

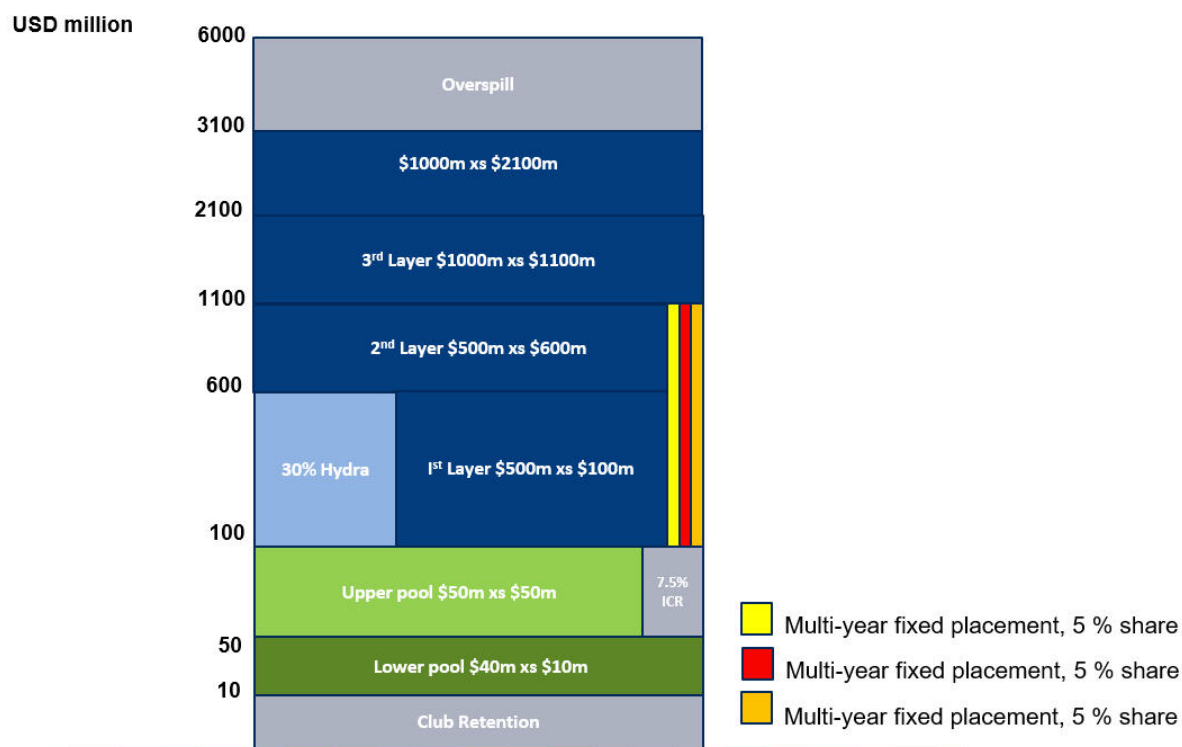
Protection & Indemnity Insurance 2018/2019

Part 2

Explanation of reinsurance and premium structure

The Swedish Club provides P&I cover for its members for each and every accident and/or occurrence up to approximately USD 6.0 billion. The high limit is needed to adequately protect members/shipowners financially and to make sure that they are covered for accidents that may occur under worst-case scenarios, when taking into account current international legislative schemes. To be able to provide for these limits, the International Group (IG) Clubs, where The Swedish Club is a member, re-insure each other as well as buy reinsurance together to ensure that insurance costs are kept to a minimum. It is our aim to try to explain how we reinsure P&I liabilities on behalf of our members and the different costs involved, as well as showing how premiums are charged.

IG Reinsurance Program – 2018/2019



Retention – 0 to USD 10,000,000

The Retention of each Club is USD 10,000,000. It is up to the individual Clubs to buy reinsurance to cover claims within the retention.

The Swedish Club's Board of shipowners has decided to cap P&I claims at USD 3,000,000 for each individual member as it has felt that it would be unfair and exorbitant to charge the full amount to a member's record. Therefore the biggest claim an owner can have in his or her claims record is the aforesaid amount.

