



June 2023

# Lloyd's of London, The International Group Reinsurance Contract, and Non-Poolable Marine Liabilities

Presentation to Steamship Mutual Member Training Course

Peter Dixon

# Agenda

01

## Lloyd's of London

- 1) The London Market
- 2) Who's who
- 3) Structure



02

## The International Group of P&I Clubs

- 1) History
- 2) Composition
- 3) Reinsurance



03

## Non-Poolable Marine Liabilities

- 1) Definition
- 2) Examples
- 3) Benefits







# 01 - Lloyd's of London

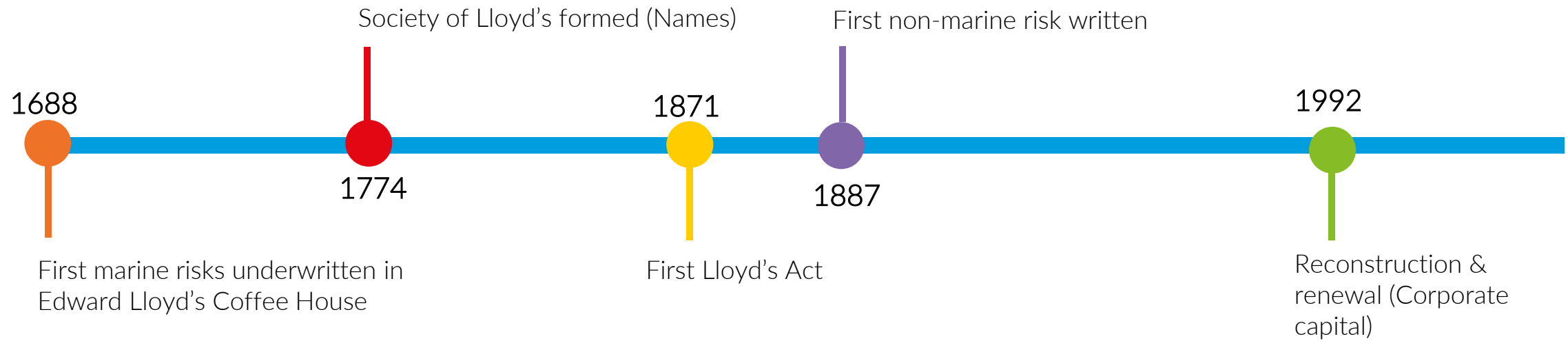


# About Lloyd's

- Lloyd's is not an insurance company, it is a market where those with something to sell (underwriters providing insurance coverage) make contact with those who want to buy (brokers, working on behalf of clients seeking insurance).
- Lloyd's is the world's leading specialist insurance market where syndicates insure and reinsure risk. Business is conducted face-to-face and by email. The Lloyd's business model relies on the **subscription** market, as many large or specialist risks are written by more than one syndicate.
- Is often the first to insure new, unusual or complex risks
- Conducts business in over 200 countries & territories worldwide
- The Corporation of Lloyd's oversees the market, establishing standards and providing services to support its activities



