WILSON EUROPE LIMITED
MASTERS OF P&I

# THE WILSON P&I REPORT

## 2023

International Group Clubs

# THE INTERNATIONAL GROUP

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## ABOUT WILSON...

### International

Our International portfolio demonstrates our industry capability, enabling our highly skilled team of brokers to 'tailor make' solutions for clients' needs. Our portfolio extends from small fleets to some of the world's largest and most reputable Shipowners and operators. This enables us to place vessels of all sizes, types and complexities. A number of our clients are current or past Club Board Directors.

### Independent

Wilson Europe is perhaps the largest independent insurance and reinsurance broker, based in the City of London and 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.

### Experienced

Wilson Europe has one of the most experienced P&I teams of any broker and this enables us to provide a highly effective and efficient service to all our clients. We are passionate about the industry and have a very strong service ethos, and are totally committed to operating with transparency and integrity at all times.

### Substantial

Wilson Europe has built a substantial global client base and today is responsible for placing more than 75 million gross tons of P&I. We also handle, in London or via our other offices, a vast number of other related insurances... a full list can be found overpage.

## INSURANCES WE CAN ARRANGE FOR YOU...

Protection and Indemnity

Charterer's Liability

COFRs

Cyber

Directors & Officers

Errors & Omission

Freight at Risk

Freight, Demurrage & Defence

Hull and Machinery

Kidnap and Ransom

Loss of Hire

Mortgagee's Interest

Newbuilding Risks

Piracy Loss of Hire

Professional Indemnity

Shipowner's Liability (S.O.L.)

Strikes/Delay Cover

War Risks

...and many more

# THE INTERNATIONAL GROUP... IN THE SPOTLIGHT

## Overview

- The major event of the year was undoubtedly the first merger of two large Clubs to produce NorthStandard, a new behemoth in the IG. Its hopes are that its greater combined financial reserves will enable it to be more competitive than its competitors in the future. Only time will tell.
- The slow overall underwriting improvement of the IG continued and produced the first underwriting surplus for six years of $127m, which was almost entirely down to Gard. The remaining Clubs collectively broke even, due to unbudgeted supplementary calls and a reduction in the cost of claims. Unfortunately any improvement was dwarfed by the financial investment loss of $472m, further reducing the free reserves by $343m, the third overall deficit in five years.

## Underwriting

- The collective underwriting returned a surplus of $127m, which was entirely due to Gard's $130m underwriting surplus, leaving the remainder with an approximately balanced outcome...some might say mutuality working. The improvement over last year's $288m deficit was not shared equally as the smaller Clubs were still struggling, with two having to resort to unplanned additional calls.
- The underwriting improvement was exaggerated by the rather unexpected 5% reduction in incurred claims following a reduction in the frequency of Covid-19 claims and an exceptional year for IG pool costs, with only five claims reported by the year-end, although there were deteriorations in earlier years.
- This year marked the first underwriting surplus for six years, during which time combined ratios had been allowed to rise along with incurred claims, leading to overall deficits in some of the more recent years. The sudden failure of the investment income will act as a further catalyst to keep pressure on the underwriters to push for further general increases to combat the consequences of a resurgence in claims. Free reserves were down 15% in the last five years to their lowest since 2016.

## Combined Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Gross Owned Tonnage | Mil | **1366** | 1358 | 1318 |
| Combined Ratio | % | **97** | 108 | 118 |
| Investment Return | % | **-4.9** | 1.1 | 6.1 |
| Average General Increase | % | **7.3** | 9.4 | 6.0 |
| Solvency | % | **166** | 173 | 179 |
| Movement in Net Premiums | % | **8.6** | 12.4 | 3.1 |
| Movement in Free Reserves | % | **-7.2** | -5.3 | 0.5 |
| Movement in Incurred Claims | % | **-5.5** | 1.4 | 7.9 |
| AER (Average Expense Ratio) | % | **14.8** | 14.2 | 13.7 |
| Movement in GT | % | **0.6** | 3.0 | 3.0 |
| Average net PR per GT | $ | **2.72** | 2.52 | 2.31 |
| Free reserves per GT | $ | **3.56** | 3.86 | 4.20 |
| Revenue Surplus / (Deficit) (Mil) | $ | **(345)** | (256) | 50 |

**Merger** North Standard

**$127m** Underwriting Surplus

**$472m** Investment Losses

**-7%** Overall Free Reserves

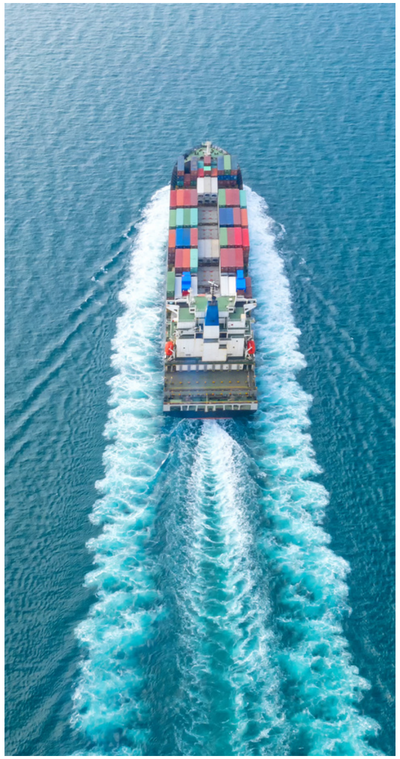
**-5.5%** Incurred Claims



## Investments

- The investment managers reported their first collective investment loss since 2016, pushing the IG into its second overall deficit in a row. The December reporting Clubs appeared to suffer the most as they missed the small recovery in January and February, but all the Clubs reported losses, except for those that included the sale of non-investment assets.
- The Russian invasion of Ukraine sparked record high energy prices leading to inflation. This resulted in the customary response from central banks of raising interest rates leading to investment asset losses. Hopefully the worst is passed and inflation will continue to abate and interest rates will shortly follow suit, leading to a return of confidence in the markets and a recovery in asset prices before the year-end.

| Combined Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | **9,625,416** | 10,122,381 | 10,314,086 |
| Cash | **2,311,615** | 2,036,170 | 2,042,940 |
| Debtors | **1,602,514** | 1,571,487 | 1,298,654 |
| Other Assets | **249,272** | 289,928 | 281,959 |
| Total Assets | **13,788,817** | 14,019,966 | 13,937,639 |
| Outstanding Claims | **7,370,292** | 7,178,511 | 7,008,361 |
| Creditors | **1,551,808** | 1,596,581 | 1,389,492 |
| Total Liabilities | **8,922,100** | 8,775,092 | 8,397,853 |
| Free Reserves | **4,866,717** | 5,244,874 | 5,539,786 |



| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **3,720,384** | 3,426,002 | 3,047,094 |
| Net Claims Incurred | **2,855,482** | 3,021,363 | 2,979,108 |
| Management Costs | **738,279** | 693,091 | 611,077 |
| | **3,593,761** | 3,714,454 | 3,590,185 |
| Underwriting Surplus / (Deficit) | **126,623** | (288,452) | (543,091) |
| Investment Income Less Tax | **(471,830)** | 32,291 | 593,034 |
| Surplus / (Deficit) | **(345,207)** | (256,161) | 49,943 |
| Pension Gain / (Loss) | **1,399** | 26,046 | (11,416) |

## Outlook

- The IG have collectively finally got their underwriting back into balance after five years of bruising underwriting deficits. The improvement has not been unanimous as some of the smaller Clubs have had to resort to additional calls and still face some difficulties. Work still needs to be done to secure the gains going forward as uncertainty over future investment income threatens further reductions in free reserves.
- The new NorthStandard Club has jumped into second place in the free reserves 'league table' and will be keenly observed by those hankering for a merger partner to counter any perceived competition or whether the downsides of a mega Club ultimately outweigh the big is beautiful soundbite.
- The free reserves were 15% below their peak in 2018, when they were almost twice net premium income, and at the last year-end that ratio was down to just 130%, clearly indicating a need for some reconstruction.
- The Clubs will need to keep pushing general increases at the next renewal and maintain the level of vigilance they have shown over the last two years, in a period when net premium incomes have risen by over 20%, with only a modest increase in tonnage.

# SOUTH'S SOAPBOX

## THREATS TO OUR INDUSTRY

Following the completion of the effective takeover of the Standard Club by North, the International Group fortunately appears to have entered a period of relative calm. There is however no doubt that a number of Club managers still hanker to jump on the merger 'bandwagon' if and when suitable opportunities arise. In most cases this strategy is seeking to address a misconceived belief that … "the bigger you are the more you will prosper". Also helpfully for some, so called mergers do provide a useful distraction for those who have operated below par.

### "Club managers still hanker to jump on the merger 'bandwagon'"

Merger in the Club world, in my view, is a relatively benign term to neutralise the otherwise more emotional reality of there being a winner or a loser. Such amalgamations of Clubs generally only deliver more tonnage, more mass but not necessarily 'critical', usually with poorer performing portfolios and much exaggerated economies of scale by the dominant party. The so called benefits professed invariably include the ability to achieve greater diversification. However this is rarely successfully delivered as Clubs generally are not so able to compete with the commercial markets, and of course the very markets on which the Clubs are so dependent upon for their own reinsurance (poolable and non-poolable) covers. Clubs should not be blind to the fact that commercial market underwriters will not let the Clubs indefinitely 'drink from their well' without retaliation. The reality is that very few shipowners want to adopt a 'one stop shop' for their marine insurance programmes. Clubs will never achieve the premium spread necessary for them to operate competitive standalone covers independent of the specialist commercial underwriters on which Clubs so heavily rely. Consequently, Club managers' time is potentially being squandered, setting up and marketing these overly duplicated diversification facilities which rarely 'wash their face', let alone deliver profit for the membership.

### "very few shipowners want to adopt a 'one stop shop'"

Maintaining traditional marine insurance placements such as H&M, independent of the P&I class, avoids potential conflicts and contagion, particularly following adverse claims results. The previous significant underwriting losses of Skuld and Standard's commercial market activities are recorded for all to see, and in the case of the latter its probable failure to fully recover from their much 'trumpeted' but disastrous diversification initiative. As far as we can see, they delivered no economies of scale and no windfall profits for the shipowner Members (who in fact bankrolled much of the losses of these ill-conceived diversification initiatives), with the now obvious consequences…

### "no economies of scale and no windfall profits"

In order to avoid history repeating itself, shipowner Members, who of course own their Clubs, should take a real interest in their Club's management and ultimate direction. This will avoid just a handful of elite Directors, often not sufficiently independent of, or too partisan to the Club managers and their own vested interests, taking decisions which have significant implications for the Club and its Members. Big decisions such as mergers



should be put to the full Boards at an early stage of the proposal and preferably the full Membership by way of referendum. Adopting such an obvious practice will protect the Club from the inappropriate ambitions of non altruistic second or third parties. The Britannia Club Board have at least twice resisted such unwelcome predatory initiatives by being comprehensively engaged and focused on what they expect from and for their Club.

### "unwelcome predatory initiatives"

Given the recent combined ratios announced by most Clubs, which now range from just about technical breakeven to continuing to run at a loss, it is perhaps surprising that some market commentators have suggested that most Clubs do not need General Increases at the 2024 renewal. It is true that all Clubs have recently benefited from an unusually benign Pool, but with high claims inflation and an erosion of solvency, complacency or the opportunism of a few purporting to believe that the somewhat concerning underwriting losses of only a year or two ago are now behind us, could again lead to some Clubs being coerced into weakening their resolve, resulting in further underwriting losses and instability.

### "opportunism of a few"

Pleasingly, the combined ratios of most Clubs have improved over the last couple of years. Gard has reported some of the best results, which are in fact now distorting the overall financial picture of the IG. Steamship and Britannia also have strong reserves, particularly bearing in mind their size and being mono-line operations, for which S&P allegedly 'mark them down'! All three Clubs have a commendable history of demonstrating their 'mutuality credentials' particularly by returning surplus monies to their Members, usually by way of capital returns or continuity credits, when finances permit. Due to the underwriting challenges of recent years, Steamship and Britannia have been unable or unprepared to authorise capital returns. Gard on the other hand, has provided their Members with renewal discounts for a number of consecutive years now. Whilst this is a welcome concession, it is not applied in perpetuity to Member's renewal premium rates (the pre-discounted rates are the starting point for next year's renewal discussions). This perhaps suggests that the concession is already 'baked-in' to the underwriting formula, rather than any exceptional reward to the mutual Pandl Members, for being the ultimate financial guarantors of the very substantial fixed premium element of the portfolio.

### "demonstrating their 'mutuality credentials'"

Going forward Clubs should underwrite carefully considering what challenges may lay ahead and not just what has past… underwriting 'looking through the windscreen and not the rear-view mirror'. Fortunately, in recent times, few Clubs (thus far) have had to rely on unbudgeted supplementary calls to balance their books. However, some will be found wanting if they allow opportunistic players to leverage their influence to undermine discipline. The long-term sustainability of the industry is far more important for most shipowners than premature and short-term pricing enhancements. Clubs now need a period of low claims, low inflation, good investment results, skilful and disciplined underwriting and sound management, to bring the Shipowner owned businesses back into measured financial strength. And to those who oppose this argument, I would say the long established and practiced mutual mechanisms enable Boards to return monies to their Members when finances allow, via and in today's parlance, capital returns or continuity credits. All truly mutual Club Boards will want to return monies to their Members to evidence the true benefits of mutuality, but only good Club management discipline and sticking to the traditional mutual DNA on which the industry was founded, will it be delivered!

