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IUMI webinar

9 September 2026

Marine Underwriters' Financial Fundamentals –

Financial Basic Literacy

Reading an Insurer Balance Sheet

IUMI - Marine Underwriters’ Financial Fundamentals

An insurer sells a promise.
The balance sheet shows what stands behind it.

ASSETS

fund and support the promise

LIABILITIES

estimate the obligations

EQUITY

absorbs what does not go to plan

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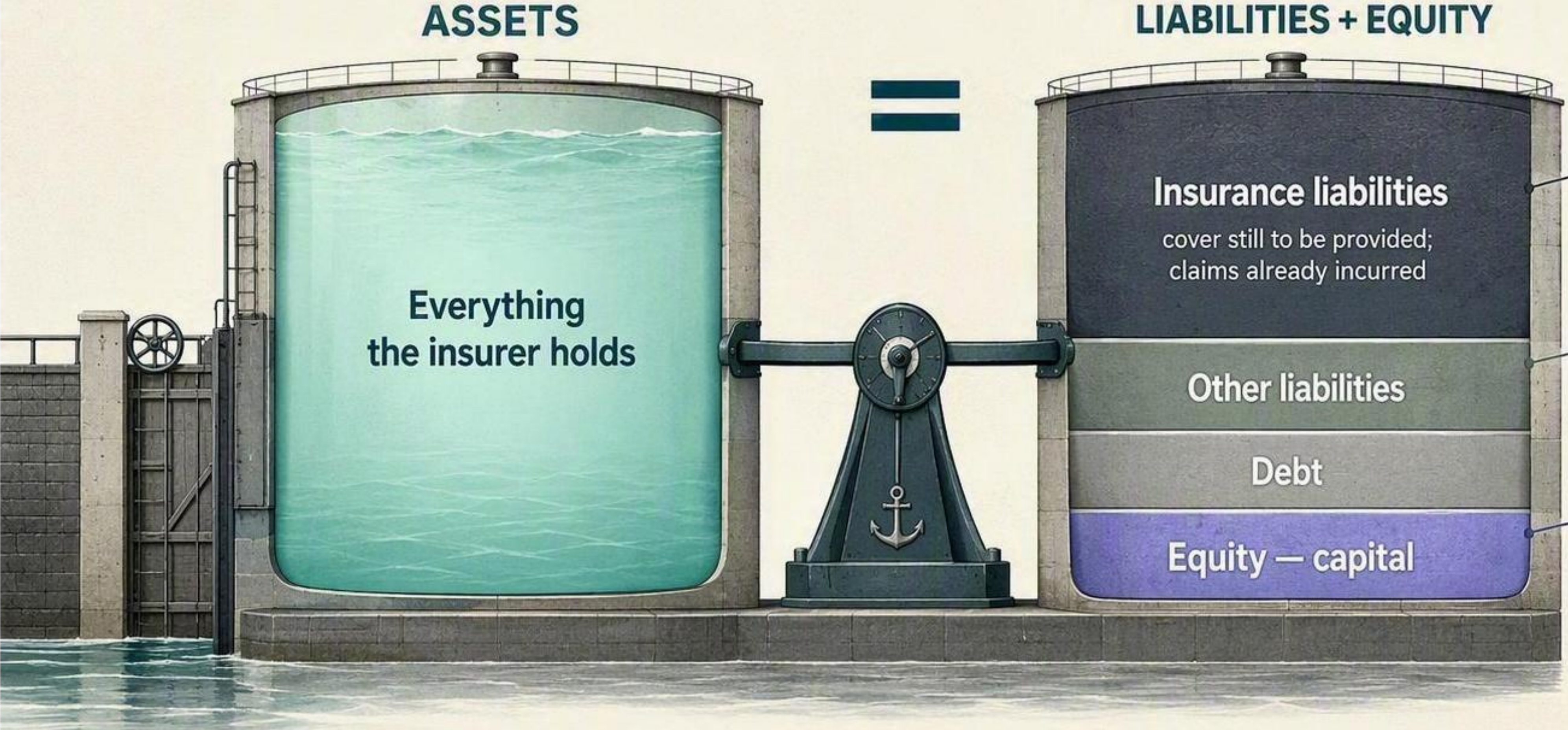
THE MENTAL MODEL

ASSETS = LIABILITIES + EQUITY

Assets fund the promise • Liabilities estimate the obligations • Equity absorbs what does not go to plan



The estimate
Today's best estimate of what the promise will cost. It moves as information arrives.

Ranking ahead
Obligations to parties other than policyholders are settled before shareholders.

The residual
Equity = assets − liabilities. It is not cash or regulatory capital.

