Directors' Report & Financial Statements

for the year ended 20th February 2022

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

Contents

Combined ratio

115%

Free reserves

488

Investment return

1.9%

Total ship count

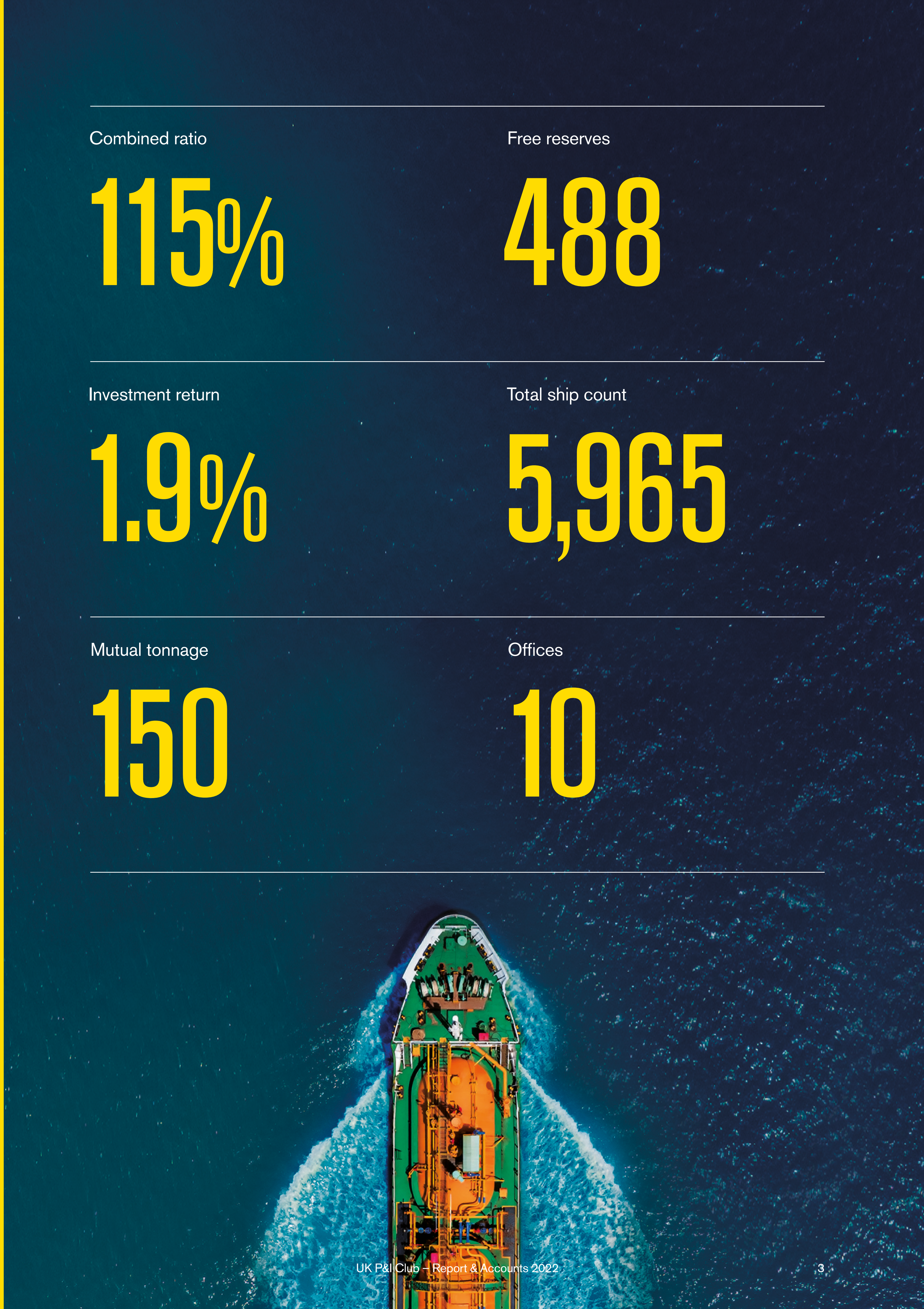
5,965

Mutual tonnage

150

Offices

10



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 US$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.

The strength of the capital position combined with best-in-class service capability are the cornerstones of the Club's overall proposition.

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
27 May 2022

Directors' Report

The Directors have pleasure in presenting their Report and Financial Statements of the UK P&I Club for the year ended 20 February 2022.

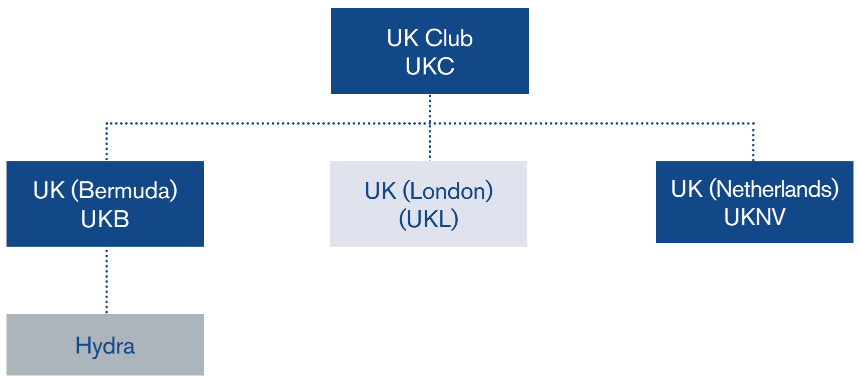
The Club has been protecting its Members from third party liabilities and related claims handling expenses in the form of protection and indemnity (P&I) insurance and other marine covers for over 150 years. It will continue to offer excellent cover, financial security and value for money.

The Club operates from 11 offices worldwide and, when combined with its extensive correspondent network, is able to offer on-the-spot help and local knowledge in over 350 ports. Its expertise in solving Members' problems around the clock and the world underpins the Club's first-class service offering.

The Club places significant importance on its loss prevention and safety initiatives, which are not only beneficial to its Members' operations but also work to protect the lives of thousands of seafarers and passengers worldwide.

Structure

The principal activity of the Club during the year was the insurance and reinsurance of marine protecting and indemnity risks on behalf of its Members. The Club has the following corporate structure.



- **The United Kingdom Mutual Steam Ship Assurance Association Limited (UKC)** writes all of the Club's direct business either directly, through branches in Hong Kong, Singapore and Japan, or via a reinsurance arrangement with UKNV or through a new delegated authority arrangement with Thomas Miller Specialty. UKC was previously known as ***The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited,*** changing its name at the start of the financial year, on 20 February 2021.
- **The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UKB)** reinsures 90% of UKC's business (net of external reinsurances).
- **The United Kingdom Mutual Steam Ship Assurance Association (London) Limited (UKL)** transferred its liabilities to UKC by way of a legal process on 30 December 2020. UKL will be made dormant when regulatory permission is relinquished.
- **UK P&I Club N.V. (UKNV)** was established in order to continue to operate throughout the European Economic Area EEA. UKNV also provides a fronting solution for a number of other mutual insurance companies managed by Thomas Miller. This business is 100% reinsured back to the fronted insurer so that UKNV does not retain any of the risk.
- **Club's Hydra Cell** – The Club owns, together with other members of the International Group (IG), a reinsurance captive in the form of a segregated cell company in Bermuda, Hydra Insurance Company Limited. The Club owns 100% of its own cell and this cell is included in the Club's consolidated financial statements.

Direction and Management

Control over the Club's affairs rests with the Board of Directors, which met on five occasions during the year. The members of the Board are elected by the Members' Committee, the membership of which is in turn elected by the Members of the Club.

The Members' Committee met on three occasions during the year. It provides input to the Board on Member-related matters and in particular, is entrusted with decisions on discretionary claims.

Most of the Directors are active shipowners so are restricted in the amount of time that they can make available to running the Club's affairs. Therefore, the day-to-day running of the Club is delegated to the managers, Thomas Miller P&I Ltd (and Thomas Miller (Bermuda) Ltd for UKB and Thomas Miller BV for UKNV).

The managers, through a network of offices in Europe, Asia and America, form the principal contact between the Club and the Members. In addition to carrying out the policies laid down by the Boards, they also act as a conduit for feedback of the Members' views.

At Board meetings, the Directors receive reports from the managers on all areas of the Club's operations. The Board has established several committees:

- The **Group Audit & Risk Committee** oversees all risk, regulatory and accounting (including internal and external audit) matters worldwide. This committee reviews performance against all financial risk management objectives and policies set by the Board which are discussed in the Directors' Strategic Report and note 4 to the Financial Statements.
- The **Nominations Committee** makes recommendations regarding the appointment of new Directors and the composition of committees and subsidiary boards.
- The **Ship and Membership Quality Committee** advises on the Club's ship inspection and condition survey schemes. It also provides the Board with advice on the criteria used to set the standards for membership of the Club and the direction of the Club's loss prevention and safety initiatives.
- The **Investment Committee** advises the Board on investment strategy and policy. It also monitors the performance of the investment portfolio.
- The **Strategy Committee** advises the Board on strategic issues.

Other committees of the Board may be formed, as needed, in order to review specific issues as delegated by the Board, or to take decisions on behalf of the Board, for instance regarding the operation of the Club's war risks cover where urgent decisions may be required.

Directors' Report

Directors

Chairman and President

N.G. Inglessis
Alberta Shipmanagement Ltd

Deputy Chairmen and Vice-Presidents

R. Chen
Wan Hai Lines Ltd

N.H. Schües
Reederei F. Laeisz GmbH

Y. Higurashi
Nippon Yusen Kaisha

J. Valkier
Anthony Veder Group NV
Appointed 18 October 2021

Other Statutory Directors

S. Beale
Appointed 18 October 2021

M. Butler
Appointed 1 December 2021

N.C. De Silva

R.C. Gillett

A.J. Taylor

Mr N.H.H. Smith resigned on
30 November 2021

Members' Committee

The Members' Committee comprises solely of elected representatives of the Members.

N.G. Inglessis (Chairman)
Alberta Shipmanagement Ltd

L. Audaz
MSC Mediterranean Shipping Company SA

P. Bagh
Oldendorff Carriers GmbH & Co KG

H. Boudia
Hyproc Shipping Company

A. Chao
Foremost Group

R. Chen
Wan Hai Lines Ltd

A. Frangou
Navios Maritime Holdings Inc

H. Fujikawa
MMS Co Ltd, Meiji Shipping Group

K. Fujiwara
ENEOS Ocean Corporation

A.M. Gibson
Royal Caribbean Cruises Ltd

D. Grzebinski
Kirby Corporation

I. Güngen
Güngen Maritime & Trading A/S

A. Hadjipateras
Dorian LPG

N.A. Hadjiyiannis
Hellenic Tankers Co Ltd

C.T. Hajimichael
Tsakos Shipping & Trading SA

P. Hajioannou
Safe Bulkers, Inc

Y. Higurashi
Nippon Yusen Kaisha

E. Louis-Dreyfus
Louis Dreyfus Armateurs SAS

S. Messina
Gruppo Messina SpA

M. Nomikos
AM Nomikos Transworld Maritime Agencies SA

D. Ofer
Zodiac Maritime Limited

P.C. Over
Taylor Maritime (Hong Kong)

S. Paliou
Diana Shipping Inc

M. Pavić
Tankerska plovidba dd

M.H. Ross
Chevron Shipping LLC

N.H. Schües
Reederei F Laeisz GmbH

N. Smedegaard
DFDS A/S

K. Trauth
Shell International Trading and Shipping Company Ltd

Tao Weidong
China COSCO Shipping Corporation Limited

J. Toledo de Souza
Petrobras Transporte S/A - Transpetro

J.M. Valkier
Anthony Veder Group NV

S.N. Vlassopoulos
Ionic Shipping (Management) Inc

Wang Yongxin
China Merchants Energy Shipping Co Ltd

Y.C. Yee
MISC Berhad

R. Zein
Naftomar Shipping and Trading Co Ltd

The following Members resigned from the Members' Committee since the last Annual General Meeting:

Messrs G. Henderson, N. Mukae, K. Takayama, I. Tonkovidov, M. R. Wade.

Directors' Report

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and Financial Statements in accordance with applicable law and regulations.

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 laws, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Club for that period. In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Club's transactions and disclose with reasonable accuracy at any time the financial position of the Club and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Club and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors has effected a Directors' and Officers' Liability Insurance policy to indemnify the Directors and Officers of the Club against loss arising from any claim against them jointly or severally by reason of any wrongful act in their capacity as Directors or Officers of the Club. The cost of the insurance is included in net operating expenses.

Directors' Report

Disclosure of Information to the Auditors

So far as each of the persons who are Directors at the time of this report are aware, there is no relevant audit information of which the Club's auditors are unaware and the Directors confirm that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Club's auditors are 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.

