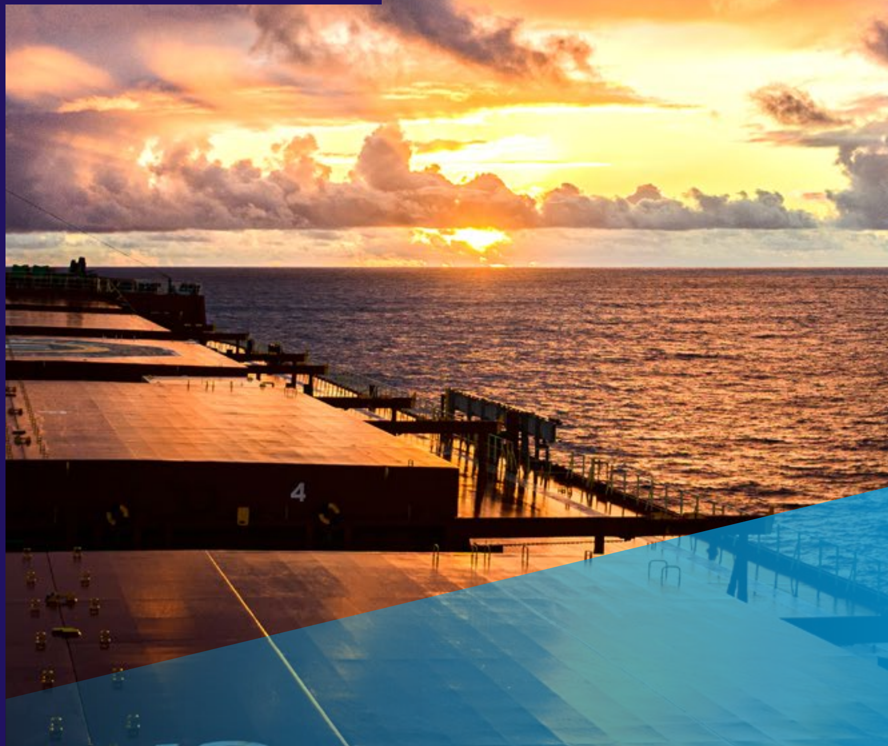
SHIPOWNERS
SECURITY FOR SMALL & SPECIALIST VESSELS

2022 Annual Report

Ensuring Peace of Mind

INTRODUCTION

Welcome to our 2022 Annual Report



WHO WE ARE

We are a mutual insurance association offering Protection & Indemnity (P&I), Legal Costs Cover and associated insurances to smaller and specialist vessel owners, operators and charterers around the world.

As a mutual association, the Club is owned and governed by its Members. Members share risk and we operate on a non profit-making basis. The Board of Directors is substantially drawn from the Membership. Underwriting, claims and loss prevention services are provided by the Managers of the Club on behalf of the Association.

Read more online
About us

CONTENTS

2022 PERFORMANCE

It is vital that our Members know that we have the financial strength to pay their claims as and when they arise. It is also important that they know we are charging a fair price for that peace of mind. To assist with this we share the following key indicators of financial performance.

ONGOING UNDERWRITING AND CAPITAL STRENGTH

As a mutual, we seek to provide our Members with insurance 'at cost'. The key measure for this is the combined ratio and it is extremely pleasing to report that our underwriting result was, once again, close to breakeven, with a 2022 combined ratio of 97.4%.

Whilst we did see our overall capital and reserves fall in 2022, due to investment losses, we remained well capitalised at all times. Our capital strength, alongside our focused management of risk, resulted in Standard & Poor's reaffirming our credit rating of A (stable outlook).

Read more
in our Financial Review

OUR 2022 HIGHLIGHTS

Combined ratio (%)

97.4%

2021: 98.7%

2022	97.4
2021	98.7
2020	101.0
2019	105.1

Capital & free reserves (US$ m)

337.4m

2021: 396.4m

2022	337.4
2021	396.4
2020	379.1
2019	340.0

Earned premiums net of reinsurance (US$ m)

236.4m

2021: 223.2m

2022	236.4
2021	223.2
2020	207.2
2019	200.0

2022 PERFORMANCE
CONTINUED

Standard & Poor's Rating
A stable
2021: A stable

Membership Retention
99.0%
2021: 98.8%

Total Members
8,527
2021: 8,263

Entered Vessels
33,808
2021: 34,167

GT
Total Entered Tonnage
29,637,051
2021: 28,720,926

INCOME AND EXPENDITURE (YEAR ENDED 31 DECEMBER 2022)

(US$ millions)	2018	2019	2020	2021	2022
Earned premiums, net of reinsurance	195.0	200.0	207.2	223.2	**236.4**
Incurred claims, net of reinsurance	(151.0)	(156.5)	(154.0)	(161.2)	**(167.3)**
Operating expenses	(52.2)	(53.8)	(55.2)	(59.1)	**(63.0)**
Underwriting result	(8.2)	(10.3)	(2.0)	2.9	**6.2**
Investment result less tax/other	(29.7)	46.4	48.1	14.5	**(65.3)**
Change in free reserves	(37.9)	36.1	39.1	17.4	**(59.1)**
Combined ratio	104.2%	105.1%	101.0%	98.7%	**97.4%**

BALANCE SHEET (AS AT 31 DECEMBER 2022)

(US$ millions)	2018	2019	2020	2021	2022
Investments at market value and cash	660.5	696.6	756.1	786.7	**740.0**
Other assets	94.5	108.0	110.8	112.0	**122.8**
Creditors	(35.6)	(32.4)	(36.1)	(34.3)	**(33.9)**
Net assets before reserves	719.4	772.2	830.8	864.4	**829.0**
Net technical provisions	(415.6)	(432.2)	(451.7)	(468.0)	**(491.6)**
Capital and free reserves	303.8	340.0	379.1	396.4	**337.4**

Throughout this report some figures are reported in $ millions and hence small rounding differences can arise.

OUR MEMBERSHIP

Our Members operate in a variety of specialist sectors across the globe, providing the Club with a spread of risk and relatively low exposure to individual catastrophe.

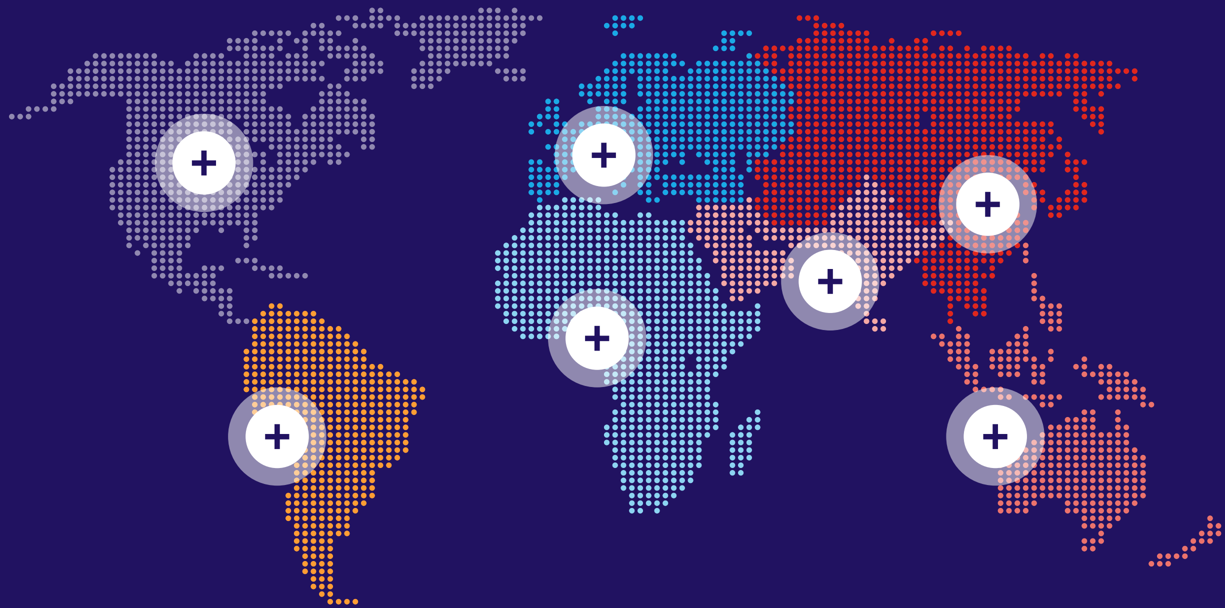
Click the icons
for a detailed breakdown

GT

Total Members by region

Europe	4,137
Australia, New Zealand & the South Pacific	1,407
Southeast Asia & the Far East	1,073
Central & South America	947
North America	447
Middle East & India	289
Africa	227

WHERE WE OPERATE



Watch online
Our Members

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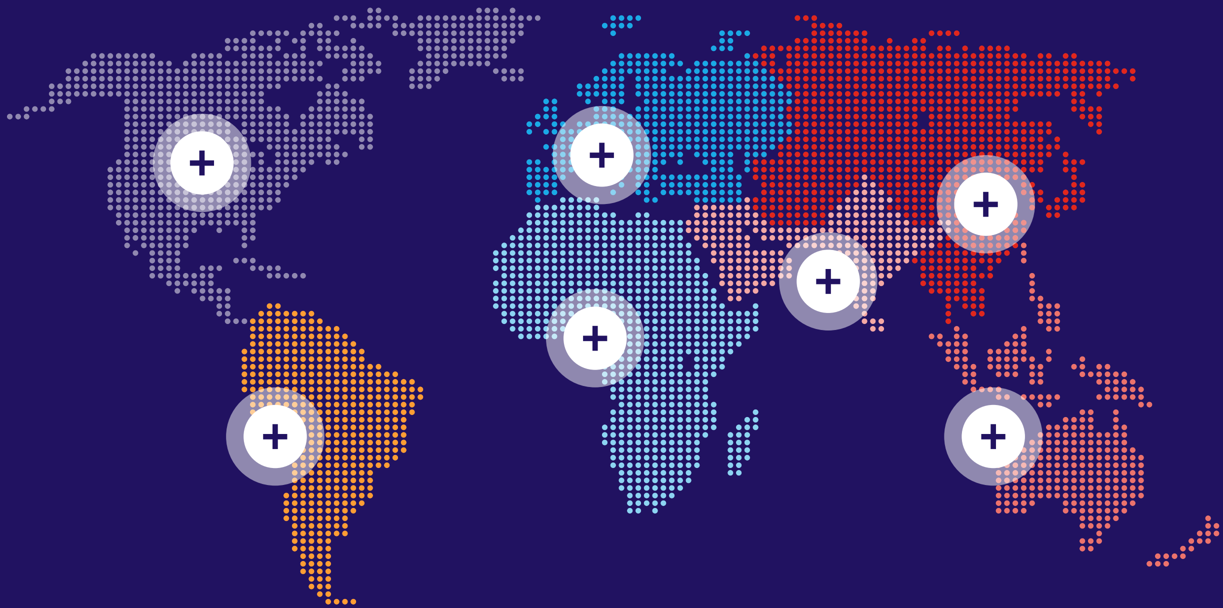
GT

Total tonnage by trading area

Southeast Asia & the Far East	15,027,263
Europe	5,423,148
Central & South America	3,093,293
Middle East & India	2,974,707
North America	1,383,174
Australia, New Zealand & the South Pacific	1,304,135
Africa	431,331

WHERE WE OPERATE



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Our Members

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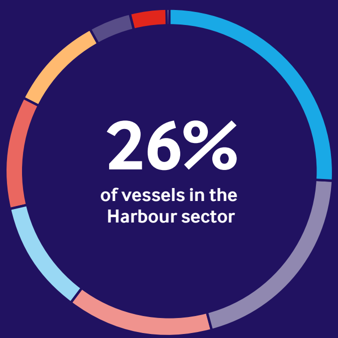
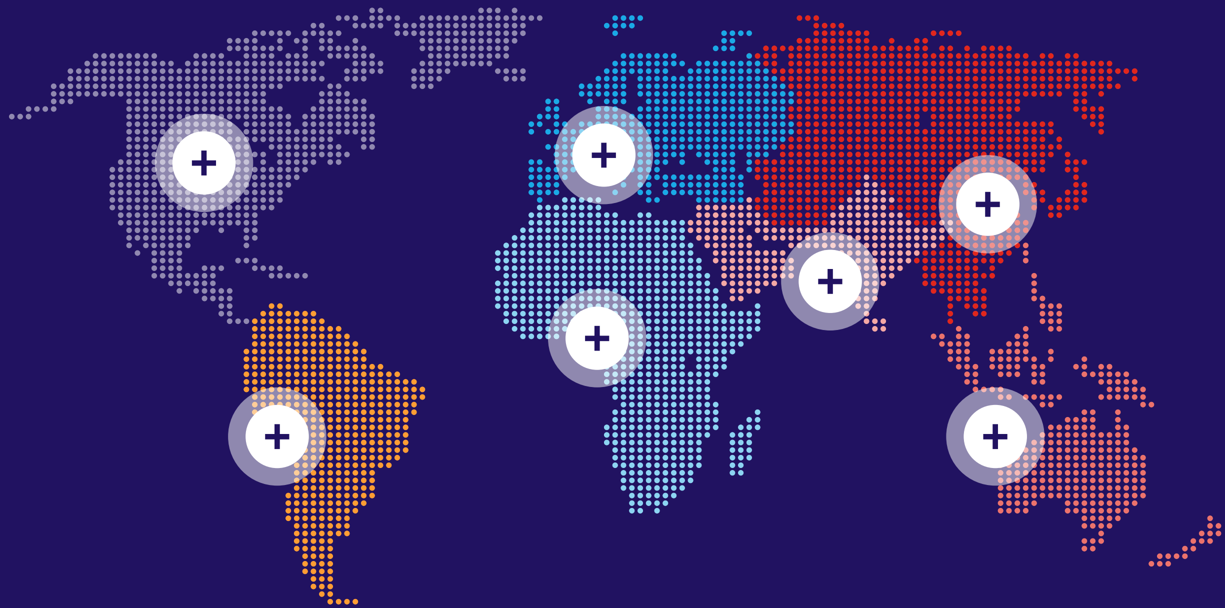
Total vessels by sector



Harbour	8,819
Barge	6,694
Passenger	4,912
Offshore	3,791
Fishing	3,733
Yacht	3,185
Tanker	1,385
Dry Cargo	1,250
Autonomous	39

