



Directors' Report & Financial Statements

For the year ended 20 February 2024

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



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Assurance Association Limited ('the Club')**

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Our Key Financials

For the year ended 20 February 2024

\$538M

Gross Written
Premium

106.6%

Combined ratio

7.5%

Investment return

\$483M

Free reserves

222%

Solvency II Capital
Adequacy Ratio

A-/stable

S&P financial
strength rating



Our Members

For the year ended 20 February 2024

156M

Owned tonnage
declared to IG in
April 2024

110M+

Chartered tonnage

6,049

Total ship count

4,419

Ship count
(Above 1,500 GT)

10%

Americas

46%

Europe,
Middle East
& Africa

44%

Asia Pacific

Split by trade type

34%

Bulk carrier



27%

Tanker



16%

Container



12%

Gas carrier



6%

Passenger



5%

Other



Chairman's Statement

Welcome to the UK P&I Club's 2024 annual report, which I am proud to introduce in my first year as Chair. It was a great honour to be elected Chair in November 2023 and I am excited about the future. My predecessor Nicholas Inglessis set a high bar, leading the Club through unprecedented global economic and financial turbulence during his five-year term. But I am confident we can build on his success during the coming years.

Over the last few years, the shipping industry has again shown its robustness. We have navigated successfully through a global pandemic and ongoing significant geopolitical disruption. The stress put upon our businesses and particularly our crew has been considerable. However, as an industry, we have responded to not only meet the challenges but to emerge even stronger.

Similarly, the UK Club has needed to safely navigate the global disruption both for the benefit of our Members and to retain a robust insurance offering for the future. Responding to the enhanced and complex requirements of global sanctions remains a significant challenge. However, the Club has established stringent procedures and remains committed to ensuring compliance for all business, while also supporting its Members.

As this report confirms, we are better placed than ever to help our Members deliver safe, efficient and cost-effective transportation to a rising global population and to meet the challenges of

the future including energy and digital transitions in a time of geopolitical instability.

The Club will continue to support all Members as they pivot towards new fuels and technologies in the coming years. As ever, the overriding focus will be on safety and risk management, helping our Members to avoid accidents that harm people, the planet or property. This is also the focus of the Club's sustainability agenda, about which you will hear more this year.

Underpinning the Club's support for Members is our financial security. Boosted by a healthy 7.5% investment return, which netted us \$77 million in 2023/24, our free reserves have now grown to US\$483 million. This remains among the strongest in our industry and comfortably meets all regulatory requirements, as well as the highest capital adequacy band of S&P's capital model (i.e. the 99.99% confidence level).



J.M. Valkier
Chair

“ Boosted by a healthy 7.5% investment return, which netted us \$77 million in 2023/24, our free reserves have now grown to US\$483 million. ”

Encouragingly, the claims experience has developed positively within the mutual book, outperforming original forecasts. The pool, through which the largest claims in the industry are shared between the International Group Clubs, was more active than last year but continued to be benign in comparison with the more extreme policy years of 2019 to 2021. With improving premium rates across the Membership, the Club achieved a strong underwriting result on mutual business. However, the full underwriting result has been impacted by some larger than expected losses in the Club's fixed premium and charterers portfolio affecting both current and prior year reserves, driving an overall combined ratio of 106.6% for the year. Returning the fixed premium and charterers portfolio to profit remains a key underwriting priority for the Club managers.

We again achieved a positive renewal in February 2024. Mutual entries rose by 2.5 million GT to 156 million GT over the course of the year, while our chartered fleet remains strong at around 110 million GT. The Club's strong service proposition, delivered through 10 offices around the world, provides Members with first-class support on a day-to-day basis, and particularly in the event of a major casualty. Overwhelmingly, our Members recognise the immense value of this service offering. I am delighted that the Club was able to agree renewal terms with 98% of Members for a further year and I am confident that the Club is well placed to grow with new quality tonnage from both existing and new Members.

As ever, the UK Club's continuing success is based on the strength of its partnerships: between Members, Directors, Managers and its global network of correspondents and advisors. The Board itself is a notable example of collaboration, and I am particularly grateful to my deputy chairs Niko Schües, Randy Chen and Markos Nomikos for helping me to get started in my new role as Chair.

The Members' Committee, which continues to provide a vital link between the Board and Members, is another outstanding collaborative forum. It met three times during the year to oversee the performance, progress and planning of the Club's business, bringing to bear the considerable combined experience of its elected representatives.

This year I am pleased to welcome the following to the Members' Committee: Ms A. Kalathakis and Messrs R. Aird, B. Chiu, and F. Mascarenhas. I would like to thank the former Chair of the Club, Mr N. Inglessis, as well as Messrs A.M. Al Shammari, H. Boudia and J. Toledo de Souza, all of whom stood down from the Members' Committee in the past year. We were all shocked and saddened by the death of Ms Angela Chao, who had served on the Club's Members' Committee from her appointment in 2013 until her death in February 2024, and we send our sincere condolences to all of her family and friends.

Finally, I want to thank all our Managers and staff, whose professional partnership approach provides Members with the peace of mind and assurance that even the most stressful and complex situations will be resolved efficiently, fairly and equitably. Their accumulated expertise in underwriting, claims handling and loss prevention remains second to none.

Jan Valkier

Chair

13 May 2024



Director's Report

The Directors have pleasure in presenting their Report and Financial Statements of the UK P&I Club for the year ended 20 February 2024.

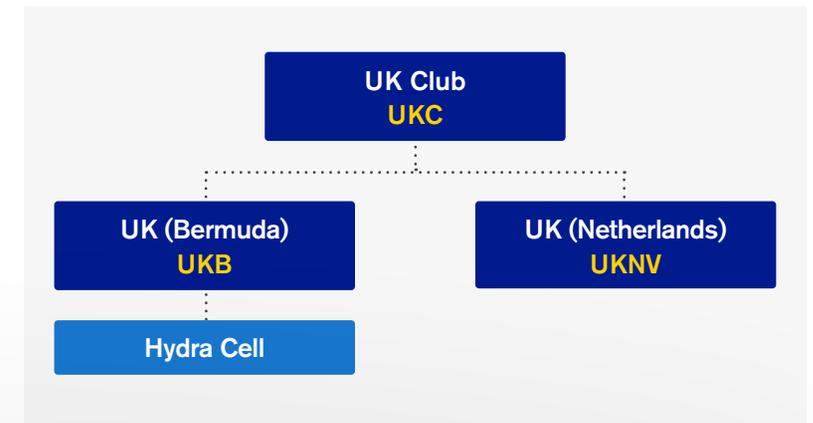
The Club has been protecting its Members from third-party liabilities and related claims-handling expenses in the form of protection and indemnity (P&I) insurance and other marine covers for over 150 years. It continues to offer excellent cover, financial security and value for money.

The Club operates from 10 offices worldwide and, when combined with its extensive correspondent network, is able to offer on-the-spot help and local knowledge in more than 350 ports. Its expertise in solving Members' problems around the clock and around the world underpins the Club's first-class service offering.

The Club provides one of the most comprehensive support packages for loss prevention available in the market. This focuses on making ships safer, keeping crews healthier and providing expert advice through joint initiatives with our industry partners.

Structure

The principal activity of the Club during the year was the insurance and reinsurance of marine protection and indemnity risks on behalf of its Members. The Club has the following active 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), through a delegated authority arrangement with Thomas Miller Specialty ('TMS') or via a reinsurance arrangement with **UK P&I Club N.V. ('UKNV')**.
- **The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited ('UKB')** reinsures 90% of UKC's business (net of external reinsurances).
- **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.

In addition, the Club contains two dormant subsidiaries:

- **The United Kingdom Mutual Steam Ship Assurance Association (London) Limited ('UKL')** is a subsidiary of UKC; and
- **International P&I Reinsurance Company Limited ('IPIR')** is a subsidiary of UKB.

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 in 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

Chair

J.M. Valkier

Anthony Veder Group NV

Appointed as Chair on 6 November 2023

Deputy Chairs

R. Chen

Wan Hai Lines Ltd

M. Nomikos

A.M. Nomikos Transworld Maritime Agencies SA

N.H. Schües

Reederei F Laeisz GmbH

Other Directors

S. Beale

M. Butler

N.C. De Silva

R.C. Gillett

A.J. Taylor

Members' Committee

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

J.M. Valkier

Anthony Veder Group N.V.

R. Aird

Pritchard-Gordon Tankers Ltd.

I. Al-Nadhairi

ASYAD Shipping S.A.O.C.

L. Audaz

MSC Mediterranean Shipping Company SA

P. Bagh

Oldendorff Carriers GmbH & Co. KG

R. Chen

Wan Hai Lines Ltd.

B. Chiu

BW Group Ltd

H. Fujikawa

MMS Co., Ltd., Meiji Shipping Group

K. Fujiwara

ENEOS Ocean Corporation

A.M. Gibson

Royal Caribbean Cruises Ltd.

D.W. 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

A. Kalathakis

Navios Maritime Partners L.P.

E. Louis-Dreyfus

Louis Dreyfus Armateurs S.A.S.