Auditors

The directors have appointed BDO LLP as auditor. BDO LLP has indicated its willingness to continue in office and a resolution will be proposed at the annual general meeting to reappoint BDO LLP as auditor for the next financial year.

Directors' Report Disclosures

The Club's financial instruments comprise its financial investments, cash, and various items arising directly from operations such as insurance and other debtors, technical provisions and creditors. The main risks arising from these financial instruments are credit risk, market risk, and insurance risk. The Club's approach to management of these risks is disclosed in note 4 of the Financial Statements.

Director's Strategic Report

Overall Performance

In the year ended 20 February 2022, the UK P&I Club's free reserves reduced slightly as investment returns were insufficient to offset underwriting losses. The Club recorded a deficit of US$19 million (2021: deficit of US$52 million), reducing the Club's free reserves to US$488 million (2021: US$507 million). Nevertheless, the Club's financial strength remains among the strongest in the industry, with an S&P credit rating of 'A-/Stable' and capital strength of 'AAA' on their capital model.

Underwriting

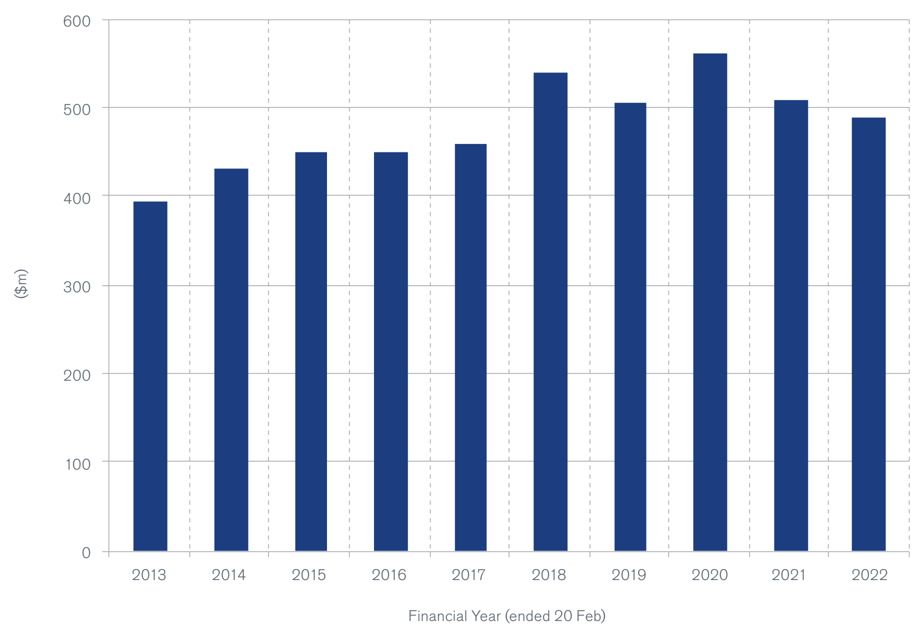
The Club aims to maintain breakeven underwriting over the medium term by calling sufficient premium to cover claims and expenses incurred. Following several years of premium reductions across the market, rates across the sector have fallen too low to meet the Club's breakeven target, leading to adverse combined ratios in recent years.

The combined ratio of 115% reported this year represents a significant improvement over last year's result and is in line with the Club's longer-term plans to address the premium inadequacy. The recent renewal will go some way to addressing the deficit, and the Directors will continue to assess what actions may be required. In seeking fairness amongst mutual Members, the Club's underwriting policies will continue to focus on the risk exposure that each Member brings to the Club.

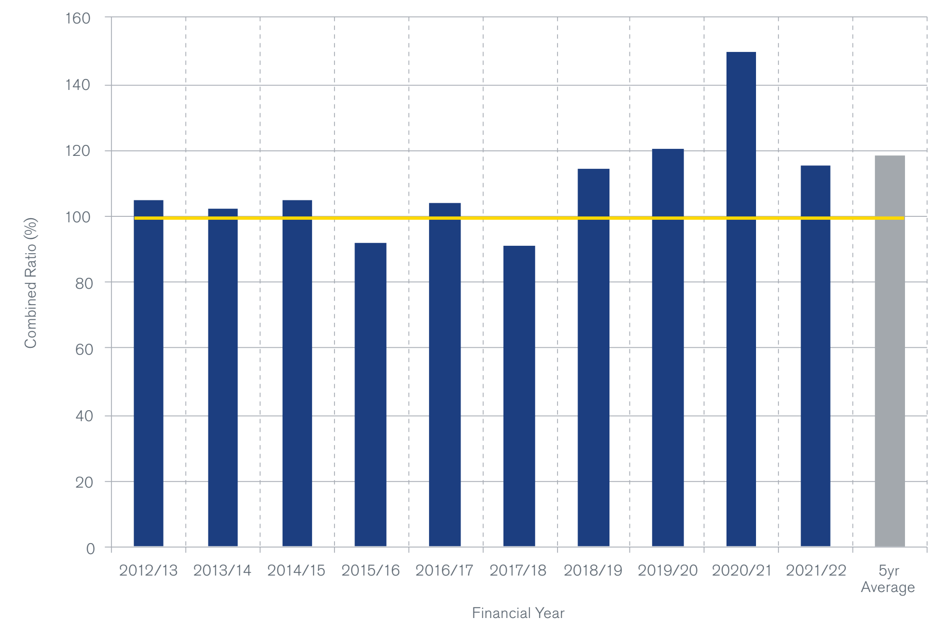
The Club's philosophy is to accept Members from a wide variety of trades and geographical locations, assuming entry criteria are met and appropriate rates for the risk can be agreed. This spread of risk protects the Club from an unexpected change in risk or overexposure to certain trades.

The Club attracts business by offering exceptional cover and service, supported by excellent financial security, at a fair price. The Club will not, however, pursue new business at the expense of financial discipline. The Club has strict underwriting criteria that ensure careful selection of new business.
The total mutual tonnage entered into the Club grew to over 150 million GT at the recent renewal.

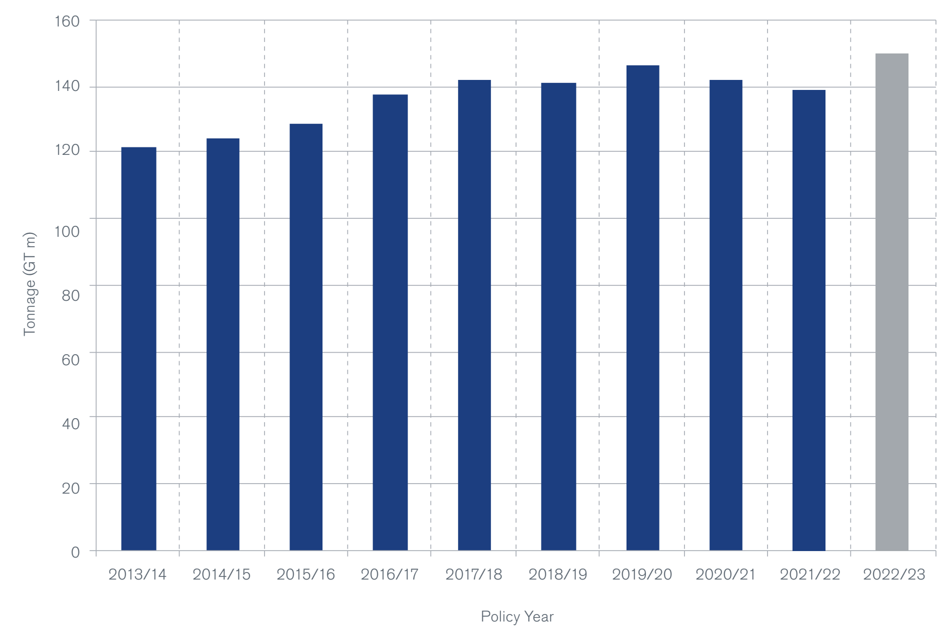
Free reserves for financial years 2012/13 to 2021/22



Combined ratio (excluding Mutual Premium Discounts)



Declared tonnage



Director's Strategic Report

The Club considers a wide variety of information when accepting and pricing each risk. However, a small number of large claims events, which are by their nature difficult to predict, have become a major part of the overall cost of claims incurred by the Club. The risk of large claims is therefore a significant element in the overall risk profile of any individual Member, even those that have not experienced such a claim in the past.

Claims

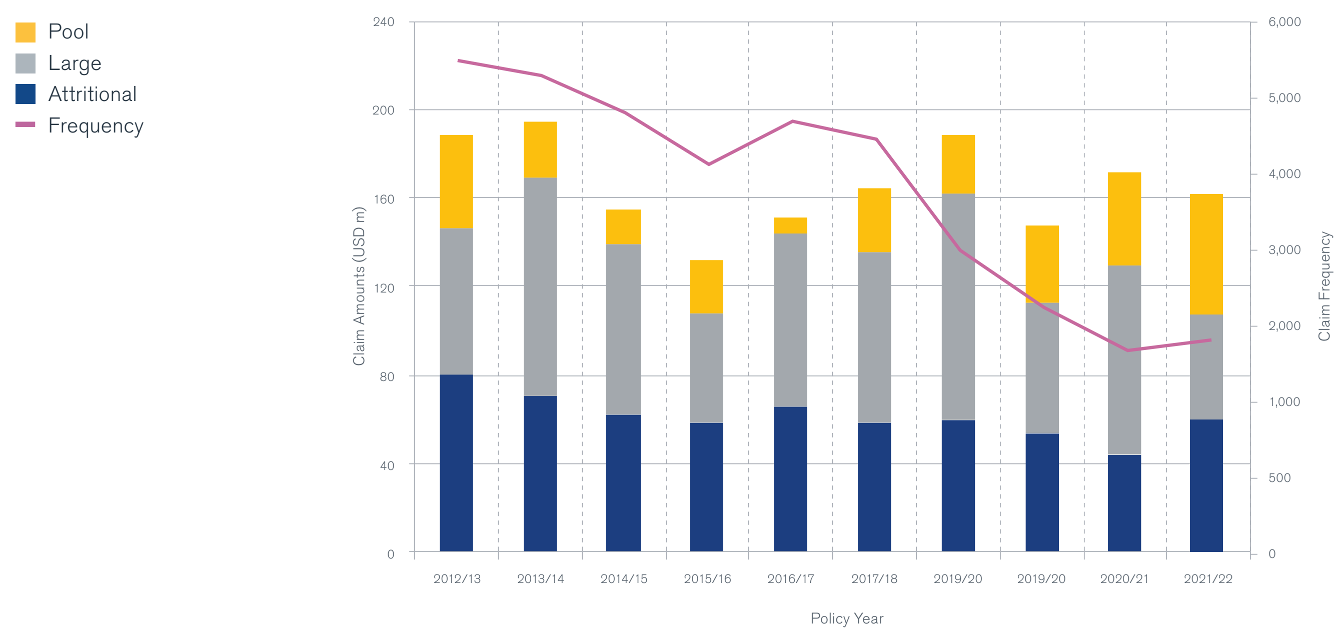
The total cost of attritional claims, being those claims under US$0.5 million, is dependent upon the overall frequency of claims and inflationary pressures on the cost of each claim. Through careful risk selection and safety improvements within the Club's Membership, the number of claims reported to the Club has fallen by 60% over the last 10 years, helping to offset the impact of underlying inflation. The increase in both frequency and severity seen in the current year is entirely due to the Covid-19 related claims described above.

The Club classifies large claims as those greater than US$0.5 million. Large claims are relatively rare, but the Club retains up to US$10 million of any such claim, before it gets shared in the International Group (IG) pool. Consequently, a handful of large claims can have a considerable influence on the total cost of the policy year. For the 2021/22 policy year, the Club benefitted from benign large claims experience.

