

CIRCULAR REF: 2016/014

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

**26 MAY 2016
JMDs/KAH**

NORTH GROUP FINANCIAL POSITION & RELEASE CALLS

The Directors met on 18 May 2016 and approved the Financial Statements for the year ending 20 February 2016 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 significantly by US\$90 million to US\$428 million, largely because of the benign claims experience for North P&I (the Club) in the 2015/16 Policy Year. The Club incurred only 19 claims in excess of US\$1 million, just over a third of the equivalent number in the previous year, and significantly fewer attritional claims too. This pattern, particularly in respect of larger claims reflected the experience across the International Group (IG), with only nine Pool claims notified.

Together with the improvements on older Club retained claims and IG Pool claims, the financial year ending 20 February 2016 will deliver a combined ratio of 73.3%, thereby bringing the five year average down to 95.7%, amongst the best in the IG. This was achieved in spite of the volatility in global markets which produced a US\$12.8 million investment loss at 20 February 2016. Conversely, however, the yield on 'AA' rated corporate bonds increased during the year, favourably impacting on the liabilities of the North Group's pension schemes (as previously reported), thereby reducing the overall deficit at 20 February 2016, by US\$18.2 million and more than countering the investment loss.

RELEASE CALLS

The Directors also reviewed the position for the P&I class and FD&D class Release Calls, which they have decided should be set as follows:

POLICY YEAR	P&I CLASS	FD&D CLASS
2013/14	NIL	NIL
2014/15	5%	5%
2015/16	5%	5%
2016/17	15%	15%

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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.

The positive financial performance of the year reflects the long standing policy of careful Member selection and equitable underwriting. The Directors are however mindful of the very challenging trading conditions faced by the Members and Policyholders and are intent on safeguarding the Club's 25 year record of not making any unbudgeted supplementary calls.

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