Steamship Mutual Underwriting Association (Europe) Limited

Report and Financial Statements

For the year ended 20 February 2026

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Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Members of the Association will be held at the Mandarin Oriental Hotel, Avenida Presidente Kennedy 4601, Las Condes, Santiago, Chile on Tuesday, 3 November 2026 at 12:10 hours for the following purposes:

1. To receive and if thought fit, to adopt the statement of financial position and accounts for the year ended 20 February 2026, 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 J. Roome. Being eligible, they offer themselves for re-election.
3. To consider the appointment of an auditor for the forthcoming year and to authorise the Directors to determine the remuneration of the auditor.
4. To transact any other ordinary business of the Association.

By Order of the Board

Cyproman Services Limited
Secretary

24 May 2026

N.B. A Member who is entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend, speak and vote in his or her place. The instrument appointing a proxy may be in the form distributed to Members along with the financial statements and must be deposited with the Secretary at 28 Octovriou, 363, Vashiotis Ikos Center, Floor 1, 3107, Limassol, Cyprus not less than 48 hours before the time specified for the holding of the Meeting.

Directors and Officers

Board of Directors

C J Madinabeitia (Chair)	Tradewind Tankers SL	
R W Harris	Steamship P&I Management LLP	(Resigned on 21 March 2025)
C Klerides	Independent Director	
F Vrettos	Steamship P&I Management LLP	
J Roome	Independent Director	
J N Westmore	Steamship P&I Management LLP	(Appointed on 10 March 2025)
M O' Neil	Columbia Shipmanagement Ltd	(Appointed on 10 April 2025)

Secretary

Cyproman Services Limited

Managers

Steamship P&I Management LLP

Independent Auditors

Moore Limassol Limited

Registered Office

28 Octovriou, 363,
Vashiotis Ikos Center, Floor 1
3107, Limassol
Cyprus

Website: www.steamshipmutual.com

Company Registration Number

401650

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 2026.

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" or "IG") and is reinsured by the Steamship Mutual Underwriting Association (Bermuda) Limited ("Steamship Bermuda") in respect of the 2015/16 and subsequent policy years. The 2014/15 and prior policy years are reinsured 100% by the Steamship Mutual Trust ("Trust").

Strategic review

Steamship's vision is **'To be the shipping industry's most trusted and valued P&I Club'**, providing the full range of marine Protection and Indemnity and related insurances, on the mutual principle, delivering both first class service and security. Steamship is committed to providing solutions in partnership with its Members. It aims to protect its Members from the risks of maritime trade in a cost effective and sustainable way, to maintain excellent financial strength and resilience, and to develop expert and trusted teams globally.

Steamship embodies these values in delivering this vision:

- **Mutuality** – ensuring fairness amongst Club Members;
- **Integrity** – upholding high ethical, legal and regulatory standards;
- **Safety and Sustainability** - commitment to safety of life at sea and the preservation of the environment;
- **Transparency** – building strong relationships based on trust and open communication;
- **Excellence** – enabling our people to realise their full potential as team members, industry experts, leaders and managers; and
- **Collaborative** – embracing flexibility, diversity, and inclusivity.

Review of development and performance of the Association

For the year under review, the Directors set a 5% general increase in P&I premium. For the 2026/27 policy year renewal the general increase was set at 8%.

The Association's owned entered tonnage increased by 0.4% from 54.5m gross tons ("GT") to 54.7m GT during the year and including renewal. Total entered tonnage at 20 February 2026 for owned and chartered entries stood at 112.1m GT (20 Feb 2025: 114.2m GT).

The result for the year was a deficit of US$0.7m (2025: surplus of US$1.8m). The Association's net combined ratio, calculated by dividing the insurance service expenses minus amounts recoverable from reinsurers for incurred claims divided by the insurance revenue minus allocation of reinsurance premiums, was 105.5% (2025: 102.0%). The investment income for the year was US$3.5m (2025: US$4.2m).

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

Underwriting

The 2022/23 policy year, was closed in May 2025.

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 Freight, Demurrage and Defence ("FD&D") were set at 10% for the 2026/27 and 2025/26 policy years, 5% for the 2024/25 policy year and 0% for the 2023/24 policy year.

Claims

Gross incurred claims arising in respect of the 2025/26 policy year, including incurred but not reported ("IBNR") provisions, are projected to be US$220.7m, an increase of 40% over the 2024/25 policy year (US$157.8m), at the 12 month point. Claims incurred net of reinsurance recoveries amounted to US$13.8m, a decrease of 0.7% compared to the 2024/25 policy year (US$13.9m), at the 12 month point.

The 2025/26 policy year has incurred three Pool claims, one of which was a 25% quota share claim. Across the International Group of P&I Clubs, 12 Pool claims have been reported, amounting to US$406.9m. This remains below the record high of 14 claims totalling US$562.4m reported for the 2024/25 policy year at the same stage. Favourable releases have been recognised on older Pool years, most notably for the 2018/19, 2020/21 and 2021/22 policy years. The 2025/26 policy year has also experienced higher frequency, and severity, of large loss claims below the pool entry point (US$10m) compared to previous policy years. Adverse development has been experienced on older Owned years, most notably in the 2023/24 and 2024/25 policy years.

The Association's partnership with Mental Health Support Solutions ("MHSS") continued, including the free multilingual 24/7 helpline, new wellbeing resources and post-incident counselling. Work is progressing on integrating psychological evaluations more effectively into the Pre-Employment Medical

Management Report

Examination ("PEME") programme, with MHSS assisting in claim-linked analysis and pilot testing with members.

The relationship with Marine Media Enterprises ("MME") continued, through the completion of the eight-programme Personal Safety Series and ongoing access to high-quality maritime security and safety videos.

The Loss Prevention Department continues to monitor claims trends and global industry developments to inform the release of Risk Alerts, Information Notes, Security Notes, Safety Bulletins and other loss prevention material to support members. Improvements have been made to the PEME programme by accrediting new clinics and adopting an enhanced review of clinical facilities, standards and practices. Pre-entry and programmed condition surveys and management audit work was also conducted in accordance with internal guidelines and procedures.

Pooling and reinsurance

The Association's reinsurance programme for the 2026/27 policy year was arranged in conjunction with other members of the International Group ("IG"). The programme provides a limit of US$3.35bn in excess of US$10m, except in relation to oil pollution claims, which are subject to an overall limit of US$1.0bn.

Pooling

For 2026/27 policy year, the individual club retention, before Pooling with other members of the IG, 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 IG's Excess of Loss programme allows the Association to offer uniquely high levels of free and unlimited coverage for most of the risks covered. There are two changes to programme for the coming year.