F. Mascarenhas

Petrobras Transporte S.A. – Transpetro

S. Messina

Gruppo Messina S.p.A.

M. Nomikos

A.M. Nomikos Transworld Maritime Agencies S.A.

D. Ofer

Zodiac Maritime Ltd.

P.C. Over

Taylor Maritime (Hong Kong)

S. Paliou

Diana Shipping Inc

M. Papaioannou

Helikon Shipping Enterprises Ltd.

M. Pavić

Tankerska plovdba d.d.

M.H. Ross

Chevron Shipping LLC

N.H. Schües

Reederei F Laeisz GmbH

N. Smedegaard

DFDS A/S

K. Sutoh

Nippon Yusen Kabushiki Kaisha

Weidong Tao

China COSCO Shipping Ltd.

A. Thanopoulos

DryLog Ltd

S.N. Vlassopoulos

Ionic Shipping (Management) Inc

Wang Yongxin

China Merchants Energy Shipping Co Ltd

R. Zein

Naftomar Shipping and Trading Co. Ltd.

The following Members have resigned from the Members' Committee since 20 February 2023: N.G. Inglessis, A.M. Al Shammari, H. Boudia and J. Toledo de Souza.

A. Chao served as a Director of the Members' Committee from October 2013 (appointed) until February 2024 (deceased).



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' and FRS 103 'Insurance Contracts'). 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; and
- 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 for ensuring 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.

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 auditor is 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 appointed BDO LLP as auditor for the financial year ended 20 February 2024. BDO has now completed its maximum term under the Companies Act 2006.

Following a tender process, the Board has agreed that Deloitte LLP should succeed BDO LLP as auditor for the year ending 20 February 2025. A resolution to appoint Deloitte as auditor and to authorise the Directors to fix Deloitte's remuneration will be proposed at the annual general meeting.

Financial Instruments

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 insurance risk, market risk and credit risk. The Club's approach to management of these risks is disclosed in note 4 of the Financial Statements.

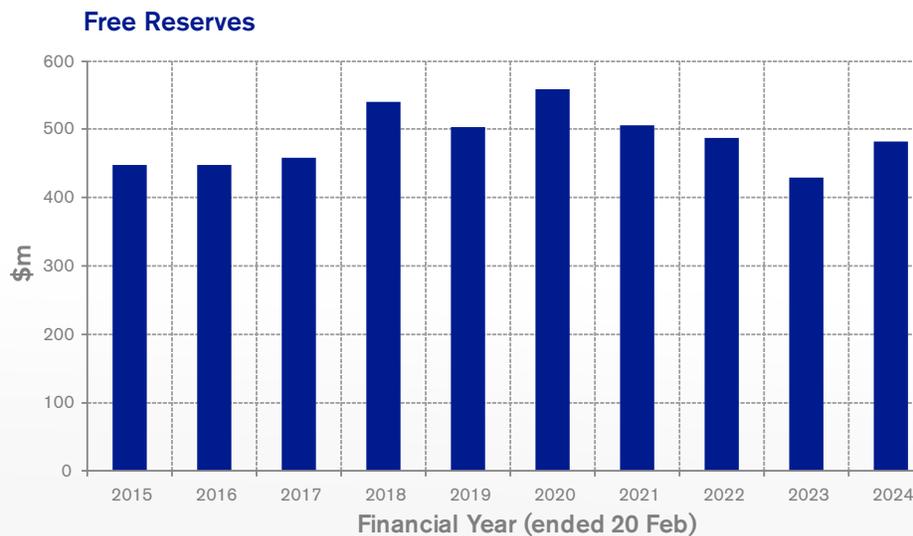


“ The Club’s financial strength remains among the strongest in its industry. ”

Director’s Strategic Report

Overall Performance

In the year ended 20 February 2024, the UK P&I Club recorded a surplus of US\$53 million (2023: deficit of US\$58 million), increasing the Club’s free reserves to US\$483 million (2023: US\$430 million). The Club’s financial strength remains among the strongest in its industry, with an S&P credit rating of ‘A-/Stable’. While the following discussion focuses on the key drivers of the overall Club’s result, the same drivers also drive the Parent Company’s result.



Underwriting

The Club aims to maintain breakeven underwriting over the medium term by calling sufficient premium to cover claims and expenses incurred.

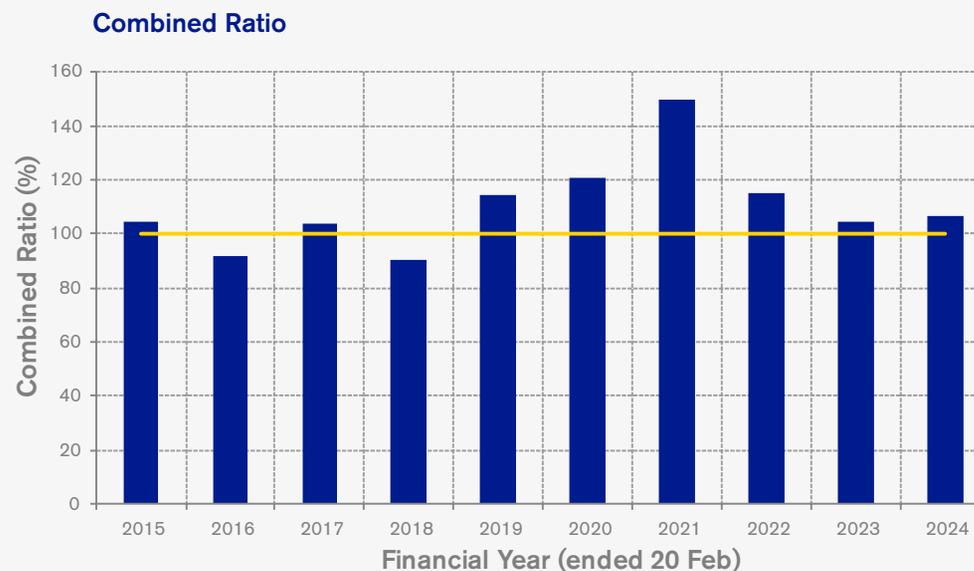
Since 2021, pricing has recovered following the previous soft market cycle and, for the 2024 renewal, the Club has achieved another year of rate increase in line with its financial forecast.

The combined ratio of 106.6% reported this year is in line with the Club's financial forecast and reflects the continuing stabilisation of underwriting performance. Underlying this, however, the Club saw some deterioration in its fixed premium and charterers results, and remediating this sector of the book is a key underwriting priority.

The overall premium increase achieved at the recent renewal will address underlying inflation and the Club continues to refine its risk appetite and take appropriate action to improve the overall portfolio composition of mutual and fixed premium business entered.

The Club is reporting overall year-on-year growth of 2.5 million GT, whilst removing some underperforming business. The Club also continues to enjoy a strong pipeline of new tonnage committed by existing Members to attach during the policy year.

The Club continues to purchase appropriate reinsurance to protect against portfolio volatility and manage capital efficiency.



Claims

Despite high levels of shipping activity, the low claims environment experienced in recent years continued in 2023/24 financial year. The number of claims reported to the Club was slightly lower than in the previous year, but claims values remained volatile, and large claims in particular had a significant impact on the Club's financial performance.

In monitoring developments, the Club considers attritional claims, being those under US\$0.5 million, large claims, being those greater than US\$0.5 million, and pool claims, which are those greater than US\$10 million and which are shared between the IG member clubs through the Pooling Agreement.

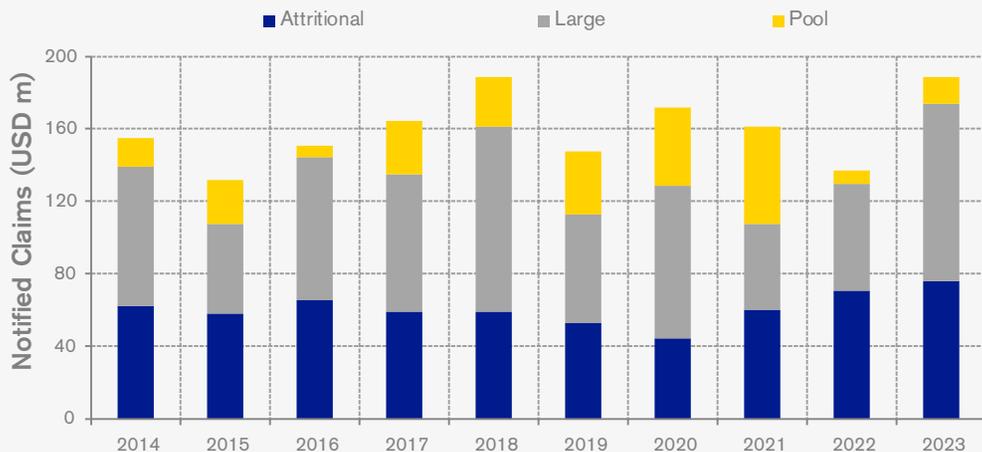
The number and value of attritional claims in 2023 was slightly lower than in the previous year, a pleasing development given the growth of the Club in recent years. Covid cases, which had been a driver of such claims in recent years, have now effectively disappeared.

