

12 November 2019

## TO ALL MEMBERS

Dear Sir or Madam

### **Class 5 (P&I) and Class 8 (FD&D) Open Policy Years & 2020/2021 Policy Year – Calls**

The Board has reviewed the position in respect of open Policy Years as well as Call requirements for the 2020/2021 Policy Year and reached the following decisions:

#### **Class 5 (P&I)**

##### **Open Policy Years**

**2016/2017:** The year shall be closed without further Call.

**2017/2018:** The three instalments of the Annual Call have been debited. No further Call is anticipated. The year will be considered for closure by the Board in October 2020, in the usual way.

**2018/2019:** The three instalments of the Annual Call have been debited. No further Call is anticipated.

**2019/2020:** Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2019, as previously advised.

#### **2020/2021 Policy Year – Calls**

The Board has set a general increase in rates of 7.5%. Particular attention will also be given to the rating of those Members whose records and risk exposure are such as to require an additional uplift in order to contribute an equitable level of Call income to the operation of the Club. As part of the renewal process, individual Member deductible levels will also be reviewed.

In reaching its decision, the Board considered a range of factors. The Club is in secure financial shape and has seen further growth in its membership and revenues, as well as strong investment performance during H1 of the current policy year. But it is also the case

that premiums across the P&I market have been subject to considerable and persistent downward pressure in recent years and signs of a more challenging claims outlook underline that we have reached a point at which the trend needs to reverse.

Any adjustment to the cost of the Club's share of the International Group's excess loss reinsurance programme, which has not yet been determined, will also be applied. The Release Call rate is set at 15% of the Annual Call.

The Managers will be in further contact with Members and Brokers with regard to the 2020/2021 renewal, in due course.

## **Class 8 (FD&D)**

### **Open Policy Years**

**2016/2017:** The year shall be closed without further Call.

**2017/2018:** The three instalments of the Annual Call have been debited. No further Call is anticipated. The year will be considered for closure by the Board in October 2020, in the usual way.

**2018/2019:** The three instalments of the Annual Call have been debited. No further Call is anticipated.

**2019/2020:** Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2019, as previously advised.

### **2020/2021 Policy Year - Calls**

The H1 claims experience in the current policy year was in line with recent prior policy year comparators. It is, however, important to remember that the long-tail nature of FD&D risks means that developments at this stage provide limited guidance; while an increase in claims activity may be expected following the imminent implementation of the IMO 2020 regulations. FD&D premiums have also trended downward in recent years and, in the circumstances, the Board set a general increase in rates of 7.5%.

### **Release Calls - Class 5 and Class 8**

The Release Call rates in respect of remaining open years were also reviewed by the Board and are set out at the foot of this Circular.

### **Payment Arrangements**

Annual Calls will again be charged in three instalments which will come due on 31 March 2020; 31 July 2020; and 30 November 2020.

Payments should be made electronically using the banking details set out in the Club's debit note; and to assist the prompt allocation of payments, Members and brokers are urged to quote Fleet References and debit note numbers for all items being settled, each time funds are remitted. E-mails should be sent to **creditcontrol@londonpandi.com**.

**Release Call Rates currently applying**

	<b>Class 5</b>	<b>Class 8</b>
<b>2017/2018</b>	5.0% of the Annual Call	5.0% of the Annual Call
<b>2018/2019</b>	12.5% of the Annual Call	12.5% of the Annual Call
<b>2019/2020</b>	15.0% of the Annual Call	15.0% of the Annual Call

A Release Call rate is normally formed of the sum of the estimated Supplementary Call (which under the Club's current calling structure is usually nil) and a margin determined from time to time by the Board, expressed as a percentage of the Annual Call. The current margins in respect of the years listed above are identical to the Release Call rates. In setting margins at these levels the factors taken into account by the Board during its recent review included each of the risk categories listed below, individually and in the aggregate.

Risk categories:

1. Premium risk;
2. Reserve risk;
3. Catastrophe risk;
4. Market risk;
5. Counterparty default risk; and
6. Operational risk.

Yours faithfully  
A BILBROUGH & CO LTD  
(MANAGERS)