

SPS - P&I Club Reinsurance Renewal Update 2021

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Circulated via Marsh to IG P & I Clubs for whom reinsurances of Athens PLR War Blue Card (WBC) liabilities are arranged

Date: 30th December 2020

Shoreline is pleased to announce the completion of the market facility against which shipowners can obtain direct WBCs and to which the reinsurances of International Group Clubs that issue WBCs can be declared for the forthcoming policy year and would now like to invite renewal instructions from 1st January 2021.

Shoreline, in acknowledging that 2020 has been the worst year in living memory for the ferry and cruise industry, has garnered support from your reinsurers to provide flexible renewal terms, with the aim of minimising the cost of compliance to your members at this particularly difficult renewal.

Shoreline anticipates that many of your member's vessels may be in layup and/or trading with reduced passenger capacities. In recognising these restraints on full trading, Shoreline has negotiated significant premium discounts for actual time on risk and/or reduced passenger capacities which, when combined with the option to bind at inception on the basis of a minimum and deposit premium structure, we have facilitated your ability to offer your members the least cost certificate issuance option ever, whether trading or not.

For those vessels which are not trading on the 20th February 2021, we can now provide the option to renew their annual WBC at the cost of a modest deposit premium payment. Only upon recommencing trading will your members be required to pay premium at pro rata of expiring annual rates, which in turn can be adjusted in recognition of evidence of the anticipated depletion in passenger numbers. The end result is that many vessels will be paying as little as 50% of their expiring premium to cover their restricted trading activity.

For ferries operating throughout the forthcoming policy period, albeit on the basis of a reduced passenger capacity we are now pleased to advise that we can offer significant discounts on expiring terms, subject to our assessment of your members' forecasts of the reduction in the vessel's annual passenger numbers at inception.

In recognition of the continued commitment of those clubs that arrange their reinsurances through Shoreline, your reinsurers have agreed these significant concessions and premium discounts against the

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backdrop of an ever-hardening marine reinsurance market, where double-digit minimum increases across all lines of marine business are being routinely imposed.

Perhaps equally as important has been our ability to resist your reinsurer's requests to include COVID and Cyber exclusions within your reinsurance contract. Reinsurers have acknowledged that such exclusions would conflict with the requirements placed upon you as the WBC Guarantor, under the terms of the Athens Convention.

Last year was the first year that reinsurers were faced with the added complexity of the additional risk exposure created by cruising itineraries to the Persian Gulf States, all at a time when heightened political tensions between the US and Iran had spilled over into warlike activity in the region.

Your reinsurers' perception of this unanticipated exposure in the Persian Gulf High Risk Area (PG HRA) was inconsistent with the risks that most passenger trades introduced and determined that the added severity of risk was best underwritten most equitably by charging the relatively few vessels undertaking these voyages additional premiums, rather than trying to spread the increased aggregate cost of this risk across the passenger vessel sector as a whole.

In line with our previous advices, we would like to reconfirm that any PG HRA premiums collected during the current policy period for any voyages not undertaken therein, are in the process of being returned to your shipowner members.

We recognise the possibility that trading may resume to this part of the World during the coming policy period. The voyage rate for this heightened risk has been aligned with the vessel's maximum passenger capacity and will be capped at inception. This prevents any further increases in this rate but, if circumstances permit, may reduce the originally quoted rate in line with rate reductions for Hull War PG HRA additional premiums during the policy period.

In order to avoid the necessity for the advance payment of PG HRA voyage premiums, reinsurers have agreed to charge for this additional voyage exposure quarterly and in arrears, on a basis similar to the more traditional war additional premium model i.e. 7 day minimum premium and pro-rata thereafter, until the 30th day within the PG HRA after which the rate on passenger capacity will be reduced by 50%. For continuous trading in the PG for a period longer than 84 days, rates will be negotiable.

The result of this is that, on a like for like fleet wide comparison with last year's quoted PG HRA additional premiums, the cost to your members will be reduced.

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When seeking renewal terms for those vessels intending to trade to the PG HRA during the forthcoming policy period, we will be happy to provide a pricing indication for the anticipated 7 day PG HRA additional premium based on the rates prevailing on 1st January 2021.

We can also confirm the removal of any voyage reporting requirements as this additional voyage exposure will be monitored by Shoreline via their voyage analytics partner Windward and will be automatically invoiced thereafter quarterly in arrears.

Last year's renewal coincided with the onset of the COVID pandemic, which created a good deal of confusion and uncertainty within the passenger industry giving rise to a number of legitimate concerns from some of our clients. We have addressed these concerns directly with your reinsurers who have endeavoured to respond and rectify where possible any and all such concerns you may have had in this regard.

In acknowledging that this market-wide solution would not be possible without the ongoing support and co-operation of our IG P&I Club clients, on behalf of Shoreline and your reinsurers I would personally like to thank you for your business and support at this difficult time for shipowners and insurers alike.

Yours sincerely,



Captain Thomas Brown
Chief Executive Officer - Shoreline Ltd.