ANNUAL REPORT AND FINANCIAL STATEMENTS

20 FEBRUARY 2021

BRITANNIA P&I
TRUSTED SINCE 1855

CONTENTS

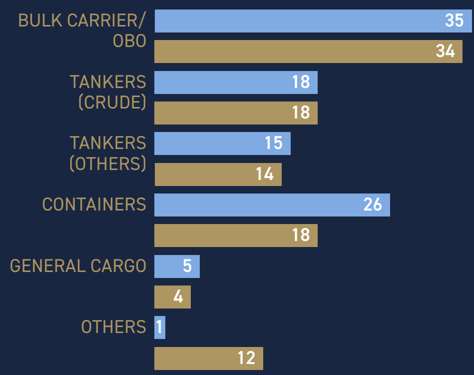
KEY PERFORMANCE INDICATORS

247
MEMBERS

30
COUNTRIES

3,912
SHIPS

SHIPS BY TYPE (% OF TOTAL)



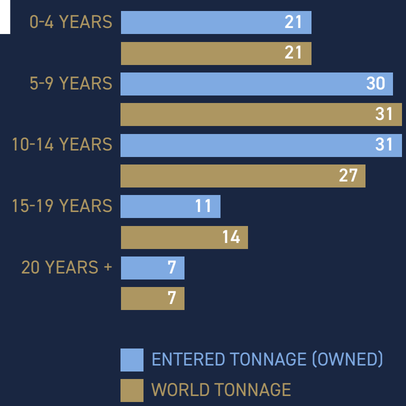
ENTERED TONNAGE BY AREA OF MANAGEMENT CLASS 3 (% OF TOTAL)

46.8 ASIA
13.7 SCANDINAVIA
33.4 REST OF EUROPE
3.6 AMERICAS
2.2 MIDDLE EAST
0.3 AUSTRALASIA

125.2m
OWNED TONNAGE

53.5m
CHARTERED TONNAGE

AGE OF SHIPS (% OF TOTAL)



	20 FEB 2021 (m gt)	20 FEB 2020 (m gt)	20 FEB 2019 (m gt)
ENTERED TONNAGE (OWNED)	125.2	117.5	111.9
ENTERED TONNAGE (CHARTERED)	53.5	45.0	19.0

KEY FINANCIAL DATA

	USD(000)	USD(000)	USD(000)
CALLS AND PREMIUMS	200,086	201,185	204,415
NET CLAIMS INCURRED	(118,257)	(111,667)	(119,599)
INVESTMENT INCOME	58,970	61,868	(2,643)
NET OPERATING EXPENSES	(32,520)	(31,891)	(28,649)
NET INCOME AFTER TAXATION	36,967	56,427	(9,296)
FREE RESERVES*	449,055	422,088	390,661
NET LOSS RATIO	90.77%	79.89%	83.79%
IG AVERAGE EXPENSE RATIO	11.66%	11.50%	10.90%
STANDARD & POOR'S RATING	A (stable)	A (stable)	A (stable)

*The Group also retains the benefit of its reinsurance contract with Boudicca Insurance Company Limited (see note 5 to the financial statements).

	USD(000)	USD(000)	USD(000)
SURPLUS ASSETS IN BOUDICCA	177,800	172,300	196,900

Surplus investment assets in Boudicca available to meet future claims by the Group.

CHAIRMAN'S STATEMENT

2020 WILL BE REMEMBERED AS THE COVID PANDEMIC YEAR, HOPEFULLY THE ONLY ONE. ECONOMIES AND SUPPLY CHAINS GLOBALLY HAVE SEEN SEVERE DISRUPTION AND BRITANNIA'S MEMBERS WERE EXPOSED TO DISTURBANCES IN ALMOST ALL MARKETS, WITH UNFORESEEN OPERATIONAL CHALLENGES AND CREW CHANGES MADE IMPOSSIBLE. MEMBERS' OFFICES WERE FORCED TO WORK UNDER EXTREME LOCKDOWN REGULATIONS.

Fortunately, markets recovered strongly towards the end of the year and the total economic impact on shipping, with the exception of cruise activities, was less severe than initially feared. The maritime industry deserves much praise for working through these difficult times and continuing to provide a fundamental service for the global economy. Recently, some sectors have experienced a strong recovery of freight rates to acceptable levels which should contribute to improved financial stability and the ability to make the necessary investment for the future.

Britannia has been able to provide its Members with continuously high levels of service in spite of all staff in the UK and in many other locations around the world not being able to get to the office or travel as required in the normal course of business. A significant factor has been the organisation's recently upgraded IT systems which proved their value, enabling a smooth 'working from home' environment across all functions. The establishment of the regional hubs and offices in our most important markets has also played an important role in staying in contact with our Members and providing uninterrupted service. As Chairman, I do appreciate the dedication and effort of the Managers' staff around the world to keep Britannia running efficiently – they have earned much respect and appreciation.

The trend that all P&I clubs have seen over the last few years of an increasing number and cost of claims combined with stable rates, was clearly not going to continue. The mutual system has to work with sustainable premium levels to continue to be viable long term, and all clubs went out to their Members with a requirement for rate increases at the 2021/22 renewal. As stated elsewhere in this report, Britannia starts the new year with record tonnage on its books after finalising the difficult process of negotiating the renewal remotely.

CHAIRMAN'S STATEMENT

That renewal saw the majority of Britannia's membership transferring to Britannia Europe, our Luxembourg domiciled club established to allow seamless service post Brexit. The Part VII transfer process previously reported on was also successfully achieved. Members will be forgiven for perhaps not noticing this fundamental change in our regulatory domicile, with our service and financial strength remaining unchanged.

While I welcome our new Members, the Club's increased tonnage comes mainly from existing or returning Members. This strong organic growth is, for me, the real confirmation that Britannia provides excellent service which is appreciated and valued by Britannia's membership. Our financial strength is evidenced by our S&P 'A' rating and its continuing 'stable' outlook, and our ability to control the total cost to Members by returning excess capital in each of the last four years.

The maritime industry had been looking ahead to 2020 in the light of IMO 2020. However, this major change to the environmental impact of the shipping industry was implemented with less commercial and operational disruption than widely feared. This bodes well for the future changes that the maritime industry will be facing, although today the way forward is far from clear. A substantial share of new tonnage on order is gas powered and IMO 2030 will be the next challenge. The pressure to reduce emissions and the total environmental impact of the shipping industry is increasing and will no doubt bring new challenges. Britannia, as a member of the International Group of P&I Clubs, will continue to play an active role in guiding industry bodies in regard to all sustainability issues and will promote an active dialogue with the Members. There is an interesting section on this later in the report.

The Members' Representative Committee (MRC), Board and subcommittees have not been able to meet in person throughout this financial year. We have all had to learn to substitute our important face-to-face meetings for video conferences, which bring with them special challenges. I can confirm that all meetings were held successfully, according to legal and regulatory requirements, and I would like to thank all those who took part for their contributions. I sincerely hope we will all be able to reinstate normal meetings during this year.

Paul Hunt, our insurance 'expert' director, retired after an all too brief four years as a Board member and we thank him for his valuable service. Max Rothkopf has joined us as a non-executive director and will bring to the Board a wealth of experience in logistics, shipping and other industries. The MRC saw departures and arrivals: Carol Howle, B Hsieh, CB Kim and Richard Sadler all left and I thank them for their contributions. Fayez Alasmari, Paolo Enoizi, Ausmal Kardin and Caspar Munch joined and I am looking forward to working with them.

Finally, whilst after the financial period covered by this Annual Report, I am pleased to note that on 1 May 2021 and 11 May 2021 respectively Mike Hall and Caspar Munch also joined the Board. Mike has taken the second Managers' director post previously held by Jo Rodgers who has retired from the Board.

Anthony Firmin Chairman

FINANCIAL REVIEW

THE BRITANNIA GROUP HAS PRODUCED A SATISFACTORY SET OF RESULTS FOR THE YEAR TO 20 FEBRUARY 2021.

However, the underwriting result was negative with the cost of claims significantly in excess of net premiums. This level of imbalance between premiums earned and claims incurred is unsustainable, even for a mutually owned business, if we wish to avoid scrutiny from regulators and rating agencies in the future. However, a strong investment performance resulted in an overall surplus for the year after tax of just under USD37.0m.

Calls and premiums were marginally lower than in the prior year, at USD200.1m compared to USD201.2m. There were no general increases at the 2020/21 renewal, but rates were increased where necessary. However, the impact of churn and lower premiums on Class 3 business drove an overall year on year reduction. Reinsurance costs were higher, mainly the result of higher premiums payable in respect of the Group's chartered programme and the covers provided by Boudicca Insurance Company Limited.

Claims incurred in the financial year were USD118.3m, up from USD111.7m in the prior year. Retained claims incurred in the 2020/21 policy year at the 12 month stage were USD136.6m, slightly higher than the 2019/20 policy year at the same stage. 20 claims that are currently expected to cost more than USD1m were reported, with an aggregate estimate of USD63.4m. This is very similar to the prior policy year, which also saw 20 claims reported with an aggregate cost of USD69.5m. However, claims incurred in the Pool during 2020/21 were significantly higher, with the 12 month incurred figure at a record USD478.1m, against USD355.4m in 2019/20. In total, 22 claims have been reported compared to 18. Both retention and Pool claims in prior policy years showed improvement, which follows the Group's usual pattern of claims development. This allowed the release of USD72.5m from the claims provisions held in respect of those years, which helped to offset the higher provisions necessary against the 2020/21 Pool position.

Operating costs were up marginally to USD32.5m and the balance on the technical account was a surplus of USD10.7m. However, this surplus takes into account USD31.2m of investment return based on the long-term rate of return, without which the result would have been negative. The surplus is lower than the USD29.3m reported in the prior year, the result of higher reinsurance premiums and increased claims costs.

The Group's investment portfolio had a volatile year, with significant reductions in value in the first quarter caused by global uncertainty about the impact of the COVID-19 pandemic. However, there was a strong recovery over subsequent quarters, and for the full year a positive return of USD59.0m net of expenses was generated, equivalent to 7.2%. Further details are set out in the investment performance section. After taking account of the investment return, the Group's overall result for the year after tax was a surplus of USD37.0m.

On 20 October 2020, in light of the Group's overall financial position, the Board agreed a further capital distribution of USD10.0m to be made to Members with mutual tonnage on risk at that date. This brings the total distributions to Members to USD95.0m since May 2017.

The Group began the year with capital resources of USD422.1m. The surplus generated in the 2020/21 financial year, less the USD10.0m capital distribution, has increased this to USD449.1m at 20 February 2021. In September 2020, Standard & Poor's confirmed the Group's credit rating as A (Strong) with a Stable outlook. In March 2021, following the transfer of business from The Britannia Steam Ship Insurance Association Limited to The Britannia Steam Ship Insurance Association Europe, explained in more detail in the Corporate Governance section of the Strategic Report, S&P affirmed the rating for the reorganised Group.

A STRONG INVESTMENT PERFORMANCE RESULTED IN AN OVERALL SURPLUS FOR THE YEAR AFTER TAX OF JUST UNDER USD37.0M.

INVESTMENT STRATEGY AND PERFORMANCE

THE BRITANNIA GROUP'S INVESTMENT STRATEGY IS THE RESPONSIBILITY OF THE BOARD, ASSISTED BY ITS INVESTMENT ADVISERS LANE CLARK & PEACOCK LLP (LCP).

There was no material change to the Group's investment strategy during the year.

The investment strategy is a long-term one reflecting the long-tail nature of many of the liabilities and the nature of mutuality. Its objectives are twofold:

• To hold a portfolio of government bonds and cash which matches, in terms of average duration and currency, the claims liabilities of the Group. This is known as the 'matching portfolio'. The matching portfolio includes a 'cash buffer', sufficient to ensure appropriate liquidity; and

• To invest the assets in excess of the matching portfolio, in accordance with the 'prudent person principle', in such a way as to achieve the maximum return for a level of risk consistent with the Group's investment risk appetite. This is known as the 'growth portfolio'.

At 20 February 2021, the portfolio had the following composition:

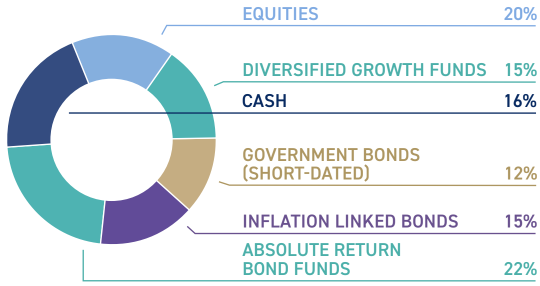
ASSET CLASS	
MATCHING PORTFOLIO:	
GOVERNMENT BONDS AND CASH	**43%**
GROWTH PORTFOLIO:	
ABSOLUTE RETURN BOND FUNDS	**22%**
EQUITIES	**20%**
DIVERSIFIED GROWTH FUND	**15%**
	100%

INVESTMENT PERFORMANCE

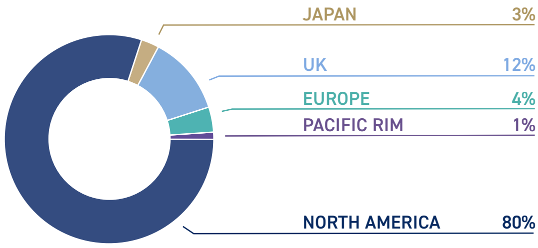
In the year ended 20 February 2021, the overall return on investments was 7.2% (USD59.0m).

The best performing asset classes were equities, which returned 16.3%, and the diversified growth fund, which returned 6.1%. The remaining asset classes all generated positive returns for the financial year.

INVESTED FUNDS AT MARKET VALUE
20 FEBRUARY 2021
TYPE OF INVESTMENT



GEOGRAPHICAL DISTRIBUTION




NO SMOKING
1-1

CLASS 3 – PROTECTION AND INDEMNITY (P&I) CLAIMS

THE TOTAL NUMBER OF ATTRITIONAL CLAIMS HAS REMAINED RELATIVELY CONSISTENT SINCE 2016/17.

RETENTION CLAIMS

As at 20 February 2021, the total number of claims notified in respect of the 2020/21 policy year was 4,872. This represents an increase on the 4,175 claims notified at the same time in the 2019/20 policy year. The total number of attritional claims has remained relatively consistent since 2016/17 when 4,783 were reported. This represents a significant drop in the number of claims when compared to policy years before 2016/17. This reduction reflects the fact that many Members have moved to higher and combined deductibles. A total of 139 claims associated with the COVID-19 pandemic were notified during the 2020/21 policy year, resulting mainly from crew illness, medical repatriations and ship diversions, with an estimated total cost of USD6.9m.

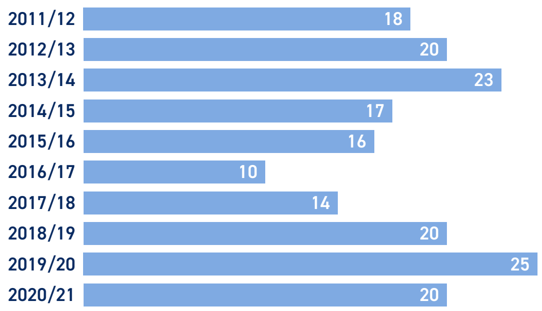
The aggregate cost of retention claims for the current policy year, as at 20 February 2021, including the estimates for outstanding amounts, was USD137m. This compares to USD132m and USD151m at the same stage in the 2019/20 and 2018/19 policy years respectively.

The high-value incidents in excess of USD1m are much less frequent than attritional claims but they have a significant impact on the outcome of a policy year. In 2020/21, 20 high-value claims were reported with a current estimate of USD63.4m. This compares with 20 claims estimated at USD69.5m and USD84.0m at the same stage at the end of the 2019/20 and 2018/19 policy years. The largest of the cases in 2020/21 involved a VLOC running aground off the coast of Brazil, incurring significant SCOPIC and wreck removal costs and cargo liabilities. Three other large cases each involved a significant number of containers being damaged or lost overboard during heavy weather.

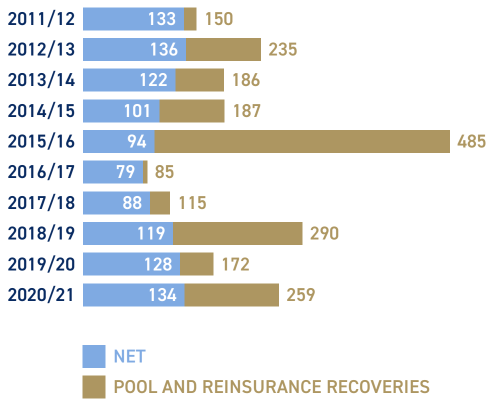
POOL CLAIMS

As at 20 February 2021, 18 incidents resulting in Pool claims had been notified by the International Group clubs for the 2020/21 policy year, with an aggregate estimated gross cost of USD677m from the ground up and USD478m to the Pool. Two of these were for quarantine expenses associated with COVID-19 which involved cruise ships entered on a quota share basis. The total number of Pool claims was the same in the 2019/20 policy year at the same stage but represents a significant increase in the aggregate cost from the USD355m incurred in 2019/20. The largest claim involved the bulk carrier *WAKASHIO* which ran aground off Mauritius. Approximately 1,100mt of fuel oil was spilled and the ship broke into two sections, resulting in significant claims for clean-up, environmental damage and wreck removal.

CLASS 3 P&I CLAIMS NUMBER OF CLAIMS ON THE ASSOCIATION THAT ARE GREATER THAN USD1M (NET) AT 20 FEBRUARY 2021



ASSOCIATION'S ESTIMATED RETAINED CLAIMS (USDM) AT 20 FEBRUARY 2021



CLASS 3 – PROTECTION AND INDEMNITY (P&I)
TONNAGE/MEMBERSHIP

AT THE START OF THE 2021/22 POLICY YEAR, THE GROUP'S OWNED TONNAGE TOTALLED APPROXIMATELY 125.2M GT.

The Group's owned tonnage grew on a net basis by 2.64m gt during the course of the 2020/21 policy year, with owned tonnage exceeding 120m gt at the end of the policy year. This growth was in keeping with the trend over recent years of steady additions of new tonnage from existing Members during the policy year. Three new Members joined the Club during the 2020/21 policy year, while three were withdrawn.

At renewal on 20 February 2021, seven new Members joined. Owned tonnage was up following the renewal as a result of these new Members and additions to existing fleets. Renewal saw 99 new ships entered by 18 existing Members at 20 February 2021, totalling more than 5.75m gt. Also taking departing tonnage into account, the overall gain on the day was 5.06m gt. Over 85% of the total tonnage growth came from existing or returning Members.

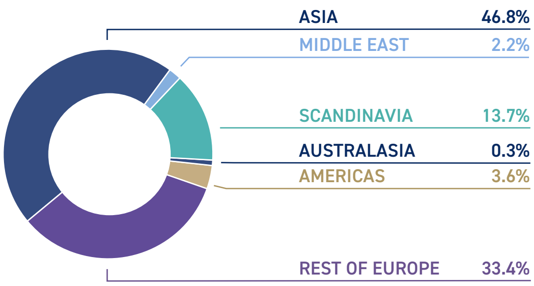
The Group's chartered entry grew by 1.5m gt during the 2020/21 policy year with a further net gain of 7m gt at renewal. Three new chartered Members joined the Group at 20 February 2021.

An encouraging sign of the strength and confidence in the Group is the number of new ships to be delivered during the 2021/22 policy year which have been committed to the Group by existing Members – at least 111 new ships, totalling 7m gt, are expected to be entered. This is marginally higher than the 6.1m gt committed at the previous renewal.