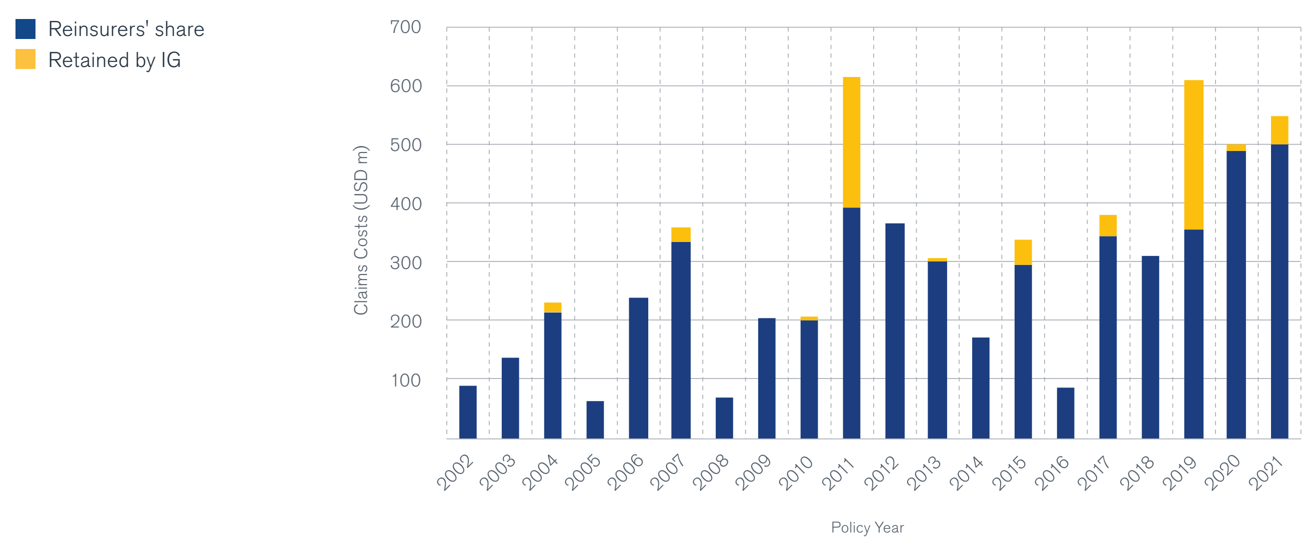
A large claim can also have a significant impact on a Member's business. The support and advice offered by the Club in the event of a major incident is valued by Members, as was demonstrated by the *Ever Given* incident. Providing assurance with fast, accurate and professional advice, when dealing with a significant incident, is central to the Club's offering.

In our industry, claims greater than US$10 million are shared between IG member clubs through the Pooling Agreement. The cost of these claims has grown substantially in recent years and, while the gross 2021/22 policy year costs are not as high as for the previous year, the amounts retained by the IG pool have exceeded even last year's record.

Total net notified claims by size and frequency at 12 months' development



IG Pool claims after 12 month's development (as if 2021/22 RI Programme)



Director's Strategic Report

Investments

During the early part of the year the economic recovery continued against the backdrop of a benign monetary policy. However, low interest rates combined with both the spike in energy prices and supply chain disruptions drove a sharp rise in inflation as the year progressed. This led to declines across bond markets as central banks began to tighten monetary policy. Markets fell at the start of 2022 as investors prepared for a turn in the monetary policy cycle and geopolitical risks increased. Overall, the Club's investment return of 1.9% was respectable under the circumstances.

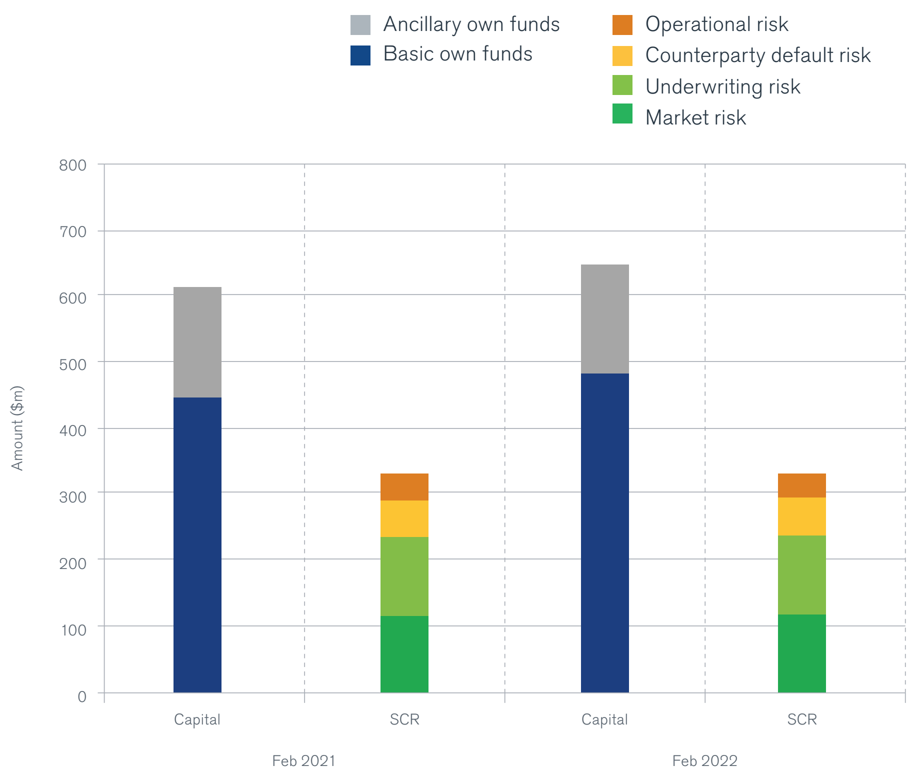
The backdrop of high inflation and softening economic growth, combined with the current geopolitical risks will have an impact on future investment returns which are likely to be lower than those seen in recent years. Nevertheless, the Club's financial strength allows it to be a long-term investor and, while it remains responsive to shorter-term market dynamics, its investment strategy reflects that long-term approach. The Club will continue to hold a diversified portfolio designed to be consistent with its risk tolerance, capital & regulatory constraints, expected liabilities and credit rating agency requirements.

Capital

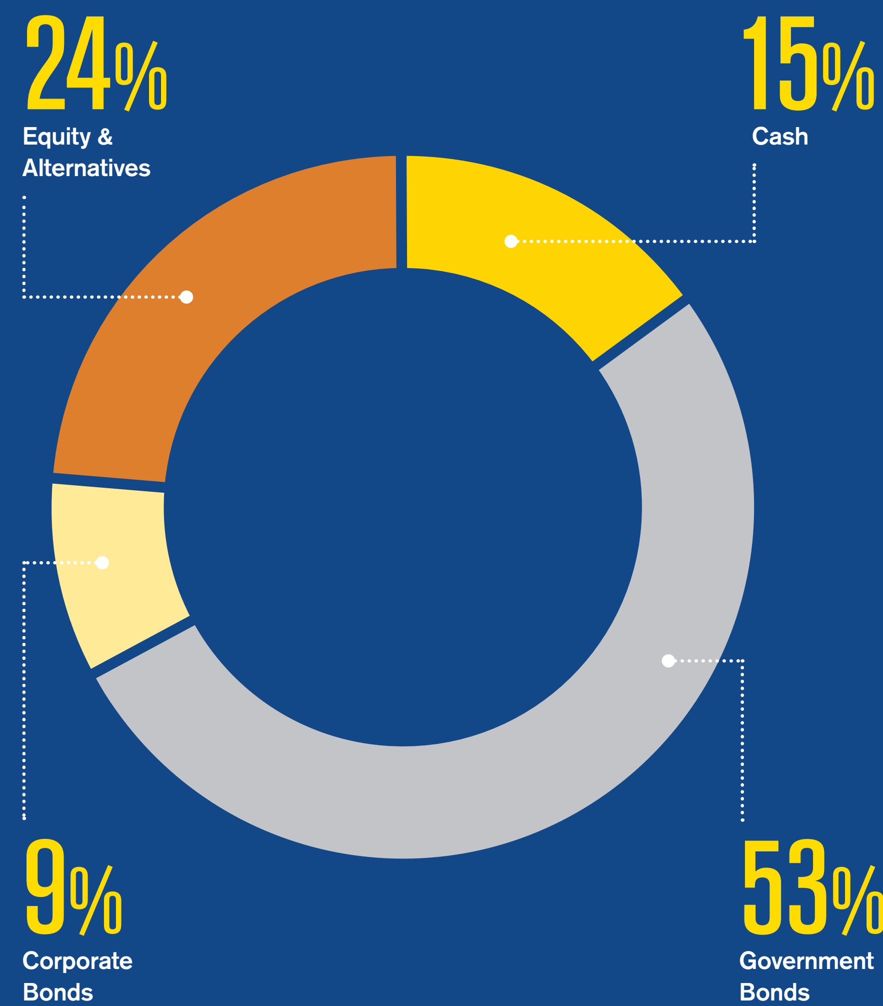
The Club has a strong capital position with free reserves of US$488 million. The Club aims to hold sufficient capital to provide Members with first-class security without holding excessive amounts. As such, the Club's key objectives are to maintain its rating from S&P within the 'A' range and retain sufficient capital to meet its regulatory requirements in all jurisdictions. The Club's capital continues to exceed the AAA threshold of the S&P capital model. The Club's credit rating of 'A-/Stable' was most recently confirmed by S&P in December 2021.

The Club's key regulatory capital requirement is Solvency II's Solvency Capital Requirement (SCR). Rather than use the standard formula to calculate the Club's SCR, the Club uses its own sophisticated internal model, which better reflects the Club's risks and avoids having to hold unnecessary levels of Members' capital.

Group regulatory capital



Investment Allocation as at 20th February 2022



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

Director's Strategic Report

The model is also an important risk management tool which helps the Club to manage its risks and capital over the medium term.

The Club's regulatory capital coverage is shown in the chart on page 16 which illustrates its SCR, broken down into key risk categories. For information see the Club's Solvency and Financial Condition Report, which is available on the Club's website.

Risk Management

The UK Club has a comprehensive risk management framework for risk identification, assessment, selection and management. This includes the identification of emerging risks including those related to climate change such as direct insurance risks, indirect transitional risks (such as the move to low-sulphur fuels or decarbonisation) and investment risks.

The Club's principal risks are:

- **Underwriting risk:** the risk that the Club makes a loss on its insurance contracts – either because they were incorrectly priced or that claims experience was worse than expected.
- **Market risk:** the risk that the Club's investment return is below expectations due to unexpected market movements such as changes in equity prices, interest rates and foreign exchange rates.

These risks account for the majority of the Club's regulatory capital requirements as shown above. The Club's experience, during the year, in each of these key areas is discussed in earlier sections of this report.

The Club's understanding of risk is integrated into its decision-making process through the Own Risk and Solvency Assessment (ORSA) process which incorporates both qualitative and quantitative analyses through scenario testing and other stochastic methods. The Club continues to develop its analytical capabilities to assist with managing risk and key elements of its risk management framework are its approved internal model and comprehensive reinsurance programme.

The most significant risk facing the Club is underwriting risk, and a key tool for mitigating this is reinsurance. As a member of the International Group of P&I Clubs (IG), the Club participates in the IG's Pooling Agreement and its reinsurance programme. These provide cover for claims costs greater than US$10 million. Details of the programme are available on the IG's website and the structure is unchanged from last year.

Loss Prevention

The Club is committed to safety. Its loss prevention programme – the most extensive in the industry – aims to counter rising claims and maintain quality amongst Members. The Club's offering incorporates aviation-standard human-element training, on-board safety assessments, reflective learning training routines and crew training seminars. The UK Club prides itself on its exclusive pre-employment medical exam programme, which in 2021 celebrated 25 years in operation.

The UK P&I Club's loss prevention team has long been proud of its outreach and service to Members, particularly the frequent face-to-face engagement with shore staff and seafarers. Due to restrictions in travel caused by Covid-19, and to keep Members and importantly their crew sufficiently connected and informed during these particularly tough times, the Club continued to host monthly live loss prevention training webinars. These webinars have attracted significant delegate numbers to date with more than 20,000 participants over the last two years.

In September 2021, the managers published 'Maritime Team Dynamics: Lessons from the Flight Deck'. The book launch, which was a hybrid event, took place in London during the London International Shipping Week. The publication contains 12 aviation incidents that cross-refer to the maritime sector, highlighting important and transferable lessons from aircraft flight decks.

A discussion of these lessons follows each case study, emphasising important teamwork practices such as clear communication, situational awareness and the need for a shared mental model between all members of the bridge team.

The Club continues to publish 'Lessons Learnt' animated training videos. The latest content has focused on incidents including a fall in a cargo hold, serious injury to a crew member during fresh water steriliser and a soon-to-be-released video on an enclosed-space casualty. The videos continue to be well received across the industry, being incorporated into Members' training programmes and available to view from multiple training platforms. The videos are available with Mandarin, Japanese and Spanish subtitles. In 2021, the videos were viewed on the UK Club's website over 15,000 times.

The Club continues to support the 'Together in Safety' initiative which aims to bring a step change to safety across shipping. The Club is a founding member of the initiative, which has a core objective to protect seafarers' lives while delivering improved business efficiency and commercial effectiveness, fundamental to shipping's future success.

Director's Strategic Report

Sustainability and Corporate Social Responsibility

The Club's Directors and managers recognise the need to ensure that the Club's impact is sustainable and that the Club is operated responsibly and in alignment with universal sustainability principles. The Club has therefore appointed a Sustainability Director, who is responsible for developing and driving the Club's sustainability programme and embedding it into all business areas. The Club has also put in place sustainability governance, including a Sustainability Impact Group tasked with implementing and informing the Club's sustainability policy and pursuing the Club's sustainability objectives, and a Sustainability Steering Group tasked with ensuring that the Club's sustainability strategy and objectives remain aligned with the Club's wider strategy and objectives.

