



Circular

Ref: 15/12

OCTOBER 2012

OUTLINE

- General Increase for the 2013 policy year is 7.5 per cent
- Mutual Premium Discount of 2.5 per cent on the total mutual premium for the 2011 policy year
- Any increase in the cost of the International Group reinsurance will be passed on to the mutual Members.
- The standard deductible will be increased to \$7,500 for the 2013 policy year.
- Release calls reduced on open policy years
- An explanation of the financial background to the Board's decisions can be found in the "October Review 2012" which accompanies this Circular.

TO THE MEMBERS

Dear Sirs

REVIEW OF OPEN POLICY YEARS & 2013 POLICY YEAR GENERAL INCREASE

At its meeting on 29th October 2012, 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 2013.

2010 policy year

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

2011 policy year

There is no supplementary premium estimated for this policy year. The release call is set at 5 per cent of mutual premium plus any outstanding instalments of mutual premium. There will be a Mutual Premium Discount of 2.5 per cent to be applied to the year and deducted from the fourth instalment of the mutual premium, which is due for payment in December 2012 (see below).

2012 policy year

There is no supplementary premium estimated for this policy year. The release call is set at 12.5 per cent of mutual premium plus any outstanding instalments of mutual premium.

2013 policy year - General Increase and Mutual Premium Discount

The Board has concluded that the premium rating of all Members shall be increased by 7.5 per cent, plus any increase in the cost of the International Group reinsurance premium for 2013 for the mutual Members.

The decision to make a 7.5 per cent General Increase reflects the Board's determination to keep the Club's underwriting in balance. However, the Board is also well aware that the shipping markets are likely to remain depressed for at least the medium term and that any increase in cost will be unwelcome.

Given the strong capital position that the Club has achieved over the past two years, the Board has decided to ameliorate the impact of the General Increase decision by declaring a Mutual Premium Discount of 2.5 per cent on the total mutual call for 2011 policy year. This discount, which is the equivalent of a return of capital, will be applied by way of a credit to the final instalment of the 2011 policy year mutual premium and will amount to a 10 per cent reduction for all mutual Members for that instalment.

The release call is set at 15 per cent of mutual premium plus any outstanding instalments of mutual premium. As normal, mutual premium for 2013 will be payable in four instalments. A detailed explanation of the background to the Board's decisions can be found in the "October Review 2012" which accompanies this circular. Both documents are also published electronically in the "Club Circulars" section of the website, (www.ukpandi.com).

Release calls

For many years it was the policy of the UK Club to charge 5 per cent of mutual premium rating as the release call. This policy only changed at times of greater claims uncertainty; most recently in 2008 when the level of release calls reflected the level of uncertainty over the outcome of the open policy years. Over the past year the claims position has improved and the level of the release calls has been reduced to reflect that improvement. The current and the forthcoming policy year obviously carry the greatest level of uncertainty which is reflected in the release call rates for these years.

Deductibles

The standard deductible will be increased to \$7,500 any claim per event, including fees and expenses, for the 2013 policy year (or the dollar equivalent in other currencies). Members will still be able to elect for different deductibles to 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

THOMAS MILLER (BERMUDA) LTD.

CONTACT

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