

Press Release



NORTH P&I DIRECTORS DECIDE ON 15% GENERAL INCREASE AND DEFERRED PAYMENT TERMS 22 NOVEMBER 2012

Directors of the 170 million GT North P&I Club have decided on a 15% general premium increase for protection and indemnity (P&I) cover next year together with moderated payment terms. The increase reflects the board's commitment to maintaining the financial health and stability of the 'A' rated Club in the face of rising claims and continuing low investment returns.

According to North's Chairman Pratap Shirke of ship management group ASP, 'North remains financially sound with a strong capital position, an 'A' rating from Standard & Poor's and a long and solid performance of not burdening Members with unbudgeted supplementary calls. However, the global economy is very fragile and unstable and, as a result, we continue to adopt a cautious financial approach to ensure we meet our objective of providing strong financial security and stability for our Members.

'Current projections indicate that a combination of increased claims, both retained and particularly Pool claims, together with a modest investment return, could lead to a small reduction in the overall free reserves at the year end. We have therefore decided that a general increase of 15% will be applied to all Members' premiums at the February 2013 renewal.'

Members' rates will additionally be adjusted to reflect any changes in the cost and structure of the International Group of P&I Clubs excess loss reinsurance programme. 'The Directors are very aware of the financial pressures facing Members so have decided that P&I premiums will be collected in five instalments instead of four, with the final 30% payment not falling due until 1 December 2014. In October 2014 we will review what proportion of the final premium instalment will actually be required.' says Shirke.

Joint Managing Director Alan Wilson says North has extended the normal premium payment period by 12 months to help spread the cost of the 2013/14 general increase. The change in premium collection represents 'a very significant cash-flow advantage,' according to Wilson.

'At a time when the P&I industry is experiencing an increase in claims, it is important we ensure premium levels are sufficient to deal with current and anticipated claims experience,' says Joint Managing Director Paul Jennings. 'Our strategy has always been proactive. We do not view unbudgeted supplementary premium adjustments in the future as an appropriate option, and our conservative investment policy provides further focus on sustainable underwriting results. We are confident our Members will understand and support our strategy of maintaining the Club's ability to provide high levels of service and financial stability.'

The Directors have also decided to increase all deductibles below US\$25,000 by US\$1,500 and to subject all external fees, cost and expenses to a deductible of 10% per claim, with a minimum of US\$500 and a maximum of US\$5,000.

Premiums for North's freight, demurrage and defence (FD&D) cover will increase by 10% at the February 2013 renewal, with standard deductibles remaining unchanged at 25%, with a minimum of US\$10,000 per claim, but the maximum amount will increase to US\$150,000 per claim.

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