



The Britannia Steam Ship Insurance Association Holdings Limited

Annual Report and Financial Statements

20 February 2022

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Information on the Company:

Registered Office The Britannia Steam Ship Insurance Association Holdings Limited
 Regis House
 45 King William Street
 London EC4R 9AN

Registered in England and Wales No 11686576

Managers Tindall Riley (Britannia) Limited
 Regis House
 45 King William Street
 London EC4R 9AN

Tel: +44 (0) 20 7407 3588

Statutory Auditor Deloitte LLP
 1 New Street Square
 London EC4A 3BZ

Directors

The persons who held office as Directors during the financial year are listed below:

A J Firmin (Chairman)
S-C Lan
L Martel
C Munch (appointed 11 May 2021)
B T Nielsen (resigned 18 May 2022)
N J Nolan (resigned 20 February 2022)
M Rothkopf
R Sadler (appointed 18 May 2022)
D F Saracakis
E Verbeek
X Villers
J Warwick
A J Cutler
M R A Hall (appointed 1 May 2021)
J P Rodgers (resigned 1 May 2021)

Secretary J A Young

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 20 February 2022.

The Group is defined as The Britannia Steam Ship Insurance Association Holdings Limited (Britannia Holdings) and its two principal subsidiaries The Britannia Steam Ship Insurance Association Limited (Britannia) and The Britannia Steam Ship Insurance Association Europe (Britannia Europe). The indirect subsidiaries included in the Group are Universal Shipowners Marine Insurance Association Limited (USMIA), Hydra Insurance Company Limited - Britannia Cell (Hydra) and Boudicca Insurance Company Limited (Boudicca).

Review of the year

The Group underwriting result was a loss again this year with net claims incurred in excess of net earned premiums. It was noted in last year's financial review that repeated losses are not sustainable over the longer term. The increase in Estimated Total Call (ETC) for the 2022/23 renewal was a step towards correcting this position.

Calls and premiums were higher than in the prior year, at USD216.9m compared with USD200.1m. There was no general rate increase at the 2021/22 renewal, but individual Members' rates were adjusted to reflect their claims record and risk profile where necessary. Reinsurance costs were higher, mainly due to restructuring and enhanced cover under the Group's non-pool programme.

Claims incurred in the financial year were significantly higher than the prior year. Retained claims in 2021/22 at the 12-month stage were estimated to cost USD143.9m (slightly higher than the USD136.6m at the corresponding period for the 2020/21 policy year). 16 of the retained claims are estimated to exceed USD1m each, with a current aggregate cost of USD46.4m (in contrast to the 20 claims totalling USD63.4m for the prior year at the same stage). Pool claims stand at a record high of USD487.0m at the 12-month stage (just up on the USD478.1m for the prior year, although 2021/22 has seen 11 Pool claims across the International Group (IG) compared to 20 last year). Releases from claims provisions for prior years amounted to USD45.4m

Operating costs were up at USD39.1m. Most of the Group's operating costs are in GBP and its strengthening against USD in the year has driven 40% of the increase. The remaining increase in operating costs is due to a higher management fee on increased tonnage reflecting growth in the Group's membership.

The Group's investment portfolio performed well, although the fourth quarter saw some of the gains coming off due to concerns about inflation, rising interest rates and finally Russia's stance towards Ukraine (since the year end Russia has invaded Ukraine, causing further market declines). By year end, the overall return on investments was 1.7% (USD16.0m). The best performing asset classes were equities, which returned 8.6%, and the diversified growth fund, which returned 2.4%. The remaining asset classes were all broadly flat.

On 19 October 2021, the Board agreed a further capital distribution of USD25.0m to Members with mutual P&I tonnage on risk at that date. This brings the total distribution to USD120.0m since May 2017 and demonstrates how the Group continues to use its financial strength for the benefit of Members.

In October 2021, Standard & Poor's confirmed the Group's credit rating as A (Strong) but assigned a negative outlook, referring to large Pool claims and the need to raise rates, both being challenges for all IG Clubs. S&P now has placed eight out of the 13 IG Clubs on negative outlook and has downgraded one IG club. The negative outlook for the Group is being addressed, starting with the announced 12.5% target increase in ETC at the 2022/23 renewal.

Developments within the Group

Whilst not fully behind us, Brexit is essentially 'done' for the Group. Phase one saw 80% of our business being written by Britannia Europe, domiciled in Luxembourg and regulated by the Commissariat aux Assurances (CAA), from 20 February 2021. The 20% balance was our Japanese business, which transferred to Britannia Europe at the 20 February 2022 renewal. All of our business is now insured by Britannia Europe, which has also taken on all of the prior year liabilities (as well as all of the assets) of Britannia. For most Members, the change was seamless, which is a credit to everyone who worked on this five year long project following the UK's Brexit vote in June 2016.

2022 will see some simplification of our corporate structure. We will also apply for Britannia to be de-authorised as an insurance provider but we will preserve the company to maintain our heritage of Trusted Since 1855. Again, this will be seamless for Members but is intended to ensure continued operating efficiencies. We will report further on this to Members during 2022/23.

Within the Group, we continue to grow, standing at a record combined 208.0m gt tonnage (134.5m gt owned and 73.5m gt chartered tonnage). We remain proud of the service we provide to Members and are grateful to them for entrusting their ships with us. We appreciate that a request for higher premium is rarely welcomed, but the review of the year above explains why our premium base had to be moved towards a more sustainable footing.

STRATEGIC REPORT (continued)

Developments within the Group (continued)

The Group's growth has seen expansion in all parts of the business and all of its branches and regional offices, including in claims, loss prevention and underwriting (as well as in key support functions such as finance, actuarial, internal audit and risk & compliance). Approximately one third of our colleagues are now based outside London in our branches and regional hubs. Between them, our colleagues speak 17 languages and, when combined with our Exclusive Correspondents, we span all time zones. Our global reach but local service, has proved its worth over the past two years; in particular it has been invaluable when dealing with casualties where the incident, Members' HQ and crises management spanned multiple time zones.

Within the Managers, we have a new CFO, Richard Heppell, who we welcome to our management team. Changes within the Board are set out in the Report of the Directors. It is however, appropriate, that we again note the departure of Bruce Nielsen and express our thanks for his many years of service to the Group, especially as chair of the Risk & Audit Group (RAG).

Key performance indicators

The Board's priority is to maintain its financial strength. As such its only key performance indicator is the capital strength rating which underpins the Group's S&P rating which requires the Group to maintain capital and reserves at the required AAA level. At its most recent review in October 2021 S&P maintained the Group's A rating but the outlook was revised to negative. However, as part of the rating revision S&P still allocated a AAA capital strength rating to the Group and this has been maintained since the Group was first rated by S&P in 2014. As part of the recent rating action taken by S&P, the board of directors have already taken steps to address the revision of the outlook by reviewing the underwriting requirements of the Group and increasing rates to return the Group to a breakeven underwriting position over the capital planning period.

Regulation

Britannia Europe is authorised by the Luxembourg Minister of Finance and regulated by the CAA.

Britannia is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA in the UK. Following the completion of the Part VII transfer to BE, Britannia will be de-authorised in 2022.

Britannia Europe has licensed branches in Hong Kong (regulated by the Hong Kong Insurance Authority), Singapore (regulated by the Monetary Authority of Singapore) and Japan (regulated by the Japanese Financial Services Agency).

Principal risks and uncertainties

The Group's risk management frameworks are documented in a set of risk management policies approved by the respective Boards. The basis of the frameworks are seven risk appetite statements, to each of which are attached a number of risk outcomes. These in turn link to the Group's risk register, which record all the individual risks that have been identified as posing a threat to the achievement by the Group of their planned strategic objectives. These risks are monitored on a quarterly basis by the boards of the Managers, which prepare a report on risk management for the RAGs. The risk management frameworks consider risks under a number of headings, which together with a summary of the Group's risk mitigation approach, are set out below.

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

Reinsurance is another important method for the management of insurance risk. The Group participates in the IG pooling arrangement, by which individual claims above USD10m are pooled (and reinsured above USD100m through the GXL reinsurance programme). Judicious use of reinsurance is also made in respect of chartered and non-poolable risks and other specific risks where additional protection is appropriate and provides value.

