

CIRCULAR REF: 2016/028

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

**11 NOVEMBER 2016
TK/JAK/JMD**

FINANCIAL REVIEW AND RENEWAL 2017

The Directors met in London on 9 November 2016 to review the Club's financial position and to consider the requirements for the 2017 Renewal. Decisions taken regarding open Policy Years are set out in Appendix A.

The first six months of the year have been generally favourable, claims have continued the benign experience of the 2015/16 Policy Year and a healthy investment return has been achieved. Unfortunately, bond yields have remained volatile which has again negatively impacted the Club's pension scheme and eliminated most of the positive gains from claims and investments. As a result, the free reserves are not currently forecast to increase at the year ending 20 February 2017.

As highlighted in the Club's Management Report earlier in the year, the Directors have now considered and agreed a strategy for the appropriate level of capital for the Club to hold, to meet regulatory and rating agency requirements and to ensure the Club can withstand capital strains in the event of adverse years. The capital strategy in particular is designed to ensure that the Club maintains its proud 25 year record of not burdening Members with unbudgeted additional premiums.

In view of the current volatility linked to the pension scheme however, the capital position of the Club is not expected to develop as originally forecast, and therefore somewhat constrains the actions that could otherwise be taken at the forthcoming renewal to assist Members during these difficult trading conditions. Notwithstanding this, the Directors are satisfied with the Club's strong financial position and have therefore decided as follows:

P&I CLASS

Mutual and Fixed Premiums – to apply no increase to Members' rates at the forthcoming renewal. Premiums will however be adjusted to reflect individual Members' claims performance and exposure.

In addition, all P&I Owned deductibles below US\$25,000 will be increased as follows:

- Cargo - by a minimum of US\$2,000
- Crew and all other deductibles – by a minimum of US\$1,000 per deductible

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The North of England P&I Association Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the UK.

Reinsurance – Members’ rates will also be adjusted to incorporate any changes in the costing and structure of the International Group General Excess of Loss Reinsurance Programme.

Return of Mutual Premium - Specifically in recognition of the difficult trading conditions that Members are currently operating under, the Directors have also decided to return, as an exception, 5% of mutual premium in respect of the 2016/17 Policy Year. This will be achieved by issuing a credit note, following renewal, on all Mutual Owned ships entered in the current 2016/17 Policy Year, that renew in the 2017/18 Policy Year. This credit will be applied against that first instalment of the 2017/18 premium.

FD&D CLASS

The Directors are mindful of the high level of volatility of this Class of business, but bearing in mind the challenging trading conditions for Members, they have decided as follows:

Mutual and Fixed premiums – to apply no increase to Members’ rates, with the FD&D Rules deductible to also remain unchanged. Premiums will however be adjusted to reflect individual Members’ claims performance and exposure.

Premium Collection

P&I premiums for Mutual Owned entries will be collected in four equal instalments of 25% during the Policy Year, on 3 April 2017, 1 June 2017, 1 September 2017 and 1 December 2017.

FD&D premiums will continue to be collected in two equal instalments on 1 April 2017 and 1 September 2017.

Pre-Renewal Report

A Pre-Renewal Report will be published shortly which will provide updated information concerning the Club’s financial position.

The Directors are satisfied that the Club remains in strong financial health and that our Renewal strategy will maintain this position.

AA WILSON and PA JENNINGS
JOINT MANAGING DIRECTORS
The North of England P&I Association Limited

APPENDIX A

OPEN POLICY YEARS

P&I CLASS

2013/2014	This Policy Year was closed, the final cost was on target at 100% of the originally estimated total premium.
2014/2015	This Policy Year will be reviewed in November 2017, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.
2015/2016	This Policy Year will be reviewed in November 2017, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.
2016/2017	The Policy Year will be reviewed in November 2017, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 15%.
2017/2018	The Manager's assessment of Release Calls is 20%.

FD&D CLASS

2013/2014	This Policy Year was closed, the final cost was on target at 100% of the originally estimated total premium.
2014/2015	This Policy Year will be reviewed in November 2017, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.
2015/2016	This Policy Year will be reviewed in November 2017, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 5%.
2016/2017	The Policy Year will be reviewed in November 2017, no additional calls are anticipated, and the final cost is expected to be on target at 100% of the originally estimated total premium. The Release Call is 15%.
2017/2018	The Manager's assessment of Release Calls is 20%.