

# CIRCULAR



TO ALL MEMBERS and CLIENTS

January 2012

## **SKULD RENEWAL UPDATE**

We are pleased to announce that the Reinsurance for the 2012 Policy Year for Members is agreed and is outlined in this circular to members. Furthermore, we will focus on new and updated products for our members' and clients' benefit.

### **Skuld 1897 Lloyd's Syndicate**

The Skuld 1897 Syndicate at Lloyd's was successfully launched late 2010 and came into operation on 1 January 2011. We are happy to have experienced the enormous interest from our members and clients having placed so much of high quality business into the syndicate. At the beginning of our second year we stand firm with a good book of business that we will develop further. A change for 2012 is the increase in capacity which can assist in adding further business.

The formation of Skuld 1897 has also created new business opportunities and we will mention a few below. We will continue to develop more products that will meet our members' and clients' requirements to obtain a better cover for their exposures and liabilities. Using Skuld's world-wide network in producing business to the Syndicate and Skuld's high reputable service creates a new era at Lloyd's – that is why we call it "The Best of Both Worlds". The Skuld 1897 has also been set as a model by the Chairman of Lloyd's for anyone wishing to set up a new marine Syndicate at Lloyd's – an appreciation we take as having made a remarkable entrance to the world's leading insurance market.

Skuld 1897 will provide Skuld's existing and new members and clients with a much larger variety of products and services in the marine insurance sector. Talk to your local Underwriter who will be able to guide you to Skuld 1897. We suggest you keep an eye on the Syndicate's own web-site: [www.skuld1897.com](http://www.skuld1897.com).

### **Kidnap & Ransom Insurance**

As of 20 February 2010, we were able to provide Kidnap & Ransom (K&R insurance) to our members and clients. This has rendered substantial interest and we have assisted a number of our members and clients in obtaining good and competitive cover.

K&R will provide security for the assured and will cover situations when a ship is seized by pirates all over the world. A full description of this valuable cover at a very low premium is described in more detail on [www.skuld.com](http://www.skuld.com) under "Products and Services".

### **Trade Disruption Insurance**

In cooperation with Transmarine, Skuld 1897 will now be able to offer a comprehensive Trade Disruption Insurance (TDI) cover for new and existing members and clients. Transmarine has over 40 years of experience in providing TDI which is not only a traditional Loss of Hire insurance but covers also a variety of disruptions, delays, blocking and trapping, piracy etc. There are in addition 21 more perils included in the Transmarine cover which can be extended to tailor make a bespoke cover for any specialist operation. More will come on [www.skuld.com](http://www.skuld.com)

### **Tow and Voyage Insurance**

Through our relations in the Lloyd's market, Skuld can offer members and clients a special Tow and Voyage cover for vessels going for deliveries or on their final voyage for scrapping. Through the Gemini consortium operated by Canopus at Lloyd's a comprehensive solution for cover is available.

### **Special Cargo Risk Cover**

Skuld 1897 has created a special cover for trucks and vehicles being carried on board ferries and RoRo ships covering damage to the vehicles whilst in the custody of the operator. This cover reduces exposure to the carrier as well as length negotiations with the owners of the trucks and vehicles.

### **Bespoke Covers**

Jointly with Skuld 1897, Skuld P&I can arrange for tailor made covers for many special risks. We have shown a few examples here but we are happy to develop such covers further.

### **Skuld abandoning General Increase**

With effect from last renewal 2011, Skuld decided to abandon the usual practice of "General Increase" which is outdated, non-mutual and very unfair to members. We have for many years worked internally with in-depth analyses of risks and premiums. This has created nine years of reliable results to the benefit of the membership.

The decision to abandon the General Increase shall not be interpreted as a general zero increase in premiums. Each account is annually assessed to meet the exposure based on claims trends, general inflation, changes in exposures such as legislation and the performance of the individual member. This will provide a much fairer premium based on each member's individual risk.

### **FDD – Deductible Adjustment**

The FDD Deductible for 2012 as per the Rules and Charterers' Terms & Conditions has been set to: 25% of the total costs with a minimum of USD 7,500 per dispute.

### Skuld Call History

Year	Original Supplementary Call	Final Call	General Increase	Release Call
2008/09	0%	0%	7.5%	Closed
2009/10	0%	(est 0%)	15%	10%
2010/11	0%	(est 0%)	5%	25%
2011/12	0%	(est 0%)	-	25%
2012/13	0%	(est 0%)	-	25%

### International Group Reinsurance Arrangements for 2012 Policy Year

The structure of the cover reinsured through International Group and the Pool remains as for last year:

Club retention	USD 8 million
Pool retention	USD 60 million (52 million in excess of USD 8 million)
General Excess Loss Cover	USD 2 billion
Overspill protection	USD 1 billion

### Limits on the Association's cover for 2012 Policy Year

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.

