ANNUAL REPORT AND FINANCIAL STATEMENTS

20 FEBRUARY 2023

BRITANNIA P&I

TRUSTED SINCE 1855

CONTENTS

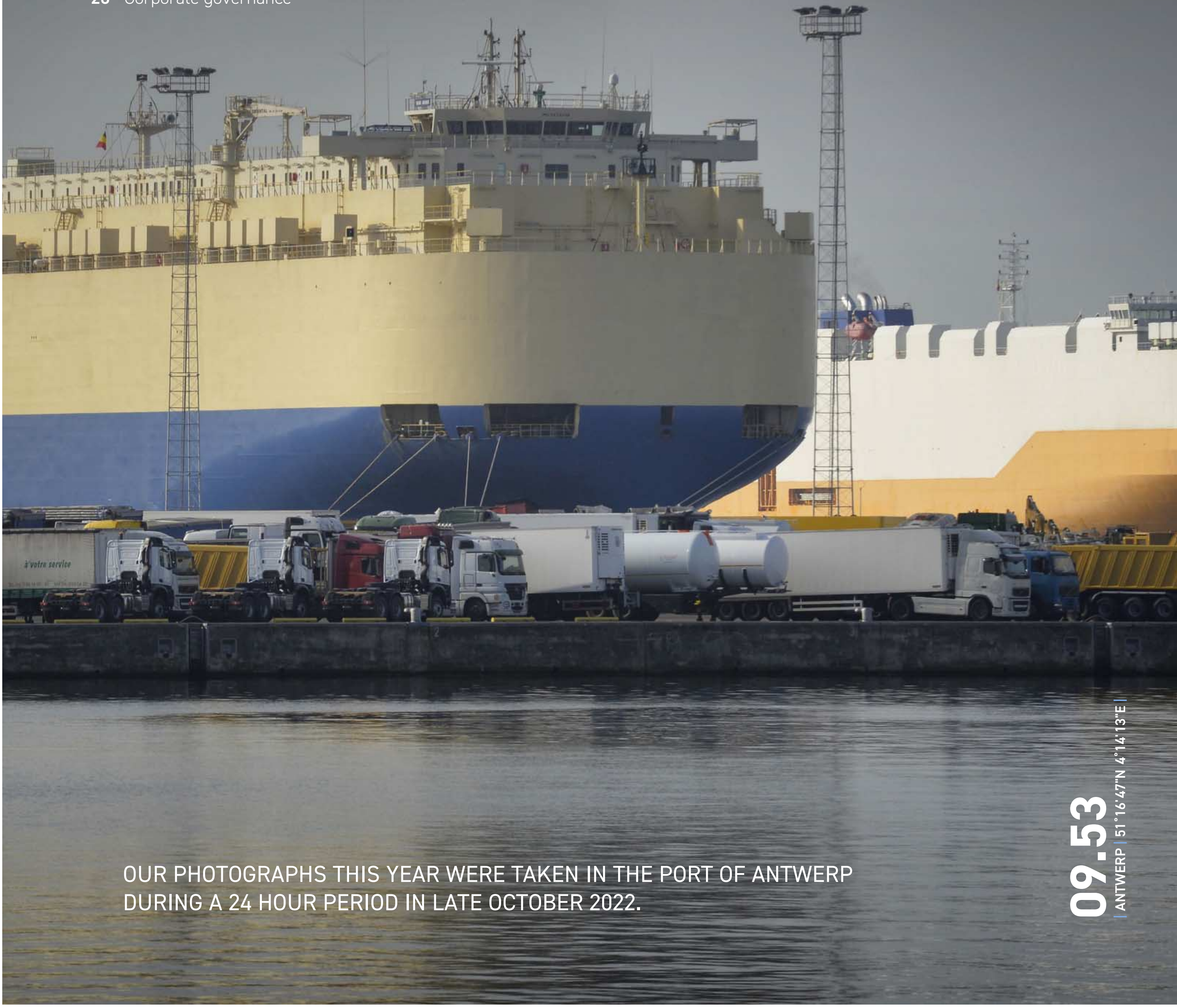
STRATEGIC REPORT

1 Key performance indicators
2 Chair's statement
5 Financial review
6 Investment strategy and performance
8 Class 3 – Protection and Indemnity (P&I)
- 8 Claims
- 9 Tonnage/Membership
- 10 International Group reinsurance
- 12 Loss prevention
- 13 Policy year development

14 Class 6 – Freight, Demurrage and Defence (FD&D)
- 14 Claims
- 15 Policy year development

16 Developments within Britannia
18 Sustainability
19 Members of the Board
20 Corporate governance
21 Statement of Compliance with Section 172(1) of the Companies Act 2006
22 Statutory directors' report

24 FINANCIAL STATEMENTS
25 Statement of directors' responsibilities
26 Independent auditors' report to the Members
33 Consolidated income and expenditure account
34 Consolidated statement of financial position
35 Consolidated statement of cash flows
36 Company statement of financial position
37 Notes to the financial statements
54 Class 3 – Protection and Indemnity policy year statement



OUR PHOTOGRAPHS THIS YEAR WERE TAKEN IN THE PORT OF ANTWERP DURING A 24 HOUR PERIOD IN LATE OCTOBER 2022.

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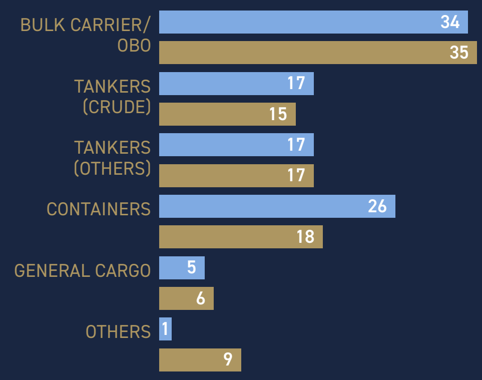
KEY PERFORMANCE INDICATORS

253
MEMBERS

33
COUNTRIES

3,987
SHIPS

SHIPS BY TYPE (% OF TOTAL)



ENTERED TONNAGE BY AREA OF MANAGEMENT CLASS 3 (% OF TOTAL)
START OF 2023/24 POLICY YEAR

43.4 ASIA

12.5 SCANDINAVIA

35.8 REST OF EUROPE

4.5 AMERICAS

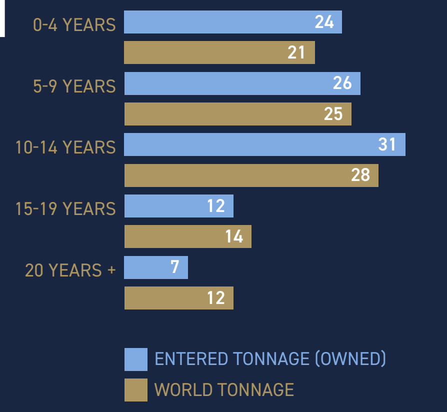
3.2 MIDDLE EAST

0.6 AUSTRALASIA

142.0m
OWNED TONNAGE

51.0m
CHARTERED TONNAGE

AGE OF SHIPS (% OF TOTAL)



	20 FEB 2023 (m gt)	20 FEB 2022 (m gt)	20 FEB 2021 (m gt)
ENTERED TONNAGE (OWNED)	142.0	134.7	125.2
ENTERED TONNAGE (CHARTERED)	51.0	73.5	53.5

KEY FINANCIAL DATA	USD(000)	USD(000)	USD(000)
CALLS AND PREMIUMS*	258,140	216,931	200,086
NET CLAIMS INCURRED*	(169,933)	(164,888)	(160,676)
INVESTMENT INCOME*	(63,781)	16,048	76,151
NET OPERATING EXPENSES*	(46,490)	(39,113)	(32,799)
NET (DEFICIT)/SURPLUS AFTER TAXATION*	(77,837)	(13,950)	42,451
FREE RESERVES	510,032	587,869	626,819
COMBINED RATIO	106.6%	116.4%	120.0%
IG AVERAGE EXPENSE RATIO	15.39%	12.53%	11.12%
STANDARD & POOR'S RATING	A (negative)	A (negative)	A (stable)

*The Britannia Group consists of The Britannia Steam Ship Insurance Association Holdings Limited (Britannia Holdings), The Britannia Steam Ship Insurance Association Limited (Britannia (UK)), The Britannia Steam Ship Insurance Association Europe (Britannia Europe), Universal Shipowners Marine Insurance Association Limited (USMIA) and Hydra Insurance Company Limited – Britannia Cell.

CHAIR'S STATEMENT

THE GLOBAL SHIPPING INDUSTRY IS OFTEN CLOSELY AFFECTED BY WORLD EVENTS, BUT ALWAYS FINDS A WAY TO MANAGE THE MOST CHALLENGING CIRCUMSTANCES AND CONTINUE TO FACILITATE WORLD TRADE. THE MAJOR AND UNPRECEDENTED CHALLENGES OF A GLOBAL PANDEMIC FOLLOWED BY ANOTHER BRUTAL WAR AND CONTINUED AGGRESSIVE POLITICAL AND MILITARY THREATS HAVE CAUSED A LEVEL OF HUMAN TRAGEDY MANY THOUGHT INCONCEIVABLE IN THE 21ST CENTURY. OUR THOUGHTS ARE WITH THE FAMILIES STILL SUFFERING TODAY FROM THE UNCALLED FOR RUSSIAN INVASION OF UKRAINE.

We continue to advise Members on all aspects of trading in regards to COVID-19 and more recently the sanctions imposed on trade connected with Russia. The issues addressed ranged from the complications of crew relief in quarantine situations to understanding and working with complex, and sometimes misleading, sanction requirements. Within the International Group (IG) renewal of the Group Excess of Loss reinsurance programme (GXL) was managed effectively; although there were strains as a result of the Russia, Ukraine and Belarus (RUB) exclusion imposed by market reinsurers late in the day.

Claims over the last two years have been volatile. Retained claims remain high; although thankfully COVID-19 related claims seem to be tailing off. Pool claims have been more mixed, with 2021/22 dominated by several large Pool claims, including the spectacular *EVER GIVEN* Suez Canal blockage. In 2022/23 reported Pool claims were at their lowest at year end for some time, which has helped all IG clubs improve their combined ratios.

Investment markets have also been volatile and 2022 was a particularly difficult year. All markets including fixed interest and developed and developing equities showed negative performance for the year.

The mark to market losses on our portfolio were approximately USD64m, in addition to our not making the anticipated return of approximately another USD23m. Nevertheless, the Britannia Group's strong capital position and conservative, structured investment policy mean that it will benefit from the present higher interest rates.

The 20 February 2023 renewal was dominated by all P&I clubs asking for premium increases to continue to move towards sustainable rates and balanced combined ratios in the near future. In addition, a number of IG clubs have been forced to make unbudgeted supplemental calls on their members to ensure an acceptable capital level. The Britannia Group's capital position remains one of the strongest in the IG and Standard & Poor's continues to rate the club as A (strong) but with a negative outlook. This year's renewal, with our targeted increase of 10%, was a major step towards returning to a stable outlook.

CHAIR'S STATEMENT

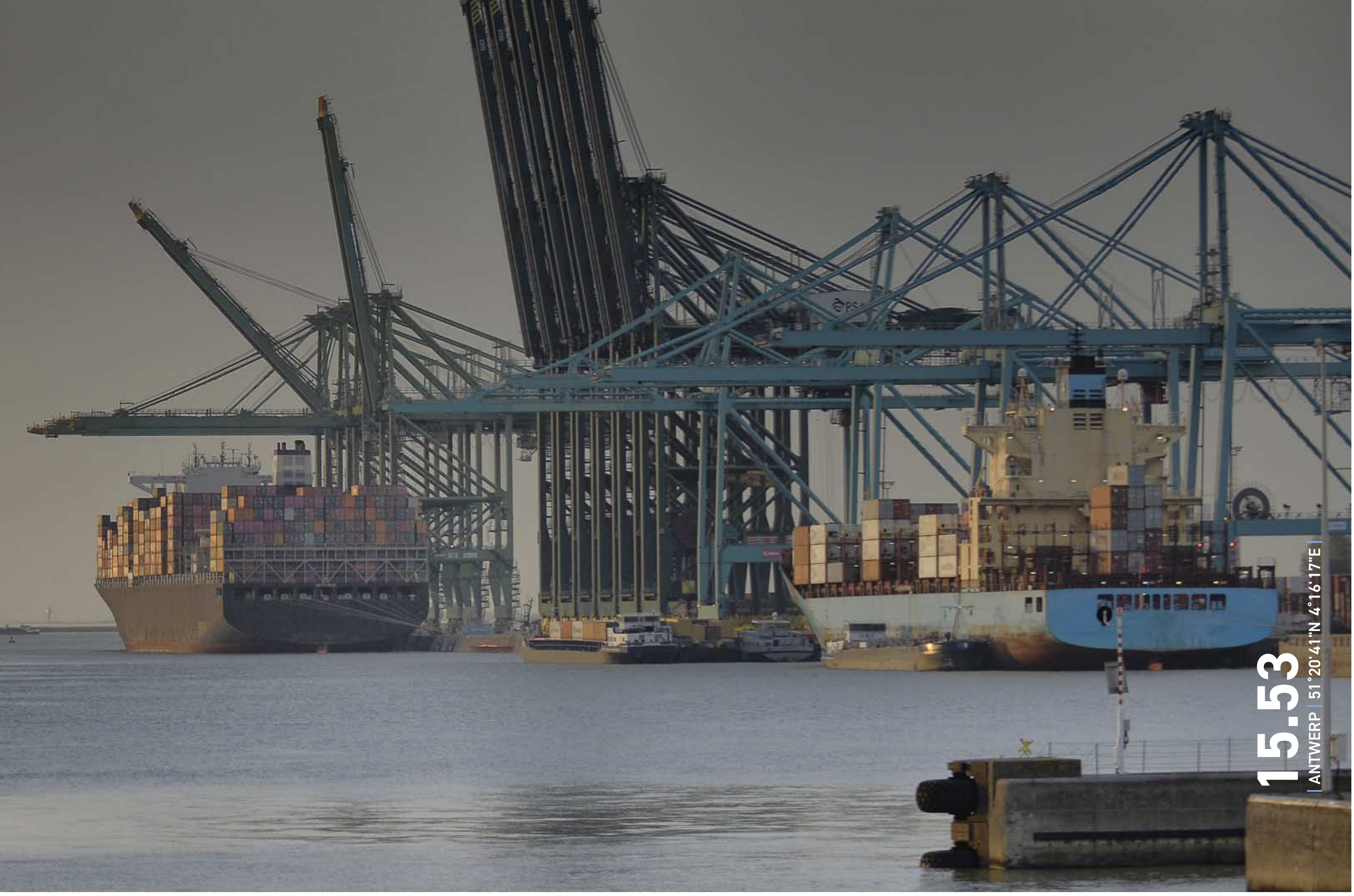
Our Members again showed their appreciation of our high standard of service, with over 98% renewing and many increasing their entered tonnage. I am also pleased to see some notable new Members join us, who are planning to grow their entry with the Britannia Group as their relationship with us develops. We start the 2023/24 policy year with owned tonnage increasing to more than 142m gt. More importantly, all of the entries are considered by the Managers as quality tonnage, commensurate with the Britannia Group's market approach and concentrated focus on the core P&I business.

