

CIRCULAR REF: 2018/034

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

**16 NOVEMBER 2018
TK/PAJ**

FINANCIAL REVIEW AND RENEWAL 2019

The Directors met in London on 14 November 2018 to review the Club's financial position and to consider requirements for the 2019 Renewal. Decisions taken regarding open Policy Years are set out at Appendix A.

There has been an increase in the number and cost of large retained claims (over US\$1M in value) as well as an increase in Pool claims, in the year to date. In the meantime, volatile equity markets and rising US interest rates have combined to produce a modest investment return of just US\$11.9M at the mid way point in the Policy Year. Equity markets have been further unsettled since that point, and together with the impact of rising interest rates on fixed income investments, there is an uncertain future for investment returns over the remaining months of the Policy Year.

We have seen a continuation in the trend of premium income erosion which in combination with the increase of high value claims, is projected to result in a combined ratio for the Club at the financial year end of 110%, and we therefore expect free reserves to reduce slightly.

The Directors nevertheless remain aware of the economic challenges facing the shipping industry and are therefore focused on the need to support our Membership. In the circumstances, and whilst corrective action to address premium erosion will be required in order to halt any longer term decline in capital, the Directors have nevertheless decided as follows in order to address the competing challenges faced respectively by the Membership and the Club:

P&I CLASS

Mutual and Fixed Premiums – not to declare a general premium increase at the forthcoming renewal. The Managers will however be undertaking a significant exercise to review all Members premiums and terms in order to ensure that declining rates of premium are halted and equitably adjusted to properly reflect performance and exposure going forward. This exercise will be robustly undertaken to obviate the need for greater premium increases in subsequent years.

Members with adverse loss records, will of course have their rates and terms adjusted accordingly in order to ensure that they make an equitable contribution.

In addition, all Owned deductibles below US\$25,000 will be increased by a minimum of US\$1,000 per deductible.

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Reinsurance – Members’ rates will also be adjusted to incorporate any changes in the costing and structure of the International Group General Excess of Loss Reinsurance Programme.

FD&D CLASS

Mutual and Fixed premiums – not to declare a general premium increase, with the FD&D Rules deductible also remaining unchanged. Premiums will however be adjusted to reflect individual Members’ claims performance and exposure.

PREMIUM COLLECTION

P&I premiums for Mutual Owned entries will be collected in four equal instalments of 25% during the Policy Year, on 1 April 2019, 3 June 2019, 2 September 2019 and 2 December 2019.

FD&D premiums will continue to be collected in two equal instalments on 1 April 2019 and 2 September 2019.

The Club’s Mid-Year Review will be published on 23 November 2018 and will provide detailed information on the financial position and claims development during the current Policy Year.

The Directors are satisfied that the Club remains in strong financial health and are confident that our 2019 Renewal strategy allied with our disciplined financial approach and prudent underwriting philosophy, will position the Club appropriately to meet the oncoming challenges of a “hardening” insurance market.

PAUL JENNINGS
Chief Executive Officer
The North of England P&I Association Limited

APPENDIX A – OPEN POLICY YEARS

P&I CLASS

2015/2016 This Policy Year was closed and the final cost was on target at 100% of the originally estimated total premium.

2016/2017 This Policy Year will be reviewed in May 2019, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 0%.

2017/2018 This Policy Year will be reviewed in May 2019, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.

2018/2019 This Policy Year will be reviewed in May 2019, no additional calls are anticipated and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 15%.

2019/2020 The Manager's assessment of Release Calls is 15%.

FD&D CLASS

2015/2016 This Policy Year was closed and the final cost was on target at 100% of the originally estimated total premium.

2016/2017 This Policy Year will be reviewed in May 2019, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 0%.

2017/2018 This Policy Year will be reviewed in May 2019, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 0%.

2018/2019 This Policy Year will be reviewed in May 2019, no additional calls are anticipated and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 15%.

2019/2020 The Manager's assessment of Release Calls is 15%.