

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

**1 DECEMBER 2001
JPC**

POLICY YEAR 2002/2003

P&I Class

Renewal

The underwriting losses of the International Group Clubs have received extensive press coverage in recent weeks. Falling premium levels and a significant reduction in the level of investment income have combined to produce falling free reserve levels for most Clubs.

The investment markets were particularly difficult in 2000/2001 and consequently a number of Clubs produced negative returns; the 2001/2002 results at the time of writing are unlikely to see any significant improvement.

The Clubs may therefore see free reserves continuing to fall and their Directors, mindful of the excess calling of the late 1980's and early 1990's, will take action to stem this trend at the coming renewal. A number of Clubs have already announced general increases in the 20% to 30% range.

Although this Association's underwriting result and investment returns compare favourably with the other Clubs it is still necessary to correct the deteriorating financial position and therefore after careful consideration the Directors have decided that a General Increase of 25% should be applied.

The situation outlined above was evident before the recent tragic events in the United States of America and the General Increase has been assessed before the impact of those events on the reinsurance markets. It will therefore be necessary to apply an additional increase to reflect the increased cost of reinsurance, which will be notified to Members when the position is clarified.

As always the claims performance of individual Members will be reviewed and will be taken into account when assessing renewal proposals which will be sent to Members in the next few weeks.

Deductibles

The Directors believe that deductibles have in certain cases fallen behind industry practise and have not been adjusted to take account of inflation. They have therefore decided that all deductibles below US\$15,000 should be increased by 25%.
Calling Structure.

CIRCULAR

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At their meeting on 12 October 2001 the Directors agreed to adjust the call structure for the forthcoming policy year by reducing the supplementary call to nil and accordingly what is currently referred to as the estimated total call (ie. advance call plus supplementary call) will become the new advance call.

Although the Directors are of the opinion that the whole premium should be called within the year of insurance they are aware of the difficult trading conditions affecting all sectors of the shipping market and have decided that 20% of the premium should not become due until 20 November, 2003. The call will therefore be invoiced in 5 equal instalments due on:

1 April, 2002

1 June, 2002

1 September, 2002

1 December, 2002

20 November, 2003

Members will recognise that this change in terminology does not change the total premium payable and that it will have a minimal cashflow effect.

FD&D Class

Renewal

The Directors have decided that a 10% General Increase in premium rates should be applied for the FD&D Class. The financial position remains satisfactory however the claims experience of the Class during a period of a deteriorating freight market is expected to be volatile and this fact, combined with continuing uncertainty relating to future investment returns, persuaded the Directors that a prudent approach to the funding of the Class was appropriate.

Again individual claims performance will be assessed before renewal proposals are sent to Members.

Calling Structure

The estimated total call will be collected in two instalments due on:

1 April, 2002

1 September, 2002

JP CRICHTON

JOINT MANAGING DIRECTOR - North Insurance Management Limited

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