



# American Club

## Club Financial Summary

September 2019

## Highlights

Owned tonnage

**+9.6%**



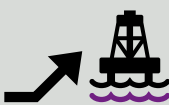
Premium reduction

**-2.5%**



Incurred claims

**+26.5%**



Free Reserves

**-21.5%**



Investment return

**0%**



Combined ratio

**117%**

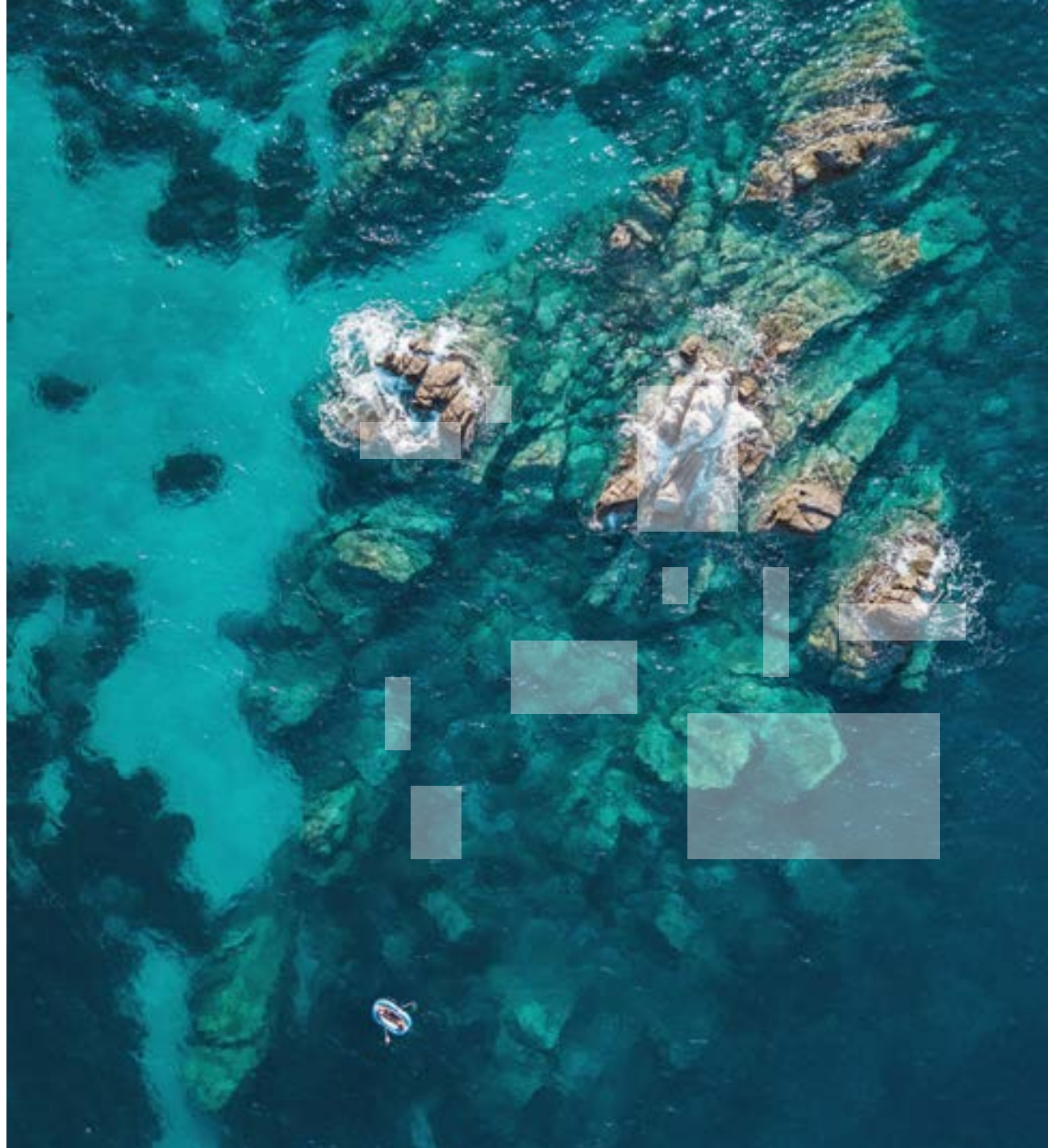


- Owned **tonnage increased by 9.6%**
- Premiums reduced by 2.5%
- Reinsurance premiums reduced by 6.8%
- Net **incurred claims increased by 26.5%**
- USD 12.3 million underwriting loss
- Marginal investment loss in contrast to USD 8.6 million gain in prior year
- **USD 12.4 million overall loss for 2018/19**
- Assets reduced by 7% and **free reserves reduced by 21.5%**

## Combined ratio

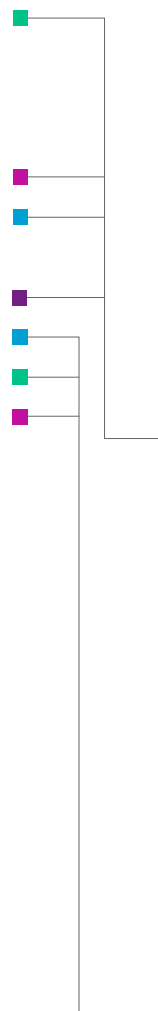
American Club has reported an underwriting loss and combined ratio of 117% in 2018/19. It is the eighth year in a row that the Club has reported a technical deficit.

