

Standard Club

Annual Report 2022



**Standard
Club**





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The club at a glance

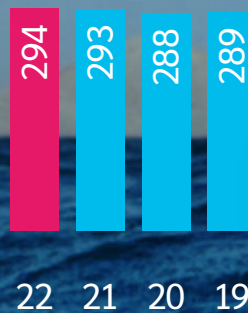
\$310m

Free reserves



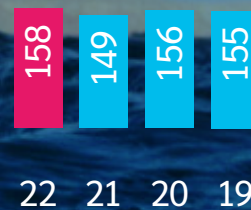
\$294m

Calls and premiums



158mgt

Tonnage



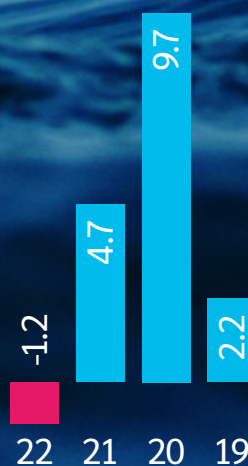
105%

Combined ratio



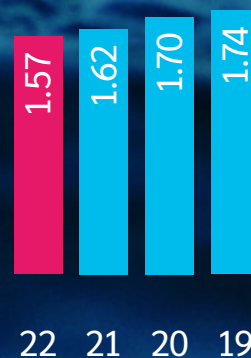
-1.2%

Investment return



1.57

Claims cover ratio
of net assets to net
outstanding claims



Chairman's statement

This statement coincides with the most significant event in the club's history, when on 27 May, the members of Standard and the members of North voted in favour of a merger, following recommendations from both club boards. We are now working hard to secure all of the necessary financial, regulatory and merger control approvals, with a view to completing the formal corporate merger, including the corporate restructure and a new brand identity, on 20 February 2023.

The board and I would like to thank all of our members for their support. Standard's and North's businesses have a strong strategic fit; together we harness 300 years of shared P&I heritage, and our guiding principles of mutuality, encompassing service, security and strength will continue to apply to NorthStandard.

Looking ahead, NorthStandard will be a mutual marine insurance company committed to the highest levels of member service at the forefront of global marine insurance, acting as a powerful industry voice and upholding the values and benefits of the International Group system.

As a third-generation member of the Standard Club, I am particularly pleased that this merger has been agreed, and firmly believe that together we can create the P&I club of choice for members, shipowners and of course, our talented staff.

Turning from our internal affairs to those of the wider world, our thoughts are with the people of Ukraine caught up in a terrible war, the many Russian and Ukrainian seafarers desperately worried about family at home, as well as the international seafarers trapped in Odessa and other Ukrainian ports. It is estimated that Russia's assault on Ukraine could create as many as seven million refugees, triggering Europe's largest humanitarian crisis since the 1990s. This, combined with China's zero COVID-19 policy and its impact on global supply chains, will have far-reaching implications for all of us.



It has been another difficult year for seafarers with the ongoing COVID-19 pandemic. The Seafarers Happiness Index (SHI) 2021, a report formed from thousands of anonymous survey responses and gathered by the welfare charity Mission to Seafarers, and supported by Standard Club, was published in January this year. The results showed how the general happiness of seafarers is affected by the fluctuations in the response to the pandemic, with optimism rising with the opening up of borders, and a dip in morale during times of rising infections and travel bans. In the last two years, we have worked with our members to provide recommendations for best practice strategies to improve seafarer wellbeing during the pandemic.

Looking back over the last year, Standard Club has weathered the challenges of 2021 well. It was a year which saw the industry face record levels of claims and a sell-off in the global equity and bond markets reducing free reserves.

But we remain financially strong: our free reserves stand at \$310m, and we have had our 'A' rating re-affirmed by financial ratings agency S&P. Our strategy of attracting carefully selected tonnage across all areas of the business continues to pay off. 98% of our existing membership renewed with us in February 2022 and we grew by 11mgt. We now insure 158mgt with a mixed range of good-quality tonnage drawn from shipping centres around the world.



The club would not be successful without the strong guidance of the board and I would like to extend my thanks to the directors who have dedicated their time and expertise to the club. This year, we welcomed Lars Kastrup (PIL) and Vassilis Dalacouras (Dalex Shipping) to the board, and I am grateful to our departing directors Art Bensler, Oivind Tangen and Choo-Wee Teo, who have served the club well for many years.

Looking forward to the future, I am confident that we will be able to successfully face the challenges of changing times. These changing times require us to look at different ways of solving problems and responding to members' needs. As just one example, the club has established an alternative fuel advisory panel, which consists of experts from across the industry, to ensure that the club has the knowledge and skills necessary to support members through this transition in relation to their contracts and liabilities. Inflation is another challenge facing all businesses, and for the club, increased material and wage costs are likely to impact claims liabilities, and inflation will also be an important factor in our investment strategy.

But, significantly, the merger, if the remaining approvals are obtained, will offer us a broader platform to cope with the changes ahead. NorthStandard will combine the skills and best practice from both clubs to deliver unrivalled claims expertise delivering a broader range of services, faster innovation and even stronger financial resilience, while acting as a compelling advocate for shipowners.

Finally, I would like to record my and the board's appreciation for the club staff's hard work. While continuing the club's successful and proactive day-to-day management, they have also devoted a huge amount of effort in bringing us to the current stage of the merger process in a short space of time.

Cesare d'Amico
Chairman

The directors

Directors who have served since the date of the last annual report and financial statements are:

Chairman

C d'Amico ^{1,2,3,4,5,7,8}

d'Amico Società di Navigazione SpA

Deputy Chairmen

N Hadjioannou ^{2,4,5}

Cymona Shipping Management SAM

E Johnsen ^{1,2,3,4,5,6}

Seaocean Carriers Pte. Ltd

Directors

N Aksoy ²

Akmar Holding S.A.

A Bensler ^{2,3}

Teekay Shipping (Canada) Ltd
(Resigned 25 January 2022)

P Clausius ^{3,7}

Transport Capital Pte Ltd

A Cossar ^{1,6}

Bermudian resident
Non-Executive Director

C Cosimi ¹

Saipem SpA

V Dalacouras

Dalex Shipping Co. S.A.
(Appointed 25 January 2022)

R Forest ^{2,3}

Matson Navigation Co Inc.

A Groom ^{1,2,3,5,6}

Non-Executive Director

J Grose ⁶

Executive Director

B Harinsuit ^{2,5,7}

The Harinsuit Transport Co Ltd

L Henneberg ¹

A.P. Møller – Maersk A/S

K Howarth ^{1,6}

P&O Ferries Holdings Ltd

B Hurst-Bannister ^{1,3,5,8}

Insurance Expert Director

T Huxley ⁷

Mandarin Shipping Ltd
(Appointed 2 February 2021)

G Jaegers ³

Reederei Jaegers GmbH

H Joshi ^{1,7}

The Shipping Corporation of India Ltd

L Kastrup

Pacific International Lines (Pte) Ltd
(Appointed 25 January 2022)

D Koo ^{2,7}

Valles Steamship Co Ltd

T Kuroyanagi ^{2,7}

Kumiai Navigation (Pte) Ltd

R Menendez Ross ^{2,3,5,6,7}

Interocean Transportation Inc.

A Paterson ³

CSL Group Inc.

M Procopiou ³

Dynacom Tankers Management Ltd

O Tangen ¹

SBM Offshore
(Resigned 14 April 2022)

C W Teo ^{2,7}

Pacific International Lines (Pte) Ltd
(Resigned 25 January 2022)

T Vellis

Pleiades Shipping Agents S.A.

M Voorham

SMT Shipping (Cyprus) Ltd

J Woodrow ^{3,7}

The China Navigation Co Pte Ltd

1 Member of the Audit and Risk Committee

2 Member of the Nomination and Governance Committee

3 Member of the Strategy Committee (until 21 October 2021)

4 Member of the Remuneration Committee

5 Member of the Chairman's Group

6 Director of Standard UK

7 Director of Standard Asia

8 Director of Standard Ireland

Report of the directors

Business and operational review

Founded in 1884, we are one of the world's leading mutual Protection and Indemnity insurers by tonnage and membership.

We take a personal approach to everything we do. We believe in being effective, not just efficient — working for ideal outcomes, not just following a rigid process.

Our expert, specialist underwriting and loss prevention helps you manage risk. But we also know that some things are beyond anyone's control: when incidents occur, our claims handlers deliver outstanding support, whenever and wherever you need it.

Above all, we provide reassurance, backed by our financial strength and membership of the International Group of P&I Clubs.

Our regulatory and technical expertise means we're always by your side.

First class service. As standard.



Principal activities

The principal activity of The Standard Club Ltd is to act as a holding company for subsidiaries that provide insurance and reinsurance of third-party liabilities and related risks, marine delays, war risks and defence risks on behalf of their members. Following the 2022 renewal, there was approximately 158mgt of shipping entered in the club for P&I risks.

Directors

The directors of the club who were in office from the date of the last report and up to the date of signing these financial statements are shown on page 5 of this report. On 25 January 2022, the board was pleased to welcome Lars Kastrup, co-President of Pacific International Lines and Vassilis Dalacouras, Director of Dalex Shipping as new directors. Having been appointed during the year, they will offer themselves for election at the annual general meeting (AGM).

The directors who retire by rotation in accordance with the bye-laws and offer themselves for re-election are: Allister Paterson, Ron Forest, Nicolas Hadjioannou, Lars Henneberg, Marielena Procopiou, Takis Vellis, and Markus Voorham. The directors who fulfil the corporate governance requirement to seek annual re-election after having served on the board for over nine years and who, being eligible, offer themselves for re-election are: Necdet Aksoy, Erik Johnsen, Cesare d'Amico, Alistair Groom, Bhuminr Harinsuit, David Koo, Gunther Jaegers, Barnabas Hurst-Bannister and Ricardo Menendez Ross.

Details of those directors seeking annual re-election will be included in the notice of the AGM, which will be circulated to members separately. Since the last report, Art Bensler, Oivind Tangen and Choo-Wee Teo have resigned from the board. The directors of the club would once again like to take the opportunity to thank them for their valued contribution.

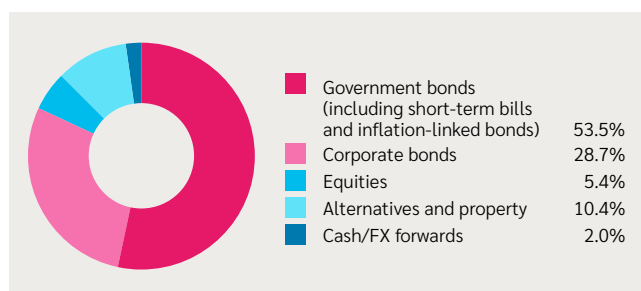
Meetings of the board

Since the date of the last report, the board has met on seven occasions: 15 July 2021, 24 October 2021 (Dublin), 25 January 2022, 3 March 2022, 11 March 2022, 14 April 2022 and 27 May 2022 (Rome). Due to the pandemic, a majority of the meetings have been held virtually, originating from Bermuda. Since March 2022, the board has considered and approved that the proposed merger with North P&I be recommended to the members for approval. It was also responsible for the oversight of the work on the transition from Charles Taylor to in-house management. It reviewed the club's strategy and business plan, the risk overview, financial and underwriting performance, significant claims, new members, new ships attaching, reinsurance arrangements, legal, regulatory and tax matters, industry developments, control and governance matters, investment strategy and results. The principal issues discussed by the board, and the decisions reached, are set out in this report.

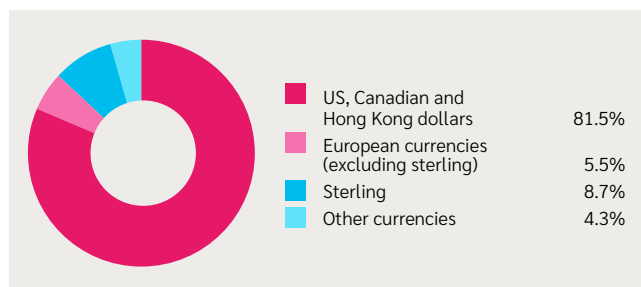
Investments

For the year to 20 February 2022, the club's investment assets returned -1.2%.

At the 20 February 2022 valuation point, the investment portfolio was invested across the following asset classes:



The allocation by currency was:



During 2021, a combination of lock-downs and vaccines reduced the economic impact of the pandemic such that risk markets generally recovered into the calendar year-end. Risk was cautiously and strategically added to the portfolio during this time but was again reduced as central banks became more concerned about the impact of inflation. As a result, the portfolio was again defensively positioned when the equity markets peaked in January 2022. Also, in January 2022, the portfolio was underweight relative to claims liabilities. The opportunity was also taken to take profits on several alternative investments (generally infrastructure related) whilst maintaining exposure to assets with high inflation linkages or exposure to power prices (renewables).

Solvency and capital management

The Standard Club group is regulated by the Bermuda Monetary Authority (BMA) under a regulatory regime deemed 'equivalent' to Solvency II, the EU-wide European regulatory regime which applies to the club's subsidiaries, The Standard Club UK Ltd (Standard UK) and The Standard Club Ireland DAC (Standard Ireland).

As part of the BMA's regulatory framework, insurance companies are required to publish a 'Financial Condition Report' setting out the business and performance of the company, its governance structure, risk profile, solvency valuation and capital management. This is published on the Standard Club's website. A key requirement of the regulatory regimes under which the Standard Club group operates is to have a well-developed Own Risk and Solvency Assessment (ORSA) programme in place (referred to as the Commercial Insurer's Solvency Self Assessment (CISSA) programme in Bermuda). The club has a well-developed programme in place, and its ORSA/CISSA is updated and reviewed annually by the board. As part of this, the club makes use of its internal model to make assessments of its own capital needs as well as to inform important business planning issues, including setting the renewal pricing strategy, reinsurance purchasing and projecting the club's prospective result against which actual performance can be measured.

The ability of the club to make supplementary calls remains an important part of the resources available to meet its capital requirements. Both the BMA's regulatory framework and the Solvency II Framework Directive allow mutual insurers, such as the club, to have the right to make supplementary calls included as additional capital. The board keeps the need to make supplementary calls under review when considering the overall financial resources available to the club and has decided that no supplementary call is currently needed for any of the open policy years, nor is any expected. The board's strategic approach to capital has been referred to in the free reserves section of the report of the directors.



Financial results

Summary of financial results and consolidated balance sheet

As set out in the consolidated statement of comprehensive income, there was a deficit for the year of \$50m (2021: \$33m deficit). Free reserves at 20 February 2022 stood at \$310m (2021: \$360m). Total reserves available for claims stood at \$853m (2021: \$946m). The amount set aside to meet outstanding claims and IBNR was \$543m at 20 February 2022 (2021: \$586m).

Statement of comprehensive income

Revenue from calls, premiums and releases amounted to \$294m (2021: \$293m). Incurred claims, net of reinsurance recoveries, were \$213m (2021: \$260m). Pool and reinsurance recoveries amounted to \$37m (2021: \$44m).

Average expense ratio


The average expense ratio for the club's P&I class for the five years ended 20 February 2022 was 13.4% (2021: 12.7%). The ratio was calculated in accordance with the Schedule and Guidelines issued by the International Group (IG) pursuant to the International Group Agreement and is consistent with the relevant financial statements. The ratio expresses the club's expenses as a percentage of its total income. Although members' brokerage is not an expense of the club, for the sake of consistency, the ratio includes members' brokerage fees paid by members to their brokers through the agency of the club.

Open and closed policy year balances – P&I class

The appendices to the report set out details of the open policy years together with the closed policy year balances. The 2019/20 policy year was closed on the basis of the financial position at 20 February 2022. The total open policy year balance at 20 February 2022 amounted to \$241m after closure of the 2019/20 policy year. The estimate of net outstanding claims liabilities for the closed years amounted to \$260m (including liabilities for the 2019/20 policy year).

Free reserves

The free reserves represent the surpluses built up out of open and closed policy years (which include investment returns and constitute the core capital of the club). The club's free reserves stood at \$310m at 20 February 2022 (2021: \$360m).