WHERE WE OPERATE



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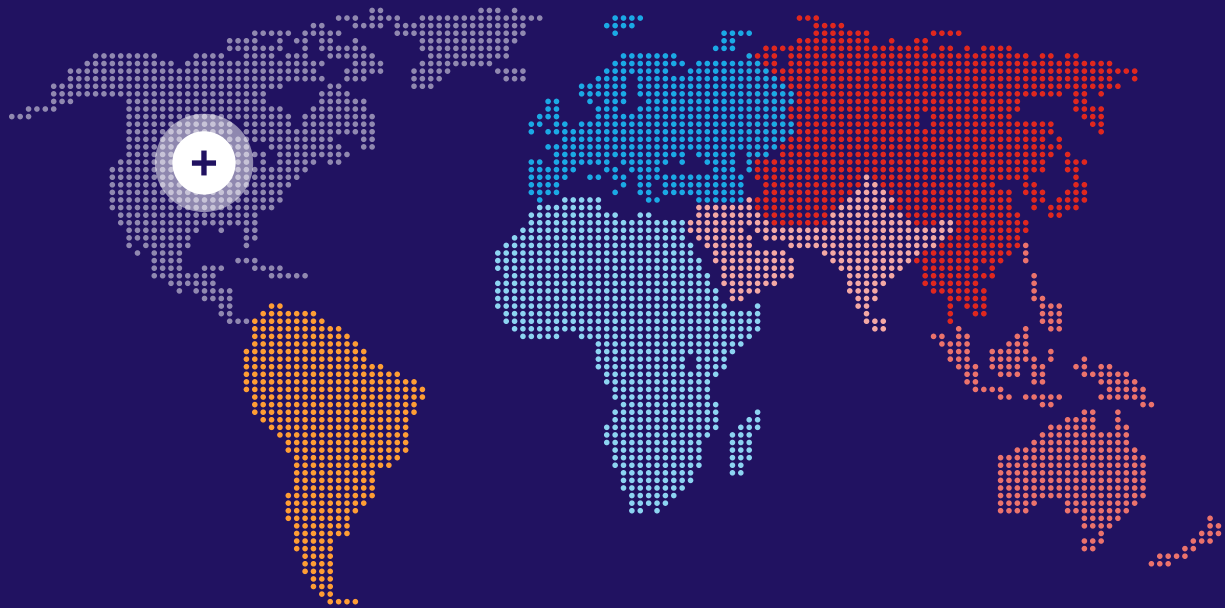

NORTH AMERICA

MEMBERS
447
5.2%

GT
TONNAGE
1,383,174
4.7%

VESSELS
2,924
8.6%

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Our Members

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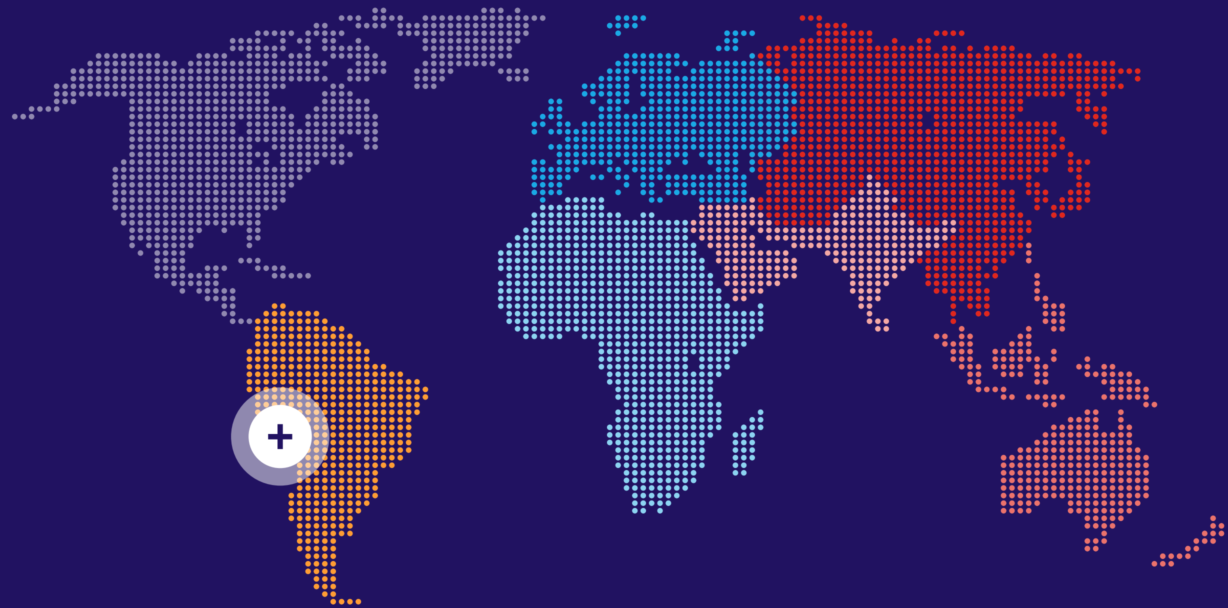
WHERE WE OPERATE



SOUTH AMERICA

MEMBERS
947
11.1%

GT
TONNAGE
3,093,293
10.4%

VESSELS
3,786
11.2%

Watch online
Our Members

OUR MEMBERSHIP

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for a detailed breakdown

GT

WHERE WE OPERATE

EUROPE

GT

MEMBERS	TONNAGE	VESSELS
4,137	5,423,148	9,934
48.5%	18.3%	29.4%

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Our Members

OUR MEMBERSHIP

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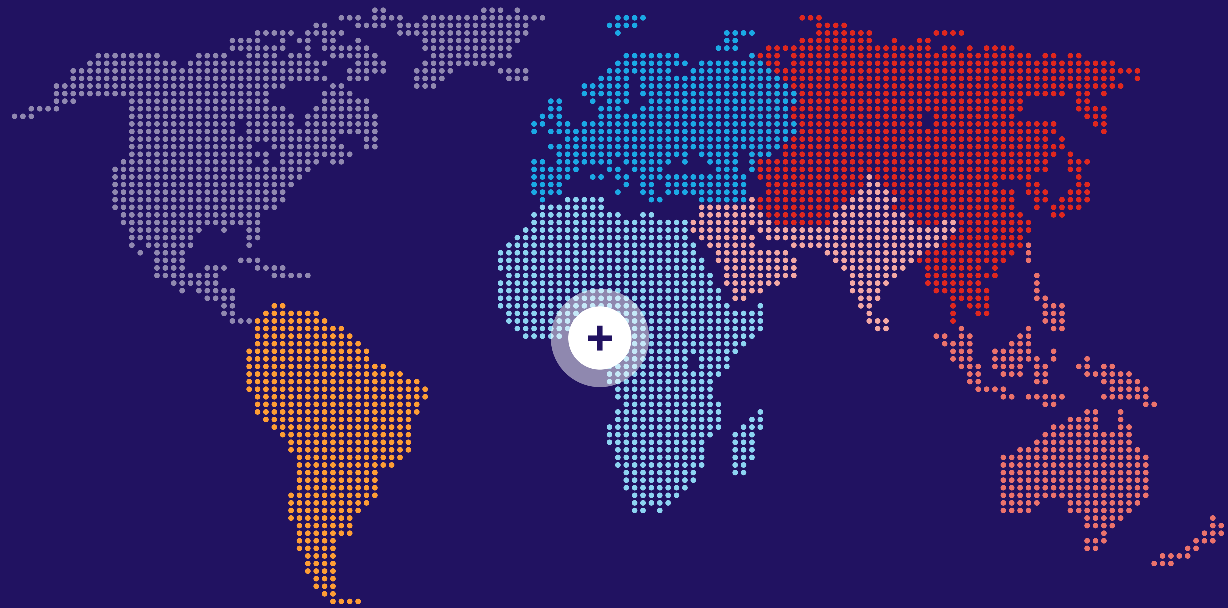
WHERE WE OPERATE



AFRICA

MEMBERS	227	2.7%
TONNAGE	431,331	1.5%
VESSELS	776	2.3%

Watch online
Our Members

OUR MEMBERSHIP

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Click the icons
for a detailed breakdown

GT

WHERE WE OPERATE

MIDDLE EAST & INDIA

MEMBERS
289
3.4%

GT
TONNAGE
2,974,707
10.0%

VESSELS
2,383
7.0%

Watch online
Our Members

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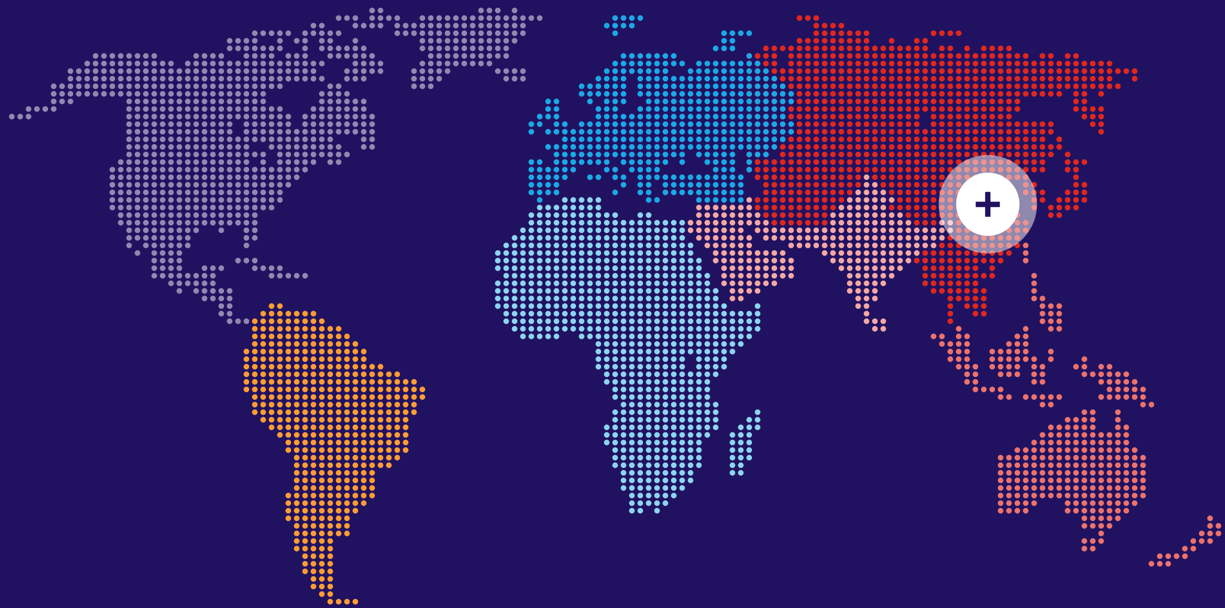
WHERE WE OPERATE



SOUTHEAST ASIA & THE FAR EAST

MEMBERS
1,073
12.6%

TONNAGE
15,027,263
50.7%

VESSELS
8,983
26.6%

Watch online
Our Members

OUR MEMBERSHIP

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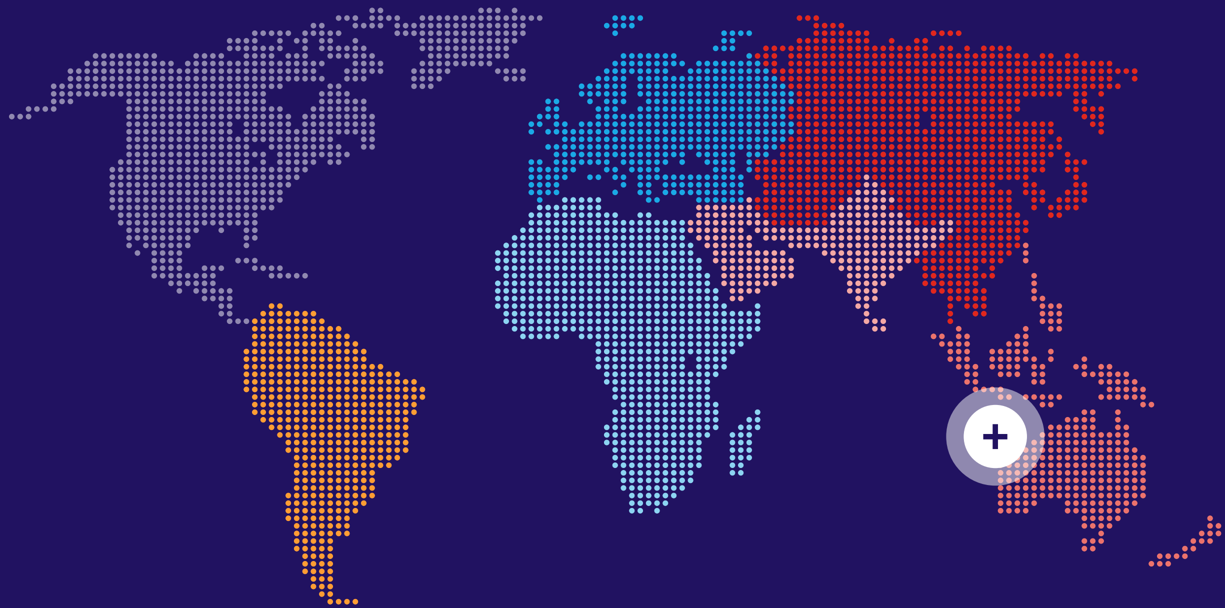
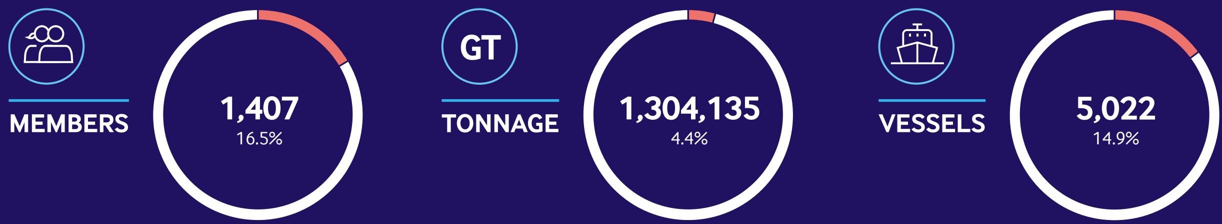
Click the icons
for a detailed breakdown

GT

WHERE WE OPERATE



AUSTRALIA, NEW ZEALAND & THE SOUTH PACIFIC



Watch online
Our Members

CHAIRMAN'S REPORT

As I write this report, I cannot help but think back over the previous year and how far we have come. While 2022 was not without challenges for some, it was a breakout year for the Club.

Underwriting surplus (US$)

6.2m

2021: 2.9m

Membership Retention

99.0%

2021: 98.8%

Standard & Poor's Rating

A stable

2021: A stable

Combined ratio (%)

97.4%

2021: 98.7%

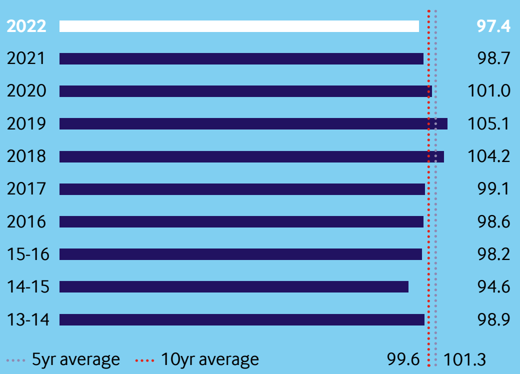
The gradual lifting of COVID-19 restrictions has enabled the Club to go from strength to strength. We achieved a solid combined ratio of 97.4%, premium written reached a record level of US$ 270.8m, claims costs were stable, the number of Members and tonnage entered increased and the Club once again received a reaffirmation of its Standard & Poor's rating of "A stable", reflecting our strong operating results, financial position and risk management.