### There is only one loser when competition is lost… Shipowners won't know what they had until it is gone!

# CLUB FINANCES, RETENTIONS & GXL REINSURANCE

## SUMMARY OF CLUBS' RENEWAL REQUIREMENTS - 2023 POLICY YEAR

| Club | P&I | P&I - Comments | FDD | FDD - Comments |
|---|---|---|---|---|
| American | 10% | 2021: 30% supplementary call.<br><br>All deductibles from US$ 10,000 to US$ 50,000 increased by 10% and any below US$ 10,000 increased by US$ 1,000. | Nil | 2021: 30% supplementary call. |
| Britannia | 10% | Members' rates adjusted to reflect their individual claims records and risk profiles to achieve a 10% increase on Britannia's ETC but there was no declared general increase.<br><br>Minimum deductibles increased to: Crew US$ 7,000, Cargo US$ 19,500, All Others US$ 13,500. | 15% | Members' rates adjusted to reflect their individual claims records and risk profiles to achieve a 15% increase on Britannia's ETC but there will be no declared general increase. |
| Gard | 5% - 7% | 5% Owner's General Discount on agreed ETC for 2023. Individual Members' rates adjusted to reflect their risk profile and claims record and most Members to expect an increase of between 5%-7% with an acceptable record. | N/A | |
| Japan | 10% | Members' rates adjusted as appropriate to reflect their individual claims record. | 10% | |
| London | Nil | No general increase set, and renewals based on individual Member loss records and risk profiles. | Nil | No general increase set and renewals based on individual Member loss records and risk profiles. |
| North | 10% | All crew and other people related claims deductibles below $US 50,000 increased by a minimum of US$ 2,500. All cargo and other claims deductibles increased by a minimum of US$ 1,000. | 15% | Deductibles remain at 25% with a minimum of US$ 10,000 per claim, but remove the maximum deductible of US$ 150,000 per claim. |
| Shipowners | Nil | No General Increase applied across the Membership. A 10% increase in premiums to the Yacht sector applied. Increases applied as required to Members operating Dry Cargo vessels.<br><br>All deductibles under US$ 50,000 increased by 10% subject to a minimum increase of US$ 500. | Nil | |
| Skuld | 10% | Board announced it will be necessary to achieve an overall ETC adjustment of 10% for the mutual product. | N/A | |
| Standard | 10% | All deductibles increased by 10% subject to a minimum increase of US$ 2,000 for crew & cargo claims. | 10% | |
| Steamship | 7.5% | 10% increase to P&I deductibles below US$ 50,000 or less. | 7.5% | |
| Swedish | 10% | | 15% | |
| UK | 10% | No change at US$ 15,000 per event including fees and expenses. | 5% | 2.5% continuity credit for full fleet entries. |
| West | 10% | All other deductibles increased by 10% & a minimum increase of US$ 2,500 will be applied. | 15% | |



## ABATEMENT LAYER TRIGGERS (US$/MIL) - 2023 POLICY YEAR

| | |
|---|---|
| American | 4.5 |
| Britannia | None |
| Gard | 3 |
| Japan | 3 |
| London | 2 |
| North* | 2 |
| Shipowners | None |
| Skuld | 3 |
| Standard | 3 |
| Steamship | 3.5 |
| Swedish | 3 |
| UK | 2.5 |
| West ** | 2.5 |

Claims become eligible for abatement once they exceed the stated amounts.

* 10% of the claim will be allocated back to the Member's record, whilst the remaining 90% will be allocated across the Membership as a whole.

** Individual claims are capped at $2.5 Million, plus 10% of the difference between the Pool retention of $10 Million, or actual gross claim amount if lower, and $2.5 Million.

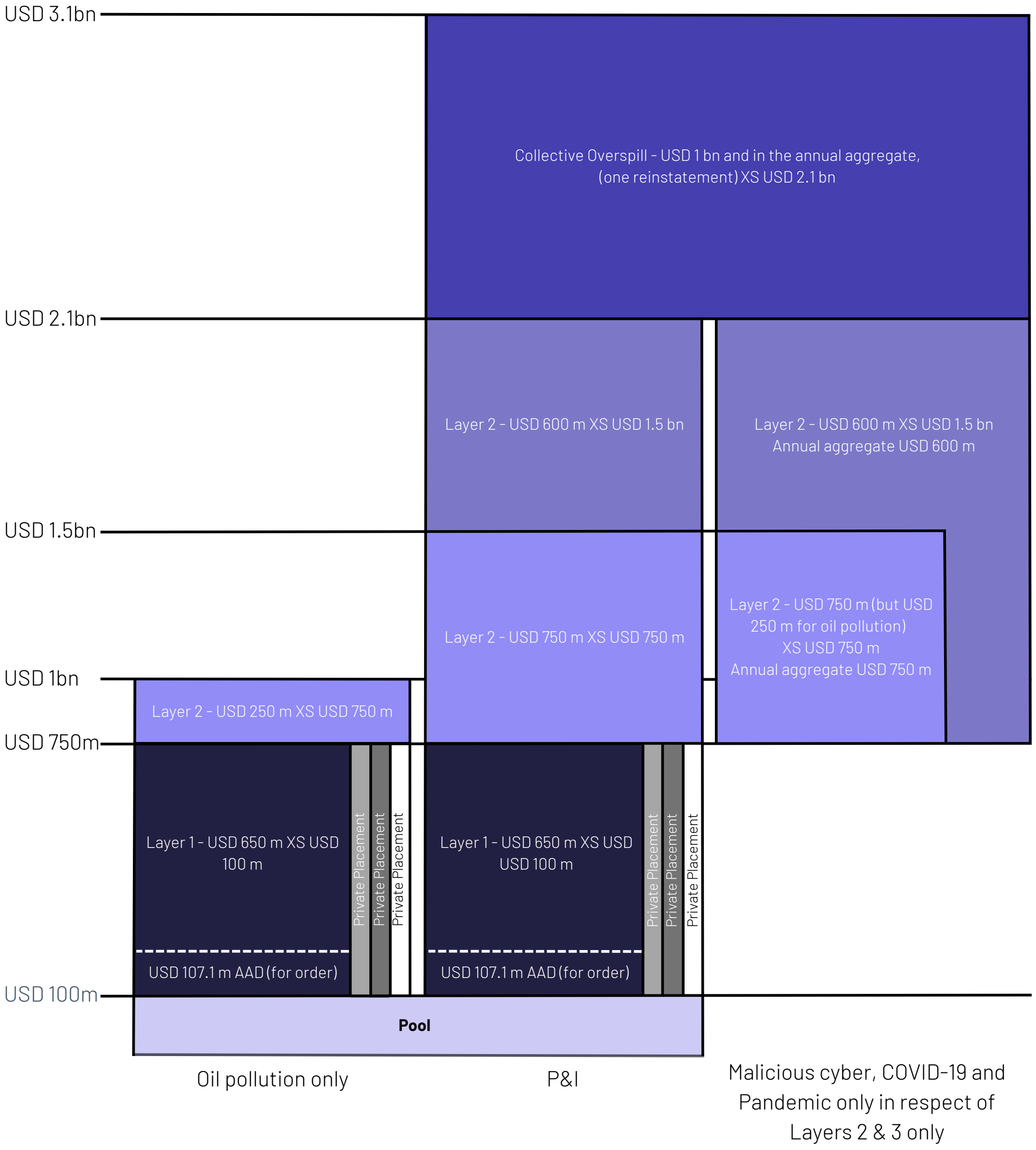
## FREIGHT, DEMURRAGE & DEFENCE - 2023 COMPARISON TABLE

| CLUB | STANDARD LIMIT | STANDARD DEDUCTIBLE |
|---|---|---|
| American | $5m (up to $10m on request) | 25% minimum, US$ 7,500 and a US$ 35,000 maximum. |
| Britannia | $10m ($2m NB/conversion disputes) | 1/3 of all costs excess of $7.5k, capped at $150k per claim. |
| Gard | $15m (lower limit if required) (Pre-delivery limit $1m) | 25%, subject to a min contribution by the Member of $5k. |
| Japan | Yen 1.5bn | 1/3 of the costs in excess of $1k of each claim. |
| London | $7.5m | 25% of all costs. |
| North | None (except $250k NB/purchase/sale disputes) | 25% with a min of $10k and a max of $150k per claim. |
| Shipowners | $5m ($1m NB/purchase/sale disputes) | No standard deductible for LCC (the Club's version of FD&D cover). |
| Skuld | $5m (except $300k alt/conversion/NB/purchase/sale) | 25% of the total costs with a minimum of $12.5k per dispute. |
| Standard | $5m | 25% member contribution, min of $10k. |
| Steamship | $10m ($2m construction/purchase etc) | $7.5k, then 1/3 of all costs subject to an overall max of $50k. |
| Swedish | $5m ($10m if required), ($1m NB/purchase/sale) | No cover for disputes less than $7.5K. $12k plus 25% member contribution for cost in excess of $250k, (NB/purchase/sales as agreed). |
| UK | $15m | Nil, but no cover for disputes less than $10k. |
| West | $10m ($15m can be arrange if required) | $5k, then 25% member contribution, max of $50k ($100k for new building disputes). |

## INTERNATIONAL GROUP REINSURANCE STRUCTURE - 2023 POLICY YEAR

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

12 Months at Noon GMT 20th February, 2023



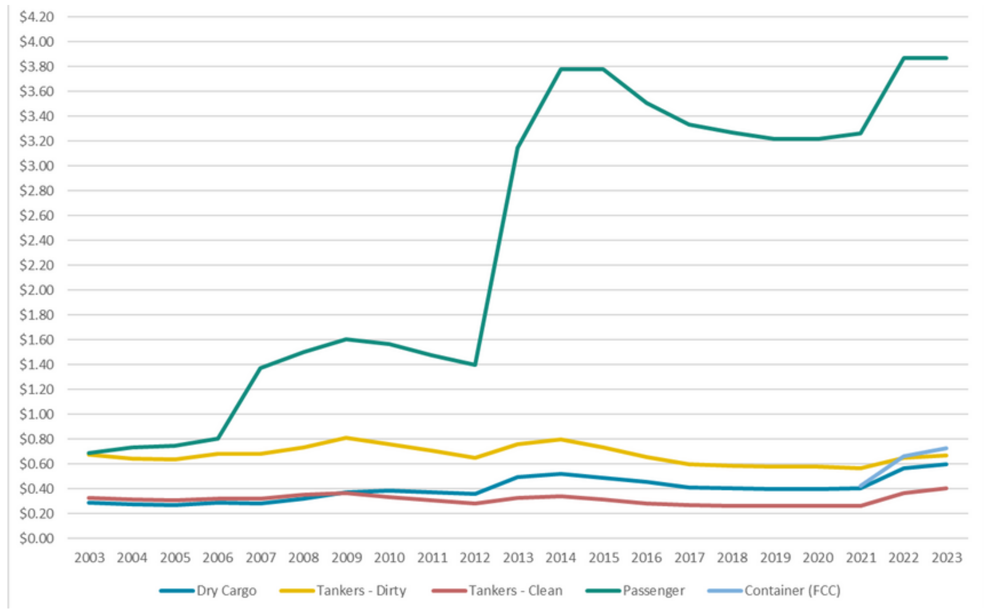



## GROUP GXL REINSURANCE RATES - 2023 POLICY YEAR

**The International Group Reinsurance Rates including Hydra Premium, Collective Overspill Cover and Excess War P&I**

| Policy Year | Dry Cargo Ships (US$) | Dirty Persistent Tankers (US$) | Clean Non-Persistent Tankers (US$) | Passenger Carrying Ships (US$) | Fully Cellular Container Ships (US$) |
|---|---|---|---|---|---|
| 2023 Rates | 0.5991 | 0.6663 | 0.4051 | 3.8677 | 0.7277 |
| 2022 Rates | 0.5639 | 0.6469 | 0.3666 | 3.8677 | 0.6586 |
| Adj. from 2022 | +0.0352 | +0.0194 | +0.0385 | Nil | +0.0691 |
| % change from 2022 | +6.2% | +3% | +10.5% | +0% | +10.5% |
| 2021 | 0.4028 | 0.5625 | 0.2619 | 3.2624 | 0.4249 |
| 2020 | 0.3971 | 0.5747 | 0.2582 | 3.2161 | 0.3971 |
| 2019 | 0.3971 | 0.5747 | 0.2582 | 3.2161 | 0.3971 |
| 2018 | 0.4038 | 0.5845 | 0.2626 | 3.2707 | 0.4038 |

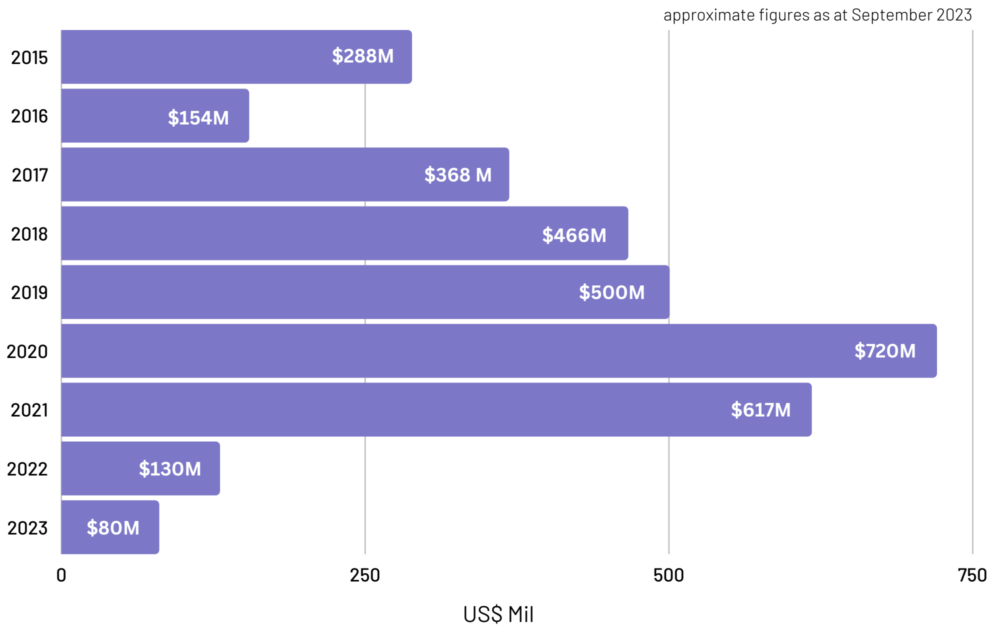
### GXL RI RATES (TRACKING GRAPH) 2003 - 2023

