

Global service  
built around you

North

# Forward thinking

Annual Review 2020

# Highlights

## Five Year Combined Summary

### Income Statement (US\$ millions)

	2019/20	2018/19	2017/18	2016/17	2015/16
Premium income	346.6	345.0	387.6	429.5	489.8
Underwriting result	(68.3)	(13.1)	(8.0)	11.0	87.4
Investment result and foreign exchange	64.5	29.5	28.6	21.0	(12.8)
	(3.8)	16.4	20.6	32.0	74.6
Movement in pension scheme deficit	(16.1)	(3.8)	2.1	(30.2)	18.2
Revaluation of land and buildings	0.7	-	(2.9)	0.6	(2.5)
Increase / (decrease) in free reserve	(19.2)	12.6	19.8	2.4	90.3

### Balance Sheet (US\$ millions)

	Feb-20	Feb-19	Feb-18	Feb-17	Feb-16
Net assets	1,071.4	1,084.7	1,093.9	1,043.7	1,050.9
Net outstanding claims	(627.6)	(621.6)	(643.4)	(612.9)	(622.5)
Free reserves	443.8	463.1	450.5	430.8	428.4
Combined ratio	125.8%	105.1%	103.8%	96.0%	73.3%



# Welcome

Each time over the last four years, when I have paused to consider the progress that North has made in our industry, I have found it necessary to remark on periods of extraordinary events and on an unrelenting pace of change; none more so than on this occasion when we are witnessing a dismaying loss of life and damage to economies caused by the COVID-19 global pandemic. In these circumstances more than ever, we remain committed to our purpose, which is to enable our Members to trade with confidence.

## The COVID-19 Pandemic

In the volatile environment that has been created by the COVID-19 pandemic, the shipping industry is playing a vital role, working tirelessly to ensure that the supply chains delivering essential goods to communities around the world remain open. We all owe a huge debt of gratitude to seafarers and all those others involved in the shipping and delivery of the products we all rely upon every day.

In April 2020, the International Group of P&I Clubs (IG) launched its online digital dashboard to help shipowners, charterers, operators and others in the maritime sector track specific country and port COVID-19 advice. This new resource is helping the maritime community better understand and track the extent of COVID-19 worldwide. I am proud that the development and launch of this tool was made possible by North freely sharing our proprietary intellectual property and information to enhance co-operation between clubs and contribute to a collectively stronger IG. I thank all those P&I clubs and their teams that have led and supported this initiative.

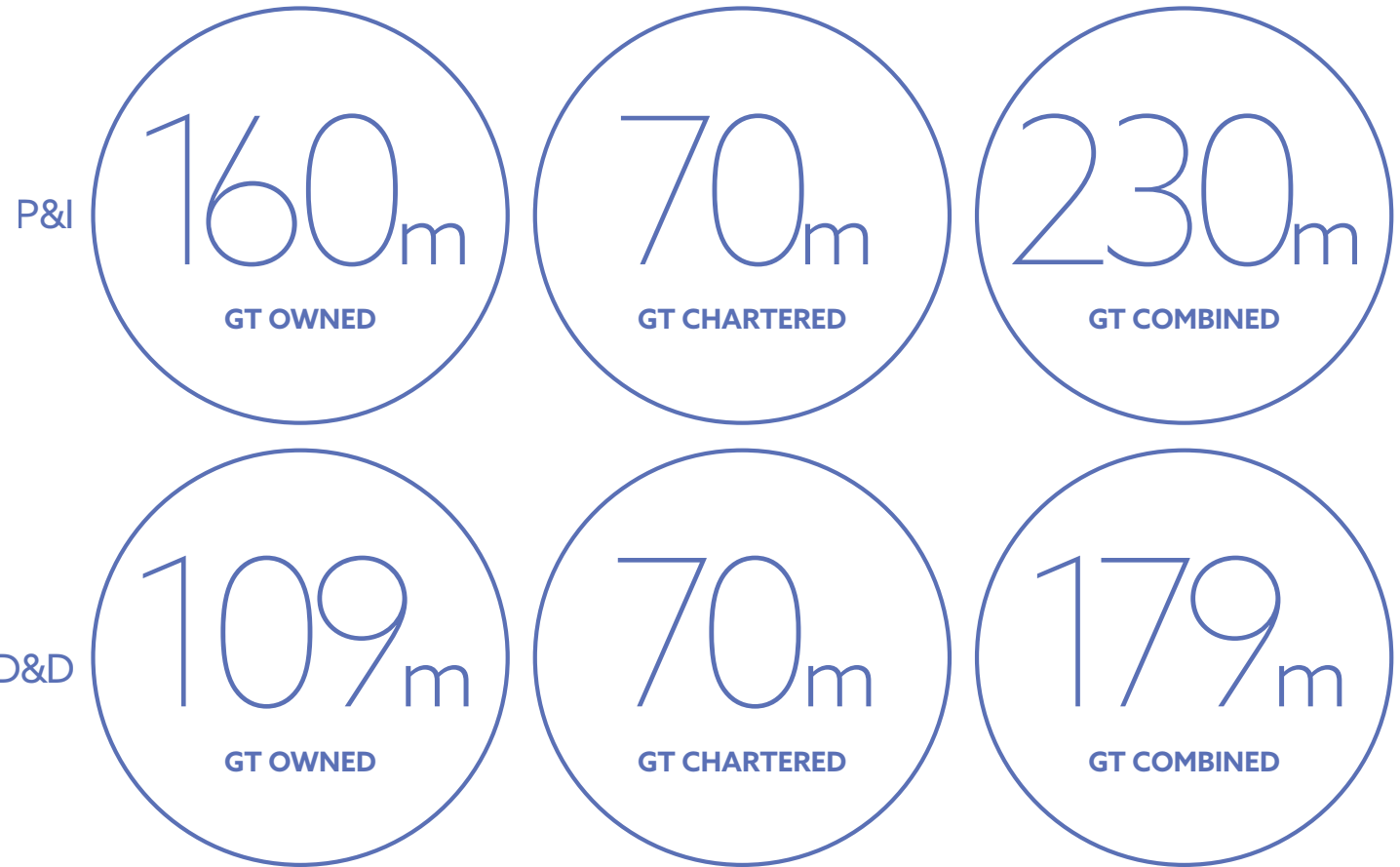


**Pratap Shirke,**  
*Chairman*

## Growth and Diversification

Events over the last four months have given rise to seismic shifts in social and business norms, and surely we cannot expect the global economy ever to be the same again. As North continues its transition from a P&I Club to a leading global marine insurer, our Members increasingly come to rely on us to anticipate and manage the changes which they have to face. They can also expect North to deliver discipline in financial management, sensible investment strategies, efforts to maintain scale and spread of risk, and a high quality of Membership. With these attributes we must include a maturing diversification strategy, which has included the addition of a blue-water hull and machinery line to our portfolio of marine insurance products since the February 2020 renewal.

Indeed, the agenda for growth and diversification lies at the heart of our plans to continue to build the strong foundations that can deliver predictability, security and reliability for our Members. The overall member retention rate at the last renewal was maintained at around 99%, and total owned tonnage exceeded 160m GT for the first time; total entered tonnage, including the Club's chartered members, exceeded 230m GT, an increase of over 20m GT. Apart from organic growth from the existing membership, both our P&I and FD&D classes welcomed a select number of new members from across our key markets both during the year and at the 2020 renewal.



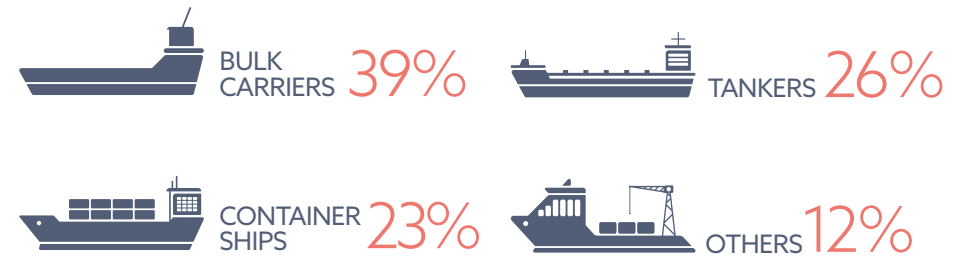
Our ongoing development of diversified lines of business from a well-managed and profitable base, to support the core mutual business, has seen the Sunderland Marine hull, P&I and aquaculture businesses continue to progress. Our recent expansion into the fixed premium P&I insurance market for smaller vessels, typically under 10,000 GT, saw North open a London office in September 2019, and in that brief time since then, the facility has outperformed expectations.

Our announcement in early May 2020, concerning the launch of a new blue-water hull and machinery product along with the recruitment of a specialist underwriting team, builds on the success of this diversification strategy. We will continue to act on opportunities that make a positive and measurable contribution to the membership and the Club.

The final steps in the post-merger integration of North and Sunderland Marine will see the businesses combined within the same legal entity - The North Group. The court process governing the formal transfer is scheduled to complete at the end of June 2020.

