Steamship Mutual Underwriting Association (Europe) Limited

Report and Financial Statements

For the year ended 20 February 2023

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Members of the Company will be held at the Post Oak Hotel, 1600 W Loop S, Houston, Texas, TX 77027 on Tuesday, 24 October 2023 at 09:00 hours for the following purposes:

1 To receive and if thought fit, to adopt the balance sheet and accounts for the year ended 20 February 2023, they having been recommended for adoption by the Board.

2 To elect Members of the Board.
The Members of the Board retiring by rotation and in accordance with Article 81.2 of the Articles of Association are Mr C.J. Madinabeitia and Mr R. Harris. Being eligible, they offer themselves for re-election.

3 The Members of the Board who have been appointed since the last AGM, retiring in accordance with Article 81.8 of the Articles of Association are Mr J. Roome and Mr P. Almeida. Being eligible, they offer themselves for re-appointment.

4 To authorise the Managers to fix the remuneration of the Auditor.

5 To transact any other ordinary business of the Association.

By Order of the Board

Cyproman Services Limited
Secretary

21 May 2023

Directors and Officers

Board of Directors

C Sommerhage (Chairman)	Columbia Shipmanagement (Deutschland) GmbH	
C Bouch		Resigned on 20 July 2022
R W Harris	Steamship P&I Management LLP	
C J Mandinabeitia	Tradewind Tankers SL	
C Klerides		
R Ahlqvist	Tufton Oceanic	Resigned on 26 October 2022
F Vrettos	Steamship Insurance Agency (Europe) Ltd	
J Roome		Appointed on 27 May 2022

Secretary	Cyproman Services Limited
Managers	Steamship P&I Management LLP
Managers' Cyprus Representative	Steamship Insurance Agency (Europe) Limited
Independent Auditors	Moore Limassol Limited
Registered Office	28 October, 363, Vashiotis Ikos Center, Floor 1 3107, Limassol Cyprus
Registration Number	HE401680

Website: www.steamshipmutual.com

Management Report

The Board of Directors of Steamship Mutual Underwriting Association (Europe) Limited ("Association"), submits to the Members of the Association their Management Report together with the audited financial statements for the year ended 20 February 2023.

Principal Activities

The Association is a company limited by guarantee incorporated in Cyprus. The principal activity of the Association is the insurance and reinsurance of Protection and Indemnity ("P&I"), and of Freight, Demurrage and Defence ("FD&D") risks on behalf of Members.

The Association is a member of the International Group of Protection and Indemnity Associations ("International Group") and is reinsured by the Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB") in respect of the 2015/16 and subsequent policy years. The 2014/15 and prior policy years are reinsured 100% by the The Steamship Mutual Trust ("Trust").

Strategic review

The Steamship group ("Steamship") is financially one of the largest and strongest marine P&I clubs in the world and has an "A" rating from S&P Global.

Steamship's central purpose is to be the best provider of the full range of marine P&I and related insurances, on the mutual principle, delivering both first class service and security at a reasonable cost. Steamship aims to distinguish itself from its competitors by embodying the following principles:

- Advocacy of the principle of mutuality and the benefits of this for shipowners in a range of their insurance needs;
- A belief in the benefit of a diverse membership by geographical area and vessel type;
- A prudent approach to investment policy resulting in financial security and stability;
- Provision of technical expertise and a dedication to problem solving for the Members;
- Pre-eminence in loss prevention initiatives.

Review of development and performance of the Association

For the year under review, the Directors set a 12.5% general increase in premium. At the 2023/24 renewal the general increase was set at 7.5%.

The Association's owned entered tonnage increased by 7.2% from 41.1m gross tons ("GT") to 44.1m GT during the year and including renewal. Total entered tonnage at 20 February 2023 for owned and chartered entries stood at 88.9m GT (20 Feb 2022: 73.8m GT).

The result for the year was a surplus of US$2.5m (2022: deficit of US$3m).

The Association's net combined ratio, calculated by dividing the sum of net incurred claims, allocated foreign exchange gains/losses and operating expenses by net earned premium, was 95% (2022: 110.2%) due to lower than anticipated Pool claims from the International Group for the 2022/23 policy year.

The Ukrainian crisis has had minimal impact on the Association's underwriting, claims, investments and operations, and all sanctions are being adhered to as required.

Underwriting

During the year mutual premium was levied as follows:

- 100% mutual premium for the 2022/23 policy year (Class 1 – P&I); and
- 100% mutual premium for the 2022/23 policy year (Class 2 – FD&D).

The 2019/20 policy year, was closed in May 2022.

The Directors will review release call levels as part of Steamship's Group Solvency Self-Assessment. In the meantime release calls for both P&I and FD&D were set at 15% for the 2023/24 and 2022/23, 12.5% for 2021/22 and 2020/21 policy years.

Claims

Gross incurred claims arising in respect of the 2022/23 policy year, including incurred but not reported ("IBNR") provisions, are projected to be US$103.0m, an increase of 3.3% over the 2021/22 policy year (US$99.7m). Claims incurred net of reinsurance recoveries amounted to US$10.8m, a decrease of 14.3% compared to the 2021/22 policy year (US$12.6m).

Overall, the 2022/23 policy year represents a favourable result after accounting for the increased tonnage written by the Association and the unsurprising increase in passenger claims as cruise vessels resumed post-Covid with almost full schedules and occupancy levels.

Management Report

Although Steamship did not experience any Pool claims for the 2022/23 policy year, with overall Pool performance for the policy year being very good, it was adversely affected by a number of significant increases in Pool estimates for prior policy years, as were all members of the International Group.

Covid-19 claims are on-going with a number remaining outstanding but continue to reduce in significance. Relatively few incidences have been notified during the 2022/23 policy year to date and all of which are low value.

Steamship has continued to support the production of several safety and training videos. The final two videos in the Shipboard Operations series which discuss the effect of Covid- 19 on the shipping industry are now available. Part 2 – "COVID" introduces the concept of different leadership styles during a suspected coronavirus infection onboard, and Part 3 – "Commerce" looks at some of the commercial issues impacted by the Covid -19 pandemic. Other titles including "Drug Smuggling", "Drug and Alcohol Abuse", "Social Isolation" and "Observational Skills" have also been completed. There are currently 20 videos available with a further 5 titles under production or soon to be released.

The engagement between Steamship and Mental Health Support Solutions ("MHSS") continues to strengthen, with an increasing number of Members enquiring about the additional services that MHSS can provide such as pre-boarding psychological evaluation, the on-site attendance of psychologists in the event of an incident or similar traumatic event, and mental health training.

During the course of the year Steamship has released an increased number of loss prevention risk alerts and topical articles, with the Loss Prevention team attending in person and presenting at a number of industry conferences and Member crew training seminars.

Pooling and reinsurance

The Association's reinsurance programme for the 2023/24 policy year was arranged in conjunction with other members of the International Group. The programme provides an ultimate limit of US$3.1bn in excess of US$10m, except in relation to oil pollution claims, which were subject to an overall limit of US$1.0bn.

Pooling

For 2023/24 policy year, the individual club retention, before Pooling with other members of the International Group, remains at US$10m, with an upper limit of US$100m for each event. A club bringing a claim to the Pool bears a 7.5% retention within the layer of US$50m to US$100m, with the balance being divided amongst all clubs in accordance with the Pooling Agreement.

Excess Loss cover

The International Group's Excess of Loss programme was renewed with an unamended, free and unlimited coverage for all risks except malicious cyber, Covid-19 and other pandemic risks.