The board has reviewed the strategic purpose of the club's capital and agreed that the appropriate level of free reserves would:

- ensure that the club has sufficient capital to reflect its business risks and to comply with regulatory requirements
- provide a sufficient buffer so as to make the probability of supplementary calls very low and unnecessary in any phase of a normal underwriting cycle, levied only in extreme stress scenarios
- ensure that the club is perceived as being in the top division of clubs from a financial perspective, in order to give the club flexibility and the power to maintain discipline on pricing and quality
- maintain an S&P capital strength rating of 'AAA'.

The current level of free reserves is within the target strategic range set by the board. The board will ensure that the free reserves continue to be aligned with the volume of risks in the club's business.

The board keeps the need to make supplementary calls under review when considering the overall financial resources available to the club and has decided that no supplementary call is currently needed for any of the open policy years, nor is any expected.

Release calls

An actuarial assessment is undertaken to establish the level of release calls for each policy year, as the various risks to which the club is exposed and the long-tail nature of claims development could lead to a wide variety of profit and loss outcomes. The club has considered each of a large number of possible results to assess the probability of the free reserves falling to a level at which a supplementary call might be made. The size of such a supplementary call, weighted by the probability of requiring a call of that size, represents the liability foregone by a member that leaves the club.

A benchmark release call rate is calculated as this amount plus a risk transfer premium, adjusted to take into account any commercial or market considerations.

In line with recent years, the club is sufficiently confident in its balance sheet strength to maintain relatively low levels of release calls on the P&I class, as compared to other IG clubs, of 6% for 2020/21, 12.5% for 2021/22 and 12.5% for 2022/23.

The Coastal & Inland class release calls are set at 0% for each of the three open policy years, and the Strike & Delay class at 20% for 2021/22 and 2022/23.

Impact of COVID-19

The directors have continued to monitor the development of the impact of COVID-19, both directly on the club's business, and indirectly through the development of government policy and advice. The main considerations are outlined below.

Operational

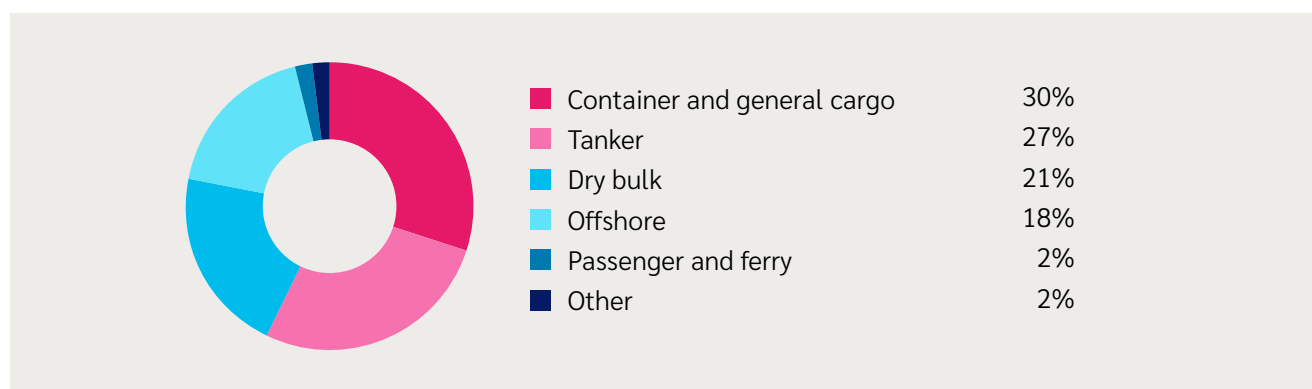
The club's managers have activated full business continuity contingency plans and have now proved that the club can continue to operate in the event of a serious prolonged incident, such as the present pandemic. Business records and documentation are stored electronically, are regularly backed up and are accessible remotely from anywhere in the world. Personnel in each of the managers' global offices have successfully transitioned to working from home and the club has been able to continue to provide the same level of service to its members. Cyber security procedures have been enhanced as a result of the move to more remote working.

Risks underwritten

The club insures only limited aspects of the effects of COVID-19. The marine Protection and Indemnity (P&I) policies, which form the majority of the club's book, provide cover for crew illness and death, crew repatriation and substitution, passenger illness and death, broader liabilities to passengers arising out of threats to life, health or safety on board, third-party illness and death, and additional quarantine expenses. The club also provides legal expenses cover for members (Defence) and cover for COVID-19 related delays. The net aggregate of COVID-19 claims notified up to 20 February 2022 across all classes of business amounted to approximately \$36m.

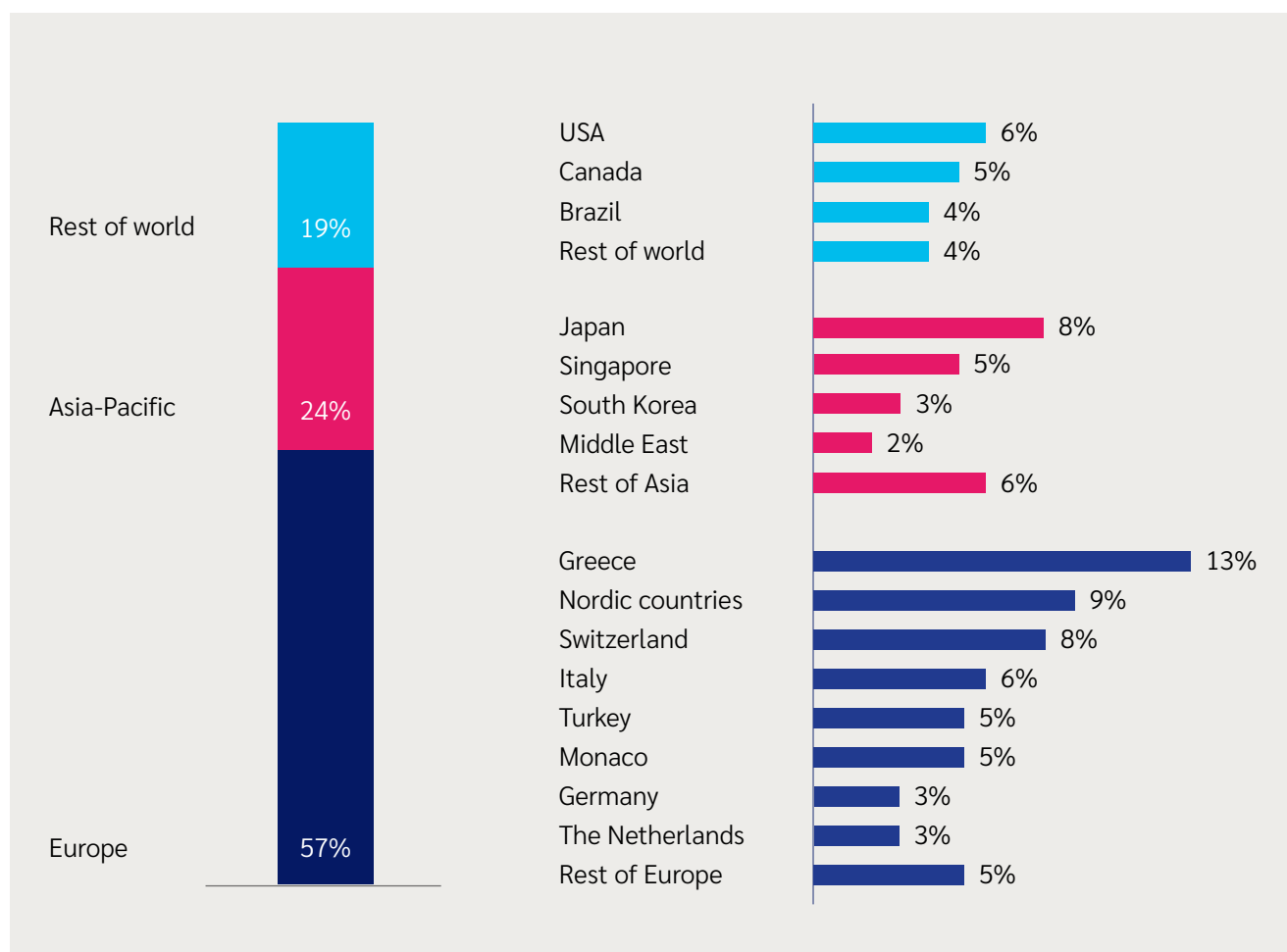
Ship types entered

Owned tonnage as at 20 February 2022



Country of management

Owned tonnage as at 20 February 2022



Reinsurance

Club retention and the Pool

The individual club retention increased to \$10m in 2016 and remains unchanged for the 2022/23 policy year. The attachment point of the Group's General Excess of Loss (GXL) reinsurance programme, which increased to \$100m in 2017, remains unchanged.

The pooling mechanism maintains fairness between IG clubs and ensures that the exposures generated are manageable.

The IG reinsurance programme

The GXL programme renewed for 2022 on a revised structure.

The expiring first layer of \$650m excess of \$100m has been split into a new layer 1 of \$450m excess of \$100m with a 70% order and an Annual Aggregate Deductible (AAD) of \$100m and a new layer 2 of \$200m excess \$550m with a 100% order.

The new layer 3 remains at \$750m excess of \$750m and layer 4 is still \$600m excess of \$1.5bn. Both are 100% orders.

The three private placements remain for the \$650m excess \$100m with a collective 30% order.

For Malicious Cyber, COVID-19 and Pandemic risks, unlimited cover is available up to \$450m excess of \$100m. For excess of \$550m there is \$2.15bn of annual aggregated cover in respect of these risks. Above this, any losses are pooled.

The collective overspill is unchanged at \$1bn, excess of \$2.1bn.

Hydra continues to provide cover within the pooled layers and \$100m AAD in the 70% market share of layer 1 of the GXL.

Non-pool programme

A proportion of the club's P&I members benefit from the club's non-poolable covers. The biggest users of the non-pool programme are charterers, fixed premium members and those involved in the offshore energy and specialist sectors, whose risks are largely excluded from the Pool. The club continues to be able to offer the same maximum limit of \$1bn.

Principal risks and uncertainties

How the club manages risk

The board is responsible for identifying and managing the club's risks. The board's risk management responsibilities are led by the Audit and Risk Committee, which reviews the risks facing the club as well as their potential impact, management and mitigation. The board sets the club's risk appetite in relation to all key aspects of the club's operations, and the club's strategy reflects that appetite.

Key risks are evaluated to assess their likelihood and potential impact.

The club's management establishes controls which are designed to ensure that the tolerances contained in the board's risk appetite are not exceeded and, where possible, puts in place arrangements or processes to mitigate the club's risks. Acting through its Risk Committee, the club's management regularly monitors the effectiveness of the risk management system, including the impact of changes in the club's risk profile and emerging risks. A risk register which records the risks and their potential likelihood, impact, mitigation and controls is maintained.

The club's internal model reflects the risks identified and is used to assess the potential aggregate impact, and hence the levels of capital required to cover them.

The club's risk, compliance and internal audit functions report to the Audit and Risk Committee, providing assurance that the club's risk management systems are functioning correctly.

| Type of risk | Risk description | Management of action |
|--------------------------|---|---|
| Underwriting risk | | |
| Premium risk | <p>The risk that premiums charged will not be sufficient to meet all associated claims and expenses, including:</p> <ul style="list-style-type: none"> • internal risks arising from underwriting inappropriate or incorrectly priced business • external risks arising from adverse insurance or reinsurance market movements. | <ul style="list-style-type: none"> • Premium risk is managed by: <ul style="list-style-type: none"> - clear underwriting controls, pricing models, and underwriting review and authority levels - monitoring for undue concentrations of risk, acceptability of member loss records and consistency of pricing with risk appetite - a dedicated loss prevention function, aimed at ensuring that the club only underwrites those shipowners that operate to an acceptable standard, as well as encouraging good risk management by members. • Premium risk is mitigated by appropriate reinsurance programmes, including the IG pooling and reinsurance programme, and the club's own non-pool and retention reinsurance. |
| Reserve risk | <p>The risk that claims reserves will be inadequate to cover known losses, and/or unknown or undeveloped losses, such as occupational diseases.</p> | <ul style="list-style-type: none"> • Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the club's insurance risk through programmes tailored to the club's exposures. The efficacy of the club's reinsurance arrangements in mitigating club risks is tested by the actuarial function. |
| Financial risk | | |
| Credit risk | <p>The risk of a loss occurring owing to the failure of a counterparty to meet its contractual debt obligations. Counterparties include members, reinsurers, other IG clubs, intermediaries, banks and investment counterparties.</p> | <ul style="list-style-type: none"> • The risk of default is mitigated by: <ul style="list-style-type: none"> - using only well-rated reinsurers and monitoring their financial condition - Pooling Agreement provisions, which provide security for inter-club obligations - prompt follow-up of outstanding member premiums, the ability to net overdue premium amounts against unpaid claims, and suspension or cancellation of cover - investment rules and counterparty limits. |
| Liquidity risk | <p>The risk arising from insufficient financial resources being available to meet liabilities as they fall due.</p> | <ul style="list-style-type: none"> • The club continually monitors its cash and investments to ensure that it meets its liquidity requirements. • Adequate cash holdings are maintained at all times and the club's asset allocation strategy is designed in part to enable the ready availability of funds to meet insurance liabilities as they fall due. • The club regularly reviews the time period required to liquidate the investment portfolio. • The likely cash outflows in relation to specific large claims are projected and monitored. • Significant claim settlements through the IG Pool and associated reinsurance arrangements are subject to special settlement provisions that provide the club with access to funding for those large claims that are subject to reinsurance recoveries. |

| Type of risk | Risk description | Management of action |
|---------------------------------|---|--|
| Financial risk continued | | |
| Market risk | The risk of a loss occurring from fluctuations in the value or income from investments, including the effects of fluctuations in interest and exchange rates. | <ul style="list-style-type: none"> The club's investment strategy has been developed with the following objectives: <ol style="list-style-type: none"> To preserve capital for the payment of the club's claims and other liabilities by limiting the risk in the portfolio as agreed from time to time by the board. Within the risk tolerance agreed by the board, to maximise the overall returns as measured over rolling three-year periods. To ensure there are ready funds to meet liabilities as they fall due. There are clear and regularly reviewed investment rules, and the club manages its investment risk through investing widely and in different asset classes to diversify the overall portfolio and produce reasonable returns with acceptable volatility. The club is exposed to equity price fluctuation risk, but the investment rules limit equity exposure. The currency of investment is matched to the profile of the liabilities to which the club is exposed. The club makes use of forward currency contracts to hedge its exposure to fluctuations in the value of non-core currencies and to maintain the matching of the investment profile to the liability profile. Interest rate risk exposure is measured and controlled through regular consideration of the appropriate duration of the fixed interest component of the portfolio. The investment asset and currency benchmarks are modified from time to time to reflect the board's reassessment of market risk appetite, as informed by its assessment of the investment markets as well as by risk appetite and regulatory or rating agency considerations. |
| Operational risk | The risk resulting from inadequate or failed internal processes, people and systems, or from external events. | <ul style="list-style-type: none"> Reinsurance strategy is set by the board. The club has identified its operational risks and has in place appropriate controls to manage and mitigate such risks, consistent with good practice, regulatory guidance and legislation relating to human resources, financial crime, business continuity and information security. As the club employs independent third-party managers to manage some of its day-to-day activities, an appropriate governance structure and control framework are also in place to monitor the club's outsourcing of its operations. |

Corporate Governance

Overview

The club comprises members from the international shipping community and seeks to follow good governance principles that would generally be recognised throughout world markets. The club is principally regulated in Bermuda, with regulated operating insurance subsidiaries in the UK, Ireland and Singapore. The club has had particular regard for the requirements of these countries in arriving at its current practices.

Board responsibilities

The board's role, duties, composition and operation, along with its matters reserved, are described in the board governance policies statement. The principal functions of the board are to:

- govern and direct the club's affairs
- ensure that the club's objectives are being fulfilled
- set the overall strategy and key policies
- set and review the club's risk appetite
- oversee risk management and compliance issues
- ensure that there is a suitable and clear allocation of responsibility between itself and the managers
- satisfy itself that the managers have an appropriate structure for the management of the club
- direct and supervise the managers and consider their reports on all significant aspects of the club's affairs
- ensure that there are suitable systems of control.