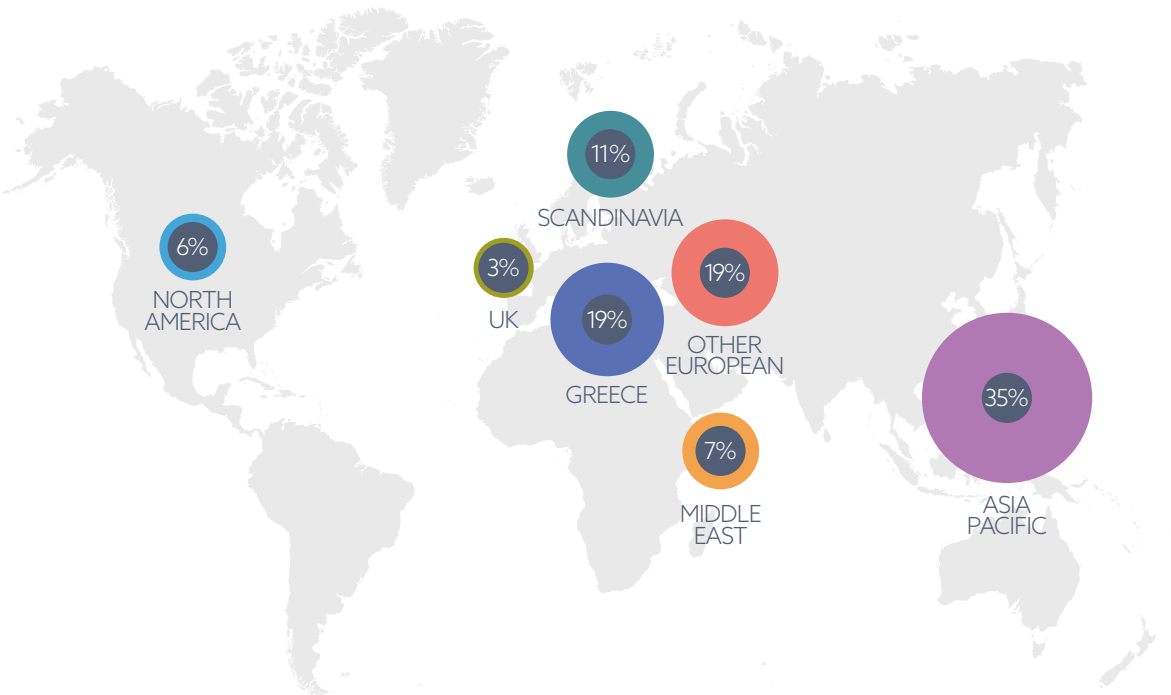
## ENTERED GT BY SHIP TYPE

Owned & Chartered



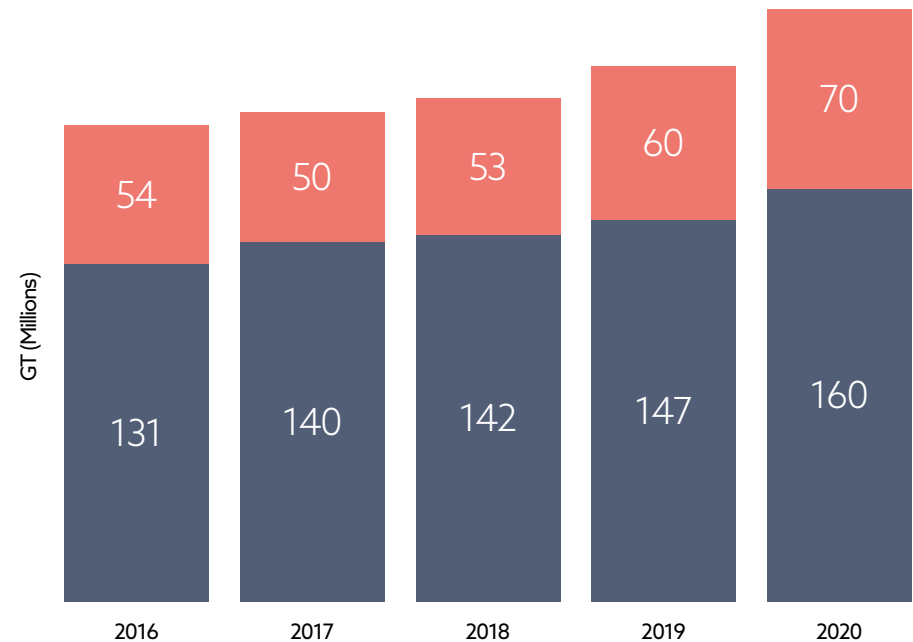
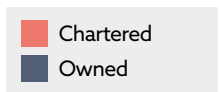
## ENTERED GT BY DISTRIBUTION

Owned & Chartered



## P&I TONNAGE DEVELOPMENT

At 20 February



## Financial Performance

As the Club continues its strategy of developing diversified and distinct products and income streams, we recorded an increase in premium income to US\$347 million for the financial year ending 20 February 2020, despite there being no general premium increases for our mutual membership for the previous three years. At the most recent renewal, we announced a targeted 7.5% premium increase to begin countering the significant erosion in premium rates that has occurred across

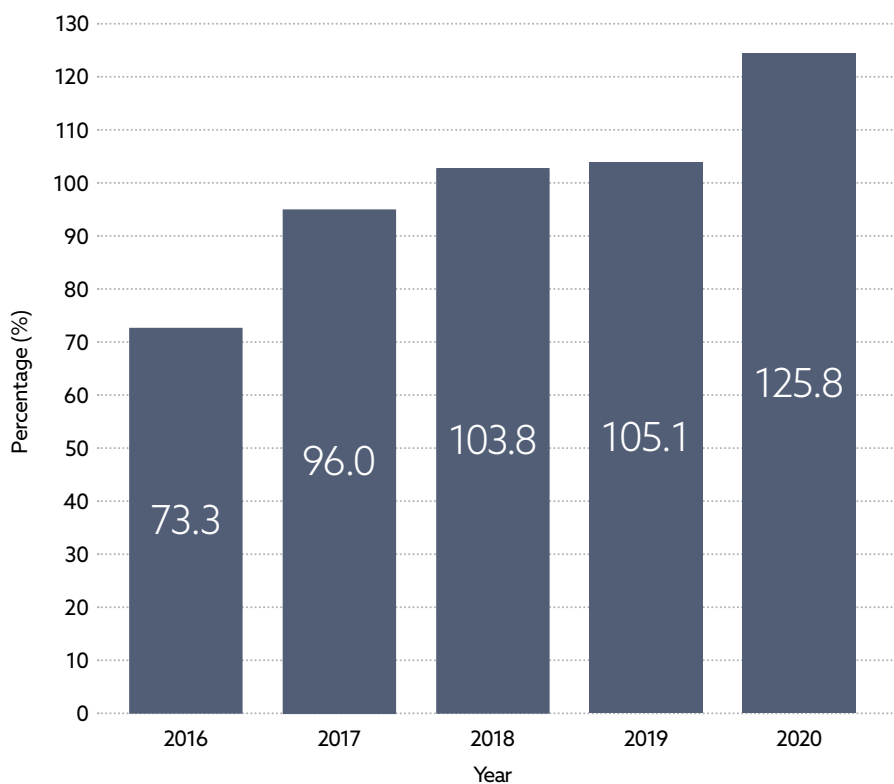
the P&I industry over the last few years, and which we highlighted in last year's Annual Review. We also experienced increased claims activity last year, and in particular two high profile casualties – the sinking of the "Grande America" and the capsizing and subsequent removal of the wreck of the "Golden Ray", both of which were entered with North. In managing these major casualties we have followed best practice in full collaboration with international experts and local authorities, and they will

be amongst the largest ever handled by the Club and, in the case of the "Golden Ray" one of the larger claims in the history of the IG. We were anticipating a combined ratio significantly in excess of 100%, due to the continuing pricing weakness of the competitive markets. However, with the notable impact of the two major casualties, we saw the combined ratio rise in the 2019/20 financial year to 125.8%, and while this is a disappointing result, it clearly demonstrates the P&I industry's sensitivity to large claims.

Excluding the impact of these two large claims our combined ratio would have been 108% which illustrates the volatility of P&I cover. Our net investment income across our portfolio at the traditional 20 February year-end point was US\$64.5 million after foreign exchange movements, equating to a return of 6.37% (net of fees). This was offset by a deterioration in the pension scheme deficit of US\$16.1 million, resulting primarily from the impact of low corporate bond yields on the valuation of pension scheme liabilities.

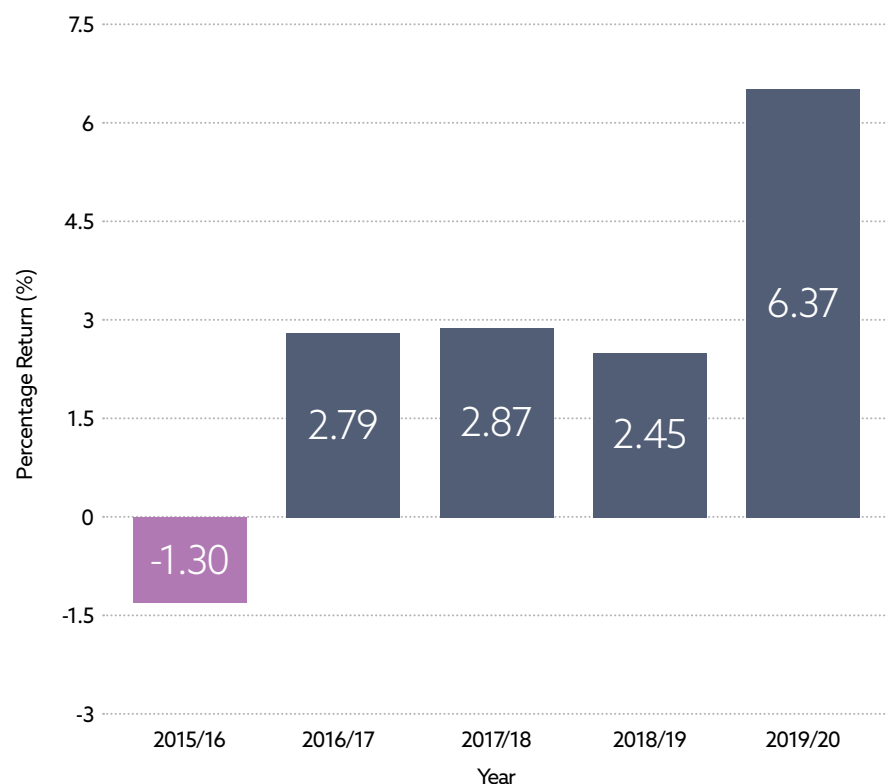
## COMBINED NET RATIO PERFORMANCE

At 20 February



## INVESTMENT RETURNS

At 20 February

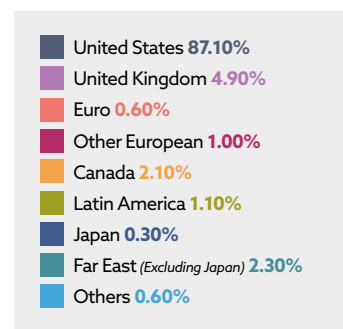
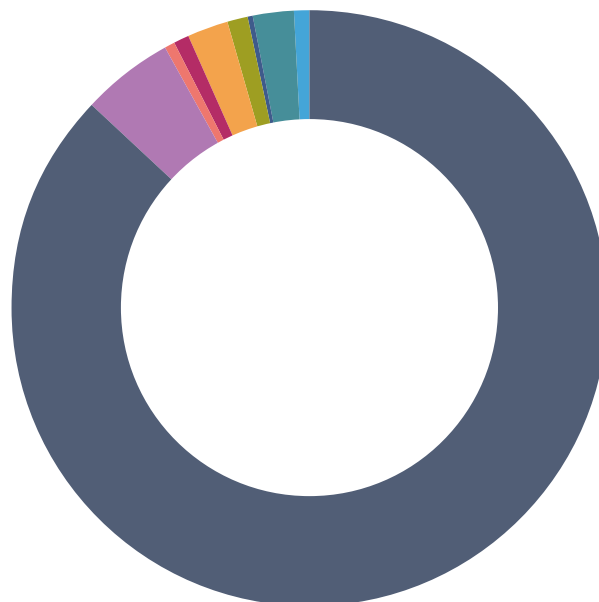


During the year, we made some substantial changes to our investment portfolio and our surplus assets are now invested in a more diverse range of funds as can be seen in the accompanying asset allocation chart. Our revised Strategic Asset Allocation is broadly risk-neutral and has positioned us to be less concentrated in the event of market volatility. Subsequently, and since the 20 February year-end, the COVID-19 pandemic has seen that volatility intensify with falls across most markets and asset classes worldwide.

Our investment position at 30 April was a loss of approximately US\$20 million or less than 2% across our portfolio. We are comfortable that our new investment strategy has performed as it should and provided protection, given that no strategy could be expected to have performed positively in the current climate. It is unforeseen circumstances such as the COVID-19 pandemic and the resulting investment volatility that clearly demonstrate the importance of the Club's strong capital reserves.

