



October 2020

Japan P&I Club

Club Financial Summary

Highlights 2019/20 financial year

- Owned tonnage increased by 0.5%
- Premiums reduced by 5.5%
- Operating expenses stable
- Gross paid claims increased by 19.7%, net paid claims reduced by 6.9%
- Net incurred claims reduced by 0.3%
- USD 7.2 million underwriting deficit
- Investment return 0.4%
- Overall loss for the year of USD 7.2 million
- Assets increased by 4.4% but free reserves reduced by 0.8%

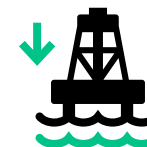
Owned tonnage
increased by
+0.5%



Premium income
decreased
-5.5%



Net incurred claims
decreased by
-0.3%



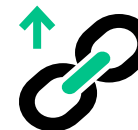
-0.8%
Free reserves



Investment return
+0.4%



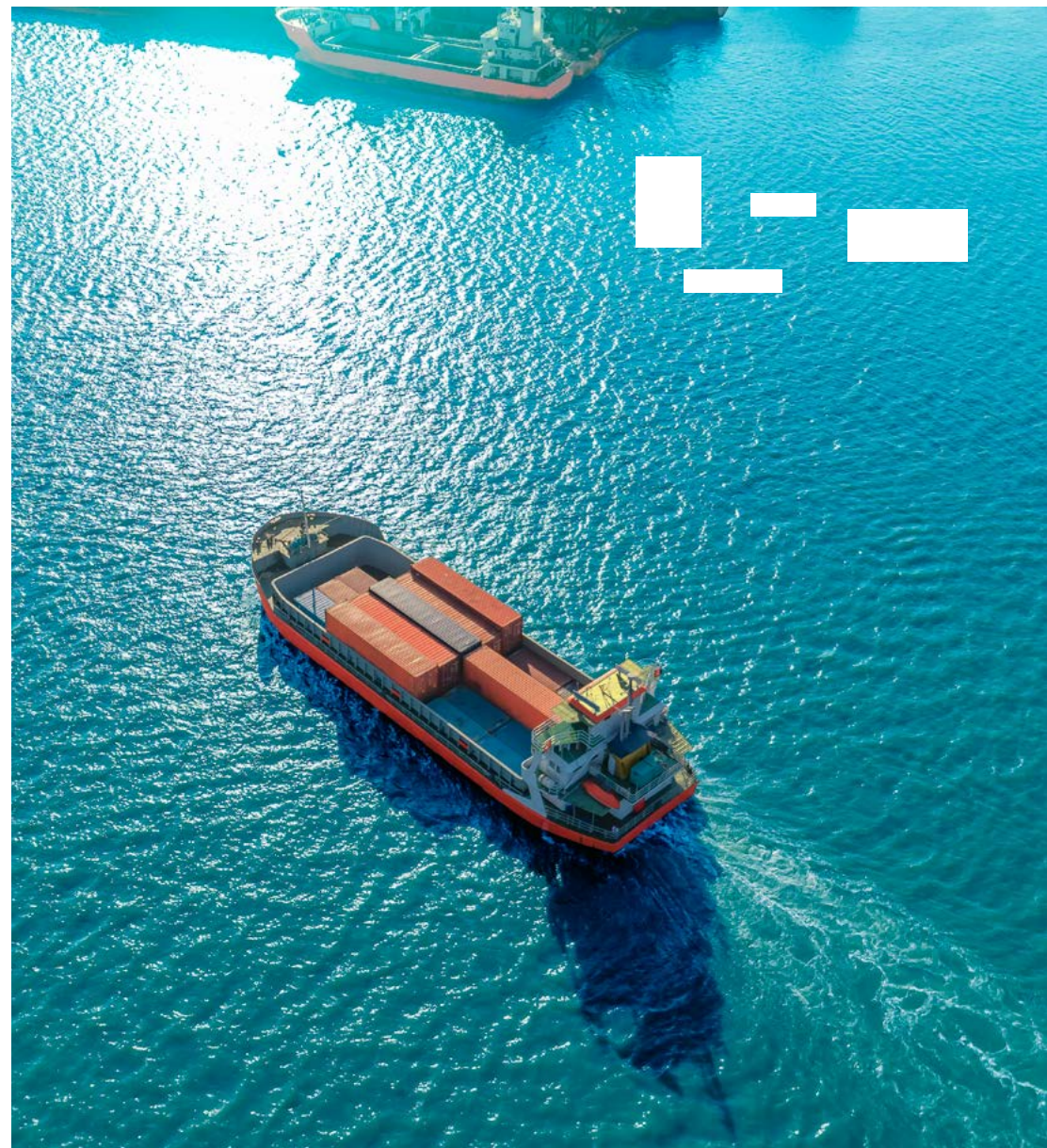
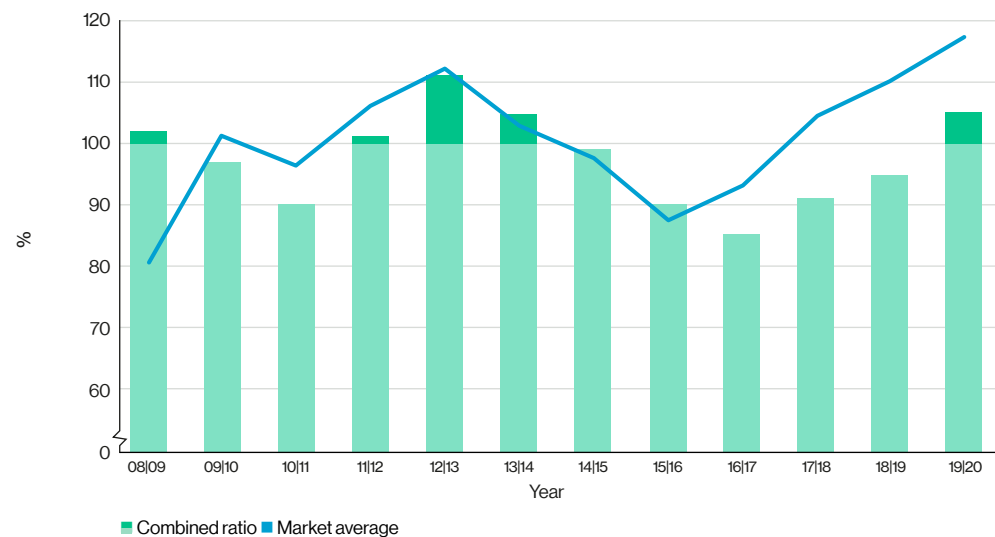
Combined ratio
105%
from 95% in 2018/19



