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Board of Directors & Members' Committee

Board of Directors

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

Chairman John M. Lyras Lyras Maritime Ltd., London	John L. Harbor Surrey, UK	John J. Raggio Sealift LLC, New York	Managers Ian E. Gooch A. Bilbrough & Co Ltd., London
Vice-Chairmen Robert A. Ho Fairmont Management Ltd., Hong Kong	John L. Lawrence London, UK	Sophocles N. Zoullas Zenith Shipping LLC, New York	Anthony G. Jones A. Bilbrough & Co Ltd., London
Vassilis J. Laliotis J. Laliotis Maritime Group, Athens	Amnon Lion Eastern Pacific Shipping Pte. Ltd., Singapore		Iain Paul A. Bilbrough & Co Ltd., London

Members' Committee

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

Chairman John M. Lyras Lyras Maritime Ltd., London	John Anagnostopoulos EPS Shipping (UK) Ltd., London	Michael Kougelis Capital Ship Management, Piraeus <i>Resigned 6 June 2022</i>	Nikolaos Savvas Cosmship Management S.A., Piraeus
Vice-Chairmen Robert A. Ho Fairmont Management Ltd., Hong Kong	Sreeganth Bangaroo Raffles Shipmanagement Ltd., Singapore <i>Appointed 13 July 2022</i>	John L. Lawrence London, UK	Josef Sedlmeyr Northern Shipping Holding, Germany
Vassilis J. Laliotis J. Laliotis Maritime Group, Athens	Peter J. Cowling Wallem Ltd., London <i>Resigned 13 July 2022</i>	Michael C. Lemos C.M. Lemos & Co. Ltd., London	Giangiacomo Serena SAM International Andromeda Shipping, Monaco <i>Resigned 20 February 2023</i>
	Stamos J. Fafalios Fafalios Ltd., London	Amnon Lion Eastern Pacific Shipping Ptd. Ltd., Singapore	Zhongyi (John) Su Erasmus Shipinvest Group Ltd., Athens
	Peter Hadjipateras Dorian LPG, Denmark <i>Appointed 19 October 2022</i>	Zahid Osman MISC Berhad, Kuala Lumpur	Bendix Todsén Hamburg <i>Resigned 13 July 2022</i>
	John L. Harbor Surrey, UK	Ismeni Panagiotidi Pavimar S.A., Athens	Shmuel Yoskovitz X-Press Feeders, Singapore <i>Appointed 1 February 2023</i>
	Wenguang Ji SITC Shipping Group, Shanghai	Vassilis Papageorgiou Tsakos Group, Athens	Shen Zhao China Shipbuilding Consulting Co. Ltd., Shanghai <i>Appointed 13 July 2022</i>
		John J. Raggio Sealift LLC, New York	Sophocles N. Zoullas Zenith Shipping LLC, New York

Registered address
 50 Leman Street, London, E1 8HQ



Chairman's Report



Dear Members,

The 2022/23 financial year was a challenging one for the Association. The cost of Pool claims brought by Members and turbulence in global investment markets were drivers of the result, which was an overall operating deficit of US\$50m.

Members of the Association incurred two claims projected to cost in excess of our US\$10m retention under the Pooling Agreement, and this was a material factor in our combined ratio of 128%. The claims, which arose from groundings, one off Japan, one off Venezuela, occurred in what was an extremely unusual year for the Pooling system with only four claims having been notified at the year-end and with 50% of those emanating from the Association.

Our experience – and the industry's generally – is that high severity claims of this type are fortuitous in nature; and it is tempting to say that the Association had more than its fair share of misfortune during the year under review. However, volatility from claims and other sources are a part of the operating environment which the Board recognises and prepares for through our capital management and other strategic planning. An important part of the latter involves work with Members and brokers to restore rates to sustainable levels, in effect building back following the erosion of premiums in the P&I sector over a number of years, to put our technical performance on a surer footing. Progress with this was made at the February 2022 renewal and the combined ratio has improved as a result, although the incurrence of the high severity claims drove it above target. Work in this area continued

at the recent February 2023 renewal when there was a further focus on the sufficiency of rating and deductible levels for each fleet, taking into account individual loss records, risk profiles and the part that all Members have to play in balancing the Association's underwriting results. Such a strategy meant that there were some instances where terms were not offered or could not be agreed. I am pleased to say though that there was strong support for the Association from the vast majority of our Members, for which we are grateful. We were also delighted to welcome additional entries of over 1m gt from existing as well as new Members.

The dreadful invasion of Ukraine in February last year, as the global economy recovered from the fall-out from COVID-19, saw a surge in inflation, triggering extreme events in the world's investment markets, across the main asset classes. This also provided a stark reminder of the volatility to which even a conservatively positioned portfolio, such as the Association's, can be exposed. It is the case, however, that much of the loss on our investments remains unrealised and should unwind in the form of higher future yields to maturity. In the meantime, after such an exceptionally challenging period it is right that I recognise the disciplined, vigilant work undertaken by our quota share reinsurer in Bermuda.

The Association's attention to sustainability is ongoing and continues to evolve, as explained in the ESG section of the Strategic Report. But as has been noted during our Members' Committee's consideration of claims matters, there is already a very strong alignment between sustainability and our core activities – targeting, for example, the avoidance of accidents to people and to the environment, and the effective mitigation of the impact when they occur. This deep-rooted connection underlines the role that mutual insurers like the Association play and can play in the sustainability arena and in turn emphasises the value of the International Group's (IG) sustainability initiatives. These were set out clearly in its first Sustainability Report, published in 2022, which highlighted the benefits of the IG's collectively stronger approach to support United Nations Sustainable Development Goals, as well as supporting shipowners in their work towards a sustainable future.

Our Board and Members' Committee continue to take considerable interest in the wide array of other work undertaken by the IG. In particular, the Sanctions Committee has, again, engaged extensively with the relevant authorities in the UK, US, EU and elsewhere. This proactive approach has helped achieve clarification of complex and developing rules and to support the industry in the

transitioning needed to comply with new requirements – and, importantly, the delivery of common guidance to shipowners as new measures were introduced during the year. We also welcomed the work of the Salvage Committee, which commissioned a report on the decline in use of the Lloyd's Open Form (LOF) salvage contract, the risks that could arise as a result, and provided recommendations to encourage parties to make more regular and appropriate use of LOF in the future.

During the year, we were pleased to welcome Sreeganth Bangaroo, Shen Zhao, Peter Hadjipateras and Schmuël Yoskovitz to our Member's Committee. We also said farewell, after many years' service, to Bendix Todsen, Peter Cowling and Gangi Serena as well as to Michael Kougellis. They have our thanks and best wishes for the future.

John M. Lyras
Chairman
8 June 2023

Strategic Report

PRINCIPAL ACTIVITIES

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

FINANCIAL OVERVIEW

The Association reported an after tax operating deficit of US\$50.5m (2021/22: surplus of US\$10.4m) for the financial year under review. Free reserves were US\$113.5m (2022: US\$164.0m) at 20 February 2023.

Gross earned premium income of US\$136.5m was recognised in the 2022/23 financial year, a 2.5% increase on the US\$132.6m prior year comparative excluding Supplementary Calls. Further progress was made in addressing the insufficiency of premiums for the Mutual P&I product, with a 2.0% increase in Mutual P&I revenues alongside a 9% reduction in the volume of business on risk. Business volumes were stable year-on-year for the Association's fixed premium product lines. Reinsurance costs in 2022/23 totalled US\$25.2m (2021/22: US\$21.0m), with the increase attributable to the combination of higher premiums charged by the International Group's reinsurers and a significant increase in business written by the War Risks Class following Russia's invasion of Ukraine.

The net incurred cost of claims in the year just ended was US\$125.1m (2021/22: US\$154.2m). Whilst lower than the exceptionally high claim outturn in 2021/22, it was nevertheless another year of elevated claims costs for the Association to contend with. Commenting further on the key components of overall claims incurred recognised in the 2022/23 year:

- Attritional level claims, which had increased in 2020/21 and 2021/22 as a result of COVID-19, dropped back to pre-pandemic levels. The impact of higher inflation was evident during the year, however it remained well contained through ongoing attention paid by Underwriters to deductible levels.
- The frequency and aggregate cost of 2022/23 year medium and higher severity claims costs, net of reinsurance, was almost as high as in the very expensive 2021/22 year. The Association incurred two Pool claims in the 2022/23 policy year. At expiry of the 2022/23 policy year the other 12 International Group Clubs combined had reported only two claims to the Pool.
- Despite the lack of 2022/23 policy year claims activity reported to the Pool, there were some very significant cost increases on a small number of other Clubs' back year claims during the 2022/23 financial year. Reserve strengthening for other Clubs' Pool claims in recent back years added over 10% to the combined ratio in the financial year just ended.

- The Association reserves for its exposure to Occupational Disease claims by following industry standard actuarial techniques developed for this particular category of claim. The long latency period associated with these liabilities makes them particularly sensitive to assumptions with regard to future inflation, both economic and social. Adjustments to inflation assumptions at the most recent year-end date, against the backdrop of higher prevailing inflation rates, added 3% to the combined ratio. By contrast the Association has seen a reduction in the frequency and cost of new Occupational Disease claim notifications in the last two years, although this has yet to be fully reflected in the assumptions underlying the current reserves for these claims.

Many Clubs, in their Annual Reports to Members, refer to the sensitivity of the technical result in any one year to the frequency and severity of high value claims. In the last two policy years, the five Pool claims reported by this Association is more than the number reported any other International Group Club, irrespective of size.

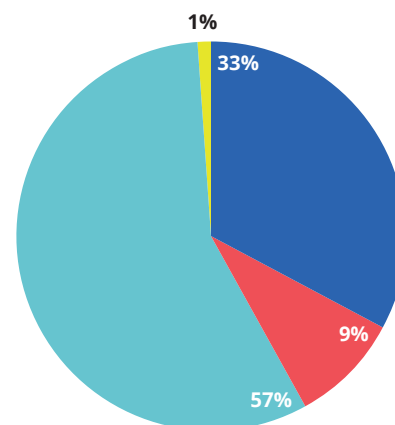
The Association recognised an investment loss for the year, inclusive of foreign exchange movements and associated investment management expenses, of US\$18.8m. The return on group invested assets and cash for the year was -3.9%, rising to -5.7% for the quota-share reinsurance entity's managed portfolio of bonds and equities. It was a year like no other in recent memory for financial markets generally and bond markets in particular. More detail can be found in the dedicated Investments section later in this Review. The increase in cash and cash equivalent holdings at the most recent year-end date, as reported in the Consolidated Statement of Cash Flows, reflected a lower insurance receivables balance and a higher allocation to short-term, highly liquid cash equivalent investments at 20 February 2023.

UNDERWRITING

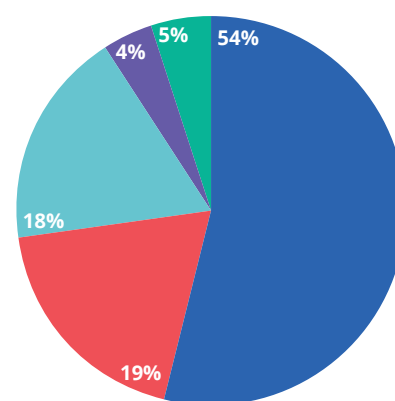
During 2022/23 the Association saw business growth, principally from Mutual Members based in Asia. There was also an increase in entries from Members engaged in activities supporting the green transition, for example, in servicing offshore wind facilities. This is an area in which the support provided by both our Contract Review Team, in identifying risks that fall outside of standard P&I cover, and by our Underwriters, in arranging extensions of cover, where required, are of particular value. This encouraging experience was supplemented by the development of the Association's other products, especially our covers for Charterers and War Risks as well as our smaller ships facility.

The impact on the Association's operating result of turbulence in the global investment markets and an adverse claims outturn in Q4 underlined the importance of our work to address discrepancies between fleet premiums and risk profiles. Progress with this had been made at the February 2022 renewal and our strategy in February 2023 sought to build on that. This approach meant that there were some entries that were not or could not be renewed. The Board's focus on the sustainability of our pricing and technical performance was supported by the renewals of the vast majority of our Members and we are grateful for their backing. At the renewal, the Association also welcomed additional entries from existing as well as new Members; and the composition of our Membership is shown in the charts opposite.

OWNED TONNAGE PROFILE 2023/24



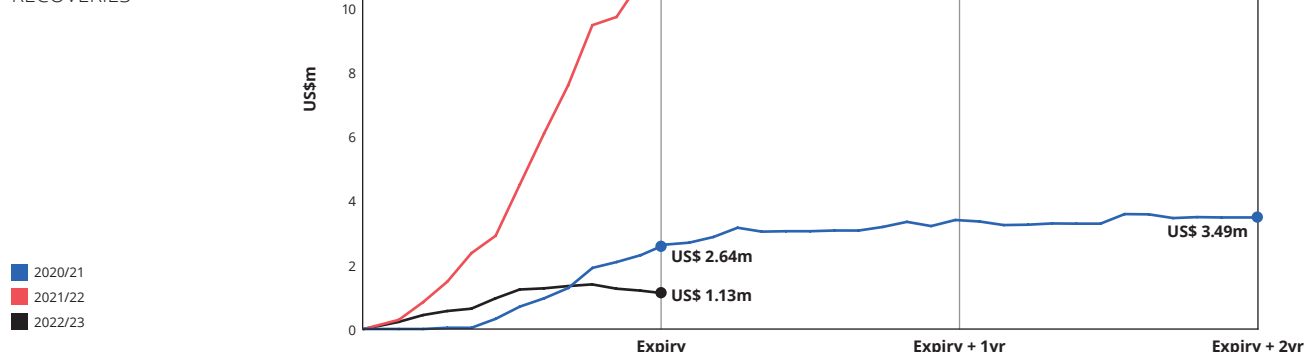
Regional Spread of Members



By Ship Type



**P&I MUTUAL
COVID-19 CLAIMS
DEVELOPMENT**
NET OF GROUP
R/I AND POOL
RECOVERIES



CLAIMS

The 2022/23 year followed a significantly adverse claims experience in the 2021/22 policy year driven by heightened activity across all severity bands. The disciplined approach adopted at the 2022/23 renewal was expected to improve the claims experience.

CLASS 5 – PROTECTING & INDEMNITY CLAIMS

The 2022/23 claims experience, while lower overall than 2021/22, was influenced by a number of competing changes.

On the positive side, there was a significant reduction in direct COVID-19 claims in the year, as can be seen from the chart above.

