

TO ALL OWNERS AND MEMBERS

15 October 2012

Dear Sirs

FINANCIAL POSITION OPEN POLICY YEARS INVESTMENTS RENEWAL 2013

The board reviewed the club's financial position, the open policy years, investments and the requirements for the 2013 renewal at its meeting on 12 October 2012.

FINANCIAL POSITION

The club remains in good financial health. A small increase in free reserves is currently forecast for the year end, with a positive investment return compensating for an underwriting deficit in the current policy year.

OPEN POLICY YEARS

P&I CLASS

2010/11: Claims in this year have improved slightly. No call in addition to the Estimated Total Premium is expected, and the board determined that the release call margin should be set at 5%. The year is expected to be closed in May 2013.

2011/12: Claims in this year are slightly better than previously forecast, but an underwriting deficit is still expected. No call in addition to the Estimated Total Premium is expected, and the board determined that the release call margin should be set at 10%.

2012/13: Although it is too early to be certain about the outcome of this policy year, claims are developing broadly in line with those in the previous policy year, and a small underwriting deficit is again expected. However, no call in addition to the Estimated Total Premium is expected, and the board determined that the release call margin should be set at 15%.

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DEFENCE CLASS

The club has experienced a much higher level of claims in all recent years, a reflection of the continuing difficult trading conditions facing many ship owners, and the claims level is unlikely to abate in the foreseeable future. However, no call in addition to the Estimated Total Premium is expected.

The board determined that the release call margins should be 10% for the 2010/11 and 2011/12 policy years and 15% for the 2012/13 policy year.

INVESTMENTS

The club's investment portfolio returned 3% in the seven months to end September 2012. The portfolio remains defensively positioned against its benchmark.

RENEWAL 20 FEBRUARY 2013

P&I CLASS

The board has sought to balance the club's need to achieve a balanced underwriting result against the very difficult trading conditions facing many owners/members, and decided that a general increase of 7.5% in rates is appropriate.

As last year, the board is keen to ensure that deductibles contribute towards achieving a satisfactory underwriting result and has therefore determined that deductibles will be increased by 5%, with those up to and including \$10,000 increased by \$1,000. As usual, any increase in the cost of the International Group excess loss reinsurance programme will be passed on to owners/members.

The instalment pattern of premium payments will remain as in the current year with 68% of ETP being payable during the policy year and 32% of ETP payable in November 2014.

The board determined that the release call margin for the 2013/14 policy year should be set at 15% initially.

DEFENCE CLASS

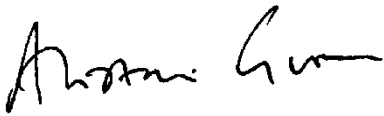
Claims in this class are running at much higher levels than was historically the case. Accordingly, the board determined that a general increase in rates of 15% should be applied.

The board determined that the release call for the 2013/14 policy year should be set at 15% initially.

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A further update will be issued in due course in relation to other renewal matters, such as any possible changes in relation to the club's reinsurances, war and terrorism risks, US voyage surcharges for tankers and limits on cover.

Yours faithfully



Alistair Groom
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