



The London P&I Club

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24 November 2014

TO ALL MEMBERS

Dear Sirs

Class 5 (P&I) and Class 8 (FD&D) Open Policy Years & 2015/2016 Policy Year - Calls

The Committee has reviewed the position in respect of open Policy Years as well as Call requirements for the forthcoming 2015/2016 Policy Year and reached the following decisions:

Class 5 (P&I)

2011/2012: The year shall be closed without further Call.

2012/2013: 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 2015, in the usual way.

2013/2014: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2014/2015: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2014, as previously advised.

With regard to requirements for the **2015/2016** Policy Year, the Association's retained claims experience in the first six months of the current Policy Year was again encouraging within the layers up to US\$1m. However, there was a continuation of the increased activity seen in 2013 / 14 involving claims in the highest band, in excess of that figure. Although these claims are particularly prone to volatility, the recent experience tends to suggest an upward trend in their cost. Another component in the overall claims cost involves the International Group's Pooling system where experience to date has been broadly speaking in line with expectations, although it remains very early in the development of this segment of claims exposure.

In regard to returns on the Association's invested assets and cash, the year to date return stood at 3.4% 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.

The Committee is determined to maintain the Association's financial strength and stability. Against such a background, it has authorised a general increase in Annual Call rates for the 2015/2016 Policy Year of 6%; 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 consideration to the structure and level of deductibles with effect from 20 February 2015. With regard to the former, deductibles will be applied to all costs, fees and expenses, as well as to claims; and with regard to deductible levels the Committee determined that there should be a US\$2,000 increase applied to all deductibles currently below US\$15,000.

Class 8 (FD&D)

2011/2012: The year shall be closed without further Call.

2012/2013: 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 2015, in the usual way.

2013/2014: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2014/2015: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2014, as previously advised.

The Committee also reached a decision in respect of Call requirements for the forthcoming **2015/2016** Policy Year. Experience in the current year provides limited guidance given the long-tail nature of FD&D claims, but an increase in the cost of claims in the 2013/14 Policy Year has served to emphasise the importance of maintaining the financial strength of the Class. Against this background, the Committee has authorised a general increase in Annual Call rates for the 2015/2016 Policy Year of 6%. 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 were also reviewed by the Committee and are set out at the foot of this Circular.

Payment Instructions

Annual Calls will again be charged in three instalments which will come due on 31 March 2015; 31 July 2015; and 30 November 2015.

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 in Force

	Class 5	Class 8
2012/2013	5.0% of the Annual Call	5.0% of the Annual Call
2013/2014	12.5% of the Annual Call	12.5% of the Annual Call
2014/2015	15.0% of the Annual Call	15.0% 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)