Premium for the retention is divided up in three parts:

1. A premium based on the exposure for the fleet based on vessel type/age, cargoes carried and trade the member is involved in.
2. A premium based on the individual member's claims record for claims below USD 3,000,000.
3. A mutual reinsurance premium (abatement) to cover claims between USD 3,000,000 to USD 10,000,000 is charged to each member. The rationale for charging a reinsurance premium is that member's records have been protected by the Club.

Pool – USD 10,000,000 to USD 100,000,000

All members of the International Group share and pay each other's claims in excess of USD 10,000,000 and up to USD 100,000,000.

Lower Pool – USD 10,000,000 to USD 50,000,000

Each Club pays claims according to GT, premium volume as well as individual Club claims results within the layer. The layer has a payback mechanism where a Club will pay back any deviation from a balanced/neutral position over time.

Upper Pool – USD 50,000,000 to USD 100,000,000

Each Club pays claims based on GT only. The claiming Club will pay 7.5 % of the claim in the layer for its own account and the remainder will be shared based on GT.

Mutual pool reinsurance premium is based on modelled expectations and distributed on a balanced/neutral basis. Each Club assesses pool claim contributions based on figures provided by the International Group at the beginning of the year and the anticipated claims cost is part of the annual premium.

Reinsurance layers – USD 100,000,000 to USD 3,100,000,000 (often called Excess of Loss Programme)

The Swedish Club participates in the International Group of P&I Clubs' general reinsurance arrangement in excess of USD 100,000,000. This reinsurance is placed with large reinsurance companies and on the Lloyd's and London markets. The cover is placed through the reinsurance sub-committee of the International Group where all participating Clubs are represented.

Reinsurance - in excess of USD 3,100,000,000 – Overspill

If a claim was to exceed USD 3,100,000,000 i.e. the limit of the Group pool's excess of loss contract, the excess or "overspill" would be pooled amongst the Group Clubs. The overall Group pool limit for such an overspill claim remains unchanged at 2.5 % of the property limitation funds under the 1976 Limitation Convention of all ships entered in all International Group Pool Clubs. Members remain ultimately liable to pay an overspill call up to a maximum of this limit for each entered ship in accordance with Rule 24, of The Swedish Clubs' Rules for P&I Insurance.

Overspill Premium

No mutual reinsurance premium is charged upfront for overspill claims.

Mutual Premium Structure

P&I premiums are set to cover a combination of exposure and actual costs for claims on an individual member basis, mutual and Club-specific cost of large claims, reinsurance costs and finally brokerage. On top of this, P&I Clubs have operational costs for running the Club. On the other hand financial income/investment income is not credited to owners' accounts.

The basic Premium Structure for The Swedish Club:

Individual Member premium – premium for layer USD 0 to USD 3,000,000

- a. Premium is set based on the exposure for the fleet depending on vessel type/age, cargoes carried and trade the member is involved in
- b. Premium is based on the individual member's claims record for claims below USD 3,000,000

Mutual premium – premium for layer USD 3,000,000 to USD 10,000,000

A mutual reinsurance premium (abatement) to cover claims between USD 3,000,000 to USD 10,000,000 is charged to each member. The rationale for charging a reinsurance premium is that members' records have been protected by the Club. The abatement reinsurance premium is distributed based on modelled expectations. If actual claims in this (abatement) layer are lower or higher than anticipated free reserves will be credited/debited.

Pool premium – premium for layer USD 10,000,000 to USD 100,000,000

Mutual pool reinsurance premium is based on modelled expectations and distributed on a balanced/neutral basis.

Excess of loss reinsurance premium – premium for layer USD 100,000,000 to USD 3,100,000,000

Reinsurance premium which is passed on directly from reinsurers to members depending on the type of vessel and for tankers the type of cargo carried.

Mutual Excess of Loss Reinsurance Premium 2018/2019

Tankers carrying persistent oil as cargo:	USD 0.5845 per GT
Tankers carrying non-persistent oil as cargo:	USD 0.2626 per GT
Passenger vessels:	USD 3.2707 per GT
Other dry cargo vessels:	USD 0.4038 per GT

The Association has elected to cover part of the retention of USD 10,000,000 to further protect our Members' exposure.