# History of Lloyd's

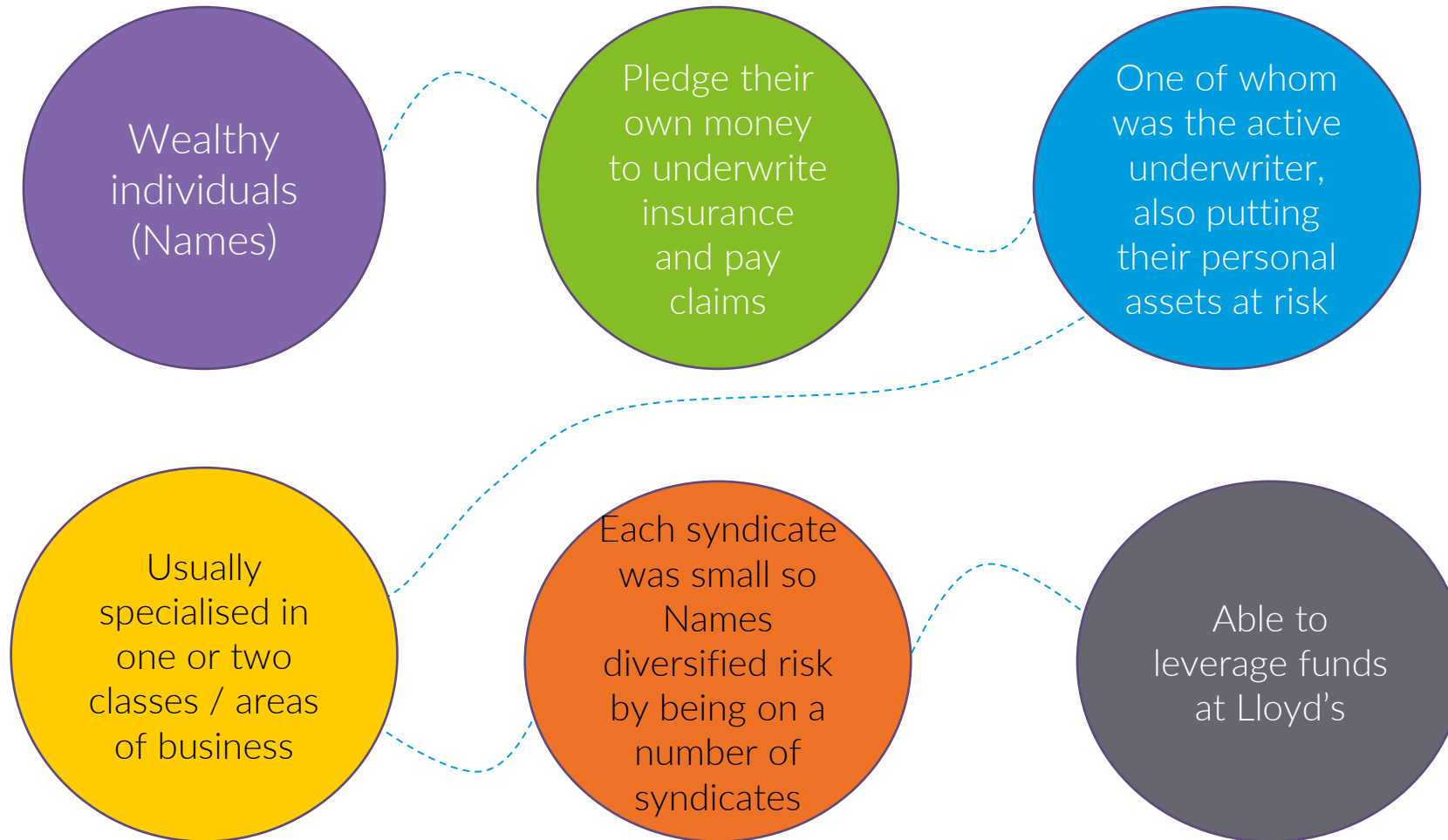




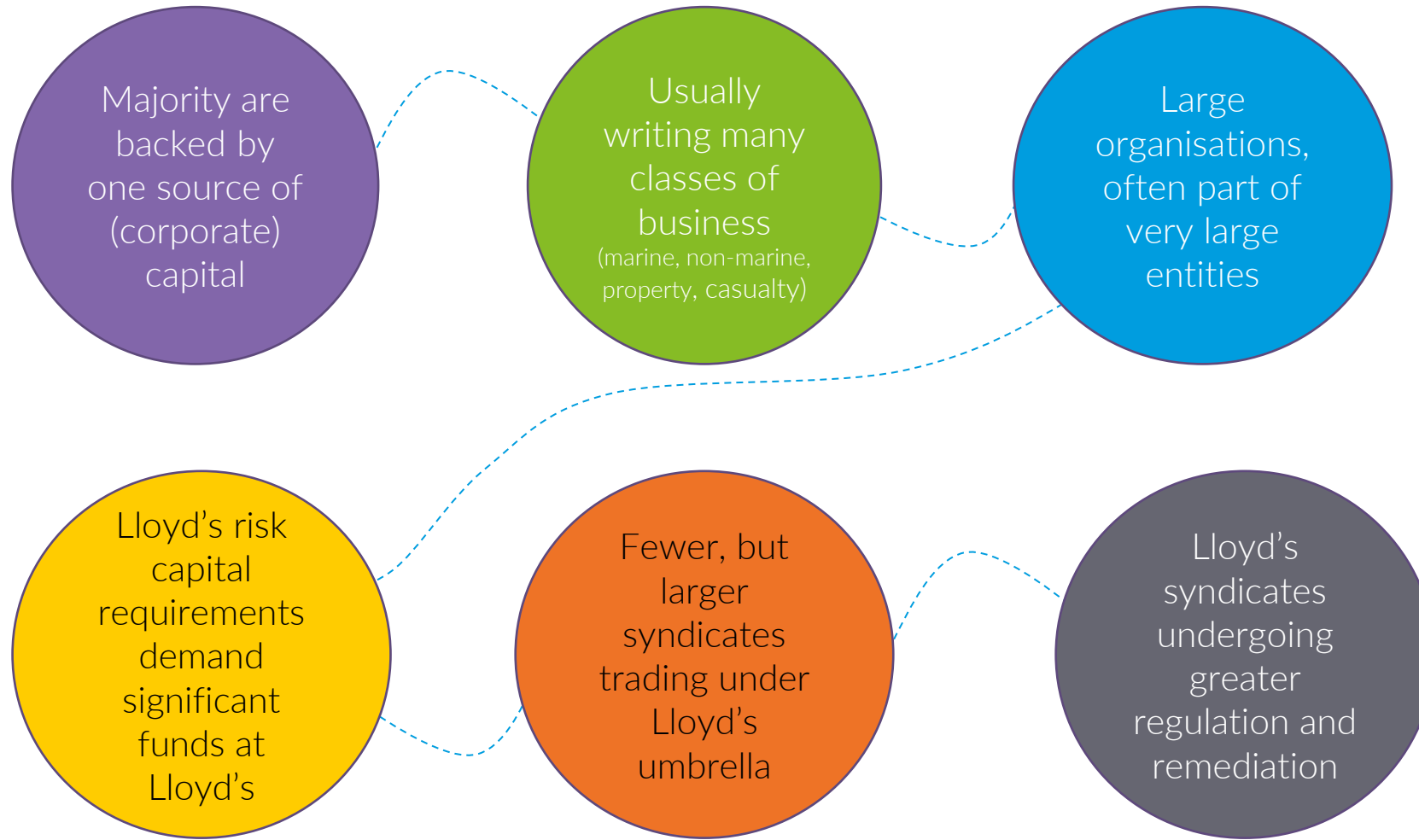




# Lloyd's Syndicates - past

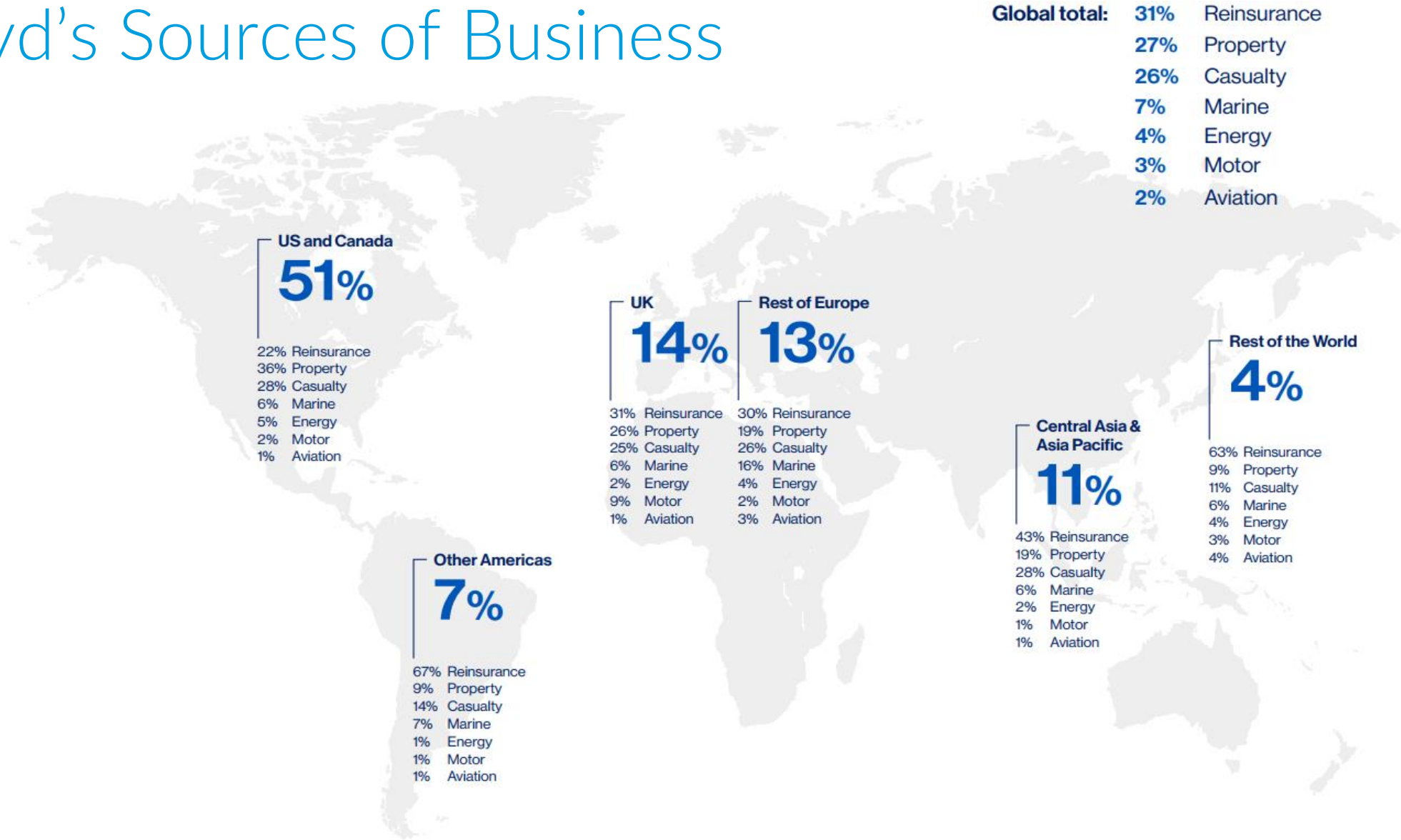


# Lloyd's Syndicates - present





# Lloyd's Sources of Business



# Who's Who?

## Policyholders require insurance cover

Businesses, organisations, other insurers and individuals from around the world want to protect themselves against risks that could affect them. They approach a broker

## Brokers place the risks

Most of Lloyd's business is placed with the assistance of a broker. In addition to being regulated by their national regulator, brokers must also meet Lloyd's own eligibility criteria.

## Syndicates accept the insurance risks

Underwriters decide on behalf of its members which risks a syndicate will underwrite and on what terms. Much of Lloyd's business is conducted in the Underwriting Room, where face-to-face negotiations take place with brokers about the risks they want to place at Lloyd's.

## Managing agents manage the syndicates

These are companies set up to manage one or more syndicates. The managing agent employs the underwriting staff and handles the day-to-day running of a syndicate's infrastructure and operations.