In spite of the other major challenges facing the industry, achieving the necessary environmental, social and governance levels continues to require a long-term major effort. P&I insurance itself has limited direct effect on environmental pressures (although it plays a vital role in casualty response). However, P&I can be a leader in the fields of social and governance issues. Our contribution to aiding and advising our Members on Environmental Social and Governance (ESG) issues has been well accepted by Members and can play an important role in their individual decision making process. I refer you to the Sustainability section of this report.

The continuing effects of Brexit required further changes to the Britannia Group's corporate structure. This included the Boards making a number of decisions to simplify our legal and organisational structure (see the Developments within Britannia section of this report). I would like to take this opportunity to thank all those on the Members' Representative Committee (MRC) and the Boards for their active roles in the oversight, guidance and control of the Club in that task.

Lastly, since 20 February 2022 we have had some changes within both the MRC and Boards. So, I say farewell and thank you to Bruce Nielsen (who for many years chaired our Risk & Audit Groups), Sabrina Chao and Paolo Enoizi and hello to Richard Sadler (who previously assisted by advising the Boards on ESG), Raymond Ching (who joins the Boards, having already been on the MRC), Hing Chao, David Darling, Shinichi Kitazato, Anastassis Margaronis, Jong-Seug Park and Tomasz Pietruszewski. Full details of the membership of the Boards and MRC, and their subcommittees, are found on our website.

Anthony Firmin Chair

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FINANCIAL REVIEW

THE BRITANNIA GROUP'S UNDERWRITING RESULT SHOWS SIGNIFICANT IMPROVEMENT FROM THE PREVIOUS YEAR, WITH A COMBINED RATIO OF 106.6% COMPARED WITH 116.4%.

The remedial action taken at the 2022 renewal, including the increase in Estimated Total Call (ETC), has put us on course to meet our target of breakeven underwriting. Previous financial reviews have noted that underwriting losses are not sustainable in the long term and further increases in ETC have been achieved at the 2023 renewal to ensure that a sustainable, balanced result is achieved.

The investment performance this year has suffered from the volatility in all markets. The net return from the Britannia Group's investment portfolio was negative in all classes over the year, although broadly in line with market indices.

The overall result for the year was a loss of USD77.8m post tax (2022 – loss USD14.0m). The financial statements for the year ended 20 February 2022 included the results of Boudicca Insurance Company Limited (Boudicca) for the first time. On 10 February 2023 Boudicca merged with USMIA (see the Developments within Britannia section of this report) and the results of the combined entity are included in these financial statements.

Calls and premiums were higher than in the prior year, at USD258.1m compared with USD216.9m and reflected the increased rates at the 2022 renewal as well as new tonnage. We continued our practice of not having a general rate increase, but individual Members' rates were adjusted to reflect their claims record and risk profile where necessary. Reinsurance costs were higher, mainly due to the increase in the IG Group Excess of Loss programme (GXL). After heavy losses in recent years and concerns from reinsurers about malicious cyber, COVID-19 and pandemic risk the average increase in the cost of the GXL cover was 33%.

Claims incurred in the financial year were marginally higher than the prior year, but on an increased tonnage. The Pool had a mixed year overall; the 2022/23 policy year had only four claims amounting to USD74.6m compared with the previous year's record high of USD487.0m from 11 claims at the same stage. However, there was significant deterioration in the back years, particularly the 2020/21 and 2021/22 policy years. Notable incidents included the Huntington Beach oil pipeline leak. Retained claims incurred in the 2022/23 policy year at the 12 month stage were USD169.4m, higher than the 2021/22 policy year at the same stage. There are currently 25 claims that are expected to cost more than USD1.0m, with an aggregate estimate of USD70.0m. This is higher than the prior policy year, which saw 16 incidents reported with an aggregate cost of USD46.4m.

Operating costs have increased to USD46.5m from USD39.1m. The biggest driver is the increased management fee due to the increase in tonnage. Other factors include the new IT platform that is now fully operational, with its implementation cost now being amortised.

The policy year had barely started when Russia invaded Ukraine, sending financial markets lower. The ensuing economic turmoil and inflation meant that markets did not fully recover before the year-end. The Britannia Group's investment portfolio performed largely in line with market indices overall, but this resulted in a loss as well as a shortfall on the projected long-term rate of return (LTRR), and a transfer from the investment reserve to the income and expenditure account. The Board and the Investment Group spent time assessing options to mitigate the effects of the turmoil and also completed a strategic review of the portfolio during the year. Details of the portfolio and the strategy are set out in the Investment Strategy and Performance section.

On 25 October 2022, the Board agreed that there would be no capital distribution this year. The Board considered that the uncertainty in the investment markets, with the low point for the year being reached around that time, meant that it would not be prudent to make a capital distribution. The Board will consider the merits of a possible capital distribution for the 2023/24 year at its meeting in October 2023. In the meantime, total distributions now stand at USD120.0m since May 2017 and demonstrate how the Britannia Group uses its financial strength for the benefit of Members.

INVESTMENT STRATEGY AND PERFORMANCE

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

During 2022 the Board conducted a review of its investment strategy. The long-term focus, reflecting the long-tail nature of many of the liabilities and the characteristics of mutuality remain central to the new strategy. The segregation of the portfolio has been simplified and its management rationalised to create efficiency savings and better enable an overall Group strategy. The objectives of the new strategy are set out below:

• To hold a portfolio of high quality government bonds and cash which matches the extreme modelled one-year cashflow requirement for the Britannia Group;

• To hold a portfolio of government and high quality corporate bonds which, together with the above portfolio, will match the claims liabilities of the Britannia Group in terms of average duration and currency. Together these are known as the 'claims matching portfolio'; and

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

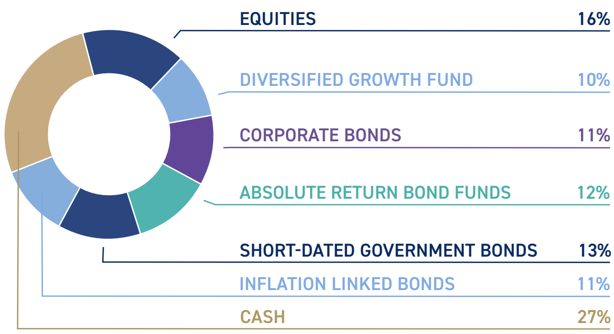
At 20 February 2023, the portfolio had the following composition:

ASSET CLASS	
CLAIMS MATCHING PORTFOLIO:	
SHORT-DATED GOVERNMENT BONDS	**13%**
INFLATION LINKED BONDS	**11%**
CASH	**27%**
SURPLUS PORTFOLIO:	
EQUITIES	**16%**
DIVERSIFIED GROWTH FUND	**10%**
CORPORATE BONDS	**11%**
ABSOLUTE RETURN BOND FUNDS	**12%**
	100%

INVESTMENT PERFORMANCE

In the year ended 20 February 2023, the overall return on investments was negative 5.9% (USD63.8m). All asset classes gave a negative return.

INVESTED FUNDS AT MARKET VALUE
20 FEBRUARY 2023
TYPE OF INVESTMENT

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

RETENTION CLAIMS

As at 20 February 2023, the total number of claims notified in respect of the 2022/23 policy year was 5,703. This represents an increase on the 5,459 claims notified at the same stage in the 2021/22 policy year.

The number and value of claims under USD250,000 has consistently increased since 2016/17. The value of claims under USD250,000 in 2022/23 (USD67.3m) is nearly double those in 2016/17 (USD36.9m). The number of claims under USD250,000 in 2022/23 (5,615) is 40% higher than in 2016/17 (4,007). In contrast, the number and value of claims over USD250,000 has remained relatively constant.

The aggregate cost of retention claims for the current policy year, as at 20 February 2023, including the estimates for outstanding amounts, was USD169.4m. This compares to USD143.9m and USD136.6m at the same stage in the 2021/22 and 2020/21 policy years respectively.

The high value incidents in excess of USD1.0m are much less frequent than those below USD1.0m but they have a significant impact on the outcome of a policy year. In 2022/23, 25 high value claims were reported with a current estimate of USD70.0m. This compares with 16 claims estimated at USD46.4m at the end of the 2021/22 policy year and 20 claims estimated at USD63.4m in 2020/21.

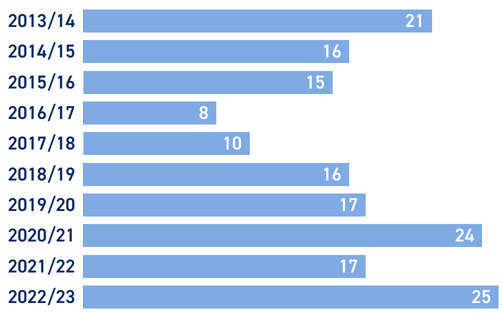
The two largest cases in 2022/23 involved substantial bulk liquid cargo contamination claims in Italy and the Netherlands.

POOL CLAIMS

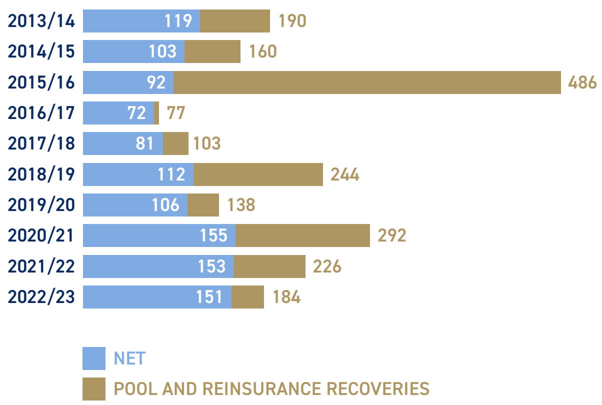
As at 20 February 2023, four incidents resulting in Pool claims had been notified by the IG clubs for the 2022/23 policy year, with an aggregate gross estimate of USD115.0m from the ground up and a USD74.6m cost to the Pool. This compares to 11 Pool claims at the same stage in 2021/22 and 18 Pool claims in the 2020/21 policy year. The significant reduction in the number of Pool claims is mirrored by the reduction in the cost to the Pool. At the same stage in the 2021/22 policy year, the cost to the Pool was USD487.0m.

The three largest Pool claims all relate to wreck removal claims. *KELSEY 2* was a tanker which sank off the Taiwan Strait, *XIN HAI ZHOU 2* was a bulk carrier which grounded on a coral reef off the coast of Ishigaki Island in Japan and *TSS PEARL* was a container ship which suffered a cargo fire and sank in the Red Sea.

CLASS 3 P&I CLAIMS
NUMBER OF CLAIMS THAT ARE GREATER THAN USD1M (NET) AT 20 FEBRUARY 2023



ESTIMATED CLAIMS
(USDM) AT 20 FEBRUARY 2023



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

OWNED TONNAGE CONTINUES TO GROW YEAR ON YEAR. AT THE START OF THE 2023/24 POLICY YEAR, THE BRITANNIA GROUP'S OWNED TONNAGE TOTALLED APPROXIMATELY 142.0M GT, A MARKED INCREASE ON LAST YEAR'S TOTAL OF 134.7M GT.