Market risk refers to the risk of losses on the Group's investment portfolios, arising from fluctuations in the market value of the underlying investments. The Group has a clear investment strategy, which is reviewed regularly and is consistent with the prudent person principle. The strategy is to match insurance liabilities in terms of currency and duration with high quality fixed-interest government securities, to hold an appropriate low risk buffer and to hold an appropriate spread of growth assets. The expected investment return included in business plans, called the Long Term Investment Return (LTIR), is set having regard to long-term trends in performance for the asset classes in which the Group is invested and taking the opinion of the Group's investment adviser into consideration. A value-at-risk measure is also used to monitor the potential volatility in return.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

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

Liquidity risk refers to the possibility of the Group having insufficient cash available to settle claims and other liabilities as they fall due. The Group prepares cash-flow forecasts in order to manage likely cash requirements, based on known liabilities but leaving a prudent margin for unexpected commitments. Significant cash balances are maintained so that there are always adequate funds available to pay claims as required. In addition, the investment strategy requires substantial holdings in cash funds, which are available at very short notice and can be used to augment cash balances should the need arise.

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

Economic and regulatory capital

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

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

The Group uses the standard formula for the calculation of the Minimum Capital Requirement (MCR) and the SCR at both solo and group level, and there are established procedures to ensure that the assumptions underlying the standard formula are appropriate for the Group's business. The Group's most recent Solvency and Financial Condition Report (SFCR) is available on its website. The Group complies with all local regulatory reporting requirements in respect of their licensed branches.

Sustainability

We are continuing to develop the Group's approach to sustainability. Key to this is recognising our role as a mutual insurer and the need to respond to our Members' demands for first class P&I and FD&D insurance, whilst balancing that against increasing regulatory requirements as well as social expectations that the Group evidences its Environmental, Social and Governance (ESG) credentials. This has seen sustainability become embedded into our corporate governance, being a regular report item at the Group's Members' Representative Committee (MRC) as well as at its Board, RAG and Investment Group.

2021 saw the Group issue its first Sustainability Report. Since then we have focused on:

1. Setting realistic and achievable targets, evidencing our commitment to sustainability. That work will be reflected in our 2022 report, which will detail the steps taken over the past year;
2. Assisting our Members and the wider shipping community, who we appreciate will have materially different approaches and needs for this challenging issue. We have therefore published a pro forma sustainability report template, which any party is free to use, always bearing in mind their own regulatory and local governance regime. The template can be found on the Group's website: <https://britanniapandi.com/wp-content/uploads/2022/02/Britannia-Sustainability-Template-Feb-2022a.pdf>; and
3. Supporting the work of the IG, under the banner Collectively Stronger. That work will see the IG during 2022 issue its own Sustainability Report, which highlights the IG's benefit to world trade and, as such, support for many of the 17 UN Sustainability Development Goals. The IG's work includes (i) enhancing the health and safety of seafarers (which became even more fundamental during the Coronavirus pandemic); (ii) casualty response, in particular to minimise the adverse impact of any marine incident; and (iii) ensuring a sustainable and responsive reinsurance programme (through pooling up to USD100m and the Group Excess of Loss Programme up to USD3.1bn) which allows for cost effective high levels of cover that underpin the ability, when required, to compensate third parties if there is a maritime accident.

STRATEGIC REPORT (continued)

Statement of Compliance with Section 172(1) of the Companies Act 2006

Section 172(1) of the Companies Act 2006 requires the directors to act in the way most likely to promote the success of the Group for the benefit of the Members as a whole and in doing so to have regard particularly to six main areas:

- The likely consequences of any decision in the long term;
- The interests of employees, which in the case of the Group relates to those employed by the Group's Managers;
- The need to foster business relationships with suppliers, customers and others;
- The impact of the operations of the Group on the community and the environment;
- The desire to maintain a reputation for high standards of business conduct; and
- The need to act fairly as between the Members of the Group.

The Group's key stakeholders are the Members, who comprise the shipowners and charterers who have ships entered with the Group. The Group's corporate governance structure, explained in detail in note 16, includes the MRC, which includes representatives drawn from the Group's shipowner Members. The MRC allows wide engagement with the membership on the impacts of the main decisions of the Boards, which include call setting, capital distributions and investment strategy. The Board and MRC discussions in October 2021 on the level of rate increase required to achieve long-term underwriting breakeven was conducted alongside discussion of a capital distribution to ease the Members' financial burden.

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

The other principal stakeholders that have been identified by the Board are the Managers, Tindall Riley & Co Limited (TRC), their employees worldwide, who carry out all the day to day operational and management functions of the Group and the exclusive and local correspondents. The Group has built strong relationships with these stakeholders over the years. In particular, the average length of the current membership is approximately 24 years, and the partnering relationship with the exclusive correspondents goes back in some cases over generations.

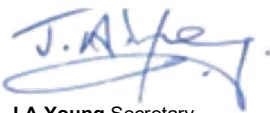
The relationship between the Group and the Managers, which dates back over 167 years, is symbiotic, in that the success of one is inextricably linked to the success of the other. Decisions taken by the Board that directly impact the Managers, such as the amount of the management fee, take full account of this relationship, having regard to service levels and accountability.

The Group has a robust ESG policy, which is used to assess the impact of the Group's operations on the communities in which it operates and on the wider environment. It includes an assessment of the likely effects of political and climate change. In July 2021 the Group published its first Sustainability Report that sets out its approach to sustainability and how that is being embedded into the Group's strategy and core processes. Further information is contained in the Sustainability section on page 4.

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

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

By Order of the Board



J A Young Secretary

Date: 27 September 2022

REPORT OF THE DIRECTORS

The Board of Directors present their Report, together with the Financial Statements for the year ended 20 February 2022.

Activities

The principal activities of the Group during the year were the insurance and reinsurance of the risks of Protection and Indemnity (Class 3) and Freight, Demurrage and Defence (Class 6).

Financial performance

The Directors are satisfied with the performance as stated on page 2.

Auditors

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

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

It is the intention of the directors to reappoint the auditors, Deloitte LLP, under the deemed appointment rules of Section 487 of the Companies Act 2006.

Financial instruments

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

Carbon reporting

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

Future developments

Future developments in the business of the Group are discussed in the Strategic Report.

Directors

The persons who held office as Directors during the financial year are listed below:

A J Firmin	(Chairman)
S-C Lan	
L Martel	
C Munch	(appointed 11 May 2021)
B T Nielsen	(resigned 18 May 2022)
N J Nolan	(resigned 20 February 2022)
M Rothkopf	
R Sadler	(appointed 18 May 2022)
D F Saracakis	
E Verbeeck	
X Villers	
J Warwick	
A J Cutler	
M R A Hall	(appointed 1 May 2021)
J P Rodgers	(resigned 1 May 2021)

Going concern

In accordance with the requirements of Financial Reporting Standard 102, the Board of Directors has assessed the Group's ability to continue as a going concern.

The Group's financial position, its cash flows and liquidity position all form part of these financial statements. Principal risks and uncertainties are set out in Note 16 to the Financial Statements and include reference to the Group's objectives for managing capital in line with its financial risks as set out in its SFCR.

REPORT OF THE DIRECTORS (continued)

Going concern (continued)

The Group's most recent ORSA was completed during November 2021. An important component of the ORSA process is an assessment of the Group's projected future SCR and its projected own funds available to meet its SCR. These forward-looking assessments project the Group managing its risks successfully and maintaining sufficient financial resources to meet its SCR over the period assessed.

The Group is exposed to a number of financial risks, as set out in Note 16 to the Financial Statements, which could negatively impact future operating performance and financial strength. Events currently unfolding in Ukraine have contributed to what was already an elevated level of volatility in financial markets, but to date have not led to an escalation in claims activity. The Group's Capital Management Plan lists potential management actions for the Board to consider if there is ever a need to remedy a future capital deficiency. One potential management action is for the Board to exercise its contractual right, as a mutual organisation, to set Supplementary Calls on the Mutual Members.

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and for at least 12 months from the date when these financial statements were approved and signed. Accordingly, the Board considers it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Research and development activities

During the financial year the IT upgrade was completed and the new policy management system is now in full use. Further disclosure on the expenditure can be found in note 14 of these financial statements.

Subsequent events

There are no subsequent events which require adjustment or disclosure in the financial statements as further evidenced in note 22 of the Financial Statements.