## Members provide the capital

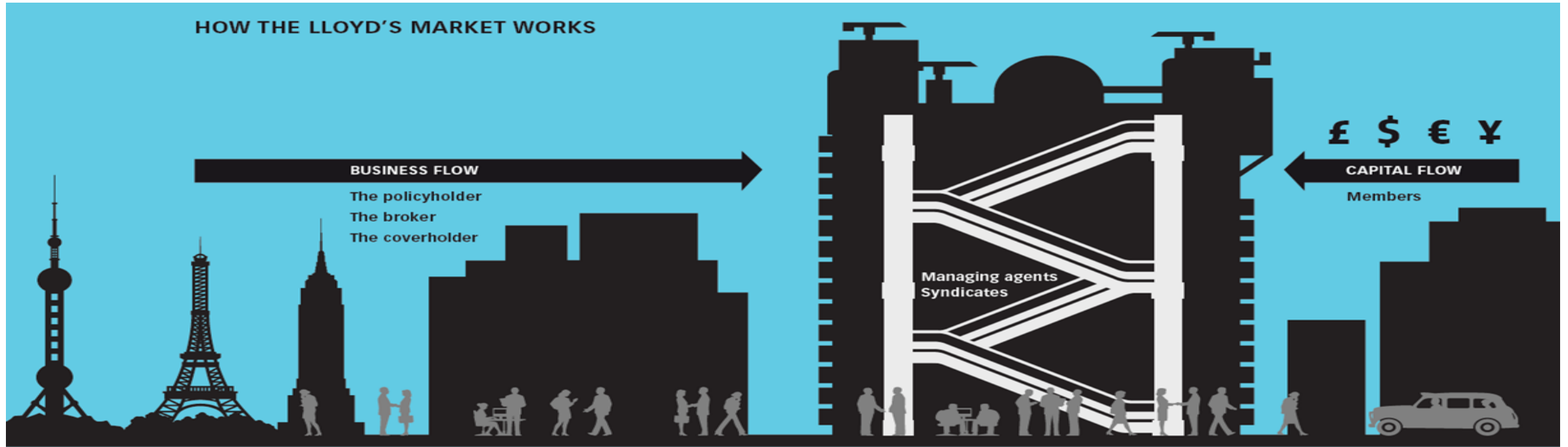
Members of Lloyd's provide the capital to support syndicates' underwriting. Members include some of the world's major insurance groups and companies listed on the London Stock Exchange, as well as individuals and limited partnerships.

## Corporation of Lloyd's supports the market

The Corporation oversees and supports the market and promotes Lloyd's around the world.



# Lloyd's market structure



01.

Process starts with the risk, something that needs to be covered. e.g. an office block in Manchester or a yacht in Hawaii.

02.

Client calls their insurance broker, who is an accredited to place business at Lloyd's.

03.

The broker then goes to the Lloyd's market to meet Underwriters who specialise in the particular type of business, and negotiate face to face.

04.

Underwriters assess the risk and decide on the terms and premiums they can offer.

05.

Broker then relays these terms and conditions back to the client

06.

Client decides whether to purchase the insurance or not.

# Lloyd's Broking and Subscription

SIGNED

Layer One and Layer Two Security:

10-0000

10<sup>2</sup><sub>6</sub>

19N01913GAGX

LINE TO STAND  
marineliability@aegislondon.co.uk

10-0000

10<sup>-1</sup>

AXA

X<sup>2</sup> Insurance

XLC 2003

LX6000683256

LINE TO STAND

5-0000

5<sup>2</sup><sub>6</sub>

LP19AR073ZHIX

Line to stand

The majority of Lloyd's business works by subscription, where more than one syndicate takes a share of the same risk

Recognised market leaders set the terms and conditions for the following market

Underwriters receive a share of the premium and a percentage of claims based upon their signed line



# Lloyd's in numbers (from 2022 Report & Accounts)



Gross written premium

£46.7bn



Number of Cover holders

4,030



Number of syndicates

76



Number of Brokers

380+



Claims paid by Lloyd's between

2011 - 2016

£68bn



Countries Lloyd's operate in

200+

# Options for the future of Lloyd's

## Complex risk platform

A culture, process and structure that supercharges innovation in response to customer needs



## Standardised risk exchange

A risk exchange through which your risks can be placed in minutes at a fraction of today's cost



## Capital platform

A structure that enables new sources of capital to simply and effectively access a diverse set of insurance risks on the Lloyd's platform



## Syndicate in a box

A streamlined system for syndicates to bring new products and business into the market



## Claims solution

An automated claims process that speeds up settlement to improve customer experience and increase trust in the market



## Ecosystem of services

Access for all market participants to an ecosystem of products and services that help them develop new business and provide outstanding customer service





