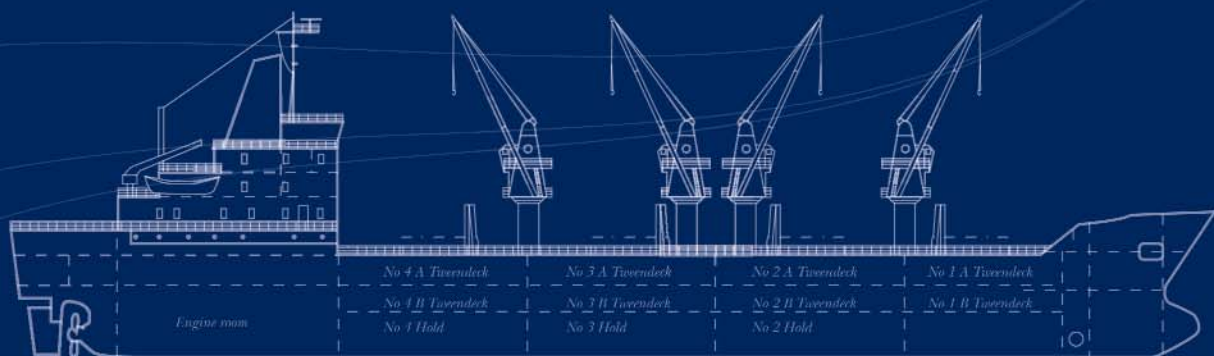




Protection & Indemnity

Market Review 2005/06

Willis



Protection & Indemnity

Market Review 2005/06

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Probably the most significant factor was the continuing increase in paid claims levels for the year. In terms of gross paid claims the market experienced increases of 6.6 % and 7.2% in 2003/04 and 2004/05 respectively.

Summary

February 2005

The P&I renewal at 20 February 2005 was the fourth consecutive year in the current hard market phase. There was a range of general increases announced by the individual Clubs, but the actual overall market increase was in the region of 7%.

The 2005 renewal did however show signs of more flexibility from underwriters in terms of actually trying to assess risk rather than seeking to automatically apply published general increases.

From an International Group (IG) reinsurance perspective the two main developments were the increase in individual Club retentions from USD 5 million to USD 6 million and the activation of the IG captive Hydra.

Results of the 2004/05 Financial Year

Probably the most significant factor was the continuing increase in paid claims levels for the year. In terms of gross paid claims the market experienced increases of 6.6% and 7.2% in 2003/04 and 2004/05 respectively.

There has been much discussion that greater utilisation and pressure on turnaround of ships as a result of the buoyant freight market would result in a greater number and size of claims. The last two years of reported claims appear to support this theory, but as ever this short term trend needs also to be set against a background of generally increasing limitation and more onerous operating environment.

Premiums rose by a slightly greater margin than paid claims, which in turn improved the operating result for the market. The operating deficit was still not eliminated, but it was reduced to less than USD 23 million (approximately a 1% deficit).

After the spectacular returns in 2003/04, investment income returned to more normal levels, with average returns between 5 and 6% in 2004/05.

Largely as a consequence of the reduction in investment income, and in spite of the improved operating result, the overall market surplus in 2004/05 was actually down compared to the previous year. Even so the overall result was still positive and Total Assets and Free Reserves increased by 4.5% and 6.4% respectively.

Combined Total Assets and Free Reserves are now at the highest level ever registered by the market.

February 2006

Despite the generally positive overall market finances, not all Clubs face a similar financial outlook.

On average general increases will be reduced for renewal in February 2006, but a number of Clubs are still seeking double digit rate increases. This spread of announcements broadly reflects the fact that certain Clubs continue to need the increases to attain operating balances; while for most Clubs the 2006/07 increases will represent a continuation of the process of further building reserves.

Reinsurance cost is likely to be a more significant factor than it has been for the last two renewals. With the hardening in the reinsurance market and the recently deteriorated record in the lower layers of the International Group (IG) programme it would be surprising if material rises were not seen in the IG's reinsurance costs at 20 February 2006.

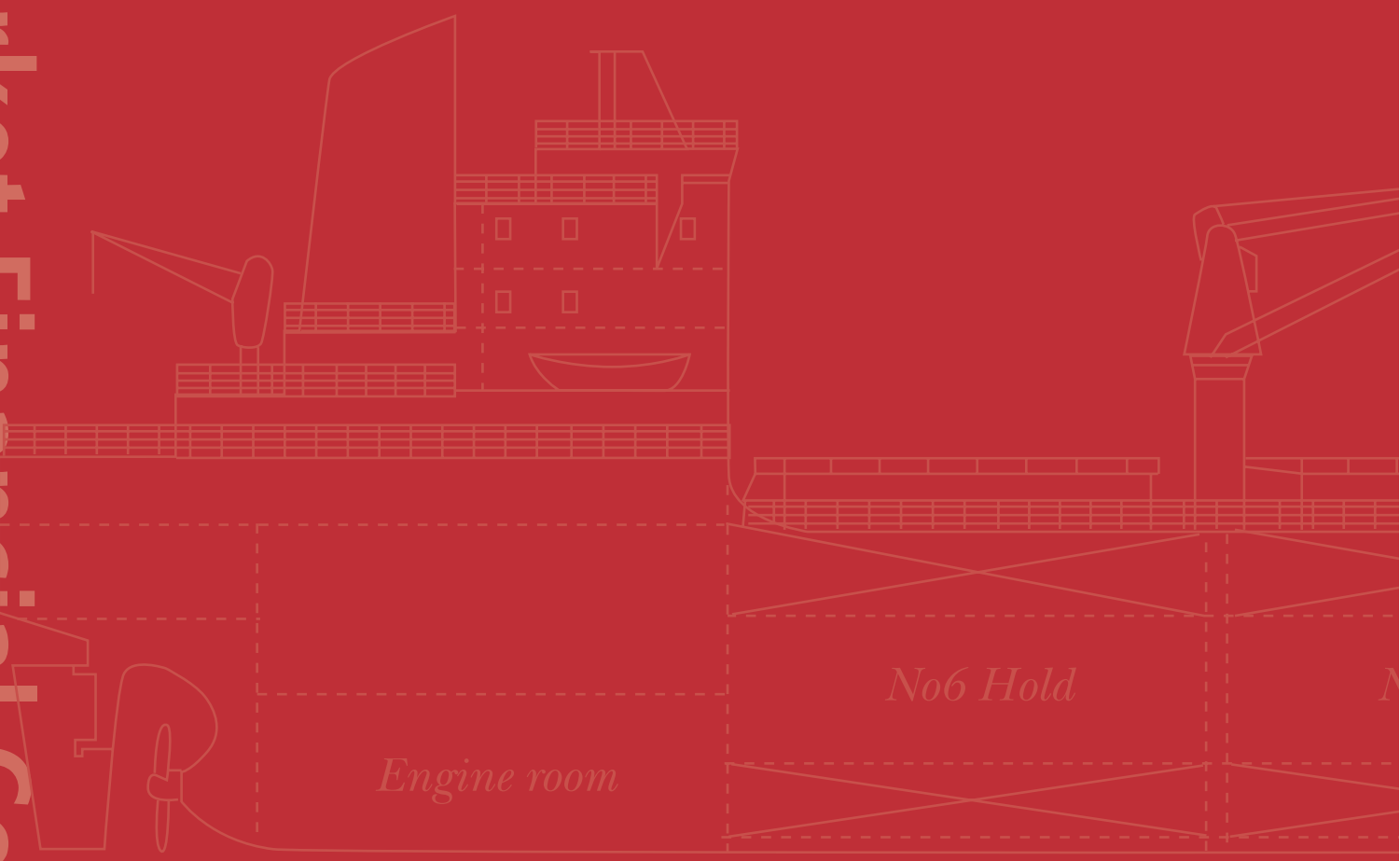
Operators with well managed fleets and positive loss records will again be applying pressure on underwriters to differentiate their renewals by the individual rating of risk, notwithstanding the announced general increases. There were signs of Clubs responding with some flexibility in 2005 and hopefully following cumulative increases, averaging in the region of 60% over the last four years, this pattern will be continued and expanded in 2006.

Market Predictability

Previous Willis P&I Reviews have highlighted that it is possible to identify trends in the market and predict these going forward with reasonable accuracy. In a continually changing market the value of the professional advisor continues to be the ability to ensure that risk is addressed and the most competitive sustainable terms are achieved.

As in previous years, this report provides a general overview of the quantitative aspects of the P&I market. The Willis P&I team would be happy to expand in more detail on any issues raised and how they might affect individual operators.

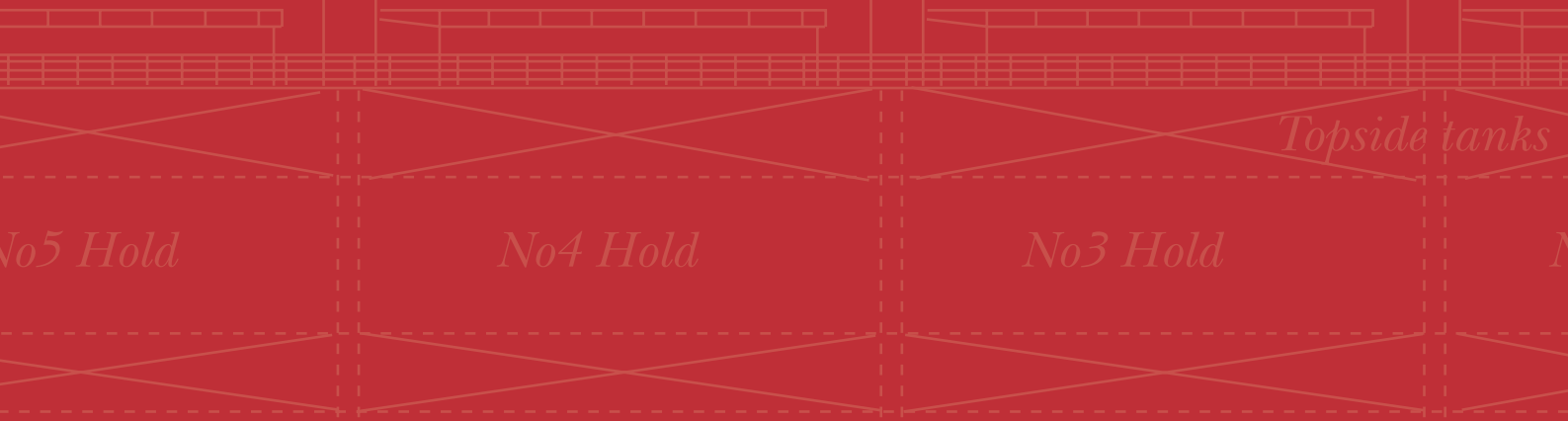
Market Financial Commentary



Market Financial Commentary



There were no major surprises in the Clubs' published financial results, although probably the most significant factor was that claims continued to rise in line with expectation against the background of an active freight market. This feature, along with a full analysis of the market results, is discussed in the following section.



Market Financial Commentary

Overview

The financial predictions for the market made in our P&I Review last year have again been broadly realised in the Clubs' published financial results. The highlights from the combined results of the International Group (IG) market are as follows:

- We expected underwriting deficits to improve to 'on or about break even' level. The actual result was a 1% deficit.
- A return to investment income results in the 2-5% range was predicted. The final return was marginally better, with an average return just over 5%.
- We believed that total Asset levels would be back up to the level of, or even marginally exceed the 1999/2000 year (the previous high point for the market). The actual result exceeded 1999/2000 by 3.5%.
- We were confident that the market would remain in an overall surplus position (including investment income), but estimated a reduced surplus in the region of USD 200 million. The actual overall surplus was indeed reduced, but still remained slightly higher than our estimate, at USD 227 million.

While there were no major surprises, probably the most significant result was that claims levels continued to rise in line with expectation against the background of an active freight market.

Note (Basis of Figures)

The figures used in the following sections are collated from the International Group (IG) P&I Clubs. The basis on which we have extracted and summarised the Clubs' figures is consistent with our previous P&I Reviews. A definition of what is included under each financial heading is outlined in the Introduction to the Club Financial Pages (pages 28).

The following sections therefore represent the P&I Market results for approximately 90% of the world fleet. All the figures are based on the consolidated financial year results and are in USD, 000s.

Marginally Improved Gross Underwriting Surplus

Following the fourth year of a hard market it would be a surprise if anything other than an improved underwriting result was reported.

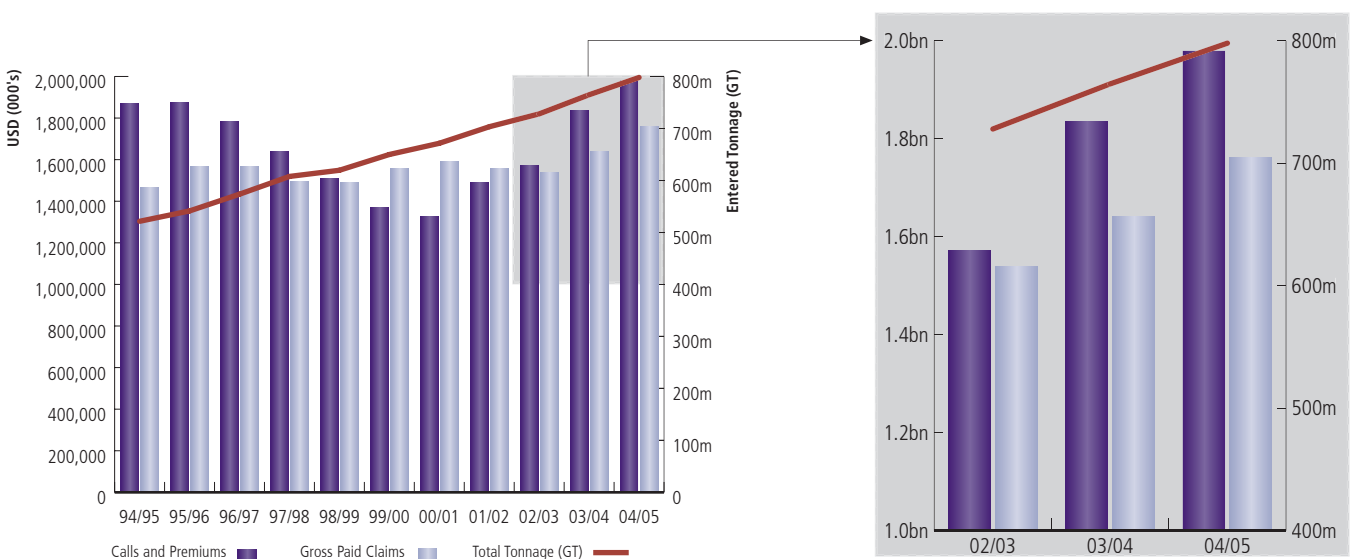
Total premiums paid increased by nearly 8%. This was however almost matched by the increase in gross paid claims (+ 7.2%).

This increase in gross paid claims is the largest percentage increase in over ten years. The 2004/05 year also represents the highest annual gross paid claims figure recorded by the market.

The end result was only a marginally improved 'gross' paid underwriting surplus.

The historical development of paid premiums compared to gross paid claims is shown in the following graph.

Market Development of Paid Premiums and Gross Paid Claims



Market Financial Commentary continued

Background to increased claims levels

We have outlined in our last couple of reviews the market's concern that greater utilisation and pressure on turnaround of ships as a result of the buoyant freight market would result in a greater number and size of claims.

This apprehension continues to be reiterated by the Clubs, both in their published Report and Accounts and anecdotally by claims executives generally.

There have clearly been increased claims levels over the last two reported periods. In terms of gross paid claims the market experienced increases of 6.6% and 7.2% in 2003/04 and 2004/05 respectively.

These increases are unlikely to be solely as a result of the more intense demands on shipping in the current freight market. The freight market pressures have to be taken against a general background of increasing limitation on ship owners and an increasingly onerous operating environment.

The underlying claims trend had previously been one of relative stability, with reducing numbers of claims being offset by increased size of individual claims. Even after the current freight boom subsides there is an expectation that the size of individual claim awards will continue to rise, and it is unlikely that the numbers of claims will reduce to materially offset this.

Net Technical Result Almost in Balance

The combination of increased premium income, relatively stable expenses and reduced reinsurance costs increased the 'net' market income (operating income) by 16.5% between 2003/04 and 2004/05.

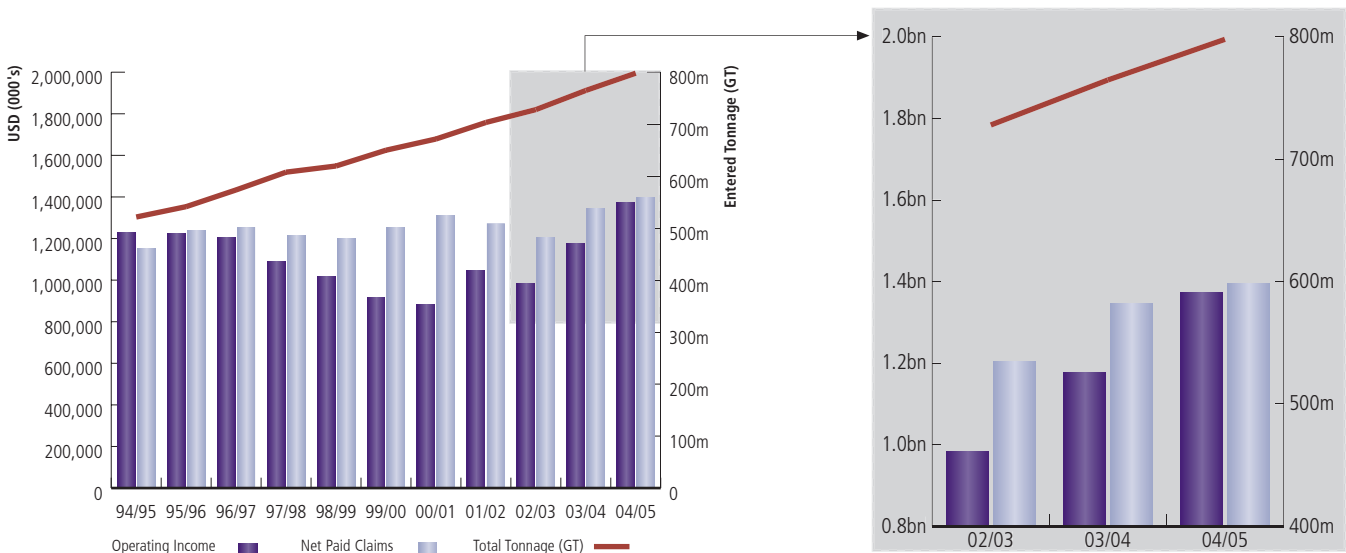
Fortunately reinsurance recoveries were relatively favourable overall, keeping the increase in net paid claims down to just less than 4%.

As a consequence the 'net' underwriting (operating) deficit for the market was improved by nearly USD 145 million. The operating deficit was still not eliminated, but reduced to less than USD 23 million (approximately a 1% deficit).

Although marginal, 2004/05 represents the tenth consecutive year of overall 'net' operating deficits for the market.

The 'net' underwriting (operating) development from 1994/95 to 2004/05 is shown in the following graph.

Market Development of Operating Income and Net Paid Claims



Market Financial Commentary continued

Positive Overall Result, Relying on Investment Income

The graph below highlights the development of the operating result and compares it to investment income. The combination of operating result and investment income gives the overall result for the market (red line in the graph).

Following the extraordinary investment returns in 2003/04, the most recent reported period presented more 'normal' investment levels. The actual results varied from Club to Club, but investment returns in the region of 5% were typical.

The impact of investment income on the overall result is clear from the graph. Despite the marginal operating deficit, the contribution by investment income allowed the market to report an overall surplus of USD 231 million.

Continuing to Rebuild Reserves

The overall market surplus in 2004/05 was materially reduced from the previous year, but still allowed growth in total Assets and Free Reserves by 4.5% and 6.4% respectively.

This speed of growth is significantly down on the previous year (when Assets improved by almost 13% and Free Reserves by just over 38%) though as outlined above, this was expected due to the exceptional investment income in 2003/04.

The trend in development of Total Assets and Free Reserves within the IG market over the last ten years is highlighted in the two graphs opposite.

In summary:

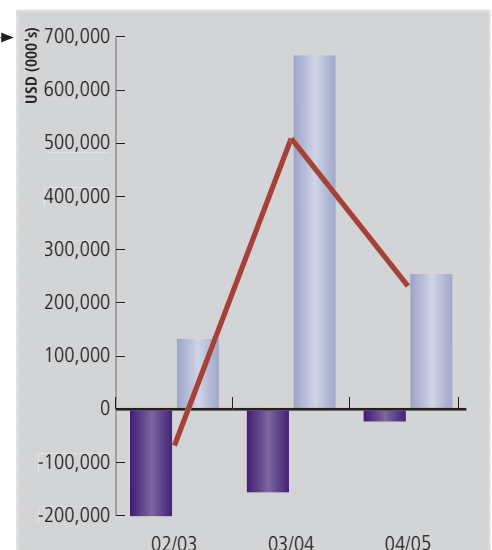
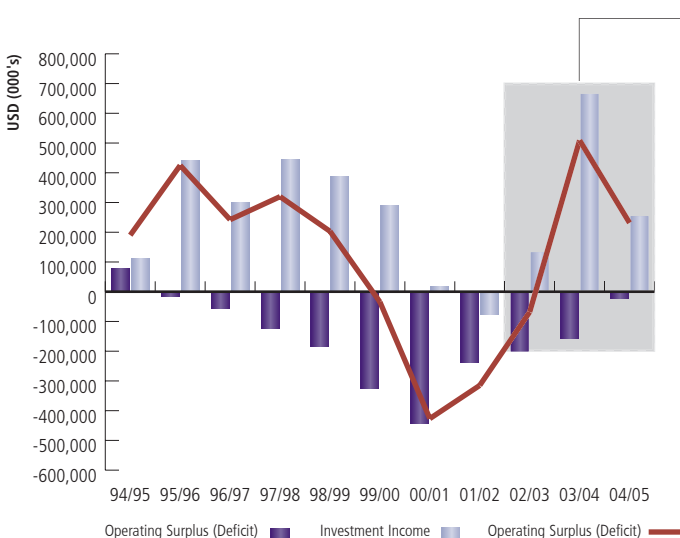
- Assets and Free Reserves grew progressively between 1994/95 and 1998/99; the growth slowing to a previous high point in 1999/2000.
- From 1999/2000 to 2002/03, total assets reduced by roughly USD 754 million (a deterioration of 13.5%) and then stabilised. Over the same period Free Reserves dropped by over 27%.
- 2003/04 was the first year of material recovery, which was followed by a more incremental growth in 2004/05. Total Assets and Free Reserves are now at the highest level ever registered by the market.

The first graph displays how the free reserves are constituted by also including information regarding estimated Outstanding Claims and Forecast Additional Calls (in addition to the levels of total Assets and Free Reserves).

The second graph, in order to highlight the overall trends more clearly, simply shows Assets, Free Reserves and Outstanding Claims levels.

The graphs highlight that the Clubs' estimates for Outstanding Claims over the last two years have started to creep up (by 2.5% in 2003/04 and by 3.5% in 2004/05). This follows the opposite trend of the previous four years. Between 1999/00 and 2002/03 outstanding claims estimates reduced by over 7%.

Market Underwriting Development

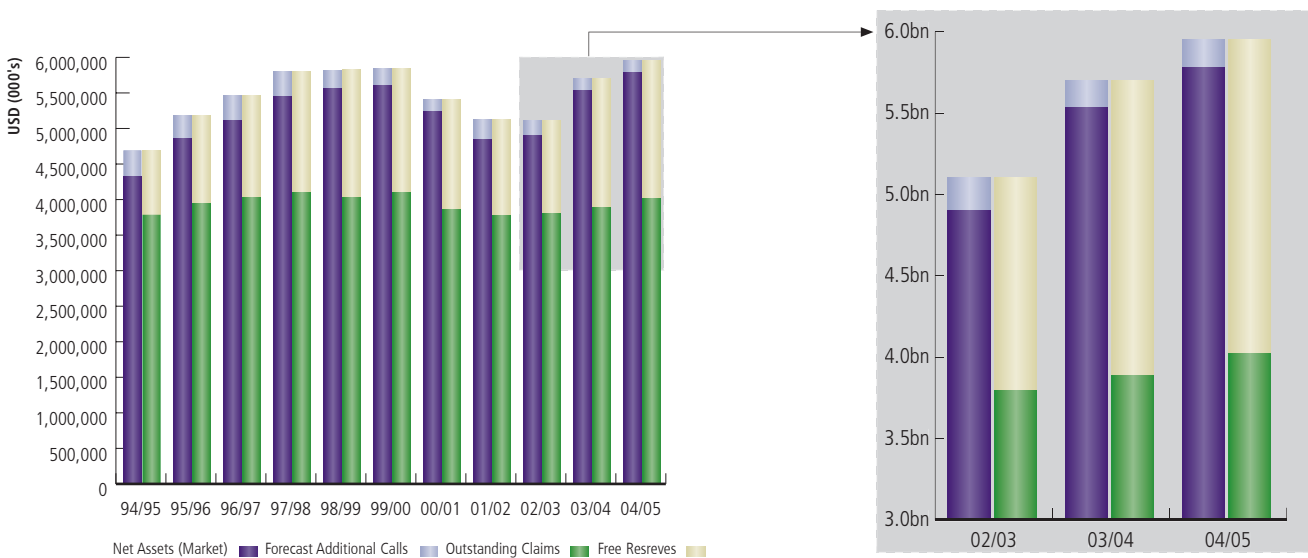


Market Financial Commentary continued

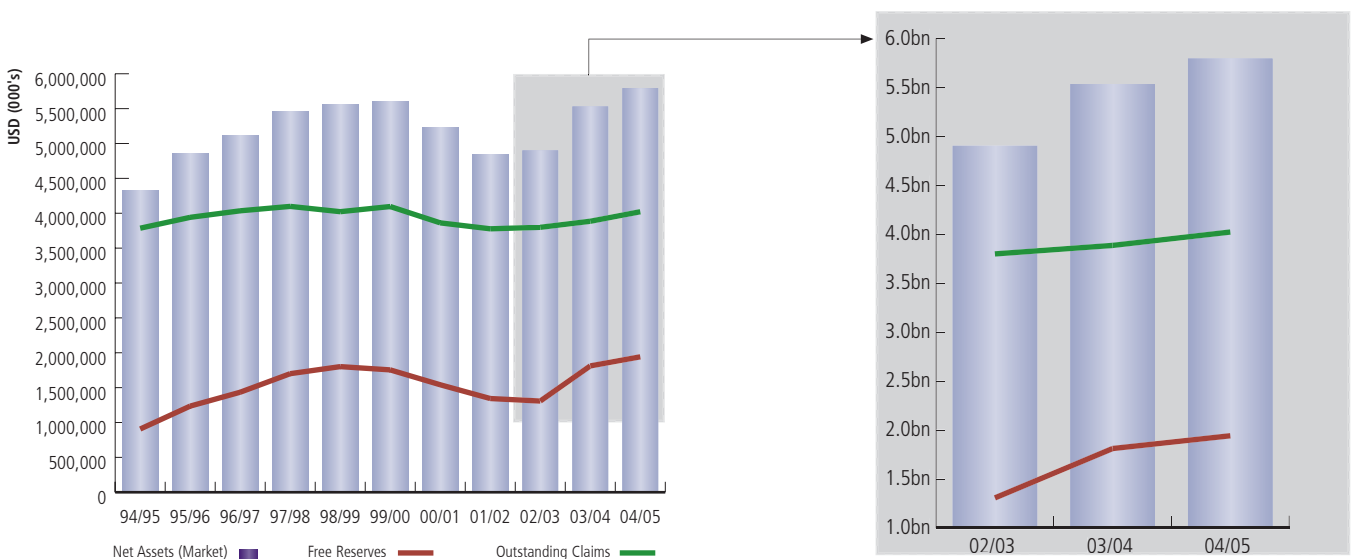
The reduction was probably as a result of the Clubs squeezing out all superfluous amounts from the outstanding claims estimates. More ominously however it could be an indication that individual Clubs were possibly understating their outstanding claims to enhance their Free Reserves figures.

For most Clubs the increase in outstanding claims over the last couple of years is only to be expected in the context of the current claims environment. For one or two Clubs however the speed of growth in outstanding claims estimates may indicate more worrying trends.

Market Development of Assets and Free Reserves – Breakdown



Market Development of Assets and Free Reserves



Market Financial Commentary continued

Future trends

Our expectation noted in last year's report was that the overall claims levels will continue to increase in the short term. As highlighted earlier the financial results show that overall market claims levels have edged upward over the last two years. The analysis still holds up in the current shipping market and we would expect a similar pattern to continue. A dramatic increase is not expected, however a continued, gradual rise in total claims looks likely.

The renewal at 20 February 2005 was the fourth year of the current hard market phase. Premium increases actually obtained varied from Club to Club, but overall for the market they were in the range of 7%.

For the market overall we expect the 2005/06 operational result to show the first surplus for 11 years. The operating surplus is unlikely to be enormous, but should be in the region of USD 50 million.

The last five years have seen quite dramatic fluctuations in investment income results. The range has been from negative results (to the tune of approximately -3%) to enormous levels (in the 15 to 20% range) and some fairly mediocre years in between. There continues to be a degree of uncertainty about the level of future results, but most Clubs expect returns for 2005/06 to be similar, or perhaps marginally lower, than those for the 2004/05 year.

Combining the expected improvement in underwriting results and anticipated investment returns in the 5% region, 2005/06 should show an increased overall market surplus. Depending largely on the investment climate, this overall surplus is expected to be around USD 300 million for the market.

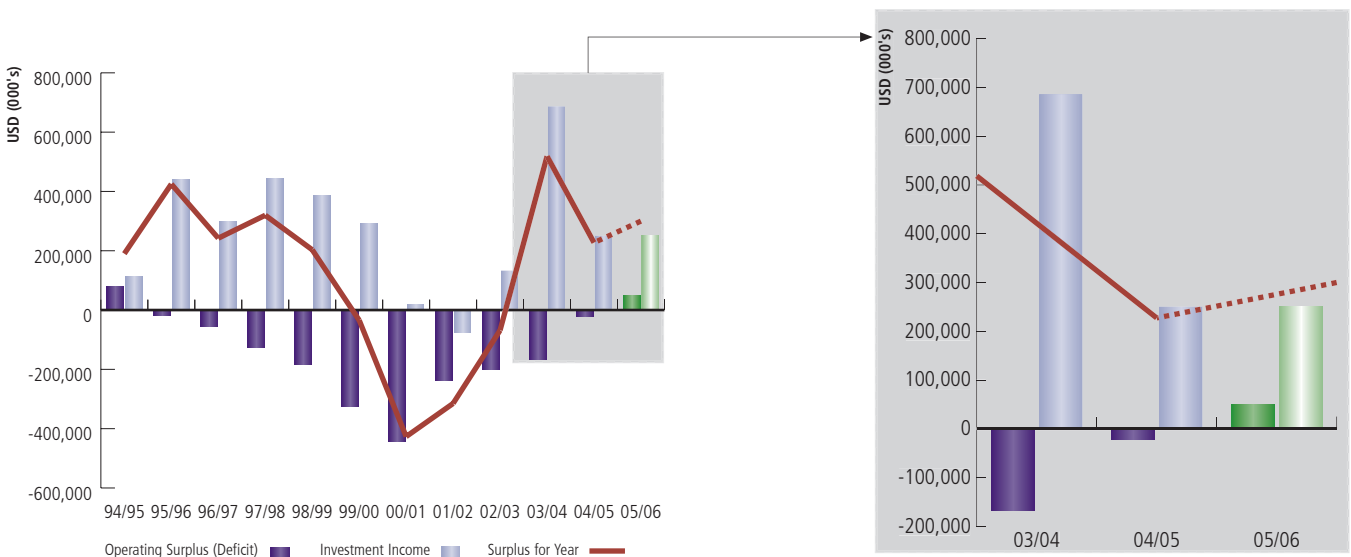
These future projections are displayed in the graph below.

In terms of total Assets within the market, 2005/06 should therefore represent a new 'high point' for the IG. In a similar way to the underwriting development, our projections on the development of the Reserve base of the market are shown in the graph on the opposite page.

Despite the recent hard market and some positive investment income results in the last couple of years, there continues to be a wide variation in financial strength between individual Clubs in the market. Some of the stronger Clubs have tended to be able to (re)build reserves quicker than the weaker Clubs. There are still challenges ahead for certain Clubs if they are to sustain calling stability in the next couple of years.

Roughly half of the Clubs achieved operating surpluses in 2004/05. It is likely however that a minority of Clubs will not achieve this even by the end of 2005/06. This differential is likely to be one of the factors reflected in the relatively 'wide spread' of general increases announced by the Clubs for the 2006 renewal.

Market Underwriting Development, Projected Forward



Market Financial Commentary continued

The average of the announced general increases is likely to be reduced from 2005, however the range will actually be greater than in 2005 (at least a 15% variance from the lowest to the highest general increase in 2006, compared to a 12.5% variance in 2005).

