The London P&I Club

The London Steam-Ship Owners' Mutual Insurance Association Limited

Annual Report & Financial Statements
for the year ended 20 February 2022

Registration number: 10341

Contents

Board of Directors & Members' Committee

Board of Directors

The following persons served on the Board during the year, and at the date on which these Financial Statements were approved (unless otherwise stated):

Chairman
John M. Lyras
Lyras Maritime Ltd.,
London

Vice-Chairmen
Robert A. Ho
Fairmont Management Ltd.,
Hong Kong

Vassilis J. Laliotis
J. Laliotis Maritime Group,
Athens

John L. Harbor*
Surrey, UK

John L. Lawrence
London, UK

Amnon Lion†
Eastern Pacific Shipping Pte. Ltd.,
Singapore

John J. Raggio
Sealift LLC,
New York

Sophocles N. Zoullas
Zenith Shipping LLC,
New York

Managers
Ian E. Gooch
A. Bilbrough & Co Ltd.,
London

Anthony G. Jones
A. Bilbrough & Co Ltd.,
London

Iain Paul
A. Bilbrough & Co Ltd.,
London

* Risk Committee Chairman
† Audit Committee Chairman
‡ War Risks Committee Chairman

Registered address
50 Leman Street, London, E1 8HQ

Members' Committee

The following persons served on the Members' Committee during the year, and at the date on which these Financial Statements were approved (unless otherwise stated):

Chairman
John M. Lyras
Lyras Maritime Ltd.,
London

Vice-Chairmen
Robert A. Ho
Fairmont Management Ltd.,
Hong Kong

Vassilis J. Laliotis
J. Laliotis Maritime Group,
Athens

Ali Aktoprak
Canakkale Liman Isletmesi San.
Ve Tic. A.S.,
Canakkale
Resigned 27 September 2021

John Anagnostopoulos
EPS Shipping (UK) Ltd.,
London
Appointed 13 October 2021

Peter J. Cowling
Wallem Ltd.,
London

John Dragnis
Goldenport Ship
Management Ltd.,
Athens
Resigned 14 February 2022

Stamos J. Fafalios[‡]
Fafalios Ltd, London

John L. Harbor
Surrey, UK

Wenguang Ji
SITC Shipping Group, Shanghai

Michael Kougellis
Capital Ship Management,
Piraeus
Appointed 14 July 2021

John L. Lawrence
London, UK

Michael C. Lemos
C.M. Lemos & Co. Ltd.,
London

Amnon Lion
Eastern Pacific Shipping Ptd. Ltd.,
Singapore

James L. Marshall
Berge Bulk,
Singapore
Resigned 15 February 2022

Zahid Osman
MISC Berhad,
Kuala Lumpur

Ismini Panagiotidi
Pavimar S.A.,
Athens

Vassilis Papageorgiou
Tsakos Group,
Athens

John J. Raggio
Sealift LLC,
New York

Nikolaos Savvas
Cosmoship Management S.A.,
Piraeus

Josef Sedlmeyr
Northern Shipping Holding,
Germany

Giangiacomo Serena
SAM International Andromeda
Shipping,
Monaco

Zhongyi (John) Su
Erasmus Shipinvest Group Ltd,
Athens

Bendix Todsen
Hamburg

Sophocles N. Zoullas
Zenith Shipping LLC,
New York

Chairman's Report

Dear Members,

My reports in recent years have highlighted a negative trend in the cost of mutual P&I claims. This continued during the 2021/22 financial year which saw an unusually large number of high severity claims involving our Members, including one expected to be the most expensive in the Association's history. There was also an increase in the frequency and cost of direct and indirect claims related to COVID-19. The resulting deterioration in the Association's capital position was kept under close review by the Board as the year unfolded and led to the conclusion that action was required to strengthen the position in line with its risk appetite. The Board therefore took the decision to set Supplementary Calls, an action last taken in 2008 during the global financial crisis.

Following the raising of Supplementary Calls, the Association's year-end free reserves stand at US$164.0m (2021: US$153.6m). In deliberating the setting of the Calls, the Board also reviewed what measures would be necessary to enable the Association to achieve viable underwriting results and financial resilience in the future. Prolonged downward pressure on pricing in the P&I sector and the erosion of premium income has been another negative feature of our operating environment in recent years. A key element in the delivery of better-balanced underwriting and capital preservation therefore involved progress at the February 2022 renewal to increase rates to more sustainable levels, addressing discrepancies between Member premiums and risk profiles. A corollary of such an approach, recognised by the Board, was that where the Association's targets could not be met, the entries of the Members concerned would terminate. I am pleased to say that our renewal goals were indeed achieved and that, while some entries terminated, the vast majority of our Members supported the pricing strategy. We are grateful for such confidence and backing.

The strains on performance and the measures required in 2021/22 contributed to the Board's review of a range of other strategic issues, including underwriting outside of the renewal period and product development and resourcing in key market areas including Asia, where the Association has seen strong growth and positive performance in recent years. Our review is also giving attention to the way in which the Association works and scope for greater agility and efficiencies. The 2022 renewal result provides the basis for much improved technical performance; but claims volatility and uncertainties and challenges in the wider world, from pandemic to war, are reminders of the need to look ahead and for attention to such strategic actions, which we will be moving forward with during 2022/23.

The Board also continued to give detailed consideration to climate change and other sustainability issues during the year under review. For example, our regular Board briefings were supplemented by a presentation and discussion session from external sustainability consultants which supported the completion of the Association's Sustainability Policy, including the identification of UN Sustainable Development Goals believed to be most relevant to the Association's business. Implementation of the Policy is now in hand and there is further information on this in the Strategic Report section. Our Policy also highlights the extensive overlap between the work of the Association (and the other Clubs) and sustainability with one immediate and pertinent example, involving the significant environmental risk associated with plastic pellet ('nurdle') pollution. Building out from our experience of such incidents, the Association is already a supporter of the Operation Clean Sweep initiative, which aims to reduce such damage. Additionally, through the International Group we are actively engaged with a number of industry stakeholders to develop sustainable methods for the carriage of this cargo.

At this point I should also acknowledge the work of the International Group's Sustainability Committee which has made valuable progress in reviewing the collective work of the Clubs in this area and, looking ahead, what further steps may be taken. Sustainability is a vast and evolving area, with climate change and energy transition in the shipping sector being but one example of where the ability to draw on the collective experience, knowledge and resources of the International Group should be to the benefit of all our Members. It highlights the strength of the system and the mutuality which underpins the diverse and important work undertaken on behalf of Shipowners and other stakeholders. For example, we have once again seen the significance of the International Group's Sanctions Committee as the layers and complexities of government and other bodies' requirements of Members and their Clubs continue to deepen. The breadth of the ground covered by the International Group was also illustrated to the Board and Members' Committee during the year by reports on several other topics. For instance, on the subject of reinsurance and the issues arising from the imposition of annual aggregate limits in respect of malicious cyber and pandemic risks. We also considered another important report on the work of the Salvage Committee to investigate issues surrounding a decline in the use of the LOF salvage contract in casualty cases and scope to restore its utilisation.

During the year, we were pleased to welcome Michael Kougellis and John Anagnostopoulos to our Members' Committee. We also said farewell to James Marshall, John Dragnis and Ali Aktoprak who have our thanks and best wishes for the future.

John M. Lyras
Chairman
14 June 2022

Strategic Report

PRINCIPAL ACTIVITIES

The principal activity of the Group is the provision of Protecting & Indemnity (P&I), Freight, Demurrage & Defence (FD&D) and War Risks insurance for Members on a mutual basis. The Association also provides P&I and FD&D insurance cover on a fixed premium basis for owner and charterer assureds.

FINANCIAL OVERVIEW

The Consolidated Statement of Comprehensive Income and Retained Earnings forming part of this Annual Report discloses an after-tax surplus for the financial year under review of US$10.4m (2021: after-tax deficit US$20.3m). The Association's free reserves stood at US$164.0m (2021: US$153.6m) at the most recent year-end date.

The Chairman comments in his Report on the events that led the Board to set Supplementary Calls in October 2021. Though they are more reflective of a capital transaction than a trading transaction, the accepted accounting treatment is to recognise Supplementary Calls as premium income alongside the year's originally budgeted Calls and premiums. Gross earned premium income of US$214.8m recognised in the 2021/22 financial year included US$82.2m (US$76.3m net of associated brokerage) attributable to Supplementary Calls. Underlying gross earned premium income was US$132.6m (2021: US$119.5m), an increase of 11.0% on the prior year comparative. A combination of rate increases and volume growth for the core Mutual P&I product accounted substantially for this growth.

The cost of claims in the 2021/22 financial year was US$154.2m (2021: US$120.2m). This cost, which is stated after recognising US$266.9m (2021: US$2.1m) of reinsurance recoveries, was significantly in excess of the Board's expectations based on claims experience in recent prior financial years and incorporating suitable adjustments for developments in the volume and mix of business on risk, the anticipated impact of COVID-19, inflation and so on. The success in 2021 of many countries in ameliorating the disruptive impact of COVID-19 through the rollout of vaccines was not, unfortunately, replicated in the world of shipping. Within the Association's Mutual P&I Class, COVID-19 claims activity in 2021/22 increased almost three-fold on 2020/21 by number of claims, and more than three-fold by cost. The effect of this was a significant year-on-year increase in the overall cost of claims in the sub-US$1m severity band. Those claims expected to cost in excess of US$1m were also unusually expensive in 2021/22, in particular the Association's *X-Press Pearl* casualty off Sri Lanka that is expected to be the International Group's most expensive claim in 2021/22 and the most expensive claim in the Association's history.

The three financial years prior to 2021/22, which also recorded significant technical deficits in excess of the Board's maximum tolerance, each benefited to some degree from positive investment returns. This was not the case in the year just ended; the Association recorded an investment loss, inclusive of associated investment management expenses, of US$4.3m. For much of the year the expectation was for a modest positive investment return, however the upward adjustment in fixed income yields and equity market sell-off in early 2022 was sufficiently severe to fully reverse those earlier gains and tip the full-year return into negative territory.

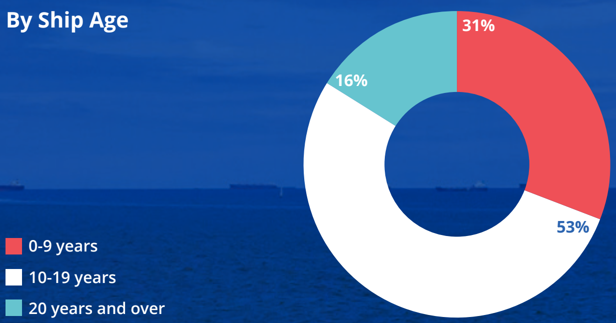
MEMBERSHIP & UNDERWRITING

Following on from the disruptive influences of the COVID-19 pandemic on business development in the previous year, 2021/22 saw a return to more normalised conditions. There was a significant increase in the Association's mutual tonnage during the first six months with Asian markets contributing the largest share. As the year unfolded, tonnage continued to grow steadily, drawn from a variety of different markets. Alongside the mutual book, there was also growth in the combined fixed premium lines of business (for charterers and smaller ships).

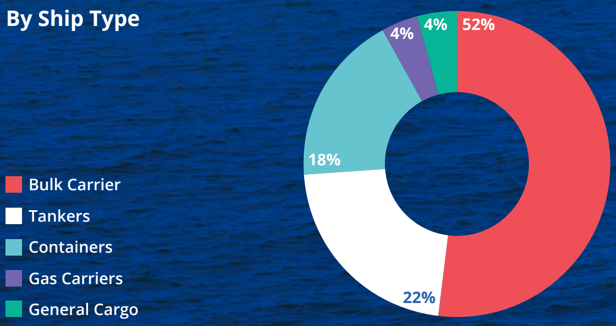
As noted elsewhere, underwriting performance was challenged by the exceptionally adverse claims experience, compounded by an unsustainably low rating environment. The Board's decision to set Supplementary Calls was therefore one part of a process intended to not only restore the Association's capital position, but to improve its technical performance through a stronger alignment of risk and premium. To help achieve the latter part of the process, a renewal strategy for February 2022 was agreed which put rating and deductible sufficiency at the forefront of the underwriters' approach. This strong and unavoidable focus meant that in some cases terms were not offered or could not be agreed; but the renewal saw the targeted rate increases achieved as the Association was backed by the vast majority of the Members.

The composition of the Association's Membership is illustrated by the charts below:

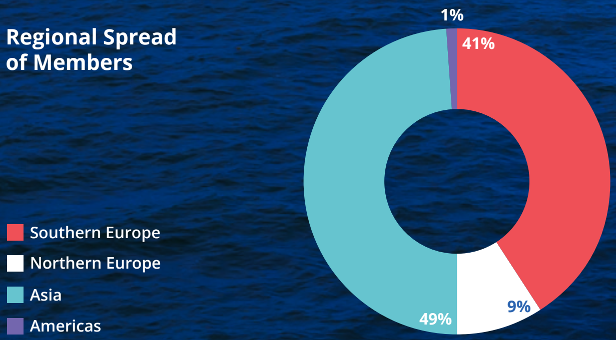
By Ship Age



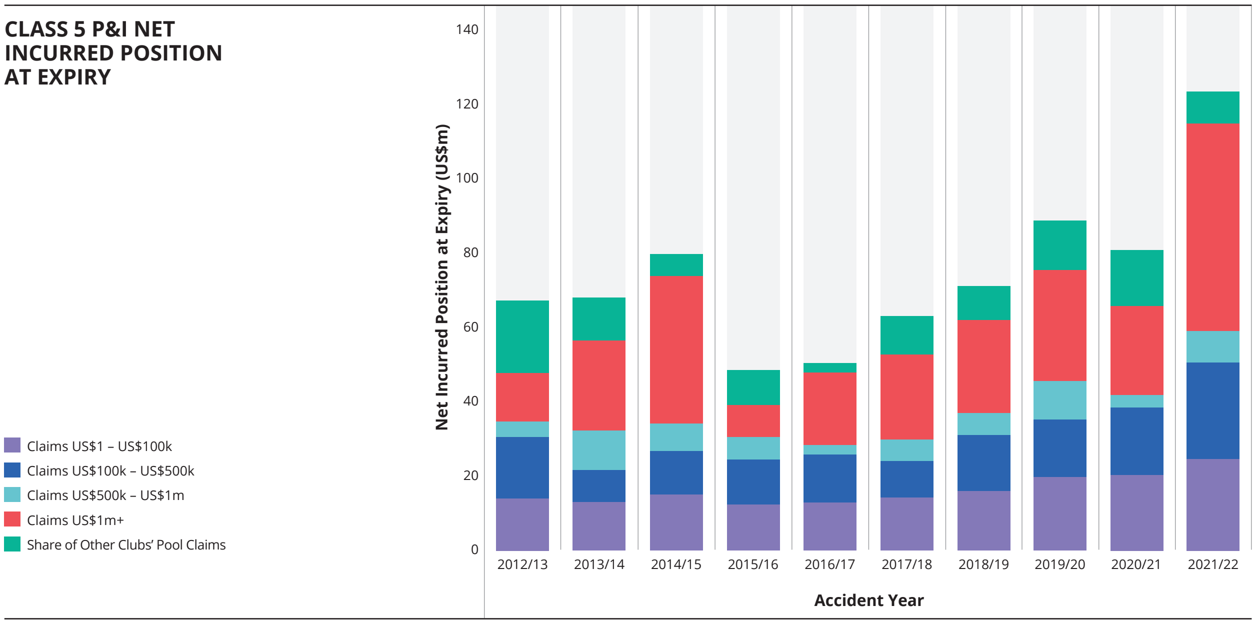
By Ship Type



Regional Spread of Members



CLASS 5 P&I NET INCURRED POSITION AT EXPIRY



CLASS 5 – PROTECTING & INDEMNITY CLAIMS

The above graph shows the net incurred P&I claims position as at expiry for each of the last ten policy years broken down into different severity bands.

At US$124m, the overall expected cost of P&I claims at expiry of the 2021 policy year was an extremely challenging result. As can be seen from the graph above, the net incurred position was significantly higher than the comparable figure in any recent policy year.

The coloured bands show that there was an increase in the aggregate cost of each of the severity bands compared to the prior year's figures, with the total cost of claims in the red high severity band (US$1m and above) rising significantly from US$23.8m in 2020 to US$55.7m in 2021.

Within that red band there was an expensive combination of an unusually large number of claims and very high average severity. The single biggest claim involves the removal of a wreck of a containership following a catastrophic fire. An issue which appears to have been causative in two of the high-value cargo claims was the carriage of dry chemicals in jumbo bags on handysize bulk carriers. These chemical cargoes seem to have been shipped previously in containers, and the claims arise from spillages which would not have occurred had the cargo been containerised.

