



FEBRUARY 6, 2007

CIRCULAR NO. 05/07

TO MEMBERS OF THE ASSOCIATION

Dear Member:

REINSURANCE COSTS: 2007 POLICY YEAR

Reference is made to Circular No. 23/06 of February 28, 2006 which provided a general account of the Club's premium requirements for the 2007 policy year.

In that Circular it was noted that any additional and disproportionate cost of the International Group's reinsurance arrangements would be added as a surcharge to estimated total premium, recognizing that, at the time, the cost and structure of these arrangements had not as yet been finalized.

Equally, it was explained that any additional and disproportionate cost of the Club's reinsurance of its retention under the Pooling Agreement would be added as a surcharge to estimated total premium, again subject to the same caveat as that mentioned in the previous paragraph.

The remainder of this Circular describes relevant costs in each sector and how adjustments will be made in respect thereof for 2007 premium rating purposes.

Reinsurance Rates for the International Group Reinsurance Program for 2007

The renewing rates for the International Group's collective reinsurance above the Pool are as set out below. These rates include the price of the \$1 billion extra layer of cover in excess of the current limit for non-oil pollution claims by way of overspill protection. They are compared with the expiring rates for the current policy year.

Vessel Type	2007/08 ETP Rate \$/GT	2006/7 ETP Rate \$/GT
Dirty Tankers	0.6797	0.6799
Clean Tankers	0.3187	0.3201
Dry Cargo Vessels	0.2837	0.2851
Passenger Vessels	1.3714	0.8006

As will be seen, there has been a considerable uplift – somewhat in excess of \$0.57 – in the market reinsurance cost for passenger vessels. In light of this, an additional \$0.57 (net) per gross ton per annum will be applied to the renewing rates of passenger vessels entered in to the Club for 2007, given the disproportionate increase in rates for this category of tonnage.

No adjustment will be made to renewing rates for vessels falling into the other categories set out above.



Additional Costs in Regard to the Club's Reinsurance of its Retention under the Pooling Agreement

Although arrangements for the forthcoming policy year have yet to be concluded, an overall uplift in the attritional expense of both the increased retention itself (the figure rising from \$6 million to \$7 million) for 2007 and the pure dollar cost of the market cover placed on the Club's behalf, suggests that an additional \$0.10 per gross ton per annum (net) will be required to defray the extra cost of this reinsurance for the forthcoming year.

This will be added to rates as already quoted and/or agreed for renewal for 2007 in like manner to the additional cost attributable to the increase in the price of the Group's reinsurance program in regard to passenger vessels.

Members should be guided accordingly. The Underwriting Department will be in further contact with individual Members as to the application of these additional costs in due course. In the meantime, your Managers are available to answer any questions as might arise.

Yours faithfully,



Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB