

19 December 2017

SKULD RENEWAL UPDATE II POLICY YEAR 2018/19

INTERNATIONAL GROUP REINSURANCE PROGRAMME

In this circular to members we will outline the International Group's Reinsurance Programme for the Policy Year 2018/19.

KEY FEATURES

- Club retention maintained at USD 10 million
- Pool maintained at USD 100 million
- Upper Pool with 7.5% Individual Club Retention changed to USD 50 million x/s USD 50 million
- Lower Pool reinsured by Hydra increased to USD 20 million x/s USD 30 million
- MLC reinsurance increased to USD 200 million x/s of USD 10 million

INTERNATIONAL GROUP REINSURANCE ARRANGEMENTS FOR POLICY YEAR 2018/19

The structure of the cover reinsured through International Group and the Pool is set up as follows:

| | |
|----------------------|---|
| Club retention | USD 10 million |
| Pool retention | USD 100 million (USD 90 million excess of USD 10 million) (Part of the Pool is covered by Hydra excess USD 30 million) |
| General Excess cover | USD 2 billion in excess of USD 100 million |
| Overspill protection | USD 1 billion in excess of USD 2.1 billion |

LIMITS ON THE ASSOCIATION'S COVER 2018/19

| | |
|------------------------------|---------------|
| Oil Pollution: | USD 1 billion |
| Passenger and crew combined: | USD 3 billion |
| Passenger (sub-limit) | USD 2 billion |

The oil pollution limit is applicable to the aggregate of owners' and bareboat charterers' liabilities. (Skuld Rules Appendix 5)

For passenger and crew claims, the overall limit is USD 3 billion any one event, any one vessel and with a sub-limit of USD 2 billion in respect of passenger claims alone. (Skuld Rules Appendix 5A)

OVERSPILL PROTECTION

In the event of a claim in excess of the cover limit of the International Group Excess Loss Contract of USD 2.1 billion, members will be liable to contribute overspill calls which will remain subject to a limit of 2.5% of the property limitation fund for each entered vessel calculated in accordance with the 1976 Limitation Convention (Skuld Rules Appendix 3). Overspill protection has been placed for claims up to USD 1 billion in excess of USD 2.1 billion. The limit on each mutual member's liability for claims other than oil pollution and for claims involving passengers will remain unchanged at 2.5% of the Convention Limit, which provides an overall limit of approximately USD 8 billion.

MARITIME LABOUR CONVENTION

The International Group has arranged a separate reinsurance contract in respect of Maritime Labour Convention MLC Regulation 2.5.2 Standard A2.5.2. which regulates unpaid wages and abandonment following an abandonment by owners with an increased limit of USD 200 million per fleet in excess of a fleet retention of USD 10 million.

INTERNATIONAL GROUP GENERAL EXCESS OF LOSS REINSURANCE CONTRACT 2018/19

The International Group RI rates (USD per GT) including Hydra premium, Collective Overspill Cover and excess war risks P&I for the year commencing 20 February 2018 are as follows:

| Tonnage Category | 2018/19 rate USD per GT | % change from 2017/18 |
|--|-------------------------|-----------------------|
| Tankers, carrying persistent oil as cargo | 0.5845 | -1.85% |
| Tankers, carrying non-persistent oil as cargo | 0.2626 | -1.83% |
| Dry cargo vessels | 0.4038 | -1.85% |
| Passenger vessels | 3.2707 | -1.84% |

Further background on the changes in rates may be found at International Group of P&I clubs web-site: www.igpandi.org under "News and Information".

Members having policies in other currencies than USD will have rates that are affected by the change of exchange rates between USD and the currency of the Policy. Skuld has to pay the reinsurance in USD thereby this will have an impact on the reinsurance rates in other currencies: (2018/19 rates per GT and change in % from 2017/18)

| Tonnage Category | NOK/GT | | SEK/GT | | DKK/GT | | EUR/GT | | GBP/GT | |
|-------------------------|---------|--------|---------|--------|---------|---------|--------|---------|--------|--------|
| Tankers, persistent | 4.8066 | -4.11% | 4.8480 | -9.79% | 3.6209 | -11.97% | 0.4869 | -12.04% | 0.4318 | -7.45% |
| Tankers, non-persistent | 2.1595 | -4.09% | 2.1781 | -9.78% | 1.6268 | -11.95% | 0.2187 | -12.02% | 0.1940 | -7.44% |
| Dry cargo vessels | 3.3207 | -4.11% | 3.3492 | -9.79% | 2.5015 | -11.97% | 0.3364 | -12.04% | 0.2983 | -7.45% |
| Passenger vessels | 26.8967 | -4.10% | 27.1281 | -9.78% | 20.2614 | -11.96% | 2.7245 | -12.03% | 2.4161 | -7.44% |

US OIL POLLUTION SURCHARGE

The surcharge for 2018/19 will remain nil.

WAR RISKS P&I

The Association's special War Risk P&I cover in excess of Hull and Machinery War Risk P&I cover will continue. The limit of this cover remains at USD 500 million each vessel any one event. However, this excess War Risk P&I cover excludes any liabilities which members may incur under TOPIA 2006. Details of the cover will be set out in the Association's circular on P&I War Risk cover in January 2018.

TRIA / TRIP

TRIA has been further extended by the Terrorism Risk Insurance Program Reauthorisation Act of 2015 up to 31 December 2020. Cover for acts of terrorism as defined in the US Terrorism Risk Insurance Program Reauthorisation Act will be included on the same terms with the same limit. A premium of USD 0.0025 per GT will be deemed attributable to these risks and will be included within the overall premium.

SKULD CALL HISTORY

| Year | Original Supplementary Call | Final Call | General Increase | Release Call |
|---------|-----------------------------|-------------|------------------------|--------------|
| 2014/15 | 0% | 0% | Individual adjustments | Closed |
| 2015/16 | 0% | (est -2.5%) | | 3% |
| 2016/17 | 0% | (est -2.5%) | | 7.5% |
| 2017/18 | 0% | (est 0%) | | 15% |
| 2018/19 | 0% | (est 0%) | | 15% |

Yours faithfully,
Assuranceforeningen Skuld (Gjensidig)



Ståle Hansen
President and CEO