Steamship Mutual

Steamship Mutual
Report and Accounts 2022

Steamship Mutual Underwriting Association Limited

Annual Report and Accounts 2022

Contents

Steamship Mutual
Underwriting Association Limited

Managers
Steamship P&I Management LLP
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Notice of Meeting

Notice is hereby given that the One Hundred and Thirteenth Annual General Meeting of the Members of the Company will be held at the St. Regis Hotel, Two East 55th Street, New York, NY 10022, USA, on Tuesday, 25 October 2022 at 09:05 hours for the following purposes:

1 To receive and, if thought fit, to adopt the balance sheet and accounts for the year ended 20 February 2022, 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 11.2 of the Association are Mr C. Adams, Mr C. Madinabeitia, and Mr R Zagari. Being eligible, they offer themselves for re-election.
3 To authorise the Managers to fix the remuneration of the Auditor.
4 To transact any other ordinary business of the Company.

By Order of the Board

A Thawani
Secretary

22 May 2022

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 Aquatical House, 39 Bell Lane, London, E1 7LU, United Kingdom, not less than 48 hours before the time specified for the holding of the Meeting.

Directors

Directors

A Pohan (Chairman)	NY Waterway (Chairman)
C B Adams	Steamship P&I Management LLP
C J Ahrenkiel	C J Ahrenkiel Consulting Switzerland
C Bouch	
I Grimaldi	Grimaldi Holdings SpA
C J Madinabeitia	Tradewind Tankers SL
S J Martin	Steamship P&I Management LLP
A L Tung	Island Navigation Corp International Ltd
R Zagari	Augustea Group

Secretary

A Thawani	Steamship P&I Management LLP

Managers
Steamship P&I Management LLP

Registered office
Aquatical House
39 Bell Lane
London E1 7LU
Telephone: +44 (0)20 7247 5490 & +44 (0)20 7895 8490

Website: www.steamshipmutual.com

Registered number
00105461

Strategic Report

The Directors present their Strategic Report for Steamship Mutual Underwriting Association Limited ("Association") for the year ended 20 February 2022.

The Steamship group ("Steamship") is financially one of the largest and strongest marine Protection and Indemnity ("P&I") clubs in the world and maintains an "A" rating from S&P Global. For the year under review, the Directors set a 5% general increase in P&I premium. At the 2022/23 renewal the general increase was set at 12.5%.

The key performance indicators are entered tonnage, gross premium written, combined ratio and the result for the financial year as detailed below.

The Association's owned entered tonnage increased by 8.3% from 63.8m gross tons ("GT") to 69.1m GT during the year and including renewal. Total entered tonnage at 20 February 2022 for owned and chartered entries stood at 121.3m GT.

Gross premium written in the year increased to US$209.5m from US$204.8m last year, a 2.3% increase.

The Association's combined ratio, calculated by dividing the sum of net incurred claims, allocated foreign exchange gains/losses and operating expenses by net earned premium, improved from 108.6% to 104.1% due to fewer Covid-19 related claims in the current policy year. Pool claims from the International Group remain at historically elevated levels.

The balance on the technical account for general business was a deficit of US$2.3m for the financial year (2021: deficit US$4.8m). Free reserves decreased from US$100.8m to US$98.6m.

The Covid-19 pandemic once again resulted in the need for remote working for much of the 2021/22 year, and the experience gained in the preceding year enabled service levels to be maintained. A more sustained return to office-based operations became possible in January 2022.

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

Strategy

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

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

Underwriting

During the year mutual premium was levied as follows:

- 100% mutual premium for the 2021/22 policy year (Class 1 – P&I); and
- 100% mutual premium for the 2021/22 policy year (Class 2 – FD&D).

The 2018/19 policy year was closed in May 2021.

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 15% for the 2022/23 and 2021/22 policy years and 12.5% for the 2020/21 and 2019/20 policy years.

Claims

Although the effects of Covid-19 continued to be felt during the year, the cessation of cruising for much of this period avoided the substantial claims experienced in the prior year. The majority of Covid-19 claims arose out of outbreaks affecting crew and quarantine. The increasing rates of vaccination led to substantially fewer claims being made.

Total claims were largely stable year on year, after adjusting for increased tonnage written by the Association.

Although Steamship did not experience any Pool claims during the year, it was adversely affected, as were all members of the International Group, by the Pool's poor performance.

During the year a further two videos on aspects of the Coronavirus were produced. One provided an update on Covid-19, and the second addressed vaccination. In addition, the first of a series of three videos which are focused on issues that have affected the shipping industry arising from Covid-19 was released. The first programme, entitled "Crisis", introduces the theoretical aspects of crisis management set against the specific backdrop of the Covid-19 pandemic.

Strategic Report

To support the mental well-being of seafarers during the Covid-19 pandemic an arrangement was established with Mental Health Support Solutions ("MHSS") which provides the crew on Members' vessels with access to clinical psychologists with extensive experience of the shipping industry via a 24/7 helpline through which multi-lingual advice and guidance can be provided.

During the year Risk Alerts were regularly published on a range of loss prevention topics and members of the loss prevention team participated as speakers at a number of webinars.

Pooling and reinsurance

The Association's reinsurance programme for the 2022/23 policy year was arranged in conjunction with other members of the International Group. The programme provided an ultimate limit of US$3.1 billion in excess of US$10m, except in relation to oil pollution claims, which were subject to an overall limit of US$1.0 billion.

Pooling

For 2022/23, the individual club retention, before Pooling with other members of the International Group, remains at US$10m, with an upper limit of US$100m for each event. A club bringing a claim to the Pool bears a 7.5% retention within the layer of US$50m to US$100m, with the balance being divided amongst all clubs in accordance with the Pooling Agreement.

Excess Loss cover

The International Group's Excess of Loss programme was renewed with an unamended, free and unlimited coverage for all risks except malicious cyber, Covid-19 and other pandemic risks on a slightly different four-layer structure. The first layer will provide cover from US$100m to US$450m, the second layer will cover from US$550m to US$750m, the third layer from US$750m to US$1.5bn, and the fourth layer from US$1.5bn to US$2.1bn. There are three 10% private placements for the 2022/23 policy year, with the remaining 70% placed in the market.

For malicious cyber, Covid-19 and other pandemic risks there is free and unlimited cover for claims up to US$450m excess of US$100m, covering almost all International Group clubs' certificated risks. Excess of US$550m there is up to US$2.15bn of annual aggregated cover in respect of these three risks. Excess of aggregate reinsurance, the International Group has decided to pool these risks between Group Clubs. This combination means that there is no change to Members' cover for 2022.

There is no change to the Collective Overspill layer of US$1 billion excess US$2.1 billion.

Hydra Insurance Company Limited ("Hydra")

For 2022/23, Hydra will continue to retain 100% of the pool layer US$30m to US$50m and 92.5% of the pool layer US$50m to US$100m. In addition, Hydra will retain the US$100m annual aggregate deductible in the 70% market share of the first layer of the Excess Loss programme. Hydra is a cell captive set up by the International Group in Bermuda under the Segregated Account Companies Act 2000.

Charterers' cover

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

Non-Poolable covers

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

Risk management

The Association's primary risk exposure is to underwriting losses that may arise from the insurance of its Members. Such losses could arise through adverse development of claims on prior policy years ('reserving risk') or through adverse claims experience in the current policy year ('underwriting risk'). The Association transfers a substantial portion of these risks to its reinsurers resulting in its principal risk exposure becoming reinsurer default ('credit risk'). The Board manages this risk through the operation of collateral agreements and a review of investment risk in its key reinsurers.

The Association's exposure to liquidity or cash flow risk is minimal given the terms of its reinsurance arrangements and that its investments are cash, money market instruments and US government bonds.

The external auditor identified the degree of estimation and judgement in respect of the valuation of IBNR for injury claims as a significant risk. The Directors are aware of the volatility in this class and the risks associated with it; they are embedded within the reserving process. Further information on financial risk management is set out in the notes on the accounts.

See note 15 for more information on risk management.

Strategic Report

Section 172 statement

The Board of Directors, in line with their duties under s172(1) of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Association for the benefit of its Members as a whole as set out in this report under Strategy.

Key decisions and matters that are of strategic importance to the Association include s172 factor examples such as:

Consequences of decisions in the long-term

The Board took account of elevated pool claims, amongst other factors, and, acknowledging the need to achieve underwriting balance, ordered a 12.5% general increase for the 2022/23 policy year.

Need to foster the Association's relationships with Members, suppliers and others

The Association's Members comprise the majority of its Board as evidenced on page 3. Decisions are taken with the impact on Members in mind. The relationships with key suppliers are monitored by the Board in accordance with the Association's Outsourcing and Third Party Supplier Policy. An open relationship is maintained with all regulators in the jurisdictions in which licences are held.

Impact of the Association's activities on the community and the environment

The Association actively promotes quality and safety in maritime operations through its evaluation of risk presented by the Members it insures, and its loss prevention initiatives. These measures have the objective of improving ship safety and the safety of life at sea, thereby reducing the risk of adverse environmental and community impact. Through the cover that is provided for the liabilities arising from shipping casualties, the Association's response to such incidents has a focus upon mitigating any environmental impact and minimising loss or damage. The Association is developing measures and stress tests to manage the potential risks arising from climate change. The Managers are implementing measures to reduce energy consumption, increase the scope of recycling within its office operations, and to raise awareness amongst employees of environmental responsibility and promote sustainable business.

A focus on initiatives to raise awareness of various issues relating to the Covid-19 pandemic, provide practical support for the mental well-being of seafarers and other loss prevention measures is set out in this report under Claims.

Maintain a reputation for high standards of business conduct

The Board monitors compliance with sanctions legislation to avoid the consequences of breaching such requirements. It also monitors the numbers of complaints received and whether they are resolved satisfactorily.

Need to act fairly between Members of the Association

In addition to any general increase, the Board expects the rating for individual Members to be corrected where appropriate to ensure fairness. As set out in the section on Underwriting the Board assesses the level or release calls for open years to protect its current Members.

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

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

The Steamship Mutual Trust ("Trust")

The reinsurance contract with The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited 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.

The Chairman of the Association is a Director of the Corporate Trustee which administers the Trust.

A Pohan
Chairman

Managers
Steamship P&I Management LLP

22 May 2022

Report of the Directors

The Directors have pleasure in presenting their Report and the Audited Accounts of the Association for the year ended 20 February 2022.

Principal activities

The Association is a company limited by guarantee incorporated in the United Kingdom. The principal activity of the Association is the insurance and reinsurance of P&I, and of FD&D risks on behalf of Members.

The Association is a member of the International Group of Protection and Indemnity Associations and is reinsured by The Steamship Mutual Underwriting Association (Bermuda) Limited for the 2015/16 and subsequent policy years and by The Steamship Mutual Trust for all earlier policy years.

Directors

The Directors of the Association are as shown on page 3.

In accordance with Article 11.2 of the Articles of Association, one-third of the Directors retire from office at each Annual General Meeting. The Directors retiring by rotation are Mr C. Adams, Mr C. Madinabeitia, Mr A. Tung and Mr R Zagari. Being eligible, they offer themselves for re-election.

Audit and Risk Committee (“Committee”)

The Committee 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 Committee 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 Committee meets three times a year and is currently comprised of the following Directors: Mr C J Madinabeitia (Chairman), Mr C Bouch and Mr R Zagari. Mr A Pohan is invited to attend the meeting in his capacity as Chairman of the Association and two representatives of the Managers, who are also Directors of the Association, namely Mr S J Martin and Mr C B Adams, are also invited to attend.

In discharging its responsibilities, the Committee receives financial and management reports from the Managers including reports from the internal auditor. The Committee establishes the scope of the reporting, both to itself and the Board, and continually assesses the quality and adequacy of this information.

The external auditor meets with the Managers who, having liaised with the Committee Chairman, review their audit approach and the key risks identified. The audit plan is submitted to and reviewed by the Committee and Board. The audit partner presents their audit plan and findings to the Committee and Board.

The Committee monitors the effectiveness of the Managers’ activities with respect to their regulatory and control responsibilities with a specific focus on any issues of enhanced strategic importance or which present a significant risk to the Association. The Committee reviews the judgment and control exercised by the Managers in the estimation of technical provisions and ensures that provisions are set in accordance with the Board’s reserving risk appetite. The Committee’s work in this area includes receiving and discussing the actuarial function’s reports on reserving methodologies, estimates and key judgments throughout the year and at year end. In addition, it also commissions an independent actuarial review of the technical provisions. The Committee receives reports on the Solvency II Technical Provisions and the bridge to those reported in the annual financial statements.

Within the past year the Committee’s work has included a review of the following matters:

- Impact of, and response to, the Covid-19 pandemic
- Migration to the new external auditor
- Review of stress tests, including ones relating to pandemics and climate change
- In-depth review of the risk appetite statement

Rules

With the support of advice from the Association’s lawyers, the Directors have approved Rule changes to clarify, and in some cases broaden, the scope of existing cover, as explained below:

Class 1 – Protection and Indemnity

Rule 19iv – Specialist Operations – An amendment to reflect a new exclusion in the Pooling Agreement in respect of liabilities arising from the operation of remotely operated underwater vehicles.

Rule 19vii – Specialist Operations – An amendment to reflect changes in the Pooling Agreement in relation to the treatment of accommodation units.

Rule 21 – War Risks – An amendment to include an affirmation of cover in respect of cyber-related losses.

Report of the Directors

Rule 25 – Covered Risks – Deviation Expenses – An amendment to include cover for certain extra costs for diverting a ship for the purpose of enabling repatriation of deceased crew members or other deceased persons on board.

Rule 25 – Covered Risks – Collision Liability – An amendment to clarify the scope of cover for, amongst other things, liabilities arising from a cyber event where there is an express exclusion in the Hull policy.

Rule 43 – Provision of Bail – An amendment to confer upon the Managers the right to prioritise payments in respect of certified and secured claims over uncertified/unsecured claims in circumstances where there is a risk that limits of cover may be exceeded.

Streamlined Energy and Carbon reporting (SECR)

The Association consumed less than 40,000 kWh of energy and is therefore exempt from the SECR disclosure requirements.

Future developments

Please refer to the Strategic report on pages 4-6.

Financial instruments

Please refer to the risk management note in the Strategic report on page 5.

Management Highlights

The Management Highlights will be published by July 2022.

Directors' responsibilities statement

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

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; 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 and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Association's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Association's auditor is unaware; and
- the Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

External auditor

BDO LLP was appointed as the Association's external auditor at an EGM held on 30 June 2021, replacing Deloitte LLP.

A Pohan
Chairman

Managers
Steamship P&I Management LLP

22 May 2022

Consolidated Income and Expenditure Account

for the year ended 20 February 2022

Technical Account	Note	2022 US$000	2021 US$000
Earned premium, net of reinsurance			
Gross premium written	2	**209,454**	204,799
Outward reinsurance premium	3	**(153,695)**	(149,112)
Earned premium, net of reinsurance		**55,759**	55,687
Allocated investment return transferred from the non-technical account		**(867)**	1,528
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4	**165,100**	164,940
Portfolio claims transfer	5	**–**	8,600
Reinsurers' share	4	**(135,664)**	(136,587)
Net claims paid		**29,436**	36,953
Change in the provision for claims			
Gross amount	5	**15,941**	(23,181)
Reinsurers' share	5	**(13,069)**	22,093
Change in the net provision for claims	5	**2,872**	(1,088)
Claims incurred, net of reinsurance		**32,308**	35,865
Net operating expenses	6	**24,883**	26,147
Balance on the technical account for general business		**(2,299)**	(4,797)

Non-Technical Account	Note	2022 US$000	2021 US$000
Balance on the general business technical account		**(2,299)**	(4,797)
Investment income		**(837)**	1,728
Unrealised gains/(losses) on investments		**1**	(1)
Allocated investment return transferred to the technical account		**867**	(1,528)
Other income		**52**	2
Deficit before taxation		**(2,216)**	(4,596)
Taxation	7	**11**	44
Deficit for the financial year		**(2,227)**	(4,640)
Free reserves brought forward		**100,839**	105,479
Free reserves		**98,612**	100,839

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

There are no recognised gains or losses in either year other than the transactions reported in the above income and expenditure account.

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

Balance Sheet

as at 20 February 2022

Assets	Note	2022 Consolidated US$000	2022 Company US$000	2021 Consolidated US$000	2021 Company US$000
Investments					
Other financial investments	8	**68,344**	**68,344**	83,895	83,895
Investment in group undertaking	9	**–**	**27**	–	29
Reinsurers' share of technical provisions					
Claims outstanding	5	**770,756**	**770,756**	757,687	757,687
Debtors					
Debtors arising out of direct insurance operations		**8,586**	**8,586**	5,033	5,033
Debtors arising out of reinsurance operations	10	**74,820**	**74,820**	58,425	58,425
Other debtors		**1,568**	**1,634**	3,606	3,677
Other assets					
Cash at bank and in hand		**15,833**	**15,730**	15,466	15,355
Prepayments and accrued income					
Deferred acquisition costs		**623**	**623**	490	490
Other prepayments and accrued income		**395**	**395**	370	370
Total assets		**940,925**	**940,915**	924,972	924,961
Liabilities					
Capital and reserves					
Free reserves	11	**98,612**	**98,610**	100,839	100,837
Technical provisions					
Provision for unearned premium		**3,479**	**3,479**	2,522	2,522
Claims outstanding	5	**813,964**	**813,964**	798,023	798,023
Provisions for other risks and charges					
Provision for taxation		**9**	**9**	113	113
Creditors					
Creditors arising out of direct insurance operations		**15,020**	**15,020**	12,891	12,891
Creditors arising out of reinsurance operations		**8,383**	**8,383**	6,900	6,900
Other creditors including taxation and social security		**1,458**	**1,450**	3,684	3,675
Total liabilities		**940,925**	**940,915**	924,972	924,961

The parent company made a deficit for the year end 20 February 2022 of $2,227,000 (2021: Deficit of $4,642,000).

