

Global service  
built around you

North



# Annual Review 2021



# Annual Review 2021

North is a leading global marine insurer with over 160 years of history in the P&I industry. Today, our diversified business has grown to include a wide portfolio of marine insurance products and services including P&I, FD&D, Hull and Machinery and other ancillary insurances. Through our Sunderland Marine brand, North is also one of the world's leading insurers of fishing vessels, small craft, aquaculture risks and owners' fixed premium P&I cover. Further information can be found at [www.nepia.com](http://www.nepia.com)

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# Highlights

A snapshot of our key financial and business results.

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# Highlights



## FIVE YEAR COMBINED SUMMARY

### Income Statement (US\$ millions)

	2020/21	2019/20	2018/19	2017/18	2016/17
Premium income	406.2	346.6	345.0	387.6	429.5
Underwriting result	(44.9)	(68.3)	(13.1)	(8.0)	11.0
Investment result and foreign exchange	64.5	64.5	29.5	28.6	21.0
	19.6	(3.8)	16.4	20.6	32.0
Movement in pension scheme deficit	(11.4)	(16.1)	(3.8)	2.1	(30.2)
Revaluation of land and buildings	(1.7)	0.7	-	(2.9)	0.6
Increase / (decrease) in free reserve	6.5	(19.2)	12.6	19.8	2.4

### Balance Sheet (US\$ millions)

	Feb-21	Feb-20	Feb-19	Feb-18	Feb-17
Net assets	1,118.8	1,071.4	1,084.7	1,093.9	1,043.7
Net outstanding claims	(668.5)	(627.6)	(621.6)	(643.4)	(612.9)
Free reserves	450.3	443.8	463.1	450.5	430.8
Combined ratio	113.7%	125.8%	105.1%	103.8%	96.0%

## KEY PERFORMANCE INDICATORS

113.7%

COMBINED RATIO

125.8% 2019  $\nabla$  12.1%

450m

FREE RESERVES (US\$)

444m 2019  $\wedge$  6m

6.67%

INVESTMENT RETURN

6.37% 2019  $\wedge$  0.30%

406m

PREMIUM INCOME

347m 2019  $\wedge$  60m

A

RATING

AAA capital strength







# Welcome

To our 2021 Annual Review.

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# Welcome

Last year in 2020 we celebrated 160 years of North. It was a chance to look back at some of the key moments in our history and understand how they have shaped today's Club.

In this Annual Review, we reflect on an extraordinary year for the world and for North's mutual and diversified businesses. Through a period of exceptional challenge, we have supported all Members of North while continuing to be driven by our core purpose – enabling you to trade with confidence.

I am writing this, my first statement as North's Chair, a few short months since my formal appointment in early February 2021. I am delighted to welcome Ioanna Procopiou, as our new Vice-Chair, and to salute the achievements of Pratap Shirke, North's previous Chair. Pratap has made an outstanding contribution to the successful development of North during his nine years as Chair, and has been extremely supportive to me throughout my time on the Board. Indeed, his welcoming friendly approach has been a feature of his tenure as Chair. I look forward to his continued support and advice over the coming months.

**James Tyrrell**  
Chair

## Our core purpose

**To enable  
our Members  
to trade with  
confidence**



# Welcome (cont.)



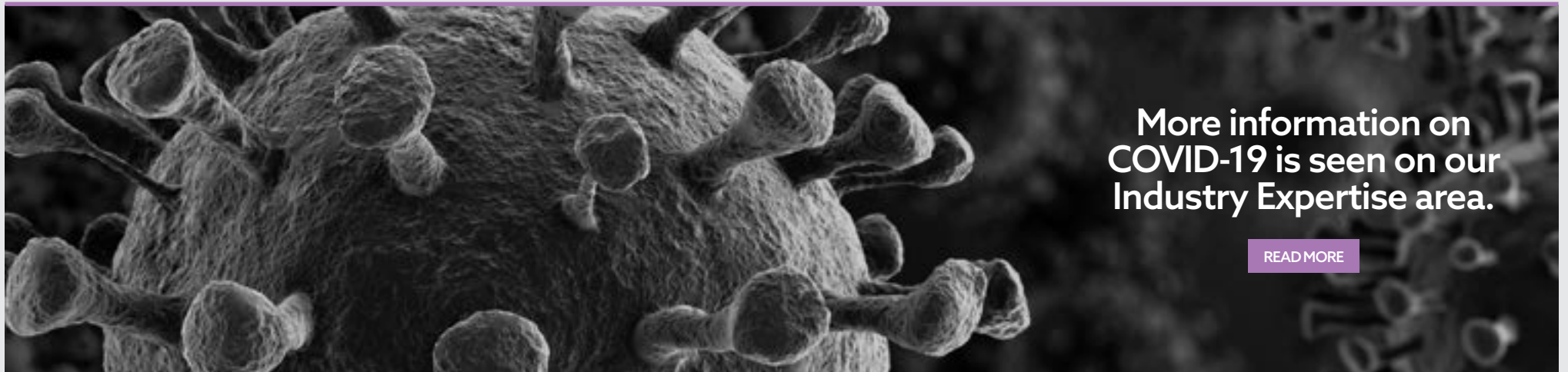
## The COVID-19 Pandemic

We know now that 2020 will be remembered as one of those unique moments in the Club's - and the world's - history. The global COVID-19 pandemic has changed how we live and work and created some immense commercial challenges for shipping businesses, disrupting global supply chains, shipping networks and ports, reducing cargo volumes and frustrating growth prospects and expectations. In addition to the commercial impact, it has been impossible to ignore the plight of those individual seafarers directly affected by the pandemic. Travel restrictions mean that many seafarers cannot leave their ships, be repatriated home, or even obtain urgent medical assistance. Others have seen their contracts unilaterally terminated or have

