

CIRCULAR REF: 2011/037

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

**17 NOVEMBER 2011
AAW/PAJ/KAH**

FINANCIAL REVIEW AND RENEWAL 2012

The Board of Directors met on Wednesday 19 October 2011 to review the Club's financial position and to consider the requirements for the 2012 renewal.

FINANCIAL REVIEW

With the outlook for the world economy remaining unstable, the Club continues to adopt a cautious approach overall, which underpins our objective of providing financial stability to Members. As part of this objective, it is now over 20 consecutive years since we required unbudgeted supplementary premiums from Members.

The Club's primary investment objective is to preserve capital and the Board remains of the view that the defensive policy, adopted in 2008, should continue in the current economic environment. The Directors were pleased to note that, despite the global economic turbulence, there was a positive contribution from the investment portfolio of 2% and a positive underwriting result, which is currently forecast to produce a modest increase in free reserves at February 2012.

RENEWAL FEBRUARY 2012

Although the Club continues to develop in a satisfactory manner, the Board remains committed to maintaining the financial strength of the Club, as well as supporting Members during difficult economic conditions and therefore the Directors have made the following decisions:

P&I CLASS

The Club's claims experience in 2010/11 proved to be exceptionally favourable but early indications for the current year suggest that claims levels have returned to normal. The volatile nature of such claims and the operational challenges faced by shipowners has been taken into consideration when assessing the General Increase.

CIRCULAR

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A General Increase of 5% will be applied to all premium rates for all Members. In addition, those Members with adverse claims records should anticipate that their premiums will be increased beyond the level of the General Increase. Members' rates will also be adjusted to reflect any changes in the cost of the International Group Excess Loss Reinsurance Programme.

The Directors have also decided that all deductible levels which are currently below US\$25,000 should be increased by US\$1,000.

FD&D CLASS

Shipping markets continue to be volatile and unstable, and consequently the Class continues to experience a high level of claim notifications. The Directors believe that it is reasonable to assume that claims levels will not abate during 2012 / 2013.

The Board therefore determined that a General Increase of 10% should be applied to all premium rates for all Members. The standard deductibles will remain unchanged for the 2012/13 renewal.

PREMIUM COLLECTION

P&I premiums will be collected in four instalments during the 2012 policy year on 2 April, 1 June, 3 September and 3 December. The Managers' assessment of Release Calls is 20%.

FD&D premiums will be collected in two instalments during the 2012 policy year on 2 April and 3 September. The Managers' assessment of Release Calls is 20%.

FINANCIAL REVIEW AND RENEWAL 2012 REPORT

The Directors are satisfied that the Club remains in a sound financial position and that the decisions taken regarding the forthcoming renewal will maintain this position.

The Club will soon publish a Mid-term Review and Renewal 2012 Report, which will provide Members with more information concerning the Club's financial position and development during the first half of the policy year.

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