



# **THE LONDON STEAM-SHIP OWNERS' MUTUAL INSURANCE ASSOCIATION LIMITED**

## **Solvency & Financial Condition Report**

20 February 2025

**Registered in England:** 10341 **Registered Office:** 50 Leaman Street London E1 8HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

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## INTRODUCTION

This is the single group Solvency and Financial Condition Report ("SFCR" or "Report") for The London Steam-Ship Owners' Mutual Insurance Company Limited ("The London P&I Club" or "the Club" or "the Association"), prepared as at 20 February 2025 in accordance with the requirements of the Solvency II Directive 2009/138/EC and Delegated Regulation (EU) 2015/35.

The Solvency II regulatory framework, which governed industry regulation and prudential capital requirements within the European Union, became effective on 1 January 2016. Following the UK's withdrawal from the EU, the Prudential Regulation Authority has introduced the Solvency UK regime through the PRA Rulebook for applicable Solvency II Firms, effective from 31 December 2024. This updated framework reflects the UK's tailored approach to solvency regulation, while maintaining high standards of policyholder protection and market stability.

The purpose of this SFCR is to provide information required under the Solvency UK regulatory framework as at 31 December 2024. This report outlines key aspects of the Club's business and performance, system of governance, risk profile, valuation methods for solvency purposes, and capital management practices. The SFCR has been prepared in accordance with the relevant sections of the PRA Rulebook.

Throughout this document, we continue to refer to Solvency II rather than Solvency UK in line with PS15/24, where the PRA has confirmed that it would continue to refer to Solvency II in its Rulebook and materials, however eventually the prudential regime applicable to UK insurers will be called Solvency UK.

The Club's core business is the provision of Protecting & Indemnity ("P&I") insurance on a mutual and fixed premium basis for ship-owners, operators and charterers. It also provides Freight, Demurrage & Defence ("FD&D") and War Risks insurance. It is a member of the 12 strong International Group of P&I Clubs ("IG") which between them provide P&I cover on a mutual basis for a substantial majority of the world's ocean-going ships. More information on the IG can be found at [www.igpandi.org](http://www.igpandi.org).

The Club reported an operating surplus of US\$21.3m (2023/24: surplus of US\$36.3m) for the 2024/25 financial year. This result lifted free reserves at the year-end date to US\$171.2m (2024: US\$149.8m).

Gross earned premium income increased from US\$142.6m in 2023/24 to US\$159.7m in the year just ended, an increase of 12%. The decrease in the operating result for 2024/25 was attributable to an increase in net incurred claims cost for the year from US\$77.0m in 2023/24 to US\$114.7m in 2024/25, stemming from an increase in the claims relating to other Clubs' Pool claims. The financial year combined ratio for 2024/25 was 101.7% (2023/24: 83.1%).

The Club recognised net investment income for the year of US\$24.7m (2023/24: a gain of US\$17.4m), equivalent to a 6.3% return on the Club's invested assets and cash.

As a true mutual, the Club is owned by, directed by and run for the benefit of its mutual Members. The System of Governance section of this Report sets out the arrangements in place by which the Club's Board, assisted by a number of Committees and Sub-Committees, directs its affairs. The Board is currently comprised of seven ship-owner representative non-executive directors drawn from the Club's mutual Membership, two independent non-executive directors and three executive directors drawn from the Club's independent management company, A. Bilbrough & Co Ltd.

As at 20 February 2025 the Club's Solvency Capital Requirement ("SCR"), calculated using the standard formula and uplifted by way of a voluntary capital add-on in the amount of US\$2.8m was US\$123.3m. Its Minimum Capital Requirement ("MCR") was US\$48.6m. The Club's overall capital resources available to meet the SCR and MCR stood at US\$237.6m, comprising US\$187.6m of Tier 1 basic own funds and US\$50.0m of Tier 2 ancillary own funds.

For The London Steam-Ship Owners' Mutual Insurance Association Limited on a solo basis ("LSSO London") the standard formula derived SCR and MCR as at 20 February 2025 stood at US\$87.6m and US\$21.9m respectively. LSSO London had overall capital resources available of US\$229.2m at this date.

## APPROVAL BY THE BOARD OF DIRECTORS

We acknowledge our responsibility for preparing the Club's SFCR in all material respects in accordance with the PRA Rulebook and the Solvency II Regulations.

We are satisfied that:

- a) throughout the financial year in question, the Club has complied in all material respects with the requirements of the PRA Rulebook and Solvency II Regulations as applicable to the Club; and
- b) it is reasonable to believe that, at the date of the publication of this SFCR, the Club has continued so to comply, and will continue so to comply in the future.

For and on behalf of the Board

I PAUL  
Director

AG JONES  
Director

16 July 2025

## A. BUSINESS AND PERFORMANCE

### A.1 Business Information

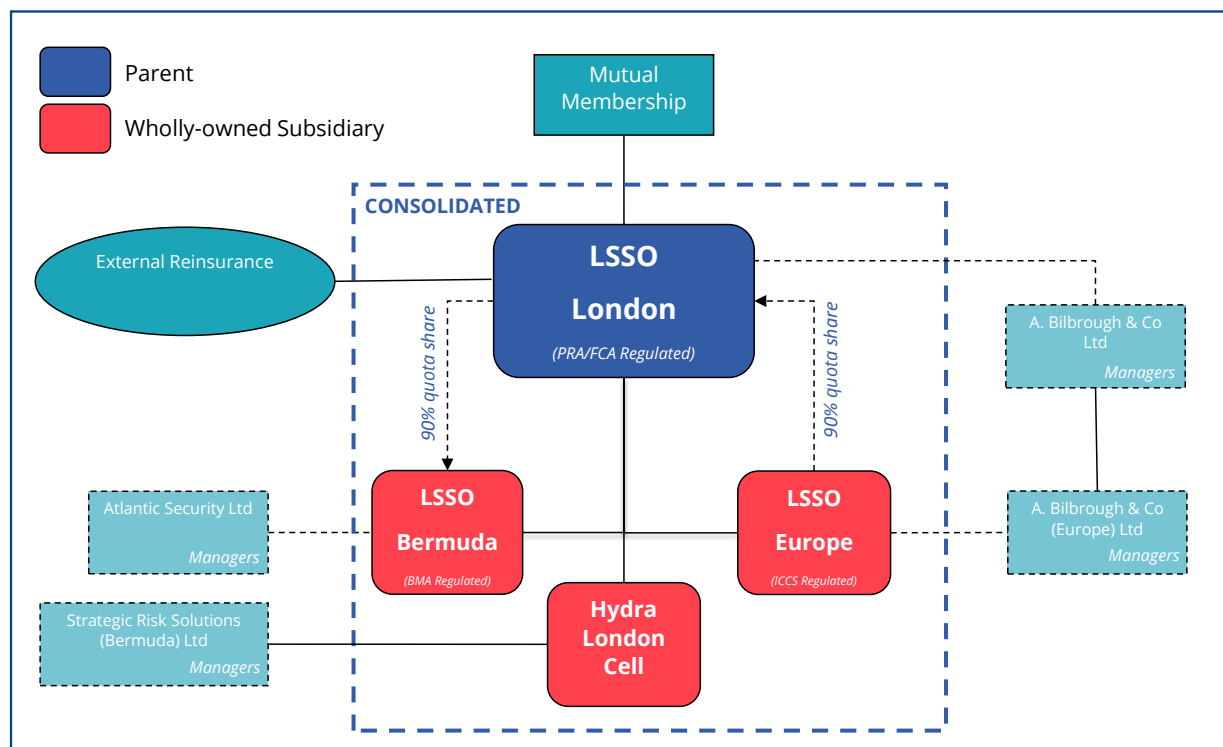
#### A.1.1 Legal & Operating Structure

The London P&I Club is a private mutual insurance company limited by guarantee without share capital. It was incorporated in the United Kingdom in 1876 (Company number 10341) and its registered office address is 50 Lemn Street, London E1 8HQ.

For UK GAAP reporting purposes the Club has three wholly-owned trading subsidiaries as follows:

- The London P&I Insurance Company (Europe) Limited ("LSSO Europe");
- The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited ("LSSO Bermuda"); and
- Hydra Insurance Company Limited ("Hydra") – London Cell ("Hydra London Cell").

A group structure chart for the Club on the basis of UK GAAP financial reporting is included below:



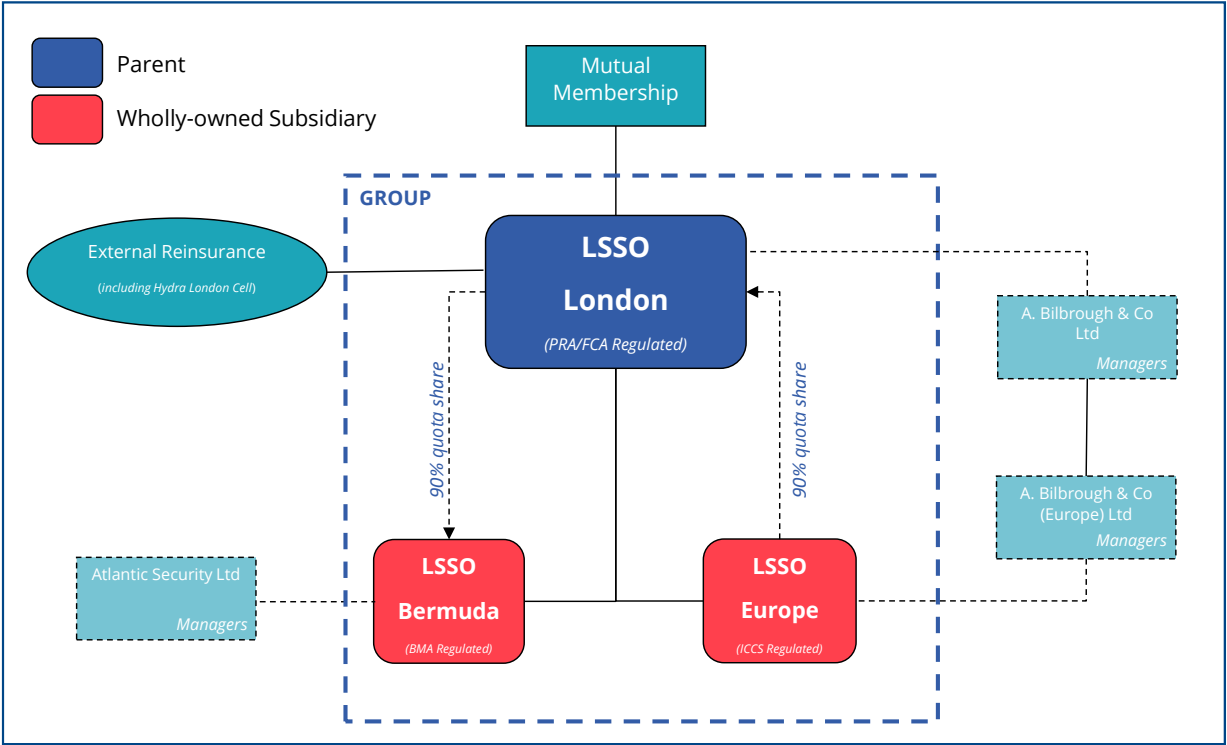
The parent entity is the main provider of insurance to third party Members and assureds and is owned by the Mutual Membership. The day-to-day operation of the Club is undertaken by a dedicated management company, A. Bilbrough & Co Ltd.

LSSO Europe was incorporated in Cyprus on 12 June 2020 as a private limited company by shares under the provisions of the Cyprus Companies Law, Cap.113. Its registered office is at Esperidon 5, 4<sup>th</sup> floor, Strovolos, 2001, Nicosia, Cyprus. LSSO Europe obtained an insurance licence from the Superintendent of Insurance in Cyprus on 18 December 2020. Its principal activity is the provision of P&I and FD&D insurance for those EEA located risks which the Club could no longer underwrite from the UK following the expiry of the transition period agreed in the UK-EU Withdrawal Agreement. Under a quota share agreement LSSO Europe cedes 90% of premiums net of external reinsurance costs (less a discount) and 90% of claims net of external reinsurance recoveries to the parent entity. The day-to-day operation of the Club is undertaken by a dedicated management company, A. Bilbrough & Co (Europe) Ltd.

LSSO Bermuda is a private mutual insurance company limited by guarantee. It was incorporated in Bermuda in 1978 (Company number 6685), is a Class 2 licensed insurer regulated by the Bermuda Monetary Authority and its registered address is Clarendon House, Church Street West, Hamilton HM DX, Bermuda. The activities of LSSO Bermuda are limited to the intra-group reinsurance of insurance business written by the Club. Under a quota share reinsurance agreement which has been in place since 1996, the Club cedes 90% of gross premiums (less a discount) from direct insurance business and 90% of gross claims incurred from direct insurance business to LSSO Bermuda. Furthermore, the Club cedes 90% of the cost of all external reinsurance purchases and 90% of all external reinsurance recoveries to LSSO Bermuda. In respect of its reinsurance of business written by LSSO Europe the Club cedes all premiums received and all claims incurred to LSSO Bermuda. The day-to-day operation of LSSO Bermuda is undertaken by Atlantic Security Ltd, a privately held firm providing captive management services in Bermuda.

Hydra is a segregated accounts company registered in Bermuda under the Segregated Accounts Companies Act 2000. It reinsures International Group (IG) Clubs for a proportion of the pooled risk not covered by the IG Reinsurance Programme. Each Club has its own segregated cell, wholly owned and funded by share capital, contributed surplus and premium from the owning Club, although the cells are not in themselves separate legal entities. The Club accounts for its investment in Hydra as a special purpose entity, consolidating the cell financial statements for Hydra London Cell into its UK GAAP consolidated financial statements. As with LSSO Bermuda, the activities of Hydra London Cell are limited to the intra-group reinsurance of the Club's business. The day-to-day operation of Hydra is undertaken by Strategic Risk Solutions (Bermuda) Limited, a privately held firm providing captive management services in Bermuda.

An organisation chart for the Club on the basis of Solvency II reporting is included below.



For Solvency II reporting purposes, the Club's investment in Hydra is accounted for as an equity investment asset. The Club has assessed that it is not a related undertaking as defined in Article 212 of Directive 2009/138/EC. The trading activities of Hydra are not significant enough to lead to any distortion of Club operating performance, attributable to this difference in accounting treatment.

A.1.2 Supervisory Authority

The Club is regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The PRA is responsible for financial supervision of the Club on a solo basis and at

the level of the group. The PRA is a wholly owned subsidiary of the Bank of England, and its contact address is 20 Moorgate, London EC2R 6DA.

