UK P&I CLUB

Autumn statement 2018

UK P&I CLUB
IS MANAGED
BY **THOMAS MILLER**

Key Figures

Free Reserves

$539m

Combined Ratio

107%

Investment Return

1.4%

Standard & Poor's rating (Stable)

A

Financial Highlights

- The Club's capital position remains strong with a small surplus of $2 million during the first half of the year.
- At 20 August 2018, free reserves stood at $539 million which is broadly in line with total free reserves at 20 February 2018.
- The strong capital position allowed the Club to repay its Hybrid Capital bond in full in August 2018. The $100 million bond, launched in 2007, provided the Club with the additional flexibility required to grow free reserve and achieve the Club's strategy to build its financial strength.
- Favourable claims experience over recent years coupled with strengthening capital have depressed premium rates across the P&I market.
- Claim numbers continue to fall but a few large claims have increased the overall cost of notified claims in the first half of the year.
- With premium rates at historically low levels, the Club is exposed to an increase in larger claims. The combined ratio for the first 6 months of 107% is higher than the Club's target of 100%.
- If this trend continues increases in premium will be necessary in the future for the Club to continue to meet its underwriting targets.

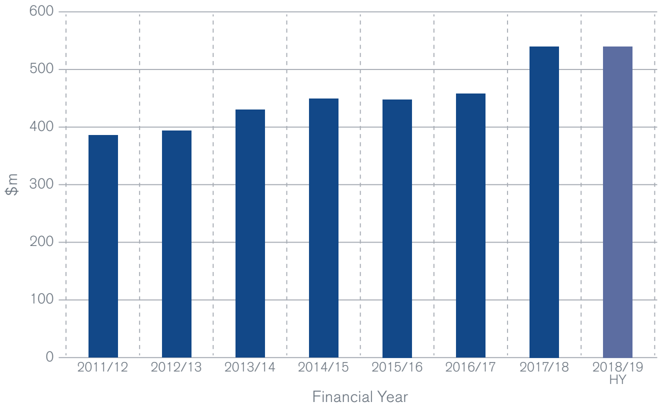
Free Reserves

Total free reserves available to the Club at 20 August 2018 is $539 million

Consistent underwriting and steady investment returns have led to a controlled growth in the Club's free reserves.

The Club repaid its $100m hybrid debt in August 2018 shortly after the half-year point.

Free reserves for financial years 2011-2018



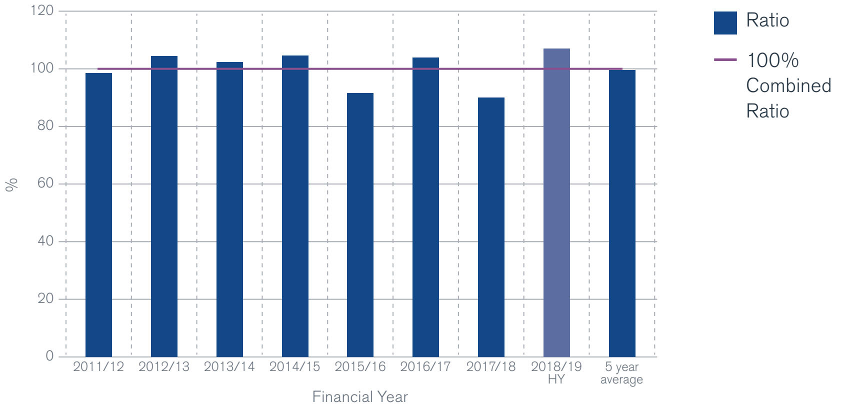
Combined ratio

The Club has managed to maintain an average combined ratio of 100% over recent years.

Premium rates across the market have fallen significantly over recent years.

Depressed rates combined with a few large claims over the first six months have increased the combined ratio to 107%.

Combined ratio for financial years 2011-2018 (excluding Mutual Premium Discounts)

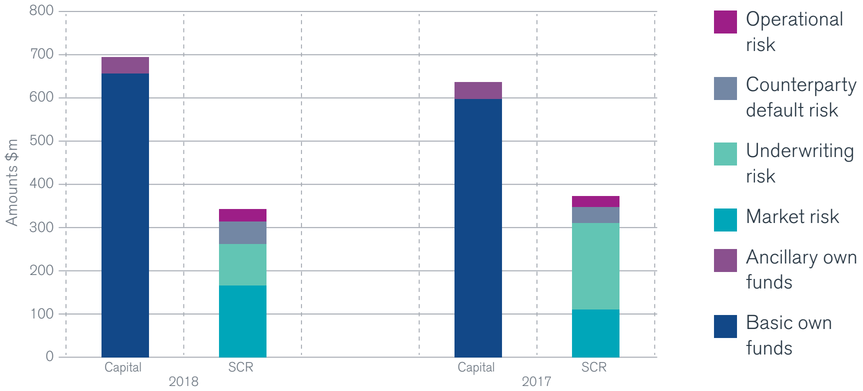


Regulatory capital

The Club meets all of its regulatory capital requirements and is sufficiently strong to hold an A Stable rating with Standard & Poor's.