The growth consisted of 2.4m gt during the course of the 2022/23 policy year and a further 4.9m gt at the 20 February 2023 renewal as a result of:

a) commitments from the 2022 renewal coming on risk coupled with further organic growth from existing Members during the year. In addition, seven new Members joined during the 2022/23 policy year; and

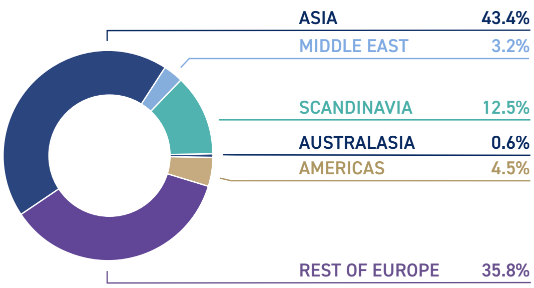
b) existing Members moving 93 ships from their other clubs to the Britannia Group together with three new Members joining at renewal on 20 February 2023, including notable entries from MSC (3.2m gt), Seaspan (1.0m gt) and Starbulk (750,000 gt).

Our chartered entry reduced at 20 February 2023 by 22.5m gt, mainly as a result of remedial action taken on a number of entries where the record was poor. Chartered tonnage now stands at 51.0m gt.

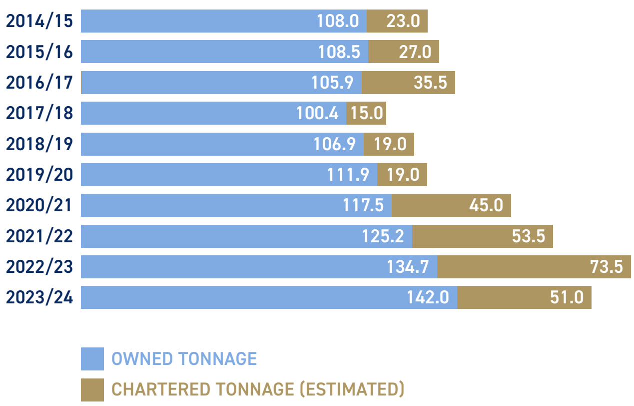
Over 125 further owned ships, totalling 5.0m gt, have been committed by existing Members to join during 2023/24. These ships represent a full spectrum of ship types and Member nationalities.

Overall, this was an excellent outcome at renewal given the challenging underwriting environment, continued hardening market and commensurate rate increases being asked of Members. We thank all our Members for their continuing commitment and support.

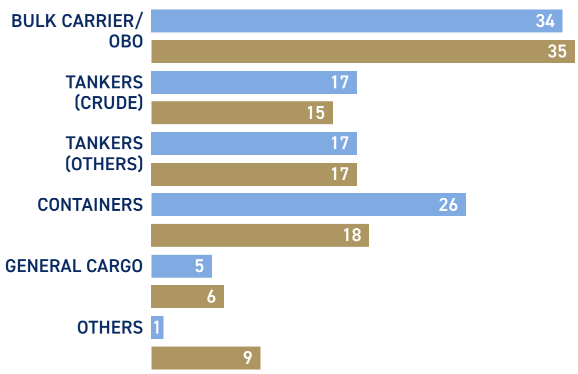
ENTERED TONNAGE BY AREA OF MANAGEMENT – CLASS 3
(START OF 2023/24 POLICY YEAR)



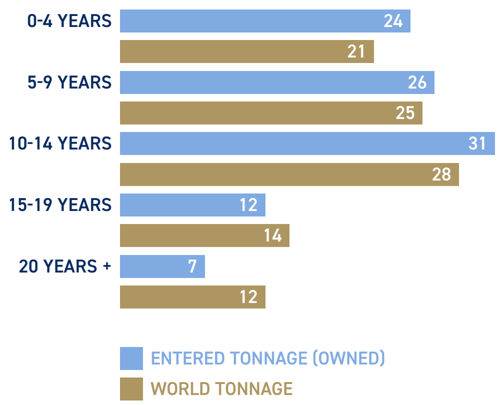
TONNAGE ENTERED – CLASS 3 (M GT)
(BEGINNING OF POLICY YEAR)



SHIPS BY TYPE (% OF TOTAL)
(START OF 2023/24 POLICY YEAR)



AGE OF SHIPS (% OF TOTAL)
(START OF 2023/24 POLICY YEAR)



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

THE INTERNATIONAL GROUP (IG) EXPERIENCED A BENIGN POOL CLAIMS ENVIRONMENT DURING THE 2022/23 POLICY YEAR AND SIMILARLY SAW MINIMAL DETERIORATION IN PRIOR YEARS ABOVE THE GROUP EXCESS OF LOSS (GXL) RETENTION.

However, concerns over inflation, Hurricane Ian and the war in Ukraine had a significant impact on the wider reinsurance market and the IG's reinsurance partners, which resulted in difficult market conditions going into the 2023 renewal. Nevertheless, following the substantial increase paid in 2022/23, the IG was able to renew its reinsurance programme for 2023/24 with only a small increase in rates for shipowners.

As part of the GXL, the IG renewed one of its two expiring 10% multi-year private placements (which provides cover in the layer USD650m xs USD100m) while replacing the other expiring 10% private placement with a 5% line from a new reinsurance partner. Consequently, the share of the GXL for the open market has increased to 75%. The use of private placements has continued to give shipowners greater stability in pricing and coverage, especially in a year when market sentiment has been volatile.

Within the 75% GXL placement, layers 1 and 2 were combined with the result that coverage for COVID-19, malicious cyber and pandemic risks was expanded and now has free and unlimited reinstatements for all claims up to USD650m xs USD100m (which covers nearly all IG Clubs certificated risks), with aggregated cover above USD750m.

The IG's Bermuda based reinsurance captive, Hydra, continues to support the IG through its risk retention. Hydra retains an Annual Aggregate Deductible (AAD) in layer 1, which remains at the same value as for the 2022/23 policy year in 100% terms. Due to the increased order for the open market layer of 75%, the value of this AAD has increased to USD107.1m for the 2023/24 policy year.

The Individual Club retention remains unchanged for the 2023/24 policy year at USD10m, as does the structure of the Pool and the attachment point for the GXL programme.

MARITIME LABOUR CONVENTION (MLC) COVER

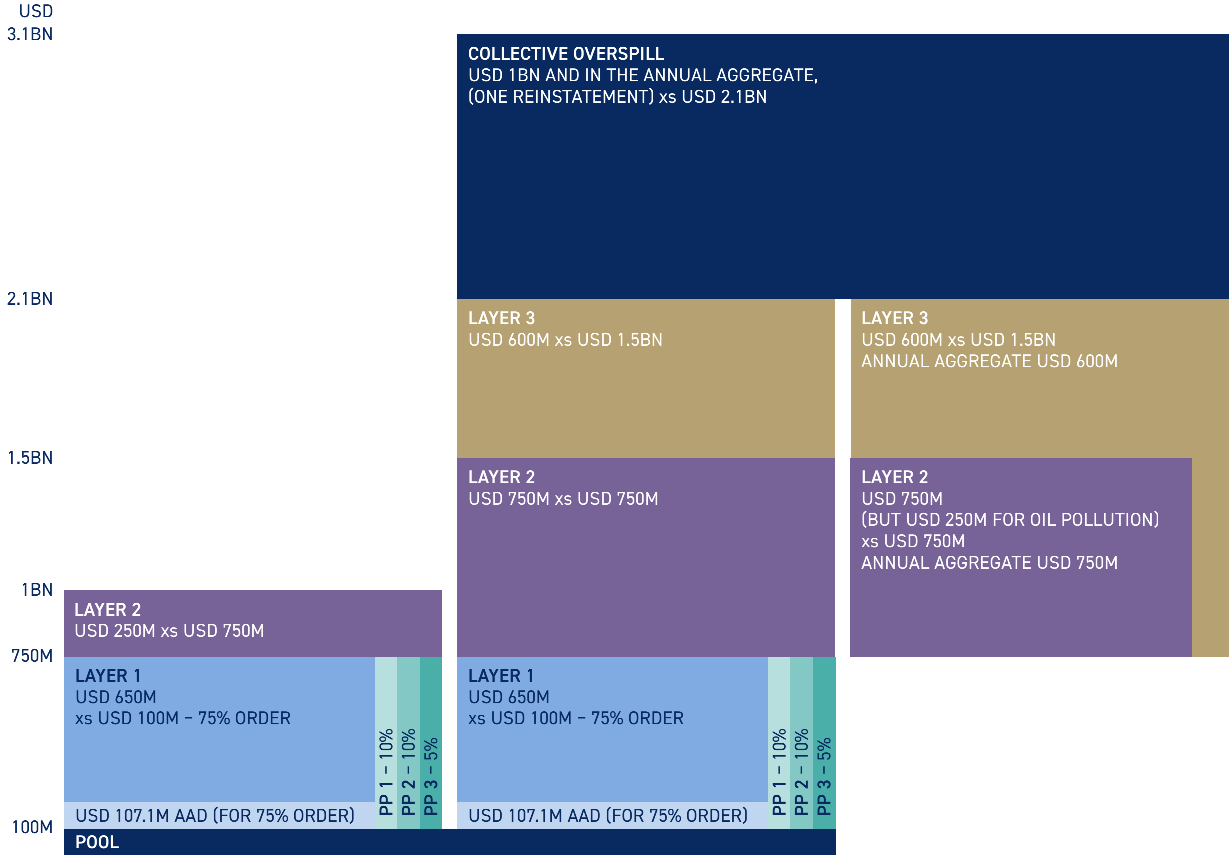
The MLC market reinsurance cover was renewed for 2023/24 at competitive market terms, with the premium included in the overall reinsurance rates charged to shipowners.

WAR COVER

The Excess War P&I cover was renewed for 2023/24 for a period of 12 months. Again, the cost of this cover is included in the total rate charged to shipowners. Due to the ongoing war between Russia and Ukraine, the IG's Excess War reinsurers applied Territorial Exclusionary language – the 'RUB' exclusion – (consistent with exclusionary language already applied by reinsurers for Primary War P&I coverage) for vessels trading in Russian and Ukrainian waters. As a result of the application of this exclusionary language, the IG purchased new cover for vessels affected on a free and unlimited reinstatement basis. The IG secured USD80m of limit for this new cover, which is a significantly lower per-vessel limit than for the main Excess War placement limit of USD500m.

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

INTERNATIONAL GROUP EXCESS OF LOSS (GXL) REINSURANCE PROGRAMME 2023/24 POLICY YEAR (NOT TO SCALE)
THE DIAGRAM BELOW ILLUSTRATES THE LAYER AND PARTICIPATION STRUCTURE OF THE GXL PROGRAMME FOR 2023.



OIL POLLUTION ONLY
LAYERS 2 AND 3 LIMITED COVER IN RESPECT OF MALICIOUS CYBER, COVID-19 AND PANDEMIC.

P&I
LAYERS 2 AND 3 LIMITED COVER IN RESPECT OF MALICIOUS CYBER, COVID-19 AND PANDEMIC.

MALICIOUS CYBER, COVID-19 AND PANDEMIC ONLY IN RESPECT OF LAYERS 2 AND 3 ONLY.

REINSURANCE COST ALLOCATION 2023/24

The overall increase in cost of the IG's reinsurance arrangements for the 2023/24 policy year was 5.8%. Each year the change in the cost is allocated to shipowners according to the long-term loss history of the different vessel classifications used by the IG.

The 2023/24 rates are set out below:

TONNAGE CATEGORY	2023 RATE PER GT IN US CENTS	% CHANGE IN RATE PER GT
PERSISTENT OIL TANKERS	66.63	+3.0%
CLEAN TANKERS	40.51	+10.5%
DRY	59.91	+6.2%
FCC	72.77	+10.5%
PASSENGER	386.77	0.0%
CHARTERED TANKERS	31.28	+7.5%
CHARTERED DRIES	15.26	+7.5%

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

OUR LOSS PREVENTION TEAM IS THE STRONGEST IT HAS EVER BEEN, WITH EIGHT PEOPLE WORKING IN THE MANAGERS' OFFICES IN LONDON AND SINGAPORE. THEY PROVIDE PROMPT, CREDIBLE, EFFICIENT, INNOVATIVE AND INFORMATIVE GUIDANCE TO OUR MEMBERS, AT ANY TIME, TO SUPPORT THEIR SAFE AND EFFICIENT OPERATIONS, AS WELL AS TO OUR CLAIMS AND UNDERWRITING COLLEAGUES.

Our webinars have proved popular and are held five times a year with Members, their managers and their seafarers viewing from around the world. We have resumed conducting in person seminars and workshops for Members, their seafarers and other third parties addressing topical Loss Prevention issues and there are a number of regional Member seminars planned for the coming year.

Our award winning BSafe campaign continues, with its selection of case studies, posters and initiatives addressing three core areas: seafarer safety, health and security. We also collaborate with industry experts to produce detailed Loss Prevention Insights reports, each addressing a particular topic where claims concerns exist. The team also publishes regular articles addressing regulatory matters, claims issues and other areas of Loss Prevention within our Risk Watch and Crew Watch publications, and in the Knowledge Base on the Britannia Group's website.

