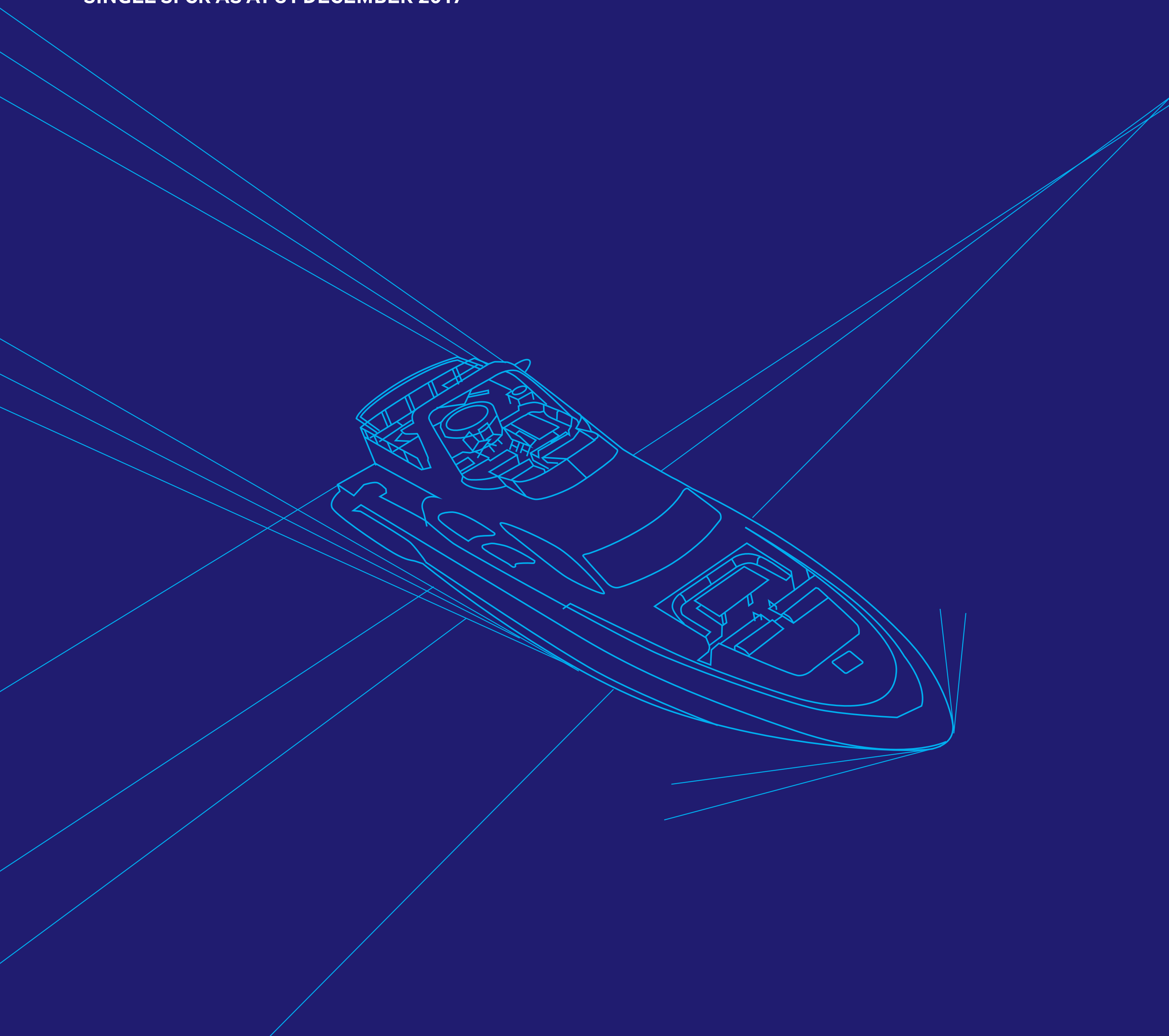
SHIPOWNERS
SECURITY FOR SMALL & SPECIALIST VESSELS

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg)

Solvency & Financial Condition Report (SFCR)

SINGLE SFCR AS AT 31 DECEMBER 2017



Contents

Chairman's statement

I am pleased to present to you our second public Solvency & Financial Condition Report.

SOLVENCY CAPITAL RATIO INCLUDING CONTINGENT CAPITAL

195%

(2016: 177%)

SOLVENCY CAPITAL RATIO EXCLUDING CONTINGENT CAPITAL

145%

(2016: 127%)

The Club has protected shipping operators since 1855, building long-term relationships based on a promise to provide insurance at cost, follow a mutual ethos and taking a claims-friendly approach.

Today, we are proud to uphold the promise on which our brand is built. We are proud of our heritage but we must never become complacent. Instead, we are eager to continue driving forward, basing our decisions, actions and service on the fundamental promise made all those years ago.

With this in mind I am pleased to present to you our second public Solvency & Financial Condition Report. This report provides information about our performance, governance and financial stability and complements the information already provided in our 2017 Annual Report.

I am pleased to report that our Solvency Capital Ratio increased to 195% (2016: 177%) driven by the Club's investment returns. Excluding contingent capital our Solvency Capital Ratio increased to 145% (2016: 127%).

I hope that you will find this report of interest as we work to provide stability to our Members in difficult times and strive to take the Club forward and to serve our stakeholders.

PHILIP D. ORME
Chairman

Summary

This report has been produced in respect of The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) ("the Club") to satisfy its public reporting requirements under the Solvency II insurance regulation regime. The information contained in this report covers the year ending 31 December 2017.

UNDERWRITING SURPLUS

US$ 1.8m
(2016: US$ 2.8m)

OVERALL SURPLUS

US$ 47.7m
(2016: US$ 14.7m)

CAPITAL AND RESERVES

US$ 341.7m
(2016: US$ 294.0m)

This report has been produced on a single Group basis, a fact which reflects that on a day-to-day basis the Club manages itself as a Group. Where it differs from that of the Group, this report also includes information about the Club on a standalone legal entity basis ("Solo") and about Spandilux S.A. ("Spandilux"), a Luxembourg-domiciled reinsurance subsidiary of the Club.

The Club's business remains stable in terms of risks underwritten, its system of governance and its risk profile. At a Group consolidated level on a mid-market investment valuation basis, the Club recorded an underwriting surplus of US$ 1.8 million and an overall surplus of US$ 47.7 million for the year ending 31 December 2017 and closed the year with US$ 341.7 million of capital and reserves.

The Club's approach to capital management and valuation for solvency purposes remains stable and this is demonstrated through its Solvency ("SCR") and Minimum ("MCR") capital ratios which are shown in Table 1. The capital requirements are calculated in accordance with the Solvency II standard formula which the Club has determined to be appropriate for its risk profile.

Subject to regulatory approval, the Solvency II regulations allow recognition in the solvency ratio of the contingent capital that the Club can call in the form of supplementary calls from mutual Members. Consistent with many other International Group clubs, the Club has been given regulatory approval to make this inclusion. This permission increases the Group and Solo solvency ratios by 50%, the maximum increase allowable.

Table 1: Solvency and minimum capital ratios by entity

	Solvency Capital Ratio (including contingent capital)		Solvency Capital Ratio (excluding contingent capital)		Minimum Capital Ratio	
Entity	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Group	**195**	177	**145**	127	**309**	291
Solo	**270**	244	**220**	194	**881**	776
Spandilux	**330**	299	**330**	299	**723**	667

Regulatory requirements

This report has been produced to satisfy the relevant articles of the Solvency II Directive[1] and supporting Commission Delegated[2] regulation as incorporated into the Luxembourg Insurance Law of 7 December 2015[3].

THIS REPORT INCLUDES SECTIONS COVERING THE FIVE REQUIRED AREAS AS FOLLOWS[4]:

- **A BUSINESS AND PERFORMANCE**
- **B SYSTEM OF GOVERNANCE**
- **C RISK PROFILE**
- **D VALUATION FOR SOLVENCY PURPOSES**
- **E CAPITAL MANAGEMENT**

The information contained in this report has been approved by the Club Board in accordance with its public disclosure reporting policy.

Unless stated otherwise, all figures shown in this report are in US$ millions. Individual figures have been rounded and this may result in rounding differences in tables of figures shown.

1 Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
2 Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
3 http://legilux.public.lu/eli/etat/leg/loi/2015/12/07/n1/jo
4 Articles 306-311 of Commission Delegated Regulation (EU) 2015/35.

Business and performance

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) is a Luxembourg-domiciled mutual insurance association, whose principal activity is the insurance and reinsurance of marine protection and indemnity (P&I) risks on behalf of its membership.

TOTAL CLUB MEMBERS

6,658

(2016: 6,633)

TOTAL ENTERED VESSELS

32,932

(2016: 32,749)

TOTAL TONNAGE

25,486,001

(2016: 25,441,370)

As a mutual insurance association, it does not have a share capital and the liability of its Members is limited to the calls and supplementary premiums set by its Directors.

The Club is the sole owner of two reinsurance captives, Spandilux S.A. a Luxembourg-domiciled reinsurer and SOP (Bermuda) Limited, a Bermuda-domiciled reinsurer. In accordance with the scope of the Solvency II regulations, this report concerns the activities of the Club on a Group basis, as well as the activities of the Club on a Solo basis and the activities of Spandilux where they differ from those of the Group.

The Club is domiciled, authorised and regulated in Luxembourg by the Commissariat Aux Assurances ("CAA"). The CAA is also the Club's Group supervisor. Contact details for the CAA can be found on its website: www.caa.lu.

The Club's external auditor is KPMG Luxembourg Société cooperative. The external auditor can be contacted at 39, Avenue John F. Kennedy, L-1855 Luxembourg.

The Club has over 6,600 Members, utilising a controlled distribution model through owners' brokers. These brokers introduce a strong majority of the Club's premium income and as such are key partners of the Club. The diverse nature of the Club's membership base delivers stability to its operations.

The Club has over 32,900 entered vessels from eight main vessel types, representing more than 25 million of gross tonnage (GT), with a focus on providing P&I coverage to small, regionally trading vessels. Its Members operate in a variety of specialist sectors across the globe, providing a spread of risk and low exposure to individual catastrophic events.

The Shipowners' Protection Limited ("SPL") fulfils the role of Club Manager. Business is underwritten from the Club's London office, from branches in Singapore and Hong Kong and through a small number of delegated underwriting authority agreements. The Club also has a branch in Canada which is in run-off. A full list of the Group's undertakings, related branches, structure and governance is included in Appendix A.

STANDARD & POOR'S RATING

A stable

RETAINED MEMBERSHIP

95 %

The Club is interactively rated by credit rating agency Standard & Poor's. The Club's credit rating was upgraded from A- to A with a stable outlook in November 2016. The A (stable) rating was reaffirmed at the most recent rating review in May 2018.

Spandilux is a wholly-owned subsidiary of the Club. Under the terms of a quota share reinsurance treaty between Spandilux and the Club, Spandilux reinsures a fixed proportion of risks written by the Club, and in return is liable for the same proportion of claims in respect of the reinsurance ceded. Spandilux did not write any other business during the reporting period.

BUSINESS OVERVIEW

Aware of the P&I choices that are available to Members, we are proud to report another year of strong retention figures. Although we spread out the renewal of the Club's business over the course of the year, some 70% of the Club's premium income is generated at the traditional P&I renewal date of 20 February. In 2017, over 95% of our Members decided to renew with the Club.

During the year we have also seen tonnage, vessel and Member numbers grow. This should be seen as very encouraging news by the membership as a whole, who share risks among themselves. Diversification and spread of risk are so important for stability and strength. The strength of a mutual remains very much within its membership base and we have historically demonstrated this strength in the diversity of our membership.

Adding strength to our 6,658 Members are the Club's free reserves, which at year end were at their highest year-end point of US$ 342m. While it is not unexpected to witness a reduction in annual premium income, being a reflection of the tonnage laid-up and the soft insurance market environment, our reserves have never been stronger.

The contribution of the Club's own reinsurance in providing stability – levelling out the peaks and troughs of claims activity – should not be overlooked. This extends to the strength that is associated with being a party to the International Group of P&I Clubs (IG). We are happy to share risks with the other 12 Clubs in the Group and proud to be part of a global network which insures 95% of the world's ocean-going tonnage.

The benefits may not readily manifest themselves but they enhance our position in the market and our understanding of the challenges faced by so many global operating sectors. It is through the sharing of risks and our mutual understanding of the evolution of risks that we are better prepared to respond to our Members' wishes.

The Club's geographical spread and the many different vessel types and markets around the world is very important as we strive to maintain our robust discipline over the quality of the risk we are underwriting. Preserving our reputation for service excellence in our specialised sector and maintaining our clear strategic focus towards always getting our underwriting right, however tempted we may be in the current market conditions to chase premium, continue to be key strategic goals for the Club.

As we look ahead, we are hopeful that shipping will start to return to more profitable times. We expect a slight hardening of the reinsurance markets although, we also anticipate that an oversupply of capital will remain; hence insurance premiums will continue to be challenged as we seek to achieve premium levels that properly reflect what is increasingly a more expensive risk environment. Quite simply, while the operating standards of vessels today may be more efficient and safer, aided by technology, the claims environment remains as challenging as ever, with environmental loss, personal injury and collision being ever more costly.

If we are to continue to provide the same levels of service through a proactive response to certification and claims handling, including guarantees through the Club's traditional Letters of Undertaking, we will inevitably need to look at ways in which we can introduce greater efficiencies into our operations. Digital development is at the heart of our strategic planning. We have taken delivery of a new underwriting system and we are seeking to build on this technology as a platform for improved Member/broker links, targeted loss prevention data and greater use of online technology.

Despite the inevitable changes introduced by accelerated technology advancement, we remain focused on our core objectives of providing unrivalled service to the owners and operators of smaller and more specialised vessels.

Business and performance continued

UNDERWRITING PERFORMANCE

The Club writes a single line of business, marine P&I insurance. The Club also writes incidental amounts of legal costs and personal accident cover for Members purchasing P&I cover. For reporting purposes, all business is categorised as Marine, Aviation and Transport.

Business is underwritten from the Club's London office, from branches in Singapore and Hong Kong and through a small number of delegated underwriting authority agreements.