The directors are provided with up-to-date reports on the key financial indicators for the club and on the risks, controls, underwriting, claims, investment and general policy issues at each board meeting. The directors are provided with board meeting papers in sufficient time before each board meeting to enable them to understand the relevant issues and to focus upon decisions that need to be made. The board has delegated the implementation of its strategy and policies, and the management of the day-to-day operations of the club to the managers.

Governance review

In light of the transition to an in-house management structure, the board and managers reviewed and assessed the governance structures of the club to ensure that the club's governance structure is aligned with its business objectives, legal and regulatory requirements, and good practice. The review was overseen by a working group consisting of the club chairman and the chairmen of the club's subsidiary companies. As a result of the review, a small number of changes were made to the governance structure of the club. This has resulted in the creation of a governance structure that is effective and fit for purpose, with the appropriate committees, to provide clarity of decision-making, roles and responsibilities, and an appropriate and effective oversight of management and operations.

A key decision of the review was to disband the Strategy Committee with effect from 21 October 2021 in favour of an annual Strategy Day. All directors will attend the Strategy Day where all strategy matters which were previously delegated to the Strategy Committee will be considered and discussed.



Board membership

The majority of directors are non-executive and not involved in the day-to-day executive management of the club. By virtue of the bye-laws, directors are, for the most part, the owners or senior executives of the club's member companies. The chairman is responsible for the direction and effectiveness of the board and the oversight of the club's affairs and strategy. There are two deputy chairmen whose roles are to assist the chairman in carrying out his role. The chairman and deputy chairmen are elected for a term of three years but may be re-elected for four further three-year terms. The board has the benefit of four insurance expert directors. It also has access to additional independent insurance, regulatory, financial and investment expertise as required. A Bermudian resident director with insurance and regulatory experience was appointed to the board in January 2016 and has continued to serve on the board.

At each AGM, one-third of the directors must retire from office by rotation and put themselves up for re-election. All directors appointed since the date of the last AGM must put themselves forward for election. Directors who have held office for a period of nine years or more, must offer themselves for annual re-election to the board. Directors who are no longer eligible to be elected to the board according to the bye-laws must retire from the board at the next AGM.

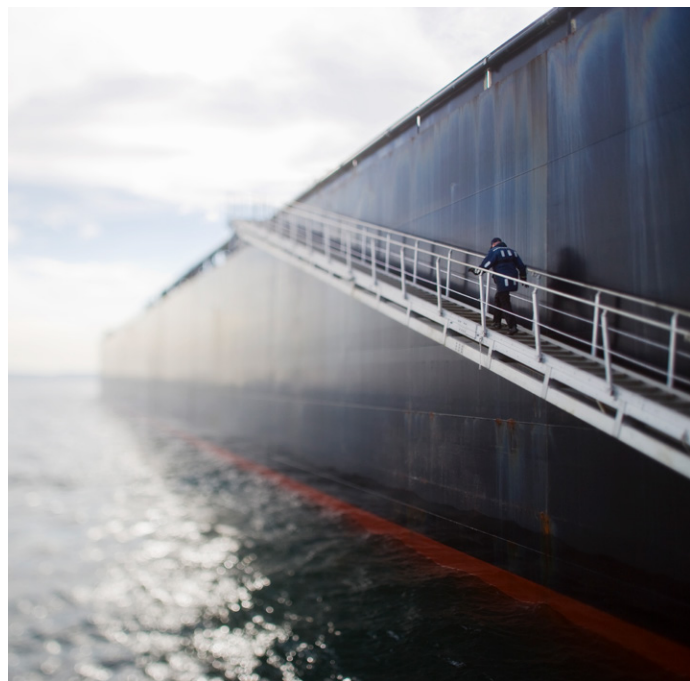
Remuneration

Directors receive fees recommended by the club's Remuneration Committee and agreed by the board. The group CEO does not receive a fee for his directorship. A Remuneration Committee was created on 18 August 2020. This committee, along with the Nomination and Governance Committee, ensures that the personal performance objectives and the

remuneration of the executive director are designed to promote the long-term success of the club. The club's administrative functions are undertaken by the in-house team. Until 20 August 2021, a management fee for Charles Taylor's services was agreed by the board annually based on a review by the Nomination and Governance Committee which considered the managers' budgets, performance and costs, including a comparison with other clubs based upon available data which was reported to the board.

Insurance and indemnity

The club maintains liability insurance for its directors and officers which is renewed on an annual basis. The club also indemnifies its directors through its constitutional documents.





Committees of the board

Each of the board's three main committees – Nomination and Governance, Audit and Risk, and Remuneration – has written terms of reference, which are available upon request from the company secretary.

Nomination and Governance Committee

The Nomination and Governance Committee's main responsibilities include:

- identifying suitable candidates to join the board and its committees
- reviewing the overall composition of the board
- leading reviews of the board and its committees' effectiveness
- reviewing and making recommendations on the club's governance structure, policies and practices.

During the year, the committee reviewed succession planning for key board appointments, as well as board attendance and potential candidates for board membership, directors' skills and directors' independence.

The committee does not generally use the services of an external consultancy firm or open advertising for the appointment of non-executive directors, as board candidates are generally sought from the members.

The committee also reviews the induction and training programmes for board and committee members.

In accordance with the requirements of the Insurance Code of Conduct 2015, the committee considers the group governance map at each meeting.

Ensuring that members are satisfied with the club's performance and that they are receiving fair treatment from the club are high priorities for the board. The club conducts a member and broker survey every other year, and the managers ordinarily aim to visit as many members as practically possible during the year to ensure that they are aware of the club's strategy and operations, and to identify any areas for concern.

Audit and Risk Committee

The Audit and Risk Committee's role includes:

- the review of the financial statements of the club and its financial regulatory returns
- relations with, and reports from, the external and internal auditors
- oversight of the club's risk management framework and internal controls.

During the year, the committee reviewed the annual report and regulatory returns, and received a direct report from the external auditors' engagement leader and challenged him on the audit report.

The committee reviewed the integrity and effectiveness of the club's financial controls, the operation and resources of the risk management, compliance and internal audit functions, and the risk management, compliance and internal audit reports.

The club's principal risks and uncertainties and the effectiveness of the company's risk management and internal controls systems were reviewed by the committee and the board.

The committee receives a report on any whistleblowing incidents and complaints at each meeting.

The committee monitored the capital requirements of the club and its subsidiaries, reviewed the progress of the report on the club's Own Risk and Solvency Assessment (ORSA), and reviewed the development of the club's internal model, including its inputs, assumptions, methodology, uses, sensitivities and outputs.



Remuneration Committee

The Remuneration Committee's role includes:

- assessing the appropriateness of the group remuneration policy to ensure that it is aligned with the club's interests
- consideration of the remuneration of the board's chairman, deputy chairmen, subsidiary and committee chairmen, and non-executive directors
- consideration of the remuneration of the executive director and the senior management team.

During the year, the committee considered and approved a review of annual base salary to ensure that employees' remuneration is in line with benchmarks. It also reviewed employee benefits and senior management incentive plans.

Strategy Committee

The Strategy Committee was disbanded on 21 October 2021 in favour of an annual Strategy Day attended by all directors. The topics delegated to the committee will now fall under the remit of the Standard Club board. Until its disbandment, the committee's role included:

- considering and making recommendations to the board concerning the strategy to be adopted by the club
- reviewing the performance of the club in meeting its strategic objectives
- reviewing the club's business environment
- considering new strategic initiatives, alliances and potential mergers.

During the year, the committee discussed new products and services, and the effective marketing of them. The committee also considered the progress of business development initiatives and the managers' technology and data strategy.

The Chairman's Group

The Chairman's Group assists the chairman to discharge the responsibilities of his role and meets with the managers between board meetings. The group has met 23 times since the last report. Since late 2021 the Chairman's Group has been heavily involved in the discussions with regard to the Club's proposed merger with North P&I.

Risk Management

Approach

The board, and its Audit and Risk Committee, set and review on a regular basis the club's risk appetite, the major business risks facing the club, their potential impact, and the systems and controls in place to manage and mitigate those risks.

During the year, the board reviewed the club's risk appetite statement, which is used to provide guidance to management. At the highest level, risk appetite is considered in terms of the likelihood that the club may be required to make an unbudgeted supplementary call on members, whether directly as a result of its mutual underwriting activities or through other activities such as investing in risk-bearing assets. The club uses its internal capital model in the assessment of aggregate levels of risk against risk appetite.

In addition, detailed measures of the club's appetite for each of the club's key risks have been established, with key risk indicators reported at each board meeting.

The club operates a 'three lines of defence' system of internal control, supplementing the management of risk by its business units through regular reviews of controls by the risk management function, and tests of controls by risk and compliance functions to ensure their adequacy through internal audit assurance. The risk management system and processes are linked to the club's internal model, the outputs of which assist in the management of the business as well as in the assessment of the economic capital required to reflect the financial impact of business risks.

The principal risks facing the group and the risk mitigation actions, controls and processes by which they are managed have been explained in this report.

Maintenance of a sound system of internal controls

The board has satisfied itself, through review by the Audit and Risk Committee, that there are appropriate systems of control within the club's management, including a process for identifying, evaluating and managing the risks that the club faces, and that the controls operate effectively. These include monitoring that the club operates within its risk appetite and complies with its regulatory responsibilities.



Compliance and regulation

Approach

The club's compliance and regulatory affairs are overseen by the Audit and Risk Committee. The group chief risk officer reports to and attends all Audit and Risk Committee and board meetings. The group chief risk officer or any director may ask for a private 'in camera' session with the committee or board.

The board approves the compliance monitoring plan and oversees progress against the plan, and considers the results of monitoring, upcoming regulatory risks and current priorities.

Internal audit

The club's internal audit function is outsourced to Charles Taylor and is led by a senior Charles Taylor manager.

The head of internal audit, who attends Audit and Risk Committee and board meetings in person or remotely when held virtually, is directly accountable to the chairman of the committee, and has free and unrestricted access to the chairman of the club board. The head of internal audit has a private 'in camera' session with the committee at least once a year. The internal audit reports submitted to each committee meeting summarise the audits undertaken and identify progress against the agreed audit timetable. The audits themselves are usually rated red, amber, yellow or green. Individual audit issues are categorised as P1 (high), P2 (medium) or P3 (low) impact. The committee is also kept informed of progress towards closure of high and medium impact audit issues. Once a year, an assurance map is tabled for discussion which sets out the main operational areas of the business and indicates the status of, and outlook for, each risk area and its control environment.

The internal audit terms of reference are reviewed on an annual basis. The annual audit plan is risk-based. It reflects, among other things, the operational, financial, administrative and regulatory aspects of the club's business, taking as its starting point internal audit's assessment of the risk environment. Some audits are carried out by external specialist consultants. The plan is flexible so that it can deal with any reprioritisation that may need to occur during the year.

Key policies

Introduction

The board maintains policies across a range of areas, including conflicts of interest, financial crime, whistleblowing, and sanctions.

Conflicts of interest

The board has considered the potential conflicts of interest that exist within the club's and the board's operations, and has adopted a conflicts of interest policy. A conflicts register is maintained, identifying potential conflicts of interest that could affect the club, and this is considered at each board meeting.

In a mutual organisation, the members are also the insured parties. Negotiations relating to any matter concerning members or directors in their capacity as insureds are conducted at arm's length. Directors do not participate in board discussions on specific matters concerning their companies as insureds.

Procedures are in place to ensure that potential conflicts of interest between the club's members are identified and managed.

Prevention of financial crime and whistleblowing

The club has procedures to prevent it being involved unwittingly in money laundering or inappropriate payments. The club also has whistleblowing procedures in place to ensure that members of staff can raise matters of concern confidentially so that they may be appropriately investigated.

The board has a whistleblowing policy, which is reviewed by the Audit and Risk Committee.

Sanctions compliance

The club is committed to ensuring that it complies with all applicable legislation relating to international sanctions and has implemented internal procedures and an automated screening process to ensure compliance. The club also aims to ensure that members are kept up to date with relevant sanctions information to assist them in ensuring that they too are compliant and do not inadvertently breach sanctions.



Business and ethical values and treating customers fairly

The club is committed to conducting its business affairs in a fair, proper and ethical manner, and in compliance with all applicable laws, regulations and professional standards. The club has adopted a set of values which was communicated to all staff to ensure that their work is carried out in line with these values. The board and the managers are committed to treating clients and all stakeholders fairly, and to keeping under review the quality of service that the club provides. There is a complaints process, which is published on the website.

Environmental, social and governance

While the subject of sustainability has been discussed within the shipping industry and finance sectors for more than a decade, it has only been in recent years that insurers have started to consider the impact that sustainability issues could have on their business.

On one level, Standard Club is already helping to underpin economic development and address sustainability issues on behalf of its members by actively preventing and managing the consequences of maritime losses. However, there are many other ways the club is working to support sustainability across the industry and in its own activities.

Standard Club has long held a forward-looking approach to identifying, assessing, managing and monitoring risks and, in October 2020, an internal Sustainability Working Group was established to ensure a co-ordinated and strategic approach to the club's management of these issues.


The club's sustainability team is made up of representatives from all different aspects of the business: claims, underwriting, loss prevention, risk, compliance, marketing and finance. The team reports directly to the chief executive and, in turn, to the board. Alongside this, Standard Club's Alternative Fuels Working Group, internal Climate Change and Ship Recycling go-to teams, and CSR employee resource group are closely linked to the sustainability team, sharing insights and working together on key topics which impact upon the club, its members and staff.

In 2021, the club conducted an internal materiality assessment to understand the full impact of any environmental, social and governance issues which might affect the organisation, while highlighting any areas for potential meaningful change moving forward.



This assessment has enabled the club's management team to identify the sustainability topics which are most material to the club's operations and its long-term success. The intention is to ensure that trends are identified which might affect the club's ability to provide P&I covers which represent excellent and sustainable value; enhance business strategy using materiality inputs to reflect new business risks and opportunities; prioritise the club's resources to address sustainability issues that matter most to members and other stakeholders; and identify areas of interest to the club's key stakeholders.

Climate change represents one of the greatest long-term risks for society and industry, including the insurance industry. The club continues to take a strategic and long-term approach to managing the risks of its members associated with climate change which are considered as part of the governance and risk management framework. Risks from climate change, have been included in the club's risk appetite across key risk areas. The club uses scenario analysis to inform the risk identification process to further understand the short- and long-term financial risks in our business model. The emerging risk framework monitors physical, transitional and litigation risks from climate change and a cross-divisional working group inputs into the risk management framework. The club continues to look at ways that it can further develop its framework in relation to climate change and has identified the need for industry-wide common metrics to facilitate meaningful targets and a deeper understanding of the challenges facing our members.



The International Maritime Organization (IMO) reports that maritime transport is responsible for about 3% of global greenhouse gas (GHG) emissions and the IMO adopted an Initial Strategy in 2018 on the reduction of GHG emissions from shipping by at least 50% by 2050, compared to 2008 levels, with an interim goal of 40% emissions reduction by 2030. In June 2021, the IMO adopted key short-term measures to be introduced in 2023 aimed at facilitating the identification of industry metrics such as the Energy Efficiency Existing Ship Index (EEXI) and, for ships over 5,000gt an annual operational carbon intensity indicator (CII) rating. The maritime industry is embarking on a major technology transition driven by the need to decarbonise, which will have a significant impact on costs, asset values, and earning capacity as it shifts from conventional to zero or carbon neutral fuels. Standard Club's Alternative Fuel Working Group was established internally to assist members with their transition to alternative fuels, and an Alternative Fuel Advisory Panel has been set up comprising of experts from across the industry to help the Group with wider concerns. A survey by this group is currently assessing the club's members' preparedness for the transition and the results will be used to further develop the club's management of this important risk.

As a member of the International Group (IG) of P&I Clubs, Standard Club also supports the IG's sustainability strategy and has actively contributed to the IG's own sustainability report, which is due to be published in the summer of 2022.

In terms of the club's day-to-day operations, the managers have taken steps to reduce carbon footprint and minimise energy consumption through an energy management policy and by promoting and building awareness of environmental responsibility amongst employees. They communicate and engage with staff at all levels to identify, assess and reduce operational impact on the environment.

The shift to agile working, with staff working a number of days per week from home, has cut employee commuting emissions and business travel emissions compared with pre-COVID-19 levels. With the restrictions around travel being eased, the managers are looking at ways to preserve these carbon savings through the continued use of conferencing technologies.

