



THE LONDON
STEAM-SHIP OWNERS'
MUTUAL INSURANCE ASSOCIATION LIMITED

All correspondence should be addressed to the Managers

A. Bilbrough & Co. Ltd

50 Lemn Street

London E1 8HQ

Telephone: 020 7772 8000

Facsimile: 020 7772 8200

Telex: 886394 & 884833

E-mail: comms@a-bilbrough.co.uk

www.lssso.com

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TO ALL MEMBERS

Dear Sirs

CALLS – CLASS 5 – PROTECTING & INDEMNITY

The Committee has recently reviewed the position in respect of open years and reached the following decisions:

1999/2000: The year should be closed without further Call and the surplus transferred to the Closed Year fund.

2000/01: No further Calls are anticipated and the Release Call rate should remain at 20%.

2001/02: No further Calls are anticipated and the Release Call rate should remain at 20%.

2002/03: The Supplementary Call rate should remain, as originally estimated, at 40%, with the Release Call rate remaining at 60%.

The Committee also reached the following decision in respect of the forthcoming 2003/04 policy year:

The almost unprecedented failure of investment markets to produce the budgeted returns for three years means that a substantial upward correction of premium levels has been required. Considerable progress has already been made, but in the context of continuing investment market uncertainty, more needs to be done in order to reduce the risk of further erosion of reserves.

The Committee has therefore authorised a general increase in the Advance Call of 25% for the 2003/04 Policy Year. The estimated Supplementary Call rate has been set at 40%, with the Release Call rate at 60%. Any increase in the cost of the Association's share of the Group's excess loss reinsurance programme, which has not yet been determined, will also apply. Advance and Supplementary Calls will continue being levied in instalments on the same basis as applies in the current year.

In reaching this decision once again to raise premiums, the Committee has taken account of how unwelcome this news will be; but it remains firmly of the view that the Members' interests are best served by ensuring that the Association's financial position remains sound.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)