Shipowners' Mutual Protection & Indemnity Association (Luxembourg)

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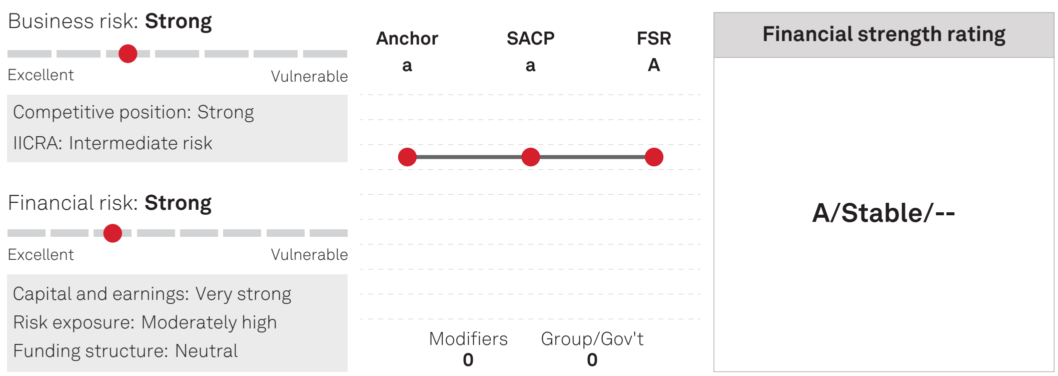
This report does not constitute a rating action.

Primary Contact

Sachin Bhojani
London
442033670539
sachin.bhojani@spglobal.com

Secondary Contact

Maren Josefs
London
44-20-7176-7050
maren.josefs@spglobal.com



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

Credit Highlights

Overview

Key strengths	Key risks
Membership of the International Group (IG) of protection and indemnity (P&I) clubs provides market access.	Concentrated product range and exposure to equity markets can cause capital and earnings volatility.
Capitalized at the 99.99% confidence level under S&P Global Ratings' risk-based capital model, with stable underwriting results that compare well with those of its IG peers.	Macroeconomic headwinds, geopolitical tensions, and competition from fixed-premium players and within the IG could temper growth and underwriting results.
Leading and resilient position in the P&I insurance market for small and specialist ships, underpinned by expertise in the sector and sound intermediary relationships.	A larger number of members compared with IG peers increases diversification but creates a higher expense base and implies more reliance on broker relationships to retain business.

Shipowners' Mutual Protection & Indemnity Association (Luxembourg) (SMP, the club) will continue to be the leading market for P&I insurance for small and specialist vessels. While macroeconomic and geopolitical factors may present challenges, S&P Global Ratings expects that SMP will sustain its market share and continue to capitalize on its competitive advantage as a unique member of the IG. We expect the club will maintain sound underwriting discipline, with combined ratios close to breakeven and retention rates in the high 90% range. The selection of the 'a' anchor is influenced by the club's resilience to competition in the small ship P&I market and our expectation that SMP will continue to exhibit lower underwriting volatility than its peers.

Capital will remain a key rating strength over the next two years. SMP maintains an excess of capital at our 99.99% confidence level, alongside a regulatory Solvency II capital ratio of 259% in 2025, up from 243% in 2024. That said, we acknowledge potential volatility in the capital surplus, driven by investment market exposure and the club's exposure to IG pool claims--risks that are broadly consistent with those faced by peers. We think the club is committed to maintaining its capital adequacy at the 99.99% confidence level over the next two years.

Like the majority of its peers, SMP remains largely undiversified given its focus on its core P&I business. While the club's narrow product focus is in line with that of its P&I peers, its vessel base provides some diversification to its underwriting portfolio. That said, SMP is less diversified than the rest of the insurance sector.

Outlook

The stable outlook reflects our view that SMP's capital adequacy, as measured by our risk-based model, will remain above our requirements for the 99.99% confidence level over the next two years. We expect SMP to maintain its competitive position, sustain high member retention, and target consistent combined ratios (lower combined ratios indicate better profitability, while a level above 100% signifies an underwriting loss) that are close to or below 100%, and at least in line with the averages for its P&I peers over this period.

Downside scenario

We could lower the rating on SMP if its competitive position deteriorates, evident from a period of poor underwriting results or a sizable reduction in its market share. We could also lower the rating if SMP's prospective capital adequacy weakened below the 99.99% confidence level.

Upside scenario

We consider a positive rating action unlikely. Similar to most of its peers, SMP's relatively undiversified earnings constrain our view of its competitive position.