been quarantined on board ships for more than 14 days without pay. Recent reports suggest that almost 200,000 seafarers worldwide remain affected by the crew change crisis, a notable reduction from the 400,000 crew that required repatriation at the height of the pandemic. However, with governments reintroducing stricter border controls and travel restrictions due to the emergence of new COVID-19 variants, crew transfers are again becoming increasingly complex. Concerns around the vaccination prioritisation for seafarers must also be addressed and we reiterate our calls for more countries around the world to recognise seafarers as 'Key Workers of the Sea' and to ensure that crew do not once again become 'collateral damage' in the pandemic.

Against this backdrop the International Group of P&I Clubs (IG), under the leadership of Chair Paul Jennings and Chief Executive Nick Shaw, has worked with the global shipping community to facilitate and smooth international trade, enhance operational safety through collective data sharing on the common causes of claims and encouraging the protection and sustainability of the maritime environment. Over the coming months and years, this support will extend to include global shipping's decarbonisation transition. These interventions at critical points clearly demonstrate the positive contributions that can be made by a collectively stronger IG, harnessing the skills and expertise of a range of industry experts.

Throughout the pandemic, North has continued to prove its deep-rooted resilience and commitment to our Members. This year saw the completion of the first virtual 20 February P&I renewal, a unique experience for our mutual Members, although our diversified businesses were operating virtually throughout the year. During that time, our teams have come together and have delivered exceptional service, even in the face of real personal pressures. Indeed, our latest triennial Member and Broker survey revealed how successful we have been in delivering a seamless and uninterrupted service.



**More information on COVID-19 is seen on our Industry Expertise area.**

[READ MORE](#)





# Welcome (cont.)



## Diversification

Despite the commercial disruptions arising from the pandemic, North's continuing transformation from a traditional monoline P&I Club to a leading global marine insurer remains on course. An essential component in this journey's success is our ongoing prudent growth and diversification strategy, which continues to deliver new income streams for the Club. This includes year-on-year premium growth in our existing Hull and Machinery, Fixed Premium and Aquaculture businesses as well as opening a new facility – North Hull. Our continued growth has been achieved during a unique year and exceeded our initial forecasts made at the outset of the pandemic.

## Investment in Talent and Technology

Our investments in talent and technology have helped set an exciting course for the future - we are connecting and collaborating with each other and with our Members in ways we never have before. Moving forward, we will continue to work in partnership and expand our in-house capabilities to ensure that we deliver the most timely and relevant service.

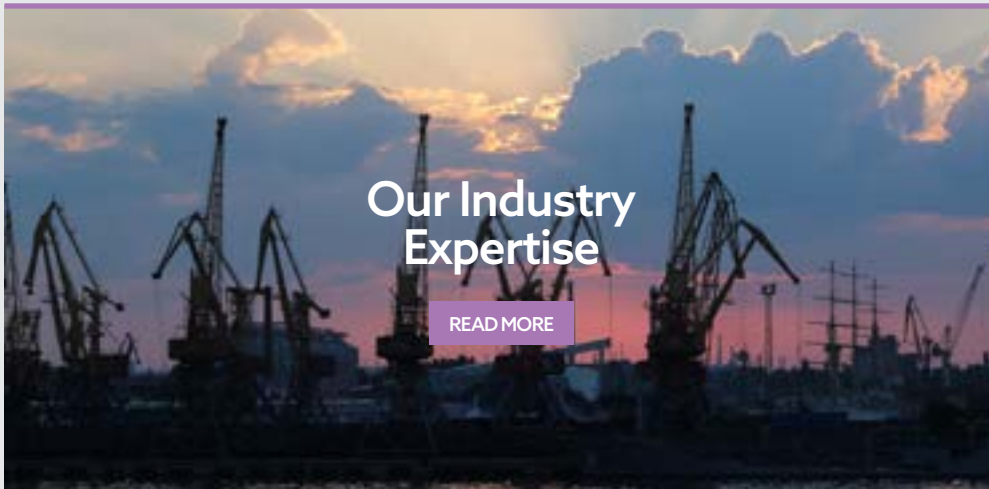
## Looking after your interests

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## Our Industry Expertise

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## Outlook

At the time of writing, over 1 billion vaccine doses have been administered worldwide and many of our global offices have partially reopened. We are hopeful that a return to our UK offices will happen in the next few weeks.

On behalf of everyone at North, I would like to thank all our Members for their continued support, which is never taken for granted. Our relationships are vital, and it is the strength of these bonds that have allowed us to successfully develop our business throughout the year. As a Club, we remain committed to investing in an outstanding and responsive

global claims service combined with the ongoing development of innovative loss prevention services.

This is our review of an extraordinary year. One in which the Club continued to carefully grow and when, more than ever, we adhered to our core purpose – to enable you to trade with confidence.







# Growth & Diversification

Growing and diversifying our portfolio whilst balancing premium and risk exposure.

