

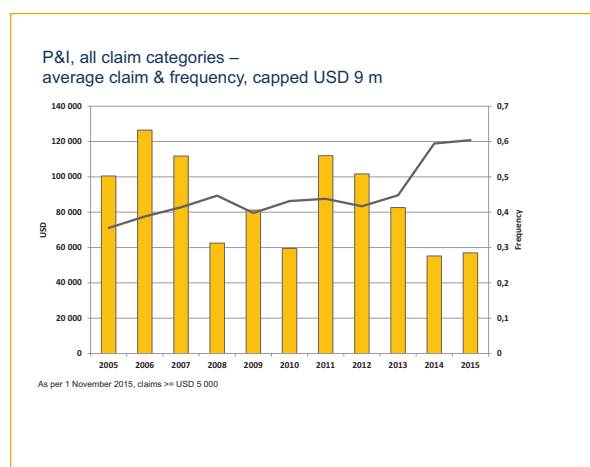
Protection & Indemnity Insurance 2016/2017

Section 1: Statement from the Management

- ▶ The Club's overall claims frequency has increased during the past 2 years but average claim costs, although slightly up this year, remains stable
- ▶ The long-term trend of costlier large claims continues for the International Group although 2014/15 and 2015/16 appears to be benign
- ▶ Underlying estimated claims inflation runs at 2-3% per annum
- ▶ International Group excess reinsurance negotiations are on-going and a small reduction or an as expiry renewal is expected
- ▶ The Club's targeted combined ratio of 100% for P&I is expected to be met for 2015/16 and we budget for a balanced result for policy year 2016/17
- ▶ Growth rate is in line with expectation and GT is now standing at 43.3 million with an additional 23.0 million GT of charterers' entries
- ▶ To levy no general increase for 2016/17 and the new call to be adjusted by any changes in the International Group's excess reinsurance costs
- ▶ An increase in Cargo and Crew liabilities of USD 1,000

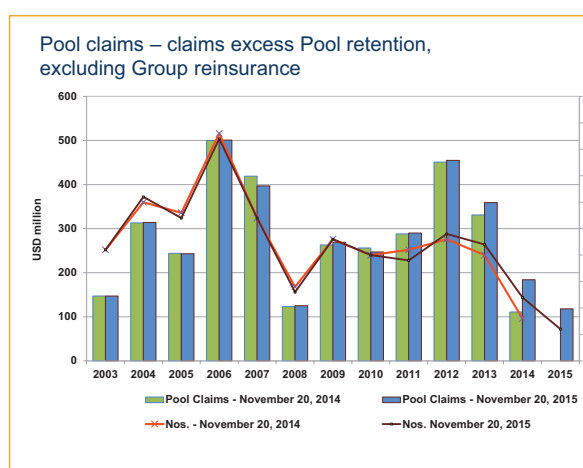
Claims frequency and severity

The overall rise in claims frequency, notably in respect of cargo and crew claims, has continued during policy years 2014/15 and 2015/16. Average claim costs have slightly increased but remains stable. Frequency for claims in excess of USD 500,000 is down by more than 50% but severity has increased due to inter alia the Club experiencing a pool claim on 11 February 2015. We estimate that the annual rate of claims inflation will run at 2-3%.



Underwriting results P&I

The Club was unable to meet the 100% combined ratio target in 2014/15 as a result of an adverse claims experience. We budget for a balanced result for 2016/17.

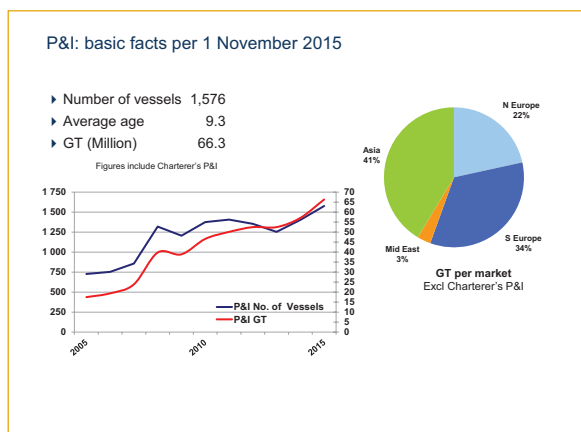


Pool claims

For the International Group of P&I Clubs there has been good developments in the cost and number of pool claims for previous years. The Club has so far not reported any pool claims for policy year 2015/16 but had a relatively modest one at the end of the 2014/15 policy year. The distribution of pool claims in terms of number of claims for the Club over the last ten years has been below the modelled expectations. The severity during the same period has been in excess of the modelled expectations. The estimated cost of pool claims is based on modelled expectations and distributed on a neutral basis.