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 22 May 2022.

A Pohan
Chairman

C J Ahrenkiel
Director

Managers:
Steamship P&I Management LLP

Consolidated Cash Flow Statement

for the year ended 20 February 2022

Cash flows from operating activities	2022 US$000	2021 US$000
Operating deficit before taxation after interest	**(2,216)**	(4,596)
Increase/(decrease) in general insurance technical provisions	**3,829**	(2,251)
Decrease in other provisions	**–**	(1,277)
Unrealised (gains)/losses on investments	**(1)**	1
(Increase)/decrease in debtors	**(18,068)**	24,271
Increase in creditors	**1,386**	2,814
Taxation paid	**(115)**	(145)
	(12,969)	23,413
Net cash (outflow)/inflow from operating activities	**(15,185)**	18,817
Cash flow from investment activities		
Net portfolio investment		
(Purchase)/sale of bonds and loans	**(1)**	618
Purchase of money market instruments	**(3,003)**	(25,540)
Decrease/(increase) in cash on short term deposit	**18,556**	(2,566)
Cash generated by/(used in) investing activities	**15,552**	(27,488)
Movement in opening and closing cash and cash equivalents		
Net cash inflow/(outflow) for the period	**367**	(8,671)
Cash and cash equivalents at 20 February 2021	**15,466**	24,137
Cash and cash equivalents at 20 February 2022	**15,833**	15,466

Notes on the Accounts

1. Accounting policies

(a) Accounting convention

The consolidated accounts have been prepared in compliance with 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 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

The Directors believe that the Association is taking all necessary measures to maintain its viability and the development of the business in the current economic environment. The Directors have:

- Assessed the financial performance of the Association, including the impact of Covid-19 in the last year, and the successful renewal referenced in the Strategic Report.
- Assessed the liquidity of all assets of the Association.
- Considered the Group Solvency Self Assessment (of the Steamship regulatory group), the outlook for Steamship and the stress tests performed within it.
- Assessed the solvency requirements set by the regulator and solvency ratio of the Association.
- Considered post-balance sheet events.

Based on the above, the Directors have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.

(c) Basis of consolidation

The accounts consolidate the accounts of Steamship Mutual Underwriting Association Limited and its wholly owned subsidiary undertaking Steamship (Germany) GmbH at 20 February 2022.

(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 under note 15.

(e) Premium written

Premium, less returns, comprise the total premium receivable for the whole period of cover provided by contracts incepting during the financial year. All premium is shown gross of commission payable to intermediaries and exclusive of taxes levied on premium.

(f) Unearned premium

The proportion of premium written relating to periods of cover after the year end is carried forward as a provision for unearned premium. There is no reinsurers' share of unearned premium due to the reinsurance contracts being recognised on an earned basis.

(g) Deferred acquisition costs

Acquisition costs are deferred to the extent that they are attributable to premium unearned at the balance sheet date.

(h) Claims and related expenses

Claims and related expenses are charged to the income and expenditure account when they have been settled. A provision is made on a claim by claim basis for the estimated cost of claims notified but not settled by the balance sheet date and for the estimated future costs of handling these claims. 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.

Notes on the Accounts
continued

1. Accounting policies continued
(i) Reinsurance premium and recoveries
Payments made to and recoveries from other Associations under the International Group Pooling arrangements are recognised in the income and expenditure account when debited or credited. Reinsurance premium and recoveries are recognised in the income and expenditure account on an accruals basis.

(j) Investments
Investments and cash at bank have been valued as at the end of the reporting period. Deposits held at credit institutions have a maturity date of 3 months or more. Investment income consists of interest and realised gains and losses on fair value through profit or loss assets. Unrealised gains and losses reflect the movement in the market value of investments compared to their cost.

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-US dollar denominated Member accounts and the funding of the operating expenses of the Managers' London office.

(k) Cash at bank and in hand
Cash and cash equivalents comprise cash at bank and in hand and have a maturity of less than 3 months.

(l) Foreign currencies
The functional currency is US dollars. Assets and liabilities are converted at the rate of exchange ruling 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 rates of exchange ruling on the balance sheet date and used for the purpose of preparing the accounts were as follows:

		2022	2021
Euro	€	**0.882**	0.825
UK sterling	£	**0.736**	0.714

Notes on the Accounts
continued

2. Gross premium written

	2022 US$000	2021 US$000
Mutual and fixed premium written	**210,639**	203,181
Return of premium	**2**	13
Release calls	**(230)**	442
Movement in unearned premium	**(957)**	1,163
	209,454	204,799
Gross premium by class of business		
Protection and Indemnity	**193,137**	185,579
Freight, Demurrage and Defence	**5,064**	6,503
Other	**11,253**	12,717
	209,454	204,799
Gross premium by Member location		
United States of America	**109,317**	104,565
South Korea	**17,650**	17,901
China	**11,245**	9,929
Hong Kong	**10,880**	10,244
Taiwan	**9,744**	10,747
United Kingdom	**7,228**	5,155
India	**5,783**	6,278
Brazil	**5,781**	7,901
Chile	**5,654**	6,480
Philippines	**4,825**	4,261
Other countries	**21,347**	21,338
	209,454	204,799

Notes on the Accounts
continued

3. Reinsurance contracts
The Association has the following reinsurance arrangements:

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

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 100% of its net underlying liabilities for all policy years up to and including 2014/15.

The Association receives the benefit of all International Group Pool and other external reinsurance recoveries.

4. Claims paid – gross amount	**2022 US$000**	2021 US$000
Claims and related expenses	**112,858**	107,283
International Group Pool claims	**35,754**	39,001
Claims administration expenses	**16,488**	18,656
	165,100	164,940
Portfolio claims transfer	–	8,600
Less reinsurers' share		
SMUAB	**116,535**	113,077
The Trust	**4,895**	7,741
International Group Pool and other reinsurers	**14,234**	15,769
	135,664	136,587
Net claims paid	**29,436**	36,953

Notes on the Accounts
continued

5. Change in net provision for claims	2022 US$000	2021 US$000
Gross outstanding claims		
Provision brought forward	**798,023**	821,204
Claims paid in the year	**(165,100)**	(164,940)
Transferred to SMUAE	**–**	(86,420)
Changes to reserves	**181,041**	228,179
Provision carried forward	**813,964**	798,023
The Trust's share of outstanding claims		
Provision brought forward	**70,760**	96,120
Reinsurance recoveries made in the year	**(4,896)**	(7,741)
Transferred to SMUAE	**–**	(14,383)
Changes to reserves	**(11,450)**	(3,236)
Provision carried forward	**54,414**	70,760
SMUAB's share of outstanding claims		
Provision brought forward	**419,353**	455,949
Reinsurance recoveries made in the year	**(121,851)**	(113,077)
Transferred to SMUAE	**–**	(58,938)
Changes to reserves	**130,204**	135,419
Provision carried forward	**427,706**	419,353
International Group Pool & Excess Loss and other reinsurers' share of outstanding claims		
Provision brought forward	**267,574**	227,711
Reinsurance recoveries made in the year	**(8,917)**	(15,769)
Transferred to SMUAE	**–**	(6,550)
Changes to reserves	**29,979**	62,182
Provision carried forward	**288,636**	267,574
Total net outstanding claims	**43,208**	40,336

The estimates for known outstanding claims are based on the estimates and judgement of the Managers of the final cost of individual cases based on current information. The individual estimates are reviewed regularly and include the Association's share of other International Group clubs' Pool claims. Provision is also made for claims incurred but not reported 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.

On 20 December 2020 the EEA business written by the Association and the associated gross and reinsurers share of technical provisions were transferred to SMUAE, under Part VII of the Financial Services and Markets Act 2000 ("Part VII transfer"). The assets and liabilities transferred are detailed above in the comparative figures. Net outstanding claims of US$6.549m along with an additional portfolio claims transfer premium of US$2.051m constitutes the US$8.600m portfolio claims transfer recognised as an expense in the 2020-21 financial year within claims paid under Note 4.

Gross outstanding claims carried forward are net of US$64.0m of third party recoveries (2021: US$59.2m).

Notes on the Accounts
continued

6. Net operating expenses

	2022 US$000	2021 US$000
Acquisition costs		
Brokerage	**11,156**	10,332
Underwriting administration expenses	**6,573**	7,257
	17,729	17,589
Administrative expenses		
Other administration expenses	**6,332**	7,774
Regulatory fees	**455**	415
Directors' fees	**18**	17
Total audit fees	**349**	352
	7,154	8,558
	24,883	26,147

	2022 US$000	2021 US$000
Payable to the Association's auditor and its associates for the audit of the annual accounts	**232**	188
Payable to the Association's auditor and its associates for the audit of the annual accounts of the Association's branches	**69**	68
Payable to the Association's auditor and its associates for audit related assurance services	**48**	96
Total audit fees	**349**	352

Notes on the Accounts
continued

6. Net operating expenses (continued)

Transactions with related parties

The Association, which is limited by guarantee, has no share capital and is controlled by the Members who are also the insureds. The insurance transactions are deemed to be between related parties but these are the only transactions between the Association and the Members. The aggregate of these transactions is disclosed in these financial statements.

Steamship P&I Management LLP ("SPIM") provides management and administrative services to the Association. Under the terms of its management contract SPIM receives, as remuneration for its services, a fee which is based in part on premium payable by Members in each accounting year together with reimbursement of its office and administration expenses including the ongoing funding of a defined benefit pension scheme for which SIMSL is the statutory employer. For the financial year to 20 February 2022, these fees amounted to US$22.9m (2021: US$28.2m). US$0.7m was due from SPIM at the year end (2021: US$2.7m) and is included in other debtors on the balance sheet.

Steamship P&I Management (Singapore) PTE Ltd ("SPIM Singapore"), a subsidiary of SPIM, provides management and administrative services to the Association. SPIM Singapore receives as remuneration for its services, a fee which is based on the reimbursement of its office and administration expenses. For the financial year to 20 February 2022 these fees and expenses amounted to US$1.3m (2021: US$1.0m). US$0.03m was due to SPIM Singapore at the year end (2021: US$0.5m) and is included in other creditors on the balance sheet.

Steamship Mutual Management (Bermuda) Limited ("SMM(B)") provides management and administrative services to the Association. Under the terms of its management contract SMM(B) receives as remuneration for its services, a fee which is based on the reimbursement of its office and administration expenses and those of its worldwide representatives. For the financial year to 20 February 2022 these fees and expenses amounted to US$0.2m (2021: US$0.2m). US$nil was due from SMM(B) at the year end (2021: US$nil).

Steamship Mutual Management (Hong Kong) Limited ("SMM(HK)") provides management and administrative services to the Association. Under the terms of its management contract SMM(HK) receives as remuneration for its services, a fee which is based on the reimbursement of its office and administration expenses. For the financial year to 20 February 2022 these fees and expenses amounted to US$1.7m (2021: US$1.6m). US$0.2m was due from SMM(HK) at the year end (2021: due from SMM(HK) US$0.1m) and is included in other debtors on the balance sheet.

7. Taxation

The charge includes an estimated liability for the accounting year to 20 February 2022, of US$5,553 (2021: US$40,313) based upon an agreement with the United Kingdom tax authorities, assessed on the investment income of the Association for the year, along with an estimated liability of US$2,866 (2021: $4,151) based on the results of the Association's overseas branches.

Analysis of tax charge on ordinary activities	**2022 US$000**	2021 US$000
United Kingdom corporation tax at 19% (2021: 19%) based on the deficit for the financial year	**11**	44
	11	44

Factors affecting tax charge for the current period

The tax assessed for the financial year is higher than that resulting from applying the standard rate of corporation tax in the United Kingdom. The differences are explained below.

Deficit before tax	**(2,216)**	(4,596)
Tax at 19% (2021: 19%) thereon	**(421)**	(874)
Effect of tax on overseas branches	**3**	1
Effect of income not subject to corporation tax	**429**	917
Current tax charge for period	**11**	44

Notes on the Accounts
continued

8. Other financial investments

	2022 US$000	2021 US$000
Market value		
Bonds and loans	**16,401**	16,399
Money market instruments	**41,805**	38,802
Deposits with credit institutions	**10,136**	28,693
Cash accounts	**2**	1
	68,344	83,895
Cost		
Bonds and loans	**16,400**	16,399
Money market instruments	**41,805**	38,802
Deposits with credit institutions	**10,136**	28,693
Cash accounts	**2**	1
	68,343	83,895

Bonds and loans have been fair valued through profit and loss at the unadjusted quoted price for an identical asset in an active market at the reporting date. The Association's other investment assets have been valued at cost at the reporting date. All investment disclosed above are classified as level 1 investments in the fair value hierarchy.

9. Investment in group undertaking

	2022 US$000	2021 US$000
Cost	**29**	29
Impairment	**(2)**	–
	27	29

The Association owns 100% of Steamship (Germany) GmbH. Its registered address is Marburger Strasse 2, 10789, Berlin, Germany. The company provides banking services to the Association.

10. Debtors arising out of reinsurance operations

	2022 US$000	2021 US$000
The Trust	**60,124**	56,974
SMUAB	**14,504**	1,407
International Group clubs	**73**	–
Other reinsurance debtors	**119**	44
	74,820	58,425

Notes on the Accounts
continued

11. Free reserves	**2022 US$000**	2021 US$000
Free reserves brought forward	**100,839**	105,479
Deficit for year	**(2,227)**	(4,640)
	98,612	100,839

The balance carried forward together with any further additional premium to be ordered by the Board of Directors and recoveries under the reinsurance contracts, will be available to meet liabilities not yet passed or ascertained. The Members of the Association are liable for their rateable proportion of any deficiency arising from an excess of liabilities over premium. The Directors and Managers are of the opinion that the Association has adequate assets and contractual arrangements to meet known and anticipated liabilities.

12. Contingent liabilities
The Association provides guarantees to third parties on behalf of Members. For guarantees issued in respect of covered claims, provision is made within the claims outstanding technical provision. Guarantees are issued under certain circumstances, in accordance with procedures, for uncovered claims when appropriate counter security is obtained. As at 20 February 2022 the total value of guarantees issued in respect of uncovered claims was US$17.6m (2021: US$13.3m). If the contingent liability crystalises, the Association will exercise the counter-securities held and consequently receive the respective amounts from the insureds.

13. Security
A trust has been set up to secure the payment of recoveries to US resident Members of the Association in accordance with the standard terms of the US National Association of Insurance Commissioners. As at the balance sheet date assets included with other financial investments with a total value of US$5.7m (2021: US$5.7m) had been allocated to the trust.

The Association deposits funds as required in the agreement between various members of the International Group and the US Federal Maritime Commission in connection with the provision of evidence of financial responsibility under Sections 2 and 3 of US Public Law 89-777. As at the balance sheet date the funds deposited, included within other financial investments, had a total value of US$10.7m (2021: US$10.7m).

Notes on the Accounts
continued

14. Capital management
The Association aims to maintain capital resources at a level which provides a comfortable margin above the requirements of the Prudential Regulation Authority (PRA) and the regulators of its branch offices in Hong Kong, Japan and Singapore. Capital resources for regulatory purposes for the Association consist of free reserves on a regulatory economic basis and an allowance for the ability to levy additional premium on Members.

The Association and its branches were in compliance with their regulatory capital requirements throughout the financial year.

15. 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 both the UK and Bermudian regulators.

The GSSA documents Steamship's and the Association's risk and capital management processes employed to identify, assess, manage and report the risks it may face 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.

Insurance risk
Insurance risk is comprised of two elements; premium risk and reserving risk. Premium risk refers to the risk that insurance premium written in the current policy year is insufficient to cover claims and other costs arising in that year. It thus relates to the future, whereas reserving risk is the risk that, over the next year, existing technical provisions are insufficient to cover claims arising in previous policy years. The Association is exposed to the uncertainty surrounding the timing, frequency and severity of claims made under its insurance contracts. Premium and reserving risk are calculated by reference to risk factors prescribed by the PRA 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 geographical areas, 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 the reinsurance arrangements outlined under note 3 on the accounts 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 having regard to variations in the nature of current business accepted and its underlying terms and conditions. The Audit and Risk Committee compares the proposed claim reserves with an independent calculation performed by qualified actuaries at year end.

The Association aims to reduce reserving risk by setting claims reserves at a prudent level that provides between 70% and 80% confidence that they will be sufficient to cover actual settlement costs. Actual experience will differ from the expected outcome but this prudent basis is expected to result in releases of prior year claim reserves.