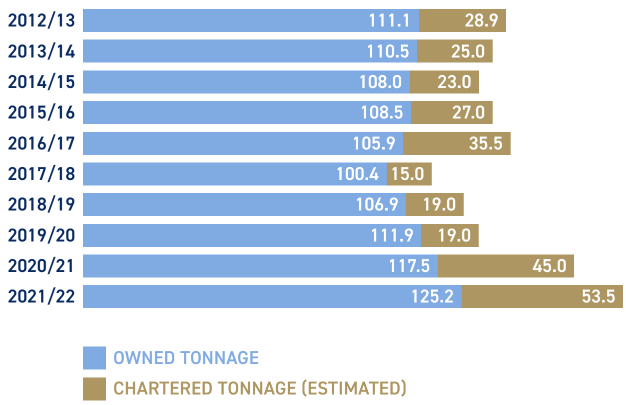
At the beginning of the 2021/22 policy year, the Group's owned tonnage totalled approximately 125.2m gt. A total of 3,227 owned ships were entered as at 20 February 2021. These figures are expected to increase as the new commitments made at renewal come on risk throughout the 2021/22 policy year.

European fleets (excluding Scandinavia) now make up 33.4% of the Group's owned tonnage with Scandinavia at 13.7%. Asia now represents 46.8%, with entries from Japan (17.9%), South Korea (11.5%) and Taiwan (7.3%) making up the largest share of Asian tonnage by country.

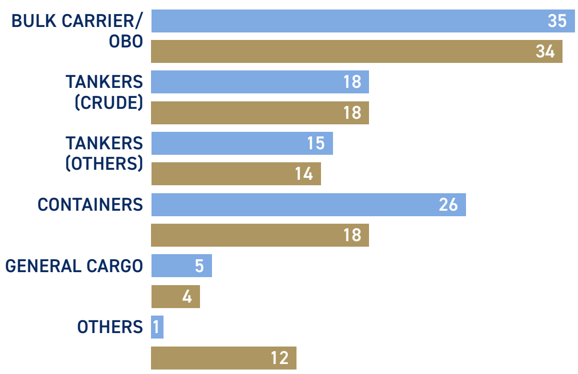
ENTERED TONNAGE BY AREA OF MANAGEMENT – CLASS 3



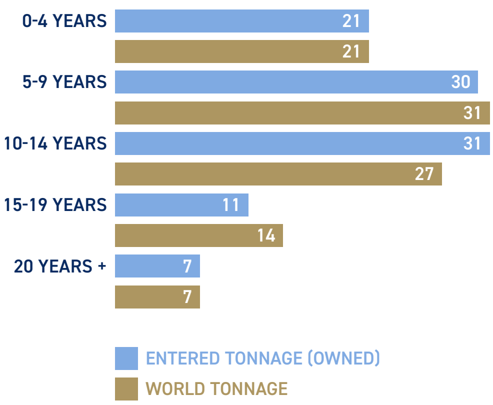
TONNAGE ENTERED – CLASS 3 (M GT) (BEGINNING OF POLICY YEAR)



SHIPS BY TYPE (% OF TOTAL)

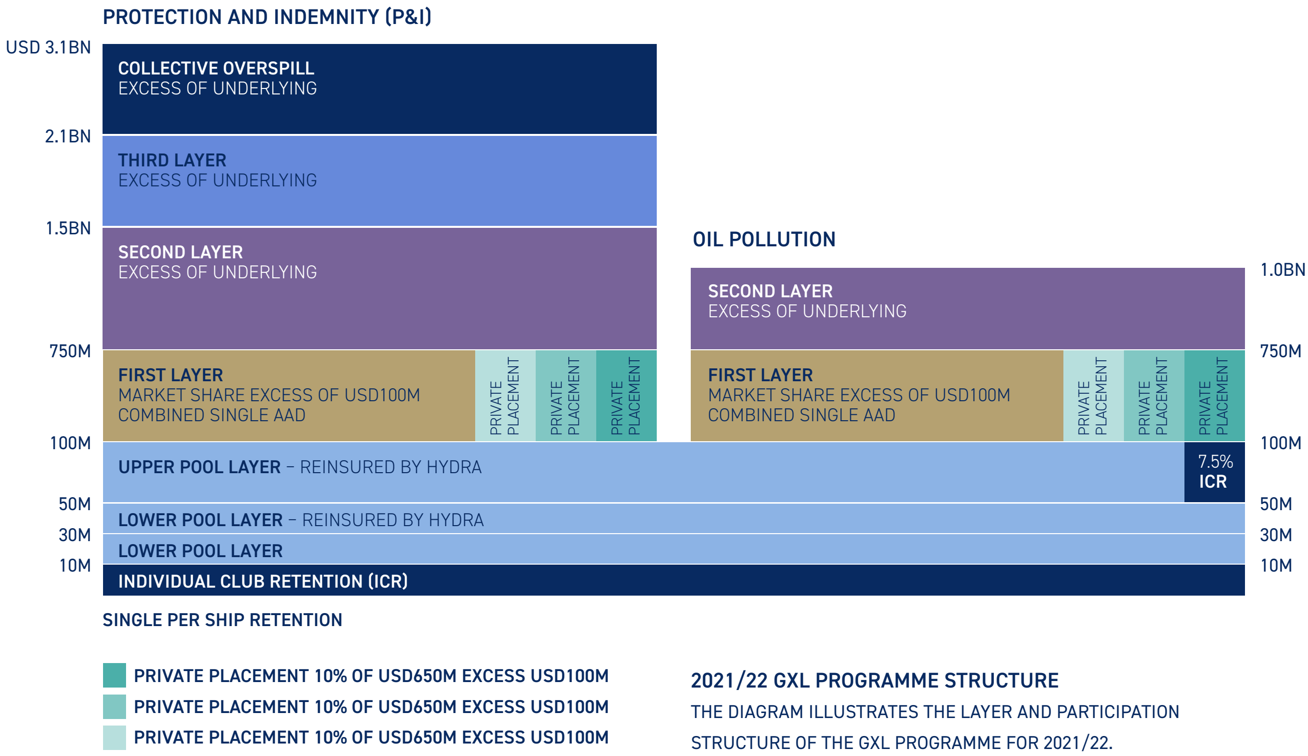


AGE OF SHIPS (% OF TOTAL)



CLASS 3 – PROTECTION AND INDEMNITY (P&I)
INTERNATIONAL GROUP REINSURANCE

INTERNATIONAL GROUP EXCESS OF LOSS REINSURANCE PROGRAMME
2021/22 POLICY YEAR (NOT TO SCALE)



2021/22 GXL PROGRAMME STRUCTURE
THE DIAGRAM ILLUSTRATES THE LAYER AND PARTICIPATION STRUCTURE OF THE GXL PROGRAMME FOR 2021/22.

STRUCTURE

The Group is party to the International Group (IG) Pooling Agreement and therefore participates in the IG's excess of loss (GXL) reinsurance programme. This provides reinsurance cover for claims up to USD2.1bn excess of the Club and Pool retentions. There is a lower limit of cover for oil pollution claims of USD1bn. In addition, an IG collective overspill reinsurance protects clubs and their members against their share of overspill liabilities for claims up to USD1bn excess of USD2.1bn.

RENEWAL

The main GXL programme (layers 1 to 3, USD2bn excess of USD100m) was fixed for two years in February 2020 and therefore the structure remains unchanged for 2021/22. The main focus of renewal this year was therefore on the IG's collective overspill layer. This was renewed with the expiring panel of reinsurers with a 15% increase in premium.

The IG's reinsurance captive Hydra continues to support the IG through its risk retention as the primary part of the IG's reinsurance structure. The IG's strategy of placing the majority of the reinsurance programme on a long-term basis has given shipowners stability in a year when market sentiment has been volatile as a result of the impact of the COVID-19 pandemic. In addition, it has allowed consistency of cover with no communicable disease or malicious cyber restrictions being applied to the programme by reinsurers at this renewal. The purchase of cover on a two-year basis enabled the IG to achieve a satisfactory GXL programme renewal result, with rates for shipowners increasing by an average of 1.4% year on year.

There has been heavy loss activity on the GXL programme (most notably the *GOLDEN RAY* wreck removal in the USA) against a backdrop of reinsurance rate increases and tightening conditions. Regrettably, material reinsurance cost increases are expected for the 2022/23 renewal.

CLASS 3 – PROTECTION AND INDEMNITY (P&I) INTERNATIONAL GROUP REINSURANCE

HYDRA PARTICIPATION

Hydra Insurance Company Limited (Hydra) continues to retain 100% of the Pool layer USD30m–USD50m and 92.5% of the Pool layer USD50m–USD100m. In addition, Hydra will retain a USD100m Annual Aggregate Deductible (AAD) in the 70% market share of the GXL programme.

MARITIME LABOUR CONVENTION (MLC) COVER

Since 2017, the IG has bought reinsurance protection for the blue cards that are issued in respect of obligations under the Maritime Labour Convention (MLC). This cover was for USD200m excess of USD10m. At the 2021/22 renewal, reinsurer appetite for this cover was greatly reduced and as a result the IG was unable to complete the placement. Approximately 25% of the placement will be written by Hydra to cover this reinsurance shortfall. This was adopted as a short-term solution and the IG is examining other solutions to reinsure MLC exposures in the future.

WAR COVER

The excess War P&I cover was renewed for 2021/22 for a period of 12 months on an unchanged basis, with the costs included in the total rates charged to shipowners.

REINSURANCE COST ALLOCATION 2021/22

As part of its annual analysis to ensure the fairness of cost allocation between different vessel types, the IG's Reinsurance Subcommittee (RISC) looked at current vessel categories. The RISC, after due consideration, noted that Fully Cellular Container Ships (FCCs) now represent approximately 20% of the tonnage entered with IG clubs and have experienced a significant number of large claims in recent years.

Following this review, the RISC concluded that:
1) a fifth category of vessel type should be introduced, splitting FCCs from other Dry vessels; and

2) that there should be an adjustment to reflect the improved record of persistent oil tankers.

The 2021/22 rates are set out below:

TONNAGE CATEGORY	2021 RATE PER GT IN US CENTS	% CHANGE IN RATE PER GT
PERSISTENT OIL TANKERS	56.25	-2.1
CLEAN TANKERS	26.19	+1.4
DRY	40.28	+1.4
FCC	42.49	+7.0
PASSENGER	326.24	+1.4
CHARTERED TANKERS	21.88	+1.4
CHARTERED DRIES	10.68	+1.4

CLASS 3 – PROTECTION AND INDEMNITY (P&I)
LOSS PREVENTION

BRITANNIA'S LOSS PREVENTION DEPARTMENT (LPD) HAS ADAPTED TO THE CHALLENGES OF 2020 WITH INCREASED VIRTUAL SUBSCRIPTIONS AND OUTPUTS, WHILE CONTINUING TO DEVELOP ITS NEW PROACTIVE RISK-BASED APPROACH TO SUPPORTING MEMBERS.

Like all areas of the Group, the unprecedented events of 2020 have impacted the LPD's usual activities, whether it be the travel restrictions affecting the ability of a surveyor to conduct an onboard condition survey or the postponement of the LPD's programme of seminars.

Nonetheless, business has continued virtually, with the adoption of new approaches to conducting Management Reviews of new Members and condition surveys. The LPD has also adapted with the delivery of a programme of webinars covering a range of topics.

The implementation of the revised loss prevention strategy has continued with further development of the team's analytical capability. The primary objectives are to support the Club and its Members with enhanced understanding of risk and the development of a revised claims data structure as part of the new Britannia Policy Management System (BPMS) platform.

The launch of the new proactive online safety campaign, BSafe, in November 2020 represented a significant achievement. Developed by the LPD with the support of the people risks team, BSafe is targeted at Members' seafarers with the aim of helping to influence behaviours and prevent onboard injuries and losses by encouraging reflective learning.

The LPD has continued to develop an enhanced publications output and an increased focus on research. In addition new opportunities are being sought to further enhance interaction with Members.

CLASS 3 – PROTECTION AND INDEMNITY (P&I) POLICY YEAR DEVELOPMENT

THE UNDERWRITING POSITION FOR THE CLOSED AND OPEN POLICY YEARS UP TO 2020/21 IS SHOWN IN THE POLICY YEAR STATEMENT ON PAGE 56.

2017/18

The general increase in advance calls for this policy year was zero and the budgeted deferred call was set at 45%. Retention claims are currently USD109.4m, an improvement of USD8.2m on the position last year. Currently there are 14 claims expected to cost more than USD1m, but none of these currently exceeds the Club retention. Pool claims are estimated at USD379.9m, with 19 notifications to date of which two have reached the IG GXL attachment point.

This time last year the projected deficit on the policy year was USD14.2m. Over the past 12 months the position has improved to a deficit of USD7.8m. The 2017/18 policy year was closed on 20 February 2021.

2018/19

The general increase in advance calls for this policy year was zero and the budgeted deferred call was set at 45%. Retention claims are currently USD152.2m, an improvement of USD6.9m on the position last year. Currently there are 20 claims expected to cost more than USD1m, with four above the Club retention. Pool claims are estimated at USD521.3m, with 28 notifications to date of which one has reached the IG GXL attachment point.

This time last year the projected deficit on the policy year was USD22.9m. Over the past 12 months the position has improved to a deficit of USD22.3m.

2019/20

The general increase in advance calls for this policy year was zero and the budgeted deferred call was set at 45%. Retention claims are currently USD147.2m, a deterioration of USD14.9m on the position last year. Currently there are 25 claims expected to cost more than USD1m, with three estimated above the Club retention. Pool claims are estimated at USD535.3m, with 22 notifications to date of which two have reached the IG GXL attachment point and exhausted the AAD of the first layer.

This time last year, the projected deficit on the policy year was USD39.5m. Over the past 12 months the position has improved to a deficit of USD38.9m.

2020/21

In October 2019, the Board decided that Members' individual rates would be adjusted to reflect their claims record and risk profile for the 2020/21 policy year and that premiums would be charged on an Estimated Total Call basis (ETC), replacing the traditional Advance Call and Deferred Call structure. Retention claims at 20 February 2021 are estimated at USD136.6m. Currently there are 20 claims expected to cost more than USD1m, with two estimated above the Club retention. Pool claims are estimated at USD478.1m, with 18 notifications to date of which one has reached the IG GXL attachment point and is currently within the AAD of the first layer.

The policy year is showing a deficit of USD62.0m after the first 12 months.

2021/22

In October 2020, the Board decided that Members would continue to be underwritten individually to achieve an increase in the current ETC.

CAPITAL DISTRIBUTION

At the Board meeting in October 2020, the Board agreed a capital distribution of USD10m to mutual P&I Members with ships on risk at the date of the meeting.

CLASS 6 – FREIGHT, DEMURRAGE AND DEFENCE (FD&D) CLAIMS

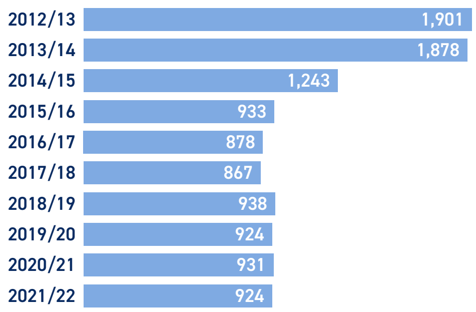
2020/21 SAW ONE EVENT IN PARTICULAR THAT GAVE RISE TO A LARGE NUMBER OF FD&D DISPUTES – THE COVID-19 PANDEMIC, THE EFFECTS OF WHICH LED TO A WIDE VARIETY OF CLAIMS.

The number of FD&D claims notified to the Association in the 2020/21 policy year was notably higher than it has been for some years. However, the aggregate value of those claims was not exceptional by historical standards and was only slightly higher than in 2018/19, the most recent severe year.

Class 6 provides insurance for the costs of legal representation in relation to claims and other disputes. A relatively high number of claims in a policy year usually reflects increased shipping market volatility or the occurrence of events that have had a significant impact on the industry. 2020/21 saw the COVID-19 pandemic, the effects of which led to a wide variety of claims.

COVID-19-related claims included charterparty disputes about responsibility for delays, losses and expenses due to restrictions being imposed on ships or connected with crew changes, which sometimes involved long deviations from the contracted voyage.

CLASS 6 FD&D SHIPS ENTERED

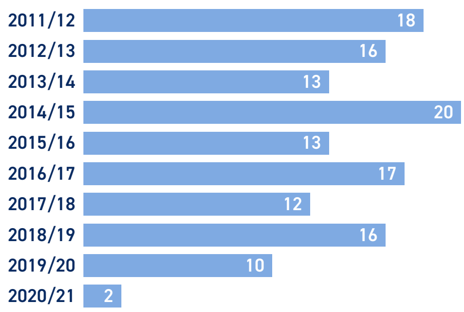


Other disputes concerned the safety of ports, for example in relation to the interaction between crew and shore workers. There were also a number of disputes about delays in the performance of shipbuilding and repair contracts. The majority of these disputes were, in legal terms, fairly straightforward and rarely incurred significant costs. However their number meant that, collectively, they had a notable impact on the total value of FD&D claims.

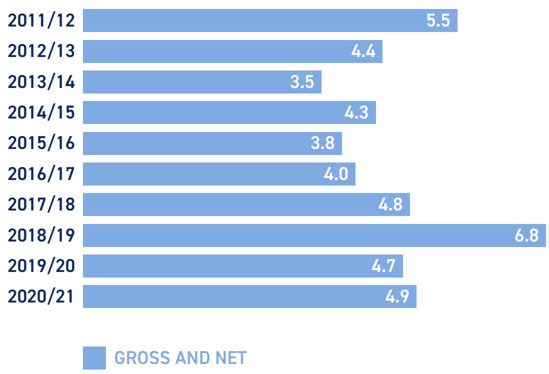
The event which it had been thought could give rise to a large number of FD&D disputes in 2020/21, the introduction on 1 January 2020 of a new global cap for the sulphur content of bunkers, actually had relatively little impact, with only a limited number of cases notified to the Group. Most of these concerned the sulphur content of bunkers supplied to the ship or the disposal of non-compliant bunkers that had been provided before the cap came into effect and were still on board after 1 January 2020. The introduction of the new cap was widely publicised in advance and charterparty clauses had been drafted to deal with the potential issues. The industry appears to have been well prepared for the introduction of the cap and was therefore able to reduce the risk of disputes between owners, charterers and bunker suppliers. It is possible that disputes could still occur in the future, perhaps in relation to the effect of some bunker blends on engine performance. However, it appears that to date the worst fears have not materialised.

The most expensive FD&D claims in 2020/21 involved a variety of issues. These included fallout from the financial difficulties experienced by GP Global and hull damage and loss of earnings claims arising in one case from a collision and in another from damage caused by stevedores. None of the more expensive claims have involved COVID-19 issues.

CLASS 6 FD&D CLAIMS NUMBER OF CLAIMS ON THE ASSOCIATION NOTIFIED TO DATE THAT ARE GREATER THAN USD50,000 (NET)



ASSOCIATION'S ESTIMATED RETAINED CLAIMS (USDM) AS AT 20 FEBRUARY 2021



CLASS 6 – FREIGHT, DEMURRAGE AND DEFENCE (FD&D) POLICY YEAR DEVELOPMENT

2016/17
The general increase in advance calls for this policy year was set at zero and the deferred call for Members with mutual tonnage remained at 30%. Claims in this policy year have seen some positive development during the last year. At 20 February 2021 the policy year was showing a surplus of USD0.8m, an increase of USD0.2m on the position reported this time last year. The 2016/17 policy year was closed on 20 February 2021.

