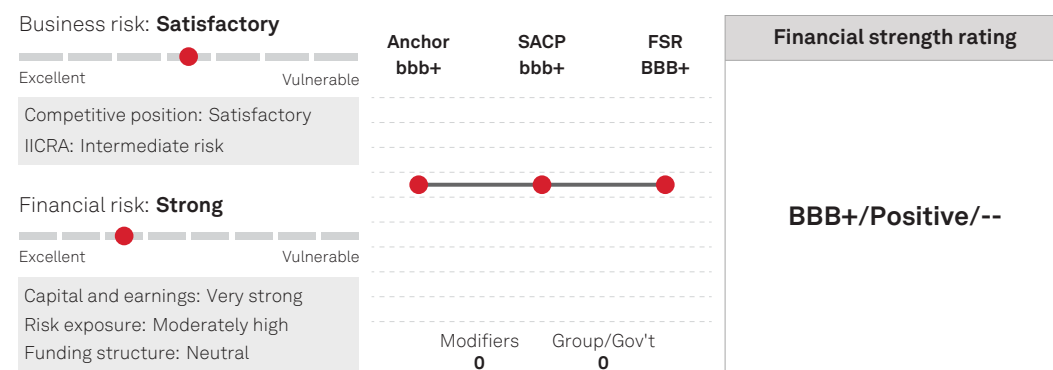


Japan Ship Owners' Mutual Protection & Indemnity Assn. (The)

September 15, 2026

This report does not constitute a rating action.



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

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Credit Highlights

Overview

Key strengths

Solid market position supported by strong relationships with Japan-related shipowners

Generally higher profitability than the average of the 12 international protection and indemnity (P&I) clubs

Key risks

Low business diversification because it specializes in marine P&I and concentrates on Japan-related shipowners

Shrinking share of the P&I insurance market amid fierce competition

Significant fluctuations in capital and profitability associated with large claims

We expect Japan P&I to maintain its competitive position, supported by core domestic customers.

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 its business lacks diversification. 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.

Following past deterioration in profitability, Japan P&I has taken measures to improve its profit margin, 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 a healthy capital level. The insurer reported a favorable combined ratio of 82.1% relative to other P&I clubs in fiscal 2025 (ended March 31, 2026), inclusive of foreign exchange fluctuations. Rate increases and the absence of high-severity accidents were the primary drivers of this strong performance.

Japan P&I's combined ratio (the total of its net loss ratio and net expense ratio) exceeded 100% from fiscal 2019 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 investment portfolio management and risk management. To shore up investment profits, Japan P&I increased its investment in equity funds. Nevertheless, we believe it will maintain a conservative investment approach and will not significantly increase its holdings of risky assets. The association has made a continuous effort to improve its enterprise risk management. Regarding economic-value-based capital management, the association is working to enhance its internal model for measuring required capital.

Outlook

The positive outlook reflects our view that, over the next two years, Japan P&I will maintain robust profitability and sustain a material capital surplus at the 99.99% confidence level under S&P Global Ratings' capital model, supporting its financial resilience.

We may upgrade Japan P&I if the insurer:

- Maintains a clear surplus of capital at the 99.99% confidence level in our capital model;
- Records a stronger-than-average combined ratio for a P&I group; and
- Maintains a competitive advantage in its core market.

Downside scenario

We may revise the outlook to stable if the insurer's underwriting results fall below the average of a P&I group on a sustained basis and simultaneously its capital buffer deteriorates at the 99.99% confidence level.

Assumptions

- Japan's real GDP will be about 0.6%-0.8% from 2026 to 2028.
- 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.