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

By Order of the Board



J A Young Secretary

Date: 27 September 2022

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

- select suitable accounting policies and apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and to
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of The Britannia Steam Ship Insurance Association Holdings Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 20 February 2022 and of the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and Financial Reporting Standard 103 "Insurance Contracts"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income and expenditure account;
- the consolidated and company statement of financial position;
- the consolidated statement of cash flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and Financial Reporting Standard 103 "Insurance Contracts".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 confirm that the non-audit services prohibited by the FRC Ethical Standard were not provided to the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• Technical provisions – valuation of IBNR claims
Materiality	The materiality that we used for the group financial statements was \$13m which was determined on the basis of 2.2% of Net Assets.
Scoping	The audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the financial performance of Britannia Holdings, including investment holdings, cash position, technical provision reserves and net asset positions, by performing a comparison analysis of the current year versus prior year year-end positions;
- Evaluating management's reverse stress testing within their Group Solvency Self Assessment;
- Evaluating management's forecasts for reasonableness, including assessing the assumptions underpinning that forecast and management's historical forecast accuracy;
- Considering post-year-end results to assess whether there are any material changes from the audited accounts, which might impact going concern; and
- Assessing the appropriateness of the going concern disclosure in the financial statement.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Technical Provisions – valuation of IBNR

Key audit matter description

Refer to Notes 2, 3 and 7 to the financial statements for further information on this key audit matter.

We have identified the valuation of the technical provisions \$1,051m (2021: \$1,221m) as our key audit matter since reserving inherently involves a great deal of uncertainty and judgement in the selection of key methodologies and assumptions relating to the frequency and severity of claims.

The technical provisions also contain classes of latent claims, with particular area of significant interest pin-pointed to Mesothelioma-related claims. These classes include claims from members in respect of asbestos exposure-related cancer and health complications of passengers and mariners. This type of claim often presents long tail risks and thus claims development and the selection of assumptions relating to the frequency and severity of claims requires consideration of the expected future claims experience over more than a decade, which increases the uncertainty in reserving.

How the scope of our audit responded to the key audit matter

We have performed the following procedures to address this key audit matter:

- We performed a walkthrough of the process and controls over the reserving cycle, and obtained an understanding of these controls.

We involved our actuarial specialists in performing the below procedures:

- Inspected and challenged the Britannia methodology, by evaluating consistency to prior year.
- Performed a graphical analysis of management's selected ultimate claims for P&I Retained compared to historical paid and incurred claims development trends.
- Challenged the key actuarial assumptions (frequency and severity of claims), underlying management's approach to reserve estimates for the most recent policy year, in relation to the historical data and past performance by:
 - using our in-house reserving software to help us assess the Group's response to emerging claims trends for the % developed.
 - conducting sensitivity testing on assumptions.
- Challenged the consistency of the prudence margin within the reserves year on year.
- For latent claims, we also challenged management on their approach and consideration of emerging market factors, and assessed the reasonableness of management assumptions with regard to the expected future curve of reported claims, including variation to prior periods and to baseline market models.
- We also performed further audit procedures on testing the key data underlying the technical reserve balance by:
 - Agreeing policy and claims data to underlying accounting records; and
 - Assessing the reserves booked by management with the involvement of our actuarial specialists.

Key observations	Based on the work performed, we have determined that the valuation of IBNR reserves were reasonable albeit at the prudent end of a reasonable range and the level of prudence in the reserves is broadly consistent with the prior year.
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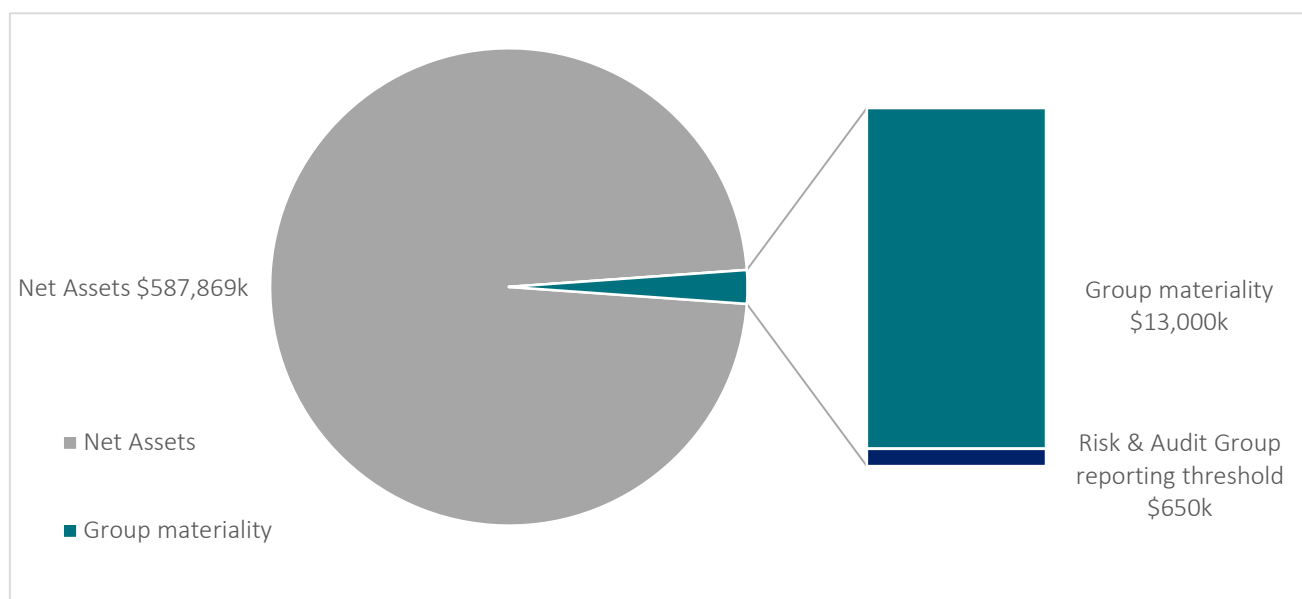
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group Financial statements	Single Entity financial statements
Materiality	\$13m	\$615k
Basis for determining materiality	2.2% of Total Equity/Net Assets	3% of Total Equity/Net Assets
Rationale for the benchmark applied	Deloitte deemed the key metric of interest to the readers of Britannia's financial statements to be their net asset position due to its relevance in the ability to meet claims as and when they fall due.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% of group materiality	65% of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: 1. Our risk assessment, including our assessment of the group's overall control environment; and 2. Our review of the prior year audit file and a history of low number of corrected and uncorrected misstatements.	

6.3. Error reporting threshold

We agreed with the Risk & Audit Group that we would report to the Group all audit differences in excess of \$650,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Risk & Audit Group on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

The scope of our audit work was determined by obtaining an understanding of the group and its environment and assessing the risks of material misstatement at the group level. The audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team for all material components of the Group.

The Group consists of Britannia Holdings, Britannia Europe, Britannia UK, USMIA and Boudicca. We conduct full scope audit procedures for all of these components. Component materiality has a range of \$8.4m to \$615k.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit and the Risk & Audit Group about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including involving relevant internal specialists, including IT and actuarial specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: Technical provisions - valuation of IBNR with a particular significant risk pin-pointed to latent claims centred around Mesothelioma and Asbestos exposure-related claims. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the regulatory solvency requirements and insurance regulation.

11.2. Audit response to risks identified

As a result of performing the above, we identified the Technical provision - valuation of IBNR as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Risk & Audit Group concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC / PRA and FCA;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Risk & Audit Group, we were appointed by the Board of Directors on 12 January 2021 to audit the financial statements for the year ending 20 February 2022 and subsequent financial periods.

14.2. Consistency of the audit report with the additional report to the Risk & Audit Group

Our audit opinion is consistent with the additional report to the Risk & Audit Group we are required to provide in accordance with ISAs (UK).