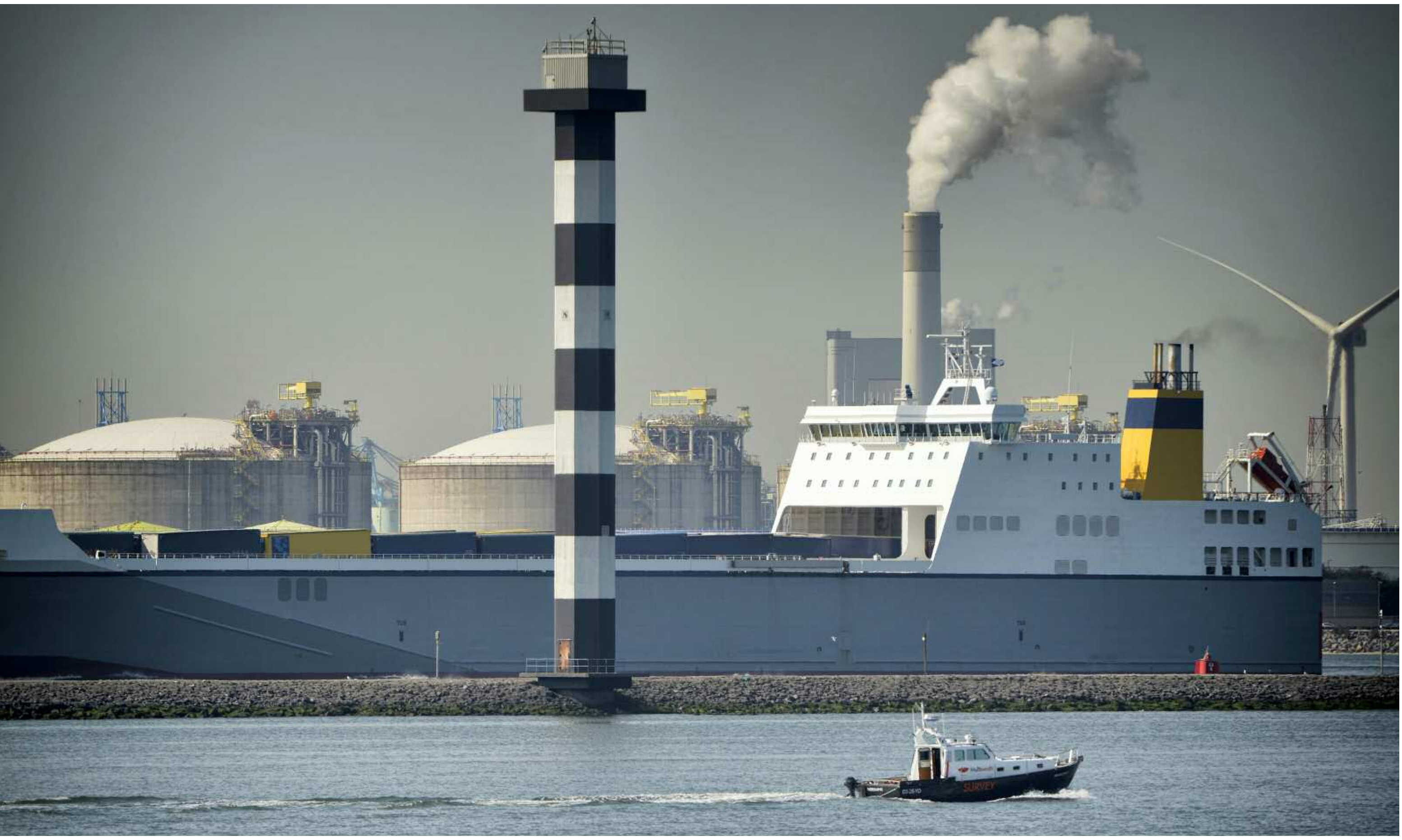
2017/18
The general increase in advance calls for this policy year was set at zero and the deferred call for Members with mutual tonnage remained at 30%. Claims in this policy year have seen adverse development during the last year. At 20 February 2021 the policy year was showing a surplus of USD0.3m, a decrease of USD1.1m on the position reported this time last year.

2018/19
The general increase in advance calls for this policy year was set at zero and the deferred call for Members with mutual tonnage remained at 30%. Claims in this policy year have seen adverse development during the last year. At 20 February 2021 the policy year was showing a deficit of USD1.7m, an increase of USD0.5m on the position reported this time last year.

2019/20
The general increase in advance calls for this policy year was again set at zero and the deferred call for Members with mutual tonnage remained at 30%. Claims in this policy year have seen positive development during the last year. At 20 February 2021 the policy year was showing a deficit of USD1.4m, an improvement of USD0.5m on the position reported this time last year.

2020/21
In October 2019, the Board decided that Members' individual rates would be adjusted to reflect their claims record and risk profile for the 2020/21 policy year and that premiums would be charged on an ETC basis, replacing the traditional Advance Call and Deferred Call structure. Claims in this policy year are at a similar level to those reported in the last five policy years. At 20 February 2021 the policy year was showing a deficit of USD1.9m.

2021/22
In October 2020, the Board decided that Members would continue to be underwritten individually to achieve an increase on the current ETC, but there would be no declared general increase.



DEVELOPMENTS WITHIN BRITANNIA

COVID-19 DOMINATED 2020 AND IS LIKELY TO IMPACT MUCH OF 2021. BRITANNIA'S ASIAN REGIONAL HUBS WERE THE FIRST TO FEEL ITS EFFECTS WITH LOCAL LOCKDOWNS FROM FEBRUARY 2020.

The ripple effect saw our European hubs going into lockdown from March 2020, with remote working being the norm for most of our offices for the past year. Day to day business language now includes the term 'Zoom' and the ubiquitous comment 'you are on mute!' Vaccination programmes during 2021 will, it is hoped, bring a return to normality, although precisely what and when that will be remains uncertain.

Global events have put P&I and FD&D insurance into perspective. Reassuringly, however, Britannia's strapline 'Trusted Since 1855' has never been truer. Remote working has its challenges, but a combination of hard work by colleagues, the understanding of Britannia's membership and a robust IT system enabled Britannia to continue to provide Members with the normal levels of service.

Aside from a new way of working, the past year has seen growth in entered tonnage (much of it organic, with existing Members adding more ships), positive investment returns and retained claims broadly within projection (although Pool claims are at an historic high). All of these are reported on more fully elsewhere in the report.

In previous years we have provided updates on changes to Britannia's corporate structure, including our response to Brexit and the expansion of our regional hubs. Our post Brexit structure is addressed elsewhere. On developments within the regional hubs, it has been relatively quiet with just one change: the creation of B Korea on 20 February 2021 as our new exclusive correspondent assisting with meeting the needs of our Korean membership.

B Korea is led by Shin-Ho Park, who we welcome to the team, and takes over from P&I Bros, headed by YK Park who will be retiring. We formally thank YK for his many years of valuable service to the Club.

Our other regional hubs have all been active in the Part VII process (explained more fully in the Corporate Governance section of this report), which saw the bulk of Britannia's business transferring to Britannia Europe on 20 February 2021. This included new branches of Britannia Europe being established and approved in Hong Kong and Singapore. The exception to the transfer is our Japanese branch, which will follow on 20 February 2022 subject to regulatory approval.

There has been expansion in all of our offices, with a particular focus on the regional hubs. This has seen new colleagues joining us across claims and underwriting as well as in support functions including finance, risk and compliance and HR. As Britannia grows, we will continue to recruit to ensure that we maintain our service levels.

2020 saw further development of our IT upgrade with the rollout of the new claims handling module and Members' portal. These added to the new underwriting system implemented in October 2019. This means that the core elements of the IT upgrade have now been delivered, on time and within budget, although our systems will be kept under review and will see further enhancements over the coming years.

THERE HAS BEEN EXPANSION IN ALL OF OUR OFFICES, WITH A PARTICULAR FOCUS ON THE REGIONAL HUBS. THIS HAS SEEN NEW COLLEAGUES JOINING US ACROSS CLAIMS AND UNDERWRITING AS WELL AS IN SUPPORT FUNCTIONS INCLUDING FINANCE, RISK AND COMPLIANCE AND HR.


NO SMOKING
SAFETY FIRST
PROTECT THE ENVIRONMENT

SUSTAINABILITY

BRITANNIA PROVIDES MUTUAL SUPPORT TO ITS MEMBERS, WHOSE VESSELS FORM PART OF THE 2020 GLOBAL FLEET OF MORE THAN 100,000 SHIPS EMPLOYING AN ESTIMATED 1.7 MILLION SEAFARERS BUT PRODUCING ONLY 2.5% OF GLOBAL EMISSIONS.

The marine industry recognises that Environmental, Social and Governance (ESG) issues within the sector have become a focus for politicians, governments, commercial organisations and society in general. That focus includes increasing attention by financial regulators on insurers, with regulators in the UK, Europe and Asia asking the Group and other insurers to actively consider how climate change may impact on future risks, cover and capital requirements.

The IMO, banks, governments and regional regulators have set challenging requirements across all aspects of ESG. These third parties are increasingly demanding evidence of a sustainability strategy from many companies, including insurers. As a mutual P&I club, we recognise the need to work with our Members while also contributing to the efforts of the marine industry as a whole. This includes the Group looking at the requirements of the United Nation's (UN) Sustainable Development Goals (SDGs) with the aim, to quote Bill Gates, of playing our part 'as an advocate for global health and development'.

BRITANNIA CAN DO THIS IN THREE WAYS

1) BY PUBLISHING A SUSTAINABILITY REPORT IN 2021 (WITH INPUT FROM THE MRC) WHICH WILL DRAW ON THE UN'S GLOBAL COMPACT AND ITS SDGs;

2) BY SUPPORTING MEMBERS TO ENSURE THAT THE RELEVANT AND INCREASING ESG AND SUSTAINABILITY REQUIREMENTS ARE UNDERSTOOD AND CONSIDERED IN THEIR OWN COMPANY STRATEGIES; AND

3) BY CONTINUING TO BE AN ACTIVE PARTICIPANT IN THE WORK OF THE IG ON SUSTAINABILITY.

Taking each in turn:

1) The Managers will ensure that all of the Group's policies describe the highest standards of corporate governance and that they are understood by the employees through regular training and audit;

2) Sustainability is now a standing agenda item for all MRC meetings. The Group will work with its membership to ensure that we balance our role and obligations as an insurer with Members' needs on this topic. To assist with this, in 2020 the Group engaged the services of Richard Sadler, the former CEO of Lloyd's Register and, until recently, the sustainability lead for one of the Group's Members. Throughout this process, the Managers (aided by Richard) have engaged with the Group's Board and MRC. The Managers will update Members on further developments in due course.

3) The IG's claims sharing arrangements and key role in the establishment of global regulatory regimes to compensate victims of maritime accidents are fundamental to the day-to-day operation of the shipping industry. The IG's strapline is 'Collectively stronger'. The Group contributes to the IG strategic working group on sustainability and in 2020 it was agreed that the four areas where the IG best supports sustainability are:

- Pooling, to ensure higher cover and sustainable protection for third party claimants affected by marine incidents. This is best evidenced by the IG pooling claims (up to USD100m) and arranging the GXL programme;

- Enhancing the health and safety of seafarers, together with ship and cargo safety, through the work of all 13 IG clubs' Loss Prevention departments;

- Improving casualty response capabilities to support Members in minimising the impact of any marine incident; and

- Providing a leading and informed industry voice on P&I insurance issues to ensure the most sustainable contribution to the industry.

SUSTAINABILITY WILL BE A CONTINUALLY EVOLVING SUBJECT AS DIFFERENT PATHWAYS AND CHALLENGES FACE SOCIETY. WE WILL ADAPT OUR STRATEGY AND LOOK AT HOW WE CAN CONTRIBUTE TO IMPROVING 'GLOBAL HEALTH AND DEVELOPMENT'.

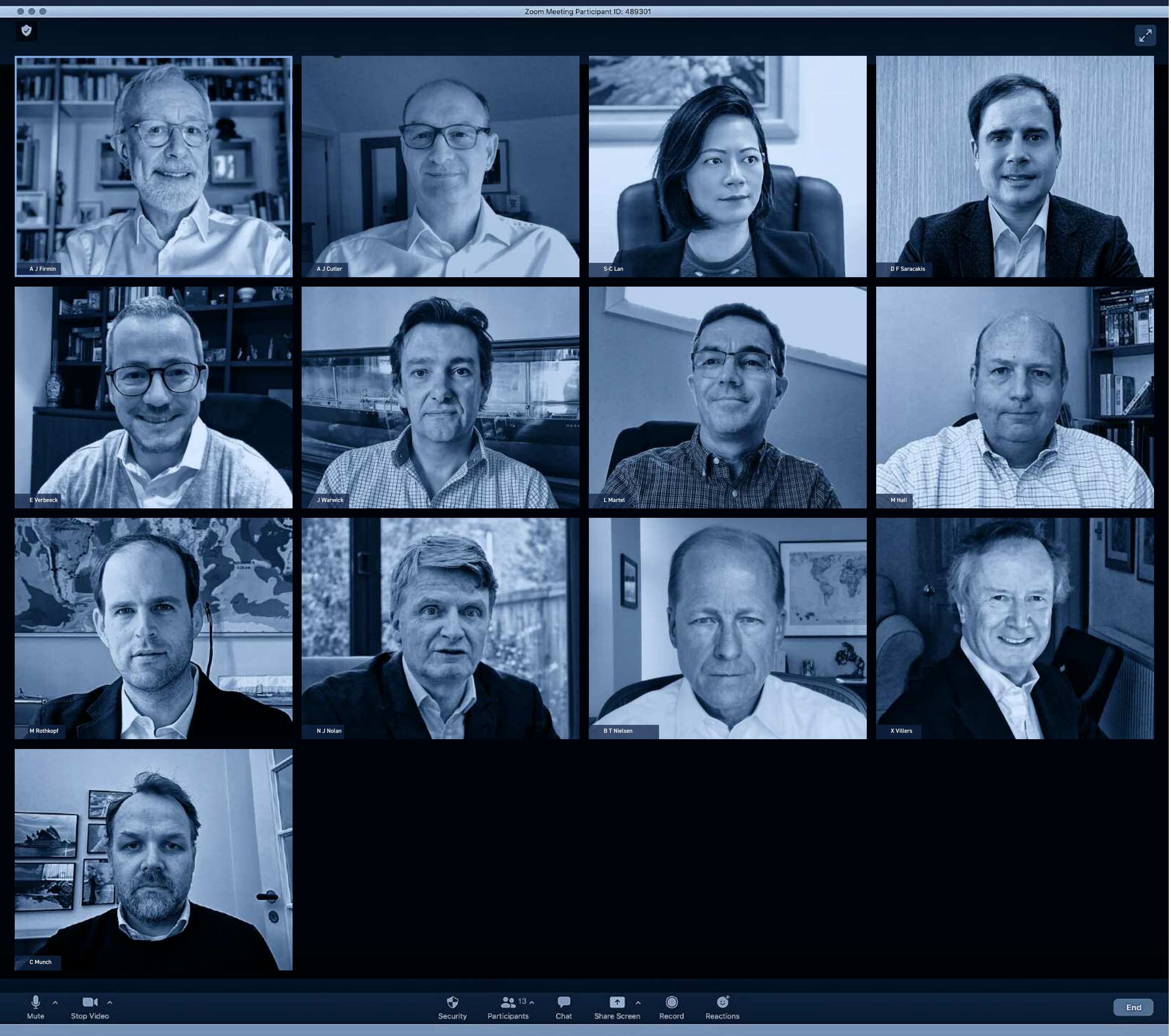
MEMBERS OF THE BOARD

A J Firmin Hamburg[1, 2, 3, 4]
(Chairman)

S-C Lan Taipei[2]
L Martel Montreal[3]
C Munch Copenhagen
B T Nielsen Dallas[1, 4]
N J Nolan London[1]
M Rothkopf Hamburg

D F Saracakis Athens[2, 4]
E Verbeeck Antwerp[1]
X Villers London[1, 3]
J Warwick London[3, 4]
A J Cutler London (Manager)[2, 4]
M R A Hall London (Manager)[2, 4]

1 Risk & Audit Group
2 Nomination Subcommittee
3 Remuneration Group
4 Investment Group



CORPORATE GOVERNANCE

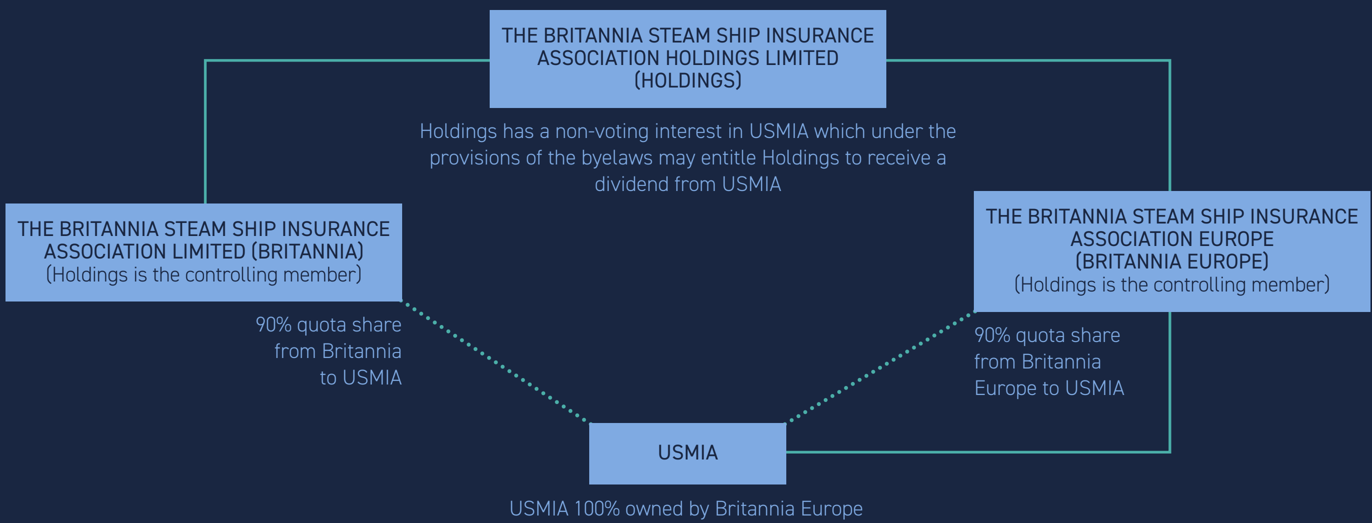
THE GROUP REMAINS COMMITTED TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE AND IT COMPLIES WITH THE CORPORATE GOVERNANCE REQUIREMENTS SET OUT IN THE SOLVENCY II DIRECTIVE. CORPORATE GOVERNANCE IS SUBJECT TO A BIENNIAL REVIEW BY INTERNAL AUDIT.

GROUP STRUCTURE

The Group comprises The Britannia Steam Ship Insurance Association Holdings Limited (Britannia Holdings), incorporated in England and Wales, and its two principal subsidiaries, The Britannia Steamship Insurance Association Europe (Britannia Europe or BE), incorporated in Luxembourg and The Britannia Steamship Insurance Association Limited (Britannia), incorporated in England and Wales (together, the Associations). Britannia Holdings is the controlling member of the Associations.

Universal Shipowners Marine Insurance Association Limited (USMIA), the Group's quota share reinsurance vehicle, is wholly owned by Britannia Europe, as is the Britannia Cell in Hydra Insurance Company Limited, the International Group's Bermudian registered segregated cell reinsurance captive.

The Group structure is illustrated below.