Notes on the Accounts
continued

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

		2022 US$000	2021 US$000
5% increase in claims incurred on current policy year			
Overall surplus	gross of reinsurance	**(10,491)**	(11,394)
	net of reinsurance	**(883)**	(870)
Single claim of US$2billion in current policy year			
Overall surplus	gross of reinsurance	**(2,000,000)**	(2,000,000)
	net of reinsurance	**(3,308)**	(3,252)
Single claim for other member of IG of US$2billion in current policy year			
Overall surplus	gross of reinsurance	**(13,546)**	(13,815)
	net of reinsurance	**(1,355)**	(1,382)

The following tables show the development of claims over ten years on both a gross and net of reinsurance basis. The top half of each table shows how the estimates of total claims for each policy year have developed over time. The lower half of each table reconciles cumulative claims to the amount appearing in the balance sheet. The current financial year end position for the 2019/20 and prior policy years reflects the cumulative claims after the Part VII transfer referred to in note 5.

Insurance claims - gross

Policy year	2012/13 US$000	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000
End of reporting year	208,834	114,390	282,635	341,688	244,772	392,561	321,014	314,958	227,886	209,826
One year later	184,502	230,254	214,463	338,016	225,559	356,725	286,572	316,973	210,651	
Two years later	315,281	211,471	209,479	348,201	243,215	337,286	249,729	307,313		
Three years later	294,626	203,609	203,073	353,779	240,089	320,113	230,080			
Four years later	277,820	199,147	196,730	361,286	231,965	350,143				
Five years later	272,397	195,629	193,371	357,909	233,027					
Six years later	267,633	196,203	198,880	356,827						
Seven years later	262,945	193,309	198,794							
Eight years later	261,294	181,017								
Nine years later	259,767									
Current estimate of ultimate claims	259,767	181,017	198,794	356,827	233,027	350,143	230,080	307,313	210,651	209,826
Cumulative payments to date	259,622	182,207	180,119	335,756	212,214	242,676	150,520	165,929	58,661	26,576
Claims outstanding	**145**	**(1,190)**	**18,675**	**21,071**	**20,813**	**107,467**	**79,560**	**141,384**	**151,990**	**183,250**
Claims outstanding relating to last ten reporting years										**723,165**
Other claims liabilities										**90,799**
Total gross claims outstanding										**813,964**

Notes on the Accounts
continued

15. Risk management continued

Insurance claims - net

Policy year	2012/13 US$000	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000
End of reporting year	8,927	13,574	30,972	34,778	41,936	31,343	29,950	31,090	23,012	23,483
One year later	8,945	16,612	30,817	33,005	47,354	37,756	33,254	38,230	25,902	
Two years later	10,106	16,589	20,158	38,430	52,722	39,176	35,543	41,204		
Three years later	10,108	11,606	21,339	40,704	54,895	40,318	36,825			
Four years later	9,191	12,714	22,065	42,409	55,986	40,599				
Five years later	9,617	13,552	22,457	42,752	56,818					
Six years later	10,035	14,354	22,582	42,952						
Seven years later	10,486	14,642	22,664							
Eight years later	10,666	14,787								
Nine years later	10,689									
Current estimate of ultimate claims	10,689	14,787	22,664	42,952	56,818	40,599	36,825	41,204	25,902	23,483
Cumulative payments to date	10,689	14,787	22,664	41,894	54,926	38,652	31,612	34,628	14,390	8,473
Claims outstanding	**–**	**–**	**–**	**1,058**	**1,892**	**1,947**	**5,213**	**6,576**	**11,512**	**15,010**
Claims outstanding relating to last ten reporting years										**43,208**
Other claims liabilities										**–**
Total net claims outstanding										**43,208**

Credit risk

Credit risk is the risk that a counterparty owing money to the Association may default causing a debt to be written off. The extensive reinsurance protection arranged by the Association effectively transforms a large proportion of insurance risk into credit risk as the risk exposure becomes reinsurer default. The credit risk arising from the reinsurance contracts with Steamship Mutual Trust and SMUAB 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 International Group. The key area of exposure to credit risk for Steamship are in relation to its reinsurance recoverables.

Credit risk in respect of amounts due from Members is spread across diverse industries and geographical areas. 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. Receivables from Members, agents and intermediaries generally do not have a credit rating.

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.

Notes on the Accounts
continued

15. Risk management continued
The following tables show the aggregated credit risk exposure for those assets with external credit ratings (mainly S&P Global).

As at 20 February 2022

	AAA US$000	AA US$000	A US$000	BBB US$000	Not rated US$000	Total US$000
Bonds and loans	–	16,401	–	–	–	16,401
Money market instruments	41,805	–	–	–	–	41,805
Deposits with credit institutions	–	9,050	1,086	–	–	10,136
Cash accounts	–	2	–	–	–	2
Cash at bank and in hand	–	11,382	4,451	–	–	15,833
Reinsurers' share of technical provisions	–	5,585	739,375	25,783	13	770,756
Debtors arising out of reinsurance operations	–	17	74,803	–	–	74,820
Other debtors	–	–	261	–	–	261
Accrued interest	–	1	–	–	–	1
Other assets	–	–	–	–	10,910	10,910
Total assets	**41,805**	**42,438**	**819,976**	**25,783**	**10,923**	**940,925**

As at 20 February 2021

	AAA US$000	AA US$000	A US$000	BBB US$000	Not rated US$000	Total US$000
Bonds and loans	–	16,399	–	–	–	16,399
Money market instruments	38,802	–	–	–	–	38,802
Deposits with credit institutions	–	7,000	21,693	–	–	28,693
Cash accounts	–	1	–	–	–	1
Cash at bank and in hand	–	9,638	5,679	–	149	15,466
Reinsurers' share of technical provisions	–	10,392	725,225	21,971	99	757,687
Debtors arising out of reinsurance operations	–	17	58,408	–	–	58,425
Other debtors	–	–	143	–	–	143
Accrued interest	–	–	4	–	–	4
Other assets	–	–	–	–	9,352	9,352
Total assets	**38,802**	**43,447**	**811,152**	**21,971**	**9,600**	**924,972**

Notes on the Accounts
continued

15. Risk management continued
The following tables show the age analysis of debtors arising out of insurance operations and debtors arising out of reinsurance operations after deducting provisions for bad debt.

As at 20 February 2022

	Not due US$000	0 - 30 days US$000	31 - 90 days US$000	Over 90 days US$000	Impaired US$000	Total US$000
Debtors arising out of direct insurance operations	–	1,356	5,538	1,328	364	8,586
Debtors arising out of reinsurance operations	74,628	9	49	117	17	74,820
Total	**74,628**	**1,365**	**5,587**	**1,445**	**381**	**83,406**

As at 20 February 2021

	Not due US$000	0 - 30 days US$000	31 - 90 days US$000	Over 90 days US$000	Impaired US$000	Total US$000
Debtors arising out of direct insurance operations	–	1,533	1,347	1,432	721	5,033
Debtors arising out of reinsurance operations	58,381	5	4	18	17	58,425
Total	**58,381**	**1,538**	**1,351**	**1,450**	**738**	**63,458**

Liquidity risk
Liquidity risk is the risk that the Association cannot meet its financial obligations as they fall due. The Association's exposure to liquidity risk is minimal given that its investments are cash, money market instruments and short-term US government bonds, and the terms of its reinsurance agreements provide for prompt payment. The following table shows the expected maturity of the Association's assets.

As at 20 February 2022

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Investments	68,344	–	–	–	**68,344**
Reinsurers' share of technical provisions	295,770	175,175	213,368	86.443	**770,756**
Other assets	101,825	–	–	–	**101,825**
Total assets	**465,939**	**175,175**	**213,368**	**86,443**	**940,925**

As at 20 February 2021

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Investments	83,895	–	–	–	**83,895**
Reinsurers' share of technical provisions	284,114	156,545	215,570	101,458	**757,687**
Other assets	83,390	–	–	–	**83,390**
Total assets	**451,399**	**156,545**	**215,570**	**101,458**	**924,972**

Notes on the Accounts
continued

15. Risk management continued

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 2022

	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	312,350	184,995	225,330	91,289	**813,964**
Other liabilities	28,349	–	–	–	**28,349**
Total liabilities excluding capital and reserves	**340,699**	**184,995**	**225,330**	**91,289**	**842,313**

As at 20 February 2021

	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	299,239	164,879	227,046	106,859	**798,023**
Other liabilities	26,110	–	–	–	**26,110**
Total liabilities excluding capital and reserves	**325,349**	**164,879**	**227,046**	**106,859**	**824,133**

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 investments are in short term money market instruments and US government bonds and therefore has limited direct exposure to interest rate risk.

The Association receives the majority of its premium income in US dollars, a significant amount in euro and small amounts in UK sterling and Canadian dollars. Claim liabilities arise in a number of currencies but predominantly in US dollar, euro, UK sterling and Brazilian real. To minimise currency mismatching, assets are regularly reviewed against the Association's liabilities.

Notes on the Accounts
continued

15. Risk management continued

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

As at 20 February 2022

	US dollar US$000	UK sterling US$000	Euro US$000	Brazilian real US$000	Korean Won US$000	Other US$000	Total US$000
Assets	819,223	12,992	82,765	11,475	3,231	11,239	**940,925**
Liabilities	(726,290)	(12,578)	(79,956)	(11,477)	(3,272)	(8,740)	**(842,313)**
	92,933	**414**	**2,809**	**(2)**	**(41)**	**2,499**	**98,612**

As at 20 February 2021

	US dollar US$000	UK sterling US$000	Euro US$000	Brazilian real US$000	Korean Won US$000	Other US$000	Total US$000
Assets	816,113	26,780	51,148	14,721	3,932	12,278	**924,972**
Liabilities	(731,445)	(13,555)	(51,054)	(15,485)	(4,024)	(8,570)	**(824,133)**
	84,668	**13,225**	**94**	**(764)**	**(92)**	**3,708**	**100,839**

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

As the Association's reinsurance arrangements with the Trust and SMUAB, as outlined under note 3, and with the International Group provide US dollar protection, at least 90% of currency exchange risk in relation to claims is transformed into reinsurer credit risk.

The majority of the operating expenses of the Association are the costs recharged to it by Steamship Insurance Management Services Limited ("SIMSL"), the service company of SPIM. These expenses are payable in UK sterling giving rise to a currency exchange exposure when compared to the Association's functional currency of US dollars. The Association has a hedging policy which requires that a percentage of forward future costs be maintained in US dollar terms. This is achieved by buying currency in advance, entering into forward purchase contracts or entering into other option-based products with a bank.

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.

16. Subsequent events

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

Independent Auditor's Report

Independent auditor's report to the Members of Steamship Mutual Underwriting Association Limited

Opinion on the financial statements

In our opinion the 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 2022 and of the Group's deficit for the financial year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Steamship Mutual Underwriting Association Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 20 February 2022 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Company Balance Sheet, the Consolidated Cash Flow Statement and notes on the accounts, 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 applicable in the UK and Republic of Ireland and Financial Reporting 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 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. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 30 June 2021 to audit the financial statements for the year ended 20 February 2022 and subsequent financial periods. The period of total uninterrupted engagement is 1 years, covering the year ended 20 February 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the latest available Own Risk and Solvency Assessment ('ORSA') return to check compliance with regulatory solvency requirements. This included checking that stress testing was performed and review of the results of the stress testing as documented in the ORSA return.
- Assessed the solvency position through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital.
- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Group's ability to continue as a going concern.
- Considered the impact of climate change on the Group and Parent's activities through discission with management and our knowledge of relevant factors affecting the industry.
- Review of the basis of solvency projections and the appropriateness of the mechanism applied for the next 12 months from when the financial statements are authorised for issue by reviewing the reasonableness of the assumptions made based on historic outturn of previous projections. Review and challenge of the Group's current plans and budgets, including an assessment of the 2022 budget against the audited 2022 results and assessing the reasonableness of assumptions made based on historic outturn of budgeted results and our knowledge of relevant factors affecting the industry and economy.

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's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent Auditor’s Report
continued

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

Overview

Key audit matters	2022 Valuation of Technical Provisions
Materiality	*Group financial statements as a whole* $3.1m based on 1.5% of Premiums.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We undertook a full scope audit of the Parent Company, which is the only significant component. All audit work was performed directly by the Group’s audit engagement team with the assistance where relevant of appointed experts. For the non-significant component, an analytical procedure was performed by the group engagement team to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Independent Auditor's Report

continued

Key audit matter

Valuation of Technical Provisions and reinsurer's share of technical provisions (Notes 1h and 5)

As per note 5 and accountancy policy 1(h), the financial statements record gross technical provisions of US$814m (2021: US$798m), and net technical provisions of US$43m (2021: US$40m). This is made up of individual case estimates and claims incurred but not yet reported ('IBNR').

The valuation of technical provisions, both gross and net of reinsurance, is a key area of estimation within the financial statements. There is a risk that inappropriate assumptions and judgements are made when determining the valuation of technical provisions.

1) IBNR modelling by actuarial experts is reliant on:

- Relevant claims data being input correctly into actuarial models.
- The application of appropriate actuarial techniques, judgements and assumptions.

2) Case estimates are inherently uncertain and rely on:

- The expertise of the claims handlers and their experience of assessing claims in different jurisdictions and of different types.
- The correct and timely entry of claims information onto the claims system.
- Adjustments being made to significant year end estimates and payments being absorbed by the assessment of IBNR.

The Group has a range of reinsurance placement, incorporating quota share, International Group pool excess of loss and non-pool cover.

Reinsurers' share of technical provisions is dependent on the appropriate valuation of gross reserves and the correct application of the portfolio of reinsurance agreements in place.

We have assessed this area as being of significant risk to the audit and key audit matter due to the significance of these amounts in deriving the Group's results and because of the degree of assumptions and estimation underpinning the determination of the technical provisions, which can be highly subjective.

How the scope of our audit addressed the key audit matter

We performed the following:

Valuation of IBNR:

- Reconciled key actuarial inputs used in actuarial models to accounting records which are noted to consist of incurred claims positions, initial expected loss ratios and earned and ultimate premium.
- Through the use of our internal actuarial experts we assessed the appropriateness of the methodology, significant judgements and assumptions applied by the Group's actuarial team in calculating the technical provision.
- Reviewed the outturn of prior years' claims IBNR against previous estimates, to assess valuation of IBNR held against the subsequent claims development.
- Through the use of our internal actuarial experts we independently projected the ultimate claims figure using historical claims data and our own actuarial techniques.

Valuation of Claim Estimates:

- Agreed all material claim estimates, including a sample of non-material claim estimates, to supporting documentation, such as legal correspondence, claims notifications and invoices to assess whether case estimates were valued appropriately.
- Assessed the appropriateness of key claims adjustments around Pool claims application of member Annual Aggregate Deductibles ('AADs') and adjustment of Pool AADs by agreeing to supporting documentation such as claims notifications.
- For a sample of claim payments, we checked that the payments were within claim handler authority limits. Agreed a sample of claims estimate adjustments and payments either side of the year end to third party documentation and bank statements, to assess whether these adjustments and payments were accounted for in the correct period.

Valuation of Reinsurance Share of Technical Provisions:

- Through the use of our internal actuarial experts, we assessed the appropriateness of the methodology, significant judgements and assumptions applied by the Group's actuarial team in calculating the reinsurance share of technical provision.
- Agreed the quota share reinsurance arrangement to contract, assessing whether the percentages as well as coverage period were valid and accurate. On an overall basis recalculated the quota share

Independent Auditor's Report
continued

element of reinsurer's share of technical provisions using contracted quota share rates.

- On a sample basis, assessed the accuracy of the excess of loss reinsurance calculations through identification of claims above reinsurance retention levels, thus eligible for recovery as per the agreement, and recalculating the reinsurers' share in line with the excess of loss reinsurance programme terms.
- Confirmed the accuracy of key reinsurance terms on a sample basis applied to the reinsurance share of technical provisions to reinsurance contracts in place.

Key Observations:
Based on our audit procedures performed we consider the judgements and assumptions made in the valuation of technical provisions and reinsurer's share of technical provisions to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	Parent company financial statements
	2022 $m	2022 $m
Materiality	3.1	3.1
Basis for determining materiality	1.5% of Premium	1.5% of Premium
Rationale for the benchmark applied	The financial statements are affected by a quota share agreement. Due to the significant impact this has on the gross line items affected by this agreement, premium is determined to be a relevant benchmark on which to base materiality.	The financial statements are affected by a quota share agreement. Due to the significant impact this has on the gross line items affected by this agreement, premium is determined to be a relevant benchmark on which to base materiality.
Performance materiality	2.0	2.0
Basis for determining performance materiality	65% of financial statement materiality was reflective of our perceived risk of the financial statements containing misstatements, taking into account the risks in first year audit engagements.	

Independent Auditor's Report
continued

Specific materiality
We also determined that for line items not affected by the quota share reinsurance agreement, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result a specific materiality of $2.9m has been set. We determined materiality for these items based on 3% of Net Assets. We further applied a performance materiality level of $1.9m being 65% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality
Component materiality was dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality was set at $3.1m. We further applied a performance materiality level of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of $155k. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the 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 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 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.