15. Use of our report

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



Colin Rawlings FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2022

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 20 February 2022

	Note	2022 USD('000)	Restated 2021 USD('000)
Technical account - general business			
Earned premiums, net of reinsurance			
Calls and premiums	4	216,931	200,086
Reinsurance premiums	5	(41,700)	(38,797)
		175,231	161,289
Allocated investment return transferred from the non-technical account		28,810	31,221
Total income		204,041	192,510
Claims incurred net of reinsurance			
Net claims paid	6	(188,238)	(188,637)
Change in provision for claims	7	23,350	27,961
Net claims incurred		(164,888)	(160,676)
Net operating expenses	9	(39,113)	(32,799)
Total expenditure		(204,001)	(193,475)
Balance on technical account		40	(965)
Non-technical account			
Balance on technical account		40	(965)
Investment income	10	38,471	61,734
Investment expenses		(2,208)	(2,371)
Unrealised (loss)/gain		(20,216)	16,788
Allocated investment return transferred to the technical account		(28,810)	(31,221)
Net (deficit)/surplus before taxation		(12,723)	43,965
Taxation	12	(1,227)	(1,514)
Net (deficit)/surplus after taxation		(13,950)	42,451

All amounts are derived from continuing operations. The notes on pages 18 to 40 form part of these financial statements. There are no recognised gains and losses other than those included in the consolidated income and expenditure account.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 20 February 2022

Assets	Note	2022 USD('000)	Restated 2021 USD('000)
Investments			
Financial investments	13	1,058,752	987,228
Intangible assets			
	14	6,925	6,234
Reinsurers' share of technical provisions			
Claims outstanding	7	296,761	442,665
Debtors			
Direct insurance operations - Members	18	103,716	75,153
Reinsurance operations	19	41,989	30,214
Taxation		-	949
Other debtors		15,007	-
		160,712	106,316
Other assets			
Cash at bank		163,591	324,637
Prepayments and accrued income			
Accrued interest		425	577
Other prepayments and accrued income		6,514	5,917
Total assets		1,693,680	1,873,574
Liabilities			
Reserves			
Investment reserve	20	142,763	157,440
General reserve	20	55,000	55,000
Income and expenditure account	20	390,106	414,379
		587,869	626,819
Technical provisions			
Gross outstanding claims	7	1,051,603	1,220,857
Creditors			
Direct insurance operations - Members		50,399	17,342
Taxation		-	796
Reinsurance operations		3,049	6,987
Other creditors		760	773
Total liabilities		1,693,680	1,873,574

The notes on pages 18 to 40 form part of these financial statements.



A J Firmin, Director



A J Cutler, Tindall Riley (Britannia) Limited

Date: 27 September 2022

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 20 February 2022

	2022 USD'(000)	Restated 2021 USD'(000)
Cash flows from operating activities		
Net (deficit)/surplus before tax	(12,723)	43,965
Adjustments for:		
Depreciation of intangible assets	865	693
Change in provision for claims (net of reinsurance)	(23,350)	(27,961)
(Increase)/decrease in insurance and other debtors	(55,790)	7,352
Increase in insurance and other creditors	29,106	11,064
Investment income	(16,047)	(76,151)
Cash from operations	(77,939)	(41,038)
Income taxes paid	(1,074)	(1,562)
Net cash utilised by operating activities	(79,013)	(42,600)
Cash flows from investing activities		
Purchase of intangible assets (software development)	(1,556)	(6,927)
Purchase of equities	(54,503)	(22,375)
Purchase of fixed interest investments	(260,040)	(174,456)
Sale of equities	58,329	62,944
Sale of fixed interest investments	145,102	181,815
Net change to deposits with credit institutions	50,545	38,128
Income from equity investments	3,245	3,255
Income from fixed income investments	3,223	4,854
Bank and other interest	1,191	7,291
Investment management expenses	(2,208)	(2,371)
Net cash from investing activities	(56,672)	92,158
Cash flows from financing activities		
Capital distribution to Members	(25,000)	(10,000)
Net cash from financing activities	(25,000)	(10,000)
Net (decrease)/increase in cash at bank	(160,685)	39,558
Cash at bank at the beginning of the financial year	324,637	280,011
Effect of foreign exchange rate changes	(361)	5,068
Cash at bank at the end of the financial year	163,591	324,637

The notes on pages 18 to 40 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 20 February 2022

Assets	Note	2022 USD'(000)	2021 USD'(000)
Investments			
Investment in Group undertakings	15	20,500	20,500
Total assets		20,500	20,500
Liabilities			
Capital and reserves			
Income and expenditure account		20,500	20,500
Total liabilities		20,500	20,500

The Britannia Steamship Insurance Association Holdings Limited (the Company) has taken advantage of the exemption in Section 408 of the Companies Act 2006 from presenting its own Statement of Comprehensive Income and related notes as it prepares consolidated accounts. The Company's surplus for the year ended 20 February 2022 was USD0m (2021 : USD0m).

The notes on pages 18 to 40 form part of these financial statements.

A J Firmin, Director

A J Cutler, Tindall Riley (Britannia) Limited

Date: 27 September 2022

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

Basis of preparation

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

Going concern

The Financial Statements have been prepared on a going concern basis. As set out more fully in the Director's Report, the board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and for at least 12 months from the date when these financial statements were approved and signed.

Statement of compliance

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

1 - General information

The Britannia Steam Ship Insurance Association Holdings Limited is a company incorporated in England and Wales. The address of the registered office is Regis House, 45 King William Street, London, EC4R 9AN. The nature of the Association's operations and its principal activities are set out in the Strategic Report on pages 2 to 5 of this publication.

2 - Accounting policies

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

Basis of accounting

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

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

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 20 February each year. Intra-group transactions, balances and gains and losses on intra-group transactions are eliminated upon consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Rates of exchange

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

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

2 - Accounting policies (continued)

Calls and premiums

Calls and premiums in respect of policies incepting prior to the statement of financial position date are shown gross of acquisition costs and net of returns and bad and doubtful debts. Majority of the insurance policies are coterminous with the Group's financial year, and the balance that is not immaterial and therefore no unearned premiums have been recognised at the year-end date. Reinsurance premiums are accounted for in the same accounting period as the direct insurance premium or calls to which they relate.

Acquisition costs

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

Claims paid

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

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

Claims outstanding

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

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

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

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

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

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

Investment return

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

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

2 - Accounting policies (continued)

Investment return (continued)

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

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

Allocation of investment return

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

Financial instruments

Non-derivative financial instruments are shown at current market value at the statement of financial position date. Non-derivative listed investments are stated at bid value.

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

Investment in Group undertakings

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

Intangible assets

The Group has chosen to apply FRS 102 to software development costs as they are directly attributable to bringing the computer system into working condition for use within the business and therefore classified as intangible assets and amortised on a straight-line basis over the estimated useful economic life. Amortization is recognised in the income and expenditure account. The useful life of the computer system has been determined as ten years by management which is the expected useful life of a computer system in the current changing technology environment.

Policy year accounting

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

Investments

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

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

Cash at bank

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

Taxation (current and deferred)

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

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

3 - Critical accounting judgements and estimation uncertainties

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amount that the Group will ultimately pay for such claims. Estimates are made of the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Group uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes that past trends can be used to project future developments. Refer to note 16 for disclosure on the sensitivities of these assumptions.

Consolidation of Boudicca (critical accounting judgement)

Management has always considered the relationship between the Group and Boudicca Insurance Company Limited (Boudicca) as key to the business of the Group. For the year ended 20 February 2022 they have reviewed the provisions of FRS102 section 9 with regard to whether Boudicca should be consolidated within the results of the Group.

The Group does not have a presence on the Board, however, Boudicca is owned by the Icen Trust (The Trust) a Bermuda purpose Trust. The purpose of The Trust is to hold and retain all of the shares in Boudicca and to promote and support its activities providing reinsurance to the Group. The Trust has no significant assets except the shares in Boudicca and no income other than dividends from Boudicca. Dividends from Boudicca have historically been paid to ensure the operating costs of The Trust only are covered and there is no indication that this will change. As a purpose Trust there are no beneficiaries, but any undisposed assets following the termination of The Trust will be distributed to charities in Bermuda. The directors anticipate that any such assets would only consist of surplus assets on the winding-up of Boudicca and these are not expected to be significant.

The Trust owns Boudicca as the sole shareholder and the Trustees of The Trust, an independent Trust Company in Bermuda have the power to appoint the directors of Boudicca. This constitutes control under FRS102. The Trust has Protectors in addition to Trustees and their role is to oversee the administration of The Trust by the Trustees, however they also have the power to appoint and remove the Trustees. Although this power has never been exercised, it constitutes control as defined in FRS102. The Protectors are up to 5 non-UK resident members of the Board of Britannia whose powers include appointing additional or successor Protectors. The relationship between the Protectors and Britannia is considered sufficient to constitute control within the definition of FRS102, even though the Group has not sought to exercise that control.

