The Britannia Group

Group Solvency and Financial Condition Report

As at 20 February 2021

Contents

Group Solvency and Financial Condition Report

1. Introduction

The Britannia Group (the Group or the Association) is the oldest Protection and Indemnity (P&I) Club in the world. Trusted by its Members since 1855, the Association has built a reputation for providing an exceptional standard of service based on its core values of Integrity, Specialisation, Excellence, and Mutuality.

This is the Group Solvency and Financial Condition Report (SFCR) of the Group as at 20 February 2021, covering the preceding twelve months.

1.1 Review of the year ended 20 February 2021

The Group produced a satisfactory set of financial 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. 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 was no general increase at the 2020/21 renewal, but rates were increased where necessary. However, the impact of churn and lower premiums on Class 6 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 incidents reported with an aggregate cost of USD69.5m. However, claims incurred on the Pool in 2020/21 were significantly higher, with the 12 month incurred figure at a record USD478.1m, compared to USD355.4m in 2019/20. In total, 22 incidents had been reported to the Pool 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 underwriting 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 falls in market value in the first quarter caused by the impact of the COVID-19 pandemic. However, there was a strong recovery over subsequent quarters such that for the full year, a positive return of USD59m net of expenses was generated, equivalent to 7.21%. Further details are set out in the investment performance section.

On 20 October 2020, in light of the Group's overall financial position and consistent with the capital management policy, the Boards agreed a capital distribution of USD10m to Members with mutual tonnage on risk at that date. This brings the total distribution since May 2017 to USD95m.

The Group began the year with capital resources of USD422.1m and the surplus generated in the 2020/21 financial year, less the USD10m capital distribution, has increased this up 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 and in March 2021, following the transfer of business from Britannia to

Britannia Europe (explained in more detail in the Corporate Governance section of the Strategic Report), S&P affirmed the rating for the reorganised Group

Investment performance

In the year ended 20 February 2021, the overall return on investments was 7.21%, which is equivalent to 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 year.

Investment strategy

The Group's investment strategy is the responsibility of the Board, assisted by its investment advisers Lane Clarke & 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 association's investment risk appetite. This is known as the 'growth portfolio'.

The portfolio had the following composition at 20 February 2021:

Asset class	**Proportion %**
Matching portfolio	
Government bonds and cash	43%
Growth portfolio	
Absolute return bond funds	22%
Equities	20%
Diversified growth fund	15%
	100%

Claims

Class 3 – Protection and Indemnity (P&I)

Retained 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 2014/15 (5,574) and 2015/16 (5,737) and even more significantly below the number of claims notified in 2011/12 (9,012) and 2012/13 (8,292). This historical 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 USD138m. This compares to USD132m and USD151m at the same stage in the 2019/20 and 2018/19 policy years respectively.

The high value incidents excess 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 previous 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, resulting in significant SCOPIC and wreck removal costs and cargo liabilities being incurred. Three other larger 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 IG clubs for the 2020/21 policy year, with an aggregate estimated gross estimate of USD677m from the ground up and a USD478m cost to the Pool. Two of these were for quarantine expenses associated with COVID-19 which involved cruise ships entered on a quota share basis. This compares to 18 Pool claim notifications in 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 were spilled and the ship broke into two sections, resulting in significant claims for clean-up, environmental damage and wreck removal.

Class 6 – Freight, Demurrage and Defence (FD&D)

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 shipping disputes, so 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 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.

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 contractual voyage. 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. Although most of these disputes were, in legal terms, fairly straightforward and rarely incurred significant costs, 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 Association. 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 of 1 January 2020 and charterparty clauses had been drafted to deal with the potential issues. Accordingly, 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 future, perhaps in relation to the effect of some bunker blends on engine performance. However, it appears that the worst fears have not materialised.

The most expensive FD&D claims experienced by the Association in 2020/21 involved a variety of issues. These include 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.

2. Directors' responsibility statement

We acknowledge our responsibility for preparing the Association's Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a. throughout the financial year in question, the Group has complied in all material respects with the applicable requirements of the PRA Rules and the Solvency II Regulations; and

b. it is reasonable to believe that the Group has continued to so comply subsequently and will continue to so comply in future.

For and on behalf of the Board of The Britannia Steam Ship Insurance Association Limited

B T Nielsen
Director

A J Cutler
Director

Date : Jul 7, 2021

3. Independent Auditors' Report

1. Report of the external independent auditor to the Directors of the Britannia Steam Ship Insurance Association Limited ('the Association') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report ('SFCR')

Opinion

Except as stated below, we have audited the following documents prepared by the Association as at 20 February 2021:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Association as at 20 February 2021, ('**the Narrative Disclosures subject to audit**'); and

- Association templates S.02.01.02, S.23.01.22, S.25.01.22, S.32.01.22 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Group Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;

- Association templates S.05.01.02, S.05.02.01;

- the written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('**the Responsibility Statement**').

To the extent the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report includes amounts that are total, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report of the Association as at 20 February 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you, where:

- the Directors' use of the going concern basis of accounting in the preparation of the SFCR is not appropriate; or

- the Directors' have not disclosed in the SFCR any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the SFCR is authorised for issue.

Emphasis of Matter – Basis of Accounting

We draw attention to the Valuation for solvency purposes and Capital Management sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in 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 there is a material misstatement in the relevant elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' for the Group Solvency and Financial Condition Report

The Directors' are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications and supplemented by the approvals and determinations by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

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

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

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Britannia Steam Ship Insurance Association Limited statutory financial statements. 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.

For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 8 July 2021

4. Business and performance

4.1 General information

Name and legal form of the group

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 company, is wholly owned by Britannia Europe, as is the Britannia Cell in Hydra Insurance Company Limited (Hydra), the International Group's Bermudian registered segregated cell reinsurance captive.

Name and contact details of the authorities responsible for financial supervision of the Group entities

Britannia is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA), firm reference number 202047. The PRA is the Group Supervisor for the purposes of Solvency II regulation.

Contact details for the PRA and the FCA can be found on their respective websites:

www.bankofengland.co.uk/pra
www.fca.org.uk

Britannia Europe is authorised by the Luxembourg Minister of Finance and regulated by the Commissariate aux Assurances (CAA).

https://www.caa.lu/

Name and contact details of the Group's external auditor

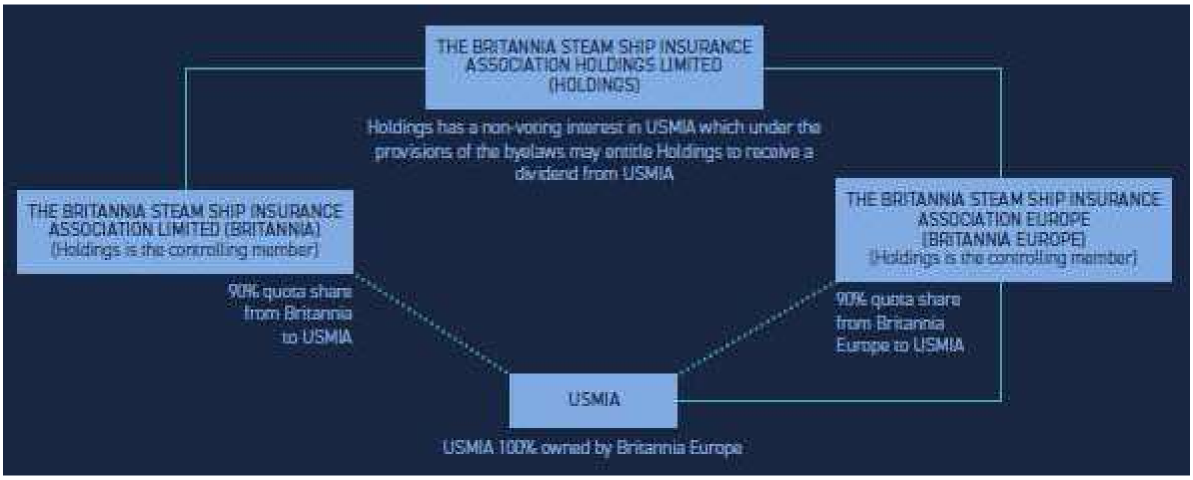
BDO LLP, 150 Aldersgate Street, London, EC1A 4AB.

Group legal structure

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.

Chart 1 below shows the group structure at 20 February 2021.

Chart 1: Corporate structure



USMIA

The Associations reinsure 90% of Class 3 (Protection & Indemnity) and Class 6 (Freight, Demurrage & Defence) business on a quota share basis to USMIA. USMIA, which is not a mutual, has an independent Board of Directors responsible for stewardship of the company, and, in particular, for monitoring the operation of the quota share reinsurance and taking investment decisions. Day-to-day management of USMIA is carried out by independent managers, Marsh Management Services (Bermuda) Limited, a specialist captive and investment management company.

Hydra

Hydra reinsures:

- The Pool's layers from USD30m to USD50m;
- 92.5% of the layer USD50m excess USD50m; and
- the annual aggregate deductible of USD100m in the first layer of the USD650m excess of USD100m layer of the IG's reinsurance contract.

The purpose of Hydra is to enable each club individually to reinsure its exposure to other clubs' Pool claims, in other words its own pooling contributions. In addition, Hydra is used strategically by the IG depending upon reinsurance market conditions and pricing.

Boudicca

Boudicca Insurance Company Limited (Boudicca), is a Bermuda registered insurance company, regulated by the Bermudian Monetary Authority.

Boudicca provides the Group with quota share and excess of loss P&I reinsurance. It is owned by a Bermudian purpose trust, the Iceni Trust. The Trustee of the Iceni Trust (currently a Bermudian Trust company) is appointed by a Committee of Protectors whose members are drawn from members of Britannia Holdings' Members' Representative Committee.

The Members of the Protector Committee (the Protectors) are responsible for ensuring that the Iceni Trust discharges its responsibilities appropriately.

The Group has historically held free reserves over and above the statutory minimum margin of solvency required by EU insurance companies. These reserves have been maintained to provide protection against the possibility of unexpected or exceptional claims not covered by technical (claims) provisions. Their Group has therefore avoided exceeding its Estimated Total Call (ETC) for almost 50 years.