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# Growth & Diversification

## Our Diversified Businesses

The renewal outcome for our mutual and chartered business at 20 February, was significantly aided by the contributions made throughout the year by the diversified business lines.

The core Sunderland Marine Hull, P&I and Aquaculture business lines have been bolstered by the more recently established Owners' Fixed Premium P&I and North Hull facilities.

The new facilities established strong positions in their markets in a short space of time and have made a significant positive contribution to the performance and premium growth of North.

## SELECTED HIGHLIGHTS THIS YEAR



**Growth of Sunderland Marine's traditional business lines Hull, P&I and Aquaculture**

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**Increased market presence for Owners' Fixed Premium P&I**

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**Established North Hull**

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# Growth & Diversification (cont.)



## Our Mutual Business

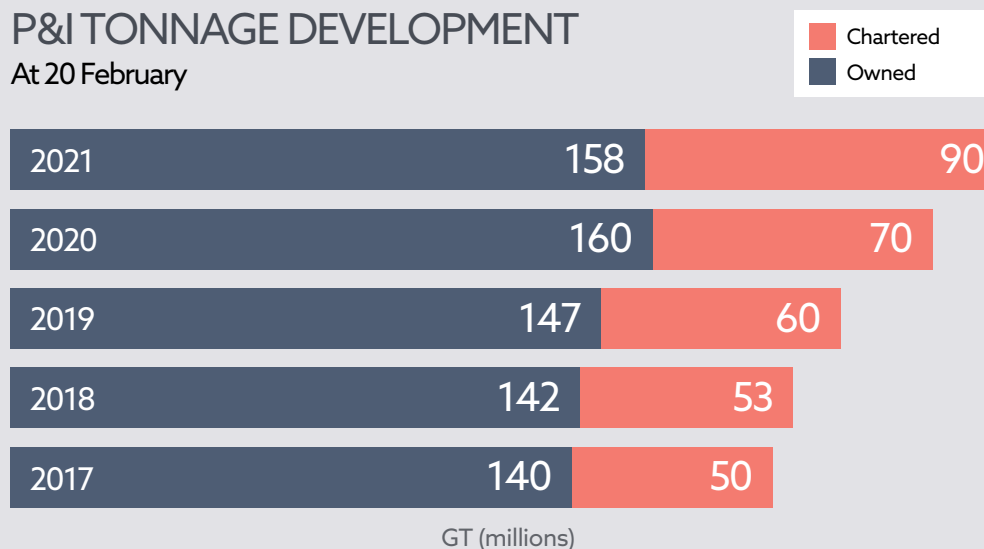
Following the elevated net combined ratio reported at the 20 February 2020 renewal, the fundamental challenge that we faced at the 2021 renewal was the need to see operating performance improve towards the average experience of the past decade, whilst still continuing to pursue a complementary strategy of growth and diversification.

This translated into a two-pronged objective for the 2021 renewal. First, to reduce our exposure in underperforming sectors. Secondly, and as part of the ongoing need to redress the rating erosion of the "soft" insurance market over the last few years, seek to achieve an equitable rating increase across the mutual Membership for the 2021/2022 Policy Year.

The prevailing economic conditions presented challenges to achieving these renewal objectives, but with the overwhelming support of the mutual Members, an equitable rating increase in line with business plan forecasts was achieved, whilst successfully de-risking our overall exposure. In the event, overall P&I Owned and Chartered tonnage grew slightly year-on-year to 248m GT, with total FD&D tonnage reaching 187m GT.

