

MARSH



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P&I Market Update

Andrew Reynolds

International Group General Increase History

P&I CLUB	2001	2002	2003	2004	2005	2006	2007	2008	2009
American	10.0	12.5	25.0	17.5	10.0	10.0	10.0	20	7.5
Britannia Steamship	10.0	15.0	15.0	10.0	7.5	5.0	5.0	15	12.5
Gard	10.0	25.0	15.0	7.5	5.0	7.5	5.0	10	15
Japan	10.0	0.0	10.0	0.0	0.0	0.0	10.0	20	12.5
London	10.0	27.5	25.0	15.0	12.5	12.5	7.5	17.5	15
North of England	10.0	25.0	25.0	17.5	12.5	7.5	7.5	17.5	20 (?)
Shipowners' Protection	0.0	20.0	15.0	0.0	0.0	0.0	5.0	20	10
Skuld	10.0	30.0	25.0	15.0	7.5	5.0	2.5	7.5	15
Standard	7.5	12.5	25.0	20.0	12.5	5.0	5.0	15	15
Steamship Mutual	10.0	25.0	25.0	20.0	12.5	5.0	9.0	15	17.5
Swedish Club	7.5	25.0	25.0	15.0	10.0	5.0	7.5	15	20 (?)
UK Club	7.5	20.0	25.0	17.5	12.5	12.5	7.5	10	12.5
West of England	10.0	25.0	25.0	13.0	12.5	5.0	5.0	15	20 (?)
Group Average:	8.7	20.2	21.5	12.9	8.8	6.2	6.7	15.2	14.8 (?)

***NB: Headline General Increase Only. Changes in Supplementary Calls & Unbudgeted Supplementary Calls are NOT shown**

Increased & Unbudgeted Supplementary Calls Announced

- UK Club: 20% for 2006 / 25% for 2007 / 20% 'Reserve' for 2008;
- London Club: 35% for 2006 & 2007 / 25% for 2008;
- Britannia: Increases Supplementary Call in 2007 from 30% to 40%;
- JPIA: 30% for 2006;
- WOE: 15% for 2004 & 2005 / 35% 'Reserve' for 2006 still outstanding;
- American Club continues the habit.

Are any more to be expected?

What are the big issues?

- How reliant are the Clubs on future investment income?
- Claims explosion or just a blip?
- How large will general increases need to be in the future?
- Is the churn effect increasing volatility?