Since 20 February 1997, equivalent protection has been provided partly by means of a reinsurance policy with Boudicca. In summary, the policy provides cover for the following:

- Charges which would previously have fallen on the General Reserve i.e. amounts necessary:
  - (i) to meet the Group's regulatory capital requirement (SCR and MCR);
  - (ii) to keep open and closed policy years in balance,
  - (iii) to meet losses from an overspill claim;
- Any excess (above an agreed excess point) of claims in any policy year;
- The Group's share of Pool claims not met by the IG excess of loss or Hydra contracts due to the failure of any of the reinsurers;
- A percentage quota share of each policy year's claims (currently 4%);
- Excess of loss cover for larger claims (excess of USD3 million in 2020/21) within the Group's retention.

The Directors of Boudicca are all Bermudian residents. The company is managed on a day-to-day basis by an independent management company, Symphony Management Limited.

Boudicca's assets are separately held by an independent custodian and are subject to a security interest agreement which ensures that they cannot be dissipated to the detriment of the reinsurance contract with the Group.

Boudicca is wholly-owned by the Iceni Trust and is independent of the Group. Therefore, its financial statements are not consolidated with those of the Group. However, the basis of the reinsurance contract and the funds held by Boudicca are disclosed in the Group's annual financial statements.

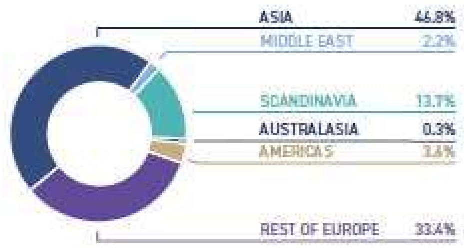
As at 20 February 2021, assets of Boudicca totalling USD177.8m (20 February 2020 – USD172.3m) were available to support the Group should they be required. These funds do not form part of the Group's Solvency II own funds, but nevertheless, under the terms of the reinsurance contract, they are available should the Group's actual own funds fall below the level of the SCR or MCR.

4.2 Underwriting performance

The Group write two lines of business: Protection and Indemnity (P&I) risks (known as Class 3) and Freight Demurrage and Defence (FD&D) risks (known as Class 6), although for the purposes of capital reporting, both are combined into the Marine Aviation and Transport category.

Underwriting is carried out from the Group's office in London and its licensed branches. The Group's membership is worldwide, as illustrated by Chart 2.

Chart 2: Entered tonnage by area of management



In the year ended 20 February 2021, the Group produced technical account surplus of USD10.7m, including investment returns based on the longer-term rate of USD31.2m.

The following table shows a summary of the technical (underwriting) account for the year ended 20 February 2021 (UK GAAP basis) and prior year.

Sources of income and expenditure	USD'000 2020/21	USD'000 2019/20
Calls and premiums	200,086	201,185
Reinsurance premiums	(69,798)	(61,402)
Investment income (LTRR basis*)	31,221	33,079
Net claims incurred	(118,257)	(111,667)
Net operating expenses	(32,520)	(31,891)
Balance of the technical account	**10,732**	**29,304**

*Longer-term rate of return

The underwriting result was generated principally by the P&I class, USD12.1m (2020 – USD30.8m), while the FD&D class generated a loss of USD1.4m (2020 – loss USD1.5m).

The Group currently purchases market reinsurances for both P&I and FD&D classes, which mitigate the impact of individual large losses and losses in the aggregate on the Association. The external reinsurances in place on the two classes of business (excluding those relating to USMIA, Boudicca and Hydra) are as follows:

P&I Class 3 reinsurance

Charterers' and non-Poolable reinsurance

The Group purchases a combined charterers' and non-Poolable reinsurance programme with retentions for P&I risks of USD2m and USD250,000 for both charterers' damage to hull risks and non-Poolable additional insurances. The Group is able to provide limits of up to USD750m for charterers' and non-Poolable risks.

Stop loss protection

Commencing in 2017/18 policy year, the Group arranged a three year stop loss contract to protect the Group's retention (owned, chartered and non-Poolable). For the 2020/21 policy year, the protection provided an annual aggregate limit of USD20m excess an annual aggregate deductible of USD166m which is adjusted for tonnage growth.

Maritime Labour Convention (MLC) protection

For the 2020/21 policy year, the IG has arranged collective reinsurance to provide a limit of USD200m excess of USD10m in respect of MLC risks, specifically for each wage of abandoned crew. The Group has placed additional reinsurance to protect its retention for a limit of USD8m excess USD2m per fleet (with two paid reinstatements), however, this additional reinsurance protection was not renewed for the 2021/22 policy year.

International Group reinsurance

The Group is a signatory to the International Group Pooling Agreement, which pools individual claims excess USD10m with the 12 other signatories of the Pooling Agreement. This arrangement currently provides cover for owned P&I risks excess USD10m up to a limit of USD100m with Hydra reinsuring USD70m xs USD30m as described in section 4.1.4 above. Once this limit is exceeded, market reinsurance is purchased in four layers with a limit per claim of USD2.1bn excess USD100m. The first USD650m, i.e., USD650m excess USD100m, is written by reinsurers. The International Group (IG) retains an annual aggregate deductible (AAD) of USD100m before the market reinsurance responds. This AAD is reinsured by Hydra.

Under the terms of the Pooling Agreement, the Members of each Club are liable for its share of a non-oil pollution claim that exceeds the limit of the Pool's excess reinsurance contract which in the current year covers claims up to USD2.1 billion each accident or occurrence (an 'Overspill Claim'). The IG purchases reinsurance to protect clubs and their Members from overspill claims up to USD1 billion excess the Pool's reinsurance limit. Above this limit and up to the maximum possible overspill claim of just under USD8 billion, any potential claim falls back on the Pool.

FD&D Class 6

The Group has purchased excess of loss reinsurance to protect Class 6 against the financial impact of an individual event. The insurance currently provides a limit of USD5m excess USD2.0m with unlimited free reinstatements.

4.3 Investment Performance

The Group's investment strategy complies with the requirements of the 'prudent person principle'.

The aim of the strategy is to match technical provisions in terms of currency and duration with low risk government bonds, and to invest funds in excess of technical provisions in assets that will produce a return for the Group without taking undue risk.

At 20 February 2021, the Group's investment portfolio (UK GAAP basis) comprised the following asset classes:

Asset Class	Amount USD'm	% of portfolio
Matching portfolio		
Government bonds	218.9	27%
Corporate bonds	0.2	0%
Cash	132.9	16%
Growth portfolio		
Equities	163.3	20%
Diversified growth fund	121.1	15%
Absolute return bond funds	182.5	22%
	818.8	**100%**

In the year ended 20 February 2021, the overall return on investments was 7.2%, which is equivalent to USD59.0m. The best performing asset classes were equities, which returned 16.3%, and the diversified growth fund, which returned 6.1%,

The following table sets out the investment return by asset class (UK GAAP basis):

Asset class	USD'000 2020/21	USD'000 2019/20
Government bonds	8,684	16,700
Cash	6,571	3,528
Equities	26,053	27,249
Diversified growth fund	7,259	3,527
Corporate bonds	0	0
Absolute return bond funds	7,516	13,628
Exchange gain/(loss) on cash balances	5,064	(1,415)
Investment management expenses	(2,177)	(1,350)
	58,971	**61,868**

The Group has outsourced arrangements with the following investment managers

- State Street Global Advisors
- Schroders
- M&G Investments
- Newton Investment Management
- Insight Investment

Each of the above charges the Group an annual fee for its services based on the total value of investments under management.

4.4 Overall Business Performance

In the year ended 20 February 2021, the Group produced a surplus of USD37.0m. Balance sheet reserves increased to USD449.1m after taking into account the USD10.0m capital distribution to Members of the Group that were approved by the Board in October 2020. The surplus funds available to the Group in Boudicca increased to USD177.8m. Own funds for Solvency II purposes (which exclude the Boudicca funds), measured on a best estimate basis, stood at USD565.0m.

The overall solvency position of the Group at 20 February 2021 is set out in more detail in section 6 of this report.

5. Systems of Governance

5.1 General information on systems of governance

The Group's mission statement is to be the finest provider of P&I and FD&D insurance, offering its Members the highest level of service while maintaining the Group's financial strength and supporting mutuality. Central to this is an ongoing commitment to the highest standards of corporate governance, including compliance with the corporate governance standards set out in the Solvency II Directive.

Role and responsibilities of the administrative, management or supervisory body and key functions

The Board

Overall responsibility for the management of the Group rests with the Boards of Britannia, Britannia Europe and Britannia Holdings (the Boards). The constitution of the Boards of Britannia, BE and Britannia Holdings is identical, thus ensuring a consistency of approach across the entire business.

All Members of Britannia and Britannia Europe (together "the Associations") are also Members of Britannia Holdings. The Members' Representative Committee (MRC) sits at Britannia Holdings level in order that it has an overview of the Associations. The Boards comprise 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 Group's Managers. The Group's Boards are responsible for all strategic aspects of the business of the Group. In practice, the Boards delegate certain of their powers to subcommittees and responsibility for the day-to-day management to Tindall Riley & Co Ltd (TRC) 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 Boards' Terms of Reference include details of specific matters reserved for its exclusive decision. These include:

- Overall strategy
- Investment strategy
- Reinsurance strategy
- Financial reporting and controls
- Economic and regulatory capital
- Capital calls and distributions
- System of Governance, Risk Management and Compliance
- Appointment and remuneration of the Managers; and
- Appointment and remuneration of the Non -Executive Directors

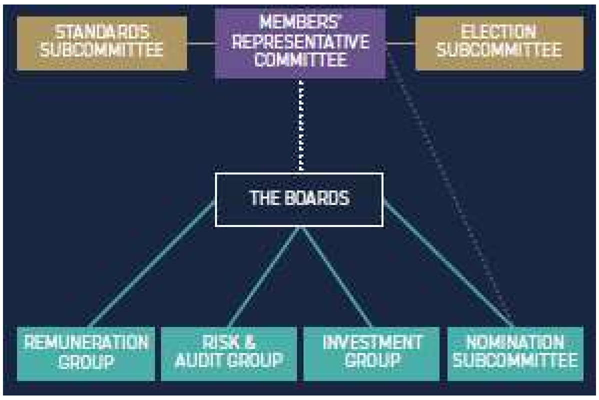
The Boards' Terms of reference are reviewed and updated at least annually.

