

CIRCULAR

OUTLINE

- General Increase for the 2016 policy year is 2.5 per cent.
- Mutual Premium Discount of 2.5 per cent on the total mutual premium for the 2014 policy year.
- No change to the standard deductible for the 2016 policy year.
- Any change in the cost of the International Group reinsurance will be passed on to the mutual Members.
- An explanation of the financial background to the Board's decisions can be found in the "October Review 2015" which accompanies this Circular.

TO THE MEMBERS

REVIEW OF OPEN POLICY YEARS AND 2016 POLICY YEAR GENERAL INCREASE

At its meeting on 26th October 2015, the Board reviewed the financial position of the Club, the performance of the open and closed years and decided on the required premium levels for 2016.

2013 policy year

There is no supplementary premium estimated for this policy year. The release call is set at 5 per cent.

2014 policy year

There is no supplementary premium estimated for this policy year. The release call is set at 0 per cent.

Given the strong capital position that the Club has achieved over the past two years, the Board has decided to lessen the impact of the General Increase decision by declaring a Mutual Premium Discount of 2.5 per cent on the total mutual call for 2014 policy year. This discount will be applied by way of a credit to the final instalment of the 2014 policy year mutual premium and will amount to a 10 per cent reduction for all mutual Members for that instalment.

2015 policy year

There is no supplementary premium estimated for this policy year. The release call is set at 10 per cent of mutual premium plus any outstanding instalments of mutual premium.

2016 policy year – General Increase

The Board has concluded that the premium rating of all Members shall be increased by 2.5 per cent, plus any change in the cost of the International Group reinsurance premium for 2016 for the mutual Members.

Although claims inflation is running at a higher rate, the Board has decided to set a 2.5 per cent general increase. This reflects the Board's determination to maintain current premium levels, while recognising that shipping markets remain depressed.

The release call is set at 15 per cent of mutual premium plus any outstanding instalments of mutual premium. As normal, mutual premium for 2016 will be payable in four instalments.

A detailed explanation of the background to the Board's decisions can be found in the "October Review 2015" which accompanies this circular. Both documents are also published electronically in the "Club Circulars" section of the website, (www.ukpandi.com).

Release calls

In assessing release calls, the Directors take account of premium risk, catastrophe risk, reserve risk, counter-party default risk, market risk and operational risk.

Deductibles

The standard deductible will remain at \$10,000 per event, including fees and expenses, for the 2016 policy year (or the dollar equivalent in other currencies). Members will still be able to elect for different deductibles from the standard at an appropriate premium adjustment, but will be encouraged to agree the standard as a minimum. The Club may also propose higher than standard deductibles as part of the renewal terms for Members with adverse records.

Yours faithfully

THE MANAGERS

For more information

Members requiring further information should contact their usual underwriting contact at the Club.