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Independent Auditor’s Report
continued

Responsibilities of Directors

As explained more fully in the Directors’ responsibilities statement, the Directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group’s 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 financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 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:

- Obtained an understanding of the legal and regulatory framework applicable to the Group’s operations through discussion with the Directors and other management and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We considered the significant laws and regulations to be the applicable accounting standards, Prudential Regulatory Authority (‘PRA’) regulations, Financial Conduct Authority (‘FCA’) regulations, Company Law and the Bribery Act 2010;
- Agreement of the Group and Parent financial statement disclosures to underlying supporting documentation;
- Assessed the susceptibility of the Group and Parent financial statements to material misstatement including fraud and identified the fraud risk areas to be the technical valuations (refer to the key audit matters section above) and management override of controls;
- In response to the risk of management override of controls, assessed the risk of management override of controls, including testing a sample of journal entries made throughout the year for evidence of management bias that might reasonably represent a risk of material misstatement due to fraud;
- Enquiries of management and those charged with governance to ascertain if there has been any actual or suspected fraud within the Group;
- Review of the minutes of board meetings throughout the period;
- Obtaining an understanding of the Group control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the PRA and FCA;
- Review of the Group Solvency Self-Assessment (GSSA); and we also communicated relevant identified laws and regulations and identified fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner’s assessment of whether the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the 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 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent Auditor's Report
continued

Use of our report
This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

22 May 2022

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

Steamship Mutual Underwriting Association (Europe) Limited

Report and Financial Statements

For the year ended 20 February 2022

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Members of the Association will be held at the St. Regis Hotel, Two East 55th Street, New York, NY 10022, USA, on Tuesday, 24 October 2022 at 09:00 hours for the following purposes:

1 To receive and if thought fit, to adopt the balance sheet and accounts for the year ended 20 February 2022, 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 Klerides, Mr R.W.Harris, and Mr F. Vrettos. Being eligible, they offer themselves for re-election.

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

4 To transact any other ordinary business of the Association.

By Order of the Board

Cyproman Services Limited
Secretary

22 May 2022

Directors and Officers

Board of Directors

C Sommerhage (Chairman)	Columbia Shipmanagement (Deutschland) GmbH	
C Bouch		
R W Harris	Steamship P&I Management LLP	
C J Mandinabeitia	Tradewind Tankers SL	
C Klerides		
R Ahlqvist	Tufton Oceanic	
F Vrettos	Steamship Insurance Agency (Europe) Ltd	(Appointed on 23 March 2021)

Secretary Cyproman Services Limited

Managers Steamship P&I Management LLP

Independent Auditors Moore Limassol Limited

Registered Office 28 October, 363,
Vashiotis Ikos Center, Floor 1
3107, Limassol
Cyprus

Registered Office HE401680

Website: www.steamshipmutual.com

Management Report

The Board of Directors of Steamship Mutual Underwriting Association (Europe) Limited ("Association"), submits to the Members of the Association their Management Report together with the audited financial statements for the year ended 20 February 2022.

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 ("Group") and is reinsured by the Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB") for all policy years.

Strategic review

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

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

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

Review of development and performance of the Association

For the year under review, the Directors set a 5% general increase in premium. At the 2022/23 renewal the general increase was set at 12.5%.

The Association's owned entered tonnage increased by 29.2% from 31.8 m gross tons ("GT") to 41.1 m GT during the year and including renewal. Total entered tonnage at 20 February 2022 for owned and chartered entries stood at 73.8 m GT (20 Feb 2021: 60.3m GT).

The result for the year was a deficit of US$3m (2021: deficit of US$1.7m).

The Association's combined ratio, calculated by dividing the sum of net incurred claims, allocated foreign exchange gains/losses and operating expenses by net earned premium, was 110.2% (2021: 107.6%) mainly due to higher than anticipated pool claims from the International Group and lower than expected prior year releases for owned claims.

The Covid-19 pandemic once again resulted in the need for remote working for much of the 2021/22 year, and the experience gained in the preceding year enabled service levels to be maintained. A more sustained return to office-based operations became possible in January 2022.

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

Underwriting

During the year mutual premium was levied as follows:

- 100% mutual premium for the 2021/22 policy year (Class 1 – P&I); and
- 100% mutual premium for the 2021/22 policy year (Class 2 – FD&D).

The 2018/19 policy year, which was transferred from Steamship Mutual Underwriting Association Ltd ("SMUA"), was closed in May 2021.

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 15% for the 2022/23 and 2021/22 policy years and 12.5% for the 2020/21 and 2019/20 policy years.

Management Report

Claims

Although the effects of Covid-19 continued to be felt during the year, the cessation of cruising for much of this period avoided the substantial claims experienced in the prior year. The majority of Covid-19 claims arose out of outbreaks affecting crew and quarantine. The increasing rates of vaccination led to substantially fewer claims being made.

Total claims were largely stable year on year, after adjusting for increased tonnage written by the Association.

Although Steamship did not experience any Pool claims during the year, it was adversely affected as were all members of the International Group by the Pool's poor performance.

During the year a further two videos on aspects of the Coronavirus were produced. One provided an update on Covid-19, and the second addressed vaccination. In addition, the first of a series of three videos which are focused on issues that have affected the shipping industry arising from Covid-19 was released. The first programme, entitled "Crisis", introduces the theoretical aspects of crisis management set against the specific backdrop of the Covid-19 pandemic.

To support the mental well-being of seafarers during the pandemic an arrangement was established with Mental Health Support Solutions ("MHSS") which provides the crew on Members' vessels with access to clinical psychologists with extensive experience of the shipping industry via a 24/7 helpline through which multi-lingual advice and guidance can be provided.

During the year Risk Alerts were regularly published on a range of loss prevention topics and members of the loss prevention team participated as speakers at a number of webinars.

Pooling and reinsurance

The Association's reinsurance programme for the 2022/23 policy year was arranged in conjunction with other members of the International Group. The programme provided an ultimate limit of US$3.1bn in excess of US$10m, except in relation to oil pollution claims, which were subject to an overall limit of US$1.0bn.

Pooling

For 2022/23, the individual club retention, before Pooling with other members of the International Group, remains at US$10m, with an upper limit of US$100m for each event.

A club bringing a claim to the Pool bears a 7.5% retention within the layer of US$50m to US$100m, with the balance being divided amongst all clubs in accordance with the Pooling Agreement.

Excess Loss cover

The International Group's Excess of Loss programme was renewed with an unamended, free and unlimited coverage for all risks except malicious cyber, Covid-19 and other pandemic risks on a slightly different four-layer structure. The first layer will provide cover from US$100m to US$450m, the second layer will cover from US$550m to US$$750m, and the third layer from US$750m to US$1.5bn, and forth layer from US$1.5bn to US$2.1bn. There are three 10% private placements for the 2022/23 policy year, with the remaining 70% placed in the market.

For malicious cyber, Covid-19 and other pandemic risks there is free and unlimited cover for claims up to US$450m excess of US$100m, covering almost all International Group clubs' certificated risks. Excess of US$550m there is up to US$2.15bn of annual aggregated cover in respect of these three risks. Excess of aggregate reinsurance, the International Group has decided to pool these risks between Group Clubs. This combination means that there is no change to Members' cover for 2022.

There is no change to the Collective Overspill layer of US$1bn excess US$2.1bn.

Hydra Insurance Company Limited ("Hydra")

For 2022/23, Hydra will continue to retain 100% of the pool layer US$30m to US$50m and 92.5% of the pool layer US$50m to US$100m. In addition, Hydra will retain the US$100m annual aggregate deductible in the 70% market share of the first layer of the Excess Loss programme. Hydra is a cell captive set up by the Group in Bermuda under the Segregated Account Companies Act 2000.

Charterers' cover

The Association provides cover for P&I and other risks for charterers, reinsured outside the Pool. Combined single limits up to US$1,000m are provided for P&I and other risks.

Non-Poolable covers

The Association continues to provide P&I cover for additional covers for a range of risks which are ancillary to Members' core operations, reinsured outside the Pool with limits up to US$1,000m.

Management Report

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

The Association entered into a reinsurance contract with SMUAB under which, in return for a percentage of written premium ceded to SMUAB, the Association is indemnified for 90%. All Members of the Association are automatically Members of SMUAB and thus beneficiaries of The Steamship Mutual Trust.

Share Capital

The Association is limited by guarantee without share capital.

Risk and uncertainties

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

Profit allocation, loss absorption and creation of reserves

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

Branches

The Association does not operate any branches.

Contracts with Directors and other related parties

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

Research and development

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

Events after the reporting period

The events after the reporting period are disclosed in Note 22.

Financial risk management and use of financial instruments

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

Board of Directors

The members of the Board of Directors at the date of this report are presented on page 2. Mr. Francis Vrettos was appointed on 23 March 2021.

Independent auditors

The Independent Auditors, Moore Limassol Limited were appointed as the Association's external auditors by the board of directors on 23 September 2021. The external auditors have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

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

Cyproman Services Limited
Secretary of the Association

Limassol, 22 May 2022

Income Statement and Statement of Other Comprehensive Income

For the year ended 20 February 2022

Technical Account	Note	2022 US$000	2021 US$000
Earned premium, net of reinsurance			
Gross earned premium	4	**98,068**	79,605
Outward reinsurance premium		**(68,269)**	(56,725)
Earned premium, net of reinsurance		**29,799**	22,880
Allocated investment return	9	**(324)**	594
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	7	**59,043**	26,373
Reinsurers' share	7	**(46,480)**	(18,700)
Net claims paid		**12,563**	7,673
Change in the provision for claims			
Gross amount		**38,337**	69,043
Reinsurers' share		**(34,772)**	(64,572)
Change in the net provision for claims		**3,565**	4,471
Claims incurred, net of reinsurance		**16,128**	12,144
Net operating expenses	6	**16,383**	13,061
Balance on the technical account for general business		**(3,036)**	(1,731)
Non-Technical Account			
Balance on the technical account for general business		**(3,036)**	(1,731)
Other expenses			
Other (losses) / income	9	**(10)**	46
Deficit before tax		**(3,046)**	(1,685)
Income tax expense	10	**-**	(3)
Deficit for the year		**(3,046)**	(1,688)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(3,046)**	(1,688)

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

Statement of Financial Position

As at 20 February 2022

Assets	Note	2022 US$000	2021 US$000
Financial assets at fair value through profit or loss	12	**40,071**	46,467
Reinsurers' share of technical provisions	8	**179,215**	144,444
Deferred acquisition costs		**226**	272
Other financial assets at amortised cost	14	**6,042**	4,267
Cash at bank and in hand	15	**9,943**	8,831
Total assets		**235,497**	204,281
Liabilities			
Insurance contract liabilities	8	**196,927**	158,603
Trade and other payables	16	**8,315**	12,377
Total liabilities		**205,242**	170,980
Net assets		**30,255**	33,301
Equity			
Capital contribution	17	**35,000**	35,000
Free reserves - Accumulated losses		**(4,745)**	(1,699)
Total Equity		**30,255**	33,301

The financial statements were approved by the Board of Directors on 22 May 2022:

Carsten Sommerhage
Chairman

Christakis Klerides
Director

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

Statement of Changes in Equity

For the year ended 20 February 2022

	Capital contribution	Accumulated losses	Total - equity
	US$000	US$000	US$000
Balance as at 20 February 2020	**30,000**	**(11)**	**29,989**
Transactions with Members			
Capital contribution (Note 17)	5,000	-	5,000
Total comprehensive loss for the year	-	(1,688)	(1,688)
Balance as at 20 February 2021	**35,000**	**(1,699)**	**33,301**
Total comprehensive loss for the year	-	(3,046)	(3,046)
Balance as at 20 February 2022	**35,000**	**(4,745)**	**30,255**

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

Statement of Cash Flows

For the year ended 20 February 2022

Cash flows from operating activities	Note	2022 US$000	2021 US$000
Deficit before taxation after interest		**(3,046)**	(1,685)
Adjustments for:			
Net gains from mutual funds		**-**	(39)
Operating cash flows before movements in working capital		**(3,046)**	(1,724)
Increase in net general insurance technical provisions		**3,553**	14,159
Increase in other financial assets at amortised cost		**(1,729)**	(4,375)
(Decrease)/increase in trade and other payables		**(4,062)**	9,882
Cash (used in)/generated by operating activities		**(5,284)**	17,942
Taxation paid		**-**	(1)
Net cash (used in)/generated by operating activities		**(5,284)**	17,941
Cash flows from investing activities			
Interest received		**-**	38
Redemptions	12	**57,000**	40,081
Acquisition of money market funds	12	**(50,604)**	(56,518)
Net cash flows generated/(used in) from investing activities		**6,396**	(16,399)
Cash flows from financing activities			
Capital contribution	17	**-**	5,000
Net cash flows generated from financing activities		**-**	5,000
Net cash inflow for the year		**1,112**	6,542
Cash and cash equivalents as at 20 February 2021 / 20 February 2020		**8,831**	2,289
Cash and cash equivalents as at 20 February 2022 / 20 February 2021	15	**9,943**	8,831

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

Notes to the accounts

For the year ended 20 February 2022

1. General

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

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

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

(a) Declaration of conformity

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

(b) Basis of presentation

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

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

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

(c) Operating environment

The Covid-19 pandemic once again resulted in the need for remote working for much of the 2021/22 year, and the experience gained in the preceding year enabled service levels to be maintained. A more sustained return to office-based operations became possible in January 2022.

Notes to the accounts

For the year ended 20 February 2022

2. Basis of preparation

(d) Going concern assumption

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

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

(e) New Standards and Amendments to Standards that are effective for annual periods beginning on or after 20 February 2021

In the current year, the Association has adopted a number of amendments to International Financial Reporting Standards (the "IFRS", the "Standards") issued by the International Accounting Standards Board (the "IASB", the "Board") that are mandatorily effective for an accounting period that begins on or after 20 February 2021. These had no effect on the Association's financial statements.

(f) Adoption of new and revised standards

At the date of approval of these financial statements, new standards, amendments to standards and interpretations were issued by the International Accounting Standards Board which were not effective for the period ended 20 February 2022. Some of them were adopted by the European Union and others not yet. Except for IFRS 17, the Directors expect that the adoption of these accounting standards in future periods will have an insignificant effect on the financial statements of the Association.

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

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

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

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

Notes to the accounts

For the year ended 20 February 2022

2. Basis of preparation (continued)

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

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

An entity shall apply IFRS 17 Insurance Contracts to:

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

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

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

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

Overview of the accounting model

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

General Model

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

Notes to the accounts

For the year ended 20 February 2022

2. Basis of preparation (continued)

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

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

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

Premium Allocation Approach

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

Under this approach, the liability for incurred claims is still measured using the general model.

Presentation in the statement of profit or loss

An entity shall disaggregate the amounts recognized in the statement(s) of profit or loss into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses. Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall not include any investment components.

Application

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

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

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

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

Notes to the accounts

For the year ended 20 February 2022

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Association's accounting policies, which are described in note 24, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

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

Valuation of liabilities and assets of non-life insurance contracts

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

The carrying amount for Reinsurers' share of technical provisions at balance sheet date is US$ 179,215,000 (2021: US$ 144,444,000).

The carrying amount for non-life insurance contract liabilities at the balance sheet date is US$ 196,927,000 (2021: US$ 158,603,000).

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

Notes to the accounts

For the year ended 20 February 2022

4. Gross earned premium

	2022 US$000	2021 US$000
Mutual and fixed premium written	**97,565**	80,618
Release calls	**490**	76
Movement in unearned premium provision	**13**	(1,089)
Gross earned premium	**98,068**	79,605
Gross earned premium by class of business		
Protection and Indemnity	**90,014**	73,474
Freight, Demurrage and Defence	**4,768**	3,825
Other	**3,286**	2,306
Gross earned premium	**98,068**	79,605
Gross earned premium by Member location		
Switzerland	**25,582**	24,664
Netherlands	**17,457**	14,993
France	**7,261**	6,644
Greece	**11,773**	6,563
Cyprus	**6,923**	6,079
Germany	**6,738**	5,853
Italy	**10,511**	5,195
Monaco	**2,882**	2,868
Spain	**2,040**	1,697
Belgium	**1,236**	1,025
Other countries	**5,665**	4,024
Gross earned premium	**98,068**	79,605

5. Reinsurance contracts

The Association has the following reinsurance arrangements:

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

The Association receives the benefit of all Group Pool and other external reinsurance contracts.

In the context of the Part VII transfer, the Association on 20 December 2020 received the rights and obligations of reinsurance treaties under which SMUA was covered in respect of the transferred policies (Note 23).

Notes to the accounts

For the year ended 20 February 2022

6. Net operating expenses	**2022 US$000**	2021 US$000
Acquisition costs		
Brokerage	**10,612**	8,564
Underwriting administration expenses (Note 18)	**2,690**	1,999
	13,302	10,563
Administrative expenses		
Administrative fee (Note 18)	**2,530**	1,904
Lease expenses (1)	**-**	8
Auditor's remuneration for the statutory audit of accounts	**96**	135
Auditor's remuneration for other assurance services	**33**	44
Auditor's remuneration for other assurance services - prior year	**-**	6
Professional services	**193**	296
Directors' fees (Note 18)	**26**	8
Stamp duties	**-**	(24)
Irrecoverable VAT	**71**	42
Bank charges	**98**	73
Other costs	**34**	6
	3,081	2,498
Net operating expenses	**16,383**	13,061

(1) The lease qualified as a short-term lease as the duration of the lease term was from 1 November 2019 to 30 April 2020. The lease cost is recognised on a straight line basis in the Income Statement.

Notes to the accounts

For the year ended 20 February 2022

7. Claims paid – gross amount	2022 US$000	2021 US$000
Claims and related expenses	**44,974**	17,883
Group Pool claims	**6,511**	2,873
Claims administration expenses (Note 18)	**7,558**	5,617
	59,043	26,373
Less reinsurers' share		
SMUAB	**45,039**	18,508
The Trust (1)	**2,443**	66
Group Pool and other reinsurers	**(1,002)**	126
	46,480	18,700
Net claims paid	**12,563**	7,673

(1) Through the Part VII transfer, which was effective on 20 December 2020, the Association received the rights of reinsurance contracts which were backing the insurance liabilities transferred including the rights of the reinsurance treaty between Steamship Mutual Underwriting Association and The Trust that covers policy years 2015 and prior.

