WILSON EUROPE
MASTERS OF P&I

The Wilson Report
International Group Clubs
2014

Contents

Chairman's Comment

The shipping market remains in a fragile state and in our opinion the time has come for the P&I Clubs to cease applying general increases year on year. The combined free reserves of the International Group now stand at more than US$4 billion. With the exception of a few clubs, general increases have been applied every year in the last decade. The reasons given are many and are for example increased pool claims, reduced investment income, too many attritional claims, too many larger claims, the churn effect (new tonnage attaching at discounted prices), monies required to meet Solvency 2…… and so the list continues! In some cases there has clearly been justification to apply a "general increase", but we now feel given the financial strength of the vast majority of the Clubs that the time for this practice has passed.

Shipowners and Operators have struggled in recent years and very regrettably some have failed. It really is time for the P&I Clubs to focus on their members' needs and for the Clubs to breakaway from this general increase cycle. The question needs to be asked "just how much money does a Mutual need to hold"? The Clubs do of course have to meet Solvency 2 requirements, which will likely be introduced in 2016 or 2017, but all Clubs are now holding sufficient funds and in some cases well in excess of Solvency 2 requirements. The rating agencies continue to play their part in driving up Club reserves and therefore premiums, but the reality is most clubs now enjoy a higher S&P rating than even that of Lloyds of London. In our view Club Managers and their Board of Directors should clearly state the reserving parameters they regard as appropriate, in order for the membership at large to be given a relatively clear indication as to what the Managers financial expectations are for the Clubs and, therefore, the "journey" to reach the ultimate goal.

There is no question that the International Group of P&I Clubs generally provide a first class claims service, but it certainly comes at a price! What we are now seeing, year on year, is the "acceptable loss ratios" (that is the amount of premium available to reimburse members through claims after the deduction of Club and Group reinsurance costs) reducing as the Clubs set aside ever increasing amounts of each members premium to cover these expenses. The loss records that the P&I Clubs currently produce give little or no indication of how those overheads are incurred and then broken down. We firmly believe there is a real need for greater transparency amongst the Clubs. We continue to make our views known to Club Managers but, at the present time, there does seem to be a real reluctance to change.

We again anticipate that the majority of P&I Clubs will be firm in their resolve at the 2015 renewal, but as always we remain completely focused and committed in achieving the best possible results for our clients.

The Wilson group now places in excess of 70 million gross tons of P&I insurance and have one of the most experienced and largest teams handling our clients renewals and day to day servicing needs. Shipowners are increasingly recognising the value of the role of the broker and are using the services of Wilson Europe and other leading broking houses specialising in the structuring and placement of P&I Insurance.

Wilson Europe continues to invest in bright, well-educated people and over the last 12 months have employed a further two young trainees to maintain our focus and commitment to deliver the highest levels of service for our clients.

Dudley Taylor
Chairman
Wilson Europe Limited

About Wilson

Wilson Europe is an independent insurance and re-insurance broker based in the City of London, specialising in the placing and servicing of P&I and other Marine Insurance risks. Wilson Re, our parent company, headquartered in Hong Kong along with offices in Korea, Taiwan and Tokyo, have a long standing and leading presence in the Asian market.

Wilson Europe has built a substantial global client base and today is responsible for placing some 70 million gross tons of P&I insurance. These covers are primarily placed in the International Group…..our portfolio is larger than some clubs.

Our International portfolio demonstrates our industry capability, enabling our experienced highly skilled team of brokers in London to “tailor make” solutions for our clients’ needs. In addition to placing covers for shipping clients we also place re-insurance for two non IGA P&I Clubs. Our portfolio extends from single ships/small fleets to some of the world’s largest and best known operators, enabling us to place ships of all sizes, types and complexities. Our client base includes a significant number of current and past International Group Club Board Directors.

Wilson Europe has one of the largest and most experienced P&I teams of any London broker which enables us to provide highly effective and efficient service to our clients. We maintain a very strong service ethos and are committed to operating with transparency and integrity at all times.

Reasons to use Wilson

- **Strength in depth - an International client base, operating Worldwide**
- **Unparalleled knowledge of the P&I industry and considerable experience in placing covers for all ship types**
- **Dedicated team - focused on securing our clients’ needs**
- **Considerable influence and engagement with P&I Club personnel at all levels**
- **Unrivalled service ethos – ensuring prompt fulfilment of our clients’ needs**

Additional Covers

We can readily place the following:

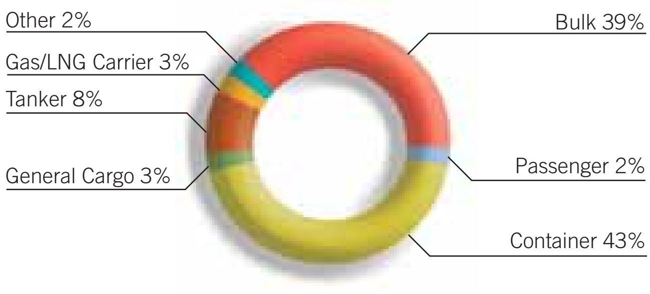
Club/Market
- Freight, Demurrage & Defence
- Newbuilding Risks
- Charterer's Liability
- Slot Charter Insurance
- Charterer's Interest
- Charterer's All Inclusive Cover

Cargo/Property
- Hull and Machinery
- Piracy Loss of Hire
- Kidnap and Ransom
- Terminal Operator's Liabilities
- Through Transport Liabilities
- Bunker Insurance
- Shipowner's Liability (S.O.L.)
- Deviation Insurance
- Exxon GA Clause Insurance
- North America Clean-Up Cover
- Cash on Board
- Cargo on Deck
- Ad Valorem: Specie and Valuable Cargo
- Stores and Provisions
- Certificate of Financial Responsibility

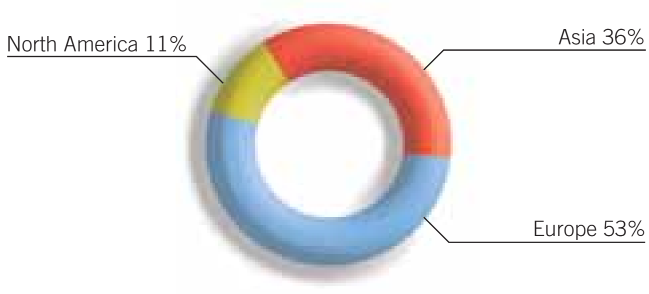
People
- All Inclusive Crew Cover
- Crew Familiarisation Liability Cover
- Pre-Delivery Crew Cover
- Passenger Deviation
- Sea Going Wives and Family
- Passenger Liability Regime (PLR)
- Shore Excursions

Freight Protection
- Increased Value/Hull Interest
- Freight Interest
- Freight All Risk
- Loss of Hire
- General Average Insurance
- Innocent Owners Interest Insurance
- Purchaser's/Seller's Interest
- Loss of Anticipated Profits
- Mortgagee's Interest Insurance
- Mortgagee's Interest Additional Perils
- Quarantine - Loss of Hire (Shipseize) Insurance

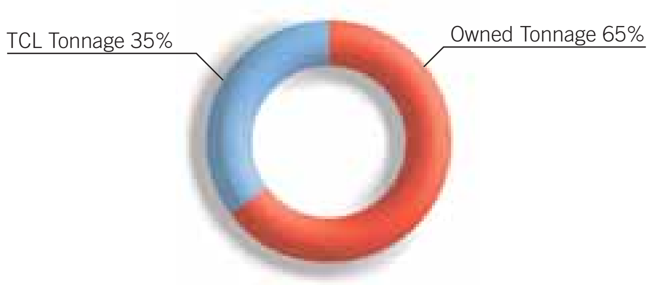
Portfolio by Ship Type (Owned and Chartered GT)



Portfolio by Continent (Owned and Time Chartered)



Portfolio by Continent (Owned and Time Chartered)



Section One

Financial, Retention and Reinsurance

Managing Director's 2014 Annual Review

The International Group continues to prosper financially and has achieved its fifth successive surplus, raising its combined free reserves to US$4.3 billion and achieving an all-time record high!

Asia's economic outlook remains very positive, with growth still around 6% despite signs of moderating in China and India. The American economy is now recovering, but the ending of quantitative easing has introduced some volatility to the markets and may signal a fall in asset values. The European economy appears to be heading for a period of deflation, which the European Central Bank seems reluctant to address. These issues will place more financial pressures on Club investment managers and Club underwriters.

However, notwithstanding the state of the market and the continuing difficulties many Shipowners and operators are enduring, there are signs that market conditions are improving and global growth is increasing. However new ship deliveries are slowing and there has been only a modest rise in the tonnage insured by the International Group – just 2.3%, taking the total gt insured by the group to 1.058 billion gt.

The Clubs continue to focus their concerns on the issues referred to in the Chairman's commentary, however we believe the truth is that smaller attritional claims remain within anticipated limits, and the cost of IG pool claims for the 2013 policy year (after twelve months) was lower than for the previous year. With relatively constant incurred claims costs, the underwriting deficits of the group fell from $244m to $74m. With the inclusion of investment income of $345m the group achieved a further surplus of $271m – compared to $204m the previous year. Investment income fell from $449m to $345m, delivering a return of 3.5%. The Clubs with the largest equity exposures produced the best investment return results. For the most part Clubs are enjoying "rude health"!

Currently the Clubs appear reluctant to be transparent with their membership, as already commented upon by our Chairman. The average expense ratios referred to in the KPI's shown within the Wilson Europe Club Insights do not properly clarify the actual cost of Club management - with claims staffing and other management costs are regularly included and therefore disguised within the overall claims reserves. Allocated abatement layer costs rarely reflect the actual costs of mutualising claims in excess of the Clubs stated abatement layer levels. Other purchases of reinsurance and stop loss policies are often included within the acceptable loss ratio, but the cost of these insurances are not made public to the members and his broker. Abatement layer levels are being increased without advice to the membership at large, resulting in members and their records being exposed to higher levels of claims retention and thus potentially incurring renewal penalties greater than previously! These and other opaque techniques drive up costs and therefore premiums. This may be being done for financial reasons to create surplus capital, thus enabling some Club managers to move into the fixed premium market with the hard earned capital provided by the Club's mutual membership!

A number of Clubs are now engaged in avid diversification programmes which appear to meet the approval of the ratings agencies, which view "mono-line" insurers as a higher risk. We wonder if the mutual members of the P&I Clubs really appreciate the liabilities that they are "signing up" to, in sanctioning their Club managers and/or their Board of Directors to underwrite non P&I, fixed premium commercial market activities.

We believe that some Clubs now have just 60% of their (mutual) membership underwriting and being responsible for the financial results of 100% of the Club. This potentially puts a substantial financial exposure on the mutual membership who will ultimately act as financial guarantors in the event of the Club's poor underwriting results of the fixed premium (and often non P&I class), which may result in unbudgeted supplementary calls. Other factors that seem to have been overlooked include the regulatory and fiscal issues. How much fixed premium business may a mutual underwrite before it ceases to be a mutual and becomes a normal profit making Insurance Company?

All the major mutuals in the International Group enjoy the advantages of "mutual status", with no taxation on their underwriting activities and low rates of taxation on their investment income. In addition, concessions have been gained which reduces regulatory reporting and assists with meeting solvency requirements. It would be very costly for the clubs/industry if these advantages were lost.

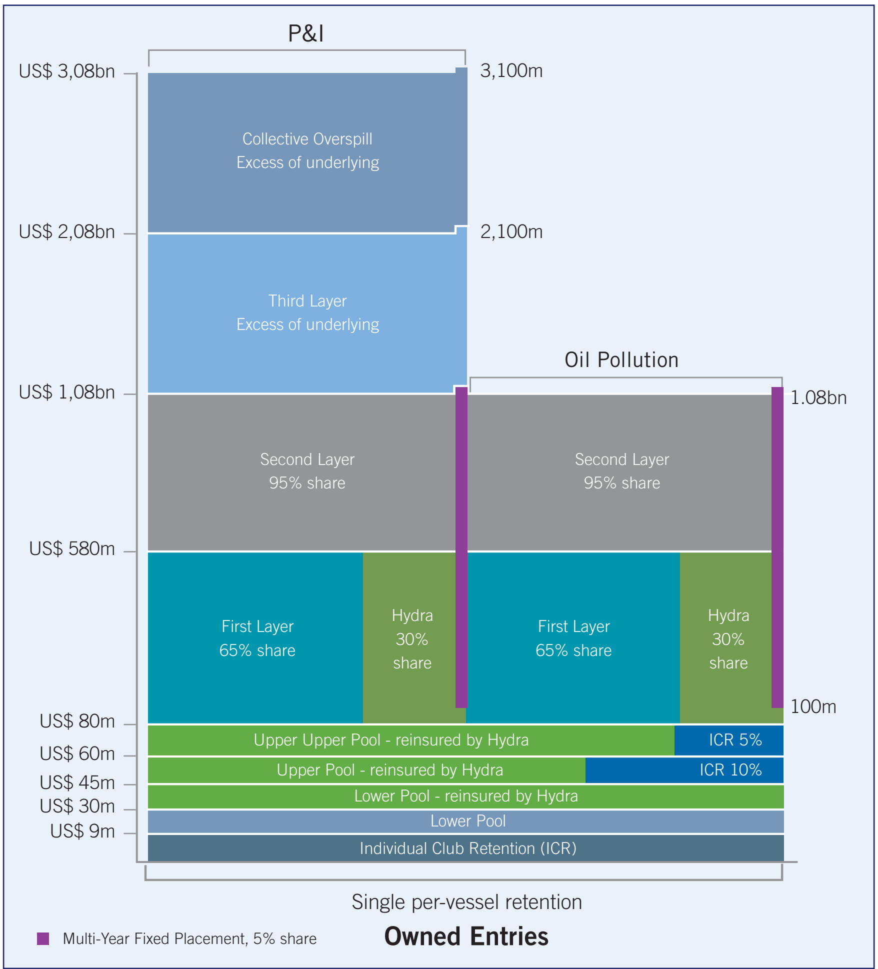
- Do Club managers really have the formal approval of their mutual membership to deviate from providing substantially P&I only cover, capitalised by mutual member's free reserves, into non P&I commercial market activities?
- Do the mutual members really understand the financial (guarantor) exposure that these non P&I risks bring to them and their Club?
- What real benefits are there for the Club and its members?
- Why are only small ships being given the advantage of fixed premiums and at the expense of large ships and their owners?

The Clubs are now well financed (with the exception of one or two) and the need for any general increases is unfounded. Solvency 2, which may well come into force in the next couple of years should not now hold any concerns for the Clubs.

The trend of increasing claims has halted (for the time being at least). The Clubs have never been more "de risked", financially healthy and more than able to meet most anticipatable future financial eventualities. With record high free reserves and more than adequate levels of capital, 2015 general increases really should be nil.

Julian South
Managing Director
Wilson Europe Limited

International Group 2014 Reinsurance Structure



Structure of International Group Retention, Pool and Excess of Loss Reinsurance.

General Excess of Loss Reinsurance Contract Structure Owned (including Overspill Protection, Hydra Participation, Pooling and Individual Club Retentions)

As at Noon GMT 20th February, 2014

Notional overall limit on Club cover $7billion.

Group RI Rates 2014

The International Group RI rates (per GT) including Hydra premium, Collective Overspill Cover and excess war risk P&I ($0.00936) for the year commencing 20 February 2014 are as follows:

Ship Category	Rate per GT 2014	$ Increase per GT	% Increase 2014	Rate per GT 2013
Dry Cargo Ships	0.5203	0.0261	5.28%	0.4942
Dirty Persistent Tankers	0.7963	0.0398	5.26%	0.7565
Clean Non-Persistent Tankers	0.3415	0.0170	5.24%	0.3245
Passenger Carrying Ships	3.7791	0.6298	20.00%	3.1493

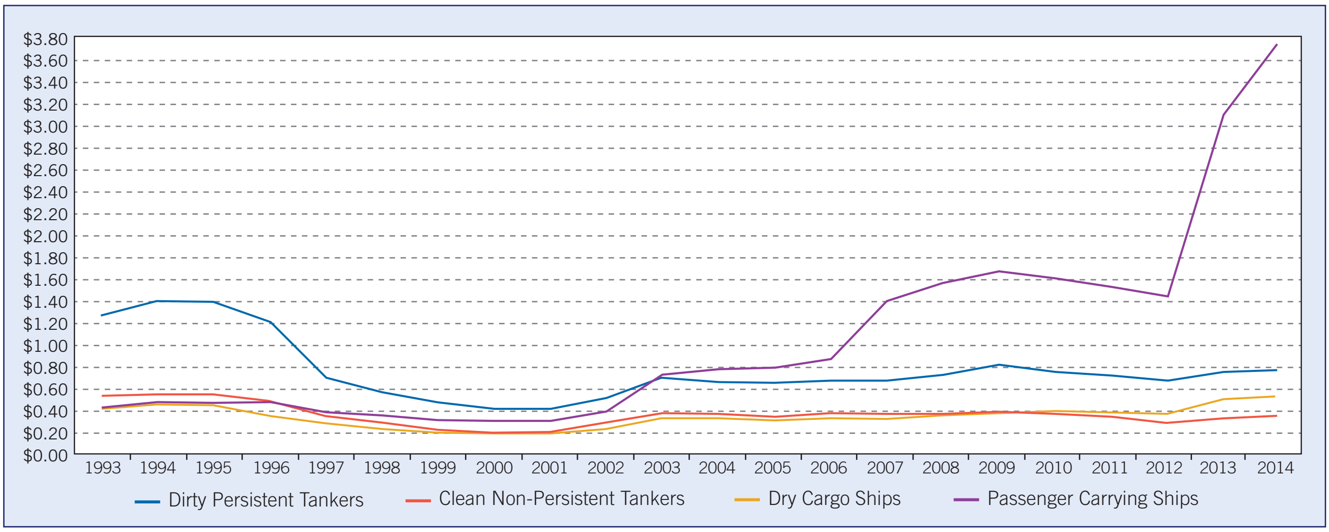
US Oil Pollution Surcharge 2014

Reflecting the continuing improvement in the tanker record, the Group has followed a policy over recent years of reducing the voyage surcharge rate with the eventual aim of reducing the surcharge to nil in the absence of any intervening major incidents. This policy has resulted in a year on year reduction in the amount of premium collected through the surcharge and for 2014 the Group has decided to reduce the surcharge to nil. In light of this change there will no longer be a requirement for US voyage declarations after 20 February 2014.

