



JANUARY 14, 2015

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TO MEMBERS OF THE ASSOCIATION

Dear Member:

INTERNATIONAL GROUP REINSURANCE ARRANGEMENTS FOR 2015

The arrangements for the renewal of the International Group's general excess of loss reinsurance contract and Hydra reinsurance program for the forthcoming 2015 policy year have now been finalized.

Club and Pool retentions

The retention of individual clubs before pooling will remain at US\$9 million each claim. The Pool retention (being also, of course, the attachment point for the Group's general excess of loss reinsurance contract) will also remain unchanged for 2015 at US\$80 million.

Excess of loss contract renewal: general

Further development, during 2014, on the 2011 policy year, which produced the first and third largest ever claims on the Pool, has continued to affect the Group's reinsurers, in particular those participating on the second and third layers of the program. The development in incurred losses since the 2014 renewal, which are very substantially accounted for by the COSTA CONCORDIA and RENA claims, amounts to approximately US \$400 million.

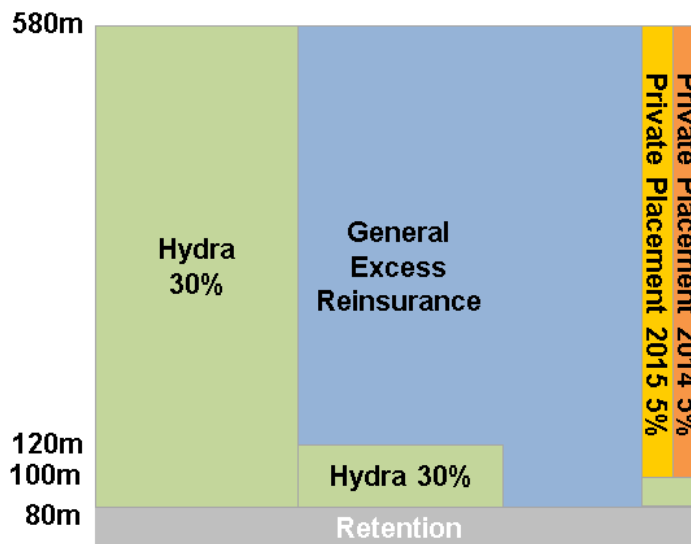
The loss experience of the reinsurance program on the 2012, 2013 and 2014 policy years (the latter year-to-date) remains very favorable, however, to reinsurers. This, combined with increased market capacity, the continuing positive financial development of the Group captive, Hydra (facilitating additional Hydra risk retention), and the use of a further multi-year fixed placement, has enabled the Group to achieve favorable reinsurance renewal terms, resulting in rate reductions for tankers and dry cargo vessels, and no increase for passenger vessels.

Hydra reinsurance of the Group Pool will remain unchanged at US \$50million xs US\$30million. Hydra will increase its 2014 30% co-reinsurance share in the first layer of the Group general excess of loss program (US \$500 million xs US \$80 million) to include an additional 30% share of the layer from US \$80 million to US \$120 million (so effectively Hydra will be re-insuring 60% of the layer US \$80 million to US \$120 million), and a 10% share of the layer US \$80 million to US \$100 million.

In addition to the 5%, 36 month private placement of the US \$1 billion xs US \$100 million cover which incepted at the last renewal, a further 5%, 36 month private placement of US \$1 billion xs US \$100 million has been arranged. This will commence on February 20, 2015.

The diagram below illustrates the revised participation structure of the first layer of the Group general excess of loss program for the 2015 policy year.

IG GXL Layer 1 structure: 2015 policy year



For 2015, 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 pool layer from US \$60 million to US \$80 million (within which there is a claiming club retention of 5%).

As will be seen below, the result of the renewal negotiations and program restructuring is a reduction in reinsurance cost of 8.11% for clean and dirty tankers, 6.05 % for dry cargo vessels, and no increase for passenger vessels or chartered entries.

In approaching the reinsurance cost allocation exercise for the forthcoming policy year, and in accordance with the Group's general allocation objective, principally that of moving towards a claims versus premium balance for each vessel type over the medium to longer term, the Group's Reinsurance Strategy working group and Reinsurance Sub-Committee have again reviewed the updated historical loss versus premium records of the current four vessel type categories.

In the tanker category, both the clean and dirty tanker records show a continuingly favorable trend of steadily reducing claims and premium since 2004.

In the dry cargo category, claims and premium have continued to return toward equilibrium. In comparing container and non-container dry tonnage, the objective stated above of seeking to achieve balance over the medium to longer term dictates that a new vessel type category should not be created in the short term, absent a compelling reason to do so based on a sustained claims pattern. The absence of any significant container claims during the 2014 policy year to date means that there remains insufficient historical claims data to support separate treatment of container vessels from dry cargo vessels in general, for reinsurance cost rating purposes for the 2015 policy year.

In the passenger category, there were significant increases in reinsurance costs allocated in the 2013 and 2014 policy years, principally reflecting the very substantial continuing adverse development on claims arising from the COSTA CONCORDIA incident. These claims should now be fully, or very



close to fully, developed and, in the absence of any further major passenger vessel incidents, the sector should continue to move towards claims/premium equilibrium over the medium term.

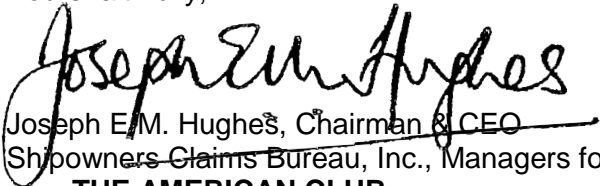
2015 policy year rates summary

Tonnage Category	2015 rate per gt	% change from 2014
DIRTY TANKERS	\$0.7317	- 8.11
CLEAN TANKERS	\$0.3138	- 8.11
DRY CARGO VESSELS	\$0.4888	- 6.05
PASSENGER VESSELS	\$3.7791	0.00

US oil pollution surcharge

As was the case in 2014, there will be no surcharge for 2015.

Yours faithfully,


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