The Steamship Mutual Underwriting Association (Bermuda) Limited

(Incorporated under the laws of Bermuda)
and its subsidiary companies

Annual Report and Accounts 2025

Contents

1 Notice of Meeting
2 Directors
3 Report of the Directors
5 Consolidated Income and Expenditure Account
6 Consolidated Statement of Changes in Equity
7 Consolidated Balance Sheet
8 Consolidated Cash Flow Statement
9 Notes on the Accounts
21 Independent Auditor's Report

Notice of Meeting

Notice is hereby given that the Fifty-First Annual General Meeting of the Members of The Steamship Mutual Underwriting Association (Bermuda) Limited ("Association") will be held at The Fairmount Olympic Hotel, 411 University Street, Seattle, WA, 98101, USA on Tuesday, 21 October 2025 at 12:00 hours for the following purposes:

1 To appoint a chair of the meeting.
2 To confirm notice and quorum.
3 To consider the Minutes of the last Meeting of the Members.
4 To receive the Directors' Report and Accounts for the year ended 20 February 2025.
5 To fix the number of Directors for the forthcoming year.
6 To fix the total Directors' remuneration with effect from 20 February 2026 at a maximum of US$650,000.
7 To re-elect Directors retiring in rotation.
Under the Bye-laws of the Company, one-third of the Directors are required to retire annually by rotation. The Directors retiring by rotation are Mr D Farkas, Ms I Grimaldi, Ms D Ho, Mr B A McAllister. Mr C K Ong, Mr B Sheth, Dr C Song, Mr E Veniamis, Mr A Zachello and Mr R Zagari. Being eligible all these Directors offer themselves for re-election.
8 The Directors who have been appointed since the last AGM, retiring in accordance with the Bye-Laws of the Company are Ms L Lloyd and Mr D Thorogood. Being eligible they offer themselves for election.
9 To consider the appointment of an auditor for the forthcoming year and to authorise the Directors to determine the remuneration of the auditor.
10 To ratify and confirm all and any actions taken by the Directors and Officers of the Company, relative to the business of the Company, up to the date of the meeting.
11 To transact any other ordinary business of the Company.

By Order of the Board

Susie Tindall
Secretary

20 May 2025

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 their place. The instrument appointing a proxy may be in the form enclosed and must be deposited with the Secretary at Rosebank Centre, 5th Floor, 11 Bermudiana Road, Pembroke, HM 08, Bermuda, not less than 48 hours before the time specified for the holding of the Meeting.

Directors

Directors

D M Ho (Chair)	Magsaysay Maritime Corp	
C J Ahrenkiel	Blue Squared Shipmanagement AG	(resigned 21 January 2025)
F Aigner	Vale S.A.	
A Albertini	Marfin Management S.A.M.	
J-N Andre	Suisse-Atlantique Group	
J H D Andrews	Steamship P&I Management LLP	
A Chandris	Chandris UK Limited	
S-M Edye	Sloman Neptun Schiffahrts AG	
D S Farkas	Norwegian Cruise Line	
M Frith	Independent Non-Executive Director, Bermuda	
I Grimaldi	Grimaldi Holdings SpA	
E V Ide	Naviera Ultranav Ltda	
G K Jones	Steamship P&I Management LLP	
C Klerides	Independent Non-Executive Director, Cyprus	
S Kruse	Carnival Corporation	(resigned 10 November 2024)
L Lloyd	Carnival Corporation	(appointed 5 December 2024)
C J Madinabeitia	Tradewind Tankers SL	
B A McAllister	McAllister Towing and Transportation Co	
M T O'Neil	Columbia Shipmanagement Ltd	
C K Ong	U-Ming Marine Transport Corp	
A Pohan	NY Waterway	
M Rodriguez	Royal Caribbean International	
J Roome	Independent Non-Executive Director, UK	
B K Sheth	The Great Eastern Shipping Co Ltd	
C Song	China Shipowners Mutual Assurance Association	
D J Thorogood	Fairwater Holdings Inc	(appointed 5 December 2024)
A L Tung	Island Navigation Corp International Ltd	
E Veniamis	Golden Union Shipping Co SA	
J Xiao	Orient Overseas Container Line	
A Zacchello	Seaarland Shipping Management BV	
R Zagari	Augustea Group	

Secretary

Susie Tindall, Carey Olsen Services Bermuda Limited

Managers

Steamship Mutual Management (Bermuda) Limited
Cumberland House
6th Floor
1 Victoria Street
P.O. Box HM601
Hamilton, Bermuda HM CX
Telephone: +1 (315) 537 8710

Registered office

Rosebank Centre, 5th Floor
11 Bermudiana Road
Pembroke HM 08
Bermuda

Administrative office

Cumberland House
6th Floor
1 Victoria Street
P.O. Box HM601
Hamilton, Bermuda HM CX
Telephone: +1 (315) 537 8710

Website

www.steamshipmutual.com

Report of the Directors

The Directors have pleasure in presenting their Report and Audited Accounts of The Steamship Mutual Underwriting Association (Bermuda) Limited ("Association") for the year ended 20 February 2025.

