

Global service
built around you

Annual Review 2022





Our Annual Review 2022

Annual Review 2022

Scroll up and down to view the next page.
Alternatively click on the navigation above to jump to a specific section, or navigate with the titles below.

Section	Page
Highlights	3
Five year combined summary	4
Key performance indicators	4
Welcome	5
Growth & Diversification	9
Our diversified business	10
Our mutual business	10
P&I tonnage development	11
FD&D tonnage development	11
Entered GT by ship type	12
Entered GT by distribution	12
Financial Performance	13
Net combined ratio	15
Investment returns	15
Free reserves	16
Investment asset allocation	16
Reinsurance	17
Claims Performance	19
Major claims categories	20
IG pool claims	21
Our People	22
Board or Directors	23
Members Board	23
Looking Forward	24
Combined Financial Statements 2022	26

Highlights

A snapshot of our key financial and business results.

Five year combined summary	4
Key performance indicators	4



Highlights

Five Year Combined Summary

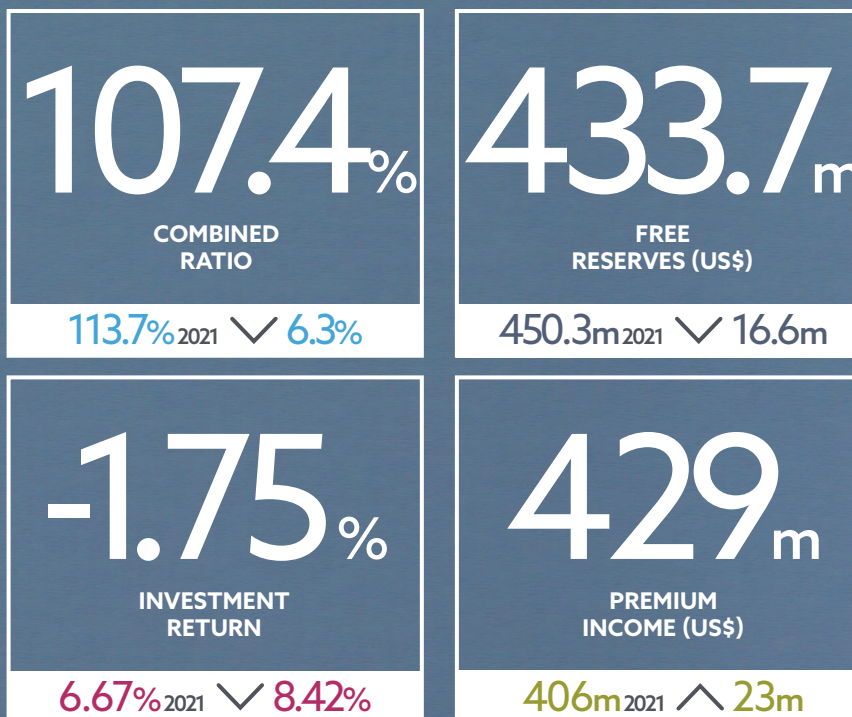
Income Statement (US\$ millions)

	2021/22	2020/21	2019/20	2018/19	2017/18
Premium income	429.0	406.2	346.6	345.0	387.6
Underwriting result	(22.8)	(44.9)	(68.3)	(13.2)	(8.0)
Investment result and foreign exchange	(19.8)	64.5	64.5	29.3	28.6
	(42.6)	19.6	(3.8)	16.1	20.5
Movement in pension scheme deficit	26.0	(11.4)	(16.1)	(3.8)	2.1
Revaluation of land and buildings	-	(1.7)	0.7	-	(2.9)
Increase / (decrease) in free reserve	(16.6)	6.5	(19.2)	12.3	19.8

Balance Sheet (US\$ millions)

	Feb-22	Feb-21	Feb-20	Feb-19	Feb-18
Net assets	1,105.2	1,118.8	1,071.4	1,084.7	1,093.9
Net outstanding claims	(671.5)	(668.5)	(627.6)	(621.6)	(643.4)
Free reserves	433.7	450.3	443.8	463.1	450.5
Combined ratio	107.4%	113.7%	125.8%	105.1%	103.8%

Key performance indicators



Welcome

Our 2022 Annual Review



Welcome

2021 was again a year in which we dealt with the continuing COVID-19 pandemic, volatile economic conditions such as unpredictable equity markets, negative “risk-free” interest rates, and intensifying geopolitical turbulence.

This was also another year in which we witnessed the rising impact of climate change around the world. North has continued to adapt to this changing landscape and, in doing so, sustained the support to our Members and Clients through our enduring service commitment, enabling you to trade with confidence.

Our purpose:
**To enable our
Members and
Clients to trade
with confidence**



Welcome continued

Since the conclusion of our renewal on 20 February 2022, the rapid pace of change has continued unabated. The intensification of the war between Russia and Ukraine has, in the eyes of many leading international economic commentators, upended a world order established with the ending of the Cold War in the 1990s. This is a change likely to have lasting global political and economic consequences. Reacting to the death and destruction arising from the invasion of Ukraine, the international community has implemented an unprecedented swathe of global sanctions against Russia and its economy as previously stable international relations rapidly change.

