



## Financial Condition Report 2018

# Contents

## Introduction

## Executive Summary

## Statement of Directors' Responsibilities

### A. Business & Performance

- A.1 Business
- A.2 Performance
- A.3 Investment Performance
- A.4 Performance of other activities
- A.5 Other information

### B. System of Governance

- B.1 General information on the system of governance
- B.2 Fit and proper requirements
- B.3 Risk management system
- B.4 Internal control system
- B.5 Internal audit function
- B.6 Actuarial function
- B.7 Outsourcing
- B.8 Other information

### C. Risk Profile

- C.1 Insurance risk
- C.2 Market risk
- C.3 Credit risk
- C.4 Liquidity risk
- C.5 Operational risk
- C.6 Other material risks
- C.7 Other information – Stress and sensitivity tests

### D. Valuation for Solvency Purposes

- D.1 Assets
- D.2 Technical provisions
- D.3 Any other information

### E. Capital Management

- E.1 Own funds
- E.2 Solvency Capital Requirement and Minimum Capital Requirement
- E.3 Use of Duration based equity risk sub-module in the calculation of SCR
- E.4 Difference between Standard Formula and any Internal Model used
- E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement
- E.6 Other information

## Appendix:

- 1 Governance Map
- 2 SMUA – Quantitative Reporting Templates

## Introduction

The structure of the Financial Condition Report (FCR) follows the requirements of the Bermuda Monetary Authority's Insurance (Public Disclosure) Rules 2015 and those of the Solvency II regulations.

This is the second FCR that publishes the solvency position of the Steamship regulatory group and each entity within that group as at 20 February 2018. Its purpose is to provide Members, their Brokers and other interested parties with an understanding of the risks taken by the Club and the capital that is maintained to protect against the consequences of those risks materialising.

### Definitions

**Steamship** A collective term covering Steamship Mutual Underwriting Association Limited (SMUA), The Steamship Mutual Underwriting Association (Bermuda) Limited (SMUAB) and The Steamship Mutual Trust (Trust) and its Corporate Trustee, The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited (SMUAT) subject to regulatory capital requirements, individually and collectively to the extent applicable in regulations.

**Regulators** The Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA), the Bermuda Monetary Authority (BMA) and the European Insurance & Occupational Pensions Authority (EIOPA).

SMUA has branches regulated by the Monetary Authority of Singapore (MAS) and the Japanese Financial Services Agency (FSA).

### Regulatory terminology

General Term	BMA	PRA / EIOPA
Public disclosure document	<b>(FCR)</b> Financial Condition Report	<b>(SFCR)</b> Solvency & Financial Condition Report
Regulatory Group Level [Risk:Solvency Assessment]	<b>(GSSA)</b> Group Solvency Self-Assessment	<b>(Group ORSA)</b> Group Own Risk and Solvency Assessment
Solo entity level [Risk:Solvency Assessment]	<b>(CISSA)</b> Commercial Insurers' Solvency Self-Assessment	<b>(ORSA)</b> Own Risk and Solvency Assessment
Standard formula capital requirement	<b>(BSCR)</b> Bermuda Solvency Capital Requirement	<b>(SCR)</b> Solvency Capital Requirement
Minimum capital requirement	<b>(MSM)</b> Minimum Solvency Margin	<b>(MCR)</b> Minimum Capital Requirement
Capital resources	Available Statutory Capital & Surplus	Own Funds

## Executive Summary

The Club manages its overall capital resources to maintain a financial strength rating of A (stable) from Standard & Poor's. This is a higher capital requirement than set by regulators.

The aim of this report is to enable readers to understand the amount and type of risks taken by an insurer, as reflected in its capital requirement, and to compare this with the amount and type of capital resources which the insurer has available to protect itself against those risks.

Under Solvency II the Club is considered to be a regulatory group comprising Steamship Mutual Underwriting Association Limited, The Steamship Mutual Underwriting Association (Bermuda) Limited and The Steamship Mutual Trust. The supervisor for this group is the Bermuda Monetary Authority (BMA) and so the Club calculates its group solvency capital requirement using the BMA's standard formula.

**At 20 February 2018, the Club had a capital requirement of US\$247.0 million and total eligible capital resources of US\$599.5 million. The solvency ratio of 243% (2017: 269%) is evidence of the strength of the Club's capital position, even after returns of premium in the last two financial years.**

The following table shows the solvency position of the Group and each entity in the Group.

US\$000	Entity	Group	SMUAT	SMUAB	SMUA
<b>Capital resources</b>		<b>599,505</b>	318,217	117,500	141,829
<b>Solvency Capital Requirement (SCR)</b>		<b>247,022</b>	117,687	20,327	89,604
<b>Solvency Ratio</b>		<b>243%</b>	270%	578%	158%

The following tables show the components of the Group capital requirement and capital resources:

US\$000	2018	2017
Underwriting risks	304,303	292,252
Counterparty default risks	6,638	5,971
Market risks	79,900	68,264
Operational risks	35,114	26,996
	425,955	393,483
Diversification between risk categories	(178,933)	(166,215)
Capital requirement	247,022	227,268

Consistent with the risk appetite of the Club the majority of the capital requirement derives from underwriting risk. Market risk primarily relates to the investments held by the Club and reflects the emphasis on capital preservation rather than outright investment return.

## Executive Summary

### Capital Resources

US\$000	2018	2017
Tier 1 capital - Free reserves on Solvency II basis	505,922	504,595
Tier 2 capital		
Steamship's Hydra Cell	25,565	34,757
Allowance for ability to make additional calls	68,018	71,535
Eligible capital resources	599,505	610,887

Tier 1 capital refers to resources on the Solvency II balance sheet and is available to meet risks throughout the business.

Tier 2 capital relates to resources which are either only available to meet particular risks or are additional funds that can be raised if required. Tier 2 capital can be used to make up a maximum of 50% of the capital requirement.

Solvency II requires that combined free reserves in the financial statements of US\$516.0 million be restated on an 'economic' basis. The main adjustments required are to the provision for outstanding claims where any prudence in provisions is removed, leaving a 'best or most likely estimate' of cost, a discount is then applied to reflect the time value of money and finally a 'risk margin' is added using a standard calculation. The aim of this adjustment is to make claim provisions and therefore free reserves more comparable across insurers.

Part of the capital held in Steamship's Hydra cell, US\$25.6 million, is considered to be only available to meet risks arising in the Hydra cell and is hence classified as Tier 2.

The regulators recognises that Steamship can increase capital resources by making additional premium calls under its Rules and in accordance with the approved formula an allowance of US\$68.0 million is included as Tier 2 capital.

Steamship also ensures that capital resources of individual Steamship companies are more than sufficient to meet the requirements set by local regulators.

### Outlook for 2018

In October of this year, as part of its annual overall review of projected capital requirements and capital resources the Board will consider another return of premium to Members and the level of release calls.

Following the United Kingdom's decision to leave the European Union a new Steamship Mutual insurance company will be established in the European Union in order to insure risks within the European Economic Area.

The Board has decided that the new company will be established in the Netherlands and an application for a licence has been submitted to the Dutch regulator.

## Statement of Directors' Responsibilities

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Financial Condition Report (FCR) in accordance with the BMA's Insurance (Public Disclosure) Rules 2015, the PRA rules and Solvency II Regulations.

Each of the Directors, confirms that, to the best of their knowledge:

(a) throughout the financial year in question, the Group and its solo insurance undertakings have complied in all material respects with the requirements of the BMA and PRA rules and applicable Solvency II regulations; and

(b) it is reasonable to believe that, at the date of the publication of the Financial Condition Report (FCR), the Group and its solo insurance undertakings continue so to comply, and will continue so to comply in future.

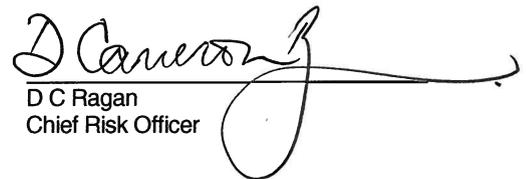
The FCR has been authorised for issue by the Directors on 20 July 2018.

By Order of the Board



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G W E Prynard  
Director



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D C Ragan  
Chief Risk Officer

## A. Business & Performance

### A.1 Business

Steamship is a mutual Protection and Indemnity Association, otherwise known as a P&I Club, which operates as a non-profit making organisation providing cover for its shipowner and charterer Members against third party liabilities arising from the use and operation of ships.

The Club covers a wide range of liabilities, including loss of life and personal injury to crew, passengers and others on board, cargo loss and damage, pollution by oil and other hazardous substances, wreck removal, collision and damage to property. The Club also provides a wide range of services to its Members (policyholders) on claims handling, legal issues and loss prevention, and plays a leading role in coordinating the response to, and management of, maritime casualties involving Members' vessels.

Steamship is one of the largest and most diverse P&I Clubs in the world, and is a member of the International Group of P&I Clubs participating in the International Group Pool.

The thirteen principal underwriting associations which comprise the International Group collectively provide liability cover for shipowners who own approximately 90% of the world's ocean-going ships.

The Group Clubs provide cost-effective insurance to shipowners through a claims-sharing 'Pool' and collective purchase of the International Group excess loss reinsurance programme. These two arrangements provide a mechanism for sharing claims in excess of US\$ 10 million up to, currently, approximately US\$ 8.17 billion. The policy year of all P&I Clubs commences at noon Greenwich Mean Time on 20<sup>th</sup> February.

Three core agreements underpin the governance and functioning of the International Group, namely the Group Constitution, the International Group Agreement and the Pooling Agreement. More details on these agreements can be found on the International Group's website at <http://www.igpandi.org>.

Steamship's strategy is to be the best provider of the full range of marine protection and indemnity (P&I) and related insurances, on the mutual principle, delivering both first class service and security at a reasonable cost. Steamship aims to distinguish itself from its competitors by embodying the following principles:

- Advocacy of the principle of mutuality and the benefits of this for shipowners across the whole range of their insurance needs;
- A belief in the benefit of a diverse membership by geographical area and vessel type;
- A prudent approach to investment policy resulting in financial security and stability;
- Provision of technical expertise and a dedication to problem solving for the members;
- Pre-eminence in loss prevention initiatives.

Guided by a clearly defined risk appetite statement, risk management is key to Steamship's strategy: diversification of members and vessels to reduce concentration of risk; a prudent investment approach focused on stable, secure returns, constraining market risk; a focus on loss prevention initiatives aiming to limit losses to members and reduce claims; and an internal culture that is sensitive to the requirements of risk management.

Steamship's strategy is to carefully grow its business organically, admitting new Members with high quality operations and a willingness to pay the premium required by the risk exposure which their business brings to Steamship.

Steamship's business model is therefore to maintain a sharp focus on serving its members and to have a diversified portfolio by trade and geographical location.