I am deeply honoured to have been elected Chairman of the Shipowners' Club at such a pivotal point and to follow Phil Orme, who served as Chairman of the Club for an extraordinary eight years, including two years during the COVID-19 pandemic. Phil's leadership cannot be overstated, and his contribution was critical to the success of the organisation over the time he served as Chairman. Phil continues to serve on the Board of Directors, currently chairing the Finance Committee, and his continued support and contribution is greatly appreciated by both me and the rest of the Board.

> **I am deeply honoured to have been elected Chairman of the Shipowners' Club at such a pivotal point and to follow Phil Orme, who served as Chairman of the Club for an extraordinary eight years.**
>
> **DONALD A. MACLEOD KC**
> Chairman

CHAIRMAN'S REPORT
CONTINUED

Combined ratio %



We were also delighted to welcome a new Director from Australia, Theo Kailis, whose family business is engaged in the fishing sector. I know Theo will ably represent the Australian Membership and the fishing sector on the Board.

The financial strength of the Club enabled the Board to implement a NIL General Increase for our Membership this year, with the exception of the yacht and dry cargo sectors. Prudent (some might even say "boring") underwriting practices, exercised with discipline, underpin our financial strength and serve as one of the Club's core values. The one dark cloud for the year was the investment performance. Mind you, we were in good company in not being able to hide in the face of unprecedented turbulence as this was experienced in virtually every class of investment. Despite this, the Club remains well reserved, and the investment philosophy of the Club has always been to be a long-term and patient investor. This strategy has served the Club very well over many years.

Read more
Our strategy

Read more online
Board of Directors

> **"Prudent (some might even say "boring") underwriting practices, exercised with discipline, underpin our financial strength and serve as one of the Club's core values."**

CHAIRMAN'S REPORT
CONTINUED

Elsewhere, our approach to business continues to evolve. 2022 saw the issuance of the Club's first Corporate Responsibility (CR) Report. The CR report documents the Club's journey so far and highlights the progress that has been made to establish and ensure that Environmental, Social and Governance (ESG) principles are integrated into both our CR strategy and wider business processes to sustain the organisation into the future for the benefit of our Membership.

As we enter 2023, we must prepare to say goodbye to a dear friend and colleague, Simon Swallow, who joined the Shipowners' Club 32 years ago as an underwriter and leaves as CEO of the Club. I have personally known Simon for all those 32 years, having first met him when he joined the Club. I have had the pleasure of working with him as a Member of the Club, on the Board, and now, as Chairman. In many respects, Simon Swallow is the face of Shipowners' – his pleasant demeanour and enthusiasm are the embodiment of what the Club strives to do, namely, provide a friendly, efficient and professional service to its Members. We shall miss Simon dearly, but he has left a lasting legacy that will endure at the Club for many years to come.

I look forward to working with our incoming CEO, Simon Peacock, who will take over the helm at the 2023 May AGM in Luxembourg. Simon has been promoted from within, having served as Chief Financial Officer (CFO) of the Club for the past seven years. His successor as CFO, Marcus Tarrant, the current Chief Actuary, has also been promoted to his position from within the Club. This speaks to the breadth and depth of the management team at the Club. I wish Simon and Marcus all the best as they take on their new roles.

The coming year will bring new challenges but also opportunity, and the Club is well positioned to continue providing the service, support and responsiveness that our Members have come to expect. I look forward to serving as Chairman. Our Board is a reflection of the Club's Membership and is dedicated to diligently protecting and indemnifying our Members.

DONALD A. MACLEOD KC
Chairman

"As we enter 2023, we must prepare to say goodbye to a dear friend and colleague, Simon Swallow... We shall miss Simon dearly, but he has left a lasting legacy that will endure at the Club for many years to come."

CHIEF EXECUTIVE'S REPORT

It is hard today to think back to early 2022 and the restrictions that we were still encountering due to the COVID-19 global pandemic.

As we continue to take stock and assess the ways in which the pandemic has affected the way we work, we must find time to applaud the efforts of our Members and their seafarers, our brokers and the global network of P&I correspondents for placing the continuance of global trade front and centre in all that they do.

In turn, I am proud by how well we adapted across our branch network, and in collaboration with the **collectively stronger** International Group of P&I Clubs. Despite the turmoil we continued to support the maritime industry, offering the highest levels of security and maintaining our determination to respond promptly to Members and their brokers by offering the highest levels of traditional P&I service.

As the effect of the pandemic receded in many parts of the world, our Members were able to begin operating with fewer restrictions, which, for example, saw the return of many of the laid-up vessels engaged in the passenger trade. It must have been a very challenging time, and it has been encouraging to see activity in this important sector resuming. Naturally this has resulted in an increase in traditional passenger incidents, such as slip and fall claims, which have somewhat replaced the encouraging decline in COVID-19 related claims.

> **As we continue to take stock and assess the ways in which the pandemic has affected the way we work, we must find time to applaud the efforts of our Members and their seafarers, our brokers and the global network of P&I correspondents.**

SIMON SWALLOW
Chief Executive

Read more
Combined Ratio and Free Reserves

Capital & free reserves (US$)

337.4m

2021: 396.4m

Earned premiums net of reinsurance (US$)

236.4m

2021: 223.2m

CHIEF EXECUTIVE'S REPORT
CONTINUED

The COVID-19 pandemic taught us many things about the role of a mutual P&I Club, one being the importance of the strong partnerships we have with our Members and their brokers. During the year there has been increased merger speculation and greater moves towards diversification. Whilst we recognise the need to evolve, especially as we embrace greater use of digitalisation in our operations, we must ensure that our ship owning Members remain at the heart of all that we do. We must never be distracted from our core offering. The culture of a mutual is service, it is the ability to make agile decisions to ensure trade is not interrupted, and this reflects our ambition to ensure the peace of mind of our Members. The success of the mutual is through its Membership and the sharing of risks together. It is also the result of sound underwriting and strong discipline in our risk selection, coupled with the highest levels of claims service and a robust financial foundation.

During the year we had special cause to thank the many stakeholders who work with the Club, especially the 700+ brokers who bring us business. Whether they be retail or wholesale, we thank them for their trust and support.

Read more
Board Meetings

Over the course of 2022, we were able to bring the Club's Board to meetings in Dubai and Greece, during which we have held receptions. These events offered an invaluable opportunity to speak with local brokers, our global partners, and we were encouraged by their positive feedback. They recognise our fair and transparent approach to claims, our fair approach to pricing, the sharing of ideas through innovative loss prevention and the stability offered through our strong solvency position. We will never take these relationships for granted.

We also take great pride in the strong relationships enjoyed with our reinsurers, promoted by the Club's placing broker to our fundamental program, Gallagher Re.

The trust and transparency of our relationship with key reinsurers Swiss Re, Axis and Convex, plus supporting Lloyd's insurers, is essential to sustain the symbiotic relationship. The Club has always adopted a no surprise culture and that extends to working with all our strategic partners. We seek to be open and clear about our business operations through promoting trust and enhanced levels of communication, therefore ensuring there is fairness and equity in the relationship. We will always place candour and transparency at the heart of our business relationships.

CHIEF EXECUTIVE'S REPORT
CONTINUED

We have also recognised that the way we work is changing. We have embraced hybrid working. We have demonstrated that we can work from our homes and service levels will not be interrupted, although we also recognise the need to make our offices great places of learning and interaction, so that colleagues can learn through osmosis by being amongst other colleagues.

We want to ensure people are continually encouraged to see P&I as a rewarding career and we hope that, through education, training and on the job development, we encourage our colleagues to be the best in what they do to the benefit of the Membership. That has been evidenced during the year with many of our colleagues and stakeholders with whom we work, such as the P&I correspondents, taking up the International Group P&I Qualification (P&IQ). The P&IQ provides high quality, targeted education acknowledged within the P&I industry, and in the wider insurance market, as a unique and challenging standalone professional qualification. Education and ensuring we retain the best people working for our Members and their brokers remains a key strategic goal of the Club.

Hybrid working has become the norm across the insurance sector. This new way of working brings many advantages and challenges as it requires a robust and innovative approach to digitalisation. The way in which we work today has changed and will continue to change. The demands will increase and so, once again, our ability to remain agile is crucial in our decision making.

Our capability to produce accurate and timely documentation is essential. Our Board recognise the importance of digitalisation as we evolve, and we will achieve that in partnership with the brokers as we each recognise the value of embracing technological developments, with greater efficiency and accuracy, and consequently an enhanced ability to deliver first class customer service.

As we look back on the year, we are proud with the levels of business retention at the Club. Members and their brokers generally stay with the Shipowners' Club and we strive to retain that trust. We have seen steady growth without ever compromising our technical underwriting result and we have stuck to what we do. We will continue to stick to our niche by offering the most secure P&I product to smaller and specialised vessels and this will be supported by a tremendous team of colleagues across the branch offices and by a dedicated Board of Directors.

Despite the positive outcomes for the year, we must never become complacent. As we look forward to 2023 and beyond, we thank our many friends for their support, and we will continue to strive to ensure peace of mind in all that we do.

Simon Swallow

SIMON SWALLOW
Chief Executive

> **"As we look forward to 2023 and beyond, we thank our many friends for their support, and we will continue to strive to ensure peace of mind in all that we do."**

Read more
Executive Management team

OUR STRATEGY

OUR STRATEGIC GOALS

We have developed our strategic goals by assessing our competitive position, risk appetite, regulatory environment, capital strength and ORSA (Own Risk and Solvency Assessment).

Delivering on these strategic goals and our 'key guiding principles' enables us to be the number one market leader in the small and specialist vessel sector.

STEADY GROWTH

Over the long-term, to maintain steady growth in premium without ever sacrificing our underwriting disciplines – business proudly written for the mutual benefit of the Club.

CAPITAL ADEQUACY & RISK MANAGEMENT

To maintain a strong Balance Sheet to support independence including an A credit rating and a capital adequacy rating of 99.95%/99.99% and to satisfy compliance and regulatory requirements.

RETAINED BUSINESS

Priority will be placed on business retention and nurturing our key broker relationships.

OPERATIONAL EFFICIENCY

Achieve more with what we have – improve service, increase growth with same resources.

BRAND RECOGNITION

Members, brokers, employees and markets to recognise the Club's brand and understand its brand differentiators.

DEVELOPED STAFF & COLLABORATION

Recruit, train and retain people who are technically outstanding, imaginative and committed to offering the highest service levels with a joined-up approach between branches and departments.

STAKEHOLDER PEACE OF MIND

Members and their brokers to have access to our team of specialist, expert and pro-active claims, loss prevention and crew welfare services, who are there to provide a tailored and timely response, delivered with fairness and integrity.

CHIEF EXECUTIVE'S REPORT
CONTINUED

SPOTLIGHT

P&I ONLINE

P&I Online, the self-service broker portal from the Shipowners' Club.

In April 2022, the self-service broker portal, P&I Online, was launched.

Developed to meet the evolving needs of the Club's Members' brokers, the portal offers them access to key information 24 hours a day, 7 days a week, via a laptop, tablet or smart phone.

Since the launch, the Club has been encouraged by the high levels of take up and engagement with the portal and has been delighted to receive positive feedback from users. Throughout 2022, the Club made several technological updates to the portal to improve its capabilities, and this will continue throughout 2023 as we expect to see the number of onboarded contacts continue.

Read more online
P&I Online

Operations review

"With the exception of the yacht and dry cargo sectors, the Club saw rating levels overall being adequate for the current year, despite the impact of a higher level of inflation. This allowed the Club to conclude that no General Increase would be required for 2023, a position that was greatly valued by Members."

IAN EDWARDS
Director – Underwriting

OPERATIONS REVIEW

A key focus for the Club's 2022 operations was the continued development of the broker portal – P&I Online.

This portal has seen excellent engagement from Members' brokers, who have valued the availability of functionality that allows access to policy, Member, vessel, loss ratio and claims information.

Further functionality to allow brokers to bind renewal quotes and auto-produce documentation has also been developed and is currently being piloted with a small number of brokers. This component will be rolled out more widely during the second half of 2023.

From an underwriting perspective, the Club's primary objective remains to service the needs of its existing Membership. The Club is ambitious and looks to grow where possible, but in doing so it remains committed to ensuring it has a very wide spread of risk and that any new Members will make a positive contribution to the existing Membership. Rating levels have been under significant pressure over the last few years which had resulted in the Club asking for three consecutive years of General Increases. With the exception of the yacht and dry cargo sectors, the Club saw rating levels overall being adequate for the current year, despite the impact of a higher level of inflation.

This allowed the Club to conclude that no General Increase would be required for 2023, a position that was greatly valued by Members, especially at a time when the wider market was seeking significant increases. As a mutual organisation which exists for its Members, the Club will only ever ask for that premium that is required to cover the costs of providing the cover to Members.

This mutual ethos is also exemplified in the Club's approach to claims and loss prevention. As the recognised number one Club for smaller and specialist vessels, it holds a unique position within the International Group (IG) in terms of both the size and number of vessels entered. The benefits of such a spread are obvious in terms of risk but these high numbers make it an inevitability that the Club is notified of, and handles, more claims than its peers.

At its core, the Claims department strives to keep Members' vessels operating by providing a specialised and tailored claims response service that is available 24 hours a day, 7 days a week, and provides immediate global assistance to all Members. It remains the Club's fundamental objective to pay reasonable claims promptly.

"At its core, the Claims department strives to keep Members' vessels operating by providing a specialised and tailored claims response service that is available 24 hours a day, 7 days a week, and provides immediate global assistance to all Members."

BRITT PICKERING
Director – Claims & Legal

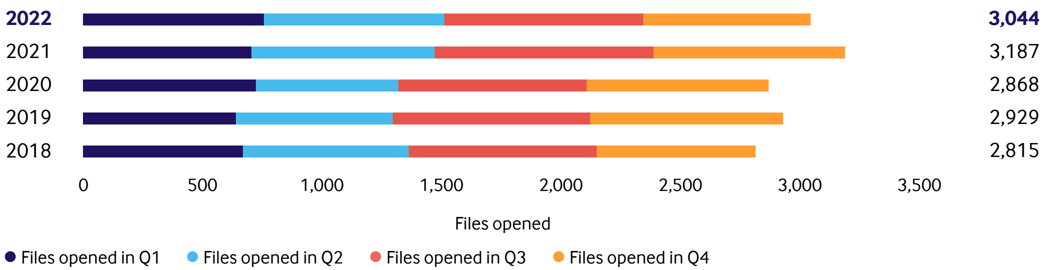
OPERATIONS REVIEW
CONTINUED

In 2022, the Club employed an in-house casualty consultant who is a Master Mariner with experience in a wide variety of vessel operations and types. He specialises in marine casualty investigations and has attended numerous major casualties involving salvage, wreck and cargo removal operations globally. The Club's casualty consultant was also listed on Lloyds Panel of Special Casualty Representatives (SCRs) from 2012 to 2022, demonstrating his extensive SCR experience.

