

CIRCULAR

OUTLINE

- Mutual Premium Discount of 3 per cent on the total mutual premium for the 2015 policy year.
- Standard deductible will be \$12,000 per event for the 2017 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 "Autumn Review 2016" which accompanies this Circular.

TO THE MEMBERS

REVIEW OF OPEN POLICY YEARS AND 2017 POLICY YEAR GENERAL INCREASE

At its meeting on 19th November 2016, 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 2017.

2014 policy year

There is no supplementary premium estimated for this policy year. The release call is set at 0 per cent. Members previously received a Mutual Premium Discount of 10% of the fourth instalment.

2015 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 three years, the Board has declared a Mutual Premium Discount of 3 per cent on the total Mutual Call for 2015 policy year. This discount will be applied by way of a credit to the final instalment of the 2015 policy year mutual premium and will amount to a 12 per cent reduction for all mutual Members for that instalment.

In the last five policy years, this is the third time that a mutual premium discount has been applied. The Club has returned approximately \$26 million to Members through these premium discounts.

2016 policy year

The release call is set at 10 per cent of mutual premium plus any outstanding instalments of mutual premium.

There is no supplementary premium estimated for this policy year.

2017 policy year

For the 2017 policy year, the Board has elected not to announce a General Increase applicable to all Members, but has instructed the Managers to focus on the risk each Member brings to the Club.

The release call is set at 15 per cent of mutual premium plus any outstanding instalments of mutual premium.

As usual, mutual premium for 2017 will be payable in four instalments.

A detailed explanation of the background to the Board's decisions can be found in the "Autumn Review 2016" 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, counterparty default risk, market risk and operational risk.

Deductibles

The standard deductible will increase to \$12,000 per event, including fees and expenses, for the 2017 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.