

**CIRCULAR REF: 2015/025**

**CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS  
ATTENTION INSURANCE DEPT**

**09 NOVEMBER 2015  
TK/JAK**

## **OPEN POLICY YEARS AND PREMIUM REQUIREMENTS**

The Directors met on 4 November 2015 to review the performance of the Club's open Policy Years and to consider the requirements for the 2016 Renewal. Their decisions taken regarding open Policy Years are set out in Appendix A as attached.

### **Renewal 20 February 2016**

As explained in our Half Year Financial Update (Circular Ref: [2015/021 dated 8 October 2015](#)), the value of claims incurred on the current policy year at 20 August 2015 was significantly lower than at the same juncture in the previous four years. This trend has continued such that our estimate of net claims in the current policy year, together with improvements on earlier policy years, has led us to revise our projection for the Free Reserve position at 20 February 2016, to approximately US\$380 million.

Freight markets are volatile although global trading is at record levels overall and this increases claims activity. In addition, due to volatility in global investment markets, the Club suffered an investment loss in the first six months of the year. It is hoped this will be corrected by the year end.

Whilst we remain mindful of the difficult trading conditions that our Members are operating under, the Directors believe that it is imperative to maintain the financial strength of the Club and to continue with their strategic objective of not burdening Members with unbudgeted supplementary calls in the future.

The Directors have therefore decided as follows:

### **P&I Class**

**Mutual & Fixed Premiums** – to apply a General Increase of 2.5% to Member's rates. Thereafter premiums will be further adjusted to reflect individual Member's claims performance and exposure.

In addition, all crew and cargo deductibles below US\$25,000 will be increased by US\$2,500 per deductible, and all other deductibles by US\$1,000 per deductible.

## **CIRCULAR**

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The North of England P&I Association Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK.

**Reinsurance** - Members' rates will also be adjusted to incorporate any changes in the costing and structure of the International Group Excess Loss Reinsurance Programme.

### **FD&D Class**

The Directors are mindful of the high level of volatility of this Class of business, the continuing counterparty insolvency risk for shipowners and the challenging trading environment for the Club's Members, which can lead to disputes and to claims and cost increases. The Directors have therefore decided as follows:

**Mutual & Fixed Premiums** – to apply a General Increase of 2.5% to Member's rates, with the FD&D Rules deductible to remain unchanged.

### **Premium Collection**

P&I premiums for mutual Owned entries will be collected in four equal instalments of 25% during the Policy Year, on 1 April 2016, 1 June 2016, 1 September 2016 and 1 December 2016.

FD&D premiums will continue to be collected in two equal instalments on 1 April 2016 and 1 September 2016.

### **Pre-Renewal Report**

A Pre-Renewal Report will be published shortly which will provide updated information concerning the Club's financial position.

The Directors are satisfied that the Club remains in strong financial health and that our Renewal strategy will maintain this position.

AA WILSON and PA JENNINGS  
JOINT MANAGING DIRECTORS  
The North of England P&I Association Limited

**APPENDIX A  
OPEN POLICY YEARS**

P&I CLASS

2012/2013 This Policy Year was closed, the final cost was on target at 100% of the originally estimated total premium.

2013/2014 This Policy Year will be reviewed in November 2016, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is Nil.

2014/2015 This Policy Year will be reviewed in November 2016, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.

The Directors have also decided that the fifth and final instalment of 20% which falls due on 1 December 2015, will be required in full. In coming to this decision, the Directors have taken account of the fact that the Policy Year continues to show an overall deficit.

2015/2016 The Policy Year will be reviewed in November 2016, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 20%.

2016/2017 The Manager's assessment of Release Calls is 20%.

FD&D CLASS

2012/2013 This Policy Year was closed. The final cost was on target at 100% of the originally estimated total premium.

2013/2014 This Policy Year will be reviewed in November 2016, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is NIL.

2014/2015 This Policy Year will be reviewed in November 2016, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.

2015/2016 The outcome of this Policy Year will be determined in due course, the expected final premium is currently on target to be 100% of the originally estimated total premium. The Release Call is 20%.

2016/2017 The Manager's assessment of Release Calls is 20%.