In the small vessel sector, it is also evident that, post casualty, vessels can become constructive total losses, perhaps faster than larger, more costly vessels. These wreck removal claims, together with complex navigational claims, makes the Club's instruction of trusted expert casualty consultants vital. The Club has access to such expertise both from its own people, and also from trusted partners that have served the Club and its Members well for so many years.

Both the 2020 and 2021 financial years were significantly impacted by COVID-19. As 2022 drew nearer, the Club was optimistic that the impact on Members' operations and on claims presented to the Club would start to reduce. Thankfully, that proved to be the case, with the average number of COVID-19 claim notifications per month falling to 13 compared to 34 in 2021. This equated to a 62% reduction when comparing 2022 with 2021. The last quarter of 2022 corroborates this trend, with an average of just five claims notified per month. However, the Club continued to see several serious outbreaks on vessels throughout the year. Whilst the personal impact on peoples' health cannot be underestimated, the financial impact was considerably reduced compared to the prior year.

FILES OPENED
(as at 31 December 2022)



COVID-19 MEMBER CLAIM FILES
(since beginning of pandemic to 31 December 2022)

Number: 50 | 100 | 150

Incurred (US$): 0-1m | 1-2m | 2-3m | 3m+

Number of claim files
1,053

Total incurred (US$)
25.6m

OPERATIONS REVIEW
CONTINUED

SPOTLIGHT

SANCTIONS

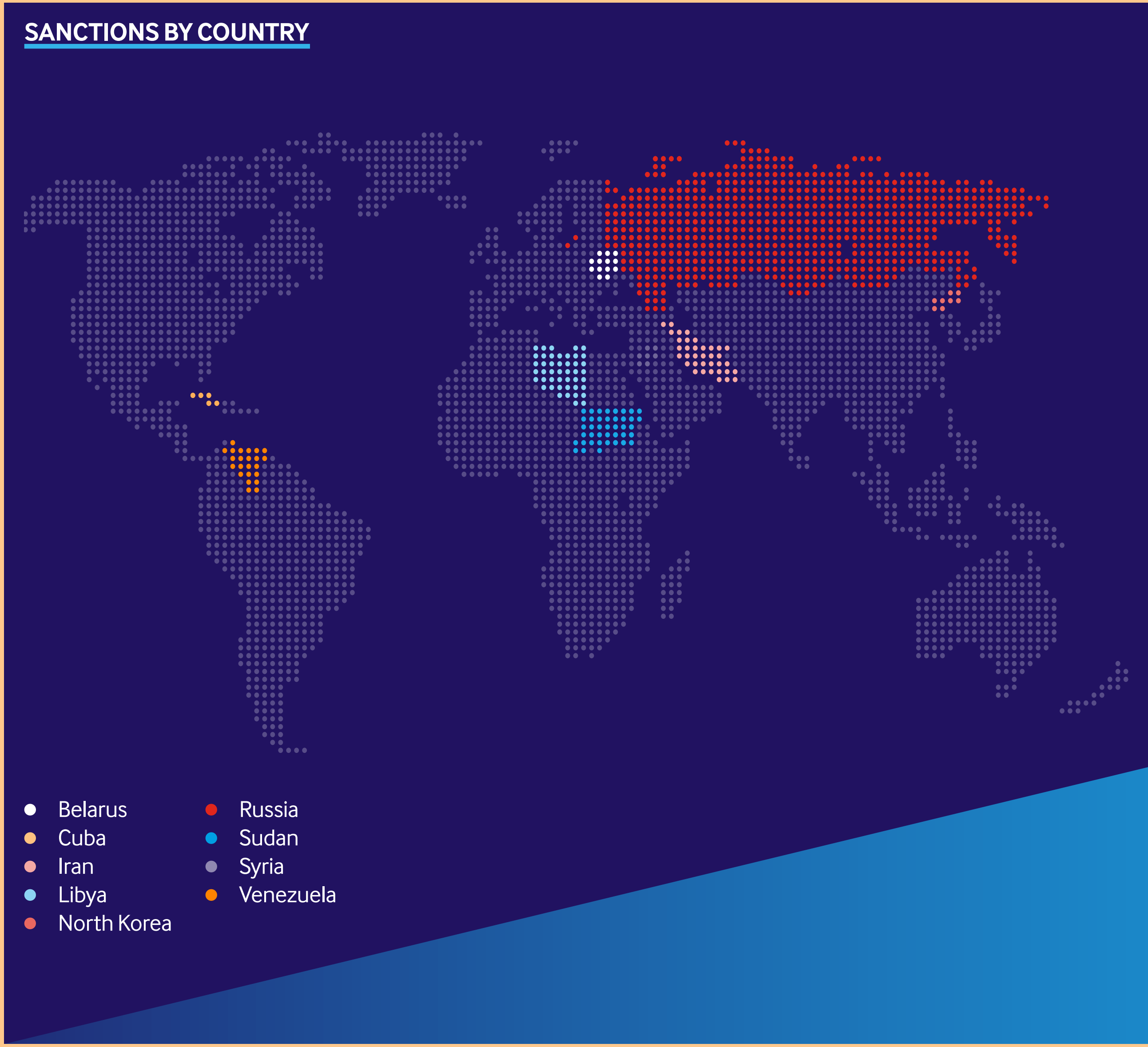
The operating environment for Members and the overarching regulatory framework is continuously changing, particularly around sanctions.

In 2022, these changes were particularly evident in relation to the ongoing Russian invasion of Ukraine, where the plethora of regulations with short implementation periods has been challenging for Members and the Club alike.

As a member of the International Group of P&I Clubs (IG), the Club is fortunate to be part of a collaborative community where information and expertise has been shared willingly to provide Members with the most up to date advice.

In addition, the IG, which represents approximately 90% of the world's ocean-going tonnage, has utilised its influence to provide a voice for its collective membership which has been extremely effective.

As part of the Club's value-added services to Members, it is available to provide information, guidance, and advice to Members regarding their insurance cover. Whilst not a replacement for Members' own due diligence, the Club's experts provide a wealth of resources, including an up-to-date listing of current sanction updates, which are available through the online map.



Read more online
Sanctions

OPERATIONS REVIEW
CONTINUED

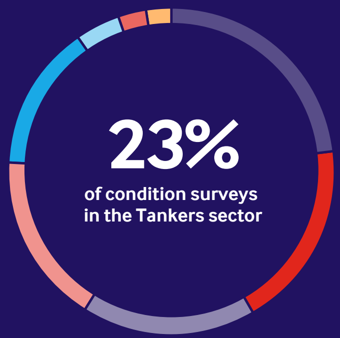
CONDITION SURVEY PROGRAMME

The Club's Condition Survey Programme (CSP) has been in place for over two decades and is a proactive service that exists to give comfort that vessels entered with the Club are in a condition of mutual benefit to all Members.

In 2022, 398 surveys were carried out. 42% of the vessels that were surveyed were either a new entry, or a prospective new entry to the Club.

Part of the proactive nature of the CSP is the analysis of defects and subsequent sharing of observed trends which raise awareness in assisting Members to mitigate against related incidents. In 2022, defects associated with mooring operations and bilge cleanliness (including machinery space and cargo holds) were the top two areas of highlighted issues. These will form the focus for related loss prevention activities in 2023.

Number of condition surveys 2022
(by vessel category)



Tanker	92
Dry Cargo	74
Barge	69
Passenger	67
Harbour	58
Offshore	17
Fishing	12
Yacht	9

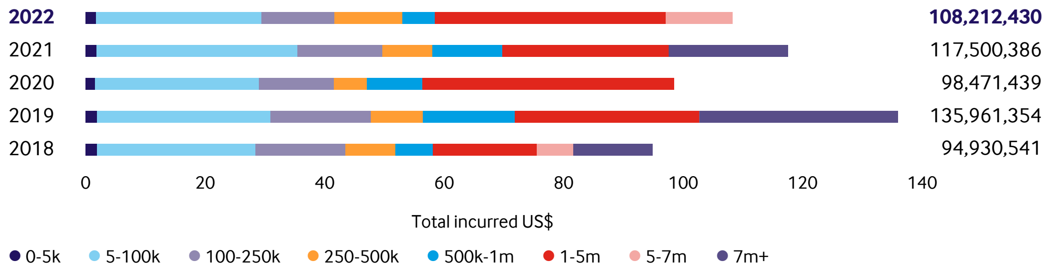
Total vessel surveys

398

2021: 387

Read more online
Condition Survey Programme

TOTAL INCURRED VALUE OF CLAIMS
(year ended 31 December 2022)



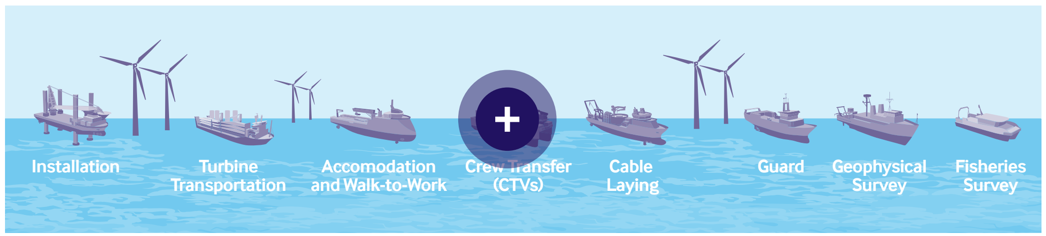
The impact of COVID-19 has been manifold. In the passenger and yacht sectors, Members' operations suffered, with reduced operations for the best part of two years. Fortunately, 2022 saw activity in these sectors return to historic levels and with that came a more conventional pattern of claims, both in number and nature of incident.

This increase in passenger vessel activity was reflected in the substantial increase of condition surveys carried out on board applicable vessels, up from 28 in 2021 to 67 in 2022. Notably, 37 of the 67 surveys undertaken in 2022 were lay-up reactivation surveys.

In the offshore sector, which had seen the largest quantum of COVID-19 claims (27% of the total), the Club saw an increase in activity as many parts of the world returned to normal and the demand for oil grew, fuelling global price rises. It has been a challenging time for Members in this sector, which account for over 20% of the Club's income.

Excess capacity has prevailed for many years, impacting charter rates and creating significant financial challenges. In parallel with increased oil and gas activity, it is also encouraging to see the growth in offshore wind development. Many of the Club's Members have been at the forefront of development in this sector and it continues to see investment in new tonnage and a much wider geographic scope to operations.

Historically, offshore wind development has been largely concentrated in the UK and mainland Europe, but development is now increasing worldwide, particularly in Asia and the United States. Overall, income from the combined offshore portfolio rose by almost 10% during 2022. Despite higher levels of operations, the number of claims was unusually benign for the year.



OPERATIONS REVIEW
CONTINUED

Renewable energy production has been expanding across the globe for decades, and with this expansion comes a rapid growth in the shipping fleet required to build, operate, and service the infrastructure. In recognition of this, the Club collaborated with industry experts to produce an article that highlights *Challenges and opportunities for oil and gas shipowners in transitioning to renewables.* This article forms part of the ongoing Technology in Shipping campaign. The Club is aware that when it comes to requiring a test bed for new technologies, the focus tends to be targeted on the size of vessel predominantly entered with the Club. To assist Members in navigating the opportunities and drawback of these developments, the Club has developed a series of articles featuring insights from specialists and innovators from across the maritime industry, to discuss the current landscape and solutions of new developments and technologies, including autonomous vessels, blockchain and decarbonisation.

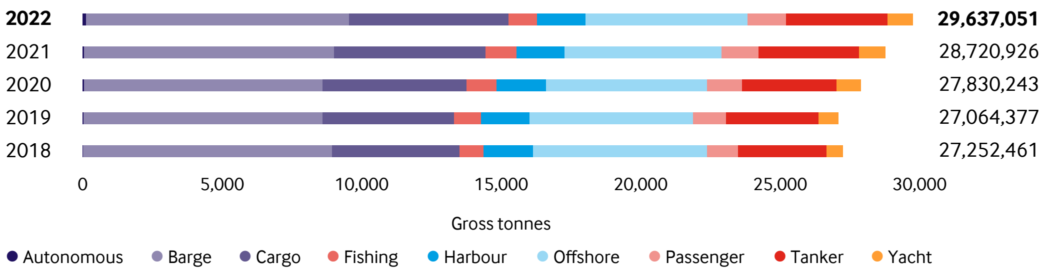
The impact of the decarbonisation roadmap on Members has been at the forefront of the Club's agenda for 2022. The Club is involved with numerous activities to provide assistance to its partners. Assistance includes the development of policies to support embracing technological developments, liaising with Members to keep them informed of developments in this area, to assist with challenges they may be facing, and providing a voice for the Club's unique Membership when engaging with the wider maritime industry. The provision of a dedicated 'emission reduction' platform on the Club's website was also launched to ensure Members are kept up to date on industry measures, regulations and technological advancements.

