AMERICAN HELLENIC HULL

FIVE CONSECUTIVE MONTHS OF PROFITABLE OPERATIONS FOR AMERICAN HELLENIC HULL

by: Ilias Tsakiris
Managing Director
Hellenic Hull Management (HMA)
As managers of American Hellenic Hull Insurance Company Ltd.
Limassol, Cyprus

American Hellenic, the American Club's hull insurance subsidiary, remains on its dynamic upward trajectory after a profitable summer period. August was the company's fifth consecutive month of profitable operations, thanks to the market continuing to firm and the company's strong underwriting loss ratio of 64.7%.

At end of August, AHHIC had an insured fleet of 2,127 vessels – a year-on-year increase of 14% – with an average 7.98% line of cover. Written premium was 13% higher than at the same stage last year. Since the end of 2017 the company's total assets have increased by 16%, while current assets are 332% of current liabilities. Long overdue items are at their lowest-ever level at about 1% while the company's operating expenses are currently 14.3% below budgeted amounts.

In August the company's capital stood at 116% of the Solvency Capital Requirement (SCR) and 166.6% of the Minimum Capital Requirement (MCR).

1. Mr. Tsakiris, what is that makes American Hellenic Hull successful?

American Hellenic Hull's success stems from the market thirst for a strong provider with deep market expertise. Besides that, we offer personal, bespoke services to our clients every step of the way, even at a local level, which our competitors, mainly multinational faceless companies, cannot provide. This differentiation leads to success.

2. High quality services and Solvency II. How can a new, growing company provide the best of both?

Through the optimal combination between capital and labor. Furthermore, at American Hellenic Hull, we have given great emphasis to investing in technology to maximize productivity. In addition to that, having established close links with the world's leading brokering firms, we succeed in facilitating both firms and clients. We do provide direct, bespoke services – overcoming competition- and we respond at the same time, to the increased requirements of the Solvency II regime, a prerequisite for our participation in the international competition.

3. What is the recipe to ensure profitability, given the fact that high quality services mean high operating costs?

Our operating model consists of a tough core of executives competing on a day-to-day battlefield. Nevertheless, due to the wide spectrum of American Hellenic Hull's services, several operations such as actuarial, risk management, internal audit, compliance and tax support are being outsourced to top external partners, minimizing the operational cost.

4. So, what do these mean in numbers?

During the first 25 months of the company's operation, the operating cost has not exceeded 27% (including broker commissions, manager fees and other expenses) which means that we achieve the break even target at a loss ratio of 73%. Taking into account that the company's loss ratio is 65%, as a result of good underwriting, this leaves an operating profit margin of 8%, which can be distributed to shareholders or used to strengthen our solvency position through capital investments.

5. Solvency II does not require over-employment of capital? If so, how do investors maximize their value?

Investments may include positions in the money / capital market and reinvestments to strengthen the company's reinsurance program in order to reduce our exposure, improving our Solvency Capital Requirement coverage ratio. By upscaling our reinsurance program, finally the result will be to maximize value for the shareholders. In the meantime, we seek to reinforce our reinsurance coverage every year, using 4-5 percentage points from the aforementioned margin (8%), while the remaining profits are channeled into our investment portfolio. The main pillar of our investments – managed by Merrill Lynch- is US government bonds. The aim is to double the value of the initial investment in the next five years.

American Hellenic Hull
Insurance Company

American Hellenic Hull is a privately-owned marine insurance company, which covers primarily Hull and Machinery risks. It is 100% owned and financially backed by the American P&I Club and exclusively managed by the Hellenic Hull Management. The company is registered in Cyprus and operates via its Managers from New York, Houston, London, Shanghai, Hong Kong and Piraeus. Its operations commenced on July 1, 2016.

Product and Services

AHHIC offers hull insurance terms according to all customary conditions, such as ITC, AIHC, DTV/ ADS, Nordic Plan etc. Conditions provided by AHHIC cover Salvage, General Average, Sue & Labor expenses, War, War P&I, I.V., Disbursements and certain liabilities.

Solvency II

American Hellenic Hull is the first marine insurance company licensed in Cyprus under the Solvency II regime's requirements. American Hellenic Hull has successfully passed all required SCR and additional Stress Tests (beyond requirements).

Rating

According to the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), unrated counterparties under supervision equivalent to Solvency II which meet the local capital requirements that are equivalent to the SCR can be treated as if having a BBB rating.