



Solvency and Financial Condition Report 2020

Steamship Mutual Underwriting
Association (Europe) Limited

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Introduction

The structure of the Solvency and Financial Condition Report (“SFCR”) follows the public disclosure requirements of Articles 290 to 303 of the Commission Delegated Regulation (EU) 2015/35 (Solvency II regulations).

This is the first SFCR for Steamship Mutual Underwriting Association (Europe) Limited (“SMUAE” or the “Club”) for the period ending 20 February 2020.

This report sets out different aspects of the Club’s solvency and financial condition, specifically its business and performance, system of governance, risk profile, valuation methods used for solvency purposes and its capital management practices. The Club’s financial year runs to 20 February each year and it reports its results in US dollars.

Definitions

Steamship

A collective term covering Steamship Mutual Underwriting Association Limited (“SMUA”), Steamship Mutual Underwriting Association (Europe) Limited (“SMUAE”), 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”), Insurance Companies Control Service (“ICCS”), the Bermuda Monetary Authority (“BMA”) and the European Insurance & Occupational Pensions Authority (“EIOPA”).

SMUA has branches regulated by the Monetary Authority of Singapore (“MAS”), the Japanese Financial Services Agency (“FSA”) and Hong Kong Insurance Authority (“HKIA”).

Regulatory terminology

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

Executive Summary

Steamship 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 Steamship is considered to be a regulatory group comprising SMUA, SMUAE, SMUAB, the Trust, and SMUAT. The supervisor for this group is the BMA and so Steamship calculates its group SCR using the BMA's standard formula.

The following tables show the components of the SCR and own funds of SMUAE:

\$000	2020
Underwriting risk	11,189
Counterparty default risk	7,276
Market risk	294
Operational risk	519
	19,278
Diversification between risk categories	(2,562)
SCR	16,716

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 investment return.

Own funds

\$000	2020
Tier 1 capital - Free reserves on Solvency II basis	24,519
Tier 2 capital	
Allowance for ability to make additional calls	8,358
Total eligible own funds	32,877
SCR Ratio	197%

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

Executive Summary

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 free reserves in the financial statements of \$30.0m 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.

The regulators recognises that the Club can increase own funds (capital resources) by making additional premium calls under its Rules and in accordance with the approved formula with an allowance of \$16.6m, capped at 50% of the SCR is included as Tier 2 capital.

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

Outlook for 2020

The financial year end coincided with the rapid escalation of the COVID-19 outbreak. All industries and parts of society have been affected, as have Members. This has introduced uncertainty and volatility across all aspects of the business. The Directors and Managers have been focused on ensuring the safety of its staff and operational continuity so that Members continue to receive the service they expect from Steamship in these unprecedented times. The financial strength and operational resilience of Steamship are there for such events, which we will work through.

The Managers rolled out the business continuity plan, enabling all staff to work remotely with no disruption to the services provided to Members, and maintaining regulatory compliance.

From 20 February 2020, following Brexit, Members whose place of management is within the EEA and certain other jurisdictions, can have their entries accepted by SMUAE which is incorporated in Cyprus. The Rules, the scope and types of cover, the levels of service, and the financial security of SMUAE are the same as those of SMUA. SMUA intends to transfer its EEA liabilities to SMUAE under a Part VII of the Financial Services and Markets Act 2000. It is intended that the transfer of relevant assets and liabilities will be completed by 31 December 2020 based upon the latest transitional period.

Executive Summary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Solvency and Financial Condition Report ("SFCR") in accordance with the Orders of the Superintendent of insurance (Supervisor) and Solvency II Regulations.

The Board is satisfied that, to the best of their knowledge:

- (a) throughout the financial year to 20 February 2020, the Club has complied in all material respects with the requirements of the ICCS rules and applicable Solvency II regulations; and
- (b) it is reasonable to believe that, at the date of the publication of the SFCR, the Club continue so to comply, and will continue so to comply in future.

The SFCR has been authorised for issue by the Directors on 2 June 2020.

By Order of the Board



R W Harris
Director

Independent Auditor's Report

To the Board of Directors of Steamship Mutual Underwriting Association (Europe) Limited

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of Steamship Mutual Underwriting Association (Europe) Limited (the "Company"), prepared as at 20 February 2020:

- S.02.01.02 - Balance sheet
- S.17.01.02 - Non-Life Technical Provisions
- S.23.01.01 - Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report".

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 20 February 2020 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the Commission Delegated Regulation (EU) 2019/981, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of preparation. The Solvency and Financial Condition Report is prepared in compliance with the Framework, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (continued)

To the Board of Directors of Steamship Mutual Underwriting Association (Europe) Limited

Other information

The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 - Non-Life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, 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 that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report

The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report

Our objectives are to obtain reasonable assurance about whether the relevant QRTs of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs 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 the Solvency and Financial Condition Report.

Independent Auditor's Report (continued)

To the Board of Directors of Steamship Mutual Underwriting Association (Europe) Limited

Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report (continued)

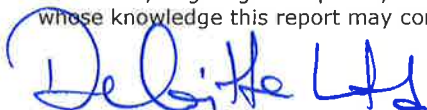
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, 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 Company's internal control.
- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors 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.