Table 2: 2017 Group technical account

	2017	2016
Net Earned Premium	**186.6**	201.1
Claims Incurred	**(136.2)**	(149.1)
Net Operating Expenses	**(48.7)**	(49.2)
Technical Account Balance	**1.8**	2.8

In the year to 31 December 2017, the Club produced an underwriting surplus of US$ 1.8 million. This result is consistent with the Club's disciplined underwriting approach and the current state of the insurance market. Table 2 provides a summary of the Club's technical underwriting account for the period ending 31 December 2017 together with a comparison to the prior period information.

The Club is a member of the IG and party to the IG Pooling Agreement. In addition, the Club purchases market excess of loss treaty reinsurance for claims within the IG retention of US$ 10 million each and every claim. These reinsurance covers are subject to annual aggregate deductibles and reduce the impact of individual large losses on the Club. These arrangements have proved to be effective in a claims environment that in recent years has experienced declining claims frequency but increasing claims severity, particularly in respect of larger claims.

INVESTMENT PERFORMANCE

The Club's Board of Directors is responsible for setting and monitoring the Club's investment strategy in accordance with its investment risk appetite. The investment strategy is codified in the Club's investment policy statement which specifies the Club's strategic asset allocation, performance benchmarks and key risk metrics.

The Club's investment strategy complies with the 'prudent person principle' and provides for appropriate matching of assets and liabilities by currency at the level of the Group balance sheet. Consideration is also given to the matching of assets and liabilities by duration. The investment strategy specifies the parameters within which the investment managers can work, including tactical asset allocation, individual security concentration limits and credit quality limits. The Club does not invest in securitised products.

The Club's investment portfolio had a market value of US$ 597.0 million (2016: US$ 552.3 million) inclusive of accrued interest as at 31 December 2017. Its composition and performance for the period ending 31 December 2017 on a market value basis in US$ is shown in Table 3 (opposite). The performance and composition of the Spandilux investment portfolio is similar to that of the Group and had a market value of US$ 54.0 million (2016: US$ 49.7 million) as at 31 December 2017.

Table 3: Group investment portfolio composition and performance for the period ending 31 December 2017

	Weight	Actual Performance	Benchmark Performance	Outperformance
Fixed Income	68.90%	2.53%	1.25%	1.28%
Equities (Developed Markets)	21.35%	20.59%	22.40%	(1.81)%
Equities (Emerging Market Funds)	3.83%	36.35%	37.28%	(0.93)%
Equities (Developed Market Funds)	3.02%	13.06%	10.82%	2.24%
Cash	2.90%			
Total	**100.0%**	**7.80%**	**6.49%**	**1.31%**

On a mid-market basis, the investment gain for the period was US$ 47.5 million (2016: US$ 11.8 million) driven by equity market gains during 2017. No gains or losses were recognised directly in equity during the period. Table 4 provides the components of the Group investment result on a mid-market basis, together with a comparison to the prior period information.

Table 4: 2017 Group investment returns

	2017	2016
Investment Income	**12.5**	10.4
Fixed Income	***9.6***	*7.5*
Equities	***2.5***	*2.5*
Collective Investment Vehicles	***0.3***	*0.3*
Investment Management Charges	**(2.5)**	(2.3)
Realised and unrealised gains on investments	**37.5**	3.7
Result	**47.5**	11.8

On a Solo entity basis, the Club has a limited investment portfolio comprised entirely of Canadian government and municipal bonds held to support the liabilities of the Club's Canada branch. This branch is in run-off and as the technical provisions reduce the assets are being repatriated from Canada and invested in accordance with the Club's investment strategy. As at 31 December 2017 the market value of these bonds was US$ 15.7 million. Over the reporting period these bonds returned 7.50% which represents an outperformance of the benchmark of 0.88%.

OVERALL PERFORMANCE

Taken together, the underwriting surplus and investment return produce an overall surplus for the period of US$ 47.7 million on a mid-market investment valuation basis. Table 5 provides a summary of the Club's overall performance for the period ending 31 December 2017 together with a comparison to the prior period information.

Table 5: 2017 Group income and expenditure result

	2017	2016
Technical Account Balance	**1.8**	2.8
Investment Return	**47.5**	11.8
Taxation	**(1.5)**	0.1
Other Income/(Charges)	**(0.0)**	(0.1)
Result	**47.7**	14.7

Details of the Solo entity and Spandilux technical, investment and overall performance for the period ending 31 December 2017 (and prior period) are given in Appendix B.

The solvency position of the Group, Solo entity and Spandilux are considered in more detail in the capital management section of this report.

System of governance

The Club is governed in accordance with its governance charter and subject to its constitution by a board of 14 non-executive directors ("NEDs") that meets on a quarterly basis.

THE ROLE OF THE BOARD

The role of the Board is to direct the high level strategy of the Club on the basis of recommendations from the Club's Managers. The Board does so by receiving regular reports from the Managers at the quarterly Board meetings on the development of the Club's business and finances, on the basis of which it is able to make informed decisions.

Board activities are supported by three Board committees covering Finance, Remuneration and Audit & Risk, with each committee reporting back to the Board. Spandilux is governed by a separate board of non-executive directors while the three Board committees meet on behalf of both the Club and its subsidiary companies.

The agendas of the Board itself, and those of its Committees which report back to the Board, cover a full range of governance issues during the course of a year in accordance with a specified matrix of activities. This ensures that the key risks associated with the management of the Club are regularly monitored and reviewed and that appropriate steps are taken to address them.

There have been no material changes to the system of governance and no material transactions with persons who exercise significant influence over the Club or its subsidiaries during the reporting period. The Club considers its system of governance to be appropriate to the nature, scale and complexity of its operations given the risks it faces in the course of doing business.

BOARD COMPOSITION

Twelve of the non-executive directors are drawn from the Club's membership and provide broad representation by geographical region and vessel type, as well as specific functional and operational expertise. Two of the non-executive directors bring specific skills, experience and expertise to the Board in the areas of investments and reinsurance.

The Spandilux board is comprised of four NEDs including one NED who brings specific skills, experience and expertise to the Board in respect of investments.

The Club's Luxembourg office is responsible for the corporate secretariat functions of the Club under the direction of the Club's general manager.

CLUB MANAGEMENT

The Club is managed on a day-to-day basis by SPL, which in similar fashion to a number of other IG clubs is a wholly owned subsidiary of the Club, under a management services agreement which describes the responsibilities of each party. SPL is governed by its own board of executive directors that meets on an at least quarterly basis.

SPL provides day-to-day insurance company management services including the required key Solvency II functions, namely Actuarial, Compliance, Internal Audit and Risk Management. Under this agreement the key functions, each led by a SPL Director, have the necessary authority, resources and operational independence to carry out their tasks and report on them to both the SPL and Club Board. Responsibility for the Club's investments is retained by the Club Board.

The Club's governance map and organisational chart provide a pictorial representation of the information described above (see Appendix A). The Club's key functions and their roles and responsibilities are described later in this report.

REMUNERATION

Remuneration and reward is overseen by the Remuneration Committee of the Board. Non-executive directors are remunerated on a fixed fee basis for responsibilities undertaken and Board and Committee meetings attended. The level of fees payable is reviewed every three years by the Remuneration Committee.

The Club's remuneration policy is underpinned by ten core remuneration principles which are set out in its remuneration policy. The approach to remuneration is consistent with the Club's risk appetite and includes appropriate governance and controls. The Club's remuneration practices do not encourage any conflicts of interest, potential misconduct or risk taking that is excessive in view of the management strategy.

FIT AND PROPER REQUIREMENTS

Club Board

In order to ensure that it can discharge its collective responsibility the Board has an established training and competency framework that seeks to develop the contribution that Directors individually make to the Board's collective responsibility for the good governance of the Club. This framework covers general and specific expectations that NEDs are expected to meet in a range of areas that include governance, oversight, controls, risk management, regulatory requirements, financial analysis and control, business strategy and the broader market and business environment.

Directors are elected to the Board for a term of three-years, after which they must be re-elected to serve a subsequent term. The Board has an agreed process whereby Directors self-assess their own contribution and understanding against an agreed set of competencies. Over the term of their appointment, each NED meets with the Club Chairman to consider the self-assessment results and identify any areas for specific individual development.

The training and competency framework encourages the development of expertise at Board level. It is also relevant to the re-election process for Directors and to the appointment of new Directors.

In addition to training and competency requirements, NEDs are subject to the obligations set out in the Club's Governance Charter which covers conflicts of interest and business ethics rules. Notwithstanding that NEDs are drawn principally from the membership, and may have individual interests as Members, in their role as NEDs they represent the Members as a whole and make decisions solely in the Club's interest and independently of any personal or membership interest.

Club Managers

As Club Manager, SPL has procedures in place to ensure that individuals in key positions of influence and responsibility are fit and proper and competent to execute their assigned responsibilities. Where applicable, assessments of fitness and propriety are made as part of the recruitment process and on an annual basis as part of the performance review process.

SPL Directors are required to certify on an annual basis that they meet the Club's requirements with respect to honesty, integrity, reputation and financial soundness. Table 6 shows the individuals responsible for each of the Solvency II key functions from both a Group and Solo perspective.

Table 6: Solvency II key function holders

Key Function	Responsible Role	Qualifications
Actuarial	SPL Director & Chief Actuary	FIA, FCAS
Compliance	SPL Director & Chief Actuary	FIA, FCAS
Internal Audit	SPL Director & Chief Financial Officer	FCA
Risk Management	SPL Director & Chief Actuary	FIA, FCAS

RISK MANAGEMENT

Risk is the potential for loss or failure to meet the Club's corporate objectives as a consequence of internal or external events. Effective risk management is fundamental to the operation of the business, and is embedded through Board-level commitment, management buy-in, understanding and defining what is required of the Managers and staff, continuous improvement through effective monitoring and risk reporting, and cross-process communication.

The Club's risk management framework is designed with the aim of ensuring compliance with the risk management requirements of the Solvency II regulatory regime.

The Club adopts a 'three lines of defence' approach to risk management as part of its internal control environment and this is explained further in the Internal Control section below. The Club's risk management policy is necessary to support its business strategy and is aligned with the Club's commitment to best practice. Oversight of the Club's risk management framework lies with the Board of Directors, through its Audit & Risk Committee.

System of governance continued

The Club's policy is to identify all realistic significant risks faced in implementing the business strategy and record them in its risk register. Risks are analysed by reference to likelihood of occurrence and potential severity of impact. The level of acceptable risk ('risk appetite') is identified for each risk and controls established with the aim of ensuring that this level is not exceeded.

To assist the Club with remaining within its stated risk appetite, which is expressed through the Club's Board-approved strategic targets, process level risk tolerances have been defined in key areas.

Key areas of process level risk

Capital Management
Treasury Management
Investments
Operational Risk
Regulatory Risk
Underwriting Risk
Reinsurance Risk
Claims Handling Risk
Claims Reserving Risk

The risk management function coordinates a quarterly review and sign-off of all risks and controls in the Club's risk register with the Club's risk owners. The results of this exercise are used to assess the level of residual risk relative to the Club's risk appetite in each of its key risk areas.

In addition to the identification, measurement, mitigation, monitoring, management and reporting of the existing risks logged in the Club's risk register, the Club's emerging risk working group meets on a quarterly basis to consider emerging risks and their potential impact on the Club.

The work of the risk management function is subject to periodic review by the internal audit function. The risk management function formally reports to the Club's Audit & Risk Committee twice a year. This is in addition to reporting to the Club Board on specific risk-related matters, including the results of the Club's own risk and solvency assessment ("ORSA") process.

ORSA

The Club conducts a single Group ORSA on an annual basis in accordance with its ORSA policy which is approved by the Club's Audit & Risk Committee. The stable nature of the Club and its capital requirements make conducting the ORSA on an annual basis appropriate. The ORSA policy also makes provision for more frequent execution of the process if circumstances require this.

The ORSA process is coordinated by the actuarial and risk management functions with oversight and input from the Club Board and the Board of Spandilux, together with input from the SPL directors and SPL functional managers. The ORSA process provides linkage between the Club's risk profile and capital requirement and is designed to assess the Club's material risks and the capital required to support them. The Club's risk profile is heavily influenced by its risk appetite, which is in turn influenced by its corporate strategy, and the significant risks that it faces as it seeks to achieve its strategic objectives.

The ORSA process (Table 7) assesses the capital required to support the risk-taking the Club engages in and compares it to the free reserves available to meet this need. This assessment is primarily achieved through calculation of the Club's core capital requirement which is assessed based on the Solvency II standard formula which the Club has determined appropriately reflects the Club's risk profile. Core capital requirements are also calculated and analysed for the Club's key risk carrier entities.

Sensitivity and scenario testing of the capital requirement is performed and consideration given to the Club's controls and procedures, particularly with respect to risk management.

The results of the single Group ORSA process provide the landscape against which the Club's strategic decisions are made and provide a mechanism to assess the capital impact of decisions under consideration.

Table 7: ORSA process

Review of Strategy	Club business strategy, targets and risk appetite
Club risk profile	Current risk profile, risk management framework and significant risks
SCR calculation	Solvency capital requirement calculated using Standard Formula
Linkage of SCR and significant risks	Assessment of whether all significant risks are covered by the SCR
Strategic business plan	Strategic business plan forms basis of 'forward-looking' capital assessment
'Forward-Looking' capital assessment	Calculation of SCR at each future year-end over the business planning horizon
Scenario testing	Assessing impact of specific scenario tests on future SCR requirements
Mitigation procedures	Assessing processes and controls in place to reduce risk of significant risks crystallising, plans in place to manage such events should they occur
Results & conclusions	Key results of the ORSA process, conclusions reached and recommendations for the Club's Board and Managers to consider in taking the business forward

INTERNAL CONTROL SYSTEM

The Club has a robust system of internal controls in place through its 'three lines of defence' model and this system is used to manage the risks faced by the Club within its risk appetite. This includes first line of defence activities which are primarily documented in the functional procedure manuals, second line activities conducted by the actuarial, compliance and risk management functions, and third line activities performed by the internal and external auditors, as well as the Board and its committees.

