

No. 20 2013/2014 - Renewals 2014/2015

November 2013

Dear Sirs,

RENEWALS 2014/2015

The Executive Committee on behalf of the Board has considered the level at which calls and fixed premium rates should be set for 2014/2015 and has decided as follows:

1. CLASS 1 (P & I)

a) Advance Call Rates / Time-Charter Fixed Premium Adjustments 2014/2015

As advised in the Club's Mid-Year Review issued in October, claims costs for the Club's Members for 2013 have so far been developing at a similar low value and frequency to Members claims for 2011 and 2012. Whilst the trend is positive it cannot be expected to continue indefinitely. In any case claims involving the Pool are again high and show no sign of returning to the low levels experienced in 2008 and 2009. It is therefore anticipated that overall claims costs will increase in 2014 at a time when investment returns will still be modest and premium levels are generally too low.

In the circumstances the Board has decided that net advance call rates for 2014 will increase by 7.5% and that the forecast additional call shall be unchanged at 35% of the advance call to be payable in August 2015. The release will be a further 30% of the advance call.

Additional adjustments as necessary may be made to individual advance call rates to reflect particular claims experience and risk exposure.

As usual, increases to advance calls will only apply to the net amount excluding costs to be charged for the Group's excess of loss reinsurance programme which will continue to be payable at cost per g.t. in line with the Club's long-standing practice.

The effect of separating the Club's mutual premium from Group reinsurance cost is that the overall percentage increase being applied to Members' rates for 2014 will average approximately 6% across the whole mutual membership when compared with other Group Clubs that apply surcharges to the mutual and Group reinsurance cost combined. For vessels where Group reinsurance costs are high compared with mutual premium the percentage increase will be less.

For 2014 premiums for charterers' entries will also increase by 7.5% adjusted to reflect individual Member's risk exposure and claims experience. In addition, adjustments to reflect the Club's reinsurance arrangements which have yet to be finalised may also be applied.

As usual Members can, in advance of renewal, make use of WestNet which provides real time access for them and their brokers to data such as claims listings and triangulations, vessel details, loss ratios and statements. Data can be viewed on-line and downloaded in .pdf and Excel formats. Members are encouraged to use this facility to review their claims estimates in preparation for renewal discussions.

b) Class 1 Deductibles

Members' deductibles will increase by 7.5% or US\$1,000 whichever is the higher.

The Rules deductible will also increase from US\$ 7,000 to US\$ 8,000.

c) International Group Pooling Arrangements 2014/2015

There may be changes to the levels of the Club and Pool retentions which are currently \$9 million and \$70 million respectively. However, limits of cover for oil pollution and non-oil pollution claims are likely to remain the same as for 2013. Overspill protection is also likely to be provided on the same basis as for 2013. Costs and terms will be advised in a separate Notice to Members once they have been finalised.

d) Charterers Entries 2014/2015

As usual, charterers' entries will be covered for P&I risks either through the Group's Pooling and excess of loss reinsurance arrangements on terms which have yet to be finalised, or through the Club's own Charterers Comprehensive Cover which can include Damage to Hull and other risks. Although the scope and terms of both covers have yet to be finalised they are likely to be similar to those which apply for 2013. Details will be advised in a separate Notice to Members in due course.

e) War Risk P&I 2014/2015

For several years the Club has automatically 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 \$500 million in excess of a vessel's proper value. It is expected that this cover will be renewed but on terms that have yet to be negotiated.

2. CLASS 2 (F D & D) 2014/2015

Advance call rates and time charter fixed premium rates will increase by 7.5% for 2014. This reflects the fact that Class 2 costs and legal expenses are likely to continue to increase while trading conditions for owners and charterers remain adverse.

The forecast additional call will remain at 35% of the advance call and will be payable in August 2015. The release percentage will be 30% of the advance call.

The deductible for Class 2 will, unless otherwise agreed, remain unchanged.

3. PREMIUM PAYMENT (CLASS 1 and CLASS 2)

In accordance with the Club's usual terms for Class 1 mutual entries, the advance call shall be payable together with the cost of the Group's excess of loss premium in four equal instalments, on or before the following dates:

1st instalment: 20 March 2014

2nd instalment: 20 June 2014

3rd instalment: 20 September 2014

4th instalment: 20 December 2014

For Class 2 mutual entries, payment of advance calls shall be on the basis of the same time-table as applies for Class 1.

For charterers' entries payment terms shall, as usual, be set by agreement with individual Members.

It is a requirement of renewal and of provision of cover that any and all sums due to the Club are paid by the due dates.

The Managers will be writing to each Member setting out rates and terms for the forthcoming policy year but, in the meantime, in order to ensure compliance with the technical requirements of the Rules, this Notice constitutes notice by the Managers to each Member in accordance with Rule 34 of Class 1 and Rule 27 of Class 2.

Any questions should be addressed to the Underwriting department in the usual way.

Yours faithfully

For: **West of England Insurance Services (Luxembourg) S.A.**
(As Managers)

P E Spendlove
Managing Director