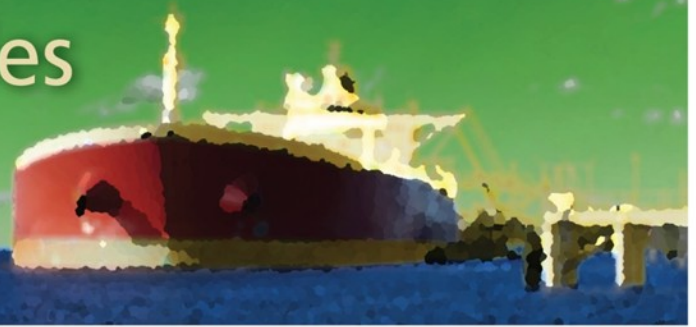


Underwriting Guides



Invoicing Of Calls

The Estimated Total Call:

The total premium charged for each vessel is termed an **Estimated Total Call (ETC)**, which is made up of the **Advance Call** and the **Estimated Supplementary Call**.

The **Advance Call** is invoiced by the Club in four equal instalments for payment within the period of the said policy year. The **Estimated Supplementary Call** is invoiced for payment six months after the end of the policy year, in other words on the following 20th August. This mechanism provides a cash flow advantage to the Member (as the Estimated Supplementary Call part of the total premium does not have to be paid until six months after the end of the policy year).

The P&I Estimated Supplementary Call is set at 30% of the Advance Call (thus the Advance Call represents 77% of the total premium (ETC) and the Estimated Supplementary Call represents 23%).

Group Reinsurance Cost:

The Group reinsurance rate represents the premium payable in respect of the US\$ 2 Billion International Group reinsurance contract. The Group reinsurance rate is in four categories, one rate for passenger vessels, one rate for dry cargo vessels, one rate for “clean” tankers and one rate for “dirty” tankers. For each vessel (depending on its type) a Member is invoiced one of these four (different) rates, which are the same for whichever I.G. P&I Club the vessel is entered into.

The Group Reinsurance cost forms part of the overall ETC premium for each vessel.

However, the West of England is unique among P&I Clubs in that it separates out and fixes the Group reinsurance rate at “cost” price. All other Clubs incorporate the Group reinsurance premium within their Advance Call / Mutual Premium.

The West of England invoices the Member for the Group reinsurance premium separately, but at the same time invoicing the P&I Advance Call, in four equal instalments during the policy year.

Thus, as the Group Reinsurance cost is separated out from the rest of the ETC premium, for the Members of the West of England (unlike for members of all other Clubs) the Group Reinsurance cost is not subject to the application of the renewal General Increase, release calls or additional calls. In other words it is a fixed, not a mutual, premium.

An Example:

Therefore, as an example, the ETC premium calculation for a bulker of 30,000 GT:

1. Advance Call Rate – US\$ 1.50 per GT
Group Reinsurance Rate – US\$ 0.3709 per GT

Invoicing Of Calls

2. Advance Call: $\text{US\$ } 1.50 \times 30,000 = \text{US\$ } 45,000$
Estimated Supplementary Call: $\text{US\$ } 45,000 \times 30\% = \text{US\$ } 13,500$
Group Reinsurance Cost: $\text{US\$ } 0.3709 \times 30,000 = \text{US\$ } 11,127$
3. Total Annual Estimated Total Call: $\text{US\$ } 69,627$

Other P&I Clubs:

Other Clubs invoice P&I premiums in one of two ways:

- A. either they invoice the Advance Call (incorporating the Group reinsurance cost) in instalments during the policy year, and then invoice the estimated supplementary call in the following policy year;
- B. they charge a single "Mutual Premium" (or it can be called by another name). This Mutual Premium is in reality the same as the Estimated Total Call (ETC) and so includes the Advance Call, Group reinsurance cost and Estimated Supplementary Call. The Mutual Premium is usually charged in a number of instalments, with the last instalment being after the end of the Policy Year. Therefore, a P&I Club which invoices on a "Mutual Premium" basis is in fact just charging all the Estimated Total Call (ETC) in one go, with the Estimated (i.e. budgeted) Supplementary Call being set at zero.