As well as conducting condition surveys in line with the IG's requirements, we have introduced a new Risk Based Condition Survey programme. This more easily identifies vessels and Members where help from the Loss Prevention team may be warranted to reduce their Members' claims exposure.

Management Reviews of new Members, where we introduce the Loss Prevention department to the Member, are now being undertaken in person with numerous reviews conducted over the past 12 months. These allow us to learn about the Member, their operations and any areas where the team's assistance may be of benefit.

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

THE UNDERWRITING POSITION FOR THE CLOSED AND OPEN POLICY YEARS UP TO 2022/23 IS SHOWN IN THE POLICY YEAR STATEMENT ON PAGE 54.

2019/20

The general increase in advance calls for this policy year was zero and the budgeted deferred call was set at 45%. Retention claims are currently USD126.7m, an improvement of USD8.3m on the position last year. Currently there are 17 claims expected to cost more than USD1.0m, with three estimated above the Club retention. Pool claims are estimated at USD600.5m, with 21 notifications to date, of which three have reached the IG reinsurance and exhausted the AAD of the first layer.

This time last year, the projected deficit on the policy year was USD52.8m. Over the past 12 months the position has improved to a deficit of USD44.8m. The 2019/20 policy year was closed on 20 February 2023.

2020/21

In October 2019, the Board decided that Members' individual rates would be adjusted to reflect their claims record and risk profile for the 2020/21 policy year and that premiums would be charged on an Estimated Total Call basis, replacing the traditional Advance Call and Deferred Call structure. Retention claims are currently USD188.6m, a deterioration of USD1.0m on the position last year. Currently there are 24 claims expected to cost more than USD1.0m, with three estimated above the Club retention. Pool claims are estimated at USD761.0m, with 23 notifications to date, of which one has reached the IG reinsurance and exhausted the AAD of the first layer.

This time last year, the projected deficit on the policy year was USD106.3m. Over the past 12 months the position has deteriorated to a deficit of USD119.8m.

2021/22

In October 2020, the Board decided that Members would continue to be underwritten individually to achieve an increase in the Group's current ETC, but that there would be no declared general increase. Retention claims are currently USD169.9m, a deterioration of USD26.0m on the position last year. Currently there are 17 claims expected to cost more than USD1.0m, with one estimated above the Club retention. Pool claims are estimated at USD705.9m, with 20 notifications to date, of which two have reached the IG reinsurance and exhausted the AAD of the first layer.

This time last year, the projected deficit on the policy year was USD72.1m. Over the past 12 months the position has deteriorated to a deficit of USD95.3m.

2022/23

In October 2021, the Board decided that Members' rates will be adjusted to reflect their individual claims records and risk profiles to achieve a 12.5% increase on the Group's ETC, but that there will be no declared general increase. Retention claims are currently USD169.4m. Currently there are 25 claims expected to cost more than USD1.0m, with one estimated above the Club retention. Pool claims are estimated at USD74.6m, with four notifications to date, of which none have reached the IG reinsurance attachment point.

The policy year is showing a deficit of USD6.7m after the first 12 months.

2023/24

In October 2022, the Board decided that Members' rates will be adjusted to reflect their individual claims records and risk profiles to achieve a 10% increase on the Group's ETC, but that there will be no declared general increase.

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

Although Class 6 claims tend to develop slowly over a number of years, it appears that 2022/23 will be a heavier, though not an exceptionally bad, year.

Class 6 provides cover to Members for the legal costs of dealing with shipping disputes that are not insured under Class 3 or other types of marine insurance. The most common disputes relate to the payment of hire and demurrage, alleged breaches of charterparty terms such as those relating to the ship's speed and bunker consumption, responsibility for expenses arising during the charter period, damage to hull and machinery and bunker quality claims.

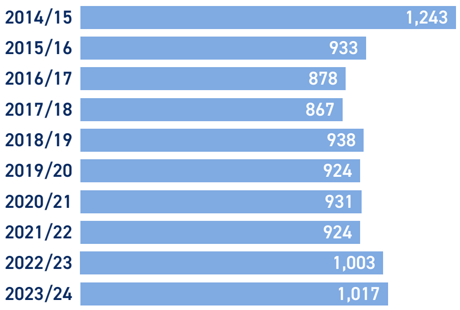
In practice, the majority of disputes are resolved relatively quickly and incur only modest costs (if any), so Class 6 claims are usually reserved with that in mind. Nevertheless, a small number of cases prove difficult to settle because of the complexity of the issues, the uncertainty of the legal position or the amount involved. These are only resolved by an arbitration hearing or trial at which the parties are represented by solicitors and barristers and where expert witnesses give evidence. Such long-running disputes also increase the risk that Members may become liable for the opponents' costs if they lose the case. Inevitably, these are the most expensive Class 6 claims and have a disproportionate effect on the overall performance of the Class during the policy year.

The estimated future costs of larger disputes can change as the case progresses because it is uncertain when the case will be resolved. This means that Class 6 claims tend to develop slowly over a number of years and the ultimate exposure normally takes longer to determine than in a Class 3 case. Nevertheless, the number and value of claims notified by the end of the policy year can give a reasonable indication of the likely final position, especially when the types of dispute are taken into account.

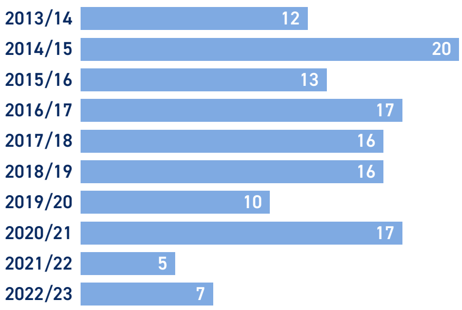
While the number of Class 6 claims notified after 12 months of the 2022/23 policy year was only slightly more than at the equivalent stage of 2021/22, the total value of these claims was almost 40% higher (though 2021/22 is proving to be a very benign year). However, compared with the same stage in 2020/21, which is one of the heavier recent claims years, the value of Class 6 claims in 2022/23 is only about 7% lower. Therefore, while it is very early to draw conclusions, it appears that 2022/23 is likely to be a fairly heavy year.

Certain disputes, such as those relating to shipbuilding or repairs, are often the most expensive ones to resolve because of the complexity of the technical issues. One potentially significant case of this type was notified before the end of the 2022/23 policy year and could prove to be expensive. The other larger notified cases reflected the usual range of FD&D disputes such as bunker quality, early cancellation of charterparty and loss of time due to the discharge of dangerous cargo.

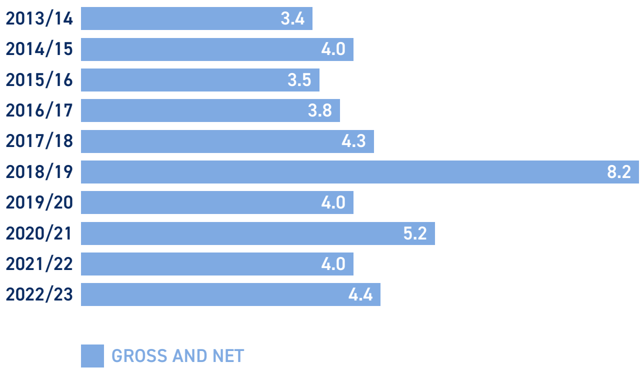
CLASS 6 FD&D SHIPS ENTERED



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



ESTIMATED RETAINED CLAIMS
(USDM) AS AT 20 FEBRUARY 2023



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

2018/19
The general increase in advance calls for this policy year was set at zero and the deferred call for Members with mutual tonnage remained at 30%. Claims in this policy year have seen some adverse development during the last year. At 20 February 2023 the policy year was showing a deficit of USD3.1m, a deterioration of USD0.8m on the position reported this time last year. The 2018/19 policy year was closed on 20 February 2023.

2019/20
The general increase in advance calls for this policy year was again set at zero and the deferred call for Members with mutual tonnage remained at 30%. Claims in this policy year have seen some positive development during the last year. At 20 February 2023 the policy year was showing a deficit of USD0.4m, an improvement of USD0.8m on the position reported this time last year.

2020/21
In October 2019, the Board decided that Members' individual rates would be adjusted to reflect their claims' record and risk profile for the 2020/21 policy year and that premiums would be charged on an Estimated Total Call basis, replacing the traditional Advance Call and Deferred Call structure. Claims in this policy year have seen some adverse development during the last year. At 20 February 2023 the policy year was showing a deficit of USD2.2m, a deterioration of USD0.4m on the position reported this time last year.

2021/22
In October 2020, the Board decided that Members would continue to be underwritten individually to achieve an increase on the Group's current ETC, but that there would be no declared general increase. Claims in this policy year have seen some positive development during the last year. At 20 February 2023 the policy year was showing a deficit of USD1.2m, an improvement of USD0.5m on the position reported this time last year.

2022/23
In October 2021, the Board decided that Members' rates will be adjusted to reflect their individual claims records and risk profiles to achieve a 15% increase on the Group's ETC, but that there will be no declared general increase. Claims in this policy year are at a similar level to those reported in the last five policy years. At 20 February 2023 the policy year was showing a deficit of USD1.7m.

2023/24
In October 2022, the Board decided that Members' rates will be adjusted to reflect their individual claims records and risk profiles to achieve a 15% increase on the Group's ETC, but that there will be no declared general increase.

DEVELOPMENTS WITHIN BRITANNIA

OUR CORE VALUES REMAIN MUTUALITY, TRUST, INTEGRITY, EXPERTISE AND EXCELLENCE. OUR PRIORITY IS OUR MEMBERS AND OUR TRACK RECORD OF FINANCIAL STRENGTH, TOGETHER WITH A PREMIUM SERVICE, HAVE ESTABLISHED THE BRITANNIA GROUP AS ONE OF THE MARKET LEADERS IN THE INTERNATIONAL GROUP OF P&I CLUBS. IN 2022 OUR CEO, ANDREW CUTLER, WAS ELECTED AS CHAIR OF THE IG WHILE OUR DCEO, MIKE HALL, REMAINS CHAIR OF THE IG'S REINSURANCE COMMITTEE.

BRITANNIA GROUP STRUCTURE

The past year has seen further changes to our structure, aimed primarily at positioning ourselves to meet potential future challenges. As such the Britannia Group now consists of:

- The Britannia Steam Ship Insurance Association Holdings Limited (Britannia Holdings), which has the controlling interest in its two insurance providers:
  - The Britannia Steam Ship Insurance Association Europe Limited (Britannia Europe); and
  - The Britannia Steam Ship Insurance Association Limited (Britannia (UK)); and
- Two Bermuda based reinsurers:
  - Universal Shipowners Marine Insurance Association Limited (USMIA); and
  - Hydra Insurance Company Limited – Britannia Cell.

There have been three main changes to the Britannia Group during the year:

- The Board took the decision to underwrite a limited amount of non-EEA business in Britannia (UK) from the 20 February 2023 renewal. This was in response to the EIOPA paper on outsourcing activities to third countries and will better position us to maintain the current operating model if the paper becomes law in the EU.
- The two Bermuda reinsurers that were part of the Britannia Group, USMIA and Boudicca, have been merged. Boudicca was consolidated into the Britannia Holdings accounts at last year end and the Board saw no reason to maintain two Group reinsurers following this decision. As part of the merger USMIA was relicensed as a Class 3A reinsurer.
- Ownership of USMIA has been transferred from Britannia Europe to Britannia Holdings so that the quota share reinsurance of both Britannia (UK) and Britannia Europe is provided by a fellow subsidiary of Britannia Holdings.

DEVELOPMENTS WITHIN BRITANNIA

THE CHART BELOW DETAILS THE STRUCTURE OF THE BRITANNIA GROUP

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION HOLDINGS LIMITED
(BRITANNIA HOLDINGS)

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED
(BRITANNIA (UK))

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

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION EUROPE
(BRITANNIA EUROPE)

UNIVERSAL SHIPOWNERS MARINE INSURANCE ASSOCIATION LIMITED
(USMIA)

90% quota share between USMIA and both Britannia (UK) and Britannia Europe.

BRITANNIA EUROPE BRANCHES

- UK
- HONG KONG
- JAPAN
- SINGAPORE

BRITANNIA EUROPE is regulated by the Commissariat aux Assurances (CAA) and its branches are regulated by the PRA/FCA (UK), Insurance Authority (Hong Kong), Japanese Financial Services Agency (Japan) and Monetary Authority of Singapore (Singapore).

Whether insured by Britannia Europe or Britannia (UK), every Member is part of and benefits from the strength of the Britannia Group.

In January 2023, the Managers acquired the Britannia Group's former exclusive correspondent B Americas – now renamed TR(B) Americas Inc. The regional hubs now span the globe, from New York through to Tokyo, and continue to provide timely and local advice to our Members. As the Britannia Group has grown, the Managers have continued to invest across all support functions as well as claims, underwriting (now headed by Simon Williams as CUO) and the regional hubs.

SUSTAINABILITY

WE ARE CONTINUING TO DEVELOP THE BRITANNIA GROUP'S APPROACH TO SUSTAINABILITY. KEY 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, WHILE BALANCING THAT AGAINST INCREASING REGULATORY REQUIREMENTS AND SOCIAL RESPONSIBILITY EXPECTATIONS.