Gross claims paid by class of business	2022 US$000	2021 US$000
Protection and Indemnity	**41,803**	16,036
Freight, Demurrage and Defence	**3,865**	1,375
Other	**(694)**	472
Group Pool claims	**6,511**	2,873
Claims administration expenses	**7,558**	5,617
	59,043	26,373

8. Insurance contract liabilities

Carrying amount

	Gross Liability		Reinsurance Asset		Net liability	
	2022	2021	**2022**	2021	**2022**	2021
	US$000	US$000	**US$000**	US$000	**US$000**	US$000
Outstanding claims	**129,351**	98,222	**(118,609)**	(90,294)	**10,742**	7,928
IBNR	**58,238**	51,836	**(53,148)**	(47,401)	**5,090**	4,435
Claims handling provision	**8,262**	7,456	**(7,458)**	(6,749)	**804**	707
Unearned premium provision	**1,076**	1,089	**-**	-	**1,076**	1,089
Total	**196,927**	158,603	**(179,215)**	(144,444)	**17,712**	14,159
Within one year	**65,311**	29,628	**(59,729)**	(26,010)	**5,582**	3,618
More than one year	**131,616**	128,975	**(119,486)**	(118,434)	**12,130**	10,541

Notes to the accounts

For the year ended 20 February 2022

8. Insurance contract liabilities (continued)

Movement in the carrying amount:

	Gross Liability		Reinsurance Asset		Net liability	
	2022	2021	**2022**	2021	**2022**	2021
	US$000	US$000	**US$000**	US$000	**US$000**	US$000
At beginning of year	**158,603**	-	**(144,444)**	-	**14,159**	-
Movement of unearned premium provision	**(13)**	1,089	**-**	-	**(13)**	1,089
Part VII Transfer (Note 23)	**-**	88,471	**-**	(79,871)	**-**	8,600
Change in claims provisions	**97,380**	95,416	**(81,251)**	(83,273)	**16,129**	12,143
Claims paid	**(59,043)**	(26,373)	**46,480**	18,700	**(12,563)**	(7,673)
At year end	**196,927**	158,603	**(179,215)**	(144,444)	**17,712**	14,159

The estimates for known outstanding claims are based on the estimates and judgement of the Managers of the final cost of individual cases based on current information. The individual estimates are reviewed regularly and include the Association's share of other Group clubs' Pool claims. Provision is also made for claims incurred but not reported by the balance sheet date using detailed statistical analysis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates. Gross outstanding claims at year end are net of US$22.7m of third-party recoveries (2021: US$ 26.1m).

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

9. Other (losses)/income

	2022 **US$000**	2021 US$000
Net (loss)/gains from mutual funds	**(11)**	38
Realised exchange (losses)/gain	**(324)**	594
Realised exchange loss/(return) allocated to the technical account	**324**	(594)
Bail commission	**1**	8
	(10)	46

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

Notes to the accounts

For the year ended 20 February 2022

10. Income tax expense

The tax charge represents:

	2022 US$000	2021 US$000
Current	-	3

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

	2022 US$000	2021 US$000
Deficit before tax	**(3,046)**	(1,685)
Tax at 12.5%	**(381)**	(211)
Tax effect of expenses/(income) not subject to income tax (foreign exchange differences)	**41**	(74)
Tax losses carried forward	**340**	282
Current tax charge for year	**-**	(3)

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

Based on the relevant tax legislation, tax losses are eligible to offset against future profits of the next five years.

The Association's tax submissions for the financial years ended 20 February 2020 and 20 February 2021 have not been assessed by the tax authorities. The Management considers that due to the accumulation of tax losses up to the balance sheet date, no additional taxes are expected to arise.

Notes to the accounts

For the year ended 20 February 2022

11. Financial instruments by category

The Association holds the following financial instruments:

	2022	2021
Financial assets	**US$000**	US$000
Financial assets at fair value through profit or loss (Note 12)	**40,071**	46,467
Financial assets at amortised cost:		
Other financial assets at amortised cost (Note 14)	**6,042**	4,267
Cash at bank and in hand (Note 15)	**9,943**	8,831
	56,056	59,565
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (Note 16)	**8,315**	12,377
	8,315	12,377

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

	2022	2021
	US$000	US$000
Financial assets measured at FVTPL		
Money Market Funds	**40,071**	46,467

	2022	2021
	US$000	US$000
Balance at the beginning of the year	**46,467**	30,030
Additions from reinvestments	**50,604**	56,518
Redemptions	**(57,000)**	(40,081)
Balance at the end year	**40,071**	46,467

Notes to the accounts

For the year ended 20 February 2022

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

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

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

13. Fair value measurement

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

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

	2022	2021
	US$000	US$000
Financial assets at FVTPL (Note 12)	**40,071**	46,467
	40,071	46,467

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)	Quoted bid prices in an active market – 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 accounts

For the year ended 20 February 2022

14. Other financial assets held at amortised cost

	2022	2021
	US$000	US$000
Debtors arising out of insurance operations- Net	**5,486**	3,856
Debtors arising out of reinsurance operations	**-**	78
Other receivables	**319**	333
Amounts receivable from related parties (Note 18)	**237**	-
	6,042	4,267

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

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

15. Cash at bank and in hand

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

	2022	2021
	US$000	US$000
Current accounts with banks	**9,943**	8,831

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

An exercise has been performed on the recognition of ECL and no loss has been recognised due to the credit quality of bank institutions.

16. Trade and other payables

	2022	2021
	US$000	US$000
Creditors arising out of insurance operations	**5,088**	5,275
Creditors arising from reinsurance operations	**1,915**	3,653
Other creditors	**1,312**	1,107
Amounts payable to related parties (Note 18)	**-**	2,342
	8,315	12,377

The above amounts are due within 12 months. An amount of US$1.2m (2021: US$1.4m) included in creditors arising out of insurance operations relates to uncovered claims for which the Association provided guarantees to third parties on behalf of its Members (Note 21) and has obtained a counter-security in the form of a bank deposit. The Association has control over the corresponding assets.

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

17. Reserves – Capital contribution

	2022	2021
	US$000	US$000
Balance at the beginning of the year	**35,000**	30,000
Capital contribution (1)	**-**	5,000
Balance at the end of the year	**35,000**	35,000

(1) In November 2020 the Association received a capital contribution of US$5m from SMUAB.

Notes to the accounts

For the year ended 20 February 2022

18. Transactions and balances with related parties

Controlling Entity

The Association, is limited by guarantee, has no share capital and is controlled by the Members who are also the insureds. All mutual policyholders become a member of the Association. However, in certain cases an insured might not be a member of the Association. The aggregate of these transactions is disclosed in these financial statements.

Remuneration of Board members and other key executives

Non-Executive Directors	**2022 US$000**	2021 US$000
Emoluments	26	8

Transactions with related parties

Related Party	**Nature of transaction**	**2022 US$000**	2021 US$000
SPIM	Management and administrative services (Notes 6,7)	12,778	9,520

Balances with related parties

Related Party	**2022 US$000**	2021 US$000
SPIM	237	(2,342)

With effect from 18th September 2019, the Association entered into 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 fixed percentage of the Association's gross premium, and reimbursement of its related incurred expenses.

19. Capital management

The Association aims to maintain capital resources at a level which provides a comfortable margin above the requirements of the Insurance Companies Control Service ("ICCS"), in accordance with Solvency II.

Regulatory capital resources ("Eligible Own Funds") for the Association consist of free reserves on a Solvency II basis and an allowance for the ability to levy additional premium on Members.

Notes to the accounts

For the year ended 20 February 2022

19. Capital management (continued)

	2022	2021
Solvency II Capital Adequacy:	**US$000**	US$000
Minimum Capital Requirements ("MCR")	7,809	6,719
Solvency Capital Requirements ("SCR")	31,236	26,877
Ratio of Eligible Own Funds to MCR	319%	407%
Ratio of Eligible Own Funds to SCR	130%	152%

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

20. Risk management

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

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

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

Insurance risk

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

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

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

The key methods used to estimate claims liabilities are Bornhuetter-Ferguson for the most recent policy year reported and the development factor method for all other policy years. Reserves for both reported and unreported claims are calculated using detailed statistical analysis of the past experience as to frequency and average cost of claims. The Audit and Risk Committee compares the proposed claim reserves with an independent calculation performed by qualified actuaries at the reporting date. The Association aims to reduce reserving risk by setting claims reserves at a prudent level that provides between 70% and 80% confidence that they will be sufficient to cover actual settlement costs. Actual experience will differ from the expected outcome but this prudent basis is expected to result in releases of prior period claim reserves.

Notes to the accounts

For the year ended 20 February 2022

20. Risk management (continued)

Insurance risk (continued)

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

		2022 US$000	2021 US$000
5% increase in claims incurred on current policy year			
Overall surplus	gross of reinsurance	**(4,987)**	(4,323)
	net of reinsurance	**(475)**	(408)
Single claim of US$2bn in current policy year			
Overall surplus	gross of reinsurance	**(2,000,000)**	(2,000,000)
	net of reinsurance	**(3,308)**	(3,252)
Single claim for other member of IG of US$2bn in current policy year			
Overall surplus	gross of reinsurance	**(5,783)**	(4,950)
	net of reinsurance	**(578)**	(495)

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

Insurance claims - gross

Policy year	2012/13 US$000	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000
End of reporting year									86,463	99,746
One year later								32,032	86,590	
Two years later							21,651	30,217		
Three years later						16,944	27,570			
Four years later					8,945	17,438				
Five years later				2,811	6,729					
Six years later			1,396	2,302						
Seven years later		829	464							
Eight years later	559	559								
Nine years later	218									
Current estimate of ultimate claims	218	559	464	2,302	6,729	17,438	27,570	30,217	86,590	99,746
Cumulative payments to date	22	(192)	(116)	335	1,301	3,411	8,306	12,610	40,357	19,485
Claims outstanding	**196**	**751**	**580**	**1,967**	**5,428**	**14,027**	**19,264**	**17,607**	**46,233**	**80,261**
Claims outstanding relating to last ten reporting years										**186,314**
Other claims liabilities										**9,537**
Total gross claims outstanding										**195,851**

Notes to the accounts

For the year ended 20 February 2022

20. Risk management (continued)

Insurance risk (continued)

Insurance claims - net

Policy year	2012/13 US$000	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000
End of reporting year									12,289	12,628
One year later								3,267	13,652	
Two years later							2,327	4,016		
Three years later						1,705	3,305			
Four years later					901	1,997				
Five years later				242	800					
Six years later			(4)	190						
Seven years later		7	(13)							
Eight years later	1	(16)								
Nine years later	3									
Current estimate of ultimate claims	**3**	**(16)**	**(13)**	**190**	**800**	**1,997**	**3,305**	**4,016**	**13,652**	**12,628**
Cumulative payments to date	3	(16)	(13)	49	267	674	1,646	2,247	9,985	5,084
Claims outstanding	**-**	**-**	**-**	**141**	**533**	**1,323**	**1,659**	**1,769**	**3,667**	**7,544**
Claims outstanding relating to last ten reporting years										**16,636**
Other claims liabilities										**-**
Total net claims outstanding										**16,636**

The 2019/20 and prior policy years reflects the cumulative claims after the Part VII transfer referred to in note 23.

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

Credit risk

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

Notes to the accounts

For the year ended 20 February 2022

20. Risk management (continued)

Credit risk (continued)

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

As at 20 February 2022

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

As at 20 February 2021

	AAA US$000	AA US$000	A US$000	BBB US$000	Not rated US$000	Total US$000
Finance assets at fair value through profit or loss	46,467	-	-	-	-	46,467
Reinsurers' share of technical provisions	-	646	142,944	853	1	144,444
Debtors arising out of reinsurance operations	-	-	78	-	-	78
Cash at bank and in hand	-	6,788	-	-	2,043	8,831
Total assets with credit ratings	**46,467**	**7,434**	**143,022**	**853**	**2,044**	**199,820**

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

As at 20 February 2022

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

As at 20 February 2021

	Not due US$000	0 - 30 days US$000	31 - 90 days US$000	Over 90 days US$000	Impaired US$000	Total US$000
Debtors arising out of direct insurance operations	844	2,207	-	787	18	3,856
Debtors arising out of reinsurance operations	78	-	-	-	-	78
Total	**922**	**2,207**	**-**	**787**	**18**	**3,934**

Notes to the accounts

For the year ended 20 February 2022

Liquidity risk

The Association's exposure to liquidity risk is minimal given that its assets are mainly held in money market instruments and cash at bank. A split of insurance liabilities by maturity is disclosed in Note 8. All other assets and liabilities are expected to be settled within 12 months from the balance sheet date.

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 Association's investments are in short term money market instruments with constant net asset value of 1 dollar per unit and therefore it does not directly exposed the Association to market price and interest rate risks.

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

As at February 2022

	US dollar	UK sterling	Euro	Brazilian real	SDR	Other	Total
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Assets	185,725	9,209	27,895	2,069	-	10,599	235,497
Liabilities	(154,072)	(10,154)	(27,738)	(2,081)	-	(11,197)	(205,242)
	31,653	**(945)**	**157**	**(12)**	**-**	**(598)**	**30,225**

As at February 2021

	US dollar	UK sterling	Euro	Brazilian real	SDR	Other	Total
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Assets	156,049	7,029	28,344	2,211	1,889	8,759	204,281
Liabilities	(120,055)	(7,890)	(29,889)	(2,211)	(1,889)	(9,046)	(170,980)
	35,994	**(861)**	**(1,545)**	**-**	**-**	**(287)**	**33,301**

The following table shows the Association's sensitivity to a 5% increase and decrease in all foreign currencies against the US dollar.

	2022	2021
	US$000	US$000
5% increase		
Impact in free reserves	**(70)**	(135)
5% decrease		
Impact in free reserves	**70**	135

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.

Notes to the accounts

For the year ended 20 February 2022

21. Contingent liabilities

The Association provides guarantees to third parties on behalf of Members. For guarantees issued in respect of covered claims, provision is made within the technical provisions. For uncovered claims, guarantees are issued when appropriate counter security is obtained. As at 20 February 2022, the total value of guarantees issued in respect of uncovered claims was US$6.1m (2021: US$4.9m).

22. Events after the reporting period

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

23. Part VII Transfer

On 2 December 2020, the High Court of Justice Business and Property Courts of England and Wales approved the scheme for the transfer of the insurance and reinsurance contracts written by SMUA to SMUAE under a Part VII of the Financial Services and Markets Act 2000. The transferred contracts related to policies of insurance in the name of policyholders situated in an EEA state, Monaco or Switzerland. SMUAE assumed all rights and obligations under the transferred insurance policies, as well as, the rights and obligations of reinsurance treaties under which SMUA is covered in respect of the transferred policies.

The effective date of this transfer was 20 December 2020.

This transaction is treated as an acquisition of a group of assets and liabilities. The fair value of insurance liabilities SMUAE assumed, constitutes the consideration in this transaction. Claims outstanding included a risk margin of US$2.05m.

The assets and liabilities transferred at 20 December 2020 are as follows:

	Total
	US$000
Amount receivable from SMUA	8,600
Reinsurance share of insurance liabilities	79,871
Total assets	**88,471**
Claims outstanding	67,157
IBNR	15,442
Claims handling provision	3,821
Risk margin	2,051
Total liabilities	**88,471**

Notes to the accounts

For the year ended 20 February 2022

24. Principal accounting policies

Cash and cash equivalents in the statement of cash flows

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

Foreign currencies

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

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

	2022	2021
EUR/USD	**1.134**	**1.213**
GBP/USD	**1.358**	**1.401**

Contingent liabilities

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

Fair value measurement

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

Leases

The Association as lessee

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

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 accounts

For the year ended 20 February 2022

24. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

(i) Amortised cost and effective interest method

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

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

The amortised cost of a financial asset is the amount at which the financial asset is measured subsequently to initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Notes to the accounts

For the year ended 20 February 2022

24. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) Financial assets at FVTPL

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 'finance income' line item. Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Specifically:

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

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

Foreign exchange gains and losses

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

- For financial assets measured at amortised cost or at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains 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 accounts

For the year ended 20 February 2022

24. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

(i) Significant increase in credit risk

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

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

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

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

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

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

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

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

(ii) Measurement and recognition of expected credit losses

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

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

Notes to the accounts

For the year ended 20 February 2022

24. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iii) Write-off policy

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

(iv) Definition of default

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

(v) Credit-impaired financial assets

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

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

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

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

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

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

Notes to the accounts

For the year ended 20 February 2022

24. Principal accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

Events after the reporting date

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

Notes to the accounts

For the year ended 20 February 2022

24. Principal accounting policies (continued)

Taxation

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

Current tax

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

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

Premium written

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

Unearned premium

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

Claims and related expenses

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

Reinsurance contracts

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

Notes to the accounts

For the year ended 20 February 2022

24. Principal accounting policies (continued)

Reinsurance contracts (continued)

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

Liability adequacy test

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

Deferred acquisition costs

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

25. Deemed dividend distribution

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

Additional Information

For the year ended 20 February 2022

Additional information provided in accordance with the provisions of the Companies Act (Amendment) (No.2) Law of 2003 [N.167(1)] and of the IFRS, in accordance with Directive 7 for the year ended 20 February 2022

	Marine and transport		Total	
	2022 US$000	2021 US$000	2022 US$000	2021 US$000
Gross premiums written	98,055	80,694	98,055	80,694
Reinsurers share of gross premiums	68,269	56,725	68,269	56,725
Gross earned premiums	98,068	79,605	98,068	79,605
Gross outstanding claim reserves	195,851	157,514	195,851	157,514
Gross claims incurred	97,380	95,416	97,380	95,416
Claims management costs	7,558	5,617	7,558	5,617
Administrative expenses	16,383	13,061	16,383	13,061

For the year ended 20 Feb 2022:

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

For the year ended 20 Feb 2021:

	Cyprus US$000	Switzerland US$000	Netherlands US$000	France US$000	Greece US$000	Germany US$000	Italy US$000	Monaco US$000	Spain US$000	Other countries US$000	Total US$000
Gross Written Premiums	6,160	25,063	15,195	6,733	6,602	5,583	5,265	2,906	1,719	5,468	80,694
Premiums from direct insurance	6,160	25,063	15,195	6,733	6,602	5,583	5,265	2,906	1,719	5,468	80,694
Gross claims incurred	5,959	6,992	9,670	36,269	3,678	27,663	2,226	666	129	2,164	95,416
Brokerage expenses	730	1,199	4,734	418	186	236	441	254	115	251	8,564

Independent Auditor's Report

For the year ended 20 February 2022

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Steamship Mutual Underwriting Association (Europe) Limited (the "Association"), which are presented in pages 6 to 37 and comprise the statement of financial position as at 20 February 2022, and the statements of Income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Association as at 20 February 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Independent Auditor's Report

For the year ended 20 February 2022

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

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

<table>
<tr><th>The key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Technical provisions - Valuation of outstanding claims and IBNR (continued)</td></tr>
<tr><td>The Association has reported Outstanding claims and IBNR US$129,351 thousands and US$58,238 thousands respectively.