### A.1.3 External Auditor

The Club's external auditor is Deloitte LLP, 1 New Street Square, London EC4A 3HQ.

### A.1.4 Single SFCR

In accordance with Article 256 of Directive 2009/138/EC LSSO London applied for, and received, approval to publish a single group SFCR. Notwithstanding the fact that the Club is a legal group, it is operated and managed on a unified basis. As is clear from the operating structure described above, the Club is not a group in the conventional sense with subsidiary business units writing third party business. The Club operates with a single book of business only, underwritten by either the parent entity or LSSO Europe depending on location of risk, split 10%/90% with LSSO Bermuda by way of a quota share agreement. The Club has assessed its risks and solvency requirements on a solo basis as well as at the level of the group. In endeavouring to develop a robust and comprehensive approach Management looked from a number of different angles at how the Club's group risks might deviate from the solo risks. With each approach taken, however, the conclusion reached was that its risks and solvency needs on a solo basis were in all respects the same as those at the level of the group.

Non-life underwriting risk for LSSO London on a solo basis is substantially reduced compared to risk at the level of the group due to the 90% quota share ceding to LSSO Bermuda. Any non-life underwriting loss suffered by LSSO Bermuda, however, is ultimately borne by LSSO London on a solo basis in the form of a reduction in the net asset value of LSSO Bermuda as a related undertaking on the solo balance sheet. The market value consistent approach under Solvency II to the valuation of participating undertakings on the solo balance sheet eliminates any risk mitigating benefit on a solo basis arising out of this type of intra-group reinsurance arrangement.

The appendices to this Report include the full suite of Annual Quantitative Reporting Templates ("QRTs") completed at the level of the group as well as for LSSO London on a solo basis. All references to the Club in this Report have the meaning of the group and all financial information disclosed is at the level of the group unless expressly stated otherwise. The Report includes, where practical to do so, information disclosed at a solo level as well as at the level of the group. In the opinion of Management, however, only information disclosed at the level of the group provides any meaningful insight into the solvency and financial condition of the Club.

### A.1.5 Material lines of business

The Club's material lines of business are as follows:

- P&I insurance on a mutual and fixed premium basis for ship-owners, operators and charterers; and
- FD&D insurance on a mutual and fixed premium basis for ship-owners, operators and charterers.

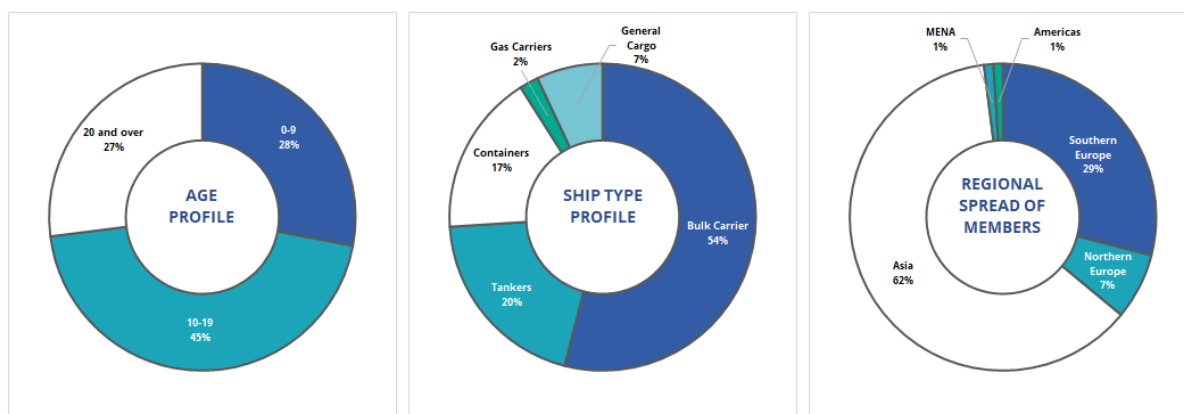
The majority of the Club's underwriting activity is carried out from its head office in London with its EEA business underwritten through its LSSO Europe subsidiary.

## A.2 Underwriting Performance

The Club's dominant line of business is insurance for P&I risks. The pie charts below illustrate the P&I mutual tonnage profile of the Club by ship type, regional spread of Members (based on place of management) and by ship age.



Figure A-1



Underwriting performance for all business written, along with prior year comparatives, is presented below as shown in the Club's consolidated GAAP financial statements for the year ended 20 February 2025.

Table A-1

Underwriting Performance - US\$'000		
	2024/25	2023/24
Net earned premiums	134,839	117,069
Net incurred claims	(114,732)	(76,972)
Net operating expenses	(22,347)	(20,297)
<b>Technical result</b>	<b>(2,240)</b>	<b>19,800</b>

Underwriting performance for the Club's two material lines of business plus the War Risk Class, along with prior year comparatives, is presented below as shown in the Club's consolidated GAAP financial statements for the year ended 20 February 2025.

Table A-2

Underwriting Performance by class - US\$'000						
	CLASS 5 P&I		CLASS 7 WAR RISK		CLASS 8 FD&D	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Net earned premiums	121,194	105,360	1,569	1,293	12,076	10,415
Net incurred claims	(107,386)	(70,018)	0	0	(7,346)	(6,955)
Net operating expenses	(19,026)	(17,076)	(833)	(603)	(2,488)	(2,617)
<b>Technical result</b>	<b>(5,219)</b>	<b>18,266</b>	<b>736</b>	<b>690</b>	<b>2,243</b>	<b>844</b>

The Club's technical result for the financial year under review was a loss of US\$2.2m and a combined ratio of 101.7%.

The net incurred cost of claims in 2024/25 was US\$114.7m. This represented a 49.1% increase from the prior year comparative. The incurred cost returned to normal levels, since during the previous year the Club witnessed a decreased claims experience which was at the lowest point for the last decade. The incurred cost during 2024/25 was heavily driven by other Clubs' Pool claims.

LSSO London's underwriting result for the year was a deficit of US\$1.3m (2023/24: deficit of US\$1.1m).

### A.3 Investment Performance

Around 85% of the Club's liquid assets on hand throughout the year were held in a combination of US Treasures, high grade bonds and cash. Yields available on US fixed income and cash holdings fell modestly

over the course of the year, and as such the overall investment return was comprised mainly of interest income plus an uplift in capital values.. The Club recorded a 6.3% investment return on its invested assets and cash for the year. The following two tables below provide a breakdown of the investment return for both years by asset class and income/expenses component.

Table A-3

Investment Return by asset class - US\$000		
Asset Class	2024/25	2023/24
Equity securities	6,761	4,506
Debt securities	16,172	11,869
Investment property	412	(761)
Cash & cash equivalents	3,008	3,347
Investment expenses	(1,759)	(1,721)
<b>Investment Return</b>	<b>24,594</b>	<b>17,240</b>

Table A-4

Investment Return by source - US\$000		
Source	2024/25	2023/24
Investment income (including rental income on investment property)	12,523	10,616
Realised gains/losses on investments	3,351	(1,707)
Unrealised gains/losses on investments	7,976	8,785
Unrealised gains/losses on investment property	(505)	(2,080)
Bank & other interest receivable	3,008	3,347
Investment expenses	(1,759)	(1,721)
<b>Investment Return</b>	<b>24,594</b>	<b>17,240</b>

LSSO London recorded an investment gain for the year after tax of US\$2.2m, including foreign exchange gains and losses (2023/24: US\$2.4m).

#### A.4 Performance of Other Activities

The Club had no other material income and expenses over the reporting period.

#### A.5 Any Other Information

There is no other material information to report regarding the Club's business and performance.

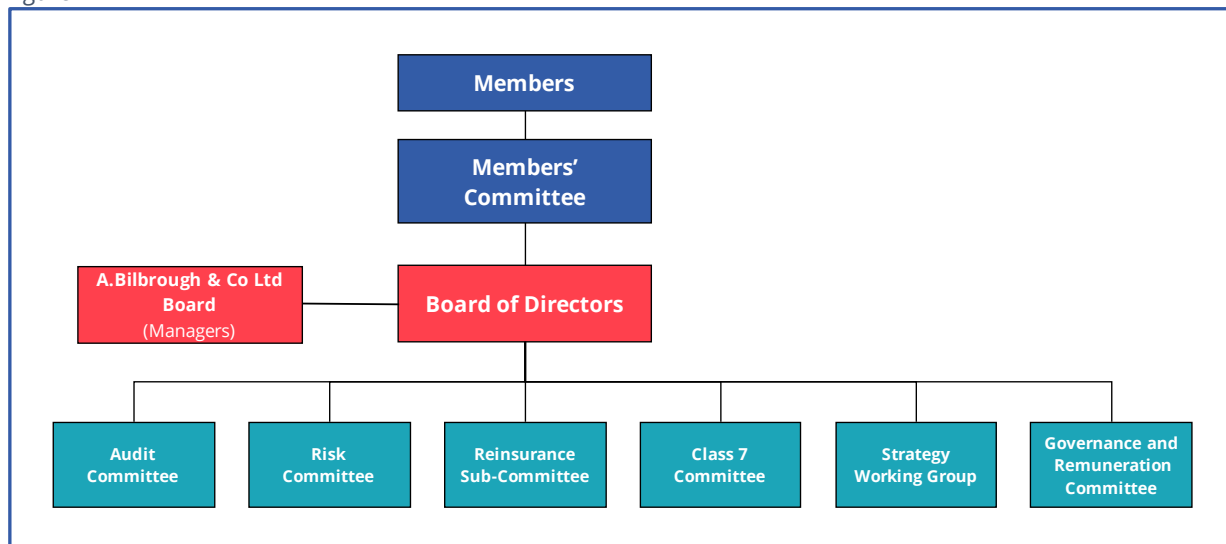
## B. SYSTEM OF GOVERNANCE

### B.1 General Information on the System of Governance

#### B.1.1 Corporate Governance Structure

The governance structure in place within the Club is illustrated below.

Figure B-1



#### *Members' Committee*

This Committee's overarching duty is to ensure the interests of the Members as a whole are represented at all times, promoting a culture of mutuality and fairness. Furthermore, it exists to provide the Board with support, challenge and Member perspective and views on the operation of the Club. The Members' Committee does not carry out any regulated function.

#### *Board*

The Club's Board, as the ultimate parent undertaking, directs and has responsibility for all activities of the Group.

The duties and responsibilities of the Club's Board are extensive, including but not limited to:

- Determining the corporate governance and structure of the Club;
- Calling annual general meetings, other general meetings and Class meetings of the Club in accordance with the Articles;
- Reviewing, proposing and seeking approval for changes to the Articles and Rules at general meetings or Class meetings of the Club;
- Appointing and removing members of the Board's Sub-Committees;
- Determining the remuneration of the Board and its Sub-Committees;
- Directing and monitoring the operation of the Club in accordance with the Articles and Rules;
- Setting the strategic direction of the Club, including determining the Club's investment, underwriting and marketing strategies, business model and plan;
- Setting the risk appetite for the Club and considering and approving the risk policies of the Club;
- Monitoring and reviewing the overall financial, claims, operational and investment performance of the Club;
- Ensuring and overseeing the Club's compliance with all applicable legal, regulatory and capital requirements and implementing all adequate systems and controls to ensure that such requirements are met; and
- Approving all regulatory returns and submitting the annual report of the Club to the Members.

#### *Audit Committee*

The primary purpose of this Committee is to assist the Board in monitoring and reviewing in detail the annual financial statements and regulatory returns of the Club, internal controls and internal and external audit matters affecting the Club. It will make recommendations to the Board and, where authorised by the Board, instruct the Managers to take action in relation to matters such as the integrity of the management accounts and annual financial statements, the effectiveness of all audit activities, selection of the Club's statutory and internal auditors, the effectiveness of the Managers' system of internal control, the regulatory environment in which the Club operates and its compliance with regulatory and corporate governance requirements.

#### *Risk Committee*

This Committee's primary duties are to assist and report to the Board and Audit Committee on risk matters and to ensure that the Club's risk management system is suitable, effective and proportionate to the nature, scale and complexity of the risks in the business whilst ensuring that the Club fulfils its corporate governance and regulatory responsibilities relating to risk management, solvency and capital management.

#### *Reinsurance Sub-Committee*

This Sub-Committee directs and monitors all matters relating to reinsurances or other insurances purchased by the Club, including the strategy for protecting the Club as a whole as well as the individual product lines offered by the Club. This Sub-Committee is also responsible for decisions on whether and at what level of indemnity to purchase Directors' & Officers' liability insurance to protect the members of the Board and the Members' Committee, officers and Managers against claims made against them personally.

#### *Strategy Working Group*

This Working Group's primary duties are to assist and to report views and recommendations to the Board on strategic issues involving the Club's performance, positioning and prospects, including product lines offered by the Club, the Club's business environment and strategic initiatives including potential alliances and mergers.

#### *Governance and Remuneration Committee*

This Committee is authorised by the Board to review the Association's governance and remuneration matters, as well as the Managers' performance, and make recommendations to the Board in relation to:

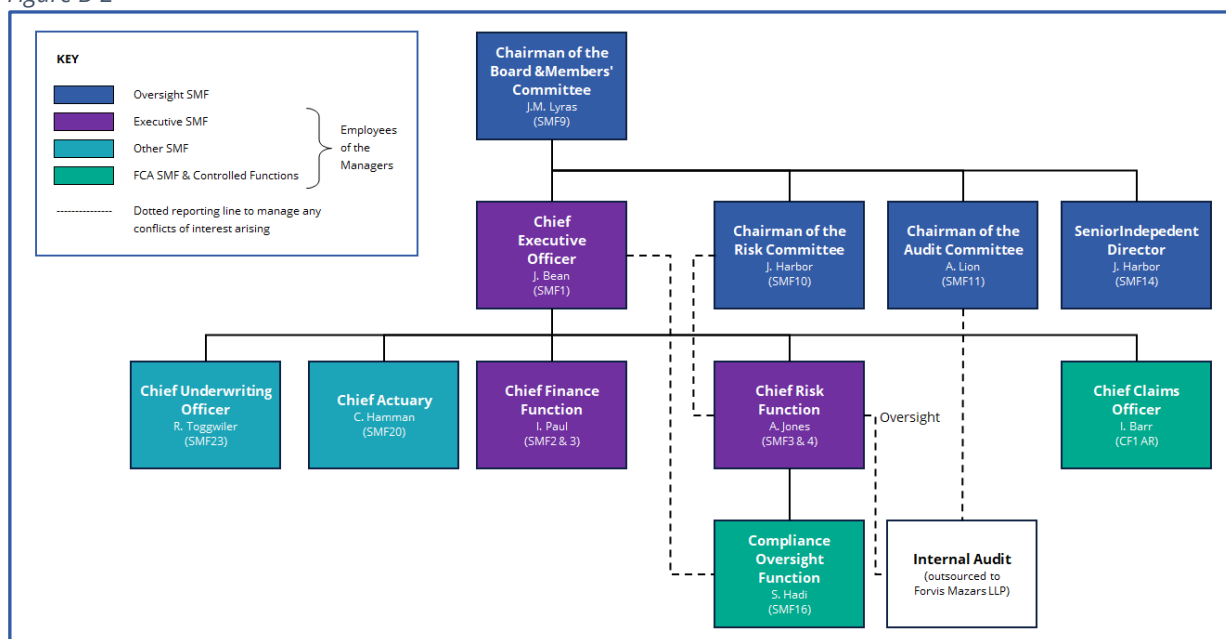
- the appropriate governance policies and procedures including induction and training of newly appointed Directors; mapping of Directors' skills; and coordinating Board and committee effectiveness reviews;
- the appropriate remuneration of the Board and members of the Sub-Committees, Members' Committee and Working Group; and
- measuring the effectiveness of the Managers, including any performance related aspect of their remuneration as assessed against annual KPIs.