Historical Group GXL Rates Table 1993-2014

Policy Year	Dry Cargo Ships ($)	Dirty Persistent Tankers ($)	Clean Non-Persistent Tankers ($)	Passenger Carrying Ships ($)
1993	0.3980	1.3873	0.5304	0.3980
1994	0.4214	1.4367	0.5598	0.4214
1995	0.4132	1.4282	0.5513	0.4132
1996	0.3061	1.2346	0.4321	0.4136
1997	0.2357	0.6786	0.3031	0.3274
1998	0.1957	0.5479	0.2493	0.3049
1999	0.1538	0.4373	0.1970	0.2762
2000	0.1453	0.3953	0.1773	0.2762
2001	0.1453	0.3593	0.1773	0.2762
2002	0.1984	0.4859	0.2364	0.3782
2003	0.2858	0.6724	0.3268	0.6841
2004	0.2752	0.6399	0.3128	0.7328
2005	0.2677	0.6385	0.3041	0.7476
2006	0.2851	0.6799	0.3201	0.8006
2007	0.2837	0.6797	0.3187	1.3714
2008	0.3196	0.7300	0.3498	1.4985
2009	0.3695	0.8079	0.3667	1.6026
2010	0.3867	0.7554	0.3335	1.5654
2011	0.3709	0.7038	0.3055	1.4780
2012	0.3561	0.6515	0.2798	1.3992
2013	0.4942	0.7565	0.3245	3.1493
2014	**0.5203**	**0.7963**	**0.3415**	**3.7791**

Historical Group GXL Rates Graph 1993-2014



General Increase Summary - Renewal 2014

Club	P&I	Remarks	FDD	Remarks
American	**10%**	Deductibles between $10,000 and $25,000 will be increased by 10%. All deductibles less than $10,000 will be increased by $1,000. There will also be a minimum deductible of $7,500 for all claims in respect of crew. Special compensation for discharge of oil will be subject to a minimum deductible of $50,000. General Average claims will be subject to a minimum deductible of $100,000.	**10%**	None
Britannia	**2.5% on Advance Call**	Deductibles remain unchanged as follows: Cargo $10,000, Crew $2,000, All Others $5,000 Deductibles to apply to costs, fees and expenses. The 2.5% (2014) general increase will be applied to the initial 2013 advanced call rate, (prior to the 7.5% rebate). This equates to 8.1% increase on the Estimate Total Cost.	**As expiry**	None
Gard	**5% on Advance Call**	All deductibles over the standard deductibles increased by $1,000. All deductibles under the standard deductibles will be increased by $2,000 or increased to the standard deductible level, whichever is lower. Deferred call set at 25%, Deductibles for:- Crew/Passenger - $6,000, Cargo/Pollution/Fines - $18,000, Collision/FFO - $23,000, All Others - $6,000	**10%**	None
Japan	**7.5%**	No Changes	**7.5%**	None
London	**10%**	All deductibles under $15,000 increased by $2,000	**10%**	None
North	**7.5%**	All Deductibles under $25,000 increased by $1,000 Fee deductible increased from 10% per claim/incident with a minimum of $500 and maximum of $5,000 to 25%, with a minimum of $1,000 and maximum of $10,000	**5%**	None
Skuld	**Individual adjustments**	No specified/publicised general increase, but rises will be applied on a case by case basis depending on Skuld's perceived risk assessment and individual member's loss record	**Individual adjustments**	None
SOP	**5%**	No specified increases but to be assessed on a case by case basis. GXL RI adjustment will be absorbed by the Club	**5%**	None
Standard	**12.5%**	Deductibles up to and including $10,000 will be increased by $1,000. General Increase will be deferred and applied to the 4th instalment debited at 40% of ETP at Nov 2015	**12.5%**	Limit now set at $5m
Steamship	**10%**	Minimum deductibles adjusted as follows: Cargo $5,000, Crew $7,500, All Others $15,000	**10%**	None
Swedish	**7.5%**	Deductibles for Cargo and Crew will be increased by $2,000.	**5%**	The standard deductible will be increased by $1,000
UK	**10%**	The standard deductible will be increased from $7,500 to $8,500 any claim per event, including fees and expenses. Unpublicised rise in the abatement layer level from $2m to $2.5m	**5%**	None
West	**7.5% on Advance Call but net of GXL RI**	Deductibles increased by 7.5% or $1,000 whichever is higher Rules deductibles increased from $7,000 to $8,000	**7.5%**	None

N.B. In addition to the above General Increases, the GXL RI adjustments are to be borne by the Members for all clubs unless stated to the contrary.

Abatement Layer Levels - 2014 Policy Year

Member's claims will become eligible to be abated once any individual claim exceeds for stated amounts below:

Club	Abatement Layer
American	$4.5m
Britannia	N/A
Gard	$3m
Japan	$5m
London	$2m
North*	$2m
Shipowners	$1.5m
Skuld	N/A
Standard**	$1.5m
Steamship***	$1.8m
Swedish	$3m
UK	$2.5m
West	$2m

* 10% will be allocated back to the record of the claiming Member whilst the remaining 90% will be allocated across the whole Membership

** Standard only allows one abated claim to be accepted for the life of the loss record

*** 80% of the claim arising in the first layer (from US$1.8m to US$5m), will be borne by the membership as a whole. The remaining 20% will form part of the Member's individual loss record.

Pool Record and Development

Individual Profit / Loss Record

Club	Net position (US$ m)	Loss ratio
Skuld	49.8	74.6%
UK	103.1	79.1%
Britannia	41.8	87.7%
London	13.9	92.4%
West	20.4	93.8%
Standard	1.5	99.4%
Shipowners	-1.0	101.2%
Steamship	-11.4	103.5%
Gard	-21.8	105.1%
Japan	-32.9	114.9%
North	-31.3	115.3%
American	-18.8	118.8%
Swedish	-86.4	165.9%

Three Year Development Record

Club	2014	2013	2012
Skuld	74.6%	77.9%	91.5%
UK	79.1%	71.0%	88.8%
Britannia	87.7%	97.1%	87.8%
London	92.4%	101.0%	106.0%
West	93.8%	98.9%	101.5%
Standard	99.4%	97.6%	113.5%
Shipowners	101.2%	134.6%	90.4%
Steamship	103.5%	106.2%	101.3%
Gard	105.1%	114.1%	96.7%
Japan	114.9%	105.9%	102.7%
North	115.3%	84.9%	78.1%
American	118.8%	116.3%	123.1%
Swedish	165.9%	171.9%	187.9%

Good - balanced results within bounds of acceptability

Satisfactory - just outside Deficit / Surplus margins of acceptability

Too divergent from break even - suggesting a need for a rating correction

Comparison of Owned Entered Tonnage by Policy Year (mil's)

	Policy Years & GT											GT Growth	
Club	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2004-2014	2010-2014
American	18	19	15	14	13	13	15	15	16	16	16	-11%	7%
Britannia	74	76	82	82	88	93	98	103	111	113	108	46%	10%
Gard	79	81	90	90	127	133	136	145	163	175	187	137%	38%
Japan	57	66	70	70	84	90	92	92	90	92	93	63%	1%
London	29	33	34	34	39	39	37	40	44	45	43	48%	16%
North	40	44	48	48	65	75	86	105	125	127	128	220%	52%
Shipowners	9	10	12	12	15	16	17	18	20	22	24	167%	41%
Skuld	27	26	32	32	41	45	55	58	70	72	75	178%	36%
Standard	46	49	47	47	50	65	80	85	94	97	97	111%	21%
Steamship	38	38	42	42	47	50	53	58	63	63	69	82%	30%
Swedish	15	17	20	20	25	25	26	31	34	35	37	147%	42%
UK	95	103	100	100	112	110	105	105	112	120	124	31%	18%
West	50	57	60	60	54	51	52	49	51	53	57	14%	10%
IG Total	**577**	**619**	**652**	**651**	**760**	**805**	**852**	**904**	**993**	**1030**	**1058**	**83%**	**24%**

Outperformed industry growth average

Section Two

Individual Club Analysis 2014

AMERICAN CLUB

"While the current run of poor results appears to have come to an end, the Club continues to face real challenges. It is very fortunate for this Club that it is not a requirement for it to abide by the same regulatory criteria that most other clubs in the IGA are required to adhere to!"

The American Steamship Owners Mutual Protection and Indemnity Association Inc.

Basis of Accounting: Principles generally accepted in the United States of America.

2014 Results

The American Club has had a quiet year reporting its first surplus for 3 years following improved underwriting results and another successful performance by the investment managers. The underwriting deficit halved to $11m and the investment return was $14m.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**BBB-**	BBB-	BB+
Combined Ratio	**112%**	123%	111%
General Increase	**10.0%**	10.0%	5.0%
Incurred Claims	**-21.9%**	14.1%	5.4%
Investment Return	**6.7%**	7.6%	3.5%
Increase in Free Reserves	**5.7%**	-9.9%	-5.3%
Surplus / (Deficit) (mil)	**$3.12**	-$5.99	-$3.39

Other Ratios

Solvency	**131%**	125%	129%
Increase in Net Premiums	**-4.5%**	-2.2%	-9.1%
Average net PR per GT	**$5.59**	$5.85	$5.98
Free Reserves per GT	**$3.58**	$3.39	$3.76
Increase in GT	**0.0%**	0.0%	6.7%
Gross Owned Tonnage (mil)	**16**	16	16
AER (Average Expense Ratio)	**19.3%**	19.3%	17.5%

Underwriting

There has been no growth in entered tonnage or premium income, but there are signs that the purchase of additional reinsurance is having a positive impact, as the incurred claims fell by 22% and halving the underwriting deficit to $11m. This brought the combined ratio down to 112%. Improvements have come from reductions in claims estimates on earlier years and a lower level of claims in the 2013 policy year.

The first half of the year was marked by a number of large claims which included the cost of repatriating the passengers and crew from a cruise liner casualty, the grounding and wreck removal of a bulk carrier and an expensive salvage operation. The second half of the year was however quiet with the exception of 2 third party property damage claims in the United States. 98% of all claims were below $250K, which was comparable to earlier years, but there were 14 claims over $1m. Cargo claims were the lowest for 6 years, but collision and contact claims remained a feature, despite their average cost falling from $111K in the previous year to $85K. Personal injury claims rose from circa 30% of the overall anticipated claims expenditure to 45%.

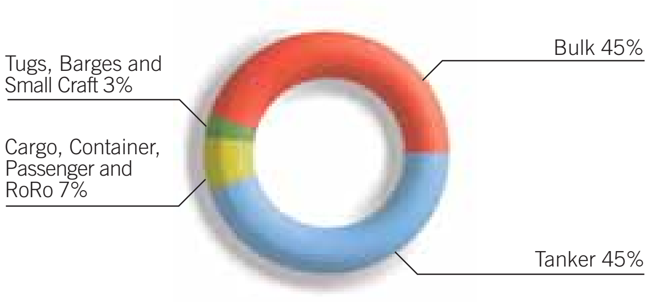
The Club has comprehensive retention reinsurance with an excess loss policy placement with Lloyd's and Partner Re for claims of $4m in excess of $5m and a lower pool reinsurance placed with Hanover Re. There is also in place a further stop loss policy for 2014 with Hanover Re.

The Club continued to be the primary insurer of Eagle Ocean Marine – a fixed premium facility, which provides cover for small vessels outside the United States.

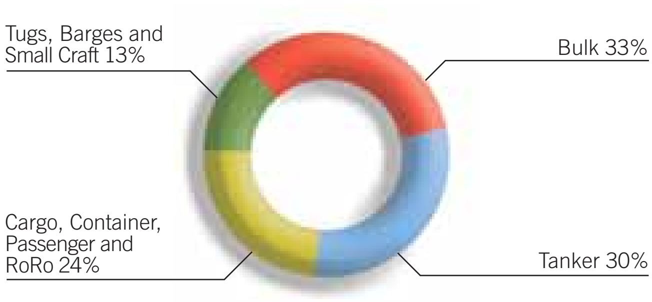
Investments

The investment managers have reported another good year with a return of 6.7%. The success emanated from 41% of the portfolio being held in equities, which enjoyed an exceptional return of nearly 28% (but introduces dangers regarding investment volatility). The Club also had a loan of $20m from Deutsche Bank America, which is somewhat out of the ordinary.

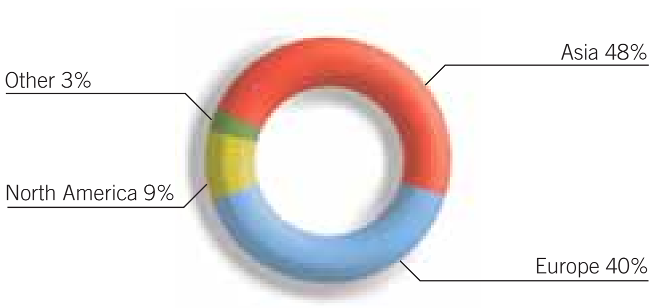
Tonnage by vessel type



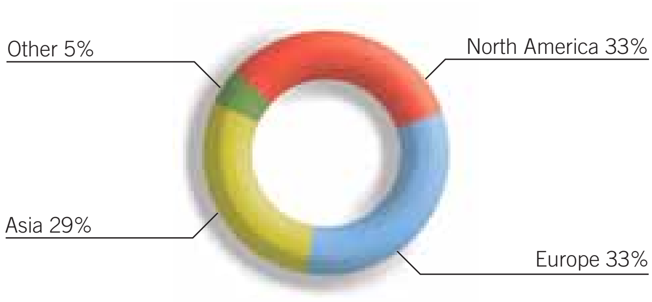
Premium by vessel type



Tonnage by management domicile



Premium by geographic region



Revenue Statement			
US$000's	**2014**	2013	2012
Net Premiums	**89,378**	93,541	95,672
Net Claims Incurred	**65,064**	83,265	72,986
Management Costs	**35,250**	31,995	33,045
	100,314	115,260	106,031
Underwriting Surplus/(Deficit)	**(10,936)**	(21,719)	(10,359)
Investment Income Less Tax	**14,051**	15,729	6,966
Surplus/(Deficit)	**3,115**	(5,990)	(3,393)

Balance Sheet			
US$000's	**2014**	2013	2012
Investments	**238,825**	233,406	227,166
Cash	**19,805**	22,098	25,734
Debtors	**27,870**	53,972	49,069
Other Assets	**258**	276	362
Total Assets	**286,758**	309,752	302,331
Outstanding Claims	**183,591**	214,205	206,185
Creditors	**45,823**	41,318	35,927
Total Liabilities	**229,414**	255,523	242,112
Free Reserves	**57,344**	54,229	60,219

Outlook

The run of poor results appears to have come to an end, with a surplus of $3m, following a welcome reduction in the annual cost of claims. However the Club has had difficulties growing the business and has recently been concentrating on expanding the Asian operations through the manager's offices in Hong Kong and Shanghai. The American Club is the smallest in the IG and needs to increase its size to absorb the management costs, which account for 39% of the total net premium income. The Club currently has the lowest free reserves of any IG member and the weakest risk based capital ratios. The premium income and tonnage has stagnated for the last 10 years, but now that the Club has escaped the cycle of falling membership and unplanned additional calls, it perhaps needs to focus on "responsible expansion" to improve its finances.

The investment managers have made a valuable contribution to the Club's overall results, not least because, being resident in the US, they are not constrained by the influences of Solvency II. As with all IG Clubs, the American Club cannot always rely on investment returns to cover underwriting shortfalls.

The Club has retained an S&P "BBB-"rating, which seems unjustified given their weak capital ratios. The Club needs to expand to become more robust and increase its free reserves to a more sustainable level to meet the ever increasing liabilities faced by their membership.

BRITANNIA

"Britannia's "honesty" in declaring its need for a very substantial general increase at the 2013 policy year renewal had some negative consequences for the Club at the time. Those issues now seem to be well and truly behind them, having subsequently achieved a substantial increase in the Club's free reserves and propelling them once again to be one of the most financially strong clubs within the International Group."

The Britannia Steam Ship Insurance Association Limited incorporating the "surplus investment assets" of Boudicca Insurance Company Limited a Bermuda based trust for the sole benefit of the association.

Basis of Accounting: UK accounting standards and provisions of Section 394 of the Companies Act 2006 and schedule 3 of S1 2008/410.

No financial statements were provided for the trust.

2014 Results

Britannia has weathered a challenging year and increased the assets of the club and the trust by $34m, after the loss of combined funds of $23m a year earlier. A difficult 2013 renewal was followed by another year of record claims, but as a result of improvements in earlier years and less reliance on the Boudicca Trust there was a successful outcome.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**A**	A	A
Combined Ratio	**111%**	102%	110%
General Increase	**2.5%**	16.5%	5.0%
Incurred Claims	**1.5%**	-4.3%	3.9%
Investment Return	**4.8%**	4.1%	4.2%
Increase in Free Reserves	**7.7%**	-5.0%	1.5%
Surplus /(Deficit) (mil)	**$26.2**	$36.1	$15.8

Other Ratios

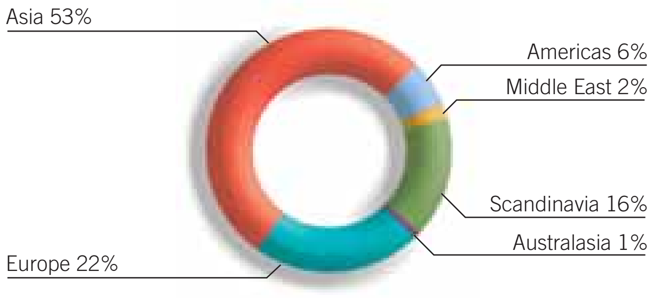
Solvency	**158%**	154%	157%
Increase in Net Premiums	**-7.9%**	4.2%	-2.6%
Average Net PR per GT	**$1.94**	$2.01	$1.96
Free Reserves per GT	**$4.37**	$3.88	$4.15
Increase in GT	**-4.4%**	1.8%	7.8%
Gross Owned Tonnage (mil)	**108**	113	111
AER (Average Expense Ratio)	**8%**	8.5%	8.5%

Underwriting

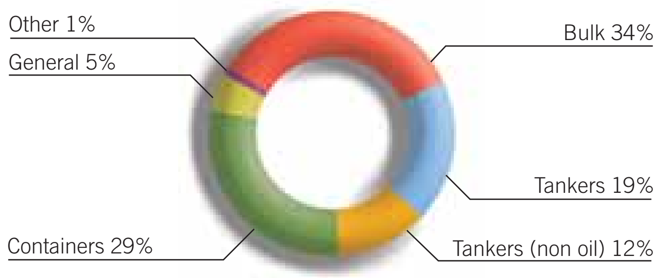
The substantial advance call general increase of 12.5% at the 2013 renewal and an increase in the deferred call from 40% to 45% (an overall rise of c.16.5%) led to a modest reduction in entered tonnage from 113m gt to 108m gt. The 2013 policy year was another record year for the cost of claims as a result of the impact of a small number of high value claims. The number of the small/attritional claims below $1m fell from 6,866 in 2012 policy year to 5,788 in the 2013 policy year, although the overall cost was only marginally lower. The majority of these (78%) were cargo and crew claims. The main issue was the continued escalation in the cost of claims over $1m, which accounted for less than 1% in number but 55% in total cost of retained claims, which was up from 43% a year earlier. The number of high value claims rose from a low of 14 in the 2010 policy year to 29 in the 2012 policy year and 33 in the 2013 policy year. The main types of high value claims were collisions being 10, including 5 with a pilot on board and including one who failed a breath analysis test! The other major class of claim was containers with 7, including loss overboard and damage due to poor storage.