Claims cost is driven by the number and severity of the claims experienced in the current policy year and the development

of claims from prior years. It is usual to see the cost of claims arising from the immediate prior year continuing to increase for a number of months before falling back. The experience of claims incurred in 2021/22 followed that trend and as those claims were greater than prior years, so too was the deterioration experienced in 2022/23.

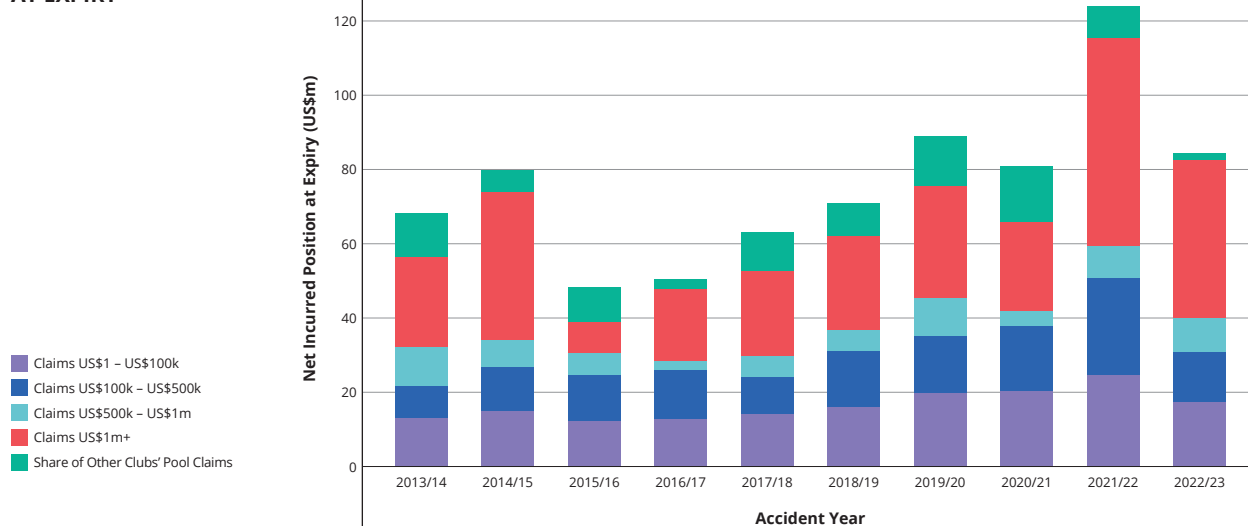
Claims arising in the 2022/23 policy year reverted to a more usual level. See the net cost chart below.

The 2022/23 claims experience was driven by a 7% reduction in claims frequency (as compared to the average of the five prior years) but increase in average cost. Deductible increases achieved at renewal mitigated the impact of inflation on low value claims

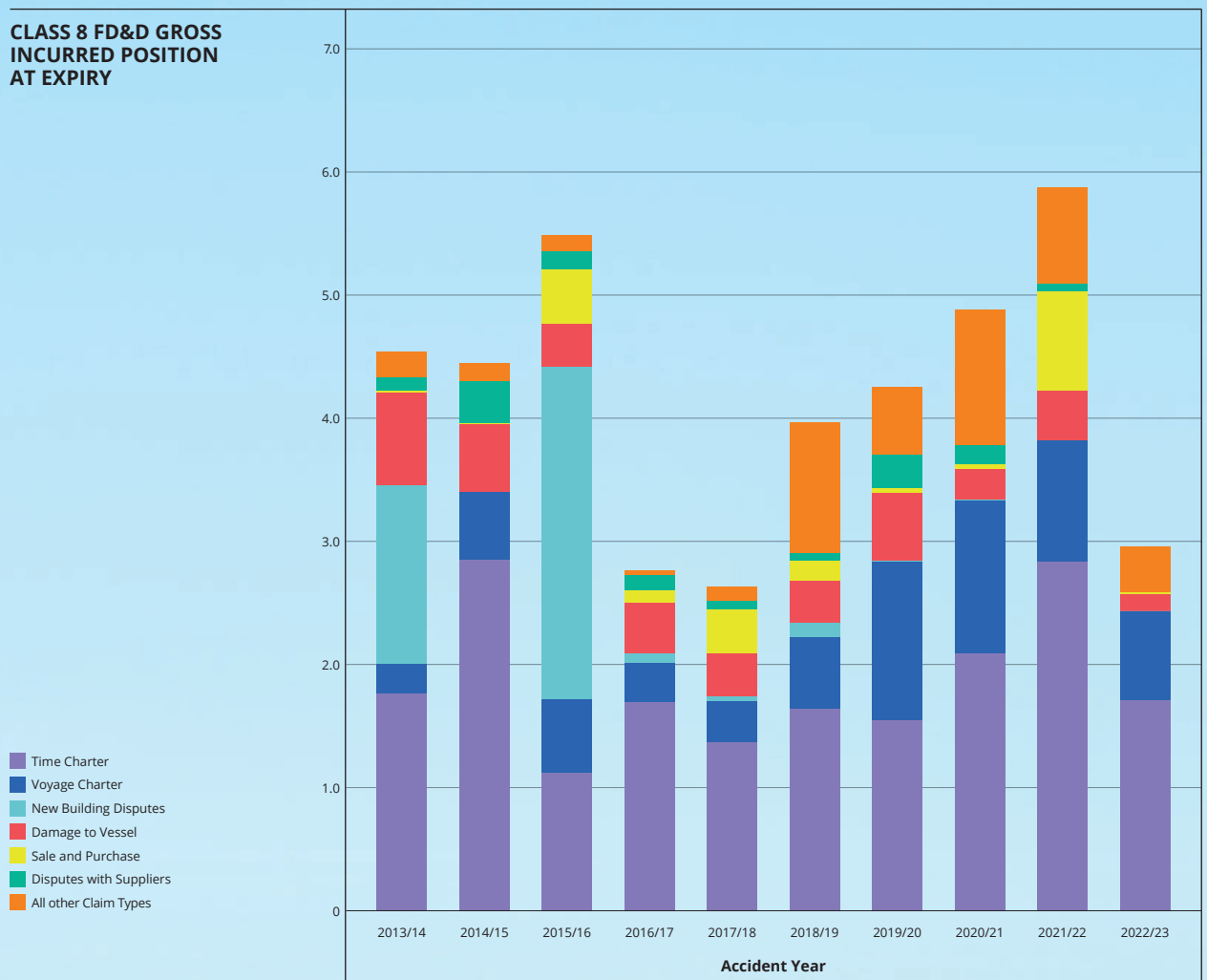
(dark blue band). The frequency of high severity claims (red band) while reduced as compared to the abnormally adverse 2021/22 year, remained high. The number of claims falling within this band is a very small proportion of the total and so inevitably it is the most volatile. Deductible increases do not moderate these high value claims.

The impact of inflation was most apparent for cargo claims, where common commodity prices were influenced by events in the Ukraine. A further driver behind the relatively high number of cargo claims in the red band is the trend of non-homogenous cargoes being loaded into bulk carriers first noted in the 2022 Annual Report. In 2022/23 the examples were less extreme but still highlighted insufficient attention to the risks of loading mixed cargoes in a common hold. It is apparent that not all cargoes until recently carried in containers have yet reverted to that trade.

CLASS 5 P&I NET INCURRED POSITION AT EXPIRY



**CLASS 8 FD&D GROSS
INCURRED POSITION
AT EXPIRY**



CLASS 8 – FREIGHT, DEMURRAGE & DEFENCE CLAIMS

FD&D claims are slower to develop than P&I claims and so post expiry development can have greater impact than for P&I. However, comparing the net cost experience at expiry with recent prior years demonstrates a more pronounced reduction in the 2022/23 year. The number of FD&D files opened at expiry of the 2022/23 policy year was 844. This represents a reduction of over 25% compared to the average for the five prior years. The cost of any one policy year is also influenced by the number of high value disputes supported. No such claims have as yet arisen in the 2022/23 policy year.



CASE STUDY

X-PRESS PEARL



Xpress Pearl on fire on 26 May 2021



Dr Conor Bolas of ITOPF sampling

When the 2,756 TEU capacity *X-Press Pearl* caught fire in Colombo Anchorage on 20 May 2021 she had 423 containers on board (many of which were stacked on deck) carrying various specifications of plastic pellets, otherwise known as 'nurdles'. As the fire took hold and the container stacks on deck collapsed, containers fell from the ship, many of which contained nurdles.

The ship was nine nautical miles off of the coast of Sri Lanka when she caught fire, and the nurdles began washing up on the shore of Sri Lanka over the next few weeks. The Association had already notified ITOPF of the incident on behalf of Owners, and Owners appointed Oil Spill Response Limited as pollution responders due to the potential risk of an oil spill, so when the nurdles began washing up on the beaches both parties were well placed to advise upon and assist with the clean-up.

AROUND 300KM OF SHORELINE WAS AFFECTED WITH 30KM OF THAT SHORELINE EXPERIENCING 'HEAVY' CONTAMINATION.

The Association on behalf of Owners, OSRL, and ITOPF, along with a team of local surveyors, worked with the Government of Sri Lanka to identify which areas of shoreline required the most urgent attention, and what the best methods of nurdle collection would be in those locations. Around 300km of shoreline was affected with 30km of that shoreline experiencing 'heavy' contamination. Due to the uneven nature of the shoreline in Sri Lanka along with a large presence of background plastic pollution, the most effective means of recovery were to have significant numbers of workers on the beaches using shovels, sieves, and trommels to separate the nurdles from the sand before putting them in clearly marked waste bags for storage at a secure facility ahead of recycling.

Given the rudimentary techniques that prove most effective for nurdle collection, manpower is key. Hundreds of military personnel were mobilised for the collection in the first instance before being replaced by the CSD (an auxiliary military force) and finally the local community were employed to conduct the beach cleaning.

Military personnel in PPE using shovels to collect highly concentrated nurdles in the early stages of the incident



Collected nurdles in Pamanugama warehouse awaiting processing



Collected nurdles prior to collection for processing



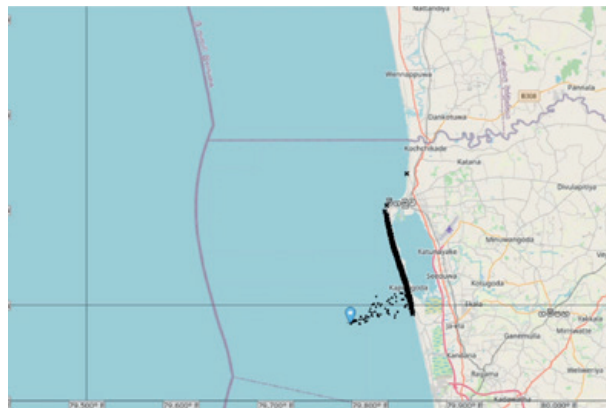
CSD workers sieving sand



The early stages of nurdle pollution

Waste management consultants D3 were appointed by Owners and have been in the country ensuring that the waste is managed in a compliant and environmentally conscious way. Two years after the ship first caught fire only low levels of nurdle contamination are seen on the beaches, due to buried nurdles remobilising with the tide.

Due to the number of containers surrounding the wreck a large fishing ban was imposed spanning 60km in length and up to 18km from the shore. The ban was put in place due to the risk of fishing trawlers snagging their nets on sunken containers, and thus couldn't be lifted until all of those sunken containers had been removed from the ban area. This was a significant project which was undertaken by Resolve Marine which covered 145 square km, who used multibeam sonar surveys and ROVs to identify and subsequently recover all targets. Once recovered and placed into open top containers the debris was taken ashore and placed into a purpose built waste processing facility for cleaning and separating. D3 were on site ensuring that the waste (which was largely steel scrap) processing was conducted in a compliant and environmentally conscious manner.



Modelling conducted by ITOPF showing the direction and concentration of the nurdles being spilled, with shore-based surveyors being deployed to those areas to confirm where the concentration was highest

Due to the size and scale of the fishing ban that was in place for almost a year (it gradually reduced as debris was cleared before finally ending on 3 June 2021), local fishermen were left out of work, and required compensation. Fisheries consultants MRAG were appointed by Owners and worked with ITOPF to verify the reasonableness of fisheries claims, interim payments were made to assist the fishermen and once the claims had been verified as reasonable the fishermen were reimbursed for the period they were out of work. Total funds paid to the fishermen to date are in excess of US\$7m.



REINSURANCE

International Group Clubs share between them their large Mutual P&I loss exposures, in excess of the individual Club retention, in accordance with the terms of the Pooling Agreement.

For the 2023/24 policy year, all claims between the US\$10m individual Club retention and US\$100m, plus the first US\$107m of claims within Layer One of the General Excess of Loss reinsurance programme, are retained by the Pool and shared on an equitable, size adjusted basis between the 12 Member Clubs. Hydra, the Group's segregated cell captive vehicle, reinsures Clubs for their exposures to Pool claims excess of US\$30m.

Claims exceeding US\$100m on a per event basis are rare events in P&I. In the last ten policy years there have been only 12 claims of this severity reported by the Group's then 13 Member Clubs combined. In 2023/24 these risks in excess of US\$100m, and further in excess of the first US\$107m of activity retained by the Pool, are covered by the Group's General Excess of Loss contract (GXL). The GXL contract has a per event limit of US\$2.1bn and there is an additional US\$1.0bn of overspill cover excess of US\$2.1bn. The Reinsurance section of the International Group's website (www.igpandi.org) provides further details on and a diagram of the structure of the General Excess of Loss programme in 2023/24, including annual aggregate limits for Malicious Cyber, COVID-19 and other new Pandemic risks applicable to losses excess of US\$750m.

The Association's reinsurance arrangements for managing risk within the individual Club retention for Mutual P&I business, and to support the provision of per event limits of up to US\$1bn for Fixed P&I and Charterers' business, have been renewed on a similar basis for 2023/24. The Fixed P&I and Charterers' product offerings each have the potential to respond to War P&I risks. In common with all Clubs and fixed premium operators, it has been necessary to accept additional exclusions in the Association's reinsurances for Fixed P&I and Charterers business in respect of War risks caused by the Russia-Ukraine conflict and any expansion thereof. Terms and conditions of cover for these products, for business renewing in 2023/24, contain similar additional exclusions.

INVESTMENTS

Over the last year inflation fears, and therefore efforts by central banks to contain inflation, have dominated financial markets. The combination of economies recovering from pandemic lockdowns, on-going supply chain issues, labour shortages and, importantly, the fall-out in energy markets from Russia's invasion of Ukraine in February 2022 led to spikes in inflation and resulted in sharp rises in official interest rates.

