

No. 12 - Renewals 2006/2007 Class 1 (P&I)

February 2006

Dear Sirs

RENEWALS 2006/2007 CLASS 1 (P&I)

We refer to Notice to Members No. 8 2005/2006 dated December 2005. This Notice to Members provides an update.

1. INTERNATIONAL GROUP POOLING AND REINSURANCE 2006/2007

For 2006 the Club retention will remain at \$6 million per claim and the Pool retention will also remain 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 was the case for 2005, 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 will be underwritten by the Group's cell captive, Hydra, which will continue to be protected by way of separate reinsurance if losses within the first layer exceed \$200 million in aggregate.

The remaining three layers of the Group's reinsurance programme, each for \$500 million, will be placed on expiring terms and conditions so that the overall limit of Group reinsurance for non-oil pollution claims will continue to be \$2.05 billion. The overall limit of Club cover for non-oil pollution claims will also remain unchanged at 2.5% of the 1976 Limitation Convention limit for property claims in excess of \$2.05 billion.

For oil pollution claims the overall limit of Club cover will continue to be \$1 billion (other than for certain charterers' entries) as set out in the Limitation of Cover Clause for Pollution and Other Risks contained in the Bye Laws.

For 2006 Group reinsurance rates per GT, which are to be charged as separate fixed costs together with 2006 advance call rates, will be as follows:-

DIRTY TANKERS	\$	0.6799	PER GT
CLEAN TANKERS	\$	0.3201	PER GT
DRY CARGO VESSELS	\$	0.2851	PER GT
PASSENGER VESSELS	\$	0.8006	PER GT

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.

2. OIL POLLUTION SURCHARGE 2006/2007

The terms and conditions which are to apply to tankers trading to the United States carrying persistent oil as cargo shall remain unchanged for 2006 except that the rates shall be reduced by 5% as follows:-

Non SBT SBT

Tankers (over 1,000 GT)	\$ 0.119	\$ 0.105	Per GT per voyage
LOOP/Lightening	\$ 0.06	\$ 0.052	Per GT per voyage
Tankers (under 1,000 GT)	Either	Either	
	\$ 120.00	\$ 105.00	Per voyage
	Or	Or	
	\$ 2,389.00	\$ 2,108.00	Per annum

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

3. WAR RISK P&I 2006/2007

The terms and conditions of the excess war risk P&I cover for 2006 have now been agreed with the commercial war risk market and, with a modest reduction in premium, will be on the same terms and conditions as for 2005.

The terms, which will be 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 Member's 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 Owner's or Charterer's 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\$0.01482 per gross ton entered for Owner's 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 1 of this Notice. The rate for Charterers' entries is \$0.00527 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.

CHEMICAL, BIOLOGICAL, BIO-CHEMICAL EXCLUSION 2006

For 2006, under Rule 14(3), the Club will 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. 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.

4. NUCLEAR RISKS EXCLUSION (2006)

As for previous years the Club's cover will be subject to the Nuclear Risks exclusion as set out in Rule 15. However, the wording of the rule will be modified for 2006 by endorsement on all certificates of entry so that Rule 15 (b) shall read

“any weapon of war or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter, or....”

The revised wording clarifies that the use of a "device" as well as a weapon of war is intended to be included within the terms of the exclusion.

5. OVERSPILL PROTECTION 2006

For recent policy years the Club has elected not to buy any overspill protection for non-oil pollution risks which exceed the limit of the Group's reinsurance programme. For 2006, the Board has considered the question again, and has taken the view that, because in their judgment the probability of a catastrophic loss in excess of Group reinsurance may be increasing, some limited protection should be bought for part of the Club's share of an overspill claim. Precise terms and conditions will be advised in a separate Notice to Members once finalised.

6. CHARTERERS ENTRIES 2006/2007

For 2006 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 are set out in the Bye-Laws. 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 2006 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 on specific terms and conditions as appropriate.

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