1. The IG has arranged four private placements amounting to 27.5% of the first layer, reducing the broader market share from 75% to 72.5%.

2. The IG has extended the cover offered by Clubs to their shipowner members by expanding layer 3 from US$600m excess of US$1.5bn to US$850m excess of US$1.5bn. This means that the IG's Collective Overspill cover of US$1bn is now excess of US$2.35bn as opposed to US$2.1bn in 2025/26.

For layers 2 and 3, the COVID-19/Pandemic risk aggregated cover and Malicious Cyber aggregated cover continue to be split. For each of these risks, there continues to be free and unlimited cover for all claims up to US$650m excess US$100m, and separate aggregated cover for claims above US$750m up to US$2.35bn.

Hydra Insurance Company Limited ("Hydra")

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

For 2026/27 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 72.5% share placed in the market of the first layer of the Excess Loss programme as detailed above.

Charterers' cover

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

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

The Association entered into a reinsurance contract with Steamship Bermuda under which, in return for a percentage of written premium ceded to Steamship Bermuda, 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 Steamship Bermuda.

The Steamship Mutual Trust ("Trust")

The reinsurance contract with The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited ("SMUAT"), as Corporate Trustee of The Trust, covers 100% of the Association's net underlying liabilities in respect of all years up to and including the 2014/15 policy year, which were assumed by the Association as part of the Part VII transfer from Steamship Mutual Underwriting Association Limited ("Steamship London") in 2020.

All Members of the Association are automatically beneficiaries of The Steamship Mutual Trust.

Management Report

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 deficit for 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
The events after the reporting period are disclosed in 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 analysed in note 20.

Board of Directors
The members of the Board of Directors at the date of this report are presented on page 2. They were members of the Board of Directors throughout the year except Mr. Jerremy Noel Westmore who was appointed on 10 March 2025 and Mr. Mark Terence O' Neil who was appointed on 10 April 2025.

Independent auditors
A resolution to reappoint Moore Limassol Limited as the Association's external auditor will be considered at the forthcoming AGM.

C J Madinabeitia
Chair

24 May 2026

Income Statement and Statement of Other Comprehensive Income

For the year ended 20 February 2026

	Note	**2026 US$000**	2025 US$000
Insurance revenue	4, 7	**210,149**	186,656
Insurance service expenses	7	**(402,445)**	(190,338)
Insurance service result before reinsurance contracts held		**(192,296)**	(3,682)
Allocation of reinsurance premiums	8	**(171,574)**	(147,844)
Amounts recoverable from reinsurers for incurred claims	8	**361,747**	150,760
Net income from reinsurance contracts held		**190,173**	2,916
Insurance service result		**(2,123)**	(766)
Net investment income	14	**3,467**	4,214
Net foreign exchange (loss)/income		**(677)**	149
Total investment income		**2,790**	4,363
Finance expense for insurance contracts issued	7	**(8,994)**	(5,059)
Finance income for reinsurance contracts held	8	**7,547**	4,420
Net insurance financial result		**(1,447)**	(639)
Other income/(expenses)	9	**96**	(1,687)
(Deficit)/surplus before tax		**(684)**	1,271
Corporation tax (charge)/income	10	**(25)**	515
(Deficit)/surplus for the year		**(709)**	1,786
Other comprehensive income		**-**	-
Total comprehensive (loss)/income for the year		**(709)**	1,786

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

Statement of Financial Position

As at 20 February 2026

Assets	Note	2026 US$000	2025 US$000
Financial assets at fair value through profit or loss	12	**59,880**	73,046
Reinsurance contract assets	8	**360,319**	224,423
Other assets	17	**9,560**	353
Tax receivable		**900**	900
Cash at bank and in hand	15	**16,957**	8,518
Total assets		**447,616**	307,240
Liabilities			
Insurance contract liabilities	7	**395,421**	258,288
Trade and other payables	16	**4,659**	707
Total liabilities		**400,080**	258,995
Net assets		**47,536**	48,245
Equity			
Capital contribution		**42,500**	42,500
Free reserves – retained earnings		**5,036**	5,745
Total Free Reserves		**47,536**	48,245

The financial statements were approved by the Board of Directors on 24 May 2026:

Carlos Juan Madinabeitia

Chair

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 2026

	Note	Capital contribution	Accumulated earnings	Total - Free reserves
		US$000	US$000	US$000
Balance as at 20 February 2024		**42,500**	**3,959**	**46,459**
Total comprehensive income for the year		**-**	1,786	1,786
Balance as at 20 February 2025		**42,500**	**5,745**	**48,245**
Total comprehensive loss for the year		**-**	(709)	(709)
Balance as at 20 February 2026		**42,500**	**5,036**	**47,536**

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

The Association is a Company limited by guarantee without share capital.

Statement of Cash Flows

For the year ended 20 February 2026

	Note	2026 US$000	2025 US$000
Cash flows from operating activities			
(Deficit)/surplus before taxation after interest		**(684)**	1,271
Adjustments for:			
Net fair value gains from mutual funds	12	**(797)**	(767)
Operating cash flows before movements in working capital		**(1,481)**	504
Increase in net insurance contracts		**1,237**	3,491
(Increase)/decrease in other assets		**(9,207)**	567
Increase/(decrease) in trade and other payables		**3,952**	(251)
Cash (used in)/generated by operating activities		**(5,499)**	4,311
Taxation paid		**(25)**	(385)
Net cash (used in)/generated by operating activities		**(5,524)**	3,926
Cash flows from investing activities			
Redemptions	12	**224,593**	113,258
Acquisition of investments classified as fair value through profit or loss	12	**(210,630)**	(111,714)
Net cash flows generated by investing activities		**13,963**	1,544
Net cash inflow for the year		**8,439**	5,470
Cash and cash equivalents as at 20 February 2025 / 20 February 2024	15	**8,518**	3,048
Cash and cash equivalents as at 20 February 2026 / 20 February 2025	15	**16,957**	8,518

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

Notes to the financial statements

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, 28 Octovriou, 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.

(a) Declaration of conformity

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards 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 and Iran crisis 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

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 reporting 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's 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. 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 2025

In the current year, the Association has adopted all amendments to IFRS Accounting Standards (the "IFRS", the "Standards") issued by the International Accounting Standards Board (the "IASB", the "Board") that was mandatorily effective for an accounting period that begins on or after 1 January 2025. These amendments had an insignificant effect on the Association's financial statements.

(c) Adoption of new and revised standards

At the reporting date of these financial statements, new standards, amendments to standards and interpretations were issued by the IASB which were not effective for the period ended 20 February 2026. Some of them were adopted by the European Union and others not yet.