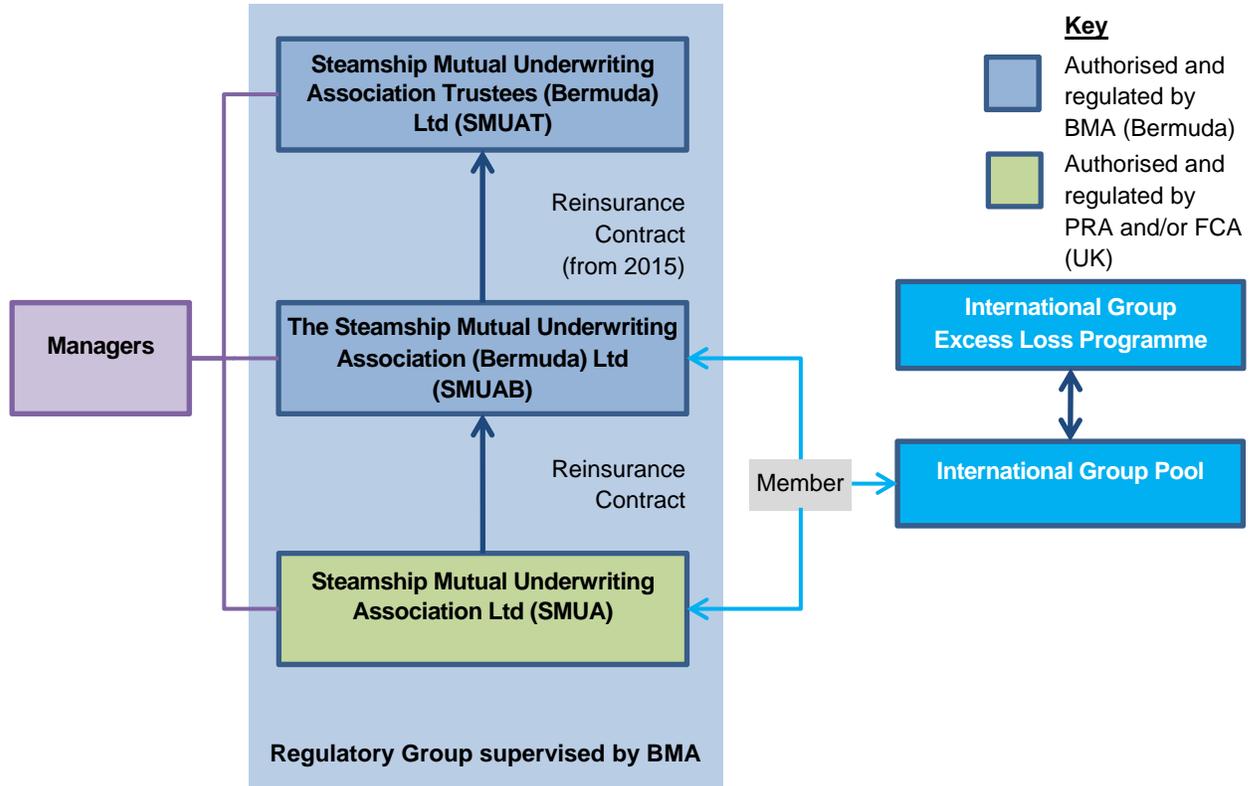
The Boards have appointed Managers who are responsible for the day to day handling of underwriting, claims and the administration of the Club's business in accordance with the policies laid down by the Directors.

During the year, SMUA was granted licences by the local regulators in Japan and Singapore. At February 2018, SMUA had an application lodged with the Hong Kong authorities for a branch licence. SMUA continues its commitment to the region and has locally resourced offices in these territories.

## A. Business & Performance

The Managers have operations in London, Bermuda, Hong Kong, Rio de Janeiro, Piraeus and Singapore.

The diagram below depicts the corporate structure which came into effect in February 2015.



## A. Business & Performance

### Steamship Mutual Underwriting Association Limited

Steamship Mutual Underwriting Association Limited (SMUA) was incorporated in England and Wales in October 1909. SMUA is limited by guarantee and does not have share capital as it is owned by its Members (policyholders). The Members of SMUA comprise its Directors, SMUAB, shipowners and other entities who have ships insured by SMUA.

The day to day operations of SMUA are managed by Steamship P&I Management LLP (SPIM). The Association is governed by a Board comprising a non-executive Chairman, six non-executive directors and two members of SPIM. The Board mainly consists of representatives of the Members.

SMUA is regulated by the PRA and the FCA. Both the PRA and the FCA operate a risk-based approach to supervision, which places emphasis on the need for regulated firms to have in place robust risk management frameworks. The PRA is the lead supervisor for the purposes of Solvency II regulation.

SMUA has branches in Singapore and Japan which are subject to local regulation.

### The Steamship Mutual Underwriting Association (Bermuda) Limited

The Steamship Mutual Underwriting Association (Bermuda) Limited (SMUAB) was established by an Act of the Parliament in Bermuda on 24 June 1974 and began underwriting with effect from 20 February 1975. SMUAB is also limited by guarantee and does not have share capital as it is owned by its Members (policyholders). The members of SMUAB comprise its Directors, shipowners and all members of SMUA.

The operations of SMUAB are managed by Steamship Mutual Management (Bermuda) Limited and therefore the Association does not have any employees. The Association is governed by a Board comprising a non-executive Chairman, 25 non-executive directors incorporating two Directors of the Manager's London representatives. The Board mainly consists of representatives of the Members.

SMUAB ceased writing direct business from February 2015 but continues to operate as a reinsurer of SMUA.

SMUAB is regulated by the BMA and is classified as a 'Class 3A insurer' (Solvency II equivalent).

Hydra Insurance Company Ltd is a private company owned by the thirteen members of the International Group of P&I Clubs, of which SMUAB is one.

Hydra provides reinsurance to its shareholders on a Club by Club basis through segregated accounts where premiums, losses and expenses are allocated amongst the shareholder Clubs' segregated accounts ('cell'). The Steamship Hydra cell is consolidated into the results of SMUAB.

### Steamship Mutual Trust

The Steamship Mutual Trust (Trust) and its Corporate Trustee, The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited (SMUAT) were established on 11 March 1983 in Bermuda.

SMUAT is a registered insurer under Bermudian law, and this enables the Trust to act as an independent insurer for the benefit of the beneficiaries set out in the Trust Deed. These are, in addition to a number of named charities, all the Members for the time being of SMUAB.

SMUAT is governed by a Board comprising a non-executive Chairman and three non-executive directors including the Chairmen of SMUA and SMUAB in an ex-officio capacity.

The operations of the Trust are managed by Hamilton Investment Management Limited and therefore the Trust and SMUAT do not have any employees. Through SMUAT the Trust is regulated by the Bermuda Monetary Authority and is classified as a 'Class 3A insurer' (Solvency II equivalent).

Each year commencing 20 February the Trust enters into a reinsurance contract with SMUAB for the reinsurance of all risks accepted.

## A. Business & Performance

Following the implementation of Solvency II rules from 1 January 2016, the BMA became the supervisor of the regulatory group with SMUAT being named as the 'Designated Insurer' (and hence lead insurer) for Group supervision purposes.

Steamship's registered offices and principal places of business and the contact details of its external auditors and supervisory authorities are shown below:

### The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited

Registered Office	Managers	External Auditors	Group Supervisory Authority
Clarendon House 2 Church Street Hamilton HM 11 Bermuda	Hamilton Investment Management Limited Washington Mall II PO Box HM 601 Hamilton HM CX Bermuda +1 441 295 4502	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR +44 (0)20 7936 3000	Bermuda Monetary Authority BMA House 43 Victoria Street Hamilton Bermuda +1 441 295 5278

### The Steamship Mutual Underwriting Association (Bermuda) Limited

Registered Office	Managers	External Auditors	Supervisory Authority
Clarendon House 2 Church Street Hamilton HM 11 Bermuda	Steamship Mutual Management (Bermuda) Limited Washington Mall II PO Box HM 601 Hamilton HM CX Bermuda +1 441 295 4502	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR +44 (0)20 7936 3000	Bermuda Monetary Authority BMA House 43 Victoria Street Hamilton Bermuda +1 441 295 5278

### Steamship Mutual Underwriting Association Limited

Registered Office	Managers	External Auditors	Supervisory Authority
Aquatical House 39 Bell Lane London E1 7LU	Steamship P&I Management LLP Aquatical House 39 Bell Lane London E1 7LU +44 (0)20 7247 5490  Managers' London Representative Steamship Insurance Management Services Limited Aquatical House 39 Bell Lane London E1 7LU +44 (0)20 7247 5490	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR +44 (0)20 7936 3000	Prudential Regulation Authority 20 Moorgate London EC2R 6DA +44 (0) 20 7601 4444  Financial Conduct Authority 25 The North Colonnade London E14 5HS +44(0)207 066 1000

## A. Business & Performance

Steamship writes insurance internationally. The largest markets by premium are shown in the table below.

### Gross premium written by Member location

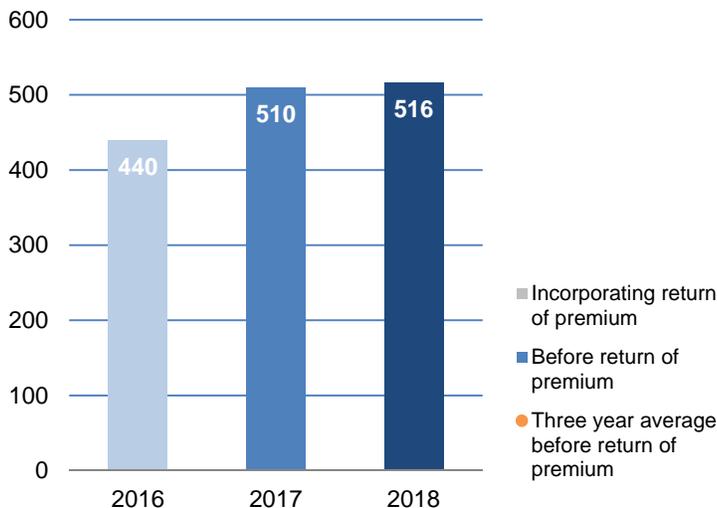
	2018 US\$000	2017 US\$000
United States of America	95,200	103,249
South Korea	21,919	21,434
Germany	14,804	18,881
Netherlands	14,793	15,752
France	13,065	5,488
Taiwan	11,904	11,728
Brazil	11,901	15,005
Hong Kong	11,155	12,337
Italy	10,412	11,129
Switzerland	9,604	5,364
China	8,242	8,302
India	8,153	9,912
Chile	7,868	7,760
Cyprus	7,546	10,179
United Kingdom	6,607	9,360
Other countries	42,145	39,762
	<b>295,318</b>	<b>305,642</b>

Gross premium, excluding the return of US\$25.6 million, decreased by US\$11.0 million or 3.2% to US\$320.9 million reflecting reduced Excess Loss reinsurance premium, increased premium churn, increased lay ups and reductions in premium agreed at renewal.

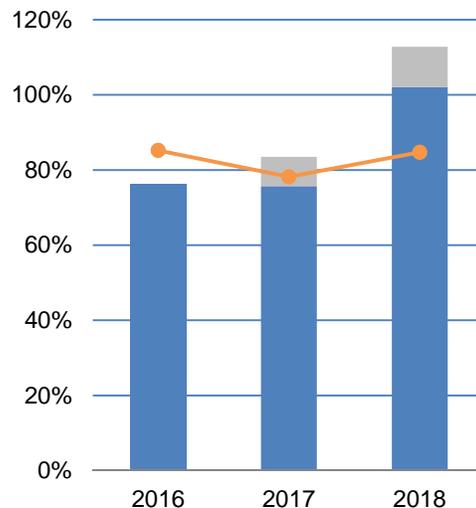
### A.2 Performance

Steamship had a satisfactory financial year performance. The Club continues to enjoy a very strong financial position, over the past four years the free reserves have increased by US\$215 million and now stand at US\$516 million. The combined ratio for the financial year was 112.8%, although this does include US\$25.6 million of premium returned to the Members in November 2017, which, if excluded, results in a combined ratio of 102.1%.

Free Reserves (US\$ Millions)



Combined Ratio



## A. Business & Performance

The combined ratio reflected a higher level of retained and Pool claims in 2017/18 than in the preceding year.