Other Matter

Our report is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Deloitte Limited
Certified Public Accountants and Registered Auditors
24 Spyrou Kyprianou Avenue
CY 1075, Nicosia, Cyprus

2 June 2020

A. Business & Performance

A.1 Business

Steamship is a mutual Protection and Indemnity insurer, otherwise known as a P&I Club, 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 International 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 \$ 10m up to, currently, approximately \$ 8.31 billion. The policy year of all P&I Clubs commences at noon Greenwich Mean Time on 20th 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. The Managers have operations in several locations to support these activities.

Steamship Mutual Underwriting Association Limited ("SMUA")

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.

A. Business & Performance

The day to day operations of SMUA are managed by Steamship P&I Management LLP ("SPIM"). SMUA 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.

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

Steamship Mutual Underwriting Association (Europe) Limited ("SMUAE")

SMUAE was registered in Cyprus on 4 September 2019 as a Company limited by guarantee pursuant the requirements of Cyprus Companies Law, Cap. 113 and does not have share capital as it is owned by its Members (policyholders). The registered office of SMUAE is at Esperidon 5, 4th Floor, Strovolos, 2001, Nicosia, Cyprus.

SMUAE obtained an insurance licence from the ICCS on 25 October 2019 and its principal activity is the insurance and reinsurance of Protection and Indemnity risks (P&I), and of Freight, Demurrage and Defence (FD&D) risks on behalf of its Members.

The day to day operations of SMUAE are managed by "SPIM". SMUAE is governed by a Board comprising a non-executive Chairman, five non-executive directors, and one member of SPIM. The Board mainly consists of representatives of the Members.

The Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB")

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 and all members of SMUA and SMUAE.

The operations of SMUAB are managed by Steamship Mutual Management (Bermuda) Limited and therefore SMUAB does not have any employees. SMUAB is governed by a Board comprising a non-executive Chairman, 24 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 and SMUAE.

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 "Trust")

The 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, three non-executive directors, and the Chairmen of SMUA, and SMUAB.

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

A. Business & Performance

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

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 (Europe)Limited

Registered Office	Managers	External Auditors	Supervisory Authority
Esperidon 5 Floor 4 Strovolos, 2001 Nicosia Cyprus	Steamship P&I Management LLP Aquatical House 39 Bell Lane London E1 7LU +44 (0)20 7247 5490	Deloitte Limited Spyrou Kyprianou Avenue 24 Nicosia 1075 Cyprus +357 223 60300	Superintendent of Insurance P.O. Box 23364 682 Nicosia Cyprus +357 226 2990
	Managers' Cyprus Representative Steamship Insurance Agency (Europe) Limited Floor One, Metis Tower 28 th October Avenue 3107 Limassol Cyprus		

A. Business & Performance

Steamship Mutual Underwriting Association Limited

Registered Office

Aquatical House
39 Bell Lane
London E1 7LU

Managers

Steamship P&I Management LLP
Aquatical House
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Managers' London Representative
Steamship Insurance Management
Services Limited
Aquatical House
39 Bell Lane
London E1 7LU
+44 (0)20 7247 5490

External Auditors

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London
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+44 (0)20 7936 3000

Supervisory Authority

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

A.2 Performance

SMUAE was established to ensure that previous EEA members of SMUA would be able to continue to be insured by the Steamship, representing approximately 30% of SMUA's business. From 20 February 2020, following Brexit, Members whose place of management is within the EEA and certain other jurisdictions, can have their entries accepted by SMUAE which is incorporated in Cyprus. The Rules, the scope and types of cover, the levels of service, and the financial security of SMUAE are the same as those of SMUA.

SMUAE's gross premium as at 20 February 2020 was \$ nil. During February 2020 however, the Club bound its first risks, which inceptioned from midday 20 February 2020.

The year ahead

The Global Sulphur Cap came into force on 1 January 2020. The number of issues reported to the Club has however been comparatively modest, with no fines having been reported.

The outbreak of COVID-19 has no doubt had an impact in various ways, diverting attention from and perhaps diminishing the investigation and enforcement of the new regulations. The Club nevertheless continues to monitor the situation very closely and provide assistance to Members wherever possible.

In a normal year, we might expect to be reporting positive expectations for the forthcoming policy year. COVID-19 is of course a serious threat and it is impossible to predict with any confidence what the eventual impact will be upon the Steamship's premiums and claims. As would be expected the Managers are reviewing the position on a frequent and regular basis, taking account of numerous factors, including investments, operations, reinsurance and regulatory requirements.

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.

SMUAE's policy is to invest predominantly in stable assets. As such, the investment portfolio consists largely of Money Market Funds, totally \$30.0m and cash \$2.3m, achieving an overall investment return of \$159,000 for the period from incorporation.

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)	A Pohan, NY Waterway
J G Conyers	S-M Edey, Sloman Neptun, Schiffahrts, AG
S Mehta	
R Thompson	

SMUAB Board

S-M Edey, Sloman Neptun Schiffahrts AG (Chairman)	C K Ong, U-Ming Marine Transport Corp
C B Adams, Steamship P&I Management LLP	A Pohan, NY Waterway
C J Ahrenkiel, C J Ahrenkiel Consulting Switzerland	B K Sheth, The Great Eastern Shipping Co Ltd
A Albertini, Marfin Management SAM	M Sloan, Carnival Corporation & plc
M W Bayley, Royal Caribbean International	C Sommerhage, Columbia Shipmanagement (Germany) GmbH
C Bouch	
D S Farkas, Norwegian Cruise Line	Song, Chunfeng, China Shipowners Mutual Assurance Association
M Frith	
I Grimaldi, Grimaldi Holdings SpA	A L Tung, Island Navigation Corp International Ltd
D M Ho, Magsaysay Maritime Corp	E Veniamis, Golden Union Shipping Co SA
E Ide, Naviera Ultrarav Ltda	E Yao, Orient Overseas Container Line Ltd (appointed 4 March 2019)
W J Kim, Polaris Shipping Co. Ltd	
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

