



2011/12

Half year report





The Shipowners' Club

Half year report 2011/12

We are pleased to report a satisfactory start to the new financial year.

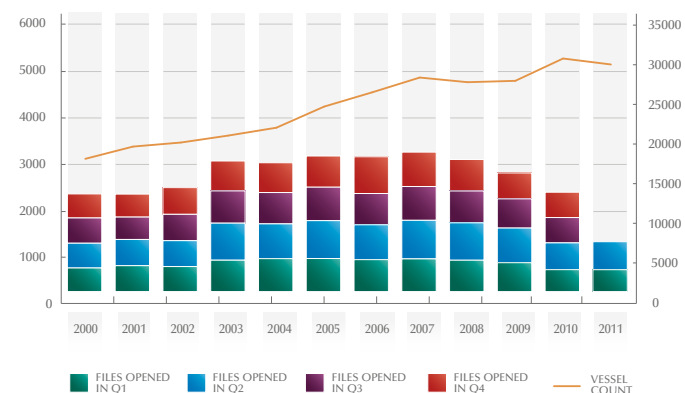
Earned premium

At 20th August 2011, earned premiums for the first six months were 7.3% higher than at the same stage of the previous year, in spite of there being no general increase applied for 2011/12. This is a reflection of the organic growth experienced, particularly during the 2010 policy year, and principally from the offshore sector although all vessel sectors saw some growth. New business activity continues especially as owners, guided by their brokers, become more aware of the increasing cost of claims and the benefits of a comprehensive liability insurance solution. Our entered tonnage at 20th August has increased to 19.45 million GT, an increase of 6.5%.

Claims activity

Despite a volatile start to the policy year the figures for the first six months remain encouraging. There has been a mere 2% increase in claims frequency when compared with the 2010 policy year. However, a number of notified claims in the \$1 million to \$5 million range accounts for an increase in the total value of claims when compared to the 2010 policy year.

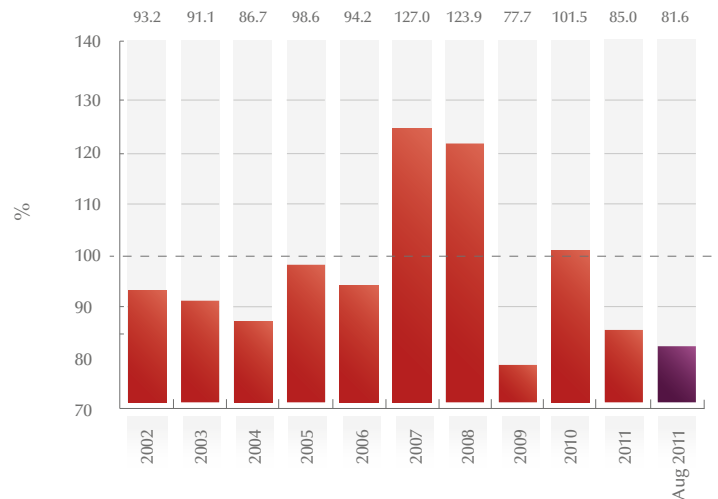
CLAIMS FILES OPENED AGAINST VESSEL COUNT BY POLICY YEAR IN EACH QUARTER



The Shipowners' Club Underwriting performance

The current year is performing generally as expected, and aided by improvements in the reserves for prior years, the first six months have generated a combined ratio of 81.6%. We will continue to monitor closely the impact of the increasing cost of claims and particularly the effects generated by "convention creep" and regional legislative changes.

COMBINED RATIO - 20th February:



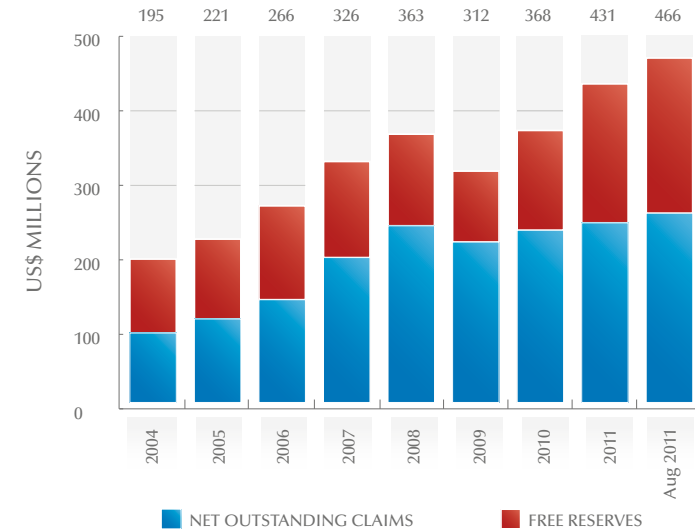
The Shipowners' Club The Club's investments

The investment markets have been volatile. As at 20th August, 80% of the Club's funds were in either cash or fixed income securities and 20% in equities. Overall, our investment managers have produced an aggregate return on investments for the first half year of 0.8%, and together with other exchange gains there is an overall return on investments of \$4.8 million.

