

June 2019

Dear API members,

My name is Stephen Hare and I represent Sovereign Trust (Guernsey) Limited in its capacity as the Trustee of the Aircrew Protection International Trust (the API Trust) in Guernsey, UK (the Trustee).

As of 1 July 2019 your monthly credit card payment to Clements Worldwide will be *lowered* by \$138 (AED 507.35) to \$86 (AED 317) per month if you are under 60 years old and \$169 (AED 621) per month if you are 60+. Such payments will enable continuing cover under the Lloyds of London policy recently put in place on behalf of the Trustee with Clements Worldwide /Baymac (potentially giving access to monthly benefits of \$6,800 (AED 25,000) per month for five years if you are disabled (subject always to the terms of their policy). The revised payment amounts will continue to be claimed from your nominated credit card unless you advise the Trustee via the consultants to the API Trust (the API Consultants) that you no longer wish to continue receiving the benefit of cover pursuant to the Lloyds of London policy.

As of 1 June 2019 the Trustee has decided to suspend accepting API Trust contributions. With service of this letter the Trustee will also direct the API Consultants to begin the process of refunding your June 2019 API contribution (less the Lloyds of London contribution); the API Consultants will contact you in a separate communication.

Why has the Trustee taken this step? With the new Lloyds of London policy, the Trustee saw a welcome rise in new members joining the API Trust; however, it was disappointing that an even greater number of current members resigned from the API Trust, with the majority of leavers saying the cost is now too high. The API Consultants have further advised that more members resigned recently following issues they experienced in relation to contractual pay increases.

There are currently 27 pilots receiving disability benefits from the API Trust, with another six claims in progress; this will potentially bring the total to 33. Our accountants advise that with the current number of members making the current level of contributions, the API Trust fund (the Trust Fund) will be exhausted by later this year.

Upon receiving this information, the Trustee has considered the following options:

1. Increase the membership by 702 pilots immediately. The Trustee understands this to be the minimum number of members required to maintain the economic viability of the API Trust. Unfortunately, this is outside the control of the Trustee or the API Consultants, and the Trustee considers that it is highly unlikely to be achievable in any event.
2. Raise the contribution amount by an *additional* AED 318 per month. The Trustee is concerned that an additional increase of this amount may lead to more members terminating their membership of the API Trust, which would place further stress on the value of the Trust Fund.
3. Lower the medical benefit rate. This would involve seeking the unanimous agreement of all current recipients of disability benefits, which the Trustee believes is unlikely to be forthcoming such that this option is not practically feasible.

4. Explore the possibility of transferring the Trust Fund to an insurance company who would then continue to provide benefits to members, albeit with the possibility that such benefits may be significantly lower than those provided via the API Trust. The Trustee is seeking to establish whether there is any actual appetite in the insurance market for taking on the potential liabilities of the API Trust given the value of the Trust Fund.
5. Wind up the API Trust. This would involve using the Trust Fund to cover, insofar as possible, the payments due to those pilots with an existing entitlement to benefits under the API Trust. The Lloyds of London policy will continue (subject to the continuation of the relevant payments as detailed above to maintain cover) as it is not currently held in the name of the Trustee but in the name of Aircrew Protection International Limited, the management company run by the API Consultants, as agents of the Trustee.

The Trustee is currently considering the options with regard to what may be achievable in the best interests of the members. The Trustee has now discounted option 3 and, subject to a favourable outcome in respect of option 4, at this stage, the Trustee considers that it may prove necessary to wind up the API Trust. It is for this reason that the Trustee has decided to suspend receiving API contributions from members, save for the amount needed to cover the Lloyds of London policy. The Trustee has also decided to suspend the payment of Leaving Service Benefits with immediate effect whilst it considers the most appropriate course of action.

If the Trustee ultimately decides to wind up the API Trust, it intends to apply to the Royal Court in Guernsey for an order blessing that decision. That application will set out how the Trust Fund will be distributed; after deduction of properly incurred costs and expenses, the Trustee will use the remaining Trust Fund to go towards paying disability benefit payments, as calculated by an actuary appointed by the Trustee or with the assistance of the Trustee's accountants.

Prior to making its decision, the Trustee would be happy to receive and consider any representations or suggestions concerning the viability of the API Trust or any preferred options moving forward from its members. Given the circumstances, the Trustee would ask that you send suggestions before 5pm GMT on 30 June 2019 to API.Trustee@aircrewprotection.org. The Trustee will then make its final decision as to the future of the API Trust. The Trustee will continue to process applications for disability benefits up to and including 30 June 2019.

The Trustee appreciates that this notice is unexpected but given the level of medical claims and the level of contributions, the Trustee is concerned about the sustainability of the Plan and is seeking to act promptly and prudently in the best interests of the members insofar as it is possible.

Regards,

Stephen Hare

Stephen Hare
For and on behalf of
Sovereign Trust (Guernsey) Limited
As Trustee of The Aircrew Protection International Trust
API.Trustee@aircrewprotection.org