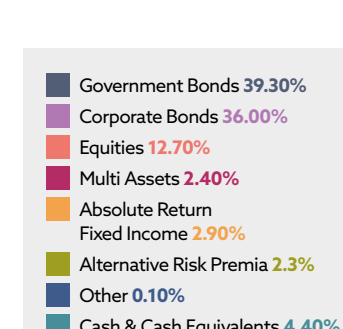
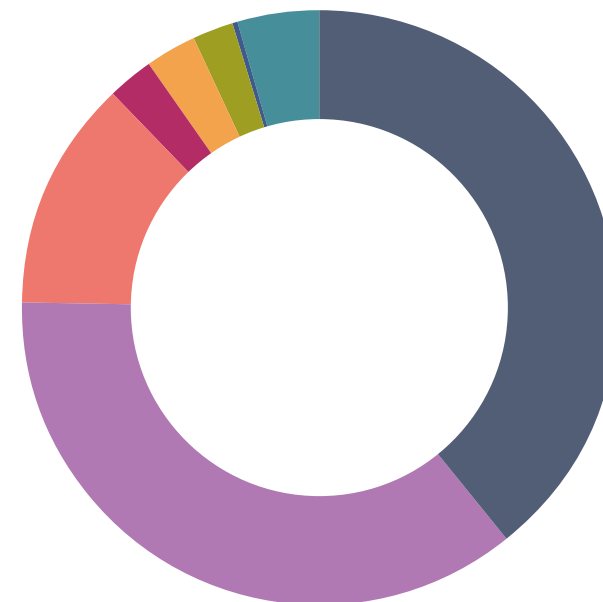
## ALL CLASSES CURRENCY ALLOCATION

At 20 February 2020



## ALL CLASSES ASSET ALLOCATION

At 20 February 2020



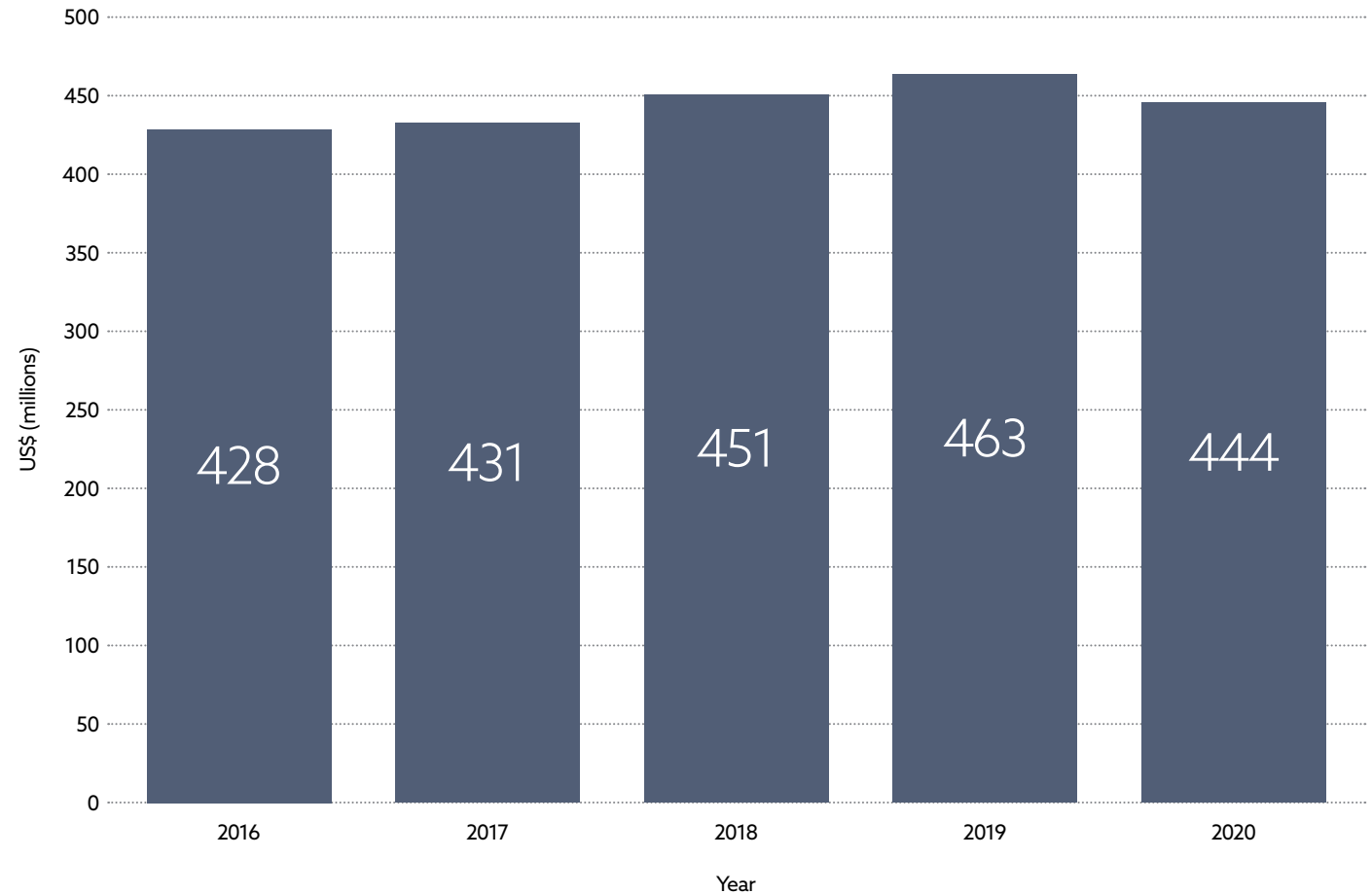
Overall free reserves fell by US\$19.2 million to US\$444 million, due to an increase in the valuation of the pension liabilities. However, given that we were amongst only two clubs to record an increase in free reserves in the previous financial year, the overall position is broadly neutral, and we remain in a strong financial position. The rating agency S&P Global, (formerly Standard & Poor's), confirmed for the 15th year North's A (stable) rating with AAA capital, re-emphasising our commitment to financial strength and stability. With a solid record of no unbudgeted supplementary calls for nearly 30 years, the Club's ongoing strength and stability has provided premium predictability for Members.

### Reinsurance

A hardening reinsurance market and upward pressure on reinsurance premiums has been well publicised. However, the long-established IG pooling arrangements and market placement for the General Excess of Loss and Collective Overspill Programme (GXL programme) provide stability, as well as allowing shipowners to continue to benefit from unparalleled levels of cover. Overall the IG programme remains relatively unchanged from 2019. North's own reinsurance programmes also benefitted from the long and stable relationships with our core reinsurance partners.

## FREE RESERVES

At 20 February





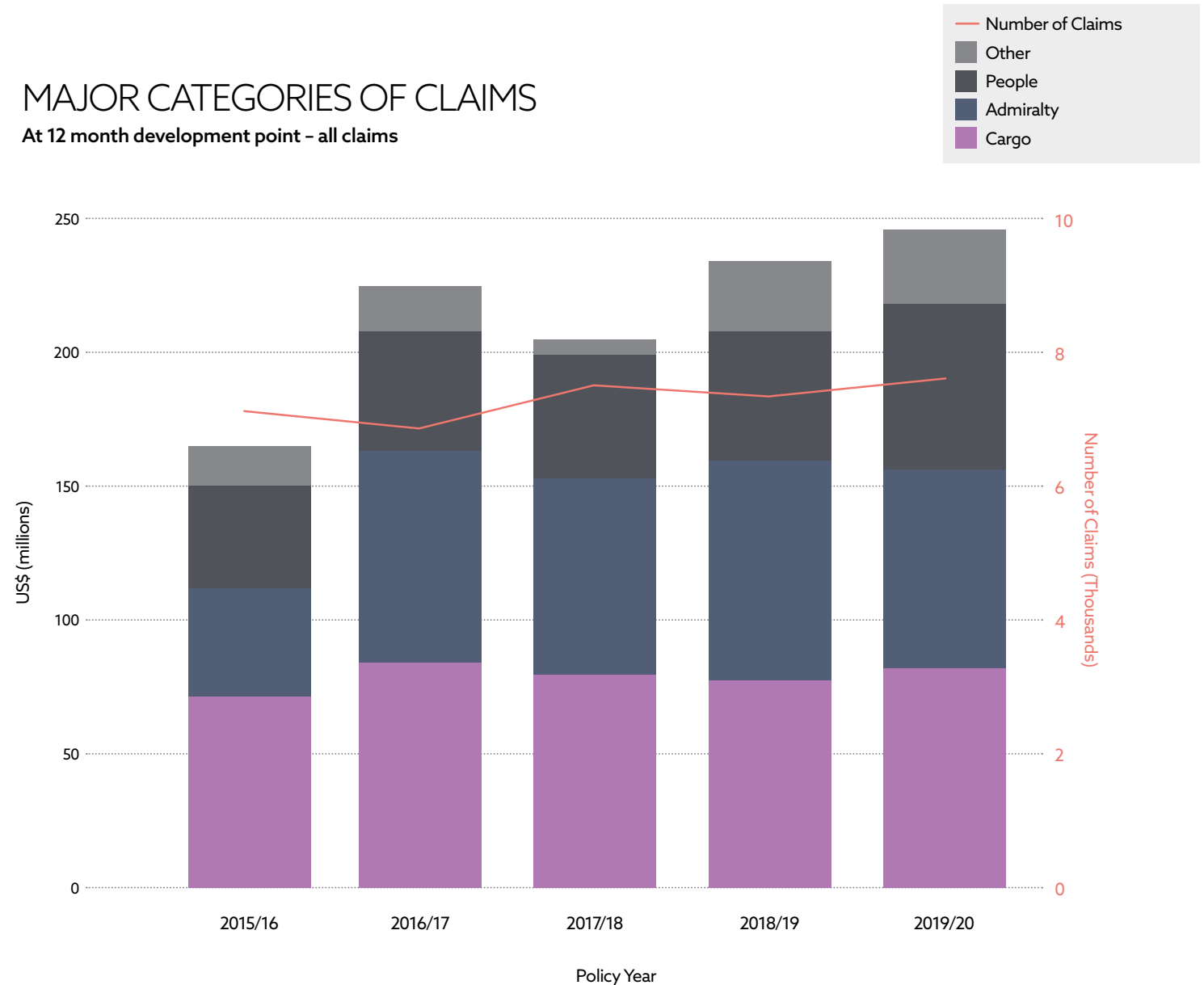
## Claims Performance

The Club's claims experience in the 2019/20 policy year saw increases in both the overall number and value of claims, reflecting the growth in membership. Large claims (those over US\$1 million) numbered 38 in 2019/20 compared to a similar number of 34 in 2018/19. Significantly, however, these large claims included the loss of the "Grande America" and the removal of the "Golden Ray" wreck. The gross claim figure for the "Golden Ray" is substantial, expected to be in excess of US\$400 million, although the financial impact of such a large loss is significantly mitigated through a combination of the IG's Pooling Arrangements, General Excess Loss reinsurance programme and the Club's own reinsurance arrangements.

Aside from the impact of our major pool claims, the 2019/20 policy year saw an increase in the retained values of claims with estimated values US\$8 million higher than 2018 which also reflects the growth in the Club. Overall claims values remain in line with the claims experience since 2015, notwithstanding the increase in the size of the Club over the same period. These continue to track below the average retained claims cost across the 2011-2014 period. It is too early to properly assess the impact on claims figures from the COVID-19 pandemic. However, there was no discernible impact in the lead up to 20 February, irrespective of the reduction in Chinese economic activity during the final two months of the 2019 policy year.

## MAJOR CATEGORIES OF CLAIMS

At 12 month development point - all claims



## Our People

Our continued success depends on our greatest strength: our people. Over the past year, we have continued to evolve our ways of working to empower our people to continue delivering the very best service to our Members. This involves further strengthening our culture, equipping our people with the appropriate skills and investing in new technology, including the MyGlobeView digital platform. This was first launched in September 2019 as part of North's new branding and digital resource suite and has provided Members with regular industry leading-updates and other information resources. The benefits of our move towards a more flexible and agile working approach were demonstrated by our effective response to the COVID-19 virus. It is thanks to the skills, determination and tenacity of our people that future challenges will be overcome allowing the Club to thrive.

## The Board of Directors and Members' Board

There were no changes to the composition of the North Board of Directors during the year. Job de Groot completed his maximum 4-year term as Vice-Chair, and James Tyrrell continues as the sole Vice-Chair. The Members' Board represents the interests of our mutual membership alongside the North Board's existing Member representatives. New appointments this year were Gildas Maire (Louis Dreyfus Armateurs S.A.S), Sandro Vuylsteke (Maersk A/S), Nicola Mylona (Transmed Shipping Ltd) and alternate Charalambos Mylonas, Omar M. Al-Khuwaiter (The National Shipping Company of Saudi Arabia (Bahri)), Dr Song Chunfeng (China Shipowners Mutual Assurance Association (CPI)). Richard Lewis was appointed as an alternate for Gary Brocklesby (Navig8 Group). I would like to thank Alain le Guillard (Louis Dreyfus Armateurs S.A.S), Dr Arnt Vespermann (Maersk/Hamburg Sud), Mr Anders Schmidt (Clipper Group) and Captain Anoop Sharma (The Shipping Corporation of India) for their service on the Members' Board.

