

16 February 2018

To all Members

Class 3 – Protection & Indemnity General Renewal Update – 2018/19

1. International Group Reinsurance

The International Group reinsurance programme has been concluded on the basis of the following structure:-

- Club retention - USD10 million
- Pool retention - USD90 million excess of USD10 million
- General Excess Loss Cover - USD2 billion excess of USD100 million
- Collective Overspill Cover - USD1 billion excess of USD2.1 billion

The result of the renewal for all ship categories and the rates for 2018/19, inclusive of the excess war risks cover referred to below, are as follows:-

- Dirty tankers - USD0.5845 per GT
- Clean tankers - USD0.2626 per GT
- Dry cargo ships - USD0.4038 per GT
- Passenger ships - USD3.2707 per GT

2. Affiliated Charterers

Members who wish to have an affiliated charterer included under an owner's entry must be able to show that:

- i. both the insured owner and the charterer are under common ownership; or
- ii. the insured owner or the charterer respectively either owns at least 50% of the shares in, and voting rights of, the other or owns a minority of the shares in the other and can procure that it is managed and operated in accordance with its wishes.

Those companies qualifying will continue to be provided with a limit of USD350 million in the aggregate any one ship any one event.

3. P&I War Risks

Cover for excess war and terrorism risks will continue to be provided for the 2018/19 policy year. The cover is only to pay claims in excess of amounts recoverable under the ship's or crew war risks P&I policies, subject to a minimum excess of the proper value of the entered ship or USD100 million, whichever is the lesser. (This condition does not apply however where the ship is solely entered in the name of the charterer other than a charterer by demise or bareboat charterer i.e. time/voyage chartered entries.) The limit under the cover will be USD500 million any one ship any one event, or such lesser amount as may be agreed with the Managers. For the avoidance of doubt, where Members have chosen to effect primary war risks insurance in excess of the proper value of the entered ship, this cover will pay claims in excess of amounts recoverable under all P&I war risks insurances.

Details of the cover provided are set out in the Association's circular – January 2018 – Class 3 – Protection & Indemnity Endorsements to 2018 policy year Certificates of Entry.

4. TRIA

Cover for acts of terrorism, as defined by the TRIA 2002 (which has been further extended by the Terrorism Risk Insurance Programme Reauthorisation Act of 2015, up to December 2020), will continue to be available as part of the P&I War Risks extension (see 3 above). The Act will apply to very few ships entered in the Association but, for those that are eligible, a premium of USD0.0025 per gross ton is deemed attributable to these risks and will be included within the overall premium.

5. Bio-Chemical Risks

In view of the exclusion of bio-chemical type risks from the P&I war risks cover, and in recognition of an absence of suitable commercial market insurance, the International Group will continue to provide cover of USD30 million per ship in the aggregate for certain bio-chemical risks. However, this cover is not available for chartered entries.

Details of the cover provided is set out in the Association's circular – January 2018 - War Risks P&I Cover – Biological and Bio-Chemical Weapons.

6. Maritime Labour Convention 2006 (MLC 2006)

Details of MLC cover provided to Members is set out in the Association's circular – January 2018 – Class 3 – Protection & Indemnity Endorsements to 2018 policy year Certificates of Entry.

7. Insurance Act 2015

The Insurance Act 2015 came into force on 12 August 2016, Members' attention is drawn to the Association's Circular dated 17 November 2015. Members' attention is also drawn to Class 3 (P&I) Rule 3(5) and Class 6 (FD&D) Rule 3(6), introduced into the Rules consequential on the Insurance Act 2015 and, in respect of the sections identified in those Rules, maintain the status quo between Members and the Association under previous legislation. Members' attention is also drawn to Class 3 (P&I) Rule 6(2) and Class 6 (FD&D) Rule 6(2) which address the Members' or any potential Members' initial and continuing duty of fair presentation and the Association's rights.

8. Heavy Fuel Oil Cargoes

Members will be required to continue to declare to the Association details of any ship that has carried heavy fuel oil as cargo in the previous policy year. Declaration forms will be sent in due course.

9. Product and/or Chemical Tankers and/or OBO's

Members entering tankers on the basis that they carry only non-persistent oil cargoes and OBO's trading as dry, will continue to be required to notify the Association should a persistent oil cargo be carried and pay the appropriate additional premium. Members should have a system in place to ensure timely notification of voyages with persistent oil cargoes. If a ship entered on the basis that it is carrying a persistent oil cargo does not in fact carry such a cargo for a period of thirty consecutive days, it will be able to claim a return of Call provided the application is made within the three months of the end of the policy year.

Full details are contained in the Association's Bulletin – January 2018 - To Members Operating Product and/or Chemical Tankers and To Members Operating Oil, Bulk, Ore Carriers (OBO's).

10. Additional Insurances

The Association's [website](#) contains details of some of the additional covers that the Managers can assist Members in arranging. Where this cover is placed in the commercial market the Association's Terms of Business Agreement – March 2017 will apply to any such placing. These can also be found on the Association's website.

11. Removal of Wreck and Oil Pollution

As a number of port authorities continue to be unwilling to accept a Certificate of Entry as proof that removal of wreck and oil pollution form part of the Member's cover, these two heads of cover will continue to be mentioned specifically on the Certificates of Entry.

12. Insurance Premium Taxes

An increasing number of countries, particularly in Europe, have introduced Insurance Premium Taxes (IPT). Members are reminded that responsibility for payment of such taxes rests with the Member rather than the Association. Being an insurer established in the EEA, the Association may be required to account for IPT to the tax authorities, if the Member has not made arrangements to pay the amounts directly or through his broker. Attention is drawn to Rule 12(4) – Tax, which allows the Association to recover any tax which it may have to settle on a Member's behalf.

13. Laid-up returns

Those Members claiming a laid-up return of Call are reminded that the relevant ship must have been laid-up in a safe port or place, approved by the Managers, for thirty or more consecutive days. An extended period in a yard for the purpose of repairs will not qualify for a return of Calls. To be eligible for a return an application must be made within three months of the end of the lay-up period or within three months of the end of the policy year, whichever occurs first. The application form can be found on the Association's website.

14. Charterers' Liability

Members are reminded that the Association is able to provide charterers' P&I, damage to hull and bunkers cover under a comprehensive charterers' programme which is able to offer limits of up to USD750 million. Details of the coverage are available on the Association's website together with brochures with case studies, which explain the cover provided.

15. Sanctions

Members are aware of the international sanctions currently being imposed by various national or supranational governmental bodies (e.g. US and the EU) on individual countries (e.g. Syria and Russia). Members are reminded of Rules 5(6) and 20(16) of the Association's Class 3 Rules (and corresponding Class 6 Rules) which are automatically applicable in the event of any sanction, prohibition or adverse action or risk thereof against the Association, the Managers or any reinsurers. As part of its compliance procedures, the Association is required to obtain all company registered addresses for any company named on each Certificate of Entry.