

# London Club

## Club Financial Summary

September 2019

## Highlights

Owned tonnage

**+7.5%**



Premium income

**+1.9%**



Incurred claims

**+24%**



Free Reserves

**-13.3%**



Investment return

**3%**



Combined ratio

**140%**

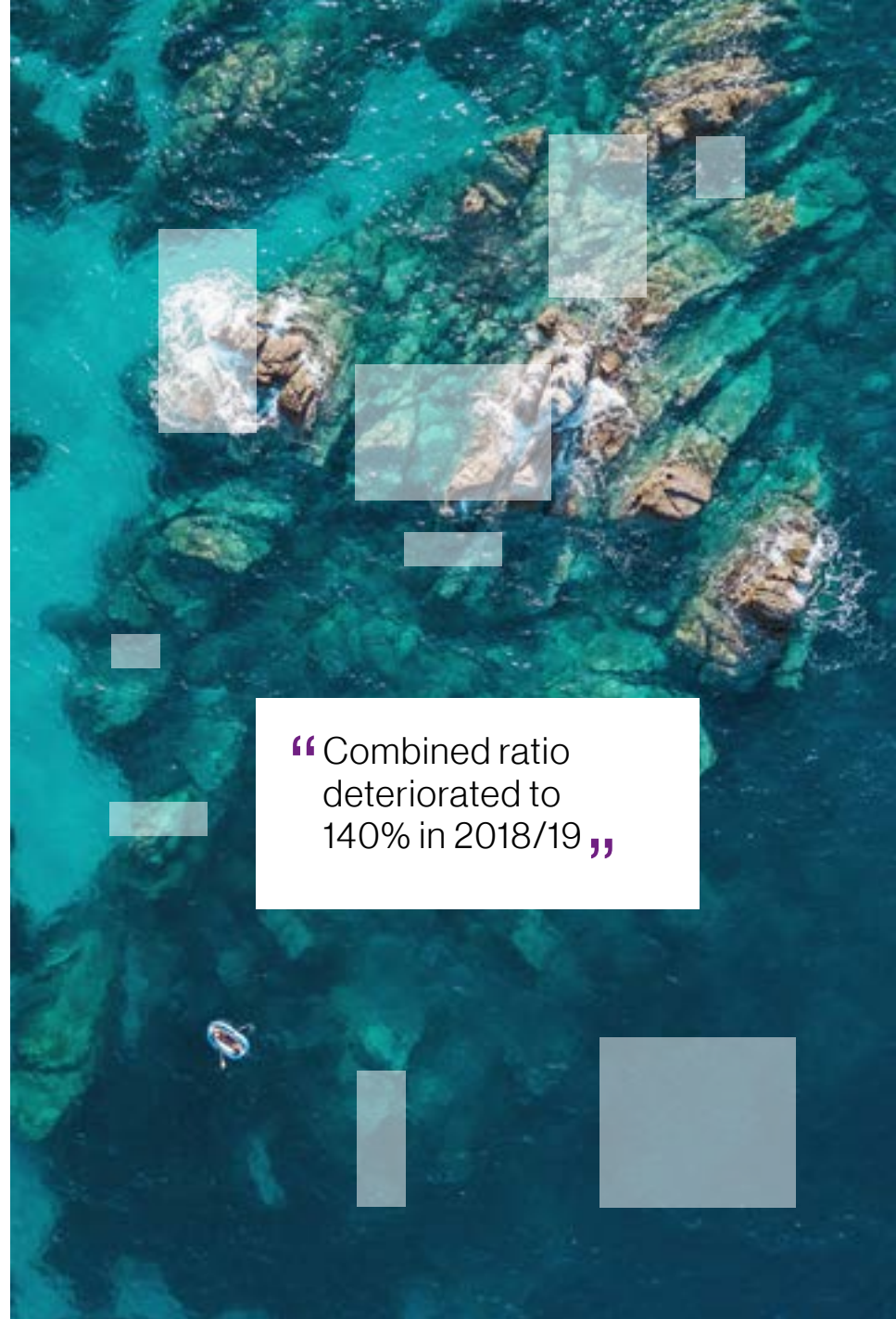


### Highlights:

- Owned tonnage increased by **7.5%**
- Premiums increased by **1.9%**
- Gross and net paid claims increased by **34.4%** and **39.4%** respectively
- **24%** increase in net incurred claims
- Underwriting loss of **USD 33.7 million**
- Investment return of **3%**
- Overall loss for the year of **USD 25.8 million** despite positive investment income (2017/18: USD 6.6 million surplus)
- Assets and Free Reserves reduced by **5.1%** and **13.3%** respectively
- Combined ratio of **140%**

