

Press Release

NORTH 
SERVICE, STRENGTH, QUALITY

NORTH P&I CLUB DIRECTORS DECIDE ON 4.75% OVERALL INCREASE WITH 2.5% MINIMUM

17 NOVEMBER 2014

Directors of the 180 million GT North P&I Club have decided on an overall premium increase of 4.75% for mutual protection and indemnity (P&I) cover next year, with a minimum increase per Member of 2.5%. The increase reflects the Board's commitment to maintaining the financial strength and stability of the 'A' rated Club in the face of continuing inflationary pressures on claims.

According to North's chairman Pratap Shirke, 'North remains financially secure, with a strong capital position evidenced by Standard & Poor's affirmation of its 'A' stable rating in March following our merger with Sunderland Marine. This is our tenth consecutive year with an 'A' rating and our strong technical underwriting performance means Members have not been burdened by unbudgeted supplementary calls for 23 years now.

'However the claims environment remains challenging. Although freight rates are recovering very slowly from historical lows, the overall level of global trading remains high. As a consequence there are still a significant number of larger claims in excess of US\$1 million and continuing inflationary pressures on all claims.'

Shirke says that largely as a result of two large claims arising during the 2013 policy year, the Club's share of contributions to the claims of the International Group of P&I Clubs Pool has risen quite significantly and is now comparable to the Club's actual tonnage and premium proportion of the Pool. 'This in particular has had a material impact on the assessment of the future premium requirements, compounded by the fact that investment markets continue to produce modest returns.

'While the Club remains mindful of the difficult trading conditions that our Members are operating under, the Directors believe it is imperative to maintain the financial strength of the Club and to continue with their strategic objective of not burdening Members with additional unbudgeted calls in the future,' he says.

For the P&I class the Directors have decided to apply an overall increase of 4.75% on mutual premiums at the February 2015 renewal. This will be based on a minimum 2.5% mandatory increase to all Members' premiums to cover the Club-wide increase in Pool costs, plus further increases to reflect individual claims performance and exposure. Rates will also be adjusted to incorporate any changes in the cost and structure of the International Group excess loss reinsurance programme. All crew and cargo deductibles below US\$25,000 will be increased by US\$2,000 per deductible, and premiums will be payable in four equal instalments in April, June, September and December 2015.

Mutual premiums for North's freight, demurrage and defence (FD&D) cover will also increase by 2.5% at the February 2015 renewal but there will be no change to deductibles. Fixed-premium P&I and FD&D cover rates will increase by 5%.

Joint Managing Director Alan Wilson says, 'We will this year adopt a robust approach to ensure suitable premium levels are achieved to reflect poor claims performance, and will also focus on ensuring that adequate net premium is available for each Member to cover anticipated exposure. While this means most Members will be paying around 4.75% extra for their mutual P&I cover, some could be paying significantly more.'

Joint Managing Director Paul Jennings concludes, 'The Directors are satisfied North remains in a strong position and that our proactive renewal strategy will maintain this position. Our over-riding aim is to ensure that all Members continue to receive the high levels of service and financial security they have come to expect from us.'

ENDS

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Notes to editors

North, part of North Group, is a leading marine mutual liability insurer providing P&I, FD&D, war risks and ancillary insurance to 130 million GT of owned tonnage and 50 million GT of chartered tonnage. It is based in Newcastle upon Tyne, UK with regional offices in Greece, Hong Kong, Japan and Singapore. The Club is a leading member of the International Group of P&I Clubs (IG), with around 13% 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. In February 2014 North completed a merger with Sunderland Marine, which operates within North Group as an independent regulated insurer guaranteed by North. Sunderland Marine is a leading insurer of fishing vessels, small craft and aquaculture risks. It is based in Durham with offices in Australia, Canada, the Netherlands, New Zealand, South Africa and North America.