

Norwegian Hull Club

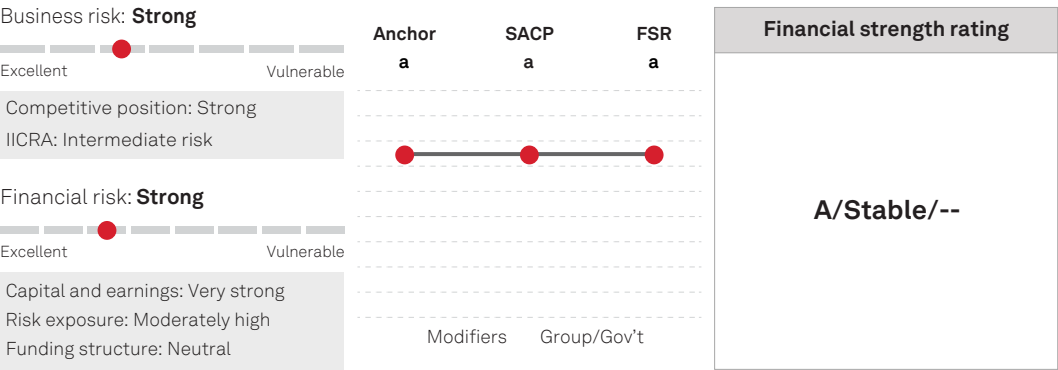
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FSR--Financial strength rating. ICR--Issuer credit rating. IICRA--Insurance industry and country risk assessment. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Consistently top-quartile performer in the marine sector.	Niche focus on the marine sector.
Significant excess of capital at our 99.99% confidence level.	Small capital base in absolute terms.
Strong underwriting controls help the club manage the underwriting cycle.	Potential volatility in marine sector underwriting results.

We expect Norwegian Hull Club (NHC) will continue recording underwriting results in the top quartile of its marine peers, with adjusted combined ratios (excluding the impact of return premium) below 95% over 2025-2026. NHC maintained its recent strong track record of underwriting results in 2024 with a combined ratio of 82.7% (2023: 97.9%), 78.4% (2023: 93.7%) when adjusted for premium returns. While conditions in some of NHC's key markets have become less favorable over 2024 and into 2025, we expect the club's disciplined approach to underwriting risk will ensure technical profitability will remain strong.

We anticipate that NHC will retain its reputation as a premium marine insurer with very loyal members. The club's expertise in hull and loss-of-hire marine insurance enables it to price services at the top end of the market. This means that, while NHC functions as a mutual in the interests of its members, it should continue to make technical profits over most of our forecast horizon.

The club has a marked excess of capital at our 99.99% benchmark, and we expect it will maintain this over the next two years. We anticipate that, while NHC will continue to expand and return premium to members, its strong underwriting results and improved investment returns will allow it to maintain a substantial excess of capital above the 99.99% level. Furthermore, we expect the club will maintain regulatory solvency cover above 250%.

Outlook

The stable outlook reflects NHC's strong operating performance. We expect the club will record combined (loss and expense) ratios below 95% over the next two years and remain in the top quartile of its peer group. We anticipate that the club will maintain capital levels above our 99.99% confidence level over 2025-2026.

We also expect the club to maintain its premium reputation in the market and to expand its premium client base conservatively over the next three years.

Downside scenario

We could lower the ratings if NHC's results proved more volatile than we currently expect, or if its risk-based capital adequacy falls materially and stays below the 99.99% confidence level, as per our model.

We could also lower the ratings if we consider NHC unlikely to sustain its top-quartile peer performance and a long-term average combined ratio below 95%.

Upside scenario

A positive rating action is unlikely over 2024-2026. This would depend on NHC substantially increasing its scale and diversity without diluting its operating outperformance relative to peers.

Assumptions

- Heightened U.S. policy uncertainty, mainly related to tariffs, will dominate the global macro narrative.
- Our GDP growth forecasts have fallen since our previous forecast. This is driven by U.S. tariff effects and spillovers from a steeper decline in U.S. sequential growth. European growth is lower this year but will improve from 2026 on higher defense and infrastructure spending. China's outlook is stable.

