

CIRCULAR REF: 2013/011

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

**27 FEBRUARY 2013
AAW/PAJ/JI**

RENEWAL 2013 UPDATE

As we enter a new Policy Year, we would like to take this opportunity to provide an update on the outcome of the recent renewal, and also to thank our Members and business partners for their ongoing support and commitment to the Club.

This has been a challenging renewal for the whole industry, conducted against the backdrop of continuing global economic uncertainty, and persistently recessionary markets across most shipping sectors. This has also coincided with a very significant increase in the frequency and severity of both current and projected marine insurance claims. During these difficult times it is of course appropriate that Members look to their clubs for increased support and guidance, and also to demonstrate clear leadership in maintaining long term financial strength and stability.

Maintaining financial stability has long been a key strategic objective of your Club, and we have been consistently proactive in achieving this objective. Our Members expect a financially stable and cost effective Club, which is able to continuously provide the highest levels of service. Therefore at this renewal we considered it was prudent to impose one of the highest General Increases announced by International Group clubs (although a change in the method of premium collection will provide Members with a very significant cash flow benefit), this strategy was designed to ensure that premium levels are sufficient to deal with the current and anticipated claims experience.

We are now able to report that the overwhelming majority of our Members have supported our financial strategy and have renewed their entries with the Club. Unfortunately this year some 15 Members with a total owned tonnage of approximately 4 million GT were not offered renewal for various reasons, in addition there were a small number of Members where it was not possible to agree renewal terms, and who have decided to remove part or all of their entries with the Club. Overall the reduction in owned tonnage is approximately 7 million GT, this is slightly less than the growth in tonnage we experienced during the 2012 Policy Year, and therefore our overall tonnage currently remains in excess of 127 million GT.

We were of course disappointed to see a number of Members leave, however a fundamental principle of mutuality is an expectation that all Members will make a fair financial contribution, as the overall financial health of the Club is more important than membership growth.

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This has been an important renewal for your Club, and our membership, and one which we approached with what Standard & Poor's (who in January 2013 once again confirmed our 'A' stable rating for the eighth consecutive year – see attached link to their latest report [Standard & Poor's North Report - January 2013](#)) described as a “credible and realistic approach”, your Club is now emerging as a result of planned consolidation at this renewal in a stronger overall position.

We are extremely grateful to our Members who have once again shown such strong support and confidence in our strategy of maintaining financial stability, whilst continuing to provide the highest levels of service in the most cost effective manner.

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