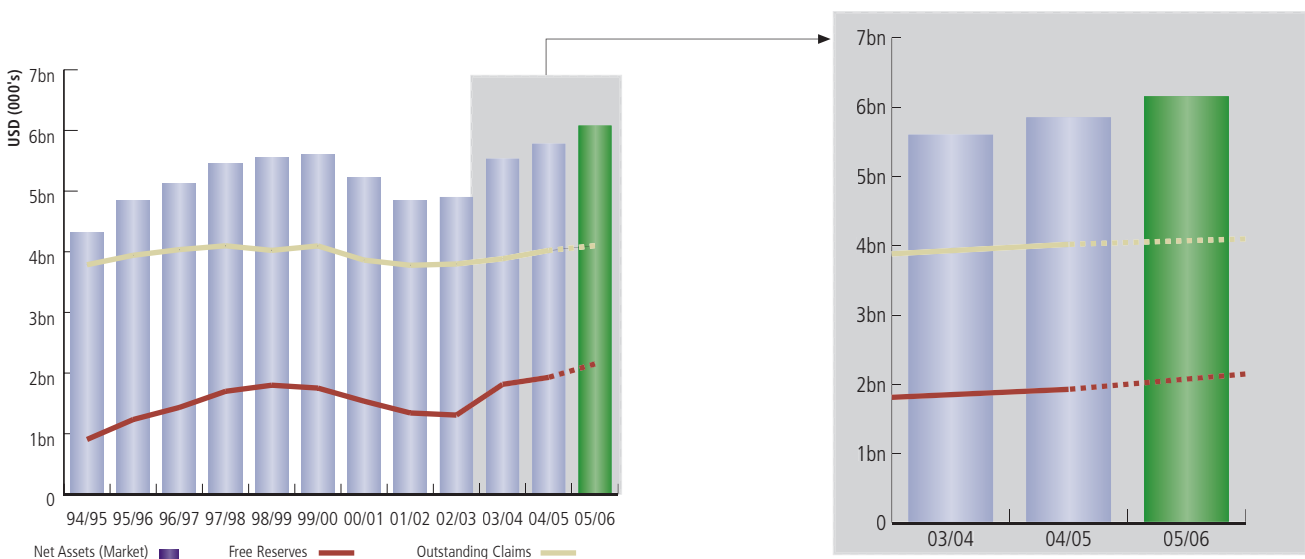
The specific motivation behind the increases continues to vary from Club to Club, however the 2006/07 increases will in essence represent reserve building measures for most Clubs.

From 2005, United Kingdom (UK) based P&I Clubs came under regulation from the UK Financial Services Authority (FSA). With this, two new regulatory measures came into force relating to Capital held by insurers. The first of these, the Enhanced Capital Requirement (ECR) is a relatively straightforward measure, essentially an uplift of the European 'Solvency I' requirements. In addition, the FSA have/are introducing a more complicated 'Individual Capital Requirement' (ICR) which requires the Clubs to evaluate their own risk areas and make an 'Individual Capital Assessment' (ICA) (i.e. their own assessment of how much 'head room' they have in their reserves for unexpected fluctuations/risk). This is quite a complex analysis, and each analysis is unique to each particular insurer.

For Clubs regulated outside of the UK, but within the European Economic Area (EEA), the closest 'equivalent' regulation currently in the pipeline is the 'Solvency II' Directive. This is probably at least two years from implementation but will be the new European Union requirement. Exact details are not yet established, but clearly it will be a more onerous test than the current 'Solvency I' requirements.

Against the background of relatively positive movements in the financial position of most Clubs and following four successive hard market renewals, whatever general increases are announced, P&I underwriters will be under enormous pressure to demonstrate more flexibility in assessing individual renewal offers to reflect each operator's risk and record.

Market Asset and Free Reserve Development, Projected Forward

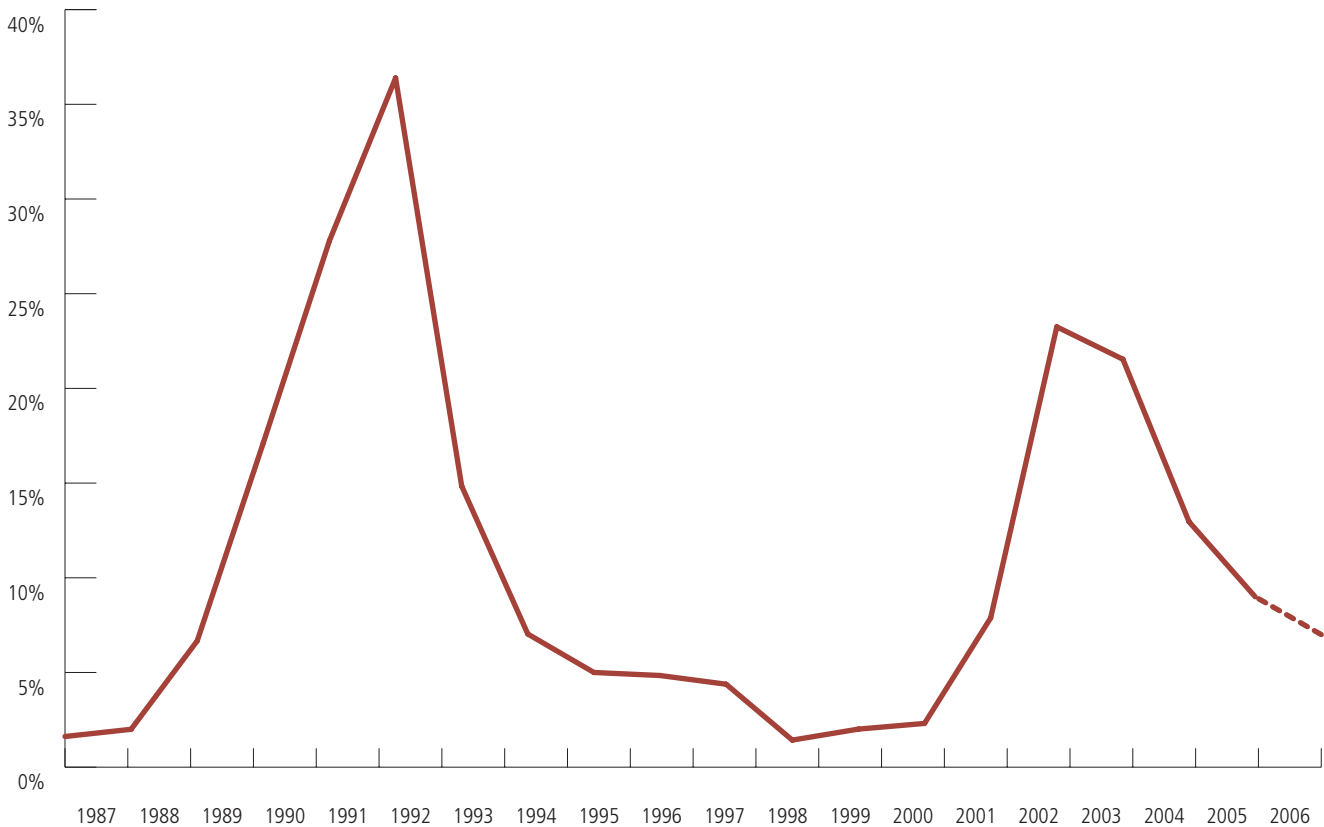




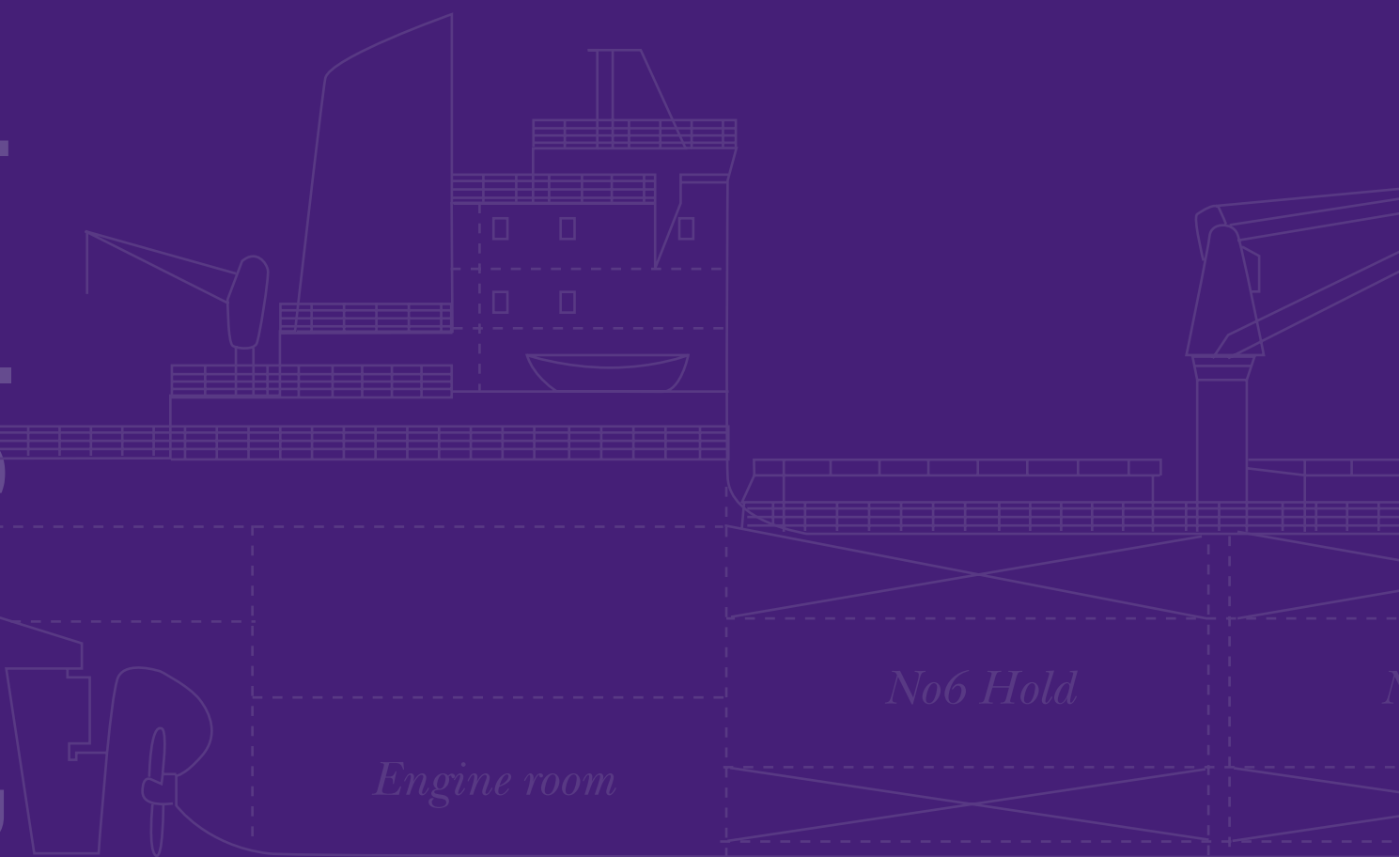
General Increases (%)

	%	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	%
American	8.5	12	32	12.5	8.5	18	7.5	10	0	5	5	10	26	25	17.5	10	tba		American
Britannia	12.5	20	25	10	5	0	5	0	0	0	0	10	28.8	15	8.5	7.5	-2.5		Britannia
British Marine Luxembourg	20	25	60	20	15	5	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	British Marine Luxembourg
Gard	10	30	30	10	0	0	5	7.5	0	-3.85	5	10	25	15	7.5	5	7.5		Gard
Japan									0	0	0	0	0	0	10	0	0	0	Japan
Liverpool & London	0	40	50	15	10	5	5	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Liverpool & London
London	46	25	50	10	7.5	5	5	5	0	5	5	10	27.5	25	15	12.5	12.5		London
Newcastle	25	30	30	15	10	5	5	7.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Newcastle
North of England	25	35	40	15	7.5	5	7.5	7.5	5	5	5	10	25	25	17.5	12.5	7.5		North of England
Ocean	15	25	25	15	7.5	5	0	5	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Ocean
Shipowners	5	15	20	15	5	0	0	0	0	0	0	0	0	20	15	0	0	0	Shipowners
Skuld	20-35	60-100	30-75	15	10	2.5	5	5	0	5	0	10	30	25	15	7.5	tba		Skuld
Standard (Bermuda)	25	60	25	20	7.5	4.5	7.5	0	0	0	0	7.5	25	25	20	12.5	5		Standard (Bermuda)
Steamship	10	20	22.5	15	4.5	5	7.5	5	0	0	5	10	25	25	20	12.5	5		Steamship
Swedish	0	0	0+R/I	15	0+R/I	0+R/I	0	0	0	0	0	7.5	25	25	15	10	tba		Swedish
United Kingdom	30	50	50	15	0	7.5	5	5	5	5	0	7.5	20	25	17.5	12.5	12.5		United Kingdom
West of England	25	30	50	20	7.5	7.5	7.5	7.5	5	5	5	10	25	25	15	12.5	tba		West of England
Average	17.13	27.8	36.39	14.84	7.03	5	4.84	4.38	1.43	2.01	2.31	7.88	23.25	21.54	12.96	8.85	tba		Average

Average Market General Increases



International Group Reinsurance



International Group Reinsurance



Following the major structural changes to the International Group (IG) reinsurance programme in 2004, it was expected that the main area of focus at 20 February 2005 would primarily be on individual Club retentions. As predicted the individual Club retention did increase from USD 5 million to USD 6 million at the renewal date.

The development of the IG cell-captive, Hydra, was expanded upon in our review last year. While the preparatory structural changes took place the previous year, Hydra was activated and incorporated into the programme at 20 February 2005.

The other changes at last year's renewal and our forecast for the reinsurance renewal at 20 February 2006 are outlined in the following sections.

Topside tanks

No3 Hold

No5 Hold

No7 Hold

No1 Hold

International Group Reinsurance

Changes at 20 February 2005

The changes in 2005 were far less radical than the previous year.

The most significant development was the decision to increase the individual Club retention from USD 5 million to USD 6 million. This was the first increase in retentions since 1995 (the development in retentions and pooling layers is shown in the graph on page 21).

The other changes were relatively minor. The layering of risk within the Pool was simplified, from three separate layers to two. The first layer, responding for losses of USD 24 million in excess of USD 6 million, has claims allocated to each of the contributing Clubs on the basis of one third tonnage, one third premium and one third claims record (in accordance with the IG's claims formula). Claims within the second layer, USD 20 million in excess of USD 30 million, are shared on the basis of each Club's proportion of total owned entered tonnage.

As outlined in our review last year, a cell captive to be called Hydra was to be established in Bermuda with the intention that each Club's share of the upper Pooling layer, together with each Club's 25% share of the first layer of the IG's reinsurance programme would eventually be ceded to Hydra. This cell captive was activated with effect from 20 February 2005.

Hydra will receive the premiums paid for the upper Pool and for the 25% co-insurance of the first excess of loss layer (USD 38 million and USD 33 million respectively in 2005).

Assuming that over forthcoming years the premium paid to Hydra (and the investment income earned on the premium) will exceed claims on the captive; a capital base will start to accumulate. Hydra is therefore viewed by the IG as a potential medium term vehicle to offer an alternative to capital provided by reinsurers.

Summary of changes at 20 February 2005:

Programme Structure

- Individual Club retention increased from USD 5 million to USD 6 million.
- Charterers liability limit increased to a 'straight' USD 350 million combined single limit.

War risks

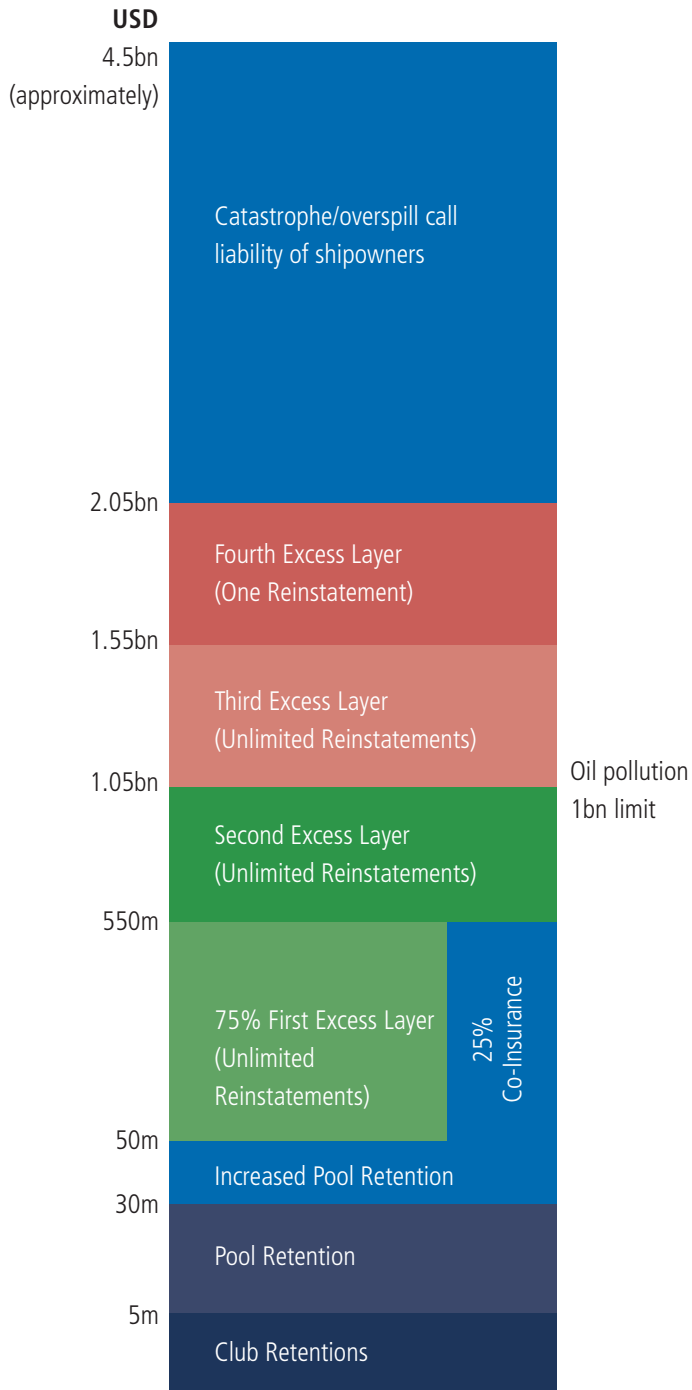
- P&I war risks limit increased from USD 400 million to USD 500 million.

Cost

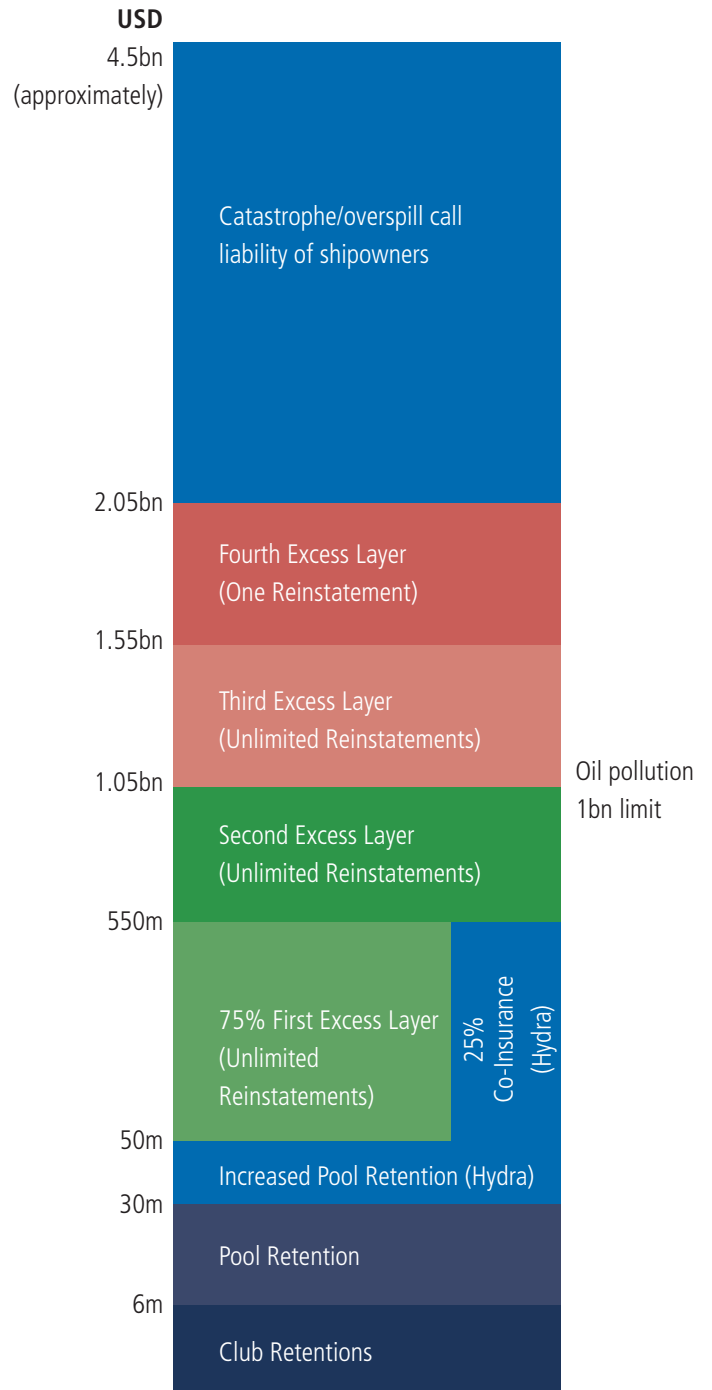
- The renewal in total money terms represented in essence an 'as expiry' offer from the reinsurance market.
- Due to the increase in overall insured tonnage, modest reductions in rate per GT were achieved on all classes of ship, other than passenger vessels.
- The 2005/06 rates are outlined on page 18.
- US Voyage additional premiums reduced by 7.5%.

International Group Reinsurance continued

2004/05 Reinsurance Structure



2005/06 Reinsurance Structure



International Group Reinsurance continued

Costs per Gross Ton Reduce for all except Passenger Ships

In overall money terms the IG reinsurance programme was again renewed effectively 'as expiry'. As in the previous year however, the total entered tonnage in the IG increased materially over the policy period. As a consequence when the total premium was translated to 'rate per entered ton' this equated to an actual reduction in cost for individual vessels. As in 2004, these reductions were allocated and generally passed on, for all classes of ship, other than passenger vessels.

Passenger ships continue to have the highest reinsurance rate per gross ton (GT) and as expected this differential increased slightly at 20 February 2005.

The movements in reinsurance rates over the last 13 years are shown in the graph below.

International Group Excess of Loss Rates

Vessel Type	2004/05 (USD, per GT, per annum)	2005/06 (USD, per GT, per annum)	Increase (USD, per GT, per annum)	Percentage Change
Dirty Tanker	0.6399	0.6385	-0.0014	-0.2%
Clean Tanker	0.3128	0.3041	-0.0087	-2.8%
Dry/Other	0.2752	0.2677	-0.0075	-2.7%
Passenger	0.7329	0.7476	0.0147	2.0%
Tanker Chartered	0.1073	0.1552	0.0479	44.6%
Other Chartered	0.0530	0.0776	0.0246	46.4%

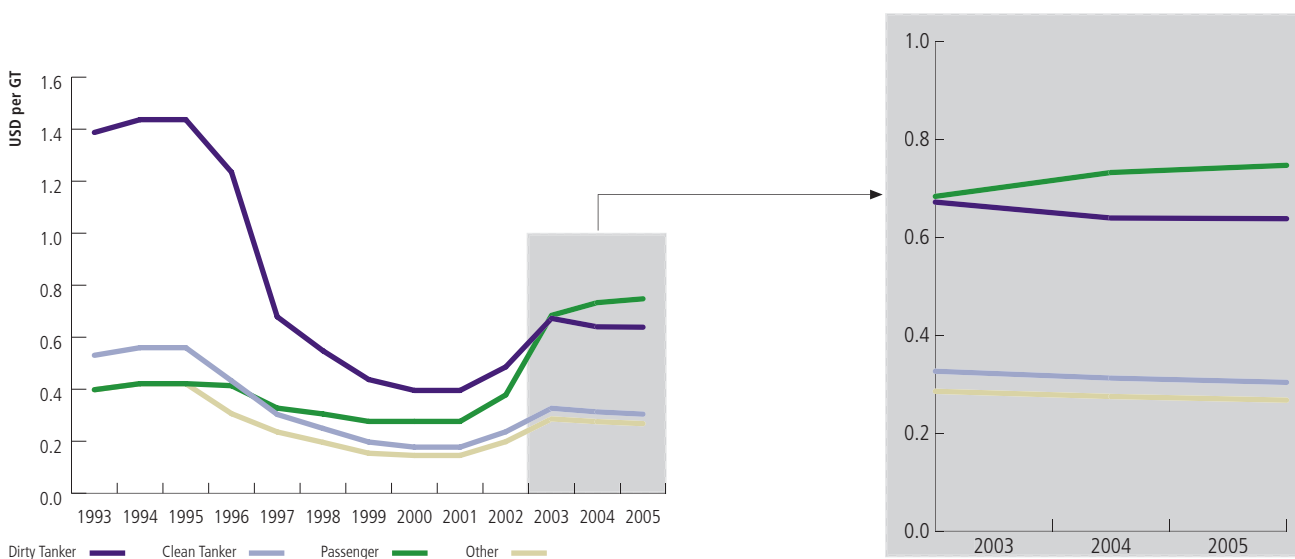
US Voyage Surcharges:

Additional Fixed Premium, per voyage

	2004/05	2005/06	Percentage Change
Vessels with SBT	0.119	0.11	-7.6%
Vessels without SBT	0.136	0.126	-7.4%

SBT: Segregated Ballast Tanks

International Group Reinsurance Rates



International Group Reinsurance continued

US Voyage Additional Premiums

The voyage surcharge system for tankers carrying persistent oils to the United States (US) has been in place since 1992. It was introduced in the aftermath of the US Oil Pollution Act 1990 (OPA 90). The record for US pollution claims from internationally trading tankers carrying persistent oil has generally been excellent since the surcharges were introduced. A number of Clubs feel that the current system should be reviewed and this continues to be a discussion point within the IG.

The US voyage surcharge system has always been a very crude method of assessing and transferring the cost of risk. As ever the debate revolves around the historic record versus exposure. There is little doubt that the

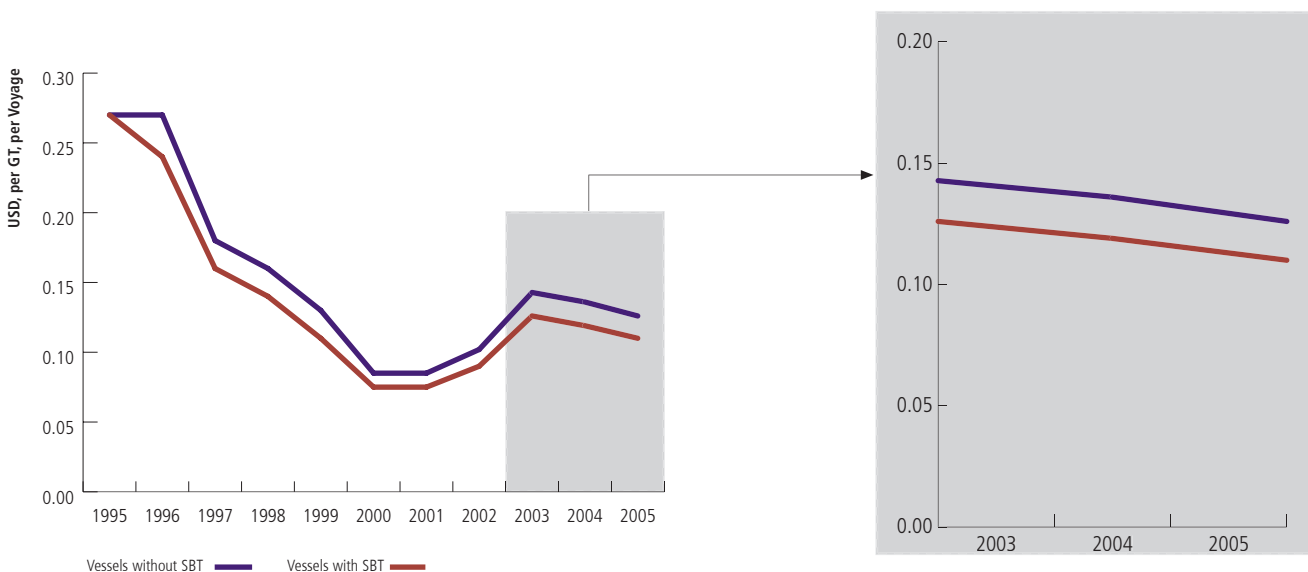
cost of clean-up per barrel spilt in the US is higher than the rest of the world, however the incidence frequency is arguably lower.

It is a positive sign that the cost of these surcharges has been squeezed down over the last couple of years, however in view of the background to these tariffed additional premiums a more significant reassessment of the system is probably overdue.

The development in cost of US voyage additional premiums is shown in the graph below.

The most significant development was the decision to increase the individual Club retention from USD 5 million to USD 6 million.

International Group US Voyage AP's



International Group Reinsurance continued

Expectations for the reinsurance renewal at 20 February 2006

The factor expected to dominate the IG reinsurance discussions for the forthcoming renewal will be cost.

The reinsurance market is currently trying to estimate the total eventual cost of the losses emanating from the 2005 US Gulf hurricane season; however it is almost certain to be the most costly on record. Early predictions suggest total insured losses from the three major hurricanes may exceed USD 90 billion. While these losses have little direct impact on the marine liability market, the inevitable hardening of the reinsurance market will have far reaching ramifications.

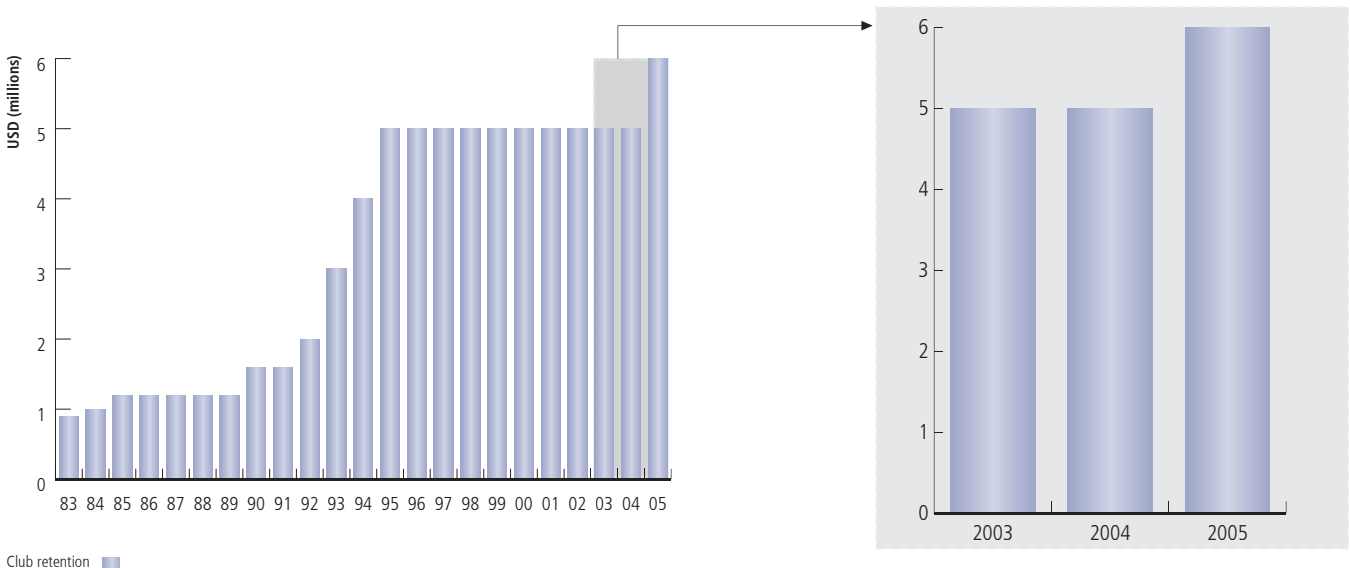
Combined with a general hardening in the reinsurance market, the IG also goes into the renewal with a recently deteriorated record on the lower layers of the IG programme.

The two factors together could lead to quite significant increases in reinsurance cost for the market. There is much debate about how large any increases may be and, at the moment, it is probably too early to pre-empt renewal negotiations.

To put any increases into perspective however, if the lower layers of the IG programme were to face increases in the region of +17.5 - 22.5% with the higher layers in the region of +7.5 - 12.5%, then this overall increase would only equate to approximately +3% when translated to average P&I premiums paid by ship operators. Obviously different individual owners would be affected by a greater or lesser extent depending on vessel type and rating structure.

Any increase however would be unwelcome and it will be interesting to see whether the IG feel confident enough in the Hydra arrangement to use it to retain more risk at this relatively early stage in its development.