#### **B.1.2 Senior Managers Regime**

The PRA's Senior Managers & Certification Regime ("SM&CR") is the accountability regime for senior executives of insurance firms and it requires the Club to maintain a Management Responsibilities Map to evidence the appropriate apportionment of responsibilities amongst the members of the Board and Executives who have been approved by the PRA to undertake Senior Management Functions.

The Senior Management Function-holders and FCA Controlled Functions for the Club are shown in Figure B-2 below. The only significant change during the last 12 months was the retirement of Ian Gooch as CEO and the appointment of James Bean in his place.

Figure B-2



### B.1.3 Remuneration Policy & Practices

The Club has a Remuneration Policy, the key principles of which are:

- Remuneration for Directors of the Club and its Managers will take into account the achievement of the business objectives outlined in the Business Plan, the long-term interests of the Club and market rates.
- Any termination payments must be approved by the Management Board who will ensure that they are appropriate and take into account the performance and contribution of the individual over the full term of their employment.
- One-off payments to the Managers' employees to recognise past exceptional performance are permitted at the discretion of the Management Board. Such payments will only be made where a positive contribution has been made to the Membership and will not be material compared to the recipient's annual fixed pay.

The Club did not operate any enhanced pension arrangements or early retirement schemes for members of the Board or key function-holders during the period.

### B.1.4 Related Party Transactions

The Club has no share capital and is controlled by its mutual Members who are also insureds. A majority of members of the Board are representatives or agents of Member companies. Other than the insurance and Membership interests in the Board members' companies, members of the Board have no financial interest in the Club.

## B.2 Fit & Proper Requirements

The competency requirements and qualifications of Senior Managers and key function-holders are those identified as appropriate for each individual role and any specialisms applicable. For all Senior Managers competencies considered are:

- Market Knowledge
- Financial Analysis
- Customer Experience
- Corporate Governance
- Insurance Regulation
- Underwriting & Claims

The Club has implemented a Fit & Proper Policy and processes to ensure individuals acting for the Club are both fit and proper, in line with PRA and FCA rules. On appointment, all Senior Managers are subject to due diligence enquiries to ensure that they are honest, of good reputation, have integrity, and are financially sound.

The fit and proper assessments are repeated annually by the Compliance Function. Where a key function is outsourced, the Company ensures the outsourcing firm has procedures in place for ensuring those carrying out the function are fit and proper.

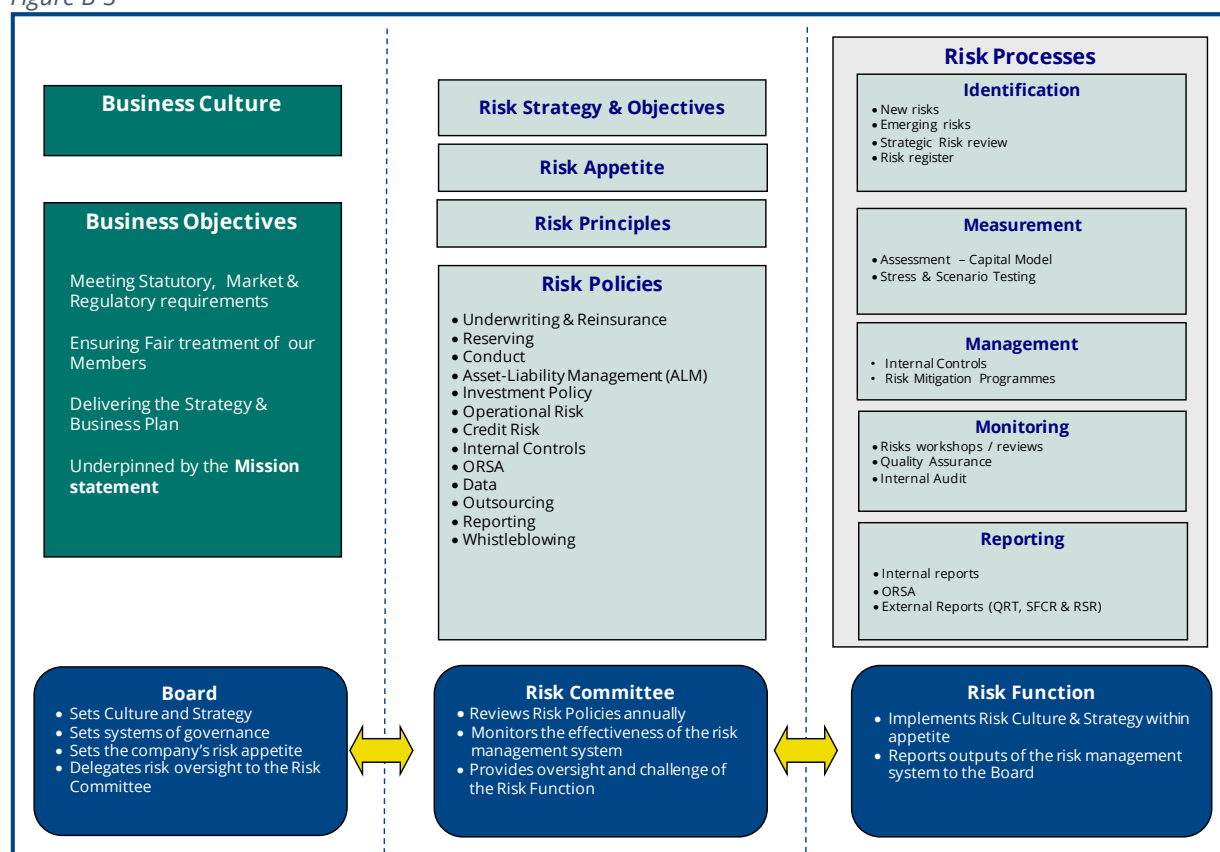
## B.3 Risk Management System including the Own Risk & Solvency Assessment

### B.3.1 Risk Management System

The risk management system of the Club is fully documented and subject to regular review and updating by the Risk Committee and ultimately the Board. The Club's Enterprise Risk Management Framework ("ERMF") is the overarching document which describes the risk management system in place and cross refers to the extensive library of risk documentation, processes and procedures which combine to ensure the Club is able to effectively identify, measure, monitor and report the risks to which the Club is exposed.

A chart taken from the Club's ERMF, which describes in graphical format the Business Objectives, Risk Strategy & Objectives and Risk Processes, and how they knit together and are integrated into the Club's organisational structure, is included below.

Figure B-3



The Club's Risk Appetite Framework ("RAF") includes a description of its risk strategy. Risk preferences are those risks identified as presenting opportunities and which are taken deliberately in the expectation of creating value and contributing to achieving the Club's business objectives. For each risk preference, the strategy requires a quantitative expression of the Club's risk tolerances and risk limits. These are regularly reviewed by the Risk Committee (RC) and the RAF is updated and approved by the Board annually.

Reporting procedures at Board, and Sub-Committee level in regard to the monitoring and managing of risks are referred to in Section B.1.1. At a more granular level, and as presented in the chart above, there are a range of risk processes in place to ensure the Club is able to effectively identify, measure, manage, monitor and report on the risks to which it is exposed. More detail on the key processes is provided below:

### *Identification*

- The RC maintains and updates as appropriate a log of new and emerging risks at each meeting.
- The RC conducts an annual review of the Club's overall risk profile soon after the Club's 20 February renewal date for its mutual business to identify any new or emerging risks arising out of changes in the mix of business on risk and/or evolving claims experience.
- The Club's Risk Register is reviewed and updated as risks change, or at least annually.

### *Measurement*

- The Club's internal capital model is updated annually and calibrated to measure all material, quantifiable risks to which the Club is exposed over a one-year time horizon.
- The Club's Risk Register incorporates an impact and likelihood scoring matrix for each individual risk identified.
- The Own Risk & Solvency Assessment (ORSA) process includes stress testing and scenario analysis to measure the financial impact of a range of specific extreme events.

### *Management*

- The Club's internal control system ensures robust controls are in place to mitigate material risks identified in the business.
- The Club's Risk Register incorporates a scoring matrix which measures the risk mitigating impact of controls in place for each risk identified.

### *Monitoring*

- Processes are in place for measuring and reporting to ensure that all risks are appropriately monitored over time.

### *Reporting*

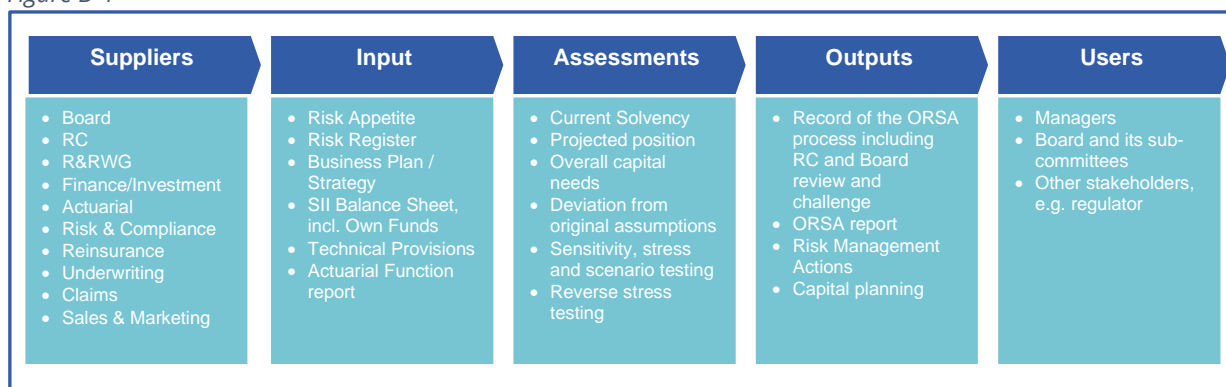
- Measurement of all material, quantifiable risks to which the Club is exposed over a one-year time horizon, as calculated using the Club's internal capital model, is reported to the RC annually.
- The Club's Risk Register is updated and presented to the RC at least annually. Changes to the Risk Register and an update on any risk management actions are reported at each RC meeting.
- The Club's Internal Audit Function submits written reports to the Audit Committee (AC) and attends AC meetings on a biannual basis.
- The Club's ORSA Report is presented to and reviewed by the Board at least annually.

## **B.3.2 Own Risk & Solvency Assessment (ORSA)**

The Club carries out an assessment of its own risks and solvency requirements annually, following the processes and procedures for this assessment prescribed in its ERMF and ORSA Policy & Procedures document ("ORSA policy").

The ORSA policy states that the Board retains overall responsibility for the Club's risk management framework and approval of the ORSA. It has delegated to the Risk Committee authority for oversight and challenge of risk and associated controls. The following chart from the Club's ORSA Policy shows the end-to-end assessment process.

Figure B-4



The individual processes undertaken during the assessment process are designed to address EIOPA's Guidelines on own risk and solvency assessment, appropriately tailored to reflect the nature, scale and complexity of the Club's risks. The most recent ORSA was conducted during 2023/24 and included an assessment of the following:

- The Club's risk profile;
- The Club's business strategy;
- The extent to which the Club's risk profile deviated from the assumptions underlying the standard formula SCR calculation;
- Stress and scenario testing of the capital charges by risk category;
- The Club's risk appetite and risk tolerances/limits;
- The Club's current and prospective overall solvency position over its three year business planning time horizon;
- Non-quantifiable risks not captured by the standard formula;
- The Club's current and prospective solvency needs over its three year business planning time horizon;
- The quality and quantity of the Club's current and prospective financial resources available to meet its solvency needs; and
- Capital planning and management.

The Board reviews annually in detail the ORSA Report prepared following the conclusion of the assessment process. The 2024 ORSA Report was formally approved by the Board on 15 October 2024.

## B.4 Internal Control System

The Club's internal control system is documented in its Internal Controls Policy. This policy aims to assist with the achievement of the Mission Statement and Corporate Objectives, and to ensure fair outcomes for Members and compliance with all applicable regulations. The policy requires all Management to implement robust controls to mitigate material risks identified in the business in order that risks do not exceed the Club's risk appetite. Management of controls is a key part of the Club's Risk Management System and the Quality Management System. ISO 9001 accreditation is maintained in respect of the Quality Management System.

The policy requires Management:

- To effect appropriate internal controls within their processes and procedures in order to ensure:
  - Continuous compliance with all relevant regulations
  - Mitigation of risks arising which are outside the Club's Risk Appetite
  - The availability and reliability of financial and non-financial reporting
  - Service excellence to Members.
- Where weaknesses in internal controls are identified, to implement effective strategies to mitigate the risks arising.
- To provide regular feedback to the Audit Committee, Risk Committee and Quality Steering Committee on the status of internal controls and any actions arising.



The Club operates a three lines of defence model to guide how responsibilities are divided:

- 1<sup>st</sup> Line – Risk owners (Directors and Line Managers) are responsible for the continuous identification and assessment of risks within their departments and for ensuring effective systems and controls are in place to mitigate risks arising.
- 2<sup>nd</sup> Line – The Risk & Compliance Function, together with the Actuarial Function which provides support to the Risk Function, monitors risks arising and the operation of the risk management system.
- 3<sup>rd</sup> Line – The Internal Audit Function through its annual audit plan together with the external quality assessments by the ISO accreditation body provide the Board with independent assurance on the effectiveness of the internal controls framework.

