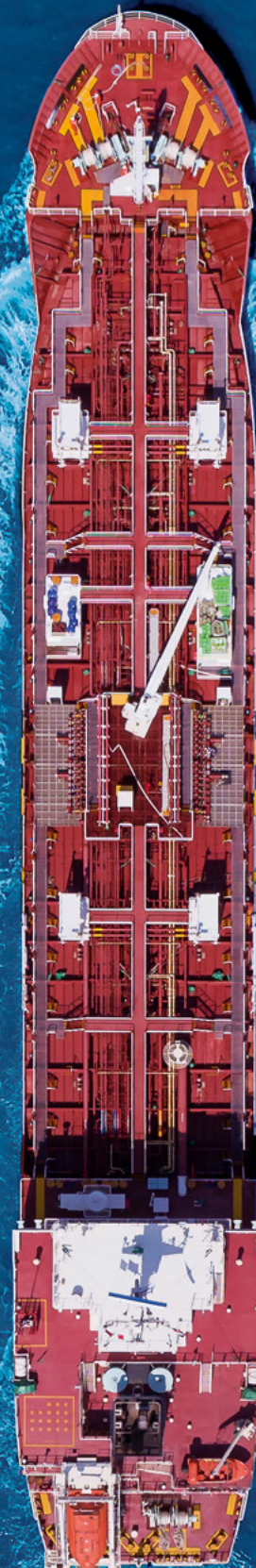




2022 Review of the Year

for the year ended 20th February 2022



UK P&I CLUB
IS MANAGED
BY **THOMAS
MILLER**

Chairman's Statement



As I write my fourth statement as Chairman, the disturbing events in Ukraine dominate the news around the world. The human tragedy associated with the Russian invasion is most distressing and our thoughts are with every family caught up in the conflict.

The sanctions imposed by western states upon Russia have dramatically affected trade. In March 2022, the Club resolved to withdraw cover from all Russian-flagged or beneficially owned tonnage, bringing to an end a long association with the Russian market that had spanned several decades.

The events in Ukraine have overshadowed the Covid-19 pandemic. However, the disruption to our industry from Covid-19 remains significant in certain parts of the world. The pandemic continues to impact the Club's underwriting performance. The Club received a significant number of enquiries from Members of every trade throughout the year facing crew illness, port delays and quarantine. Although most claims were individually small, the frequency was sufficient to increase the total cost of Covid-19 related claims to approximately 8% of mutual premium income for the 2021 policy year.

The total amount of P&I claims being shared within the International Group pool exceeded even last year's record. Infrequent but major incidents are increasingly important within the Club's economy and have a significant impact in terms of time, cost and potentially reputation on the owner. It is therefore vital that the Club remains positioned to provide all Members with immediate support to the highest possible standard.

The recovery effort and subsequent negotiations following the Ever Given grounding in the Suez Canal were both high profile and complex. The Club's contribution to a speedy and satisfactory resolution was first class and demonstrates the expertise and experience available to Members, particularly in the event of a major catastrophe.

The increasing cost associated with large claims is one factor in the inadequacy of premium rates across the market. The Club has made significant progress over the last two years towards

correcting premium rating and stabilising the underwriting result. The combined ratio for the year ended 20 February 2022 of 115% represents a significant improvement over last year's result and is in line with the Club's longer term improvement plan to reach underwriting breakeven.

Global investment markets performed favourably for much of the year until the threat of conflict in the Ukraine caused a market correction just before the Club's year-end. The final return, of approximately \$19.6 million or 1.9%, was strong given prevailing market conditions and offsets much of the underwriting deficit.

The Club's free reserves remain among the strongest in the industry and comfortably meet all regulatory requirements and the highest 'AAA' band of the S&P capital model.

The strength of the capital position combined with best-in-class service capability are the cornerstones of the Club's overall proposition. The recent renewal demonstrated the continuing appeal of the Club to Members. In what remains a competitive market, 99% of all Members renewed for a further year, reflecting the strength of the Club's long-term partnership with all Members. The Club enters the new policy year with mutual entered tonnage of over 150 million gross tonnes, which represents growth of nearly 10% over the previous year.