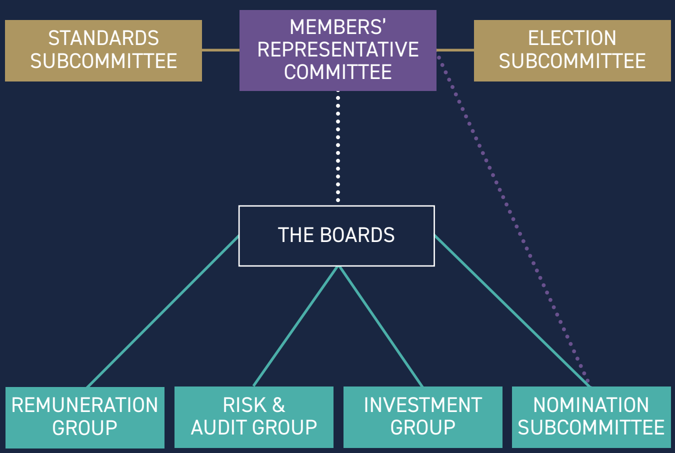
On 29 January 2021, the English High Court sanctioned a transfer under Part VII of the Financial Services and Markets Act 2000 of substantially all of the historical book of business written by Britannia to Britannia Europe, effective on 20 February 2021. The exception is the book of business written through Britannia's existing Japan branch, which is expected to transfer to Britannia Europe on 20 February 2022. On 20 February 2021, all renewals (with the exception of Japanese branch risks) were written by Britannia Europe.

BOARDS AND MEMBERS' REPRESENTATIVE COMMITTEE

The constitution of the Boards of Britannia, BE and Britannia Holdings are identical, thus ensuring a consistency of approach across the entire business. All Members of the Associations are also Members of Britannia Holdings. The Members' Representative Committee (MRC) sits at the level of Britannia Holdings in order that it has an overview of the Associations.

CORPORATE GOVERNANCE

THE GROUP'S CORPORATE GOVERNANCE STRUCTURE IS SHOWN IN THE DIAGRAM BELOW



THE BOARDS

Overall responsibility for the management of the Group rests with the Boards of Britannia, BE and Britannia Holdings (the Boards). As noted above, the constitution of the Boards is identical. The Boards comprises a non-executive chairman, up to ten non-executive directors drawn from the Associations' shipowner Members, at least one non-executive director who is expert in insurance matters, and two executive directors from the Associations' Managers. The Associations' Boards are responsible for all strategic aspects of the business of the Associations. In practice, they delegate certain of their powers to subcommittees and responsibility for the day-to-day management of the Associations to Tindall Riley & Co Ltd which acts through its subsidiaries Tindall Riley (Britannia) Limited (TRB) in the UK and Tindall Riley Europe Sàrl (TRE) in Luxembourg (together, the Managers). TRB also acts as the UK Branch of BE. The Managers are responsible for ensuring that appropriate information, which is adequate to enable the Boards to discharge their duties and to oversee the business effectively, is provided on a timely basis. There are nevertheless a number of matters that are reserved exclusively for decision by the Boards and these are reviewed and updated at least annually. The Boards meet five times a year.

THE MEMBERS' REPRESENTATIVE COMMITTEE (MRC)

The Members' Representative Committee (the MRC) is a larger body, comprising all of the directors of the Boards (other than the two Manager directors), plus up to 28 other representatives drawn from the Associations' shipowner Members. The Chairman of the Boards is also the Chairman of the MRC. The MRC does not carry out any regulated functions, but the Boards have a duty to consult the MRC on key areas including strategy, investments, finance and call decisions. The MRC does have a key role in the Associations' loss prevention activities, through the Standards Subcommittee, and the consideration of claims trends and industry matters. It also retains the right to approve discretionary claims up to USD2m.

SUBCOMMITTEES OF THE MRC

ELECTION SUBCOMMITTEE

The Election Subcommittee's role is to consider and make recommendations to the MRC in respect of potential new Member representatives and potential new directors of the Boards, which would then be recommended to the Nomination subcommittee.

STANDARDS SUBCOMMITTEE

The role of the Standards Subcommittee (SSC) is to monitor the composition of the Associations' membership, review loss prevention activities including the condition survey programme, and monitor claims trends. The SSC comprises up to five MRC members and three representatives of the Managers, including the Chief Underwriting Officer and the Director, P&I Claims.

Britannia's website provides further details of the roles and responsibilities of the various bodies (including their individual Terms of Reference) as well as listing the individuals who sit on them.
www.britanniapandi.com/about/corporate-governance

SUBCOMMITTEES OF THE BOARDS

Certain of the Boards' powers are delegated to subcommittees. The membership of these subcommittees is set out on page 19.

RISK & AUDIT GROUP

The Associations each have a Risk & Audit Group (RAG) comprising up to five non-executive directors. Their responsibilities include the review of the financial statements and the Solvency & Financial Condition Report ahead of the Boards' consideration, the risk management framework, internal and external audit, and the robustness of internal financial systems and controls, including the making of recommendations thereon to the Boards. The RAGs meet four times a year.

REMUNERATION GROUP

This Group comprises up to four non-executive directors of the Associations. Its responsibilities include an annual review of the fee paid to the Managers and periodic reviews of directors' remuneration. The Group meets twice a year.

NOMINATION SUBCOMMITTEE

This subcommittee consists of up to four non-executive directors of the Associations and the two Manager directors. Its principal responsibilities are to make recommendations to the Boards on the appointment and re-election of all regulated roles within the Britannia Group and to review the skills, training requirements and performance of directors and Senior Management Function holders. The subcommittee meets as required during the year.

INVESTMENT GROUP

The Investment Group is a new subcommittee, comprising four non-executive directors and the two Manager directors. It is responsible for monitoring the long-term performance and value-at-risk of the investments against the objectives set out in the investment strategy and for carrying out periodic reviews of the investment strategy. The group meets four times a year.

CORPORATE GOVERNANCE

SENIOR MANAGERS AND CERTIFICATION REGIME

The Group complies with the requirements of the Senior Managers and Certification Regime (SMCR) and maintains a Management Responsibilities Map which sets out the governance structure of the Associations and identifies senior management functions, the notified non-executive directors and other significant roles that carry additional responsibility, which are called Certification Functions. It also shows reporting lines and the allocation of prescribed responsibilities. Changes to the Management Responsibilities Map are reviewed and approved by the Boards.

DIRECTORS' AND MRC REPRESENTATIVES' REMUNERATION

The table below sets out the fees payable to the Directors and to the members of the MRC.

DIRECTORS' AND MRC REPRESENTATIVES' REMUNERATION	ANNUAL FEE	ATTENDANCE FEE PER MEETING
CHAIRMAN	GBP80,000	–
EXPERT DIRECTOR	GBP50,000	–
DIRECTORS	–	USD5,000
CHAIRMAN OF THE RISK & AUDIT GROUP	USD9,000	–
MEMBERS OF THE RISK & AUDIT GROUP	USD6,000	–
OTHER SUBCOMMITTEE CHAIRS	USD2,000	–
MRC MEMBERS	–	USD6,000

Each year there are five scheduled Board meetings, four scheduled Risk & Audit Group (RAG) meetings and two scheduled MRC meetings.

REGULATION

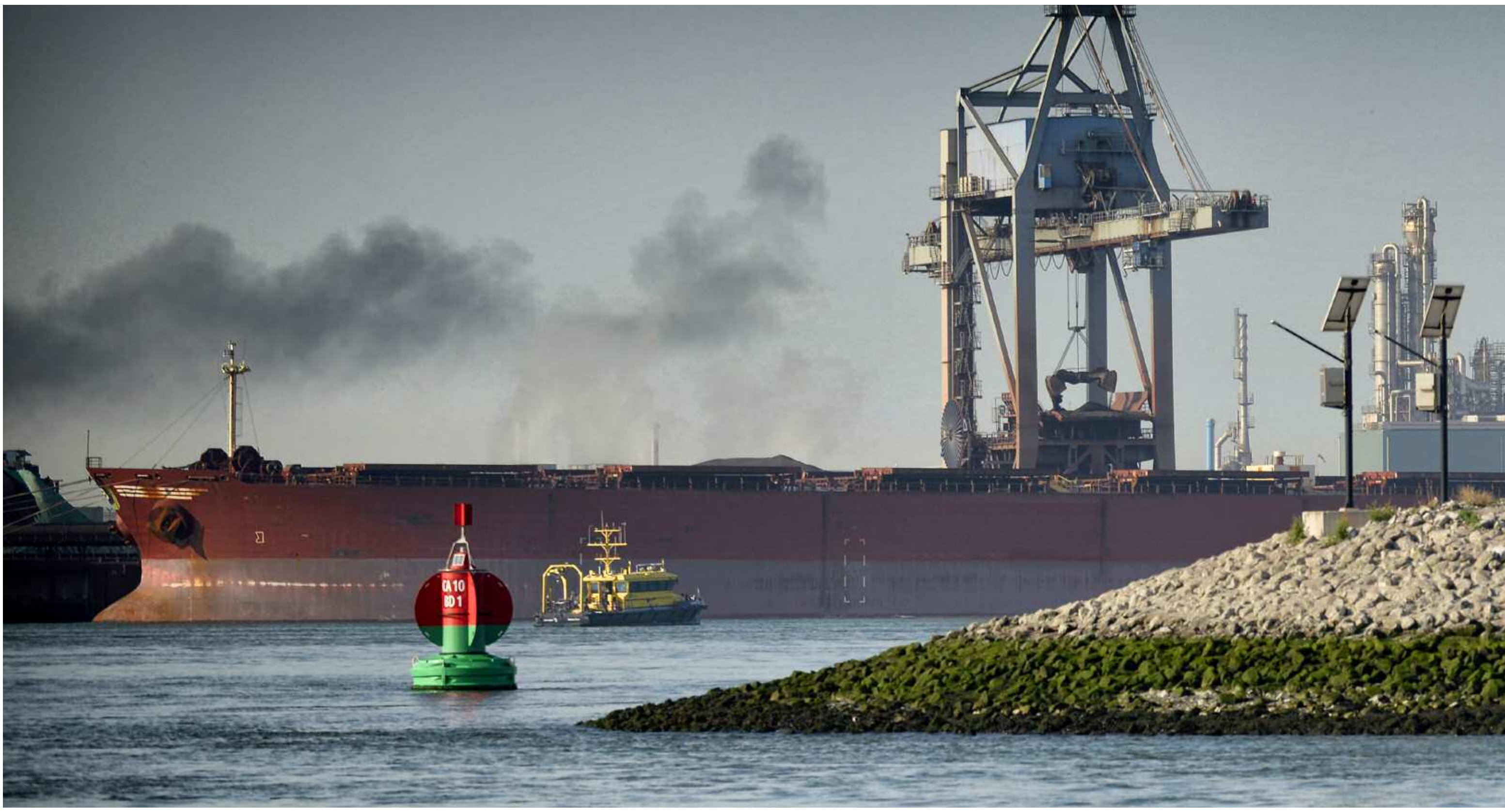
BE is authorised by the Luxembourg Minister of Finance and regulated by the Commissariat aux Assurances (CAA).

Britannia is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA in the UK.

BE and Britannia have licensed branches in Hong Kong (regulated by the Hong Kong Insurance Authority) and Singapore (regulated by the Monetary Authority of Singapore). It is intended that the branches of Britannia will be deregistered subject to regulatory approval. Britannia has a licensed branch in Japan (regulated by the Japanese Financial Services Agency). BE is in the process of applying to the JFSA for a branch licence in Japan, which is expected to be granted by 20 February 2022. This will also require the approval of the CAA.

PRINCIPAL RISKS AND UNCERTAINTIES

The Associations' risk management frameworks are documented in a set of risk management policies approved by the respective Boards. The basis of the frameworks is seven risk appetite statements, to each of which are attached a number of risk outcomes. These in turn link to the Associations' risk registers, which record the individual risks that have been identified as posing a threat to the achievement by the Associations of their planned strategic objectives. These risks are monitored on a quarterly basis by the boards of the Managers, which prepare a report



CORPORATE GOVERNANCE

on risk management for the RAGs. The risk management frameworks consider risks under a number of headings which, together with a summary of the Associations' risk mitigation approach, are set out below.

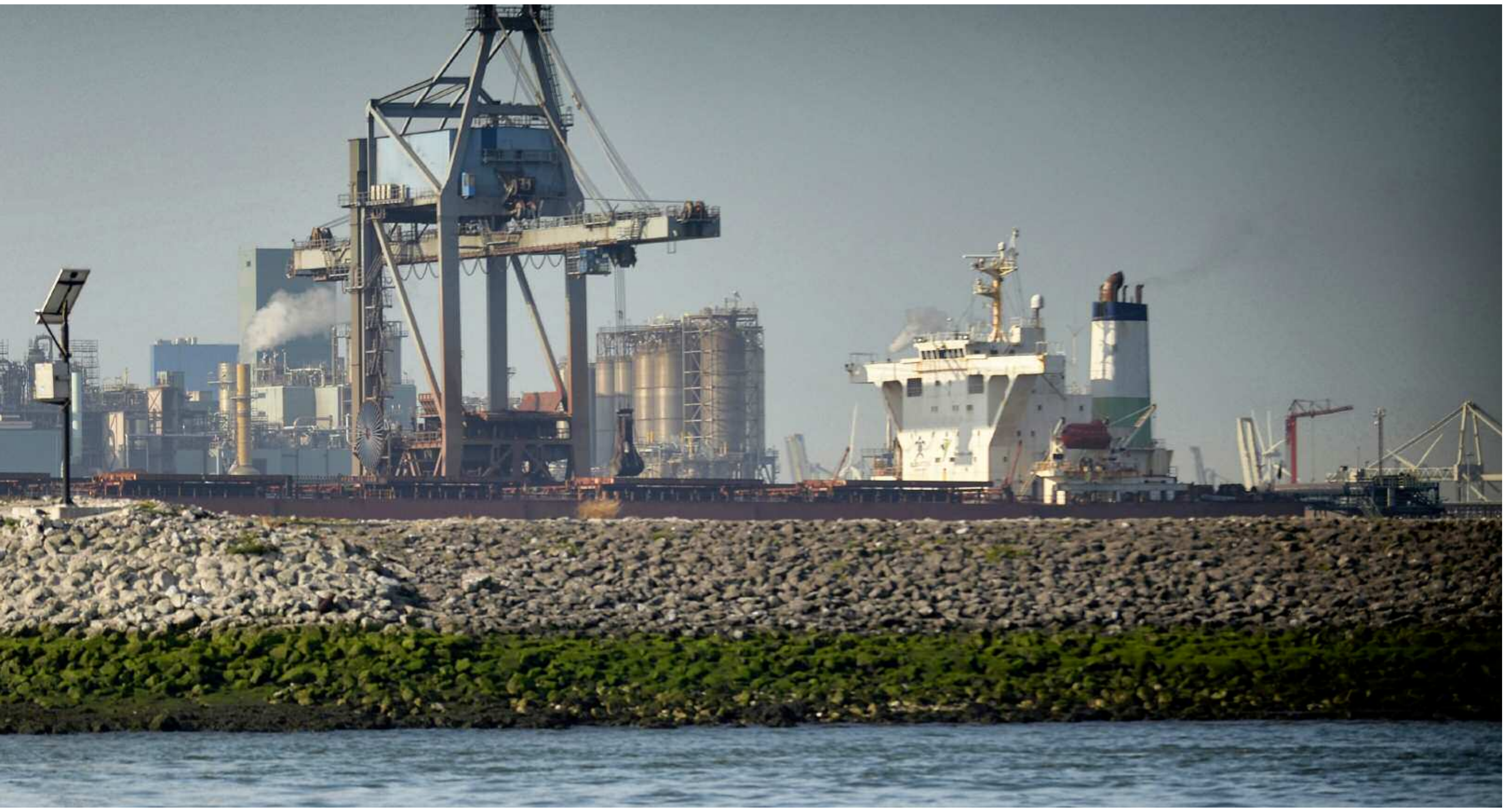
Underwriting risk arises from two sources – adverse claims development (reserve risk) and inappropriate underwriting (premium risk). Reserve risk is managed by the Associations' policy of prudent reserving of individual claims (which in most years is evident from the release of reserves noted in the financial statements) and frequent reviews of estimates, including oversight of large claims by a subcommittee of senior claims directors. Reserves are maintained at confidence levels consistent with the Associations' risk appetite. Premium risk is managed by having in place a clear underwriting philosophy, procedures and controls in relation to pricing, rigorous selection criteria for the admission of new Members, and the diversification of risks, both by ship type and geographical location.

Reinsurance is also used for the management of insurance risk. The Associations participate in the International Group pooling arrangement, whereby individual claims above USD10m are pooled (and reinsured above USD100m through the GXL reinsurance programme), and have a number of reinsurance covers with Boudicca Insurance Company Limited. Judicious use of reinsurance is also made in respect of certain specific risks where additional protection is deemed appropriate.

Market risk refers to the risk of losses on the Associations' investments, arising from fluctuations in the market value of the underlying investments. The Associations have a clear investment strategy, which is reviewed regularly and is consistent with the prudent person principle. The strategy has two main objectives as set out in the investment strategy and performance section of the Strategic Report. The expected investment return included in business plans, the Long Term Investment Return (LTIR), is set having regard to long-term trends in performance for the asset classes in which the Group is invested and taking the opinion of the Group's investment adviser into consideration. A value-at-risk measure is also used to monitor the potential volatility in return.

Credit risk arises from the possibility of default by one or more counterparties, which include reinsurers and deposit takers as well as Members. This risk is managed by carrying out appropriate due diligence on prospective counterparties, undertaking financial checks on potential Members, reviewing the credit ratings of reinsurers and monitoring these over time (a minimum rating of 'A-' is required for any of the Associations' reinsurance programmes), restricting the exposure to individual deposit takers and having in place a robust credit control system.

Liquidity risk refers to the possibility of the Associations having insufficient cash available to settle claims and other liabilities as they fall due.



CORPORATE GOVERNANCE

The Associations prepare cash flow forecasts in order to manage likely cash requirements, based on known liabilities but leaving a prudent margin for unexpected commitments. Significant cash balances are maintained so that there are always adequate funds available to pay claims as required. In addition, the investment strategy requires substantial holdings in cash funds which are available at very short notice and can be used to augment cash balances should the need arise.

Operational risk covers the risks arising from the failure of internal processes, people or systems, or from external events. The Managers have identified the key operational risks which are recorded in the Risk Registers. There is a comprehensive procedures manual which covers every aspect of the management of the Associations, and the internal audit function has proved effective in testing the internal control framework to ensure that it remains appropriate.

ECONOMIC AND REGULATORY CAPITAL

In addition to the comprehensive programme of risk mitigation actions outlined above, the Associations have an economic capital strategy which operates at the level of the Group. This strategy defines the level of capital necessary to cover the risk of losses occurring that exceed the Group's risk appetites. A range of modelling techniques has been developed that are used to quantify the risks identified in the Risk Register to variable confidence levels and time horizons. The outputs from the modelling provide the Group's economic capital benchmark.

The Associations also have a policy and procedures for the preparation of the Own Risk and Solvency Assessment (ORSA), which incorporates the totality of the Group's risk and capital management processes. The ORSA is a detailed assessment of the strategy, context and resultant risks faced by the Group and confirmation that the Solvency Capital Requirement (SCR) adequately reflects and mitigates these risk exposures. The ORSA includes a forward-looking assessment of risk and capital requirements over a three-year time horizon.