The UK Club recognises the value of being a good corporate citizen. This is demonstrated in the way the Club conducts its business operations, provides services to Members and in the initiatives undertaken to make the business of shipping safer, less polluting and more sustainable for those who are involved in the shipping industry. The Club is fully managed by Thomas Miller and consequently its corporate citizenship goals are reflected by those of its managers. Thomas Miller's Corporate Social Responsibility programme, 'Be The Difference', provides an opportunity for its employees to play their part in the community. In addition, the Club made charitable donations of US$0.12 million during the year; none were to political parties.

Director's Strategic Report

Sustainability Reporting

The managers have also been working on the Club's first Sustainability Report, due to be published later in 2022, which will set out further details of the Club's current impact and future plans in this area. The Club is in the process of becoming a signatory of the UN Global Compact and the managers have been assessing the Club's impact across a wide range of the Club's activities, with reference to the UN Sustainable Development Goals ('SDGs'). The Sustainability Report will set out further details.

Streamlined Energy and Carbon Reporting (SECR)

As the Club's core management and business activities are outsourced to Thomas Miller, and the UK Club itself uses less than 40,000 kwh per year, SECR is therefore carried out at Thomas Miller level. For these reasons, the directors have not included information in relation to the Club's energy and carbon usage.

Taskforce for Climate-related Financial Disclosures (TCFD)

The Club continues to integrate climate-related risks into its existing risk management framework. Work has begun on the Club's first TCFD report, which will sit alongside the Club's Sustainability Report and set out further details of the Club's assessment and management of climate-related risks.

Other Regulatory Matters

Section 172 Statement

In accordance with Section 172 of the UK Companies Act, the Directors' key responsibility is to promote the success of the UK P&I Club. This principle is embodied in the Board's terms of reference, which is reviewed annually. Each Director is cognisant that in discharging this responsibility, they must have regard to:

- the need to foster business relationships with Members, suppliers and others
- the need to act fairly as between Members of the Club
- the likely consequences of any decisions in the long term
- the interests of the Club's staff
- the impact of the Club's operations on the community and environment
- the need to maintain a reputation for high standards of business conduct.

As a mutual, the UK Club exists for the benefit of its Members, who are both mutual policyholders and owners of the Club. The Club's 150+ year history and its focus on long-term partnerships means that there is a natural alignment with its other key stakeholders such as its manager Thomas Miller, other policyholders, brokers, reinsurers and regulators. The Club maintains a regular dialogue with all of these stakeholders to maintain these strong relationships.

The Club considers the long-term consequences of its decisions as part of its Own Risk and Solvency Assessment process. A key element of the Club's strategy is to provide a financially stable platform, from which to provide risk management and loss prevention services to the shipping industry.

Achieving that objective involves decisions on underwriting, in particular the target premium requirements for the Club; reinsurance; capital management; and investments. The considerations listed above form the cornerstone of discussions and decision making, supported by the Club's governance structure. In particular, the Members' Committee, which represents the wider Member base and appoints the Board, is a core part of the governance specifically aimed at ensuring wider views are considered and all the Club's Members are treated fairly.

Employee Matters

As the Club's executive function is performed by independent professional managers, there are no employee matters to report.

Bribery and Corruption

The Club has a zero-tolerance approach to acts of bribery and corruption. To manage bribery and corruption risks, the Club operates a robust risk management framework.

Modern Slavery

The Club has a zero-tolerance approach to modern slavery and human trafficking and is also committed to acting ethically and with integrity in all its business dealings and relationships to ensure modern slavery is not taking place in its own business nor in any of the supply chains it operates. The Club commits to the highest professional standards and complies with all laws and regulations applicable to the business. The selection and management of suppliers, including service evaluation and review, are governed by procurement policies. Recruitment methods and standards for potential suppliers are articulated in those policies.

Industry Issues

The Directors considered reports on several industry issues in 2021, including the imposition of international sanctions; proposals by California to introduce punitive levels of pollution fines; changes to the International Group of P&I Club's (IG) coverage with respect to smuggling fines, shipping issues arising from the pandemic, reinsurance coverage for Maritime Labour Convention risk and support for the Gulf of Guinea declaration on the suppression of piracy.

Following the year end, the Board has considered the impact of the Russian conflict with Ukraine. In March 2022, the Board resolved to terminate cover with all Russian flagged or beneficially owned fleets. The Board has also considered the issues resulting from sanctions imposed upon Russia.

The Board and Members' Committee also received a report on activities of IG subcommittees and working groups, attended and in some cases led by the managers, where numerous legal, regulatory, technical and insurance aspects of shipowners' liabilities are addressed and solutions found. There is great benefit to shipowners in the ability of the IG clubs to bring a combined focus on liability issues, appropriately reflected in the IG's motto 'Collectively Stronger'.

As usual, the Club's website was kept up to date providing information to Members, with a range of publications, circulars, legal updates, and loss prevention bulletins.

Director's Strategic Report

Looking to the Future

The Club is well positioned to meet the challenges and exploit the opportunities of the future. The Club's capital position is among the best in the industry providing the necessary financial resilience even in the most extreme scenarios. The Club's leading brand and service proposition provide the assurance of professionalism and expertise. The Club's people bring a wealth of experience to support Members through all eventualities. These elements are attractive to the shipping community as evidenced through the last renewal process.

A key element of the Club's plan is the integration of modern technologies, changing the way it interacts with Members and the ways in which it operates and provides the first-class service that Members expect.

The Club will continue to improve its ability to work with Members to prevent or mitigate the impact of losses. Improving safety at sea, early warning systems and crisis response is of vital importance to Members and all those working or travelling on board ships.

The Club will seek to form strong long-term partnerships with Members. The Club will focus on understanding the needs of each Member and meet these needs through exceptional service and innovative solutions.

Approved by the Board of Directors and signed on behalf of the Board.

K. P. Halpenny
Company Secretary
27 May 2022

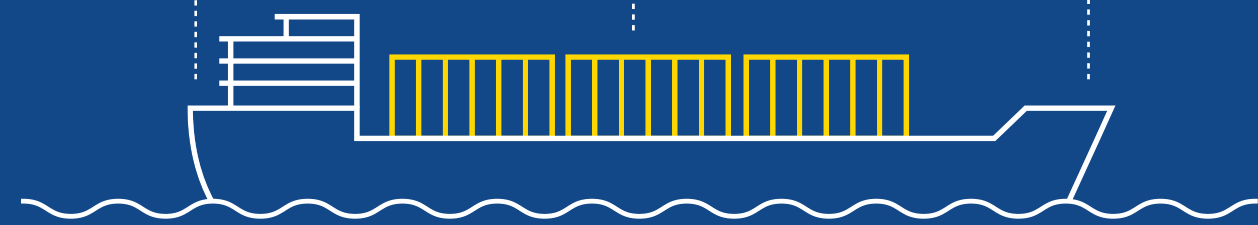
Fleet Profile

Owned fleet – figures as at 20th February 2022

4,241
Ship Count (Ships above 1,500 GT)

150m+
Tonnage declared to IG in April 2021

5,965
Total Ship Count



Sector by share of total gt (ships above 1,500 gt)

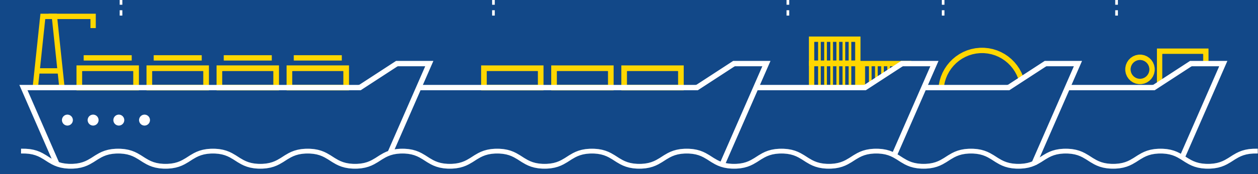
34% Bulk carrier

27% Tanker

15% Container

13% Gas carrier

12% Other



Geographic regions

9% Americas

41% Asia Pacific

50% Europe, Middle East & Africa

Our Global Network

On-the-spot help and local expertise
is always available to Members

Independent Auditor's Report to the Members of The United Kingdom Mutual Steam Ship Assurance Association Limited ('The Club')

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Club's and the Parent Company's affairs as at 20 February 2022 and of the Club's deficit for the 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 The United Kingdom Mutual Steam Ship Assurance Association Limited (the "Parent Company" and its subsidiaries (the "Club")) for the year ended 20 February 2022 which comprise the Consolidated Statement of Income and Expenditure, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes 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 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 Group Audit & Risk Committee.

Independence

Following the recommendation of the Group Audit & Risk Committee, we were appointed by the Board of Directors on 19 December 1998 to audit the financial statements for the year ending 20 February 1999 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 24 years, covering the years ending 20 February 1999 to 20 February 2022. We remain independent of the Club 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 Club or the Parent Company.

Independent Auditor's Report to the Members of The United Kingdom Mutual Steam Ship Assurance Association Limited ('The Club')

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 Club'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 reviewing the results of the stress testing.
- Assessing the Club's 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 Club's ability to continue as a going concern.
- Consideration 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.
- Review of the outturn of previous forecasts and challenge of the Club's current plans and budgets through an assessment of the 2023 budget against the audited 2022 results.
- Review of the Club's assessment of the risks relating to climate change and assessment of potential impact on the Club's financial position and forecasts.
- Review of the Club's assessment of the Ukraine conflict and consideration of the impact on the Club's business going forward.

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 Club'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.

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

Independent Auditor's Report to the Members of The United Kingdom Mutual Steam Ship Assurance Association Limited ('The Club')

Overview

Coverage

100% (2021: 100%) of Club deficit before tax

100% (2021: 100%) of Club earned premium

100% (2021: 100%) of Club total assets

Key audit matters

	2022	2021
Valuation of Technical Provisions	✓	✓

Materiality

Club financial statements as a whole

$9.8m (2021: $9.5m) based on 2% (2021: 2%) of Net Assets.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Club and its environment, including the Club'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.

The Club is made up of three significant components and three non-significant components. For all significant components the Club's audit team carried out a full scope audit except for one significant component in the Netherlands. For one of the non-significant components a full scope audit was performed upon the request of those charged with governance, specified audit procedures were performed on another and an analytical review was performed on the final non-significant component. All procedures on non-significant components were carried out by the Club audit team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Club financial statements as a whole. Our involvement with component auditors included the following:

- Some audit staff that formed part of the Club audit team were subcontracted to the component audit team based in the Netherlands;
- The component auditors used the Club audit firm's actuaries as auditor's expert in reviewing technical provisions;
- The Club audit team instructed the component audit team as to the significant areas to be covered, including the relevant risks and the information to be reported back;
- Review of the component audit team's audit work by the Club audit team; and
- Regular virtual meetings with the component auditors including local management. At these meetings, the status of the audit including findings were discussed.

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 to the Members of The United Kingdom Mutual Steam Ship Assurance Association Limited ('The Club')

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation and Cut-Off of Technical Provisions and reinsurers' share of technical provisions (Notes 2.5 Claims, 3.1 The ultimate liability arising from claims made under insurance contracts and 10 Technical Provisions) 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. As per note 10 and accountancy policy 2.5, the Club's financial statements record gross technical provisions of US$1,275.3m (2021: US$1,289.0m), and net technical provisions of US$748.2m (2021: US$846.0m). This is made up of individual case estimates and claims incurred but not yet reported ('IBNR'). 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. Furthermore claim estimates are inherently uncertain and rely on: The expertise of the claims handlers and the application of their judgement in the valuation of case reserves. 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 Club's assessment of IBNR. The Club has a range of reinsurance placement, incorporating group quota share, International Group pool excess of loss, non-pool cover and facultative covers. The 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 Club's results and because of the degree of assumptions and estimation underpinning the determination of the technical provisions, which can be highly subjective.	We performed the following: **Valuation of IBNR:** - Reconciled key actuarial inputs used in actuarial models to underwriting and accounting records. - Through the use of our internal actuarial experts we assessed the appropriateness of the methodology, significant judgements and assumptions applied by the Club's actuarial team. - 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 IBNR 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 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. **Cut-off of Case Reserves:** - Agreed material 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:** - Recomputed recoveries on the Club's 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. **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.

Independent Auditor's Report to the Members of The United Kingdom Mutual Steam Ship Assurance Association Limited ('The Club')

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:

	Club financial statements		**Parent company financial statements**	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Materiality	9.8	9.5	5.6	5.5
Basis for determining materiality	2% of Net Assets		2% of Gross Earned Premium	
Rationale for the benchmark applied	We consider this to be the most relevant benchmark for the Club as its ability to pay claims is the key factor for the users of the financial statements.		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, gross earned premium is determined to be a relevant benchmark on which to base materiality.	
Performance materiality	6.4	6.2	3.6	3.8
Basis for determining performance materiality	65% of financial statement materiality based on history of errors, management's attitude towards proposed adjustments and accounts subject to estimation.			