#### B.4.1 Compliance Function

The Club's Compliance Manual describes how the Compliance Function is organised to ensure compliance with the requirements of its prudential and conduct regulators both in the UK and in all other jurisdictions in which the Club has a regulated presence. It defines the responsibilities, competencies and reporting duties of the Compliance Function and its documented key processes and procedures are consistent with the specific requirements of Article 46(2) of Directive 2009/138/EC and Article 270 of the Commission Delegated Regulation 2015/35.

The responsibilities of the Compliance Function include:

- identifying, assessing, monitoring and reporting on the Club's compliance risk exposures and assessing the appropriateness of measures adopted by the Club to prevent possible non-compliances;
- providing support and advice to the Club's management on all compliance matters and arranging any training required by staff to ensure they understand the Club's regulatory obligations;
- assessing the impact of any changes in the legal environment on the operations of the Club and any new compliance risk exposures arising; and
- reporting to the Board on the Club's compliance with all laws, regulations and administrative provisions relevant to the jurisdictions in which it operates.

A Compliance and Risk Management Plan sets out the scheduled activities and deliverables of the Compliance and Risk Functions taking into account all relevant areas of the Club's activities.

#### B.4.2 Risk Function

The risk function is responsible for providing support to the business on its risk management activity and for monitoring and reporting on risk and risk-related activities within the Club to Management and the Board. The responsibilities of the Risk function include:

- Maintaining the Club's risk register.
- On a rolling three-year programme, conducting independent reviews of all risks within the register to challenge and validate the risk owners' assessments.
- Monitoring risks arising from strategic review, other internal and external events.
- Overseeing the annual 'top-down' risk review with the Board and Senior Managers.
- Undertaking stress and scenario testing, including reverse stress testing.
- Maintaining the Risk Appetite Framework and updating the Board on the status of risks against agreed risk tolerances and limits.
- Providing input into the ORSA, ensuring the report is completed in accordance with the ORSA Policy.
- Ensuring the Enterprise Risk Management Framework and Risk Policies remain appropriate to the business and the risks arising.
- Reporting on risk related matters to the Risk Committee and Board.

### B.5 Internal Audit Function

The Internal Audit Function is outsourced to Forvis Mazars LLP. To maintain objectivity, they do not carry out any activities for the Club on which they perform internal audit services. Internal Audit is directly accountable

to the Chairman of the Audit Committee, and has free and unrestricted access to the Chairman of the Audit Committee and the Chairman of the Board.

The Forvis Mazars' Partner responsible for the engagement attends the Audit Committee meeting to present his latest report on a biannual basis. Copies of the full audit reports, including management responses, are sent to the Chairman of the Audit Committee once finalised, with a summary report included in the Audit Committee Agenda.

Forvis Mazars present for approval their proposed three year rolling internal audit plan, including details of and the rationale for audits to be performed, to the Audit Committee annually.

## B.6 Actuarial Function

The Club's Specification for the Actuarial Function – Policy and Material Responsibilities document describes how the actuarial function is organised to ensure compliance with the requirements of Solvency II.

The Club's management has an actuarial team, headed by a qualified actuary, providing the Club with an effective Actuarial Function.

## B.7 Outsourcing

The Club's Outsourcing Policy has been prepared on the basis that the material outsourcing arrangement is between the Club and its managers. The Managers of LSSO London are A. Bilbrough & Co Ltd. The Managers of LSSO Europe are A. Bilbrough & Co. (Europe) Ltd. The Managers of LSSO Bermuda are Atlantic Security Ltd. The other material outsourcing arrangement exists between the Club and its internal auditors, Forvis Mazars LLP.

The Policy includes a number of Policy Statements which provide a framework within which this key outsourcing arrangement is organised, for example stipulating that it is subject to a written legal agreement which meets all legal and regulatory requirements, ensures the Club is able to maintain operational resilience of its important business within Board approved impact tolerances, and a Contingency Plan allows for the termination of the arrangement.

The Policy further contains a list of Board roles and responsibilities retained by the Board in respect of the arrangement, examples being an annual review of the financial resources of the Managers to properly perform the agreement, a formal review of the agreement at least every five years, and bi-annual tests of the Managers' BCP arrangements with results reported annually to the Risk Committee.

## B.8 Any Other Information

The Club is a relatively small insurer with a simple operating structure focused principally on providing P&I insurance to its mutual members and fixed premium assureds. Notwithstanding this, it has in place a comprehensive system of governance complying with the same full suite of Solvency II regulatory requirements applicable to the UK and EU's largest and most complex insurance groups. Against this background the Club assesses that its system of governance is more than adequate for the nature, scale and complexity of the risks inherent in its business.

The one material change to the system of governance in the last year was the establishment of a Governance & Remuneration Committee.

## C. RISK PROFILE

### C.1 Underwriting Risk

#### *Premium Risk*

Premium 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 underwriting a book of business diversified by geography, ship size and ship type, with documented underwriting guidelines and risk appetite tolerances in place to ensure only acceptable risks are entered with the Club. 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 Club's capital management plan. The Club is a member of the International Group of P&I Clubs (IG), 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 Club purchases additional reinsurance for its exposure to claims below the attachment point of the IG 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, including the impact of inflation, national and international liability regimes, commodity prices and currency fluctuations amongst many others. The Club's processes and procedures for valuing technical provisions reflect the fact that this represents a high-risk area for the Club.

The Club incorporates a margin for uncertainty within its technical provisions under the statutory valuation, 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 loss ratio, with all other inputs unchanged, is shown below. Changes in loss ratio are assumed to be driven by movement in claims incurred.

Table C-1

Sensitivity to Loss Ratio - US\$000		
5% Increase	2024/25	2023/24
Gross	(7,988)	(7,131)
Net	(6,742)	(5,853)

Table C-2

Sensitivity to Loss Ratio - US\$000		
5% Decrease	2024/25	2023/24
Gross	7,988	7,131
Net	6,742	5,853

## C.2 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.

The majority of the Club's invested assets are held by LSSO Bermuda. The LSSO Bermuda Board, whilst comprising individuals with a range of skills and experience, possesses a bias towards financial market experience, covering amongst other things investment management, portfolio construction tailored to prevailing risk appetite, investment manager and security selection, compliance and portfolio analysis. The control environment, including investment manager guidelines, monthly reporting obligations and standing agenda items for each Meeting of the Board, combine to ensure the Club can at all times properly identify, measure, monitor, manage, control and report the investment risks to which it is exposed.

### Interest Rate Risk

The capital values of fixed interest securities, which represent a significant proportion of the Club'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 Club's Investment Policy Statement addresses interest rate risk by actively managing the average duration of each of the Club's fixed interest portfolios.

The Club 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 Club'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.

Table C-3

Sensitivity to Interest rates - US\$000		
Increase of 100 Basis Points	20 Feb 2025	20 Feb 2024
Market Value Impact	(12,059)	(12,014)

### Equity Price Risk

Equity price risk is the risk of an adverse movement in the valuation of the Club's equity holdings. The Club'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\$5,728k (2024: US\$4,114k).

### Foreign Currency Risk

A significant majority of the Club's liabilities are denominated in its functional currency of US Dollars. It does, however, incur liabilities in a range of other currencies, the two most significant being Sterling and Euro. The Club'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 Club's assets and liabilities, categorised by settlement currency, at their translated carrying amount, is set out below. Certain amounts, either due to their nature, notably reinsurer's share of outstanding claims, or the existence of forward contracts, may depend on a different underlying currency.

Table C-4

Allocation by Currency - US\$000					
As at 20 Feb 2025	USD	GBP	EUR	Other	Total
Assets	604,479	26,708	28,461	1,848	661,496
Liabilities	424,817	18,785	34,174	12,539	490,315
<b>Net Asset Position</b>	<b>179,662</b>	<b>7,923</b>	<b>(5,713)</b>	<b>(10,691)</b>	<b>171,181</b>

Table C-5

Allocation by Currency - US\$000					
As at 20 Feb 2024	USD	GBP	EUR	Other	Total
Assets	631,623	26,182	13,477	1,752	673,034
Liabilities	472,377	19,918	17,646	13,259	523,200
<b>Net Asset Position</b>	<b>159,246</b>	<b>6,264</b>	<b>(4,169)</b>	<b>(11,507)</b>	<b>149,834</b>

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.

Table C-6

Sensitivity to currency movements - US\$000		
5% strengthening compared to USD	20 Feb 2025	20 Feb 2024
Sterling	396	313
Euro	(286)	(208)

Table C-7

Sensitivity to currency movements - US\$000		
5% weakening compared to USD	20 Feb 2025	20 Feb 2024
Sterling	(396)	(313)
Euro	286	208

### C.3 Credit Risk

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

Table C-8

Breakdown of Receivables by credit rating - US\$000						
As at 20 Feb 2025	AAA	AA	A	BBB & Below	Other	Total
Reinsurance Assets	-	36,773	119,320	24,710	433	181,236
RI Share of UPR	-	1,192	-	-	25	1,217
Taxation	-	-	-	-	-	-
Receivables	-	2,124	3,029	706	12,768	18,627
Deferred Acquisition Costs	-	-	-	-	675	675
Prepayments & Accrued Income	-	1,141	179	515	6,566	8,401
<b>Total</b>	<b>-</b>	<b>41,230</b>	<b>122,528</b>	<b>25,931</b>	<b>20,467</b>	<b>210,156</b>

Table C-9

Breakdown of Receivables by credit rating - US\$000						
As at 20 Feb 2024	AAA	AA	A	BBB & Below	Other	Total
Reinsurance Assets	-	34,958	152,054	31,437	22	218,471
RI Share of UPR	-	-	1,284	-	-	1,284
Taxation	-	-	-	-	-	-
Receivables	-	265	6,704	234	11,903	19,106
Deferred Acquisition Costs	-	-	-	-	830	830
Prepayments & Accrued Income	-	926	178	517	7,464	9,085
<b>Total</b>	<b>-</b>	<b>36,149</b>	<b>160,220</b>	<b>32,188</b>	<b>20,219</b>	<b>248,776</b>

The Club's fixed interest securities expose the Club 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 Club, in accordance with set investment guidelines which ensure the level of risk does not exceed the Club's risk appetite and available capital. Minimum credit criteria are maintained for all bank counterparties with ratings dependent maximum exposure limits.

Table C-10

Breakdown of Cash & Investments - US\$000						
	AAA	AA	A	BBB & Below	Other	Total
As at 20 Feb 2025	65,317	155,252	89,685	47,124	77,619	<b>434,997</b>
As at 20 Feb 2024	72,417	136,345	87,644	48,214	62,805	<b>407,425</b>

## C.4 Liquidity Risk

This is the risk the Club 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 Club faces is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Club'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. Anticipated future profits in respect of Bound but not Incepted business (BBNIB) are included within the Premium Provision calculation referred to in Section D.2.

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

Table C-11

Breakdown of Assets by Duration - US\$000					
As at 20 Feb 2025	Up to 1 year	1-3 Years	3-5 Years	5+ Years	Total
Cash & Investments	183,883	180,333	50,554	20,227	434,997
Receivables	18,627	-	-	-	18,627
Reinsurance Assets	76,613	75,133	21,063	8,427	181,236
Reinsurer Share of UPR	1,217	-	-	-	1,217
Deferred Acquisition Costs	675	-	-	-	675
Prepayments & Accrued Income	8,400	-	-	-	8,400
<b>Total</b>	<b>289,415</b>	<b>255,466</b>	<b>71,617</b>	<b>28,654</b>	<b>645,152</b>

Table C-12

Breakdown of Liabilities by Duration - US\$000					
As at 20 Feb 2025	Up to 1 year	1-3 Years	3-5 Years	5+ Years	Total
Insurance Liabilities	179,694	176,081	59,528	47,309	462,612
Unearned Premium	4,649	-	-	-	4,649
Payables	16,203	-	-	-	16,203
Taxation	443	-	-	-	443
Accruals & Deferred Income	6,407	-	-	-	6,407
<b>Total</b>	<b>207,396</b>	<b>176,081</b>	<b>59,528</b>	<b>47,309</b>	<b>490,314</b>

Table C-13

Breakdown of Assets by Duration - US\$000					
As at 20 Feb 2024	Up to 1 year	1-3 Years	3-5 Years	5+ Years	Total
Cash & Investments	89,211	88,786	62,695	166,733	407,425
Receivables	19,106	-	-	-	19,106
Reinsurance Assets	52,789	79,283	35,769	50,630	218,471
Reinsurer Share of UPR	1,284	-	-	-	1,284
Deferred Acquisition Costs	830	-	-	-	830
Prepayments & Accrued Income	9,085	-	-	-	9,085
<b>Total</b>	<b>172,305</b>	<b>168,069</b>	<b>98,464</b>	<b>217,363</b>	<b>656,201</b>

Table C-14

Breakdown of Liabilities by Duration - US\$000					
As at 20 Feb 2024	Up to 1 year	1-3 Years	3-5 Years	5+ Years	Total
Insurance Liabilities	161,940	178,870	67,349	81,609	489,768
Unearned Premium	5,571	-	-	-	5,571
Payables	20,870	-	-	-	20,870
Taxation	705	-	-	-	705
Accruals & Deferred Income	6,286	-	-	-	6,286
<b>Total</b>	<b>195,372</b>	<b>178,870</b>	<b>67,349</b>	<b>81,609</b>	<b>523,200</b>

## C.5 Operational Risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks, the Club documents all key processes and controls in a procedures manual. This manual is embedded into the organisation, updated on a continual basis by senior staff and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Audit Committee. A staff handbook contains all key policies that have also been documented.

## C.6 Other Material Risks

### *Climate Risk*

Climate Risk means the financial risks arising from climate change and is included in the Risk Register as a cross-cutting strategic risk as it is seen as an 'amplifier' of a number of existing risks noted above that the Club faces. The key financial risks associated with climate change identified include:

- Physical risks – increased weather-related natural disasters leading to increased claims, for example increased frequency of containers being lost over board and vessel collisions due to higher frequency and severity of storms and rogue waves, vessel groundings in areas of drought in the short-medium term; and longer term disruption to the Club's operations, for example closure of offices in London, Piraeus, Cyprus and/or Hong Kong due to flooding as sea level rises;
- Transition risks – e.g. decarbonisation of the economy leading to:
  - a fall in asset values driven by decarbonisation (stranded assets);
  - failure to adapt investment strategy to take advantage of new high performing investment categories;
  - changes in policyholder/member trading patterns and insurance requirements (new vessel types but also IMO2020 type events);
  - reputational risk – internally as well as externally; and
  - regulatory risks of non-compliance with regulatory requirements.