The Federal Reserve started raising rates in March 2022 with a modest 0.25% increase to 0.5% in the Federal Funds target rate. It accelerated the tightening through the summer as inflation rose to over 9%, delivering a series of 0.75% hikes before moderating its stance into the end of the year, with the Federal Funds rate ending the Association's year at 4.75%. This was mirrored, albeit to a lesser extent, by the bond market where the yield on 5 year US Treasuries rose from 1.8% at the start of the Association's year to just over 4.0%, having peaked at almost 4.5% in October. Such an environment was punitive for investors in the bond market, where the majority of the Association's assets are invested, as rising yields cause bond prices to fall. The Association's US investment grade portfolio declined by 6.2% over the course of the 2022/23 year. It is important to put some context around the unprecedented degree of recent losses experienced by bond investors. In calendar year 2022 the Bloomberg US Aggregate bond index fell by 13%, its worst annual performance since the index started in 1976. The next worst calendar year performance was a drop of just under 3% in 1994.

Equities fared only slightly better than bonds, with the Association's equity portfolios dropping by 5.0% compared to a 6.0% fall in the S&P 500 index. The equity portfolio's relative performance was supported by the rotation in the market away from the mega-capitalisation stocks that had dominated performance in the previous year, with investors focusing more on attractively

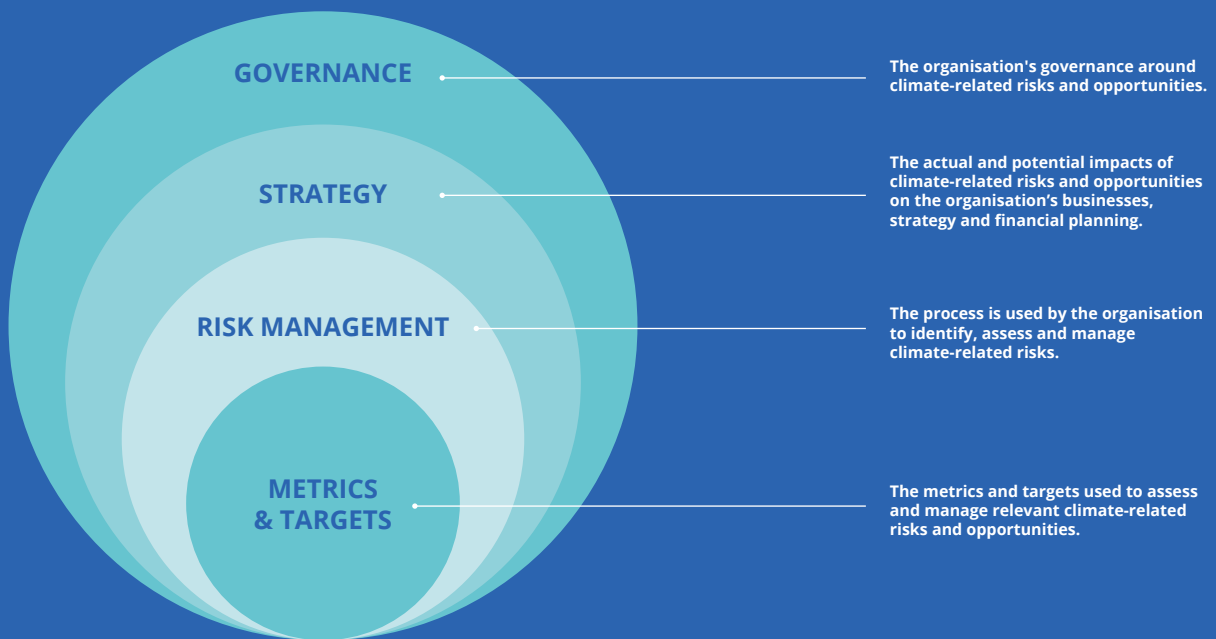
valued companies. But, overall, equities struggled in the face of stagnating growth, labour and supply constraints and central banks determined to prevent high levels of inflation becoming embedded.

The Board kept the portfolio under regular review throughout the year with a number of ad-hoc meetings being held to discuss market and economic developments in addition to the regular schedule of meetings. In May, the Board decided to raise average fixed income credit quality to dampen volatility and reduce credit risk. The Board also decided to further reduce the sensitivity to further interest rate rises by investing a substantial amount of surplus cash, over 13% of the investment portfolio at one stage, into short-term US Treasury Bills.

Towards the end of the year, as inflation pressures appeared to be moderating and the Federal Reserve approaching the final stages of its tightening policy, the Board decided to begin reinvesting the maturing Treasury Bills into the main investment grade fixed income portfolio. This process was still under way in February 2023, with approximately 8% of the portfolio remaining in the dedicated Treasury Bill portfolio at the end of the year.

It is likely that markets will remain volatile until inflation has retreated closer to the targets set by the central banks, while geopolitical tensions are expected to remain elevated for some time. Even so, with the portfolio yield having risen to over 5% at the end of the Association's year from under 2% in January 2022 and with a conservative investment strategy, the Board is comfortable that the portfolio is in a good position to withstand further potential market turbulence. At the same time, the Board is maintaining an ongoing review of the structure of the investment portfolio, looking to capitalise on opportunities in attractive asset classes while remaining sensitive to the risks inherent in making such investments.

**CORE ELEMENTS
OF RECOMMENDED
CLIMATE-RELATED
FINANCIAL DISCLOSURES**



Source:
www.fsb-tcfd.org

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Building on last year's report, this section has been broadened to encompass climate-related disclosures as required by the Task Force for Climate Related Disclosures (TCFD) and continues to align with United Nations Sustainable Development Goals (UN SDGs) which balance the three dimensions of sustainable development – the economic, social and environmental – and the UN Principles of Sustainable Insurance as they are relevant to P&I Insurance.

Governance

The Association provides mutual insurance cover against P&I, FD&D and War Risks to our shipowner Members. We also provide such covers to smaller ship and charterer assureds, as well as a number of ancillary covers, on a fixed premium basis. The Association is governed by a Board of Directors. Climate risk and sustainability is overseen by the Risk Committee as part of its oversight of the risk management system. Day to day insurance operations are outsourced to the Managers, A. Billbrough & Co. Ltd.

The Board has set out its sustainability strategy in its Sustainability Policy and the Chief Executive Officer is the senior manager with responsibility for driving it, supported by the Managers' ESG Working Group (WG), and reporting to the Board on progress.

Strategy

We expect our strategy to evolve and at this stage the principal elements involve:

- Reducing the Association's 'in-house' emissions, including those associated with its investments;
- Supporting the sustainability related goals and activities of our stakeholders;
- Ensuring the effective discharge of our role (enabled in major cases through the collective strength of the International Group and its claims pooling and reinsurance arrangements) to provide the financial security, resources and expertise to respond to maritime accidents and pollution events involving our entered ships, across the globe, in a timely, effective manner that minimises negative environmental impacts.



Risk Management

ESG risks cut across many areas of the business and the material risks to the Association are captured within the Risk Register at the operational level, i.e. claims, underwriting, HR etc. ESG is not therefore identified in the Risk Register as a stand-alone risk. The eight ESG WG Members are senior managers from these operational areas and are responsible for identifying and reporting on existing and potential risk exposures associated with sustainability risks.

The unique characteristics of climate risks mean that their capture by capital frameworks requires a more forward-looking approach than used for many other risks. As reported in past years, the Association regularly tests scenarios to ensure its risk assessment and capital adequacy remains appropriate and the climate risk scenarios were reviewed in 2022 to identify potential exposures. These scenarios assume global temperatures rise by 1.5°C, 2°C, and 4°C by 2100.

Unfortunately, the messages from COP27 were not positive, with the UN Secretary-General, Antonio Guterres, noting that deals struck there did not adequately introduce mechanisms to take the planet out of “the emergency room”. Lack of progress on climate change increases the likelihood of the extreme scenarios identified, although they remain medium to long term scenarios with no impact on the current business strategy, or the assumptions and sensitivities considered within the financial statements.

The material medium and long-term risks identified by the scenario testing are increased frequency and severity of claims (within the Association's retention and engaging the Pool) due to:

- Extreme weather leading to an increasing number of wrecks, collisions in ports/busy anchorages, and river/canal groundings. Indeed, even in 2022 drought conditions reduced water levels in some navigable rivers and canals, leading to ship groundings; although the Association did not experience such claims in the year under review, future extreme weather events may give rise to increased incidents.
- Increased costs of wreck removal and pollution clean-ups in response to national/international sustainability expectations and policies.

Our stress testing suggests that the risks identified above have the potential to increase volatility in our high severity claims experience with a 1-in-25 year scenario adding more than US\$25m of additional gross claim costs within a policy year. As noted, they relate to medium to long term scenario and stresses – although there are already indications of increasing claims costs resulting from increasing stake-holder expectations regarding claims with an environmental dimension.

The Association's short-term stresses arising from climate change are primarily centred on investment exposures.

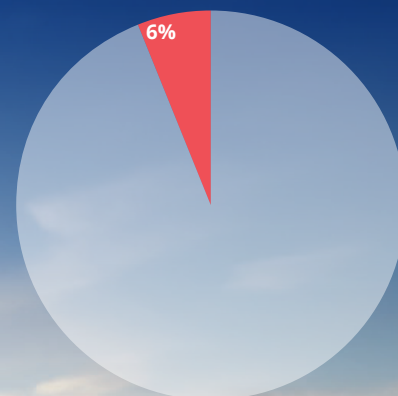
Its invested portfolio has about 6% exposure (market value as at 20 February 2023 of about US\$14m) to industries that have a Climate Change risk link. This includes industries such as: auto manufacturers, chemicals, coal, gas, mining, oil, pipelines.

A stress scenario of a 50% loss specifically related to securities in these industries suggests a US\$8.6m loss to the Association.

Sustainability Policy in Action – metrics and targets

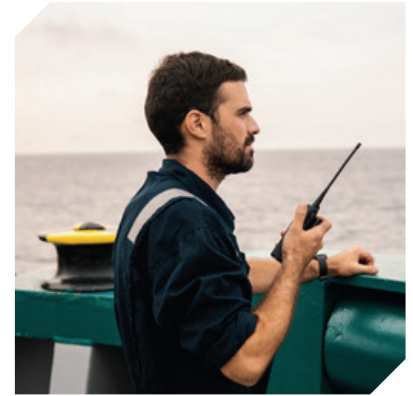
The adoption of our Sustainability Policy in 2021 embedded sustainability as a central part of the Association's operations and in many ways builds on our core activities. It involves an emphasis on the eight UN SDGs that we believe to be most relevant to the Association's business and where we can play a meaningful part especially, though not only, in relation to the environment. We have set ourselves several internal targets to improve our performance in respect of each of these goals.

PROPORTION OF ASSETS WITH DIRECT CLIMATE CHANGE RISK LINK



Heavy-Lift Ship (Semi-Submersible), *Hua Rui Long*, entered with The London P&I Club by Guangzhou Salvage





ENVIRONMENTAL

Climate Action

Reducing emissions in the global shipping fleet is challenging but essential to the planet so, for example, we provide active support to Members engaged with the green transition, for example those servicing offshore wind facilities, including contract review guidance and assistance in arranging additional covers when necessary.

More broadly, our ESG WG monitors salient developments such as the introduction of IMO's Carbon Intensity Indicator ship rating system which came into force from 1 November 2022, to monitor and understand the risks and issues arising.

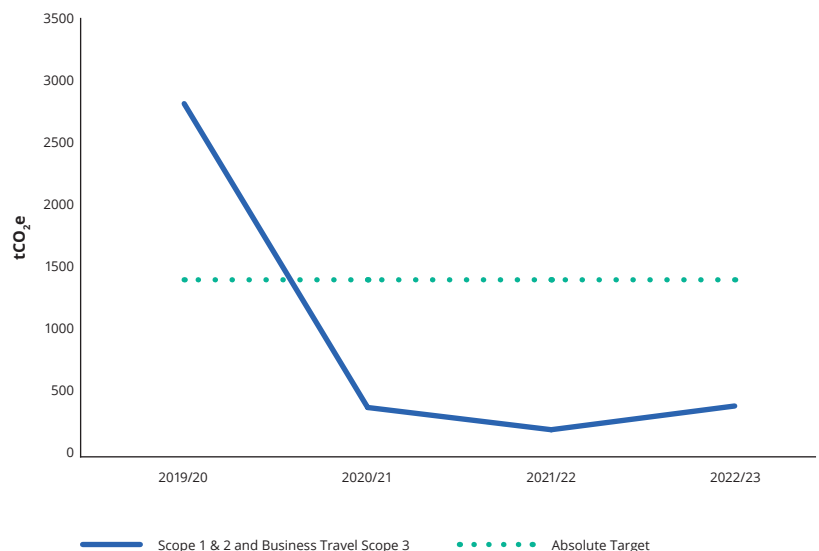
In line with best practice and the GHG Protocol, our emissions are currently reported as CO₂ equivalent (CO₂e), covering both CO₂ and a converted score for all other GHGs. Independent calculations under the Streamlined Energy & Carbon Reporting (SECR) Regulations show our CO₂e footprint for 2022/2023 was 416.66 tonnes. 55% of these emissions resulted from business air travel.

In 2022 an electric car charging point has been installed at the London Office for company vehicles, further reducing total Scope 1 emissions.

We have set a target to reduce CO₂e emissions by 50% by 2030 (from a 2019 baseline) in respect of our Scope 1 and 2 emissions and Scope 3 emissions related to business travel. Interim targets are set to reflect these measurements and are currently being met, albeit with COVID-19 being a contributing factor. As shown opposite, emissions did increase in the last 12 months as offices reopened and business travel resumed. We remain on track to achieve our targeted reduction, however.

Type of emission	Activity	Units	Raw Consumption	Emission tCO ₂ e	% of total
Direct (Scope 1)	Natural Gas	kWh	499,121	91.1	21.87%
	Heating Oil	Litres	531.1	1.5	0.35%
	Subtotal			92.57	
Indirect (Scope 2)	Purchased Electricity (market-based)	kWh	403,746	13.4	3.23%
	Subtotal			13.44	
Indirect (Scope 3)	Water	m ³	490	0.2	0.05%
	Waste	Tonnes	14	0.3	0.07%
	Business Travel	km	723,883	229.5	55.08%
	Employee Commuting			44.0	10.56%
	Working from Home			36.7	8.80%
	Subtotal			310.65	
Total Emissions (tCO₂e) (market-based)				416.66	

Scope 1, 2 & 3 Travel emissions Summary 2022/23. Assumptions have been made in respect of commuting based on the numbers of FTE. Business travel currently only reflects flight and rail emissions.