The Members' Representative Committee

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 Group's 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 matters including strategy, investments, finance and call decisions. The MRC does have a key role in the Group's 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.

The Board and MRC have appointed a number of subcommittees to assist them in discharging their responsibilities. The corporate governance structure is set out in Chart 3 below.

Chart 3: The Group's governance structure



Subcommittees of the Board

There are four subcommittees of the Boards: the Risk & Audit Group, the Remuneration Group, Investment Group and the Nomination Subcommittee.

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 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.

Nomination Subcommittee

This subcommittee consists of up to four non-executive directors of the Group 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 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.

Sub-Committees 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 Group's shipowner and charterer 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.

The Group's Board, MRC and their subcommittee structure is supported by the effective distribution of responsibilities across holders of Senior Managers Functions (SMFs) and other Key Functions, notified non-executive and independent non-executive directors. The Group's integrated responsibility and corporate governance model is recorded in its Management Responsibilities Map.

The Group's website provides details of the roles and responsibilities of the Boards, the MRC and their respective subcommittees (including their individual Terms of Reference), as well as listing the individuals who sit on them:

www.britanniapandi.com/about/corporate-governance

Key Functions

Key functions are those functions whose operation *"if not properly managed and overseen could, depending on the nature and complexity of the business, potentially lead to significant losses being incurred or to a failure in the ongoing ability of the firm to meet its obligations to policyholders"*

In accordance with the rules in the Conditions Governing Business part of the PRA Rulebook and the Solvency II Directive, the following business functions have been designated as Key Functions: Compliance, Risk Management, Internal Audit and Actuarial.

Compliance function

The Compliance function is responsible for:

- identifying, assessing, monitoring and reporting on the Group's compliance risk exposures;
- assessing possible impact of legislative change and monitoring the appropriateness of compliance procedures; and
- assisting, supporting and advising the Group in fulfilling its responsibilities to manage compliance risks.

The Chief Risk Officer (CRO) is responsible for day to day monitoring of, and reporting to the Board on, all compliance related matters.

Risk Management function

The Risk function is responsible for:

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

The CRO manages the day to day risk monitoring of, and reports to the Board on, all aspects of risk management.

Internal Audit function

The Group's internal audit function operates a risk-based internal audit cycle to provide assurance over the appropriateness operation and effectiveness of the system of governance including the internal control system.

Internal Audit's remit covers review of the Group's processes and controls, how these are being adhered to and implemented by all business areas and the timing and frequency of management reporting. Corporate governance is also subject to an annual review by internal audit.

The Head of Internal Audit reports findings and recommendations, deadlines for and progress with completion and assigned action owners to the RAGs.

Actuarial function

The Group has an in-house actuarial team which carries out the day-to-day actuarial activity, including claims reserving and maintenance of the Group's internal models. The Chief Actuary reports to the Boards and the Risk & Audit Groups on technical provisions, reinsurance and underwriting policy, and also contributes to the risk management function.

Segregation of responsibilities

All the designated key functions are provided with the necessary authority, resource and independence that they require to effectively fulfil their roles. They each report to the Boards either directly or through designated Board subcommittees. Their reports are standing items on the Boards and subcommittees' agenda.

Material changes to the system of governance

The 12 months from 20 February 2020 to 20 February 2021 saw the continuation and achievement of a number of new initiatives aimed at meeting the Group's mission statement. The most material of these was the approval of the Part VII transfer. The details of this transaction are as follows:

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.

Remuneration policy and practices

The Group has a Remuneration Policy which sets out the principles and procedures under which the Remuneration Group operates.

All the Group's key functions and services, with the exception of its Non-Executive Directors, are provided by the Managers or a third party appointed by the Managers (and approved by the Group's Boards).

Managers' Remuneration

The Managers are paid a Management Fee by the Group under the terms of the Management Agreement between the two parties.

The Group's Remuneration Group sets the fee in accordance with the Management Agreement's management fee formula. In addition, 10% of the fee is awarded subject to the achievement of a pre-agreed set of KPIs. The fee is paid on a quarterly basis and there is no element that is variable by reference to the Group's financial performance.

Remuneration of the Directors

The Group's Chairman and the Senior Independent ('expert') Director receive a fixed fee paid monthly in arrears. Other non-executive directors (except for the two Manager directors) receive a fee per meeting attended, a further fee if they chair a subcommittee and, in the case of the RAGs a further attendance fee for meetings of the RAGs. These fees are paid in arrears at the end of each financial year. Members of the MRC receive a fee per meeting attended. The level of remuneration is considered annually by the Group's Remuneration Group, which makes recommendations to the Boards.

The only variable component of the remuneration is that linked to attendance at meetings, but as noted above, this variable element is not applied to the Chairman of the Group and the Senior Independent Director. The two Manager directors receive no remuneration directly from the Group but are remunerated by the Managers.

No remuneration paid by the Group to its non-executive Directors is based on the performance of the Group.

Material Transactions

Other than the Part VII transfer referenced earlier in this section there was only one further material transaction. In the 2020/21 financial year, a capital distribution totalling USD10m was made by the Group to its mutual P&I Members with ships on risk on the day on which the distribution was announced.

5.2 Fit and proper requirements

The Group has well established procedures in place to ensure that all controlled function holders remain fit and proper to carry out their duties and to discharge their responsibilities. In particular these individuals must:

- meet the requirements of the Regulators' 'fit and proper' test and follow its principles;
- comply with the Statement of Responsibilities; and
- report anything that could affect their ongoing suitability.

When considering an individual's fitness and propriety the following are considered:

- their competence and capability;
- their integrity and reputation; and
- their financial soundness.

When assessing an individual's competence and capability to take on a controlled function role, all relevant matters are considered prior to their appointment. These include a review and assessment of:

- the competencies and capabilities required to fulfil the intended role. This is assessed throughout the recruitment process, particularly through interviews;
- the experience of the candidate and any additional training required; and
- whether the candidate's reputation would suit the role for which they are being considered, bearing in mind the factors set out within the FCA Handbook section 2.1.3 on fitness and propriety.

Fitness and propriety checks are made before an individual is appointed to carry out a controlled function and periodically thereafter. These include:

- with the knowledge and agreement of the candidate, the completion of civil and criminal checks through the use of a third -party provider;
- checking the veracity of any professional or other qualifications that are relevant to the role being applied for;
- obtaining references from the candidate's former employers; and
- consideration of any disclosures made by candidates (full supporting documentation will also be requested).

In determining a candidate's financial soundness, the following factors will be taken into account:

- any judgment debt or award in the United Kingdom or elsewhere;
- whether this remains outstanding or was not satisfied within a reasonable period; and
- whether the individual has made any arrangements with creditors, filed for bankruptcy, had a bankruptcy petition served on them, been the subject of a bankruptcy restriction order or any other related matter.

As noted in section 5.1.1, selection of suitable Member Representatives for the MRC requires additional consideration of a candidate's location, ship type and size of fleet to ensure that, as a body, the profile of the MRC membership is consistent with that of the Group.

Prior to consideration for appointment, all new Member Representatives of the MRC and directors of the Group complete a self-assessment of their skills, experience and capabilities relative to the responsibilities assigned to them under the new role. The results, which are added to the Skills Matrix maintained for all MRC representatives and directors, are reviewed by the CRO, discussed as necessary with the individuals concerned and fed into individual training and further recruitment plans.

5.3 Risk management system

The Group's risk management system consists of its risk strategy, risk management policies, risk appetite statements, oversight and review processes necessary for effective risk and control assessment, monitoring and reporting.

The risk management strategy is aligned to the business strategy and sets out the risk management objectives, key principles and the assignment of risk management responsibilities across the Managers working on behalf of the Group. The overarching risk management policy implements the risk strategy by setting out the approach to categorising, managing and reporting current and future risks faced by the Group.

The risk management policy, associated procedures and process documentation provide demonstrable evidence that the Group's undernoted key risk areas are managed effectively in accordance with the requirements of Solvency II regulation.

- underwriting and reserving;
- asset-liability management;
- investment, derivatives and similar commitments;
- liquidity and concentration risk management;
- operational risk management; and
- reinsurance and other risk mitigation techniques.

In managing its risk exposures, the Group seeks to balance the risks and opportunities associated with its business strategy and objectives. The review and assessment of key risks to the business strategy, both before and after the application of controls, is conducted by the respective risk and control owners each quarter and recorded by the CRO in the Group's risk register.

Exposure to these risks is monitored against the Boards' approved risk appetite; recorded as a set of qualitative statements and quantitative thresholds (Appendix 1) defining the type and level of risk that the Board is prepared to accept in order to deliver its business strategy.

The risk appetite, which underpins the Group's three-year projected business plans, is used to assess and report to the RAGs and to the Boards current, mid-term and emerging risks to the business on a quarterly basis.

To augment the Group's ongoing risk monitoring and reporting processes, the CRO conducts an annual review of its risk management system and more frequently if there are major changes in the risk profile of the business. Findings and recommendations arising from this review are also reported to the RAG and to the Board.