The Minster Building, which accommodates the managers' London operations, is powered by renewable energy. Furthermore, it is a paperless office with electronic document management systems to reduce that office's environmental impact. A similar approach is adopted in the managers' overseas offices and there is a target of purchasing electricity globally from renewable energy sources. Where practicable, the managers source other supplies from local businesses to minimise distribution and transport-related emissions. Suppliers are required, as far as reasonable, to have an appropriate environmental policy.

Equality of opportunity and gender

The club has formal policies which aim to attract and retain a diverse and flexible workforce, and to promote equality of opportunity. As far as board appointments are concerned, the board believes that appointments should be based on merit and overall suitability for the role. When considering succession planning, the Nomination and Governance Committee bears in mind the balance of skills, knowledge, experience and diversity existing on the board.

Modern slavery act

Given the nature of its business, the club considers that there is minimal risk that the club, its managers or the supply chains that support the club's business activities are involved in, or complicit in, slavery and human trafficking. The club is committed to making sure that the business and those of its suppliers are free from modern slavery and human trafficking.

Directors' responsibilities

Statement of disclosure of information to auditors

Each person who is a director at the date of this report confirms that:

- so far as they are aware, there is no information relevant to the audit of the club's financial statements for the year ended 20 February 2022 of which the auditors are unaware
- they have taken all steps that they ought to have taken in their duty as a director to make themselves aware of any relevant audit information and to establish that the club's auditors are aware of that information.
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business, in which case, there should be supporting assumptions or qualifications as necessary.

Directors' responsibilities statement

The following statement, which should be read in conjunction with the auditors' report, as set out on pages 23 to 26, is made with the view to distinguishing for members the respective responsibilities of the directors and auditors in relation to the financial statements. The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable laws and regulations in Bermuda. The directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103), both issued by the Financial Reporting Council (FRC), and in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) relating to insurance companies. The financial statements are required to give a true and fair view of the state of affairs of the group and of the income or expenditure of the group for that year. In preparing those financial statements, the directors are required to:

The directors are responsible for keeping adequate accounting records, which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with applicable law and United Kingdom Accounting Standards. They are also responsible for safeguarding the assets of the group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. The maintenance and integrity of the club's website is the responsibility of the managers. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Bermuda and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board.

J Grose
Director

31 May 2022

Auditors' report

Independent auditors' report to the members of The Standard Club Ltd



Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 20 February 2022 and of its shortfall for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Companies Act 1981 (Bermuda).



We have audited the financial statements of The Standard Club Ltd (the 'Group') for the year ended 20 February 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, Consolidated Statement of Changes in Reserves, Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 1981 (Bermuda)

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

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the report of the directors.

We have nothing to report in respect of the following matters where the Companies Act 1981 (Bermuda) requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; 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 out on page 22, the Directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors' determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

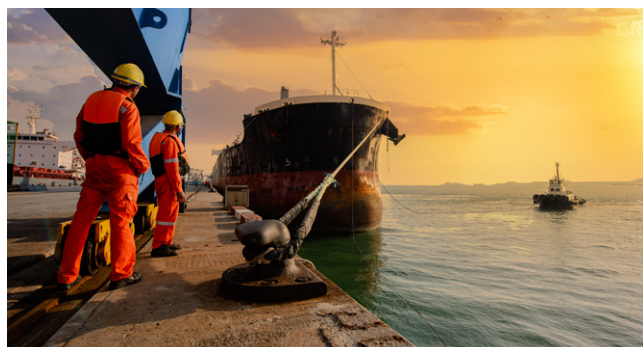
Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtaining an understanding of the legal and regulatory framework applicable to the Group's operations and the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Bermudan Monetary Authority (BMA);
- our responses to significant audit risks (technical provisions and management override of controls) are intended to sufficiently address the risk of fraudulent manipulation. In particular we engaged our independent actuarial experts as auditor's expert to review the assumptions and methodology applied by the Club in the valuation IBNR to check whether the methods utilised are appropriate.
- Enquiries of management;
- Review of minutes of board meetings throughout the period;
- Review of the Club's Own Risk and Solvency Assessment; and
- Agreement of the financial statement disclosures to underlying supporting documentation



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 for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the Group's members, as a body, in accordance with Section 90 of The Companies Act 1981 (Bermuda). Our audit work has been undertaken so that we might state to the Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Barnes,
Senior Statutory Auditor
For and on behalf of BDO LLP,
Statutory Auditor
London, UK
15 August 2022

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

Financial statements



Financial highlights 2022

| | 2022 US\$m | 2021 US\$m |
|--|---------------|---------------|
| Results for the financial year ended 20 February 2022 | | |
| Calls and premiums net of reinsurance | 230 | 228 |
| Total claims net of reinsurance and operating expenses | (244) | (290) |
| Balance of technical account for general business | (14) | (62) |
| Net investment and other comprehensive income | (36) | 29 |
| Total comprehensive income for the year | (50) | (33) |
| Outstanding claims liabilities | | |
| Estimated known outstanding claims net of all recoveries | 485 | 523 |
| Incurred but not reported claims (IBNR) | 58 | 63 |
| Total estimated claims liabilities | 543 | 586 |
| Funds available for claims | | |
| Open policy years | 267 | 298 |
| Closed policy years | 276 | 288 |
| Free reserves | 310 | 360 |
| Total balance sheet funds | 853 | 946 |

Consolidated statement of comprehensive income

For the year ended 20 February 2022

| | Note | 2022 US\$m | 2021 US\$m |
|--|------|---------------|---------------|
| Technical account - general business | | | |
| Earned premiums, net of reinsurance | | | |
| Gross premiums earned, including calls | 4 | 294.3 | 292.7 |
| Outward reinsurance premiums | 5 | (64.5) | (64.4) |
| Earned premiums, net of reinsurance | | 229.8 | 228.3 |
| Total income | | 229.8 | 228.3 |
| Expenditure | | | |
| Claims paid | 7 | 284.7 | 297.5 |
| Reinsurers' share | 8 | (49.4) | (56.2) |
| Net claims paid | | 235.3 | 241.3 |
| Change in provision for claims | | (34.7) | 6.8 |
| Reinsurers' share | | 12.3 | 12.3 |
| Change in net provision for claims | | (22.4) | 19.1 |
| Claims incurred, net of reinsurance | | 212.9 | 260.4 |
| Net operating expenses | 9 | 31.3 | 30.0 |
| Total expenditure | | 244.2 | 290.4 |
| Balance on the technical account for general business | | (14.4) | (62.1) |
| Non-technical account | | | |
| Balance on the technical account for general business | | (14.4) | (62.1) |
| Investment return net of expenses and charges | 6 | (14.8) | 35.0 |
| Exchange (losses)/gains | | 2.1 | (2.2) |
| Other income/(charges) including value adjustments | | (22.7) | (4.1) |
| Excess/(shortfall) of income over expenditure before taxation | | (49.7) | (33.4) |
| Tax on shortfall of income over expenditure | 10 | (0.1) | (0.7) |
| Excess/(shortfall) of income over expenditure after tax | | (49.8) | (34.1) |
| Excess/(shortfall) of income over expenditure for the financial year | | (49.8) | (34.1) |
| Other comprehensive income: | | | |
| Currency translation movement | | (0.3) | 0.7 |
| Other comprehensive (expenses)/income net of tax | | (0.3) | 0.7 |
| Total comprehensive income/(expenses) for the year transferred to contingency reserve | | (50.1) | (33.4) |

The income, expenditure and results for the year are wholly derived from continuing activities.
The notes on pages 33 to 58 are an integral part of these financial statements.

Consolidated balance sheet

At 20 February 2022

| | Note | 2022 US\$m | 2021 US\$m |
|--|------|----------------|---------------|
| Assets | | | |
| Investments | | | |
| Other financial investments | 13 | 765.9 | 795.4 |
| Reinsurers' share of technical provisions | | | |
| Claims outstanding | 12 | 256.0 | 248.8 |
| Provision for unearned premiums | 12 | 17.7 | 14.7 |
| | | 273.7 | 263.5 |
| Debtors | | | |
| Debtors arising out of direct insurance operations | 18 | 75.4 | 99.1 |
| Deferred tax asset | 11 | 0.1 | - |
| Other debtors | | 7.8 | 8.2 |
| | | 83.3 | 107.3 |
| Other assets | | | |
| Intangible assets | 16 | 9.5 | - |
| Tangible assets | 15 | 3.6 | - |
| Cash at bank and in hand | | 60.6 | 76.8 |
| | | 73.7 | 76.8 |
| Prepayments and accrued income | | 15.6 | 11.2 |
| Total assets | | 1,212.2 | 1,254.2 |
| Liabilities | | | |
| Reserves | | | |
| Statutory reserve | | 0.2 | 0.2 |
| Contingency reserve | | 310.0 | 360.1 |
| | | 310.2 | 360.3 |
| Technical provisions | | | |
| Gross claims outstanding | 12 | 799.3 | 834.6 |
| Provision for unearned premiums | 12 | 0.3 | 0.4 |
| | | 799.6 | 835.0 |
| Creditors | | | |
| Creditors arising out of direct insurance operations | | 62.9 | 47.1 |
| Other creditors including taxation and social security | 19 | 27.4 | 7.4 |
| | | 90.3 | 54.5 |
| Accruals and deferred income | | 12.1 | 4.4 |
| Total liabilities | | 1,212.2 | 1,254.2 |

The financial statements were approved by the board of directors on 27 May 2022 and were signed on its behalf by:

C d'Amico
Chairman

The notes on pages 33 to 58 are an integral part of these financial statements.

Statement of changes in reserves

| | Statutory reserves US\$m | Contingency reserves US\$m | Total reserves US\$m |
|---|--------------------------------|----------------------------------|----------------------------|
| Balance as at 20 February 2020 | 1.2 | 392.5 | 393.7 |
| Excess/(shortfall) of income over expenditure for the financial year | - | (34.1) | (34.1) |
| Other comprehensive income | - | 0.7 | 0.7 |
| Total comprehensive income for the year transferred to the contingency reserve | - | (33.4) | (33.4) |
| Reclassification | (1.0) | 1.0 | - |
| Balance as at 20 February 2021 | 0.2 | 360.1 | 360.3 |
| Balance as at 20 February 2021 | 0.2 | 360.1 | 360.3 |
| Excess/(shortfall) of income over expenditure for the financial year | - | (49.8) | (49.8) |
| Other comprehensive (expenses)/income net of tax | - | (0.3) | (0.3) |
| Total comprehensive income for the year transferred to the contingency reserve | - | (50.1) | (50.1) |
| Balance as at 20 February 2022 | 0.2 | 310.0 | 310.2 |

Income and expenditure for the club comprise dividends from subsidiaries offset by operating expenses. The notes on pages 33 to 58 are an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 20 February 2022

| | 2022 US\$m | 2021 US\$m |
|---|----------------|---------------|
| Excess/(shortfall) of income over expenditure before tax | (49.7) | (33.4) |
| Gains arising on realisation of investments | (20.5) | (37.6) |
| Losses arising on realisation of investments | 10.7 | 6.9 |
| Unrealised losses on revaluation of investments | 40.7 | 10.5 |
| Depreciation | 4.7 | - |
| Decrease/(increase) in debtors | 19.8 | 5.9 |
| (Decrease)/increase in net technical provision | (45.6) | 19.2 |
| Increase/(decrease) in creditors | 41.9 | (11.7) |
| Taxation | (0.1) | (0.7) |
| Other charges including value adjustments | (6.9) | 3.6 |
| Exchange differences | (4.1) | 2.2 |
| Net cash flow generated from operating activities | (9.1) | (35.1) |
| Cash flow from investing activities | | |
| Net acquisition of subsidiaries | (11.7) | (30.9) |
| Purchase of investments | (721.2) | (775.4) |
| Sale of investments | 725.5 | 818.0 |
| Net cash used in investing activities | (7.4) | 11.7 |
| Net (decrease)/increase in cash and cash equivalents | (16.5) | (23.4) |
| Effect of exchange rate fluctuations on cash and cash equivalents | 0.3 | 1.6 |
| Cash and cash equivalent at the beginning of the year | 76.8 | 98.6 |
| Cash and cash equivalent at the end of the year | 60.6 | 76.8 |
| Cash and cash equivalents consist of: | | |
| Cash at bank and in hand | 60.6 | 76.8 |
| Cash and cash equivalent at the end of the year | 60.6 | 76.8 |

The notes on pages 33 to 58 are an integral part of these financial statements.

Notes to the financial statements

1. Constitution

The club is incorporated in Bermuda as a company limited by guarantee and has a statutory reserve but no share capital. The members of the club are liable for their rateable proportion of any deficiency of claims and expenses in excess of contributions and the board of directors decides whether any surplus is retained in the contingency reserve for the purposes of the club or returned to members. The address of its registered office is Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM12, Bermuda.

2. Accounting policies

(a) Basis of preparation

These group financial statements, which consolidate the financial statements of the club and its subsidiary undertakings, have been prepared under the Bermuda Companies Act 1981, and also under the provisions of Schedule 3 to the UK Companies Act 2006. The club and its subsidiary undertakings have applied uniform accounting policies and, on consolidation, all intra-group transactions, income and expenditure have been eliminated. The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103).

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 financial statements are prepared under the historical cost convention, as modified for the revaluation of investment properties and financial assets and liabilities (including derivative instruments) at fair value through income or expenditure.

The club has utilised the exemption in Section 408 of the Companies Act 2006 and, as a result, does not present its individual statement of comprehensive income and the related notes that would have formed part of the financial statements.

The contingency reserve represents the free reserves of the club and is established in accordance with rule 20.6 of the rules of the club.

The financial statements are prepared on a going concern basis. The directors consider it appropriate to adopt the going concern basis of accounting in the preparation of these financial statements and, having reviewed forecasts for the next three years, are not aware of any material uncertainties to the company's ability to continue to do so for at least 12 months from the date of these financial statements.

(b) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the group's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and, for some types of policies, IBNR claims form the majority of the liability in the statement of financial position. At the end of the reporting period, and as presented in note 12, the technical provisions for claims amounted to \$799.3m gross of reinsurance recoveries.



Notes to the financial statements continued

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and, hence, ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on actuarial techniques and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than straight line.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development. At the end of the reporting period, and as presented in note 4, the gross premiums include an accrual for premiums due but not yet received of \$10.4m (2021: \$3.4m).

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk and model inputs such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country-specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, and financial conditions or counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.



Notes to the financial statements continued

(c) Basis of consolidation

The consolidated financial statements include the financial information of the club and its subsidiary undertakings. Subsidiaries are fully consolidated from the date on which control is transferred to the club and de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

An undertaking is regarded as a subsidiary undertaking if the club has control over its operating and financial policies, generally determined by the ownership of more than 50% of its voting rights.

Associated undertakings are companies other than subsidiary undertakings in which the club holds 20% or more of the equity share capital for the long term and over which the club exercises significant influence. Associated undertakings are accounted for using the equity method of accounting.

Uniform accounting policies are applied to all subsidiary undertakings.

(d) Annual basis of accounting

The Consolidated Statement of Comprehensive Income is prepared on an annual accounting basis and includes all the premiums for policies incepting in the year, the cost of claims incurred and reinsurance for the current year, and any adjustments relating to earlier years together with operating expenses and investment income. All revenue transactions appear in the Consolidated Statement of Comprehensive Income.

The calls and premiums, reinsurance premiums payable, claims paid and related expenses, reinsurance recoveries and outstanding claims are allocated to the policy years to which they relate. Return on investments and operating expenses are allocated to the current policy year.

(e) Calls and premiums

Calls and premiums include gross calls less return premiums. These calls and premiums are the total receivable for the whole period of cover provided by the contracts incepting during the accounting period together with any premium adjustments relating to prior accounting periods.

(f) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(g) Claims incurred

Claims incurred comprise all claims and related expenses paid in the year, and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses.

Notes to the financial statements continued

(h) Reinsurance recoveries

The liabilities of the club are reinsured above certain levels with similar associations under the International Group's Pooling Agreement and with market underwriters. The figures in the Consolidated Statement of Comprehensive Income relate to recoveries on claims incurred during the year.

Outstanding claims in the balance sheet are shown gross and the reinsurance recoveries are shown as an asset.