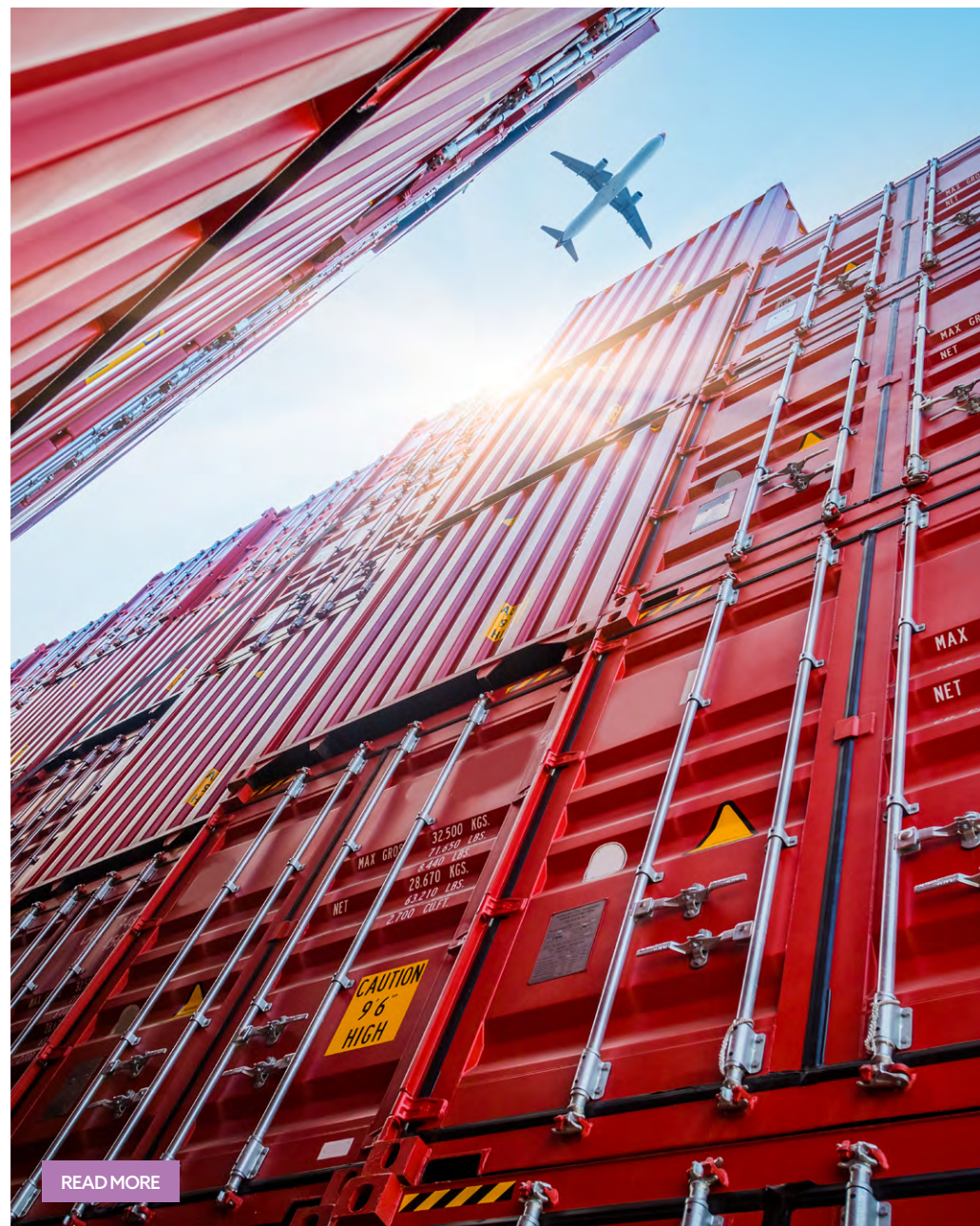
The associated supply-chain shocks have sent food, energy and other commodities prices skyrocketing, raising inflationary fears in markets worldwide. With the war unlikely to end anytime soon, I join with many others in condemning the violence and sympathise with the plight and the enduring hardships facing the Ukrainian people. At this time, we do not forget the severe difficulties facing our partners and correspondents operating in Ukraine and the emotional toll the fighting is taking on the many thousands of Ukrainian seafarers serving on vessels around the world.

Against this changing international background and the intensive work required to support the merger planning, North has remained resilient and continued to pursue its strategic initiatives to deliver

outstanding service and sustainable value for our Members and Clients, with many of our leading financial performance indicators improving throughout the year. Our continuing transformation from a traditional monoline P&I Club to a leading global marine insurer remains on course, with new income streams flowing from our prudent growth and diversification strategy.

Our premium income grew by 5.6% to US\$429 million, driven by a robust performance across all our businesses, particularly the North Hull and Machinery line and the Sunderland Marine fixed premium businesses. At the heart of our business, our mutual tonnage grew to over 160M GT despite very challenging renewal conditions. Moreover, the combined ratio across the business improved from last year's 113.7% to 107.4%, even with the continuing significant pool claim losses within the IG and a high level of COVID claims.

Under the leadership of Chair Paul Jennings and Chief Executive Nick Shaw, the IG has continued working with the global shipping community to share data on the common causes of claims and encourage improvements in operational practice to improve safety and protect the sustainability of the maritime environment. These interventions demonstrate the positive contributions that can be made by a collectively stronger IG, harnessing the skills and expertise of a range of leading industry experts.



[READ MORE](#)

Welcome continued

North's strong commitment to our people continues to ensure that our dedication to Member and Client service remains undiminished. Our people displayed resilience, flexibility and resourcefulness to ensure they continued to put the needs of our Members and Clients first. The results of our latest North employee survey confirmed that we have been able to maintain the trust and commitment of our workforce. Our e-NPS index remained high at 53%, indicating that at North, we are fostering a culture in which performance and people play an equally important role. I have been genuinely inspired by our employees' dedication to the delivery of uninterrupted service to meet our Member and Client requirements, and for that, I thank each and every one of our people.

Beyond our trajectory in people engagement and motivation, diversity and inclusion, a strong leadership position on other critical ESG topics, especially climate change, has been a top priority for us. A fundamental foundation of our future strategy is our commitment to promoting and improving sustainability across our own operations and supporting our Members and Clients in developing and implementing their sustainability initiatives. While 'sustainability' in a maritime context often refers to environmental matters, our definition is broader, comprising ecological, social and performance-related aspects. The recently published North Group Impact Report details our recent progress in these three areas, pointing to the establishment of a Navigating Decarbonisation working group and our Mind Matters programme for seafarer welfare and other sustainability-focused initiatives. In addition, the report also sets out our sustainability targets for 2030, for which work is well underway.

North and Standard Club formally announced their proposed merger on 14 March 2022. I am delighted that my fellow Members of North overwhelmingly approved the merger at the Extraordinary General Meeting on 27 May 2022, greenlighting the creation of a new global marine insurer and one of the largest providers of mutual cover in the maritime industries. With 300 years of shared P&I heritage, the combined mutual insurer will provide cover for vessels equivalent to over 260M GT mutual with an expected annual premium income of over US\$750 million.

NorthStandard, as one of the world's leading P&I clubs, will deliver a compelling service proposition for Members and Clients. Outstanding claims expertise tried and tested on the most recent complex claims will accelerate the rapid and effective resolution of claims. Faster innovation, even stronger financial resilience and a broad portfolio of products and services will meet evolving requirements, offering incisive guidance to assist in navigating the continuing change affecting the global maritime sector and better anticipate future trends and challenges.

With the combined Club expected to be fully operational on 20 February 2023, there will be further communications over the coming months to keep Members and Clients fully informed of progress in the development of your new Club, NorthStandard.

On behalf of North's leadership and management team and all our employees, we thank you, our Members and Clients, for your ongoing trust, commitment and loyalty.

James Tyrrell
Chair
27 May 2022

North's strong commitment

to our people continues to ensure that our dedication to Member and Client service remains undiminished.