Principal activities

The principal activity of the Association during the year was the reinsurance of Protection and Indemnity ("P&I") risks, and of Freight, Demurrage and Defence ("FD&D") risks written by Steamship Mutual Underwriting Association Limited ("SMUA") and Steamship Mutual Underwriting Association (Europe) Limited ("SMUAE").

The Association is a Member of the International Group ("IG") of Protection and Indemnity associations.

Directors

The Directors of the Association are as shown on page 2.

In accordance with the Act of Incorporation, as amended on 18 April 1984, and the Bye-laws, the under mentioned Directors of the Association hold office until the Annual General Meeting to be held in Seattle, USA on 21 October 2025:

Mr D Farkas, Ms I Grimaldi, Ms D Ho, Mr B A McAllister. Mr C K Ong, Mr B Sheth, Dr C Song, Mr E Veniamis, Mr A Zacchello and Mr R Zagari. Being eligible all these Directors offer themselves for re-election.

Capital and reserves

Total capital and reserves decreased by US$38.5m (2024: increase of US$42.9m). This comprises a capital distribution of US$42.8m to the Members (2024: US$24.2m) and a realised loss on the sale of the freehold property within Steamship Mutual Property Holdings Limited ("SMPH") of US$0.4m (2024: US$6.2m loss), offset by a surplus in the Hydra cell of US$4.2m (2024: US$59.8m surplus) investment income of US$0.5m (2024: US$0.2m) in the Association and a capital contribution from The Steamship Mutual Trust ("the Trust") of US$nil (2024:US$13.5m).

After considering the strong current and projected capital position of the Association and the Steamship regulatory group, the Directors declared a capital distribution to its Members who renewed at 20 February 2025, equivalent to 12.5% of mutual premium paid for the 2024/25 policy year (Class 1 – P&I). Accordingly, US$42.8 million has been credited to Members.

Total capital and reserves amount to US$82.0 million (2024: US$120.4m).

Underwriting

Gross premium written was US$286.2m compared to US$278.4m last year.

Claims

During the year the Association reviewed with SMUA and SMUAE the development of claims and the terms of its inward reinsurance contracts. The Association is satisfied that SMUA and SMUAE are taking appropriate steps to ensure that a prudent underwriting policy is maintained. The reinsurance arrangements will be reviewed during the 2025/26 financial year.

Investments

Total cash and investments held by the Association, including land and buildings, decreased by 32.5% to US$145.5m.

SMUA

For the 2015/16 and subsequent policy years the Association entered into a reinsurance contract with SMUA under which, in return for a percentage of written premium ceded to the Association, SMUA is indemnified for 90% of its net underlying liabilities.

SMUAE

For the 2020/21 and subsequent policy years the Association entered into a reinsurance contract with SMUAE under which, in return for a percentage of written premium ceded to the Association, SMUAE is indemnified for 90% of its net underlying liabilities. The Association also indemnifies 90% of the net underlying liabilities transferred to SMUAE from SMUA, relating to the 2015/16 to 2019/20 policy years, by means of a Part VII transfer on 20 December 2020.

All Members of SMUA and SMUAE are automatically Members of the Association.

The Trust

The Association entered into a reinsurance contract with The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited as Corporate Trustee of the Trust, a duly authorised insurer under the Insurance Act 1978 of Bermuda, to cover all its liabilities in respect of the 2015/16 and subsequent policy years. The Chair of the Association also attends the Trust's Board meeting.

All Members of SMUAB are automatically beneficiaries of the Trust.

Report of the Directors

Audit and Risk Committee ("ARC")

The ARC acts on behalf of the Board in considering the Association's financial statements, its external and internal audit activities and its risk management. In so doing the ARC liaises with the Managers and auditors in monitoring the quality of all reporting which contains material financial information, assessing the Association's internal control systems, and advising the Board on the effectiveness and objectivity of the internal and external auditors.

The ARC meets three times a year and is currently comprised of the following Directors: Mr M Rodriguez (Chair), Mr S-M Edye, Mr C Klerides, Mr J Roome, Mr A Pohan, Mr B A McAllister, and Mr R Zagari. Ms D M Ho is invited to attend the meeting in her capacity as Chair of the Association and representatives of the Managers are also invited to attend.

In discharging its responsibilities, the ARC receives financial and management reports from the Managers including reports from the internal and external auditors. The ARC establishes the scope of the reporting, both to itself and the Board, and continually assesses the quality and adequacy of this information. The ARC monitors the effectiveness of the Managers' activities with respect to their regulatory, audit and control responsibilities with a specific focus on any issues of enhanced strategic importance or which present a significant risk to the Association. Within the past year the ARC's work has included the following matters:

- Ongoing impact of, and response to, the political crises around the world;
- Ongoing review of ESG impacts;
- Consideration of reserving risk appetite;
- Internal audit reports, including sanctions and business continuity;
- Stress tests, including sanctions, reinsurance and alternative fuels; and
- Business recovery and resolution planning in response to regulatory requirements.

