



CHINA SHIPOWNERS MUTUAL ASSURANCE ASSOCIATION

CPI Underwriting [2016] No.12

2 December 2016

To the Members

Dear Sirs,

Renewals 2017 Policy Year

As the renewals of the 2017 policy year is coming soon, in order to provide better services to all Members and to proceed the renewals smoothly, the Managers would like to notify the relevant matters regarding the renewals for 2017 policy year as below:

During the past months of 2016 policy year, with the outflux of a large number of old aged ships and the influx of a considerable number of new building ships, the Association encounters severe "churn effect" on premium. It is prudent for the Association to adjust the premium to eliminate the negative impact from the "churn effect".

Comparing with the same period of last policy year, this year up to now has seen slight decrease of the number of claims while claim amount increased significantly, which leads to an overall negative claims trend.

The Amendments 2014 to the Maritime Labour Convention 2006 will enter into force on 18 January 2017. It is necessary for the Association to build up the corresponding reserves to cope with the potential claims regarding to the repatriation, maintenance and wages of crew on abandonment, which is outside of the scope of the standard P&I insurance, arising from the financial security to be issued by this Association for the Members to comply with the Regulation 2.5.2 of Maritime Labour Convention,

In recent years, the Association maintains a stable financial position. The return-premium policy has been implemented over 14 consecutive years, which fully embodies the mutual mechanism of a mutual insurance association and reduces the insurance cost of the Members.

China Shipowners Mutual Assurance Association

Add: Building No. 12, Courtyard No. 1, Wuliqiao No. 1 Street, Chaoyang District, Beijing, P. R. China. PC: 100024
Tel: 0086 10 59223521 Fax: 010 59621611 (Claims) 59621612 (U/W)

In order to ensure the healthy growth and the sustainable development of the insurance business of this Association, and to keep the underwriting results at break-even, the premium adjustment for the entered ships is necessary at the forthcoming renewal. However, the situation of deep depressed freight market has not changed fundamentally over the past 12 months. In this circumstances, from the view of the Managers, to support the members to lessen the immediate premium increase should be prioritized.

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

1. Owners P & I Entry 2017

No general increase will be applied to advance call for 2017 renewal.

The estimated supplementary call is 20% of advance call with a further 15% release call.

As usual, the premium adjustment will be made to reflect the individual Members' claims experience and risk exposure and to pass on to Members any adjustments in the costs of the International Group reinsurance programme, whether up or down.

2. Charterers' Entries 2017

No general increase will be applied to fixed premium for charterers' entries. The fixed rates and deductibles for charterers' entries will be adjusted based on the Members' loss ratio, entry terms and conditions.

3. F D&D 2017

No general increase will be applied to advance call for F D&D insurance.

The estimated supplementary call is 20% of advance call with a further 15% release call.

The premium adjustments will be made to reflect the individual Member' claims experience and risk exposure.

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 the Member's loss ratio will be based on the premium after deducting the commission of the insurance brokers.

5. No renewals for any Member having overdue payment

As at 20 February 2017, where a Member has failed 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 shall not be renewed, the Managers will notify to other P & I clubs and the relevant parties concerned of

the Member's non-payment records.

6. Condition Survey

As at 20 February 2017, any ship which has 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, shall not be renewed, unless otherwise agreed by the Managers.

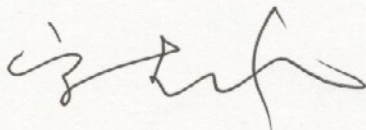
7. Advance Call and Fixed Premium Payment

The advance call for owners' P & I entries, F D&D and the fixed premium for charterers' entries for the 2017 policy year shall be payable in two equal installments on or before 20 April 2017 and 20 August 2017. The Association shall levy the interest at an annual interest rate 7% on the base of the overdue payment amount for the period of the overdue.

8. Return-premium policy

The Association will continuously implement the return-premium policy in 2017 policy year as the Association has done in the previous 14 consecutive policy years subject to the resolution of the Board of Directors.

Yours faithfully,



Song Chunfeng

Managing Director

China Shipowners Mutual Assurance Association