



The London P&I Club

All correspondence should be addressed to the Managers

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31 October 2017

TO ALL MEMBERS

Dear Sirs

Class 5 (P&I) and Class 8 (FD&D) Open Policy Years & 2018/2019 Policy Year – Calls

The Board has reviewed the position in respect of open Policy Years as well as Call requirements for the 2018/2019 Policy Year and reached the following decisions:

Class 5 (P&I)

Open Policy Years

2014/2015: The year shall be closed without further Call.

2015/2016: The three instalments of the Annual Call have been debited. No further Call is anticipated. The year will be considered for closure by the Board in October 2018, in the usual way.

2016/2017: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2017/2018: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2017, as previously advised.

2018/2019 Policy Year – Calls

The Board has decided that no general increase will be set and that emphasis will continue to be put on the record of and/or exposure to risk presented by individual Members, in order to produce an equitable level of Call income over the medium term.

In reaching its decision the Board considered a range of factors. These included developments in H1 during which the Association's retained claims experience was in line with expectations, while there was an increase in the cost of claims on the pooling system from the low level at the equivalent stage last year. H1 also saw growth of 1.6m gt in the Association's owned mutual entry, together with a reduction to the level of premium churn in comparison to the same point in recent prior policy years. There was also positive performance by the Association's investment portfolio.

The Board additionally requested the Managers to apply a US\$1,000 increase to deductibles, with an increase of US\$2,000 to apply to those involving crew and other persons.

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 2018/2019 renewal, in due course.

Class 8 (FD&D)

Open Policy Years

2014/2015: The year shall be closed without further Call.

2015/2016: The three instalments of the Annual Call have been debited. No further Call is anticipated. The year will be considered for closure by the Board in October 2018, in the usual way.

2016/2017: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2017/2018: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2017, as previously advised.

2018/2019 Policy Year - Calls

The H1 claims experience in the current policy year was favourable when set against the comparative positions of the recent open policy years; it is, however, important to remember that the long-tail nature of FD&D risks means that developments at this stage provide limited guidance. The Board decided that the approach to be applied 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 Board 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 2018; 31 July 2018; and 30 November 2018.

To assist the Association in allocating all payments received, Members and brokers are urged to quote debit/credit note numbers and Fleet numbers 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 currently applying

| | Class 5 | Class 8 |
|------------------|--------------------------|--------------------------|
| 2015/2016 | 5.0% of the Annual Call | 5.0% of the Annual Call |
| 2016/2017 | 12.5% of the Annual Call | 12.5% of the Annual Call |
| 2017/2018 | 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 Board, 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 Board 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)