

CIRCULAR REF: 2014/030

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

**17 NOVEMBER 2014
JMDs/JI**

OPEN POLICY YEARS AND PREMIUM REQUIREMENTS

The Directors met on 13 November, 2014 to review the performance of the Club's open Policy Years and to consider the requirements for the 2015 Renewal. Their decisions taken regarding open Policy Years are set out in Appendix A as attached.

Renewal 20 February 2015

North remains financially secure, with a strong capital position as is evidenced by Standard & Poor's affirmation of the 'A' rating in March 2014 following the merger with Sunderland Marine. This is the tenth consecutive year that North has maintained that 'A' rating and the strong technical underwriting performance has meant that Members have not been burdened by unbudgeted supplementary calls for 23 years.

However the claims environment remains challenging, and although freight rates are recovering very slowly from historical lows, the overall level of global trading remains high. As a consequence there are still a significant number of larger claims in excess of US\$1 million and continuing inflationary pressures on all claims.

As previously highlighted in the Club's Management Report, largely as a result of two significant claims arising during the 2013 Policy Year, the Club's share of contributions to the claims of the International Group Pool (the Pool) has risen quite significantly, and is now comparable to the Club's actual tonnage/premium proportion of the Pool. This in particular has had a material impact on the assessment of the future premium requirements. In addition the investment markets continue to produce modest returns.

Whilst we therefore 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 additional unbudgeted calls in the future.

The Directors have therefore decided as follows:

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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.

P&I Class

Mutual Premiums – to apply an overall increase of 4.75%, however, in recognition of the Club wide impact of the increased contributions to the Pool, all Members' premiums will firstly be increased by a mandatory minimum of 2.5%, and thereafter premiums will be further adjusted to reflect claims performance and exposure. In addition, all crew and cargo deductibles below US\$25,000 will be increased by US\$2,000 per deductible.

Fixed Premiums – to apply an increase of 5% to all fixed premium entries. In addition all deductibles below US\$25,000 will be increased by US\$2,000 per deductible.

At this Renewal the Club will adopt a robust approach to ensure that suitable premium levels are achieved to reflect poor claims performance, and will also focus on ensuring that adequate net premium is available for each Member to cover anticipated exposure.

Members' Rates and Reinsurance - Members' rates will also be adjusted to incorporate any changes in the costing and structure of the International Group Excess Loss Reinsurance Programme ("GXL"). This might also include adjustments to reflect any additional risk that maybe retained by either the Club or the Group captive Hydra Reinsurance Company Limited ("Hydra") which was previously reinsured by Hydra and/or the GXL.

FD&D Class

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

Mutual Premiums – to apply an increase of 2.5% to mutual premiums, with the FD&D Rules deductible to remain unchanged.

Fixed Premium – to apply an increase of 5% to fixed premium entries, 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. P&I premiums will therefore be collected on 1st April 2015, 1st June 2015, 1st September 2015 and 1st December 2015.

FD&D premiums will continue to be collected in two equal instalments on 1st April 2015 and 1st September 2015.

Pre-Renewal Report

A Pre-Renewal Report will be published shortly, and will provide detailed information concerning the Club's financial position, and also include an initial assessment of developments during the year to date.

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