Retention Development



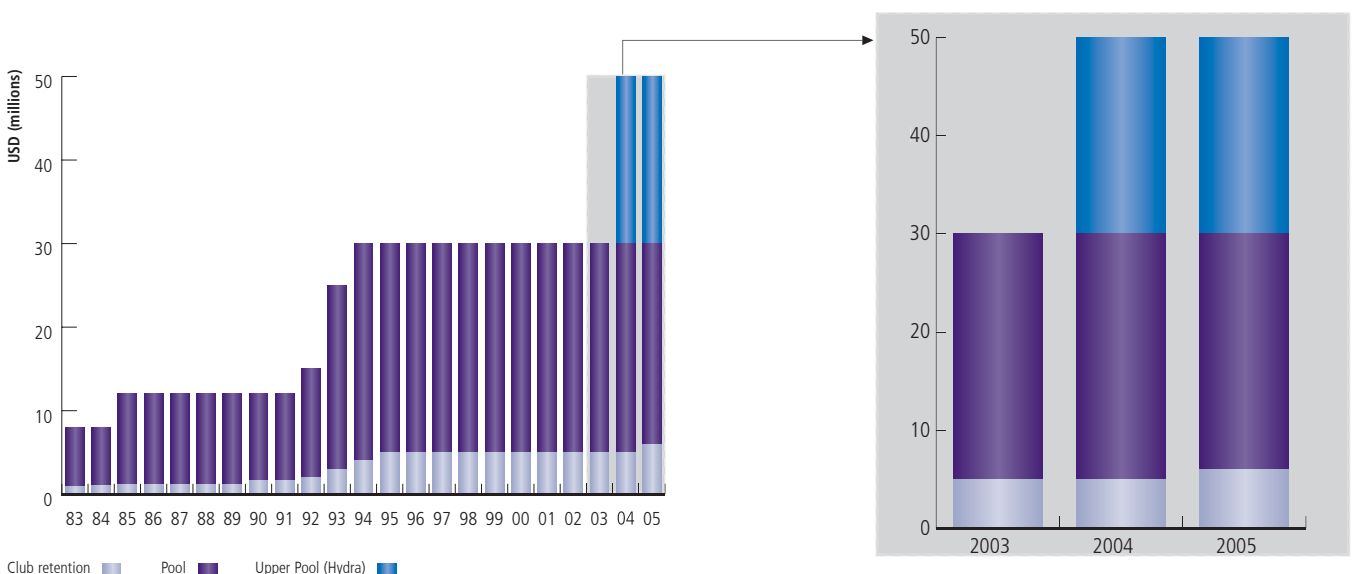
International Group Reinsurance continued

Looking further ahead, the 2006 IG reinsurance renewal may not experience the worst of the hardening in the reinsurance market. The real effect of the 2005 hurricane season on available capacity will start to be felt when the claims begin to be actually paid. There will probably be a six to nine month time lag before this starts to bite fully. With this direct pressure on capacity, capital providers will direct their activities towards business with the largest margins and the availability of capacity for relatively marginal business will diminish. The results from 2005 may therefore have a more severe impact, albeit delayed, on the IG reinsurance renewal in 2007.

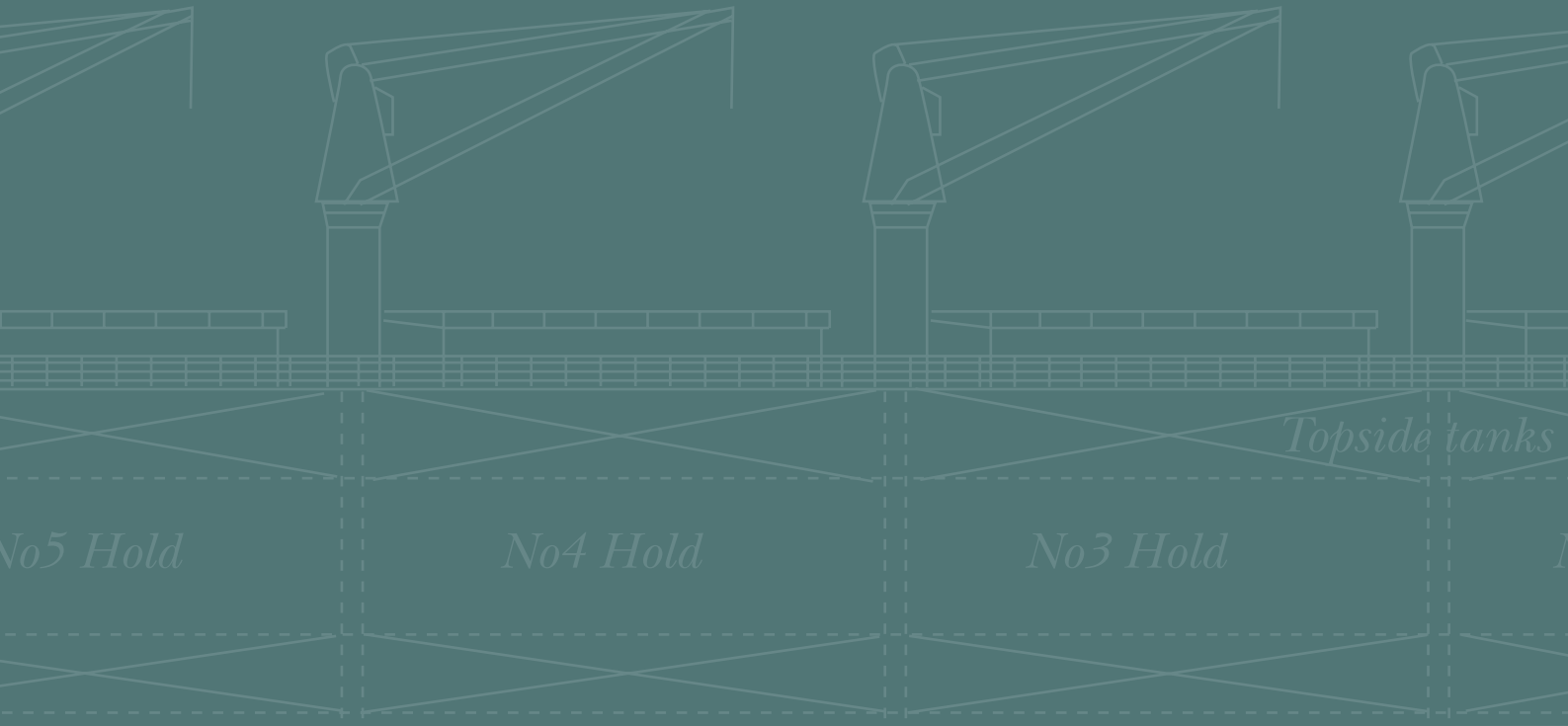
There continues to be pressure from some of the larger Clubs to further increase the individual Club retentions. When the retentions were last increased; from USD 1 million to USD 5 million; this was carried out by an incremental process over a period of six years between 1985 and 1991. It is unlikely that a further increase will be seen in 2006, but a further 12 months may be sufficient lead time for a second incremental increase in 2007.

The factor expected to dominate the IG reinsurance discussions for the forthcoming renewal will be cost.

Retention and Pooling Development



Average Expense Ratio (AER) Comparisons



Average Expense Ratio (AER) Comparisons

Average Expense Ratios (AERs) were introduced in 1999 following pressure from the European Commission to improve transparency of costs between the Clubs.

The intention was to enable direct comparisons of operating cost efficiency between all the International Group Clubs. Consequently all Clubs are required to follow the same format when calculating their AER figure.

The ratio is a five-year average of:

Operating costs x 100

(Premium income + Investment income)

AERs are a reasonable idea in principle, however direct comparisons are not straightforward. It is too simplistic to assume that the Club with the lowest AER is the most efficient and the Club with the highest the most inefficient.

Difficulties with direct comparisons

There are a number of factors that affect the AER figure, examples of which include:

- A Club with a disproportionately high level of premium or investment income will produce a lower AER.
- Loss prevention programmes, which most Clubs consider fundamental to reducing the overall cost of insurance, increase direct operating costs therefore pushing up the AER.
- Whether the Club owns or rents their office space. If it is owned, the operating costs will be less, therefore reducing the AER. Owning property however is not automatically a benefit, as it means the costs associated with the purchase are not available for investment.

The Shipowners' Club has a significantly higher AER than the other Clubs. This is also to be expected as their Membership consists of large numbers of small ships paying relatively low premiums per vessel.



AER Comparisons continued

The value of trends?

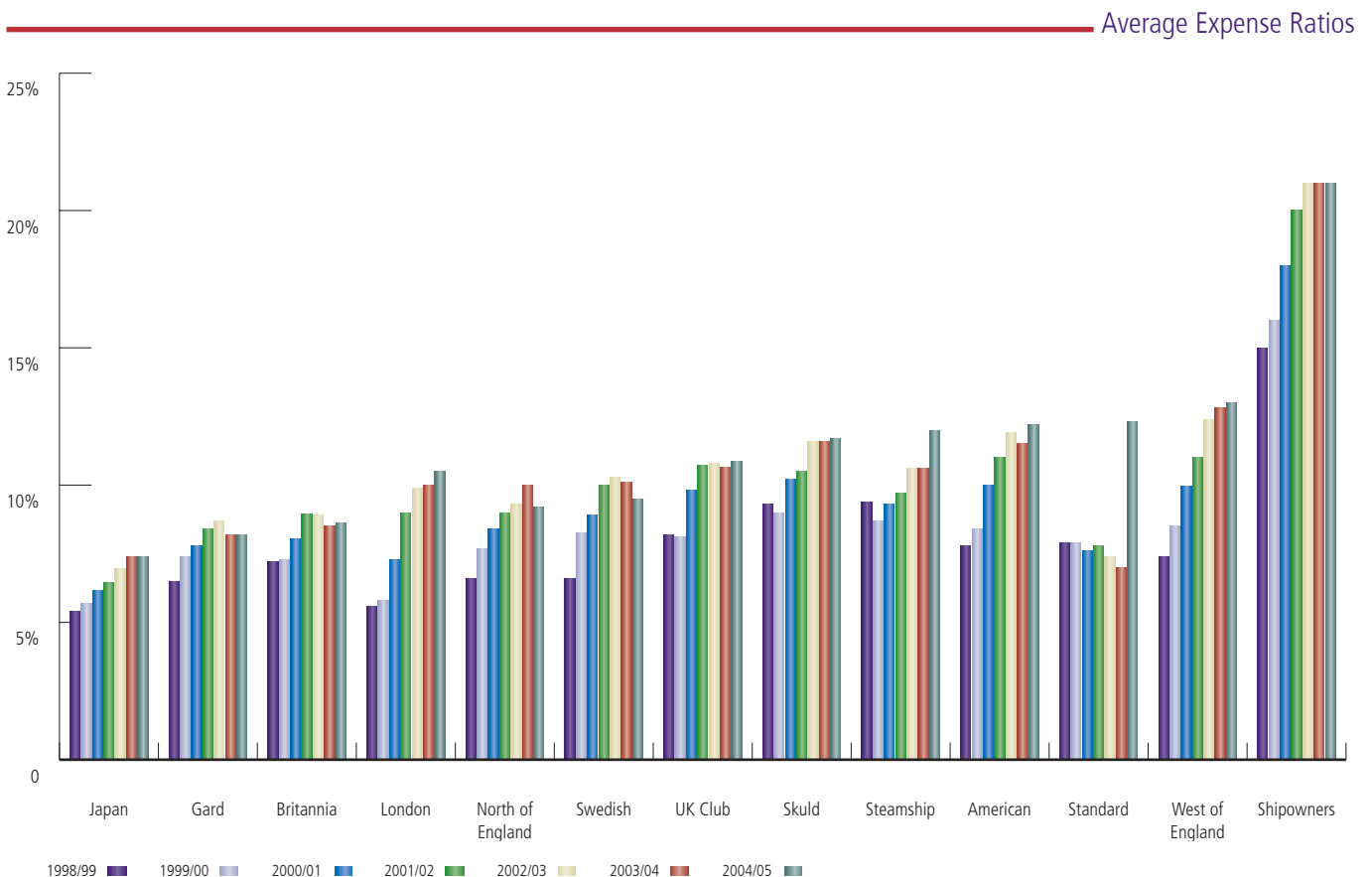
The results themselves are of limited use to Members seeking to establish the cost efficiency of their Club, compared to others in the market. Acknowledging that the ratio could only be a crude guide to relative efficiency there was still a hope that reviewing the trends of particular Clubs over a number of years might assist owners in understanding how well their Club is operating, both in itself and in comparison with the rest of the market.

We have included all seven years published AERs in the following graph.

When reviewing the trends however even this limited analysis does not prove to be enormously helpful. It is true

that average actual expense costs and average AERs have increased across the market by roughly the same margin over the last seven years. The timing of the changes in AERs however probably shows greater (inverse) correlation with the combined effects of investment and premium income of the individual Clubs rather than the level of reported expenses themselves.

To further confuse any trend analysis; in 2004/05 the Standard Club revised the basis upon which they calculated their AER (to move to the basis adopted by most other Clubs of including commissions within the calculation). This caused a large 'jump' in their reported AER, in effect negating the possibility of reviewing the AER trend of this particular Club.



Club Financial Pages



Club Financial Pages



The following individual Club pages include consolidated, Financial Year summaries for each Club. As in previous years, our main aim in presenting these summaries has been consistency. There are still variations between the way Clubs report, however we have tried as far as possible to compare 'like with like'. We have simplified and summarised certain aspects, but where information is available, we have tried to adopt the same approach for all Clubs.



Introduction to Club Financial Pages

We define below the figures included under each heading:

Calls and Premiums:	All calls less brokerage
Reinsurance Premiums:	All reinsurance premiums
Expenses:	All general management, administrative and audit expenses
Operating Income:	Calls, less reinsurance costs, less expenses
Gross Paid Claims:	Paid gross claims, including Pool contributions (for the sake of consistency we have only considered paid claims)
Net Paid Claims:	Paid gross claims less reinsurance and Pool recoveries
Operating Surplus:	Operating income, less net paid claims
Investment Income:	All investment income, exchange gains, tax etc
Surplus for Year:	Operating surplus, plus investment income
Net Assets:	Total assets (at market value), less creditors, less miscellaneous provisions for taxation etc., less additional calls advised but not yet debited
Outstanding Claims:	Net estimated outstanding claims
Forecast Additional Calls:	Calls advised but not yet debited
Free Reserves:	Net assets (market value) + forecast additional calls (where available) – outstanding claims

New Inclusion

This year the Assets and Free Reserves graph included in each Club's page has been changed slightly. The amendment is the addition of a line showing the progression of Outstanding Claims estimated by the Club.

The intention behind this inclusion is to highlight the trend in outstanding claims for each Club.

Most of the financial analysis we include in this report is on the basis of the consolidated financial year results, concentrating predominantly on amounts paid in each reporting period. P&I is a 'long tail' class of insurance (e.g. claims incurred today are often not actually paid for two or three years). Consequently when reviewing paid claims figures it is relevant to keep in mind whether a Club is expanding or contracting and the trends of the results. Including the outstanding claims totals in the reserves graphs is therefore intended to assist in building the overall picture of each Club's financial position.

Estimates Used

A number of Clubs are unwilling to disclose all the figures used in our analysis, consequently in the following pages we have been forced to make a number of educated estimates. These are highlighted as follows (all figures USD, 000's):

Britannia

1996/97	Brokerage: 4,340	Claims management expenses: 5,500
1997/98	Brokerage: 3,899	Claims management expenses: 5,500
1998/99	Brokerage: 4,077	Claims management expenses: 5,500
1999/00	Brokerage: 6,092	Claims management expenses: 6,700
2000/01	Brokerage: 5,000	Claims management expenses: 5,500
2001/02	Brokerage: 6,000	Claims management expenses: 6,500
2002/03	Brokerage: 8,500	Claims management expenses: 6,500
2003/04	Brokerage: 10,000	Claims management expenses: 6,500
2004/05	Brokerage: 10,500	Claims management expenses: 7,000

Standard (Bermuda)

1996/97		Claims management expenses: 3,179
1997/98		Claims management expenses: 3,594
1998/99		Claims management expenses: 5,000
1999/00		Claims management expenses: 4,600
2000/01		Claims management expenses: 5,500
2001/02		Claims management expenses: 7,000
2002/03		Claims management expenses: 6,500
2003/04		Claims management expenses: 7,000
2004/05		Claims management expenses: 7,000

UK

1997/98	Brokerage: 9,000	Claims management expenses: 18,000
1998/99:	Brokerage: 9,000	Claims management expenses: 18,000
1999/00:	Brokerage: 11,000	Claims management expenses: 19,000
2000/01:	Brokerage: 13,000	Claims management expenses: 18,000
2001/02	Brokerage: 13,000	Claims management expenses: 18,000
2002/03	Brokerage: 15,000	Claims management expenses: 22,000
2003/04	Brokerage: 17,000	Claims management expenses: 20,000
2004/05	Brokerage: 20,000	Claims management expenses: 23,000

West of England

1998/99		Claims management expenses: 9,050
1999/00		Claims management expenses: 8,540
2000/01		Claims management expenses: 9,700
2001/02		Claims management expenses: 10,000
2002/03		Claims management expenses: 11,000
2003/04		Claims management expenses: 12,000
2004/05		Claims management expenses: 14,000

Club Financial Pages Notes:

Britannia

With effect from the 1997/98 policy year Britannia entered into a reinsurance contract with Boudicca Insurance Company Limited, located and regulated in Bermuda. Boudicca Insurance holds assets (currently USD 152 million) in a way that they cannot be dissipated to the detriment of the reinsurance contract with Britannia. This is intended to be a tax efficient vehicle for a proportion of Britannia's reserves.

Boudicca is owned and controlled by the Icenii Trust, a charitable trust for which Report and Accounts are unavailable. In our summary page for Britannia for the sake of effective comparison with previous years, we have included Boudicca's assets in the figures. The assets of Boudicca as disclosed by the Club are as follows:

1997/98	USD62 million
1998/99	USD87 million
1999/00	USD97.5 million
2000/01	USD105.4 million
2001/02	USD106.7 million
2002/03	USD124.9 million
2003/04	USD152 million
2004/05	USD142.8 million

North of England/Newcastle Club

The Newcastle Club merged with the North of England in 1998/99. To try to demonstrate the trends as clearly as possible the 1998/99 year figures for the North of England do not include the 'income and expenditure' figures for the Newcastle Club. We have however included the Newcastle Club's free reserve figure for this year to reflect the total combined reserve. For the subsequent years we have included the fully integrated figures under the North of England. As all open years for the Newcastle Club have now been formally closed we have not included a separate page for this Club.

Swedish Club

The Swedish Club discloses its financial results on a different basis to the rest of the International Group. Within the Swedish Club's published Report and Accounts there is no allocation of funds between their Protection and Indemnity and Hull and Machinery Classes. This makes the P&I Class impossible to compare directly with other Clubs and consequently we have not included a full financial summary for this Club.

Standard and Poor's

Standard and Poor's (S&P) ratings mentioned in the following pages fall into two categories, interactive ratings and public information ratings. S&P establish interactive ratings following in-depth meetings with the Club Managers. Interactively rated Clubs are identified by '*' after the rating. Public information ratings are signified by a 'pi' subscript and are established purely on the basis of the information provided in the Clubs' published financial statements.

It is the Clubs themselves that choose whether or not to pursue an interactive rating and there is a cost to the Club from S&P for the consequent additional work involved. It is worth noting that when an interactive rating is undertaken, the rating of the particular Club usually shows some form of improvement from the public information rating. This is interesting as the majority of interactive ratings have taken place over the last five years, at points in time when the market was generally experiencing deteriorating levels of assets and free reserves.

Highlights – American

- Total entered tonnage increased by 8.5%
- Paid premiums increased by nearly 74%. This increase is however skewed by two factors:
 - * it includes USD 24 million representing previously advised unbudgeted calls,
 - * in 2004/05 the Association moved to a debiting basis of charging the entire estimated total call within the policy year.
- The underlying increase in paid premiums is therefore in the region of 30%.
- Net paid claims increased by 15%.
- Paid operating result shows an increase in the surplus.
- Following the 44% increase in outstanding claims estimates between 2002 and 2003, a similar percentage increase is again seen between 2003 and 2004.
- The cumulative effect of this is a more than doubling of outstanding claims levels (in money terms an increase of USD 68.6 million) over two years.
- Consequently, despite a healthy 'paid' surplus and 69% growth in Assets, Free reserves increase by only USD 3 million.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	58,042	85,079	147,937
Reinsurance Premiums	-8,819	-12,810	-15,223
Operating Expenses	-8,410	-11,469	-16,548
Operating Income	40,813	60,800	116,166
Gross Paid Claims	-	50,124	54,041
Net Paid Claims	29,147	43,531	49,994
Operating Surplus (Deficit)	11,666	17,269	66,172
Investment Income	-856	4,889	4,779
Surplus for Year (Deficit)	10,810	22,158	70,951

	2003	2004	2005
Net Assets (market)	53,382	69,198	116,806
Outstanding Claims	64,198	92,258	132,809
Forecast Additional Calls	31,123	55,009	50,967
Free Reserves	20,307	31,949	34,964

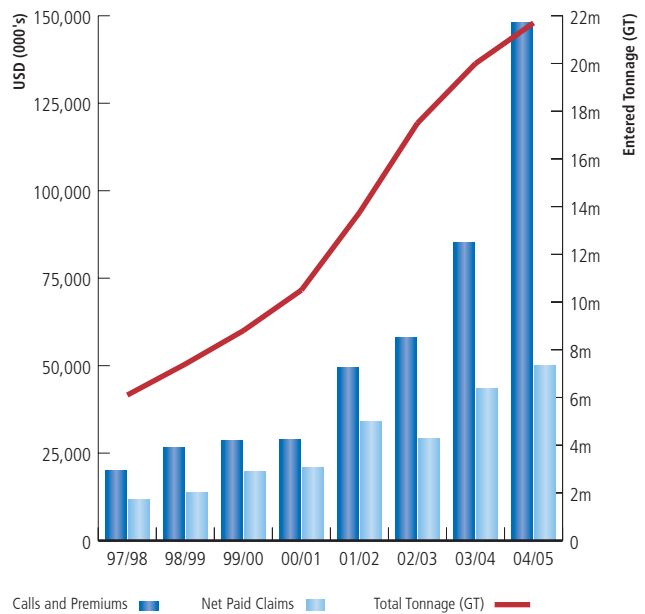
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	15,225,000	18,500,000	19,300,000
Chartered/Fixed	2,275,000	1,500,000	2,400,000
Total	17,500,000	20,000,000	21,700,000

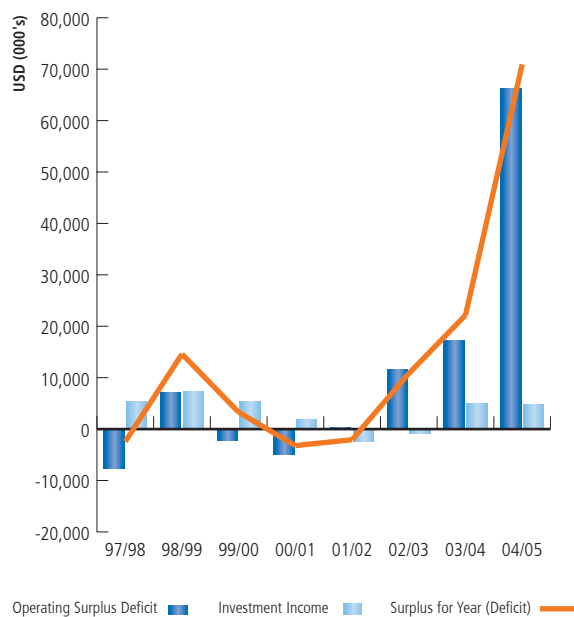
S&P Rating

	2003	2004	2005
	BBB-	BB+*	BB+*

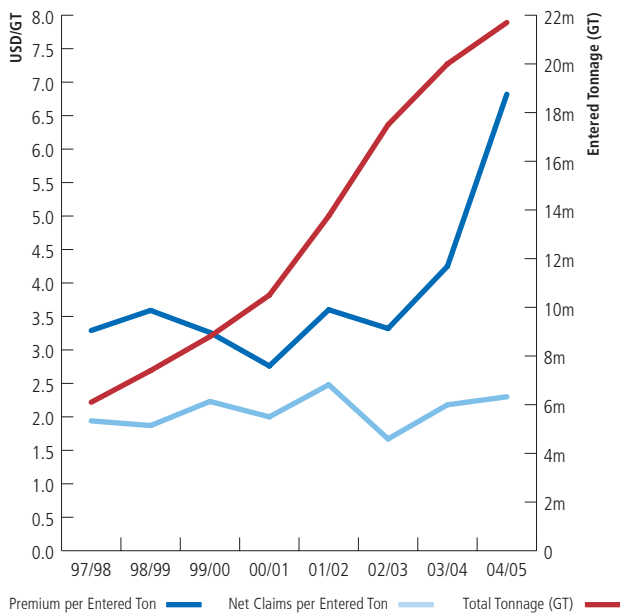
Underwriting Development



Net Underwriting Development

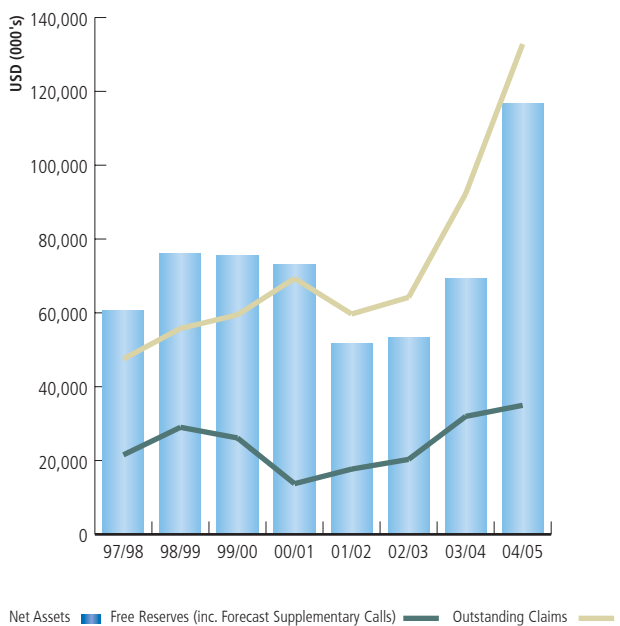


Premiums per GT – Entered Tonnage – Net Claims per GT



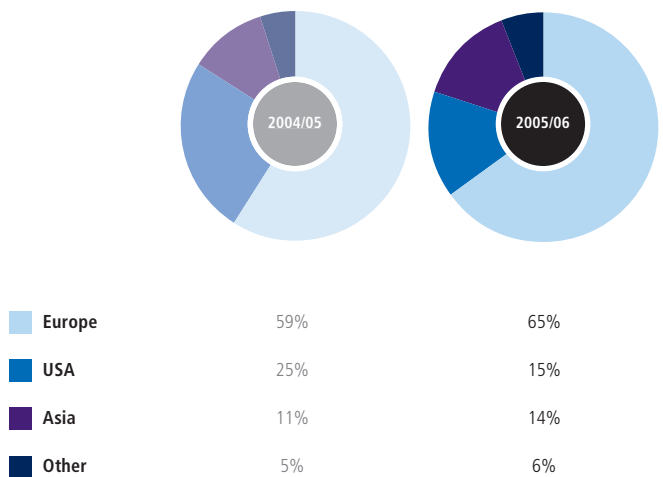
Premium per Entered Ton Net Claims per Entered Ton Total Tonnage (GT)

Assets and Free Reserves

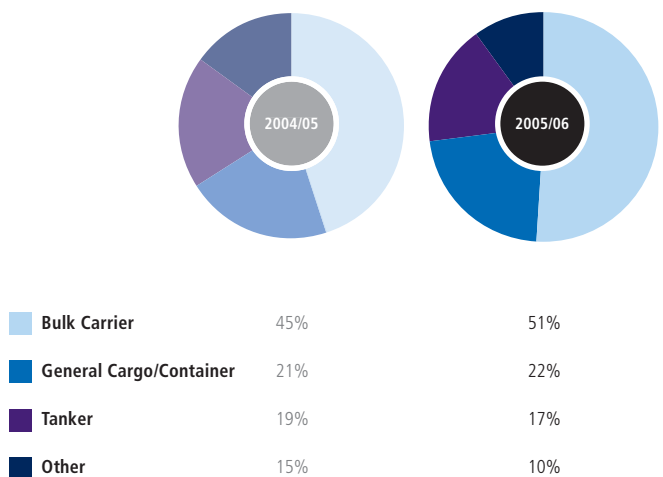


Net Assets Free Reserves (inc. Forecast Supplementary Calls) Outstanding Claims

Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights – Britannia

- Total entered tonnage increased by nearly 4%.
- Paid premiums increased by almost 9%.
- 45% increase in gross paid claims, though net paid claims increased by 18%.
- Operating result reduced by USD 4.5 million.
- Positive investment income result, albeit well down on 2003/04 levels.
- Assets increased by 7.5%.
- 10.6% increase in free reserves, despite 6% rise in outstanding claims estimates.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	163,731	199,203	216,712
Reinsurance Premiums	-29,348	-39,887	-39,495
Operating Expenses	-14,095	-14,780	-15,912
Operating Income	120,288	144,536	161,305
Gross Paid Claims	132,681	129,435	188,208
Net Paid Claims	98,056	115,940	137,228
Operating Surplus (Deficit)	22,232	28,596	24,077
Investment Income	118	74,508	27,361
Surplus for Year (Deficit)	22,350	103,104	51,438

Net Assets (inc. Boudicca assets)	576,927	702,586	755,041
Net Outstanding Claims	435,369	458,256	485,475
Additional Calls not yet debited	14,100	16,800	19,200
Free Reserves (Inc. Supplementary Calls not yet debited, and inc. Boudicca)	155,658	261,130	288,766

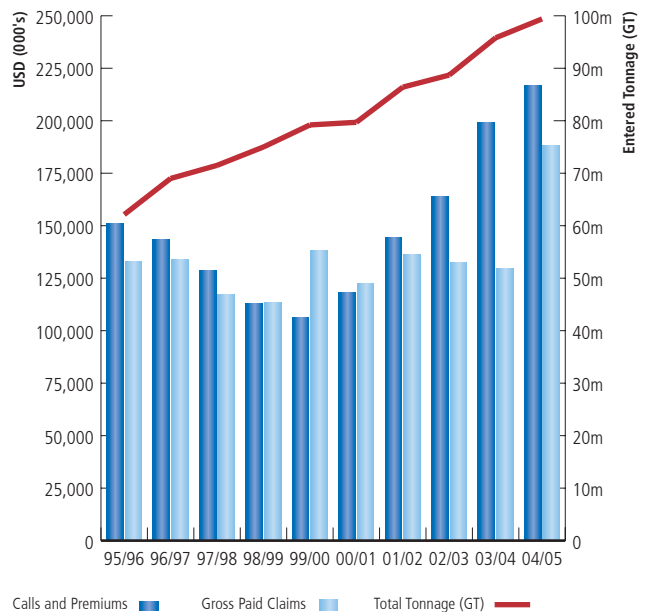
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	68,400,000	73,500,000	75,800,000
Chartered/Fixed	20,300,000	22,300,000	23,600,000
Total	88,700,000	95,800,000	99,400,000

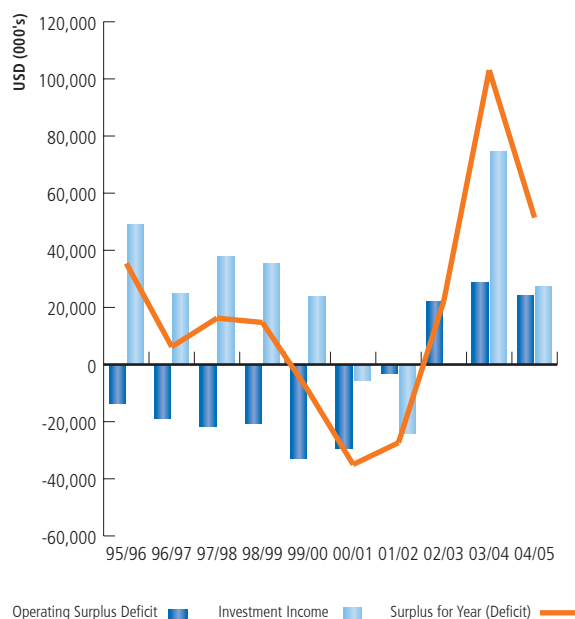
S&P Rating

	2003	2004	2005
	Api	Api	Api

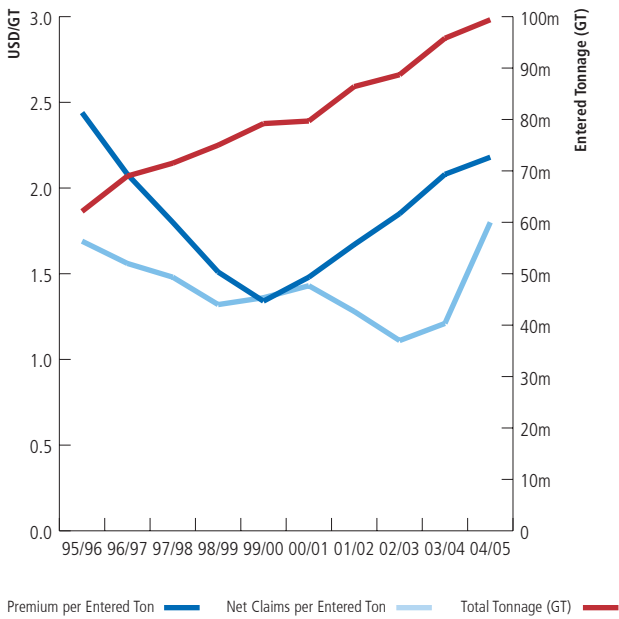
Gross Underwriting Development



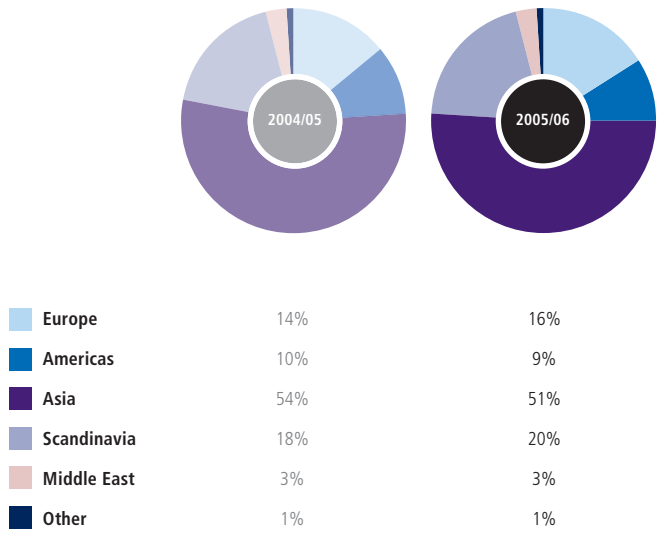
Net Underwriting Development



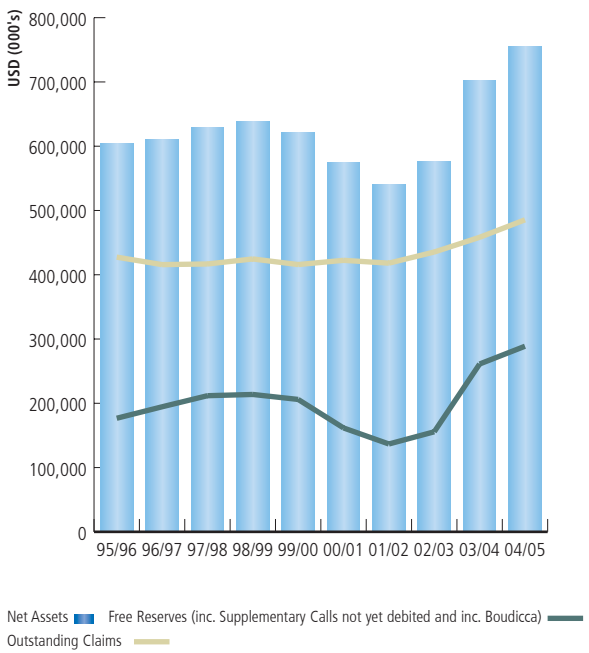
Premiums per GT – Entered Tonnage – Net Claims per GT



