

**CIRCULAR REF: 2012/021**

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

**30 MAY 2012  
JMD/KAH**

**FINANCIAL STATEMENTS FOR POLICY YEAR ENDING 20 FEBRUARY 2012**

The Board of Directors met on Friday 18 May 2012, and approved North's Financial Statements for the policy year ending 20 February 2012. Against a background of difficult market conditions, a volatile investment landscape and a trend of increasing claims, we are pleased to report a stable and satisfactory result, with an overall surplus of US\$1.6 million, leading to a third consecutive annual increase in free reserves to US\$314.0 million.

The investment return for the year was 2.76% and although satisfactory in view of the low risk nature of the investment portfolio, this was still lower than originally anticipated. In addition the Club's office headquarters in Newcastle were subject to a building revaluation charge of US\$7.5 million, which reflects the current weak commercial property market in the UK.

The position in respect of retained claims for the policy year to 20 February 2012, showed a return to much higher levels, after the particularly benign claims experience in the previous policy year. In addition, there have been a number of high profile International Group pool claims, particularly the "RENA" and "COSTA CONCORDIA", which have significantly increased the overall cost of pool claims. Despite this, the combined ratio was only slightly above breakeven at 101.8%, and the Club continues to reserve all claims at a very conservative 95% confidence level.

During the year to 20 February 2012 and subsequently, the Club's membership has continued to grow steadily and owned tonnage has now increased to 125 million GT, and together with estimated chartered entries of 45 million GT, this takes the total entered tonnage in the Club to around 170 million GT.

Detailed financial statements and commentary will be published in the next few weeks. The Club remains financially robust with a Standard & Poor's A (stable) financial strength rating, reflecting the Club's strong financial flexibility, strong capitalisation and competitive position. Although the implementation date for the European regulatory framework

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Solvency II has been delayed until 1 January 2014, we have made significant progress in our preparations, with capital adequacy comfortably in excess of the regulatory requirements.

The shipping environment is set for another challenging year, and the Club's strategic priorities are clear, to remain a financially strong and stable partner, whilst providing first class service and assistance to our Members.

AA WILSON & PA JENNINGS

JOINT MANAGING DIRECTORS - North Insurance Management Limited

As Managers on behalf of the North of England P&I Association Limited