to be charged as separate fixed costs together with 2007 advance call rates will be as follows:

DIRTY TANKERS	\$	0.6797
CLEAN TANKERS	\$	0.3187
DRY CARGO VESSELS	\$	0.2837
PASSENGER VESSELS	\$	1.3714

These rates include the premium charged to fund the upper layer of the Pool (\$20 million in excess of \$30 million) which is paid to Hydra as reinsurer of the Pool's upper layer liabilities and the cost of the overspill protection referred to earlier.

#### 4. OIL POLLUTION SURCHARGE 2007/2008

The terms and conditions which are to apply to tankers trading to the United States carrying persistent oil as cargo shall remain unchanged for 2007 except that the rates are reduced by 4.5% as follows:-

	Non SBT	SBT	
<b>Tankers (over 1,000 GT)</b>	\$ 0.114	\$ 0.096	Per GT per voyage
<b>LOOP/Lightening</b>	\$ 0.057	\$ 0.048	Per GT per voyage
<b>Tankers (under 1,000 GT)</b>	<b>Either</b>	<b>Either</b>	
	\$ 115.00	\$ 100.00	Per voyage
	<b>Or</b>	<b>Or</b>	
	\$ 2,281.00	\$ 2,013.00	Per annum

Special provisions shall apply to parcel tankers, details of which are as usual available from the Managers.

#### 5. WAR RISK P&I 2007/2008

The terms and conditions of the excess war risk P&I cover for 2007 have now been agreed with the commercial war risk market and, with a reduction in premium, will be on the same terms and conditions as for 2006.

The terms, which are set out in full in Rule 14 and Members' terms of entry, will apply automatically for all Members for the new policy year. The principal features are:-

1. The cover is to pay claims only in excess of amounts recoverable under a Members' underlying war risks P&I policy including but not limited to Hull and Machinery and Crew, Marine or War Risks and any Protection and Indemnity Clauses attached thereto. The cover is also excess of war risk cover provided to Charterers under Rule 3. It is not intended as a substitute for traditional market war risks cover. Members are therefore expected to maintain their existing war risks cover including cover for P&I risks to the maximum extent available (up to a maximum of \$100 million).
2. The cover is subject to notice of cancellation and automatic termination provisions and excludes nuclear risks.
3. The cover is subject to a Chemical, Biological, Bio-Chemical, Electromagnetic Weapons and Computer Virus exclusion.
4. The limit of cover is \$500 million each vessel any one accident, but shall not exceed in aggregate \$500 million in respect of all Members' entries whether Owners' or Charterers' and irrespective of whether or not such entries are entered

with the West of England or any other International Group Club.

5. The premium payable for the cover shall be US\$0.01261 per gross ton entered for Owners' entries. It will be payable with, and is included in, the rates per gross ton charged for the Group's excess of loss reinsurance premium as a fixed cost per gross ton as set out in Section 3 of this Notice. The rate for Charterers' entries is \$0.00449 per GT.

The estimated cost within these rates for the provision of cover in accordance with TRIA is US\$0.0025 per gross ton entered. Members who may qualify for TRIA protection will be advised individually.

6. The cover permits worldwide trading but excludes risks in respect of vessels trading in breach of any Exclusion Notice issued by the Club or reinsuring underwriters.

## 6. CHEMICAL, BIOLOGICAL, BIO-CHEMICAL EXCLUSION 2007 / 2008

For 2007 the Club will consider whether or not to continue to provide special cover for a number of risks which are otherwise excluded by the Chemical, Biological, Bio-Chemical, Electromagnetic Weapons and Computer Virus exclusion under Rule 14(3). If existing cover is renewed the terms and conditions, once finalised, shall be advised to Members in a separate Notice to Members.

The limited cover for some of these excluded risks will in any case continue to be available through the Group's Supplemental Pooling Agreement on the same terms as were set out in Notice to Members No. 1 2004/2005 dated March 2004 except that the limit of cover will continue to be \$30 million for all claims arising out of each incident for each vessel.

## 7. CHARTERERS ENTRIES 2007/2008

For 2007 Charterers entered through the Group's Pooling and excess of loss arrangements are to be renewed on expiring terms and conditions. The cover is for a combined single limit of \$350 million in the aggregate for both oil pollution and non-oil pollution claims for each entered vessel each accident or occurrence. Details will be contained in Members' terms of entry. In practice very few Members are entered for Charterers' risks through the Group's Pooling and excess of loss reinsurance arrangements. Most are now entered through the Club's **CHARTERERS' COMPREHENSIVE COVER** in accordance with Rule 3.

For 2007 the terms, conditions and limits of the Charterers' Comprehensive cover, which includes damage to Hull, remain largely unchanged together with the \$400 million aggregate limit of cover. However, as advised in **Notice to Members No. 9 2005/2006** dated January 2006, the cover has been modified to include loss of use resulting from damage to an entered vessel for which the Charterer is responsible and that such loss of use includes not only freight, damages or demurrage, but also hire which the Member is obliged to pay while the vessel is out of service.

As usual precise terms of entry for all chartered entries shall be subject to agreement with individual Members.

Should Members have queries on any of the matters raised in this Notice please do not hesitate to contact the Managers in the usual way.

Yours faithfully

**West of England Insurance Services (Luxembourg) S.A.**  
**(As Managers)**

**P E Spendlove**  
Managing Director