S&P Global
Ratings

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Japan Ship Owners' Mutual Protection & Indemnity Assn. (The)

September 24, 2025

Business risk: **Satisfactory**

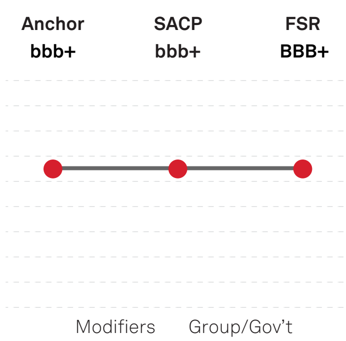
Excellent — Vulnerable

Competitive position: Satisfactory
IICRA: Intermediate risk

Financial risk: **Strong**

Excellent — Vulnerable

Capital and earnings: Very strong
Risk exposure: Moderately high
Funding structure: Neutral



Financial strength rating
BBB+/Stable/--

FSR--Financial strength rating. ICR--Issuer credit rating. IICRA--Insurance industry and country risk assessment. SACP--Stand-alone credit profile.

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Credit Highlights

Overview

Key strengths	Key risks
Solid market position supported by strong relationships with Japan-related shipowners.	Low diversification of its business because it specializes in marine P&I and concentrates on Japan-related shipowners.
Generally higher profitability than the average of the 12 international protection and indemnity (P&I) clubs.	Shrinking market share in the P&I insurance market amid fierce competition.
	Significant fluctuations in capital and profitability associated with the occurrence of large claims.

We expect Japan P&I to maintain its competitive position, supported by its core domestic customer base. The Japan Ship Owners' Mutual Protection & Indemnity Association (Japan P&I) has a solid position in the P&I insurance market, in S&P Global Ratings' view. Strong and long-standing relationships with Japan-related shipowners support its position.

On the other hand, its market share is declining and business is not diversified. Its customer base is geographically concentrated in Japan. Also, the association's concentration on P&I activity makes its earnings susceptible to large insurance claims.

Given past deteriorations in profitability, the association has taken measures to improve profitability, including premium rate increases and selective underwriting. In our view, its profitability has remained generally higher than that of most companies in the industry.

Japan P&I is likely to maintain its healthy capital level. The club reported one of its lowest combined ratios in fiscal year 2024, at 69.2%, inclusive of foreign exchange fluctuations. This strong performance was primarily driven by rate increases and the absence of high-severity accidents.

Japan P&I's combined ratio (the total of its net loss ratio and net expense ratio) exceeded 100% from fiscal 2019 (ended March 31, 2020) to fiscal 2021. This was because of large insurance claims and the COVID-19 pandemic. In response, the association has taken measures to improve profitability and capitalization. As a result, its capital position is improving. We expect Japan P&I to continue to gradually accumulate free reserves.

Japan P&I is likely to maintain conservative asset management and risk management. To shore up investment profits, Japan P&I increased its investment in foreign equity funds. Nevertheless, we believe it will maintain a conservative investment approach and will not significantly increase its holdings of risky assets. Also, the association has made a continuous effort to improve its enterprise risk management, although it is halfway though the implementation of an economic-value based capital management system.

Outlook

The stable outlook reflects our view that Japan P&I will maintain its robust capital level and solid competitive position in the global P&I insurance sector in next two years.

Downside scenario

We may lower the ratings on Japan P&I if its capital level significantly deteriorates. This could result from unexpectedly large claims.

Upside scenario

We may upgrade Japan P&I if we come to believe that the club's competitive position is comparable with similar rated peers while maintaining a strong capital buffer at the 99.99% confidence level. This could occur, for example, if the club retains its business franchise in its home market and sees an increase in its topline while maintaining favorable profitability.

Assumptions

- Japan's real GDP will be around 0.7%-0.9% from 2025 to 2027.
- The frequency of claims against Japan P&I will remain normal. The loss ratio will remain favorable thanks to the effects of premium rate hikes and selective contract conclusions.
- The association will not take excessive asset investment risk. It will not increase risk assets significantly.
- The level of capital will improve through accumulation of free reserves. Japan P&I will not implement nonrecurring capital enhancement measures, such as additional calls and subordinated debt financing.

