

September 2020

Shipowners Club

Club Financial Summary



Highlights 2019/20 financial year

- 6% increase in owned tonnage
- Premium stable (0.3% increase)
- Net incurred claims increased by 3.6%
- USD 10.3 million underwriting loss
- Combined ratio deteriorated marginally to 105% (from 104% in 2018)
- 9.2% investment return
- Extremely positive investment income offset the underwriting loss to drive an overall surplus of USD 36.1 million
- Assets and Free Reserves increased by 7.3% and 11.9% respectively (essentially re-setting the loss from 2018)

Owned tonnage
increased by
+6%



Premium income
increased by
+0.3%



Net incurred claims
increased by
+3.6%



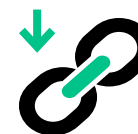
+11.9%
Free reserves



Investment return
+9.2%



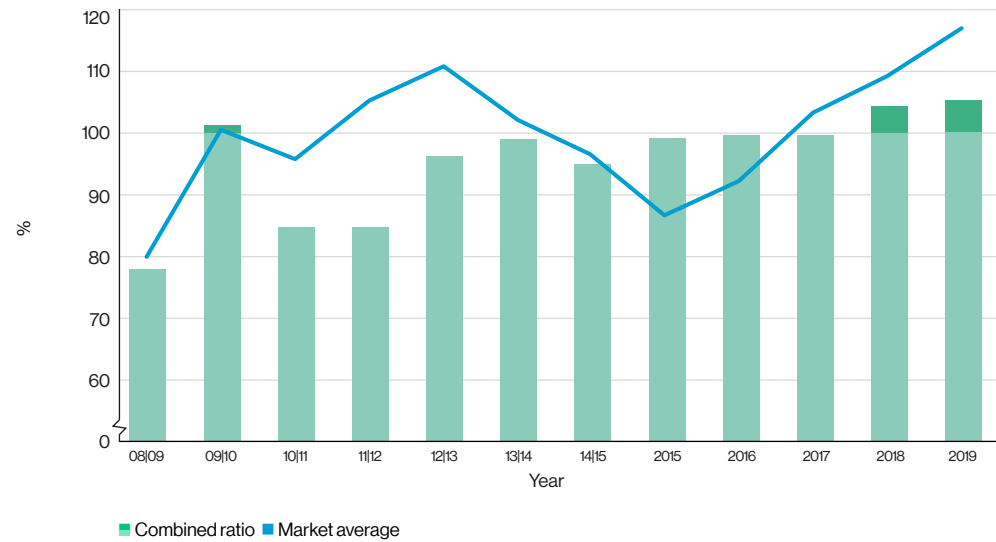
Combined ratio
deteriorated to
105%
(from 104% in 2018)



Combined ratio

Combined ratio deteriorated marginally to 105% (from 104% in 2018).