Issued by the IASB and adopted by the European Union

- Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026).
- Annual Improvements to IFRS Accounting Standards – Volume 11(effective for annual periods beginning on or after 1 January 2026).
- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024) (effective for annual periods beginning on or after 1 January 2027).

Issued by the IASB but not yet adopted by the European Union

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (issued on 13 November 2025) (effective for annual periods beginning on or after 1 January 2027).

The above are expected to have no significant impact on the Association's financial statements when they become effective.

Notes to the financial statements

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:

Insurance and reinsurance contracts

The Association applies the Premium Allocation Approach ("PAA") to simplify the measurement of the Liability for Remaining Coverage ("LRC") for insurance contracts issued and reinsurance contracts held. For insurance contracts with a coverage period of less than one year, the PAA applies automatically. For the Part VII book of business, which has a coverage period of more than one year, the Association performed an assessment and reasonably expects that LRC under PAA approximates the LRC under the General Measurement Model ("GMM") during the lifetime of this book of business. This assessment requires the use of significant judgement, making assumptions about the future and applying stress scenarios. Materiality is a key consideration in the quantitative assessment of results, and qualitative factors about the nature of the contracts including the timing and size of cash flows are considered when forming conclusions on PAA applicability. When measuring the LRC, the PAA is broadly similar to the Association's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Association discounts cash flows that are expected to occur more than a year after the date on which the claims incurred and includes an explicit adjustment for non-financial risk.

Onerous contracts

For a group of onerous contracts, the LRC is calculated using the GMM. The gross loss component for a group of onerous contracts is the expected cash flow deficit, which is the difference between the LRC determined by the GMM and the LRC under PAA. The gross loss component is estimated based on judgmental forward-looking assumptions used to prepare the next policy year's business plan. Most insurance contracts issued by the Association incept mid-day 20 February each year and are legally bound before the inception of the next accounting period. The gross loss component is calculated based on budgeted loss on the Bound but Not Incepted Business for next policy year. The loss-recovery component is determined with reference to the gross loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Liability of incurred claims and risk adjustment for non-financial risks

The ultimate cost of outstanding claims is estimated using a range of standard actuarial projection techniques, such as the Development Factor and Bornhuetter-Ferguson methods.

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the reporting date on a best estimate basis. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for the reported claims. 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. Under IFRS 17, case estimates and IBNR are estimated on a discounted best estimate basis. An explicit risk adjustment that represents the compensation the Association requires for bearing reserving and expense uncertainty is added. For estimating the risk adjustment, the Association uses the Value at Risk method, estimating the Solvency II reserve risk at the 75th percentile over a one-year period (2025: 75th) percentile over a one-year period, using lognormal distribution which is assumed to approximate the Association's actual claims volatility. The selection of the 75th percentile is consistent with Steamship's reserving risk appetite, which targets a confidence level in the range of 70%–80%. Note 20 shows, the carrying amount for insurance contract and provides details on significant assumptions and sensitivities made for insurance liabilities.

Notes to the financial statements

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Discount rates

Insurance contract liabilities are calculated by discounting the expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates ("RFR") are determined by reference to EIOPA RFR. If needed, the illiquidity premium is determined based on the volatility adjustment published by EIOPA. The RFR used does not include an illiquidity premium to align IFRS 17 discount rates with the Solvency II discount rates as the impact is immaterial.

Discount rates applied for discounting of future cash flows are listed below:

USD	1 year	3 years	5 years	10 years
Feb-26	**3.42%**	**3.16%**	**3.24%**	**3.57%**
Feb-25	4.05%	3.76%	3.74%	3.81%

EUR	1 year	3 years	5 years	10 years
Feb-26	**2.04%**	**2.11%**	**2.25%**	**2.60%**

Tax liabilities

There are key sources of estimation uncertainty in relation to tax liability. These uncertainties arise from assumptions and judgments made in estimating taxes payable and tax provisions. These estimates are based on a number of factors including, but not limited to, changes in tax laws and regulations, the outcome of tax audits, and the interpretation of complex tax matters. As a result, the actual tax liabilities may differ from the provisional payments and estimates made.

Notes to the financial statements

4. Insurance revenue

	2026 US$000	2025 US$000
Mutual and fixed insurance revenue	**193,386**	183,548
Release calls	**219**	87
Part VII run-off	**16,544**	3,021
Insurance revenue	**210,149**	186,656

Insurance revenue by class of business

Protection and Indemnity	**174,071**	159,669
Freight, Demurrage and Defence	**7,074**	7,357
Other	**12,460**	16,609
Part VII run-off	**16,544**	3,021
Insurance revenue	**210,149**	186,656

Insurance revenue by Member location

Switzerland	**73,462**	68,008
Greece	**25,884**	23,692
Netherlands	**21,599**	20,858
Italy	**17,589**	16,906
France	**19,497**	16,863
Germany	**9,403**	8,384
Cyprus	**5,687**	6,684
Monaco	**4,850**	5,942
Norway	**3,403**	3,368
Spain	**2,582**	2,512
United Kingdom (Part VII run-off)	**16,544**	3,021
Other countries	**9,649**	10,418
Insurance revenue	**210,149**	186,656

5. Reinsurance contracts

For 2020/21 and subsequent policy years the Association entered into a reinsurance contract with Steamship Mutual Underwriting Association (Bermuda) Limited ("Steamship Bermuda") under which, in return of 90% of gross earned premium minus technical expenses which are ceded to Steamship Bermuda, the Association is indemnified for 90% of its net of external reinsurance 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, the Association received from Steamship London claims outstanding on expired policies of insurance where the policyholder was a resident of an EEA state, Monaco or Switzerland which under IFRS 17 are treated as contracts acquired in their claims settlement period. The Association also acquired the rights and obligations of reinsurance treaties under which Steamship London was covered in respect of the transferred policies. The related party transactions and balances with Steamship Bermuda and the Steamship Mutual Underwriting Association Trustees (Bermuda) Limited ("The Trust") are disclosed in Note 18.

Notes to the financial statements

6. Net operating expenses

	2026 US$000	2025 US$000
Acquisition costs		
Brokerage	**17,075**	17,104
Underwriting administration expenses (Note 18)	**4,196**	4,598
	21,271	21,702
Claims administration expenses (Note 18)	**11,789**	12,918
Administrative expenses		
Administrative fee (Note 18)	**3,996**	4,379
Auditor's remuneration for the statutory audit of accounts	**191**	252
Auditor's remuneration for other assurance services	**34**	41
Professional services	**141**	129
Bank charges	**126**	110
Directors' fees (Note 18)	**47**	45
Irrecoverable VAT	**101**	81
Other costs	**25**	23
	4,661	5,060
Net operating expenses	**37,721**	39,680
Split of attributable and non-attributable expenses		
Attributable expenses	**36,470**	38,302
Non-attributable expenses (Note 9)	**1,251**	1,378
Total	**37,721**	39,680

Attributable expenses form part of insurance service expenses. Non-attributable expenses are overheads that cannot be directly attributed to portfolios of insurance contacts, hence, are not part of insurance service result.

