Steamship Mutual Underwriting Association Limited

Annual Report and Accounts 2021

Contents

Steamship Mutual
Underwriting Association Limited

Managers
Steamship P&I Management LLP
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Notice of Meeting

Notice is hereby given that the One Hundred and Twelfth Annual General Meeting of the Members of the Company will be held at the St. Regis Hotel, Two East 55th Street, New York, NY 10022, USA, on Tuesday, 26 October 2021 at 09:10 hours for the following purposes:

1 To receive and if thought fit, to adopt the balance sheet and accounts for the year ended 20 February 2021, they having been recommended for adoption by the Board.

2 To elect Members of the Board.
The Members of the Board retiring by rotation and in accordance with Article 11.2 of the Association are Mr C. Ahrenkiel, Ms I. Grimaldi and Mr A. Pohan. Being eligible, they offer themselves for re-election.

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

4 To transact any other ordinary business of the Company.

By Order of the Board

A Thawani
Secretary

27 May 2021

N.B. A Member who is entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend, speak and vote in his or her place. The instrument appointing a proxy may be in the form distributed to Members along with the financial statements and must be deposited with the Secretary at Aquatical House, 39 Bell Lane, London, E1 7LU, United Kingdom, not less than 48 hours before the time specified for the holding of the Meeting.

Directors

Directors

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

Secretary

A Thawani	Steamship P&I Management LLP

Managers
Steamship P&I Management LLP

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

Website: www.steamshipmutual.com

Registered number
00105461

Strategic Report

The Steamship group ("Steamship") is financially one of the largest and strongest marine Protection and Indemnity ("P&I") clubs in the world and maintains an A (stable) rating from Standard & Poor's. For the year under review, the Directors set a 7.5% general increase in P&I premium. At the 2021/22 renewal the general increase was set at 5%.

For Steamship Mutual Underwriting Association Limited ("Association"), owned entered tonnage increased by 6.7% from 59.8 million gross tons ("GT") to 63.8 million GT during the year and including renewal. Total entered tonnage at 20 February 2021 for owned and chartered entries stood at 116.3 million GT.

Gross premium written in the year decreased to US$204.8 million from US$308.7 million last year, a 33.7% decrease, predominantly reflecting 28.6 million GT of owned European business being entered in Steamship Mutual Underwriting Association (Europe) Limited ("SMUAE") in response to the UK leaving the EU. Premium was also affected by the pandemic as several vessels were laid up during the year.

The Association's combined ratio, calculated by dividing the sum of net incurred claims, allocated foreign exchange gains/losses and operating expenses by net earned premium increased from 101.2% to 108.6% due to Covid-19 related claims and higher than anticipated pool claims from the International Group.

The balance on the technical account for general business was a deficit of US$4.8 million for the financial year (2020: deficit US$1.0 million). Free reserves decreased from US$105.5 million to US$100.9 million.

It has been a challenging year for the Association as the world responded to the Covid-19 pandemic. The Directors and Managers have been focused on ensuring the safety of its staff and operational continuity so that Members continue to receive the service they expect from Steamship in these unprecedented times. The financial strength and operational resilience of Steamship are there for such events, and the Association has utilised these throughout the year, which has also been reflected in the very positive renewal..

The Managers rolled out the business continuity plan, enabling all staff to work remotely with no disruption to the services provided to Members, and maintaining regulatory compliance.

Part VII Transfer
On 20 December 2020 SMUA transferred its EEA assets and liabilities to SMUAE under a Part VII of the Financial Services and Markets Act 2000. This was required to ensure continuity of claims handling service for EU policyholders entered with the Association for the 2019 policy year and earlier. See note 5 for more information.

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

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

Underwriting
During the year mutual premium was levied as follows:

- 100% mutual premium for the 2020/21 policy year (Class 1 – P&I); and
- 100% mutual premium for the 2020/21 policy year (Class 2 – FD&D).

The 2017/18 policy year was closed in June 2020.

