

September 2020

American Club

Club Financial Summary

Highlights 2019/20 financial year

- Owned tonnage reduced by 8.6%
- Excluding the contribution of unbudgeted calls, premiums increased by 15.9%
- Reinsurance premiums increased by 26%
- Paid claims relatively stable
- Net incurred claims increased by 36%
- Reported USD 2.7 million underwriting surplus, however USD 25.9 million of unbudgeted calls were registered in 2019/20. Without the extraordinary calls, the underwriting loss would have been USD 23.2 million.
- P&I market leading investment return of 10.6%
- USD 9 million reported overall surplus for 2019/20, though the underlying result, taking out the impact of unbudgeted calls would have been a USD 16.9 million overall loss for the year.
- Assets and free reserves increased by 11.7% and 19.8% respectively
- The underlying result, had unbudgeted calls not been made, would have been a reduction in free reserves of 37.4%

Owned tonnage
decreased by
-8.6%



Premium income
increased by
+15.9%
(excluding unbudgeted calls)



Net incurred claims
increased by
+36%



+19.8%
Free reserves

(-37.4% reduction without the contribution of unbudgeted calls)



Investment return
+10.6%



Underlying
combined ratio
128%

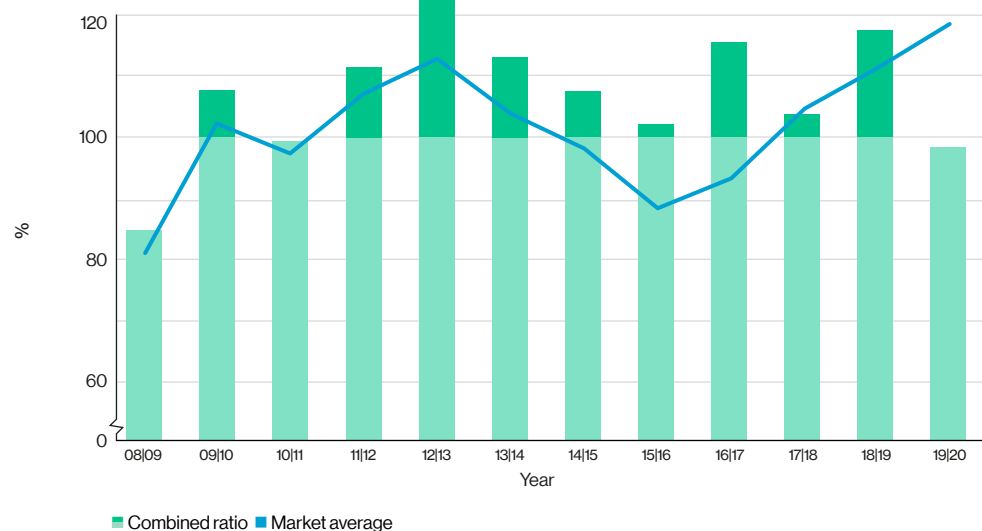
without the contribution of unbudgeted calls (from 117% in 2018/19)



Combined ratio

The American Club reported a combined ratio below breakeven (98%) in the 2019/20 financial year. This headline figure however includes USD 25.9m in unbudgeted calls. The underlying combined ratio, excluding the impact of the unbudgeted calls, is 128%.

Combined ratio



The American Club announced a 22.5% unbudgeted call in respect of the 2016 policy year and a 17.5% unbudgeted call relating to the 2017 policy year. The combined impact of these two extraordinary calls (USD 25.9m) was registered in the 2019/20 report and accounts.



Consolidated financials

(USD 000s)	2017/18	2018/19	2019/20
Calls and Premiums	98,389	95,951	137,085
Reinsurance Premiums	-24,194	-22,546	-28,411
Operating Expenses	-40,300	-39,805	-43,545
Operating Income	33,895	33,600	65,129
Gross Paid Claims	78,797	60,233	57,689
Net Paid Claims	62,543	48,364	49,855
Net Change in Provision for Claims	-26,241	-2,459	12,559
Net Incurred Claims	36,302	45,905	62,414
Technical Surplus (Deficit)	-2,407	-12,305	2,715
Investment Income	8,603	-84	6,252
Overall Surplus for Year (Deficit)	6,196	-12,389	8,967

