# JAPAN

THE WILSON GROUP
MASTERS OF P&I

**BBB+**
S&P Rating

**75%**
Combined Ratio

**205%**
Solvency

**$37M**
Underwriting Surplus

## Overview

- As those around them struggled, Japan reported their best underwriting results of the century, with a remarkable 30% reduction in incurred claims, which led to a US$ 37m underwriting surplus.
- The investment managers were unfortunately unable to match this performance as they reported their worst results for seven years, with a meagre US$ 1m of income after a large tax charge and the Bank of Japan's unexpected interest rate rise.

## Key Performance Indicators

| | | 2025 | 2024 | 2023 |
|---|---|---|---|---|
| S&P Rating | | BBB+ | BBB | BBB |
| Gross Owned Tonnage | Mil | 85 | 89 | 90 |
| Combined Ratio | % | 75 | 91 | 97 |
| Investment Return | % | 2 | 4.6 | 1.2 |
| General Increase | % | 7 | 7.5 | 10 |
| Solvency | % | 205 | 182 | 165 |
| Movement in Net Premiums | % | -5.3 | -15 | 49.9 |
| Movement in Free Reserves | % | 17.7 | 13.7 | 13.7 |
| Movement in Incurred Claims | % | -29.5 | -22 | -4.3 |
| AER (Average Expense Ratio) | % | 7.3 | 7.4 | 7.8 |
| Increase in GT | % | -4.5 | -1.1 | -3.2 |
| Average net PR per GT | $ | 1.73 | 1.75 | 2.04 |
| Free Reserves per GT | $ | 3.23 | 2.63 | 2.28 |
| Surplus /(Deficit)(Mil) | $ | 38 | 50 | 42 |

## Underwriting

- Following the 7.5% General Increase at the 2024 renewal, the net premium income fell by 5%. There was also a further small reduction in the entered tonnage.
- The steep reduction in incurred claims related to the improvements on the two previous open policy years and the closed policy years. On the current year, the downward trend in the number of claims continued, partly due to fewer cargo claims and a lower number of crew claims following the end of Covid-19.
- The cost of cargo claims rose in the year due to a number of large bulk cargo claims. The Club registered no IG pool claims in the year, but the cost of other Clubs' pool claims rose from US$ 16m last year to US$ 19m.
- The Club also covers local coastal vessels, with an entered tonnage of 2.5m GT. There are approximately 200 claims every year, mostly involving damage to piers, which account for around 40% of the total costs. There were no claims in the year exceeding US$ 2m, resulting in a notable decrease in the total cost of the claims.

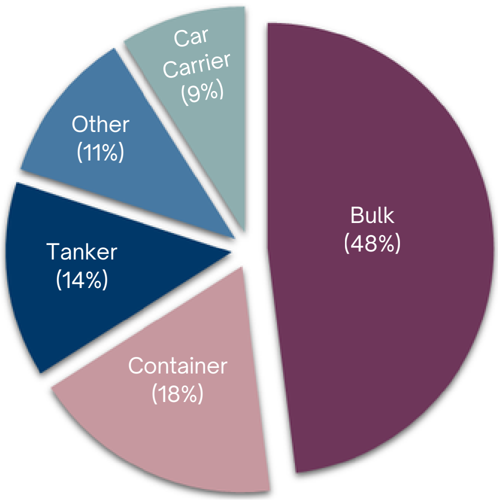
## Investments

- The investment income fell from a healthy US$ 36m in the last two financial years, to a rather paltry US$ 1m after a large tax charge of US$ 14m. The investment performance was derailed by the Bank of Japan's unexpected decision to raise interest rates, which upset the foreign Yen carry trade and unsettled the local markets. The value of the Yen stabilised, but the uncertainty raised yields and lowered asset prices.

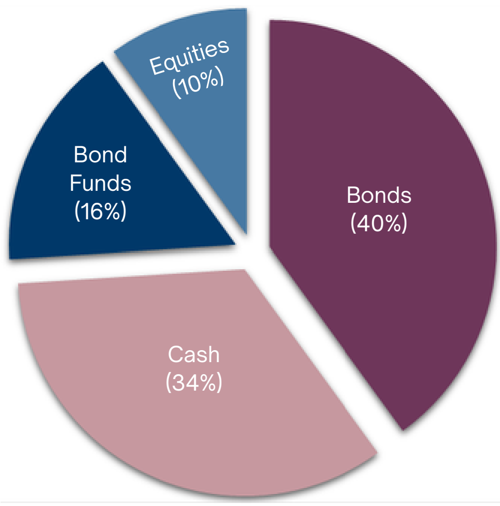
| Balance Sheet US$000's | 2025 | 2024 | 2023 |
|---|---|---|---|
| Investments | 313,382 | 355,614 | 241,900 |
| Cash | 333,188 | 273,580 | 361,030 |
| Debtors | 14,825 | 15,589 | 26,278 |
| Other Assets | 33,201 | 32,590 | 34,961 |
| Total Assets | 694,596 | 677,373 | 664,169 |
| Outstanding Claims | 261,796 | 285,093 | 314,205 |
| Creditors | 157,905 | 158,651 | 144,494 |
| Total Liabilities | 419,701 | 443,744 | 458,699 |
| Free Reserves | 274,895 | 233,629 | 205,470 |

| Revenue Statement US$000's | 2025 | 2024 | 2023 |
|---|---|---|---|
| Net Premiums | 147,456 | 155,709 | 183,181 |
| Net Claims Incurred | 81,396 | 115,534 | 148,035 |
| Management Costs | 29,413 | 26,298 | 29,718 |
| | 110,809 | 141,832 | 177,753 |
| Underwriting Surplus / (Deficit) | 36,647 | 13,877 | 5,428 |
| Investment Income / (Loss) Less Tax | 1,031 | 36,366 | 36,171 |
| Surplus / (Deficit) | 37,678 | 50,243 | 41,599 |

Ship Type - GT




Asset Allocation




## Outlook

- Japan had a very successful underwriting year with their best underwriting surplus in years, largely driven by improvements in the estimated cost of claims on older policy years.
- The reduction in estimated claims on older policy years is not a policy that can be repeated on this scale regularly and the Club clearly identified that it needs to "improve the balance of income and expenditure", which it may well have done this year, but it needs to reverse the falling level of premiums.
- The Club's 'Achilles' heel' is its inability to expand beyond its national borders, with only a small branch in Singapore handling claims and a liaison office in London. The other IG Clubs have substantial operational offices in most of the key areas to attract international tonnage, which is frequently reflected in their Board of Directors. The Club needs to expand, otherwise its competitive position may slowly erode.
- The Club's S&P credit rating was raised to BBB+ and it has an excellent solvency margin, but it needs to focus on (sustainable) growth.