Directors' responsibilities statement

The Directors have prepared financial statements for each financial year in accordance with European Commission Insurance Accounts Directive (91/674/EEC) as adopted in the United Kingdom through Section 396 of the Companies Act 2006 and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and United Kingdom accounting principles applicable to insurers.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are also responsible for the system of internal control, for safeguarding the assets of the Association and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

External auditor

A resolution to reappoint BDO LLP as the Association's external auditor will be considered at the forthcoming AGM.

D M Ho
Chair

20 May 2025

Consolidated Income and Expenditure Account

for the year ended 20 February 2025

Technical Account	Note	2025 US$000	2024 US$000
Earned premium, net of reinsurance			
Gross premium written		**286,231**	278,355
Outward reinsurance premium	2	**(229,098)**	(220,371)
Earned premium, net of reinsurance		**57,133**	57,984
Allocated investment return transferred from the non-technical account		**5**	74
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	3	**265,007**	213,069
Reinsurers' share	3	**(231,298)**	(176,242)
Net claims paid		**33,709**	36,827
Change in the provision for claims			
Gross amount	4	**73,364**	42,285
Reinsurers' share	4	**(49,139)**	(72,226)
Change in the net provision for claims		**24,225**	(29,941)
Claims incurred, net of reinsurance		**57,934**	6,886
Net operating expenses	5	**2,174**	2,398
Balance on the technical account for general business		**(2,970)**	48,774
Non-Technical Account			
Balance on the general business technical account		**(2,970)**	48,774
Investment income	6	**5,527**	2,022
Unrealised gains	7	**2,333**	9,329
Investment management expenses		**(193)**	(206)
Allocated investment return transferred to the technical account		**(5)**	(74)
Other charges	9	**(306)**	(5,721)
Surplus for the financial year		**4,386**	54,124
Other comprehensive loss			
Decrease in surplus above cost on revaluation of property	9	**–**	(446)
Total comprehensive income		**4,386**	53,678

The results for both years are in respect of continuing operations.

The accompanying notes to these accounts form an integral part of this income and expenditure account.

Consolidated Statement of Changes in Equity

for the year ended 20 February 2025

	Free reserves US$000	Revaluation reserve US$000	Total US$000
As at 20 February 2023	**77,010**	**446**	**77,456**
Surplus for the financial year	54,124	–	54,124
Other comprehensive loss	–	(446)	(446)
Capital contribution received (Note 17)	13,500	–	13,500
Capital distribution	(24,193)	–	(24,193)
As at 20 February 2024	**120,441**	**–**	**120,441**
Surplus for the financial year	4,386	–	4,386
Capital distribution	(42,843)	–	(42,843)
As at 20 February 2025	**81,984**	**–**	**81,984**

The accompanying notes to these accounts form an integral part of this statement of changes in equity.

Consolidated Balance Sheet

as at 20 February 2025

	Note	2025 US$000	2024 US$000
Assets			
Investments			
Land and buildings	9	–	11,231
Other financial investments	10	**145,100**	202,247
Reinsurers' share of technical provisions			
Claims outstanding	4	**616,675**	567,536
Debtors			
Debtors arising out of reinsurance operations	11	**97,861**	17,529
Other debtors		**1,889**	2,024
Other assets			
Cash at bank and in hand		**438**	2,006
Other prepayments and accrued income		**1,038**	1,151
Total assets		**863,001**	803,724
Liabilities			
Capital and reserves			
Free reserves		**81,984**	120,441
Technical provisions			
Claims outstanding	4	**732,204**	658,840
Creditors			
Creditors arising out of reinsurance operations	12	**5,774**	–
Other creditors	13	**43,039**	24,443
Total liabilities		**863,001**	803,724

The parent company made a surplus for the year end 20 February 2025 of US$61,095,000 (2024: US$21,695,000). The Association has taken exemption under Section 408 of the Companies' Act from preparing a parent company statement of income and expenditure.

The accompanying notes to these accounts form an integral part of this balance sheet.

These financial statements were approved by the Board of Directors on 20 May 2025.

D M Ho
Chair

B A McAllister
Director

Managers:
Steamship Mutual Management (Bermuda) Limited

Consolidated Cash Flow Statement

for the year ended 20 February 2025

Cash flows from operating activities	2025 US$000	2024 US$000
Operating surplus before taxation after interest	**4,386**	54,124
Increase/(decrease) in general insurance technical provisions	**24,225**	(29,941)
Unrealised gains on investments	**(2,333)**	(9,329)
Unrealised losses on revaluation of property	**306**	5,721
Increase in debtors	**(80,084)**	(13,419)
Decrease in creditors	**(18,473)**	(387)
	(76,359)	(47,355)
Net cash (outflow)/inflow from operating activities	**(71,973)**	6,769
Cash flow from financing activities		
Capital distribution from the Trust	**–**	13,500
Cash generated by financing activities	**–**	13,500
Cash flow from investment activities		
Net portfolio investment		
Sale/(purchase) of bonds and loans	**47,454**	(6,777)
Sale/(purchase) of money market instruments	**12,053**	(13,389)
(Increase)/decrease in cash on short term deposit	**(27)**	270
Net proceeds from sale of land and buildings	**10,925**	**–**
Cash generated by/(used in) investing activities	**70,405**	(19,896)
Movement in opening and closing cash and cash equivalents		
Net cash (outflow)/inflow for the year	**(1,568)**	373
Cash and cash equivalents at 20 February 2024	**2,006**	1,633
Cash and cash equivalents at 20 February 2025	**438**	2,006