As a result of the review above the directors have concluded that the more appropriate treatment of Boudicca would be to consolidate within the results of the Group.

The prior period balances have been restated and the impact of the restatement is as follows:

	2021	
	USD'000	
	Restated	Original
Consolidated Income and Expenditure Account		
Reinsurance premiums	(38,797)	(69,798)
Net claims paid	(188,637)	(158,819)
Change in provisions for claims	27,961	40,562
Net operating expenses	(32,799)	(32,520)
Investment income	61,734	46,556
Investment expenses	(2,371)	(2,177)
Unrealised gain	16,788	14,591
Consolidated Statement of Financial Position		
Financial investments	987,228	818,815
Reinsurers' share of technical provisions outstanding	442,665	587,019
Debtors - reinsurance operations	30,214	46,358
Cash at bank	324,637	154,645
Other prepayments and accrued income	5,917	5,900
Capital and reserves	626,819	449,055
Other creditors	773	613

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

	2022 USD'(000)	2021 USD'(000)
4 - Calls and premiums		
Estimated total calls, advance calls and premiums		
2021/22 policy year	219,487	203,440
2020/21 policy year	(2,688)	(3,233)
2019/20 policy year	(59)	427
Closed years	379	32
	217,119	200,666
Deferred calls		
2020/21 policy year	-	439
2019/20 policy year	(187)	(1,016)
Closed years	(1)	(3)
	(188)	(580)
	216,931	200,086

All insurance transactions of the Group are transacted by the subsidiary entities of the Company and therefore no Company-only information is provided, as no such transactions are entered into by the Company. Other than calls and premiums of USD13.6m (2021 - USD10.7m), USD5.7m (2021 - USD5.2m) and USD27.4m (2021 - USD27.0m) written in Singapore, Hong Kong and Japan respectively all other business is written in Luxembourg (2021 - the UK). All calls and premiums written are in the Marine class of business.

	2022 USD'(000)	Restated 2021 USD'(000)
5 - Reinsurance premiums		
Group excess of loss	24,562	25,175
Other	17,138	13,622
	41,700	38,797

6 - Net claims paid		
Gross claims paid		
Members' claims	223,785	171,123
Share of Pool claims	37,060	64,656
	260,845	235,779
Recoveries on claims paid		
From the International Group excess of loss reinsurance	2,462	29
From the Pool	52,589	37,863
Other reinsurers	17,556	9,250
	72,607	47,142
	188,238	188,637

7 - Change in net provision for claims		
Claims outstanding		
Members' claims	870,717	1,029,818
Share of Pool claims	180,886	191,039
	1,051,603	1,220,857
Reinsurers' share of claims outstanding		
From the International Group excess of loss reinsurance	124,005	126,271
From the Pool	126,190	290,351
Other reinsurers	46,566	26,043
	296,761	442,665
Net claims outstanding carried forward	754,842	778,192
Net claims outstanding brought forward	778,192	806,153
Change in net provision for claims	(23,350)	(27,961)

Claims outstanding includes provision for IBNR claims which is set by reference to, amongst other factors, standard actuarial techniques and projections. The IBNR reserve includes an amount for Occupational Disease claims amounting to USD58.0 million (2021: USD68.5 million) on a gross and net basis. Occupational Disease claims have a significant latency period making them particularly uncertain for reserving purposes. The reserve has been set with reference to industry studies and the Association's historical experience. These studies include a projection of the number of deaths expected, the probability of claims being made and the expected cost of those claims.

Claim development tables

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

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	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)
Claim development tables (continued)										
Insurance claims - gross (Class 3 and Class 6)										
Estimate of ultimate claims cost attributable to the policy year										
End of reporting year	419,387	360,522	271,778	527,169	192,588	232,129	274,101	271,831	360,281	250,889
One year later	406,416	357,386	275,748	581,117	163,302	198,771	385,092	261,006	377,039	
Two years later	376,607	329,780	254,220	634,315	157,210	200,047	375,305	235,553		
Three years later	360,464	294,403	260,594	618,293	143,487	191,372	306,817			
Four years later	344,257	273,839	250,122	578,433	132,394	173,812				
Five years later	332,420	266,194	247,548	560,963	125,305					
Six years later	331,372	261,769	241,643	563,164						
Seven years later	317,659	259,007	214,856							
Eight years later	315,087	263,834								
Nine years later	313,064									
Current estimate of ultimate claims	313,064	263,834	214,856	563,164	125,305	173,812	306,817	235,553	377,039	250,889
Cumulative payments to date	312,544	228,018	169,885	442,041	107,377	134,458	207,528	148,232	160,126	65,381
Liability recognised in the consolidated statement	520	35,816	44,971	121,123	17,928	39,354	99,289	87,321	216,913	185,508
Total liability relating to the last ten policy years										848,743
Other claims liabilities										202,860
Total reserve included in the consolidated statement of financial position										1,051,603
Insurance claims - net (Class 3 and Class 6)	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated
Estimate of ultimate claims cost attributable to the policy year										
End of reporting year	336,153	315,776	241,357	273,333	189,297	223,316	247,407	247,003	254,580	235,260
One year later	325,453	291,876	222,557	257,142	156,222	195,302	254,848	238,593	266,274	
Two years later	295,003	269,276	201,707	247,529	152,022	196,152	244,761	223,206		
Three years later	279,303	257,826	198,457	231,842	136,872	186,995	233,811			
Four years later	263,653	239,726	186,557	200,442	126,512	173,745				
Five years later	251,653	235,326	184,405	191,135	121,112					
Six years later	242,303	228,426	179,396	191,401						
Seven years later	237,903	225,198	182,258							
Eight years later	235,870	220,698								
Nine years later	232,970									
Current estimate of ultimate claims	232,970	220,698	182,258	191,401	121,112	173,745	233,811	223,206	266,274	235,260
Cumulative payments to date	233,669	205,920	150,975	167,874	103,409	134,392	169,094	137,694	108,343	65,381
Liability recognised in the consolidated statement	(699)	14,778	31,283	23,527	17,703	39,353	64,717	85,512	157,931	169,879
Total liability relating to the last ten policy years										603,984
Other claims liabilities										150,858
Total reserve included in the consolidated statement of financial position										754,842

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20 February 2022

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)	USD'(000)
Claim development tables (continued)										
Insurance claims - gross (Class 3 P&I)										
Estimate of ultimate claims cost attributable to the policy year										
End of reporting year	408,322	352,130	263,676	519,176	185,309	225,542	266,341	263,805	352,578	242,694
One year later	398,351	350,194	267,646	573,915	157,798	192,934	376,333	253,890	369,022	
Two years later	369,292	323,588	246,568	627,913	150,906	194,360	366,533	228,526		
Three years later	353,649	288,561	253,492	612,191	137,333	184,542	297,495			
Four years later	337,792	268,197	243,420	572,331	126,300	167,532				
Five years later	326,355	260,352	240,998	555,068	119,211					
Six years later	325,457	256,127	235,202	557,403						
Seven years later	311,744	253,993	208,453							
Eight years later	309,205	258,820								
Nine years later	307,182									
Current estimate of ultimate claims	307,182	258,820	208,453	557,403	119,211	167,532	297,495	228,526	369,022	242,694
Cumulative payments to date	306,946	223,100	163,750	436,620	101,662	129,179	199,631	142,798	153,919	60,821
Liability recognised in the consolidated statement	236	35,720	44,703	120,783	17,549	38,353	97,864	85,728	215,103	181,873
Total liability relating to the last ten policy years										837,912
Other claims liabilities										197,538
Total reserve included in the consolidated statement of financial position										1,035,450
Insurance claims - net (Class 3 P&I)	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated
Estimate of ultimate claims cost attributable to the policy year										
End of reporting year	325,088	307,384	233,255	265,340	182,018	216,729	239,647	238,977	246,877	227,065
One year later	317,388	284,684	214,455	249,940	150,718	189,465	246,089	231,477	258,257	
Two years later	287,688	263,084	194,055	241,127	145,718	190,465	235,989	216,179		
Three years later	272,488	251,984	191,355	225,740	130,718	180,165	224,489			
Four years later	257,188	234,084	179,855	194,340	120,418	167,465				
Five years later	245,588	229,484	177,855	185,240	115,018					
Six years later	236,388	222,784	172,955	185,640						
Seven years later	231,988	220,184	175,855							
Eight years later	229,988	215,684								
Nine years later	227,088									
Current estimate of ultimate claims	227,088	215,684	175,855	185,640	115,018	167,465	224,489	216,179	258,257	227,065
Cumulative payments to date	228,071	201,002	144,840	162,453	97,694	129,113	161,197	132,260	102,136	60,821
Liability recognised in the consolidated statement	(983)	14,682	31,015	23,187	17,324	38,352	63,292	83,919	156,121	166,244
Total liability relating to the last ten policy years										593,153
Other claims liabilities										146,036
Total reserve included in the consolidated statement of financial position										739,189