Comparison of emissions against internal target to achieve 50% reduction in these emissions by 2030 against a 2019/20 baseline.

Carbon Measure	30 Nov 21	31 Mar 22	30 Sep 22	31 Dec 22
Tonnes per \$m revenue	425	386	372	361

Scope 3 carbon intensity as reported by the Fund Managers

Whilst we are making good progress in our understanding and quantification of climate risk, the disclosure of climate and emissions data is evolving and remains a 'best endeavours' analysis. It is not yet clear where the financial sector will eventually align on metrics, calculation methodology, time frame and scenario definition. This is particularly the case regarding Scope 3 emissions. Although we have set transition targets that include our own operations, one of the most material impacts the Association can have is through its investments. As a financial institution, the emissions that we fund through the assets that we invest in are significantly larger than the direct emissions from the Association's own operations. Our commitments are made

in the expectation that governments will follow through on their own commitments to ensure that the 'Paris' objective of limiting global temperature increases to 1.5°C is achieved. We are dependent on the delivery of policy actions and the climate-reduction targets of the firms we invest in; however, we have taken action to reduce exposures to industries with high associated emissions (currently 7.5% of our investments), we do not invest in coal and oil sands exposures and our fund managers have expressed their commitment to climate change, as signatories to the Net Zero Asset Owner Alliance (NZAOA), the UN Principles for Responsible Investment or Climate Action 100+. We are also working with our investment advisers

and fund managers to better understand the carbon intensity of our investments. For example, the table above shows that there has been a gradual reduction in the carbon intensity of the equity and corporate bond portfolios as reported by the fund managers. Data is currently unavailable for the sovereign debt or agency mortgage backed securities, an issue we are currently addressing with our investment advisers.

The remaining Scope 3 emissions are those relating to our underwriting activities and we are evaluating the recently published Partnership for Carbon Accounting Financials (PCAF) standard for Insurance-Associated Emissions (IAEs) for future reporting.



Water Usage & Waste Management

Water usage is not material, particularly as staff are working on a hybrid basis. In the last year consumption amounted to 383m³. This is a small increase from 306m³ in the prior year which was before staff started returning to the offices post-COVID-19.

We have taken steps to increase the amount of waste that is recycled and have reduced single use plastic and significantly decreased the amount of printing. But we recognise that more can be done and will continue to work with our suppliers to reduce the amount of waste that is incinerated or goes to land fill.

WASTE COLLECTED

10157 KG



APPROXIMATE CO₂E SAVED

1.78 TONNES



RECYCLING

2657 KG



EQUIVALENT TREES PLANTED

85



WASTE DIVERTED

7500 KG



WASTE TO LANDFILL

0



Source:

Veolia & First Mile Confidential Waste 1 Mar 22 to 28 Feb 23



Life Below Water

We are committed to supporting ocean protection initiatives and the Association's role (enabled in major cases through the collective strength of the International Group and its claims pooling and reinsurance arrangements) is to provide the financial security, resources and expertise to respond to maritime accidents and pollution events involving our entered ships, across the globe, in a timely, effective manner that minimises negative environmental impacts.

Our daily work involves loss prevention initiatives to reduce the risk of an incident that might adversely impact the marine environment, and to clean-up the result of any incident sensitively and rapidly. Ships entered with the Association are members or associates of ITOPF to ensure technical expertise is on-hand to respond to a pollution incident. Additionally, the Association is a member of Helmepe, the Hellenic Marine Environment Protection Association, whose goal is to raise environmental consciousness amongst the local maritime community. Our ship inspection programme attends more than 250 ships per year focusing on all aspects of operations, including "Environmental Protection", where procedures, equipment and record keeping are cross-checked against the highest industry standards.



From time-to-time pollution accidents will inevitably occur, despite the best efforts of P&I Clubs and their shipowner members. In the last four years the Association has incurred two such claims costing in excess of US\$10m which involved pollution caused by plastic pellets (or nurdles), including the *X-Press Pearl*. These cargoes are often moved by sea and when lost overboard can cause significant pollution. We support sustainable and sensitive transportation methods for nurdles and we are working with the IMO, UK Government, plastics industry bodies and the International Group of P&I Clubs to shape the future of plastics carriage in the marine industry. We are a supporter of Operation Clean Sweep (www.opcleansweep.org) which aims to reduce the marine impact following the loss of plastic nurdles. These are important elements of our loss prevention work to ensure that action is taken to manage potential risks before incidents happen, thereby reducing the risk of damage to the ocean environment and marine life.

During 2022/23, the Association continued to work with stake-holders on the removal of the wreck of the *X-Press Pearl* and cleaning up the damage caused by the loss of the ship and its cargo. This is considered further in the Claims section of this report, illustrating the Association's responsiveness and the experience brought to bear in the handling and mitigation of such a casualty.

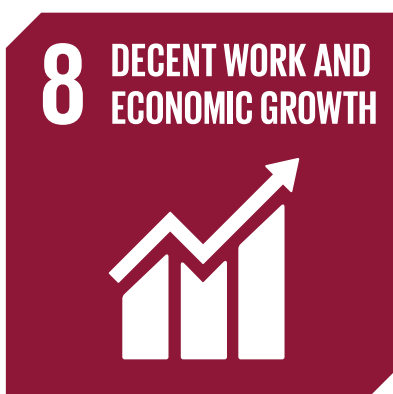


SOCIAL

Reduced inequalities

We respect the human rights of all our employees. All have access to grievance mechanisms and whistleblowing procedures, through which complaints and disputes can be resolved effectively. There have been no such complaints in the last 12 months.

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



Decent Work & Economic Growth

The importance of well trained, diverse and motivated employees is essential to deliver the service which our Members expect. The Managers aim to ensure employees are paid competitive salaries and have a good work/life balance whilst standing ready to react to Members' enquiries at all times. A staff handbook is in place which outlines the Association's non-discrimination and anti-harassment policies as well as its grievance process. All staff receive training on these policies as part of their formal induction process as well as ongoing training and professional development to improve service, productivity and support the growth of the Association's business. For example, 30 employees were studying P&I examinations and all customer facing employees undertook at least 15 hours of training in the last 12 months.

3 GOOD HEALTH AND WELL-BEING



Good Health & Well-being

Our sustainability and loss prevention work embraces people, aiming to avoid accidents on board Members' ships and including membership of the International Seafarers' Welfare and Assistance Network (ISWAN), a network of international organisations committed to promoting and improving the welfare of seafarers. Their support programme includes several direct welfare services to seafarers and their families, including the free, 24-hour, multilingual helpline "SeafarerHelp" which ensures immediate help and support is available at any time of day, anywhere in the world.

The Managers also provide a comprehensive package of health benefits to its employees, has implemented a number of well-being initiatives over the last year, formalised hybrid working arrangements and provides a safe working environment. There have been no employee injuries in the year.

5 GENDER EQUALITY



Diversity & Inclusivity

As part of our ongoing 'culture' programme we are working to improve the culture of inclusion, diversity and equal opportunity and are now collating additional data in preparation for future regulatory reporting.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Financial Crime

We maintain robust risk-based controls to enforce global human rights and prevent financial crime throughout the Association's operations, whilst assisting Members to meet their obligations in these areas, for example providing guidance on the rapidly changing sanctions regimes in respect of Russia. Where necessary, the Association has withdrawn or declined cover to avoid breaches of sanctions regimes. We cooperate fully with governments and international organisations to prevent sanctions breaches. There have been no reported breaches in the last year.

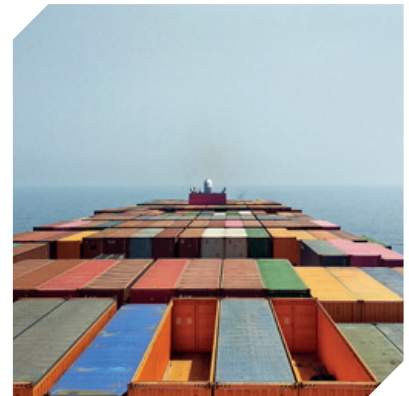


SECTION 172(1) STATEMENT

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

Board decisions and their impact on stakeholders

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



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

DECISION	HOW WE TOOK STAKEHOLDERS INTO ACCOUNT	LONG-TERM IMPLICATIONS
Sustainable Pricing	Members/Assureds, Regulators and Rating agencies During 2022, the Board focused on monitoring the performance of the Association in light of the material decisions taken during 2021 to strengthen the Association's financial position, including the raising of Supplementary Calls and the 2022 renewal strategy. In addition, during its October meetings, and following consultation with the Members' Committee, the Board approved its 2023 renewal strategy, agreeing that the principal basis of the renewal would involve an evaluation of the individual loss records and risk profiles of entered fleets with actuarial input on appropriate pricing levels. Where sustainable rates could not be achieved, it was accepted that loss of business may unfortunately be a preferable outcome.	• Improve underwriting decisions • Improve the Association's financial strength • Maintain and improve S&P rating • Generate sustainable long-term growth.
Investments	Members/Assureds, Regulators and Rating agencies Following rises in interest rates and significant volatility in investment markets, particularly following the Russian invasion of Ukraine, the Bermuda Board has been closely monitoring investment performance and adjusting asset allocation and investment strategy as required in order both to protect the Association's funds and position them to benefit from a return to more normal market conditions.	Prudent financial management supports the long-term success of the Association and reduces the risk of Supplementary Calls being required from Members.
Sustainability	People, Regulators and the wider community in which the Association operates. The Board has reviewed progress against its ESG objectives as set out in the Association's Sustainability Policy. During July's Board meeting, an updated Modern Slavery Statement was also approved, setting out the steps the Association has taken to prevent modern slavery and human trafficking in its businesses and supply chains.	Progressing the Association to net zero thus reducing our impact on the environment and supporting the well-being of the Planet for future generations. Helps protect the Managers' employees and individuals who work within our suppliers.

Engaging with our Stakeholders

The stakeholders most affected by Board decisions are our Members and Assureds, the Managers and their employees, our suppliers and our regulators. Throughout 2022 the Board and Senior Management have maintained strong relationships with our stakeholders, and kept all parties fully informed of the major decisions which impact them.

Members and Assureds

During 2022, the Association continued holding Members' Committee meetings at least four times a year. This enabled the Board to consult with Members' representatives prior to taking significant decisions affecting Members and Assureds in relation to the renewal strategy and payment of large claims, thus ensuring fair treatment of the membership.

Our People

The Association's people are the employees of its Managers and the Board has supported Management with its efforts to ensure their safety and well-being. Hybrid working arrangements implemented post COVID-19 have been operating efficiently during 2022, and further feedback has been sought and received from staff on its effectiveness and potential for improvement. The Employee Focus Group is in place to ensure that staff have a 'voice' and are able to influence the culture of the organisation.

Suppliers

The Association commits to the highest professional standards and complies with all laws and regulations in relation to the selection and management of suppliers, including ongoing evaluation and review, as governed by relevant internal policies.

Regulators

As an insurance company, the Association is subject to financial services regulations and approvals in all the markets in which we operate, and the Board is kept informed of regulatory change and any issues arising where action is required to be taken by them. We remain open and cooperative in our engagement with our regulators. During 2022 the main areas of regulatory attention were the Association's solvency position and the actions being taken to strengthen its operating performance.

Community and wider environment

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

The Board has continued to support human rights by ensuring the application of strict sanctions controls across the Association. During the year this led to decisions being taken to withdraw cover from tanker fleets known to be switching off their AIS and alleged to be involved in breaching sanctions against various states, including Russia, Iran, North Korea and Venezuela.

In accordance with the Association's Board approved Sustainability Policy, steps have been taken to reduce our Green-House Gas emissions (GHG) and we continue our loss prevention activities and initiatives aimed at preventing environmental damage from pollution following a maritime accident, with particular recent attention on plastics pollution of the oceans.

INTERNATIONAL GROUP

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

As highlighted in the Chairman's Report, the IG, through its collectively stronger approach, also supports the cohesive addressing of a very wide-range of industry issues, with its work on Sanctions having to be to the fore in recent years. For all these reasons the IG is of considerable importance to the Association, which has contributed actively to its affairs during the year under review, with members of our management team participating in a number of its committees and working groups. Further information about the IG's activities can be found on its website: www.igpandi.org.

PRINCIPAL RISKS & UNCERTAINTIES

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

This Strategic Report was approved by the Board on 8 June 2023 and signed on its behalf.

Ian E. Gooch

LPG Carrier (LPGC), *STL Qianjiang*, entered with The London P&I Club by Eastern Pacific Shipping Pte Ltd



Directors' Report

COMPANY REGISTRATION: 10341

PRINCIPAL ACTIVITIES

The principal activity of the Association is the provision of Protecting & Indemnity (P&I), Freight, Demurrage & Defence (FD&D) and War Risks insurance for Members on a mutual basis. The Association also provides P&I and FD&D insurance cover on a fixed premium basis for owner and charterer assureds. The Chairman's report on pages 6 and 7 and the Strategic Report on pages 8 to 22 report on these activities and the financial results of the Association for the year together with likely future developments.

DIRECTORS

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

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

Anthony G Jones
John L Lawrence
Iain Paul

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

MEMBERS' COMMITTEE

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

Sreeganth Bangaroo
Peter Hadjipateras
John L Harbor
Robert A Ho
Wenguang Ji
John L Lawrence
Zahid Osman
Nikolaos Savvas
Josef Sedlmeyr
Schmuel Yoskovitz
Shen Zhao

FINANCIAL INSTRUMENTS

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

FUTURE DEVELOPMENTS

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

GOING CONCERN

In accordance with the requirements of Financial Reporting Standard 102, Section 3.8, the Board of Directors has assessed the Association's ability to continue as a going concern. An entity is a going concern unless its management either intends to liquidate the entity or cease trading, or it has no realistic alternative but to do so.

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

The Chairman's Report and the Strategic Report forming part of this Annual Report & Financial Statements both disclose the challenging nature of the financial year just ended. Claims costs were higher than forecast and the Association also incurred an investment loss for the year. The Association's financial strength was robust at the commencement of the 2022/23 financial year. As a result it remained in full compliance with its Solvency Capital Requirements and its Minimum Capital Requirements throughout the year just ended and at the year-end date. Full details of the Association's regulatory solvency position at 20 February 2023 are provided in Section 5 of the Association's Solvency & Financial Condition Report.

There was further improvement in pricing for the Association's Mutual P&I and FD&D books at the February 2023 renewal. A forward looking assessment of the Association's operating performance, free reserves and solvency ratio, has been undertaken by Management, updated to reflect the outcome of the most recent renewal. Management expect the Association's free reserves and its solvency ratio to strengthen over the period assessed. This assessment of the Association's future financial performance and solvency position will form part of its 2023 Own Risk & Solvency Assessment (ORSA) to be conducted later in the current year.