However, the Club saw an increase in the number and severity of large claims, specifically with 11 claims in excess of \$2 million reported in 2023, as compared with five in the previous year. While large claims usually represent less than 2% of the number of claims, they can represent more than 50% by value. Often, there is no obvious pattern to them, and their incidence and volume are a matter of fortuity. Those 11 claims mentioned above included three dock damage incidents and three claims involving injuries to US seafarers.

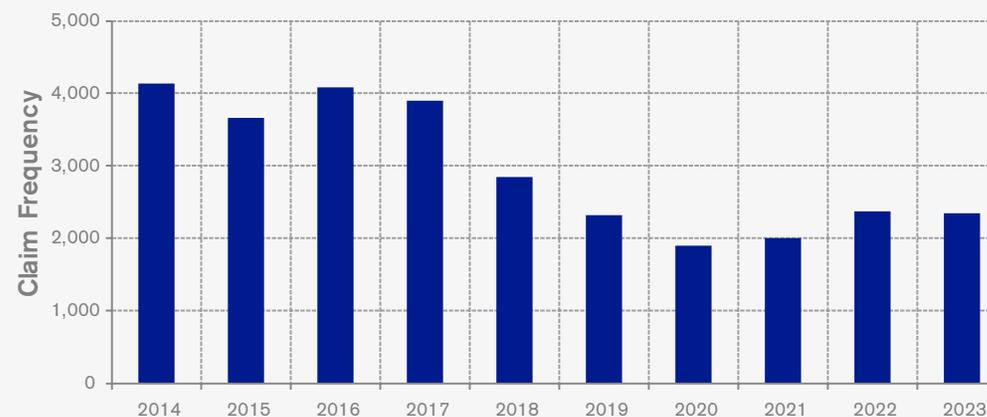
For the second year in a row, pool claims were benign, albeit with a slight increase on the 2022 policy year, which had the lowest reported cost for over 10 years. Twelve claims were reported in 2023, compared with seven in the previous year. Caution should be exercised before reaching any conclusions regarding this trend however, as the 2020 and 2021 policy years saw some of the highest pool claims activity in living memory and pool claims tend to have a longer tail and can deteriorate many years later.

The DALI incident in Baltimore, which occurred after the year end, provides a stark reminder of the volatility of this class of claim.

Total net notified claims by size at 12 months' development



Total claims frequency at 12 months' development



Investments

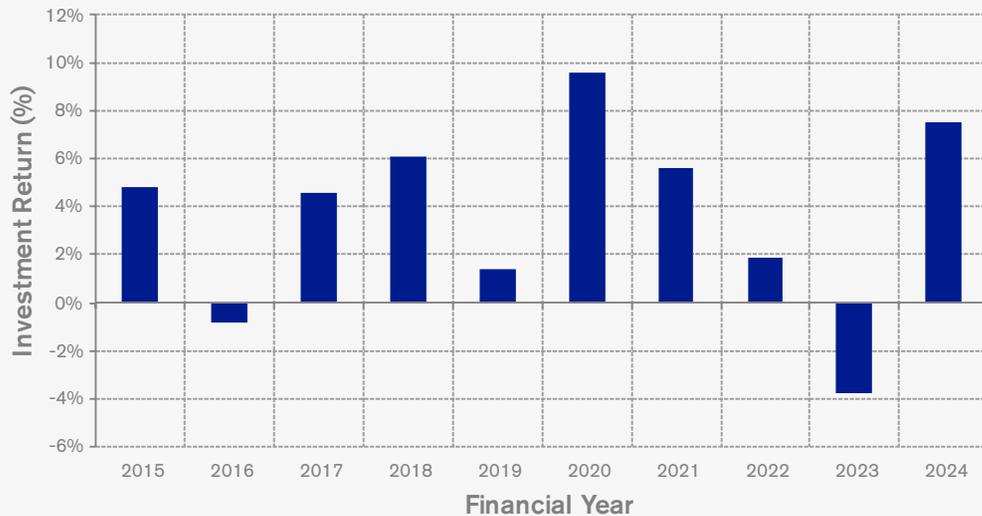
Over the 2023/24 financial year, the consolidated investment portfolio returned 7.5%, which is a remarkable outcome given the prevailing backdrop of weakening economic growth, high inflation, rising interest rates and geopolitical conflict. Performance was led by the equity holdings, which delivered over 20% in total returns. Fixed income investments also made strong contributions to performance, with gains in excess of 5% from the combined corporate bond and government bond holdings.

The nature of the rally in equities in the final months of the 2023/24 financial year resulted in stretched valuations, particularly in the technology sector. This necessitated the implementation of a more cautious investment strategy and a temporary reduction in allocation to equity investments.

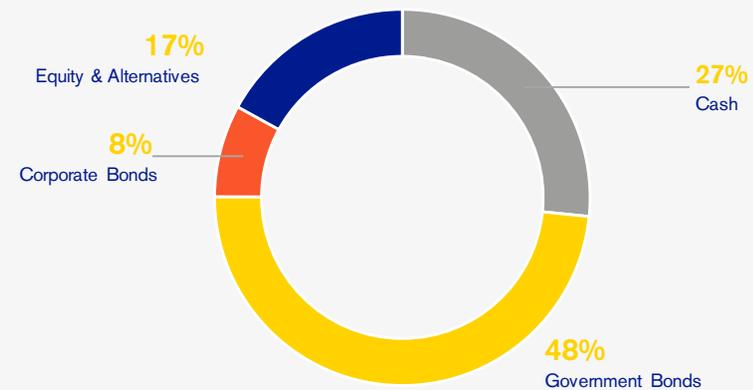
Although it is important that investment strategy is responsive to shorter-term market dynamics, the Club's financial strength allows it to be a long-term investor. The Club's investment strategy reflects that long-term approach. Overall, the investment portfolio remains

well diversified and consistent with the Club's risk tolerance, capital and regulatory constraints, expected liabilities and credit rating agency requirements.

Investment return



Investment Allocation
as at 20 Feb 2024



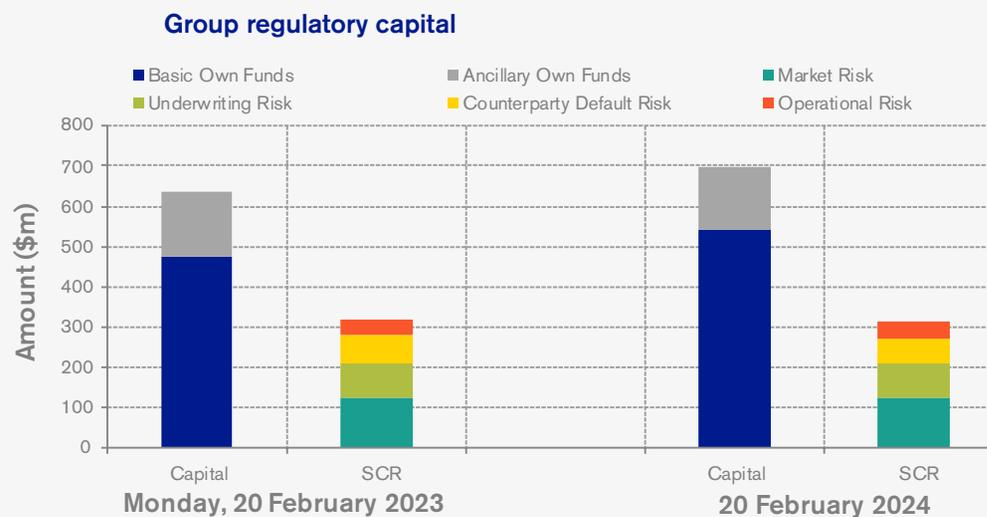
Capital

The Club has a strong capital position with free reserves of US\$483 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 '99.99%' confidence level as per S&P's capital model.

The Club's credit rating of 'A-/Stable' was most recently confirmed by S&P in March 2024.

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 it having to hold unnecessary levels of Members' capital. 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 following chart, which illustrates its SCR, broken down into key risk categories. For further 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. Identified risks include emerging risks such as those related to climate, as well 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 because 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 reinsurance programme are available on the IG's website and the structure is similar to last year.

Safety & Risk Management

The Club has recently shifted its focus from Loss Prevention to a wider 'Safety & Risk Management' responsibility. This new approach to safety and risk management provides a structured, comprehensive plan, bringing together safety and risk management, claims and underwriting to improve internal and external knowledge. This ensures that the Club keeps pace with emerging technologies, evolving environmental concerns and associated new risks.

The Club's safety offering incorporates aviation-standard human-element training, on-board bespoke safety assessments to help Members identify and mitigate hazards to safe operation, reflective learning training routines, and crew training webinars and in-person seminars. It continues to publish 'lessons learnt' animated training videos, which are available to view on the UK Club website and are promoted on a number of other independent training platforms and safety initiatives.

The Club recognises the fundamental importance of seafarer health and well-being, not least because maintaining a healthy workforce is essential to ensuring safety and productivity on board. The Club offers Members unrivalled resources to keep their crews healthy, happy and safe, and prides itself on its exclusive pre-employment medical exam programme, which in 2024 celebrates 28 years in operation.