The Directors will review release call levels as part of Steamship's Group Solvency Self-Assessment. In the meantime release calls for both P&I and Freight, Demurrage and Defence ("FD&D") were set at 10% for the 2021/22, 2020/21 and 2019/20 policy years and 5% for the 2018/19 policy year.

Strategic Report

Claims
Whilst the year was dominated by the Covid-19 pandemic and its effects, the ultimate consequences from a claims perspective were less than might have been anticipated at the outset. The initial impact was on the Association's cruise entry with outbreaks on several vessels. The effective cessation of the majority of cruise and passenger operations for the remainder of the year reduced exposure to passenger and cruise vessel crew claims. Nevertheless, the disruptive effects of the pandemic caused extensive dislocation to the shipping industry as a whole, particularly with respect to crew changes and repatriation.

The Managers endeavoured to provide the Association's Members with practical assistance in order to mitigate the effect of Covid-19, such as a dedicated area on the Association's website with the latest information and advice as it became available and actively participating in the International Group's Covid and quarantine working groups.

Despite the challenges arising such as the requirement to work remotely for the majority of the year, the Managers and staff have endeavoured to continue to provide the high standards of service that the Membership expects.

The Association experienced two Pool claims in excess of its retention during the policy year. These were Covid-19 related cruise claims where the Association's insurance was on a quota share basis, thus limiting its exposure.

A further edition of Sea Venture was published together with three newsletters.

A series of four loss prevention videos on the Coronavirus were produced to inform and guide seafarers. These programmes, which dealt with the issues of staying safe, maintaining mental resilience, implementing protective measures and effecting crew changes were made available free of charge to the Association's Members and the shipping industry generally.

A number of Risk Alerts and articles on topical operational issues were published on the website, and a further series of safety posters for roll-on/roll-off vessels and pure car and truck carriers was produced.

Pooling and reinsurance
The Association's reinsurance programme for the 2021/22 policy year was arranged in conjunction with other members of the International Group. The programme provided an ultimate limit of US$3.1 billion in excess of US$10 million, except in relation to oil pollution claims, which were subject to an overall limit of US$1.0 billion.

Pooling
For 2021/22, the individual club retention, before Pooling with other members of the International Group, remains at US$10 million, with an upper limit of US$100 million for each event. A club bringing a claim to the Pool bears a 7.5% retention within the layer of US$50 million to US$100 million, with the balance being divided amongst all clubs in accordance with the Pooling Agreement.

Excess Loss cover
The Group's Excess of Loss programme was renewed with the same structure as for the expiring year. Three 10% private placements for the 2021/22 policy year, with the remaining 70% placed in the market. The first layer will provide cover from US$100 million to an increased upper limit of US$750 million, the second layer will cover from US$750 million to US$1.5 billion, and the third layer from US$1.5 billion to US$2.1 billion. There is no change to the Collective Overspill layer of US$1 billion excess US$2.1 billion.

Hydra Insurance Company Limited ("Hydra")
For 2021/22, Hydra will continue to retain 100% of the pool layer US$30 million to US$50 million and 92.5% of the pool layer US$50 million to US$100 million. In addition, Hydra will retain the US$100 million annual aggregate deductible in the 70% market share of the first layer of the Excess Loss programme. Hydra is a cell captive set up by the Group in Bermuda under the Segregated Account Companies Act 2000.

US oil pollution
There will be no surcharge again for 2021/22.

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

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

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

Strategic Report

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

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

Section 172 statement
The Board of Directors, in line with their duties under s172(1) of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Association for the benefit of its Members as a whole as set out in this report under Strategy.

Key decisions and matters that are of strategic importance to the Association include s172 factors examples of which are:

Consequences of decisions in the long-term
The Board took account of the impact of the pandemic on Members and, acknowledging the need to achieve underwriting balance, ordered a 5% general increase for the 2021/22 policy year.

