

CIRCULAR REF: 2011/005

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

**27 JANUARY 2011
AAW/PAJ**

ESTABLISHMENT OF HULL & MACHINERY CLASS

We are pleased to announce that following careful and detailed consideration, the Board of Directors of the Club have recently decided that North of England (North) will commence a new Hull & Machinery (H&M) class from the 1st July, 2011.

It has been one of the publicly stated strategic aims of the Club for a number of years, to expand its product range to Members, adding to the very successful P&I, FD&D, War and Non Poolable covers that it offers today. As many Members will be aware North, through its Managers, North Insurance Management Limited (NIML), has for many years provided management services to a mutual Hull Club, Marine Shipping Mutual Insurance Company Limited (MSMI). With effect from 30th June 2011, MSMI has decided to cease underwriting, and the Board of Directors of MSMI have encouraged North to consider the establishment of its own H&M Class.

The new H&M class will be a fixed premium product, writing on a conventional subscription basis, and will be a significantly different model to MSMI, however it will offer the same level of Club style service, and it is anticipated that this new venture will be successful in attracting both existing MSMI Members and also new Members from the North to join.

The structure of the product will be finalised in the next few weeks leading up to the July commencement date, and we will of course provide Members with full details. In the meantime we attach an initial set of Frequently Asked Questions (FAQ's) which provide some further background information, any additional questions or enquiries should be directed to one of the Club's underwriting team.

This is an exciting development for North and its Members, supported by the Club's strong financial position, and its reputation for high quality service as well as existing management experience in operating H&M insurance. The Directors are confident that this development will further enhance the Club's financial position and strengthen service to the membership.

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

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FAQ's

Q. Why is North writing Hull insurance?

- A. It has been the publicly stated aim of the Club for many years, to continue to diversify its business, which is intended to increase the range of marine insurance related products available to the membership and to enhance the premium and financial base of the Club.

Q. What are the benefits to North Members?

- A.
- i. It will strengthen North's financial position.
 - ii. It will offer North Members a single point of contact for a genuinely integrated approach to a casualty.
 - iii. It will strengthen North's business model from a regulatory, commercial and ratings perspective.

Q. Why does North believe it can be successful in this market?

- A. A variety of reasons, most importantly the quality of North's Members and MSMI's existing Members. Also the vast experience of the Management team in operating all aspects of Hull & Machinery insurance over many years, and the high levels of service which the new product will provide.

Q. Is North offering to buy MSMI?

- A. In order that MSMI can decide whether to conduct its own run-off, North, possibly along with others, is being asked to bid to purchase the run-off of MSMI. At this time North has made no final decision on this issue.

Q. Will the North Hull Class have a unique policy year for all H&M Members (North renews its policies on 20 February and MSMI renews its business on the 1st July)?

A. No, as the new product will be aligned with the conventional subscription market, it will write business arising throughout the year.

Q. What risks will be insured?

A. Subject to confirmation of final reinsurance arrangements, the Class will, in addition to H&M risks, also insure Increased Value (IV), Loss of Hire and War risks.

Q. What will be the unique selling points of the new product?

A. The North Management Team having managed MSMI for over 38 years, has extensive experience in Hull underwriting and claims handling. Like the North, MSMI has a focus on high quality service and financial stability, and this formula has proved very successful in maintaining a high level of support from Members in all phases of the market.

Q. What capacity would be available for North?

A. This is currently being finalised, but it is anticipated that the maximum capacity for any single risk will be significant.

Q. What level of risk will the Hull Class retain?

A. Whilst it is anticipated that North will retain an appropriate portion of risk, exposure to large losses will be protected and any financial downside to North will be substantially minimised. The Managers have extensive knowledge and relationships within the reinsurance market, and discussions are already underway.

Q. Will all North Members be able to purchase the product?

A. Yes all Members of North will be able to request a quotation via their own underwriting contacts.

Q. Will the product provide quotations to non North Members?

A. No, during the initial period of operation only North and current MSMI Members will be considered for quotation, thereby ensuring that the Management Team are satisfied with the operational standards of the Members of the Class.

Q. Will North insist on leading all insurance contracts?

A. No, while North would hope to utilise its service capabilities to lead as many contracts as possible, it is recognised that during the initial stages of operation it will participate with following lines.

Q. Will the new product be a separate company?

A. No it is anticipated that it will operate as a new Class of the Club, and as such will benefit from the Club's S&P 'A' rating.

Q. What Hull & Machinery insurance experience does North have?

A. North has for many years successfully managed and operated all aspects, (including underwriting, claims handling, Risk Management and reinsurance) of the Hull & Machinery business on behalf of MSMI, and it is therefore very well placed to operate this Class of business.

Q. What happens next?

A. The Managers of the Club will be finalising the structure of the product in the coming weeks, and further details will be made available to all Members on a regular basis.