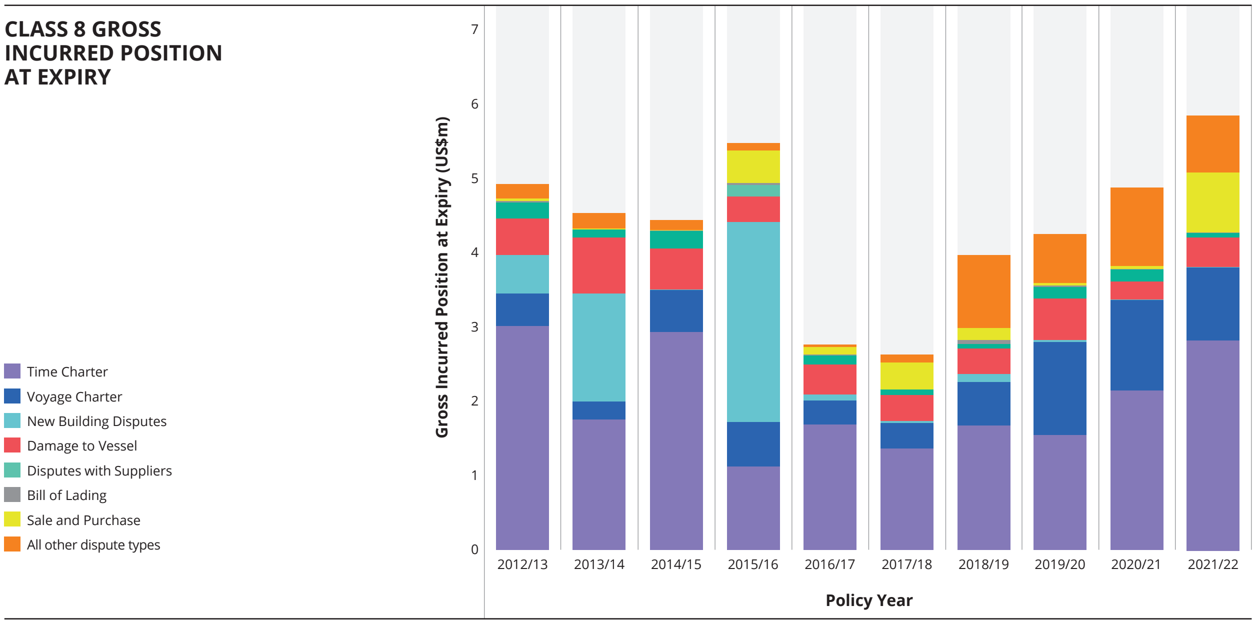
CLASS 8 – FREIGHT, DEMURRAGE & DEFENCE CLAIMS

The below graph shows the gross incurred position at expiry for the last ten policy years, split by dispute type.

The at expiry figures for the 2021 policy year were the highest for both numbers of files opened and expected total cost of any recent year. When comparing the at expiry figures, there was a very modest increase from 1,273 files in 2020 to 1,283 at 20 February 2022. The increase in file numbers was the result of an increase in files opened for CSL assured, being slightly greater than a drop in FDD disputes involving Owners' mutual entries.

The expected total cost of the 2021 FDD claims was US$5.8m compared to US$4.8 cost for the 2020 FDD claims at 20 February 2021. Despite the falling file count for Owners' mutual entries, the significant majority of the costs was driven by the Owners' disputes. Of the US$5.8m total cost, US$4.2m was associated with Owners' disputes while charterers' files accounted for US$1.6m.

CLASS 8 GROSS INCURRED POSITION AT EXPIRY



INVESTMENTS

The year under review can be broadly divided into two phases, with increasing economic optimism, fears over rising inflation and higher sovereign bond yields dominating markets during the first half. Economic growth rates were revised higher throughout the first quarter, spurred on by the successful rollout of vaccines, the passing of the US$1.9 trillion Biden relief package and the relatively strong rebound in consumer spending. The consensus for global growth was raised to almost 6%. Unsurprisingly, markets began to price in higher inflation particularly as central banks remained committed to keeping rates accommodative. US inflation picked up to an annual rate of 5% in May, fuelling concern that the Federal Reserve would tolerate higher inflation as supply chain issues appeared to be a key cause. In mid-year, the Federal Reserve made a hawkish policy pivot, suggesting it would bear down on inflation with interest rate rises, as well as a potential tapering in asset purchases quicker than many had forecast. This sparked a significant flattening in the US Treasury yield curve as short and medium-dated yields edged higher. Although markets initially responded nervously, they quickly regained poise and equities rose to record highs while there was a further tightening of credit spreads as companies and financial institutions reported buoyant earnings.

This optimism gave way to a significant correction across most markets in September. The catalyst was the perception that central bank policy guidance was shifting materially. The Federal Reserve indicated that rate rises and reduced asset purchases could occur sooner than expected. The emergence of the highly infectious Omicron COVID-19 variant also caused nervousness, although such concerns eased once it became evident that this was a milder strain than previous variants. The continued upward pressure on inflation, with US headline CPI inflation rising to 7.5% in January 2022, meant that central banks progressively became more hawkish and, at the start of 2022, rate expectations increased sharply. At the same time, concerns were mounting over the rhetoric and preparations that Russia was making to invade Ukraine (which occurred very shortly after the financial year-end). From early 2022, there was an abrupt adjustment across all markets which persisted until the end of the Association's year, with the S&P 500 dropping by almost 9% from the end of 2021 to the end of the financial year, while interest rates continued to rise, causing significant mark-to-market losses in the bond portfolios.

During the year, the Board has kept the portfolio under regular review and decided in July to lower the future volatility of the Association's investment returns by reducing the sensitivity of the portfolio to potential interest rate rises. The main rebalancing occurred in late July 2021, with the investment managers reducing the duration (interest rate sensitivity) of the main fixed income portfolios from around six years to closer to four years. The Board remains sensitive to the risk that financial markets can turn negative very quickly while also becoming illiquid in times of stress. The current portfolio structure will be more resilient if inflation proves more persistent and interest rates need to be raised higher than markets currently anticipate.

The abrupt adjustment across all markets referred to earlier resulted in the portfolio posting a full-year loss of 1.5%, despite the year-to-date return having been in excess of 3% at the 2021 calendar year-end date. It was the rising interest rates and widening credit spreads in early 2022 that caused the overall loss in the investment portfolio over the last two months of the year. The equity portfolios delivered a healthy return of just under 9%, but this was insufficient to offset the losses in the fixed income accounts. These losses in the fixed income investments would, however, have been more substantial had the Board not taken action to reduce the interest rate sensitivity of the portfolio.

It is likely that markets will remain volatile given both the elevated levels of inflation and the heightened geopolitical issues, not least the ongoing conflict in Ukraine and the effect of sanctions on Russia. Though the Board considers the portfolio to be correctly positioned to reflect its risk appetite in this time of elevated volatility, it remains alert and ready to make further adjustments to keep risk levels within defined parameters as the economic and geopolitical situation develops during 2022.

REINSURANCE

International Group Clubs share between them their large loss exposures in excess of the individual Club retention in accordance with the terms of the Pooling Agreement. For 2022/23 the structure of the Pool remains unchanged. All claims between the US$10m individual Club retention and US$100m, plus the first US$100m of claims within Layer One of the General Excess of Loss reinsurance programme, are retained by the Pool and shared between the 13 Member Clubs. Within this Pool structure, Club exposures to Pool claims excess of US$30m are reinsured by the International Group's segregated cell captive vehicle, Hydra Insurance Company Limited.

Risks in excess of US$100m, other than the US$100m retained by the Pool, are transferred to commercial market underwriters. Prior to the most recent renewal, the main General Excess of Loss programme had last been renewed for two years in February 2020. Over the course of the intervening two-year period there had been an escalation in the cost of claims falling on the contract and the emergence of a hardening (re)insurance market. Both these developments contributed to the need for the International Group to accept an increase in premiums for 2022/23 which can be expected to assist in maintaining an equitable balance of risk transfer and reward for the International Group and its reinsurance partners over the medium term. The General Excess of Loss programme has a per event limit of US$2.1bn and there is an additional US$1.0bn of overspill cover excess of US$2.1bn. The Reinsurance section of the International Group's website (www.igpandi.org) provides further details on the structure of the General Excess of Loss programme in 2022/23, including the annual aggregate limits introduced within the programme for Malicious Cyber, COVID-19 and other new Pandemic risks. There is also a short and informative YouTube video explaining the features and benefits of the International Group's claims-sharing arrangements.

The full financial impact of such an unusually high frequency of medium and higher severity claims in 2021/22 on the Association's balance sheet was mitigated by that part of its reinsurance programme focused on the primary US$10m per event layer. This is the very job that reinsurance is there to do, and a risk that reinsurers willingly assume in return for the premium received. We are, nevertheless, grateful for the support provided by our long-term reinsurance partners in what was such a challenging claims year for the Association. Furthermore, we are pleased that it proved possible to continue our relationship with this same panel of reinsurers for the 2022/23 year on terms deemed fair for all concerned.

The hardening market effect was evident in the pricing of all the Association's reinsurance covers at the 2022 renewal, not just the loss-affected primary US$10m cover. At lower severity levels, the Association navigated these difficult market conditions through a careful blend of premium increases and a moderate increase in the level of risk retained. For the excess layers of the Association's non-poolable programme that sit outside the Board's risk appetite, the Association accepted higher premium increases in order to maintain existing levels of cover up to US$1bn on a per event basis.

REGULATORY

The main regulatory focus throughout 2021 was on meeting the UK regulators' expectations on the financial risks arising from climate change and ensuring the Association's operational and financial resilience throughout COVID-19 and beyond.

Enhancing operational resilience during the COVID-19 pandemic, the recent introduction of hybrid working and strengthening our IT infrastructure to protect systems from the threat of cyber-attack, have required significant Management attention. The Association is, however, well placed to ensure that it can continue to meet its Members' and Assureds' service requirements should it be subject to a cyber-attack or other business interruption event, as well as meeting our regulators' expectations in this respect.

LNG bunkering ship, Hai Gang Wei Lai, entered with The London P&I Club

ENVIRONMENT, SOCIAL & GOVERNANCE (ESG)

In the last Annual Report, we highlighted the work of the Climate Change Working Group and activities being undertaken to meet the Prudential Regulation Authority's (PRA) expectations on managing financial risks arising from climate change. As regulation on ESG topics continues to tighten, the Working Group has widened its remit beyond climate risk to include all aspects of ESG, and has been renamed the ESG Working Group. During the year, the Association continued to work with an international consultancy firm to develop its Sustainability Policy, which was approved by the Board in July 2021 and sets out our commitment to providing marine liability insurance in a way that embraces:

- *The UN Principles of Sustainable Insurance as they are relevant to P&I insurance*
- *The UN's Sustainable Development Goals (SDGs)*
- *Opportunities that sustainability challenges may present*

As such, we have chosen to focus on those UN Sustainable Development Goals that we believe are most relevant to our business and where we believe we can play a meaningful role:

In line with the relevant UN SDGs, we aim for our activities to avoid harm to people, communities and the environment. Our ambition is for our activities to further long-term sustainability as well as a social and ecological balance, and to support the sustainability goals of our stakeholders.

ESG issues will continue to evolve, and our strategy and policies will develop accordingly. In the meantime, our focus is on maintaining a diverse and competent team, reducing waste and our own carbon footprint, ensuring financial strength and ensuring our expertise to respond to maritime incidents effectively. Doing this will minimise our own environmental impact and third-party exposures, and protect the continued viability of our policyholders and other stakeholders.

Our Sustainability Policy embraces the environment, social responsibility and governance and aims to ensure that the decisions we make give consideration to – and are aligned with – our sustainability strategy. It underpins our sustainability standards for our business relationships and for our insurance products and services. Our policy also aims to support our Members and Assureds in achieving their own sustainability ambitions.

OUR SUSTAINABILITY POLICY DRIVES US TO DELIVER A CONSISTENT APPROACH TO SUSTAINABLE BUSINESS OPERATIONS IN LINE WITH INTERNATIONALLY-RECOGNISED PRINCIPLES AND THE EXPECTATIONS OF OUR STAKEHOLDERS.

WE HAVE CHOSEN TO FOCUS ON THOSE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS THAT WE BELIEVE ARE MOST RELEVANT TO OUR BUSINESS AND WHERE WE BELIEVE WE CAN PLAY A MEANINGFUL ROLE.

	Activity	Units	2019-2020 Emissions (tCO_2e)	2020-2021 Emissions (tCO_2e)	2021-2022 Emissions (tCO_2e)
Direct (Scope 1)	Gas	kWh/m3	65.58	65.59	150.32
	Heating Oil	Euros	0.39	0.08	0.21
	Diesel	miles	3.91	3.80	1.36
	Petrol	miles	14.77	2.62	5.21
	Subtotal		84.65	72.09	157.09
Indirect (Scope 2)	Location-based	kWh	163.11	99.30	80.99
	Market-based	kWh	163.11	99.30	17.24
	Subtotal (market)		163.11	99.30	17.24
Indirect (Scope 3)	Water	m3	1.59	0.84	0.07
	Waste	kg	0.18	0.02	1.25
	Business Travel	km	2613.01	221.95	38.57
	Employee Commuting	FTE	83.49	15.22	16.08
	Working from Home	FTE	N/A	60.26	104.01
	Subtotal		2698.27	298.28	159.99
	Total Gross Emissions (tCO_2e) (market-based)		2946.03	469.66	334.32

Environment

Our target is to reduce our CO_2e emissions by 50% by 2030 (from a 2019 baseline) in respect of our Scope 1, 2 and 3 emissions related to business travel. In the longer term, we aim to be carbon-neutral by 2050"

Independent calculations under the Streamlined Energy & Carbon Reporting (SECR) Regulations show our CO_2e footprint for 2021/2022 was 334.32 tonnes, a reduction of 28.8% from 2020/21. This was largely due to the impact of COVID-19, for example travel emissions reduced by 83% due to COVID-19 related travel restrictions. Whilst we anticipate that emissions in 2022/23 will increase as staff return to the London office, and international travel resumes, a new travel policy has been agreed which aims to minimise the amount of future overseas travel whilst maintaining strong connections with our Members going forward, and other steps have also been taken, or will be taken, to reduce emissions from other sources.

From October 2021, our London office has been supplied with 100% renewable electricity as certified by the Carbon Trust and has recently completed the process of upgrading to low energy lighting to reduce Scope 3 emissions. In 2022, electric car charging points are being fitted to the building for company vehicles which are being changed to electric. We are also working with our investment advisers to identify and reduce Scope 3 emissions associated with our investments.

We are committed to supporting ocean protection initiatives aligned with the UN Sustainable Development Goals.

Our daily work involves loss prevention initiatives to reduce the risk of an incident that might adversely impact the marine environment, and to clean up the result of any incident sensitively and rapidly. All ships entered with us are members or associates of ITOPF to ensure technical expertise is on-hand to respond to a pollution incident.

Plastic pellets (or nurdles) are often moved by sea, and when lost overboard can cause significant pollution. We support sustainable and sensitive transportation methods for nurdles and we are working hard with the IMO, UK Government, plastics industry bodies and the International Group of P&I Clubs to shape the future of plastics carriage in the marine industry. We are a supporter of Operation Clean Sweep (www.opcleansweep.org) which aims to reduce the marine impact following the loss of plastic nurdles. These are important elements of our loss prevention work to ensure that action is taken where possible to manage potential losses before incidents happen to reduce the risk of damage to the ocean environment and marine life.

Social

Human rights

We respect the human rights of our employees. Our management operates grievance mechanisms and whistleblowing procedures in line with human rights principles, through which complaints and disputes can be resolved effectively.

We promote a positive and healthy culture across our operations, including diversity in the workplace and equal opportunities for all which is reflected in our Equal Opportunities and Dignity at Work Policies for employees, for example.

We aim to make a positive contribution to society in the countries in which we operate, supporting the rule of law. This includes policies to prevent modern slavery and combat human trafficking within the supply chain, alongside compliance with the requirements of the UK's Modern Slavery Act 2015. In the UK, we have partnered with a local charity, Future Frontiers, to support disadvantaged young people in the local community and counteract educational inequality.

More widely, we robustly enforce global human rights and other sanctions regimes throughout our operations including refusing cover for Members who elect to operate with sanctioned countries, companies, or individuals. We cooperate fully with governments and international organisations to prevent sanctions breaches.