Our shipowner Members face many challenges arising from decarbonisation, chief among them being the technological shift entailed in the move away from traditional fuel sources. This has seen the gradual introduction of new engine systems running on alternative fuels and the addition of energy-saving devices to vessels. The Britannia Group takes an inclusive approach to the coverage of these new technologies as we work with our Members on the transition journey.

Sustainability is now fully embedded in our corporate governance, being a regular report item at the Britannia Group's MRC as well as at its Boards, RAGs and Investment Group.

2022 saw the Britannia Group issue its second sustainability report. Since then we have focussed on:

a) Providing well-being and sustainability training to all staff.

b) Ensuring that our offices have undertaken a number of sustainability projects to reduce their carbon footprints, including recycling initiatives and measuring the carbon dioxide produced by staff air travel. New offices in Hong Kong and Tokyo both incorporate sustainable design elements and are among the most environmentally friendly buildings in the cities.

c) Working with Members to evaluate and mitigate the risks arising from new fuel sources and energy-saving technology.

d) Continuing work with our maritime-related charity partners with each office having an active CSR programme. The dissolution of Boudicca will see USD300,000 being donated to various Bermuda maritime charities.

e) Continuing to be active in contributing to the work of the IG. As a member of the IG's Sustainability Committee we were influential in drafting the IG's first sustainability report, which was published in July 2022 and highlighted the contribution of the IG to the ESG efforts of the marine industry.

Since Britannia's first Sustainability Report was published in 2021, the focus on sustainability in the shipping industry, and in general, has increased dramatically. Over the same period sustainability has become increasingly embedded in our culture and risk management processes. In an ever more complex world for our membership to navigate, the Britannia Group will continue to meet and respond to the expectations of our stakeholders and contribute to the efforts of our membership, and indeed the whole shipping industry, to address ESG challenges and work towards creating a more sustainable future.

MEMBERS OF THE BOARD

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

R Ching Hong Kong
S-C Lan Taipei[2]
L Martel Montreal[3]
C Munch Copenhagen[1]
M Rothkopf Hamburg[4]
R L Sadler London[1]
D F Saracakis Athens[2, 4]
E Verbeeck Antwerp[1]
X Villers London[1, 3]

J Warwick London[3, 4]
A J Cutler London (Manager)[2, 4]
M R A Hall London (Manager)[2, 4]

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

Taken at the Board meeting in October 2022 in Boston.

CORPORATE GOVERNANCE

TRUSTED BY OUR MEMBERS SINCE 1855, THE BRITANNIA GROUP IS THE OLDEST P&I CLUB IN THE WORLD. WE HAVE BUILT A REPUTATION FOR FINANCIAL SOUNDNESS AND PROVIDING AN EXCEPTIONAL STANDARD OF SERVICE FOR OUR MEMBERS WORLDWIDE.

MUTUALITY

We are committed to mutuality. As a mutual insurer we do not have to answer to shareholders, only to our Members, most of whom have been with us for many years. When considering new Members, we look to ensure that they mirror our values. Our mutuality allows us to write each Member's premium based on their individual risk and claims record over a 10-year period. Underpinning this, our experienced team supports all of our Members by providing professional and proactive advice on loss prevention and claims management. Understanding our Members enables us to adapt our services to meet their needs.

CORPORATE GOVERNANCE

Our Articles of Association set out the terms under which we operate, with our mutual status defined by the provisions contained in those articles and also the Rules of Britannia Europe and Britannia (UK). We have appointed Tindall Riley & Co Limited, through its wholly owned subsidiaries Tindall Riley Europe SARL and Tindall Riley (Britannia) Limited, as the Managers who take care of our day to day business. We pay the Managers a fee to manage and provide these services, which is disclosed in the Britannia Group's annual report and accounts.

OUR BOARDS AND MEMBERS' REPRESENTATIVE COMMITTEE (MRC)

Britannia Holdings is the controlling member of both Britannia Europe and Britannia (UK). This structure ensures that across the Britannia Group we apply common procedures and policies, along with a consistent approach to the cover provided to Members, solvency, capital management, risk, underwriting and claims handling.

The Boards for Britannia Holdings, Britannia Europe and Britannia (UK) are identical in representation and include an independent non-executive Chair, non-executive industry experts, representation from Members and two Manager directors.

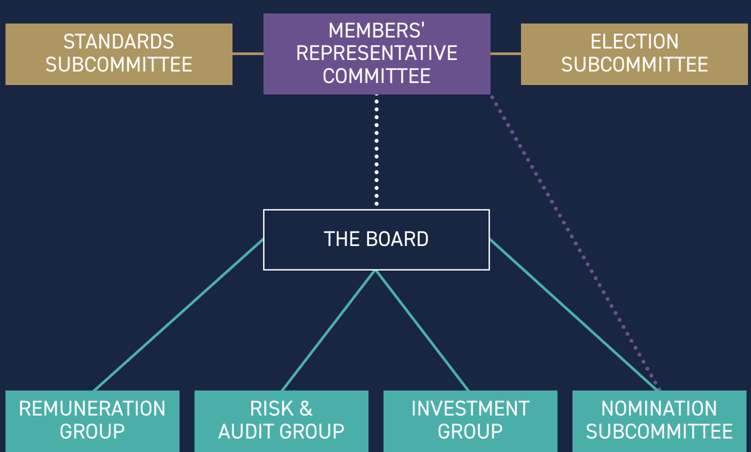
Those Boards are responsible for all regulatory matters, including:

- Determination of our overall strategy;
- Determination of our overall investment strategy, as well as the appointment of investment advisers and fund managers;
- Determination of our risk and capital strategies;
- The general level of calls and release calls;
- The appointment and remuneration of the Managers;
- The appointment of our auditors;
- The proposal to Members of amendments to the Rules;
- The distribution of any reserves or other assets to Members.

Fundamental to ensuring our mutual nature is the Members' Representative Committee (MRC), which is part of Britannia Holdings. The MRC's role includes acting as a sounding board on all significant matters considered by the Boards e.g. strategy, calls and changes to our Rules. The MRC also has oversight of our Standards Subcommittee (which looks at loss prevention, claims trends and membership). The MRC also has authority to approve any claim, subject to discretion, up to USD2.0m.

The diagram below details the inter-relationship of the Boards and the MRC as well as their subcommittees.

STRUCTURE OF THE BOARD AND ITS SUBCOMMITTEES AND OF THE MRC AND ITS SUBCOMMITTEES



In practice, the Boards and MRC devolve some of their authority to subcommittees (with their Terms of Reference found on the Britannia Group's website). The Board also delegates day to day responsibility for the Britannia Group's business to the Managers.

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

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

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

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

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

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

• The impact of our operations 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 Britannia Group.

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

Further engagement with the membership takes place through the Standards Subcommittee and the Loss Prevention Programme, described on page 12, and the Member Forums which take place in Europe and Asia each year.

The other principal stakeholders that have been identified by the Board are the Managers, Tindall Riley & Co Ltd, and their employees worldwide, who carry out all the day to day operational and management functions of the Britannia Group, together with others that provide services to it such as investment managers, professional advisers, the exclusive and local correspondents, local experts such as surveyors, reinsurance providers and insurance brokers. The Britannia Group has built strong relationships with these stakeholders over the years.

In particular, the average length of the current membership is 22.6 years, and the partnering relationship with the exclusive correspondents goes back in some cases over generations.

One of the Britannia 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 relationship between the Britannia Group and the Managers, which dates back 168 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 Britannia Group has a robust Environmental, Social and Governance (ESG) policy, which is used to assess the impact of its operations on the communities in which it operates and on the wider environment. It includes an assessment of the likely effects of political and climate change.

Through its regulated entities, the Britannia Group aligns the way in which it does business with its Regulators' conduct rules, such as 'treating customers fairly'. As a mutual insurance business, the fair treatment by the Britannia 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 Britannia Group manages conflicts of interest, its remuneration policy, its Group's modern slavery statement and its anti-bribery and corruption policy. The Britannia Group also has a Financial Crime policy.

The Britannia 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.

STATUTORY DIRECTORS' REPORT

THE DIRECTORS HAVE PLEASURE IN PRESENTING THEIR REPORT TO THE 151ST ANNUAL GENERAL MEETING OF THE MEMBERS OF THE BRITANNIA GROUP TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR TO 20 FEBRUARY 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Group and its subsidiaries during the year were the insurance and reinsurance of the risks of Protection and Indemnity (Class 3) and Freight, Demurrage and Defence (Class 6). The Strategic Report on pages 1 to 23 reports on these activities and the financial results of the Group for the year together with likely future developments.

FINANCIAL PERFORMANCE

The Directors are satisfied with the performance as stated on page 1.

FINANCIAL INSTRUMENTS

Information on the use of financial instruments by the Britannia Group and its management of financial risk is addressed in Note 16 to the financial statements. Our Group's exposure to cash flow risk is addressed under the headings of credit risk, liquidity risk and market risk in that note.

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 Risk & Audit Group 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 Britannia 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 our auditors are aware of that information.

Deloitte LLP have expressed their willingness to be reappointed as auditors of the Britannia Group. A resolution to reappoint them as the Britannia Group's auditors and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

The directors confirm that, to the best of their knowledge, the Strategic Report on pages 1 to 23 include a fair review of the development and performance of the business and the position of the Britannia Group, together with a description of the principal risks and uncertainties that it faces.

CARBON REPORTING

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

FUTURE DEVELOPMENTS

Likely future developments of the Britannia Group are discussed in the Strategic Report.

DIRECTORS

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

On 18 May 2022 Mr R L Sadler was appointed as a director and on 10 January 2023 W M R Ching was appointed as a director and in accordance with the Articles of Association they offer themselves for re-election. On 9 May 2023 N Yamamoto was appointed as a director. B T Nielsen resigned on 18 May 2022.

A J Cutler, A J Firmin and E Verbeeck all retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election as directors.

DIRECTORS' INDEMNITY INSURANCE

The Britannia Group has purchased directors' and officers' liability insurance in respect of all of its directors and representatives on the MRC.

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.

The Group's most recent ORSA was completed during November 2022. 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.

STATUTORY DIRECTORS' REPORT

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.

SUBSEQUENT EVENTS

There are no subsequent events which require adjustment or disclosure in the financial statements as further evidenced in note 23 of the Financial Statements.

By order of the Board

A J Cutler
13 June 2023

Companies House Number 11686576

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

• select suitable accounting policies and apply them consistently;

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1 OPINION

In our opinion the financial statements of 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 2023 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;

• the related notes 1 to 22 (excluding the parts of note 16.6 (capital risk management) which are marked as unaudited).

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3 SUMMARY OF OUR AUDIT APPROACH

Key audit matters
The key audit matter that we identified in the current year was

• Completeness of inflation uplift within the claims IBNR reserve

Within this report, key audit matters are identified as follows:

Similar level of risk

Materiality
The materiality that we used in the current year for the group was USD15.3m which was determined on the basis of 3% of net assets. For the parent company we used materiality of USD750,000 which was determined on the basis of 3% of net assets.

Scoping
Our scoping approach is to respond to the risk of material misstatement for financial significant components and components that are material due to risk. The audit work was performed directly by the group audit engagement team.

Significant changes in our approach
The key audit matter for the IBNR reserve has been pinpointed to the completeness of inflation uplift within the claims IBNR reserve.

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 the group and parent company, including investment holdings, cash position, technical provision reserves and net asset positions; this included 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;

• Assessing management's forecasts for the 12 month period from the date of approval of the financial statements;

• Assessing the historical accuracy of past forecasts; and

• Assessing the appropriateness of the going concern disclosure in the financial statements.

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 Completeness of inflation uplift within the claims IBNR reserve

Key audit matter description

Reserves for gross claims outstanding includes reserves for claims incurred but not reported ('IBNR'), which are typically recognised to reflect the uncertainty around the ultimate losses that will be incurred arising from claims due to the long-term nature of the group's exposure.

The amount of claims outstanding is USD1.16bn as at 20 February 2023.

Given the volatility of inflation in recent periods as mentioned in note 2, 3 and 7 to the annual accounts, the judgements that are made by management in determining the inflation uplift required for the claims IBNR reserve are qualitatively significant to the group's financial position.

The IBNR reserve is inherently subjective with high estimation uncertainty, and alterations in underlying assumptions may have a material impact on the financial position of the group and on the results of its operations.

In this context, the completeness of the inflation uplift in respect of management's selection of methodology and assumptions underlying the claims IBNR reserve has been assessed as a key audit matter.

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

5.1 Completeness of inflation uplift within the claims IBNR reserve (continued)
How the scope of our audit responded to the key audit matter
Our audit procedures have included the following:

We have obtained an understanding of relevant controls over the reserving cycle and in relation to incurred but not reported IBNR claims reserves. This included controls over the assumption setting process of the inflation uplift for the claims IBNR reserve and the appropriate governance oversight in determining this.

We involved our own actuarial specialists to assess the appropriateness of the key assumptions and judgements taken in determining the suitability of the inflation uplift for the claims IBNR reserve.

We also performed further audit procedures on testing the key inputs of the technical reserve balance:

• Agreed policy and claims data to underlying accounting records; and

• Assessed the reserves booked by management, with the involvement of our actuarial specialists.

