



TYSERS

P&I Report

2007/08

HERE WE GO AGAIN...CAUSE FOR CONCERN?

The P&I market is without doubt the Rolls Royce of the insurance industry in terms of service, advice and claims handling. This is fully appreciated by ship owners, who rely heavily on the Clubs to protect them when disaster strikes and to guide them through a labyrinth of jurisdictions and the complexities of legislation and regulation. Sadly though, the P&I sector is more akin to a Trabant when it comes to underwriting and control of administration costs. We normally stick to commentary in this Introduction, but this year we feel the need for another table.

CLUB	TOTAL S. Increase 2001-2007	U/W PROFIT/LOSS 2006/07(\$M)	INVESTMENT INCOME 06/07 (\$M)	SURPLUS Feb 2007 (\$M)	FREE RESERVES Feb 07 (\$M)	TOTAL Owned GT Feb 07	FREE RESERVES PER Owned GT	ADMIN COSTS 06/07 (\$M)
AMERICAN	271%	6	12	17	32	17	\$1.88	41
BRITANNIA	195%	(39)	69	27	301*	88	\$3.42	22
GARD	201%	(50)	103	54	483	102	\$4.74	32
JAPAN	144%	9	5	(2)	85	76	\$1.12	17
LONDON	262%	(18)	39	0	111	36	\$3.08	10
NORTH	263%	(44)	56	21	190	55	\$3.45	29
SHIPOWNERS	145%	(30)	34	3	130	14	\$9.29	24
SKULD	238%	7	34	40	191	36	\$5.31	27
STANDARD	250%	(41)	66	25	217	45	\$4.82	15
STEAMSHIP	266%	(51)	52	1	158	44	\$3.59	36
SWEDISH	234%	(6)	5	1	102**	22	\$4.64	16**
UK	247%	(26)	77	46	263	106	\$2.48	41
WEST	263%	10	50	59	205	55	\$3.73	41
	AVERAGE	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	AVERAGE	TOTAL
	229%	(268)	602	300	2,468	696	\$3.55	351

*Includes Boudicca

**Swedish Club free reserves and administration costs are for hull/P&I combined

So, despite an “average” 229% increase in premium, the Clubs are still well under water with their underwriting results - a total underwriting deficit of \$268m for the 2006 year. Good investment returns have been the lifeboat for the Clubs, but they have for many years been trying to get the balance right without recourse to investment income. Not so long ago, three Clubs (American, Steamship Mutual and Skuld) had to make additional calls following poor investment returns and we do wonder how comfortable

Clubs will be if current market volatility continues and returns are negative or low for 2007. Unless, which we doubt, there has been a significant improvement in current year underwriting results then very few Clubs appear to be in a position to cope happily with a bad investment year.

Generally, 2008 will see another round of substantial Standard Increases, although the Norwegians may well buck the trend. How high the Increases are will depend on the courage of the first couple of Clubs to make their announcements as, whatever the financial need, no Club will want to be too far out of line with the market average. As we mentioned last year, Clubs are trying to rely on the Standard Increase as their main underwriting tool, yet the table above indicates this has hardly been successful. Indeed, take a Club like Shipowners which faces severe competition from various fixed market insurers (which tend not to have General Increases), and you will see they have only applied Increases in three of the last twelve years. Yet they, along with Gard and Britannia who have also been more restrained with their Increases, are looking in better shape than most.

The Clubs have all pointed to pool claims as the cause of the poor 2006 underwriting results, as if this lays the blame elsewhere. The International Group decided in 2004 at a time when the shipping industry was more buoyant than ever to increase the Pool Limit from \$30m to \$50m, at the same time setting up Hydra to allay fears about the ability of individual Clubs to meet their obligations there under. The Excess Loss reinsurers must be very happy indeed with this decision (please refer to the Pool claim figures later in this report). The individual Club retention increased from \$6m to \$7m in 2007, with some Clubs keen to see this increase in stages to \$10m. There will no doubt be fierce opposition from many Clubs to any increase in 2008, and surely the fact that many Clubs now seek reinsurance in the commercial market for claims within their retention is a clear sign that \$7m may already be too high?

Why cannot the Clubs, protected by the IGA and penal release calls, get their underwriting right?

The volatility inherent in the higher retention and Pool is no doubt a factor but perhaps the major problem lies in our opening paragraph. By offering a blue-chip service, the Clubs do get very close to their members and such friendly relationships are not conducive to asking for large increases when claims records go wrong. This would also explain why the Standard Increase is so useful to hit smaller members with good records. The better the record, the less contact the Club will have with the member so there is less embarrassment in demanding higher premium.

In addition, service comes at a cost and Club management is not cheap. Administration costs continue to rise – take, for example, Steamship Mutual where much-publicised restructuring took place in 2005 with a view to cutting administration costs. In fact, these costs rose by over 2m over the last twelve months. Another reason is no doubt vanity. Clubs want to grow, and P&I managers are simply unable to come to terms with losing tonnage (and the consequent reduction in their income).

Is it not time for the Clubs to review their approach to renewals? Large Standard Increases are not working, and a more appropriate and mutual approach may be for the Clubs to impose smaller increases (up to 5%) for inflationary purposes and then require their underwriters to be selective and accept that, if an owner with a bad record will not pay an appropriate increase, the Club should not renew.

Should we as brokers representing the interests of ship owners worry that the Clubs are failing to underwrite correctly? The answer to this is a very definite YES:

1. The P&I Clubs are vital for the shipping industry.
2. Ship owners need stability and certainty in their insurance costs.
3. The vast majority of members are happy to pay a reasonable price based on their record. Brokers will ensure Clubs do not overcharge, but Clubs do themselves no good by, for example, asking UK coastal ship owners with clean records to pay 20% increases because members in other parts of the world are suffering large claims. Clubs will only compound their problems if they drive away owners with good records.
4. Brokers can negotiate up front premiums, but there is no negotiation on unbudgeted supplementary calls.

The fixed market facilities will generally accept that they cannot compete with the Clubs on service, although they continue to improve and many ex-Club claims' handlers and underwriters can now be found in the fixed market. There have been numerous staff changes at Clubs this year, and some Clubs will continue to have problems keeping quality employees whilst the barriers to promotion into the management companies remain so protected.

South of England now has a virtual monopoly on older tonnage over 10,000GT, and has grown considerably over the last year. Their service has suffered as a result and they are recruiting additional underwriting and claims staff. We hope this will produce the improvement needed. British Marine's growth remains impressive with sixty new clients at 20th February 2007, and Navigators has this year increased its limit to \$50 million and serves a useful role for smaller owners who do not require a full Club entry.

The 2008 renewal is going to be a tough one. The Clubs need substantial increases to meet rising claims, declining investment returns and the ever closer Solvency II, otherwise additional calls could be ever closer. On the other hand, many pundits are predicting that 2008 will see the end of the shipping boom in many sectors and owners will be concerned to avoid further rises in insurance costs.

We shall be updating this report once all Clubs have confirmed their Standard Increases.

Whilst every effort has been made to ensure that the information contained in the following report is accurate and up-to-date at the time of printing, this cannot be guaranteed by us. Under no circumstances shall Tysers be responsible or liable for any loss or damage caused directly or indirectly by the use of this information.



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Authorised and regulated by the Financial Services Authority No. 308648
International Insurance and Reinsurance

The experienced Tyser P&I division has a worldwide client base, with particular strength in Europe, the Far East, Middle East and Latin America. Tyser handles all types of vessel from harbour tugs and barges to specialist units, container vessels, bulk carriers, VLCCs and cruise ships, and has excellent relationships with all the Clubs and fixed facilities.

In addition to the principal covers of Protection and Indemnity and Freight, Demurrage and Defence, Tyser have long-established facilities for additional covers including:

- Specialist operations such as salvage, dredging and offshore activities
- SOL
- Charterers' liability for Damage to Hull
- Charterers' bunkers
- Containers and chassis (physical loss or damage and third party liabilities)
- NVOCC liabilities
- Strikes
- Trade disruption other than by strikes
- Ship agents' liabilities
- Terminals (property, handling equipment and liabilities)

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30 years experience handling P&I claims. Joined Tysers in 2002.

P&I Market Share

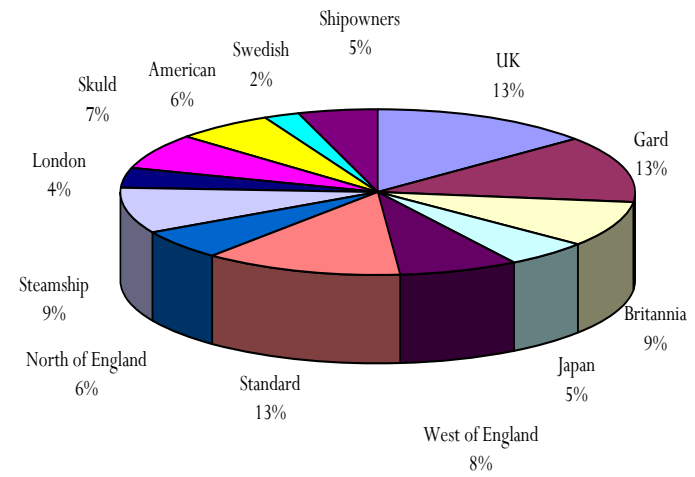
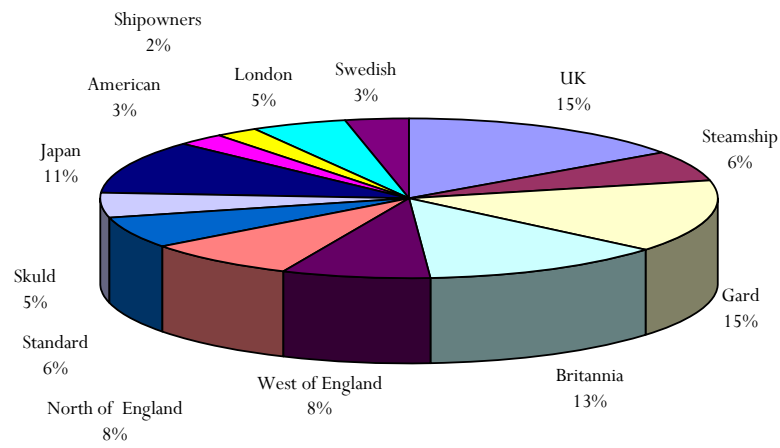
These comparisons show the relative size of P&I Clubs by owned gross tonnage as at 20 February 2007.

The Mutual P&I Clubs of the International Group account for approximately 90% of world tonnage.

P&I Club	Owned GT	%	Accounting Year Premium \$	%
UK	106,000,000	15.23	358,419,000	13.71
Gard	102,000,000	14.65	337,096,000	12.89
Britannia	88,000,000	12.64	231,042,000	8.84
Japan	75,520,000	10.85	165,069,000	6.31
North of England	55,800,000	8.02	193,535,000	7.40
West of England	54,500,000	7.82	326,126,000	12.47
Standard	45,000,000	6.47	152,350,000	5.83
Steamship	43,500,000	6.25	227,052,000	8.68
London	35,860,908	5.15	102,003,000	3.90
Skuld	35,800,000	5.14	174,122,000	6.66
Swedish	22,300,000	3.28	53,800,000	2.06
American	17,370,000	2.50	163,793,000	6.26
Shipowners	13,880,387	2.00	130,593,000	4.99
Total	696,031,000	100	2,615,000,000	100

Market Share by Premium Income

Market Share Per Owned GT



Average Expense Ratios

The AER was introduced in 1998 as a means of comparing the administration costs of the mutual P&I Associations under the terms of the exclusion from the E.U. competition directive. In many ways it is a flawed calculation and comparisons between Clubs using this measure are not meaningful. However, it is interesting to note how the individual Clubs' ratios and the average have changed over the years.

	2000	2001	2002	2003	2004	2005	2006
American Club	10%	11%	11.9%	11.50%	12.20%	13.10%	12.80%
Britannia	8.06%	8.95%	8.93%	8.53%	8.62%	8.44%	7.74%
Gard	7.8%	8.4%	8.7%	8.20%	8.20%	8.60%	7.80%
Japan Club	6.17%	6.46%	6.97%	7.40%	7.39%	7.52%	7.55%
London Club	7.3%	9%	9.9%	10.00%	10.50%	8.60%	7.30%
North of England	8.4%	9%	9.3%	10.00%	9.20%	9.20%	9.10%
Shipowners	18%	20%	21%	21.00%	21.00%	19.00%	17.00%
Skuld	10.3%	10.5%	11.6%	11.60%	11.70%	11.10%	10.90%
Standard	7.6%	7.80%	7.4%	7.00%	12.30%	11.40%	10.50%
Steamship	9.3%	9.7%	10.6%	10.60%	12.00%	12.50%	12.80%
Swedish	8.9%	10%	10.3%	10.10%	9.50%	9.9%	9.10%
UK Club	9.85%	10.72%	10.78%	10.64%	10.85%	10.14%	9.27%
West of England	9.96%	11%	12.39%	12.82%	12.99%	13.08%	12.41%
Average	9.36%	10.19%	10.75%	10.72%	11.27%	10.97%	10.33%

Supplementary Call Record (Original Estimate/Current Estimate)

Policy Year	American	Britannia	Gard	Japan	London Club	North of England	Ship Owners	Skuld	Standard	SSM	Swedish	UK	West of England
1989	80/80	25/20	20/20	20/25	20/80	25/100	25/15	20/110	25/150	20/20	25/165	20/100	25/105
1990	80/120	25/25	20/105	25/25	30/115	25/75	25/25	20/130	25/150	20/125	25/240	40/150	35/95
1991	80/130	30/0	30/60	30/10	30/85	35/70	25/0	20/40	25/65	20/67.5	25/100	40/70	50/50
1992	80/80	40/-10	30/15	40/0	30/30	40/40	25/0	20/20	40/40	40/40	0/0	40/25	50/50
1993	80/90	40/-5	40/30	20/0	40/40	40/40	25/0	20/20	40/40	40/40	0/0	40/30	50/50
1994	65/65	40/-5	40/35	20/0	40/30	40/40	25/0	20/20	25/25	40/40	0/0	40/40	50/50
1995	50/68	25/-10	30/15	20/20	40/30	40/40	25/0	20/20	25/10	40/40	0/0	40/30	50/50
1996	25/34	25/-7.5	30/0	20/10	40/40	40/40	25/0	20/20	25/0	40/40	0/0	40/25	50/50
1997	25/25	25/0	30/0	20/10	40/30	40/40	25/0	20/20	25/0	40/40	0/0	40/25	50/50
1998	25/25	25/10	30/0	20/0	40/20	40/40	25/0	20/30	25/0	40/40	0/-10	40/30	50/50
1999	25/45	25/15	25/15	20/15	40/40	40/40	25/0	20/45	25/10	40/60	0/0	40/30	50/50
2000	25/115	25/25	25/25	20/20	40/40	25/25	25/25	20/65	25/25	0/30	0/0	0/0	50/50
2001	25/60	25/25	25/25	20/10	40/40	25/25	25/0	0/0	25/25	0/40	0/0	0/0	20/20
2002	40/70	40/40	25/25	20/20	40/40	0/0	25/0	0/0	0/0	0/0	0/0	0/0	20/20
2003	20/50	40/40	25/25	30/20	40/40	0/0	25/25	0/0	0/0	0/0	0/0	0/0	20/20
2004	0/0	40/30	25/25	30/50	40/40	0/0	25/25	0/0	0/0	0/0	0/0	0/0	20/35
2005	0/15	40/30	25/20	30/30	40/40	0/0	25/25	0/0	0/0	0/0	0/0	0/0	20/35
2006	0/15	30/30	25/20	30/30	40/40	0/0	25/25	0/0	0/0	0/0	0/0	0/0	20/50
2007	0/0	30/30	25/25	30/30	40/40	0/0	25/25	0/0	0/0	0/0	0/0	0/0	20/20

Policy years from 2005 onwards remain open for most Clubs, although some have declared their intentions already to close subsequent years without further Calls.

