

North of England Protecting and Indemnity Association Limited (North)

FAQ – Amendments to Articles of Association and the Members' Board's Terms of Reference

What is the impact of Brexit on the North Group?

Following the result of the UK referendum on membership of the EU in July 2016, North and Sunderland Marine have been developing and implementing contingency plans to ensure that both companies continue to have access to EU markets.

North and Sunderland Marine currently rely on EU financial services passporting rights to insure risks located in the European Economic Area (EEA). Final details of the future UK/EU trading relationship and its implementation are currently unknown and subject to ongoing negotiations between the EU and the UK government. However, our expectation is that North and Sunderland Marine's existing passporting rights will ultimately be lost either immediately upon termination of the UK's EU membership or at the end of any agreed transition period.

Due to the ongoing uncertainty surrounding the future regulatory landscape, and a realistic prospect that passporting rights could be lost as early as 29 March 2019 on expiry of the current two year Article 50 notice period, it was agreed at a meeting of the North Board of Directors on 8 November 2017 that a subsidiary insurance company should be established in Ireland to underwrite all future EEA business of North and Sunderland Marine with effect from 20 February 2019.

Has the Irish subsidiary company been incorporated?

North of England P&I Designated Activity Company (North EU) was incorporated in Ireland on 8 June 2018.

Who will own and control North EU?

North EU is a designated activity company limited by shares. Ownership of North EU is vested in North as the sole shareholder. No person other than North will have a direct shareholding in North EU, or the right to exercise voting rights at general meetings of North EU. However, as a wholly owned subsidiary of North, North EU will also be subject to the ultimate ownership and indirect control of North's Members.

Will North EU's mutual policyholders retain ownership rights over the group?

Yes. Presently, North's Members include both EEA and non-EEA mutual policyholders with policies directly underwritten by North. As future renewals of North's EEA business will be underwritten by North EU amendments are required to North's constitutional documentation so that qualifying policyholders of North EU will continue to acquire corporate membership rights in North. This will ensure continuity of North's existing ownership structure which comprises both EEA and non-EEA policyholders of North's P&I, FD&D and War Risks classes. As a result, EEA policyholders will continue to exercise the same level of control over the group as is presently the case.

What is the status of North EU's application to the Central Bank of Ireland (CBI)?

An application for authorisation was submitted to the CBI on 18 June 2018. A further announcement will be made once authorisation has been received.

When will North EU commence the underwriting of EEA risks?

Once authorisation from the CBI has been obtained, North EU will assume conduct of all future underwriting activities of North and Sunderland Marine in respect of risks situated in the EEA with effect from 20 February 2019.

Which states are in the EEA?

The EEA includes all the member states of the European Union as well as Iceland, Liechtenstein and Norway. More information can be found on the Gov.UK website (<https://www.gov.uk/eu-eea>).

What changes are being made to North's articles of association and terms of reference?

As a result of Brexit North is moving away from the current "one club, one company" structure towards a "one club, two company" structure, with future EEA and non-EEA business being managed separately by North and North EU. In order to implement this structure it is necessary for amendments to be made to North's Articles of Association and the Members' Board's Terms of Reference. In particular:

1. Amendments are required to ensure that qualifying policyholders of North EU will retain their corporate membership rights in North and preserve the existing ownership structure of the Group;
2. Amendments are required to the Members' Board's Terms of Reference to include North EU within its role and functions.

Relevant changes will also be made to the rules and will be notified via a separate circular in January 2019.

How will the changes be implemented?

The proposed changes will be implemented by special resolutions of the Members of North at the Annual General Meeting on Thursday 15 November 2018. In order for these resolutions to be passed, they must be approved by at least 75% of the votes cast by Members present and entitled to vote.

When will the changes take effect?

It is proposed that the changes will take effect immediately upon the passing of the resolutions. Full details of the new structure will be provided following confirmation of authorisation.

Who should I contact for further information?

Please contact Chris Owen, North's Group General Counsel and Company Secretary for further information. Tel: 0191 232 5221 Email: chris.owen@nepia.com