REGULATORY CAPITAL REPORTING

The Associations use the standard formula for the calculation of the Minimum Capital Requirement (MCR) and the SCR at both solo and Group level, and there are established procedures to ensure that the assumptions underlying the standard formula are appropriate for the Associations' business. The Group's most recent Solvency and Financial Condition Report (SFCR) is available on the Britannia website and the 2021 SFCR will be published in July 2021.

The Associations comply with all local regulatory reporting requirements in respect of their licensed branches.

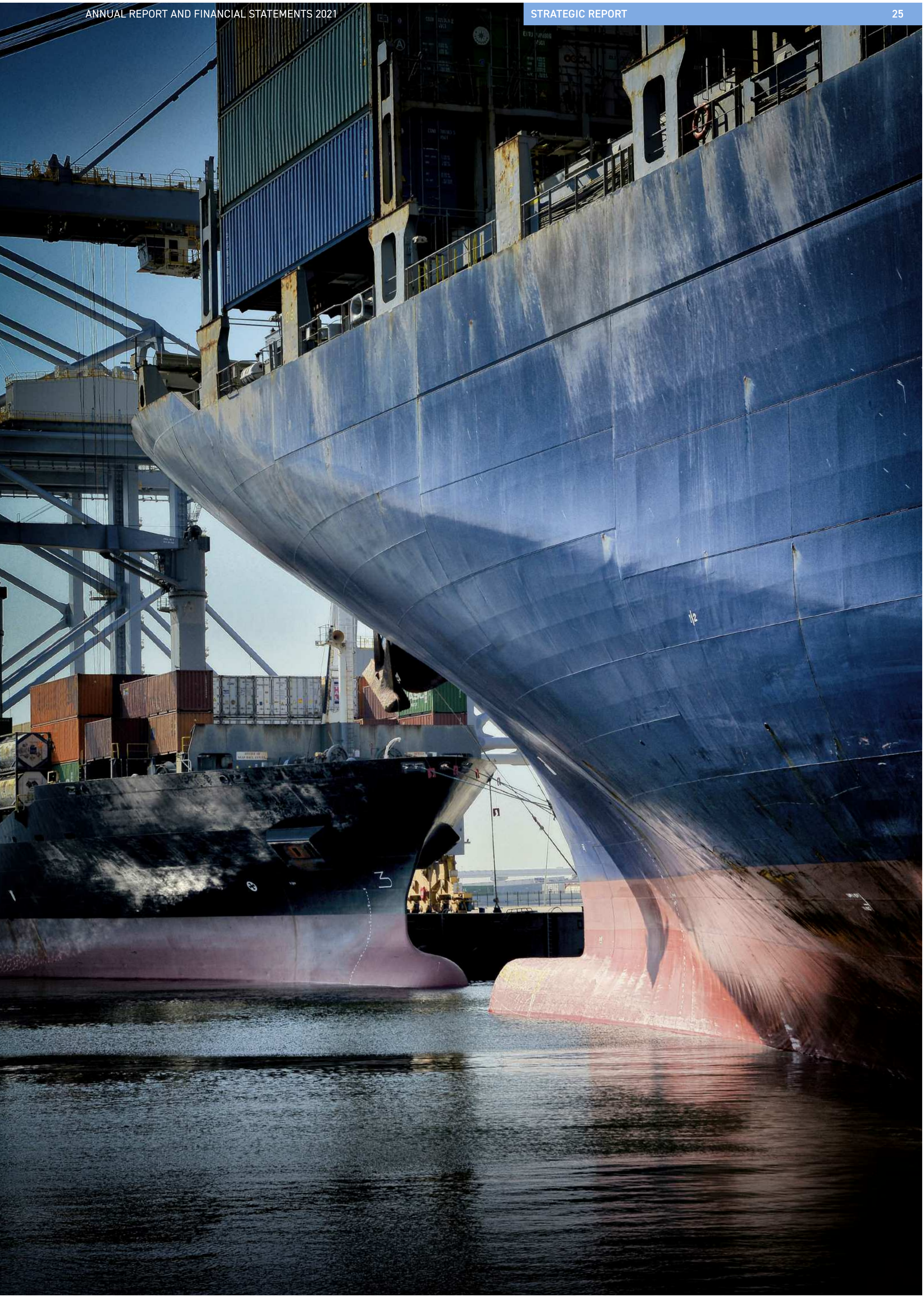
MODERN SLAVERY STATEMENT

The Group has a zero-tolerance position in respect of slavery and human trafficking, and is committed to ensuring that this does not occur in its supply chains or business. The Group is also committed to acting ethically and with integrity in all its business relationships. The Group's annual Modern Slavery Statement is approved by the Board and published on **www.britanniapandi.com**.

Recent initiatives undertaken by the Group to counter modern slavery and human trafficking include providing clear guidance to correspondents, providing crewing staff with training on the humane treatment of stowaways and rescued migrants, and running daily checks for modern slavery enforcements against suppliers and associated businesses, none of which have been detected to date.

INTERNAL AUDIT

The Group's internal audit function operates on a risk-based cycle to cover every aspect of the Associations' business. Internal audit works to agreed terms of reference approved by the Boards and reports to every meeting of the RAGs. In addition, the Head of Internal Audit has interim meetings with the Chairman of the RAGs.



STATEMENT OF COMPLIANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006

SECTION 172(1) OF THE COMPANIES ACT 2006 REQUIRES THE DIRECTORS TO PROMOTE THE SUCCESS OF THE GROUP FOR THE BENEFIT OF THE MEMBERS AND OTHER KEY STAKEHOLDERS.

In doing so, the directors must have regard to six main areas:

• The likely consequences of any decision taken in the long term;

• The interests of employees, which in the case of the Group relates to those employed by the Group's Managers;

• The need to foster business relationships with suppliers, customers and others;

• The impact of the operations of the Group on the community and the environment;

• The desire to maintain a reputation for high standards of business conduct; and

• The need to act fairly as between the Members of the Group.

The Group's key stakeholders are the Members, who comprise the shipowners and charterers who have ships entered with the Group. The Group's corporate governance structure, explained in detail on pages 20 and 21, includes the MRC, which includes representatives drawn from the Group's shipowner Members, and which allows wider engagement with the membership on the impacts of the main decisions of the Board, including call setting, capital distributions and investment strategy.

Further engagement with the membership takes place through the SSC and the Loss Prevention Programme, described on page 12, and the Member Forums which usually take place in Europe and Asia each year. In 2020, they were held as webinars because of COVID-19 travel restrictions.

The other principal stakeholders identified by the Board are the Managers, Tindall Riley & Co Ltd, and their employees worldwide, who carry out all the day-to-day operational and management functions of the Group, and others that provide services to the Group such as investment managers, professional advisers, the exclusive and local correspondents, local experts such as surveyors, the Group's reinsurance providers and insurance brokers. The Group has built strong relationships with these stakeholders over many years. The average length of membership of the Associations is 24 years, and the relationship with the exclusive correspondents goes back in some cases over generations.

One of the Group's seven risk appetite statements relates to the long-term sustainability of the Group's business. All key decisions of the Board, such as those set out above, have regard to this principle such that 'short-termism' is avoided. The Board also sets economic capital targets at high levels of confidence with the aim of achieving long-term financial stability.

The relationship between the Group and the Managers, which dates back over 166 years, is symbiotic, in that the success of one is inextricably linked to the success of the other. Decisions taken by the Board that directly impact the Managers, such as the amount of the management fee, take full account of this relationship, having regard to service levels and accountability.

The Group has a robust ESG policy, which is used to assess the impact of the Group's operations on the communities in which it operates and on the wider environment. It includes an assessment of the likely effects of political and climate change.

Through its regulated entities, the Group aligns the way in which it does business with Regulators' conduct rules, such as 'treating customers fairly'. As a mutual insurance business, the fair treatment by the Group of its Members is a fundamental principle. It has in place a Standards of Business Conduct policy which sets out the regulatory conduct rules and covers additional areas such as the whistleblowing policy, how the Group manages conflicts of interest, the remuneration policy, the Group's modern slavery statement and the anti-bribery and corruption policy. The Group also has a Financial Crime policy.

The Group's reputation is fundamental to its ability to carry out its business and it seeks to protect this reputation by sticking firmly to the principles of fairness and sound business conduct established by the Boards.

STATUTORY DIRECTORS' REPORT

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR REPORT TO THE 149TH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE GROUP TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR TO 20 FEBRUARY 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Group and its subsidiaries during the year were the insurance and reinsurance of the risks of Protection and Indemnity (Class 3) and Freight, Demurrage and Defence (Class 6). The Strategic Report on pages 1 to 27 report on these activities and the financial results of the Group for the year together with likely future developments.

DIRECTORS

The members of the Board are directors of the Group for the purposes of the Companies Acts. The present members of the Board are listed on page 19 of this report.

P Hunt resigned as a director on 20 October 2020 and J P Rodgers resigned as a director on 1 May 2021. On 1 January 2021 M Rothkopf was appointed as a director and on 1 May 2021 M R A Hall and 11 May 2021 C Munch were both appointed as directors (subject to regulatory approval). In accordance with the Articles of Association, they offer themselves for re-election.

S-C Lan, L Martel and N J Nolan all retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election as directors.

DIRECTORS' INDEMNITY INSURANCE

The Group has purchased directors' and officers' liability insurance in respect of all of the Group's directors.

FINANCIAL INSTRUMENTS

Information on the use of financial instruments by the Group and its management of financial risk is addressed in Note 16 to the financial statements. The Group's exposure to cash flow risk is addressed under the headings of Credit risk, Liquidity risk and Market risk in that note.

FUTURE DEVELOPMENTS

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

AUDIT

The Managers are responsible for the preparation of the financial statements and have confirmed they have provided all relevant audit information of which they are aware. The RAGs have considered the financial statements with the Managers, met privately with the auditors, and reported to the Board.

So far as each of the persons who is a director at the time of this report is aware, there is no relevant audit information of which the Group's auditors are unaware. The directors confirm that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

A tender process for the appointment of the Group's auditor was carried out during the year. The RAGs presented its recommendations to the Board in January 2021 and the Board agreed that Deloitte LLP should be appointed to succeed BDO LLP as auditor of the Group for the year ended 20 February 2022. A resolution to appoint them as the Group's auditors and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

The directors confirm that, to the best of their knowledge, the Strategic Report on pages 1 to 27 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

CARBON REPORTING

Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018 (the Regulation) require the Group to report publicly on its UK energy use and carbon emissions as the Group has annual turnover in excess of GBP36m and a statement of financial position balance in excess of GBP18m. However, as the entirety of the management of the business is outsourced and managed by Tindall Riley & Co Limited the Group has no control over these costs. This would classify the Group as a 'low energy user' and therefore no disclosures have been made.

By order of the Board
J A Young Secretary
19 May 2021

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and its income and expenditure for that period. In preparing these financial statements, the directors are required to:

• select suitable accounting policies and apply them consistently;

• make judgments and accounting estimates that are reasonable and prudent;

• state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that show the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION HOLDINGS LIMITED

Opinion on the financial statements
In our opinion the financial statements:

• give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 20 February 2021 and of the Group's profit for the year then ended;

• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

• have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Britannia Steam Ship Insurance Association Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 20 February 2021 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Risk & Audit Group.

Independence
Following the recommendation of the Risk & Audit Group, we were appointed by the Board in 1991 to audit the financial statements following the merger with another firm, who were the auditors prior to that date, with it not being possible to identify the date of that firm's original appointment. The period of total uninterrupted engagement including retenders and reappointments is, therefore, at least 30 years. In respect of the year ended 20 February 2021 we were reappointed by the members on 7 July 2020. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

• Review and challenge of the Group's forecast and budgets, challenging the stated growth assertions and ensuring that projections were in line with justifiable assumptions and judgments;

• Checking the solvency through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital; and enquiries of the directors and scrutiny of management information, Board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Company's ability to continue as a going concern.

• Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Group's ability to continue as a going concern; and

• Challenge of the latest Own Risk and Solvency Assessment provided, noting the Group to be in excess of the minimum solvency requirement.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Overview		
Coverage		
100% (2020 – 100%) of Group profit before tax		
100% (2020 – 100%) of Group revenue		
100% (2020 – 100%) of Group total assets		
Key audit matters	2021	2020
Valuation of Technical Provisions	Yes	Yes
Valuation of RI Share of Technical Provisions	Yes	Yes
Materiality		
Group financial statements as a whole		
USD8m (2020 – USD7.9m) based on 2% (2020 – 1.9%) of net assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

The Group comprises the Parent Company and its subsidiary undertakings: The Britannia Steam Ship Insurance Association Holdings Limited, The Britannia Steam Ship Insurance Association Limited, The Britannia Steam Ship Insurance Association Europe, Universal Shipowners Marine Insurance Association Limited and The Britannia Cell of Hydra Insurance Company Limited, which were all considered to be significant components, these are subject to a full scope audit carried out by the group engagement team.

Our approach to the audit was risk based, with our audit work being tailored to ensure that sufficient assurance was gained for us to be able to give an opinion on the financial statements as a whole. Specific audit procedures were carried out on all risk areas identified, including the key audit matters detailed below, and on all material balances and classes of transactions. We used experts to assist us with our audit.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of technical provisions **Notes 1 and 7** Technical provisions relate to four main classes of business, Retained, Pool, FD&D and Occupational Disease. Claims estimation relies on the expertise and judgment of claims handlers and their experience of assessing claims in different jurisdictions and types. There is significant judgment and estimation when setting technical provisions.	We engaged our actuarial experts to perform a review of the appropriateness of the methodologies employed by the Group when setting technical provisions. They reprojected technical provisions in order to conclude whether technical provisions are sufficient to cover the liabilities of the Group. For Retained, Pool and FD&D claims, our actuarial experts reprojected the ultimate cost of the latest 15 policy years using a stochastic model based around chain ladder methodology in order to provide both an independent benchmark and to provide assurance on the reasonableness of the Group's own projections. For Occupational Disease, our actuarial experts reviewed the model employed by the Group. We read management's internal actuarial expert's report, in conjunction with our own actuarial expert's report, and evaluated and challenged assumptions made, methodologies used and the conclusions reached and checked that that processes are in accordance with both Technical Actuarial Standards (TAS) and industry practices drawing on our understanding of the market and the Company's business In addition to the work performed by our actuarial experts, we have also performed: • testing of authorisation controls surrounding paid claims by assessing the appropriateness of the control and then selecting a random sample of paid claims and obtaining evidence that the expected controls were operating effectively; • substantive procedures including testing that: (i) revisions to claims estimates have been correctly made; (ii) all material paid claims and case estimates and a sample of those below materiality agree to adequate supporting documentation; (iii) a sample of claims movements in the year are adequately supported; and (iv) long outstanding claims covering those with no review of the estimate during the year and those entered with no case estimate, were supported by appropriate documentation and evidence; • testing that the actuarial data used by the Group's actuarial function and our appointed actuarial experts were the same by reconciling the actuarial data to the accounting records. **Key observations** Based on the work performed we consider the judgments and estimates made by management in valuing the technical provisions to be appropriate.
Valuation of reinsurers' share of technical provisions **Notes 1 and 7** Changes to the retention points and the Group's Pool share for each policy year create complexity and the risk of error.	Our work consisted of substantive testing. The principal procedures undertaken included: • reviewing the reinsurance programme to identify any changes to the prior year or to our understanding of the structure of the programme; • considering the expected impact of changes to reinsurance arrangements (including retentions and premiums) on the financial statements and consideration of whether reported results are consistent with our understanding of the programme; • testing of a sample of reinsurance recoveries by recalculating the expected recovery based on the details of the claims and our understanding of the programme derived from the underlying contract; • reviewing the security of reinsurers through comparing credit ratings to third party agencies and the potential impact on recoveries; and • recalculating a sample of reinsurers' share of outstanding claims based on the details of outstanding claims and our understanding of the programme. **Key observations** Based on the work performed we consider the judgments and estimates made by management in valuing the technical provisions to be appropriate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION HOLDINGS LIMITED

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements	Parent Company financial statements
Materiality	2021 – USD8m (2020 – USD7.9m)	2021 – USD1m (2020 – USD1m)
Basis for determining materiality	2% of net assets	2% of net assets
Rationale for the benchmark applied	We considered this to be the most relevant benchmark, as it reflects a key measure of the financial position of an insurance company and is used to assess the level of free reserves and in determining solvency.	We considered this to be the most relevant benchmark, as it reflects a key measure of the financial position of a holding company, due to the fact that its purpose is to form a corporate structure.
Performance materiality	75% of financial statement materiality	75% of financial statement materiality
Basis for determining performance materiality	75% of financial statement materiality was used as the risk of errors leading to a material misstatement is deemed to be low based on history, management attitude towards proposed adjustments and accounts subject to estimation.	75% of financial statement materiality was used as the risk of errors leading to a material misstatement is deemed to be low based on history, management attitude towards proposed adjustments and accounts subject to estimation.

Component materiality
We set materiality for each component of the Group based on a percentage of between 50% and 33% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from USD2.6m to USD4m (2020 – USD1m to USD7.9m). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Risk & Audit Group that we would report to them all individual audit differences in excess of USD160,000 (2020 – USD150,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit:
• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, PRA and FCA rules, FRS 102 and FRS 103. We obtained our understanding through internal and external training, and the use of an appropriately qualified and experienced audit team who specialise in the insurance sector.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of Board and management meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- review of correspondence with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA');
- review of the Group's compliance manuals, breaches register and Internal Audit report; and
- review of correspondence with Bermuda Monetary Authority ('BMA') and the Commissariat aux Assurance ('CAA') (Luxembourg).

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed, and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

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

Thomas Reed Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor, London, UK
21 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

20 FEBRUARY 2021

Technical account – general business	Note	2021 USD(000)	2020 USD(000)
Earned premiums, net of reinsurance			
Calls and premiums	4	**200,086**	201,185
Reinsurance premiums	5	**(69,798)**	(61,402)
		130,288	139,783
Allocated investment return transferred from the non-technical account		**31,221**	33,079
Total income		**161,509**	172,862
Claims incurred net of reinsurance			
Net claims paid	6	**(158,819)**	(151,721)
Change in provision for claims	7	**40,562**	40,054
Net claims incurred		**(118,257)**	(111,667)
Net operating expenses	9	**(32,520)**	(31,891)
Total expenditure		**(150,777)**	(143,558)
Balance on technical account		**10,732**	29,304

Non-technical account			
Balance on the technical account		**10,732**	29,304
Investment income	10	**46,556**	18,617
Investment expenses		**(2,177)**	(1,349)
Unrealised gain		**14,591**	44,601
Allocated investment return transferred to the technical account		**(31,221)**	(33,079)
Net surplus before taxation		**38,481**	58,093
Taxation	12	**(1,514)**	(1,666)
Net surplus after taxation		**36,967**	56,427

All amounts are derived from continuing operations. The notes on pages 39 to 55 form part of these financial statements. There are no recognised gains and losses other than those included in the consolidated income and expenditure account.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

20 FEBRUARY 2021

Assets	Note	2021 USD(000)	2020 USD(000)
Investments			
Financial investments	13	**818,815**	847,129
Tangible assets	14	**6,234**	–
Reinsurers' share of technical provisions			
Claims outstanding	7	**587,019**	524,343
Debtors			
Direct insurance operations – Members	18	**75,153**	74,844
Reinsurance operations	19	**46,358**	60,632
Taxation		**949**	148
		122,460	135,624
Other assets			
Cash at bank		**154,645**	116,173
Prepayments and accrued income			
Accrued interest		**577**	804
Other prepayments and accrued income		**5,900**	10,589
Total assets		**1,695,650**	1,634,662

Liabilities	Note	2021 USD(000)	2020 USD(000)
Capital and reserves			
Investment reserve		**157,438**	130,563
General reserve		**55,000**	55,000
Income and expenditure account		**236,617**	236,525
		449,055	422,088
Technical provisions			
Gross outstanding claims	7	**1,220,857**	1,198,743
Creditors			
Direct insurance operations – Members		**17,342**	9,095
Taxation		**796**	43
Reinsurance operations		**6,987**	4,343
Other creditors		**613**	350
Total liabilities		**1,695,650**	1,634,662

The notes on pages 39 to 55 form part of these financial statements.