Specific materiality

We also determined that for line items not affected by the Parent 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 for the Parent of $3.6m (2021: $3.4m) was set. We determined materiality for these items based on 2% of Net Assets (2021: 2% of Net Assets). We further applied a performance materiality level of $2.34m (2021: $2.21m) being 65% (2021: 65%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for each component based on an assessment at component level. We assessed the aggregate component materiality compared with Club materiality to ensure this did not exceed the relevant multiple of Club materiality. Component materiality ranged from $0.11m to $5.6m. (2021 $0.21m to $6m). In the audit of each component, we further applied performance materiality levels of 65% to 70% (2021 65% to 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Independent Auditor's Report to the Members of The United Kingdom Mutual Steam Ship Assurance Association Limited ('The Club')

Reporting threshold

We agreed with the Group Audit & Risk Committee that we would report to them all individual audit differences in excess of $280k (2021: $275k). 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 Directors' Report & Financial Statements 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 Club 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 to the Members of The United Kingdom Mutual Steam Ship Assurance Association Limited ('The Club')

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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 Club'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 Club 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:

- Obtaining an understanding of the legal and regulatory framework applicable to the Club's operations. 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 financial statement disclosures to underlying supporting documentation;
- Assessed the susceptibility of the financial statements to material misstatement including fraud and identified the fraud risk areas to be the 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 appropriateness of journal entries which met a specific defined criteria by agreeing to supporting documentation;
- Enquiries of management and those charged with governance to ascertain if there has been any actual or suspected fraud;
- Review of minutes of board meetings throughout the period;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the PRA and FCA;
- Review of the Club's Own Risk and Solvency Assessment; 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.

Independent Auditor's Report to the Members of The United Kingdom Mutual Steam Ship Assurance Association Limited ('The Club')

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.

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
28 May 2022

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

Financial Statements

Consolidated Statement of Income and Expenditure

For the year ended 20th February 2022

Technical Account			
Amounts in US$000s	**Notes**	**2022**	**2021**
Income			
Gross premium earned	12	336,044	286,376
Outward reinsurance premiums	12	(106,331)	(76,624)
Net earned premium		229,713	209,752
Other insurance income		3,632	1,647
Investment return transferred from the non-technical account	13	19,576	53,434
Total income		**252,921**	**264,833**
Expenses			
Net claims paid	10	(246,910)	(241,029)
Change in provision for claims	10	29,242	(31,477)
Net claims incurred		(217,668)	(272,506)
Net operating expenses	14	(50,826)	(43,843)
Total expenses		**(268,494)**	**(316,349)**
Balance on technical account		**(15,573)**	**(51,516)**

Non-Technical Account			
Amounts in US$000s	**Notes**	**2022**	**2021**
Balance on technical account		(15,573)	(51,516)
Net investment income	13	19,576	53,434
Investment return transferred to the technical account		(19,576)	(53,434)
Exceptional gain/(loss)	18	(4,165)	–
Net surplus/(deficit) before taxation		**(19,738)**	**(51,516)**
Taxation	15	646	(280)
Total comprehensive income/(loss) after tax		**(19,092)**	**(51,796)**

Consolidated Statement of Financial Position

As at 20th February 2022

Amounts in US$000s	**Notes**	**2022**	**2021**
Assets			
Financial investments	6	985,041	1,049,800
Derivative financial instruments	7	3,440	9,122
Reinsurers' share of technical provisions	10	527,041	442,989
Debtors	8	110,983	98,813
Cash and cash equivalents	9	185,144	238,709
Current income tax credit		2,807	1,091
Accrued interest		1,433	1,468
Total assets		**1,815,889**	**1,841,992**
Reserves and liabilities			
Capital and reserves attributable to members			
Income and expenditure account		(488,066)	(507,158)
Other reserves		(240)	(240)
Total reserves		**(488,306)**	**(507,398)**
Liabilities			
Technical provisions	10	(1,275,256)	(1,288,949)
Derivative financial instruments	7	(3,364)	(9,470)
Creditors	11	(48,963)	(36,175)
Total liabilities		**(1,327,583)**	**(1,334,594)**
Total reserves and liabilities		**(1,815,889)**	**(1,841,992)**

The accompanying Notes are an integral part of the financial statements.

The consolidated financial statements were approved by the Board of Directors on 27 May 2022 and were signed on its behalf by:

N. Inglessis
Chairman

N.H. Schües
Director

A.J. Taylor
Chief Executive

Companies House number: **00022215**

Parent Company Statement of Financial Position

As at 20th February 2022

Amounts in US$000s	Notes	2022	2021
Assets			
Investment in subsidiaries	16	72,639	68,507
Financial investments	6	37,800	79,540
Reinsurers' share of technical provisions	10	1,113,017	1,183,384
Debtors	8	92,772	73,587
Cash and cash equivalents	9	78,877	67,814
Current income tax		1,960	1,589
Accrued interest		16	16
Total assets		**1,397,081**	**1,474,437**
Reserves and liabilities			
Capital and reserves attributable to members			
Income and expenditure account		(72,689)	(79,303)
Other reserves		(129,179)	(130,679)
Total reserves		**(201,868)**	**(209,982)**
Liabilities			
Technical provision	10	(1,176,072)	(1,256,134)
Creditors	11	(19,141)	(8,321)
Total liabilities		**(1,195,213)**	**(1,264,455)**
Total reserves and liabilities		**(1,397,081)**	**(1,474,437)**

The parent company made a loss of $6.6m (2021: loss of $14.2m) on ordinary activities after tax for the year ended 20th February 2022.

The Club has taken exemption under Section 408 of the Companies' Act from preparing a Parent Company Statement of Income and Expenditure.

The parent company financial position was approved by the Board of Directors on 27 May 2022 and was signed on its behalf by:

N. Inglessis
Chairman

N.H. Schües
Director

A.J. Taylor
Chief Executive

Companies House number: **00022215**

Consolidated Statement of Changes in Equity

For the year ended 20th February 2022

	Attributable to members		
Amounts in US$000s	**Free reserves**	**Other reserves**	**Total**
Balance at 20th February 2020	**558,954**	**240**	**559,194**
Total Comprehensive income for the year	(51,796)	-	(51,796)
Balance at 20th February 2021	**507,158**	**240**	**507,398**
Total Comprehensive income for the year	(19,092)	-	(19,092)
Balance at 20th February 2022	**488,066**	**240**	**488,306**

Parent Company Statement of Changes in Equity

For the year ended 20th February 2022

	Attributable to members		
Amounts in US$000s	**Free reserves**	**Other reserves**	**Total**
Balance at 20th February 2020	**93,526**	**130,679**	**224,205**
Surplus (deficit) for the year	(14,223)	-	(14,223)
Balance at 20th February 2021	**79,303**	**130,679**	**209,982**
Surplus (deficit) for the year	(6,614)	-	(6,614)
Capital transfer	-	(1,500)	(1,500)
Balance at 20th February 2022	**72,689**	**129,179**	**201,868**

Consolidated Statement of Cash Flows

For the year ended 20th February 2022

Amounts in US$000s	Notes	2022	2021
Operating activities			
Calls and premiums received		349,351	293,940
Receipts from reinsurance recoveries		48,139	(701)
Interest and dividends received		11,953	13,069
		409,443	**306,308**
Claims paid		(297,053)	(245,655)
Acquisition costs and operating expenses paid		(56,676)	(43,189)
Reinsurance premiums paid		(112,524)	(73,147)
Exceptional item		(68,430)	–
Taxation paid		(1,070)	(1,793)
		(535,753)	**(363,784)**
Net cash generated/(used) in operating activities		**(126,310)**	**(57,476)**
Investing activities			
Purchase of investments		(711,411)	(493,358)
Sale of investments		784,363	643,148
Net cash generated/(used) in operating activities		**72,952**	**149,790**
Net increase/(decrease) in cash and cash equivalents		(53,358)	92,314
Effect of exchange rate fluctuations on cash and cash equivalents		(207)	(442)
Cash and cash equivalents at the beginning of the year	9	238,709	146,837
Cash and cash equivalents at the end of the year	**9**	**185,144**	**238,709**

The accompanying Notes are an integral part of the financial statements.

Notes to the Financial Statements

1. General Information

The United Kingdom Mutual Steam Ship Assurance Association Limited ("the Club") is incorporated in United Kingdom as a company limited by guarantee and having a statutory reserve but not share capital. It is controlled by the Members who are also the insured policy holders.

The Club's registered address is 90 Fenchurch Street, London, EC3M 4ST United Kingdom and company number is 00022215.

The principal activities of the Club are the insurance and reinsurance of marine protection and indemnity risks on behalf of the Members. The liability of the Members is limited to the calls and supplementary premiums set by the Directors and, in the event of its liquidation, any net assets of the Club (including the Statutory Reserve) are to be returned equitably to those Members insured by it during the final five underwriting years.

These consolidated financial statements have been authorised for issue by the Board of Directors on 27 May 2022.

2. Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

2.1. Accounting disclosures

The financial statements are prepared on an annual basis under the historical cost convention as modified to include certain items at fair value, and in accordance with Financial Reporting Standard ("FRS") 102 – Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and FRS 103 – Insurance contracts issued by the Financial Reporting Council and in conformity of the requirements of the Companies Act 2006.

The financial statements have been prepared under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance groups.

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

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Club and its subsidiary undertakings (per Note 16) drawn up to 20 February each year. Intra-group transactions, balances and gains and losses on intra-group transactions are eliminated upon consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Club.

The Club accounts for its investment in Hydra as a special purpose entity. Hydra is registered in Bermuda as a segregated accounts Company under the Segregated Accounts Companies Act 2000, and reinsures International Group Clubs for a proportion of the Pooled risk not covered by the International Group Reinsurance Programme. Each Club has its own segregated cell, wholly owned and funded by share capital, contributed surplus and premium income from the "owning" Club, although the cells are not in themselves separate legal entities. The liabilities of each segregated cell are several and not joint; the assets of each cell may only be used to satisfy the liabilities of that cell and/or the "owning" Club."

Notes to the Financial Statements

For the year ended 20th February 2022

2.2. Foreign currencies

Functional currency presentation

Items included in the financial statements of the Club's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). This is considered to be US Dollar and has been selected on the basis that materially all of the Club's claims and expenses are paid in US Dollar, and the Club's main reinsurance contract with UKB (the Club's Bermudan subsidiary) is denominated in US Dollar.

Transactions and balances

Revenue transactions in foreign currencies have been translated into US Dollar at rates revised at monthly intervals. Foreign currency assets and liabilities are translated into US Dollar at the rates of exchange ruling at the end of the reporting period. All exchange gains and losses, whether realised or unrealised, are included in the non-technical account.

2.3. Gross premiums

Calls and premiums, including fronted business are presented net of return premiums and gross of commissions in the income statement. Where applicable, calls and premiums written during the financial year are earned as revenue on pro-rata basis over the period of cover provided from inception to expiry. Amounts relating to periods after the year end are treated as unearned and included within liabilities in the statement of financial position.

2.4. Outward reinsurance premiums

As discussed in note 4.1 on underwriting risk management, the Club uses reinsurance to mitigate its exposure. Outward reinsurance premiums are the total payable in respect of excess of loss and quota share reinsurances for the period to which the relevant contracts relate.

Quota share reinsurance premiums with UKB are subject to an overriding commission in the form of an agreed discount, the rate of which is agreed for each policy year with UKB. The agreed discount is recognised in the Parent financial statements when corresponding reinsurance premiums are recognised.

The Club fronts on behalf of a number of mutual insurance companies managed by Thomas Miller (the Club's manager). This business is 100% reinsured back to the fronted company, so that the Club does not retain any of the insurance risk.

2.5. Claims

These are the legal costs and expenses of the policyholders covered by the Club. They include all claims incurred during the year, whether paid, estimated or unreported, together with internal claims, management costs and future claims management costs and adjustments for claims outstanding from previous years. Note that they do not include third party liabilities, although the Club may sometimes pay such liabilities initially and recover the amounts at a later date. The Club has the ability to issue guarantees on behalf of Members; where these are in respect of covered claims they are included in the technical provisions otherwise amounts claimed under the guarantee would be recovered from the member.

Reinsurance recoveries represent recoveries made and due in respect of claims paid by the Club in the year. They include amounts recoverable under the Pooling Agreement and market reinsurance contracts.

Provision for outstanding claims

This provision represents the estimated cost of settling all claims (including internal and external claims settlement costs) arising from events which have occurred up to the date of the Statement of Financial Position. This includes a provision for claims incurred but not yet reported ("IBNR").

Gross outstanding claims are reported net of salvage and subrogation.