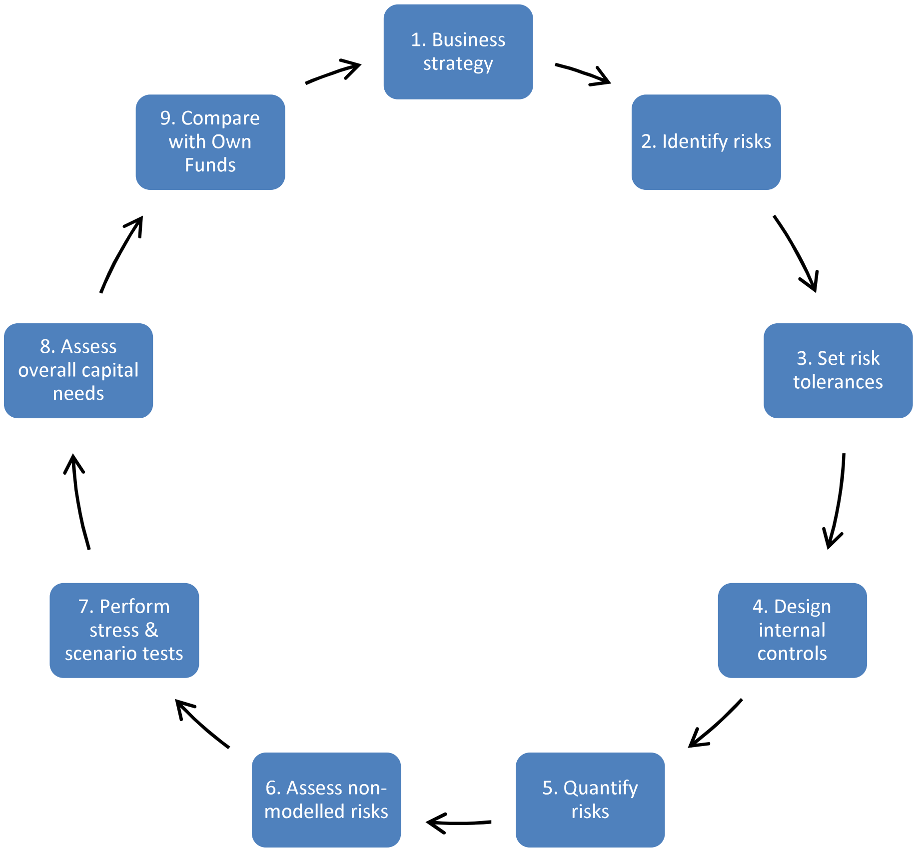
The Group's risk management system allows the Board and the senior management team to review and challenge credible risk information and make informed decisions about the risk profile of the business.

5.4 Conducting the Own Risk and Solvency Assessment (ORSA)

The ORSA is carried out in accordance with the Group's ORSA Policy (the Policy). The policy sets out required standards and guidance for conducting the ORSA process and reporting to ensure all relevant regulatory and business requirements are continuously met. The purpose of the policy is to assist the Boards in implementing consistent processes to demonstrate the link between business strategy, risk appetite, risk profile and solvency needs. The Policy is reviewed and approved by the Boards.

The ORSA process, which incorporates the risk monitoring and reporting activities performed by the Group's Key Control Functions, operates continuously throughout the year as part of day to day business operations. Outcomes of the process and conclusions drawn are recorded in an annual report presented to and signed off by the Board. Key steps within the ORSA process are set out in chart 4 below.

Chart 4: Summary of ORSA process



From a strategic perspective, the annual ORSA provides the Boards with a comprehensive assessment of the capital required to meet the Group's strategic objectives over the next three years, based on its projected business plan and the risk profile it generates. From an operational point of view, ORSA processes and results are used to inform and support the Boards when making key decisions, for example on calls on Members, pricing, reinsurance purchase, investment strategy and capital distributions.

The 2020 ORSA included an assessment of both the economic and regulatory capital position of the business for the three years commencing on 20 February 2021 by reference to the Economic Capital Benchmark (ECB), Solvency Capital Requirement (SCR) and Minimum Capital Requirements (MCR).

The ECB defines the amount of capital that must be held to implement the business strategy for the next three years to cover the risk of losses from all potential sources that exceed risk appetite up to the 99.5th level of confidence.

The SCR defines the amount of capital that the Group must hold to satisfy regulatory requirements. The benchmark set for the SCR is also at the 99.5th level of confidence, but measured over a one-year period.

The MCR, which represents the absolute minimum level of capital that the Group must hold to avoid regulatory action, is also measured over a one-year period but reflects the 85th level of confidence.

The Group has used the Solvency II Standard Formula to calculate its SCR and MCR.

The ORSA is reviewed by the Boards to ensure that it is accurate and provides the necessary information for capital allocation and strategic planning purposes. Once the Boards are satisfied, it approves the report which is then submitted to the regulators of the Group. The annual nature of the ORSA is consistent with the stable nature of the Group's capital needs over time.

The ORSA process is undertaken more frequently if specific triggers which are set out in the Policy occur. However, this has not been necessary the last ORSA was prepared.

5.5 Internal control system

The Group's internal control system refers to a combination of activities carried out to eliminate or reduce the likelihood of risks materialising that are beyond the level of risk appetite considered within business plans and strategy.

Activities include:

- control management undertaken by the business, including quarterly control attestations provided to the CRO. Each identified control owner attests to the performance and effectiveness of their control environment over the quarter. The CRO reports the results and any associated recommendations to the quarterly meeting of the TRB and to the RAGs at each meeting;
- annual review and re-assessment of the Group's key risks by relevant risk owners, independently challenged by the CRO and reported to TRB quarterly and to the RAGs;
- Annual stress and scenario testing (including reverses stress tests) of the assumptions within the business plan to determine the financial, reputational, operational and capital impact of extreme adverse events. An agreed set of tests relevant to the Group's business plan and strategy are run by relevant members of the Finance and Actuarial Functions, reported to the CRO and included within the annual ORSA;
- annual independent validation of capital calculations, including underlying assumptions and associated projections, both within the Actuarial team and by the Chief Actuary;
- annual review and assessment of the effectiveness of the Group's risk management framework by the CRO;
- regulatory guidance, 'horizon scanning', recording and quarterly reporting of operational losses (actual, potential and near misses) and compliance breaches to the Boards;
- quarterly compliance monitoring and reporting to TRB, the RAGs and Boards; and
- independent assurance reviews conducted by Internal Audit.

Where control deficiencies exist, remedial actions, the person responsible for taking them and the timeframe within which the control deficiency will be addressed, are recorded and monitored by the CRO.

Implementation of the Compliance Function

The Compliance Function is implemented by the Managers to support appropriate risk taking by the Group and proactively manage regulatory risk.

There are seven key areas in which the Compliance Function operates:

1. Advisory
    - active engagement with the Group to identify and advise on regulatory matters, whether internally or externally generated, to mitigate regulatory risk including financial crime risk and support business objectives; and
    - Proactive involvement in new strategic initiatives to provide guidance on regulatory matters.

2. Horizon scanning
    - Interpreting and communicating new or revised regulations;
    - Assessing and reporting the potential impact of these changes and proposing amendments to processes to meet requirements;
    - Identifying and evaluating compliance risk to the Group's strategic plans and business transactions; and
    - Reviewing sources of emerging risk, maintaining a record within the emerging risk log, noting any potential impact and action planned or taken to avoid or mitigate the risk of loss.

3. Incident management
    - Coordinating the management and recording of any regulatory breaches and financial crime incidents, liaising between all relevant stakeholders to bring matters to a satisfactory conclusion;
    - Advising on remedial action for the business to take to reduce the impact and avoid re-occurrence; and
    - Undertaking incident root cause analysis as required.

4. Regulatory relationship management
    - Acting as the primary contact point between the Group, its regulators (in the UK and in other territories as necessary) and other relevant authorities such as law enforcement agencies, to facilitate and assist with the management of those relationships; and
    - Acting as a portal for routine communication and contact between the Group and its regulators, managing responses to information requests outside standard regulatory reporting.

5. Compliance training
    - Providing direction, education and formal training on compliance and regulatory matters; and
    - Monitoring staff completion of mandated compliance and financial crime training.

6. Reporting
    - Reporting on Regulatory and Financial Crime matters to the Boards and other relevant stakeholders; and
    - Providing input to and co-managing, with Finance, external regulatory reports.

7. Oversight and assurance
    - Assessing and monitoring compliance across the business using agreed indicators and reporting the results to the RAGs and to the Boards;
    - Conducting investigations and process reviews where regulatory controls are found to be weak or not consistently applied; or in response to demands by the regulator or at the request of management; and
    - Overseeing projects to implement operational changes within the business in order to comply with new or revised regulations.

5.6 Implementation and Independence of the Internal Audit Function

Internal Audit, provided by the Managers on behalf of the Group, provides independent assurance, advice and insight to the Boards, designed to add value to the business and improve its operational effectiveness. It helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation of the effectiveness of its governance, risk management and control processes.

The Internal Audit Function is governed by written Terms of Reference (TOR), setting out the function's role, mandate, independence and authority to act. According to the TOR, the Head of Internal Audit is responsible for preparing:

- an internal audit universe based on the risks within the Group's risk register;
- a five-year strategic internal audit plan using a risk based approach for the timing and frequency of intended reviews; and
- an annual internal audit programme taking into consideration previous audit findings or those arising from compliance monitoring activities; the occurrence and cause of material unexpected losses, regulatory breaches or incidents involving financial crime as well as in response to feedback from regulators and management.

The internal audit universe and the annual internal audit programme are presented annually to the RAGs.

The Head of Internal Audit and holder of the associated regulatory role for the Group under the Senior Managers Regime, reports all findings and recommendations arising from the review work performed to the RAGs at each meeting and has regular discussions with the chairman of the RAGs between meetings. Included within the Head of Internal Audit's reports is an update on the implementation by assigned individuals of previous recommendations. Material issues not addressed within agreed timescales are escalated to the Boards.

The Internal Audit Function has no direct operational responsibility or authority over any of the activities audited and is not permitted to implement internal controls, develop operational procedures, prepare records or engage in any other activity that may impair its judgment. The Head of Internal Audit is obligated to report to the RAG any interference and related implications in determining the scope of internal audit reviews, performing work and communicating results.

5.7 The Implementation of the Actuarial Function

The Group's Actuarial Function is made up of an internal actuarial team headed by a Chief Actuary employed by the Managers.

The Actuarial Function's organisation is designed to provide the Group with the necessary 'Approved Person' role and flexible actuarial support, whilst enabling the Group's Managers to maintain operational control of the work performed.

The internal actuarial team reports to the Group's CFO. The Actuarial Function has responsibilities for the calculation of the Group's reserves and Solvency II technical provisions, its capital modelling, risk pricing and for providing analytical support to underwriters.

