

## **S&P CONFIRMS NORTH P&I CLUB'S 'A' (STABLE) RATING FOR THE EIGHTH YEAR**

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Leading ratings agency Standard and Poor's (S&P) has confirmed North P&I Club's 'A' financial strength rating and stable outlook for the eighth consecutive year. The agency says its rating reflects the 150 million GT club's continued 'very strong financial flexibility, strong capitalisation and strong competitive position'.

According to S&P analysts Tufan Basarir and Peter McClean, 'North now ranks as the second largest member of the International Group of P&I Clubs by owned tonnage and the third largest by total tonnage. We believe that the club will maintain its strong competitive position by continuing to manage the growth in its tonnage to ensure that financial strength and member service are not weakened, nor the club's portfolio quality diluted'

S&P sees North's 20-year record of not having to ask members for unbudgeted supplementary funding as a significant success factor. 'The club's avoidance of unplanned supplementary calls, in our opinion, has contributed positively to this growth. We do not expect the club to make supplementary calls over the next two years (two-year rating horizon) because of its strong capitalisation.'

The agency also says North has a long-term track record of outperforming most of its peers, which can be attributed to firmer underwriting of risks and a low expense base. 'This is best illustrated by North's 14-year average combined ratio over 1998-2011 of 102%, compared with International Group clubs' average of 114% over the same period,' say the analysts.

In addition S&P believes North has clear strategic goals. 'First and foremost is the continued development of a quality portfolio within a framework of financial strength, and comprehensive service and support for members. The club has virtually achieved its goal of increasing its market share of mutual business to 12.5%. This growth will yield economies of scale for operational expenses.

'North also has extensive operational controls in place that ensure a high level of accountability. Preparations for Solvency II have seen enhancements made to the club's financial reporting structures to enable automated quarterly balance sheet reporting, which supports the solvency capital calculations,' say the analysts.

Responding to S&P's comments, chairman Pratap Shirke said, 'I am pleased we have yet again maintained our 'A' (stable) rating, which is a testament to the continuing quality, diversity and international spread of our membership portfolio as well as to our financial prudence and service quality. It also serves to demonstrate the importance of achieving the 5% general increase we have set for premiums at next month's renewal, both to preserve our financial strength and maintain our rating in the current adverse economic climate.'

Contact: [Alan Wilson](#) or [Paul Jennings](#) +44 191 232 5221