Key Metrics (Nonconsolidated)

	--Fiscal year*--				
(Bil. ¥)	2027f	2026f	2025f	2024a	2023a
Gross premiums written	30-32	30-32	30-32	32	33
EBITDA adjusted§	2-3	2-3	2-3	8	6
Net income	1-2	1-2	1-2	5	7
S&P Global Ratings' capital adequacy (%)	99.99	99.99	99.99	99.99	99.95
Return on equity (adjusted) (%)§	1-5	1-5	1-5	15.6	26.2
Financial leverage (adjusted) (%)§	>40	>40	>40	0.4	0.3
Net combined ratio (%)	90-100	90-100	90-100	69.2	91.2
Net loss ratio (%)	65-75	65-75	65-75	47.6	75.1
Net expense ratio (%)	20-25	20-25	20-25	21.6	16.1
Return on revenue (%)§	5-15	5-15	5-15	30.8	21.0

*Fiscal years end March 31 of the following year. a--Actual. f--Forecast (S&P Global Ratings' base-case assumptions)
§Adjusted with S&P Global Ratings' views as equity-like reserves.

Business Risk Profile

Japan P&I will likely maintain its global business base through its membership in an international P&I group. It began operations in 1950 as a mutual insurance association. It engages in non-life insurance business under a system of mutual insurance to cover expenses and liabilities incidental to the operations of ships.

In 1976, it became a member of the International Group of P&I Clubs. In 1989, it became a member of the Pooling Agreement of the International Group of P&I Clubs, giving it access to the group's reinsurance program. Most of its business is concentrated on global marine P&I, but it also engages in the domestic marine P&I business. Japan P&I's premium income will likely remain below the average for the 12 international P&I clubs.

We believe Japan P&I maintains a niche position in the global marine P&I market and a core business base for domestic shipowners, supported by strong, long-standing relationships with its members in Japan. They are mostly direct business contacts without brokers.

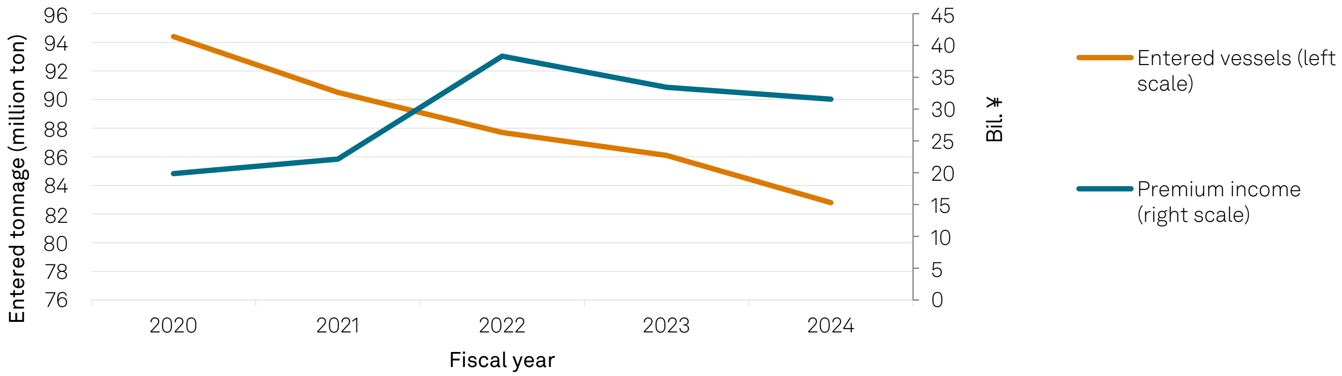
The association has low business diversification because it focuses on marine P&I insurance and concentrates on its Japanese members. In addition, competition from overseas clubs and stricter insurance underwriting for profitability have eroded its market share.

The above factors lead us to deem Japan P&I to have an average competitive position in the global P&I market. We believe the association will continue to hold a competitive advantage and maintain profitability through its core domestic market position.