Called below ETC	Called full ETC	Called above ETC
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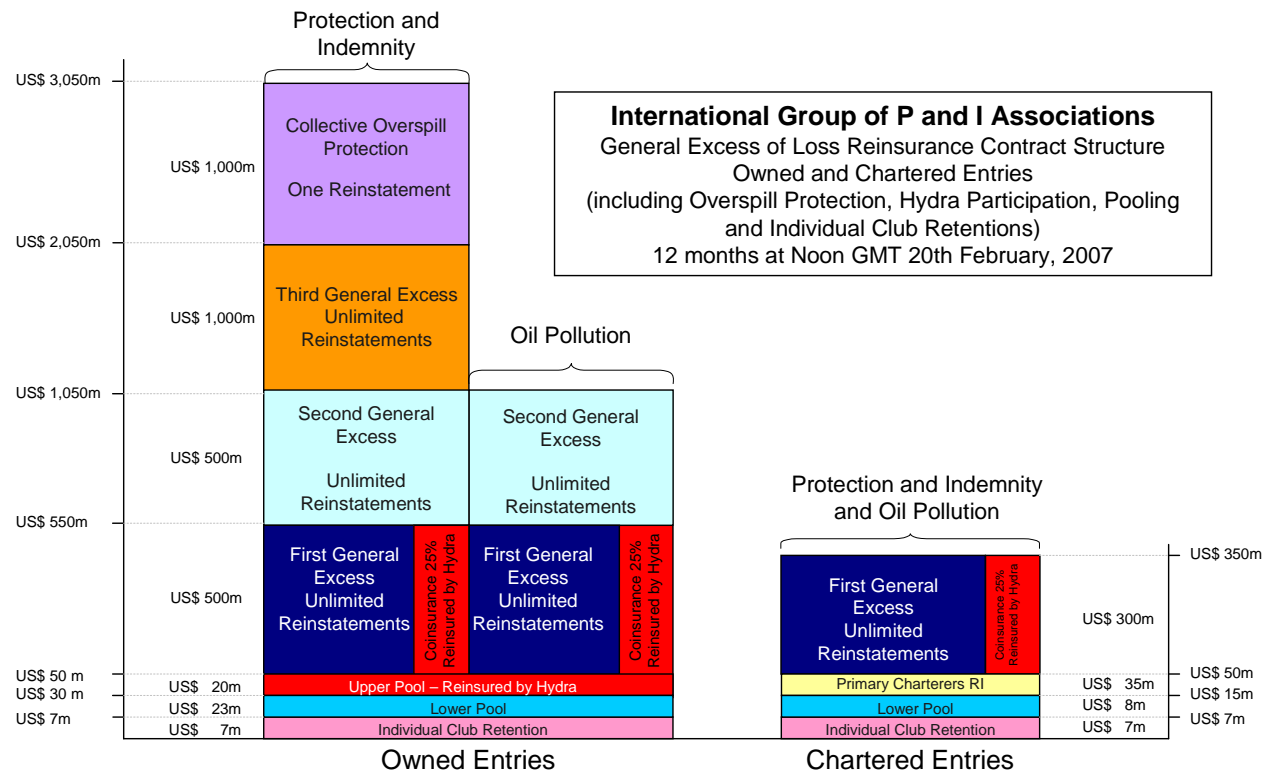
Standard Increases

	American	Britannia	Gard	Japan	London	North	Ship Owners	Skuld	Standard	SSM	Swedish	UK	W of E
1997	0	0	7.5	0	5	7.5	0	5	0	5	0	5	7.5
1998	0	0	0	0	0	5	0	0	0	0	0	5	5
1999	5	0	-3.85	0	5	5	0	5	0	0	0	5	5
2000	5	0	5	0	5	5	0	0	0	5	0	0	5
2001	10	10	10	10	5	10	0	10	7.5	10	7.5	7.5	10
2002	26	28.8	25	0	27.5	25	20	30	25	25	25	20	25
2003	25	15	15	19.2	25	25	15	25	25	25	25	20	25
2004	17.5	8.5	7.5	0	15	17.5	0	15	20	20	15	17.5	15
2005	10	7.5	5	0	12.5	12.5	0	7.5	12.5	12.5	10	12.5	12.5
2006	10	-2.5	7.5	0	12.5	7.5	0	5	5	5	10	12.5	12.5
2007	10	5	5	10	7.5	7.5**	5	2.5	5	9†	7.5	7.5	5
2008													

** Plus deductibles increased by \$250

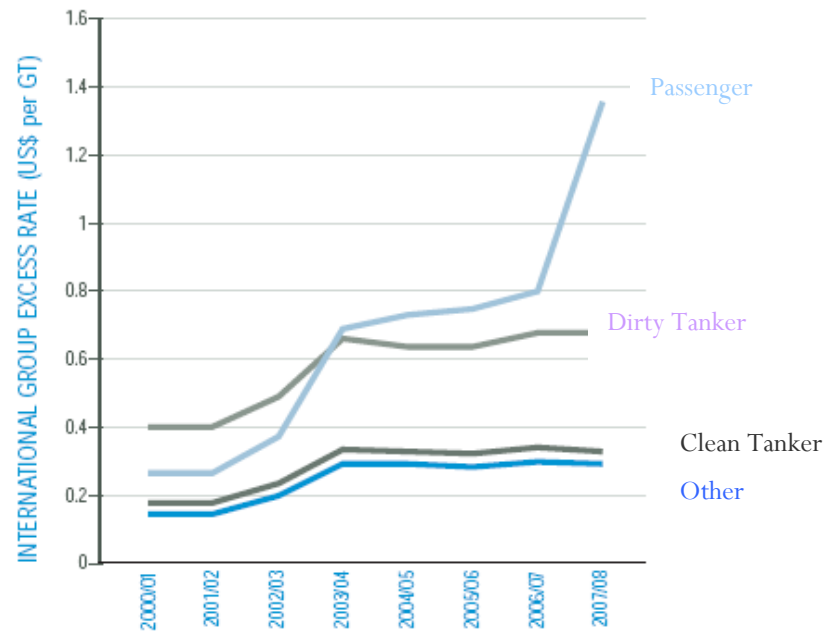
† Plus 10% increase in deductibles (with a minimum of \$2,500)

Pooling and Reinsurance



Excess of Loss reinsurance rates

The Excess Loss rates (claims excess of \$30m) for owned tonnage have developed as follows:



The actual 2007 rates per GT are:

Dirty Tanker
0.6797

Clean Tanker
0.3187

Passenger
1.3714

Other
0.2837

Charter: Tanker
0.1635

Charter: Other
0.0805

Estimated Cost of Notified Pool Claims

Estimates as at 20 August 2006 except for the 2006 year, which are as at 20 February 2007

The pool limit increased from \$30m to \$50m in 2004. Claims at the lower limit are shown for 2004, 2005 and 2006 for comparison purposes.

Policy Year	\$50m limit	\$30m limit
2000	n/a	138.1
2001	n/a	47.3
2002	n/a	185.0
2003	n/a	139.2
2004	279.4	198.3
2005	184.3	169.0
2006	310.6	263.4

These estimates do not include the Club's coinsurance on the Excess Loss layers.

The International Group's reinsurance vehicle, Hydra, reinsures the \$20m excess \$30m Pool layer, plus the Group's coinsurance in the Excess Loss layers. The premium is based on that which would have been charged by the Excess Loss market reinsurers, but the adverse claims record resulted in April 2007 in Hydra requiring an additional \$50m from the Group Clubs to maintain solvency and underwriting capacity.

Some Clubs believe the final Pool figure for 2006 may exceed \$500m.

Protection & Indemnity Clubs

Introduction to the P&I Club Information Section

The information contained in this report is not and is not intended to be a definitive analysis of the Clubs' accounts.

In so far as is possible we have homogenised the data to enable comparison, but the variety of accounting procedures and practices used makes this difficult.

Calls and Premiums are the consolidated totals for all classes.

- The net underwriting statistics express the 'technical' result for the year and exclude any 'non-technical' investment income.
- Operating Expenses include management expenses and business acquisition costs.
- The solvency margin is calculated as the ratio between total assets and gross outstanding claims.
- All monetary figures shown are US dollars.
- Where identified, adjustments made to prior years' statistics and reported in a Club's most recent accounts have been included.
- Open policy years are denoted in the Supplementary Calls charts by an asterisk. 2005 – 2007 remain open for all Clubs.

AMERICAN STEAMSHIP OWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION, INC.

Managers

SCB Inc (Eagle Ocean Management LLC)

Gross Tonnage

Mutual Owned	17,370,000
Fixed Chartered	1,930,000

Free Reserves

2007	\$31,580,000
2006	\$14,929,000
2005	\$34,964,000
2004	\$31,949,000
2003	\$20,307,000
2002	\$17,676,000

Standard & Poor's Rating

B (interactive)



Where to start with this Club? Houdini writ large, or Phoenix rising from the ashes? And what comes next?

With their usual boundless optimism the directors are in good heart again this year, despite having had a pretty torrid time of late. Tonnage declined a little at renewal and during the year, no shock there, but a wholesale review of the portfolio has been conducted, which we are told informed “a comprehensive underwriting plan for 2007 and beyond”. The membership must be praying that it will be more effective than the policy that has been in place for the past few years.

2005 and 2006 both prompted supplementary calls of 15%, although 2004 is still showing a strong surplus at this stage despite heavy IG Pool claims. Even so, we are assured that liquidity remains ‘very robust indeed’.

Meanwhile, members were bombarded with a raft of safety pamphlets and web-based information during the year, and the Club’s successful Pre-Employment Medical Examination scheme was refined and expanded. Let’s hope it continues to work.

Investment returns were a little better at 6.59%, fractionally ahead of the predicted 6.48%, thanks it seems in part to the timely appointment of Merrill Lynch at the end of 2005 as financial advisers. The four claims committee meetings during the year must have been interesting events, but we are told that this stolid band has had significant input into the review towards a brave new world. Having been confronted by what the Club calls a difficult claims and regulatory environment, these guys are probably as well placed as anyone to steer things in the right direction.

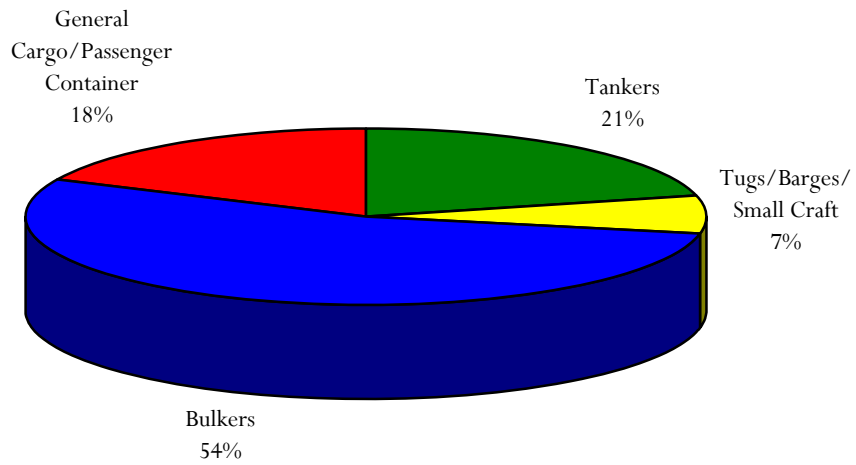
About 8% of the 10% general increase called for was achieved at renewal, although there were some hefty increases in deductibles to go with it, which also helped improve the overall financial position and boost reserves.

Claims volumes in the attritional layer were down by about 15% this term, but there were 37 reported in excess of \$500,000 and a further 13 over \$1 million. No surprise that this is one Club that definitely does not vote in favour of progressive increases in individual retentions. There are plenty of worries about some of the other new laws being introduced around the world too, but most of these are justified and shared by many other Clubs. Few would argue with the American’s call for constant vigilance by the IG to protect shipowners’ interests.

The report ends with the now traditional plea for continued support from the membership and a promise that things can only get better. Although we have heard all this before, the fact that some of the ratings agencies are reportedly contemplating revising the Club’s standing upwards means that those who should know clearly think there is some vigorous life left in the old dog yet. So it seems this remarkable story is to be continued. For the next episode, tune in again next year. That’s all folks!

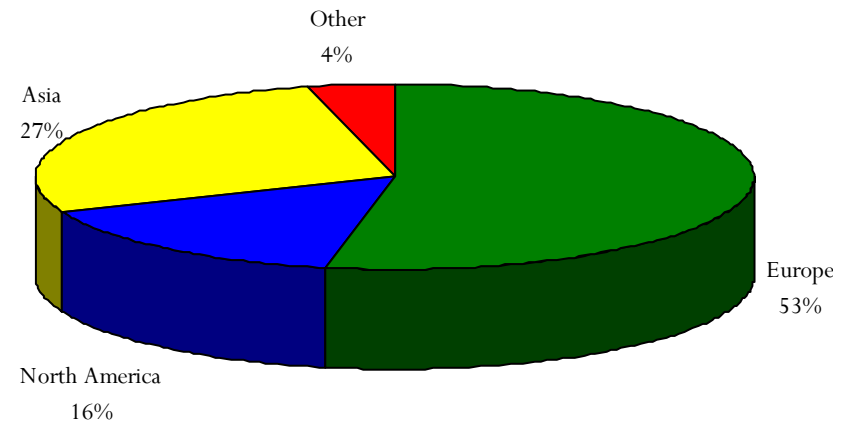
American Club Tonnage by Vessel Type

Tankers	Tugs/Barges Small Craft	Bulkers	General Cargo Passenger Container
21%	7%	54%	18%



American Club Tonnage by Area

Europe	North America	Asia	Other
53%	16%	27%	4%



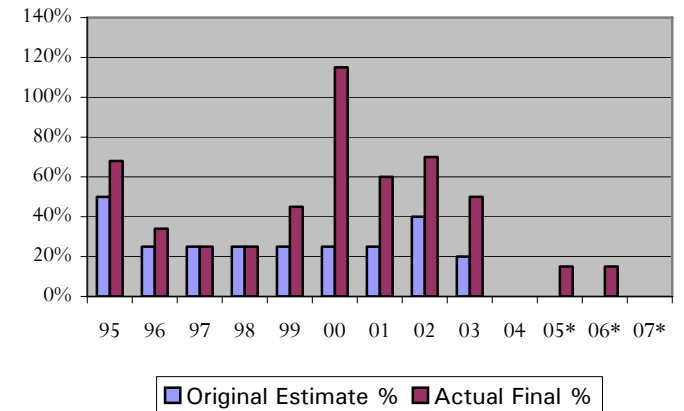
American Club Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$163,793,000	\$150,906,000	\$125,211,000	\$101,530,000	\$53,317,000
Reinsurance Cost	\$12,010,000	\$10,927,000	\$9,100,000	\$12,810,000	\$8,819,000
Net Claims (incurred)	\$106,512,000	\$139,694,000	\$94,118,000	\$74,072,000	\$35,713,000
Operating Expenses	\$41,069,000	\$36,906,000	\$32,857,000	\$20,705,000	\$14,117,000
Net Underwriting Result	\$4,202,000	(\$36,594,000)	(\$10,864,000)	(\$6,057,000)	(\$1,381,000)
Gross Outstanding Claims	\$250,207,000	\$201,724,000	\$149,883,000	\$115,562,000	\$82,441,000
Total Assets	\$336,122,000	\$279,295,000	\$224,652,000	\$173,034,000	\$119,222,000
Average Expense Ratio	12.8%	13.1%	12.2%	11.1%	11.9%
Solvency Margin	1.34	1.38	1.40	1.50	1.45
Reserves per GT Ratio	\$1.88				

Supplementary Calls														
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*	
Original %	50	25	25	25	25	25	25	40	20	0	0	0	0	
Final/Current	68	34	25	25	45	115	60	70	50	0	15	15	0	

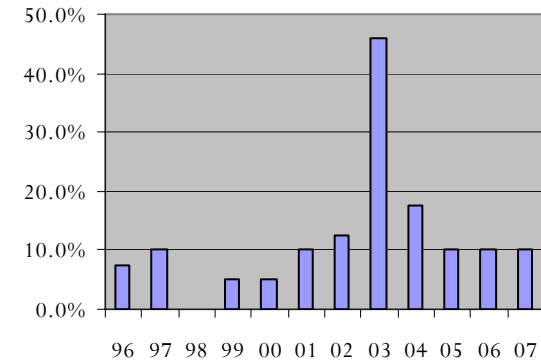
Actual Call as a percentage of Original Estimated Total Call														
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07	
Percentage	112	107	100	100	116	172	128	175	175	100	115	115	100	

General Increases														
Policy Year	96	97	98	99	00	01	02	03	04	05	06	07	08	
Percentage	7.5	10	00	5	5	10	12.5	45.8	17.5	10	10	10		

Supplementary Calls



General Increases



THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED

Managers

Tindall Riley (Britannia) Limited

Gross Tonnage

Mutual Owned	88,000,000
Fixed Chartered	38,800,000

Free Reserves

2007	\$193,094,000*
2006	\$166,347,000*
2005	\$60,966,000
2004	\$73,610,000
2003	\$30,758,000
2002	\$29,978,000
2001	\$56,257,000

Standard & Poor's Rating

A (Public Information)

*Excluding Boudicca



The Club enjoyed another good renewal in February, achieving its target increase in calls, and attracted ten new members during the year. Entered tonnage has grown to 121 million GT and despite a whacking \$39m underwriting loss free reserves (including Boudicca) are up substantially thanks to a healthy 10% investment return. Sir David Thomson is somewhat subdued in his annual statement, expressing a number of worries, not all of them for the first time.

This was a heavy claims year for Britannia, despite the fact that the *Hyundai Fortune* was the only incident to hit the Group Pool, and the chairman fears that such costs will continue to be high and may even increase in the coming years. Not surprisingly he cites the continuing boom in shipping resulting from the buoyant global economy as one reason for higher and less predictable claims, but his main concern is the severe shortage of competent crew. As he says, all the new safety initiatives and IMO regulations will count for nothing if crews are inexperienced or under-trained. As it takes several years to train crew fully, particularly officers, Sir David says this problem can only get worse before it gets better. Clearly, crew quality is going to be a dominant issue for quite a while, (although looking at the number of retained claims suffered while vessels were under pilotage, it is surprising that the chairman makes no reference to this issue). The Club's reinsurance contract with Boudicca continues to be of substantial benefit, even though its assets available to meet future claims are down a little on last year at \$108.4 million. Nevertheless, Britannia is confident that its overall financial position remains strong.

The chairman's enthusiasm for progressive increases in the IG Clubs' claims retentions is well known, so his support for this year's \$1 million increase, as the first of several over the next few years, is no great surprise. As we know, not all Clubs agree with this policy, but the idea does appear to be gaining momentum.

His comments about other IG Club developments are more enigmatic. While some Clubs have expressed strong views about the new limits on passenger and crew liabilities, Sir David seems to have accepted the agreement that has been reached in the spirit of the Great British Compromise. Although this means no interests are fully satisfied, he believes it is a good example of the IG's ability to find solutions to problems in the most difficult circumstances.

Sir David is more enthusiastic about the double retention arrangement that has been made under the Pooling Agreement in an effort to eliminate sub-standard shipping from the IG fleet. He believes this sends a strong message to the world as to just how seriously the Clubs are taking this issue.