Read more online
Technology in Shipping

Read more online
GHG reduction

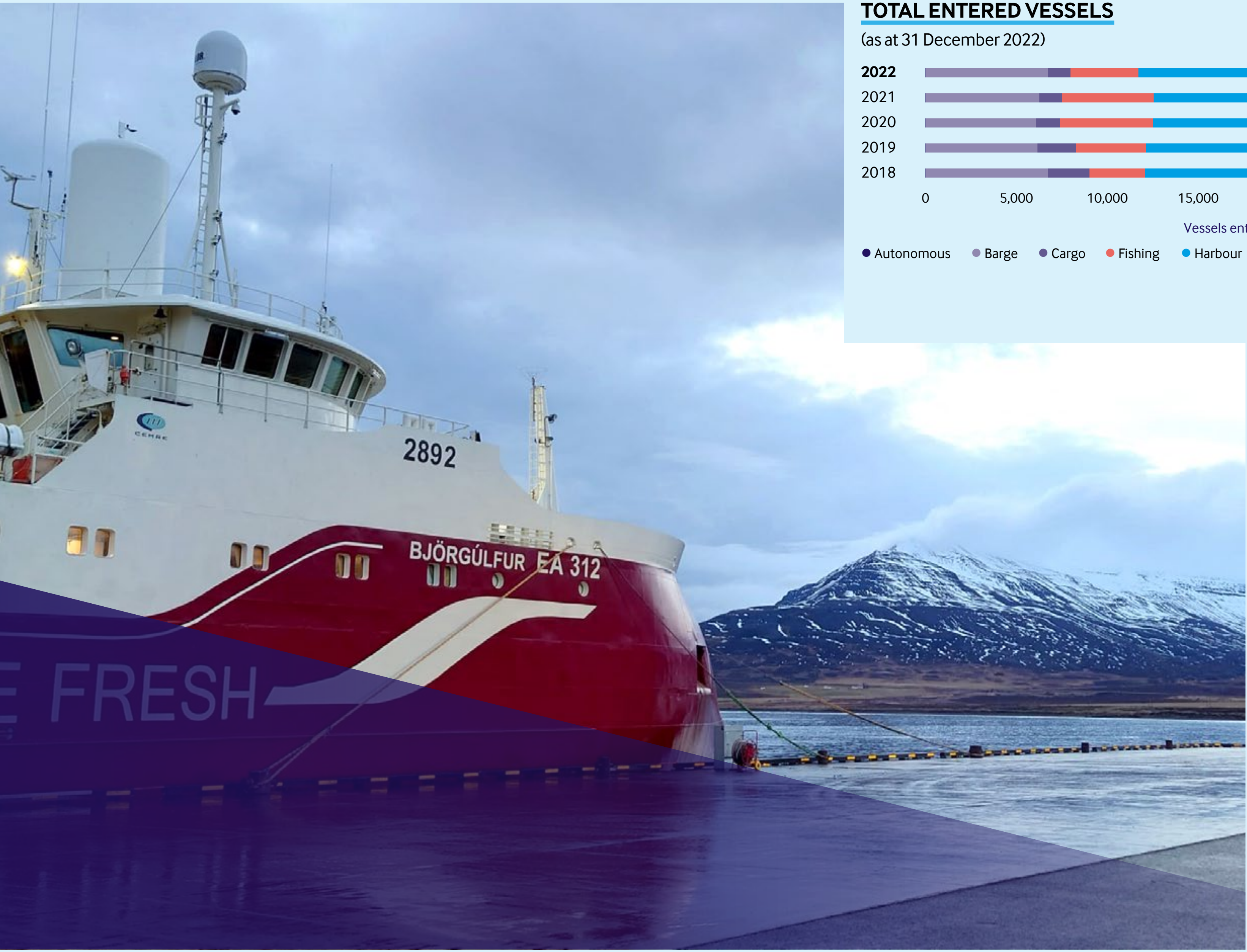
> **The impact of the decarbonisation roadmap on Members has been at the forefront of the Club's agenda for 2022.**
>
> **LOUISE HALL**
> Director – Loss Prevention & Corporate Responsibility

TOTAL ENTERED TONNAGE
(as at 31 December 2022)



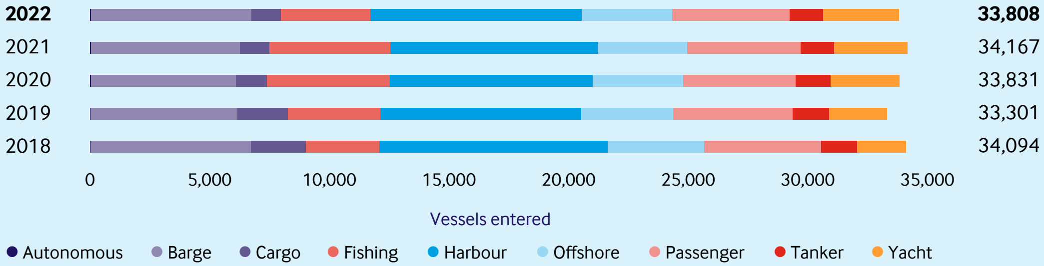
OPERATIONS REVIEW

CONTINUED



TOTAL ENTERED VESSELS

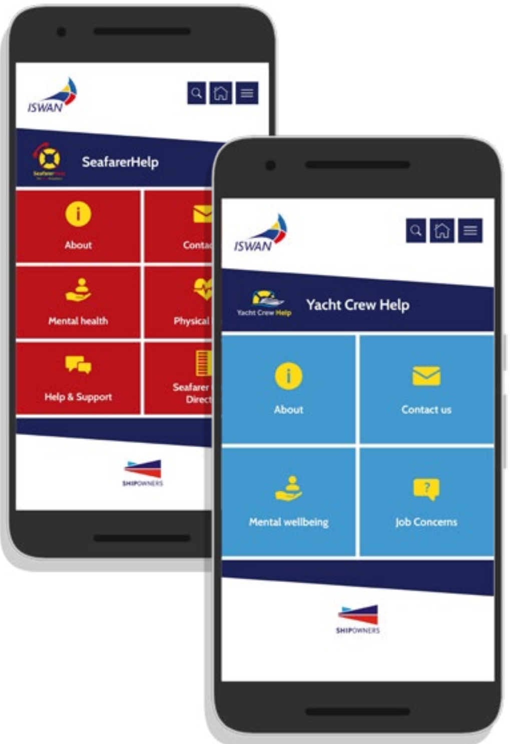
(as at 31 December 2022)



As noted, there has been a significant impact from COVID-19 in the passenger and offshore sectors. In other sectors, where Members operate tugs/barges, dry cargo, tankers and fishing vessels, the impact of COVID-19 has been lower. The Club observed modest organic growth in all areas, whilst maintaining a selective approach on accepting new business. It remains the Club's belief that rating levels on dry cargo vessels, in particular, do not always reflect the risks that current operations represent. It has always been the case that the Club seeks to ensure every Member pays a premium that properly reflects the risks that they bring to the Club and for that reason increases in premium are being sought from dry cargo Members.

Similarly, it was also decided to apply further increases to the Yacht Membership. This remains a rapidly growing sector of the Club's business, now accounting for almost 10% of income. However, continued navigational incidents and fires remain significant factors, so it was concluded that a further 10% increase in premium was needed going forward. With over 1,000 further superyachts under construction worldwide, the Club must expect that Members will be faced with ongoing challenges in recruiting and retaining good quality crew, which is likely to further impact the future risk profile.

OPERATIONS REVIEW
CONTINUED



The Club continues to review the nature of the yacht claims being experienced but it is difficult to identify any particular trends from the incidents that it has seen. However, even though no apparent causational trends are observed, the handling of yacht claims, in particular wreck removals, require expert handling both internally and with the Club's trusted partners.

To recognise this claims activity and assist the Club's Members in mitigating claims on their yachts, the Loss Prevention team developed a Yacht Safety resource page. This contains information on safety culture, navigational best practice including considerations for weather forecasts, safe passage and safe berths and fire mitigation advice. Another important factor of incident mitigation is ensuring a happy and safe crew. To assist in this area, the Club continues to develop the *ISWAN for Seafarers* App which provides dedicated resources, and a 24 hour all year-round helpline for yacht crews.

Read more online
Yacht Safety

Watch online
ISWAN for Seafarers

OPERATIONS REVIEW
CONTINUED

SPOTLIGHT

CORPORATE RESPONSIBILITY REPORT

In October 2022, the Club launched its first Corporate Responsibility (CR) Report.

The report details the Club's CR journey so far and highlights the progress that has been made to establish and ensure the foundations of an Environmental, Social and Governance (ESG) framework are integrated into our CR strategy, business processes and governance framework to assist in sustaining the business into the future.

The Club truly strives to deliver a CR strategy that will add value to its activities by ensuring that operations not only avoid having a negative effect but in fact benefit the environment, society and the economy.

The Club's CR journey has only just begun and as it looks to its development, it will continue to be transparent, engage with its stakeholders, and seek opportunities to create value for the benefit of all as it embraces a more sustainable future.

Read more online
Corporate Responsibility Report

Corporate governance

CORPORATE GOVERNANCE

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Members of The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) will be held at Le Royal Hotel, 12 Boulevard Royal, L-2449 Luxembourg, on Thursday 25th May 2023, at 09.00 hours for the following purposes:

- To approve the Report of the Directors and the Annual Accounts for the year ended 31 December 2022, and the Report of the Auditors thereon.
- To elect Directors.
- To undertake the appointment of the statutory auditor (Réviseur d'entreprises agréé) for the financial year ending 31 December 2023 and to consider the remuneration thereof.
- To review the level of Directors' Fees.
- To transact any other ordinary business of the Association.

By Order of the Board

P HERRMANN
General Manager

16, Rue Notre-Dame
L-2240 Luxembourg

19 April 2023

Note: A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of him/her. A proxy need not be a Member of the Association. The proxy must be in the form published on our website and signed by the appointing member or its legal representative(s). Members are encouraged to utilise their proxy voting form.

GOVERNANCE FRAMEWORK

THE SHIPOWNERS' CLUB

CHAIRMAN OF THE ASSOCIATION
Donald A. MacLeod KC
Canada

DIRECTORS OF THE ASSOCIATION

Ali Gürün
Turkey

Dr. David Ho, JP
Hong Kong

Richard Knight
United Kingdom

Theo G. Kailis
Australia

Kathy Meads
New Zealand

Rev. Canon Stephen Miller
Hong Kong

Philip D. Orme
UAE

Peter Sydenham
United Kingdom

Jan Vermeij
Chile

Dr. Yves Wagner
Luxembourg

Mark Whitaker
United Kingdom

AUDIT & RISK COMMITTEE

Kathy Meads
(Chair)

Dr. David Ho, JP
Philip D. Orme
Dr. Yves Wagner
Mark Whitaker

FINANCE COMMITTEE

Philip D. Orme
(Chair)

Richard Knight
Donald A. MacLeod KC
Rev. Canon Stephen Miller
Dr. Yves Wagner

REMUNERATION COMMITTEE

Mark Whitaker
(Chair)

Donald A. MacLeod KC
Philip D. Orme

CHAIRMAN EMERITUS
William Everard CBE
United Kingdom

BOARD MEETINGS

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 meet just before each Board meeting to review financial matters, and then report 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 to 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.

Read more
Board meetings on page 27

CORPORATE GOVERNANCE

CONTINUED

THE COMMITTEES AND THEIR RESPONSIBILITIES

The Board

CHAIR:
DONALD A. MACLEOD KC

Responsibilities include:

- 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 & Risk Committee

CHAIR:
KATHY MEADS

Responsibilities include:

- 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

CHAIR:
PHILIP D. ORME

Responsibilities include:

- Monitoring and reporting to the Board the quarterly financial position of the Club, including the annual financial result.
- Monitoring key Solvency II financial and solvency measures.
- Making recommendations to the Board and its subsidiaries on annual expense plans and budgets, specific capital projects, acquisitions, joint ventures and divestitures, financial 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

CHAIR:
MARK WHITAKER

Responsibilities include:

- 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.

CORPORATE GOVERNANCE
CONTINUED

OUR EXECUTIVE MANAGEMENT TEAM

Our executive management team is comprised of nine industry professionals with global coverage, each of whom offer a variety of skills and experience which enhance the growth and development of the Club's business.

SIMON SWALLOW
Chief Executive

Simon Swallow joined the Shipowners' Club in 1991 assuming the role of Senior Underwriter. As Chief Executive, Simon is responsible for driving forward the Club's strategic objectives and working closely with the branch offices to look after the needs of the Club's Members and the many brokers with whom the Club works. In addition to overseeing customer relationships, Simon leads the company's marketing and business planning effort seeking ways in which, through the cover provided, we can provide comprehensive liability solutions to Members. Simon is also responsible for the Club's reinsurances and close liaison with the Club's board.

Simon has always worked in marine related industries having started his career as a ship broker and then worked in Hong Kong for a well known towage company. He then moved back to London and worked for seven years with a Lloyd's insurance broker.

IAN EDWARDS
Director – Underwriting

Ian joined the Club as a claims handler in 1991 with a Nautical Studies degree and having worked for several years with a container shipping company. He moved to the Underwriting Department in 1993 and assumed the position of Underwriting Director in 2012. In addition to being responsible for all underwriting activity for the Club, he is also responsible for the day to day management of the London branch.

BRITT PICKERING
Director – Claims & Legal

After qualifying as a solicitor in 1998, Britt worked for a large City firm specialising in insurance litigation and yacht/pleasure craft claims. Britt then spent over two years with another P&I club dealing with Legal Assistance & Defence (FD&D) and cargo claims for Members in the Far East before joining the Shipowners' Club in 2003. In 2012, Britt became Claims and Legal Director of the Shipowners' Club, with overall responsibility for claims and legal services across all branches.

STEVE RANDALL
Chief Executive – Singapore

The longest serving member of staff, Steve joined the Club in 1978 with a solid focus on underwriting. He relocated to Singapore as General Manager with the opening of the branch in 2009 with overall responsibility for the Club's business in the region. In May 2015 Steve was appointed to the Board of the management company as Commercial Director, taking on a wider remit reporting to the main Board on the Club's worldwide business development and commercial direction. In August 2022, Steve was appointed CEO to the Singapore branch, continuing to retain his outward facing business development role throughout Asia.

CORPORATE GOVERNANCE
CONTINUED

LOUISE HALL
Director – Loss Prevention & Corporate Responsibility

Louise joined the Loss Prevention team in 2006 bringing with her a valuable marine background, having served at sea with a global container shipping line and by working as Cargo Planner, Operations Superintendent and Ship Manager. In January 2017 Louise was appointed as a Director of the management board, taking on the wider remit of overseeing Marketing and Corporate Responsibility in addition to Loss Prevention. Louise has an MSc in Marine Surveying and has undertaken a Sustainability in Business Course at the University of Cambridge.

SIMON PEACOCK
Chief Financial Officer

Simon joined the Shipowners' Club in 2016 as Chief Financial Officer (CFO). As CFO, Simon has responsibility for overseeing the financial strategy and the financial stability of the Club, as well as overseeing key aspects of risk management.

Prior to joining the Club, Simon spent 7 years at a London based real estate company, as Group Finance Director and Deputy Chief Executive Officer. Before that Simon spent 13 years working in the City within the securities and derivatives broking sector, and the investment banking sector.

Simon is an accounting graduate and a Fellow of the Institute of Chartered Accountants in England and Wales.

PASCAL HERRMANN
General Manager – Luxembourg

Pascal graduated in finance and accounts from the Business School of Strasbourg University. He also spent a year at Stirling University in Scotland. He moved to the Luxembourg financial services sector and worked more than six years as an auditor specialised in the financial sectors of investment funds, private banking and insurance. He joined the Shipowners' Club head office in March 2004 and was appointed General Manager in April 2010.

MARCUS TARRANT
Director & Chief Actuary

Marcus Tarrant joined the Shipowners' Club in 2014 as Chief Actuary and was appointed as a Director of the management board with effect from 1 January 2017. As Chief Actuary, Marcus is focused on maintaining the Club's financial stability and leads the Club's Actuarial, Compliance and Risk Management functions.

Prior to joining the Club, Marcus worked for professional services firm PwC for 14 years on a broad range of actuarial assignments, both in the UK and the US where Marcus was based for six years.

Marcus is a graduate of City University, London, a Fellow of the Institute of Actuaries (UK) and a Fellow of the Casualty Actuarial Society (US).

MARK HAMBLIN
Chief Information Officer

Mark joined the Club in 2012 having spent his early career in the banking and insurance sectors. During his time with the Club, Mark has taken on several roles across change and technology and was appointed as a Director of the management board in November 2020 as he took up the role of Chief Technology Officer. Mark is responsible for the delivery of the strategic change programme for the Club as well as management of the day to day IT function.

CORPORATE GOVERNANCE

CONTINUED

BOARD MEETING 2022

Lisbon

Click the icons to view each meeting

March

May

August/ September

November/ December

A total of ten Directors were present for the Board's meeting held in Lisbon. This was the first in-person meeting held by the Board since the COVID-19 pandemic prevented in-person meetings.

