



The London P&I Club

All correspondence should be addressed to the Managers

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27 October 2016

TO ALL MEMBERS

Dear Sirs

Class 5 (P&I) and Class 8 (FD&D) Open Policy Years & 2017/2018 Policy Year – Calls

The Committee has reviewed the position in respect of open Policy Years as well as Call requirements for the 2017/2018 Policy Year and reached the following decisions:

Class 5 (P&I)

Open Policy Years

2013/2014: The year shall be closed without further Call.

2014/2015: 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 2017, in the usual way.

2015/2016: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2016/2017: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2016, as previously advised.

2017/18 Policy Year – Calls

In H1 of the current Policy Year the Association incurred one Pool claim, but the overall experience was in line with expectations, with further encouraging signs insofar as the level of claims in the attritional band up to US\$100,000 and in the layer US\$100,000 – US\$1m were concerned. For the same period, a low average cost of claims involving the International Group's Pooling system was the main driver behind a more favorable than anticipated aggregate cost of Pool claims. The Committee also considered other factors including indications of the effect of churn, especially during the early part of the Policy Year, as well as the positive performance of the Association's investment portfolio.

In all the circumstances, the Committee decided that there should be further emphasis by the Managers during the 2017/2018 renewal process on adjusting Member rates and terms, where necessary, in order to achieve an equitable level of Call income over the medium term, reflective of their record and / or exposure to risk. Against this background of individual attention being given to appropriate arrangements for the renewal of each Member, the Committee decided that no general increase in Annual Call rates would be set.

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 Managers will be in further contact with Members and Brokers with regard to the 2017/2018 renewal, in due course.

Class 8 (FD&D)

Open Policy Years

2013/2014: The year shall be closed without further Call.

2014/2015: 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 2017, in the usual way.

2015/2016: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2016/2017: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2016, as previously advised.

2017/2018 Policy Year - Calls

The long-tail nature of FD&D claims means that experience in the current policy year provides limited guidance. The overall experience has been broadly in line with that of the recent open Policy Years, with examples of the expensive claims that can arise again emphasising the importance of maintaining the financial strength of the Class. In all the circumstances the Committee decided that the approach referred to in respect of Class 5 (P&I) should also be followed for Class 8 (FD&D). 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 2017; 31 July 2017; and 30 November 2017.

To assist the Association in tracing and allocating all payments received, Members and brokers are requested to quote debit/credit note numbers and vessel names for all items being settled, each time funds are remitted. E-mails should be sent to **creditcontrol@londonpandi.com**. Payments should be made electronically using either of the details below:

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

Barclays Bank PLC, 1 Churchill Place, London E14 5HP, United Kingdom
Account Number: 68126322
Sort Code: 20-00-00
IBAN: GB73 BARC 2000 0068 1263 22 SWIFT: BARCGB22

Nordea Bank AB, London Branch, 8th Floor City Place House, 55 Basinghall Street, London EC2V 5NB, United Kingdom
Account Number: 46852222
Sort Code: 40-48-78
IBAN: GB49 NDEA 4048 7846 8522 22 SWIFT: NDEAGB2L

Release Call Rates in Force

	Class 5	Class 8
2014/2015	5.0% of the Annual Call	5.0% of the Annual Call
2015/2016	12.5% of the Annual Call	12.5% of the Annual Call
2016/2017	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)