Growth & Diversification

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

Our diversified business	10
Our mutual business	10
P&I tonnage development	11
FD&D tonnage development	11
Entered GT by ship type and distribution	12



Growth & Diversification

Our Diversified Businesses

The combined income from Sunderland Marine and North Hull, our diversified businesses, continued to grow and made a significant contribution to North's overall 2022 renewal outcome. Our recently established North Hull facilities and Owners' Fixed Premium continue to build strong competitive positions in their key markets. Both have been great additions to the existing Sunderland Marine portfolio. It is very pleasing to see the business continue to grow, evolve and innovate, particularly in 2022 when Sunderland Marine celebrates its 140th anniversary. Over recent years, Sunderland Marine, as part of North, has invested in developing its product portfolio in new and existing markets and expanding the range of available services whilst preserving the core values of client service and its strong brand heritage. Building and maintaining service standards whilst nurturing relationships over the longer term have been fundamental to its success, and this is a landmark of which we are all incredibly proud.

Our Mutual Business

The 2022 renewal was uniquely demanding for our mutual business. The demand for improvements in operating performance and the pursuit of a complementary growth and diversification strategy translated into a two-pronged objective for the 2022 renewal - reduce our exposure to underperforming sectors and secure a fair rating increase across the mutual membership.

The challenges of securing the 15% budgetary increase announced in November 2021 should not be underestimated, particularly when travel restrictions prevented the usual face-to-face engagement with our Members and brokers. With several other clubs reporting a lower required increase, the renewal market was highly competitive, with shipowners and brokers very sensitive to increasing costs. The rise in IG reinsurance costs of over 30%, reflecting recent expensive losses, compounded the price sensitivity in many shipping companies worldwide. However, this increase was partially tempered with the inclusion of free and unlimited coverage for malicious cyber and pandemic risks and MLC exposures.

This combination of factors and our determination to deliver the rating increase required for the Club's financial sustainability meant that, as we experienced last year, we were unable to settle on mutually acceptable terms with a small number of Members. However, in several instances, the decision had been driven by a desire to optimise the scale and balance of entries across other clubs. Alternatively, some other Members have instead chosen to increase their entries with us, and in some cases, significantly. Overall, P&I owned and chartered tonnage grew slightly by 1M GT to 252M GT, achieving our business plan targets. Thanks to the ongoing support of our mutual membership, our premium revenue has risen by US\$54 million, and the overall rating increase achieved surpassed projections whilst successfully de-risking our overall exposure.

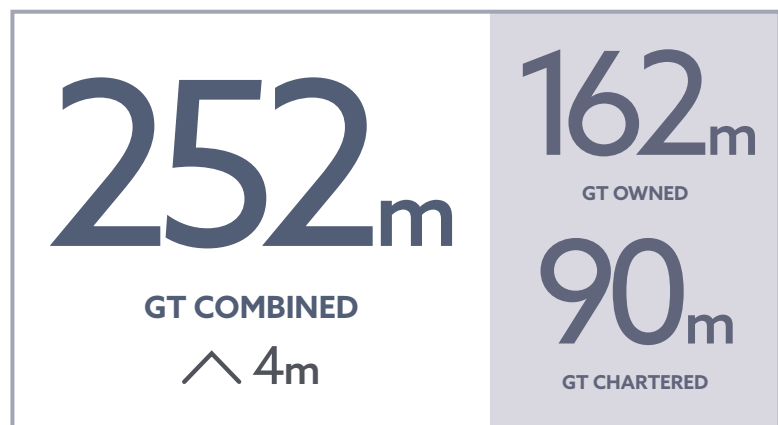
Our FD&D business again saw strong Member support with continuing confidence in our exceptional in-house team. The FD&D combined owned and chartered tonnage is now 190M GT.



Growth & Diversification continued

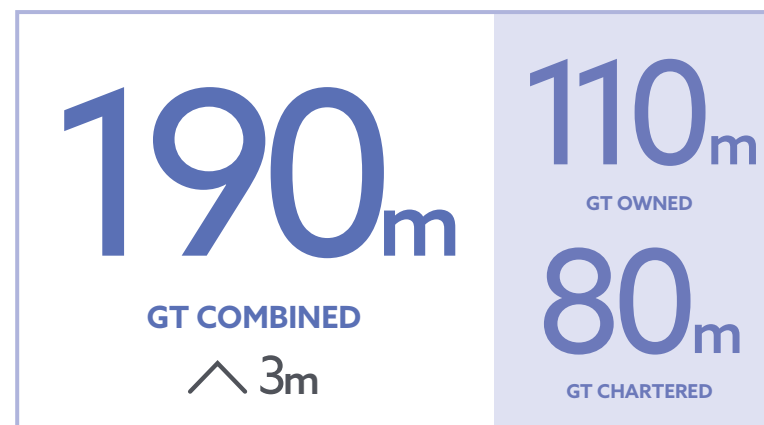
P&I renewal results

At 20 February 2022



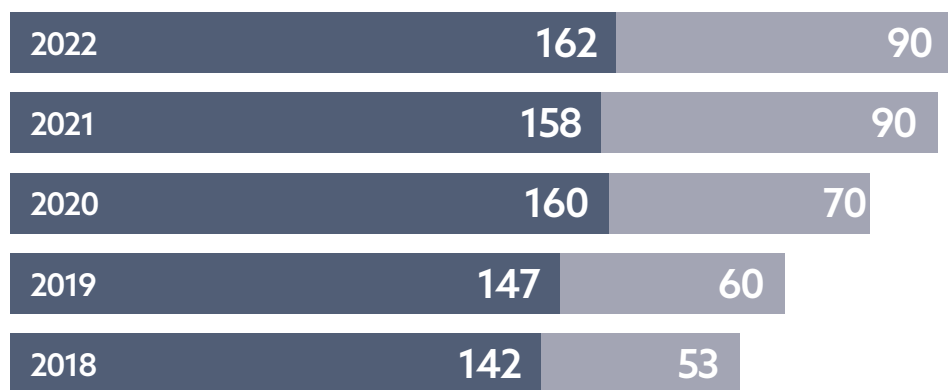
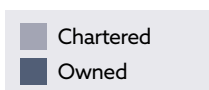
FD&D renewal results