The Club continues to support 'Together in Safety', an initiative that aims to bring evolution to safety across shipping, with a core objective to protect seafarers' lives, while delivering improved business efficiency and commercial effectiveness. Together in Safety introduces a modern, ground-breaking approach to the shipping industry that can bring a step change to wellbeing, safety and environmental care.

“ The Club continues to support... a core objective to protect seafarers' lives, while delivering improved business efficiency and commercial effectiveness. ”

In 2023, the Club published a consolidated edition of 'Carefully to Carry', a 600-page industry-leading guide on the safe carriage, loading and storage of cargoes, representing over 60 years of experience from several generations of international cargo experts, together with input from claims and loss prevention specialists. The first edition appeared in 2018 and the 2023 edition marked the first of what will be a long-running series of periodic updates of this definitive best practice guide.

In summary, the Club is committed to safety, and aims to reduce incidents that lead to claims by making [ships safer](#), [keeping crews healthier](#) and providing [expert advice](#) through [joint initiatives](#) with our industry partners.

Sustainability and Corporate Social Responsibility

The UK Club is a signatory to the United Nations Global Compact and at the heart of our approach to sustainability is a desire to align the Club with the United Nations Sustainable Development Goals ('SDGs'). These interlinked goals are designed to end poverty, fight inequality and injustice, and protect our planet. Every business has a part to play in achieving the goals and the Club is determined to do what it can.

As a signatory of the Compact, the Club has committed to implement the 'Ten Principles' of the UN Global Compact, take action in support of the Sustainable Development Goals and submit an annual Communication on Progress ('COP').

The Club's published Sustainability Report describes the Club's impacts in the areas identified as being most relevant to the Club, with reference to the SDGs. We support all 17 SDGs, but our Sustainability Report focuses on the Club's impact with reference to the five SDGs that are most closely aligned with the Club's activities: SDG3 on 'good health and well-being', SDG8 on 'decent work and economic growth', SDG13 on 'climate action', SDG14 on 'life below water' and SDG17 on 'partnerships for the goals'. The Club is currently working on an updated Sustainability Report and on its first COP.

The Club is fully managed by Thomas Miller and, consequently, its corporate citizenship goals are reflected by those of its Managers. Thomas Miller published its first [ESG Report](#) during 2023, which describes Thomas Miller's impact and progress in this area.

The Club has developed strong and enduring relationships with a number of charities, including the Mission to Seafarers, the Seafarers' Charity, the Sailors' Society, Stella Maris, ISWAN, and Safer Waves, and has provided significant financial and practical support for several key initiatives focused on maritime health and welfare, and on encouraging greater diversity in shipping.

During the past year, the Club made charitable donations totalling US\$380,000, none of which were to political parties.

Further details are set out below and in the Club's Sustainability Report.

Sustainability Reporting

The Club's first Sustainability Report was published in December 2022, and work is ongoing to publish an updated report.

The report describes the Club's impacts in the areas we have identified as being most relevant to the Club and sets out the Club's plans for the future, which are focused mainly on our support for our Members, as well as our commitment to support and embed into our operations and decision making the principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption.

The report includes a summary of the Club's governance of sustainability-related matters and of its compliance with sustainability-related regulations and legislation, as well as a qualitative assessment of the impact of the Club's activities in five specific areas, and how those activities align with the SDGs and targets most relevant to the Club:

A 'Collaboration and partnership' section focuses on the Club's partnerships with its Members, with Thomas Miller, with other clubs through the International Group of P&I Clubs, and with other industry groups, and how these initiatives align with SDG17 on 'partnerships for the goals'.

An 'Insured people' section focuses on the Club's many existing safety projects, especially those focused on the human element, and the Club's ongoing support for various seafarer-focused charities, and how these link with the targets for SDG3 on 'good health and well-being'.

An 'Insured operations' section focuses on the Club's long-standing efforts to prevent and mitigate environmental damage from casualties through skilful loss prevention and claims handling, as well as support for Members making the 'green transition' to alternative fuels and technologies, all with reference to the targets for SDG14 on 'life below water'.

An 'Own people' section focuses on those people who work for the Club, addressing human resource-related matters such as equality and diversity of those working (via Thomas Miller) for the Club and how those align with SDG8 on 'decent work and economic growth'.

An 'Own operations' section focuses on the sustainability aspects of the Club's operations (again via Thomas Miller) and how those align with SDG13 on 'climate action'.

The report also sets out an explanation of the Club's sustainability plans, including an intention to set impact-improvement targets and goals in conjunction with Thomas Miller.

In addition to its own reporting, as a signatory of the UN Global Compact, the Club has committed to submit an annual Communication on Progress ('COP') to the Global Compact. The Club is working on its COP for 2024.

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 of energy 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') and International Sustainability Standards Board ('ISSB')

The Club continues to integrate climate-related risks into its existing risk management framework. Although the Club is not required to provide climate-related financial disclosures within the TCFD or ISSB frameworks, the Club had started work on the preparation of a voluntary TCFD report and is now monitoring developments in relation to the ISSB in order to help decide whether and how it might issue a voluntary report under that framework.

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 treat Members of the Club fairly;
- 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; and
- 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 more than 150-year history and its focus on long-term partnerships mean 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 that wider views are considered and that all the Club's Members are treated fairly.

Employee Matters

As the Club's executive function is performed by an independent professional Manager, 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 or 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

Industry issues in 2024 were addressed in a range of publications, circulars, legal updates and loss prevention bulletins, all accessible by Members via the Club's website. However, reports to the Board and Members' Committee in this area were dominated by the need to keep abreast of the impact of Western sanctions following Russia's aggression against Ukraine.

Early in the conflict, the Board decided that the Club would withdraw from providing cover to any Russian flagged or beneficially owned fleets, taking a step beyond that of compliance with sanctions, which required the termination of the relationship with Sovcomflot.

However, the Club continued to provide cover for carriage of permitted Russian cargo, despite opposition from Ukraine interest groups, being mindful that decisions which affect the world's supplies of energy, food and fertilisers should be taken by governments that can address the consequences, and not by shipowners' mutuals.

Giving cover for permitted trades has meant ensuring compliance with a web of sanctions unparalleled in its complexity, scope and speed of development. Although the EU, US and UK governments sought to co-ordinate their sanctions programmes, differences in implementation inevitably gave rise to questions of interpretation. The UK Club, like other clubs in the IG, found itself busy with many queries from Members, and the lists of EU, UK and US Russia sanctions FAQs likewise expanded accordingly.

The introduction of the 'price cap', designed to restrict Russian oil and oil products revenues without restricting the volume of such trades between Russia and third countries, saw sanctions co-ordination effectively extended to the G7 and Australia. The price cap

is intended to maintain a reliable supply of crude oil and petroleum products to the global market, while reducing the revenues the Russian Federation earns from oil after its own war of choice against Ukraine inflated global energy prices. Several sanctions packages were released to oversee the price cap mechanism, with the latest requiring a chain of attestations through all entities supporting the transaction for every voyage. The Club has amended and enhanced its internal process and procedures to meet these additional requirements. The explicit focus on stopping insurance of ships carrying cargo in breach of the price cap has seen unexpected consequences. Coastal states have needed assurance that the sanctions will not undermine the protections given by clubs (through the blue card system) to victims of maritime accidents. Meanwhile, it is concerning that a role for insurers located and reinsured outside the G7 – as providers of cover for a growing 'dark fleet' – has inadvertently been highlighted.

In addition to the continuation of the conflict in Ukraine, 2024 also saw resumed conflict in the Middle East. One aspect of the increasing tensions was the attack on commercial ships transiting the Red Sea by the Houthi group. Several ships have suffered missile strikes, with a range of consequential damages. The risk of attack has led to the diversion of many ships despite the resultant increased time and cost.

The UK Club has been a very active participant in the IG Sanctions Committee. As usual, the Board and Members' Committee received a report during the year on activities of all the committees and working groups of the International Group, attended and, in some cases, led by the Managers, where numerous legal, regulatory, technical and insurance aspects of shipowners' liabilities are addressed and solutions are found.

The ability of shipowners to reach consensus in relation to liability and compensation issues, through their membership in the mutual clubs that participate in the IG's arrangements, is of great value. Their combined expertise, and representation of around 90% of ocean-going tonnage of all types, have made them a key point of contact for governments and legislators in relation to maritime liability – thereby ensuring that adequate and sustainable insurance arrangements are in place to compensate victims of maritime accidents.

These advantages to the industry and to society could be put at risk if Flag States are not able to assess adequately the status of insurers seeking their approval. The IMO Legal Committee has been reviewing the guidance to Flag States on this subject and the Club welcomes this activity accordingly.

“The UK Club has been a very active participant in the IG Sanctions Committee.”

