



The Shipowners' Protection Limited
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Managers of
**The Shipowners' Mutual Protection and
Indemnity Association (Luxembourg)**

TO ALL MEMBERS

October 2009

POLICY YEAR RENEWAL 2010/11

The Directors met on 15th October and considered the renewal for the policy year 2010/2011. In doing so they took into account the overall financial position of the Club as well as the underwriting position and projected claims for both open and closed policy years.

So far as the finances of the Club are concerned, the Annual Report recorded a loss on our investments at 20th February this year of US\$61 million but, as financial markets around the globe have shown signs of recovery so far this year, so a significant proportion of this loss has itself been recovered.

The Club returned to a technical underwriting surplus during the 2008/9 policy year but it is too early to anticipate how the 2009/10 policy year will develop. Despite a return to more conventional claims patterns following the unusually bad results in 2006 and 2007, current figures point to a continued upward trend in the number and average value of claims overall. This continued increase, particularly in respect of higher level claims falling on our reinsurance, has resulted in the Club's own reinsurance costs rising over the last three years both in relation to the cost of reinsurance excess of US\$500,000 and, in particular, in relation to the Club's contributions to Pool claims excess of US\$7 million. We have ourselves had four claims falling on the Pool since 2006 which have led to an adverse record with the Pool.

While we have historically absorbed any increased cost of reinsurance within our renewal proposals, the Directors decided that Members' P&I premiums should be increased at the next renewal by 5% to reflect these accrued higher reinsurance costs, particularly the Club's Pool contributions. Consequently, only those vessels which are declared to the Pool will be subject to the 5% increase. This increase will not apply to those smaller vessels which are placed against the Club's non-pooled programme which has a limit on cover of US\$500 million.

As ever, our underwriters will continue to focus on vessel sectors and specific Members whose claims levels show an adverse trend. Where Members' individual loss records justify it, we will seek specific premium increases. Additionally, where we consider deductible levels to be inadequate or historically low, we will take steps to increase them to a more meaningful level.

The estimated supplementary call will be maintained at 10%.

FD&D premiums will be renewed at expiring levels, subject to Members' individual claims records.

We will also be applying an additional 5% to current premium levels for contractual and other extensions to standard P&I cover.

By seeking premium increases principally to offset the increase in the Club's own reinsurance costs, the Directors have recognised the difficult trading conditions which many Members are experiencing. We believe that these measures will position the Club well to meet anticipated future claims levels.

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