Our portfolio

Our portfolio has continued to grow in line with expectation and actually with a somewhat higher pace during 2014/15. This has continued in 2015/16 and we continue to exceed the industry average growth rate. We have over the last five years gained market share within the International Group.



Rationale: No General Increase – policy year 2016/2017

The Club's Board of Directors has decided on a zero per cent general increase in line with the target of a balanced technical account for policy year 2016/17.

Section 2: Descriptive part

Decisions and Instructions

At the meeting in London on 3 December 2015, the Board of Directors decided the following regarding premium and deductibles for the policy year 20 February 2016 to 20 February 2017:

- ▶ to levy no general increase
- ▶ instructed the management to contact each Member individually to discuss renewals for 2016/17
- ▶ the new call will be adjusted by any changes in the International Group's reinsurance cost. The call will also reflect the true exposure of our retention, as well as estimated contributions to pool claims, together with an assessment of the Member's records
- ▶ to increase the Cargo and Crew deductibles of the Association by USD 1,000 each for the 2016/17 policy year

Owner's Protection & Indemnity

Premiums

All premiums are debited as advance and supplementary calls. It is anticipated that this policy year will be closed in 2019. The Board decided that the premium will be debited in four instalments: at inception on 20 February, 20 May, 20 August and 20 November. The premium will be based on Gross Tons (GT) as per the International Convention on Tonnage Measurements of Ships 1969.

Supplementary Call

Any supplementary call for this year will initially be decided upon in 2017. The current estimated supplementary call for 2016/17 is 0%.

Release Call

The release call for 2016/17 is presently set at 15%. Members should be aware that, even if a release call has been paid, the Association retains the right to make overspill calls as per the P&I Rules (Rule 24).

Renewals

The premium for 2016/17 will be based on the Member's record for the five-year period 2010-2015, including the current year, if adverse. Records and claims summaries are available through SCOL, located on the Association's website at:

www.swedishclub.com

The information is updated daily.

Application of General Increase and adjustments for records

The announced zero General Increase and adjustments for records relevant to policy year 2016/17 will be applied to the net premium applicable for policy year 2015/16 (gross premium less commission if applicable). Once the XS reinsurance cost for policy year 2016/17 is known, the old XS reinsurance cost will be taken out of the new net premium and replaced with the new cost of the XS reinsurance applicable for policy year 2016/17. Thereafter (if applicable) the commission will be calculated/added and the new gross premium will be arrived at.

Payment of Premium

Premiums are to be paid in accordance with the enclosed "Procedures for Payment of Premium".

Limit of Liability

The overall liability of the Association for 2016/17 is, unless otherwise stated in the Policy or in the P&I Rules, limited to a maximum collection of a 2.5% contribution for each entered vessel, based on the International Convention on Limitation of Liability for Maritime Claims 1976, property claims Article 6 paragraph 1(b), in excess of rein-

surance jointly placed by the International Group. (See also current P&I Rules, "Appendix") The limit of liability for Oil Pollution is USD 1 billion. In respect of P&I Excess War Risk Cover, the limit is USD 500 million and in respect of war liabilities arising from Bio-Chem etc, the limit is USD 30 million. For passenger and seaman risks, the limit is USD 3 billion with a sub-limit of USD 2 billion for passenger claims only.

Lay-up Returns

Members are allowed up to 50% premium returns for vessels laid up in a safe port for more than thirty (30) consecutive days, if the vessel has only watchmen and no cargo onboard. No premium return is granted for vessels less than 500 GT, or for tugs, barges or passenger ships/ferries in coastal trade.

A claim for lay-up returns should be made to the Association as soon as possible, however, and at the latest 12 months after expiry of the policy year. Sufficient information has to be supplied in order for the Association to calculate the return. A lay-up return application form is enclosed.

Old years

The release call percentages reflect an assessment of the risk that it could become necessary for the Club to levy an unbudgeted supplementary call. The assessment is made by examining the factors set out in the International Group Agreement, notably premium risk, catastrophe risk, reserve risk, counterparty risk, market risk and operational risk.

