

2 November 2012

TO ALL MEMBERS

Dear Sirs

Class 5 (P&I) and Class 8 (FD&D) Open Policy Years

2013/2014 Policy Year - Calls

The Committee has recently reviewed the position in respect of open Policy Years as well as Call requirements for the forthcoming 2013/2014 Policy Year and reached the following decisions:

Class 5 (P&I)

2009/2010: The year shall be closed without further Call.

2010/2011: The three instalments of the Annual Call have been debited. No further Call is anticipated. The year will be considered for closure by the Committee in October 2013, in the usual way. The Release Call rate remains 15% of the Annual Call.

2011/2012: The three instalments of the Annual Call have been debited. No further Call is anticipated. The Release Call rate remains 15% of the Annual Call.

2012/2013: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2012, as previously advised. The Release Call rate remains 15% of the Annual Call.

The Committee also reached a decision in respect of Call requirements for the forthcoming **2013/2014** Policy Year and did so against the background of the following indications of development in the current year as well as the more general conditions and trends prevailing within the industry:

With regard to the Association's retained claims, there are encouraging signs in the attritional layer (up to US\$100,000), where they are running at a lower level than in recent years. This is not, however, an indication of claims moderation generally, since increased deductibles will be playing a part. Claims in the band US\$100,000-US\$1m are developing in line with expectations. Claims in the highest band (in excess of US\$1.0m), are running at a moderate level, although this band is volatile and has been very expensive in other recent policy years. Members will appreciate the uncertainties connected with, in particular, high severity, random claims and that there is scope for the picture to change significantly before the year end.

The other component of the Association's claims costs involves the Pooling system. Even by the standards of recent years, over the course of which there has been a marked increase in the cost of claims on the International Group Pool, the current picture is extremely unfavourable, both in terms of claims frequency and average claims severity.

Regrettably it cannot be assumed that the recent more moderate retained claims experience signals any lessening of the longer term upward trend in P&I liabilities, highlighted by the substantially worsening experience up to 2011 and by reports from amongst the wider industry more recently, of which the deteriorating Pool statistics would seem to be an indication.

In regard to investments (where fixed income holdings remain the dominant asset class in the Association's portfolio), the year to date return stood at 4.05% at 20 August. A cautious approach to planning for the part to be played by investment contributions continues to be required in the current uncertain and low growth environment.

The Association has a robust balance sheet and financial strength. The Committee is determined to safeguard that strength by moving towards more balanced underwriting performance; whilst recognising the depressed market conditions being encountered by Members in many shipping sectors. Against this backdrop, as well as the developments referred to above, the Committee has authorised a general increase in Annual Call rates for the 2013/2014 Policy Year of 12.5%. The Committee has also emphasised that attention should be paid to the adjustment of rating and deductible levels for individual Members, where their record and/or exposure to risk requires it.

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

Class 8 (FD&D)

2009/2010: The year shall be closed without further Call.

2010/2011: The three instalments of the Annual Call have been debited. No further Call is anticipated. The year will be considered for closure by the Committee in October 2013, in the usual way. The Release Call rate remains 15% of the Annual Call.

2011/2012: The three instalments of the Annual Call have been debited. No further Call is anticipated. The Release Call rate remains 15% of the Annual Call.

2012/2013: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2012, as previously advised. The Release Call rate remains 15% of the Annual Call.

The Committee also reached a decision in respect of Call requirements for the forthcoming **2013/2014** Policy Year. Although there were some encouraging signs of claims moderation in the 2010/2011 Policy Year, there was increased activity in the 2011/2012 Policy Year and there is no indication that claims will ameliorate in the current Policy Year. As noted above, the investment outlook is uncertain. Against this background, the Committee has authorised a general increase in Annual Call rates for the 2013/2014 Policy Year of 12.5%.

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

Payment Instructions

To assist in tracing and accurately allocating all payments received, Members and brokers are requested to quote debit/credit note numbers and ship 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, on request, an Excel template for the purpose of explaining remittances that have been made.

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)

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