



International Group Reinsurance

Results 2020/2021

December 2019

International Group Reinsurance Results 2020/2021

Reinsurance and Pooling costs represent approximately 40% of average P&I premiums paid by ship operators (although in some sectors the fixed costs can account for in excess of 85% of premiums).

This section outlines the results of the International Group (IG) Reinsurance renewal negotiations at 20 February 2020.

Costs controlled

- As anticipated, reinsurance rates for 2020 remain the same as 2019 across all ship types
- Two-year agreement reached with commercial insurers for USD 2 billion in excess of USD 100 million International Group General Excess of Loss layers
- The rating per GT remains as below

Results of the IG Reinsurance renewal at 20 February 2020:

Vessel Type	2019/20 (USD, per GT, per annum)	2020/21 (USD, per GT, per annum)	Decrease (USD, per GT, per annum)	Percentage Decrease
Dirty tanker	0.5747	0.5747	0	0.00%
Clean tanker	0.2582	0.2582	0	0.00%
Dry / other	0.3971	0.3971	0	0.00%
Passenger	3.2161	3.2161	0	0.00%

“ Reinsurance rates for 2020 remain the same as 2019 across all ship types ”

Modest adjustment to structure and participants

The IG reinsurance structure was simplified in 2019 and has been maintained for 2020:

- Individual club retentions unchanged at USD 10 million
- The pool structure up to USD 100 million remains unchanged
- IG excess of loss reinsurance programme attachment point remains at USD 100 million
- Attachment points of second and third layers remain unchanged at USD 750 million and USD 1.5 billion respectively
- Collective overspill layer remains unchanged at USD 1 billion in excess of USD 2.1 billion

Participation on the IG excess of loss reinsurance programme has been adjusted to accommodate increased appetite for multi-year private placements:

- Two 10% multi-year placements of USD 650 million excess of USD 100 million replace two 5% multi-year placements due to expire at 20 February 2020
- One new 10% private placement reduces the wider market participation from 80% to 70%

The 2020/21 structure of the IG Reinsurance programme will be as per the structure chart across the page.

“ Participation has been adjusted to accommodate increased appetite for multi-year private placements ”