Notes to the financial statements

7. Insurance contract liabilities reconciliation note

Gross insurance as at 20 February 2026 US$000	Liabilities for remaining coverage ("LRC")			Liability for incurred claims		
	Pre-recognition liabilities	LRC (excluding loss component)	Loss component	Estimates of PV of future cash flows	Risk adjustment for non-financial risk	Total
Opening liabilities as at 20 Feb 2025	**2,170**	**48,128**	**-**	**194,006**	**13,984**	**258,288**
Insurance revenue	-	(210,149)	-	-	-	(210,149)
Insurance service expenses	-	21,293	-	370,914	10,238	402,445
Incurred claims and expenses	-	-	-	227,600	10,105	237,705
Adjustments to liabilities for incurred claims	-	-	-	143,314	133	143,447
Amortisation of acquisition costs	-	21,293	-	-	-	21,293
Insurance service result	**-**	**(188,856)**	**-**	**370,914**	**10,238**	**192,296**
Insurance finance expenses	**-**	**-**	**-**	**8,994**	**-**	**8,994**
Effect of movements in exchange rates	**-**	**2,480**	**-**	**4,286**	**-**	**6,766**
Total changes in P&L	**-**	**(186,376)**	**-**	**384,194**	**10,238**	**208,056**
Cash flows						
Premiums received	2,823	192,221	-	-	-	195,044
Insurance acquisition cash flows	-	(21,440)	-	-	-	(21,440)
Claims and other expenses paid	-	-	-	(244,527)	-	(244,527)
Total cash flows	**2,823**	**170,781**	**-**	**(244,527)**	**-**	**(70,923)**
Other movements	**(2,170)**	**2,170**	**-**	**-**	**-**	**-**
Balance as at 20 Feb 2026	**2,823**	**34,703**	**-**	**333,673**	**24,222**	**395,421**

Incurred claims and expenses and adjustment to liabilities for incurred claims include US$18,908 expenses re-charged by Steamship P&I Management LLP ("SPIM") for management and administrative services (Note 18).

Prepaid expenses from SPIM of US$658 is included in the Estimates of PV of future cash flows (Note 18).

Notes to the financial statements

7. Insurance contract liabilities reconciliation note

Gross insurance as at 20 February 2025 US$000	Liabilities for remaining coverage ("LRC")			Liability for incurred claims		
	Pre-recognition liabilities	LRC (excluding Loss component)	Loss component	Estimates of PV of future cash flows	Risk adjustment for non-financial risk	Total
Opening liabilities as at 20 Feb 2024	**2,120**	**49,775**	**-**	**112,992**	**9,488**	**174,375**
Insurance revenue	-	(186,656)	-	-	-	(186,656)
Insurance service expenses	-	21,719	-	164,123	4,496	190,338
Incurred claims and insurance expenses	-	-	-	157,117	7,555	164,672
Adjustments to liabilities for incurred claims	-	-	-	7,006	(3,059)	3,947
Amortisation of acquisition costs	-	21,719	-	-	-	21,719
Insurance service result	**-**	**(164,937)**	**-**	**164,123**	**4,496**	**3,682**
Insurance finance expenses	**-**	**-**	**-**	**5,059**	**-**	**5,059**
Effect of movements in exchange rates	**-**	**(766)**	**-**	**(727)**	**-**	**(1,493)**
Total changes in P&L	**-**	**(165,703)**	**-**	**168,455**	**4,496**	**7,248**
Cash flows						
Premiums received	2,170	183,760	-	-	-	185,930
Insurance acquisition cash flows	-	(21,824)	-	-	-	(21,824)
Claims and other expenses paid	-	-	-	(87,441)	-	(87,441)
Total cash flows	**2,170**	**161,936**	**-**	**(87,441)**	**-**	**76,665**
Other movements	**(2,120)**	**2,120**	**-**	**-**	**-**	**-**
Balance as at 20 Feb 2025	**2,170**	**48,128**	**-**	**194,006**	**13,984**	**258,288**

Incurred claims and expenses and adjustment to liabilities for incurred claims include US$20,702 expenses re-charged by Steamship P&I Management LLP ("SPIM") for management and administrative services (Note 18).

An amount payable to SPIM of US$988 is included in the Estimates of PV of future cash flows (Note 18).

Notes to the financial statements

8. Reinsurance contract assets reconciliation note

Reinsurance contract assets as at

20 February 2026 US$000	**Asset for remaining coverage**			**Asset for incurred claims**		
	Pre-recognition assets	**ARC (excluding loss component)**	**Loss recovery component**	**Estimates of PV of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Opening assets as at 20 Feb 2025	**219**	**35,524**	**-**	**175,907**	**12,773**	**224,423**
Allocation of reinsurance premiums	-	(171,574)	-	-	-	(171,574)
Amounts recoverable from reinsurers for incurred claims	-	-	-	351,659	10,088	361,747
Amounts recoverable for incurred claims and other expenses	-	-	-	188,686	9,966	198,652
Changes to amounts recoverable for incurred claims	-	-	-	162,973	122	163,095
Net income or expense from reinsurance contracts held	**-**	**(171,574)**	**-**	**351,659**	**10,088**	**190,173**
Reinsurance finance income	**-**	**-**	**-**	**8,215**	**-**	**8,215**
Effect of changes in non-performance	**-**	**(48)**	**-**	**(620)**	**-**	**(668)**
Effect of movements in exchange rates	**-**	**2,232**	**-**	**3,858**	**-**	**6,090**
Total changes in P&L	**-**	**(169,390)**	**-**	**363,112**	**10,088**	**203,810**
Cash flows						
Pool contributions paid	-	-	-	18,692	-	18,692
RI Premium paid	19	156,561	-	-	-	156,580
RI recoveries	-	-	-	(243,186)	-	(243,186)
Total cash flows	**19**	**156,561**	**-**	**(224,494)**	**-**	**(67,914)**
Other movements	**(219)**	**219**	**-**	**-**	**-**	**-**
Balance as at 20 Feb 2026	**19**	**22,914**	**-**	**314,525**	**22,861**	**360,319**

Reinsurance contract assets include premiums ceded US$128,118 to Steamship Bermuda*, reinsurance share of claims paid US$134,988 from* Steamship Bermuda*, US$101 from the Trust (Note 18).*