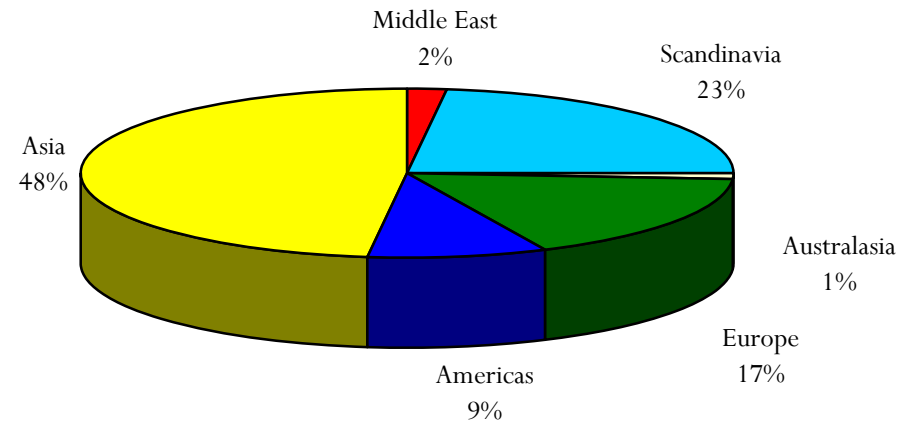
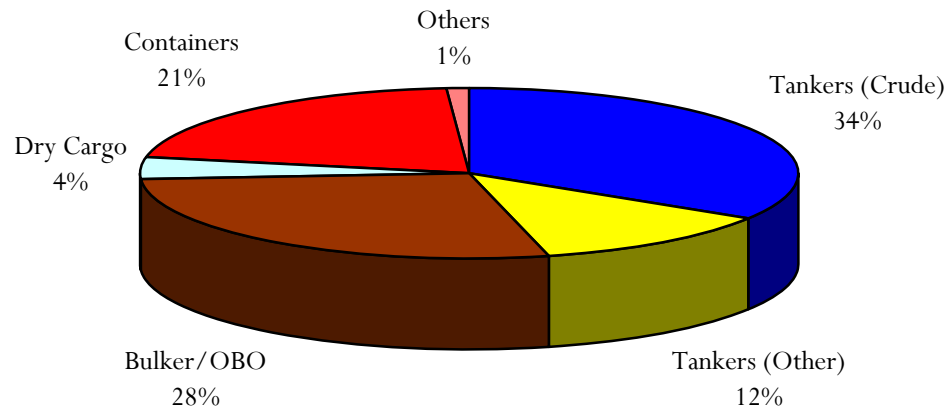
He is also pleased that the enhanced secretariat of the IG has been able to engage more fully with the IMO and the EU. The chairman says Brussels in particular is determined to impose greater liabilities on shipowners and wants certification from and direct action against insurers. Sir David's concern is the EU's focus on consumer protection, which he thinks will change fundamentally the nature of traditional indemnity cover and represents a major challenge to the industry. In this he is surely right.

Britannia Club Tonnage by Vessel Type

Tankers (Crude)	Tankers (Other)	Bulker/OBO	Cargo	Containers	Other
30%	14%	28%	4%	22%	2%

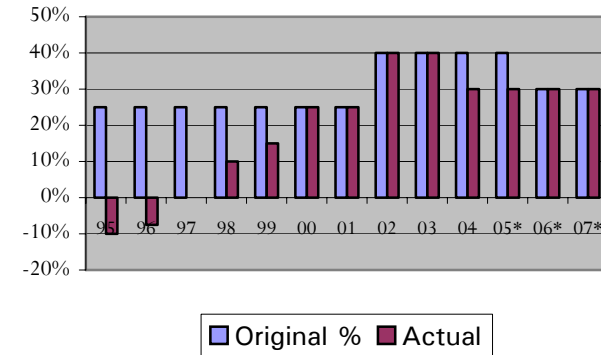
Britannia Club Tonnage by Area

Middle East	Scandinavia	Australasia	Europe	Americas	Asia
2%	23%	1%	17%	9%	48%



Britannia Club Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$231,042,000	\$221,801,000	\$227,212,000	\$209,203,000	\$172,231,000
Reinsurance Cost	\$52,861,000	\$53,855,000	\$50,845,000	\$52,137,000	\$46,628,000
Net Claims (incurred)	\$195,157,000	\$147,426,000	\$147,480,000	\$134,922,000	\$92,531,000
Operating Expenses	\$22,238,000	\$20,204,000	\$19,412,000	\$18,820,000	\$15,095,000
Net Underwriting Result	(\$39,214,000)	\$3,160,000	\$9,475,000	\$3,864,000	\$662,000
Gross Outstanding Claims	\$822,937,000	\$675,438,000	\$644,175,000	\$636,256,000	\$587,069,000
Total Assets	\$1,050,727,000	\$885,991,000	\$808,229,000	\$768,496,000	\$637,445,000
Average Expense Ratio	7.74%	8.44%	8.62%	8.53%	8.93%
Solvency Margin	1.28	1.31	1.25	1.21	1.09
Reserves per GT Ratio	\$2.2				

Supplementary Calls

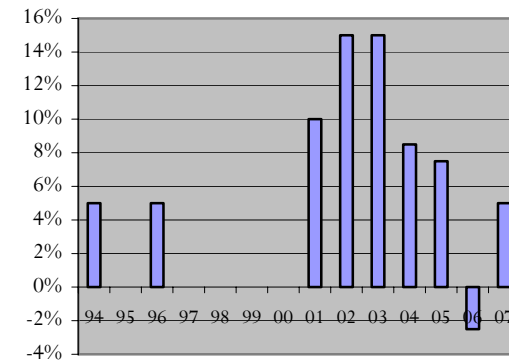


Supplementary Calls													
Policy Year	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05*	'06*	'07*
Original %	25	25	25	25	25	25	25	40	40	40	40	30	30
Final/Current	-10	-7.5	0	10	15	25	25	40	40	30	30	30	30

Actual Call as a percentage of Original Estimated Total Call													
Policy Year	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07
Percentage	72	74	80	88	92	100	100	100	100	93	93	100	100

General Increases														
Policy Year	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08
Percentage	0	5	0	0	0	0	10	15	15	8.5	7.5	-2.5	5	

General Increases



ASSURANCEFORENINGEN GARD

Managers

Gard Services AS

Gross Tonnage

Mutual Owned	102,000,000
Fixed Chartered	43,000,000

Free Reserves

2007	\$483,241,000
2006	\$429,644,000
2005	\$385,618,000
2004	\$327,835,000
2003	\$242,222,000
2002	\$195,222,000
2001	\$203,877,000

Standard & Poor's Rating

A+ 'stable' (Public Information)



What a way to start a centenary. Gard may be suffering a bit on its hull book, in common with everyone else in that market, but managed to produce another strong result from its P&I and Energy activities despite rising claims. The rating upgrade to A+, the highest of any Club, is surely deserved.

In his final report as chairman of the executive committee, John Hatleskog cites the usual culprits for the increase in incidents – high utilisation, overworked and under-trained crew, safety and maintenance being squeezed, as well as older ships remaining in operation. And in anticipation of a 7% increase in the world fleet for this and the next two calendar years, Gard is not expecting things to improve any time soon. For this reason chairman Stephen Pan has a stern warning for all; insurers must adjust their underwriting philosophy, premiums and capital levels, or run the risk of failure, possibly to the detriment of the IG as a whole.

Then of course there is the increasing attention being paid to the industry by both regulators and ratings agencies, especially as to capital adequacy and the likely impact of Solvency II. Talking up his own book a little, Pan insists that volatility inherent in being too narrowly focussed is worrying the ratings agencies and notes that the continuing movement of shipping between Clubs (some of it to Gard) is due to perceived financial weakness among rivals. In order to deal with the damage that might be caused by increasingly unpredictable events, Gard has adopted the triple objectives of robustness, adaptability and agility.

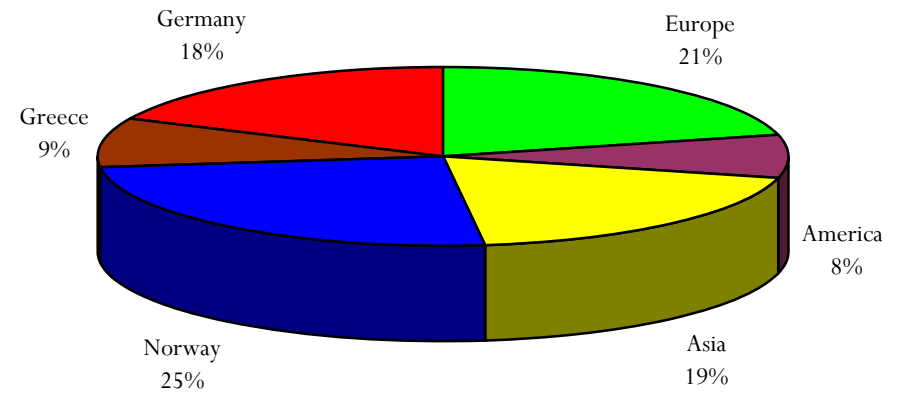
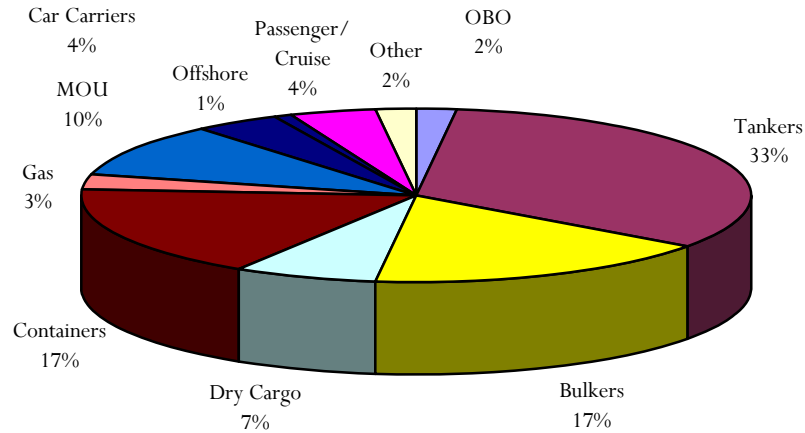
As the rate of growth of members tonnage is increasing faster than the world fleet average, the Club is conscious that it needs sufficient capital in place to fund this business and to be able to continue to accommodate new members as well as to serve existing client needs. However, as entered P&I tonnage is already close to 150 million, generating US\$195 million of gross premium income, and after an impressive investment return of 10.7% for the term, the robustness of this Club does not seem to be in doubt. The deferred call was reduced by 5% to 20% for the second year running, which must have pleased members and is further evidence of Gard's strength. Little wonder that 99.5% of entered tonnage was renewed in February this year and another 6.6 million gt was taken on.

On the downside, the Club was responsible for three of the sky high 28 claims submitted to the IG Pool last year, including the total loss of the *Server* off the Norway coast last winter and that of the *Safmarine Aghulas* in South Africa. Mercifully, attritional claims remained proportionately at the same level as previous years. Even so, in response to the increasingly volatile environment the Club has implemented an integrated claims organisation spanning all disciplines and adopted a proactive casualty handling system.

Externally, the Club is in favour of the limits imposed under the Athens Protocol and the double retention for sub-standard shipping. Gard executives are heavily involved in IG activities. Being such a power in the industry, the other Clubs must be glad that they are.

Gard Tonnage by Vessel Type					
OBO	Tankers	Bulkers	Dry Cargo	Containers	Gas
2%	33%	17%	7%	17%	3%
MOU	Car Carriers	Offshore	Passenger/ Cruise	Other	
10%	4%	1%	4%	2%	

Gard Tonnage by Area					
Europe	Americas	Asia	Greece	Norway	Germany
21%	8%	19%	9%	25%	18%



Gard Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$337,096,000	\$287,570,000	\$242,725,000	\$219,973,000	\$174,670,000
Reinsurance Cost	\$56,057,000	\$49,064,000	\$63,127,000	\$61,627,000	\$51,208,000
Net Claims (incurred)	\$298,270,000	\$225,477,000	\$194,473,000	\$192,381,000	\$116,969,000
Operating Expenses	\$32,279,000	\$27,726,000	\$43,694,000	\$37,497,000	\$27,581,000
Net Underwriting Result	(\$49,510,000)	(\$14,697,000)	(\$58,569,000)	(\$71,532,000)	(\$21,088,000)
Gross Outstanding Claims	\$632,013,000	\$536,768,000	\$497,031,000	\$481,140,000	\$432,487,000
Total Assets	\$1,207,488,000	\$1,045,950,000	\$935,030,000	\$877,178,000	\$741,044,000
Average Expense Ratio	7.8%	8.6%	8.2%	8.2%	8.6%
Solvency Margin	1.91	1.95	1.89	1.82	1.72
Reserves per GT Ratio	\$4.74				

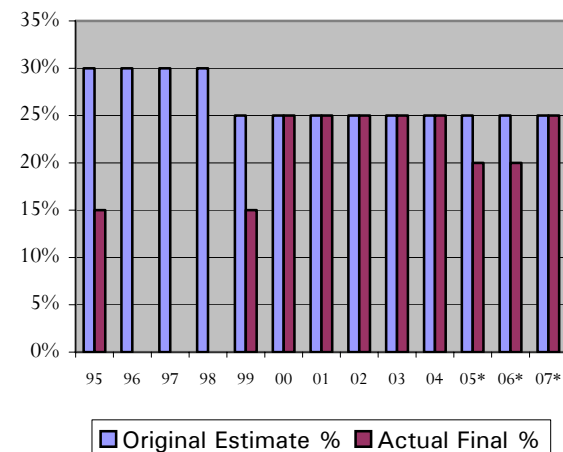
Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Original %	30	30	30	30	25	25	25	25	25	25	25	25	25
Final/Current	15	0	0	0	15	25	25	25	25	25	20	20	25

Release Calls													
											10	50	50

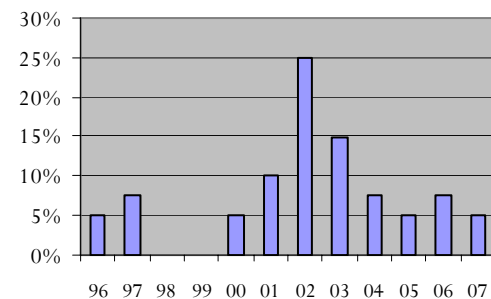
Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	88	77	77	77	92	100	100	100	100	100	96	96	100

General Increases													
Policy Year	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	5	7.5	0	0	5	10	25	15	7.5	5	7.5	5	

Supplementary Calls



General Increases



JAPAN

Managers

Self-Managed

Gross Tonnage

Mutual Owned	75,520,000
Fixed Chartered	10,920,000

Free Reserves

2007	\$85,028,000
2006	\$100,934,000
2005	\$106,824,000
2004	\$86,768,000
2003	\$63,434,000
2002	\$54,591,000
2001	\$59,101,000

Standard & Poor's Rating

BBB (Public Information)



The best news director general Yoshio Inuma has to offer his members is that entered tonnage has grown by more than 40% in the past five years. After that, it is all rather downhill. The Club has been implementing a five year strategy to improve its financial strength since 2003, which was all going reasonably well...until now. Free reserves were a little down on forecast in the third year of the strategy, but following two good years, the cumulative amount still managed to exceed the plan. However, after a losing investment year and heavy claims experience this fourth term, both for its own account and the IG pool, the wheels may not have come off the board's scheme, but with only a dollar of reserves per gt left in the kitty, they are certainly looking a bit wobbly.

Few will be surprised to learn, therefore, that a new strategy is being prepared to 'study measures to deal with the situation'. As we are assured that once the board has accepted the plan, it will be adopted 'steadily and swiftly, whilst maintaining a close watch on current claim trends and developments', it is hard not to conclude that the association's brethren are in for a torrid and possibly expensive time. The DG signs off by pointing out that his members always ensure good quality in their operations and management and notes that the average age of his fleet is younger than that of world tonnage. He also asserts that the Club is widely known for maintaining good records and providing members with 'competitive rates and premiums'. But then the dark clouds return: 'Since the increasing trend of claims, due to a brisk ocean-going shipping market, does not allow for optimism, I respectfully request our members to persevere in their special efforts to avoid maritime accidents'. It may be couched in the wonderfully understated terms for which this report is renowned (and which make it such a joy to read), but make no mistake people; you have been warned.

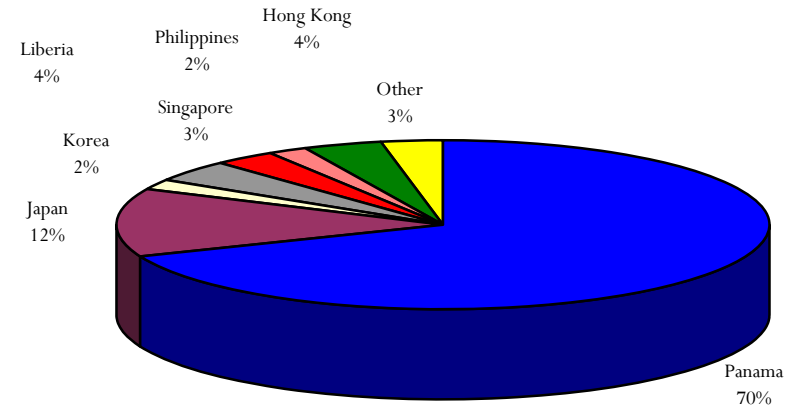
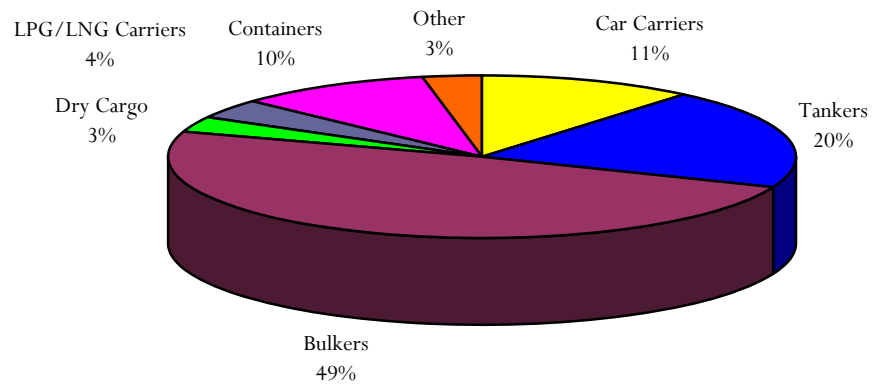
So what did the damage? It seems that strandings and cargo claims were the main culprits, with three incidents exceeding the (then) \$6m retention. There were also several big crashes with piers, all of which are down to the Club's account. One notably large incident was a steel carrying bulker, which managed to collide not once, but twice while making her way into the port of Callao, Peru. Not surprisingly she sank and for various reasons had to be removed, at costs in excess of \$30m.