Assumptions

- We forecast global GDP growth of 3.2% in 2026, versus 3.5% in 2025, as geopolitical risks and uncertainties continue to weigh on a favorable credit landscape.
- 10-year U.S. Treasury note yield of 4.4% in 2026, 3.9% in 2027, and 3.8% in 2028.
- Real U.S. GDP growth of 2.1% in 2026, 1.9% in 2027 and 2028.
- Eurozone GDP growth of 0.5% in 2026, followed by 1% in 2027 and 1.3% in 2028.

	2028f	2027f	2026f	2025	2024	2023
Gross premium written (mil. $)	335-340	325-330	315-320	307.7	304.8	286.6

	2028f	2027f	2026f	2025	2024	2023
EBITDA (mil. $)	30-35	30-35	30-35	18.8	21.3	19.9
Net income (mil. $)	30-40	30-40	30-40	83.2	40.6	69.5
Return on members' funds (%)	5-10	5.0-10	5.0-10.0	17.0	9.5	18.7
Net combined ratio (%)	~100.0	~100.0	~99.0	99.6	98.8	98.4
Return on revenue (%)	~10.0	~10.0	~10.0	6.5	7.5	7.5
S&P Global Ratings capital adequacy	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%
Capital Adequacy: Redundancy/Deficiency at defined confidence level*	>10%	>10%	>10%	>10%	-	-

f--S&P Global Ratings forecast. * Shows total adjusted capital (TAC) compared to risk-based capital (RBC) at the relevant capital adequacy confidence level at the end of the projection period.

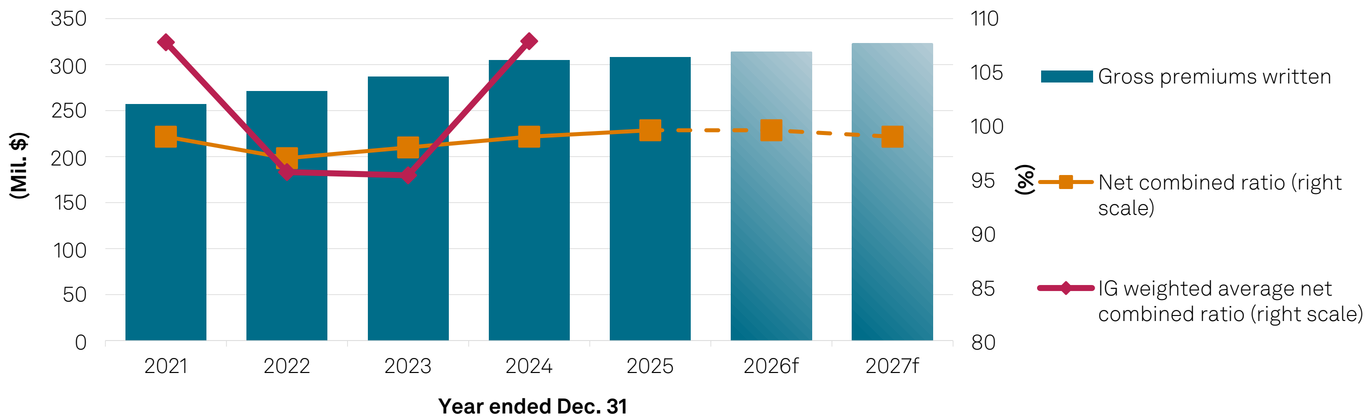
Business Risk Profile

SMP is a mutual marine insurer specializing in smaller and specialist vessels within the IG--a group of 12 clubs that provides P&I cover for about 90% of the world's oceangoing tonnage. In our view, one of SMP's key strengths is its membership in the IG, which provides significant benefits. These include a comprehensive excess-of-loss reinsurance program and regulations that limit competition between clubs on existing business. These factors enable P&I clubs to offer extensive coverage, create high barriers to entry, enhance customer loyalty, and maintain a strong competitive position.

SMP has established a strong, defensible position within the small and specialist vessel sector over time. In addition to the traditional P&I business covered by the IG, the club offers a sizable fixed-premium product that accounts for about 30% of gross premiums written and provides its members with an alternative solution. While we view the diversification benefits positively, the fixed-premium market remains highly competitive and continues to place pressure on underwriting margins.