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

Impact of the Association's activities on the community and the environment
The Association actively promotes quality and safety in maritime operations through its evaluation of risk presented by the Members it insures, and its loss prevention initiatives. These measures have the objective of improving ship safety and the safety of life at sea, thereby reducing the risk of adverse environmental or community impact. Through the cover that is provided for the liabilities arising from shipping casualties, the Association's response to such incidents has a predominant focus upon mitigating and minimising environmental loss or damage. The Association is developing measures to manage the financial risks arising from climate change and is monitoring the potential impact of climate change through stress testing. The Managers have implemented many measures to reduce energy consumption and increase the scope of recycling within its office operations, and to raise awareness amongst employees of environmental responsibility and promote sustainable business. The Association consumed less than 40,000 kWh of energy, and is therefore exempt from the SECR disclosure requirements

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

Maintain a reputation for high standards of business conduct
The Board monitors compliance with sanctions legislation to avoid the consequences of breaching such requirements. It also monitors the numbers of complaints received and whether they are resolved satisfactorily.

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

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

The Steamship Mutual Trust ("Trust")
The reinsurance contract with The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited as Corporate Trustee of The Trust covers 100% of the Association's net underlying liabilities in respect of all years up to and including the 2014/15 policy year.

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

C Adams
Director

Managers
Steamship P&I Management LLP

27 May 2021

Report of the Directors

The Directors have pleasure in presenting their Report and the Audited Accounts of the Association for the year ended 20 February 2021.

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

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

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

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

Audit and Risk Committee ("Committee")
The Committee acts on behalf of the Board in considering the Association's financial statements, its external and internal audit activities and its risk management. In so doing the Committee liaises with the Managers and external auditor in monitoring the quality of all reporting which contains material financial information, assessing the Association's internal control systems, and advising the Board on the effectiveness and objectivity of the internal and external auditors.

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

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

The external auditor meets with the Managers who, having liaised with the Committee Chairman, review their audit approach and the key risks identified. The audit plan is submitted to and reviewed by the Committee and Board. The audit partner presents their audit findings to the Committee and Board. The Committee reviews the performance of the external auditor on a regular basis and challenges it on proportionality and efficiency.

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

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

- Impact of, and response to, the Covid-19 pandemic
- Oversight of a Part VII transfer of European liabilities to Steamship Mutual Underwriting Association Europe
- Assessment of auditor rotation
- Review of stress tests, including ones relating to pandemics and climate change
- In-depth review of the risk appetite

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

Class 1 – Protection and Indemnity
Rule 25a – The removal of cover as of right for smuggling fines, with cover to be determined on a discretionary basis in accordance with Rule 25 xvi e.

Management Highlights
The Management Highlights will be published by July 2021.

Report of the Directors

Directors' responsibilities statement

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

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

Disclosure of information to the auditor

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

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

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

External auditor

During the financial year, the Association, and other Steamship entities, undertook an audit tender process prompted by UK regulatory requirements to rotate the external auditor.

After completion of this process, the Board propose to appoint BDO LLP as the Association's external auditor at an EGM to be held on 30 June 2021.

C Adams
Director

Managers
Steamship P&I Management LLP

27 May 2021

Independent Auditor's Report

Independent Auditor's Report to the Members of Steamship Mutual Underwriting Association Limited
Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Steamship Mutual Underwriting Association Limited (the 'parent company') and its subsidiary (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 20 February 2021 and of the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and Financial Reporting Standard 103 "Insurance Contracts"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income and expenditure account;
- the consolidated and company balance sheet;
- the consolidated cash flow statement; and
- the related notes 1 to 16.

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" (United Kingdom Generally Accepted Accounting Practice) and Financial Report Standard 103 "Insurance Contracts".

2. 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company, with the exception of tax compliance and tax advisory services for a Hong Kong based branch of the company in respect of the 2019/2020 tax year of assessment, for a fee of approximately US$4,000.

