

No. 8 - Renewals 2006/2007

December 2005

Dear Sirs

RENEWALS 2006/2007

1. CLASS 1 (P & I)

a) General Surcharge 2006/2007

At their meeting on 7 December the Board of Directors noted that claims costs and legal liabilities to which Shipowners are exposed continue to increase compared with previous policy years. The Board has therefore decided that the general surcharge to be applied to all advance call rates (and time-charter fixed premium rates) will be 12.5%. Members with adverse individual records will, however, be subject to further adjustment as appropriate.

As usual the 12.5% general surcharge will 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 once negotiations with the Group's reinsurers have been finalised.

For the 2006 policy year the forecast additional call will be 20% of the advance call and a further release call of 15% of advance call shall also apply.

The timetable for the payment of advance calls will be the same as for 2005. The advance call will be payable together with the cost of the Group's excess of loss premium in four equal instalments the first on or before 20 March 2006 with further instalments due by 20 June 2006, 20 September 2006 and 20 December 2006. The additional call shall be payable on 20 August 2007.

b) International Group Pooling Arrangements 2006/2007

For 2006 the individual Club retention is likely to remain unchanged at \$6 million per claim; the level of the Pool retention is also likely to remain unchanged at \$50 million. The extent of any Group co-insurance within the first layer of the Group's excess reinsurance programme is as yet undecided since proposals for renewal of the programme as a whole have yet to be finalised.

c) Oil Pollution Surcharge 2006/2007

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.

d) Charterers Entries 2006/2007

As usual, Charterers entries will be covered for P&I risks for 2006 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 2005 and are as usual subject to agreement with individual Members on rates and specific terms. Details will be advised in a separate Notice to Members in due course.

e) Limit on Club Cover 2006/2007

For 2006 the oil pollution limit of cover is likely to remain unchanged at \$1 billion. The limit for claims other than for oil pollution will 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).

f) War Risk P&I 2006/2007

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 2006 it is hoped that this cover will be renewed but on terms that have yet to be negotiated. Details will be advised as soon as possible together with details relating to the Club's special Bio-Chem. Write-Back Cover once market terms and conditions have been provided.

2. CLASS 2 (F D & D) 2006/2007

For 2006 the Board has decided that a general surcharge of 7.5% shall apply to all advance call rates and to time-charter fixed premium rates for Class 2 entries. Further adjustments may also be made to reflect individual record. The forecast additional call will be 20% of the advance call. A further release call of 15% will also apply.

For Class 2 payment of premiums will be on the basis of the same time-table as applies for Class 1 except that payment of any additional call for the 2006 policy year will not be due until 20 August 2008.

3. CLASSES 3 AND 4 (PORT AND CREW STRIKES)

For 2006 the Board has again decided that Members' rates will be increased on an individual basis to ensure that mutual premium makes full allowance for each Member's contributions to reinsurance and administrative costs. A nil additional call and nil release percentage will apply from the outset.

Yours faithfully

West of England Insurance Services (Luxembourg) S.A.

(As Managers)

P E Spendlove

Managing Director