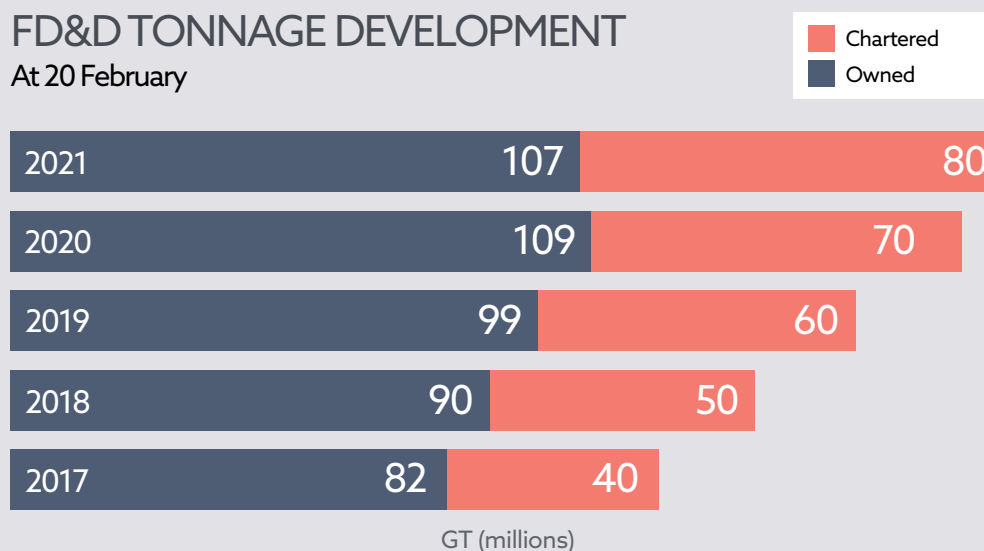
## P&I TONNAGE DEVELOPMENT

At 20 February



## FD&D TONNAGE DEVELOPMENT

At 20 February



# Growth & Diversification (cont.)



## ENTERED GT BY SHIP TYPE

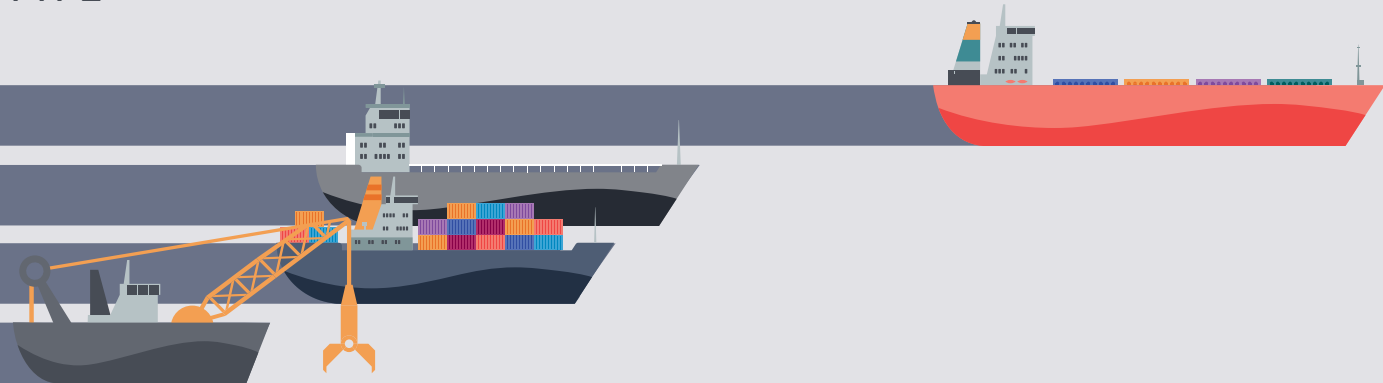
Owned & Chartered

BULK CARRIERS 40%

TANKERS 24%

CONTAINER SHIPS 22%

OTHERS 14%



## ENTERED GT BY DISTRIBUTION

Owned & Chartered







# Financial Performance

Our maturing diversification into a leading global marine insurer and growing financial strength.

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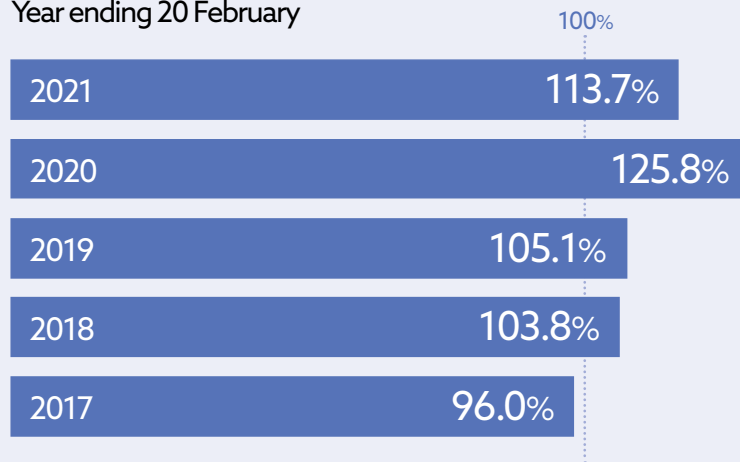




# Financial Performance

## NET COMBINED RATIO PERFORMANCE

Year ending 20 February

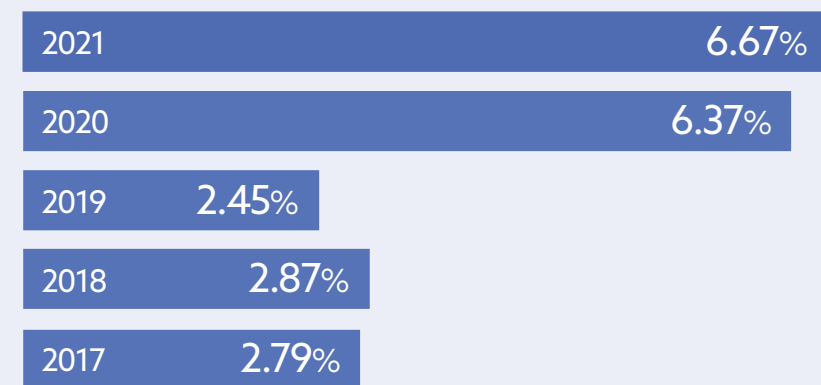


During the year, we saw encouraging premium income growth of US\$60 million across all our mutual and diversified business lines, reflecting the maturing diversification of the Club into a leading global marine insurer and our growing financial strength. Premium income rose to US\$406 million for the financial year ending 20 February 2021.

Our net combined ratio has fallen from its peak last year of over 125% to 113.7% in the 2020/2021 financial year. In the context of an unprecedented year for IG pool claims this is a positive achievement, albeit we will continue working to further improve our underwriting results. During the year, our retained mutual P&I claims improved at an attritional level with an absence of large casualties for the Club.

## INVESTMENT RETURNS

Year ending 20 February



Nonetheless, the experience across the IG pool was significant, and we incurred gross claims of over US\$90 million in respect of our participation as pooling partners.

Investments followed the fortunes of an extraordinary year, with perhaps one of the greatest surprises of the pandemic being the confidence with which markets pushed through our February 2021 year-end.