The cost of the International Group pool was slightly lower for 2013 policy year after 12 months, but the total still remained relatively high. It was also interesting to note that the Club "pumped" $21m into their Hydra captive insurance cell. After a difficult year and a $10m discount on the 2013 policy year, it was not surprising that the policy year ended with a $59m deficit. The underwriting deficit in the financial year was reduced by improvements on the closed years of around $50m, which brought the total down to $23m.

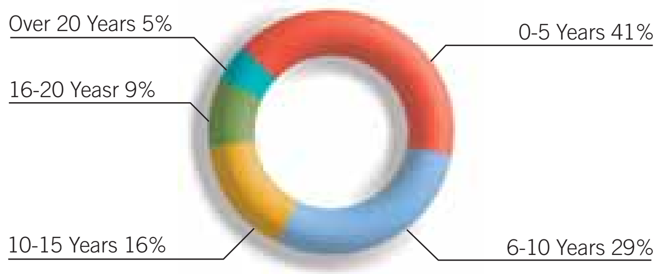
Entered tonnage by management area



Entered ship types



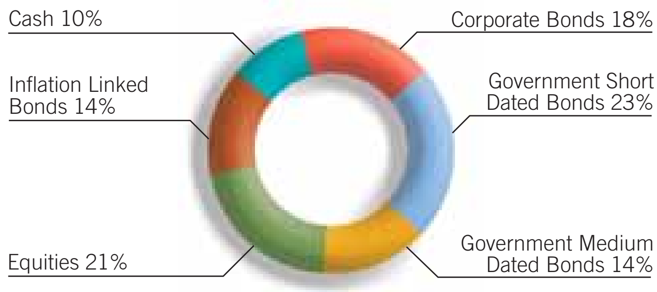
Ship age



Investments

The investment return was a creditable 4.8%. The asset allocation was fairly conservative and the principal performers were the equities with a return of 21.6% and the corporate bonds with a return of 3.6%, while the majority of the portfolio in government and inflation linked bonds remained flat.

Asset allocation



Revenue Statement

US$000's	**2014**	2013	2012
Net Premiums	**209,301**	227,237	218,091
Net Claims Incurred	**203,516**	200,594	209,634
Management Costs	**28,583**	30,388	30,284
	232,099	230,982	239,918
Underwriting Surplus/(Deficit)	**(22,798)**	(3,745)	(21,827)
Investment Income Less Tax	**48,979**	39,885	37,596
Surplus/(Deficit)	**26,181**	36,140	15,769

Balance Sheet

US$000's	**2014**	2013	2012
Investments	**1,042,379**	969,981	952,897
Cash	**149,070**	172,660	216,198
Debtors	**117,760**	127,835	132,223
Other Assets			
Total Assets	**1,309,209**	1,270,476	1,301,318
Outstanding Claims	**813,307**	807,426	815,113
Creditors	**24,004**	25,033	25,228
Total Liabilities	**837,311**	832,459	840,341
Free Reserves	**471,898**	438,017	460,977

Outlook

Following a challenging year, the Club has successfully negotiated a testing 2013 renewal with relatively modest losses and turned the $23m loss of free reserves in the previous year into a $34m increase, taking the reserves to a new record high of $472m. This was despite a further rise in the cost of claims and the continued pressure from the cost of the International Group reinsurance and pool claims.

Although the overall performance was successful, the underwriting was still reporting deficits and relying on improvements on earlier closed policy years to cover current shortfalls. Hopefully this situation can be rectified and the underwriting put onto a more secure footing, to reduce the impact of the high value claims and bring the underwriting back into balance, to avoid the need for any more large general increases.

The combined Club and Trust remain one of the most financially secure entities within the I.G., with the 3rd highest free reserves, a good solvency margin, excellent risk based capital ratios and an S&P “A” rating. The Club weathered a difficult period and can now again concentrate on attracting new members and growing the business.

GARD

"Gard "boasts" being the world's 3rd largest marine insurer, all KPIs are strong and it's free reserves are approaching an unprecedented $1 billion, but with 40% of its portfolio enjoying fixed premiums, are the mutual members content being financial guarantors for any poor underwriting results emanating from the non mutual policy holders?"

Gard P&I (Bermuda) Limited and its subsidiaries.

Basis of Accounting: In accordance with, allowing for a few exceptions, the "regulations for annual accounts for insurance companies "approved by the Norwegian Ministry of Finance which requires limited use of certain IFRS …in accordance with Norwegian generally accepted accounting principles.

2014 Results

The Gard's growth continued for the fifth successive year, with a surplus of $49m, raising the free reserves by 5.5% to a record $945m, 120% higher than 5 years ago and close to the unprecedented $1bn mark.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**A+**	A+	A
Combined Ratio	**104%**	107%	102%
General Increase	**5%**	5%	5%
Incurred Claims	**7.1%**	-0.7%	11.8%
Investment Return	**4.3%**	6.1%	2.8%
Increase in Free Reserves	**5.5%**	8.4%	4.5%
Surplus / (Deficit) (mil)	**$49.33**	$69.18	$35.92

Other Ratios

Solvency	**178%**	180%	171%
Increase in Net Premiums	**7.0%**	-0.6%	5.5%
Average net PR per GT	**$3.90**	$3.89	$4.20
Free Reserves per GT	**$5.05**	$5.12	$5.07
Increase in GT	**6.9%**	7.4%	12.4%
Gross Owned Tonnage (mil)	**187**	175	163
AER (Average Expense Ratio)	**11.3%**	14.1%	13.0%

Underwriting

There was a general improvement in the underwriting following the problems in the P&I division last year, when the class suffered 6 claims in excess of $10m and bore a $22m expense for an updated IT system. This year the incurred claims rose faster than the premiums, however the underwriting deficit reduced thanks to a $20m reduction in management expenses. The overall increase in claims must have been a disappointment as neither the P&I nor the Marine & Energy divisions suffered any major casualties, although there was a rise in the number of M&E claims. The P&I premiums rose by just under 10%, with only a minor uplift in claims, which brought the premiums and claims into balance - only leaving the management expenses to be covered by investment income and/or a subsidy from M&E. The profitability of the M&E business was eroded by an 18% increase in incurred claims, which reduced the profit from $52m last year to $33m this year.

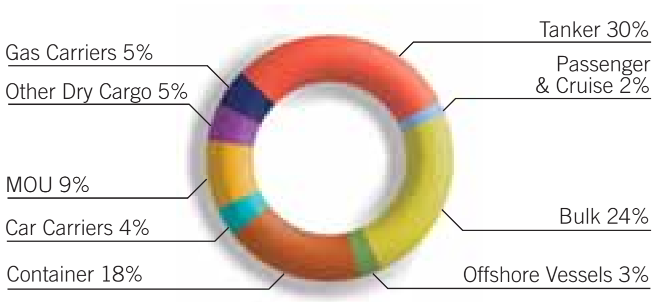
There was a major improvement in the P&I policy years after the $190m deficit reported on the 2012 policy year. There was also a deficit on the 2013 policy year (before investment income of $33m) which was created by the reduction of the deferred call from 25% to 15%, costing $35m. There were improvements on both of the other 2 open policy years and a small deterioration on the closed policy years.

The total management costs, including claims management expenses, were $179m or 24% of net premium income.

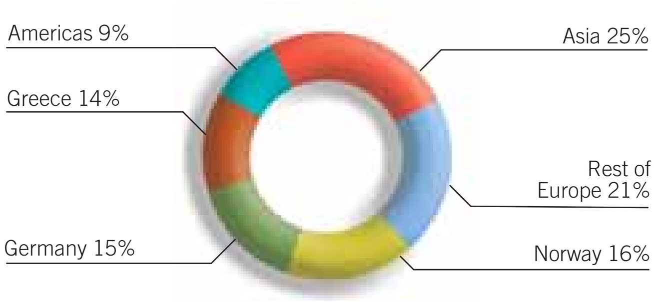
Investments

The investment return was 4.3% for the year which equated to $75m, thus enabling the Club to sufficiently cover the underwriting deficit and add to the free reserves. The Club has a massive $2bn investment portfolio, with a comparatively high equity exposure, which was skewed in favour of smaller quoted companies and emerging markets. The remainder of the portfolio was in cash and bonds. The managers have an active derivatives policy, using equity futures and interest rate swaps to hedge the portfolio. The asset allocation was equities 32%, bonds 58% and cash 10%.

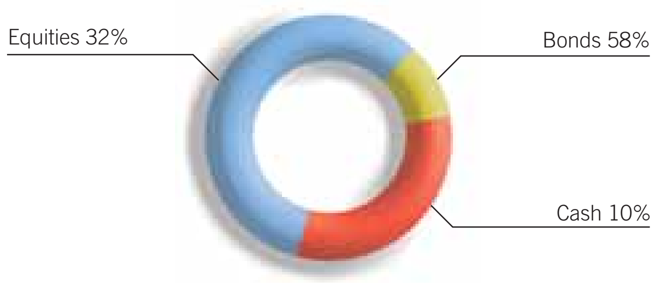
Vessels by type



Club entry by region



Asset allocation



Revenue Statement

US$000's	2014	2013	2012
Net Premiums	**729,268**	681,532	685,394
Net Claims Incurred	**643,003**	591,266	595,142
Management Costs	**111,899**	141,239	102,714
	754,902	732,505	697,856
Underwriting Surplus/(Deficit)	**(25,634)**	(50,973)	(12,462)
Investment Income Less Tax	**74,966**	120,150	48,382
Surplus/(Deficit)	**49,332**	69,177	35,920

Balance Sheet

US$000's	2014	2013	2012
Investments	**1,911,415**	1,864,607	1,774,210
Cash	**207,281**	143,882	195,638
Debtors	**289,716**	222,029	250,297
Other Assets	**46,951**	64,026	64,159
Total Assets	**2,455,363**	2,294,544	2,284,304
Outstanding Claims	**1,215,860**	1,113,169	1,163,964
Creditors	**294,917**	286,120	294,258
Total Liabilities	**1,510,777**	1,399,289	1,458,222
Free Reserves	**944,586**	895,255	826,082

Outlook

The Club says it is the world's third largest marine insurer and is actively growing its business through natural organic growth and by offering new products. This year saw the introduction of a property policy (to cover damage or loss of containers) and a ship managers' liability policy. There was an admission that the fixed premium portfolios are currently subsidising the mutual membership, resulting in a significant imbalance between the 2 classes. This year however the managers have been able to rectify the situation, thus currently avoiding any potential conflicts between the 2 factions.

As the free reserves edge towards the magic $1bn level, it may be an appropriate time to consider the optimum level of reserves the Club should hold. The free reserves were 120% higher than 2009, although the net premium income was only 4% higher, which calls into question the need for such a large capital base. Another concern is that 40% of the underwriting is on a fixed premium basis. The adverse consequences of a reversal of fortunes in this sector, emanating from a deterioration in the underwriting result will impact on the mutual membership.

Gard is by far the largest Club in the International Group with free reserves twice the size of nearly every other club, it has one of the best solvency ratios and an S&P "A+" rating. The profits from the fixed premium business assisted the P&I members. The Club now underwrites 16% of the IG declared tonnage, is financially very secure and will undoubtedly continue to prosper.

JAPAN CLUB

"The consequences of "Abenomics " has resulted in the club's report being less transparent and has also had a damaging effect on the club's financial operating results."

Japan Ship Owners' Mutual Protection and Indemnity Association.

Basis of Accounting: In accordance with the provisions of Japanese Companies Act, The Ship Owners' Mutual Insurance Association Law of Japan and related regulations.

2014 Results

The Japan Club has once again become the hostage of their national economy after another year of 'Abenomics' (Shinzo Abe – 2nd Term Prime Minister of Japan), which has seen the value of the Japanese Yen depreciate by 10% and made the Club's financial report less transparent. The devaluation has led to a $19m foreign exchange profit on the translation of US dollar assets into Yen. Despite the $15m surplus the free reserves have fallen (in dollar terms) due to the comparable exchange loss on the reserves.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**BBB+**	BBB+	BBB
Combined Ratio	**106%**	115%	98%
General Increase	**7.5%**	5.0%	3.0%
Incurred Claims	**-4.2%**	-2.5%	-1.5%
Investment Return	**2.6%**	2.5%	1.6%
Increase in Free Reserves	**-1.0%**	-5.6%	5.8%
Surplus / (Deficit) (mil)	**$14.94**	$8.20	$3.87

Other Ratios

Solvency	**157%**	155%	157%
Increase in Net Premiums	**1.4%**	-16.2%	-8.0%
Average net PR per GT	**$1.95**	$1.95	$2.37
Free Reserves per GT	**$1.68**	$1.71	$1.86
Increase in GT	**1.1%**	2.2%	-2.2%
Gross Owned Tonnage (mil)	**93**	92	90
AER (Average Expense Ratio)	**5.7%**	5.7%	6.2%

Underwriting

After the 5% general increase at the 2013 renewal net premium rose. The underwriting was further assisted by a $7m fall in claims (a current industry trend). The number of claims has been falling gradually since 2010, when they peaked at in excess of 6,000 to less than 5,000 in the 2013 policy year. The most frequent types of claims continued to be cargo, followed by crew and FFO. The proportion of cargo claims rose to 40% in the 2009 policy year to more than 50% subsequently. Crew claims however, were circa 40% of the total notified claims in 2009, but have now reduced to 30%.

The Club's coastal portfolio of vessels/members has also experienced a fall in the number of claims, dropping from a peak of over 400 in 2010, to now less than 300. The major categories for these claims are FFO, cargo, crew and fishery.

The Club has additional reinsurance for coasters, charterers, FD&D and claims within their retention, but specific details were not disclosed.

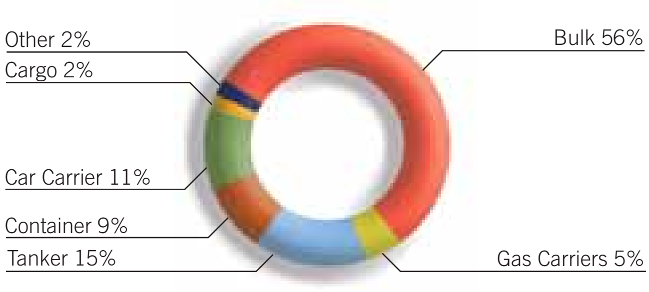
The policy year statements excluded the coastal vessels and as a result it was difficult to draw any firm conclusions. However there has been a deterioration in the closed years, which may have been the result of poor claims reserving. The financial statements exclude the 2013 policy year anticipated supplementary call estimate of $50m, which would have boosted their free reserves.

Entered tonnage by ship registration: Panama 62%, Japan 14%, Liberia 5%, Marshal Islands 4%, Singapore 3%, Bahamas 2%, Philippines 2%, Hong Kong 2% and other 6%.

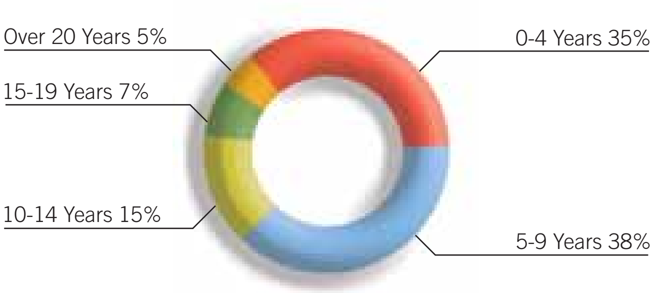
Investments

In the last 2 annual reports the investment income has been flattered by the large currency translation gains on the Club's foreign currency assets. This year the annual investment return was 2.6%. However in the absence of any material equity exposure and the need for the investment strategy to be included in their Business Plan, which needs to be approved by the local regulators, the investment return outlook appears poor. The current long term interest rates on Japanese government bonds was 0.6%, which probably explains why over 60% of the bond portfolio had maturity dates over 5 years. In the absence of future currency gains and equity exposure, the investment income will be low, putting even more pressure on the underwriting results.