SMUAE Board

C Sommerhage, Columbia Shipmanagement (Germany) GmbH (Chairman) (appointed 4 September 2019)	G W F Rynsard, Steamship P&I Management LLP (appointed 4 September 2019, ,resigned on 20 February 2020)
C Bouch (appointed 4 September 2019)	C Klerides (appointed 16 January 2020)
R W Harris, Steamship P&I Management LLP (appointed 4 September 2019)	R Ahlquist (appointed 10 March 2020)
C J Madinabeitia, Tradewind Tankers SL (appointed 4 September 2019)	

B. System of Governance

SMUA Board

A Pohan, NY Waterway (Chairman)

C B Adams, Steamship P&I Management LLP

C J Ahrenkiel, C J Ahrenkiel Consulting Switzerland

C Bouch

C J Madinabeitia, Tradewind Tankers SL

I Grimaldi, Grimaldi Holdings SpA

S J Martin, Steamship P&I Management LLP

A L Tung, Island Navigation Corp International Ltd

R Zagari, Augustea Group

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 Steamship, 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 desires of the BMA, ICCS 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)

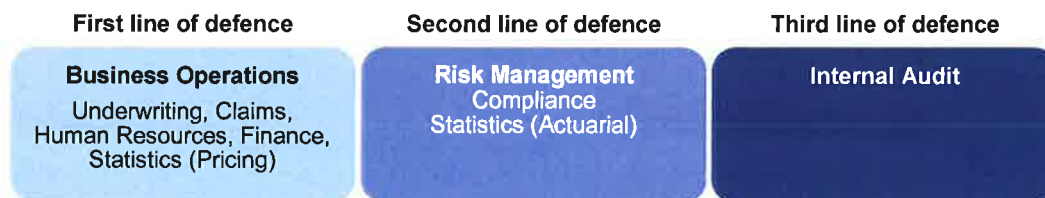
The objective of Steamship's risk management system is to ensure that the business is carried out within the overall risk appetite set by the Board. The system is characterised by a holistic, integrated and top-down enterprise risk management system, based on a shared risk culture.

B. System of Governance

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.

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")

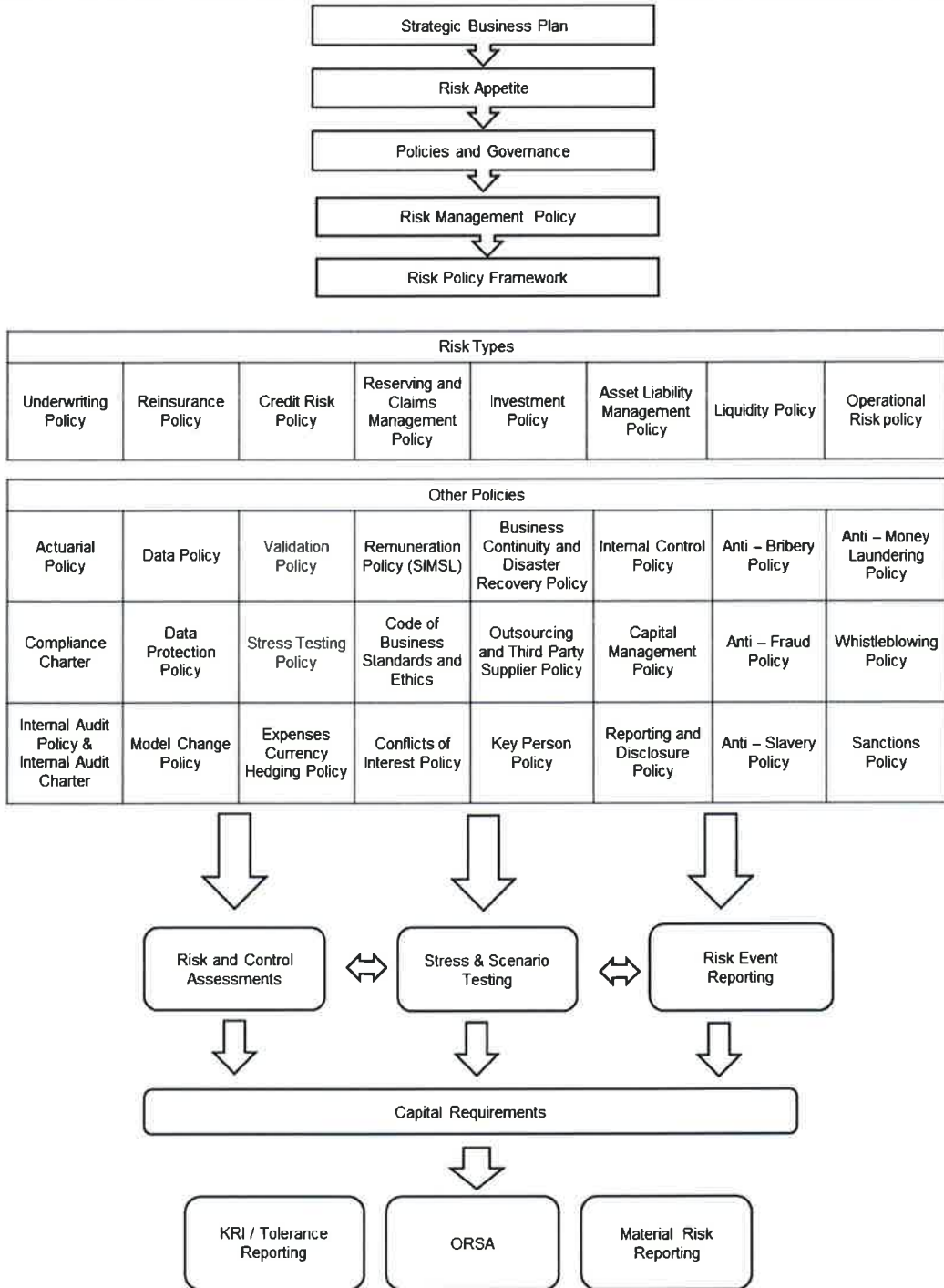
Steamship monitors and manages the risks relating to its operations through its fully documented risk management programme which analyses exposures by degree and magnitude of risks. This is evidenced in the GSSA report.