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20 February 2022

Claim development tables (continued)	2012/13 USD'(000)	2013/14 USD'(000)	2014/15 USD'(000)	2015/16 USD'(000)	2016/17 USD'(000)	2017/18 USD'(000)	2018/19 USD'(000)	2019/20 USD'(000)	2020/21 USD'(000)	2021/22 USD'(000)
Insurance claims - gross (Class 6 FD&D)										
Estimate of ultimate claims cost attributable to the policy year										
End of reporting year	11,065	8,392	8,102	7,993	7,279	6,587	7,760	8,026	7,703	8,195
One year later	8,065	7,192	8,102	7,202	5,504	5,837	8,759	7,116	8,017	
Two years later	7,315	6,192	7,652	6,402	6,304	5,687	8,772	7,027		
Three years later	6,815	5,842	7,102	6,102	6,154	6,830	9,322			
Four years later	6,465	5,642	6,702	6,102	6,094	6,280				
Five years later	6,065	5,842	6,550	5,895	6,094					
Six years later	5,915	5,642	6,441	5,761						
Seven years later	5,915	5,014	6,403							
Eight years later	5,882	5,014								
Nine years later	5,882									
Current estimate of ultimate claims	5,882	5,014	6,403	5,761	6,094	6,280	9,322	7,027	8,017	8,195
Cumulative payments to date	5,598	4,918	6,135	5,421	5,715	5,279	7,897	5,434	6,207	4,560
Liability recognised in the consolidated statement	284	96	268	340	379	1,001	1,425	1,593	1,810	3,635
Total liability relating to the last ten policy years										10,831
Other claims liabilities										5,322
Total reserve included in the consolidated statement of financial position										16,153
Insurance claims - net (Class 6 FD&D)										
Estimate of ultimate claims cost attributable to the policy year										
End of reporting year	11,065	8,392	8,102	7,993	7,279	6,587	7,760	8,026	7,703	8,195
One year later	8,065	7,192	8,102	7,202	5,504	5,837	8,759	7,116	8,017	
Two years later	7,315	6,192	7,652	6,402	6,304	5,687	8,772	7,027		
Three years later	6,815	5,842	7,102	6,102	6,154	6,830	9,322			
Four years later	6,465	5,642	6,702	6,102	6,094	6,280				
Five years later	6,065	5,842	6,550	5,895	6,094					
Six years later	5,915	5,642	6,441	5,761						
Seven years later	5,915	5,014	6,403							
Eight years later	5,882	5,014								
Nine years later	5,882									
Current estimate of ultimate claims	5,882	5,014	6,403	5,761	6,094	6,280	9,322	7,027	8,017	8,195
Cumulative payments to date	5,598	4,918	6,135	5,421	5,715	5,279	7,897	5,434	6,207	4,560
Liability recognised in the consolidated statement	284	96	268	340	379	1,001	1,425	1,593	1,810	3,635
Total liability relating to the last ten policy years										10,831
Other claims liabilities										4,822
Total reserve included in the consolidated statement of financial position										15,653

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	2022	Restated 2021
	USD'(000)	USD'(000)

8 - Movement in prior years' claims provisions

Included within net claims incurred in the technical account are the following amounts in respect of adjustments to claims provisions for years ending prior to 20 February 2021.

Net provision at beginning of the year	778,192	806,153
Net payments in the year in respect of these provisions	(147,846)	(111,770)
Net provision at the end of the year in respect of claims provided for at the end of the previous year	(584,963)	(600,113)
Improvement in respect of prior years	45,383	94,270

9 - Net operating expenses

Directors' fees	603	870
Auditors' remuneration	706	472
Amortization	865	693
Other expenses	15,495	12,695
Administrative expenses	17,669	14,730
Acquisition expenses	21,444	18,069
Net operating expenses	39,113	32,799

The highest paid director received USD113,600 (2021 – USD112,100). The Group employs no staff, management services being provided by Tindall Riley (Britannia) Limited (TRB).

In accordance with the IG Agreement 2021, the Group is required to disclose the average expense ratio for its P&I business for the past five years. The ratio measures all costs of the Group (except those directly related to the management of claims) as a function of call, premium and investment income for a five-year period. The Group's average ratio for the five years to 20 February 2022 was 12.53% (2021 (Restated) – 11.12%). The ratio has been calculated in accordance with the schedule and guidelines issued by the IG.

10 - Net investment income

Income from equity investments	3,245	3,255
Income from fixed income investments	3,223	4,854
Bank and other interest	1,191	7,291
Realised investment gain	31,173	41,266
Exchange (loss)/gain on cash balances	(361)	5,068
Investment income	38,471	61,733

11 - Longer-term investment return

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

	Bonds		Equities	
	2022	2021	2022	2021
US	3.2%	3.1%	6.5%	6.5%
UK	1.5%	1.6%	7.0%	7.0%
Europe	-	-	7.0%	7.0%
Pacific Basin	-	-	7.0%	7.0%
Japan	0.3%	0.3%	7.0%	7.0%

	10 years to 2022	Restated 10 years to 2021
Comparison of actual return achieved with the return allocated to the technical account using longer-term rates		
Actual return achieved	375,743	409,392
Longer-term return credited to the technical account	289,916	283,887
Surplus of actual returns over longer-term returns	85,827	125,505

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

	2022 USD'(000)	Restated 2021 USD'(000)
12 - Taxation		
Analysis of charge for the period		
UK Corporation tax charge	-	791
Underprovision in previous years	553	9
Unrelieved foreign withholding taxes	674	714
Taxation	1,227	1,514

By virtue of its mutual status, the Group is not liable to tax on its underwriting operations. The investment income of the Group's subsidiaries USMIA and Boudicca and its cell in Hydra are not subject to tax in Bermuda but do suffer irrecoverable withholding tax on income from investments in certain jurisdictions.

Factors affecting tax charge for the period

The tax charge for the period is higher (2021 - lower) than that produced by applying the standard rate of Corporation tax in the UK of 19% to the (deficit)/surplus for the year to 20 February 2022 (2021 - 19%). The differences are explained below:

Net (deficit)/surplus before tax	(12,723)	43,965
Net (deficit)/surplus on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2021 -19%)	(2,417)	8,353
Effects of:		
Non-taxable mutual insurance underwriting operations	(5,466)	(6,115)
Non-taxable investment income	7,883	(1,447)
Under provision in previous years	553	9
Unrelieved foreign withholding taxes	674	714
Current tax charge	1,227	1,514

It was announced in the Budget on 3 March 2021 that the corporation tax rate would be increased to 25% with effect from 1 April 2023. The Finance Bill 2021 was substantially enacted on 24 May 2021.