The reinsurance structure for 2018/2019 is thus:

Association's retention:	USD 10,000,000
Pool:	USD 90,000,000 excess USD 10,000,000
Hydra	USD 70,000,000 excess USD 30,000,000
General Excess Loss Cover:	USD 2,000,000,000 excess USD 100,000,000
Common Overspill Protection:	USD 1,000,000,000 excess USD 2,100,000,000

The owners' P&I cover reinsured through the Pool is subject to the following special limits:

Oil Pollution:	USD 1,000,000,000
Passenger and seamen combined:	USD 3,000,000,000
Passenger (sub-limit):	USD 2,000,000,000

Similar to the policy year 2017/2018, the US oil pollution voyage surcharge will remain at nil also for policy year 2018/2019 and no declarations are required.

Maritime Labour Convention (MLC) cover

As a part of the solution developed by the Group clubs to assist and meet shipowners certification requirements under the financial security provisions of the Maritime Labour Convention, the Group clubs have renewed the collectively arranged market reinsurance cover USD 190 million excess USD 10 million at a competitive cost. This will be included within the overall reinsurance cost for 2018/2019.

War Clause

All Swedish flagged vessels are subject to the "The Swedish Club Outbreak of War Clause (P&I)", as enclosed.

P&I — Excess War Risks Cover

U.S. Terrorism Risk Insurance Act of 2002 as amended (“TRIA”), Special War Risk P&I Cover for Owner’s and Charterer’s under the Group cover. All Members entered for P&I, or Charterers’ entries under the Group Cover, are automatically covered for P&I War Risks, including acts of terrorism as defined in the U.S. Terrorism Risk Insurance Act of 2002 as amended (“TRIA”). This cover, subject to the definitions in TRIA and acts of terrorism defined by TRIA, will be partly reimbursed by the United States under a formula established by federal law. Under this formula, the United States will pay 83 per cent of covered losses in 2017 exceeding a statutorily established deductible USD 140 million to be paid by the insurer providing cover.

The proportion of the premium attributable to cover for certified acts of terrorism as defined in TRIA is identified under “Premium” below. The War Risk cover is subject to following conditions:

Reinsurance: The Association has reinsurance for P&I - Excess War Risks.

Conditions: This policy covers P&I risks as defined in the Rules of the Swedish Club, for which cover is excluded from the vessel’s entry by reason of the War Exclusion clause contained therein, Rule 11 section 5, but including the following clauses:

- Notice of Cancellation, Automatic Termination of Cover and War and Nuclear Exclusion Clause – Hulls
- Chemical, Bio-Chemical, Electromagnetic Weapons and Computer Virus Exclusion Clause
- Cover may be terminated by the Association giving seven days’ notice. Excluding any liabilities, cost and expenses which the Member may incur under TOPIA 2006

Trading: Worldwide, but liberty to cancel giving seven days’ notice.

Deductible: USD 50,000 any one accident each vessel.

Special Limit for Owners

Where the Member and another party or other parties interested in the operation of the ship are insured under more than one owner’s and/or charterer’s entry with the Association or with the Association and any other association(s) which participates in the Pooling Agreement and the General Excess Loss Reinsurance Contract, the aggregate of claims brought against the Association and such other association(s) in respect of losses, liabilities, costs and expenses covered under this special war risk P&I cover for owners and/or charterers, shall be limited to USD 500 million any one incident or occurrence each vessel. If such claims exceed this limit, the liability of the Association in respect of each certificate of entry shall be limited to that proportion of that limit that claims recoverable from the Association under that certificate of entry bear to the aggregate of the said claims recoverable from the Association and from such other association(s), if any.

Special limit for Charterers

As far as charterer's entries reinsured under the Pooling Agreement and the Group's Excess Loss Reinsurance Contract are concerned, the special war risks P&I cover functions as a primary cover. The limit is USD 500 million each incident or occurrence each vessel, provided always that, where a ship is separately insured under more than one charterer's and/or owner's entry with the Association or with the Association and any other association(s) participating in the Pooling Agreement and the General Excess Loss Reinsurance Contract, the aggregate of claims brought against the Association and such other association(s) in respect of losses, liabilities, costs and expenses covered under this special war risk P&I cover for charterers and/or owners, shall be limited to USD 500 million any one incident or occurrence each vessel. If such claims exceed this limit, the liability of the Association in respect of each certificate of entry shall be limited to that proportion of that limit that claims recoverable from the Association under that certificate of entry bear to the aggregate of the said claims recoverable from the Association and from such other association(s), if any.