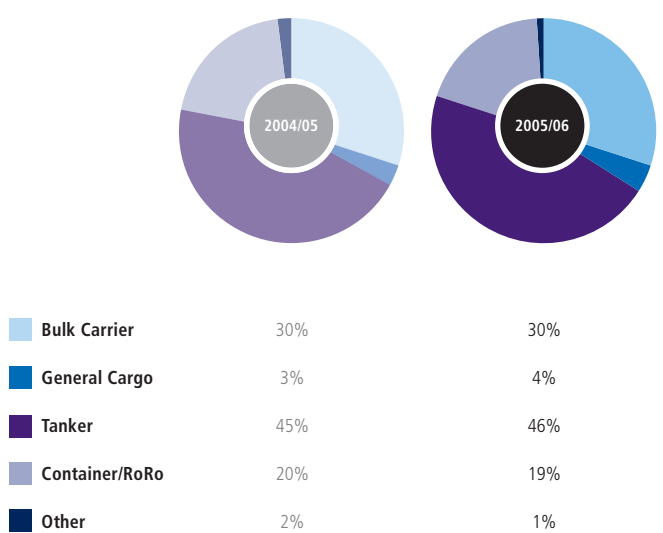
Tonnage Split by Nationality of Management



Assets and Free Reserves



Tonnage Split by Vessel Type



Highlights – Gard

- Owned tonnage increased by 4%. Chartered tonnage remains 'well over 40 million GT.'
- Paid premiums increased by nearly 10%.
- Gross and net paid claims increased by 8% and 12% respectively.
- The increased premium levels were largely offset by increased claims activity consequently the operating deficit was only marginally improved.
- Investment income less than half the level of 2003/04, but still resulted in a (reduced) overall surplus for the year.
- Assets increased by 9%.
- Nearly 18% increase in free reserves.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	168,182	212,002	232,947
Reinsurance Premiums	-51,208	-61,627	-63,127
Operating Expenses	-21,093	-29,526	-30,291
Operating Income	95,881	120,849	139,529
Gross Paid Claims	130,852	197,202	213,603
Net Paid Claims	115,278	143,728	161,183
Operating Surplus (Deficit)	-19,397	-22,879	-21,654
Investment Income	38,338	119,265	54,317
Surplus for Year (Deficit)	18,941	96,386	32,663

	2002/03	2003/04	2004/05
Net Assets (market)	644,959	771,095	841,639
(Net) Outstanding Claims	432,487	481,140	497,031
Forecast Additional Calls	29,750	37,880	41,010
Free Reserves (Inc. Forecast Supplementary Calls)	242,222	327,835	385,618

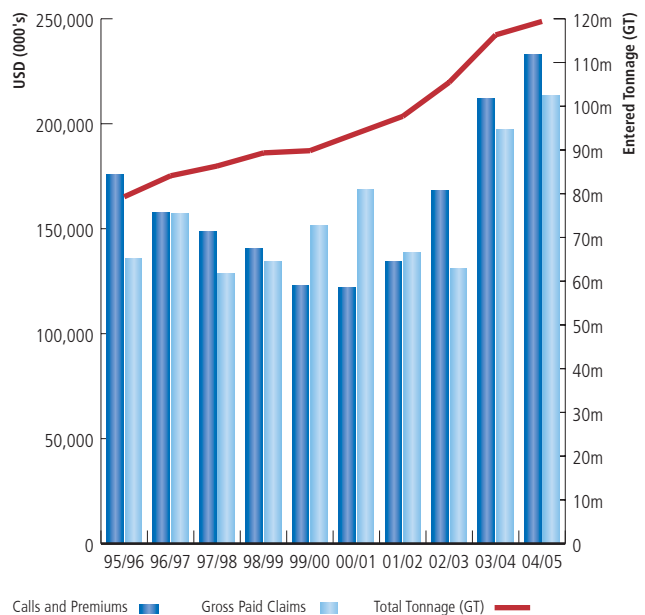
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	65,207,124	76,305,600	79,400,000
Chartered/Fixed	40,259,023	40,000,000	40,000,000
Total	105,466,147	116,305,600	119,400,000

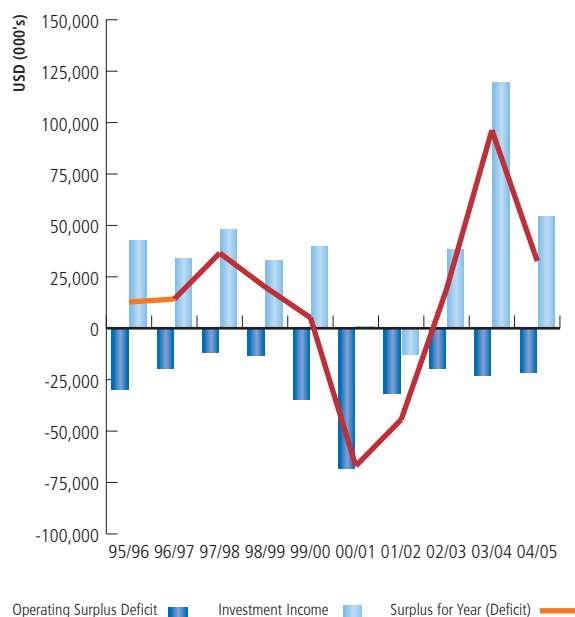
S&P Rating

	2003	2004	2005
	Api	A*	A*

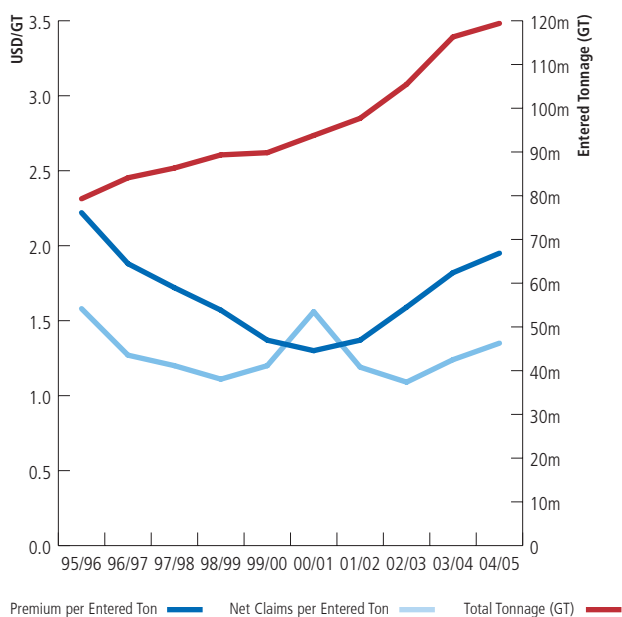
Gross Underwriting Development



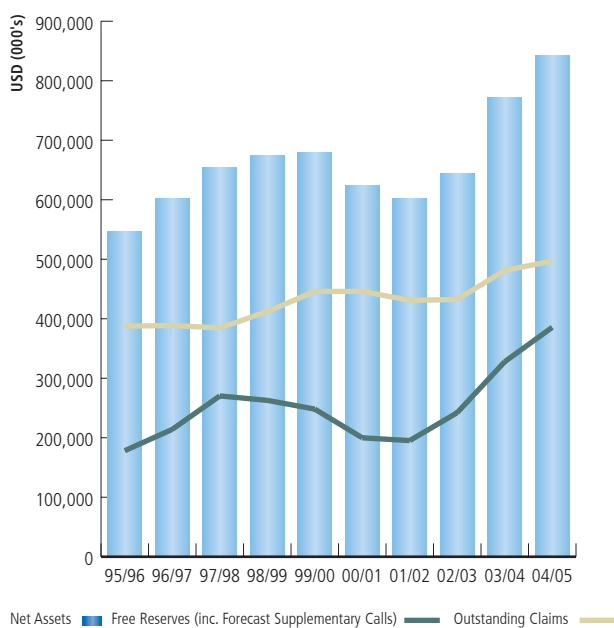
Net Underwriting Development



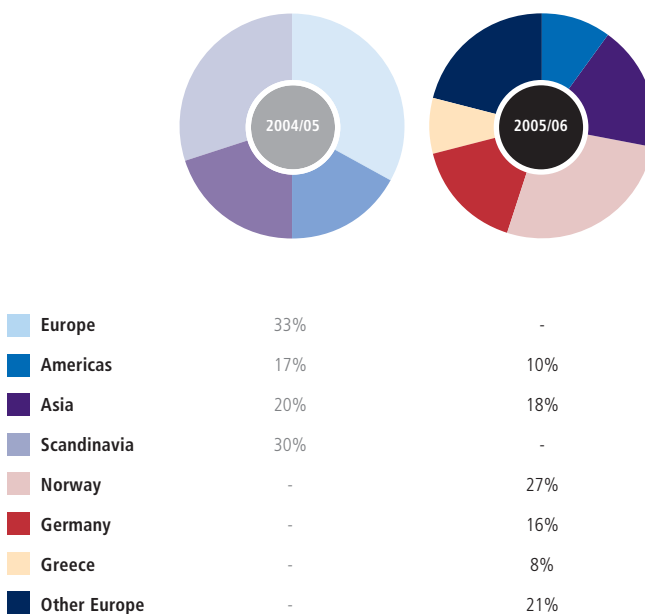
Premiums per GT – Entered Tonnage – Net Claims per GT



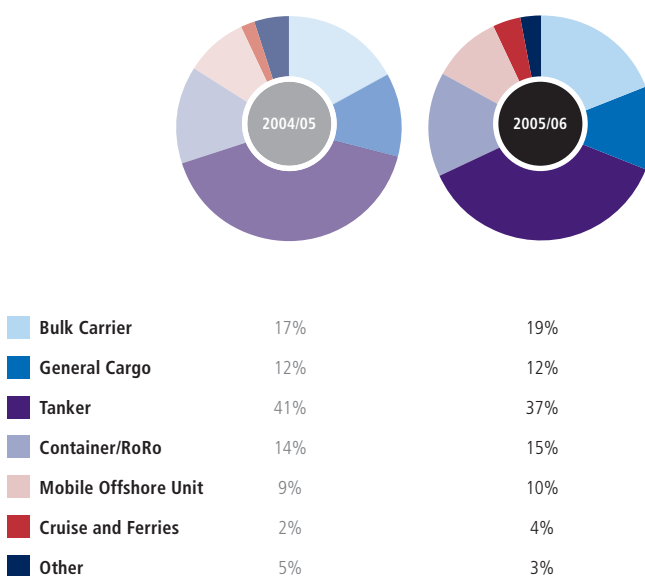
Assets and Free Reserves



Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights – Japan

- Total owned entered tonnage increased by 15%.
- Paid premiums increased by 7%.
- 9% increase in net paid claims.
- Assets stable.
- Marginal increase in outstanding claims estimates resulted in small reduction in free reserves.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	107,115	125,524	134,673
Reinsurance Premiums	-19,365	-22,507	-14,055
Operating Expenses	-12,110	-14,786	-14,316
Operating Income	75,640	88,231	106,302
Gross Paid Claims	85,180	73,628	80,439
Net Paid Claims	84,814	73,614	80,250
Operating Surplus (Deficit)	11,096	14,617	26,052
Investment Income	-6,811	7,835	-14,033
Surplus for Year (Deficit)	4,285	22,452	12,019

	2002/03	2003/04	2004/05
Net Assets (Market)	207,377	236,987	236,795
Outstanding Claims (P&I Only)	123,441	127,195	129,263
Forecast Additional Calls	-	-	-
Free Reserves	83,936	109,792	107,532

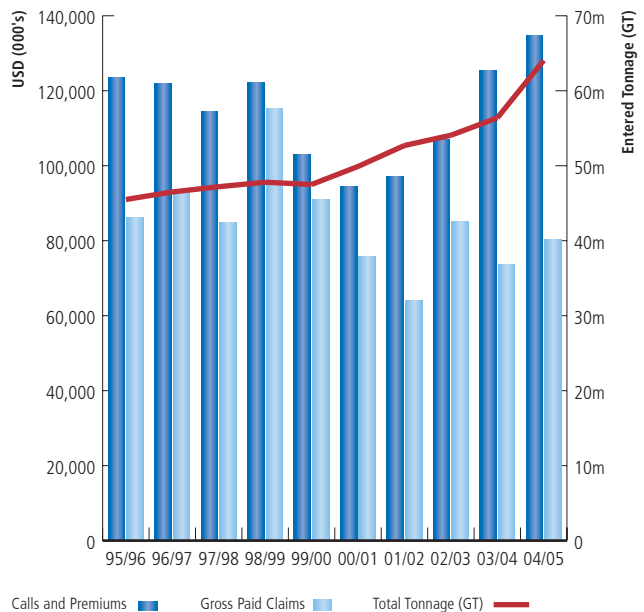
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	49,660,000	52,180,000	60,030,000
Chartered/Fixed	4,400,000	4,200,000	4,020,000
Total	54,060,000	56,380,000	64,050,000

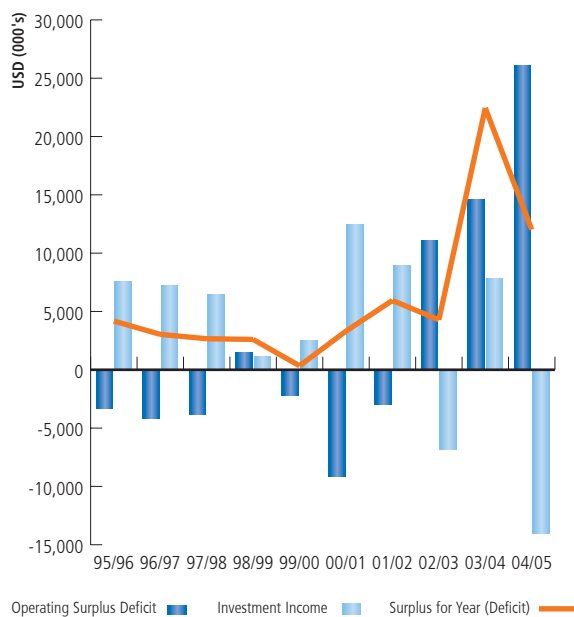
S&P Rating

	2003	2004	2005
	BBpi	Unrated	Unrated

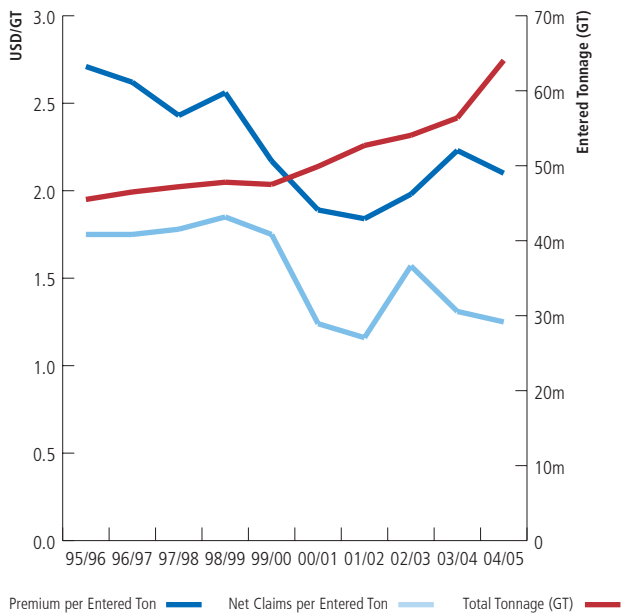
Gross Underwriting Development



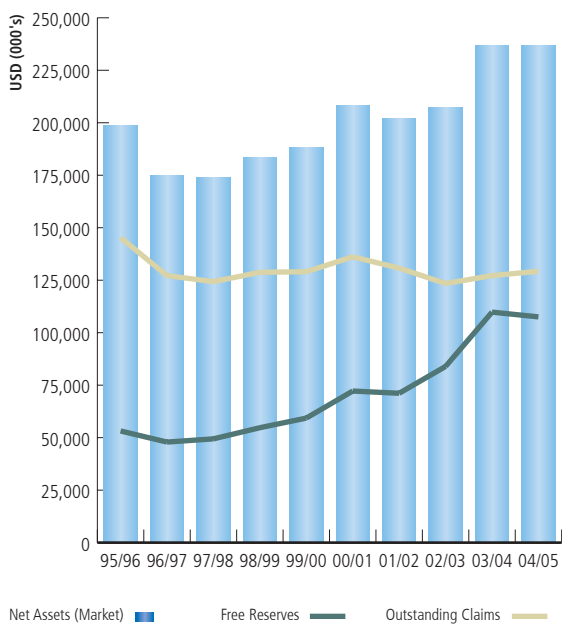
Net Underwriting Development



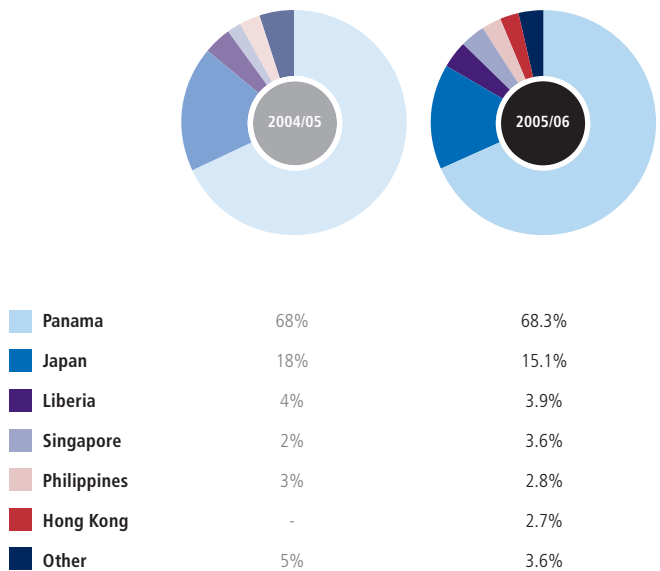
Premiums per GT – Entered Tonnage – Net Claims per GT



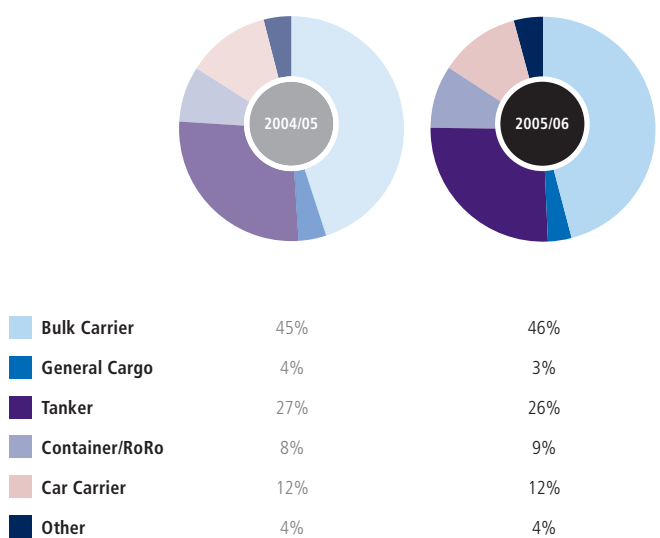
Assets and Free Reserves



Tonnage Split by Nationality of Registry



Tonnage Split by Vessel Type



Highlights – London

- Owned entered tonnage increased by 13%
- Paid premiums increased by nearly 2%
- 22% improvement in gross paid claims but net paid claims increase by 3%
- Operating result deteriorated by USD 5.8 million
- Investment return approximately 6%
- Assets reduced by 4%
- Free reserves reduced by 1.5%

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	75,637	85,374	86,849
Reinsurance Premiums	-13,378	-15,508	-16,820
Operating Expenses	-17,655	-18,373	-21,917
Operating Income	44,604	51,493	48,112
Gross Paid Claims	73,480	102,136	79,192
Net Paid Claims	70,387	72,578	74,995
Operating Surplus (Deficit)	-25,783	-21,085	-26,883
Investment Income	-804	31,163	14,111
Surplus for Year (Deficit)	-26,587	10,078	-12,772

	2003	2004	2005
Net Assets	297,530	304,871	291,389
Net Outstanding Claims	235,691	226,678	215,451
Forecast Additional Calls	20,923	23,661	24,370
Free Reserves (Including Forecast Supplementary Calls)	82,762	101,854	100,308

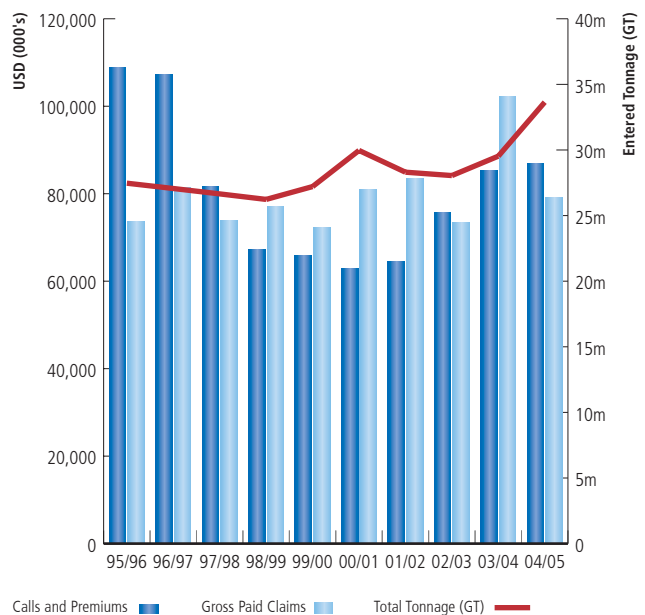
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	27,226,340	28,852,746	32,637,812
Chartered/Fixed	824,000	675,555	1,005,543
Total	28,050,340	29,528,301	33,643,355

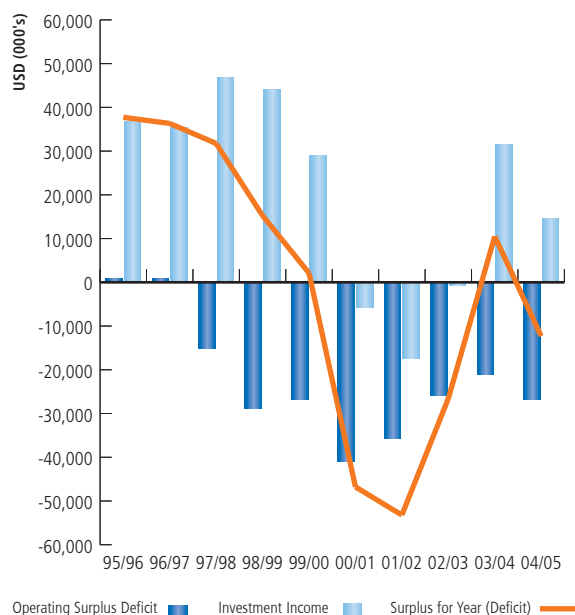
S&P Rating

	2003	2004	2005
	BBBpi	BBBpi	BBBpi

Underwriting Development



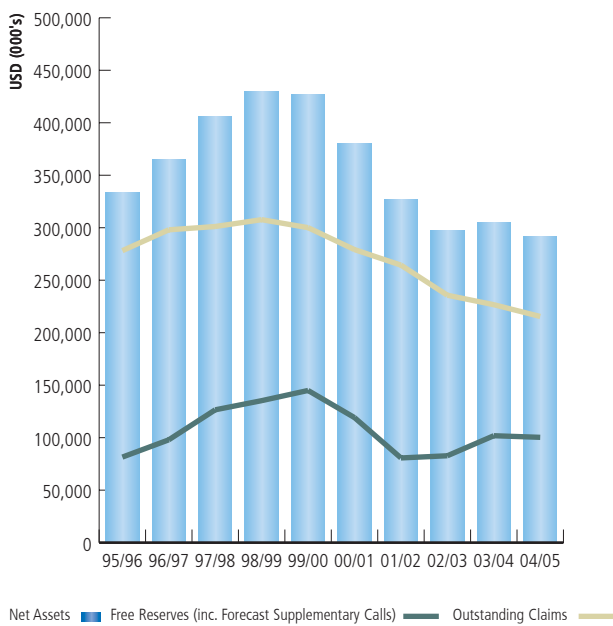
Net Underwriting Development



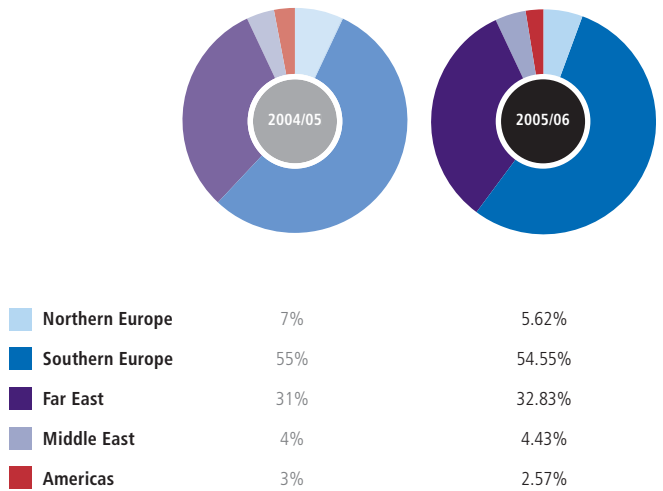
Premiums per GT – Entered Tonnage – Net Claims per GT



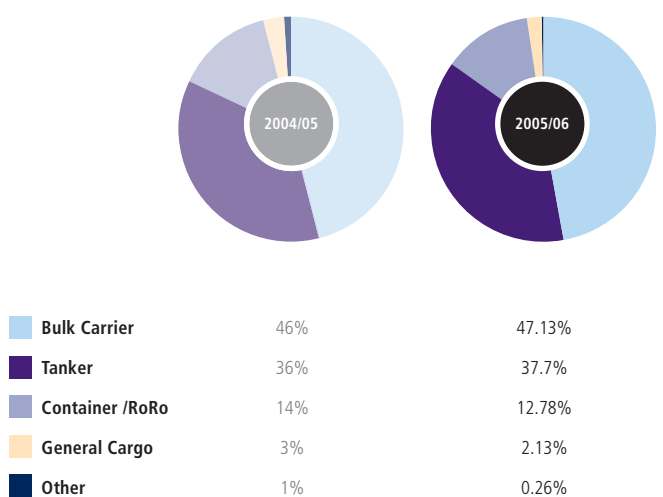
Assets and Free Reserves



Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights – North of England

- Total owned tonnage increased by 9%.
- Paid premiums increased by 12%.
- 8.7% increase in net paid claims.
- Investment income less than half of the 2003/04 level, but still up on 2002/03.
- Assets increased by almost 9%.
- Outstanding claims estimates up by nearly 10%.
- Increase in free reserves by marginally less than 7%.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	124,256	146,815	164,766
Reinsurance Premiums	-23,850	-31,686	-32,669
Operating Expenses	-14,891	-18,616	-22,239
Operating Income	85,515	96,513	109,858
Gross Paid Claims	89,543	93,986	101,525
Net Paid Claims	67,460	84,286	91,614
Operating Surplus (Deficit)	18,055	12,227	18,244
Investment Income	15,413	52,201	21,149
Surplus for Year (Deficit)	33,468	64,428	39,393
	-	-	-
Net Assets (market)	381,689	446,117	485,510
Net Outstanding Claims	282,095	312,659	343,235
Forecast Additional Calls			
Free Reserves (Inc.Forecast Supplementary Calls)	99,594	133,458	142,275

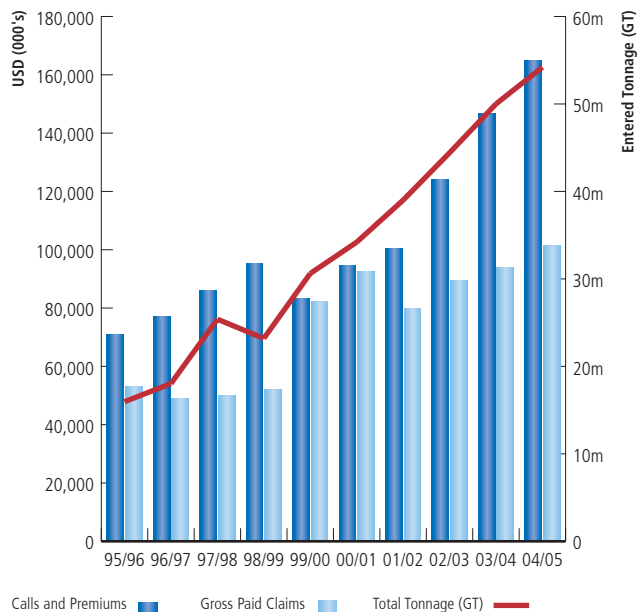
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	35,150,453	40,000,000	43,600,000
Chartered/Fixed	9,262,976	10,000,000	10,600,000
Total	44,413,429	50,000,000	54,200,000

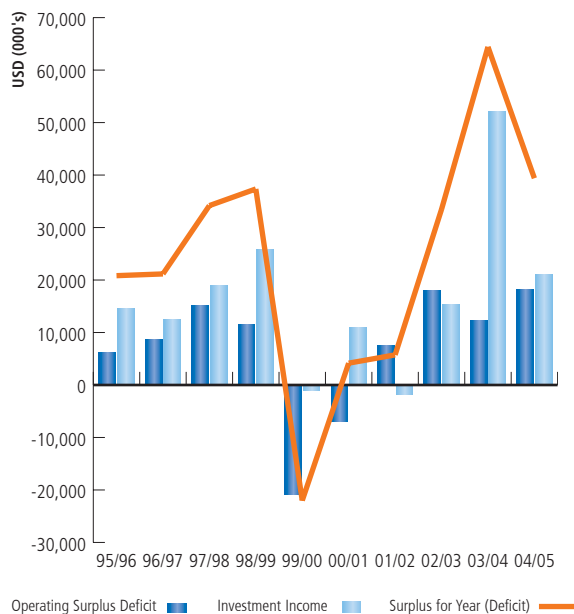
S&P Rating

	2003	2004	2005
	A-*	A-*	A*

Gross Underwriting Development

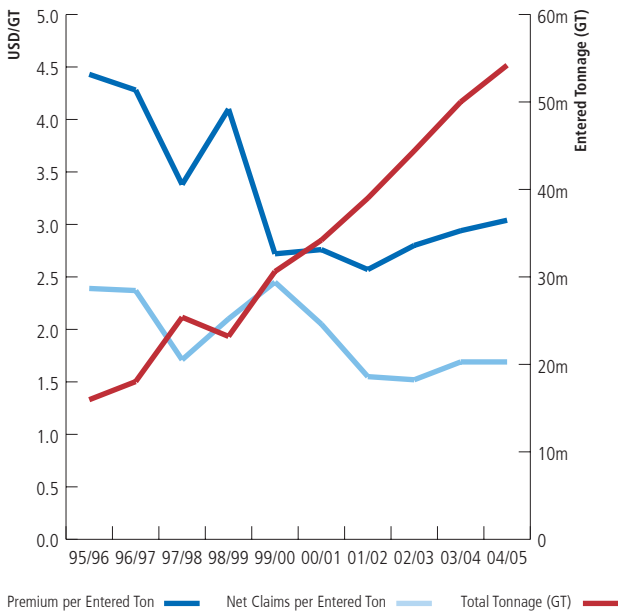


Net Underwriting Development

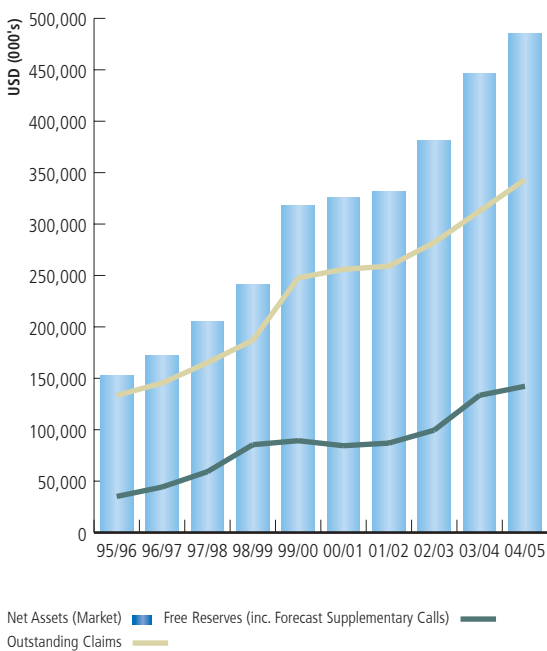


North of England

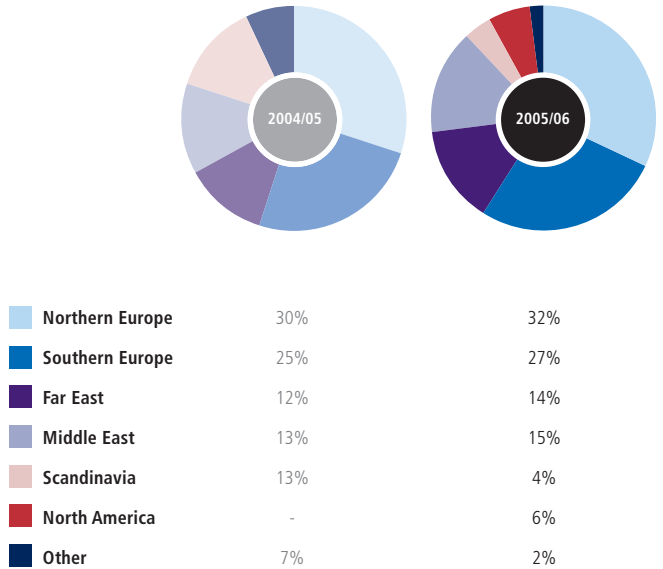
Premiums per GT – Entered Tonnage – Net Claims per GT



