

December 2020

International Group Reinsurance

Results 2021

Reinsurance and Pooling

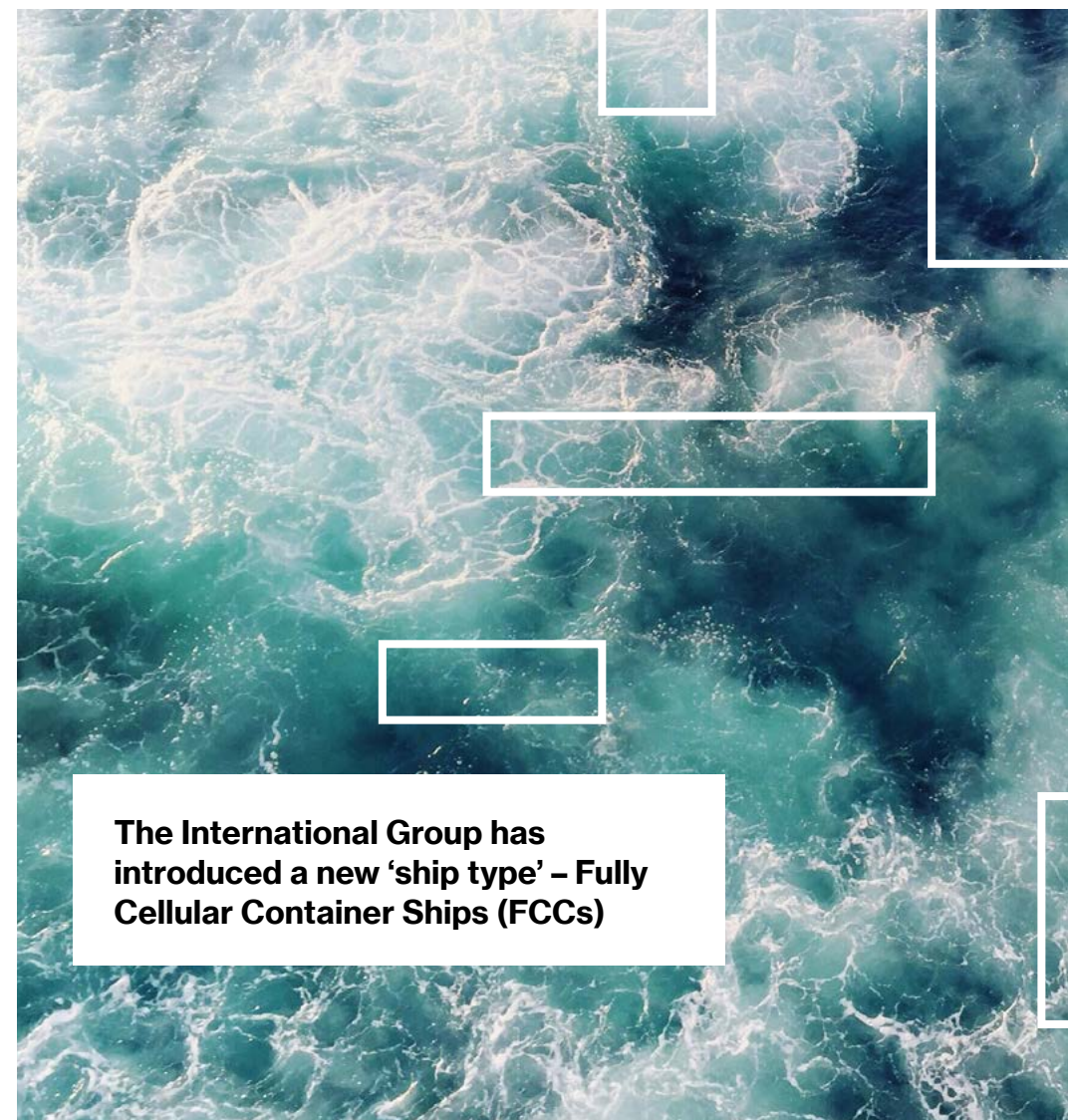
Reinsurance and Pooling costs represent approximately 40% of average P&I premiums paid by ship operators (although in some sectors the fixed costs can account for in excess of 85% of premiums).

This section outlines the results of the International Group (IG) Reinsurance renewal negotiations at 20 February 2021.

