

## Reinsurance arrangements for the 2013 Policy Year arranged through the International Group of P&I Clubs

Dear Sirs,

**Reinsurance arrangements for the 2013 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:

Club retention:	USD 9 million
Pool retention:	USD 36 million (in excess of USD 9 million)
Upper pool retention:	USD 15 million (in excess of USD 45 million)
Upper upper pool retention:	USD 10 million (in excess of USD 60 million)
General Excess Loss Cover:	USD 2000 million (in excess of USD 70 million)
Common overspill protection:	USD 1000 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 1000 million
Passenger and seamen combined:	USD 3000 million
Passenger (sub-limit):	USD 2000 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 3000 million, any one Ship arising out of any one event. A sub-limit of USD 2000 million shall apply to passenger risks only.

The overspill protection reinsurance has been bought by the International Group for claims of up to USD 1000 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 1000 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 2013 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.

#### **United States Oil Pollution Cover**

##### *Exclusion and Reinstatement of Cover*

The exclusion from cover under Rule 53.2 of oil pollution liabilities arising out of an incident to which the US Oil Pollution Act of 1990 ("OPA 90") is applicable in respect of Ships capable of carrying oil in bulk as cargo will continue for the 2013 year.

However, cover can be reinstated if the Member agrees to make declarations in the manner set out in Appendix III section 3 - US Oil Pollution Cover - to the Rules for Ships. The declaration procedure for the 2013 policy year is identical to the procedure which applied for the 2012 policy year.

The Associations will assume that those Members who agreed to the declaration procedure for the 2012 policy year also agree to the declaration procedure for the 2013 policy year. Thus, the cover will be automatically reinstated unless by 20 February 2013 the Association has been notified to the contrary. Members who did not agree to the declaration procedure for the 2012 policy year, but who wish to reinstate the cover for the 2013 policy year, must notify the Association that they agree to the declaration procedure prior to 20 February 2013.

##### *Voyage Cap and Surcharge*

The voyage surcharge system for tankers is designed to contribute to the costs of the General Excess Loss Reinsurance in relation to the additional cost of the clean-up of spills anticipated in US waters. For 2013, the International Group has decided that the surcharge per GT per voyage will be US cents 3.37 for MARPOL tankers and US cents 4.05 for those that are not. To qualify for the MARPOL tanker category, a tanker must be equipped with segregated ballast tanks in accordance with the requirements of Regulation 18 of Annex 1 to MARPOL 73/78. The limit of the number of voyages which will attract the surcharge will be 20 as in the current year.

Owners of Ships of 1,000 GT or less will pay USD 34 per voyage for MARPOL tankers and USD 41 per voyage for non-MARPOL tankers.

### *Parcel Tankers*

Owners of parcel tankers carrying less than 5,000 tons of persistent oil cargoes will pay a rate of USD 101 per voyage for MARPOL tankers and USD 122 per voyage for non-MARPOL tankers. However, where parcel tankers are carrying between 5,000 and 9,999 tons of persistent oil cargoes the owner will pay a rate of USD 253 per voyage for MARPOL tankers and USD 304 per voyage for non-MARPOL tankers.

Owners of parcel tankers carrying more than 9,999 tons of persistent oil cargoes will pay the voyage premium based on the Ship's full tonnage.

A parcel tanker is a Ship constructed or adapted primarily to carry cargoes of noxious liquid substances in bulk, and capable of carrying at least 10 grades simultaneously, having been issued with an international certificate of fitness for the carriage of dangerous chemicals in bulk. Ships qualifying as parcel tankers will still be required to declare their US voyages and in addition to state the quantity of persistent oil cargoes which has been carried on each voyage.

### *General*

As was the case for the 2012 policy year, the Associations reserve the right to determine whether loading or discharging or transferring cargo at several ports or places constitutes a single voyage or more than one voyage. For the purpose of payment of premium, a Member will be charged half the rate specified above if loading or discharging takes place solely at Louisiana Offshore Oil Port (LOOP) or solely in an area, other than a port, designated and/or approved by the US Coast Guard for the purpose of such loading or lightening within the US exclusive economic zone.

### **Special 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 2012 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 2013 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 2013 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*

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 contract of insurance inconsistent therewith*

1. *In no case shall this contract of 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 means for inflicting harm, of any computer virus."*

However, also for the 2013 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 II).

#### *Special Limit for Owners*

For the 2013 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.

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

Yours faithfully,

**GARD AS**



Claes Isacson  
Chief Executive Officer

**Appendix 1 to Circular No. 18/2012  
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 to Circular No. 18/2012****1. Bio-Chem 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.