



**SHIOWNERS**

SECURITY FOR SMALL & SPECIALIST VESSELS

# Solvency & Financial Condition Report (SFCR)

Single SFCR as at  
31 December 2023

The Shipowners' Mutual Protection and  
Indemnity Association (Luxembourg)





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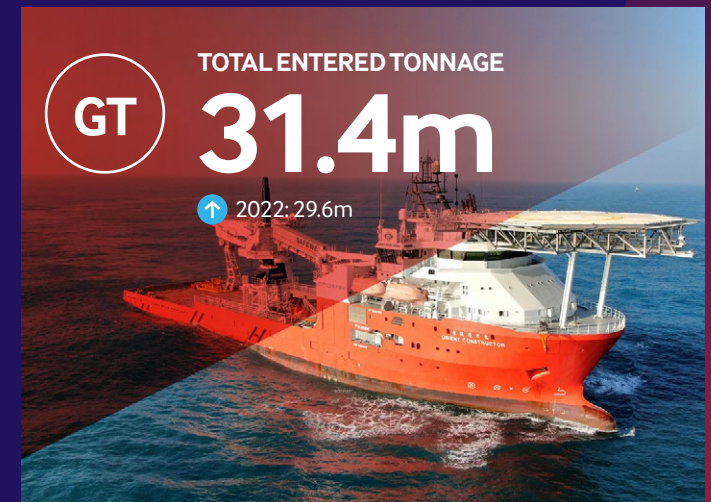
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### STANDARD & POOR'S RATING

# A stable



The Club's current 'A' (Stable outlook) rating from Standard & Poor's underlines our financial strength. As a mutual organisation, this strength allows the Club to write business 'at cost', and to continue to provide a market-leading P&I insurance service.



## INTRODUCTION

# Welcome to our SFCR 2023

### WHO WE ARE

**We are a mutual insurance association offering Protection & Indemnity (P&I) and associated insurances to smaller and specialist vessel owners, operators and charterers around the world.**

As a mutual association, the Club is owned and governed by its Members. Members share risk and we operate on a non-profit-making basis. The Board of Directors is substantially drawn from the Membership. Underwriting, claims, loss prevention and crew welfare services are provided by the managers of the Club on behalf of the Association.



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## CHAIR'S REPORT



I am pleased to report our Solvency Capital Ratio of 230% (2022: 222%). We have seen an increase in available capital from last year on account of the Club's 2023 surplus, driven by the positive investment returns."

**DONALD A. MACLEOD KC**  
Chair

### UNDERWRITING SURPLUS (US\$)

**4.1m**

↓ 2022: 6.2m

### COMBINED RATIO (%)

**98.4%**

↑ 2022: 97.4%

### MEMBERSHIP RETENTION

**99.0%**

— 2022: 99.0%



CHAIR'S REPORT CONTINUED

I am pleased to report that the Shipowners' Club is in solid shape on all fronts. 2023 saw the highest level of premium and the most Members in our Club's history. This success is built on the guiding principle of the Club Board and its wholly owned management company to always do what is in the best interest of the Membership.

Getting underwriting right is key for any insurer and the underwriting strength of Shipowners enables us to support and provide the high calibre of service that our Members and their brokers expect. The Club achieved a combined ratio of 98.4% in financial year 2023, validating the decision not to call for a General Increase in 2023. This underwriting performance is in direct continuation of the Club's established practice, which has provided a 10-year average combined ratio of 99.5% and thus a provision of 'insurance at cost', which is fundamentally important to us as a mutual Club.

Gross premium in 2023 was US\$ 281.3m and represents an increase of 30% since 2017. What makes this all the more impressive is the fact that the Club continues to be driven by a prudent and disciplined underwriting approach. In 2023, the Club declined some US\$ 50m of potential new business because it did not meet our risk standards. It was simply not in the best interests of the Membership to write business with a risk profile not in conformity with the rest of the Membership.

