WEST

News 21 Dec, 2021

Group Reinsurance Rates 2022/2023

Simon Parrott
Underwriting Director

The arrangements for the renewal of the International Group General Excess of Loss (GXL) reinsurance contract and the Hydra reinsurance programme for 2022/23 have now been finalised. These include the Collective Overspill Cover; Excess War Risks P&I cover and MLC cover.

Given the hardening market conditions and the deterioration in the Group's claims record (which, together with securing uniquely high levels of cover for malicious cyber and pandemic risks, has been the main driver in the increase in rates), the Group has agreed to a significant increase in premiums to the markets to renew its 2022 reinsurance programme.

In order to achieve this, there have been some adjustments to the main GXL placement.

WEST

The main GXL placement (layers 1-3, US$2 billion excess of US$100m) has now been split into four layers, with the Collective Overspill renewed excess of the GXL, and the three private placements also maintained in place. As such, the entire commercial market placement can be summarised as follows:

- **Private Placements:**
  30% of the Layer US$650m excess of US$100m has been secured on expiring coverage terms. This percentage is covered by three private market placements which are renewed independently of the main GXL programme**.**

- **Main General Excess of Loss:**
  With regard to the 70% balance of the expiring Layer 1 and the expiring Layers 2 and 3 of the previous structure, a change was negotiated with the reinsurance markets, as follows:

  The expiring Layer 1 (US$650m excess of US$100m) has been split into a new Layer 1 (US$450m excess of US$100m) and a new Layer 2 (US$200m excess of US$550m).

  The US$100m AAD (retained by the Group's captive Hydra), within the 70% market share of Layer 1 of the programme remains in place.

  Excess of the new Layer 2, the layers remain as US$750m excess of US$750m (Layer 3), and US$ 600m excess of US$ 1.5bn (Layer 4). Both these Layers are placed 100% in the market.

- These placements have been renewed with unamended, free and unlimited, coverage for **all** risks except for Malicious Cyber, Covid and Pandemic risks. For these risks, there is free and unlimited cover for claims up to US$450m excess of US$100m, covering almost all Group Clubs' certificated risks.

  Excess of US$550m there is up to US$2.15 bn of annual aggregated cover in respect of these three risks. Excess of that, the Group has decided to pool between Group Clubs the un-reinsured risks, resulting in no change to Members' cover.

- Other placements: The Collective Overspill (US$1bn excess of US$2.1 bn) and ancillary covers are being renewed with premiums included within the overall rate per GT.

Individual Club retention remains unchanged for the 2022/23 policy year at US$10 million, as does the structure of the Pool and the attachment point for the GXL programme.

WEST

Hydra participation

The Group's Bermudan based reinsurance captive Hydra continues to provide cover within the pooled layers of the programme and a US$100 million AAD in the 70% market share of layer 1 of the GXL programme

MLC cover

The MLC market reinsurance cover is being renewed for 2022 at competitive market terms, with the premium included in the overall reinsurance rates charged to shipowners.

Excess War cover

The excess War P&I cover will be renewed for 2022 for a period of 12 months. Again, this will be included in the total rates charged to shipowners.

Reinsurance cost allocation 2022

As part of its annual analysis to ensure the fairness of cost allocation between different vessel types, the Reinsurance Committee has also considered its current vessel categories.

The conclusions of the RIC are that there should be no change in the number of categories but that there should be some adjustments to the relative rate changes having regard to historical claims performance.

The 2022 rates are set out below:

Tonnage category	2022 $ rate per GT	% change in rate per GT
Persistent Oil tankers	0.6469	+15.0%
Clean Tankers	0.3666	+40.0%
Dry	0.5639	+40.0%
FCC	0.6586	+55.0%
Passenger	3.8677	+18.6%

As is customary, the 2022/23 Mutual call will be adjusted to reflect these rates and split evenly across all instalments.

If you have any questions, please contact the Underwriting department.