Apart from causing a blockade of the Dobuchi Strait due to oil spillage from a tanker that collided with a GCC at the end of last year (triggering the Club's largest claim for domestic vessels during the period), there was also the "Bomb Cyclone" that struck the Pacific coastal port of Kashima in October, stranding an iron-ore laden cape size bulker with the tragic loss of ten crew. Within days, more bad weather led to the grounding of two similar vessels close to the northern end of the same port's breakwater.

Note to the board (although it is probably part of the new strategy already). It might be a good idea to review rates and procedures for ships doing business in these parts.

Japan Tonnage by Vessel Type						
Car Carriers	Tankers	Bulkers	Dry Cargo	LPG/LNG Carriers	Containers	Other
11%	19%	49%	3%	5%	10%	3%

Japan Tonnage by Area							
Panama	Japan	Korea	Liberia	Singapore	Philippines	Hong Kong	Other
70%	12%	2%	4%	3%	2%	4%	3%



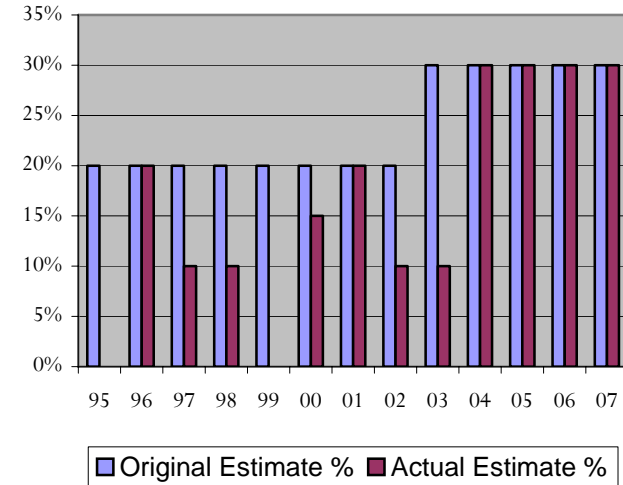
Japan Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$165,069,000	\$135,362,000	\$136,432,000	\$123,827,000	\$102,034,000
Reinsurance Cost	\$27,633,000	\$25,442,000	\$14,055,000	\$22,046,000	\$17,650,000
Net Claims (incurred)	\$111,760,000	\$85,600,000	\$80,439,000	\$77,368,000	\$77,495,000
Operating Expenses	\$16,224,000	\$15,760,000	\$16,075,000	\$15,847,000	\$12,534,000
Net Underwriting Result	\$9,452,000	\$8,560,000	\$2,586,000	\$8,566,000	(\$5,645,000)
Gross Outstanding Claims	\$140,715,000	\$125,411,000	\$129,263,000	\$120,257,000	\$124,154,000
Total Assets	\$297,552,000	\$283,058,000	\$294,475,000	\$283,264,000	\$254,956,000
Average Expense Ratio	7.55%	7.52%	7.39%	7.4%	6.97%
Solvency Margin	2.11	2.26	2.28	2.36	2.05
Reserves/GT Ratio	\$1.12				

Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04*	05*	06*	07*
Original %	20	20	20	20	20	20	20	20	30	30	30	30	30
Final/Current	0	20	10	10	0	15	20	10	10	30	30	30	30
Release Calls													
											35	35	35

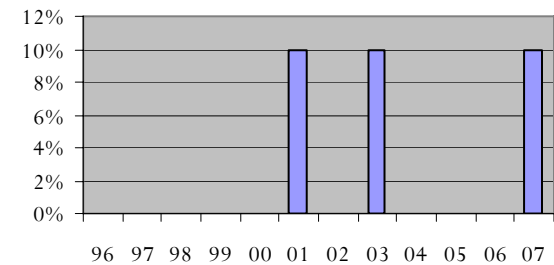
Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	100	92	92	92	92	100	50	100	100	100	100	100	100

General Increases													
Policy Year	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	0	0	0	0	0	10	0	10	0	0	0	10	

Supplementary Calls



General Increases



LONDON STEAMSHIP OWNERS MUTUAL INSURANCE ASSOCIATION LTD

Managers

A Billbrough & Co., Ltd

Gross Tonnage

Mutual Owned	35,860,908
Time Chartered	1,189,498

Free Reserves

2007	\$110,928,000
2006	\$110,478,000
2005	\$100,308,000
2004	\$101,854,000
2003	\$82,762,000
2002	\$80,677,000

Standard & Poor's Rating

BBB (Public Information)



THE LONDON
STEAMSHIP OWNERS
MUTUAL INSURANCE ASSOCIATION LIMITED

John Lyras is in sombre mood and looking at his year it is not hard to see why. He kicks off this term's report with some words of comfort about the Club's current capital adequacy, but is concerned that increasing regulation may sometimes impede its ability to invest in better performing, if more volatile, asset classes. As a result, he says a little ominously that the Committee is re-examining free reserve levels and believes that 'the influence in recent years of the increased regulatory burden on advanced call levels seems unlikely to have come to an end'. Sounds as though life is about to become a tad more expensive for members, particularly as the chairman says future advanced calls are likely to be influenced by the claims experience last year – which was a shocker.

After a quiet first half, the second six months took claims almost to the record level of 2000 and that is before the cost of the record hits on the Pool that necessitated the refinancing of Hydra. However, on the plus side, attritional claims were steady and even look to be on a downward trend, while the investment performance was outstanding, producing an overall break even result. (No wonder the chairman is worried about investment restrictions).

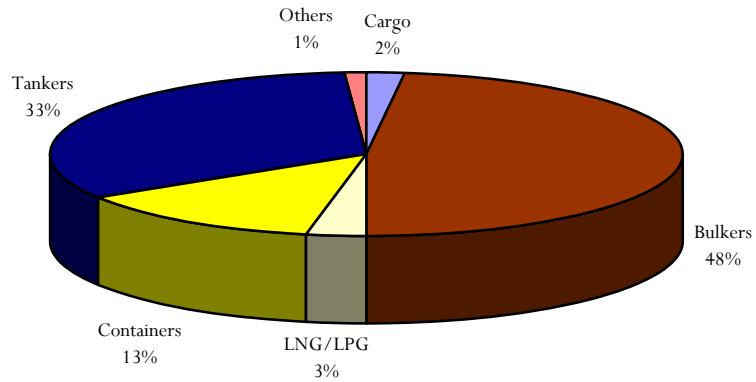
Externally, Lyras is not at all happy about the Third EU Maritime Safety Package, which he believes is a classic example of unnecessary and misdirected interference in IG Club affairs. And he has a point. If the authorities are unhappy with existing conventions, and there is no hard evidence to suggest they are not working, why not call for them to be updated rather than imposing yet more red tape on an already heavily regulated industry? Although the weight of opinion at the Commission seems to be against him, Lyras is convinced that the proper approach to safety is to concentrate on what really matters; construction, maintenance and operation of ships.

Sadly, the plight of the now 72 year old Captain Mangouras of the ill-fated *Prestige* remains unresolved. Five years after the incident he is still required to report to his local police station every week, having been neither charged nor discharged by the Spanish authorities. As the chairman says, it is reprehensible that there is no international mechanism through which to gain fair treatment for this former Master. It is no surprise that Lyras is vociferously against any legislation to further criminalise seafarers not just because of Mangouras, but also because any such moves are more likely to induce cover up than disclosure – just as has been found in the aviation industry.

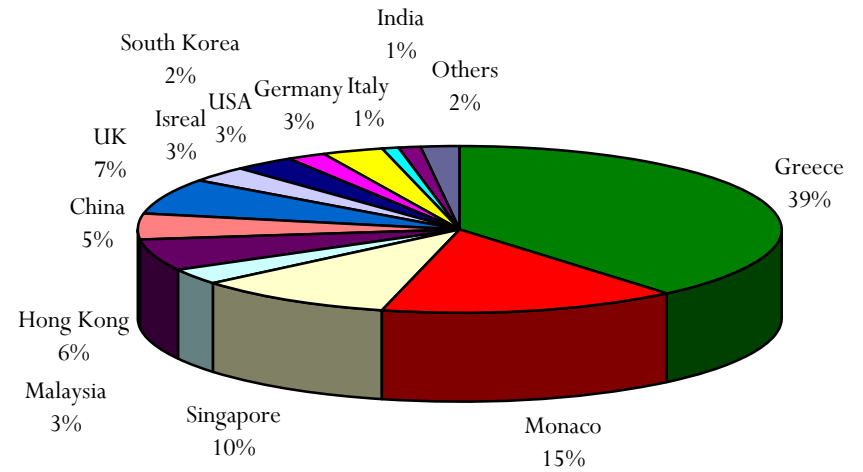
The committee is broadly in favour of the new limits imposed on passenger ship and crew liabilities, although it has some humanitarian concerns about crew not being sufficiently covered if passenger claims take up the limit under the Athens convention.

This is one Club that needs a break (and a continuing strong investment environment). If not...

London Tonnage by Vessel Type					
Tankers	Bulkers	Cargo	Container	LNG/LPG	Other
33%	48%	2%	13%	3%	1%

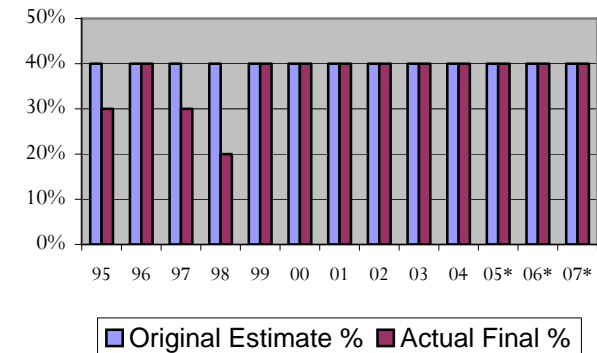


London Tonnage by Area						
Greece	Monaco	Singapore	Malaysia	Hong Kong	China	UK
39%	15%	10%	3%	6%	5%	7%
Isreal	USA	South Korea	Germany	Italy	India	Others
3%	3%	2%	3%	1%	1%	2%



London Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$102,003,000	\$95,402,000	\$91,037,000	\$89,378,000	\$79,337,000
Reinsurance Cost	\$18,439,000	\$17,147,000	\$16,820,000	\$15,508,000	13,378,000
Net Claims (incurred)	\$91,256,000	\$92,034,000	\$91,320,000	\$86,237,000	\$81,141,000
Operating Expenses	\$10,460,000	\$9,806,000	\$9,780,000	\$8,718,000	\$10,601,000
Net Underwriting Result	(\$18,152,000)	(\$23,585,000)	(\$26,883,000)	(\$21,085,000)	\$2,888,000
Gross Outstanding Claims	\$290,364,000	\$246,916,000	\$279,971,000	\$298,173,000	\$340,683,000
Total Assets	\$469,082,000	\$384,970,000	\$395,814,000	\$424,511,000	\$444,511,000
Average Expense Ratio	7.3%	8.6%	9.1%	7.1%	10.5%
Solvency Margin	1.62	1.56	1.41	1.43	1.30
Reserves/GT Ratio	\$3.08				

Supplementary Calls

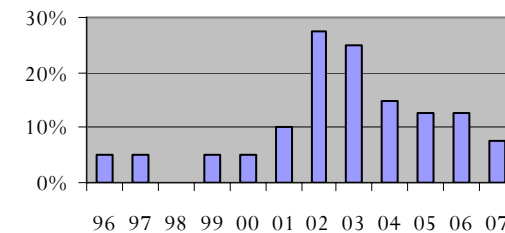


Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Original %	40	40	40	40	40	40	40	40	40	40	40	40	40
Final/Current	30	40	30	20	40	40	40	40	40	40	40	40	40
Release Calls													
											20	20	60

Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	93	100	92	86	100	100	100	100	100	100	100	100	100

General Increases													
Policy Year	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	5	5	0	5	5	10	27.5	25	15	12.5	12.5	7.5	

General Increases



THE NORTH OF ENGLAND P&I ASSOCIATION LIMITED

Managers

North Insurance Management Limited

Gross Tonnage

Mutual Owned	55,800,000
Fixed Chartered	15,200,000

Free Reserves

2007	\$190,241,000
2006	\$168,005,000
2005	\$142,300,000
2004	\$133,500,000
2003	\$99,594,000
2002	\$87,300,000
2001	\$78,900,000

Standard & Poor's Rating

A 'stable' (Interactive)



In his final statement as chairman, Bill Thomson is as upbeat as ever about his own Club's 'fantastically successful year'. And with a 15% increase in tonnage, net assets up by \$93 million and free reserves rising by 13.2%, not to mention a 12.47% investment return, his description is not unjustified. But then we come to the claims environment, which he candidly describes as 'appalling'. If Pool claims run to form, they look likely to hit a record breaking \$500 million, even at this stage, so it is hard to disagree. The chairman points out that all the IG Clubs are culpable, but with 25 claims over \$1 million on his own account he cannot put all the blame on everyone else. No wonder he says this could be described as 'a year of two halves'.

His response is to warn owners that severe and corrective action can be expected at next renewal. Not good news for members' bank balances, although as he says, they are making good money in a booming shipping market, which is partly responsible for the high level of incidents, so they can and should be prepared to pay more for their insurance. The main driver for this determination is to maintain the Club's A rating and Thomson is adamant that the board will do anything to preserve its standing.

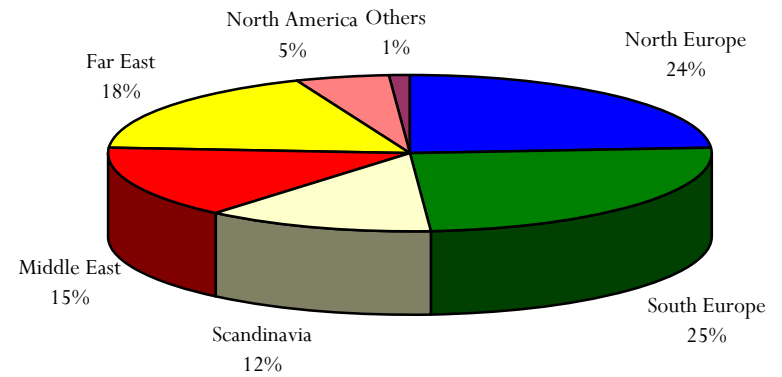
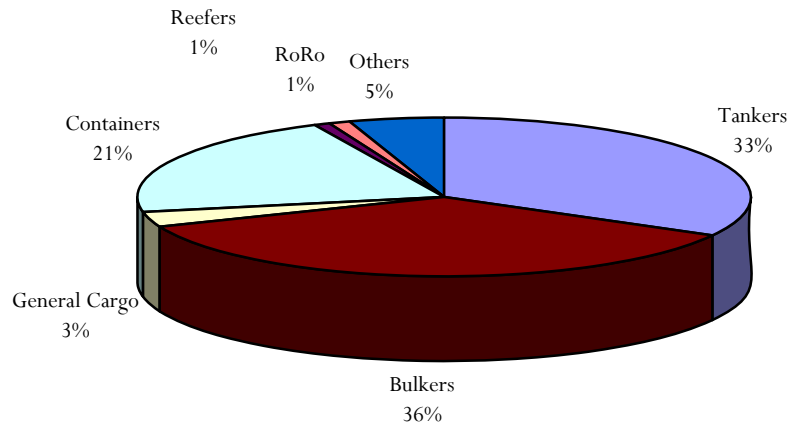
The chairman rehearses all the familiar issues surrounding the desperate shortage of qualified crew and pilots, but he also singles out the reduction in the amount of sea time required to gain qualifications as a particular concern, as well as the weakness of shore-side support; people who are vital to ship operations. His solution to the problem is for the whole industry to get together, support training facilities and work hard not only to encourage young people back to sea, but also to encourage a sense of pride in the job. The chairman feels that at the moment shipowners are trying to have it both ways; wanting high staff entry and retention rates, but not being prepared to offer the pay and rations needed to encourage this. Then there is the threat of jail that hangs over crews' heads in an increasing number of jurisdictions, which hardly encourages people into the industry. On top of that there is legislation attacking the shipping industry from all sides. North is vehemently against the EU Ship Source Pollution Directive, for example, which it says 'goes against existing international Conventions' and infuriated by local courts' propensity to support local interests, often at shipowners' and insurers' expense. The unpalatable corollary, of course, is higher costs...and higher premiums.

Having campaigned for the new passenger and crew limits for liners the Club is naturally delighted with the result. It also likes the new overspill protection layer in the Pool and is proud of the increasing influence of the enlarged IG secretariat on legislators and regulators.

