Summary: Norwegian Hull Club

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Table of Contents Analyst Info Download PDF

	Local Currency
Issuer Credit Rating	A/Stable/--

Major Rating Factors

Strengths:

- Well-capitalized, in excess of the 'AAA' level.
- Diversified product offerings, compared with monoline protection and indemnity (P&I) clubs, across marine and
- marine-related lines.
- Strong and stable operating performance.

Weaknesses:

- High proportion of investment in high-risk assets compared with the traditional insurance sector.
- Undiversified product range outside of marine and marine-related insurance.
- Downward pressure on prices due to difficult market conditions.

Rationale

In rating Norwegian Hull Club (NHC), S&P Global Ratings considers NHC's leading position as a provider of a wide array of marine insurance products and its competitive advantage in key marine markets, as demonstrated by its sector-leading underwriting results in hull insurance. NHC's robust capitalization and profitability levels are a key strength of the rating. Despite NHC's relatively high proportion of investment in high-risk assets, we see limited capital volatility arising from non-underwriting activities. However, we view as a credit weakness the company's relatively small capital base, which makes it more vulnerable to single-event losses.

Outlook

The stable outlook signifies that NHC has differentiated its operating performance from that of its peers through the strength of its brand and its business mix. We anticipate that the club will maintain its capital adequacy above the confidence level we expect of a 'AAA' rated entity according to 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.

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 our 'AAA' level in our model. We could also lower the ratings if we consider NHC unlikely to sustain its peer-leading profitability, with an average combined ratio below 95% for 2018-2020.

Upside scenario

A positive rating action is improbable over the next two years. It would depend on the club substantially increasing its scale and diversity while not diluting its operating outperformance.

Related Criteria

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

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