The Japan Ship Owners' Mutual Protection & Indemnity Association--Key metrics (nonconsolidated)

(Bil. ¥)	--Fiscal year*--				
	2029f	2028f	2027f	2026a	2025a
Gross premiums written	26-30	26-30	26-30	29	32
EBITDA adjusted§	2-5	2-5	2-5	7	8
Net income	2-5	2-5	2-5	6	5
S&P Global Ratings' capital adequacy	99.99%	99.99%	99.99%	99.99%	99.99%
Capital adequacy: Redundancy/deficiency at defined confidence level†	>10%	>10%	>10%	>10%	-
Return on equity (adjusted) (%)§	5-15	5-15	5-15	16.2	15.6
Financial leverage (adjusted) (%)§	>40	>40	>40	0.3	0.4
Net combined ratio (%)	90-100	90-100	90-100	82.1	69.2
Net loss ratio (%)	65-75	65-75	65-75	53.5	47.6
Net expense ratio (%)	20-25	20-25	20-25	28.6	21.6
Return on revenue (%)§	5-20	5-20	5-20	28.6	30.8

*Fiscal years end March 31 of the following year. a--Actual. f--Forecast. (S&P Global Ratings' base-case assumptions).

§Adjusted with what S&P Global Ratings' views as equity-like reserves. †Shows total adjusted capital (TAC) compared to risk-based capital (RBC) at the relevant capital adequacy confidence level at the end of the projection period.

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.

Japan P&I 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.

At the same time, Japan P&I has been expanding underwriting overseas, particularly in Greece, which could contribute to greater geographic diversification over the medium to long term.

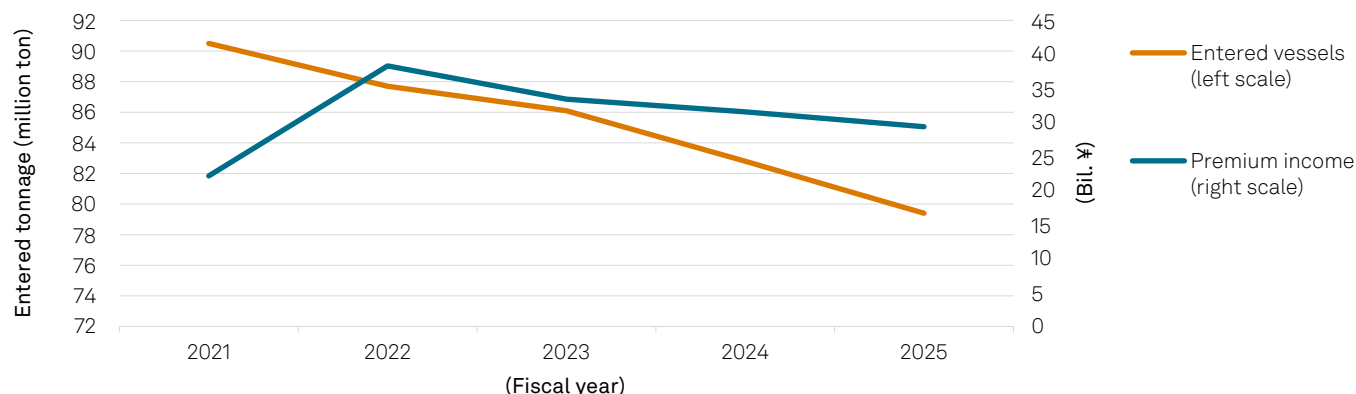
Taking these factors into account, we view Japan P&I to have an average competitive position in the global P&I market. We believe the association will continue to hold a competitive advantage and maintain profitability through its core domestic market position.