In accordance with Article 48 of the Solvency II Directive, The Chief Actuary has four main duties:

- to assess the appropriateness and adequacy of the Group's Solvency II technical provisions;
- to provide an opinion on the underwriting policy;
- to provide an opinion on the adequacy of reinsurance arrangements; and
- to contribute to the Group's risk management.

5.8 Outsourcing policy

Outsourcing is the use of a third party (either an affiliated entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Group. The third party to whom an activity is outsourced is a 'service provider'.

The Group's approach to outsourcing is governed by the principles and standards set out in its Outsourcing Policy. The policy acts as a guide to the Managers for assessing the materiality of risks associated with outsourcing any given activity or service and the steps that must therefore be taken to mitigate and manage this risk effectively.

The policy establishes two fundamental principles:

- that the decision to outsource activities assessed as Critical (C) or Important (I) to the Group will be reserved for the Board; and
- the control framework through which outsourcing benefits and risks are assessed, controlled and monitored will be sufficiently robust to ensure that Group's outsourcing arrangements will give advantage in practice.

Outsourcing is categorised under Solvency II as C or I if it would jeopardise adherence to the regulators' Threshold Conditions, which are required for the Group to maintain its UK or Luxembourg regulatory authorisation.

The assessment of materiality determines at the outset whether the nature of the outsourced arrangement will classify it C or I, after which the same stages for approval will be followed although proportionate to the nature and materiality of the activities to be outsourced.

The starting point is to compare the potential benefits with the foreseeable risks, to judge whether there is sufficient value in the proposition to go through a tender process. The scoring used in this viability check to assess whether the benefits outweigh the risk, is set out as an appendix to the Outsourcing policy.

Where the viability check is passed, the Business sponsor will arrange for specific due diligence on a number of providers before presenting a value proposition and preferred service provider to either the Managers' Board or, for C and I arrangements, the Boards of the Group, for consideration and approval. The necessary due diligence, minimum contractual terms and approval process to be followed are set out in various appendices to the Outsourcing policy and designed to ensure that:

- adequate review and assessment has been carried out on the impact of the outsourcing on the Group's risk profile and contingency plans in the event of service failure by the selected provider;
- the selected service provider has the ability, capability and legal authority to meet the Group's business requirements and is free of any conflicts of interest relevant to the outsourcing;
- the service provider is financially sound, professionally competent, appropriately experienced and has adequate insurance cover to meet its contractual obligations;
- contracts between the service provider and the Group setting out the duties and responsibilities of both parties, are signed-off by appropriately authorised signatories and comply with all relevant legal and regulatory requirements;
- control mechanisms established by the Managers for monitoring the performance and quality of services provided by a third party are commensurate with the nature and materiality of the risk to which they expose the Group; and
- the outsourcing does not impair the Association's systems of governance or increase the level of Operational risk.

The Group's C and I outsourcing arrangements relate to:

- the appointment of its Managers, TRB and its parent TRC; and
- the management of its investments by the following managers:
    - State Street Global Advisors;
    - Schroders;
    - Insight Investment
    - M&G Investments; and
    - Newton Investment Management

Assessment of the adequacy of the system of governance

The Board considers that the System of Governance is appropriate for the nature, scale and complexity of the inherent risks facing the Association.

6. Risk profile

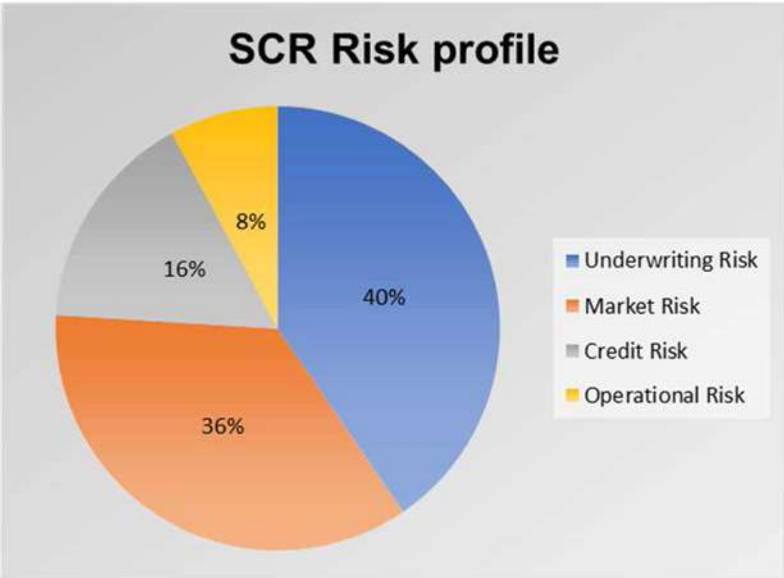
The Group is focused on the identification and management of exposure to risk through its core activity as a provider of insurance services. The key areas of risk faced by the Group can be classified as follows:

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

The Group manages these risks through the quarterly Risk Register update, which uses metrics to monitor risk outcomes and control effectiveness, and receives attestation on less significant controls from Risk Owners. Risk outcomes are compared to the results of the Group's SCR, outcomes of stress and scenario testing, self-reported Risk Incidents and Internal Audit findings to ensure that a rounded consideration of the Group's risk profile is provided to TRB each quarter and to the RAGs and the Boards of the Group.

The assumptions underlying the Group's standard formula SCR are considered to be a good fit with its risk profile, noting that Group and Strategic risk capital is captured within operational risk and liquidity risk is incorporated within market risk.

The Group's standard formula SCR risk profile as at 20 February 2021 is as follows:



Underwriting risk, representing the Group's core activity, is the largest risk category, constituting 40% of the SCR. Underwriting risk is actively sought and managed by the Group.

The second largest risk category is Market (including Liquidity) risk, constituting 36% of the total SCR. The Group's exposure to market risk reflects its cautious investment risk appetite and investment strategy, accepting risk only where sufficient value is available.

The remaining contributions are from risks that are tolerated in order to pursue the Group's overall strategy.

6.1 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.

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 Boards' 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 – Loss Prevention

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 testing of underwriting risk

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%	**USD'000 2021**	**USD'000 2020**
Gross	10,004	10,059
Net	6,514	6,989

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

6.2 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 Boards 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.

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:

	USD'000 2021	**USD'000 2020**
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 USD19.4m (2020– USD0.2m).

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

	USD'000 2021	USD'000 2020
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.

6.3 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 under reinsurance contracts, including other P&I Clubs;
- amounts due from Members; and
- 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.

	USD'000 2021	USD'000 2020
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	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

	USD'000 2021	USD'000 2020
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, Schroders, Insight and Newton.

6.4 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:

Financial assets:

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	0	0	0	0	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	0	0	0	0	132,855
Derivatives at fair value through income	67	0	0	0	0	67
Unsettled investment transactions	192	0	0	0	0	192
Tangible assets	6,234	0	0	0	0	6,234
Reinsurers' share of outstanding claims	0	170,227	135,126	183,658	98,008	587,019
Direct insurance operations - Members	4,854	21,216	49,083	0	0	75,153
Reinsurance operations	46,358	0	0	0	0	46,358
Taxation	949	0	0	0	0	949
Cash at bank	154,645	0	0	0	0	154,645
Accrued interest	577	0	0	0	0	577
Other prepayments	5,900	0	0	0	0	5,900
Total assets	**643,726**	**195,114**	**259,849**	**316,686**	**280,275**	**1,695,650**

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:

Financial liabilities:

At 20 February 2021	Within 1 year USD'000	1-2 years USD'000	2-5 years USD'000	Over 5 years USD'000	Total USD'000
Gross outstanding claims	354,030	281,030	381,965	203,832	1,220,857
Direct insurance operations - Members	17,342	0	0	0	17,342
Reinsurance operations	6,987	0	0	0	6,987
Taxation	796	0	0	0	796
Other Creditors	613	0	0	0	613
Total liabilities	**379,768**	**281,030**	**381,965**	**203,832**	**1,246,595**

As further disclosed in appendix S.23.01.g, expected profit in future premium is estimated to be USD70.6m. However, it should be noted that the Solvency II balance sheet does not reflect all future expense cash flows and the actual expected profit over the year is expected to be lower than this.

6.5 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. A staff handbook contains all the key policies that have been documented.

6.6 Strategic Risk

Strategic risk can arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

Strategic risk is accepted where sufficient value is available.

Strategy is a matter reserved to the Boards but in the Risk Register is used to track diversification of the Group / the Managers to ensure that a reliance is not built up on a significant proportion of tonnage as this can affect strategic options.

6.7 Group risk

For the purposes of capital and risk management, however, the 'group' is considered as a single entity.

However, if the Group were to be considered as a standalone legal entity, there would be two significant 'group risks' in the form of the reinsurance exposure to USMIA and Hydra and the location of group capital held by USMIA and Hydra.

In addition, the surplus funds in Boudicca do not form part of the Group's 'own funds' for Solvency II purposes. However those funds form a significant part of the Group's economic capital managed and are part of the group capital and risk management strategy.

There are mechanisms in place to manage and mitigate these group risks as set out below.

USMIA

In the event of the Group winding up, recoveries under the reinsurance contract with USMIA would continue to be paid as the Group ran off its claims. In addition, as its parent undertaking, the Group could place USMIA into liquidation, in which case as the sole shareholder and creditor of USMIA (save for some minor balances such as accrued professional fees), the balance of USMIA's assets would be paid to the Group.

In addition, there are two security measures in place over the assets of USMIA, which would ensure that, in the event of default by USMIA or the insolvency of either party, the capital held by USMIA would be available to the Group.

Account Pledge Agreement

There is a tripartite account pledge agreement (the Agreement) between the Group, USMIA and USMIA's investment custodian. The Agreement defines 'secured obligations', being "all monies and liabilities which are now or may be at any time hereafter be due, owed or payable by USMIA to the Group under or in connection with the reinsurance agreement". In the event of default by USMIA in relation to its obligations to the Group (for example the payment of claims under the run-off of the Group) or the insolvency of USMIA, the agreement allows the Group to enforce the security interest direct and require the custodian to sell investments and remit the proceeds to the Group.