Common misconception: Equity is not a buffer to spend. It is what remains after all obligations are met.

Illustrative proportions. Not drawn to the scale of any particular insurer.

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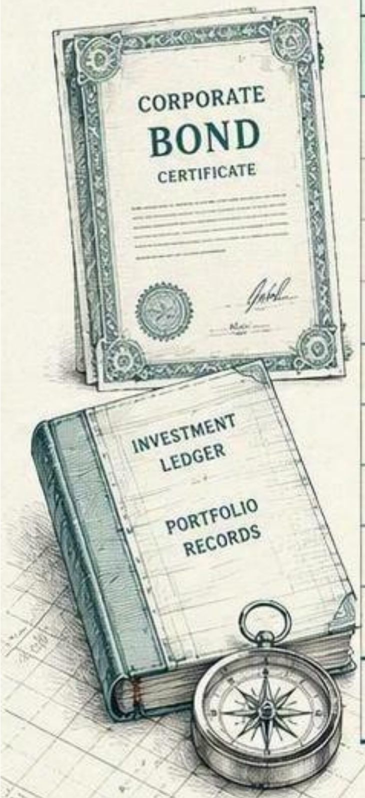
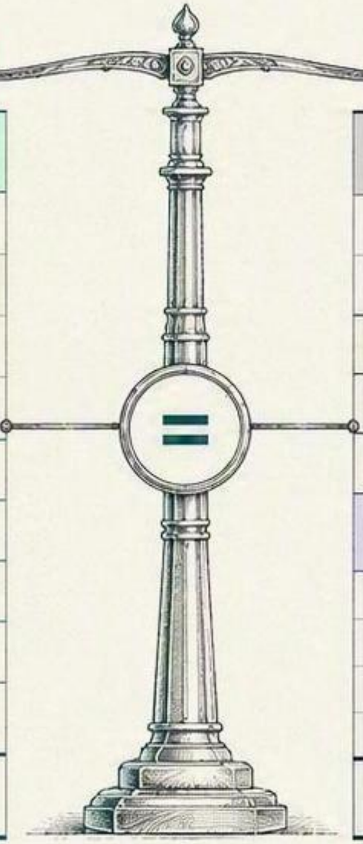
A REAL INSURER · US GAAP, PROPERTY & CASUALTY

Insurance Corporation, 31 December 2023

A real US GAAP statement, grouped into economic families. US$ millions.



ASSETS	
Investments	**65,999**
Fixed maturities	60,378
Short-term investments	1,790
Equity securities	3,831
Cash and restricted cash	100
Premiums receivable, net	**11,958**
Reinsurance recoverables	**5,094**
Prepaid reinsurance premiums	**250**
Deferred acquisition costs	**1,687**
Other assets	**3,603**
TOTAL ASSETS	**88,691**



LIABILITIES + EQUITY	
Insurance liabilities	**54,523**
Unearned premiums	20,134
Loss & LAE reserves	34,389
Other liabilities	7,002
Debt	6,889
Total liabilities	**68,414**
Shareholders' equity	**20,277**
Preferred and common shares	1,079
Paid-in capital	2,013
Retained earnings	18,801
Accumulated other comprehensive income	(1,616)
TOTAL LIABILITIES + EQUITY	**88,691**

Grouping and subtotals are ours; every line reconciles to the statement reproduced in the appendix. Presentation, terminology and measurement vary by insurer and by accounting framework — an IFRS 17 or statutory presentation of the same business would not look like this.