Combined ratio



USD 10.3 million underwriting loss in 2019

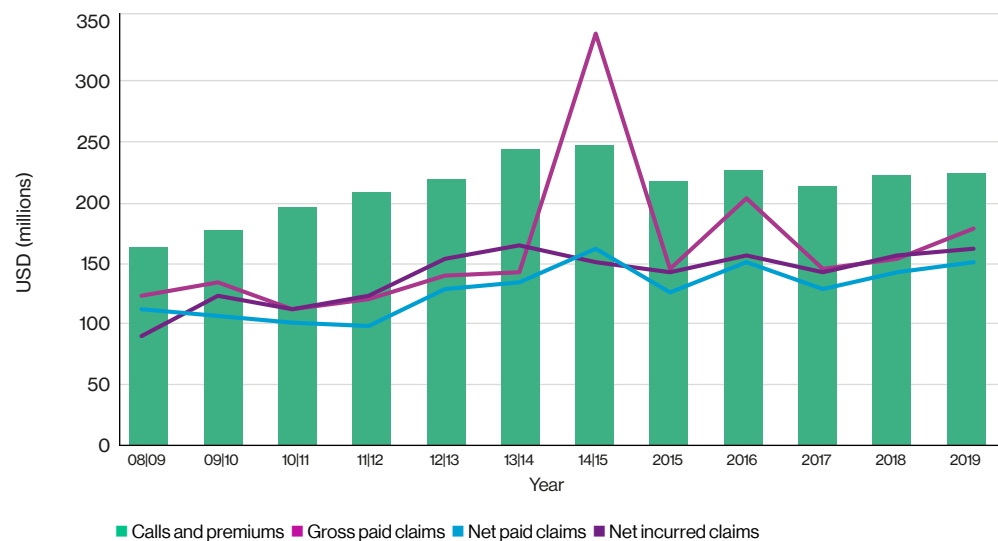


Consolidated financials

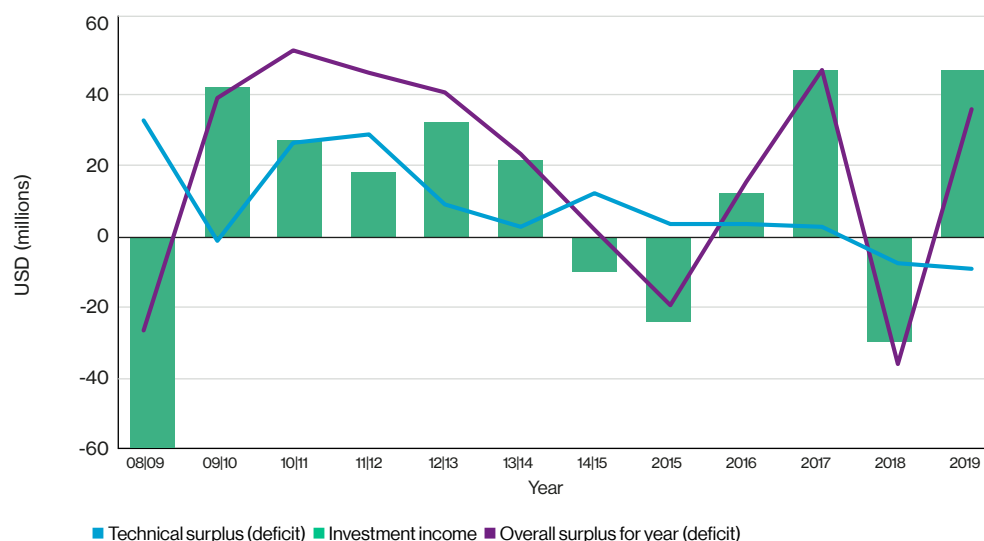
(USD 000s)	2017	2018	2019
Calls and Premiums	216,341	224,267	224,902
Reinsurance Premiums	-29,706	-29,270	-24,943
Operating Expenses	-48,709	-52,156	-53,741
Operating Income	137,926	142,841	146,218
Gross Paid Claims	138,215	147,508	171,537
Net Paid Claims	123,417	137,605	145,521
Net Change in Provision for Claims	12,748	13,433	10,970
Net Incurred Claims	136,165	151,038	156,491
Technical Surplus (Deficit)	1,761	-8,197	-10,273
Investment Income	45,924	-29,704	46,422
Overall Surplus for Year (Deficit)	47,685	-37,901	36,149

Extremely positive investment income offset the underwriting loss to drive an overall surplus of USD 36.1 million

