



# THE LONDON

STEAM-SHIP OWNERS'  
MUTUAL INSURANCE ASSOCIATION LIMITED

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## TO ALL MEMBERS

Dear Sirs

### **CALLS - CLASS 8 - FREIGHT, DEMURRAGE & DEFENCE**

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

**2005/2006:** The year will be closed without further call.

#### **More Recent Years and the Future**

Members will be aware from the Association's 2008 Annual Report that it has been experiencing substantially higher levels of claims in recent years and, since the middle of 2007, the negative impact of the "credit crunch" on its investments. As a consequence, free reserves had fallen by the end of the year.

As the current year has developed, it has become obvious that investment out-performance cannot be expected to lead to free reserves being brought back up to a more satisfactory level in the foreseeable future. Indeed, at the time that the Committee met recently, the investment environment had worsened, with no prospect of an early respite. Nor is there any sufficiently strong sign that the high level of claims experienced in recent years will moderate, again to help improve the level of reserves, despite the fall in the value of Sterling (the currency in which the majority of the cost of claims is incurred) relative to the dollar. On the contrary, circumstances in the freight and sale & purchase markets suggest that claims must be expected to go on increasing. Finally, although the Class is not subject to Government regulation in isolation, it must play its part in ensuring that the Association's overall reserves reach a level comfortably in excess of forthcoming new statutory requirements.

Accordingly, the Committee has decided that firm and decisive action needs to be taken to restore free reserves to a higher level. This has led the Committee to the conclusion, with great regret, that Additional Calls must now be levied and that an increase in Advance Calls going forward is required as set out overleaf. This conclusion has not been reached lightly and the Committee recognises how unwelcome the decisions will be to Members. However, it feels that in the current environment, it would be wise to take early and substantial action so as to reduce as much as is reasonable the risk of having to take further action as events unfold. The Committee has therefore decided as follows:

**2006/2007:** An Additional Call has been set, and will be payable in accordance with Rule 31.4, at 35% of the Estimated Total Cost (the ETC) for the year. This Additional Call will be payable on 20 December 2008. The year will be considered for closure by the Committee in October 2009, in accordance with the usual procedure.

**2007/2008:** An Additional Call has been set, and will be payable in accordance with Rule 31.4, at 35% of the ETC. This Additional Call will be payable on 20 May 2009. The Deferred Call previously set by the Committee remains due on 20 October 2008 i.e. in a few days time.

**2008/2009:** The Deferred Call of 30% of the Advance Call shall be paid in accordance with Rule 31.3 and it will become payable on 20 October 2009. Further, an Additional Call has been set, and will be payable in accordance with Rule 31.4, at 25% of the ETC. This Additional Call will be payable on 20 December 2009.

The Committee has also set rates for Release Calls for each of the open years in accordance with Rule 35.2. These rates are the equivalent, in respect of each open Policy Year, of Deferred and Additional Calls which have been set by the Committee, but not yet become due, plus the same 20% "release call uplift" that has applied for many years.

The Committee also reached a decision in respect of call requirements for the forthcoming **2009/2010** Policy Year and against the background of the likely continuing high level of claims and the extremely uncertain investment environment, determined, in accordance with Rule 32.1, a General Increase in Advance Calls of 7.5%, before adjustments in respect of individual records. The estimated Deferred Call for 2009/2010 is also increased to 40% of the Advance Call, which will bring it in line with the P&I calling structure.

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)