The services were provided by a team separate to the audit team and impacted neither internal control nor material amounts recorded in the financial statements. In our opinion, based on the monetary value and the nature of the tax compliance and tax services provided, the impact of providing the services was immaterial and inconsequential, however this is a breach, albeit insignificant, of the FRC Ethical Standard. Following investigation it was concluded in agreement with the Audit Committee that given the size of the services provided and their potential impact, as well as the safeguards in place of separate teams, the provision of these services did not impact upon our integrity, objectivity and independence as auditor to the company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year was: • Technical provision – valuation of IBNR for US and Non US injury claims

Independent Auditor's Report

continued

	Within this report, key audit matters are identified as follows: Newly identified Similar level of risk
Materiality	The materiality that we used for the group financial statements was $3.49m which was determined on the basis of 3% of Solvency II Own Funds.
Scoping	The audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.
Significant changes in our approach	The impact of Covid-19 on subsequent events and going concern is no longer a KAM in the current year, because the uncertainty surrounding Covid-19 was predominantly limited to the first half of 2020. The majority of Covid-19 claims were incurred in February/March 2020. Operationally, Steamship is now adjusted to the changes Covid-19 brought to the workplace and their business.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Assessed the financial performance of SMUA, including investment holdings, cash position, technical provision reserves and net asset positions, by performing a comparison analysis of the current year versus prior year year-end positions;
- Reviewed management's reverse stress testing within their Group Solvency Self Assessment;
- Performed an assessment of the impact by Covid-19 both financially and operationally;
- Assessed the appropriateness of the going concern disclosure in the financial statement.
- Considered post-year-end results to assess whether there are any material changes from the audited accounts, which might impact going concern.

Assessed the appropriateness of the going concern disclosure in the financial statement.
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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

continued

5.1. Technical Provisions – valuation of IBNR for US and Non US Injury Claims

<table>
<tr><td>Key audit matter description</td><td>
Refer to Note 1 and Note 16 to the financial statements for further information on this key audit matter.
We have identified the valuation of the technical provision as $798m (2020: $821.2m) our key audit matter since reserving inherently involves a great deal of uncertainty and judgement in the selection of key methodologies and assumptions. Key assumptions include inflation, exposure, prior ratio and % developed.
The technical provisions also contain classes of US and Non US Injury claims. These classes includes claims from members in respect of injury to crew, passengers and others. It is part of the Owned P&I (Protection and Indemnity) business, and mainly relates to bodily injury claims, which often present long tail risks and thus claims development is not as clearly visible for recent policy years, which increases uncertainty in reserving.
</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>
We have performed a number of key procedures to address this key audit matter:

We performed a walkthrough of the process and controls over the reserving cycle, and obtained an understanding of these controls.
We involved our internal actuarial specialists in performing the below procedures:

Inspected and challenged the Steamship methodology, by checking consistency to prior year;
Performed a graphical analysis of claims information;
Challenged the key assumptions (as listed in the key audit matter), underlying management's approach to reserve estimates for the most recent policy year, in relation to the historical data and past performance by;

using our in-house reserving software to help us assess the Group's response to emerging claims trends for the % developed;
conducting sensitivity testing on assumptions.

Reviewed and challenged management's estimates of the impact of COVID-19 on exposure and claims by assessing the approach and methodology used by management to create their COVID reserve;
Reconciled the final IBNR position to their supporting calculations.

We also performed further audit procedures on testing the key inputs of the technical reserve balance:

Agreed policy and claims data to underlying accounting records

Assessed the reserves booked by management with the involvement of our actuarial specialists.