We benefitted accordingly with an investment return of 6.67% (net of fees) or US\$64.5 million. Our portfolio has performed well across the year, not just in absolute terms given the favourable market developments, but also in the way in which our diverse strategic asset allocation has responded to events throughout the period.





# Financial Performance (cont.)



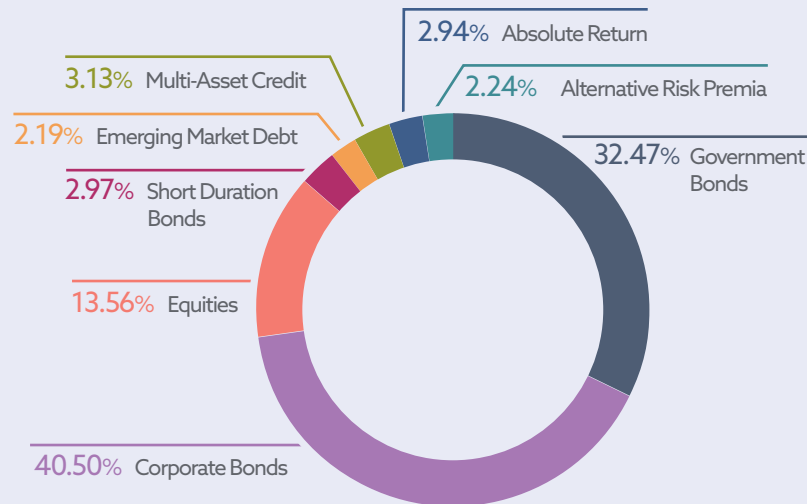
Set against this, we saw an accounting impact of a US\$11.4 million increase in our pension scheme deficit, primarily as a result of changes in actuarial factors such as those around life expectancy. Steps have been taken to mitigate other risks from the schemes which have hit our balance sheet in the past, such as the discount rate or inflation movements.

Overall, our free reserves increased by US\$6.5 million to US\$450 million. Whilst we have the investment contribution to thank in large part this year, we have also continued to take the essential actions we know are needed to be financially sustainable in the years to come. Growing and diversifying our portfolio whilst ensuring that we have the right balance of premium and exposures are our primary

focus. We are achieving this through the ability and dedication of our people, matched only by the support we have seen from our Members.

## ALL CLASSES ASSET ALLOCATION

At 20 February 2021



## FREE RESERVES

At 20 February



US\$ (millions)





# Reinsurance

[CLICK TO READ MORE >](#)







