

Research

Summary:

Norwegian Hull Club

Primary Credit Analyst:

Olivier J Karusisi, London (44) 20-7176-7248; olivier.karusisi@spglobal.com

Secondary Contact:

Tatiana Grineva, London (44) 20-7176-7061; tatiana.grineva@spglobal.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Norwegian Hull Club

Local Currency

Credit Rating: A/Stable/--

Rationale

Business Risk Profile

- Norwegian Hull Club (NHC) is a global insurance provider with focus on multiple marine-related products.
- Operating performance is stable and strong.
- The product offering is diversified across marine lines, with high-end quality of services.
- Industry and country risk is intermediate, reflecting our view of low country risk and moderate industry risks for the global marine protection and indemnity (P&I) sector.

Financial Risk Profile

- The club's extremely strong capital adequacy is a key strength for the rating.
- Recent operating performance and business positioning have made the club's capital and earnings less volatile than those of its peers.
- Financial flexibility is adequate, reflecting the absence of outstanding debt and NHC's untested capacity to access the market for capital or liquidity.

Outlook

The stable outlook on NHC reflects S&P Global Ratings' view that the club will sustain its strong operating performance compared with peers over the next two years through the strength of its brand and business mix. We anticipate the club will keep its capital adequacy in excess of our 'AAA' level of confidence under our risk-based model. We also expect the club to maintain its premium reputation in the market and to expand its premium base conservatively over the next three years following a decrease in 2015-2016, which was mainly due to low commodity prices.

Downside scenario

We could lower the ratings on the club if its results were to be more volatile than we currently expect, or if its risk-based capital adequacy falls significantly and persistently below the level we define as extremely strong in our model. We could also lower the ratings if we believe NHC is unlikely to sustain performance ahead of its peers, as measured by combined ratios consistently in the range of 90%- 95%.

Upside scenario

A positive rating action is improbable over the next two years as it would likely depend on a substantial increase in the scale and diversity of the club that does not dilute its operating outperformance.

Related Criteria And Research

- Group Rating Methodology, Nov. 19, 2013
- Enterprise Risk Management, May 7, 2013
- Insurers: Rating Methodology, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Additional Contact:

Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com

Copyright © 2016 Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.