WHERE THE MONEY SITS

Premium arrives → funds are invested → claims are paid later

WHAT THE INSURER OWES

54,523

US$m insurance liabilities

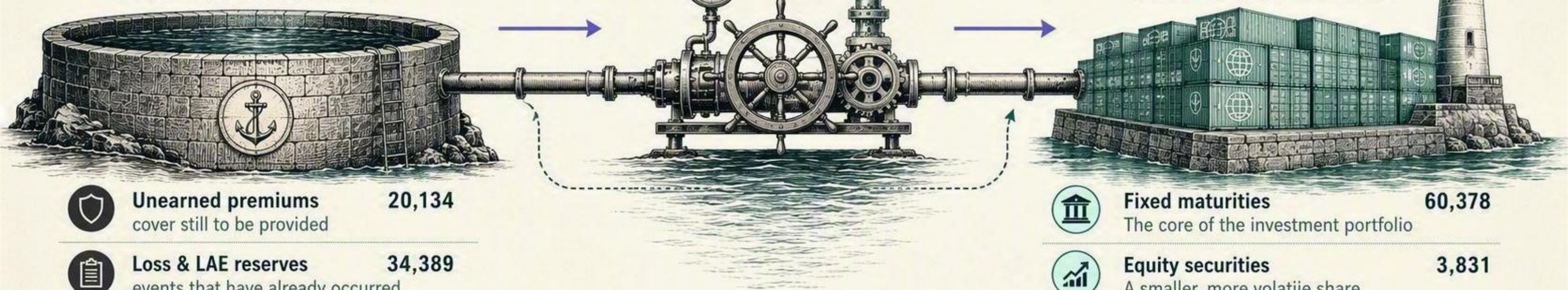
Premium arrives first

Claims are paid later

WHAT IS INVESTED

65,999

US$m total investments



Unearned premiums cover still to be provided	20,134
Loss & LAE reserves events that have already occurred	34,389

Future cover + unpaid claims = insurance liabilities.

Fixed maturities The core of the investment portfolio	60,378
Equity securities A smaller, more volatiie share	3,831

Short-term investments and cash support near-term payments.

THE BEGINNER'S ASSET–LIABILITY CHECK

WHAT DO WE OWN?
Asset mix and credit quality

WHEN MUST WE PAY?
Expected claim payment profile

CAN WE PAY ON TIME?
Liquidity and duration

Manage the portfolio for the timing and uncertainty of claims — not one asset per liability.

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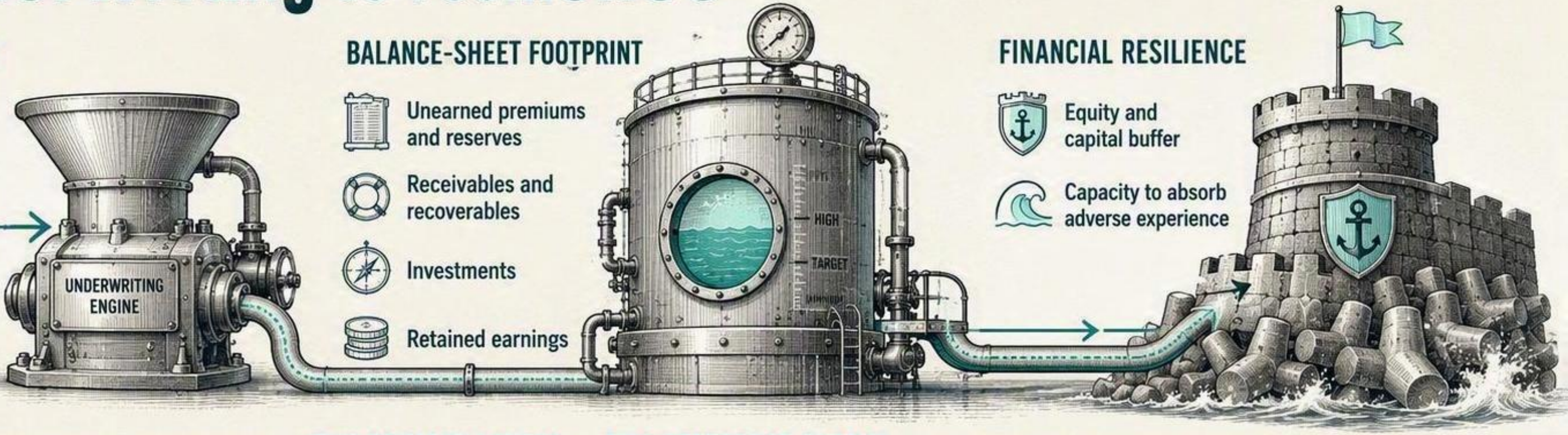
From underwriting to resilience

UNDERWRITING ACTIVITY

- Premium written and earned
- Claims incurred
- Expenses and acquisition costs



BALANCE-SHEET FOOTPRINT

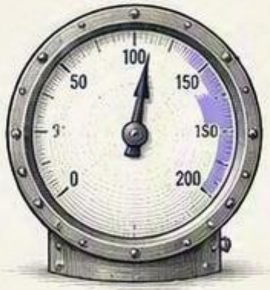
- Unearned premiums and reserves
- Receivables and recoverables
- Investments
- Retained earnings

FINANCIAL RESILIENCE

- Equity and capital buffer
- Capacity to absorb adverse experience

TWO PRIMARY LENSES — TWO REFERENCE CHECKS

1 START HERE · Combined ratio



loss ratio + expense ratio

Did underwriting make money?

2 ADD THE BALANCE SHEET · Insurance leverage

insurance liabilities ÷ equity

How much obligation does each unit of capital support?

REFERENCE · Debt / equity

debt ÷ equity

How much financial leverage sits around the risk?