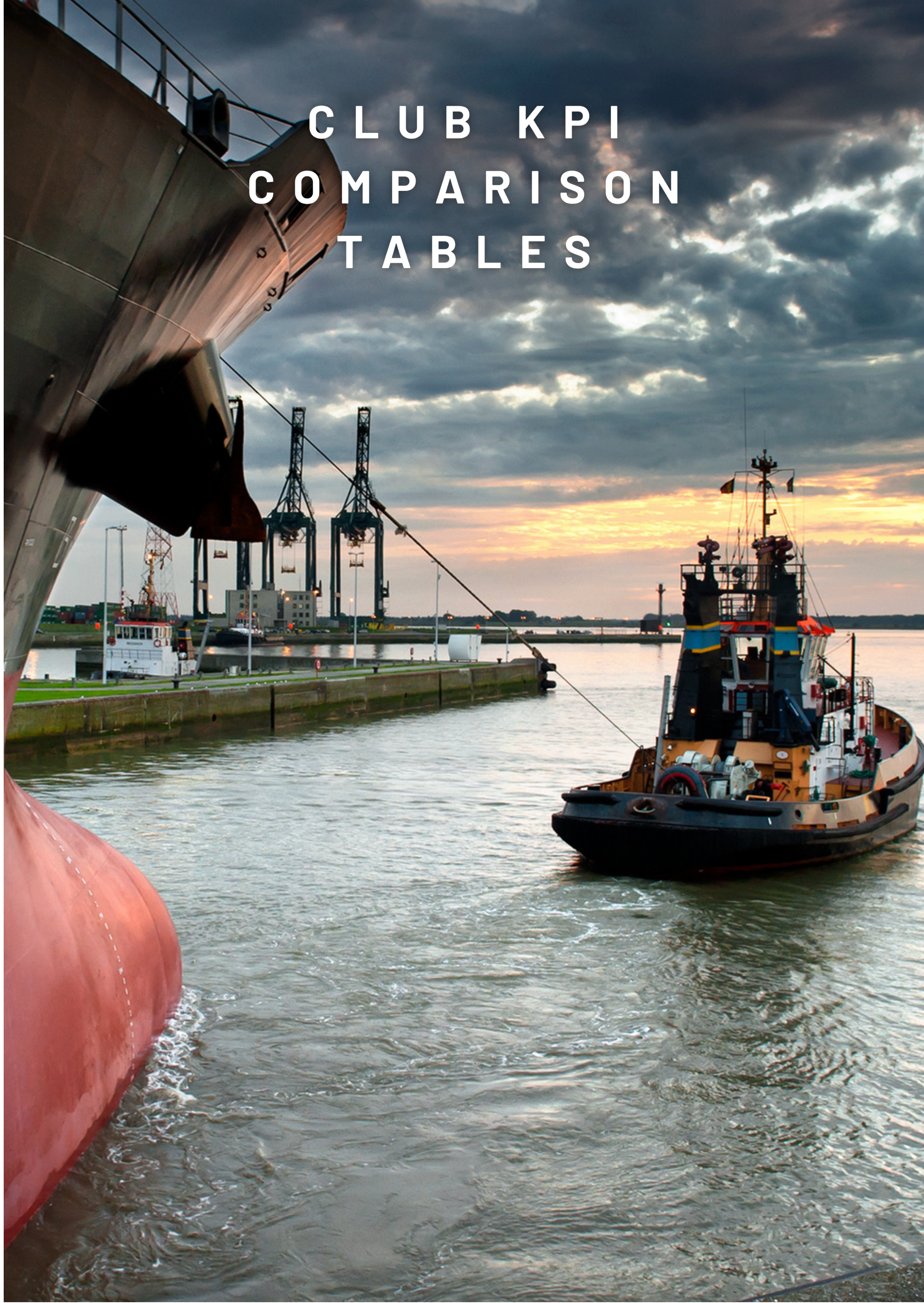


## ENTERED MUTUAL GT BY CLUB & BY POLICY YEAR 2014-2023 (MIL)

| Club | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Period Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|
| American | 16 | 17 | 16 | 16 | 17 | 19 | 17 | 19 | 19 | 19 | **19%** |
| Britannia | 108 | 108 | 106 | 101 | 107 | 111 | 116 | 125 | 135 | 142 | **31%** |
| Gard | 187 | 189 | 200 | 200 | 207 | 214 | 228 | 246 | 260 | 266 | **42%** |
| Japan | 93 | 93 | 92 | 91 | 91 | 93 | 96 | 95 | 93 | 90 | **-3%** |
| London | 43 | 44 | 44 | 43 | 45 | 49 | 48 | 50 | 45 | 42 | **-2%** |
| North | 128 | 127 | 131 | 140 | 142 | 147 | 160 | 160 | 162 | - | **27%** |
| Shipowners | 24 | 24 | 25 | 18 | 20 | 20 | 21 | 22 | 28 | 30 | **25%** |
| Skuld | 75 | 74 | 78 | 91 | 97 | 95 | 95 | 99 | 99 | 95 | **27%** |
| Standard | 97 | 101 | 107 | 108 | 117 | 117 | 116 | 106 | 106 | - | **9%** |
| Steamship | 69 | 74 | 78 | 85 | 85 | 85 | 88 | 96 | 110 | 117 | **70%** |
| Swedish | 37 | 42 | 44 | 47 | 51 | 48 | 51 | 57 | 57 | 58 | **57%** |
| UK | 124 | 127 | 135 | 139 | 139 | 145 | 142 | 137 | 150 | 153 | **23%** |
| West | 57 | 67 | 72 | 82 | 91 | 92 | 101 | 106 | 90 | 96 | **68%** |
| NorthStandard | - | - | - | - | - | - | - | - | - | 258 | **N/A** |
| **IG Total** | 1058 | 1087 | 1128 | 1161 | 1209 | 1235 | 1279 | 1318 | 1348 | 1366 | **29%** |

## TOTAL VALUE OF CLAIMS DECLARED TO THE POOL



# CLUB KPI COMPARISON TABLES

## 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).

| | |
|---|---|
| Gard | 83 |
| Steamship | 95 |
| NorthStandard | 96 |
| Skuld | 96 |
| Japan | 97 |
| West | 98 |
| Shipowners | 99 |
| Swedish | 102 |
| American | 104 |
| UK | 104 |
| Britannia | 107 |
| London | 130 |

Positive
Neutral
Negative

## 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.

| | |
|---|---|
| Japan | 1.2 |
| Skuld | 0.3 |
| Steamship | -2.4 |
| West | -3.6 |
| UK | -3.8 |
| London | -3.9 |
| NorthStandard | -4.5 |
| Britannia | -5.9 |
| Gard | -6.3 |
| Swedish | -9.8 |
| Shipowners | -10 |
| American | -10.3 |

Positive
Negative

## Movement in Free Reserves (%)

This is an indicator of the Clubs' annual performance. All the P&I Clubs in the Group 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.

| | |
|---|---|
| Japan | 13.7 |
| Skuld | 3.4 |
| Gard | -1.4 |
| Steamship | -4.1 |
| NorthStandard | -7.8 |
| West | -8.1 |
| UK | -11.8 |
| Britannia | -13.2 |
| Shipowners | -14.9 |
| Swedish | -20.1 |
| American | -30.3 |
| London | -30.8 |

Positive
Negative



## Free Reserves per Gross Ton (US$)

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.

| | |
|---|---|
| Shipowners | 11.25 |
| Gard | 4.74 |
| Skuld | 4.68 |
| Steamship | 3.88 |
| Britannia | 3.59 |
| UK | 2.81 |
| London | 2.7 |
| NorthStandard | 2.66 |
| Swedish | 2.58 |
| West | 2.4 |
| American | 2.34 |
| Japan | 2.28 |

Above
Industry Average
Below

## S&P Financial Ratings of Clubs

All Clubs are interactively rated by Standard & Poor's. A number of the Clubs are currently on S&P's watch list and it is quite possible that those Clubs who fail to address their rating inadequacies at the 2023 renewal could find their rating or outlook downgraded. It is unlikely that any Club will see its outlook or rating improve for the foreseeable future.

| | |
|---|---|
| Gard | A+ |
| Britannia | A |
| NorthStandard | A |
| Shipowners | A |
| Skuld | A |
| Steamship | A |
| UK | A- |
| Swedish | BBB+ |
| West | BBB+ |
| Japan | BBB |
| London | BBB |
| American | BBB- |

## 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.

| | |
|---|---|
| Gard | 199 |
| Shipowners | 182 |
| Skuld | 173 |
| Britannia | 169 |
| Japan | 165 |
| Steamship | 162 |
| Swedish | 159 |
| UK | 157 |
| NorthStandard | 156 |
| West | 141 |
| London | 137 |
| American | 123 |

Above
Industry Average
Below

# KEY PERFORMANCE INDICATORS, REVENUE STATEMENT & BALANCE SHEET

| Key Performance Indicators | | American | Britannia | Gard | Japan | London | NorthStandard | SOP | Skuld | Steamship | Swedish | UK | West | Total / Avg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| S&P Rating | | BBB- | A | A+ | BBB | BBB | A | A | A | A | BBB+ | A- | BBB+ | **A-** |
| Gross Owned Tonnage | Mil | 19 | 142 | 266 | 90 | 42 | 258 | 30 | 95 | 117 | 58 | 153 | 96 | **1366** |
| Combined Ratio | % | 104 | 107 | 83 | 97 | 130 | 96 | 99 | 96 | 95 | 102 | 104 | 98 | **101** |
| Investment Return | % | -10.3 | -5.9 | -6.3 | 1.2 | -3.9 | -4.5 | -10 | 0.3 | -2.4 | -9.8 | -3.8 | -3.6 | **-4.9** |
| General Increase | % | 10 | 10 | 5-7 | 10 | Nil | 10 | 0 | 10 | 7.5 | 10 | 10 | 10 | **7.7** |
| Solvency | % | 123 | 169 | 199 | 165 | 137 | 156 | 182 | 173 | 162 | 159 | 157 | 141 | **160** |
| Movement in Net Premiums | % | 5.9 | 15.8 | -1.3 | 49.9 | -42.6 | 9.7 | 5.9 | 7.3 | 30.7 | 12.8 | 31.8 | 9.8 | **11.3** |
| Movement in Free Reserves | % | -30.3 | -13.2 | -1.4 | 13.7 | -30.8 | -7.8 | -14.9 | 3.4 | -4.1 | -20.1 | -11.8 | -8.1 | **-10.5** |
| Movement in Incurred Claims | % | -8.5 | 3.1 | -16.2 | -4.3 | -18.9 | -0.4 | 3.8 | -9.6 | 7.9 | -16.2 | 14.8 | -10.7 | **-4.6** |
| AER (Average Expense Ratio) | % | 21 | 15.4 | 14.8 | 7.8 | 13.3 | 15 | 23 | 12.7 | 12.8 | 13.6 | 12.9 | 15.9 | **14.8** |
| Movement in GT | % | N/A | 5.2 | 2.3 | -3.2 | -6.7 | -4.8 | 7.1 | -4 | 6.4 | 0 | 2 | 6.7 | **1** |
| Average Net PR per GT | $ | 7.98 | 1.43 | 2.83 | 2.04 | 2.65 | 2.45 | 7.88 | 4.13 | 2.87 | 2.92 | 2.01 | 2.55 | **3.48** |
| Free Reserves per GT | $ | 2.34 | 3.59 | 4.74 | 2.28 | 2.7 | 2.66 | 11.25 | 4.68 | 3.88 | 2.58 | 2.81 | 2.4 | **3.83** |
| Revenue Surplus / (Deficit) (Mil) | $ | (19) | (78) | (18) | 42 | (51) | (58) | (59) | 32 | (19) | (37) | (58) | (20) | **(345)** |

| Revenue Statement | US$ 000's | Britannia | Gard | Japan | London | NorthStandard | SOP | Skuld | Steamship | Swedish | UK | West | Total / Avg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Premiums | 151,705 | 202,976 | 753,240 | 183,181 | 111,287 | 632,514 | 236,442 | 392,001 | 335,500 | 169,277 | 307,578 | 244,683 | **3,720,384** |
| Net Claims Incurred | 101,949 | 169,933 | 527,000 | 148,035 | 125,085 | 492,916 | 167,295 | 287,240 | 261,500 | 136,933 | 249,909 | 187,687 | **2,855,482** |
| Management Costs | 55,680 | 48,229 | 95,942 | 29,718 | 19,672 | 116,328 | 66,816 | 90,905 | 56,100 | 35,688 | 71,360 | 51,841 | **738,279** |
| | 157,629 | 218,162 | 622,942 | 177,753 | 144,757 | 609,244 | 234,111 | 378,145 | 317,600 | 172,621 | 321,269 | 239,528 | **3,593,761** |
| Underwriting Surplus / (Deficit) | (5,924) | (15,186) | 130,298 | 5,428 | (33,470) | 23,270 | 2,331 | 23,270 | 17,900 | (3,344) | (13,691) | 5,155 | **126,623** |
| Investment Income / (Loss) Less Tax | (13,337) | (62,651) | (148,129) | 36,171 | (17,007) | (82,643) | (61,398) | 17,968 | (37,100) | (34,063) | (44,170) | (25,471) | **(471,830)** |
| Surplus / (Deficit) | (19,261) | (77,837) | (17,831) | 41,599 | (50,477) | (59,373) | (59,067) | 31,824 | (19,200) | (37,407) | (57,861) | (20,316) | **(345,207)** |
| Pension Gain / (Loss) | | | | | | 1,399 | | | | | | | **1,399** |

| Balance Sheet | US$ 000's | Britannia | Gard | Japan | London | NorthStandard | SOP | Skuld | Steamship | Swedish | UK | West | Total / Avg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investments | 131,215 | 750,086 | 2,263,344 | 241,900 | 277,902 | 1,602,775 | 579,385 | 911,150 | 964,700 | 350,460 | 882,382 | 670,117 | **9,625,416** |
| Cash | 28,997 | 373,783 | 234,978 | 361,030 | 123,848 | 264,546 | 156,305 | 178,354 | 223,500 | 33,432 | 225,260 | 107,582 | **2,311,615** |
| Debtors | 149,141 | 142,508 | 407,756 | 26,278 | 33,039 | 278,895 | 84,241 | 61,753 | 22,200 | 160,450 | 168,403 | 67,850 | **1,602,514** |
| Other Assets | 10,031 | 5,914 | 43,966 | 34,961 | 18,470 | 35,648 | 42,927 | 6,208 | 17,400 | 19,071 | | 14,676 | **249,272** |
| Total Assets | 319,384 | 1,272,291 | 2,950,044 | 664,169 | 453,259 | 2,181,864 | 862,858 | 1,157,465 | 1,227,800 | 563,413 | 1,276,045 | 860,225 | **13,788,817** |
| Outstanding Claims | 192,276 | 740,493 | 1,276,166 | 314,205 | 303,263 | 1,218,050 | 410,176 | 607,991 | 737,300 | 254,382 | 750,137 | 565,853 | **7,370,292** |
| Creditors | 82,698 | 21,766 | 413,427 | 144,494 | 36,470 | 277,952 | 115,313 | 104,848 | 36,100 | 159,657 | 95,463 | 63,620 | **1,551,808** |
| Total Liabilities | 274,974 | 762,259 | 1,689,593 | 458,699 | 339,733 | 1,496,002 | 525,489 | 712,839 | 773,400 | 414,039 | 845,600 | 629,473 | **8,922,100** |
| Free Reserves | 44,410 | 510,032 | 1,260,451 | 205,470 | 113,526 | 685,862 | 337,369 | 444,626 | 454,400 | 149,374 | 430,455 | 230,752 | **4,866,717** |

## GENERAL INCREASE PERCENTAGES

| | AMERICAN | BRITANNIA | GARD | JAPAN | LONDON | NORTHSTANDARD | | SOP | SKULD | STEAMSHIP | SWEDISH | UK | WEST |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | 10 | 12.5 | 5 | 7.5 | 12.5 | 7.5 | 12.5 | 5 | N/D | 10 | 7.5 | 10 | 7.5 |
| 2015 | 10 | 2.5 | 5 | 3 | 10 | 4.75 | 5 | 0 | N/D | 0 | 2.5 | 6.5 | 2.5 |
| 2016 | 4.5 | 2.5 | 2.5 | 3 | 5 | 2.5 | 2.5 | 0 | N/D | 0 | 0 | 2.5 | 0 |
| 2017 | 2.5 | 2.5 | 2.5 | 0 | 0 | 0 | 0 | 0 | N/D | 0 | 0 | 0 | 0 |
| 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N/D | 0 | 0 | 0 | 0 |
| 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N/D | 0 | 0 | 0 | 5 |
| 2020 | 0 | 0 | 0 | 7.5 | 7.5 | 7.5 | 7.5 | 5 | N/D | 7.5 | 5 | 0 | 2.5 |
| 2021 | 5 | 0 | 0 | 10 | 10 | 10 | 10 | 5 | N/D | 5 | 5 | 10 | 7.5 |
| 2022 | 12.5 | 12.5 | 0 | 10 | 12.5 | 15 | 12.5 | 5 | N/D | 12.5 | 12.5 | 12.5 | 15 |
| **2023** | **10** | **10** | **5-7** | **10** | **0** | **10** | **10** | **0** | **10** | **7.5** | **10** | **10** | **10** |

N/D (Non Declared) - Underwriter is selecting risks in accordance with perceived or actual risk exposure/results.