</td></tr>
<tr><td>Key observations</td><td>Based on the work performed, we have determined that the valuation of IBNR for US and Non US Injury Claims was reasonable.</td></tr>
</table>

Independent Auditor's Report

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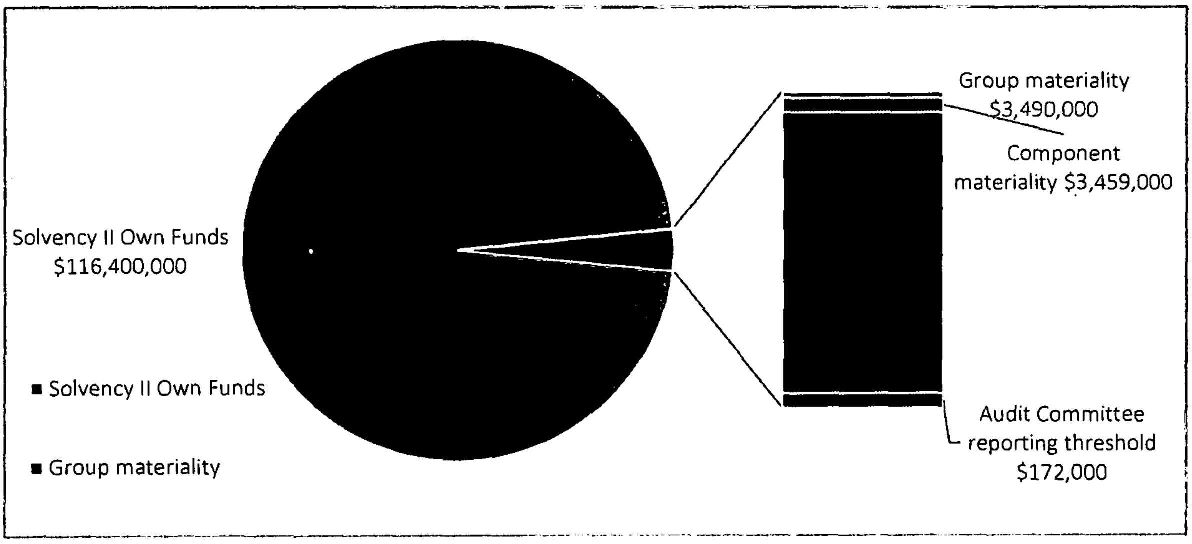
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Parent company financial statements
Materiality	$3.49m (2020: $4.03m)	$3.46m (2020: $3.99m)
Basis for determining materiality	3% of Solvency II Own funds (This is consistent with prior year)	3% of Solvency II Own Funds capped at 99% of group materiality (This is consistent with prior year)
Rationale for the benchmark applied	Solvency II Own Funds is a key metric used by the Members to determine whether the Club has sufficient capital to prevent supplementary calls and pay claims when due. Materiality was initially based on the Q2 figure, and was reassessed using the Q4 position, but was determined appropriate to keep it at the initially determined level.	



Independent Auditor's Report

continued

6.2. *Performance materiality*

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered the following factors:

	Group financial statements	Parent company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	1. Our risk assessment, including our assessment of the group's overall control environment including the impact of Covid-19; and 2. Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $172,000 (2020: $199,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The scope of our audit work was determined by obtaining an understanding of the group and its environment, and assessing the risks of material misstatement at the group level. The Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team. Our work represents 100% (PY: 100%) of group revenue and 100% (PY: 100%) of group net assets.

8. Other information

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

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.

Independent Auditor's Report

continued

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. 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.

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management , internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including involving relevant internal specialists, including pensions, IT, actuarial and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: Technical provision - valuation of IBNR for US and Non US injury

Independent Auditor's Report

continued

claims. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the regulatory solvency requirements and insurance regulation.

11.2. Audit response to risks identified

As a result of performing the above, we identified the Technical provision - valuation of IBNR for US and Non US injury claims as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC / PRA and FCA;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report

continued

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. *Directors' remuneration*

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 23 July 2002 to audit the financial statements for the year ending 20 February 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ending 20 February 2003 to 20 February 2021. This is our final year of reappointment, with a new auditor being appointed for the year-ended 20 February 2022.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Addis ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 May 2021

