

CIRCULAR

To the Members

International Group Reinsurance Programme for 2019/20 Policy Year

We are pleased to announce that the International Group Reinsurance Programme for 2019/20 policy year has now been concluded.

1. General Structure

The general structure of the International Group Reinsurance Programme for 2019/20 policy year is as follows (Four categories shown remain unchanged):

- Club retention : US\$10 million
- Group retention : US\$100 million
- General Excess Loss Cover : US\$2 billion (US\$2 billion in excess of US\$100 million)
- Collective Overspill Cover : US\$1 billion (US\$1 billion in excess of US\$2.1 billion)

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

2. Limits on the Cover

The following special limits on the Club covers for 2019/20 policy year are applied to the Owners' entry:

- Oil Pollution : US\$1 billion
- Passenger : US\$2 billion
- Passenger and Crew combined : US\$3 billion

3. The IG Reinsurance rates for 2019/20 policy year

The IG Reinsurance rates per GT for 2019/20 policy year, including the excess war risks cover and MLC reinsurance cover, are as follows:

| Category | 2019 PY (US\$/GT) | % change from 2018 PY |
|-------------------------|-------------------|-----------------------|
| Persistent Oil Tankers* | 0.5747 | -1.68 |
| Clean Tankers | 0.2582 | -1.69 |
| Dry Cargo Vessels | 0.3971 | -1.67 |
| Passenger Vessels | 3.2161 | -1.67 |

*The "Dirty Tankers" category is renamed "Persistent Oil Tankers".

4. Renewal overview

The loss experience of the reinsurance programme on the 2012/13 to 2018/19 (year to date) policy years remains

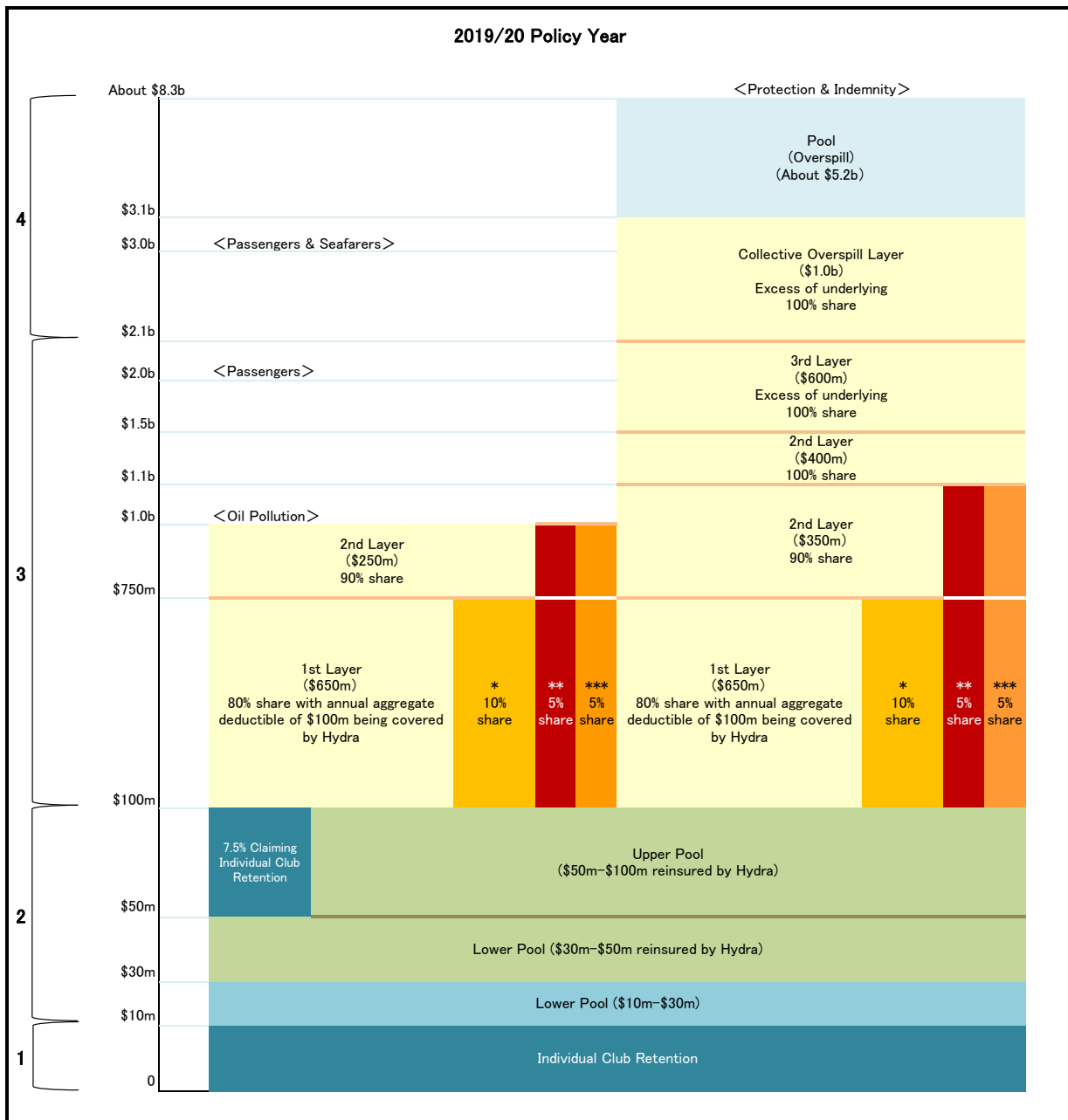
acceptable to reinsurers, notwithstanding the claims development during the 2018/19 policy year. This factor, combined with continuing surplus market capacity, the consistently positive financial development of the Group captive, Hydra, and the effective use of multi-year private placements, has enabled the Group to achieve another satisfactory reinsurance renewal terms which results in a further year of reinsurance rate reductions across all vessel categories.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association

Attachment: Diagramme of International Group Reinsurance Programme for 2019/20 policy year

IG Pool and Reinsurance Programme



1. up to US\$10 million (Individual Club Retention)
Each Club retains the first US\$10 million per claim in excess of its member's deductible.
2. from US\$10 million up to US\$100 million (Pool)
Claims in excess of each Club's retention are shared by the Pool up to a limit of US\$100 million. Within the Pool, claims from US\$30 million up to US\$100 million are reinsured by the IG's Bermuda-based captive insurer Hydra.
3. from US\$100 million up to US\$2.1 billion (Market reinsurance programme)
The IG arranges market reinsurance to provide reinsurance for claims from US\$100 million up to US\$2.1 billion any one claim (US\$1.0 billion for oil pollution claims, see further below). This market reinsurance programme is divided into three layers and each layer is underwritten by different reinsurers.
4. from US\$2.1 billion up to about US\$8.3 billion (Overspill)
Claims which exceed the IG reinsurance limit (called "Overspill Claims") are shared by all IG Clubs. The Clubs levy calls (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. Nonetheless, the IG arranges Overspill Protection for its members of US\$1.0 billion. Thus, claims from US\$2.1 billion up to US\$3.1 billion are reinsured by the market reinsurance cover.

Reinsurance for oil pollution claims is purchased as a separate cover with a limit of US\$1.0 billion. Reinsurance for passengers and seafarers claims is subject to a limit of US\$2.0 billion for liability for passengers, or of US\$3.0 billion for liability for passengers and seafarers claims combined.