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

Detailed disclosure on the Outstanding claims and IBNR is presented in Note 8 of the financial statements. The accounting policies are presented in Note 24 and related information on critical accounting judgements and key sources of estimation uncertainty in Note 3.</td><td>Our audit procedures in this area included, amongst others:

Valuation of Case-based Claims Estimates:

▪ Agreed all material case-based claim estimates, including a sample of non-material claim estimates, to supporting documentation to assess whether case estimates were valued appropriately.
▪ Considered supporting documentation used by management to monitor claims estimates and reviewed of any minutes available to ensure an adequate reserve is recorded.
▪ During our claims payments substantive testing we have also included an assessment of whether claims estimates have been appropriately adjusted.

Cut off of Case-based Claims Estimates

▪ Agreed a sample of claims estimate adjustments and payments either side of the year end to supporting documentation, to assess whether these adjustments and payments were accounted for in the correct period.

Valuation of IBNR

We engaged an independent actuarial specialist to act as auditor's expert to perform the following procedures:

▪ Assessed the appropriateness of the methodology, significant judgements and assumptions applied by the Association's actuarial team.</td></tr>
</table>

Independent Auditor's Report (continued)

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

Key audit matters (continued)

The key audit matters	How the matter was addressed in our audit
Technical provisions - Valuation of outstanding claims and IBNR (continued)	
	Valuation of IBNR (continued) ▪ Held discussions with management's actuarial team and challenged the work performed, including key assumptions. ▪ Performed an independent projection of the ultimate claims figure using historical claims data by applying standard actuarial techniques and their own judgement in selecting these assumptions. ▪ Reviewed the outturn of prior years' claims IBNR against previous estimates, to assess valuation of IBNR held against the subsequent claims development. Furthermore, we reconciled key actuarial inputs used in actuarial models to underwriting and accounting records. All the above procedures were completed in a satisfactory manner.

Independent Auditor's Report (continued)

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

Key audit matters (continued)

The key audit matters	How the matter was addressed in our audit
Reinsurer's share of Technical provisions	
The Association has reported reinsurer's share of Outstanding claims and IBNR US$118,609 thousands and US$53,148 thousands respectively. Reinsurance recoveries are significant to the financial statements and rely on the correct valuation of gross technical provisions. Detailed disclosure on the reinsurer's share of Outstanding claims and IBNR is presented in Note 8 of the financial statements.	Our audit procedures in this area included, amongst others: ▪ Recomputed recoveries on the quota share reinsurance arrangements though application of the ceding percentage to the technical provisions subject to quota share based on the agreement. ▪ Assessed the accuracy of the excess of loss reinsurance calculations through identification of claims above reinsurance retention levels, thus eligible for recovery, and recalculating the reinsurers' share in line with the excess of loss reinsurance programme terms. All the above procedures were completed in a satisfactory manner.

Reporting on other information

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

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

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

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

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus

Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Independent Auditor's Report

For the year ended 20 February 2022

Report on Other Legal and Regulatory Requirements

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

Appointment of the Auditor and Period of Engagement

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

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 May 2022 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

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

Other Legal Requirements

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

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

Other Matter

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

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

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

Limassol, 22 May 2022

The Steamship Mutual Underwriting Association (Bermuda) Limited

Annual Report and Accounts 2022

Contents

The Steamship Mutual Underwriting Association (Bermuda) Limited

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

Managers
Steamship Mutual Management (Bermuda) Limited
Washington Mall II
22 Church Street
Hamilton HM 11
PO Box HM 601 HM CX
Bermuda
Telephone: +1 441 295 4502

Managers' representatives
Steamship P&I Management LLP
Aquatical House
39 Bell Lane
London E1 7LU
Telephone: +44 (0)20 7247 5490 & +44 (0)20 7895 8490

Steamship Mutual Management (Hong Kong) Limited
Room 1901-02, Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong
Telephone: +852 2838 2722 & +852 2838 2873

Representative office in Brazil
Avenida Rio Branco, 151/1305–1307
Centro
Rio de Janeiro
RJ CEP 20040-006
Brazil
Telephone: +55 21 2221 6074 & +55 21 2221 6461

Website: www.steamshipmutual.com

Notice of Meeting

Notice is hereby given that the Forty Eighth Annual General Meeting of the Members of The Steamship Mutual Underwriting Association (Bermuda) Limited ("Association") will be held at The St. Regis Hotel, Two East 55th Street, New York, NY 10022, USA, on Tuesday, 25 October 2022 at 09:00 for the following purposes:

1 To appoint a chairperson 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 2022.
5 To fix the number of Directors for the forthcoming year.
6 To fix the Directors' remuneration with effect from 20 February 2022 at a maximum of $525,000.
7 To 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 C.J. Ahrenkiel, Mr A. Albertini, Ms I. Grimaldi, Mr E. Ide, Mr S. Kruse, Mr K. Park, Mr. M. Rodriguez, Mr J. Roome, Mr B.K. Sheth and Mr A.L. Tung. Being eligible all these Directors offer themselves for re-election.
8 To consider the appointment of an auditor for the forthcoming year and to authorise the Directors to determine the remuneration of the auditor.
9 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.
10 To transact any other ordinary business of the Company.

By Order of the Board

Lucy Cook
Secretary

24 May 2022

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 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

S-M Edye, Sloman Neptun Schiffahrts AG (Chairman)
C B Adams, Steamship P&I Management LLP
P R Ahlqvist , Tufton
C J Ahrenkiel, Blue Squared AG
A Albertini, Marfin Management SAM
C Bouch
D S Farkas, Norwegian Cruise Line
M Frith
I Grimaldi, Grimaldi Holdings SpA
D M Ho, Magsaysay Maritime Corp
E V Ide, Naviera Ultranav Ltda
W J Kim, Polaris Shipping Co. Ltd (retired 14 June 2021)
C Klerides
S Kruse, Carnival Corporation & plc (appointed 29 November 2021)
C J Madinabeitia, Tradewind Tankers SL
S J Martin, Steamship P&I Management LLP
B A McAllister, McAllister Towing
C K Ong, U-Ming Marine Transport Corp
K Park, SM Group
A Pohan, NY Waterway
M Rodriguez, Royal Caribbean International
J Roome (appointed 20 December 2021)
R G Shaw, STH Commercial Management LLC
B K Sheth, The Great Eastern Shipping Co Ltd
M Sloan, Carnival Corporation & plc (retired 8 February 2022)
C Sommerhage, Columbia Shipmanagement (Germany) GmbH
Song, Chunfeng, China Shipowners Mutual Assurance Association
A L Tung, Island Navigation Corp International Ltd
E Veniamis, Golden Union Shipping Co SA
E Yao, Orient Overseas Container Line Ltd (retired 8 February 2022)
A Zacchello, Seaarland Shipping Management BV
R Zagari, Augustea Group
S Zagury, Vale

Secretary

Lucy Cook, Carey Olsen Services Bermuda Limited

Managers

Steamship Mutual Management (Bermuda) Limited

Registered office

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

Administrative office

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Hamilton HM 11
PO Box HM 601 HM CX
Bermuda
Telephone: +1 441 295 4502

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 2022.

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 of Protection and Indemnity Associations.

Directors

The Directors of the Association are as shown on page 3.

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 New York, USA on 25 October 2022:

Mr C.J. Ahrenkiel, Mr A. Albertini, Ms I. Grimaldi, Mr E. Ide, Mr S. Kruse, Mr K. Park, Mr. M. Rodriguez, Mr J. Roome, Mr B.K. Sheth and Mr A.L. Tung.

Being eligible all these Directors offer themselves for re-election.

Free reserves

The balance on the Technical Account was a surplus of US$24.7m for the financial year (2021: deficit US$11.6m).

The overall surplus for the financial year of US$20.5m (2021: deficit US$4.9m) reflects a surplus of US$20.9m on a standalone basis due to a change in the reinsurance agreement with the Trust resulting in additional premium being retained to provide additional capital to the Hydra cell as requested under its governing instrument. In addition, there has been a surplus in the Hydra cell of US$0.3m (2021: deficit US$8.4m) offset partially by an unrealised loss in the freehold property within Steamship Mutual Property Holdings Limited ("SMPH") of US$0.7m (2021: unrealised gain US$3.4m).

The Covid-19 pandemic once again resulted in the need for remote working for much of the 2021/22 year, and the experience gained in the preceding year enabled service levels to be maintained. A more sustained return to office-based operations became possible in January 2022.

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

Underwriting

Gross premium written was US$172.5m compared to US$155.3m last year.

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.

All Members of SMUA and SMUAE are automatically Members of the Association, and beneficiaries of the Steamship Mutual Trust ("the Trust").

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 Chairman of the Association is a Director of the Corporate Trustee which administers the Trust.

Claims

During the year the Association reviewed with SMUA and SMUAE the development of claims and the terms of its inward reinsurance contract. The Association is satisfied that SMUA and SMUAE are taking appropriate steps to ensure that a prudent underwriting policy is maintained.

Investments

Total cash and investments held by the Association, including land and buildings, increased by 23.5% to US$172.6m.

Report of the Directors

Audit and Risk Committee ("Committee")

The Committee 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 Committee 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 Committee meets three times a year and is currently comprised of the following Directors: Mr C J Madinabeitia (Chairman), Mr C Bouch, Mr J Roome, Mr A Pohan, Mr B B A McAllister, Mr R Zagari and Ms S Zagury. Mr S-M Edye is invited to attend the meeting in his capacity as Chairman of the Association and two representatives of the Managers, who are also Directors of the Association, namely Mr S J Martin and Mr C B Adams, are also invited to attend.

In discharging its responsibilities, the Committee receives financial and management reports from the Managers including reports from the internal and external auditors. The Committee establishes the scope of the reporting, both to itself and the Board, and continually assesses the quality and adequacy of this information. The Committee 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 Committee's work has included the following matters:

- Impact of, and response to, the Covid-19 pandemic
- Migration to the new external auditor
- Review of stress tests, including ones relating to pandemics and climate change
- In-depth review of the risk appetite statement

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

BDO LLP was appointed as the Association's external auditor at an EGM held on 30 June 2021, replacing Deloitte LLP.

S-M Edye
Chairman

24 May 2022

Consolidated Income and Expenditure Account

for the year ended 20 February 2022

Technical Account	Note	2022 US$000	2021 US$000
Earned premium, net of reinsurance			
Gross premium written		**172,455**	155,253
Outward reinsurance premium			
The Trust	2	**(114,814)**	(123,143)
Earned premium, net of reinsurance		**57,641**	32,110
Allocated investment return transferred from the non-technical account		**(22)**	47
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	3	**168,085**	131,643
Reinsurers' share	3	**(147,184)**	(104,720)
Net claims paid		**20,901**	26,923
Change in the provision for claims			
Gross amount	4	**40,441**	81,041
Reinsurers' share	4	**(30,712)**	(65,188)
Change in the net provision for claims		**9,729**	15,853
Claims incurred, net of reinsurance		**30,630**	42,776
Net operating expenses	5	**2,317**	999
Balance on the technical account for general business		**24,672**	(11,618)
Non-Technical Account			
Balance on the general business technical account		**24,672**	(11,618)
Investment income	6	**1,520**	1,804
Unrealised (losses)/gains on investments	7	**(4,818)**	1,606
Investment management expenses		**(139)**	(125)
Allocated investment return transferred to the technical account		**22**	(47)
Surplus/(deficit) for the financial year		**21,257**	(8,380)
Other comprehensive (loss)/income			
(Decrease)/increase in surplus above cost on revaluation of property	9	**(713)**	3,433
Total comprehensive income/(loss)		**20,544**	(4,947)

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 2022

	Free reserves US$000	Revaluation reserve US$000	Total US$000
As at 20 February 2020	**62,745**	**2,877**	**65,622**
Deficit for the financial year	(8,380)	–	(8,380)
Other comprehensive income	–	3,433	3,433
Capital contribution	(5,000)	–	(5,000)
As at 20 February 2021	**49,365**	**6,310**	**55,675**
Surplus for the financial year	21,257	–	21,257
Other comprehensive loss	–	(713)	(713)
As at 20 February 2022	**70,622**	**5,597**	**76,219**

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

Consolidated Balance Sheet

as at 20 February 2022

Assets	Note	**2022 US$000**	2021 US$000
Investments			
Land and buildings	9	**22,549**	23,262
Other financial investments	10	**148,296**	114,636
Reinsurers' share of technical provisions			
Claims outstanding	4	**469,252**	438,540
Debtors			
Debtors arising out of reinsurance operations	11	**23,896**	12,342
Other debtors		**1,866**	3,122
Other assets			
Cash at bank and in hand		**1,776**	1,843
Other prepayments and accrued income		**725**	398
Total assets		**668,360**	594,143
Liabilities			
Capital and reserves			
Free reserves		**70,622**	49,365
Revaluation reserve	9	**5,597**	6,310
Technical provisions			
Claims outstanding	4	**577,431**	536,990
Creditors			
Creditors arising out of reinsurance operations	12	**14,503**	1,407
Other creditors		**207**	71
Total liabilities		**668,360**	594,143

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 24 May 2022.

S-M Edye
Chairman

C J Ahrenkiel
Director

Managers:
Steamship Mutual Management (Bermuda) Limited

Consolidated Cash Flow Statement

for the year ended 20 February 2022

	2022 US$000	2021 US$000
Cash flows from operating activities		
Operating surplus/(deficit) before taxation after interest	**21,257**	(8,380)
Increase in general insurance technical provisions	**9,729**	15,853
Unrealised losses/(gains) on investments	**4,818**	(1,606)
(Increase)/decrease in debtors	**(10,625)**	20,410
Increase/(decrease) in creditors	**13,232**	(28,246)
Capital contribution paid to SMUAE	**–**	(5,000)
Net cash inflow/(outflow) from operating activities	**38,411**	(6,969)
Cash flow from investment activities		
Net portfolio investment		
Purchase of bonds and loans	**(45,541)**	(5,946)
Sale of money market instruments	**7,269**	12,033
(Increase)/decrease in cash on short term deposit	**(206)**	68
Cash (used in)/generated by investing activities	**(38,478)**	6,155
Movement in opening and closing cash and cash equivalents		
Net cash outflow for the year	**(67)**	(814)
Cash and cash equivalents at 20 February 2021	**1,843**	2,657
Cash and cash equivalents at 20 February 2022	**1,776**	1,843

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 period of the going concern assessment.

(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 2022.

(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 16.

(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 settled. A provision is made on a claim by claim basis for the estimated cost of claims notified but not settled by the balance sheet date. 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.

Notes on the Accounts

Continued

1. Accounting policies continued

(h) Land and buildings

Land and buildings in the UK are independently valued 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 market 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 market 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:

		2022	2021
Euro	€	**0.882**	0.825
UK sterling	£	**0.736**	0.714

2. Reinsurance contracts

(a) From the commencement of the 2015/16 policy year the Association entered into a reinsurance contract with 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 SMUAE from the commencement of the 2020/21 policy year.

(b) Under a contract dated 27 January 2015, the Association reinsured with the Trust all of its underlying insurance liabilities net of external reinsurance arrangements for the 2015/16 and subsequent policy years.

