

Reinsurance arrangements for the 2017 policy year arranged through the International Group of P&I Clubs

Dear Sirs,

Reinsurance arrangements for the 2017 policy year for P&I entries with Gard P. & I. (Bermuda) Ltd and Assuranceforeningen Gard - gjensidig - (hereinafter individually referred to as the “Association” and collectively as the “Associations”).

Owner's Entries

The structure of the cover reinsured through the Pool is as follows:

- Club retention: USD 10 million.
- Pool retention: USD 90 million (in excess of USD 10 million) in two layers:
 - Lower Pool retention: USD 35 million (in excess of USD 10 million).
 - Upper Pool retention: USD 35 million (in excess of USD 45 million).
 - Upper Upper Pool retention: USD 20 million (in excess of USD 80 million).
- General Excess Loss Cover: USD 2,000 million (in excess of USD 100 million).
- Common overspill protection: USD 1,000 million (in excess of the underlying General Excess Loss Cover).

The Owner's P&I cover reinsured through the Pool is subject to the following special limits:

- Oil pollution: USD 1,000 million.
- Passenger and seamen combined: USD 3,000 million.
- Passenger (sub-limit): USD 2,000 million.

The oil pollution limit applies to the aggregate of Owners' and Demise Charterers' liabilities any one Ship arising out of any one event each Owner's Entry.

The standard P&I cover for owners with regard to the passenger and seamen risks combined for all categories of Ships shall be limited to USD 3,000 million, any one Ship arising out of any one event. A sub-limit of USD 2,000 million shall apply to passenger risks only.

The overspill protection reinsurance has been bought by the International Group for claims up to USD 1,000 million in excess of the limit of the General Excess Loss Reinsurance. This overspill protection reinsurance is available to all International Group Clubs to reduce the need to make an Overspill Call on their Members. Although the limit on each mutual Member's liability to pay an Overspill Call remains unchanged at 2.5 per cent of each entered Ship's Convention Limit as defined in Rule 5.4 of Appendix VI in the Rules for Ships, the combination of the limit on cover for passenger and seamen claims and the USD 1,000 million special overspill reinsurance protection reduces the exposure of all Members to an Overspill Claim.

Charterer's Co-assured under an Owner's Entry

For the 2017 policy year the overall limit of cover for charterers named as co-assured under an Owner's Entry will be a combined single limit of USD 350 million for both pollution and non-pollution claims each incident or occurrence, each Ship each entry.

Special P&I war risks cover

The terms of the special war risks P&I cover referred to in Appendix 1, section 2, of the Rules for Ships, are similar to those applying for the 2017 policy year.

The limit of insurance remains USD 500 million any one event each Ship. This cover shall continue to include liabilities arising from acts of terrorism as defined in the US Terrorism Risk Insurance Act 2002 as amended. A premium of US cents 0.25 per entered GT is deemed to be attributable to the US risks in accordance with the terms of the Act. The cover also continues to include an exclusion in respect of chemical, biological, biochemical and electromagnetic weapons. The terms and conditions of the special P&I war risks cover for the 2017 policy year can be summarized as follows:

Subject to the Associations' Rules for Ships and the Institute Notice of Cancellation, Automatic Termination of Cover and War and Nuclear Exclusions Clause – Hulls

The cover afforded is subject to the Associations' standard terms of entry for the 2017 policy year – the Rules for Ships - (save that the war risks exclusion in Rule 58 in the Rules for Ships shall not apply) and the attached Institute Notice of Cancellation, Automatic Termination of Cover and War and Nuclear Exclusion Clause – Hulls (Appendix I). This means that the cover can be terminated upon the Associations giving 7 - seven - days' notice of their intention to do so. In certain circumstances the cover will terminate automatically.

Scope of cover

The special war risk P&I insurance will cover P&I risks set out in Part II, Chapter 1, of the Rules for Ships, caused by war risks as described in Rule 58 of the Rules for Ships, but subject always to special terms of entry agreed between the individual Association and the individual Member attached to or included in the Ship's certificate of entry.

TOPIA 2006

The special war risk P&I insurance excludes loss, damage or expense arising from an act of terrorism which the Member may incur or for which the Member may be liable under TOPIA 2006.

Bio – Chem Risks and Computer virus

All perils included in this special P&I war risks cover shall be subject to the following clause (hereafter called the "Bio-Chem Risks"):

"This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith

1. *In no case shall this insurance cover loss damage liability or expense directly or indirectly caused by or contributed to by or arising from*

1.1 any chemical, biological, bio-chemical or electromagnetic weapon.

1.2 the use or operation, as a means for inflicting harm, of any computer virus.