## 2020 and Beyond

The year 2020 is notable for many reasons. It is the 20th anniversary of North's office in Piraeus which opened in 2000 with just four people. Today the office has grown to nearly twenty people in total, looking after over 80 entered fleets, totalling some 40m GT for P&I and FD&D. A personal thank you to all our valued Greek Members for their loyalty and commitment to the Club – we couldn't have done it without you.

2020 also sees the 10th anniversary of the establishment of the North 150 Fund. Over the last decade, this charitable fund has raised over US\$1 million with generous contributions from our Board and staff fundraising initiatives. The Fund has been used to support numerous local and maritime CSR projects. First established in 2010 as part of North's 150th anniversary celebrations, the impact of this financial support has been complemented by extensive volunteer work from the Club's staff in each of our global offices.

This year also marks the 160th anniversary of the Club, with our total tonnage exceeding 160m GT in our 160th year. Now is an appropriate time to reflect on our achievements so far, and perhaps more importantly, look forward to a challenging but exciting future. Early this year, we saw the industry deal with the introduction of the MARPOL Annex VI global fuel sulphur cap with the minimum of disruption in our key markets.

The industry is already preparing for further changes in 2030 and 2050 to further reduce CO<sub>2</sub> emissions from international shipping. This rapidly changing technological, regulatory and environmental landscape has several similarities with the challenges faced by the Club when first established 160 years ago.

The health, social, economic and financial implications of the COVID-19 pandemic have been discussed at length by many commentators.

However, the full extent of the commercial impact on the global economy is far from certain, and the timeline for the disruption remains a significant unknown. Beyond the immediate impact of the pandemic on the global shipping industry, the Club is well-positioned to grow and continue delivering predictability in our future performance. We have high quality, loyal and engaged Members who recognise the value of our financial strength and stability, and our industry-leading and innovative service.

We are, however, not immune to the macro environment and overcoming these challenges will require exceptional commitment and execution from everyone at North. From what I have seen during my time with North, I am confident the Club will rise to the challenge and continue delivering the very best outcomes for Members.

### Pratap Shirke

Chairman  
May 2020



"...as we enter our 160th year, our owned tonnage reached 160m GT for the first time..."

# Combined Financial Statements

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

The North of England P&I Association Limited's ("North") consolidated financial statements for the year ended 20 February 2020 are provided in a separate document and The North of England Mutual Insurance Association (Bermuda) Limited's ("NEMIA"), collectively "the Associations", statutory financial statements for the same period will be issued to Members on behalf of the Managers of that Company. Financial statements which combine the results and financial position of the Associations follow in this report. All Members are Members of both Clubs and the combined financial statements have been prepared to allow Members to gain a picture of the overall position. The statements have been prepared for illustrative purposes only and have no legal standing. These financial statements are unaudited.

Any reference to the Club in the subsequent narrative relates to the combined position.

# Accountant's Report

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## Accountant's Report to the Members of The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited

In accordance with the terms of our engagement letter dated 20 January 2017 we have performed those procedures agreed with the directors of The North of England Protecting and Indemnity Association Limited ("North") and The North of England Mutual Insurance Association (Bermuda) Limited ("NEMIA") (collectively and individually "the Companies") and set out below relating to the unaudited combined financial statements and policy year statements for the year ended 20 February 2019 ("the combined financial statements").

Our report has been prepared for the Companies solely in connection with the preparation of the combined financial statements by the Companies' directors. It has been released to the Companies on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Companies' own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Companies determined by the Companies' needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Companies for any purpose or in any context. Any party other than the Companies who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

### Agreed upon procedures

Our engagement was undertaken in accordance with International Standard on Related Services 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information. The procedures performed were as follows:

1. Agree North's figures used in the combined financial statements working papers to the signed statutory consolidated financial statements of North as at 20 February 2019;
2. Agree NEMIA's figures used in the combined financial statements working papers to the signed statutory financial statements of NEMIA as at 20 February 2019; We checked the numerical accuracy of the combined financial statements working papers;
3. Check the numerical accuracy of the combined financial statements working papers; In respect of the policy year statements, our procedures being limited to agreeing the figures used to underlying working papers;
4. In respect of the by class analysis in notes 2 to 14, agree the figures used to the outputs from underlying systems;
5. In respect of the policy year statements, agree the figures used to underlying working papers; and
6. Read the accounting policies adopted by North and NEMIA, as defined in their respective financial statements, and identify differences between the two.

# Accountant's Report (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## Findings

We report our findings below:

- We agreed North's figures in the combined financial statements working papers to the signed statutory consolidated financial statements of North as at 20 February 2019 with no exceptions;
- We agreed NEMIA's figures in the combined financial statements working papers to the signed statutory financial statements of NEMIA as at 20 February 2019 with no exceptions; With respect to item 4, we found that the by class analysis included with the notes agreed to the underlying system; and
- We noted no exceptions with the numerical accuracy of the combined financial statements working papers;
- We agreed the figures used in the by class analysis in notes 2 to 14 to the outputs from underlying systems without exception;
- We agreed the figures used in the policy year statements to underlying working papers without exception; and
- We did not identify any differences between the accounting policies adopted by North and NEMIA, as defined in their respective financial statements.

Because the above procedures do not constitute either an audit or a review in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements (UK and Ireland), we do not express any assurance on the combined financial statements as at 20 February 2019.

Had we been engaged to perform, and had performed, additional procedures, an audit or a review in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements (UK and Ireland), other matters might have come to our attention that would have been reported to you.

## KPMG LLP

Newcastle upon Tyne  
15 July 2020

# Combined Statement of Financial Position

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

	Note	2020	2019
<b>Assets</b>			
Intangible assets		19,108	19,047
Property, plant and equipment		22,313	18,780
Reinsurers' share of technical provision			
Provision for unearned premium		8,963	5,377
Claims outstanding		628,643	215,348
Financial assets			
Equity securities – at fair value through profit and loss	3	130,161	115,806
Collective investment vehicles – at fair value through profit and loss	3	849,238	–
Debt securities – at fair value through profit and loss	3	–	817,705
Loans and receivables including insurance and reinsurance receivables		101,643	90,631
Current tax debtor		148	616
Deferred tax asset		238	200
Cash and cash equivalents	4	112,729	146,276
<b>Total assets</b>		<b>1,873,184</b>	<b>1,429,786</b>
<b>Accumulated surplus</b>			
Income and expenditure account	14	(143,354)	(33,711)
Contingency fund	15	581,949	492,222
Revaluation reserve	14	5,215	4,526
<b>Total accumulated surplus</b>		<b>443,810</b>	<b>463,037</b>
Non-controlling interest		258	265
<b>Liabilities</b>			
Technical provision			
Provision for unearned premium		35,746	26,262
Claims outstanding		1,256,282	836,932
Derivative financial instruments		1,095	2,789
Reinsurance payables		13,120	9,996
Trade and other payables		58,202	38,156
Corporation tax creditor		278	75
Other taxes payable		304	–
Retirement benefit liability		64,089	52,274
<b>Total liabilities</b>		<b>1,429,116</b>	<b>966,484</b>
<b>Total accumulated surplus and liabilities</b>		<b>1,873,184</b>	<b>1,429,786</b>

These financial statements were approved by the Board of Directors on 21 May 2020.

## PA Jennings

Executive Director

# Combined Income Statement

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

	Note	2020	2019
Insurance premium revenue		357,417	339,597
Insurance premium ceded to reinsurers	6	(79,077)	(58,043)
		278,340	281,554
Change in provision for unearned premiums		(10,850)	5,422
Reinsurers' share of change in unearned premium		13,565	(3,658)
		2,715	1,764
Investment income		1,015	1,999
Net fair value gains at fair value through profit and loss	7	66,436	26,978
Other gains	8	251	5,973
Other operating income		3,064	3,789
<b>Net income</b>		<b>351,821</b>	<b>322,057</b>
Insurance claims and loss adjustment expenses	9	(821,202)	(318,423)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	546,712	91,285
Net insurance claims		(274,490)	(227,138)
Expenses for the acquisition of insurance and investment contracts	11	(34,213)	(33,329)
Expenses for marketing and administration	12	(43,368)	(36,792)
Expenses for asset management services rendered		(2,367)	(2,543)
Operating expenses		(79,948)	(72,664)
Reinsurance commission		2,866	1,253
<b>Total expenses</b>		<b>(351,572)</b>	<b>(298,549)</b>
Results of operating activities		249	23,508
Finance expense	13	(869)	(1,109)
(Deficit)/surplus before tax		(620)	22,399
Tax expense		(540)	(469)
<b>(Deficit)/surplus for the year</b>		<b>(1,160)</b>	<b>21,930</b>
<b>Attributable to</b>			
Owners		(1,282)	21,877
Non-Controlling interest		122	53
		<b>(1,160)</b>	<b>21,930</b>

# Combined Statement of Comprehensive Income

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

	Note	2020	2019
<b>Surplus/(deficit) for the year</b>		<b>(1,160)</b>	<b>21,930</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		(2,491)	(5,547)
<b>Net other comprehensive income to be reclassified to profit or loss</b>		<b>(2,491)</b>	<b>(5,547)</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Revaluation of land and buildings		689	-
Remeasurement losses on defined benefit plans		(16,143)	(3,755)
<b>Net other comprehensive income not to be reclassified to profit or loss</b>		<b>(15,454)</b>	<b>(3,755)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>(19,105)</b>	<b>12,628</b>
<b>Attributable to</b>			
Owners		(19,227)	12,575
Non-Controlling interest		122	53
		<b>(19,105)</b>	<b>12,628</b>

# Notes to the Combined Financial Statements

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## 1. Accounting policies

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1.1 Basis of presentation

These combined financial statements do not constitute North's statutory accounts for the years ended 20 February 2020 and 20 February 2019. They are the non-statutory combined financial statements of North and NEMIA.

These combined financial statements have been prepared in accordance with recognition, measurement and presentation (other than disclosure) principles of International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. However, whilst the financial information included in these combined financial statements has been computed in accordance with IFRS, these financial statements do not themselves contain sufficient information to comply with IFRS and UK company law.

IFRS compliant financial statements can be found in North's Directors' Report which is available on the Club's website.

All companies within the group prepare financial information in accordance with IFRS with the exception of the following companies:

#### (a) North Group Services Limited ("NGS")

NGS prepares its financial statements in accordance with United Kingdom generally accepted accounting standard, including FRS 101 *Reduced Disclosure Framework* ("FRS101"). The recognition and measurement criteria applied for the financial statement figures will therefore be the same as IFRS and appropriate for inclusion in the Group financial statements.

#### (b) Hydra Insurance Company Limited ("Hydra")

Hydra prepares its financial statements in accordance with generally accepted accounting principles in the United Kingdom, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. A conversion to IFRS has not been performed as the relevant North Cell figures are considered as being appropriate for inclusion in the Group financial statements.

#### (c) NEMIA

NEMIA prepares its non-statutory financial statements in accordance with its own accounting policies as described in those financial statements. A conversion to IFRS has not been performed as the figures are considered as being appropriate for inclusion in the combined financial statements.

The combined financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Associations' accounting policies.