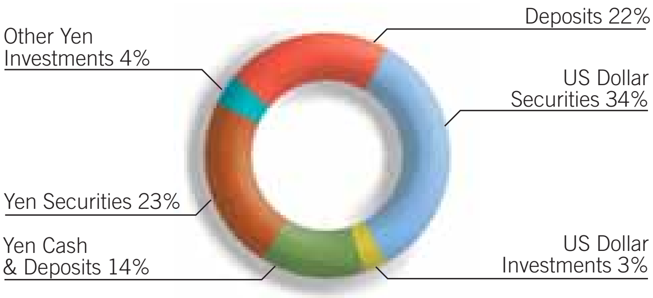
Entered tonnage by vessel type



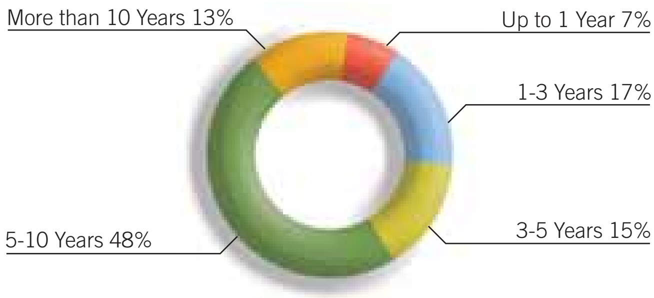
Entered tonnage by age



Asset allocation



Bond maturities



Revenue Statement

US$000's	2014	2013	2012
Net Premiums	**181,474**	179,010	213,637
Net Claims Incurred	**168,548**	175,893	180,390
Management Costs	**24,125**	29,945	29,290
	192,673	205,838	209,680
Underwriting Surplus/(Deficit)	**(11,199)**	(26,828)	3,957
Investment Income Less Tax	**26,143**	35,026	(91)
Surplus/(Deficit)	**14,944**	8,198	3,866

Balance Sheet

US$000's	2014	2013	2012
Investments	**337,205**	357,452	367,710
Cash	**168,777**	139,596	114,585
Debtors	**15,169**	19,381	29,177
Other Assets	**40,496**	43,931	45,999
Total Assets	**561,647**	560,360	557,471
Outstanding Claims	**273,267**	284,320	294,650
Creditors	**132,368**	118,494	95,871
Total Liabilities	**405,635**	402,814	390,521
Free Reserves	**156,012**	157,546	166,950

Outlook

The Club has reported 7 successive surpluses and the free reserves have risen by a third in the last 6 years, but it is increasingly becoming a hostage to the local market challenges. The Club was exceptional in having an exclusive national Board of Directors. As a consequence the Club has always struggled to attract overseas members.

This could well prove to be a weakness as rival P&I clubs start to attract Japan Club's larger members with good loss records. The Club would then be unlikely to gain new overseas members from their IG competitors, with the resultant danger of long term decline. The Club's new office in Singapore has just been opened, but this appears to be more for servicing rather than attracting new members. The Club was constrained by 2 elements of the local market, notably the weak economy and the strict regulatory regime.

The current Japanese economic policy is preventing growth in the Club's US dollar free reserves. This results in an investment return of below 1%. The local regulator applies restrictions on equity investment, resulting in the Club reliant solely on their underwriting results as the Club appears to have no plan B. The Club has an S&P "BBB+" rating.

LONDON CLUB

"Another club produces a surplus (albeit modest) in spite of a combined ratio of 124% and a deterioration in the cost of claims. An excellent investment performance demonstrates how important investment returns are in countering the ill effects of rising claims and "churn" on premiums."

The London Steam-Ship Owners' Mutual Insurance Association Limited (LSSO) and The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited (LSSB).

Basis of Accounting: Non statutory combined financial statements of LSSO and LSSB compiled from the statutory accounts in accordance with UK General Accepted Accounting Practices (UK GAAP) audit report, but limited accounting policy notes.

2014 Results

The London Club has had an uneventful year with a surplus of $7m, bringing the free reserves to $160m. There was a deterioration in the underwriting, but the deficit was easily covered by the exemplary investment return.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**BBB**	BBB	BBB
Combined Ratio	**124%**	121%	122%
General Increase	**10.0%**	12.5%	5.0%
Incurred Claims	**12.4%**	-11.4%	-7.7%
Investment Return	**7.0%**	6.9%	4.9%
Increase in Free Reserves	**4.3%**	6.5%	-0.3%
Surplus / (Deficit) (mil)	**$6.6**	$9.4	($0.4)

Other Ratios

Solvency	**170%**	165%	158%
Increase in Net Premiums	**8.0%**	-9.3%	-3.0%
Average net PR per GT	**$2.00**	$1.77	$2.00
Free Reserves per GT	**$3.74**	$3.42	$3.29
Increase in GT	**-4.4%**	2.3%	10.0%
Gross Owned Tonnage (mil)	**43**	45	44
AER (Average Expense Ratio)	**8.36%**	9.63%	9.40%

Underwriting

The London Club has the lowest premium income in the International Group. They have concentrated predominantly on underwriting bulk carriers, tankers and container ships. The net premium income rose by 8% in the year, but there was a disappointing 12% increase in the incurred claims, which pushed the underwriting deficit up to $21m and a combined ratio of 124% - which is a little concerning.

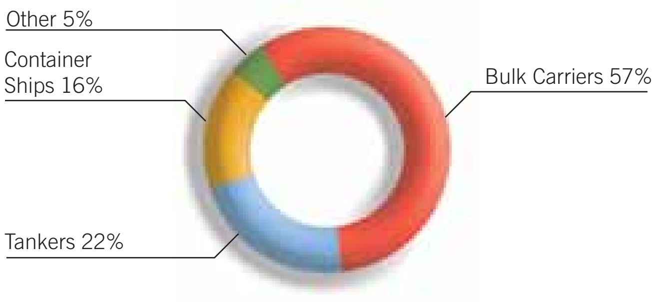
A main contributing factor was the now general issue of the rising cost of medium and high level claims. The aggregate cost of claims in the range $0.5m to $1m was the highest since the 2010 policy year (py) at $11m. Similarly, the projected total cost of claims over $1m had risen from $13m in the 2012 py to $24m in 2013.

The 2 categories largely responsible for the increase in claims were salvage and collision. The cost of salvage claims had dramatically increased from just over $2m in the 2012 py to in excess of $8m in 2013. The cost of collision claims in 2013 had also risen significantly from $2m to $7m. Fortunately the frequency and cost of claims below $0.5m continued to fall, but the overall cost of claims had risen from $48m to $56m. This was still below the 2010 peak of $75m. The reserve for latent occupational disease claims was increased by $5m, after an independent review by a specialist firm of consulting actuaries.

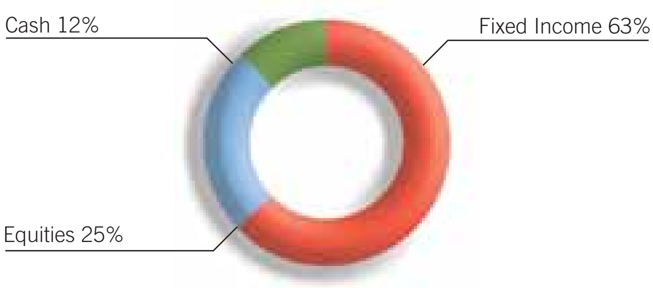
Investments

The investment managers achieved an excellent return of 7%, resulting in an investment income of $27m for the year. The bond portfolio produced a modest return, but the majority of the income for the year was generated from the equity exposure, which was mostly in US listed equities.

Vessels entry by type



Asset allocation



Revenue Statement

US$000's	**2014**	2013	2012
Net Premiums	**86,141**	79,776	87,974
Net Claims Incurred	**92,956**	82,691	93,338
Management Costs	**14,020**	13,521	13,755
	106,976	96,212	107,093
Underwriting Surplus/(Deficit)	**(20,835)**	(16,436)	(19,119)
Investment Income Less Tax	**27,450**	25,796	18,718
Surplus/(Deficit)	**6,615**	9,360	(401)

Balance Sheet

US$000's	**2014**	2013	2012
Investments	**330,325**	311,601	343,089
Cash	**46,511**	64,712	35,126
Debtors	**13,257**	15,170	14,294
Other Assets	**10,420**	9,655	9,881
Total Assets	**400,513**	401,138	402,390
Outstanding Claims	**230,851**	236,787	251,333
Creditors	**9,018**	10,322	6,388
Total Liabilities	**239,869**	247,109	257,721
Free Reserves	**160,644**	154,029	144,669

Outlook

The Club continues to attract new ships and has an expanding charterers entry. The announced 10% general increase at the 2014 renewal should result in an increase in the premium income and thus assist underwriters in reducing the combined ratio. The members may well have to endure further premium rises if there are no reductions in the current claims, in order to achieve the Club's objective of attaining a balanced underwriting position.

Fortunately the investment managers have produced some exceptional returns over the last 2 years, which has seen the free reserves rise by over 10%. The claims reserves have been conservatively estimated and there was a $10m improvement on earlier policy years, which helped to bring the total outstanding claims reserve down for the third successive year.

The Club reported a record level of free reserves - over 90% higher than 6 years ago, with improved solvency and risk based capital ratios. The underwriting deficit must be reduced to a much more manageable level and to one that can easily be covered by modest levels of investment income. The Club provides excellent value for money for its members.

NORTH OF ENGLAND

"North of England achieves an impressive $33 million surplus…… which unfortunately was absorbed into the Club's pension fund to address its actuarial deficit."

North of England P&I Association Limited and North of England Mutual Insurance Association (Bermuda) Limited combined financial statements.

Basis of Accounting: On IFRS principals but the combined financial statements do not comply with IFRS or UK company law. There was no cash flow statement or list of directors.

2014 Results

The North of England has reported a surplus of $33m, but this has been absorbed by a pension fund charge which has been treated as a prior year item and as a consequence the free reserves have remained unchanged at $312m.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**A**	A	A
Combined Ratio	**93%**	104%	103%
General Increase	**7.5%**	15%	5%
Incurred Claims	**-8.6%**	3.0%	57.8%
Investment Return	**1.9%**	1.6%	2.8%
Increase in Free Reserves	**0.0%**	-0.6%	0.5%
Surplus / (Deficit) (mil)	**$33.5**	$-1.8	$1.6

Other Ratios

Solvency	**150%**	152%	154%
Increase in Net Premiums	**3.8%**	1.3%	14.3%
Average net PR per GT	**$2.39**	$2.32	$2.33
Free Reserves per GT	**$2.44**	$2.46	$2.51
Increase in GT	**0.8%**	1.6%	19.0%
Gross Owned Tonnage (mil)	**128**	127	125
AER (Average Expense Ratio)	**12.5%**	13.1%	12.6%

Underwriting

The underwriting remains the driving force behind the Club with an astonishing 90% increase in the entered tonnage in the last 5 years. The underwriting deficits of the last 2 years have been replaced by a healthy surplus of $21m and a combined ratio of 93%.

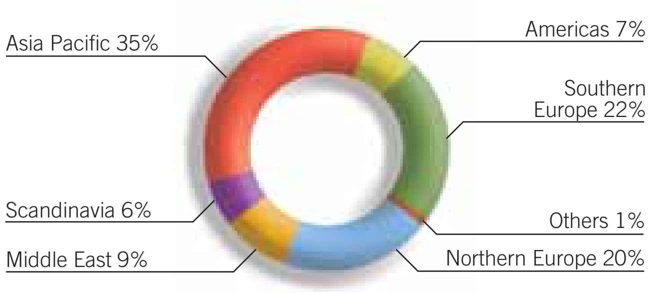
The success is against the market trend with a reduction in the cost of attritional and larger claims within their retention and despite suffering the 2 worst claims in the Club's history, which collectively cost an estimated $165m. There was a reduction in the number and value of claims below $1m. Those claims above $1m have historically been much more volatile with collision and FFO claims being a particularly expensive feature of the year. The cost of large cargo claims was lower, but there were still problems with container stowage collapses and liquid cargo contamination claims.

Interestingly, in the 2012 policy year, the cost of the claims below $1m after 12 months fell from $160m to $135m and the gross cost of the claims above $1m also fell from $275m to $220m by 2013. The cost of the 2 large IG pool claims previously mentioned fell to $35m after the deduction of reinsurance recoveries. The Club has a comprehensive reinsurance programme with a multi- year excess of loss policy and an IG pool protection policy to protect against any significant increase in the cost of IG pool claims.

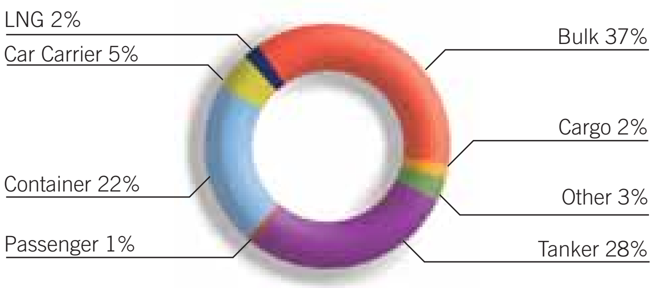
Investments

The investment managers reported a modest return of 1.9% for the year. The recent investment returns have been low as the Club has had little or no appetite for equity exposure, with the consequent impact on returns. This may be an aversion to risk or a management policy to enhance the Club's capital ratings, but either way it restricted returns. The managers invested $50m in equities during the course of the year which performed well, but unfortunately positive returns on credit portfolios were offset by a disappointing performance from the global bond fund.

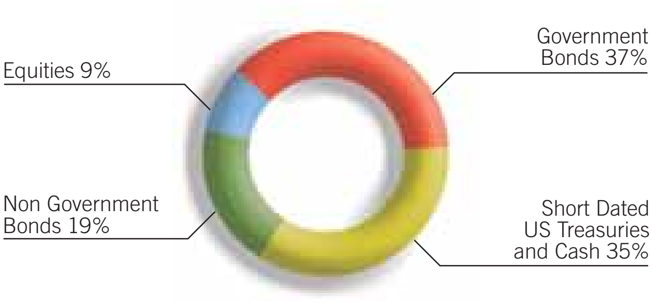
Entered tonnage by geographic region



Entered tonnage by ship type



Asset allocation



Revenue Statement

US$000's	2014	2013	2012
Net Premiums	**305,649**	294,559	290,916
Net Claims Incurred	**231,627**	253,512	246,072
Management Costs	**53,175**	51,921	52,681
	284,802	305,433	298,753
Underwriting Surplus/(Deficit)	**20,847**	(10,874)	(7,837)
Investment Income Less Tax	**12,642**	9,097	9,417
Surplus/(Deficit)	**33,489**	(1,777)	1,580

Balance Sheet

US$000's	2014	2013	2012
Investments	**778,625**	796,656	752,441
Cash	**119,283**	118,230	124,834
Debtors	**98,731**	27,712	25,021
Other Assets	**22,697**	30,446	33,188
Total Assets	**1,019,336**	973,044	935,484
Outstanding Claims	**623,477**	605,487	582,224
Creditors	**83,585**	55,321	39,247
Total Liabilities	**707,062**	660,808	621,471
Free Reserves	**312,274**	312,236	314,013

Outlook

The rapid growth of earlier years has now slowed, allowing the Club to consolidate its position as the second largest (in terms of entered tonnage) in the IG. The underwriting has improved after small deficits in the previous 2 policy years. There was also a marked reduction in the cost of claims and an increase in the level of protection afforded by their sub-pool reinsurance programme. There was a reduction in the expected cost of the 2012 policy year results and the 2013 policy year looks well reserved and in-balance after the inclusion of investment income.

The investment managers were hampered by the lack of equity exposure which will likely keep future returns low, but with positive underwriting results the investment return outcome may well be seen as a lower priority.

The Club has joined the diversification trail with the acquisition of Sunderland Marine Insurance Company Limited, a small insurer specialising in P&I, hull and machinery and personal accident cover for small vessel owners, including fishing boats and service craft - and also insures a significant portfolio of fish farms. This facility also had free reserves of $56m in December 2012 which will be consolidated into NEPIA's next year's financial statements.

North of England has defied the sceptics and continued to flourish, absorbing additional tonnage whilst managing the cost of claims and achieving a positive underwriting result with a combined ratio of 93%. The Club has retained an S&P "A" rating and will no doubt attract new business after its current period of consolidation.

SHIPOWNERS MUTUAL

"After a sustained period of significant growth, which has seen the Club's free reserves reach record highs, The Shipowners Club now has the financial strength to challenge market leaders - an impressive achievement! However, is their diversification strategy providing P&I cover for large ships a defensive response to the "flock" of clubs and other fixed premium providers who are ruthlessly pursuing SOP's traditional market?"

Shipowners Mutual Protection and Indemnity Association (Luxembourg)

Basis of Accounting: prepared in accordance with Luxembourg Insurance Accounts Law 1994, apart from the valuation of quoted investments and the presentation of the income and expenditure account and the balance sheet.

2014 Results

Shipowners have successfully consolidated a 5 year growth period with a surplus of $23m and a rise in free reserves of 8% for the year, achieving a record high of $299m - 3 times the total in 2009. This has taken the Club from a small vessel insurer, to one that now has the financial capacity to match most clubs in the International Group.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**A-**	A-	BBB(pi)
Combined Ratio	**100%**	97%	86%
General Increase	**5%**	5%	0%
Incurred Claims	**7.9%**	24.3%	10.3%
Investment Return	**4.4%**	7.8%	4.8%
Increase in Free Reserves	**8.4%**	17.4%	24.7%
Surplus / (Deficit) (mil)	**$23.22**	$40.87	$46.55

Other Ratios

Solvency	**193%**	195%	188%
Increase in Net Premiums	**6.5%**	5.5%	9.2%
Average net PR per GT	**$8.88**	$9.10	$9.49
Free reserves per GT	**$12.45**	$12.53	$11.74
Increase in GT	**9.1%**	10.0%	11.1%
Gross Owned Tonnage (mil)	**24**	22	20
AER (Average Expense Ratio)	**18.0%**	20.0%	20.0%

Underwriting

The underwriting market conditions have been difficult and despite a healthy increase in the gross premium income, the additional reinsurance costs offset any real improvement. The increase in the net premium proved insufficient to cover the increased incurred claims. The Club has been reviewing its activities over recent years and has now taken the decision to close its Canadian office and cease underwriting North American fishing vessels - which had become increasingly uneconomic to underwrite due to the rising cost of claims and associated expenses relating to remote locations. Last year the Club commenced underwriting ships of up to 20,000 gt and barges up to 30,000 gt. It was also interesting to note that a third of the portfolio emanated from their Singapore branch. A new office has been opened in Hong Kong to assist in servicing members in the area.