REFERENCE · Return on equity

net income ÷ average equity

What did the business earn on its capital?

Are strong reported results building resilience — or consuming it?

Diagnostic lenses, not pass/fail thresholds. The combined ratio excludes investment performance entirely, and return on equity flatters a small denominator.

DIAGNOSTIC · SYNTHETIC INSURER

You have 10 minutes before the meeting. What catches your eye?

SIMPLIFIED BALANCE SHEET	YEAR 1		YEAR 2	CHANGE
ASSETS				
Investments	4,200	↗	5,050	+20%
Cash and short-term	480	↘	300	−38%
Premium receivables	620	↗	850	+37%
Reinsurance recoverables	340	↗	640	+88%
Other assets	260	↗	300	+15%
Total assets	**5,900**	↗	**7,140**	**+21%**
OBLIGATIONS + CAPITAL				
Insurance liabilities	3,600	↗	4,700	+31%
Other liabilities	500	↗	610	+22%
Debt	700	↗	950	+36%
Equity	1,100	↘	880	−20%
Total liabilities + equity	**5,900**	↗	**7,140**	**+21%**

CONTEXT

Net premium written	Combined ratio	Debt / equity	Insurance liabilities / equity
+25%	97	0.6× → 1.1×	3.3× → 5.3×

30 seconds: identify movements, then write questions — not conclusions. →

Synthetic figures for teaching. Currency and scale are immaterial; the relationships are the lesson.
Not a benchmark and not any real insurer.

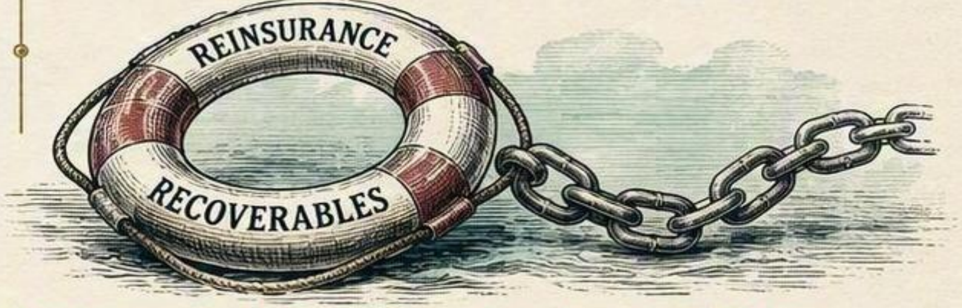
WHAT I WOULD TAKE INTO THAT CALL

FOUR OBSERVATIONS

01 Insurance liabilities are growing faster than premium

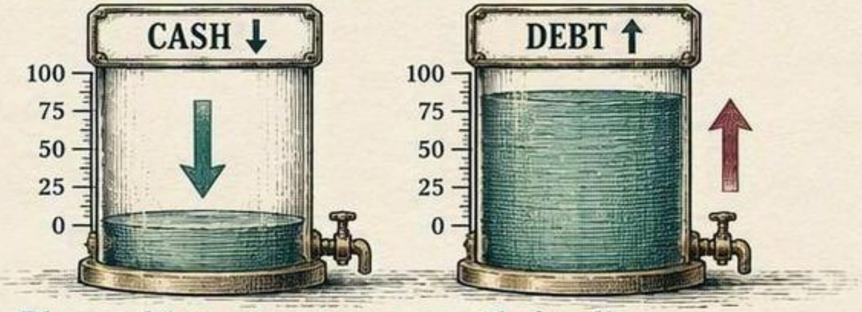
BENIGN: Longer-tail growth or a shift in business mix
CONCERNING: Reserve strengthening or inadequate pricing

02 Reinsurance recoverables jumped



BENIGN: A new quota-share treaty or one large ceded loss
CONCERNING: Slow collections or weaker reinsurer credit

03 Cash fell while debt increased



BENIGN: Planned investment or growth funding
CONCERNING: Debt-funded losses or liquidity pressure

04 Equity declined despite a sub-100 combined ratio

BENIGN: Dividends, buybacks or unrealized market moves
CONCERNING: Reserve deterioration or investment losses

OBSERVATIONS, NOT CONCLUSIONS: TEST BOTH EXPLANATIONS.