The P&I sector has experienced two consecutive years of elevated claim severity and frequency, resulting in increased pool losses continuing to pressurize the sector's underwriting performance. Although we remain cautious that these trends could persist through 2026, SMP's relatively small share of the IG pool has limited the impact on earnings. We expect the club to maintain underwriting results close to breakeven over the next two years through disciplined underwriting and pricing actions, consistent with its mutual business model. SMP reported a combined ratio of 99.6% in 2025, broadly in line with this strategy, while its five-year average combined ratio of 98.6% (2021-2025) compares favorably with that of its P&I peers over the same period.

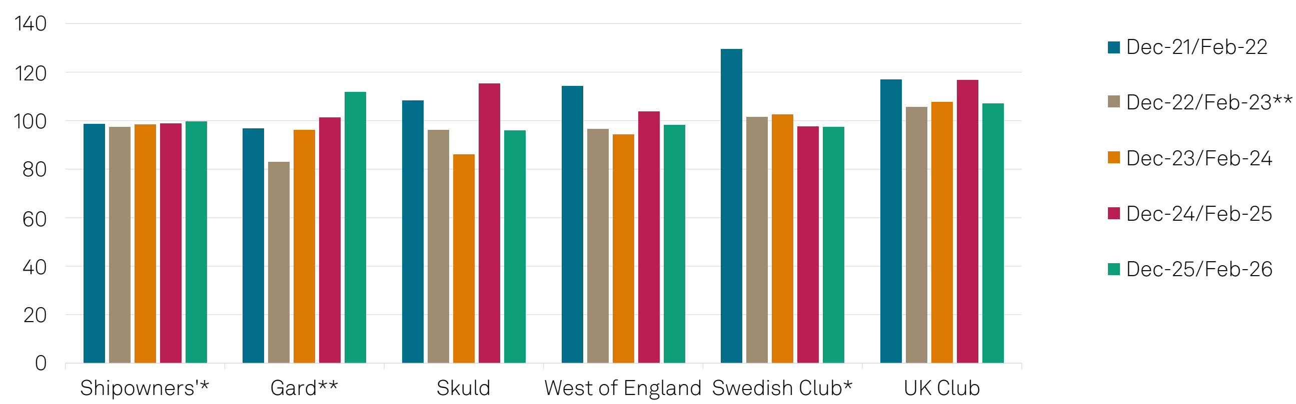
SMP has demonstrated steady annual growth in recent years



f-- forecast. IG--International Group. Source: S&P Global Ratings.

SMP's results compare well across the International Group

Net combined ratio (%)



*Year ended Dec. 31. **Gard's financial year-end was changed to Dec. 31 in 2022; it was Feb. 20 earlier. It reported for the shortened period running from Feb. 21 to Dec. 31. Source: S&P Global Ratings.

SMP recorded strong member retention at 99.2% in 2025 and we expect it will remain above 95% over 2026-2027. While we remain cautious about growth prospects amid ongoing global economic uncertainty and geopolitical tensions, the club's disciplined underwriting approach and selective risk appetite contributed to broadly flat gross premiums over 2024-2025. We forecast gross premium growth of about 3% for 2026, reflecting the 5% general increase announced for the February 2026 renewals--in line with many of its P&I peers. At the same time, we recognize management's efforts to derisk the underwriting portfolio may temper volume growth.

SMP has a global presence, with just under 8,300 members and more than 35,400 insured vessels, and represents a gross tonnage of 34.4 million. While the extensive membership base enhances diversity and reduces concentration risk, the largely broker-based distribution model increases reliance on intermediaries. SMP's earnings are dependent on the performance of a single market with no other significant lines of business outside its core marine offering. We perceive this as a competitive constraint, relative to larger and higher-rated insurers.

SMP expanded its product offering through the acquisition of a managing agent, Waterborne, in October 2024 and formally entered the U.K. and Irish hull and machinery insurance market in September 2025. Policies written through Waterborne are underwritten by a panel of Lloyd's insurers. While this broadens and diversifies the club's product offering, hull and machinery rates have been very competitive in recent years. We therefore expect SMP's growth in this segment to remain modest and controlled over the next two years.

Financial Risk Profile

We expect SMP's total adjusted capital to remain above our 99.99% confidence level over the next two years. This reflects our expectation that SMP will continue to build its capital surplus thanks to modest annual profits alongside positive investment returns over the next two years.