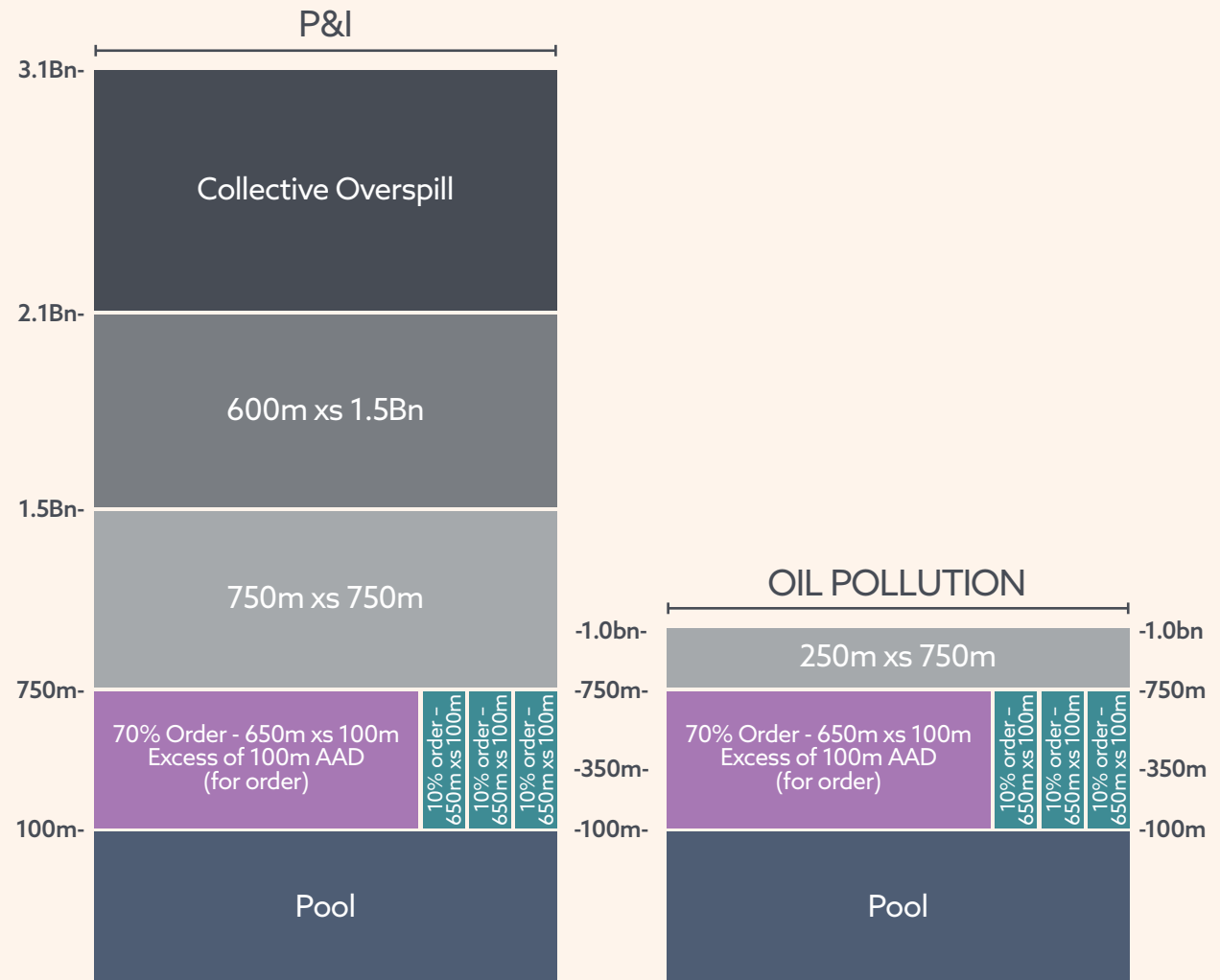
# Reinsurance

The hardening reinsurance market and upward pressure on reinsurance premiums has been well publicised and recognised. Shipowners have continued to benefit from unparalleled levels of cover and price stability from the long-established IG pooling arrangements and market placement for the General Excess of Loss and Collective Overspill Programme (GXL programme). However, this cover will be due for renegotiation later in 2021, and future rates are expected to reflect the recent surge in claims and the hardening reinsurance market. North's own reinsurance programmes also benefitted from the long and stable relationships with our core reinsurance partners.



[CLICK TO VIEW THE IGP&I REINSURANCE VIDEO >](#)

## 2021/2022 GXL PROGRAMME STRUCTURE





# Claims Performance

The overall value of claims fell despite the overall number of claims exceeding previous years.

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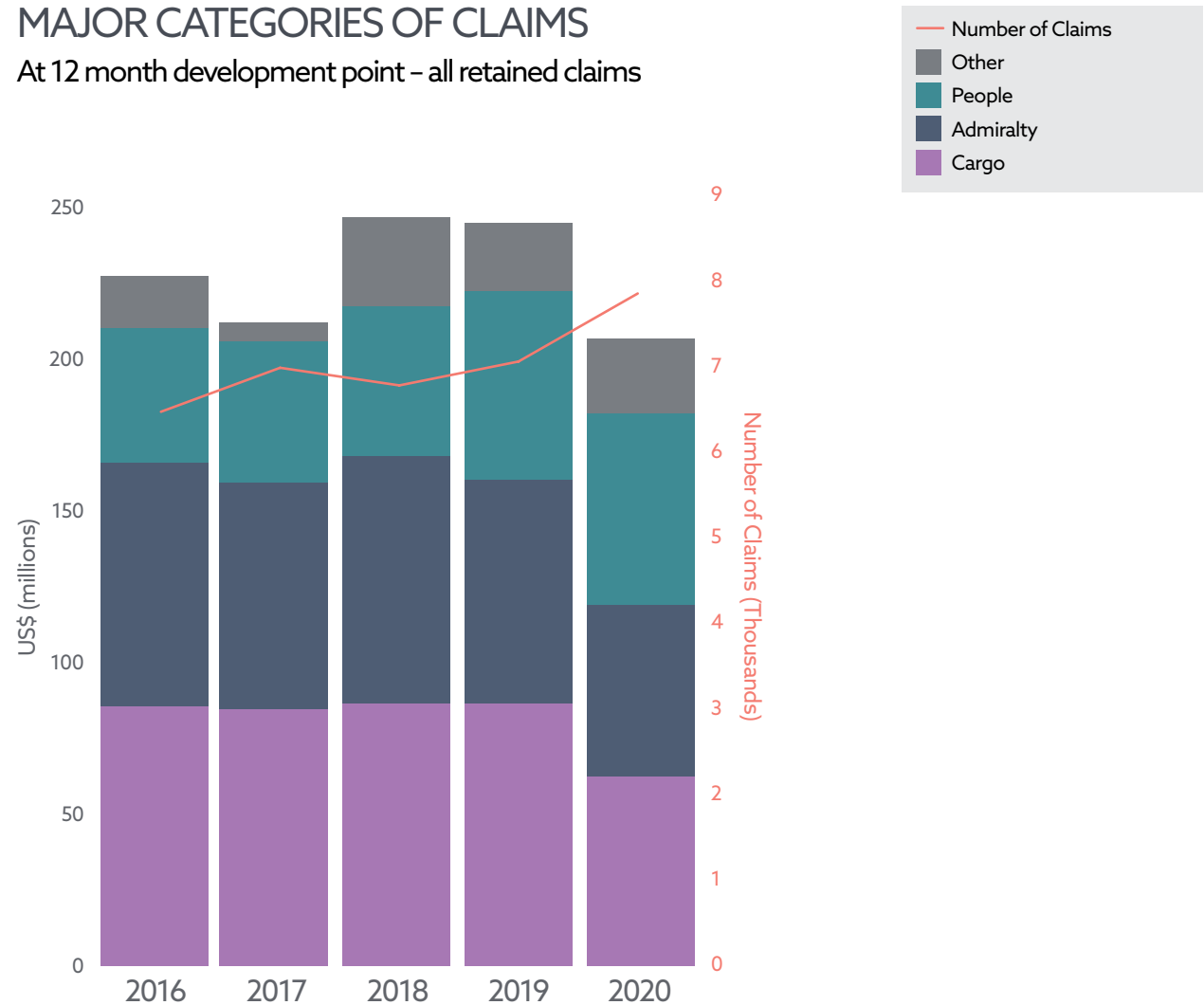
# Claims Performance