Notes on the Accounts

1. Accounting policies

(a) Accounting convention

The consolidated accounts have been prepared in accordance with the European Commission Insurance Accounts Directive (91 /674/EEC) as adopted in the United Kingdom through Section 396 of the Companies Act 2006 and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and applicable United Kingdom Financial Reporting Standards ("FRS") 102 and 103. The financial statements are prepared under the historical cost convention, as modified for fair valuation of financial assets at fair value through profit and loss.

The Association has taken exemption from presenting a parent income and expenditure statement and balance sheet under section 408 of Companies Act 2006. The Association has taken exemption from presenting a parent Statement of Cash Flows under section 1.12 (b) of FRS 102.

(b) Going concern assessment

At year end, the solvency ratio of the Association was comfortably above the threshold set by the Bermuda Monetary Authority.

Based on the above, the Directors believe that the Association is taking all necessary measures to maintain its viability and the development of its business in the current economic environment. Based on the projections of the Association, it is expected that the Association will maintain compliance with its regulatory capital requirements for the going concern assessment period of one year from date of signing.

(c) Basis of consolidation

The accounts consolidate the accounts of The Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB"), its subsidiary undertaking Steamship Mutual Property Holdings Limited ("SMPH"), and its share of Hydra Insurance Company Limited ("Hydra") at 20 February 2025.

(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key accounting estimate is the calculation of claims outstanding which is described in further detail as reserving risk under note 18.

(e) Calls and premiums written

Calls and premiums, less returns, comprise the total premiums receivable for the whole period of cover under the reinsurance contracts with SMUA and SMUAE.

(f) Claims and related expenses

Claims and related expenses are charged to the income and expenditure account when they have been authorised for settlement. A provision is made on a claim by claim basis for the estimated cost of claims notified but not settled by the balance sheet date. A provision for claims incurred but not reported is established on a statistical basis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates. The reinsurers' share of technical provisions is calculated consistently with the amounts associated with the underlying insurance contract and the terms of the reinsurance contract.

(g) Reinsurance premiums and recoveries

Reinsurance premiums are recognised on an accruals basis. Reinsurance recoveries represent recoveries made and due from the Trust, in respect of claims paid to SMUA and SMUAE, as part of the reinsurance contracts mentioned in note 2.

Notes on the Accounts

(continued)

1. Accounting policies (continued)

(h) Land and buildings

Land and buildings in the UK are independently valued at least every three years on an existing use basis and converted to US dollars at the balance sheet date. Any dollar losses or reversal of dollar losses arising upon revaluation are recognised in the income and expenditure account; any dollar surplus is recognised in other comprehensive income and credited to a revaluation reserve.

(i) Other financial investments

Quoted investments and cash at bank have been valued at their fair value. Investment income consists of interest, dividends and realised gains and losses on fair value through profit or loss assets. Unrealised gains and losses reflect the movement in the fair value of investments compared to their cost. Fair value is calculated using the bid price at the close of business on the last working day of the financial year.

The allocated investment return transferred from the non-technical account to the technical account is comprised of realised and unrealised exchange differences arising on the conversion of transactions on non-dollar denominated assets.

(j) Debtors

Receivables arising from reinsurance operations are reviewed for impairment throughout the financial year and as at the balance sheet date.

(k) Foreign currencies

The functional currency is US dollars. All assets and liabilities, including land and buildings, are converted to US dollars at the exchange rate at the balance sheet date. Income and expenditure items are translated to US dollars at the exchange rate at the date of the transaction. All exchange differences are included in the income and expenditure account.

The exchange rates on the balance sheet date and used for the purpose of preparing the accounts were as follows:

		2025	2024
Euro	€	**0.959**	0.928
UK sterling	£	**0.794**	0.795

2. Reinsurance contracts

(a) From the commencement of the 2015/16 policy year the Association entered into a reinsurance contract with related party SMUA under which, in return for 90% of written premium, SMUA is indemnified for 90% of its underlying insurance liabilities net of external reinsurance arrangements. The same arrangement is in place with related party SMUAE from the commencement of the 2020/21 policy year.

For the financial year to 20 February 2025 premium received from SMUA amounted to US$184.2m (2024: US$188.3m). Claims paid to SMUA during the financial year amounted to US$166.1m (2024: US$139.6m). Gross outstanding claims in relation to the contract with SMUA as at 20 February 2025 amounted to US$525.5m (2023: US$494.4m).