Debenture

The Debenture creates a floating charge over all of the assets of USMIA in favour of the Group. Under clause 7.1.3 of the Debenture, if the reinsurance agreement between USMIA and the Group is terminated, or if USMIA becomes insolvent, the Group may exercise its power of sale under the Debenture and thus recover all amounts owing to it as a creditor and the shareholder.

Hydra

In the event of the Group winding up, recoveries under the reinsurance contract with Hydra would continue to be paid as the Group ran off its claims.

The Hydra governing instrument contains winding up procedures which allow the board to terminate the operations of Hydra from the end of the then current policy year. Under these circumstances, the Britannia cell would be run off and wound up, with any residual assets being transferred to the Group as the shareholder.

Boudicca

In the event of the Group winding up, recoveries under the reinsurance contract with Boudicca would continue to be paid as the Group ran off its claims.

In addition, there is a Security Interest Agreement in place over the assets of Boudicca, which would ensure that, in the event of default by Boudicca or the insolvency of either party, the capital held by Boudicca would be available to the Group. This agreement, which is formally acknowledged by Boudicca's investment custodian, gives the Group the power to sell Boudicca's assets held by the custodian in the event of the default by or insolvency of Boudicca.

7. Valuation of assets and liabilities for solvency purposes

7.1 Assets

The following table sets out the value of the Group's assets at 20 February 2021.

	Assets per GAAP USD'm	**Assets per Solvency II USD'm**	**Variance USD'm**
Financial investments and cash and cash equivalents	973.5	974.0	(0.6)
Reinsurance recoverable	587.0	533.3	53.7
Other assets	135.2	55.5	79.7
Total Assets	**1,695.7**	**1,562.8**	**132.8**

In general, the valuation method of assets is aligned with the statutory accounts and therefore the basis of preparation aligns with the accounting policies outlined in the Group's Annual Report and Financial Statements, Note 2. Exceptions to these methods are outlined in the relevant sections below.

Financial investments and cash and cash equivalents

The Group's investments are valued for Solvency II purposes on the same basis as the annual financial statements, which follow UK GAAP. All of the Group's investments are traded on mainstream exchanges.

The difference in valuation between GAAP and Solvency II relates to the treatment of accrued interest, for the purposes of Solvency II has been included in financial investments whereas for GAAP this is included in other assets.

Reinsurance recoverable (reinsurers' share of technical provisions)

The difference between the GAAP and Solvency II values for reinsurers' share of technical provisions reflects the difference in methodology used to calculate the underlying technical provisions under the two bases. This is set out in more detail in the Technical Provisions section below.

Other assets

The differences in the valuation between GAAP and Solvency II relates to the recognition of accrued interest which has been recognised for Solvency II purposes under financial investments and for GAAP purposes under 'other assets'. The remaining differences relate to the accounting treatment for the accrued deferred call and derecognition of capitalised software (an intangible asset) which is inadmissible for SII purposes. In the GAAP balance sheet this accrual is accounted for under 'other assets', while for Solvency II purposes the accrual has been reclassified to Gross Technical Provisions. All other assets are valued for Solvency II purposes on the same basis as the GAAP financial statements.

There were no changes to any of the recognition criteria or valuation methods during the year.

7.2 Technical provisions – Solvency II basis

At 20 February 2021, the Group held technical provisions, valued for solvency purposes, of USD1,015.0m.

The assessment of the technical provisions is based on commonly accepted actuarial techniques applied in a consistent manner from year to year. Whilst professional judgment has been exercised in all instances, projections of future ultimate losses and loss expenses are inherently uncertain due to the random nature of claim occurrences. The accuracy of the results is dependent upon the accuracy of the underlying data and additional information supplied to the actuarial team.

The following table shows the analysis of these provisions between best estimate and risk margin at 20 February 2021.

	Gross USD'm	RI USD'm	Net USD'm
Balance per GAAP	1,220.9	(587.0)	633.8
Prudence Margin (GAAP to BE)	(255.0)	113.5	(141.5)
Reclassification of deferred calls and reinsurance premiums	(78.3)	7.6	(70.6)
Bound but not incepted ("BBNI") business	88.3	(69.1)	19.2
RI credit default	0.0	4.0	4.0
ENIDs	22.9	(10.6)	12.4
Discounting	(18.9)	8.2	(10.6)
Expenses	35.1	-	35.1
Balance **per Solvency II before risk margin adjustment**	1,015.1	(533.3)	481.8
Risk Margin	94.1	-	94.1
Balance per SII	**1,109.2**	**(533.3)**	**575.9**
Variance between SII and GAAP	**111.7**	(53.7)	**58.0**

** The net amount in the table above is calculated as Gross less RI*

Since the Solvency II technical provisions figure is a best estimate, the GAAP technical provisions are adjusted for the following items:

- all margins for prudence are removed;
- a provision is made for events not in data (ENID) to represent a true average of future outcomes;
- Technical provisions are stated both gross and net of reinsurance;
- an allowance is made for business which is 'bound but not incepted' (BBNI) as at 20 February 2021; and
- an additional Solvency II risk margin is added, which is intended to represent a notional market value adjustment.

The Group values technical provisions using the methodology prescribed by the Solvency II Directive and the regulations made under the Directive.

Solvency II Technical Provisions methodology

Technical provisions (TPs) for Solvency II purposes are made up of a best estimate of claims, premiums and expense cashflows, which are then discounted. Finally, a risk margin is added. The best estimate cashflows are the amounts expected to be paid/received in the future without any margin of prudence. Each element of the TPs is described in more detail below.

Homogeneous risk groups

The Group uses four homogeneous risk groups when calculating the best estimate reserves. These are:

1. P&I Retention – Class 3 protection and indemnity claims where Britannia is the originating club.
2. P&I Pool – Class 3 protection and indemnity claims where Britannia pays a share of the claim through the IG pooling arrangement. This includes such claims originating from Britannia.
3. FD&D – Class 6 freight, demurrage and defence claims.
4. Asbestos-related claims – this group is further divided between mesothelioma and non-mesothelioma claims.

Gross claims cashflows and reinsurance recoveries

Gross claims are projected to ultimate cost using standard actuarial techniques including Bornhuetter-Ferguson and chain ladder with some judgment overlaid. This judgment is important because of the nature of the historical data and the need to apply relevant information regarding specific claims. The key assumptions made include the projected development patterns (both incurred and paid), initial expected loss ratio for the most recent policy years and the credibility assigned to the loss ratio.

These methods are considered appropriate given that the data includes policy years which are fully run off, where the business written has been stable and where there have been no material changes in the way that claims are handled.

At the valuation date, 20 February 2021, the Group had no unearned business except for business that was bound but not incepted (BBNI). This is because all coverage is annual, renews prior to year-end and incepts on the first day of the policy year. For the purposes of Solvency II, any business that is bound to be written before the beginning of the Association's financial year (i.e. from 12.00 on 20 February 2021) is included in the calculation of TPs. However, this concept is not applicable under UK GAAP where only business that has incepted is included in the TPs at the valuation date. BBNI includes all cash inflows as well as outflows and in the Group's case, this includes advance call, acquisition and administration expenses, reinsurance premiums, projected gross claims and corresponding reinsurance recoveries. The BBNI cashflow inputs of premiums and associated expenses are obtained from the calls projections (business plan) and the ultimate gross claims and reinsurance recoveries are outputs from the Group's premium risk model. This is a stochastic model which projects future gross claims by applying a statistical distribution (based on historical claims experience) to the exposure. The gross claims are then subjected to the applicable reinsurance programme to obtain the expected reinsurance recoveries.

A percentage loading is added to both earned and BBNI business to allow for 'events not in data' (ENID), which allows for severe events to which the Group could be exposed but which are absent from the historical data. The ENID percentage loading has been calculated using the Lloyd's Approximation Method 1, which is a simple and pragmatic calculation based on the assumption that the underlying data is a good fit with the log-normal distribution. The model uses the estimated coefficient of variation from the underlying data and an estimated return period to calculate the percentage loading.

Projected cashflows are estimated by applying payment patterns to the estimates of the ultimate gross claims and recoveries. The assumed payment patterns are derived using chain ladder methodology on historical gross paid claims triangles.

Premiums

Future amounts and timing of premium cashflows are assumed to be in line with the latest call setting decisions. This includes deferred calls on open policy years plus both advanced and deferred calls on BBNI business.

Gross and reinsurance premiums for the BBNI business are taken from the projected 2021/22 policy year, which forms the Group's business plan.

Expenses

Acquisition and administrative expenses

- There are no internal acquisition or administrative expenses relating to earned business.
- Brokerage is paid when deferred calls are received; therefore, there are external acquisition costs for the most recent two policy years.
- For BBNI business, internal acquisition costs and administrative costs are calculated as a percentage of the total operating costs from the business plan for the forthcoming policy year. The brokerage is taken from the business plan.

Claims handling expenses

Allocated claims handling expenses are assumed to be included in the best estimate claims reserves and, therefore, no explicit allowance is made.

Unallocated claims handling expenses are split between expenses paid in the 2021/22 policy year and expenses paid in subsequent years. The expenses paid in 2021/22 are calculated as an assumed percentage of the total operating costs for the forthcoming year. The expenses paid beyond 2021/22 are the same as those included in the GAAP reserves. The unallocated claims handling expenses are allocated between claims and premium provisions in proportion to claims payments.

Investment management expenses

The investment management expenses are calculated as an assumed percentage of the sum of the projected and discounted TPs (excluding investment expenses) at each future valuation date. The assumed percentage is calculated as the annual investment management expenses divided by funds under management.

Discounting

All future cashflows (including claims, premium and expense) have been discounted using a weighted average yield curve based on the GBP, USD and EUR EIOPA yield curves as at 28 February 2021 and an assumed mix of cashflows in GBP, USD and EUR.

Risk Margin

The risk margin for the Group is the sum of the individual risk margins of:

- The Group's subsidiaries USMIA and Hydra;
- Britannia Europe as a standalone (solo) entity, assuming the subsidiaries are third-party reinsurers; and
- Britannia as a standalone (solo) entity, assuming the subsidiaries to be a third-party reinsurers.