COMPLIANCE FUNCTION

The activities of the compliance function are performed in accordance with the Club's compliance monitoring program and have been designed to address the requirements of Article 46(2) of the Solvency II Directive and Article 270 of the Commission Delegated Regulation.

The Club's approach to compliance protects the interests of Members, employees and other stakeholders, including Correspondents, surveyors and third-party claimants, and aims to ensure adherence to relevant regulatory and legal requirements. This approach fosters a culture that achieves compliance with these requirements by establishing and overseeing appropriate organisational and technical measures, including relevant processes, policies, procedures and practices, management, controls, training, and reporting.

As well as compliance with the requirements of the Club's lead regulator, the CAA, the requirements of the Monetary Authority of Singapore (MAS), the Insurance Authority (IA) in Hong Kong, the Office of the Superintendent of Financial Institutions (OSFI) in Canada and the Financial Conduct Authority (FCA) in the UK are also adhered to wherever they apply. Consideration is always given to the requirements of all relevant regulatory bodies, with particular reference to the requirements of Solvency II.

The compliance function conducts a program of compliance monitoring which is a process that validates the controls in place and provides evidence that they are functioning as required. The aim of the compliance monitoring program is to evidence, monitor and provide assurance to the Board and its committees, senior management and other internal and external stakeholders that the Club is acting in accordance with legislative and regulatory requirements.

System of governance continued

The compliance monitoring plan schedule covers all applicable regulatory risks. It is regularly reviewed to ensure that it represents a fair assessment of risks to be monitored, in order that verification that operational and reporting issues within the business are conducted in accordance with the regulatory and legal requirements can be made to the Managers, the Audit & Risk Committee and the Board.

The compliance monitoring plan provides assurance to all stakeholders that the business is adhering to legislative and regulatory requirements, identifying and monitoring key risks, particularly regulatory and conduct risks, and supporting the business in finding and implementing solutions including those that have a commercial impact.

RISK FUNCTION

The risk function is responsible for advising, enabling, monitoring and reporting on risk and risk-related activities within the Club. The risk function supports management and the Board in the effective operation of the risk management framework through a series of activities which include:

- Maintaining and developing the Club's risk register.
- Monitoring compliance with the quarterly review and certification by risk owners of their risks within the risk register and any resulting actions.
- Monitoring risk in relation to strategic considerations and major initiatives the Club may be undertaking.
- Conducting a rolling program of detailed review of the completeness and accuracy of the risks facing the Club and their assessment within the risk register.
- Maintaining a Club-wide perspective and aggregated view of the risk profile, including potential risk aggregations and interdependency between the risks included within the risk register.
- Measuring and managing potential risk aggregations through stress and scenario and reverse stress testing.
- Assessing the Club's regulatory capital requirements at least annually.
- On an annual basis, completing the ORSA in accordance with the ORSA policy and presenting the results in the ORSA report.
- Reviewing any significant risk events and material near misses which may have resulted in the Club's risk tolerances being exceeded.
- Reporting to the SPL Board, Audit & Risk Committee and Club Board on the outcome of the risk function's activities, together with any recommendations based on the outcomes.
- Ongoing development and implementation of the risk management framework.

INTERNAL AUDIT FUNCTION

The Club conducts a risk-based program of internal audits in accordance with its Internal Audit Policy and Internal Audit Charter. Internal audits are scheduled using a three-year rolling plan that is reviewed on an annual basis to respond to changes in risk. Internal audit is outsourced to Moore Stephens LLP for the purpose of providing a greater level of subject matter expertise to these audits and this function than would be available within a single individual or small team directly employed by an organisation of the size of SPL. This arrangement also ensures the independence of the internal audit function from the activities it reviews.

The internal audit function is accountable to the Chair of the Audit & Risk Committee and for day-to-day matters liaises with the Chief Financial Officer of SPL. The Chief Financial Officer is the SPL key function holder who retains responsibility for the performance of the internal audit function under its contractual agreement with the Club.

ACTUARIAL FUNCTION

The Chief Actuary is responsible for ensuring that the responsibilities of the actuarial function are dispensed in accordance with its terms of reference and reports to the Chief Financial Officer. The Chief Actuary is a Fellow of the Institute of Actuaries and a Fellow of the Casualty Actuarial Society, with over 14 years of experience as a qualified actuary. He also has extensive experience in actuarial reserving, capital modelling and risk management.

The SPL Board, of which the Chief Actuary is a member, has satisfied itself that the Chief Actuary has the relevant knowledge and experience to fulfil the regulatory requirements.

The Chief Actuary is supported by an Actuarial Analyst who is a UK qualified actuary. The presence of two qualified actuaries enables separation of production and review.

The actuarial function conducts a range of activities in each of the areas required by Article 48 of the Solvency II Directive. These activities are described in the annual actuarial function report to the Club Board.

OUTSOURCING

The Club uses a range of service providers in the course of doing business. A number of these fall within the Solvency II definition of outsourcing (Table 8) and must comply with the Club's outsourcing and procurement policy to ensure risk is managed and agreed service standards are maintained.

Table 8: Outsourced activities

Activity	Service Provider	Description	Jurisdiction
Internal Audit	Moore Stephens	Internal audit plan and all internal audits conducted	UK
Delegated Underwriting Authorities	Various	3% of premium income written through delegated underwriting authority agreements	European Union
Inter-Group Outsourcing	SPL	Management services outsourced to SPL	UK, Singapore

The Club manages its outsourcing arrangements and ensures agreed service standards are maintained in accordance with its outsourcing and procurement policy. The policy includes the requirement to conduct a risk and materiality assessment before entering into a new outsourcing agreement and to ensure that a written agreement is in place covering the arrangement.

Delegated underwriting authorities

The Club has issued a small number of delegated underwriting authorities to third parties who underwrite business on behalf of the Club. Such arrangements bring together the underwriting and claims expertise of the Club with the clients of these trusted third parties. These arrangements are conducted in accordance with strict written agreements.

Delegated underwriting authorities account for approximately 3% of the Club's premium income and would not be considered material in accordance with the Club's outsourcing policy materiality criteria, but for the requirements of Guideline 61 of the EIOPA Guidelines on System of Governance covering underwriting. These guidelines stipulate that delegated underwriting authorities must comply with the Club's outsourcing policy irrespective of size. Delegated authority arrangements are subject to periodic audit.

Inter-Group outsourcing

Whilst SPL is a wholly owned and controlled subsidiary of the Club, the functions fulfilled by SPL are akin to an outsourced service, whereby the Club has charged SPL with the fulfilment of certain of its objectives and responsibilities. By virtue of the Club's ownership and control of SPL, the Club has control over appointments to the SPL Board.

Given the material nature of the responsibilities undertaken by SPL on behalf of the Club, the Club has a contingency plan in the event of SPL failure to discharge its duties. This is important to the Club but also to the regulators of the Club and its subsidiaries and branches.

Risk profile

The Club is exposed to risk through its principal activity of providing insurance cover to its Members. In addition, it is exposed to financial and operational risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities.

There have been no material changes in the Club, Solo entity or Spandilux risk profile over the reporting period. Risk is managed and mitigated through a combination of appropriate processes and controls and holding capital in accordance with the information described in the capital management section of this report.

The Club has developed a range of stress and scenario tests, including reverse stress tests, to assess the robustness of the Club's capital position and further understand the sensitivity of the capital position to specific stresses and scenarios. The work performed provides comfort to the Club with respect to the robustness of its processes and procedures and the level of capital held. The Club does not anticipate any additional material risk exposures to those considered as part of the ORSA process.

UNDERWRITING RISK

This is the risk inherent in any underwriting contract, represented by the unpredictability of the insured event occurring and uncertainty about the quantum of any resulting claim. The potential risk to the Club is that business is written for insufficient premium or provides inappropriate cover, or that the frequency or severity of the insured events is higher than expected.

The Club's underwriting strategy documents its appetite for risk, as well as its pricing and reinsurance policy. The pricing policy reflects the loss experience and quality and management of vessels entered, and aims to be commensurate with the cover provided. The underwriting risk is further mitigated by maintaining a well-balanced and diverse insurance portfolio, in terms of both vessel type and geographical spread.

The Club offers high limits P&I insurance, supported through an extensive market reinsurance program placed by the IG on behalf of the Group clubs. In addition, the Club offers coverage to Members on a fixed premium basis with limits of up to US$ 1 billion available, although in practice lower limits are often purchased by Members.

Reinsurance is a key tool used to reduce the underwriting risk exposure and to stabilise underwriting results. The Club's reinsurance programme is subject to annual review and agreement by the Board of Directors to ensure that it continues to be an effective tool for achieving these objectives. The Club utilises the services of professional reinsurance brokers in the purchase of its fundamental reinsurance program and benefits from their expertise and experience when considering the ongoing appropriateness, structure and pricing of the program. The Club expects to purchase a similar program to that currently in place over the Club's business planning horizon.

In addition to its own reinsurance programme, the Club is party to the IG Pooling Agreement, whereby for the 2017 policy year individual claims of between US$ 10 million and US$ 80 million are pooled. Above this level, the IG purchases reinsurance protection up to US$ 3.1 billion on behalf of all members of the Group.

As a measure of underwriting risk exposure, for the year-ending 31 December 2017 the premium amounts that were written are shown in Table 9.

Table 9: Gross and net written premium by entity

Entity	Gross Written Premium	Net Written Premium
Group	217.8	188.5
Solo	217.8	81.6
Spandilux	5.8	5.8

RESERVING RISK

This represents the risk that reserves established in the balance sheet are insufficient to meet the cost of outstanding claims, as a result of inadequate case reserves or inadequate reserves for claims that have been incurred but not reported. The Club has an established conservative estimating policy in place, based on always estimating the cost of the claim in the appropriate currency, always reflecting the most up-to-date information available and not deviating from a pessimistic basis (worst reasonable likely outcome) for estimating a claim. The reserving process uses a variety of statistical and actuarial techniques, with the level of reserves calculated using internal actuarial resources and maintained on a conservative basis.

As a measure of reserving risk exposure, for the year-ending 31 December 2017 the Solvency II technical provisions were as shown in Table 10. Solvency II technical provisions are comprised of premium provisions, claims provisions and a risk margin, with the claims provisions forming the largest component.

Table 10: Gross and net technical provisions by entity

Entity	Gross Technical Provisions	Net Technical Provisions
Group	467.6	391.3
Solo	460.1	151.9
Spandilux	18.2	18.2

REGULATORY RISK

This represents the risk to the Club of a loss or reputational damage resulting from a failure to respond to and comply with a changing regulatory landscape. The Club actively adheres to regulatory requirements in worldwide jurisdictions where it operates, and in addition monitors all entities within the insurance and accounting systems against relevant sanction lists on a daily basis.

The Club has a defined process to monitor compliance with worldwide regulatory issues and to respond to any new developments as they are identified.

CREDIT RISK

This is the risk to the Club of a loss resulting from a counterparty being unable to meet its contractual obligations.

The main credit risk arises from the potential for reinsurers to default on their obligations under the terms of the reinsurance policy. The Club manages this risk by ensuring that the reinsurance security used is both strong and diverse. The financial standing of reinsurers is kept under regular review.

The Club is also exposed to its Members not paying premiums when due. Strong credit control procedures are in place to mitigate this risk. In addition, the Rules of the Club allow it to terminate an entry from inception in case of non-payment of premiums. Furthermore, the payment of claims in respect of a policy is suspended if premiums associated with that policy are outstanding.

The Club also holds cash balances with a number of banks and this provides a further credit risk exposure to the Club.

As a measure of credit risk exposure, for the year-ending 31 December 2017 the reinsurance recoverables, insurance and intermediaries receivables and cash and cash equivalents were as shown in Table 11.

Table 11: Credit risk exposures by entity

Exposure	Group	Solo	Spandilux
Reinsurance Recoverables	76.3	308.2	–
Insurance and Intermediaries Receivables	22.9	22.8	–
Cash and Cash Equivalents	98.5	71.5	0.1

Risk profile continued

MARKET RISK

This represents the risk associated with fluctuation in the value or income generated from investments, including the impact of fluctuations in interest and exchange rates.

The Club has an investment strategy in place which is aligned to its business plan, and which is designed to preserve its capital, so that its liabilities can always be met within risk tolerances agreed by the Board. The investment policy is regularly reviewed and the portfolio is well diversified to reduce the impact of fluctuations in interest rates, market prices and foreign currency exchange rates.

The investment management and custodian functions are provided by third party experts, and are regularly monitored by the Finance Committee of the Board, as well as by the internal audit function.

The Club's assets are invested in accordance with the 'prudent person principle' as described in the Business and Performance section of this report. The Club does not participate in securities lending or borrowing transactions, repurchase or reverse repurchase agreements.

The Club's investment portfolio had a market value of US$ 597.0 million inclusive of accrued interest as at 31 December 2017 and was composed of the asset classes shown in Table 12.

Table 12: Group investment portfolio composition

Asset Class	Weight
Fixed Income	68.90%
Equities (Developed Markets)	21.35%
Equities (Emerging Market Funds)	3.83%
Equities (Developed Market Funds)	3.02%
Cash	2.90%
Total	**100.0%**

CURRENCY RISK

The Club has worldwide insurance operations and undertakes financial transactions in various currencies. As a consequence, it is exposed to foreign currency exchange rate fluctuations. For the year-ending 31 December 2017 the Group wrote US$ 217.8 million of premium of which US$ 160.6 million was received in US$.

The Club has a process for matching assets and liabilities in the appropriate currencies. The Club also carries out forward foreign currency purchases, where appropriate, to help to manage the impact of currency fluctuations.

LIQUIDITY RISK

This represents the risk that the Club could fail to meet its financial obligations due to some difficulty or inability to liquidate investments at short notice, or through unanticipated cash flow requirements.

Cash flow requirements are forecast and monitored. The Club maintains a high concentration of liquid assets, including within its investment portfolio and in terms of cash and cash equivalents, to ensure that adequate funds are always in place to meet its financial obligations. The investment portfolio has a mix of short, medium and long-term investments to satisfy the Club's cash flow requirements.

The Club does not have any borrowings, but it does have credit and guarantee facilities in place with major banks. In practice, these facilities are rarely utilised to meet short-term financial obligations.