1.3 Clause 1.2 shall not operate to exclude losses (which would otherwise be covered under the terms of this policy) arising from the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile."

However, also for 2017 the International Group has decided that the Bio-Chem Risks shall be covered through a special pooling facility covering the Member's liability in respect of

- i. damages, compensation or expenses in consequence of personal injury to or illness or death of any seamen; and
- ii. for legal costs and expenses incurred solely for the purpose of avoiding or minimising any other P&I liability arising from a Bio-Chem Risk.

The limit of cover for the special insurance against the Bio-Chem risks is USD 30 million per Ship in the aggregate. The detailed terms and conditions of the Bio-Chem cover are attached in the special Bio-Chem clause (Appendix 2).

Special limit for Owners

For the 2017 policy year the special P&I war risks cover for owners is limited to USD 500 million any one event each Ship in excess of the proper value of the entered Ship or any amounts recoverable under any other P&I war risks cover which the Member has arranged, whichever is greater. The minimum excess is the proper value of the Ship determined in accordance with Rule 71.1(a) of the Rules for Ships or USD 100 million, whichever is the lesser.

The cover is subject to a minimum deductible of USD 50,000 any one event each Ship.

Where the Member and another party or other parties interested in the operation of the Ship are insured under more than one owner's and/or charterer's entry with the Association(s) or with the Association(s) and any other association(s) which participate(s) in the Pooling Agreement and the General Excess Loss Reinsurance Contract, the aggregate of claims brought against the Association(s) and such other association(s) in respect of losses, liabilities, costs and expenses covered under this special P&I war risk cover for owners and/or charterers, shall be limited to USD 500 million any one event each Ship. If such claims exceed this limit, the liability of the Association in respect of each certificate of entry shall be limited to that proportion of that limit that claims recoverable from the Association under that certificate of entry bear to the aggregate of the said claims recoverable from the Association and from such other association(s), if any.

It ought to be emphasised that the special P&I war risks cover is an excess cover only as far as owner's entries are concerned. It is not intended to be a substitute for the Member's primary P&I war risks cover, whether arranged with his hull and machinery insurer or with another insurer, which the Member should effect with a minimum limit of the proper value of the Ship. If the Member has effected P&I war risks cover in excess of the proper value of the Ship, either by opting for a higher limit on his primary cover or by purchasing additional cover, the special war risks P&I cover will still apply only in excess of the amounts recoverable under all of the other P&I war risks covers.

Maritime Labour Convention 2006 as amended

The Maritime Labour Convention 2006 as amended ("MLC"), entered into force in January 2017. Members are referred to Circulars [16/2016](#) and the [IG FAQ](#) concerning MLC.

Ships that are subject to the MLC are now required to display certificates issued by an insurer or other financial security provider, confirming that insurance or other financial security is in place for the cost and expense of crew repatriation, as well as up to four months contractually entitled arrears of wages and entitlements following abandonment. A further certificate will be required for liabilities for contractual claims arising from seafarer personal injury, disability or death.

Some of the liabilities arising under the Certificates fall within the scope of standard P&I cover for crew. For example, Club Rules will normally cover compensation for death or long term disability. Similarly, repatriation costs and wages following a shipwreck form part of standard cover. However other liabilities fall outside the scope of P&I cover, in particular repatriation costs and wages arising from the abandonment provisions set out in MLC Standard 2.5.2, as amended.

Clubs are able to provide Certificates on the basis set out in the MLC Extension Clause, please see Annex 3 of Circular [13/2016](#). This provides that the Club will pay claims advanced by seafarers which fall within the scope of the Regulations and Standards specified in the Certificates. The Clause also provides that if such payments fall outside the scope of standard cover, Members will be obliged to reimburse the Club.

Claims which fall outside the scope of P&I cover will also fall outside of the scope of the International Group's pooling and reinsurance arrangements. However the International Group has placed additional reinsurance cover for liabilities arising under the MLC Extension Clause and falling outside the scope of cover in excess of USD 10 million (club retention) to USD 200 million. The premium for the cover would be distributed within the USD per GT rates charged to shipowners, as per category of vessel, under the market reinsurance program.

Termination of "fall-back" cover

Members are referred to Circulars [1/2016](#), [2/2016](#) and [3/2016](#) regarding "fall-back" cover. For the 2016 policy year, the International Group bought "fall-back" cover, which was designed to respond to reinsurance recovery shortfalls that would result from the inability of US- domiciled reinsurers on the Group GXL and Hydra reinsurance programmes to make payments due to the continuing application of US primary sanctions, for the 2016 policy year.