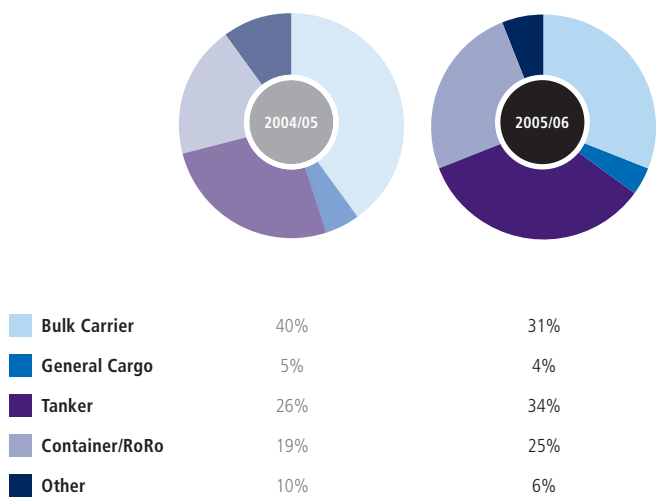
Assets and Free Reserves



Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights – Shipowners

- Total entered tonnage increased by marginally more than 8%.
- Paid premiums increased by nearly 8%.
- Net paid claims increased by just over 22%.
- Operating result reduced by USD 6 million, but still comfortably in surplus.
- Similarly investment income well down on 2003/04, but still positive.
- Overall surplus of almost USD 26 million led to 13% increase in assets.
- Free reserves increased more slowly (+7.5%) largely due to a 19% increase in outstanding claims estimates.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	71,913	90,829	97,999
Reinsurance Premiums	-16,866	-14,985	-15,707
Operating Expenses	-9,750	-13,508	-18,086
Operating Income	45,297	62,336	64,206
Gross Paid Claims	36,821	52,971	50,843
Net Paid Claims	32,556	36,390	44,562
Operating Surplus (Deficit)	12,741	25,946	19,644
Investment Income	-3,048	27,593	6,136
Surplus for Year (Deficit)	9,693	53,539	25,780

	2002/03	2003/04	2004/05
Net Assets (Market)	141,664	194,903	220,682
Outstanding Claims	80,548	94,483	112,817
Forecast Additional Calls	-	-	-
Free Reserves	61,116	100,420	107,865

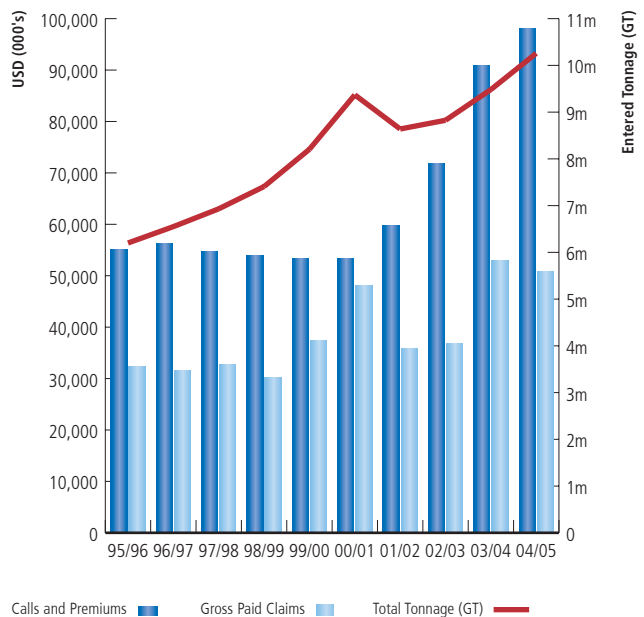
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	8,295,346	9,137,504	9,906,601
Chartered/Fixed	530,403	345,243	352,236
Total	8,825,749	9,482,747	10,258,837

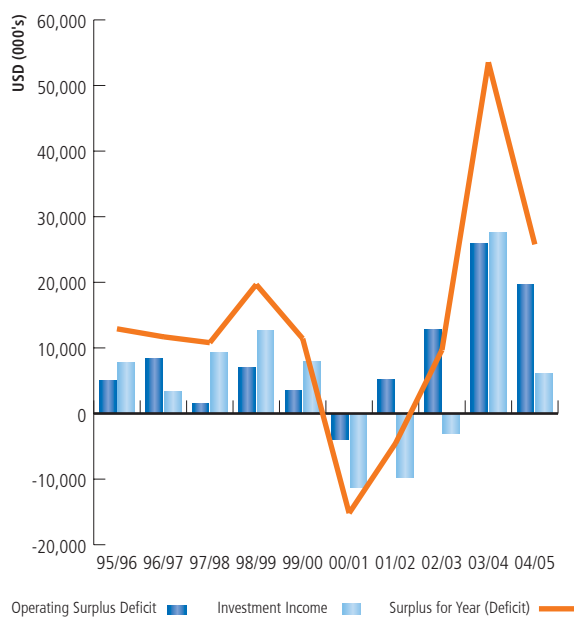
S&P Rating

	2003	2004	2005
	Api	Api	Api

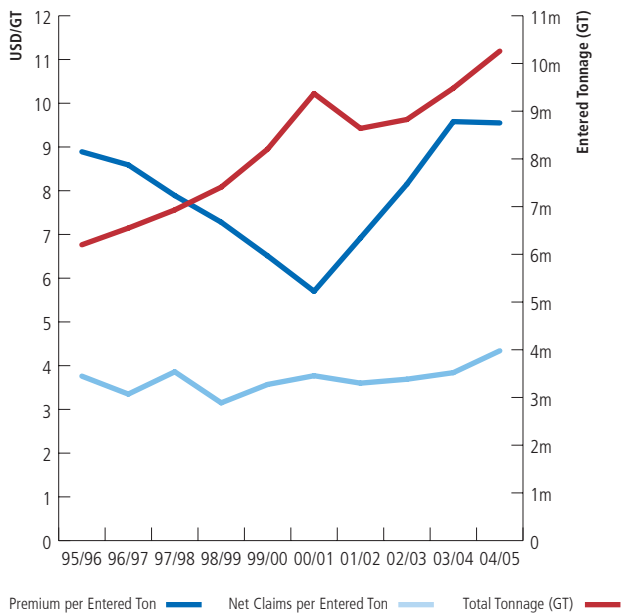
Gross Underwriting Development



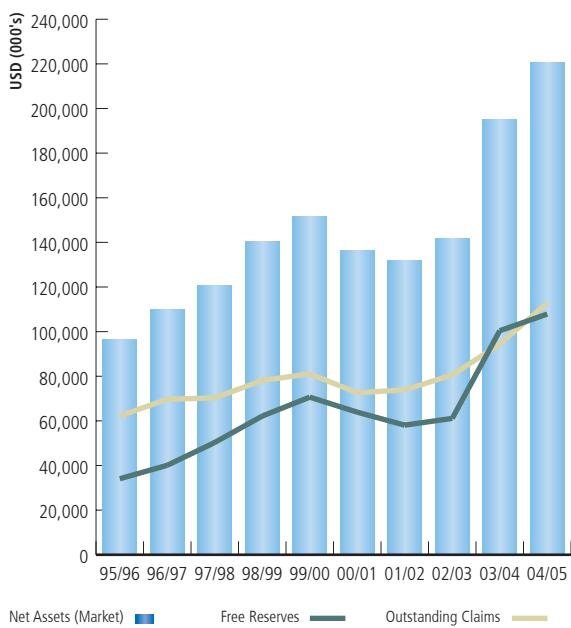
Net Underwriting Development



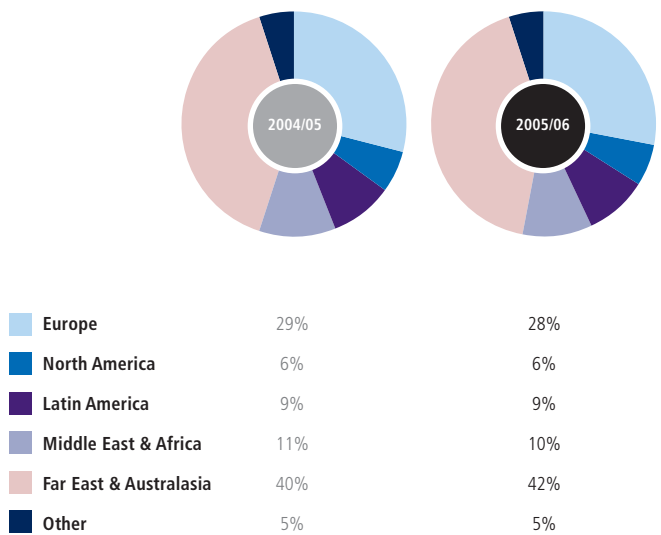
Premiums per GT – Entered Tonnage – Net Claims per GT



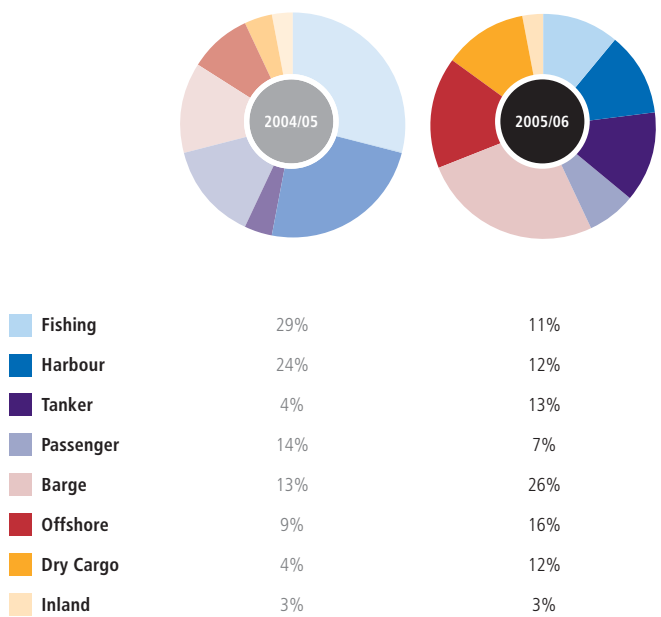
Assets and Free Reserves



Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights – Skuld

- Total entered tonnage stable.
- Paid premiums increased by nearly 12%.
- Gross paid claims increased by 6%, but net paid claims reduced by just over 10%.
- Operating result moves into a small surplus.
- Investment income well down on 2003/04, but still contributed positively to increase the overall surplus for the year.
- Assets increased by 3%.
- Further reduction in outstanding claims estimates allowed substantial increase in free reserves.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	107,509	127,411	142,322
Reinsurance Premiums	-22,624	-23,340	-19,931
Operating Expenses	-25,336	-28,377	-28,469
Operating Income	59,549	75,694	93,922
Gross Paid Claims	105,304	108,633	115,482
Net Paid Claims	87,086	103,507	92,735
Operating Surplus (Deficit)	-27,537	-27,813	1,187
Investment Income	2,182	28,162	9,240
Surplus for Year (Deficit)	-25,355	349	10,427

Net Assets (market)	342,504	347,509	358,124
Net Outstanding Claims	292,424	265,916	245,059
Forecast Additional Calls	-	-	-
Free Reserves (Inc. Forecast Supplementary Calls)	50,080	81,593	113,065

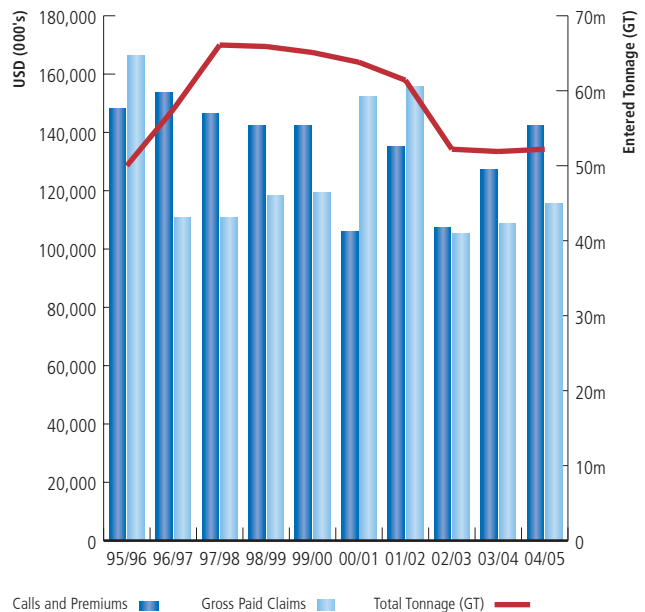
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	27,600,000	26,608,185	26,200,000
Chartered/Fixed	24,600,000	25,287,847	26,000,000
Total	52,200,000	51,896,032	52,200,000

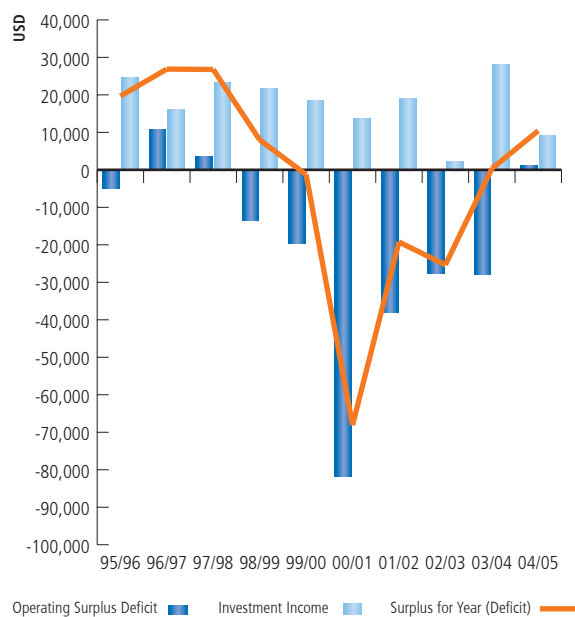
S&P Rating

	2003	2004	2005
	BBpi	BBB*	BBB+*

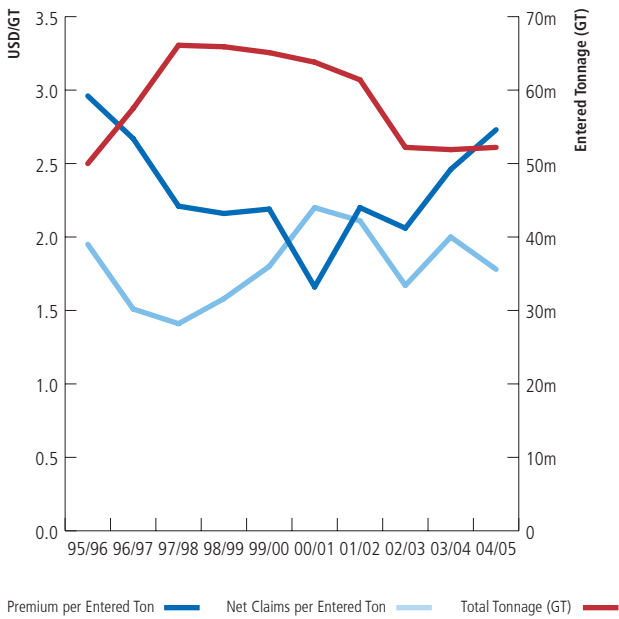
Gross Underwriting Development



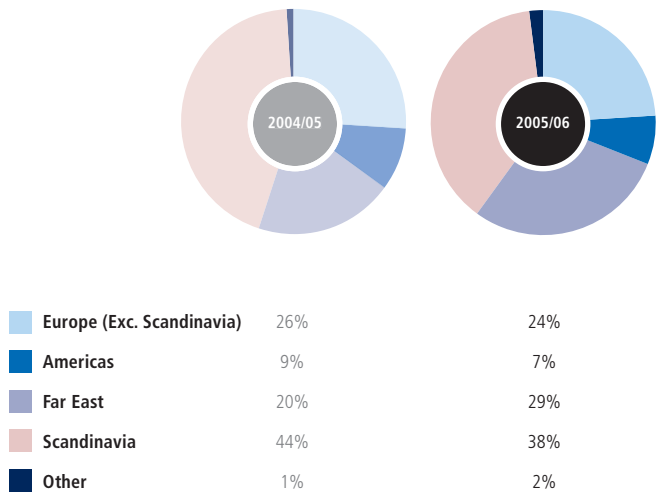
Net Underwriting Development



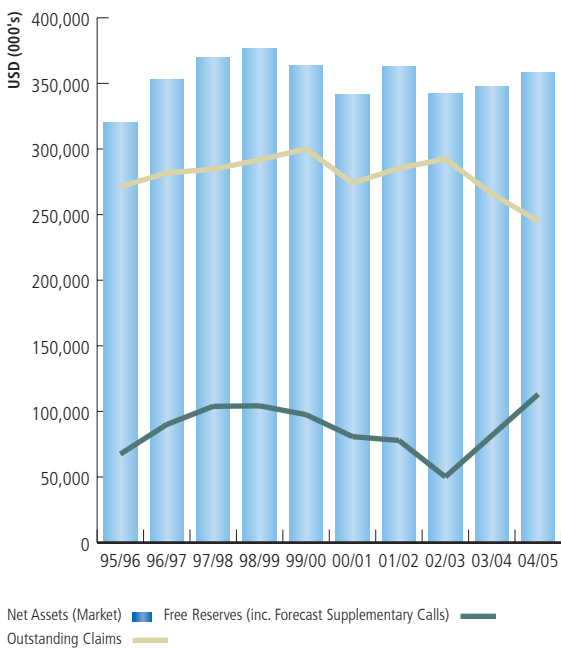
Premiums per GT – Entered Tonnage – Net Claims per GT



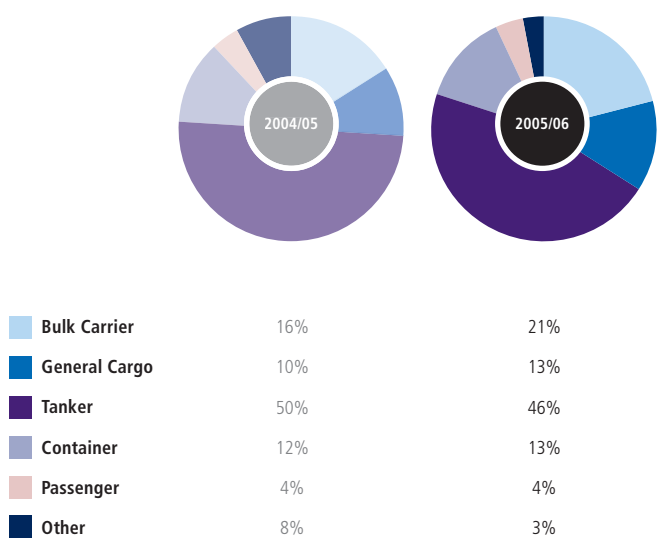
Tonnage Split by Nationality of Management



Assets and Free Reserves



Tonnage Split by Vessel Type



Highlights – Standard (Bermuda)

- Owned entered tonnage increased by 5.5%, but overall tonnage marginally reduced.
- Paid premiums increased by 8%.
- Gross and net paid claims increased by 3% and 6% respectively.
- Paid operating result improved, but still with a slight deficit.
- Investment income down on 2003/04, but still more than sufficient to deliver an overall surplus for the year.
- Assets increased by 7%.
- 8% increase in outstanding claims estimates limits free reserve growth to just less than 5%.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	143,214	151,597	163,558
Reinsurance Premiums	-23,806	-30,431	-28,400
Operating Expenses	-16,181	-17,806	-19,869
Operating Income	103,227	103,360	115,289
Gross Paid Claims	109,316	117,132	120,619
Net Paid Claims	88,465	109,584	116,477
Operating Surplus (Deficit)	14,762	-6,224	-1,188
Investment Income	24,744	76,672	38,317
Surplus for Year (Deficit)	39,506	70,448	37,129

Net Assets (market)	444,583	515,031	552,160
Net Outstanding Claims	330,702	351,264	380,251
Forecast Additional Calls	-	-	-
Free Reserves (Exc. Forecast Supplementary Calls)	113,881	163,767	171,909

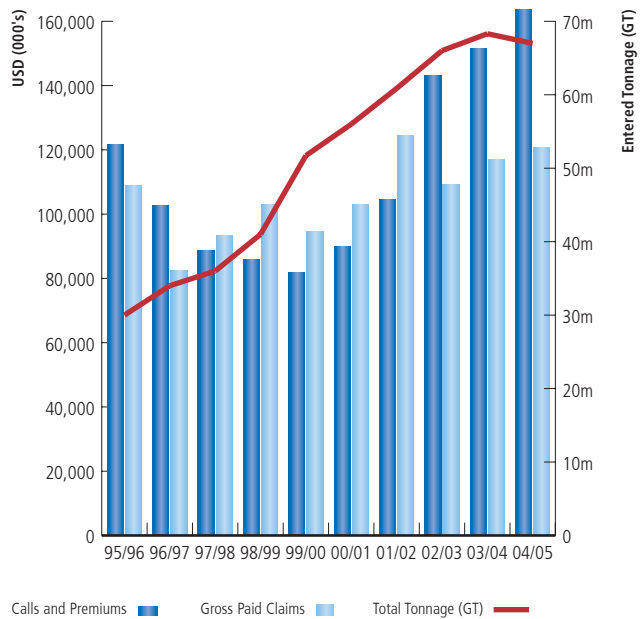
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	49,702,214	46,411,738	49,000,000
Chartered/Fixed	16,302,336	21,897,086	18,000,000
Total	66,004,550	68,308,824	67,000,000

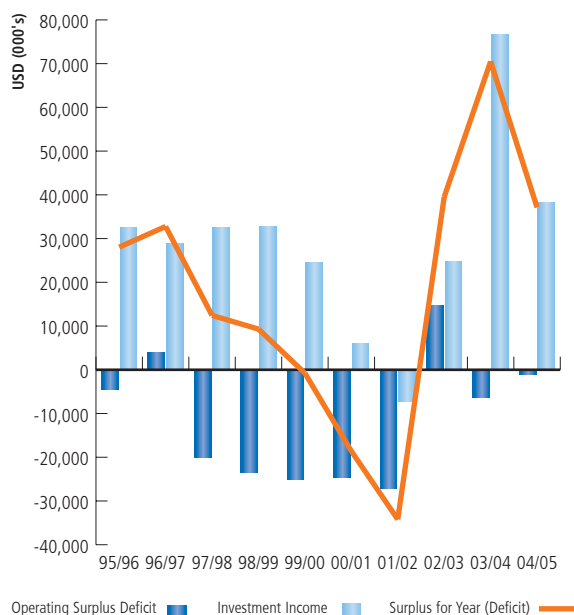
S&P Rating

	2003	2004	2005
	A+*	A*	A*

Gross Underwriting Development

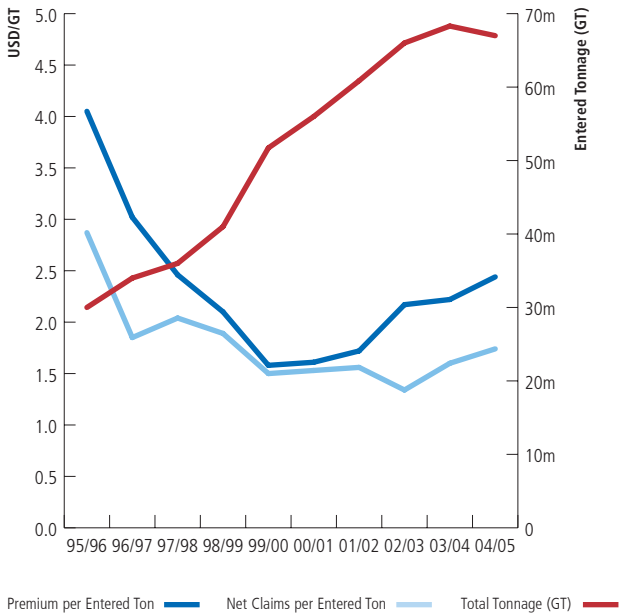


Net Underwriting Development

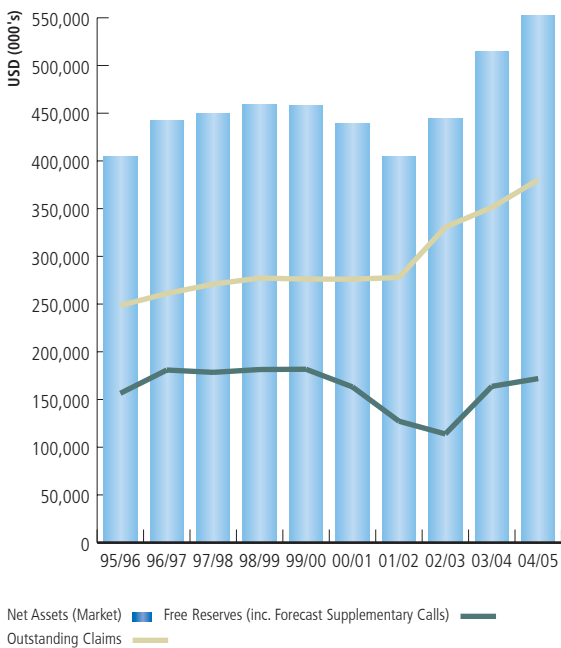


Standard (Bermuda)

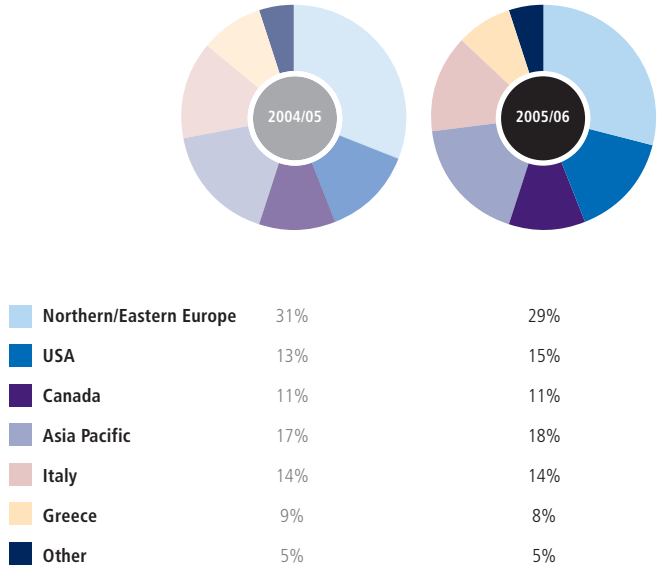
Premiums per GT – Entered Tonnage – Net Claims per GT



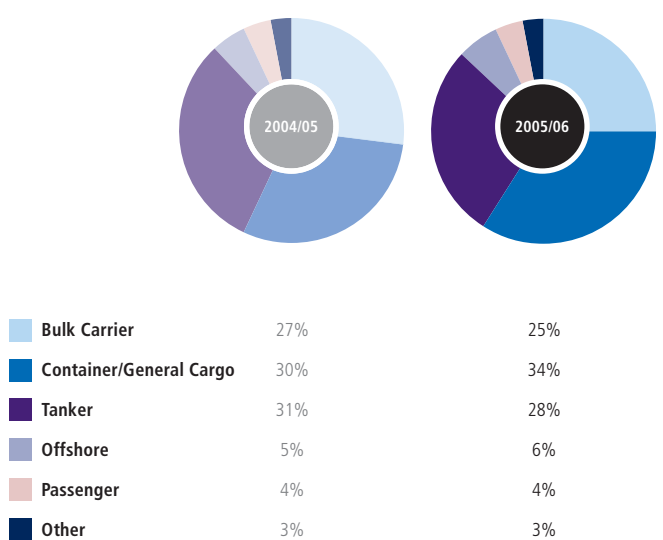
Assets and Free Reserves



Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights – Steamship

- Total entered tonnage stable.
- 7% reduction in paid premiums.
- Nearly 16% reduction in net paid claims.
- Operating deficit improved by USD 31.5 million.
- Reduced but positive investment income allowed marginal overall surplus.
- Assets stable.
- Slight reduction in free reserves.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	199,977	210,163	194,851
Reinsurance Premiums	-50,048	-46,609	-28,105
Operating Expenses	-28,023	-30,653	-31,800
Operating Income	121,906	132,901	134,946
Gross Paid Claims	248,381	240,306	189,018
Net Paid Claims	183,617	187,093	157,632
Operating Surplus (Deficit)	-61,711	-54,192	-22,686
Investment Income	-254	71,573	23,110
Surplus for Year (Deficit)	-61,965	17,381	424

	2003	2004	2005
Net Assets (Market)	404,098	476,487	477,548
Net Outstanding Claims	433,833	398,579	397,423
Forecast Additional Calls	118,912	61,251	57,242
Free Reserves (Inc. Forecast Supplementary Calls)	89,177	139,159	137,367

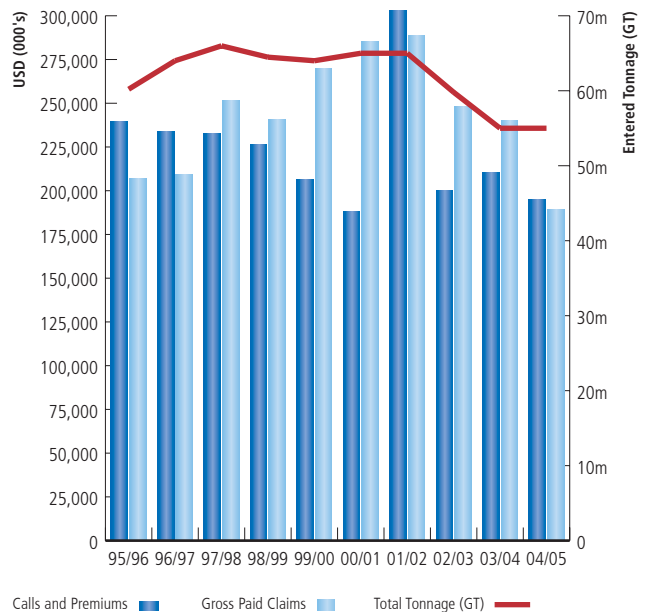
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	42,500,000	38,000,000	38,200,000
Chartered/Fixed	17,300,000	17,000,000	16,800,000
Total	59,800,000	55,000,000	55,000,000