The Club will never sacrifice its underwriting principles for the sake of garnering increased revenues. As a result, the Club's retention levels are impressive. At the key renewal date of February 20, 2024, 99% Member retention was achieved.

Turning to our investments, at Shipowners, our philosophy is to generate steady returns over the medium to long-term. This philosophy has held the Club in good stead over many years as markets have fluctuated up and down. In 2023, our core portfolio generated a return of 9.94%, taking this portfolio from US\$ 558.4m to US\$ 613.9m, an increase of US\$ 55.5m.

I am pleased to report our Solvency Capital Ratio of 230% (2022: 222%). We have seen an increase in available capital from last year on account of the Club's 2023 surplus, driven by the positive investment returns. Overall, the Solvency Capital Requirement has also increased, driven by increases in Market and Insurance risk. Excluding contingent capital, our Solvency Capital Ratio is 180% (2022: 172%).



The Club is financially strong, with a good technical result, a positive overall surplus, a tradition of prudent reserving and a strong balance sheet. I would like to record the Board's thanks to our management colleagues for their role in achieving this excellent result.

As we look to 2024, there will be opportunities and new challenges to meet. In typical Shipowners' Club fashion, the future and

these opportunities and challenges will be met by always seeking to do what is in the best interest of the Membership.

A handwritten signature in black ink, appearing to read 'Donald A. Macleod'.

**DONALD A. MACLEOD KC**  
Chair



## SUMMARY

This report has been produced in respect of The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) ("the Club") to satisfy its public reporting requirements under the Solvency II insurance regulation regime. The information contained in this report covers the year ending 31 December 2023.

This report has been produced on a single Group basis, a fact which reflects that on a day-to-day basis the Club manages itself as a Group. Where it differs from that of the Group, this report also includes information about the Club on a standalone legal entity basis ("Solo") and about Spandilux S.A. ("Spandilux"), a Luxembourg-domiciled reinsurance subsidiary of the Club.

The Club's business remains consistent in terms of risks underwritten, its system of governance and its risk profile. At a Group consolidated level on a mid-market investment valuation basis, the Club recorded an underwriting surplus of US\$ 4.1m and an overall surplus of US\$ 69.5m for the year ending 31 December 2023. This surplus is primarily attributable to investment gains. The Club closed the year with US\$ 406.8m of capital and reserves.

The Club's approach to capital management and valuation for solvency purposes remains consistent and this is demonstrated through its Solvency ("SCR") and Minimum ("MCR") capital ratios which are shown in Table 1. The capital requirements are calculated in accordance with the Solvency II standard formula which the Club has determined to be appropriate for its risk profile.

The Solvency II regulations allow recognition in the solvency ratio of the contingent capital that the Club can call in the form of supplementary calls from mutual Members. Consistent with many other International Group clubs, the Club has been given regulatory approval to make this inclusion. This permission increases the Group and Solo solvency ratios by 50%, the maximum increase allowable.

UNDERWRITING SURPLUS (US\$)

**4.1m**

↓ 2022: 6.2m

OVERALL SURPLUS (US\$)