Key observations
Based on the work performed, we have concluded that the completeness of inflation uplift within the claims IBNR reserve was reasonable and the related disclosures in the financial statements were appropriate.

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	Parent company financial statements
Materiality	USD15.3m	USD750,000
Basis for determining materiality	3% of Net Assets	3% of Net Assets
Rationale for the benchmark applied	The group is a mutual insurance company, which exists for the benefit of its members. As such, we have judged net assets to be the most appropriate benchmark as this represents group's ability to meet claims as they fall due, which is deemed to be the most concern to the members. The parent is a holding company and we considered net assets to be the most appropriate benchmark to use.	

NET ASSETS USD511m

MATERIALITY USD15.3m
Audit Committee reporting threshold **USD0.77m**

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% (2021/22 – 65%) of group materiality	65% (2021/22 – 65%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a) the quality of the control environment and the fact that we did not rely on controls; b) the nature, volume and size of misstatements in previous audits.	

6.3 Error reporting threshold

We agreed with the Risk & Audit Group that we would report to them all audit differences in excess of USD765,000 for group (2021/22 – USD600,000) and USD38,000 for parent company (FY2021/22 – USD31,000), 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

7.1 Scoping

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 group is comprised of Britannia Steam Ship Insurance Association Europe ('Britannia Europe'), Britannia Steam Ship Insurance Association Limited ('Britannia UK'), Universal Shipowners Marine Insurance Association ('USMIA') and Britannia's Hydra cell ('Hydra').

Britannia Europe is the main insurance risk carrier within the group, and along with Britannia UK (a non-trading regulated insurance company), is subject to full scope audit procedures performed by the group audit team to component materialities.

USMIA and Hydra provide reinsurance coverage within the group, with mainly intra-group transactions and balances, with the exception of investments and cash. Therefore, we performed specified audit procedures on prescribed balances performed by the group audit team to component materiality.

Component materialities ranged from USD8.95m to USD4.98m.

Based on the scope of our audit, we have scoped in 100% of consolidated calls and premiums, and 99% of consolidated profit before tax and consolidated net assets within our scope of testing.

7.2 Our consideration of the control environment

As an insurance business, the group's financial reporting processes are reliant on IT controls. In planning our 2022/23 audit, we worked with our with our in-house IT specialists to obtain an understanding of the two relevant IT systems that handle data relating to premiums, investments, reinsurance, reserving, claims, expenses and other balances.

While the group has made improvements in its control environment compared to the prior year, we identified a number of control deficiencies and reported these to the Risk & Audit Group. Due to the reliance of business processes on IT controls and our findings, we adopted a fully substantive approach in our audit.

7.3 Our consideration of climate-related risks

As part of our audit, we have considered the impact of climate change on the group's operations and its impact on its financial statements. We gained an understanding of management's processes to address climate-related risks, including the reporting and monitoring of climate related risks to the Risk & Audit Group.

We performed our own risk assessment of the financial impact of climate risks on the financial statements. In doing so we considered the estimates and judgements applied to the financial statements and how climate risks may impact their valuation.

We have read the disclosures relating to climate risks in management's sustainability report on page 18 and the annual report and considered whether they are materially consistent with knowledge obtained from our audit.

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

8 OTHER INFORMATION

The other information comprises the information included in the annual report and the parts of note 16.6 (capital risk management) which are marked as unaudited, but excludes 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 and 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, key drivers for directors' remuneration;

• 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 audit committee about their own identification and assessment of the risks of irregularities including those that are specific to the group's sector;

11.1 Identifying and assessing potential risks related to irregularities (continued)

• 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 and 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 – the completeness of the inflation uplift in respect of management's selection of methodology and assumptions underlying the claims IBNR reserve. 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, authorisation by the Luxembourg Minister of Finance and regulations by the CAA, UK Prudential Regulation Authority (PRA) and regulations by the Financial Conduct Authority (FCA) as well as branches in Hong Kong (regulated by the Hong Kong Insurance Authority) and Singapore (regulated by the Monetary Authority of Singapore) and Japan (regulated by the Japanese Financial Services Agency).

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 regulations.

11.2 Audit response to risks identified

As a result of performing the above, we identified completeness of inflation uplift within the claims IBNR reserve 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 and 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, the PRA and the FCA; and

• 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.

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

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 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.

Adam Addis FCA
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
13 June 2023

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

20 FEBRUARY 2023

Technical account – general business	Note	2023 USD(000)	2022 USD(000)
Earned premiums, net of reinsurance			
Calls and premiums	4	**258,140**	216,931
Reinsurance premiums	5	**(55,164)**	(41,700)
		202,976	175,231
Allocated investment return transferred from the non-technical account		**22,744**	28,810
Total income		**225,720**	204,041
Claims incurred net of reinsurance			
Net claims paid	6	**(184,282)**	(188,238)
Change in provision for claims	7	**14,349**	23,350
Net claims incurred		**(169,933)**	(164,888)
Net operating expenses	9	**(46,490)**	(39,113)
Total expenditure		**(216,423)**	(204,001)
Balance on technical account		**9,297**	40

Non-technical account	Note	2023 USD(000)	2022 USD(000)
Balance on the technical account		**9,297**	40
Investment income	10	**62,735**	38,471
Investment expenses		**(1,739)**	(2,208)
Unrealised loss		**(124,777)**	(20,216)
Allocated investment return transferred to the technical account		**(22,744)**	(28,810)
Net deficit before taxation		**(77,228)**	(12,723)
Taxation	12	**(609)**	(1,227)
Net deficit after taxation		**(77,837)**	(13,950)

All amounts are derived from continuing operations. The notes on pages 37 to 53 form part of these financial statements. There are no recognised gains and losses other than those included in the consolidated income and expenditure account.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

20 FEBRUARY 2023

Assets	Note	2023 USD(000)	2022 USD(000)
Investments			
Financial investments	13	**827,532**	1,058,752
Intangible assets	14	**5,914**	6,925
Reinsurers' share of technical provisions			
Claims outstanding	7	**414,840**	296,761
Debtors			
Direct insurance operations – Members	18	**105,271**	103,716
Reinsurance operations	19	**26,148**	41,989
Taxation		**20**	–
Other debtors		**7,444**	15,007
		138,883	160,712
Other assets			
Cash and cash equivalents		**296,337**	163,591
Prepayments and accrued income			
Accrued interest		**816**	425
Other prepayments and accrued income		**2,809**	6,514
Total assets		**1,687,131**	1,693,680

Liabilities	Note	2023 USD(000)	2022 USD(000)
Reserves			
Investment reserve	20	**87,585**	142,763
General reserve	20	**55,000**	55,000
Income and expenditure account	20	**367,447**	390,106
		510,032	587,869
Technical provisions			
Gross outstanding claims	7	**1,155,333**	1,051,603
Creditors			
Creditors arising out of insurance operations		**15,000**	50,399
Creditors arising out of reinsurance operations		**5,394**	3,049
Other creditors		**1,372**	760
Total liabilities		**1,687,131**	1,693,680

The notes on pages 37 to 53 form part of these financial statements.

A J Cutler Director

M R A Hall Director
13 June 2023

CONSOLIDATED STATEMENT OF CASH FLOWS
20 FEBRUARY 2023

	2023 USD(000)	2022 USD(000)
Cash flows from operating activities		
Net deficit before tax	**(77,228)**	(12,723)
Adjustments for:		
Amortisation of intangible assets	**1,549**	865
Change in provision for claims (net of reinsurance)	**(14,349)**	(23,350)
Decrease/(increase) in insurance and other debtors	**25,163**	(55,790)
(Decrease)/increase in insurance and other creditors	**(32,442)**	29,106
Investment income	**63,781**	(16,047)
Cash from operations	**(33,526)**	(77,939)
Income taxes paid	**(629)**	(1,074)
Net cash utilised by operating activities	**(34,155)**	(79,013)
Cash flows from investing activities		
Purchase of intangible assets (software development)	**(538)**	(1,556)
Purchase of equities	**(84,329)**	(54,503)
Purchase of fixed interest investments	**(154,798)**	(260,040)
Sale of equities	**120,937**	58,329
Sale of fixed interest investments	**215,135**	145,102
Net change to deposits with credit institutions	**69,646**	50,545
Income from equity investments	**2,540**	3,245
Income from fixed income investments	**4,300**	3,223
Bank and other interest	**7,746**	1,191
Investment management expenses	**(1,739)**	(2,208)
Net cash from investing activities	**178,900**	(56,672)
Cash flows from financing activities		
Capital distribution to Members	**–**	(25,000)
Net cash from financing activities	**–**	(25,000)
Net increase/(decrease) in cash and cash equivalents	**144,745**	(160,685)
Cash and cash equivalents at the beginning of the financial year	**163,591**	324,637
Effect of foreign exchange rate changes	**(11,999)**	(361)
Cash and cash equivalents at the end of the financial year	**296,337**	163,591

The notes on pages 37 to 53 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

20 FEBRUARY 2023

Assets	Note	2023 USD(000)	2022 USD(000)
Investments			
Investment in Group undertakings	15	**28,620**	20,500
Other assets			
Cash at bank		**3**	–
Total assets		**28,623**	20,500
Liabilities			
Capital and reserves			
Income and expenditure account		**25,122**	20,500
Amounts owing to Group undertakings		**3,500**	–
Taxation		**1**	–
Total liabilities		**28,623**	20,500

The Britannia Steam Ship 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 2023 was USD0m (2022 – USD0m).

The notes on pages 37 to 53 form part of these financial statements.

A J Cutler Director

M R A Hall Director
13 June 2023

NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2023

1 GENERAL INFORMATION

The Britannia Steam Ship Insurance Association Holdings Limited is a company incorporated in England and Wales. The address of the registered office is given on the back cover. The nature of the its operations and its principal activities are set out in the Strategic Report on pages 1 to 23 of this publication.

Basis of preparation

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

Going concern

The directors have a reasonable expectation that the Britannia Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements. Subsequent events have been considered and if required are disclosed in note 23.

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.

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. The Group has applied merger accounting to consolidate its subsidiaries of which it owns 100% by virtue of its controlling vote.

Rates of exchange

The Group uses the US dollar (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.

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. Since all mutual insurance policies are coterminous with the Group's financial year, there are no unearned premiums at the year-end date. Reinsurance premiums are accounted for in the same accounting period as the direct insurance premium or calls to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2023

2 ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 ACCOUNTING POLICIES (CONTINUED)

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. Non-derivative unlisted investments are valued by the directors on a prudent basis, having regard to their likely realisable value.

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

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 (section 18) 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. Amortisation is recognised in the income and expenditure account.

Policy year accounting

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

Investments

The Group has chosen to apply the recognition and measurement provision and the disclosure requirements of FRS 102 (section 11 and 12).

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 is 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.

3 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTIES

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

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 assume that past trends can be used to project future developments. The technical provisions at the year end are disclosed in note 7.

NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2023

4 CALLS AND PREMIUMS

	2023 USD(000)	2022 USD(000)
Advance calls and premiums		
2022/23 policy year	**261,065**	219,487
2021/22 policy year	**(3,349)**	(2,688)
2020/21 policy year	**383**	(59)
Closed years	**48**	379
	258,147	217,119
Deferred calls		
Closed years	**(7)**	(188)
	(7)	(188)
	258,140	216,931

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 USD17.0m (2022 – USD13.6m), written in Singapore and USD7.3m (2022 – USD5.7m), written in Hong Kong all other business is written in Luxembourg. All calls and premiums written are in the Marine class of business.

5 REINSURANCE PREMIUMS

	2023 USD(000)	2022 USD(000)
Group excess of loss	**36,146**	24,562
Market reinsurance	**19,018**	17,138
	55,164	41,700

6 NET CLAIMS PAID

	2023 USD(000)	2022 USD(000)
Gross claims paid		
Members' claims	**154,877**	223,785
Share of Pool claims	**41,007**	37,060
	195,884	260,845
Recoveries on claims paid		
From the International Group excess of loss reinsurance	**288**	2,462
From the Pool	**13,490**	52,589
Other reinsurers	**(2,176)**	17,556
	11,602	72,607
	184,282	188,238

7 CHANGE IN NET PROVISION FOR CLAIMS

	2023 USD(000)	2022 USD(000)
Claims outstanding		
Members' claims	**987,114**	870,717
Share of Pool claims	**168,219**	180,886
	1,155,333	1,051,603
Reinsurers' share of claims outstanding		
From the International Group excess of loss reinsurance	**123,750**	124,005
From the Pool	**199,251**	126,190
Other reinsurers	**91,839**	46,566
	414,840	296,761
Net claims outstanding carried forward	**740,493**	754,842
Net claims outstanding brought forward	**754,842**	778,192
Change in net provision for claims	**(14,349)**	(23,350)

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 USD32.9m (2022 – USD58.0m) on a gross and net basis. Occupational Disease claims have a significant latency period making them particularly uncertain for reserving purposes. The reserve has been set with reference to industry studies and the Association's historical experience. These studies include a projection of the number of deaths expected, the probability of claims being made and the expected cost of those claims.

