

Japan P&I 'BBB' Ratings Affirmed On Stronger Capital; Outlook Stable

July 28, 2023

- Japan P&I has strengthened its capital base through an unbudgeted supplementary call on members.
- We revised upward our financial risk profile for Japan P&I as its capital adequacy has improved to the 'AA' confidence level in our capital model.
- We affirmed our 'BBB' financial strength and long-term issuer credit ratings on the insurer because we see room for Japan P&I's capital adequacy to further improve to a level commensurate with a higher rating.
- The outlooks on the ratings are stable, based on our view that Japan P&I will likely maintain a TAC level above the 'AA' confidence level over the next two years as operating performance improves.

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TOKYO (S&P Global Ratings) July 28, 2023--S&P Global Ratings today said it affirmed its 'BBB' financial strength and long-term issuer credit ratings on The Japan Ship Owners' Mutual Protection & Indemnity Assn. (Japan P&I). The outlooks on the ratings remain stable.

We affirmed the ratings because Japan P&I has maintained strong business relations with Japanese shipowners despite making an unbudgeted supplementary call on its members. The affirmation also reflects the insurer's favorable capital level. Given deterioration of insurance underwriting profit in recent years, Japan P&I has sought to improve profitability with stricter underwriting selection and increased underwriting premiums at renewal (general increases). The insurer's unbudgeted supplementary call totaled approximately ¥6.9 billion and led to stronger free reserves. Therefore, we revised upward the financial risk profile to satisfactory from fair. We are maintaining our ratings because we see room for Japan P&I's capital adequacy to further improve to a level commensurate with a higher rating.

The stable outlook reflects our view that Japan P&I's capital adequacy will remain above the 'AA' confidence level over the next two years with improving operating performance.

We may downgrade the ratings on Japan P&I within next two years if its capital level significantly deteriorates. This could result from unexpectedly large claims.

We may upgrade Japan P&I within the next two years if its capital adequacy further improves to a level close to the 'AAA' confidence level. This could occur through an accumulation of free reserves while profitability remains at least in line with the industry average.

Ratings Score Snapshot

Financial strength rating: BBB/Stable

Anchor: bbb

Business risk: Satisfactory

- IICRA: Intermediate risk
- Competitive position: Satisfactory

Financial risk: Satisfactory

- Capital and earnings: Strong
- Risk exposure: Moderately high
- Funding structure: Neutral

Modifiers: 0

- Governance: Neutral
- Liquidity: Exceptional
- Comparable ratings analysis: 0

Support: 0

- Group support: 0
- Government support: 0

IICRA--Insurance Industry And Country Risk Assessment.

ESG credit indicators: E-2, S-2, G-2.

Related Criteria

- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Insurers Rating Methodology, July 1, 2019
- Principles Of Credit Ratings, Feb. 16, 2011
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Ratings List

Ratings List

Affirmed

The Japan Ship Owners' Mutual Protection & Indemnity Association

| | |
|----------------------|---------------|
| Issuer Credit Rating | BBB/Stable/-- |
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Ratings List (cont.)

Affirmed

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|---------------------------|------------|
| Financial Strength Rating | BBB/Stable |
|---------------------------|------------|

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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