

No. 15 2014/2015 - Renewals 2015/2016

November 2014

Dear Sirs,

RENEWALS 2015/2016

The Executive Committee on behalf of the Board has considered the level at which calls and fixed premium rates should be set for 2015/2016.

1. CLASS 1 (P & I)

a) Advance Call Rates / Time-Charter and Owners' Fixed Premium Adjustments 2015/2016

The Board has decided that net advance call rates for mutual entries for 2015 will increase by 2.5%. Additional adjustments as necessary may be made to individual advance call rates to reflect particular claims experience and risk exposure.

The Board has also decided that the 2015 forecast additional call shall be unchanged from that set for the previous two Policy Years at inception. The forecast additional call shall therefore be 35% of the net advance call equivalent to approximately 26% of the estimated total call ("ETC"). This forecast call will be payable on or before 20 August 2016 following the practice established by the Board two years ago that, to recognise the difficult economic and trading conditions facing the Club's Members, payment of approximately a quarter of the ETC may be deferred to the following year.

The Board determined that the release for 2015 shall be set at 18.5% of the ETC (equivalent to 25% of the net advance call) in addition to the forecast additional call set for the year.

Members are reminded that, as usual, increases to rates and release percentages are only calculated on the net amount of call excluding costs to be charged for the Group's excess of loss reinsurance programme. The Board has reaffirmed that these costs will continue to be charged to Members separately, payable at cost per GT in line with the Club's long-standing practice even though this means that the Club's call and release rates cannot be directly compared with those set by other Group Clubs.

For 2015 premiums for charterers' and Owners' fixed premium entries will also increase by 2.5% adjusted to reflect individual Member's risk exposure and claims experience. In addition, adjustments may also be applied to reflect the Club's reinsurance arrangements, which have yet to be finalised.

In setting these renewal requirements for 2015, the Board has noted that the Club has continued to experience low levels of claims from its Members for the most recent policy years. Members' claims for 2014 are also developing below forecast at this early stage. There is nevertheless an expectation that claims levels will rise at some point and in particular from the International Group's Pool which today retains more risk than ever before. The probability of low rates of return from investments for the foreseeable future has also been taken into account.

As usual Members are encouraged, in advance of renewal, to make use of WestNet which provides real time access for

them and their brokers to their claims data, vessel details, loss ratios and statements, all of which can be viewed on-line and downloaded in .pdf and Excel formats.

b) Class 1 Deductibles 2015/2016

Members' deductibles will increase by 10% or US\$1,000 whichever is the higher, subject to a maximum increase of US\$2,000.

The Rules deductible will also increase from US\$ 8,000 to US\$ 10,000.

c) International Group Pooling Arrangements 2015/2016

The Club retention (\$9 million) will not increase for 2015, but the Pool retention may be modified in the light of negotiations with the Group's excess of loss reinsurers which have yet to be finalised.

Limits of cover for oil pollution and non-oil pollution claims are likely to remain unchanged. Overspill protection is also likely to be provided on the same basis as for 2014. Costs and terms for 2015 will be advised in a separate Notice to Members once they have been finalised.

d) Charterers' Entries 2015/2016

As usual, charterers' entries for 2015/16 will be covered for P&I risks 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 2014. Details will be advised in a separate Notice to Members in due course.

e) War Risk P&I 2015/2016

For several years the Club has automatically 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. It is expected that this cover will be renewed for 2015/16 but on terms that have yet to be negotiated.

2. CLASS 2 (F D & D) 2015/2016

The Board has decided that, although costs and legal expenses are expected to increase over the longer-term, because the development of costs incurred from Members' claims over recent years has been below expectation no general increase will be applied for Policy Year 2015/16 for Class 2.

Mutual advance call rates and time charter / Owners' fixed premium rates will not therefore increase except where adjustments are required to individual rates to reflect particular record and exposure.

The forecast additional call for mutual entries will remain at 35% of the advance call and will be payable in August 2016. The release percentage will be 18.5% of the ETC (equivalent to 25% of the advance call).

The deductible for Class 2 will, unless otherwise agreed, remain unchanged.

3. PREMIUM PAYMENT (CLASS 1 and CLASS 2) 2015/2016

In accordance with the Club's usual terms for both Class 1 and Class 2 mutual entries, the advance call shall be payable (together with the cost of the Group's excess of loss premium for Class 1) in four equal instalments :

1st instalment: 20 March 2015

2nd instalment: 20 June 2015

3rd instalment: 20 September 2015

4th instalment: 20 December 2015

The forecast additional call shall be due on or before 20 August 2016.

For charterers' and Owners' fixed premium entries payment terms shall, as usual, be set by agreement with individual Members.

It is a requirement of renewal and of provision of cover that any and all sums due to the Club are paid by the due dates.

The Managers will be writing to each Member setting out rates and terms for the forthcoming policy year but, in the meantime, in order to ensure compliance with the technical requirements of the Rules, this Notice constitutes notice by the Managers to each Member in accordance with Rule 34 of Class 1 and Rule 27 of Class 2.

Any questions 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