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- Container rates have fallen from the elevated levels seen in 2024. 2025 rates will depend in large part on developments related to the Red Sea.
- Conditions in the marine hull market will continue to soften in 2025.

Norwegian Hull Club--Key Metrics

	2027f	2026f	2025f	2024	2023
S&P Global Ratings capital adequacy	99.99%	99.99%	99.99%	99.99%	99.99%
Gross earned premium (mil. \$)	~345	~340	~335	332.6	322.6
Net income (mil. \$)	~40	~40	~40	60.5	35
Return on shareholders' equity (%)	~8	~8	~8	13.6	8.7
Net combined ratio (%)	~92	~92	~91	82.7	97.9

Figures are on a group basis. All figures include the impact of return premium paid to members.

f--S&P Global Ratings' forecast.

Business Risk Profile

We expect NHC to maintain its position as a premium provider of marine insurance, offering high-end loss-prevention, emergency response, and claims handling. The club's premium position has enabled it to price insurance services at the top end of the market and has contributed to its traditionally strong combined ratio.

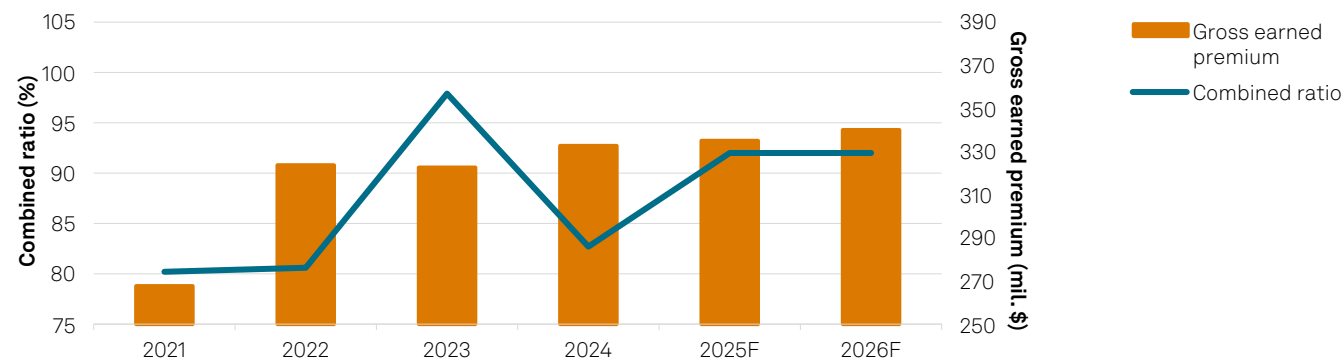
We expect NHC to maintain its position as market leader in loss-of-hire insurance, and to remain a significant provider of marine energy sector insurance and of hull and machinery insurance. NHC should continue to have a roughly 25% share of the Nordic market, which accounts for about 10%-15% of global hull premiums.

The club also has a geographically diverse client base, which we view as a strength, although its product and risk diversity are limited compared with other 'A' rated peers such as Hiscox and Gjensidige. The club has recently expanded its product range through the launch of NIORD, a managing general agent offering offshore renewable energy covers. The cover is underwritten both by NHC and third-party carriers. We expect the new subsidiary will generate at least \$30 million of premium a year over 2025-2026, with NHC underwriting more than half of it.

NHC's member retention rate remained above 90% at year-end 2024, despite unfavorable market conditions in the shipping industry. We expect the club's membership to remain loyal due to its strong service proposition.

We anticipate the club's top line will continue to grow over 2025-2026, albeit at a slower pace than in recent years. This reflects the club's close management of the underwriting cycle. NHC has traditionally grown in good rate environments (for example, over the 2018-2022 period) and maintained or reduced its exposure in softer rate environments. The club expects conditions to become less favorable over the next 24 months, particularly in the hull and machinery line, so will accordingly limit its exposure. We therefore estimate that premiums will grow by just 1% in both 2025 and 2026.

