

Research Update:

Sveriges Angfartygs Assurans Forening (The Swedish Club) Ratings Affirmed At 'A-' On Resilient Capital; Outlook Stable

January 26, 2021

Overview

- Marine insurer The Swedish Club has a resilient capital position.
- In our view, the club's operating performance will likely remain under pressure in 2020, partly due to high pool claims. However, the club's disciplined underwriting and risk controls supports its controlled underwriting results compared with peers.
- We are affirming our 'A-' long-term ratings on The Swedish Club.
- The stable outlook reflects our view that the club will preserve its excellent capital adequacy and improve its underwriting performance.

Rating Action

On Jan. 26, 2021, S&P Global Ratings affirmed its 'A-' long-term insurer financial strength and issuer credit ratings on marine insurer Sveriges Angfartygs Assurans Forening (The Swedish Club; TSC). The outlook is stable.

Rationale

TSC is one of the 13 marine clubs in the International Group (IG) providing protection and indemnity (P&I) insurance. In our view, the club's competitive position is underpinned by its geographic diversification and the club's presence in the hull and marine and offshore energy markets, unlike many of its competitors. However, we notice some concentration in the marine segment, in line with the other protection and indemnity clubs.

Despite its relatively small size, the club has demonstrated favorable operating performance (a seven-year combined ratio of 98%) in comparison with the overall P&I sector. Nonetheless, we expect the club will post losses in 2020, notably due to higher pool claims, leading to unprofitable underwriting results which were not fully offset by financial results. We expect a combined ratio of

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115% for 2020 (compared with 106% in 2019 and 99% in 2018). We forecast hardening market conditions and profitable growth will support reversion of the deteriorating trend in 2021 and 2022.

TSC's capitalization remains a key rating strength. We expect the club will maintain its excellent capital adequacy over 2021-2022. In our view, the club has a large enough cushion to absorb the losses in 2020 caused by adverse market conditions and COVID-19-related investment market volatility. Further, the club's risk controls and underwriting discipline support our view of its strong financial risk profile.

Outlook

The stable outlook on TSC's ratings reflects our view that over the next two years the club will:

- Maintain its current level of excellent capital adequacy according to our risk-based capital model;
- Improve its underwriting performance in line with our expectations; and
- Keep its risk profile largely unchanged.

Downside scenario

We could lower the ratings over the next two years if:

- Underwriting or investment losses, or a change in risk profile, caused a material reduction in the level of excess of capital held, putting excellent capital adequacy at risk; or
- Underwriting performance does not improve in line with our expectations and/or compares unfavorably with other P&I clubs.

Upside scenario

We do not see any upside to the ratings within the next two years due to TSC's limited scale and diversity compared with higher-rated peers.

Ratings Score Snapshot

Financial strength rating	A-
Anchor*	a-
Business risk	Satisfactory
IICRA	Intermediate Risk
Competitive position	Satisfactory
Financial risk	Strong
Capital and earnings	Very Strong
Risk exposure	Moderately High
Funding structure	Neutral

Modifiers

Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0

Support

Group support	0
Government support	0

*This is influenced by our view that the surplus of capital above the 'AAA' level according to our model, the sound underwriting controls, and the ability to call on members for additional capital all compare well against peers.
IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- Difficult Decisions Lie Ahead For Protection And Indemnity Mutuals At The 2021 Renewal, Oct. 21, 2020
- Comparative Statistics: Global Marine Protection And Indemnity Clubs, Sept. 8, 2020
- Insurance Industry And Country Risk Assessment: Global Marine Protection And Indemnity, Sept. 4, 2020

Ratings List

Ratings Affirmed

Sveriges Angfartygs Assurans Forening (The Swedish Club)

Issuer Credit Rating	
Local Currency	A-/Stable/--
Financial Strength Rating	
Local Currency	A-/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. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at

https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352 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. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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