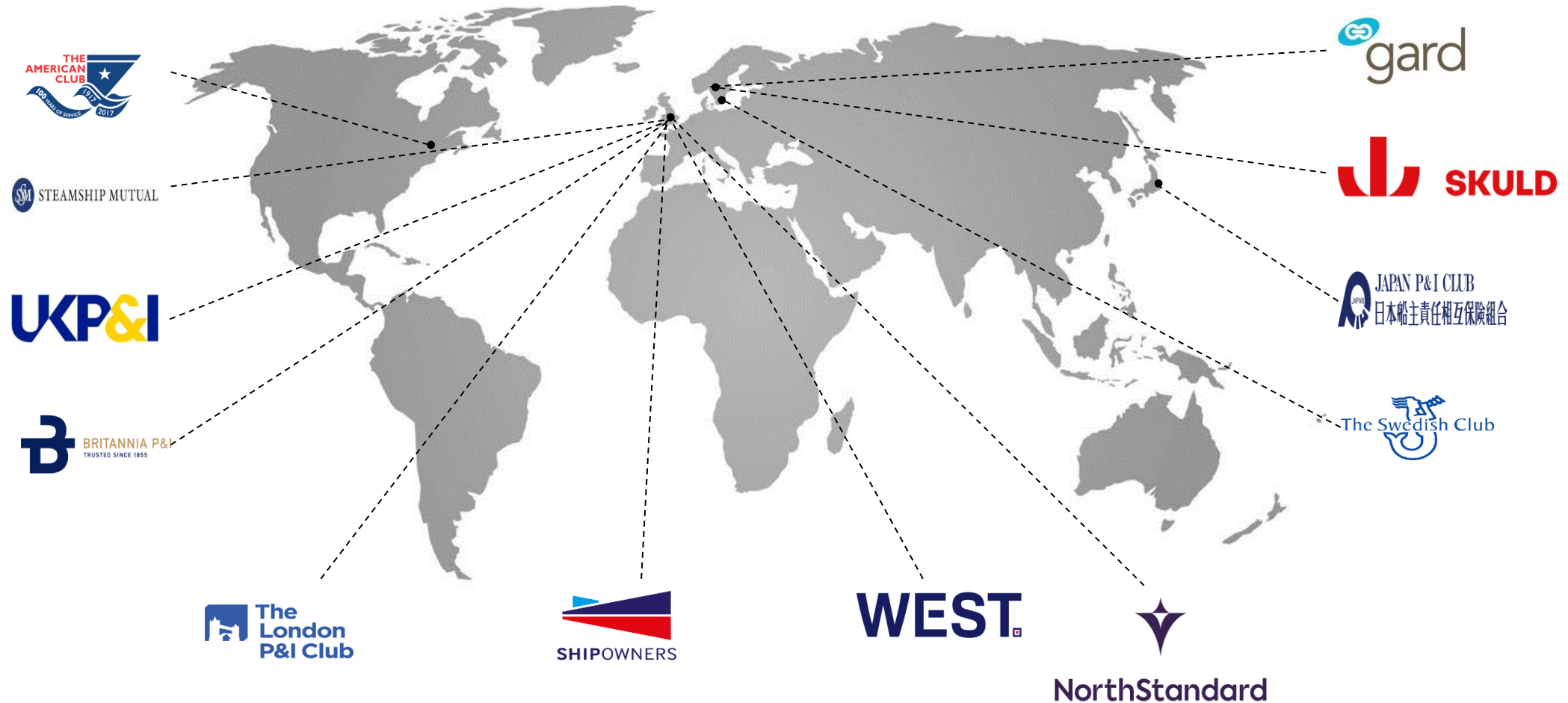


## 02 - International Group Reinsurance Contract

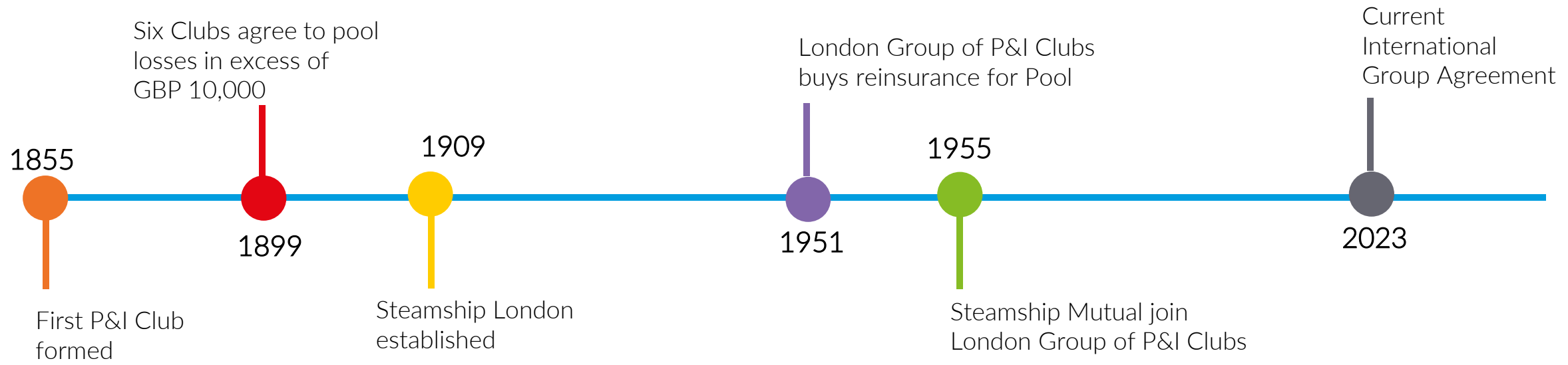


# The International Group of P&I Clubs

12 P&I Clubs cover over 90% of world tonnage and agree to share/pool claims greater than USD 10m

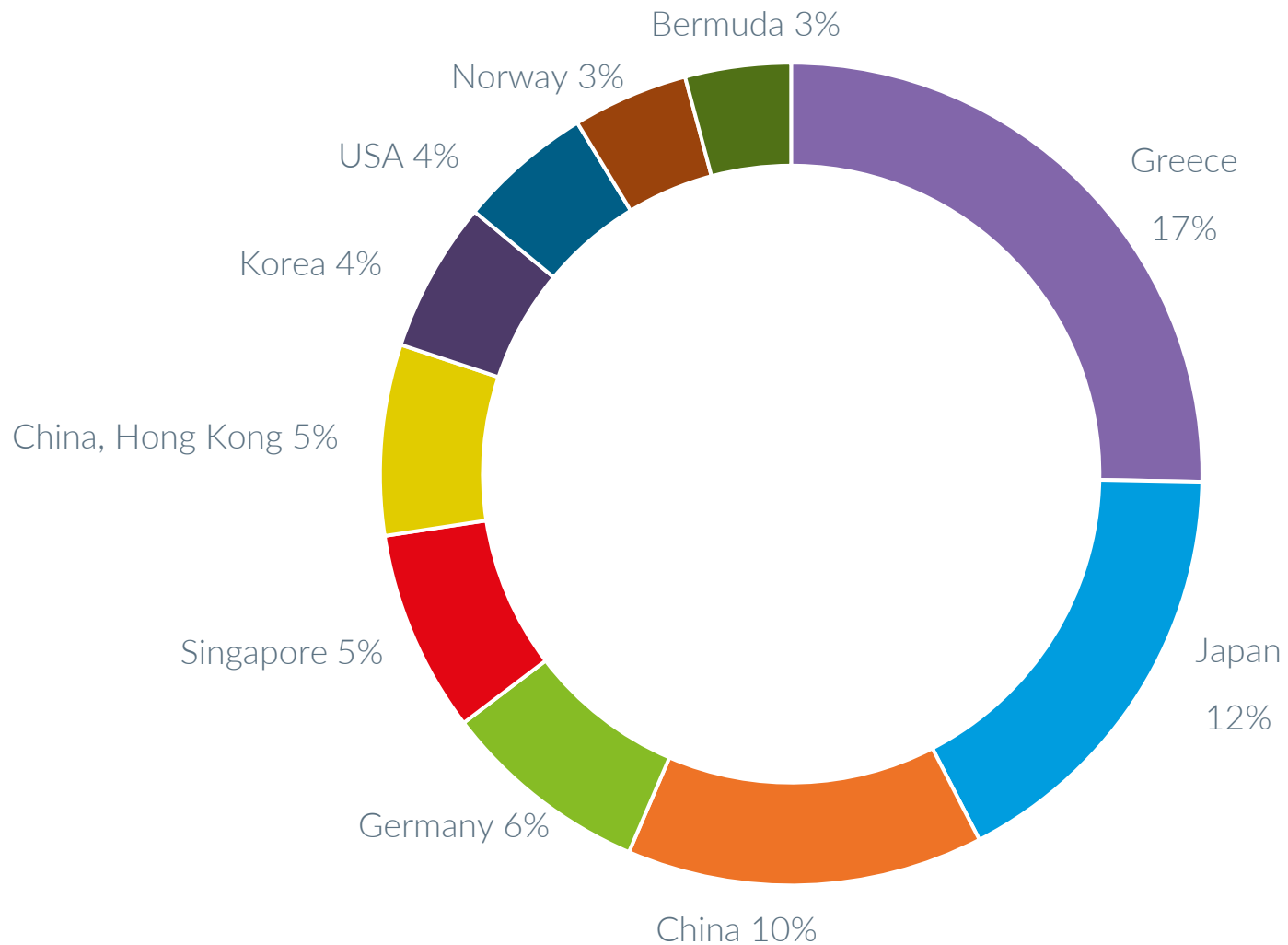


# History of P&I Associations





# World Tonnage



The International Group provides liability cover for over 1.4bn GT (over 90% of world's ocean going tonnage)

# The Pooling Agreement

Provides cover for liabilities in respect of...



Seamen, supernumeraries,  
passengers, 3rd parties



Stowaways and  
diversion expenses



Life salvage, and  
persons in distress



Wreck Removal



Contracts, Indemnities  
& Guarantees



Liabilities in  
respect to cargoes



Collision liabilities and non-  
contact damage to ships



Damage to property



Pollution



Fines



General average

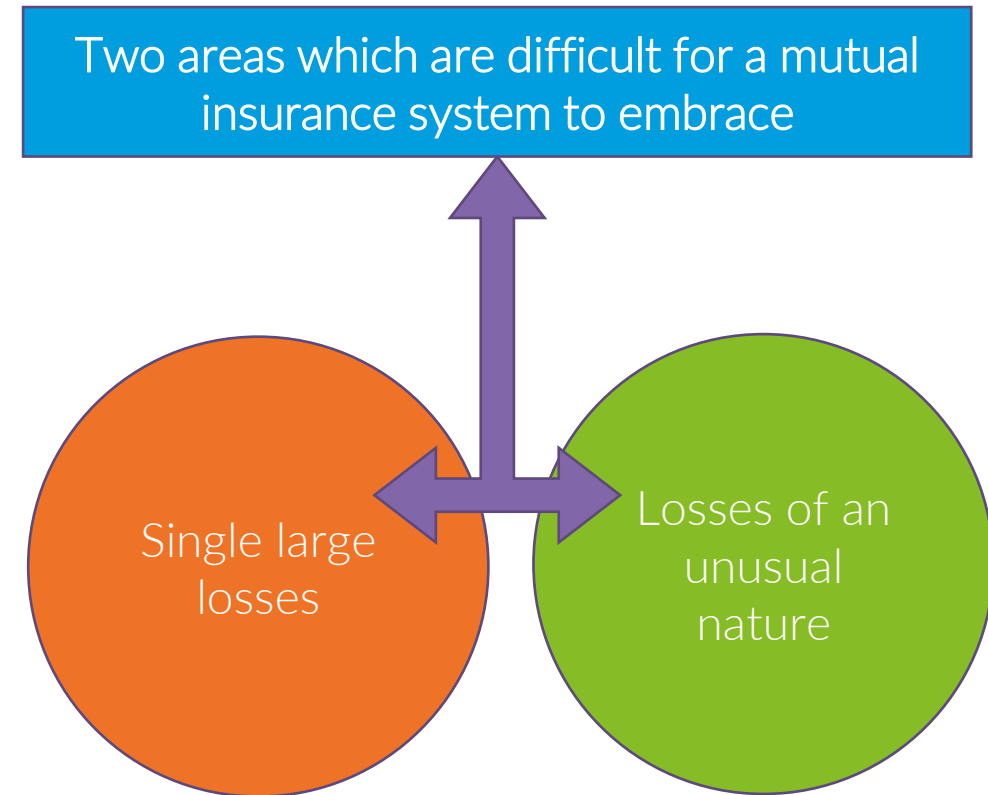


Legal costs, Sue  
and Labour

# International Group - Mutuality

Shipowners insure each other

- American Steamship
- Skuld
- Gard
- Britannia
- Japan Ship Owners'
- London Steam-ship Owners'
- NorthStandard
- The Shipowners' Mutual
- The Steamship Mutual**
- The Swedish Club
- UK Mutual Steam Ship
- The West of England





