

NORTH'S ANNUAL REVIEW AND RELEASE CALLS

27 May 2020

Circular Ref: 2020/025



CIRCULAR

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The Directors met on 21 May 2020 to approve North's financial statements for the financial year ending 20 February 2020.

North's premium income for 2019/20 grew slightly to US\$347 million, reflecting increased growth and diversification as well as the concerted action required to correct a three-year hiatus in premium increases. While free reserves fell US\$19.5 million to US\$444 million, a corresponding increase in 2018/2019 leaves North's two-year position broadly neutral. At the conclusion of the 20 February 2020 renewal, owned tonnage surpassed 160M GT for the first time going into the 2020/21 policy year. Including charterers, North's entered fleet grew by 20M GT to exceed 230M GT.

Two major casualties during the year have impacted North's underwriting figures for the policy year ending 20 February 2020, but the period also saw the launch of new products as part of its continuing diversification, Member retention maintained at 99% and more tonnage insured than ever before. North's 15th consecutive year of 'A' financial strength rating, supported by AAA capital, was also reconfirmed by leading independent analysts, S&P Global.

Rising claims based on greater market share and weak pricing pointed towards an underlying combined ratio for North of 108% - closely aligned with International Group of P&I Clubs counterparts - but North's exposure on the *Grande America* and *Golden Ray* casualties helped push the figure to 125.8%. The claims are amongst the largest ever handled by North and, at potentially over US\$400 million, *Golden Ray* could be among the biggest in International Group history.

The overall result clearly demonstrates the P&I industry's volatility and sensitivity to large claims. Effectively managing these casualties in partnership with local authorities and international experts demonstrates North's commitment to keeping Member interests central in everything that we do.

We continue to build the strength and sustainability of the Club based on our clear diversification strategy and bringing in additional underwriting talent. In September 2019 we launched our Owners' Fixed Premium P&I product and earlier this month announced a new blue-water hull and machinery product. The formal legal integration of North and Sunderland Marine, a key diversification initiative for us, is also close to being finalised and will further reinforce the resilience and sustainability of our underlying business.

Also continuing to diversify is North's investment strategy, with asset risk spread across a broader range of funds. Strong returns on investments of 6.4% earned US\$64.5 million net of fees, although reduced corporate bond yields through 2019/20 saw this offset by a US\$16M increase in the accounting deficit for the pension scheme.

The year-end reporting period pre-dates COVID-19 impacts, although North's asset strategy is proving robust in the face of new volatility. At 30 April, our position showed losses below 2% of the portfolio; this is comfortable in an extraordinary market.

Overall, two unusually large claims in close succession have led to a one-off combined ratio figure in 2019/20, but North's underlying business remains strong, resilient and healthy.

The Annual Review 2020 is now available to [view and download](#) from our website and the combined financial statements together with the Directors Report and Bermuda Financial Statements will be published in due course.

RELEASE CALLS

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

POLICY YEAR	P&I CLASS	FD&D CLASS
2020/21	15.0%	15.0%
2019/20	5.0%	5.0%
2018/19	0.0%	0.0%
2017/18	0.0%	0.0%

PAUL JENNINGS

CHIEF EXECUTIVE / EXECUTIVE DIRECTOR

The North of England P&I Association Limited / North of England P&I DAC