Underwriting development



Overall result - including investment income



Consolidated financials

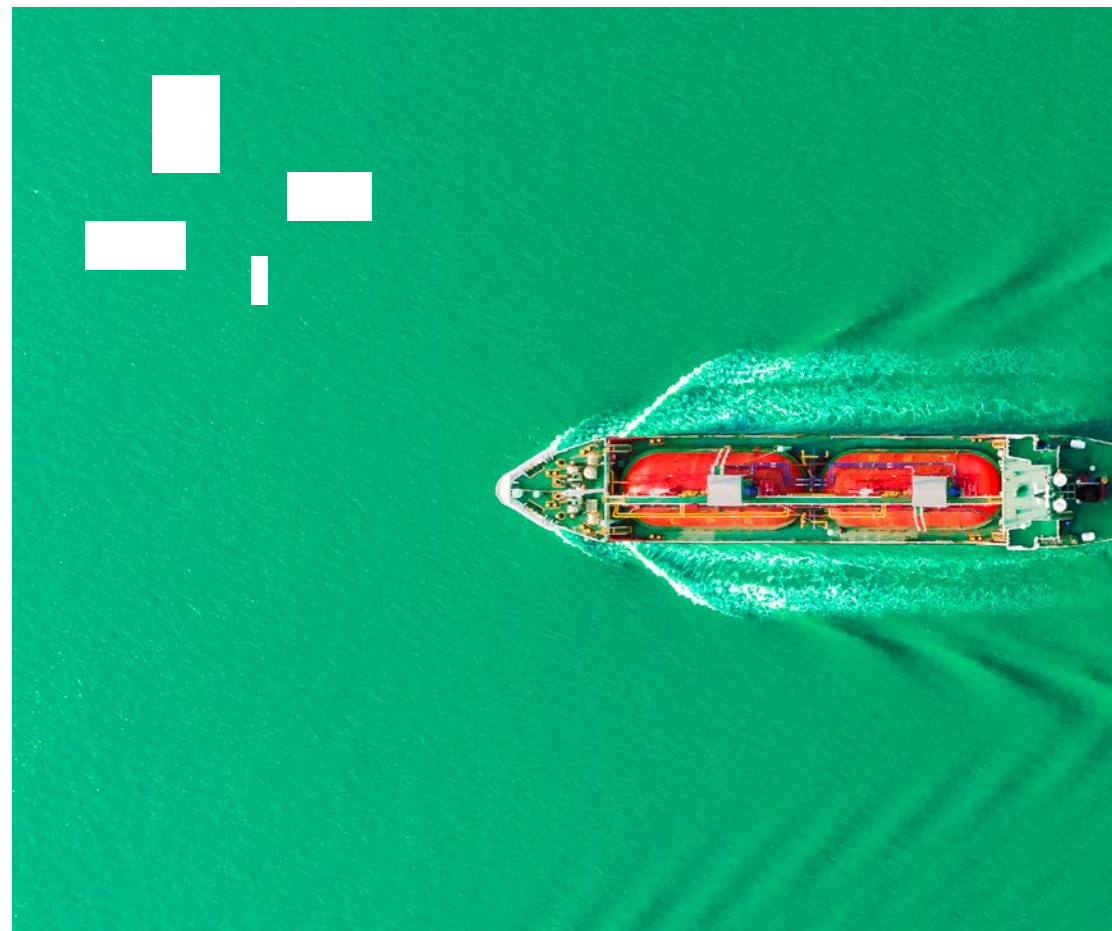
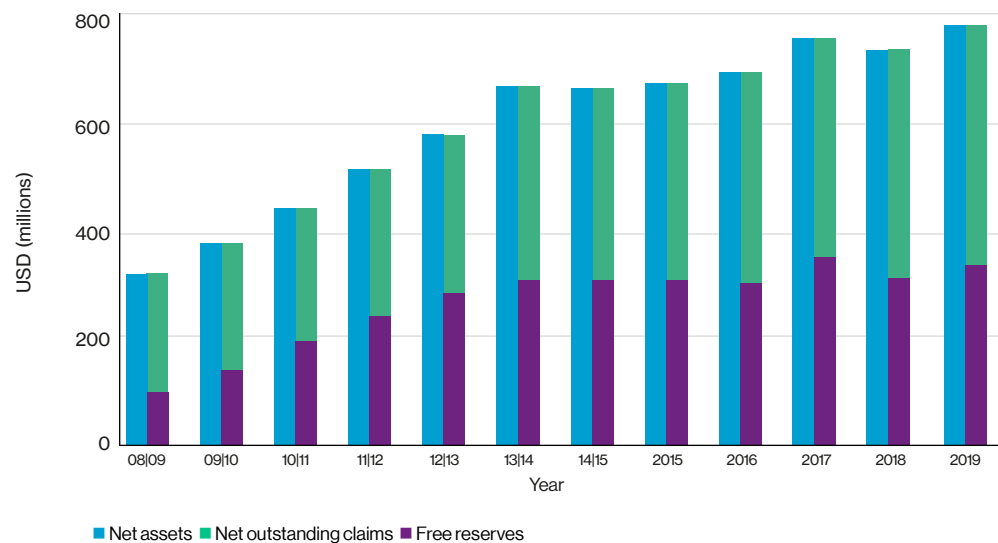
(USD 000s)	2018	2019	2020
Net Assets	740,186	719,469	772,190
Net Outstanding Claims	398,460	415,644	432,216
Free Reserves	341,726	303,825	339,974

	2018	2019	2020
S&P Rating*	A	A	A

AER (Average Expense Ratio)	2018	2019	2020
Five years ending 20 February:	22	24	23