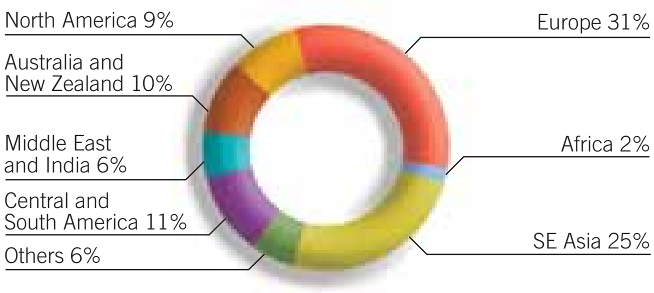
The Club has expanded with 478 new members and 1,118 new vessels in the year, with most of the significant growth coming through "Euro P&I", which underwrites risks on the Club's behalf. There was also an influx of new specialist craft for the construction of Wind Farms.

The cost of claims increased during the year by 8%, however the cost per entered ton reduced for all categories except cargo, which rose by 18%. The value of passenger, crew, environmental and navigation claims all fell. There were 6 offshore claims over $1m, 7 wreck removal claims over $500K and 4 passenger claims over $100K.
A new 3 year stop loss reinsurance policy with Swiss Re was facilitated to respond to claims below $1.5m. Existing reinsurance policies with Lloyd's and Munich Re remained in place to respond to claims of $7.5m in excess of $1.5m.

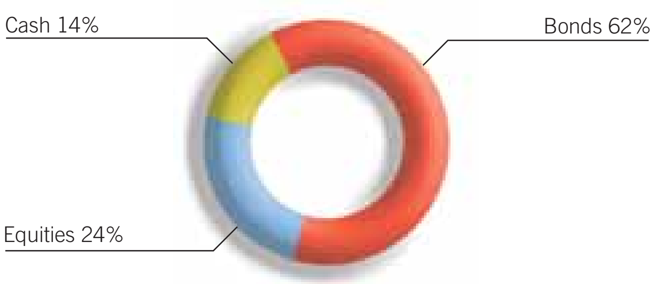
Investments

The investment managers, Berenberg, produced a creditable return of 4.4%. The performance benefitted from a marginally higher equity exposure with a return of 19% and a weak dollar benefitted the bonds.

Entered vessel by region



Asset Allocation



Revenue Statement

US$000's	**2014**	2013	2012
Net Premiums	**213,051**	200,130	189,762
Net Claims Incurred	**158,462**	146,871	118,172
Management Costs	**54,470**	46,388	44,829
	212,932	193,259	163,001
Underwriting Surplus/(Deficit)	**119**	6,871	26,761
Investment Income Less Tax	**23,103**	34,002	19,785
Surplus/(Deficit)	**23,222**	40,873	46,546

Balance Sheet

US$000's	**2014**	2013	2012
Investments	**553,566**	533,930	477,018
Cash	**86,820**	51,264	39,610
Debtors	**39,112**	37,367	35,051
Other Assets	**5,456**	2,406	1,859
Total Assets	**684,954**	624,967	553,538
Outstanding Claims	**319,929**	289,937	267,531
Creditors	**66,170**	59,397	51,247
Total Liabilities	**386,099**	349,334	318,778
Free Reserves	**298,855**	275,633	234,760

Outlook

In the last 5 years Shipowners has financially transformed from being one of the 2 smallest clubs in the group, to now being one of the strongest. The free reserves account for over 6% of the total International Group reserves, but the entered tonnage is only circa 2%.

Despite fierce competition from the International Group and other fixed premium markets, Shipowners has flourished! Part of the secret may be in their flexibility to explore new growth areas such as Asia and to discard those areas that were underperforming. The underwriting has clearly been coming under pressure from the rising tide of reinsurance, claims costs and administrative expenses, which may hamper progress in the future. However the higher equity exposure has led to 5 successive surpluses, which has tripled the free reserves.

Underwriting surpluses have been declining in recent years, which may be a consequence of greater competition and/or the Club's expansion into larger ships. The Club has good solvency and risk based capital ratios and an S&P "A-" rating.

With the Club's financial strength, Shipowners now has the flexibility to maintain its premier position in the small vessel market and continue to grow its portfolio of larger ships.

SKULD

*"Another good set of results for Skuld, but at what cost ……
… and how much directional control is being lost by the board and its mutual members as management pursues "greener grass" in the fixed premium sector."*

Skuld Mutual Protection & Indemnity Association (Bermuda) Ltd and subsidiaries.

Basis of Accounting: Prepared according to regulations for Norwegian Insurance Companies.

No future claims handling costs and "changes to the value of the Association's hedge portfolio are accompanied by a corresponding revaluation of the claims liabilities present value".

No audit report.

2014 Results

Skuld has reported its 10th surplus in the last 11 years with another underwriting surplus and a much improved investment return, boosting the free reserves by 8.5% and taking the Club to a record $334m.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**A**	A	A
Combined Ratio	**99%**	100%	96%
General Increase	***N/A**	*N/A	*N/A
Incurred Claims	**15.7%**	9.5%	17.4%
Investment Return	**5.4%**	3.0%	2.6%
Increase in Free Reserves	**8.5%**	5.8%	9.4%
Surplus /(Deficit) (mil)	**$29.1**	$17.5	$24.4

* G.I. Not publicised – Adjustments made depending on member's individual trade type / risk exposure

Other Ratios

Solvency	**171%**	175%	172%
Increase in Net Premiums	**16.3%**	6.2%	8.9%
Average net PR per GT	**$4.3**	$3.9	$3.7
Free Reserves per GT	**$4.5**	$4.3	$4.2
Increase in GT	**4.2%**	2.9%	20.7%
Gross Owned Tonnage (mil)	**75**	72	70
AER (Average Expense Ratio)	**12.3%**	12.3%	12.4%

Underwriting

The diversification programme continued with a new class for yachts and a new P&I fixed premium product. The Club has expanded away from the core mutual P&I business and now covers hull and machinery, loss of hire, offshore, defence, cargo, port and terminal operators and runs a Lloyd's syndicate. The rate of expansion has been dramatic with 1,089 new customers in the last year, 75% increase in the number of rigs covered in the last 2 years and an increase of 175% in the number of Lloyd's policies written in the last 2 years.

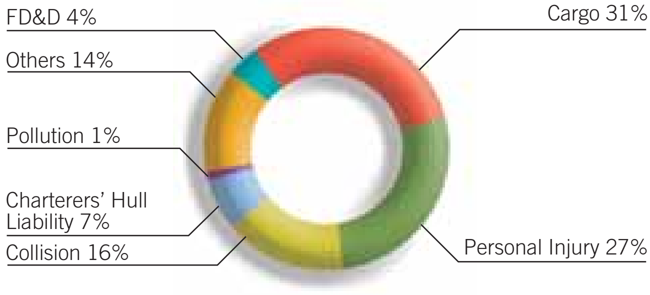
The established mutual P&I business currently accounts for 63% of the net premium income, but the target is for the commercial business to rise to 50% of the net premium income by 2020 and to grow the current level of premium income from $379m to $500m by 2015.

Policy year statements have been prepared for various major business sectors and it was increasingly obvious that the most profitable element of the group was the fixed premium P&I class. There was a $4m deficit on the mutual P&I class, which was more than offset by the $17m surplus of the overall fixed premium business, which was predominantly P&I. The sector that gave rise to the most concern was the Lloyd's syndicate which continued to pile up losses despite being in its 3rd year. This should be of concern to the mutual members who will likely be the ultimate financial guarantors.

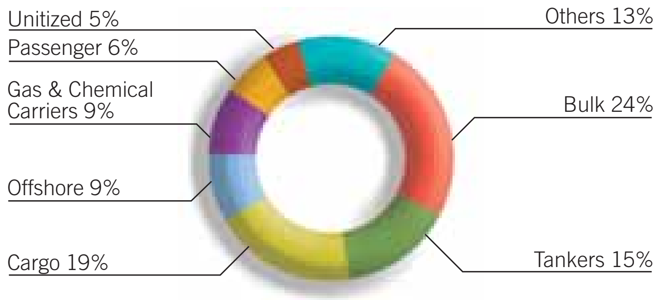
Investments

There was no separate investment report, but the investment income of $27m represented a return of 5.4%. The portfolio was very conservative with an asset allocation of 63% bonds, 20% equities, 12% Cash, 3% private equity, 1% hedge funds and 1% commodities. The best performing asset class was equities with a return of 18.9% and the alternatives returned 9.7%.

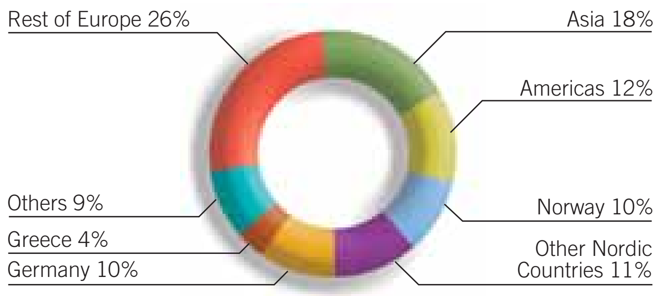
Distribution of claims costs



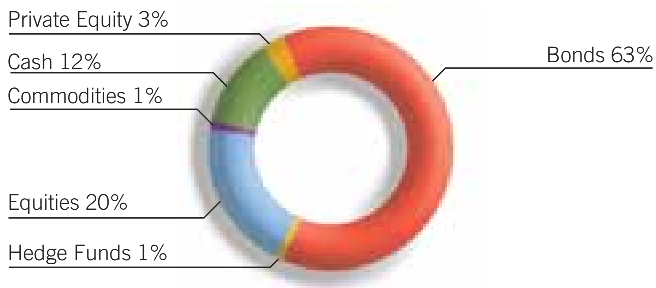
Premium distribution



Premiums by geographic area



Asset allocation



Revenue Statement

US$000's	2014	2013	2012
Net Premiums	**322,833**	277,692	261,489
Net Claims Incurred	**245,554**	212,167	193,722
Management Costs	**75,148**	66,169	57,768
	320,702	278,336	251,490
Underwriting Surplus/(Deficit)	**2,131**	(644)	9,999
Investment Income Less Tax	**26,925**	18,163	14,354
Surplus/(Deficit)	**29,056**	17,519	24,353

Balance Sheet

US$000's	2014	2013	2012
Investments	**717,462**	641,845	628,850
Cash	**95,569**	80,669	63,750
Debtors	**29,921**	23,304	21,013
Other Assets	**13,032**	12,121	9,098
Total Assets	**855,984**	757,939	722,711
Outstanding Claims	**470,159**	412,123	402,244
Creditors	**51,278**	37,390	29,036
Total Liabilities	**521,437**	449,513	431,280
Free Reserves	**334,547**	308,426	291,431

Outlook

The Club has adopted one of the more aggressive diversification policies and was rapidly moving away from the mutual P&I business into many new areas. The motivation for this may have emanated from the troubles that beset the Club over 10 years ago when the P&I business was struggling. The Club's subsequent success and expansion raised a number of current industry issues. The Club is owned and run by the mutual P&I members, but increasingly there is a danger their knowledge of the entire business is diminishing as the Club moves into new areas controlled by the management – does the Club Board have the necessary expertise to have input in these new classes? The second concern for the members is how much capital the Club needs to retain. The new businesses need capital, but the Club continued to "boast" of financial success and yet warn of the dangers of Solvency II. Few clubs address the issue of the optimum level of capital. In 2003 the Club's free reserves stood at just $50m and this year they reached $334m.

The Club has some of the most consistent underwriting results, a good solvency ratio and an S&P "A" rating, with only the Lloyd's syndicate apparently needing attention.

STANDARD

"With a dramatic improvement in the club's combined ratio i.e. underwriting result, there should be no further need for any exceptional general increases in the near future…. and in the event that the club management regains its Midas touch on investments, it shouldn't be long before significant surpluses are being achieved for the membership as a whole."

The Standard Steamship Owners' Protection & Indemnity Association (Bermuda) Limited

Managers: Charles Taylor & Co (Bermuda)

Basis of Accounting: Bermuda Companies Act 1981 and UK accounting standards.

2014 Results

The Standard Club has reported another successful year with a surplus of $6m and the free reserves up to a new record of $369m. The year has not been without its difficulties, with a $14m deficit on the P&I class and a major reversal of investment fortunes, with an investment return of just 0.6%. The situation was saved by an exceptional reduction of the defence class outstanding claims reserve of $14m or 43% of the total class's outstanding claims reserve.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**A**	A	A
Combined Ratio	**103%**	118%	121%
General Increase	**12.5%**	7.5%	5.0%
Incurred Claims	**-5.6%**	1.6%	45.3%
Investment Return	**0.6%**	6.6%	6.7%
Increase in Free Reserves	**1.6%**	2.8%	11.3%
Surplus /(Deficit) (mil)	**$5.9**	$10.0	$2.9

Other Ratios

	2014	2013	2012
Solvency	**163%**	166%	167%
Increase in Net Premiums	**9.5%**	4.8%	9.2%
Average Net PR per GT	**$2.61**	$2.46	$2.35
Free Reserves per GT	**$3.80**	$3.74	$3.75
Increase in GT	**0.0%**	3.2%	10.6%
Gross Owned Tonnage (mil)	**97**	97	94
AER (Average Expense Ratio)	**10.9%**	13.2%	13.4%

Underwriting

The annual report was primarily concerned with corporate governance, risk management and industry issues. However, it was evident that an increasing number of expensive claims was a large contributing factor to the increased cost of total claims.

The top 20 claims by value accounted for 2/3rds of the overall total for the year. These claims predominantly included wreck removal, pollution and associated fines. The Club's large container entry also suffered several incidents involving explosions and fires, caused by improper stowage or mis-declared dangerous cargoes.

The Club has now embarked on a major diversification strategy. Last year new facilities were set up for Kidnap and Ransom and Traders' Liability and Intermediaries. This year their Hull facility was launched with the support of leading London market Hull underwriters. No results were disclosed for any of these new entities.

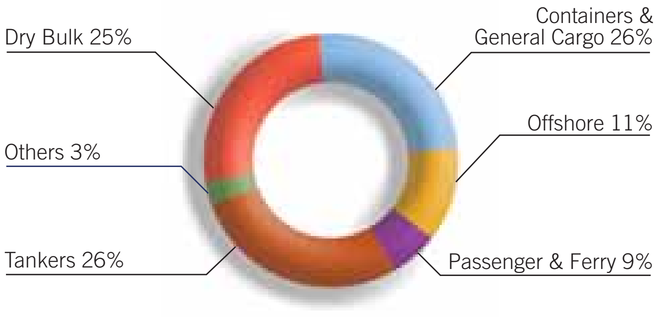
The P&I underwriting deficit fell from $40m last year to $26m this year after improvements of $27m on the open policy years, but there was a deficit of $46m on the 2013 policy year.

Investments

After 10 years as the top performing club for investment income, Standard has had a poor year with an annual return of 0.6%. This result probably emanated from a decision to increase the US dollar exposure from 70% to 85% and reduce the sovereign bonds in favour of property related alternatives. The equity allocation was only 15% compared to around 20% for most other clubs and in fact equities produced the best return for the year.

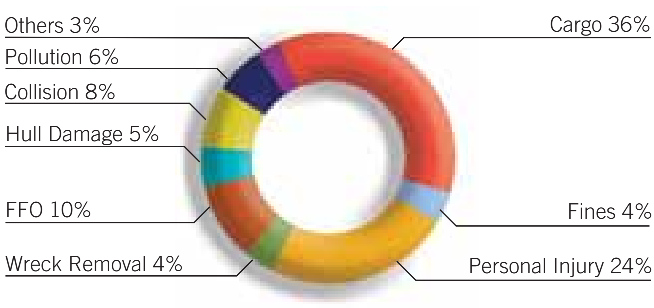
Currency allocation: North America (inc gold) 85%, European 4%, Sterling 7% and other 4%.

Owned tonnage by ship type

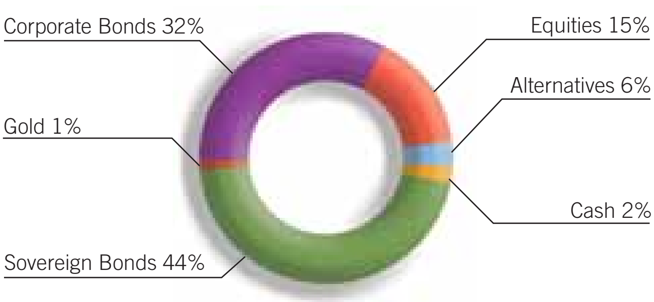


Owned tonnage by country of management

P&I Claims paid by type 2009 – 2013 capped at $8m



Asset Allocation



Revenue Statement

US$000's	2014	2013	2012
Net Premiums	**253,200**	231,200	220,700
Net Claims Incurred	**230,900**	244,700	240,900
Management Costs	**29,500**	28,900	26,800
	260,400	273,600	267,700
Underwriting Surplus/(Deficit)	**(7,200)**	(42,400)	(47,000)
Investment Income Less Tax	**13,100**	52,400	49,900
Surplus/(Deficit)	**5,900**	10,000	2,900

Balance Sheet

US$000's	2014	2013	2012
Investments	**735,700**	741,500	670,600
Cash	**119,900**	83,900	120,800
Debtors	**96,100**	118,400	96,700
Other Assets	**38,000**	34,100	35,800
Total Assets	**989,700**	977,900	923,900
Outstanding Claims	**580,800**	553,400	523,000
Creditors	**40,400**	61,900	48,300
Total Liabilities	**621,200**	615,300	571,300
Free Reserves	**368,500**	362,600	352,600

Outlook

The Club has reported a 5th successive surplus which has seen the free reserves rise to a new record high. In the last 5 years the Club has endured 4 underwriting deficits which have been subsidised by investment income which may have proved a disincentive to improve the underwriting performance. The policy years show a slowly weakening underwriting position, which has been rescued by a $27m improvement in the open policy years and an exceptional reduction of $14m in the outstanding claims reserve for the defence class.

Last year's substantial 12.5% general increase, which resulted in a 10% increase in the premium rate per gross ton, but a 6% reduction in renewing tonnage, will hopefully go someway to rectify any underwriting issues and the diversification program will lead to less reliance on a single business class and improve the overall underwriting performance.

The Club has decided to limit future defence class claims to $5m any one dispute which should assist in containing future costs. The Standard Club has the 4th largest free reserves and is very financially secure, with a good solvency ratio and an S&P "A" rating, but perhaps need to rediscover the old investment magic to keep the free reserves moving forward.

