

Financial Highlights

20 February 2015

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- Free Reserve growth of 12.7% to record \$243.7 million
- Combined ratio improved for seventh year running to 97.4%
- Club's available capital in excess of 'AA' on S&P's capital model
- Owned and chartered tonnage increased to over 90 million GT
- Claims provisions strengthened
- Members' claims frequency and values remain low
- Investment return of 4.3% (\$27 million)

Overview

The Club's financial position has strengthened again. Another excellent set of financial results for 2014/15 shows that Free Reserves at 20 February 2015 have increased by over 12% from \$216.2 million a year ago to a record level of \$243.7 million (Fig.1).

Underwriting performance remained strong. The combined ratio reduced from 100.8% to 97.4% (Fig.2),

a seventh consecutive year of improvement. This highlights the success of the Club's strategic focus on underwriting discipline and targeted growth in core business areas. The overall investment result was positive in a low-return environment. A total investment return of 4.3% before tax, including a valuation gain on property was achieved.

Fig. 1 – Free Reserves

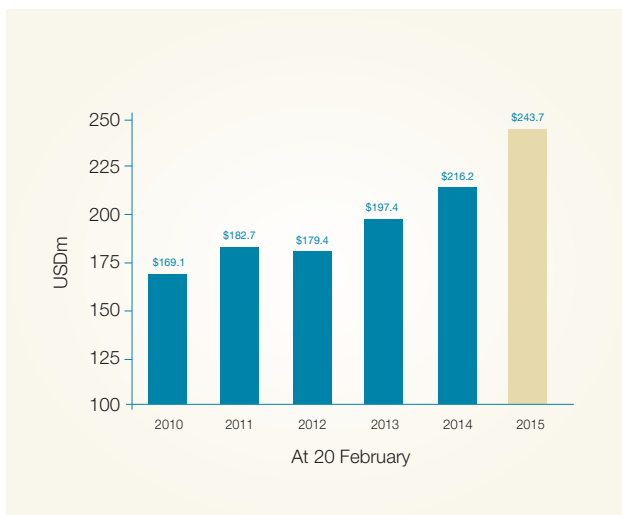
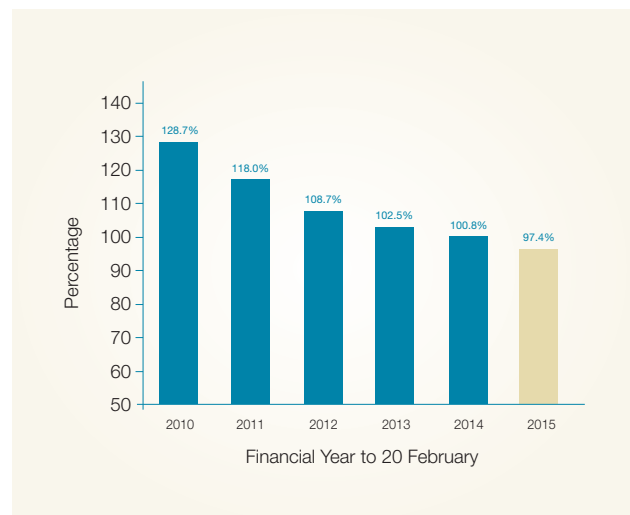


Fig. 2 – Combined Ratio

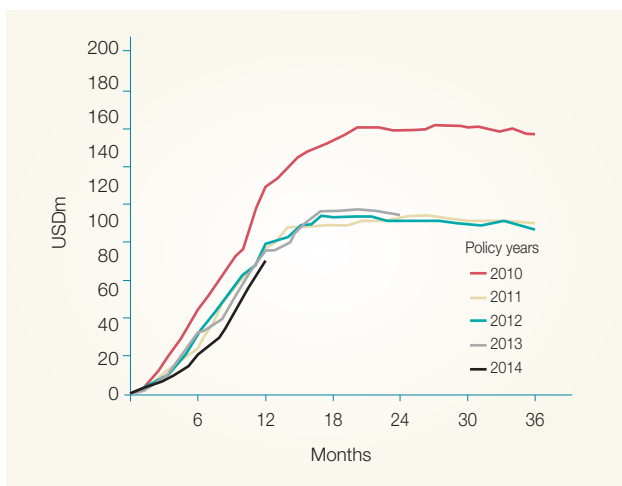




Claims

Members' own claims continued to develop at the lower levels seen since 2010 for all recent policy years. Older years have also improved (Fig.3). Other Clubs' pool claims moderated in 2014 with just 10 notified claims so far. This more benign experience at the 12 month stage than for recent policy years is positive but the development of pool claims is naturally more volatile. The Club's own pool contribution is anticipated to remain at about 6% for 2015.

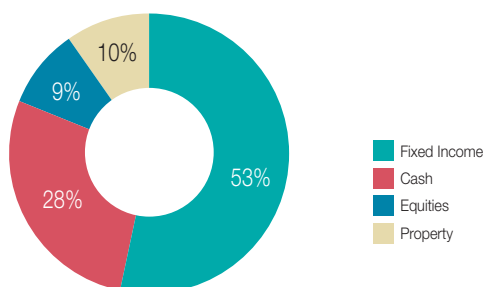
Fig. 3 – Class 1 Members' Claims Net Incurred Cost



Investment

The Club has maintained a low risk investment strategy, in line with its investment risk tolerance, to avoid volatility and preserve capital whilst delivering performance (Fig.4). Despite a challenging fixed income investment environment in particular, the return exceeded forecast at \$27 million before tax.

Fig.4 – Asset Allocation at 20 February 2015

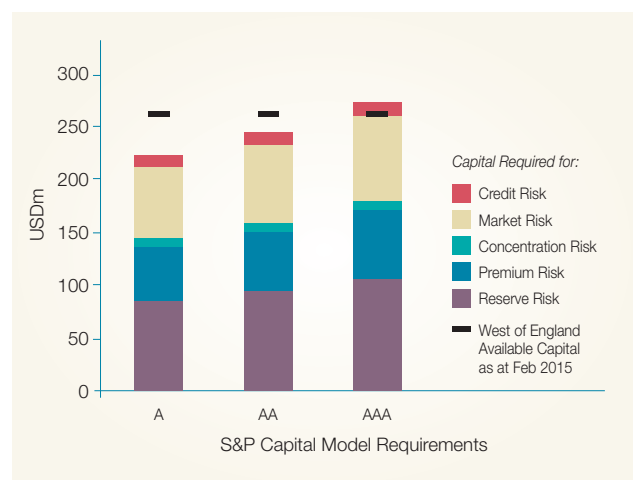


Capital Management

At February 2015 the Club's available free capital exceeded the level required for an "AA" rating on S&P's capital model (Fig.5) in line with a key financial objective set in the Club's business plan.

The amount of available capital is well in excess of the Solvency capital margin required under Solvency 2 rules which are scheduled to take effect in January 2016.

Fig. 5 – S&P Capital Model (February 2015)



Looking Forward

Confidence in the Club was reinforced at renewal. Entered mutual tonnage increased to 66.1 million GT from both existing and new Members and more than 140 vessels were entered with firm commitments for further entries during the coming months.

In total, owned and chartered tonnage now stands at over 90 million GT.