

No. 12 2008/2009 - Renewals 2009/2010

December 2008

Dear Sirs

RENEWALS 2009/2010

1. CLASS 1 (P & I)

a) Advance Call Rates / Time-Charter Fixed Premium Adjustments 2009/2010

At their meeting on 3 December the Board considered the basis on which mutual premium rates (and time-charter fixed premium rates) shall be set for all Members for 2009.

Claims levels for 2009 are difficult to predict because of the downturn now affecting most shipping sectors. A reduction in trading activity may result in some easing in claims costs, at least for those that relate directly to property and cargo values, but as noted in the Club's Notice to Members No. 11 dated December 2008, there is no reliable evidence so far of a downward trend. The Board has therefore concluded that it is prudent to assume that claims costs will continue at similar levels in 2009 to those experienced since 2005.

Increases in advance call rates over the past three years to meet the current high level of claims have yet to result in the elimination of underwriting deficits. Furthermore, because of the uncertain outlook in investment markets the Board considers it prudent to assume that investment income cannot be relied upon to support the underwriting result for the next policy year.

The Board has therefore decided that in order to achieve an underwriting balance the total mutual call for 2009 will need to be approximately 20% higher than that originally required for 2008. However, given that Members are likely to experience adverse trading conditions throughout 2009 the Board has decided that the standard surcharge to be applied to the advance call for 2009 shall be set at 10% and that the forecast additional call, which will not become payable before August 2010, shall be increased from 20% to 30%. A release call of 30% of the advance call shall also apply.

As usual the increase will be applied to the mutual rate excluding group excess of loss reinsurance costs which will continue to be charged separately as a fixed cost. Details are at present not known since renewal with market reinsurers has yet to be concluded. A further Notice to Members will be issued once details have been finalised.

For time-chartered entries whose claims performance has been generally more satisfactory than for mutual Members in recent years time-charter fixed premium rates shall be increased by 12.5%. This adjustment will include any uplift in reinsurance costs for time-charter risks that the Club may have to pay.

b) Class 1 Deductibles

At their meeting the Board decided that the process of progressively raising deductible levels must continue. For 2009, unless otherwise expressly agreed in writing by the Managers, a deductible of \$5,000 shall apply to all claims inclusive of costs and expenses regardless of claim type. Furthermore, unless otherwise expressly agreed in writing by the Managers,

any special deductible that has been agreed for any particular risk in excess of \$5,000 shall be automatically increased by 10%. The Managers will give particular consideration to increasing deductibles for specific risks relating for example to FFO, collision, pollution and personal injury.

c) International Group Pooling Arrangements 2009/2010

For 2009 no decision has yet been made as to whether or not the Club retention shall remain at \$7 million. Furthermore, no decision has been made in relation to the level of the Pool retention (\$50 million), or to the extent of any Group co-insurance within the first layer of the general excess of loss reinsurance contract. Details once finalised will be advised in a further Notice to Members.

d) Oil Pollution Surcharge 2009/2010

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 2009/2010

As usual, Charterers entries will be covered for P&I risks for 2009 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 2008 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.

f) War Risk P&I 2009/2010

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 2009 it is hoped that this cover will be renewed but on terms that have yet to be negotiated.

2. CLASS 2 (F D & D) 2009/2010

For 2009 the Board has decided that a general surcharge of 20% shall apply to all advance call rates and to time charter fixed premium rates. This reflects a concern that Class 2 disputes are likely to increase as trading conditions deteriorate.

The forecast additional call will be 20% of the advance call. A further release call of 30% will also apply.

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 2009/2010 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 2009
- 2nd instalment: 20 June 2009
- 3rd instalment: 20 September 2009
- 4th instalment: 20 December 2009

The 2009/2010 policy year Class 1 additional call shall be payable on 20 August 2010.

For Class 2 mutual entries, 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 2009 policy year will not be due until 20 August 2011.

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 2009/2010 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