Rate revisions will mitigate Japan P&I's shrinking business volume to some extent. Japan P&I has made general increases at P&I policy renewals for ocean-going vessels in the past six years, while the association's contract volume (entered tonnage) has been declining. There were one-off increases in premium income because of a supplementary call in fiscal 2022 and changes in the system to levy insurance premiums to mutual premium system in fiscal 2023. We will keep eye on Japan P&I's topline growth as a combination of business volume and underwriting rates.

Entered vessels are declining thanks to stricter contract selection

Movements of premium income and entered vessels



Fiscal years end March 31 of the following year. Source: S&P Global Ratings.

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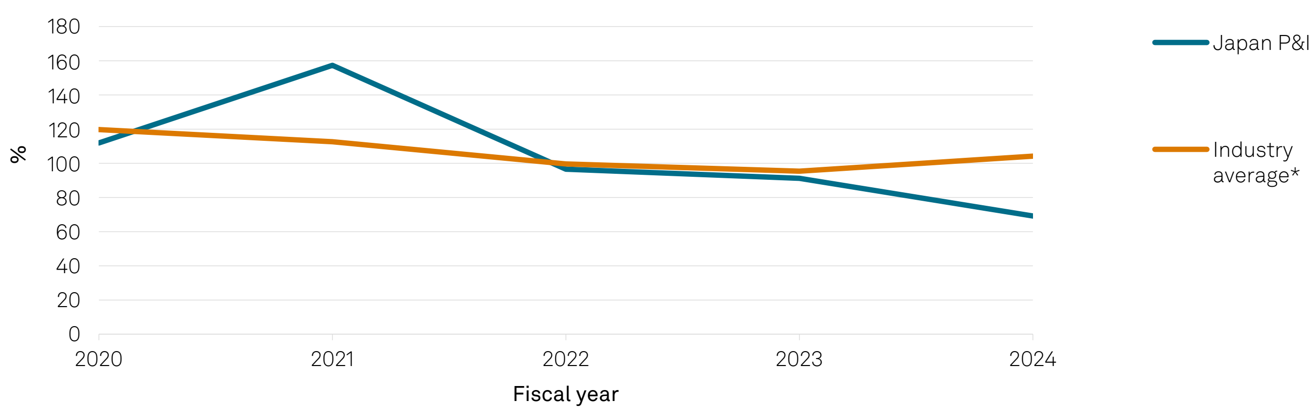
Japan P&I's profitability in terms of its combined ratio is likely to remain generally higher than the average for the 12 international P&I clubs, in our view. Its combined ratio exceeded 100% from fiscal 2019 to fiscal 2021. In particular, the ratio deteriorated substantially to 157.3% in fiscal 2021, mainly because Japan P&I received its biggest ever claim on a coastal ship.

To address the high combined ratio, the association has taken measures such as a premium rate hike and selective contract conclusions. As a result, the association's profitability is gradually improving. Thanks to the insurer's efforts and lack of large claims, the insurer reported combined ratio of 69.2%, including foreign exchange fluctuations, in fiscal 2024.

We expect the combined ratio to be around 95% assuming the rebound of insurance claims at the normalized level. We note that the combined ratio in fiscal 2022 and fiscal 2023 includes temporary benefits from the increase in premium income.

Generally higher profitability than industry average despite volatility due to large claims

Movements of combined ratio



Fiscal years end March 31 of the following year for Japan P&I and Feb. 28 or Dec. 31 for other clubs.*Industry average combined ratio is a simple average of rated 12 clubs, including our estimates.

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Japan P&I will likely maintain an approach that maximizes risk-adjusted returns commensurate with its business scale, in our view. It says it will focus on Japan-related business, a niche area in the global market, because it is an area of strength for the insurer. Accordingly, Japan P&I's assessment of risk and return and prioritization are relatively simple.

