S&P Global Ratings

Research

Research Update:

P&I Club NorthStandard Ltd. 'A' Ratings Affirmed; Outlook Remains Stable Despite Rise In Pool Claims

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Overview

- The heightened pool claim environment is expected to hamper protection and indemnity (P&I) clubs' operating performance.
- Like most of its peers, we expect NorthStandard to report technical losses in the fiscal year ended Feb. 20, 2025 after two years of sound results.
- We affirmed our 'A' ratings on NorthStandard Ltd. and its subsidiaries.
- The stable outlook indicates that we expect NorthStandard to maintain capital adequacy in line with our 99.99% confidence level and that we expect its underwriting results to recover to 100%-105% over the next 12-24 months.

Rating Action

On May 12, 2025, S&P Global Ratings affirmed its 'A' financial strength and issuer credit ratings on NorthStandard Ltd., NorthStandard Re Ltd., The Standard Club UK Ltd., and The Standard Club Asia Ltd.

At the same time, we affirmed our financial strength ratings on NorthStandard EU DAC (previously North of England P&I DAC) and The Standard Club Ireland DAC.

The outlooks on all these ratings are stable.

Rationale

NorthStandard has delivered sound technical results for the past two years. However, we now expect it to report a technical loss for the fiscal year ended Feb. 20, 2025. The club is one of 12 rated global marine P&I insurers within the International Group (IG), which collectively covers over 90% of global owned tonnage. Under the IG pooling arrangement, claims exceeding $10 million are shared among members, and elevated pool claims are expected to weigh on the operating performance of most IG clubs in 2025.

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In fiscal 2025, both the frequency and severity of pool claims increased significantly. As a result of the combination of an increased number of own large losses and the club's share of other IG members' pool claims, NorthStandard is likely to report technical losses for fiscal 2025. However, we expect its performance to remain broadly in line with some of its peers.

In our base-case scenario, we forecast NorthStandard will report a net combined ratio above 110% in fiscal 2025, improving to approximately 100% in fiscal years 2026 and 2027. While this projected performance is weaker than previously expected, the club's three-year average combined ratio of 98.3% remains reasonable for a mutual insurer. Investment income should help support overall results, enabling the club to maintain capital adequacy at the 99.99% confidence level. We also expect NorthStandard to retain its position by gross premiums written, reflecting its competitive strengths relative to peers.

Outlook

The stable outlook reflects our view that, despite NorthStandard's expected technical losses for fiscal 2025, the club will sustain its competitive position by improving its combined ratio to about 100%-105% in fiscal years 2026-2027, ultimately approaching a more sustainable technical performance. This also reflects our expectation that the club will maintain capital adequacy at the 99.99% confidence level over the next two years.

Downside scenario

We could lower our ratings on NorthStandard over the next 12-24 months if its competitive position weakens, through sustained operating underperformance, with the combined ratio failing to improve towards the 100%-105% range.

We could also lower the ratings if NorthStandard's risk-based capital adequacy falls below the 99.99% confidence level for a prolonged period and we do not expect recovery, due to sustained technical losses or increased asset risk.

Upside scenario

In our view, an upgrade is unlikely over the next 24 months. Such an action would require NorthStandard to diversify its portfolio while reporting operating results in the top quartile of its peers. In addition, an upgrade would depend on the club maintaining a greater excess above the 99.99% confidence level.

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

Related Research

- Insurance Industry And Country Risk Assessment: Global Marine Protection And Indemnity, Oct. 23, 2024
- Protection And Indemnity Clubs Opt For Rate Hikes In 2025, Oct. 23, 2024
- Comparative Statistics: Global Marine Protection And Indemnity Clubs, Oct. 23, 2024

Ratings List

Ratings list
Ratings Affirmed
NorthStandard Ltd.

Ratings list	
NorthStandard EU DAC	
NorthStandard Reinsurance Ltd.	
Standard Club Asia Ltd. (The)	
Standard Club Ireland DAC (The)	
Standard Club UK Ltd. (The)	
Financial Strength Rating	
Local Currency	A/Stable/--
NorthStandard Ltd.	
NorthStandard Reinsurance Ltd.	
Standard Club Asia Ltd. (The)	
Standard Club UK Ltd. (The)	
Issuer Credit Rating	
Local Currency	A/Stable/--