

No. 10 - Renewals 2002/2003

December 2001

Dear Sirs

RENEWALS 2002/2003

1. CLASS 1 (P&I)

a. General Surcharge 2002/2003

At their meeting on 5 December the Board of Directors decided that the general surcharge to be applied to all current advance call rates (and time charter fixed premium rates) will be 25%. Members with adverse individual records will however be subject to further adjustment as appropriate. The level of increase is higher than for any recent year but, as explained in some detail in the Club's Report and Accounts, it reflects the fact that, as for the whole P&I industry, mutual premium has fallen to too low a level compared with the cost of claims. At the same time investment income has declined sharply.

As usual the 25% general surcharge shall be applied to the mutual proportion of the advance call rate and Group excess loss reinsurance premium will continue to be charged separately as a fixed cost. For the moment Group reinsurance costs and terms for 2002 have still to be negotiated with reinsuring underwriters. Details will be advised in a separate Notice to Members as soon as possible.

As for the 2001 policy year the forecast additional call for the 2002/2003 policy year will be 20% of advance call and will be payable by 20 August 2003; a further release call of 15% of advance call shall also apply.

b. International Group Pooling Arrangements 2002/2003

For 2002/2003 the individual Club retention is to remain at \$5 million per claim. The Pool retention is likely to remain at \$30 Million for 75% of the risk, and for 15% of the risk it is likely to extend to \$100 Million. The Group is also likely to retain the remaining 10% exposure up to \$500 Million protected by separate reinsurance on similar terms as applied for 2001.

c. Oil Pollution Surcharge 2002/2003 The terms and conditions which are to apply to tankers trading to the United States carrying persistent oil as cargo have not so far been negotiated; details will be advised in a separate Notice to Members as soon as possible.

d. Charterers Entries 2002/2003

Subject to agreement with individual Members on rates and special terms, Charterers entries will be covered for P&I risks for 2002 either through the Group's Pooling and excess of loss reinsurance arrangements on terms which are likely to be similar to those which applied for 2001/2002, or through the Charterers Comprehensive Cover which can include damage to Hull and other risks. The terms and scope of this alternative cover are likely to remain unchanged for 2002, except that the overall limit of cover may reduce from the current level of \$500 Million each claim, each vessel to \$400 Million each claim, each vessel.

Details will be advised in a separate Notice to Members as soon as possible.

e. **Limit on Club Cover 2002/2003**

For 2002 the oil pollution limit of cover shall remain at \$1 Billion. The limit for claims other than for oil pollution will also remain unchanged at 2.5% of the 1976 Limitation Convention limit for property claims in excess of the limit on the Group's reinsurance programme. Although this is currently \$2 Billion, as already advised, renewal of the Group's programme for 2002 has yet to be finalised. Any change may therefore affect the overall limit on Club cover. As a result no decision has been made for the moment as to whether or not the West of England will continue to reinsure its Members share of the first \$1 Billion of an overspill call.

f. **War Risk P&I 2002/2003**

For 2002 Club cover for Class 1 risks is likely to be amended so that "acts of terrorism" will be excluded. This reflects the Group's excess of loss reinsurers' decision that they will no longer reinsure such risks within the Group's main programme with effect from 20 February 2002.

The exclusion will be included within the War Risk Exclusion set out in **Rule 14**. The precise terms of any amendment will be put to an Extraordinary General Meeting of the Members before the end of this policy year, but on the assumption that "acts of terrorism" will no longer be covered under the Club's Rules, it is hoped that the terms of the Club's excess war P&I cover will be appropriately amended to assist Members in covering such risks should their current market cover for any reason be inadequate. However, negotiations with war risk P&I underwriters have not so far been progressed so the precise terms, conditions and premiums for the Club's excess war P&I cover have yet to be finalised. In the meantime, Members are reminded that excess war risk P&I cover is presently available on the basis set out in the Club's Notices to Members Nos. 6 and 8 dated September and October 2001.

g. **West of England Retention Reinsurance Arrangements 2002/2003**

Special reinsurance arrangements for losses retained by the Club with Munich Re and Swiss Re have been in place for a number of years. All policies in place for 2001 were renewed for two or more policy years with the result that none is due for re-negotiation before February 2003. Long-term full risk transfer reinsurance of this nature continues to give significant additional protection to Members and added assurance that total call levels will remain within initial forecasts.

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

For 2002/2003 the Board has decided that a 15% general surcharge shall be applied to all Class 2 advance call rates and to time charter fixed premium rates. Further adjustments to take account of adverse individual record may also be applied. The Board has also decided that the forecast additional call for 2002/2003 shall be 20% to be payable by 20 August 2004. A further release call of 15% will also apply. All other terms and conditions of cover will remain unchanged.

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

For 2002/2003 the Board has agreed to apply no general surcharge, but rates will be adjusted to take account of individual 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