A J Firmin Director

B T Nielsen Director

A J Cutler
Tindall Riley (Britannia) Limited Managers
19 May 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

20 FEBRUARY 2021

Cash flows from operating activities	2021 USD(000)	2020 USD(000)
Net surplus before tax	**38,481**	58,093
Adjustments for:		
Depreciation of tangible assets	**693**	–
Change in provision for claims (net of reinsurance)	**(40,562)**	(40,054)
Decrease/(increase) in insurance and other debtors	**18,881**	(36,551)
Increase/(decrease) in insurance and other creditors	**11,154**	(4,128)
Investment income	**(58,970)**	(61,868)
Cash from operations	**(30,323)**	(84,508)
Income taxes paid	**(1,562)**	(1,072)
Net cash generated from operating activities	**(31,885)**	(85,580)
Cash flows from investing activities		
Purchase of fixed assets	**(6,927)**	–
Purchase of equities	**(16,020)**	(27,815)
Purchase of fixed interest investments	**(169,914)**	(245,952)
Sale of equities	**45,671**	18,643
Sale of fixed interest investments	**171,852**	290,640
Net change to deposits with credit institutions	**38,128**	49,040
Income from equity investments	**3,255**	3,968
Income from fixed income investments	**4,854**	4,967
Bank and other interest	**6,571**	3,528
Investment management expenses	**(2,177)**	(1,350)
Net cash from investing activities	**75,293**	95,669
Cash flows from financing activities		
Capital distribution to Members	**(10,000)**	(25,000)
Net cash from financing activities	**(10,000)**	(25,000)
Net increase/(decrease) in cash at bank	**33,408**	(14,911)
Cash at bank at the beginning of the financial year	**116,173**	132,499
Effect of foreign exchange rate changes	**5,064**	(1,415)
Cash at bank at the end of the financial year	**154,645**	116,173

The notes on pages 39 to 55 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

20 FEBRUARY 2021

Total	Investment reserve USD(000)	General reserve USD(000)	Income and expenditure account USD(000)	Total USD(000)
At 20 February 2019	102,328	55,000	233,333	390,661
Surplus for the financial year	–	–	56,427	56,427
Capital distribution	–	–	(25,000)	(25,000)
Transfer to investment reserve	28,235	–	(28,235)	–
At 20 February 2020	130,563	55,000	236,525	422,088
Surplus for the financial year	–	–	36,967	36,967
Capital distribution	–	–	(10,000)	(10,000)
Transfer to investment reserve	26,875	–	(26,875)	–
At 20 February 2021	**157,438**	**55,000**	**236,617**	**449,055**

The investment reserve comprises the cumulative net transfers from the income and expenditure account. Annual transfers equivalent to the net unallocated return/(deficit) on the Group's investments are made to or from this reserve. The investment reserve can also be used to make a distribution to Members of such amount in such manner as the Board thinks fit.

The general reserve was established in accordance with Rule 39(1) of The Britannia Steam Ship Insurance Association Limited and The Britannia Steam Ship Insurance Association Europe (the Associations) to provide for any claims, expenses, losses or other outgoings of the Associations (including any deficiency in respect of any closed policy year), or to eliminate or reduce any call in respect of any policy year. The general reserve can also be used to make a distribution to Members of such amount in such manner as the Board thinks fit.

A capital distribution was agreed on 20 October 2020 which amounted to USD10m for Class 3 Members with owned ships on risk as at midnight (BST) on the date the capital distribution was agreed. Each Member's proportion of the distribution related to their share of owned net Class 3 premium in relation to the owned Class 3 premium for all ships on risk on the day of distribution. Owned net Class 3 premium is defined as gross Estimated Total Call less the cost of the International Group reinsurance.

COMPANY STATEMENT OF FINANCIAL POSITION

20 FEBRUARY 2021

Assets	Note	2021 USD(000)	2020 USD(000)
Investments			
Investment in Group undertakings	15	**20,500**	20,500
Total assets		**20,500**	20,500
Liabilities			
Capital and reserves			
Income and expenditure account		**20,500**	20,500
Total liabilities		**20,500**	20,500

The Britannia Steamship Insurance Association Holdings Limited (the Company) has taken advantage of the exemption in Section 408 of the Companies Act 2006 from presenting its own Statement of Comprehensive Income and related notes as it prepares consolidated accounts. The Company's surplus for the year ended 20 February 2021 was USD0m (period of incorporation to 20 February 2020 – USD20.5m).

The notes on pages 39 to 55 form part of these financial statements.

A J Firmin Director

B T Nielsen Director

A J Cutler
Tindall Riley (Britannia) Limited Managers
19 May 2021

NOTES TO THE FINANCIAL STATEMENTS
20 FEBRUARY 2021

Basis of preparation
These Group financial statements, which consolidate the financial statements of the Company and its subsidiary undertakings, have been prepared under the historical cost convention as modified to include investments at market value, in compliance with Part 3 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (the Regulations) under the Companies Act 2006 and in accordance with applicable accounting standards in the UK. In accordance with Financial Reporting Standard 103, 'Insurance Contracts' ('FRS 103'), the Group has applied existing accounting policies for insurance contracts. The Regulations require the use of the term 'profit and loss account' as a heading. This is replaced in these financial statements by 'income and expenditure account', consistent with the mutual status of the Group. The individual statement of financial position of the Company is prepared in accordance with the provisions of Section 394 of the Companies Act 2006 and the Regulations. Under FRS 102 Section 7: Cash Flows, no Statement of Cash Flows has been presented for the Company as the cash flows of the Company are included within the Consolidated Statement of Cash Flows of the Group. An exemption has therefore been claimed under FRS 102 Section 1.12 (b).

Going concern
The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. Subsequent events have been considered and if required are disclosed in note 21.

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

1 GENERAL INFORMATION
The Britannia Steam Ship Insurance Association Holdings Limited is a company incorporated in England and Wales. The address of the registered office is given on the back cover. The nature of the Association's operations and its principal activities are set out in the Strategic Report on pages 1 to 27 of this publication.

2 ACCOUNTING POLICIES
The following accounting policies have been applied consistently in dealing with items that are material to the consolidated financial statements.

Basis of accounting
The Group's business is accounted for on an annual basis. Separate accounts are maintained for each class of business.

For the purpose of reporting to mutual Members, all transactions are allocated to individual policy years. Calls and premiums (including reinsurance premiums), claims and reinsurance recoveries are allocated to the policy year to which they relate. In the case of claims and reinsurance recoveries, the appropriate year is decided by the date of the incident giving rise to the claim. All other income and expenditure items are allocated to the current policy year except investment returns which are allocated to policy years on the same basis as they are credited to the technical account – general business.

Basis of consolidation
The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 20 February each year. Intra-group transactions, balances and gains and losses on intra-group transactions are eliminated upon consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. Following the Group reorganisation during 2019/20 the Group has applied merger accounting to consolidate its subsidiaries of which it owns 100% by virtue of its controlling vote.

Rates of exchange
The Group uses the US dollar as its currency of presentation and functional currency. Monetary assets and liabilities denominated in other currencies are translated into US dollars at the rates ruling at the statement of financial position date. Revenue transactions are translated at the actual rate applying at the date of transaction or, where this is not practicable, the average rate for the year. Exchange rate differences are recognised in the non-technical account of the income and expenditure account.

Calls and premiums
Calls and premiums in respect of policies incepting prior to the statement of financial position date are shown gross of acquisition costs and net of returns and bad and doubtful debts. They include deferred calls for which Members have been advised to budget, to the extent that the directors expect them to be called within 12 months of the statement of financial position date. Since all insurance policies are coterminous with the Group's financial year, there are no unearned premiums at the year-end date. Reinsurance premiums are accounted for in the same accounting period as the direct insurance premium or calls to which they relate.

Acquisition costs
Acquisition costs represent brokerage and commission charges relating to the writing of policies, underwriting management costs, renewal of existing Members' entries, negotiation with potential Members and the processing of entry documentation.

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2 ACCOUNTING POLICIES (CONTINUED)

Claims paid
Claims paid comprise all claims and related expenses approved by the Board and advances made on account of claims during the year. They include the Group's share of claims under the Pooling Agreement, together with internal management costs of handling and processing claims.

Reinsurance recoveries represent recoveries made and due in respect of claims paid by the Group in the year. They include amounts recoverable under the Pooling Agreement and market reinsurance contracts.

Claims outstanding
The provision for claims outstanding in the financial statements comprises the Managers' estimate of the ultimate outcome of all reported claims based on current information, plus their forecast of the ultimate cost of claims incurred but not reported (IBNR). The provision also includes an allowance for future claims handling costs.

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

The IBNR provision for claims within the Group's retention is determined by the Managers based on standard actuarial projection techniques supported by stochastic modelling. The model uses historical information on claims development, adjusted for inflation and other variables, such as the number of ships entered with the Group, to project the ultimate cost of claims. The principal assumption underlying this approach is that past experience is a reliable basis for projecting the ultimate cost of claims in more recent years. The confidence levels selected for setting IBNR reserves reflect the Group's risk tolerance.

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

Provisions for all claims are based on information available at the statement of financial position date. Significant delays are experienced in the notification of certain claims (sometimes of many years' duration), and accordingly the ultimate cost of claims cannot be known with certainty at the statement of financial position date. It is possible that subsequent information and events may result in the ultimate liability varying from the amount provided. Any such differences between claims provisions and subsequent settlement are dealt with in the technical account – general business in later years.

Claims provisions are recognised gross of any reinsurance recoveries. The reinsurers' share of claims outstanding is derived from an estimation of the amounts that will be recoverable from reinsurers based on the gross provisions (including the IBNR provisions) and the structure of the Group's reinsurance programme, and having due regard to the possibility of default by reinsurers.

Investment return
The investment return recognised in the non-technical account comprises investment income (interest and dividends), realised gains and losses on investments sold in the year and movements in unrealised gains and losses arising in the year, net of investment management expenses.

Dividends are recognised from the date on which the shares are quoted 'ex-dividend' and include related tax credits. Interest and expenses are recognised on an accruals basis. Realised gains and losses on investments are calculated as the difference between the net sales proceeds and the purchase price. The movement in unrealised gains and losses recognised in the income and expenditure account represents the difference between the valuation of investments at the statement of financial position date and either their purchase price or their valuation at the commencement of the year, with an adjustment to reverse previously recognised unrealised gains or losses on investments disposed of in the current year. Realised and unrealised gains and losses include any related exchange gains or losses.

The transfer to/from the investment reserve represents the difference (net of tax) between the actual investment income for the year and the investment return allocated to the technical account – general business.

Allocation of investment return
An allocation is made from the non-technical account to the technical account – general business in respect of the longer-term investment return on the total investment portfolio, since these investments relate wholly to the technical provisions and Members' funds held for mutually insured risks.

Financial instruments
Non-derivative financial instruments are shown at current market value at the statement of financial position date. Non-derivative listed instruments are stated at bid value. Non-derivative unlisted instruments are valued by the directors on a prudent basis, having regard to their likely realisable value.

Derivative instruments are held to support the Group's investment return. Derivatives are categorised as held for trading and are classified as financial instruments at fair value through income. Derivative instruments are measured at initial recognition, and subsequently at fair value, and changes in fair value are recognised in the income and expenditure account. Transaction costs incurred in buying and selling derivative instruments are recognised in the income and expenditure account when incurred. The fair value of a derivative instrument is determined by reference to published price quotations in an active market.

2 ACCOUNTING POLICIES (CONTINUED)

Investment in Group undertakings
Investments in Group undertakings and participating interests in the Company's own statement of financial position are stated at cost less impairment.

Tangible assets
The Group has chosen to apply FRS 102 to software development costs as they are directly attributable to bringing the computer system into working condition for use within the business and therefore classified as tangible assets and depreciated on a straightline basis over the estimated useful economic life. Depreciation is recognised in the income and expenditure account.

Policy year accounting
The calls and premiums, reinsurance premiums payable, claims paid and related expenses, reinsurance recoveries and outstanding claims are all allocated to the policy years to which they relate. The allocated investment return and operating expenses are allocated to the current policy year.

Investments
The Group has chosen to apply the recognition and measurement provision and the disclosure requirements of FRS 102.

The Group classifies its investments as financial assets at fair value, gains and losses are taken to the Income and Expenditure Account, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price.

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

Taxation (current and deferred)
The charge for taxation is shown in the consolidated income statement. The tax effects of carry forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

3 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES
The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

4 CALLS AND PREMIUMS	2021 USD(000)	2020 USD(000)
Advance calls and premiums		
2020/21 policy year	**203,440**	–
2019/20 policy year	**(3,233)**	146,506
2018/19 policy year	**427**	1,598
Closed years	**32**	365
	200,666	148,469
Deferred calls		
2020/21 policy year	**–**	–
2019/20 policy year	**439**	54,635
2018/19 policy year	**(1,016)**	(781)
Closed years	**(3)**	(1,138)
	(580)	52,716
	200,086	201,185

All insurance transactions of the Group are transacted by the subsidiary entities of the Company and therefore no Company-only information is provided, as no such transactions are entered into by the Company. Other than calls and premiums of USD10.7m (2020 – USD9.5m) and USD5.2m (2020 – USD4.7m) written in Singapore and Hong Kong respectively all other business is written in the UK. All calls and premiums written are in the marine class of business.

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5 REINSURANCE PREMIUMS

	2021 USD(000)	2020 USD(000)
Group excess of loss	**25,175**	25,034
Other	**44,623**	36,368
	69,798	61,402

Britannia's reinsurance contract with Boudicca Insurance Company Limited (a Bermudian reinsurer) provides limited quota share cover together with aggregate excess of loss cover for policy year deficits that, in the absence of this reinsurance, would have become a charge on the general reserve.

In addition, the contract provides separate excess of loss reinsurance in respect of individual claims that exceed USD4m in the 2017/18, 2018/19 and 2019/20 policy years, and claims that exceed USD3m in the 2020/21 policy year within the Group's retention.

Transactions with Boudicca during the year were as follows:	2021 USD(000)	2020 USD(000)
Reinsurance premiums paid to Boudicca		
Quota share/aggregate excess of loss cover	**6,000**	7,250
Individual excess of loss cover	**25,000**	21,000
	31,000	28,250
Claims recoverable from Boudicca		
Quota share/aggregate excess of loss cover	**26,347**	44,761
Individual excess of loss cover	**16,070**	33,404
	42,417	78,165
Claims recoverable from Boudicca		
On paid claims	**29,816**	49,042
Increase in provision for amounts recoverable	**12,601**	29,123
	42,417	78,165
As at 20 February 2021 the following amounts were recoverable from Boudicca		
Debtors – reinsurance operations	**16,144**	27,674
Reinsurers' share of technical provisions	**144,354**	131,753
	160,498	159,427

At the statement of financial position date surplus investment assets of Boudicca totalling USD177.8m (2020 – USD172.3m) were held to support future claims under the reinsurance contract in a manner which ensures that they cannot be dissipated to the detriment of the Group.

6 NET CLAIMS PAID

	2021 USD(000)	2020 USD(000)
Gross claims paid		
Members' claims	**171,123**	241,589
Other Clubs' Pool claims	**64,656**	23,765
	235,779	265,354
Recoveries on claims paid		
From the International Group excess of loss reinsurance	**29**	10,885
From the Pool	**37,863**	44,214
Other reinsurers	**39,068**	58,534
	76,960	113,633
	158,819	151,721

7 CHANGE IN NET PROVISION FOR CLAIMS

	2021 USD(000)	2020 USD(000)
Claims outstanding		
Members' claims	**1,029,818**	1,006,753
Other Clubs' Pool claims	**191,039**	191,990
	1,220,857	1,198,743
Reinsurers' share of claims outstanding		
From the International Group excess of loss reinsurance	**126,271**	128,921
From the Pool	**290,351**	227,722
Other reinsurers	**170,397**	167,700
	587,019	524,343
Net claims outstanding carried forward	**633,838**	674,400
Net claims outstanding brought forward	**674,400**	714,454
Change in net provision for claims	**(40,562)**	(40,054)

Claims outstanding includes provision for IBNR claims which is set by reference to, amongst other factors, standard actuarial techniques and projections. The IBNR reserve includes an amount for Occupational Disease claims amounting to USD68.5m (2020 – USD81.6m) on a gross and net basis. Occupational Disease claims have a significant latency period making them particularly uncertain for reserving purposes. The reserve has been set with reference to industry studies and the Association's historical experience. These studies include a projection of the number of deaths expected, the probability of claims being made and the expected cost of those claims.

