



THE LONDON
STEAM-SHIP OWNERS'
MUTUAL INSURANCE ASSOCIATION LIMITED

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TO ALL MEMBERS

Dear Sirs

CALLS - CLASS 5 - PROTECTING AND INDEMNITY

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

- 2001/2002:** The year should be closed without further call and the surplus transferred to the Closed Year Fund.
- 2002/2003:** The Release Call rate should remain at 20%.
- 2003/2004:** The Release Call rate should remain at 20%.
- 2004/2005:** The Deferred Call rate should remain, as originally estimated, at 40% with the Release Call uplift remaining at a further 20% as for all recent years.

The Committee also reached a decision in respect of premium requirements for the forthcoming **2005/2006** Policy Year and did so against the following background:

1. The investment return in the current year so far is only modest and the Committee considers it unwise necessarily to expect a substantial return in the year ahead.
2. Claims are currently within budget, but those being incurred at the lower levels are showing signs of increasing and that may well be a signal that the Association cannot expect to remain immune from the freight rate related upward trend reported elsewhere in the industry.
3. Although the Association currently meets its Regulator's capital requirements with a considerable margin to spare, the Committee is mindful of the further need for that margin to be sufficient to maintain Calls within budget whenever adverse operating conditions are encountered.

The Committee has therefore authorised a general increase in the Advance Call of 12½% for the 2005/06 Policy Year. Although recognising that Members will be disappointed at the need for a further substantial increase, the Committee is encouraged by the fact that it has been possible consistently to reduce the level of increases that have been required since operating conditions in the P&I industry became so much more difficult at the turn of the Century.

The estimated Deferred Call rate for 2005/06 has been set at 40% with the Release Call uplift being a further 20%, as for all recent years. Any adjustment to the cost of the Association's share of the Group's excess loss reinsurance programme, which has not yet been determined, will be applied.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)