## CALLS - INITIAL ESTIMATE/TOTAL CALLED

| | AMERICAN | BRITANNIA | GARD | JAPAN | LONDON | NORTHSTANDARD | | SOP | SKULD | STEAMSHIP | SWEDISH | UK | WEST |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | 0/0 | 45/35 | 25/15 | 40/20 | 0/0 | 0/0 | 0/0 | 0/0 | 00/0 | 0/0 | 0/0 | 0/0 | 35/35 |
| 2015 | 0/0 | 45/40 | 25/15 | 40/30 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/-10 | 0/0 | 0/-2.5 | 35/35 |
| 2016 | 0/22.5 | 45/45 | 25/0 | 40/30 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/-10 | 0/0 | 0/-3 | 35/35 |
| 2017 | 0/17.5 | 45/45 | 25/0 | 40/40 | 0/0 | 0/-5 | 0/-5 | 0/0 | 0/-2.5 | 0/0 | 0/0 | 0/0 | 35/35 |
| 2018 | 0/15 | 45/45 | 25/12.5 | 40/40 | 0/0 | 0/0 | 0/-5 | 0/0 | 0/-2.5 | 0/0 | 0/-3 | 0/0 | 35/35 |
| 2019 | 0/35 | 45/45 | 20/15 | 40/40 | 0/35 | 0/0 | 0/0 | 0/0 | 0/-2.5 | 0/-10 | 0/-4 | 0/0 | 0/0 |
| 2020 | 0/35 | 0/0 | 0/-10 | 40/65 | 0/30 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 |
| 2021 | 0/30 | 0/0 | 0/-5 | 40/65 | 0/35 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 |
| 2022 | 0/0 | 0/0 | 0/-5 | 40/40 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 |
| 2023 | 0/0 | 0/0 | 0/-5 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 | 0/0 |

N.B. Clubs with nil original are premium on ETC. Clubs showing an initial % requirement are on advanced basis.
The table does not include capital distributions made by certain Clubs as these are not policy year specific and/or for the benefit of all members.

## RELEASE CALL REQUIREMENTS

| | AMERICAN | BRITANNIA | GARD | JAPAN | LONDON | NORTHSTANDARD | | SOP | SKULD | STEAMSHIP | SWEDISH | UK | WEST |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | 15 | 0 | 0 | 3.6 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2021 | 30 | 5 | 5 | 3.6 | 15 | 0 | 0 | 0 | 7.5 | 10 | 15 | 10 | 10 |
| 2022 | 20 | 7.5 | 5 | 3.6 | 15 | 5 | 5 | 0 | 10 | 10 | 15 | 15 | 15 |
| 2023 | 20 | 15 | 10 | 3.5 | 15 | 12.5 | 12.5 | 0 | 15 | 12.5 | 15 | 20 | 15 |

# CLUBS IN THE SPOTLIGHT

# AMERICAN



HEAD OFFICE: NEW YORK, USA
REGIONAL OFFICES: LONDON / PIRAEUS / SHANGHAI / HONG KONG / HOUSTON

## Overview

- The Members of the American Club have suffered another turbulent year as the Club was forced to make additional calls and deal with a continued high level of claims and a serious investment loss. The underwriting continued to suffer from deteriorations in prior years and although the Club made additional calls the underwriting still returned a $6m deficit.
- The situation was compounded by the economic downturn and the subsequent fall in the value of financial assets, which resulted in a $13m investment loss, giving an overall deficit of $19m or 30% of the free reserves.

## Underwriting

- The year was marked by additional calls of 35% on the 2020 policy year and 30% on the 2021 policy year after both years experienced rises in the cost of expected claims.
- The cost of Covid-19 claims abated during the year as did the cost of IG pool claims, although earlier policy years experienced deterioration. The cost of retained claims remained high due to inflation and the rising cost of people and environmental claims.
- The Club's new European entity the America Club (Europe), formerly the American Hellenic Hull Insurance Company, completed its licensing procedure in Cyprus and now underwrites P&I business for EU and EEA countries.
- The Club retained the Eagle Ocean Marine facility, which underwrites fixed premium business for small vessels. Eagle Ocean Marine has made a positive contribution to the Club in the past, but has recently experienced a rise in claims, particularly in the cost of cargo, people and environmental claims, not dissimilar to the main business.
- The 2 major factors hampering the underwriting were the high management costs, currently at 36% of the net premium income and inadequate loss reserving. There was a deterioration of $32m in prior year claims in the year and $35m the previous year. This issue needs to be addressed to enable the underwriters to charge the correct level of initial premiums.

## Key Performance Indicators

| | | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **BBB-** | BBB- | BBB- |
| Gross Owned Tonnage | Mil | **19** | 19 | 19 |
| Combined Ratio | % | **104** | 112 | 112 |
| Investment Return | % | **-10.3** | 7.1 | 5.4 |
| General Increase | % | **10** | 12.5 | 5 |
| Solvency | % | **123** | 135 | 149 |
| Movement in Net Premiums | % | **5.9** | 58 | -16.6 |
| Movement in Free Reserves | % | **-30.3** | -11.6 | 32.9 |
| Movement in Incurred Claims | % | **-8.5** | 88.7 | -17.4 |
| AER (Average Expense Ratio) | % | **21** | 21.3 | 22.2 |
| Movement in GT | % | **N/A** | N/A | 11.8 |
| Average net PR per GT | $ | **7.98** | 7.54 | 4.77 |
| Free Reserves per GT | $ | **2.34** | 3.35 | 3.79 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(19)** | (8) | (4) |

**BBB-**
S&P Rating

**-10.3%**
Investment Return

**$19.26M**
Overall Deficit

**35% & 30%**
Additional Calls

# AMERICAN

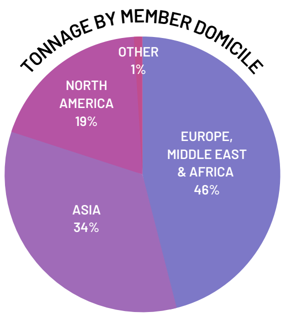


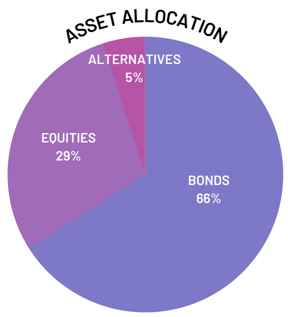
## Investments

- The Club has always adopted a high risk portfolio with a comparatively large equity exposure, currently around 29% at the year end, which has performed well in the past, but suffered in the recent conditions, leading to large losses.
- All the financial markets performed badly and losses were experienced by all classes of investment apart from alternatives, but the overall return was minus 10.3%, a loss of $13m.
- Conditions were reported to have improved post the year end, but with continued uncertainty, two bank failures and growing fears of a possible recession any improvement is likely to be modest at best.

| **Balance Sheet** US$000's | **2023** | 2022 | 2021 |
|---|---|---|---|
| Investments | **131,215** | 157,925 | 168,970 |
| Cash | **28,997** | 19,467 | 17,803 |
| Debtors | **149,141** | 150,745 | 109,842 |
| Other Assets | **10,031** | 2,432 | 2,016 |
| Total Assets | **319,384** | 330,569 | 298,658 |
| Outstanding Claims | **192,276** | 182,231 | 148,329 |
| Creditors | **82,698** | 84,667 | 78,329 |
| Total Liabilities | **274,974** | 266,898 | 226,658 |
| Free Reserves | **44,410** | 63,671 | 72,000 |

| **Revenue Statement** US$000's | **2023** | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **151,705** | 143,237 | 90,628 |
| Net Claims Incurred | **101,949** | 111,402 | 59,033 |
| Management Costs | **55,680** | 48,501 | 42,502 |
| | **157,629** | 159,903 | 101,535 |
| Underwriting Surplus / (Deficit) | **(5,924)** | (16,666) | (10,907) |
| Investment Income / (Loss) Less Tax | **(13,337)** | 8,337 | 7,158 |
| Surplus / (Deficit) | **(19,261)** | (8,329) | (3,749) |




## Outlook

- The Club faces a number of recurring problems. It is the smallest Club in the IG and needs to grow to attain a critical mass to better absorb the reinsurance and increasing management costs. This issue is directly related to the size of the management costs which currently absorb over 36% of the net premium income and impairs the Club's ability to meet claims without additional calls.
- The final problem was the reserving for outstanding claims with deteriorations of $32m and $35m in the last 2 financial years. This year's retained claims remained high with known paid and outstanding claims of $53m on the 2022 policy year the same as 2021 policy year last year. The current estimate for total costs on the 2022 policy year was $88m, compared to the latest estimate for the 2021 policy year of $113m. This may well lead to further deteriorations on the 2022 policy year and further additional calls in future.
- The Club is struggling with a balance sheet supported by $70m of unbilled premiums, which exceeds the free reserves and $35m of debts for surplus lines and promissory notes. The Club has managed to retain an investment grade S&P BBB- credit rating, but the solvency margin has dropped to 125%. The Club needs to grow to become more sustainable.

# BRITANNIA

HEAD OFFICE: LONDON, UK
REGIONAL OFFICES: HONG KONG / TOKYO / KOBE / SINGAPORE / PIRAEUS / COPENHAGEN / NEW YORK

## Overview

- Britannia had a disappointing year with a continued underwriting deficit and losses on their investments. The underwriting deficit fell from $31m in 2022 to $15m in 2023, following an increase in the tonnage of 7m GT and a 16% increase in the net premium income, notwithstanding a small increase in incurred claims. The investments lost $63m. The overall deficit was $78m, compared to $14m last year, which reduced the free reserves by 13% to $510m.

## Underwriting

- The underwriting had a mixed year with growth of 7m owned GT but a reduction of 22m GT of chartered business, mainly as a result of remedial action taken on a number of members with poor loss records. The rise in the mutual business together with the target General Increase of 12.5% at the 2022 renewal, pushed the gross premium up by 19%. However this rise was reduced to a 16% increase in net premium income after a $13m increase in the cost of reinsurance.

- Retained claims on the 2022 policy year were $169m compared to $144m for the previous policy year after 12 months. Fortunately, the claims on the IG pool fell from $487m last year to a very much more manageable $75m for the 2022 policy year, but there were some significant deteriorations on earlier IG pool policy years.

- There were 25 claims in excess of $1m in the current policy year, with an estimated total cost of $70m compared to 16 large claims in the 2021 policy year with an estimated cost of $46m. The number and value of attritional claims below $250,000 continued to rise with 5,615 claims costing $67m, over 80% higher than 6 years ago.

- The principle cause of the rise in incurred claims has been the deterioration of $14m on the 2020 policy year and a further $23m on the 2021 policy year. It is to be hoped that the 2022 policy year was adequately reserved.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **A** | A | A |
| Gross Owned Tonnage | Mil | **142** | 135 | 125 |
| Combined Ratio | % | **107** | 118 | 117 |
| Investment Return | % | **-5.9** | 1.7 | 7.2 |
| General Increase | % | **10** | 12.5 | N/A |
| Solvency | % | **169** | 178 | 199 |
| Movement in Net Premiums | % | **15.8** | 34.5 | -6.8 |
| Movement in Free Reserves | % | **-13.2** | -6.2 | 5.5 |
| Movement in Incurred Claims | % | **3.1** | 39.4 | 5.9 |
| AER (Average Expense Ratio) | % | **15.4** | 12.5 | 11.7 |
| Movement in GT | % | **5.2** | 8 | 7.8 |
| Average net PR per GT | $ | **1.43** | 1.3 | 1.04 |
| Free Reserves per GT | $ | **3.59** | 4.35 | 5.01 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(78)** | (14) | 37 |

**A**
S&P Rating

**-5.9%**
Investment Return

**$77.8M**
Overall Deficit

**107%**
Combined Ratio

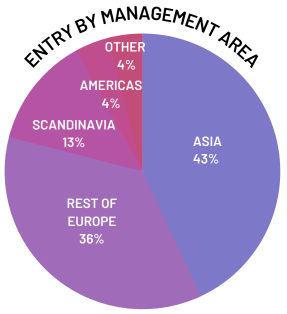


# BRITANNIA

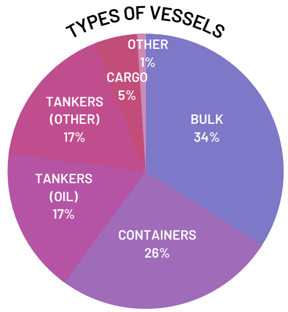
## Investments

- Britannia's investments have suffered (along with other Clubs) with a negative return of 5.9% or a loss of $63m. The biggest losses may well have been in the equity and variable yield securities which accounted for about 30% of the overall total. However, it was reported that all investment asset classes had returned losses. The investments were split into those for "claims matching" and those for growth. Most of the losses were unrealised, so valuations may improve as inflation recedes, and interest rates start to fall in the US.

| Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | **750,086** | 976,221 | 863,568 |
| Cash | **373,783** | 246,122 | 287,692 |
| Debtors | **142,508** | 167,651 | 128,937 |
| Other Assets | **5,914** | 6,925 | 6,234 |
| Total Assets | **1,272,291** | 1,396,919 | 1,286,431 |
| Outstanding Claims | **740,493** | 754,842 | 633,838 |
| Creditors | **21,766** | 54,208 | 25,738 |
| Total Liabilities | **762,259** | 809,050 | 659,576 |
| Free Reserves | **510,032** | 587,869 | 626,855 |




| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **202,976** | 175,231 | 130,288 |
| Net Claims Incurred | **169,933** | 164,888 | 118,257 |
| Management Costs | **48,229** | 41,321 | 34,697 |
| | **218,162** | 206,209 | 152,954 |
| Underwriting Surplus / (Deficit) | **(15,186)** | (30,978) | (22,666) |
| Investment Income / (Loss) Less Tax | **(62,651)** | 17,028 | 59,633 |
| Surplus / (Deficit) | **(77,837)** | (13,950) | 36,967 |




## Outlook

- Britannia remains in the top 3 Clubs in the IG on most metrics and still has free reserves of over $500m. The year has been challenging with stubbornly high claims, but the mutual membership is growing and the combined ratio is rapidly improving. Hopefully in the current year the 10% General Increase at the last renewal combined with an improving claims landscape should lead to an underwriting surplus.

- The investments have been adversely impacted by the global financial circumstances, which will hopefully abate in the near future and with only a modest 16% equity allocation, the remaining investments, which were mostly bonds should recover most of their value as interest rates eventually start to fall.