(i) Claims provisions and related reinsurance recoveries

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the club. The club takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. An allowance for future claims handling costs is included in the provision.

Claims estimates for the club are derived from a combination of loss ratio-based estimates and a variety of estimation techniques. These are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. However, allowance is made for changes or uncertainties that may create distortions in the underlying statistics or that may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in club processes that might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- movements in industry benchmarks.

The variety of estimation techniques assists in giving greater understanding of the trends inherent in the data being projected and in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each policy year.

Large claims impacting each relevant business class are generally assessed separately, being measured and/or projected on a case-by-case basis in order to allow for the possible distortive effect of the development and incidence of these large claims.

Pollution and asbestosis claims can have a very long delay between the occurrence and notification. In estimating the cost of these claims, the club considers the type of risks written historically that may give rise to exposure to these liabilities, notifications received from policyholders, the nature and extent of the cover provided, the current legal environment, changes in the effectiveness of clean-up techniques and industry benchmarks of the typical cost of such claims.

Claims reserves are estimated on an undiscounted basis, apart from occupational disease claims. Due to the very long delay between the occurrence and the final settlement of a claim which has arisen due to an occupational disease exposure, such occupational disease claims provisions and IBNR thereon are discounted to take account of the expected investment income receivable between the balance sheet date and settlement on the assets held to cover these provisions.



Notes to the financial statements continued

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, and are adjusted to reflect changes in the nature and extent of the club's reinsurance programme over time.

An assessment is also made of the recoverability of reinsurance with regard to market data on the financial strength of each of the reinsurance companies.

(j) Reinsurance premiums

Reinsurance Premiums, less returns, are debited to the Consolidated Statement of Comprehensive Income in the financial year as and when charged to the club, together with a provision for any future costs of existing reinsurance policies.

(k) Investment return

Investment return comprises all investment income, realised investment gains and losses, and movements in unrealised gains and losses, net of investment expenses, charges and interest. Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis. Realised gains and losses on investments carried at market value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. The investment return is reported in the non-technical account.

(l) Financial instruments

The group has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of financial instruments.

Financial assets at fair value through income

The club classifies its investments as financial assets at fair value through income. As a result, gains and losses are taken to the Statement of Comprehensive Income, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors.

Derivative financial investments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The club does not engage in hedge accounting and changes in the fair value of all derivative investments are recognised immediately in the Consolidated Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable settlement values. Amounts due from members and reinsurers are included in this category and are measured at cost less any provision for impairment in value.



Notes to the financial statements continued

(m) Foreign currencies

The group financial statements are presented in US dollars and rounded to millions.

The functional currency of the club is the US dollar.

The results and financial position of group companies whose functional currency is not the US dollar are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date
- income and expenses are translated at the average rate of exchange during the year
- all resulting exchange differences are recognised in other comprehensive income.

Monetary assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the balance sheet date, with the resulting difference treated as an exchange gain or loss within the non-technical account.

Revenue transactions in foreign currencies are translated into US dollars at the rate applicable for the week in which the transaction takes place. Exchange differences are reported in the non-technical account.

Foreign currency contracts are entered into in order to hedge the currency exposure of the investment portfolio. The contracts are for the forward sale of currencies, which are matched by holdings of those currencies. The open contracts have been revalued at year-end rates of exchange and the potential profit or loss included in the non-technical account.

(n) General administration expenses

General administration expenses, including managers' remuneration, are included on an accruals basis.

(o) Taxation

Taxation provided is that which became chargeable during the year.

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the Consolidated Statement of Comprehensive Income.

Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the Consolidated Statement of Comprehensive Income for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the Statement of Changes in Reserves. Deferred tax balances are not discounted.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable net taxable income from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements continued

3. Segmental analysis by class

The segmental results of the five classes of the group are set out as follows:

3.1 Statement of comprehensive income

| As at 20 February 2022 | Note | Total US\$m | Class 1 P&I US\$m | Class 2 Defence US\$m | Class 3 Coastal & Inland US\$m | Class 4 War US\$m | Class 5 Strike & Delay US\$m | Syndicate US\$m |
|--|------|----------------|-------------------------|-----------------------------|---|-------------------------|---------------------------------------|--------------------|
| Technical account - general business | | | | | | | | |
| Earned premiums, net of reinsurance | | | | | | | | |
| Gross premiums earned, including calls | 4 | 294.3 | 235.5 | 7.8 | 19.6 | 4.4 | 27.0 | - |
| Outward reinsurance premiums | 5 | (64.5) | (54.3) | - | (3.6) | (2.7) | (3.9) | - |
| Earned premiums, net of reinsurance | | 229.8 | 181.2 | 7.8 | 16.0 | 1.7 | 23.1 | - |
| Expenditure | | | | | | | | |
| Gross claims incurred | | 250.0 | 211.2 | 9.0 | 10.5 | - | 19.3 | - |
| Reinsurers' share | | (37.1) | (35.0) | - | 0.4 | - | (2.5) | - |
| Claims incurred, net of reinsurance | | 212.9 | 176.2 | 9.0 | 10.9 | - | 16.8 | - |
| Net operating expenses | 9 | 31.3 | 25.6 | 0.9 | 2.2 | 0.3 | 2.3 | - |
| Total expenditure | | 244.2 | 201.8 | 9.9 | 13.1 | 0.3 | 19.1 | - |
| Balance on the technical account for general business | | (14.4) | (20.6) | (2.1) | 2.9 | 1.4 | 4.0 | - |
| Non-technical account | | | | | | | | |
| Balance on the technical account for general business | | (14.4) | (20.6) | (2.1) | 2.9 | 1.4 | 4.0 | - |
| Investment return net of expenses and charges | 6 | (14.8) | (13.1) | (0.6) | (0.6) | (0.2) | (0.3) | - |
| Exchange (losses)/gains | | 2.2 | 4.4 | - | (1.9) | - | (0.2) | - |
| Other income/(charges) including value adjustments | | (22.7) | (22.5) | - | - | (0.2) | - | - |
| Excess/(shortfall) of income over expenditure before taxation | | (49.7) | (51.9) | (2.7) | 0.4 | 1.0 | 3.5 | - |
| Tax on excess of income over expenditure | 10 | (0.1) | - | - | - | - | (0.1) | - |
| Excess/(shortfall) of income over expenditure for the financial year | | (49.8) | (51.9) | (2.7) | 0.4 | 1.0 | 3.4 | - |
| Other comprehensive (expenses)/income net of tax | | (0.3) | (0.3) | - | - | - | - | - |
| Total comprehensive (expenses)/income for the year transferred to contingency reserve | | (50.1) | (52.2) | (2.7) | 0.4 | 1.0 | 3.4 | - |

Notes to the financial statements continued

| As at 20 February 2021 | Note | Total US\$m | Class 1 P&I US\$m | Class 2 Defence US\$m | Class 3 Coastal & Inland US\$m | Class 4 War US\$m | Class 5 Strike & Delay US\$m | Syndicate US\$m |
|--|------|----------------|-------------------------|-----------------------------|---|-------------------------|---------------------------------------|--------------------|
| Technical account - general business | | | | | | | | |
| Earned premiums, net of reinsurance | | | | | | | | |
| Gross premiums earned, including calls | 4 | 292.7 | 238.8 | 8.8 | 19.0 | 7.7 | 18.4 | - |
| Outward reinsurance premiums | 5 | (64.4) | (54.2) | - | (2.9) | (4.9) | (2.4) | - |
| Earned premiums, net of reinsurance | | 228.3 | 184.6 | 8.8 | 16.1 | 2.8 | 16.0 | - |
| Expenditure | | | | | | | | |
| Gross claims incurred | | 304.3 | 260.5 | 11.6 | 16.0 | - | 16.2 | - |
| Reinsurers' share | | (43.9) | (42.3) | - | 0.9 | - | (2.5) | - |
| Claims incurred, net of reinsurance | | 260.4 | 218.2 | 11.6 | 16.9 | - | 13.7 | - |
| Net operating expenses | 9 | 30.0 | 23.4 | 1.1 | 1.6 | 0.9 | 3.0 | - |
| Total expenditure | | 290.4 | 241.6 | 12.7 | 18.5 | 0.9 | 16.7 | - |
| Balance on the technical account for general business | | (62.1) | (57.0) | (3.9) | (2.4) | 1.9 | (0.7) | - |
| Non-technical account | | | | | | | | |
| Balance on the technical account for general business | | (62.1) | (57.0) | (3.9) | (2.4) | 1.9 | (0.7) | - |
| Investment return net of expenses and charges | 6 | 35.0 | 44.4 | 2.5 | (2.3) | 1.2 | 1.0 | (11.8) |
| Exchange (losses)/gains | | (2.2) | (6.7) | 0.1 | 4.0 | - | 0.4 | - |
| Other income/(charges) including value adjustments | | (4.1) | (3.8) | - | - | (0.3) | - | - |
| Excess/(shortfall) of income over expenditure before taxation | | (33.4) | (23.1) | (1.3) | (0.7) | 2.8 | 0.7 | (11.8) |
| Tax on excess of income over expenditure | 10 | (0.7) | (0.6) | - | - | (0.1) | - | - |
| Excess/(shortfall) of income over expenditure for the financial year | | (34.1) | (23.7) | (1.3) | (0.7) | 2.7 | 0.7 | (11.8) |
| Other comprehensive (expenses)/income net of tax | | 0.7 | 0.7 | - | - | - | - | - |
| Total comprehensive (expenses)/income for the year transferred to contingency reserve | | (33.4) | (23.0) | (1.3) | (0.7) | 2.7 | 0.7 | (11.8) |

Notes to the financial statements continued

3.2 Consolidated balance sheet

| As at 20 February 2022 | Note | Total US\$m | Class 1 P&I US\$m | Class 2 Defence US\$m | Class 3 Coastal & Inland US\$m | Class 4 War US\$m | Class 5 Strike & Delay US\$m |
|---|------|----------------|-------------------------|-----------------------------|---|-------------------------|---------------------------------------|
| Assets | | | | | | | |
| Investments | | 765.9 | 725.6 | - | 40.3 | - | - |
| Reinsurers' share of technical provisions | | 273.7 | 269.9 | - | - | 0.2 | 3.6 |
| Debtors | | 83.3 | 70.8 | 1.7 | 4.3 | 1.5 | 5.0 |
| Other assets | | 73.7 | 62.6 | 0.1 | 9.2 | 1.2 | 0.6 |
| Prepayments and accrued income | | 15.6 | 7.8 | 0.1 | 0.6 | 0.2 | 6.9 |
| Total assets | | 1,212.2 | 1,136.7 | 1.9 | 54.4 | 3.1 | 16.1 |

Liabilities

| | | | | | | | |
|--|--|----------------|----------------|------------|-------------|------------|-------------|
| Reserves | | 310.2 | 167.0 | 68.4 | 31.4 | 18.7 | 24.7 |
| Technical provisions | | 799.6 | 754.8 | 8.4 | 26.3 | 0.3 | 9.8 |
| Provisions for other risks and charges | | - | - | - | - | - | - |
| Creditors | | 90.3 | 203.3 | (74.9) | (3.3) | (16.2) | (18.6) |
| Accruals and deferred income | | 12.1 | 11.6 | - | - | 0.3 | 0.2 |
| Total liabilities | | 1,212.2 | 1,136.7 | 1.9 | 54.4 | 3.1 | 16.1 |

| As at 20 February 2021 | Note | Total US\$m | Class 1 P&I US\$m | Class 2 Defence US\$m | Class 3 Coastal & Inland US\$m | Class 4 War US\$m | Class 5 Strike & Delay US\$m |
|---|------|----------------|-------------------------|-----------------------------|---|-------------------------|---------------------------------------|
| Assets | | | | | | | |
| Investments | | 795.4 | 751.5 | - | 43.9 | - | - |
| Reinsurers' share of technical provisions | | 263.5 | 260.9 | - | - | 0.2 | 2.4 |
| Debtors | | 107.3 | 96.6 | 1.9 | 2.6 | 2.6 | 3.6 |
| Other assets | | 76.8 | 54.1 | 1.5 | 11.3 | 2.3 | 7.6 |
| Prepayments and accrued income | | 11.2 | 7.7 | 0.4 | (0.1) | 0.7 | 2.5 |
| Total assets | | 1,254.2 | 1,170.8 | 3.8 | 57.7 | 5.8 | 16.1 |

Liabilities

| | | | | | | | |
|--|--|----------------|----------------|------------|-------------|------------|-------------|
| Reserves | | 360.3 | 219.2 | 71.1 | 31.0 | 17.7 | 21.3 |
| Technical provisions | | 835.0 | 790.0 | 8.3 | 27.9 | 0.4 | 8.4 |
| Provisions for other risks and charges | | - | - | - | - | - | - |
| Creditors | | 54.5 | 158.6 | (75.6) | (1.2) | (13.5) | (13.8) |
| Accruals and deferred income | | 4.4 | 3.0 | - | - | 1.2 | 0.2 |
| Total liabilities | | 1,254.2 | 1,170.8 | 3.8 | 57.7 | 5.8 | 16.1 |

4. Gross premiums earned including calls

| | 2022 US\$m | 2021 US\$m |
|--|---------------|---------------|
| Estimated total premium, other premiums and releases 2021/22 (2020/21) | 294.9 | 289.6 |
| Adjustments to previous policy years | (0.7) | 3.3 |
| Change in the gross provision for unearned premiums | 0.1 | (0.2) |
| Total calls and premiums | 294.3 | 292.7 |

Notes to the financial statements continued

5. Outward reinsurance premiums

| | 2022 US\$m | 2021 US\$m |
|--|---------------|---------------|
| International Group excess of loss | 27.2 | 27.6 |
| Adjustment to prior years | (0.7) | (1.6) |
| Other premiums | 37.8 | 34.8 |
| Adjustment to prior years | 3.2 | 5.0 |
| Change in the provision for unearned premiums, reinsurers' share | (3.0) | (1.4) |
| Reinsurance premiums paid | 64.5 | 64.4 |

6. Investment return

| | 2022 US\$m | 2021 US\$m |
|--|---------------|---------------|
| Investment income | | |
| Shares and other variable-yield securities and unit trusts | 6.4 | 10.1 |
| Debt securities and other fixed-income securities | 10.6 | 6.6 |
| Deposit interest | 1.9 | 1.7 |
| Gains arising on realisation of investments | 20.5 | 37.6 |
| | 39.4 | 56.0 |
| Investment expenses and charges | | |
| Investment management expenses | (2.8) | (3.6) |
| Losses on realisation of investments | (10.7) | (6.9) |
| | (13.5) | (10.5) |
| Movement in unrealised gains on investments | (32.3) | (11.3) |
| Movement in unrealised losses on investments | (8.4) | 0.8 |
| | (40.7) | (10.5) |
| Total investment return | (14.8) | 35.0 |

7. Claims paid

| | 2022 US\$m | 2021 US\$m |
|------------------------------|---------------|---------------|
| Members' claims | 234.4 | 250.7 |
| Other P&I clubs' Pool claims | 50.3 | 46.8 |
| Gross claims paid | 284.7 | 297.5 |

Notes to the financial statements continued

8. Reinsurers' share of claims paid

| | 2022 US\$m | 2021 US\$m |
|--|---------------|---------------|
| Claims recoverable from group GXL reinsurers | (14.6) | (8.0) |
| Claims recoverable from other reinsurers | (39.5) | (20.4) |
| Claims recoverable from the Pool | 4.7 | (27.8) |
| Reinsurers' share of claims paid | (49.4) | (56.2) |

9. Net operating expenses

| | 2022 US\$m | 2021 US\$m |
|---|---------------|---------------|
| Acquisition costs | | |
| Management cost | 13.5 | 12.6 |
| General expenses | 0.7 | 0.5 |
| Administrative expenses | | |
| Management cost | 11.9 | 10.7 |
| General expenses | 2.8 | 3.6 |
| Safety and loss control | 0.3 | 0.2 |
| Directors' fees | 1.5 | 1.7 |
| Auditors' remuneration for audit services | 0.6 | 0.6 |
| Auditors' remuneration for other services | - | 0.1 |
| Net operating expenses | 31.3 | 30.0 |

During the year, the group (including its overseas subsidiaries) obtained the following services from the group's auditors as detailed below:

| | 2022 US\$m | 2021 US\$m |
|---|---------------|---------------|
| Audit services | | |
| Fees payable to the club's auditors for the audit of the parent company and consolidated financial statements | 0.1 | 0.1 |
| The audit of the club's subsidiaries, pursuant to legislation | 0.5 | 0.5 |
| Other services | | |
| Fees payable to the club's auditors and its associates for other services: | | |
| Other services pursuant to legislation, including the audit of the regulatory return | - | 0.1 |
| | 0.6 | 0.7 |

Notes to the financial statements continued

10. Tax on shortfall of income over expenditure

| | 2022 US\$m | 2021 US\$m |
|---|---------------|---------------|
| Analysis of charge in the period | | |
| Current tax on shortfall of income for the period | (0.2) | (0.7) |
| Total current tax | (0.2) | (0.7) |
| Total deferred tax (note 11) | 0.1 | - |
| Tax in excess of income over expenditure | (0.1) | (0.7) |

Factors affecting tax charge for the period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

| | 2022 US\$m | 2021 US\$m |
|--|---------------|---------------|
| (Shortfall)/excess of income over expenditure before taxation | (49.7) | (33.4) |
| Tax at 19% (2021: 19%) | 9.4 | 6.2 |
| Income not assessable for tax purposes | (9.5) | (6.9) |
| Current tax charge for the period | (0.1) | (0.7) |

The club is subject to corporation tax in the jurisdictions in which it does business, except in Bermuda, where there is no corporation tax. In the UK, corporation tax is limited to investment income owing to the mutual status of the club.