Consolidated Income and Expenditure Account

for the year ended 20 February 2021

Technical Account	Note	**2021 US$000**	2020 US$000
Earned premium, net of reinsurance			
Gross premium written	2	**204,799**	308,725
Outward reinsurance premium	3	**(149,112)**	(228,431)
Earned premium, net of reinsurance		**55,687**	80,294
Allocated investment return transferred from the non-technical account		**1,528**	(732)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4	**164,940**	252,595
Portfolio claims transfer	5	**8,600**	-
Reinsurers' share	4	**(136,587)**	(210,988)
Net claims paid		**36,953**	41,607
Change in the provision for claims			
Gross amount	5	**(23,181)**	(6,204)
Reinsurers' share	5	**22,093**	6,262
Change in the net provision for claims	5	**(1,088)**	58
Claims incurred, net of reinsurance		**35,865**	41,665
Net operating expenses	6	**26,147**	38,880
Balance on the technical account for general business		**(4,797)**	(983)
Non-Technical Account			
Balance on the general business technical account		**(4,797)**	(983)
Investment income		**1,728**	482
Unrealised (losses)/gains on investments		**(1)**	133
Allocated investment return transferred to the technical account		**(1,528)**	732
Other income		**2**	36
(Deficit)/surplus on ordinary activities before taxation		**(4,596)**	400
Taxation	7	**44**	330
(Deficit)/surplus for the financial year		**(4,640)**	70
Free reserves brought forward		**105,479**	105,409
Free reserves		**100,839**	105,479

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

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

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

Balance Sheet

as at 20 February 2021

Assets	Note	2021 Consolidated US$000	2021 Company US$000	2020 Consolidated US$000	2020 Company US$000
Investments					
Other financial investments	8	**83,895**	**83,895**	56,408	56,408
Investment in group undertaking	9	**–**	**29**	–	17
Reinsurers' share of technical provisions					
Claims outstanding	5	**757,687**	**757,687**	779,780	779,780
Debtors					
Debtors arising out of direct insurance operations		**5,033**	**5,033**	16,253	16,253
Debtors arising out of reinsurance operations	10	**58,425**	**58,425**	73,526	73,526
Other debtors		**3,606**	**3,677**	1,303	1,387
Other assets					
Cash at bank and in hand		**15,466**	**15,355**	24,137	24,036
Prepayments and accrued income					
Deferred acquisition costs		**490**	**490**	601	601
Other prepayments and accrued income		**370**	**370**	512	512
Total assets		**924,972**	**924,961**	952,520	952,520
Liabilities					
Capital and reserves					
Free reserves	12	**100,839**	**100,837**	105,479	105,479
Technical provisions					
Provision for unearned premium		**2,522**	**2,522**	3,685	3,685
Claims outstanding	5	**798,023**	**798,023**	821,204	821,204
Provisions for other risks and charges					
Provision for taxation		**113**	**113**	214	214
Other provisions	11	**–**	**–**	1,277	1,277
Creditors					
Creditors arising out of direct insurance operations		**12,891**	**12,891**	7,099	7,099
Creditors arising out of reinsurance operations		**6,900**	**6,900**	9,650	9,650
Other creditors including taxation and social security		**3,684**	**3,675**	3,912	3,912
Total liabilities		**924,972**	**924,961**	952,520	952,520

The accompanying notes to these accounts form an integral part of this balance sheet. These financial statements were approved by the Board of Directors on 27 May 2021.

C Adams
Director

C Bouch
Director

Managers:
Steamship P&I Management LLP

Balance Sheet

as at 20 February 2021

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The accompanying notes to these accounts form an integral part of this balance sheet. These financial statements were approved by the Board of Directors on 27 May 2021.