At the start of 2022, the Club expanded its fixed premium P&I insurance offering through a partnership with Thomas Miller Specialty. This is a significant development which will enhance the breadth of the Club's insurance offering. This expansion, along with the growth in mutual tonnage, will significantly increase the Club's premium income for the coming year bringing more diversity and resilience to the Club. We have taken a cautious approach in recent years as the premium rates in the market have been insufficient

to cover costs but, as rates begin to improve, it is exciting to see a growing and vibrant UK Club.

The Club will continue to focus on listening to Members with the objectives of meeting Member needs through the provision of first-class service. This includes the professional support day by day, experienced support in the event of significant incidents and best-in-class loss prevention advice.

The Club will form partnerships with Members and industry groups to develop sustainable practices including the safety and wellbeing of seafarers and the reduction of incidents at sea. Safety is a key element of the Club's sustainability agenda which will be set out in greater detail during the year ahead.

My role as Chairman is only possible with the support and contribution of the many people involved in the Club. I would like to take this opportunity to extend my thanks to my Deputy Chairmen, Mr R. Chen of Wan Hai Lines, Mr N. Schües of Reederei F. Laeisz and Mr Y. Higurashi of NYK Line and Mr J. Valkier of Anthony Veder. Their support on all Club matters has been invaluable during the challenges of the past year. I would also like to thank Mr N. Smith, who retired from the Board this year, for his contributions over the last nine years.

I am delighted to welcome Mr S. Beale and Mr M. Butler to the Board of the Club. Both bring a wealth of experience in insurance and financial matters that will be crucial as the Club targets future

growth in both mutual P&I and diversified lines of business.

The Members Committee continues to provide a vital link between the Board and Members of the Club. The Committee met in person for one meeting in 2021 with other meetings held virtually. I hope that we can return to in person meetings going forward.

I am pleased to welcome: Mr L. Audaz of MSC Mediterranean Shipping Company SA, Geneva, Mr H. Fujikawa of MMS Co Ltd, Meiji Shipping Group, Tokyo, Ms K. Fujiwara of ENEOS Ocean Corporation, Yokohama, Mr P.C. Over of Taylor Maritime (Hong Kong), Hong Kong and Ms K. Trauth of Shell International Trading and Shipping Company Limited, London. I would like to thank Messrs G. Henderson of Shell International Trading and Shipping Company Limited, N. Mukae of Kumiai Senpaku Co Ltd, K. Takayama of ENEOS Ocean Corporation and M. Wade of Grindrod Shipping Pte Ltd who have retired from the Members' Committee over the past year.

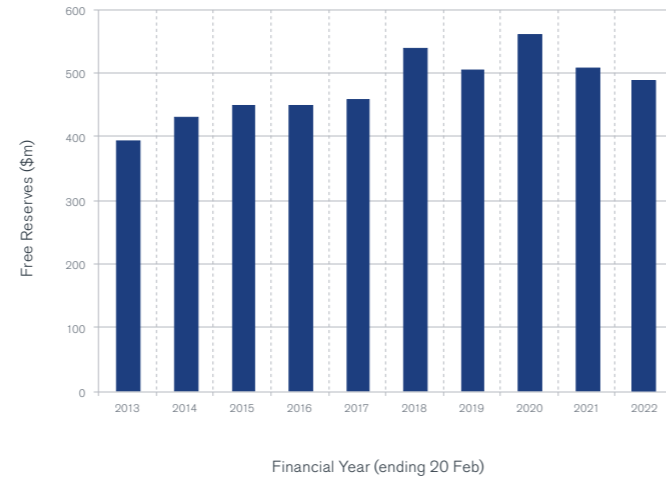
Finally, I would like to thank our managers for their continued dedication to the success of the Club and our Members. The partnerships they form with our Members and their ability and willingness to provide assistance, especially in times of crisis, remains one of the most important and valuable features of our Club.

Nicholas Inglessis
Chairman

Financial Highlights

Free reserves for financial years 2012/13 to 2021/22

Free reserves reduced slightly as investment returns were insufficient to offset underwriting losses. Nevertheless, the Club's capital strength remains among the strongest in the industry.