Labour Standards

We are strong advocators for inclusivity and fairness in the workplace, gender equality and caring for the health and safety of all our employees.

Our business partners are expected to respect and promote labour standards and comply with our Modern Slavery Statement within their own operations, and to use their influence to encourage their own suppliers to follow suit.

We also promote, participate in and implement initiatives aimed at improving safety at sea, providing effective security, compensation and immediate and effective casualty response for the victims of maritime accidents worldwide under international liability conventions and other national or regional liability regimes.

Governance

A proactive approach throughout the Association ensures sustainability practices are refreshed and adhered to.

The Board supported by its Risk Committee oversees Management's implementation of the Association's policies including our Sustainability Policy.

Our CEO is responsible for the delivery of sustainability initiatives, including managing the financial risks arising from climate change and ensuring the well-being of our employees.

The Management Board is responsible for ensuring that Board decisions are implemented in compliance with the Sustainability Policy.

SECTION 172(1) STATEMENT

The following section describes how the Directors have performed their duties under Section 172(1)(a)-(f) of the Companies Act 2006. S172 sets out a series of matters to which the Directors must have regard in performing their duty to promote the success of the Association for the benefit of its Members, which includes having regard to other stakeholders.

Board decisions and their impact on stakeholders

The Board operates a programme of standing agenda items appropriate to the Association's operating and reporting cycles. These include items for formal approval such as the Annual Report and Accounts, the Budget and Business Plan, Board and sub-committee Terms of Reference, the Management Responsibilities Map and material Association policies, which ensure high standards of business conduct. The Board sets the risk appetite for the Association, monitors risk indicators and takes any decisions required to ensure the Association continues to operate within its risk appetite. The Board also receives updates from its sub-committees, from business functions on performance and operations, and updates on progress against strategic programmes.

Engaging with our Stakeholders

The stakeholders most affected by Board decisions are our Members and Assureds, the Managers and their employees, and our regulators. Throughout 2021, the Board and Senior Management have maintained strong relationships with our stakeholders, and kept all parties fully informed of the decisions which impact them.

Members and Assureds

Whilst COVID-19 has continued to affect our physical engagement with our Members, Assureds and friends in the shipping community, we have continued to hold Members' Committee meetings remotely and four meetings took place in 2021. This enabled the Board to consult with Members' representatives prior to taking significant decisions affecting Members and Assureds in relation to Supplementary Calls, the renewal strategy and payment of large claims, thus ensuring the fair treatment of the Membership.

THE TABLE BELOW SETS OUT A NUMBER OF DECISIONS TAKEN BY THE BOARD DURING THE YEAR, AND HOW STAKEHOLDER VIEWS WERE TAKEN INTO ACCOUNT:

DECISION	HOW WE TOOK STAKEHOLDERS INTO ACCOUNT	LONG-TERM IMPLICATIONS
Sustainable Pricing	**Members/Assureds, Regulators and Rating agencies** Following a protracted period of 'soft pricing' and exceptional claims the Board took a number of material decisions to strengthen the Association's financial position. As noted elsewhere in this Report, this included a decision to raise Supplementary Calls on a basis considered to be robust and prudent. In addition, during its October meetings, and following consultation with the Members' Committee, the Board approved its 2022 renewal strategy agreeing that the principal basis of the renewal would involve an evaluation of the individual records and risk profiles of entered fleets, and that where sustainable rates could not be achieved, the loss of the business would be preferable.	• Improve underwriting decisions • Improve the Association's financial strength • Maintain and improve S&P rating. • Generate sustainable long-term growth.
Investments	**Members/Assureds and Regulators** Maintaining a strong capital base and ensuring adequate liquidity means that the Association has the resources now and in future to be able to sustain and improve its offering to its Members. In July 2021 the Board took the decision to further reduce investment risk by shortening the average duration of the Association's investment grade fixed income holdings.	Prudent financial management supports the long-term success of the Association and reduces the risk of Supplementary Calls being required from Members.
Sustainability	**People, Regulators and the wider community in which the Association operates.** As noted earlier in the Report, the Board approved its Sustainability Policy in July 2021. At the same Board meeting an updated Modern Slavery Statement was also approved setting out the steps the Association has taken to prevent modern slavery and human trafficking in its businesses and supply chains.	Progressing the organisation to net zero thus reducing our impact on the environment and supporting the well-being of the planet for future generations. Helps protect the Managers' employees and individuals who work within our suppliers.

Our People
The Association's people are the employees of its Managers, and the Board has supported Management with its efforts to ensure their safety and well-being throughout the COVID-19 pandemic. As we move beyond COVID-19, it has introduced new hybrid working arrangements in response to feedback received from staff. An Employee Focus Group is in place to ensure that staff have a 'voice' and are able to influence the culture of the organisation.

Regulators
As an insurance company, the Association is subject to financial services regulations and approvals in all the markets in which we operate, and the Board is kept informed of regulatory change and any issues arising where action is required to be taken by the Board. We remain open and constructive in our engagement with our regulators. During 2021, the Association agreed with the Prudential Regulation Authority a capital add-on of US$5.3m, effective from 20 February 2022, as part of its group SCR for the remote risk the Association is exposed to through its management agreement contract and relationship with its independent management company, and its pension deficit.

Community and wider environment
The Association continues to provide support to seafarers and through its association with the International Seafarers Welfare and Assistance Network (ISWAN) to provide additional support to vulnerable seafarers.

The Board has continued to support human rights by ensuring the imposition of strict sanctions controls across the Association which has during the year led to decisions being taken to withdraw cover from tanker fleets switching off AIS and alleged to be breaching sanctions against Iran, North Korea and Venezuela.

As noted above, the Board has signed off the Association's Sustainability Policy, has taken steps to reduce its Green-House Gas emissions (GHG) and continues its loss prevention activities to reduce environmental damage from pollution following a claims event with particular recent attention to plastics pollution of the oceans.

INTERNATIONAL GROUP

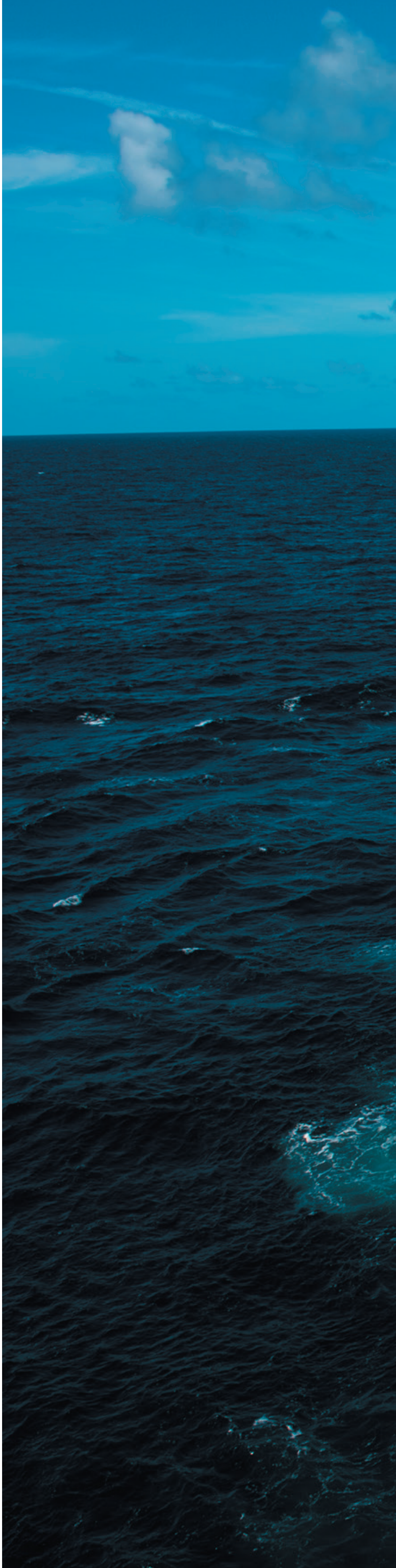
The International Group of P&I Clubs monitors the operation and reinsurance of its claims pooling arrangements, making changes when necessary so that they can continue providing the Association and the other participating Clubs with efficient high level reinsurance protection. In turn, these arrangements underpin the key role that the International Group plays in supporting global regimes to compensate victims of maritime accidents and protect the environment and property.

As highlighted in the Chairman's Report, the International Group also enables the collective addressing of a wide range of other issues which are of importance to the industry as a whole. It remains of considerable importance to the Association, which contributed actively to its affairs during the year under review, with members of the management team participating in a number of International Group committees and working groups. Further information about the International Group's activities can be found on its website: **www.igpandi.org**

PRINCIPAL RISKS & UNCERTAINTIES

A description of the principal financial risks and uncertainties the Association faces on a recurring basis is set out at Note 4 to the Financial Statements.

Ian E. Gooch
Chief Executive
14 June 2022



Directors' Report

COMPANY REGISTRATION: 10341

PRINCIPAL ACTIVITIES
The principal activity of the Association is the provision of Protecting & Indemnity (P&I), Freight, Demurrage & Defence (FD&D) and War Risks insurance for Members on a mutual basis. The Association also provides P&I and FD&D insurance cover on a fixed premium basis for owner and charterer assureds. The Chairman's report on pages 6 and 7 and the Strategic Report on pages 8 to 16 report on these activities and the financial results of the Association for the year together with likely future developments.

DIRECTORS
The members of the Board are Directors of the Association for the purposes of the Companies Act. The present members of the Board are listed on page 4.

The following Board members will retire by rotation and, being eligible, offer themselves for re-election:

Ian E. Gooch
John L. Harbor
Sophocles N. Zoullas

As permitted by section 236 of the Companies Act 2006, the Association has purchased and maintained insurance cover for members of the Board against qualifying third party indemnity provisions in relation to the Association.

MEMBERS' COMMITTEE
The following Members' Committee members will retire by rotation and, being eligible, offer themselves for re-election:

John Anagnostopoulos
Michael Kougellis
Stamos J. Fafalios
Michael C. Lemos
Amnon Lion
Ismini Panagiotidi
Bendix Todsen
Sophocles N. Zoullas

FINANCIAL INSTRUMENTS
Information on the use of financial instruments by the Association and its management of financial risk is addressed in Note 4 to the financial statements. The Association's exposure to cash flow risk, credit risk, liquidity risk and market risk is addressed in Note 4 to the financial statements.

FUTURE DEVELOPMENTS
Future developments for the Association are discussed in the Strategic Report.

GOING CONCERN
In accordance with the requirements of Financial Reporting Standard 102, the Board of Directors has assessed the Association's ability to continue as a going concern.

The Association's financial position, its cash flows and liquidity position all form part of these financial statements. Principal risks and uncertainties are set out in Note 4 to the Financial Statements and include reference to the Association's objectives for managing capital in line with its financial risks as set out in its Solvency & Financial Condition Report.

The Association's most recent Own Risk & Solvency Assessment (ORSA) was conducted as at 20 November 2021, after the decision taken by the Board in October 2021 to set Supplementary Calls. An important component of the ORSA process is an assessment of the Association's projected future Solvency Capital Requirements (SCR) and its projected own funds available to meet its SCR. Updated projections for operating performance and compliance with regulatory capital requirements in 2022/23 were prepared and reviewed by the Board following the February 2022 renewal date for the Association's Mutual business. These forward-looking assessments project the Association managing its risks successfully and maintaining sufficient financial resources to meet its SCR over the period assessed.

The Association is exposed to a number of financial risks, as set out in Note 4 to the Financial Statements, which could negatively impact future operating performance and financial strength. Events currently unfolding in Ukraine have contributed to what was already an elevated level of volatility in financial markets, but they have not yet led to an escalation in claims activity. The Association's Capital Management Plan lists a 'toolkit' of potential management actions for the Board to consider if there is ever a need to remedy a future capital deficiency. One potential management action is for the Board to exercise its contractual right, as a mutual organisation, to set Supplementary Calls on the Mutual Members.

The Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, and for at least 12 months from the date when these financial statements were approved and signed. Accordingly, the Board considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

STATEMENT OF ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE ASSOCIATION

Information on the Association's engagement with suppliers, customers and those in a business relationship with the Association are discussed in the Strategic Report.

BRANCHES

The Association is headquartered in London and has branch offices in Greece and Hong Kong. These branch offices are segments of the Association and are not separately incorporated legal entities.

ENERGY AND CARBON REPORTING

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019 (the Regulation) require the Group to report publicly on its UK energy use and carbon emissions as the Group has annual turnover in excess of GBP36m and a Statement of Financial Position balance in excess of GBP18m. However, as the entirety of the management of the business is outsourced and managed by A. Bilbrough & Co. Limited the Group has no control over these costs. This would classify the Group as a low energy user and therefore no disclosures have been made.

DISCLOSURE TO AUDITORS

Each of the persons who are Board members at the time when this report is approved has confirmed that:

a) in so far as each Board member is aware, there is no relevant audit information of which the Association's auditors are unaware; and

b) each Board member has taken all the steps that ought to have been taken as a Board member in order to be aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

John M. Lyras
Chairman
14 June 2022

Notice of Meeting

Notice of the Annual General Meeting (AGM) of the Association, and details of the business to be conducted at the AGM, would ordinarily appear here within the Annual Report & Financial Statements. Due to the continuing impact of the COVID-19 pandemic, particularly on travel, the location of the Meeting has not yet been decided, although it will most likely take place on Wednesday 19 October 2022. Final arrangements including the location will be notified to Members by Circular nearer to the Meeting date.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Board and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these Financial Statements, the Directors are required to:

1. Select suitable accounting policies and then apply them consistently;

2. Make judgements and estimates that are reasonable and prudent;

3. Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;

4. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of the London Steam-Ship Owners' Mutual Insurance Association Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of The London Steam-Ship Owners' Mutual Insurance Association Limited (the 'parent company', or 'the Association') and its subsidiaries (the 'group', or 'London P&I Club'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 20 February 2022 and of the group's surplus 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", Financial Reporting Standard 103, "Insurance Contracts" (FRS 103); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income and retained earnings;
- the consolidated and parent company balance sheets;
- the consolidated cash flow statement; and
- the related notes 1 to 23 (excluding the capital note).

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".

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent 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 matter	The key audit matter that we identified in the current year was: • P&I Mutual class assumptions in valuation of claims IBNR • Investment in associate classification The investment in associate classification is a new key audit matter identified this year, as the audit team spent a significant portion of their time on it. The IBNR key audit matter is similar to the matter identified last year, except it has been pinpointed to the P&I Retained and Occupational Disease classes.
Materiality	The materiality that we used for the group financial statements was $4,900,000 which was determined on the basis of net assets.
Scoping	The audit work to respond to the risks of material misstatement was performed directly by the entity audit engagement team.
Significant changes in our approach	This was our first year of appointment as auditor.

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 group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the financial performance of the London P&I Club, including revenue, profit before tax, investment holdings, cash position, technical provision reserves and net assets, by performing a comparison analysis of the current year versus the prior year-end position;
- Evaluating management's forecasts for the 12 month period from the date of approval of the financial statements to assess that the going concern basis of accounting remained appropriate. This included assessing the Own Risk and Solvency Assessment ("ORSA"), prepared in accordance with the group's regulatory requirements, and its assumptions for reasonableness.
- Assessing the appropriateness of the going concern disclosure in the financial statements.

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 and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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.

5.1. P&I Mutual class assumptions in valuation of claims IBNR

Key audit matter description	The group is required to provide for the cost of settling claims that it has incurred on the business it has written in the year, referred to as technical provisions. These technical provisions of \$592m (PY: \$368m) constitute 92% of the group's gross liabilities and are a key area of management judgement. They also have a high degree of estimation uncertainty resulting in a wide range of reasonable outcomes. We have pinpointed our key audit matter to the most judgemental assumptions within the P&I Mutual class (non-latent), and the most judgemental assumptions in the US and UK Mesothelioma exposures for the latent claims. The valuation of reserves associated with these claims relies significantly on assumptions about the future volume of claims and the appropriate inflation rate, as disclosed in note 2.2.7. Further details are also included within note 17 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures included: • Evaluating the design and implementation of relevant controls around the setting of the assumptions used in the valuation of IBNR; • Evaluating the integrity of the data used in the actuarial calculations by agreeing to them underlying records. For the significant risk assumptions above, with the assistance of our actuarial specialists we: • Reviewed management papers for Mesothelioma and P&I Mutual class (non-latent) IBNR and challenged the actuarial methodologies used to determine whether they are reasonable and supportable; • Assessed the reasonableness of management's assumptions with regard to the expected future curve, average cost, future average claims cost inflation rate of reported Mesothelioma claims, including variation to prior periods by: – challenging the supporting data and data trends provided, – comparing to other market data where available, – evaluating the rationale and appropriateness of judgements made by management.
Key observations	We consider the P&I Mutual class assumptions used in the valuation of claims IBNR to be reasonable.