The Board received a report from the Chief Executive which updated on numerous topics, including the Club's reaction and response to the COVID-19 pandemic, the current market conditions, strategic initiatives, and sanctions.

An update was presented by the Club's Chief Information Officer (CIO) who outlined the scope of the function, objectives, performance metrics, and discussed the plans for 2022. He then highlighted risks and issues.

The Managers provided an update on the transformation strategy of the Club. Key transformation milestones, technological innovations, planned deliverables, costs and the governance model for change were outlined.

An update was provided by the Managers on the Club's year-end financial results.

The Managers provided a report on claims activity which included commentary on claims trends and drew the Board's attention to particularly large and/or unusual claims. A detailed update on two of the Club's large weather-related claims was provided.

The Board received a report from the Managers which updated on the 20 February 2022 renewal. The Board heard about the Club's performance during the renewal and management highlighted the gains and losses achieved.

The Managers presented an update on the reinsurance renewal for 2022/23. The update highlighted the renewal terms that had been achieved for the International Group's Excess of Loss reinsurance contract as well as the Club's main reinsurance contracts.

The Board received an update on Solvency II. This report covered recent regulatory developments, scenario testing and results.

CORPORATE GOVERNANCE

CONTINUED

BOARD MEETING 2022

Dubai

Click the icons to view each meeting

March

May

August/ September

November/ December

A total of ten Directors were present for the meeting.

The Board received a report from the Chief Executive which updated on several matters including technical innovation, market developments, the Club's hybrid working model, recent management strategy meetings and the International Group's P&I Qualification (P&IQ).

The Managers provided the Board with an update on the Club's Own Risk and Solvency Assessment ("ORSA") which included the process for the preparation of the ORSA and highlighting the key assumptions that were made therein. The impacts of all the scenarios modelled were outlined. The ORSA was approved by the Board.

The Board received a presentation of the actuarial function report. This highlighted the four areas that the Club's actuarial function must consider and reported that no significant issues were raised in any area.

The Club's Solvency & Financial Condition Report (SFCR) was presented and approved by the Board.

The Chair of the Finance Committee provided an update from the most recent Finance Committee meeting.

The Board received an update from the Chair of the Audit and Risk Committee which included a presentation of the most recent internal audit findings.

A report on the Club's pre-employment medical testing scheme (Medisea) was presented to the Board. The report included the rationale for the scheme, the business case, the health benefits being delivered to seafarers and cost savings achieved as a result of reduced crew claims.

The Managers provided a presentation on the Club's Loss Prevention initiatives. This included an update on the Club's Condition Survey Program.

The Board agreed to close the 2019 policy year without additional calls, and to maintain its policy of nil additional calls and nil release calls on all open policy years.

The Board approved a new Chief Executive for the Club's Singapore branch.

CORPORATE GOVERNANCE

CONTINUED

BOARD MEETING 2022

Athens

Click the icons
to view each meeting

March

May

August/ September

November/ December

A total of eleven Directors were present for the meeting.

The Chief Executive provided an update to the Board covering the global shipping market, new business opportunities, the Club's change programme and strategic initiatives and noted activities that were to be undertaken in the following quarter.

The management provided an update on sanctions that had been implemented as a result of the Ukraine / Russian war and their impact on Members and the Club.

An update of the Club's Corporate Responsibility (CR) activities was provided by the Managers. The presentation included the framework that had been implemented, progress against key milestones and information on the CR report including the publication date.

The Chair of the Finance Committee provided an update from the most recent meeting. This included an update on the financial results including investment returns as outlined by the Club's bankers.

The Board received an update on the Club's claims which included claims statistics and a focus on wreck removal and salvage claims. Several prominent and high value claims were then presented.

The Managers presented an update on the Club's Greek office.

The Board received a report on the International Group, which included a review of major developments, financial results and solvency positions.

The Club's 2023 renewal strategy was considered by the Board. Several alternative options and approaches were discussed.

The Board agreed that a new Director, Mr Theo Kailis, would be invited to the next meeting and be co-opted to the Board from the meeting in November 2022.

CORPORATE GOVERNANCE
CONTINUED

BOARD MEETING 2022
Luxembourg

Click the icons to view each meeting

March

May

August/ September

November/ December

A total of eleven Directors attended the meeting in the Club's home jurisdiction of Luxembourg.

The Board received an update from the Chair of the Finance Committee of the most recent meeting. This included an update on the financial results and investment return.

The Chair of the Audit and Risk Committee provided an update on their most recent meeting. The update included reports from the internal auditors, an update on risk management and sanctions.

The Chief Executive presented a report to the Board which updated Directors on Club strategy and transformation, recruitment challenges, the International Group and the focus of the Club's Management for the next quarter.

The Board received an update on the Club's reinsurance renewal. The update covered the Club's reinsurance programme, an update on the reinsurance market generally presented by the Club's brokers and expectations for the 2023 program.

A presentation on the operations of the International Group pooling mechanism was provided to Directors.

The Managers provided a report which analysed the Club's business. This included analysis of performance by geography, vessel category and an analysis of Delegated Underwriting Authority agreements.

The Board received a presentation on the 2023/24 policy year renewal. The Board were reminded that a zero General Increase was presented and approved at a meeting held on the 31 October 2022.

The Managers presented a report which highlighted the proposed rule changes for consideration at an Extraordinary General Meeting to be held in January 2023. The Board agreed these proposed changes.

The Board received a presentation from the Managers which outlined the 2023/25 strategic business plan and financial forecasts. The plan was approved by the Board.

An update on the G7 Price Cap sanctions developments was presented to the Board. An overview of the sanctions and the mechanism for delivering them was provided by Management.

Financial review

> The Club has seen an increase in premium earned during the year of 6.3%, taking gross earned income to US$ 264.7m. Growth has been delivered whilst still maintaining the Club's underwriting discipline.

SIMON PEACOCK
Chief Financial Officer

FINANCIAL REVIEW

The Directors have pleasure in presenting their report and the annual accounts of the Club for the year to 31 December 2022.

REPORT OF THE DIRECTORS

The Board of Directors hereby submits the annual accounts, for the financial year ended 31 December 2022, prepared in conformity with the requirements of the company law, as amended.

The Club is reporting a deficit for the year of US$ 59.1m (2021: surplus of US$ 17.4m). This deficit is primarily the result of an underwriting gain of US$ 6.2m (2021: underwriting gain of US$ 2.9m) coupled with a loss from the investment portfolio of US$ 65.6m (2021: gain of US$ 15.6m).

The Club has seen an increase in premium earned during the year of 6.3%, taking gross earned income to US$ 264.7m. Growth has been delivered whilst still maintaining the Club's underwriting discipline. As a mutual organisation the Association is run for the mutual benefit of its Members. As such, it is important that any new entries to the Club present an appropriate balance between risk and price. During the course of the year new business has been written with this underwriting focus, and, equally, significant amounts of potential new business have been turned down due to the risk/reward balance not being beneficial to the Club and its Members.

ACTIVITIES

The principal activities of the Club during the year were the insurance and reinsurance of marine protection and indemnity risks on behalf of its Members. There are no major changes planned to these activities during the current financial year. There have been no research and development activities.

DIRECTORS

The current Directors of the Association are shown on page 23. They held office throughout the year, other than Mr Kailis, who joined the Board at the 30 November 2022 meeting. Messrs Knight, Miller and Orme will each resign in accordance with the constitution at the forthcoming Annual General Meeting and Messrs Miller and Orme, each being eligible and with their agreement, offer themselves for re-election. Mr Kailis, who was co-opted to the Board on 30 November 2022, will retire from the Board and, in accordance with the constitution, will offer himself for re-election.

FINANCIAL REVIEW
CONTINUED

Underwriting surplus (US$)

6.2m

2021: 2.9m

Overall deficit (US$)

59.1m

2021: 17.4m (surplus)

Closing net assets (US$)

337.4m

2021: 396.4m

Standard & Poor's rating

A (stable)

2021: A (stable)

During the year the Club's underwriting business benefited from a strong competitive position and there was a consequent opportunity to deliver steady growth in premium. This growth was impacted to a modest extent by the Russian invasion of Ukraine and the consequent release of Russian nexus business. In the area of claims the Club saw a total cost of claims of US$ 167.3m, which was a US$ 6.1m deterioration on the prior year claims cost of US$ 161.2m. Higher levels of business written are naturally a factor in higher claims costs. In addition to that, the main driver of higher claims was in the Club's own Member claims reserving and some modest back year deterioration in International Group pool claims. The 2022 policy year saw a benign year for the International Group pool.

Total operating expenses amounted to US$ 63.0m (2021: US$ 59.1m). Operating expenses include the acquisition costs incurred from Members' brokers as well as the administrative costs of running the Club. Administrative costs saw an increase, partly as a result of the relaxation of COVID-19 restrictions for many parts of the world.

The other main element of the Club's technical result is reinsurance cost. The Club's reinsurance costs in 2022 were US$ 28.2m, which represents 10.7% of gross earned income. A hardening market, coupled with higher levels of business written, saw the Club's reinsurance cost increase by US$ 2.4m in the year

Taking all these aspects together results in the Club's overall underwriting gain of US$ 6.2m (a combined ratio of 97.4%).

In addition to the underwriting result, the Club's investment portfolio is the other main contributor to the Club's financial result. The portfolio returned an overall loss in 2022 of US$ 65.6m (2021: US$ 15.6m gain).

The 2022 financial year saw headwinds in all aspects of the investment universe, driven by, amongst other things, the Russian invasion of Ukraine, inflationary pressures resulting from this invasion (driven by concerns re energy supplies, food supplies etc) as well as inflationary pressures resulting from high levels of developed world disposable income post COVID-19. There was pressure on equity markets and the response to inflation was that interest rates rose sharply, with a consequent depression of fixed income asset prices. Further, the US Dollar saw something of a flight to quality and this resulted in non-US Dollar currencies seeing weakness, which therefore depressed prices of non-US Dollar assets when converted to US Dollars. The end of the year saw greater levels of market stability and, with a year-end three-year US Treasury yield of 4.23% there is the prospect of greater return in the coming year.

The year-end saw the Club report net assets of US$ 337.4m. This strong capital position, which is reflected in the Club's A rating (stable outlook) from Standard & Poor's, leaves the Club well placed to continue to provide high quality, well priced P&I insurance to its Members into 2023 and beyond.

Whilst the impact of COVID-19 has been less significant in 2022, especially within the financial markets, it remains an area of some uncertainty. Whether a result of COVID-19 or other pressures, the Club will continue to support its Members at the same time as meeting the challenges of operating in an uncertain world.

As noted elsewhere, the early part of 2022 saw the commencement of war between Russia and Ukraine and this has resulted in, amongst other things, sanctions being instigated against Russia. The Association had some modest exposure to Russia through, in particular, its underwriting business and its investment portfolio.

Due to the level of uncertainty regarding future developments as a result of the war, the Board of Directors will continue to closely monitor the potential impact on the business and development/performance of the Association.

BRANCHES

The Club has branches in London, Singapore and Hong Kong.

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, strong understanding of what is required of the Managers and staff, continuous improvement through effective monitoring and risk reporting, and careful communication. The Club's risk management framework is designed to ensure compliance with the risk management requirements of the Solvency II regulatory regime.

The Club is exposed to risk through its principal activity of providing insurance and reinsurance 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.

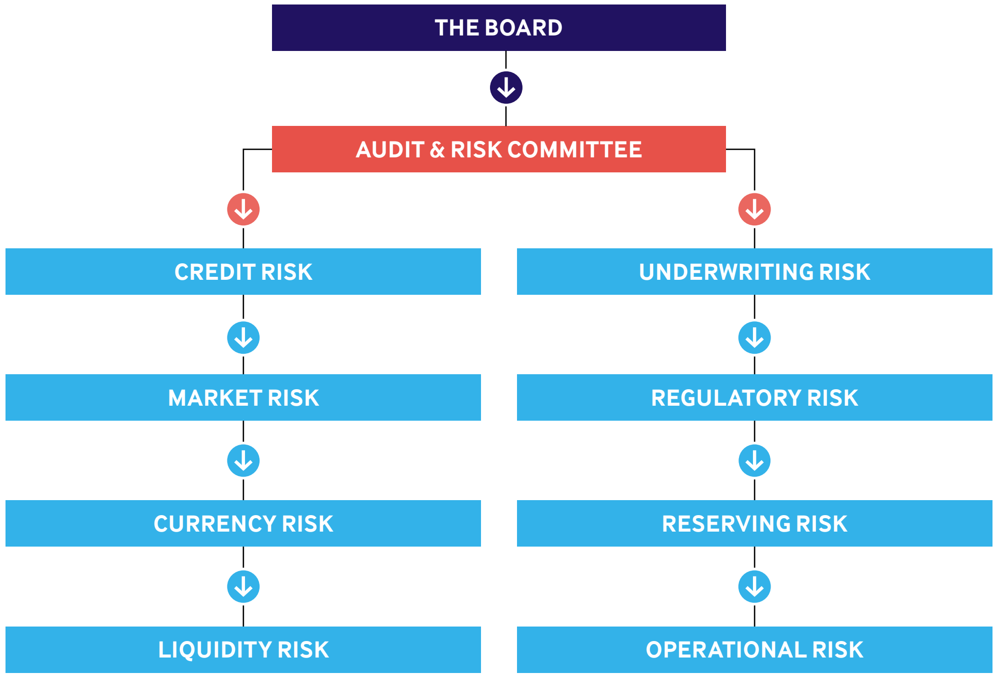
Through its established risk management framework, the Club has identified key risks, including emerging risks that are faced in the process of implementing the business strategy. Risks are analysed with reference to their likelihood of occurrence and potential severity of impact; an acceptable level of risk ('risk appetite') is identified for each risk, and controls are established which seek to ensure that this level is not exceeded. Employees receive training to ensure that they understand and adopt this approach, and the Managers monitor the efficiency and effectiveness of the controls and the procedures which support them, and which are independently reviewed through the internal audit process.

Oversight of the Club's risk management framework lies with the Board of Directors, through its Audit and Risk Committee. There follows a summary of how the key risks faced by the Club have been addressed.

RISK MANAGEMENT FRAMEWORK

The key objectives of the Club's risk management framework are to:

- manage the risk profile of the business to maximise the opportunities to achieve the corporate objectives;
- identify and mitigate any hindrances to achieving the corporate objectives;
- manage the risk exposure, to minimise the exposure to losses and to the solvency capital requirement;
- embed risk management within the business to prevent unintended consequences of strategic and/or operational decisions;
- operate within the risk appetite defined by the Board; and
- meet all regulatory requirements.



RISK MANAGEMENT
CONTINUED

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

The main credit risk arises from the potential for reinsurers to default on their obligations under the terms of reinsurance policies. 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 can be suspended if premiums associated with that policy are outstanding.

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 and/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 is 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.

Reinsurance is a key tool used in reducing the underwriting risk exposure and in seeking to deliver stable 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. In addition to its own reinsurance programme, the Club is party to the International Group Pooling Agreement, whereby for the 2022 policy year individual claims of between US$ 10m and US$ 100m are pooled. Above this level, the International Group purchases reinsurance protection up to some US$ 3bn on behalf of all pooled Members.