For the financial year to 20 February 2025 premium received from SMUAE amounted to US$102.1m (2024: US$90.0m). Claims paid to SMUAE during the financial year amounted to US$85.0m (2024: US$64.5m). Gross outstanding claims in relation to the contract with SMUAE as at 20 February 2025 amounted to US$206.7m (2024: US$164.4m).

(b) Under a contract dated 27 January 2015, the Association reinsured with related party the Trust all of its underlying insurance liabilities net of external reinsurance arrangements for the 2015/16 and subsequent policy years. For the financial year to 20 February 2025 premium ceded to the Trust amounted to US$229.1m (2024: US$220.4m). Reinsurers share of claims paid recovered from the Trust during the financial year is disclosed in Note 3. The Trust's share of outstanding claims as at 20 February 2025 is disclosed in Note 4.

Notes on the Accounts

(continued)

3. Claims paid – gross amount	2025 US$000	2024 US$000
Claims and related expenses	**264,057**	212,207
Claims administration expenses	**950**	862
	265,007	213,069
Less reinsurers' share		
Other reinsurers	**(9)**	7
The Trust	**231,307**	176,235
	231,298	176,242
Net claims paid	**33,709**	36,827

4. Change in net provision for claims	2025 US$000	2024 US$000
Gross outstanding claims		
Provision brought forward	**658,840**	616,555
Claims paid in the year	**(265,007)**	(213,069)
Changes to reserves	**338,371**	255,354
Provision carried forward	**732,204**	658,840
The Trust's share of outstanding claims		
Provision brought forward	**567,146**	494,837
Reinsurance recoveries made in the year	**(231,307)**	(176,235)
Changes to reserves	**280,472**	248,544
Provision carried forward	**616,311**	567,146
Other reinsurers' share of outstanding claims		
Provision brought forward	**390**	473
Reinsurance recoveries made in the year	**9**	(7)
Changes to reserves	**(35)**	(76)
Provision carried forward	**364**	390
Total net outstanding claims	**115,529**	91,304

The estimates for known outstanding claims are based on the estimates and judgement of the Managers of the final cost of individual cases based on current information. Provision is also made for claims incurred but not reported ("IBNR") by the balance sheet date using detailed statistical analysis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates.

Notes on the Accounts

(continued)

5. Net operating expenses

	2025 US$000	2024 US$000
Administration expenses	**1,518**	1,814
Directors' remuneration	**530**	463
Auditor's remuneration	**126**	121
	2,174	2,398

Transactions with related parties

Steamship Mutual Management (Bermuda) Limited ("SMMB") provides management and administrative services to the Association. Under the terms of its management contract SMMB receives as remuneration for its services, reimbursement of its local office and administration expenses. At 20 February 2025 the Association was owed US$0.3m by SMMB (2024: US$0.4m).

The Association provided SMMB with an unsecured, indefinite loan of £1.3m in 2000. The amount outstanding, revalued at the year end exchange rate was US$1.6m (2024: US$1.6m). There were no other related party transactions requiring disclosure under FRS 102 s33.

6. Investment income

	2025 US$000	2024 US$000
Dividends and interest	**5,604**	4,130
Realised (losses)/gains:		
Investments	**(85)**	(2,181)
Foreign exchange	**8**	73
	5,527	2,022

7. Unrealised gains/(losses)

	2025 US$000	2024 US$000
Investments	**2,338**	9,328
Foreign exchange	**(5)**	1
	2,333	9,329

8. Taxation

Following the OECD's Global Minimum Tax rules, the Bermuda Government enacted the Corporate Income Tax Act (the "Act") on 27 December 2023. Although the Association had previously received an undertaking from the Bermuda Government exempting it from tax on income, profit, capital or capital gains until 31 March 2035, the Act specifies that a 15% corporate income tax shall apply notwithstanding any such prior assurances.

The Act, effective from 1 January 2025, will be applicable to Bermuda tax-resident entities and permanent establishments that are part of multinational enterprise ("MNE") groups with annual revenue of at least €750m. Accordingly, no provision for such taxes has been recorded by the Association.

9. Land and buildings

A freehold property, owned by SMPH, was occupied under licence, free of rent, by the London representatives of the Managers. On 29 February 2024, SMPH exchanged contracts for the sale of the property at a price of £9.0m, and the sale was completed on 9 January 2025. Other charges of US$0.3m reflects the movement in the US dollar equivalent value of the property from 20 February 2024 to the date of completion.

Notes on the Accounts

(continued)

10. Other financial investments	2025 US$000	2024 US$000
Fair value		
Bonds and loans	**138,666**	183,783
Equities	**116**	120
Money market instruments	**5,127**	17,180
Cash	**1,191**	1,164
	145,100	202,247
Cost		
Bonds and loans	**135,079**	182,533
Equities	**485**	485
Money market instruments	**5,127**	17,180
Cash	**1,191**	1,164
	141,882	201,362

Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1 The unadjusted quoted price for an identical asset in an active market at the reporting date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Market data is unavailable for the asset.