The Club calculates the value of expected profit in future premiums by comparing the present value of expected future cash inflows from unearned and bound but not incepted business with the present value of expected future cash outflows in respect of this business. These cashflows are evaluated in accordance with the technical provisions calculation basis requirements set out in the Solvency II Directive and Commission Delegated Regulation. As at 31 December 2017, the Club's expected profit in future premium is US$ 0.2 million. The equivalent figure on a Solo basis is a loss of US$ 0.2 million and for Spandilux a profit of US$ 0.1 million.

CONCENTRATION RISK

The Club is not exposed to material risk concentrations in terms of its Members, investments or external reinsurers. The large and diverse nature of the Club's membership, both in terms of vessel sector and geographical diversification, means that no individual Member is significant to the Club's operations. The map on page 17 demonstrates this diversification.

The Club places limits on investment in individual securities to manage its market concentration risk.

A broad panel of reinsurers is utilised as part of the Club's external reinsurance program to limit exposure to any single reinsurer and minimum credit rating requirements are in place.

OPERATIONAL RISK

The major sources of operational risk for the Club are those associated with process reliability, information security and financial crime. The Club has a number of key performance indicators in place to identify and manage operational risk, and systems are under regular review to ensure that they are streamlined and responsive to the needs of the business.

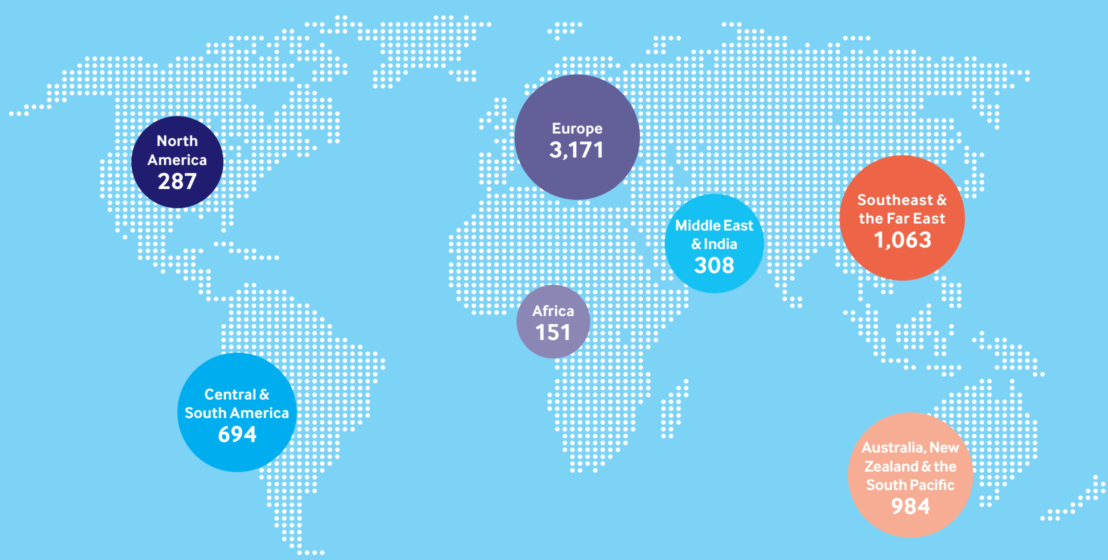
The Club also seeks to minimise its operational risk through the recruitment and retention of appropriately skilled staff. Appropriate recruitment, training and performance review processes are in place to support this objective.

GROUP RISK

On a day-to-day basis the Club manages itself as a Group and all business is written through the Club's parent company. Under the terms of a quota share reinsurance treaty between the Club and its reinsurance subsidiaries, the Club cedes a fixed proportion of the risks it writes, and in return cedes the same proportion of claims in respect of the business ceded. No other business was written by these reinsurance subsidiaries during the reporting period.

This intercompany reinsurance arrangement facilitates the spreading of jurisdictional risk. It also provides the Club with an insurance risk carrier in a second well developed and regulated insurance market which provides the Club with operational flexibility.

MEMBER DOMICILE



NO. OF MEMBERS

6,658

NO. OF VESSELS

32,932

TOTAL VESSELS BY TYPE

Barge **6,512**	Cargo **2,220**	Offshore **4,085**	Passenger **4,657**
Fishing **2,659**	Harbour **9,534**	Tanker **1,474**	Yacht **1,791**

Valuation for solvency purposes

Assets and liabilities are evaluated for solvency purposes in accordance with the Solvency II requirements.

For statutory reporting purposes the Club values its assets in accordance with Luxembourg financial reporting requirements ("Lux GAAP"). This, in particular, results in investments being reported under Lux GAAP at the lower of cost and market value. No changes were made to the statutory recognition and valuation bases used during the reporting period.

Assets and liabilities for solvency purposes are prepared using the Accounting Consolidation Method (Method 1) in accordance with the Club's processes and procedures and are subject to the usual review and approval mechanisms prior to use.

The Club does not make use of the matching adjustment, volatility adjustment, transitional risk-free interest rate term structure or any of the other Solvency II transitional arrangements in its valuation basis.

GROUP ASSETS

Table 13 below shows the differences in the statutory and solvency value of the Club's assets as at 31 December 2017.

Table 13: Group assets on a Solvency II and Lux GAAP basis

Assets	Solvency II	Lux GAAP	Difference
Equities	111.8	84.2	27.6
Bonds	411.6	410.8	0.8
Collective Investment Vehicles	56.6	45.7	11.0
Derivatives	0.9	–	0.9
Intangible Assets	–	16.2	(16.2)
Deferred Acquisition Costs	–	8.3	(8.3)
Reinsurance Recoverable	76.3	86.3	(10.0)
Deferred Tax Assets	22.9	43.0	(20.1)
Other Assets	125.6	125.6	–
Total	**805.8**	**820.0**	**(14.3)**

Differences in the value of investments reflect the increase in the market value of equities, bonds and collective investment vehicles between the time of purchase and 31 December 2017. Quoted market prices are available on a daily basis for the Club's investments through software which aggregates information from the Club's investment manager, custodian and broader market information.

The difference in the value of derivatives results from the recognition on a solvency basis of the value of the currency forwards purchased to hedge the foreign exchange risk with respect to a portion of the Club's management expenses that is not recognised on a statutory basis.

Intangible assets and deferred acquisition costs are recognised on a statutory basis but not a solvency basis. Differences in the reinsurance recoverable are attributable to the solvency valuation basis employed for technical provisions which is explained in the liabilities section below.

Differences in insurance and intermediaries receivables are due to the reclassification of the component of the receivables not yet due into technical provisions.

All other assets are valued for solvency purposes on the same basis as they are for statutory purposes.

GROUP LIABILITIES

Table 14 shows the differences in the statutory and solvency value of the Club's liabilities as at 31 December 2017.

Table 14: Group liabilities on a Solvency II and Lux GAAP basis

Liabilities	Solvency II	Lux GAAP	Difference
Technical Provisions	467.6	484.8	(17.2)
Best Estimate	*445.8*	*484.8*	*(39.0)*
Risk Margin	*21.8*	–	*21.8*
Pension benefit obligations	5.7	–	5.7
Deferred Tax Liabilities	0.8	–	0.8
Insurance and intermediaries payables	2.6	17.4	(14.9)
Reinsurance payables	1.5	7.4	(5.9)
Other Liabilities	8.1	8.1	–
Total	**486.3**	**517.7**	**(31.4)**
Excess of assets over liabilities	**319.5**	**302.4**	**17.1**

Differences in the value of technical provisions reflect the different valuation rules on a solvency and statutory basis (described within the Technical Provisions Methodology section on page 20).

The difference in the value of pension benefit obligations results from the recognition on a solvency basis of the value of the pension benefit obligations that is not recognised on a statutory basis in accordance with Lux GAAP.

The difference in the value of deferred tax liabilities is attributable to the additional tax that would be payable on the Club's investments on a mid-market valuation basis.

Differences in insurance and intermediaries payables and reinsurance payables are due to the reclassification of the component of the payables not yet due into technical provisions.

The excess of assets over liabilities increases from its statutory value as a result of the valuation differences in respect of the Club's assets and liabilities already described.

All other liabilities are valued for solvency purposes on the same basis as they are for statutory purposes.

SOLO ASSETS

Table 15 shows the differences in the statutory and solvency value of the Club's assets on a Solo entity basis as at 31 December 2017.

Table 15: Solo assets on a Solvency II and Lux GAAP basis

Assets	Solvency II	Lux GAAP	Difference
Holdings in Related Undertakings	361.4	9.4	352.0
Bonds	15.5	15.5	0.1
Derivatives	0.9	–	0.9
Intangible Assets	–	10.7	(10.7)
Deferred Acquisition Costs	–	8.3	(8.3)
Reinsurance Recoverable	308.2	384.5	(76.2)
Insurance and intermediaries receivables	22.8	42.9	(20.1)
Other Assets	101.6	101.6	–
Total	**810.5**	**572.8**	**237.6**

The difference in the value of holdings in related undertakings is attributable to the difference in the book and solvency values of the Club's participations in its subsidiary entities. Solvency value has been determined as the net asset value of each participation where net asset value is calculated using a balance sheet evaluated at the reporting period end in accordance with the Solvency II requirements.

Differences in derivatives, intangible assets, deferred acquisition costs, reinsurance recoveries and insurance and intermediaries payables, are for the same reasons described for the Group.

SOLO LIABILITIES

Table 16 shows the differences in the statutory and solvency value of the Club's liabilities on a Solo entity basis as at 31 December 2017.

Table 16: Solo liabilities on a Solvency II and Lux GAAP basis

Liabilities	Solvency II	Lux GAAP	Difference
Technical Provisions	460.1	484.8	(24.6)
Best Estimate	*445.8*	*484.8*	*(39.0)*
Risk Margin	*14.4*	–	*14.4*
Pension benefit obligations	5.7	–	5.7
Deferred Tax Liabilities	0.8	–	0.8
Insurance and intermediaries payables	2.6	17.4	(14.8)
Reinsurance payables	1.5	68.4	(66.9)
Other Liabilities	3.6	3.6	–
Total	**474.4**	**574.2**	**(99.8)**
Excess of assets over liabilities	**336.1**	**(1.3)**	**337.4**

Differences in the value of technical provisions reflect the different valuation rules on a solvency and statutory basis. The difference in the value of pension benefit obligations, deferred tax liabilities, insurance and intermediaries payables and reinsurance payables is as described above for the Club. The excess of assets over liabilities increases from its statutory value as a result of the valuation differences in respect of the Club's assets and liabilities already described.

Valuation for solvency purposes continued

SPANDILUX ASSETS

Table 17 shows the differences in the statutory and solvency value of the Spandilux assets as at 31 December 2017.

Table 17: Spandilux assets on a Solvency II and Lux GAAP basis

Assets	Solvency II	Lux GAAP	Difference
Equities	10.8	7.5	3.2
Bonds	36.0	35.9	0.1
Collective Investment Vehicles	5.5	4.4	0.4
Other Assets	4.2	4.2	–
Total	**56.4**	**52.1**	**4.4**

Differences in investments are for the same reasons described for the Group.

SPANDILUX LIABILITIES

Table 18 shows the differences in the statutory and solvency value of the Spandilux liabilities as at 31 December 2017.

Table 18: Spandilux liabilities on a Solvency II and Lux GAAP basis

Liabilities	Solvency II	Lux GAAP	Difference
Technical Provisions	18.2	18.6	(0.4)
Best Estimate	*17.3*	*18.6*	*(1.3)*
Risk Margin	*0.9*	*–*	*0.9*
Other Technical Provisions	–	22.9	(22.9)
Deferred Tax Liabilities	7.7	–	7.7
Other Liabilities	0.2	0.2	–
Total	**26.1**	**41.8**	**(15.6)**
Excess of assets over liabilities	**30.3**	**10.3**	**20.0**

Differences in the value of technical provisions reflect the different valuation rules on a solvency and statutory basis (described below). In particular, the claims equalisation provisions which forms part of other technical provisions is a feature of the Lux GAAP basis but not Solvency II.

The difference in the value of deferred tax liabilities is attributable to the additional tax that would be payable on Spandilux assets on a mid-market valuation basis.

The excess of assets over liabilities increases from its statutory value as a result of the valuation differences in respect of Spandilux assets and liabilities already described.

TECHNICAL PROVISIONS METHODOLOGY

The Club's principal activity is the insurance of marine protection and indemnity risks on behalf of its membership. All of the Club's business falls within the Marine, Aviation and Transport Solvency II line of business classification.

On a Lux GAAP basis the Club's technical provisions are calculated on an undiscounted basis and there is no requirement for the carried reserves to be set on a best estimate basis. In practice the carried reserves include an element of prudence to ensure a sufficient degree of certainty that the reserves will be sufficient to meet the future claim liabilities. This is consistent with the Board's reserving philosophy.

For solvency purposes the Club's technical provisions are calculated in accordance with the Solvency II regulations. These regulations require calculation of best estimate future claim, expense and premium cash flows, all discounted for the time value of money using the relevant risk-free yield curve specified by the European Insurance and Occupational Pensions Authority ("EIOPA"), and the addition of a risk margin.

A range of actuarial methodologies and assumptions are employed in the calculation of the claims provision, premium provision and risk margin which together comprise the Club's technical provisions. The Club does not write any business where technical provisions are estimated as a whole. There are no embedded options or guarantees provided within the Club's business. The Club does not make use of simplified methods in its calculation of technical provisions. The technical provisions calculation methodology described below is applicable on a Group and Solo basis and also to Spandilux.

Uncertainty

Actuarial methods contain implicit assumptions and limitations that users of actuarial information should be aware of. For example, when projecting the ultimate cost of claims, certain actuarial methods assume that the trends and patterns observed within the historical claims data will continue into the future. Actual loss emergence, and hence the ultimate cost of claims, may differ, perhaps significantly, to the extent that these historic trends and patterns do not continue in the future or do not capture events or exposures that the Club is exposed to in more recent periods.

A key source of uncertainty within the Club's technical provisions is the outcome of its 100 largest claims in a given policy year and how they develop to their ultimate value.

Unless explicitly allowed for, actuarial methods may not anticipate or make any allowance for extraordinary changes in the legal, social, regulatory or economic environment that could affect the frequency or severity of claims or development of claims to their ultimate amounts.

