

Press Release



BENIGN CLAIMS EXPERIENCE DRIVES POSITIVE FINANCIAL PERFORMANCE FOR NORTH P&I CLUB

26 MAY 2016

North P&I Club reports that an exceptionally low year for claims has helped it increase its free reserves by US\$90 million to US\$428 million and deliver a combined ratio of 73.3% in the financial year ended 20 February 2016. This brings the combined ratio average of the past five years down to 95.7%, amongst the best in the International Group. The Directors approved North's 2015/16 financial statements at their meeting on 18 May 2016.

Commenting on the results, Chairman Pratap Shirke said:

"This is a very pleasing set of results that reflects not only a more benign claims experience but also the prudent steps taken by the Club to improve underwriting performance and strengthen our capital position. Our strategic objectives remain the same, namely, to deliver service excellence, enhance financial stability and membership quality. Each of these objectives has been met.

North is a well capitalised Club that has focused on ensuring that the membership is fairly treated and pays an equitable share towards claims. Keeping our premium levels down and maintaining our 25 year record of not making unbudgeted supplementary calls on our members are both important, and maintaining an appropriate level of capital helps us to achieve this. We need to ensure that our capital levels are sufficient to meet not only the Solvency II regime, but also to maintain the 'A' rating that we continue to enjoy from S&P. However, we are very mindful of the fact that as a mutual, our capital is ultimately owned by our members and that our members are facing challenging trading conditions. We will seek to ensure that a balance is struck between our financial requirements as a prudent P&I Club and our role as a member-owned mutual. With this in mind, we intend to review the capital requirements of the Club later in the year and decide what, if any, action ought to be taken to achieve this balance."

Joint managing director Alan Wilson said:

"The strong financial results are the result of a diverse range of factors, including steps taken by the Club over the last four years or so, to part company with members who were not willing to make an equitable contribution; a historically low number of claims in excess of US\$1 million; low attritional claims numbers; an improvement in the deficits of the North Group's pension schemes and the successful integration of Sunderland Marine within the group. The group produced this strong financial result despite a US\$12.8 million investment loss at 20 February 2016."

Joint managing director Paul Jennings said:

"2015 was a very unusual year for claims, very similar to the exceptional year we enjoyed in 2010, but with the much larger membership. We believe that a combination of good fortune, careful member selection, a rigorous industry leading loss prevention programme, a reinvigorated approach to claims management and decreased/less intensive vessel trading activities all had a role to play in reducing the value of our gross claims by 18% on the previous year. Despite the fact that the total number of vessels entered into the Club has increased over the past five years, we had just 19 claims in excess of US\$1 million (totalling US\$55 million) – just over a third of the equivalent number in the previous year, and over 1,000 fewer small claims below US\$1 million. This pattern seems to have been reflected across the International Group as only nine Pool claims were notified in the 2015 year. In our case, the benefits from investing in our people are coming to fruition through more effective claims handling, which contributes to this strong financial result"

Detailed financial statements and in-depth commentary will be published in late June.

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Notes to Editors

North P&I Club is a leading global marine insurer providing P&I, FD&D, war risks and ancillary insurance to 131 million GT of owned tonnage. North acquired Sunderland Marine in February 2014 and formed the North Group. Through Sunderland Marine, North is also a leading insurer of fishing vessels, small craft and aquaculture risks. The Standard and Poor's 'A' rated club is based in Newcastle upon Tyne, UK with regional offices in Greece, Hong Kong, Japan and Singapore and Sunderland Marine offices worldwide. North is a leading member of the International Group of P&I Clubs (IG), with 11.5% 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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