## Combined ratio

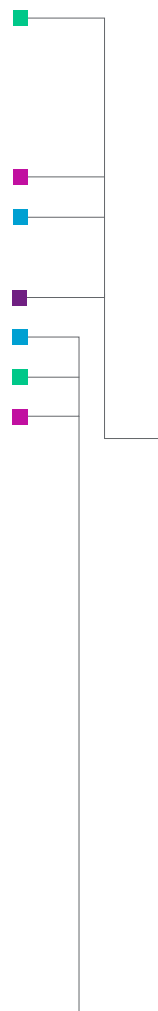
The London Club's net combined ratio deteriorated from 119% to 140% between 2017/18 and 2018/19.



“ Combined ratio deteriorated to 140% in 2018/19 ”

# Consolidated financials

(USD 000s)	2016/17	2017/18	2018/19
<b>Calls and Premiums</b>	<b>102,891</b>	<b>101,728</b>	<b>103,660</b>
Reinsurance Premiums	-20,181	-20,393	-19,671
Operating Expenses (policy year)	-11,542	-12,655	-13,644
<b>Operating Income</b>	<b>71,168</b>	<b>68,680</b>	<b>70,345</b>
Gross Paid Claims	139,268	79,532	106,878
Net Paid Claims	87,754	71,127	99,134
Net Change in Provision for Claims	-18,282	12,775	4,885
Net Incurred Claims	69,472	83,902	104,019
<b>Technical Surplus (Deficit)</b>	<b>1,696</b>	<b>-15,222</b>	<b>-33,674</b>
Investment Income	25,609	21,852	7,875
<b>Overall Surplus for Year (Deficit)</b>	<b>27,305</b>	<b>6,630</b>	<b>-25,799</b>



## Consolidated financials

(USD 000s)

	2016/17	2017/18	2018/19
<b>Net Assets</b>	<b>394,296</b>	<b>413,701</b>	<b>392,788</b>
Net Outstanding Claims	206,284	219,059	223,945
<b>Free Reserves</b>	<b>188,012</b>	<b>194,642</b>	<b>168,843</b>

2017 2018 2019

### S&P Rating

BBB BBB BBB

### AER (Average Expense Ratio)

Five years ending 20, February: 9.51 9.68 10.30

Copyright 2019 Standard & Poor's Financial Services LLC. Reproduction of S&P Credit Ratings in any form is prohibited except with the prior written permission of Standard & Poor's Financial Services LLC (together with its affiliates, S&P). S&P does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of ratings. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE.

S&P shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs or losses caused by negligence) in connection with any use of Ratings. S&P's ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

## Entered tonnage

	2017	2018	2019
<b>Entered Tonnage (GT, millions)</b>			
Owned / Mutual	44.0	46.5	50.0
Chartered / Fixed	10.0	11.5	10.0
<b>Total</b>	<b>54.0</b>	<b>58.0</b>	<b>60.0</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

# Contacts

## Ben Abraham

D: +44 (0)20 3124 7786

M: +44 (0)7799 415806

[ben.abraham@WillisTowersWatson.com](mailto:ben.abraham@WillisTowersWatson.com)

### About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).



[willistowerswatson.com/social-media](http://willistowerswatson.com/social-media)

Willis Limited, Registered number: 181116 England and Wales.

Registered address: 51 Lime Street, London, EC3M 7DQ.

A Lloyd's Broker. Authorised and regulated by the Financial Conduct Authority for its general insurance mediation activities only.

Copyright © 2019 Willis Towers Watson. All rights reserved.  
WTW249527/0519

[willistowerswatson.com](http://willistowerswatson.com)