Combined ratio

The Japan P&I Club's combined ratio deteriorated from 95% to 105% in 2019/20. This is the first underwriting loss reported by the Japan P&I Club since 2013/14.

Combined ratio



Consolidated financials

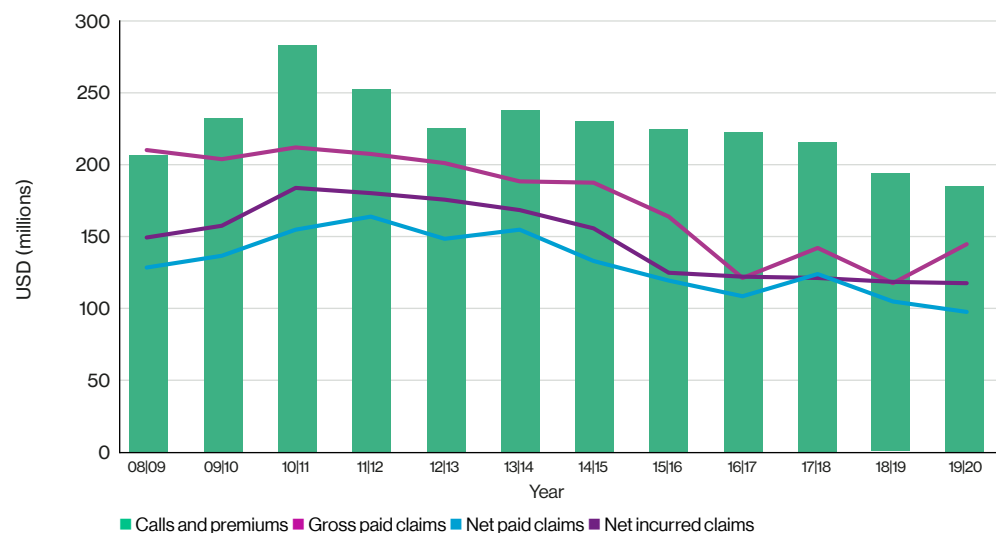
[Consolidated financials continue please click here >](#)

(USD 000s)	2017/18	2018/19	2019/20
Calls and Premiums	214,241	193,731	183,063
Reinsurance Premiums	-50,681	-42,351	-46,174
Operating Expenses	-26,536	-25,739	-25,710
Operating Income	137,024	125,641	111,179
Gross Paid Claims	142,809	118,453	141,846
Net Paid Claims	124,927	105,800	98,451
Net Change in Provision for Claims	-3,394	12,934	19,919
Net Incurred Claims	121,533	118,734	118,370
Technical Surplus (Deficit)	15,491	6,907	-7,191
Investment Income	-7,574	13,572	7
Overall Surplus for Year (Deficit)	7,917	20,479	-7,184