Due to the continuing application of US primary sanctions to the current participating US person/domiciled reinsurers, their lines on the contracts will not be renewed for 2017/18 and have been substituted with alternative capacity. As a result, the risk of a shortfall in US person/domiciled reinsurer contributions due to the current US primary sanctions has been removed, and there will be no need to renew the "fall-back" reinsurance programme beyond 20th February 2017.

If you have any questions, please contact the P&I underwriting department in Gard AS.

Yours faithfully,
GARD AS



Rolf Thore Roppestad
Chief Executive Officer

Appendix 1

INSTITUTE NOTICE OF CANCELLATION, AUTOMATIC TERMINATION OF COVER AND WAR AND NUCLEAR EXCLUSIONS CLAUSE - HULLS

This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith

1. Cancellation

Cover hereunder in respect of the risks of war, etc. may be cancelled by either the Underwriters or the Assured giving 7 days' notice (such cancellation becoming effective on the expiry of 7 days from midnight of the day on which notice of cancellation is issued by or to the Underwriters). The Underwriters agree however to reinstate cover subject to agreement between the Underwriters and the Assured prior to the expiry of such notice of cancellation as to new rate of premium and/or conditions and/warranties.

2. Automatic Termination of Cover

Whether or not such notice of cancellation has been given cover hereunder in respect of the risks of war, etc, shall TERMINATE AUTOMATICALLY

- 2.1. upon the outbreak of war (whether there be a declaration of war or not) between any of the following: United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China;
- 2.2. in respect of any Ship, in connection with which cover is granted hereunder, in the event of such Ship being requisitioned either for title or use.

3. Five Powers War and Nuclear Exclusions

This insurance excludes

3.1. loss damage liability or expense arising from;

- 3.1.1. the outbreak of war, whether there be a declaration of war or not, between any of the following: United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China;

- 3.1.2. requisition either for title or use

3.2. loss damage liability or expense directly or indirectly caused by or arising from

- 3.2.1. ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel
- 3.2.2. the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof
- 3.2.3. any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

4. Law and Practice

This clause is subject to English law and practice.

Appendix 2

1. Bio-Chem and Computer Virus Clause

1.1. Subject to the terms and conditions and exclusions set out herein, cover is extended to include the liability of the Member:

(a) to pay damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitute expense and Shipwreck unemployment indemnity),

(b) for the legal costs and expenses incurred solely for the purpose of avoiding or minimising any liability or risk insured by the Association (other than under the Omnibus Rule)

1.2. where such liability would be recoverable under either

(a) cover provided by the Association for such liabilities, costs, losses and expenses as would be covered under the Rules for Ships but for the exclusion of war risks in Rule 58 of the Rules for Ships; or

(b) any other policy of insurance providing equivalent cover .

1.3. save only for the operation of an exclusion of liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising from

(a) any chemical, biological, biochemical or electromagnetic weapon

(b) the use or operation, as a means for inflicting harm, of any computer, computer system, computer software program, malicious code, computer virus or process or any other electronic system

1.4. other than liabilities, costs, losses and expenses arising from

(a) explosives or the methods of the detonation or attachment thereof

(b) the use of the entered Ship or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon

(c) the use of any computer, computer system or computer software program or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.

2. Excluded Areas

2.1. Unless and to the extent the Association may in their discretion otherwise decide, there shall be no recovery in respect of any liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising out of any event, accident or occurrence within the ports, places, zones or areas or during such period as are specified below:

(Non)

2.2. At any time or times before, or at the commencement of, or during the Policy Year, the Association may by notice to the Member change, vary, extend, add to or otherwise alter the ports, places, countries, zones and periods specified in Clause 2.1 from a date and time specified by the Association not being less than 24 hours from midnight on the day the notice is given to the Member.

3. Cancellation

Cover hereunder may by notice to the Member be cancelled by the Association from a date and time specified by the Association, not being less than 24 hours from midnight on the day notice of cancellation is given to the Member.

4. Limit of Liability

4.1. Subject to Clause 4.2 the limit of the liability of the Association under this extension of cover in respect of all claims shall be in the aggregate USD 30 million each Ship any one accident or occurrence or series thereof arising from any one event.

4.2. In the event that there is more than one entry by any person for Bio-Chem cover as provided herein in respect of the same Ship with the Association and/or any other insurer which participates in the Pooling Agreement or General Excess Loss Reinsurance Contract, the aggregate recovery in respect of all liabilities, costs, losses and expenses arising under such entries shall not exceed the amount stipulated in Clause 4.1 and the liability of the Association under each such entry shall be limited to such proportion of that amount as the claims arising under that entry bear to the aggregate of all such claims recoverable from the Association and any such other insurer.

5. Deductible

The deductible shall be the deductible applicable to the relevant cover set out in the Certificate of Entry.

6. Law and Practice

This clause is subject to English law and practice