Notes on the Accounts

continued

3. Claims paid – gross amount

	2022 US$000	2021 US$000
Claims and related expenses	**166,891**	131,584
Claims administration expenses	**1,194**	59
	168,085	131,643
Less reinsurers' share		
Other reinsurers	**13**	(57)
The Trust	**147,171**	104,777
	147,184	104,720
Net claims paid	**20,901**	26,923

4. Change in net provision for claims

	2022 US$000	2021 US$000
Gross outstanding claims		
Provision brought forward	**536,990**	455,949
Claims paid in the year	**(168,085)**	(131,643)
Changes to reserves	**208,526**	212,684
Provision carried forward	**577,431**	536,990
The Trust's share of outstanding claims		
Provision brought forward	**438,034**	372,814
Reinsurance recoveries made in the year	**(147,171)**	(104,777)
Changes to reserves	**177,903**	169,997
Provision carried forward	**468,766**	438,034
Other reinsurers' share of outstanding claims		
Provision brought forward	**506**	538
Reinsurance recoveries made in the year	**(13)**	57
Changes to reserves	**(7)**	(89)
Provision carried forward	**486**	506
Total net outstanding claims	**108,179**	98,450

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

	2022 US$000	2021 US$000
Administration expenses	**1,704**	390
Directors' remuneration	**509**	490
Auditor's remuneration	**104**	119
	2,317	999

Transactions with related parties

Steamship Mutual Management (Bermuda) Limited ("SMM(B)") provides management and administrative services to the Association. Under the terms of its management contract SMM(B) receives as remuneration for its services, reimbursement of its local office and administration expenses. At 20 February 2022 the Association was owed US$0.1m by SMM(B) (2021: US$0.2m).

The Association provided SMM(B) with unsecured, indefinite loans of US$2.0m (£1.3m) and US$3.3m (£2.0m) in 2000 and 2014 respectively. During the financial year the Association wrote off the second loan in full and the initial sterling loan was revalued at the year end exchange rate. The amount outstanding at 20 February 2022 was US$1.7m (2021: US$5.3m less a provision of US$2.4m). There were no other related party transactions requiring disclosure under FRS 102 s33.

6. Investment income

	2022 US$000	2021 US$000
Dividends and interest	**1,479**	1,435
Realised gains/(losses)		
Investments	**54**	337
Foreign exchange	**(13)**	32
	41	369
	1,520	1,804

7. Unrealised (losses)/gains on investments

	2022 US$000	2021 US$000
Investments	**(4,809)**	1,591
Foreign exchange	**(9)**	15
	(4,818)	1,606

8. Taxation

The Association has received an undertaking from the Bermuda government exempting it from tax on income, profit, capital or capital gains until 31 March 2035, should it be enacted. Accordingly, no provision for such taxes has been recorded by the Association.

Notes on the Accounts

continued

9. Land and buildings

The freehold property consists of office premises in London. It is occupied under licence, free of rent, by the London representatives of the Managers. The property was last valued by CBRE Limited at £16.6m (US$23.3m) reflecting the market value at 20 February 2021. The other comprehensive loss shown in the consolidated statement of changes in equity reflects the movement in the US dollar equivalent of £16.6m (US$22.5m) at the balance sheet date. The original costs incurred when the property was purchased in 1987 amounted to US$17.0m. The surplus of US$5.6m has been credited to the revaluation reserve.

10. Other financial investments

	2022 US$000	2021 US$000
Market value		
Bonds and loans	**141,777**	101,045
Equities	**126**	135
Money market instruments	**6,084**	13,353
Cash	**309**	103
	148,296	114,636
Cost		
Bonds and loans	**143,870**	98,329
Equities	**485**	485
Money market instruments	**6,084**	13,353
Cash	**309**	103
	150,748	112,270

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 2022

	Level 1 US$000	**Level 2 US$000**	**Level 3 US$000**	**Total US$000**
Bonds and loans	141,777	–	–	**141,777**
Equities	–	–	126	**126**
Money market instruments	6,084	–	–	**6,084**
Cash	309	–	–	**309**
	148,170	**–**	**126**	**148,296**

Notes on the Accounts

continued

10. Other financial investments continued

As at 20 February 2021

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Bonds and loans	101,045	–	–	**101,045**
Equities	–	–	135	**135**
Money market instruments	13,353	–	–	**13,353**
Cash	103	–	–	**103**
	114,501	**–**	**135**	**114,636**

11. Debtors arising out of reinsurance operations

	2022 US$000	2021 US$000
The Trust	**23,892**	9,736
SMUAE	**2**	2,606
Other reinsurers	**2**	–
	23,896	12,342

12. Creditors arising out of reinsurance operations

	2022 US$000	2021 US$000
SMUA	**14,503**	1,407

13. Wholly-owned subsidiary companies

SMPH is a wholly-owned subsidiary of the Association.

14. Hydra Insurance Company Limited ("Hydra")

Hydra is a reinsurance captive created by the members of the International Group. 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.

Notes on the Accounts

Continued

15. 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.

16. 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 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. The Audit and Risk Committee compares the proposed claim reserves with an independent calculation performed by qualified actuaries at year end.

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.

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

		2022 US$000	2021 US$000
5% increase in claims incurred on current policy year			
Overall surplus	gross of reinsurance	**(12,227)**	(11,505)
	net of reinsurance	**(2,187)**	(1,202)
Single claim of US$2billion in current policy year in SMUA or SMUAE			
Overall surplus	gross of reinsurance	**(29,771)**	(29,264)
	net of reinsurance	**(17,647)**	(17,190)

Notes on the Accounts

continued

16. 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	2012/13 US$000	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000
End of reporting year	420,741	322,326	59,072	211,207	181,109	227,965	231,523	215,790	220,364	236,671
One year later	345,219	114,298	54,804	199,620	172,409	212,674	214,952	224,175	211,179	
Two years later	205,177	113,487	54,419	203,148	178,014	200,221	200,973	220,048		
Three years later	203,896	113,705	54,286	200,372	179,347	199,391	196,924			
Four years later	203,197	115,611	53,110	197,453	179,398	197,263				
Five years later	201,219	113,429	52,348	196,139	176,942					
Six years later	200,978	112,973	52,252	193,662						
Seven years later	199,349	113,244	52,252							
Eight years later	199,269	109,598								
Nine years later	199,237									
Current estimate of ultimate claims	199,237	109,598	52,252	193,662	176,942	197,263	196,924	220,048	211,179	236,671
Cumulative payments to date	201,343	108,928	50,611	179,984	154,495	156,592	126,565	130,046	74,569	33,697
Claims outstanding	**(2,106)**	**670**	**1,641**	**13,678**	**22,447**	**40,671**	**70,359**	**90,002**	**136,610**	**202,974**
Claims outstanding relating to last ten reporting years										**576,946**
Other claims liabilities										**485**
Total gross claims outstanding										**577,431**

Insurance claims - net

Policy year	2012/13 US$000	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000
End of reporting year	49,814	54,802	36,326	19,892	15,344	29,562	33,874	33,517	43,688	44,942
One year later	41,376	41,687	32,058	25,881	7,891	24,475	32,805	35,974	41,544	
Two years later	36,170	40,876	31,673	25,630	4,385	22,283	29,709	33,982		
Three years later	34,889	41,094	31,540	24,105	3,501	22,790	21,946			
Four years later	34,190	43,000	30,364	22,793	2,915	24,116				
Five years later	32,212	40,818	29,602	22,438	2,735					
Six years later	31,971	40,362	29,506	22,663						
Seven years later	30,342	40,633	29,506							
Eight years later	30,262	36,987								
Nine years later	30,230									
Current estimate of ultimate claims	30,230	36,987	29,506	22,663	2,735	24,116	21,946	33,982	41,544	44,942
Cumulative payments to date	32,336	36,317	27,865	19,775	2,114	12,884	13,439	19,084	9,794	6,864
Claims outstanding	**(2,106)**	**670**	**1,641**	**2,888**	**621**	**11,232**	**8,507**	**14,898**	**31,750**	**38,078**
Claims outstanding relating to last ten reporting years										**108,179**
Other claims liabilities										**–**
Total net claims outstanding										**108,179**

Notes on the Accounts

continued

16. 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 International Group. 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.

As at 20 February 2022

	AAA US$000	AA US$000	A US$000	Not rated US$000	Total US$000
Bonds and loans	–	107,585	34,192	–	**141,777**
Money market instruments	6,084	–	–	–	**6,084**
Cash accounts	–	–	309	–	**309**
Cash at bank and in hand	–	817	959	–	**1,776**
Reinsurers' share of technical provisions	–	93	469,159	–	**469,252**
Debtors arising out of reinsurance operations	–	–	23,896	–	**23,896**
Accrued interest	–	513	–	–	**513**
Other assets	–	–	–	24,753	**24,753**
Total assets	**6,084**	**109,008**	**528,515**	**24,753**	**668,360**

As at 20 February 2021

	AAA US$000	AA US$000	A US$000	Not rated US$000	Total US$000
Bonds and loans	–	101,045	–	–	**101,045**
Money market instruments	13,353	–	–	–	**13,353**
Cash accounts	–	–	103	–	**103**
Cash at bank and in hand	–	1,021	822	–	**1,843**
Reinsurers' share of technical provisions	–	97	438,443	–	**438,540**
Debtors arising out of reinsurance operations	–	–	12,342	–	**12,342**
Accrued interest	–	300	–	–	**300**
Other assets	–	–	–	26,617	**26,617**
Total assets	**13,353**	**102,463**	**451,710**	**26,617**	**594,143**

Notes on the Accounts

continued

16. 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 majority of the Association's investments are in short term cash deposits, money market instruments and US government bonds and therefore has limited exposure to interest rate risk.

The Association is exposed to currency risk in its freehold property in the UK (see note 9) 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 2022

	US dollar US$000	UK sterling US$000	Euro US$000	Other US$000	Total US$000
Assets	593,210	40,411	24,373	10,366	**668,360**
Liabilities	(539,938)	(17,644)	(24,193)	(10,366)	**(592,141)**
	53,272	**22,767**	**180**	**–**	**76,219**

As at 20 February 2021

	US dollar US$000	UK sterling US$000	Euro US$000	Other US$000	Total US$000
Assets	525,310	38,811	23,058	6,964	**594,143**
Liabilities	(493,396)	(15,238)	(22,870)	(6,964)	**(538,468)**
	31,914	**23,573**	**188**	**–**	**55,675**

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

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.

17. Subsequent events

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

Independent Auditor's Report

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

Opinion

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 2022, 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 18 to the 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).

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 2022 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.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the non-statutory financial statements is not appropriate; or
- the directors have not disclosed in the non-statutory financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the non-statutory financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report and accounts, other than the non-statutory financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information, including Report of the Directors and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements, or our knowledge obtained in 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 there is a material misstatement in the non-statutory financial statements or a material misstatement of the other information. 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 directors' responsibilities statement set out on page 5, 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's 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.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered 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.

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 and internal audit about their own identification and assessment of the risks of irregularities. We discussed among the audit engagement team including relevant internal specialists such as IT, real estate and Insurance actuarial, regarding 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.

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, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Report of the Independent Auditor

continued

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. 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.

BDO LLP
55 Baker St, London W1U 7EU
24 May 2022

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

The Steamship Mutual Trust

Annual Report and Accounts 2022

Contents

The Steamship Mutual Trust

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Report of the Corporate Trustee

The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited ("Corporate Trustee") has pleasure in presenting its Report and Audited Accounts of The Steamship Mutual Trust ("Trust") for the year ended 20 February 2022.

Principal activities

The Trust's principal activity during the year was the reinsurance of Protection and Indemnity ("P&I") and Freight, Demurrage and Defence ("FD&D") risks. At the beginning of the financial year, the Corporate Trustee extended its current year reinsurance contract, entered into on behalf of the Trust, with The Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB"), to cover the period from 20 February 2021 to 20 February 2022. Total premium receivable by the Trust in respect of all its reinsurance contracts during the financial year was US$113.4m.

Accounts

Free reserves as at 20 February 2022 decreased by US$52.7m to US$268.5m. Total investments of the Trust at the balance sheet date amounted to US$886.1m, a decrease of US$25.4m on the previous year.

Investment performance

Overall, the Trust recorded an investment gain of 0.2% (0.1% net of fees). This excludes a currency loss of US$2.0m that has been allocated to the Technical Account.

Risk management and asset allocation

The investment strategy aims to deliver appropriate risk-adjusted returns within risk appetite.

The asset allocation within the investment portfolio has remained largely consistent throughout the year with the majority of assets invested in high quality diversified fixed income, and a conservative allocation to global equities,hedge funds and private debt. Consideration is given to the amount of claims liabilities to ensure these are suitably matched with cash, highly rated government and corporate bonds. These matching assets are also used to provide collateral for the reinsurance obligations of the Trust to Steamship Mutual Underwriting Association Limited ("SMUA") and Steamship Mutual Underwriting Association (Europe) Limited ("SMUAE").

The Corporate Trustee continues to consult regularly with the Board of SMUAB, whose Members are the ultimate reinsured and beneficiaries of the Trust. The SMUAB Board receives regular updates on the utilisation of the agreed risk budget, investment performance and asset allocation.

Claims

During the year the Corporate Trustee reviewed with the ultimate reinsured the development of prior year claims and the terms of its inward reinsurance contract.

Trustee's responsibilities statement

The Corporate Trustee has prepared financial statements 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 Corporate Trustee is 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 Trust will continue in business.

The Corporate Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust.
It is responsible for the system of internal control, for safeguarding the assets of the Trust and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

External auditor

BDO LLP was appointed as the Trust's external auditor at an EGM held on 30 June 2021, replacing Deloitte LLP.

A L Marchisotto

Chairman

The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited

22 May 2022

Income and Expenditure Account

for the year ended 20 February 2022

Technical Account	Note	2022 US$000	2021 US$000
Earned premium, net of reinsurance	3	**113,384**	122,954
Allocated investment return transferred from the non-technical account		**(2,008)**	3,386
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4	**154,509**	112,583
Change in the provision for claims			
Gross amount	4	**8,778**	54,921
Claims incurred, net of reinsurance		**163,287**	167,504
Net operating expenses	5	**69**	99
Balance on the technical account for general business		**(51,980)**	(41,263)
Non-Technical Account			
Balance on the technical account for general business		**(51,980)**	(41,263)
Investment income	6	**51,281**	21,635
Unrealised (losses)/gains on investments	7	**(51,614)**	32,312
Allocated investment return transferred to the technical account		**2,008**	(3,386)
Investment management expenses		**(2,444)**	(2,301)
(Deficit)/surplus for the financial year		**(52,749)**	6,997
Free reserves brought forward		**321,248**	314,251
Free reserves		**268,499**	321,248

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

There are no recognised gains or losses in either year other than the transactions reported in the above income and expenditure account.

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

Balance Sheet

as at 20 February 2022

Assets	Note	**2022 US$000**	2021 US$000
Investments			
Other financial investments	8	**886,088**	911,482
Debtors			
Debtors arising out of reinsurance operations		**5**	–
Prepayments and accrued income			
Accrued interest		**4,105**	4,107
Total assets		**890,198**	915,589
Liabilities			
Capital and reserves			
Free reserves		**268,499**	321,248
Technical provisions			
Claims outstanding	4	**532,633**	523,855
Creditors			
Creditors arising out of reinsurance operations	9	**84,017**	66,788
Other creditors		**5,049**	3,698
Total liabilities		**890,198**	915,589

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

These financial statements were approved by the Corporate Trustee on 22 May 2022.

The Steamship Mutual Underwriting Association
Trustees (Bermuda) Limited

Cash Flow Statement

for the year ended 20 February 2022

	2022 US$000	2021 US$000
Cash flows from operating activities		
Operating (deficit)/surplus before taxation after interest	**(52,749)**	6,997
Increase in general insurance technical provisions	**8,778**	54,921
Unrealised losses/(gains) on investments	**51,614**	(32,312)
(Increase)/decrease in debtors	**(3)**	409
Increase/(decrease) in creditors	**18,580**	(22,144)
	78,969	874
Net cash inflow from operating activities	**26,220**	7,871
Cash flows from investment activities		
Net portfolio investment		
Net sale of bonds and loans	**12,212**	3,783
Net purchase of equities	**(12,312)**	(2,664)
Net (purchase)/sale of alternative investments	**(28,391)**	7,044
Decrease/(increase) in money market instruments	**2,271**	(16,034)
Cash used by investing activities	**(26,220)**	(7,871)
Movement in opening and closing cash and cash equivalents		
Net cash inflow for the period	**–**	–
Cash and cash equivalents at 20 February 2021	**–**	–
Cash and cash equivalents at 20 February 2022	**–**	–

Notes on the Accounts

1. Constitution

The Trust was created by a settlement under Bermudian law. The Corporate Trustee is The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited, a company incorporated under the laws of Bermuda and registered as an insurer under the Bermuda Insurance Act 1978, so enabling the Trust to undertake reinsurance business.

2. Accounting policies

(a) Accounting convention

The 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.

(b) Going concern assessment

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

Based on the above, the Trustees believe that the Trust 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 Trust, it is expected that the Trust will maintain compliance with its regulatory capital requirements for the period of the going concern assessment.

(c) 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 under note 13.

(d) Premium written

Premium comprises the total premium receivable for the whole period of cover provided under the reinsurance contracts with SMUA, SMUAB and SMUAE.

(e) Claims and related expenses

Full 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.