International Group* Policy Year U/W Results 2005 – 2012

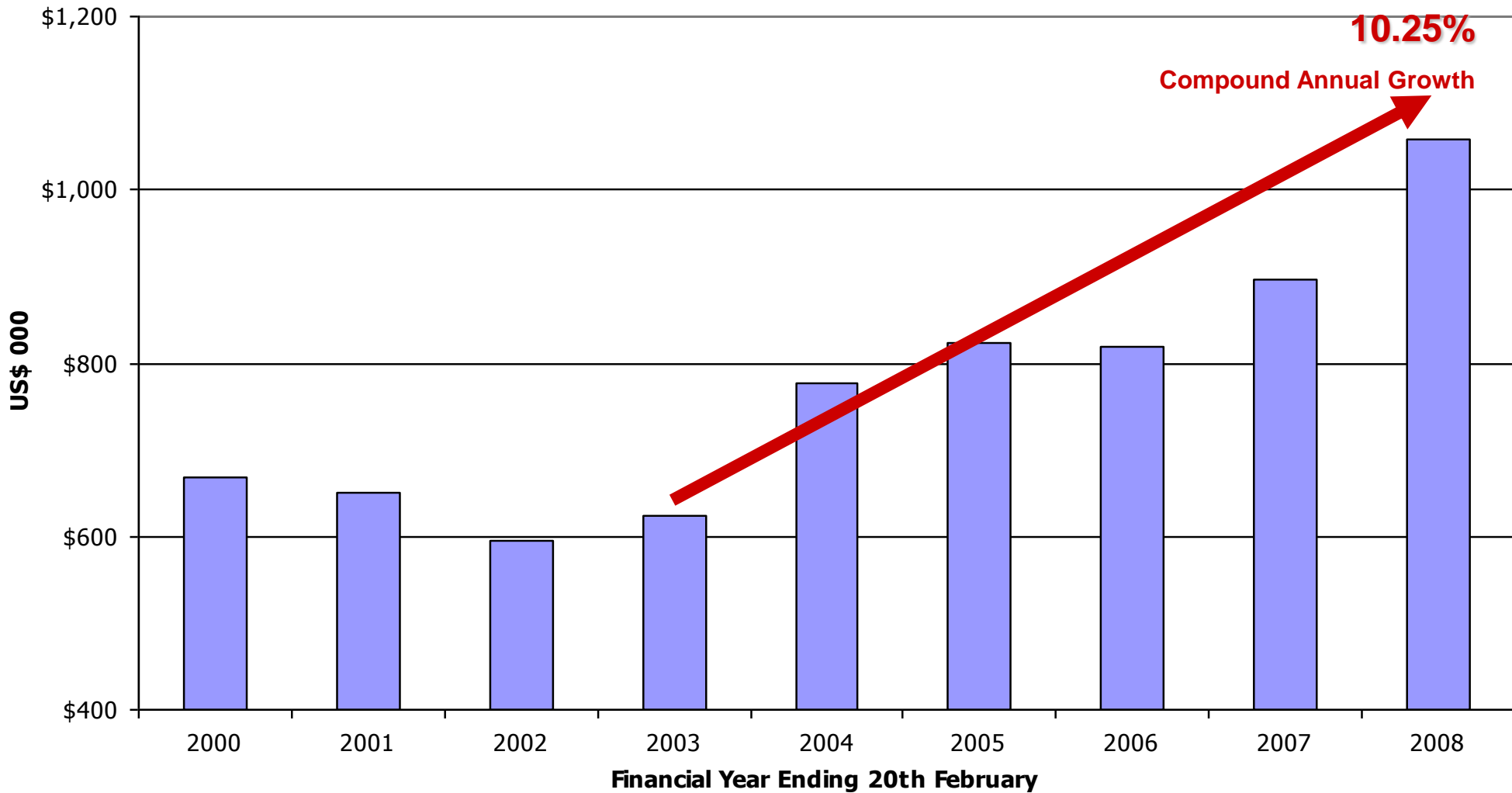
15% Income & 10% Claims 2008 - 2012



* Excluding JPIA, SOP & Swedish

Background to the 2008 Renewal