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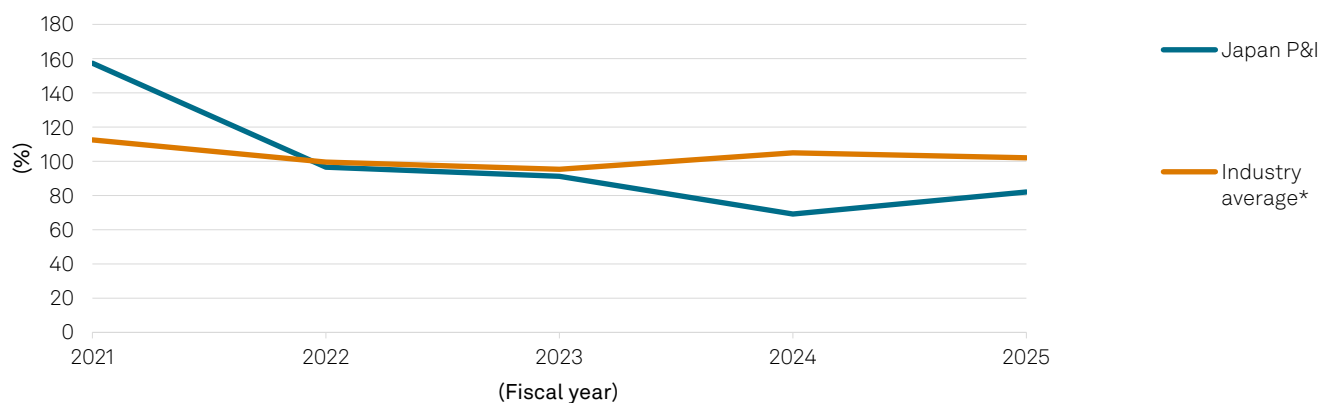
Japan P&I's profitability in terms of its combined ratio is likely to remain generally higher than the average for the 12 international P&I clubs, in our view. Its combined ratio exceeded 100% from fiscal 2019 to fiscal 2021. In particular, the ratio deteriorated substantially to 157.3% in fiscal 2021,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

To address the high combined ratio, Japan P&I 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 a combined ratio of 82.1%, including foreign exchange fluctuations, in fiscal 2025.

We expect the combined ratio to be about 95%, assuming the rebound of insurance claims at the normalized level.

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 the 12 clubs we rate, including our estimations.

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Japan P&I will likely maintain an approach that maximizes risk-adjusted returns commensurate with the size of its business, 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 fairly straightforward.

Financial Risk Profile

We expect Japan P&I's adjusted capital to remain significantly above its required capital, commensurate with a 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 and a combined ratio of below 100% in our base case.

We do not expect significant changes in Japan P&I's conservative approach to investment. It is working to enhance investment portfolio management and internal risk management to increase 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 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 our base-case scenario assumes it will continue to refrain from issuing debt.

Other Credit Considerations

Governance

We see no shortcomings in Japan P&I's management and governance. Its management team has 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.

Climate and other evolving factors

Japan P&I provides protection through insurance to companies to reduce eliminate carbon emissions in the shipping industry. We consider climate-related factors to be neutral in our credit rating analysis of the insurer.

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+/Positive/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	BBB+/Positive/--
Foreign currency issuer credit rating	--

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 Outlook Revised To Positive As Capital Strength Continues To Improve; 'BBB+' Ratings Affirmed](#), July 30, 2026
- [Japan Ship Owners' Mutual Protection & Indemnity Assn. \(The\)](#), March 10, 2026

- [P&I Mutuals' Limited Net Exposure To The Middle East War Requires Monitoring](#), March 6, 2026
- [P&I Clubs Poised For Another Round Of Rate Hikes](#), Oct. 13, 2025
- [Global Marine Protection And Indemnity Clubs](#), Oct. 13, 2025
- [Insurance Industry And Country Risk Assessment: Global Marine Protection And Indemnity](#), Oct. 13, 2025
- [Japan P&I Upgraded To 'BBB+' On Stronger Capital Position; Outlook Stable](#), July 29, 2025

Ratings Detail (as of September 16, 2026)*

Operating Company Covered By This Report	
Japan Ship Owners' Mutual Protection & Indemnity Assn. (The)	
Financial Strength Rating	
Local Currency	BBB+/Positive/--
Issuer Credit Rating	
Local Currency	BBB+/Positive/--
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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