2.6. Financial investments

The Club only invests in assets for which risks can be identified, monitored, controlled and reported. It has applied the requirements of FRS 102 sections 11 and 12 to the measurement, presentation, and disclosure of its financial assets. Investments in short-term deposit funds and the foreign exchange security deposit are designated in the Statement of Financial Position at fair value through profit and loss. Fair value is calculated using the bid price at the close of business on the Statement of Financial Position date.

The Club is required to categorise each asset under three distinct levels of hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

2.7. Investment return

This comprises income received during the year adjusted in respect of interest receivable at the year end, and profits and losses on the sale of investments and gains and losses on closed forward currency contracts.

The unrealised gains and losses on the movement in the fair value of the investments are included in the non-technical account.

2.8. Derivative financial instruments

The Club uses forward currency contracts to hedge the foreign exchange risks that it is exposed to as a result of future operating expenses being payable in sterling. The forward currency contracts taken out to hedge against the future management fee payments have been designated as fair value hedges.

As a result, both the fair value of the contracts and the corresponding change in the value of the hedged item are shown on the Statement of Financial Position, with the gain or loss shown in the Statement of Income and Expenditure.

The fair values of various derivative instruments used for hedging purposes, and their associated unrecognised firm commitments, are disclosed in note 7. They are classified as Level 2 assets in the fair value hierarchy described in note 2.6.

Notes to the Financial Statements

For the year ended 20th February 2022

2.9. Segment reporting

The Board of Directors is responsible for making strategic decisions, including the allocation of resources and the performance assessment of the operating segments. Most business written by the Club relates to protection and indemnity risks of the Members. Internal reporting to the Board of Directors mainly covers this single segment. Segmental reporting by geography is presented in note 5.

The Club fronts business on behalf of several mutual insurance companies managed by Thomas Miller. This business is 100% reinsured back to the fronted company, so that the Club does not retain any of the risk.

2.10. Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term and other highly liquid investments with original maturity of three months or less from the date of acquisition.

2.11. Debtors

Debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and include Members' contributions, claims deductibles recoverable from Members and reinsurance receivables. Debtors are carried at cost less impairment. Debtors are reviewed for impairment as part of an ongoing and annual review.

2.12. Taxation (current and deferred)

The charge for taxation is shown in the consolidated income statement. The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

3. Critical Accounting estimates and judgements

The Club makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

3.1. The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Club's most significant accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Club will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period.

The Club uses several statistical and standard actuarial techniques in order to estimate the ultimate cost of claims liabilities. These include Chain Ladder, Bornhuetter-Ferguson and other statistical/benchmarking techniques. Typically, these methods are based upon the underlying assumption that historical development is representative of future development, unless explicit adjustments are made.

The technical provisions at the year-end are disclosed in Note 10.

4. Risk Management

This Note provides details of key risks that the Club is exposed to and explains its approach to identifying and managing these risks. The approach is governed by several policies, in particular the risk management framework. It is implemented by various committees of the Board and the Managers and overseen by the Board's Group Audit & Risk Committee and the Manager's Risk Committee.

The risk management system includes the identification and assessment of risks faced by the Club, which are described in the risk log; a risk appetite, describing the level of risk that the Club is willing to accept; the evaluation of risk, using tools such as the Club's approved internal model and scenario tests; and a risk reporting framework to assist with the monitoring, mitigation, and management of risks.

The key risks are described further in the following sections of this note. A number of sensitivity analyses are provided which show the impact of a change in one input assumption with other assumptions remaining unchanged. There are typically dependencies between the assumption tested and other factors, which could have a material impact on the effects identified.

4.1. Insurance Risk

Insurance risk arises from the possibility of an adverse financial result due to actual experience being different from that expected when insurance contracts were priced and written. As an insurer, this is the principal risk that the Club faces. It is usefully considered as two sub-risks which are discussed separately below.

Underwriting Risk

This is the risk that, for the Club's future insurance obligations, premiums are inadequate to cover the associated claims and expenses. As the Club retains a small amount of unexpired risk at the date of the Statement of Financial Position, underwriting risk is not material to this set of financial statements. However, as a going concern which continues to write new business, it poses a significant risk to the evolution of the Club's financial position over time.

Underwriting risk is managed by an underwriting policy which establishes robust underwriting practices to meet business needs and satisfy regulatory control. This is supplemented with a robust forecasting approach using the Club's internal model, undertaken as part of the ORSA process.

The underwriting process is based on a thorough understanding of the risk accepted. This understanding is enhanced as:

- The Club is a P&I insurer and has provided broadly the same cover for many years.
- The Boards and Members' Committee of the Club include representatives from a broad section of the shipping community. This provides insight into changes in the risk accepted by the Club over time.
- Underwriting authority is delegated to specific individuals who operate under set underwriting parameters and the ongoing guidance and review of senior management.

Underwriting Risk is mitigated via the Club's reinsurance programme in accordance with its reinsurance policy. The programme comprises excess of loss reinsurance cover purchased jointly with other members of the International Group, the International Group Pooling agreement and reinsurance of claims retained by the Club.

The excess of loss reinsurance cover purchased jointly with other members of the International Group provides cover for large claims arising from mutual business. The International Group Pooling agreement provides a sharing of claims costs between thirteen member Clubs. More information on the International Group is available on its website: www.igpandi.org.

The Club fronts professional indemnity business for various mutual insurance entities. This business is 100% reinsured back to those entities, so that the Club does not retain any of the insurance risk.

Notes to the Financial Statements

For the year ended 20th February 2022

Reserve Risk

This is the risk that the Club's existing insurance obligations are undervalued. This is a key risk for the Club as the reserves for unpaid losses represent the largest component of the Club's liabilities and are inherently uncertain. Reserve risk is managed by the Club's reserving policy.

The Club establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. These provisions are established through the application of standard actuarial techniques and assumptions as discussed in Note 3.1. In order to minimise the risk of understating these provisions the data, assumptions made and actuarial techniques employed are reviewed in detail by management and the Group Audit and Risk Committee. Actual experience is monitored against expectations at regular Finance and Reserving Committee meetings to provide early warnings of adverse experience.

Sensitivity Tests to Loss Ratio Assumptions

The sensitivity tests set out below, indicate the impact on the surplus before tax, of a 5% increase in the gross and net claims liabilities. All other assumptions are assumed to remain constant. Results would be equal and opposite for a 5% decrease.

	Consolidated		*Parent*	
Amounts in US$000s	**2022**	**2021**	**2022**	**2021**
Increase in loss ratio by 5%				
Gross	(16,802)	(14,319)	(14,225)	(13,890)
Net	(11,486)	(10,488)	(2,603)	(2,429)

4.2. Market Risk

Market risk is the risk that the fair value, or future cash flows of a financial instrument, will fluctuate because of changes in market prices. As most of the Association's assets are invested in financial instruments, this is a key risk for the Club. As a simple example, a 5% reduction in the valuation of all financial investments (including UCITS) would reduce the free reserves by approximately $49 million (2021: $52 million), assuming all other assumptions were unaffected.

Investment Management

Market risk is managed via the Association's investment policy, which requires that investments are managed in accordance with the 'prudent person principle', meaning that duties of the Investment Managers are discharged with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims. More specifically, the portfolio:

- Is invested in assets and instruments whose risk can properly be identified, measured, monitored, managed, controlled and reported;
- Ensures the security, quality and liquidity of the portfolio as a whole;
- Is appropriate to the nature, currency and duration of the Association's insurance liabilities;
- Includes derivative instruments only where they contribute to a reduction of risks or efficient portfolio management;
- Includes only a prudent level of unlisted investments and assets; and
- Is diversified to avoid excessive reliance on any asset, issuer or group, or geographical area.

The Club's funds are invested by the Investment Managers in accordance with parameters and tolerances set by an Investment Mandate. The Mandate is considered and approved by the Board on an annual basis and ad hoc as required. The Board's Investment Committee regularly monitors the performance of the Investment Managers and risk/return profile of the portfolio.

Notes to the Financial Statements

For the year ended 20th February 2022

Foreign currency risk and interest rate risk are key drivers of market risk and are discussed further below. Credit risk on financial investments and cash is covered in the credit risk section of this note.

Foreign Currency Risk

Currency risk is the risk that movements in exchange rates impact the financial performance or solvency position of the Club. The Club is exposed to this risk through its liabilities in non-US Dollar currencies. To manage this risk, the Club matches assets to liabilities for each of its main currencies (Sterling and Euro). The split of assets and liabilities for each of the Club's main currencies, converted to US Dollar, is set out in the tables below:

Consolidated

Amounts in US$000s	US Dollar	Sterling	Euro	Other	Total
2022					
Total Assets	1,614,883	98,237	102,455	314	**1,815,889**
Total Liabilities	(1,161,800)	(38,258)	(76,515)	(51,010)	**(1,327,583)**
Net Assets	**453,083**	**59,979**	**25,940**	**(50,696)**	**488,306**
2021					
Total Assets	1,622,611	150,412	68,851	118	**1,841,992**
Total Liabilities	(1,073,043)	(29,733)	(122,727)	(109,091)	**(1,334,594)**
Net Assets	**549,568**	**120,679**	**(53,876)**	**(108,973)**	**507,398**

Parent

Amounts in US$000s	US Dollar	Sterling	Euro	Other	Total
2022					
Total Assets	1,392,038	3,352	1,376	315	**1,397,081**
Total Liabilities	(1,042,324)	(35,282)	(70,564)	(47,043)	**(1,195,213)**
Net Assets	**349,714**	**(31,930)**	**(69,188)**	**(46,728)**	**201,868**
2021					
Total Assets	1,418,470	52,454	3,404	109	**1,474,437**
Total Liabilities	(1,042,299)	(71,531)	(79,742)	(70,882)	**(1,264,455)**
Net Assets	**376,170**	**(19,077)**	**(76,338)**	**(70,773)**	**209,982**

Sensitivity to exchange rate movements

A 5% strengthening of the following currencies against the US dollar would be estimated to have increased/(decreased) the surplus before tax and free reserves at the year-end by the following amounts:

	Consolidated		*Parent*	
Amounts in US$000s	**2022**	**2021**	**2022**	**2021**
Impact of strengthening currencies by 5%				
Sterling	2,999	6,034	(1,596)	(954)
Euro	1,297	(2,694)	(3,459)	(3,817)

A 5% weakening of these currencies against the US dollar would have an equal and opposite effect.

Interest Rate Risk

Interest rate risk is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Club is exposed to interest rate risk through its investment assets and its discounted residual occupational disease liabilities. The sensitivity of the price of these financial exposures is indicated by their respective durations. The greater the duration of a security, the greater the possible price volatility.

The Club manages its interest rate risk by holding assets of a similar duration profile to its insurance liabilities. This will help to manage the underlying economic position of the Club along with its regulatory solvency position.

Sensitivity to interest rates

The sensitivity of the Club's free reserves to a 100 basis point increase in interest rates (across all terms) is illustrated in the table below.

	Consolidated			*Parent*
Amounts in US$000s	**2022**	**2021**	**2022**	**2021**
1% increase				
Assets	(33,327)	(34,699)	(937)	4,916
Liabilities	(290)	5,640	(29)	(564)
Net Impact	**(33,617)**	**(29,059)**	**(966)**	**(4,352)**
1% decrease				
Assets	36,950	38,440	1,172	5,894
Liabilities	340	(6,438)	34	(644)
Net Impact	**37,290**	**32,002**	**1,206**	**5,250**

Notes to the Financial Statements

For the year ended 20th February 2022

4.3. Credit Risk

Credit risk is the risk of loss in the value of the Club's financial assets (investments, reinsurance recoveries and other debtors) due to counterparties failing to meet all or part of their obligations.

To manage this risk the Boards consider the financial position of significant counterparties on a regular basis, the Reinsurance Committee monitors aggregate exposure to each reinsurer and the Club has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A" at the time the contract is made.

Amounts due from members represents premium owing to the Club in respect of insurance business written. The Club manages the risk of member default through a screening process to ensure the quality of new entrants to the Club and the ability to cancel cover and outstanding claims to members that fail to settle amounts payable. The Club limits its reliance on any single member.

The investment policy manages the risk of default by investing predominantly in high quality bonds and ensuring a broad diversification of holdings. The policy allows for a limited investment in equities, the majority of investments being in fixed interest securities and cash. Within these, most investments are at least A-rated with many relating to Government or Supranational bodies.

The following tables provide information regarding aggregate credit risk exposure for financial assets with external credit ratings. The credit rating bands are provided by independent ratings agencies.