For the 2017/18 policy year, when compared to the preceding year, the Club experienced an increase in the average value of claims below US\$250,000, although the overall cost was comparable to earlier years. The number of larger claims, in excess of \$250,000, was similar too, but the average cost was higher because of three pool claims affecting Club Members. IG pool claims were also substantially higher than in 2016/2017. Overall net estimated claims, including IBNR provision and allowing for reinsurance recoveries, were US\$229.0 million, 23.4% higher than the 2016/17 policy year at the same point in time. Prior policy years continued to develop favourably, although releases from claims reserves were less than in previous years.

More information about the performance of Steamship can be found in the Management Highlights, in particular in the Chairman of the Board's Introduction on pages 2 to 3 or in the Report & Accounts of the individual entities.

### 2018 Renewal

The Board decided that, for a fourth successive year, no general increase should be applied at renewal. Including the projected value of higher deductibles and other changes in terms, premium for owned entries fell by 0.3% on a like for like basis.

### Tonnage

The level of entered tonnage rose during the year and at renewal by 7.3 million GT to 158.6 million GT.

Steamship's underwriting results as set out in the Management Highlights are summarised below.

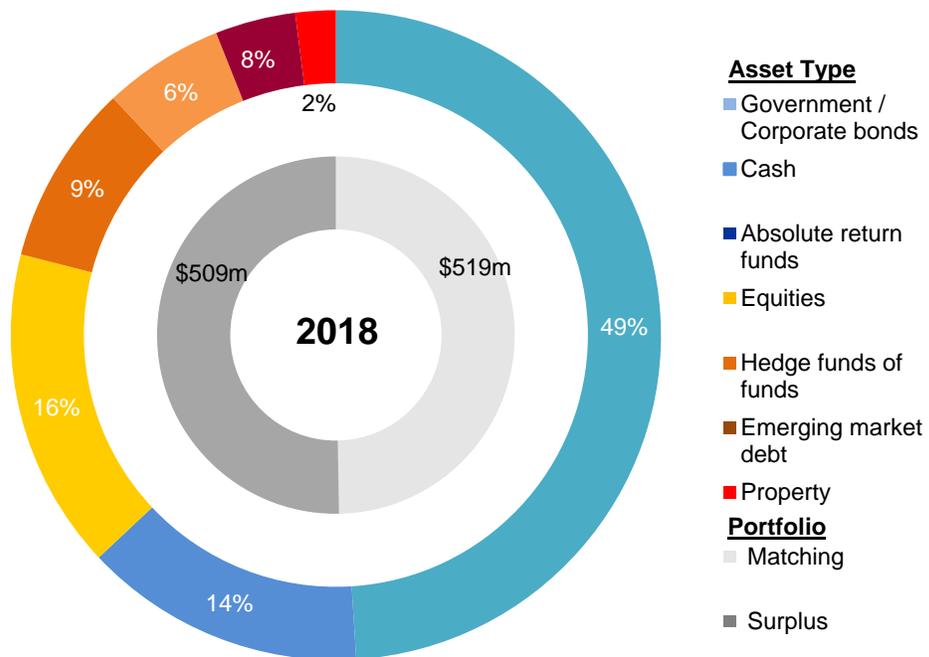
<b>Underwriting results</b>	<b>2018</b>	2017
	<b>US\$000</b>	US\$000
Net earned premium (A)	<b>243,229</b>	249,609
Claims incurred (B)	<b>233,754</b>	169,200
Net operating expenses (C)	<b>40,570</b>	39,219
Technical account balance	<b>(31,095)</b>	41,190
Combined ratio (B+C)/A	<b>112.8%</b>	83.5%
Combined ratio before return of premium	<b>102.1%</b>	75.7%

## A. Business & Performance

### A.3 Investment Performance

One of Steamship's primary objectives is to have a prudent investment policy in order to maintain financial security and stability.

Steamship splits its investments into 'matching' and 'surplus' portfolios. The matching portfolio is designed to match the duration and currency of best estimate claims liabilities with highly rated government and corporate bonds, managed on a buy-and-maintain basis together with operational bank accounts and overnight deposits to meet day to day liquidity requirements. This portfolio is used to provide collateral for the reinsurance obligations of SMUAT to SMUA and SMUAB. The surplus portfolio is the set of investments in excess of those required for the 'matching portfolio' and is invested to target a reasonable risk-adjusted return net of fees.



The combined investment portfolio recorded an overall gain of US\$39.3 million before fees, a return of 3.5%, excluding US\$7.6 million of favourable currency movements which are included in the underwriting result.

The following tables shows the breakdown of total cash and investments and performance.

#### Total cash and investments (Market value)

Equities
Alternative investments
Bonds
Money market instruments
Deposits with credit institutions
Cash and cash equivalents
Derivative financial instruments
Property

	2018	2017
	US\$000	US\$000
Equities	101,154	80,453
Alternative investments	68,885	84,498
Bonds	762,450	690,976
Money market instruments	63,269	113,320
Deposits with credit institutions	52,026	49,185
Cash and cash equivalents	34,415	29,797
Derivative financial instruments	(571)	(99)
Property	21,424	12,687
<b>Total</b>	<b>1,103,052</b>	<b>1,060,817</b>

## A. Business & Performance

	<b>2018</b>	2017
	<b>US\$000</b>	US\$000
<b>Net investment return</b>		
Dividends and interest	<b>20,492</b>	18,457
Realised gains/(losses)		
Investments	<b>(3,536)</b>	1,326
Currency	<b>3,839</b>	(1,480)
Investment income	<b>20,795</b>	18,303
Unrealised gains		
Investments	<b>13,603</b>	13,066
Currency	<b>3,776</b>	735
Currency (gain)/losses allocated to Technical Account	<b>(7,615)</b>	745
Net investment return	<b>30,559</b>	32,849
Other income	<b>8,846</b>	16

All gains and losses are recognised in the combined Income and Expenditure Account.

More information about the investment performance of Steamship can be found in the Management Highlights.

The information presented in section A provides a true and fair view of the business and performance of Steamship during the period.

## B. System of Governance

### B.1 General information on the system of governance

Steamship has an effective system of governance in place which provides for sound and prudent management.

Steamship entities are governed by a Boards comprising a non-executive Chairman and non-executive directors representing the Members.

The following table sets out the Board composition of each Steamship entity.

#### SMUAT Board

A L Marchisotto, Moran Holdings Inc (Chairman)	C C Tung, Orient Overseas (International) Ltd
J G Conyers	A Pohan, NY Waterway – ex officio status
R Thompson (appointed 9 May 2017)	S-M Edey, Sloman Neptun, Schiffahrts, AG – ex officio status

#### SMUAB Board

S-M Edey, Sloman Neptun Schiffahrts AG (Chairman)	C K Ong, U-Ming Marine Transport Corp
C J Ahrenkiel, C J Ahrenkiel Consulting Switzerland	A Pohan, NY Waterway
A Albertini, Marfin Management SAM	G W F Rynsard, Steamship P&I Management LLP
M W Bayley, Royal Caribbean International	M Saeidi, Islamic Republic of Iran Shipping Line (appointed 28 March 2017, resigned 20 February 2018)
C Bouch	B K Sheth, The Great Eastern Shipping Co Ltd
D S Farkas, Norwegian Cruise Line	B B Sinha, The Shipping Corporation of India Ltd (resigned 12 September 2017)
M Frith, Conyers, Dill & Pearman	M Sloan, Carnival Corporation & plc
I Grimaldi, Grimaldi Holdings SpA	C Sommerhage, Columbia Shipmanagement (Germany) GmbH
D M Ho, Magsaysay Maritime Corp	Song, Chunfeng, China Shipowners Mutual Assurance Association (appointed 28 October 2016)
E Ide, Naviera Ultrana Ltd	A L Tung, Island Navigation Corp International Ltd
W J Kim, Polaris Shipping Co. Ltd	E Veniamis, Golden Union Shipping Co SA (appointed 21 November 2017)
C J Madinabeitia, Tradewind Tankers SL	A Zacchello, Seearland Shipping Management BV
S J Martin, Steamship P&I Management LLP	R Zagari, Augustea Group
B A McAllister, McAllister Towing	S Zagury, Vale
S Mehta, Essar Global	

#### SMUA Board

A Pohan, NY Waterway (Chairman)	S J Martin, Steamship P&I Management LLP
C J Ahrenkiel, C J Ahrenkiel Consulting Switzerland	G W F Rynsard, Steamship P&I Management LLP
C Bouch	A L Tung, Island Navigation Corp International Ltd
I Grimaldi, Grimaldi Holdings SpA	R Zagari, Augustea Group (appointed 14 December 2017)
C J Madinabeitia, Tradewind Tankers SL	

## B. System of Governance

The Boards of Directors has the ultimate responsibility for the business operating in accordance with applicable laws and regulations. The Boards decides on Steamship's strategic business plan and establishes directives and instructions, as well as ensuring that appropriate internal instructions for risk management and risk control exist.

The Boards continuously monitors the operations of the Club, its financial performance and stability.

The Audit and Risk Committee of the Boards has responsibility for the detailed review of published financial reports, liaison with internal and external auditors and regulators. The Finance and Nomination Committee of the Boards has responsibility for reviewing the fees paid to the Managers and Directors.

### B.2 Fit and proper requirements

Steamship is committed to ensuring that all members of its Boards, the key control function holders, and other senior individuals within Steamship, behave with integrity, honesty and skill, and this commitment is documented in the Key Person policy. Steamship has processes in place to ensure that appropriate standards of fitness and propriety are met and maintained.

Steamship's fit and proper requirements are:

- Formal qualifications, knowledge and experience within the insurance sector, other financial sectors or other relevant sectors or businesses;
- For control functions within Steamship that require knowledge of accounting, actuarial, corporate management, business strategy, business models, system of governance and regulatory framework have the appropriate skills; and
- Honesty and financial soundness based on evidence regarding character, personal behaviour and business conduct including any criminal, financial and supervisory record.

The Managers maintain a governance map (see Appendix 1) which sets out how governance functions are fulfilled and devolved. This addresses the desire of BMA and EIOPA to ensure proper compliance with the requirement to devolve governance functions under Solvency II and the PRA and FCA's more detailed requirements under the Senior Insurance Managers Regime (SIMR).

Where a key control function is outsourced, Steamship ensures that the outsourcing firm carries out appropriate assessments of fitness and propriety for those responsible for the provision of the function and provides evidence of this.

In addition, the Boards' 'Finance and Nomination Committee' regularly reviews the structure, size and composition of the Boards, including skills, knowledge and experience, and makes recommendations to the Boards with regard to any changes. When a new appointment is required, the Finance and Nomination Committee evaluates the balance of knowledge, skills and experience of the Board members and uses this evaluation to inform the selection of a suitable candidate.

Records are maintained, and notifications made to the regulators, as and when required.

### B.3 Risk management system (including the GSSA)

The objective of Steamship's risk management system is to ensure that the business is carried out within the overall risk appetite set by the Board. The system is characterised by a holistic, integrated and top-down enterprise risk management system, based on a shared risk culture.

Any consideration of culture at Steamship must begin with the understanding that it is an organisation owned by its members and run for its members. This distinguishes P&I Clubs from non-mutual insurers and is a major factor in Steamship's strategic thinking and decision-making, in turn reflected in its handling of matters ranging from premium setting and return of capital to the consideration of claims outside the standard rules of cover.

## B. System of Governance

The risk management system is executed through the risk management control cycle, which involves the systematic identification, valuation, monitoring and reporting of existing and emerging risks. The Risk Management function is responsible for monitoring Steamship's risk management system reporting to the Executive Chairman.

Steamship uses the three lines of defence assurance model which segregates business operations from oversight and monitoring activity to improve independence and assurance over business processes.



The first line of defence is carried out by the operational functions. The second and third lines of defence are independent of the operational functions. Risk Management and compliance, together with the Actuarial & Statistics function jointly constitute the second line of defence.