Looking to the Future

The Club is well positioned to meet its future strategic objectives. To deliver its strategic goals, the Club will continue to focus on its core capabilities to enhance its market position. These core capabilities include the Club's:

- people, who bring a wealth of experience to support Members through all eventualities;
- leading safety and risk management proposition, which champions innovative techniques to prevent, mitigate or respond to the impact of losses at sea;
- capital position, which is among the best in the industry and provides the necessary financial resilience, even in the most extreme scenarios;
- leading brand and service proposition, which provide assurance of professionalism and expertise to Members;
- governance structure, which drives a culture that puts the needs of our Members first, so ensuring a commitment to delivering leading service;
- unrivalled membership, which illustrates the attraction of the Club's leading brand to the highest-quality Members.

The Club aims to develop strong long-term partnerships with Members through these core capabilities, which, when taken together, build an attractive proposition for the shipping community, as evidenced through recent renewal processes.

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

K. P. Halpenny

Company Secretary

13 May 2024



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 of the Parent Company's affairs as at 20 February 2024 and of the Club's surplus for the year then ended;
- The Club financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements 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 2024, 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 Generally Accepted Accounting Practice, 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), and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

We were appointed by the Board of Directors on 19 December 1998 to audit the financial statements for the year ended 20 February 1999 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 26 years, covering the years ended 20 February 1999 to 20 February 2024. 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.

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 review of the results of the stress testing as documented in the ORSA return.
- Assessed the solvency position through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital.
- Enquiries of the Directors and scrutiny of management information, Board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Club's ability to continue as a going concern.
- Considered the impact of climate change on the Club's and Parent Company's activities through discussion with management and our knowledge of relevant factors affecting the industry.
- Review of the basis of solvency projections and the appropriateness of the mechanism applied for the next 12 months from when the financial statements are authorised for issue by reviewing the reasonableness of the assumptions made based on historic outturn of previous projections.

- Review and challenge of the Club's and Parent Company's current plans and budgets, including an assessment of the 2024 budget against the audited 2024 results and assessing the reasonableness of assumptions made based on historic outturn of budgeted results and our knowledge of relevant factors affecting the industry and economy.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Club's and the Parent Company's ability to continue as a going concern for a period of at least 12 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.

Overview

Coverage	100% (2023: 100%) of Club surplus before tax 100% (2023: 100%) of Club earned premium 100% (2023: 100%) of Club total assets		
Key audit matters		2024	2023
	Valuation of and cut-off of technical Provisions and reinsurers' share of technical provisions	✓	✓
Materiality	<i>Club financial statements as a whole</i> \$9.7m (2023: \$8.6m) based on 2% (2023: 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, which was subject to a full scope audit by the BDO Netherlands firm. For one of the non-significant components, specified audit procedures were performed and an analytical review was performed on the remaining non-significant components. 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 who 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 meetings with the component auditors, both virtually and in person, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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\$1,451.6 million (2023: US\$1,450.2 million), and net technical provisions of US\$776.4 million (2023: US\$750.1 million). 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 placements, 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.

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)

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 specialists, 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 specialists, 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 through 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 and cut-off of technical provisions and reinsurers' share of technical provisions to be appropriate.

Our application of materiality

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

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Club financial statements		Parent Company financial statements	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Materiality	9.7	8.6	7.9	6.6
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	7.3	6.5	5.9	5.0
Basis for determining performance materiality	75% (2023: 75%) of financial statement materiality based on history of errors, management's attitude towards proposed adjustments and accounts subject to estimation.			
Rationale for the percentage applied for performance materiality	In determining performance materiality, we considered factors such as our assessment of the Club's and Parent Company's overall control environment, and expected total value of known and likely misstatements, based on past experience.			

Specific materiality

We also determined that for line items not affected by the Parent Company 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 Company of \$3.8 million (2023: \$3.8 million) was set. We determined materiality for these items based on 2% of Net Assets (2023: 2% of Net Assets). We further applied a performance materiality level of \$2.9 million (2023: \$2.9 million), being 75% (2023: 75%) 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 for significant components ranged from \$2.3 million to \$7.9 million. (2023 \$2.0 million to \$6.4 million). In the audit of each component, we further applied performance materiality levels of 65% to 75% (2023: 65% to 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Group Audit & Risk Committee that we would report to it all individual audit differences in excess of \$397k (2023: \$333k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit:

the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Club and Parent Company and their 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.
-

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:

Non-compliance with laws and regulations

Based on our understanding of the Club and Parent Company and the industry in which they operate;

Discussion with management and those charged with governance; and

Obtaining and understanding of the Club's and Parent Company's policies and procedures regarding compliance with laws and regulations.

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.

The Club and Parent Company are also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amounts or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statements disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, internal audit and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Club's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud;
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Maintaining professional scepticism when performing our testing and considering if the results of such testing are indicative of fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the valuation and cut-off of Technical

Provisions and Reinsurers' Share of Technical Provisions, revenue recognition, and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed); and
- Testing a sample of premiums recognised to supporting documentation to validate existence and that transactions have been recorded in the correct period.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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.

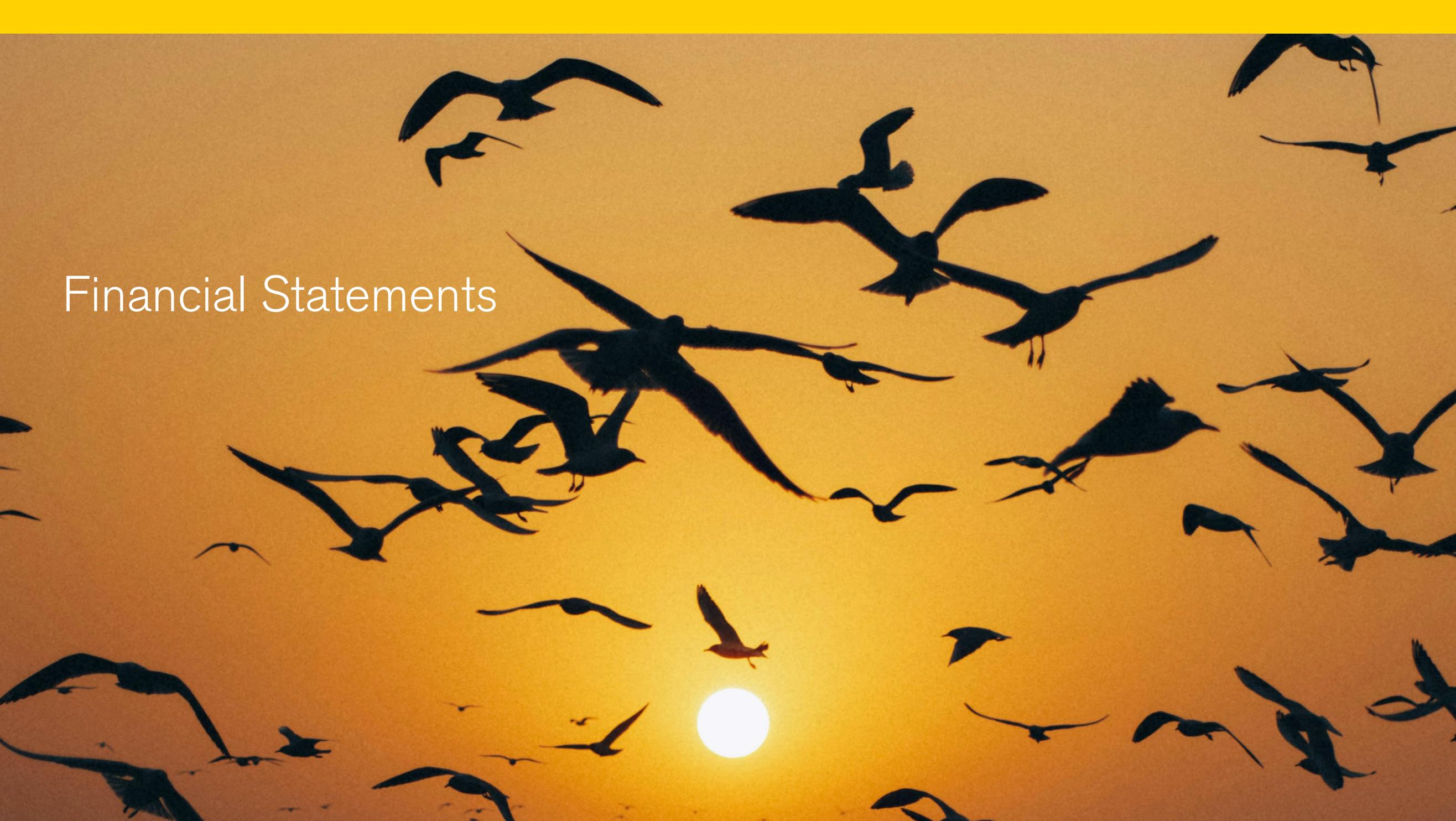
Thomas Reed (Senior Statutory Auditor)