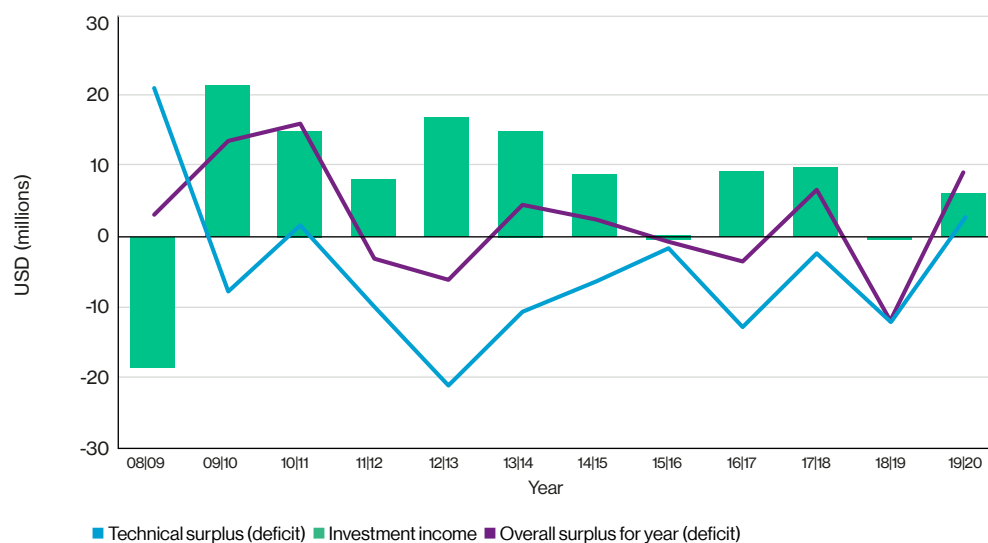
Reported USD 2.7 million underwriting surplus for 2019/20, however this includes unbudgeted calls made against 2016 and 2017 policy years. Without the extraordinary calls, the underwriting loss would have been USD 23.2 million.



Underwriting development



Overall result - including investment income

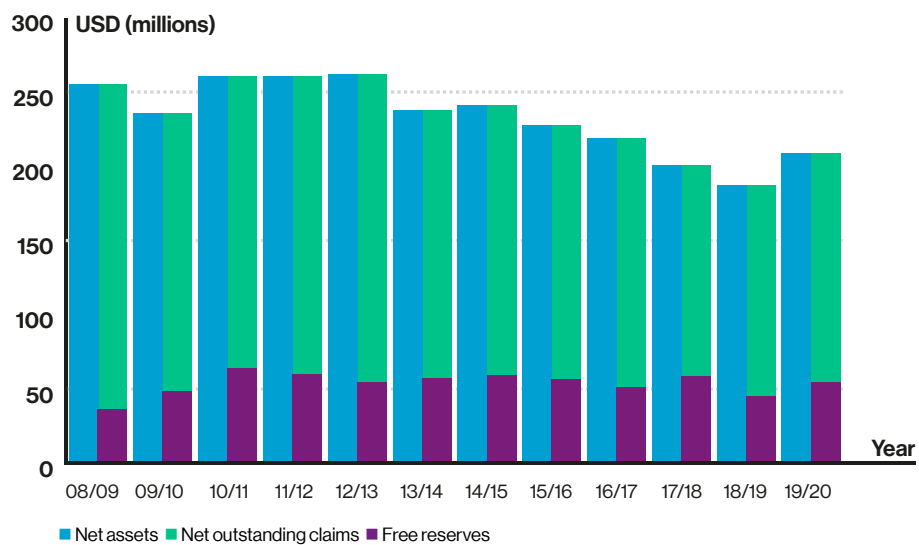


Consolidated financials

(USD 000s)	2018	2019	2020
Net Assets	200,765	186,803	208,570
Net Outstanding Claims	143,151	141,578	154,378
Free Reserves	57,614	45,225	54,192
<hr/>			
	2018	2019	2020
S&P Rating*	BBB-	BBB-	BBB-*
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AER (Average Expense Ratio)			
Five years ending 20 February:	2018	2019	2020
	27.9	26.6	24.3

* Stable outlook. Figures are correct at the time of release.

