

North of England Protecting & Indemnity Association Limited

FAQ – New Corporate Structure

1. General

Why is North changing its corporate governance structure?

The changes are required to meet current corporate governance requirements and also as part of North's ongoing preparations for compliance with the European Solvency II Directive. Both current requirements and those under Solvency II place a greater burden upon Directors in terms of the time commitment, training, knowledge and expertise required to meet regulatory requirements and to allow effective oversight of the Club's compliance and risk management functions. The Directors have therefore reluctantly concluded that it is necessary to refine the Club's existing corporate structure to meet the changing regulatory environment.

What are the main changes?

The main changes are as follows:

- The existing board of Directors will be converted in to a Members Board;
- A smaller group of Directors will be responsible for directing the affairs of the Club in compliance with statutory and regulatory requirements;
- The Directors will be subject to formal and rigorous requirements in respect of time commitment, training, performance evaluation and succession planning;
- The Directors committees will be restructured to include a Risk Committee which will regularly review and report to the Directors upon the Club's risk management processes and regulatory compliance;
- Independent Non-executive Directors can be recruited to provide additional knowledge and expertise where this is considered appropriate.

Do the changes affect the Members control of the Club?

No, the Members will continue to be the Club's highest authority and will retain all of their existing constitutional powers which include the ability to remove Directors and impose regulations upon them in the event of unsatisfactory performance. The balance of voting power at Directors meetings will also remain with the Member's nominated Directors.

2. Members Board

Why have a Members Board?

The principal reason for forming a Members Board is to preserve the mutual ethos of the Club by enabling a greater number of Members to continue to have an enhanced role in the governance of North's business following a reduction to the number of Non-executive Directors.

What will the Members Board do?

The Members Board will meet at least three times per year and will have powers to appoint Directors, call Members meetings and determine discretionary matters relating to Members' claims. It will also perform a consultative and advisory role and will receive regular reports from the Directors upon a wide range of issues affecting the Club's business. A number of strategically important matters will be reserved for prior consultation between the Directors and the Members Board before a final decision is taken.

Who can join the Members Board?

Any Member can apply to join the Members Board however there is a maximum limit of 50 members at any time.

How will decisions be made at Members Board meetings?

Decisions will be made by a majority vote upon a show of hands. In the event of an equality of votes, the Chairman of the Club will have a casting vote. This mirrors the existing arrangements regarding decisions at Directors meetings.

How will appointments to the Members Board be decided?

The Members will appoint the first Board members. All subsequent applications to join the Members Board will be evaluated by an Elections Committee and submitted for the approval of the Members Board.

Are there any restrictions on the term and tenure of appointments to the Members Board?

Board members will serve for a fixed term of 3 years. They may offer themselves for reappointment by the Members Board at the end of their term, subject to a maximum tenure of 3 terms of 3 years.

How will Members Claims be decided?

The Members Board will have separate committees for each of the P&I and FD&D Classes with powers to decide discretionary matters arising in relation to Members' claims. This will mirror the Club's existing arrangements and ensure that such matters are determined by members of the relevant Class only.

3. Directors**How many Directors will there be and what are their general functions?**

There will be a maximum of 16 Directors comprised of the following:

- 7 to 9 Non-executive Member Directors – as is presently the case, Member Directors will be recruited from the Club's membership and their main functions will be to constructively challenge proposals on strategy and scrutinise the performance of management and the Club generally;

- up to 4 Executive Directors – also as present, Executive Directors will be appointed from the Club’s management. At least one Executive Director will be appointed as Managing Director and will have prime responsibility for the day to day management of the Club ; and
- up to 3 Independent Non-executive Directors – Independent Directors will be recruited to provide additional expertise in relation to the Clubs’ key regulatory and risk management functions and to provide impartial input upon matters of strategic importance.

Who will be Directors once the new structure has been implemented?

The Directors have recommended that the following persons serve as Directors:

Member Directors

Pratap Shirke (ASP Ship Management Company) – Chairman

Lars Christensen (D/S Norden AS) – Vice-Chairman

James Cowderoy (Harrisons (Clyde) Limited)

Job De Groot (Van Oord NV)

Albert Engelsman (Wagenborg Shipping B.V)

Capt. SY Michael (Zodiac Maritime Agencies Limited)

Robert Sumantri (Altus Shipping Pte Limited)

James Tyrrell (Arklow Shipping)

Executive Directors

Paul Jennings - Joint Managing Director

Alan Wilson – Joint Managing Director

Independent Directors

Alex Lynch

What will the Chairman’s role be in the new structure?

The Chairman of the Club will continue to be a Member Director who will have a casting vote in the event of an equality of votes at a Directors meeting. The appointment of the Chairman will be decided by the Directors on an annual basis and subject to a maximum tenure of 4 terms of 12 months.

How will future Directors appointments be decided?

The Directors will submit recommendations to the Members Board in respect of new Directors for approval. Any Director so appointed will be entitled to serve until the next annual general meeting, where they must retire and may offer themselves for reappointment by the Members.

Are there any restrictions on the term and tenure of Directors appointments?

Member Directors and Independent Directors will serve for a fixed term of 3 years. They may offer themselves for reappointment by the Members at the end of their term, subject to a maximum tenure of 3 terms of 3 years.

4. Implementation

How will the changes be implemented?

The changes can largely be implemented through a number of resolutions of the Members and a General Meeting will be held in January 2013 so that the necessary resolutions can be considered and, if thought fit, approved. Further actions will then be required by the Directors to restructure the Directors committees and to delegate certain powers to the Members Board.

When will the new structure take effect?

It is proposed that the structure will be implemented with effect from 20 February 2013.

5. Arrangements of other Clubs

How do the new governance arrangements compare to those of other UK based Clubs?

A number of UK based Clubs appear to be converging towards a similar approach to corporate governance involving a small UK based board of Directors with responsibility for regulatory and compliance matters and a separate, larger board of members with involvement in non regulated activities. The manner in which this approach is implemented by each Club differs depending upon their individual Group structural arrangements; however the overall, practical effect of each structure appears to be quite similar.

6. Further information

Who should I contact for further information?

Members should contact their Underwriter or a member of the Management team in the first instance if they require any further information.