The main programme is placed in three layers with the first layer providing cover from US$100m to US$750m, the second layer from US$750m to US$1.5bn, and the third layer from US$1.5bn to US$2.1bn. There are three private placements for the 2023/24 policy year providing 25% of the first layer, with the remaining 75% placed in the market. There is no change to the Collective Overspill layer of US$1bn excess US$2.1bn.

For malicious cyber, covid and pandemic risks there is now free and unlimited cover for the first layer. For the second and third layers, there is up to US$1.35bn of annual aggregated cover in respect of these three risks. Excess of that the International Group continues to pool between itself the un-reinsured risks. This combination means that there is no change to Members' cover for the 2023/24 policy year.

Hydra Insurance Company Limited ("Hydra")

Hydra is a cell captive set up by the International Group in Bermuda under the Segregated Account Companies Act 2000.

For 2023/24 policy year, Hydra will continue to retain 100% of the pool layer from US$30m to US$50m, and 92.5% of the pool layer from US$50m to US$100m. In addition, Hydra will retain a US$107.1m annual aggregate deductible in the 75% market share of the first layer of the Excess Loss programme.

Charterers' cover

The Association provides cover for P&I and other risks for charterers, reinsured outside the Pool. Combined single limits up to US$1.0 billion are provided for P&I and other risks for charterers.

Non-Poolable covers

The Association continues to provide P&I cover for a range of additional risks which are ancillary to Members' core operations, reinsured outside the Pool with limits up to US$1.0 billion.

Management Report

The Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB")

The Association entered into a reinsurance contract with SMUAB under which, in return for a percentage of written premium ceded to SMUAB, the Association is reinsured for 90% of its net of external reinsurance underlying liabilities in respect of the 2015/16 and subsequent policy years. All Members of the Association are automatically Members of SMUAB and thus beneficiaries of The Steamship Mutual Trust.

Share Capital

The Association is limited by guarantee without share capital.

Risk and uncertainties

The main risks the Association is exposed to are described in note 20.

Profit allocation, loss absorption and creation of reserves

The Directors decided to transfer the surplus of the year to the free reserves of the Association.

Branches

The Association does not operate any branches.

Contracts with Directors and other related parties

Transactions with the Directors and their emoluments are disclosed in note 18. The agreements, transactions and balances with related parties are disclosed in note 18.

Research and development

There were no research and development activities conducted by the Association.

Events after the reporting period

No events after the reporting period affected the understanding of the users of these financial statements. (Note 21).

Financial risk management and use of financial instruments

The main financial risks and uncertainties to which the Association is exposed are disclosed and analyzed in note 20.

Board of Directors

The members of the Board of Directors at the date of this report are presented on page 2. Mr. J Roome was appointed on 27 May 2022. Mr. C. Bouch resigned on 20 July 2022. Mr. R. Ahlqvist resigned on 26 October 2022.

Independent auditors

The external auditors have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

With the instructions of the Board of Directors of Steamship Mutual Underwriting Association (Europe) Limited.

Carsten Sommerhage
Chairman

21 May 2023

Income Statement and Statement of Other Comprehensive Income

For the year ended 20 February 2023

Technical Account	Note	2023 US$000	2022 US$000
Earned premium, net of reinsurance			
Gross earned premium	4	**137,969**	98,068
Outward reinsurance premium		**(99,107)**	(68,269)
Earned premium, net of reinsurance		**38,862**	29,799
Allocated investment return	9	**(955)**	(324)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	7	**54,711**	59,043
Reinsurers' share	7	**(41,564)**	(46,480)
Net claims paid		**13,147**	12,563
Change in the provision for claims			
Gross amount		**25,655**	38,337
Reinsurers' share		**(24,236)**	(34,772)
Change in the net provision for claims		**1,419**	3,565
Claims incurred, net of reinsurance		**14,566**	16,128
Net operating expenses	6	**21,402**	16,383
Balance on the technical account for general business		**1,939**	(3,036)
Non-Technical Account			
Balance on the technical account for general business		**1,939**	(3,036)
Other expenses			
Other income/(losses)	9	**583**	(10)
Surplus/(deficit) before tax		**2,522**	(3,046)
Income tax expense	10	**-**	-
Surplus/(deficit) for the year		**2,522**	(3,046)
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**2,522**	(3,046)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Financial Position

As at 20 February 2023

Assets	Note	2023 US$000	2022 US$000
Financial assets at fair value through profit or loss	12	**56,902**	40,071
Reinsurers' share of technical provisions	8	**203,451**	179,215
Deferred acquisition costs		**328**	226
Other financial assets at amortised cost	14	**5,664**	6,042
Cash at bank and in hand	15	**6,295**	9,943
Total assets		**272,640**	235,497
Liabilities			
Insurance contract liabilities	8	**222,835**	196,927
Trade and other payables	16	**9,528**	8,315
Total liabilities		**232,363**	205,242
Net assets		**40,277**	30,255
Equity			
Capital contribution	17	**42,500**	35,000
Free reserves - Accumulated losses		**(2,223)**	(4,745)
Total Equity		**40,277**	30,255

The financial statements were approved by the Board of Directors on 21 May 2023:

Carsten Sommerhage

Chairman

Christakis Klerides

Director

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 20 February 2023

	Capital contribution	Accumulated losses	Total equity
	US$000	US$000	US$000
Balance as at 20 February 2021	**35,000**	**(1,699)**	**33,301**
Total comprehensive loss for the year	-	(3,046)	(3,046)
Balance as at 20 February 2022	**35,000**	**(4,745)**	**30,255**
Total comprehensive income for the year	-	2,522	2,522
Capital contribution (note 17)	7,500	-	7,500
Balance as at 20 February 2023	**42,500**	**(2,223)**	**40,277**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 20 February 2023

	Note	2023 US$000	2022 US$000
Cash flows from operating activities			
Surplus/(deficit) before taxation after interest		**2,522**	(3,046)
Adjustments for:			
Net gains from mutual funds		**(470)**	-
Interest income		**(39)**	-
Operating cash flows before movements in working capital		**2,013**	(3,046)
Increase in net general insurance technical provisions		**1,672**	3,553
Decrease/(increase) in other financial assets at amortised cost		**378**	(1,729)
Increase/(decrease) in trade and other payables		**1,213**	(4,062)
Increase in deferred acquisition cost		**(102)**	-
Cash generated/(used in) by operating activities		**5,174**	(5,284)
Taxation paid		**-**	-
Net cash generated/(used in) from operating activities		**5,174**	(5,284)
Cash flows from investing activities			
Interest received		**39**	-
Redemptions	12	**73,098**	57,000
Acquisition of investments classified as fair value through profit or loss	12	**(89,459)**	(50,604)
Net cash flows (used in)/generated by investing activities		**(16,322)**	6,396
Cash flows from financing activities			
Capital contribution	17	**7,500**	-
Net cash flows generated from financing activities		**7,500**	-
Net cash (outflow)/inflow for the year		**(3,648)**	1,112
Cash and cash equivalents as at 20 February 2022 / 20 February 2021		**9,943**	8,831
Cash and cash equivalents as at 20 February 2023 / 20 February 2022	15	**6,295**	9,943

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 20 February 2023

1. General

The Association was registered in Cyprus on 4 September 2019 as a Company limited by guarantee pursuant the requirements of Cyprus Companies Law, Cap. 113. The registered office of the Association is at Vashiotis Ikos Centre, 28th October Avenue, Limassol 3107, Cyprus.

The Association obtained an insurance licence from the Insurance Companies Control Service (the "ICCS") on 25 October 2019 and its principal activity is the insurance and reinsurance of P&I, and of FD&D risks on behalf of its Members.