# How much reinsurance to buy

- Clubs retain claims up to the level that can be priced for with reasonable predictability
- Clubs Pool all claims xs USD10m aoa, then Clubs reinsure the Pool with their Captive (Hydra) xs USD30m
- Clubs collectively buy reinsurance excess of a level where claims become less predictable – currently xs USD100m aoa with AAD USD107.1m for 75% order.
- Sub-limits for Oil Pollution (USD1bn separate limit), Passenger Liabilities (USD2bn) and Systemic risks (malicious cyber, covid, pandemic, subject to aggregated limit excess USD750m)
- Reinsurance bought up to USD3.1bn limit any one vessel any one accident.
- Each vessel offered coverage up to circa USD9.5bn (calculation based on LLMC limitation of all vessels in the International Group)
- Realistic Disaster Scenarios assist in establishing reinsurance limit purchased

9.5Bn

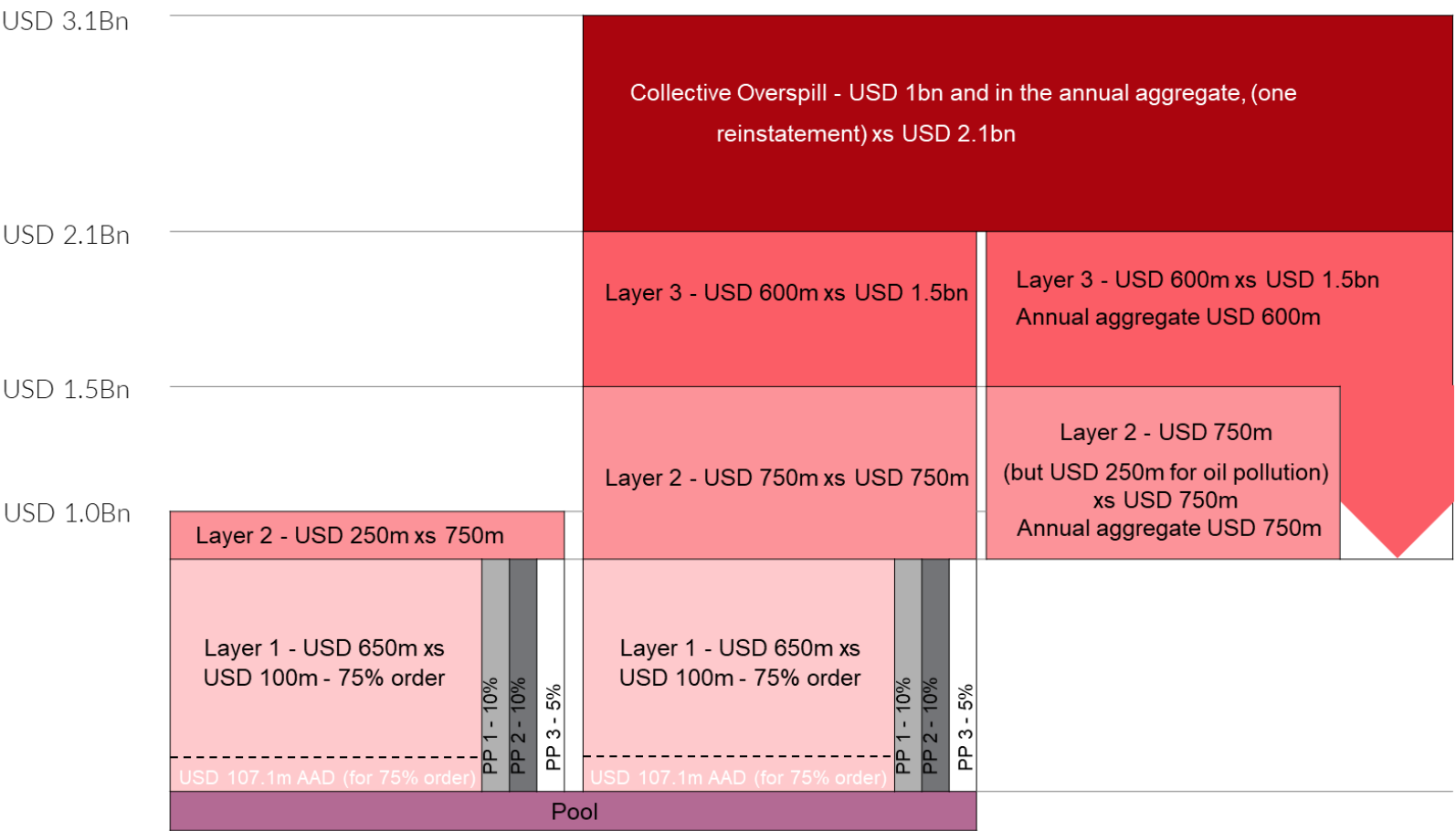
3.1Bn

1.0Bn

100m

10m

# Group Reinsurance Contract 2023



- General Excess of Loss Reinsurance Contract Structure
- 12 months at Noon GMT 20th February 2023
- Owned and Chartered entries
- USD 107m AAD applicable to all claims on the market share of the first layer
- Separate Oil Pollution limit for owners

**Oil pollution only**  
Layer 2 limited cover in respect of Malicious Cyber, COVID-19 and Pandemic

**P&I**  
Layers 2 & 3 limited cover in respect of Malicious Cyber, COVID-19 and Pandemic

Malicious cyber, COVID-19 and Pandemic only in respect of Layers 2 & 3 only

# How is it Placed?

## Buyer

The 12 Clubs discuss and agree reinsurance arrangements at the IG Reinsurance Committee (RIC)

## Seller

90 insurance organisations write various shares of four layers of programme, following terms set in negotiation with the leader

One leader, AXAXL, for first three layers

A second leader, Chubb Bermuda (formerly ACE) for the Collective Overspill

Managing reinsurer's varying appetites for taking a share of each layer is key to completing programme