C Adams
Director

C Bouch
Director

Managers:
Steamship P&I Management LLP

Consolidated Cash Flow Statement

for the year ended 20 February 2021

Cash flows from operating activities	2021 US$000	2020 US$000
Operating (deficit)/surplus before taxation after interest	**(4,596)**	400
(Decrease)/increase in general insurance technical provisions	**(2,251)**	764
(Decrease)/increase in other provisions	**(1,277)**	648
Unrealised losses/(gains) on investments	**1**	(133)
Decrease/(increase) in debtors	**24,271**	(27,710)
Increase/(decrease) in creditors	**2,814**	(10,880)
Taxation paid	**(145)**	(352)
	23,413	(37,663)
Net cash inflow/(outflow) from operating activities	**18,817**	(37,263)
Cash flow from investment activities		
Net portfolio investment		
Sale of bonds and loans	**618**	348
(Purchase)/sale of money market instruments	**(25,540)**	4,570
(Increase)/decrease in cash on short term deposit	**(2,566)**	2,539
Cash generated by investing activities	**(27,488)**	7,457
Movement in opening and closing cash and cash equivalents		
Net cash outflow for the period	**(8,671)**	(29,806)
Cash and cash equivalents at 20 February 2020	**24,137**	53,943
Cash and cash equivalents at 20 February 2021	**15,466**	24,137

Notes on the Accounts

1. Accounting policies

(a) Accounting convention

The consolidated accounts have been prepared in accordance with the European Commission Insurance Accounts Directive (91/674/EEC) as adopted in the United Kingdom per Section 396 of the Companies Act 2006 and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and applicable United Kingdom Financial Reporting Standards ("FRS") 102 and 103.

(b) Going concern assessment

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

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

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

(c) Basis of consolidation

The accounts consolidate the accounts of Steamship Mutual Underwriting Association Limited and its wholly owned subsidiary undertaking Steamship (Germany) GmbH at 20 February 2021.

(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key accounting estimate is the calculation of claims outstanding which is described in further detail under note 16.

(e) Premium written

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

(f) Unearned premium

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

(g) Deferred acquisition costs

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

(h) Claims and related expenses

Claims and related expenses are charged to the income and expenditure account when they have been settled. A provision is made on a claim by claim basis for the estimated cost of claims notified but not settled by the balance sheet date and for the estimated future costs of handling these claims. A provision for claims incurred but not reported is established on a statistical basis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates. The reinsurers' share of technical provisions is calculated consistently with the amounts associated with the underlying insurance contract and the terms of the reinsurance contract.

(i) Reinsurance premium and recoveries

Payments made to and recoveries from other Associations under the Group Pooling arrangements are recognised in the income and expenditure account when debited or credited. Reinsurance premium and recoveries are recognised in the income and expenditure account on an accruals basis.

Notes on the Accounts

continued

1. Accounting policies continued

(j) Investments

Quoted investments at their bid-value and cash at bank have been valued as at the close of business on 19 February 2021. Investment income consists of interest and realised gains and losses on fair value assets. Unrealised gains and losses reflect the movement in the market value of investments compared to their cost.

The allocated investment return transferred from the non-technical account to the technical account is comprised of realised and unrealised exchange differences arising on the conversion of transactions on non-dollar denominated Member accounts and the funding of the operating expenses of the Managers' London office.

(k) Foreign currencies

The functional currency is US dollars. Assets and liabilities are converted at the rate of exchange ruling at the balance sheet date. Income and expenditure items are translated to US dollars at the exchange rate at the date of the transaction. All exchange differences are included in the income and expenditure account.

The rates of exchange ruling on the balance sheet date and used for the purpose of preparing the accounts were as follows:

		2021	2020
Euro	€	**0.825**	0.927
UK sterling	£	**0.714**	0.772

Notes on the Accounts

continued

2. Gross premium written	2021 US$000	2020 US$000
Mutual and fixed premium written	**203,181**	309,246
Return of premium	**13**	(73)
Release calls	**442**	258
Movement in unearned premium	**1,163**	(706)
	204,799	308,725
Gross premium by class of business		
Protection and Indemnity	**185,579**	282,720
Freight, Demurrage and Defence	**6,503**	10,648
Other	**12,717**	15,357
	204,799	308,725
Gross premium by Member location		
United States of America	**104,565**	120,403
South Korea	**17,901**	18,195
Taiwan	**10,747**	10,903
Hong Kong	**10,244**	10,432
China	**9,929**	8,876
Brazil	**7,901**	8,538
Chile	**6,480**	8,144
India	**6,278**	6,768
United Kingdom	**5,155**	7,750
Philippines	**4,261**	4,707
Switzerland	**760**	23,988
Cyprus	**643**	5,878
Italy	**399**	8,191
Greece	**341**	7,114
Germany	**156**	6,369
France	**132**	13,014
Netherlands	**-**	13,713
Other countries	**18,907**	25,742
	204,799	308,725