From noon of 20 February 2020, Members of Steamship Mutual Underwriting Association Limited ("SMUA"), whose place of management was within the EEA and certain other jurisdictions, could have their entries accepted by the Association.

(a) Declaration of conformity

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113 and the Insurance and Reinsurance Business and Other Related Matters Law of 2016.

(b) Basis of presentation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss ("FVTPL").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Association considers the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date.

(c) Operating environment

The Ukrainian crisis, which commenced in February 2022, has had minimal impact on the Association's underwriting, claims, investments and operations, and all sanctions are being adhered to as required.

Notes to the Financial Statements

For the year ended 20 February 2023

2. Basis of preparation

(a) Going concern assumption

The Directors have assessed the Association's ability to continue as a going concern for a period of 12 months from the balance sheet date. At year end, the solvency ratio of the Association was comfortably above the threshold set by the Insurance Companies Control Service (Note 19). Considering the nature of the Association insurance liabilities, the Association has excess liquidity.

Based on the above, the Directors believe that the Association is taking all necessary measures to maintain its viability and the development of its business in the current economic environment. Based on the projections of the Association, it is expected that the Association will maintain compliance with the Solvency Capital and Minimum Capital requirements for the period of the going concern assessment.

(b) New Standards and Amendments to Standards that are effective for annual periods beginning on or after 20 February 2022

In the current year, the Association has adopted a number of amendments to International Financial Reporting Standards (the "IFRS", the "Standards") issued by the International Accounting Standards Board (the "IASB", the "Board") that are mandatorily effective for an accounting period that begins on or after 20 February 2022. These had no effect on the Association's financial statements.

(c) Adoption of new and revised standards

At the date of approval of these financial statements, new standards, amendments to standards and interpretations were issued by the International Accounting Standards Board which were not effective for the period ended 20 February 2023. Some of them were adopted by the European Union and others not yet. Except for IFRS 17, the Directors expect that the adoption of these accounting standards in future periods will have an insignificant effect on the financial statements of the Association.

(d) New standards and amendments, which are not effective for current year and have been endorsed by the European Union

IFRS 17 is expected to have a significant impact on initial application on the Association's financial statements which is currently being assessed by the Managers.

IFRS 17 Insurance Contracts (Effective for annual reporting periods beginning on or after 01 January 2023)

The new standard replaces IFRS 4 and establishes the principles for the recognition, measurement, presentation, and disclosure for insurance contracts. The new standard requires insurance liabilities to be measured at a current fulfilment value with the aim of providing a more uniform measurement and presentation approach for all insurance contracts.

Notes to the Financial Statements

For the year ended 20 February 2023

2. Basis of preparation (continued)

(d) New standards and amendments, which are not effective for current year and have been endorsed by the European Union (continued)

IFRS 17 Insurance Contracts (Effective for annual reporting periods beginning on or after 01 January 2023) (continued)

An entity shall apply IFRS 17 Insurance Contracts to:

- Insurance and reinsurance contracts that it issues;
- Reinsurance contracts it holds; and
- Investment contracts with Discretionary Participation Features ("DPF") it issues, provided that it also issues insurance contracts

IFRS 17 requires entities to identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of three groups:

- contracts that are onerous at initial recognition, if any;
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- the remaining contracts in the portfolio;

An entity is not permitted to include contracts issued more than one year apart in the same group.

All insurance contracts of the Association will be allocated into a single Portfolio. The portfolio is further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous and a group of the remaining contracts in the portfolio.

Overview of the accounting model

The standard measures insurance contracts either under the General Model or a simplified version of this called the Premium Allocation Approach.

General Model

The General Model should be applied to all insurance contracts, unless they have direct participation features or the contract is eligible for, and the entity elects to apply, the premium allocation approach. The General Model is defined such that at initial recognition an entity shall measure a group of contracts at the total of (a) the amount of fulfilment cash flows (FCF), which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money (TVM) and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk: and (b) the contractual service margin (CSM).

Notes to the Financial Statements

For the year ended 20 February 2023

2. Basis of preparation (continued)

(d) New standards and amendments, which are not effective for current year and have been endorsed by the European Union (continued)

IFRS 17 Insurance Contracts (Effective for annual reporting periods beginning on or after 01 January 2023) (continued)

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims is measured as the FCF related to past services allocated to the group at that date.

Premium Allocation Approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less.

Under this approach, the liability for incurred claims is still measured using the general model. For discounting claims-related cash flows, the Managers will use the Solvency II risk-free term structure published by EIOPA. For estimating the Risk Adjustment, the Managers will use Value at Risk (VaR) Method in line with Solvency II methodology.

The PAA will apply to all groups of insurance contracts as the Managers are satisfied that for contracts with a cover period longer than one year, the LRC per PAA reasonably approximates the LRC per GMM.

Presentation in the statement of profit or loss

An entity shall disaggregate the amounts recognized in the statement(s) of profit or loss into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses. Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued. An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall not include any investment components.

Application

An entity shall apply the full standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach. Early application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. The Association will apply a full retrospective approach for transition to IFRS 17.

In May 2020, the International Accounting Standards Board has issued “Amendments to IFRS 17” to address concerns and implementation challenges that were identified after IFRS 17 “Insurance Contracts” was published in 2017. The main changes which are expected to affect the Association are:

- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.

  The amendments are to be applied retrospectively. Earlier application is permitted.

Notes to the Financial Statements

For the year ended 20 February 2023

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Association's accounting policies, which are described in note 22, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The following are the critical judgements that the Directors have made in the process of applying the Association's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Valuation of liabilities and assets of non-life insurance contracts

Estimates are made for both the expected ultimate cost of claims (see Note 8) reported, claims incurred but not reported ("IBNR") and claims handling provision ("CHP") at the balance sheet date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for the reported claims net of expected claim recoveries and the CHP. In calculating the estimated liability, the Association uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. The calculation for the reinsurance share of IBNR and case estimates is based on the allocation of claims under each reinsurance arrangement. Therefore, is subject to the same estimation uncertainty with the insurance liability.

The carrying amount for Reinsurers' share of technical provisions at balance sheet date is US$203,451,000 (2022: US$ 179,215,000).

The carrying amount for non-life insurance contract liabilities at the balance sheet date is US$222,835,000 (2022: US$ 196,927,000).

Note 20 provides details on significant assumptions and sensitivities made for non-life insurance liabilities.

Notes to the Financial Statements

For the year ended 20 February 2023

4. Gross earned premium

	2023 US$000	2022 US$000
Mutual and fixed premium written	**137,798**	97,565
Release calls	**424**	490
Movement in unearned premium provision	**(253)**	13
Gross earned premium	**137,969**	98,068

Gross earned premium by class of business

Protection and Indemnity	**122,495**	90,014
Freight, Demurrage and Defence	**5,447**	4,768
Other	**10,027**	3,286
Gross earned premium	**137,969**	98,068

Gross earned premium by Member location

Switzerland	**43,354**	25,582
Greece	**18,149**	11,773
Netherlands	**17,713**	17,457
Cyprus	**13,721**	6,923
Italy	**12,537**	10,511
France	**10,867**	7,261
Germany	**7,403**	6,738
Monaco	**3,248**	2,882
Norway	**2,355**	1,755
Spain	**2,049**	2,040
Other countries	**6,573**	5,146
Gross earned premium	**137,969**	98,068

5. Reinsurance contracts

The Association has the following reinsurance arrangements:

For 2020/21 and subsequent policy years the Association entered into a reinsurance contract with Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB") under which, in return for a percentage of net earned premium minus technical expenses which are ceded to SMUAB, the Association is indemnified for 90% of its net underlying liabilities. The Association receives the benefit of all International Group Pool and other external reinsurance contracts.