Reinsurance contract assets reflect reinsurance premium payable of US$25 to Steamship Bermuda*, outstanding recoveries US$193,162 from* Steamship Bermuda *and outstanding recoveries US$6,814 from the Trust. Related party transactions and balances are disclosed in (Note 18).*

Notes to the financial statements

8. Reinsurance contract assets reconciliation note

Reinsurance contract assets as at 20 February 2025 US$000	Asset for remaining coverage ("ARC")			Asset for incurred claims		
	Pre-recognition assets	ARC (excluding loss component)	Loss recovery component	Estimates of PV of future cash flows	Risk adjustment for non-financial risk	Total
Opening assets as at 20 Feb 2024	**98**	**32,183**	**-**	**103,201**	**8,519**	**144,001**
Allocation of reinsurance premiums	-	(147,844)	-	-	-	(147,844)
Amounts recoverable from reinsurers for incurred claims	-	-	-	146,506	4,254	150,760
Amounts recoverable for incurred claims and other expenses	-	-	-	140,326	7,000	147,326
Changes to amounts recoverable for incurred claims	-	-	-	6,180	(2,746)	3,434
Net income or expense from reinsurance contracts held	**-**	**(147,844)**	**-**	**146,506**	**4,254**	**2,916**
Reinsurance finance expenses	**-**	**-**	**-**	**4,543**	**-**	**4,543**
Effect of changes in non-performance	**-**	**(19)**	**-**	**(104)**	**-**	**(123)**
Effect of movements in exchange rates	**-**	**(690)**	**-**	**(654)**	**-**	**(1,344)**
Total changes in P&L	**-**	**(148,553)**	**-**	**150,291**	**4,254**	**5,992**
Cash flows						
Pool contributions paid	-	-	-	10,172	-	10,172
RI Premium paid	219	151,796	-	-	-	152,015
RI recoveries	-	-	-	(87,757)	-	(87,757)
Total cash flows	**219**	**151,796**	**-**	**(77,585)**	**-**	**74,430**
Other movements	**(98)**	**98**	**-**	**-**	**-**	**-**
Balance as at 20 Feb 2025	**219**	**35,524**	**-**	**175,907**	**12,773**	**224,423**

Reinsurance contract assets include premiums ceded US$104,681 to Steamship Bermuda, reinsurance share of claims paid US$84,954 from Steamship Bermuda, US$430 from the Trust (Note 18).

Reinsurance contract assets reflect reinsurance premium payable of US$1,260 to Steamship Bermuda, outstanding recoveries US$182,493 from Steamship Bermuda and outstanding recoveries US$6,705 from the Trust. Related party transactions and balances are disclosed in (Note 18).

Notes to the financial statements

9. Other (income)/expenses

	2026 US$000	2025 US$000
Non-attributable expenses	**1,251**	1,378
Realised foreign exchange (gains)/losses	**(1,347)**	309
	(96)	1,687

Non-attributable expenses include US$1,073,000 (2025: US$1,193,000) expenses re-charged by Steamship P&I Management LLP for management and administrative services (Note 18).

10. Income tax expense

The tax charge represents:

	2026 US$000	2025 US$000
Current year	**-**	**-**
Adjustments in respect of prior years	**25**	**(515)**
	25	**(515)**

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

	2026 US$000	2025 US$000
(Deficit)/surplus before tax	**(684)**	1,271
Tax at 12.5% until 31 December 2025 and 15% after 1 January	**(100)**	159
Tax effect of income/(expenses) not subject to income tax	**100**	(173)
Adjustments in respect of prior years	**25**	(501)
Corporation tax charge/(income) for year	**25**	(515)

The taxable profits of the Association are subject to corporation tax at a rate of 12.5% up to and including 31 December 2025. With effect from 1 January 2026, the corporation tax rate increased to 15%.

Tax losses may be carried forward and offset against future taxable profits for a period of five years. From 1 January 2026, tax losses may be carried forward and offset against future taxable profits for a period of seven years.

Notes to the financial statements

11. Financial instruments by category

The Association holds the following financial instruments:

	2026	2025
Financial assets	**US$000**	US$000
Financial assets at fair value through profit or loss (Note 12)	**59,880**	73,046
Financial assets at amortised cost:		
Other assets (Note 17)	**9,560**	353
Cash at bank and in hand (Note 15)	**16,957**	8,518
	86,397	81,917
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (Note 16)	**4,659**	707
	4,659	707

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

	2026	2025
	US$000	US$000
Financial assets measured at FVTPL		
Money Market Funds	**22,524**	23,843
Bond Funds	**37,356**	49,203
	59,880	73,046

	2026	2025
	US$000	US$000
Balance at the beginning of the year	**73,046**	73,823
Fair value revaluation	**797**	767
Additions from reinvestments	**210,630**	111,714
Redemptions	**(224,593)**	(113,258)
Balance at the end of the year	**59,880**	73,046

Notes to the financial statements

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

Investments 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).

	2026	2025
	US$000	US$000
Financial assets at FVTPL (Note 12)	**59,880**	73,046

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 1	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

14. Net investment income

	2026 US$000	2025 US$000
Dividend income	**885**	2,591
Interest income on cash balances	**33**	113
Unrealised (losses)/gains	**797**	767
Realised gains	**1,752**	743
	3,467	4,214

15. Cash at bank and in hand

	2026 US$000	2025 US$000
Current accounts with banks	**16,957**	8,518

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

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.

16. Trade and other payables

	2026 US$000	2025 US$000
Deposits for guarantees issued for non-covered matters	**1,121**	459
Other creditors	**3,538**	248
	4,659	707

Deposits for guarantees issued for non-covered matters relates to matters for which the Association issued guarantees to third parties on behalf of its Members for non-covered claims and has obtained counter-securities 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.

Notes to the financial statements

17. Other assets

	2026 US$000	2025 US$000
Steamship London	**9,382**	91
Trust (Note 18)	**35**	6
Other debtors	**143**	256
	9,560	353

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.