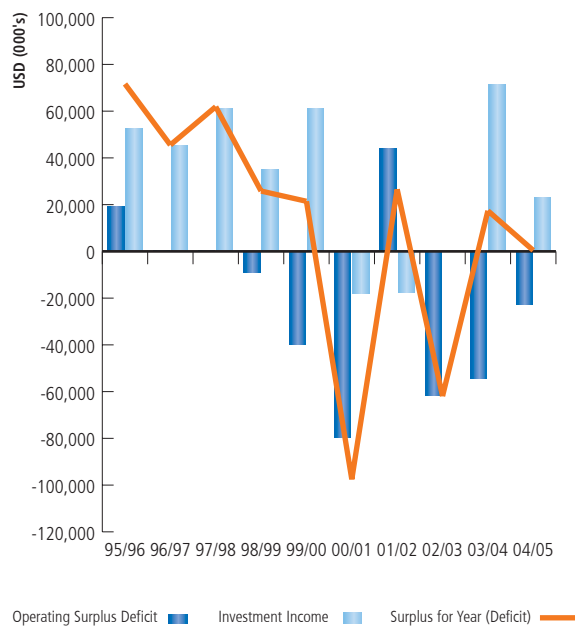
S&P Rating

	2003	2004	2005
	BBpi	BBpi	BBBpi

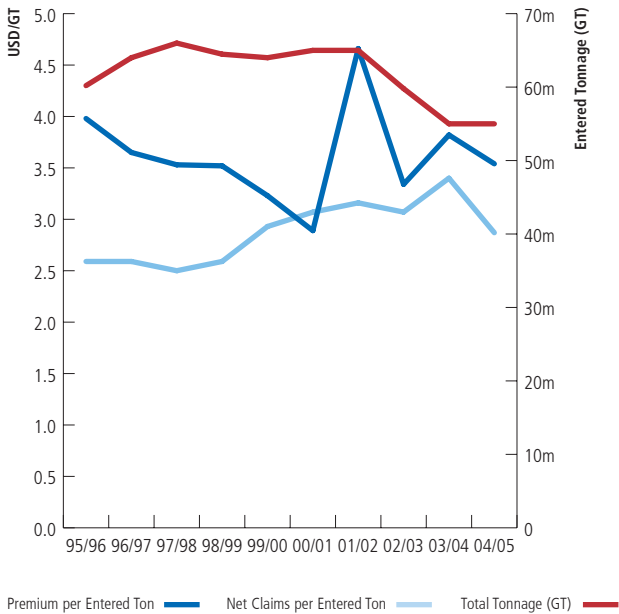
Gross Underwriting Development



Net Underwriting Development

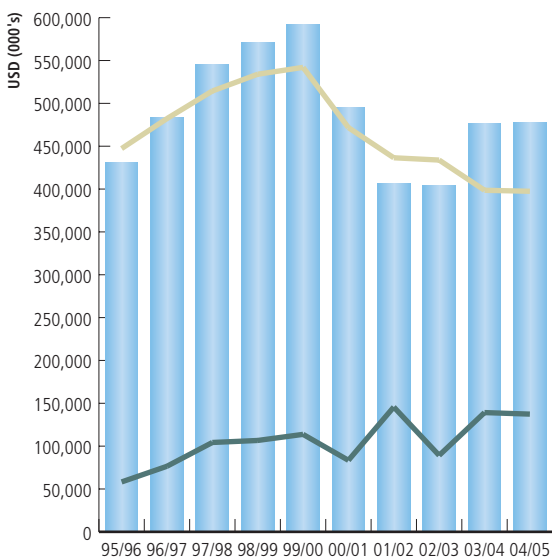


Premiums per GT – Entered Tonnage – Net Claims per GT



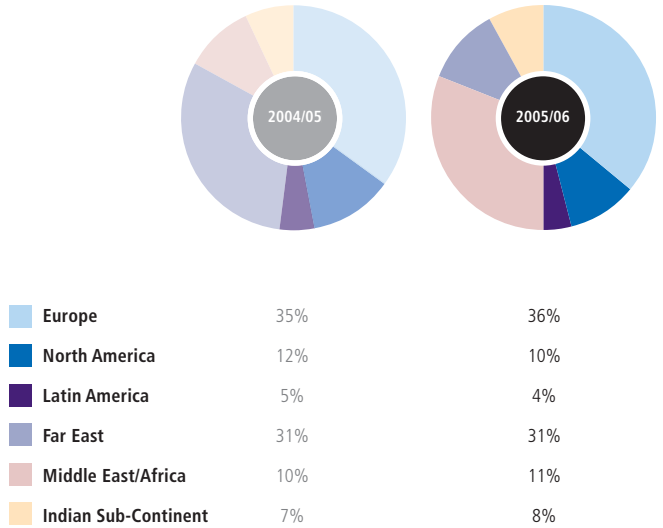
Premium per Entered Ton — Net Claims per Entered Ton — Total Tonnage (GT) — Entered Tonnage (GT)

Assets and Free Reserves

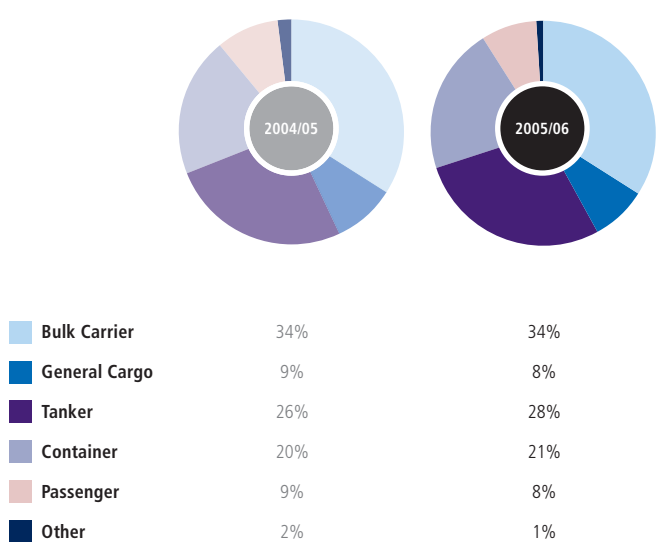


Net Assets (Market) — Free Reserves (inc. Forecast Supplementary Calls) — Outstanding Claims

Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights – UK Club

- Total owned entered tonnage increased by 3.5%.
- Paid premiums increased by marginally over 11%
- 43% increase in gross paid claims, net paid claims increased by 14%.
- Operating deficit improved by nearly USD 44 million.
- Positive, though reduced, investment income allows USD 13 million overall paid surplus for year.
- Assets increased marginally (+1.4%).
- Despite the small increase in Assets, the uplift in outstanding claims estimates resulted in 6% reduction in free reserves.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	249,818	287,843	320,305
Reinsurance Premiums	-85,569	-75,043	-19,539
Operating Expenses	-36,867	-36,314	-45,717
Operating Income	127,382	176,486	255,049
Gross Paid Claims	333,333	262,624	376,164
Net Paid Claims	230,307	247,391	282,170
Operating Surplus (Deficit)	-102,925	-70,905	-27,121
Investment Income	44,228	126,800	40,479
Surplus for Year (Deficit)	-58,697	55,895	13,358

	2003	2004	2005
Net Assets	896,493	952,388	965,746
Outstanding Claims	717,195	732,714	759,293
Forecast Additional Calls	-	-	-
Free Reserves (Inc Forecast Supplementary Calls)	179,298	219,674	206,453

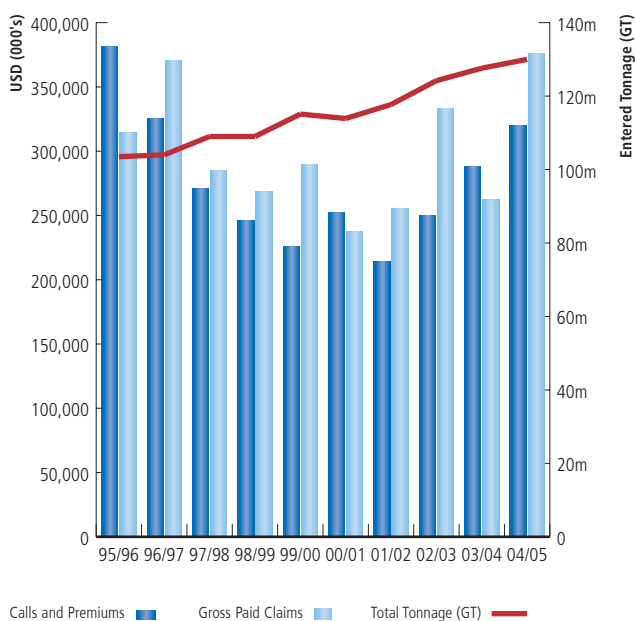
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	94,200,000	97,600,000	101,000,000
Chartered/Fixed	30,000,000	30,000,000	29,000,000
Total	124,200,000	127,600,000	130,000,000

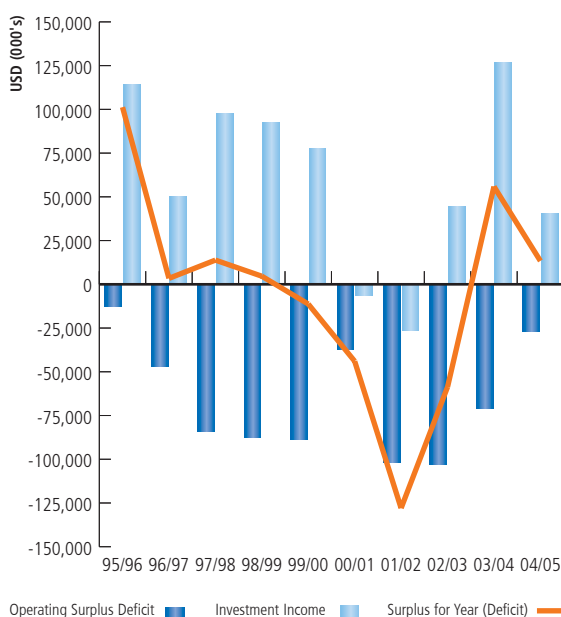
S&P Rating

	2003	2004	2005
	A+*	A*	A*

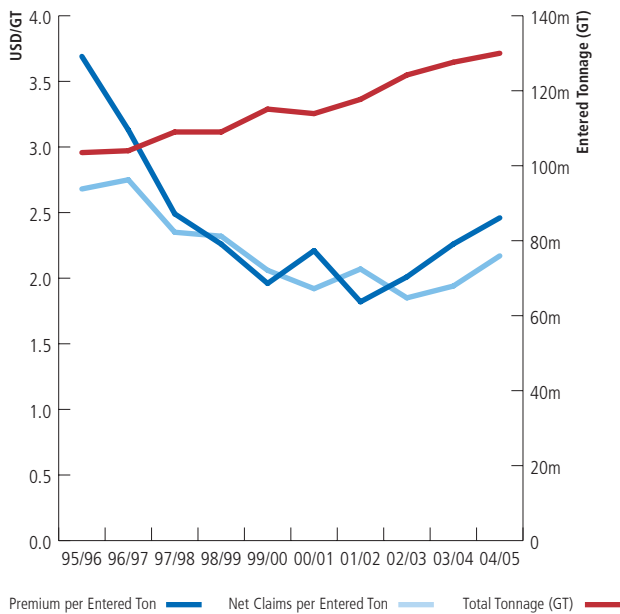
Gross Underwriting Development



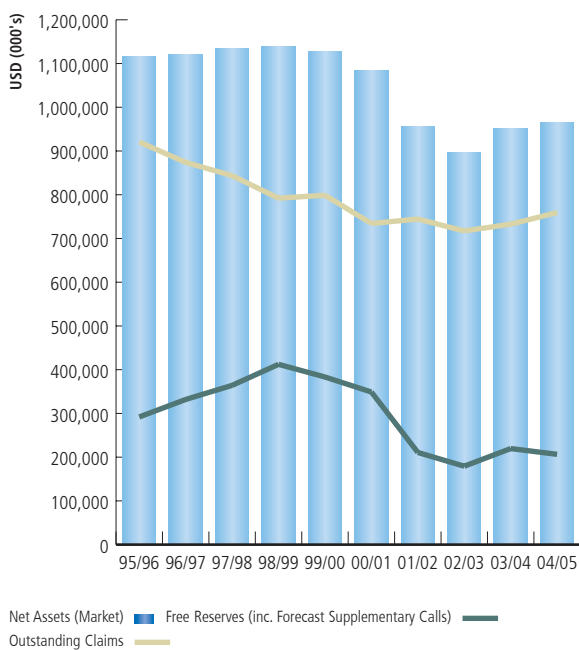
Net Underwriting Development



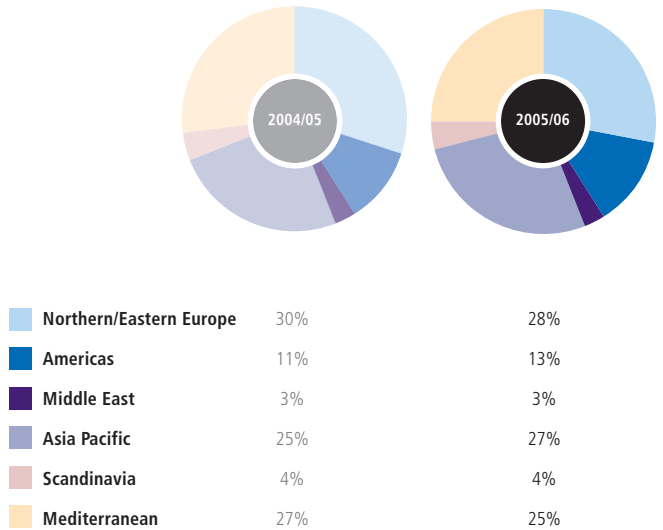
Premiums per GT – Entered Tonnage – Net Claims per GT



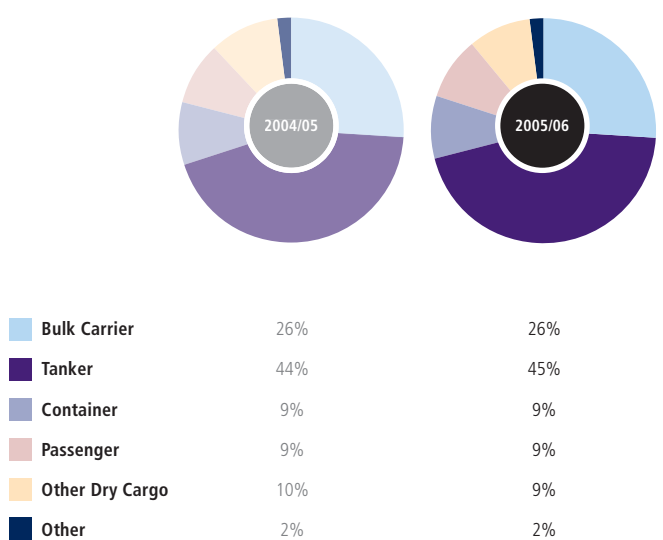
Assets and Free Reserves



Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights – West of England

- Total owned tonnage increased by nearly 14%
- Paid premiums increased by roughly the same margin (almost 14%)
- Gross and net paid claims reduced by approximately 5% on 2003/04 (though both still materially higher than 2002/03)
- Operating result improved by just over USD 30 million
- Overall surplus for the year due to reduced but still healthy investment income
- Assets increased by 2.6%
- Despite improved Asset levels, a 7% increase in outstanding claims estimates lead to a 7.6% reduction in free reserves

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	155,712	196,832	224,209
Reinsurance Premiums	-24,681	-39,307	-41,700
Operating Expenses	-27,516	-31,835	-35,161
Operating Income	103,515	125,690	147,348
Gross Paid Claims	178,868	255,628	243,312
Net Paid Claims	135,129	163,277	154,437
Operating Surplus (Deficit)	-31,614	-37,587	-7,089
Investment Income	14,178	64,794	27,398
Surplus for Year (Deficit)	-17,436	27,207	20,309
	-	-	-
Net Assets (Market)	477,586	501,872	515,087
Net Outstanding Claims	371,271	379,934	407,309
Forecast Additional Calls	18,730	23,450	26,530
Free Reserves (Including Forecast Supplementary Calls)	125,045	145,388	134,308

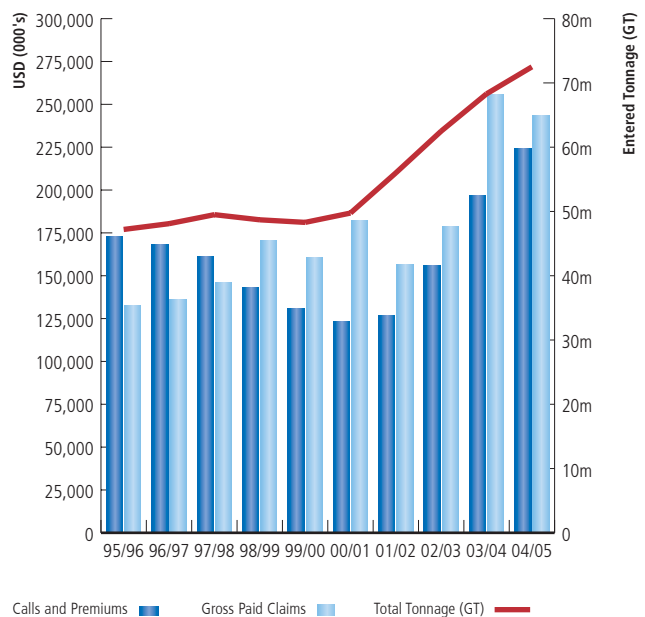
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	45,000,000	49,700,000	56,500,000
Chartered/Fixed	17,500,000	18,600,000	16,000,000
Total	62,500,000	68,300,000	72,500,000

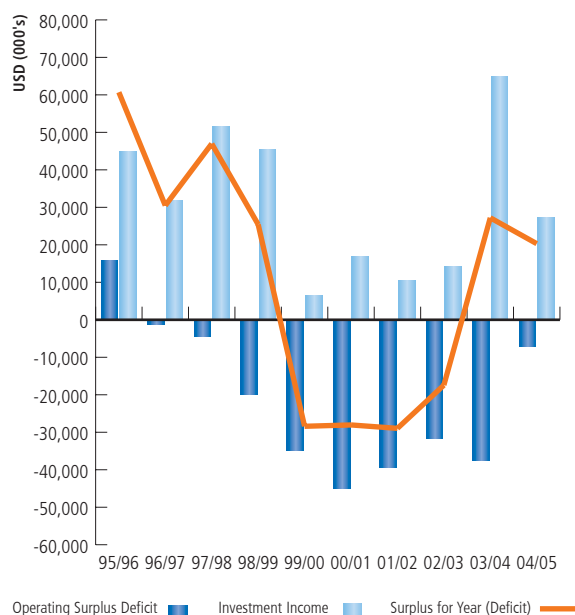
S&P Rating

	2003	2004	2005
	BBBpi	BBBpi	BBBpi

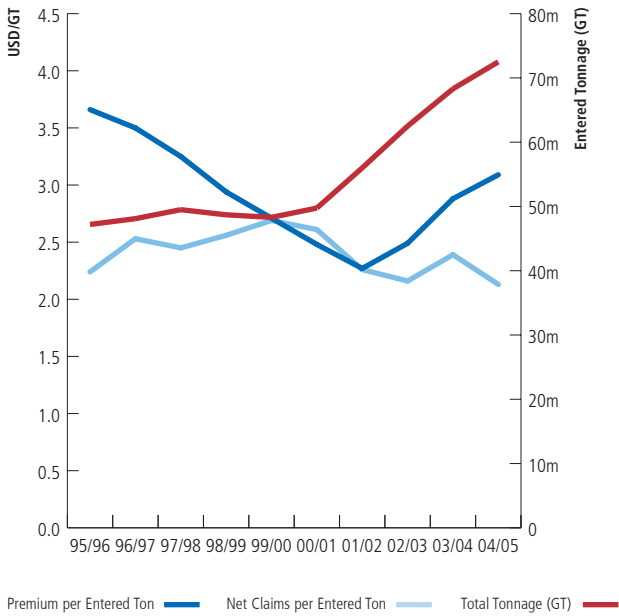
Gross Underwriting Development



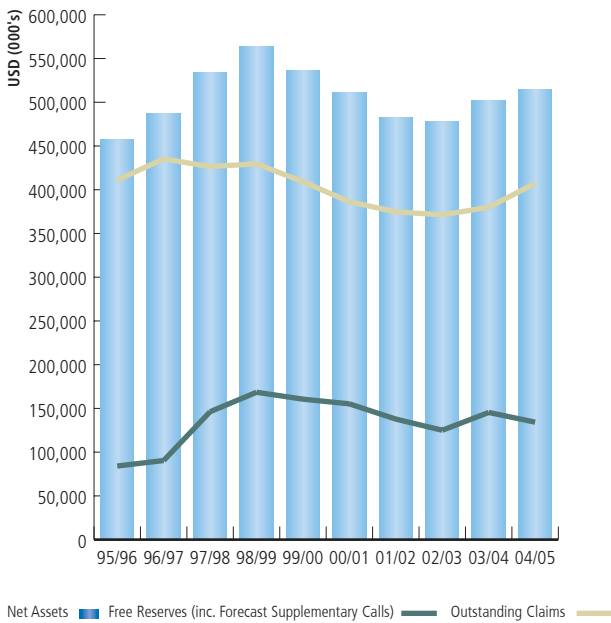
Net Underwriting Development



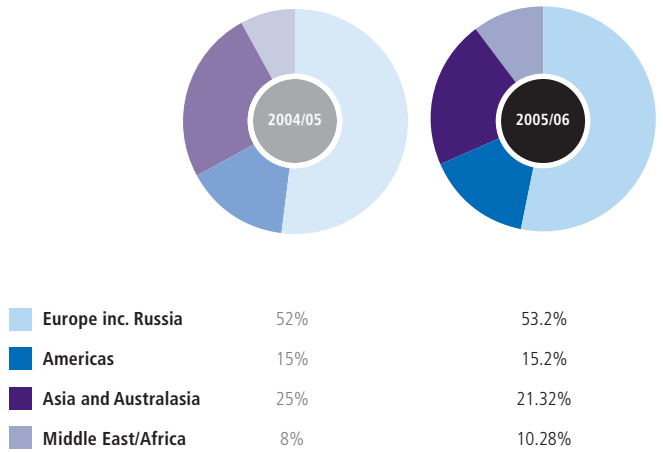
Premiums per GT – Entered Tonnage – Net Claims per GT



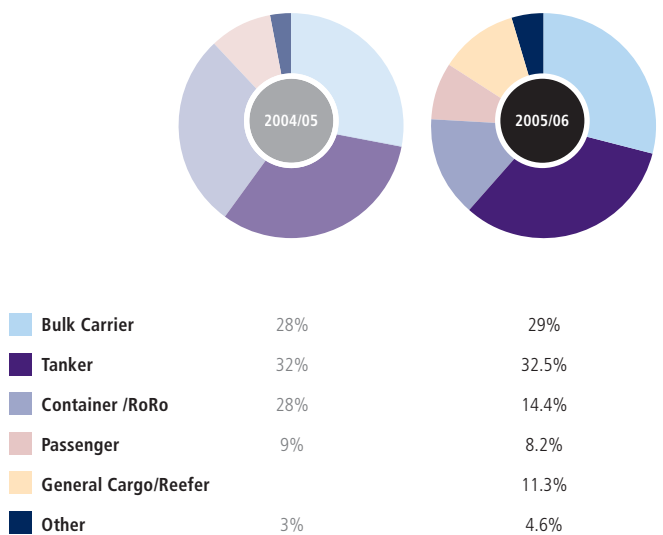
Assets and Free Reserves



Tonnage Split by Nationality of Management



Tonnage Split by Vessel Type



Highlights

- **Club in run-off.**
- Continuing positive developments in open years.
- **13% reduction in estimated outstanding claims.**
- **14% increase in estimated free reserve.**
- Free reserve at 20 February 2005 estimated at nearly USD 34 million.

Consolidated Financial Year Summary (USD 000's)

	2002/03	2003/04	2004/05
Calls and Premiums	4,284	1,160	171
Reinsurance Premiums	-	-735	-107
Operating Expenses	-3,310	-2,662	-2,586
Operating Income	974	-2,237	-2,522
Gross Paid Claims	15,924	7,627	2,484
Net Paid Claims	11,840	6,001	2,979
Operating Surplus (Deficit)	-10,866	-8,238	-5,501
Investment Income	4,375	5,208	2,143
Surplus for Year (Deficit)	-6,491	-3,030	-3,358

	2002/03	2003/04	2004/05
Net Assets	87,512	85,952	82,808
Outstanding Claims	63,170	56,191	48,992
Forecast Additional Calls	-	-	-
Free Reserves (Inc. Forecast Supplementary Calls)	24,342	29,761	33,816

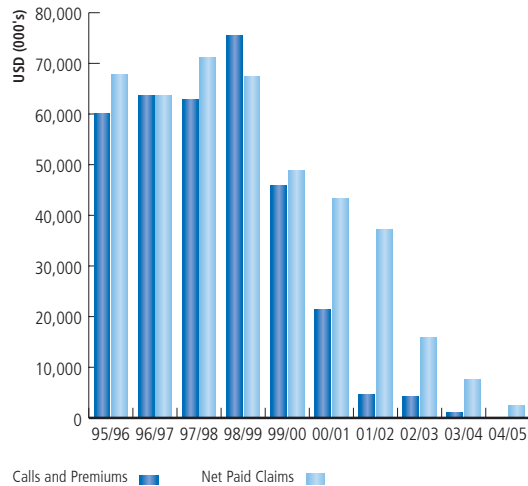
Entered Tonnage (GT)

	2003	2004	2005
Owned / Mutual	N/A	N/A	N/A
Chartered / Fixed	N/A	N/A	N/A
Total	N/A	N/A	N/A

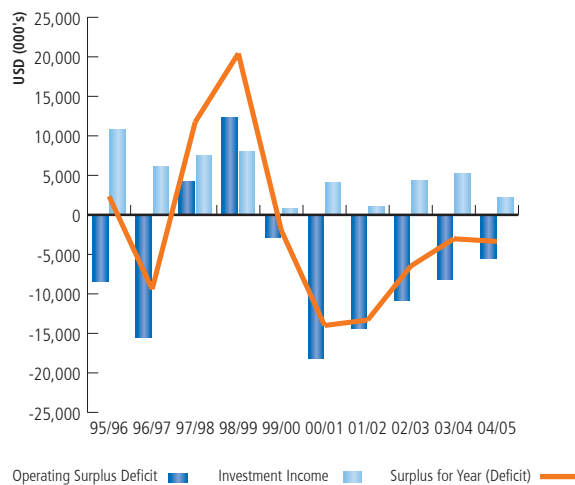
S&P Rating

	2003	2004	2005
	N/A	N/A	N/A

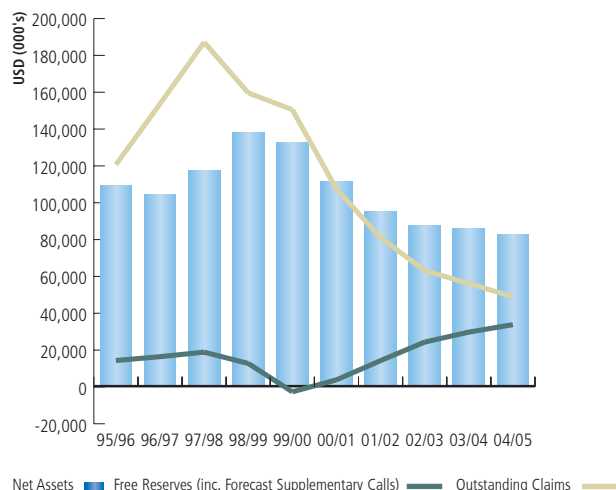
Paid Premiums and Gross Paid Claims



Net Underwriting Development



Assets and Free Reserves



The Swedish Club writes P&I, FD&D and Hull and Machinery (H&M) Classes of business. The Club provides separate summary financial statements for the P&I and FD&D technical account, but it does not allocate administrative costs, investment income or total reserves of the Club across all the different Classes written. It is therefore difficult to produce meaningful financial comparisons with other P&I Clubs.

Combined Club Financial Highlights

- Across all Classes (H&M, P&I and FD&D) the Club had a gross premium income of USD 99.9 million in 2004. This is a 22% increase on the previous year (USD 81.8 million in 2003).
- Reduced underwriting surplus on the H&M Class compensated for by an increased surplus on the P&I/FD&D Class.
- Overall operating deficit (including administrative expenses) of USD 2.2 million in 2004 (very similar to 2003).
- Investment income reduced from USD 24.7 million in 2003 to USD 15.6 million in 2004.
- Investment income sufficient to produce an overall surplus for the 2004 year of USD 13.4 million across all Classes.
- This overall surplus allowed a 16.5% increase in combined free reserves between 2003 and 2004 (from USD 81.5 million to USD 94.9 million).

The only financial figures published by the Swedish Club separating out the P&I and FD&D Classes relate to premiums, claims and reinsurance costs. The P&I/FD&D gross premium for 2004 was USD 42.4 million (up from USD 41.3 million in 2003). In terms of premium income the Swedish Club continues to be the smallest Club in the IG (roughly half the premium income of the next smallest Club). Overall claims levels reduced from USD 34.4 million in 2003 to USD 28.7 million in 2004. This helped the P&I/FD&D Classes show a surplus of paid claims compared to net income. This surplus of USD 5.7 million is a material improvement on the USD 1.5 million deficit in 2003. This positive underwriting result however excludes operating expenses and investment income, which as mentioned above are not broken out for the P&I/FD&D Classes.

The H&M Class of the Swedish Club increased its entered Gross Tonnage (GT) by roughly 32% between 2004 and 2005 (from 38.3 million GT in 2004 to 50.4 million GT in 2005). Over the same period the tonnage of the P&I Class grew by 17%, from 14.6 million GT in 2004 to 17.1 million GT in 2005.

The Club has developed a much more international P&I Membership over the last decade. Swedish tonnage now represents only 10% of their portfolio, compared with around 50% ten years ago.

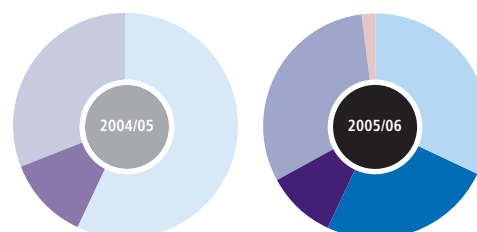
Entered Tonnage (GT)

	2003	2004	2005
Owned/Mutual	14,829,299	14,600,000	17,100,000
Chartered/Fixed	1,440,923	1,600,000	1,800,000
Total	16,270,222	16,200,000	18,900,000

S&P Rating

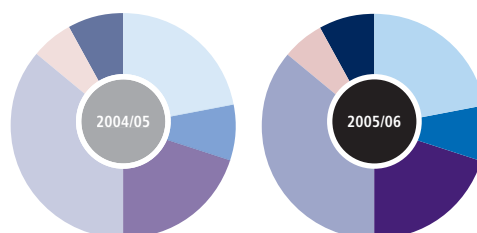
	2003	2004	2005
	BBpi	BBB-*	BBB*

Tonnage Split by Nationality of Management



Southern Europe	57% (all Europe)	32%
Northern Europe	-	25%
Sweden	12%	10%
Asia	31%	31%
Middle East	-	2%

Tonnage Split by Vessel Type

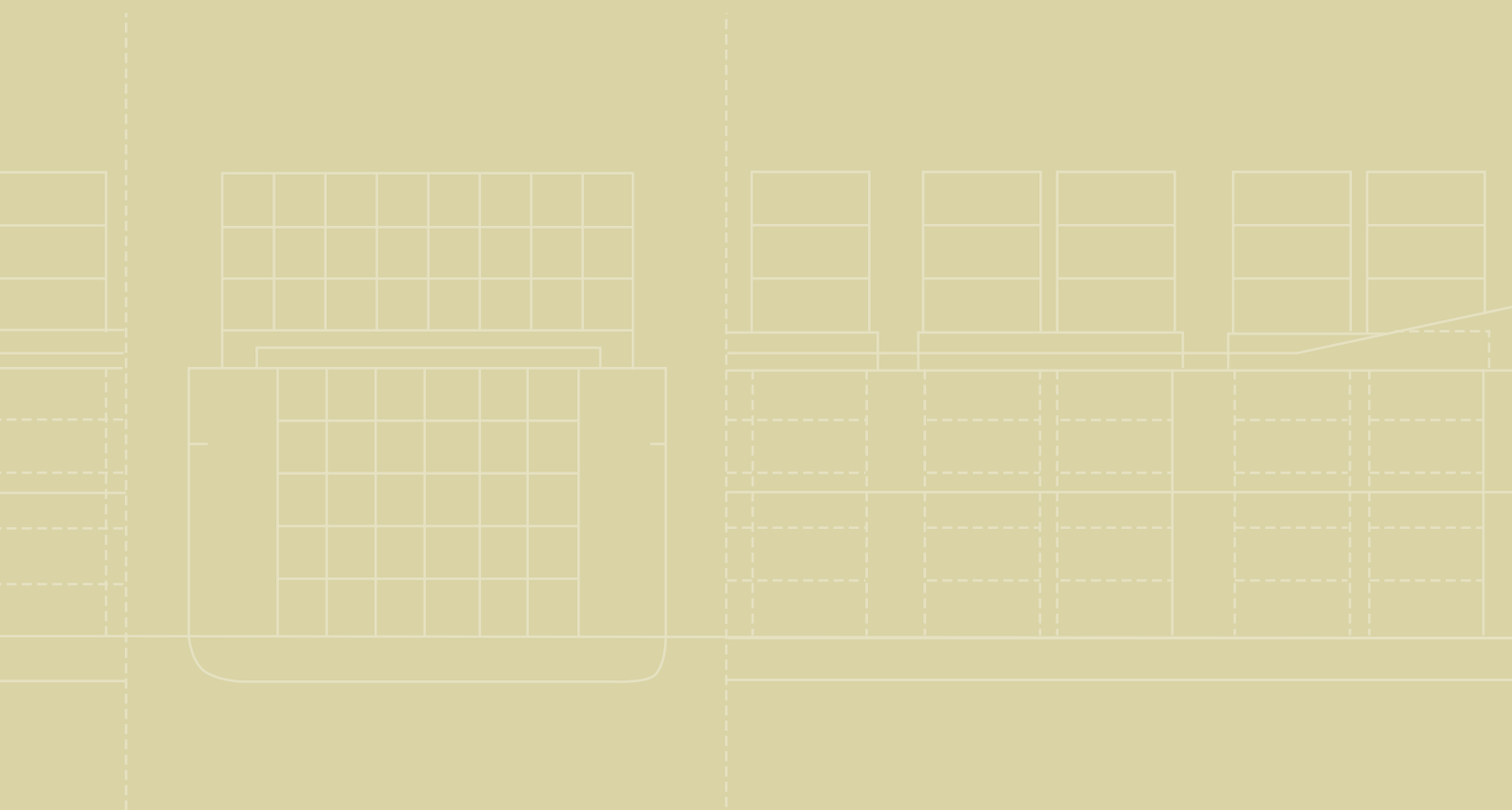


Bulk Carrier	18%	22%
General Cargo	6%	8%
Tanker	21%	20%
Container/RoRo	39%	36%
Passenger	10%	6%
Other	6%	8%

Supplementary Call History



The following pages provide comparative information on the supplementary/deferred call history of the market.



Supplementary Call History

There has been a trend over the last five years towards the use of the phrase 'deferred premium' rather than 'supplementary call'. Similarly instead of 'estimated total call' ('advance call' + 'supplementary call') a number of Clubs have introduced their own terminology such as 'mutual premium', 'estimated total premium' etc. These changes in terminology have no impact on the underlying principle. All the International Group Clubs remain mutual insurers and have the ability to charge additional premiums or allow rebates on originally estimated premiums.