STEAMSHIP MUTUAL

"Another club in surplus in spite of a very low investment return. SSM will likely need to re consider its investment strategy and move back into more risky investments if it is to keep up with its main competitors, boost club reserves and support its underwriting in these challenging times for shipowners."

The Steamship Mutual Underwriting Association Limited, The Steamship Mutual Underwriting Association (Bermuda) Limited and its subsidiary undertakings and The Steamship Mutual Trust.

Basis of Accounting: "combined financial statements" unaudited. Audit report agrees the combination of the individual audited accounts. UK accounting standards.

2014 Results

Steamship reported their first surplus for 3 years. The net premiums rose by 5% and the incurred claims fell by 13%. This left an overall surplus of $15m despite a disappointing performance by the investment managers who (under an ultra conservative remit) achieved a return of just 0.9%.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**A-**	A-	A-
Combined Ratio	**98%**	114%	116%
General Increase	**10%**	7.5%	5.0%
Incurred Claims	**-12.7%**	-2.9%	33.1%
Investment Return	**0.9%**	3.0%	4.6%
Increase in Free Reserves	**5.2%**	-3.3%	-2.5%
Surplus / (Deficit) (mil)	**$14.9**	($9.6)	($7.5)

Other Ratios

Solvency	**144%**	144%	148%
Average net PR per GT	**$4.12**	$4.30	$4.42
Free Reserves per GT	**$4.37**	$4.54	$4.70
Increase in GT	**9.5%**	0.0%	8.6%
Increase in Net Premiums	**5.0%**	-2.6%	4.0%
Gross Owned Tonnage (mil)	**69**	63	63
AER (Average Expense Ratio)	**11.3%**	12.4%	12.3%

Underwriting

There has been a strong growth in the net premium income in spite of the large increases in reinsurance costs. The real positive change over the 2 previous financial years is the reduction in incurred claims, which fell after improvements in the 2011 and 2012 policy years. The cost of claims in the 2013 py has risen as a result of the increasing cost of larger claims which is an industry issue. The cost of small attritional claims below $250k fell to the lowest level for 6 years and was 22% lower than last year. However the number of larger claims increased and the overall cost rose by 27%, which was mostly attributable to claims over $1.8m.

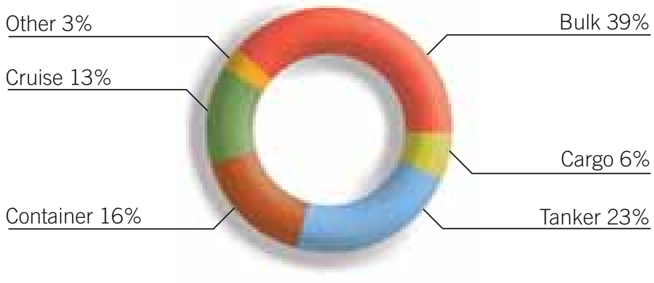
There were 62 claims over $250k compared to 53 last year. There were reductions in the costs of large cargo and crew claims, but all other categories increased -particularly collision. There were 12 cargo claims costing $12m, 15 collision and ffo claims costing $17m, 26 crew, passenger and injury claims costing $25m, 4 pollution claims costing $16m, 1 wreck removal claim costing $16m and 4 other claims costing $1m.

There were improvements of $35m on the earlier policy years, which reduced the overall claims costs for the financial year. The Club also purchased “stop loss” insurance for claims within the retention and additional reinsurance for non-poolable risks, Freight Demurrage and Defence and Charterers’ liabilities.

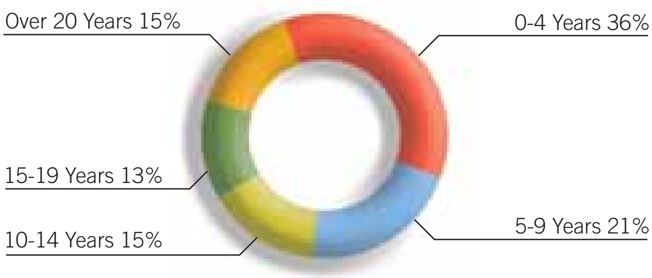
Investments

The investment return (as noted earlier) was 0.9%. The reason for this poor return was the adoption by the trustees of a very cautious approach to minimise risk within the portfolio, by reducing the bond exposure and shortening the maturity of their holding in US bonds. This resulted in the crystallisation of a $13m loss on the bonds following falls in the first half of the year. This was triggered by fears of the Federal Reserve’s withdrawing quantitative easing, but values subsequently improved with the introduction of a more gradual tapering. The sale may have been a defensive move to protect the Club’s S&P “A-“ rating.

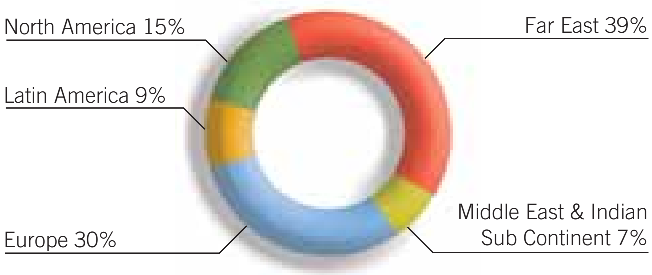
Owned tonnage by vessel type



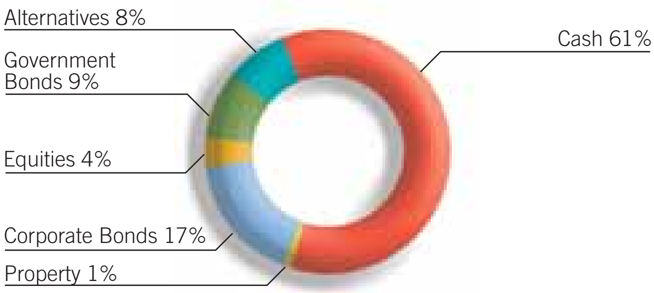
Tonnage by age



Tonnage by region



Asset allocation



Revenue Statement

US$000's	**2014**	2013	2012
Net Premiums	**284,562**	270,942	278,176
Net Claims Incurred	**232,450**	266,261	274,194
Management Costs	**45,554**	41,374	47,524
	278,004	307,635	321,718
Underwriting Surplus/(Deficit)	**6,558**	(36,693)	(43,542)
Investment Income Less Tax	**8,434**	27,062	36,073
Surplus/(Deficit)	**14,992**	(9,631)	(7,469)

Balance Sheet

US$000's	**2014**	2013	2012
Investments	**374,897**	801,695	741,519
Cash	**587,947**	131,999	145,827
Debtors	**38,536**	62,780	50,202
Other Assets	**10,997**	10,997	10,997
Total Assets	**1,012,377**	1,007,471	948,545
Outstanding Claims	**684,502**	655,211	616,145
Creditors	**26,676**	66,053	36,562
Total Liabilities	**711,178**	721,264	652,707
Free Reserves	**301,199**	286,207	295,838

Outlook

After substantial underwriting deficits in both the 2012 and 2013 financial years, the Club has now produced a surplus of $7m. This improvement has been achieved by a healthy increase in the level of net premiums, along with reductions (totalling around $35m) in the estimated cost of claims on earlier policy years.

The future cost of the Club's share of IG pool claims is likely to rise after a number of large claims experienced by the Group. The Club has also experienced larger claims within its retention. It can be anticipated that the Club will continue to purchase its stop loss reinsurance to protect against such exposure.

The Club now holds almost $600m in deposits and money market instruments which it needs to invest to boost the return on the portfolio and build the free reserves. Their combined ratio (98%), their solvency and risk based capital ratios are more than adequate, but they will need to be protected and enhanced in the future to safeguard their S&P "A-" rating.

SWEDISH CLUB

"Another set of good overall financial results, but the P&I class of this multiline insurance provider continues to bring challenges for this Mutual and its membership."

Sveriges Angfartygs Assurans Forening (Swedish Club)

Basis of Accounting: Prepared in accordance with the Law of Annual Reports in Insurance Companies (ARFL) and the Swedish Financial Supervisory Authority rules and regulations regarding annual reports for insurance companies and the Swedish Financial Reporting Board's recommendations and RFR 2.(IFRS)

The Club underwrites P&I, Hull & Machinery and Marine Energy risks as at 31 December year end.

2014 Results

The Swedish Club is the first club to publish their annual report for the year to 31 December 2013, and gives a strong indication of the likely outlook for clubs whose years end on the 20 February 2014. The surplus for the Swedish Club rose from $6.4m last year to $16.4m this year, bringing the free reserves to a record $164.7m and the solvency margin to 220%. The improvements came from a strong second half year performance from the Marine and Energy portfolio and a late rally in the financial markets, following revised guidance from the US Federal Reserve Bank and the introduction of "tapering".

Key Performance Indicators

	2014	2013	2012
S&P Rating	**BBB+**	BBB+	BBB
Combined Ratio	**96%***	111%	111%
General Increase	**7.5%**	7.5%	5.0%
Incurred Claims	**-22.6%**	-3.8%	42.1%
Investment Return	**3.6%**	8.0%	2.0%
Increase in Free Reserves	**11.0%**	4.5%	-5.6%
Surplus /(Deficit) (mil)	**$16.4**	$6.4	($8.4)

*Combined ratio for the whole club / all classes. P&I combined ratio for 2014 was 113%

Other Ratios

Solvency	**220%**	181%	180%
Increase in Net Premiums	**-3.0%**	-2.9%	7.9%
Average Net PR per GT	**$3.40**	$3.71	$3.93
Free Reserves per GT	**$4.45**	$4.24	$4.17
Increase in GT	**5.7%**	2.9%	9.7%
Gross Owned Tonnage (mil)	**37**	35	34
AER (Average Expense Ratio)	**12.1%**	13.3%	13.0%

Underwriting

The success for the year emanated from underwriting, with the two major classes, P&I and Marine and Energy both reporting improvements, although the P&I class was still struggling with a deficit and a combined ratio of 113% - down from 124% last year. In earlier years the Hull & Machinery portfolio had been beset by weak premiums and persistent deficits. This year the H&M experienced significant growth with the number of entries rising from 1,500 to 2,000, but perversely with a lower income than last year. The overall class result was exceptional, with claims incurred down by 23% and the underwriting surplus up from $1.6m to $15.8m, which reflected in the combined ratio improving from 97% to 70%.

The P&I entered tonnage increased by 8% during the year, but the increase in gross premiums was offset by the sharp increase in reinsurance costs. There were no Swedish Club claims over the IG pool retention in the year. There were only three claims greater than $2m, compared to 8 claims last year and 20 claims over $500,000, down from 27 the previous year. The cost of other clubs IG pool claims fell from $18m to $12m and the total cost of P&I incurred claims fell by 16%. However there was still an underwriting deficit of $8.8m.

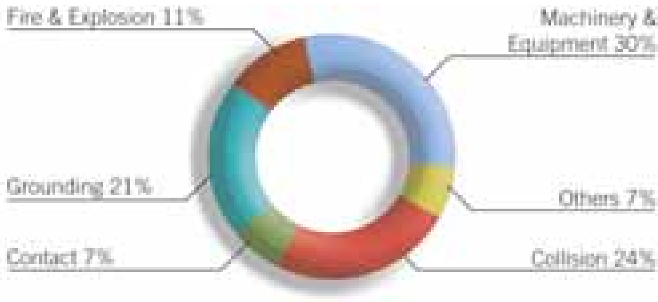
There was a little concern over the outstanding claims reserves which were down by 25%. The 2012 P&I policy year deteriorated by $6m in the financial year. The 2013 policy year had a similar level of paid claims after 12 months, but the reserve for outstanding claims which were substantially lower, looks optimistic.

Investments

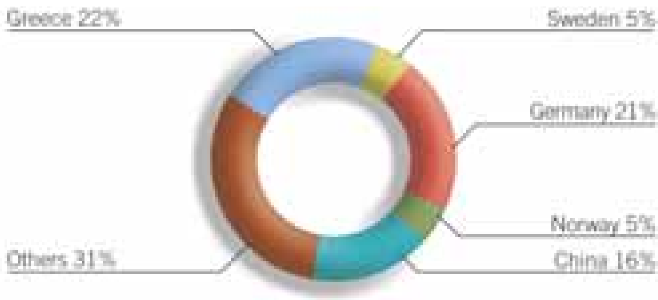
The club was unfortunately unable to repeat the 8% investment return of last year, but the 3.6% investment return is respectable after a flat first half of the year, with no investment income. The US Federal Reserve Bank's decision to continue quantitative easing, all-be-it a lower rate, led to a rally in the bond and equity markets, which transformed the portfolio's performance. The equity results were restricted by an over weighting in emerging markets, which were lower for the year. The major part of the portfolio was held in bonds, but most of the income was generated by the equities.

P&I claims by rule

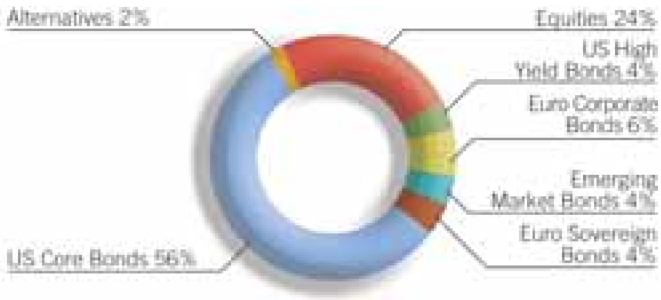
Hull and machinery claims by rule



Premiums by area



Asset allocation



Revenue Statement

US$000's	**2014**	2013	2012
Net Premiums	**125,769**	129,706	133,608
Net Claims Incurred	**90,409**	116,812	121,489
Management Costs	**29,936**	27,580	26,658
	120,345	144,392	148,147
Underwriting Surplus/(Deficit)	**5,424**	(14,686)	(14,539)
Investment Income Less Tax	**11,021**	21,103	6,135
Surplus (Deficit))	**16,445**	6,417	(8,404)

Balance Sheet

US$000's	**2014**	2013	2012
Investments	**284,975**	324,962	309,803
Cash	**28,780**	12,506	17,779
Debtors	**46,113**	51,787	43,603
Other Assets	**2,197**	2,358	2,339
Total Assets	**362,065**	391,613	373,524
Outstanding Claims	**137,096**	182,828	177,783
Creditors	**60,288**	60,470	53,843
Total Liabilities	**197,384**	243,298	231,626
Free Reserves	**164,681**	148,315	141,898

Outlook

The long established policy of underwriting multiple classes has proved beneficial over the last few years as the good Marine and Energy results have been able to subsidise the poor performance of the P&I class. The challenge remains the P&I business, which accounts for nearly 60% of the gross premium income, but after a year when there were fewer large retained claims and no IG pool claims of their own, the class still turned in an underwriting deficit of $8.8m This was partially due to the deterioration of $6m in the 2012 policy year, but there are concerns that there may be a similar deterioration in the 2013 policy year.

Meanwhile the Marine and Energy business has been transformed, with claims down by 38%. The only concern must now be how the club can retain the recently acquired business and maintain the current level of underwriting success.

The club has had a strong year with reserves rising 11% to a record $164m and has become the first club to report a solvency margin over 200%. It has also had its S&P BBB+ rating reaffirmed. Work still needs to be completed on the P&I underwriting, but the multiline business model seems to have reduced risk/volatility and should lead to a stronger future for the club.

UK CLUB

"After the recent run of Wilson Europe 2014 P&I Insights reporting on clubs focusing their activities on risks normally associated with the fixed premium commercial market, at last we have a club that is sticking to traditional core P&I activities. Now that the UK Club has regained financial strength it can enjoy some "clear blue water" and its loyal membership benefit from flat or reduced premiums!"

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited

Managers: Thomas Miller (Bermuda) Limited

Basis of Accounting: Consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

2014 Results

The UK Club has had another good year, reporting a surplus of $36m, pushing the free reserves up by 7% to a record $528m (which includes $100m of perpetual subordinated loan capital) – this represents an increase of over 80% since 2008. The underwriting improved and an enhanced investment performance resulted in an S&P promotion to "A" (stable).

Key Performance Indicators

	2014	2013	2012
S&P Rating	**A**	A-	A-
Combined Ratio	**102%**	107%	98%
General Increase	**10.0%**	7.5%	3.0%
Incurred Claims	**4.0%**	6.3%	-2.9%
Investment Return	**4.5%**	3.7%	1.5%
Increase in Free Reserves	**7.0%**	1.7%	1.7%
Surplus / (Deficit) (mil)	**$35.9**	$7.6	$7.5

Other Ratios

Solvency	**169%**	165%	162%
Average net PR per GT	**$2.52**	$2.33	$2.59
Free Reserves per GT	**$4.40**	$4.12	$4.34
Increase in GT	**3.3%**	7.1%	6.7%
Increase in Net Premiums	**8.2%**	-3.5%	-1.6%
Gross Owned Tonnage (mil)	**124**	120	112
AER (Average Expense Ratio)	**9.35%**	9.50%	9.50%

Underwriting

Notwithstanding a substantial increase in the cost of reinsurance, there was strong premium growth which led to a reduction in the combined ratio to 102%. The year has not been without its difficulties, with an increase in claims on the 2013 policy year which has been offset by improvements on earlier years.

At 12 months the notified claims on the 2013 policy year were 5% higher ($194m) than the 2012 policy year, however the total number of notified claims were lower. The Club experienced an increase in the cost of claims in excess of $0.5m, which has risen to $100m in the 2013 policy year. These larger claims represented 60% of the total cost of claims for that year. The average cost of smaller attritional claims (below $0.5m) rose by approximately 50% over the last decade, but the number of claims has been falling since 2008.