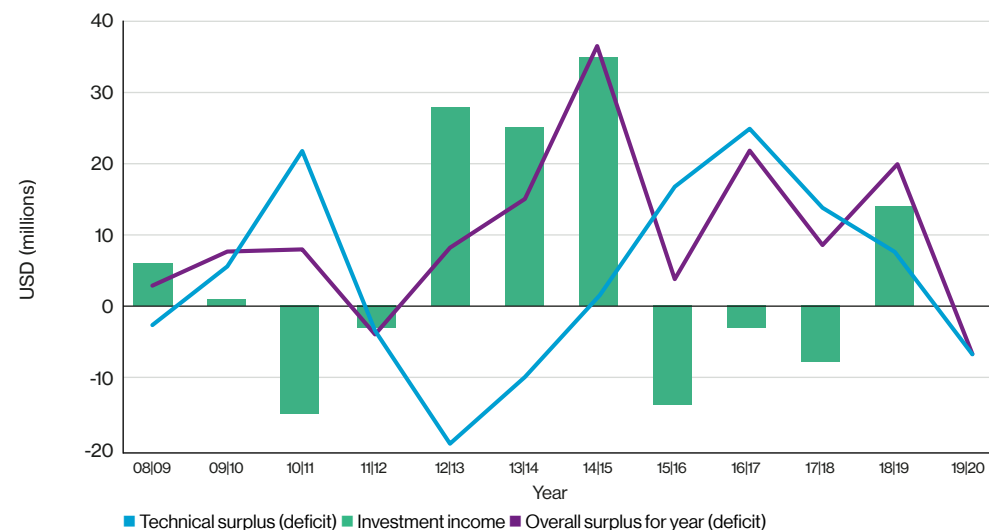
Net incurred claims decreased marginally, however a 5.5% reduction in premium income and minimal investment income resulted in a USD 7.2 million overall loss