5.2. Investment in associate classification

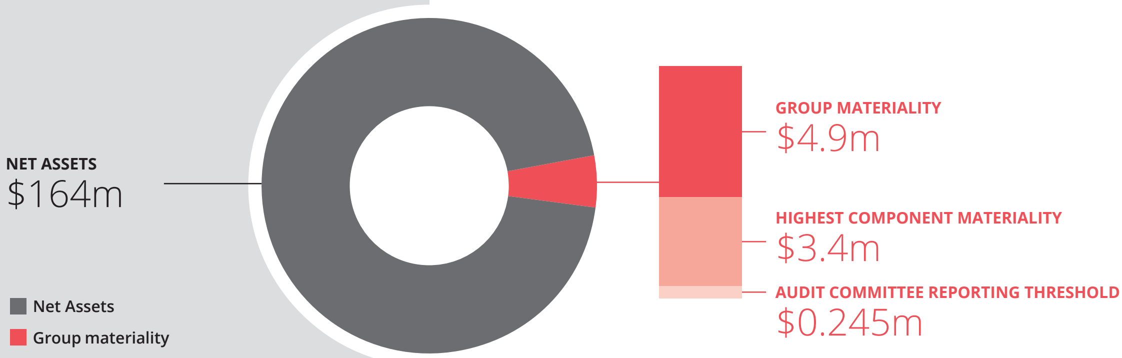
Key audit matter description	The Board delegates the day-to-day operations of the Association to A. Bilbrough & Co. Limited. In addition to being a related party, the Board has applied judgement in assessing if A. Bilbrough & Co. Limited represents either an investment in an associate as defined in Section 14 of FRS 102 or a subsidiary undertaking as defined in Section 1162 of the Companies Act 2006. The Board's judgement that A. Bilbrough & Co. Limited is not a subsidiary undertaking of the Association is set out in note 3.2. Further details are also included within note 13 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures included: • Evaluating the design and implementation of relevant controls around the setting of accounting policies and critical judgements and preparation of the financial statements. For the critical judgement set out above we: • Reviewed management papers for the accounting treatment of the investment in associate; • Assessed management's third party accounting and legal opinions that were related to the matter; • Reviewed the management agreement between the Association and A. Bilbrough & Co. Limited; and • Assessed other supporting information that informed the judgement.
Key observations	We consider the judgement that A. Bilbrough & Co. Limited is not a subsidiary to be reasonable.

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	$4.9m (predecessor auditor for PY: $3.85m)	$3.38m (predecessor auditor for PY: $3.49m)
Basis for determining materiality	3% of net assets (predecessor auditor for PY: 2.5% of net assets)	1.6% of revenue (predecessor auditor for PY: 1% of Technical Provisions)
Rationale for the benchmark applied	We have determined net assets as the most appropriate basis for our materiality of the group, as a key focus of members and subsidiaries of the group is whether the group has sufficient capital to pay future claims.	We have determined revenue as the most appropriate basis for our materiality of the parent company, as making sufficient revenue is key for the members.



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.

	Group financial statements	Parent company financial statements
Performance materiality	60% of group materiality (predecessor auditor in PY: 75% of group materiality)	60% of parent company materiality (predecessor auditor in PY: 75% of group materiality)
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • There were no uncorrected misstatements identified in the prior period audit; • Our assessment of the control environment and our findings related to IT and business controls; • The fact that management have made supplementary calls of the members in the current year to strengthen the Club's capital position.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $245k for the group (predecessor auditor in PY: $77k), and $169k for the parent company, 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 entity and its environment and assessing the risks of material misstatement at the component level.

The group is comprised of the Association and its subsidiary undertakings. This includes The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited ("LSSO Bermuda"), the LSSO cell of Hydra Insurance Company Limited, a Bermudan segregated cell company, and The London P&I Insurance Company (Europe) Limited ("LSSO Europe").

We performed full scope audits on the Association, The London Steam-ship Owners Mutual Insurance Association (Bermuda) Limited, the Hydra cell. This resulted in a coverage of 98% of group revenue (PY: 100%), and 99% of net assets (PY: 100%).

We performed analytical procedures at the group level of LSSO Europe.

The audit work to respond to the risks of material misstatement was performed directly by the entity audit engagement team.

7.2. Our consideration of the control environment

We identified the financial reporting, underwriting, claims and reserving cycles to be the most relevant to the audit and obtained an understanding of the relevant controls related to these cycles.

With the assistance of our IT specialists, we also obtained an understanding of the relevant IT controls within the cycles.

We have completed walkthroughs of management's processes and controls over the key cycles, and as a result of our work have not been able to rely on controls as part of our audit approach.

We have raised our IT and business control findings to management and those charged with governance.

Our consideration of climate-related risks

Whilst management have a sustainability policy in place, and are actively seeking to reduce their emissions, they have not identified any principal risks or uncertainties related to climate change. We have obtained an understanding of management's process for considering the impact of climate related risks that are relevant to the Group, by obtaining their climate risk register.

Based on our evaluation of this, and our own consideration of the qualitative factors that might give rise to climate related risks, we did not identify any additional risks of material misstatement.

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 contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 risk 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;
- results of our enquiries of management 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 and relevant internal specialists, including actuarial, tax and IT 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: P&I Mutual class assumptions in valuation of claims IBNR. 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.

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, such as regulations of the FCA and PRA.

11.2. Audit response to risks identified
As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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 and external legal counsel 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 and reviewing internal audit reports 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.

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 which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by The London Steam-Ship Owners' Mutual Insurance Association on 13 January 2022 to audit the financial statements for the year ending 20 February 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the year ending 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,
Senior Statutory Auditor

For and on behalf of **Deloitte LLP** Statutory Auditor
London, United Kingdom

15 June 2022

Consolidated Statement of Comprehensive Income and Retained Earnings for the year ended 20 February 2022

	Note	2022 US$'000	2021 US$'000 (restated)
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned Premiums, Net of Reinsurance:			
Calls & Premiums		**214,848**	119,497
Reinsurance Premiums		**(21,019)**	(19,529)
Net Earned Premium	**6**	**193,829**	99,968
Foreign Exchange Gains/(Losses)		**28**	(155)
Allocated Investment Return transferred from Non-Technical account		**(4,277)**	16,670
Claims Incurred, Net of Reinsurance:			
Gross Claims Paid	**7**	**(196,846)**	(117,907)
Reinsurance Recoveries	**8**	**59,175**	14,214
Net Claims Paid		**(137,671)**	(103,693)
Change in Provision for Claims:			
Gross Amount	**23**	**(224,246)**	(4,352)
Reinsurers' Share	**23**	**207,685**	(12,149)
Net Change in Provision for Claims		**(16,561)**	(16,501)
Net Incurred Claims		**(154,232)**	(120,194)
Net Operating Expenses	**10**	**(24,867)**	(16,489)
Balance on Technical Account		**10,481**	(20,200)
NON-TECHNICAL ACCOUNT			
Balance on Technical Account		**10,481**	(20,200)
Investment Income	**9**	**16,477**	23,189
Unrealised (Losses)/Gains on Investments		**(18,796)**	482
Unrealised (Losses) on Investment Property		**-**	(4,687)
Investment Expenses		**(1,958)**	(2,314)
Allocation of Investments to Technical Account		**(4,277)**	16,670
Net Surplus/(Deficit) before Taxation		**10,481**	(20,200)
Taxation Expense	**11**	**(49)**	(120)
Net Surplus/(Deficit) after Taxation		**10,432**	(20,320)
Accumulated Reserves at 20 February 2021		**153,571**	173,891
Accumulated Reserves at 20 February 2022		**164,003**	153,571

There are no other items of comprehensive income other than those included in the Consolidated Statement of Comprehensive Income and Retained Earnings.

The notes on pages 30 to 49 form part of these Financial Statements.

Consolidated Statement of Financial Position as at 20 February 2022

Company number: 10341

	Note	2022 US$'000	2021 US$'000 (restated)
ASSETS			
Investment Property	15	21,729	22,406
Financial Investments	14, 23	327,591	306,795
Reinsurance Assets	17, 23	311,965	104,279
Reinsurers' Share of Unearned Premium	17	1,006	848
Insurance & Other Receivables	16	53,757	23,877
Current Taxation		40	18
Cash & Cash Equivalents	23	57,998	96,872
Deferred Acquisition Costs	19	710	566
Prepayments & Accrued Income		34,515	4,872
TOTAL ASSETS		**809,311**	560,533
RESERVES AND LIABILITIES			
Reserves Attributable to Members			
Income & Expenditure Account		164,003	153,571
TOTAL RESERVES		**164,003**	153,571
LIABILITIES			
Unearned Premium	17	4,768	3,839
Insurance Liabilities	17, 23	591,969	367,722
Insurance & Other Payables	18	42,365	30,686
Accruals & Deferred Income		6,206	4,715
TOTAL LIABILITIES		**645,308**	406,962
TOTAL LIABILITIES & RESERVES		**809,311**	560,533

The notes on pages 30 to 49 form part of these Financial Statements.

John M. Lyras
Member of the Board
14 June 2022

Iain Paul
Member of the Board
14 June 2022

Statement of Financial Position – Parent Company only as at 20 February 2022

Company number: 10341

	Note	2022 US$'000	2021 US$'000 (restated)
ASSETS			
Investment in Group Undertakings and Participating Interests	12	34,789	25,811
Other Financial Investments	14	50,860	23,882
Reinsurance Assets	17, 23	572,170	350,363
Reinsurers' Share of Unearned Premium	17	3,882	3,160
Insurance & Other Receivables	16	40,173	10,684
Current Taxation		18	18
Cash & Cash Equivalents		20,438	11,819
Deferred Acquisition Costs	19	629	566
Prepayments & Accrued Income		32,431	3,298
TOTAL ASSETS		**755,390**	429,601
RESERVES			
Reserves Attributable to Members			
Income & Expenditure account	20	87,099	20,395
TOTAL RESERVES		**87,099**	20,395
LIABILITIES			
Unearned Premium	17	4,611	3,839
Insurance Liabilities	17, 23	591,017	367,741
Insurance & Other Payables	18	67,224	33,343
Accruals & Deferred Income		5,439	4,283
TOTAL LIABILITIES		**668,291**	409,206
TOTAL LIABILITIES & RESERVES		**755,390**	429,601

The parent company made a surplus of US$66,704k (2021: surplus of US$13,405k) on ordinary activities after tax for the year ended 20 February 2022. The Association has taken the exemption under Section 408 of the Companies Act from preparing a Parent Company Statement of Comprehensive Income.

The notes on pages 30 to 49 form part of these Financial Statements.

John M. Lyras
Member of the Board
14 June 2022

Iain Paul
Member of the Board
14 June 2022

Consolidated Statement of Cash Flows for the Year Ended 20 February 2022

	2022 US$'000	2021 US$'000 (restated)
CASH GENERATED FROM OPERATING ACTIVITIES		
Net Income/(Loss) Before Tax	**10,481**	(20,200)
Adjustments for:		
Changes in Estimated Outstanding Claims (net of reinsurance)	**16,561**	16,501
Changes in Unearned Premium (net of reinsurance)	**771**	(45)
Changes in Deferred Acquisition Costs	**(145)**	4
Realised & Unrealised Losses/(Gains) on Investments	**8,227**	(11,997)
Unrealised Losses on Investment Property	**-**	4,687
Interest Income	**(111)**	(199)
Changes in Receivables	**(59,545)**	(10,867)
Changes in Payables	**13,170**	21,721
Foreign Exchange Adjustment	**649**	(2,319)
Cash From Operating Activities	**(9,942)**	(2,714)
Tax Paid	**(49)**	(266)
Net Cash (Outflows) from Operating Activities	**(9,991)**	(2,980)
Cash Generated from Investing Activities		
Payments to acquire investments	**(695,830)**	(664,593)
Receipts for the sale of investments	**666,808**	738,327
Interest Received	**111**	199
Net Cash (Outflows)/Inflows from Investing Activities	**(28,911)**	73,933
(Decrease)/Increase in Cash & Cash Equivalents	**(38,902)**	70,953
Cash & Cash Equivalents at 21 February 2021	**96,872**	23,600
Effects of Foreign Exchange on Cash & Cash Equivalents	**28**	2,319
Cash & Cash Equivalents at 20 February 2022	**57,998**	96,872

The notes on pages 30 to 49 form part of these Financial Statements.

Notes to the Financial Statements

NOTE 1: General Information

The London Steam-Ship Owners' Mutual Insurance Association Limited (the Association) is a non-profit making Mutual Company incorporated and registered in England and Wales. It is limited by guarantee, has no share capital and is controlled by the Members who are also insured policy holders. The address of its registered office is stated on page 4.

The Association's principal activities were the provision of Protecting & Indemnity (P&I), Freight, Demurrage & Defence (FD&D) and War Risks Insurance on a Mutual basis to its ship-owner Members. The Association also provided P&I and FD&D insurance on a Fixed Premium basis for charterers and for the owners of smaller ships.

NOTE 2: Accounting Policies

The principal accounting policies adopted in the preparation of these Financial Statements are summarised below. These policies have been applied consistently throughout the year and in the preceding year.

2.1 FINANCIAL REPORTING FRAMEWORK

2.1.1 BASIS OF PREPARATION

The Group and individual financial statements of the Association have been prepared in compliance 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), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006.

The Financial Statements have been prepared under the historical cost convention, modified to include certain items at fair value.

The Financial Statements have been presented in United States Dollars (US$) which is also the Association's functional currency and have been rounded to the nearest US$'000.

The Association is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and Retained Earnings and the related notes that would have formed part of the Financial Statements.

As a qualifying entity under FRS 102, the Parent company is exempt from the requirements of Section 7 *Statement of Cash Flows and Section 3 Financial Statement Presentation* paragraph 3.17(d).

2.1.2 BASIS OF CONSOLIDATION

Subsidiaries are all entities where the Association is exposed or has rights to variable returns from its involvement with the subsidiary, and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Association and de-consolidated from the date on which control ceases.

Intra-group transactions, balances and gains and losses on intra-group transactions are eliminated upon consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Association.

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

2.1.3 GOING CONCERN

The Financial Statements have been prepared on a going concern basis. As set out more fully in the Director's Report, the Board of Directors has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, and for at least 12 months from the date when these financial statements were approved and signed.

2.2 UNDERWRITING ACTIVITIES

2.2.1 CALLS & PREMIUMS

Calls and Gross Premiums include Gross Annual Calls and any Supplementary Premiums levied, and are shown gross of acquisition costs and net of Return Premiums and Bad and Doubtful Debts. 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.

The Directors retain the power to levy Supplementary Premiums, or give discounts on Mutual Premiums on open policy years.

2.2.2 CLAIMS & RELATED EXPENSES

Claims and related expenses are included in the consolidated Statement of Comprehensive Income and Retained Earnings on an incurred basis, and include an estimate of claims 'incurred but not reported' (IBNR), based on past experience. Variances in claims estimates are included in the consolidated Statement of Comprehensive Income and Retained Earnings in the period in which they arise. The technical provision for claims outstanding includes an element of claims IBNR, based on calculations by a qualified actuary. Included in claims and related expenses is the Association's share of other Clubs' Pool claims paid plus outstanding estimates.

2.2.3 POOLING OBLIGATIONS

The Association and The London P&I Insurance Company (Europe) Limited are together treated as Linked Associations by the International Group Pooling Agreement, with the Association being treated as the Principal Linked Association. Linked Associations are treated as one Association for all purposes under the Agreement. The Agreement holds the Association jointly and severally liable with The London P&I Insurance Company (Europe) Limited for the latter's Pooling obligations to other Clubs. The Agreement does not hold The London P&I Insurance Company (Europe) Limited liable for the Association's Pooling obligations. Consistent with this contractual position, the Association recognises in full the Group's Pooling obligations to other Clubs. No liability for Pooling obligations is recognised by The London P&I Insurance Company (Europe) Limited.

2.2.4 REINSURANCE PREMIUMS

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

2.2.5 REINSURANCE RECOVERIES

Reinsurance Recoveries are accrued to match relevant claims and include estimated recoveries on estimated outstanding claims.

2.2.6 CLAIMS HANDLING COSTS

Claims incurred include the management cost of claims handling. Other management costs have been allocated to acquisition costs and administrative expenses.