The Association's investment assets have been fair valued using the above hierarchy categories as follows:

As at 20 February 2025

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Bonds and loans	138,666	–	–	**138,666**
Equities	–	–	116	**116**
Money market instruments	5,127	–	–	**5,127**
Cash	1,191	–	–	**1,191**
	144,984	**–**	**116**	**145,100**

As at 20 February 2024

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Bonds and loans	183,783	–	–	**183,783**
Equities	–	–	120	**120**
Money market instruments	17,180	–	–	**17,180**
Cash	1,164	–	–	**1,164**
	202,127	**–**	**120**	**202,247**

Notes on the Accounts

(continued)

11. Debtors arising out of reinsurance operations	2025 US$000	2024 US$000
The Trust	**96,595**	6,563
SMUAE	**1,260**	7,696
SMUA	**–**	3,266
Other reinsurers	**6**	4
	97,861	17,529

12. Creditors arising out of reinsurance operations	2025 US$000	2024 US$000
SMUA	**5,774**	**–**

13. Other creditors	2025 US$000	2024 US$000
Capital distribution payable to Members	**42,843**	24,193
Accruals and other payables	**196**	250
	43,039	24,443

14. Wholly-owned subsidiary companies
SMPH is a wholly-owned subsidiary of the Association.

15. Hydra Insurance Company Limited (“Hydra”)
Hydra is a reinsurance captive created by the Members of the IG. Each Member has its own cell which is legally separate from the liabilities of the other cells. Under the provisions of FRS 102 and 103 Steamship’s cell has been classified as a quasi-subsidiary and has been consolidated.

16. Mental Health Support Solutions GmbH (“MHSS”)
On 30 November 2022 the Association was allotted, at no cost, 2,500 shares with a nominal value of €1, representing 10% of the share capital of MHSS, a company which provides mental health consultancy services for the maritime industry. The shares carry voting rights and an entitlement to dividend distributions.

17. Capital contribution
The Association received a capital contribution of US$nil (2024: US$13.5m) from the Trust during the financial year.

18. Capital management
The Association aims to maintain capital resources at a level which provides a comfortable margin above the requirement of the Bermuda Monetary Authority (“BMA”) as a Class 3A insurer. Capital resources for regulatory purposes consist of free reserves on a regulatory economic basis. The Association was in compliance with the applicable regulatory capital requirements throughout the financial year.

Notes on the Accounts

(continued)

19. 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.

The Group Solvency Self-Assessment ("GSSA") documents Steamship's and the Association's risk and capital management policies employed to identify, assess, manage and report the risks it may face and to determine the funds necessary 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, liquidity risk and operational risk.

Insurance risk

Insurance risk is comprised of two elements; premium risk and reserving risk. Premium risk refers to the risk that insurance premium received from SMUA and SMUAE in the current policy year is insufficient to cover claims and other costs arising in that year. The Association's premium risk is calculated on net premiums written and is purely in relation to its exposure to Hydra claims as it bears no net liability on SMUA or SMUAE claims, as described under note 3 on the accounts.

Reserving risk is the risk that, over the next year, existing technical provisions are insufficient to cover claims arising in previous policy years. The Association is exposed to the uncertainty surrounding the timing, frequency and severity of claims under its net claims exposure through Hydra. Premium and reserving risk are calculated by reference to risk factors prescribed by the BMA and then combined taking account of dependencies and diversification effects.

The key methods used by the Managers for the ceded claims to the Association and the Hydra claims 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 having regard to variations in the nature of current business accepted and its underlying terms and conditions.

Inflation is one of many factors that are considered by claims handlers when setting an appropriate claims reserve prior to settling a claim. The Association uses standard actuarial techniques which, amongst other things, incorporate inflation when calculating appropriate technical provisions. Together, these should accommodate potential increased costs arising from current levels of inflation.

The Board aims to reduce reserving risk by setting claims reserves at a prudent level that provides between 70% and 80% confidence that they will be sufficient to cover potential settlement costs. Actual experience will differ from the expected outcome but this prudent basis is expected to result in there being releases of prior year claim reserves. This prudence is expected to cover increased costs that might arise should inflation remain above the long-term average.

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

		2025 US$000	2024 US$000
5% increase in claims incurred on current policy year			
Overall surplus	gross of reinsurance	**(17,256)**	(14,455)
	net of reinsurance	**(2,531)**	(395)
Single claim of US$2billion in current policy year in SMUA or SMUAE			
Overall surplus	gross of reinsurance	**(32,814)**	(32,061)
	net of reinsurance	**(20,667)**	(20,186)

Notes on the Accounts

(continued)

19. Risk management (continued)

Insurance risk (continued)