The Association is exposed to a number of financial and insurance risks, as set out in Note 4 to the Financial Statements, which could negatively impact Management's best estimate projections for future operating performance and financial strength. The Association's Capital Management plan lists a 'toolkit' of potential management actions for the Board to consider if there is ever a need to remedy a future capital deficiency. The Association is a mutual organisation and one potential management action is for the Board to exercise its contractual right to set Supplementary Calls on the Mutual Members. The contractual right permits the Association to recognise an amount of capital for solvency purposes, as approved by the Prudential Regulation Authority. The current approved amount is US\$50m.

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

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

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

BRANCHES

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

ENERGY AND CARBON REPORTING

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

DISCLOSURE TO AUDITORS

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

- a) in so far as each Board member is aware, there is no relevant audit information of which the Association's auditors are unaware;
and
- b) each Board member has taken all the steps that ought to have been taken as a Board member in order to be aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

This Directors' Report was approved by the Board on 8 June 2023 and signed on its behalf.

Ian E. Gooch

Notice of Meeting

Notice is hereby given that the one hundred and forty seventh Annual General Meeting of the Members of The London Steam-Ship Owners' Mutual Insurance Association Limited will be held at 50 Leaman Street, London E1 8HQ at noon on Wednesday 18 October 2023 or as soon thereafter as the meeting of the Members' Committee closes, for the following purposes:

1. To receive and consider the Financial Statements for the year ended 20 February 2023 and the reports of the Board and Auditors.
2. To re-elect members of the Board and the Members' Committee.
3. To appoint Auditors and fix their remuneration.
4. To transact any other ordinary business of the Association.

By Order of the Board

A Bilbrough & Co Ltd
8 June 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these Financial Statements, the Directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
4. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

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

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the group's and of the parent company's affairs as at 20 February 2023 and of the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", Financial Reporting Standard 103, "Insurance Contracts"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income and retained earnings;
- the consolidated statement of financial position;
- the statement of financial position-parent company only;
- the consolidated statement of cash flows; and
- the related notes 1 to 22 (excluding the parts of note 4.5 (capital management) which are marked as unaudited).

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

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

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was: • Valuation of claims IBNR for the P&I Mutual class assumption, and completeness of the inflation uplift. Within this report, key audit matters are identified as follows:  Increased level of risk
Materiality	The materiality that we used for the group financial statements was \$3.2m which was determined on the basis of 2.9% of net assets. For the parent company we used materiality of \$2.6m which was determined on the basis of 0.5% of technical provisions.
Scoping	Our scoping approach is to respond to the risk of material misstatement for financially significant components and components that are material due to risk. The audit work was performed directly by the group audit engagement team.
Significant changes in our approach	We have amended the key audit matter for the IBNR reserve to also include the completeness of inflation uplift within the claims IBNR reserve. The prior period key audit matter for the investment in associate classification has been removed, as the preference shares have been sold. For the parent company, we changed the benchmark for determining materiality from revenue to net assets.

4. Conclusions relating to going concern

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

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

- Assessing the financial performance of the group and parent company, including revenue, profit before tax, investment holdings, cash position, technical provision reserves and net assets, this included performing a comparison analysis of the current year versus the prior year-end position;
- Evaluating the capital position of the group, the capital resources available and the feasibility of actions available to the directors over the next 12 months;
- Evaluating management's forecasts for the 12-month period from the date of approval of the financial statements. This included assessing the Own Risk and Solvency Assessment ("ORSA"), prepared in accordance with the group's regulatory requirement, and its assumptions for reasonableness;
- Assessing the historical accuracy of past forecasts; and
- Assessing the appropriateness of the going concern disclosure in the financial statements.

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

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

5. Key audit matters

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

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

5.1. Valuation of claims IBNR for the P&I Mutual class assumption, and completeness of the inflation uplift

Key audit matter description	The Group is required to provide for the cost of settling claims that it has incurred on the business it has written, referred to as insurance liabilities. These insurance liabilities are a key area of management judgement with significant inherent estimation uncertainty, and are the largest liability in the group's balance sheet, totalling \$545m (PY: \$592m); we have identified a key audit matter relating to the IBNR associated with these provisions. This key audit matter applies to the following judgemental assumptions: • Claims inflation, within the P&I Mutual class (non-latent); and • Future number and cost of claims within the US and UK Mesothelioma exposures for the latent claims. The valuation of reserves associated with these claims relies significantly on assumptions about the future volume of claims and the appropriate inflation rate, as disclosed in note 2.2.7. Further details are also included within note 17 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures included: • Obtaining an understanding of relevant controls around the setting of the assumptions used in the valuation of IBNR; • Evaluating the integrity of the data used in the actuarial calculations by agreeing to them underlying records. For the assumptions above, with the assistance of our actuarial specialists we: • Assessed management papers for Mesothelioma and P&I Mutual class (non-latent) IBNR and challenged the actuarial methodologies used to determine whether they are reasonable and supportable through comparison to the wider market; • Assessed the reasonableness of management's assumptions with regard to the expected future curve, average cost, the inflation rate of future average claims costs, including variation to prior periods by: – Assessing the supporting data and data trends provided, – comparing to other market data where available, – evaluating the rationale and appropriateness of judgements made by management.
Key observations	Based on the work performed we concluded that the valuation of claims IBNR for the P&I Mutual class assumption and completeness of the inflation uplift were appropriate.

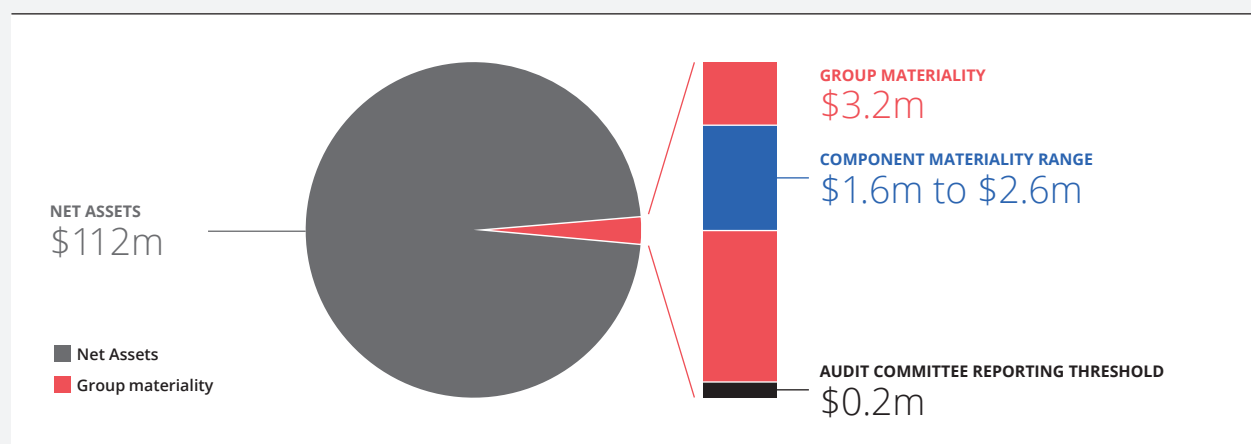
6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	\$3.2m (2022: \$4.9m)	\$2.6m (2022: \$3.4m)
Basis for determining materiality	2.9% of net assets (2022: 3% of net assets)	0.5% of gross technical provisions (2022: 1.6% of revenue), capped at 3% of opening net assets. Parent company materiality equates to 0.48% of technical provisions.
Rationale for the benchmark applied	We have determined net assets as the most appropriate basis for our materiality of the group, as a key focus of members and subsidiaries of the group is whether the group has sufficient capital to pay future claims.	We have determined technical provisions as the most appropriate basis for our materiality of the parent company, as it informs members of the level of claims needed to be settled by the parent company. We have reassessed the benchmark this year due to the continued heightened claims experience; technical provisions are therefore of particular focus of the users.



6.2. Performance materiality

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

	Group financial statements	Parent company financial statements
Performance materiality	60% (2022: 60%) of group materiality	60% (2022: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • The nature and volume of misstatements identified in the prior year; • Our assessment of the control environment and our findings related to IT and business controls.	In determining performance materiality, we considered the following factors: • The nature and volume of misstatements identified in the prior year; • Our assessment of the control environment and our findings related to IT and business controls.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$160k (2022: \$245k), and \$130k for the parent company (2022: \$169k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The scope of our audit work was determined by obtaining an understanding of the entity and its environment and assessing the risks of material misstatement at the component level.

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

We performed full scope audits on the parent company and LSSO Bermuda. This resulted in a coverage of 97% of group revenue (PY: 98%), 100% of deficit before tax (PY: 100%) and 99% of net assets (PY: 99%).

We performed analytical procedures over the results of LSSO Europe.

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

Component materialities ranged from \$2.6m to \$1.6m.

7.2. Our consideration of the control environment

As an insurance business, the group's financial reporting processes are reliant on IT controls. In planning our 2023 audit, we worked with our in-house IT specialists to obtain an understanding of the four relevant IT systems that handle data relating to premiums, investments, reinsurance, reserving, claims, expenses and other balances.

While the group has made improvements in its business control environment compared to the prior year, we identified a number of control deficiencies and reported these to the Audit Committee. Due to the reliance of business processes on IT controls and our findings, we adopted a fully substantive approach in our audit.

7.3. Our consideration of climate-related risks

As part of our audit, we have considered the impact of climate change on the group's operations and its impact on its financial statements. Whilst management have a sustainability policy in place, and are actively seeking to reduce their emissions, they have not identified any principal risks or uncertainties related to climate change. We obtained an understanding of management's process for reporting and monitoring the impact of climate related risks that are relevant to the Group, by obtaining their climate risk register, and reviewing the minutes of their ESG Working Group.

We performed our own risk assessment of the financial impact of climate risks on the financial statements. In doing so we considered the estimates and judgements applied to the financial statements and how climate risks may impact their valuation.

We have read the disclosures relating to climate risks in management's strategic report on page 16 and the annual report and considered whether they are materially consistent with knowledge obtained from our audit.

8. Other information

The other information comprises the information included in the annual report and the parts of note 4.5 (capital management) which are marked as unaudited, but excludes the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

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

11.1. Identifying and assessing potential risk related to irregularities

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

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: Valuation of claims IBNR for the P&I Mutual class assumption, and completeness of the inflation uplift. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

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

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

11.2. Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the resolution at the Annual General meeting, we were appointed by the Board of Directors on 13 January 2022 to audit the financial statements for the year ended 20 February 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ended 20 February 2022 to 20 February 2023.

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

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

15. Use of our report

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

Adam Addis (Senior Statutory Auditor)

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

13 June 2023

Consolidated Statement of Comprehensive Income and Retained Earnings for the year ended 20 February 2023

	Note	2023 US\$'000	2022 US\$'000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned Premiums, Net of Reinsurance:			
Calls & Premiums		136,460	214,848
Reinsurance Premiums		(25,173)	(21,019)
Net Earned Premium	6	111,287	193,829
Foreign Exchange (Losses)/Gains		(394)	28
Allocated Investment Return transferred from Non-Technical account		(17,840)	(4,277)
Claims Incurred, Net of Reinsurance:			
Gross Claims Paid	7	(193,587)	(196,846)
Reinsurance Recoveries	8	91,762	59,175
Net Claims Paid		(101,825)	(137,671)
Change in Provision for Claims:			
Gross Amount		49,002	(224,246)
Reinsurers' Share		(72,262)	207,685
Net Change in Provision for Claims		(23,260)	(16,561)
Net Incurred Claims		(125,085)	(154,232)
Net Operating Expenses	10	(17,919)	(24,867)
Balance on Technical Account		(49,951)	10,481
NON-TECHNICAL ACCOUNT			
Balance on Technical Account		(49,951)	10,481
Investment Income	9	(315)	16,477
Unrealised (Losses) on Investments		(14,990)	(18,796)
Unrealised (Losses) on Investment Property		(782)	-
Investment Expenses		(1,753)	(1,958)
Allocation of Investments to Technical Account		(17,840)	(4,277)
Net (Deficit)/Surplus before Taxation		(49,951)	10,481
Taxation Expense	11	(526)	(49)
Net (Deficit)/Surplus after Taxation		(50,477)	10,432
Accumulated Reserves at 20 February 2022		164,003	153,571
Accumulated Reserves at 20 February 2023		113,526	164,003

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

The notes on pages 36 to 54 form part of these Financial Statements.

Consolidated Statement of Financial Position as at 20 February 2023

Company number: 10341

	Note	2023 US\$'000	2022 US\$'000
ASSETS			
Investment Property	15	18,470	21,729
Financial Investments	14	297,948	327,591
Reinsurance Assets	17	239,703	311,965
Reinsurers' Share of Unearned Premium	17	1,413	1,006
Insurance & Other Receivables	16	24,257	53,757
Current Taxation		35	40
Cash & Cash Equivalents		103,802	57,998
Deferred Acquisition Costs	19	766	710
Prepayments & Accrued Income		7,981	34,515
TOTAL ASSETS		694,375	809,311
RESERVES AND LIABILITIES			
<i>Reserves Attributable to Members</i>			
Income & Expenditure Account		113,526	164,003
TOTAL RESERVES		113,526	164,003
LIABILITIES			
Unearned Premium	17	5,354	4,768
Insurance Liabilities	17	542,966	591,969
Insurance & Other Payables	18	27,654	42,365
Accruals & Deferred Income		4,875	6,206
TOTAL LIABILITIES		580,849	645,308
TOTAL LIABILITIES & RESERVES		694,375	809,311

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf on 8 June 2023.

The notes on pages 36 to 54 form part of these Financial Statements.

Ian E. Gooch
Member of the Board

Iain Paul
Member of the Board

Statement of Financial Position – Parent Company only as at 20 February 2023

Company number: 10341

	Note	2023 US\$'000	2022 US\$'000
ASSETS			
Investment in Group Undertakings and Participating Interests	12	84,789	34,789
Other Financial Investments	14	20,046	50,860
Reinsurance Assets	17	522,894	572,170
Reinsurers' Share of Unearned Premium	17	4,404	3,882
Insurance & Other Receivables	16	18,635	40,173
Current Taxation		15	18
Cash & Cash Equivalents		53,285	20,438
Deferred Acquisition Costs	19	717	629
Prepayments & Accrued Income		6,092	32,431
TOTAL ASSETS		710,877	755,390
RESERVES			
<i>Reserves Attributable to Members</i>			
Income & Expenditure account	20	83,799	87,099
TOTAL RESERVES		83,799	87,099
LIABILITIES			
Unearned Premium	17	5,273	4,611
Insurance Liabilities	17	541,757	591,017
Insurance & Other Payables	18	75,758	67,224
Accruals & Deferred Income		4,290	5,439
TOTAL LIABILITIES		627,078	668,291
TOTAL LIABILITIES & RESERVES		710,877	755,390

The parent company made a deficit of US\$3,300k (2022: surplus of US\$66,704k) on ordinary activities after tax for the year ended 20 February 2023. The Association has taken the exemption under Section 408 of the Companies Act from preparing a Parent Company Statement of Comprehensive Income.