The current position of the open years as decided by the board in December 2015 is as follows:

Year	Status	Estimated Supplementary Call	Release Call
2013/2014	Open	0%	7.5%
2014/2015	Open	0%	10%
2015/2016	Open	0%	12.5%
2016/2017	Open	0%	15%

Charterers' Limited Liability Cover

For 2016/17 the Association also offers limited cover for Charterers including Charterers' Liability to Hull. The overall maximum is limited, but may be arranged up to USD 750 million for any claim or occurrence. For further details, please contact each Team respectively.

Special covers

Further information of reinsurance, special covers, US trading et cetera will be provided prior to the new Policy Year.

Yours sincerely,
The Swedish Club



Lars Rhodin

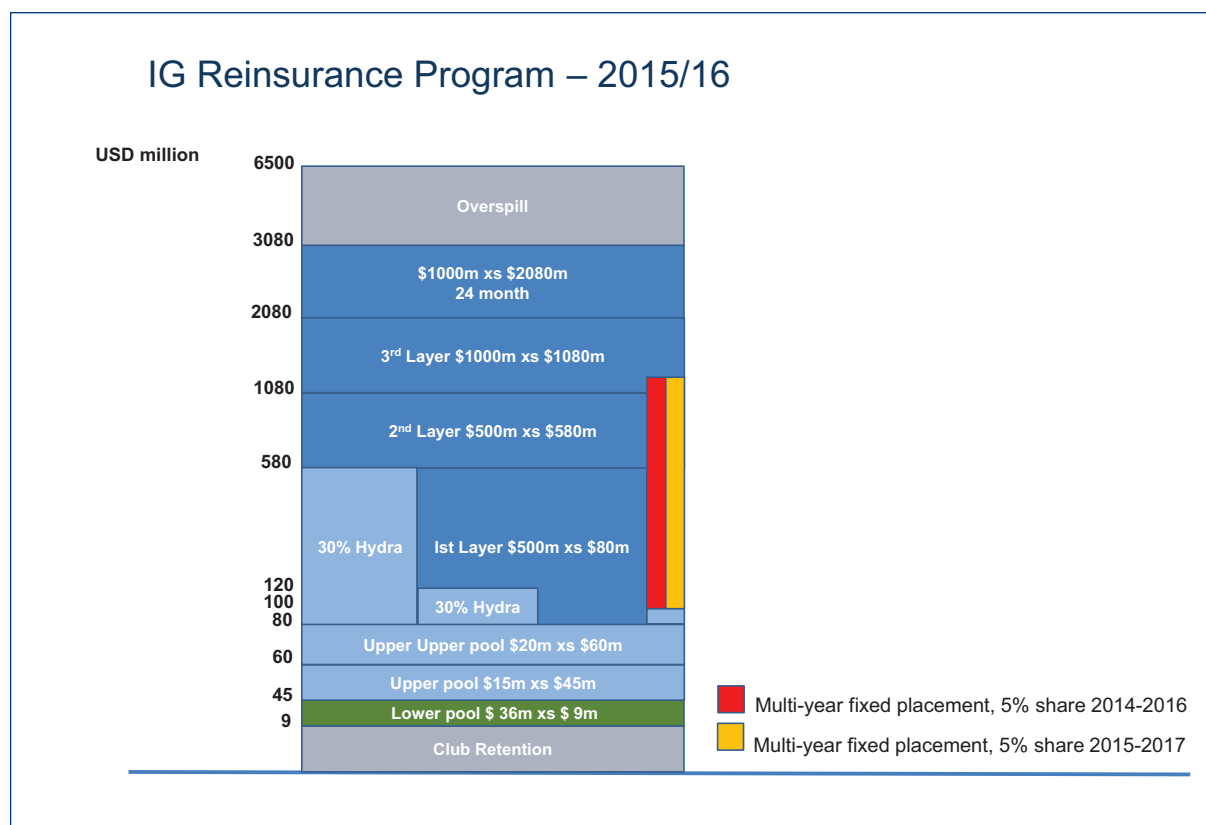
Enclosures:

- ▶ Explanation of re-insurance and premium structure
- ▶ P&I Rule changes 2016/2017
- ▶ Procedures for payment of premium
- ▶ Lay-up return

Explanation of re-insurance and premium structure

The Swedish Club provides P&I cover for its members for each and every accident and/or occurrence up to approximately USD 6.5 billion. The high limit is needed to adequately protect members/shipowners financially and to make sure that they are covered for accidents that may occur under worst-case scenarios, when taking into account current international legislative schemes. To be able to provide for these limits, the IG Clubs, where The Swedish Club is a member, re-insure each other as well as buy reinsurance together to ensure that insurance costs are kept to a minimum. It is our aim to try to explain how we reinsure P&I liabilities on behalf of our members and the different costs involved, as well as showing how premiums are charged.