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

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 20 February 2024

Technical Account			
Amounts in \$000	Notes	2024	2023
Income			
Gross premium earned	12	536,191	475,995
Outward reinsurance premiums	12	(181,031)	(172,035)
Net earned premium		355,160	303,960
Other insurance income		3,254	3,618
Investment return transferred from the non-technical account	13	77,075	(43,266)
Total income		435,489	264,312
Expenses			
Net claims paid	10	(276,946)	(257,813)
Change in provision for claims	10	(27,195)	7,904
Net claims incurred		(304,141)	(249,909)
Net operating expenses	14	(77,901)	(71,360)
Total expenses		(382,042)	(321,269)
Balance on technical account		53,447	(56,957)
Non-Technical Account			
Amounts in \$000	Notes	2024	2023
Balance on technical account		53,447	(56,957)
Net investment income	13	77,075	(43,266)
Investment return transferred to the technical account		(77,075)	43,266
Exceptional gain/(loss)	18	(197)	-
Net surplus/(deficit) before taxation		53,250	(56,957)
Taxation	15	(235)	(904)
Total comprehensive income/(loss) after tax		53,015	(57,861)

Consolidated Statement of Financial Position

For the year ended 20 February 2024

Amounts in \$000	Notes	2024	2023
Assets			
Financial investments	6	871,681	881,065
Derivative financial instruments	7	4,591	1,317
Reinsurers' share of technical provisions	10	675,225	700,034
Debtors	8	122,969	166,972
Cash and cash equivalents	9	368,838	225,260
Current income tax credit		1,290	199
Accrued interest		1,088	1,232
Total assets		2,045,682	1,976,079
Reserves and liabilities			
Capital and reserves attributable to Members			
Income and expenditure account		(483,220)	(430,205)
Other reserves		(240)	(240)
Total reserves		(483,460)	(430,445)
Liabilities			
Technical provisions	10	(1,451,575)	(1,450,171)
Derivative financial instruments	7	(4,179)	(479)
Creditors	11	(106,468)	(94,984)
Total liabilities		(1,562,222)	(1,545,634)
Total reserves and liabilities		(2,045,682)	(1,976,079)

The accompanying notes are an integral part of the Financial Statements.

The Consolidated Financial Statements were approved by the Board of Directors on 13 May 2024 and were signed on its behalf by:

J.M. Valkier
Chairman

N.H. Schües
Director

A.J. Taylor
Chief Executive

Parent Company Statement of Financial Position

For the year ended 20 February 2024

Amounts in \$000	Notes	2024	2023
Assets			
Investment in subsidiaries	16	74,241	74,230
Financial investments	6	51,567	43,330
Reinsurers' share of technical provisions	10	1,266,375	1,273,680
Debtors	8	91,042	134,900
Cash and cash equivalents	9	129,944	71,090
Current income tax		1,069	-
Accrued interest		425	377
Total assets		1,614,663	1,597,607
Reserves and liabilities			
<i>Capital and reserves attributable to Members</i>			
Income and expenditure account		(58,883)	(62,636)
Other reserves		(129,179)	(129,179)
Total reserves		(188,062)	(191,815)
Liabilities			
Technical provisions	10	(1,333,270)	(1,336,760)
Creditors	11	(93,331)	(69,032)
Total liabilities		(1,426,601)	(1,405,792)
Total reserves and liabilities		(1,614,663)	(1,597,607)

The Parent Company made a loss of \$3.7 million (2023: loss of \$10.1 million) on ordinary activities after tax for the year ended 20 February 2024. 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 13 May 2024 and was signed on its behalf by:

N. Inglessis
Chairman

N.H. Schües
Director

A.J. Taylor
Chief Executive

Consolidated Statement of Changes in Equity

For the year ended 20 February 2024

Amounts in \$000	Free reserves	Other reserves	Total
Balance as at 20 February 2022	488,066	240	488,306
Total comprehensive income for the year	(57,861)	-	(57,861)
Balance as at 20 February 2023	430,205	240	430,445
Total comprehensive income for the year	53,015	-	53,015
Balance as at 20 February 2024	483,220	240	483,460

Parent Company Statement of Changes in Equity

For the year ended 20 February 2024

Amounts in \$000	Free reserves	Other reserves	Total
Balance as at 20 February 2022	72,689	129,179	201,868
Surplus/(deficit) for the year	(10,053)	-	(10,053)
Balance as at 20 February 2023	62,636	129,179	191,815
Surplus/(deficit) for the year	(3,753)	-	(3,753)
Balance as at 20 February 2024	58,883	129,179	188,062

Consolidated Statement of Cash Flows

For the year ended 20 February 2024

Amounts in \$000	Notes	2024	2023
Operating activities			
Calls and premiums received		600,771	454,857
Receipts from reinsurance recoveries		219,426	65,498
Interest and dividends received		23,913	11,383
		844,110	531,738
<hr/>			
Claims paid		(512,941)	(319,325)
Acquisition costs and operating expenses paid		(77,482)	(113,354)
Reinsurance premiums paid		(167,201)	(122,478)
Taxation paid		(1,327)	1,705
		(758,951)	(553,452)
<hr/>			
Net cash generated/(used) in operating activities		85,159	(21,714)
<hr/>			
Investing activities			
Purchase of investments		(249,909)	(120,829)
Sale of investments		308,370	182,659
Net cash generated/(used) in investing activities		58,461	61,830
<hr/>			
Net increase/(decrease) in cash and cash equivalents		143,620	40,116
Effect of exchange rate fluctuations on cash and cash equivalents		(42)	-
Cash and cash equivalents at the beginning of the year	9	225,260	185,144
Cash and cash equivalents at the end of the year	9	368,838	225,260

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 policyholders.

The Club's registered address is 90 Fenchurch Street, London, EC3M 4ST, United Kingdom and the 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 13 May 2024.

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.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

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

Going concern

The Group has a total accumulated surplus as at 20 February 2024 of \$483 million (2023: \$430 million) and as a mutual organisation has the facility to raise additional capital via additional calls from its Members for open policy years, should they be required. The Directors consider that the Group's Financial Statements should be prepared on a going concern basis.

The Directors are satisfied that, based on the reasonably possible downside scenarios, and after considering the level of capital resources available to the Group, it will be able to meet its obligations to Members, policyholders and others for the foreseeable future, being at least 12 months from the date of approval of these Financial Statements. For this reason, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

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 the 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, and 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.

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 the US Dollar and has been selected on the basis that, materially, all of the Club's claims are paid in US Dollars, and the Club's main reinsurance contract with UKB (the Club's Bermudan subsidiary) is denominated in US Dollars.

Transactions and balances

Revenue transactions in foreign currencies have been translated into US Dollars at rates revised at monthly intervals. Foreign currency assets and liabilities are translated into US Dollars 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 a 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 are 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 Company 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.

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. Internal reporting to the Board of Directors mainly covers this single segment. Segmental reporting by geography is presented in note 5.

In 2022, the Club started writing fixed premium P&I business through a delegated underwriting authority arrangement with TMS. Much of this business is reinsured, therefore, limiting the risk retained by the Club.

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 is overseen by the Board's Group Audit & Risk Committee and the Managers' 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 to senior management, who provide ongoing guidance and review.

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 the 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 12 member clubs. More information on the International Group is available on its website: www.igpandi.org.

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 & 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. The results would be equal and opposite for a 5% decrease.

Amounts in US\$000	Consolidated		Parent Company	
	2024	2023	2024	2023
Increase in loss ratio by 5%				
Gross	(26,810)	(23,800)	(23,272)	(20,452)
Net	(17,758)	(15,198)	(4,510)	(3,906)

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 Club’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 would reduce the free reserves by approximately \$44 million (2023: \$44 million), assuming all other assumptions were unaffected.

Investment management

Market risk is managed via the Club’s investment policy, which requires that investments be managed in accordance with the ‘prudent person principle’, meaning that the 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 Club'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 a three-year cycle and on an ad hoc basis, as required. The Board's Investment Committee regularly monitors the performance of the Investment Managers and risk/return profile of the portfolio.

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 Dollars, is set out in the tables below:

Consolidated

Amounts in \$000	USD	GBP	EUR	Other	Total
2024					
Total assets	1,850,709	89,580	104,053	1,340	2,045,682
Total liabilities	(1,395,291)	(58,063)	(72,579)	(36,289)	(1,562,222)
Net Assets	455,418	31,517	31,474	(34,949)	483,460
2023					
Total assets	1,794,353	81,534	99,182	1,010	1,976,079
Total liabilities	(1,357,112)	(43,505)	(87,010)	(58,007)	(1,545,634)
Net Assets	437,241	38,029	12,172	(56,997)	430,445

Parent Company

Amounts in \$000	USD	GBP	EUR	Other	Total
2024					
Total assets	1,607,572	3,627	2,124	1,340	1,614,663
Total liabilities	(1,273,274)	(53,331)	(66,664)	(33,332)	(1,426,601)
Net Assets	334,298	(49,704)	(64,540)	(31,992)	188,062
2023					
Total assets	1,588,759	4,277	3,514	1,057	1,597,607
Total liabilities	(1,232,013)	(40,103)	(80,206)	(53,470)	(1,405,792)
Net Assets	356,746	(35,826)	(76,692)	(52,413)	191,815

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:

Amounts in US\$000	Consolidated		Parent Company	
	2024	2023	2024	2023
Impact of strengthening currencies by 5%				
GBP	1,576	1,964	(2,485)	(1,791)
EUR	1,574	486	(3,227)	(3,835)

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. 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 Net Assets to a 100 basis point increase in interest rates (across all terms) is illustrated in the table below.