At 20 February 2022



P&I tonnage development

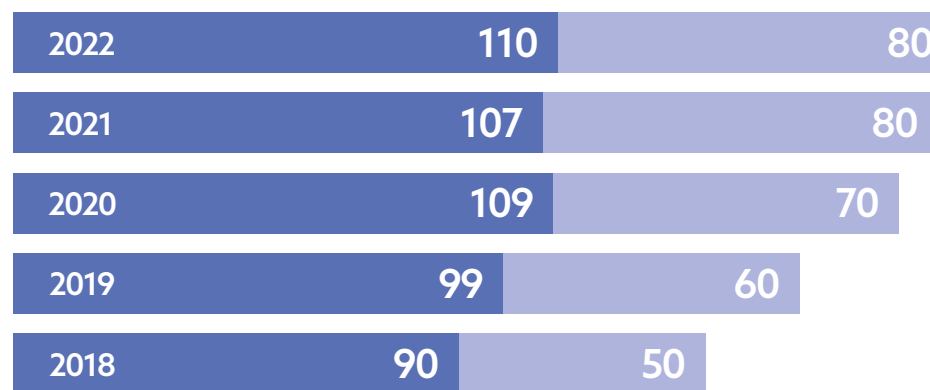
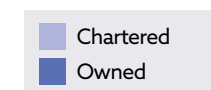
At 20 February



GT (millions)

FD&D tonnage development

At 20 February

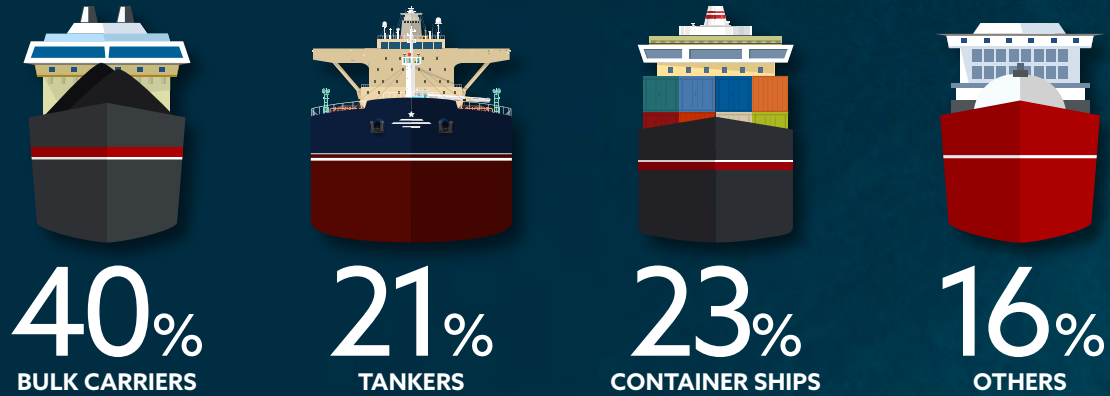


GT (millions)

Growth & Diversification continued

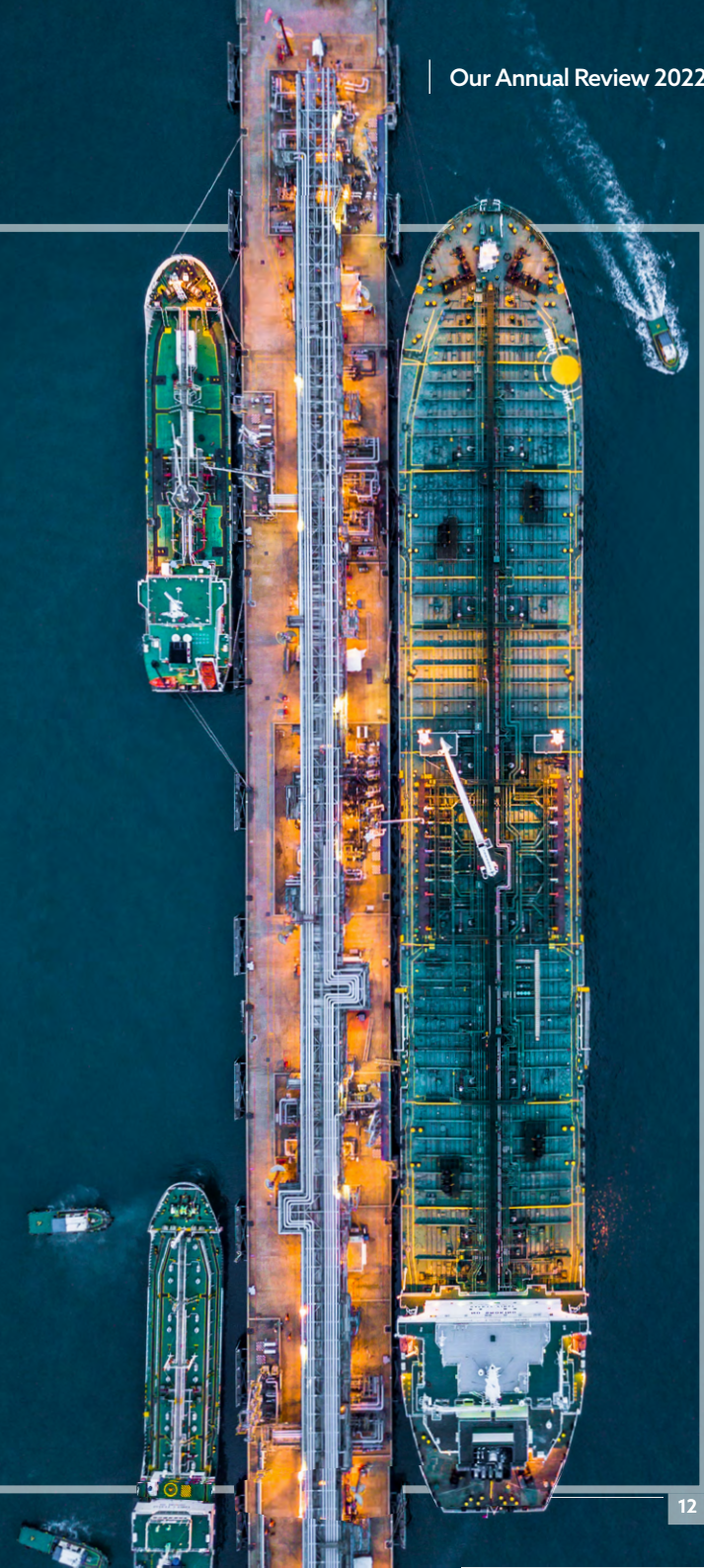
Entered GT by ship type

Owned & Chartered



Entered GT by distribution

Owned & Chartered



Financial Performance

Our continuing transformation into a leading global marine insurer.

Net combined ratio	15
Investment returns	15
Free reserves	16
Investment asset allocation	16

Financial Performance

2021 was another year of consistent progress in our financial performance. Our underlying net combined ratio is the long-term barometer of success for a financially sustainable club, and in this measure, we saw an improvement to 107.4%. With so much going on in the world around us, we must continue to focus on the fundamentals that underpin a well-run and successful P&I club, and the results this year are another solid step in the right direction in the face of unpredictable pool and COVID-19-related claims.