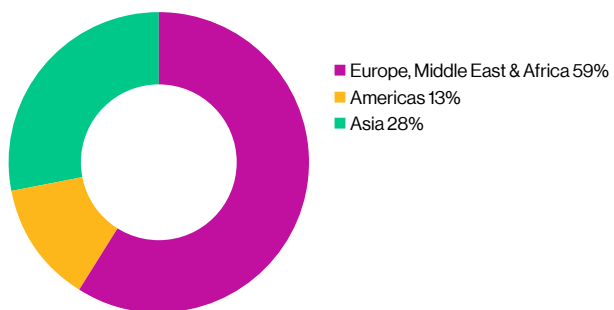
Assets and free reserves



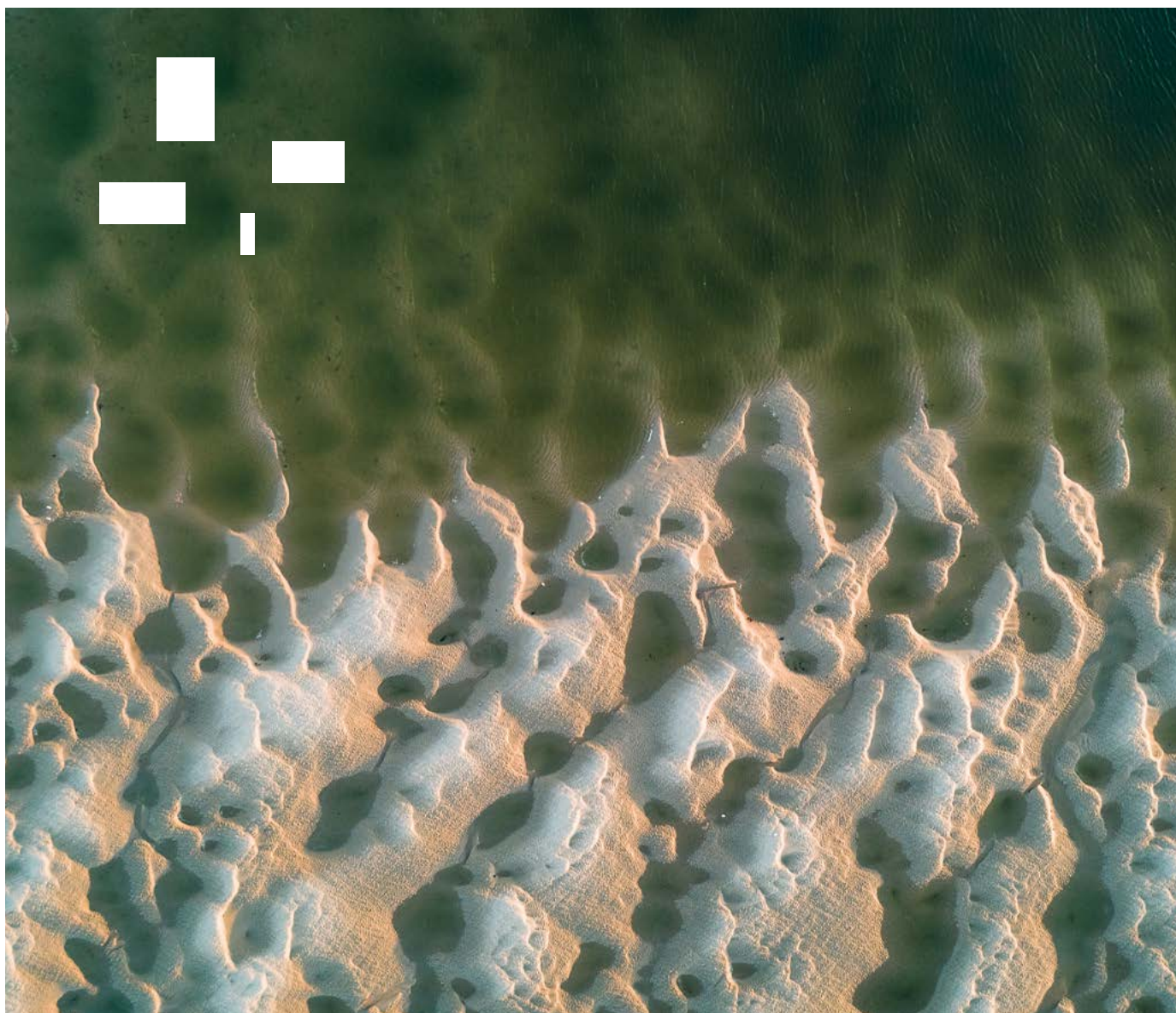
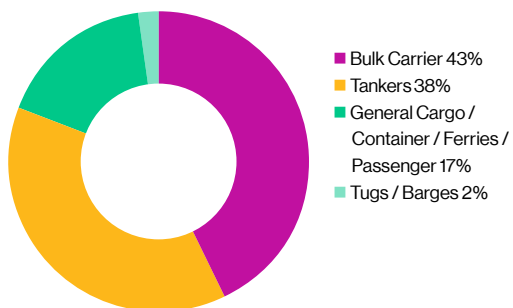
Entered tonnage

(GT, millions)	2018	2019	2020
Owned / Mutual	17.1	18.7	17.1
Chartered / Fixed	1.5	2.0	2.3
Total	18.6	20.7	19.4

Tonnage split by nationality of management



Tonnage split by vessel type



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:

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

- 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:

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

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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