- The Club has retained its S&P A credit rating, with a negative outlook, a good solvency ratio and with over $500m in free reserves remains one of the most secure Clubs in the IG. The Club may need to take a more measured approach to claims reserving to avoid future deteriorations, but otherwise seems set on the road to further growth.

# GARD

HEAD OFFICE: ARENDAL, NORWAY
REGIONAL OFFICES: BERGEN / BERMUDA / HELSINKI / HONG KONG / IMABARI / LONDON / NEW YORK / OSLO / PIRAEUS / RIO DE JANEIRO / SINGAPORE /TOKYO

## Overview

- Gard has changed the date of its year end and consequently the current figures only cover a 10 month period to 31st December 2022 and therefore will not be directly comparable to last year's annual results.
- The year has clearly been a story of two halves, with underwriting reporting an excellent comeback but the investments struggling. The incurred claims were substantially lower than last year and the combined ratio fell from 97% to 83%, giving rise to a massive $130m underwriting surplus, the largest since 2009.
- Unfortunately, the investments spoilt the overall result following hits from the twin fallouts of the Russian invasion of Ukraine and the fall in equity prices, leading to subsequent inflation and resulting in higher interest rates and lower bond prices. Fortunately, most of the losses were unrealised, but the total investment loss was $148m leaving an overall deficit of $18m and a fall in free reserves of 1% to $1.26bn, but still the Market leader.
- Gard maintained a 5% Owners General Discount allowance on P&I premiums for Mutual Members.

## Underwriting

- The underwriting has experienced an exceptional turnaround, with the surplus rising from $25m to $130m notwithstanding the shorter period. Both the Mutual P&I and the commercial M&E have posted improvements which has moved the combined ratio down and the surplus up. Gross P&I premiums were 15% higher and the incurred claims were 10% lower, thus reducing the combined ratio from 100% last year to 92% this year. Although the M&E gross premiums were lower, the claims fell and the combined ratio improved from a reported 87% last year to 66% for the reduced period.
- The underwriting was assisted by the much lower cost of IG pool claims and substantially fewer Covid-19 claims. Gard had only 7 claims in excess of $5m, compared to 9 last year and 24 a year earlier.
- During the year Gard has been concentrating on the LNG sector, covering construction, exploration, liquification, shipping, floating platforms and FSRUs and now covers 61% of the world's LNG carrier fleet for H&M risks and 24% for P&I risks. The offshore wind farms now account for 36% of their energy portfolio.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **A+** | A+ | A+ |
| Gross Owned Tonnage | Mil | **266** | 260 | 246 |
| Combined Ratio | % | **83** | 97 | 102 |
| Investment Return | % | **-6.3** | 0.1 | 5 |
| General Increase | % | **5-7** | 0 | 0 |
| Solvency | % | **199** | 204 | 203 |
| Movement in Net Premiums | % | **-1.3** | 8.3 | 20.6 |
| Movement in Free Reserves | % | **-1.4** | 1.2 | 7.1 |
| Movement in Incurred Claims | % | **-16.2** | -0.4 | 7.9 |
| AER (Average Expense Ratio) | % | **14.8** | 13.7 | 13.5 |
| Movement in GT | % | **2.3** | 5.7 | 7.9 |
| Average net PR per GT | $ | **2.83** | 2.94 | 2.87 |
| Free Reserves per GT | $ | **4.74** | 4.92 | 5.13 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(17.83)** | 15.34 | 83.74 |

**A+** S&P Rating

**-6.3%** Investment Return

**-16.2%** Movement In Incurred Claims

**83%** Combined Ratio



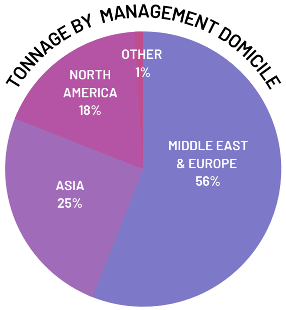
# GARD

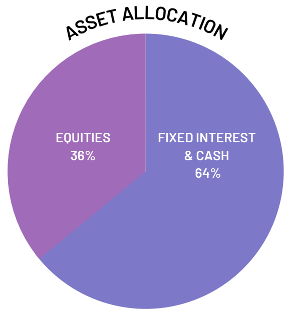
## Investments

- In contrast to the excellent underwriting performance, the investment managers had a miserable year. The Ukraine war caused a steep fall in equity prices and the invasion led to energy supply disruptions and double-digit inflation, which led to central bank intervention. The subsequent interest rate rises pushed bond prices lower, leaving no safe investment options. Recent years had seen buoyant financial markets for both equities and bonds, but those days are now over, leaving investors holding large losses.
- The Club lost $148m, a negative return of 6.3%, compared to a benchmark return of minus 6.9%. $155m of the losses were unrealised, which hopefully will reduce when inflation abates, and interest rates start to fall in 2023.

| Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | **2,263,344** | 2,226,737 | 2,325,191 |
| Cash | **234,978** | 301,643 | 186,471 |
| Debtors | **407,756** | 420,578 | 361,640 |
| Other Assets | **43,966** | 43,423 | 44,149 |
| Total Assets | **2,950,044** | 2,992,381 | 2,917,451 |
| Outstanding Claims | **1,276,166** | 1,233,933 | 1,225,804 |
| Creditors | **413,427** | 480,167 | 428,727 |
| Total Liabilities | **1,689,593** | 1,714,100 | 1,654,531 |
| Free Reserves | **1,260,451** | 1,278,281 | 1,262,920 |

| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **753,240** | 763,392 | 705,151 |
| Net Claims Incurred | **527,000** | 629,028 | 631,830 |
| Management Costs | **95,942** | 109,336 | 83,999 |
| | **622,942** | 738,364 | 715,829 |
| Underwriting Surplus / (Deficit) | **130,298** | 25,028 | (10,678) |
| Investment Income / (Loss) Less Tax | **(148,129)** | (9,684) | 94,417 |
| Surplus / (Deficit) | **(17,831)** | 15,344 | 83,739 |




## Outlook

- The underwriting experienced a major improvement in the P&I business with higher premiums and lower claims. This was in spite of a slower rate of tonnage growth than seen in previous years and an increase in outstanding claims. The M&E business experienced a small contraction in income, but an improvement in the combined ratio, which bodes well for the future.
- In Gard's second comprehensive corporate report the Club was keen to emphasis its green credentials, highlighting its expansion into the LNG sector and their coverage of wind farms. The report also included their commitment to global decarbonisation and an estimate of greenhouse gas emissions from their own operations. The report also covered their gender diversity and ESG screening of their equity portfolio.
- Gard remains the largest P&I club, holding 24% of the combined International Group free reserves, 19% of the entered tonnage and 22% of the net premium income (but including non-P&I income). The Club has the only S&P A+ credit rating in the IG, an excellent solvency margin and can be expected to further expand and prosper in the future.

# JAPAN

HEAD OFFICE: TOKYO, JAPAN
REGIONAL OFFICES: KOBE / FUKUOKA / IMABARI / SINGAPORE / LONDON

## Overview

- After a difficult year last year, the Club developed a plan to secure a stable level of reserves above Y25m (approx. $200m). As a consequence, the board ordered a number of additional supplementary calls to get the underwriting back into surplus and put the free reserves on a more sustainable footing.
- The supplementary calls pushed the net premium income up by 50%, leading to a small underwriting surplus of $5m. The weak Yen led to a $22m foreign exchange gain and with a total investment income of $36m , an overall surplus of $41m. The free reserves only rose by $25m due to the lower value of the Yen when converted to US dollars.

## Underwriting

- After a sharp rise in claims last year, which resulted in a $59m underwriting deficit, the Directors took decisive action to rectify the situation and try and rebuild the free reserves.
- Additional supplementary calls were made of 25% on the 2020 policy year and a further 25% on the 2021 policy year, collectively bringing to the Club an additional $51m. This produced an underwriting surplus of $5m, but the previously high level of claims persisted.
- Despite a reduction in the cost of IG pool claims for the current year and lower claims payments for Covid-19 the level of claims remained high after two IG pool claims following a similar number the year before.
- Over the past 5 years the number of claims have decreased but their severity has increased. Cargo claims were the most frequent in the period with 45% of the total number, followed by crew claims with 34% of the total number. Casualty claims including collision, stranding, sinking, fire and pollution accounted for just 2% of the total number, but accounted for 21% of the total costs.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **BBB** | BBB | BBB+ |
| Gross Owned Tonnage | Mil | **90** | 93 | 95 |
| Combined Ratio | % | **97** | 148 | 110 |
| Investment Return | % | **1.2** | 1.9 | 4.7 |
| General Increase | % | **10.0** | 10.0 | 10.0 |
| Solvency | % | **165** | 159 | 174 |
| Movement in Net Premiums | % | **49.9** | -8.4 | -2.6 |
| Movement in Free Reserves | % | **13.7** | -25.8 | 3.3 |
| Movement in Incurred Claims | % | **-4.3** | 28.5 | 1.7 |
| AER (Average Expense Ratio) | % | **7.8** | 8.3 | 8.0 |
| Movement in GT | % | **-3.2** | -2.1 | -1.0 |
| Average net PR per GT | $ | **2.04** | 1.31 | 1.40 |
| Free Reserves per GT | $ | **2.28** | 1.94 | 2.56 |
| Revenue Surplus /(Deficit)(Mil) | $ | **41.6** | (37.4) | 8.0 |

**BBB** S&P Rating

**50%** Unbudgeted Calls

**+14%** Movement in Free Reserves

**97%** Combined Ratio

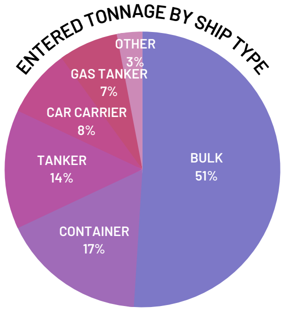


# JAPAN

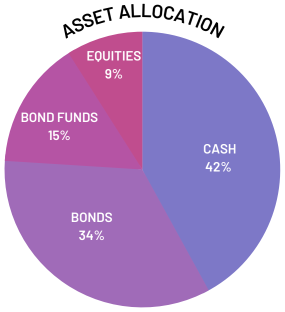
## Investments

- The weak Yen has artificially increased the value of the investment income, giving currency gains of $22m in the total investment income of $36m. This is clearly illustrated in the increase in the free reserves of only $25m compared to an overall surplus of $41m.
- The investment return was 1.2% compared to 1.9% last year (excluding foreign exchange gains and losses), as overall returns on equity and bond funds fell. The club only holds A rated government and corporate bonds and holds a proportion of held-to-maturity bonds to avoid losses when interest rates rise. The positive return was one of the few in the survey.

| Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | **241,900** | 262,754 | 316,156 |
| Cash | **361,030** | 260,622 | 275,267 |
| Debtors | **26,278** | 23,311 | 22,753 |
| Other Assets | **34,961** | 45,755 | 58,882 |
| Total Assets | **664,169** | 592,442 | 673,058 |
| Outstanding Claims | **314,205** | 306,659 | 327,285 |
| Creditors | **144,494** | 105,097 | 102,107 |
| Total Liabilities | **458,699** | 411,756 | 429,392 |
| Free Reserves | **205,470** | 180,686 | 243,666 |




| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **183,181** | 122,163 | 133,296 |
| Net Claims Incurred | **148,035** | 154,702 | 120,396 |
| Management Costs | **29,718** | 25,754 | 26,607 |
| | **177,753** | 180,456 | 147,003 |
| Underwriting Surplus / (Deficit) | **5,428** | (58,293) | (13,707) |
| Investment Income / (Loss) Less Tax | **36,171** | 20,898 | 21,718 |
| Surplus / (Deficit) | **41,599** | (37,395) | 8,011 |




## Outlook

- If the new Chairman and the Board wish to stick to their goal of maintaining the free reserves around $200m then the income needs to improve or the incurred claims to revert to the previous level in 2020. In 2022 financial year the claims rose by nearly 30%, reflecting the impact of COVID, inflation and the extremely expensive IG pool year. Since then the cost of COVID claims has diminished and last year was one of the cheapest pool years for a decade, but the Club's incurred claims remained high.
- The incurred claims on the 2022 policy year after 12 months were $116m compared to $152m on the 2021 policy year last year, tending to indicate that the underlying claims trend was lower than in the annual financial statements. The reason for the disparity could be deterioration on earlier policy years, particularly closed years.
- The Club had their S&P credit rating downgraded last year from BBB+ to BBB, which has been confirmed this year with a strong outlook. Despite the additional unbudgeted calls the Club has retained nearly all its entered tonnage and if the claims fall the Club's position will improve. However their current level of income is clearly inadequate and they will either need to force through larger general increases or continue to rely on unplanned additional calls.

# LONDON



HEAD OFFICE: LONDON, UK
REGIONAL OFFICES: PIRAEUS / HONG KONG / LIMASSOL / SEOUL

## Overview

- Following unbudgeted supplementary calls last year and in spite of the best efforts of the underwriters the results have been undermined by a few large claims and the failure of the financial markets.
- The net premium income was 11% higher than 2021, the last pre-supplementary call year, but the income was still inadequate to deal with a relatively unexceptional claims year, leaving a deficit of $33m. The investment return was negative 3.9% and a loss of $17m. The overall deficit was $50m or 31% of the free reserves.