Notes on the Accounts

continued

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

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

The Association entered into a reinsurance contract with The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited as Corporate Trustee of the Trust, a duly authorised insurer under the Insurance Act 1978 of Bermuda, to cover 100% of its net underlying liabilities for all policy years up to and including 2014/15.

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

4. Claims paid – gross amount	**2021 US$000**	2020 US$000
Claims and related expenses	**107,283**	193,822
Group Pool claims	**39,001**	34,565
Claims administration expenses	**18,656**	24,208
	164,940	252,595
Portfolio claims transfer	**8,600**	-
Less reinsurers' share		
SMUAB	**113,077**	166,098
The Trust	**7,741**	21,780
Group Pool and other reinsurers	**15,769**	23,110
	136,587	210,988
Net claims paid	**36,953**	41,607

Notes on the Accounts

continued

5. Change in net provision for claims	2021 US$000	2020 US$000
Gross outstanding claims		
Provision brought forward	**821,204**	827,408
Claims paid in the year	**(164,940)**	(252,595)
Transferred to SMUAE	**(86,420)**	-
Changes to reserves	**228,179**	246,391
Provision carried forward	**798,023**	821,204
The Trust's share of outstanding claims		
Provision brought forward	**96,120**	126,041
Reinsurance recoveries made in the year	**(7,741)**	(21,780)
Transferred to SMUAE	**(14,383)**	-
Changes to reserves	**(3,236)**	(8,141)
Provision carried forward	**70,760**	96,120
SMUAB's share of outstanding claims		
Provision brought forward	**455,949**	441,312
Reinsurance recoveries made in the year	**(113,077)**	(166,098)
Transferred to SMUAE	**(58,938)**	-
Changes to reserves	**135,419**	180,735
Provision carried forward	**419,353**	455,949
Group Pool & Excess Loss and other reinsurers' share of outstanding claims		
Provision brought forward	**227,711**	218,689
Reinsurance recoveries made in the year	**(15,769)**	(23,110)
Transferred to SMUAE	**(6,550)**	-
Changes to reserves	**62,182**	32,132
Provision carried forward	**267,574**	227,711
Total net outstanding claims	**40,336**	41,424

The estimates for known outstanding claims are based on the estimates and judgement of the Managers of the final cost of individual cases based on current information. The individual estimates are reviewed regularly and include the Association's share of other Group clubs' Pool claims. Provision is also made for claims incurred but not reported by the balance sheet date using detailed statistical analysis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates.

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

Gross outstanding claims carried forward are net of US$59.2 million of third party recoveries (2020: US$83.2 million).

Notes on the Accounts

continued

6. Net operating expenses	2021 US$000	2020 US$000
Acquisition costs		
Brokerage	**10,332**	18,133
Underwriting administration expenses	**7,257**	9,976
	17,589	28,109
Administrative expenses		
Other administration expenses	**7,774**	10,109
Regulatory fees	**415**	324
Directors' fees	**17**	22
Total audit fees	**352**	316
	8,558	10,771
	26,147	38,880

	2021 US$000	2020 US$000
Fees payable to the Association's auditor and its associates for the audit of the annual accounts	**188**	165
Fees payable to the Association's auditor and its associates for the audit of the annual accounts of the Association's branches	**46**	48
Fees payable to the Association's auditor and its associates for audit related assurance services	**118**	103
Total audit fees	**352**	316

	2021 US$000	2020 US$000
Taxation compliance services (for 2019/2020 tax year)	**4**	–
Total non-audit fees	**4**	-