Excess:

This policy is to pay claims only in excess of an amount recoverable under the vessel's Hull and Machinery and Crew Marine or War Risks policies, and any P&I inclusion clauses attached thereto and any other War Risk Cover arranged by the Member. Such a War Risk Policy shall cover the vessel's proper value for hull and include a separate cover for liability up to the same amount or maximum USD 100 million.

Premium:

The premium is included in the reinsurance rates quoted, including USD 0.0025 per GT which is deemed attributable for coverage of acts of terrorism as per the terms of TRIA.

The following clause is deemed incorporated in the P&I – Excess war risk cover:

Chemical, biological, bio-chemical, electromagnetic weapons and computer virus exclusion clause

This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith:

1. In no case shall this insurance cover loss, damage liability or expense directly or indirectly caused by or contributed to by or arising from:
 - 1.1 any chemical, biological, biochemical or electromagnetic weapon.
 - 1.2 the use or operation, as a means for inflicting harm, of any computer virus.

The International Group, however, has decided that Bio-Chem Risks shall be covered through a special pooling facility, which is to cover Members' liabilities in respect of:

- i. damages, compensation or expenses in consequence of personal injury to our illness or death of any seamen; and
- ii. for legal costs and expenses incurred solely for the purpose of avoiding or minimising any other P&I liability arising from a Bio-Chem Risk.

Limit for the special insurance against Bio-Chem risks is USD 30,000,000 per vessel in the aggregate. The detailed terms and conditions of the Bio-Chem cover are to be found in the enclosed Bio-Chem Clause.

Please note that the information in this document is a summary. For more exact and detailed information please contact the Club.

Yours faithfully,
The Swedish Club



Lars Rhodin

Enclosures:

- The Swedish Club Outbreak of War Clause (P&I)
- Notice of Cancellation, Automatic Termination of Cover and War and Nuclear Exclusion Clause – Hulls, etc.
- Bio-Chem Clause

Enclosure 1

The following Clause is deemed to form part of any Policy in respect of Protection & Indemnity covers relating to a Swedish flagged vessel.

The Swedish Club outbreak of war clause (P&I)

1982-01-01

Should normal communications between Sweden and other countries be interrupted subsequent to the outbreak of a war which will greatly affect Swedish trade, commerce and industry, an organisation in the name of Svenska Transportförsäkringspoolen (hereinafter referred to as the Pool), formed by all the Swedish Marine Insurance Companies, will commence operations on a date to be decided upon by the Government War Risks Insurance Office.

Should this occur during the duration of this policy, the liability of the Association according to this policy will be transferred to The Pool as from the date upon which The Pool commences operations. The policy will then remain in force and subject to the same terms until 12 o'clock midnight on the thirtieth day of acceptance of liability by the Pool, unless it has been agreed to terminate the validity of the policy at an earlier date.

In the event of the liability terminating prior to the date indicated in the policy, the Assured is entitled to a refund from the Association of the excess premium paid. If on the other hand, the validity of the policy is to be maintained during a period for which no premium was paid, the Assured shall pay premium pro rata parte for this period.

When the above mentioned contingencies arise, it will be incumbent upon the Insured to notify the Association or The Pool without delay of the position and the voyage of the vessel.

Enclosure 2

Notice of cancellation automatic termination of cover and war and nuclear exclusion clause - Hulls etc.

2008-01-04

This clause shall be paramount and shall override anything contained in this insurance inconsistent therewith

1. Cancellation

Cover hereunder in respect of the risks of war, etc. may be cancelled by the Underwriters giving 7 days' notice (such cancellation becoming effective on the expiry of 7 days from midnight of the day on which notice of cancellation is issued to the Assured). The Underwriters agree however that they may reinstate cover subject to agreement between the Underwriters and the Assured prior to the expiry of such notice of cancellation as to new rate of premium and/or conditions and/or warranties.

2. Automatic Termination of Cover

Whether or not such notice of cancellation has been given cover hereunder in respect of the risks of war, etc. shall TERMINATE AUTOMATICALLY:

- 2.1** upon the outbreak of war (whether there be a declaration of war or not) between any of the following: United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China;
- 2.2** in respect of any vessel, in connection with which cover is granted hereunder, in the event of such vessel being requisitioned either for title or use.