International Group captive reinsurer Hydra

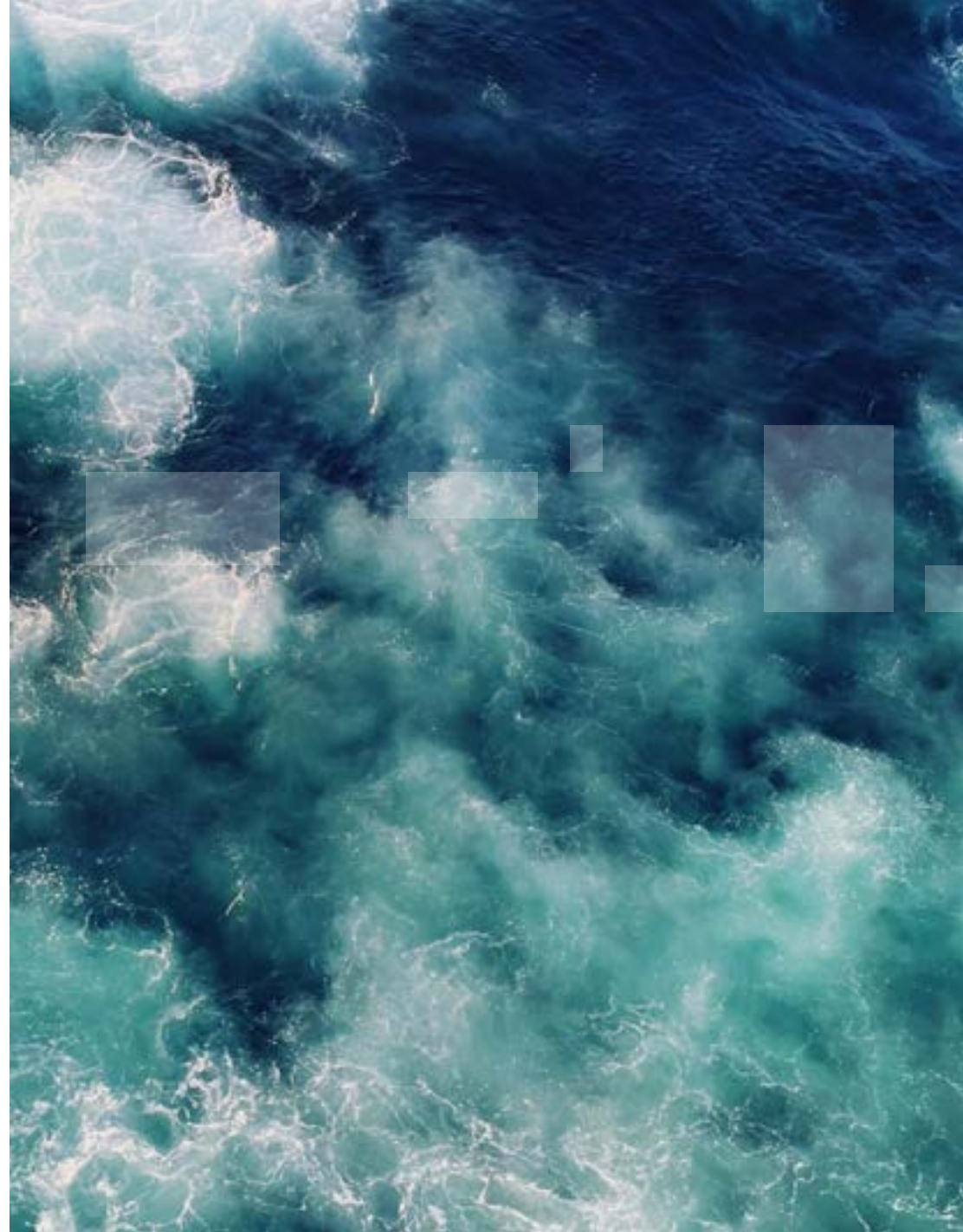
Hydra Insurance Company Limited, a Bermuda incorporated captive reinsurer for the 13 Group Clubs, participates in order to retain premium which would otherwise have been paid to the commercial reinsurance markets.

In 2020 Hydra maintains its interest within the Pool layer for 2020:

- 100% of the USD 30 million to USD 50 million pool layer
- 92.5% of the USD 50 million to USD 100 million pool layer

USD 100 million Annual Aggregate Deductible in the first excess layer is maintained for 2020, however this represents a higher exposure in 100% terms due to the reduced market participation in the layer (2020: 70%, 2019: 80%).

“ Hydra participates in order to retain premium which would otherwise have been paid to the commercial reinsurance markets ”



Reinsurance cost maintained

Despite the upwards pressure on premium in the reinsurance market, and continued volatility in value of large P&I claims, the IG has maintained the reinsurance cost, when translated to the 'USD per GT' for each ship type, for 2020. (The overall cost of the IG reinsurance programme increased slightly, but this was offset by the modest increase in tonnage entered in all IG P&I clubs.)

The IG reinsurance placement is agreed as a two-year deal. While this ensures that the overall cost of the reinsurance programme is stable, there is no guarantee that the exact allocation per GT, per ship type will continue unaltered in 2021.

The Group has reviewed its loss history by vessel type and determined not to amend the cost allocation between the four vessel categories in 2020. This will however be looked at again prior to the renewal in 2021.

P&I War Cover

There is one material difference to members' cover, in cases where the ship operators' underlying War H&M cover does not include primary War P&I cover.

The excess War P&I cover will be renewed for 2020, however there is a change to the minimum attachment point of the cover (where the underlying War cover does not include primary War P&I).

In this scenario, the minimum attachment point of the cover (where the vessel is not protected by Primary War P&I up to proper hull value) will increase from USD 100 million to USD 500 million.

“ The Group reviewed its loss history by vessel type and determined not to amend the cost allocation between the four vessel categories ”

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