CLAIM DEVELOPMENT TABLES

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each policy year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

Insurance claims – gross (Class 3 and 6 combined)

Estimate of ultimate claims cost attributable to the policy year

	2011/12 USD(000)	2012/13 USD(000)	2013/14 USD(000)	2014/15 USD(000)	2015/16 USD(000)	2016/17 USD(000)	2017/18 USD(000)	2018/19 USD(000)	2019/20 USD(000)	2020/21 USD(000)
End of reporting year	299,014	419,387	360,522	271,778	527,169	192,588	232,129	274,101	271,831	360,281
One year later	309,059	406,416	357,386	275,748	581,117	163,302	198,771	385,092	261,006	
Two years later	286,594	376,607	329,780	254,220	634,315	157,210	200,047	375,305		
Three years later	266,536	360,464	294,403	260,593	618,293	143,487	191,372			
Four years later	246,807	344,257	273,839	250,122	578,433	132,394				
Five years later	244,474	332,420	266,194	247,548	560,963					
Six years later	240,932	331,372	261,769	241,643						
Seven years later	239,344	317,659	259,007							
Eight years later	236,349	315,087								
Nine years later	237,510									
Current estimate of ultimate claims	237,510	315,087	259,007	241,643	560,963	132,394	191,372	375,305	261,006	360,281
Cumulative payments to date	224,730	311,602	225,843	158,993	435,811	101,671	123,582	154,782	99,717	109,612
Liability recognised in the consolidated statement of financial position	12,780	3,485	33,164	82,650	125,152	30,723	67,790	220,523	161,289	250,669
Total liability relating to the last ten policy years										988,225
Other claims liabilities										232,632
Total reserve included in the consolidated statement of financial position										**1,220,857**

Insurance claims – net (Class 3 and 6 combined)

Estimate of ultimate claims cost attributable to the policy year

	2011/12 USD(000)	2012/13 USD(000)	2013/14 USD(000)	2014/15 USD(000)	2015/16 USD(000)	2016/17 USD(000)	2017/18 USD(000)	2018/19 USD(000)	2019/20 USD(000)	2020/21 USD(000)
End of reporting year	243,590	248,435	258,836	214,694	233,575	183,273	170,582	174,988	178,860	190,425
One year later	238,864	243,072	253,737	195,588	223,348	152,057	166,266	175,451	180,080	
Two years later	239,157	238,169	231,204	176,653	216,650	147,687	164,740	173,577		
Three years later	222,930	237,845	220,104	170,087	204,224	132,998	159,480			
Four years later	204,449	235,470	202,004	158,476	172,824	122,638				
Five years later	201,327	223,470	197,604	155,193	163,517					
Six years later	198,127	214,120	190,704	150,184						
Seven years later	196,527	209,720	187,476							
Eight years later	193,737	207,687								
Nine years later	194,787									
Current estimate of ultimate claims	194,787	207,687	187,476	150,184	163,517	122,638	159,480	173,577	180,080	190,425
Cumulative payments to date	182,365	205,322	166,178	114,987	136,312	94,662	95,038	121,645	89,277	64,397
Liability recognised in the consolidated statement of financial position	12,422	2,365	21,298	35,197	27,205	27,976	64,442	51,932	90,803	126,028
Total liability relating to the last ten policy years										459,668
Other claims liabilities										174,170
Total reserve included in the consolidated statement of financial position										**633,838**

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CLAIM DEVELOPMENT TABLES (CONTINUED)

Insurance claims – gross (Class 3 P&I)
Estimate of ultimate claims cost attributable to the policy year

	2011/12 USD(000)	2012/13 USD(000)	2013/14 USD(000)	2014/15 USD(000)	2015/16 USD(000)	2016/17 USD(000)	2017/18 USD(000)	2018/19 USD(000)	2019/20 USD(000)	2020/21 USD(000)
End of reporting year	287,964	408,322	352,130	263,676	519,176	185,309	225,542	266,341	263,805	352,578
One year later	299,259	398,351	350,194	267,646	573,915	157,798	192,934	376,333	253,890	
Two years later	277,544	369,292	323,588	246,568	627,913	150,906	194,360	366,533		
Three years later	258,236	353,649	288,561	253,492	612,191	137,333	184,542			
Four years later	239,007	337,792	268,197	243,420	572,331	126,300				
Five years later	236,774	326,355	260,352	240,998	555,068					
Six years later	233,832	325,457	256,127	235,202						
Seven years later	232,344	311,744	253,993							
Eight years later	229,349	309,205								
Nine years later	230,162									
Current estimate of ultimate claims	230,162	309,205	253,993	235,202	555,068	126,300	184,542	366,533	253,890	352,578
Cumulative payments to date	217,695	306,015	221,002	152,897	430,424	96,173	118,609	148,192	94,838	105,464
Liability recognised in the consolidated statement of financial position	12,467	3,190	32,991	82,305	124,644	30,127	65,933	218,341	159,052	247,114
Total liability relating to the last ten policy years										976,164
Other claims liabilities										227,429
Total reserve included in the consolidated statement of financial position										**1,203,593**

Insurance claims – net (Class 3 P&I)
Estimate of ultimate claims cost attributable to the policy year

	2011/12 USD(000)	2012/13 USD(000)	2013/14 USD(000)	2014/15 USD(000)	2015/16 USD(000)	2016/17 USD(000)	2017/18 USD(000)	2018/19 USD(000)	2019/20 USD(000)	2020/21 USD(000)
End of reporting year	232,540	237,370	250,444	206,592	225,582	175,994	163,995	167,228	170,834	182,722
One year later	229,064	235,007	246,545	187,486	216,146	146,553	160,429	166,692	172,964	
Two years later	230,107	230,854	225,012	169,001	210,248	141,383	159,053	164,805		
Three years later	214,630	231,030	214,262	162,985	198,122	126,844	152,650			
Four years later	196,649	229,005	196,362	151,774	166,722	116,544				
Five years later	193,627	217,405	191,762	148,643	157,622					
Six years later	191,027	208,205	185,062	143,743						
Seven years later	189,527	203,805	182,462							
Eight years later	186,737	201,805								
Nine years later	187,439									
Current estimate of ultimate claims	187,439	201,805	182,462	143,743	157,622	116,544	152,650	164,805	172,964	182,722
Cumulative payments to date	175,330	199,735	161,337	108,891	130,925	89,164	90,065	115,055	84,398	60,249
Liability recognised in the consolidated statement of financial position	12,109	2,070	21,125	34,852	26,697	27,380	62,585	49,750	88,566	122,473
Total liability relating to the last ten policy years										447,607
Other claims liabilities										169,237
Total reserve included in the consolidated statement of financial position										**616,844**

CLAIM DEVELOPMENT TABLES (CONTINUED)

Insurance claims – gross (Class 6 FD&D)

Estimate of ultimate claims cost attributable to the policy year

	2011/12 USD(000)	2012/13 USD(000)	2013/14 USD(000)	2014/15 USD(000)	2015/16 USD(000)	2016/17 USD(000)	2017/18 USD(000)	2018/19 USD(000)	2019/20 USD(000)	2020/21 USD(000)
End of reporting year	11,050	11,065	8,392	8,102	7,993	7,279	6,587	7,760	8,026	7,703
One year later	9,800	8,065	7,192	8,102	7,202	5,504	5,837	8,759	7,116	
Two years later	9,050	7,315	6,192	7,652	6,402	6,304	5,687	8,772		
Three years later	8,300	6,815	5,842	7,101	6,102	6,154	6,830			
Four years later	7,800	6,465	5,642	6,702	6,102	6,094				
Five years later	7,700	6,065	5,842	6,550	5,895					
Six years later	7,100	5,915	5,642	6,441						
Seven years later	7,000	5,915	5,014							
Eight years later	7,000	5,882								
Nine years later	7,348									
Current estimate of ultimate claims	7,348	5,882	5,014	6,441	5,895	6,094	6,830	8,772	7,116	7,7036
Cumulative payments to date	7,035	5,587	4,841	6,096	5,387	5,498	4,973	6,590	4,879	4,148
Liability recognised in the consolidated statement of financial position	313	295	173	345	508	596	1,857	2,182	2,237	3,555
Total liability relating to the last ten policy years										12,061
Other claims liabilities										5,203
Total reserve included in the consolidated statement of financial position										**17,264**

Insurance claims – net (Class 6 FD&D)

Estimate of ultimate claims cost attributable to the policy year

	2011/12 USD(000)	2012/13 USD(000)	2013/14 USD(000)	2014/15 USD(000)	2015/16 USD(000)	2016/17 USD(000)	2017/18 USD(000)	2018/19 USD(000)	2019/20 USD(000)	2020/21 USD(000)
End of reporting year	11,050	11,065	8,392	8,102	7,993	7,279	6,587	7,760	8,026	7,703
One year later	9,800	8,065	7,192	8,102	7,202	5,504	5,837	8,759	7,116	
Two years later	9,050	7,315	6,192	7,652	6,402	6,304	5,687	8,772		
Three years later	8,300	6,815	5,842	7,102	6,102	6,154	6,830			
Four years later	7,800	6,465	5,642	6,702	6,102	6,094				
Five years later	7,700	6,065	5,842	6,550	5,895					
Six years later	7,100	5,915	5,642	6,441						
Seven years later	7,000	5,915	5,014							
Eight years later	7,000	5,882								
Nine years later	7,348									
Current estimate of ultimate claims	7,348	5,882	5,014	6,441	5,895	6,094	6,830	8,772	7,116	7,703
Cumulative payments to date	7,035	5,587	4,841	6,096	5,387	5,498	4,973	6,590	4,879	4,148
Liability recognised in the consolidated statement of financial position	313	295	173	345	508	596	1,857	2,182	2,237	3,555
Total liability relating to the last ten policy years										12,061
Other claims liabilities										4,933
Total reserve included in the consolidated statement of financial position										**16,994**

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8 MOVEMENT IN PRIOR YEARS' CLAIMS PROVISIONS

Included within net claims incurred in the technical account are the following amounts in respect of adjustments to claims provisions for years ending prior to 20 February 2020.

	2021 USD(000)	2020 USD(000)
Net provision at beginning of the year	**674,400**	714,454
Net payments in the year in respect of these provisions	**(93,785)**	(98,121)
Net provision at the end of the year in respect of claims provided for at the end of the previous year	**(508,083)**	(549,139)
Improvement in respect of prior years	**72,532**	67,194

9 NET OPERATING EXPENSES

	2021 USD(000)	2020 USD(000)
Directors' fees	**870**	836
Auditors' remuneration	**472**	298
Depreciation	**693**	–
Other expenses	**12,416**	12,127
Administrative expenses	**14,451**	13,261
Acquisition expenses	**18,069**	18,630
Net operating expenses	**32,520**	31,891

The highest paid director received USD112,100 (2020 – USD96,600). The Group employs no staff, management services being provided by Tindall Riley (Britannia) Limited.

In accordance with the International Group Agreement 2020, the Group is required to disclose the average expense ratio for its P&I business for the past five years. The ratio measures all costs of the Group (except those directly related to the management of claims) as a function of call, premium and investment income for a five-year period. The Group's average ratio for the five years to 20 February 2021 was 11.66% (2020 – 11.46%). The ratio has been calculated in accordance with the schedule and guidelines issued by the International Group.

10 NET INVESTMENT INCOME

	2021 USD(000)	2020 USD(000)
Income from equity investments	**3,255**	3,968
Income from fixed income investments	**4,854**	4,967
Bank and other interest	**6,571**	3,528
Realised investment gain	**26,812**	7,569
Exchange gain/(loss) on cash balances	**5,064**	(1,415)
Investment income	**46,556**	18,617

11 LONGER-TERM INVESTMENT RETURN

Investment income is allocated to the technical account – general business on the basis of longer-term rates of investment return. The longer-term rates are based on historical real rates of return and current inflation expectations adjusted for consensus economic and investment forecasts. The return is calculated by applying the rates to the investible assets held during the period for each major market on a monthly basis. The following rates have been used:

	Bonds		Equities	
	2021	2020	2021	2020
US	**3.1%**	2.7%	**6.5%**	5.9%
UK	**1.6%**	3.0%	**7.0%**	7.1%
Europe			**7.0%**	7.0%
Pacific Basin			**7.0%**	7.0%
Japan	**0.3%**	0.5%	**7.0%**	7.0%

Comparison of actual return achieved with the return allocated to the technical account using longer-term rates	10 years to 2021 USD(000)	10 years to 2020 USD(000)
Actual return achieved	**303,646**	304,286
Longer-term return credited to the technical account	**283,887**	276,700
Excess of actual returns over longer-term returns	**19,759**	27,586

12 TAXATION

	2021 USD(000)	2020 USD(000)
Analysis of charge for period		
UK Corporation tax charge	**791**	654
Underprovision in previous year	**9**	23
Unrelieved foreign withholding taxes	**714**	989
Taxation	**1,514**	1,666

By virtue of its mutual status, the Group is not liable to tax on its underwriting operations. The investment income of the Group's subsidiary Universal Shipowners Marine Insurance Association Limited and its cell in Hydra Insurance Company Limited are not subject to tax in Bermuda but do suffer irrecoverable withholding tax on income from investments in certain jurisdictions.

Factors affecting the tax charge for period

The tax charge for the period is lower (2020 – lower) than that produced by applying the standard rate of Corporation tax in the UK of 19% to the surplus for the year to 20 February 2021 (2020 – 19%). The differences are explained below:

Net surplus before tax	**38,481**	58,093
Net surplus on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2020 – 19%)	**7,312**	11,100
Effects of:		
Non-taxable mutual insurance underwriting operations	**3,893**	721
Non-taxable investment income	**(10,414)**	(11,167)
Underprovision in previous years	**9**	23
Unrelieved foreign withholding taxes	**714**	989
Current tax charge	**1,514**	1,666

13 FINANCIAL INVESTMENTS

Investments comprise fixed interest investments (UK and US government securities), equities and other investments, and deposits with credit institutions. They are carried through to the income and expenditure account using the fair value methodology.

	2021 USD(000)	2020 USD(000)
Market value		
Quoted shares and variable yield securities	**284,342**	284,098
Debt securities and other fixed income securities	**401,359**	391,768
Deposits with credit institutions	**132,855**	170,984
Derivatives at fair value through income	**67**	55
Unsettled investment transactions	**192**	224
	818,815	847,129
Cost		
Quoted shares and variable yield securities	**184,758**	197,776
Debt securities and other fixed income securities	**380,737**	372,463
Deposits with credit institutions	**132,855**	170,984
Derivatives at fair value through income	**–**	–
Unsettled investment transactions	**192**	224
	698,542	741,447
Included in investments at market value were:		
Listed on the UK stock exchange	**7,003**	8,283
Listed on other investment exchanges	**678,890**	667,807
	685,893	676,090

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14 TANGIBLE ASSETS

	2021 USD(000)	2020 USD(000)
Cost		
Opening balance	**–**	–
Capitalisation of software	**6,927**	–
Closing balance	**6,927**	–
Accumulated depreciation		
Opening balance	**–**	–
Depreciation for the year	**(693)**	–
Closing balance	**(693)**	–
Net book value	**6,234**	–

Tangible assets comprise capitalised software development costs depreciated on a straight-line basis over the estimated useful economic life of ten years.

15 INVESTMENT IN GROUP UNDERTAKINGS

	Country of incorporation	Share held	Class of shares	Principal activity	2021 USD(000)	2020 USD(000)
Direct related undertakings						
The Britannia Steam Ship Insurance Association Limited (Britannia)	United Kingdom	100%	N/A	Underwriting	**–**	–
The Britannia Steam Ship Insurance Association Europe (Britannia Europe)	Luxembourg	100%	*N/A	Underwriting	**20,500**	20,500
Indirect related undertakings						
Universal Shipowners Marine Insurance Association Limited (USMIA)	Bermuda	100%	Ordinary	Reinsurance	**120**	120
Hydra Insurance Company Limited – Britannia Cell	Bermuda	100%	Preferred	Reinsurance	**19,227**	10
Hydra Insurance Company Limited – General Cell	Bermuda	7.69%	Ordinary	Reinsurance	**20**	20
Shares in subsidiary companies					**19,367**	150

Full registered addresses are detailed on the back cover.

*Britannia Holdings' investment in Britannia Europe represents USD20.5m dollars of contributed surplus.

Hydra Insurance Company Limited (Hydra) is a Bermudian segregated cell-captive established by the Members of the International Group of P&I Clubs, to reinsure part of the risks which are shared under the Pooling Agreement. Under the terms of Hydra's byelaws and the governing instrument, assets are segregated in separate cells in such a way that they can only be used to satisfy the liabilities of the 'owning' club. Accordingly, the Group consolidates its Hydra cell in these financial statements.

Britannia extracted USD6.5m of contributed surplus and during the year a dividend of USD12.8m (2020 – USD4.2m) was declared and paid to Britannia by the Britannia cell of Hydra. As at 20 February 2021, Britannia transferred its investment in Hydra, comprising 20,000 ordinary shares at par in the company and preferred shares in the Britannia cell of Hydra amounting to USD10,000, to Britannia Europe for USD30,000 as part of the Part VII transfer. Britannia Europe contributed USD19.2m to ensure that the regulatory capital requirements of the Britannia Hydra cell were met.

The following table summarises the financial statements of Britannia's Hydra cell for the year ended 20 February 2021	2021 USD(000)	2020 USD(000)
Net premiums	**23,052**	22,172
Net claims	**(36,143)**	(17,248)
Investment income (net of management expenses)	**2,063**	2,752
Other expenses	**(37)**	(52)
(Deficit)/surplus for the year	**(11,065)**	7,624
Government securities and deposits with credit institutions	**94,572**	83,773
Reinsurers' share of technical provisions	**927**	821
Other liabilities	**(2,561)**	(7,094)
Technical provisions	**(78,087)**	(58,048)
Shareholders' equity	**14,851**	19,452

16 RISK MANAGEMENT

The Group is governed by the Board which drives decision making from Board level to operational decision making by the Managers. The Board considers the type and scale of risk that the Group is willing to accept in the ordinary course of its activities and this is used to develop seven Risk Appetite Statements (RAS) that are used when setting strategy or making material decisions. This is further expanded on in the Corporate Governance section on page 20, under the Regulation and Risk Management section.

The framework of governance through which risk is managed and decisions are taken is as follows:
1) **The Board** meets five times a year and comprises a non-executive chairman, up to 10 non-executive directors drawn from the Group's shipowner Members, one non-executive director who is an expert in insurance matters and two executive directors from the Group's Managers. Its responsibilities include undertaking reviews of the following matters: the Group's overall strategy, policy year results (including reserving) and proposed calls, reinsurance, investments, risk management, compliance matters, and capital adequacy as evidenced by the Own Risk Solvency Assessment (ORSA). The Board also oversees implementation of the Group's investment strategy.
2) **The Risk & Audit Groups** comprise four or more non-executive directors of the Group. Their responsibilities include the financial statements and the regulatory returns to the relevant regulatory authorities, the risk management framework, internal and external audit, and the robustness of internal financial systems and controls, including the making of recommendations thereon to the Board. The Risk & Audit Groups meet four times a year.
3) **The Remuneration Group** comprises up to five non-executive directors of the Group. Its responsibilities include an annual review of the fee paid to the Managers and periodic reviews of directors' remuneration. The group meets twice a year.
4) **The Nomination Subcommittee** comprises up to four non-executive directors of the Group and the two Manager directors. Its principal responsibilities are to make recommendations to the Board on the appointment of new directors, the re-election of existing directors and the appointment of the chairman of the Board, and to review the skills, training requirements and performance of directors and Senior Management Function holders. The subcommittee meets as required during the year.
5) **The Investment Group** comprises up to four non-executive directors and the two Manager directors. It is responsible for monitoring the long-term performance and value-at-risk of the investments against the objectives set out in the investment strategy and for carrying out periodic reviews of the investment strategy. The group meets four times a year.

The Group is focused on the identification and management of potential risks. This covers all aspects of risk management including that to which the Group is exposed through its core activity as a provider of insurance services, and the broader range of risks. The key areas of risk faced by the Group are as follows:

1) **Underwriting risk** – being premium and reserving risk.
2) **Market risk** – being equity risk, interest rate risk, spread risk and currency risk.
3) **Counterparty default risk** – being the risk that a counterparty is unable to pay amounts in full when due.
4) **Liquidity risk** – being the risk that cash may not be available to pay obligations as they fall due.
5) **Operational risk** – being the risk of failure of internal processes or controls.
6) **Strategic risk** – being the risk that strategy is poorly set, executed or is unresponsive to external developments.
7) **Group risk** – being the governance, capital, reputational or regulatory issues that can arise from having a Group structure.

In order to manage these risks, the Group has continued to develop and review the internal and external governance frameworks through the ORSA process.

The Board and Managers have established risk management procedures within the business through a compliance manual, an internal quality management system and a risk management framework which considers and logs potential risks and how they are to be managed. The Board monitors the development and operation of risk management policies and controls to mitigate risk through a governance structure which includes an internal audit function (which reports to the Risk & Audit Groups) and the Board of the Managers.

The Group manages the risks relating to the operations of the Group through the quarterly risk register update, which uses metrics to monitor risk outcomes and the effect of controls, and receives attestation on less significant controls from risk owners. These risks are compared to the results of capital modelling, risk scenarios, self-reported risk incidents and internal audit findings to ensure that a rounded view of the Group's risk profile is achieved.

16.1 Underwriting risk

The Group's exposure to insurance risk is initiated by the underwriting process which selects Members and sets call levels based on estimated future claims on the Group from the membership. This risk is managed through the underwriting process, the purchase of reinsurance cover, including the International Group Pooling Agreement, the management of claims costs and the reserving process. The Group's underwriting risk is limited to two classes of business, P&I and FD&D, which are both written on a worldwide basis.

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16 RISK MANAGEMENT (CONTINUED)

16.1 Underwriting risk (continued)

Underwriting process

The Group provides Members with cover for P&I and FD&D risks. The Group sets a target level for calls at a confidence level which should ensure that the call and investment income are sufficient to meet net claims incurred for the policy year. The development of claims is monitored monthly by the Managers and on a quarterly basis by the Boards of the Managers and the Group.