Market risk
This represents the risk associated with fluctuation in the value of, 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 whilst still seeking an appropriate return, 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 trusted third parties and are regularly monitored by the Finance Committee of the Board, as well as by the internal audit function.

RISK MANAGEMENT
CONTINUED

Regulatory risks
This represents the risk to the Club of 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.

The UK's exit from the EU (Brexit), which occurred on 31 January 2020, presented a specific regulatory and operational risk for insurance companies. The Brexit transition period finished on 31 December 2020. The Club has an approved presence in both the UK and in the EU and as such can continue to operate in both jurisdictions post Brexit.

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.

The Club has a process for seeking to materially match assets and liabilities in the appropriate currencies and also both earns income and pays claims in broadly matching currencies.

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 seeking to reflect 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.

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.

The daily cash flow requirements are forecast and monitored, and the Club maintains a high concentration of liquid assets 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 banks. In practice, these facilities are rarely utilised to meet short-term financial obligations.

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 several key performance indicators in place to identify and manage operational risk, and systems are regularly reviewed to ensure that they are streamlined and responsive to the needs of the business.

CAPITAL MANAGEMENT
The Club manages the risks it faces through a series of processes and controls, which are reviewed on an ongoing basis. In addition, it holds capital to cover unexpected losses arising from the risks it faces and to meet its regulatory requirements. As a result of its most recent review, credit rating agency Standard & Poor's has rated the Club 'AAA' from a capital adequacy perspective.

The Club is conscious that its capital should be appropriately utilised. The Club is well capitalised, through many years of disciplined underwriting and prudent financial management and it comfortably meets the Solvency II capital requirements.

AUDITORS
The Annual General Meeting held on 19 May 2022 appointed Deloitte Audit S.à r.l. as Statutory Auditor for the financial year ended 31 December 2022. The Annual General Meeting in 2023 will consider the appointment of auditors for the financial year end 31 December 2023.

By Order of the Board:

DONALD A. MACLEOD KC
Chairman of the Board

28 March 2023

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the Members of The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) 16, Rue Notre-Dame L-2240 Luxembourg

REPORT ON THE AUDIT OF THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated accounts of The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) and its subsidiaries (the "Association"), which comprise the consolidated balance sheet as at December 31, 2022, and the consolidated income and expenditure account for the year then ended, and notes to the consolidated accounts, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated accounts present fairly, in all material respects, the financial position of the Association as at December 31, 2022, and the results of its operations for the year then ended, in accordance with the basis of accounting described in notes 1 and 2 to these consolidated accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the EU Regulation N° 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the consolidated accounts" section of our report.

We are also independent of the Association in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Presentation

We draw attention to notes 1 and 2 of these consolidated accounts, which describe the basis of accounting. These consolidated accounts have been prepared to assist The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) to meet its financial information requirements to its Members and to be consistent with the basis adopted by the other members of the International Group of P&I Clubs. As a result, these consolidated accounts may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

CONTINUED

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of the audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of incurred but not reported ("IBNR") claims reserves:

Risk description:

Gross claims outstanding include incurred but not reported ("IBNR") claims reserves which are typically recognised to reflect the uncertainty around the ultimate losses that will be incurred arising from claims due to the long-term nature of the Association's exposure. The judgements that are made by management in determining the valuation of incurred but not reported ("IBNR") claims reserves, as mentioned in note 2 to the consolidated accounts, are significant to the Association's financial position. Determining these incurred but not reported ("IBNR") claims reserves requires subjectivity and alterations in underlying assumptions may have a material impact on the financial position of the Association and on the results of its operations. In this context, the valuation of incurred but not reported ("IBNR") claims reserves in respect of management's selection of methodology and assumptions underlying the valuation of incurred but not reported ("IBNR") claims reserves has been assessed as a key audit matter.

Audit responses:

We have assessed the design and implementation of key controls which management performs in relation to insurance reserving. This included assessing the design and implementation of controls over the data used by the Association's actuarial experts, the internal challenge of that work and the appropriate governance oversight in determining the key assumptions underpinning the valuation of incurred but not reported ("IBNR") claims reserves. We completed procedures to assess the competence and objectivity of management's actuarial experts and involved our own actuarial specialists to assess the appropriateness of the methodology applied and the suitability of the key assumptions and judgements taken in determining the incurred but not reported ("IBNR") claims reserves.

Other matters

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) has prepared a separate set of consolidated accounts as at December 31, 2022, in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated accounts on which we issued a separate auditor's report to the Members of The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) dated 19 April 2023.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Report of the Directors but does not include the consolidated accounts and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the consolidated accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated accounts in accordance with the basis of accounting described in notes 1 and 2 to these consolidated accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the Board of Directors is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the consolidated accounts

The objectives of our audit are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

CONTINUED

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Association to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have been appointed as "*réviseur d'entreprises agréé*" by the General Meeting of the Shareholders on May 19, 2022, and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

The Report of the Directors is consistent with the consolidated accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Association in conducting the audit.

For Deloitte Audit, *Cabinet de révision agréé*

JÉRÔME LECOQ
Partner, Réviseur d'entreprises agréé

19 April, 2023

CONSOLIDATED BALANCE SHEET
as at 31 December 2022

	Note	31 December 2022 US$ '000	31 December 2022 US$ '000	31 December 2021 US$ '000	31 December 2021 US$ '000
ASSETS					
Intangible assets	4		**32,514**		32,085
Investments					
Other financial investments					
Shares and other variable yield transferable securities and units in unit trusts	5	**126,008**		155,743	
Debt securities and other fixed income transferable securities	5	**453,377**		440,948	
Deposits with credit institutions	5	**30,419**		34,549	
			609,804		631,240
Reinsurers' share of technical provisions					
Provision for unearned premiums		**4,291**		3,582	
Claims outstanding	6	**95,920**		114,833	
			100,211		118,415
Debtors					
Debtors arising out of direct insurance operations					
Policy holders		**61,648**		53,214	
Intermediaries		**129**		40	
Debtors arising out of reinsurance operations	7	**1,579**		453	
Other debtors		**2,212**		2,053	
			65,568		55,760
Other assets					
Tangible assets and stocks	8	**10,413**		10,967	
Cash at bank and in hand		**125,886**		151,407	
			136,299		162,374
Prepayments and accrued income					
Accrued interest		**4,322**		4,047	
Deferred acquisition costs		**12,568**		11,738	
Other prepayments and accrued income		**1,783**		1,464	
			18,673		17,249
TOTAL ASSETS			**963,069**		1,017,123

	Note	31 December 2022 US$ '000	31 December 2022 US$ '000	31 December 2021 US$ '000	31 December 2021 US$ '000
LIABILITIES					
Capital and reserves					
Legal reserve		**300**		300	
Contingency reserve		**396,136**		378,765	
(Loss)/profit for the financial year		**(59,067)**		17,371	
	9		**337,369**		396,436
Technical provisions					
Provision for unearned premiums		**85,666**		79,505	
Claims outstanding	6	**506,096**		506,926	
			591,762		586,431
Provision for other risks and charges					
Provision for taxation			**82**		331
Creditors					
Creditors arising out of direct insurance operations					
Policy holders		**5,706**		5,316	
Intermediaries		**17,516**		14,343	
Creditors arising out of reinsurance operations		**3,300**		6,099	
Other creditors, including tax and social security		**1,510**		2,334	
			28,032		28,092
Accruals and deferred income			**5,824**		5,833
TOTAL LIABILITIES			**963,069**		1,017,123

The notes on pages 39 to 44 form part of these Consolidated Annual Accounts.

Approved by the Board on 28 March 2023.

DONALD A. MACLEOD KC
Chairman

DR. YVES WAGNER
Director

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 December 2022

	Note	31 December 2022 US$ '000	31 December 2022 US$ '000	31 December 2021 US$ '000	31 December 2021 US$ '000
TECHNICAL ACCOUNT – NON-LIFE INSURANCE BUSINESS					
Earned Premiums					
Gross premiums written	10	**270,825**		257,464	
Outward reinsurance premiums	11	**(28,931)**		(25,963)	
Change in the gross provision for unearned premiums		**(6,161)**		(8,459)	
Change in the provision for unearned premiums, reinsurers' share	11	**709**		128	
			236,442		223,170
Allocated investment return transferred from the non-technical account			**(65,586)**		15,618
Claims incurred net of reinsurance					
Claims paid					
Gross amount	12	**(163,976)**		(157,765)	
Reinsurers' share	11, 12	**14,764**		4,498	
Net claims paid		**(149,212)**		(153,267)	
Change in the provision for claims					
Gross amount	12	**830**		9,290	
Reinsurers' share	11, 12	**(18,913)**		(17,183)	
Change in the net provision for claims		**(18,083)**		(7,893)	
			(167,295)		(161,160)
Net operating expenses					
Acquisition costs	13	**(37,440)**		(35,665)	
Change in deferred acquisition costs		**830**		1,360	
Administrative expenses		**(26,367)**		(24,791)	
			(62,977)		(59,096)
Balance on the technical account for non-life insurance business			**(59,416)**		18,532

	Note	31 December 2022 US$ '000	31 December 2022 US$ '000	31 December 2021 US$ '000	31 December 2021 US$ '000
NON-TECHNICAL ACCOUNT					
BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS			**(59,416)**		18,532
Investment income	14	**25,109**		80,532	
Investment charges	14	**(90,695)**		(64,914)	
			(65,586)		15,618
Allocated investment return transferred to the non-life insurance technical account			**65,586**		(15,618)
Other income			**628**		–
Other charges, including value adjustments	15		**–**		(834)
Tax on profit on ordinary activities	16		**(279)**		(327)
(Loss)/profit for the financial year	9		**(59,067)**		17,371

The notes on pages 39 to 44 form part of these Consolidated Annual Accounts.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
for the year ended 31 December 2022

1. GENERAL

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) (the "Club" or the "Association") is registered in the Grand-Duchy of Luxembourg. It is a mutual insurance association, whose principal activity is the insurance and reinsurance of marine protection and indemnity risks on behalf of its membership. As a mutual insurance association, the Club does not have a share capital and the liability of its members is limited to the calls and supplementary premiums set by the Directors of the Club.

Basis for Preparation

These consolidated annual accounts have been prepared in accordance with the significant accounting policies set out in Note 2.

These accounting policies and disclosures are consistent with those required by the amended law of December 8, 1994 on the annual accounts of insurance and reinsurance undertakings in Luxembourg, except for the shares and other variable yield transferrable securities, and debt securities and other fixed income transferrable securities, which are valued at market value.

The presentation of the investment income and investment charges sections in the income and expenditure account summarises the categories for investment income and investment charges. The breakdown of the investment income and investment charges has been included in note 14.

Basis of Consolidation

The consolidated annual accounts have been prepared in US dollars and comprise the accounts of the Association and its affiliated undertakings as shown below. The profits and losses of affiliated undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal. The group undertakings are fully consolidated.

Group Undertakings

The Shipowners' Protection Limited	UK	100%
S.O.P. (Bermuda) Limited	Bermuda	100%
Spandilux S.A.	Luxembourg	100%
Hydra Insurance Company Limited, Shipowners' Cell	Bermuda	100%
The Shipowners' Management Limited	UK	100%
The Shipowners' Protection (Hellas) LLC	Greece	100%

2. ACCOUNTING POLICIES

(i) Translation of items expressed in foreign currencies

Assets and liabilities in foreign currencies are converted into US Dollars at the rates of exchange ruling on the Balance Sheet date. Income and Expenditure items are converted at the daily rate prevailing at the transaction date. Differences arising on currency translation are included in the exchange gains and losses in the non-technical account.

(ii) Premiums

Premiums incepting prior to the balance sheet date are shown gross of acquisition costs and net of applicable refunds, discounts and cancellations. The income is accounted for on an accruals basis and is therefore recognised in the accounting periods to which the underwritten risk relates.

(iii) Reinsurance Premiums

Reinsurance premiums are charged to the income and expenditure account on an accruals basis and allocated to the Policy Year to which they relate.

(iv) Claims Paid

Claims, which include internal and external claims handling costs and the Club's share of claims under pooling agreements, are charged to the income and expenditure account when they have been paid and do not include any estimated outstanding claims. Claims are allocated to the Policy Years in which the incidents occurred.

(v) Reinsurance Recoveries

Certain liabilities of the Club are reinsured with similar associations under the International Group's pooling agreement and with market underwriters. Reinsurers' share represents actual recoveries received and due in respect of claims paid by the Club. They are allocated to the same Policy Year as the claims to which they refer.

(vi) Policy Years

Premiums and reinsurance premiums are credited or charged to the Policy Year to which cover relates. Claims are included in Policy Years by reference to the date of the incident and reinsurance recoveries are matched accordingly. Management expenditure is allocated to the current Policy Year.

(vii) Administrative Expenses

Administrative expenses include management costs and general expenses but exclude internal claims handling costs. They are dealt with on an accruals basis and charged to the consolidated income and expenditure account.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
for the year ended 31 December 2022

2. ACCOUNTING POLICIES CONTINUED

(viii) Investment Return
Investment return comprises all investment income, realised investment gains and losses, value re-adjustments, net of investment expenses, charges and interest. Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price. Value re-adjustment gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price.

(ix) Allocated investment return from non-technical account
A transfer of the investment return is made from the non-technical account to the technical account to reflect the return made on those assets directly attributable to the insurance business.

(x) Taxation
The charge for taxation is shown in the non-technical account.

(xi) Investments
Investments in affiliated undertakings and participating interests
Participating interests are valued following the equity method, taking into account the proportion of the capital and reserves of these undertakings.

Initial recognition
At acquisition date, the participating interests are initially booked at the amount corresponding to the proportion of the capital and reserves represented by the participating interests. The difference between acquisition cost and the proportion of capital and reserves is accounted for as goodwill and amortised over a period of five years.

Subsequent measurement
In accordance with the equity method valuation, the book value shall be increased or reduced by the amount of the variation which has taken place during the financial year in the proportion of capital and reserves represented by the participating interest. This amount shall be reduced by the amount of net intercompany transactions in the proportion of the capital held in the participating interest. It shall be reduced by the amount of the dividends relating to that participating interest (if any).

Other financial investments
Investments are carried at their market value at the Balance Sheet date.

(xii) Debtors
Provision has been made for debts which are thought not to be wholly recoverable.

(xiii) Tangible assets and stocks
Tangible assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight line basis over the anticipated useful life of the assets concerned at the following rates:

Computer equipment	50% per annum
Furniture & Fixtures	33.3% per annum
Leasehold improvements	over the remaining life of the lease
Communications hardware	20% per annum
Property and Plant	Consists of a leasehold property which is depreciated over the lease term of 70 years

(xiv) Intangible Assets
Software Development
Intangible assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight line basis over the anticipated useful life of the assets. The Club capitalises internal and external computer software development costs when the following apply: where the software is separately identifiable, the Club has control over the software and where it can be demonstrated that they provide future economic benefits for the Club through facilitating revenue or improved processes. The costs capitalised include administrative and other general overhead expenditure when they can be directly attributed to the software development and preparing it for use. The useful economic life of internally generated software is estimated to be five years.

