



# THE JAPAN SHIP OWNERS' MUTUAL PROTECTION & INDEMNITY ASSOCIATION

## SPECIAL CIRCULAR

To the Members

Dear Sirs,

No. 14-019

29 January 2015

### International Group Reinsurance Programme for 2015/16 Policy Year

We are pleased to announce that the International Group (IG) Reinsurance Programme for 2015/16 policy year has now been concluded.

#### 1. General Structure

The general structure of the IG Reinsurance Programme for 2015/16 policy year is as follows;

- Club retention :USD9 million
- Pool retention :USD80 million (USD 71 million in excess of USD9 million)
- General Excess Loss Cover :USD2 billion (USD 2 billion in excess of USD80 million)
- Collective Overspill Cover :USD1 billion (USD 1 billion in excess of USD2.8 billion)

Please see the attached diagram for further details of the programme.

#### 2. Limits on the Cover

The following special limits on the Club cover for 2015/16 policy year are applied to the Owners' entry.

- Oil Pollution :USD1 billion
- Passenger and Crew combined :USD3 billion
- Passenger :USD2 billion

#### 3. The IG Reinsurance rates for 2015/16 policy year

The IG Reinsurance rates per GT for 2015/16 policy year including the excess war risks cover are as follows;

Category	2015 PY	% change from 2014 PY
Dry Cargo	¢ <b>48.88</b>	▲6.05%
Dirty Tanker	¢ <b>73.17</b>	▲8.11%
Other Tanker	¢ <b>31.38</b>	▲8.11%
Passenger	¢ <b>377.91</b>	±0.00 %

#### 4. Background on the changes in rates

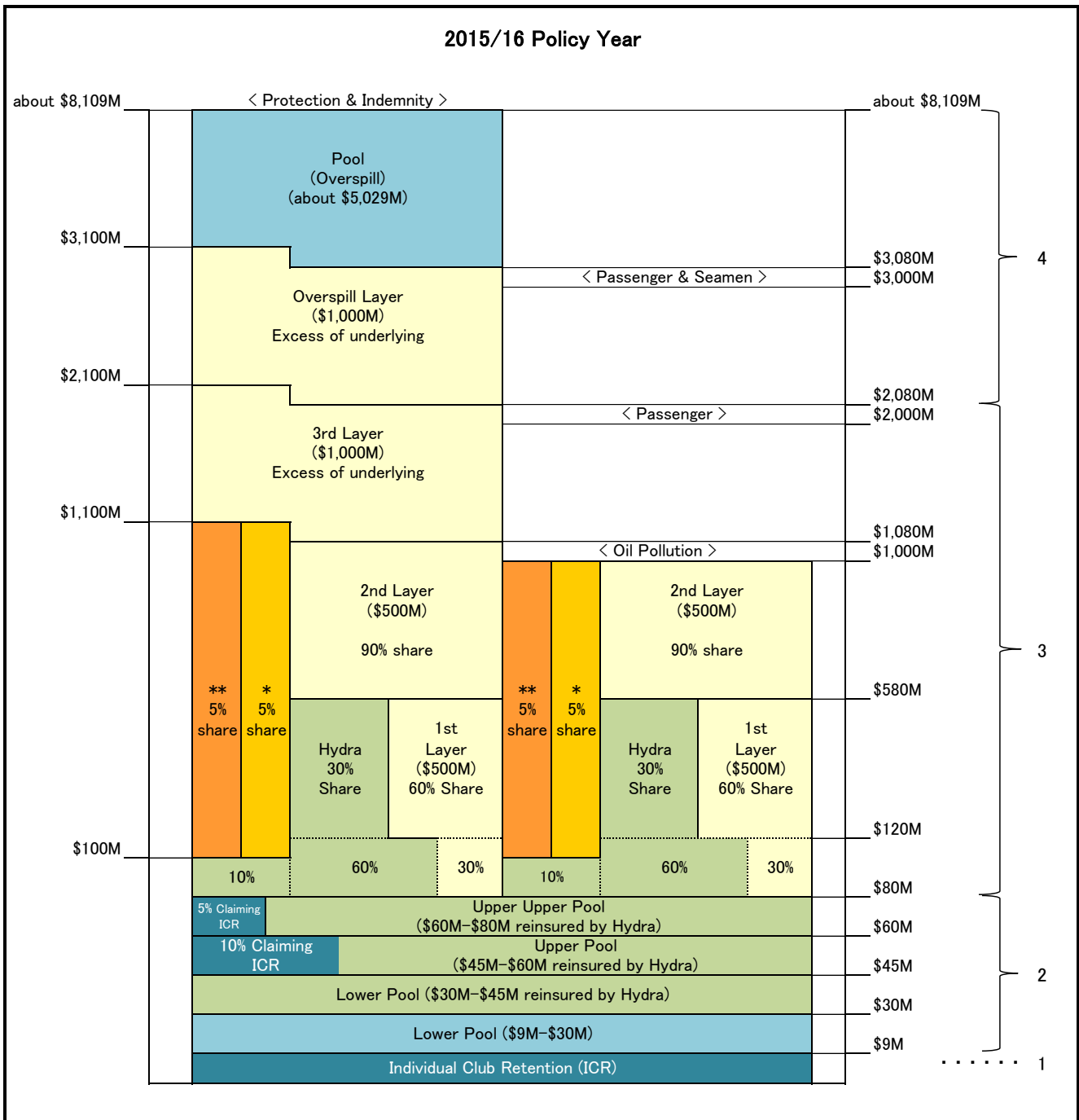
Further deterioration during 2014 policy year of the loss amounts for two large claims (“Costa Concordia” and “Rena”) which occurred in the 2011/12 policy year has continued to impact on the IG Reinsurance programme. Fortunately, however, the 2014/15 policy year has so far not produced any claims which might impact on the programme. This, combined with increased market capacity and changes to the programme structure (increasing the Hydra co-insurance share in the 1<sup>st</sup> layer and further expansion of multi-year fixed placements), has resulted in a rate reduction for tankers and dry cargo vessels, and no increase for passenger vessels.

