

10 February 2021

To all Members

**Class 3 – Protection & Indemnity
General Renewal Update – 2021/22**

1. International Group Reinsurance

The majority of the International Group reinsurance programme remains unchanged (having been concluded in 2020/21 for two years), with the key elements being:

- 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

2021/22 sees the introduction of a fifth category, Fully Cellular Container Ships (FCC) to the vessel types against which the programme's overall cost is allocated. This follows the usual annual review of loss experience across ship types. Therefore, the rates for 2021/22, inclusive of the excess war risks cover referred to below, are as follows:

- Persistent oil tankers - USD0.5625 per GT
- Clean tankers - USD0.2619 per GT
- Dry cargo ships - USD0.4028 per GT
- FCC - USD0.4249 per GT
- Passenger ships - USD3.2624 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 2021/22 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 USD500 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 2021 – Class 3 – Protection & Indemnity Endorsements to 2021 policy year Certificates of Entry.

4. TRIA

Cover for acts of terrorism, as defined by the TRIA 2002 (which had been extended by the Terrorism Risk Insurance Programme Reauthorisation Act of 2015, up to December 2020), has been further extended until 2027 and 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, for 2021/22 a premium of USD0.0025 per gross ton is deemed attributable to these risks and will be included within the overall premium.

The Act as amended provides for the US Government to pay a defined percentage of covered losses exceeding a specified trigger.

For 2021 the percentage paid by the US Government is 80%, against a trigger of USD200 million. In addition, the US Government has stopped making payments where aggregate insured losses exceed USD100 billion during any one year.

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 2021 - 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 2021 – Class 3 – Protection & Indemnity Endorsements to 2021 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.

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.

Full details are contained in the Association's Bulletin – January 2021 - 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, these are dependent on cover under the non-poolable reinsurance programme or other specific insurances and will be set out in Members Certificates of Entry.

The Association's reinsurance arrangements for 2021/22 governing:

- Freight Demurrage & Defence (Class 6)
- Charterers' Liability Insurance
- Additional Insurances

Are subject to the following market exclusions:

- LMA5395 Coronavirus Exclusion (for use on marine and energy liability policies); and
- LMA5403 Marine Cyber Endorsement

Notwithstanding the incorporation of the LMA5395 Coronavirus Exclusion the Association has agreed limited extensions of cover in respect of coronavirus risks.

Full details are contained in the Association's Circular – January 2021 – FD&D and Fixed Premium Covers – Cyber and Covid 19 Exclusions.

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 entered 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 laid up return of Call. 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. Iran, Syria, Venezuela, North Korea 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.