

No. 7 - Renewals 2003/2004

December 2002

Dear Sirs

RENEWALS 2003/2004

1. Class 1 (P&I)

a. General Surcharge 2003/2004

At their meeting on 4 December the Board of Directors decided that the general surcharge to be applied to all current advance call rates (and time charter fixed premium rates) will be 25%. Members with adverse individual records will however be subject to further adjustment as appropriate.

The level of increase reflects the fact that premium, although substantially higher for 2002 than for any other recent policy year, is still too low and claims levels have not reduced.

As usual the 25% general surcharge shall be applied to the mutual proportion of the advance call rate. Group excess of loss reinsurance costs will continue to be charged separately as a fixed cost. However, for the moment these have still to be negotiated with reinsuring underwriters. Details will be advised in a separate Notice to Members as soon as possible.

For the 2003 policy year the forecast additional call will be 20% of the advance call and will be payable by 20 August 2004; a further release call of 15% of advance call shall also apply.

b. International Group Pooling Arrangements 2003/2004

For 2003 the individual Club retention is likely to remain at \$5 million per claim but the level of the Pool retention and the extent of any Group co-insurance are as yet undecided.

c. Oil Pollution Surcharge 2003/2004

The terms and conditions which are to apply to tankers trading to the United States carrying persistent oil as cargo have not yet been decided; details will be advised in a separate Notice to Members as soon as possible.

d. Charterers Entries 2003/2004

Subject to agreement with individual Members on rates and specific terms, Charterers entries will be covered for P&I risks for 2003 either through the Group's Pooling and excess of loss reinsurance arrangements on terms which have yet to be finalised, or through the Charterers Comprehensive Cover which can include Damage to Hull and other risks. Although the scope and terms of this alternative cover are likely to be similar to those which apply at present, negotiations with reinsurers have not been concluded. Details will be advised in a separate Notice to Members as soon as possible.

e. Limit on Club Cover 2003/2004

For 2003 the oil pollution limit of cover is likely to remain unchanged at \$1 billion. The limit for claims other than for oil pollution may also remain unchanged at 2.5% of the 1976 Limitation Convention limit for property claims which is in excess of the limit on the Group's reinsurance programme (currently \$2 billion). Whether or not the Club will continue to buy overspill protection for losses in excess of Group reinsurance has yet to be decided.

f. War Risk P&I 2003/2004

For several years the Club has provided excess war risk P&I cover on terms that are fully reinsured with the commercial market for a limit of cover which is currently \$200 million in excess of a vessel's proper value. For 2003 it is hoped that this cover will be extended but on terms that have yet to be negotiated. Details will be advised as soon as possible.

2. Class 2 (FD&D)

For 2003 the Board has decided that there will be no standard surcharge for Class 2 entries. Adjustments will, however, be made to reflect individual record. The forecast additional call will be 20% of the advance call and will be payable by 20 August 2005. A further release call of 15% will also apply.

3. Classes 3 and 4 (Port and Crew Strikes)

For 2003 the Board has decided that Members rates will be increased on an individual basis to ensure that mutual premium also makes full allowance for each Member's contributions to reinsurance and administrative costs. Individual rates are therefore likely to rise substantially. A nil additional call and nil release percentage will apply from the outset.

Yours faithfully

**The West of England Ship Owners
Insurance Services Limited**
(As Managers)

P E Spendlove
Managing Director