Claims provision

The best estimate claims provision calculations use a range of standard actuarial methods including the Chain Ladder, Bornhuetter-Ferguson and Expected Loss Ratio methods. These methods are applied separately to the homogeneous groupings into which the Club segments its business for the purpose of actuarial analysis, namely own Member claims segmented by claim size and the Club's share of other IG club pool claims. The claims provision also makes allowance for claims handling expenses.

These methods are applied to the gross of reinsurance data to produce gross of reinsurance best estimates. These methods are also applied to the net of reinsurance data to produce net of reinsurance best estimates, but in this case the Member claims are considered in aggregate rather than split by claim size.

A separate approach to the net best estimate is also considered whereby the estimated aggregate gross of reinsurance ultimate claim cost amounts are assigned at the individual claim level and the Club's reinsurance structure is applied to produce the net of reinsurance position.

Premium provision

The ultimate loss ratios and payment patterns for the most recent accident year derived in the claims provision analysis are utilised in the estimate of the premium provision. Acquisition, administrative and claims handling expenses are considered as part of the future cash outflows.

The premium provision calculations are performed gross and net of reinsurance and take account of the period end unearned premium reserve and the volume of bound but not incepted business.

Receivables and payables

Following a review of market practice, the components of insurance and intermediaries receivables, insurance and intermediaries payables and reinsurance payables not yet due have been reclassified into technical provisions. This represents a change in classification from the prior year but is not considered material as it is a change in classification and not valuation.

Contract boundaries

Under the 'legal obligation' basis of Solvency II[5], all existing contracts must be valued as part of technical provisions, whether the contracts have incepted or not. The Club's technical provisions therefore take account of business that has incepted prior to the end of the reporting period, as well as business to which the Club is legally obligated but which has not incepted prior to the end of the reporting period.

Events not in data

Technical provisions must reflect the possibility of losses to the Club that are of a type or scale not reflected in the Club's historic claims data. Such events are referred to as 'events not in data'. This could be due to changes in the exposures faced by the Club based on the business written or changes in the legal, social, regulatory or economic environment.

The Club has made separate additional provisions for events not in data within both its claims and premium provisions based on considerations of a hypothetical latent claim exposure and large loss incident respectively.

Investment management expenses

Provision must be made for investment management expenses in respect of the assets supporting the technical provisions. The Club pays annual investment management expenses based on both the value of assets under management and a fixed fee. An investment management expense reserve has been calculated in respect of the assets supporting the full run-off of the undiscounted technical provisions.

Profit in future premium

The Club has considered the profit in future premium by assessing the sufficiency of the Club's unearned premium reserve and the expected profit arising from business to which the Club is legally obligated, but which has not yet incepted. This contrasts to the statutory basis where the unearned premium is held at its full value and no account is taken of business for which the Club is not on risk at the reporting date.

Discounting

The undiscounted technical provisions, including both the claims provision and premium provision, are discounted for the time value of money using the relevant currency yield curve published by EIOPA and the claim payment patterns derived in the Club's actuarial analysis.

[5] Articles 17 & 18 of Commission Delegated Regulation 2015/35.

Valuation for solvency purposes continued

Credit risk adjustment

Projected reinsurance recoveries are adjusted to reflect the risk of default taking account of the credit standing of the Club's reinsurers.

Risk margin

The risk margin is calculated as part of the SCR calculation process using the cost of capital approach as specified in Article 77 of the Solvency II Directive. The method adopted within the SCR calculation is a simplification that the SCR in future years is proportional to the run-off of the technical provisions. The Club believes that this approach is proportionate to the nature, scale and complexity of its business and is consistent with the approach taken by many market participants including those of a similar nature, scale and complexity.

Data quality

The Club continues to develop its information technology infrastructure and this continues to enhance the availability, quality and granularity of the data available for actuarial analysis. The Club also continues to develop its information reporting capabilities and this supports the technical provisions calculation process.

The Club makes numerous assumptions in the calculation of its technical provisions and these are documented in the Club's expert judgement log. However, none of these adjustments are the result of significant deficiencies in the Club's data.

Assumptions

In respect of ceded reinsurance, the Club assumes that its market reinsurance program will respond as intended and that reinsurers will pay valid claims. Consideration of the associated credit risk is made through the Club's regulatory capital calculation. For the purpose of assessing solvency, the Club assumes that its reinsurance program will be renewed on similar terms using a similar structure for the future year of new business incorporated into the assessment.

TECHNICAL PROVISIONS RESULTS

Application of the methodology described above results in two key differences between the statutory and solvency technical provisions. These relate to the best estimate and risk margin respectively.

Differences in the best estimate are primarily attributable to the scope of what must be included in technical provisions (as described above) and the application of discounting. The risk margin is required on a solvency basis but not on a statutory basis and is designed to reflect the additional funds a willing buyer would require in an arms-length transaction to purchase the technical provision liabilities given the uncertainties involved.

Capital management

The Club manages the risks it faces through a series of processes and controls, which are reviewed on a regular basis. In addition, it holds capital to cover unexpected losses arising from the risks it faces and to meet its regulatory obligations.

As a result of its most recent review in May 2018, credit rating agency Standard & Poor's has rated the Club 'AAA' from a capital adequacy perspective.

The Club operates a capital management policy with the aim of ensuring that the Group, subsidiaries and branches can continuously meet their regulatory and internally set capital requirements. The policy aims to ensure that own funds of sufficient magnitude and quality exist to meet the capital requirements on a continuous basis.

The Club determines its expected capital requirement over its three-year business planning horizon. This forward-looking assessment takes account of planned changes to the Club's risk profile and the expected development in the external environment in which it operates.

The Club's medium-term capital management plan is monitored by the Club Board and takes account of all relevant factors to ensure that the Club's capital position is accurate and develops in an expected and controlled manner over its forward-looking time horizon.

GROUP OWN FUNDS

The Club has a simple capital structure with no external capital providers – all capital is attributable to the Club's Members. As a mutual insurance association the Club does not have a share capital. Own funds are comprised of the items shown in Table 19 and do not include any items that are subject to transitional arrangements.

Table 19: 2017 Group own funds

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	Minimum SCR Eligible Amount
Reconciliation Reserve	One	319.5	319.5	319.5
Ancillary Own Funds	Two	162.1	107.3	–
Non-available Own Funds	One	(7.4)	(7.4)	(7.4)
Total		**474.1**	**419.4**	**312.0**

The Club's eligible own funds have increased by $37.0 million since the prior year-end. Table 20 shows the movements by own fund item which are further explained in the sections that follow below.

Table 20: Change in Group own funds since last year-end

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	Minimum SCR Eligible Amount
Reconciliation Reserve	One	39.0	39.0	39.0
Ancillary Own Funds	Two	(6.2)	(1.0)	(20.2)
Net Deferred Tax Assets	Three	(0.1)	–	–
Non-available Own Funds	One	(1.2)	(1.2)	(1.2)
Total		**31.6**	**37.0**	**17.7**

Reconciliation reserve

The reconciliation reserve accounts for the majority of the Club's own funds and is comprised of retained surpluses generated by the Club through its principal activity of providing insurance of marine protection and indemnity risks on behalf of its membership and investment of the associated assets. These amounts have been directly calculated from the Club's consolidated Group data. The components of the Group reconciliation reserve are shown in Table 21 on page 24.

Capital management continued

Table 21: Group reconciliation reserve

Own Fund Item	Amount
Statutory Available Capital	302.4
Investments	*39.3*
Reinsurance Recoveries	*(10.0)*
Intangible Assets	*(16.2)*
Deferred Acquisition Costs	*(8.3)*
Pension Benefit Obligations	*(5.7)*
Technical Provisions	*17.1*
Derivatives	*0.9*
Deferred Tax Liabilities	*(0.8)*
Receivables and Payables	*0.7*
Solvency II Reconciliation Reserve	17.1
Total	**319.5**

Ancillary own funds

Ancillary own funds ("AOF") are comprised of unbudgeted supplementary calls in respect of open policy years which can be levied on mutual Members of the Club by the Board. In estimating its available own funds as at 31 December 2017, the Club has made allowance for the AOF that would be available to it as a result of additional premiums received from an unbudgeted supplementary call levied on the mutual Members of the Club.

The total amount of AOF included in the Club's own funds is based on the approval of the Club's calculation methodology that was received from the CAA in February 2016 and is valid through 31 December 2020. This methodology considers the additional premium that might be called on the three open policy years and its ability to collect these amounts. The amount of eligible AOF to meet the SCR is limited by the regulatory limit of 50% of the SCR.

Ancillary own funds have decreased by US$ 6.2 million from the prior period due to a lower level of mutual premium on the three open policy years compared to the prior period. The Group SCR has decreased to US$ 214.7 million (2016: US$ 216.6 million) which decreases the amount of eligible ancillary own funds due to the regulatory eligibility limit of 50% of the SCR.

Non-available own funds

The Club holds a small investment portfolio comprised entirely of Canadian government and municipal bonds to satisfy the requirements of the Canadian federal insurance regulator. These bonds are held in a vested account, again to satisfy the regulatory requirements, to meet the liabilities of the Club's Canadian branch. This branch is in run-off and as the technical provisions reduce the assets are being repatriated from the vested account and invested in accordance with the Club's investment strategy. The vested nature of this account places restrictions on the availability of these funds and this restriction must be recognised at Group level in terms of available own funds. The Club has recognised this restriction in accordance with Article 330.5 of the Commission Delegated Regulation 2015/35 and this results in a US$ 6.3 million (2016: US$ 6.2 million) reduction to the Club's available own funds.

Certain restrictions are placed on the assets held in the Club's Hydra cell due to the Hydra funding rules. The Club has recognised this restriction in accordance with Article 330.5 of the Commission Delegated Regulation 2015/35 and this results in a US$ 1.1 million reduction to the Club's available own funds. This has increased the value of the own funds which are non-available as there were no excess assets in the Hydra cell in the prior period.

Non-available own funds at Group level are therefore US$ 7.4 million (2016: US$ 6.2 million).

Governance

The Club does not expect to repay or redeem any own fund item or raise additional own funds over its business planning horizon and no capital distributions to Members have been made in the period ending 31 December 2017. There are no material terms and conditions attached to the Club's own funds items. However, Board approval is required to levy an unbudgeted supplementary call in respect of open policy years to raise the AOF amounts described.

The Club ensures that own-fund items, both at issue and subsequently, are correctly classified in accordance with the Solvency II regulations. In practice, as a mutual organisation, issuance of own fund items occurs infrequently and does not tend to form part of the Club's medium-term capital management plan. The Club also ensures that own-funds items are not encumbered by the existence of any agreements or connected transactions, or as a consequence of its Group structure.

The Club ensures that AOF items can be called in a timely manner when necessary. The Club has identified and documented any arrangements, legislation or products that give rise to ring-fenced funds, and ensures that appropriate calculations and adjustments in the determination of the SCR and own funds are made. The contractual terms governing own fund items are clear and unambiguous in relation to the criteria for classification into tiers.

The Club expects the value of its own funds to increase over its business planning horizon. This reflects the expectation that the Club will consistently produce a broadly breakeven underwriting surplus and generate positive investment returns over the period which will contribute to increasing own funds in the form of growth in the reconciliation reserve. The SCR is also projected to increase over the business planning horizon and this in turn will lead to growth in the eligible AOF amounts that can be included in the Club's solvency ratio calculation.

GROUP CAPITAL REQUIREMENTS

The Group SCR is calculated in accordance with the Solvency II standard formula and does not make use of simplified calculations, transitional measures or duration-based equity risk calculations.

The Club has complied with all of its Solvency II regulatory capital requirements at all times during the reporting period.

The Club expects its SCR to increase over its business planning horizon. Based on the stress and scenario testing work conducted as part of the Club's ORSA as at 31 December 2017, the Club does not foresee a reasonable risk of non-compliance with its SCR over its business planning horizon. Ongoing monitoring of the Club's risk and capital position will assist in ensuring that compliance is maintained.

Table 22 shows the key components of the Group capital requirement together with an explanation of the key driver of the amounts in each case. The Group solvency ratio is shown both including and excluding ancillary own funds as it is important to understand the difference in the solvency ratio based on the Club's current actual financial position and the solvency ratio based on the position if the contingent capital amounts were called and realised.

Table 22: Group solvency ratio

Component	Amount	Key Driver
SCR (see below)	214.7	
Eligible Own Funds (including AOF)	419.4	Retained underwriting and investment surpluses
Eligible Own Funds (excluding AOF)	312.0	Retained underwriting and investment surpluses
Solvency Ratio (including AOF)	**195%**	
Solvency Ratio (excluding AOF)	**145%**	
SCR	**214.7**	
DTL Adjustment	(0.8)	Additional tax payable on solvency basis
Operational Risk	13.4	Calculated as proportion of technical provisions
Basic SCR[9]	**202.1**	
Market Risk	105.0	Equity investment risk
Credit Risk	11.2	Reinsurance recovery, cash balance default risk
Non-Life Underwriting Risk	141.8	Net technical provisions, future plan premium

[9] The Basic SCR is less than the sum of its constituent components as the Standard Formula makes allowance for diversification between component risk types by assuming they are only partially correlated i.e. it is unlikely all components will deteriorate together.

Capital management continued

The Club's capital position is robust on both bases and is commensurate with the risks undertaken in the course of doing business.

The Club's minimum Group SCR is calculated in accordance with the formula specified in the Solvency II regulations and is therefore based on the net of reinsurance technical provisions excluding the risk margin and the last 12 months of net written premium. It also takes account of the proportional share of the MCR of the Club's related reinsurance companies.

Table 23: Group minimum SCR solvency ratio

Component	Amount
Minimum SCR	101.1
Eligible Own Funds	312.0
Minimum SCR Solvency Ratio	309%

Expected growth in premium and reserve volumes over the business planning horizon create the expectation that the minimum SCR will also increase over this period. Based on the stress and scenario testing work conducted as part of the single Group ORSA as at 31 December 2017, the Club does not foresee a reasonable risk of non-compliance with its minimum SCR over its business planning horizon. Ongoing monitoring of the Club's risk and capital position will assist in ensuring that compliance is maintained.

