

CIRCULAR REF: 2010/036

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

**1 NOVEMBER 2010
AAW/PAJ/KAH**

FINANCIAL REVIEW AND RENEWAL 2011

The Board of Directors met on Friday 15 October 2010 to review the Club's financial position and consider the requirements for the 2011 renewal.

FINANCIAL REVIEW

The cautious financial approach adopted by the Club in response to the recent global economic turmoil continues. This approach underpins the Club's objective of providing financial stability to Members and we are now entering the 20th consecutive year without calling on Members for unbudgeted supplementary funding.

The Club continued to adopt a defensive approach to investment strategy, which has matched our objective of capital preservation and has produced a return of 3.7% in the first seven months of the financial year. The Board remains of the view that this low risk investment strategy should be maintained.

At their meeting, the Directors were pleased to note that the positive investment result, together with lower claims levels should, absent unusual events, lead to a healthy increase in the free reserve at 20 February 2011.

RENEWAL FEBRUARY 2011

The Club's finances are in a strong position; however the Board recognises that the Club is not immune to the ongoing period of uncertainty that is forecast and consequently the Club must remain vigilant and be prepared for shifts in the marketplace.

The Board is committed to maintaining the financial strength of the Club and therefore the Directors have made the following decisions:

P&I CLASS

Although claims experience for the current year compares favourably with previous years, the Directors recognise the inherently volatile nature of P&I claims, the impact of claims inflation and the operational challenges faced by shipowners. These factors have been taken into consideration when assessing the General Increase and the Directors

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have assumed that claims will follow the same trend experienced over the past five years.

A General Increase of 3% will be applied to premium rates. Members with adverse records should anticipate that their premiums will be increased beyond the level of the General Increase. Members' rates will also be adjusted to reflect any changes in the cost of the International Group Excess Loss Reinsurance Programme.

The Directors have also decided that all deductible levels which are currently below US\$5,000 should be increased by US\$1,000.

FD&D CLASS

As a result of the shipping industry continuing to face difficult and unpredictable markets, the FD&D department is handling an increase in the number of claims. The Directors believe that it is reasonable to assume that claims levels will not abate during 2011 / 2012.

The Board therefore determined that a General Increase of 10% should be applied to premium rates for all Members. The standard deductibles will remain unchanged for the 2011 / 2012 renewal.

PREMIUM COLLECTION

P&I premiums will be collected in four instalments during the 2011 policy year on 1 April, 1 June, 1 September and 1 December. The Managers' assessment of Release Calls is 20%.

FD&D premiums will be collected in two instalments during the 2011 policy year on 1 April and 1 September. The Managers' assessment of Release Calls is 20%.

The Directors are satisfied that the Club remains in a sound financial position and that the decisions taken regarding the forthcoming renewal will maintain this position.

AA WILSON and PA JENNINGS
JOINT MANAGING DIRECTORS - North Insurance Management Limited
As Managers on behalf of the North of England P&I Association Limited