



The London P&I Club

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22 October 2015

TO ALL MEMBERS

Dear Sirs

Class 5 (P&I) and Class 8 (FD&D) Open Policy Years & 2016/2017 Policy Year – Calls

The Committee has reviewed the position in respect of open Policy Years as well as Call requirements for the 2016/2017 Policy Year and reached the following decisions:

Class 5 (P&I)

Open Policy Years

2012/2013: The year shall be closed without further Call.

2013/2014: 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 2016, in the usual way.

2014/2015: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2015/2016: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2015, as previously advised.

2016/17 Policy Year – Calls

The Association's retained claims experience in the current Policy Year was favourable in H1. Moving into the second half of the year this experience has so far continued, with the incurred claims total being over 40% down on the prior year comparative at the eight month stage. Claims involving the International Group's Pooling system are another component in the overall claims cost – and experience to date has been broadly in line with expectations.

Also in the current Policy Year, volatility in the investment markets has impacted the Association's portfolio. It recorded a negative return of 1.49% in H1; with that position having been largely reversed by the recent recovery in the markets. 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 unwavering in its belief in the value to Members of the Association's focus on specialised P&I support and service, while operating from a position which, as now, maintains a level of financial strength and stability in line with current and prospective regulatory requirements. Against such a background, it has decided that Annual Call rates for the 2016/2017 Policy Year should increase by 5%. Additionally, it has determined that there should be a US\$2,000 increase applied to all deductibles.

The Committee has also emphasised the importance that Members contribute an equitable level of Call income over the medium term reflective of their record and / or exposure to risk; and to that end individual attention will be given to appropriate arrangements for the renewal of each Member.

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 2016/2017 renewal, in due course.

Class 8 (FD&D)

Open Policy Years

2012/2013: The year shall be closed without further Call.

2013/2014: 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 2016, in the usual way.

2014/2015: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2015/2016: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2015, as previously advised.

2016/2017 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, although examples of the expensive claims that can arise also emphasise the importance of maintaining the financial strength of the Class. Against this background, the Committee decided that Annual Call rates for the 2016/2017 Policy Year should increase by 5%. 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 2016; 31 July 2016; and 30 November 2016.

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
2013/2014	5.0% of the Annual Call	5.0% of the Annual Call
2014/2015	12.5% of the Annual Call	12.5% of the Annual Call
2015/2016	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)

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