## 1. Accounting policies (cont.)

### 1.2 Combination

The combined financial statements combine the consolidated financial statements of North and the non-statutory financial statements of NEMIA made up to 20 February each year.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by North.

All intra-group transactions, balances, income and expenses are eliminated on consolidation or combination.

### 1.3 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; less
- the net fair value of the identifiable assets acquired and liabilities assumed

### 1.4 Foreign currency translation

The combined financial statements are presented in thousands of US Dollars, which is the functional currency of North and NEMIA.

A group entity whose functional currency is not US Dollars is a foreign operation. The income and expenses of foreign operations are translated into US Dollars at the exchange rate ruling at the date of the transactions where practical, otherwise an average rate for the year is used. The assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange prevailing at the reporting date and the resulting exchange differences are recognised in other comprehensive income.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement.

Translation differences on monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the foreign exchange rate ruling at the date of transaction.

# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## 1. Accounting policies (cont.)

### 1.5 Property, plant and equipment

Land and buildings comprise the offices owned by North. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to North and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve. Decreases that offset previous increases of the same asset and other decreases are charged to the revaluation reserve in the first instance.

Depreciation on property, plant and equipment is calculated to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Land	No depreciation charged
Buildings	2% per annum reducing balance method or 2% per annum straight line
Computer Equipment	20% - 33.3% per annum straight line method
Motor Vehicles	20% - 33.3% per annum reducing balance method
Office Equipment and Fittings	10% - 33.3% per annum straight line method
Leased property, plant and equipment	The shorter of the lease term or the above

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

An asset's carrying amount is written down immediately through the Income Statement to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

### 1.6 Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Costs in respect of major software developments are capitalised. Capitalised software costs that are not an integral part of the related hardware are included in intangible assets in the statement of financial position and amortised over the expected life of the software of up to 10 years. Amortisation is charged once the asset is available for use.

## 1. Accounting policies (cont.)

### 1.7 Investments

#### Financial assets at fair value through income

The Associations classify their investments as financial assets at fair value through income. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date. Financial assets at fair value through income are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through income category are included in the income statement in the period in which they arise.

Regular purchases and sales of investments are recognised on trade date, the date on which the Associations commit to purchase or sell the asset. Investments are initially recognised at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Associations have also transferred substantially all risks and rewards of ownership.

Collective investment vehicles are valued by the fund administrator in line with the agreed valuation policy. The fund administrator values the assets and liabilities for the purposes of calculating the net asset value of each fund and for each class of shares issued by each fund as of each dealing day. Within the discretionary portfolio, the fair values of quoted investments are based on current bid prices.

#### Derivative financial instruments

The group holds derivative financial instruments to hedge its foreign currency exposure and to support the investment return. Derivatives are categorised as held for trading and are classified as financial assets or financial liabilities at fair value through income. Derivative financial instruments are measured at initial recognition, and subsequently, at fair value and changes in fair value are recognised in the income statement. Transaction costs incurred in buying and selling derivative financial instruments are recognised in the income statement when incurred. The fair value of a derivative financial instrument is determined by reference to published price quotations in an active market.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Associations intend to sell in the short term or that they have designated as at fair value through income or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

### 1.8 Impairment of assets

North assesses at each reporting date whether there is any objective evidence that a financial asset or non-financial asset is impaired. An asset is deemed to be impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Objective evidence that an asset or group of assets is impaired includes observable data that comes to the attention of the Associations about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow or carrying amount from an asset or group of assets since the initial recognition of those assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the income statement.

# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## 1. Accounting policies (cont.)

### 1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### 1.10 Revenue and expense recognition

#### Premium income

All elements of revenue arising from insurance contracts and other related services offered by the Associations are recognised on an accruals basis in the accounting period in which the contract is related or services are rendered. North's policy year runs from noon GMT on any 20 February to noon GMT on the following 20 February. North's financial year is coterminous with its policy year, but this is not the case for some of North's subsidiaries where adjustments are made for unearned premium.

#### Reinsurance premiums and recoveries

Reinsurance premiums, less returns, are charged to the Income Statement on an accrual basis, including a provision for the future expected costs of adjustments to the premium due under existing reinsurance policies. Recoveries under policies purchased by the Associations are accrued so as to match the relevant gross claims and associated provisions and reserves upon which the Associations are entitled to make recoveries.

#### Claims and related expenses

Claims paid are defined as those claims transactions settled up to the statement of financial position date including the internal and external claims settlement expenses allocated to those transactions.

Claims reserves are estimated on an undiscounted basis. Any changes to the amounts held are adjusted through the Income Statement. Claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the statement of financial position date. Included within the provision is an allowance for the future costs of handling those claims. This is estimated based on past experience and current expectations of future cost levels.

The reinsurers' share represents recoveries received from reinsurance protections in the period plus recoveries receivable now or in the future against claims paid or payable that have not been received at the statement of financial position date, net of any provision for bad debt.

Although the claims reserves are considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections), case by case reviews of notified losses and on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events.

#### Interest

Interest comprises interest on cash deposits and interest bearing securities and is recognised on an accrual basis.

#### Employee benefits

Salaries and other employee benefits, including holiday pay, are accounted for on an accrual basis. Payments to staff under the discretionary staff performance related bonus scheme are accounted for in the financial year in which they are awarded.

## 1. Accounting policies (cont.)

### 1.10 Revenue and expense recognition (cont.)

#### Retirement benefit schemes

North operates two pension schemes providing benefits based upon final pensionable salary, known as defined benefit schemes. The assets of the schemes are held separately from those of North, being invested with professional managers.

The North and SMI defined benefit schemes were closed to new members on 31 March 2006 and 1 July 2008 respectively. Both the North scheme and the SMI scheme were closed to future accrual on 31 January 2018.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method with actuarial valuations being carried out at each statement of financial position date. Remeasurements including actuarial gains and losses but excluding net interest are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to income in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense or income plus service costs are recognised in the income statement as incurred.

#### Leases

The Group has applied IFRS 16 Leases for the first time in the period using the modified retrospective approach and therefore the comparative information has not been restated.

#### *Policy applicable prior to 20 February 2019*

Where a significant portion of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases. Payments made as lessee under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the relevant lease.

#### *Policy applicable subsequent to 20 February 2019*

The Group assesses whether contracts entered into constitute a lease in accordance with the definition pursuant to IFRS 16. A contract is, or contains a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group used the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured at cost and subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, and subsequently at amortised cost using the effective interest method. In calculating the present value of the lease payments in order to determine the lease liability, the Group has used its incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. Generally, the Group has used its incremental borrowing rate of 1.85%. Judgement has been required in order to arrive at this rate; as the Group has no external borrowings this rate has been derived with reference to yields on US Corporate Bonds].

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and leases with a term of less than 12 months. Payments associated with such leases are recognised as an expense on a straight-line basis over the lease term.

On transition to IFRS 16 the Group recognised additional right of use assets and lease liabilities with respective values of US\$2.3 million.



# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## 1. Accounting policies (cont.)

### 1.10 Revenue and expense recognition (cont.)

#### Taxation

Corporation Tax is provided on relevant income.

Where the different treatment of certain items for taxation and accounting purposes results in an obligation to pay more or a right to pay less tax in the future deferred tax is recognised in respect of such temporary differences that have originated but not reversed at the balance sheet date with certain limited exceptions. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred taxation is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

### 1.11 Changes in accounting standards

The Group initially applied IFRS 16 Leases from 20 February 2019, as outlined above. A number of other new standards and revisions are also effective for periods commencing after 1 January 2019, but do not have a material effect on the financial statements.

At the date of authorisation of these financial statements, the following standards and amendments were in issue and endorsed by the EU but have not been applied in these financial statements because they are not yet effective:

- IFRS 17 Insurance Contracts (not yet endorsed)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Amendments to References to Conceptual (Framework in IFRS Standards)

IFRS 17 *Insurance Contracts* has an effective date of 1 January 2021 but has not yet been endorsed by the EU. An Exposure Draft *Amendments to IFRS 17* was issued by the IASB in June 2019 which proposed to defer both the effective date of IFRS 17, and to extend the option to defer the application of IFRS 9 described below, to 1 January 2023. The adoption of IFRS 17 is expected to result in a number of significant changes to the financial statements of the Company, not least presentational. The Group is working through a transitional plan for the adoption of this new standard.

The Group has availed itself of the option to defer the application of IFRS 9 *Financial Instruments* contained within IFRS 4 *Insurance Contracts* as i) it has not previously adopted IFRS 9; and ii) its activities are predominantly connected with insurance. IFRS 9, which otherwise has an effective date of 1 January 2018, will be applied by the Group when IFRS 17 is adopted. The adoption of IFRS 9 is not expected to have a significant impact on the financial statements of the Group.

No other future standards currently issued are expected to have a material effect on the Group's financial statements.

## 2. Segmental analysis by class

The segment financial positions for the year ended 20 February 2020 are shown below:

### STATEMENT OF FINANCIAL POSITION

	Note	P&I	FD&D	War Risks	Interclass SMI Adjustments	Total
<b>Assets</b>						
Intangible assets		19,108	-	-	-	19,108
Property, plant and equipment		18,699	-	-	3,614	22,313
Investments in group undertakings		40,385	-	-	(40,385)	-
Reinsurers' share of technical provision						
Provision for unearned premium		-	-	-	11,793	8,963
Claims outstanding	5	577,074	1,038	-	(17,956)	628,643
Financial assets						
Equity securities						
- at fair value through profit and loss	3	118,380	11,781	-	-	130,161
Collective investment vehicles						
- at fair value through profit and loss	3	767,153	42,069	5,407	34,609	849,238
Loans and receivables including insurance and reinsurance receivables		46,528	15,520	1,470	44,270	101,643
Current tax asset		10	2	-	136	148
Deferred tax asset		-	-	-	238	238
Cash and cash equivalents	4	69,077	514	76	43,062	112,729
<b>Total assets</b>		<b>1,656,414</b>	<b>70,924</b>	<b>6,953</b>	<b>206,209</b>	<b>(67,316) 1,873,184</b>
<b>Accumulated surplus</b>						
Income and expenditure account	14	(158,398)	(2,774)	6,131	52,072	(143,354)
Contingency funds	15	538,686	43,263	-	-	581,949
Revaluation reserve	14	4,009	-	-	1,206	5,215
<b>Total accumulated surplus</b>		<b>384,297</b>	<b>40,489</b>	<b>6,131</b>	<b>53,278</b>	<b>(40,385) 443,810</b>
Non-controlling interest		-	-	-	258	258
<b>Liabilities</b>						
Technical provision						
Provision for unearned premium		4,117	-	-	35,616	35,746
Claims outstanding	5	1,144,148	29,792	-	100,298	1,256,282
Derivative financial instruments		1,095	-	-	-	1,095
Reinsurance payables		6,942	-	819	11,503	13,120
Trade and other payables		51,448	643	3	4,952	58,202
Corporation tax creditor		278	-	-	-	278
Other tax creditors		-	-	-	304	304
Retirement benefit liability		64,089	-	-	-	64,089
<b>Total liabilities</b>		<b>1,272,117</b>	<b>30,435</b>	<b>822</b>	<b>152,673</b>	<b>(26,931) 1,429,116</b>
<b>Total accumulated surplus and liabilities</b>		<b>1,656,414</b>	<b>70,924</b>	<b>6,953</b>	<b>206,209</b>	<b>(67,316) 1,873,184</b>

# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## 2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2020 are shown below:

### INCOME STATEMENT

	Note	P&I	FD&D	War Risks	Interclass SMI Adjustments	Total	
Insurance premium revenue		274,726	21,218	1,186	67,275	(6,988)	357,417
Insurance premium ceded to reinsurers	6	(48,467)	(829)	(890)	(37,950)	9,059	(79,077)
		226,259	20,389	296	29,325	2,071	278,340
Change in provision for unearned premium		724	-	-	(10,720)	(854)	(10,850)
Reinsurers' share of change in unearned premium		-	-	-	12,711	854	13,565
		724	-	-	1,991	-	2,715
Investment income		430	17	5	563	-	1,015
Net fair value gains at fair value through profit and loss	7	62,164	3,186	248	838	-	66,436
Other gains	8	132	-	-	119	-	251
Other operating income		-	-	-	3,064	-	3,064
<b>Net income</b>		<b>289,709</b>	<b>23,592</b>	<b>549</b>	<b>35,900</b>	<b>2,071</b>	<b>351,821</b>
Insurance claims and loss adjustment expenses	9	(741,087)	(13,079)	-	(74,085)	7,049	(821,202)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	502,260	(1,372)	-	52,873	(7,049)	546,712
Net insurance claims		(238,827)	(14,451)	-	(21,212)	-	(274,490)
Expenses for the acquisition of insurance and investment contracts	11	(26,231)	(1,579)	(71)	(6,332)	-	(34,213)
Expenses for marketing and administration	12	(25,749)	(5,161)	(93)	(12,365)	-	(43,368)
Expenses for asset management services rendered		(2,223)	(112)	(12)	(20)	-	(2,367)
<b>Operating expenses</b>		<b>(54,203)</b>	<b>(6,852)</b>	<b>(176)</b>	<b>(18,717)</b>	<b>-</b>	<b>(79,948)</b>
Reinsurance commission		-	-	-	4,937	(2,071)	2,866
<b>Total expenses</b>		<b>(293,030)</b>	<b>(21,303)</b>	<b>(176)</b>	<b>(34,992)</b>	<b>(2,071)</b>	<b>(351,572)</b>

## 2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2020 are shown below:

### INCOME STATEMENT (cont.)

	Note	P&I	FD&D	War Risks	Interclass SMI Adjustments	Total	
Results of operating activities		(3,321)	2,289	373	908	-	249
Finance expense	13	(527)	(36)	(5)	(301)	-	(869)
Surplus / (deficit) before tax		(3,848)	2,253	368	607	-	(620)
Tax expense		(245)	-	-	(295)	-	(540)
<b>Surplus / (deficit) for the year</b>		<b>(4,093)</b>	<b>2,253</b>	<b>368</b>	<b>312</b>	<b>-</b>	<b>(1,160)</b>
Other comprehensive income		(16,143)	-	-	(1,802)	-	(17,945)
<b>Total movement in reserves for the year, net of tax</b>		<b>(20,236)</b>	<b>2,253</b>	<b>368</b>	<b>(1,490)</b>	<b>-</b>	<b>(19,105)</b>
<b>Attributable to</b>							
Owners		(20,236)	2,253	368	(1,612)	-	(19,227)
Non-controlling interest		-	-	-	122	-	122
		<b>(20,236)</b>	<b>2,253</b>	<b>368</b>	<b>(1,490)</b>	<b>-</b>	<b>(19,105)</b>

# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## 2. Segmental analysis by class (cont.)

The segment financial positions for the year ended 20 February 2019 are shown below:

### STATEMENT OF FINANCIAL POSITION

	Note	P&I	FD&D	War Risks	SMI	Interclass Adjustments	Total
<b>Assets</b>							
Intangible assets		19,047	-	-	-	-	19,047
Property, plant and equipment		16,602	-	-	2,178	-	18,780
Investments in group undertakings		50,948	-	-	-	(50,948)	-
Reinsurers' share of technical provision		-	-	-	11,623	(6,246)	5,377
Provision for unearned premium		-	-	-	11,623	(6,246)	5,377
Claims outstanding	5	191,878	2,457	-	43,141	(22,128)	215,348
Financial assets							
Equity securities							
- at fair value through profit and loss	3	115,806	-	-	-	-	115,806
Debt securities							
- at fair value through profit and loss	3	723,767	50,549	5,114	38,275	-	817,705
Derivative financial instruments							
- at fair value through profit and loss	3	-	-	-	-	-	-
Loans and receivables including insurance and reinsurance receivables		41,595	8,494	51	46,636	(6,145)	90,631
Corporation tax debtor		-	-	-	616	-	616
Deferred tax asset		-	-	-	200	-	200
Cash and cash equivalents	4	94,652	4,970	635	46,019	-	146,276
<b>Total assets</b>		<b>1,254,295</b>	<b>66,470</b>	<b>5,800</b>	<b>188,688</b>	<b>(85,467)</b>	<b>1,429,786</b>
<b>Accumulated Surplus</b>							
Income and expenditure account	14	(52,398)	(1,064)	5,763	64,936	(50,948)	(33,711)
Contingency funds	15	452,922	39,300	-	-	-	492,222
Revaluation reserve	14	4,009	-	-	517	-	4,526
<b>Total accumulated surplus</b>		<b>404,533</b>	<b>38,236</b>	<b>5,763</b>	<b>65,453</b>	<b>(50,948)</b>	<b>463,037</b>
Non-controlling interest		-	-	-	265	-	265
<b>Liabilities</b>							
Technical provision							
Provision for unearned premium		4,841	-	-	26,262	(4,841)	26,262
Claims outstanding	5	753,925	27,118	-	78,017	(22,128)	836,932
Derivative financial instruments		2,460	-	-	329	-	2,789
Reinsurance payables		4,611	932	32	9,688	(5,267)	9,996
Trade and other payables		31,578	182	5	8,674	(2,283)	38,156
Corporation tax creditor		73	2	-	-	-	75
Retirement benefit liability		52,274	-	-	-	-	52,274
<b>Total liabilities</b>		<b>849,762</b>	<b>28,234</b>	<b>37</b>	<b>122,970</b>	<b>(34,519)</b>	<b>966,484</b>
<b>Total accumulated surplus and liabilities</b>		<b>1,254,295</b>	<b>66,470</b>	<b>5,800</b>	<b>188,688</b>	<b>(85,467)</b>	<b>1,429,786</b>

## 2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2019 are shown below:

### INCOME STATEMENT

	Note	P&I	FD&D	War Risks	SMI	Interclass Adjustments	Total
Insurance premium revenue		279,459	20,126	140	49,651	(9,779)	339,597
Insurance premium ceded to reinsurers	6	(48,322)	(894)	(105)	(27,763)	19,041	(58,043)
		231,137	19,232	35	21,888	9,262	281,554
Change in provision for unearned premium		5,058	-	-	5,422	(5,058)	5,422
Reinsurers' share of change in unearned premium		-	-	-	(4,603)	945	(3,658)
		5,058	-	-	819	(4,113)	1,764
Investment income		601	72	15	1,311	-	1,999
Net fair value gains at fair value through profit and loss	7	25,500	613	95	770	-	26,978
Other gains	8	14,638	-	-	6,335	(15,000)	5,973
Other operating income		-	-	-	3,789	-	3,789
<b>Net income</b>		<b>276,934</b>	<b>19,917</b>	<b>145</b>	<b>34,912</b>	<b>(9,851)</b>	<b>322,057</b>
Insurance claims and loss adjustment expenses	9	(276,202)	(16,093)	-	(38,482)	12,354	(318,423)
Insurance claims and loss adjustment expenses recovered from reinsurers	10	89,250	457	-	13,932	(12,354)	91,285
Net insurance claims		(186,952)	(15,636)	-	(24,550)	-	(227,138)
Expenses for the acquisition of insurance and investment contracts	11	(26,224)	(1,352)	(10)	(5,743)	-	(33,329)
Expenses for marketing and administration	12	(20,182)	(4,338)	(30)	(12,242)	-	(36,792)
Expenses for asset management services rendered		(2,310)	(123)	(16)	(94)	-	(2,543)
Operating expenses		(48,716)	(5,813)	(56)	(18,079)	-	(72,664)
Reinsurance commission		-	-	-	6,402	(5,149)	1,253
<b>Total expenses</b>		<b>(235,668)</b>	<b>(21,449)</b>	<b>(56)</b>	<b>(36,227)</b>	<b>(5,149)</b>	<b>(298,549)</b>

# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

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## 2. Segmental analysis by class (cont.)

The segment results for the year ended 20 February 2019 are shown below:

### INCOME STATEMENT (cont.)

	Note	P&I	FD&D	War Risks	SMI	Interclass Adjustments	Total
Results of operating activities		41,266	(1,532)	89	(1,315)	(15,000)	23,508
Finance (expense) / income	13	(3,449)	(244)	3	2,581	-	(1,109)
Surplus / (deficit) before tax		37,817	(1,776)	92	1,266	(15,000)	22,399
Tax expense		(214)	-	-	(255)	-	(469)
<b>Surplus / (deficit) for the year</b>		<b>37,603</b>	<b>(1,776)</b>	<b>92</b>	<b>1,011</b>	<b>(15,000)</b>	<b>21,930</b>
Other comprehensive income		(3,994)	-	-	(5,308)	-	(9,302)
Reserve movements		-	-	-	(4,388)	4,388	-
<b>Total movement in reserves for the year, net of tax</b>		<b>33,609</b>	<b>(1,776)</b>	<b>92</b>	<b>(8,685)</b>	<b>(10,612)</b>	<b>12,628</b>
<b>Attributable to</b>							
Owners		33,609	(1,776)	92	(8,738)	(10,612)	12,575
Non-controlling interest		-	-	-	53	-	53
		<b>33,609</b>	<b>(1,776)</b>	<b>92</b>	<b>(8,685)</b>	<b>(10,612)</b>	<b>12,628</b>

## 3. Fair value securities

	Year ended 20 February 2020				
	P&I	FD&D	War Risks	SMI	Total
<b>Market value</b>					
Equity securities - at fair value through income	118,380	11,781	-	-	130,161
Collective investment vehicles - at fair value through income	767,153	42,069	5,407	34,609	849,238
	<b>885,533</b>	<b>53,850</b>	<b>5,407</b>	<b>34,609</b>	<b>979,399</b>
<b>Cost</b>					
Equity securities - at fair value through income	113,426	11,233	-	-	124,659
Collective investment vehicles - at fair value through income	763,415	41,836	5,389	34,609	845,249
	<b>876,841</b>	<b>53,069</b>	<b>5,389</b>	<b>34,609</b>	<b>969,908</b>

	Year ended 20 February 2019				
	P&I	FD&D	War Risks	SMI	Total
<b>Market value</b>					
Equity securities - at fair value through income	115,806	-	-	-	115,806
Debt securities - at fair value through income	723,767	50,549	5,114	38,275	817,705
	<b>839,573</b>	<b>50,549</b>	<b>5,114</b>	<b>38,275</b>	<b>933,511</b>
<b>Cost</b>					
Equity securities - at fair value through income	64,624	-	-	-	64,624
Debt securities - at fair value through income	721,970	49,260	5,055	38,275	814,560
	<b>786,594</b>	<b>49,260</b>	<b>5,055</b>	<b>38,275</b>	<b>879,184</b>

## 4. Cash and cash equivalents

	Year ended 20 February 2020				
	P&I	FD&D	War Risks	SMI	Total
Cash at bank and in hand	42,795	506	76	23,461	66,838
Short-term bank deposits	15,735	-	-	19,601	35,336
Money market funds	10,547	8	-	-	10,555
	<b>69,077</b>	<b>514</b>	<b>76</b>	<b>43,062</b>	<b>112,729</b>

	Year ended 20 February 2019				
	P&I	FD&D	War Risks	SMI	Total
Cash at bank and in hand	83,262	4,799	635	25,814	114,510
Short-term bank deposits	11,112	-	-	20,205	31,317
Money market funds	278	171	-	-	449
	<b>94,652</b>	<b>4,970</b>	<b>635</b>	<b>46,019</b>	<b>146,276</b>