These risks continue to be reviewed to ensure there are no new risks to the business or material changes to risks previously identified. Risk monitoring is undertaken by the ESG Working Group and any changes to the risk assessment are notified to the Risk Committee.

### *Risk Concentrations*

Appropriate risk mitigating controls are in place to protect the Club against exposure to any material risk concentrations.

## C.7 Any Other Information

There is no other material information to report regarding the Club's Risk Profile.



## D. VALUATION FOR SOLVENCY PURPOSES

The Group calculation has been prepared using the Accounting Consolidation-based method – Method 1 as set out in Article 230 of Directive 2009/138/EC which means the consolidated balance sheet of the Club has been prepared in accordance with Solvency II regulations.

### D.1 Assets

The following tables set out a comparison of the valuation of assets between UK GAAP and Solvency II for the Club as well as both LSSO London and LSSO Europe. The statutory valuation basis for LSSO Europe is IFRS17, but the figures below have been restated to UK GAAP basis to provide a comparable snapshot on a consolidated basis. A separate SFCR for LSSO Europe is available which does provide the comparative statutory figures on an IFRS17 basis.

Table D-1

Club - Assets held - US\$000						
	2024/25			2023/24		
	UK GAAP	Solvency II	Variance	UK GAAP	Solvency II	Variance
Deferred acquisition costs	675	-	(675)	830	-	(830)
Investments (including derivatives)	379,084	341,179	(37,905)	363,247	324,652	(38,596)
Strategic equity investments	2,159	9,630	7,471	14,789	24,154	9,365
Reinsurers' share of technical provisions	182,453	174,575	(7,877)	219,755	203,191	(16,564)
Insurance and intermediaries receivables	10,745	6,112	(4,633)	11,250	6,096	(5,154)
Reinsurance receivables	4,053	4,053	-	6,465	6,465	-
Receivables (trade, not insurance)	12,229	10,317	(1,911)	10,476	8,751	(1,725)
Taxation	-	-	-	-	-	-
Cash and cash equivalents	70,098	69,459	(639)	46,221	46,245	24
<b>Total</b>	<b>661,496</b>	<b>615,325</b>	<b>(46,171)</b>	<b>673,033</b>	<b>619,553</b>	<b>(53,480)</b>

Table D-2

LSSO London - Assets held - US\$000						
	2024/25			2023/24		
	UK GAAP	Solvency II	Variance	UK GAAP (Restated)	Solvency II	Variance
Deferred acquisition costs	644	-	(644)	812	-	(812)
Investments (including derivatives)	12,024	12,024	-	16,436	16,436	-
Strategic equity investments	159,828	178,758	18,929	153,058	170,065	17,007
Reinsurers' share of technical provisions	446,347	366,321	(80,025)	476,616	390,346	(86,270)
Insurance and intermediaries receivables	9,594	4,961	(4,633)	10,475	5,321	(5,154)
Reinsurance receivables	4,047	4,047	-	6,462	6,462	-
Receivables (trade, not insurance)	7,876	7,876	-	7,419	7,419	-
Taxation	-	-	-	-	-	-
Cash and cash equivalents	53,262	53,262	-	34,607	34,607	-
<b>Total</b>	<b>693,623</b>	<b>627,250</b>	<b>(66,373)</b>	<b>705,885</b>	<b>630,656</b>	<b>(75,229)</b>

Table D-3

LSSO Europe - Assets held - US\$000						
	2024/25			2023/24		
	UK GAAP	Solvency II	Variance	UK GAAP	Solvency II	Variance
Deferred acquisition costs	31	-	(31)	18	-	(18)
Investments (including derivatives)	16,637	16,637	-	15,764	15,764	-
Reinsurers' share of technical provisions	18,561	12,617	(5,945)	13,869	9,286	(4,584)
Insurance and intermediaries receivables	1,151	1,345	195	775	1,080	305
Receivables (trade, not insurance)	498	2,223	1,725	757	1,517	760
Taxation	6	6	-	6	6	-
Cash and cash equivalents	5,357	5,389	32	4,885	4,934	48.93
<b>Total</b>	<b>42,241</b>	<b>38,217</b>	<b>(4,024)</b>	<b>36,075</b>	<b>32,586</b>	<b>(3,488)</b>

#### D.1.1 Differences between Solvency II and UK GAAP valuations

In general, the valuation method of assets is aligned with the statutory accounts and so the basis of preparation aligns with the accounting policies outlined in the Club's Annual Report and Financial Statements. Exceptions to these methods are outlined in the relevant sections below, most of which relates to treatment of the Club's investment in Hydra.

##### *Deferred acquisition costs*

Under FRS103 acquisitions costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the valuation date. Deferred acquisition costs are not recognised separately under Solvency II to the extent that they form part of the premium provision calculation of the technical provisions. Please refer to section D.2 for further details.

##### *Investments & Cash and cash equivalents*

The Club holds a diverse portfolio of equities, government and corporate bonds, and short-term deposits as well as one freehold property in London. Whilst the total value of the investments is unchanged between UK GAAP and Solvency II, there are small classification differences between asset sectors. The main difference is attributable to the treatment of the Club's investment in Hydra.

##### *Insurance and intermediaries receivables*

Under UK GAAP, insurance debtors include all insurance balances receivables, irrespective of the amounts overdue. Those amounts not yet due were reclassified as part of the Solvency II technical provisions.

##### *Strategic equity investments*

As explained in section A.1.1 of this Report, for UK GAAP reporting purposes the Club accounts for its investment in Hydra as a special purpose entity, consolidating the cell financial statements for Hydra London Cell. For Solvency II reporting purposes this investment is accounted for as an equity investment asset, specifically a strategic equity investment.

Strategic equity investments and investments in subsidiaries are valued at cost under UK GAAP whereas under Solvency II they are valued at their net asset value.

##### *Reinsurers' share of technical provisions*

The difference between UK GAAP and Solvency II values for reinsurers' share of technical provisions reflects the difference in methodology used to calculate the underlying technical provisions under the two bases. Please refer to section D.2.1 for further details on the methodology followed to value reinsurers' share of technical provisions under Solvency II.

## D.2 Technical Provisions

The following table shows separately for the Club as well as LSSO London and LSSO Europe the net best estimate and risk margin, as well as the comparative figures as at 20 February 2024.

Table D-4

Club - Net Technical Provisions - US\$000			
	20 Feb 2025	20 Feb 2024	Variance
Net Technical Provisions under UK GAAP	284,808	275,585	(9,223)
Solvency II Adjustments	(69,940)	(76,124)	(6,183)
Net Best Estimate	214,868	199,461	(15,407)
Risk Margin	19,860	17,653	(2,207)
<b>Net Technical Provisions</b>	<b>234,729</b>	<b>217,115</b>	<b>(17,614)</b>

Table D-5

LSSO London - Net Technical Provisions - US\$000			
	20 Feb 2025	20 Feb 2024	Variance
Net Technical Provisions under UK GAAP	18,795	17,146	(1,649)
Solvency II Adjustments	(4,804)	(3,756)	1,048
Net Best Estimate	13,991	13,389	(601)
Risk Margin	6,761	4,385	(2,375)
<b>Net Technical Provisions</b>	<b>20,751</b>	<b>17,775</b>	<b>(2,977)</b>

Table D-6

LSSO Europe - Net Technical Provisions - US\$000			
	20 Feb 2025	20 Feb 2024	Variance
Net Technical Provisions under UK GAAP	2,096	1,569	(527)
Solvency II Adjustments	(663)	(492)	172
Net Best Estimate	1,432	1,077	(355)
Risk Margin	676	769	93
<b>Net Technical Provisions</b>	<b>2,108</b>	<b>1,846</b>	<b>(262)</b>

The main differences between the UK GAAP and the Solvency II net technical provisions are attributed to the inclusion of a Premium Provision relating to 'bound but not incepted' ("BBNI") business as well as the adjustments required to treat the Club's Hydra Cell as an investment and hence a third-party reinsurer.

A further breakdown showing the Claim Provision and Premium Provision separately by Solvency II line of business is provided in template S.17.01 in the QRTs in the Appendix towards the end of this Report.

### D.2.1 Methodology and main assumptions used for valuation of best estimate

Technical provisions have been calculated separately for a Premium Provision and a Claim Provision. Furthermore, the 'Best Estimate' corresponds to the probability-weighted average of future cash-flows, taking the time value of money into account using the relevant risk-free interest rate term structure. A risk margin is added at the end to reflect the value of the technical provisions as the equivalent amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations of the Club. Although a predominantly marine liability insurer, we have split the assessment of our technical provisions into two classes of business, 'Marine, Aviation & Transport' and 'Legal Expenses'. The underlying methodology adopted was broadly similar for both classes using assumptions specific to each class of business,

for example bespoke run-off patterns. A split of the best estimate and risk margin can be found in template S.17.01 of the QRTs included in the Appendix.

#### *Claim Provisions and corresponding reinsurance recoveries*

The first step was to determine the 'true' best estimates. The UK GAAP reserve assessment, which is based on commonly accepted actuarial techniques, is used as the starting point. All implicit margins are then removed. Both attritional and large claim cash-flow patterns are derived using a chain-ladder approach, separately for Class 5 P&I and Class 8 FD&D. We have adopted a separate payment pattern for latent disease claim exposures.

The projected cash-flows for the large claims are then passed through the various reinsurance programmes (mainly excess loss) to derive appropriate reinsurance recovery payments patterns for main reinsurance groupings (e.g. IG Pooling Agreement, Hydra London Cell, LSSO Bermuda, etc.). For each of these groupings appropriate one-year probability of default and recovery rate assumptions are used based on the average credit rating of the counterparties within that grouping to derive an adjustment for counterparty default. The default probabilities used were those similar to the relevant credit quality steps provided by EIOPA.

Claims payments are made in various currencies over time with the overall majority of payments in US Dollars. Two other currencies that are used fairly regularly, especially in relation to claim fees, are GBP and EUR. We have explicitly allowed for the three currencies in the selection of the risk-free rate while we have implicitly allowed for the currencies in the payment pattern by considering an aggregate cashflow pattern, including all currencies.

#### *Premium Provision*

There was a small amount of unearned business relating to Fixed Premium business as at the valuation date. By far the biggest component of the Club's Premium Provision as at 20 February 2025 relates to BBNI business. This is because for the majority of the Club's business, which is mutual entries, cover is renewed shortly before year-end and incept at midday on 20 February.

Appropriate loss ratio assumptions are made and relevant cash-flow patterns are applied to premiums, gross claims, reinsurance premiums and recoveries, and expenses.

#### *Expenses (Claims Provision)*

The payment patterns described under Claim Provisions include all allocated loss adjustment expenses ("ALAE"), and hence future allocated expenses are included and no further explicit allowance is required.

Unallocated loss adjustment expenses ("ULAE") are not included within the gross paid claim amounts and they are projected separately. A change in the methodology for the estimation of the claims handling provision on a UK GAAP basis resulted in an uplift of the claims handling provision in the statutory valuation capturing all claims related expenses using a more granular method.

#### *Expenses (Premium Provision)*

Claim handling expenses related to future claims were allowed for explicitly based on the historic percentage of claim handling expenses to paid claims.

For the unearned portion of the business, the administration cost of servicing these policies was allowed for.

For BBNI, acquisition expenses were allowed on top of the administration cost of servicing these policies.

For these expense items it was assumed that the Club continues to write new business.

#### *Allowance for events not in the data ("ENID")*

The approach used to quantify the impact from ENID is a risk-based method, with the severity and frequency of extreme events occurring calibrated based on the underlying assumptions of the Solvency II Standard Formula.

### Discounting

All future cash-flows (claims, premiums, reinsurance recoveries, expenses, etc.) have been discounted using the prescribed EIOPA yield curves as at 20 February 2025. The yield curves of USD, GBP and EUR were combined based on the portion of each currency in the liabilities as at 20 February 2025, while linear interpolation of the yield curves of 31 January and 28 February was applied to get the appropriate risk free rates as at 20 February.

### Risk Margin

In line with regulatory guidance, the risk margin is calculated using a cost-of-capital approach (currently equal to 6% in Europe and 4% in UK). This approach is intended to ensure that the value of the technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations.

The method used has been revised to method 1 as specified in Guideline 61 of the *"EIOPA guidelines on the valuation of technical provisions"*, in order to allow for the change of the risk profile of the undertaking over time.

#### D.2.2 Uncertainty associated with the value of technical provisions

Whilst we have made every effort to ensure the estimate of the Solvency II technical provisions is an accurate assessment of future obligations, it remains an approximation. Factors affecting the level of uncertainty are both internal and external and the nature of these factors are such that they are difficult to quantify in both likelihood and magnitude. The issues that affect the certainty of the technical provisions include:

- The projection of numerous cash-flows, including future premiums, claim payments and reinsurance recoveries on these payments. None of these will develop exactly as projected and deviations from these projections are normal and to be expected.
- The assumptions used to calculate the Premium Provision are based on the expectation of an 'average year'. Actual underwriting performance for that business may vary significantly from the assumed position at the outset.
- The yield curves used to discount future cash-flows can vary from one year to the next which introduces additional balance sheet volatility that doesn't exist under a UK GAAP basis.
- There is greater uncertainty associated with more recent policy years as these are still in an early stage of development.
- For certain elements of the technical provisions, for example ENIDs, very little data exists on which to base the assumptions and hence a high degree of judgement is required, which could lead to increased uncertainty in the estimates.

#### D.2.3 Other adjustments

We have not applied any other adjustments to the technical provisions such as the matching adjustment or volatility adjustments. Neither did we apply any transitional arrangements such as for example on the risk-free interest rate term structures.

#### D.2.4 Material changes since the previous valuation

The changes implemented in the methodologies to calibrate the claim handling expenses, reserves for events not in data and risk margin are set out in Section D.2.1.

### D.3 Other Liabilities

The following two tables set out a comparison of the valuation of liabilities between UK GAAP and Solvency II for the Club as well as both LSSO London and LSSO Europe.