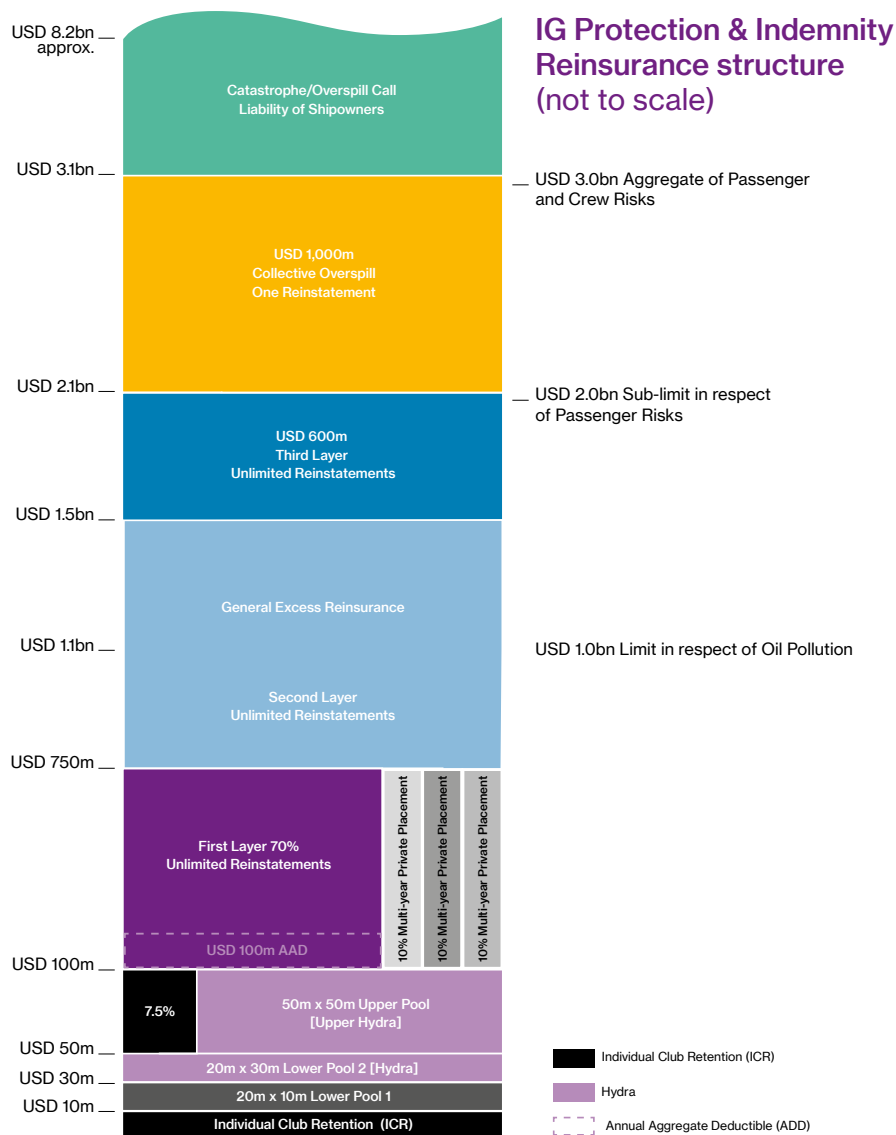
Relatively stable results in a turbulent environment

- The main International Group (IG) reinsurance programme is in the middle of a two-year deal
- Structurally the programme remains unchanged
- Due to the renewal of the Overspill layer, MLC reinsurance and War P&I reinsurance, the overall cost of the programme will increase by +1.4%
- In the context of an extremely hard reinsurance market, cost increases are relatively modest and no COVID-19 related exclusions have been imposed
- The International Group has introduced a new 'ship type' – Fully Cellular Container Ships (FCCs) for the purposes of allocation of the reinsurance cost (this class of ship was previously included in the 'dry' ship section)
- In line with historic loss records into the reinsurance programme, the cost for FCCs will increase and the cost allocation to dirty tankers will reduce slightly

The 2020/21 structure of the IG Reinsurance programme is unchanged, consequently the structure chart remains as on the next page.



The International Group has introduced a new 'ship type' – Fully Cellular Container Ships (FCCs)



The pricing impact of the reinsurance programme cost increases equates to approximately a +1.4% increase overall in cost 'per GT'

Reinsurance cost contained

With the main IG general excess of loss reinsurance programme in the middle of a two-year deal, the only areas of cover to be negotiated in preparation for the 2021 renewal were the IG's collective overspill layer (USD 1 billion in excess of USD 2.1 billion), the Group's MLC reinsurance and the excess War P&I covers. All three of these programmes have faced material cost increases from the reinsurance market, but they have been successfully renewed with unchanged structure.