Factors affecting current and future tax charges

There are no factors affecting current and future tax charges.

11. Deferred tax

| | 2022 US\$m | 2021 US\$m |
|---|---------------|---------------|
| Deferred tax asset relating to: | | |
| Other timing differences | 0.1 | - |
| Deferred tax asset based on effective tax rate of 19% (2021: 19%) | 0.1 | - |
| Recognised deferred tax asset at start of financial year | - | - |
| Effect of exchange rate fluctuations | - | - |
| Recognised deferred tax movement for the year in the income and expenditure account | 0.1 | - |
| Recognised deferred tax asset at end of financial year | 0.1 | - |

Notes to the financial statements continued

12. Claims outstanding

The board closed the 2019/20 policy year at its meeting on 27 May 2022. The table below provides the position after closure.

| | 2022 US\$m | 2021 US\$m |
|--|----------------|---------------|
| Open years | | |
| Claims - own | 283.3 | 307.5 |
| Claims - Pool | 86.3 | 90.1 |
| Reinsurance recoveries - Pool | (62.2) | (60.0) |
| Reinsurance recoveries - GXL & other | (40.5) | (39.5) |
| Net claims provision for open years | 266.9 | 298.1 |
| Closed years | | |
| Claims - own | 354.8 | 355.1 |
| Claims - Pool | 74.9 | 81.9 |
| Reinsurance recoveries - Pool | (55.2) | (80.9) |
| Reinsurance recoveries - GXL & other | (98.1) | (68.4) |
| Net claims provision for closed years | 276.4 | 287.7 |
| Total | | |
| Claims - own | 638.1 | 662.6 |
| Claims - Pool | 161.2 | 172.0 |
| Gross outstanding claims | 799.3 | 834.6 |
| Reinsurance recoveries - Pool | (117.4) | (140.9) |
| Reinsurance recoveries - GXL & other | (138.6) | (107.9) |
| Reinsurance recoveries - total | 256.0 | 248.8 |
| Net claims provision | 543.3 | 585.8 |

Claims outstanding includes provision for IBNR claims which is set by reference to, amongst other factors, standard actuarial techniques and projections. Also included in the provision is an estimate for the internal and external costs of handling the outstanding claims.

Notes to the financial statements continued

12.1 Movement in insurance and reinsurance contracts

| | 2022 US\$m | 2021 US\$m |
|---|----------------|---------------|
| Claims outstanding | | |
| As at start of financial year | 834.6 | 929.5 |
| Claims paid in the year | (284.7) | (297.5) |
| Changes to reserves in the year | 249.4 | 202.6 |
| As at end of financial year | 799.3 | 834.6 |
| Unearned premium | | |
| As at start of financial year | 0.4 | 7.7 |
| Calls and premiums written in the year | 294.2 | 292.9 |
| Calls and premiums earned in the year | (294.3) | (300.2) |
| As at end of financial year | 0.3 | 0.4 |
| Total insurance liabilities and unearned premiums | 799.6 | 835.0 |
| Reinsurers' share of claims outstanding | | |
| As at start of financial year | (248.8) | (282.8) |
| Reinsurance recoveries made in the year | 49.4 | 56.2 |
| Changes to reserves in the year | (56.6) | (22.2) |
| As at end of financial year | (256.0) | (248.8) |
| Reinsurers' share of unearned premium | | |
| As at start of financial year | (14.7) | (14.4) |
| Reinsurance premiums written in the year | (67.5) | (66.0) |
| Reinsurance premiums earned in the year | 64.5 | 65.7 |
| As at end of financial year | (17.7) | (14.7) |
| Total reinsurance assets & reinsurers' share of unearned premium | (273.7) | (263.5) |
| Total net technical provisions | 525.9 | 571.5 |

Notes to the financial statements continued

12.2 Development claim tables

Claims (gross)

| Policy year | 2012/13 US\$m | 2013/14 US\$m | 2014/15 US\$m | 2015/16 US\$m | 2016/17 US\$m | 2017/18 US\$m | 2018/19 US\$m | 2019/20 US\$m | 2020/21 US\$m | 2021/22 US\$m | Total US\$m |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Estimate of ultimate claims costs: | | | | | | | | | | | |
| - at end of policy year | 343.0 | 373.7 | 353.7 | 332.1 | 249.1 | 273.3 | 461.1 | 332.0 | 339.5 | 279.6 | |
| - one year later | 320.9 | 403.0 | 304.1 | 306.5 | 252.6 | 282.8 | 596.3 | 308.6 | 338.3 | | |
| - two years later | 308.9 | 433.7 | 275.4 | 311.4 | 232.0 | 275.8 | 506.2 | 297.3 | | | |
| - three years later | 306.1 | 533.5 | 289.8 | 294.7 | 232.7 | 237.0 | 498.3 | | | | |
| - four years later | 308.4 | 509.9 | 301.1 | 296.9 | 220.4 | 232.6 | | | | | |
| - five years later | 313.2 | 462.0 | 286.8 | 299.1 | 214.6 | | | | | | |
| - six years later | 249.0 | 464.9 | 288.2 | 299.7 | | | | | | | |
| - seven years later | 247.1 | 459.0 | 282.5 | | | | | | | | |
| - eight years later | 242.5 | 452.7 | | | | | | | | | |
| - nine years later | 246.2 | | | | | | | | | | |
| Current estimate of cumulative claims | 246.2 | 452.7 | 282.5 | 299.7 | 214.6 | 232.6 | 498.3 | 297.3 | 338.3 | 279.6 | 3,141.8 |
| Cumulative payments to date | (279.1) | (444.4) | (256.9) | (283.4) | (198.5) | (192.3) | (352.8) | (200.9) | (151.0) | (97.6) | (2,456.9) |
| Liability recognised in the balance sheet | (32.9) | 8.3 | 25.6 | 16.3 | 16.1 | 40.3 | 145.5 | 96.4 | 187.3 | 182.0 | 684.9 |
| Provision in respect of prior years | | | | | | | | | | | 114.4 |
| Total provision included in the balance sheet | | | | | | | | | | | 799.3 |

Claims (net)

| Policy year | 2012/13 US\$m | 2013/14 US\$m | 2014/15 US\$m | 2015/16 US\$m | 2016/17 US\$m | 2017/18 US\$m | 2018/19 US\$m | 2019/20 US\$m | 2020/21 US\$m | 2021/22 US\$m | Total US\$m |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Estimate of ultimate claims costs: | | | | | | | | | | | |
| - at end of policy year | 252.5 | 274.1 | 251.0 | 253.4 | 212.6 | 216.4 | 269.8 | 264.9 | 280.0 | 254.3 | |
| - one year later | 231.2 | 288.0 | 222.1 | 258.2 | 237.2 | 252.5 | 337.8 | 247.2 | 257.9 | | |
| - two years later | 218.2 | 273.3 | 210.0 | 262.6 | 223.4 | 253.0 | 269.2 | 254.3 | | | |
| - three years later | 212.5 | 270.6 | 211.4 | 252.3 | 222.6 | 223.4 | 254.6 | | | | |
| - four years later | 217.7 | 277.6 | 225.3 | 256.1 | 215.0 | 220.2 | | | | | |
| - five years later | 216.5 | 279.4 | 223.3 | 258.4 | 207.6 | | | | | | |
| - six years later | 218.3 | 282.6 | 222.1 | 260.0 | | | | | | | |
| - seven years later | 218.0 | 284.1 | 218.3 | | | | | | | | |
| - eight years later | 213.1 | 279.2 | | | | | | | | | |
| - nine years later | 208.1 | | | | | | | | | | |
| Current estimate of cumulative claims | 208.1 | 279.2 | 218.3 | 260.0 | 207.6 | 220.2 | 254.6 | 254.3 | 257.9 | 254.3 | 2,414.5 |
| Cumulative payments to date | (211.3) | (273.1) | (203.7) | (244.1) | (191.7) | (181.5) | (224.7) | (178.6) | (148.6) | (97.6) | (1,954.9) |
| Liability recognised in the balance sheet | (3.2) | 6.1 | 14.6 | 15.9 | 15.9 | 38.7 | 29.9 | 75.7 | 109.3 | 156.7 | 459.6 |
| Provision in respect of prior years | | | | | | | | | | | 83.7 |
| Total provision included in the balance sheet | | | | | | | | | | | 543.3 |

Notes to the financial statements continued

13. Other financial investments

| | 2022 US\$m | 2021 US\$m |
|---|---------------|---------------|
| Financial assets at fair value through statement of comprehensive income | 765.9 | 795.4 |
| Total financial assets at market value | 765.9 | 795.4 |
| Financial assets at fair value through statement of comprehensive income | 726.4 | 747.6 |
| Total financial assets at cost | 726.4 | 747.6 |
| At market value | | |
| Shares and other variable-yield securities and units in unit trusts | 123.6 | 179.4 |
| Debt securities and other fixed-income securities | 642.7 | 616.1 |
| Open forward currency contracts | (0.4) | (0.1) |
| Total investments at market value | 765.9 | 795.4 |
| At cost | | |
| Shares and other variable-yield securities and units in unit trusts | 111.4 | 163.4 |
| Debt securities and other fixed-income securities | 615.0 | 584.2 |
| Total investments at cost | 726.4 | 747.6 |
| Included in the carrying values above are amounts in respect of listed investments as follows : | | |
| Shares and other variable-yield securities and unit trusts | 79.1 | 137.7 |
| Debt securities and other fixed-income securities | 641.7 | 616.1 |
| | 720.8 | 753.8 |
| Open forward currency contracts | | |
| Fair value asset | (0.4) | 0.1 |
| Contract/notional amount | - | - |

Open forward currency contracts represent potential losses or gains on forward contracts, which have been entered into to protect the assets of the club. These have been revalued at 20 February 2022 using exchange rates prevailing at that date. The total of the open forward contracts at any one time is limited by guidelines set by the board of directors and matched against currency and asset holdings in excess of the amount of the contracts.

Notes to the financial statements continued

Contractual amounts outstanding at the balance sheet date include forward currency contracts to transact the net equivalent of US\$(0.4m) (2021: US\$(0.1m)), as broken down by local currency in the following table:

| | 2022 | | 2021 | |
|------------------------|----------------------|--------|----------------------|--------|
| | Local currency US\$m | | Local currency US\$m | |
| | Purchase | Sell | Purchase | Sell |
| British pound sterling | 20.5 | (5.9) | 3.1 | (9.3) |
| Canadian dollar | - | (0.3) | - | (0.3) |
| European euro | 6.8 | (22.7) | 1.6 | (39.4) |
| Japanese yen | - | (1.3) | - | (0.6) |
| Mexican peso | - | (4.3) | - | (8.4) |
| Polish zloty | - | - | - | (9.4) |
| Swiss franc | 0.2 | (1.5) | - | - |
| US dollar | 34.9 | (26.9) | 65.6 | (3.0) |

The forward currency contracts outstanding at year end expire by 22 June 2022 (2021: 24 February 2021).

During the year, a gain of \$2.9m (2021: US\$nil) relating to such contracts was recognised. This is included in the net exchange gain of US\$2.1m (2021: US\$2.2m loss) in the consolidated income and expenditure non-technical account.

14. Management of insurance and financial risk

The club is exposed to a range of insurance and financial risks through its operations as a Protection and Indemnity insurer.

This section summarises these risks and the way the club manages those risks in addition to the risk management policies set out in the report of the directors.

14.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. This risk can be divided into premium risk (the risk that premiums charged will not be sufficient to meet all associated claims and expenses) and reserve risk (the risk that claims reserves will be inadequate to cover either known losses, and/or unknown or undeveloped losses, such as occupational disease). These risks are managed as follows:

Notes to the financial statements continued

14.1.1 Premium risk

Premium risk is managed by clear underwriting controls including risk assessment tools, pricing models and clear authority levels. This risk is monitored for undue concentrations of risk and consistency with the club's risk appetite as set by the board. The risk management process is aided by a dedicated loss prevention function, aimed at ensuring that the club underwrites only those shipowners who operate to an acceptable standard.

Premium risk is mitigated through the acquisition of appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, and also the club's own non-pool, retention and stop-loss reinsurances. Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the insurance risk through programmes tailored to the club's exposures.

14.1.2 Reserve risk

Reserve risk is managed by the prompt reserving of potential losses, regular review of individual estimates and overall reserve adequacy, as well as regular, systematic claims audits and the monitoring of consistency of estimating approaches, and the modelling of technical provisions by the club's actuarial function.

While the board considers that the liability for insurance claims recognised in these financial statements is adequate, it recognises that actual experience will differ from the expected outcome. The following table presents the sensitivity of the value of insurance liabilities disclosed in note 12 to movements in the assumptions used in the estimation of insurance liabilities. These sensitivities relate mainly to the P&I class, as this represents the club's largest exposure.

| | Decrease | | Increase | |
|--|---------------|---------------|---------------|---------------|
| | 2022 US\$m | 2021 US\$m | 2022 US\$m | 2021 US\$m |
| Impact on profit - gross of reinsurance | | | | |
| Increase/decrease in loss ratio by 5 percentage points | 14.7 | 14.6 | (14.7) | (14.6) |
| 10% increase/decrease in the number of occupational disease claims | 2.4 | 2.5 | (2.4) | (2.5) |
| 10% increase/decrease in claims handling expenses | 1.9 | 1.8 | (1.9) | (1.8) |
| 10% increase/decrease in number of IBNR claims | 8.8 | 6.0 | (8.8) | (6.0) |
| Impact on profit - net of reinsurance | | | | |
| Increase/decrease in loss ratio by 5 percentage points | 11.5 | 11.4 | (11.5) | (11.4) |
| 10% increase/decrease in the number of occupational disease claims | 2.4 | 2.5 | (2.4) | (2.5) |
| 10% increase/decrease in claims handling expenses | 1.9 | 1.8 | (1.9) | (1.8) |
| 10% increase/decrease in number of IBNR claims | 5.4 | 4.3 | (5.4) | (4.3) |

14.2 Financial risk

The club is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the club primarily faces due to the nature of its investment and liabilities are interest rate risk and equity price risk.

Notes to the financial statements continued

14.2.1 Market risk

Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities.

Interest rate risk is managed through the club's investment strategy. Debt and fixed interest securities are predominantly invested in high-quality corporate and government-backed bonds, with the club having defined investment guidelines that limit exposure in such holdings.

At the end of the financial year, approximately 84% (2021: 79%) of the club's investment portfolio was invested in fixed interest assets. The weighted duration of the investment portfolio was 3.1 years (2021: 3.5 years).

The club has no debt liability with interest payments that vary with changes in the interest rate.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 150 basis points in bond yields would result in a cost to the club of \$36.6m (2021: \$43.3m).

Equity price risk

The club is exposed as a result of its holdings in equity investments and hedge funds. The club has defined investment guidelines that limit exposure in such holdings.