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf on 8 June 2023.

The notes on pages 36 to 54 form part of these Financial Statements.

Ian E. Gooch
Member of the Board

Iain Paul
Member of the Board

Consolidated Statement of Cash Flows for the Year Ended 20 February 2023

	2023 US\$'000	2022 US\$'000
CASH GENERATED FROM OPERATING ACTIVITIES		
Net (Loss)/Income Before Tax	(49,951)	10,481
Adjustments for:		
Changes in Estimated Outstanding Claims (net of reinsurance)	23,259	16,561
Changes in Unearned Premium (net of reinsurance)	179	771
Changes in Deferred Acquisition Costs	(56)	(145)
Realised & Unrealised Losses on Investments	21,101	8,227
Unrealised Losses on Investment Property	782	-
Interest Income	(1,261)	(111)
Changes in Receivables	56,039	(59,545)
Changes in Payables	(16,042)	13,170
Foreign Exchange Adjustment	2,871	649
Cash From Operating Activities	36,921	(9,942)
Tax Paid	(330)	(49)
Net Cash Inflows/(Outflows) from Operating Activities	36,591	(9,991)
Cash Generated from Investing Activities		
Payments to acquire investments	(408,648)	(695,830)
Receipts for the sale of investments	417,164	666,808
Interest Received	1,041	111
Net Cash Inflows/(Outflows) from Investing Activities	9,557	(28,911)
Increase/(Decrease) in Cash & Cash Equivalents	46,148	(38,902)
Cash & Cash Equivalents at 21 February 2022	57,998	96,872
Effects of Foreign Exchange on Cash & Cash Equivalents	(344)	28
Cash & Cash Equivalents at 20 February 2023	103,802	57,998

The notes on pages 36 to 54 form part of these Financial Statements.

Notes to the Financial Statements

NOTE 1: General Information

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

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

NOTE 2: Accounting Policies

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

2.1 FINANCIAL REPORTING FRAMEWORK

2.1.1 BASIS OF PREPARATION

The Group and individual financial statements of the Association have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006.

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

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

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

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

2.1.2 BASIS OF CONSOLIDATION

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

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

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

2.1.3 GOING CONCERN

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

2.2 UNDERWRITING ACTIVITIES

2.2.1 CALLS & PREMIUMS

Calls and Gross Premiums include Gross Annual Calls and any Supplementary Premiums levied, and are shown gross of acquisition costs and net of Return Premiums and Bad and Doubtful Debts. These Calls and Premiums are the total receivable for the whole period of cover provided by the contracts incepting during the accounting period together with any premium adjustments relating to prior accounting periods.

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

2.2.2 CLAIMS & RELATED EXPENSES

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

2.2.3 POOLING OBLIGATIONS

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

2.2.4 REINSURANCE PREMIUMS

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

2.2.5 REINSURANCE RECOVERIES

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

2.2.6 CLAIMS HANDLING COSTS

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

2.2.7 TECHNICAL PROVISIONS

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

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

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

When determining the appropriate level of IBNR provision for occupational disease claims, the Directors additionally take into consideration the findings from the most recently available review of reserves for this category of claims. An updated review of occupational disease claims to estimate the ultimate cost and the appropriate level of IBNR was performed in the 2022/23 financial year.

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

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

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

2.2.8 UNEARNED PREMIUM

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

2.2.9 REINSURERS' SHARE OF UNEARNED PREMIUM

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

2.2.10 ACQUISITION COSTS

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

2.3 OTHER ACCOUNTING POLICIES

2.3.1 INVESTMENT INCOME

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

2.3.2 OPERATING EXPENSES

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

2.3.3 FOREIGN EXCHANGE

The Association uses the US dollar (US\$) as its currency of presentation and functional currency. Monetary assets and liabilities denominated in other currencies are translated into US\$ at the rates ruling at the Statement of Financial Position date. Revenue transactions are translated at the actual rate applying at the date of transaction or, where this is not practicable, the average rate for the year. Exchange rate differences are recognised in the Statement of Comprehensive Income and Retained Earnings.

2.3.4 FINANCIAL INVESTMENTS

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

2.3.5 INVESTMENTS IN GROUP UNDERTAKINGS & PARTICIPATING INTERESTS

Investments in Group Undertakings and Participating Interests in the Association's own Statement of Financial Position are stated at cost less impairment.

2.3.6 TAXATION

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

2.3.7 RECOGNITION & DERECOGNITION OF FINANCIAL ASSETS & LIABILITIES

Financial Assets and Financial Liabilities are recognised when the Association becomes a party to the contractual provisions of the contract.

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

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

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

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

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

2.3.8 IMPAIRMENT

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

2.3.9 INVESTMENT PROPERTY

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

2.3.10 CASH AND CASH EQUIVALENTS

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

NOTE 3: Critical Accounting Judgements and Estimation Uncertainty

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

3.1 THE ULTIMATE LIABILITY ARISING FROM CLAIMS MADE UNDER INSURANCE CONTRACTS

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

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

3.2 INVESTMENTS IN ASSOCIATES

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

FRS 102 defines an associate as an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control. FRS 102 Section 14.3 states that if the investor holds, directly or indirectly, less than 20% of the voting power of the associate, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. The Association holds none of the voting power of A. Bilbrough & Co. Limited. Nevertheless, in the Board's judgement, the Association does have significant influence over A. Bilbrough & Co. limited. The Board identified the following factor as key in reaching this judgement:

- The Management Services Agreement provides that A. Bilbrough & Co. Limited shall submit for approval to the Association the anticipated expenditure budget for each year and consult with the Association over any material and unanticipated items of A. Bilbrough & Co. Limited expenditure that may arise.

The Companies Act states that an undertaking is a parent undertaking in relation to another undertaking, a subsidiary undertaking, if:

- It holds a majority of the voting rights in the undertaking, or
- It is a member of the undertaking and has the right to appoint or remove a majority of its board of directors, or
- It has the right to exercise a dominant influence over the undertaking, or has actually exercised dominant influence, or
- It is a member of the undertaking and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in the undertaking.

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

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

NOTE 4: Principal Risks & Uncertainties

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

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

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

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

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

4.1 INSURANCE RISK

Insurance risk comprises underwriting risk and reserving risk.

UNDERWRITING RISK

Underwriting risk is the risk that Calls and Gross Premiums will not be sufficient to cover losses and associated administrative expenses. This risk is managed and mitigated by writing a 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 Association. The risk function regularly reviews and analyses the portfolio of business on risk during the year, including portfolio composition by ship type, ship age and place of management.

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

RESERVING RISK

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

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

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

Consolidated	2023 US\$'000	2022 US\$'000
INCREASE IN CLAIMS INCURRED BY 5 PERCENTAGE POINTS		
Gross	(7,229)	(21,055)
Net	(6,254)	(7,712)
DECREASE IN CLAIMS INCURRED BY 5 PERCENTAGE POINTS		
Gross	7,229	21,055
Net	6,254	7,712
Parent	2023 US\$'000	2022 US\$'000
INCREASE IN CLAIMS INCURRED BY 5 PERCENTAGE POINTS		
Gross	(7,192)	(20,983)
Net	(453)	(674)
DECREASE IN CLAIMS INCURRED BY 5 PERCENTAGE POINTS		
Gross	7,192	20,983
Net	453	674

4.2 LIQUIDITY RISK

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

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

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

Consolidated

Assets at 20 February 2023	SOFP US\$'000	Up to 1 year US\$'000	1-3 Years US\$'000	3-5 Years US\$'000	5+ Years US\$'000	Total US\$'000
Cash & Investments	401,750	137,265	70,252	47,736	146,497	401,750
Taxation	35	35	-	-	-	35
Receivables	24,257	24,257	-	-	-	24,257
Reinsurance Assets	239,703	74,567	92,297	33,944	38,895	239,703
Reinsurer Share of UPR	1,413	1,413	-	-	-	1,413
Deferred Acquisition Costs	766	766	-	-	-	766
Prepayments & Accrued Income	7,981	7,981	-	-	-	7,981
Total Financial Assets	675,905	246,284	162,549	81,680	185,392	675,905
Liabilities at 20 February 2023	SOFP US\$'000	Up to 1 year US\$'000	1-3 Years US\$'000	3-5 Years US\$'000	5+ Years US\$'000	Total US\$'000
Insurance Liabilities	542,966	181,408	207,882	72,497	81,179	542,966
Unearned Premium	5,354	5,354	-	-	-	5,354
Payables	27,654	27,654	-	-	-	27,654
Accruals & Deferred Income	4,875	4,875	-	-	-	4,875
Total Financial Liabilities	580,849	219,291	207,882	72,497	81,179	580,849
Assets at 20 February 2022	SOFP US\$'000	Up to 1 year US\$'000	1-3 Years US\$'000	3-5 Years US\$'000	5+ Years US\$'000	Total US\$'000
Cash & Investments	385,589	116,960	74,969	37,275	156,385	385,589
Taxation	40	40	-	-	-	40
Receivables	53,757	53,757	-	-	-	53,757
Reinsurance Assets	311,965	70,504	91,406	51,786	98,269	311,965
Reinsurer Share of UPR	1,006	1,006	-	-	-	1,006
Deferred Acquisition Costs	710	710	-	-	-	710
Prepayments & Accrued Income	34,515	34,515	-	-	-	34,515
Total Financial Assets	787,582	277,492	166,375	89,061	254,654	787,582
Liabilities at 20 February 2022	SOFP US\$'000	Up to 1 year US\$'000	1-3 Years US\$'000	3-5 Years US\$'000	5+ Years US\$'000	Total US\$'000
Insurance Liabilities	591,969	162,791	181,734	91,163	156,281	591,969
Unearned Premium	4,768	4,768	-	-	-	4,768
Payables	42,365	42,365	-	-	-	42,365
Accruals & Deferred Income	6,206	6,206	-	-	-	6,206
Total Financial Liabilities	645,308	216,130	181,734	91,163	156,281	645,308

Parent

Assets at 20 February 2023	SOFP US\$'000	Up to 1 year US\$'000	1-3 Years US\$'000	3-5 Years US\$'000	5+ Years US\$'000	Total US\$'000
Cash & Investments	73,331	73,331	-	-	-	73,331
Taxation	15	15	-	-	-	15
Receivables	18,635	18,635	-	-	-	18,635
Reinsurance Assets	522,894	173,889	200,036	70,069	78,900	522,894
Reinsurer Share of UPR	4,404	4,404	-	-	-	4,404
Deferred Acquisition Costs	717	717	-	-	-	717
Prepayments & Accrued Income	6,092	6,092	-	-	-	6,092
Total Financial Assets	626,088	277,083	200,036	70,069	78,900	626,088
Liabilities at 20 February 2023	SOFP US\$'000	Up to 1 year US\$'000	1-3 Years US\$'000	3-5 Years US\$'000	5+ Years US\$'000	Total US\$'000
Insurance Liabilities	541,757	181,004	207,419	72,336	80,998	541,757
Unearned Premium	5,273	5,273	-	-	-	5,273
Payables	75,758	75,758	-	-	-	75,758
Accruals & Deferred Income	4,290	4,290	-	-	-	4,290
Total Financial Liabilities	627,078	266,325	207,419	72,336	80,998	627,078
Assets at 20 February 2022	SOFP US\$'000	Up to 1 year US\$'000	1-3 Years US\$'000	3-5 Years US\$'000	5+ Years US\$'000	Total US\$'000
Cash & Investments	71,298	71,298	-	-	-	71,298
Taxation	18	18	-	-	-	18
Receivables	40,173	40,173	-	-	-	40,173
Reinsurance Assets	572,170	156,202	175,084	88,686	152,198	572,170
Reinsurer Share of UPR	3,882	3,882	-	-	-	3,882
Deferred Acquisition Costs	629	629	-	-	-	629
Prepayment & Accrued Income	32,431	32,431	-	-	-	32,431
Total Financial Assets	720,601	304,633	175,084	88,686	152,198	720,601
Liabilities at 20 February 2022	SOFP US\$'000	Up to 1 year US\$'000	1-3 Years US\$'000	3-5 Years US\$'000	5+ Years US\$'000	Total US\$'000
Insurance Liabilities	591,017	162,530	181,442	91,017	156,028	591,017
Unearned Premium	4,611	4,611	-	-	-	4,611
Payables	67,224	67,224	-	-	-	67,224
Accruals & Deferred Income	5,439	5,439	-	-	-	5,439
Total Financial Liabilities	668,291	239,804	181,442	91,017	156,028	668,291

4.3 MARKET RISK

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

INTEREST RATE RISK

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

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

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

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

Increase of 100 Basis Points	Change in Valuation US\$'000
As at 20 February 2023	9,327
As at 20 February 2022	9,079

EQUITY PRICE RISK

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

A 10 per cent decrease in the value of equity securities held at the year-end date would have decreased accumulated reserves at that date by US\$5,118k (2022: US\$5,405k).