Sept. 2022

RIC meeting instructions to begin negotiations



Nov. 2022

Finalise terms



Dec. 2022

RIC meeting – order to place Programme



Jan. 2023

Persuading 90 reinsurers to follow leaders' terms



Feb. 2023

Issuing electronic documentation



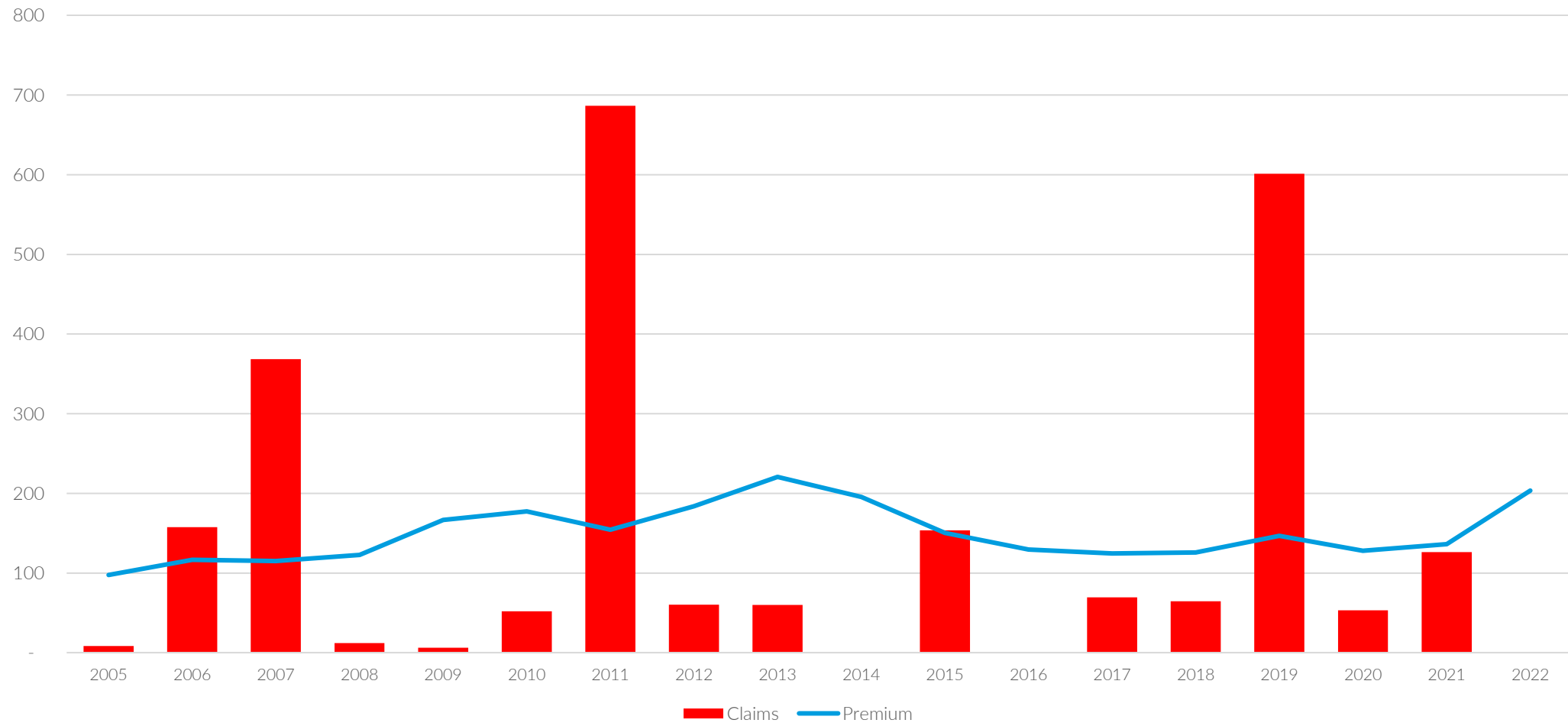
# Fundamental Features

Matching cover	No reinsurance exclusions
Following claims settlements	Reinsurers trust Clubs to handle claims
Free and unlimited reinstatements	Amount of reinsurance matches cover given to members
Uniformity of purchase	All Clubs buy the same, benefiting from economies of scale
Long term relationships	Trust in reciprocal long term commitment

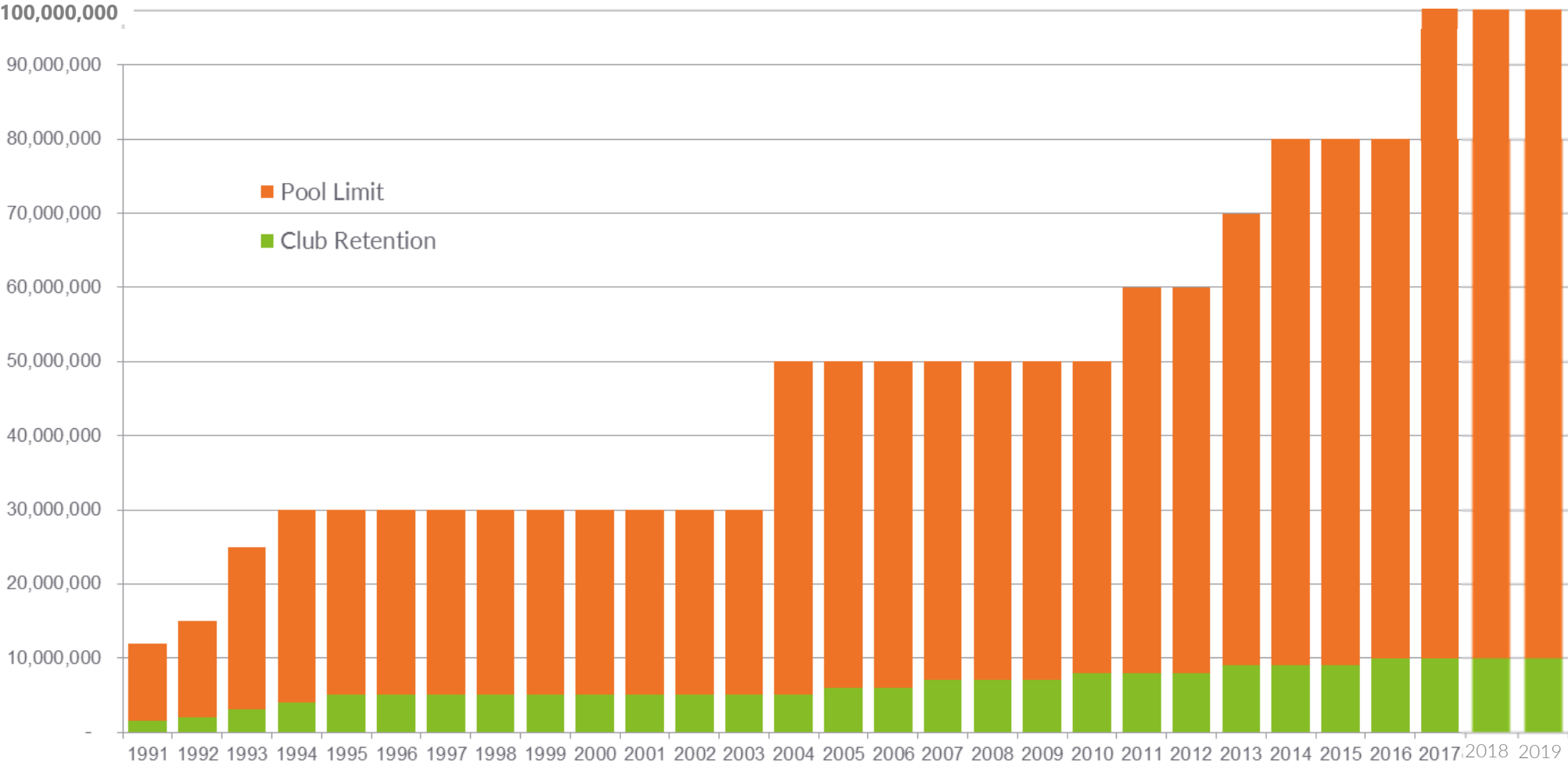
# Managing volatility

Reinsurance smooths IG results

IG Layer 1 – Premium and Incurred Claims  
March 2023 - commercial market order (not PPs)