2.2.7 TECHNICAL PROVISIONS

The provision for claims outstanding in the Financial Statements comprises the Directors' estimate of the ultimate outcome of all reported claims based on current information, plus their forecast of the ultimate cost of claims IBNR. The provision also includes an allowance for claims handling costs, reflecting the estimated proportion of future staff costs which will be incurred directly in the handling of claims incurred prior to the Statement of Financial Position date.

The Association reserves individual reported claims within its retention on a 'highest reasonable likely outcome' basis, except in circumstances where there is insufficient information available to make a meaningful estimate. In such cases, a statistically derived reserve is applied, which is based on the development of similar notifications made in earlier years.

The IBNR provisions for claims within the Association's retention (Class 5 and Class 8) are determined by the Directors based on standard actuarial projection techniques and stochastic modelling, using historical information on claims developments, adjusted for inflation and other variables such as the number of ships entered with the Association, to project the likely ultimate cost of claims over a range of confidence levels. The principal assumption underlying this approach is that past experience is a reliable basis for projecting the ultimate cost of claims in more recent years. Confidence levels upon which IBNR provisions are based reflect the Directors' conservative approach to claims reserving in the Financial Statements.

When determining the appropriate level of IBNR provision for occupational disease claims, the Directors additionally take into consideration the findings from the most recently available review of reserves for this category of claims. An updated review of occupational disease claims to estimate the ultimate cost and the appropriate level of IBNR was performed in the 2021/22 financial year.

Provisions in respect of the Association's share of other Clubs' Pool claims are based on information and data supplied by the other parties to the Pooling Agreement, to which Directors apply similar actuarial techniques and models to those described above.

Provisions for all claims are based on information available at the Statement of Financial Position date. Significant delays are experienced in the notification of certain claims, sometimes of many years' duration, and accordingly, the ultimate cost of claims cannot be known with certainty at the Statement of Financial Position date. This is particularly the case in regard to the Association's exposure to occupational disease claims. Although the Directors take a conservative approach to setting the overall level of claims provisions, it is possible that subsequent information and events may result in the ultimate liability being greater than the amount provided. Any such differences between claims provisions and subsequent settlements are dealt with in the technical account – general business in later years.

Claims provisions are recognised gross of any Reinsurance Recoveries. The Reinsurers' Share of Claims Outstanding is derived from an estimation of the amounts that will be recoverable from reinsurers based on the gross claims provisions and the structure of the Association's reinsurance programme, and having due regard to the possibility of default by the reinsurers.

2.2.8 UNEARNED PREMIUM

Unearned Premiums represent the proportion of Calls & Premiums written in the year that relate to unexpired terms of policies in force at the Statement of Financial Position date, generally calculated on a time apportioned basis. The movement in the provision is taken to the Technical Account in order that Calls & Premiums are recognised over the period of the risk.

2.2.9 REINSURERS' SHARE OF UNEARNED PREMIUM

Reinsurers' Share of Unearned Premiums represent the proportion of Reinsurance Premiums written in the year that relate to unexpired terms of policies in force at the Statement of Financial Position date, generally calculated on a time apportioned basis. The movement in the provision is taken to the Technical Account in order that Reinsurance Premium is recognised over the period of the risk.

2.2.10 ACQUISITION COSTS
Acquisition costs represent commission and brokerage arising from Calls & Premiums written during the year. They are capitalised and amortised over the life of the policy to which they relate on a basis consistent with the earnings pattern of that policy.

2.3 OTHER ACCOUNTING POLICIES

2.3.1 INVESTMENT INCOME
Account is taken of accrued interest on fixed interest securities and deposits; dividends are credited when receivable. Variances in unrealised gains and losses are included in the Consolidated Statement of Comprehensive Income and Retained Earnings in the period in which they arise.

2.3.2 OPERATING EXPENSES
Account is taken of accruals and prepayments in arriving at operating expenses.

2.3.3 FOREIGN EXCHANGE
Assets and Liabilities have been translated, where applicable, at the rates ruling at 20 February 2022.

Transactions during the year in currencies other than the Association's functional currency have been converted at the rates ruling at the date of the transaction. Assets and Liabilities in currencies other than the Association's functional currency are translated into US$ at rates of exchange on the Statement of Financial Position date, with resultant differences on translation accounted for in the Statement of Comprehensive Income and Retained Earnings.

2.3.4 FINANCIAL INVESTMENTS
Financial Investments are shown at current market value at the Statement of Financial Position date. Listed Investments are stated at market value.

2.3.5 INVESTMENTS IN GROUP UNDERTAKINGS & PARTICIPATING INTERESTS
Investments in Group Undertakings and Participating Interests in the Association's own Statement of Financial Position are stated at cost less impairment.

2.3.6 TAXATION
The Association is assessed for UK Corporation Tax on Investment Income and any Realised and Unrealised Investment Gains less Losses in the year. Its Underwriting Operations are not taxable. The London Steam-ship Owner's Mutual Insurance Association (Bermuda) Limited is assessed for Income Tax in the UK on Rental income received and may incur irrecoverable Withholding Tax deductions on Income from certain Investment Holdings.

2.3.7 RECOGNITION & DERECOGNITION OF FINANCIAL ASSETS & LIABILITIES
Financial Assets and Financial Liabilities are recognised when the Association becomes a party to the contractual provisions of the contract.

Financial assets other than Financial Investments are initially recognised at transaction price and are subsequently measured at amortised costs using the effective interest method.

Financial investments are carried at fair value through profit or loss. They are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the income statement, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

A Financial Asset is derecognised when either the contractual rights to the asset's cash flows expire or are settled, or the asset is transferred and the transfer qualifies for derecognition under a combination of risks and rewards and control tests.

Financial Liabilities are initially recognised at transaction price and subsequently measured at amortised costs using the effective interest method.

A Financial Liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

2.3.8 IMPAIRMENT
If the carrying value of an asset is impaired, it is reduced to the recoverable amount by an immediate charge to the Statement of Comprehensive Income and Retained Earnings. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.3.9 INVESTMENT PROPERTY
The Investment Property is recorded in the Statement of Financial Position as outlined at Note 15 and is measured at fair value and any changes in fair value are recognised in the Statement of Comprehensive income and Retained Earnings. No depreciation or amortisation is provided in respect of the property.

2.3.10 CASH AND CASH EQUIVALENTS
Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition.

NOTE 3: Critical Accounting Judgements and Estimation Uncertainty

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

3.1 THE ULTIMATE LIABILITY ARISING FROM CLAIMS MADE UNDER INSURANCE CONTRACTS
The estimation of the ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Association uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments.

The technical provisions at the year-end are disclosed in Note 17.

3.2 INVESTMENTS IN ASSOCIATES
A. Bilbrough & Co. Limited carries out day to day operations for the Association under a Management Services Agreement. That agreement confers some rights to the Association over the financing and operating decisions of A. Bilbrough & Co. Limited. In addition to being a related party, the Board has applied judgement in assessing if A. Bilbrough & Co. Limited represents either an investment in an associate as defined in Section 14 of FRS 102 or a subsidiary undertaking as defined in Section 1162 of the Companies Act 2006.

FRS 102 defines an associate as an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control. In the Board's judgement, the Association does have significant influence over A. Bilbrough & Co. Limited. The Board identified the following factors as key in reaching this judgement:

- The Association owns more than 20% but less than 50% of the authorised, allotted, issued and fully paid up share capital of A. Bilbrough & Co. Limited; and
- The Management Agreement provides that A. Bilbrough & Co. Limited shall submit for approval to the Association the anticipated expenditure budget for each year and consult with the Association over any material and unanticipated items of A. Bilbrough & Co. Limited expenditure that may arise.

The Companies Act states that an undertaking is a parent undertaking in relation to another undertaking, a subsidiary undertaking, if:
- It holds a majority of the voting rights in the undertaking, or
- It is a member of the undertaking and has the right to appoint or remove a majority of its board of directors, or
- It has the right to exercise a dominant influence over the undertaking, or has actually exercised dominant influence, or
- It is a member of the undertaking and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in the undertaking.

The Board recognises that due to the operating structure of the Association, there is significant judgement as to whether the Association can exert dominant influence over A. Bilbrough & Co. Limited.

Whilst the rights to approve the expenditure for the year is significant in the assessment, the Board considers it is not inconsistent with the commercial relationship between the Association and A. Bilbrough & Co. Limited as its sole customer. Therefore, in the Board's judgement the Association does not actually exercise a dominant influence over A. Bilbrough & Co. Limited but does have significant influence. A. Bilbrough & Co. Limited is therefore an associate.

NOTE 4: Principal Risks & Uncertainties

The Association places great importance on effective risk management and has a robust Enterprise Risk Management Framework in place to manage risk. The identification and assessment of risks, together with the implementation of effective mitigating and monitoring controls, is fundamental in maintaining a well governed organisation.

Within the Association's governance structure the Association's Board has delegated more detailed oversight of risk management to four Committees/Boards, being:

1. The Audit Committee
2. The Risk Committee
3. The Reinsurance Sub-Committee
4. The LSSO (Bermuda) Board

Each Committee has formal Terms of Reference which dovetail to provide the Association with a comprehensive risk function.

The principal areas of risk relevant to the Association's operations which is also applicable to the Parent Company's operations, and management of these risks, are described below.

4.1 INSURANCE RISK

Insurance risk comprises underwriting risk and reserving risk.

UNDERWRITING RISK

Underwriting risk is the risk that Calls and Gross Premiums will not be sufficient to cover losses and associated administrative expenses. This risk is managed and mitigated by writing a diversified book of business, with documented underwriting guidelines and risk appetite tolerances in place to ensure only acceptable risks are entered with the Association. The risk function regularly reviews and analyses the portfolio of business on risk during the year, including portfolio composition by ship type, ship age and place of management.

The purchase of appropriate reinsurance is central to the management of underwriting risk on a net basis in line with the Association's capital management plan. The Association is a member of the International Group of P&I Clubs which operates a pooling system for the sharing of claims costs on an excess of loss basis, and further purchases commercial market reinsurance on a collective basis for all Clubs. The Association purchases additional reinsurance for its exposure to claims below the attachment point of the International Group Pool and for exposure to non-poolable risks.

RESERVING RISK

Reserving risk is the risk that technical provisions set in respect of claims incurred but not settled are ultimately insufficient to cover future settlements and associated claims handling expenses. In common with all marine liability insurers there remains uncertainty with regards to the eventual cost of claims incurred but not settled at each year end date. Sources of uncertainty include changes in the economic climate, national and international liability regimes, commodity prices and currency fluctuations amongst many others. The Association's processes and procedures for valuing technical provisions reflect the fact that this represents a high risk area for the Association. An outline of these processes and procedures is included in Note 2.

The Association incorporates a risk margin within its technical provisions in excess of the best estimate projected future cost in order to reduce the probability that the valuation is insufficient to cover future settlements and associated claims handling costs. It is to be expected that actual experience will differ from the valuation of technical provisions at the year-end date, and there remains a residual risk that the eventual outcome will exceed the valuation.

Uncertainty as to the incidence of claims, and their ultimate cost, is the principal risk variable in respect of insurance risk. The impact on the reported operating result before tax, and year-end free reserves, of a 5% change in net claims incurred for the year just ended, with all other inputs unchanged, is shown below. The methodology chosen was to select a level of sensitivity which was in line with the actual level of annual claims volatility experienced in recent years and also one which was seen as reasonably possible for the year just ended.

Consolidated	**2022 US$'000**	2021 US$'000 (restated)
INCREASE IN CLAIMS INCURRED BY 5 PERCENTAGE POINTS		
Gross	**(21,055)**	(6,113)
Net	**(7,712)**	(6,010)
DECREASE IN CLAIMS INCURRED BY 5 PERCENTAGE POINTS		
Gross	**21,055**	6,113
Net	**7,712**	6,010

Parent	**2022 US$'000**	2021 US$'000 (restated)
INCREASE IN CLAIMS INCURRED BY 5 PERCENTAGE POINTS		
Gross	**(20,983)**	(6,108)
Net	**(674)**	(554)
DECREASE IN CLAIMS INCURRED BY 5 PERCENTAGE POINTS		
Gross	**20,983**	6,108
Net	**674**	554

4.2 LIQUIDITY RISK

This is the risk the Association may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The predominant liquidity risk the Association faces is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Association's approach is to maintain a significant holding of liquid assets, either in cash or in liquid assets that can be translated into cash at short notice and at low risk of suffering any material capital loss. Cash flow projections are reviewed and updated regularly to ensure the most efficient use of cash resources.

The table below represents the monetary values of assets and liabilities into relevant maturing groups based on the date a contract will mature.

Consolidated

Assets at 20 February 2022	**SOFP US$'000**	**Up to 1 year US$'000**	**1-3 Years US$'000**	**3-5 Years US$'000**	**5+ Years US$'000**	**Total US$'000**
Cash & Investments	**385,589**	**116,960**	**74,969**	**37,275**	**156,385**	**385,589**
Taxation	**40**	**40**	**-**	**-**	**-**	**40**
Receivables	**53,757**	**53,757**	**-**	**-**	**-**	**53,757**
Reinsurance Assets	**311,965**	**70,504**	**91,406**	**51,786**	**98,269**	**311,965**
Reinsurer Share of UPR	**1,006**	**1,006**	**-**	**-**	**-**	**1,006**
Deferred Acquisition Costs	**710**	**710**	**-**	**-**	**-**	**710**
Prepayments & Accrued Income	**34,515**	**34,515**	**-**	**-**	**-**	**34,515**
Total Financial Assets	**787,582**	**277,492**	**166,375**	**89,061**	**254,654**	**787,582**

Liabilities at 20 February 2022	**SOFP US$'000**	**Up to 1 year US$'000**	**1-3 Years US$'000**	**3-5 Years US$'000**	**5+ Years US$'000**	**Total US$'000**
Insurance Liabilities	**591,969**	**162,791**	**181,734**	**91,163**	**156,281**	**591,969**
Unearned Premium	**4,768**	**4,768**	**-**	**-**	**-**	**4,768**
Payables	**42,365**	**42,365**	**-**	**-**	**-**	**42,365**
Accruals & Deferred Income	**6,206**	**6,206**	**-**	**-**	**-**	**6,206**
Total Financial Liabilities	**645,308**	**216,130**	**181,734**	**91,163**	**156,281**	**645,308**

Assets at 20 February 2021 (restated)	SOFP US$'000	Up to 1 year US$'000	1-3 Years US$'000	3-5 Years US$'000	5+ Years US$'000	Total US$'000
Cash & Investments	403,667	124,028	20,311	56,546	202,782	403,667
Taxation	18	18	-	-	-	18
Receivables	23,877	23,877	-	-	-	23,877
Reinsurance Assets	104,279	20,984	27,817	17,183	33,295	104,279
Reinsurer Share of UPR	848	848	-	-	-	848
Deferred Acquisition Costs	566	566	-	-	-	566
Prepayments & Accrued Income	4,872	4,872	-	-	-	4,872
Total Financial Assets	538,127	175,193	48,128	73,729	236,077	538,127

Liabilities at 20 February 2021 (restated)	SOFP US$'000	Up to 1 year US$'000	1-3 Years US$'000	3-5 Years US$'000	5+ Years US$'000	Total US$'000
Insurance Liabilities	367,722	101,859	108,110	55,894	101,859	367,722
Unearned Premium	3,839	3,839	-	-	-	3,839
Payables	30,686	30,686	-	-	-	30,686
Accruals & Deferred Income	4,715	4,715	-	-	-	4,715
Total Financial Liabilities	406,962	141,099	108,110	55,894	101,859	406,962

Parent

Assets at 20 February 2022	SOFP US$'000	Up to 1 year US$'000	1-3 Years US$'000	3-5 Years US$'000	5+ Years US$'000	Total US$'000
Cash & Investments	**71,298**	**71,298**	**-**	**-**	**-**	**71,298**
Taxation	**18**	**18**	**-**	**-**	**-**	**18**
Receivables	**40,173**	**40,173**	**-**	**-**	**-**	**40,173**
Reinsurance Assets	**572,170**	**156,202**	**175,084**	**88,686**	**152,198**	**572,170**
Reinsurer Share of UPR	**3,882**	**3,882**	**-**	**-**	**-**	**3,882**
Deferred Acquisition Costs	**629**	**629**	**-**	**-**	**-**	**629**
Prepayments & Accrued Income	**32,431**	**32,431**	**-**	**-**	**-**	**32,431**
Total Financial Assets	**720,601**	**304,633**	**175,084**	**88,686**	**152,198**	**720,601**

Liabilities at 20 February 2022	SOFP US$'000	Up to 1 year US$'000	1-3 Years US$'000	3-5 Years US$'000	5+ Years US$'000	Total US$'000
Insurance Liabilities	**591,017**	**162,530**	**181,442**	**91,017**	**156,028**	**591,017**
Unearned Premium	**4,611**	**4,611**	**-**	**-**	**-**	**4,611**
Payables	**67,224**	**67,224**	**-**	**-**	**-**	**67,224**
Accruals & Deferred Income	**5,439**	**5,439**	**-**	**-**	**-**	**5,439**
Total Financial Liabilities	**668,291**	**239,804**	**181,442**	**91,017**	**156,028**	**668,291**

Assets at 20 February 2021 (restated)	SOFP US$'000	Up to 1 year US$'000	1-3 Years US$'000	3-5 Years US$'000	5+ Years US$'000	Total US$'000
Cash & Investments	35,701	35,701	-	-	-	35,701
Taxation	18	18	-	-	-	18
Receivables	10,684	10,684	-	-	-	10,684
Reinsurance Assets	350,363	94,706	102,656	53,956	99,045	350,363
Reinsurer Share of UPR	3,160	3,160	-	-	-	3,160
Deferred Acquisition Costs	566	566	-	-	-	566
Prepayment & Accrued Income	3,298	3,298	-	-	-	3,298
Total Financial Assets	403,790	148,133	102,656	53,956	99,045	403,790

Liabilities at 20 February 2021 (restated)	SOFP US$'000	Up to 1 year US$'000	1-3 Years US$'000	3-5 Years US$'000	5+ Years US$'000	Total US$'000
Insurance Liabilities	367,741	101,864	108,116	55,897	101,864	367,741
Unearned Premium	3,839	3,839	-	-	-	3,839
Payables	33,343	33,343	-	-	-	33,343
Accruals & Deferred Income	4,283	4,283	-	-	-	4,283
Total Financial Liabilities	409,206	143,329	108,116	55,897	101,864	409,206

4.3 MARKET RISK

Market risk is the risk of an adverse financial impact arising from fluctuations in the value of, or income from, its assets and liabilities. The principal sources of market risk are interest rate risk, equity price risk and foreign currency risk.