Amounts in US\$000	Consolidated		Parent Company	
	2024	2023	2024	2023
1% increase				
Assets	(21,827)	(20,163)	(1,820)	(1,416)
Liabilities	-	210	-	21
Net Impact	(21,827)	(19,953)	(1,820)	(1,395)
1% decrease				
Assets	23,166	21,901	1,916	1,538
Liabilities	-	(230)	-	(23)
Net Impact	23,166	21,671	1,916	1,515

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 Board considers 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 who 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
2024					
Financial investments	524,694	61,350	64,942	220,695	871,681
Cash and cash equivalents	143,898	9,700	207,935	7,305	368,838
Derivative financial instruments	-	4,591	-	-	4,591
Debtors	-	-	-	122,969	122,969
Reinsurers' share of technical provisions	-	164,784	389,837	120,604	675,225
Other	1,087	1,291	-	-	2,378
Total	669,679	241,716	662,714	471,573	2,045,682
2023					
Financial investments	467,492	45,267	36,180	332,126	881,065
Cash and cash equivalents	52,037	9,200	148,846	15,177	225,260
Derivative financial instruments	-	1,317	-	-	1,317
Debtors	-	-	-	166,972	166,972
Reinsurers' share of technical provisions	-	85,209	485,101	129,724	700,034
Other	1,232	199	-	-	1,431
Total	520,761	141,192	670,127	643,999	1,976,079

Parent Company

Amounts in US\$000s	AAA	AA	A	Not readily available/ not rated	Total
2024					
Financial investments	51,567	-	-	-	51,567
Cash and cash equivalents	870	10,697	91,621	26,756	129,944
Investment in subsidiaries	-	-	74,241	-	74,241
Debtors	-	-	-	91,042	91,042
Reinsurers' share of technical provisions	-	164,327	909,688	192,360	1,266,375
Other	425	1,069	-	-	1,494
Total	52,862	176,093	1,075,550	310,158	1,614,663
2023					
Financial investments	43,330	-	-	-	43,330
Cash and cash equivalents	10,752	9,200	46,265	4,873	71,090
Investment in subsidiaries	-	-	74,230	-	74,230
Debtors	-	-	-	134,900	134,900
Reinsurers' share of technical provisions	-	192,007	946,390	135,283	1,273,680
Other	377	-	-	-	377
Total	54,459	201,207	1,066,885	275,056	1,597,607

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 is 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
2024						
Assets	491,365	483,859	241,266	635,070	194,122	2,045,682
Liabilities	(893)	(592,210)	(310,557)	(430,803)	(227,759)	(1,562,222)
Net	490,472	(108,351)	(69,291)	204,267	(33,637)	483,460
2023						
Assets	467,140	440,855	345,229	462,288	260,567	1,976,079
Liabilities	175	(583,701)	(306,409)	(427,553)	(228,146)	(1,545,634)
Net	467,315	(142,846)	38,820	34,735	32,421	430,445

Parent Company

Amounts in US\$000s	Short-term assets	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
2024						
Assets	197,808	533,530	272,617	425,463	185,245	1,614,663
Liabilities	-	(544,256)	(286,950)	(400,365)	(195,030)	(1,426,601)
Net	197,808	(10,726)	(14,333)	25,098	(9,785)	188,062
2023						
Assets	147,234	538,023	303,416	389,216	219,718	1,597,607
Liabilities	-	(494,733)	(274,566)	(405,359)	(231,134)	(1,405,792)
Net	147,234	43,290	28,850	(16,143)	(11,416)	191,815

4.5. Operational risk

Operational risk is the potential for loss arising from the failure of people, processes or 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 by the internal audit function, which is directed and reviewed by the Group Audit & 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 & Poor's.

The Club continues to be regulated in the United Kingdom by the Prudential Regulation Authority ('PRA') and the 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% confidence level of solvency over a 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 on the next page.

Amounts in US\$000	2024	2023
United States of America	94,425	76,538
Greece	73,594	62,576
Japan	45,443	28,415
China	38,485	36,009
Switzerland	30,298	25,445
Germany	26,098	21,794
United Kingdom	17,414	13,664
Singapore	15,286	16,124
Other ¹	195,148	195,430
Total	536,191	475,995

¹ The UK Club fronted \$74.0 million (2023: \$70.5 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. Additionally, \$71.0 million relates to fixed premium P&I business written through a delegated underwriting authority arrangement with TMS. Much of this business is reinsured, therefore limiting the risk retained by the Club. The remaining \$50.1 million mainly relates to mutual business.

6. Financial Investments

All financial investments have been designated as held at fair value through profit or loss and are 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\$000	Level 1	Level 2	Level 3	Total
As at 20 February 2024				
Debt securities	669,616	-	-	669,616
Equity securities and alternative investments	166,995	-	35,070	202,065
Total	836,611	-	35,070	871,681
As at 20 February 2023				
Debt securities	617,051	-	-	617,051
Equity securities and alternative investments	184,287	47,371	32,356	264,014
Total	801,338	47,371	32,356	881,065

Parent Company

Amounts in US\$000	Level 1	Level 2	Level 3	Total
As at 20 February 2024				
Debt securities	51,567	-	-	51,567
Total	51,567	-	-	51,567
As at 20 February 2023				
Debt securities	43,330	-	-	43,330
Total	43,330	-	-	43,330

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

Consolidated

Amounts in US\$000	Total
As at 20 February 2022	985,041
Additions	120,829
Disposals	(182,678)
Fair value movements recognised in the Income Statement	(42,127)
As at 20 February 2023	881,065
Additions	249,909
Disposals	(264,808)
Fair value movements recognised in the Income Statement	5,515
As at 20 February 2024	871,681

Parent Company

Amounts in US\$000	Total
As at 20 February 2022	37,800
Additions	40,004
Disposals	(2,173)
Fair value movements recognised in the Income Statement	(32,301)
As at 20 February 2023	43,330
Additions	43,216
Disposals	(36,736)
Fair value movements recognised in the Income Statement	1,757
As at 20 February 2024	51,567

Consolidated

	Market value		Cost value	
	2024	2023	2024	2023
Held at fair value through profit and loss:				
Debt securities	669,616	617,051	721,189	683,427
Equity securities and alternative investments	202,065	264,014	155,969	244,286
Financial assets held at fair value through profit and loss	871,681	881,065	877,158	927,713

Parent company

	Market value		Cost value	
	2024	2023	2024	2023
Held at fair value through profit and loss:				
Debt securities	51,567	43,330	51,236	44,690
Financial assets held at fair value through profit and loss	51,567	43,330	51,236	44,690

7. Derivative Financial Investments

The Club holds a number of derivative financial instruments which are used to hedge against currency fluctuations. Of these, \$0.4 million (2023: \$0.8 million) are held within the investment portfolio.

As described in note 2.8, the remainder are taken out to hedge against the future management fee payments and have been designated as fair value hedges. They are all held by UKB. The table below analyses these 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 Amounts in US\$000	2024			2023		
	Contract/ notional amount	Fair value asset	Fair value liability	Contract/ notional amount	Fair value asset	Fair value liability
Hedged item	66,452	4,192	-	101,504	499	-
Hedging instrument	66,452	-	(4,179)	101,504	-	(479)
Total	-	4,192	(4,179)	-	499	(479)

8. Debtors

Amounts in US\$000	Consolidated		Parent Company	
	2024	2023	2024	2023
Insurance receivables				
Contract holders	77,089	139,536	46,257	109,019
Reinsurers	26,944	11,851	26,603	11,516
Provision for doubtful debts	(3,080)	(2,617)	(3,080)	(2,618)
Total	100,953	148,770	69,780	117,917
Other debtors				
Prepayments	994	49	903	48
Sundry debtors	21,022	18,153	20,359	16,935
Total other debtors	22,016	18,202	21,262	16,983
Total debtors	122,969	166,972	91,042	134,900

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

Amounts in US\$000	Consolidated		Parent Company	
	2024	2023	2024	2023
Cash at bank and in hand	224,940	173,223	107,233	60,338
Money market funds	143,898	52,037	22,711	10,752
Total	368,838	225,260	129,944	71,090

10. Technical Provisions

Amounts in US\$000	Consolidated		Parent Company	
	2024	2023	2024	2023
Gross outstanding claims	(1,385,548)	(1,386,089)	(1,302,345)	(1,304,898)
Provision for unearned premium and DAC	(66,027)	(64,082)	(30,925)	(31,862)
Technical provisions	(1,451,575)	(1,450,171)	(1,333,270)	(1,336,760)
Reinsurers' share of gross outstanding claims	619,230	644,442	1,236,946	1,243,350
Provision for unearned reinsurance premium and ceded DAC	55,995	55,592	29,429	30,330
Reinsurers' share of technical provisions	675,225	700,034	1,266,375	1,273,680
Total insurance liabilities, net	(776,350)	(750,137)	(66,895)	(63,080)