The GSSA has been carried out in accordance with the ORSA Policy. The Policy states that the GSSA is performed at least annually 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.

The seventh GSSA was carried out in October 2019 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

B. System of Governance

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 SCR and the Minimum Margin of Solvency (MMS) for the next three 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 PricewaterhouseCoopers LLP, who took over after from BDO LLP in July 2019 after completing 10 years being an appropriate point to rotate internal auditors. 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.6 Actuarial function

The actuarial function consists of a team of four including the Statistics Director who fulfills the function for SMUA as Chief Actuary. The Designated Actuary for the Group, SMUAT, SMUAB and SMUAE is fulfilled by Marta Munoz Vilar FIA.

The Actuarial Function resides in the Statistics Department of Steamship Insurance Management Services Limited and is responsible for the calculation of technical provisions (for both financial reporting and solvency calculations), maintaining

B. System of Governance

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 Complete IT Ltd;
3. Local Singapore compliance services provided by PricewaterhouseCoopers Risk Services Pte Limited;
4. Internal Audit services provided by PricewaterhouseCoopers LLP (BDO LLP to July 2019); and
5. 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 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.

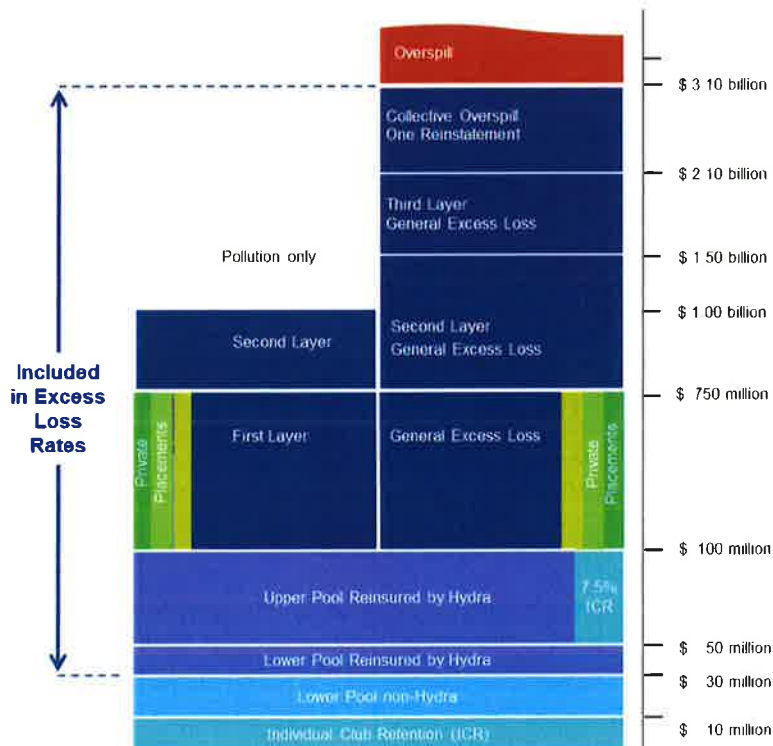
The principal risks faced by Steamship are insurance risk, market risk, credit risk, liquidity risk and operational risk.

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 2020/21 Reinsurance Programme).



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.

C. Risk Profile

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, SMUAE 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 \$15m (S&P AA rated banks, or equivalent rating from other agencies), and \$10m (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 their Basel III capital ratio.

SMUAE's principal counterparty once it commences underwriting will be exposure with its reinsurers. At the 20 February 2020 the provision for reinsurance recoveries on a Solvency II basis is \$70.0m, of which \$11.4m was from external reinsurers, and \$58.5m was from SMUAB.

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, 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. Risk Profile

C.6 Other material risks

SMUAE relies on the strength of the overall Steamship balance sheet to support its credit rating which represents a key marketing tool, and reinsurers 90% of its retained risk with SMUAB.

The risk for SMUAE is limited as there are consistent policies and procedure across the Group. A loss is more likely to manifest in all entities at once and hence arise from one of the other risks.