The third line of defence is Internal Audit. This function is fully independent and appointed by the Board.

Risk owners self-assess risk ratings and the quality of underlying controls before Risk Management undertake independent design and operational effectiveness testing.

Risk profiles are considered on an inherent and residual (after controls) basis and are documented within Steamship's risk register, with aligned controls and risk categories for capital purposes. Steamship's risk profile draws on risk tolerance and trigger metrics; risk events; recommendations from internal and external sources; emerging risks & market developments; and current controls and mitigation techniques. There is a high level of expertise and experience on the Board. In the course of Board meetings which generally take place over extended periods of three to four days three times a year, directors are able to bring their considerable industry knowledge and experience to bear on a range of both strategic and operational issues. Steamship's Managers are insurance professionals who engage on a day-to-day basis with market and regulatory developments that may affect either the Club's insurance activity or the wider maritime community whose liability risks it underwrites. Together, Directors and Managers are either members of or attendees at meetings of the Board's key decision-making bodies whose deliberations inform the current and forward-looking risk profile of the Club.

The strategic business plan, risk strategy, risk appetite statement and tolerance & triggers report are integral components of Steamship's Risk Management System and are reviewed at least once a year. In this way Steamship ensures that the risk management system is kept up to date.

### Group Solvency Self-Assessment (GSSA)

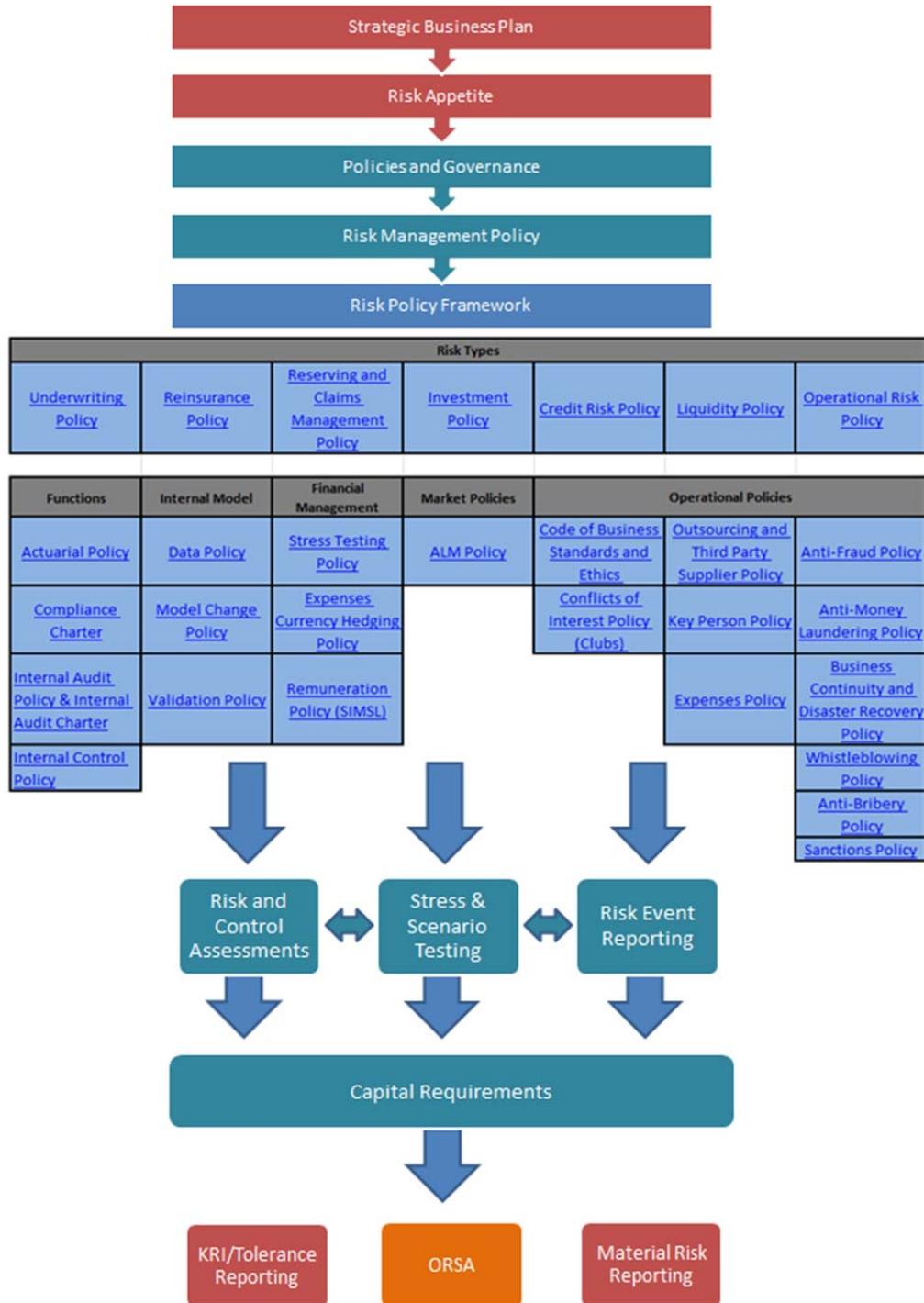
Steamship monitors and manages the risks relating to its operations through its fully documented risk management programme which analyses exposures by degree and magnitude of risks. This is evidenced in the Group Solvency Self-Assessment 'GSSA' report.

The GSSA has been carried out in accordance with the ORSA policy. The Policy states that the GSSA is performed at least annually (in preparation for the October Board meeting) when the Board considers the future capital requirements, capital levels and the standard increase.

The GSSA will be undertaken more frequently if specific conditions, which are set out in the Policy, are met. The Board has overall responsibility for the GSSA.

## B. System of Governance

The ORSA policy defines the steps that make up the overall ORSA process, which are summarised in the Chart below.



The Risk management and ORSA policies include a description of each process and an explanation as to how each has been completed in order to fulfil the objectives of the ORSA as a whole.

## B. System of Governance

The fifth GSSA was carried out in October 2017 and documents Steamship's risk and capital management processes employed to identify, assess, manage and report the risks it may face and to determine the capital resources required to ensure that its overall solvency needs are met at all times. The GSSA is an integral part of Steamship's business strategy, explaining how the strategy aligns to risk appetite and the current risk profile.

The GSSA includes both the economic capital position of the Group and the entity regulatory capital positions by reference to the Solvency Capital Requirement (SCR) and the Minimum Margin of Solvency (MMS) for the next five years.

To assist in this process Steamship has developed its own *fully* integrated financial capital model for the purpose of quantifying its own risks. The internal capital model uses stochastic simulations to generate financial projections which are calibrated to Steamship's own historical outcomes and relevant International Group and external data. Steamship uses an Economic Scenario Generator (ESG) for the calculation of market risk. The ESG is a simulation model that produces arbitrage-free economic scenarios. These scenarios include a variety of key variables, such as interest rates, credit spreads, equity and property returns and, foreign exchange rates.

### B.4 Internal control system

The internal control system is designed to provide reasonable assurance regarding the proper implementation of Steamship's business strategy and the achievement of operational and financial strategic objectives through:

- monitoring and control of all risks, particularly key risks and the relevant internal controls; and
- robust, proportionate compliance.

The internal controls are documented in Steamship's Internal Control Policy, which sets out the detailed processes for all aspects of the management of Steamship on a day to day basis.

### Compliance function

The compliance function consists of a Group Head of Compliance, Risk and Compliance Director and a compliance executive. The compliance function is responsible for providing general oversight of control effectiveness through the administration of an Internal Controls review programme and the provision of remedial advice and to monitor relevant legislation and changes in existing rules and regulations.

### Risk Management function

The risk management function is responsible for:

- identifying, managing, monitoring and reporting on current and emerging risks;
- setting the overall risk management and strategic framework; and
- monitoring and assisting in the effective operation of Steamship's risk management framework and maintaining an accurate view of Steamship's risk profile.

Steamship's Chief Risk Officer (CRO) is the Risk & Compliance Director who is assisted by a risk management executive. The CRO manages day to day risk monitoring together with the Chief Finance Officer and the Director of Capital Management, all of whom report to the Board.

### B.5 Internal audit function

Steamship's Internal Audit function is outsourced to Moore Stephens. The function independently develops an internal audit plan based on its perception of risks to Steamship after consultation with Directors, Managers and the Risk Register. The scope of the plan is reviewed and approved by the Audit and Risk Committee. The segregation of Internal Audit's activities ensures independence and objectivity in the work that it undertakes.

## B. System of Governance

### B.6 Actuarial function

The actuarial function consists of a team of three including the Statistics Director who fulfills the function for SMUA as Chief Actuary. The Designated Actuary for the Group, SMUAB and SMUAT is fulfilled by Moore Stephens LLP.

The Actuarial Function resides in the Statistics Department of SIMSL and is responsible for the calculation of technical provisions (for both the financial reporting and for solvency calculations), maintaining Steamship's Business Plan, the maintenance of Steamship's internal capital model and aids the effective running of the risk management system, production of the GSSA, and the opinions on underwriting policy and the adequacy of reinsurance arrangements.

### B.7 Outsourcing

Steamship has an outsourcing policy in place which is approved by the Board. The outsourcing policy ensures that outsourcing of critical or important functions or activities does not lead to any of the following:

- an undue increase in operational risk;
- an impairment in the quality of Steamship's systems of governance;
- difficulties for supervisory authorities in monitoring compliance; and
- a deterioration in service to Members (policyholders)

Management assesses whether a function or activity is critical or important and reports to the Board whenever outsourcing of a critical or important function or activity is considered and also when an agreement has been entered into.

Steamship has identified four functions that are deemed Critical and Important for Solvency II purposes. These are:

1. Management services provided by Steamship P&I Management LLP (SPIM), FCA FRN 597046 (SPIM is the management company of the Steamship regulatory group entities covered by this document, which are SPIM's sole clients, so that SPIM's risks and controls are largely synonymous with those of Steamship);
2. Information Technology services provided by Timico Ltd;
3. Internal Audit services provided by Moore Stephens LLP; and
4. Underwriting activities on the Club's behalf by Post & Co, a Rotterdam-based broker, concerning the European Inland and Short Sea insurance Facility.

### B.8 Other information

There have been no material changes in the system of governance during the year, and Steamship believes it remains appropriate taking into account the nature, scale and complexity of the risk inherent in the business. In particular, the centralised approach reflects the highly integrated and inter-dependent nature of Steamship's activities.

## C. Risk Profile

Steamship monitors and manages the risks relating to its operations through its risk management programme which analyses exposures by degree and magnitude of risk. This is evidenced in the Group Solvency Self-Assessment (“GSSA”) report.

The GSSA documents the risk and capital management processes employed by Steamship to identify, assess, manage and report the risks it may face and to determine the capital resources required to ensure that its overall solvency needs are met at all times. The GSSA considers the business strategy, how the strategy aligns to risk appetite and the current risk profile.