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

Insurance claims - gross

Policy year	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000	2022/23 US$000	2023/24 US$000	2024/25 US$000
End of reporting year	211,207	181,109	227,965	231,523	215,790	220,364	236,671	218,083	288,946	345,124
One year later	199,620	172,409	212,674	214,952	224,175	211,179	221,311	201,423	279,940	
Two years later	203,148	178,014	200,221	200,973	220,048	211,307	212,689	206,350		
Three years later	200,372	179,347	199,391	196,924	226,708	201,449	221,782			
Four years later	197,453	179,398	197,263	194,728	232,680	193,702				
Five years later	196,139	176,942	201,766	193,470	229,763					
Six years later	193,662	177,521	202,990	187,506						
Seven years later	193,411	174,926	209,970							
Eight years later	192,211	173,351								
Nine years later	192,095									
Current estimate of ultimate claims	192,095	173,351	209,970	187,506	229,763	193,702	221,782	206,350	279,940	345,124
Cumulative payments to date	185,009	162,221	180,172	164,839	203,815	160,591	137,911	123,599	116,787	72,894
Claims outstanding	**7,086**	**11,130**	**29,798**	**22,667**	**25,948**	**33,111**	**83,871**	**82,751**	**163,153**	**272,230**
Claims outstanding relating to last ten reporting years										**731,745**
Provision in respect of 2014/15 policy year and prior										**459**
Total gross claims outstanding										**732,204**

Insurance claims - net

Policy year	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000	2022/23 US$000	2023/24 US$000	2024/25 US$000
End of reporting year	19,892	15,344	29,562	33,874	33,517	43,688	44,942	8,921	9,503	50,625
One year later	25,881	7,891	24,475	32,805	35,974	41,544	51,686	10,419	13,700	
Two years later	25,630	4,385	22,283	29,709	33,982	49,521	47,897	14,619		
Three years later	24,105	3,501	22,790	21,946	39,600	48,128	48,357			
Four years later	22,793	2,915	24,116	22,323	41,761	46,062				
Five years later	22,438	2,735	30,134	20,537	42,860					
Six years later	22,663	3,558	31,813	19,692						
Seven years later	22,717	3,394	32,348							
Eight years later	22,413	3,394								
Nine years later	22,520									
Current estimate of ultimate claims	22,520	3,394	32,348	19,692	42,860	46,062	48,357	14,619	13,700	50,625
Cumulative payments to date	19,293	2,819	21,946	15,424	35,175	37,491	29,969	4,843	1,938	9,846
Claims outstanding	**3,227**	**575**	**10,402**	**4,268**	**7,685**	**8,571**	**18,388**	**9,776**	**11,762**	**40,779**
Claims outstanding relating to last ten reporting years										**115,433**
Provision in respect of 2014/15 policy year and prior										**96**
Total net claims outstanding										**115,529**

Notes on the Accounts

(continued)

19. Risk management (continued)

Credit risk

Credit risk is the risk that a counterparty owing money to the Association may default and the debt has to be written off. The extensive reinsurance protection arranged by the Association effectively transforms a large proportion of insurance risk into credit risk as the risk exposure becomes reinsurer default. The credit risk arising from the reinsurance contract with The Trust is mitigated through the operation of a collateral agreement. External reinsurers are generally only used if at the time of contracting with them their financial strength rating is at least A- from S&P Global, or an equivalent rating from another rating agency, except in the case of some Members of the IG. The key areas of exposure to credit risk for Steamship are in relation to its reinsurance recoverables and bonds in the investment portfolio.

Credit risk also arises on operational balances and deposits held with banks. This is controlled by using a variety of banks and limiting exposure to each individual bank based on its credit rating and/or capital strength.

The following tables show the aggregated credit risk exposure for those assets with external credit ratings. Other debtors and land and buildings generally do not have a credit rating and are therefore included within Other assets.

As at 20 February 2025

	AAA US$000	AA US$000	A US$000	BBB US$000	Not rated US$000	Total US$000
Bonds and loans	–	90,807	44,840	3,019	–	138,666
Money market instruments	–	5,127	–	–	–	5,127
Cash accounts	–	–	1,191	–	–	1,191
Cash at bank and in hand	–	–	438	–	–	438
Reinsurers' share of technical provisions	–	224	616,451	–	–	616,675
Debtors arising out of reinsurance operations	–	–	97,861	–	–	97,861
Accrued interest	–	191	466	32	–	689
Other assets	–	–	–	–	2,354	2,354
Total financial assets	–	**96,349**	**761,247**	**3,051**	**2,354**	**863,001**
Non-financial assets						–
Total assets						**863.001**

As at 20 February 2024

	AAA US$000	AA US$000	A US$000	BBB US$000	Not rated US$000	Total US$000
Bonds and loans	–	121,191	58,935	3,657	–	183,783
Money market instruments	–	17,180	–	–	–	17,180
Cash accounts	–	–	1,164	–	–	1,164
Cash at bank and in hand	–	–	2,006	–	–	2,006
Reinsurers' share of technical provisions	–	239	567,297	–	–	567,536
Debtors arising out of reinsurance operations	–	–	17,529	–	–	17,529
Accrued interest	–	431	538	50	16	1,035
Other assets	–	–	–	–	2,260	2,260
Total financial assets	–	139,041	647,469	3,707	2,276	792,493
Non-financial assets						11,231
Total assets						803,724

Notes on the Accounts

(continued)

19. Risk management (continued)

Credit risk (continued)

The Association's exposure to liquidity risk is minimal given that the majority of its investments are cash, money market instruments and US government bonds, and the terms of its reinsurance agreements provide for prompt payment.