In the following pages we have tried to compare 'like with like' regardless of the actual terminology used by individual Clubs.

The analysis is broken down as follows:

- **Table with Basic Data**

The main reference table below shows in actual figures the original and final/current estimates for the supplementary/deferred calls of all the Clubs from 1993/94 to 2006/07.

- **Graphical Depiction of Individual Clubs' Results**

The data from the main reference table is displayed graphically without any analysis for each Club. The graphs show the original estimated supplementary call and the actual call for each Club over the period 1994 to 2005. The intention of displaying the graphs together is to allow easy comparison of individual Club supplementary call trends.

- **Direct Graphical Comparisons of Individual Club Results**

(Percentage Variation from original Estimated Total Call)

Pages 64-67 provide a more direct comparison of all the Clubs' supplementary call results. Each graph shows the percentage variation from original estimated total call for each Club over the period 1994 to 2005. The graphs are on the same scale and provide direct comparison of the individual Clubs' supplementary call performance and trends over the period.

- **Market Comparison of the Average Variances over 15, 10 and Five Years**

The three graphs on page 69 provide a summary of the average supplementary call performance of all the Clubs.

Policy Year:	1993/1994		1994/1995		1995/1996		1996/1997		1997/1998		1998/1999		1999/2000	
Supp. Call Estimate:	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final	Original	Final
American Club	80	90	65	65	50	68	25	34	25	25	25	25	25	45
Britannia	40	-5	40	-5	25	-10	25	-7.5	25	0	25	10	25	15
Brit. Marine Mutual	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gard	40	30	40	35	30	15	30	0	30	0	30	0	25	15
Japan Club	40	0	20	0	20	20	20	10	20	10	20	0	20	15
Liverpool & London	40	90	40	170	25	112.95	25	116	25	172	25	25	25	25
London Steamship	40	40	40	30	40	30	40	40	40	30	40	20	40	40
Newcastle	30	45	40	96	40	130	40	164	40	140	n/a	n/a	n/a	n/a
North of England	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Ocean Marine	20	80	30	95	30	95	40	180	40	180	40	110	n/a	n/a
Shipowners	25	0	25	0	25	0	25	0	25	0	25	0	25	0
Skuld	20	20	20	20	20	20	20	20	20	20	20	30	20	45
Standard (Bermuda)	40	40	25	25	25	10	25	0	25	0	25	0	25	15
Standard (London)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Steamship	40	40	40	40	40	40	40	40	40	40	40	40	40	60
Swedish	0	0	0	0	0	0	0	0	0	0	0	-10	0	0
UK	40	30	40	40	40	30	40	25	40	25	40	30	40	30
West of England	50	50	50	50	50	50	50	50	50	50	50	50	50	50

Where Clubs charge on an Estimated Mutual Basis. The supplementary/deferred call figure provided refers to the percentage charged after expiry of the policy period (relative to the premium charged during the policy year). **These are shown in red.**

We have included three graphs providing 'snap shots' of the average performance of each Club, compared to the market, over 15, 10 and five year periods.

The aim of the progression in the graphs is to provide an easy overview of the relative supplementary call performance of each Club over the last 15 years.

The best performing Clubs are shown to the left of the graphs, with those over-budget towards the right of the graphs.

NB: Percentage Variation from original Estimated Total Call
This is a direct comparative measure of the Clubs' supplementary call performance. It is necessary for clear comparison, as individual Clubs use a wide range of original estimated supplementary calls.

- A zero percentage variance from estimated total calls signifies that the Club has charged exactly what it estimated for that year.
- A negative percentage variance shows that the Club charged less than it originally estimated for the year in question.
- A positive percentage variance highlights that the Club actually charged more than was originally estimated for the year.

The aim of the progression in the graphs is to provide an easy overview of the relative supplementary call performance of each Club over the last 15 years.

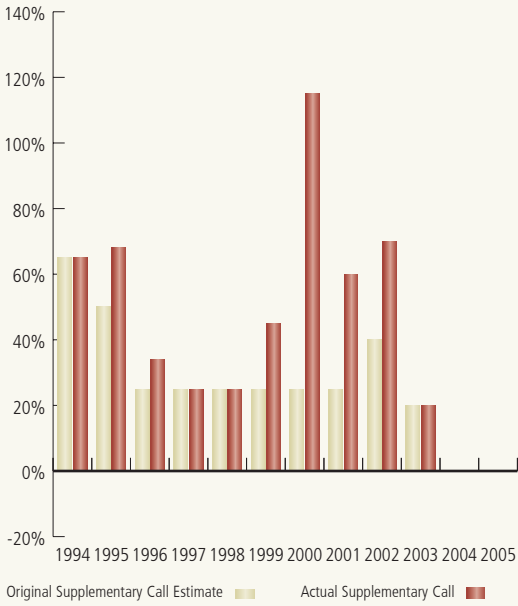
2000/2001		2001/2002		2002/2003		2003/2004		2004/2005		2005/2006		2006/07		Supp. Call Estimate
Original	Current	Original	Current	Original	Current	Original	Current	Original	Current	Original	Current	Original	Current	
25	115	25	60	40	70	20	20	0	0	0	0	0	0	American Club
25	25	25	25	40	40	40	40	40	40	40	40	30	30	Britannia
fixed	fixed	fixed	fixed	fixed	fixed	fixed	fixed	fixed	fixed	fixed	fixed	fixed	fixed	Brit. Marine Mutual
25	25	25	25	25	25	25	25	25	25	25	25	25	25	Gard
20	20	20	20	20	20	30	20	30	30	30	30	30	30	Japan Club
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Liverpool & London
40	40	40	40	40	40	40	40	40	40	40	40	40	40	London Steamship
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Newcastle
25	25	25	25	25	25	25	25	0	0	0	0	0	0	North of England
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Ocean Marine
25	0	25	0	25	25	25	0	25	25	25	25	25	25	Shipowners
20	65	20	20	0	0	0	0	0	0	0	0	0	0	Skuld
25	25	25	25	39	39	39	39	39	39	39	39	39	39	Standard (Bermuda)
0	0	0	0	0	0	0	0	0	0	0	0	0	0	Standard (London)
43	86	43	100	43	43	43	43	43	43	43	43	0	0	Steamship
0	0	0	0	0	0	0	0	0	0	0	0	0	0	Swedish
33	33	33	33	33	33	33	33	33	33	33	33	33	33	UK
50	50	20	20	20	20	20	20	20	20	20	20	20	20	West England

 = closed

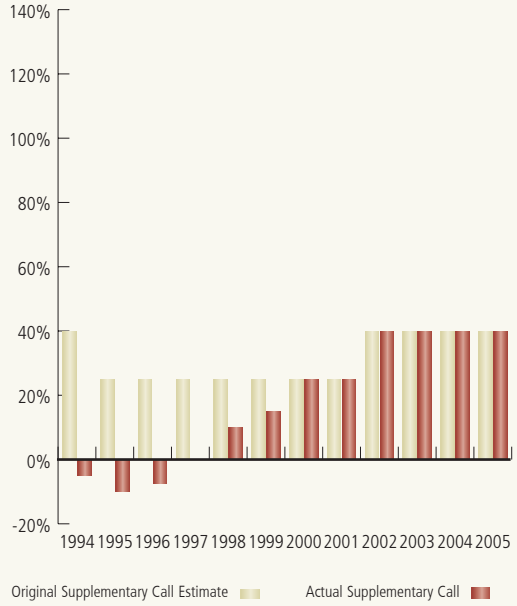
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Comparison of Original and Actual Supplementary Calls

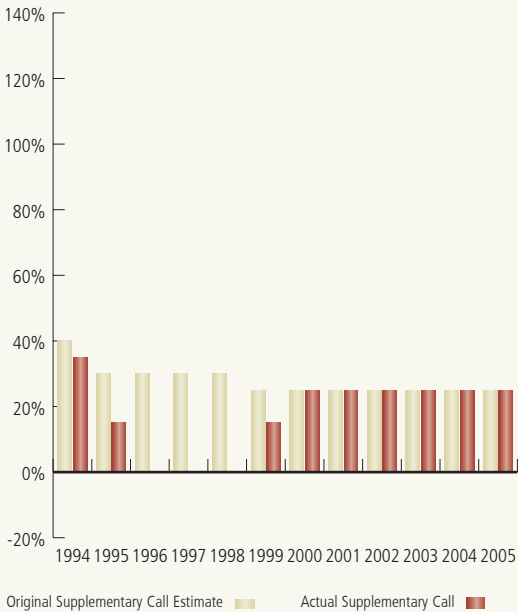
American



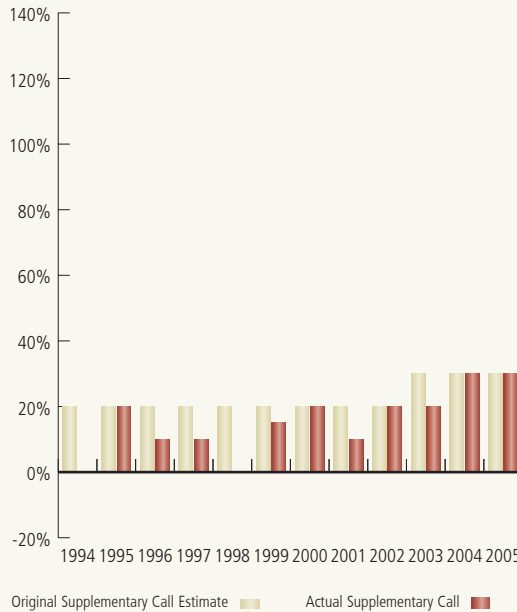
Britannia



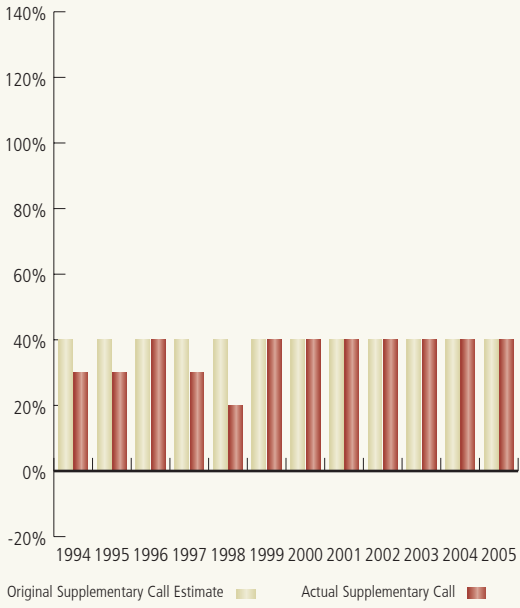
Gard



Japan



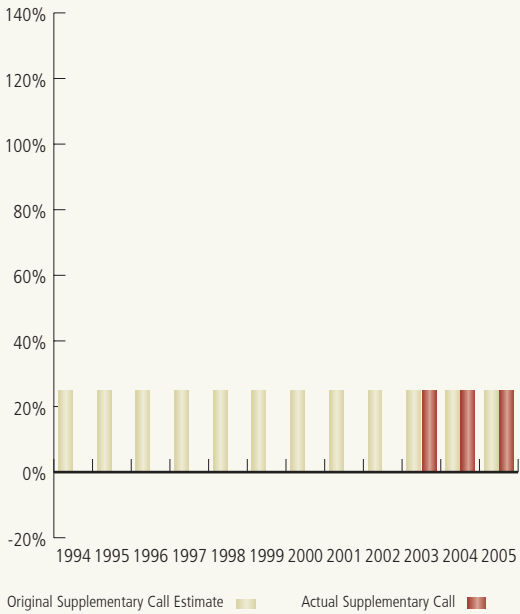
London



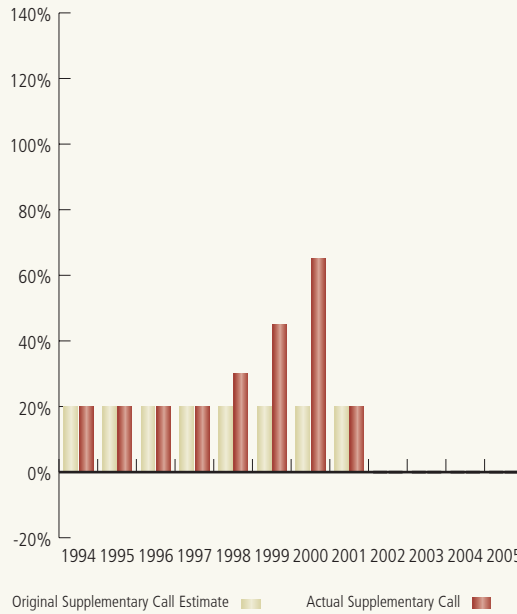
North of England



Shipowners

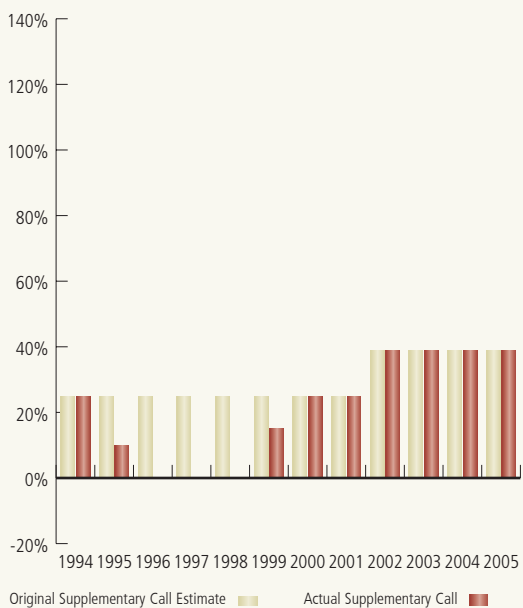


Skuld

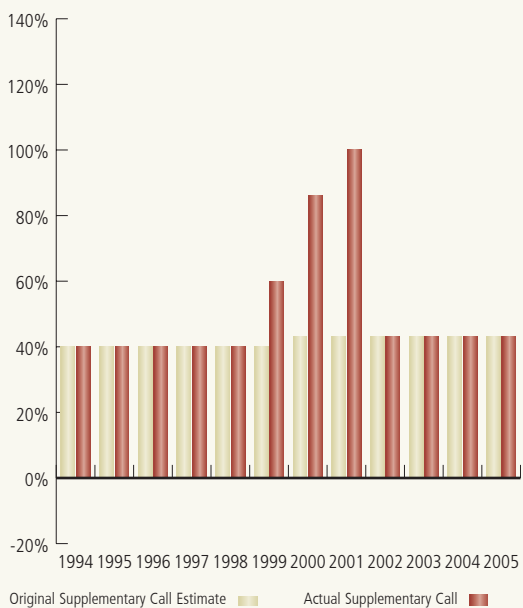


Comparison of Original and Actual Supplementary Calls

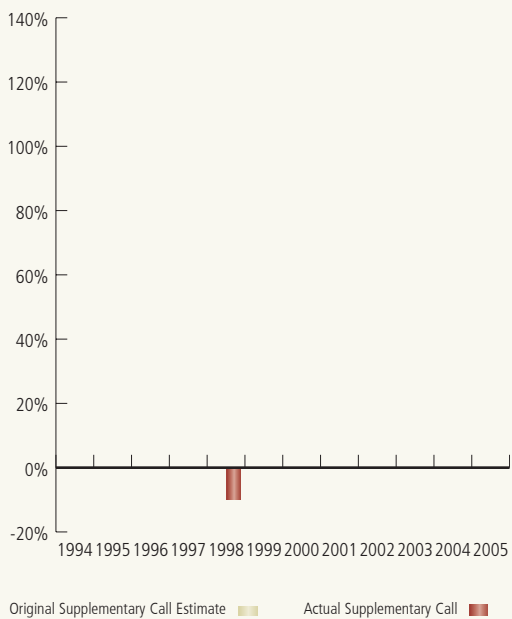
Standard Bermuda



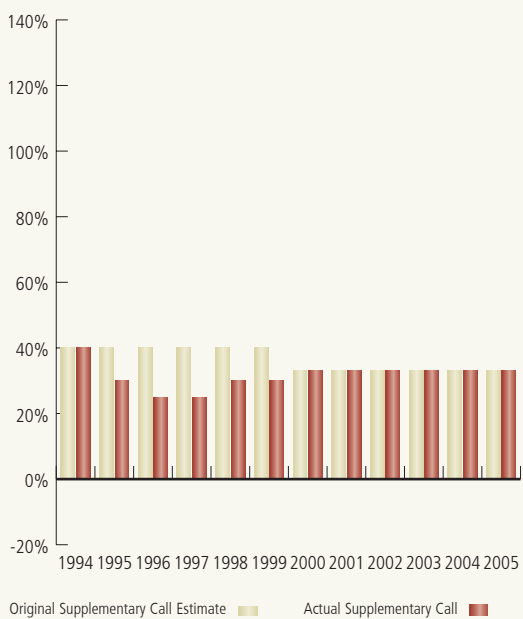
Steamship



Swedish



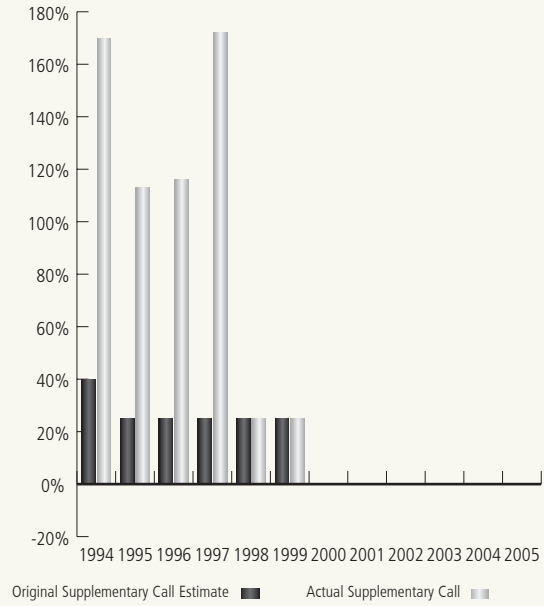
UK Club



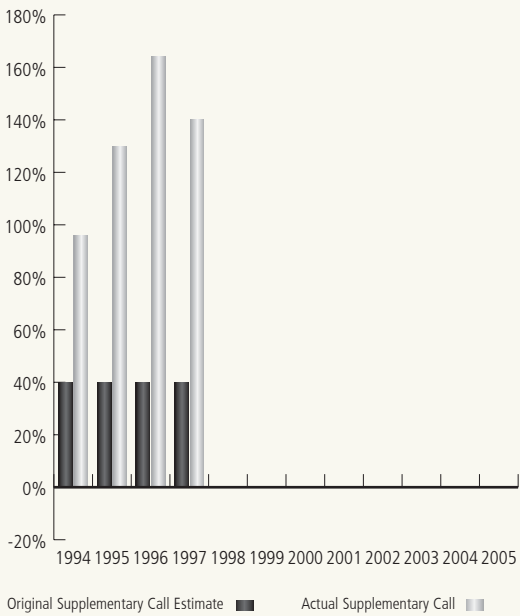
West of England



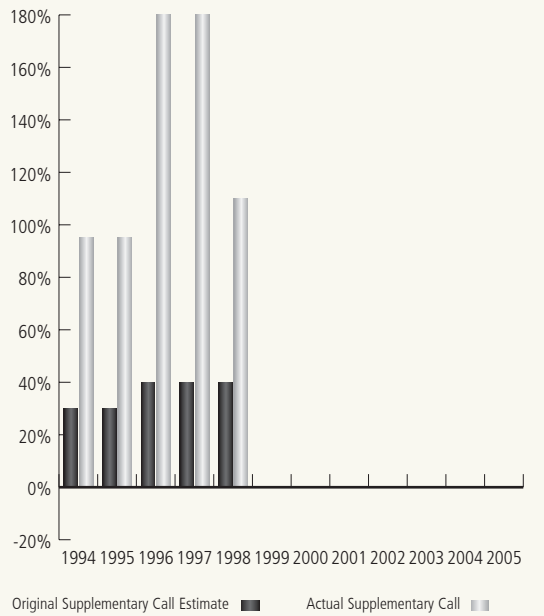
Liverpool & London



Newcastle

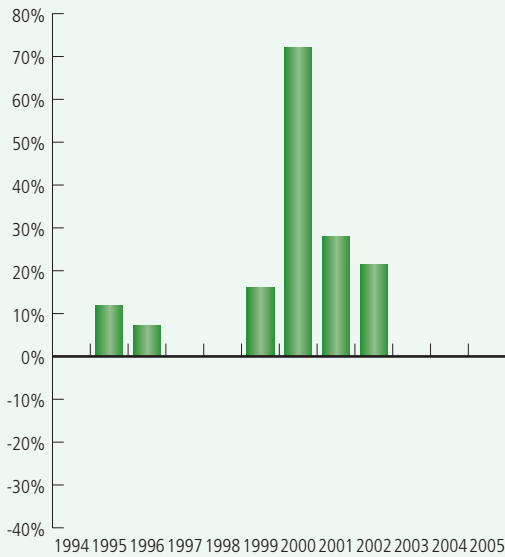


Ocean Marine



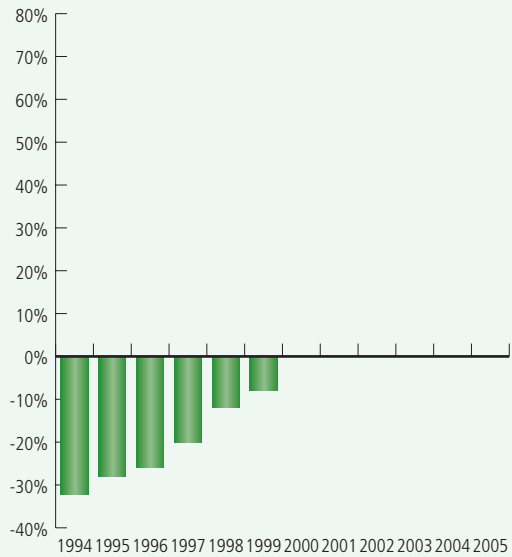
Percentage Variation from Initial Estimated Total Call

American



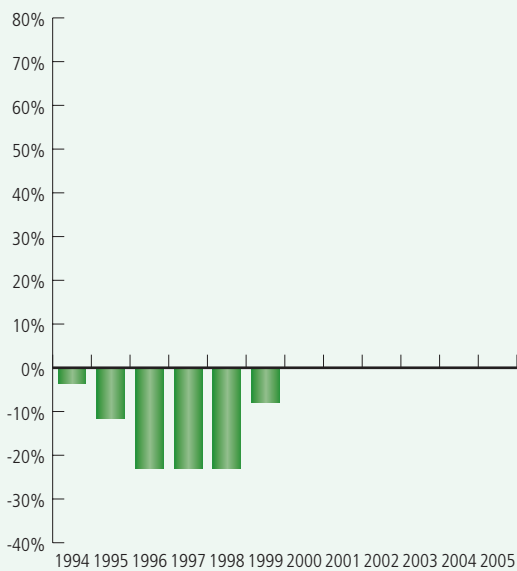
Percentage Variation from Estimated Total Call ■

Britannia



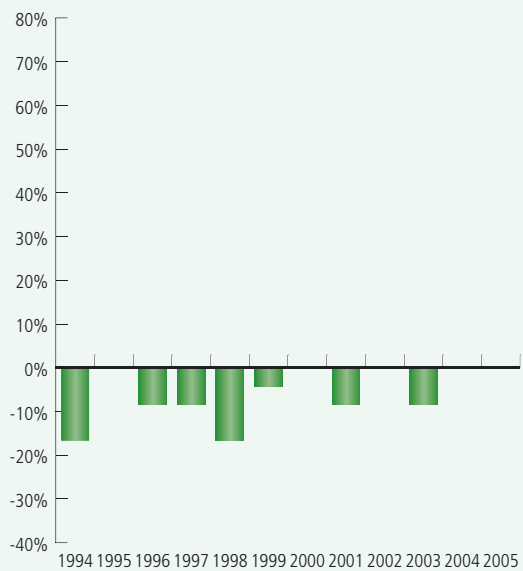
Percentage Variation from Estimated Total Call ■

Gard



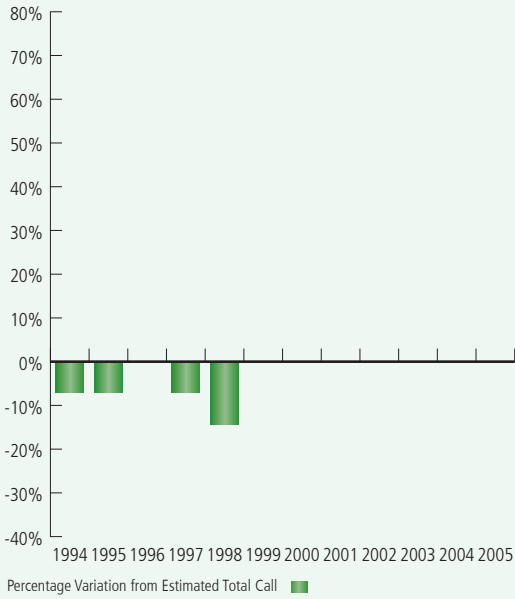
Percentage Variation from Estimated Total Call ■

Japan

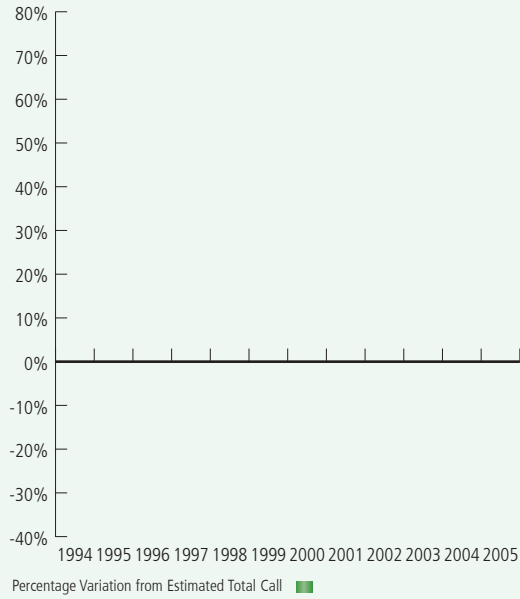


Percentage Variation from Estimated Total Call ■

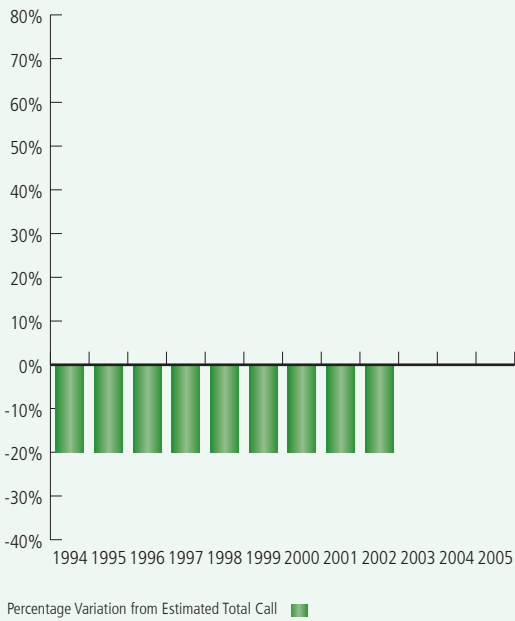
London



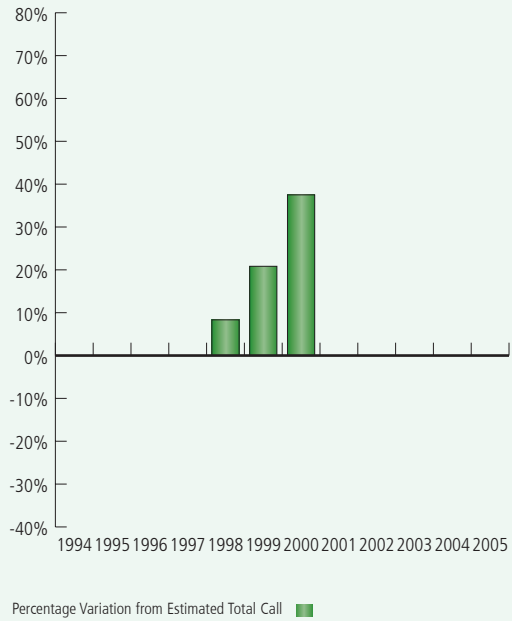
North of England



Shipowners

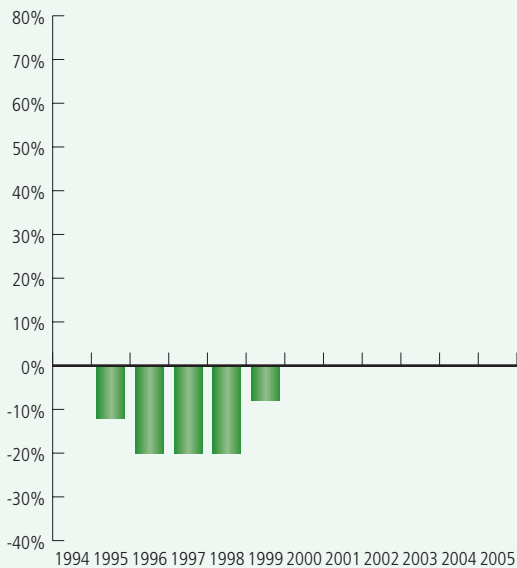


Skuld



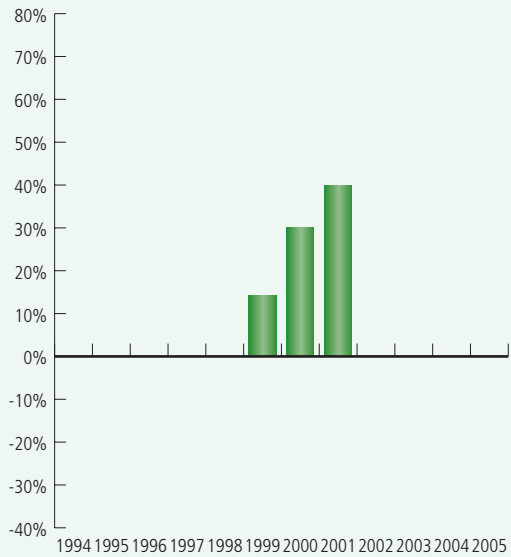
Percentage Variation from Initial Estimated Total Call

Standard Bermuda



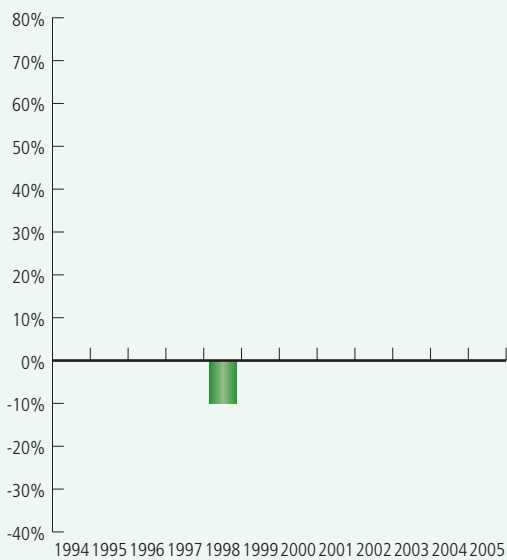
Percentage Variation from Estimated Total Call ■

Steamship



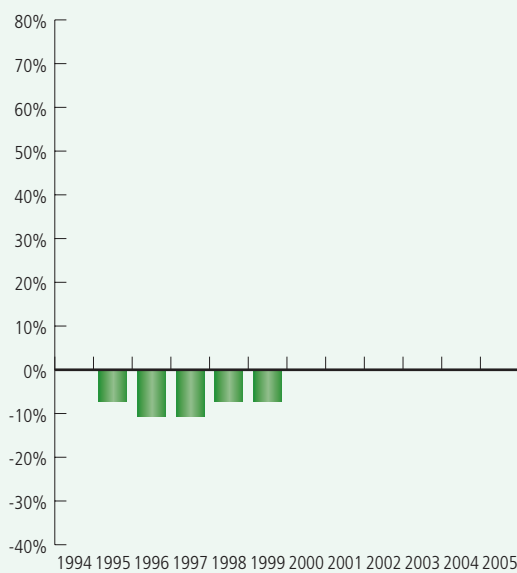
Percentage Variation from Estimated Total Call ■

Swedish



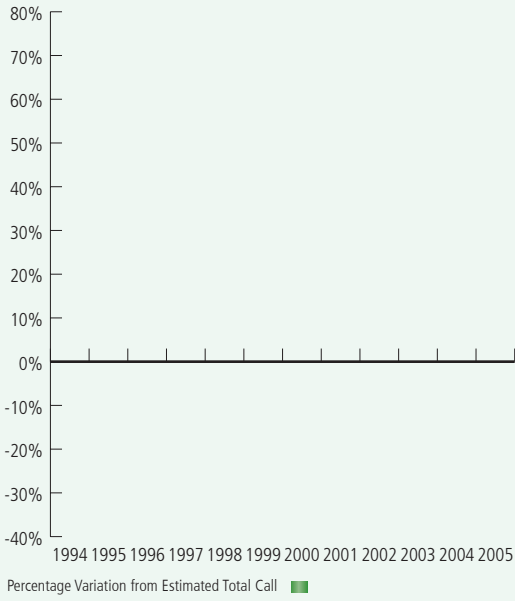
Percentage Variation from Estimated Total Call ■

UK Club

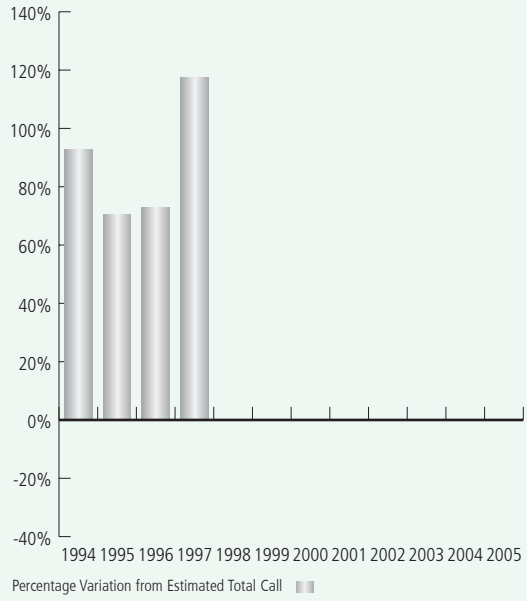


Percentage Variation from Estimated Total Call ■

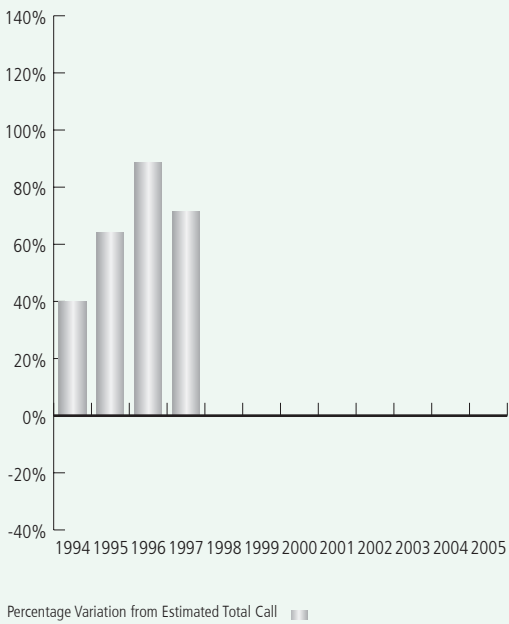
West of England



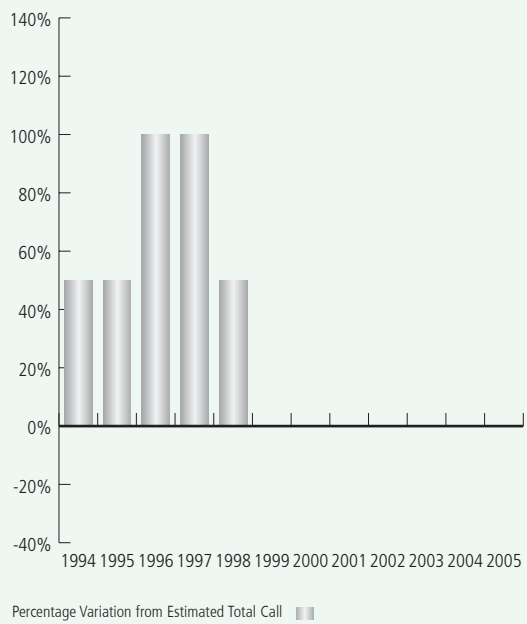
Liverpool & London



Newcastle



Ocean Marine



Supplementary Call History Summary

Market trend

The average supplementary call performance of the combined market is shown in the graph below. This overall market performance is shown from 1986 to 2005.