SOLO OWN FUNDS

Club own funds on a Solo entity basis are comprised of the following items and do not include any items that are subject to transitional arrangements:

Table 24: Solo own funds

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	MCR Eligible Amount
Reconciliation Reserve	One	336.1	336.1	336.1
Ancillary Own Funds	Two	162.1	76.3	–
Net Deferred Tax Assets	Three	–	–	–
Total		**498.2**	**412.4**	**336.1**

On a Solo entity basis, own funds eligible to meet the SCR have increased by $61.6 million since the prior period. Table 25 shows the movement by own fund item.

Table 25: Change in Solo own funds since last year-end

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	MCR Eligible Amount
Reconciliation Reserve	One	57.3	57.3	57.3
Ancillary Own Funds	Two	(6.2)	4.3	–
Net Deferred Tax Assets	Three	(0.6)	–	–
Total		**50.5**	**61.6**	**57.3**

The reconciliation reserve accounts for the majority of the Club's own funds and is comprised of retained surpluses generated by the Club through its principal activity of providing insurance of marine protection and indemnity risks on behalf of its membership and investment of the associated assets.

Table 26: Solo reconciliation reserve

Reconciliation Reserve Item	Amount
Statutory Available Capital	(1.3)
Investments	*–*
Holdings in Related Undertakings	*352.0*
Reinsurance Recoveries	*(76.2)*
Intangible Assets	*(8.3)*
Deferred Acquisition Costs	*(10.7)*
Technical Provisions	*24.6*
Derivatives	*0.9*
Pension Benefit Obligations	*(5.7)*
Deferred Tax Liabilities	*(0.8)*
Receivables and Payables	*61.6*
Solvency II Reconciliation Reserve	337.4
Total	**336.1**

As described in the valuation for solvency purposes section above, the difference in the value of holdings in related undertakings is attributable to the difference in the book and solvency values of the Club's participations in its subsidiary entities. Solvency value has been determined as the net asset value of each participation where net asset value is calculated using a balance sheet evaluated at the reporting period end in accordance with the Solvency II requirements.

SOLO CAPITAL REQUIREMENTS

The Club's Solo SCR is calculated in accordance with the Solvency II standard formula and does not make use of simplified calculations, transitional measures or the duration-based equity risk calculations. The Club has complied with its regulatory capital requirements on a Solo basis at all times during the reporting period.

Table 27 shows the key components of the Club's Solo capital requirement together with an explanation of the key driver of the amounts in each case. The Club's Solo solvency ratio is shown both including and excluding ancillary own funds as it is important to understand the difference in the solvency ratio based on the Club's current actual financial position and the solvency ratio based on the position if the contingent capital amounts were called and realised.

Table 27: Solo solvency ratio

Component	Amount	Key Driver
SCR	152.5	
Eligible Own Funds (including AOF)	412.3	Retained underwriting and investment surpluses
Eligible Own Funds (excluding AOF)	336.1	Retained underwriting and investment surpluses
Solvency Ratio (including AOF)	**270%**	
Solvency Ratio (excluding AOF)	**220%**	
SCR	**152.5**	
DTL Adjustment	(0.8)	Additional tax payable on solvency basis
Operational Risk	13.4	Calculated as proportion of technical provisions
Basic SCR[10]	**140.0**	
Market Risk	103.9	Equity participation risk
Credit Risk	20.4	Reinsurance recovery, cash balance default risk
Non-Life Underwriting Risk	56.7	Net technical provisions, future plan premium

[10] The Basic SCR is less than the sum of its constituent components as the Standard Formula makes allowance for diversification between component risk types by assuming they are only partially correlated i.e. it is unlikely all components will deteriorate together.

The Club's Solo capital position is robust on both bases and is commensurate with the risks undertaken in the course of doing business.

The Club's Solo MCR is calculated in accordance with the formula specified in the Solvency II regulations and is therefore based on the net of reinsurance technical provisions excluding the risk margin and the last 12 months of net written premium.

Table 28: Solo minimum capital requirement

Component	Amount
MCR	38.1
Eligible Own Funds	336.1
MCR Solvency Ratio	881%

SPANDILUX OWN FUNDS

Spandilux own funds are comprised of the following items and do not include any items that are subject to transitional arrangements.

Table 29: Spandilux own funds

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	MCR Eligible Amount
Ordinary Share Capital	One	3.0	3.0	3.0
Share Premium Account	One	7.0	7.0	7.0
Reconciliation Reserve	One	20.3	20.3	20.3
Total		**30.3**	**30.3**	**30.3**

Spandilux own funds eligible to meet the SCR have increased by $5.0 million since last year-end. Table 30 shows the movement by own fund item.

Capital management continued

Table 30: Change in Spandilux own funds since last year-end

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	MCR Eligible Amount
Ordinary Share Capital	One	–	–	–
Share Premium Account	One	–	–	–
Reconciliation Reserve	One	5.0	5.0	5.0
Total		**5.0**	**5.0**	**5.0**

The reconciliation reserve accounts for the majority of the Spandilux own funds and is comprised of retained surpluses generated by the company through its principal activity of providing reinsurance of marine protection and indemnity risks of certain risks written by the Club and investment of the associated assets.

Table 31: Spandilux reconciliation reserve

Reconciliation Reserve Item	Amount
Statutory Available Capital	10.3
Investments	*4.4*
Technical Provisions	*23.3*
Deferred Tax Liability	*(7.7)*
Solvency II Reconciliation Reserve	20.0
Total	**30.3**

The difference in the value of technical provisions is attributable to the claims equalisation provisions which forms part of other technical provisions on a Lux GAAP basis but is not a feature of the Solvency II basis.

The difference in the value of deferred tax liabilities is attributable to the additional tax that would be payable on the Club's assets on a mid-market valuation basis.

SPANDILUX CAPITAL REQUIREMENTS

The Spandilux SCR is calculated in accordance with the Solvency II standard formula and does not make use of simplified calculations, transitional measures or the duration- based equity risk calculations. The company has complied with its regulatory capital requirements at all times duringthe reporting period.

The Spandilux capital position is robust and commensurate with the risks undertaken in the course of doing business. The deferred tax liability adjustment of US$ 3.4 million applied to the SCR is lower than the balance sheet deferred tax liability amount of US$ 7.7 million shown in Table 18. This is because the adjustment applied to the SCR is calculated as the lower of the solvency balance sheet amount and the Spandilux tax rate applied to the sum of the basic SCR and operational risk SCR.

The Spandilux MCR is calculated in accordance with the formula specified in the Solvency II regulations and is therefore based on the net of reinsurance technical provisions excluding the risk margin and the last 12 months of net written premium.

Table 32: Spandilux minimum capital requirement

Component	Amount
MCR	4.2
Eligible Own Funds	30.3
MCR Solvency Ratio	723%

Table 33: Spandilux solvency ratio

Component	Amount	Key Driver
SCR	9.2	
Eligible Own Funds	30.3	Retained underwriting and investment surpluses
Solvency Ratio	**330%**	
SCR	**9.2**	
DTL Adjustment	(3.4)	Additional tax payable on solvency basis
Operational Risk	0.5	Calculated as proportion of technical provisions
Basic SCR[11]	**12.1**	
Market Risk	9.0	Equity investment risk
Credit Risk	0.4	Reinsurance recovery, cash balance default risk
Non-Life Underwriting Risk	5.9	Net technical provisions, future plan premium

[11] The Basic SCR is less than the sum of its constituent components as the Standard Formula makes allowance for diversification between component risk types by assuming they are only partially correlated i.e. it is unlikely all components will deteriorate together.

Appendices

Appendix A: Structure and governance

Appendix B: Solo entity performance

Appendix C: Quantitative reporting templates

Appendices

Appendix A: Structure and governance

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) Group is comprised of a number of undertakings and related branches over which it has control. A list of these undertakings and branches is shown below.

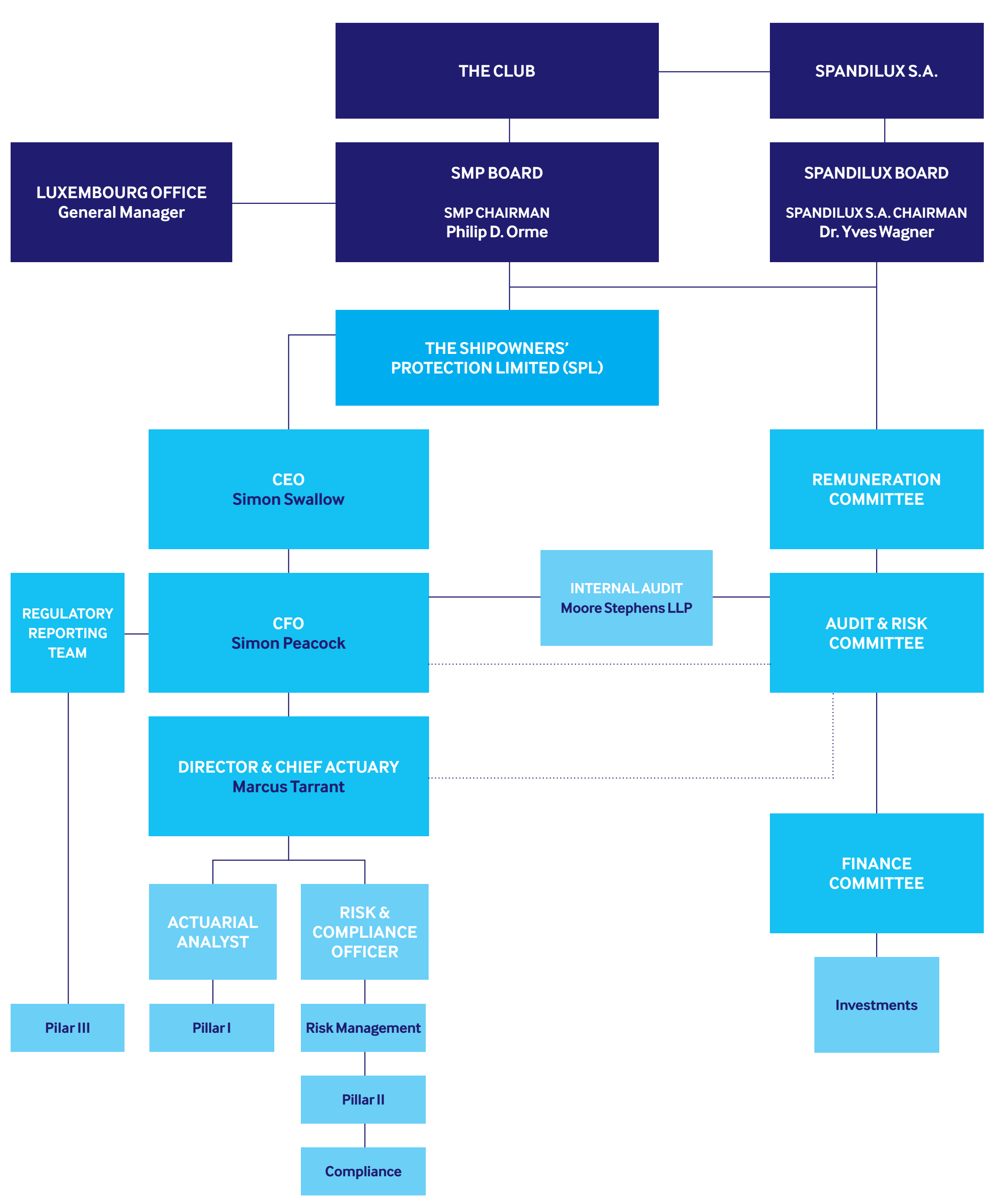
Undertaking	Registered Office	Legal Form	Proportion of Capital Held
The Shipowners' Mutual Protection and Indemnity Association (Luxembourg)	Luxembourg	Mutual	100%
The Shipowners' Protection Limited	United Kingdom	Non-Mutual	100%
SOP (Bermuda) Limited	Bermuda	Non-Mutual	100%
Spandilux S.A.	Luxembourg	Non-Mutual	100%
Hydra Insurance Company Limited – Shipowners Cell	Bermuda	Non-Mutual	100%
Shipowners' North America Protection Limited	Canada	Non-Mutual	100%
Shipowners' Management Limited	United Kingdom	Non-Mutual	100%
CTRL Marine Solutions Limited	United Kingdom	Non-Mutual	100%

There is no material difference between the scope of the Group used for the consolidated financial statements and the scope used for determining the consolidated data on which the Group's solvency position is calculated in accordance with Article 335 of the Delegated Regulation.

In addition to the undertakings shown above, the Club operates the following branches:

- The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) – Singapore branch
- The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) – Hong Kong branch
- The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) – Canada branch (in run-off)

THE SHIPOWNERS' MUTUAL PROTECTION AND INDEMNITY ASSOCIATION (LUXEMBOURG)
Organisation Chart



Appendices continued

BOARD OF DIRECTORS
Governance Framework

GOVERNING BODY

CHAIRMAN OF THE ASSOCIATION	VICE-CHAIRMAN OF THE ASSOCIATION
Philip Orme Dubai	**David Jamieson** United Kingdom

DIRECTORS OF THE ASSOCIATION

Anthony Briggs Australia	**Alfred Hübner** Chile	**Dato' Capt. Ahmad Sufian** Malaysia
William Everard CBE United Kingdom	**Richard Knight** United Kingdom	**Dr. Yves Wagner** Luxembourg
Dr. David Ho, JP Hong Kong	**Donald MacLeod** Canada	**Iain Webb-Wilson** United Kingdom
Ali Gürün Turkey	**Kathy Meads** New Zealand	**Mark Whitaker** United Kingdom

AUDIT AND RISK COMMITTEE	FINANCE COMMITTEE	REMUNERATION COMMITTEE
Kathy Meads (Chair)	Donald MacLeod (Chair)	William Everard CBE (Chair)
William Everard CBE	Anthony Briggs	Donald MacLeod
Dr. David Ho, JP	William Everard CBE	Philip Orme
David Jamieson	Richard Knight	Mark Whitaker
Philip Orme	Philip Orme	Iain Webb-Wilson
Dr. Yves Wagner	Dato' Capt. Ahmad Sufian	
Mark Whitaker	Dr. Yves Wagner	

BOARD ATTENDANCE
The Club's Board ordinarily meets four times a year, with the meetings timed to coincide with the quarterly and year-end financial results. The Finance Committee meets just before each Board meeting to review financial matters, and then reports back to the Board. Other sub-committees meet during the year, as required.