Consolidated

Amounts in US$000s	AAA	AA	A	Not readily available/ not rated	Total
2022					
Financial investments	567,732	63,132	72,303	281,874	**985,041**
Cash and cash equivalents	43,773	14,917	100,267	26,187	**185,144**
Derivative financial instruments	-	3,440	-	-	**3,440**
Debtors	-	-	-	110,983	**110,983**
Reinsurers' share of technical provisions	-	74,402	363,373	89,266	**527,041**
Other	1,433	2,807	-	-	**4,240**
Total	**612,938**	**158,698**	**535,943**	**508,310**	**1,815,889**
2021					
Financial investments	345,808	361,908	-	342,084	**1,049,800**
Cash and cash equivalents	-	99,686	139,023	-	**238,709**
Derivative financial instruments	-	-	9,122	-	**9,122**
Debtors	-	-	-	98,813	**98,813**
Reinsurers' share of technical provisions	-	83,256	291,758	67,975	**442,989**
Other	-	1,091	1,468	-	**2,559**
Total	**345,808**	**545,941**	**441,371**	**508,872**	**1,841,992**

Parent

Amounts in US$000s	AAA	AA	A	Not readily available/ not rated	Total
2022					
Financial investments	37,789	-	-	11	**37,800**
Cash and cash equivalents	5,661	73,216	-	-	**78,877**
Investment in subsidiaries	-	-	72,639	-	**72,639**
Debtors	-	-	-	92,772	**92,772**
Reinsurers' share of technical provisions	-	197,723	807,884	107,410	**1,113,017**
Other	16	1,960	-	-	**1,976**
Total	**43,466**	**272,899**	**880,523**	**200,193**	**1,397,081**
2021					
Financial investments	2,235	77,305	-	-	**79,540**
Cash and cash equivalents	-	11,110	56,704	-	**67,814**
Investment in subsidiaries	-	-	68,507	-	**68,507**
Debtors	-	-	-	73,587	**73,587**
Reinsurers' share of technical provisions	-	238,540	835,925	108,919	**1,183,384**
Other	-	1,589	16	-	**1,605**
Total	**2,235**	**328,544**	**961,152**	**182,506**	**1,474,437**

Notes to the Financial Statements

For the year ended 20th February 2022

4.4. Liquidity Risk

Liquidity risk is the risk that cash may not be available to settle obligations as they fall due. To manage this risk, the Club monitors cash balances daily, ensuring adequate liquidity to meet the expected cash flow requirements due over the short-term.

Over the longer term, the Club has adopted an investment policy which requires the maintenance of significant holdings in liquid, short-term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand.

The following table provides a maturity analysis of the Club's assets and liabilities in the Statement of Financial Position. The timing of cash flows are based on current estimates and historic trends. The actual timings of cash flows may be materially different from those disclosed below:

Consolidated

Amounts in US$000s	Short-term assets	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
2022						
Assets	472,110	322,751	250,005	508,658	262,365	**1,815,889**
Liabilities	-	(477,977)	(265,011)	(368,162)	(216,433)	**(1,327,583)**
Net	472,110	(155,226)	(15,006)	140,496	45,932	**488,306**
2021						
Assets	589,542	252,383	140,524	400,142	459,401	**1,841,992**
Liabilities	-	(473,009)	(268,501)	(374,327)	(218,757)	**(1,334,594)**
Net	589,542	(220,626)	(127,977)	25,815	240,644	**507,398**

Restated liabilities to include creditors.

Parent

Amounts in US$000s	Short-term assets	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
2022						
Assets	83,533	463,006	251,226	335,887	263,429	**1,397,081**
Liabilities	-	(413,141)	(242,944)	(339,528)	(199,600)	**(1,195,213)**
Net	83,533	49,865	8,282	(3,641)	63,829	**201,868**
2021						
Assets	143,988	474,127	214,839	346,608	294,875	**1,474,437**
Liabilities	-	(411,088)	(236,021)	(342,514)	(274,832)	**(1,264,455)**
Net	143,988	63,039	(21,182)	4,094	20,043	**209,982**

Restated liabilities to include creditors.

4.5. Operational risk

Operational risk is the potential for loss arising from the failure of people, processes, systems or the impact of external events. The nature of operational risk means that it is dispersed across all functional areas of the Club.

Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. These processes are documented, and compliance is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Group Audit and Risk Committee.

4.6. Capital management

The Club's objective is to maintain sufficient capital to ensure it can continue to meet regulatory requirements and maintain an "A" range rating with Standard and Poor's.

The Club continues to be regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA"). Under the Solvency II regime the Club is obliged to assess and maintain the amount of capital required to meet the risks that it faces based on a 99.5 percent confidence level of solvency over one-year time frame. Throughout the period the Club complied with the regulator's capital requirements and the requirements in the other countries in which it operates.

The Club monitors available capital and its funding structure in the light of the prevailing economic environment, the risk associated with its asset holdings, and regulatory developments impacting on the Club. The Club's Internal Model is a key tool used for capital management and other business decision-making purposes.

5. Segmental information

The UK Club provides protection and indemnity risk cover to its Members in respect of ships at sea, trading all over the World. Consequently, the Club only reports on this single segment and it is not feasible to report on other risk or geographical concentrations.

The entity is domiciled in the United Kingdom. A breakdown of revenue by the country in which a Member is located is provided below.

Amounts in US$000s	2022	2021
Greece	62,195	61,942
United States of America	55,282	52,363
Japan	30,017	30,739
China	21,223	19,333
Germany	18,370	17,642
Switzerland	13,623	11,230
United Kingdom	11,658	12,759
Other[1]	123,676	80,368
Total	**336,044**	**286,376**

[1]In the year to 20 February 2022, the UK Club fronted $59.5 million (2021: $32.8 million) of business on behalf of several mutual insurance companies managed by Thomas Miller. This business is 100% reinsured back to each fronted insurer, so that the Club does not retain any of the insurance risk.

Notes to the Financial Statements

For the year ended 20th February 2022

6. Financial Investments

All financial investments have been designated as held at fair value through profit or loss and categorised, as described in note 2.6. This is illustrated in the following tables for the Club and the Parent company respectively.

The Club's financial investments are summarised below by measurement category:

Consolidated

Amounts in US$000s	Level 1	Level 2	Level 3	Total
As at 20th Feb 2022				
Debt securities	704,879	-	-	704,879
Equity securities & Alternatives	193,070	51,651	35,441	280,162
Total	**897,949**	**51,651**	**35,441**	**985,041**
As at 20th Feb 2021				
Debt securities	733,586	-	-	733,586
Equity securities & Alternatives	235,360	47,889	32,965	316,214
Total	**968,946**	**47,889**	**32,965**	**1,049,800**

Parent

Amounts in US$000s	Level 1	Level 2	Level 3	Total
As at 20th Feb 2022				
Debt securities	37,800	-	-	37,800
Total	**37,800**	**-**	**-**	**37,800**
As at 20th Feb 2021				
Debt securities	79,540	-	-	79,540
Total	**79,540**	**-**	**-**	**79,540**

The movement in the Club's financial investments is summarised in the following table.

Consolidated

Amounts in US$000s	Total
As at 20th Feb 2020	**1,159,223**
Additions	508,837
Disposals	(644,837)
Fair value movements recognised in Income Statement	26,577
As at 20th Feb 2021	**1,049,800**
Additions	711,411
Disposals	(784,363)
Fair value movements recognised in Income Statement	8,193
As at 20th Feb 2022	**985,041**

Parent

Amounts in US$000s	Total
As at 20th Feb 2020	**71,493**
Additions	85,190
Disposals	(76,716)
Fair value movements recognised in Income Statement	(427)
As at 20th Feb 2021	**79,540**
Additions	44,302
Disposals	(86,556)
Fair value movements recognised in Income Statement	514
As at 20th Feb 2022	**37,800**

Consolidated

	Market value		*Cost value*	
	2022	**2021**	**2022**	**2021**
Held at fair value through profit and loss:				
Debt securities	704,879	733,586	725,867	710,549
Equity securities & Alternative investments	280,162	316,214	257,916	216,686
Financial assets held at fair value through profit and loss	**985,041**	**1,049,800**	**983,783**	**927,235**

Parent

	Market value		*Cost value*	
	2022	**2021**	**2022**	**2021**
Held at fair value through profit and loss:				
Debt securities	37,800	79,540	37,717	75,523
Financial assets held at fair value through profit and loss	**37,800**	**79,540**	**37,717**	**75,523**

Notes to the Financial Statements

For the year ended 20th February 2022

7. Derivative Financial Investments

As described in note 2.8, the forward currency contracts taken out to hedge against the future management fee payments have been designated as fair value hedges. They are all held by UKB.

The table below analyses all derivative positions where hedging instruments are represented by forward currency contracts and the hedged item is represented by the currency portion of future management fee payments that are classified as unrecognised firm commitments.

Forward currency contracts	2022			2021		
Amounts in US$000s	**Contract/ notional amount**	**Fair value asset**	**Fair value liability**	**Contract/ notional amount**	**Fair value asset**	**Fair value liability**
Hedged item	50,772	3,440	–	70,065	9,122	–
Hedging instrument	50,772	–	(3,364)	70,065	–	(9,470)
Total	**–**	**3,440**	**(3,364)**	**–**	**9,122**	**(9,470)**

8. Debtors

	Consolidated		*Parent*	
Amounts in US$000s	**2022**	**2021**	**2022**	**2021**
Insurance receivables:				
Contract holders	84,463	83,468	58,825	44,865
Reinsurers	9,554	6,806	8,359	6,833
Provision for doubtful debts	(1,082)	(1,370)	(1,083)	(1,175)
Total	**92,935**	**88,904**	**66,101**	**50,523**
Other debtors				
Prepayments	1,270	154	1,168	31
Sundry debtors	16,778	9,755	16,770	10,681
Intercompany debtors	–	–	8,733	12,352
Total other debtors	**18,048**	**9,909**	**26,671**	**23,064**
Total debtors	**110,983**	**98,813**	**92,772**	**73,587**

All debtors relate to amounts due within one year.

There is no material concentration of credit risk with respect to the debtors' balance, as the Club has many internationally dispersed debtors.

9. Cash and Cash Equivalents

	Consolidated		*Parent*	
Amounts in US$000s	**2022**	**2021**	**2022**	**2021**
Cash at bank and in hand	141,371	97,589	73,216	63,125
Money market funds	43,773	141,120	5,661	4,689
Total	**185,144**	**238,709**	**78,877**	**67,814**

10. Technical Provisions

	Consolidated		*Parent*	
Amounts in US$000s	**2022**	**2021**	**2022**	**2021**
Gross outstanding claims	(1,238,447)	(1,262,197)	(1,168,683)	(1,256,134)
Provision for unearned premium and DAC	(36,809)	(26,752)	(7,389)	–
Technical provisions	**(1,275,256)**	**(1,288,949)**	**(1,176,072)**	**(1,256,134)**
reinsurer's share of outstanding claims	488,896	419,139	1,104,996	1,182,887
Provision for unearned premium and ceded DAC	38,145	23,850	8,021	497
Reinsurers' share of technical provisions	**527,041**	**442,989**	**1,113,017**	**1,183,384**
Total insurance liabilities, net	**(748,215)**	**(845,960)**	**(63,055)**	**(72,750)**

Notes to the Financial Statements

For the year ended 20th February 2022

10.1. Claims development tables

The tables below show the development of claims over time on a gross and net of reinsurance basis. The top half of each table illustrates how the total claims (notified and IBNR) for each of the last 10 accident years has changed at successive year-ends (including movements due to currency fluctuations). The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated Statement of Financial Position.

