



CHINA SHIPOWNERS MUTUAL ASSURANCE ASSOCIATION

CPI Underwriting 2015 No.6

Date: 25th November 2015

To the Members,

Renewal 2016 Policy Year

As the renewal of 2016 policy year is coming soon, in order to provide better services to all members and to complete the renewal smoothly, the Managers would like to advise the relative issues regarding the renewal as below:

During the past months of 2015 policy year, along with the more old ships being scraped and the more new-building ships being delivered, the Association is encountered with the severe “churn effect” which likely to make the Association produce underwriting deficit. To eliminate the negative impact from the “churn effect”, the adjustment of premium for the entered ships is necessary at the forthcoming renewal.

Up to 20th August 2015, the notified P&I claims for 2015 policy year have developed favorably. Nevertheless, the average cost of each claim rises constantly according to the statistics of recent years and the major claims also probably occur in the last season of the policy year (from 20th November to February 20 next). It means that the Association must reserve sufficient premiums to meet claims inflation and volatility.

To date, recovery in global investment markets has been limited. Almost all IG clubs have reported pessimistic expectation for investment income for the whole 2015 policy year. IG also approved an increase in the individual club’s retention from US\$ 9 million to US\$ 10 million with effect from 20th February 2016. Most of IG clubs announced a general increase in premium from 2.5% to 5%, while some of them also required an increase in deductibles for 2016 renewal. The Association is under the pressure of higher reinsurance cost.

Application for joining the International Group of P&I Clubs requires the Association to

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maintain a stable financial position, especially to keep the underwriting result in a break-even level. The return-premium policy has been implemented from a satisfactory performance according to the resolution of the Board of the Association for 13 consecutive years, which fully embodied the mutual mechanism of a P&I Club.

Taking into consideration of all the above mentioned aspects, in accordance with Rule 21 of the Rules of the Association, the Managers made the following decision:

1. Owners' P &I entry 2016

A general increase of 2% shall apply to all advance call and the increase of the Group Reinsurance cost shall apply to all Members. The estimated supplementary call is 20% of the advance call with a further 15 % release call. In addition, adjustment to Members' advance calls will be made to reflect their risk exposure and anticipated claims experience.

2. Charterers entries 2016

A general increase of 2% shall apply to all fixed premium rate for charterers entry. After applying to the general increase of 2%, Members' rates and deductibles for Charterers Entry will be further adjusted according to the Members' loss ratio, entry terms and conditions.

3. F D&D 2016

A general increase of 2% shall apply to all advance call for F D&D insurance. The estimated supplementary call is 20% of the advance call with a further 15% release call. In addition, adjustment to Members' advance calls will be made to reflect their risk exposure and anticipated claims experience.

4. Commission of insurance brokers

For any member who concludes the renewal contract with the Association through the member's appointed insurance brokers, the calculation of Members' loss ratio will be based on the premium after deducting the commission of the insurance brokers.

5. No renewal for any member having overdue payment

As at 20th February 2016, where a member fails to pay any premium or any other sum due to the Association, unless otherwise agreed by the Managers, any and all ships of the member will not be renewed, and the Managers will notify other P&I clubs and other parties concerned of the Member's such non-payment.

6. Condition survey

Any ship which failed to meet the Managers requirement to undergo a condition survey or a follow up condition survey, or to rectify the defects which were listed in the surveyor's report on or before 20th February 2016, will not be renewed, unless otherwise agreed by the Managers.

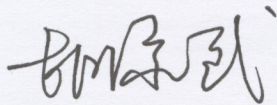
7. Call payment

The advance Call for owners' entry in both P&I and FD&D and the fixed premium for charterers entry for 2016 shall be payable in two equal installments on or before 20th April 2016 and 20th August 2016. Overdue payment of the aforesaid calls and premiums and any kind of calls and premiums due to the Association shall be levied interest at an annual interest rate 7% for the period of such overdue payment.

8. Return-premium policy

The return-premium policy will be implemented in 2016 policy year subject to the final decision by the Board of Directors.

Yours faithfully,



Hu Jingwu

Managing Director

for China Shipowners Mutual Assurance Association