As he bows out in favour of Albert Engelsman, the chairman assures members that the Club's focus will remain on quality owners, quality service and representing the best interests of shipowners. For anyone with a half decent fleet, this Club is a good place to be.

North Tonnage by Vessel Type						
Tankers	Bulkers	General Cargo	Containers	RoRo	Reefers	Other
33%	36%	3%	21%	1%	1%	5%

North Tonnage by Area						
North Europe	South Europe	Scandinavia	Middle East	Far East	North America	Other
24%	25%	12%	15%	18%	5%	1%



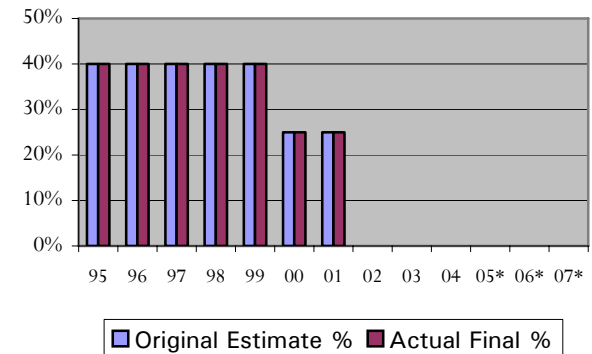
North Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$193,535,000	\$177,117,000	\$174,466,000	\$156,466,000	\$133,103,000
Reinsurance Cost	\$28,631,000	\$23,991,000	\$32,669,000	\$31,686,000	\$23,850,000
Net Claims (incurred)	\$179,719,000	\$130,939,000	\$136,157,000	\$96,172,000	\$76,118,000
Operating Expenses	\$29,006,000	\$22,847,000	\$19,400,000	\$16,361,000	\$15,080,000
Net Underwriting Result	(\$43,821,000)	(\$6,600,000)	(\$12,548,000)	\$12,247,000	\$18,055,000
Gross Outstanding Claims	\$563,781,000	\$450,498,000	\$432,281,000	\$425,520,000	\$361,357,000
Total Assets	\$771,486,000	\$645,504,000	\$592,160,000	\$578,412,000	\$488,646,000
Average Expense Ratio	9.1%	9.2%	9.2%	10.0%	9.3%
Solvency Margin	1.37	1.43	1.37	1.36	1.35
Reserves/GT Ratio	\$3.45				

Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Original %	40	40	40	40	40	25	25	0	0	0	0	0	0
Final/Current	40	40	40	40	40	25	25	0	0	0	0	0	0
Release Calls													
										5	10	20	20

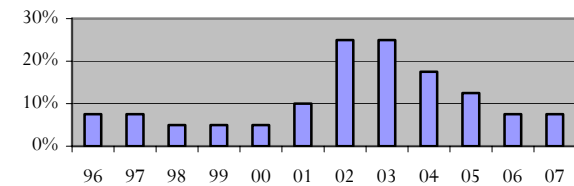
Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	100	100	100	100	100	100	100	100	100	100	100	100	100

General Increases													
Policy Year	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	7.5	7.5	5	5	5	10	25	25	17.5	12.5	7.5	7.5	

Supplementary Calls



General Increases



THE SHIOWNERS MUTUAL PROTECTION & INDEMNITY ASSOCIATION LIMITED (LUXEMBOURG)

Managers

The Shipowners' Protection Ltd.

Gross Tonnage

Mutual Owned 13,880,387

Free Reserves

2007	\$129,709,000
2006	\$126,908,000
2005	\$107,865,000
2004	\$100,420,000
2003	\$61,116,000
2002	\$58,083,000
2001	\$63,902,000

Standard & Poor's Rating

A (Public Information)



Rodney Lenthall joins many of his IG Club peers in not being a happy man this year. Premiums and tonnage are up, resulting in a modest increase in free reserves, but, oh dear, the claims. Even without the loss of the tanker *Solar 1* at an anticipated cost of \$25 million, which the chairman describes as 'a calamity', paid and outstanding claims have rocketed, making something of a mess of the Club's finances and producing the first underwriting deficit in seven years. Little wonder that Lenthall is left wondering if his comments last time about the importance of an underwriting surplus and an adequate investment return were prescient, or tempting fate.

Given the Club's recent experience, STOPIA 2006 isn't exactly the chairman's favourite piece of legislation, as it puts greater liability on members and certainly contributed to a combined ratio of 127% this term, way above the 97.6% ten year rolling average of which the Club is rightly proud. However, although the board is determined to get things back on track and maintain an orderly approach to underwriting and financial planning, members will be pleased to hear that the plan is to return to the Club's normal policy of a zero general increase after last year's 5% uplift.

Shipowners take on the reasons for so many high value incidents this year is no different from any of their fellows in the group; heavy use of vessels, high repair and raw material costs and of course inadequate crew training. No surprises then that the Loss Prevention Department is being continually strengthened, although the chairman is adamant that capable crewing is the sole province of the membership and owners are warned that individual records are being monitored carefully. Sounds as though there could be some tough talking for some at next renewal.

As for the managers report, the *Solar 1* claim clearly hurt, not least because this is the first call the Club has had to make on the Pool since joining in 1999. Nevertheless, the managers say it has taught them a lesson about claims handling, as well as increasing their understanding of the regulatory and surveying infrastructure in the Philippines. While they make no further comment, it is tempting to conclude that they are not massively happy with the whole experience.

Despite this year's heavy hits, the Club is broadly in favour of IG members retaining an increasing amount of risk and is happy with the way Hydra is working.

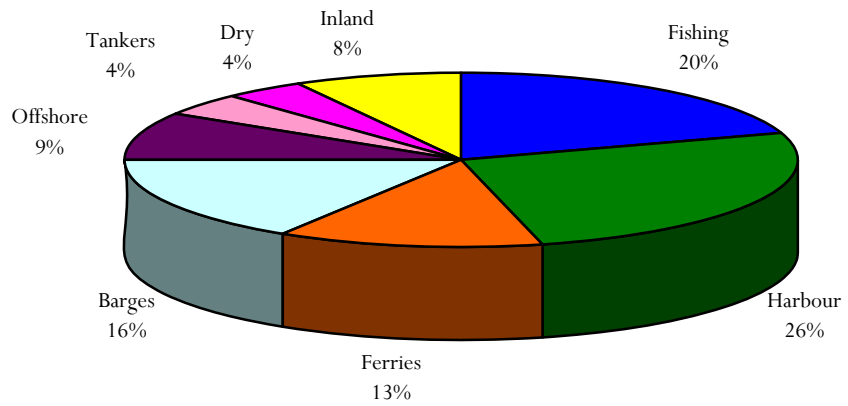
Otherwise, there is clear relief that the investment return last term bailed the Club out of trouble like so many of its peers. It is in the 'not keen' camp when it comes to the Athens convention, whilst admitting that no members are affected by the new passengership limits. However, there is considerable enthusiasm for the new 'designated vessel' rules and for the increase in ship surveys, which the Club is convinced will preserve and hopefully improve the quality of entries.

In the claims department, pollution is obviously of big concern, partly because of the *Solar1* incident, but also because the regulators in certain jurisdictions require cash security, which effectively means the claim has to be paid on the spot.

Collision incidents are worrying the Club too, with nine claims over \$500,000 presently in the pipeline. One of these is estimated at \$5,500,000. Then there are two claims for smashes with bridges that together may cost \$3,000,000. Who on earth was driving these things? Cargo claims were pretty much as predicted, although the Club is working to keep these down, but wreck removal claims have risen sharply, by both volume and cost. Better sailing is the cry from this Club.

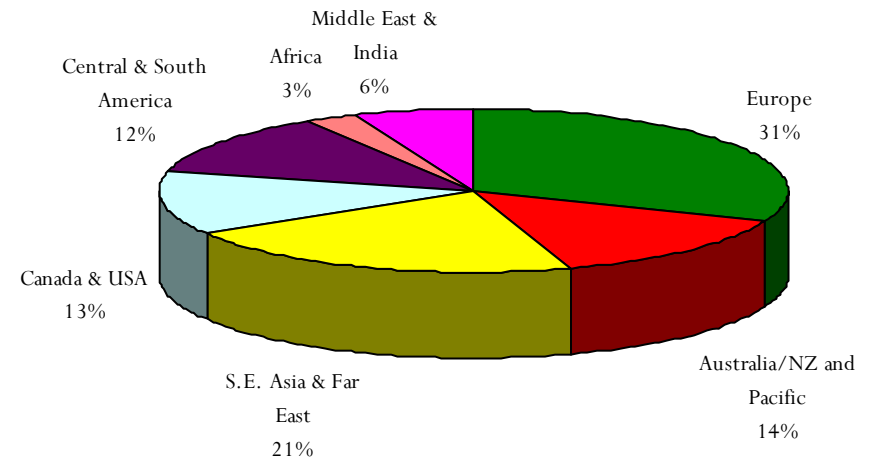
Shipowners' Tonnage by Vessel Type

Fishing	Harbour	Ferries	Barges	Offshore	Tankers	Dry	Inland
20%	26%	13%	16%	9%	4%	4%	8%



Shipowners' Tonnage by Area

Europe	Australia /NZ and Pacific	S.E. Asia & Far East	Canada & USA	Central & South America	Africa	Middle East & India
31%	14%	21%	13%	12%	3%	6%



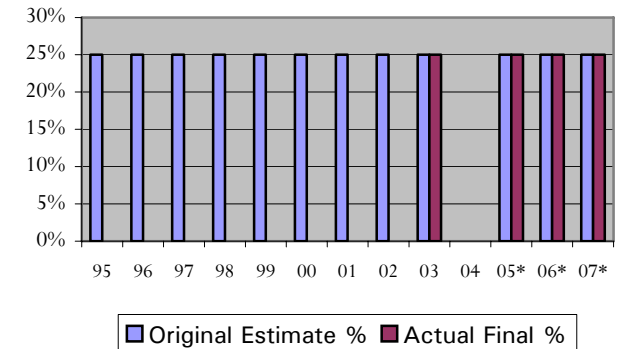
Shipowners' Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$130,593,000	\$116,687,000	\$108,433,121	\$101,315,686	\$81,389,066
Reinsurance Cost	\$17,860,000	\$15,492,000	\$15,707,341	\$14,985,341	\$16,865,868
Net Claims (incurred)	\$118,354,000	\$48,301,000	\$51,838,433	\$39,783,589	\$35,129,309
Operating Expenses	\$23,574,000	\$19,733,000	\$7,784,000	19,802,206	\$14,680,331
Net Underwriting Result	(\$29,195,000)	\$33,161,000	\$33,103,347	\$26,744,550	\$14,713,558
Gross Outstanding Claims	\$272,909,000	\$191,222,000	\$165,278,008	\$146,754,298	\$138,170,673
Total Assets	\$421,477,000	\$333,446,000	\$290,208,447	\$262,153,964	\$216,174,689
Average Expense Ratio	17%	19%	21%	21%	21%
Solvency Margin	1.54	1.74	1.76	1.79	1.56
Reserves/GT Ratio	\$9.29				

Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Original %	25	25	25	25	25	25	25	25	25	0	25	25	25
Final/Current	0	0	0	0	0	0	0	0	25	0	25	25	25
Release Calls											30	30	

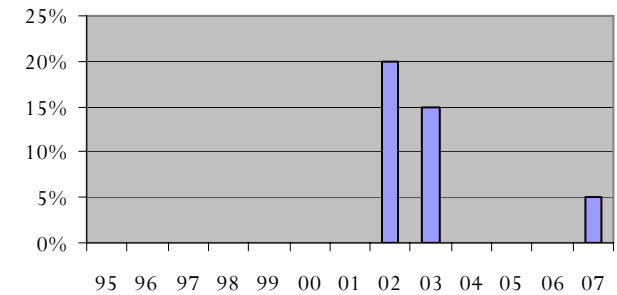
Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	80	80	80	80	80	80	80	80	100	100	100	100	100

General Increases														
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	0	0	0	0	0	0	0	20	15	0	0	0	5	

Supplementary Calls



General Increases



ASSURANCEFORENINGEN SKULD

Managers

Skuld ASA

Gross Tonnage

Mutual Owned	35,800,000
Fixed Chartered	37,200,000

Free Reserves

2007	\$191,366,000
2006	\$150,709,000
2005	\$113,064,000
2004	\$81,593,000
2003	\$50,080,000
2002	\$77,873,000
2001	\$80,784,000

Number of Entered Vessels

At 20 February 2007 4,455

Standard & Poor's Rating

A- 'stable' (Interactive)



'The New Generation P&I Cub'. Wow; quite a title with which to emblazon the cover of an annual report, though to be fair the Club insists that such a bold description was not of its invention, but was bestowed upon it. Still, it is an appropriate opening for a determinedly green review as the Club sets out to do its bit for the environment. Skuld points to its work on tightening up the rules governing sub-standard shipping as being important in this respect as well as its involvement in IMO and ITOPF environmental initiatives. Accepting that it is not yet green, the Club is also looking into conducting an environmental audit to see what other measures it might take. Of the moment maybe, but this looks like a serious enterprise.

As to trading performance, Skuld says it would have enjoyed a record year without (other folk's) Pool claims, particularly after an 8% investment return against a target figure of 6.2%. The technical surplus of \$6.7 million was pretty impressive too, helping to build contingency reserves to \$191 million and to maintain the Club's A- rating. As for the President and Chief Executive's report, if Douglas Jacobsohn's smile gets any broader his face may need to be reclassified as a VLCC. However, he opens his report with some serious words about the many challenges faced by the world, just as much as by the Club, and points out that the board must consider issues way outside their normal terms of reference in order to represent members effectively. This thinking outside the box is what the CEO says he means by 'ultimate service', which the Club is determined to maintain.

After some worthy environmental sentiments, Jacobsohn gets down to business. Tonnage increased by 3% and is on target to hit 40 million gt by the end of this year. Chartered tonnage is said to total a massive 37 million GT but we do wonder how this is calculated. The surplus topped \$40 million, while reserves were up a massive 26.5%.

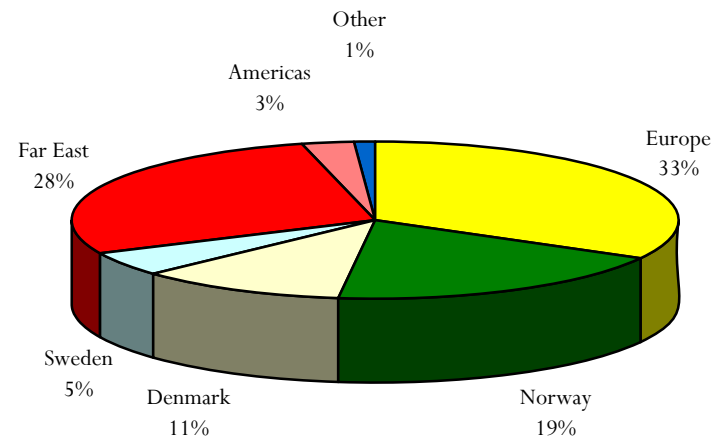
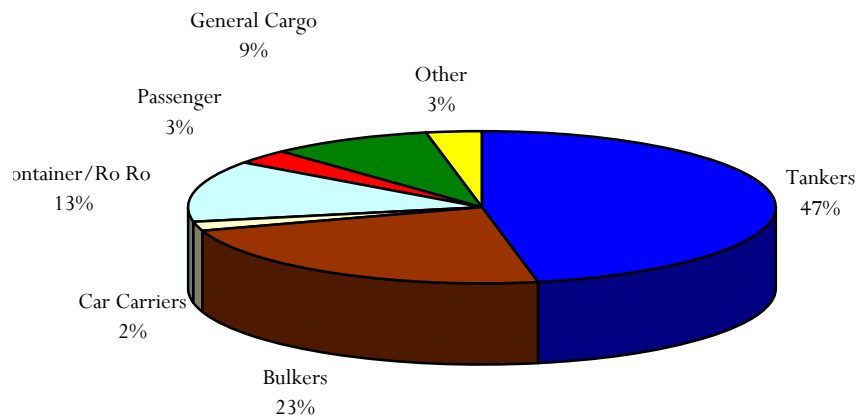
He leaves it to his chairman to comment on last year's failed merger with the Swedish Club, which Erik Gløersen says made sound industrial sense. However, he is relaxed about the breakdown of talks last November and says the Club will continue to expand on its own. In particular, there is a sharper focus on charterers' business, which increased substantially last term, and on developing new products. Otherwise, the chairman says the strength of the Club's performance indicates that 'more of the same' will be of benefit to members. He is also satisfied with the quality of staff, although he knows the Club will need to work hard to retain its best people. Good thing then that as well as being a new generation Club, this is also 'a human capital company'. (How many more monikers can this organisation come up with for itself? And we haven't even touched on the 'Goddess of the Future' stuff).

Skuld operates a syndicate structure and in pursuit of its goal of being close to its members opened an office in Moscow last May, the first Club to have a presence in Russia, and another one in Singapore in September. Although the Club says it is early days for the latter, Moscow is going well and there are clearly high hopes for both new operations.

The Club is quite content with its own claims experience last time, on every level, but there is a random nature about the hits on competitors and everyone acknowledges the serious challenges that lie ahead; this is no time for cockiness or complacency.