Remuneration of Board members and other key executives	2026 US$000	2025 US$000
Non-Executive Directors Emoluments	**47**	45

Transactions with related parties

Related Party	Nature of transaction	2026 US$000	2025 US$000
SPIM	Management and administrative services (Notes 6, 7 and 9)	**19,981**	21,895
Steamship Bermuda	Reinsurance premiums ceded (Note 8)	**128,118**	104,681
Steamship Bermuda	Reinsurer share of claims paid (Note 8)	**(134,988)**	(84,954)
The Trust	Reinsurer share of claims paid (Note 8)	**(101)**	(430)
Steamship Bermuda	Increase in Reinsurance contract Assets (Note 8)	**(11,702)**	(55,817)
The Trust	Decrease/(increase) in Reinsurance Assets (Note 8)	**252**	(1,156)

Notes to the financial statements

18. Transactions and balances with related parties (continued)

Balances with related parties

Related Party		2026 US$000	2025 US$000
SPIM	Expenses prepayment/(payable) (Note 7)	**658**	(988)
Steamship Bermuda	RI recoveries (Note 8)	**193,162**	182,493
The Trust	RI recoveries (Note 8)	**6,814**	6,705
Steamship Bermuda	RI premium payable (Note 8)	**(25)**	(1,260)
The Trust	RI claims receivable (Note 17)	**35**	6

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.

Steamship Bermuda and the Trust are reinsurers to the Association, with their own separate ownership structures. All Members of the Association are automatically Members of Steamship Bermuda. All Members of the Association are also automatically beneficiaries of the Trust, together with other beneficiaries. The transactions between the Association and these companies are described in this note.

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.

Solvency II Capital Adequacy:	**2026 US$000**	2025 US$000
Minimum Capital Requirements ("MCR")	9,768	8,897
Solvency Capital Requirements ("SCR")	39,072	35,588
Ratio of Eligible Own Funds to MCR	481%	553%
Ratio of Eligible Own Funds to SCR	170%	188%

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 Insurance Companies Control Service.

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 Group Solvency Self-Assessment ("GSSA") Report which is submitted to the ICCS. The GSSA 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 GSSA 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.

Notes to the financial statements

20. Risk management (continued)

Insurance risk

Insurance risk is comprised of two elements; premium risk and reserving risk. Premium risk refers to the risk that insurance revenue 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 liabilities for incurred claims 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 Steamship Bermuda 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. A risk adjustment which represents the compensation the Association requires for bearing reserving and expense risk that is calibrated between 70% and 80% confidence level and currently is set at 75% (2025: 75%) confidence level over a one-year period, is added on top of claims best estimates. 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 liabilities for incurred claims. Together, these should accommodate potential increased costs arising from current levels of inflation.

Sensitivity Analysis

The following sensitivity analysis shows the impact on profit before tax and the impact on equity as of 20 Feb 2026 for reasonably possible movements in key assumptions with all other assumptions held constant.

The sensitivity of the overall surplus to three factors, other assumptions being unchanged, is shown below:	Impact on profit before tax gross of RI	Impact on profit before tax net of RI	Impact on equity gross of RI	Impact on equity net of RI
5% increase in incurred claims and other insurance service expenses	(11,885)	(1,952)	(10,399)	(1,708)
1% increase in the interest rates	8,189	(199)	7,166	(174)
1% decrease in the interest rates	(8,703)	170	(7,616)	148
Risk adjustment increase by 2.5% to 77.5%	(3,300)	(186)	(2,888)	(163)
Risk adjustment decrease by 2.5% to 72.5%	3,101	174	2,713	152

As of 20 Feb 2025

The sensitivity of the overall surplus to three factors, other assumptions being unchanged, is shown below:	Impact on profit before tax gross of RI	Impact on profit before tax net of RI	Impact on equity gross of RI	Impact on equity net of RI
5% increase in incurred claims and other insurance service expenses	(8,234)	(868)	(7,205)	(760)
1% increase in the interest rates	3,873	(505)	3,389	(442)
1% decrease in the interest rates	(4,119)	484	(3,604)	424
Risk adjustment increase by 2.5% to 77.5%	(1,905)	(165)	(1,667)	(144)
Risk adjustment decrease by 2.5% to 72.5%	1,790	155	1,566	136

Notes to the financial statements

20. Risk management (continued)

Insurance risk (continued)

Gross claims

Policy year	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	US$000	US$000	US$000	US$000	US$000	US$000
End of reporting year	66,250	76,090	86,374	59,260	157,750	220,716
One year later	65,808	61,706	87,608	54,414	308,065	
Two years later	53,956	63,127	92,122	63,803		
Three years later	52,468	66,359	84,027			
Four years later	51,160	62,285				
Five years later	49,823					
Current estimate of ultimate claims	**49,823**	**62,285**	**84,027**	**63,803**	**308,065**	**220,716**
Cumulative payments to date	(47,059)	(53,508)	(46,779)	(51,442)	(157,217)	(66,848)
Claims outstanding	2,764	8,777	37,248	12,361	150,848	153,868
Claims outstanding relating to all reporting years						**365,866**
Prepaid expenses						**(658)**
Total gross claims outstanding						**365,208**
Effect of discounting						**(31,535)**
Effect of the risk adjustment for non-financial risk						**24,222**
Gross Liability for Incurred Claims						**357,895**

Net claims

Policy year	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	US$000	US$000	US$000	US$000	US$000	US$000
End of reporting year	11,996	12,242	10,507	7,170	13,857	13,759
One year later	13,293	13,762	10,102	6,380	15,717	
Two years later	14,025	13,789	10,584	7,109		
Three years later	13,734	14,177	6,166			
Four years later	13,462	10,559				
Five years later	13,321					
Net current estimate of ultimate claims	**13,321**	**10,559**	**6,166**	**7,109**	**15,717**	**13,759**
Net cumulative payments to date	(12,771)	(9,302)	(4,823)	(4,444)	(10,502)	(4,226)
Net claims outstanding	550	1,257	1,343	2,665	5,215	9,533
Net - claims outstanding relating to all reporting years						**20,563**
Prepaid expenses						**(658)**
Net claims outstanding						**19,905**
Net effect of discounting						**(1,772)**
Net effect of the risk adjustment for non-financial risk						**1,361**
Effect of reinsurance non-performance						**1,015**
Net Liability for Incurred Claims						**20,509**

Geographic concentration of premiums and claims is made by the country of management of the members (Note 4).

Notes to the financial statements

20. Risk management (continued)

Credit risk

Credit risk in respect of financial assets represents the risk that a counterparty may fail to meet its obligations, resulting in a financial loss to the Association. 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 reinsurance recoveries represent the share attributable to the reinsurers of the liability for incurred claim and is determined by reference to the contractual rights and obligations arising under the relevant reinsurance agreements. The credit risk arising from the reinsurance contract with Steamship Bermuda 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$25m for banks rated AA by S&P Global, or an equivalent rating from another agency, US$15m for banks rated A by S&P Global, or an equivalent rating from another agency, US$10m for banks rated BBB or worse by S&P Global, or an equivalent rating from another agency or has a Tier 1 capital ratio above 11.5% or US$5m if the capital ratio is above 10%. Loans and receivables from members, agents and intermediaries generally do not have a credit rating.