BEFORE YOU CLOSE AN INSURER BALANCE SHEET

Five questions

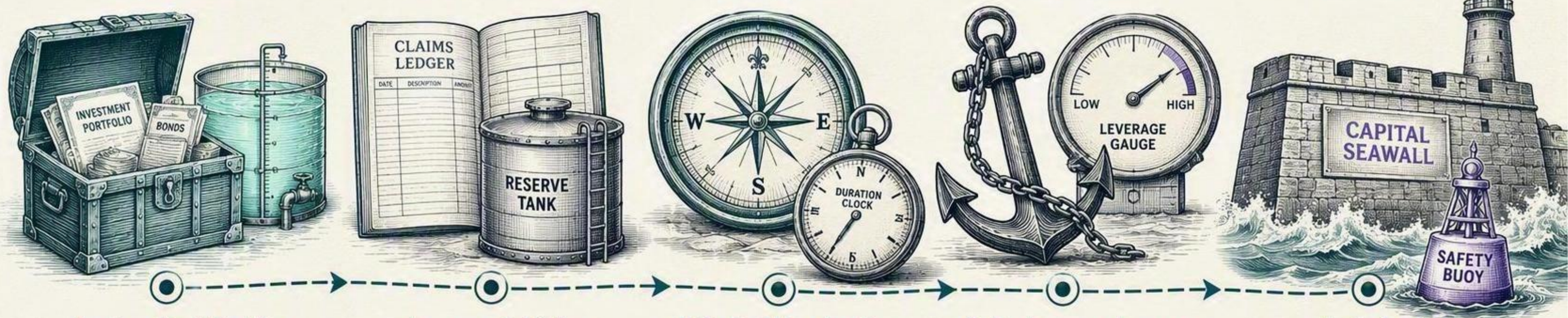
1 What backs the promises?

2 What does the insurer owe?

3 Do the assets fit the obligations?

4 How much leverage is there?

5 How much buffer remains?



Asset quality & liquidity

Insurance liabilities

ALM · liquidity · duration

Debt + insurance leverage

Equity / capital

The balance sheet does not tell you whether to write the risk.
It tells you which questions you should not forget to ask.
Use these five questions before your next insurer meeting.

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Thank you!

Contact us

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REFERENCE MATERIAL

Appendix

Metrics reference · Plain-English glossary · Source verification · Cross-framework comparison

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Seven metrics — each with a misuse guardrail

Metric	Simplified formula	The question it answers	Interpretation caveat
Loss ratio	Incurred losses & LAE ÷ earned premium	How much of each premium unit went to claims?	Gross versus net of reinsurance changes it materially; includes prior-year development unless disclosed separately.
Expense ratio	Acquisition + underwriting expenses ÷ premium	What does it cost to acquire and run the business?	The denominator may be earned or written premium; definitions differ by company and by market.
Combined ratio	Loss ratio + expense ratio	Did underwriting make money?	Excludes investment performance entirely. Below 100 is an underwriting profit. Check the basis before comparing.
Underwriting margin	100 − combined ratio	Underwriting profit as a share of premium	Carries the same basis and definition issues as the combined ratio.
Debt / equity	Debt ÷ equity	How much financial leverage sits around the insurance risk?	No universal threshold; depends on volatility, regime and rating objectives. Some prefer debt ÷ total capital.
Insurance liabilities / equity	Insurance liabilities ÷ equity	How much obligation does each unit of capital support?	Driven by tail length and business mix. A diagnostic lens, never a solvency test.
Return on equity	Net income ÷ average equity	What did the business earn on the capital supporting it?	Use average, not closing. Check which equity — total, common or tangible. A small denominator flatters it.

Definitions are simplified for teaching. Where a company publishes its own definition of a ratio, use the company's — and say which you are using.

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The asset side: receivables are not cash

Fixed maturities
Bonds and similar debt securities. Check credit quality, duration and fair-value treatment.

Short-term investments
Investments maturing within about a year, held mainly for liquidity.

Equity securities
Shares in companies. Their values can move quickly and add earnings volatility.

Cash and restricted cash
Bank balances and equivalents. Restricted cash is not freely available.

Premiums receivable
Amounts policyholders owe. Receivable ≠ cash; it rises with growth and instalment plans.

Reinsurance recoverables
Amounts expected from reinsurers. Recoverable ≠ cash; collection and counterparty strength matter.

Prepaid reinsurance premiums
Ceded premium for cover not yet expired — the reinsurance mirror of unearned premium.

Deferred acquisition costs
Direct acquisition costs deferred and recognised over the policy period.

Other assets
Often tax assets, property, goodwill or intangibles. Check what is actually inside.

Obligations and capital: reserve ≠ expense; equity ≠ cash

Unearned premiums
Premium for cover not yet provided. It is an obligation, not a claims estimate or deferred profit.

Loss & LAE reserves
Estimated unpaid cost of claims that have already occurred. Measurement varies by framework.

IBNR
Incurred but not reported: an estimate inside loss reserves for claims not yet reported or fully known.