Skuld Tonnage by Vessel Type						
Tankers	Car Carriers	Bulk Carrier	Passenger	General Cargo	Container/Ro Ro	Other
47%	2%	23%	3%	9%	13%	3%

Skuld Tonnage by Area						
Europe	Norway	Denmark	Sweden	Far East	Americas	Other
33%	19%	11%	5%	28%	3%	1%



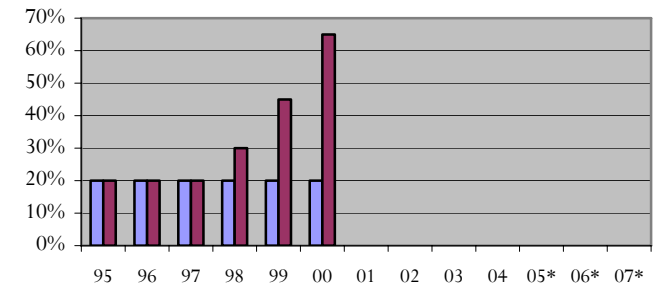
Skuld Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$174,122,000	\$156,816,000	\$149,194,000	\$132,340,000	\$113,303,000
Reinsurance Cost	\$19,028,000	\$16,880,000	\$19,931,000	\$23,340,000	\$22,624,000
Net Claims (incurred)	\$121,112,000	\$95,211,000	\$85,911,000	\$86,623,000	\$96,835,000
Operating Expenses	\$27,244,000	\$24,002,000	\$21,041,000	\$19,778,000	\$24,430,000
Net Underwriting Result	\$6,738,000	\$20,723,000	\$22,311,000	\$3,071,000	(\$30,585,000)
Gross Outstanding Claims	\$260,012,000	\$248,317,000	\$284,437,000	\$335,882,000	\$377,401,000
Total Assets	\$468,114,000	\$418,602,000	\$374,684,000	\$362,558,000	\$353,493,000
Average Expense Ratio	10.9%	11.1%	11.7%	11.6%	11.6%
Solvency Margin	1.80	1.69	1.32	1.08	0.94
Reserves/GT Ratio	\$5.31				

Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Original %	20	20	20	20	20	20	0	0	0	0	0	0	0
Final/Current	20	20	20	30	45	65	0	0	0	0	0	0	0
Release Calls													
											10	20	25

Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	100	100	100	108	120	137	100	100	100	100	100	100	100

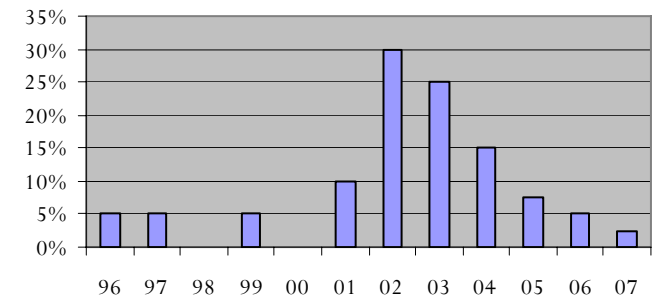
General Increases													
Policy Year	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	5	5	0	5	0	10	30	25	15	7.5	5	2.5	

Supplementary Calls



■ Original Estimate % ■ Actual Final %

General Increases



THE STANDARD STEAMSHIP OWNERS PROTECTION & INDEMNITY ASSOCIATION (BERMUDA) LTD

Managers

Charles Taylor & Co. (Bermuda)

Gross Tonnage

Mutual Owned	45,000,000
Chartered	17,000,000

Free Reserves

2007	\$217,155,000
2006	\$192,277,000
2005	\$171,909,000
2004	\$163,527,000
2003	\$113,641,000
2002	\$127,007,000
2001	\$160,605,000

Standard & Poor's Rating

A 'strong' (Interactive)

The Standard



Chairman Ricardo Menendez may be determined to reduce the Standard's reliance on investment income, but boy he must be grateful for the spectacular 12.5% return this time round. He may be pleased with this result and the Club is consistently one of the best performers in the group, but to rely on the non-technical account this heavily...? The overall result was okay and attritional claims were down, but income was reduced quite substantially and the big whacks just keep on coming. Although the Club will be net contributors to the Pool this time, it was also responsible for four of the calls on the IG facility, so the garden has plenty in it apart from roses.

Nevertheless, the Club's offshore energy portfolio continues to expand, as does the Standard's expertise in this area and with oil prices showing no sign of slacking this looks like being good business for some time to come. Rightly, the chairman cautions that this is complex and potentially high risk business, but clearly believes the Club is on top of it and can provide genuine assistance to the members in this industry.

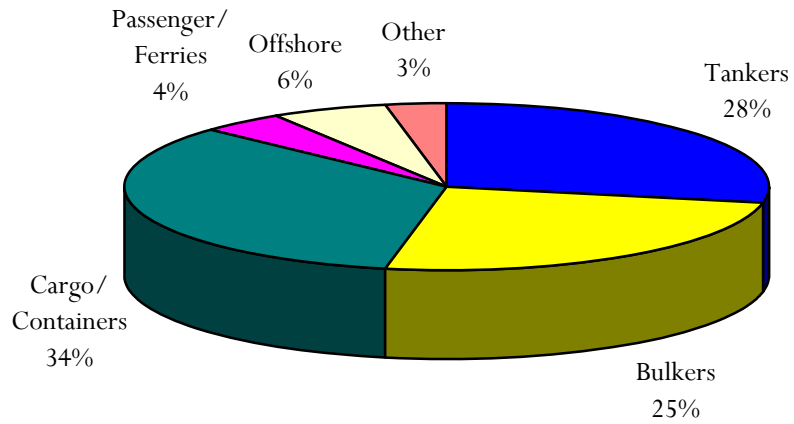
The Standard would have been in favour of what it describes as a more gradual approach to resolving the issues covered by the Athens Convention, but seems reasonably comfortable with the resolutions reached, particularly as so many different interests are represented in the IG. The chairman is less keen on the EU Safety Package, but, like many of his peers, is content that the Group is fully engaged on this issue and working hard to protect shipowners' interests. Corporate governance and the environmental are big issues for the Club this year and both subjects are covered in detail in this year's report, with a formal environment policy being set out for the first time. Very happening.

Apart from the hits on the Pool, the Club suffered 11 retained claims in excess of \$2 million last term, almost twice the average number over the past seven years. The incidents involved a variety of owners, big and small, and like so many other Clubs there is no obvious pattern to these losses. The Club, like so many others, is trying to evaluate and budget for its losses, but accepts that this is becoming an increasingly difficult job. With so many random higher value claims being made across the IG and no sign of the buoyant shipping market abating, it would seem that insurers are in for a bumpy ride for some time to come.

The Club seems to have accepted the Athens Convention, though in a rather long winded way, but is clearly not entirely comfortable with the increased overspill limits imposed on the Pool's reinsurance arrangements as a result. Otherwise, the chairman makes some slightly enigmatic remarks about whether or not there are too many Clubs, but he follows this with an intriguing remark about the board's openness to new ways of operating and says it will keep all options open. Mmm...

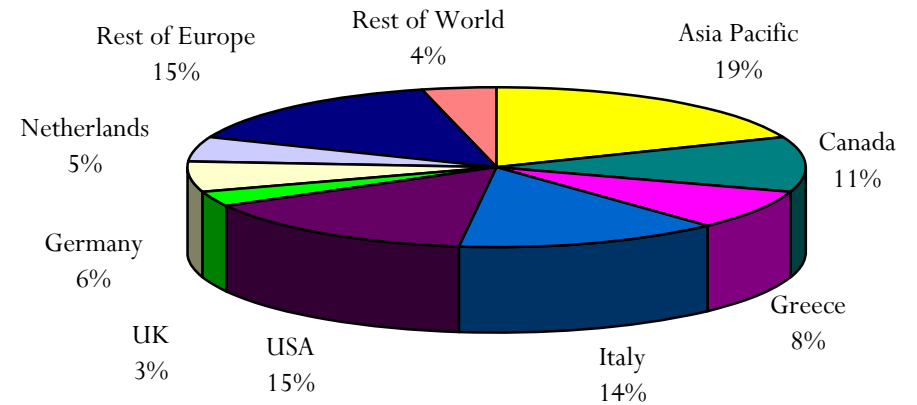
Standard Club Tonnage by Vessel Type

Tankers	Bulkers	Cargo/ Container	Passenger & Ferries	Offshore	Other
28%	25%	34%	4%	6%	3%



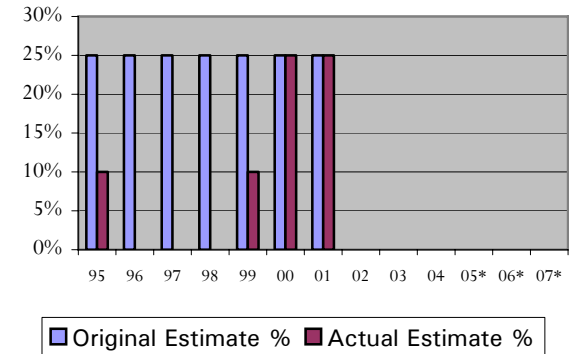
Standard Club Tonnage by Area

Asia Pacific	Canada	Greece	Italy	USA	UK
19%	11%	8%	14%	15%	3%
Germany	Netherlands	Rest of Europe	Rest of World		
6%	5%	15%	4%		



Standard Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$152,350,000	\$170,378,000	\$163,558,000	\$151,597,000	\$143,214,000
Reinsurance Cost	\$32,040,000	\$30,746,000	\$28,400,000	\$30,431,000	\$23,806,000
Net Claims (incurred)	\$145,534,000	\$130,018,000	\$123,477,000	\$116,584,000	\$94,965,000
Operating Expenses	\$15,399,000	\$13,386,000	\$12,869,000	\$10,806,000	\$9,681,000
Net Underwriting Result	(\$40,623,000)	(\$37,720,000)	(\$11,880,000)	(\$6,224,000)	(\$38,114,000)
Gross Outstanding Claims	\$386,563,000	\$472,994,000	\$450,571,000	\$413,141,000	\$387,407,000
Total Assets	\$520,341,000	\$439,034,000	\$668,110,000	\$634,369,000	\$526,008,000
Average Expense Ratio	10.5%	11.4%	12.3%	7.0%	7.4%
Solvency Margin	1.35	1.49	1.48	1.46	1.36
Reserves/GT Ratio	\$4.82				

Supplementary Calls

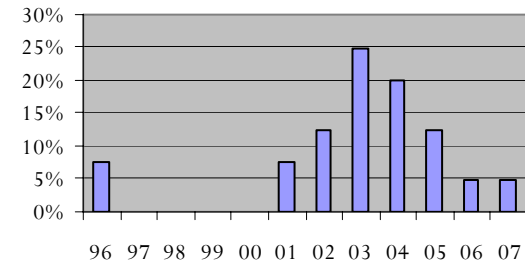


Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04*	05*	06*	07*
Original %	25	25	25	25	25	25	25	0	0	0	0	0	0
Final/Current	10	0	0	0	10	25	25	0	0	0	0	0	0

Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	80	88	80	88	100	100	100	100	100	100	100	100	100

General Increases													
Policy Year	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	7.5	0	0	0	0	7.5	12.5	25	20	12.5	5	5	

General Increases



STEAMSHIP MUTUAL PROTECTION & INDEMNITY ASSOCIATION

Managers

Steamship Mutual Management
(Bermuda) Limited

Gross Tonnage

Mutual Owned	43,500,000
Fixed Chartered	22,500,000

Free Reserves

2007	\$158,145,000
2006	\$157,372,000
2005	\$137,367,000
2004	\$139,159,000
2003	\$89,177,000
2002	\$148,864,000
2001	\$83,454,000

Standard & Poor's Rating

BBB (Public Information)



Oh dear. Chief Executive James Stockdale is cross. Defiant, maybe, but, if the pun may be excused, steaming. And after a year in which Clubs endured the greatest concentration of claims over \$1 million ever seen, it is easy to understand his frustration.

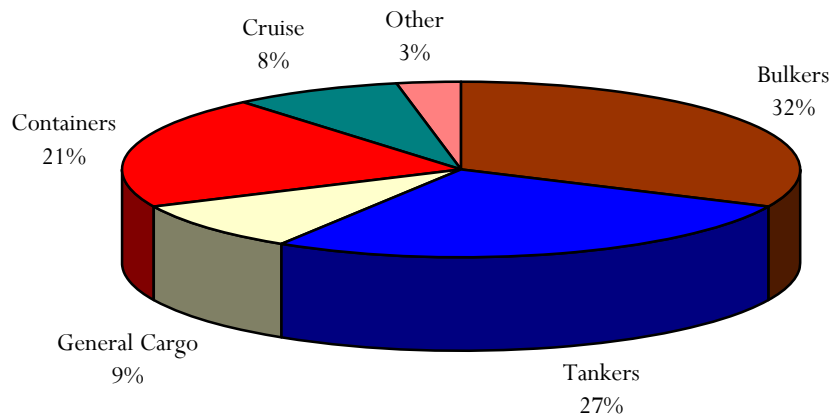
He is pleased that the overall number of routine claims has reduced, thanks to regimes such as ISM and improved management and operational standards, but not happy about the rise in attritional claims (those under \$250,000) as a result of inflationary pressure generated by higher commodity prices and escalating crew and repair costs. But then we come to the big ones, those over \$1 million, and this is where the problem lies; 17 notified claims in the year, after 13 the previous year and seven the year before. In the same period the group was notified of some 28 claims with gross estimates up to the Pool \$50 million limit totalling \$588 million, 44% higher than any previous year. Most of these were groundings or fixed object claims with human/navigational error as the predominant cause. Although he suspects that the booming market, port congestion and lack of trained crew are the chief reasons for this unusual number of claims, Stockdale insists there is no clear pattern and that the number and distribution of incidents is largely random.

Then we come to Pool retention and the controlled rage really starts to show. This is one CEO who is definitely not convinced that progressive increases in retentions will improve underwriting discipline, or protect the IG from sub-standard shipping. His point is that due to the broad nature of claims occurrence and the spread of incidents across the IG in recent years, the idea of reducing the scope of the Pool at a time of high claims volatility is plumb wrong. Further, he thinks this undermines the effectiveness of the Pool as a mechanism for spreading risk on an at cost basis and is therefore a mistake.

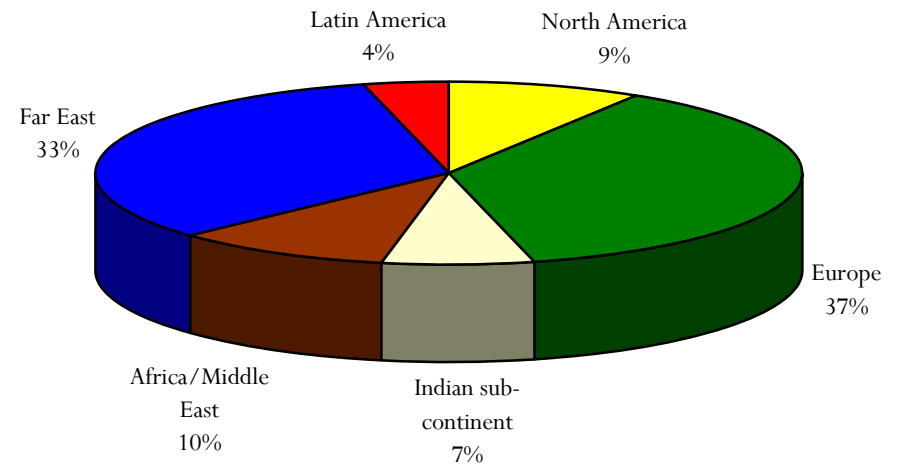
Then we come to the new passenger and crew limits under the Athens Convention, another aspect with which Steamship profoundly disagrees (hardly surprising given the number of influential cruise ship members). Stockdale believes the IG was bounced into the decision by a vociferous body whose real agenda was to reduce, or eliminate, the overspill cover, a unique feature of the group system. And he points out that there is no historical evidence to support the view that a passenger vessel claim is most likely to cause an overspill claim. His view is that, on an historical basis, such a claim is far more likely to come from a cargo related incident than a cruise ship. More important, he feels that the fragmentation of support for Group's overspill regime "by the imposition of sub-limits on certain areas of cover based on factional interests and "realistic disaster scenarios" of dubious plausibility is deeply to be regretted". Strong stuff.

Other than that the Club enjoyed a good renewal, achieving an 8.6% uplift against the 9% general increase ordered by the board and added 2.0 million GT in owned tonnage. With a solid underlying financial position and the support of its members, Stockdale is adamant that the future holds no fears for the Club. In this mood, who would dare to disagree with him?