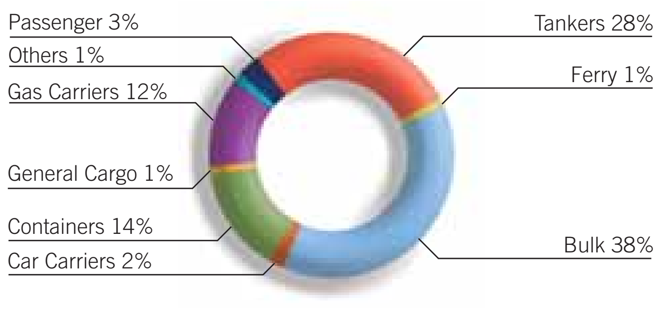
Larger claims may only account for 1% of the total number of claims, but they have a disproportionate impact on any outcome of a policy year. Due to the size and complexity of modern claims the outcome may be more uncertain, leading to the need for conservative claims reserving. In the past the Club has been particularly cautious when reserving for future claims and with better than expected outcomes on a number of large casualties, there has been an improvement in the earlier policy years reducing the impact of the adverse results for the 2013 policy year.

The International Group Pool costs have fallen as a result of the UK Club's very substantial credit balance which has resulted in their contribution being reduced to circa 7%.

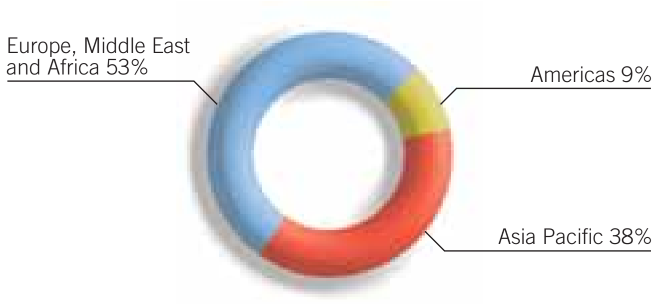
Investments

The investment return was 4.5%, a marked improvement over the previous 2 years. The main changes in the year were the sale of the hedge funds and a large increase in the holding of corporate bonds, with a minor increase in the equities. The corporate bonds performed well due to the fall in yields and the equity markets were generally buoyant. The improved S&P rating will now enable the Club to take on additional risks, such as equities, without having a detrimental impact on their rating.

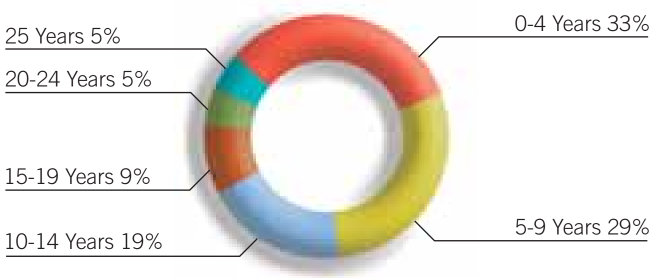
Gross tonnage by vessel type



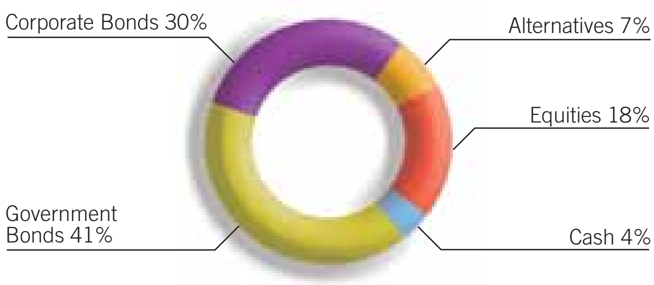
Fleet profile by geographic regions



Ship age profile



Asset allocation



Revenue Statement

US$000's	2014	2013	2012
Net Premiums	302,779	279,760	289,855
Net Claims Incurred	268,906	258,679	243,287
Management Costs	40,942	41,133	42,109
	309,848	299,812	285,396
Underwriting Surplus/(Deficit)	(7,069)	(20,052)	4,459
Investment Income Less Tax	43,017	27,649	3,007
Surplus/(Deficit)	35,948	7,597	7,466

Balance Sheet

US$000's	2014	2013	2012
Investments	1,137,372	1,067,673	1,040,779
Cash	87,580	116,120	158,423
Debtors	95,794	88,317	91,128
Other Assets	0	0	0
Total Assets	1,320,746	1,272,110	1,290,330
Outstanding Claims	762,773	755,088	778,869
Creditors	29,631	23,191	25,684
Total Liabilities	792,404	778,279	804,553
Free Reserves	528,342	493,831	485,777

Outlook

The favourable results were followed by a good 2014 renewal, which resulted in an increase in the premium income of approximately 7% and an additional 4m gt was added to the renewing portfolio. A further 4m gt has also already been committed for entry during the 2014 policy year. The Club underwrites 80m to 100m gt of fixed premium Charterers insurance which generates an annual premium income circa $50m.

The impact of the increase in volatility caused by the larger claims has been addressed by the purchase of additional reinsurance. These policies may respond to the cost of IG pool claims, larger retained claims, an unanticipated surge in the frequency of smaller claims and/or the cost of a single major loss. These policies will not totally eliminate risk, but should reduce the impact of any future large increase in claims.

The Club has rejected the latest fashion of diversification into new marine related underwriting activities and faithfully sticks to disciplined underwriting of core P&I, which now appears to be reaping results. The improved risk based capital and solvency ratios have been rewarded by an improved rating from S&P. The challenge will be to get the Club underwriting into surplus and continue to expand - the much improved ratios stand the Club in good stead going forward.

WEST OF ENGLAND

"West again reports another sound and steady set of results with growth in funds and portfolio, largely emanating from their very successful 2012 underwriting strategy review, which continues to deliver."

The West of England Ship Owners Mutual Insurance Association (Luxembourg) and its subsidiaries.

Basis of Accounting: In conformity with the law of 8th December 1994 (as amended) on financial statements with respect to insurance and reinsurance undertakings except for the fact that investments (including land and buildings) are not stated at historic amortised cost but at valuation and with significant accounting policies generally adopted by members of the International Group of P&I Clubs.

2014 Results

West of England had a good year with their fourth surplus in 5 years and a record level of free reserves. The improved underwriting result last year has been maintained and with a positive investment return produced an overall surplus of $12m, which increased the free reserves by 10% to $216m.

Key Performance Indicators

	2014	2013	2012
S&P Rating	**BBB**	BBB	BB
Combined Ratio	**102%**	104%	110%
General Increase	**7.5%**	7.5%	5.0%
Incurred Claims	**-1.2%**	-14.2%	-22.9%
Investment Return	**4.1%**	4.1%	1.8%
Increase in Free Reserves	**9.5%**	10.1%	-1.8%
Surplus / (Deficit) (mil)	**$12.4**	$17.1	($3.3)

Other Ratios

Solvency	**151%**	146%	136%
Increase in Net Premiums	**0.4%**	-6.9%	-12.2%
Average net PR per GT	**$2.93**	$3.14	$3.50
Free Reserves per GT	**$3.79**	$3.72	$3.52
Increase in GT	**7.5%**	3.9%	4.1%
Gross Owned Tonnage (mil)	**57**	53	51
AER (Average Expense Ratio)	**14.2%**	15.4%	14.8%

Underwriting

The Club was still enjoying the success emanating from the 2012 underwriting strategy review, which saw the loss of members with particularly poor loss records. Since then the underwriting has been turned around dramatically with consistently lower levels of claims and falling underwriting deficits. The level of premiums remained static, but the level of paid and incurred claims was the lowest for more than 10 years. The frequency and value of their claims also continued to fall and there has been a steady decline in the cost of claims since 2006. This has also been assisted by their good International Group loss record which resulted in their pool claims percentage falling from 14% in 2006, to just 6% for 2014.

The open policy years have shown improvements of $10m and the closed years $2m, as the expected cost of claims on those years continued to fall. The 2013 policy year looked adequately reserved and the underwriting deficit was $18m compared to $34m on the 2012 policy year.

The Club has also commenced underwriting fixed premium cover for vessels below 5,000gt however, many of their qualifying members preferred to remain within the mutual class.

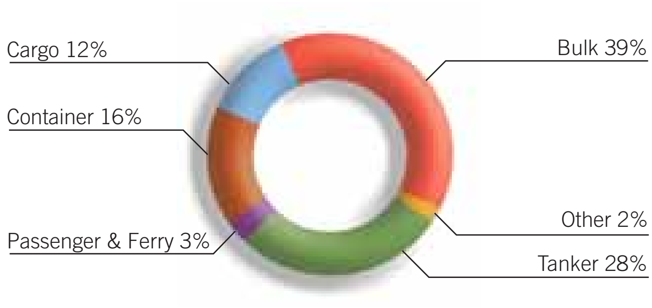
Investments

The West has adopted a conservative investment strategy with low equity exposure, but has still managed to achieve a return of 3.4%. This was largely down to the revaluation of their 2 principal properties - contributing $6m (which was transferred straight to the revaluation reserve) to the overall investment yield. The investment managers were concerned about interest rate rises and the portfolio was deliberately underweighted in fixed income instruments, with emphasis placed on reducing maturities. Most of the “absolute return funds” were sold and the Club remained overweighted in cash.

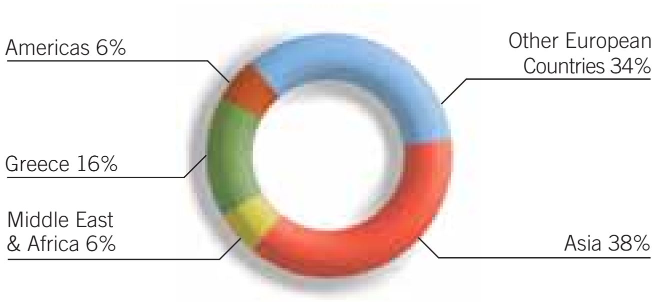
Investment by currency: US dollar 89%, sterling 3%, euro 2% and other 6%.

Fixed income by rating:- AAA 68%, A 18%, BBB 11% and other 3%.

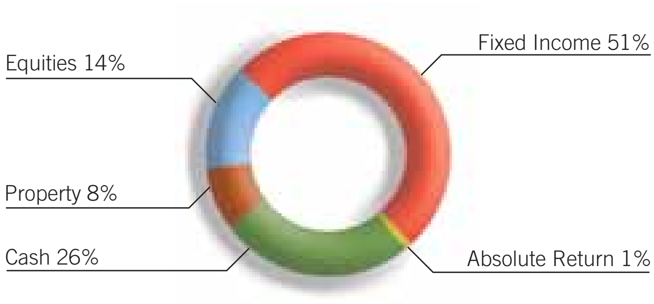
Entered tonnage by vessel type



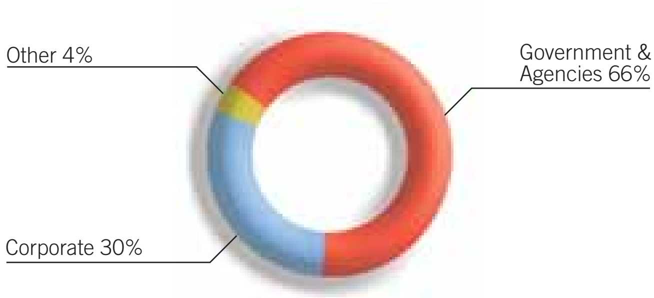
Entered tonnage by area of management



Asset allocation



Fixed income by type



Revenue Statement

US$000's	**2014**	2013	2012
Net Premiums	**166,942**	166,296	178,543
Net Claims Incurred	**133,485**	135,168	157,595
Management Costs	**36,547**	37,012	38,488
	170,032	172,180	196,083
Underwriting Surplus/(Deficit)	**(3,090)**	(5,884)	(17,540)
Investment Income Less Tax	**15,441**	22,963	14,232
Surplus/(Deficit)	**12,351**	17,079	(3,308)

Balance Sheet

US$000's	**2014**	2013	2012
Investments	**395,074**	427,535	534,035
Cash	**159,185**	118,686	58,608
Debtors	**75,874**	57,653	55,172
Other Assets	**52,987**	43,567	43,779
Total Assets	**683,120**	647,441	691,594
Outstanding Claims	**421,849**	428,599	492,244
Creditors	**45,075**	21,421	19,994
Total Liabilities	**466,924**	450,020	512,238
Free Reserves	**216,196**	197,421	179,356

Outlook

After experiencing some difficult years, the underwriting is now reaping the rewards of the 2012 strategy review. Premiums have not increased, but there has been a dramatic reduction in the frequency and cost of claims. The results have been further assisted by the Club's improved IG pool claims record and the conservative loss reserving on the older policy years, which has led to reductions in the outstanding claims reserves.

The investment return was buoyed by the property revaluation, but with over $150m in cash, the investment managers need to find an asset class which will deliver better returns whilst avoiding any unnecessary risks.

The West has adequate solvency and risk based capital ratios and has in the past been unfairly maligned by credit rating agencies. They currently have an S&P "BBB" and an AM Best "A-" credit rating. The free reserves were 34% higher than in 2009, but will need to continue rising to improve their rating. The Club has had a successful renewal with an increase in tonnage, mostly from existing members, but also with new members joining.

The Club must continue selective expansion, while maintaining their successful strategy which has transformed its stability.

Section Three

Performance Comparison Tables

Revenue and Performance Indicators

CLUB	America	Britannia	Gard	Japan	London	North
US$000's						
Revenue Statement						
Net Premiums	89,378	209,301	729,268	181,474	86,141	305,649
Net Claims Incurred	65,064	203,516	643,003	168,548	92,956	231,627
Management Costs	35,250	28,583	111,899	24,125	14,020	53,175
	100,314	232,099	754,902	192,673	106,976	284,802
Underwriting Surplus/(Deficit)	-10,936	-22,798	-25,634	-11,199	-20,835	20,847
Investment Income Less Tax	14,051	48,979	74,966	26,143	27,450	12,642
Surplus/(Deficit)	3,115	26,181	49,332	14,944	6,615	33,489
Balance Sheet						
US$000's						
Investments	238,825	1,042,379	1,911,415	337,205	330,325	778,625
Cash	19,805	149,070	207,281	168,777	46,511	119,283
Debtors	27,870	117,760	289,716	15,169	13,257	98,731
Other Assets	258	0	46,951	40,496	10,420	22,697
Total Assets	286,758	1,309,209	2,455,363	561,647	400,513	1,019,336
Outstanding Claims	183,591	813,307	1,215,860	273,267	230,851	623,477
Creditors	45,823	24,004	294,917	132,368	9,018	83,585
Total Liabilities	229,414	837,311	1,510,777	405,635	239,869	707,062
Free Reserves	57,344	471,898	944,586	156,012	160,644	312,274
Key Performance Indicators						
S&P Rating	BBB-	A	A+	BBB+	BBB	A
Combined Ratio	112%	111%	104%	106%	124%	93%
General Increase	10.00%	2.50%	5.00%	7.50%	10.00%	7.50%
Incurred Claims	-21.90%	1.50%	7.10%	-4.20%	12.40%	-8.60%
Investment Return	6.70%	4.80%	4.30%	2.60%	7.00%	1.90%
Increase in Free Reserves	5.70%	7.70%	5.50%	-1.00%	4.30%	0.00%
Surplus /(Deficit) (mil)	$3.12	$26.20	$49.33	$14.94	$6.62	$33.50
Other Ratios						
Solvency	131%	158%	178%	157%	170%	150%
Increase in Net Premiums	-4.50%	-7.90%	7.00%	1.40%	8.00%	3.80%
Average Net PR per GT	$5.59	$1.94	$3.90	$1.95	$2.00	$2.39
Free Reserves per GT	$3.58	$4.37	$5.05	$1.68	$3.74	$2.44
Increase in GT	0.00%	-4.40%	6.90%	1.10%	-4.40%	0.80%
Tonnage (mil)	16	108	187	93	43	128
AER (Average Expense Ratio)	19.30%	8.00%	11.30%	5.70%	8.36%	12.50%

Skuld	SOP	Standard	Steamship	Swedish	UK	West	TOTAL All Clubs
322,833	213,051	253,200	284,562	125,769	302,779	166,942	**3,270,347**
245,554	158,462	230,900	232,450	90,409	268,906	133,485	**2,764,880**
75,148	54,470	29,500	45,554	29,936	40,942	36,547	**579,149**
320,702	212,932	260,400	278,004	120,345	309,848	170,032	**3,344,029**
2,131	119	-7,200	6,558	5,424	-7,069	-3,090	**-73,682**
26,925	23,103	13,100	8,434	11,021	43,017	15,441	**345,272**
29,056	23,222	5,900	14,992	16,445	35,948	12,351	**271,590**
717,462	553,566	735,700	374,897	284,975	1,137,372	395,074	**8,837,820**
95,569	86,820	119,900	587,947	28,780	87,580	159,185	**1,876,508**
29,921	39,112	96,100	38,536	46,113	95,794	75,874	**983,953**
13,032	5,456	38,000	10,997	2,197	0	52987	**243,491**
855,984	684,954	989,700	1,012,377	362,065	1,320,746	683,120	**11,941,772**
470,159	319,929	580,800	684,502	137,096	762,773	421,849	**6,717,461**
51,278	66,170	40,400	26,676	60,288	29,631	45,075	**909,233**
521,437	386,099	621,200	711,178	197,384	792,404	466,924	**7,626,694**
334,547	298,855	368,500	301,199	164,681	528,342	216,196	**4,315,078**
A	A-	A	A-	BBB+	A	BBB	
99%	100%	103%	98%	96%	102%	102%	**104%**
*N/A	5.00%	12.50%	10.00%	7.50%	10.00%	7.50%	**7.92%**
15.70%	7.90%	-5.60%	-12.70%	-22.60%	4.00%	-1.20%	**-2.17%**
5.40%	4.40%	0.60%	0.90%	3.60%	4.50%	4.10%	**3.91%**
8.50%	8.40%	1.60%	5.20%	11.00%	7.00%	9.50%	**5.65%**
$29.10	$23.22	$5.90	$14.90	$16.40	$35.90	$12.40	**$271.53**
171%	193%	163%	144%	220%	169%	151%	**166%**
16.30%	6.50%	9.50%	5.00%	-3.00%	8.20%	0.40%	**3.90%**
$4.30	$8.88	$2.61	$4.12	$3.40	$2.52	$2.93	**$3.58**
$4.46	$12.45	$3.80	$4.37	$4.45	$4.40	$3.79	**$4.51**
4.20%	9.10%	0.00%	9.50%	5.70%	3.30%	7.50%	**3.02%**
75	24	97	69	37	124	57	**1,058**
12.30%	18.00%	10.90%	11.30%	12.10%	9.35%	14.20%	**11.79%**

