



**JANUARY 17, 2023**

**CIRCULAR NO. 01/23**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

**INTERNATIONAL GROUP REINSURANCE ARRANGEMENTS FOR 2023/24**

The arrangements for the renewal of the International Group's general excess of loss reinsurance contract (GXL) and Hydra reinsurance program for the forthcoming 2023 policy year have now been finalized. To date, the International Group has seen a benign Pool claims environment for the 2022/23 Policy Year, but there has been some deterioration in prior years. In addition, Hurricane Ian and the Russia/Ukraine conflict have had a significant impact on the Group's reinsurance partners, which led to difficult market conditions going into the 2023 renewal. Nevertheless, coupled with the increase paid in 2022/23, the Group has been able to renew its reinsurance program for 2023/24 with only a small increase in rates for shipowners.

This Circular reviews the salient features of the renewal of these important arrangements.

**Renewal Overview**

The main GXL placement (Layers 1-3, USD 2 billion excess of USD 100m) has returned to three layers (as was the position for the 2020 and 2021 renewals). There continues to be the USD 1 billion Collective Overspill excess of the GXL together with three private placements in Layer 1 (although with a reduced 25% share).

An overview of the entire GXL for 2023/24 is:

- Individual Club's retention remains at USD 10m;
- Pooling remains up to USD 100m excess USD 10m;
- Excess USD 100m, the GXL applies as follows:
  - Layer 1 USD 650m excess USD 100m;
  - Layer 2 USD 750m excess USD 750m;
  - Layer 3 USD 600m excess of USD 1.5 bn;
  - 75% of Layer 1 and 100% of Layers 2 and 3 are placed with the open market on a free and unlimited basis, except for risks in respect of malicious cyber, COVID-19 and Pandemic. For those risks, for the 2023/24 policy year, there is expanded free and unlimited cover for claims up to USD 650m excess of USD 100m. This covers almost all Group Clubs' certificated risks. Excess of USD 750m there is

up to US\$1.35bn of annual aggregated cover in respect of these three risks across Layers 2 and 3. Excess of that aggregated cover, the Group continues to pool any reinsurance shortfall, resulting in no change to shipowners' cover.

- 25% of Layer 1 is covered by three private market placements, which are renewed independently of the open market element of the GXL;
- Hydra continues to retain an Annual Aggregate Deductible (“AAD”) in Layer 1, which remains at the same value as for the 2022/23 policy year in 100% terms. Due to the increase in order for the open market layer to 75%, the value of this AAD has increased to USD 107.1m for the 2023/24 policy year.
- Other placements: The Collective Overspill (USD 1bn excess of USD 2.1 bn) and ancillary covers are being renewed with premiums included within the overall rate per GT.

### **MLC cover**

The MLC market reinsurance cover is being renewed for 2023/24 at competitive market terms, with the premium included in the overall reinsurance rates charged to shipowners.