10.1. Claims development tables

The tables on the next page 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\$000

Reporting year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
- End of reporting year	250,715	275,552	250,572	282,111	277,372	240,638	385,640	299,656	279,038	398,363
- One year later	222,257	264,873	248,028	291,969	268,472	404,861	403,458	341,884	299,992	-
- Two years later	217,452	273,145	243,901	320,782	267,488	380,296	501,500	341,350	-	-
- Three years later	216,207	270,602	233,917	341,822	248,687	409,922	480,037	-	-	-
- Four years later	218,077	249,056	237,002	324,992	264,347	443,819	-	-	-	-
- Five years later	214,063	250,682	230,343	359,715	275,020	-	-	-	-	-
- Six years later	210,778	247,365	238,597	417,148	-	-	-	-	-	-
- Seven years later	205,951	234,413	239,482	-	-	-	-	-	-	-
- Eight years later	206,638	234,008	-	-	-	-	-	-	-	-
- Nine years later	206,650	-	-	-	-	-	-	-	-	-
Current estimate of ultimate claims	206,650	234,008	239,482	417,148	275,020	443,819	480,037	341,350	299,992	398,363
Cumulative payments to date	201,392	210,090	228,810	269,598	224,860	195,112	339,559	194,851	95,712	95,341
Liability recognised in the Consolidated Statement of Financial Position	5,258	23,918	10,672	147,550	50,160	248,707	140,478	146,499	204,280	303,022
Total liability relating to last 10 policy years										1,280,544
Other claims liabilities										105,004
Technical provisions excluding UPR in the Consolidated Statement of Financial Position										1,385,548

10.2 Movement in insurance liabilities and reinsurance assets

Consolidated

Amounts in US\$000	2024			2023		
	Gross	RI	Net	Gross	RI	Net
Outstanding claims brought forward	(1,386,089)	644,442	(741,647)	(1,238,447)	488,896	(749,551)
Cash paid for claims settled in the year	511,464	(234,519)	276,945	325,608	(67,795)	257,813
Claims incurred in the current year	(513,070)	208,930	(304,140)	(473,250)	223,341	(249,909)
Exceptional item claims element	2,567	(43)	2,524	-	-	-
Foreign exchange	(420)	420	-	-	-	-
Outstanding claims carried forward	(1,385,548)	619,230	(766,318)	(1,386,089)	644,442	(741,647)

The outstanding claims movement in the Statement of Financial Position allows for the \$2.5 million transferred to R&Q during the financial year, this is presented within the exceptional item in the Consolidated Statement of Income and Expenditure. Refer to note 18.

Parent Company

Amounts in US\$000	2024			2023		
	Gross	RI	Net	Gross	RI	Net
Outstanding claims brought forward	(1,304,898)	1,243,350	(61,548)	(1,168,683)	1,104,996	(63,687)
Cash paid for claims settled in the year	474,807	(450,650)	24,157	295,869	(270,820)	25,049
Claims incurred in the current year	(474,821)	444,289	(30,532)	(432,084)	409,174	(22,910)
Exceptional item – claims element	2,567	(43)	2,524	-	-	-
Outstanding claims carried forward	(1,302,345)	1,236,946	(65,399)	(1,304,898)	1,243,350	(61,548)

11. Creditors

Amounts in US\$000	Consolidated		Parent Company	
	2024	2023	2024	2023
Claims payable	(5,944)	(7,924)	(3,687)	(3,670)
Reinsurers	(95,275)	(80,916)	(58,882)	(51,980)
Trade payables and accrued expenses	(5,249)	(6,144)	(3,247)	(3,784)
Intercompany	-	-	(27,515)	(9,598)
Total	(106,468)	(94,984)	(93,331)	(69,032)

The fair value of these balances approximates their carrying value.

12. Net Earned Premium

Consolidated

Amounts in US\$000	2024	2023
Mutual premium	354,013	318,993
Fixed premium	110,356	120,427
Fronted premium	73,953	70,511
Gross written premium	538,322	509,931
Change in unearned premium provision	(2,131)	(33,936)
Gross earned premium	536,191	475,995
Premium ceded to reinsurers		
Reinsurance purchased collectively within the International Group	(65,206)	(56,467)
Other market reinsurance	(116,354)	(132,762)
	(181,560)	(189,229)
Change in unearned reinsurance premium provision	529	17,194
Total premium ceded to reinsurers	(181,031)	(172,035)
Total net earned premium	355,160	303,960

13. Investment return

Consolidated

Year ending February 2024	Income	Net Realised Gains/(loss)	Net Unrealised Gains	Total Investment Return
Equity and debt securities	18,931	8,752	41,834	69,517
Cash and cash equivalents	13,475	-	-	13,475
Other investment charges	(5,917)	-	-	(5,917)
Total net investment return/(loss)	26,489	8,752	41,834	77,075

Year ending February 2023	Income	Net Realised Gains	Net Unrealised Gains	Total Investment Return
Equity and debt securities	12,798	(9,126)	(45,322)	(41,650)
Cash and cash equivalents	3,159	-	-	3,159
Other investment charges	(4,775)	-	-	(4,775)
Total net investment return/(loss)	11,182	(9,126)	(45,322)	(43,266)

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\$000	2024	2023
Acquisition costs	(51,449)	(46,608)
Residual management fee	(14,584)	(14,686)
Directors' fees	(1,440)	(1,144)
Audit fees	(1,020)	(718)
Other expenses	(9,408)	(8,204)
Total operating expenses	(77,901)	(71,360)

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. The increase in acquisition cost is mainly driven by the relatively new TMS (fixed premium delegated authority) business.

Average expense ratio

In accordance with Schedule 3 of the International Group Agreement, the Club is required to disclose its average expense ratio ('AER'), being the ratio of operating expenses to income, including net earned 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 20 February 2024, the ratio of 13.24 (2023: 12.92) 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\$000	2024	2023
Current taxes on income for the reporting period	(264)	-
Net adjustment in respect of current and prior periods	32	(205)
Overseas taxation	(3)	(699)
Total income tax expense	(235)	(904)

Tax on the Club's profit 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\$000	2024	2023
Profit/(deficit) before tax	53,250	(56,957)
Tax at 25% (2023 at 19%)	(12,936)	10,822
▪ Portion of investment income not subject to taxation		
Non-taxable transactions	12,701	(11,726)
Total	(235)	(904)

The corporation tax main rate increased to 25% for the year starting April 2023.

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%	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%	Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10 Bermuda
Hydra Insurance Company Limited	Bermuda	Reinsurance	100% of owned cell	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
The United Kingdom Mutual Steam Ship Assurance Association (London) Limited	United Kingdom	Dormant	100%	90 Fenchurch Street London EC3M 4ST United Kingdom
UK P&I Club N.V.	Netherlands	Insurance	100%	Wilhelminakade 953A 372 AP Rotterdam Netherlands

UKNV and UKL investments in subsidiaries are \$74.2 million (2023: \$74.2 million) and \$0.0 million (2023: \$0.0 million) respectively. Investments in subsidiary undertakings are stated at cost less impairment.

UKL has been made dormant following a legal transfer of its liabilities and assets to the Parent Company, as well as deregulation prior to 20 February 2023. UKL remains a subsidiary of UKC.

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 three who are independent specialists and two who are from the management company) 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\$000	2024	2023
<i>Key management compensation</i>		
Short-term employee benefits – Directors' fees	(1,440)	(1,144)

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 \$35.2 million. The Club has a contract with Thomas Miller P&I 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 transactions 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 (2023: 1) member of staff based in Japan in respect of its Japanese branch.

18. Exceptional events

During the reporting period, there was one legal transfer of claims liabilities:

- In February 2020, the Club entered into an arrangement with Randall & Quilter ('R&Q') in respect of the Club's occupational disease claims – a long-tailed and consequently volatile liability mostly relating to asbestos exposures written in the second half of the last century. Initially, a reinsurance arrangement protected against future deterioration of these liabilities.
- In December 2021, the Club's non-EEA OD liabilities and corresponding assets were transferred to R&Q via a legal process in the United Kingdom. In May 2023, the Club transferred its remaining EEA OD liabilities to R&Q leading to an exceptional loss of \$0.2 million.

19. Policy Year Tables (unaudited)

MUTUAL ONLY	2023	2022	2021
Amounts in US\$000			
Premium debited in this financial year	351,206	822	1,656
Premium debited in previous financial years	-	316,756	256,193
Reinsurance premium	(63,374)	(53,091)	(37,447)
Net premium income	287,832	264,496	220,402
Net paid claims and expenses	(131,031)	(141,291)	(206,970)
Investment income	23,642	2,920	7,599
Funds available	180,443	126,126	21,031
Gross outstanding claims (incl. IBNR)	(197,777)	(136,581)	(125,490)
Reinsurance recoveries	13,893	20,722	30,658
Net outstanding claims	(183,884)	(115,859)	(94,832)
(Deficit)/Surplus	(3,441)	10,267	(73,800)

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% supplementary premium on the open policy years would be \$35 million (2023), \$32 million (2022) and \$26 million (2021).

