



Financial highlights 20 February 2016

- Free Reserve growth of 13.5% to \$276.7m
- Combined ratio at 83.6%
- Positive investment return
- Capital in excess of 'AAA' on S&P's capital model
- Owned and chartered tonnage in excess of 100m GT
- AM Best A- rating

Overview

The Club's overall financial position has strengthened again in 2015/16. Free Reserves stand at \$276.7 million at 20 February 2016 (Fig.1). The primary contributor to this result was an exceptional claims outcome for Policy Year 2014 which led to a further reduction in the combined ratio to 83.6% (Fig. 2).

The results are reflected in continued support from both existing and new Members. Entered tonnage now exceeds 100 million GT, with both tonnage and number of entered vessels growing conservatively (Fig. 3), ensuring that the quality of the Membership remains high. The Club's overall risk profile has therefore not materially changed since 2011.

Fig. 1 – Free Reserves

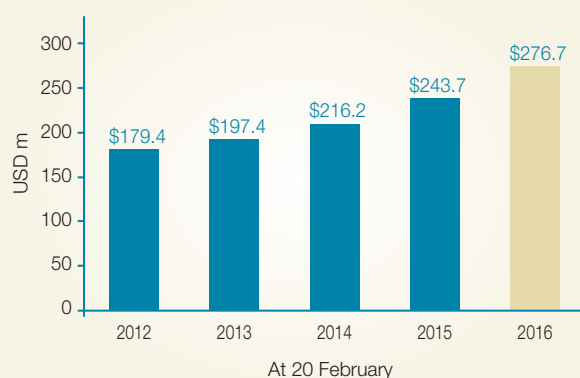


Fig. 2 – Combined Ratio

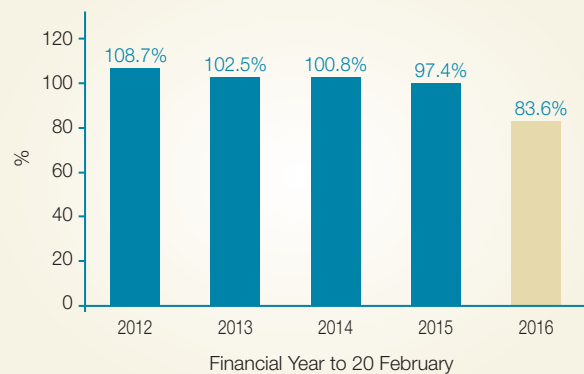
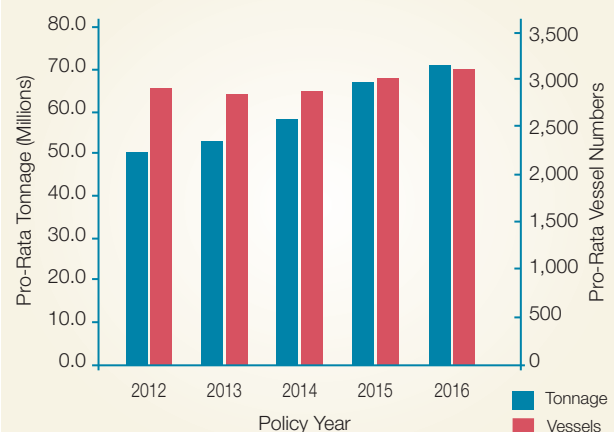


Fig. 3 – Mutual Tonnage and Vessel Numbers





Claims

The development of Members' own claims for Policy Year 2014 has been unusually benign and was a significant factor in the low combined ratio. For other Policy Years, Members' claims have also continued to improve (Fig. 4). Incurred claims costs for 2015 at the 12-month point stood at similar low levels to those for 2011- 2014 at the same stage. It appears that 2015 is developing more in line with 2011-2013 than 2014 so that for financial year 2016/17 and thereafter the combined ratio is forecast to return to nearer the Club's longer-term key financial objective of below 100%.

The cost of other Clubs' Pool claims remained moderate overall with the Club's own Pool contribution remaining at about 6%.

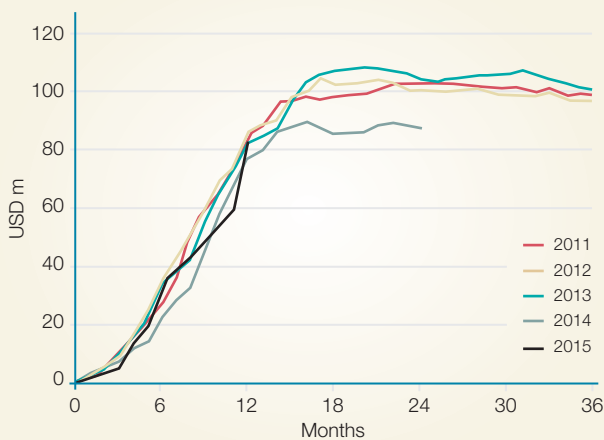
Capital Management

The Club's strong operating performance has ensured that free capital as at February 2016 again exceeds the "AAA" rating level on Standard & Poor's capital model. It also remains comfortably in excess of the solvency margins required under the Solvency II rules, which entered into force in January this year.

Looking Forward

The Club is strongly committed to being a dedicated mutual providing cost effective P&I and FD&D cover for its Members through excellent, high quality service. It will continue to pursue a policy of conservative growth to attract high quality Members that value the Club's clear focus.

Fig. 4 – Class 1 Members' Claims Net Incurred Cost



Investment

The Club maintained its low risk investment strategy during the year in order to preserve capital in a challenging investment climate with no more than 10% of financial assets invested in equities. Although there was a loss of about 1% on pure financial assets, an increase in the value of the Club's office building in London resulted in an overall positive investment return of \$2.8 million.