

Press Release



NORTH GROUP INCREASES PROJECTED FREE RESERVE FOR YEAR END

24 NOVEMBER 2015

Directors of the 175 million GT, 'A' rated North P&I Club and Sunderland Marine Insurance Company (North Group) have revised their projection for the group's year-end free reserve up to US\$380 million, an increase of 12% on last year and US\$20 million more than estimated at the half-year point.

In North's pre-renewal report published today (24 November 2015), chairman Pratap Shirke says, 'Claims on the current policy year have continued to develop favourably and this, together with the assistance we have received from our reinsurance partners, has enabled us to increase our projected free reserve at 20 February 2016 to US\$380 million.'

The directors also forecast that North's combined ratio will improve from 109% to 87% this year. 'The Club's long-term average combined ratio is amongst the best within the International Group of P&I Clubs,' says Shirke. 'We aim to continue this performance by ensuring Members continue to make a fair and mutual contribution towards their own claims experience and exposure.'

He confirmed North has set a general premium increase of 2.5% for both P&I and freight, demurrage and defence (FD&D) for the 2016/17 policy year. 'The relatively low increases compared to recent years reflects the improvement in the Club's financial position during 2015/16, with favourable claims development more than offsetting negative investment income.'

He says investment return on P&I class assets in the financial year to 31 October was -0.65%, equating to a loss of US\$4.5 million, with the 29% invested corporate bonds performing particularly poorly. 'On the plus side, increasing bond yields have resulted in our pension scheme liabilities falling by US\$10 million, though this has not been factored into the projected free reserve in view of current volatility in the financial markets.'

Shirke also says that North has engaged with the UK's Prudential Regulatory Authority and North will be fully compliant with the European Union's stringent 'Solvency II directive' for insurance businesses when it comes into force on 1 January 2016.

'The directors and I are satisfied North remains in a strong, financially secure position and that our proactive renewal strategy will maintain this position. While we appear to be in the midst of a relatively benign claims environment, we nevertheless continue to believe that the upward trajectory in the cost of claims will persist in line with the last several years. As such North remains focused on its cautious underwriting philosophy and continued aim of achieving a breakeven underwriting result.'

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Note to Editors

North is a leading global marine insurer providing P&I, FD&D, war risks and ancillary insurance to 130 million GT of owned tonnage on a mutual basis and 45 million GT of chartered tonnage. Through its guaranteed subsidiary Sunderland Marine, North is also a leading insurer of fishing vessels, small craft and aquaculture risks. The 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 11.6% 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.