Steamship Tonnage by Vessel Type					
Bulkers	Tankers	General Cargo	Container	Cruise	Other
32%	27%	9%	21%	8%	3%



Steamship Tonnage by Area					
North America	Europe	Indian sub-continent	Africa/Middle East	Far East	Latin America
9%	37%	7%	10%	33%	4%



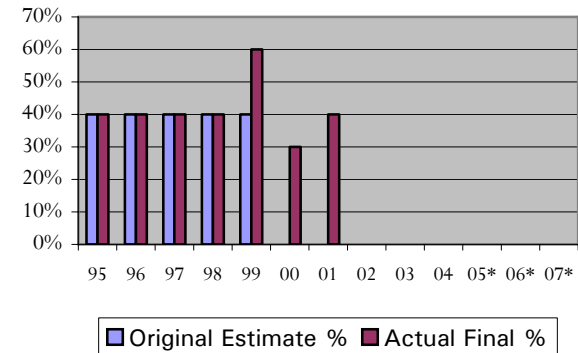
Steamship Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$227,052,000	\$218,334,000	\$207,408,000	\$223,784,000	\$218,443,000
Reinsurance Cost	\$30,314,000	\$24,843	\$28,105,000	\$46,609,000	\$50,048,000
Net Claims (incurred)	\$211,942,000	\$212,722,000	\$170,848,000	\$201,739,000	\$197,614,000
Operating Expenses	\$35,569,000	\$33,101,000	\$33,357,000	\$32,281,000	\$30,075,000
Net Underwriting Result	(\$50,773,314)	(\$52,332,000)	(\$24,902,000)	(\$21,591,000)	(\$56,629,000)
Gross Outstanding Claims	\$645,378,000	\$602,431,000	\$587,019,000	\$668,701,000	\$707,231,000
Total Assets	\$862,031,000	\$812,150,000	\$794,826,000	\$918,659,000	\$894,209,000
Average Expense Ratio	12.8%	12.5%	12.0%	10.6%	10.6%
Solvency Margin	1.34	1.35	1.35	0.90	1.37
Reserves/GT Ratio	\$3.59				

Supplementary Calls														
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*	
Original %	40	40	40	40	40	0	0	0	0	0	0	0	0	
Final/Current	40	40	40	40	60	30	40	0	0	0	0	0	0	
Release Calls														
												25	25	25

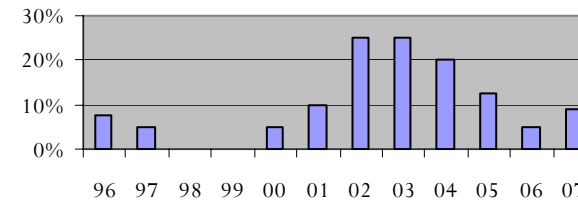
Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03*	04*	05	06	07
Percentage	100	100	100	100	118	130	140	100	100	100	100	100	100

General Increases													
Policy Year	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	7.5	5	0	0	5	10	25	25	20	12.5	5	9	

Supplementary Calls



General Increases



THE SWEDISH CLUB

Managers

Self Managed

Gross Tonnage

Mutual Owned 22,300,000

Free Reserves

2007	\$102,000,000
2006	\$90,943,000
2005	\$94,916,000
2004	\$81,500,000
2003	\$56,612,000
2002	\$61,381,000
2001	\$83,665,000

Standard & Poor's Rating

BBB 'stable' (Interactive)



'Committed, Reliable, Proactive'...and still independent. Naturally, this year's report opens with an explanation as to why the board rejected Skuld's overtures last November, which it concluded were not in members' interests. As a result, it says, members have an opportunity to invest in the future of a Club 'which is already the preferred choice of many of the world's most discerning shipowners'. Heady stuff. Mind you, Frans Malmros admits that the Club learned a lot about itself during the due diligence process, as you might expect having been benchmarked against such a worthy peer, and aims to make good use of this knowledge as it moves ahead.

Then we come to the Club's performance during the year and as elsewhere it is a story of fewer but larger claims, which require a 'robust response'. Oh dear. Then it gets worse. We are told that these changes are deep rooted and have implications for the medium to long term. It would seem that life for 'discerning shipowners' is about to become markedly more expensive. In fact, the Club discerns that the new environment requires a totally new approach to risk management and believes that all Clubs are looking at how to deal with the modern shipping world. Malmros thinks the traditional way of fixing premiums, on the basis of claims records, may no longer be appropriate and that all Clubs will have to adjust their pricing structures and methods. A veiled call to arms, or practical recognition of grim reality? Only time will tell.

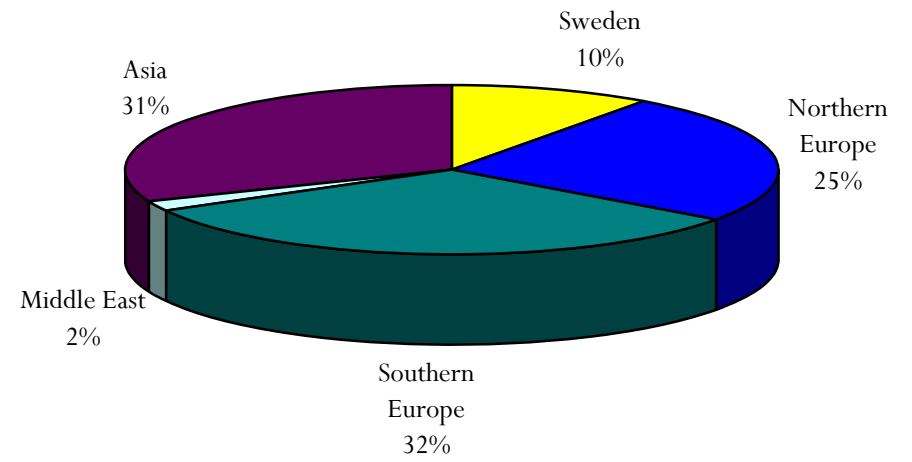
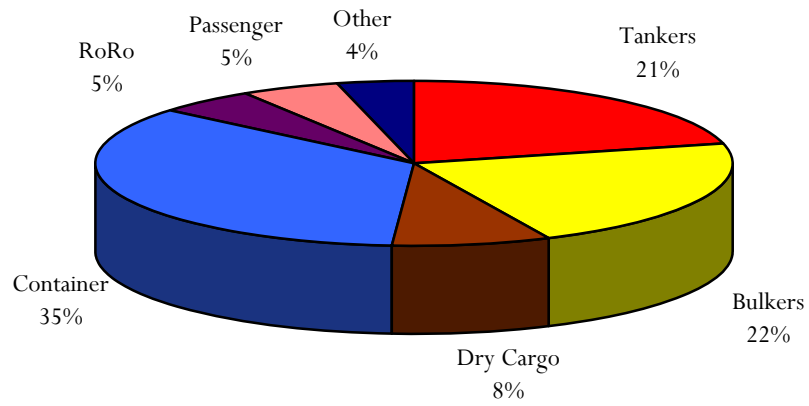
As for the Athens Convention, this is another Club that is uneasy about the impact of the new limits on the principles of mutuality, even though it describes the outcome as 'palatable'. However, like most, it is wholly in favour of the double retention for sub-standard shipping, which it believes is a welcome response to the OECD report that did so much to focus attention on this important issue.

The net claims figure tells its own grim story; a big rise in large P&I incidents, including an oil spill at Odessa, the *Rokia Delmas* accident at La Rochelle and the three vessel collision involving the *Alice*. Then there is what the Club refers to as 'liability inflation' caused by new legislation and capital adequacy requirements. Hardly surprising then that the Club is somewhat short of its goal of achieving a technical balance and admits to being over reliant on good investment returns. The stark reality is clear – the gap between premium and claims costs simply has to be addressed. Another obvious challenge is how to attract high quality new business in an increasingly competitive market. The Club hopes that its combined Hull and P&I offering will achieve that aim, while insisting that "it is all about member selection".

Okay, last term was tough for everyone, but it is hard not to wonder if the rejection of a 'merger' with Skuld was the right decision.

Swedish Club Tonnage by Vessel Type						
Tankers	Bulkers	Dry Cargo	Container	RoRo	Passenger	Other
21%	22%	8%	35%	5%	5%	4%

Swedish Club Tonnage by Area			
Sweden	Europe	Middle East	Asia
13%	53%	4%	30%



Swedish Club Financial Year Data					
Year	2007*	2006	2005	2004	2003
Calls/Premium	\$53,800,000	\$114,397,000	\$99,897,000	\$81,838,000	\$82,821,000
Reinsurance Cost	\$11,700,000	\$34,335,000	\$29,117,000	\$22,898,000	\$27,632,000
Net Claims (incurred)	\$40,700,000	\$73,511,000	\$58,199,000	\$51,778,000	\$57,290,000
Operating Expenses	\$8,036,000	\$14,709,000	\$14,812,000	\$9,397,000	\$8,901,000
Net Underwriting Result	(\$6,636,800)	(\$8,158,000)	(\$2,231,000)	(\$2,235,000)	(\$11,002,000)
Gross Outstanding Claims	\$231,951,000	\$224,856,000	\$203,678,000	\$156,679,000	\$173,325,000
Total Assets	\$373,539,000	\$348,829,000	\$326,466,000	\$249,420,000	\$119,222,000
Average Expense Ratio	9.1%	9.9%	9.5%	10.1%	10.3%
Solvency Margin	1.61	1.55	1.60	1.59	0.69
Reserves/GT Ratio	\$4.64				

*P&I and FD&D only (prior years include H&M)

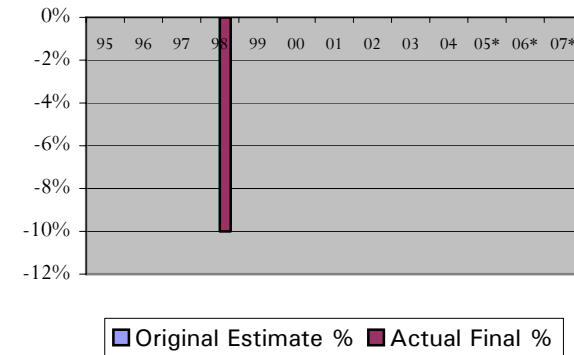
Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Original %	0	0	0	0	0	0	0	0	0	0	0	0	0
Final/Current	0	0	0	-10	0	0	0	0	0	0	0	0	0

Release Calls														
												10	25	25

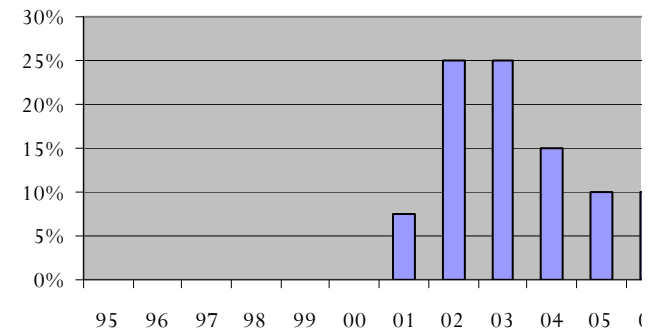
Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	100	100	100	100	100	100	100	100	100	100	100	100	100

General Increases														
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	0	0	0	0	0	0	7.5	25	25	15	10	10	7.5	

Supplementary Calls



General Increases



THE UNITED KINGDOM MUTUAL STEAMSHIP ASSURANCE ASSOCIATION (BERMUDA) LIMITED

Managers	
Thomas Miller (Bermuda) Limited	

Gross Tonnage	
Mutual Owned	106,000,000
Fixed Chartered	55,000,000

Free Reserves	
2007	\$262,516,000
2006	\$216,819,000
2005	\$206,213,000
2004	\$219,434,000
2003	\$179,298,000
2002	\$211,000,000
2001	\$348,911,000

Standard & Poor's Rating	
A 'strong' stable (Interactive)	



Chairman Tullio Biggi is in reasonably buoyant mood after a decent sort of a year for his own account, with a good uplift in free reserves, an improved rating and a healthy 9.7% investment return (assisted by a \$43 million recovery under the Club's reinsurance contract with Swiss Re). However, the deficit in the underlying operating account is rather larger than he would have hoped; the net underwriting loss is pretty substantial. Even so, he is content that the Club's own claims record was stable last year and, remembering the UK's own annus horribilis in 2004, he is sanguine about the big hit he has taken as the main contributor to meeting IG Pool incidents.

The UK lodged only three small ones itself, which leads Biggi to be proud of the quality of his members and their operations, but he is not complacent, accepting that any Club can face a big claim at any time. He is worried too that the growing level of large claims could be the start of a new trend and says the Club is looking closely at its reinsurance arrangements to see if it might be cost effective to buy more cover. Then there is the prospect of capital requirements being raised under increasing regulation to cope with claims volatility, which no amount of reinsurance can iron out. As a result, members are warned that premium income will have to keep pace with 'foreseeable claims developments'. Potentially a bit ominous. Perhaps the membership should be hoping alternative reinsurance has been placed, as the Swiss Re facility has been exhausted?

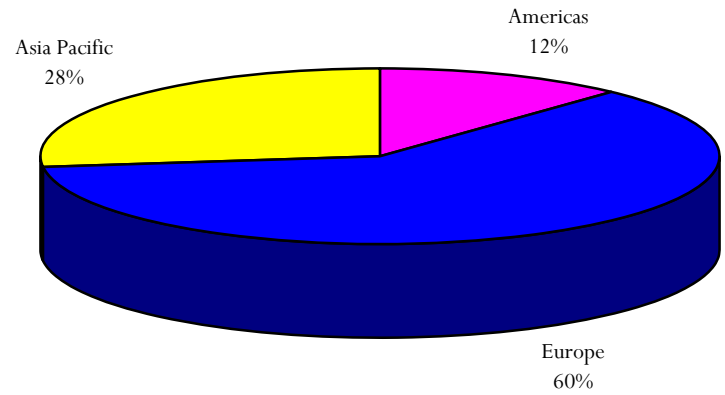
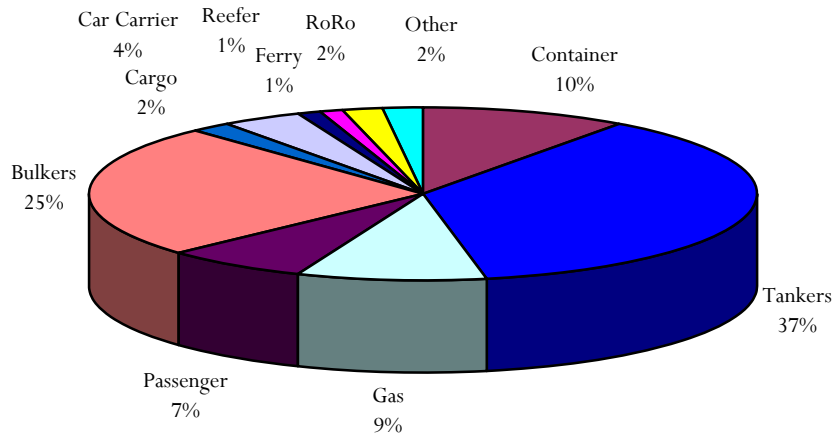
Although understated in its criticism and as keen as ever to support the collegiate spirit of the IG, the UK board is clearly not entirely in favour of the Pool cover limits imposed under the Athens Convention, which it says are a departure from tradition.

Partly to cope with increasing regulatory demands, the governance structure of the Club was revised last term to include three new board committees covering strategy, audit and nominations. Club representatives are working closely with the various authorities, not least in order to avoid any 'unwelcome surprises'. An outsider might be inclined to think the two sides do not entirely trust each other. An outsider might be right.

As for retained claims, a fire in a passengership resulted in the loss of one life and the abandonment of the cruise. In another incident, poor operation of the ship's navigation and control system caused a rapid list, which resulted in injuries to a substantial number of passengers. The cruise was curtailed. A further accident involved the nasty norovirus, which afflicted many of the 2,200 passengers on a cruise that was to have taken in the Channel Islands and Portugal. Then there were a number of container losses, two of which appear to have been caused by the failure of automated twistlocks. Other than that, there was an extraordinary series of incidents, among others, an ice block cutting a vessel adrift, damage to a shipment of cars as a result of suspected avian flu in a dead bird found on board, even a delay of one month caused to a kindly gas carrier skipper who got too close to a sensitive area while going to the rescue of competitors in the Atlantic Rowing Challenge. Life at this Club is honourable, a bit bizarre sometimes, but never dull.

UK Club Tonnage by Vessel Type					
Container	Tankers	Gas	Passenger	Bulkers	Cargo
10%	37%	9%	7%	25%	2%
Car Carrier	Ferry	Reefer	RoRo	Other	
4%	1%	1%	2%	2%	

UK Club Tonnage by Area (management control domicile)		
Americas	Europe	Asia Pacific
12%	60%	28%



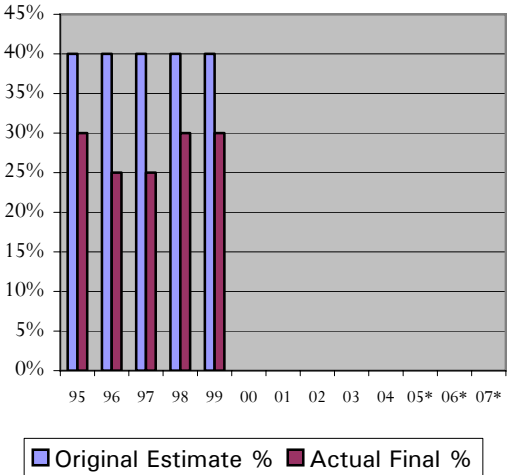
UK Club Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$358,419,000	\$354,943,000	\$340,305,000	\$304,843,000	\$264,818,000
Reinsurance Cost	\$78,308,000	\$128,560,000	\$19,539,000	\$75,043,000	\$85,569,000
Net Claims (incurred)	\$264,841,000	\$223,018,000	\$331,749,000	\$282,910,000	\$225,034,000
Operating Expenses	\$41,129,000	\$41,294,000	\$42,717,000	\$33,280,000	\$29,867,000
Net Underwriting Result	(\$25,859,000)	(\$37,929,000)	(\$2,231,000)	(\$2,235,000)	(\$11,002,000)
Gross Outstanding Claims	\$918,531,000	\$869,115,000	\$936,929,000	\$878,987,000	\$832,426,000
Total Assets	\$1,086,322,000	\$971,598,000	\$1,157,371,000	\$1,116,762,000	\$1,025,186,000
Average Expense Ratio	9.27%	10.14%	10.85%	10.64%	10.78%
Solvency Margin	1.18	1.11	1.24	1.27	1.23
Reserves/GT Ratio	\$2.48				

Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Original %	40	40	40	40	40	0	0	0	0	0	0	0	0
Final/Current	30	25	25	30	30	0	0	0	0	0	0	0	0
Release Calls													
												5	5

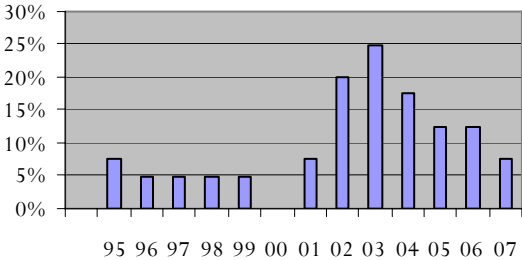
Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03*	04*	05	06	07
Percentage	93	89	89	93	93	100	100	100	100	100	100	100	100

General Increases														
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07	08
Percentage	7.5	5	5	5	5	0	7.5	20	25	17.5	12.5	12.5	7.5	

Supplementary Calls



General Increases



THE WEST OF ENGLAND SHIPOWNERS MUTUAL INSURANCE ASSOCIATION (LUXEMBOURG)

Managers	
West of England Insurance Services (Luxembourg) SA (UK Branch)	

Gross Tonnage	
Mutual Owned	54,500,000
Fixed Chartered	15,000,000

Free Reserves	
2007	\$204,562,000
2006	\$132,538,000
2005	\$134,308,000
2004	\$145,400,000
2003	\$125,045,000
2002	\$211,000,000
2001	\$137,800,000

Number of Entered Vessels	
At 20 February 2007	4,200

Standard & Poor's Rating	
BBB (Public Information)	

Chairman Stephen Van Dyck remains gloomy about the market, although his own figures are not looking all that bad (thanks largely to the well publicised additional calls made on the 2004-2006 years). His twin concerns remain the same; more large claims across the group and the additional capital requirements demanded by new legislation. These, he says, needs watching, although the Club's own net assets and free reserves are up substantially on last time. The 12% investment return was also a lot better than anticipated, so the Club is in good shape - for the moment at least.