S&P 'A' Rated Clubs* – Net Claims paid 2000 – 2008



* Excludes SOP

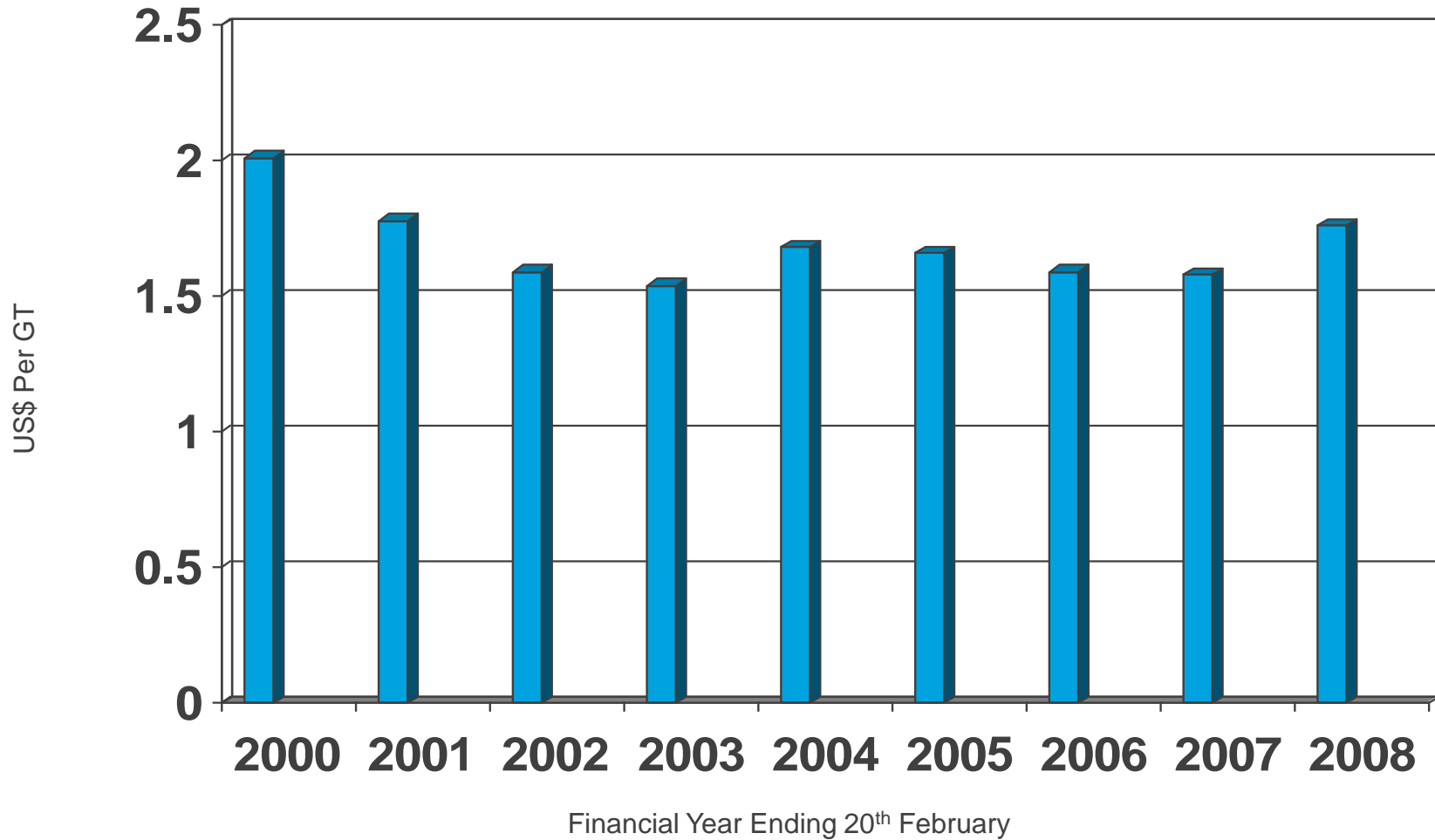
International Group Pool Incurred Claims up to US\$ 30 Million