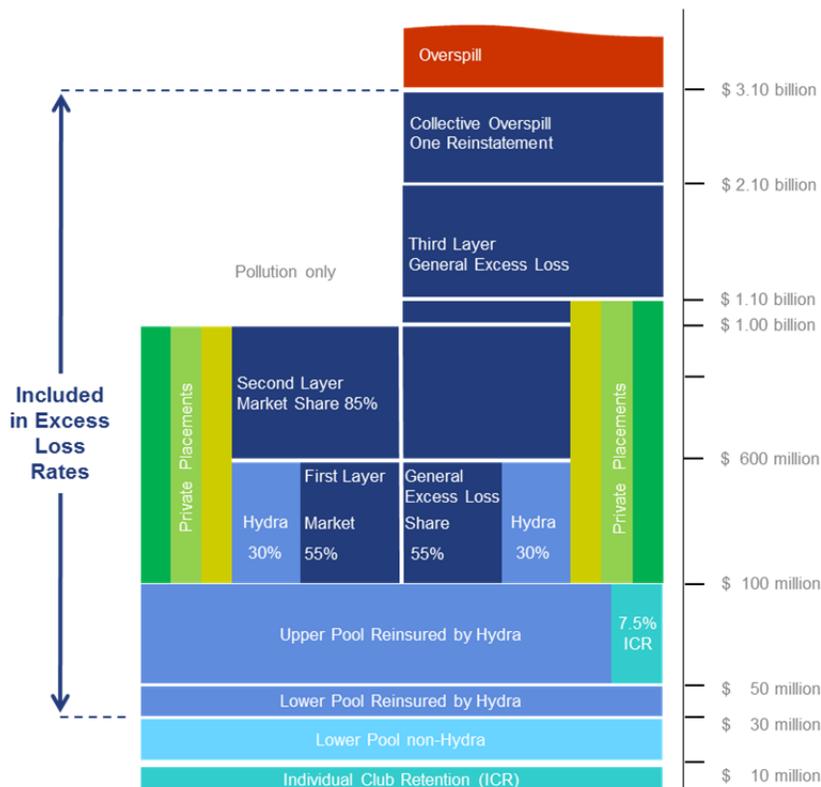
The principal risks faced by Steamship are insurance risk, market risk, credit risk, liquidity risk and operational risk.

### C.1 Insurance risk

Insurance risk is comprised of two elements; premium risk and reserving risk. Premium risk refers to the risk that insurance premium written in the current policy year is insufficient to cover claims and other costs arising in that year. It thus relates to the future, whereas reserving risk is the risk that, over the next year, existing technical provisions are insufficient to cover claims arising in previous policy years. Steamship is exposed to the uncertainty surrounding the timing, frequency and severity of claims made under its insurance contracts.

Premium is set using assumptions which have regard to trends and the past experience of a specific Member. Premium risk is mitigated by diversification across a variety of ship types and geographical areas, and by careful selection and implementation of underwriting strategy guidelines including the screening of new Members.

Steamship transfers a substantial portion of its risk to its reinsurers through the provisions of the reinsurance arrangements and its membership of the International Group (Layers of the 2018/19 Reinsurance Programme).



## C. Risk Profile

The key methods used to estimate claims liabilities are Bornhuetter-Ferguson for the most recent policy year reported and the Development Factor Method for all other policy years. Reserves for both reported and unreported claims are calculated using detailed statistical analysis of past experience as to frequency and average cost of claims. The Audit and Risk Committee compares the proposed claim reserves with an independent calculation performed by qualified actuaries at year end.

Steamship aims to reduce reserving risk by setting claims reserves at a prudent level that provides between 70% and 80% confidence that they will be sufficient to cover actual settlement costs. Actual experience will differ from the expected outcome but this prudent basis is expected to result in releases of prior year claim reserves.

### C.2 Market risk

Market risk is the risk of financial loss as a consequence of movements in the prices of equities and bonds, interest rates, currency exchange rates and other price changes. Market risk arises primarily from investment activities.

Steamship's exposure to changes in interest rates and market prices is concentrated in the investment portfolio. The risk appetite, asset allocation and tolerance ranges are set by the SMUAT Board having consulted with the Boards of SMUAB and SMUA. Exposures and compliance with Board policies are monitored and reported by the Managers assisted by independent investment consultants.

Steamship receives the majority of its premium income in US dollars, a significant amount in euro and small amounts in UK sterling and Canadian dollars. Claims liabilities arise in a number of currencies but predominantly in US dollars, euro, UK sterling and Brazilian reals. This exposure is mitigated by holding investments and derivatives in these currencies. To minimise currency translation costs operational bank balances in local currencies are maintained to fund expected short-term claim payments in those currencies.

### C.3 Credit risk

Credit risk is the risk that a counterparty owing money to Steamship may default causing a debt to be written off. The extensive reinsurance protection arranged by Steamship effectively transforms a proportion of insurance risk into credit risk as the exposure becomes the risk of reinsurer default. External reinsurers are generally only used if their financial strength rating is at Standard & Poor's A- or an equivalent rating from another rating agency except in the case of some Members of the International Group and participants on reinsurance contracts placed through the International Group.

The credit risk arising from the reinsurance contracts with SMUAB and SMUAT is mitigated through the operation of a collateral agreement.

Credit risk in respect of amounts due from Members is spread across diverse industries and geographical areas. Cover can be cancelled and claims set off against unpaid premium and there are other strong incentives for Members to keep their insurance cover in place. In practice therefore the prompt payment of premium means bad debt is immaterial.

Credit risk arises on operational balances and deposits held with banks. Controls include the use of a variety of banks and the limitation of individual exposures to US\$10 million (S&P AA rated banks, or equivalent rating from other agencies), and US\$5 million (S&P A rated banks, equivalent rating from other agencies). The one exception is an unrated, privately capitalised bank which is monitored by reference to a specific capital ratio.

### C.4 Liquidity risk

Liquidity risk is the risk that Steamship cannot meet its financial obligations as they fall due. Steamship maintains a highly liquid portfolio of cash, government and corporate bonds with a maturity equivalent to the expected settlement period of claim liabilities. Most of the remaining assets in the surplus portfolio could be converted into cash in less than one month.

### C.5 Operational risk

Operational risk includes fraud, interruptions in service due to external or internal disruption and procedural or systems errors. Steamship has identified its operational risks in a risk register and has in place appropriate controls to manage and mitigate such risks, consistent with good practice, regulatory guidance and legislation relating to human resources,

## C. Risk Profile

financial crime, business continuity and information security. Appropriate controls are also in place to monitor the outsourcing of operations to the Managers and, through them, other service providers.

### C.6 Other material risks

Steamship's Standard Formula Appropriateness Assessment identified the obligation to fund the SIMSL (Managers) defined benefit pension scheme was not being captured by the Standard Formula. Following an application for rule variation, on 5 January 2018 the PRA issued a written notice setting a capital add-on of US\$20.280 million (2017: US\$12.834 million) for this obligation.

### Group Risk

Group risk is the risk of loss resulting from risk events arising within a related entity. Under Solvency II Steamship is considered to be a regulatory group and has to monitor the individual Steamship companies to ensure that capital resources are more than sufficient to meet the requirements set by local regulators.

### C.7 Other information - Stress and sensitivity tests

Steamship has developed a suite of stress and sensitivity tests, including reverse stress tests, which are used to measure the robustness of the capital position.

During 2017/18 the following stress tests were carried out:

- Cyber security
- Softening P&I market
- Claims inflation
- Sanction breach (Reverse Stress Test)
- Coincidence of worst performing years in each claim category, type of business and entity
- Market turning event
- 40% decline in equity prices
- 40% decline in alternative investments and real estate
- Widening of credit spreads
- Foreign currency shocks

The following sensitivity tests were also carried out in 2017/18 principally to help identify and test the suitable level of buffer above the 'AAA' Standard & Poor's requirement.

- Single claim of US\$2 billion in current policy year
- 5% increase in claims incurred on current policy year
- Prior policy years reserve deterioration
- Current policy year underwriting losses
- Investment loss
- Combination of current policy year underwriting losses and an investment loss

The stress and sensitivity testing results show that Steamship is most vulnerable to high claims experience. However, Steamship benefits from significant reinsurance cover for incidents greater than US\$10 million and is expected to continue to meet its Solvency requirements in all scenarios.

## D. Valuation for Solvency Purposes

### D.1 Assets

In accordance with the BMA rules and of the Solvency II Directive, Steamship's assets and liabilities (other than technical provisions) are measured in accordance with principles of an arm's-length transaction between knowledgeable willing parties using market consistent valuation methods.

The following tables display the GAAP Balance Sheet as reported within the published report and accounts, the Solvency II adjustments made and the Solvency II valuation for the Group, SMUAT, SMUAB and SMUA.

#### Group

	2018 GAAP US\$000	Adjustments	2018 Solvency II US\$000
<b>Assets</b>			
Deferred acquisition costs	347	(347)	-
Investments	1,077,446	(80)	1,077,365
Reinsurers' share of technical provisions	241,165	(46,266)	194,898
Insurance & intermediaries receivables	24,767	(5,658)	19,110
Receivables (trade, not insurance)	3,812	-	3,812
Cash and cash equivalents	25,606	-	25,606
Any other assets, not elsewhere shown	4,895	(438)	4,457
<b>Total assets</b>	<b>1,378,037</b>	<b>(52,789)</b>	<b>1,325,248</b>
<b>Liabilities</b>			
Technical provisions			
Technical provisions calculated as a whole Best Estimate	833,091	(101,550)	731,541
Risk margin		41,717	41,717
Sub-total	<b>833,091</b>	<b>(59,833)</b>	<b>773,258</b>
Insurance & intermediaries payables	14,481	-	14,481
Reinsurance payables	8,990	(8,475)	515
Payables (trade, not insurance)	4,454	-	4,454
Any other liabilities, not elsewhere shown	1,053	-	1,053
<b>Total liabilities</b>	<b>862,069</b>	<b>(68,308)</b>	<b>793,761</b>
<b>Free reserves</b>	<b>515,968</b>	<b>15,519</b>	<b>531,487</b>

#### SMUAT

	2018 GAAP US\$000	Adjustments	2018 Solvency II US\$000
<b>Assets</b>			
Investments	865,851	-	865,851
Reinsurers' share of technical provisions	-	-	-
Insurance & intermediaries receivables	379	-	379
Receivables (trade, not insurance)	-	-	-
Cash and cash equivalents	-	-	-
Any other assets, not elsewhere shown	4,233	-	4,233
<b>Total assets</b>	<b>870,463</b>	<b>-</b>	<b>870,463</b>

## D. Valuation for Solvency Purposes

### Liabilities

Technical provisions			
Technical provisions calculated as a whole	492,653		
Best Estimate		(48,575)	444,078
Risk margin		19,618	19,618
Sub-total	<b>492,653</b>	<b>(28,957)</b>	<b>463,696</b>
Reinsurance payables	40,527	-	40,527
Payables (trade, not insurance)	47,427	-	47,427
<b>Total liabilities</b>	<b>581,204</b>	<b>(28,957)</b>	<b>552,246</b>
<b>Free reserves</b>	<b>289,260</b>	<b>28,957</b>	<b>318,217</b>

### SMUAB

	<b>2018</b>	Adjustments	<b>2018</b>
	<b>GAAP</b>		<b>Solvency II</b>
	US\$000		US\$000
<b>Assets</b>			
Investments	137,443	-	137,443
Reinsurers' share of technical provisions	322,597	(25,506)	297,091
Insurance & intermediaries receivables	40,575	-	40,575
Receivables (trade, not insurance)	2,551	-	2,551
Cash and cash equivalents	2,285	-	2,285
Any other assets, not elsewhere shown	265	(110)	155
<b>Total assets</b>	<b>505,716</b>	<b>(25,616)</b>	<b>480,100</b>
<b>Liabilities</b>			
Technical provisions			
Technical provisions calculated as a whole	384,505		
Best Estimate		(30,663)	353,842
Risk margin		3,556	3,556
Sub-total	384,505	(27,107)	357,398
Reinsurance payables	5,054	-	5,054
Payables (trade, not insurance)	148	-	148
<b>Total liabilities</b>	<b>389,707</b>	<b>(27,107)</b>	<b>362,600</b>
<b>Free reserves</b>	<b>116,009</b>	<b>1,491</b>	<b>117,500</b>

## D. Valuation for Solvency Purposes

### SMUA

	<b>2018</b>	Adjustments	<b>2018</b>
	<b>GAAP</b>		<b>Solvency II</b>
	US\$000		US\$000
<b>Assets</b>			
Deferred acquisition costs	347	(347)	-
Investments	74,152	(80)	74,072
Reinsurers' share of technical provisions	795,725	(104,092)	691,633
Insurance & intermediaries receivables	77,200	(5,658)	71,543
Receivables (trade, not insurance)	881	-	881
Cash and cash equivalents	23,321	-	23,321
Any other assets, not elsewhere shown	397	-	397
<b>Total assets</b>	<b>972,024</b>	<b>(110,177)</b>	<b>861,847</b>
<b>Liabilities</b>			
Technical provisions			
Technical provisions calculated as a whole	833,091		
Best Estimate		(103,465)	729,626
Risk margin		15,434	15,434
Sub-total	833,091	(88,031)	745,060
Insurance & intermediaries payables	14,481	-	14,481
Reinsurance payables	8,990	(8,475)	515
Payables (trade, not insurance)	3,710	-	3,710
Any other liabilities, not elsewhere shown	1,054	-	1,054
<b>Total liabilities</b>	<b>861,325</b>	<b>(96,505)</b>	<b>764,820</b>
<b>Free reserves</b>	<b>110,699</b>	<b>(13,671)</b>	<b>97,027</b>

The investments are valued for Solvency II purposes on the same basis as the annual financial statements, which follow UK GAAP, except for a minor difference in the valuation of forward currency contracts.

