

No. 12 - Renewals 2001/2002

December 2000

Dear Sirs

RENEWALS 2001/2002

1. CLASS 1 (P&I)

a. General Surcharge

At their meeting on 6 December the Board of Directors decided that the general surcharge to be applied to current advance call rates (and time charter fixed premium rates) will be 10% before adjustments to individual record. Although claims levels remain within predictions, there are signs that claims costs are increasing, whilst premium levels for the industry as a whole have continued to fall. At the same time it is unlikely that future investment returns will be as high as those achieved during the 1990's.

As usual the 10% general surcharge shall be applied to the mutual proportion of the advance call rate. Group excess of loss reinsurance premium will continue to be charged separately as a fixed cost.

The forecast additional call for the 2001/02 policy year will be 20% of advance call (reduced from 50%) to reflect the fact that 83% of the estimated total call (ETC) will now be charged as advance call (as described in Notice to Members No. 15 dated December 1999 and in correspondence sent to all Members individually during July 2000). This will be payable by August 2002; a further release call of 15% of advance call (reduced from 25%) shall also apply.

b. International Group Pooling Arrangements 2001/2002

For 2001/2002 the individual Club retention is to remain at \$5Million per claim. The Pool retention will also remain at \$30Million for 75% of the risk but for 15% of the risk the Pool will continue to extend to \$100Million. The Group will also retain the remaining 10% exposure up to \$500 Million protected by separate reinsurance on the same terms as applied for 2000.

c. International Group Excess of Loss Reinsurance 2001/2002

The Group's excess of loss reinsurance programme for 2000 was placed for 24 months up to 20 February 2002. Group reinsurance costs will accordingly remain unchanged as follows:-

2001	
Dirty Tankers	\$0.3953 per GT
Clean Tankers	\$0.1773 per GT
Dry Cargo	\$0.1453 per GT

Passenger Vessels \$0.2762 per GT

These rates per GT will be charged automatically as fixed costs together with 2001 advance call rates.

d. **Oil Pollution Surcharge 2001/2002**

The terms and conditions which are to apply to tankers trading to the United States carrying persistent oil as cargo shall also remain unchanged for 2001. Rates for 2001/02 will be as follows:-

	Non SBT	SBT	
Tankers (+1,000 GT)	\$0.085	\$0.075	Per GT per voyage
Loop/Lightening	\$ 0.0425	\$0.0375	Per GT per voyage
	Either	Either	
Tankers (<1,000 GT)	\$85.00	\$75.00	Per GT per voyage
	Or	Or	
	\$1,700	\$1,500	Per GT per annum

Special provisions will as usual apply to parcel tankers, details of which can be provided by the Managers on request.

e. **Charterers Entries 2001/2002**

Subject to agreement on rates and special terms, Charterers entries will be covered for P&I risks for 2001 either through the Group's Pooling and excess of loss reinsurance arrangements on standard terms which are identical to those which applied for 2000/01, or through the Charterers Comprehensive Cover which can also include damage to hull and other risks. The standard terms and scope of this alternative cover will also be unchanged for 2001.

f. **Limit on Club Cover 2001/2002**

For 2001 the oil pollution limit of cover shall remain at \$1Billion. The limit for claims other than for oil pollution will also remain unchanged at 2.5% of the 1976 Limitation Convention limits for property claims. The West of England shall continue to be reinsured for its Members' share of the first \$1Billion of an overspill call for any loss which exceeds \$2Billion.

g. **West of England Retention Reinsurance Arrangements 2001/2002**

For many years the Club has arranged special reinsurances for claims falling within the Club's retention to ensure so far as possible that net claims do not exceed certain levels and therefore that the mutual premium or ETC (advance call plus the forecast additional call) charged for each policy year remains as predicted at the beginning of each policy year.

These policies, primarily with **MUNICH RE** and **SWISS RE**, will as usual be renewed during the coming weeks for the 2001 policy year.

However, for 2001 the Club will in addition continue to benefit from a multi-year stop loss programme which has been finalised recently with **MUNICH RE** for each of the 5 policy years commencing in February 2000.

The effect of this policy is that if total net claims costs for any of the 5 years exceed the average net cost of claims experienced for all policy years from 1992 to 1999 by more than 5%, reinsurers will pay the excess up to \$30Million per year (or \$85Million in aggregate for all 5 years together) at a total fixed premium for all 5 years of less than \$10Million.

Long-term full risk transfer reinsurance of this nature gives significant additional benefit to the Members for

current and future policy years and added assurance to the prospects that total call levels will remain within initial forecasts.

2. **CLASS 2 (FD&D)**

For 2001/2002 the Board has decided that a 10% general surcharge shall be applied to Class 2 advance call rates and to time charter fixed premium rates before adjustments to reflect individual record.

The Board has also decided for 2001/2002 that the forecast additional call will be adjusted from 50% to 20% since the proportion of estimated total call to be charged in advance is also to be increased to 83% in line with the revised practice to be applied for Class 1 risks. This will be payable by August 2003. A further release call of 15% (reduced from 25%) will also apply.

For 2001/2002 the Board has applied an overall limit on Class 2 cover of \$5Million for the aggregate of costs for each case. The relevant modification to the Class 2 rules for 2001 was approved at an E.G.M. held on 6 December 2000.

3. **CLASS 3 AND 4 (CREW AND PORT RISK STRIKES)**

For 2001/2002 the Board has decided not to apply a general surcharge, but individual rates shall be amended in accordance with record. A nil additional call and nil further release percentage is to apply from the outset.

Yours faithfully

**The West of England Ship Owners
Insurance Services Limited**
(As Managers)

P E Spendlove
Managing Director