

No. 15 - Class 1 (P&I) 2001/2002 Advance/Additional Call adjustment

December 1999

Dear Sirs

CLASS I (P & I) 2001/2002 POLICY YEAR ESTIMATED TOTAL CALL : ADVANCE CALL/ADDITIONAL CALL ADJUSTMENT

At their meeting in September this year, the Board of Directors reviewed the proportion of the estimated total call (ETC) for P and I risks which will in future be charged by way of advance call and estimated additional call.

Since 1991 the Class I advance call has been charged at 67% of the ETC for each policy year with a forecast additional call of 50% of advance call (with a further release of 25%). This will continue for the 2000/01 policy year.

For the policy year 2001/2002 the Board has decided to charge 83% of the ETC as an advance call with the result that for the 2001 policy year the estimated additional call will reduce from 50% of advance call to 20%. The release call will also reduce from a further 25% of advance call to 15%.

The illustration at the end of this Notice shows how the ETC remains the same notwithstanding this change; the timing of the payment of all calls and agreed instalment plans will also be unaffected by it.

The Board's decision to make this change for the policy year 2001/2002 reflects their commitment to ensuring that the Club remains financially strong. For some time the West of England has charged a proportionately higher forecast additional call than any other Group Club. Whilst this has meant that the advance call has been lower, and has made no difference to the ETC itself, the practice has increasingly been perceived to be competitively less advantageous to Members than when it was first introduced. At the same time accounting practice today makes it financially prudent for proportionately less of the ETC to be deferred than in the past. This is particularly necessary at a time when financial analysts may discount the value of deferred premium in Club balance sheets, which can lead to understating a Club's overall financial strength.

The Board and Managers recognise that Members may need time to take account of this change. For this reason it is not to take effect until the 2001 policy year.

The Board also recognises that during the course of the 2001 policy year the speed of a Member's premium payments may be temporarily increased as the adjustment is made. The Board has accordingly decided that the forecast additional call of 50% which will be due for payment for the 2000/2001 policy year in August 2001 will be charged in two equal instalments, the first in August 2001, and the second (if called wholly or in part) at a later date to be determined in May 2001.

Should any Member have questions at this stage he should contact the Managers in the usual way.

Yours faithfully

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

P E Spendlove
Managing Director

ILLUSTRATION

(\$1.00 ETC per GT)

<u>Policy</u>	<u>1999 And 2000</u>		<u>2001</u>
<u>Year</u>			
<u>Advance</u> <u>Call</u>	\$0.67		\$0.83
<u>Forecast</u> <u>Additional</u> <u>Call (50%)</u>	\$0.33	(20%)	\$0.17
<u>ETC</u>	\$1.00		\$1.00
<u>Release</u> <u>(25%)</u>	\$0.17	(15%)	\$0.12
<u>ETC</u> <u>& Release</u>	\$1.17		\$1.12