Our business strategy is to build a profitable, diversified portfolio that can offset the volatility of mutual P&I and subsidise Members' premiums over time. This year saw us deliver around US\$20 million of growth across our diversified businesses, despite our highly selective approach to risk, reducing our participation where the risk is too high or the returns too low.

The successful growth of our diversified businesses in recent years only directly benefits our Members if it provides positive financial returns. As a Club, we benefit from the overall surplus they generate. We were particularly pleased to see the contribution from our traditional Sunderland Marine business deliver a 90% combined ratio for the third year in succession whilst having increased premium income by 40% over that same period.

Our Owner's Fixed Premium and North Hull businesses delivered to plan in terms of income growth and overall underwriting performance, completing a successful year for our diversified portfolio.

We entered the year understanding that mutual premiums were too low to be sustainable even in the short term, a situation that had developed from the record levels of pool claims at the half-year point. However, there was some amelioration across the last two quarters of the year. This was similar to the prior

year's position, with pool claims and our own underlying retained claims abating in the second half of the year. The US\$30 million in attritional COVID-19 claims demonstrated both the value of P&I club support for shipowners and the financial cost of providing that support and assistance.

These factors translated into an underwriting deficit of US\$23 million for the Club. In the prior four years, this deficit could have been met from investment returns – which exceeded US\$64 million in each of the last two years. Unfortunately, as had been cautioned throughout the year, investment returns were unlikely to provide substantial relief.

In the event, investments have seen a good deal of turbulence throughout the year. Our investment loss of 1.75% on the Club's portfolio, US\$19.8 million, accounts for the impact of other ancillary factors such as foreign exchange and taxation. The investment loss is primarily a result of the performance of treasuries and corporate bonds, with little positive or negative impact across our diversified portfolio of risk assets.

The investment loss was more than compensated by improvements in the accounting position for our legacy defined benefit pensions schemes which improved by around US\$26 million. This improvement was primarily driven by the market movements, which



Our strategy is to consistently increase

the scale of the predictable contributions from our diversified businesses whilst seeking to ensure that mutual premium ratings are sustainable for the long-term financial health of the Club.

Financial Performance continued

reduced the value of our bond portfolio and accordingly acted as a hedge against further fluctuations.

Taking all of these factors together - the combined ratio, the investment loss, and the pension scheme's improvements - our free reserves reduced by US\$16.3 million. Some aspects of this could be described as "unpredictable" or "unique" - the uneven distribution of pool claims, a COVID-19 experience that exceeded 2020 or the extent of movements in yields resulting in investment losses and the offsetting pension scheme gain. Alternatively, and for some considerable time, we have been highlighting and delivering a strategy to meet the challenges of premium levels, which do not allow us to counteract the unpredictable environment for claims and investments.

Our strategy is to consistently increase the scale of the predictable contributions from our diversified businesses whilst seeking to ensure that mutual premium ratings are sustainable for the long-term financial health of the Club. We are hugely grateful for the support of our Members in responding to our General Increase of 15% and making such a strong commitment to the continuing future success of their Club.

Whatever may transpire over the forthcoming year, our Members can be assured that, as we have in 2021/22 and the years before, we will continue to deliver a financial strategy that keeps the Club on a successful and sustainable path.

Net combined ratio

2022

107.4%

NET COMBINED RATIO

✓ 6.3%

Investment returns

2022

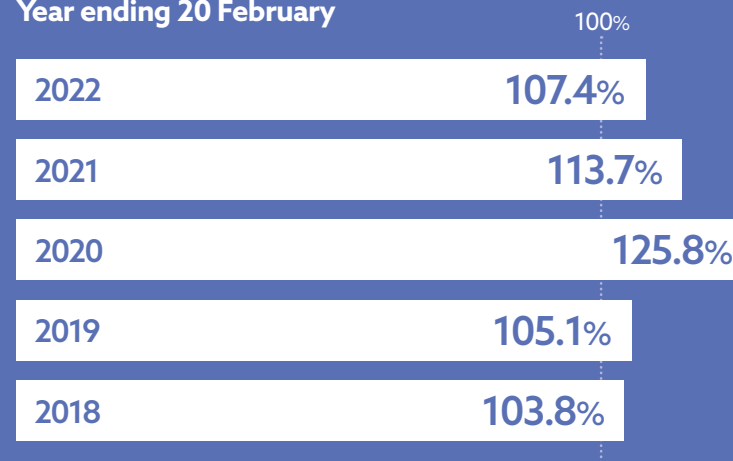
-1.75%

INVESTMENT RETURNS

✓ 8.42%

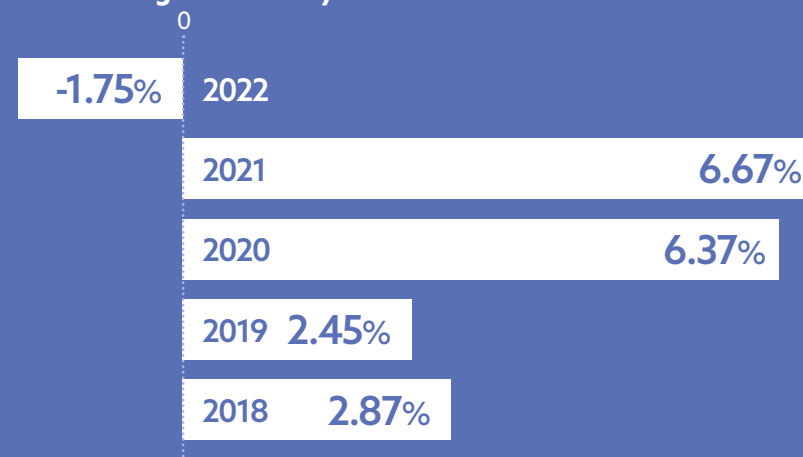
Net combined ratio performance

Year ending 20 February



Investment returns

Year ending 20 February



Financial Performance continued

Free reserves

2022

433.7_m

FREE RESERVES (US\$)