The method used to estimate the individual risk margins is to:

- estimate the SCR for the Group using the standard formula;
- project the future SCRs using different runoff patterns for different elements of the SCR as follows:
    - non-life underwriting risk and operational risk are combined and run off in proportion to the square root of the percentage of future gross claims cashflows;
    - counterparty default risk is run off in proportion to the square root of the percentage of future reinsurance recovery cashflows; and
    - discount and sum the projected SCRs and multiply by the cost of capital.

Uncertainty associated with the value of technical provisions

The estimate of the Solvency II technical provisions is considered to be an accurate assessment of future obligations. However, it remains an approximation. Factors affecting the level of uncertainty are both internal and external and the nature of these factors is such that they are difficult to quantify in both likelihood and magnitude. The issues that affect the certainty of the technical provisions include:

- the projection of numerous cash-flows, including future premiums, claim payments and reinsurance recoveries on these payments. None of these will develop exactly as projected and deviations from these projections are normal and to be expected;
- the assumptions used to calculate the Premium Provision are based on the expectation of an 'average year'. Actual underwriting performance for that business may vary significantly from the assumed position at the outset;
- the yield curves used to discount future cash-flows can vary from one year to the next which introduces additional balance sheet volatility that does not exist on a GAAP balance sheet;

- there is greater uncertainty associated with more recent policy years as these are still in an early stage of development; and
- for certain elements of the technical provisions, for example ENID, very little data exists on which to base the assumptions and hence a high degree of judgement is required, which could lead to increased uncertainty in the estimates.

Data adjustments and recommendations

There were no data deficiencies for which an adjustment was necessary. Improvements to the data governance procedures are planned for 2021/22, including the introduction of a data governance policy and data controls.

Changes since the last reporting period

There have been no other changes in the TPs methodology since the previous period.

7.3 Other liabilities

The following table sets out the value of the Group's other liabilities at 20 February 2021.

	Liabilities per GAAP USD'm	Liabilities per Solvency II USD'm	Variance USD'm
Creditors	18.8	18.8	0.0
Reinsurance creditors	7.0	(0.6)	7.6
Other liabilities	**25.7**	**18.1**	**7.6**

The differences in the valuation between GAAP and Solvency II relates to the recognition of payments on reinsurance contracts for the 2020/21 and prior policy years that have been accrued in the GAAP figures but reclassified to reinsurers' share of technical provisions under Solvency II. All other liabilities are valued for Solvency II purposes on the same basis as the financial statements.

Alternative methods of valuation

The Group does not use any alternative valuation methods.

8. Capital management

8.1 Own funds

The Group's Business Plan and ORSA process measure the current and projected capital and solvency position over a three-year time horizon. The core capital management objective over this period is for the Group to maintain tier 1 basic own funds at a level which provides a capital buffer in excess of the higher of its SCR and its ORSA-derived solvency needs (the economic capital benchmark or ECB).

The Group has a simple capital structure, with balance sheet reserves comprising a single item: tier 1 capital derived from past underwriting and investment surpluses. There were no restrictions on the availability of the Group's own funds to support the SCR and MCR.

For the year ended 20 February 2021, the Association has approval from the PRA to include ancillary tier 2 capital (AOF), based on the proceeds of a theoretical supplementary call from the Group's membership. The maximum amount that can be recognised is the lower of USD129.5m or 50% of the Group SCR.

At 20 February 2021 and 2020, the Group held the following own funds.

	20/02/2021 USD'm	**20/02/2020 USD'm**	**Movement USD'm**
Income and expenditure account	236.6	236.5	0.1
Investment reserve	157.4	130.6	26.9
General reserve	55.0	55.0	-
Total resources	**449.1**	**422.1**	**27.0**
Solvency II adjustment	(13.5)	(25.6)	12.1
Basic own funds	**435.5**	**396.5**	**39.0**
Ancillary own funds	129.5	129.5	-
Total own funds	**565.0**	**526.0**	**39.0**

The SII adjustment has decreased from negative USD25.6m in 2020 to negative USD7.3 in 2021 due to a reduction in the impact of discounting compared to the prior year.

Analysis of significant changes during the period:

The following table shows the movement in own funds between 20 February 2021 and 20 February 2020:

	USD'm
Own funds at 20 February 2020	396.5
Increase in net technical provisions	(16.3)
Increase in investments	101.6
Decrease in other assets	(35.4)
Decrease in other liabilities	(10.9)
Basic own funds at 20 February 2021	**435.5**
Ancillary own funds	129.5
Total own funds at 20 February 2021	**565.0**

The following table shows the reconciliation between GAAP net asset value and Solvency II net asset value at 20 February 2021:

	USD'm
Total Resources – GAAP	449.1
Asset valuation difference	(132.8)
Gross technical provisions valuation difference	(111.7)
Liability valuation difference	(7.6)
Basic own funds - Solvency II	**435.5**
Ancillary own funds - Solvency II	129.5
Total own funds - Solvency II	**565.0**

8.2 Solvency Capital Requirement (SCR) – Group Basis

The following table shows an analysis of the Group's SCR on a group basis split by risk modules and comparison to the previous year end.

	SCR		
Heads of risk	**20/02/2021 USD'm**	**20/02/2020 USD'm**	**Movement USD'm**
Underwriting risk	156.0	132.3	23.7
Market risk	137.0	112.4	24.5
Counterparty default risk	62.2	66.5	(4.3)
Operational risk	30.5	27.6	2.9
Aggregate SCR	**385.7**	**338.9**	**46.8**
Correlation credit	(87.6)	(77.7)	(9.9)
Aggregate SCR net of correlations	**298.1**	**261.2**	**36.9**

The Group has not used any simplified calculations nor the duration-based equity risk sub-module as set out in Article 304 of Directive 2009/138/EC in the calculation of the SCR. The Group has not used undertaking-specific parameters in any of the risk modules described below.

The main changes in the SCR since 20 February 2020 reflect the following factors.

Underwriting risk

SCR underwriting risk capital is made up of three elements, premium risk, reserve risk and catastrophe (CAT) risk. Premium risk is based on the higher of either the expected value of net premiums over the next 12 months or the value of net premiums earned over the last 12 months. Reserve risk is based on the valuation of net technical (claims) provisions. CAT risk is calculated using a prescribed scenario-based approach of one of the Association's insured vessels being involved in a collision resulting in a maximum possible loss.

Since the calculation was performed last year the premiums and reserves have increased, Net of Reinsurance. This in turn increases the SCR Premium and Reserve Risk charge by USD19.2m. CAT risk has also increased.

Overall, SCR underwriting risk capital has increased by USD23.7m which represents a 18% increase.

Market risk

Market risk is driven by a combination of market risk drivers - interest rate risk, equity risk, currency risk, spread risk and concentration risk.

The increase in overall market risk, of USD24.5m, is predominantly driven by an increase in currency risk of USD20.1m. This is due to a significant increase in GBP denominated corporate bond holdings over the year.

Other significant changes are an increase in equity risk of USD8.5m, primarily due to an increase in the EIOPA symmetric adjustment (which is a prescribed factor that is intended to reflect greater risk once equity returns have recently risen). This is offset by a decrease in concentration risk of USD9.2m.

Overall, SCR market risk capital has increased by 22% which equates to USD24.5m.

Counterparty default risk

Counterparty default risk capital requirement has had a small decrease of USD4.3m in the past 12 months.

Operational risk

There has been a increase of USD2.9m in the operational risk charge since last year due to an increase in Gross technical provisions.

Overall movement

Overall, the SCR has seen a year on year increase of USD36.9m, from USD261.2m to USD298.1m.

8.3 Minimum Capital Requirement (MCR)

The MCR calculation is based on the net value of technical provisions as at the valuation date, 20 February 2021 and the net retained premiums in the last 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. The MCR as at 20 February 2021 was USD74.5m, up from USD67.5m last year, reflecting higher net technical provisions and higher net retained premiums.

8.4 The Group's overall capital position

The following table shows the Group's capital position in relation to the SCR and the MCR at 20 February 2021.

	SCR USD'm	**MCR USD'm**
Capital requirement	298.3	74.5
Basic own funds available	435.5	435.5
Ancillary own funds	129.5	-
Total own funds	**565.0**	**435.5**
Headroom	266.7	361.0
Solvency ratio	**189.4%**	**584.4%**

By reference to the SCR and MCR, the Group's own funds substantially exceed the capital requirements. By these measures, the Group remains in a satisfactory capital position.

The Group has fully complied with the SCR and MCR requirements during the period under review. The calculation of the SCR and MCR is subject to supervisory assessment and may change following the review of the SCR and MCR calculation by the Regulator. Furthermore, the PRA, as Group Supervisor, has made use of an option not to require entities in its jurisdiction to disclose capital add-on (if any) during a transitional period ending 31 December 2020. No such capital add-ons have been notified to the Group.

Appendices

Appendix 1 – Risk Appetite Statements and Metrics

No	Appetite Statement	Metric
1.	The Group will maintain a strong balance sheet, supporting an "A" rating by Standard and Poors.	"A" rating from S&P maintained.
		ECB +5%/- 20% projected to be maintained over 3 years and risk capital is allocated to risk categories in agreed proportions.
		Insurance Risk > 50% of pre-diversified ECB.
		Market Risk < 40% of pre-diversified ECB.
		Credit Risk < 15% of pre-diversified ECB.
		Operational Risk < 10% of pre-diversified ECB.
		Validation routine concludes that ECB and SCR accuracy within tolerance.
		The undiversified Group SCR can be met by the Own Funds, excluding the Ancillary Own Fund modification.
2.	The Group will avoid unbudgeted supplementary calls by managing the consequences of claims, expense and investment volatility.	Estimated Total Call (ETC) and expected investment return for prospective year gives at least 70% confidence of meeting total net claims and planned expense.
		>90% confidence that aggregate net reserves will be sufficient to extinguish liabilities.
		90% (1 in 10) Value at Risk (VaR) over one year from investments will be < 50% of the current Investment Reserve.
		No reasonable operational risk scenario >USD20m at 99.5% confidence for a single year.
		No disputed or missed reinsurance claims.
3.	The Group will always be able to meet its liabilities as they fall due.	Liquid assets greater than stressed cash outflow scenario.
		Average duration of matching portfolio within 0.5 years of liability duration.
4.	The Group will design or source insurance products that meet the needs of its Members and ensure that Members are treated fairly.	All required Member visits have taken place
		No more than 2 complaints relating to product offering or good faith of the Association in rolling 12 months
5.	The Group will deliver a top quality service to its Members and operate in accordance with market standards of good practice.	Service standards that are within the Managers' control meet the required levels.
		The same Compliance Dashboard item is not permitted to remain at Red status beyond a single quarter
		BCP agreed in last 15 months and key components tested in last year.
		Underwriting peer review performed for all Members.
		The same material control is not permitted to remain ineffective beyond a single quarter
6.	The Group will conduct its business in a manner that meets regulatory expectation and is consistent with the Mission Statement and Standards of Business Conduct Policy.	All employees have completed mandatory online training, including training that outlines staff regulatory and statutory responsibilities.
		Responsibilities for statutory and regulatory compliance at group and regional levels is clearly assigned to relevant leadership.
		Appropriate measures are in place to minimise financial crime incidents, reflecting the nature, scale and complexity of the Association.