Sensitivity analysis for equity price risk illustrates the effect of changes in equity market indices on the value of the investment portfolio. A 10% decrease in equity values would be estimated to have decreased the surplus before tax and reserves at the year end by \$12.4m (2021: \$17.9m).

Currency risk

The club is exposed in respect of liabilities under insurance policies denominated in currencies other than US dollars. The most significant currencies to which the club is exposed are pound sterling and the euro. The club seeks to manage this risk by constraining the deviation of the currencies of the assets from the estimated currencies of the liabilities. The club also uses forward currency contracts to protect currency exposures and maintain investment policy benchmarks.

The profile of the club's assets and liabilities, categorised by settlement currency, at their translated carrying amount, is set out below. Certain amounts, either due to their nature, notably reinsurers' share of outstanding claims, or the existence of forward contracts, may depend on a different underlying currency.

| | US\$ US\$m | GBP US\$m | EUR US\$m | Other US\$m | Total US\$m |
|-------------------------------|----------------|--------------|--------------|----------------|----------------|
| As at 20 February 2022 | | | | | |
| Total assets | 1,048.4 | 76.6 | 50.4 | 36.8 | 1,212.2 |
| Total liabilities | 796.9 | 0.3 | 22.6 | 82.2 | 902.0 |
| Net asset position | 251.5 | 76.3 | 27.8 | (45.4) | 310.2 |
| As at 20 February 2021 | | | | | |
| Total assets | 1,103.8 | 68.7 | 30.3 | 51.4 | 1,254.2 |
| Total liabilities | 795.6 | 4.4 | 19.7 | 74.2 | 893.9 |
| Net asset position | 308.2 | 64.3 | 10.6 | (22.8) | 360.3 |

Notes to the financial statements continued

At 20 February 2022, had sterling strengthened by 10% against the US dollar with all other variables held constant, profit for the year would have been \$6.4m higher (2021: \$6.4m higher). Had the euro strengthened by 10% against the dollar, profit for the year would have been \$0.7m higher (2021: \$1.0m higher).

14.2.2 Credit risk

The risk that a counterparty will be unable to pay amounts in full when due. Key areas where the club is exposed are:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from members
- counterparty risk with respect to cash and investments.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

| | 2022 US\$m | 2021 US\$m |
|--|---------------|---------------|
| Derivative financial instruments | (0.4) | (0.1) |
| Debt securities | 642.7 | 616.1 |
| Loans and receivables | 82.9 | 84.4 |
| Assets arising from reinsurance contracts held | 0.4 | 4.4 |
| Cash at bank and in hand | 60.6 | 76.3 |
| Total assets bearing credit risk | 786.2 | 781.1 |
| AAA | 386.3 | 261.8 |
| AA | 41.0 | 109.7 |
| A | 155.0 | 191.3 |
| BBB | 96.9 | 118.5 |
| BB | 22.1 | 1.1 |
| B | - | 11.1 |
| Below CCC or not rated | 84.9 | 87.6 |
| Total assets bearing credit risk | 786.2 | 781.1 |

The concentration of credit risk is substantially unchanged compared with the prior year. No credit limits were exceeded during the period. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

Notes to the financial statements continued

14.2.3 Liquidity risk

The risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk is the obligation to pay claims to policyholders as they fall due. The club maintains holdings in short-term deposits to ensure that sufficient funds are available to cover anticipated liabilities and unexpected levels of demand.

The following table provides a maturity analysis of the club's financial assets (classes 1 to 5 combined) representing the dates that contracts will mature, amounts are due for payment or assets could be realised without significant additional cost:

| | Short term assets | Within 1 year US\$m | 1-2 years US\$m | 2-5 years US\$m | Over 5 years US\$m | Total US\$m |
|---|-------------------|---------------------|-----------------|-----------------|--------------------|----------------|
| As at 20 February 2022 | | | | | | |
| Shares and other variable-yield securities and units in unit trusts | 40.9 | 42.4 | 14.2 | 12.4 | 13.7 | 123.6 |
| Debt securities and other fixed-income securities | 616.4 | 26.3 | - | - | - | 642.7 |
| Forward currency contracts | (0.4) | - | - | - | - | (0.4) |
| Cash balances | 60.6 | - | - | - | - | 60.6 |
| Debtors | 9.2 | 74.0 | - | - | - | 83.2 |
| Reinsurers' share of claims outstanding | - | 95.0 | 51.9 | 58.2 | 50.9 | 256.0 |
| | 726.7 | 237.7 | 66.1 | 70.6 | 64.6 | 1,165.7 |

As at 20 February 2021

| | | | | | | |
|---|--------------|--------------|-------------|-------------|-------------|----------------|
| Shares and other variable-yield securities and units in unit trusts | 96.7 | 42.4 | 14.2 | 12.4 | 13.7 | 179.4 |
| Debt securities and other fixed-income securities | 589.8 | 26.3 | - | - | - | 616.1 |
| Forward currency contracts | (0.1) | - | - | - | - | (0.1) |
| Cash balances | 76.8 | - | - | - | - | 76.8 |
| Debtors | 12.9 | 75.7 | - | - | - | 88.6 |
| Reinsurers' share of claims outstanding | - | 80.0 | 50.3 | 64.8 | 53.7 | 248.8 |
| | 776.1 | 224.4 | 64.5 | 77.2 | 67.4 | 1,209.6 |

The following is an analysis of the estimated timings of net cash flows by financial liability (classes 1 to 5 combined). The timing of cash flows are based on current estimates and historic trends, and the actual timings of cash flows may be materially different from those disclosed below:

| | Within 1 year US\$m | 1-2 years US\$m | 2-5 years US\$m | Over 5 years US\$m | Total US\$m |
|-------------------------------|---------------------|-----------------|-----------------|--------------------|--------------|
| As at 20 February 2022 | | | | | |
| Gross outstanding claims | 296.6 | 162.0 | 181.7 | 158.9 | 799.3 |
| Creditors | 90.3 | - | - | - | 90.3 |
| | 386.9 | 162.0 | 181.7 | 158.9 | 889.6 |

As at 20 February 2021

| | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Gross outstanding claims | 268.6 | 168.8 | 217.2 | 180.0 | 834.6 |
| Creditors | 47.1 | - | - | - | 47.1 |
| | 315.7 | 168.8 | 217.2 | 180.0 | 881.7 |

Notes to the financial statements continued

14.2.4 Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows :

Level 1 - Listed quoted prices in active markets and external broker quotes which are publicly, readily and regularly available on an active market

Level 2 - Inputs other than quoted prices included within Level 1 that are observable, 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)

The following table presents the club's assets and liabilities measured at fair value at 20 February 2022 and at 20 February 2021.

Financial assets at fair value through profit or loss:

| | Level 1 US\$m | Level 2 US\$m | Level 3 US\$m | Total US\$m |
|---|------------------|------------------|------------------|----------------|
| As at 20 February 2022 | | | | |
| Shares and other variable-yield securities and units in unit trusts | 87.1 | - | 36.5 | 123.6 |
| Debt securities and other fixed-income securities | 481.2 | 161.5 | - | 642.7 |
| Forward currency contracts | (0.4) | - | - | (0.4) |
| | 567.9 | 161.5 | 36.5 | 765.9 |
| As at 20 February 2021 | | | | |
| Shares and other variable-yield securities and units in unit trusts | 140.2 | - | 39.2 | 179.4 |
| Debt securities and other fixed-income securities | 445.1 | 171.0 | - | 616.1 |
| Forward currency contracts | (0.1) | - | - | (0.1) |
| | 585.2 | 171.0 | 39.2 | 795.4 |

14.3 Capital management

The club maintains an efficient capital structure from the use of members' funds (reserves) along with the ability to make unbudgeted calls, if required, consistent with the club's risk profile and the regulatory and market requirements of its business.

The club's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its members and meet regulatory requirements
- to maintain an 'A' rating with Standard & Poor's
- to manage exposures to movement in exchange rates
- to retain financial flexibility by maintaining strong liquidity.

The club's principal regulator is the Bermuda Monetary Authority (BMA) and the club is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held. The club manages capital in accordance with these rules and has embedded in its Asset Liability Management (ALM) framework the necessary tests to ensure continuous and full compliance with such regulations. Throughout the year, the club complied with the BMA's capital requirements and the requirements in the other countries in which it operates.

Notes to the financial statements continued

14.4 COVID-19

As detailed in the report of the directors (page 9), the group has continued to monitor the development of the impact of COVID-19, both directly on the club's business, and indirectly through the development of government policy and advice. The net aggregate of COVID-19 claims notified up to 20 February 2022 across all classes of business amounted to approximately \$36m (2021: \$20m).

15. Tangible assets

| | Furniture, fixtures and fittings | |
|---------------------------------|----------------------------------|---------------|
| | 2022 US\$m | 2021 US\$m |
| Book cost | | |
| As at 20 February 2021 | - | - |
| Additions | 5.9 | - |
| As at 20 February 2022 | 5.9 | - |
| Accumulated depreciation | | |
| As at 20 February 2021 | - | - |
| Charge for the year | 1.8 | - |
| As at 20 February 2022 | 1.8 | - |
| Net book value | 4.1 | - |

Furniture, fixtures and fittings are held in the management companies acquired on 20 August 2021.

16. Intangible assets

| | Computer software | |
|---------------------------------|-------------------|---------------|
| | 2022 US\$m | 2021 US\$m |
| Book cost | | |
| As at 20 February 2021 | - | - |
| Additions | 12.4 | - |
| As at 20 February 2022 | 12.4 | - |
| Accumulated depreciation | | |
| As at 20 February 2021 | - | - |
| Charge for the year | 2.9 | - |
| As at 20 February 2022 | 2.9 | - |
| Net book value | 9.5 | - |

Capitalised computer software development costs are held in the management companies acquired on 20 August 2021.

Notes to the financial statements continued

17. Investment in group undertakings and participating interests

| | Classes of shares held | Year end | Principal business | % holding | |
|--|------------------------|----------|---------------------|-----------|---------|
| | | | | Group | Company |
| Standard Reinsurance (Bermuda) Limited, incorporated in Bermuda | Ordinary | 20 Feb | Reinsurance | 100 | 100 |
| The Standard Club UK Ltd, incorporated in the United Kingdom ¹ | N/a | 20 Feb | Marine mutual | 75 | 75 |
| The Standard Club Asia Ltd, incorporated in Singapore | Ordinary | 20 Feb | Marine mutual | 100 | 20 |
| The Standard Club Ireland DAC, incorporated in Ireland | Ordinary | 20 Feb | Marine mutual | 100 | 100 |
| Hydra Insurance Company Limited (Standard Cell), incorporated in Bermuda | Preferred | 20 Feb | Reinsurance | 100 | 100 |
| Standard House Limited, incorporated in Bermuda ² | Ordinary | 20 Feb | Property investment | 100 | - |
| The Strike Club Europe Limited, incorporated in United Kingdom ³ | Ordinary | 31 Jan | Marine mutual | 99 | - |
| The Shipowners' Mutual Strike Insurance Association Europe, incorporated in Luxembourg | N/a | 20 Feb | Marine mutual | 100 | - |
| Standard Services Limited ^{4/5} | Ordinary | 20 Feb | Management | 100 | - |
| Standard Club Management (Bermuda) Limited ^{4/5} | Ordinary | 20 Feb | Management | 100 | - |
| Standard Club Management (UK) Limited ^{4/5} | Ordinary | 20 Feb | Management | 100 | - |
| Standard Club Management (Europe) Limited ^{4/5} | Ordinary | 20 Feb | Management | 100 | - |
| Standard Club Management (Asia) Limited ^{4/5} | Ordinary | 20 Feb | Management | 100 | - |
| Standard Club Management (Americas) Limited ^{4/5} | Ordinary | 20 Feb | Management | 100 | - |

¹ 75% of voting control, no participating interest. No minority interest is shown in the group financial statements because the affairs of each class are managed on a unified basis throughout the group.

² Standard House Limited was dissolved on 11 June 2021.

³ The Strike Club Europe Limited was a dormant company limited by guarantee with \$nil net assets and was dissolved on 12 April 2022.

⁴ These service companies provide in-house management for the group.

⁵ These companies were purchased from the Charles Taylor group on 20 August 2021 for \$33.6m by way of cash and deferred consideration. The net book value of those subsidiaries on acquisition was \$18.3m, of which \$13.3m was held in SCM (UK) Limited and \$4.2m in SCM (Asia) Limited. Of these \$18.3m of assets, \$5.9m related to fixtures and fittings (note 15) and \$12.4m related to intangible computer software (note 16). On 20 August 2021 an amount of \$15.3m was recognised within goodwill and fully impaired on the same day. At the end of the period the carrying value of goodwill was nil. The impairment expense is included within other income and charges in the income and expenditure account.

All subsidiary undertakings are consolidated in the financial statements.

18. Debtors arising out of direct insurance operations

| | 2022 US\$m | 2021 US\$m |
|---|---------------|---------------|
| Members | 72.8 | 76.0 |
| Intermediaries | 2.2 | 0.1 |
| Reinsurers - Pool | 0.4 | 21.9 |
| Reinsurers - other | - | 1.1 |
| Debtors arising out of direct insurance operations | 75.4 | 99.1 |

Notes to the financial statements continued

19. Other creditors including taxation and social security

| | 2022 US\$m | 2021 US\$m |
|---|---------------|---------------|
| Corporation tax | 0.3 | - |
| Trade creditors | 1.0 | 0.7 |
| Other creditors | 26.1 | 6.7 |
| Other creditors including taxation and social security | 27.4 | 7.4 |

Included within other creditors is \$14.3m of amounts due after one year (being the deferred consideration for acquisition of subsidiaries).

20. Letters of credit, bail bonds and guarantees

In the normal course of business, the club has provided letters of credit and guarantees on behalf of its members. These are secured by investments lodged with the club amounting to \$16.3m (2021: \$26.5m).

21. Related party transactions

The club, which is limited by guarantee, has no share capital and is controlled by the members, who are also its insureds. All members enter into insurance contracts negotiated with the club on arm's length terms. These transactions are therefore with related parties and are the only transactions between the club and the members. The aggregate of these transactions is disclosed in these financial statements.

All the directors (except four: one senior executive and employee of the club; one Bermudian resident director; and two independent directors) 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.

22. Employees

Staff costs increased to \$23.8m (2021: \$3.7m) following further transition to in-house management during the financial year. These costs are allocated to acquisition costs and administrative costs contained within net operating expenses and an allocation to claims handling costs contained within claims paid.

| | 2022 US\$m | 2021 US\$m |
|---------------------------|---------------|---------------|
| Wages and salaries | 20.6 | 3.1 |
| Other staff related costs | 0.5 | - |
| Social security costs | 1.5 | 0.4 |
| Other pension costs | 1.2 | 0.2 |
| | 23.8 | 3.7 |

The average weekly number of employees was:

| | 2022 US\$m | 2021 US\$m |
|----------------|---------------|---------------|
| Claims | 37 | - |
| Underwriting | 30 | - |
| Administration | 67 | 9 |
| | 134 | 9 |

Notes to the financial statements continued

23. Rates of exchange

| | 2022 US\$m | 2021 US\$m |
|--|---------------|---------------|
| The following rates of exchange were applicable to US\$1 at 20 February 2022 (2021) | | |
| Australian dollar | 1.40 | 1.49 |
| Bermudian dollar | 1.00 | 1.00 |
| Canadian dollar | 1.27 | 1.32 |
| European euro | 0.88 | 0.92 |
| Japanese yen | 115.40 | 109.77 |
| Singapore dollar | 1.35 | 1.39 |
| Swiss franc | 0.92 | 0.98 |
| British pound sterling | 0.74 | 0.77 |

24. Events after the reporting period

24.1 War in Ukraine

In late February 2022, Russia launched an attack on Ukraine, marking a sudden escalation of the conflict between the two countries. As a result, significant sanctions have been placed on Russia by countries such as the United States of America, the United Kingdom and other countries in the European Union.

The club established an internal working group to consider and monitor the impact on our business and members of the evolving situation in Ukraine. The team has representatives from Legal, Claims, Underwriting, Reinsurance, Risk, Compliance, Actuarial, Loss Prevention, the Sanctions Team and Finance (including investments). The working group convenes at least twice weekly to assess the position of the club and provide guidance to employees and members on related developments.