On 20 December 2020, through a Part VII transfer, SMUAE received from SMUA expired policies of insurance where the policyholder was a resident of an EEA state, Monaco or Switzerland. The Association also acquired the rights and obligations of reinsurance treaties under which SMUA was covered in respect of the transferred policies. The related party transactions and balances with SMUAB and the Steamship Mutual Underwriting Association Trustees (Bermuda) Limited ("The Trust") are disclosed in Note 18.

Notes to the Financial Statements

For the year ended 20 February 2023

6. Net operating expenses

	2023 US$000	2022 US$000
Acquisition costs		
Brokerage	**14,759**	10,612
Underwriting administration expenses (Note 18)	**3,064**	2,690
	17,823	13,302
Administrative expenses		
Administrative fee (Note 18)	**2,918**	2,530
Auditor's remuneration for the statutory audit of accounts	**142**	96
Auditor's remuneration for other assurance services	**24**	33
Professional services	**213**	193
Directors' fees (Note 18)	**49**	26
Irrecoverable VAT	**104**	71
Bank charges	**103**	98
Other costs	**26**	34
	3,579	3,081
Net operating expenses	**21,402**	16,383

Notes to the Financial Statements

For the year ended 20 February 2023

7. Claims paid – gross amount	2023 US$000	2022 US$000
Claims and related expenses	**40,109**	44,974
International Group Pool claims	**5,994**	6,511
Claims administration expenses (Note 18)	**8,608**	7,558
	54,711	59,043
Less reinsurers' share		
SMUAB (Note 18)	**40,849**	45,039
The Trust (1) (Note 18)	**510**	2,443
International Group Pool and other reinsurers	**205**	(1,002)
	41,564	46,480
Net claims paid	**13,147**	12,563

(1) Through the Part VII transfer, which was effective on 20 December 2020, the Association received the rights of reinsurance contracts which were backing the insurance liabilities transferred including the rights of the reinsurance treaty between Steamship Mutual Underwriting Association Ltd and The Trust that covers policy years 2014 and prior.

Gross claims paid by class of business	2023 US$000	2022 US$000
Protection and Indemnity	**34,557**	41,803
Freight, Demurrage and Defence	**3,264**	3,865
Other	**2,288**	(694)
International Group Pool claims	**5,994**	6,511
Claims administration expenses	**8,608**	7,558
	54,711	59,043

8. Insurance contract liabilities

Carrying amount

	Gross Liability		Reinsurance Asset		Net liability	
	2023	2022	**2023**	2022	**2023**	2022
	US$000	US$000	**US$000**	US$000	**US$000**	US$000
Outstanding claims	**149,788**	129,351	**138,379**	118,609	**11,409**	10,742
IBNR	**62,551**	58,238	**56,794**	53,148	**5,757**	5,090
Claims handling provision	**9,167**	8,262	**8,278**	7,458	**889**	804
Unearned premium provision	**1,329**	1,076	**-**	-	**1,329**	1,076
Total	**222,835**	196,927	**203,451**	179,215	**19,384**	17,712
Within one year	**67,173**	65,311	**63,509**	59,729	**3,664**	5,582
More than one year	**155,662**	131,616	**139,942**	119,486	**15,720**	12,130

Notes to the Financial Statements

For the year ended 20 February 2023

8. Insurance contract liabilities (continued)

Movement in the carrying amount:

	Gross Liability		Reinsurance Asset		Net liability	
	2023	2022	**2023**	2022	**2023**	2022
	US$000	US$000	**US$000**	US$000	**US$000**	US$000
At beginning of year	**196,927**	158,603	**(179,215)**	(144,444)	**17,712**	14,159
Movement of unearned premium provision	**253**	(13)	**-**	-	**253**	(13)
Change in claims provisions	**80,366**	97,380	**(65,800)**	(81,251)	**14,566**	16,129
Claims paid	**(54,711)**	(59,043)	**41,564**	46,480	**(13,147)**	(12,563)
At year end	**222,835**	196,927	**(203,451)**	(179,215)	**19,384**	17,712

The estimates for known outstanding claims are based on the estimates and judgement of the Managers of the final cost of individual cases based on current information. The individual estimates are reviewed regularly and include the Association's share of other International Group clubs' Pool claims. Provision is also made for claims incurred but not reported ("IBNR") by the balance sheet date using detailed statistical analysis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates. Gross outstanding claims at year end are net of US$20m of third-party recoveries (2022: US$22.7m). The reinsurance asset includes the reinsurer's share of insurance liabilities from the related parties SMUAB and the Trust. The relevant balances and the movement in RI share of insurance liabilities are disclosed in Note 18.

The unearned premium provision represents the portion of gross premiums written during the year which have not expired at the reporting date. No unexpired risk reserve was recognised due to the adequacy of the unearned premium provision to cover the estimated future costs of servicing the unexpired policies.

9. Other income/(losses)

	2023 US$000	2022 US$000
Net gains/(loss) from mutual funds	**470**	(11)
Realised exchange losses	**(955)**	(324)
Realised exchange loss allocated to the technical account	**955**	324
Other income	**113**	1
	583	(10)

The allocated investment return is comprised of realised exchange differences arising on the conversion of non-dollar denominated transactions.

Notes to the Financial Statements

For the year ended 20 February 2023

10. Income tax expense

The tax charge represents:

	2023 US$000	2022 US$000
Current tax	-	-

The total charge for the financial period can be reconciled to the surplus/(deficit) before tax as follows:

	2023 US$000	2022 US$000
Surplus/(deficit) before tax	**2,522**	(3,046)
Tax at 12.5%	**315**	(381)
Tax effect of expenses/(income) not subject to income tax (foreign exchange differences)	**25**	41
Tax losses (utilised)/carried forward	**(340)**	340
Current tax charge for year	**-**	-

The profits of the Association are subject to a corporation tax of 12.5%.

Based on the relevant tax legislation, tax losses are eligible to offset against future profits of the next five years. As at 20 February 2023, the balance of tax losses which is available for offset against future taxable profits amounts to US$1.8m for which no deferred tax asset is recognised in the statement of financial position.

The Association's tax submissions for the financial years ended 20 February 2020 and 20 February 2021 have not been assessed by the tax authorities. The tax year 2019 was assessed by tax authorities, with no further tax obligation arising. The Managers consider that due to the accumulation of tax losses up to the balance sheet date, no additional taxes are expected to arise.

Notes to the Financial Statements

For the year ended 20 February 2023

11. Financial instruments by category

The Association holds the following financial instruments:

	2023	2022
Financial assets	**US$000**	US$000
Financial assets at fair value through profit or loss (Note 12)	**56,902**	40,071
Financial assets at amortised cost:		
Other financial assets at amortised cost (Note 14)	**5,664**	6,042
Cash at bank and in hand (Note 15)	**6,295**	9,943
	68,861	56,056
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (Note 16)	**9,528**	8,315
	9,528	8,315

The Association's exposure to various risks associated with the financial instruments is discussed in Note 20. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of the financial assets mentioned above.

12. Financial assets at fair value through profit or loss

	2023	2022
	US$000	US$000
Financial assets measured at FVTPL		
Money Market Funds	**37,227**	40,071
Bond Funds	**19,675**	-
	56,902	40,071

	2023	2022
	US$000	US$000
Balance at the beginning of the year	**40,071**	46,467
Fair value revaluation	**470**	-
Additions from reinvestments	**89,459**	50,604
Redemptions	**(73,098)**	(57,000)
Balance at the end year	**56,902**	40,071

Notes to the Financial Statements

For the year ended 20 February 2023

12. Financial assets at fair value through profit or loss (continued)

Money Market and Bond Funds are measured at fair value, hence, there is no need for recognising impairment losses as these are already reflected in the fair value.