The overall pricing impact of the cost increases to these smaller areas of the IG reinsurance programme, equates to approximately a +1.4% increase overall in cost 'per GT' of the reinsurance rates allocated to ship operating members.

The most significant change at 20 February 2021 however is the introduction of a fifth category of ship type for the purposes of reinsurance cost allocation. Reflecting that Fully Cellular Container Ships (FCCs) now represent approximately 20% of all tonnage entered in IG clubs and that the incidence of claims related to this class of ship is increasing, the IG Reinsurance Subcommittee decided that it would be equitable to introduce FCCs as a new category of ship in the reinsurance rating structure.

Results of the IG Reinsurance renewal at 20 February 2021:

The new IG reinsurance 'rates per GT' are set out fully below.

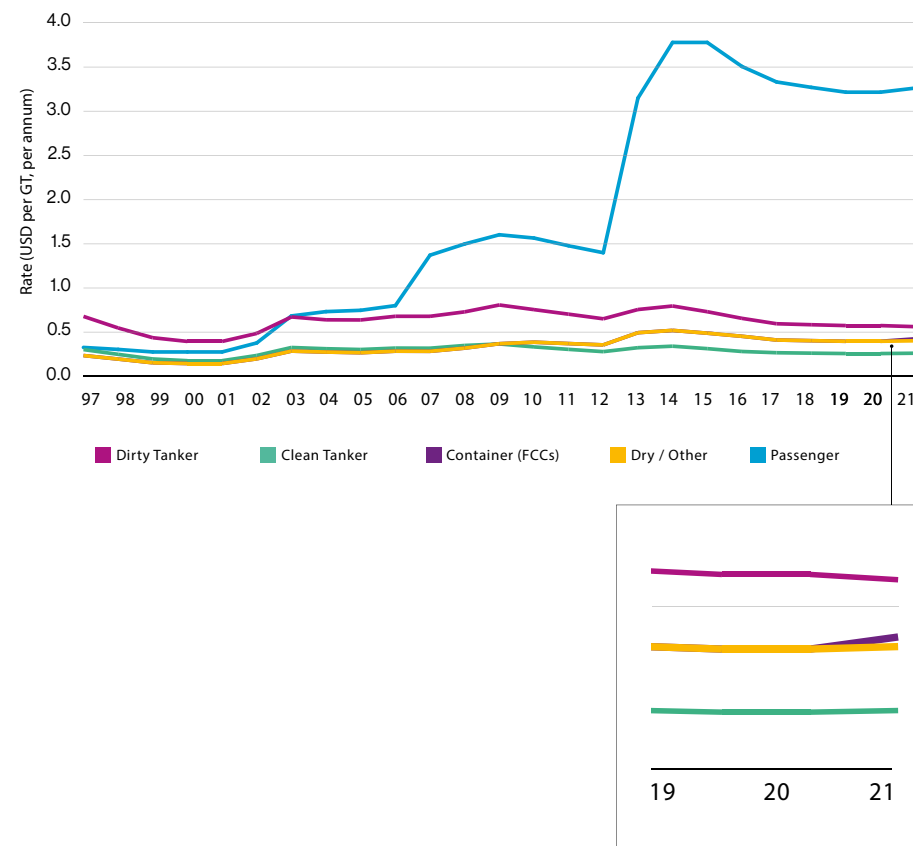
Following the principle of adjusting the rates for different ships based on their historic loss record to the reinsurance programme, the main adjustments away from the 1.4% average increase are:

- rates for tankers carrying persistent oil reduced by 2.1%
- the new rate for FCCs is effectively a 7% increase on the 2020/21 'dry' ship rate

Vessel Type	2020/21 (USD, per GT, per annum)	2021/22 (USD, per GT, per annum)	Change (USD, per GT, per annum)	Percentage change
Dirty tanker	0.5747	0.5625	-0.0122	-2.1%
Clean tanker	0.2582	0.2619	0.0037	1.4%
Container (FCCs)	0.3971	0.4249	0.0278	7.0%
Dry / other	0.3971	0.4028	0.0057	1.4%
Passenger	3.2161	3.2624	0.0463	1.4%

The progression in the IG reinsurance rates over the last 25 years is shown in the graph across the page.

IG reinsurance, cost changes by vessel type



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