At each Board meeting the Managers present their review of the Club's business, including, for example, underwriting results and outlook, reinsurance arrangements and claims developments. With regards claims activity, the Managers provide updates on claims trends, updates on existing claims and new claims, claims which require Board consideration, as well as detail of particularly sizeable claims. The Board also receives presentations of new pool claims made by other clubs.

THE COMMITTEES AND THEIR RESPONSIBILITIES

The Board

- Determining strategic objectives, acceptable level of risk and key policies
- Effective discharge of its obligations and meeting at least once a quarter in order to monitor the development of the Club's activities
- Delegation to the Club Managers, The Shipowners' Protection Limited, a wholly owned subsidiary of the Club, of operational management of the Club while maintaining ultimate oversight of, and responsibility for the management
- Providing oversight through scrutiny at every quarterly meeting of the Club's business operation on the basis of reports prepared by the Managers
- Engaging in constructive and critical discussion of the strategy and key policies put forward by the Managers and contributing to their development

Audit and Risk Committee

- Monitoring the integrity of the financial reporting process and the financial statements and any formal announcements relating to financial performance
- Reporting to the Board on the statutory audit outcome and its contribution to the integrity of financial reporting
- Reviewing the Club's significant accounting policies and any changes to them
- Making recommendations to the Board and its subsidiaries as to the terms of engagement, including the remuneration, of the external auditors
- Reviewing the external auditors' independence and objectivity, including with respect to any non-audit services
- Reviewing with the external auditors the findings of their work
- Reviewing the effectiveness of the corporate governance framework and other operational matters required under Solvency II
- Reviewing the effectiveness of the internal control and risk management systems
- Maintaining oversight of the Club's risk and regulatory compliance processes and procedures and monitoring their effectiveness
- Monitoring significant risk and regulatory matters affecting the Club and resolution of any material compliance or regulatory breaches or other matters arising

Finance Committee

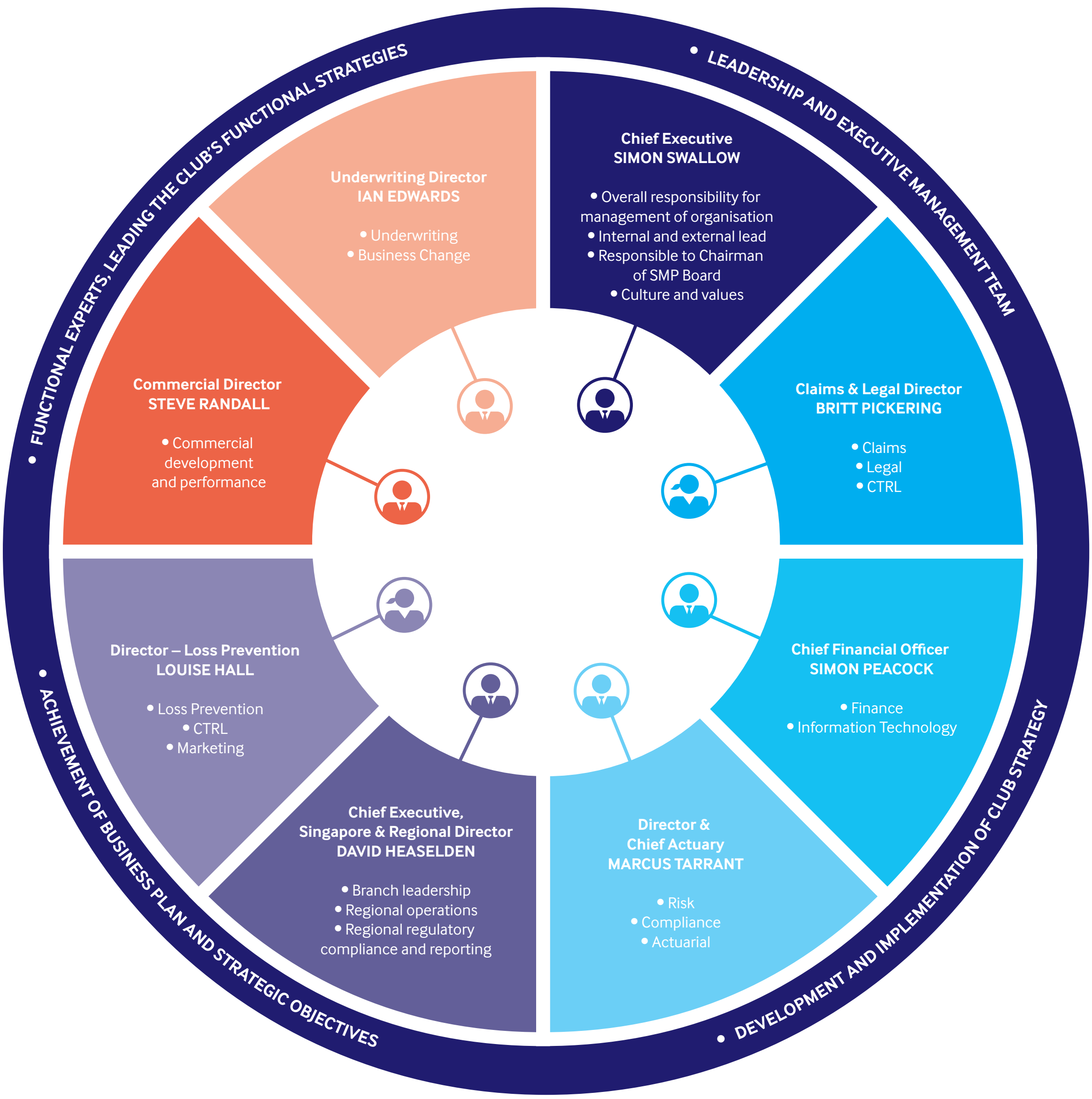
- Monitoring and reporting to the Board the quarterly financial position of the Club, including the annual financial statements
- Monitoring key Solvency II financial and solvency measures
- Making recommendation to the Board and its subsidiaries on annual expense plans and budgets, specific capital projects, acquisitions, joint ventures and divestitures, structure, initiatives and regulatory matters
- Investment strategy, including plans and strategies for hedging and mitigating risk, foreign currency exchange, interest rate exposure and other risk exposures
- Appointment and terms of engagement, including remuneration, of the external investment managers
- Monitoring and reporting to the Board on the performance of the external investment managers
- Liaising with the subsidiary companies as applicable on implementation of the above matters

Remuneration Committee

- Determining and agreeing employment, termination and retirement conditions, and remuneration and benefit packages of senior employees
- Reviewing the overall annual percentage increase in management company staff salaries and the structure and application of the discretionary bonus scheme
- Monitoring and reviewing succession planning for senior management including prospective senior appointments
- Agreeing appropriate levels of remuneration for Directors of the Club and its subsidiary companies

Appendices continued

SPL EXECUTIVE MANAGEMENT/LEADERSHIP TEAM



Appendix B: Solo entity performance

The following tables show the underwriting, investment and overall performance on a Solo entity basis and complement the information shown for the Group in the Business and Performance section of this report.

Table 34: Solo entity technical account

	2017	2016
Net Earned Premium	**79.3**	83.1
Claims Incurred	**(25.7)**	(29.3)
Net Operating Expenses	**(45.9)**	(52.9)
Technical Account Balance	**7.7**	0.9

Table 35: Solo entity investment result

	2017	2016
Investment Income	**0.5**	0.6
Fixed Income	***0.5***	*0.6*
Equities	**–**	–
Collective Investment Vehicles	**–**	–
Investment Management Charges	**(0.1)**	(0.1)
Realised and unrealised gains on investments	**3.9**	(3.2)
Result	**4.4**	(2.7)

Solo entity financial statements are produced on a statutory basis only and therefore the investment information shown on a Solo entity basis is at the lower cost and market value and is not on a mid-market investment valuation basis.

Table 36: Solo entity income and expenditure result

	2017	2016
Technical Account Balance	**7.7**	0.9
Investment Return	**4.4**	1.0
Taxation	**(1.4)**	(0.2)
Other Income/(Charges)	**0.6**	0.5
Result	**11.2**	2.2

Appendices continued

Appendix B: Spandilux performance

The following tables show the Spandilux underwriting, investment and overall performance and complement the information shown for the Group in the Business and Performance section of this report.

Table 37: Spandilux technical account

	2017	2016
Net Earned Premium	**5.8**	6.3
Claims Incurred	**(3.2)**	(6.5)
Net Operating Expenses	**(0.7)**	(0.7)
Technical Account Balance	**1.9**	(0.9)

Table 38: Spandilux investment result

	2017	2016
Investment Income	**1.1**	1.0
Fixed Income	***0.8***	*0.7*
Equities	***0.3***	*0.3*
Collective Investment Vehicles	***0.0***	*0.0*
Investment Management Charges	**(0.2)**	(0.2)
Realised and unrealised gains on investments	**3.2**	0.8
Result	**4.1**	1.5

Table 39: Spandilux income and expenditure result

	2017	2016
Technical Account Balance	**1.9**	(0.9)
Investment Return	**4.1**	1.5
Taxation	**(0.1)**	(0.1)
Other Income/(Charges)	**–**	(0.1)
Change in equalisation provision	**(5.9)**	(0.6)
Result	**0.0**	0.0

Appendix C: Quantitative reporting templates

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg)

Solvency and Financial Condition Report

GROUP DISCLOSURES

31 December 2017

(Monetary amounts in US$ thousands)

General information

Participating undertaking name	The Shipowners' Mutual Protection and Indemnity Association Limited (Luxembourg)
Group identification code	529900T071SPNQ00DF14
Type of code of group	LEI
Country of the group supervisor	LU
Language of reporting	en
Reporting reference date	31 December 2017
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet

S.05.01.02 - Premiums, claims and expenses by line of business

S.05.02.01 - Premiums, claims and expenses by country

S.23.01.22 - Own Funds

S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula

S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	2,320
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	597,920
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	111,785
R0110	*Equities - listed*	111,785
R0120	*Equities - unlisted*	
R0130	*Bonds*	411,563
R0140	*Government Bonds*	152,170
R0150	*Corporate Bonds*	259,392
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	56,644
R0190	*Derivatives*	915
R0200	*Deposits other than cash equivalents*	17,014
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	76,328
R0280	*Non-life and health similar to non-life*	76,328
R0290	*Non-life excluding health*	76,328
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	22,911
R0370	Reinsurance receivables	5,386
R0380	Receivables (trade, not insurance)	1,761
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	98,533
R0420	Any other assets, not elsewhere shown	593
R0500	**Total assets**	805,752

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	467,598
R0520	*Technical provisions - non-life (excluding health)*	467,598
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	445,775
R0550	*Risk margin*	21,823
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	672
R0760	Pension benefit obligations	5,703
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	823
R0790	Derivatives	0
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	2,567
R0830	Reinsurance payables	1,532
R0840	Payables (trade, not insurance)	1,490
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	5,904
R0900	**Total liabilities**	486,290
R1000	**Excess of assets over liabilities**	319,462

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						217,832											217,832
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						29,314											29,314
R0200	Net						188,518											188,518
	Premiums earned																	
R0210	Gross - Direct Business						216,341											216,341
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						29,706											29,706
R0300	Net						186,634											186,634
	Claims incurred																	
R0310	Gross - Direct Business						114,746											114,746
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						-5,971											-5,971
R0400	Net						120,716											120,716
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0											0
R0550	**Expenses incurred**						66,661											66,661
R1200	**Other expenses**																	
R1300	**Total expenses**																	66,661

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			GB	SG				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business		119,727	88,801				208,528
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share		15,977	11,962				27,939
R0200	Net	0	103,750	76,840	0	0	0	180,590
	Premiums earned							
R0210	Gross - Direct Business		118,907	88,960				207,867
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share		16,181	12,159				28,339
R0300	Net	0	102,726	76,801	0	0	0	179,527
	Claims incurred							
R0310	Gross - Direct Business		65,043	49,661				114,704
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share		-11,032	4,920				-6,112
R0400	Net	0	76,075	44,741	0	0	0	120,816
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	6,062	31,870	22,343				60,275
R1200	**Other expenses**							
R1300	**Total expenses**							60,275

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	312,041	312,041			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	312,041	312,041	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	162,100			162,100	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	162,100			162,100	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	474,141	312,041	0	162,100	0
R0530	Total available own funds to meet the minimum consolidated group SCR	312,041	312,041	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	419,381	312,041	0	107,341	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	312,041	312,041	0	0	
R0610	**Minimum consolidated Group SCR**	101,136				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	308.54%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	419,381	312,041	0	107,341	0
R0680	**Group SCR**	214,681				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	195.35%				

		C0060
	Reconcilliation reserve	
R0700	Excess of assets over liabilities	319,462
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	7,422
R0760	**Reconciliation reserve**	312,041
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	193
R0790	**Total Expected profits included in future premiums (EPIFP)**	193

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	104,971		
R0020	Counterparty default risk	11,155		
R0030	Life underwriting risk	0		9
R0040	Health underwriting risk	0		9
R0050	Non-life underwriting risk	141,790		9
R0060	Diversification	-55,785		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	202,131		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	13,373
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-823
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	214,681
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	214,681
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	101,136
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	214,681

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	LU	529900T071SPNQ00	LEI	The Shipowners' Protection and Indemnity Association (	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Mutual	Commissariat Aux Assurances
2	GB	529900T071SPNQ00	Specific code	The Shipowners' Protection Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Commissariat Aux Assurances
3	BM	529900XXKSG7S9D1\	LEI	SOP (Bermuda) Limited	Reinsurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Bermuda Monetary Authority
4	LU	529900OKG1Q90KLJ:	LEI	Spandilux S.A.	Reinsurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Commissariat Aux Assurances
5	BM	529900T071SPNQ00	Specific code	Hydra Insurance Company Limited - Shipowners Cell	Reinsurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Bermuda Monetary Authority
6	CA	529900T071SPNQ00	Specific code	Shipowners' North America Protection Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Office of the Superintendent of Financial Instit
7	GB	529900T071SPNQ00	Specific code	Shipowners' Management Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Commissariat Aux Assurances
8	GB	529900T071SPNQ00	Specific code	CTRL Marine Solutions Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Solicitors Regulation Authority