13 - Financial investments

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

Market value

Quoted shares and variable yield securities	370,706	353,930
Debt securities and other fixed income securities	605,559	500,184
Deposits with credit institutions	82,310	132,855
Derivatives at fair value through income	(44)	67
Unsettled investment transactions	221	192
	1,058,752	987,228

Cost

Quoted shares and variable yield securities	232,273	208,782
Debt securities and other fixed income securities	557,258	438,493
Deposits with credit institutions	82,310	132,855
Derivatives at fair value through income	-	-
Unsettled investment transactions	221	192
	872,062	780,322

Included in investments at market value were:

Listed on the UK stock exchange	6,333	7,003
Listed on other investment exchanges	970,153	847,303
	976,486	854,306

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

	2022 USD'(000)	Restated 2021 USD'(000)
14 - Intangible Assets		
Cost		
Opening balance	6,927	-
Capitalisation of software expenditure	1,556	6,927
Closing balance	8,483	6,927
Accumulated amortization		
Opening balance	(693)	-
Amortization for the year	(865)	(693)
Closing balance	(1,558)	(693)
Net Book Value	6,925	6,234

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

15 - Investment in Group undertakings	Country of incorporation	Control percentage	Class of shares	Principal activity		
Direct related undertakings						
The Britannia Steam Ship Insurance Association Limited (Britannia)	United Kingdom	100.00%	N/A	Underwriting	-	-
The Britannia Steam Ship Insurance Association Europe (Britannia Europe)	Luxembourg	100.00%	N/A*	Underwriting	20,500	20,500
Indirect related Undertakings						
Universal Shipowners Marine Insurance Association Limited (USMIA)	Bermuda	100%	Ordinary	Reinsurance	-	-
Hydra Insurance Company Limited - Britannia Cell (Hydra)	Bermuda	100%	Preferred	Reinsurance	-	-
Hydra Insurance Company Limited - General Cell (Hydra)	Bermuda	7.69%	Ordinary	Reinsurance	-	-
Boudicca Insurance Company Limited (Boudicca)	Bermuda	100.00%	N/A	Reinsurance	-	-
Shares in subsidiary companies					20,500	20,500

The registered address of each group undertaking is as follows:

Britannia: Regis House, 45 King William Street, London, EC4R 9AN, United Kingdom

Britannia Europe: 53A rue Glesener, L-1631, Luxembourg

Boudicca: Crawford House, 3rd Floor, 50 Cedar Avenue, Hamilton HM11, Bermuda

USMIA: Clarendon House, 2 Church Street, Hamilton HM11, Bermuda

Hydra: Clarendon House, 2 Church Street, Hamilton HM11, Bermuda

Britannia Holdings controls Britannia and Britannia Europe by virtue of controlling vote where in each Association it has three times as many votes as the Mutual Members. USMIA is controlled through the percentage of shares held which provides Britannia Holdings indirect control of the company. Hydra is a Bermudian segregated cell-captive established by the Members of the International Group of P&I Clubs, to reinsure part of the risks which are shared under the Pooling Agreement. Under the terms of Hydra's byelaws and the governing instrument, assets are segregated in separate cells in such a way that they can only be used to satisfy the liabilities of the 'owning' club. Accordingly, the Group consolidates its Hydra cell in these financial statements. As explained in note 3, Boudicca is controlled via the Icen Trust, a Bermudian Purpose Trust.

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

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16 - Risk management

The Group is governed by the Board which drives decision making from board level to operational decision making by the Managers. The Board considers the type and scale of risk that the Group is willing to accept in the ordinary course of its activities and this is used to develop seven Risk Appetite Statements (RAS) that are used when setting strategy or making material decisions.

The framework of governance through which risk is managed as decisions are taken is as follows:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

16 - Risk management (continued)

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

16.1 Underwriting risk

The Group's exposure to insurance risk is initiated by the underwriting process which selects Members and sets Call levels based on estimated future claims on the Group from the membership. This risk is managed through the underwriting process, the purchase of reinsurance cover, including the IG 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 IG Pooling Agreement

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

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

Management of claims cost

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

NOTES TO THE FINANCIAL STATEMENTS

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16 - Risk management (continued)

16.1 Underwriting risk (continued)

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 RAG.

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

Sensitivity

The Group carries out sensitivity testing on its claims reserves. The results of sensitivity testing are set out below, showing the impact on the surplus/deficit before tax, gross and net of reinsurance. For each sensitivity, 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.

	2022	Restated 2021
	USD'(000)	USD'(000)
Increase in loss ratio by 5%		
Gross	10,847	10,004
Net	8,762	8,064

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

16.2 Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

16 - Risk management (continued)

16.2 Market risk (continued)

Foreign currency risk management

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

Amounts in USD'(000)	USD		GBP		EUR		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Total Assets	1,495,942	1,656,282	133,823	143,994	41,445	46,031	22,470	27,267	1,693,680	1,873,574
Total Liabilities	769,417	952,953	156,499	86,256	74,734	85,460	105,161	122,086	1,105,811	1,246,755
Net Assets	726,525	703,329	(22,676)	57,738	(33,289)	(39,429)	(82,691)	(94,819)	587,869	626,819

The table below shows the effects of a 0.5% increase or decrease in exchange rates:

	GBP		EUR		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
0.5% increase in exchange rates	1,134	(2,887)	1,664	1,971	4,135	4,741	6,933	3,826
0.5% decrease in exchange rates	(1,134)	2,887	(1,664)	(1,971)	(4,135)	(4,741)	(6,933)	(3,826)

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:

	Restated	
	2022 USD'(000)	2021 USD'(000)
0.5% increase in interest rates	2,786	2,501
0.5% decrease in interest rates	(2,786)	(2,501)

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

16 - Risk management (continued)

16.2 Market risk (continued)

Equity price sensitivity analysis

The Group is exposed to price risk through its holding of equities. This holding is limited to a maximum proportion of the overall portfolio. At the year end the holding in equity instruments amounted to 23% (2021 – 24%) of the investment portfolio. The Group also holds an investment in a diversified growth fund amounting to 12% (2021 - 12%) 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 held by the Company at the year end amounted to USD20.5m (2021 - USD20.5m).

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

	2022 USD'(000)	Restated 2021 USD'(000)
5% increase in equity price	18,535	17,696
5% decrease in equity price	(18,535)	(17,696)

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.

16.3. Counterparty default risk

Credit risk

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

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

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

Amounts recoverable on reinsurance contracts

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

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

16 - Risk management (continued)

16.3. Counterparty default risk (continued)

Amounts due from Members

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

Counterparty risk with respect to cash and investments

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

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

	2022 USD'(000)	Restated 2021 USD'(000)
Debt securities	605,559	500,184
Derivatives at fair value through income	(44)	67
Reinsurers' share of technical provisions	296,761	442,665
Reinsurance debtors	41,989	30,214
Member and other debtors	118,724	76,102
Unsettled investment transactions	221	192
Deposits with credit institutions	82,310	132,855
Cash at bank and on hand	163,591	324,637
Total financial assets bearing credit risk	1,309,111	1,506,916

An analysis of this exposure by credit rating is shown below:

AAA	-	128,815
AA	332,417	229,180
A	347,099	541,794
BBB+ and below	41,995	50,667
No rating	587,600	556,460
Total financial assets bearing credit risk	1,309,111	1,506,916

The unrated exposure relates principally to amounts due from Members in respect of the final instalments debited but not yet due, the three Absolute Return Bond Funds that are invested with M&G Investments, Newton and Insight and bond investments held in funds with BlackRock.

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

16 - Risk management (continued)

16.3. Counterparty default risk (continued)

Liquidity risk

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

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

At 20 February 2022	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	370,706	-	-	-	-	370,706
Debt securities and other fixed income securities	5,045	17,484	73,496	99,560	409,974	605,559
Deposits with credit institutions	82,310	-	-	-	-	82,310
Derivatives at fair value through income	(44)	-	-	-	-	(44)
Unsettled investment transactions	221	-	-	-	-	221
Reinsurers' share of outstanding claims	-	83,881	64,292	96,461	52,127	296,761
Direct insurance operations - Members	11,126	44,728	47,862	-	-	103,716
Reinsurance operations	41,989	-	-	-	-	41,989
Other debtors	15,007	-	-	-	-	15,007
Cash at bank	163,591	-	-	-	-	163,591
Accrued interest	425	-	-	-	-	425
Other prepayments and accrued income	6,514	-	-	-	-	6,514
Total assets	696,890	146,093	185,650	196,021	462,101	1,686,755

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

16 - Risk management (continued)

16.3. Counterparty default risk (continued)

Liquidity risk (continued)