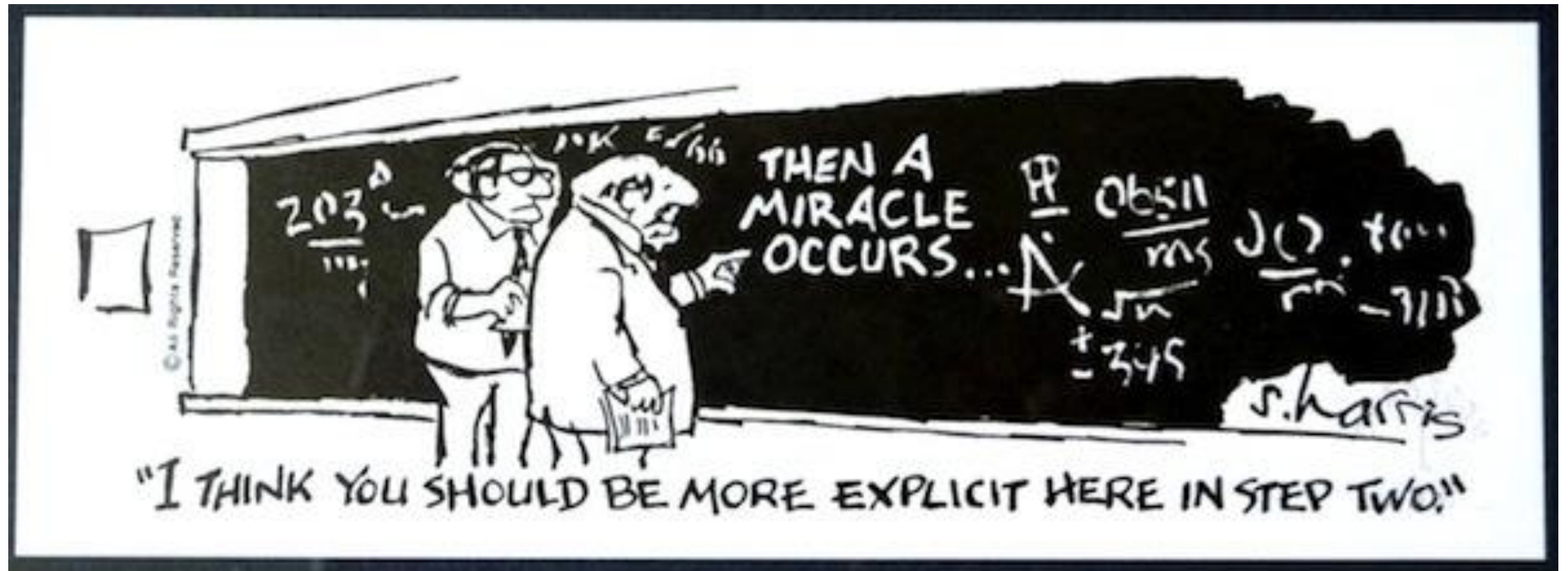


# Reinsurance – Club Retention and Pool Limit





How is the RI programme placed?



# Charterers limit

- Increased to USD 500m
- Co-Assured charterers (Category 4(D) of Appendix I)
- Consortium Claims (Appendix XII)

# Miller and the International Group Reinsurance

Miller has been placing reinsurance for the International Group of P&I Clubs since 1951 (when it was known as the London Group).

Limit: GBP 1,500,000  
excess of GBP 250,000

Miller has a dedicated team of 15 staff to handle the placements, administer the programme and manage claims.

**EXCESS LOSS RE-INSURANCE CONTRACT.**

**ARTICLE 1. LONDON GROUP OF PROTECTION & INDEMNITY ASSOCIATIONS.**

West of England S.S. Owners' Protection & Indemnity Assn. Ltd.  
London S.S. Owners' Mutual Insurance Assn. Ltd.  
Brisquella S.S. Insurance Assn. Ltd.  
Bundeland S.S. Protection & Indemnity Assn.  
Newcastle Protection & Indemnity Association.  
Standard S.S. Owners' Protection & Indemnity Assn. Ltd.  
United Kingdom Mutual S.S. Insurance Assn. Ltd.

Steamships & Motor Ships & Tugs & Larges & Vessels of all kinds.  
12 months @ issue, 20th June 1951.

PROTECTION AND INDEMNITY TERMS, R/T, or otherwise, as original.

This Contract is specially and only to pay claims in excess of £250,000- or the equivalent in foreign currency, each occurrence each vessel, or in the case of cargo claims each cargo voyage each vessel in accordance with Club Practice, falling upon the above Associations bound as the London Group under the Pooling Agreement dated 23rd May 1946 in respect of any vessel entered in any one or more of the Associations.

The Excess under this Policy shall be calculated upon the total sum, including all legal costs and other charges, which ultimately falls upon the Group under the Pooling Agreement.

The consent of Underwriters to be obtained prior to incurring legal costs, such consent not to be unreasonably withheld.

Claims to be paid to the Association for any one of the Associations if more than one) in which the vessel is entered.

Terms, conditions and warranties all as per Certificates or Certificates of Entry or policies, in operation at the time of the loss.

Reinsurer will claims in respect of FIXED PREMIUM Entries except of European Registered Tonnage and of Time Charterers (other than Time Charterers' entries underwritten by the Ocean or Lake Pools).

Limit of liability hereunder £1,500,000- each occurrence each vessel, or each cargo voyage each vessel as the case may be.

The premium paid hereunder is only provisional, being calculated at 1/100th per S.R.T. on estimated tonnage of 25,000,000 and subject to adjustment on expiry hereof as follows:

The respective ASSOCIATIONS, covering the GROUP undertake to declare to Underwriters the actual gross tonnage entered and underwritten each quarter viz: 1st Jan, 30th September, 1st Jan, 30th March, 1st Jan, 30th June and on expiry of this policy the said declarations will be added together and divided by four. Premium on the result thus obtained will be calculated at the rate of 1/100th per S.R.T.

Should this premium be less than the premium provisionally paid hereunder, the Underwriters undertake to return to the Assured the difference. Should it be more, then the Assured undertake to pay the difference to Underwriters.

**DEFINITIONS.**

The ASSOCIATIONS, members of the LONDON GROUP, have in force a Pooling Agreement, dated 23rd May 1946 under which the Excess of £250,000- of any claim upon any one of the Associations is borne by all the Associations, including the Association in which the vessel was entered, rateably according to the total tonnage entered in each Association respectively.

The GROUP desires to limit its liability for such Excess to £250,000- therefore, no claim upon any of the Associations will fall upon this policy unless it exceeds £250,000-.

The first £10,000- of such a claim falls upon the Association in which the vessel is entered, and the remaining £250,000- upon the Group.

Claims upon the Group in respect of any vessel registered in the U.S.A. are limited to £1,500,000- and if a claim is made upon the Group in respect of a vessel exceeding 25,000 S.R.T., the Excess is not taken into account in assessing the claim upon the Group.

A claim under the Pooling Agreement is calculated by each occurrence each vessel, except in the case of cargo claims when it is assessed "each cargo voyage" as set out in the Contract. It is pointed out that when a cargo claim is submitted under the Pooling Agreement all claims in respect of that or other cargoes carried during the voyage are included with the major claim. This is in accordance with Club Practice since the Deductible for SALES DAMAGES is applied per voyage and not per incident or event.

The Pooling Agreement referred to is, in effect, a mutual Re-Insurance, but it is not to be considered a double insurance with this Excess Contract.

Five of the Associations, the United Kingdom, Standard, West of England, London, and Bundeland, accept fixed premium entries, including Time Charterers entries of North and Central American Tonnage under pooling agreements between themselves, viz: the Ocean Pool and the Lake Pool; claims arising upon these entries are excluded from this Contract.

Handwritten notes and signatures are present on the right side of the document, including names like "Miller" and "Secretan", and various percentages and dates.







# Worldwide Placement of Risk

Accessing worldwide markets

Layer 1



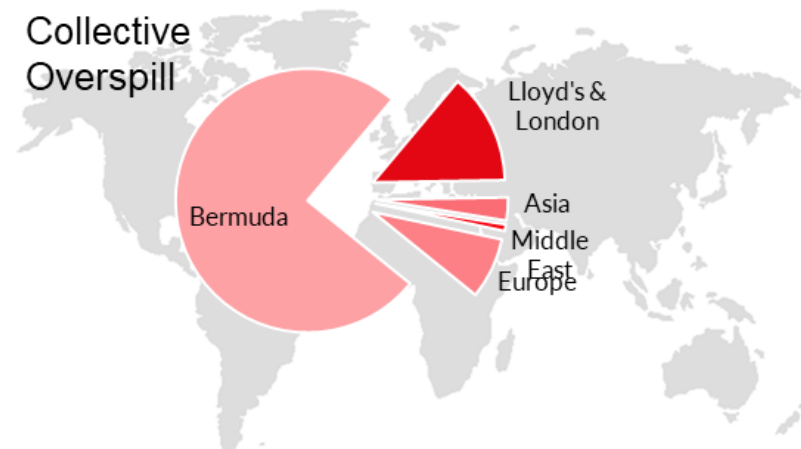
Layer 2



Layer 3



Collective  
Overspill







## 03 - Non-Poolable Marine Liabilities



# Non-Poolable Marine Liabilities





# Non-Poolable Marine Liabilities

- Non-Poolable' is a term used to describe risks that fall outside, or are excluded from, the International Group Pooling Agreement
  - Appendix IV & Appendix V
- Club Rules reflect the Pooling Agreement