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.

Overspill protection has been placed for claims up to USD 1 billion in excess of USD 2.06 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 approximately provides an overall limit of USD 7.1 billion. A contribution for an overspill claim from a ship of 20,000 GT would be in the region of USD 130,000 and if 70,000 GT, the corresponding contribution would be in the region of USD 390,000.

### International Group General Excess of Loss Reinsurance Contract Renewal for 2012 Policy Year

The International Group RI rates (per GT) including Hydra premium, Collective Overspill Cover and excess war risk P&I for the year commencing 20 February 2012 are as follows:

Tonnage Category	2012 rate USD per GT	% change from 2011
Tankers, carrying <b>persistent</b> oil as cargo	0.6515	- 7.43
Tankers, carrying <b>non-persistent</b> oil as cargo	0.2798	- 8.41
Dry cargo vessels	0.3561	- 3.99
Passenger vessels	1.3992	- 5.33

With effect from 20 February 2011, The Group decided to increase the excess point on the GXL contract from USD 50 million to USD 60 million. The resultant additional USD 10 million of retained risk within the Group pool will be 100% reinsured by the Group captive Hydra.

### US Oil Pollution Surcharge – 2012 Policy Year

The special arrangements to cover US OPA 90 pollution liabilities in respect of tankers, which are otherwise excluded under the Rules, will continue for the policy year 2012/13. There is a reduction for the coming policy year of about 30%.

### US Trading Agreement

For owner members' trading vessels which are capable of carrying oil in bulk as cargo, the US trade exclusions set out in the Rules (14.2.2) will continue to apply. However, the existing US surcharge scheme for tankers will continue and cover will be reinstated if the member agrees to make declarations on a quarterly basis as per the US Voyage Quarterly Declaration Form – Policy Year 2012 (enclosed).

### Geographic scope

Tankers carrying persistent oil as cargo and calling ports or places within the United States or the United States Exclusive Economic Zone (EEZ), as defined by OPA 1990 for loading or discharging, are subject to additional premium. The United States include the District of Columbia, Puerto Rico, Guam, American Samoa, US Virgin Islands and Northern Marianas.

### The Declaration (Surcharge) Programme

Members have to declare voyages by tankers each quarter in arrears, specifying voyages to the United States and the EEZ. The declarations are to be completed by 20 July, 20 October, 20 January and 20 April and returned to the Association as specified below.

A US voyage is any cargo voyage involving loading or discharging at any port or place in the United States and EEZ as defined above. One cargo voyage involving loading or discharging at more than one US port or place shall be regarded as a single voyage. Discharging one cargo at a port or place and loading a new cargo at a port or place constitutes two voyages.

For those Members who already have this arrangement in place for the 2011 Policy Year, cover will be automatically reinstated with effect from 20 February 2012, unless written notice of the cancellation is given. Members, who wish to participate in the scheme for the first time, should contact your respective syndicate underwriter as soon as possible.

No lay-up returns will be allowed.

Conditions/rates are as follows:

#### 1. Tankers of 1,000 GT or less

Owners of tankers of 1,000 GT or less have the option of paying a surcharge of USD 48 (SBT tankers USD 40) per voyage with a cap of 20 voyages or a fixed rate of USD 960 per annum (SBT tankers USD 800). Owners wishing to pay on the basis of a

fixed annual rate should inform the Association in writing prior to 20 February 2012, otherwise the surcharge will be stipulated on a voyage basis. To qualify for the SBT category, a tanker must be equipped with segregated ballast tanks in accordance with the requirements of Regulation 13 of Annex 1 to MARPOL 73/78.

## 2. Tankers of more than 1,000 GT

The rate of surcharge for voyages to and from the United States by tankers of more than 1,000 GT carrying persistent oil as cargo will be USD 0.0476 per GT per voyage (SBT tankers USD 0.0396). The cap will remain at 20 voyages during the year.

## 3. Parcel Tankers

A parcel tanker is defined as a ship constructed or adapted primarily to carry cargoes of noxious liquid substances in bulk or capable of carrying at least 10 grades simultaneously, having been issued with an international certificate of fitness for the carriage of dangerous chemicals in bulk.