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 2019/20 the following stress tests were carried out:

- Cyber risks (insured risks/vessels)
- Sanctions
- Reinsurance failure as a result of insolvency/winding up (Reverse Stress Test)
- Bermuda Contingency Planning
- Coincidence of worst performing years in each claim category, type of business and entity
- 40% decline in equity prices
- 40% decline in alternative investments and real estate
- Extreme US Yield Curve Widening
- Widening of credit spreads
- Foreign currency shocks
- Inflation and Monetary Policy risk

The following sensitivity tests were also carried out in 2019/20 principally to help identify and test the suitable level of buffer above the 'AAA' Standard & Poor's requirement.

- Single claim of \$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 \$10m and is expect to continue to meet its Solvency requirements in all scenarios.

D. Valuation for Solvency Purposes

D.1 Assets

In accordance with the Solvency II Directive, SMUAE'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 IFRS Balance Sheet as reported within the published report and accounts, the Solvency II adjustments made and the Solvency II valuation for SMUAE.

	2020	Adjustments	2020
	IFRS		Solvency II
	000		\$000
Assets			
Investments	30,031		30,031
Deferred Tax Assets	1	235	236
Reinsurers' share of technical provisions	-	15,157	15,157
Receivables (trade, not insurance)	165		165
Cash and cash equivalents	2,289		2,289
Total assets	32,486	15,392	47,878
Liabilities			
Technical provisions			
Technical provisions - IFRS	0		
Best Estimate – Regulatory basis		17,291	17,291
Risk margin		3,335	3,335
Sub-total	0	20,626	20,626
Insurance & intermediaries payables	2,390		2,390
Payables (trade, not insurance)	106		106
Total liabilities	2,496	20,626	23,122
Free reserves	29,990	(5,234)	24,756

The investments are valued for Solvency II purposes on the same basis as the annual financial statements, which follow IFRS.

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 inception); and
- all future outcomes (including events not in [historical] data - or ENIDs - have to be considered).

D. Valuation for Solvency Purposes

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 SMUAE.

	Gross	Reinsurers' share	Net
Published Technical Provisions, \$000			
IFRS Published technical provisions (outstanding claims)	0	0	0
Adjustments			
Add bound but not incepted	14,942	13,066	1,876
Add events not in data	3,600	3,240	360
Add provision for reinsurer default	-	(47)	47
Discount cash flows	(1,251)	(1,102)	(149)
Add risk margin	3,335	-	3,335
Total adjustments	20,626	15,157	5,469
Regulatory technical provisions	20,626	15,157	5,469

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*.

The IFRS reserves for the Club at 20 February 2020 was \$ nil as the first bound policies began on midday 20 February 2020.

For IFRS 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

The Solvency II balance sheet includes a deferred tax asset of \$236,000 arising from the temporary differences between technical provisions under Solvency II compared to these under IFRS (which are not used for income tax purposes).

There are no other differences between the valuation bases, methods and main assumptions used for solvency purposes and financial statements purposes.

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 GSSA annually and when the risk profile or business model changes. The GSSA incorporates the business planning process which is typically considered over a three year time horizon. 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 SMUAE as at 20 February 2020. With respect to the capital position, the 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 ("AOF").

Ancillary own funds consist of items other than basic own funds which can be used to absorb losses. AOF items require the prior approval of the supervisory authority. Steamship has approved AOF 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 2020

Own Funds by Tiers \$000	Entity	SMUAE
	Regulator	ICCS
Tier 1 Basic Own funds (Unrestricted)		24,519
Tier 2 Ancillary own funds		8,358
Total Eligible own funds to meet the SCR		32,877

SMUAE's Tier 1 Own Funds are made up 100% of free reserves. As such all capital is Tier 1 and there are no restrictions on the availability of SMUAE's Tier 1 own funds to support the MCR or SCR.

SMUAE also has approved Tier 2 AOF of \$16.6m for the ability to make an additional premium call on Mutual Members.

The ICCS recognises that SMUAE can increase own funds by making additional premium (also known as unbudgeted supplementary calls) under its Rules in extreme circumstances. The ICCS has granted approval for a method of calculation of AOF and, subject to an annual confirmation by SMUAE that key factors remain valid, the method is approved until 20 April 2023.

Under Solvency II regulations, up to 50% of the SCR may be supported by approved AOF.

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 Capital Requirement ("MCR").

E. Capital Management

As at 20 February 2020

Own Funds by Tiers \$000	Entity <i>Regulator</i>	SMUAE
		ICCS
Tier 1 Basic Own funds (Unrestricted)		24,519
Tier 2 Ancillary own funds		-
Total Eligible own funds to meet the MCR		24,519

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR and MCR have been determined using the 'Standard Formula' approach as set out in the Solvency II regulations.

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

The following table show the breakdown of the SCR and MCR.

As at 20 February 2020

Risk Category \$000	Entity <i>Regulator</i>	SMUAE
		ICCS
Non-life underwriting risk		11,189
Counterparty default risk		7,276
Market risk		294
Operational risk		519
Total before diversification between risk		19,278
Diversification between risk categories		(2,562)
SCR		16,716
MCR		4,179

Solvency ratio

Ratio of eligible own funds to SCR: **197%**

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.

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.

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

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

SMUAE 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.