# Notes to the Combined Financial Statements (cont.)

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## 5. Insurance contracts

### POLICY YEAR ANALYSIS

P&I Class	Closed Years	Open Policy Years			Handling Reserve	Total
		2017	2018	2019		
<b>At 20 February 2020</b>						
<b>Gross outstanding claims</b>						
Members	228,397	83,923	153,464	510,963	16,125	992,872
Pooling agreement	41,135	19,783	42,536	47,822	-	151,276
	<b>269,532</b>	<b>103,706</b>	<b>196,000</b>	<b>558,785</b>	<b>16,125</b>	<b>1,144,148</b>
<b>Reinsurance amount</b>						
Recoveries due under the pooling agreement	26,839	280	36,233	372,925	-	436,277
Recoveries due from reinsurers	57,253	21,660	34,361	27,523	-	140,797
	<b>84,092</b>	<b>21,940</b>	<b>70,594</b>	<b>400,448</b>	<b>-</b>	<b>577,074</b>
<b>Net outstanding claims</b>	<b>185,440</b>	<b>81,766</b>	<b>125,406</b>	<b>158,337</b>	<b>16,125</b>	<b>567,074</b>

### At 20 February 2019

Gross outstanding claims	346,954	120,324	270,269	-	16,378	753,925
Reinsurance amount	77,746	7,049	107,083	-	-	191,878
<b>Net outstanding claims</b>	<b>269,208</b>	<b>113,275</b>	<b>163,186</b>	<b>-</b>	<b>16,378</b>	<b>562,047</b>

FD&D Class	Closed Years	Open Policy Years			Handling Reserve	Total
		2017	2018	2019		
<b>At 20 February 2020</b>						
Gross outstanding claims	9,600	1,827	6,046	7,824	4,495	29,792
Reinsurance amount	1,098	(60)	(89)	89	-	1,038
<b>Net outstanding claims</b>	<b>8,502</b>	<b>1,887</b>	<b>6,135</b>	<b>7,735</b>	<b>4,495</b>	<b>28,754</b>
<b>At 20 February 2019</b>						
Gross outstanding claims	11,539	3,221	8,058	-	4,300	27,118
Reinsurance amount	2,187	-	270	-	-	2,457
<b>Net outstanding claims</b>	<b>9,352</b>	<b>3,221</b>	<b>7,788</b>	<b>-</b>	<b>4,300</b>	<b>24,661</b>

### War Risks Class

There were no outstanding claims at 20 February 2020 (20 February 2019 - nil).

## 6. Insurance premium ceded to reinsurers

	P&I	FD&D	War Risks	Year ended 20 February 2020		
				SMI	Interclass	Total
Market	17,140	829	843	37,950	(9,059)	47,703
International Group	31,327	-	-	-	-	31,327
War Risks Group	-	-	47	-	-	47
	<b>48,467</b>	<b>829</b>	<b>890</b>	<b>37,950</b>	<b>(9,059)</b>	<b>79,077</b>

	P&I	FD&D	War Risks	Year ended 20 February 2019		
				SMI	Interclass	Total
Market	17,340	894	83	27,763	(19,041)	27,039
International Group	30,982	-	-	-	-	30,982
War Risks Group	-	-	22	-	-	22
	<b>48,322</b>	<b>894</b>	<b>105</b>	<b>27,763</b>	<b>(19,041)</b>	<b>58,043</b>

## 7. Net fair value gains at fair value through income

	P&I	FD&D	War Risks	Year ended 20 February 2020	
				SMI	Total
<b>Collective Investment Vehicles</b>					
Fixed interest	18,703	538	94	521	19,856
Net realised gains	21,028	3,117	195	276	24,616
Net movement on unrealised gains/(losses)	2,803	(1,049)	(41)	41	1,754
	<b>42,534</b>	<b>2,606</b>	<b>248</b>	<b>838</b>	<b>46,226</b>
<b>Equity securities</b>					
Net realised gains	64,494	32	-	-	64,526
Net movement on unrealised (losses)/gains	(46,228)	548	-	-	(45,680)
	<b>18,266</b>	<b>580</b>	<b>-</b>	<b>-</b>	<b>18,846</b>
<b>Derivative hedging</b>					
	<b>1,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,364</b>
	<b>62,164</b>	<b>3,186</b>	<b>248</b>	<b>838</b>	<b>66,436</b>

	P&I	FD&D	War Risks	Year ended 20 February 2019	
				SMI	Total
<b>Debt securities</b>					
Fixed interest	14,271	521	26	711	15,529
Net realised (losses)/gains	(3,838)	(51)	217	(48)	(3,720)
Net movement on unrealised gains/(losses)	10,989	825	(148)	107	11,773
	<b>21,422</b>	<b>1,295</b>	<b>95</b>	<b>770</b>	<b>23,582</b>
<b>Equity securities</b>					
Net movement on unrealised gains	<b>5,817</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,817</b>
<b>Derivative hedging</b>					
	<b>(1,739)</b>	<b>(682)</b>	<b>-</b>	<b>-</b>	<b>(2,421)</b>
	<b>25,500</b>	<b>613</b>	<b>95</b>	<b>770</b>	<b>26,978</b>

# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

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## 8. Other gains

				Year ended 20 February 2020		
	P&I	FD&D	War Risks	SMI	Interclass	Total
<b>Other income</b>	<b>132</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>-</b>	<b>251</b>

				Year ended 20 February 2019		
	P&I	FD&D	War Risks	SMI	Interclass	Total
<b>Other income</b>	<b>14,638</b>	<b>-</b>	<b>-</b>	<b>6,335</b>	<b>(15,000)</b>	<b>5,973</b>

## 9. Insurance claims and loss adjustment expenses

				Year ended 20 February 2020		
	P&I	FD&D	War Risks	SMI	Interclass	Total
<b>Gross claims paid</b>						
Members' claims	297,519	5,615	-	64,305	(11,221)	356,218
Pooling agreement	31,573	-	-	-	-	31,573
Claims handling costs	21,773	4,790	-	1,183	-	27,746
	<b>350,865</b>	<b>10,405</b>	<b>-</b>	<b>65,488</b>	<b>(11,221)</b>	<b>415,537</b>
<b>Movements in gross outstanding claims</b>						
Members' claims	394,254	2,674	-	8,597	4,172	409,697
Pooling agreement	(4,032)	-	-	-	-	(4,032)
	<b>390,222</b>	<b>2,674</b>	<b>-</b>	<b>8,597</b>	<b>4,172</b>	<b>405,665</b>
<b>Total gross claims</b>	<b>741,087</b>	<b>13,079</b>	<b>-</b>	<b>74,085</b>	<b>(7,049)</b>	<b>821,202</b>

				Year ended 20 February 2019		
	P&I	FD&D	War Risks	SMI	Interclass	Total
<b>Gross claims paid</b>						
Members' claims	209,159	4,366	-	105,351	(35,483)	283,393
Pooling agreement	23,808	-	-	-	-	23,808
Claims handling costs	22,475	4,612	-	2,472	-	29,559
	<b>255,442</b>	<b>8,978</b>	<b>-</b>	<b>107,823</b>	<b>(35,483)</b>	<b>336,760</b>
<b>Movements in gross outstanding claims</b>						
Members' claims	17,390	7,115	-	(69,341)	23,129	(21,707)
Pooling agreement	3,370	-	-	-	-	3,370
	<b>20,760</b>	<b>7,115</b>	<b>-</b>	<b>(69,341)</b>	<b>23,129</b>	<b>(18,337)</b>
<b>Total gross claims</b>	<b>276,202</b>	<b>16,093</b>	<b>-</b>	<b>38,482</b>	<b>(12,354)</b>	<b>318,423</b>

## 10. Insurance claims and loss adjustment expenses recovered from reinsurers

				Year ended 20 February 2020		
	P&I	FD&D	War Risks	SMI	Interclass	Total
<b>Reinsurance recoverable on claims paid</b>						
Claims recoverable from reinsurers	2,050	47	-	49,294	(11,221)	40,170
Claims recoverable under the pooling agreement	115,015	-	-	-	-	115,015
	<b>117,065</b>	<b>47</b>	<b>-</b>	<b>49,294</b>	<b>(11,221)</b>	<b>155,185</b>
<b>Movements in reinsurance recoverable on outstanding claims</b>						
Recoveries due from reinsurers	23,064	(1,419)	-	3,579	4,172	29,396
Recoveries due under the pooling agreement	362,131	-	-	-	-	362,131
	<b>385,195</b>	<b>(1,419)</b>	<b>-</b>	<b>3,579</b>	<b>4,172</b>	<b>391,527</b>
	<b>502,260</b>	<b>(1,372)</b>	<b>-</b>	<b>52,873</b>	<b>(7,049)</b>	<b>546,712</b>

				Year ended 20 February 2019		
	P&I	FD&D	War Risks	SMI	Interclass	Total
<b>Reinsurance recoverable on claims paid</b>						
Claims recoverable from reinsurers	13,410	32	-	74,863	(35,483)	52,822
Claims recoverable under the pooling agreement	26,227	-	-	-	-	26,227
	<b>39,637</b>	<b>32</b>	<b>-</b>	<b>74,863</b>	<b>(35,483)</b>	<b>79,049</b>
<b>Movements in reinsurance recoverable on outstanding claims</b>						
Recoveries due from reinsurers	(18,913)	425	-	(60,931)	23,129	(56,290)
Recoveries due under the pooling agreement	68,526	-	-	-	-	68,526
	<b>49,613</b>	<b>425</b>	<b>-</b>	<b>(60,931)</b>	<b>23,129</b>	<b>12,236</b>
	<b>89,250</b>	<b>457</b>	<b>-</b>	<b>(13,932)</b>	<b>12,354</b>	<b>91,285</b>

# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

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## 11. Expenses for the acquisition of insurance and investment contracts

	Year ended 20 February 2020				
	P&I	FD&D	War Risks	SMI	Total
Brokerage	18,740	1,579	71	6,332	26,722
Acquisition costs	7,491	-	-	-	7,491
	<b>26,231</b>	<b>1,579</b>	<b>71</b>	<b>6,332</b>	<b>34,213</b>

	Year ended 20 February 2019				
	P&I	FD&D	War Risks	SMI	Total
Brokerage	18,451	1,352	10	5,743	25,556
Acquisition costs	7,773	-	-	-	7,773
	<b>26,224</b>	<b>1,352</b>	<b>10</b>	<b>5,743</b>	<b>33,329</b>

In accordance with Schedule 3 of the International Group Agreement 1999 North is required to disclose its Average Expense Ratio for P&I business for the five years ended 20 February 2020. The Ratio of 13.7% (2019 - 12.7%) has been calculated in accordance with the Schedule and the guidelines issued by the International Group and is consistent with the relevant financial statements of North and NEMIA.