FOREIGN CURRENCY RISK

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

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

Consolidated

As at 20 February 2023	US\$ US\$'000	GBP US\$'000	EUR US\$'000	Other US\$'000	Total US\$'000
Total Assets	651,601	26,747	13,698	2,329	694,375
Total Liabilities	523,569	18,331	18,549	20,400	580,849
Net Asset Position	128,032	8,416	(4,851)	(18,071)	113,526

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

Parent

As at 20 February 2023	US\$ US\$'000	GBP US\$'000	EUR US\$'000	Other US\$'000	Total US\$'000
Total Assets	655,374	19,508	16,793	19,202	710,877
Total Liabilities	570,286	18,232	18,173	20,387	627,078
Net Asset Position	85,088	1,276	(1,380)	(1,185)	83,799

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

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

	Consolidated		Parent	
	20 February 2023 US\$'000	20 February 2022 US\$'000	20 February 2023 US\$'000	20 February 2022 US\$'000
Strengthening				
Sterling	421	600	64	(51)
Euro	(243)	(224)	(69)	(171)
Weakening				
Sterling	(421)	(600)	(64)	51
Euro	243	224	69	171

4.4 CREDIT RISK

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

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

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

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

Consolidated

As at 20 February 2023	SOPF US\$'000	AAA US\$'000	AA US\$'000	A US\$'000	BBB US\$'000	Other US\$'000	Total US\$'000
Reinsurance Assets	239,703	-	38,464	170,886	30,332	21	239,703
RI Share of UPR	1,413	-	-	1,413	-	-	1,413
Taxation	35	-	-	-	-	35	35
Receivables	24,257	-	1,758	6,075	89	16,335	24,257
Deferred Acquisition Costs	766	-	-	-	-	766	766
Prepayments & Accrued Income	7,981	-	447	149	358	7,027	7,981
Total	274,155	-	40,669	178,523	30,779	24,184	274,155

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

Parent

As at 20 February 2023	SOPF US\$'000	AAA US\$'000	AA US\$'000	A US\$'000	BBB US\$'000	Other US\$'000	Total US\$'000
Reinsurance Assets	522,894	-	38,464	170,543	30,332	283,555	522,894
RI Share of UPR	4,404	-	-	1,382	-	3,022	4,404
Taxation	15	-	-	-	-	15	15
Receivables	18,635	-	-	6,000	-	12,635	18,635
Deferred Acquisition Costs	717	-	-	-	-	717	717
Prepayments & Accrued Income	6,092	-	-	-	-	6,092	6,092
Total	552,757	-	38,464	177,925	30,332	306,036	522,757

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

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

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

Consolidated

As at 20 February 2023	SOPF US\$'000	AAA US\$'000	AA US\$'000	A US\$'000	BBB US\$'000	Other US\$'000	Total US\$'000
Cash & Investments	401,750	73,612	96,223	126,548	37,714	67,653	401,750
As at 20 February 2022	SOPF US\$'000	AAA US\$'000	AA US\$'000	A US\$'000	BBB US\$'000	Other US\$'000	Total US\$'000
Cash & Investments	385,589	96,171	83,784	82,115	38,619	84,900	385,589

Parent

As at 20 February 2023	SOPF US\$'000	AAA US\$'000	AA US\$'000	A US\$'000	BBB US\$'000	Other US\$'000	Total US\$'000
Cash & Investments	73,331	9,746	-	63,585	-	-	73,331
As at 20 February 2022	SOPF US\$'000	AAA US\$'000	AA US\$'000	A US\$'000	BBB US\$'000	Other US\$'000	Total US\$'000
Cash & Investments	71,298	40,560	-	30,738	-	-	71,298

4.5 CAPITAL MANAGEMENT

At 20 February 2023, the Association's capital position comprised its reserve attributable to Members of US\$113.5m (2022: US\$164.0m). In addition, the Association was granted approval to take an amount of US\$25.0m ancillary own funds into account when determining its own funds for regulatory solvency purposes at 20 February 2023 (2022: US\$25.0m), although this is not recognised as capital in the Consolidated Statement of Financial Position forming part of these financial statements. (Unaudited)

The Association is subject to the EU's Solvency II regulatory regime which imposes capital requirements in the form of a Solvency Capital Requirement (SCR) and a Minimum Capital Requirement (MCR). The SCR is calibrated to ensure that all quantifiable risks to which the Association is exposed are taken into account and corresponds to the Value-at-Risk of capital subject to a confidence level of 99.5% over a one-year period. The Association has agreed with the Prudential Regulation Authority a capital add-on of US\$4.5m, effective from 20 February 2023, as part of its group level SCR for the remote risk the Association is exposed to through its management agreement contract and relationship with its independent management company, and its pension deficit. The MCR sets a capital requirement significantly lower than the SCR and corresponds to an amount of capital below which policy holders are exposed to an unacceptable level of risk.

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

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

NOTE 5: Segmental Analysis by Class

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

5.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 20 February 2023	Total US\$'000	Class 5 P&I US\$'000	Class 7 War Risk US\$'000	Class 8 FD&D US\$'000
Technical Account – General Business				
Net Earned Premium	111,287	99,759	614	10,914
Foreign Exchange (Losses)	(394)	(364)	(4)	(26)
Allocated Investment Return transferred from Non-Technical account	(17,840)	(16,770)	-	(1,070)
Net Incurred Claims	(125,085)	(115,210)	-	(9,875)
Net Operating Expenses	(17,919)	(15,995)	178	(2,102)
Balance Carried to Non-Technical Account	(49,951)	(48,580)	788	(2,159)
Non- Technical Account				
Balance Transferred from Technical Account	(49,951)	(48,580)	788	(2,159)
Investment Income	(315)	(227)	-	(88)
Unrealised (Losses) on Investments	(14,990)	(14,159)	-	(831)
Unrealised (Losses) on Investment Property	(782)	(735)	-	(47)
Investment Expenses	(1,753)	(1,649)	-	(104)
Allocation of Investments to Technical Account	(17,840)	(16,770)	-	(1,070)
Net (Deficit)/Surplus before Taxation	(49,951)	(48,580)	788	(2,159)
Taxation Expense	(526)	(506)	-	(20)
Net (Deficit)/Surplus after Taxation	(50,477)	(49,086)	788	(2,179)
Accumulated Reserves at 20 February 2022	164,003	147,134	4,673	12,196
Accumulated Reserves at 20 February 2023	113,526	98,048	5,461	10,017

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

5.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 20 February 2023	Total US\$'000	Class 5 P&I US\$'000	Class 7 War Risk US\$'000	Class 8 FD&D US\$'000
ASSETS				
Investment Property	18,470	17,362	-	1,108
Financial Investments	297,948	280,945	2,952	14,051
Reinsurance Assets	239,703	233,440	-	6,263
Reinsurers' Share of Unearned Premium	1,413	1,340	-	73
Insurance & Other Receivables	24,257	21,750	499	2,008
Current Taxation	35	35	-	-
Cash & Cash Equivalents	103,802	92,029	2,493	9,280
Deferred Acquisition Costs	766	688	-	78
Prepayments & Accrued Income	7,981	5,974	556	1,451
TOTAL ASSETS	694,375	653,563	6,500	34,312
RESERVES				
Income & Expenditure Account	113,526	98,048	5,461	10,017
LIABILITIES				
Unearned Premium	5,354	4,700	-	654
Insurance Liabilities	542,966	521,239	-	21,727
Insurance & Other Payables	27,654	25,870	44	1,740
Accruals & Deferred Income	4,875	3,706	995	174
TOTAL LIABILITIES	580,849	555,515	1,039	24,295
TOTAL LIABILITIES & RESERVES	694,375	653,563	6,500	34,312

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

NOTE 6: Net Earned Premium

All contracts are concluded in the United Kingdom

	2023 US\$'000	2022 US\$'000
Gross Calls & Premiums Written during the Year	137,046	215,777 ¹
Reinsurance Premiums paid during the Year:		
Group Excess of Loss	(11,589)	(10,164)
Other Reinsurance Premiums	(13,991)	(11,013)
Net Written Premium	111,466	194,600
Change in Provision for Unearned Premiums	(586)	(929)
Change in Provision for Reinsurers' Share of Unearned Premiums	407	158
Net Earned Premium	111,287	193,829

¹Included in the Gross Calls & Premiums Written for the year ended 20 February 2022 are Supplementary Calls of US\$82,190k.

NOTE 7: Gross Claims Paid

	2023 US\$'000	2022 US\$'000
Gross Payment of Association's Own Claims	181,829	183,695
Association's Share of Other Clubs' Pool Claims	11,758	13,151
Gross Claims Paid	193,587	196,846

NOTE 8: Reinsurance Recoveries

	2023 US\$'000	2022 US\$'000
Association's Claims under Pooling Agreement	69,049	52,313
Recoveries under Group Excess of Loss Policies	12,402	4,649
Recoveries under Sundry Reinsurance Policies	10,311	2,213
Reinsurance Recoveries	91,762	59,175

NOTE 9: Investment Income

	2023 US\$'000	2022 US\$'000
Income from Listed Investments	7,012	6,483
Realised (Losses)/Gains on Investments	(8,588)	9,883
Bank & Other Interest Receivable	1,261	111
Investment Income	(315)	16,477

NOTE 10: Net Operating Expenses

	2023 US\$'000	2022 US\$'000
Acquisition Costs	13,415	19,953
Administration Expenses	4,504	4,914
Net Operating Expenses	17,919	24,867

Included within Net Operating Expenses are the following:

	2023 US\$'000	2022 US\$'000
Fees payable to the Association's auditor and its associates for the audit of the Association and the Group's consolidated financial statements	353	324
Fees payable to the Association's auditor and its associates for other services:		
– Audit of the Association's subsidiaries	171	93
– Audit-related assurance services	23	29
Board Members Fees	367	465
Change in Deferred Acquisition Costs	56	145

Other than the Board and Committee Members, the Association does not employ any staff (2022: nil).

NOTE 11: Taxation

	2023 US\$'000	2022 US\$'000
Analysis of charge for period		
UK Corporation tax charge	181	-
Overseas Corporation tax charge	12	-
Unrelieved foreign withholding taxes	333	49
Income Tax Expense	526	49

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

FACTORS AFFECTING THE TAX CHARGE FOR PERIOD

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

	2023 US\$'000	2022 US\$'000
Net (deficit)/surplus before tax	(49,951)	10,481
Multiplied by standard rate of Corporation tax in the UK of 19%	(9,491)	1,991
Effects of:		
Non-taxable mutual insurance underwriting operations	6,071	(2,804)
Non-taxable investment income	3,619	813
Differences in overseas tax rates	(6)	-
Unrelieved foreign withholding taxes	333	49
Income Tax Expense	526	49

FACTORS AFFECTING FUTURE TAX CHARGES

In the 2021 Spring Budget, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%, which has been substantively enacted under the Finance Act 2021.

NOTE 12: Investments in Group Undertakings & Participating Interests

	2023 US\$'000	2022 US\$'000
Shares in Group Undertakings & Participating Interests	84,789	34,789

The Companies listed below are wholly owned subsidiaries.

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

The London P&I Insurance Company (Europe) Limited was incorporated as a limited company in Cyprus on 12 June 2020. At 20 February 2023, the Association's investment comprised 20,000 ordinary shares at a premium in the Company amounting to US\$20,000k (2022: US\$20,000k).

At 20 February 2023, the Association's investment in Hydra comprised 20,000 ordinary shares at par in the Company and preferred shares and contributed surplus in the Association's cell of Hydra amounting to US\$14,769k (2022: US\$14,769k).

The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited is a mutual insurance company registered in Bermuda and limited by guarantee without share capital. The Association is the sole Member of The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited. During the year, the Association contributed capital of US\$50,000k to The London Steam-Ship Owners' Mutual Insurance Association (Bermuda) Limited to align the allocation of group capital between risk carrying entities in a manner consistent with the level of risk retained by each entity.

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

NOTE 13: Investments in Associates

The Association recognises its investments in associates at cost less any accumulated impairment losses. The Association's only associate investment is its investment in A. Bilbrough & Co. Limited, registered at 50 Leman Street, London, E1 8HQ.

At the prior year-end date the Association owned 120,000 'A' preference shares in A. Bilbrough & Co. Limited and none of the 150,000 management shares. In January 2023 A. Bilbrough & Co. Limited acquired the 120,000 'A' preference shares owned by the Club. These 'A' preference shares were cancelled immediately on completion of the acquisition.

The Association had no equity ownership interest in A. Bilbrough & Co. Limited at the most recent year-end date. The carrying value of this investment is US\$Nil (2022: US\$Nil). In the Board's judgement, however, A. Bilbrough & Co. Limited remains an associate as set out in Note 3.

NOTE 14: Financial Investments

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

As at 20 February 2023	Consolidated		Parent	
	Market Value US\$'000	Cost US\$'000	Market Value US\$'000	Cost US\$'000
Equity Securities	51,182	49,899	-	-
Debt Securities	226,700	233,175	-	-
Unlisted Investments	20	-	-	-
Unlisted Deposits	20,046	19,860	20,046	19,860
Total Investments	297,948	302,934	20,046	19,860

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

Included in financial investments is US\$10,300k (2022: US\$10,300k) pledged as collateral for contingent liabilities. P&I Clubs will, in certain circumstances, arrange for the issuance of bank guarantees on behalf of a Member to claimants as security for their alleged claim, with this security limited to the Member's legal liability established either by agreement or in accordance with the relevant law and covered under the Member's Terms of Entry. The terms and conditions of one legacy guarantee facility require the Association to pledge cash collateral equal to the full value of all outstanding guarantees. The Association's liquidity is not hampered by these arrangements because the Association can recover monies from its quota share reinsurer to maintain necessary solvency and liquidity levels.

DISCLOSURES OF FAIR VALUES IN ACCORDANCE WITH THE FAIR VALUE HIERARCHY

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

The fair value takes into account the following:

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

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

As at 20 February 2023	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Equity Securities	49,181	2,001	-	51,182
Debt Securities & Other	57,530	189,216	-	246,746
Total	106,711	191,217	-	297,928

As at 20 February 2022	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Equity Securities	54,053	-	-	54,053
Debt Securities & Other	48,123	225,395	-	273,518
Total	102,176	255,395	-	327,571

NOTE 15: Investment Property

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

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

A desktop valuation update has been undertaken by an Independent Chartered Surveyor and RICS Registered Valuer. This desktop Valuation Report was dated 31 January 2023 and the market value of the property was assessed at GBP15,350k on that date. On the basis of this Report the Association has assessed the fair value of the property at GBP15,350k as at 20 February 2023 (2022: GBP16,000k).

	2023 US\$'000	2022 US\$'000
As at 21 February	21,729	22,406
Unrealised (loss)	(782)	-
FX movement	(2,477)	(677)
As at 20 February	18,470	21,729

NOTE 16: Insurance & Other Receivables

	Consolidated 2023 US\$'000	2022 US\$'000	Parent 2023 US\$'000	2022 US\$'000
Amounts arising from Insurance Operations	12,050	36,057	10,890	35,158
Reinsurance Debtors	6,011	3,584	6,000	3,584
Sale transactions of financial investments awaiting settlement	5,322	13,742	-	-
Other Receivables	874	374	1,745	1,431
Total Insurance & Other Receivables	24,257	53,757	18,635	40,173

Amounts arising from Insurance Operations includes US\$3,497k not overdue (2022: US\$25,851k), US\$3,568k overdue by up to six months (2022: US\$7,156k), US\$3,875k overdue by more than six months but less than 12 months (2022: US\$2,723K), and US\$1,110k overdue by more than 12 months (2022: US\$327K). All balances past due are not impaired (2022: Nil).