Data as at 20th February of each year

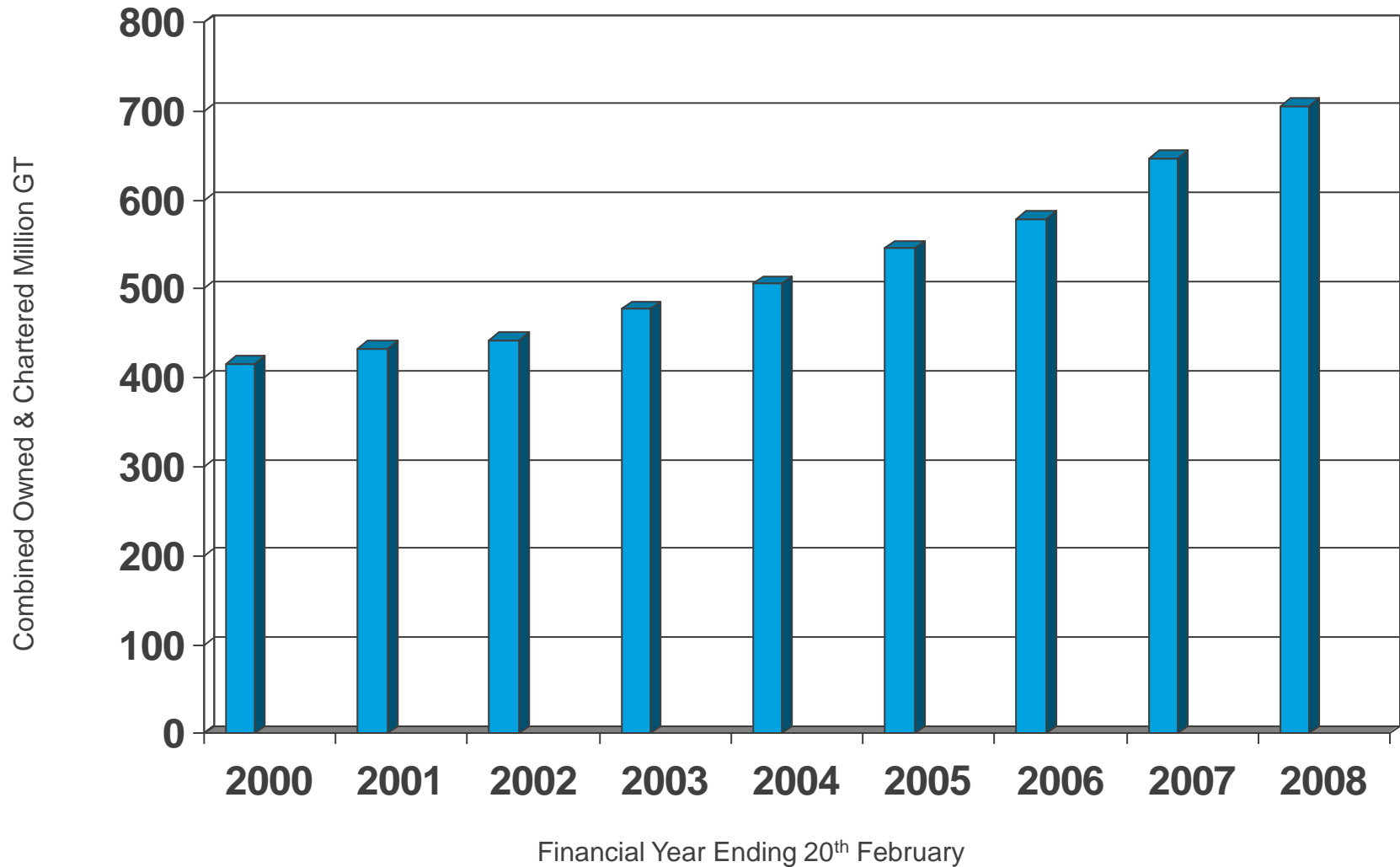
US\$ 23 million excess of US\$ 7 million

Policy Year	Final(?)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
1997		159.2	160.8	162.9	180.5	181.0	164.9	154.8	160.9	154.7	152.0	95.6
1998		134.7	134.2	134.9	130.7	129.5	130.0	124.4	110.8	108.3	32.8	
1999		96.4	96.3	95.2	97.5	96.9	94.5	90.2	70.7	29.4		
2000		146.1	138.1	144.9	143.5	144.3	141.8	136.2	111.7			
2001		46.3	47.3	42.0	41.4	36.9	45.5	39.9				
2002		174.5	185.0	177.6	174.3	165.8	107.0					
2003		140.4	139.2	137.5	136.1	113.5						
2004		206.0	198.3	182.2	142.6							
2005		173.2	169.0	160.5								
2006	391 (?)	315.2	263.4									
2007	293 (?)	205.3										