INTEREST RATE RISK

The capital values of fixed interest securities, which represent a significant proportion of the Association's invested assets, and interest rates have an inverse relationship. When interest rates rise, capital values will fall to adjust the fixed coupon in line with yields available elsewhere in the market. Furthermore, the longer a security's duration, the more price sensitive it will be to changes in interest rates.

The Association's Investment Policy Statement addresses interest rate risk by actively managing the average duration of each of the Association's fixed interest portfolios.

The Association does not consider its technical provisions to be directly sensitive to interest rate risk, however the average duration of its fixed interest holdings and its technical provisions is broadly matched.

It is estimated that the value of the Association's fixed interest securities would decrease in value by the following amount if market interest rates increased by 100 basis points at the year-end date. This sensitivity analysis is limited to interest rate sensitive asset holdings as the mitigating effect of matching liability valuation changes is not considered to be significant.

Increase of 100 Basis Points	Change in Valuation US$'000
As at 20 February 2022	**9,079**
As at 20 February 2021	13,458

EQUITY PRICE RISK

Equity price risk is the risk of an adverse movement in the valuation of the Association's equity holdings. The Association's Investment policy Statement addresses equity price risk by actively managing the maximum proportion of the overall portfolio that can be allocated to this asset class and by imposing investment guidelines limiting the level of concentration in a single stock or industry sector.

A 10 per cent decrease in the value of equity securities held at the year-end date would have decreased accumulated reserves at that date by US$5,405k (2021: US$5,624k).

FOREIGN CURRENCY RISK

A significant majority of the Association's liabilities are denominated in its functional currency of US$. It does, however, incur liabilities in a range of other currencies, the two most significant being Sterling and Euro. The Association's assets are predominantly invested in US$ denominated securities to ensure there is a matching of assets and liabilities in respect of the dominant currency of operation.

The profile of the Association'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 reinsurer's share of outstanding claims, or the existence of forward contracts, may depend on a different underlying currency.

Consolidated

As at 20 February 2022	**US$ US$'000**	**GBP US$'000**	**EUR US$'000**	**Other US$'000**	**Total US$'000**
Total Assets	**756,892**	**30,272**	**15,229**	**6,918**	**809,311**
Total Liabilities	**572,670**	**18,271**	**19,713**	**34,654**	**645,308**
Net Asset Position	**184,222**	**12,001**	**(4,484)**	**(27,736)**	**164,003**

As at 20 February 2021 (restated)	US$ US$'000	GBP US$'000	EUR US$'000	Other US$'000	Total US$'000
Total Assets	511,428	27,138	20,817	1,150	560,533
Total Liabilities	357,207	13,532	20,850	15,373	406,962
Net Asset Position	154,221	13,606	(33)	(14,223)	153,571

Parent

As at 20 February 2022	**US$ US$'000**	**GBP US$'000**	**EUR US$'000**	**Other US$'000**	**Total US$'000**
Total Assets	**689,849**	**17,186**	**16,016**	**32,339**	**755,390**
Total Liabilities	**595,993**	**18,212**	**19,441**	**34,645**	**668,291**
Net Asset Position	**93,856**	**(1,026)**	**(3,425)**	**(2,306)**	**87,099**

As at 20 February 2021 (restated)	US$ US$'000	GBP US$'000	EUR US$'000	Other US$'000	Total US$'000
Total Assets	383,874	12,839	18,810	14,078	429,601
Total Liabilities	359,501	13,533	20,799	15,373	409,206
Net Asset Position	24,373	(694)	(1,989)	(1,295)	20,395

A 5 per cent change of the following currencies against the US dollar would be estimated to have increased/ (decreased) the surplus before taxation and net assets at the year-end by the following amounts:

	Consolidated		**Parent**	
	20 February 2022 US$'000	20 February 2021 US$'000	**20 February 2022 US$'000**	20 February 2021 US$'000
Strengthening				
Sterling	**600**	680	**(51)**	(35)
Euro	**(224)**	(2)	**(171)**	(99)
Weakening				
Sterling	**(600)**	(680)	**51**	35
Euro	**224**	2	**171**	99

4.4 CREDIT RISK

Credit risk is the risk that the Association will suffer a loss due to the failure of a counterparty to perform its contractual obligations. The primary sources of credit risk for the Association are:

1. Amounts due from reinsurers
2. Amounts due from Members and assureds
3. Counterparty risk with respect to investments and cash deposits

Reinsurance default risk is managed by regular monitoring of current and prospective reinsurance counterparties and by having in place guidelines in respect of acceptable credit ratings and concentration limits.

Default risk in respect of Members and assureds is managed through the careful selection of new entrants and a cycle of regular monitoring of existing Members and assureds. The Association's management has in place processes and procedures for the regular monitoring of overdue receivable amounts, including escalation procedures leading ultimately to termination of cover in the event that amounts due are not settled in an appropriately timely manner.

Consolidated

As at 20 February 2022	**SOFP US$'000**	**AAA US$'000**	**AA US$'000**	**A US$'000**	**BBB US$'000**	**Other US$'000**	**Total US$'000**
Reinsurance Assets	**311,965**	**-**	**39,299**	**256,067**	**16,577**	**22**	**311,965**
RI Share of UPR	**1,006**	**-**	**-**	**1,006**	**-**	**-**	**1,006**
Taxation	**40**	**-**	**-**	**-**	**-**	**40**	**40**
Receivables	**53,757**	**-**	**2,416**	**7,512**	**162**	**43,667**	**53,757**
Deferred Acquisition Costs	**710**	**-**	**-**	**-**	**-**	**710**	**710**
Prepayments & Accrued Income	**34,515**	**-**	**201**	**102**	**277**	**33,935**	**34,515**
Total	**401,993**	**-**	**41,916**	**264,687**	**17,016**	**78,374**	**401,993**

As at 20 February 2021 (restated)	SOFP US$'000	AAA US$'000	AA US$'000	A US$'000	BBB US$'000	Other US$'000	Total US$'000
Reinsurance Assets	104,279	-	19,587	79,879	4,792	21	104,279
RI Share of UPR	848	-	-	848	-	-	848
Taxation	18	-	-	-	-	18	18
Receivables	23,877	-	8,042	2,672	7	13,156	23,877
Deferred Acquisition Costs	566	-	-	-	-	566	566
Prepayments & Accrued Income	4,872	1	389	198	402	3,882	4,872
Total	134,460	1	28,018	83,597	5,201	17,643	134,460

Parent

As at 20 February 2022	**SOFP US$'000**	**AAA US$'000**	**AA US$'000**	**A US$'000**	**BBB US$'000**	**Other US$'000**	**Total US$'000**
Reinsurance Assets	**572,170**	**-**	**39,299**	**256,067**	**16,577**	**260,227**	**572,170**
RI Share of UPR	**3,882**	**-**	**-**	**958**	**-**	**2,924**	**3,882**
Taxation	**18**	**-**	**-**	**-**	**-**	**18**	**18**
Receivables	**40,173**	**-**	**-**	**3,584**	**-**	**36,589**	**40,173**
Deferred Acquisition Costs	**629**	**-**	**-**	**-**	**-**	**629**	**629**
Prepayments & Accrued Income	**32,431**	**-**	**-**	**-**	**-**	**32,431**	**32,431**
Total	**649,303**	**-**	**39,299**	**260,609**	**16,577**	**332,818**	**649,303**

As at 20 February 2021 (restated)	SOFP US$'000	AAA US$'000	AA US$'000	A US$'000	BBB US$'000	Other US$'000	Total US$'000
Reinsurance Assets	350,363	-	19,587	79,879	4,792	246,105	350,363
RI Share of UPR	3,160	-	-	848	-	2,312	3,160
Taxation	18	-	-	-	-	18	18
Receivables	10,684	-	-	2,665	-	8,019	10,684
Deferred Acquisition Costs	566	-	-	-	-	566	566
Prepayments & Accrued Income	3,298	-	-	-	-	3,298	3,298
Total	368,089	-	19,587	83,392	4,792	260,318	368,089

With the exception of the amounts arising from Insurance Operations within receivables, there were no financial assets that were past due. The amounts past due for amounts arising from Insurance Operations are disclosed in Note 16.

The Association's fixed interest securities expose the Association to the risk of default in addition to the interest rate sensitivity risk explained above. Investment related credit risk is managed by the appointment of specialist fixed income managers to invest these funds on behalf of the Association, in accordance with set investment guidelines which ensure the level of risk does not exceed the Association's risk appetite and available capital. Minimum credit criteria are maintained for all bank counterparties with ratings dependent maximum exposure limits.

Consolidated

As at 20 February 2022	SOFP US$'000	AAA US$'000	AA US$'000	A US$'000	BBB US$'000	Other US$'000	Total US$'000
Cash & Investments	**385,589**	**96,171**	**83,784**	**82,115**	**38,619**	**84,900**	**385,589**

As at 20 February 2021	SOFP US$'000	AAA US$'000	AA US$'000	A US$'000	BBB US$'000	Other US$'000	Total US$'000
Cash & Investments	403,667	430	111,663	151,402	54,972	85,200	403,667

Parent

As at 20 February 2022	SOFP US$'000	AAA US$'000	AA US$'000	A US$'000	BBB US$'000	Other US$'000	Total US$'000
Cash & Investments	**71,298**	**40,560**	**-**	**30,738**	**-**	**-**	**71,298**

As at 20 February 2021	SOFP US$'000	AAA US$'000	AA US$'000	A US$'000	BBB US$'000	Other US$'000	Total US$'000
Cash & Investments	35,701	-	-	35,701	-	-	35,701

4.5 CAPITAL MANAGEMENT (UNAUDITED)

The Association is subject to the EU's Solvency II regulatory regime which imposes capital requirements in the form of a Solvency Capital Requirement (SCR) and a Minimum Capital Requirement (MCR). The SCR is calibrated to ensure that all quantifiable risks to which the Association is exposed are taken into account and corresponds to the Value-at-Risk of capital subject to a confidence level of 99.5% over a one-year period. The Association has agreed with the Prudential Regulation Authority a capital add-on of US$5.3m, effective from 20 February 2022, as part of its group level SCR for the remote risk the Association is exposed to through its management agreement contract and relationship with its independent management company, and its pension deficit. The MCR sets a capital requirement significantly lower than the SCR and corresponds to an amount of capital below which policy holders are exposed to an unacceptable level of risk.

The Solvency II regime provides specific rules for the valuation of assets and liabilities, including technical provisions, which differ in some respects from UK GAAP. Furthermore, Solvency II rules for the determination, classification and eligibility of own funds limit the comparability of the Association's accumulated reserves measured under UK GAAP with its own funds eligible to meet its SCR and MCR. The Association's capital management objectives and processes are designed to align with Solvency II rules on the calibration of financial risks and measurement of own funds available to meet these financial risks. Information on objectives for managing capital in line with financial risks as measured on a Solvency II consistent basis is provided in Section 5 of the Association's Solvency & Financial Condition Report available on its website.

The Association complied with its SCR and MCR throughout the period under review.

NOTE 5: Segmental Analysis by Class

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

5.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 20 February 2022	Total US$'000	Class 5 P&I US$'000	Class 7 War Risk US$'000	Class 8 FD&D US$'000
Technical Account – General Business				
Net Earned Premium	**193,829**	**181,708**	**211**	**11,910**
Foreign Exchange Gains/(Losses)	**28**	**144**	**(2)**	**(114)**
Allocated Investment Return transferred from Non-Technical account	**(4,277)**	**(4,073)**	**-**	**(204)**
Net Incurred Claims	**(154,232)**	**(142,534)**	**-**	**(11,698)**
Net Operating Expenses	**(24,687)**	**(22,490)**	**(63)**	**(2,314)**
Balance Carried to Non-Technical Account	**10,481**	**12,755**	**146**	**(2,420)**
Non- Technical Account				
Balance Transferred from Technical Account	**10,481**	**12,755**	**146**	**(2,420)**
Investment Income	**16,477**	**15,492**	**-**	**985**
Unrealised (Losses) on Investments	**(18,796)**	**(17,725)**	**-**	**(1,071)**
Investment Expenses	**(1,958)**	**(1,840)**	**-**	**(118)**
Allocation of Investments to Technical Account	**(4,277)**	**(4,073)**	**-**	**(204)**
Net Surplus/(Deficit) before Taxation	**10,481**	**12,755**	**146**	**(2,420)**
Taxation Expense	**(49)**	**(46)**	**-**	**(3)**
Net Surplus/(Deficit) after Taxation	**10,432**	**12,709**	**146**	**(2,423)**
Accumulated Reserves at 20 February 2021	**153,571**	**134,425**	**4,527**	**14,619**
Accumulated Reserves at 20 February 2022	**164,003**	**147,134**	**4,673**	**12,196**

For the year ended 20 February 2021	Total US$'000 (restated)	Class 5 P&I US$'000 (restated)	Class 7 War Risk US$'000	Class 8 FD&D US$'000 (restated)
Technical Account – General Business				
Net Earned Premium	99,968	88,901	84	10,983
Foreign Exchange (Losses)/Gains	(155)	(163)	-	8
Allocated Investment Return transferred from Non-Technical account	16,670	15,674	-	996
Net Incurred Claims	(120,194)	(110,295)	-	(9,899)
Net Operating Expenses	(16,489)	(14,362)	27	(2,154)
Balance Carried to Non-Technical Account	(20,200)	(20,245)	111	(66)
Non- Technical Account				
Balance Transferred from Technical Account	(20,200)	(20,245)	111	(66)
Investment Income	23,189	21,839	-	1,350
Unrealised Gains on Investments	482	422	-	60
Unrealised (Losses) on Investment Property	(4,687)	(4,406)	-	(281)
Investment Expenses	(2,314)	(2,181)	-	(133)
Allocation of Investments to Technical Account	16,670	15,674	-	996
Net (Deficit)/Surplus before Taxation	(20,200)	(20,245)	111	(66)
Taxation Expense	(120)	(111)	-	(9)
Net (Deficit)/Surplus after Taxation	(20,320)	(20,356)	111	(75)
Accumulated Reserves at 20 February 2020	173,891	154,781	4,416	14,694
Accumulated Reserves at 20 February 2021	153,571	134,425	4,527	14,619