Table D-7

Club - Liabilities - US\$000						
	2024/25			2023/24		
	UK GAAP	Solvency II	Variance	UK GAAP	Solvency II	Variance
Technical Provisions	467,261	404,671	(62,590)	495,340	420,306	(75,034)
Derivatives	-	-	-	-	-	-
Insurance & Intermediaries payables	8,109	8,109	-	6,597	6,597	-
Reinsurance payables	590	590	-	843	843	-
Payables (trade, not insurance)	13,911	13,911	-	19,718	19,718	-
Any other liabilities, not else shown	443	443	-	705	705	-
<b>Total Liabilities</b>	<b>490,314</b>	<b>427,724</b>	<b>(62,590)</b>	<b>523,203</b>	<b>448,169</b>	<b>(75,034)</b>
<b>Excess of Assets over Liabilities</b>	<b>171,182</b>	<b>187,601</b>	<b>16,420</b>	<b>149,830</b>	<b>171,384</b>	<b>21,554</b>

Table D-8

LSSO London - Liabilities - US\$000						
	2024/25			2023/24		
	UK GAAP	Solvency II	Variance	UK GAAP (Restated)	Solvency II	Variance
Technical Provisions	465,141	387,073	(78,069)	493,762	408,121	(85,641)
Insurance & Intermediaries payables	7,278	7,278	-	6,247	6,247	-
Reinsurance payables	590	590	-	843	843	-
Payables (trade, not insurance)	46,490	46,490	-	50,935	50,935	-
Any other liabilities, not else shown	449	449	-	711	711	-
<b>Total Liabilities</b>	<b>519,948</b>	<b>441,879</b>	<b>(78,069)</b>	<b>552,499</b>	<b>466,858</b>	<b>(85,641)</b>
<b>Excess of Assets over Liabilities</b>	<b>173,675</b>	<b>185,371</b>	<b>11,696</b>	<b>153,386</b>	<b>163,798</b>	<b>10,413</b>

Table D-9

LSSO Europe - Liabilities - US\$000						
	2024/25			2023/24		
	UK GAAP	Solvency II	Variance	UK GAAP	Solvency II	Variance
Technical Provisions	20,657	14,725	(5,932)	15,438	11,132	(4,306)
Insurance & Intermediaries payables	2,769	2,523	(246)	350	2,103	1,753
Reinsurance payables	-	-	-	-	-	-
Payables (trade, not insurance)	(2,223)	246	2,468.56	465	228	(237)
Any other liabilities, not else shown	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>21,204</b>	<b>17,494</b>	<b>(3,710)</b>	<b>16,253</b>	<b>13,463</b>	<b>(2,790)</b>
<b>Excess of Assets over Liabilities</b>	<b>21,038</b>	<b>20,723</b>	<b>(314)</b>	<b>19,822</b>	<b>19,124</b>	<b>(698)</b>

#### D.3.1 Differences between Solvency II and UK GAAP valuations

In general, the valuation method of liabilities is aligned with the statutory accounts and so the basis of preparation aligns with the accounting policies outlined in the Club's Annual Report and Financial Statements in Notes 1 and 2.

#### D.4 Alternative methods for valuation

The Club does not use alternative methods for valuation.

## D.5 Any Other Information

There is no other material information to report regarding the Club's valuation of assets and liabilities.

## E. CAPITAL MANAGEMENT

### E.1 Own Funds

#### E.1.1 Objectives and management of Own Funds

The Club's Business Plan and ORSA process measure the Club's current and projected capital and solvency position over a three year time horizon. The core capital management objective over this time horizon is for the Club to maintain Tier 1 basic own funds at a level which provides a capital buffer in excess of the higher of its SCR and its ORSA derived solvency needs.

Notwithstanding this core objective, however, the contractual right to make a supplementary call on the mutual Membership represents an important, well understood and highly efficient means by which the Club can manage its capital requirements in times of financial stress. Article 89 of Directive 2009/138/EC recognises that in the case of a mutual association with variable contributions, future claims which it has the right to levy on its Membership may be treated as ancillary own funds ("AOF") forming part of the Club's overall capital resources available to meet the SCR. The Club views it as an important matter of principle that this highly reliable source of capital is recognised as part of the overall capital resources available, and is committed to maintaining at all times supervisory approval for this AOF item. In the event of a Supplementary Call, the additional own funds raised form part of the Club's surplus and are included under Tier 1 Eligible Own Funds.

#### E.1.2 Structure, amount and quality of Own Funds

The following tables provide a summary of the movement in own funds for the Club as well as both LSSO London and LSSO Europe over the reporting period.

Table E-1

Club - Own Funds - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
Basic Own Funds	187,601	16,216	171,385
Ancillary Own Funds	50,000	-	50,000
<b>Total Own Funds</b>	<b>237,601</b>	<b>16,216</b>	<b>221,385</b>

Table E-2

LSSO London - Own Funds - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
Basic Own Funds	185,371	21,573	163,798
Ancillary Own Funds	43,781	1,569	42,212
<b>Total Own Funds</b>	<b>229,152</b>	<b>23,142</b>	<b>206,010</b>

The Basic Own Funds of LSSO Europe consist of US\$20m of Share Capital plus US\$723k of Reconciliation reserve.

Table E-3

LSSO Europe - Own Funds - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
Basic Own Funds	20,723	1,599	19,124
Ancillary Own Funds	-	-	-
<b>Total Own Funds</b>	<b>20,723</b>	<b>1,599</b>	<b>19,124</b>

The PRA granted the Club approval on 13 March 2023 for the use of AOF of US\$50m, when determining its own funds, effective from 20 April 2023 until 20 April 2026.



### E.1.3 Eligible amount of Own Funds available to cover SCR and MCR, classified by tiers

Basic Own Funds (as shown in section E.1.2) are classified as Tier 1 and are available to cover both the SCR and MCR while Ancillary Own Funds are classified as Tier 2 and are only available to cover the SCR.

### E.1.4 Differences between UK GAAP equity and Solvency II excess of assets over liabilities

The majority of assets and liabilities are valued identically under UK GAAP and Solvency II. The key differences are the valuation of the technical provisions and the accounting treatment of the Club's investment in Hydra. These differences can be seen in the tables below.

Table E-4

Club - UK GAAP Equity to SII Own Funds - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
<b>Retained Earnings as per UK GAAP</b>	<b>171,182</b>	<b>21,351</b>	<b>149,831</b>
Difference in valuation of assets	(46,171)	7,310	(53,471)
Difference in valuation of technical provisions	62,590	(12,444)	75,034
Difference in valuation of other liabilities	-	-	-
<b>Solvency II excess of assets over liabilities</b>	<b>187,601</b>	<b>16,216</b>	<b>171,385</b>

Table E-5

LSSO London - UK GAAP Equity to SII Own Funds - US\$000			
	20 Feb 2025	Movement	20 Feb 2024 (Restated)
<b>Retained Earnings as per UK GAAP</b>	<b>173,675</b>	<b>20,288</b>	<b>153,387</b>
Difference in valuation of assets	(66,373)	8,857	(75,230)
Difference in valuation of technical provisions	78,069	(7,572)	85,641
Difference in valuation of other liabilities	-	-	-
<b>Solvency II excess of assets over liabilities</b>	<b>185,371</b>	<b>21,573</b>	<b>163,798</b>

Table E-6

LSSO Europe - UK GAAP Equity to SII Own Funds - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
<b>Retained Earnings as per UK GAAP</b>	<b>21,038</b>	<b>1,216</b>	<b>19,822</b>
Difference in valuation of assets	(4,024)	(536)	(3,488)
Difference in valuation of technical provisions	5,932	1,626	4,306
Difference in valuation of other liabilities	(2,223)	(706)	(1,517)
<b>Solvency II excess of assets over liabilities</b>	<b>20,723</b>	<b>1,599</b>	<b>19,124</b>

### E.1.5 Description and the amount of Ancillary Own Funds

A description of the AOF item and the amount approved by the PRA is provided in Sections E.1.1 and E.1.2.

### E.1.6 Description of items deducted from Own Funds

There are no items that are deducted from own funds and no significant restrictions affecting the availability and transferability of own funds.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

### E.2.1 Solvency Capital Requirement as at 20 February 2025

The SCR of the Club as at the valuation date is US\$123.3m with the SCRs for LSSO London and LSSO Europe entities equal to US\$87.6m and US\$7.2m respectively. The following tables show the relevant SCRs split by risk modules as of 20 February 2025.

Table E-7

Club - SCR - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
Non-life Underwriting Risk	85,975	5,761	80,213
Market Risk	39,357	5,479	33,878
Counterparty Default Risk	10,710	1,418	9,292
<b>Undiversified Basic SCR</b>	<b>136,042</b>	<b>12,659</b>	<b>123,383</b>
Diversification Benefit	(27,052)	(3,317)	(23,735)
<b>Basic SCR</b>	<b>108,990</b>	<b>9,342</b>	<b>99,648</b>
Operational Risk	11,544	(535)	12,080
<b>SCR (excl. Capital add on)</b>	<b>120,534</b>	<b>8,807</b>	<b>111,727</b>
Capital add-on	2,760	(1,710)	4,470
<b>Solvency Capital Requirements</b>	<b>123,294</b>	<b>7,097</b>	<b>116,197</b>

Table E-8

LSSO London - SCR - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
Non-life Underwriting Risk	13,687	910	12,777
Market Risk	55,052	2,497	52,555
Counterparty Default Risk	30,669	1,726	28,942
<b>Undiversified Basic SCR</b>	<b>99,407</b>	<b>5,133</b>	<b>94,274</b>
Diversification Benefit	(23,254)	(1,292)	(21,962)
<b>Basic SCR</b>	<b>76,153</b>	<b>3,841</b>	<b>72,312</b>
Operational Risk	11,409	(703)	12,112
<b>Solvency Capital Requirements</b>	<b>87,562</b>	<b>3,139</b>	<b>84,424</b>

Table E-9

LSSO Europe - SCR - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
Non-life Underwriting Risk	2,941	286	2,655
Market Risk	1,861	606	1,255
Counterparty Default Risk	3,930	584	3,347
<b>Undiversified Basic SCR</b>	<b>8,733</b>	<b>1,476</b>	<b>7,257</b>
Diversification Benefit	(1,986)	(428)	(1,558)
<b>Basic SCR</b>	<b>6,747</b>	<b>1,048</b>	<b>5,699</b>
Operational Risk	469	43	426
<b>Solvency Capital Requirements</b>	<b>7,216</b>	<b>1,091</b>	<b>6,125</b>

No material simplified methods have been used in our assessment and neither did we use the duration-based equity risk sub-module as set out in Article 304 of Directive 2009/138/EC in the calculation of the SCR.

#### *Non-Life Underwriting Risk*

The Club's largest risk exposure relates to expired and unexpired business. 'Premium and Reserve Risk' was split between 'Marine, Aviation & Transportation' and 'Legal Expenses' lines of business. We have not used Undertaking-Specific parameters, but we did allow for geographical diversification as underlying risks are spread globally.

The 'Catastrophe Risk' sub-module reflects the exposure to a man-made catastrophe involving a tanker collision.

#### *Market Risk*

The Club follows an investment strategy that exposes it to 'Equity Risk' and 'Spread Risk' in particular. Under 'Equity Risk' we have applied a symmetrical adjustment of +5.3% to the standard 39% and 49% shocks for Type 1 and Type 2 equities respectively, which is the SAECC index as published by the Bank of England.

Notwithstanding that the Club holds assets in each of the key currencies in which it has outstanding liabilities, there remains an element of currency mismatching, principally with regards to GBP and EUR exposures.

#### *Capital Add-on*

The Club agreed with the PRA a voluntary capital add-on, effective 20 February 2022, as part of its group level SCR for the remote risk the Club is exposed to through its management agreement contract and relationship with its independent management company, and its pension deficit. The capital add-on changed from the US\$4.47m used in the 2023/24 valuation to US\$2.76m for the 2024/25 valuation, after PRA approval which is effective from 23 April 2024.

#### **E.2.2 Minimum Capital Requirement as at 20 February 2025**

The MCR of the Club as at the valuation date is US\$48.6m with the MCRs for the LSSO London and LSSO Europe entities equal to US\$21.9m and US\$4.2m respectively. The following table shows the inputs into the MCR calculation as of 20 February 2025. Note the Absolute Floor of the MCR ("AMCR") is prescribed by EIOPA and is €4.0m, converted at an exchange rate of 1.0502 (20 Feb 2024: 1.0811) as per Article 300.

*Table E-10*

<b>Club - MCR - US\$000</b>			
	<b>20 Feb 2025</b>	<b>Movement</b>	<b>20 Feb 2024</b>
AMCR	4,201	(124)	4,324
Linear MCR	38,007	1,679	36,328
SCR	123,294	7,097	116,197
Combined MCR	38,007	1,679	36,328
Minimum consolidated Group SCR	48,568	928	47,640
<b>Minimum Capital Requirements</b>	<b>48,568</b>	<b>928</b>	<b>47,640</b>

Table E-11

LSSO London - MCR - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
AMCR	4,201	(124)	4,324
Linear MCR	4,998	517	4,480
SCR	87,562	3,139	84,424
Combined MCR	21,891	785	21,106
<b>Minimum Capital Requirements</b>	<b>21,891</b>	<b>785</b>	<b>21,106</b>

Table E-12

LSSO Europe - MCR - US\$000			
	20 Feb 2025	Movement	20 Feb 2024
AMCR	4,201	(124)	4,324
Linear MCR	599	120	480
SCR	7,216	1,091	6,125
Combined MCR	1,804	273	1,531
<b>Minimum Capital Requirements</b>	<b>4,201</b>	<b>(124)</b>	<b>4,324</b>

The following information, by Solvency II line of business, was used to calculate the linear MCR:

- Net written premium in the previous 12 months to the valuation date
- Net best estimate technical provisions

### E.2.3 Material changes to the SCR and MCR over the reporting period

The underlying risk profile has remained broadly unchanged over the reporting period. Risk exposures in relation to Market Risk and Counterparty Default Risk reduced which led to a reduction in the capital charges under both these risk modules.

### E.2.4 Overall Solvency

The table below shows the SCR and MCR solvency ratios for the Club and subsidiaries as of 20 February 2025.

Table E-13

Capital Requirements - Club - US\$'000						
	SCR				MCR	
	20 Feb 2025	20 Feb 2024	Change		20 Feb 2025	20 Feb 2024
Capital Requirement	123,294	116,197	7,097		48,568	47,640
Eligible Own Funds	237,601	221,385	16,216		187,601	171,385
<b>Surplus Funds</b>	114,308	105,188	9,120		139,034	123,745
Ratio	192.71%	190.53%	2.19%		386.27%	359.75%

Table E-14

Capital Requirements - London - US\$'000						
	SCR				MCR	
	20 Feb 2025	20 Feb 2024	Change		20 Feb 2025	20 Feb 2024
Capital Requirement	87,562	84,424	3,139		21,891	21,106
Eligible Own Funds	229,152	206,010	23,142		185,371	163,798
<b>Surplus Funds</b>	141,590	121,586	20,003		163,480	142,692
Ratio	261.70%	244.02%	17.68%		846.81%	776.08%

Table E-15

Capital Requirements - Europe - US\$'000						
	SCR				MCR	
	20 Feb 2025	20 Feb 2024	Change		20 Feb 2025	20 Feb 2024
Capital Requirement	7,216	6,125	1,091		4,201	4,324
Eligible Own Funds	20,723	19,124	1,599		20,723	19,124
<b>Surplus Funds</b>	13,507	12,999	509		16,522	14,799
Ratio	287.19%	312.22%	-25.03%		493.32%	442.23%

### E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Club does not use make use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

### E.4 Differences between the Standard Formula and any Internal Model used

No internal or partial internal model is used to calculate the regulatory capital requirement.

