



# The London P&I Club

## **INTERNATIONAL GROUP POOLING AND REINSURANCE ARRANGEMENTS FOR THE 2020/21 POLICY YEAR**

### **Club retention, Pool and IG General Excess of Loss (GXL) attachment**

The individual club retention remains at US\$10 million for the 2020/21 policy year. The structure of the Pool is also unchanged as is the attachment point on the Group GXL reinsurance programme, which remains at US\$100 million.

### **Reinsurance structure**

Following the changes made for the current 2019/20 policy year there are no major changes to the arrangements for 2020/21, apart from a modest adjustment to the two expiring 5% private placements in the US\$1 billion excess of US\$100 million layer. These are being replaced by two new 10% multi-year private placements in the first layer. As a result, there will be three 10% private placements for the 2020/21 policy year, with the 70% balance placed in the market.

The US\$100 million AAD (retained by Hydra) remains within the 70% market share in the first layer of the programme. This layer will continue to provide cover from US\$100 million to US\$750 million. The second layer covers claims from US\$750 million to US\$1.5 billion, and the third layer from US\$1.5 billion to US\$2.1 billion. There will be no change to the collective overspill layer, which continues to provide US\$1 billion of cover in excess of US\$2.1 billion.

### **Hydra participation**

From 20 February 2020, following the changes to the reinsurance structure outlined above, Hydra will continue to retain 100% of part of the lower pool layer (US\$30 million - US\$50 million), 92.5% of the whole upper pool layer (US\$50 million-US\$100 million), and the said US\$100 million AAD in the 70% market share of the first layer of the GXL programme.

### **MLC cover**

The market reinsurance cover will be renewed for a further 12 months from 20 February 2020 with the expiring cover limit of US\$200 million (excess of US\$10 million) which is included within the overall reinsurance cost.

## Excess War Risks cover

As part of the renewal of the International Group's General Excess of Loss Reinsurance Contract for the policy year 2020/2021, the excess War Risks P&I cover will also be renewed for a period of 12 months, with the costs included in the total rates charged to shipowners.

The terms on which the excess War Risks P&I Cover will be provided for the 2020 policy year are in most respects the same as for the 2019 policy year, including the limit of cover of US\$500 million.

However, for the 2020 policy year there is a change to the definition of the excess. This change is in respect of the minimum excess of the policy which has increased from the proper value of the entered ship (as agreed by the relevant Association) or USD 100,000,000 whichever is the less, to the proper value of the entered ship (as agreed by the relevant Association) or USD 500,000,000 whichever is the less.

The full wording now reads as follows:-

*"This policy to pay claims excess of amounts recoverable under vessels' war or crew war risks Protection and Indemnity policies subject to a minimum excess of the proper value of the entered ship (as agreed by the relevant Association) or USD 500,000,000 whichever is the less (applicable to owners' entries and not to Charterers' entries), and further subject to a minimum excess of USD 50,000 any one event."*

The brokers and reinsuring underwriters are concerned that the intent of this clause should be clearly understood and, following discussions with the International Group, the brokers have issued the following clarification with the approval of reinsuring underwriters:-

*"It is therefore our understanding that in respect of Owners' entries this policy will respond excess of underlying insurances with a limit of at least the proper value of a vessel.*

*In the event that a vessel is not so insured, this policy will respond as if an underlying policy with a limit up to the proper value were in place, except that for a vessel with a proper value of more than USD 500m, the deemed underlying excess shall be USD 500m.*

*Further we understand that this policy will be in excess of all other policies placed by owners for vessels' or crew war risks P&I. We do not believe that corporate general liability umbrellas placed on behalf of organisations of which shipping forms a part are underlying policies hereon (even if they might include some war and terrorism cover).*

*We believe reinsurers understand that Club boards may exercise their discretion as to what constitutes the proper value of an entered vessel, but the payment of claims under this policy remains subject to the criteria above."*

Members should note that they are deemed to have underlying cover with conditions equivalent to the cover above ("P&I - War Risks") equal to at least the proper value of the ship. Furthermore this cover is excess of any cover which the Member has actually taken out which covers the risk, unless the cover is a corporate general liability umbrella cover.

The effect of this change is that Members who have ships valued individually at more than US\$100 million and who do not purchase primary war risks insurance will have a larger gap in their cover for the 2020 policy year (to fund for their own account). Members are therefore recommended to review their war risks arrangements to ensure they are aware of their exposures in respect of any ship valued at more than US\$100 million.

Members are reminded that where payment by the Club under a guarantee or a certificate is in respect of war risks, Members shall indemnify the Club to the extent such payment is recovered or would have been recoverable under a standard P&I war risk policy.

### Reinsurance rates 2020/21

The rates are as follows:

Tonnage Category	2020 rate per g.t.	% change from 2019
PERSISTENT OIL TANKERS	US\$0.5747	0%
CLEAN TANKERS	US\$0.2582	0%
DRY CARGO VESSELS	US\$0.3971	0%
PASSENGER VESSELS	US\$3.2161	0%