Research Update:

Japan P&I Outlook Revised To Positive As Capital Strength Continues To Improve; 'BBB+' Ratings Affirmed

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Overview

- Japan P&I continues to strengthen its capital buffer and risk resilience, supported by disciplined underwriting and ongoing capital accumulation.
- The protection and indemnity club will maintain a material excess of capital at the 99.99% confidence level under our capital model and favorable profitability over the next two years while working on improvement in business fundamentals, in our view.
- We therefore revised the outlook to positive from stable.
- We also affirmed at 'BBB+' our financial strength and long-term issuer credit ratings on The Japan Ship Owners' Mutual Protection & Indemnity Assn.

Rating Action

On July 30, 2026, S&P Global Ratings revised up to positive from stable the outlook on the rating for The Japan Ship Owners' Mutual Protection & Indemnity Assn. (Japan P&I). At the same time, we affirmed our 'BBB+' financial strength rating and our long-term issuer credit rating on the insurer.

Rationale

The club continues to demonstrate strong financial resilience. This is supported by disciplined underwriting and a solid capital position. We therefore revised the outlook to positive and affirmed the ratings on Japan P&I. We are closely monitoring the insurer's execution of its diversification strategy and work to increase business scale.

Japan P&I’s capital adequacy remains a key credit strength. Under our capital model, the club maintains capital adequacy at the 99.99% confidence level with significant buffers. We expect the club to further strengthen its risk resilience through the continued accumulation of free reserves, supported by disciplined underwriting and prudent risk management.

Strong profitability provides further support. Japan P&I has maintained a low and relatively stable combined ratio compared with many peers in recent years. We attribute this to the club's strong and direct relationships with Japanese shipowners.

The club's business profile will for now remain more modest in scale and diversification than that of some peers'. Its net premiums written remain pressured despite continued general increases and efforts to write new business. Losses of contracts at renewals have more than offset higher premium rates, resulting in lower premium income. We reflect these factors in our rating on the insurer.

The club is also working to diversify its business portfolio by expanding overseas operations. This could support geographic diversification over time. However, with this strategy still at an early stage, we see progress in strengthening the club's scale and diversification relative to peers as a focus point going forward.

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 club:

- 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 back down to stable if the club's underwriting results fall below the average P&I group on a sustained basis, and simultaneously its capital buffer deteriorates at the 99.99% confidence level.

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 Ship Owner's 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 Ship Owners' Mutual Protection & Indemnity Assn. (The), Sept. 24, 2025
- Japan P&I Upgraded To 'BBB+' On Stronger Capital Position; Outlook Stable, July 29, 2025

Ratings List

Ratings List

Ratings Affirmed; Outlook Action		
	To	**From**
Japan Ship Owners' Mutual Protection & Indemnity Assn. (The)		
Issuer Credit Rating		
Local Currency	BBB+/Positive/--	BBB+/Stable/--
Financial Strength Rating		
Local Currency	BBB+/Positive/--	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 https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.