

No. 11 2009/2010 - Renewals 2010/2011

November 2009

Dear Sirs

RENEWALS 2010/2011

1. CLASS 1 (P & I)

a) Advance Call Rates / Time-Charter Fixed Premium Adjustments 2010/2011

At their meeting on 2 December the Board considered the likely level of claims for the forthcoming policy year and the basis on which both mutual premium rates and time-charter fixed premium rates should be set for all Members for 2010.

The Club forecasts that overall claims costs will be higher in 2010 than in 2009, although the frequency of claims is likely to be at about the same level as for 2009 so far and less than in 2008 and prior years. This reduction in frequency compared with earlier years may be the result of continuing lower levels of activity in the shipping industry in difficult trading conditions which may result in some moderation in the cost of smaller claims. Sustained evidence so far of any similar slowdown in the cost of larger claims is more limited. The fact that claims on the Pool for the 2009 policy year are at levels similar to those in 2006 and 2007 confirms that the cost of larger claims may continue to be higher in the foreseeable future.

The Board wishes to ensure that the significant work undertaken in recent years to achieve underwriting balance is not undermined. In order that future premium levels reflect the forecast cost of claims, the Board has decided that for 2010 Members' advance calls shall increase by no less than 5%. In addition calls for Members with adverse claims performance will be increased to reflect their particular risk exposure and claims experience.

In accordance with the Club's normal practice, the increase shall apply only to the mutual element of the advance call and not to the cost of Group excess of loss reinsurance, which will be payable at its actual cost.

The forecast additional call for the year, which will be payable in August 2011, is 30% and the release percentage is 30% of the advance call.

The general increase in premiums for charterers' entries will be no less than 5% which likewise will be adjusted to reflect individual Members' risk exposure and claims experience. In addition, rates will also be adjusted to reflect reinsurance terms, which have yet to be finalised.

b) Class 1 Deductibles

Unless otherwise agreed in writing by the Managers, all deductibles will be increased by 10% with a minimum increase of \$1,000 to ensure that they remain proportionate to the risk to be insured and the cost of handling claims.

In addition, unless otherwise agreed in writing by the Managers, minimum deductibles are also being set for the following risks:

Claims arising under Rule 2 sections 9 and 10 (Liability arising from collisions and for loss or damage in respect of property) - US\$ 25,000.

Claims arising under Rule 2 sections 1, 2 and 2a (Liability for injury, illness and death of seamen and others and liability to passengers) arising in the United States of America - US\$ 25,000.

The minimum deductible for any other risk will be \$5,000 unless otherwise agreed by the Managers in writing.

c) International Group Pooling Arrangements 2010/2011

For 2010 the Club retention will rise to \$8 million. The Pool retention is likely to remain at \$50 million and limits of cover for oil pollution and non oil pollution claims will remain the same as for 2009. Overspill protection is also likely to be provided on the same basis as for 2009.

d) Oil Pollution Surcharge 2010/2011

The terms and conditions which are to apply to tankers trading to the United States carrying persistent oil as cargo will be advised in a separate Notice to Members once they have been finalised.

e) Charterers Entries 2010/2011

As usual, charterers' entries will be covered for P&I risks for 2010 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 2009. Details will be advised in a separate Notice to Members in due course.

f) War Risk P&I 2010/2011

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 \$500 million in excess of a vessel's proper value. For 2010 it is expected that this cover will be renewed but on terms that have yet to be negotiated.

2. CLASS 2 (F D & D) 2010/2011

For 2010 the Board has decided that a general surcharge of 10% shall apply to all advance call rates and to time charter fixed premium rates. This reflects the fact that Class 2 disputes have increased in frequency and cost over the past year and are likely to continue to do so in 2010.

The forecast additional call will be 30% of the advance call and will be payable in August 2012. The release percentage will be 30%.

3. PREMIUM PAYMENT (CLASS 1 and CLASS 2)

In accordance with the Association's usual terms for Class 1 mutual entries, the advance call for the policy year 2010/2011 will be payable together with the cost of the Group's excess of loss premium in four equal instalments, on or before:

1st instalment: 20 March 2010

2nd instalment: 20 June 2010

3rd instalment: 20 September 2010

4th instalment: 20 December 2010

For Class 2 mutual entries, payment of advance calls will 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 as appropriate.

As always, it is a requirement of renewal and of provision of cover for 2010/2011 that any and all sums due to the Association are paid by the due dates.

Any questions in connection with this Notice 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