



**JANUARY 13, 2014**

**CIRCULAR NO. 02/14**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

**INTERNATIONAL GROUP REINSURANCE ARRANGEMENTS FOR 2014**

The arrangements for the renewal of the International Group's general excess of loss reinsurance contract and Hydra reinsurance program for the forthcoming 2014 policy year have now been finalized.

**Club retention**

The retention of individual clubs before pooling will remain at US\$9 million each claim.

**Excess of loss contract renewal**

As a result of some deterioration in the record for 2011/12, and general concerns over the cost of large casualties, increases in premium have again been required by reinsurers on the excess of loss program for the 2014 policy year.

These increases and their allocation between the four vessel categories have now been agreed by the International Group as follows:

<b>Tonnage Category</b>	<b>2014 rate per gt</b>	<b>% change from 2013</b>
DIRTY TANKERS	<b>\$0.7963</b>	<b>+ 5.26</b>
CLEAN TANKERS	<b>\$0.3415</b>	<b>+ 5.24</b>
DRY CARGO VESSELS	<b>\$0.5203</b>	<b>+ 5.28</b>
PASSENGER VESSELS	<b>\$3.7791</b>	<b>+ 20.00</b>

In order to mitigate the amount of the increase, the entry point for the excess of loss contract has been increased by US\$10 million to US\$80 million for 2014. This additional risk will be retained within the Group pool reinsured by the Group captive, Hydra.

For 2014 the Hydra coinsurance share in the first layer of the Group's general excess of loss contract (US \$500 million excess US \$80 million) will remain at 30%. There will once again be a three layer pool structure with a lower pool layer from US\$ 9 million to US\$45 million, an upper pool layer from US\$45 million to US\$ 60 million (within which, as currently, there is a claiming club retention of 10%) and a top ("upper upper") pool layer from US \$60 million to US \$80 million (within which there is a claiming club retention of 5%).



## US oil pollution surcharge

In consideration of the improvement in the tanker record there will be no surcharge for 2014.

A statement prepared by the International Group Reinsurance Subcommittee providing further information on the renewal and premium allocation can be seen at the following weblink

<http://www.igpandi.org/News+and+Information/News>

Yours faithfully,

  
Joseph E. M. Hughes, Chairman & CEO  
Shipowners Claims Bureau, Inc., Managers for  
**THE AMERICAN CLUB**