NHC to keep recording strong underwriting performance but growth will slow



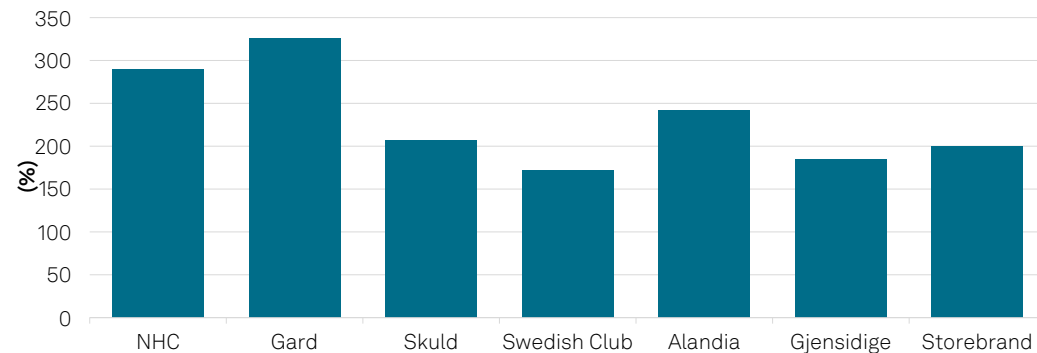
Source: S&P Global Ratings. f--Forecast.

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Financial Risk Profile

The club enjoys a robust capital position, with a significant excess of capital above our 99.99% benchmark and regulatory solvency capital requirement coverage of 290% at year-end 2024 (2023: 267%). We expect NHC's capitalization will remain at this level through 2025-2026 aided by its strong underwriting performance and improved investment yields.

NHC has one of the highest regulatory solvency ratios in its peer group



Source: S&P Global Ratings.

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The club's recent underwriting performance has been very strong. The adjusted combined ratio in 2024 was 78.4%, contributing to net income of \$60.5 million.

We expect NHC will continue to generate strong underwriting earnings in 2025-2026, with adjusted combined ratios under 95%. We expect that this will keep NHC in the top quartile of its marine peers in terms of underwriting performance.

NHC's capital and earnings could fluctuate materially due to the volatile nature of the business lines it writes. We anticipate that the club will manage this potential volatility through strong underwriting risk controls and careful cycle management, reducing exposure during less favorable pricing conditions.

We expect the club will maintain a high-quality capital base and a debt-free balance sheet over the next two years, returning premium to members only when it has sufficient capital over our 99.99% confidence level.

Other Credit Considerations

Governance

We view NHC's risk management capabilities as appropriate, given its size, relatively simple structure, and focus on the marine market. NHC has developed pricing tools used during quoting procedures, as well as market-leading loss management systems.

Its management team is stable and experienced, and has a track record of successfully achieving the group's financial and operational goals.

Liquidity

The club's balance sheet strength is complemented by a highly liquid investment portfolio. We consider NHC's liquidity as sufficient to meet any likely demands.

Environmental, social, and governance

ESG factors have an overall neutral influence on our credit rating analysis of NHC. We do not consider NHC to be an outlier among its peers regarding economic, social, and governance factors.

NHC functions as a genuine mutual organization, meaning it is owned by its members and operates on a not-for-profit basis on their behalf, with the aim of enabling members to trade globally with confidence and protecting seafarers against accident or injury.

It is in NHC's interest to minimize environmental damage, and its loss prevention program aims to reduce accidents and associated pollution.

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Rating Component Scores

Business Risk Profile	Strong
Competitive position	Strong
IICRA	Intermediate risk
Financial Risk Profile	Strong
Capital and earnings	Very strong
Risk exposure	Moderately high
Funding structure	Neutral
Anchor	a
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	A/Stable/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	A/Stable/--
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: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of April 11, 2025)*

Operating Company Covered By This Report	
Norwegian Hull Club	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--
Domicile	Norway

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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