Gross Claims

Amounts in US$000s reporting year	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
- End of reporting year	275,765	318,428	250,715	275,552	250,572	282,111	277,372	240,638	385,640	299,665
- One year later	250,196	352,655	222,257	264,873	248,028	291,969	268,472	404,861	403,458	–
- Two years later	280,149	351,505	217,452	273,145	243,901	320,782	267,488	380,296	–	–
- Three years later	277,805	342,653	216,207	270,602	233,917	341,822	248,687	–	–	–
- Four years later	257,140	363,527	218,077	249,056	237,002	324,992	–	–	–	–
- Five years later	251,468	359,243	214,063	250,682	230,343	–	–	–	–	–
- Six years later	249,415	361,489	210,778	247,365	–	–	–	–	–	–
- Seven years later	245,328	358,054	205,951	–	–	–	–	–	–	–
- Eight years later	243,805	353,281	–	–	–	–	–	–	–	–
- Nine years later	243,779	–	–	–	–	–	–	–	–	–
Current estimate of ultimate claims	243,779	353,281	205,951	247,365	230,343	324,992	248,687	380,296	403,458	299,656
Cumulative payments to date	241,232	339,237	197,985	198,548	202,108	207,551	186,594	127,116	122,949	83,344
Liability recognised in the consolidated statement of Financial Position	2,547	14,044	7,966	48,817	28,235	117,441	62,093	253,180	280,509	216,312
Total liability relating to last 10 policy years										1,031,144
Other claims liabilities										207,303
Total reserves excluding UPR in the Consolidated Statement of Financial Position										**1,238,447**

Net Claims

Amounts in US$000s reporting year	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
- End of reporting year	271,408	281,504	250,718	233,062	250,534	249,392	265,000	232,600	237,361	219,420
- One year later	251,787	280,894	222,322	222,591	229,582	233,541	263,693	248,203	234,661	–
- Two years later	252,845	271,002	217,495	212,539	221,229	244,924	260,158	223,045	–	–
- Three years later	248,843	267,683	215,170	206,578	212,509	252,085	241,356	–	–	–
- Four years later	238,469	261,518	214,761	202,065	212,969	232,840	–	–	–	–
- Five years later	235,608	256,453	210,442	196,298	206,153	–	–	–	–	–
- Six years later	234,155	260,163	207,814	192,029	–	–	–	–	–	–
- Seven years later	232,077	256,118	204,577	–	–	–	–	–	–	–
- Eight years later	231,676	254,300	–	–	–	–	–	–	–	–
- Nine years later	231,643	–	–	–	–	–	–	–	–	–
Current estimate of ultimate claims	231,643	254,300	204,577	192,029	206,153	232,840	241,356	223,045	234,661	219,420
Cumulative payments to date	223,483	250,503	196,613	173,263	182,665	189,047	186,433	118,224	92,902	49,928
Liability recognised in the consolidated statement of Financial Position	8,160	3,797	7,964	18,766	23,488	43,793	54,923	104,821	141,759	169,492
Total liability relating to last 10 policy years										576,963
Other claims liabilities										172,588
Total reserves excluding UPR in the Consolidated Statement of Financial Position										**749,551**

Notes to the Financial Statements

For the year ended 20th February 2022

10.2. Movement in insurance liabilities and reinsurance assets

Consolidated

Amounts in US$000s		2022			2021	
	Gross	RI	Net	Gross	RI	Net
Outstanding claims brought forward	**(1,262,197)**	**419,139**	**(843,058)**	**(954,622)**	**143,040**	**(811,582)**
Cash paid for claims settled in the year	297,797	(50,887)	246,910	240,707	322	241,029
Claims incurred in the current year	(274,047)	120,644	(153,403)	(548,282)	275,777	(272,505)
Outstanding claims carried forward	**(1,238,447)**	**488,896**	**(749,551)**	**(1,262,197)**	**419,139**	**(843,058)**

The outstanding claims movement in the Statement of Financial Position allows for the $64 million transferred to R&Q during the financial year, this is presented as an exceptional item in the income statement. Refer to note 18.

Parent

Amounts in US$000s		2022			2021	
	Gross	RI	Net	Gross	RI	Net
Outstanding claims brought forward	**(1,256,134)**	**1,182,887**	**(73,247)**	**(954,622)**	**882,902**	**(71,720)**
Cash paid for claims settled in the year	288,278	(327,194)	(38,916)	238,498	(215,937)	22,561
Claims incurred in the current year	(200,827)	249,303	48,476	(540,010)	515,922	(24,088)
Outstanding claims carried forward	**(1,168,683)**	**1,104,996**	**(63,687)**	**(1,256,134)**	**1,182,887**	**(73,247)**

11. Creditors

	Consolidated		*Parent*	
Amounts in US$000s	**2022**	**2021**	**2022**	**2021**
Claims payable	(3,209)	(1,543)	(2,481)	(1,557)
Reinsurers	(14,164)	(31,730)	(14,164)	(5,876)
Trade payables and accrued expenses	(31,590)	(2,902)	(2,496)	(888)
Total	**(48,963)**	**(36,175)**	**(19,141)**	**(8,321)**

The fair value of these balances approximates their carrying value.

12. Net earned premium

Amounts in US$000s	**2022**	**2021**
Mutual Premium	265,396	250,127
Fixed Premium	28,845	27,455
Fronted Premium	59,466	32,760
Gross written premium	**353,707**	**310,342**
Change in unearned premium provision	(17,663)	(23,966)
Gross Earned Premium	**336,044**	**286,376**
Premium ceded to reinsurers		
Reinsurance purchased collectively within the International Group	(36,497)	(38,327)
Other market reinsurance	(84,315)	(59,816)
	(120,812)	**(98,143)**
Change in unearned reinsurance premium provision	14,481	21,519
Total premium ceded to reinsurers	**(106,331)**	**(76,624)**
Total earned premium	**229,713**	**209,752**

13. Investment Return

Consolidated

Year ending Feb 2022	Income	Net Realised Gains/(loss)	Net Unrealised Gains	Total Investment Return
Equity and Debt securities	18,753	120,944	(113,286)	**26,411**
Cash and Cash equivalents	40	–	–	**40**
Other Investment Charges	(6,875)	–	–	**(6,875)**
Total Net Investment Return	**11,918**	**120,944**	**(113,286)**	**19,576**

Year ending Feb 2021	Income	Net Realised Gains/(loss)	Net Unrealised Gains	Total Investment Return
Equity and Debt securities	19,441	44,573	(2,604)	**61,410**
Cash and Cash equivalents	53	–	–	**53**
Other Investment Charges	(8,029)	–	–	**(8,029)**
Total Net Investment Return	**11,465**	**44,573**	**(2,604)**	**53,434**

The unrealised gains and losses on the movement in the fair value of the investments are included in the non-technical account.

14. Net Operating Expenses

Amounts in US$000s	2022	2021
Acquisition costs	(28,212)	(19,757)
Residual management fee	(13,849)	(12,921)
Directors' fees	(1,194)	(1,102)
Audit fee	(726)	(687)
Other expenses	(6,845)	(9,376)
Total operating expenses	**(50,826)**	**(43,843)**

The management fee is agreed on an annual basis and covers the cost of managing the Club. All fees payable are charged to the income statement in the period they relate to.

Average expense ratio

In accordance with Schedule 3 of the International Group Agreement, the Club is required to disclose its Average Expense Ratio, being the ratio of operating expenses to income, including premium and investment return.

The operating expenses include all expenditure incurred in operating the Club, excluding expenditure incurred in dealing with claims. The premium income includes all premiums and calls. The investment return includes all income and gains whether realised or unrealised, exchange gains and losses less tax, custodial fees and internal and external investment management costs.

For the five years ended 20th February 2022, the ratio of 12.27 (2021: 11.45) has been calculated in accordance with the Schedule and the guideline issued by the International Group and is consistent with the relevant financial statements.

15. Tax on Income

Amounts in US$000s	2022	2021
Current taxes on income for the reporting period		
Net adjustment in respect of current and prior periods	173	218
Overseas taxation	473	(498)
Total income tax expense	**646**	**(280)**

Tax on the Club's deficit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

Amounts in US$000s	2022	2021
Deficit before tax	(19,738)	(51,516)
Tax at 19% (2021 at 19%)	3,750	9,788
- Portion of investment income not subject to taxation		
Non-taxable transactions	(3,104)	(10,068)
Total	**646**	**(280)**

The Corporation Tax main rate remained at 19% for the year starting April 2021.

Notes to the Financial Statements

For the year ended 20th February 2022

16. Related party transactions

The United Kingdom Mutual Steam Ship Assurance Association Limited is the parent company of the Group, which consists of the following subsidiaries. All subsidiary undertakings are included in the consolidation.

Name	Country of incorporation	Nature of business	Proportion of shareholding	Address
International P&I Reinsurance Company Limited	Isle of Man	Not trading	100 percent	Samuel Harris House 5-11 St. George's Street Douglas IM1 1AJ Isle of Man
The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited	Bermuda	Reinsurance	100 percent	Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10 Bermuda
Hydra Insurance Company Limited	Bermuda	Reinsurance	100 percent of owned cell	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
The United Kingdom Mutual Steam Ship Assurance Association (London) Limited	United Kingdom	Not trading	100 percent	90 Fenchurch Street London EC3M 4ST United Kingdom
UK P&I Club N.V.	Netherlands	Insurance	100 percent	Wilhelminakade 953A 372 AP Rotterdam Netherlands

UKNV and UKL investment in subsidiaries are $69.2 million (2021: $65.2 million) and $3.4 million (2021: $3.3 million) respectively. UKC provided a $4 million capital injection to UKNV to help it meet its regulatory capital requirements. Investments in subsidiary undertakings are stated at cost less impairment.

The Club has no share capital and is controlled by the Members who are also the insured. The insurance transactions are deemed to be between related parties but these are the only transactions between the Club and the Members.

All of the Directors (except two who are Bermuda residents, two who are independent specialists and two from the management company – see below) are representatives or agents of member companies and other than the insurance and membership interests of the Directors' companies, the Directors have no financial interests in the Club. However, they do receive fees in respect of their roles, which are included in the Club's operational expenses.

Amounts in US$000s	2022	2021
Key management compensation		
Short-term employee benefits - Directors' fees	1,194	1,102

Thomas Miller P&I Limited provides management services to the Club. This company is a subsidiary of Thomas Miller Holdings Limited in which the Club holds an investment of $35.4 million. The Club has a contract with Thomas Miller (Europe) Limited which contains a one year termination clause.

The Club has taken an exemption under section 479a of the Companies' Act not to disclose related party transaction within the Group.

The Club is one of the beneficiaries of the Front Street Trust ('FST'). FST holds investments in two companies. The Club has not consolidated or recognised an asset in respect of its interest in FST because the Club does not have control over FST and is one of a number of beneficiaries of FST with no established mechanism for the distribution of dividends that may become receivable.

17. Employees

The Group directly employs 1 (2021 - 3) member of staff based in Japan in respect of its Japanese branch.

18. Exceptional events

During the reporting period, there were two legal transfers of claims liabilities:

- On 27 February 2020, the Club entered into an arrangement with Randall & Quilter ('R&Q') in respect of the Club's occupational disease ('OD') claims – a long-tailed and consequently volatile liability mostly relating to asbestos exposures in the second half of the last century. Initially a reinsurance arrangement protected against future deterioration of these liabilities.
- On 8 December 2021 the Club's non-EEA OD liabilities, with a net discounted value of $64 million, were transferred to R&Q via a legal process in the UK. Corresponding assets worth $68 million were also transferred, leading to an exceptional loss incurred during the year of $4 million. The Club expects to transfer its remaining EEA OD liabilities (of $3.5 million) during the 2022/23 financial year.
- The Club provides a fronting solution for several mutual insurance companies managed by Thomas Miller. On 31 December 2021 one of these insurers, the Through Transport Mutual Insurance Association Ltd ('TT Club'), legally transferred its EEA liabilities ($55 million) into UKNV. These liabilities are 100% reinsured back to the TT Club so that the UK Club does not retain any of the risk.

Notes to the Financial Statements

For the year ended 20th February 2022

19. Events after the reporting period

This Note sets out how events occurring after the reporting date relate to the financial position and performance of the UK Club in the reporting period.

On 24 February 2022, Russia launched a military invasion into Ukraine. This action has been condemned by the United Nations, G7, EU and many other countries and, in response, various sanctions have been imposed against Russian interests.

This event will have influenced at least some of the weakness in financial markets seen in 2022 and has been fully reflected in the Club's financial position. However, the event is not expected to have any material impact on the reported performance with respect to premium and claims.

The event will have some effect on the Club's operational performance throughout the 2022/23 reporting period. From an investment perspective, returns will continue to be affected by these events and unexpected increases in inflation, perhaps due to increased energy costs, could continue to affect the Club's fixed interest investments. The Club is likely to have relatively limited exposure to claims and it will continue to abide by sanctions rules, leading to a small loss of premium income (less than 1%).

20. Policy Year Tables (unaudited)

Amounts in US$000s	2021	2020	2019
Premium Debited in This Financial Year	283,471	425	642
Premium Debited in Previous Financial Years	–	278,841	305,740
Reinsurance Premium	(61,295)	(63,573)	(58,017)
Net Premium Income	**222,176**	**215,693**	**248,365**
Net Paid Claims and Epenses	(129,696)	(173,919)	(198,107)
Investment Income	5,283	17,769	40,966
Funds Available	**97,763**	**59,543**	**91,224**
Gross Outstanding Claims (incl. IBNR)	(193,318)	(275,257)	(253,141)
Reinsurance Recoveries	24,185	133,498	148,320
Net Outstanding Claims	**(169,133)**	**(141,759)**	**(104,821)**
(Deficit)/Surplus	**(71,370)**	**(82,216)**	**(13,597)**

Notes

The calls and premiums, reinsurance premiums payable, claims paid and related expenses, reinsurance recoveries and outstanding claims are all allocated to the policy years to which they relate. Return on investments is allocated proportionately to the average balance of funds on each policy year or other funds. Operating expenses are allocated to the current policy year.

Any significant deficits on open policy years will be funded by transfers from reserves, or by raising a supplementary premium.

The approximate yield of a 10 percent supplementary premium on the open policy years would be $26 million (2021), $25 million (2020) and $27 million (2019).

ukpandi.com