



# THE LONDON

STEAM-SHIP OWNERS'  
MUTUAL INSURANCE ASSOCIATION LIMITED

All correspondence should be addressed to the Managers

**A. BILBROUGH & CO. LTD**  
50 Leman Street London E1 8HQ  
Telephone: 020 7772 8000  
Facsimile: 020 7772 8200  
E-mail: london@a-bilbrough.com  
[www.lssso.com](http://www.lssso.com)

23 November 2007

## TO ALL MEMBERS

Dear Sirs

### CALLS - CLASS 5 - PROTECTING & INDEMNITY

The Committee has recently reviewed the position in respect of open Policy Years and reached decisions in respect of Advance, Deferred, Additional and Release Calls as follows:

- 2004/2005:** The year shall be closed without further call.
- 2005/2006:** The Deferred Call having been levied, no Additional Call is anticipated. The year will first be considered for closure by the Committee in October 2008.
- 2006/2007:** The Deferred Call having been levied, at 40% of the Advance Call as originally estimated, no Additional Call is anticipated. The Release Call rate has been reduced to 20% of the Advance Call.
- 2007/2008:** The estimated Deferred Call rate shall remain, as originally estimated, at 40% of the Advance Call.

Release Call rates for all open years other than 2006/2007 remain unchanged.

The Committee also reached a decision in respect of call requirements for the forthcoming **2008/2009** Policy Year and did so against the following background:

In contrast to the 2005/2006 Policy Year in which claims arising from the Association's own Membership were lower than anticipated, a higher than budgeted incidence of large claims in the 2006/2007 Policy Year brought about a 30% rise in the overall cost of such claims net of associated Pool and Group reinsurance recoveries. Whilst the Committee was encouraged to note that the number of large claims incurred by the Association to date in the current year had returned to expected levels, there remains overwhelming evidence from across the industry that both the frequency and severity of large P&I claims are on the increase. Nowhere is this more evident than in relation to the rapidly increasing overall cost of claims impacting upon the International Group Pool. For the 2006/2007 year Pool claims are currently projected to set a new record high by a significant margin – at a cost to this Association of more than double the average of its contributions to other Clubs' Pool claims in recent years – and after six months of development the 2007/2008 Pool shows some signs of exceeding this prior year record.

In addition to these adverse claims trends it appears highly unlikely at present that the exceptional investment returns achieved in 2006/2007 will be replicated in the current year, and indeed in the prevailing investment climate even the Association's cautious budgeted figure might not prove attainable.

Against that background the Committee has authorised a general increase in Advance Calls of 17.5% for the 2008/2009 Policy Year, before adjustments in respect of individual records. 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 also be applied.

The estimated Deferred Call for 2008/2009 has been set at 40% of the Advance Call. The Release Call rate is set at the Deferred Call rate plus 20% of the Advance Call rate.

Yours faithfully  
A BILBROUGH & CO LTD  
(MANAGERS)