Free reserves

The overall result for the first six months of the year is a surplus of \$21.9 million, increasing the Club's free reserves to \$210.1 million.

TOTAL FUNDS - 20th February:





The Shipowners' Club Renewal 2012

The Club Directors met in October to consider renewal for the 2012 policy year.

There is a general perception within the insurance market that we have seen the bottom of the soft insurance cycle and that claims, both in value and number, are starting to creep up slowly. We do need to anticipate a deteriorating claims position but also should be aware that the Club continues to grow, reserves are strong and the underwriting performance for the first half of the year is producing some encouraging signs. We are also conscious that very difficult operating conditions continue for many of our Members working in the small and specialist vessel sector and we have to be sensitive to that.

As a consequence the Directors have decided that no general increase will be sought from Members for the 2012 policy year. Likewise, any additional costs incurred with our reinsurance arrangements will be absorbed by the Club.

For those Members renewed on a mutual premium the estimated additional premium for 2012 will be zero with a zero release call.

Despite this decision, maintaining the financial stability of the Club is essential. Across all the branches we will review closely the record and risk of each Member, working with the broker to ensure that the premiums and terms of entry are commensurate with the risks that each operation brings. We will also be monitoring the claims performance of each Member and will apply increases in premium and adjustments in terms where required. Likewise our loss prevention team will be engaged in carrying out ship inspections and management audits, also offering general assistance through loss prevention initiatives.

We would also remind Members that all premiums must be fully paid up to date before accounts can be renewed.

The Shipowners' Club

Interim consolidated income & expenditure account for the six months ended 20th August 2011

	Six months to 20 th August 2011 (unaudited) US\$'000	Six months to 20 th August 2010 (unaudited) US\$'000	12 months to 20 th February 2011 (audited) US\$'000
Earned premiums			
Gross premiums earned	103,328	96,281	196,815
Outward reinsurance premiums	(9,399)	(10,588)	(22,998)
	93,929	85,693	173,817
Ultimate claims net of reinsurance	(56,059)	(47,009)	(107,150)
Net operating expenses			
Acquisition costs	(12,508)	(11,299)	(23,589)
Administrative expenses	(8,116)	(6,310)	(16,921)
	(20,624)	(17,609)	(40,510)
Balance on the technical account	17,246	21,075	26,157
Investment return	4,845	2,930	27,648
Taxation	(222)	(126)	(931)
Excess/(Deficit) of income over expenditure	21,869	23,879	52,874
Combined ratio	81.6%	75.4%	85.0%
Capital and free reserves	210,083	159,219	188,214

The Shipowners' Club

Interim consolidated balance sheet as at 20th August 2011

	20 th August 2011 (unaudited) US\$'000	20 th August 2010 (unaudited) US\$'000	20 th February 2011 (audited) US\$'000
Investments	425,188	384,284	406,423
Reinsurers share of technical provisions	55,328	88,857	74,152
Debtors	51,953	57,763	22,977
Other assets (incl. cash)	86,679	55,026	42,736
Prepayments and accrued income	15,724	14,609	5,980
	634,872	600,539	552,268
Capital and reserves	210,083	159,219	188,214
Gross technical provision	410,990	420,876	340,771
Creditors and other liabilities	11,387	18,443	20,090
Accrual and deferred income	2,412	2,001	3,193
	634,872	600,539	552,268



**The Shipowners' Mutual Protection
& Indemnity Association (Luxembourg)**

16, Rue Notre-Dame
L-2240 Luxembourg
Tel: +352 229 7101
Fax: +352 229 710222
Email: info@shipowners.lu

The Shipowners' Protection Limited

St Clare House, 30-33 Minories
London EC3N 1BP
Tel: +44 (0)20 7488 0911
Fax: +44 (0)20 7480 5806
Email: info@shipowners.co.uk

Shipowners' Asia Pte Limited

6 Temasek Boulevard
#36-05 Suntec Tower 4
Singapore 038986
Tel: +65 6593 0420
Fax: +65 6593 0449
Email: info@shipowners.com.sg

Shipowners' North America Protection Limited

1157 - 409 Granville Street
Vancouver, BC, V6C 1T2
Tel: +1 604 681 5999
Fax: +1 604 681 3946
Email: info@shipownersclub.ca

www.shipownersclub.com





Our Mutual Philosophy

Since its creation, the Shipowners' Club has succeeded through nurturing strong relationships; establishing an ethos that has delivered stability, continuity and security for over 150 years. Today, that mutual philosophy is matched by a progressive spirit committed to modernising the way we do business. Whether developing new markets, systems or services, we want to inspire our Members in the same way they have always inspired us.