The reinsurance recoverables have, for Solvency II purposes, been discounted using the risk-free rate term structure.

### D.2 Technical Provisions

The key change under Solvency II is the economic valuation of technical provisions, comprising:

- the best estimate of all cashflows, positive and negative, discounted to reflect the time value of money;
- provisions at market value (hence, a risk margin must be added reflecting the cost of the capital tied up in running the liabilities);
- inclusion of legally bound contracts (even if not yet incepted); and
- all future outcomes (including events not in [historical] data - or ENIDs - have to be considered).

### Reconciliation of Technical Provisions

Below is a reconciliation of technical provisions reported in the published report and accounts and on a Solvency II basis for the Group, SMUAT, SMUAB and SMUA.

## D. Valuation for Solvency Purposes

### Group

	<b>Gross</b>	<b>Reinsurers'</b>	<b>Net</b>
	US\$000	share	US\$000
	US\$000	US\$000	US\$000
<b>Published Technical Provisions</b>			
Unearned premium	2,265	-	2,265
Outstanding claims	830,826	241,165	589,662
<b>UK GAAP Published technical provisions (outstanding claims)</b>	<b>833,091</b>	<b>241,165</b>	<b>591,927</b>
<b>Adjustments</b>			
Remove unearned premium	(2,265)	-	(2,265)
Remove prudent margin	(48,930)	(11,070)	(37,860)
Add bound but not incepted - premium	(335,219)	(55,072)	(280,147)
Add bound but not incepted - claims and expenses	345,386	49,432	295,955
Add events not in data	10,000	-	10,000
Add provision for reinsurer default	-	(887)	887
Reclassification of (Re)Insurance debtors/creditors	(5,658)	(8,475)	2,817
Discount cash flows	(64,865)	(20,194)	(44,671)
Add risk margin	41,717	-	41,717
<b>Total adjustments</b>	<b>(59,833)</b>	<b>(46,266)</b>	<b>(13,567)</b>
<b>Regulatory technical provisions</b>	<b>773,258</b>	<b>194,898</b>	<b>578,360</b>

### SMUAT

	<b>Gross</b>
	US\$000
<b>Published Technical Provisions</b>	
<b>UK GAAP Published technical provisions (outstanding claims)</b>	<b>492,653</b>
<b>Adjustments</b>	
Remove prudent margin	(36,282)
Add bound but not incepted - premium	(162,117)
Add bound but not incepted - claims and expenses	179,392
Add events not in data	9,000
Reclassification of (Re)Insurance debtors/creditors	-
Discount cash flows	(38,568)
Add risk margin	19,618
<b>Total adjustments</b>	<b>(28,957)</b>
<b>Regulatory technical provisions</b>	<b>463,696</b>

## D. Valuation for Solvency Purposes

### SMUAB

	Gross	Reinsurers'	Net
	US\$000	share	US\$000
	US\$000	US\$000	US\$000
<b>Published Technical Provisions</b>			
UK GAAP Published technical provisions (outstanding claims)	<b>384,505</b>	<b>322,597</b>	<b>61,908</b>
<b>Adjustments</b>			
Remove prudent margin	(14,197)	(14,197)	-
Add bound but not incepted - premium	(194,730)	(165,255)	(29,475)
Add bound but not incepted - claims and expenses	208,308	179,260	29,048
Add events not in data	4,500	4,500	-
Add provision for reinsurer default	-	(956)	956
Reclassification of (Re)Insurance debtors/creditors	-	-	-
Discount cash flows	(34,545)	(28,858)	(5,687)
Add risk margin	3,556	-	3,556
<b>Total adjustments</b>	<b>(27,108)</b>	<b>(25,506)</b>	<b>(1,602)</b>
<b>Regulatory technical provisions</b>	<b>357,397</b>	<b>297,091</b>	<b>60,306</b>

### SMUA

	Gross	Reinsurers'	Net
	US\$000	share	US\$000
	US\$000	US\$000	US\$000
<b>Published Technical Provisions</b>			
Unearned premium	2,265	-	2,265
Outstanding claims	830,826	795,725	35,101
UK GAAP Published technical provisions (outstanding claims)	<b>833,091</b>	<b>795,725</b>	<b>37,366</b>
<b>Adjustments</b>			
Remove unearned premium	(2,265)	-	(2,265)
Remove prudent margin	(48,930)	(47,353)	(1,577)
Add bound but not incepted - premium	(335,219)	(246,664)	(88,555)
Add bound but not incepted - claims and expenses	343,472	253,377	90,095
Add events not in data	10,000	9,000	1,000
Add provision for reinsurer default	-	(2,400)	2,400
Reclassification of (Re)Insurance debtors/creditors	(5,658)	(8,475)	2,817
Discount cash flows	(64,865)	(61,578)	(3,287)
Add risk margin	15,434	-	15,434
<b>Total adjustments</b>	<b>(88,031)</b>	<b>(104,093)</b>	<b>16,062</b>
<b>Regulatory technical provisions</b>	<b>745,060</b>	<b>691,632</b>	<b>53,428</b>

## D. Valuation for Solvency Purposes

Steamship values technical provisions using the methodology prescribed by the Solvency II Directive. This methodology is documented in Steamship's paper *Solvency II - Basis of Preparation*.

For UK GAAP the technical provisions are valued using undiscounted values.

For Solvency II purposes the technical provisions are the sum of the best estimate and the risk margin. The technical provisions are calculated separately for the premium provision and for the claims provision, both using a best estimate basis.

The best estimate is the probability weighted average of future cashflows discounted with the risk free term structure for US dollars provided by EIOPA. The probability-weighted average future cashflows are calculated according to actuarial best practice, using several methods and techniques such as the Development Factor Method (DFM) and the Bornhuetter-Ferguson technique for immature policy years.

| As a monoline Protection & Indemnity insurer, Steamship currently uses one homogeneous risk group for the calculation of technical provisions.

| The risk margin is the cost of holding the SCR to run off, determined by multiplying each year's projected SCR by the current prescribed cost of capital of 6% per annum.

The key source of uncertainty in the technical provisions is the randomness of claims both in terms of size and timing, and the impact on the ultimate cost of the unpaid claims.

### D.3 Other information

No other material information is applicable.

## E. Capital Management

Steamship is committed to maintaining a strong capital position in order to be a robust insurer for its Members (policyholders). The objective is to maintain a solvency level in line with the risk appetite statement. Sensitivity tests for the principal risks are performed periodically and annual stress tests are performed to test Steamship's robustness to withstand moderate to severe scenarios. A key objective is to maintain a capital position and a risk profile that supports a Standard & Poor's 'A' (Stable) rating.

Steamship's risk appetite statement requires that each regulated entity should hold Own Funds at least equal to 120% of the regulatory requirement.

Steamship undertakes a Group Solvency Self-Assessment (GSSA) annually and when the risk profile or business model changes. The GSSA exercise incorporates the business planning process which is typically considered over a five year time horizon. There have been no significant changes since 1 January 2016. Solvency ratios are regularly monitored by the Audit and Risk Committee and Boards.

### E.1 Own funds

The tables below detail the capital position of the individual entities and the regulatory group as at 20 February 2018 together with the analysis of change from 20 February 2017. With respect to the capital position, the BMA rules and Solvency II regulations require insurers to categorise own funds into the following two tiers with differing qualifications as eligible available regulatory capital:

- Tier 1 capital consists of Free Reserves of the entities on a Solvency II economic basis (Basic Own funds 'Unrestricted'); and
- Tier 2 capital consists of ancillary own funds and encumbered assets relating to Steamship's Hydra cell which are only available to support the cell's liabilities.

Ancillary own funds consist of items other than basic own funds which can be used to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority. Steamship has approved ancillary own fund items.

The rules impose limits on the amount of each tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that might arise.

The following tables show the breakdown of eligible Own Funds to meet the SCR.

#### As at 20 February 2018

Own Funds by Tiers US\$000	Entity Regulator	Group BMA	SMUAT BMA	SMUAB BMA	SMUA PRA
Tier 1 Basic Own funds (Unrestricted)		505,922	318,217	94,458	97,027
Tier 2 Ancillary own funds		68,018	-	-	44,802
Tier 2 Encumbered assets (Hydra Restricted)		25,565	-	23,042	-
<b>Total Eligible own funds to meet the SCR</b>		<b>599,505</b>	<b>318,217</b>	<b>117,500</b>	<b>141,829</b>

#### As at 20 February 2017

Own Funds by Tiers US\$000	Entity Regulator	Group BMA	SMUAT BMA	SMUAB BMA	SMUA PRA
Tier 1 Basic Own funds (Unrestricted)		504,595	327,950	85,201	103,252
Tier 2 Ancillary own funds		71,535	-	-	38,256
Tier 2 Encumbered assets (Hydra Restricted)		34,757	-	30,163	-
<b>Total Eligible own funds to meet the SCR</b>		<b>610,887</b>	<b>327,950</b>	<b>115,364</b>	<b>141,508</b>

## E. Capital Management

Steamship's Tier 1 Own Funds are made up 100% of free reserves which have arisen from past underwriting and investment surpluses. As such all capital is Tier 1 and there are no restrictions on the availability of Steamship's Tier 1 own funds to support the MMS or SCR.

Steamship also has approved Tier 2 ancillary own funds (AOF) of US\$68.018 million (2017: US\$71.535 million) for the ability to make an additional premium call on Mutual Members.

The BMA and PRA recognise that Steamship can increase own funds by making additional premium (also known as unbudgeted supplementary calls) under its Rules in extreme circumstances. The BMA and PRA have granted approval for a method of calculation of Ancillary Own Funds (AOF) and, subject to an annual confirmation by Steamship that key factors remain valid, the method is approved until 20 February 2020.

Under the BMA Rules and Solvency II regulations, up to 50% of the SCR may be supported by approved Ancillary Own Funds.

The future risk profile of Steamship is anticipated to remain relatively stable.

The following tables show the breakdown of eligible Own Funds to meet the Minimum Margin of Solvency.