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

As at 20 February 2026

	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	23,776	22,168	8,329	5,607	-	**59,880**
Reinsurance assets	-	69,511	284,360	6,448	-	**360,319**
Cash at bank and in hand	-	3,418	13,382	-	157	**16,957**
Total assets with credit ratings	**23,776**	**95,097**	**306,071**	**12,055**	**157**	**437,156**

As at 20 February 2025

	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	31,193	23,207	11,109	7,537	-	73,046
Reinsurance assets	-	19,630	204,793	-	-	224,423
Cash at bank and in hand	-	1,568	6,372	-	578	8,518
Total assets with credit ratings	31,193	44,405	222,274	7,537	578	305,987

Notes to the financial statements

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. The following table shows the expected maturity of the Association's investments and cash at bank.

As at 20 February 2026

	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	29,407	11,802	18,510	161	**59,880**
Cash at bank	16,957	–	–	–	**16,957**
Total	**46,364**	**11,802**	**18,510**	**161**	**76,837**

As at 20 February 2025

	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	39,252	10,175	23,014	605	73,046
Cash at bank	8,518	–	–	–	8,518
Total	47,770	10,175	23,014	605	81,564

Maturity profiles

The following table summarises the maturity profile of the portfolio of insurance contracts issued that are liabilities based on the estimates of the present value of future cash flows expected to be paid in the periods presented.

As at February 2026

	Up to 1 year US$000	1-2 years US$000	2-3 years US$000	3-4 years US$000	>5 years US$000	Total US$000
Marine insurance	46,861	89,263	78,723	38,639	80,187	333,673

As at February 2025

	Up to 1 year US$000	1-2 years US$000	2-3 years US$000	3-4 years US$000	>5 years US$000	Total US$000
Marine insurance	31,399	52,113	43,688	24,187	42,619	194,006

Notes to the financial statements

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 Association is exposed to interest rate and market price risk in relation to its holdings in bonds however this is reduced due to their short average maturity. The following table shows market risk sensitivities in the market value of the Bond Fund:

	2026	2025
	US$000	US$000
1% increase in interest rates - Impact on profit or loss	**(699)**	(920)
5% decrease in the market value - Impact on profit or loss	**(1,868)**	(2,460)

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

As at February 2026

	US dollar	**UK sterling**	**Euro**	**Brazilian real**	**Other**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Assets	394,463	7,148	41,423	1,225	3,357	**447,616**
Liabilities	(345,310)	(8,706)	(41,086)	(1,288)	(3,690)	**(400,080)**
	49,153	**(1,558)**	**337**	**(63)**	**(333)**	**47,536**

As at February 2025

	US dollar	**UK sterling**	**Euro**	**Brazilian real**	**Other**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Assets	262,651	7,067	33,365	1,072	3,085	**307,240**
Liabilities	(208,659)	(8,792)	(36,902)	(1,159)	(3,483)	**(258,995)**
	53,992	**(1,725)**	**(3,537)**	**(87)**	**(398)**	**48,245**

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

Subsequent to the year end, the Association is closely monitoring developments in relation to the escalation of the conflict in the Middle East. P&I and FD&D cover for the Association's owned members has been unaffected. The Association issued notices of cancellation in respect of Owned Hull War Risks, Charterers' and Other covers which include war risks relating to the Persian/Arabian Gulf region. Whilst conditions in the region remain volatile, the Association has been able to offer cover to our members for certain war risk protections. The conflict 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

22. Material accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Management seeks not to reduce the understandability of these financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

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 solely payments of principal and interest ("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:

	2026	2025
EUR/USD	**1.176**	1.043
GBP/USD	**1.346**	1.259

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.

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.

Notes to the financial statements

22. Material 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 “Net investment income” line item.

Notes to the financial statements

22. Material 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 “Net investment income” line. 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

22. Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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

22. Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of 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 debtor;

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

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

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

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.

Notes to the financial statements

22. Material accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

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.

Notes to the financial statements

22. Material accounting policies (continued)

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Association assesses its insurance contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. Currently, the Association's products do not include any distinct components that require separation.

Level of aggregation

IFRS 17 requires insurers to determine the level of aggregation for applying its requirements. The level of aggregation for the Association is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. All insurance contracts of the Association are 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 the remainder. This means that, for determining the level of aggregation, the Association identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Association makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As a mutual P&I Club, the pricing of the Association for the mutual business, does not include an element of profitability. The absence of a margin of profit is a fact for the existence of onerous contracts. Additionally, a risk adjustment calibrated at a targeted confidence level between 70%-80% will be added to the Liability for Remaining Coverage ("LRC") when assessing whether onerous contracts exist and to the Liability of Incurred Claims ("LIC"). The absence of a profit margin and the inclusion of a risk adjustment for measuring the fulfilment cash flows means that all contracts are expected to be onerous at the beginning of a policy year. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The portfolio is further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolio of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any).
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any).
- A group of the remaining contracts in the portfolio (if any).

Recognition

The Association recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date.

Notes to the financial statements

22. Material accounting policies (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Recognition (continued)

- For a group of onerous contracts, if the facts and circumstances show that the group is onerous, the Association recognizes the expected loss in the accounting period when those contracts were legally bound, even if the coverage period has not yet started.

The Association recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Association delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

And

- The date the Association recognises an onerous group of underlying insurance contracts if the Association entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Association adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

The Association includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Association can compel the policyholder to pay the premiums, or in which the Association has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Association has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks or both of the following criteria are satisfied:
    - The Association has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
    - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Notes to the financial statements

22. Material accounting policies (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Measurement Premium Allocation Approach

	IFRS 17 Options	*Adopted approach*
Premium Allocation Approach ("PAA") Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model for measuring the liability for remaining coverage and the reinsurance asset for remaining coverage.	Most insurance contracts have contract boundaries of one year. Rules of cover for both P&I and Charterers include clauses which provide a unilateral, unconditional right to the Association to cancel cover. The existence of a unilateral, unconditional right to cancel cover means that the substantive obligation to provide coverage ends for a P&I cover thirty days after the inception of a P&I policy and seven days from the start of a Charterers policy. Reinsurance contracts that have cover period of one year are automatically eligible for PAA. For reinsurance contracts with cover period more than one year, the exposure after the first year is immaterial thus the Asset for Remaining Coverage ("ARC") per PAA does not differ materially with the ARC per General Measurement Model ("GMM").
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	Insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for remaining coverage ("LRC"), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to LRC, or where the time between providing each party of the services and the related premium due to date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	There is no significant financing component as the premiums are received within one year of the coverage period.