The valuation methodology for these investments is disclosed in (Note 13).

13. Fair value measurement

The Association uses the following hierarchy to determine and disclose the fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical asset or liability
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2023	2022
	US$000	US$000
Financial assets at FVTPL (Note 12)	**56,902**	40,071
	56,902	40,071

The carrying amount of all financial assets measured at amortised cost approximates to their fair value.

Fair value of the Association's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Association's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship and sensitivity of unobservable inputs to fair value**
Money Market Funds (Note 12)	Level 1	N/A	N/A
Bond Funds (Note 12)	Level 2	N/A	N/A

There were no transfers between Level 1 and 2 during the current period.

There were no transfers into or out of the Level 3 category, hence no reconciliation of Level 3 fair value measurements of financial instruments is presented.

Notes to the Financial Statements

For the year ended 20 February 2023

14. Other financial assets held at amortised cost

	2023 US$000	2022 US$000
Debtors arising out of insurance operations	**4,711**	5,486
Other receivables	**478**	319
Amounts receivable from related parties (Note 18)	**475**	237
	5,664	6,042

All other financial assets held at amortised cost are current assets.

An exercise has been performed on the recognition of expected credit losses ("ECL") and no loss has been recognised given that the estimated ECL was immaterial. The Board of Directors consider that the carrying amount of other financial assets at amortised cost approximates to their fair value.

15. Cash at bank and in hand

For the purposes for the cash flow statement, the cash and cash equivalent include the following:

	2023 US$000	2022 US$000
Current accounts with banks	**6,295**	9,943

The bank balances are repayable on demand and carry a variable interest rate.

An exercise has been performed on the recognition of ECL and no loss has been recognised given that the estimated ECL was immaterial.

16. Trade and other payables

	2023 US$000	2022 US$000
Creditors arising out of insurance operations	**4,621**	5,088
Creditors arising from reinsurance operations	**2,885**	1,915
Amounts payable to related parties (Note 18)	**708**	2
Other creditors	**1,314**	1,310
	9,528	8,315

The above amounts are due within 12 months. An amount of US$1.2m (2022: US$1.2m) included in creditors arising out of insurance operations relates to uncovered claims for which the Association provided guarantees to third parties on behalf of its Members and has obtained a counter-security in the form of a bank deposit. The Association has control over the corresponding assets.

The Board of Directors consider that the carrying amount of trade and other payables approximates to their fair value.

17. Reserves – Capital contribution

	2023 US$000	2022 US$000
Balance at the beginning of the year	**35,000**	35,000
Capital contribution (1)	**7,500**	-
Balance at the end of the year	**42,500**	35,000

(1) In July 2022 the Association received a capital contribution of US$7.5m from related party SMUAB.

18. Transactions and balances with related parties

Controlling Entity

The Association, limited by guarantee, has no share capital and is controlled by its Members who are also the insureds. All mutual policyholders become a Member of the Association. The aggregate of these transactions is disclosed in these financial statements.

	2023 US$000	2022 US$000
Remuneration of Board members and other key executives		
Non-Executive Directors		
Emoluments	**49**	26

Transactions with related parties

Related Party	Nature of transaction	2023 US$000	2022 US$000
SPIM	Management and administrative services (Notes 6 and 7)	**14,590**	12,778
SMUAB	Reinsurance premiums ceded (Note 5)	**71,065**	49,790
The Trust	Reinsurance premiums ceded (Note 5)	**(68)**	(274)
SMUAB	Reinsurer share of claims paid (Note 7)	**(40,849)**	(45,039)
The Trust	Reinsurer share of claims paid (Note 7)	**(510)**	(2,443)
SMUAB	Increase in RI share of insurance liabilities (Note 8)	**(12,770)**	(32,087)
The Trust	Decrease in RI share of insurance liabilities (Note 8)	**1,333**	5,608

Balances with related parties

Related Party		2023 US$000	2022 US$000
SPIM	Expenses prepayment (Note 14)	**402**	237
SMUAB	RI share of insurance liabilities (Note 8)	**162,495**	149,725
The Trust	RI share of insurance liabilities (Note 8)	**8,120**	9,453
SMUAB	RI premium payable (Note 16)	**(708)**	(2)
The Trust	RI premium refundable (Note 14)	**73**	-

The Association has a management agreement with Steamship P&I Management LLP ("SPIM") for the provision of all the services the Association needs for its operation. In exchange for these management services, SPIM receives a percentage of the Association's gross premium, and reimbursement of its related incurred expenses.

19. Capital management

The Association aims to maintain capital resources at a level which provides a comfortable margin above the requirements of the Insurance Companies Control Service ("ICCS"), in accordance with Solvency II. Regulatory capital resources ("Eligible Own Funds") for the Association consist of free reserves on a Solvency II basis and an allowance for the ability to levy additional premium on Members.

Notes to the Financial Statements

For the year ended 20 February 2023

19. Capital management (continued)

	2023	2022
Solvency II Capital Adequacy:	**US$000**	US$000
Minimum Capital Requirements ("MCR")	**8,623**	7,809
Solvency Capital Requirements ("SCR")	**34,491**	31,236
Ratio of Eligible Own Funds to MCR	**457%**	319%
Ratio of Eligible Own Funds to SCR	**164%**	130%

The Association has a ratio of eligible own funds to SCR both in the current year and the prior reporting period well above the threshold set by the ICCS.

20. Risk management

The Association monitors and manages the risks relating to its operations through its risk management programme which analyses exposures by degree and magnitude of risks. This is evidenced in the Own Risk Solvency Assessment ("ORSA") report which is submitted to the ICCS.

The ORSA documents the Association's risk and capital management policies employed to identify, assess, manage and report the risks it may be exposed and to determine the capital resources required to ensure that its overall solvency needs are met at all times. The ORSA considers the business strategy, how the strategy aligns to risk appetite and the current risk profile.

The principal risks faced by the Association are insurance risk, credit risk, market risk and operational risk.

Insurance risk

Insurance risk is comprised of two elements; premium risk and reserving risk. Premium risk refers to the risk that insurance premium written in a policy year is insufficient to cover claims and other costs arising in that year. It thus relates to the future, whereas reserving risk is the risk that, over the next year, existing technical provisions are insufficient to cover claims arising in previous policy years. The Association is exposed to the uncertainty surrounding the timing, frequency and severity of claims made under its insurance contracts. Premium and reserving risk are calculated by reference to risk and then combined taking account of dependencies and diversification effects.

Premium is set using assumptions which have regard to trends and the past experience of a specific Member. Premium risk is mitigated by diversification across a variety of ship types, and by careful selection and implementation of underwriting strategy guidelines including the screening of new Members.

The Association transfers a substantial portion of its insurance risk to its reinsurers through the provisions of its reinsurance arrangements with SMUAB and its membership of the International Group.

The key methods used to estimate claims liabilities are Bornhuetter-Ferguson for the most recent policy year reported and the development factor method for all other policy years. Reserves for both reported and unreported claims are calculated using detailed statistical analysis of the past experience as to frequency and average cost of claims. The Audit and Risk Committee compares the proposed claim reserves with an independent calculation performed by qualified actuaries at the reporting date. The Association aims to reduce reserving risk by setting claims reserves at a prudent level that provides between 70% and 80% confidence that they will be sufficient to cover actual settlement costs. Actual experience will differ from the expected outcome but this prudent basis is expected to result in releases of prior period claim reserves. Inflation is one of many factors that are considered by claims handlers when setting an appropriate claim reserve prior to settling a claim. The Association uses standard actuarial techniques which, amongst other things, incorporate inflation when calculating appropriate technical provisions. Together, these should accommodate potential increased costs arising from current levels of inflation.