Structure and Cost of P&I Re-insurance for policy year 2015/16 (subject to changes as per 20 February 2016)



Retention – 0 to USD 9,000,000

The Retention of each Club is USD 9,000,000. This limit has gone up quite significantly over the last few years. It is up to the individual Clubs to buy reinsurance to cover claims within the retention.

The Swedish Club's Board of shipowners has decided to cap P&I claims at USD 3,000,000 for each individual member as it has felt that it would be unfair and exorbitant to charge the full amount to a member's record. Therefore the biggest claim an owner can have in his or her claims record is the aforesaid amount.

Premium for the retention is divided up in three parts:

1. A premium based on the exposure for the fleet based on vessel type/age, cargoes carried and trade the member is involved in.
2. A premium based on the individual member's claims record for claims below USD 3,000,000.
3. A mutual reinsurance premium (abatement) to cover claims between USD 3,000,000 to USD 9,000,000 is charged to each member. The rationale for charging an reinsurance premium is that member's records have been protected by the Club.

Pool – USD 9,000,000 to USD 80,000,000

All members of the International Group share and pay each other's claims in excess of USD 9,000,000 and up to USD 80,000,000.

Lower Pool – USD 9,000,000 to USD 45,000,000

Each Club pays claims according to GT, premium volume as well as individual Club claims results within the layer. The layer has a payback mechanism where a Club will pay back any deviation from a balanced/neutral position over time.

Upper Pool – USD 45,000,000 to USD 60,000,000

Each Club pays claims based on GT only. The claiming Club will pay 10% of the claim in the layer for its own account and the remainder will be shared based on GT.

Upper Upper Pool – USD 60,000,000 to USD 80,000,000

Each Club pays claims based on GT only. The claiming Club will pay 5% of the claim in the layer for its own account and the remainder will be shared based on GT.

Mutual pool reinsurance premium is based on modelled expectations and distributed on a balanced/neutral basis. Each Club assesses pool claim contributions based on figures provided by the IG at the beginning of the year and the anticipated claims cost is part of the annual premium.

Reinsurance layers – USD 80,000,000 to USD 3,080,000,000 (often called Excess of Loss Programme)

The Swedish Club participates in the International Group of P&I Clubs' general reinsurance arrangement in excess of USD 80,000,000, and in the Group Captive tier "Hydra" of USD 50,000,000 in excess of USD 30,000,000. This reinsurance is placed with large reinsurance companies and on the Lloyd's and London markets. The cover is placed through the reinsurance sub-committee of the IG Group where all participating Clubs are represented.

Mutual Excess of Loss Reinsurance Premium 2015/2016

Tankers carrying persistent oil as cargo:	USD 0.7317 per GT
Tankers carrying non-persistent oil as cargo:	USD 0.3138 per GT
Passenger vessels:	USD 3.7791 per GT
Other dry cargo vessels:	USD 0.4888 per GT

The owners' P&I cover reinsured through the Pool is subject to the following special limits:

Oil Pollution:	USD 1,000,000,000
Passenger and seamen combined:	USD 3,000,000,000
Passenger (sub-limit):	USD 2,000,000,000

Reinsurance - in excess of USD 3,080,000,000 – Overspill

If a claim was to exceed USD 3,080,000,000 i.e. the limit of the Group pool's excess of loss contract, the excess or "overspill" would be pooled amongst the Group Clubs. The overall Group pool limit for such an overspill claim remains unchanged at 2.5% of the property limitation funds under the 1976 Limitation Convention of all ships entered in all International Group Pool Clubs. Members remain ultimately liable to pay an overspill call up to a maximum of this limit for each entered ship in accordance with Rule 24.

Overspill Premium

No mutual reinsurance premium is charged upfront for overspill claims.

Mutual Premium Structure

P&I premiums are set to cover a combination of exposure and actual costs for claims on an individual member basis, mutual and Club-specific cost of large claims, reinsurance costs and finally brokerage. On top of this, P&I Clubs have operational costs for running the Club. On the other hand financial income/investment income is not credited to owners' accounts.