“...the eighth year in a row that the Club has reported a technical deficit”



# Consolidated financials

P&I only (USD 000s)	2016/17	2017/18	2018/19
<b>Calls and Premiums</b>	<b>109,493</b>	<b>98,389</b>	<b>95,951</b>
Reinsurance Premiums	-14,168	-24,194	-22,546
Operating Expenses (policy year)	-37,744	-40,300	-39,805
<b>Operating Income</b>	<b>57,581</b>	<b>33,895</b>	<b>33,600</b>
Gross Paid Claims	87,499	78,797	60,233
Net Paid Claims	71,711	62,543	48,364
Net Change in Provision for Claims	-950	-26,241	-2,459
Net Incurred Claims	70,761	36,302	45,905
<b>Technical Surplus (Deficit)</b>	<b>-13,180</b>	<b>-2,407</b>	<b>-12,305</b>
Investment Income	8,188	8,603	-84
<b>Overall Surplus for Year (Deficit)</b>	<b>-4,992</b>	<b>6,196</b>	<b>-12,389</b>



## Consolidated financials

Group result (USD 000s)	2016/17	2017/18	2018/19
■ Net Assets (market)	219,472	200,765	186,803
■ (Net) Outstanding Claims	168,054	143,151	141,578
■ Free Reserves	51,418	57,614	45,225
	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>S&amp;P Rating</b>			
	BBB-	BBB-	BBB-
<b>AER (Average Expense Ratio)</b>			
Five years ending 20, February:	25.7	27.9	26.6

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## Entered tonnage

	2017	2018	2019
<b>Entered Tonnage (GT, millions)</b>			
Owned / Mutual	15.6	17.1	18.7
Chartered / Fixed	1.3	1.5	2
<b>Total</b>	<b>16.9</b>	<b>18.6</b>	<b>20.7</b>



# Glossary

## Combined Ratio

Combined ratios provide a direct comparison of club underwriting performance. The combined ratio is essentially the net loss ratio for the club and is defined as follows:

$$\text{Net combined ratio} = \frac{\text{(Net incurred claims + operating expenses)}}{\text{(Premium - reinsurance costs)}}$$

- A combined ratio of 100% represents an underwriting break-even position
- Anything in excess of 100% would be an underwriting loss
- A combined ratio less than 100% would represent an underwriting surplus.

## Average Expense Ratio (AER)

Average Expense Ratios (AERs) were introduced in 1999 following pressure from the European Commission in an attempt to enable direct comparisons of operating costs between clubs within the International Group. The formula that all clubs are required to adhere to when calculating their AER figure is as follows:

$$\text{The AER formula is the five-year average of:} \frac{\text{(Operating costs x 100)}}{\text{(Premium income + Investment income)}}$$

In principle the AER is a reasonable idea, but in reality it is only ever a very approximate guide to the relative operating costs of individual clubs. For example different membership profiles, disproportionately high levels of premium or investment, whether the club owns or rents their office space, how much the club spends on loss prevention, global office network, member portals etc all have an impact on the AER.

## Basis of financial analysis

*The main aim in the Willis Towers Watson analysis of club report and accounts has been consistency. Although there are still variations between the way clubs report, we try as far as possible to compare 'like with like' and to apply the same approach year after year.*

A glossary of terms is provided below.

## Glossary of terms

<b>Calls and Premiums</b>	All calls (gross basis, including brokerage)
Reinsurance Premiums	All reinsurance premiums
Operating Expenses	All general management, administrative and audit expenses (not including claims management costs)
<b>Operating Income</b>	Calls, less reinsurance costs, less expenses
Gross Paid Claims	Paid gross claims, including Pool contributions (including claims management costs)
Net Paid Claims	Gross paid claims less reinsurance and Pool recoveries
Net Change in Provision for Claims	Change in net estimated outstanding claims
Net Incurred Claims	Net paid claims plus change in provision for claims
<b>Technical Surplus (Deficit)</b>	Operating Income less Net Incurred Claims
Investment Income	All investment income, including exchange gains/losses, tax etc.
<b>Overall Surplus for Year (Deficit)</b>	Incurred technical surplus (deficit), plus investment income
<b>Net Assets</b>	Total assets, less creditors, less miscellaneous provisions for taxation etc
Net Outstanding Claims	Total net estimated outstanding claims
<b>Free Reserves (Including Forecast Deferred Calls)</b>	Net assets, less outstanding claims

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