## Underwriting

- The Club has been struggling to push the level of premiums up to a sustainable level, with a 12.5% General Increase at the 2022 renewal, but it was reported that the gross premiums only rose by 2.5% when compared to the previous year, (excluding supplementary calls), although the volume of business was lower.
- The Club has suffered 2 of the (only) 4 IG pool claims reported during the year, which together with no less than 3 similar claims the previous year gave the Club the worst record in the IG for the last 2 years.
- The cost of claims deterioration from the IG was around $10m and the Club made additional provisions of $3m for earlier year occupational disease claims. For the 2022 policy year there was a 7% reduction in the frequency of claims, as compared to the average of the last 5 years, but an increase in the average cost. Increases in deductibles helped mitigate the inflation of low value claims, but inflation put up the cost of commodity prices for cargo claims. The underwriting remained in need of structural reform.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **BBB** | BBB | BBB |
| Gross Owned Tonnage | Mil | **42** | 45 | 50 |
| Combined Ratio | % | **130** | 93 | 139 |
| Investment Return | % | **-3.9** | -1.5 | 5.3 |
| General Increase | % | **Nil** | 12.5 | 10 |
| Solvency | % | **137** | 159 | 158 |
| Movement in Net Premiums | % | **-42.6** | 93.9 | 2.3 |
| Movement in Free Reserves | % | **-30.8** | 6.8 | -11.7 |
| Movement in Incurred Claims | % | **-18.9** | 28.3 | 1.3 |
| AER (Average Expense Ratio) | % | **13.27** | 11.95 | 10.46 |
| Movement in GT | % | **-6.7** | -10 | 4.2 |
| Average net PR per GT | $ | **2.65** | 4.31 | 2 |
| Free Reserves per GT | $ | **2.70** | 3.64 | 3.07 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(51)** | 10 | (20) |

**BBB** S&P Rating | **-3.9%** Investment Return | **$50.5M** Overall Deficit | **130%** Combined Ratio

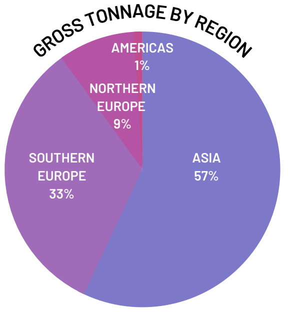
# LONDON



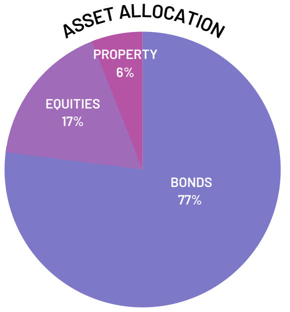
## Investments

- The consequences of the Russian invasion of Ukraine and the subsequent inflation and central bankers efforts to restore order led to the dramatic fall in bond and equity prices. The association's investment grade bond portfolio lost 6.2% of its value during the year and the equity portfolio followed suit with a 5% fall. The Club wisely maintained a high degree of liquidity, which restricted overall losses.
- During the year substantial amounts of surplus cash were invested in short term Treasury bills and subsequently in high yield investment grade bonds. The overall investment loss was $17m or a return of minus 3.9%.

| Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | **277,902** | 276,731 | 282,913 |
| Cash | **123,848** | 108,858 | 120,754 |
| Debtors | **33,039** | 89,022 | 29,333 |
| Other Assets | **18,470** | 21,729 | 22,406 |
| Total Assets | **453,259** | 496,340 | 455,406 |
| Outstanding Claims | **303,263** | 280,004 | 263,443 |
| Creditors | **36,470** | 52,333 | 38,392 |
| Total Liabilities | **339,733** | 332,337 | 301,835 |
| Free Reserves | **113,526** | 164,003 | 153,571 |




| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **111,287** | 193,829 | 99,968 |
| Net Claims Incurred | **125,085** | 154,232 | 120,194 |
| Management Costs | **19,672** | 26,825 | 18,803 |
| | **144,757** | 181,057 | 138,997 |
| Underwriting Surplus / (Deficit) | **(33,470)** | 12,772 | (39,029) |
| Investment Income / (Loss) Less Tax | **(17,007)** | (2,340) | 18,709 |
| Surplus / (Deficit) | **(50,477)** | 10,432 | (20,320) |




## Outlook

- At the end of the year the Club's free reserves had been depleted by 31% to $113m, a level not seen since 2009. This will be disappointing for the Members who paid a substantial supplementary call only last year and now find the Club in an even weaker position. The perennial problem remained that the Club pays out more in claims than it received in premium income. The Club has been unfortunate in the last 2 years with 5 IG pool claims which will have pushed up the cost of retained claims, future reinsurance costs and their IG contributions.
- The loss of free reserves was reflected in the reduction in the regulatory Solvency Capital Requirements ratio, which fell to 124%, which may lead to greater regulatory oversight. In the near future the board will have to raise the level of income either through above average General Increases or more unpalatable additional calls, which may well lead to further contraction.

# NORTHSTANDARD



HEAD OFFICES: NEWCASTLE, UK / LONDON, UK
REGIONAL OFFICES: ATHENS / DUBLIN / HONG KONG / NEW YORK / SHANGHAI / PIRAEUS / TOKYO / SINGAPORE / BRISBANE / MELBOURNE / NELSON / BERUMDA

## Overview

- North and Standard merged on 20th February 2023 and have both prepared statutory financial statements for the period leading up to the merger. These have been of a rather minimalist statutory nature, while the more expansive details were included in the combined annual review. Consequently, we have chosen to concentrate on the new group going forward.
- The new Club has got off to a good start with an underwriting surplus of $23m, after investment management costs, following a deficit of $41m the previous year. Unfortunately, this auspicious start was ruined by the financial markets and an $83m investment loss, which pushed the free reserves down by 8% to a still healthy total of $686m.

## Underwriting

- The previous year both Clubs separately reported underwriting deficits, totalling $41m, but after General Increases of 12.5% for Standard and 15% for North at the 2022 renewal, both Clubs managed healthy increases in net premium income, which saw a collective rise of nearly 10% in income to $633m, despite a smaller entry.
- The cost of claims remained almost unchanged, which did not follow the industry trend of lower claims. The costs of the IG pool and Covid-19 claims both fell and the incidence of large claims was favourable. There were 28 large claims over $1m for the 2022 policy year, accounting for 26% of the total value of claims, compared to 49 such claims on 2021 policy year accounting for 43% of the total value. The reason for the absence of a decline were deteriorations in earlier years claims for both Clubs.
- The new Club now has a very expansive collection of covers, including: offshore and renewable, coastal and inland, strike and delay, hull, war, defence, small vessels, fixed premium and aquaculture.
- Hopefully the merger will be able to deliver the economies of scale promised and make some of these smaller classes into positive sources of income, for although they collectively generate a considerable amount of income they barely break-even.

## Key Performance Indicators

(NB. 2021 and 2022 figures have been combined / averaged)

| | | 2023 | *2022 | *2021 |
|---|---|---|---|---|
| S&P Rating | | **A** | A | A |
| Gross Owned Tonnage | Mil | **258** | 271 | 267 |
| Combined Ratio | % | **96** | 107 | 121 |
| Investment Return | % | **-4.5** | -1.5 | 5.7 |
| General Increase | % | **10** | 13.75 | 10 |
| Solvency | % | **156** | 161 | 165 |
| Movement in Net Premiums | % | **9.7** | 4 | 3 |
| Movement in Free Reserves | % | **-7.8** | -8.2 | -3.2 |
| Movement in Incurred Claims | % | **-0.4** | -12 | -3.7 |
| AER (Average Expense Ratio) | % | **15** | 14.3 | 13.1 |
| Movement in GT | % | **-4.8** | 1.5 | -3.3 |
| Average net PR per GT | $ | **2.45** | 2.13 | 2.08 |
| Free Reserves per GT | $ | **2.66** | 2.74 | 3.04 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(57.97)** | (66.71) | (26.85) |

**A** S&P Rating

**-4.5%** Investment Return

**-7.8%** Movement in Free Reserves

**96%** Combined Ratio

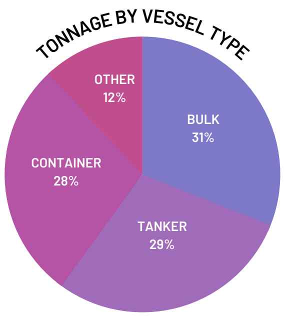
# NORTHSTANDARD



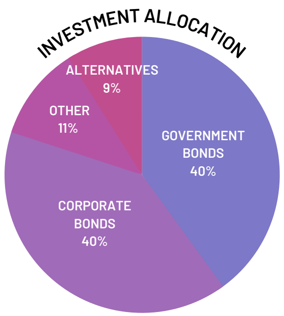
## Investments

- There was an overall investment loss of $83m or a return of minus 4.5%, following a loss of $52m last year. The Clubs both maintained a very low equity allocation, which may have helped stem losses, but the bonds were also hit by higher interest rates and reverse yield gaps would not have helped shorter dated bonds.

| Balance Sheet US$000's | 2023 | *2022 | *2021 |
|---|---|---|---|
| Investments | **1,602,775** | 1,708,022 | 1,786,712 |
| Cash | **264,546** | 214,083 | 220,898 |
| Debtors | **278,895** | 269,500 | 245,807 |
| Other Assets | **35,648** | 53,686 | 40,318 |
| Total Assets | **2,181,864** | 2,245,291 | 2,293,735 |
| Outstanding Claims | **1,218,050** | 1,214,766 | 1,254,238 |
| Creditors | **277,952** | 286,689 | 228,924 |
| Total Liabilities | **1,496,002** | 1,501,455 | 1,483,162 |
| Free Reserves | **685,862** | 743,836 | 810,573 |




| Revenue Statement US$000's | 2023 | *2022 | *2021 |
|---|---|---|---|
| Net Premiums | **632,514** | 576,664 | 554,637 |
| Net Claims Incurred | **492,916** | 494,910 | 562,285 |
| Management Costs | **116,328** | 122,893 | 107,162 |
| | **609,244** | 617,803 | 669,447 |
| Underwriting Surplus / (Deficit) | **23,270** | (41,139) | (114,810) |
| Investment Income / (Loss) Less Tax | **(82,643)** | (51,622) | 99,370 |
| Surplus / (Deficit) | **(59,373)** | (92,761) | (15,440) |
| Pension Gain / (Loss) | **1,399** | 26,046 | (11,416) |




## Outlook

- The new group has overcome the first major hurdle, which was to secure a decisive result from the 2022 renewal and achieve an underwriting surplus.
- The new Club has now become the second largest Club in the IG, with free reserves of $686m and a new S&P A credit rating with a stable outlook. There will clearly be more work to do on amalgamating the two managements and relocation of some of the functions. There will also need to be work done on the integration of the non P&I businesses, which absorb a large amount of management time with little overall benefit to the group. The group now needs to take advantage of its new found reserves and power into the future.

*Wilson have combined the 2021 and 2022 balance sheet and KPI figures for North and Standard purely for indicative comparative purposes.

# SHIPOWNERS



HEAD OFFICE: LONDON, UK
REGIONAL OFFICES: HONG KONG / SINGAPORE / PIRAEUS

## Overview

- Shipowners have suffered from the fallout of the financial markets which resulted in a substantial investment loss, masking an otherwise positive performance from their underwriting. The underwriting achieved its first surplus (after investment management costs) for 6 years, following 3 years of modest general increases.
- The damage to the overall results was inflicted by the investments which lost $61m, the Club's worst performance this century. The losses were exacerbated by the comparatively large equity exposure. The underwriting surplus was $2m, giving an overall deficit of $59m or 15% of the free reserves.

## Underwriting

- There was modest organic growth in all areas, with passenger and offshore activities increasing after being adversely impacted by the Covid-19 pandemic. The net premium income rose by nearly 6%, pushing the net premium income up to a record $236m. There was particularly strong growth in the yacht sector, which now accounts for 9% of the premium income.
- Incurred claims rose by nearly 4%, but were favourably assisted by a fall in Covid-19 claims and a very benign IG pool year. The Covid-19 claims fell from over 400 in 2021 to around 150 in 2022, but the increased activity in the passenger and offshore sectors led to an increase in personal injury claims. There was also a $6m deterioration in earlier policy years.
- The Club continued its long term reinsurance relationships with Swiss Re, Convex and the Lloyd's market which helped protect the retained claims, but the cost of reinsurance rose, following a hardening of the rates by over $2m. The operating expenses including acquisition costs rose by $4m.

## Key Performance Indicators

| | | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **A** | A | A |
| Gross Owned Tonnage | Mil | **30** | 28 | 22 |
| Combined Ratio | % | **99** | 100 | 105 |
| Investment Return | % | **-10** | 3.5 | 8 |
| General Increase | % | **0** | 5 | 5 |
| Solvency | % | **182** | 201 | 199 |
| Movement in Net Premiums | % | **5.9** | 7.7 | 3.6 |
| Movement in Free Reserves | % | **-14.9** | 4.6 | 11.5 |
| Movement in Incurred Claims | % | **3.8** | 2.6 | 0.4 |
| AER (Average Expense Ratio) | % | **23** | 23 | 22 |
| Movement in GT | % | **7.1** | 27.3 | 4.8 |
| Average net PR per GT | $ | **7.88** | 7.97 | 9.42 |
| Free Reserves per GT | $ | **11.25** | 14.16 | 17.23 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(59.07)** | 17.37 | 39.09 |

**A**
S&P Rating

**-10%**
Investment Return

**3.8%**
Movement In Incurred Claims

**99%**
Combined Ratio

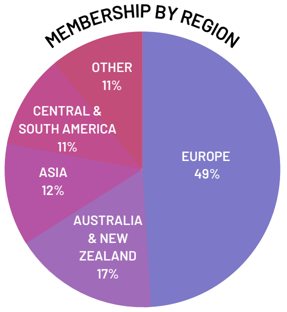
# SHIPOWNERS



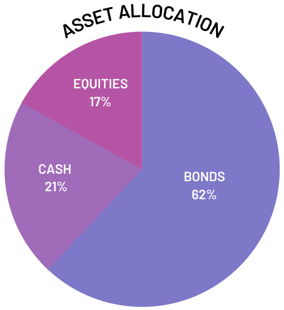
## Investments

- The investment managers had a poor year emanating from the Russian invasion and the subsequent energy disruption leading to a significant increase in inflation, high interest rates, rising yields, falling investment prices and "topped off" by a strong US dollar, leading to exchange losses on foreign currency holdings.
- At the end of the previous year the Club had 20% of its cash and investments in equities, which will have added to losses which amounted to $75m. These losses were mostly unrealised, offset by some investment income and should unwind when inflation and interest rates start to fall. The US equity market has already shown signs of recovery and inflation is slowing. The investment loss was $61m.

| **Balance Sheet** US$000's | **2023** | 2022 | 2021 |
|---|---|---|---|
| Investments | **579,385** | 596,691 | 591,823 |
| Cash | **156,305** | 185,956 | 160,856 |
| Debtors | **84,241** | 73,009 | 73,222 |
| Other Assets | **42,927** | 43,052 | 41,019 |
| Total Assets | **862,858** | 898,708 | 866,920 |
| Outstanding Claims | **410,176** | 392,083 | 384,200 |
| Creditors | **115,313** | 110,179 | 103,655 |
| Total Liabilities | **525,489** | 502,272 | 487,855 |
| Free Reserves | **337,369** | 396,436 | 379,065 |




| **Revenue Statement** US$000's | **2023** | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **236,442** | 223,170 | 207,217 |
| Net Claims Incurred | **167,295** | 161,160 | 157,091 |
| Management Costs | **66,816** | 62,969 | 61,473 |
| | **234,111** | 224,129 | 218,564 |
| Underwriting Surplus / (Deficit) | **2,331** | (959) | (11,347) |
| Investment Income / (Loss) Less Tax | **(61,398)** | 18,330 | 50,438 |
| Surplus / (Deficit) | **(59,067)** | 17,371 | 39,091 |




## Outlook

- The misfortunes of the year were solely down to the investments which historically tend to fluctuate in value and lead to losses every 4 or 5 years. The Club's asset allocation incorporated an element of risk, but the level of reserves compared with the entered tonnage means that the Club was well capitalised and attracted an S&P A credit rating.
- The positive for the year was the underwriting which saw some modest growth and produced a positive outcome. The Club continued in the small and specialist vessel market and now insures nearly 34,000 vessels through a network of 700 brokers. To help streamline the renewal process the Club has introduced a broker portal, which will allow brokers to bind renewal quotes and automatically produce documentation.
- The Club proposed no general increase for the current year, except for yachts and dry cargo vessels. The yacht sector continued to expand and with a reported 1,000 super yachts under construction, the sector is potentially looking healthy. Despite the fall in free reserves the Club remains financially strong and successful in its sector.