S.32.01.22

Undertakings in the scope of the group

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	LU	529900T071SPNQ00	LEI					Dominant		Included in the scope		Method 1: Full consolidation
2	GB	529900T071SPNQ00	Specific code	100.00%		100.00%		Dominant		Included in the scope		Method 1: Full consolidation
3	BM	529900XXKSG7S9D1	LEI	100.00%		100.00%		Dominant		Included in the scope		Method 1: Full consolidation
4	LU	529900OKG1Q90KLJ	LEI	100.00%		100.00%		Dominant		Included in the scope		Method 1: Full consolidation
5	BM	529900T071SPNQ00	Specific code	100.00%		100.00%		Dominant		Included in the scope		Method 1: Full consolidation
6	CA	529900T071SPNQ00	Specific code	100.00%		100.00%		Dominant		Included in the scope		Method 1: Full consolidation
7	GB	529900T071SPNQ00	Specific code	100.00%		100.00%		Dominant		Included in the scope		Method 1: Full consolidation
8	GB	529900T071SPNQ00	Specific code	100.00%		100.00%		Dominant		Included in the scope		Method 1: Full consolidation

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg)

Solvency and Financial Condition Report

SOLO DISCLOSURES

31 December 2017

(Monetary amounts in US$ thousands)

General information

Undertaking name	The Shipowners' Mutual Protection and Indemnity Association Limited (Luxembourg)
Undertaking identification code	529900T071SPNQ00DF14
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2017
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	52
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	377,846
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	361,433
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	15,498
R0140	*Government Bonds*	14,725
R0150	*Corporate Bonds*	773
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	915
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	308,227
R0280	*Non-life and health similar to non-life*	308,227
R0290	*Non-life excluding health*	308,227
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	22,803
R0370	Reinsurance receivables	26,426
R0380	Receivables (trade, not insurance)	3,251
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	71,518
R0420	Any other assets, not elsewhere shown	358
R0500	**Total assets**	810,480

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	460,135
R0520	*Technical provisions - non-life (excluding health)*	460,135
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	445,762
R0550	*Risk margin*	14,373
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	672
R0760	Pension benefit obligations	5,703
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	823
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	2,567
R0830	Reinsurance payables	1,532
R0840	Payables (trade, not insurance)	1,019
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	1,924
R0900	**Total liabilities**	474,375
R1000	**Excess of assets over liabilities**	336,105

S.05.01.02
Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						217,832											217,832
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						136,270											136,270
R0200	Net						81,562											81,562
	Premiums earned																	
R0210	Gross - Direct Business						216,341											216,341
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						137,032											137,032
R0300	Net						79,309											79,309
	Claims incurred																	
R0310	Gross - Direct Business						121,177											121,177
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						108,774											108,774
R0400	Net						12,403											12,403
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0											0
R0550	**Expenses incurred**						59,354											59,354
R1200	**Other expenses**																	
R1300	**Total expenses**																	59,354

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			GB	SG				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business		119,727	88,801				208,528
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share		77,640	57,718				135,358
R0200	Net	0	42,087	31,083	0	0	0	73,170
	Premiums earned							
R0210	Gross - Direct Business		118,907	88,960				207,867
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share		77,806	58,322				136,127
R0300	Net	0	41,101	30,638	0	0	0	71,739
	Claims incurred							
R0310	Gross - Direct Business		65,043	49,661				114,704
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share		57,208	45,189				102,397
R0400	Net	0	7,835	4,472	0	0	0	12,307
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	6,062	27,670	22,343				56,075
R1200	**Other expenses**							
R1300	**Total expenses**							56,075

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0											0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						35,185											35,185
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						27,556											27,556
R0150	**Net Best Estimate of Premium Provisions**						7,629											7,629
	Claims provisions																	
R0160	Gross						410,577											410,577
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						280,671											280,671
R0250	**Net Best Estimate of Claims Provisions**						129,905											129,905
R0260	**Total best estimate - gross**						445,762											445,762
R0270	**Total best estimate - net**						137,535											137,535
R0280	**Risk margin**						14,373											14,373
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**						460,135											460,135
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						308,227											308,227
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						151,907											151,907

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	**Accident year / underwriting year**	Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year					**Development year**							**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											4,169	4,169	4,169
R0160	2008	13,703	28,793	18,042	7,661	8,152	4,421	3,074	4,970	1,356	1,764		1,764	91,936
R0170	2009	23,994	22,599	11,921	6,180	7,129	6,668	4,341	13,693	1,152			1,152	97,677
R0180	2010	15,596	29,446	17,485	9,815	4,873	3,055	19,085	1,492				1,492	100,845
R0190	2011	20,561	49,127	18,848	40,342	6,791	6,402	6,000					6,000	148,071
R0200	2012	24,702	36,774	143,184	19,471	17,126	4,875						4,875	246,132
R0210	2013	32,543	31,907	19,649	11,825	11,177							11,177	107,101
R0220	2014	56,688	49,793	38,081	12,759								12,759	157,321
R0230	2015	21,678	50,207	22,502									22,502	94,386
R0240	2016	18,955	38,849										38,849	57,804
R0250	2017	18,028											18,028	18,028
R0260												**Total**	122,766	1,123,472

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year					**Development year**							**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											10,779	10,721
R0160	2008	0	0	0	0	0	0	0	0	5,956	4,360		4,324
R0170	2009	0	0	0	0	0	0	0	5,610	4,402			4,323
R0180	2010	0	0	0	0	0	0	8,233	4,265				4,179
R0190	2011	0	0	0	0	0	7,419	8,921					8,781
R0200	2012	0	0	0	0	32,383	24,293						23,424
R0210	2013	0	0	0	41,773	24,528							23,568
R0220	2014	0	0	70,085	57,550								55,505
R0230	2015	0	108,264	75,329									72,325
R0240	2016	135,567	95,223										92,003
R0250	2017	115,410											111,424
R0260												**Total**	410,577

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	336,105	336,105			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	
R0290	**Total basic own funds after deductions**	336,105	336,105	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	162,100			162,100	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	162,100			162,100	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	498,205	336,105	0	162,100	0
R0510	Total available own funds to meet the MCR	336,105	336,105	0	0	
R0540	Total eligible own funds to meet the SCR	412,369	336,105	0	76,264	0
R0550	Total eligible own funds to meet the MCR	336,105	336,105	0	0	
R0580	**SCR**	152,528				
R0600	**MCR**	38,132				
R0620	**Ratio of Eligible own funds to SCR**	270.36%				
R0640	**Ratio of Eligible own funds to MCR**	881.43%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	336,105
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	336,105
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	-205
R0790	**Total Expected profits included in future premiums (EPIFP)**	-205

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	103,949		
R0020	Counterparty default risk	20,396		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	56,667		
R0060	Diversification	-41,035		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	139,978		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	13,373
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-823
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	152,528
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	152,528

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

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

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	25,585

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	137,535	81,562
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

	Overall MCR calculation	C0070
R0300	Linear MCR	25,585
R0310	SCR	152,528
R0320	MCR cap	68,637
R0330	MCR floor	38,132
R0340	Combined MCR	38,132
R0350	Absolute floor of the MCR	2,910
R0400	**Minimum Capital Requirement**	38,132

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg)

Solvency and Financial Condition Report

SPANDILUX S.A. DISCLOSURES

31 December 2017

(Monetary amounts in US$ thousands)

General information

Undertaking name	Spandilux S.A
Undertaking identification code	529900OKG1Q90KLJ3745
Type of code of undertaking	LEI
Type of undertaking	Reinsurance undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2017
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	53,959
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	10,780
R0110	*Equities - listed*	10,780
R0120	*Equities - unlisted*	
R0130	*Bonds*	36,021
R0140	*Government Bonds*	11,391
R0150	*Corporate Bonds*	24,631
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	5,460
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	1,697
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	2,396
R0380	Receivables (trade, not insurance)	10
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	73
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	56,438

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	18,199
R0520	*Technical provisions - non-life (excluding health)*	18,199
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	17,294
R0550	*Risk margin*	905
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	7,702
R0790	Derivatives	
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	5
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	240
R0900	**Total liabilities**	26,147
R1000	**Excess of assets over liabilities**	30,291

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business																	0
R0120	Gross - Proportional reinsurance accepted						5,815											5,815
R0130	Gross - Non-proportional reinsurance																	0
R0140	Reinsurers' share																	0
R0200	Net						5,815											5,815
	Premiums earned																	
R0210	Gross - Direct Business																	0
R0220	Gross - Proportional reinsurance accepted						5,837											5,837
R0230	Gross - Non-proportional reinsurance																	0
R0240	Reinsurers' share																	0
R0300	Net						5,837											5,837
	Claims incurred																	
R0310	Gross - Direct Business																	0
R0320	Gross - Proportional reinsurance accepted						3,191											3,191
R0330	Gross - Non-proportional reinsurance																	0
R0340	Reinsurers' share																	0
R0400	Net						3,191											3,191
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted						4,803											4,803
R0430	Gross - Non-proportional reinsurance																	0
R0440	Reinsurers' share																	0
R0500	Net						4,803											4,803
R0550	**Expenses incurred**						979											979
R1200	**Other expenses**																	
R1300	**Total expenses**																	979

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business							0
R0120	Gross - Proportional reinsurance accepted	5,815						5,815
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share							0
R0200	Net	5,815	0	0	0	0	0	5,815
	Premiums earned							
R0210	Gross - Direct Business							0
R0220	Gross - Proportional reinsurance accepted	5,837						5,837
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share							0
R0300	Net	5,837	0	0	0	0	0	5,837
	Claims incurred							
R0310	Gross - Direct Business							0
R0320	Gross - Proportional reinsurance accepted	3,191						3,191
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share							0
R0400	Net	3,191	0	0	0	0	0	3,191
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted	4,803						4,803
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	4,803	0	0	0	0	0	4,803
R0550	**Expenses incurred**	979						979
R1200	**Other expenses**							
R1300	**Total expenses**							979

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**						0											0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross						704											704
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0150	**Net Best Estimate of Premium Provisions**						704											704
	Claims provisions																	
R0160	Gross						16,590											16,590
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	0
R0250	**Net Best Estimate of Claims Provisions**						16,590											16,590
R0260	**Total best estimate - gross**						17,294											17,294
R0270	**Total best estimate - net**						17,294											17,294
R0280	**Risk margin**						905											905
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**						18,199											18,199
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**						0											0
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**						18,199											18,199

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											420	420	420
R0160	2008	0	0	0	0	0	0	0	0	0	0		0	0
R0170	2009	0	0	0	0	0	0	0	0	0			0	0
R0180	2010	0	0	0	0	0	0	0	0				0	0
R0190	2011	0	0	0	0	0	0	0					0	0
R0200	2012	1,082	1,423	1,620	400	616	80						80	5,221
R0210	2013	1,752	1,203	738	498	489							489	4,679
R0220	2014	1,708	2,125	928	517								517	5,277
R0230	2015	1,047	2,037	1,035									1,035	4,119
R0240	2016	917	1,843										1,843	2,759
R0250	2017	879											879	879
R0260												Total	5,263	23,355

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											3,643	3,626
R0160	2008	0	0	0	0	0	0	0	0	0	0		0
R0170	2009	0	0	0	0	0	0	0	0	0			0
R0180	2010	0	0	0	0	0	0	0	0				0
R0190	2011	0	0	0	0	0	0	0					0
R0200	2012	0	0	0	0	394	334						323
R0210	2013	0	0	0	1,543	821							789
R0220	2014	0	0	2,004	1,569								1,505
R0230	2015	0	3,551	3,011									2,883
R0240	2016	4,991	3,225										3,095
R0250	2017	4,544											4,368
R0260												Total	16,590

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	3,000	3,000		0	
R0030	Share premium account related to ordinary share capital	7,000	7,000		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	20,291	20,291			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	30,291	30,291	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	30,291	30,291	0	0	0
R0510	Total available own funds to meet the MCR	30,291	30,291	0	0	
R0540	Total eligible own funds to meet the SCR	30,291	30,291	0	0	0
R0550	Total eligible own funds to meet the MCR	30,291	30,291	0	0	
R0580	**SCR**	9,170				
R0600	**MCR**	4,190				
R0620	**Ratio of Eligible own funds to SCR**	330.34%				
R0640	**Ratio of Eligible own funds to MCR**	722.99%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	30,291
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0730	Other basic own fund items	10,000
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	20,291
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	76
R0790	**Total Expected profits included in future premiums (EPIFP)**	76

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	8,989		
R0020	Counterparty default risk	401		
R0030	Life underwriting risk	0		9
R0040	Health underwriting risk	0		9
R0050	Non-life underwriting risk	5,857		9
R0060	Diversification	-3,175		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	12,072		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	519
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-3,421
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	9,170
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	9,170

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
R0010	MCR_{NL} Result	2,595

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	17,294	5,815
R0080	Fire and other damage to property insurance and proportional reinsurance	0	
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	0	
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

Linear formula component for life insurance and reinsurance obligations

		C0040
R0200	MCR_L Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

		C0070
R0300	Linear MCR	2,595
R0310	SCR	9,170
R0320	MCR cap	4,126
R0330	MCR floor	2,292
R0340	Combined MCR	2,595
R0350	Absolute floor of the MCR	4,190
R0400	**Minimum Capital Requirement**	4,190

CORPORATE INFORMATION

Registered office
The Shipowners' Mutual Protection and Indemnity Association (Luxembourg)
16, Rue Notre-Dame
L–2240 Luxembourg

T +352 229 710 1
F +352 229 710 222
E info@shipowners.lu

Managers
The Shipowners' Protection Limited
White Chapel Building, 2nd Floor
10 Whitechapel High Street
London E1 8QS

T +44 207 488 0911
F +44 207 480 5806
E info@shipownersclub.com

Auditors
KPMG Luxembourg Société coopérative
Réviseur d'Entreprises agréé
39, Avenue John F. Kennedy
L–1855 Luxembourg