✓ 16.6m

Free reserves

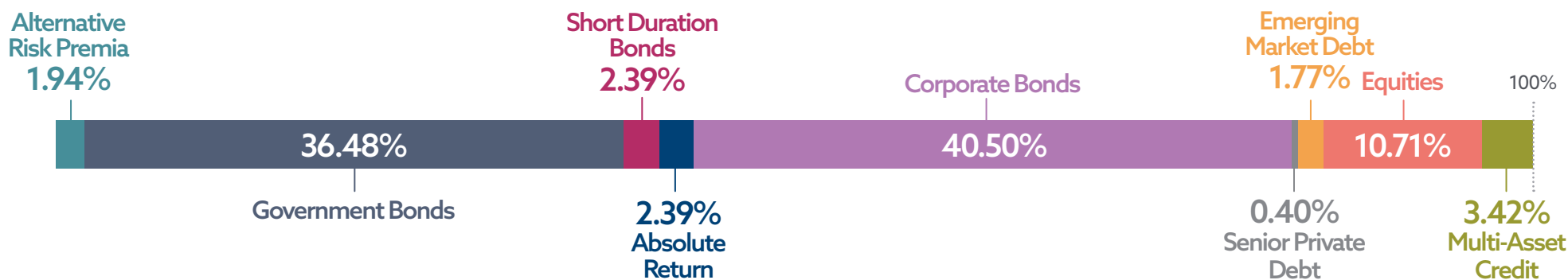
At 20 February



US\$ (millions)

Investment asset allocation

At 20 February 2022





Reinsurance

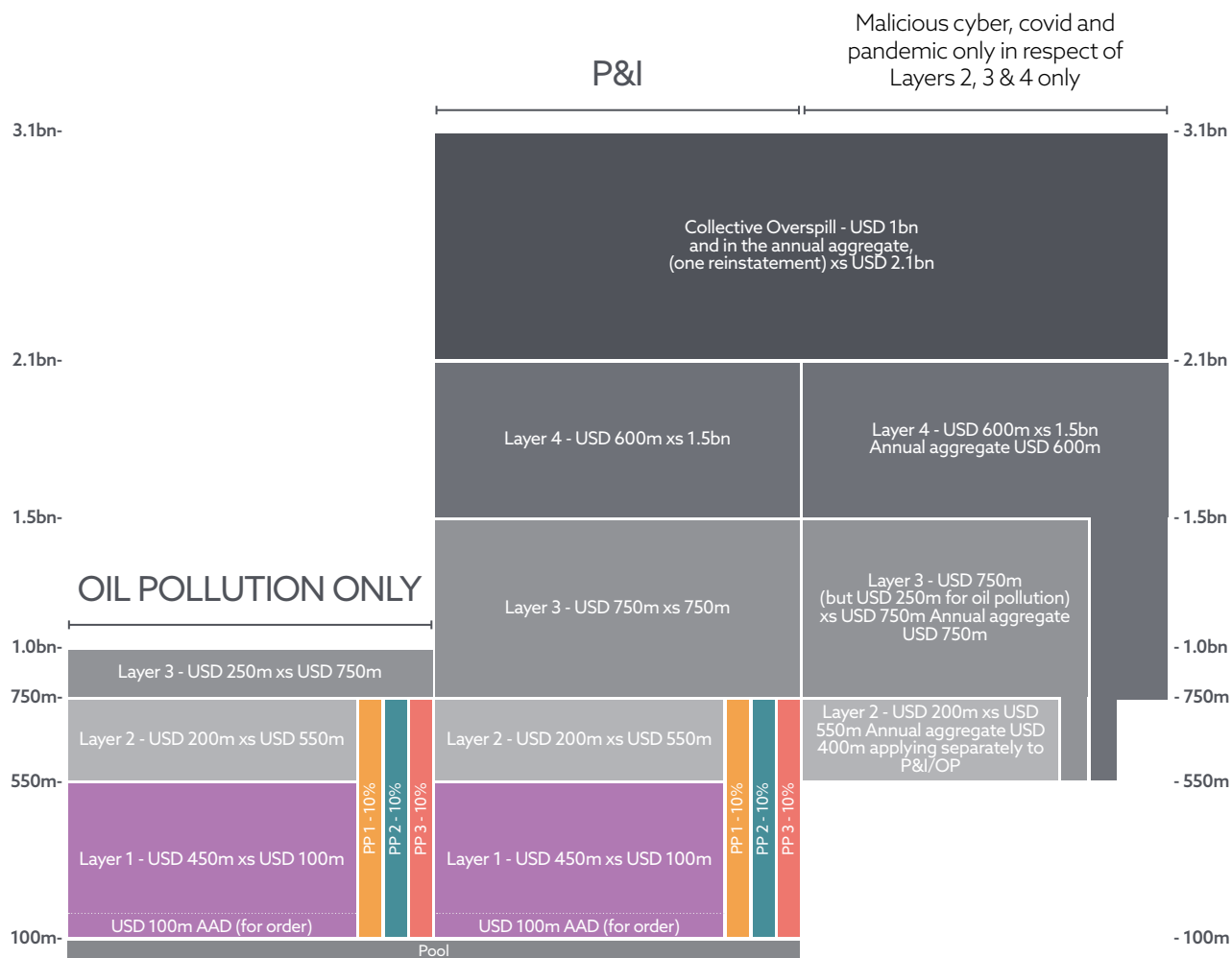
Reinsurance

The International Group's General Excess of Loss Reinsurance contract was subject to an open renewal in February 2022 following the multi-year deal placed in 2020.

Set against a hardening reinsurance market that had suffered natural catastrophe losses and the impact of the COVID-19 pandemic, the reinsurers were also seeking "payback" for some of the high profile and expensive losses on the contract. At the same time, reinsurers were also seeking to introduce exclusionary language for malicious cyber and pandemic risks, breaching the principles of free and unlimited cover defended by the IG for so long and which is crucial to support the certificated exposures under the Convention blue cards issued by the clubs.

In the event, and whilst an almost 33% increase in reinsurance premiums was agreed, crucially, it was against a new free and unlimited primary layer of cover with no exclusions and sufficient to support virtually all blue card liabilities of the clubs. Additionally, following a long soft cycle, reinsurance rates have only returned to the levels last seen in the 2014/15 policy year.

2022/2023 GXL programme structure



Claims Performance

The overall value of claims increased as more normal levels of economic activity returned.