## 12. Expenses for marketing and administration

	Year ended 20 February 2020				
	P&I	FD&D	War Risks	SMI	Total
Gross marketing and administration expenses	55,013	9,951	93	13,548	78,605
Acquisition costs	(7,491)	-	-	-	(7,491)
Claims handling costs	(21,773)	(4,790)	-	(1,183)	(27,746)
	<b>25,749</b>	<b>5,161</b>	<b>93</b>	<b>12,365</b>	<b>43,368</b>

	Year ended 20 February 2019				
	P&I	FD&D	War Risks	SMI	Total
Gross marketing and administration expenses	50,430	8,950	30	14,714	74,124
Acquisition costs	(7,773)	-	-	-	(7,773)
Claims handling costs	(22,475)	(4,612)	-	(2,472)	(29,559)
	<b>20,182</b>	<b>4,338</b>	<b>30</b>	<b>12,242</b>	<b>36,792</b>

## 13. Finance income and expenditure

	Year ended 20 February 2020				
	P&I	FD&D	War Risks	SMI	Total
Other expense	(527)	(36)	(5)	(301)	(869)
	<b>(527)</b>	<b>(36)</b>	<b>(5)</b>	<b>(301)</b>	<b>(869)</b>

	Year ended 20 February 2019				
	P&I	FD&D	War Risks	SMI	Total
Foreign exchange expense on investments	(4,810)	-	-	-	(4,810)
Other income/(expense)	1,361	(244)	3	2,581	3,701
	<b>(3,449)</b>	<b>(244)</b>	<b>3</b>	<b>2,581</b>	<b>(1,109)</b>

## 14. Reserves

All Classes	I&E Account	Contingency Fund	Revaluation Reserve	Accumulated Surplus Attributable to Members	Non-controlling Interest	Total Equity
<b>At 20 February 2019</b>	<b>(33,711)</b>	<b>492,222</b>	<b>4,526</b>	<b>463,037</b>	<b>265</b>	<b>463,302</b>
Total comprehensive income for the year	(3,773)	(16,143)	689	(19,227)	122	(19,105)
Dividend & exchange	-	-	-	-	(129)	(129)
Transfer to contingency fund	(105,870)	105,870	-	-	-	-
<b>At 20 February 2020</b>	<b>(143,354)</b>	<b>581,949</b>	<b>5,215</b>	<b>443,810</b>	<b>258</b>	<b>444,068</b>

# Notes to the Combined Financial Statements (cont.)

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## 15. Contingency fund

All Classes	2020	2020	2019	2019
Opening balance		492,222		395,099
The transfer from the Income and Expenditure account:				
Allocation of investment income/(expense) for the year	53,925		9,099	
Surplus transferred from closed policy years	51,945		91,779	
		105,870		100,878
Remeasurement (losses) / gains on defined benefit plan		(16,143)		(3,755)
<b>Closing balance</b>		<b>581,949</b>		<b>492,222</b>
Protecting and Indemnity Class	2020	2020	2019	2019
Opening balance		452,922		358,539
The transfer from the Income and Expenditure account:				
Allocation of investment income	50,667		8,543	
Surplus transferred from closed policy years	51,240		89,595	
		101,907		98,138
Remeasurement (losses) / gains on defined benefit plan		(16,143)		(3,755)
<b>Closing balance</b>		<b>538,686</b>		<b>452,922</b>

The P&I Contingency Fund was established by the Directors on 12 October 1983 in order to maintain premium stability. The operation of the Contingency Fund is described in the P&I Class rules which are available on the Company's website.

Freight, Demurrage & Defence Class	2020	2020	2019	2019
Opening balance		39,300		36,560
The transfer to the Income and Expenditure account comprises:				
Allocation of investment income	3,258		556	
Surplus transferred from closed policy years	705		2,184	
		3,963		2,740
<b>Closing balance</b>		<b>43,263</b>		<b>39,300</b>

The FD&D Contingency Fund was established by the Directors on 23 September 1994 in order to maintain premium stability. The operation of the Contingency Fund is described in the FD&D Class rules which are available on the Company's website.

## 16. International Group disclosure

North is a member of the International Group of P&I Clubs.

Disclosure for the International Group accounting requirements in respect of outstanding reinsurance recoveries on paid claims in the P&I Class is as follows:

	2020	2019
Recoveries due under the pooling agreement	25,404	3,865
Recoveries due from other reinsurers	1,163	1,241
	<b>26,567</b>	<b>5,106</b>

Disclosure for the International Group accounting requirements in respect of the change in provision in respect of claims outstanding in the P&I Class is as follows:

	2020	2019
<b>Gross outstanding claims</b>		
Members	394,254	17,390
Pooling agreement	(4,032)	3,370
	<b>390,222</b>	<b>20,760</b>
<b>Reinsurers' share</b>		
Recoveries due from reinsurers	(23,064)	18,913
Recoveries due under the pooling agreement	(362,131)	(68,526)
	<b>(385,195)</b>	<b>(49,613)</b>
<b>Movement in net outstanding claims</b>	<b>5,027</b>	<b>(28,853)</b>



# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

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## Combined P&I Class policy year statement

	Closed Years	2017/2018	2018/2019	2019/2020	Claims Handling Reserve	Contingency Fund	Revaluation Reserve	Total
Mutual & fixed premium								
Invoiced in prior years		276,023	253,753	-	-	-	-	529,776
Invoiced in current year		983	5,068	250,631	-	-	-	256,682
		277,006	258,821	250,631	-	-	-	786,458
Release premium		464	208	101	-	-	-	773
		277,470	259,029	250,732	-	-	-	787,231
Reinsurance premium		(53,507)	(52,565)	(49,656)	-	-	-	(155,728)
		223,963	206,464	201,076	-	-	-	631,503
Investment income, gains on sale of investments and exchange movements		11,100	11,631	8,927	-	153,390	-	185,048
Other income		(5)	14,597	117	-	-	-	14,709
Transfers		-	-	-	-	388,363	-	388,363
		235,058	232,692	210,120	-	541,753	-	1,219,623
Members' & pool claims		(133,707)	(102,981)	(66,338)	-	-	-	(303,026)
Expenses & tax		(46,182)	(50,668)	(54,758)	-	(3,067)	-	(154,675)
Surplus available on closed years	170,683	-	-	-	-	-	-	170,683
<b>Balances available for outstanding claims</b>	<b>170,683</b>	<b>55,169</b>	<b>79,043</b>	<b>89,024</b>	<b>-</b>	<b>538,686</b>	<b>-</b>	<b>932,605</b>
Outstanding claims	(269,532)	(103,706)	(196,000)	(558,785)	(16,125)	-	-	(1,144,148)
Reinsurance recoveries	84,092	21,940	70,594	400,448	-	-	-	577,074
RITC on acquisition	14,757	-	-	-	-	-	-	14,757
	(170,683)	(81,766)	(125,406)	(158,337)	(16,125)	-	-	(552,317)
Revaluation reserve	-	-	-	-	-	-	4,009	4,009
<b>Surplus / (deficit) at 20 February 2020</b>	<b>-</b>	<b>(26,597)</b>	<b>(46,363)</b>	<b>(69,313)</b>	<b>(16,125)</b>	<b>538,686</b>	<b>4,009</b>	<b>384,297</b>
Surplus / (deficit) at 20 February 2019	20,462	(21,911)	(34,571)	-	(16,378)	452,922	4,009	404,533

## Notes to the combined P&I Class policy year statement

- The Combined P&I Class Policy Year Statement ("the Statement") is based on the combined policy year results of North and NEMIA ("the Associations"). The Statement aggregates the policy year statements of the Associations and eliminates the effect of the reinsurance transaction by which North reinsures 90% of its P&I risks and accumulated outstanding claims with NEMIA. The Associations have accounted for the reinsurance transaction in their respective accounts for the year ended 20 February 2020.
- Investment income, gains and losses on sales of investments and exchange movements are allocated to open policy years on the basis of a seven year projection using the annualised return of the previous seven years, and the remainder is allocated to the contingency fund.
- Premium is net of brokerage.
- Expenses and tax charged to open policy years are as follows:

	2017/2018	2018/2019	2019/2020
General and administrative expenses	46,182	50,668	54,763
Investment expenses	-	-	-
Taxation	-	-	-
	<b>46,182</b>	<b>50,668</b>	<b>54,763</b>

From 2014/15, investment expenses and investment related taxation are charged to the contingency fund.

- Estimated outstanding claims include appropriate amounts in each policy year for incurred but not reported (IBNR) claims.
- A deficit on any open policy year will be funded by, if necessary, a transfer from the contingency fund or by making an additional call.
- Future investment income has not been included in the statement and claims have not been discounted.
- Transfers are made from the contingency fund to meet exceptional items and to maintain call stability.
- The approximate yield of a 10% additional call on the open policy years would be:
 

2017/18	US\$ 23.9 million
2018/19	US\$ 22.6 million
2019/20	US\$ 21.5 million

# Notes to the Combined Financial Statements (cont.)

The North of England P&I Association Limited and The North of England Mutual Insurance Association (Bermuda) Limited Combined Financial Statements (All amounts in US Dollar thousands unless otherwise stated)

20 February 2020

## Combined FD&D Class policy year statement

	Closed Years	2017/2018	2018/2019	2019/2020	Claims Handling Reserve	Contingency Fund	Total
Mutual & fixed premium							
Invoiced in prior years		18,508	18,699	-	-	-	37,207
Invoiced in current year		22	277	19,328	-	-	19,627
		18,530	18,976	19,328			56,834
Release premium		2	22	8	-	-	32
		18,532	18,998	19,336	-	-	56,866
Reinsurance premium		(1,444)	(861)	(767)	-	-	(3,072)
Investment income, gains on sale of investments and exchange movements		(192)	(238)	(203)	-	2,815	2,182
Other income		8	-	-	-	-	8
Transfers		-	-	-	-	40,448	40,448
		16,904	17,899	18,366	-	43,263	96,432
Members' & pool claims		(2,384)	(2,986)	(1,013)	-	-	(6,383)
Expenses & tax		(10,406)	(8,952)	(9,950)	-	-	(29,308)
Surplus available on closed years	8,502	-	-	-	-	-	8,502
<b>Balances available for outstanding claims</b>	<b>8,502</b>	<b>4,114</b>	<b>5,961</b>	<b>7,403</b>	<b>-</b>	<b>43,263</b>	<b>69,243</b>
Outstanding claims	(9,600)	(1,827)	(6,046)	(7,824)	(4,495)	-	(29,792)
Reinsurance recoveries	1,098	(60)	(89)	89	-	-	1,038
	(8,502)	(1,887)	(6,135)	(7,735)	(4,495)	-	(28,754)
<b>Surplus / (deficit) at 20 February 2020</b>	<b>-</b>	<b>2,227</b>	<b>(174)</b>	<b>(332)</b>	<b>(4,495)</b>	<b>43,263</b>	<b>40,489</b>
Surplus / (deficit) at 20 February 2019	1,399	1,485	352	-	(4,300)	39,300	38,236

## Notes to the combined FD&D class policy year statement

- The Combined FD&D Class Policy Year Statement ("the Statement") is based on the combined policy year results of North and NEMIA ("the Associations"). The Statement aggregates the policy year statements of the Associations and eliminates the effect of the reinsurance transaction by which North reinsures 90% of its FD&D risks and accumulated outstanding claims with NEMIA. The Associations have accounted for the reinsurance transaction in their respective accounts for the period ended 20 February 2020.
- Investment income, gains and losses on sales of investments and exchange movements are allocated to open policy years on the basis of a seven year projection using the annualised return of the previous seven years, and the remainder is allocated to the contingency fund.
- Premium is net of brokerage.
- Expenses and tax charged to open policy years are as follows:

	2017/2018	2018/2019	2019/2020
General and administrative expenses	10,406	8,950	9,951

- Estimated outstanding claims include appropriate amounts in each policy year for incurred but not reported (IBNR) claims.
- A deficit on any open policy year will be funded by, if necessary, a transfer from the contingency fund or by making an additional call.
- Future investment income has not been included in the statement and claims have not been discounted.
- Transfers are made from the Contingency Fund to meet exceptional items and to maintain call stability. The surplus on closed years has been transferred to the contingency fund.
- The approximate yield of a 10% additional call on the open policy years would be:
 

2017/18	US\$ 1.2 million
2018/19	US\$ 1.2 million
2019/20	US\$ 1.2 million

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