NOTE 17: Net Insurance Liabilities

BALANCES ON INSURANCE AND REINSURANCE CONTRACTS

	Consolidated		Parent	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Insurance Liabilities				
Members Claims	475,887	533,673	474,678	532,679
Association's Share of Pool Claims	67,079	58,296	67,079	58,338
Unearned Premium	5,354	4,768	5,273	4,611
	548,320	596,737	547,030	595,628
Reinsurance Assets				
Market Reinsurance	98,190	127,908	448,372	501,249
Pool Recoveries	141,513	184,057	74,522	70,921
Reinsurers' Share of Unearned Premium	1,413	1,006	4,404	3,882
	241,116	312,971	527,298	576,052
Net Insurance Liabilities	307,204	283,766	19,732	19,576

MOVEMENT IN INSURANCE & REINSURANCE CONTRACTS

	Consolidated		Parent	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Insurance Liabilities & Unearned Premium				
Claims Outstanding				
As at 21 February	591,969	367,722	591,017	367,741
Claims paid in the Year	(193,587)	(196,846)	(193,170)	(196,507)
Changes to Reserves in the Year	144,584	421,093	143,910	419,783
As at 20 February	542,966	591,969	541,757	591,017
Unearned Premium				
As at 21 February	4,768	3,839	4,611	3,839
Calls & Premiums Written in the Year	136,367	215,777	131,906	212,096
Calls & Premiums Earned in the Year	(135,781)	(214,848)	(131,244)	(211,324)
As at 20 February	5,354	4,768	5,273	4,611
Total Insurance Liabilities & Unearned Premiums	548,320	596,737	547,030	595,628
Reinsurance Assets & Reinsurers' Share of Unearned Premium				
Reinsurers' Share of Claims Outstanding				
As at 21 February	311,965	104,279	572,170	350,363
Reinsurance Recoveries made in the Year	(91,762)	(59,175)	(98,439)	(65,255)
Changes to Reserves in the Year	19,500	266,861	49,163	287,062
As at 20 February	239,703	311,965	522,894	572,170
Reinsurers' Share of Unearned Premium				
As at 21 February	1,006	848	3,882	3,160
Reinsurance Premium Written in the Year	25,580	21,177	35,232	29,433
Reinsurance Premium Earned in the Year	(25,173)	(21,019)	(34,710)	(28,711)
As at 20 February	1,413	1,006	4,404	3,882
Total Reinsurance Assets & Reinsurers' Share of Unearned Premium	241,116	312,971	527,298	576,052
Total Net Technical Provisions	307,204	283,766	19,732	19,576

Claims Development Tables

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

GROSS CLAIMS DEVELOPMENT

As at 20 Feb 2023	Other US\$'000	2013/14 US\$'000	2014/15 US\$'000	2015/16 US\$'000	2016/17 US\$'000	2017/18 US\$'000	2018/19 US\$'000	2019/20 US\$'000	2020/21 US\$'000	2021/22 US\$'000	2022/23 US\$'000	Total US\$'000
Gross Ultimate Claims												
Current Year		87,496	118,199	67,568	69,773	73,112	126,957	98,188	104,644	406,245	117,657	
One Year Later		81,323	124,185	67,343	69,688	72,673	126,326	119,007	109,328	418,059		
Two Years Later		76,398	116,569	68,322	74,237	71,767	116,550	119,229	118,622			
Three Years Later		75,128	106,698	65,719	71,222	70,543	108,401	115,473				
Four Years Later		71,465	110,740	63,537	69,335	67,846	100,867					
Five Years Later		70,094	104,746	63,467	70,358	68,006						
Six Years Later		71,756	106,671	62,491	70,048							
Seven Years Later		71,544	104,465	60,217								
Eight Years Later		70,233	104,595									
Nine Years Later		69,757										
Gross Cumulative Paid												
Current Year		12,290	20,688	12,590	24,450	11,255	22,164	18,426	18,428	85,013	9,830	
One Year Later		32,600	40,925	30,105	39,021	30,406	47,604	52,717	48,013	194,887		
Two Years Later		44,171	66,001	39,907	54,268	40,314	66,451	73,567	69,865			
Three Years Later		50,876	71,367	48,089	60,616	51,131	76,810	88,733				
Four Years Later		56,335	75,734	55,419	61,362	55,305	86,867					
Five Years Later		63,154	86,384	57,116	65,829	56,527						
Six Years Later		66,716	95,909	58,654	66,702							
Seven Years Later		68,220	97,233	57,017								
Eight Years Later		68,639	97,974									
Nine Years Later		68,846										
Gross Outstanding Claims	96,913	911	6,621	3,200	3,346	11,479	14,000	26,740	48,757	223,172	107,827	542,966

Net Claims Development

As at 20 Feb 2023	Other US\$'000	2013/14 US\$'000	2014/15 US\$'000	2015/16 US\$'000	2016/17 US\$'000	2017/18 US\$'000	2018/19 US\$'000	2019/20 US\$'000	2020/21 US\$'000	2021/22 US\$'000	2022/23 US\$'000	Total US\$'000
Net Ultimate Claims												
Current Year		85,760	93,132	64,544	60,044	72,639	84,041	96,334	88,337	135,924	93,561	
One Year Later		79,382	89,177	62,130	60,514	69,494	88,638	107,650	90,257	146,000		
Two Years Later		75,771	86,718	63,089	65,527	68,412	89,591	106,449	98,643			
Three Years Later		74,238	84,848	60,642	63,323	67,446	87,909	106,892				
Four Years Later		71,146	84,045	59,082	62,729	67,745	83,396					
Five Years Later		69,808	83,002	58,483	62,737	67,906						
Six Years Later		71,424	86,411	57,440	62,727							
Seven Years Later		71,280	85,768	57,137								
Eight Years Later		69,970	85,947									
Nine Years Later		69,493										
Net Cumulative Paid												
Current Year		12,290	20,688	11,761	20,734	11,255	22,164	18,426	18,428	34,556	9,830	
One Year Later		32,523	40,925	29,234	33,237	30,363	43,936	52,717	48,013	75,609		
Two Years Later		43,908	57,041	39,027	48,477	40,213	55,685	73,567	58,739			
Three Years Later		50,612	62,106	47,141	54,414	51,031	65,764	84,008				
Four Years Later		56,071	65,056	51,068	55,176	55,204	70,398					
Five Years Later		62,890	75,390	52,625	59,544	56,427						
Six Years Later		66,453	80,735	54,064	60,392							
Seven Years Later		67,956	82,018	54,359								
Eight Years Later		68,376	82,635									
Nine Years Later		68,583										
Net Outstanding Claims	52,541	910	3,312	2,778	2,335	11,479	12,998	22,884	39,904	70,391	83,731	303,263

NOTE 18: Insurance & Other Payables

	Consolidated		Parent	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Amounts arising out of Insurance Operations	7,815	9,150	6,989	8,949
Reinsurance Creditors	1,219	1,034	1,219	1,034
Purchase transactions of financial investments awaiting settlement	15,293	31,172	-	-
Corporation Tax	193	-	181	-
Other Payables	3,134	1,009	2,937	884
Intercompany	-	-	64,432	56,357
Total Insurance & Other Payables	27,654	42,365	75,758	67,224

NOTE 19: Deferred Acquisition Costs

	Consolidated		Parent	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
As at 21 February	710	566	629	566
Acquisition costs written in the year	13,471	20,097	12,353	18,938
Acquisition costs earned in the year	(13,415)	(19,953)	(12,265)	(18,875)
As at 20 February	766	710	717	629

NOTE 20: Parent Company Movement in Reserves Attributable to Member

	2023 US\$'000	2022 US\$'000
Income & Expenditure account		
As at 21 February	87,099	20,395
(Deficit)/Surplus for the financial year	(3,300)	66,704
As at 20 February	83,799	87,099

NOTE 21: Related Party Transactions

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

Most of the Directors are representatives or agents of member companies and other than the insurance and membership interests in the Directors' companies, the Directors have no financial interest in the Association. The Board delegates the day to day operations of the Association to A. Bilbrough & Co. Limited. Three Directors of A. Bilbrough & Co. Limited are directors of the Association. The Association paid management fees of £16.0m (2021/22: £15.7m) to A. Bilbrough & Co. Limited for the year.

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

NOTE 22: Average Expense Ratio – P&I Only

In accordance with the International Group Agreement 2020, the Association is required to include in these Financial Statements a statement of its Average Expense Ratio for P&I business for the five years ended 20 February 2023. The Ratio of 13.27% (2022: 11.95%) has been calculated in accordance with the schedule and the guidelines issued by the International Group and is consistent with the relevant Financial Statements.

Appendix I: Policy Year Statements (Unaudited)

CLASS 5 – P&I POLICY YEAR STATEMENT

	Notes	Reserves US\$'000	Closed Years US\$'000	2020/21 Policy Year US\$'000	2021/2022 Policy Year US\$'000	2022/2023 Policy Year US\$'000	Total US\$'000
Year to 20 February 2023				547	7,013	113,199	
Year to 20 February 2022				30,273	144,038	-	
Year to 20 February 2021				101,081	-	-	
Total Earned Calls & Premiums				131,901	151,051	113,199	
Earned Reinsurance Premiums				(18,084)	(19,768)	(20,352)	
Net Earned Premium				113,817	131,283	92,847	
Net Claims Paid	1			(66,698)	(86,470)	(23,255)	
Net Operating Expenses	2			(14,223)	(19,591)	(18,186)	
Investment Income				19,058	12,656	(3,509)	
Balance available for Outstanding Claims		94,314	110,635	51,954	37,878	47,897	342,678
Allocation from Reserves at 20 February 2022			22,110	5,641	26,841	-	54,592
Net Insurance Liabilities			(99,965)	(39,428)	(68,086)	(80,320)	(287,799)
		94,314	32,780	18,167	(3,367)	(32,423)	109,471
Unrealised Losses on Investments & Property		(11,423)	-	-	-	-	(11,423)
Allocation from Closed Years at 20 February 2023		(3,010)	(32,780)	-	3,367	32,423	-
Undiscounted Policy Year Balances		79,881	-	18,167	-	-	98,048

CLASS 8 – FD&D POLICY YEAR STATEMENT

	Notes	Reserves US\$'000	Closed Years US\$'000	2020/21 Policy Year US\$'000	2021/2022 Policy Year US\$'000	2022/2023 Policy Year US\$'000	Total US\$'000
Year to 20 February 2023				176	643	11,308	
Year to 20 February 2022				434	12,521	-	
Year to 20 February 2021				11,687	-	-	
Total Earned Calls & Premiums				12,297	13,164	11,308	
Earned Reinsurance Premiums				(1,070)	(1,120)	(1,209)	
Net Earned Premium				11,227	12,044	10,099	
Net Claims Paid				(8,813)	(8,183)	(3,643)	
Net Operating Expenses	2			(2,031)	(2,507)	(2,162)	
Investment Income				1,209	864	(212)	
Balance available for Outstanding Claims		11,654	2,917	1,592	2,218	4,082	22,463
Allocation from Reserves at 20 February 2022			819	978	1,950	-	3,747
Net Insurance Liabilities			(3,098)	(1,900)	(4,205)	(6,261)	(15,464)
		11,654	638	670	(37)	(2,179)	10,746
Unrealised Losses on Investments & Property		(729)	-	-	-	-	(729)
Allocation from Closed Years at 20 February 2023		(1,578)	(638)	-	37	2,179	-
Undiscounted Policy Year Balances		9,347	-	670	-	-	10,017

NOTE 1: NET CLAIMS PAID

Included within Class 5 are the Association's Share of Other Clubs' Pool Claims. The Association's liability under the Pooling Agreement for the Policy Years 2020/21 – 2022/23 has been determined on the basis of current provisional percentage shares. Final percentage shares may differ.

	2020/21 US\$'000	2021/22 US\$'000	2022/23 US\$'000
Association's Share of Other Clubs' Pool Claims	6,557	10,293	-

NOTE 2: NET OPERATING EXPENSES

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

	CLASS 5 – P&I			CLASS 8 – FD&D		
	2020/21 US\$'000	2021/22 US\$'000	2022/23 US\$'000	2020/21 US\$'000	2021/22 US\$'000	2022/23 US\$'000
Exchange Adjustments	(2,163)	492	2,692	(156)	155	175
Admin Expenses	3,257	4,163	4,685	686	723	630
Brokerage & Commission	13,129	14,936	10,809	1,501	1,629	1,357
Total	14,223	19,591	18,186	2,031	2,507	2,162

NOTE 3: NET OUTSTANDING CLAIMS

	Closed Years US\$'000	CLASS 5 – P&I			Closed Years US\$'000	CLASS 8 – FD&D		
		2020/21 US\$'000	2021/22 US\$'000	2022/23 US\$'000		2020/21 US\$'000	2021/22 US\$'000	2022/23 US\$'000
Gross Claims Outstanding								
Retained	123,455	28,451	204,313	97,941	7,071	3,073	5,322	6,261
Pool	26,510	18,657	15,437	6,475	-	-	-	-
	149,965	47,108	219,750	104,416	7,071	3,073	5,322	6,261
Reinsurers' Share of Claims Outstanding								
Pool	(27,674)	(7,679)	(82,309)	(23,852)	-	-	-	-
Group XL/Hydra	(15,614)	-	(49,640)	-	-	-	-	-
Other	(6,711)	-	(19,716)	(245)	(3,973)	(1,173)	(1,117)	-
	(49,999)	(7,679)	(151,665)	(24,097)	(3,973)	(1,173)	(1,117)	-
Net Claims	99,966	39,429	68,085	80,319	3,098	1,900	4,205	6,261

Appendix II: Release Calls (Unaudited)

At the meeting on 25 April 2023, the Board reviewed the Open Policy Years and Release Call rates and reached the following decisions:

	Class 5 – P&I	Class 8 – FD&D
2020/2021	5.0% of the Annual Call	5.0% of the Annual Call
2021/2022	5.0% of the Annual Call	12.5% of the Annual Call
2022/2023	15.0% of the Annual Call	15.0% of the Annual Call
2023/2024	15.0% of the Annual Call	15.0% of the Annual Call

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

Risk Categories:

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

RELEASE CALLS – CLASS 5 (P&I ONLY)

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

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

2018/2019	Nil (Closed)
2019/2020	Nil (Closed)
2020/2021	5.0% of the Annual Call (as stated above)
2021/2022	5.0% of the Annual Call (as stated above)
2022/2023	15.0% of the Annual Call (as stated above)

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