### As at 20 February 2018

Own Funds by Tiers US\$000	Entity Regulator	Group BMA	SMUAT BMA	SMUAB BMA	SMUA PRA
Tier 1 Basic Own funds (Unrestricted)		505,922	318,217	94,458	97,027
Tier 2 Ancillary own funds		-	-	-	4,480
Tier 2 Encumbered assets (Hydra Restricted)		25,565	-	23,042	-
<b>Total Eligible own funds to meet the MMS</b>		<b>531,487</b>	<b>318,217</b>	<b>117,500</b>	<b>101,507</b>

### As at 20 February 2017

Own Funds by Tiers US\$000	Entity Regulator	Group BMA	SMUAT BMA	SMUAB BMA	SMUA PRA
Tier 1 Basic Own funds (Unrestricted)		504,595	327,950	85,201	103,252
Tier 2 Ancillary own funds		-	-	-	-
Tier 2 Encumbered assets (Hydra Restricted)		34,757	-	21,300	-
<b>Total Eligible own funds to meet the MMS</b>		<b>539,352</b>	<b>327,950</b>	<b>106,501</b>	<b>103,252</b>

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

The SCR and Minimum Margin of Solvency (MMS) for the regulatory group and the individual entities have been determined using the 'Standard Formula' approach as set out in BMA's and Solvency II regulations.

No material simplified methods or undertaking-specific parameters have been used in this assessment.

The Group and SMUAB assessments have been prepared using the Accounting Consolidation based method.

## E. Capital Management

The following tables show the breakdown of the Solvency Capital Requirement, together with the Minimum Margin of Solvency.

### As at 20 February 2018

Risk Category US\$000	Entity Regulator	Group BMA	SMUAT BMA	SMUAB BMA	SMUA PRA
Non-life underwriting risks		304,303	140,894	16,274	36,976
Counterparty default risks		6,638	106	11,052	22,287
Market risks		79,900	63,538	5,781	4,553
Operational risks		35,114	1,165	201	36,278
Total before diversification between risks		425,955	205,703	33,308	100,094
Diversification between risk categories		(178,933)	(88,016)	(12,981)	(10,490)
<b>Solvency Capital Requirement (SCR)</b>		<b>247,022</b>	<b>117,687</b>	<b>20,327</b>	<b>89,604</b>
Minimum Margin of Solvency (MMS)		102,529	73,898	6,230	22,401

### As at 20 February 2017

Risk Category US\$000	Entity Regulator	Group BMA	SMUAT BMA	SMUAB BMA	SMUA PRA
Non-life underwriting risks		292,252	140,938	17,096	33,831
Counterparty default risks		5,971	159	7,982	20,549
Market risks		68,264	65,546	3,901	4,323
Operational risks		26,996	1,136	166	27,529
Total before diversification between risks		393,483	207,779	29,145	86,262
Diversification between risk categories		(166,215)	(93,093)	(12,393)	(9,751)
<b>Solvency Capital Requirement (SCR)</b>		<b>227,268</b>	<b>114,686</b>	<b>16,752</b>	<b>76,511</b>
Minimum Margin of Solvency (MMS)		95,687	72,903	4,188	19,128

### Solvency ratio

Ratio of eligible own funds to Solvency Capital Requirement:

	Entity Regulator	Group BMA	SMUAT BMA	SMUAB BMA	SMUA PRA
<b>20 February 2018</b>		<b>243%</b>	270%	578%	158%
<b>20 February 2017</b>		<b>269%</b>	286%	689%	185%

### E.3 Use of Duration based equity risk sub-module in the calculation of SCR

The duration-based equity risk sub-module has not been used in the calculation of the SCR for either the Group or the individual entities.

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

No internal or partial internal model has been used in the calculation of the SCR. However, Steamship's Standard Formula Appropriateness Assessment identified that the obligation to fund a defined benefit pension scheme operated by

## E. Capital Management

the Managers' service company (SIMSL) was not being captured by the Standard Formula. Following an application for rule variation, on 5 January 2018 the PRA issued a written notice formalising the 'voluntary capital add-on' of US\$20.280 million (2017: US\$12.834 million) requiring the development of a partial internal model to incorporate this additional operational risk.

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

Steamship has set out to be fully compliant with the Standard Formula calculation of MCR and SCR and is not aware of any non-compliance.

The Group and the individual entities have maintained Own Funds (Free Reserves) in excess of the MCR and SCR throughout the period.

### **E.6 Other information**

Steamship has an interactive Standard & Poor's rating of 'A' with a stable outlook.

#### Subsequent events

There are no subsequent events which require adjustment or disclosure in the Financial Condition Report. The financial statements were approved and authorised for issue by the Board on 15 May 2018

# Appendix 1 – Steamship Regulatory Group Governance Map

Tier 1 (Chairman & SID)		Tier 2 (Committee Chairs & other directors)		Tier 3 (Managers)		Core Responsibilities	Role
Title/Key Function	SIM Function	Postholder					
Chairman SMUA	SIMF 9	A Pohan				2, 7, 11.	Reports to: Members and Board; Senior Independent Director when leading performance assessment
Senior Independent Director SMUA	SIMF 14	C Bouch					Reports to: Chairman
	<b>Title/Key Function</b>	<b>SIM Function</b>	<b>Postholder / Nominee</b>				
	Chairman of Audit & Risk Committee	SIMF 11 (Audit) SIMF 10 (Risk)	C J Madinabeitia			10.	
	Head of Internal Audit	Key Function					
	<b>Title/Key Function</b>	<b>SIM Function</b>	<b>Postholder</b>				
	Chief Finance Officer	-	A Thawani				Reports to: Chairman, SMJAT; Chairman Audit & Risk Committee
	Chief Risk Officer	-	D Ragan				Reports to: Chairman, SMJAT; Chairman Audit & Risk Committee
	Group Head of Compliance	-	H Cooper				Reports to: Chairman, SMJAT; Chairman Audit & Risk Committee
	Designated Actuary	-	Moore Stephens LLP				Reports to: Chairman, SMJAT; Chairman Audit & Risk Committee
	Chief Finance Officer	SIMF 2	A Thawani			4, 5.	Reports to: Chairman of Audit & Risk Committee; Chief Executive Officer Key risks: R059; R128; R138; R164; R043
	Capital Modelling Director	Key Function	A Warren				Reports to: Chairman of Audit & Risk Committee; Chief Finance Officer
	Chief Risk Officer	Key Function	D Ragan				Reports to: Chairman of Audit & Risk Committee; Chief Finance Officer
	Head of Compliance	Key Function	D Ragan				Reports to: Chairman of Audit & Risk Committee; Chief Executive Officer
	Chief Actuary	Key Function	T Alfrey				Reports to: Chairman of Audit & Risk Committee; Chief Finance Officer Key risks: R167
	<b>Title/Key Function</b>	<b>SIM Function</b>	<b>Postholder</b>				
	Chairman of Finance & Nomination Committee	SIMF 12 [Chairman of Remuneration Committee] & CF 2a (FCA) [Chairman of Nomination Committee. Separate approval not required for a SIMF 9]	A Pohan			1.	
	Non-Executive Director	-	C Ahrenkiel				Reports to: Chairman
	Non-Executive Director	-	I Grimaldi				Reports to: Chairman
	Non-Executive Director	-	A Tung				Reports to: Chairman
	Non-Executive Director	-	R Zagan				Reports to: Chairman
	Chief Executive Officer	SIMF 1	G Rynsard			3, 6, 8, & 9.	Reports to: Chairman Key risks: R031; R084
	<b>Title/Key Function</b>	<b>SIM Function</b>	<b>Postholder</b>				
	Chief Underwriting Officer	SIMF 22	S Martin				Reports to: Chief Executive Officer Key risks: R057; R096; R079; R109; R030
	Responsible for Club Rules	Key Function					
	Head of Claims	Key Function	C Williams				Reports to: Chief Executive Officer Key risks: R070; R075; R169
	Head of Americas Syndicate	Key Function					
	Head of Eastern Syndicate	Key Function	D Christie				Reports to: Chief Executive Officer
	Head of European Syndicate	Key Function					Reports to: Chief Executive Officer
	Head of LPD	Key Function					Key risks: R190; R141; R093; R125; R062
	Head of IT	Key Function	C Adams				
	Responsible for Business Continuity	Key Function					
	Head of Reinsurance	Key Function	R Harris				Reports to: Chief Underwriting Officer
	SMMB	Key Function	H Cooper				Reports to: Chief Finance Officer
<b>Title/Key Function</b>	<b>SIM Function</b>	<b>Postholder</b>					<b>Job Specification</b>
Chairman SMUAB	-	S-M Edye					Reports to: Members and Board
	<b>Title/Key Function</b>	<b>SIM Function</b>	<b>Postholder</b>				
	Non-Executive Director	-	A Albertini				Reports to: Chairman
	Non-Executive Director	-	M Bayley				Reports to: Chairman
	Non-Executive Director	-	D Farkas				Reports to: Chairman
	Non-Executive Director	-	M Frith				Reports to: Chairman
	Non-Executive Director	-	D M Ho				Reports to: Chairman
	Non-Executive Director	-	E Idle				Reports to: Chairman
	Non-Executive Director	-	J W Kim				Reports to: Chairman
	Non-Executive Director	-	B McAllister				Reports to: Chairman
	Non-Executive Director	-	S Mehta				Reports to: Chairman
	Non-Executive Director	-	C K Ong				Reports to: Chairman
	Non-Executive Director	-	B Sheth				Reports to: Chairman
	Non-Executive Director	-	B B Sinha				Reports to: Chairman
	Non-Executive Director	-	M Sloan				Reports to: Chairman
	Non-Executive Director	-	C Sommerhage				Reports to: Chairman
	Non-Executive Director	-	SONG Chunfeng				Reports to: Chairman
	Non-Executive Director	-	E Veniamis				Reports to: Chairman
	Non-Executive Director	-	A Zucchello				Reports to: Chairman
	Non-Executive Director	-	S Zagury				Reports to: Chairman

Title/Key Function	Postholder	Role
Chairman SMUAT	A Marchisotto	
<b>Title/Key Function</b>	<b>Postholder</b>	<b>Role</b>
Non-Executive Director	J Conyers	Reports to: Chairman
Non-Executive Director	CC Tung	Reports to: Chairman
Non-Executive Director	R Thompson	Reports to: Chairman
Chairman SMUAT Audit & Risk Committee	A Marchisotto	Reports to: Chairman

**Shading key**

	All functions of SMUA and SMUAB unless otherwise specified; purple on white management functions in the first bank (rows 18 to 22) relate to SMUA only. NB: all SMUA directors are also directors of SMUAB.
	Directors of SMUAT
	Directors of SMUAB
	Key management functions of SMUAT and SMUAB

Mnemonic	Full name
SMUA	Steamship Mutual Underwriting Association Ltd
SMUAB	The Steamship Mutual Underwriting Association (Bermuda) Ltd
SMUAT	Steamship Mutual Underwriting Association Trustees (Bermuda) Ltd

- Core responsibilities Key:**
- [Int Nominations] Ensuring that the firm has complied with the obligation to satisfy itself that persons performing a key function are fit and proper
  - Leading the development of the firm's culture and standards
  - Embedding the firm's culture and standards in its day-to-day management
  - Production and integrity of the firm's financial information and regulatory reporting
  - Allocation and maintenance of the firm's capital and liquidity
  - Development and maintenance of the firm's business model
  - Responsibility for the performance of the firm's Own Risk & Solvency Assessment (ORSA)
  8. & 9. Induction, training and professional development for all of SIMSL's key function holders
  - Maintenance of the independence, integrity and effectiveness of the whistleblowing procedures and the protection of staff raising concerns
  - Oversight of the firm's remuneration policies and practices