3. Five Powers War and Nuclear Exclusions

This insurance excludes:

3.1 loss damage liability or expense arising from

3.1.1 the outbreak of war (whether there be a declaration of war or not) between any of the following: United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China;

3.1.2 requisition either for title or use.

3.2 in no case shall Underwriters hereon be liable for liabilities, costs and expenses directly or indirectly caused by or contributed to by or arising from:

a) ionising radiations from, or the radioactive, toxic, explosive or other hazardous or contaminating properties of:

(i) any nuclear fuel or any nuclear waste or the combustion of nuclear fuel, or

(ii) any nuclear installation, reactor or other nuclear assembly or nuclear component thereof; or

(b) any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter, other than liabilities, costs and expenses arising out of carriage of "excepted matter", (as defined in the Nuclear Installations Act 1965 of the United Kingdom or any regulations made thereunder), as cargo in an Insured vessel.

4. Law and Practice

This clause is subject to English law and practice.

Cover in respect of the risks of war, etc. shall not become effective if, subsequent to acceptance by the Underwriters and prior to the intended time of attachment of risk, there has occurred any event which would have automatically terminated cover under the provisions of this clause.

Bio-Chem Clause

- 1.1 Subject to the terms and conditions and exclusions set out herein, cover is extended to include the liability of the Member:**
- (a) to pay damages, compensation or expenses in consequence of the personal injury to or illness or death of any seaman (including diversion expenses, repatriation and substitute expense and shipwreck unemployment indemnity),
 - (b) for the legal costs and expenses incurred solely for the purpose of avoiding or minimising any liability or risk insured by an Association (other than under the Omnibus Rule)
- 1.2 where such liability would be recoverable under either**
- (a) cover provided by the Club for such liabilities, costs, losses and expenses as would be covered under the Rules but for the exclusion of war risks in Rule 11:5, or
 - (b) any other policy of insurance providing equivalent cover,
- 1.3 save only for the operation of an exclusion of liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising from**
- (a) any chemical, biological, biochemical or electromagnetic weapon
 - (b) the use or operation, as a means for inflicting harm, of any computer, computer system, computer software programme, malicious code, computer virus or process or any other electronic system,
- 1.4 other than liabilities, costs, losses and expenses arising from**
- (i) explosives or the methods of the detonation or attachment thereof
 - (ii) the use of the entered ship or its cargo as a means for inflicting harm, unless such cargo is a chemical or bio-chemical weapon
 - (iii) the use of any computer, computer system or computer software programme or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.

2 Excluded Areas

- 2.1** Unless and to the extent the Directors may in their discretion otherwise decide, there shall be no recovery in respect of any liabilities, costs, losses and expenses directly or indirectly caused by or contributed to by or arising out of any event, accident or occurrence within the ports, places, zones or areas or during such period.
- 2.2** At any time or times before, or at the commencement of, or during the Policy Year, the Club may by notice to the Member change, vary, extend, add to or otherwise alter the ports, places, countries, zones and periods specified in Clause 2.1 from a date and time specified by the Club not being less than 24 hours from midnight on the day the notice is given to the Member.

3 Cancellation

Cover hereunder may by notice to the Member be cancelled by the Club from a date and time specified by the Club, not being less than 24 hours from midnight on the day notice of cancellation is given to the Member.

4 Limit of Liability

- 4.1** Subject to Clause 4.2 the limit of the liability of the Club under this extension of cover in respect of all claims shall be in the aggregate USD 30 million each ship any one accident or occurrence or series thereof arising from any one event.
- 4.2** In the event that there is more than one entry by any person for Bio-Chem cover as provided herein in respect of the same ship with the Club and/or any other insurer which participates in the Pooling Agreement or General Excess Loss Reinsurance Contract, the aggregate recovery in respect of all liabilities, costs, losses and expenses arising under such entries shall not exceed the amount stipulated in Clause 4.1 and the liability of the Club under each such entry shall be limited to such proportion of that amount as the claims arising under that entry bear to the aggregate of all such claims recoverable from the Club and any such other insurer.

5 Deductible

The deductible shall be USD 50,000.

6 Law and Practice

This clause is subject to English law and practice.