### E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There were no instances of non-compliance with either the MCR or the SCR during the period from 20 February 2024 to 20 February 2025. This applies to the Group and the undertakings within scope of this SFCR.

### E.6 Any Other Information

There is no other material information to report regarding the Club's capital management.

## Appendix 1: Quantitative Reporting Templates (QRTs)

The remaining part of this submission contains the required QRTs for the Club as well as LSSO London in line with Solvency II requirements.

All figures are presented in thousands of US Dollars with the exception of ratios that are in decimal. Please note that totals may differ from the component parts due to rounding. All items disclosed are consistent with the information provided privately to the regulator.

The following Group QRTs are provided:

Reference	QRT Template Description	Page No
IR.02.01.01	Balance sheet	A 3
IR.05.04.02	Non-life income and expenditure	A 5
IR.05.02.01	Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations	A 6
IR.23.01.04	Own Funds	A 8
IR.25.04.04	Solvency Capital Requirement – for groups on Standard Formula	A 10
IR.32.01.04	Undertakings in the scope of the group	A 11

The following QRTs for LSSO London are provided:

Reference	QRT Template Description	Page No
IR.02.01.01	Balance sheet	B 3
IR.05.04.02	Non-life income and expenditure	B 5
IR.05.02.01	Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations	B 6
IR.17.01.01	Non-Life Technical Provisions	B 8
IR.19.01.01	Non-Life insurance claims	B 9
IR.23.01.01	Own Funds	B 10
IR.25.04.01	Solvency Capital Requirement – for undertakings on the Standard Formula	B 11
IR.28.01.01	Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity	B 12

# The London Steam- Ship Owners' Mutual Insurance Association (Group) Limited

Solvency and Financial  
Condition Report

Group Disclosures

20 February  
**2025**

(Monetary amounts in USD thousands)

## General information

Entity name	The London Steam-Ship Owners' Mutual Insurance Association (Group) Limited
Entity identification code and type of code	LEI/213800VZJ8TFB8ZJDR87
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	20 February 2025
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

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IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.23.01.04 - Own Funds

IR.25.04.22 - Solvency Capital Requirement

IR.32.01.22 - Undertakings in the scope of the group



## IR.02.01.02

### Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	350,858
R0080	<i>Property (other than for own use)</i>	16,345
R0090	<i>Holdings in related undertakings, including participations</i>	9,630
R0100	<i>Equities</i>	40,655
R0110	<i>Equities - listed</i>	40,655
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	241,831
R0140	<i>Government Bonds</i>	76,633
R0150	<i>Corporate Bonds</i>	88,902
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	76,296
R0180	<i>Collective Investments Undertakings</i>	32,038
R0190	<i>Derivatives</i>	58
R0200	<i>Deposits other than cash equivalents</i>	10,300
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	174,575
R0280	<i>Non-life and health similar to non-life</i>	174,575
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	6,112
R0370	Reinsurance receivables	4,053
R0380	Receivables (trade, not insurance)	3,829
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	69,459
R0420	Any other assets, not elsewhere shown	6,489
R0500	<b>Total assets</b>	615,375

		Solvency II value
Liabilities		C0010
R0505	Technical provisions - total	404,671
R0510	Technical provisions - non-life	404,671
R0515	Technical provisions - life	0
R0542	Best estimate - total	384,811
R0544	Best estimate - non-life	384,811
R0546	Best estimate - life	
R0552	Risk margin - total	19,860
R0554	Risk margin - non-life	19,860
R0556	Risk margin - life	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	49
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	8,109
R0830	Reinsurance payables	590
R0840	Payables (trade, not insurance)	13,911
R0850	Subordinated liabilities	0
R0860	Subordinated liabilities not in Basic Own Funds	
R0870	Subordinated liabilities in Basic Own Funds	0
R0880	Any other liabilities, not elsewhere shown	443
R0900	<b>Total liabilities</b>	427,773
R1000	<b>Excess of assets over liabilities</b>	187,601

**IR.05.02.01**
**Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations**

R0010

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
	CY						
	C0080	C0090	C0100	C0110	C0120	C0130	C0140

**Premiums written**

R0110 Gross - Direct Business  
R0120 Gross - Proportional reinsurance accepted  
R0130 Gross - Non-proportional reinsurance accepted  
R0140 Reinsurers' share  
R0200 Net

143,356	15,485					158,841
						0
						0
34,826	2,059					36,885
108,530	13,426					121,956

**Premiums earned**

R0210 Gross - Direct Business  
R0220 Gross - Proportional reinsurance accepted  
R0230 Gross - Non-proportional reinsurance accepted  
R0240 Reinsurers' share  
R0300 Net

144,342	15,421					159,763
						0
						0
34,909	2,044					36,953
109,433	13,378					122,810

**Claims incurred**

R0310 Gross - Direct Business  
R0320 Gross - Proportional reinsurance accepted  
R0330 Gross - Non-proportional reinsurance accepted  
R0340 Reinsurers' share  
R0400 Net

98,475	10,128					108,603
						0
						0
29,136	0					29,136
69,339	10,128					79,467

R0550 **Net expenses incurred**

38,407	3,239					41,646
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IR.05.04.02

**Non-life income and expenditure : reporting period**

		All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations									
				Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
		C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
Income													
Premiums written													
R0110	Gross written premiums		0								146,722		
R0111	Gross written premiums - insurance (direct)										146,722		
R0113	Gross written premiums - accepted reinsurance												
R0160	Net written premiums										110,237		
Premiums earned and provision for unearned													
R0210	Gross earned premiums										147,292		
R0220	Net earned premiums										110,734		
Expenditure													
Claims incurred													
R0610	Gross (undiscounted) claims incurred										104,583		
R0611	Gross (undiscounted) direct business										104,583		
R0612	Gross (undiscounted) reinsurance accepted												
R0690	Net (undiscounted) claims incurred										74,843		
R0730	Net (discounted) claims incurred												
Analysis of expenses incurred													
R0910	Technical expenses incurred net of reinsurance ceded		9,129										
R0985	Acquisition costs, commissions, claims management costs		32,518								28,583		
Other expenditure													
R1140	Other expenses												
R1310	Total expenditure												

Non-life income and expenditure : reporting period

**Income**

**Premiums written**

R0110 Gross written premiums

R0111 Gross written premiums - insurance (direct)

R0113 Gross written premiums - accepted reinsurance

R0160 Net written premiums

**Premiums earned and provision for unearned**

R0210 Gross earned premiums

R0220 Net earned premiums

**Expenditure**

**Claims incurred**

R0610 Gross (undiscounted) claims incurred

R0611 Gross (undiscounted) direct business

R0612 Gross (undiscounted) reinsurance accepted

R0690 Net (undiscounted) claims incurred

R0730 Net (discounted) claims incurred

**Analysis of expenses incurred**

R0910 Technical expenses incurred net of reinsurance ceded

R0985 Acquisition costs, commissions, claims management costs

**Other expenditure**

R1140 Other expenses

R1310 **Total expenditure**

Non-life insurance and accepted proportional reinsurance obligations								Accepted non-proportional reinsurance				Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property		
Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
					12,119								
					12,119								
					11,719								
					12,472								
					12,076								
					4,020								
					4,020								
					4,624								
					3,934								

Own Funds

Basic own funds before deduction for participations in other financial sector

R0010	Ordinary share capital (gross of own shares)
R0020	Non-available called but not paid in ordinary share capital at group level
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0060	Non-available subordinated mutual member accounts at group level
R0070	Surplus funds
R0080	Non-available surplus funds at group level
R0090	Preference shares
R0100	Non-available preference shares at group level
R0110	Share premium account related to preference shares
R0120	Non-available share premium account related to preference shares at group level
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0150	Non-available subordinated liabilities at group level
R0160	An amount equal to the value of net deferred tax assets
R0170	The amount equal to the value of net deferred tax assets not available at the group level
R0180	Other items approved by supervisory authority as basic own funds not specified above
R0190	Non available own funds related to other own funds items approved by supervisory authority
R0200	Minority interests (if not reported as part of a specific own fund item)
R0210	Non-available minority interests at group level

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0250	Deductions for participations where there is non-availability of information (Article 229)
R0260	Deduction for participations included by using D&A when a combination of methods is used
R0270	Total of non-available own fund items
R0280	Total deductions

R0290 Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0380	Non available ancillary own funds at group level
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Own funds of other financial sectors

R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies
R0420	Institutions for occupational retirement provision
R0430	Non regulated entities carrying out financial activities
R0440	Total own funds of other financial sectors

Own funds when using the D&A, exclusively or in combination of method 1

R0450	Own funds aggregated when using the D&A and combination of method
R0460	Own funds aggregated when using the D&A and combination of method net of IGT
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )
R0530	Total available own funds to meet the minimum consolidated group SCR
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)
R0590	Consolidated group SCR
R0610	Minimum consolidated Group SCR
R0630	Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)
R0650	Ratio of Eligible own funds to Minimum Consolidated Group SCR
R0660	Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A )
R0670	SCR for entities included with D&A method
R0680	Group SCR
R0690	Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

Reconciliation reserve

R0700	Excess of assets over liabilities
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Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0				
0	0		0	
0	0		0	
0		0	0	0
0				
0	0			
0				
0		0	0	0
0				
0		0	0	0
0				
187,601	187,601			
0		0	0	0
0				
0				0
0				
0	0	0	0	0
0				
0				
0				

0				
0				
0	0	0	0	0
0	0	0	0	0
187,601	187,601	0	0	0

0				
0				
0				
0				
0				
0				
50,000			50,000	
0				
0				
0				
50,000			50,000	0

0				
0				
0				
0	0	0	0	0

0				
0				
237,601	187,601	0	50,000	0
187,601	187,601	0	0	
237,601	187,601	0	50,000	0
187,601	187,601	0	0	
123,294				
48,568				
386.27%				
237,601	187,601	0	50,000	0
0				
123,294				
192.71%				

C0060
187,601

R0710 Own shares (held directly and indirectly)  
R0720 Forseeable dividends, distributions and charges  
R0725 Deductions for participations in financial and credit institutions  
R0730 Other basic own fund items  
R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds  
R0750 Other non available own funds  
R0760 **Reconciliation reserve**

0
0
187,601

**Solvency Capital Requirement****Net of loss absorbing capacity of technical provisions**

	<b>Market risk</b>	C0010
R0070	Interest rate risk	13,730
R0080	Equity risk	21,266
R0090	Property risk	4,086
R0100	Spread risk	14,707
R0110	Concentration risk	97
R0120	Currency risk	3,622
R0125	Other market risk	
R0130	Diversification within market risk	-18,149
R0140	<b>Total Market risk</b>	39,357
	<b>Counterparty default risk</b>	
R0150	Type 1 exposures	9,453
R0160	Type 2 exposures	1,605
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-349
R0180	<b>Total Counterparty default risk</b>	10,710
	<b>Life underwriting risk</b>	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	<b>Total Life underwriting risk</b>	0
	<b>Health underwriting risk</b>	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	<b>Total Health underwriting risk</b>	0
	<b>Non-life underwriting risk</b>	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	80,832
R0340	Non-life catastrophe risk	15,265
R0350	Lapse risk	2,810
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-12,932
R0370	<b>Total Non-life underwriting risk</b>	85,975
R0400	<b>Intangible asset risk</b>	
	<b>Operational and other risks</b>	
R0422	Operational risk	11,544
R0424	Other risks	
R0430	<b>Total Operational and other risks</b>	11,544
R0432	<b>Total before all diversification</b>	179,016
R0434	Total before diversification between risk modules	147,586
R0436	Diversification between risk modules	-27,052
R0438	<b>Total after diversification</b>	120,534
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	<b>Solvency capital requirement including undisclosed capital add-on</b>	120,534
R0472	Disclosed capital add-on - excluding residual model limitation	2,760
R0474	Disclosed capital add-on - residual model limitation	
R0480	<b>Solvency capital requirement including capital add-on</b>	123,294
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	
	<b>Information on other entities</b>	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	<i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	
R0520	<i>Institutions for occupational retirement provisions</i>	
R0530	<i>Capital requirement for non-regulated entities carrying out financial activities</i>	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	
	<b>Overall SCR</b>	
R0555	Solvency capital requirement (consolidation method)	123,294
R0560	SCR for undertakings included via D and A	
R0565	SCR for sub-groups included via D and A	
R0570	<b>Solvency capital requirement</b>	123,294



IR.32.01.22

**Undertakings in the scope of the group**

	Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
Row	C0010	C0020	C0040	C0050	C0060	C0070	C0080
1	GB	LEI/213800VZJ8TFB8ZJDR87	The London Steam-Ship Owners' Mutual Insurance Association Limited	Non life insurance undertaking	Limited by guarantee	Mutual	Prudential Regulation Authority
2	BM	LEI/549300OBVBZL3ADV8B91	The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited	Reinsurance undertaking	Limited by guarantee	Mutual	Bermuda Monetary Authority
3	BM	SC/213800VZJ8TFB8ZJDR87-BM-00001	London and Bermuda Reinsurance Company Limited	Reinsurance undertaking		Mutual	
4	CY	LEI/2138003JRMGVH8CGUR42	The London P&I Insurance Company (Europe) Limited	Non life insurance undertaking	Limited by shares	Mutual	Superintendent of Insurance

## Undertakings in the scope of the group

					Criteria of influence					
Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	
Row	C0010	C0020	C0040	C0050	C0180	C0190	C0200	C0210	C0220	C0230
1	GB	LEI/213800VZJ8TFB8ZJDR87	The London Steam-Ship Owners' Mutual Insurance Association Limited	Non life insurance undertaking					Dominant	
2	BM	LEI/549300OBVBZL3ADV8B91	The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited	Reinsurance undertaking		100.00%	100.00%		Dominant	100.00%
3	BM	SC/213800VZJ8TFB8ZJDR87-BM-00001	London and Bermuda Reinsurance Company Limited	Reinsurance undertaking						
4	CY	LEI/2138003JRMGVH8CGUR42	The London P&I Insurance Company (Europe) Limited	Non life insurance undertaking	100.00%				Dominant	100.00%

