



North P&I faces up to global turbulence with premiums rise for 2023-24

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North P&I Club signals intention to apply a 10% General Increase in 2023/24 premium rates amid swirling economic uncertainty and mounting inflationary pressures.

The current benign marine insurance conditions within P&I should not deflect the sector from seizing an opportunity to prepare for turbulent times ahead, according to North.

The global marine insurer's Pre-Renewal Report 2023 describes a club in robust shape as it heads towards its merger with Standard Club to establish NorthStandard as a new force in global marine insurance from February 20th next year.

Despite the war in Ukraine, sharply rising energy and commodity prices, and the combination of weakened economic growth and post-pandemic supply chain pressures on shipping, North reports fewer claims and lower claim values through 2022. COVID-19 related crew claims are down, while the period has seen only one International Group (IG) pool claim recorded.

Based on its YTD experience at the six-month point, North projected a 20 February 2023 combined ratio of below 100%. However, the pattern on which the forecast was based is not expected to continue beyond the end of 2022, as trade adjusts to distortions caused by the war in Ukraine and inflationary pressures.

With these factors in mind and the impact of investment losses during a period of market volatility, the Club has announced a call for a 10% General Increase in North's P&I premium rates for the 2023/24 policy year.

"We can only reasonably conclude that we are currently in the 'eye of the storm', with the traditional drivers of claims costs - rapidly rising inflation, commodity and shipping indices - all pointing to a more turbulent future," commented James Tyrrell, Chair, North.

The challenges of fluctuating markets had been felt in falling investment returns, North's pre-renewal report indicated, where its portfolio declined by 6.36% in the period to the end of October 2022.

"Our underlying portfolio remains fundamentally sound and is ideally placed to benefit once stability returns to the markets," said Ed Davies, Chief Financial Officer, North. However, free reserves may be down over the period as a whole, although North emphasised that it is confident that its S&P Global 'AAA' capital coverage will be retained.

"It is clear that actions taken at the 2022 renewal put the Club on a more sustainable footing, but there can be no complacency as inflationary pressures intensify," said Thya Kathiravel, Chief Underwriting Officer. "Despite recent rises in mutual premium rates, it is unlikely that improvements in our underwriting performance and the success of our diversified business lines will offset inflationary pressures and rising costs across the sector."

While applying the 10% general increase, individual Member renewals will be negotiated based on detailed assessments of performance, claims records and risk exposure in the usual



way, said Kathiravel. However, he added that a general premium rating increase of 15% would be applied to all FD&D risks written for the 2022/23 policy year.

"Establishing NorthStandard will support our aim of smoothing the volatility of year-on-year market fluctuations to deliver predictability and stability over coming years in our operational, financial and technical results," added Paul Jennings, North's CEO, who will head NorthStandard alongside Standard Club CEO Jeremy Grose. "Reductions in operating expense ratios over the coming years should help ensure more sustainable premiums without diluting our service-led approach."

Images:

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About North P&I Club:

North P&I Club is a leading global marine insurer providing P&I, FD&D, war risks, hull and machinery, and ancillary insurance to over 240 million GT of owned and chartered tonnage. Through its Sunderland Marine brand, North also provides cover for fishing vessels, small craft, aquaculture risks and owners' fixed premium P&I. The S&P Global 'A' rated Club is based in Newcastle upon Tyne, UK with regional offices and subsidiaries in Australasia, China (Hong Kong and Shanghai), Greece, Ireland, Japan, Singapore and USA. North is a leading member of the International Group of P&I Clubs (IG), with over 12% of the IG's owned tonnage. The 13 IG clubs provide liability cover for approximately 90% of the world's ocean-going tonnage and, as a member of the IG, North protects and promotes the interests of the international shipping industry. For further information, visit: www.nepia.com

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