Underwriting authority is delegated to specific individuals who apply their expertise and set underwriting methodologies under the ongoing guidance and review of senior management. If required, a pre-entry inspection of new ships is carried out. In addition, all new Members are usually subject to a risk management audit of their shore-based operations before acceptance.

Reinsurance and International Group Pooling Agreement

The Group's reinsurance programme is driven by the Board's objective to manage risk to an acceptable level and to optimise the Group's capital position. The programme comprises excess of loss reinsurance cover purchased jointly with other members of the International Group, facultative reinsurance to cover specific risks, cover against a single catastrophic event and an accumulation of smaller attritional claims.

The International Group Pooling Agreement provides a sharing of claims costs above an agreed retention between 13 member associations.

The Group's chartered business is reinsured outside the International Group Pooling arrangements. The programme is predominantly placed with Lloyd's underwriters and the liabilities from these risks are reinsured from the ground up with the Group retaining a certain element of the risk.

Management of claims cost

The Group's strategy is to help its Members to prevent and avoid the occurrence of incidents while ensuring the efficient handling and management of claims when they occur. To facilitate this strategy, the Group has established programmes to ensure a high quality of claims management and to reduce claims risk. This includes an extensive loss prevention programme comprising technical seminars for crew and designated persons ashore (DPAs), information for Members on common claims and how they may be prevented, completion of ship inspections and the production of guides for safe carriage of goods and the avoidance of incidents.

Reserving process

The Group establishes provisions for unpaid claims, both reported and unreported, and related expenses, to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions and the key methods used by the Group in estimating liabilities are the chain ladder and stochastic bootstrap modelling methods. In order to minimise the risk of understating these provisions, the assumptions made and actuarial techniques employed are reviewed in detail by senior management and reserves are set to give a high level of confidence that they will prove adequate. The results are reviewed by the Risk & Audit Groups.

The Group considers that the liability for insurance claims recognised in the consolidated statement of financial position is prudent. However, actual experience will differ from the expected outcome.

Sensitivity

The Group carries out sensitivity testing on its claims reserves. The results of sensitivity testing are set out below, showing the impact on the surplus/deficit before tax, gross and net of reinsurance. For each sensitivity test, the impact of a change in a single factor is shown, with other assumptions unchanged. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

Increase in loss ratio by 5%	2021 USD(000)	2020 USD(000)
Gross	**10,004**	10,059
Net	**6,514**	6,989

A 5% decrease in loss ratios would have an equal and opposite effect.

16 RISK MANAGEMENT (CONTINUED)

16.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and price changes. Market risk arises as a result of fluctuations in both the value of assets held and the value of liabilities.

The investment strategy, which is reviewed periodically, is set by the Board with the assistance of external investment consultants. The strategy reflects the risk appetite of the Group and is designed to maximise return while holding risk to a level deemed acceptable. The policy allows the investment managers to invest a proportion of the portfolio (the growth portfolio) in assets which carry a greater risk but potentially higher return, such as equities, with the balance in lower risk investments that match liabilities and provide a cash buffer (the matching portfolio).

Foreign currency risk management

The Group is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US dollars. The most significant currencies to which the Group is exposed are sterling, euro and yen. In order to manage this risk, the Group holds a proportion of its investments in each currency at a level to match expected future claim payments in those currencies. The value of the assets held in foreign currency generally exceeds the value of the matched liabilities and therefore there is a low risk that unmatched liabilities will lead to currency losses. The split of assets and liabilities for each of the Association's main currencies, converted to US dollar, is set out in the tables below:

At 20 February 2021

Amounts in USD(000)	USD	GBP	EUR	Other	Total
Total assets	832,386	143,994	46,031	673,239	1,695,650
Total liabilities	435,326	155,380	2,428	653,461	1,246,595
Net assets	**397,060**	**(11,386)**	**43,603**	**19,778**	**449,055**

The table below shows the effects of a 0.5% increase or decrease in exchange rates:	GBP	EUR	Other USD(000)	Total USD(000)
0.5% increase in exchange rates	569	(2,180)	(989)	2,600
0.5% decrease in exchange rates	(569)	2,180	989	(2,600)

Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates. Interest rate risk arises primarily from the nature and term of investments held and is managed through the buying and selling of appropriate fixed interest securities of different durations.

The Group uses a number of sensitivity management tools to understand the volatility of surpluses/deficits. The table below shows the effects of a 0.5% increase or decrease in interest on earnings from debt securities:

	2021 USD(000)	2020 USD(000)
0.5% increase in interest rates	**2,569**	2,718
0.5% decrease in interest rates	**(2,569)**	(2,718)

Equity price sensitivity analysis

The Group is exposed to price risk through its holding of equities. This exposure is limited to a maximum proportion of the overall portfolio. At the year end the holding in equity instruments amounted to 20% (2020 – 20%) of the investment portfolio. The Group also holds an investment in a diversified growth fund amounting to 15% (2020 – 13%) of the portfolio.

Where available, the Group uses closing bid market values to determine the fair value of an investment holding. The carrying value of non-quoted equity holdings at the year end amounted to USD20.5m (2020 – USD20.5m).

The table below shows the anticipated change in equity investment market values from a 5% increase or decrease in underlying prices:

	2021 USD(000)	2020 USD(000)
5% increase in equity price	**9,049**	9,037
5% decrease in equity price	**(9,049)**	(9,037)

The table above demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. It should be noted that these sensitivities are non-linear, and larger or smaller impacts should not be extrapolated or interpolated from these results. Management actions could include selling investments, changing investment portfolio allocation and taking other protective action. In addition, the financial position of the Group may vary at the time that any market movement occurs.

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16 RISK MANAGEMENT (CONTINUED)

16.3. Counterparty default risk

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The key areas where the Group is exposed to credit risk are:

- **Amounts recoverable from reinsurance contracts, including other P&I Clubs**
- **Amounts due from Members**
- **Counterparty risk with respect to cash and investments**

Amounts recoverable on reinsurance contracts

The Group is exposed to credit risk from a counterparty failing to comply with its obligations under a contract of reinsurance. In order to manage this risk, the Managers consider the financial position of significant counterparties on a regular basis and monitor aggregate exposure to each reinsurer. The Group has set selection criteria whereby each reinsurer is required to hold a credit rating of at least 'A-' at the time the contract is made. The majority of reinsurance is placed with Lloyd's underwriters (A+ rated) with the benefit of the Central Guarantee Fund. Non-Lloyd's reinsurance is monitored and reported on annually to the Board of TRB.

Amounts due from Members

Amounts due from Members represent premiums owing to the Group in respect of insurance business written. The Group manages the risk of Member default through a screening process to maintain the quality of new entrants to the Group and the ability to cancel cover and payment of outstanding claims to Members that fail to settle amounts payable. The Group's policy is that Members should have paid all outstanding calls prior to being issued with Blue Cards in advance of the coming policy year. In addition, the directors reserve the right to offset outstanding debts against claim payments unless there is a contractual arrangement that prevents such offsetting. Amounts written off as bad debt have been minimal over recent years.

Counterparty risk with respect to cash and investments

The investment policy manages the risk of default through ensuring a diversification of the portfolio by asset, currency, geography, market and counterparty.

The following tables provide information regarding aggregate credit risk exposure for financial assets with external credit ratings.

	2021 USD(000)	2020 USD(000)
Debt securities	**401,359**	391,768
Derivatives at fair value through income	**67**	55
Reinsurers' share of technical provisions	**587,019**	524,343
Reinsurance debtors	**46,358**	60,632
Member and other debtors	**76,102**	74,991
Unsettled investment transactions	**192**	224
Deposits with credit institutions	**132,855**	170,984
Cash at bank and in hand	**154,645**	116,173
Total financial assets bearing credit risk	**1,398,597**	1,339,170

An analysis of this exposure by credit rating is shown below		
AAA	**128,815**	5,706
AA	**229,180**	347,767
A	**541,794**	466,351
BBB+ and below	**50,667**	82,640
No rating	**448,141**	436,706
Total financial assets bearing credit risk	**1,398,597**	1,339,170

The unrated exposure relates principally to amounts due from Members in respect of deferred calls not yet debited, amounts recoverable from Boudicca Insurance Company Limited and the three Absolute Return Bond Funds that are invested with M&G Investments, Newton and Schroders.

16 RISK MANAGEMENT (CONTINUED)

16.3. Counterparty default risk (continued)

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due. The Group has adopted an investment policy which requires the maintenance of significant holdings in cash funds and short-term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand. Short-term cash needs are monitored to ensure the most efficient investment of cash balances.

The following table provides a maturity analysis of the Group's financial assets representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost:

At 20 February 2021	Short-term assets USD(000)	Within 1 year USD(000)	1-2 years USD(000)	2-5 years USD(000)	Over 5 years USD(000)	Total USD(000)
Quoted shares and variable yield securities	**284,342**	**–**	**–**	**–**	**–**	**284,342**
Debt securities and other fixed income securities	**6,753**	**3,671**	**75,640**	**133,028**	**182,267**	**401,359**
Deposits with credit institutions	**132,855**	**–**	**–**	**–**	**–**	**132,855**
Derivatives at fair value through income	**67**	**–**	**–**	**–**	**–**	**67**
Unsettled investment transactions	**192**	**–**	**–**	**–**	**–**	**192**
Tangible assets	**6,234**	**–**	**–**	**–**	**–**	**6,234**
Reinsurers' share of outstanding claims	**–**	**170,227**	**135,126**	**183,658**	**98,008**	**587,019**
Direct insurance operations – Members	**4,854**	**21,216**	**49,083**	**–**	**–**	**75,153**
Reinsurance operations	**46,358**	**–**	**–**	**–**	**–**	**46,358**
Taxation	**949**	**–**	**–**	**–**	**–**	**949**
Cash at bank	**154,645**	**–**	**–**	**–**	**–**	**154,645**
Accrued interest	**577**	**–**	**–**	**–**	**–**	**577**
Other prepayments and accrued income	**5,900**	**–**	**–**	**–**	**–**	**5,900**
Total assets	**643,726**	**195,114**	**259,849**	**316,686**	**280,275**	**1,695,650**
At 20 February 2020						
Quoted shares and variable yield securities	284,098	–	–	–	–	284,098
Debt securities and other fixed income securities	–	–	–	153,739	238,029	391,768
Deposits with credit institutions	170,984	–	–	–	–	170,984
Derivatives at fair value through income	55	–	–	–	–	55
Unsettled investment transactions	224	–	–	–	–	224
Reinsurers' share of outstanding claims	–	152,051	120,699	164,049	87,544	524,343
Direct insurance operations – Members	11,051	45,440	18,353	–	–	74,844
Reinsurance operations	60,632	–	–	–	–	60,632
Taxation	148	–	–	–	–	148
Cash at bank	116,173	–	–	–	–	116,173
Accrued interest	804	–	–	–	–	804
Other prepayments and accrued income	10,589	–	–	–	–	10,589
Total assets	**654,758**	**197,491**	**139,052**	**317,788**	**325,573**	**1,634,662**

The following is an analysis of the estimated timings of net cash flows by financial liability. The timings of cash flows are based on current estimates and historic trends. The actual timings of cash flows may be materially different from those disclosed below:

At 20 February 2021	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Gross outstanding claims	**354,030**	**281,030**	**381,965**	**203,832**	**1,220,857**
Direct insurance operations – Members	**17,342**	**–**	**–**	**–**	**17,342**
Reinsurance operations	**6,987**	**–**	**–**	**–**	**6,987**
Taxation	**796**	**–**	**–**	**–**	**796**
Other creditors	**613**	**–**	**–**	**–**	**613**
Total liabilities	**379,768**	**281,030**	**381,965**	**203,832**	**1,246,595**
At 20 February 2020					
Gross outstanding claims	347,617	275,939	375,046	200,141	1,198,743
Direct insurance operations – Members	9,095	–	–	–	9,095
Reinsurance operations	4,343	–	–	–	4,343
Taxation	43	–	–	–	43
Other creditors	350	–	–	–	350
Total liabilities	**361,448**	**275,939**	**375,046**	**200,141**	**1,212,574**

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16 RISK MANAGEMENT (CONTINUED)

16.4 Operational risk
Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks, the Group documents all key processes and controls in a procedures manual. This manual is embedded within the organisation, updated on a continual basis by senior staff and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function, which is directed and reviewed by TRB and the Risk & Audit Groups. A staff handbook contains all the key policies that have been documented.

16.5 Limitation of the sensitivity analyses
The sensitivity analyses in sections 16.1, 16.2 and 16.3 above show the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effect noted above.

16.6 Capital risk management
The Group maintains a resilient capital structure, consistent with the Group's risk appetite. The Group's objective is to maintain sufficient capital to ensure it is able to continue as a going concern, meet regulatory requirements and maintain an 'A' rating with Standard & Poor's, with a substantial margin in each case.

The Solvency II regime has been in effect since 1 January 2016. The Group is subject to these regulations. The Group is required to meet the Solvency Capital Requirement (SCR) which is calibrated to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time horizon. The Group calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations, as the assumptions underlying the standard formula are considered to be a good fit for the Group 's risk profile.

The Board's policy is to develop and maintain a strong and flexible capital base in order to meet and exceed the capital requirements of the relevant regulators. The SCR is monitored and updated annually, although if anything significant (such as large investment or claims movements) occurs in the year, it is updated immediately. Other capital measures used by the Board include an Economic Capital Benchmark (ECB), which is also monitored against actual capital resources.

In order to monitor capital requirements, the Board reviews the capital position on a quarterly basis and the Managers review performance monthly. This is further expanded on in the Strategic report under the Economic and regulatory capital section of the Corporate Governance report on page 24.

The Group's lead regulators are the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). There has been no material change in the Group's Solvency II requirements. The Group has a simple capital structure, with statement of financial position capital and reserves being recognised as capital under management. The capital requirements of the Group have been disclosed in the Solvency and Financial Condition report (SFCR) and have been met throughout the period being reported on. The audited Group solvency margin at 20 February 2020 was 201.4% and the unaudited Group solvency margin at 20 February 2021 is projected to be approximately 193%.

16.7 Fair value hierarchy
Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Group applies valuation techniques to measure such instruments. These techniques make maximum use of market-observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and outputs are assessed independently of the risk taker. These inputs and outputs are reviewed and approved by the Managers. The Group has minimal exposure to financial assets or liabilities which are valued at other than quoted prices in an active market.

The classification criteria and their application to the Group can be summarised as follows:
– The unadjusted quoted price in an active market for identical assets or liabilities that the Group can access at the measurement date (Level 1)
– Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly (Level 2)
– Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability (Level 3)

Group	2021 USD(000)	2020 USD(000)
Level 1	**417,198**	455,082
Level 2	**401,617**	392,047
Level 3	**–**	–
	818,815	847,129

17 TONNAGE INFORMATION

The Group provides Members with cover for P&I and FD&D risks. Members are only allowed to take up FD&D cover if they have taken up P&I cover and therefore there are no Members in the Group solely with FD&D cover. As this cover applies to ships at sea, it is not feasible to measure geographical concentration of insurance liabilities for either class of cover. Consequently, the Group has identified P&I risk to be the only reportable area.

The analysis of its tonnage from P&I cover from Members by geographical area is as follows:	2021 gt (000)	2020 gt (000)
Asia	**58,539**	53,652
Middle East	**2,690**	2,607
Scandinavia	**17,156**	17,885
Australasia	**420**	420
Americas	**4,516**	4,590
Europe	**41,870**	38,342
	125,191	117,496

18 DEBTORS – DIRECT INSURANCE OPERATIONS

	2021 USD(000)	2020 USD(000)
Calls and premiums due from Members	**56,800**	11,051
Deferred call advised to Members	**18,353**	63,793
Debtors – direct insurance operations	**75,153**	74,844

The deferred call (Class 3 – P&I) represents the estimated amount (net of brokerage) charged to Members in October 2020 following the Board's decision to make a 45% deferred call in respect of the 2019/20 policy year, of which 20% would not be collected for 12 months.

The figure for the prior year is the final 20% deferred call in respect of the 2018/19 policy year which was charged to Members in October 2020 and a 45% deferred call in respect of the 2019/20 policy year, 25% of which was charged to Members in October 2020, and the remainder of which will be charged in October 2021.

19 DEBTORS – REINSURANCE OPERATIONS

	2021 USD(000)	2020 USD(000)
Amounts recoverable from the Pool	**8,916**	8,125
Other	**37,442**	52,508
Debtors – reinsurance operations – Group	**46,358**	60,632

20 RELATED PARTY TRANSACTIONS

The Board, comprising a non-executive Chairman, up to 10 representatives of the membership of the Group, two independent directors and two Manager nominees, is elected to oversee the management of the Group on behalf of the Members. The members of the Board are directors of the Group and as such are related parties. Because of the mutual nature of the Group's operations and its Members, being both insured and insurers, the Members are in effect related parties. The aggregate of transactions with Members is disclosed in these financial statements and, in the opinion of the directors, there are no individual transactions, or connected transactions, other than in the ordinary course of the Group's business with Members, directors or their companies the disclosure of which is necessary for an understanding of the financial statements.

Tindall Riley & Co Limited, which manages the Group through its subsidiary Tindall Riley (Britannia) Limited, earned management fees of USD32.7m (2020 – USD29.7m) for the year. Three directors of the Group are also directors of Tindall Riley (Britannia) Limited.

21 SUBSEQUENT EVENTS

There are no subsequent events which require adjustment in the financial statements. The financial statements were authorised for issue by the Board on 11 May 2021.

CLASS 3 – PROTECTION AND INDEMNITY POLICY YEAR STATEMENT

20 FEBRUARY 2021

	2020/21 USD(000)	2019/20 USD(000)	2018/19 USD(000)	Closed years USD(000)	Total USD(000)
Advance calls and premiums					
Year to 20 February 2021	196,285	(2,864)	425		
Year to 20 February 2020	–	140,402	1,341		
Year to 20 February 2019	–	–	141,509		
	196,285	137,538	143,275		
Deferred calls					
Year to 20 February 2021	–	433	(1,016)		
Year to 20 February 2020	–	53,345	(775)		
Year to 20 February 2019	–	–	57,039		
	196,285	191,316	198,523		
Reinsurance premiums					
Group excess of loss	(28,060)	(22,967)	(23,122)		
Other	(43,726)	(35,338)	(38,792)		
	(71,786)	(58,305)	(61,914)		
Allocated investment return	30,055	31,866	28,742		
Taxation	(624)	(1,070)	3,305		
	153,930	163,807	168,656		
Claims paid less reinsurance recoveries	60,249	84,398	115,055		
Acquisition costs	19,187	16,879	15,567		
Administrative expenses	13,961	12,818	10,574		
	93,397	114,095	141,196		
Balance available to meet outstanding claims	60,533	49,712	27,460	796,165	933,870
Estimated outstanding claims					
Own claims	194,544	127,531	188,412	502,067	1,012,554
Other Clubs' Pool claims	52,570	31,521	29,929	77,019	191,039
	247,114	159,052	218,341	579,086	1,203,593
Estimated reinsurance recoveries					
Group excess of loss	–	–	–	(126,271)	(126,271)
Pool	(66,935)	(18,939)	(123,190)	(81,287)	(290,351)
Other reinsurers	(57,707)	(51,547)	(45,401)	(15,472)	(170,127)
	(124,642)	(70,486)	(168,591)	(223,030)	(586,749)
Net estimated outstanding claims	122,472	88,566	49,750	356,056	616,844
(Deficit)/surplus	(61,939)	(38,854)	(22,290)	440,109	317,026
Capital distribution	–	–	–	(95,000)	(95,000)
Balance after distributions	**(61,939)**	**(38,854)**	**(22,290)**	**345,109**	**222,026**

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