- a. Parcel tankers **carrying less than 5,000 metric tons (MT)** of persistent oil as cargo incur a fixed minimum contributing value based on 3,000 GT per voyage, i.e. USD 143 (SBT tankers USD 119) per voyage with a cap of 20 voyages.
- b. Parcel tankers **carrying between 5,000 and 9,999 MT** of persistent oil as cargo incur a fixed minimum contributing value based on 7,500 GT per voyage, i.e. USD 357 (SBT tankers USD 297) per voyage with a cap of 20 voyages or a fixed rate of USD 7,140 (SBT tankers USD 5,940).
- c. Parcel tankers **carrying 10,000 MT and over** of persistent oil as cargo shall pay the voyage premium based on the ship's full tonnage.

**NB:** Members are required for statistical reasons to make declarations even after the cap of 20 voyages is reached.

### LOOP and other designated lightering areas

Vessels loading and/or discharging at Louisiana Offshore Oil Port (LOOP) exclusively, or in a facility which is not designated as a port and is approved by the US Coast Guard, will be charged at 50% premium (USD 0.0238 per GT per voyage and SBT USD 0.0198 per GT per voyage).

Apart from LOOP, **the four current USCG designated and approved loading or lightering areas** are as per below. Together with LOOP, these are the **only loading or lightering areas** to which the half rate provision currently applies and Members should ensure that voyage declarations are made strictly in conformity with the provisions cited above and below. If additional loading or lightering areas are designated by the Coast Guard these will be notified to Members.

#### (a) SOUTHTEX—lightering zone.

Lat N.      Long W.

27°40'00", 93°00'00", thence to

27°40'00", 94°35'00", thence to

28°06'30", 94°35'00", thence to

27°21'00", 96°00'00", thence to

26°30'00", 96°00'00", thence to

26°30'00", 93°00'00", and thence to the point of beginning.

**(b) GULFMEX No. 2—lightering zone.**

Lat N.      Long W.  
27°53'00", 89°00'00", thence to  
27°53'00", 91°30'00", thence to  
26°30'00", 91°30'00", thence to  
26°30'00", 89°00'00", and thence to the point of beginning.

**(c) OFFSHORE PASCAGOULA No. 2— lightering zone:**

Lat N.      Long W.  
29°20'00", 87°00'00", thence to  
29°12'00", 87°45'00", thence to  
28°39'00", 88°00'00", thence to  
28°00'00", 88°00'00", thence to  
28°00'00", 87°00'00", and thence to the point of beginning.

**(d) SOUTH SABINE POINT—lightering zone:**

Lat N.      Long W.  
28°30'00", 92°38'00", thence to  
28°44'00", 93°24'00", thence to  
28°33'00", 94°00'00", thence to  
28°18'00", 94°00'00", thence to  
28°18'00", 92°38'00", and thence to the point of beginning.

**US Voyage**

Is defined as:

"A voyage by a tanker involving the loading or discharging of oil as cargo at one or more port or ports or location or locations in the USA or in the exclusive economic zone (as defined in the OPA)."

**LOOP Voyage**

Is defined as:

"A US voyage involving loading or discharging solely at LOOP or loading or lightering solely in areas (other than ports) designated and approved for the purpose by the US Coast Guard".  
(See above)

## Reference Table

	Non SBT	SBT
<b>(A)</b> Tankers of more than 1000 GT	<b>\$0.0476</b>	<b>\$0.0396</b> per GT per voyage
LOOP/Lightening	<b>\$0.0238</b>	<b>\$0.0198</b> per GT per voyage
<b>(B)</b> Tankers of 1000 GT or less	either <b>\$48</b>	<b>\$40</b> per voyage
	or <b>\$960</b>	<b>\$800</b> per annum
<b>(C)</b> Parcel tankers carrying less than 5,000 metric tons of persistent oil as cargo	<b>\$143</b>	<b>\$119</b> per voyage
<b>(D)</b> Parcel tankers carrying 5,000 – 9,999 metric tons of persistent oil as cargo	<b>\$357</b>	<b>\$297</b> per voyage

### War Risks

The Club'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 is set out in the Associations circular on War Risk cover January 2012.

### TRIA

Cover for acts of terrorism as defined in the US Terrorism Act of 2002 will be included on the same terms with the same limit. A premium of US cents 0.25 per GT will be deemed attributable to these risks and will be included within the overall premium.

### **Bio-Chem Pool**

The limit of the supplementary pooled cover for a restricted range of risks covered by the "Bio-Chem exclusion" in war risk policies remains at USD 30 million per vessel in the aggregate. Details of these risks are set out in the Association's Circular "War P&I Risks - Agreement to pool certain Bio-Chem Claims" dated 1 April 2004.

Yours faithfully  
Assuranceforeningen Skuld (Gjensidig)

A handwritten signature in blue ink, appearing to read "Douglas Jacobsohn".

Douglas Jacobsohn  
President & Chief Executive Officer