E. Capital Management

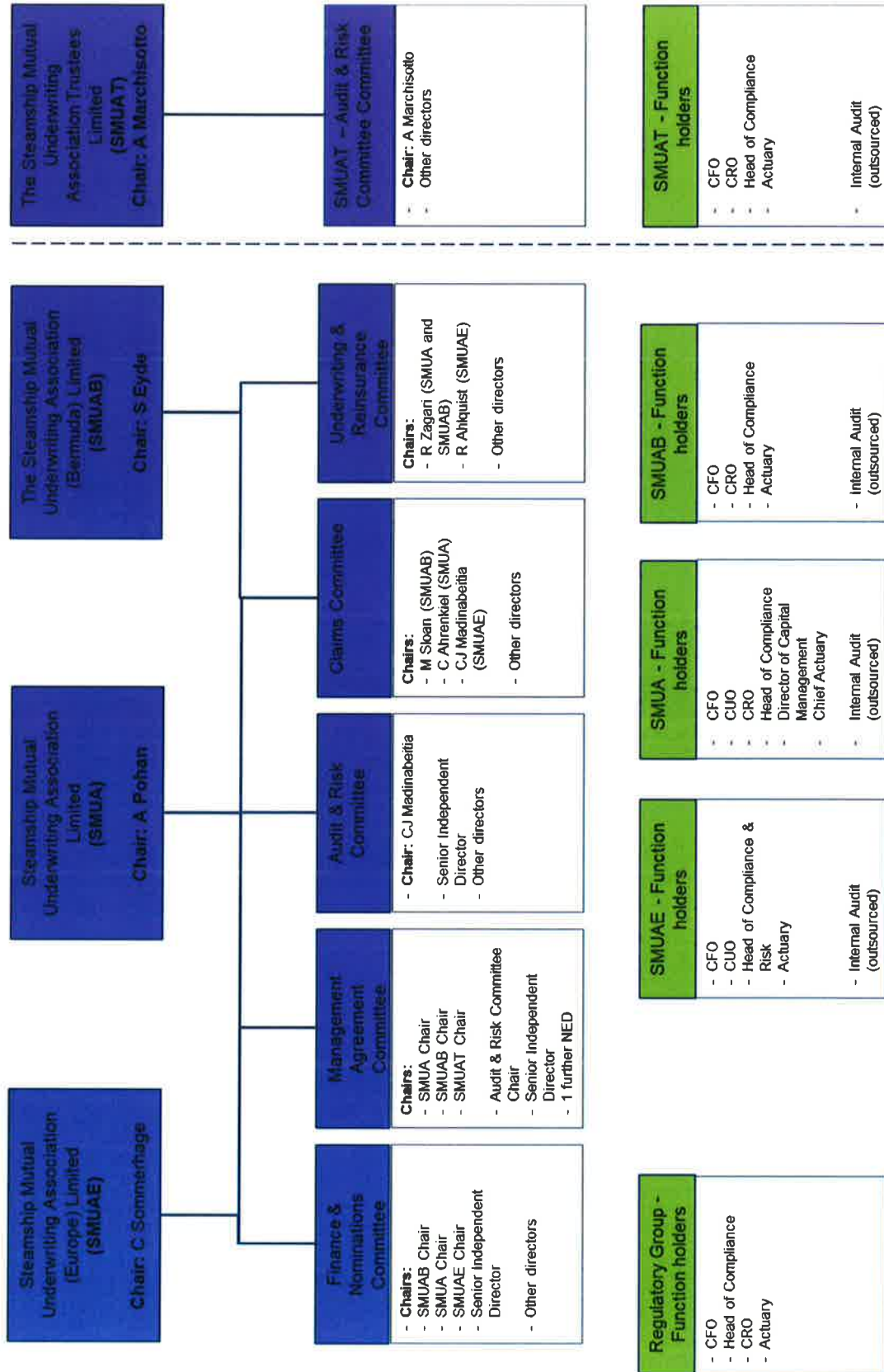
Subsequent events

In response to Brexit, and the anticipated abolishment of existing freedom of services passporting rights, to ensure ongoing service continuity in respect of EU liabilities, SMUA intends to transfer its EEA liabilities to SMUAE under a Part VII of the Financial Services and Markets Act 2000 of the United Kingdom. It is intended that the transfer of relevant assets and liabilities will be completed by 31 December 2020 based upon the latest transitional period.

The financial year end coincided with the rapid escalation of the COVID-19 outbreak. All industries and parts of society have been affected, as have Members. This has introduced uncertainty and volatility across all aspects of the business. The financial strength and operational resilience of the Association are there for such events. The slowdown in global trade is inevitably having an impact on Members, some more than others, with several vessels going into lay-up. The Board does not consider that this will lead to a material impact on the prospective operating performance of SMUAE because the likelihood, as with prior global economic recessions, is that there will be a corresponding reduction in net incurred claims costs. The pandemic is also having an impact on expected claims, particularly in passenger vessels. Reinsurance and other counterparty security is being more closely monitored, with no significant risks currently emerging. The event is considered within the bound but not incepted liabilities within the Solvency II technical provisions as at 20 February 2020.