The basic Premium Structure for The Swedish Club:

Individual Member premium – premium for layer USD 0 - USD 3,000,000

- a. Premium is set based on the exposure for the fleet depending on vessel type/age, cargoes carried and trade the member is involved in
- b. Premium is based on the individual member's claims record for claims below USD 3,000,000

Mutual premium – premium for layer USD 3,000,000 – USD 9,000,000

A mutual reinsurance premium (abatement) to cover claims between USD 3,000,000 to USD 9,000,000 is charged to each member. The rationale for charging a reinsurance premium is that members' records have been protected by the Club. The abatement reinsurance premium is distributed based on modelled expectations. If actual claims in this (abatement) layer are lower or higher than anticipated free reserves will be credited/debited.

Pool premium – premium for layer USD 9,000,000 – USD 80,000,000

Mutual pool reinsurance premium is based on modelled expectations and distributed on a balanced/neutral basis.

Excess of loss reinsurance premium – premium for layer USD 80,000,000 – USD 3,080,000,000

Reinsurance premium which is passed on directly from reinsurers to members depending on the type of vessel and for tankers the type of cargo carried.

P&I Rule Changes 2016/2017

Five Rule changes are made for the policy year 2016/2017:

Rule 4 section 2

Adjustment of the rule to mirror IG practice that cover is for damage to cargo unless there is a claim under the contract of carriage in which case there is also cover for damage caused by cargo.

Rule 11 section 2 (e)

Harmonization of the rule in line with Pooling Agreement that there is cover for life saving operations in case of salvage and wreck removal operations.

Rule 11 section 2 (f)

Deletion of the rule that the Club must approve carriage of dangerous cargo in line with other clubs' rules.

Rule 11 section 3 (a)

Clarification that salvage services need to be approved by the Club in line with wording of Pooling Agreement and also that rule 3 applies to all ships.

Rule 11 section 3 (f)

Harmonization of the rule in line with wording of the Pooling Agreement that there is cover for personal injury, wreck removal and oil pollution liabilities.

English

Rule 4 Section 2 Cargo liabilities during through transports and lighterage

Liabilities, costs or expenses in respect of damage to cargo during through transports while the cargo is in the care of another carrier provided that the transport is performed under a through or transshipment bill of lading or other document of carriage approved by the Association providing for carriage partly to be performed by the entered ship. Damage caused by cargo is covered only if the claim is brought under the document of carriage.

Liabilities, costs or expenses in respect of cargo during contractual and customary lighterage.

Swedish

P&I Regel 4 § 2 Ansvar för last vid genomgångstransport och läktring

Ansvar, kostnader eller utgifter för skada på last vid genomgångstransport när lasten befinner sig i annan fraktförarens vård under förutsättning att befordringen äger rum under ett genomgångs- eller omlastningskonossement eller annan av Föreningen godkänd frakthandling enligt vilken befordringen delvis skall utföras av det försäkrade fartyget. Skada orsakad av last ersätts endast om sådant krav har framställts under frakthandlingen.

Ansvar, kostnader eller utgifter för last vid avtalsenlig och sedvanlig läktring.

***Comment:** Harmonization with IG policy and other clubs' rules.*

English

Rule 11 Section 2 (e) General exclusions

The Association shall not be liable for

(e) liabilities, costs and expenses arising out of salvage or wreck removal operations conducted by the entered ship ~~unless the liability is covered elsewhere by these Rules or approved by the Association~~ except for the purpose of saving or attempting to save life at sea.

Swedish

P&I Regel 11 § 2 Uteslutna risker

(e) ansvar, kostnader eller utgifter till följd av att det försäkrade fartyget utfört bärgning eller vrakborttagning ~~såvida inte sådant ansvar reglerats särskilt i dessa villkor eller godkänts av Föreningen~~ med undantag för räddning eller försök till räddning av personer till havs.

Comment: *Harmonization with the wording of Appendix V clause 24(a) of the Pooling Agreement. Salvage operations performed by special salvage ships are regulated in Rule 11 Section 3 (a).*

English

Rule 11 Section 2 (f) General exclusions

The Association shall not be liable for

~~(f) liabilities, costs or expenses in relation to carriage of poisonous, inflammable, explosive or corrosive substances or other dangerous cargo unless approved by the Association~~

Swedish

P&I Regel 11 § 2 (f) Uteslutna risker

Från Föreningens ansvarighet undantages

~~(f) ansvar, kostnader eller utgifter till följd av transport av giftiga, eldfarliga, explosiva eller frätande ämnen eller annan farlig last som ej godkänts av Föreningen.~~

Comment: Much standard type of cargo arguably falls within this description so the exclusion is misleading and not to be found in other clubs' rules. Improper and unduly hazardous trade however remains excluded.