		No known breaches of expected behaviours, including no whistle-blowing allegations and no adverse employee feedback.
7.	The Group will ensure that its business model remains sustainable for the future benefit of Members.	<50% of Senior Management Function and Certification Function roles due to retire in coming 3 years.
		IG commercially sustainable over 10 year period (CoR<95%).
		Britannia's average expense ratio as calculated for IG comparison is less than < peers.
		Mutual tonnage >90% of 20 Feb pm average for last 5 years.
		Average Combined ratio (based on original call) over 10 years <100%.
		No country >25% of tonnage without Board approval.
		No Britannia share of a shipping sub-sector >5% above benchmark for world fleet without Board approval.
		No broker produces >17.5% of total mutual tonnage without appropriate Board approval.

Appendix 2 – The Group's capital resources and requirements on a solo basis

In accordance with Article 256 of Directive 2009/138/EC, the Group applied for, and received, approval to publish a single group SFCR. As is clear from the operating structure, the Group is not a group in the conventional sense with subsidiary business units writing third party business.

The Group operates with a single book of business only, split 10%/90% by way of a quota share agreement. As part of its ORSA process the Group assessed the risks and solvency requirements of the Britannia and Britannia Europe on a solo basis as well as at the level of the group. In endeavouring to develop a robust and comprehensive approach to the ORSA process, management looked from a number of different angles at how the Club's group risks might deviate from the solo risks. With each approach taken, however, the conclusion reached was that its risks and solvency needs on a solo basis were in all respects the same as those at the level of the group.

Britannia and Britannia Europe's own funds, SCR and MCR at 20 February 2021 on a solo basis are set out in the tables below.

At 20 February 2021, the Associations (on a solo basis) held the following own funds.

	20/02/2021 USD'm	
	Europe	**UK**
Income and expenditure account	138.0	17.9
Investment reserve	7.6	0.0
Total resources	**145.6**	**17.9**
Solvency II adjustment	225.4	(4.4)
Basic own funds	**371.1**	**13.6**
Ancillary own funds	72.8	4.9
Total own funds	**443.8**	**18.5**

Britannia has approval from the PRA for Ancillary Own Funds (AOF) of USD129.5m and Britannia Europe has approval from the CAA for AOF of USD135.0m. For Britannia this is calculated as the lower of USD129.5m or 50% of its SCR and for Britannia Europe it is calculated as the lower of USD135.0m or 50% of its SCR. Therefore for the purposes of the solo total own funds calculation, AOF is limited to 50% of the Solo SCR.

Solvency Capital Requirement (SCR) – solo Basis

The following table shows an analysis of the Association's SCR on a solo basis split by risk modules at 20 February 2021.

	20/02/2021 USD'm	
Heads of risk	**Europe**	**UK**
Underwriting risk	22.7	2.4
Market risk	94.9	1.4
Counterparty default risk	32.7	5.5
Operational risk	27.3	2.3
Aggregate SCR	**177.6**	**11.6**
Correlation credit	(32.1)	(1.8)
Aggregate SCR net of correlations	**145.5**	**9.9**

Minimum Capital Requirement (MCR)

The MCR calculation is based on the net value of technical provisions as at the valuation date, 20 February 2021 and the net retained premiums in the last 12 months. The result of the calculation is then subject to a floor and a cap, of 25% and 45% of the SCR respectively. The MCR as at 20 February 2021 was USD36.4m on a solo basis for Britannia Europe and USD4.4m for Britannia.

The Associations' overall capital position – solo basis

The following table shows the Associations' capital position on a solo basis in relation to the SCR and the MCR at 20 February 2021.

	Europe		**UK**	
	SCR USD'm	**MCR USD'm**	**SCR USD'm**	**MCR USD'm**
Capital requirement	145.5	36.4	9.9	4.4
Basic own funds available	370.4	370.4	13.6	13.6
Ancillary own funds	72.8	-	4.9	-
Total own funds	**443.2**	**406.8**	**18.5**	**18.0**
Headroom	297.7	370.4	8.6	13.6
Solvency ratio	**304.6%**	**1118.4%**	**187.6%**	**405.7%**

Appendix 3 – Group SFCR reporting templates

General information

Participating undertaking name	The Britannia Steam Ship Insurance Association Limited
Group identification code	2138008W3W8AI6C92J10
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	20 February 2021
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	798,299
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	155,185
R0110	*Equities - listed*	155,185
R0120	*Equities - unlisted*	0
R0130	*Bonds*	219,451
R0140	*Government Bonds*	219,451
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	423,663
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	533,281
R0280	*Non-life and health similar to non-life*	533,281
R0290	*Non-life excluding health*	533,281
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	7,393
R0370	Reinsurance receivables	46,358
R0380	Receivables (trade, not insurance)	949
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	175,738
R0420	Any other assets, not elsewhere shown	803
R0500	**Total assets**	1,562,819

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,109,166
R0520	*Technical provisions - non-life (excluding health)*	1,109,166
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	1,015,075
R0550	*Risk margin*	94,092
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	17,342
R0830	Reinsurance payables	-628
R0840	Payables (trade, not insurance)	1,410
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	1,127,289
R1000	**Excess of assets over liabilities**	435,530

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business						200,086											200,086
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share						69,798											69,798
R0200	Net						130,288											130,288
	Premiums earned																	
R0210	Gross - Direct Business						200,086											200,086
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share						69,798											69,798
R0300	Net						130,288											130,288
	Claims incurred																	
R0310	Gross - Direct Business						229,689											229,689
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share						127,332											127,332
R0400	Net						102,357											102,357
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net						0											0
R0550	**Expenses incurred**						62,900											62,900
R1200	**Other expenses**																	
R1300	**Total expenses**																	62,900

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			DK	ES	DE	GR	JP	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	79,987	19,294	19,294	10,685	18,277	34,594	182,131
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	27,902	6,730	6,731	3,727	6,376	12,068	63,534
R0200	Net	52,084	12,563	12,564	6,958	11,901	22,527	118,596
	Premiums earned							
R0210	Gross - Direct Business	79,987	19,294	19,294	10,685	18,277	34,594	182,131
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	27,902	6,730	6,731	3,727	6,376	12,068	63,534
R0300	Net	52,084	12,563	12,564	6,958	11,901	22,527	118,596
	Claims incurred							
R0310	Gross - Direct Business	91,821	22,148	22,149	12,266	20,981	39,713	209,078
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	50,902	12,278	12,279	6,800	11,631	22,015	115,906
R0400	Net	40,919	9,870	9,870	5,466	9,350	17,697	93,172
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	25,145	6,065	6,065	3,359	5,746	10,875	57,256
R1200	**Other expenses**							
R1300	**Total expenses**							57,256

S.23.01.22

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Basic own funds before deduction for participations in other financial sector					
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	435,530	435,530			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	435,530	435,530	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	129,500			129,500	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	129,500			129,500	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	565,030	435,530	0	129,500	0
R0530	Total available own funds to meet the minimum consolidated group SCR	435,530	435,530	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	565,030	435,530	0	129,500	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	435,530	435,530	0	0	
R0610	**Minimum consolidated Group SCR**	74,520				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	584.44%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	565,030	435,530	0	129,500	0
R0680	**Group SCR**	298,304				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	189.41%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	435,530
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	435,530
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	137,287		
R0020	Counterparty default risk	62,186		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	156,035		
R0060	Diversification	-87,656		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	267,851		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	30,452
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	298,304
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	298,304
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	74,520
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	298,304

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	2138008W3W8AI6C92J10	LEI	The Britannia Steam Ship Insurance Association Limited	Non life insurance undertaking	Insurance company limited by guarantee	Mutual	Prudential Regulation Authority
2	BM	R4BRPLIC21EOWRHFY964	LEI	Universal Shipowners Marine Insurance Association Limited	Reinsurance undertaking	Reinsurance company limited by shares	Non-mutual	Bermuda Monetary Authority
3	LU	222100SG9GALSL8L5R29	LEI	The Britannia Steam Ship Insurance Association Europe	Non life insurance undertaking	Insurance company limited by guarantee	Mutual	Commissariat aux Assurances
4	BM	549300RLX1HXJUXV0R14	LEI	Hydra Insurance Company Limited - Britannia Cell	Reinsurance undertaking	Reinsurance company limited by shares	Non-mutual	Bermuda Monetary Authority

S.32.01.22

Undertakings in the scope of the group

					Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	2138008W3W8AI6C92J10	LEI	The Britannia Steam Ship Insurance Association Limited		100.00%		None	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	BM	R4BRPLIC21EOWRHFY964	LEI	Universal Shipowners Marine Insurance Association Limited	100.00%	100.00%	100.00%	None	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	LU	222100SG9GALSL8L5R29	LEI	The Britannia Steam Ship Insurance Association Europe		100.00%		None	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	BM	549300RLX1HXJUXV0R14	LEI	Hydra Insurance Company Limited - Britannia Cell	100.00%	100.00%	100.00%	None	Dominant	100.00%	Included in the scope		Method 1: Full consolidation