A reserve is not an expense
The expense is recognised when the loss is incurred. The reserve is the unpaid balance carried forward.

Reserve strengthening
Increasing an earlier estimate. It reduces current profit, retained earnings and equity.

Other liabilities
Payables, accruals, tax and similar short-dated operating obligations.

Debt
Borrowings that rank ahead of equity and require payment regardless of underwriting results.

Retained earnings
Profits kept in the business — the main channel through which performance becomes capital.

Accumulated OCI
Gains and losses recorded directly in equity, often from bond values. This can move equity without moving net income.

Equity ≠ cash ≠ regulatory capital
Equity is an accounting residual; cash is a liquid asset; regulatory capital is a separate calculation.

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The statement as reported

The Insurance Corporation and Subsidiaries — Consolidated Balance Sheets, 31 December 2023. US$ millions, as published.

ASSETS	
Fixed maturities, at fair value	60,378
Short-term investments	1,790
Total available-for-sale securities	62,168
Nonredeemable preferred stocks	902
Common equities	2,929
Total equity securities	3,831
Total investments	**65,999**
Cash and cash equivalents	85
Restricted cash and cash equivalents	15
Accrued investment income	438
Premiums receivable, net of allowance	11,958
Reinsurance recoverables	5,094
Prepaid reinsurance premiums	250
Deferred acquisition costs	1,687
Property and equipment, net	881
Net federal deferred income taxes	936
Other assets	1,348
Total assets	**88,691**

LIABILITIES AND SHAREHOLDERS' EQUITY	
Unearned premiums	20,134
Loss and loss adjustment expense reserves	34,389
Accounts payable, accrued expenses, other liabilities	7,002
Debt	6,889
Total liabilities	**68,414**
Serial Preferred Shares, Series B	494
Common shares, $1.00 par value	585
Paid-in capital	2,013
Retained earnings	18,801
Net unrealized losses on fixed-maturity securities	(1,601)
Net unrealized losses on forecasted transactions	(14)
Foreign currency translation adjustment	(1)
Total accumulated other comprehensive income (loss)	(1,616)
Total shareholders' equity	**20,277**
Total liabilities and shareholders' equity	**88,691**

The economics travel. The numbers do not.

US GAAP property-casualty

The basis of the worked example. Loss reserves are typically undiscounted; available-for-sale fixed maturities are carried at fair value with unrealised movements in other comprehensive income; equity securities are fair-valued through net income.

IFRS 17

Measures insurance contracts on a current-value basis, with discounting and an explicit risk adjustment, and recognises unearned profit on profitable contracts as a contractual service margin. Presentation of insurance contract liabilities and of reinsurance held differs substantially from the layout shown.

Statutory and solvency reporting

Prepared for regulators on a different basis again, with admissibility rules and prescribed capital requirements. Statutory surplus is not the same figure as GAAP or IFRS equity, and the difference can be large.

What this means for comparison

A reserve figure, an equity figure, and therefore any ratio built on either, are not comparable across frameworks without knowing the measurement basis. Discounting alone can move a reserve balance materially. Where a cross-framework comparison must be made, state what has been assumed.

What does travel

The economic families. The direction of the relationships between underwriting, the balance sheet and capital. The five lenses. And all five closing questions — they work on any insurer, under any framework, in any currency.

When an issue varies by framework, company definition or jurisdiction — say so. A stated assumption is worth more than a confident number.

Legal notice

UNDERWRITING FUNDAMENTALS

Premium: one word, many metrics

Gross, net, written, earned: reading premium correctly before drawing conclusions about growth and performance.

FRAMING · TIMING · EARNING · INTERPRETATION · DRIVERS · REINSTATEMENT

Giacomo Cicogna
Generali Corporate & Commercial Italy · 9 September 2026

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Premium is not one number

The meaning of premium depends on the question you are trying to answer.

COMMERCIAL	RETENTION	PERFORMANCE	DRIVERS
How much business did we write?	How much premium did we retain?	How much service have we provided?	Why did premium move?
Gross Written Premium	Net Written Premium	Earned Premium	Reinsurance & contract structure

SAME CARGO PORTFOLIO, DIFFERENT ANSWERS

€50m

Gross Written Premium

Commercial perspective

30% quota-share cession

€35m

Net Written Premium

Retention perspective

HOW LARGE IS THE PORTFOLIO?

€50m if the question is production

€35m if the question is retention

Both answers are correct. But €35m is premium retained after the quota-share cession, not a direct measure of retained exposure or risk

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Two dimensions, four premium views

Written premium captures booking. Earned premium follows the service and risk over time.

COMMERCIAL — **Gross Written Premium**
What business did we write (before reinsurance)?