# SKULD



HEAD OFFICE: OSLO, NORWAY
REGIONAL OFFICES: BERGEN / BERMUDA / COPENHAGEN / HAMBURG / HONG KONG / LONDON / NEW YORK / PIRAEUS / SINGAPORE / TOKYO

## Overview

- Skuld celebrated its 125th anniversary with its first underwriting surplus since 2019 and a positive investment return at a time when peers are reporting major investment setbacks. The P&I business finally reported a balanced underwriting return, while the commercial sector reported a surplus.
- The underwriting surplus was $14m, compared to a deficit of $31m last year and the net investment income was $18m, after a $14m tax credit and the sale of the Lloyd's management company Asta.
- Somewhat amazingly in this current investment environment, the Club reported a net investment profit of $18m. This was arrived at as a result of the sale of Asta (Lloyd's management company) and changes in local tax rules. Unrealised investment losses amounted to $74m.

## Underwriting

- The commercial sector continued to expand and now accounts for 52% of the gross premium income. The net premium income grew by 7%, even after a $27m increase in reinsurance costs. There was a gradual improvement in the P&I rates, after a number of years of unsustainable low premiums, which coupled with a very benign claims environment assisted in bringing the P&I class back into balance.
- Overall the incurred claims were down by nearly 10%, helped by the reduced cost of Covid-19 claims and fewer IG pool claims. However there were 2 large hull war risk claims connected to the war in Ukraine and some deterioration in earlier years IG pool claims.
- The claims on the 2022 policy year were 19% lower than the 2021 policy year after 12 months, reflecting the more favourable claims environment, but there was a small deterioration of $12m in the 2021 policy year after 24 months, which was more than offset by a $20m improvement in the net premium income.
- The underwriting combined ratio improved to 96% from 109% last year, but more work needs to be done to maintain the P&I balance if the level of incurred claims were to rise to the previous high levels. Management expenses rose by $12m after higher marketing and acquisition costs.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **A** | A | A |
| Gross Owned Tonnage | Mil | **95** | 99 | 99 |
| Combined Ratio | % | **96** | 109 | 109 |
| Investment Return | % | **0.3** | -0.4 | 9.8 |
| General Increase | % | **10** | N/A | N/A |
| Solvency | % | **173** | 172 | 187 |
| Movement in Net Premiums | % | **7.3** | 5.6 | 0.8 |
| Movement in Free Reserves | % | **3.4** | -6.3 | -0.7 |
| Movement in Incurred Claims | % | **-9.6** | 5.5 | 4.3 |
| AER (Average Expense Ratio) | % | **12.7** | 12.4 | 12.6 |
| Movement in GT | % | **-4.0** | 0 | 4.2 |
| Average net PR per GT | $ | **4.13** | 3.69 | 3.5 |
| Free Reserves per GT | $ | **4.68** | 4.34 | 4.64 |
| Revenue Surplus /(Deficit)(Mil) | $ | **31.82** | (14.67) | 24.56 |

**A**
S&P Rating

**0.3%**
Investment Return

**$32M**
Overall Surplus

**96%**
Combined Ratio

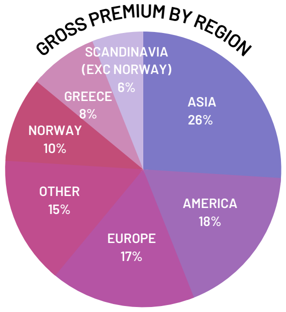
# SKULD



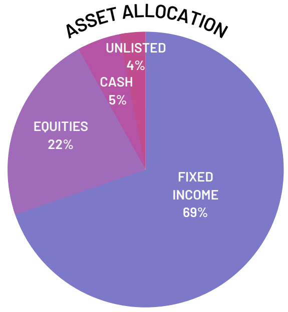
## Investments

- The Club reported a small investment profit of $18m in a period of plummeting values and universal losses across the industry. The return has arisen partially as a result of the inclusion of the profit on the sale of Asta the Lloyd's management company, and a change in local tax rules.
- The Club reported investment gains of $65m, which must have included Asta, compared to unrealised losses of $74m, but income of $9m and a tax credit of $14m together with some exchange gains, pushed the return up to $18m.
- The Norwegian government has now decided to tax the contingency reserve over a period of 10 years, but incurred claims may be offset against the deferred tax, tending to diminish the free reserves in the future.

| Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | **911,150** | 877,040 | 848,450 |
| Cash | **178,354** | 192,117 | 192,229 |
| Debtors | **61,753** | 30,185 | 24,665 |
| Other Assets | **6,208** | 16,706 | 15,635 |
| Total Assets | **1,157,465** | 1,116,048 | 1,080,979 |
| Outstanding Claims | **607,991** | 595,176 | 529,937 |
| Creditors | **104,848** | 90,810 | 91,963 |
| Total Liabilities | **712,839** | 685,986 | 621,900 |
| Free Reserves | **444,626** | 430,062 | 459,079 |




| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **392,001** | 365,425 | 346,103 |
| Net Claims Incurred | **287,240** | 317,651 | 301,168 |
| Management Costs | **90,905** | 79,134 | 76,545 |
| | **378,145** | 396,785 | 377,713 |
| Underwriting Surplus / (Deficit) | **23,270** | (31,360) | (31,610) |
| Investment Income / (Loss) Less Tax | **17,968** | 16,693 | 56,176 |
| Surplus / (Deficit) | **31,824** | (14,667) | 24,566 |




## Outlook

- Once again Skuld has surpassed expectations and produced their best result for years, and managed the almost impossible by producing a positive investment performance, with many rivals facing double digit losses.
- The underwriting result was the best since 2016 and marked a reversal in the fortunes of the P&I division which had been beset by uneconomic premium levels and persistent deficits. The Club managed to improve the premium ratings with only a minor loss of tonnage and hopefully the sector can return to greater fortunes in the future, if the claims climate remains favourable.
- The commercial business, which is now the major sector, continued to perform well and the Club was committed to enlarging and expanding the commercial operations to help drive the Club forward.
- The combined ratio fell to a healthy 96% and with a solvency ratio of 173%, the Club easily retained the S&P A credit rating. After the success of this year, while others reel from investment losses, the Club should be able to push ahead with continued growth.

# STEAMSHIP



HEAD OFFICE: LONDON, UK
REGIONAL OFFICES: BERMUDA / CYPRUS / HONG KONG / PIRAEUS / TOKYO / SINGAPORE / RIO DE JANEIRO

## Overview

- In a year when nearly every Club reported a deficit, Steamship's negative outcome of only $19m, can be seen as a relative success. The underwriting produced their first surplus for 3 years after a stellar 30% increase in the net premium income, which took the gross premium over $400m for the first time. The underwriting surplus was $18m after a $32m deficit last year.
- The investment managers needless-to-say had a difficult year after the slump in financial prices, but the negative return of minus 2.4% was modest compared to most with a loss of $37m. The overall deficit was $19m.

## Underwriting

- The 12.5% General Increase at the 2022 renewal, together with the 7m increase in mutual tonnage and some robust renewal discussions produced a 30% increase in the net premium income to over $300m net for the first time.
- The reduction in the cost of Covid claims, and reduced IG pool claims failed to reduce the overall total cost of claims after a fairly predictable rise in the cost of passenger claims as cruise business activity picked up after the pandemic.
- There were 59 large claims in excess of $250,000, a few more than last year, but with a similar cost approaching $58m. The most expensive category was passenger claims with 5 claims costing a total of $14m, which included 3 cruise cancellations / delays. The next highest category was crew claims with 10 claims costing $9m, the majority being injuries.
- The category with the greatest number of claims was cargo, with 11 claims costing a total of $7m, covering stowage collapses, seawater damage, cargo hold fires and tanker contamination. Fortunately large claims for pollution, collisions and wreck removal were less frequent and less expensive with a total of 13 claims costing $10m.
- The underwriting surplus was $18m compared to a deficit of $32m last year, a very creditable performance.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **A** | A | A |
| Gross Owned Tonnage | Mil | **117** | 110 | 96 |
| Combined Ratio | % | **95** | 112 | 129 |
| Investment Return | % | **-2.4** | -0.1 | 4.8 |
| General Increase | % | **7.5** | 12.5 | 5 |
| Solvency | % | **162** | 168 | 176 |
| Movement in Net Premiums | % | **30.7** | 9.8 | -10.3 |
| Movement in Free Reserves | % | **-4.1** | -7.3 | -0.8 |
| Movement in Incurred Claims | % | **7.9** | -6.2 | 19.7 |
| AER (Average Expense Ratio) | % | **12.8** | 12.4 | 11.9 |
| Movement in GT | % | **6.4** | 14.6 | 9.1 |
| Average net PR per GT | $ | **2.87** | 2.33 | 2.43 |
| Free Reserves per GT | $ | **3.88** | 4.31 | 5.32 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(19)** | (38) | (4) |

| A | -2.4% | $19.2M | 95% |
|---|---|---|---|
| S&P Rating | Investment Return | Overall Deficit | Combined Ratio |

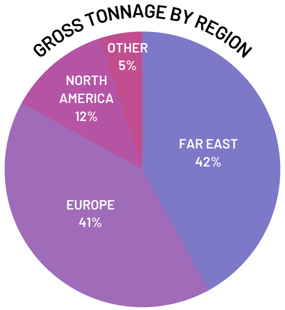
# STEAMSHIP



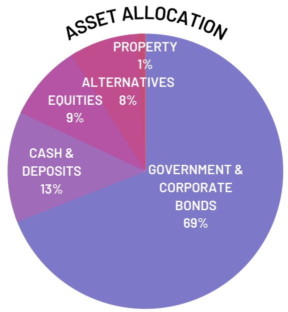
## Investments

- There was no investment report. The portfolio decline in value reflected the overall performance of the financial markets, with a loss of $37m. This included a loss of $5m in the value of the Club's freehold London property, which is occupied by the managers. There were no realised losses during the year and it was to be hoped that some of the $68m unrealised losses will be recovered when the financial markets start to pick up. The loss was a modest 2.4% or $37m.

| **Balance Sheet** US$000's | **2023** | 2022 | 2021 |
|---|---|---|---|
| Investments | **964,700** | 1,021,100 | 1,003,435 |
| Cash | **223,500** | 149,300 | 179,186 |
| Debtors | **22,200** | 19,400 | 21,488 |
| Other Assets | **17,400** | 22,500 | 23,300 |
| Total Assets | **1,227,800** | 1,212,300 | 1,227,409 |
| Outstanding Claims | **737,300** | 700,600 | 675,712 |
| Creditors | **36,100** | 38,100 | 40,595 |
| Total Liabilities | **773,400** | 738,700 | 716,307 |
| Free Reserves | **454,400** | 473,600 | 511,102 |




| **Revenue Statement** US$000's | **2023** | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **335,500** | 256,600 | 233,632 |
| Net Claims Incurred | **261,500** | 242,300 | 258,290 |
| Management Costs | **56,100** | 46,300 | 42,733 |
| | **317,600** | 288,600 | 301,023 |
| Underwriting Surplus / (Deficit) | **17,900** | (32,000) | (67,391) |
| Investment Income / (Loss) Less Tax | **(37,100)** | (5,500) | 63,113 |
| Surplus / (Deficit) | **(19,200)** | (37,500) | (4,278) |




## Outlook

- After the recent underwriting success, the Club announced a 7.5% General Increase at the last renewal and reported that it had achieved a 6.6% rise on expiring rates, while retaining 99% of the Membership. Rather unusually, the Club does not take out retention reinsurance, which keeps the cost to Members down, but leaves the Club vulnerable to an expensive run of sub $10m claims.
- The underwriting is now on a sustainable footing with a combined ratio of 95% and the tonnage has risen by a third in the last 3 years.
- The Club retained an S&P A credit rating and still has a strong balance sheet with $454m of free reserves, the 4th highest in the IG. The solvency ratio was lower at 162%, but above the average and more than capable of supporting an expansion of the business. The Club has declined to follow the rush into new diversified areas, a policy which has been vindicated this year. The Club does have the capital and resources to follow an expansionist path if desired.

# SWEDISH

HEAD OFFICE: GOTHENBURG, SWEDEN
REGIONAL OFFICES: OSLO / LONDON / HONG KONG / SINGAPORE / ATHENS

## Overview

- The Swedish Club has witnessed a major improvement in its underwriting result in the year with the combined ratio falling from 130% last year to just 102% this year, but unfortunately, as with all Clubs, the good work has been overshadowed by the investment losses. Last year's poor underwriting results, combined with this year's investment losses have resulted in a fall in free reserves of 33% over the last 2 years and an S&P downgrade to BBB+.

