

19 November 2009

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:

2006/2007: The year shall be closed without further Call.

2007/2008: The Deferred and Additional Calls have been levied as previously advised and no further Call is anticipated. The year will be considered for closure by the Committee in October 2010, in accordance with the usual procedure.

2008/2009: The Deferred and Additional Calls have been levied as previously advised, the latter being due for payment on or before 20 December 2009. No further Call is anticipated. The Release Call has been reduced to 20% of the Advance Call.

2009/2010: 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 2008/2009 remain unchanged.

The Committee also reached a decision in respect of call requirements for the forthcoming **2010/2011** Policy Year and did so against the following background:

Members will be aware from the 2009 Annual Report of the Association's strengthened position as a result of the steps taken to increase rating levels and to increase capitalisation by means of the charging of Additional Calls.

However, the P&I industry continues to face challenges on various fronts. In regard to the claims environment, it is too early to assess the impact of the economic downturn. Members' remain exposed to random, substantial claims (and the International Group's Pool has received notifications of claims at a level in excess of that seen at the same point in 2008). Further, even though there have been signs of moderation to the aggregate cost of the Association's high frequency attritional claims during the 2009/2010 year to date, the longer term trend towards increases in liabilities seems likely to persist. At the same time, investment conditions remain uncertain and even though the Association's portfolio has produced a positive year to date performance, a cautious approach in this area is an important part of planning as the Association moves forward.

The Committee recognises the importance of consolidating the improvements in the Association's position. Against this background, it has authorised a general increase in 2009/2010 Estimated Total Cost (each Assured's Advance plus Deferred Call) of 5%, to form Annual Calls for the 2010/2011 Policy Year, before adjustments in respect of individual records. Any adjustment to the cost of the Association's share of the International Group's excess loss reinsurance programme, which has not yet been determined, will also be applied. This change in Call structure and terminology was explained in the Association's Circular 5:395, dated 19 October 2009 (see below).

The Release Call rate is set at 15% of the Annual Call.

The Committee also considered the question of Member deductibles and determined that there should be a US\$1,000 increase to all deductibles currently below US\$15,000. The Committee will continue to keep this issue under review.

Calling Structure

As noted above, changes have been made to the calling arrangements for Class 5 (P&I) with effect from the 2010/2011 Policy Year. The Deferred Call will be consolidated into the Advance Call and the combination will be known as the Annual Call. The Annual Call will be charged in instalments and the Committee has determined that they will come due at the end of the following months during 2010 and in the following proportions:

March	–	30%
July	–	30%
December	–	40%

Payment Instructions

To assist in tracing and accurately allocating all payments received, Members and brokers are requested to quote debit/credit note numbers and vessel names for all items being settled each time funds are remitted to the Association. E-mails should be sent to creditcontrol@londonpandi.com. The Managers can provide an Excel template for this analysis on request.

It is recommended that payments are made electronically using the correct IBAN, as well as the name, address and SWIFT address of the Association's bank as quoted below:

IBAN: GB73 BARC 2000 0068 1263 22

Name: Barclays Bank PLC

Address: 1 Churchill Place
London
E14 5HP
United Kingdom

SWIFT Address: BARCGB22

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)