The Club's capital adequacy ratio increased from 170% to 202% as at February 2018 due to a good financial year and the approval of the Club's Internal Model.

Group regulatory capital



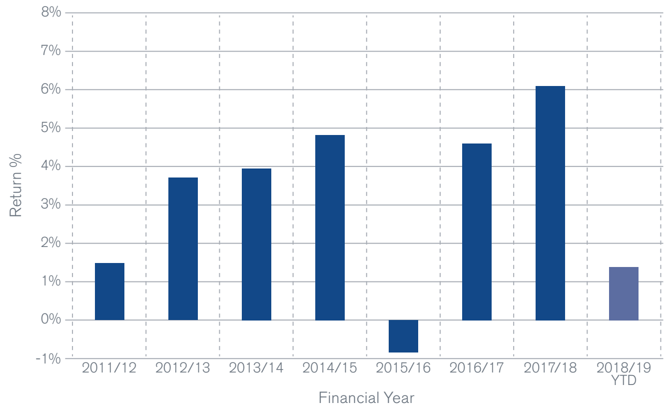
Investment return

The total investment return of 1.4% (including Currency) for the first six months of the year was broadly in line with expectation.

The investment return was sufficient to cover the underwriting deficit.

The Club continues to invest prudently with approximately 80% of all assets invested in fixed income securities and cash.

Investment return for financial years 2011-2018



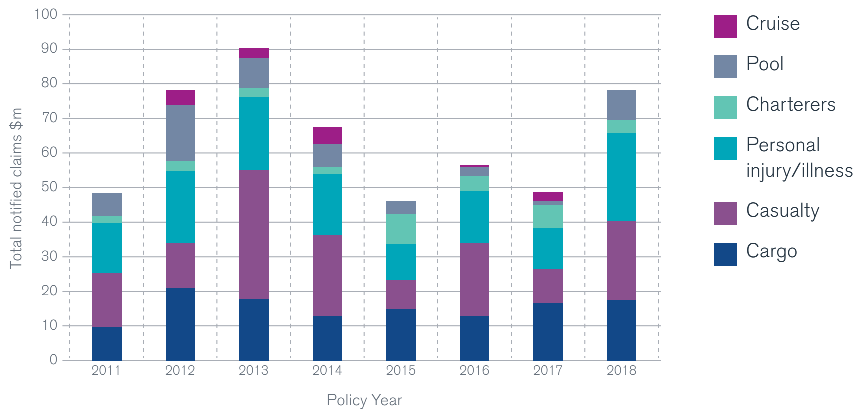
Claims

Typically, casualty claims are the most variable of any category. However, in 2018/19 the Club has experienced a number of large personal injury claims.

The other categories of claim are broadly in line with long term average costs, albeit higher than the previous years.

The Pool has had its most active first half of the year since 2013. None of the 2018 policy year claims relate to the Club and its Pool credit still stands at around $100 million.

Total net notified claims for policy years 2011-2018 at 6 months by claims category



Size & Frequency

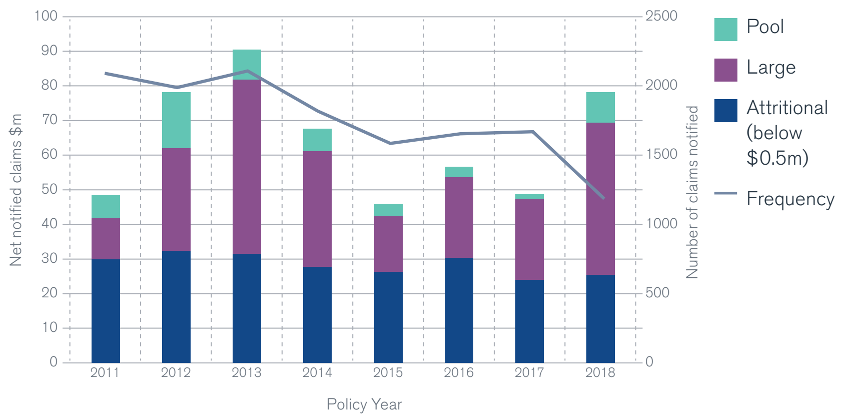
Total number of claims notified to the Club over the first six months of the 2018 policy year has fallen significantly compared to recent years.

The total cost of attritional claims (those with a cost below $0.5m) is broadly similar to last year.

The reduction in frequency has been offset by continued claims inflation of 4%.

The cost of large claims in the current year is more than double that experienced over the last three years.

Total net notified claims by size and claims frequency for policy years 2011-2018 at 6 months



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