

CIRCULAR REF: 2011/029

**CIRCULATED TO ALL MEMBERS, BROKERS AND DIRECTORS
ATTENTION INSURANCE DEPARTMENT**

**2 SEPTEMBER 2011
NORTH/AAW/PAJ/CWN**

ACQUISITION OF MARINE SHIPPING MUTUAL INSURANCE COMPANY LIMITED ("MSMI") (IN RUN OFF) BY NORTH

With reference to circular 2011/017 of 4 May 2011, we are pleased to confirm that MSMI & North have entered into a legally binding Framework Agreement which, subject to the fulfilment of various conditions, will result in North acquiring MSMI (in run off).

The Agreement is based upon a revised offer made by North following the withdrawal of its original offer to MSMI as a result of North's recent decision to postpone plans to launch a Hull & Machinery facility for the 2011/2012 policy year.

The transaction will proceed on the basis that appropriate steps will be taken by the MSMI Board and Members to appoint North as the sole member of MSMI. At the same time, a payment equal to 75% of the agreed net asset value ("NAV") of MSMI at 30 June 2011 will be satisfied via a distribution of MSMI's reserves in accordance with a distribution formula determined by the MSMI Board. There are a number of outstanding matters that remain to be finalised before the transaction can be completed, in particular the determination of MSMI's NAV and the distribution of reserves.

The North board is satisfied that the terms agreed with MSMI, whilst providing both certainty and an early distribution of surplus funds to MSMI members, also provide North with continuity of claims handling in respect of MSMI claims, as well as the opportunity to achieve a reasonable surplus commensurate with the risks and costs associated with the run off of MSMI.

We hope that the parties will be in a position to complete the transaction in November and a further announcement will be made following completion.

AA WILSON & PA JENNINGS
JOINT MANAGING DIRECTORS - North Insurance Management Limited
As Managers on behalf of the North of England P&I Association Limited

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