Notes to the Financial Statements

For the year ended 20 February 2023

20. Risk management (continued)

Insurance risk (continued)

The sensitivity of the overall surplus to three factors, other assumptions being unchanged, is shown below.

		2023 US$000	2022 US$000
5% increase in claims incurred on current policy year			
Overall surplus	gross of reinsurance	**(5,152)**	(4,987)
	net of reinsurance	**(371)**	(475)
Single claim of US$2bn in current policy year			
Overall surplus	gross of reinsurance	**(2,000,000)**	(2,000,000)
	net of reinsurance	**(3,491)**	(3,308)
Single claim for other member of IG of US$2bn in current policy year			
Overall surplus	gross of reinsurance	**(6,376)**	(5,783)
	net of reinsurance	**(638)**	(578)

The following tables show the development of claims over ten years on both a gross and net of reinsurance basis. The top half of each table shows how the estimates of total claims for each policy year have developed over time. The lower half of each table reconciles cumulative claims to the amount appearing in the balance sheet.

Insurance claims – gross

Policy year	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000	2022/23 US$000
End of reporting year								86,462	99,746	103,030
One year later							32,032	86,590	86,842	
Two years later						21,651	30,217	76,375		
Three years later					16,944	27,570	30,772			
Four years later				8,945	17,438	28,231				
Five years later			2,811	6,729	18,581					
Six years later		1,396	2,302	6,410						
Seven years later	829	464	2,202							
Eight years later	559	438								
Nine years later	395									
Current estimate of ultimate claims	395	438	2,202	6,410	18,581	28,231	30,772	76,375	86,842	103,030
Cumulative payments to date	(150)	(68)	268	2,074	6,519	11,460	17,772	46,433	41,666	13,603
Claims outstanding	**545**	**506**	**1,934**	**4,336**	**12,062**	**16,771**	**13,000**	**29,942**	**45,176**	**89,427**
Claims outstanding relating to last ten reporting years										**213,699**
Provision in respect of prior years										**7,807**
Total gross claims outstanding										**221,506**

Notes to the Financial Statements

For the year ended 20 February 2023

20. Risk management (continued)

Insurance risk (continued)

Insurance claims – net

Policy year	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000	2022/23 US$000
End of reporting year								12,289	12,628	10,766
One year later							3,267	13,652	14,118	
Two years later						2,327	4,016	14,205		
Three years later					1,705	3,305	4,765			
Four years later				901	1,997	3,710				
Five years later			242	800	2,501					
Six years later		(4)	190	844						
Seven years later	7	(13)	175							
Eight years later	(16)	(7)								
Nine years later	(11)									
Current estimate of ultimate claims	**(11)**	**(7)**	**175**	**844**	**2,501**	**3,710**	**4,765**	**14,205**	**14,118**	**10,766**
Cumulative payments to date	(11)	(7)	30	427	1,315	2,113	3,490	11,242	9,699	4,713
Claims outstanding	**-**	**-**	**145**	**417**	**1,186**	**1,597**	**1,275**	**2,963**	**4,419**	**6,053**
Claims outstanding relating to last ten reporting years										**18,055**
Provision in respect of prior years										**-**
Total net claims outstanding										**18,055**

The 2019/20 and prior policy years reflects the cumulative claims after the Part VII transfer (Note 5).

Geographic allocation of premiums and claims is made by the country of management of the members.

Credit risk

Credit risk is the risk that a counterparty owing money to the Association may default causing a debt to be written off. The extensive reinsurance protection arranged by the Association effectively transforms a large proportion of insurance risk into credit risk as the risk exposure becomes reinsurer default. The credit risk arising from the reinsurance contract with SMUAB is mitigated through the operation of a collateral agreement. External reinsurers are generally only used if their financial strength rating is at least A- from Standard & Poor's or an equivalent rating from another rating agency, except in the case of some Members of the International Group and participants on reinsurance contracts placed through the International Group. Credit risk in respect of amounts due from Members is spread across diverse industries. Cover can be cancelled, and claims set off against unpaid premium and there are other strong incentives for Members to keep their insurance cover in place. In practice therefore the Association experiences prompt payment of premium and bad debt experience is immaterial. Credit risk arises on operational balances and deposits held with banks. The Association limits individual exposures to US$15m for banks rated AA by S&P Global, or an equivalent rating from another agency, US$10m for banks rated A by S&P Global, or an equivalent rating from another agency, US$5m for banks rated BBB or worse by S&P Global, or an equivalent rating from another agency and US$10m for not rated banks if the bank is a member of a Deposit Protection Fund that will guarantee protection of at least US$10m or has a Tier 1 capital ratio above 11.5%. Loans and receivables from members, agents and intermediaries generally do not have a credit rating.

Notes to the Financial Statements

For the year ended 20 February 2023

20. Risk management (continued)

Credit risk (continued)

The following table shows the aggregated credit risk exposure by rating.

As at 20 February 2023

	AAA US$000	AA US$000	A US$000	BBB US$000	Not rated US$000	Total US$000
Financial assets at fair value through profit or loss	39,130	3,802	6,903	7,067	-	56,902
Reinsurers' share of technical provisions	-	498	202,922	31	-	203,451
Cash at bank and in hand	-	4,568	-	-	1,727	6,295
Total assets with credit ratings	**39,130**	**8,868**	**209,825**	**7,098**	**1,727**	**266,648**

As at 20 February 2022

	AAA US$000	AA US$000	A US$000	BBB US$000	Not rated US$000	Total US$000
Financial assets at fair value through profit or loss	40,071	-	-	-	-	40,071
Reinsurers' share of technical provisions	-	1,024	178,147	44	-	179,215
Cash at bank and in hand	-	6,553	-	-	3,390	9,943
Total assets with credit ratings	**40,071**	**7,577**	**178,147**	**44**	**3,390**	**229,229**

The following tables show the age analysis of debtors arising out of insurance operations after deducting provision for bad debt.

As at 20 February 2023

	Not due US$000	0 - 30 days US$000	31 - 90 days US$000	Over 90 days US$000	Impaired US$000	Total US$000
Debtors arising out of direct insurance operations	1,491	934	1,283	979	24	4,711
Total	**1,491**	**934**	**1,283**	**979**	**24**	**4,711**

As at 20 February 2022

	Not due US$000	0 - 30 days US$000	31 - 90 days US$000	Over 90 days US$000	Impaired US$000	Total US$000
Debtors arising out of direct insurance operations	686	1,687	889	2,205	19	5,486
Total	**686**	**1,687**	**889**	**2,205**	**19**	**5,486**

Notes to the Financial Statements

For the year ended 20 February 2023

20. Risk management (continued)

Liquidity risk

The Association's exposure to liquidity risk is limited given that its assets are mainly held in money market instruments, short-term US government bonds, medium-term corporate bonds and cash at bank. All other assets and liabilities are expected to be settled within 12 months from the balance sheet date. A split of insurance liabilities by maturity is disclosed in Note 8. The following table shows the expected maturity of the Association's investments and cash at bank.