Yours faithfully,

**The Japan Ship Owners' Mutual Protection & Indemnity Association**

Attachment: IG Reinsurance Programme

## IG Pool and Reinsurance Programme



- up to US\$9 million (Individual Club Retention)  
Each Club retains the first US\$9 million per claim, excess of their member's deductible.
- from US\$9 million up to US\$80 million (Pool)  
Claims in excess of each Club's retention are shared by the Pool up to a limit of US\$80 million. Within the pool, claims from US\$30 million up to US\$80 million are reinsurance by the IG's Bermuda-based captive insurer Hydra which was established in 2005 and is administrated by all IG Clubs.
- from US\$80 million up to US\$2,080 million (Market reinsurance programme)  
The IG arrange market reinsurance to provide reinsurance for claims from US\$80 million up to US\$2,080 million any one claim (US\$1,000 million for oil pollution claims, see further below.) This market reinsurance programme is divided into three layers and each layer is underwritten by different reinsurers. A part of the first layer is reinsured by Hydra.  
[ \* Multi-Year Fixed Placement (2014 Policy Year) \*\* Multi-Year Fixed Placement (2015 Policy Year) ]
- from US\$2,080 million up to US\$8,109 million (Overspill)  
The IG has arranged Overspill Protection for their Members of US\$1,000 million. Therefore, claims from US\$2,080 million up to US\$3,080 million are reinsured by the market reinsurance cover. Claims which exceed the IG reinsurance limit (Overspill Claims) are shared by all IG Clubs. The Clubs levy a call (Overspill Calls) for contributions on their Members for the purpose of providing funds to meet the Clubs' liability to contribute their Overspill Share to an Overspill Claim.

Reinsurance for oil pollution claims is purchased as a separate cover with a limit of US\$1,000 million. Reinsurance for passenger and seafarer claims is subject to a limit of US\$2,000 million for liability to passengers, or US\$3,000 million for passenger and seafarer claims combined.