# Non-Mutual Risks

## Risks more properly insured elsewhere

- » Hull & Machinery damage
- » Loss of Hire
- » Cargo insurance
- » War Risks

## Commercial Risks

- » Charter cancellation
- » Bad debts
- » Demurrage, detention and delay

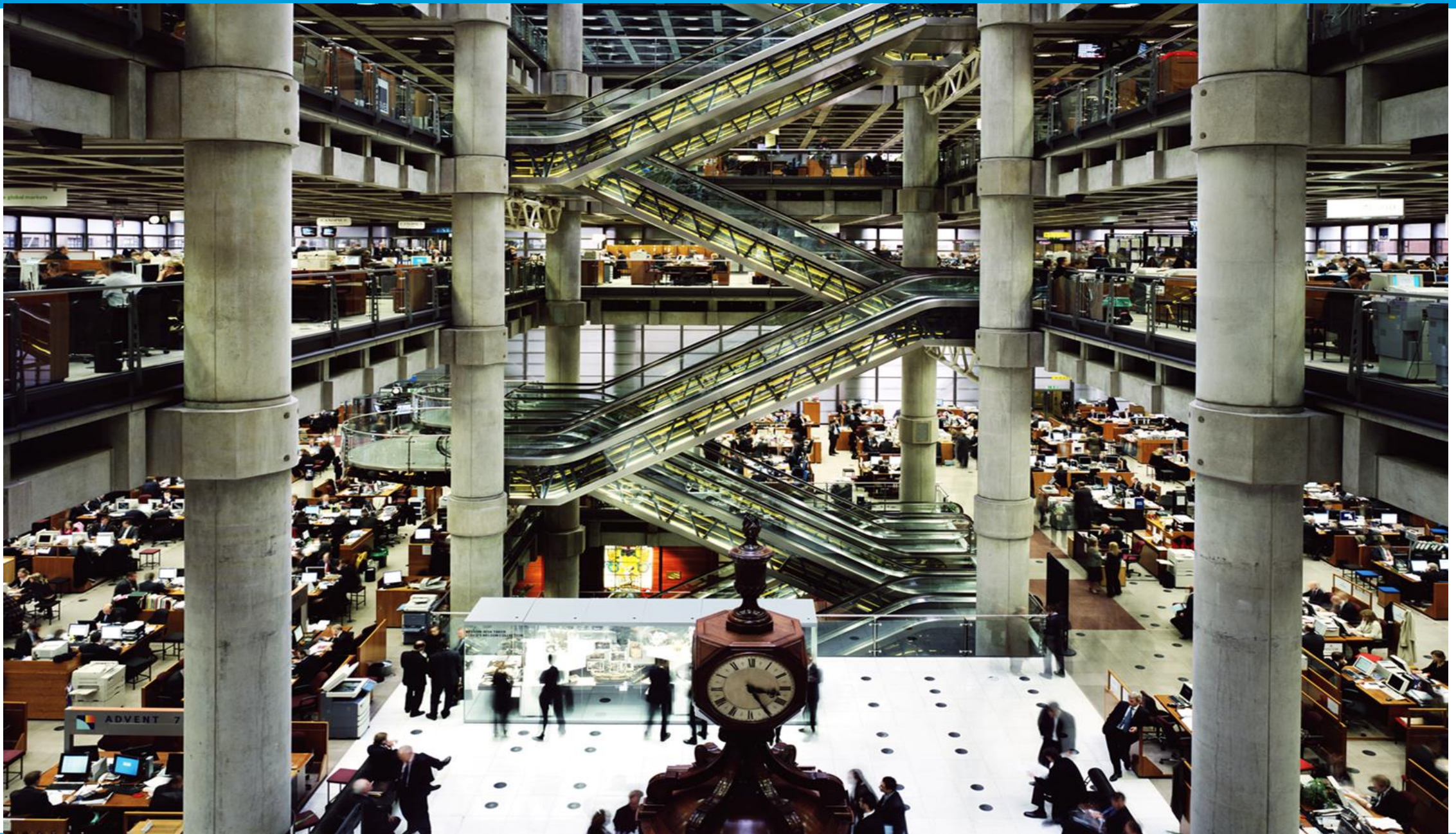
## Uninsurable Risks

- » Wilful misconduct
- » Breach of class and statutory compliance warranties
- » Under-insurance
- » Blockade Running
- » Nuclear Risks

## Non-Poolable Risks

- » Extended Liability to Cargo
- » Deviation
- » Transshipment
- » Ante/Post-dated Bills of Lading
- » Carriage on-deck
- » Specialist Operations
- » Dredging
- » Accommodation units
- » Cable Laying
- » Certain Contracts and Indemnities
- » Certain Towage Contracts
- » Certain Salvage Operations
- » Passengers off vessel
- » Non-marine personnel
- » Paperless trading
- » Drilling vessels
- » Charterers Liabilities







# Examples of Non-Poolable Risks

- Additional cargo covers
- Specialist operations
- Construction
- Professional diving
- Additional co-assureds
- Containers
- Offshore energy, drilling exploration
- Non-vessel owning or chartering entries

- Concessionaires
- Indemnities & contracts
- Contractors/licensees
- Passengers
- Agents
- Towage
- Heavy lift cargo
- Crew medical malpractice



# Club Non-Poolable Facility

## Benefits



# Non-Poolable Risks - examples

## Specialist Operations

- » During survey operation
- » Short period cover for USD 10m limit

## Towage – liability under TOWCON

- » Main engine failure with towage to port of discharge
- » Commercial decision
- » Including liability to cargo, wreck removal and pollution

## Line flushing operations

- » Liability under contract
- » Tanker charterers

## SOL to cargo

- » Clean bills of lading
- » Single/ multiple voyages

## Liability under LOI

- » Loading cargo outside IMDG temperature threshold
- » Charterer's liabilities (damage to vessel, Third Parties, cargo)

## CAR deductible buy back

- » Pipelay project
- » Damage to contract works
- » Can include pollution from contract works
- » Aggregate limit

# Non-Poolable Risks - examples

## Sale and Purchase

Maritime Lien for second hand vessels

- » Requires FD&D entry
- » Financial losses due to lien from debt or dispute prior to insured taking delivery
- » Writ searches required and known writs excluded

## Offshore/Specialist

CAR deductible buy back (inc. pollution)

- » Damage to contract works
- » Can include pollution from contract works
- » Aggregate limit

## Counterparty Risk

Charterers'/ Suppliers' Debts

- » Financial losses due to lien arising from the insolvency of the vessel's charterer and/ or supplier
- » E.g. cost of bunkers, port charges and any cost necessary for completion of voyage
- » Chartering arrangements and due diligence
- » Requires FD&D entry

## Crude tankers

Excess Oil Pollution

- » USD 500m excess of USD 1bn of IG coverage
- » Oil majors, "deep pockets", large vessels, tanker owners
- » Vessel or fleet basis
- » Voyage or annual cover

# Non-Poolable Risks - examples

## Cargo

### Extended liability to cargo

- » Limits beyond Hague/Visby or surrender of defences

### Delay clauses in cargo contracts

- » Coverage for contractual liability for delay

## Charterparty

### Charterers oil pollution

- » Charter Party requires asks owner to pay in event charterer is liable for oil pollution

## Terminal

### Conditions of Use

- » In order to use terminal, owner must indemnify and hold harmless the terminal against loss or damage

## Operations error

### Lapse of class

- » Short period buy-back of full P&I

## Towage

### Liability to / from tow

- » Able to cover liability to tow (including wreck removal of the tow) or arising from the tow



# Your key Miller contacts



Phil Wheeler  
Head of Marine



Peter Dixon  
Marine Liability  
Practice Leader



Andrew Challacombe  
Marine Chairman



Mark Zammit  
Account Executive



Ellie Maconachy  
Account Executive



Stuart Normand  
Head of  
Marine claims



Victoria Baldock  
Account Executive



Ben Crawley  
Account Executive



Sasha Stewart  
Account Handler



Fiona McPartland  
Actuarial Lead



Pene Reuben  
Account Executive



Katie Rix  
Claims specialist

# Thank you

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