As at 20 February 2023

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Financial assets at fair value through profit or loss	44,664	7,158	4,368	712	**56,902**
Cash at bank	6,295	–	–	–	**6,295**
Total	**50,959**	**7,158**	**4,368**	**712**	**63,197**

As at 20 February 2022

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Financial assets at fair value through profit or loss	40,071	–	–	–	40,071
Cash at bank	9,943	–	–	–	9,943
Total	**50,014**	**–**	**–**	**–**	**50,014**

Notes to the Financial Statements

For the year ended 20 February 2023

20. Risk management (continued)

Market risk

Market risk is the risk of financial loss as a consequence of movements in prices of equities and bonds, interest rates and currency exchange rates. Market risk arises primarily from investment activities. The investment in short term money market instruments with constant net asset value of 1 US$ per unit does not directly expose the Association to market price and interest rate risks. The Assocation is exposed to interest rate risk in relation to its holdings in bonds however this is reduced due to their short average maturity.

The following table shows the Association's sensitivity to a 1% increase in interest rates.

	2023	2022
	US$000	US$000
Impact on free reserves	**(327)**	-

The carrying amount of the Association's foreign currency denominated monetary assets and liabilities are denominated as follows:

As at February 2023

	US dollar	**UK sterling**	**Euro**	**Brazilian real**	**Other**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Assets	227,571	9,968	28,575	1,798	4,728	272,640
Liabilities	(185,836)	(11,014)	(28,720)	(1,803)	(4,990)	(232,363)
	41,735	**(1,046)**	**(145)**	**(5)**	**(262)**	**40,277**

As at February 2022

	US dollar	**UK sterling**	**Euro**	**Brazilian real**	**Other**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Assets	185,725	9,209	27,895	2,069	10,599	235,497
Liabilities	(154,072)	(10,154)	(27,738)	(2,081)	(11,197)	(205,242)
	31,653	**(945)**	**157**	**(12)**	**(598)**	**30,255**

The sensitivity of free reserves to a 5% strengthening or weakening of all foreign currencies against the US dollar is small.

Operational risk

Operational risk includes fraud, interruptions in service due to external or internal disruption and procedural or systems errors. The Association has identified its operational risks in a risk register and has in place appropriate controls to manage and mitigate such risks, consistent with good practice, regulatory guidance and legislation relating to human resources, financial crime, business continuity and information security. Appropriate controls are also in place to monitor the outsourcing of operations to the Managers and, through them, other service providers.

21. Events after the reporting period

No events after the reporting period affected the understanding of the users of these financial statements.

Notes to the Financial Statements

For the year ended 20 February 2023

22. Principal accounting policies

Cash and cash equivalents in the statement of cash flows

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Foreign currencies

The functional and presentation currency is US dollars. In preparing the financial statements of the Association, transactions in currencies other than the Association's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. The exchange rate on the reporting date and used for the purpose of preparing the accounts are as follows:

	2023	2022
EUR/USD	**1.066**	1.134
GBP/USD	**1.200**	1.358

Contingent liabilities

Contingent liabilities are disclosed if there is a possible obligation as a result of a past event or there is present obligation, but payment is not probable, or the amount cannot be measured reliably.

Fair value measurement

The techniques used by the Association for measuring certain assets at fair value are disclosed in Note 13.

Leases

The Association as lessee

The Association assesses whether a contract is or contains a lease, at inception of the contract. The Association recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones).

Financial instruments

Financial assets and financial liabilities are recognised in the Association's Statement of Financial Position when the Association becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

22. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured subsequently to initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance. Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. Interest income is recognised in profit or loss and is included in the ‘other income’ line item.

Notes to the Financial Statements

For the year ended 20 February 2023

22. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Association designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other income and losses' line item`. Fair value is determined in the manner described in note 13.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost or at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income and losses' line item.

Impairment of financial assets

The Association recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade and other receivables.

Expected credit losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables the Association applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The ECL on these financial assets are estimated using a provision matrix based on the Association's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial asset that are subject to impairment under IFRS 9, the Association applies the general approach - three stage model for impairment based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Notes to the Financial Statements

For the year ended 20 February 2023

22. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Association compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Association considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Association's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Association's core operations.

Irrespective of the outcome of the above assessment, the Association presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Association has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Association assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;

2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Association considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Association regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Association recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 20 February 2023

22. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iii) Write-off policy

The Association writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Association's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. The Association considers that an event of default occurs only when the legal department believes there remain no legal avenue, or it is not cost effective, to pursue recovery of a debt.

(iv) Definition of default

The Association considers that default has occurred when a financial asset is over 90 days past due unless the Association has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(v) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Financial Statements

For the year ended 20 February 2023

22. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Association derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Association are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Association derecognises financial liabilities when, and only when, the Association's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Events after the reporting date

Assets and liabilities are adjusted for material events after the reporting period until the date of approval of the financial statements by the Board of Directors if those events offer additional information for conditions which existed at the end of the year. Non-adjusting events, are material events after the reporting period which are indicative of conditions that arose after the end of the reporting period, are disclosed if of such importance that non-disclosure would affect the ability of the users to make proper evaluations and decisions.

Notes to the Financial Statements

For the year ended 20 February 2023

22. Principal accounting policies (continued)

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. The current and deferred tax expense or income is recognised in Profit or Loss except in the cases that relate to items that recognised directly in equity or other comprehensive Income.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Association's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

Premium written

Premium comprise the total premium receivable for the whole period of cover provided by contracts incepting during the financial year. All premium is shown gross of commission payable to intermediaries and exclusive of taxes levied on premium. Release calls received for waiving the liability of a member for further mutual and/or additional premium form part of the premium written.

Unearned premium

The proportion of premium written relating to periods of cover after the year end is carried forward as a provision for unearned premium.

Claims and related expenses

Claims and related expenses are charged to the profit or loss statement when they have been settled. A provision is made on a claim by claim basis for the estimated cost of claims notified but not settled by the balance sheet date net off expected claim recoveries and for the estimated future costs of handling these claims. A provision for claims incurred but not reported ("IBNR") is established on a statistical basis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates. The reinsurers' share of technical provisions is calculated consistently with the amounts associated with the underlying insurance contract and the terms of the reinsurance contract. Further details of actuarial methodologies for claims incurred but not reported are described in note 20.

Reinsurance contracts

Payments made to and recoveries from other Associations under the International Group Pooling arrangements are recognised in the income and expenditure account when debited or credited. Reinsurance premium and recoveries are recognised in the income and expenditure account on an accruals basis. Reinsurance contracts are contracts which the Association enter with reinsurers to transfer insurance risk. The amount recoverable from reinsurers include the reinsurance share of gross insurance liabilities and is measured according the terms of each reinsurance contract.

Notes to the Financial Statements

For the year ended 20 February 2023

22. Principal accounting policies (continued)

Reinsurance contracts (continued)

Amounts receivable from reinsurers are reviewed annually for any impairment. If there are indications for impairment the Association remeasures the amount receivable from reinsurers to the recoverable amount. The impairment is recognized in the Income Statement.

Liability adequacy test

At each balance sheet date, the Association evaluates the adequacy of its liabilities that arise from its operations. This type of test is performed as a control of sufficient amount of unearned premium reserve less the corresponding expected costs. The liability adequacy test for unearned premium reserve is limited to the unexpired portion of existing contracts. If the result is negative, it is necessary to create an additional provision and recognise the deficiency in the income statement.

Deferred acquisition costs

Deferred acquisition costs represent a proportion of brokerage costs which relate to securing new insurance contracts and renewing existing contracts, and which are attributable to unearned premiums. The deferred acquisition costs are expensed in the income statement over the terms of the policies as premium is earned.

23. Deemed dividend distribution

Companies that do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Association pays special defence contribution on behalf of the Members over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled Members are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, from 2019 (deemed dividend distribution of year 2017 profits), the Association pays on behalf of the Members' General Healthcare System (GHS) contribution at a rate of 2,65% (31.12.2019: 1,70%), when the entitled members are natural persons tax residents of Cyprus, regardless of their domicile.