5.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 20 February 2022	Total US$'000	Class 5 P&I US$'000	Class 7 War Risk US$'000	Class 8 FD&D US$'000
ASSETS				
Investment Property	**21,729**	**20,425**	**-**	**1,304**
Financial Investments	**287,031**	**269,456**	**2,952**	**14,623**
Reinsurance Assets	**311,965**	**300,234**	**-**	**11,731**
Reinsurers' Share of Unearned Premium	**1,006**	**985**	**-**	**21**
Insurance & Other Receivables	**53,757**	**51,397**	**59**	**2,301**
Current Taxation	**40**	**40**	**-**	**-**
Cash & Cash Equivalents	**98,558**	**86,096**	**1,722**	**10,740**
Deferred Acquisition Costs	**710**	**664**	**-**	**46**
Prepayments & Accrued Income	**34,515**	**33,413**	**35**	**1,067**
TOTAL ASSETS	**809,311**	**762,710**	**4,768**	**41,833**
RESERVES				
Income & Expenditure Account	**164,003**	**147,134**	**4,673**	**12,196**
LIABILITIES				
Unearned Premium	**4,768**	**4,391**	**-**	**377**
Insurance Liabilities	**591,969**	**565,694**	**-**	**26,275**
Insurance & Other Payables	**42,365**	**39,509**	**14**	**2,842**
Accruals & Deferred Income	**6,206**	**5,982**	**81**	**143**
TOTAL LIABILITIES	**645,308**	**615,576**	**95**	**29,637**
TOTAL LIABILITIES & RESERVES	**809,311**	**762,710**	**4,768**	**41,833**

As at 20 February 2021	Total US$'000 (restated)	Class 5 P&I US$'000 (restated)	Class 7 War Risk US$'000	Class 8 FD&D US$'000 (restated)
ASSETS				
Investment Property	22,406	21,062	-	1,344
Financial Investments	306,795	285,869	2,952	17,974
Reinsurance Assets	104,279	95,299	-	8,980
Reinsurers' Share of Unearned Premium	848	842	-	6
Insurance & Other Receivables	23,877	21,525	193	2,159
Current Taxation	18	18	-	-
Cash & Cash Equivalents	96,872	85,933	1,516	9,423
Deferred Acquisition Costs	566	556	-	10
Prepayments & Accrued Income	4,872	3,884	156	832
TOTAL ASSETS	560,533	514,988	4,817	40,728
RESERVES				
Income & Expenditure Account	153,571	134,425	4,527	14,619
LIABILITIES				
Unearned Premium	3,839	3,773	-	66
Insurance Liabilities	367,722	344,476	-	23,246
Insurance & Other Payables	30,686	27,801	178	2,707
Accruals & Deferred Income	4,715	4,513	112	90
TOTAL LIABILITIES	406,962	380,563	290	26,109
TOTAL LIABILITIES & RESERVES	560,533	514,988	4,817	40,728

NOTE 6: Net Earned Premium

All contracts are concluded in the United Kingdom

	2022 US$'000	2021 US$'000
Gross Calls & Premiums Written during the Year	**215,777**	119,382
Reinsurance Premiums paid during the Year:		
Group Excess of Loss	**(10,164)**	(9,623)
Other Reinsurance Premiums	**(11,013)**	(9,836)
Net Written Premium	**194,600**	99,923
Change in Provision for Unearned Premiums	**(929)**	115
Change in Provision for Reinsurers' Share of Unearned Premiums	**158**	(70)
Net Earned Premium	**193,829**	99,968

NOTE 7: Gross Claims Paid

	2022 US$'000	2021 US$'000
Gross Payment of Association's Own Claims	**183,695**	104,414
Association's Share of Other Clubs' Pool Claims	**13,151**	13,493
Gross Claims Paid	**196,846**	117,907

NOTE 8: Reinsurance Recoveries

	2022 US$'000	2021 US$'000
Association's Claims under Pooling Agreement	**52,313**	9,275
Recoveries under Group Excess of Loss Policies	**4,649**	1,006
Recoveries under Sundry Reinsurance Policies	**2,213**	3,933
Reinsurance Recoveries	**59,175**	14,214

NOTE 9: Investment Income

	2022 US$'000	2021 US$'000
Income from Listed Investments	**6,483**	9,526
Realised Gains on Investments	**9,883**	13,464
Bank & Other Interest Receivable	**111**	199
Investment Income	**16,477**	23,189

NOTE 10: Net Operating Expenses

	2022 US$'000	2021 US$'000
Acquisition Costs	**19,953**	12,559
Administration Expenses	**4,914**	3,930
Net Operating Expenses	**24,867**	16,489

Included within Net Operating Expenses are the following:

	2022 US$'000	2021 US$'000
Fees payable to the Association's auditor and its associates for the audit of the Association and the Group's consolidated financial statements	**324**	135
Fees payable to the Association's auditor and its associates for other services:		
– Audit of the Association's subsidiaries	**93**	122
– Audit-related assurance services	**29**	37
Board and Committee Fees	**601**	510
Change in Deferred Acquisition Costs	**145**	(4)

Other than the Board and Committee Members, the Association does not employ any staff (2021: nil).

NOTE 11: Taxation

	2022 US$'000	2021 US$'000
Analysis of charge for period		
Prior year adjustments	**-**	(20)
Unrelieved foreign withholding taxes	**49**	140
Income Tax Expense	**49**	120

By virtue of its mutual status, the Association is not liable to tax on its underwriting operations. The Association's own investment income is subject to UK Corporation tax. The investment income of the Association's subsidiary The London Steam-ship Owner's Mutual Insurance Association (Bermuda) Limited and Hydra Insurance Company Limited – London Cell are not subject to tax in Bermuda but do suffer irrecoverable withholding tax on income from investments in certain jurisdictions.

FACTORS AFFECTING THE TAX CHARGE FOR PERIOD

The tax charge for the period is lower than that produced by applying the standard rate of Corporation tax in the UK of 19% for the year. The differences are explained below:

	2022 US$'000	2021 US$'000
Net surplus/(deficit) before tax	**10,481**	(20,200)
Multiplied by standard rate of Corporation tax in the UK of 19%	**1,991**	(3,838)
Effects of:		
Non-taxable mutual insurance underwriting operations	**(2,804)**	7,005
Non-taxable investment income	**813**	(3,167)
Prior year adjustments to current tax	**-**	(20)
Unrelieved foreign withholding taxes	**49**	140
Income Tax Expense	**49**	120

NOTE 12: Investments in Group Undertakings & Participating Interests

	2022 US$'000	2021 US$'000
Shares in Group Undertakings & Participating Interests	**34,789**	25,811

The Companies listed below are wholly owned subsidiaries.

	Consolidated	Address of the registered office and country of incorporation	Company registration number	Class of Shares	Principal Activity
Hydra Insurance Company Limited – London Cell	Yes	Clarendon House 2 Church Street Hamilton, HM11, Bermuda	34834	Ordinary/ Preferred	Reinsurance
The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited	Yes	Clarendon House 2 Church Street, Hamilton, HM11, Bermuda	6685	N/A	Reinsurance
The London P&I Insurance Company (Europe) Limited	Yes	5 Esperidon Street 4th Floor Strovolos, 2001 Nicosia, Cyprus	HE410091	Ordinary	Insurance
London & Bermuda Reinsurance Company Limited	No	Clarendon House 2 Church Street, Hamilton, HM11, Bermuda	2851	Ordinary	Dormant

The London P&I Insurance Company (Europe) Limited was incorporated as a limited company in Cyprus on 12 June 2020. At 20 February 2022, the Association's investment comprised 20,000 ordinary shares at a premium in the Company amounting to US$20,000k.

At 20 February 2022, the Association's investment in Hydra comprised 20,000 ordinary shares at par in the Company and preferred shares and contributed surplus in the Association's cell of Hydra amounting to US$14,769k (2021: US$5,791k). During the year, the Association, contributed $8,978k to ensure that the regulatory capital requirements of the London Hydra Cell were met.

The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited is a mutual insurance company registered in Bermuda and limited by guarantee without share capital. The Association is the sole Member of The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited.

In view of the dormant and immaterial nature of London and Bermuda Reinsurance Company Limited (LBR), the Board has taken the decision to exclude this entity from the Consolidated Financial Statements. LBR does prepare standalone Financial Statements and its Financial Statements are filed with the Bermuda Monetary Authority.

NOTE 13: Investments in Associates

The Association recognises its investments in associates at cost less any accumulated impairment losses. The Association's only associate investment is its investment in A. Bilbrough & Co. Limited, registered at 50 Leman Street, London E1 8HQ. The carrying value of this investment is US$Nil (2021: US$Nil).

The Association owns 120,000 'A' preference shares in A. Bilbrough & Co. Limited and none of the 150,000 management shares. The 'A' shares rank pari passu with the management shares in all respects save that:

- The holders of the 'A' shares have a prior right to a cumulative dividend at the rate of 7.5 pence per share per annum; and
- The holders of the 'A' shares have no right to attend or vote at general meetings unless payment of their dividend is in arrears.

NOTE 14: Financial Investments

All Financial Investments listed below are valued at fair value through profit or loss.

As at 20 February 2022	Consolidated		Parent	
	Market Value US$'000	Cost US$'000	Market Value US$'000	Cost US$'000
Equity Securities	**54,045**	**49,113**	**-**	**-**
Debt Securities	**222,666**	**227,669**	**-**	**-**
Unlisted Investments	**20**	**-**	**-**	**-**
Unlisted Deposits	**50,860**	**50,882**	**50,860**	**50,882**
Total Investments	**327,591**	**327,664**	**50,860**	**50,882**

As at 20 February 2021	Consolidated		Parent	
	Market Value US$'000 (restated)	Cost US$'000 (restated)	Market Value US$'000 (restated)	Cost US$'000 (restated)
Equity Securities	56,236	45,576	-	-
Debt Securities	226,657	219,255	-	-
Unlisted Investments	20	-	-	-
Unlisted Deposits	23,882	23,804	23,882	23,804
Total Investments	306,795	288,635	23,882	23,804

Included in financial investments is US$10,300k (2021: US$10,300k) pledged as collateral for contingent liabilities. P&I Clubs will, in certain circumstances, arrange for the issuance of bank guarantees on behalf of a Member to claimants as security for their alleged claim, with this security limited to the Member's legal liability established either by agreement or in accordance with the relevant law and covered under the Member's Terms of Entry. The terms and conditions of one legacy guarantee facility require the Association to pledge cash collateral equal to the full value of all outstanding guarantees. The Association's liquidity is not hampered by these arrangements because the Association can recover monies from its quota share reinsurer to maintain necessary solvency and liquidity levels.

DISCLOSURES OF FAIR VALUES IN ACCORDANCE WITH THE FAIR VALUE HIERARCHY

The Association has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value takes into account the following:

VALUATION METHODOLOGY	
The unadjusted quoted price in an active market for identical assets or liabilities that the Association can access at the measurement date	Level 1
Inputs other than quoted price included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly	Level 2
Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability	Level 3

The following table presents the Association's investments at Fair Value:

As at 20 February 2022	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Equity Securities	**54,053**	**-**	**-**	**54,053**
Debt Securities & Other	**48,123**	**225,395**	**-**	**273,518**
Total	**102,176**	**225,395**	**-**	**327,571**

As at 20 February 2021	Level 1 US$'000	Level 2 US$'000 (restated)	Level 3 US$'000	Total US$'000 (restated)
Equity Securities	56,236	-	-	56,236
Debt Securities & Other	61,943	188,596	-	250,539
Total	118,179	188,596	-	306,775

NOTE 15: Investment Property

The investment property is 50 Leman Street, London E1 8HQ, United Kingdom, owned by The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited. In accordance with FRS 102 Section 16, the Association accounts for this investment property at fair value at each reporting date with changes in fair value recognised in the Consolidated Statement of Comprehensive Income and Retained Earnings.

A valuation of this investment property was undertaken in 2019 by an Independent Chartered Surveyor and Royal Institution of Chartered Surveyors (RICS) Registered Valuer with the relevant knowledge, skills and understanding to undertake this valuation competently. The Valuation Report was dated 24 September 2019 and the market value of the property was assessed at GBP19,100k on that date. The report was prepared in accordance with the RICS Valuation – Global Standards, incorporating the International Valuation Standards (IVS) 2017 (The Red Book). The valuation methodology to arrive at an opinion of market value was the investment method, whereby the estimated rental value of the property is capitalised by means of a Years Purchase which is the conventionally used basis. As a check to this method, the valuer also considered sales of similar office comparables and based the valuation on a GBP per square foot basis.

A desktop valuation update has been undertaken by the same Independent Chartered Surveyor and RICS Registered Valuer to reflect the impact of the COVID-19 pandemic on the assessed market value. This desktop Valuation Report was dated 17 March 2022 and the market value of the property was assessed at GBP16,000k on that date. On the basis of this Report the Association has assessed the fair value of the property at GBP16,000k as at 20 February 2022 (2021: GBP16,000k).

	2022 US$'000	2021 US$'000
As at 21 February	**22,406**	24,619
Unrealised (loss)	**-**	(4,687)
FX movement	**(677)**	2,474
As at 20 February	**21,729**	22,406

NOTE 16: Insurance & Other Receivables

	Consolidated		**Parent**	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Amounts arising from Insurance Operations	**36,057**	7,919	**35,158**	7,913
Reinsurance Debtors	**3,584**	2,665	**3,584**	2,665
Sale transactions of financial investments awaiting settlement	**13,742**	12,649	**-**	-
Other Receivables	**374**	644	**1,431**	106
Total Insurance & Other Receivables	**53,757**	23,877	**40,173**	10,684

Amounts arising from Insurance Operations includes US$25,851k not overdue (2021: US$2,049k), US$7,156k overdue by up to six months (2021: US$3,491K), US$2,723k overdue by more than six months but less than 12 months (2021: US$1,597K), and US$327k overdue by more than 12 months (2021: US$782K). All balances past due are not impaired (2021: Nil).

NOTE 17: Net Insurance Liabilities

BALANCES ON INSURANCE AND REINSURANCE CONTRACTS

	Consolidated		Parent	
	2022 US$'000	2021 US$'000 (restated)	**2022 US$'000**	2021 US$'000 (restated)
Insurance Liabilities				
Members Claims	**533,673**	301,022	**532,679**	301,022
Association's Share of Pool Claims	**58,296**	66,700	**58,338**	66,719
Unearned Premium	**4,768**	3,839	**4,611**	3,839
	596,737	371,561	**595,628**	371,580
Reinsurance Assets				
Market Reinsurance	**127,908**	40,996	**501,249**	284,003
Pool Recoveries	**184,057**	63,283	**70,921**	66,360
Reinsurers' Share of Unearned Premium	**1,006**	848	**3,882**	3,160
	312,971	105,127	**576,052**	353,523
Net Insurance Liabilities	**283,766**	266,434	**19,576**	18,057

MOVEMENT IN INSURANCE & REINSURANCE CONTRACTS

	Consolidated		Parent	
	2022 US$'000	2021 US$'000 (restated)	**2022 US$'000**	2021 US$'000 (restated)
Insurance Liabilities & Unearned Premium				
Claims Outstanding				
As at 21 February	**367,722**	363,370	**367,741**	363,419
Claims paid in the Year	**(196,846)**	(117,907)	**(196,507)**	(117,907)
Changes to Reserves in the Year	**421,093**	122,259	**419,783**	122,229
As at 20 February	**591,969**	367,722	**591,017**	367,741
Unearned Premium				
As at 21 February	**3,839**	3,953	**3,839**	3,953
Calls & Premiums Written in the Year	**215,777**	119,382	**212,096**	119,382
Calls & Premiums Earned in the Year	**(214,848)**	(119,496)	**(211,324)**	(119,496)
As at 20 February	**4,768**	3,839	**4,611**	3,839
Total Insurance Liabilities & Unearned Premiums	**596,737**	371,561	**595,628**	371,580
Reinsurance Assets & Reinsurers' Share of Unearned Premium				
Reinsurers' Share of Claims Outstanding				
As at 21 February	**104,279**	116,428	**350,363**	347,892
Reinsurance Recoveries made in the Year	**(59,175)**	(14,214)	**(65,255)**	(23,131)
Changes to Reserves in the Year	**266,861**	2,065	**287,062**	25,602
As at 20 February	**311,965**	104,279	**572,170**	350,363
Reinsurers' Share of Unearned Premium				
As at 21 February	**848**	918	**3,160**	3,258
Reinsurance Premium Written in the Year	**21,177**	19,459	**29,433**	28,584
Reinsurance Premium Earned in the Year	**(21,019)**	(19,529)	**(28,711)**	(28,682)
As at 20 February	**1,006**	848	**3,882**	3,160
Total Reinsurance Assets & Reinsurers' Share of Unearned Premium	**312,971**	105,127	**576,052**	353,523
Total Net Technical Provisions	**283,766**	266,434	**19,576**	18,057

Claims Development Tables

The following tables compare the projected ultimate claims experience of the Association compared with the previous projected ultimate claims for each policy year on a gross and net basis:

GROSS CLAIMS DEVELOPMENT

As at 20 Feb 2022	Other US$'000	2012/13 US$'000	2013/14 US$'000	2014/15 US$'000	2015/16 US$'000	2016/17 US$'000	2017/18 US$'000	2018/19 US$'000	2019/20 US$'000	2020/21 US$'000	2021/22 US$'000	Total US$'000
Gross Ultimate Claims												
Current Year		88,893	87,496	118,199	67,568	69,773	73,112	126,957	98,188	104,644	406,245	
One Year Later		82,990	81,323	124,185	67,343	69,688	72,673	126,326	119,007	109,328		
Two Years Later		79,455	76,398	116,569	68,322	74,237	71,767	116,550	119,229			
Three Years Later		73,107	75,128	106,698	65,719	71,222	70,543	108,401				
Four Years Later		70,511	71,465	110,740	63,537	69,335	67,846					
Five Years Later		67,956	70,094	104,746	63,467	70,359						
Six Years Later		66,801	71,756	106,671	62,491							
Seven Years Later		66,582	71,544	104,465								
Eight Years Later		65,907	70,233									
Nine Years Later		65,668										
Gross Cumulative Paids												
Current Year		14,760	12,290	20,688	12,590	24,450	11,255	22,164	18,426	18,428	85,013	
One Year Later		37,189	32,600	40,925	30,105	39,021	30,406	47,604	52,717	48,013		
Two Years Later		52,890	44,171	66,001	39,907	54,268	40,314	66,451	73,567			
Three Years Later		57,576	50,876	71,367	48,089	60,616	51,131	76,810				
Four Years Later		60,466	56,335	75,734	55,419	61,362	55,305					
Five Years Later		62,442	63,154	86,384	57,116	65,829						
Six Years Later		64,121	66,716	95,909	58,654							
Seven Years Later		66,201	68,220	97,233								
Eight Years Later		67,415	68,639									
Nine Years Later		67,548										
Gross Outstanding Claims	104,315	(1,880)	1,594	7,232	3,837	4,530	12,541	31,591	45,662	61,315	321,232	**591,969**

Net Claims Development

As at 20 Feb 2022	Other US$'000	2012/13 US$'000	2013/14 US$'000	2014/15 US$'000	2015/16 US$'000	2016/17 US$'000	2017/18 US$'000	2018/19 US$'000	2019/20 US$'000	2020/21 US$'000	2021/22 US$'000	Total US$'000
Net Ultimate Claims												
Current Year		88,772	85,760	93,132	64,544	60,044	72,639	84,041	96,334	88,337	135,924	
One Year Later		82,941	79,382	89,177	62,130	60,514	69,494	88,638	107,650	90,257		
Two Years Later		78,981	75,771	86,718	63,089	65,527	68,412	89,591	106,449			
Three Years Later		72,803	74,238	84,848	60,642	63,323	67,446	87,909				
Four Years Later		70,459	71,146	84,045	59,082	62,729	67,745					
Five Years Later		67,913	69,808	83,002	58,483	62,737						
Six Years Later		66,763	71,424	86,411	57,440							
Seven Years Later		66,543	71,280	85,768								
Eight Years Later		65,869	69,970									
Nine Years Later		65,630										
Net Cumulative Paids												
Current Year		14,760	12,290	20,688	11,761	20,734	11,255	22,164	18,426	18,428	34,556	
One Year Later		37,189	32,523	40,925	29,234	33,237	30,363	43,936	52,717	48,013		
Two Years Later		52,852	43,908	57,041	39,027	48,477	40,213	55,685	73,567			
Three Years Later		57,538	50,612	62,106	47,141	54,414	51,031	65,764				
Four Years Later		60,428	56,071	65,056	51,068	55,176	55,204					
Five Years Later		62,403	62,890	75,390	52,625	59,544						
Six Years Later		64,083	66,453	80,735	54,064							
Seven Years Later		66,163	67,956	82,018								
Eight Years Later		67,376	68,376									
Nine Years Later		67,510										
Net Outstanding Claims	58,791	(1,880)	1,594	3,750	3,376	3,193	12,541	22,145	32,882	42,244	101,368	**280,004**

NOTE 18: Insurance & Other Payables

	Consolidated		Parent	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Amounts arising out of Insurance Operations	**9,150**	2,812	**8,949**	2,786
Reinsurance Creditors	**1,034**	237	**1,034**	237
Purchase transactions of financial investments awaiting settlement	**31,172**	25,764	**-**	-
Other Payables	**1,009**	1,873	**884**	1,862
Intercompany	**-**	-	**56,357**	28,458
Total Insurance & Other Payables	**42,365**	30,686	**67,224**	33,343

NOTE 19: Deferred Acquisition Costs

	Consolidated		Parent	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
As at 21 February	**566**	570	**566**	570
Acquisition costs written in the year	**20,097**	10,644	**18,938**	10,644
Acquisition costs earned in the year	**(19,953)**	(10,648)	**(18,875)**	(10,648)
As at 20 February	**710**	566	**629**	566

NOTE 20: Parent Company Movement in Reserves Attributable to Member

	2022 US$'000	2021 US$'000
Income & Expenditure account		
As at 21 February	20,395	6,990
Surplus for the financial year	66,704	13,405
As at 20 February	**87,099**	20,395

NOTE 21: Related Party Transactions

The Association has no share capital and is controlled by its members who are also the insured. The insurance transactions are deemed to be related party transactions but these are the only transactions between the Association and its members.

Most of the Directors are representatives or agents of member companies and other than the insurance and membership interests in the Directors' companies, the Directors have no financial interest in the Association. The Board delegates the day to day operations of the Association to A. Bilbrough & Co. Limited. Three Directors of A. Bilbrough & Co. Limited are directors of the Association. The Association paid management fees of £15.7m (2020/21: £15.4m) to A. Bilbrough & Co. Limited for the year.

The Association has a wholly owned subsidiary, The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited, noted at Note 12, to whom it cedes 90% of all P&I and FD&D Claims risks and associated Reinsurance Recoveries by way of a Quota Share Reinsurance Agreement in return for 90% of the Net Premium Income (less a ceding commission) earned in the year.

NOTE 22: Average Expense Ratio – P&I Only

In accordance with the International Group Agreement 2020, the Association is required to include in these Financial Statements a statement of its Average Expense Ratio for P&I business for the five years ended 20 February 2022. The Ratio of 11.95% (2021: 10.46%) has been calculated in accordance with the schedule and the guidelines issued by the International Group and is consistent with the relevant Financial Statements.

NOTE 23: Prior Year Restatement

Claims outstanding

The provision for claims outstanding in the Financial Statements comprises the Directors' estimate of the ultimate outcome of all reported claims based on current information, plus their forecast of the ultimate cost of claims IBNR. The Association's accounting policy, as set out in Note 2.2.7 to the Financial Statements, is to recognise claims provisions gross of any reinsurance recoveries and to recognise separately the reinsurers' share of claims outstanding. For the year ended 20 February 2021, the IBNR component of claims outstanding was recognised net of estimated reinsurers' share of claims outstanding on both the Group and Parent Company's Statement of Financial Position. The prior year comparatives in these Financial Statements for Reinsurance Assets and Insurance Liabilities on both the Group and Parent Company's Statement of Financial Position and the associated Notes to the Financial Statements have been restated to recognise the IBNR component of claims outstanding at 20 February 2021 gross of reinsurance recoveries and to recognise separately the estimated reinsurers' share of the gross IBNR. The prior year comparatives in these Financial Statements for the gross amount and reinsurers' share of the change in provision for claims in the Consolidated Statement of Comprehensive Income and Retained Earnings have been restated to recognise the movement of the IBNR component of claims gross of reinsurance recoveries and to recognise separately the movement of the reinsurers' share of the gross IBNR. The correction resulted in the amounts to be restated as per page 49:

	Restated US$'000	Previously reported US$'000
Consolidated		
Change in provision for claims:		
Gross Amount	**(4,352)**	(17,374)
Reinsurers' Share	**(12,149)**	873
Reinsurance Assets	**104,279**	88,782
Insurance Liabilities	**367,722**	352,225
Parent company		
Reinsurance Assets	**350,363**	334,866
Insurance Liabilities	**367,741**	352,244

This restatement has no impact on the Association's reported Net Deficit after Taxation of US$20,320k for the year ended 20 February 2021, reserves of the Group of US$153,571k as at 20 February 2021 and reserves of the Parent company of US$20,395k as at 20 February 2021.

Cash and Cash Equivalents

The Association's accounting policy, as set out in Note 2.3.10 to the Financial Statements, is to recognise highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value as cash and cash equivalents. For the year ended 20 February 2021, certain money market funds were reported as cash and cash equivalents on both the Group and Parent Company's Statement of Financial Position but should have been reported as Financial Investments given that these money market funds are subject to risk of changes in value. The prior year comparatives in these Financial Statements for Financial Investments and Cash and Cash Equivalents on both the Group and Parent Company's Statement of Financial Position and the associated Notes to the Financial Statements have been restated to reclass these money market funds from Cash and Cash Equivalents to Financial Investments. The prior year comparatives in these Financial Statements for the Payments to acquire investments and Receipts for the sale of investments in the Consolidated Statement of Cash Flows have been restated to recognise the movements in relation to these money market funds. The correction resulted in the amounts to be restated as per below:

	Restated US$'000	Previously reported US$'000
Consolidated		
Financial Investments	**306,795**	293,213
Cash & Cash Equivalents	**96,872**	110,454
Payments to acquire investments	**(664,593)**	(655,557)
Receipts for the sale of investments	**738,327**	742,873
Parent company		
Other Financial Investments	**23,882**	10,300
Cash & Cash Equivalents	**11,819**	25,401

This restatement has no impact on the Association's report Net Deficit after Taxation of US$20,320k for the year ended 20 February 2021, reserves of the Group of US$153,571k as at 20 February 2021 and reserves of the Parent Company of US$20,395k as at 20 February 2021.

Appendix I: Policy Year Statements (Unaudited)

CLASS 5 – P&I POLICY YEAR STATEMENT

	Notes	Reserves US$'000	Closed Years US$'000	2019/20 Policy Year US$'000	2020/2021 Policy Year US$'000	2021/2022 Policy Year US$'000	Total US$'000
Year to 20 February 2022				26,830	30,273	144,038	
Year to 20 February 2021				5,055	101,081	-	
Year to 20 February 2020				100,089	-	-	
Total Earned Calls & Premiums				131,974	131,354	144,038	
Earned Reinsurance Premiums				(17,123)	(18,084)	(18,879)	
Net Earned Premium				**114,851**	**113,270**	**125,159**	
Net Claims Paid	1			(81,523)	(57,247)	(48,269)	
Net Operating Expenses	2			(15,516)	(14,139)	(19,146)	
Investment Income				20,309	19,058	12,659	
Balance available for Outstanding Claims		**134,425**	**75,584**	**38,121**	**60,942**	**70,403**	**379,475**
Allocation from Reserves at 20 February 2021			21,488	22,110	5,641	-	49,239
Net Insurance Liabilities			(94,201)	(33,124)	(40,892)	(97,244)	(265,461)
		134,425	2,871	27,107	25,691	(26,841)	163,253
Unrealised Losses on Investments & Property		(16,141)	-	-	-	-	(16,141)
Allocation from Closed Years at 20 February 2022		(23,970)	(2,871)	-	-	26,841	-
Undiscounted Policy Year Balances		**94,314**	**-**	**27,107**	**25,691**	**-**	**147,112**

CLASS 8 – FD&D POLICY YEAR STATEMENT

	Notes	Reserves US$'000	Closed Years US$'000	2019/20 Policy Year US$'000	2020/2021 Policy Year US$'000	2021/2022 Policy Year US$'000	Total US$'000
Year to 20 February 2022				85	434	12,521	
Year to 20 February 2021				261	11,687	-	
Year to 20 February 2020				11,903	-	-	
Total Earned Calls & Premiums				12,249	12,121	12,521	
Earned Reinsurance Premiums				(1,058)	(1,070)	(1,099)	
Net Earned Premium				**11,191**	**11,051**	**11,422**	
Net Claims Paid				(9,870)	(7,537)	(4,848)	
Net Operating Expenses	2			(2,070)	(2,006)	(2,414)	
Investment Income				1,212	1,209	864	
Balance available for Outstanding Claims		**13,168**	**2,800**	**463**	**2,717**	**5,024**	**24,172**
Allocation from Reserves at 20 February 2021			1,801	819	978	-	3,598
Net Insurance Liabilities			(3,135)	(1,182)	(3,253)	(6,974)	(14,544)
		13,168	1,466	100	442	(1,950)	13,226
Unrealised Losses on Investments & Property		(1,030)	-	-	-	-	(1,030)
Allocation from Closed Years at 20 February 2022		(484)	(1,466)	-	-	1,950	-
Undiscounted Policy Year Balances		**11,654**	**-**	**100**	**442**	**-**	**12,196**

NOTE 1: NET CLAIMS PAID

Included within Class 5 are the Association's Share of Other Clubs' Pool Claims. The Association's liability under the Pooling Agreement for the Policy Years 2019/20 – 2021/22 has been determined on the basis of current provisional percentage shares. Final percentage shares may differ.

	2019/20 US$'000	2020/21 US$'000	2020/21 US$'000
Association's Share of Other Clubs' Pool Claims	9,682	5,942	3,580

NOTE 2: NET OPERATING EXPENSES

Net operating expenses include brokerage, commissions and exchange adjustments as follows:

	CLASS 5 – P&I			CLASS 8 – FD&D		
	2019/20 US$'000	2020/21 US$'000	2021/22 US$'000	2019/20 US$'000	2020/21 US$'000	2021/22 US$'000
Exchange Adjustments	24	(2,163)	**492**	4	(156)	**155**
Admin Expenses	2,990	3,259	**4,936**	662	678	**722**
Brokerage & Commission	12,502	13,043	**13,718**	1,404	1,484	**1,537**
Total	15,516	14,139	**19,146**	2,070	2,006	**2,414**

NOTE 3: NET OUTSTANDING CLAIMS

	CLASS 5 – P&I				CLASS 8 – FD&D			
	Closed Years US$'000	2019/20 US$'000	2020/21 US$'000	2021/22 US$'000	Closed Years US$'000	2019/20 US$'000	2020/21 US$'000	2021/22 US$'000
Gross Claims Outstanding								
Retained	127,741	34,905	43,319	301,433	6,673	3,290	5,944	10,368
Pool	23,173	8,890	13,952	12,281	-	-	-	-
	150,914	43,795	57,271	313,714	6,673	3,290	5,944	10,368
Reinsurers' Share of Claims Outstanding								
Pool	(30,225)	-	(16,380)	(137,452)	-	-	-	-
Group XL/Hydra	(14,592)	-	-	(63,107)	-	-	-	-
Other	(11,897)	(10,671)	-	(15,910)	(3,538)	(2,108)	(2,691)	(3,394)
	(56,714)	(10,671)	(16,380)	(216,469)	(3,538)	(2,108)	(2,691)	(3,394)
Net Claims	94,200	33,124	40,891	97,245	3,135	1,182	3,253	6,974

Appendix II: Release Calls (Unaudited)

At the meeting on 26 April 2022, the Board reviewed the Open Policy Years and Release Call rates and reached the following decisions:

	Class 5 – P&I	Class 8 – FD&D
2019/2020	5.0% of the Annual Call	5.0% of the Annual Call
2020/2021	5.0% of the Annual Call	12.5% of the Annual Call
2021/2022	15.0% of the Annual Call	15.0% of the Annual Call
2022/2023	15.0% of the Annual Call	15.0% of the Annual Call

The P&I Release Call rates above for the 2019/20, 2020/21 and 2021/22 policy years are in addition to the Supplementary Calls announced in October 2021. In setting Release Calls at these levels the factors taken into account by the Board included each of the risk categories listed below, individually and in the aggregate.

Risk Categories:
1. Premium risk;
2. Reserve risk;
3. Market risk;
4. Counterparty default risk;
5. Catastrophe risk; and
6. Operational risk.

RELEASE CALLS – CLASS 5 (P&I ONLY)
The Association is required to publish, in accordance with the International Group Agreement 2020, data on P&I Release Calls in the form of the margins in excess of originally estimated total calls for the five preceding policy years.

The margins that apply, at the date of publication of these Financial Statements, in respect of the five preceding years are as follows:

2017/2018	Nil (Closed)
2018/2019	Nil (Closed)
2019/2020	5.0% of the Annual Call (as stated above)
2020/2021	5.0% of the Annual Call (as stated above)
2021/2022	15.0% of the Annual Call (as stated above)

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