## Appendix 2 – SMUA Quantitative Reporting Templates

### List of reported templates

- S.02.01.02 – Balance Sheet
- S.05.01.02 – Premium, claims and expenses by line of business
- S.05.02.01 – Premium, claims and expenses by country
- S.17.01.02 – Non-Life Technical Provisions
- S.19.01.21 – Non-Life insurance claims
- S.21.01.01 – Own Funds
- S.25.01.21 – Solvency Capital Requirement – for undertakings on standard formula
- S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

**S.02.01.02**  
**Balance sheet**

	<b>Solvency II value</b>
	C0010
<b>Assets</b>	
Goodwill	
Deferred acquisition costs	
Intangible assets	
Deferred tax assets	
Pension benefit surplus	
Property, plant & equipment held for own use	
Investments (other than assets held for index-linked and unit-linked contracts)	39,349,214
<i>Property (other than for own use)</i>	
<i>Holdings in related undertakings, including participations</i>	
<i>Equities</i>	-
<i>Equities - listed</i>	
<i>Equities - unlisted</i>	
<i>Bonds</i>	16,930,379
<i>Government Bonds</i>	16,930,379
<i>Corporate Bonds</i>	
<i>Structured notes</i>	
<i>Collateralised securities</i>	
<i>Collective Investments Undertakings</i>	
<i>Derivatives</i>	418,835
<i>Deposits other than cash equivalents</i>	22,000,000
<i>Other investments</i>	
Assets held for index-linked and unit-linked contracts	
Loans and mortgages	-
<i>Loans on policies</i>	
<i>Loans and mortgages to individuals</i>	
<i>Other loans and mortgages</i>	
Reinsurance recoverables from:	691,633,203
<i>Non-life and health similar to non-life</i>	691,633,203
<i>Non-life excluding health</i>	691,633,203
<i>Health similar to non-life</i>	
<i>Life and health similar to life, excluding index-linked and unit-linked</i>	-
<i>Health similar to life</i>	
<i>Life excluding health and index-linked and unit-linked</i>	
<i>Life index-linked and unit-linked</i>	
Deposits to cedants	
Insurance and intermediaries receivables	9,006,764
Reinsurance receivables	62,536,028
Receivables (trade, not insurance)	881,497
Own shares (held directly)	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	
Cash and cash equivalents	58,043,806
Any other assets, not elsewhere shown	396,687
<b>Total assets</b>	<b>861,847,199</b>

	<b>Solvency II value</b>
	<b>C0010</b>
<b>Liabilities</b>	
Technical provisions - non-life	745,060,159
<i>Technical provisions - non-life (excluding health)</i>	745,060,159
<i>TP calculated as a whole</i>	
<i>Best Estimate</i>	729,626,491
<i>Risk margin</i>	15,433,668
<i>Technical provisions - health (similar to non-life)</i>	-
<i>TP calculated as a whole</i>	
<i>Best Estimate</i>	
<i>Risk margin</i>	
Technical provisions - life (excluding index-linked and unit-linked)	-
<i>Technical provisions - health (similar to life)</i>	-
<i>TP calculated as a whole</i>	
<i>Best Estimate</i>	
<i>Risk margin</i>	
<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	-
<i>TP calculated as a whole</i>	
<i>Best Estimate</i>	
<i>Risk margin</i>	
Technical provisions - index-linked and unit-linked	-
<i>TP calculated as a whole</i>	
<i>Best Estimate</i>	
<i>Risk margin</i>	
Other technical provisions	
Contingent liabilities	
Provisions other than technical provisions	
Pension benefit obligations	835,412
Deposits from reinsurers	
Deferred tax liabilities	
Derivatives	
Debts owed to credit institutions	
<i>Debts owed to credit institutions resident domestically</i>	
<i>Debts owed to credit institutions resident in the euro area other than domestic</i>	
<i>Debts owed to credit institutions resident in rest of the world</i>	
Financial liabilities other than debts owed to credit institutions	
<i>Debts owed to non-credit institutions</i>	-
<i>Debts owed to non-credit institutions resident domestically</i>	
<i>Debts owed to non-credit institutions resident in the euro area other than domestic</i>	
<i>Debts owed to non-credit institutions resident in rest of the world</i>	
<i>Other financial liabilities (debt securities issued)</i>	
Insurance & intermediaries payables	14,480,951
Reinsurance payables	515,001
Payables (trade, not insurance)	3,709,828
Subordinated liabilities	-
<i>Subordinated liabilities not in BOF</i>	
<i>Subordinated liabilities in BOF</i>	
Any other liabilities, not elsewhere shown	218,521
<b>Total liabilities</b>	<b>764,819,872</b>
<b>Excess of assets over liabilities</b>	<b>97,027,327</b>



S. 05.02.01

Premiums, claims and expenses by country

	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country	
	C0010	C0020	C0030	C0040	C0050		C0060
Home Country							
	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Non-life</b>							
<b>Premiums written</b>							
Gross - Direct Business	295,871,944						295,871,944
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share	216,626,066						216,626,066
Net	79,245,878	-	-	-	-	-	79,245,878
<b>Premiums earned</b>							
Gross - Direct Business	295,317,979						295,317,979
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share	216,626,066						216,626,066
Net	78,691,913	-	-	-	-	-	78,691,913
<b>Claims incurred</b>							
Gross - Direct Business	332,226,528						332,226,528
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share	312,493,235						312,493,235
Net	19,733,293	-	-	-	-	-	19,733,293
<b>Changes in other technical provisions</b>							
Gross - Direct Business							-
Gross - Proportional reinsurance accepted							-
Gross - Non-proportional reinsurance accepted							-
Reinsurers' share							-
Net	-	-	-	-	-	-	-
<b>Expenses incurred</b>							
Other expenses	66,126,444						66,126,444
<b>Total expenses</b>							
							66,126,444

5.17.01.02  
Non-Life Technical Provisions

	0020	0030	0040	0050	0060	0070	0080	0090	0100	0110	0120	0130	0140	0150	0160	0170	0180
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health insurance	Accepted non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
Technical provisions calculated as a whole	0.00	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
Direct business																	
Accepted proportional reinsurance business																	
Accepted non-proportional reinsurance																	
Total Recoverables from reinsurance (SPV and Finite Re before the adjustment for expected losses due to counterparty default associated to TP as a whole)																	
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross - Total	0.00	0.00	0.00	0.00	0.00	0.00	901,030	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	901,030
Gross - direct business							901,030										
Gross - accepted proportional reinsurance business																	
Gross - accepted non-proportional reinsurance business																	
Total recoverable from reinsurance (SPV and Finite Re before the adjustment for expected losses due to counterparty default)	0.00	0.00	0.00	0.00	0.00	0.00	1,727,059	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,727,059
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses							1,727,059										
Recoverables from SPV before adjustment for expected losses																	
Recoverables from Finite Reinsurance before adjustment for expected losses																	
Total recoverable from reinsurance (SPV and Finite Re before the adjustment for expected losses due to counterparty default)							1,727,059										
NET BEST ESTIMATE of Premium Provisions	0.00	0.00	0.00	0.00	0.00	0.00	2,523,089	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,523,089
Claims provisions																	
Gross - Total	0.00	0.00	0.00	0.00	0.00	0.00	725,725,461	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	725,725,461
Gross - direct business							725,725,461										
Gross - accepted proportional reinsurance business																	
Gross - accepted non-proportional reinsurance business																	
Total recoverable from reinsurance (SPV and Finite Re before the adjustment for expected losses due to counterparty default)	0.00	0.00	0.00	0.00	0.00	0.00	695,760,480	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	695,760,480
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses							695,760,480										
Recoverables from SPV before adjustment for expected losses																	
Recoverables from Finite Reinsurance before adjustment for expected losses																	
Total recoverable from reinsurance (SPV and Finite Re before the adjustment for expected losses due to counterparty default)							695,760,480										
NET BEST ESTIMATE of Claims Provisions	0.00	0.00	0.00	0.00	0.00	0.00	35,965,199	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35,965,199
Total best estimate - gross	0.00	0.00	0.00	0.00	0.00	0.00	725,625,491	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	725,625,491
Total best estimate - net	0.00	0.00	0.00	0.00	0.00	0.00	37,993,283	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37,993,283
Risk margin							15,433,663										15,433,663
Amount of the transitional on Technical Provisions																	
TP as a whole																	
Best estimate																	
Risk margin																	



S.23.01.01  
Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

	Total C0010	Tier 1 unrestricted C0020	Tier 1 restricted C0030	Tier 2 C0040	Tier 3 C0050
Ordinary share capital (gross of own shares)	-				
Share premium account related to ordinary share capital	-				
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-				
Subordinated mutual member accounts	-				
Surplus funds	97,027,327	97,027,327			
Preference shares	-				
Share premium account related to preference shares	-				
Reconciliation reserve	-				
Subordinated liabilities	-				
An amount equal to the value of net deferred tax assets	-				
Other own fund items approved by the supervisory authority as basic own funds not specified above	-				

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

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

Deductions	-				
Deductions for participations in financial and credit institutions					
<b>Total basic own funds after deductions</b>	<b>97,027,327</b>	<b>97,027,327</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Ancillary own funds**

Unpaid and uncalled ordinary share capital callable on demand

Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand

Unpaid and uncalled preference shares callable on demand

A legally binding commitment to subscribe and pay for subordinated liabilities on demand

Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC

Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC

Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

**Total ancillary own funds**

Unpaid and uncalled ordinary share capital callable on demand	-				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	-				
Unpaid and uncalled preference shares callable on demand	-				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	68,017,844			68,017,844	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
Other ancillary own funds	68,017,844			68,017,844	

<b>Available and eligible own funds</b>	<b>165,045,171</b>	<b>97,027,327</b>	<b>-</b>	<b>68,017,844</b>	<b>-</b>
Total available own funds to meet the SCR	165,045,171	97,027,327	-	68,017,844	-
Total eligible own funds to meet the SCR	141,829,077	97,027,327	-	44,801,750	-
Total eligible own funds to meet the MCR	101,507,502	97,027,327	-	4,480,175	-

SCR	89,603,500
MCR	22,400,875
Ratio of Eligible own funds to SCR	158.29%
Ratio of Eligible own funds to MCR	453.14%

<b>Reconciliation reserve</b>	<b>97,027,327</b>
Excess of assets over liabilities	
Own shares (held directly and indirectly)	
Foreseeable dividends, distributions and charges	
Other basic own fund items	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
Reconciliation reserve	

**Expected profits**

Expected profits included in future premiums (EP/FP) - Life business

Expected profits included in future premiums (EP/FP) - Non-life business

**Total Expected profits included in future premiums (EP/FP)**

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	C0030	C0040
	Net solvency capital requirement	Gross solvency capital requirement
Market risk	4,552,888	4,552,888
Counterparty default risk	22,286,718	22,286,718
Life underwriting risk		
Health underwriting risk		
Non-life underwriting risk	36,975,889	36,975,889
Diversification	- 10,489,871	- 10,489,871
Intangible asset risk		-
<b>Basic Solvency Capital Requirement</b>	<b>53,325,624</b>	<b>53,325,624</b>
<b>Calculation of Solvency Capital Requirement</b>	<b>C0100</b>	
Operational risk	15,997,687	
Loss-absorbing capacity of technical provisions	-	
Loss-absorbing capacity of deferred taxes		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC		
<b>Solvency Capital Requirement excluding capital add-on</b>	<b>69,323,311</b>	
Capital add-ons already set	20,280,189	
<b>Solvency capital requirement</b>	<b>89,603,500</b>	
<b>Other information on SCR</b>		
Capital requirement for duration-based equity risk sub-module		
Total amount of Notional Solvency Capital Requirements for remaining part		
Total amount of Notional Solvency Capital Requirements for ring fenced funds		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios		
Diversification effects due to RFF nSCR aggregation for article 304		