Combined ratio for financial years 2012/13 to 2021/22 (excluding Mutual Premium Discounts)

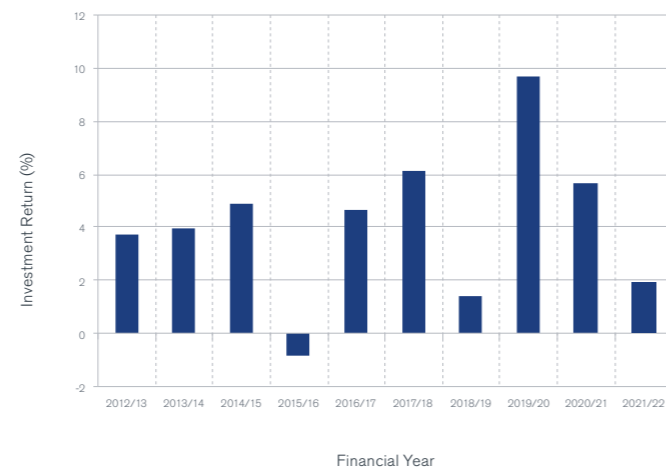
The combined ratio of 115% represents a significant improvement over last year's result and is in line with the Club's longer term improvement plan.



■ Ratio
— Target

Investment return for financial years 2012/13 to 2021/22

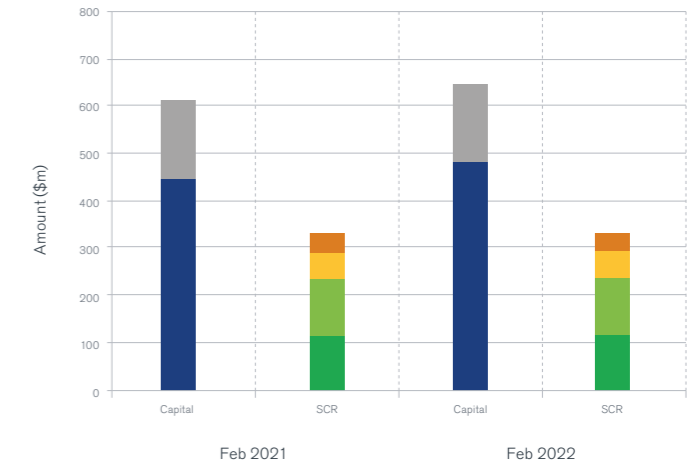
2021/22 began strongly with an economic recovery supported by low interest rates. However the sharp rise in inflation combined with increased geopolitical risks reduced returns at the end of the period.



Group regulatory capital

Despite a reduction in capital the Club comfortably meets all of its regulatory requirements and the highest AAA band of S&P's capital model.

■ Ancillary own funds
■ Basic own funds
■ Operational risk
■ Counterparty default risk
■ Underwriting risk
■ Market risk

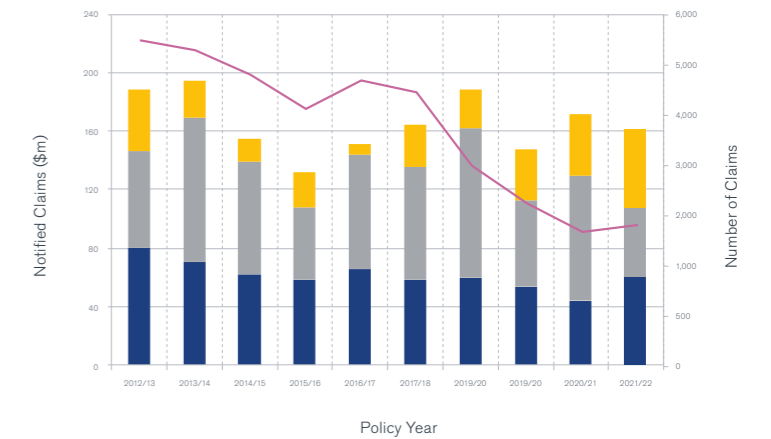


Total net notified claims by size and claims frequency for policy years 2012/13 to 2021/22 at 12 months

As claim frequency has fallen over time, the impact of large claims (i.e. those greater than \$0.5 million) drives the Club's overall performance.

The Club's own large claims experience was positive for 2021/22. However, the IG Pool, saw its worst year ever (net of reinsurance), exceeding last year's record. Attritional claims picked up as a result of Covid-19 claims.

■ Pool
■ Large
■ Attritional
— Frequency



The number by year is represented by the line.
The bars are the cost of claims broken down by the size of claim.

Declared tonnage by policy year 2012/13 to 2021/22

The tonnage declared by the Club to the IG Pool has remained broadly stable over recent years as premium rates within the P&I market have fallen, and the Club has focused on maintaining its underwriting discipline. The growth seen this year is a testament to the strength of the Club's partnerships with its Members.