The pandemic has had a noticeable impact on the cost of claims during the 2020/2021 policy year, reducing the value of claims despite the overall number of claims exceeding previous years. Critically, the Club experienced fewer of the large claims (those valued over US\$1 million), which numbered 32 in 2020 and 38 in 2019. The average cost of these claims also reduced, particularly in the first quarter of the year, with the value of the claims returning to more typical levels by the fourth quarter. Overall, we have seen a reduction in the value of retained claims with estimated values some US\$36.4 million lower than in 2019. Furthermore, at the twelve-month point, the Club had not experienced any pool claims.

Whilst the pandemic may have had a positive impact on claims for the Club, it is unlikely that the claims experience for 2020 will be replicated for the current policy year. The claims trend normalised towards the end of the year and this has continued into 2021. We anticipate that a return to a more normal economic environment during 2021 will bring claims into line with more recent experience.

## MAJOR CATEGORIES OF CLAIMS At 12 month development point – all retained claims

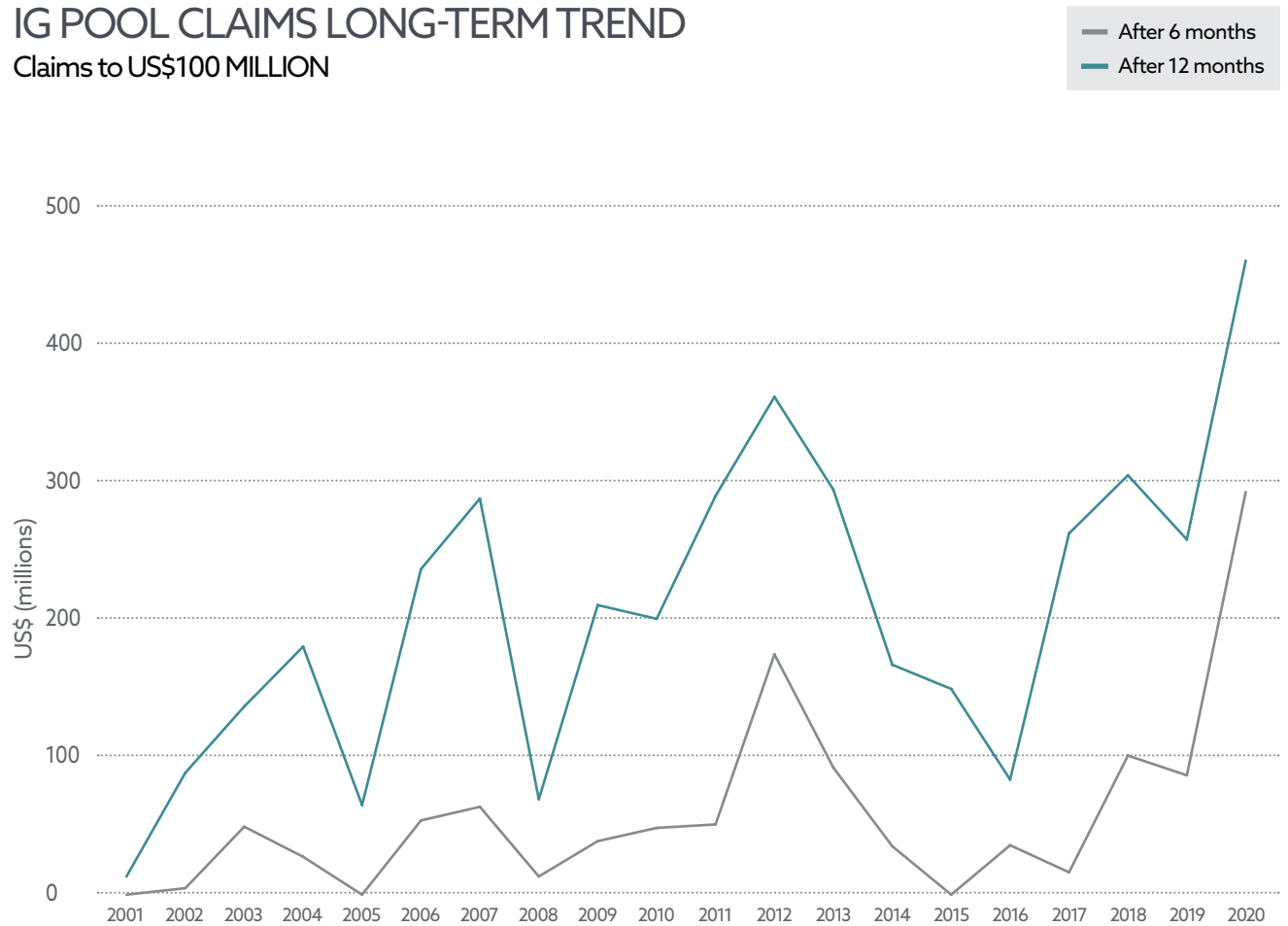






## IG POOL CLAIMS LONG-TERM TREND

Claims to US\$100 MILLION



### Pool Claims

The relatively benign year experienced by the Club regarding our own claims was not replicated by the pool. During the first half of the year, the IG experienced an unprecedented number of high value claims. The second half of the year saw a return to a more typical level of activity, notwithstanding which 2020 remains the most expensive year ever for pool claims retained by clubs. At the end of the 2020 policy year, 19 claims had been notified to the pool at the twelve-month development point with a total cost of US\$463 million in the band up to US\$100 million, compared to only US\$259 million in the previous year. Indeed, the closest incurred position for claims in this band – in the 2012 policy year – was US\$100 million less at the same point. The pool claims experience of the IG can vary considerably across years and whilst the pandemic may have contributed to the incidence and quantum of some of the claims experienced by the industry in 2020, it is possible that there is a longer-term trend towards more expensive pool claims.