Notes to the financial statements

22. Material accounting policies (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Measurement Premium Allocation Approach (continued)

	IFRS 17 Options	*Adopted approach*
Liability for Incurred Claims ("LIC") adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claims are incurred, it is not required to adjust these amounts for the time value of money.	LIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.	The change in LIC as a result of changes of discount rates will be captured within profit or loss.

Insurance contracts – initial measurement

The Association applies the PAA to all insurance contracts that it issues and all reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary

Or

- For contracts longer than one year, the Association has assessed and reasonably expects that the measurement of liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Association has also considered qualitative factors such as the nature of the risk of its insurance contracts.

The Association does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that it would affect the measurement of the liability for remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with for example:

- The length of the coverage period of the group of contracts

For a group of contracts that is not onerous at initial recognition, the Association measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus the insurance acquisition cash flows at that date
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for the cash flows related to the group of contracts that the Association pays or receives before the group of insurance contracts is recognised.

Notes to the financial statements

22. Material accounting policies (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts – initial measurement (continued)

The expected position before the start of most new policy years is that this single group of insurance contracts will be onerous, or at least at risk of becoming onerous, due to the absence of profit margin in the pricing of insurance contracts as well as the addition of a risk adjustment on the measurement of the liability for remaining coverage based on General Measurement Model which is required for the calculation of the loss component. The loss component (net outflow from the group of onerous contracts) is calculated with the General Measurement Model and is added on top of the liability of remaining coverage and is recognised immediately in profit or loss.

Reinsurance contracts held – Initial measurement

The Association measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adopted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Association recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to the group, the Association establishes a loss-recovery component of the asset for remaining coverage for group of reinsurance contracts held depicting the recovery of the losses.

The Association calculates the loss-recovery component by multiplying the gross loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Association expects to recover from the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset of remaining coverage.

Insurance contracts – subsequent measurement

The Association measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability of remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows
- Plus any amounts relating to amortisation of insurance acquisition cash flows recognised as an expense in the reporting period
- Minus the amount recognised as insurance revenue for the services provided during the period

The Association measures the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect estimates from the perspective of the Association, and include an explicit adjustment for non-financial risk (the risk adjustment).

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of the premium to profit or loss.

Notes to the financial statements

22. Material accounting policies (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance contracts held.

Where the Association established a loss-recovery component, the Association subsequently reduces the loss-recovery component to zero in line with the reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Loss component

Due to the absence of profit margin in the pricing of insurance contracts, all contracts are expected to be onerous at initial recognition. The Association establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability of remaining coverage as determined by the PAA approach. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero. The cover period of most policies issued by the Association coincides with the reporting period. In addition, those policies are legally Bound Before the Inception ("BBNI") of the next policy/accounting year. This means that next policy year's insurance policies are legally bound before the completion of the current reporting year. If BBNI is expected to be onerous, the estimated loss for the next policy year is recognised immediately in the profit or loss.

Loss-recovery component

Where the Association recognises a gross loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Association establishes a loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with the reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Association expects to recover from the group of reinsurance contracts held.

Presentation of primary financial statements

The Association has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

Notes to the financial statements

22. Material accounting policies (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Presentation of primary financial statements (continued)

The Association disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Association does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Association separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

International Group Pooling arrangement

The Pooling agreement is a single contract between the IG Clubs and covers policies entered on a variable premium basis written by the P&I Clubs, their subsidiaries and branches. No premiums are payable in relation to the Pooling agreement by the P&I Club insurers. The only cashflows arising from the Pooling arrangement relate to Pool contributions and claim recoveries (Pool recoveries). The Pooling contract is considered to be a single reinsurance contract held under IFRS 17, in which the Association is the reinsured and the other P&I Clubs are the reinsurers.

Under IFRS 17 the individual insurance and reinsurance contract is considered the lowest unit of account. As such, the rights and obligations deriving from the Pooling arrangement derive from a single contract, hence are netted off.

The outstanding Pool recoveries for owned claims and the outstanding Pool contributions towards other P&I club claims will be netted-off in line “Reinsurance contract assets” or “Reinsurance contract liabilities” in the statement of financial position.

Pool contributions and Pool recoveries are presented in the line “Amounts recoverable from reinsurers for incurred claims" in Profit or Loss.

Insurance contracts acquired in their claims settlement period

The insurance liabilities of claims outstanding assumed by the Association through the Part VII transfer, on 20 December 2020, represent insurance contracts acquired in their claims settlement period. Under IFRS 17, this book is considered as an in-force policy and will form part of LRC.

The cover period of this book of business is the claims settlement period which is more than one year. The Association reasonably expects that the measurement of LRC for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model.

At the initial recognition, the LRC equals the consideration received, the total assets that were transferred to the Association with the Part VII transfer. As this group was onerous at initial recognition, a loss component that equals the net fulfilment cash flows was recognised.

Subsequently, insurance revenue are recognised in Profit or Loss based on the decrease of Part VII claims estimates on an undiscounted best estimate basis. The loss component is revalued each reporting period by estimating the fulfilment cash flows and deducting the LRC.

Notes to the financial statements

22. Material accounting policies (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Association allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses. This is unlikely to occur since most insurance contracts issued by the Association have a yearly coverage period that aligns with the accounting period. The Association changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

Insurance revenue for charterers liability cover is recognized proportionally over the policy period, reflecting the period of risk exposure. Earned but not debited premiums are estimated using historical exposure declarations from prior years along with discussions with members, to ensure accurate matching of insurance revenue with the coverage period.

When an entered vessel is safely laid up, as the insurance exposure of the Association decreases, the member shall receive a return of insurance premium per the applicable rule of cover. For the periods presented, except for the Part VII book of business, all revenue has been recognised on the basis of the passage of time.

Insurance service expenses

Insurance service expenses are comprised of incurred claims and other directly attributable expenses, changes that relate to past service, losses on onerous contracts and reversal of those losses, and the amortisation of insurance acquisition cash flows.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk. The Association does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL. The discounting of new claims is presented in insurance service expenses. The unwind of discounting as claims are settled and the change of discounting on claims incurred in previous periods due to changes in the discount rates, is presented in Profit or Loss in line with “Insurance finance expenses for insurance contracts issued” for gross insurance, and in the line of “Reinsurance finance income for reinsurance contracts held” for reinsurance contracts.

Net income or expense from reinsurance contracts held

The Association presents separately the allocation of reinsurance premiums and amounts expected to be recovered from reinsurance contracts held on the face of the Income Statement and Statement of Other Comprehensive Income. The Association, treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held.

Deemed dividend distribution

Companies, which 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.

Auditors Report

For the year ended 20 February 2026