

CIRCULAR

To the Members

International Group Reinsurance Programme for 2022/23 Policy Year

Please be advised that the International Group (IG) Reinsurance Programme for 2022/23 policy year has now been concluded.

1. General Structure

The general structure of the IG Reinsurance Programme for 2022/23 policy year is as follows (Four categories shown remain unchanged):

- Club retention : US\$10 million
- Group retention : US\$100 million
- General Excess Loss (GXL) 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)

2. Limits on the Cover

The following special limits on the Club covers for 2022/23 policy year are applied to the Owners' entry (Three categories shown remain unchanged):

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

3. Losses arising from Malicious Cyber, Covid-19 and other new Pandemics

Since the inception of the two-year GXL programme placed in 2020, reinsurers have introduced market-wide coverage restrictions in respect of Malicious Cyber, Covid-19 and other new Pandemics. Nonetheless, as a result of negotiation, the IG have secured a significant level of cover, as follows:

- Layer 1 (US\$450 million in excess of US\$100 million) : Free and unlimited cover
- Layer 2-4 (US\$1.55 billion in excess of US\$550 million) : Each layer has an annual aggregate limit in place, totalling US\$2.15 billion for abovementioned three risks.

The IG agreed to pool losses that exceed the annual aggregate limit and therefore could not be recoverable from reinsurers. Accordingly, there is no change to Member cover.

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

4. The IG Reinsurance rates for 2022/23 policy year

The IG concluded that there should be no change in the number of categories but that there should be some adjustments to the relative rate changes having regard to historical claims performance.

The IG Reinsurance rates per GT for 2022/23 policy year, including the excess war risks cover and MLC reinsurance cover, are as follows:

Category	2022 PY (US\$/GT)	% change from 2021 PY
Persistent Oil Tankers	0.6469	+15.0
Clean Tankers	0.3666	+40.0
Dry Cargo Vessels	0.5639	+40.0
Fully Cellular Containerships	0.6586	+55.0
Passenger Vessels	3.8677	+18.6

4. Renewal overview

The IG's decision to renew the majority of its programme for two years in 2020 provided our Members with the benefits of price stability and continuity of cover for those two years. However, during the intervening period a combination of hardening market conditions, a global pandemic, a number of coverage issues, plus a worsening claims record, have all resulted in the 2022 renewal being particularly challenging to negotiate.

The IG's Bermudan based reinsurance captive Hydra continues to support the Group through its risk retention within the lower Layers of the Group's reinsurance structure. The IG's strategy of placing a share of the reinsurance programme on a stand-alone basis through the use of private placements has also continued to give shipowners greater stability in a year when market sentiment has been volatile as a result of the impact of the COVID-19 pandemic, increased severity of pool claims and market coverage issues.

Whilst rates for shipowners have increased by an average of 33% year-on-year, the new rates are similar to those rates per gt in 2014/15.

For more information, please see [Press Release](#) published by the IG.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association

Attachment: Diagramme of International Group Reinsurance Programme for 2022/23 policy year

IG Pool and Reinsurance Programme (2022/23 Policy Year)

< Protection & Indemnity >												
Pool (Overspill) (About US\$5.65b)								About US\$8.94b		4		
Collective Overspill Layer (US\$1.0b) Excess of underlying				< Passengers & Seafarers >				US\$3.1b				
								US\$3.0b				
4th Layer **** (US\$600m) Excess of underlying				< Passengers >				US\$2.1b				
								US\$2.0b				
3rd Layer **** (US\$750m) Excess of underlying				< Oil Pollution >				US\$1.5b		3		
				3rd Layer **** (US\$250m) Excess of underlying				US\$1.0b				
*** 10% share	** 10% share	* 10% share	2nd Layer **** (US\$200m) 70% share			*** 10% share	** 10% share	* 10% share	2nd Layer **** (US\$200m) 70% share		US\$750m	
			1st Layer (US\$450m) 70% share with annual aggregate deductible of \$100m being covered by Hydra						1st Layer (US\$450m) 70% share with annual aggregate deductible of \$100m being covered by Hydra		US\$550m	
7.5% Claiming Individual Club Retention			Upper Pool (US\$50m-US\$100m reinsured by Hydra)							US\$100m	2	
										US\$50m		
Lower Pool (US\$30m-US\$50m reinsured by Hydra)										US\$30m		
Lower Pool (US\$10m-US\$30m)										US\$10m		
Individual Club Retention										0	1	

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.
* , ** & *** are Multi-Year Fixed Placement named "Private Placement".
1st layer: US\$450m in excess of US\$100m
2nd layer: US\$200m in excess of US\$550m
3rd layer: US\$750m in excess of US\$750m
4th layer: US\$600m in excess of US\$1.5b

**** Losses arising from Malicious Cyber, Covid-19 and other new Pandemics are subject to an annual aggregate limit totaling US\$2.15 billion.
2nd layer: US\$800m as annual aggregate limit (but the annual aggregate limit is separately applied to US\$400m for Oil Pollution claims and P&I claims)
3rd layer: US\$750m (but US\$250m for Oil Pollution) as annual aggregate limit
4th layer: US\$600m as annual aggregate limit
 4. from US\$2.1 billion up to about US\$8.94 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.