Major claims categories	20
IG pool claims	21



Claims Performance

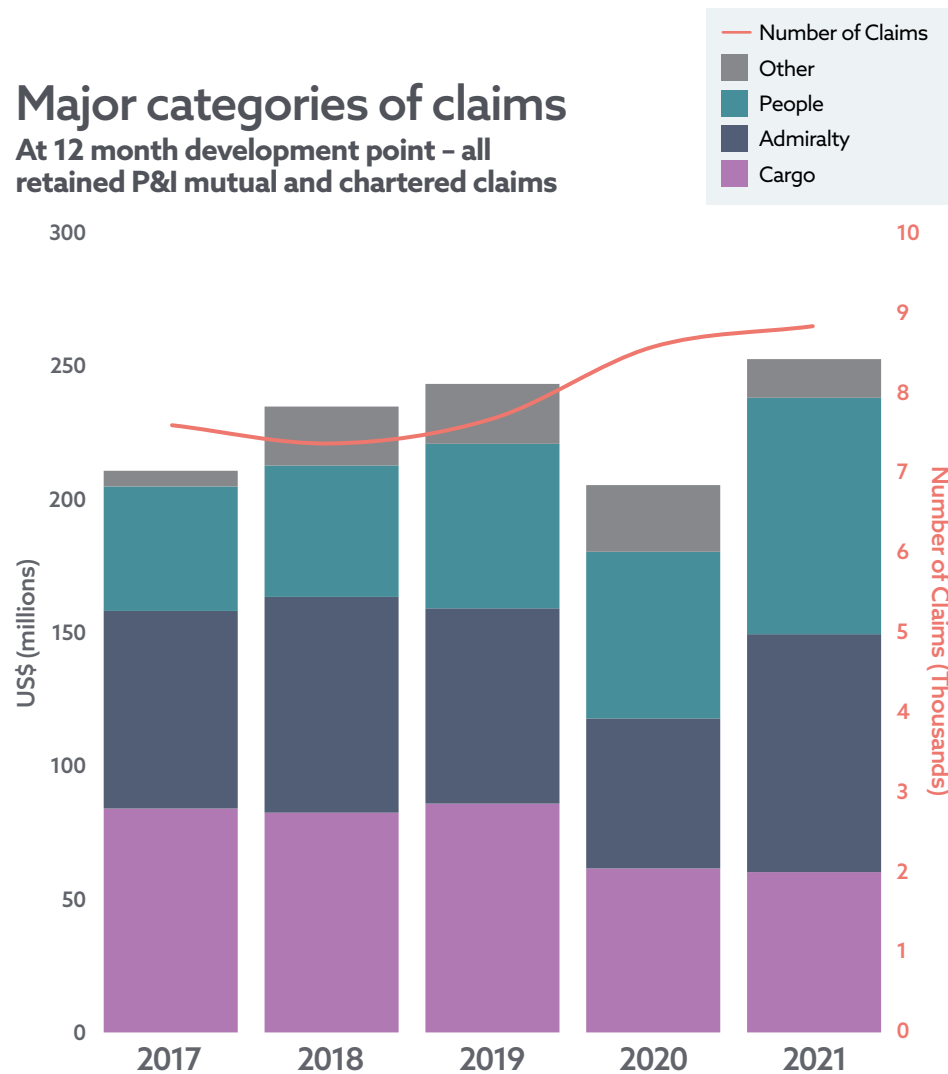
Notwithstanding our improved combined ratio year-on-year, the Club saw the impact of a return to more normal levels of economic activity when compared with 2020. As a result, mutual retained claims for the 2021 policy year increased by around US\$45 million compared to 2020, with crew claims alone seeing a remarkable increase in incurred costs of 50% (US\$28 million) and 377 more claims notified than in the prior year.

This was primarily a result of the impact of COVID-19 as restrictions loosened, and shipowners and charterers became exposed to the disruption and expense of moving to more “normalised” operations. The response of North’s claims team to the rapidly evolving situation was characteristic of their passion for and commitment to service.

The Club’s mutual claims performance has long been defined by its large claims of over US\$1 million, and in this category, claims increased from 32 in 2020 (36% by value) to 37 in 2021 (44% by value). Notably, high-value admiralty claims accounted for the five largest claims in 2021, including the “A-Symphony” collision and pollution claim in China, one of two such claims declared by North to the International Group pool.

Outside of COVID-19 and admiralty incidents, the retained claims experience was in line with the longer-term trend as we continue to refine the exposures across our mutual book, and we realised strong back-year releases on the back of our prudent claims reserving strategy. Claims experience on diversified lines tracked very closely to movements in exposures, with no exceptional incidents or trends to report. Accordingly, the combined ratios for the Sunderland Marine and North Hull businesses have been stable or improving, a pleasing outcome as the businesses continue to gain scale.

Major categories of claims At 12 month development point - all retained P&I mutual and chartered claims