However, Pool claims are a big worry and after a third year of record incidents, the chairman reflects that this is now a pattern and a worrying one at that. Bigger, more active ships are obviously part of the problem, while the onus of increased regulation and legislators' intolerance of incidental damage is only going to cost more. And all this is before we get to the dollar weakness, which continues to harm the Club's accounts. The corollary of course is that premiums will have to rise in line with increased expenses.

Then we turn to TOPIA and the Athens Convention and all the additional burdens they place on shipowners and Clubs alike. The chairman is particularly concerned at the prospect of war and terrorism incidents impacting on members, even though the Clubs do not cover such risks. And because these issues do not merely affect passenger ships, the Club is seriously worried about just what liabilities the IG is facing. However, the board is content with the new overspill regime, which it views as 'an acceptable solution' and is happy that the financial exposure of owners to overspill has been reduced substantially. It is also delighted with the new double retention regime for sub standard shipping.

The chairman is far less happy about the situation surrounding the discharge of oil residues or oily water overboard and the fact that these costs are unlikely to be reimbursed, even when such pollution is accidental. He notes that cases of this kind have continued to occur despite the probable absence of Club cover. Van Dyck continues to worry, saying 'where efforts are being made on behalf of shipowners to challenge what appear to be questionable initiatives by national legislators, for example to criminalise seafarers, the industry's ability to counter unilateral measures such as those proposed by the European Union is undermined if basic lessons are not apparently being learned'. Members are assured, however, that the board will continue to work hard on these difficult issues in the coming year.

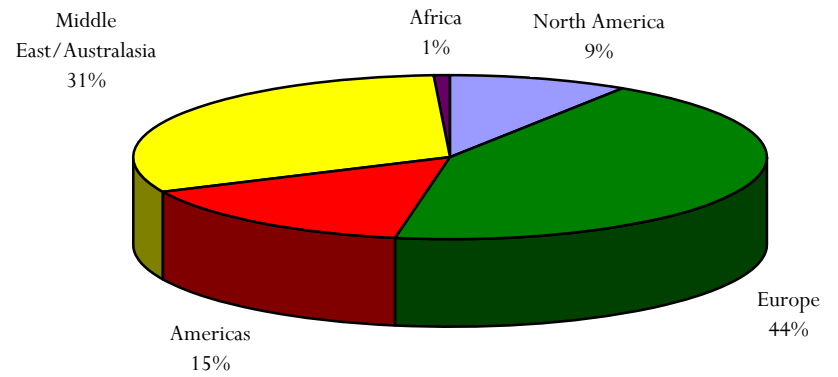
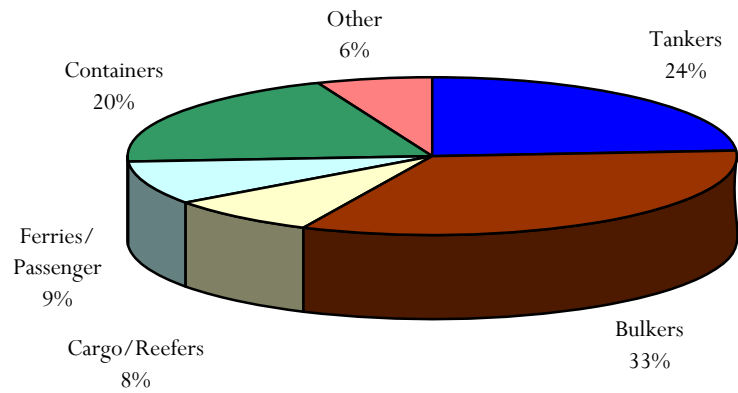
The board is due to complete a new five year business plan in the autumn, although the chairman does not anticipate any radical changes as a result so this is mainly a tightening up exercise to make sure the Club continues to satisfy the interests of members and the wider industry.

The Club picks out the familiar culprits for the sharp rise in the value of claims, but points out that technological, scientific and medical advances have also contributed to the problem. Like its peers, West sees no sign of improvement in what could be termed the crew crisis any time soon. To err might be human, but the cost of such mistakes is starting to be a real worry to those who have to pick up the tab.



West Tonnage by Vessel Type					
Tankers	Bulkers	Cargo/ Reefers	Ferries/ Passenger	Containers	Other
24%	33%	8%	9%	20%	6%

West Tonnage by Area			
Europe	Americas	Middle East/ Australasia	Africa
48%	17%	34%	1%



West Financial Year Data					
Year	2007	2006	2005	2004	2003
Calls/Premium	\$326,126,000	\$251,362,000	\$236,629,000	\$207,598,000	\$165,702,000
Reinsurance Cost	\$48,583,000	\$45,875,000	\$41,700,000	\$39,307,000	\$24,681,000
Net Claims (incurred)	\$226,247,000	\$184,341,000	\$168,437,000	\$183,940,000	\$142,644,000
Operating Expenses	\$41,430,000	\$38,086,000	\$33,581,000	\$30,601,000	\$26,506,000
Net Underwriting Result	\$9,866,000	(\$16,940,000)	(\$7,089,000)	(\$46,250,000)	(\$28,149,000)
Gross Outstanding Claims	\$568,073,000	\$542,164,000	\$527,288,000	\$562,621,000	\$485,345,000
Total Assets	\$846,875,000	\$715,087,000	\$717,835,000	\$759,626,000	\$620,702,000
Average Expense Ratio	12.41%	13.08%	12.99%	12.82%	12.39%
Solvency Margin	1.50	1.32	1.36	1.35	1.29
Reserves/GT Ratio	\$3.73				

Supplementary Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Original %	50	50	50	50	50	50	20	20	20	20	20	20	20
Final/Current	50	50	50	50	50	50	20	20	20	35	35	50	20

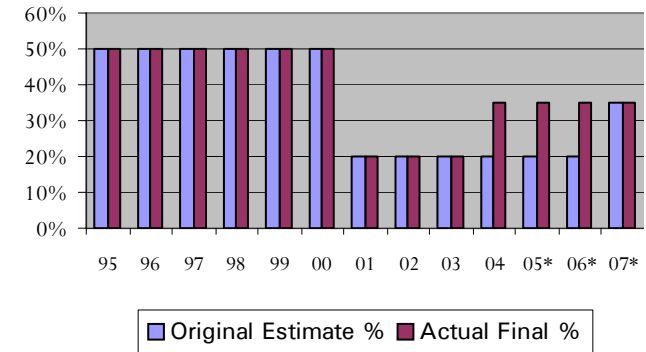
Release Calls													
Policy Year	95	96	97	98	99	00	01	02	03	04	05*	06*	07*
Percentage											10	15	

Actual Call as a percentage of Original Estimated Total Call													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	100	100	100	100	100	100	100	100	100	112	112	125	100

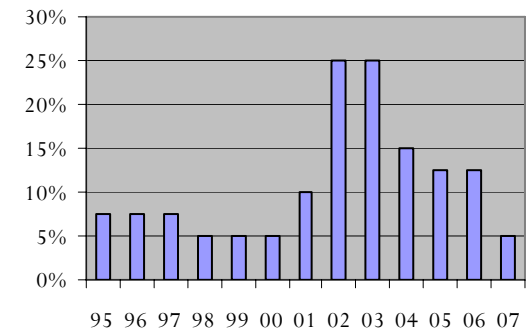
General Increases													
Policy Year	95	96	97	98	99	00	01	02	03	04	05	06	07
Percentage	7.5	7.5	7.5	5	5	5	10	25	25	15	12.5	12.5	5

†The board has set a further 35% call potentially to be paid over the next two years subject to results

Supplementary Calls



General Increases



Fixed Premium and Other P&I Facilities

FIXED PREMIUM AND OTHER P&I FACILITIES

Fixed Premium facilities for which we have received data are as follows:

- British Marine Limited
- Charterers Club
- Navigators P&I
- Raets P&I

BRITISH MARINE LIMITED

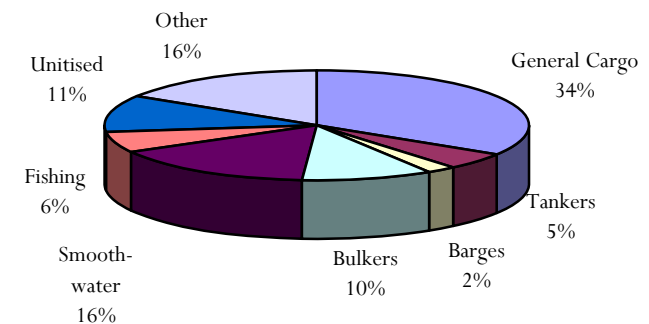
As advised last year, British Marine's results are now subsumed into those of QBE Insurance Group ("QBE") and therefore form part of QBE's overall result. However, British Marine undertook to continue to report on its development and progress, thereby enabling a consideration of its performance within the context of the marine market generally and the International Group of Clubs.

For the year ended 31st December 2006, QBE announced a record net profit after tax of A\$1.48 billion, an increase of 36% over 2005. Return on equity equated to 26% of average shareholders' funds, and QBE's gross assets now stand at A\$31.76 billion. British Marine has been assigned core status and its rating raised to A+ with a stable outlook by Standard and Poor's.

As part of QBE, the company's year end is now 31 December and in the 10 month period from 20 February, 2006 to the year end returned an operating profit of US\$23 million, which compares with US\$18.1 million for the 12 months to 20 February 2006. For the fourth consecutive year British Marine's combined operating ratio was below 90% and in the same period gross premium income doubled to US\$ 140 million. The company saw a 97% retention of 20 February P & I renewals with an average 4% increase in premium. New business accounted for a further increase in premium of 18%.

British Marine looks stronger than ever and is providing a real alternative to the IG Clubs for smaller tonnage. It has launched International Transport Solutions ('ITS'), in order to provide Intermodal and professional liability insurance products to its growing insurance base and further new products are in the air. We do hope that all this activity will not deflect their attention from the successful core business.

Vessel Type							
Bulkers	General Cargo	Unitised	Tankers	Barges	Smoothwater	Fishing	Other
10%	34%	11%	5%	2%	16%	6%	16%

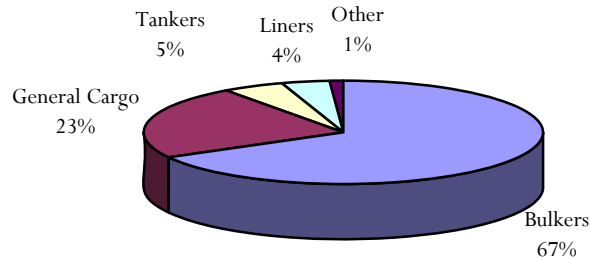


CHARTERERS P&I CLUB

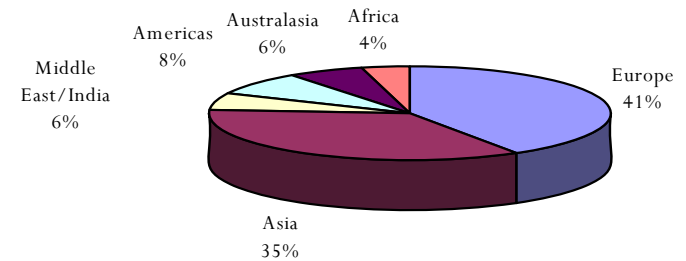
Insurance Carrier:	Lloyd's syndicates managed by Limit Underwriting	Number of Vessels Covered:	7,000
Commenced Underwriting:	1986 (de-mutualised 1999)	Active Charterers:	145
Limit Available	\$50,000,000 (with option for up to \$300m)	Standard & Poor's rating:	A (Strong) Stable Outlook
Estimated Premium Income:	\$20,500,000		

This is a facility solely for charterers and is not really a Club at all because since 2005 it has acted as an underwriting agent for Lloyd's syndicates. The Club is managed by Michael Else and Company, which has been involved in marine risk management since 1974. It has an experienced underwriting and claims team that operates from London, using a well established network of correspondents to handle claims internationally and provide brokers and clients with regional support.

Vessel Type				
Bulkers	General Cargo	Tankers	Liners	Other
67%	23%	5%	4%	1%



Geographical Distribution					
Europe	Australasia	Middle East/India	Asia	Americas	Africa
41%	6%	6%	15%	8%	4%



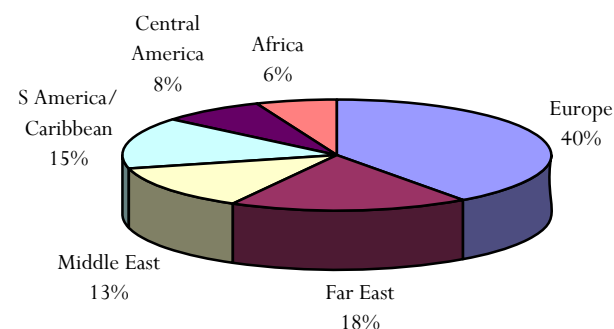
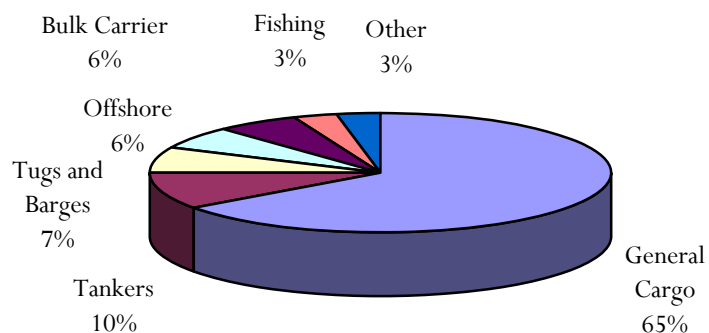
NAVIGATORS PROTECTION & INDEMNITY

Insurance Carrier:	Navigators Insurance Co., with its Lloyd's Syndicate, Millennium	Entered Tonnage:	N/A
Commenced Underwriting:	January 2004	Number of Vessels:	Over 1,500
Limit Available:	\$50,000,000 (As at 1 January 2007)	Standard & Poor's rating:	A (Strong)
Premium Income:	Approx \$30,000,000 (forecast)		

Navigators is now well established in the fixed P&I market, offering fixed cost cover to smaller owned and chartered vessels in coastal, short sea and limited ocean trades to operators who are happy with a cover limit up to \$50 million. The organisation is currently rolling out Time Charterers and Damage to Hull and Contractual Liabilities facilities. The business line is managed by P&I professionals with seafaring/legal/risk management and commercial underwriting experience.

Vessel Type						
General Cargo	Fishing	Tugs/Barges	Tankers	Offshore Support	Bulkers	Other
65%	3%	7%	10%	6%	6%	3%

Geographical Distribution					
Europe	Far East	Middle East	S America/Caribbean	Central America	Africa
40%	18%	13%	15%	8%	6%

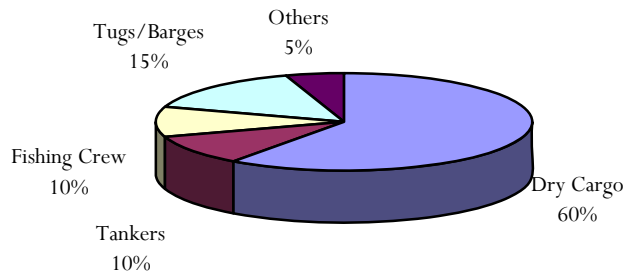


RAETS P&I

Insurance Carrier:	Fortis Corporation Insurance N.V.	Entered Tonnage:	3,000,000
Commenced Underwriting:	February 1999 for Owners P&I	Number of Vessels:	1,200 (P&I)
Limit Available:	US\$100,000,000	Standard & Poor's Rating:	A-
Anticipated Premium Income:	US\$32,000,000 (P&I)		

Based in Rotterdam, Raets is an independent specialist in fixed premium P&I that acts as agent for Fortis. Raets P & I run four separate facilities: RaetsCharters Liability - exclusively for Charterers; InterCoastal - exclusively for Shipowners' P & I; RaetsRiver - exclusively for Inland craft P & I; and RaetsMultiModal - exclusively for Marine Related Companies. RaetsClub provides clients with a range of services generally associated with traditional P&I Clubs.

Vessel Type				
Dry Cargo	Tankers	Tugs/ Barges	Fishing Crew	Other
60%	10%	15%	10%	5%



Geographical Distribution					
Asia Pacific	Middle East/ India	CSA	USA/ Canada	Europe	Other
20%	8%	5%	8%	49%	10%

