

No. 9 2007/2008 - Renewals 2007-2008

Janaury 2007

Dear Sirs

RENEWALS 2007/2008

Class 1 (P&I)

We refer to our Notice to Members No. 6 2006/2007 dated December 2006. As indicated in that Notice, the Group's reinsurance arrangements were then in the process of being negotiated and finalised.

Also under discussion was the proposed introduction for 2007 of a combined limit on Club cover for passenger and seamen's liabilities of US\$3 billion together with a sub-limit of US\$2 billion for passenger liabilities. A proposal to place overspill reinsurance on a Group basis for the first US\$1 billion of overspill liability for claims in excess of US\$2 billion was also being considered.

By way of background there has been increasing concern amongst Group Clubs that the degree of risk of an overspill claim in respect of passenger and crew liabilities is now considered to be disproportionate given the increased number of passengers and crew carried on some cruise and other passenger vessels. The degree of risk has been highlighted by the fact that the 2002 Protocol to the Athens Convention is likely to enter into force within the next year or two. As a result Group Clubs have decided that a balance needs to be struck which takes account of these concerns and at the same time preserves so far as possible the levels of cover that both passenger vessel and non-passenger vessel operators require.

This Notice to Members is an update of the position.

- **LIMIT ON CLUB COVER FOR PASSENGER AND SEAMEN'S LIABILITIES 2007** For 2007 a majority of Group Clubs has now agreed that there shall be a combined limit on Club cover for passenger and seamen's liabilities of US\$3 billion each accident or occurrence for each entered vessel together with a sub-limit of \$2 billion for passenger liabilities. It is likely that this new limit shall be incorporated in the 2007 International Group Pooling Agreement by way of an Appendix and shall, for the 2007 policy year, be applied to the terms of entry for all vessels entered on a mutual basis in the Club. Rule changes to reflect the relevant terms of the Pooling Agreement will then be introduced during 2007 for adoption in 2008.
- **GROUP OVERSPILL REINSURANCE PROTECTION 2007** For 2007, a majority of Group Clubs has now also agreed that a Group reinsurance shall be placed for overspill liabilities for claims in excess of \$2 billion up to \$1 billion. The cost of this additional US\$1 billion of cover shall be included together with the cost of the Group's excess of loss reinsurance programme (which reinsures losses in excess of the Pool from US\$50 million up to US\$2 billion), and will accordingly be reflected in the reinsurance rates per gross ton as charged to Members as a fixed cost for the policy year.
For the 2007 policy year the structure of the Group's reinsurance programme in excess of the Pool will otherwise remain broadly unchanged. Further details relating to the participation of Hydra, the Group's captive, and the structure of the layers that make up the overall programme including the new overspill protection will be set out in a further Notice to Members once a number of minor outstanding issues has been finalised. The Notice will also set

out the overall Group reinsurance rates per GT which are to apply to each vessel category for 2007, and which will as usual be charged as separate fixed costs together with 2007 advance call rates. These rates will continue to include the premium which is charged to fund the upper layer of the Pool (US\$20 million in excess of US\$30 million) which will again be paid to Hydra as reinsurer of the Pool's upper layer liabilities.

- **OIL POLLUTION SURCHARGE 2007; WAR RISK P&I 2007; CHARTERERS ENTRIES 2007** Precise terms and conditions relating to each of these matters have not been finalised. Details will also be advised in a separate Notice to Members within the next few weeks.

Any questions relating to this Notice should be addressed to the Underwriting Department in the usual way.

Yours faithfully

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

P E Spendlove
Managing Director