The club does not believe the impact of the conflict in Ukraine will adversely affect its ability to operate as a going concern.

24.2 Claim estimate increase

A claim relating to an incident taking place just before the year end has on a gross basis deteriorated by \$35m since the year end. With the comprehensive reinsurance in place, the net impact will be approximately \$11m, well within the level of IBNR held in the claims reserves.

24.3 Merger proposal

On 14 March 2022, it was announced that North and Standard Club had entered formal discussions for a proposed merger to create a new global marine insurer and one of the largest providers of mutual cover in the maritime industries. This was approved by the membership of both clubs on 27 May 2022. Subject to the approval of all appropriate regulatory authorities, the formal merger of both clubs is expected to complete by 20 February 2023. There is no impact of these discussions on the carrying value of the assets and liabilities reported in these financial statements.

Other information



Appendix I (unaudited)

Funds available for outstanding and unreported claims

Class 1 - P&I summary

| | Appendix reference | Funds available and estimated future supplementary calls US\$m | Estimated net claims and forecast of unreported claims US\$m |
|--|--------------------|---|---|
| At 20 February 2022 | | | |
| Total closed policy years | III | 259.5 | 259.5 |
| Open policy years | | | |
| 2021/22 | II | 137.3 | 137.3 |
| 2020/21 | II | 103.6 | 103.6 |
| Total of open policy years | | 240.9 | 240.9 |
| Reserves | | | |
| Contingency reserve | III | 166.8 | - |
| Statutory reserve | | 0.2 | - |
| Total reserves | | 167.0 | - |
| Funds available for outstanding and unreported claims | | 667.4 | 500.4 |

These appendices should be read in conjunction with the notes on the preceding pages.

Appendix II (unaudited)

Funds available for outstanding and unreported claims

Class 1 - P&I open policy years

| | | 2021/22 One year from inception | 2020/21 Two years from inception | 2019/20 Three years from inception |
|--|----------|---------------------------------------|--|--|
| At 20 February 2022 | | | | |
| Calls and premiums - current year | | 238.5 | (3.2) | - |
| Calls and premiums - prior year | | - | 241.2 | 240.2 |
| Less: claims, reinsurance premiums, administration expenses and tax | | (153.9) | (194.0) | (239.7) |
| | | 84.6 | 44.0 | 0.5 |
| Investment income to date | | (8.8) | 37.1 | 67.5 |
| Funds available | A | 75.8 | 111.5 | 10.1 |
| Estimated known outstanding claims and forecast of unreported claims | | 161.0 | 181.8 | 92.2 |
| Estimated reinsurance recoveries | | (23.7) | (78.2) | (19.9) |
| | B | 137.3 | 103.6 | 72.3 |
| Anticipated (deficit)/surplus at closure | A-B | (61.5) | (22.5) | - |
| Deficit on closure of 2019/20 year | | - | - | (4.3) |
| Transferred from(to) contingency reserve at 20 February 2021 | | - | 33.7 | 6.2 |
| Transferred (to)/from contingency reserve at 20 February 2022 | | 61.5 | (11.2) | (1.9) |
| | | - | - | - |
| Product of a 10% supplementary call | | 17.8 | 18.1 | 18.2 |

Notes

Estimated known outstanding claims and the forecast of unreported claims of open years (excluding the 2019/20 year which was closed at the club's meeting on 27 May 2022) include the clubs' share of other clubs' Pool claims amounting to \$86.3m.

Estimated reinsurance recoveries show the reinsurance recoveries to be made on reinsurance contracts net of provision for doubtful recoveries, and include anticipated Pool recoveries of \$64.9m, recoveries from group excess of loss reinsurers of nil, and recoveries from other reinsurers of \$36.9m.

Investment income

All investment income received in the year has been allocated to the 2021/22 year.

Fixed premium and non-poolable business

Of the \$238.5m of calls and premiums on the 2021 P&I policy year, \$60.3m represents non-poolable business which is all fixed premium. The comparative figures for 2020 are \$241m and \$60m, and for 2019 they are \$241m and \$59m.

Appendix III (unaudited)

Funds available for outstanding and unreported claims

Class 1 - P&I closed policy years and contingency reserve

| Impact on profit - gross of reinsurance | Closed policy years | | Contingency reserve | |
|---|---------------------|---------------|---------------------|---------------|
| | 2022 US\$m | 2021 US\$m | 2022 US\$m | 2021 US\$m |
| At 20 February 2021 | | | | |
| Balance available at 20 February 2021 (2020) | 255.2 | 268.7 | 219.0 | 242.0 |
| Transfers on closure of 2019/2020 (2018/2019) policy year | 72.3 | 38.1 | 1.9 | 1.0 |
| Premium adjustment | - | - | 0.1 | - |
| Claims paid net of reinsurance recoveries | (45.3) | (41.2) | - | - |
| | 282.2 | 265.6 | 221.0 | 243.0 |
| Transfer of anticipated surplus/(deficit) on open years | - | - | (50.3) | (30.6) |
| Other charges including value adjustments | - | - | (22.5) | (3.8) |
| Improvement of claims in closed policy years | (18.6) | (10.4) | 18.6 | 10.4 |
| Balance available at 20 February 2022 (2021) | 263.6 | 255.2 | 166.8 | 219.0 |

Closed policy years

The balance available for outstanding claims of closed policy years (including the 2019/20 year which was closed at the club's meeting on 27 May 2022) includes a provision for incurred but not reported claims (IBNR) of \$51.0m (2021: \$30.2m) and is shown net of Pool recoveries of \$57.1m (2021: \$125.6m), recoveries from group excess of loss reinsurers of \$83.9m (2021: \$24.7m) and other non-group reinsurance recoveries which amount to \$14.1m (2021: \$43.6m). The balance available including IBNR includes \$74.9m (2021: \$81.9m) in respect of the club's share of other clubs' outstanding Pool claims.



Notice of annual general meeting

The Standard Club Ltd (the 'Company'), Registered no: 1837

Notice is hereby given that the 51st annual general meeting (the meeting) of the company will be held in Madrid on Thursday 13 October at 12.00 noon for the purpose of considering and, if thought fit, passing the following resolutions.

Ordinary resolutions

Reports and financial statements

1. THAT the reports of the directors and auditors, and the audited financial statements of the Company for the year-ended 20 February 2022 be received and adopted.

Election/annual re-election of directors

2. THAT Mr Vassilis Dalacouras be elected as a director of the Company.
3. THAT Mr Lars Kastrup be elected as a director of the Company.
4. THAT Mr Necdet Aksoy be re-elected as a director of the Company.
5. THAT Mr Cesare d'Amico be re-elected as a director of the Company.
6. THAT Mr Ron Forest be re-elected as a director of the Company.
7. THAT Mr Alistair Groom be re-elected as a director of the Company.
8. THAT Mr Nicolas Hadjioannou be re-elected as a director of the Company.
9. THAT Mr Bhumindr Harinsuit be re-elected as a director of the Company.
10. THAT Mr Lars Henneberg be re-elected as a director of the Company.
11. THAT Mr Barnabas Hurst-Bannister be re-elected as a director of the Company.
12. THAT Dr Gunther Jaegers be re-elected as a director of the Company.
13. THAT Mr Erik Johnsen be re-elected as a director of the Company.
14. THAT Mr David Koo be re-elected as a director of the Company.
15. THAT Mr Ricardo Menendez Ross be re-elected as a director of the Company.
16. THAT Mr Allister Paterson be re-elected as a director of the Company.
17. THAT Ms Marielena Procopiou be re-elected as a director of the Company.
18. THAT Mr Takis Vellis be re-elected as a director of the Company.
19. THAT Mr Markus Voorham be re-elected as a director of the Company.

Re-appointment of auditors

20. THAT BDO LLP be re-appointed as auditors, and that the directors be authorised to fix their remuneration.

Date: 27 May 2022

By order of the board

Charles Taylor & Co (Bermuda)

Secretary

Registered Office:

Swan Building, 2nd Floor

26 Victoria Street

Hamilton HM12

PO Box HM 2904

Hamilton

Bermuda

Form of proxy

The Standard Club Ltd (the 'Company'), Registered no: 1837

51st Annual General Meeting ('the meeting')

Thursday 13 October 2022 at 12:00 noon

I (Block Capitals)....., a member of the above-named Company, hereby appoint the Chairman of the meeting, or as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held in Madrid at 12:00 noon, and at any adjournment thereof.

Signature..... Dated.....2022

Please indicate with an X in the spaces below how you wish your votes to be cast.

| Ordinary resolutions | For | Against |
|--|-----|---------|
| 1. THAT the reports of the directors and auditors and the audited financial statements of the Company for the year ended 20 February 2022 be received and adopted. | | |
| 2. THAT Vassilis Dalacouras be elected as a director of the Company. | | |
| 3. THAT Lars Kastrup be elected as a director of the Company. | | |
| 4. THAT Necdet Aksoy be re-elected as a director of the Company. | | |
| 5. THAT Cesare d'Amico be re-elected as a director of the Company. | | |
| 6. THAT Ron Forest be re-elected as a director of the Company. | | |
| 7. THAT Alistair Groom be re-elected as a director of the Company. | | |
| 8. THAT Nicolas Hadjioannou be re-elected as a director of the Company. | | |
| 9. THAT Bhumindr Harinsuit be re-elected as a director of the Company. | | |
| 10. THAT Lars Henneberg be re-elected as a director of the Company. | | |
| 11. THAT Barnabas Hurst-Bannister be re-elected as a director of the Company. | | |
| 12. THAT Gunther Jaegers be re-elected as a director of the Company. | | |
| 13. THAT Erik Johnsen be re-elected as a director of the Company. | | |
| 14. THAT David Koo be re-elected as a director of the Company. | | |
| 15. THAT Ricardo Menendez Ross be re-elected as a director of the Company. | | |
| 16. THAT Alister Paterson be re-elected as a director of the Company. | | |
| 17. THAT Marielena Procopiou be re-elected as a director of the Company. | | |
| 18. THAT Takis Vellis be re-elected as a director of the Company. | | |
| 19. THAT Markus Voorham be re-elected as a director of the Company. | | |
| 20. THAT BDO LLP be re-appointed as auditors of the Company, and the directors be authorised to fix their remuneration. | | |

Form of proxy continued

Re-election of directors holding office for over nine years

| Director | Date of appointment | |
|--------------------------|---------------------|--|
| Necdet Aksoy | 30 January 2002 | Principal of Akmar Shipping Group and Turkish Cargo Lines |
| Cesare d'Amico | 28 January 2004 | Principal of d'Amico Società di Navigazione SpA |
| Alistair Groom | 1 October 2004 | Non-executive director, insurance expert and former CEO of the managers' London agents |
| Bhumindr Harinsuit | 30 January 2007 | Managing Director of The Harinsuit Transport Co Ltd |
| Barnabas Hurst-Bannister | 12 October 2012 | Non-executive director, insurance expert |
| Gunther Jaegers | 10 May 2012 | Partner, Reederei Jaegers GmbH |
| Erik Johnsen | 26 September 2003 | Director of Shipinvest Corporation. |
| David Koo | 15 May 2009 | Managing Director of Valles Steamship Co Ltd |
| Ricardo Menendez Ross | 18 May 1990 | CEO of Interocean Transportation Inc |

Notes to notice of meeting and form of proxy

Your proxy

- Every member of the company entitled to attend, speak and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote on their behalf at the meeting. The appointment of a proxy will not prevent a member, owner or director from subsequently attending, speaking and voting at the meeting in person.
- A member, owner or director is entitled to appoint a proxy of their choice and that person need not be a member, owner or director of the company. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them. If such an appointment is made, please delete the words 'the chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
- Please include the full name of the member, owner or director on the Form(s) of Proxy.
- A corporate member may appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member, owner or director provided that no more than one corporate representative exercises powers over the same vote.

The resolutions

- You can show how you want your proxy to vote on each of the resolutions. Full details of the resolutions are set out in the accompanying Notice(s) of class meeting.
- If this form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise their discretion as to how they vote or whether they abstain from voting.

Your signature

- You must sign and date the relevant Form(s) of Proxy. If it is signed by someone else on your behalf, the power of attorney or other authority under which it is signed (or a copy of the authority certified notari ally) must be returned with the Form(s) of Proxy.
- In the case of a corporate member, the Form(s) of Proxy must be executed under its common seal or signed by a duly authorised officer. If the signatory is a duly authorised officer, a certified copy of the document providing such authority must be returned with the form. Please provide detail of the capacity in which you are signing the form(s).

Return of Form(s) of Proxy

- For the appointment of a proxy to be valid you must complete and sign the relevant Form(s) of Proxy and ensure that Form(s) of Proxy, together with, where applicable, any power of attorney or other authority under which it is executed (or a notarised copy of the same) are sent to the secretary of the company by email to membersmeeting@standardclub.com and be received not less than 48 hours before the time fixed for holding the meetings or any adjournment thereof.

Managers and offices

Registered office of the club

Swan Building
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Hamilton HM12
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Telephone: +1 441 292 7655
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 The Standard P&I Club

 WeChat

Standard Club is comprised of the entities listed below. To identify your insurer within Standard Club please refer to your policy documents for the relevant policy year or please contact us. To best serve customers, Standard Club uses international correspondents, which may be another entity within Standard Club.

The Standard Club Ltd, incorporated in Bermuda (No. 1837), authorised and regulated by the Bermuda Monetary Authority. Managers: Standard Club Management (Bermuda) Limited, incorporated in Bermuda (No. 56069), Registered addresses: Swan Building, 3rd Floor, 26 Victoria Street, Hamilton HM 12. The Standard Club Asia Ltd, is a company incorporated in Singapore with limited liability (No. 199703224R), authorised and regulated by the Monetary Authority of Singapore. Managers: Standard Club Management (Asia) PTE. Limited, incorporated in Singapore (No. 199703244C). Registered addresses: 140 Cecil Street, #16-03/04 PIL Building, Singapore 069540. The Standard Club Asia Ltd (Hong Kong Branch), registered in Hong Kong (No. F0024636), authorised and regulated by the Hong Kong Insurance Authority (F24636). Managers: Standard Club Management (Asia) PTE. Limited (Hong Kong Branch), registered in Hong Kong (No. F0024645). Registered addresses: Suite A, 29/F 633 Kings Road, Quarry Bay, Hong Kong. The Standard Club Ireland DAC, incorporated in Ireland (No. 631911), authorised and regulated by the Central Bank of Ireland (C182196). Managers: Standard Club Management (Europe) Limited, incorporated in Ireland (No. 630355), authorised and regulated by the Central Bank of Ireland (C184973). Registered addresses: Fitzwilliam Hall, Fitzwilliam Place, Dublin 2. The Standard Club Ireland DAC (UK Branch), registered in the UK (No. BR021960), deemed authorised by the Prudential Regulation Authority, subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority (FRN 833593). Managers: Standard Club Management (Europe) Limited (UK Branch), registered in the UK (No. BR021929), deemed authorised and regulated by the Financial Conduct Authority (FRN 848125). Registered addresses: The Minster Building, 21 Mincing Lane, London, EC3R 7AG. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. The Standard Club UK Ltd, incorporated in the UK (No. 00017864), authorised and regulated by the Prudential Regulation Authority & Financial Conduct Authority (FRN 202805). Registered address: The Minster Building, 21 Mincing Lane, London, EC3R 7AG. Managers: Standard Club Management (Europe) Limited (UK Branch), registered in the UK (No. BR021929), deemed authorised and regulated by the Financial Conduct Authority (FRN 848125). Registered addresses: The Minster Building, 21 Mincing Lane, London, EC3R 7AG. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. The following offices provide claims services for Standard Club: Standard Club Management (Americas), Inc., incorporated in the United States (Connecticut) (No. 4050326). Registered address: 180 Maiden Lane, Suite 6A, New York NY10038; Standard Club Management (Europe) Limited (Greek Branch), Law 27/1975 Branch Office, Status Building B, Areos 2A, 166 71 Vouliagmeni, Athens, Greece; and Standard Club Management (Bermuda) Limited (Japan Branch), registered in Japan (No. 0100-03-034516). Registered address: 6th Floor Takebashi Bldg, 2-1-8, Kanda Nishiki-cho, Chiyoda-ku, Tokyo 101-0054 Japan.