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TO ALL MEMBERS

Dear Sirs

THE LONDON P&I CLUB – 2011/12 FINANCIAL YEAR

The London P&I Club's Annual Report will be published as usual, in July. In the meantime, this Circular is to provide Members with an advance summary of the Club's results for the 2011/12 financial year.

Financial Position

The result across all Classes was close to break even, with expenditure exceeding income by US\$0.4m. The free reserve stands at US\$144.7m.

Claims

Claims experience in the 2011/12 financial year was, overall, encouraging. Retained claims in excess of US\$1m ran at more normal levels after the unusually high frequency of expensive claims reported 12 months ago, whilst the average severity of claims within this band was favourable with no claims expected to exceed the US\$8m Pool attachment point. Another positive in the financial year was the favourable development of claims in older policy years, a common feature which reflects the Club's policy of setting cautious technical provisions for each expiring policy year. The Club did, however, experience an increase in the aggregate cost of claims at the attritional level and, in particular, in the band between US\$100,000 and US\$1m. At the same time, there was an increase in the average severity of other Clubs' claims on the Pooling system, the aggregate cost of which reached a much higher level than in recent years. Further information on the claims outturn will be contained in the Annual Report, in the usual way.

Investments

In the year to 20 February 2012, the Club recorded a return on invested assets and cash of approximately US\$16.7m or 4.9%. This reflected strong performance by the investment grade fixed income holdings which formed a core part of the portfolio throughout and remain so.

Membership

Following the 20 February 2011 renewal, there was steady growth during the remainder of the year through entries from existing and new Owner as well as Charterer Members, drawn from different parts of the world including China, Cyprus, Greece, Korea and Turkey. The total membership has increased to 45.5m gt.

Yours faithfully

A BILBROUGH & CO LTD

(MANAGERS)

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THE LONDON STEAM-SHIP OWNERS' MUTUAL INSURANCE ASSOCIATION LIMITED

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