CLAIM DEVELOPMENT TABLES

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

Insurance claims – gross (Class 3 and 6 combined)

Estimate of ultimate claims cost attributable to the policy year

	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)	2022/23 USD(000)
End of reporting year	360,522	271,778	527,169	192,588	232,129	274,101	271,831	360,281	250,889	234,220
One year later	357,386	275,748	581,117	163,302	198,771	385,092	261,006	377,039	336,534	
Two years later	329,780	254,220	634,315	157,210	200,047	375,305	235,553	400,776		
Three years later	294,403	260,594	618,293	143,487	191,372	306,817	223,513			
Four years later	273,839	250,122	578,433	132,394	173,812	329,156				
Five years later	266,194	247,548	560,963	125,305	172,597					
Six years later	261,769	241,643	563,164	122,157						
Seven years later	259,007	214,856	562,714							
Eight years later	263,834	212,847								
Nine years later	259,154									
Current estimate of ultimate claims	259,154	212,847	562,714	122,157	172,597	329,156	223,513	400,776	336,534	234,220
Cumulative payments to date	244,268	172,206	444,135	109,576	138,199	223,029	164,083	184,790	128,670	49,898
Liability recognised in the consolidated statement	14,886	40,641	118,579	12,581	34,398	106,127	59,430	215,986	207,864	184,322
Total liability relating to the last ten policy years										994,820
Other claims liabilities										160,513
Total reserve included in the consolidated statement of financial position										**1,155,333**

Insurance claims – net (Class 3 and 6)

Estimate of ultimate claims cost attributable to the policy year

	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)	2022/23 USD(000)
End of reporting year	258,836	214,694	233,575	183,273	170,582	174,988	178,860	190,425	204,769	187,579
One year later	253,737	195,588	223,348	152,057	166,266	175,451	180,080	190,566	247,218	
Two years later	231,204	176,653	216,650	147,687	164,740	173,577	178,512	266,406		
Three years later	220,104	170,087	204,224	132,998	159,480	168,802	186,112			
Four years later	202,004	158,476	172,824	122,638	146,230	167,180				
Five years later	197,604	155,193	163,517	117,238	145,014					
Six years later	190,704	150,184	163,783	114,095						
Seven years later	187,476	153,046	163,367							
Eight years later	182,976	150,760								
Nine years later	180,387									
Current estimate of ultimate claims	180,387	150,760	163,367	114,095	145,014	167,180	186,112	266,406	247,218	187,579
Cumulative payments to date	170,663	123,150	141,982	101,718	110,616	117,139	127,646	120,860	118,626	44,658
Liability recognised in the consolidated statement	9,724	27,610	21,385	12,377	34,398	50,041	58,466	145,546	128,592	142,921
Total liability relating to the last ten policy years										631,063
Other claims liabilities										109,430
Total reserve included in the consolidated statement of financial position										**740,493**

NOTES TO THE FINANCIAL STATEMENTS
20 FEBRUARY 2023

CLAIM DEVELOPMENT TABLES (CONTINUED)

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

	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)	2022/23 USD(000)
End of reporting year	352,130	263,676	519,176	185,309	225,542	266,341	263,805	352,578	242,694	226,171
One year later	350,194	267,646	573,915	157,798	192,934	376,333	253,890	369,022	328,739	
Two years later	323,588	246,568	627,913	150,906	194,360	366,533	228,526	392,409		
Three years later	288,561	253,492	612,191	137,333	184,542	297,495	217,086			
Four years later	268,197	243,420	572,331	126,300	167,532	319,066				
Five years later	260,352	240,998	555,068	119,211	166,317					
Six years later	256,127	235,202	557,403	116,295						
Seven years later	253,993	208,453	557,156							
Eight years later	258,820	206,617								
Nine years later	254,166									
Current estimate of ultimate claims	254,166	206,617	557,156	116,295	166,317	319,066	217,086	392,409	328,739	226,171
Cumulative payments to date	239,339	166,067	438,696	103,848	132,336	213,990	158,453	177,718	122,852	45,056
Liability recognised in the consolidated statement	14,827	40,550	118,460	12,446	33,981	105,076	58,634	214,691	205,887	181,116
Total liability relating to the last ten policy years										985,669
Other claims liabilities										156,365
Total reserve included in the consolidated statement of financial position										**1,142,034**

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

	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)	2022/23 USD(000)
End of reporting year	250,444	206,592	225,582	175,994	163,995	167,228	170,834	182,722	196,574	179,530
One year later	246,545	187,486	216,146	146,553	160,429	166,692	172,964	182,549	239,423	
Two years later	225,012	169,001	210,248	141,383	159,053	164,805	171,485	258,039		
Three years later	214,262	162,985	198,122	126,844	152,650	159,480	179,685			
Four years later	196,362	151,774	166,722	116,544	139,950	157,090				
Five years later	191,762	148,643	157,622	111,144	138,734					
Six years later	185,062	143,743	158,022	108,233						
Seven years later	182,462	146,643	157,809							
Eight years later	177,692	144,530								
Nine years later	175,399									
Current estimate of ultimate claims	175,399	144,530	157,809	108,233	138,734	157,090	179,685	258,039	239,423	179,530
Cumulative payments to date	165,734	117,011	136,543	95,990	104,753	108,100	122,016	113,788	112,808	39,816
Liability recognised in the consolidated statement	9,664	27,519	21,265	12,243	33,981	48,991	57,669	144,251	126,615	139,714
Total liability relating to the last ten policy years										621,913
Other claims liabilities										105,429
Total reserve included in the consolidated statement of financial position										**727,343**

CLAIM DEVELOPMENT TABLES (CONTINUED)

Insurance claims – gross (Class 6 FD&D)

Estimate of ultimate claims cost attributable to the policy year

	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)	2022/23 USD(000)
End of reporting year	8,392	8,102	7,993	7,279	6,587	7,760	8,026	7,703	8,195	8,049
One year later	7,192	8,102	7,202	5,504	5,837	8,759	7,116	8,017	7,795	
Two years later	6,192	7,652	6,402	6,304	5,687	8,772	7,027	8,367		
Three years later	5,842	7,102	6,102	6,154	6,830	9,322	6,427			
Four years later	5,642	6,702	6,102	6,094	6,280	10,090				
Five years later	5,842	6,550	5,895	6,094	6,280					
Six years later	5,642	6,441	5,761	5,862						
Seven years later	5,014	6,403	5,558							
Eight years later	5,014	6,230								
Nine years later	4,988									
Current estimate of ultimate claims	4,988	6,230	5,558	5,862	6,280	10,090	6,427	8,367	7,795	8,049
Cumulative payments to date	4,929	6,139	5,439	5,728	5,863	9,039	5,630	7,072	5,818	4,842
Liability recognised in the consolidated statement	60	91	119	135	417	1,051	797	1,296	1,977	3,208
Total liability relating to the last ten policy years										9,151
Other claims liabilities										4,148
Total reserve included in the consolidated statement of financial position										**13,299**

Insurance claims – net (Class 6 FD&D)

Estimate of ultimate claims cost attributable to the policy year

	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)	2022/23 USD(000)
End of reporting year	8,392	8,102	7,993	7,279	6,587	7,760	8,026	7,703	8,195	8,049
One year later	7,192	8,102	7,202	5,504	5,837	8,759	7,116	8,017	7,795	
Two years later	6,192	7,652	6,402	6,304	5,687	8,772	7,027	8,367		
Three years later	5,842	7,102	6,102	6,154	6,830	9,322	6,427			
Four years later	5,642	6,702	6,102	6,094	6,280	10,090				
Five years later	5,842	6,550	5,895	6,094	6,280					
Six years later	5,642	6,441	5,761	5,862						
Seven years later	5,014	6,403	5,558							
Eight years later	5,014	6,230								
Nine years later	4,988									
Current estimate of ultimate claims	4,988	6,230	5,558	5,862	6,280	10,090	6,427	8,367	7,795	8,049
Cumulative payments to date	4,929	6,139	5,439	5,728	5,863	9,039	5,630	7,072	5,818	4,842
Liability recognised in the consolidated statement	60	91	119	135	417	1,051	797	1,296	1,977	3,207
Total liability relating to the last ten policy years										9,150
Other claims liabilities										4,000
Total reserve included in the consolidated statement of financial position										**13,149**

NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2023

8 MOVEMENT IN PRIOR YEARS' CLAIMS PROVISIONS

	2023 USD(000)	2022 USD(000)

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 2022.

Net provision at beginning of the year	**754,842**	778,192
Net payments in the year in respect of these provisions	**(134,604)**	(147,846)
Net provision at the end of the year in respect of claims provided for at the end of the previous year	**(599,647)**	(584,963)
Improvement in respect of prior years	**20,591**	45,383

9 NET OPERATING EXPENSES

	2023 USD(000)	2022 USD(000)
Directors' fees	**984**	603
Auditors' remuneration	**884**	706
Amortisation	**1,549**	865
Other expenses	**17,546**	15,495
Administrative expenses	**20,963**	17,669
Acquisition expenses	**25,527**	21,444
Net operating expenses	**46,490**	39,113

The highest paid director received USD126,100 (2022 – USD113,600). The Group employs no staff, management services being provided by the managers.

In accordance with the International Group Agreement 2022, 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 2023 was 15.39% (2022 – 12.53%). The ratio has been calculated in accordance with the schedule and guidelines issued by the International Group.

10 NET INVESTMENT INCOME

	2023 USD(000)	2022 USD(000)
Income from equity investments	**2,540**	3,245
Income from fixed income investments	**4,300**	3,223
Bank and other interest	**7,746**	1,191
Realised investment gain	**60,148**	31,173
Exchange loss on cash balances	**(11,999)**	(361)
Investment income	**62,735**	38,471

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
	2023	2022	2023	2022
US	**3.6%**	3.2%	**6.5%**	6.5%
UK	**3.0%**	1.5%	**7.0%**	7.0%
Europe	**–**	–	**7.0%**	7.0%
Pacific Basin	**–**	–	**7.0%**	7.0%
Japan	**–**	0.3%	**7.0%**	7.0%

Comparison of actual return achieved with the return allocated to the technical account using longer-term rates	10 years to 2023 USD(000)	10 years to 2022 USD(000)
Actual return achieved	**263,744**	375,743
Longer-term return credited to the technical account	**291,686**	289,916
(Deficit)/surplus of actual returns over longer-term returns	**(27,912)**	85,827

12 TAXATION

	2023 USD(000)	2022 USD(000)
Analysis of charge for period		
UK Corporation Tax charge	**4**	–
Underprovision in previous year	**25**	553
Unrelieved foreign withholding taxes	**580**	674
Taxation	**609**	1,227

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 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 the tax charge for period

The tax charge for the period is higher (2022 – higher) than that produced by applying the standard rate of Corporation Tax in the UK of 19% to the surplus for the year to 20 February 2023 (2022 – 19%). The differences are explained below:

	2023 USD(000)	2022 USD(000)
Net deficit before tax	**(77,228)**	(12,723)
Net deficit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 19% (2022 – 19%)	**(14,673)**	(2,417)
Effects of:		
Non-taxable mutual insurance underwriting operations	**2,554**	(5,466)
Non-taxable investment income	**12,123**	7,883
Underprovision in previous years	**25**	553
Unrelieved foreign withholding taxes	**580**	674
Current tax charge	**609**	1,227

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.

	2023 USD(000)	2022 USD(000)
Market value		
Quoted shares and variable yield securities	**321,780**	370,706
Debt securities and other fixed income securities	**428,310**	605,559
Deposits with credit institutions	**12,664**	82,310
Derivatives at fair value through income	**(4)**	(44)
Unsettled investment transactions	**64,782**	221
	827,532	1,058,752
Cost		
Quoted shares and variable yield securities	**258,726**	232,273
Debt securities and other fixed income securities	**429,447**	557,258
Deposits with credit institutions	**12,664**	82,310
Derivatives at fair value through income	**–**	–
Unsettled investment transactions	**64,782**	221
	765,619	872,062
Included in investments at market value were:		
Listed on the UK stock exchange	**–**	6,333
Listed on other investment exchanges	**814,872**	970,153
	814,872	976,486

NOTES TO THE FINANCIAL STATEMENTS

20 FEBRUARY 2023

14 INTANGIBLE ASSETS

	2023 USD(000)	2022 USD(000)
Cost		
Opening balance	**8,483**	6,927
Capitalisation of software expenditure	**538**	1,556
Closing balance	**9,021**	8,483
Accumulated amortisation		
Opening balance	**(1,558)**	(693)
Amortisation for the year	**(1,549)**	(865)
Closing balance	**(3,107)**	(1,558)
Net book value	**5,914**	6,925

Intangible assets comprise capitalised software development costs amortised on a straight-line basis over the estimated useful economic life of 10 years.

15 INVESTMENT IN GROUP UNDERTAKINGS

	Country of incorporation	Share held	Class of shares	Principal activity	2023 USD(000)	2022 USD(000)
Direct related undertakings						
The Britannia Steam Ship Insurance Association Limited (Britannia (UK))	United Kingdom	100%	N/A[1]	Underwriting	**8,000**	–
The Britannia Steam Ship Insurance Association Europe (Britannia Europe)	Luxembourg	100%	N/A[2]	Underwriting	**20,500**	20,500
Universal Shipowners Marine Insurance Association Limited (USMIA)	Bermuda	100%	Ordinary[3]	Reinsurance	**120**	–
Indirect related undertakings						
Hydra Insurance Company Limited – Britannia Cell	Bermuda	100%	Preferred	Reinsurance		
Hydra Insurance Company Limited – General Cell	Bermuda	7.69%	Ordinary	Reinsurance		
Shares in subsidiary companies					**28,620**	20,500

The registered address of each group undertaking is as follows:

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

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

USMIA: Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Hydra Insurance Company Limited: c/o Carey Olsen Bermuda Limited, Rosebank Centre, 5th Floor, 11 Bermudiana Road, Pembroke HM 08, Bermuda

Britannia Holdings controls Britannia (UK) 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 direct control of the company. Hydra is a Bermuda 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.