IR.32.01.22

**Undertakings in the scope of the group**

					Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code and type of code of the undertaking	Legal Name of the undertaking	Type of undertaking	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
Row	C0010	C0020	C0040	C0050	C0240	C0250	C0260
1	GB	LEI/213800VZJ8TFB8ZJDR87	The London Steam-Ship Owners' Mutual Insurance Association Limited	Non life insurance undertaking	Included in the scope		Method 1: Full consolidation
2	BM	LEI/549300OBVBZL3ADV8B91	The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited	Reinsurance undertaking	Included in the scope		Method 1: Full consolidation
3	BM	SC/213800VZJ8TFB8ZJDR87-BM-00001	London and Bermuda Reinsurance Company Limited	Reinsurance undertaking	Not included in the scope (Rule 2.3 (2)(a))	2016-01-08	No inclusion in the scope of group supervision as defined in Group Supervision 2.3
4	CY	LEI/2138003JRMGVH8CGUR42	The London P&I Insurance Company (Europe) Limited	Non life insurance undertaking	Included in the scope		Method 1: Full consolidation

# The London Steam- Ship Owners' Mutual Insurance Association Limited

Solvency and Financial  
Condition Report

Solo Disclosures

20 February  
**2025**

(Monetary amounts in USD thousands)

## General information

Entity name	The London Steam-Ship Owners' Mutual Insurance Association Limited
Entity identification code and type of code	LEI/213800VZJ8TFB8ZJDR87
Type of undertaking	Non-life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	20 February 2025
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

-

IR.02.01.02 - Balance sheet

IR.05.02.01 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

IR.05.04.02 - Non-life income and expenditure : reporting period

IR.17.01.02 - Non-Life Technical Provisions

IR.19.01.21 - Non-Life insurance claims

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## IR.02.01.02

### Balance sheet

		Solvency II value
Assets		C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	190,781
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	178,758
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	0
R0140	<i>Government Bonds</i>	0
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	1,389
R0190	<i>Derivatives</i>	335
R0200	<i>Deposits other than cash equivalents</i>	10,300
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	366,321
R0280	<i>Non-life and health similar to non-life</i>	366,321
R0315	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	4,961
R0370	Reinsurance receivables	4,047
R0380	Receivables (trade, not insurance)	7,876
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	53,262
R0420	Any other assets, not elsewhere shown	0
R0500	<b>Total assets</b>	627,250

		Solvency II value
		C0010
<b>Liabilities</b>		
R0505	Technical provisions - total	387,073
R0510	<i>Technical provisions - non-life</i>	387,073
R0515	<i>Technical provisions - life</i>	0
R0542	Best estimate - total	380,312
R0544	<i>Best estimate - non-life</i>	380,312
R0546	<i>Best estimate - life</i>	
R0552	Risk margin - total	6,761
R0554	<i>Risk margin - non-life</i>	6,761
R0556	<i>Risk margin - life</i>	
R0565	Transitional (TMTP) - life	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	7,278
R0830	Reinsurance payables	590
R0840	Payables (trade, not insurance)	46,490
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in Basic Own Funds</i>	
R0870	<i>Subordinated liabilities in Basic Own Funds</i>	0
R0880	Any other liabilities, not elsewhere shown	449
R0900	<b>Total liabilities</b>	441,879
R1000	<b>Excess of assets over liabilities</b>	185,371

**IR.05.02.01**
**Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations**

R0010

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
	CY						

C0080 C0090 C0100 C0110 C0120 C0130 C0140

**Premiums written**

R0110 Gross - Direct Business  
R0120 Gross - Proportional reinsurance accepted  
R0130 Gross - Non-proportional reinsurance accepted  
R0140 Reinsurers' share  
R0200 Net

137,831	15,704					153,534
						0
						0
114,537	12,263					126,800
23,294	3,440					26,735

**Premiums earned**

R0210 Gross - Direct Business  
R0220 Gross - Proportional reinsurance accepted  
R0230 Gross - Non-proportional reinsurance accepted  
R0240 Reinsurers' share  
R0300 Net

138,831	15,653					154,483
						0
						0
115,071	12,510					127,581
23,760	3,143					26,903

**Claims incurred**

R0310 Gross - Direct Business  
R0320 Gross - Proportional reinsurance accepted  
R0330 Gross - Non-proportional reinsurance accepted  
R0340 Reinsurers' share  
R0400 Net

96,432	10,128					106,560
						0
						0
91,413	9,115					100,528
5,019	1,013					6,032

R0550 **Net expenses incurred**

19,812	2,321					22,133
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IR.05.04.02

**Non-life income and expenditure : reporting period**

	All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)	Non-life insurance and accepted proportional reinsurance obligations									
			Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance - personal lines	Motor vehicle liability insurance - non-personal lines	Motor vehicle other motor insurance - personal lines	Motor vehicle other motor insurance - non-personal lines	Marine, aviation and transport insurance	Fire and other damage to property insurance - personal lines	Fire and other damage to property insurance - non-personal lines
	C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180
<b>Income</b>												
<b>Premiums written</b>												
R0110	Gross written premiums	153,534								141,828		
R0111	Gross written premiums - insurance (direct)	153,534								141,828		
R0113	Gross written premiums - accepted reinsurance	0								0		
R0160	Net written premiums	26,735								24,044		
<b>Premiums earned and provision for unearned</b>												
R0210	Gross earned premiums	154,483								142,421		
R0220	Net earned premiums	26,903								24,146		
<b>Expenditure</b>												
<b>Claims incurred</b>												
R0610	Gross (undiscounted) claims incurred	106,560								103,059		
R0611	Gross (undiscounted) direct business	106,560								103,059		
R0612	Gross (undiscounted) reinsurance accepted	0								0		
R0690	Net (undiscounted) claims incurred	6,032								5,762		
R0730	Net (discounted) claims incurred	6,032	6,032									
<b>Analysis of expenses incurred</b>												
R0910	Technical expenses incurred net of reinsurance ceded	22,133										
R0985	Acquisition costs, commissions, claims management costs	17,438	17,438							15,568		
<b>Other expenditure</b>												
R1140	Other expenses	0										
R1310	<b>Total expenditure</b>	28,886										

**Income**  
**Premiums written**  
R0110 Gross written premiums  
R0111 Gross written premiums - insurance (direct)  
R0113 Gross written premiums - accepted reinsurance  
R0160 Net written premiums  
  
**Premiums earned and provision for unearned**  
R0210 Gross earned premiums  
R0220 Net earned premiums  
  
**Expenditure**  
**Claims incurred**  
R0610 Gross (undiscounted) claims incurred  
R0611 Gross (undiscounted) direct business  
R0612 Gross (undiscounted) reinsurance accepted  
  
R0690 Net (undiscounted) claims incurred  
  
R0730 Net (discounted) claims incurred  
  
**Analysis of expenses incurred**  
R0910 Technical expenses incurred net of reinsurance ceded  
R0985 Acquisition costs, commissions, claims management costs  
  
**Other expenditure**  
R1140 Other expenses  
  
R1310 **Total expenditure**

Non-life insurance and accepted proportional reinsurance obligations								Accepted non-proportional reinsurance				Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
General liability insurance				Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation and transport	Property		
Employers Liability	Public & products Liability	Professional Indemnity	Other general liability										
C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545
					11,706								
					11,706								
					0								
					2,690								
					12,062								
					2,757								
					3,501								
					3,501								
					0								
					270								
					1,870								

IR.17.01.02  
Non-Life Technical Provisions

Direct business and accepted proportional reinsurance													Accepted non-proportional reinsurance				Total Non-Life obligation									
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance											
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180										
Best estimate																										
Premium provisions																										
R0060	Gross																-19,231								-19,989	
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																-18,106									-19,183
R0150	Net Best Estimate of Premium Provisions																-1,125									-806
Claims provisions																										
R0160	Gross																385,933									400,301
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																372,090									385,505
R0250	Net Best Estimate of Claims Provisions																13,843									14,796
R0260	Total best estimate - gross																366,703									380,312
R0270	Total best estimate - net																12,718									13,991
R0280	Risk margin																6,146									6,761
R0320	Technical provisions - total																372,848									387,073
Recoverable from reinsurance contract/SPV and																										
R0330	Finite Re after the adjustment for expected losses due to counterparty default - total																353,985									366,321
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total																18,864									20,751

IR.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Year	Development year											In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											729	729	729
R0160	-9	12,590	17,556	9,761	8,182	7,330	1,696	1,539	-1,637	35	17		17	57,069
R0170	-8	24,494	14,527	15,247	6,348	746	4,467	873	294	89			89	67,085
R0180	-7	11,255	19,151	9,908	10,818	4,173	1,222	2,565	2,529				2,529	61,621
R0190	-6	22,164	25,440	18,847	10,359	10,057	1,794	4,631					4,631	93,292
R0200	-5	18,426	34,291	20,850	15,165	4,042	6,064						6,064	98,839
R0210	-4	18,428	29,585	20,852	23,414	4,780							4,780	97,059
R0220	-3	84,753	109,634	49,184	50,075								50,075	293,646
R0230	-2	9,733	32,672	36,868									36,868	79,273
R0240	-1	9,782	13,619										13,619	23,401
R0250	0	16,911											16,911	16,911
R0260												Total	136,311	888,925

Gross Undiscounted Best Estimate Claims Provisions														C0360
(absolute amount)														Year end (discounted data)
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			
Year	Development year										10 & +			
	0	1	2	3	4	5	6	7	8	9				
R0100	Prior										78,907		68,385	
R0160	-9	47,953	33,259	27,444	17,315	7,931	6,092	3,548	3,459	2,063	2,091		1,941	
R0170	-8	38,250	28,940	19,345	10,980	7,842	4,712	3,640	1,771	1,616			1,505	
R0180	-7	59,406	40,545	29,850	18,301	11,983	10,104	7,230	5,029				4,645	
R0190	-6	102,260	76,102	48,616	30,508	14,259	10,405	5,577					5,188	
R0200	-5	78,201	63,603	43,846	24,312	20,064	12,917						12,065	
R0210	-4	85,308	58,773	46,161	27,366	20,317							18,969	
R0220	-3	302,513	215,804	171,012	139,012								130,248	
R0230	-2	103,749	87,695	51,050									47,910	
R0240	-1	44,729	31,377										29,336	
R0250	0	85,650											80,109	
R0260												Total	400,301	

IR.19.01.21.22

Gross premium

	C0570	C0580
	Gross earned premium at reporting reference date	Estimate of future gross earned premium
R0160	N-9	110,999
R0170	N-8	104,771
R0180	N-7	103,201
R0190	N-6	104,585
R0200	N-5	144,253
R0210	N-4	143,926
R0220	N-3	165,865
R0230	N-2	132,610
R0240	N-1	138,755
R0250	N	145,665

**IR.23.01.01****Own Funds****Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

R0290 **Total basic own funds after deductions**

**Ancillary own funds**

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>

**Available and eligible own funds**

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 **SCR**

R0600 **MCR**

R0620 **Ratio of Eligible own funds to SCR**

R0640 **Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0725	Deductions for participations in financial and credit institutions
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
185,371	185,371			
0		0	0	0
0				0
0	0	0	0	0
0				
185,371	185,371	0	0	0

0				
0				
0				
0				
0				
0				
50,000			50,000	
0				
0				
50,000			50,000	0

235,371	185,371	0	50,000	0
185,371	185,371	0	0	
229,152	185,371	0	43,781	0
185,371	185,371	0	0	

87,562
21,891
261.70%
846.81%

C0060
185,371
0
0
0
185,371

**Solvency Capital Requirement****Net of loss absorbing capacity of technical provisions**

	<b>Market risk</b>	<b>C0010</b>
R0070	Interest rate risk	1,059
R0080	Equity risk	39,327
R0090	Property risk	0
R0100	Spread risk	351
R0110	Concentration risk	37,603
R0120	Currency risk	296
R0125	Other market risk	
R0130	Diversification within market risk	-23,585
R0140	<b>Total Market risk</b>	<b>55,052</b>
	<b>Counterparty default risk</b>	
R0150	Type 1 exposures	29,109
R0160	Type 2 exposures	2,040
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-480
R0180	<b>Total Counterparty default risk</b>	<b>30,669</b>
	<b>Life underwriting risk</b>	
R0190	Mortality risk	
R0200	Longevity risk	
R0210	Disability-Morbidity risk	
R0220	Life-expense risk	
R0230	Revision risk	
R0240	Lapse risk	
R0250	Life catastrophe risk	
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	
R0270	<b>Total Life underwriting risk</b>	<b>0</b>
	<b>Health underwriting risk</b>	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	<b>Total Health underwriting risk</b>	<b>0</b>
	<b>Non-life underwriting risk</b>	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	11,799
R0340	Non-life catastrophe risk	1,526
R0350	Lapse risk	6,064
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	-5,703
R0370	<b>Non-life underwriting risk</b>	<b>13,687</b>
R0400	<b>Intangible asset risk</b>	
	<b>Operational and other risks</b>	
R0422	Operational risk	11,409
R0424	Other risks	
R0430	<b>Total Operational and other risks</b>	<b>11,409</b>
R0432	<b>Total before all diversification</b>	<b>140,585</b>
R0434	Total before diversification between risk modules	110,817
R0436	Diversification between risk modules	-23,254
R0438	<b>Total after diversification</b>	<b>87,562</b>
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	<b>Solvency capital requirement including undisclosed capital add-on</b>	<b>87,562</b>
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	<b>Solvency capital requirement including capital add-on</b>	<b>87,562</b>
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

**IR.28.01.01**
**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**
**Linear formula component for non-life insurance and reinsurance obligations**

R0010 MCR<sub>NL</sub> Result

C0010

4,998

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
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C0020

C0030

R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

0	
0	
0	
0	
0	
12,718	24,044
0	
0	
0	
1,273	2,690
0	
0	
0	
0	
0	
0	

**Linear formula component for life insurance and reinsurance obligations**

R0200 MCR<sub>L</sub> Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
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C0050

C0060

R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations


**Overall MCR calculation**

R0300	Linear MCR
R0310	SCR
R0320	MCR cap
R0330	MCR floor
R0340	Combined MCR
R0350	Absolute floor of the MCR
R0400	<b>Minimum Capital Requirement</b>

C0070

4,998

87,562

39,403

21,891

21,891

4,408

21,891