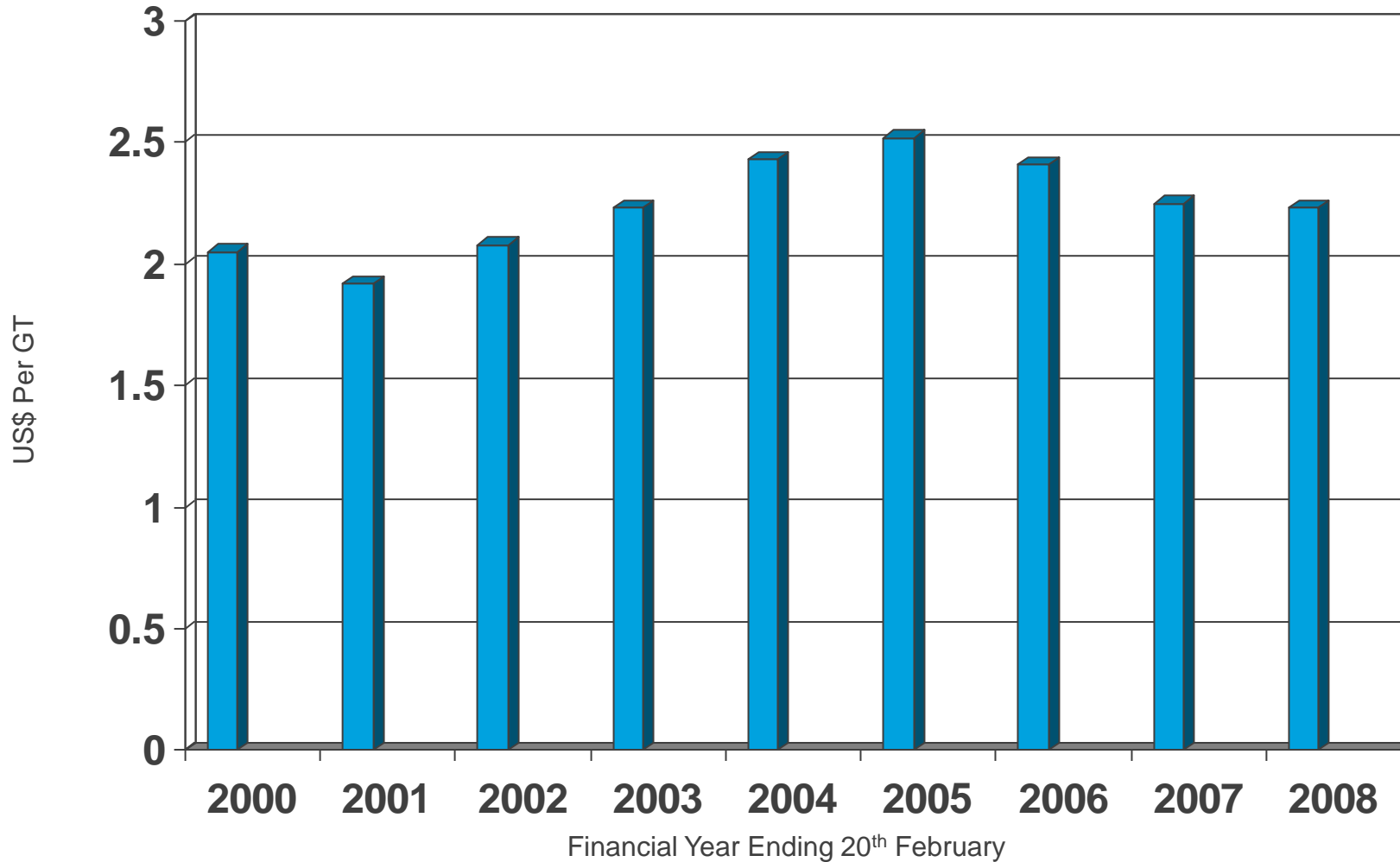
S&P 'A' Rated Clubs – Claims Paid Per GT 2000 - 2008



S&P 'A' Rated Clubs – Entered GT 2000 - 2008



S&P 'A' Rated Clubs – Premium Income Per GT 2000 - 2008



Example Fleet – International Group Club Member

Vessel	Built	GT	Rate	Premium
Dirty Tanker No.1	2005	41,000	1.94	79,400
Dirty Tanker No.2	1981	3,900	18.33	71,500
Dirty Tanker No.3	1982	36,000	5.97	215,000
Dirty Tanker No.4	1983	36,000	5.92	213,000
Dirty Tanker No.5	1982	3,900	18.33	71,500
Dirty Tanker No.6	1987	23,500	4.00	94,000
		144,300		744,400
				(475,200)

} **10.67%** (bracketed next to Dirty Tanker No.1 premium)

} **57.5%** (bracketed next to Dirty Tanker No.3 and No.4 premiums)

↓ (arrow pointing to (475,200))

Underwriting Trends

What are your prospects?

1. If you are taking delivery of new ships and selling or scraping old ships your average costs will probably be reduced;
2. If you are maintaining your fleet size and have a good record the general increase will probably be applied;
3. If you are reducing your fleet size then proportionately your costs will rise;
4. If you have a bad claims record you can expect to pay a penalty increase.

Underwriting Trends

What should you be considering?

- Is your Club's tonnage static?
- Is your Club using old tonnage to subsidise growth?
- How strong are the Clubs' free reserves?
- Are you getting value for money?
- How do your fleet rates benchmark against your competitors?
- Is your Club transparent?

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