



The London P&I Club

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4 November 2013

TO ALL MEMBERS

Dear Sirs

Class 5 (P&I) and Class 8 (FD&D) Open Policy Years 2014/2015 Policy Year - Calls

The Committee has recently reviewed the position in respect of open Policy Years as well as Call requirements for the forthcoming 2014/2015 Policy Year and reached the following decisions:

Class 5 (P&I)

2010/2011: The year shall be closed without further Call.

2011/2012: 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 2014, in the usual way.

2012/2013: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2013/2014: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2013, as previously advised.

With regard to Call requirements for the **2014/2015** Policy Year, the Committee is determined to maintain the Association's financial strength and stability and to continue to move towards more balanced technical underwriting performance. The Association's retained claims experience has shown some encouraging signs in recent years although, in the current Policy Year, there is evidence of increasing average claims cost within the attritional layer (up to US\$100,000), which tends to suggest an upward trend more generally. Although volatility tends to mask trends in the higher bands, claims in the layer US\$100,000 – US\$1m are broadly developing in line with expectations, while there has been more activity in the highest band, excess of US\$1m than at the same point in development of the favourable 2012/13 year; although such claims are running at more moderate levels than seen during some other recent Policy Years.

The other element in the Association's claims cost involves the International Group's Pooling system where, even though the Association's share of claims reported at the half year stage was lower than at the very expensive prior year comparative, the cost of the Pool remains high by historical standards.

In regard to investments, the Association's year to date return stood at 1.45% at 20 August. A cautious approach to planning for the part to be played by investment contributions continues to be required in the current environment.

Against such a background, the Committee has authorised a general increase in Annual Call rates for the 2014/2015 Policy Year of 10%; and has emphasised that attention should be paid to the adjustment of rating 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.

The Committee also gave further consideration to deductible levels against the background referred to above and determined that there should be a US\$2,000 increase applied to all deductibles currently below US\$15,000.

Class 8 (FD&D)

2010/2011: The year shall be closed without further Call.

2011/2012: 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 2014, in the usual way. The Release Call rate remains 15% of the Annual Call.

2012/2013: 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.

2013/2014: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2013, 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 **2014/2015** Policy Year. There was an increase in claims in the 2012/2013 Policy Year and although this has subdued since year end, activity has again increased in the current Policy Year. Against this background, the Committee has authorised a general increase in Annual Call rates for the 2014/2015 Policy Year of 10%. The Release Call rate is set at 15% of the Annual Call.

Release Calls Class 5 and Class 8

The Release Call rates in respect of remaining open years are unchanged and are repeated at the foot of this circular.

Payment Instructions

Annual Calls will again be charged in three instalments which will come due on 31 March 2014; 31 July 2014; and 30 November 2014.

To assist the Association in tracing and 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**. It is recommended that payments are made electronically using the details below:

Beneficiary / Account Name: The London Steam-Ship Owners' Mutual Insurance Association Limited

Account Number: 6812622

Sort Code: 20-00-00

IBAN: GB73 BARC 2000 0068 1263 22

SWIFT: BARCGB22

Bankers:

Barclays Bank PLC

1 Churchill Place

London E14 5HP

United Kingdom

Release Call Rates Currently in Force

	Class 5	Class 8
2011/2012	15% of the Annual Call	15% of the Annual Call
2012/2013	15% of the Annual Call	15% of the Annual Call
2013/2014	15% of the Annual Call	15% of the Annual Call

A Release Call rate is normally formed of the sum of the estimated Supplementary Call (which under the Association's current calling structure is usually nil) and a margin determined from time to time by the Committee, expressed as a percentage of the Annual Call. The current margins in respect of the years listed above are identical to the Release Call rates. In setting margins at these levels the factors taken into account by the Committee during its recent review included each of the risk categories listed below, individually and in the aggregate.

Risk categories:

1. Premium risk;
2. Reserve risk;
3. Catastrophe risk;
4. Market risk;
5. Counterparty default risk; and
6. Operational risk.

Yours faithfully
A BILBROUGH & CO LTD
(MANAGERS)