RETENTION — **Net Written Premium**
What premium did we retain (after reinsurance)?

ACTIVITY — **Gross Earned Premium**
How much gross coverage has been provided?

PERFORMANCE — **Net Earned Premium**
How much retained coverage has been provided?

ONE-YEAR HULL POLICY

€1,200 premium | starts 1 October

WHAT THE NUMBERS SAY AT 31 DECEMBER

€1,200	€300	25%
WRITTEN	**EARNED**	**RISK ELAPSED**
Booked at inception	3 months of service	9 months remain

When someone says “premium increased”, ask: Gross or Net? Written or Earned?

Written becomes earned through UPR

The unearned premium reserve is the timing bridge between what we wrote and what we earned.

STEP 1

GWP less ceded written premium

Net Written Premium

STEP 2

NWP less the increase in net UPR

Net Earned Premium

STEP 3

Less claims, commissions and expenses

Technical Result

CAUTION

IFRS 17 insurance revenue

Not the same as earned premium

UPR ON A MARINE OPEN COVER

€12m

Written Premium

Added in the period

€4m opening UPR + €12m written − €10m earned

€6m

Closing UPR

Coverage still to come

WRITTEN − EARNED = ΔUPR

ΔUPR is written premium less earned premium

NWP becomes net earned premium after adjusting for the movement in net UPR.

UPR is a timing balance, not a reserve for expected claims.

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Growing premium does not always mean growing performance

A marine account can grow commercially while retained premium stays flat and the loss ratio deteriorates

	YEAR N	YEAR N+1	
GROSS WRITTEN PREMIUM	100	120	+20%
NET WRITTEN PREMIUM	60	60	FLAT
NET EARNED PREMIUM	55	55	FLAT
CLAIMS	35	40	+14%

Indexed (base 100) · Ceded 40 → 60 · Loss ratio 63.6% → 72.7%

HAS THE PORTFOLIO IMPROVED?

Commercial growth	GROWTH
Retained premium	STABLE
Earned premium	STABLE
Loss ratio	WORSE

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Premium moved. But why did it move?

Gross growth must be decomposed before it is presented as commercial momentum.

VOLUME

New business and declarations

Split new from renewal

RATE

Price per unit of exposure

Use a like-for-like base

EXPOSURE

Vessel and cargo values, trade mix

Separate real from inflation

FX & SCOPE

USD rating, acquisitions, transfers

Show organic, constant FX

VOLUME +5% AND RATE +4% IN THE SAME YEAR

+5%

Volume

More voyages insured

combined with +4% rate change

+9.2%

Implied growth from these two drivers

1.05 × 1.04 − 1

RATE AND VOLUME EFFECTS COMPOUND

+9% if you add rate and volume
+9.2% if you compound them

Multi-year booking can create growth that is not new business.

When premium goes out, not in

An additional outward reinsurance cost triggered by a major loss: gross written premium is unchanged, while ceded premium increases and net written premium decreases.

REINSTATEMENT PREMIUM — CEDED (OUTWARD)

€5m + **€5m**

Original marine XL | After major casualty

€10m total outward premium

Reinsurance cost doubled. Written business did not change.
Effect: GWP unchanged · Ceded premium up · Net written premium down

BEFORE COMMENTING ON PREMIUM GROWTH

1. Gross or Net?
2. Written or Earned?
3. Any reinsurance effect?
4. Any multi-year effect?

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KEY MESSAGE

Good underwriting is not about growing premiums. It is about understanding and managing risk over time.

Premium is a family of metrics: always ask gross or net, written or earned, before reading growth as performance.

THANK YOU · QUESTIONS WELCOME

AXA XL Insurance Reinsurance

Finance Fundamentals

Understanding the technical Profit and Loss Statement

Tom Blumenroeder
AXA XL Finance Business Partner Marine

A complete financial picture comprises four primary statements

Each statement answers a different question—and the notes connect the detail.

Balance sheet
Snapshot at period end: assets owned, liabilities owed and equity. Core equation: assets = liabilities + equity.

Income statement
Shows performance over a period: revenue or earned premium, claims and expenses as well as reinsurance result, ending in profit or loss.

Cash flow statement
Explains the change in cash through operating, investing and financing activities.

Changes in equity
Reconciles opening to closing equity through profit, other comprehensive income, dividends and owner transactions.

Notes & disclosures
Adds accounting policies, judgments, detailed breakdowns, risks and commitments needed to interpret the numbers.

Balance sheet
Income statement
Cash flow statement
Changes in equity
Notes & disclosures

Sources: IFRS IAS 1 & IAS 7; SEC Beginners' Guide to Financial Statements.