The financial statements were approved and authorised for issue by the Board on 2 June 2020

Appendix 1 – Steamship Regulatory Group Governance Map



Appendix 2 – SMUAE 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.23.01.01 – Own Funds

S.25.01.21 – Solvency Capital Requirement – for undertakings on standard formula

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



	Solvency II value
	C0010
Assets	
Goodwill	
Deferred acquisition costs	
Intangible assets	
Deferred tax assets	235.898
Pension benefit surplus	
Property, plant & equipment held for own use	
Investments (other than assets held for index-linked and unit-linked contracts)	30.030.523
<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>	-
<i>Government Bonds</i>	
<i>Corporate Bonds</i>	
<i>Structured notes</i>	
<i>Collateralised securities</i>	
<i>Collective Investments Undertakings</i>	30.030.523
<i>Derivatives</i>	
<i>Deposits other than cash equivalents</i>	
<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:	15.156.925
<i>Non-life and health similar to non-life</i>	15.156.925
<i>Non-life excluding health</i>	15.156.925
<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	
Reinsurance receivables	
Receivables (trade, not insurance)	164.798
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	2.288.879
Any other assets, not elsewhere shown	
Total assets	47.877.023



STEAMSHIP MUTUAL

	Solvency II value
	C0010
Liabilities	
Technical provisions - non-life	20.626.161
<i>Technical provisions - non-life (excluding health)</i>	20.626.161
<i>TP calculated as a whole</i>	
<i>Best Estimate</i>	17.291.166
<i>Risk margin</i>	3.334.995
<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	
Deposits from reinsurers	
Deferred tax liabilities	
Derivatives	
Debts owed to credit institutions	
Financial liabilities other than debts owed to credit institutions	
Insurance & intermediaries payables	
Reinsurance payables	
Payables (trade, not insurance)	2.496.030
Subordinated liabilities	-
<i>Subordinated liabilities not in BOF</i>	
<i>Subordinated liabilities in BOF</i>	
Any other liabilities, not elsewhere shown	
Total liabilities	23.122.191
Excess of assets over liabilities	24.754.832

S.05.01.02 – Premium, claims and expenses by line of business

Rows	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)													Line of Business for: accepted non-proportional reinsurance				Total
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200	
Premiums written																		
Gross - Direct Business	R0110																	
Gross - Proportional reinsurance	R0120																	
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140																	
Net	R0200																	
Premiums earned																		
Gross - Direct Business	R0210																	
Gross - Proportional reinsurance	R0220																	
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240																	
Net	R0300																	
Claims incurred																		
Gross - Direct Business	R0310																	
Gross - Proportional reinsurance	R0320																	
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340																	
Net	R0400																	
Changes in other technical provisions																		
Gross - Direct Business	R0410																	
Gross - Proportional reinsurance	R0420																	
Gross - Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440																	
Net	R0500																	
Expenses incurred	R0550																	
Other expenses	R1200																170.512	
Total expenses	R1300																170.512	

S.05.02.01 – Premium, claims and expenses by country

	C0010					C0060					C0070				
	Home Country					Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country				
	C0080	C0020	C0030	C0040	C0050	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Non-life															
Premiums written:															
Gross - Direct Business	R0110														
Gross - Proportional reinsurance accepted	R0120														
Gross - Non-proportional reinsurance accepted	R0130														
Reinsurers' share	R0140														
Net	R0200														
Premiums earned															
Gross - Direct Business	R0210														
Gross - Proportional reinsurance accepted	R0220														
Gross - Non-proportional reinsurance accepted	R0230														
Reinsurers' share	R0240														
Net	R0300														
Claims incurred															
Gross - Direct Business	R0310														
Gross - Proportional reinsurance accepted	R0320														
Gross - Non-proportional reinsurance accepted	R0330														
Reinsurers' share	R0340														
Net	R0400														
Changes in other technical provisions															
Gross - Direct Business	R0410														
Gross - Proportional reinsurance accepted	R0420														
Gross - Non-proportional reinsurance accepted	R0430														
Reinsurers' share	R0440														
Net	R0500														
Expenses incurred															
Expenses incurred	R0550														
Other expenses	R1200	170.512													170.512
Total expenses	R1300	170.512													170.512



STEAMSHIP MUTUAL

S.17.01.02 – Non-Life Technical Provisions

	CO020	CO030	CO040	CO050	CO060	CO070	CO080	CO090	CO100	CO110	CO120	CO130	CO140	CO150	CO160	CO170	CO180
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
Technical provisions calculated as a whole																	
Direct business																	
Accepted proportional reinsurance business																	
Accepted non-proportional reinsurance																	
Total Recoverables from reinsurance/SPV and Finite Re after 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						17,291,166											17,291,166
Gross - direct business						17,291,166											17,291,166
Gross - accepted proportional reinsurance business																	
Gross - accepted non-proportional reinsurance business						17,291,166											
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default						15,156,925											15,156,925
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses						15,156,925											15,156,925
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 after the adjustment for expected losses due to counterparty default						15,156,925											15,156,925
Net Best Estimate of Premium Provisions						2,134,241											2,134,241
Claims provisions																	
Gross - Total																	
Gross - direct business																	
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																	
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses																	
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 after the adjustment for expected losses due to counterparty default																	
Net Best Estimate of Claims Provisions																	
Total best estimate - gross						17,291,166											17,291,166
Total best estimate - net						2,134,241											2,134,241
Risk margin						3,334,995											3,334,995