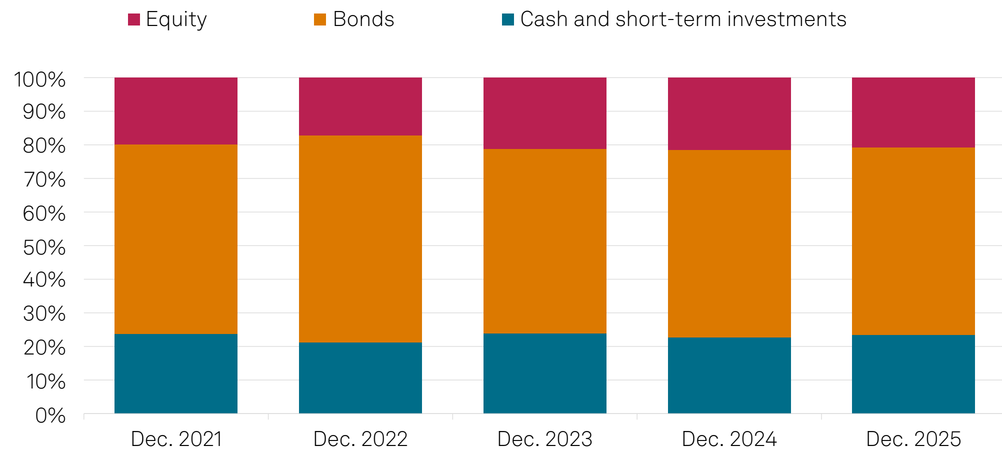
As with all P&I clubs, SMP's earnings profile is characterized by inherent volatility stemming from its participation in the IG pooling arrangement, under which member clubs share claims between $10 million and $100 million. Membership of the IG also gives the clubs access to its extensive reinsurance program, which limits net risk retention despite fluctuations in pooled claims. In 2025, SMP's contribution to other clubs' claims increased to $21.2 million from $15.9 million in 2024, marking a five-year high in pool-related costs.

Net income increased to $83.2 million in 2025, from $40.6 million in 2024, primarily driven by the strong performance of SMP's investment portfolio. This was supported by continued favorable conditions in the club's equity and fixed income segments. The club maintains a strategic equity allocation target of 25%, positioning its investment portfolio at the higher end of the risk spectrum relative to other non-life insurers in Western Europe. While this results in greater exposure to market volatility, the investment strategy remains resilient and has continually helped strengthen SMP's capital base.

SMP's reliance on investment income to support capital adequacy exposes it to potential risks associated with financial market volatility. We consider the current capital surplus at the 99.99% confidence level to be sufficient to withstand short-term market turbulence. However, if it reduces, the club's ability to absorb market shocks and maintain capital adequacy at the 99.99% level may be compromised.

We expect SMP to continue managing its underwriting risk through measures such as premium rate increases and changes to terms and conditions where necessary. We do not view its strategy of underwriting at breakeven as credit negative, given its mutual status and long-term objective of providing cover to members at a cost. As a mutual insurer, the club also has a legally enforceable right to levy unlimited supplementary calls on members. However, we consider it unlikely that this mechanism would be exercised and therefore do not explicitly reflect it in our capital analysis.

SMP's investment portfolio allocation



Source: S&P Global Ratings.

Other Credit Considerations

Governance

SMP maintains a governance structure that is aligned with most of its P&I peers. In June 2026, the club completed a planned management transition, with Marcus Tarrant, who served as CFO since 2023 and as Chief Actuary from 2014 to 2023, succeeding Simon Peacock as CEO, while Steve Aleppo assumed the role of CFO. We do not expect these management changes to have a material impact on the club's strategy or risk appetite.

Over time, we have observed the club's strategy reflects clarity and consistency, and that it benefits from market-leading expertise in its chosen segment. We view SMP's risk-management capabilities as appropriate for its monoline profile. SMP has developed pricing tools that it can use in its quoting procedures, and benefits from its large database and knowledge of the small ships sector.

Liquidity

In our opinion, SMP's liquid assets are sufficient to cover its net technical reserves. The multi-year nature of its reserves means that the club is unlikely to have high liquidity needs in the short term.

Environmental, social, and governance

ESG factors have no material influence on our credit rating analysis of SMP.

Shipowners' Mutual Protection & Indemnity Association (Luxembourg)--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	Exceptional
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

- P&I Mutuals' Limited Net Exposure To The Middle East War Requires Monitoring**, March 6, 2026**

Ratings Detail (as of August 03, 2026)*

Operating Company Covered By This Report	
Shipowners' Mutual Protection & Indemnity Association (Luxembourg)	
Financial Strength Rating	
Local Currency	A/Stable/--
Issuer Credit Rating	
Local Currency	A/Stable/--
Domicile	Luxembourg

*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

Ratings Detail (as of August 03, 2026)*
obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.