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

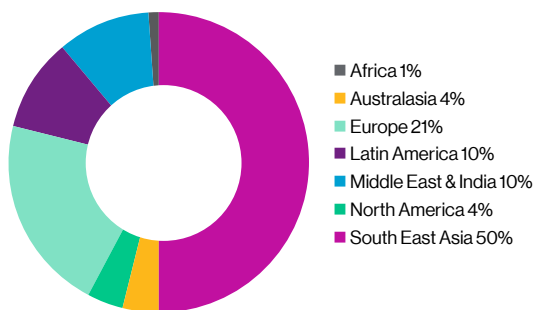
Assets and free reserves



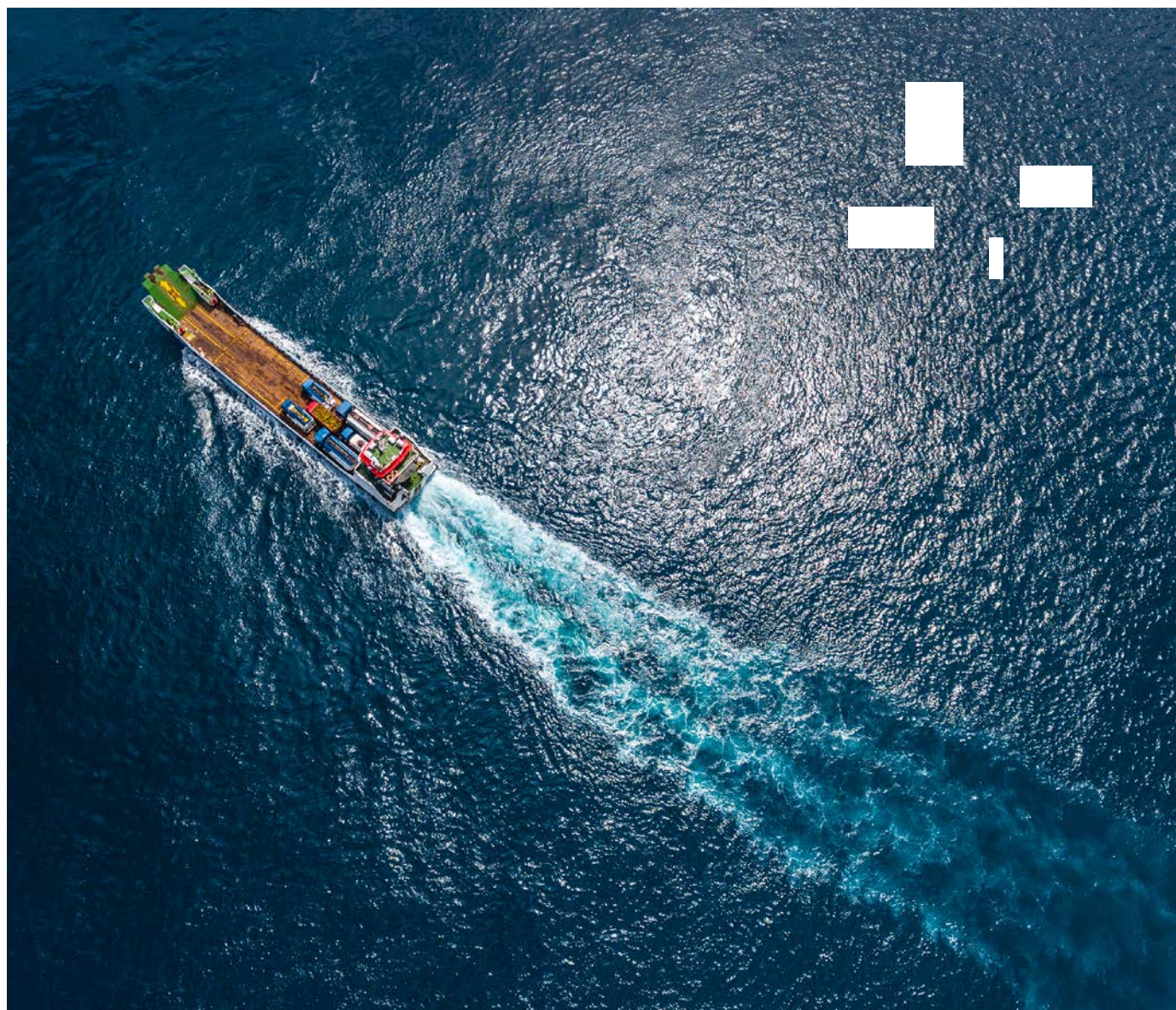
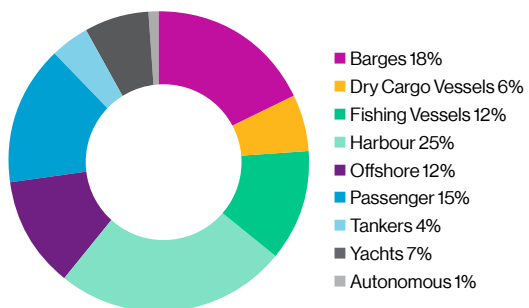
Entered tonnage

(GT, millions)	2017	2018	2019
Owned / Mutual	25.44	25.49	27.06
Chartered / Fixed	0.35	0.35	0.5
Total	25.79	25.84	27.56

Tonnage split by trading areas



Tonnage split by trading areas



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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