

No. 1 2007/2008 - Class 1 P&I Renewals 2007/2008

February 2007

Dear Sirs

CLASS 1 P&I RENEWALS 2007/2008

As advised in Notice to Members No. 6 dated December 2006 the Club's renewal objective for 2007 has been to set the level of premium for the year to balance forecast claims costs and operating expenses. Investment income earned during the year will then be available to further strengthen the Club's overall free reserve which, as at February 2007, is forecast to be in line with the \$200 million estimated in December.

In accordance with that objective the Club's renewal strategy has been to accept that gross tonnage entered in the Club might reduce where rating levels were considered to be insufficient to meet the Club's requirements.

Renewal negotiations have now been satisfactorily concluded and, I am pleased to say, indicate that renewing Members have shown strong support for the Club's objective.

Mutual gross tonnage entered in the Club for 2007 has reduced by approximately 12.5% from about 64 million GT to about 56 million GT. However, net invoiced mutual premium for the year remains in excess of \$185 million (excluding Group excess of loss reinsurance costs) compared with \$184 million (excluding Group excess of loss reinsurance costs) invoiced for 2006. In addition, time-charter fixed premium on time-charter entries, which are forecast to remain substantially unchanged, is likely to increase from some US\$20 million to about US\$ 21.5 million.

I am also pleased to say that both current and former Members have met their commitments to pay the additional calls charged last September to meet the Club's future capital requirements which were due by 20 January this year.

The Managers appreciate the renewing Members' continued support which will help to ensure that the Club is well placed to meet the challenges that increasing liabilities and regulatory requirements will continue to pose for the P&I industry as a whole.

As usual a Notice to Members reporting on the year end policy year positions will be issued in May once the Accounts have been prepared.

Yours faithfully

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

P E Spendlove
Managing Director