	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)
At 20 February 2021 (Restated)						
Quoted shares and variable yield securities	353,930	-	-	-	-	353,930
Debt securities and other fixed income securities	6,753	3,671	75,640	133,028	281,092	500,184
Deposits with credit institutions	132,855	-	-	-	-	132,855
Derivatives at fair value through income	67	-	-	-	-	67
Unsettled investment transactions	192	-	-	-	-	192
Reinsurers' share of outstanding claims	-	128,366	101,897	138,495	73,907	442,665
Direct insurance operations - Members	4,854	21,216	49,083	-	-	75,153
Reinsurance operations	30,214	-	-	-	-	30,214
Taxation	949	-	-	-	-	949
Cash at bank	324,637	-	-	-	-	324,637
Accrued interest	577	-	-	-	-	577
Other prepayments and accrued income	5,917	-	-	-	-	5,917
Total assets	860,945	153,253	226,620	271,523	354,999	1,867,340

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:

	Within 1 year USD'(000)	1 - 2 years USD'(000)	2 - 5 years USD'(000)	Over 5 years USD'(000)	Total USD'(000)
At 20 February 2022					
Gross outstanding claims	297,240	227,827	341,821	184,715	1,051,603
Direct insurance operations - Members	50,399	-	-	-	50,399
Reinsurance operations	3,049	-	-	-	3,049
Other creditors	760	-	-	-	760
Total liabilities	351,448	227,827	341,821	184,715	1,105,811
At 20 February 2021 (Restated)					
Gross outstanding claims	354,030	281,030	381,965	203,832	1,220,857
Direct insurance operations - Members	17,342	-	-	-	17,342
Reinsurance operations	6,987	-	-	-	6,987
Taxation	796	-	-	-	796
Other creditors	773	-	-	-	773
Total liabilities	379,928	281,030	381,965	203,832	1,246,755

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

16 - Risk management (continued)

16.4 Operational risk

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

16.5 Limitation of the sensitivity analyses

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

16.6 Capital risk management

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

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

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

In order to monitor capital requirements, the Board reviews the capital position on a quarterly basis and the Managers review performance monthly. This is further expanded on in the Strategic report under the economic and regulatory capital section of the Strategic Report on page 4.

The Group aims to maintain capital resources at a level which provides a comfortable margin above the requirements of the CAA, PRA and the regulators of its branch offices in Hong Kong, Japan and Singapore. Capital resources for regulatory purposes for the Group consist of free reserves on a regulatory economic basis and an allowance for the ability to levy additional premium on Members.

The Association and its branches were in compliance with their regulatory capital requirements throughout the financial year.

16.7 Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

16 - Risk management (continued)

16.7 Fair value hierarchy (continued)

The classification criteria and their application to the Group can be summarised as follows:

- The unadjusted quoted price in an active market for identical assets or liabilities that the Group can access at the measurement date (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly (Level 2)
- Inputs that are unobservable (i.e. for which market data is unavailable) for the asset or liability (Level 3)

	2022 USD'(000)	Restated 2021 USD'(000)
Level 1	453,016	486,785
Level 2	605,736	500,443
Level 3	-	-
	1,058,752	987,228

17 - Tonnage information

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

The analysis of its tonnage from P&I cover from Members by geographical area is as follows:

	2022 GT'(000)	2021 GT'(000)
Asia	61,401	58,539
Middle East	4,247	2,690
Scandinavia	17,546	17,156
Australasia	420	420
Americas	4,561	4,516
Europe	46,469	41,870
	134,644	125,191

18 - Debtors - direct insurance operations

Group and Association

	2022 USD'(000)	Restated 2021 USD'(000)
Calls and premiums due from Members	11,126	4,854
Deferred call advised to Members	-	18,353
Future payment dates	92,590	51,946
Debtors - direct insurance operations	103,716	75,153

The figure for the prior year is the final 20% deferred call in respect of the 2019/20 policy year which was charged to Members in October 2021.

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

	2022 USD'(000)	Restated 2021 USD'(000)
19 - Debtors - reinsurance operations		
Amounts recoverable from the Pool	41,148	8,916
Other	841	21,298
Debtors - reinsurance operations - Group	41,989	30,214

20 - Reserves

	Investment Reserve USD'(000)	General Reserve USD'(000)	Income and expenditure account USD'(000)	Total USD'(000)
At 20 February 2020 (Restated)	130,565	55,000	408,803	594,368
Surplus for the financial year (Restated)	-	-	42,451	42,451
Capital Distribution	-	-	(10,000)	(10,000)
Transfer to investment reserve	26,875	-	(26,875)	-
At 20 February 2021 (Restated)	157,440	55,000	414,379	626,819
Deficit for the financial year	-	-	(13,950)	(13,950)
Capital Distribution	-	-	(25,000)	(25,000)
Transfer from investment reserve	(14,677)	-	14,677	-
At 20 February 2022	142,763	55,000	390,106	587,869

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

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

A capital distribution was agreed on 19 October 2021 which amounted to USD25.0m (2021 - USD10m) for Class 3 Members with owned ships on risk as at midnight (BST) on the date the capital distribution was agreed. Each Member's proportion of the distribution related to their share of owned net Class 3 premium in relation to the net owned Class 3 premium for all ships on risk on the day of distribution. Owned net Class 3 premium is defined as gross Estimated Total Call less the cost of the International Group reinsurance.

NOTES TO THE FINANCIAL STATEMENTS

20 February 2022

21 - Related party transactions

The Board, comprising a non-executive Chairman, up to ten representatives of the membership of the Group, two independent directors and two Manager nominees, is elected to oversee the management of the Group on behalf of the Members. The members of the Board are directors of the Group and as such are related parties. Because of the mutual nature of the Group's operations and its Members, being both insured and insurers, the Members are in effect related parties. The aggregate of transactions with Members is disclosed in these financial statements and, in the opinion of the directors, there are no individual transactions, or connected transactions, other than in the ordinary course of the Group's business with Members, directors or their companies the disclosure of which is necessary for an understanding of the financial statements. Furthermore, the Group has taken the exemption from FRS102, para 33.1A allowing it to not disclose related party transactions where the subsidiary is wholly-owned by the Group.

TRC, which manages the Group through its subsidiary TRB, earned management fees of USD49.9m (2021 – USD44.8m) for the year. Three directors of the Group are also directors of TRB.

22 - Subsequent events

There are no subsequent events which require adjustment in the financial statements. The financial statements were authorised for issue by the Board on 27 September 2022.

CLASS 3 - PROTECTION AND INDEMNITY POLICY YEAR STATEMENT (UNAUDITED)

20 February 2022

	2021/22 USD'(000)	2020/21 USD'(000)	2019/20 USD'(000)	Closed years USD'(000)	Total USD'(000)
Advance calls and premiums					
Year to 20 February 2022	212,245	(2,749)	(116)		
Year to 20 February 2021	-	196,285	(2,864)		
Year to 20 February 2020	-	-	140,402		
	212,245	193,536	137,422		
Deferred calls					
Year to 20 February 2022	-	-	(185)		
Year to 20 February 2021	-	-	433		
Year to 20 February 2020	-	-	53,345		
	212,245	193,536	191,015		
Reinsurance premiums					
Group excess of loss	(28,201)	(24,421)	(22,967)		
Other	(17,365)	(12,002)	(7,338)		
	(45,566)	(36,423)	(30,305)		
Allocated investment return	27,568	30,055	31,866		
Taxation	(1,827)	(624)	(1,070)		
	192,420	186,544	191,506		
Claims paid less reinsurance recoveries	60,815	102,121	132,272		
Acquisition costs	21,363	19,389	14,945		
Administrative expenses	16,095	15,206	13,128		
	98,273	136,716	160,345		
Balance available to meet outstanding claims	94,147	49,828	31,161	999,464	1,174,600
Estimated outstanding claims					
Own claims	132,212	170,902	60,502	490,948	854,564
Share of Pool claims	49,661	44,201	25,226	61,798	180,886
	181,873	215,103	85,728	552,746	1,035,450
Estimated reinsurance recoveries					
Group excess of loss	-	-	-	(124,005)	(124,005)
Pool	-	(38,249)	(895)	(87,046)	(126,190)
Other reinsurers	(15,629)	(20,733)	(914)	(8,790)	(46,066)
	(15,629)	(58,982)	(1,809)	(219,841)	(296,261)
Net estimated outstanding claims	166,244	156,121	83,919	332,905	739,189
(Deficit)/surplus	(72,097)	(106,293)	(52,758)	666,559	435,411
Capital Distribution				(120,000)	(120,000)
Balance after distributions	(72,097)	(106,293)	(52,758)	546,559	315,411