# North People

Our continued success depends on our greatest strength: our people.

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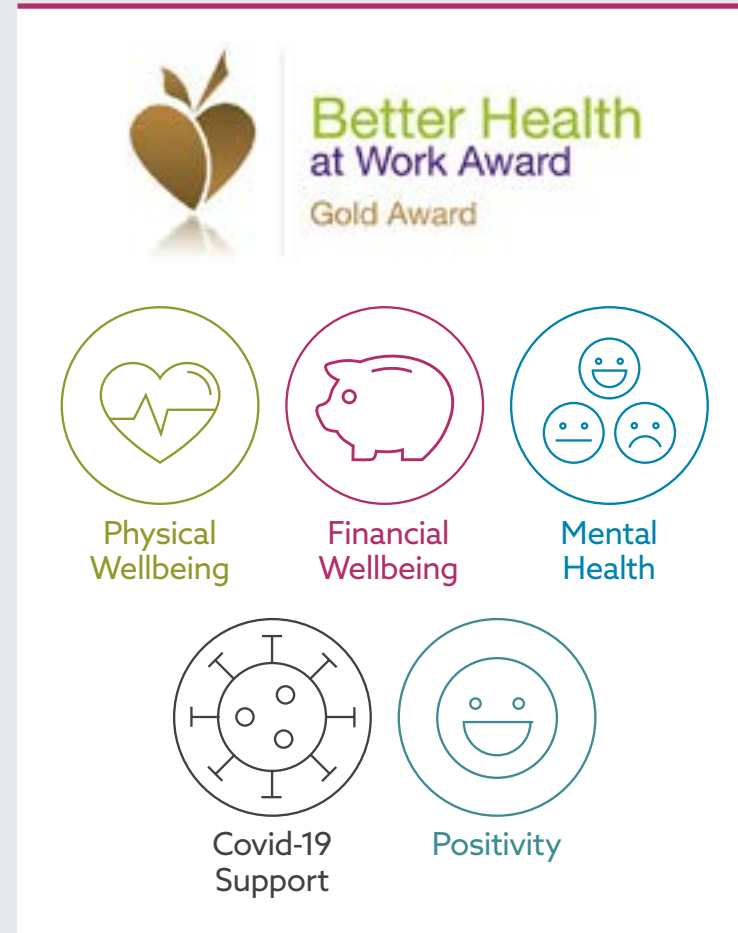
# North People

The commitment and tenacity of our people has allowed us to deliver a seamless service throughout an incredibly challenging period and also continue with our strategic development. The health and wellbeing of our teams have remained paramount throughout the pandemic, and we enhanced our employee engagement and wellbeing programmes during the year. This was recognised with the Gold Award for Wellbeing from the Better Health at Work organisation. Complementing the very positive Member and Broker survey results, our internal People Survey recorded a class-leading Employee Net Promoter Score highlighting North as a caring and responsible employer. Supporting our local communities has been particularly important during the pandemic, along with assisting several international maritime charities in support of seafarer wellbeing.

We are also mindful of North's developing sustainability strategy and we will actively seek to reduce our own carbon footprint as well as supporting shipping through the decarbonisation transition.

## Board of Directors

There were several changes to the North Board of Directors during the year. Trevor Hart and Nicholas Fairfax resigned, and we would like to thank them both for their service. Michael Thompson (ex-KPMG) joined the Board as an Independent Non-Executive Director.







# Looking Forward

To a challenging but exciting future.

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# Looking Forward

We have had a positive beginning to 2021, and we are cautiously optimistic for the year ahead. While a spike in COVID-19 infection rates led to renewed lockdown measures in many places during the early part of 2021, the international vaccine rollout gives us hope that the world will return to some form of normality before too much longer.

Nevertheless, the full extent of the longer-term commercial impact on the global economy remains uncertain, and we remain vigilant to the ebb and flow of the COVID-19 virus and are prepared to take further steps to manage the commercial and economic impact where necessary.

Over the medium-to-longer term, North is well-positioned to benefit from the sustained implementation of our business strategy,

delivering confidence and predictability in our future performance. We take great pride in having high quality, loyal and engaged Members who value our financial strength and stability, and our industry-leading and innovative service. We remain focused on serving the evolving requirements of our Members, brokers, colleagues and communities in all our business areas.

North's core purpose is inherently supportive of our developing sustainability agenda – preventing and responding to maritime incidents, seeking to protect the marine environment and improving safety at sea. We are now taking proactive steps to embed sustainability into all aspects of our operations to ensure that we are making a positive impact on society and the wider environment.







# Combined Financial Statements 2021

Read our Combined Financial Statements for the year ended 20 February 2021.

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