Definitions of the earnings elements

The main elements of an income statement

Underwriting result
Operating result from insurance activities: premiums earned minus claims, acquisition costs, operating expenses and reserve movements.

Investment income
Return generated by invested assets backing insurance liabilities and shareholders' funds, including interest, dividends and realized gains or losses.

Foreign exchange
Gains or losses arising when transactions, earnings, assets or liabilities denominated in foreign currencies are measured or translated into the reporting currency.

Profit
Earnings remaining after underwriting result, investment income, expenses, taxes and other items have been reflected.

Underwriting Result

Investment Income

Foreign Exchange

Profit

Note: definitions are general insurance finance terminology.

P&L: the underwriting profitability story

A technical P&L turns marine underwriting activity into a period result.

What is it about?

A P&L (Profit & Loss) statement is the income statement for a financial period.

It starts with premium earned from risks written and subtracts losses, expenses and reinsurance impacts to show the technical result.

Technical P&L focus

In scope: premium, claims/losses, acquisition costs, operating expenses and reinsurance.

Typically outside: investment income, taxes and capital items.

Why do Marine Underwriters need it?

Pricing adequacy

Check whether earned premium covers expected claims, expenses and reinsurance cost.

Portfolio steering

Compare profitability by product, vessel type, geography, client segment or renewal cohort.

Performance dialogue

Link underwriting decisions to combined ratio, technical result and management actions.

Earned premium − losses − expenses ± reinsurance = technical result

Expenses include acquisition costs and operating costs; the result links risk selection, pricing, claims experience and profitability.

Zoom in UW Result – Net CoR view

Illustrative Example*- net underwriting result

CoR = Combined Ratio
CY = Current Year
AY = All-Year

Revenue
Revenue represents premium and other fee income. Written premium is booked when the contract is written; earned premium is recognized as cover is provided. Ceded premium goes to reinsurers, leaving net earned premium.

Here: €9,000m gross earned – €3,150m ceded = €5,850m net earned.

Losses
Claims cost from insured events (including reserves). Ceded loss recoveries are reimbursed by reinsurers; the remainder is the net loss borne by the insurer.

Here: €5,850m gross losses – €2,047.5m recoveries = €3,802.5m net losses; net loss ratio = 65%.

Expenses
Costs of acquiring and servicing business: acquisition costs (such as commissions) plus operating expenses. Each ratio compares the cost with net earned premium.

Here: 15% acquisition + 15% operating expense = 30% total expense ratio.

Result
Underwriting profit after net losses and expenses. The combined ratio adds the loss and expense ratios; below 100% indicates an underwriting profit.

Here: €5,850m – €3,802.5m – €877.5m – €877.5m = €292.5m; combined ratio = 95%.

(€M)	Technical P&L
Revenue - CY	
Gross Written Premium	10,000.0
Ceded Written Premium	(3,500.0)
Net Written Premium	**6,500.0**
Gross Earned Premium	9,000.0
Ceded Earned Premium	(3,150.0)
Net Earned Premium	**5,850.0**
Losses - CY	
Gross Losses	(5,850.0)
Ceded Losses	2,047.5
Net Losses	**(3,802.5)**
Gross Loss Ratio	*65.0%*
Net Loss Ratio	*65.0%*
Expenses - CY	
Gross Acquisition Costs	(1,350.0)
Ceding Commissions	472.5
Net Acquisition Costs	**(877.5)**
Gross Acquisition Ratio	*15.0%*
Net Acquisition Ratio	*15.0%*
Net Operating expenses	**(877.5)**
Net Operating expense ratio	*15.0%*
Results	
Underwriting Result - CY	**292.5**
Combined Ratio - CY	***95.0%***
PY Net Technical Result	**10**
UW Result – AY	**302.5**
Combined Ratio - AY	***94.8%***

*All figures, ratios and amounts shown on this slide are purely fictional and do not represent AXA XL, any client, portfolio or actual financial results.

Thank you!

- ✓ Feedback survey

- ✓ Masterclasses Cargo and Hull,
  27-30 October 2026 in London
  (limited seats available)

- ✓ Next webinar:
  "Global Marine Insurance Report 2026"

IUMI

Hamburg, 28 September 2026
Session 1: 9-10 am CEST / Session 2: 3-4 pm CEST

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Webinar
Global Marine Insurance Report 2026

This webinar covers premium developments, loss ratio trends, and market figures across the global marine insurance sector - set against the backdrop of the global economy, trade, and shipping environment.

hosted by Veith Huesmann, IUMI Chief Analyst
moderated by Hendrike Kühl, IUMI, Policy Director