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.

The Association's exposure to changes in interest rates and market prices is concentrated in the investment portfolio. The risk appetite, asset allocation and tolerance ranges are set by the Board. Compliance with Board policies are monitored and reported by the Managers assisted by the investment managers.

The Association was previously exposed to currency risk in its freehold property in the UK (see note 9) prior to its sale otherwise its exposure is minimal since any currency exposure in claims from SMUA and SMUAE is passed on to the Trust.

The following tables show the Association's foreign currency denominated assets and liabilities:

As at 20 February 2025

	US dollar US$000	UK sterling US$000	Euro US$000	Other US$000	Total US$000
Assets	758,038	32,104	46,721	26,138	**863,001**
Liabilities	(677,969)	(30,305)	(46,605)	(26,138)	**(781,017)**
	80,069	**1,799**	**116**	**–**	**81,984**

As at 20 February 2024

	US dollar US$000	UK sterling US$000	Euro US$000	Other US$000	Total US$000
Assets	716,373	40,223	30,196	16,932	803,724
Liabilities	(609,084)	(27,207)	(30,060)	(16,932)	(683,283)
	107,289	13,016	136	–	120,441

IBNR and reinsurers' share of IBNR are classified as US dollar.

The Association's interest rate risk is in relation to the fluctuation in the fair value of bonds due to changes in interest rates. The table below shows the change in fair value of bonds assuming a 100 basis points increase in interest rates:

	Effect on investment valuation US$000
As at 20 February 2025	(5,935)
As at 20 February 2024	(8,761)

Notes on the Accounts

(continued)

19. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Association cannot meet its financial obligations as they fall due. The Association maintains a high quality portfolio of cash, government and corporate bonds with medium to long-tern maturity. The terms of its reinsurance agreements provide for prompt payment. In the absence of a material market event, investment grade assets can be converted into cash in less than one month.

The following table shows the expected maturity/liquidity of the Association's assets.

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
Investments	30,838	7,719	40,818	65,725	145,100
Reinsurers' share of technical provisions	238,647	146,565	172,674	58,789	616,675
Other assets	99,625	1,601	–	–	101,226
Total financial assets	**369,110**	**155,885**	**213,492**	**124,514**	**863,001**
Non-financial assets					–
Total assets					**863,001**

As at 20 February 2024

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Investments	26,197	31,616	58,868	85,566	202,247
Reinsurers' share of technical provisions	224,490	132,822	159,653	50,571	567,536
Other assets	22,710	–	–	–	22,710
Total financial assets	**273,397**	**164,438**	**218,521**	**136,137**	**792,493**
Non-financial assets					11,231
Total assets					**803,724**

The following table shows the expected maturity profile of the Association's undiscounted obligations with respect to its insurance contract liabilities and other liabilities.

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
Claims outstanding	278,331	175,892	204,863	73,118	732,204
Other liabilities	48,813	–	–	–	48,813
Total financial liabilities excluding capital and reserves	**327,144**	**175,892**	**204,863**	**73,118**	**781,017**

As at 20 February 2024

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Claims outstanding	257,368	154,247	185,418	61,807	658,840
Other liabilities	24,443	–	–	–	24,443
Total financial liabilities excluding capital and reserves	**281,811**	**154,247**	**185,418**	**61,807**	**683,283**

Notes on the Accounts

(continued)

19. Risk management (continued)

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.

Independent Auditor's Report

To the members of The Steamship Mutual Underwriting Association (Bermuda) Limited

Opinion on the non-statutory financial statements

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 20 February 2025 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

We have audited the non-statutory financial statements of The Steamship Mutual Underwriting Association (Bermuda) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 20 February 2024, which comprise Consolidated Income and Expenditure Account, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet and Consolidated Cash Flow Statement and notes 1 to 19 to the non-statutory financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland and Financial Report Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the non-statutory financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the non-statutory financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the non-statutory financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent company's ability to continue as a going concern for a period of at least twelve months from when the non-statutory financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the non-statutory financial statements and our auditor's report thereon. Our opinion on the non-statutory financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the non-statutory financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report

(continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the Directors are responsible for assessing the Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the non-statutory financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the legal and regulatory framework applicable to the group's operations;
- Discussion with the Directors and other management regarding the group's the policies and procedures regarding compliance with laws and regulations; and
- Discussion with management including head of compliance and those charged with governance.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We discussed as an audit engagement team including relevant specialists, the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the non-statutory financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent Auditor's Report

(continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the non-statutory financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reviewing minutes of meetings of those charged with governance.

Our audit procedures were designed to respond to risks of material misstatement in the non-statutory financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the non-statutory financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely for the exclusive use of the Directors and solely for the purpose of providing the Directors with an audit opinion on the non-statutory financial statements of the company that will be used as the basis of the non-statutory financial statements for the company. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Barnes
For and on behalf of BDO LLP, Statutory Auditor
London, UK

20 May 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).