The graph highlights the market wide problems from 1987 to 1991 when the vast majority of Clubs were forced to charge substantial over-budget supplementary calls. This pattern improved dramatically in subsequent years. The trend from 1991 is one of only relatively isolated problems against a backdrop of stability.

The main Clubs over-calling in the mid 1990s were the Liverpool and London, Newcastle and Ocean Marine. These Clubs were all subsequently forced to cease underwriting, either by a process of merging or entering run-off.

The only Clubs with no option but to make unbudgeted calls in the last five years are the American Club, Skuld and Steamship. These three Clubs did not have some of the fundamental/inherent problems that eventually led to the demise of the Liverpool and London, Newcastle and

Ocean Marine. They did however face similar challenges in terms of competing in a wider market that was largely performing within budget.

Variance between Clubs

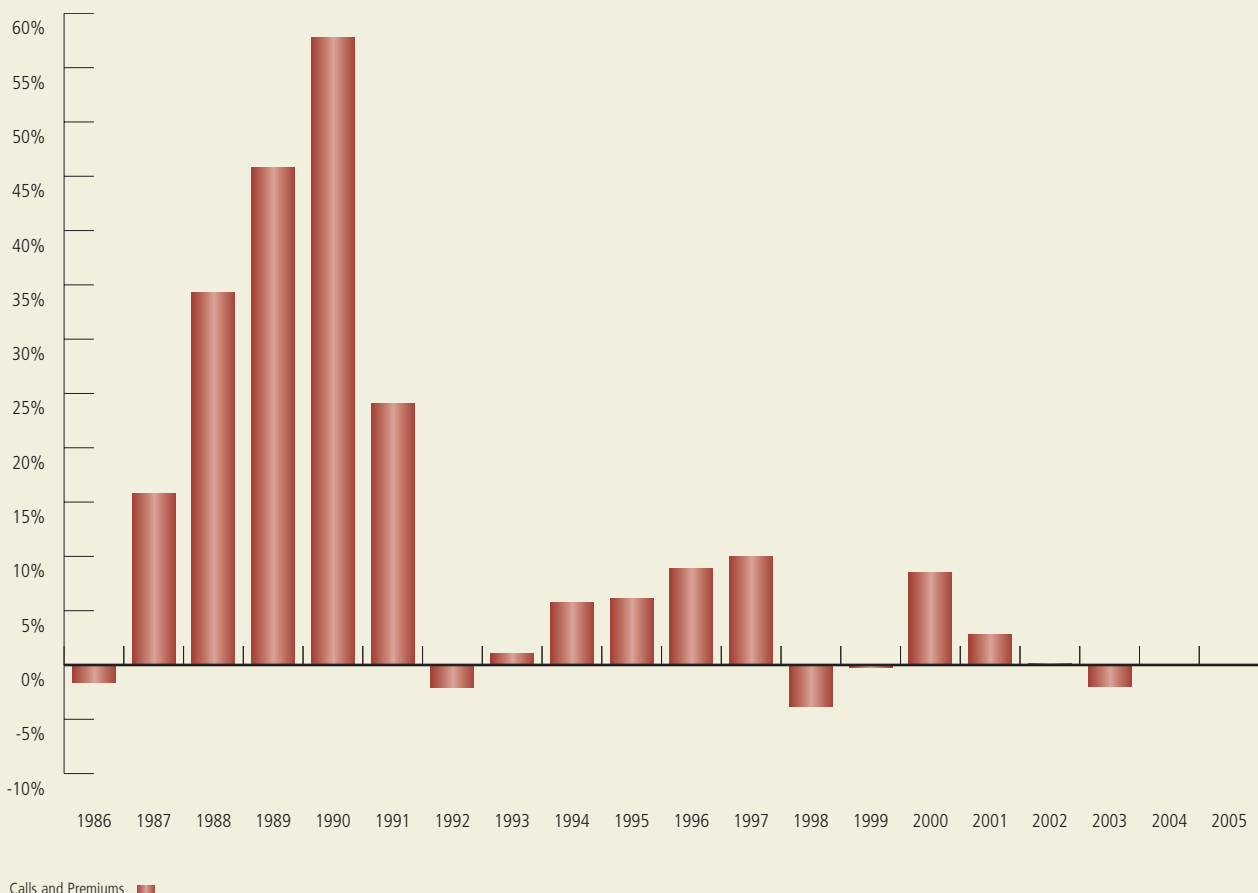
The divergence in the supplementary call performance of the Clubs is significant.

The three graphs below show individual Clubs' average supplementary call performance over the last 15, 10 and five years.

The time periods chosen emphasise the progression from a period (15+ years ago) where most Clubs had some form of supplementary call problem; to the more recent periods where the majority of Clubs have performed on, or below their budgeted levels.

As mentioned above, only three Clubs currently involved in active underwriting have been forced to make excess supplementary calls in the last 10 years.

Supplementary Call Accuracy: Market Average

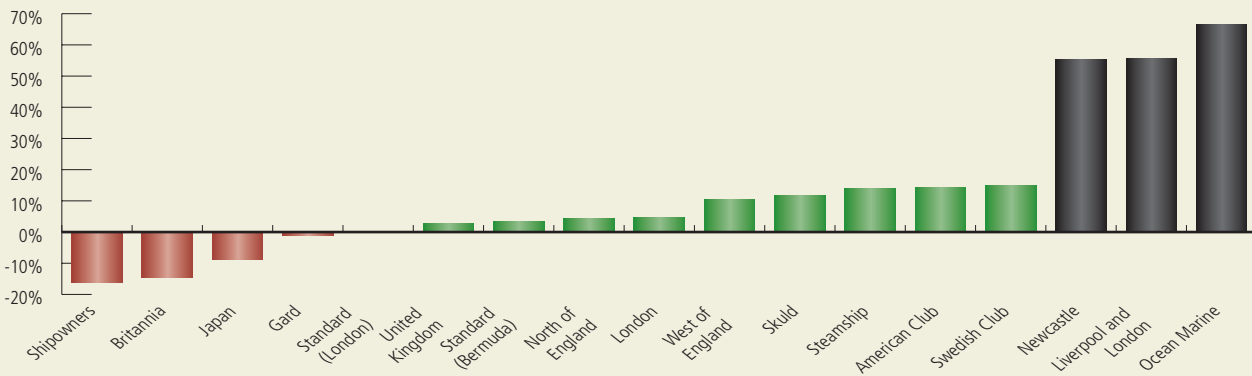


Future trends

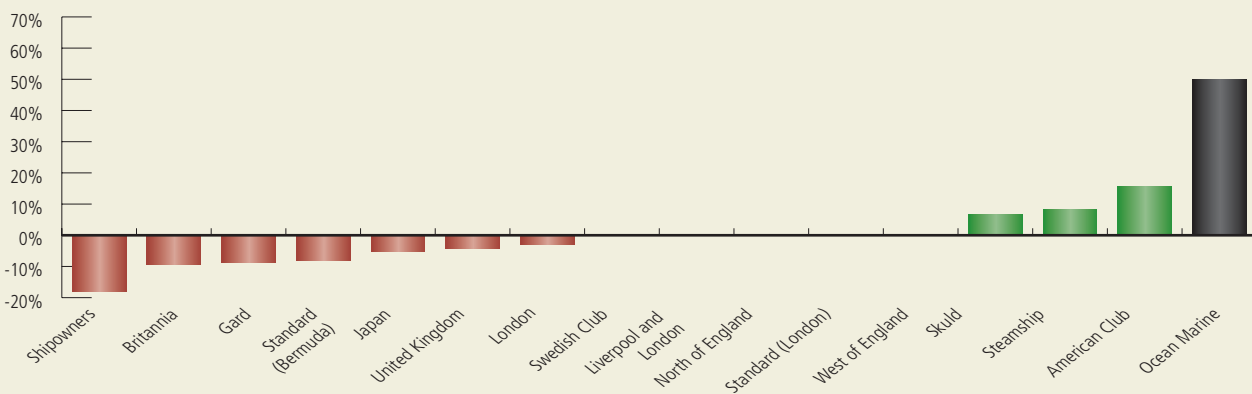
As highlighted in our review last year, we do not expect that the recent over-budget performance of a minority of Clubs will spread to the majority of the market as it did in the late 1980s. This is not to say that localised problems are a thing of the past, as it would not take too much of a change in the investment and/or claims climate for a couple of the more vulnerable Clubs to have to find unbudgeted calls necessary.

The expectation for the market therefore is a relatively stable supplementary call environment, punctuated with one or two specific isolated problems.

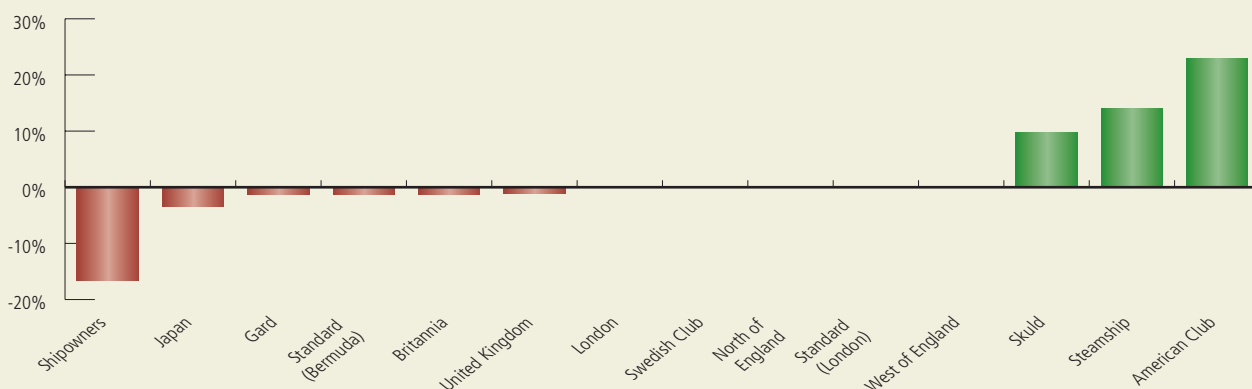
Percentage Variation from Estimated Total Call: Average from 1990 to 2004



Percentage Variation from Estimated Total Call: Average from 1995 to 2004



Percentage Variation from Estimated Total Call: Average from 1999 to 2004 (Live Clubs Only)





Release Calls

The intention of release calls is to remove any potential future liability for further calls to the Club, following end of the Membership in the particular Club.

By paying the release call the Member is 'released' from further obligation to pay future supplementary call contributions to the Club. In essence therefore the release call is intended to represent the Member's proportion of the Club's incurred but not reported (IBNR) claims for the open years outstanding.

It is questionable however whether this original intent is mirrored in today's practice.

We have included below a list of the current release calls in force for all the Clubs. Clearly there is a large range, from those Clubs like the Shipowners or the UK Club which have release calls set at 5%; to those Clubs like the American, Skuld, Steamship or Swedish Clubs that set all three open years at 25 percent. The other Clubs fall at various intermediary levels.

The lack of consistency in the range of release calls does not make obvious logical sense. For example, is it realistic to believe that the Steamship Mutual are five times more likely to make an unbudgeted supplementary call than the UK Club?

With all the sophisticated modelling methods now at Clubs' disposal, should we be worried that a Club (at the top end of the range of release calls) believes their claims may exceed expectation by a margin of 25%?

Release calls are a significant cost in the transfer of business from Club to Club. The release call levels of some of the Clubs appear more like a 'penalty' for moving, rather than a realistic assessment of the potential for unbudgeted supplementary calls.

Market – Release Calls



P&I Fixed Premium Market



The most notable development in the fixed premium P&I market in 2005 was the agreement by QBE Insurance Group (QBE) to buy the British Marine.

After the purchase is completed the intention is for the British Marine to retain its existing brand and management team. The British Marine will continue to operate as a standalone business unit which will report to the QBE Management.

The expectation of QBE is that their financial strength and global capability will enable the British Marine to grow its business and enhance its product. The British Marine also hope the deal will provide QBE with further distribution opportunities for other products.

This year also saw Terra Nova P&I change their name to Markel International P&I (Markel P&I) as a result of the global re-branding exercise by Markel. The security behind this facility has been Markel for a number of years, and re-naming to Markel P&I simply brings consistency and clarity to those who are not familiar with the parent/subsidiary relationship.

The fixed premium market has continued to grow at a steady pace with all insurers in the sector looking for increased volume within the appropriate profile of tonnage.

P&I Fixed Premium Market

AXA Corporate Solutions

AXA Corporate Solutions is a 100% owned subsidiary of the AXA Group.

AXA provide P&I cover with varying limits, up to a maximum of USD 500 million. They also offer FD&D and Charterers Liability covers. Broadly speaking the policy wordings offer similar cover to that of International Group Clubs.

Since establishing the P&I facility in November 1999, the insured fleet has grown to a current total of nearly 900 vessels with an owned tonnage in the region of 1.4 million GT. AXA estimate the current year's premium income will be in the region of USD 13.4 million. The insured portfolio is predominantly European, though the geographic spread is generally expanding. In terms of vessel types the facility is dominated by smaller dry cargo vessels. The average per-vessel size is approximately 1,550 GT.

AXA continue to predominantly target dry cargo vessels up to approximately 10,000 GT. They will consider other types of vessel, but specifically avoid tankers over 3,000 GT or those that carry persistent oil as cargo. AXA are also unwilling to quote for passenger vessels carrying more than 1,000 passengers, reefer vessels, container vessels in excess of 2,000 TEU or US flagged, owned or crewed vessels.

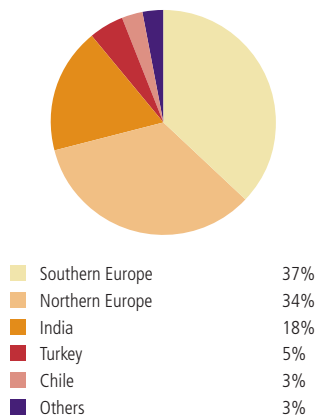
AXA market themselves as endeavouring to focus their efforts on quality both in terms of their client base and in the service which they offer. In addition to the usual global network of independent correspondents, AXA Corporate can also rely on the support of local AXA Group subsidiaries around the world.

An interesting supplemental cover from AXA is their 'medical assistance' programme arranged with the co-operation of AXA Assistance. This is an automatic additional cover for persons onboard ships insured for P&I by AXA. The facility provides in-house diagnosis, emergency embarkation, hospitalisation, transport, medical expenses and repatriation. Costs will be paid directly by AXA thereby avoiding relatively small transfers of funds by an assured.

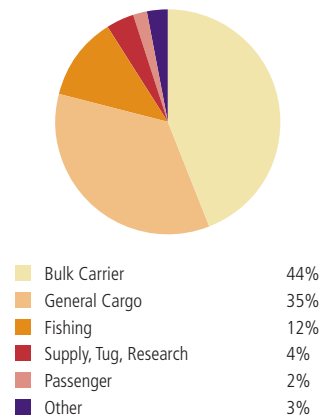
AXA is rated AA- by Standard and Poor's.

AXA Corporate Solutions

By Nationality of Management



By Vessel Type



P&I Fixed Premium Market continued

British Marine Luxembourg SA

After the successful demutualization in February 2000, the British Marine (BM) pursued a strategy of trying to offer mutual service with a fixed premium product. As an independent fixed premium Insurer they also have the ability to offer H&M and FD&D in addition to P&I.

As previously mentioned, following the recent agreement by QBE Insurance Group (QBE) to buy the BM, the intention is to continue to operate on a similar basis, retaining the existing brand and management team.

The BM will also continue to concentrate on its traditional core book of smaller vessels up to a maximum of about 10,000 GT. The tonnage insured for P&I risks is marginally in excess of 7,160,000 GT over roughly 7,000 vessels. Europe and the Far East remain the main sources of business with dry cargo vessels representing the single largest class of vessel.

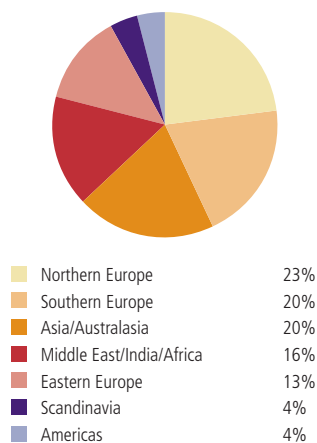
The British Marine can now offer limits up to USD 1 billion each incident on a selective basis.

On 8 November 2005 Standard and Poor raised the BM's rating from A- with "outlook stable" to A "stable". The upgrade reflects the financial and strategic support that being part of the QBE Group will confer.

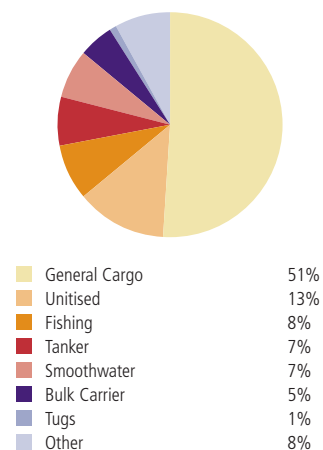
BM is rated A by Standard and Poor's.

British Marine Luxembourg SA

By Nationality of Management



By Vessel Type



P&I Fixed Premium Market continued

Markel International P&I

Markel International P&I, formerly Terra Nova P&I Agency, continues to grow at a steady pace, with a combined gross tonnage of around 1,700,000 in 2005 (up from 1,500,000 in 2004).

Approximately 1,500 vessels are insured by Markel, the majority of which are small craft below 10,000 GT, engaged in local, coastal and short sea trade. While the insured portfolio has a world wide spread, over half the business emanates from Europe.

General cargo vessels account for over 50% of the tonnage entered. Markel International does not write any US flagged tonnage.

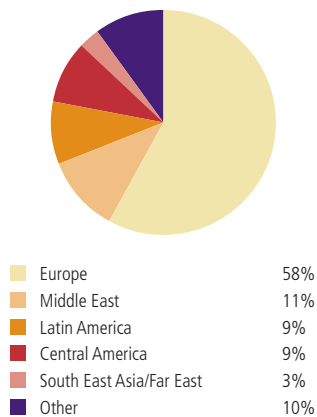
Limits are offered up to a maximum of USD 25 million although a significant number of Owners buy considerably lower limits.

Markel's P&I wording offers similar 'heads of cover' as the mutual clubs.

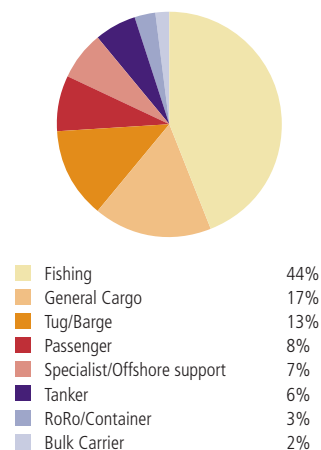
Markel International P&I is rated A- by Standard and Poor's.

Markel International P&I

By Trading Area



By Vessel Type



P&I Fixed Premium Market continued

Navigators Protection and Indemnity

Following the movement of the team that set up Terra Nova P&I to Navigators Insurance Group (Navigators) the facility commenced underwriting on 1 January 2004.

The maximum limit offered is USD 25 million any one accident or occurrence and Navigators concentrate on vessels engaged in coast-wise, inland and short sea trades.

Navigators currently insure over 1,000 vessels and anticipate their projected income for 2005 will equate to USD 20 million.

Almost 50% of the insured ship owners originate from Europe with 50% of the insured tonnage comprising of General Cargo vessels.

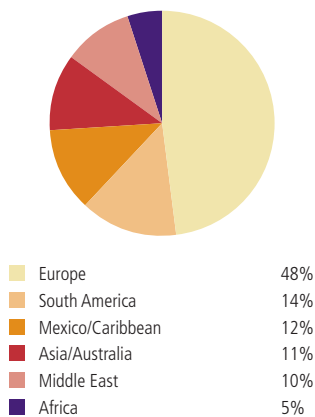
Navigators do not write US Flagged vessels but can arrange COFR's for those vessels trading to the US.

Although Navigators do not offer insurance for Freight, Demurrage and Defence risks, they are able to provide aid and advice to their assureds and can arrange fixed price legal aid and litigation support.

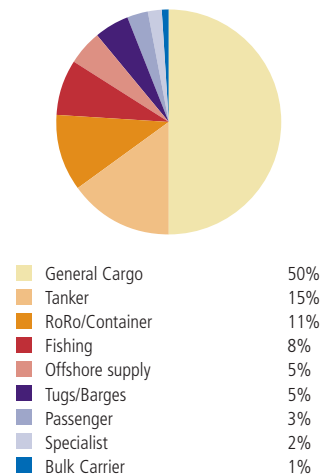
Navigators are rated A by Standard and Poor's.

Navigators Protection and Indemnity

By Nationality of Management



By Vessel Type



P&I Fixed Premium Market continued

Osprey Underwriting Agency Ltd

Osprey is an agency, which underwrites on behalf of Lloyd's insurers.

From the beginning Osprey sought to provide cover only to owners that they recognised as not requiring the limits offered by the mutual clubs. Consequently they concentrate on smaller vessels, usually with relatively limited trading.

Unlike the other fixed premium facilities mentioned in this section, Osprey are also willing to insure US based vessels. In terms of premium income the US market represents more than 70% of their portfolio.

Osprey currently provides cover for P&I risks up to a maximum limit of USD 25 million.

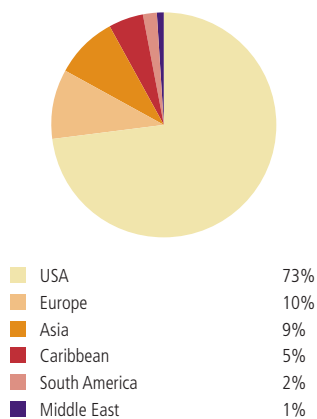
As with the other fixed premium providers Osprey's P&I wording offers similar 'heads of cover' as the mutual clubs. In addition to standard P&I, Osprey is also able to provide cover for:

- Maritime Employers Liability exposures, for those who do not own or operate vessels but whose employees work within the maritime industry.
- Third party liability coverage for owners and/or operators of shipyards, terminals, stevedores, wharfingers and other marine contracting companies.
- They also have a facility to offer evidence of financial responsibility to support applications for US Coast Guard Certificates of Financial Responsibility.

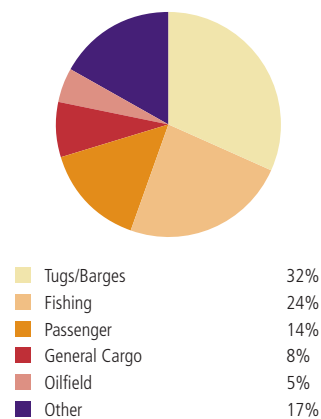
All the above Osprey policy forms are backed by Lloyd's security with an A rating from Standard and Poor's.

Osprey Underwriting Agency Ltd

Nationality of Management (By Premium Income)



By Vessel Type



P&I Fixed Premium Market continued

RaetsClub Marine Insurance B.V./InterCoastal Shipowners' P&I B.V.

The RaetsClub commenced in 1994 writing charterer's liability business. The facility currently provides charterer's liability cover for approximately 14,000 vessels.

The RaetsClub provides cover for legal costs up to a maximum limit of USD 100 million any one accident or occurrence.

The facility writes all types of charterers from liner to tramp operators; from commodity traders to reefer cargo and from container operators to NVOCC. The RaetsClub do not have a restriction on the size of tonnage which they write.

A total of 60% of the RatesClub portfolio stems from Europe.

InterCoastal were set up in 1999 to underwrite owned P&I on a fixed premium basis. InterCoastal insure approximately 1,500 vessels totalling roughly 3.5 million GT.

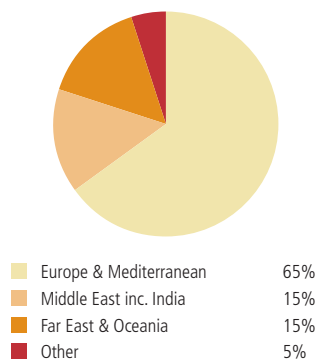
Like much of the fixed premium P&I market, InterCoastal focus on vessels which are less than 10,000 GT. Their preferred tonnage is dry cargo ships and tankers which do not carry persistent products. InterCoastal are restricted to those operators that do not regularly trade trans-Atlantic, trans-Pacific or to the USA.

All risks written by RaetsClub and InterCoastal are 100% ceded to Fortis Insurance NV, in the Netherlands.

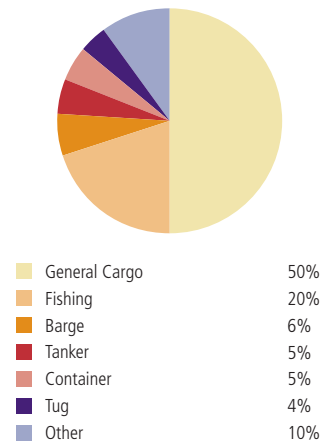
Fortis Insurance NV are A rated by Standard and Poor's.

InterCoastal Shipowners' P&I B.V.

By Nationality of Management



By Vessel Type



P&I Fixed Premium Market continued

Southern Seas Europe Limited (Southern Seas)/ South of England Protection and Indemnity Association (Bermuda) Limited (South of England)

Brighton based Southern Seas changed their name from Southern Seas (UK) Limited to Southern Seas Europe Limited in 2005.

Southern Seas offer cover up to a limit of USD 100 million. Like most of the other fixed premium facilities it is aimed at operators of non US vessels, particularly dry cargo, of up to 10,000 Gross Tons. For vessels that trade to the United States, they have an arrangement with Arvak for the provision of COFR's.

In addition to the core P&I business which utilises Lloyd's security, they can provide Freight, Demurrage and Defence cover through the Hanseatic Pool and have developed a Concessionaires cover for cruise ships with a USD 15 million limit, again with Lloyd's security.

Southern Seas currently arrange insurance for approximately 450 vessels, mainly dry cargo, which emanate predominantly from Northern Europe, Mediterranean, Far East and South America. Their premium income for 2005 is expected to be around USD 3.5 million.

The management behind Southern Seas created a separate Bermudan mutual insurer, named 'The South of England Protection and Indemnity

Association (Bermuda) Limited', which commenced underwriting on 20 February 2004. The South of England offers cover to vessels up to approximately 25,000 GT. The focus is on vessels trading internationally but excluding those ships with a predominately US trading pattern or where vessels US flagged and/or crewed.

The South of England currently insures approximately 200 vessels.

The South of England currently offers a top limit of USD 100 million any one accident or occurrence.

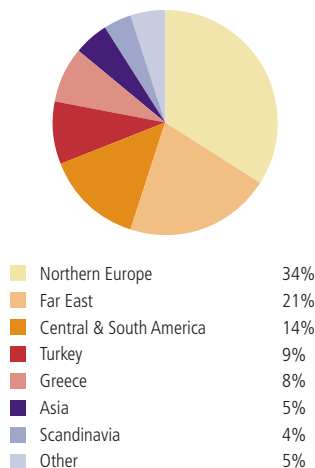
Going forward the founders of Southern Seas intend to integrate the current Fixed Premium programme into the South of England Protection & Indemnity Association (Bermuda) Ltd., as a separate Class of the Club.

The South of England Protection and Indemnity Association (Bermuda) Limited is a mutual insurer unrated by any international rating agency.

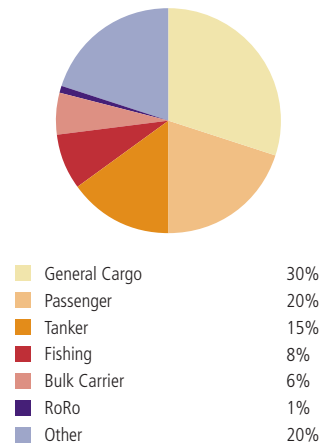
Southern Seas (Europe) Limited P&I cover is provided under facilities placed with Lloyd's which is rated A by Standard and Poor's.

Southern Seas Europe Limited

By Nationality of Management



By Vessel Type



P&I Fixed Premium Market continued

Other Markets:

There are a number of other facilities offering fixed premium P&I cover. Of these Ingosstrakh (previously the Russian state insurance company for International business) is of note, particularly for Russian and ex-Russian business.

Ingosstrakh Insurance Co.

Ingosstrakh have been offering P&I Insurance for 30 years. Their current portfolio consists mainly of owners/operators from Russia and other East European Countries. The remaining portfolio, whilst appearing to be of an International nature has in most cases some form of Russian or former Russian connection.

Ingosstrakh cover is similar to that provided by the International Group Clubs.

Historically limits of liability were provided up to a maximum of USD 100 million although the vast majority of Owners elect limits of no more than USD 10 million. From the 2005 policy year Ingosstrakh have been able to offer limits up to USD 500 million.

Ingosstrakh cover a wide range of ships, from very small inland operating vessels through to larger (in excess of 20,000 GT) ocean going vessels.

Ingosstrakh will not write large tankers, cruise boats and USA registered or operated vessels.

Ingosstrakh presently insure over 2,000 vessels, including inland waters vessels.

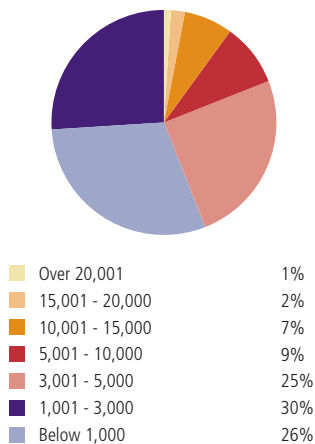
Ingosstrakh are rated BB by Standard and Poor's and ruAA (the highest Standard and Poor's national scale for Russia).

Fixed Market Summary

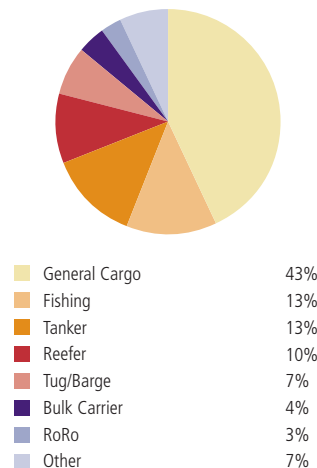
Facility	Maximum Limit (USD)	Standard and Poor's Rating	Number of Vessels
AXA	500 million	AA-	895
British Marine	1 billion	A	6,982
Ingosstrakh	500 million	BB	2,124
Intercoastal	100 million	A (Fortis Corporate Insurance NV)	1,500
Markel International P&I	25 million	A-	1,546
Navigators	25 million	A	1,000
Osprey	25 million	A (Lloyd's)	N/A
Southern Seas	100 million	A (Lloyd's)	450

Ingosstrakh Insurance Co

By Size of Vessel (GT)



By Vessel Type



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