Additional Information

For the year ended 20 February 2023

Additional information to the information provided under the provisions of the Companies Act (Amendment) (No.2) Law of 2003 [N.167(1)] and of the IFRS, under Order 7 of the Superintended of Insurance for the year ended 20 February 2023

	Marine and transport		Total	
	2023 US$000	2022 US$000	2023 US$000	2022 US$000
Gross premiums written	138,222	98,055	138,222	98,055
Reinsurers share of gross premiums	99,107	68,269	99,107	68,269
Gross earned premiums	137,969	98,068	137,969	98,068
Gross outstanding claim reserves	221,506	195,851	221,506	195,851
Gross claims incurred	71,758	97,380	71,758	97,380
Claims management costs	8,608	7,558	8,608	7,558
Administrative expenses	21,402	16,383	21,402	16,383

For the year ended 20 Feb 2023:

	Cyprus	Switzerland	Netherlands	France	Greece	Germany	Italy	Monaco	Spain	Other countries	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Gross Written Premiums	13,746	43,434	17,745	10,887	18,182	7,417	12,560	3,254	2,053	8,944	138,222
Premiums from direct insurance	13,746	43,434	17,745	10,887	18,182	7,417	12,560	3,254	2,053	8,944	138,222
Gross claims incurred	10,471	13,719	1,585	273	49,421	1,866	5,678	(12,756)	2,143	(642)	71,758
Brokerage expenses	3,474	1,646	5,604	552	1,308	509	528	6	91	1,041	14,759

For the year ended 20 Feb 2022:

	Cyprus	Switzerland	Netherlands	France	Greece	Germany	Italy	Monaco	Spain	Other countries	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Gross Written Premiums	6,923	25,582	17,457	7,261	11,773	6,738	10,511	2,882	2,040	6,888	98,055
Premiums from direct insurance	6,923	25,582	17,457	7,261	11,773	6,738	10,511	2,882	2,040	6,888	98,055
Gross claims incurred	4,736	17,830	11,829	15,682	7,523	15,031	3,151	15,834	294	5,470	97,380
Brokerage expenses	712	1,116	5,632	466	774	470	469	273	91	609	10,612

MOORE

Moore Limassol Limited
Ariel Corner, 1st Floor, Office 101
196 Arch. Makarios Avenue, CY-3030
Limassol, Cyprus
P.O. Box 57528, CY-3316 Limassol, Cyprus

T +357 25820280
F +357 25344237
E info@moore-limassol.com.cy

www.moore-limassol.com.cy

Independent Auditor's Report

To the Members of Steamship Mutual Underwriting Association (Europe) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Steamship Mutual Underwriting Association (Europe) Limited (the "Association"), which are presented in pages 6 to 37 and comprise the statement of financial position as at 20 February 2023, and the statements of Income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Association as at 20 February 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report (continued)

To the Members of Steamship Mutual Underwriting Association (Europe) Limited

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>The key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Technical provisions - Valuation of outstanding claims and IBNR (continued)</td></tr>
<tr><td>The Association has reported Outstanding claims and IBNR US$149,788 thousands and US$62,551 thousands respectively.

The determination of the value of the claims reserve requires significant judgment by the management in the selection of key assumptions that are required in projecting the ultimate amount payable in the future with respect to loss events that have occurred. In addition, the Incurred But Not Reported ("IBNR") modelling by actuarial experts is reliant on relevant claims data being input correctly into the actuarial models and the application of appropriate subjective assumptions.

Detailed disclosure on the Outstanding claims and IBNR is presented in Note 8 of the financial statements. The accounting policies are presented in Note 22 and related information on critical accounting judgements and key sources of estimation uncertainty in Note 3.</td><td>Our audit procedures in this area included, amongst others:

▪ Performed substantive testing of all outstanding claims which exceed reduced performance materiality and obtained a sample from the remaining population using systematic sampling approach. These were agreed to supporting documentation and reviewed minutes of claims review meetings, where available, and also confirmed that foreign currency balances were translated at appropriate foreign exchange (FX) rates.
▪ Performed test of control over claims estimates, by verifying that the claim estimate are reviewed at least on an annual basis to ensure that claims are monitored and kept up to date.
▪ Performed test of control over claims paid, by verifying that claim paid authority limits are appropriately applied to all claims payments.
▪ Considered supporting documentation used by management to monitor claims estimates and reviewed of any minutes available to ensure an adequate reserve is recorded.
▪ During our claims payments substantive testing we have also included an assessment of whether claims estimates have been appropriately adjusted.
▪ Selected a sample of case reserve movements both pre-year-end and post year-end to determine if case reserve updates have been recorded in the correct period.
▪ Selected a sample of claims payments pre year end to assess if case estimates were correctly adjusted for the year end.</td></tr>
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Independent Auditor's Report (continued)

To the Members of Steamship Mutual Underwriting Association (Europe) Limited

Key audit matters (continued)

The key audit matters	How the matter was addressed in our audit
Technical provisions - Valuation of outstanding claims and IBNR (continued)	
	In respect of the IBNR: ▪ Performed a reconciliation of the actuarial data to accounting records and underlying system data for accuracy and completeness. ▪ Assessed the appropriateness of the technical provisions recognised to ensure it is appropriate. Furthermore, we engaged an independent actuarial specialist to act as auditor's expert to provide us with an assessment of the reasonableness of methodology and assumptions used by the management's expert in the calculation of these reserves. In this context our expert: ▪ Reviewed the actuarial report produced by Association to determine whether the methodology is appropriate for the class of business written. ▪ Held discussions with management's actuarial team and challenged the work performed, including key assumptions. ▪ Performed an independent projection on the P&I book using Association data to assess reasonableness of the level of IBNR recorded. ▪ Performed a review of the methodology adopted by Association actuaries in setting the level of margin for prudence and considered whether it was consistent with prior years. All the above procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)

To the Members of Steamship Mutual Underwriting Association (Europe) Limited

Key audit matters (continued)

The key audit matters	How the matter was addressed in our audit
Reinsurer's share of Technical provisions	
The Association has reported reinsurer's share of Outstanding claims and IBNR US$138,379 thousands and US$56,794 thousands respectively. Reinsurance recoveries are significant to the financial statements and rely on the correct valuation of gross technical provisions. Detailed disclosure on the reinsurer's share of Outstanding claims and IBNR is presented in Note 8 of the financial statements.	▪ Performed a recalculation of quota share recoveries. ▪ In conjunction with substantive claims estimates testing, we tested the application of XoL reinsurance to determine reinsurance recoveries. ▪ Tested the entry of key reinsurance terms into reinsurance spreadsheets from the reinsurance contracts. ▪ Substantively tested reinsurance recoveries above performance materiality to debit notes to ensure correct amount had been recovered for the claim. All the above procedures were completed in a satisfactory manner.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the additional information provided on page 38 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditor's Report (continued)

To the Members of Steamship Mutual Underwriting Association (Europe) Limited

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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Independent Auditor's Report (continued)

To the Members of Steamship Mutual Underwriting Association (Europe) Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Association on 23 September 2021 by the Board of Directors. This is our second year of engagement appointment.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 21 May 2023 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Association and which have not been disclosed in the financial statements or the management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

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Independent Auditor's Report (continued)

To the Members of Steamship Mutual Underwriting Association (Europe) Limited

Other Matter

This report, including the opinion, has been prepared for and only for the Association's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Christos Tsissios.

Christos Tsissios
Certified Public Accountant and Registered Auditor
for and on behalf of
Moore Limassol Limited
Certified Public Accountants and Registered Auditors

Limassol, 21 May 2023