



Japan P&I Club

Club Financial Summary

September 2019

Highlights

Owned tonnage

+2.4%



Premium reduction

-9.6%



Incurred claims

-2.3%



Free Reserves

+5%



Investment return

1.5%



Combined ratio

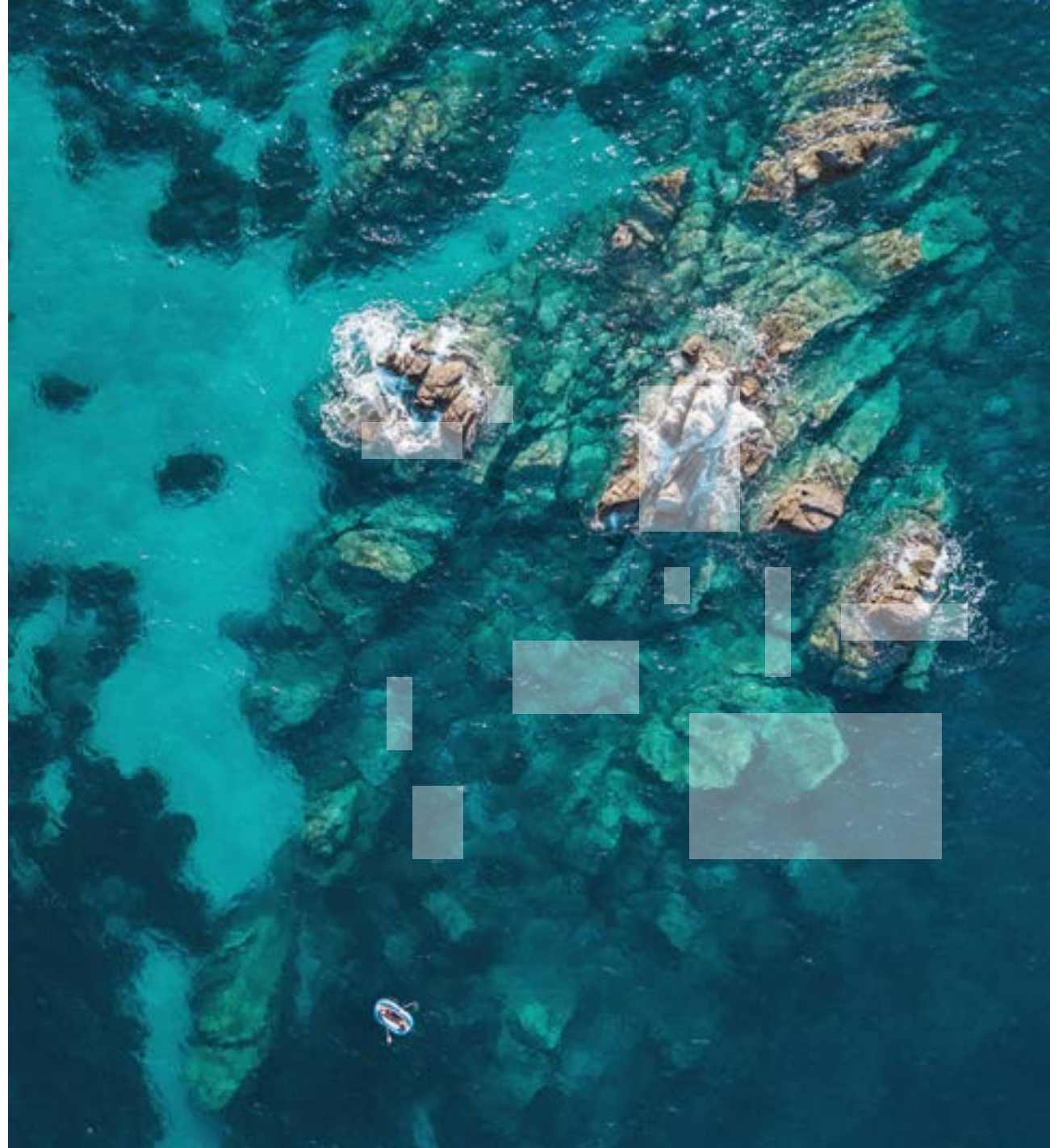
95%



- Owned tonnage increased by 2.4%
- **Premiums reduced by 9.6%**
- Operating expenses reduced by 3%
- **Gross and net paid claims reduced by 17% and 15.3% respectively**
- Net incurred claims reduced by 2.3%
- USD 6.9 million underwriting surplus
- Investment return 1.5%
- Overall **surplus of USD 20.5 million**
- Assets increased by 2.1% and free reserves increased by 5%

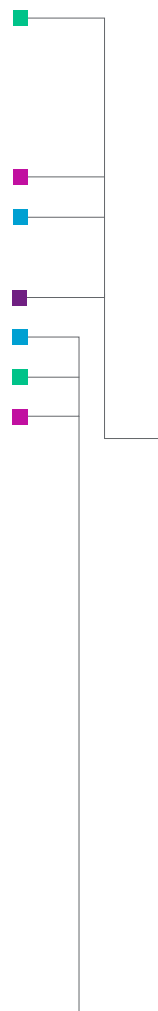
Combined ratio

Japan P&I Club recorded a 95% combined ratio in 2018/19, the fifth year in a row the Club reported an underwriting surplus.



Consolidated financials

Year Summary (USD 000s)	2016/17	2017/18	2018/19
Calls and Premiums	221,126	214,241	193,731
Reinsurance Premiums	-49,132	-50,681	-42,351
Operating Expenses (policy year)	-24,134	-26,536	-25,739
Operating Income	147,860	137,024	125,641
Gross Paid Claims	122,032	142,809	118,453
Net Paid Claims	108,987	124,927	105,800
Net Change in Provision for Claims	13,617	-3,394	12,934
Net Incurred Claims	122,604	121,533	118,734
Technical Surplus (Deficit)	25,256	15,491	6,907
Investment Income	-3,096	-7,574	13,572
Overall Surplus for Year (Deficit)	22,160	7,917	20,479



Consolidated financials

Group result (USD 000s)	2016/17	2017/18	2018/19
■ Net Assets (market)	501,715	532,848	544,024
■ (Net) Outstanding Claims	293,292	306,324	306,148
■ Free Reserves	208,423	226,524	237,876
	2017	2018	2019
S&P Rating			
	BBB+	BBB+	BBB+
AER (Average Expense Ratio)			
Five years ending 20, February:	5.46	6.21	6.52

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Entered tonnage

	2017	2018	2019
Entered Tonnage (GT, millions)			
Owned / Mutual	89.0	91.1	92.9
Owned / Fixed	2.5	2.5	2.6
Chartered / Fixed	12.2	12.1	13.7
Total	103.7	105.7	109.2



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

Calls and Premiums	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)
Operating Income	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
Technical Surplus (Deficit)	Operating Income less Net Incurred Claims
Investment Income	All investment income, including exchange gains/losses, tax etc.
Overall Surplus for Year (Deficit)	Incurred technical surplus (deficit), plus investment income
Net Assets	Total assets, less creditors, less miscellaneous provisions for taxation etc
Net Outstanding Claims	Total net estimated outstanding claims
Free Reserves (Including Forecast Deferred Calls)	Net assets, less outstanding claims

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