## Underwriting

- The Club had its most successful underwriting year since 2017 with its deficit reduced to $3m (after investment management costs), compared to a deficit of $45m last year. The Club has a diverse range of activities, but the major element is P&I, which saw the biggest improvement in the year. The P&I net premium income rose by 15% to $82m, and the incurred claims fell by $14m to $80m, cutting the deficit to $13m after operating expenses.
- The Marine and Energy business returned to profitability with a 10% increase in net premium to $78m and a 14% fall in incurred claims to $50m. This left a surplus of $10m after operating expenses and reduced the combined ratio to 87%.
- The overall number of claims rose in the year, but the cost of the Covid-19 claims was 50% lower than last year and the frequency of the marine claims fell. There were 30 claims in excess of $0.5m in the year, of which 7 were from the IG pool, compared to 48 such claims, including 11 IG pool claims a year earlier. The cost of attritional claims rose, but overall the claims costs were 16% lower than last year, contributing to the improved underwriting result.
- Reinsurance costs rose by over 30% to $57m, which slowed the net premium growth and the management costs rose by $4m, largely as a result of additional "acquisition costs". The 12.5% P&I G.I. at the previous renewal seems largely to have been accepted by members and consequently the general increase at the 2023 renewal was reduced to 10%.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | BBB+ | A- | A- |
| Gross Owned Tonnage | Mil | 58 | 58 | 57 |
| Combined Ratio | % | 102 | 130 | 123 |
| Investment Return | % | -9.8 | 3.6 | 7.7 |
| General Increase | % | 10 | 12.5 | 5 |
| Solvency | % | 159 | 176 | 205 |
| Movement in Net Premiums | % | 12.8 | 11.5 | 13.9 |
| Movement in Free Reserves | % | -20.1 | -16 | 0.2 |
| Movement in Incurred Claims | % | -16.2 | 17.9 | 36.7 |
| AER (Average Expense Ratio) | % | 13.6 | 12.6 | 12.8 |
| Movement in GT | % | 0 | 1.8 | 11.8 |
| Average net PR per GT | $ | 2.92 | 2.59 | 2.36 |
| Free Reserves per GT | $ | 2.58 | 3.22 | 3.9 |
| Revenue Surplus / (Deficit)(Mil) | $ | (37.4) | (35.5) | 410 |

| BBB+ | -9.8% | -16.2% | 102% |
|---|---|---|---|
| S&P Rating | Investment Return | Movement In Incurred Claims | Combined Ratio |



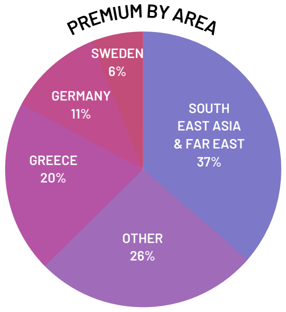
# SWEDISH

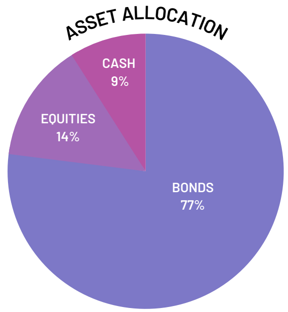
## Investments

- The Club's investment policy was to match the currency and maturity of the outstanding claims by holding bonds, with the appropriate level of liquidity. The remainder of the portfolio may be exposed to more short-term risk, with a view to increasing the return.
- The recent turmoil in the market led to a fall in both bonds and equities, leaving no asset class unaffected, with consequent losses all round. During the year the equity exposure was reduced from 20% to 14%, with little impact. The bonds lost $23m, the equities lost $15m and there were $5m of hedging losses, leaving the Club with a $34m investment loss for the year (after a tax credit) resulting in a return of minus 9.8%.

| Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | 350,460 | 390,663 | 393,647 |
| Cash | 33,432 | 24,108 | 28,405 |
| Debtors | 160,450 | 156,181 | 128,477 |
| Other Assets | 19,071 | 17,489 | 10,479 |
| Total Assets | 563,413 | 588,441 | 561,008 |
| Outstanding Claims | 254,382 | 245,243 | 211,308 |
| Creditors | 159,657 | 156,259 | 127,239 |
| Total Liabilities | 414,039 | 401,502 | 338,547 |
| Free Reserves | 149,374 | 186,939 | 222,461 |

| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | 169,277 | 150,107 | 134,666 |
| Net Claims Incurred | 136,933 | 163,357 | 138,547 |
| Management Costs | 35,688 | 31,462 | 27,509 |
| | 172,621 | 194,819 | 166,056 |
| Underwriting Surplus / (Deficit) | (3,344) | (44,712) | (31,390) |
| Investment Income / (Loss) Less Tax | (34,063) | 9,190 | 31,800 |
| Surplus / (Deficit) | (37,407) | (35,522) | 410 |




## Outlook

- After 2 years of heavy losses (amounting to 33% of the free reserves) and with the reserves now down below $150m for the first time since 2013, the Club needs to stabilise the situation. Fortunately, the Members appear to have accepted the need for higher premiums. There has been no apparent net loss of tonnage, and after a successful turnaround year and a healthy Marine and Energy surplus things are starting to improve.
- There is still work to do on the P&I class, which has been shielded by the Marine and Energy result, but with a (P&I) combined ratio of 116% there is clearly improvement needed to guarantee the long term security of the Club.
- The Club has seen a significant drop in its free reserves and the solvency margin has fallen to 159%. Hopefully some of the unrealised investment losses will reverse this year and the progress on the underwriting can be maintained to produce a much-needed end of year surplus.

# UK

HEAD OFFICE: LONDON, UK
REGIONAL OFFICES: SAN FRANCISCO / NEW JERSEY / BERMUDA / PIRAEUS / ROTTERDAM / HONG KONG / SHANGHAI / SINGAPORE /TOKYO / IMABARI

## Overview

- The UK has expanded its business by going into partnership with Thomas Miller Specialty (TMS), another of the Miller enterprises. The new business includes fixed premium P&I and Marine and Energy risks, which are reinsured through TMS's Lloyd's Managing General Agent (MGA). The partnership has inflated the results for the year with the net premium income up over 30% and the incurred claims up by nearly 15%. The underwriting deficit fell from $55m last year to $14m and the investments lost $44m, giving an overall deficit of $58m.

## Underwriting

- The new partnership with TMS means that fixed premium P&I and Marine and Energy business will pass to the UK Club, who may choose to purchase reinsurance cover through the Thomas Miller MGA. The TMS reinsurance contract was previously underwritten by AIG.
- The consequence was that net premium income rose by 32% and the incurred claims by 15%, with an additional $66m of reinsurance costs. The announced 12.5% General Increase at the 2022 renewal and an additional 3m GT of mutual tonnage also increased the premium income, while P&I claims on the 2022 policy year were down as Covid claims fell and there was a much lower incidence of IG pool claims.
- The number of attritional claims below $0.5m fell by over 50% in the last decade, but the frequency and severity has recently started to rise. There were only 5 claims greater than $2m, but a deterioration of $24m on the 2021 policy year.
- There was a major improvement on the 2022 P&I policy year with the total expected outgoings falling from $322m on 2021 policy year to just $253m, leaving the policy year with a currently anticipated surplus. The new partnership may have a short term impact on the risk based capital ratios with increased income and reinsurance recoveries on outstanding claims perceived as increasing risk. The management costs rose by $20m largely due to additional acquisition costs.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **A-** | A- | A |
| Gross Owned Tonnage | Mil | **153** | 150 | 137 |
| Combined Ratio | % | **104** | 115 | 151 |
| Investment Return | % | **-3.8** | 1.9 | 5.6 |
| General Increase | % | **10** | 12.5 | 10 |
| Solvency | % | **157** | 165 | 160 |
| Movement in Net Premiums | % | **31.8** | 11.2 | -14.3 |
| Movement in Free Reserves | % | **-11.8** | -3.8 | -9.3 |
| Movement in Incurred Claims | % | **14.8** | -20.1 | 8.3 |
| AER (Average Expense Ratio) | % | **12.92** | 12.27 | 11.45 |
| Movement in GT | % | **2** | 9.5 | -3.5 |
| Average net PR per GT | $ | **2.01** | 1.56 | 1.53 |
| Free Reserves per GT | $ | **2.81** | 3.26 | 3.70 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(58)** | (19) | (52) |

**A-** S&P Rating

**-3.8%** Investment Return

**$57.9M** Overall Deficit

**104%** Combined Ratio



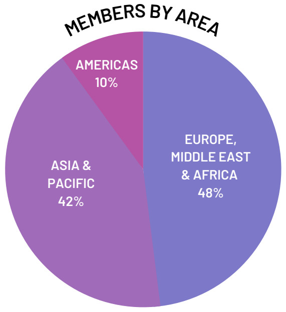
# UK

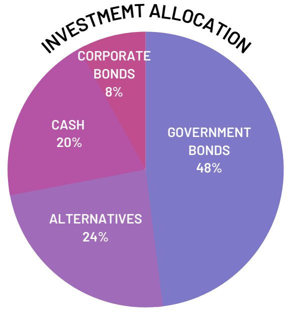
## Investments

- The impact of inflation and the subsequent monetary tightening played havoc with the investments as equities had their worst year since 2008 and the bond market suffered a simultaneous downturn. Hopefully the coming year will see a reduction in inflation and interest rates, and a recovery in asset valuations. The portfolio performed somewhat poorly with a return of minus 3.8%, a loss of $44m.

| Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | **882,382** | 988,481 | 1,058,922 |
| Cash | **225,260** | 185,144 | 238,709 |
| Debtors | **168,403** | 115,223 | 101,372 |
| Other Assets | | | |
| Total Assets | **1,276,045** | 1,288,848 | 1,399,003 |
| Outstanding Claims | **750,137** | 748,215 | 845,960 |
| Creditors | **95,463** | 52,327 | 45,645 |
| Total Liabilities | **845,600** | 800,542 | 891,605 |
| Free Reserves | **430,445** | 488,306 | 507,398 |

| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **307,578** | 233,345 | 209,752 |
| Net Claims Incurred | **249,909** | 217,668 | 272,506 |
| Management Costs | **71,360** | 50,826 | 43,843 |
| | **321,269** | 268,494 | 316,349 |
| Underwriting Surplus / (Deficit) | **(13,691)** | (35,149) | (106,597) |
| Investment Income / (Loss) Less Tax | **(44,170)** | 16,057 | 54,801 |
| Surplus / (Deficit) | **(57,861)** | (19,092) | (51,796) |




## Outlook

- UK have taken its first step into the diversified field of Marine and Energy through the partnership with TMS who have a direct link into the Lloyd's market through the manager's recent acquisition of a number of Lloyd's agencies. The initial signs look encouraging, but it remains unclear as to the likely beneficiaries, although the Club does own a sizeable stake in their manager Thomas Miller. The new partnership offers growth opportunities, especially in the offshore and renewable sectors, but it is not without risks to the mutual Membership.
- The Club is slowly moving towards getting the underwriting back into surplus, which will be essential to sustain the new class of fixed premium business and rebuild the Club's free reserves. Fortunately, the 2022 policy year currently looks to be in surplus, but the income needs to improve to cover the likely cost of higher claims in the future.
- The Club retains its S&P A- credit rating, but the solvency ratio has fallen to 157% and the Club should try and restrict unrated elements of the reinsurance recoveries.

# WEST



HEAD OFFICE: LONDON, UK
REGIONAL OFFICES: LUXEMBOURG / HONG KONG / SINGAPORE / STOCKHOLM / NEW YORK / PIRAEUS

## Overview

- After a number of difficult years which witnessed a downgrading by S&P following a major increase in claims, West have finally managed to repair their underwriting. After a tough renewal in 2022, which saw many Members declined renewal terms the Club managed to transform the earlier $35m underwriting deficit, after investment management costs, into a $5m surplus.
- Unfortunately the underwriting success was marred by the financial markets (in line with all other Clubs) which saw asset prices fall and resulted in a $25m investment loss, which left the Club with a $20m deficit and a depletion of funds.

## Underwriting

- West had five successive consecutive years of underwriting deficits and was facing serious challenges rectifying the problem. At the 2022 renewal the Club took the almost unprecedented step of declining renewal of 22m GT of business which was deemed to have poor claims records. This policy together with a firm renewal for the remaining Membership and a 15% General Increase proved successful as premiums rose by 10%, despite a loss of tonnage. Claims fell by 11%, turning the previous year's deficit of $35m into a $5m surplus.
- The result was clearly helped by the lower incidence of Covid-19 claims, the exceptionally low cost of the IG pool and a reduction in the Club's own retained claims, which bodes well for the future.
- The Club is maintaining its diversification programme with the recent addition of West Hull and West War and it also announced that the cyber risks entity Astaara had managed to attract $25m of additional funding.
- At the recent renewal the Club reported a 99% retention of business and a 9% increase in income, which pushed the gross premium income over $300m for the first time.

## Key Performance Indicators

| | | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| S&P Rating | | **BBB+** | A- | A- |
| Gross Owned Tonnage | Mil | **96** | 90 | 106 |
| Combined Ratio | % | **98** | 116 | 141 |
| Investment Return | % | **-3.6** | -0.9 | 4.6 |
| General Increase | % | **10** | 15.0 | 7.5 |
| Solvency | % | **141** | 148 | 157 |
| Movement in Net Premiums | % | **9.8** | 10.4 | 11 |
| Movement in Free Reserves | % | **-8.1** | -13.7 | -13.9 |
| Movement in Incurred Claims | % | **-10.7** | -12.3 | 52.8 |
| AER (Average Expense Ratio) | % | **15.9** | 15.1 | 14.6 |
| Movement in GT | % | **6.7** | -15.1 | 5 |
| Average net PR per GT | $ | **2.55** | 2.48 | 1.9 |
| Free Reserves per GT | $ | **2.4** | 2.79 | 2.75 |
| Revenue Surplus /(Deficit)(Mil) | $ | **(20)** | (40) | (47) |

| BBB+ | -3.6% | -8.1% | 98% |
|---|---|---|---|
| S&P Rating | Investment Return | Movement in Free Reserves | Combined Ratio |

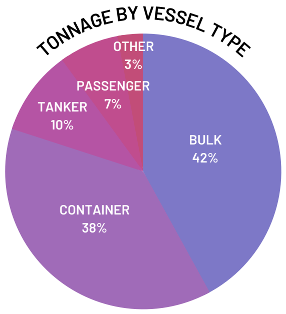
# WEST



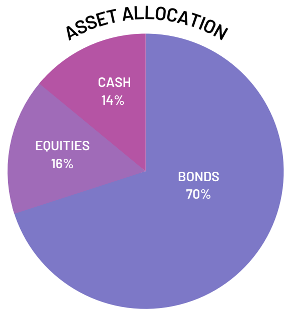
## Investments

- The success of the underwriting was overshadowed by the global financial turmoil following the Russian invasion of Ukraine, with rising inflation and central bank base rates and ever declining investment values.
- The Club had a modest equity exposure of 16% with 70% of the funds in bonds, but the allocation was largely irrelevant as all prices fell with the exception of the 14% in cash. It was reported that the managers had subsequently moved into longer dated bonds, but the current year looks likely to prove almost as unpredictable.

| Balance Sheet US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Investments | **670,117** | 640,016 | 674,299 |
| Cash | **107,582** | 148,750 | 134,643 |
| Debtors | **67,850** | 56,682 | 51,118 |
| Other Assets | **14,676** | 16,231 | 17,559 |
| Total Assets | **860,225** | 861,679 | 877,619 |
| Outstanding Claims | **565,853** | 524,749 | 508,307 |
| Creditors | **63,620** | 85,745 | 78,178 |
| Total Liabilities | **629,473** | 610,494 | 586,485 |
| Free Reserves | **230,752** | 251,185 | 291,134 |




| Revenue Statement US$000's | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net Premiums | **244,683** | 222,839 | 201,756 |
| Net Claims Incurred | **187,687** | 210,065 | 239,511 |
| Management Costs | **51,841** | 47,770 | 45,204 |
| | **239,528** | 257,835 | 284,715 |
| Underwriting Surplus / (Deficit) | **5,155** | (34,996) | (82,959) |
| Investment Income / (Loss) Less Tax | **(25,471)** | (5,096) | 35,701 |
| Surplus / (Deficit) | **(20,316)** | (40,092) | (47,258) |




## Outlook

- After a rather tumultuous year West have hopefully consigned their underwriting woes to the past. The Club cannot be complacent as last year was an unusually benign year for claims and the underwriters need to keep focused on premiums levels to ensure they cover any future surges in claims.
- The general expenses rose by $4m mostly as a result of additional brokerage on the higher premiums leading to higher acquisition costs. The Club has a final salary scheme which lost 35% of its asset value in the year, but this was expediently resolved by amending the benefit assumptions to avoid any cost to the Club.
- The Club has retained its diversification policy looking for new shipping related opportunities and embarked on a journey into hull and war risks markets, keeping an interest in the cyber security sector.
- The Club has hopefully turned the corner and, subject to the financial markets, looks set to expand and prosper in the future.

# NOTES

WILSON EUROPE LIMITED
MASTERS OF P&I