STEAMSHIP MUTUAL

S.17.01.02 – Non-Life Technical Provisions

	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
	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 insurance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
Amount of the transitional on Technical Provisions																	
TP as a whole																	
Best estimate																	
Risk margin																	
Technical provisions - total																	
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total						20.626.161											20.626.161
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total						15.156.925											15.156.925
						5.469.236											5.469.236
Line of Business (LoB); further segmentation (Homogeneous Risk Groups)																	
Premium provisions - Total number of homogeneous risk group						1											
Claims provisions - Total number of homogeneous risk groups						1											
Cash-flows of the Best estimate of Premium Provisions (Gross)																	
Cash out-flows																	
Future benefits and claims						78.779.584											78.779.584
Future expenses and other cash out-flows						20.581.881											20.581.881
Cash in-flows																	
Future premiums						82.070.299											82.070.299
Other cash in-flows (incl. Recoverables from salvages and subrogations)																	
Cash-flows of the Best estimate of Claims Provisions (Gross)																	
Cash out-flows																	
Future benefits and claims																	
Future expenses and other cash out-flows																	
Cash in-flows																	
Future premiums																	
Other cash in-flows (incl. Recoverables from salvages and subrogations)																	
Percentage of gross Best Estimate calculated using approximations																	
Best estimate subject to transitional of the interest rate																	
Technical provisions without transitional on interest rate																	
Best estimate subject to volatility adjustment																	
Technical provisions without volatility adjustment and without others transitional measures																	

5.19.01.21 – Non-Life insurance claims

Line of business	Marine, aviation and transport insurance
Accident year / underwriting year	Underwriting year
Currency	USD
Currency conversion	Reporting currency

Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +	In Current year	Sum of years (cumulative)	
							Development year												
Prior																			
N-14																			
N-13																			
N-12																			
N-11																			
N-10																			
N-9																			
N-8																			
N-7																			
N-6																			
N-5																			
N-4																			
N-3																			
N-2																			
N-1																			
N																			
Total																			

Year	C0600	C0610	C0620	C0630	C0640	C0650	C0660	C0670	C0680	C0690	C0700	C0710	C0720	C0730	C0740	C0750	C0760	C0770	
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +	In Current year	Sum of years (cumulative)	
							Development year												
Prior																			
N-14																			
N-13																			
N-12																			
N-11																			
N-10																			
N-9																			
N-8																			
N-7																			
N-6																			
N-5																			
N-4																			
N-3																			
N-2																			
N-1																			
N																			
Total																			



STEAMSHIP MUTUAL

5.23.01.01 – 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	30 000 000	30 000 000			
Subordinated mutual member accounts	-				
Surplus funds	-				
Preference shares	-				
Share premium account related to preference shares	-				
Reconciliation reserve	5 481 066	5 481 066			
Subordinated liabilities	-				
An amount equal to the value of net deferred tax assets	235 898				235 898
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	
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Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

	24 754 832	24 518 934	-	-	235 898
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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

	16 638 070			16 638 070	-
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Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

	41 392 902	24 518 934	-	16 638 070	235 898
	24 518 934	24 518 934	-	-	-
	32 876 817	24 518 934	-	8 357 883	-
	24 518 934	24 518 934	-	-	-

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

	16 715 766				
	4 178 942				
	197%				
	587%				

Reconciliation reserve

Excess of assets over liabilities

Own shares (held directly and indirectly)

Forseizable 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

	24 754 832				
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Expected profits

Expected profits included in future premiums (EPIFP) - Life business

Expected profits included in future premiums (EPIFP) - Non-life business

Total Expected profits included in future premiums (EPIFP)

	-				
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S.25.01.21 – Solvency Capital Requirement – for undertakings on standard formula

	C0030	C0040	C0050
	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
Market risk	293.327	293.327	-
Counterparty default risk	7.275.728	7.275.728	-
Life underwriting risk			-
Health underwriting risk			-
Non-life underwriting risk	11.189.390	11.189.390	-
Diversification	= 2.561.414	= 2.561.414	
Intangible asset risk		-	
Basic Solvency Capital Requirement	16.197.031	16.197.031	
Calculation of Solvency Capital Requirement			
Adjustment due to RFF/MAP nSCR aggregation			
Operational risk		518.735	
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			
Solvency Capital Requirement excluding capital add-on		16.715.766	
Capital add-ons already set			
Solvency capital requirement		16.715.766	
Other information on SCR			
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			
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation			
Net future discretionary benefits			

S.28.01.01 – Minimum Capital Requirement – Only life or only non-life Insurance or reinsurance activity
Linear formula component for non-life Insurance and reinsurance obligations

 MCR_{nl} Result

C0010

219.827

C0020

C0030

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
2.134.241	-

- Medical expense insurance and proportional reinsurance
- Income protection insurance and proportional reinsurance
- Workers' compensation insurance and proportional reinsurance
- Motor vehicle liability insurance and proportional reinsurance
- Other motor insurance and proportional reinsurance
- Marine, aviation and transport insurance and proportional reinsurance
- Fire and other damage to property insurance and proportional reinsurance
- General liability insurance and proportional reinsurance
- Credit and suretyship insurance and proportional reinsurance
- Legal expenses insurance and proportional reinsurance
- Assistance and proportional reinsurance
- Miscellaneous financial loss insurance and proportional reinsurance
- Non-proportional health reinsurance
- Non-proportional casualty reinsurance
- Non-proportional marine, aviation and transport reinsurance
- Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

 MCR_l Result

C0040

-

C0050

C0060

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

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

Overall MCR calculation

Linear MCR

SCR

MCR cap

MCR floor

Combined MCR

Absolute floor of the MCR

C0070

219.827

16.715.766

7.522.095

4.178.942

4.178.942

4.126.980

Minimum Capital Requirement

4.178.942