(f) Foreign currencies

The functional currency is US dollars. Assets and liabilities including investments and bank balances have been converted to US dollars at the exchange rate at the balance sheet date. Income and expenditure items including foreign exchange transactions are converted 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:

		2022	2021
Euro	€	**0.882**	0.825
UK sterling	£	**0.736**	0.714
Brazilian real	R$	**5.126**	5.378

Notes on the Accounts

continued

2. Accounting policies continued

(g) Other financial investments

Investments and cash balances have been valued at their market 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 all realised and unrealised exchange differences arising on foreign currency investments held to hedge technical provisions in the same currencies.

3. Reinsurance contracts

The Corporate Trustee, on behalf of the Trust, entered into a reinsurance contract with SMUAB under which, in return for a percentage of written premium, SMUAB is indemnified for 100% of its underlying insurance liabilities net of external reinsurance arrangements for the 2015/16 and subsequent policy years.

The Corporate Trustee, on behalf of the Trust, entered into a reinsurance contract with SMUA which covers 100% of SMUA's underlying insurance liabilities net of external reinsurance arrangements up to and including the 2014/15 policy year including those transferred to SMUAE by means of a Part VII transfer on 20 December 2020.

4. Change in the net provision for claims	**2022 US$000**	2021 US$000
Gross outstanding claims		
Provision brought forward	**523,855**	468,934
Claims paid in the year	**(154,509)**	(112,583)
Changes to reserves	**163,287**	167,504
Provision carried forward	**532,633**	523,855
Total net outstanding claims	**532,633**	523,855

There was a favourable movement in the prior year net claims provision of US$20.5m during the year (2021: US$1.1m).

The estimates for known outstanding claims are based on the estimates and judgement of the Managers of SMUA and SMUAE of the final cost of individual cases based on current information. Provision is also made for claims incurred but not reported ("IBNR") at 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.

5. Net operating expenses	**2022 US$000**	2021 US$000
Administrative expenses		
Non-investment management expenses payable to Corporate Trustee	**5**	5
Auditor's remuneration	**64**	94
	69	99

6. Investment income	**2022 US$000**	2021 US$000
Dividends and interest	**20,116**	20,906
Realised gains/(losses)		
Investments	**31,070**	2,176
Exchange	**95**	(1,447)
	31,165	729
	51,281	21,635

Notes on the Accounts

continued

7. Unrealised (losses)/gains on investments	2022 US$000	2021 US$000
Investments	**(49,229)**	27,479
Foreign exchange	**(2,385)**	4,833
	(51,614)	32,312

8. Other financial investments	2022 US$000	2021 US$000
Fair value		
Bonds and loans	**646,226**	689,826
Equities	**87,065**	101,301
Alternative investments	**129,149**	94,602
Money market instruments	**12,368**	13,032
Cash accounts	**10,984**	12,594
Derivative financial instruments	**296**	127
	886,088	911,482
Cost		
Bonds and loans	**653,384**	665,596
Equities	**64,556**	52,244
Alternative investments	**103,639**	75,248
Money market instruments	**12,368**	13,032
Cash accounts	**10,987**	12,594
	844,934	818,714

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. These are valued using a valuation framework which is modelled around current industry best practices and accounting standards.

Level 3 Market data is unavailable for the asset. To assist the investment managers in valuing level 3 investments, where market quotations are not readily available, independent valuation advisors are appointed and base their calculations on quantitative and qualitative information available. This information is provided by both investment managers and any market quotations obtained by independent pricing sources which are subsequently reviewed by an approved valuation committee.

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

As at 20 February 2022

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Bonds and loans	646,226	–	–	**646,226**
Equities	87,065	–	–	**87,065**
Alternative investments	–	77,541	51,608	**129,149**
Money market instruments	12,368	–	–	**12,368**
Cash accounts	10,984	–	–	**10,984**
Derivative financial instruments	–	296	–	**296**
	756,643	**77,837**	**51,608**	**886,088**

Notes on the Accounts

continued

8. Other financial investments continued

As at 20 February 2021

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Bonds and loans	689,826	–	–	**689,826**
Equities	101,301	–	–	**101,301**
Alternative investments	–	73,847	20,755	**94,602**
Money market instruments	13,032	–	–	**13,032**
Cash accounts	12,594	–	–	**12,594**
Derivative financial instruments	–	127	–	**127**
	816,753	**73,974**	**20,755**	**911,482**

9. Creditors arising out of reinsurance operations

	2022 US$000	2021 US$000
SMUA	**60,124**	56,974
SMUAB	**23,893**	9,736
SMUAE	–	78
	84,017	66,788

10. Taxation

The Trust has received an undertaking from the Bermuda government exempting it from tax on income, profit, capital or capital gains until 31 March 2035, should it be enacted. Accordingly, no provision for such taxes has been recorded by the Trust.

11. Transactions with related parties

The Corporate Trustee receives a fee for investment management costs and related expenses. For the financial year to 20 February 2022 this fee amounted to US$2.4m (2021: US$2.3m) of which US$0.5m (2021: US$0.4m) was outstanding at the balance sheet date.

12. Capital management

The Trust aims to maintain capital resources at a level which provides a comfortable margin above the requirement of the Bermuda Monetary Authority (BMA). Capital resources for regulatory purposes consist of free reserves on a regulatory economic basis.

The BMA categorised the Corporate Trustee as a Class 3A insurer and the designated insurer of the Steamship group for regulatory purposes. The Trust was in compliance with the applicable regulatory capital requirements throughout the financial year.

Notes on the Accounts

continued

13. Risk management

The Trust monitors and manages the risks relating to its operations through a risk management programme comprising a series of policies, risk tolerances and regular stress and scenario testing. The Corporate Trustee regularly consults with the Board of the reinsured on the performance and risks inherent in the insurance business and on the appropriate level of risk to be taken in the investment portfolio.

The principal risks faced by the Trust are insurance risk, market risk, credit 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 via SMUAB in the current policy year is insufficient to cover claims and other costs arising in that year. The Trust's premium risk is calculated on net premiums written and is in relation to its exposure to SMUA, SMUAE and SMUAB 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 Trust is exposed to the uncertainty surrounding the timing, frequency and severity of claims under its reinsurance contract with SMUAB SMUA and SMUAE. Premium and reserving risk are calculated by reference to risk factors prescribed by the BMA which are then combined taking account of diversification effects.

The Trust ultimately relies on SMUA and SMUAE which project claims liabilities using the Bornhuetter-Ferguson method 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. The Audit and Risk Committee of SMUA and SMUAE compares the proposed claim reserves with an independent calculation performed by qualified actuaries at year end.

SMUA and SMUAE aim to reduce reserving risk by setting claims reserves at a prudent level that provides between 70% and 80% confidence that they will be sufficient to cover actual settlement costs. Actual experience will differ from the expected outcome but this prudent basis is expected to result in there being releases of prior year claim reserves in most years.

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

	2022 US$000	2021 US$000
5% increase in claims incurred on current policy year		
Effect on Trust free reserves	**(10,040)**	(10,303)
Single claim in SMUA or SMUAE of US$2 billion in current policy year		
Effect on Trust free reserves	**(12,124)**	(12,074)

Notes on the Accounts

continued

13. 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 the cumulative claims to the amount appearing in the balance sheet.

Insurance claims - gross

Policy year	2012/13 US$000	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000
End of reporting year	224,996	198,320	172,086	191,315	165,765	194,128	197,649	182,273	176,676	191,729
One year later	211,455	172,634	151,737	173,739	164,518	188,199	182,148	188,201	169,634	
Two years later	208,812	166,309	153,976	176,902	173,629	177,939	171,265	186,066		
Three years later	200,590	164,844	149,281	176,267	175,845	176,602	174,979			
Four years later	192,482	157,984	145,871	174,660	176,416	173,150				
Five years later	192,499	155,166	144,181	173,702	174,206					
Six years later	187,437	156,089	146,903	170,999						
Seven years later	184,552	154,555	144,865							
Eight years later	182,960	150,050								
Nine years later	181,776									
Current estimate of ultimate claims	181,776	150,050	144,865	170,999	174,206	173,150	174,979	186,066	169,634	191,729
Cumulative payments to date	180,673	146,543	133,433	160,210	152,381	143,712	113,127	110,962	64,774	26,832
Claims outstanding	**1,103**	**3,507**	**11,432**	**10,789**	**21,825**	**29,438**	**61,852**	**75,104**	**104,860**	**164,897**
Claims outstanding relating to last ten reporting years										**484,807**
Other claims liabilities										**47,826**
Total gross claims outstanding										**532,633**

Insurance claims - net

Policy year	2012/13 US$000	2013/14 US$000	2014/15 US$000	2015/16 US$000	2016/17 US$000	2017/18 US$000	2018/19 US$000	2019/20 US$000	2020/21 US$000	2021/22 US$000
End of reporting year	221,771	198,320	172,086	191,315	165,765	194,128	197,649	182,273	176,676	191,729
One year later	203,542	172,634	151,737	173,739	164,518	188,199	182,148	188,201	169,634	
Two years later	208,812	166,309	153,976	176,902	173,629	177,939	171,265	186,066		
Three years later	200,590	164,844	149,281	176,267	175,845	176,602	174,979			
Four years later	192,482	157,984	145,871	174,660	176,416	173,150				
Five years later	192,499	155,166	144,181	173,702	174,206					
Six years later	187,437	156,089	146,903	170,999						
Seven years later	184,552	154,555	144,865							
Eight years later	182,960	150,050								
Nine years later	181,776									
Current estimate of ultimate claims	181,776	150,050	144,865	170,999	174,206	173,150	174,979	186,066	169,634	191,729
Cumulative payments to date	180,673	146,543	133,433	160,210	152,381	143,712	113,127	110,962	64,774	26,832
Claims outstanding	**1,103**	**3,507**	**11,432**	**10,789**	**21,825**	**29,438**	**61,852**	**75,104**	**104,860**	**164,897**
Claims outstanding relating to last ten reporting years										**484,807**
Other claims liabilities										**47,826**
Total net claims outstanding										**532,633**

Notes on the Accounts

continued

13. Risk management continued

Credit risk

Credit risk is the risk that a counterparty owing money to The Trust may default causing a debt to be written off. The key area of exposure to credit risk for The Trust is in relation to its investments. The Board's Investment Policy and specific guidelines in investment mandates control the amount of credit risk taken and ensures that such credit risk is diversified thereby reducing any concentration of exposure.

Credit risk also arises on 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.

Equities and alternative investments have been included within Other assets in the table below with no credit rating.

The following table shows the aggregated credit risk exposure for those assets with external credit ratings.

As at 20 February 2022

	AAA US$000	AA US$000	A US$000	BBB US$000	BB and below US$000	Not rated US$000	Total US$000
Bonds and loans	100,282	132,034	225,276	166,775	21,859	–	**646,226**
Money market instruments	12,368	–	–	–	–	–	**12,368**
Cash accounts	609	–	10,365	–	–	–	**10,984**
Derivative financial instruments	–	–	296	–	–	–	296
Accrued interest	120	521	1,820	1,377	231	36	**4,105**
Other assets	–	–	5	–	–	216,214	**216,219**
Total assets	**113,379**	**132,555**	**237,762**	**168,162**	**22,090**	**216,250**	**890,198**

As at 20 February 2021

	AAA US$000	AA US$000	A US$000	BBB US$000	BB and below US$000	Not rated US$000	Total US$000
Bonds and loans	112,050	124,838	253,368	177,963	20,315	1,292	**689,826**
Money market instruments	13,032	–	–	–	–	–	**13,032**
Cash accounts	–	6,765	5,829	–	–	–	**12,594**
Derivative financial instruments	–	–	127	–	–	–	**127**
Accrued interest	137	540	1,778	1,456	180	16	**4,107**
Other assets	–	–	–	–	–	195,903	**195,903**
Total assets	**125,219**	**132,143**	**261,102**	**179,419**	**20,495**	**197,211**	**915,589**

Notes on the Accounts

continued

13. 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, foreign exchange rates and other price changes.

The Trust'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 of the Corporate Trustee having consulted with the Boards of the reinsured entities. Compliance with Board policies are monitored and reported by the Managers assisted by the investment managers.

The Trust is exposed to currency risk in relation to claim liabilities in a number of non-US dollar currencies, predominantly UK sterling, euro and Brazilian real. This exposure is managed by holding investments and derivative positions in each of these currencies.

The following tables show the Trust's assets and liabilities by currency. The exposure to Brazilian real through derivative positions was US$4.4m at 20 February 2022 (2021: US$4.6m).

As at 20 February 2022

	US dollar US$000	UK sterling US$000	Euro US$000	Brazilian real US$000	Korean Won US$000	Other US$000	Total US$000
Assets	843,242	14,848	25,013	–	–	7,095	**890,198**
Liabilities	(553,036)	(20,093)	(25,579)	(4,008)	(4,998)	(13,985)	**(621,699)**
	290,206	**(5,245)**	**(566)**	**(4,008)**	**(4,998)**	**(6,890)**	**268,499**

As at 20 February 2021

	US dollar US$000	UK sterling US$000	Euro US$000	Brazilian real US$000	Korean Won US$000	Other US$000	Total US$000
Assets	873,557	13,716	28,316	–	–	–	**915,589**
Liabilities	(529,495)	(18,625)	(26,776)	(3,894)	(4,530)	(11,021)	**(594,341)**
	344,062	**(4,909)**	**1,540**	**(3,894)**	**(4,530)**	**(11,021)**	**321,248**

IBNR is classified as US dollar.

Notes on the Accounts

continued

13. Risk management continued

Market risk continued

The Trust's interest rate risk is in relation to the fluctuation in the fair value of future cash flows of bonds due to changes in interest rates and spreads. The table below shows the change in fair value of the investments assuming a 200 basis points increase in spreads and/or increase in interest rates:

	Effect on investment valuation US$000
As at 20 February 2022	(40,712)
As at 20 February 2021	(46,453)

The Trust's equity price risk is in relation to the fluctuation in the fair value of equities due to changes in market conditions. The table below shows the change in fair value of the investments assuming a 35% decrease in equities:

	Effect on investment valuation US$000
As at 20 February 2022	(30,473)
As at 20 February 2021	(35,455)

The table below shows the change in fair value of the investments assuming a 15% decrease in alternative investment pricing:

	Effect on investment valuation US$000
As at 20 February 2022	(19,372)
As at 20 February 2021	(14,190)

The above sensitivities assume that all other key market variables are held constant and that the percentage rate change is instantaneous, which is rarely the case.

Liquidity risk

Liquidity risk is the risk that the Trust cannot meet its financial obligations as they fall due. The Trust maintains a high quality portfolio of cash, government and corporate bonds with an average maturity equivalent to the average expected settlement period of claim liabilities, albeit with some differences on some years. The Trust therefore has sufficient access to funds to cover reinsurance claims from SMUAB and SMUA. In the absence of a material market event, investment grade assets and equities can be converted into cash in less than one month.

Notes on the Accounts

continued

13. Risk management continued

Liquidity risk continued

The following table shows the expected maturity of the Trust's assets, based on the undiscounted contractual maturities of the assets.

As at 20 February 2022

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Investments	333,219	72,612	193,478	286,779	**886.088**
Other assets	4,110	–	–	–	**4,110**
Total assets	**337,329**	**72,612**	**193,478**	**286,779**	**890,198**

As at 20 February 2021

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Investments	292,326	73,586	279,499	266,071	**911,482**
Other assets	4,107	–	–	–	**4,107**
Total assets	**296,433**	**73,586**	**279,499**	**266,071**	**915,589**

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

As at 20 February 2022

	0-1 years US$000	1-2 years US$000	2-5 years US$000	Over 5 years US$000	Total US$000
Claims outstanding	204,392	121,055	147,449	59,737	**532,633**
Creditors arising out of reinsurance operations	84,017	–	–	–	**84,017**
Other liabilities	5,049	–	–	–	**5,049**
Total liabilities excluding capital and reserves	**293,458**	**121,055**	**147,449**	**59,737**	**621,699**

As at 20 February 2021

	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	196,433	108,233	149,042	70,147	**523,855**
Creditors arising out of reinsurance operations	66,788	–	–	–	**66,788**
Other liabilities	3,698	–	–	–	**3,698**
Total liabilities excluding capital and reserves	**266,919**	**108,233**	**149,042**	**70,147**	**594,341**

Operational risk

Operational risk includes fraud, interruptions in service due to external or internal disruption and procedural or systems errors. The Corporate Trustee 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.

14. Subsequent events

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

Independent Auditor's Report

To the Corporate Trustee of The Steamship Mutual Trust

Opinion

We have audited the non-statutory financial statements of The Steamship Mutual Trust ('the Trust') for the year ended 20 February 2022 which comprise Balance Sheet, Income and Expenditure Account, and Cash Flow Statement and notes 1 to 13, 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 applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts. (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the non-statutory financial statements:

- give a true and fair view of the state of the Trust's affairs as at 20 February 2022 and of its surplus for the year then ended;
- have been properly prepared in accordance with 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 are independent of the Trust 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the non-statutory financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the non-statutory financial statements are authorised for issue.

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. The directors are responsible for the other information. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information, including, Report of the Corporate Trustee, and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in 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 there is a material misstatement in the non-statutory financial statements or a material misstatement of the other information. 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 trustees

As explained more fully in the Trustees' responsibilities statement, the directors are responsible for the preparation of the 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 Trust'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 Trust 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 financial statements.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered 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.

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

We discussed among the audit engagement team including relevant internal specialists such as IT and Insurance actuarial regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the 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.
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 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, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports.

Independent Auditor's Report

continued

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 Trust. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP, Statutory Auditor

55 Baker St, London W1U 7EU

23 May 2022

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