

Managers
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30 October 2018

TO ALL MEMBERS

Dear Sirs

Class 5 (P&I) and Class 8 (FD&D) Open Policy Years & 2019/2020 Policy Year – Calls

The Board has reviewed the position in respect of open Policy Years as well as Call requirements for the 2019/2020 Policy Year and reached the following decisions:

Class 5 (P&I)

Open Policy Years

2015/2016: The year shall be closed without further Call.

2016/2017: 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 2019, in the usual way.

2017/2018: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2018/2019: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2018, as previously advised.

2019/2020 Policy Year – Calls

The Board has decided that no general increase will be set and that the focus will continue to be on the record of and exposure to risk presented by individual Members, in order to produce an equitable level of Call income over the medium term. As part of the renewal process, careful attention will continue to be given to individual Member deductible levels.

In reaching its decision the Board considered a range of factors. These included a benign experience in H1 of high severity retained claims; while the cost of claims on the pooling system was within the expected range of outcomes. During that period there was positive performance by the Association's investment portfolio, although this has since been subject

to recent market volatility. Further information, including news of growth in the size and spread of the Association's mutual membership and other lines of business will be contained in an updated *Position & Performance Review*, which will be published in the near future.

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 2019/2020 renewal, in due course.

Class 8 (FD&D)

Open Policy Years

2015/2016: The year shall be closed without further Call.

2016/2017: 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 2019, in the usual way.

2017/2018: The three instalments of the Annual Call have been debited. No further Call is anticipated.

2018/2019: Two of the three instalments of the Annual Call have been debited. The final instalment will come due on 30 November 2018, as previously advised.

2019/2020 Policy Year - Calls

The H1 claims experience in the current policy year was in line with recent prior policy year comparators. 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 Arrangements

Annual Calls will again be charged in three instalments which will come due on 31 March 2019; 31 July 2019; and 30 November 2019.

Payments should be made electronically using the banking details set out in the Association's debit note; and to assist the prompt allocation of payments, Members and brokers are urged to quote debit note numbers and Fleet References for all items being settled, each time funds are remitted. E-mails should be sent to **creditcontrol@londonpandi.com**.

Release Call Rates currently applying

	Class 5	Class 8
2016/2017	5.0% of the Annual Call	5.0% of the Annual Call
2017/2018	12.5% of the Annual Call	12.5% of the Annual Call
2018/2019	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)