

CIRCULAR REF: 2015/016

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

**18 JUNE 2015
JMDs/KAH**

NORTH GROUP FINANCIAL POSITION AND RELEASE CALLS

Financial Statements for Year Ending 20 February 2015

The Board of Directors met in May 2015 and approved the Financial Statements for the year ending 20 February 2015 for North P&I Club and Sunderland Marine (North Group). The Management Report and Combined Financial Statements will be published in the next few weeks, and in advance of their publication we are providing Members and policyholders with an update in respect of the Group's financial position.

The Management Report will show that the North Group's free reserve has increased to US\$338.1 million, with the following factors contributing to the overall result:

- Acquisition of Sunderland Marine contributed US\$41 million.
- North P&I Investment return of +4.29% contributed US\$25 million.
- Newcastle Quayside property revaluation gain contributed US\$7 million.
- North P&I Underwriting loss of US\$28.3 million.
- Large number of high-value claims for North P&I: 50 claims in excess of US\$1 million.
- Further Group pension deficit of US\$23.9 million, US\$57 million impairment over two years.
- North P&I Combined Ratio: 109%.

The North Group has maintained a strong financial position with an "A" (stable) rating from Standard & Poor's reaffirmed in May 2015.

Release Calls

At their recent meeting the Directors also reviewed the position for the P&I Class release calls, which they have decided should be set as follows:

POLICY YEAR	P&I CLASS	FD&D CLASS
2012/13	5%	Nil
2013/14	5%	5%
2014/15	10%	10%
2015/16	20%	20%

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THE NORTH OF ENGLAND P&I ASSOCIATION LIMITED 100 The Quayside, Newcastle upon Tyne, UK, NE1 3DU
Telephone: +44 (0) 191 2325221 Fax: +44 (0) 191 2610540 www.nepia.com

The North of England Protecting and Indemnity Association Limited. Registered in England No. 505456. Registered Office above
Hong Kong: Room 3007-08 COSCO Tower, 183 Queen's Road, Central, Hong Kong Telephone: +852 25446813 Fax: +852 25424424.
Greece: 5-7 Aghiou Nikolaou, GR 185 37 Piraeus, Greece Telephone: +30 210 4283038 Fax: +30 210 4280920.
Singapore: 80 Anson Road, #26-04 Fuji Xerox Towers, Singapore 079907 Telephone: +65 64110160 Fax: +65 62240160.
Tokyo: Shinkyobashi Building, 6th Floor, 2-8-8 Kyobashi, Chuo-ku, Tokyo, Japan, 104 – 0031 Telephone: +81 (3) 5159 5373 Fax: +81 (3) 5250 0003.
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.

This has been a positive year for the North Group despite a number of challenges and in particular the further financial impairment in respect of the pension scheme. The Group continues to provide financial stability in accordance with the strategy of delivering the highest levels of cost effective service to the membership and policyholders.

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