Goodwill
Goodwill represents the excess of the cost of acquisition over the book value of the net assets acquired in the participating interests. Goodwill is amortised over the period of 5 years. Goodwill deemed to be impaired will be written down to its impaired value.

(xv) Deferred Acquisition Costs
Acquisition costs represent the brokerage and commissions attributable to the processing of proposals and the issuing of policies. Acquisition costs are deferred and amortised over the periods in which the premiums are earned.

(xvi) Technical Provisions – Unearned Premiums
Provision for Unearned Premiums represents that part of gross premiums written that is estimated to be earned after the balance sheet date. The unearned premium reserve is calculated on a daily pro-rata basis.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
for the year ended 31 December 2022

2. ACCOUNTING POLICIES CONTINUED

(xvii) Technical Provisions – Claims Outstanding
Claims are subject to prolonged delay, both as to notification and settlement. Accordingly, the likely final cost of claims outstanding, which include a projection for claims incurred but not reported (IBNR) as well as future development of reported losses, is based upon current information and the experience and judgement of the Directors. Large claims are assessed separately, being measured on a case by case basis in order to allow for the possible distortive effect of the development and incidence of these large claims. The ultimate costs thereof cannot be ascertained with certainty at the date of the Consolidated Balance Sheet. Provision for the cost of claims handling is included within the IBNRs. Reinsurers' share is accounted for on an accruals basis and allocated to the same Policy Year as the claims to which they refer.

(xviii) Creditors
Creditors are included in liabilities at settlement value. Any differences arising on settlement of the debt are recognised then.

(xix) Accruals and deferred income
This item consists of both charges that relate to the current financial year but are payable after the balance sheet date and income received before the balance sheet date but relating to a subsequent financial year.

3. CREDITORS
There are no creditors due after more than five years.

4. INTANGIBLE ASSETS

	31 December 2022 US$ '000			31 December 2021 US$ '000		
	Software Development	**Goodwill**	**Total**	Software Development	Goodwill	Total
Cost						
At the beginning of the year	**68,740**	**1,625**	**70,365**	60,425	1,625	62,050
Additions	**11,571**	**–**	**11,571**	8,315	–	8,315
At the end of the year	**80,311**	**1,625**	**81,936**	68,740	1,625	70,365
Accumulated Depreciation						
At the beginning of the year	**(36,655)**	**(1,625)**	**(38,280)**	(31,533)	(869)	(32,402)
Annual amortisation	**(11,142)**	**–**	**(11,142)**	(5,122)	(756)	(5,878)
At the end of the year	**(47,797)**	**(1,625)**	**(49,422)**	(36,655)	(1,625)	(38,280)
Carrying Amount	**32,514**	**–**	**32,514**	32,085	–	32,085

Goodwill represents that arising on the acquisition of 33.03% of Jumar Holdings Limited.

5. INVESTMENTS

	31 December 2022 US$ '000	31 December 2021 US$ '000
Other financial investments		
Shares and other variable yield transferable securities and units in unit trusts		
Book and Market value	**126,008**	155,743
Debt securities and other fixed income transferable securities		
Book and Market value	**453,377**	440,948
Deposits with credit institutions		
Book and Market value	**30,419**	34,549

6. TECHNICAL PROVISION – CLAIMS OUTSTANDING

	31 December 2022 Total US$ '000	31 December 2021 Total US$ '000
Claims Outstanding – Gross amount		
Own claims	**304,578**	308,246
Own claims IBNR	**119,104**	120,349
Other Clubs' pool claims	**51,664**	51,466
Other Clubs' pool claims IBNR	**30,750**	26,865
	506,096	506,926
Reinsurers' Share		
Other reinsurers	**43,072**	51,560
Other reinsurers IBNR	**20,848**	23,277
Pool claims	**28,245**	36,033
Pool claims IBNR	**3,755**	3,963
	95,920	114,833

7. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	31 December 2022 Total US$ '000	31 December 2021 Total US$ '000
Other reinsurers	**1,579**	453
	1,579	453

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
for the year ended 31 December 2022

8. TANGIBLE ASSETS AND STOCKS

	31 December 2022 US$ '000					
	Leasehold Improvements	**Computer Equipment**	**Communications Hardware**	**Furniture and Fixtures**	**Property and Plant**	**Total**
Cost						
At the beginning of the year	**5,167**	**2,181**	**26**	**919**	**10,022**	**18,315**
Additions	**1**	**79**	**–**	**48**	**–**	**128**
Disposals	**–**	**–**	**(11)**	**–**	**–**	**(11)**
At the end of the year	**5,168**	**2,260**	**15**	**967**	**10,022**	**18,432**
Accumulated Depreciation						
At the beginning of the year	**(3,827)**	**(1,883)**	**(26)**	**(884)**	**(728)**	**(7,348)**
Annual amortisation	**(389)**	**(112)**	**–**	**(38)**	**(143)**	**(682)**
Disposals	**–**	**–**	**11**	**–**	**–**	**11**
At the end of the year	**(4,216)**	**(1,995)**	**(15)**	**(922)**	**(871)**	**(8,019)**
Carrying Amount	**952**	**265**	**–**	**45**	**9,151**	**10,413**

	31 December 2021 US$ '000					
	Leasehold Improvements	Computer Equipment	Communications Hardware	Furniture and Fixtures	Property and Plant	Total
Cost						
At the beginning of the year	5,167	1,995	26	913	10,022	18,123
Additions	–	186	–	6	–	192
At the end of the year	5,167	2,181	26	919	10,022	18,315
Accumulated Depreciation						
At the beginning of the year	(3,581)	(1,696)	(26)	(865)	(584)	(6,752)
Annual amortisation	(246)	(187)	–	(19)	(144)	(596)
At the end of the year	(3,827)	(1,883)	(26)	(884)	(728)	(7,348)
Carrying Amount	1,340	298	–	35	9,294	10,967

9. RESERVE MOVEMENTS

	31 December 2022			31 December 2021		
	Legal Reserve US$ '000	**Contingency Reserve US$ '000**	**Income and Expenditure Account US$ '000**	Legal Reserve US$ '000	Contingency Reserve US$ '000	Income and Expenditure Account US$ '000
Balance brought forward	**300**	**396,136**	**–**	300	378,765	–
(Loss)/profit for the financial year	**–**	**–**	**(59,067)**	–	–	17,371
Transferred to contingency reserve	**–**	**(59,067)**	**59,067**	–	17,371	(17,371)
Balance carried forward	**300**	**337,069**	**–**	300	396,136	–

10. GROSS PREMIUMS WRITTEN

The total gross direct insurance premiums result from contracts concluded in the:

	31 December 2022 US$ '000	31 December 2021 US$ '000
Member state of the head office	**717**	749
Other EEC member states	**48,626**	47,564
Non-member states	**221,482**	209,151
	270,825	257,464

11. REINSURANCE BALANCE

	31 December 2022 US$ '000	31 December 2021 US$ '000
Outward Reinsurance Premium	**(28,931)**	(25,963)
Change in the provisions for unearned premiums, reinsurers' share	**709**	128
Claims paid, reinsurers' share	**14,764**	4,498
Change in the provisions for claims outstanding, reinsurers' share	**(18,913)**	(17,183)
	(32,371)	(38,520)

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
for the year ended 31 December 2022

12. CLAIMS INCURRED NET OF REINSURANCE

	31 December 2022 US$ '000	31 December 2021 US$ '000
Claims paid		
Gross Amount		
Own claims	**(149,371)**	(141,689)
Other Clubs' pool claims	**(14,605)**	(16,076)
	(163,976)	(157,765)
Reinsurers' Share		
Pool	**9,464**	3,231
Other reinsurers	**5,300**	1,267
	14,764	4,498
Change in the provision for claims outstanding		
Gross Amount		
Own claims	**4,912**	21,311
Other Clubs' pool claims	**(4,082)**	(12,021)
	830	9,290
Reinsurers' Share		
Pool	**(7,995)**	10,423
Other reinsurers	**(10,918)**	(27,606)
	(18,913)	(17,183)

13. COMMISSIONS

The caption "Net operating expenses – Acquisition costs" comprises only commissions linked to the direct insurance business of the Club amounting to US$'000 37,440 and US$'000 35,665 for the years ended 31 December 2022 and 31 December 2021, respectively.

14. INVESTMENT INCOME AND CHARGES

	31 December 2022 US$ '000	31 December 2021 US$ '000
Investment Income		
Income from other investments	**14,477**	12,544
Gains on foreign exchange	**10,180**	4,754
Gains on realisation on investments	**452**	63,234
	25,109	80,532

	31 December 2022 US$ '000	31 December 2021 US$ '000
Investment charges		
Investment management charges, including interest	**(3,839)**	(3,873)
Losses on foreign exchange	**(23,401)**	(10,950)
Value adjustment on investments	**(59,477)**	(46,977)
Losses on realisation on investments	**(3,978)**	(3,114)
	(90,695)	(64,914)

15. OTHER CHARGES, INCLUDING VALUE ADJUSTMENTS

	31 December 2022 US$ '000	31 December 2021 US$ '000
CTRL	**–**	(78)
Goodwill linked to Jumar Holdings Limited (Note 4)	**–**	(756)
	–	(834)

16. TAXATION

	31 December 2022 US$ '000	31 December 2021 US$ '000
Luxembourg municipal and state taxes	**(268)**	(389)
UK Corporation Tax	**(11)**	62
	(279)	(327)

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

for the year ended 31 December 2022

17. CONTINGENCY RESERVE

In accordance with the Club's Rules, all available funds after making full provision for claims outstanding have been, and will continue to be, transferred to the Contingency Reserve.

18. AUDITOR'S REMUNERATION

The split of the fees (excluding VAT) accrued by the Club and payable to the Club's auditors for the year ending 31 December 2022 are as follows:

	31 December 2022 US$ '000	31 December 2021 US$ '000
Audit Fee (including Special Report and other reporting requirements instructed by the *Commissariat aux Assurances*)	**407**	445
	407	445

19. PERSONNEL EMPLOYED DURING THE YEAR

	31 December 2022	31 December 2021
The average number of persons employed by the Group during the year was:	**183**	181
The persons employed during the year fell into the following categories:		
Administrative	**55**	51
Technical	**99**	100
Financial	**29**	30
	183	181

	31 December 2022 US$ '000	31 December 2021 US$ '000
Staff costs during the year were as follows:		
Wages and Salaries	**18,534**	19,050
Other staff related costs	**1,267**	1,212
Social Security costs	**2,190**	2,190
Other pension costs	**1,352**	1,455
	23,343	23,907

20. DIRECTORS FEES

The aggregate amount paid to Directors during the year ended 31 December 2022 was US$'000 998 (2021: US$'000 977).

21. RELATED PARTY TRANSACTIONS

Luxembourg Law requires disclosure of material transactions with related parties. The Club has no share capital and is controlled by the members who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties. These are the only transactions between the Club and the members. No single transaction with related parties is of such materiality and nature as to require disclosure.

22. FINANCIAL COMMITMENTS AND GUARANTEES

The Association itself and through its subsidiary, S.O.P. (Bermuda) Limited – Bermuda, has pledged liquid assets of US$ 23.3 million (2021: US$ 24.2 million) as security to obtain credit facilities of US$ 76.7 million (2021: US$ 78.4 million).

Total non-insurance related bank guarantees and letters of credit issued on behalf of the Association at 31 December 2022 were:

	31 December 2022 US$ '000	31 December 2021 US$ '000
Letters of credit and other guarantees	**10**	10
	10	10

As at 31 December 2022, the Association has committed to the future use of office space for a value of US$'000 199 (2021: US$'000 39).

23. IMPACT OF THE RUSSIAN INVASION IN UKRAINE

The early part of 2022 saw the commencement of invasion of Russia in Ukraine and this has resulted in, amongst other things, sanctions being instigated against Russia. The Association had some modest exposure to Russia through, in particular, its underwriting business and its investment portfolio.

Due to the level of uncertainty regarding future developments as a result of the invasion, the Board of Directors will continue to closely monitor the potential impact on the business and development/performance of the Association.

24. SUBSEQUENT EVENTS

There have been no events to report occurring after the 31 December 2022 balance sheet date, which have a material impact on these annual accounts.

ADDITIONAL INFORMATION (UNAUDITED)
CONSOLIDATED POLICY YEAR STATEMENT
20 February 2023

	2020 US$ '000	2021 US$ '000	**2022 US$ '000**
Calls and premiums			
Debited in 2020 financial year and prior	231,308	252,941	**266,296**
Debited/(credited) in 2021 financial year	1	25	**1,394**
	231,309	252,965	**267,690**
Reinsurance premiums	(24,680)	(26,399)	**(29,184)**
Claims paid			
Own claims	(77,655)	(91,176)	**(39,598)**
Other Clubs' Pool claims	(8,022)	(10,812)	**–**
Reinsurance recoveries			
Pool	–	–	**–**
Other reinsurers	529	718	**267**
Estimated outstanding claims			
Own claims	(48,599)	(84,206)	**(132,857)**
Other Clubs' Pool claims	(22,713)	(14,367)	**(14,256)**
Estimated reinsurance recoveries			
Pool	85	14,016	**787**
Other reinsurers	46	5,629	**14,297**
Administrative expenses	(27,473)	(24,791)	**(26,367)**
Acquisition costs	(31,517)	(35,075)	**(36,862)**
Surplus/(deficit) at 20 February	(8,691)	(13,498)	**3,917**

The Policy Year statement shows the position of open policy years as at 20 February 2023.

AVERAGE EXPENSE RATIO
In accordance with Schedule 3 of the International Group Agreement 2013 we are required to include a statement of the Average Expense Ratio for the Club's P&I business for the five years immediately preceding completed financial years. The ratio of 23% has been calculated in accordance with the Schedule and the guidelines issued by the International Group of P&I Clubs and is consistent with the relevant Financial Statements.

CORPORATE INFORMATION

CONTACT US

BOARD OF DIRECTORS
D. A. MacLeod KC (Chairman), Canada
A. Gürün, Turkey
Dr D.C.S. Ho, Hong Kong
T. G. Kailis, Australia
A.R.H. Knight, United Kingdom
K. Meads, New Zealand
Rev. Canon S. Miller, Hong Kong
P. D. Orme, UAE
P. Sydenham, United Kingdom
J. Vermeij, Chile
Dr Y. Wagner, Luxembourg
J.M. Whitaker, United Kingdom

Chairman Emeritus
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With thanks to **Wilson Sons** for providing the front cover image.
www.wilsonsons.com.br/en/

With thanks to **Piet Sinke** for the image used on **page 34**.
www.maasmondmaritime.com

Wilson Sons recently celebrated their 50 year anniversary as an entered Member – thank you and congratulations on behalf of everyone at the Shipowners' Club.

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