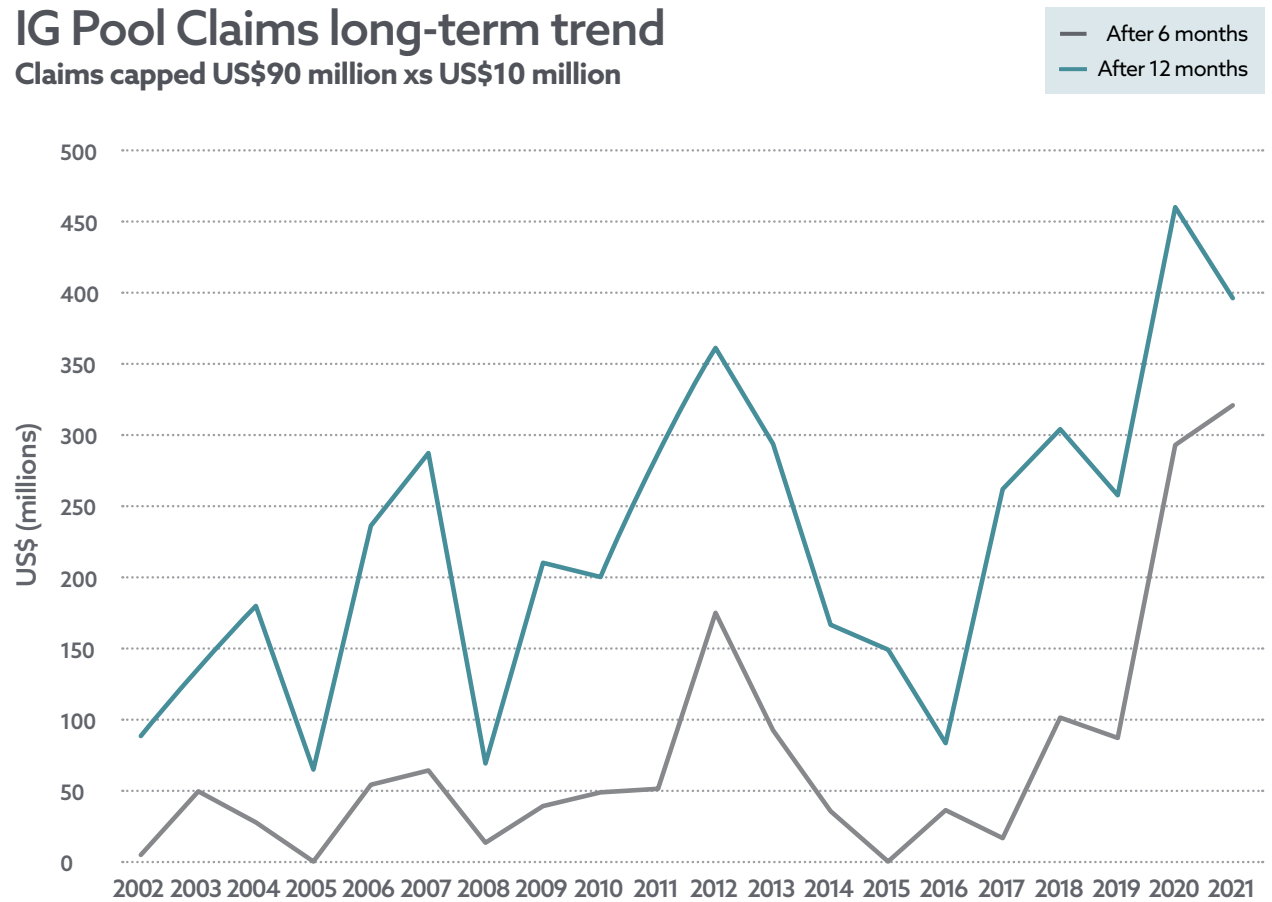
Claims Performance continued

Pool Claims

Over recent years we consistently repeated that the cost of International Group pool claims presents a challenge to the P&I Industry. The 2021 policy year, as in 2020, was “asymmetric” between the first and second halves of the year, with the substantial amelioration in the second half being a welcome development following the record level of claims in the first six months. Nonetheless, 2021 remains the second-worst year for 20 years (after 2020), and there are a notable number of incidents declared towards the end of the year, which may develop as circumstances become clearer.

Taking the step-change in experience of the past five years into account, it is incumbent on the industry to plan for continued pressure from pool claims – particularly given the much greater retention of exposure within the International Group when compared with the previous decade.

IG Pool Claims long-term trend Claims capped US\$90 million xs US\$10 million



Our People

North's continued success depends on our greatest strength: our people.

Board of Directors 23

Members Board 23

Our People

The wellbeing of our people ensures that we can continue to provide the best service for our Members and Clients, and over the last year, we have continued to make progress in this high priority area. We retained our Gold Award status from the UK's Better Health at Work panel in recognition of our people strategy initiatives.

Building awareness of our sustainability strategy throughout North continued with the launch of our Sustainability Strategy and Impact Report in December 2021. We have delivered a diversity and inclusion policy supported by in-house training as part of this overall programme. Preparatory work is now underway on establishing our diversity and inclusion strategy forum, which will involve volunteers from all of our global offices.

Since 2010, our North 150 Fund has provided over £1 million in donations and financial support for the North in the Community programme, focusing on supporting communities and charities in the areas in which we live and work. We provided many seafarer charities with direct financial support throughout the pandemic and provided oxygen cylinders for India at the peak of its health crisis. More recently, we have supported both the British Red Cross and Seafarers International Relief Fund in supplying essential medical equipment to Ukraine as part of the global humanitarian efforts.

We are also keen to develop future talent in the maritime industry. In addition to our in-house apprenticeship and employee training programmes, we are supporting an engineering cadet through his studies at our local marine school, an apprenticeship with Pharos Offshore and a scholarship for a student with Newcastle University, where our Loss Prevention team lectures on the MSc Transport and Logistics course.

Board of Directors

This past year has seen changes in key personnel on the North Board of Directors. After many years of service, both Albert Engelsman (former Chair) and Alex Lynch retired from the Board. Both made an invaluable contribution to North and the Club, for which we are very grateful. Gerardus Vrancken joined the Board as an Independent Non-Executive Director and brought a wealth of overseas experience gained in senior finance roles within the banking and insurance industries. The Board approved the re-appointment of Mr Tyrrell as Chair and Ms Procopiou and Mr Reith as Vice-Chairs of the North Board of Directors, respectively.

Members Board

The Members' Board represents the interests of our mutual membership alongside the North Board's existing Member representatives. New appointments this year were Mr Hassan Khamis Ali Al Ajmi (Oman Shipping), Mrs Harjeet Kaur Joshi (The Shipping Corporation of India), Mr Lars Bagge Christensen (Navigare Capital Partners), Mr Stephen Davies (Anglo International Shipping Operations), Mr Xu Hui (China Merchants Energy Shipping) and Mr Peter Schulz (Pacific Basin). I would like to thank Mr Mats Berglund (Pacific Basin Shipping), Mr Sam Gontha (Zodiac Maritime), Mr Andrew Roberts (Anglo International Shipping Operations), Captain Xie (China Merchants Energy Shipping), Mr Atle Bergshaven (Bergshav Management), Jan-Christian Severin (MSC Shipping), Mr Chris McDade (Teekay Corporation) and Mr Andrey Kontsenebin (Sovcomflot) for their service on the Members' Board.

Our North 150 Fund has provided over £1 million

for the North in the Community programme since 2010, focusing on supporting communities, charities, and environmental initiatives in the areas in which we live and work.

Looking Forward

Continuing to implement our business strategy by remaining true to our core purpose and values.



Looking Forward

The merger with Standard Club will allow us to transform our Club and ensure that we continue to deliver services that build on our strong heritage and that we remain relevant for the future to meet the changing requirements of our Members. Both clubs are incredibly excited and motivated by the thought of the benefits we can successfully deliver to our Members, stakeholders, the wider maritime sector and our people within North.

NorthStandard, as one of the world's leading P&I clubs, will deliver a compelling service proposition for Members and Clients and all those who rely upon us to provide first-class

service. The outstanding claims expertise tried and tested on the largest and most complex claims will complement a broad portfolio of products and services. Combined with faster innovation, NorthStandard will meet evolving market requirements more effectively and offer incisive guidance to navigate the continuing change affecting the global maritime sector and better anticipate future trends and challenges. NorthStandard's operational scale and even stronger financial resilience will smooth the volatility of year-on-year market fluctuations and deliver predictability and stability over coming years in our operational, financial and technical results.






Connect

 www.nepia.com

 [@NorthPandlClub](https://twitter.com/NorthPandlClub)

 [NorthPandlClub](https://www.facebook.com/NorthPandlClub)

 [The North of England P&I Association Limited](https://www.linkedin.com/company/the-north-of-england-p-i-association-limited)

 [North P&I Club](https://www.youtube.com/channel/UC...)