Underwriting development



Overall result - including investment income



Consolidated financials

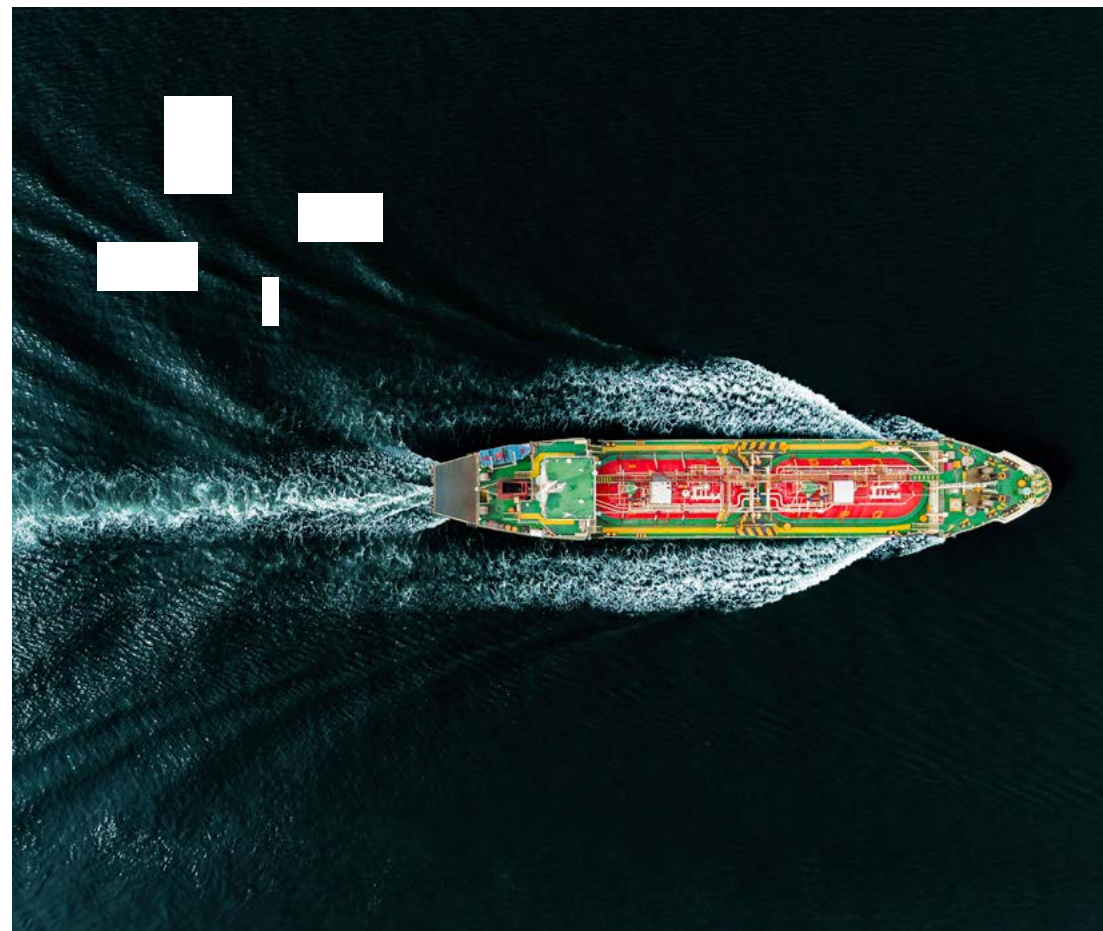
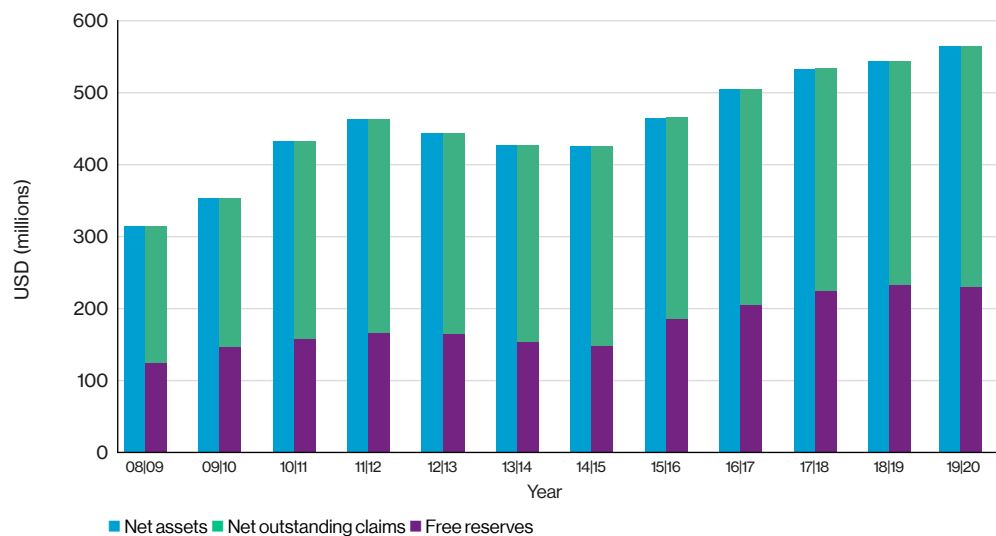
(USD 000s)	2018	2019	2020
Net Assets	532,848	544,024	568,078
Net Outstanding Claims	306,324	306,148	332,143
Free Reserves	226,524	237,876	235,935

	2018	2019	2020
S&P Rating*	BBB+	BBB+	BBB+

AER (Average Expense Ratio)	2018	2019	2020
Five years ending 20 February:	6.21	6.52	7.42

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

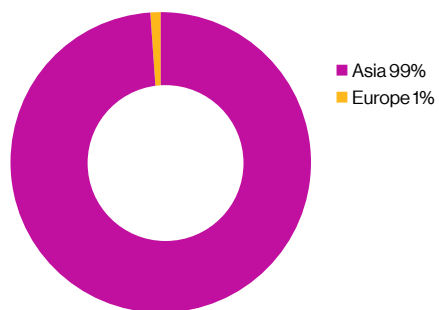
Assets and free reserves



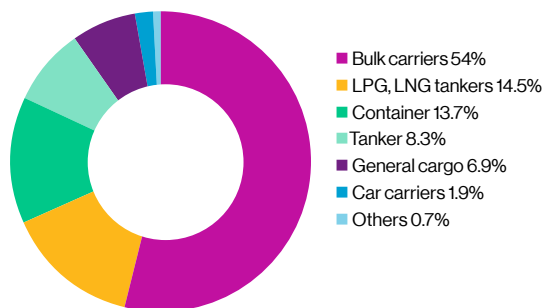
Entered tonnage

(GT, millions)	2018	2019	2020
Owned / Mutual	91.1	92.9	96.0
Owned / Fixed	2.5	2.6	2.8
Chartered / Fixed	12.1	13.7	13.0
Total	105.7	109.2	111.8

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:

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

- 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:

$$\text{The AER formula is the five-year average of: } \frac{\text{Operating costs x100}}{\text{(Premium income + investment income)}}$$

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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