[1]Britannia Holdings' investment in Britannia (UK) represents USD8.0m of contributed surplus.

[2]Britannia Holdings' investment in Britannia Europe represents USD20.5m of contributed surplus.

[3]On 9 February 2023, pursuant to a Group reorganisation, USMIA was registered by the Bermuda Monetary Authority as a Class 3A insurer. Prior to that date it had been a Class 2 insurer. Also on 9 February 2023 ownership of USMIA was transferred from Britannia Europe to Britannia Holdings at the original cost to the Britannia Group of the shares in USMIA.

On 10 February 2023 USMIA and Boudicca merged pursuant to the provisions of the Bermuda Companies Act 1981. All undertakings, property and liabilities of Boudicca vested in USMIA as the surviving company from that date. The shares in Boudicca were at that time converted into the right to receive USD300,000 in the aggregate, representing the merger consideration.

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 10 non-executive directors drawn from the Group's shipowner Members, one non-executive director who is an expert in insurance matters and two executive directors from the Group's Managers. Its responsibilities include undertaking reviews of the following matters: the Group's overall strategy, policy year results (including reserving) and proposed calls, reinsurance, investments, risk management, compliance matters, and capital adequacy as evidenced by the Own Risk Solvency Assessment (ORSA). The Board also oversees implementation of the Group's investment strategy.
2) **The Risk & Audit Group (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.

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. These risks are compared to the results of capital modelling, risk scenarios, self-reported risk incidents and internal audit findings to ensure that a rounded view of the Group's risk profile is achieved.

16.1 Underwriting risk

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

NOTES TO THE FINANCIAL STATEMENTS
20 FEBRUARY 2023

16 RISK MANAGEMENT (CONTINUED)

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

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

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

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

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

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

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

Increase in loss ratio by 5%	2023 USD(000)	2022 USD(000)
Gross	**12,907**	10,847
Net	**10,149**	8,762

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

16 RISK MANAGEMENT (CONTINUED)

16.2 Market risk

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

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

Foreign currency risk management

The Group is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than 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 split of assets and liabilities for each of the Association's main currencies, converted to US dollar, is set out in the tables below:

Amounts in USD(000)	USD 2023	USD 2022	GBP 2023	GBP 2022	EUR 2023	EUR 2022	Other 2023	Other 2022	Total 2023	Total 2022
Total assets	**1,479,867**	1,495,942	**103,834**	133,823	**47,900**	41,445	**55,530**	22,470	**1,687,131**	1,693,680
Total liabilities	**932,583**	769,417	**74,264**	156,499	**71,845**	74,734	**98,407**	105,161	**1,177,099**	1,105,811
Net assets	**547,284**	726,525	**29,570**	(22,676)	**(23,945)**	(33,289)	**(42,877)**	(82,691)	**510,032**	587,869

The table below shows the effects of a 5.0% increase or decrease in exchange rates:

	GBP 2023	GBP 2022	EUR 2023	EUR 2022	Other 2023	Other 2022	Total 2023	Total 2022
5.0% increase in exchange rates	**(1,479)**	1,134	**1,197**	1,664	**2,144**	4,135	**1,862**	6,933
5.0% decrease in exchange rates	**1,479**	(1,134)	**(1,197)**	(1,664)	**(2,144)**	(4,135)	**(1,862)**	(6,933)

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:

	2023 USD(000)	2022 USD(000)
0.5% increase in interest rates	**2,147**	2,786
0.5% decrease in interest rates	**(2,147)**	(2,786)

Equity price sensitivity analysis

The Group is exposed to price risk through its holding of equities. This exposure is limited to a maximum proportion of the overall portfolio. At the year end the holding in equity instruments amounted to 16% (2022 – 23%) of the investment portfolio. The Group also holds an investment in a diversified growth fund amounting to 10% (2022 – 16%) 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 USD28.6m (2022 – USD20.5m).

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

	2023 USD(000)	2022 USD(000)
5% increase in equity price	**10,921**	18,535
5% decrease in equity price	**(10,921)**	(18,535)

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.

NOTES TO THE FINANCIAL STATEMENTS
20 FEBRUARY 2023

16 RISK MANAGEMENT (CONTINUED)

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

The key areas where the Group is exposed to credit risk are:
- **Amounts recoverable from reinsurance contracts, including other P&I Clubs**
- **Amounts due from Members**
- **Counterparty risk with respect to cash and investments**

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

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

Counterparty risk with respect to cash and investments
The investment policy manages the risk of default through ensuring a diversification of the portfolio by asset, currency, geography, market and counterparty.

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

	2023 USD(000)	2022 USD(000)
Debt securities	**428,311**	605,559
Derivatives at fair value through income	**(4)**	(44)
Reinsurers' share of technical provisions	**414,840**	296,761
Reinsurance debtors	**26,148**	41,989
Member and other debtors	**112,735**	118,724
Unsettled investment transactions	**64,782**	221
Deposits with credit institutions	**12,664**	82,310
Cash at bank and in hand	**296,337**	163,591
Total financial assets bearing credit risk	**1,355,813**	1,309,111

An analysis of this exposure by credit rating is shown below		
AAA	**–**	–
AA	**526,042**	332,417
A	**276,572**	347,099
BBB+ and below	**58,410**	41,995
No rating	**494,789**	587,600
Total financial assets bearing credit risk	**1,355,813**	1,309,111

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

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.

16 RISK MANAGEMENT (CONTINUED)

16.3. Counterparty default risk (continued)

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 2023	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	**321,780**	**–**	**–**	**–**	**–**	**321,780**
Debt securities and other fixed income securities	**10,200**	**13,291**	**106,355**	**116,850**	**181,615**	**428,311**
Deposits with credit institutions	**12,664**	**–**	**–**	**–**	**–**	**12,664**
Derivatives at fair value through income	**(4)**	**–**	**–**	**–**	**–**	**(4)**
Unsettled investment transactions	**64,782**	**–**	**–**	**–**	**–**	**64,782**
Reinsurers' share of outstanding claims	**–**	**117,785**	**86,955**	**137,651**	**72,449**	**414,840**
Direct insurance operations – Members	**4,067**	**47,668**	**53,536**	**–**	**–**	**105,271**
Reinsurance operations	**26,148**	**–**	**–**	**–**	**–**	**26,148**
Taxation	**20**	**–**	**–**	**–**	**–**	**20**
Other debtors	**7,444**	**–**	**–**	**–**	**–**	**7,444**
Cash and cash equivalents	**296,337**	**–**	**–**	**–**	**–**	**296,337**
Accrued interest	**816**	**–**	**–**	**–**	**–**	**816**
Other prepayments and accrued income	**2,809**	**–**	**–**	**–**	**–**	**2,809**
Total assets	**747,063**	**178,744**	**246,846**	**254,501**	**254,064**	**1,681,218**
At 20 February 2022						
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 and cash equivalents	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**

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

At 20 February 2023	Within 1 year USD(000)	1-2 years USD(000)	2-5 years USD(000)	Over 5 years USD(000)	Total USD(000)
Gross outstanding claims	**328,033**	**242,171**	**383,359**	**201,770**	**1,155,333**
Direct insurance operations – Members	**15,000**	**–**	**–**	**–**	**15,000**
Reinsurance operations	**5,394**	**–**	**–**	**–**	**5,394**
Other creditors	**1,372**	**–**	**–**	**–**	**1,372**
Total liabilities	**349,799**	**242,171**	**383,359**	**201,770**	**1,177,099**
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**

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 the managers and the RAG. A staff handbook contains all the key policies that have been documented.

NOTES TO THE FINANCIAL STATEMENTS
20 FEBRUARY 2023

16 RISK MANAGEMENT (CONTINUED)

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

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

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

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

The Group aims to maintain capital resources at a level which provides a comfortable margin above the requirements of the Prudential Regulation Authority (PRA) and the Commissariat aux Assurances (CAA) and the regulators of its branch offices in the UK, 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.

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

Group	2023 USD(000)	2022 USD(000)
Level 1	**334,444**	453,016
Level 2	**493,088**	605,736
Level 3	**–**	–
	827,532	1,058,752

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.

17 TONNAGE INFORMATION (CONTINUED)

	2023 gt (000)	2022 gt (000)
The analysis of its tonnage from P&I cover from Members by geographical area is as follows:		
Asia	**61,668**	61,401
Middle East	**4,534**	4,247
Scandinavia	**17,681**	17,546
Australasia	**872**	420
Americas	**6,451**	4,561
Europe	**50,836**	46,469
	142,042	134,644

18 DEBTORS – DIRECT INSURANCE OPERATIONS

	2023 USD(000)	2022 USD(000)
Calls and premiums due from Members	**4,067**	11,126
Future payment dates	**101,204**	92,590
Debtors – direct insurance operations	**105,271**	103,716

19 DEBTORS – REINSURANCE OPERATIONS

	2023 USD(000)	2022 USD(000)
Amounts recoverable from the Pool	**15,684**	41,148
Other	**10,464**	841
Debtors – reinsurance operations – Group	**26,148**	41,989

20 RESERVES

	Investment Reserve USD(000)	General Reserve USD(000)	Income and expenditure account USD(000)	Total USD(000)
At 20 February 2021 (Restated)	157,440	55,000	414,379	626,819
Deficit for the financial year (Restated)	–	–	(13,950)	(13,950)
Capital distribution	–	–	(25,000)	(25,000)
Transfer to investment reserve	(14,677)	–	14,677	–
At 20 February 2022	142,763	55,000	390,106	587,869
Deficit for the financial year	–	–	(77,837)	(77,837)
Capital distribution	–	–	–	–
Transfer from investment reserve	(55,178)	–	55,178	–
At 20 February 2023	**87,585**	**55,000**	**367,477**	**510,032**

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

The general reserve was established in accordance with Rule 39(1) of the Britannia Group to provide for any claims, expenses, losses or other outgoings of the Britannia Group (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.

21 LETTER OF CREDIT

The Group has a letter of credit facility available to it with DBS Bank (Hong Kong) Limited. The total letter of credit available amounted to USD10.5m (HKD82m), with no amounts drawn during the financial year. The undrawn letter of credit amount available at 20 February 2023 amounted to USD10.5m (HKD82m).

22 RELATED PARTY TRANSACTIONS

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

The managers who manage the Group through its subsidiary TRB and TRE earned management fees of USD50.4m (2022 – USD49.9m) for the year. Three directors of the Group are also directors of TRB.

23 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 13 June 2023.

CLASS 3 – PROTECTION AND INDEMNITY POLICY YEAR STATEMENT

20 FEBRUARY 2023

	2022/23 USD(000)	2021/22 USD(000)	2020/21 USD(000)	Closed years USD(000)	Total USD(000)
Advance calls and premiums					
Year to 20 February 2023	253,378	(3,780)	391		
Year to 20 February 2022	–	212,245	(2,749)		
Year to 20 February 2021	–	–	196,285		
	253,378	208,465	193,927		
Reinsurance premiums					
Group excess of loss	(37,626)	(26,721)	(24,421)		
Other	(18,465)	(18,006)	(12,002)		
	(56,091)	(44,726)	(36,423)		
Allocated investment return	24,910	29,793	27,991		
Taxation	(807)	(1,827)	(621)		
	221,390	191,704	184,875		
Claims paid less reinsurance recoveries	44,222	121,793	126,765		
Acquisition costs	23,750	21,460	19,389		
Administrative expenses	20,403	17,122	14,231		
	88,375	160,375	160,385		
Balance available to meet outstanding claims	133,017	31,329	24,490	1,013,985	1,202,821
Estimated outstanding claims					
Own claims	169,401	164,186	163,761	476,468	973,816
Share of Pool claims	11,715	41,701	50,929	63,873	168,218
	181,116	205,887	214,690	540,341	1,142,034
Estimated reinsurance recoveries					
Group excess of loss	–	–	–	(123,750)	(123,750)
Pool	(8,925)	(50,017)	(49,342)	(90,966)	(199,250)
Other reinsurers	(32,477)	(29,255)	(21,097)	(9,199)	(92,028)
	(41,402)	(79,272)	(70,439)	(223,915)	(415,028)
Net estimated outstanding claims	139,714	126,615	144,251	316,426	727,006
Surplus/(deficit)	(6,698)	(95,286)	(119,761)	697,560	475,815
Capital distribution	–	–	–	(120,000)	(120,000)
Balance after distributions	**(6,698)**	**(95,286)**	**(119,761)**	**577,560**	**355,815**

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Registered in England and Wales No.11686576

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED
Registered Office:
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Authorised by the Prudential Regulation Authority

Regulated by the Financial Conduct Authority and the Prudential Regulation Authority

THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION EUROPE
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