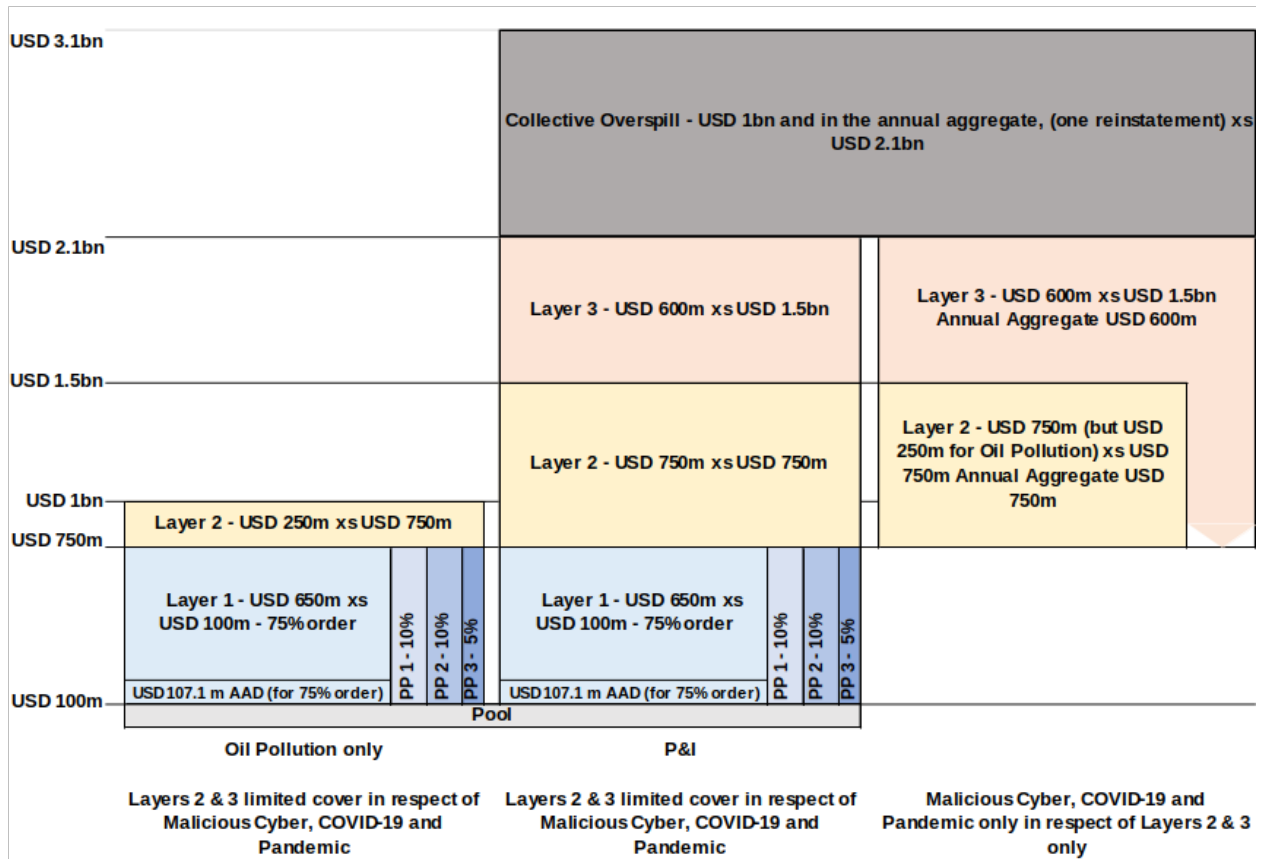
### **War cover**

The excess War P&I cover will be renewed for 2023/24 for a period of 12 months. Again, this will be included in the total rates charged to shipowners.

However, due to the ongoing conflict between Russia and Ukraine, the Group's Excess War reinsurers require Territorial Exclusion language (consistent with exclusionary language already applied by reinsurers for Primary War P&I coverage) for vessels trading in these waters. The Group is negotiating availability of sub-limited cover for affected vessels, which remains an ongoing process. However, it appears available cover is likely to be on the basis of a significantly lower per-vessel limit than for the main Excess War placement limit of USD 500m. The details of the cover will, as usual, be independently communicated by circular to Members in due course.

### **2023 GXL program structure**

The diagram below illustrates the layer and participation structure of the GXL program for 2023:



### Reinsurance cost allocation 2023

As part of its annual analysis and in addition to reviewing premiums, the Group's Reinsurance Committee has, as referred to above, been looking at vessel categories.

The conclusions are that there should be no change in the number of categories at this time, but that there should be some adjustments to the relative rate changes having regard to each category's historical claims performance against the GXL.

The 2023/24 rates are set out below:

Tonnage category	2023 rate per GT	% change from 2022
Persistent Oil Tankers	\$0.6663	+3.0%
Clean Tankers	\$0.4051	+10.5%
Dry	\$0.5991	+6.2%
FCC	\$0.7277	+10.5%
Passenger	\$3.8677	+0.0%



Overall, this is a satisfactory reinsurance renewal for the International Group and its Members, given the difficult prevailing market conditions.

If any Member has any questions in regard to the above, or generally, your Managers will be pleased to respond.

Yours faithfully,

Dorothea Ioannou, CEO  
Shipowners Claims Bureau, Inc., Managers for  
**THE AMERICAN CLUB**