Financial Risk Profile

We expect Japan P&I's adjusted capital to remain above the required capital commensurate with 99.99% confidence level in the next two to three years. Its capital declined substantially in fiscal 2021 because of a large claim. However, it has improved through an unbudgeted supplementary call in February 2023 and thanks to favorable operating performance since fiscal 2023. We believe its capital will continue to improve moderately as measures taken to improve profitability take effect.

We expect Japan P&I to remain susceptible to large claims. Concentration of its business on P&I insurance with a high frequency of mid-to-large claims and its low absolute capital have increased volatility of profitability and capital. Potential volatility of profitability is likely to remain high, although we expect the association to maintain healthy profitability with a combined ratio of below 100% as a base-case.

We do not expect significant changes in Japan P&I's conservative approach to investment. It is working to enhance asset management and internal risk management to ramp up investment returns and is raising its investment allocation to fixed-income and equity investment trusts. Nevertheless, we do not expect these investments to increase substantially. In addition, its investment portfolio continues to be made up of mostly fixed-income instruments, such as U.S. Treasury bonds and Japanese and foreign public and corporate bonds that are generally rated 'A' or higher.

We believe Japan P&I is likely to continue to take adequate measures to control risks, such as premium rate hikes and selective contract conclusions. Another supporting factor is that it is a member of the Pooling Agreement of the International Group of P&I Clubs, which gives it access to the group's reinsurance program. Also, it can collect additional premiums than scheduled by making additional calls from members. As part of its effort to enhance risk management, the association has considered starting to monitor its overall risks on an economic value basis and prepare an own risk and solvency assessment (ORSA) report, in consideration of changing regulations in Japan and elsewhere.

We assess Japan P&I's funding structure as neutral. It does not have any debt on its books, and under our base case scenario, we assume it will continue to refrain from issuing any debt.

Other Credit Considerations

Governance

We see no shortcomings in Japan P&I's management and governance. Its management team has a well-established, favorable relationships with members and expertise and experience in the P&I market. The management team clearly defines its management strategy and financial management policy, which are consistent with its scale and capabilities, in our view. We believe the association has been conducting generally conservative risk management across the organization. Its continued effort to strengthen capital and enhance internal risk management verifies this view.

Liquidity

We regard Japan P&I's liquidity as exceptional because of the strength of its available liquidity sources, which are mainly premium income, and an asset portfolio with ample liquid assets. We think Japan P&I is well-positioned to meet its liquidity needs even if major adverse claims occur.

Environmental, social, and governance

Environmental, social and governance (ESG) factors are a neutral consideration in our credit rating analysis of Japan P&I. We believe that Japan P&I's ESG factors are comparable to other P&I clubs'. The association takes the form of mutual association and is a non-profit organization for policyholders. It plays a social role by supporting global shipping through the provision of insurance. The association also offers protection through insurance to companies making efforts to reduce or eliminate carbon emissions in the shipping industry.

Rating Component Scores

Business Risk Profile	**Satisfactory**
Competitive position	Satisfactory
IICRA	Intermediate risk
Financial Risk Profile	**Strong**
Capital and earnings	Very Strong
Risk exposure	Moderately high
Funding structure	Neutral
Anchor	**bbb+**
Modifiers	
Governance	Neutral
Liquidity	Exceptional
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	BBB+/Stable/--
Local currency issuer credit rating	BBB+/Stable/--

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Japan P&I Upgraded To 'BBB+' On Stronger Capital Position; Outlook Stable, July 29, 2025
- Tear Sheet: Japan Ship Owners' Mutual Protection & Indemnity Assn. (The), March 16, 2025
- Protection And Indemnity Clubs Opt For Rate Hikes In 2025, Oct. 23, 2024

- Japan P&I Outlook Revised To Positive On Stronger Capital Position; 'BBB' Ratings Affirmed, July 31, 2024

Ratings Detail (as of August 11, 2025)*	
Operating Company Covered By This Report	
Japan Ship Owners' Mutual Protection & Indemnity Assn. (The)	
Financial Strength Rating	
Local Currency	BBB+/Stable/--
Issuer Credit Rating	
Local Currency	BBB+/Stable/--
Domicile	Japan

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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