English

P&I Rule 11 Section 3 Special exclusions ~~for certain ships~~

The cover afforded by the Association shall exclude liabilities, costs or expenses arising (a) for salvage ships or other ships intended to be used for salvage operations when the liability arises as a result of any salvage service or attempted salvage service **unless the Association has agreed in advance to afford cover for such operation**

Swedish

P&I Regel 11 § 3 Särskilda risker uteslutna för vissa ~~verksamhet~~ fartyg

Från Föreningens ansvarighet undantages

(a) beträffande bärgningsfartyg eller andra fartyg avsedda för bärgning, ansvar som uppkommer på grund av bärgningen eller försök att bärga **såvida inte Föreningen på förhand medgivit att täcka sådan bärgning,**

Comment: Harmonization with the wording of Appendix V clause 24(b) of the Pooling Agreement regarding salvage services by salvage vessels. Clarification that Rule 3 as a whole applies to all ships since the Rule covers special operations (sub-paragraph f) that applies to all ships.

English

P&I Rule 11 Section 3 (f) Special exclusions ~~for certain ships~~

The cover afforded by the Association shall exclude liabilities, costs or expenses arising

(f) for ~~other~~ ships used for special operations ~~unless approved by the Association~~ when the liability arises as a result of such operations save for loss of life, injury or illness of crew and other personnel onboard the entered ship, the wreck removal of the entered ship, and oil pollution from the entered ship, or the threat thereof, to the extent the liability is covered by these Rules.

Swedish

P&I Regel 11 § 3 (f) Särskilda risker uteslutna ~~a~~ verksamhet fartyg

Från Föreningens ansvarighet undantages

(f) beträffande fartyg som används för speciell verksamhet, ansvar som uppkommer på grund av sådan verksamhet ~~om denna inte godkänts av Föreningen~~ **med undantag för dödsfall, personskada eller sjukdom som drabbar besättning eller annan person ombord, vrakborttagning av det försäkrade fartyget samt utsläpp eller hot om utsläpp från det försäkrade fartyget av olja i den utsträckning sådant ansvar är angett i villkoren.**

Comment: Harmonization with the wording of Appendix V clause 18 of the Pooling Agreement. The Pooling Agreement does not allow the Club to approve specialist operations.

Procedures for payment of premium

- ▶ Debit notes will be mailed to Members/Brokers one month prior to due date in order to provide ample time for arranging payment.
- ▶ To speed up the transfer of funds we recommend an electronic payment order. Cross-border payments should always be effected with relevant IBAN, our bank's name, address and SWIFT address (Bank-/BIC-Code) being HANDSESS to ensure an easy and quick settlement. The debit note reference number (i.e. invoice number) should always be stated on the payment order, enabling the Club's accounting department to quickly trace the payment.
- ▶ At renewals and risk attachments, debit notes for the first instalment might not have been received prior to due date. In such cases Members are requested to transfer the outstanding amount prior to receiving the debit note.
- ▶ In case premiums are not received by the Club on the due date, interest calculated at one per cent (1%) per month will be charged from the day after the due date. The interest will be debited per calendar quarters.
- ▶ Should premiums still be outstanding 30 days after the due date, the Club may issue a notice of cancellation to the Member and relevant Mortgagees.

Lay-up return application

Member name:

Vessel:

Insurance class: ☐ Hull & Machinery ☐ Protection & Indemnity

Arrival date: Time:

Departure date: Time:

Port of place:

Exact location at arrival:

Cargo at arrival: ☐ Loaded ☐ Ballasted Cargo at departure: ☐ Loaded ☐ Ballasted

Crew: ☐ Full crew ☐ Reduced crew% ☐ Watchmen only

Reason for lay-up: ☐ Awaiting berth ☐ Awaiting orders ☐ Other (please state):

Approval from Class for mooring at lay-up location: ☐ Yes ☐ No

Have repairs been carried out during lay-up period? ☐ Yes ☐ No

If Yes: Owners work period:

Claims repairs period:

Shifting/Mooring/Unmooring operations:

From date/time	Location	To date/time	Location

Other information attached to this form:

It is hereby confirmed that the vessel was always in a safe condition during the time for lay-up claimed.

Authorized signature: Date:

Lay-up return will be subject to assessment of the provided information. This form has to be completed and submitted to the Club within time frames as set out in Marine and/or P&I Circulars respectively. Please do not hesitate to contact the Club for further information.