October 2023

Financial Update

2023/24 Financial Year

Summary

- *Revenue growth in 2023/24 despite de-risking actions at the most recent renewal leading to a lower volume of business on risk.*
- *Favourable first-half higher severity claims experience with only one claim expected to cost more than US$1m.*
- *Stable attritional claims experience in the period with actions on deductibles offsetting underlying inflationary pressures.*
- *H1 combined ratio below 100%.*
- *Positive investment return for the period to 20 August 2023.*
- *Regulatory solvency ratio strengthened to 150%.*

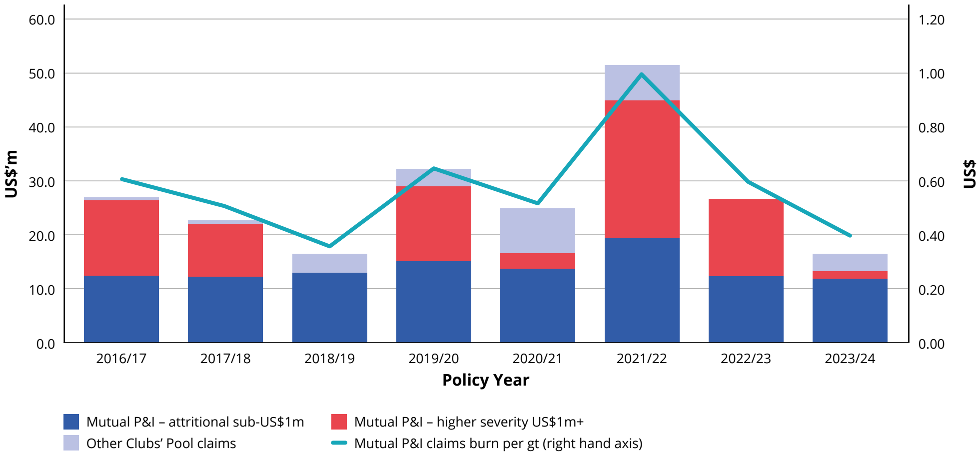
Actions taken at the February 2023 renewal to restore rates to sustainable levels across all product lines have further strengthened the Club's top line revenues in 2023/24. This continuing upward trend in revenues has been maintained despite a reduction in the volume of Mutual P&I business on risk in the current year, reflecting the Board's strategy of de-risking business for which it was not possible to address discrepancies between premiums and risk profiles at the most recent renewal.

There was a notable improvement in claims experience in the first six months of the current financial year, following the particularly unfortunate run of higher severity claims in the two preceding years. Only one claim reported to the Club in the first six months of 2023/24 was expected to cost more than US$1m. Adjustments to deductibles at recent renewals have been sufficient to offset but not reduce the cost of claims in the sub-US$1m band for the Mutual P&I product, ignoring the unusual 2021/22 year that was distorted by the impact of COVID-19 claims. Claims costs for the Charterers' and Owners' fixed premium products were within budget for the period to 20 August 2023.

The combined ratio for the half-year just ended was below 100%. The Club's financial strength has also been bolstered by a positive investment return for the period. The solvency ratio improved to around 150% at 20 August 2023.

The Board is maintaining a cautious outlook on a full-year basis, conscious of the impact that: (i) a small number of higher severity claims can have on the technical result; (ii) the ongoing inflationary pressures on the cost of attritional claims, and (iii) uncertainty as to the future direction and level of interest rates. The Club's financial planning for the current year anticipated a full-year combined ratio a little over 100% and an overall operating surplus with the benefit of a positive investment result. This full-year guidance remains unchanged and will inform the Board's planning for the 2024 renewal.

MUTUAL P&I NET CLAIMS INCEPTION + 6 MONTHS



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