General Increases Percentages 2003-2014

Policy Year	America	Britannia	Gard	Japan	London	North
2003	17.5	15	15	10	15	25
2004	25	8.5	7.5	0	7.5	17.5
2005	10	7.5	5	0	5	12.5
2006	10	5	7.5	0	7.5	7.5
2007	10	5	5	10	5	7.5
2008	20	15	10	20	10	17.5
2009	7.5	12.5	15	12.5	15	17.5
2010	0	5	0	12.5	0	5
2011	12	5	0	10	0	3
2012	5	5	5	3	5	5
2013	10	16.5	5	5	12.5	15
2014	10	2.5	5	7.5	10	7.5
Compounded % Individual Clubs 2003-2014						
2003-2014	**359**	**264**	**215**	**235**	**241**	**370**
2010-2014	**142**	**138**	**116**	**144**	**130**	**140**

Supplementary Call Record - Original/Current/Release Percentages 2003-2014

Policy Year	America	Britannia	Gard	Japan	London	North
2003	20/56	40/40	25/25	20/10	40/40	0/0
2004	0/0	40/30	25/25	30/30	40/40	0/0
2005	0/20	40/30	25/20	30/30	40/40	0/0
2006	0/35	30/30	25/20	30/60	40/89	0/0
2007	0/25	30/30	25/25	30/30	40/89	0/0
2008	0/25	40/40	25/25	30/30	40/75	0/0
2009	20/20	40/32.5	25/10	40/40	40/40	0/0
2010	25/25	40/40	25/15	40/50	0/0	0/0
2011	0/0	40 40 0	25 20 5	40 40 0	0/0	0/0
2012	0 0 20	40 40 7.5	25 15 10	40 40 0	0 0 15	0 0 5
2013	0 0 20	45 45 10	25 15 15	40 40 40	0 0 15	0 0 5
2014	0 0 20	45 45 17.5	25 25 20	40 40 5	0 0 15	0 0 20

Closed Years **Open Years**
Original Current Release

Skuld	SOP	Standard	Steamship	Swedish	UK	West [H]	Average%
25	15	25	25	25	25	25	**20**
15	0	20	20	15	17.5	15	**13**
7.5	0	12.5	12.5	10	12.5	12.5	**8**
5	0	5	5	10	12.5	12.5	**7**
2.5	5	5	9	7.5	7.5	5	**6**
7.5	*Selective	15	15	15	17.5	15	**15**
15	10	15	17.5	15	20	10	**14**
5	5	3	5	2.5	5	5	**4**
*Selective	0	3.5	0	2.5	5	5	**4**
*Selective	0	5	5	5	3	5	**4**
*Selective	5	7.5	7.5	7.5	7.5	7.5	**8**
*Selective	5	12.5	10	7.5	10	7.5	**8**
216	**154**	**333**	**357**	**315**	**378**	**323**	
105	**116**	**135**	**130**	**127**	**134**	**134**	

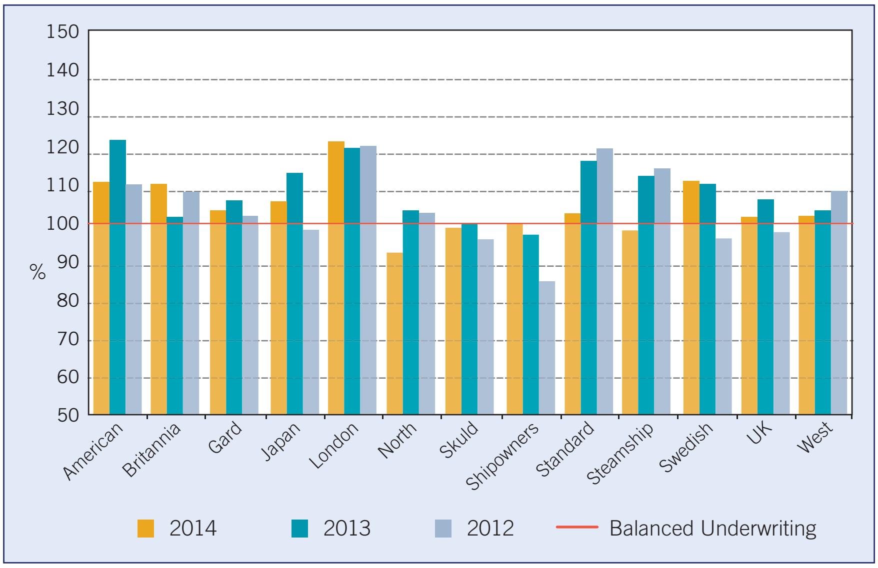
*Selective, not contributing to averages. Only 12 Club averages applied

Skuld	SOP	Standard	Steamship	Swedish	UK	West
0/0	0/25	0/0	0/0	0/0	0/0	20/20
0/0	0/25	0/0	0/0	0/0	0/0	20/35
0/0	0/25	0/0	0/0	0/0	0/0	20/35
0/0	0/25	0/0	12.5/40	0/35	0/20	20/55
0/0	0/25	0/0	0/14	0/35	0/25	20/55
0/0	0/25	0/0	0/20	0/0	0/0	20/65
0/0	0/25	0/0	0/0	0/0	0/0	30/30
0/0	0/25	0/0	0/0	0/0	0/0	30/30
0/0	0/25	0/0	0/0	0/0	0/0	0/0
0 0 0	0 25 0	0 0 3	0 0 5	0 0 7.5	0 0 12.5	30 30 5
0 0 0	0 0 0	0 0 4	0 0 10	0 0 12.5	0 0 20	35 35 15
0 0 15	0 0 0	0 0 14	0 0 25	0 0 20	0 0 15	35 35 30

Key Performance Indicator Comparison Tables 2012-14

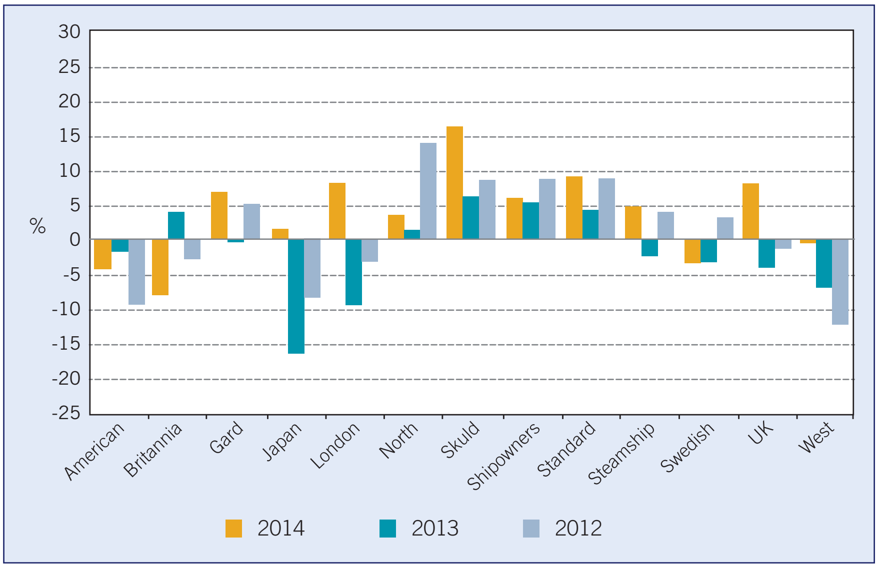
Combined Ratios

This is one of the acid tests for an insurer and shows the profitability of the underwriting operations. The ratio is calculated by dividing the Incurred Claims and expenses by the Net Premium Income. The underwriting breakeven is 100%; less than 100% is profitable (good) and more than 100% is a loss (bad). Small underwriting losses may be covered by Investment Income, but once the Combined Ratio exceeds 110%, the Club needs to take corrective action.



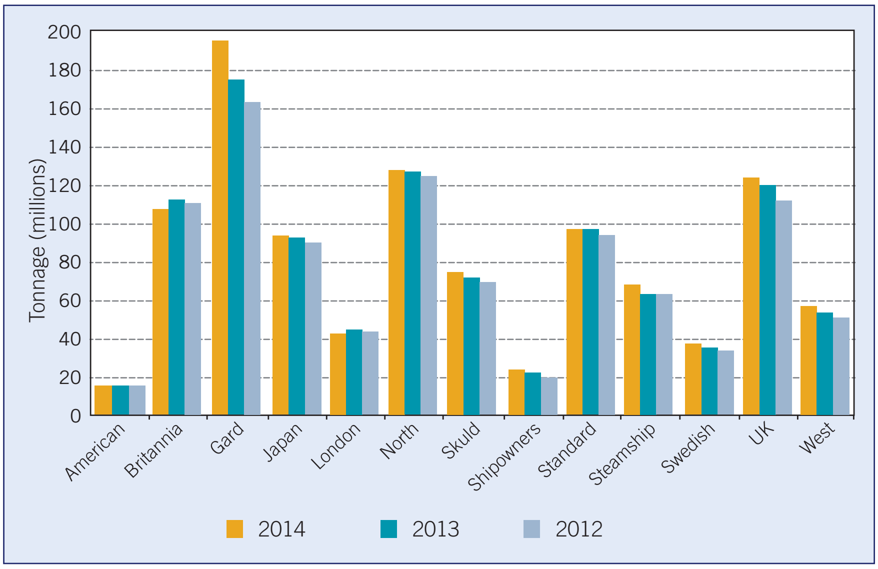
Increase in Net Premiums

This will indicate whether the Club has managed to collect the general increase proposed before the last renewal, whether any additional tonnage has been underwritten on a sound basis and if the Club has been trying to attract new tonnage by offering uncommercial rates (the ‘churn’ effect).



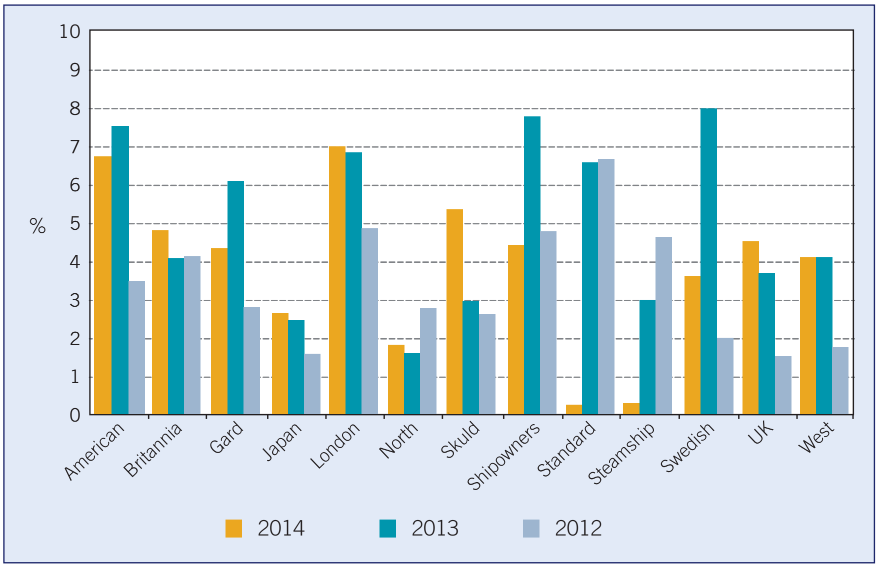
Tonnage

This shows the total International Group gross tonnage and serves as a benchmark to indicate an individual Club’s market share. The total International Group gross tonnage has been steadily rising and as a consequence, all Clubs’ tonnages should have been increasing.



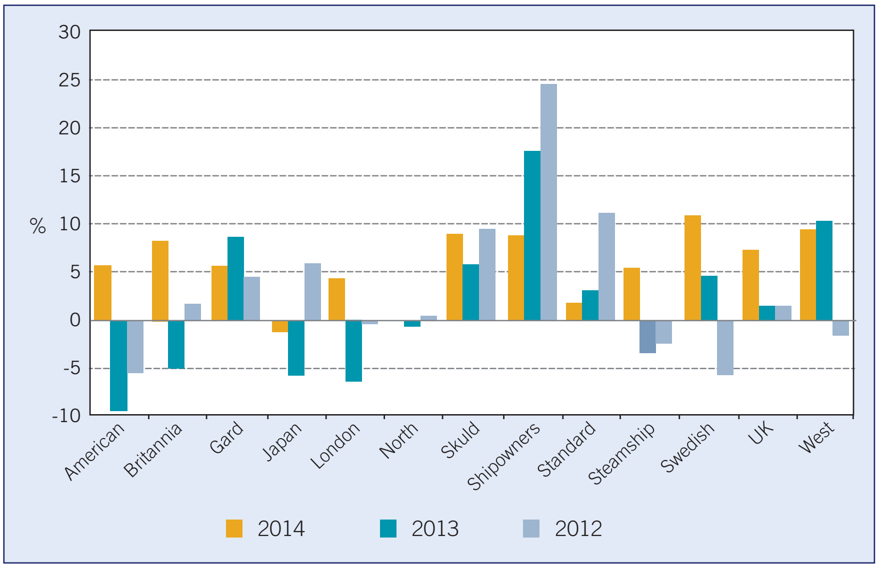
Published Investment Returns

This is the acid test for the investment performance. All Clubs publish Investment Return results which are normally prepared by a specialist independent third party. This is a measure of the Investment Managers' performance and a good Investment Return may help overcome a poor underwriting performance. The asset allocation is determined by the Board, which will likely have a material bearing on the annual outcome. Equities will generally perform better in the long term, but the returns will be more volatile equities are penalised by the regulators and ratings agencies.



Free Reserves Movement

This is an indicator of the Clubs' annual performance. All the P&I Clubs in the survey are mutual and not-for-profit, but in the current regulatory environment, Clubs should aim to at least maintain the current level of Free Reserves for regulatory purposes and increase their Free Reserves to appropriately accommodate the rising levels of tonnage. Large losses raise concerns over a Club's health and the possibility of unplanned additional calls. Large surpluses raise concerns over a Club's possible aggressive acquisition of tonnage at uneconomic rates and poor claims reserving.



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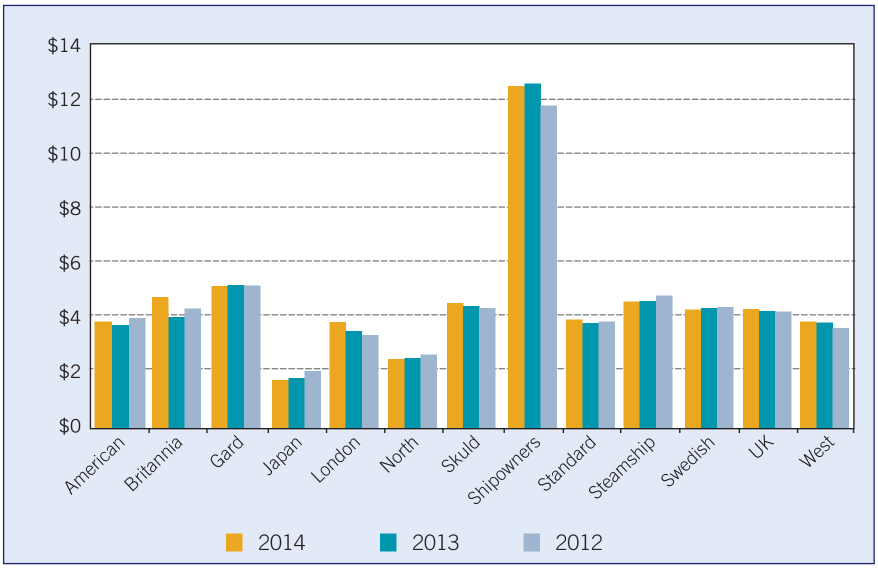
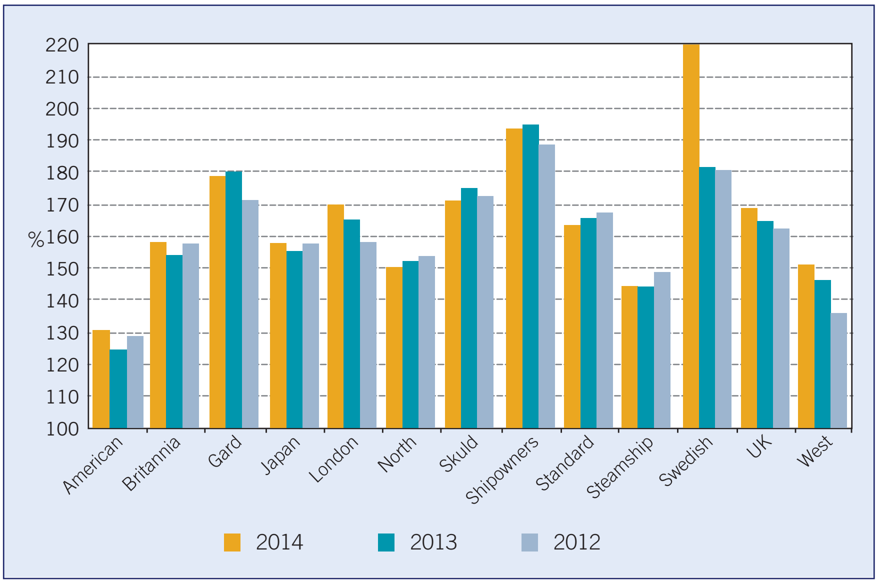
Free Reserves per Gross Ton

This is a test of the adequacy of the Free Reserves compared to the International Group Tonnage or the level of business underwritten. The ratio compares the size of the Club's reserves with the volume of business and may indicate whether the Club has the capacity to absorb risks and losses emanating from the business. The result will be overstated for Clubs with major sources of non-P&I income as all the Free Reserves are compared with only the P&I tonnage.



Solvency Ratios

This is the total assets less the creditors, divided by the Outstanding Claims. It is a key ratio that indicates the capability of the Club to meet their future claims. If the ratio falls below 100%, the Club is technically insolvent. However, the UK regulators will almost certainly request a business plan at around 115%, and probably require the Club to cease accepting new business before reaching 100%. The ratios are a general guide and, although some Clubs may demonstrate exceptional results in one test or another, it is always worth checking the conclusions.



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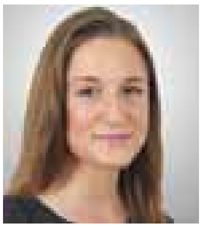

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