**69.5m**

↑ 2022: (59.1)m deficit

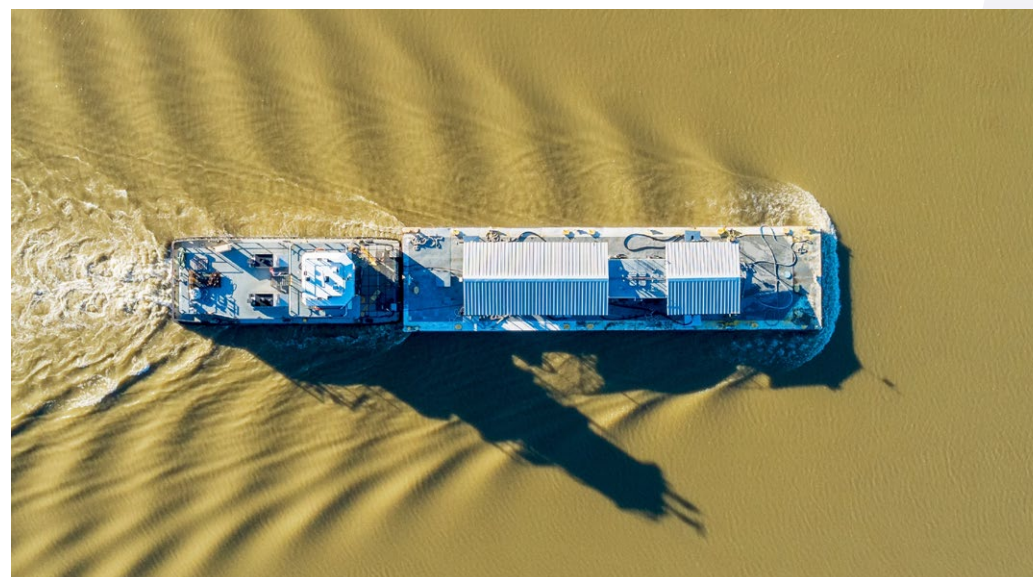
CAPITAL & FREE RESERVES (US\$)

**406.8m**

↑ 2022: 337.4m

TABLE 1: SOLVENCY AND MINIMUM CAPITAL RATIOS BY ENTITY

Entity	Solvency Capital Ratio (including contingent capital) %	Solvency Capital Ratio (excluding contingent capital) %	Minimum Capital Ratio %
<b>Group</b>	<b>230%</b>	<b>180%</b>	<b>341%</b>
(2022)	222%	172%	308%
<b>Solo</b>	<b>263%</b>	<b>213%</b>	<b>852%</b>
(2022)	260%	210%	840%
<b>Spandilux</b>	<b>401%</b>	<b>401%</b>	<b>973%</b>
(2022)	432%	432%	925%



## REGULATORY REQUIREMENTS

This report has been produced to satisfy the relevant articles of the Solvency II Directive<sup>1</sup> and supporting Commission Delegated<sup>2</sup> regulation as incorporated into the Luxembourg Insurance Law of 7 December 2015<sup>3</sup>.

The information contained in this report has been approved by the Club Board in accordance with its public disclosure reporting policy. Unless stated otherwise, all figures shown in this report are in US\$ m. Individual figures have been rounded and this may result in rounding differences in tables of figures shown. This report includes sections covering the five required areas as follows:

### BUSINESS & PERFORMANCE

07

### VALUATION FOR SOLVENCY PURPOSES

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### SYSTEM OF GOVERNANCE

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### CAPITAL MANAGEMENT

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### RISK PROFILE

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1. Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
2. Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
3. <http://legilux.public.lu/eli/etat/leg/loi/2015/12/07/n1/jo>





## BUSINESS AND PERFORMANCE

The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) is a Luxembourg-domiciled mutual insurance association, whose principal activity is the insurance and reinsurance of marine Protection and Indemnity (P&I) risks on behalf of its Membership.



As a mutual insurance association, it does not have a share capital and the liability of its Members is limited to the calls and supplementary premiums set by its Directors.

The Club is the sole owner of two reinsurance captives, Spandilux S.A., a Luxembourg-domiciled reinsurer, and SOP (Bermuda) Limited, a Bermuda-domiciled reinsurer.

In accordance with the scope of the Solvency II regulations, this report concerns the activities of the Club on a Group basis, as well as the activities of the Club on a Solo basis and the activities of Spandilux where they differ from those of the Group.

The Club is domiciled, authorised and regulated in Luxembourg by the Commissariat Aux Assurances ("CAA"). The CAA is also the Club's Group supervisor. Contact details for the CAA can be found on its website: [www.caa.lu](http://www.caa.lu).

As at 31 December 2023 the Club's external auditor was Deloitte Luxembourg S.a.r.l. located at 20 Boulevard de Kockelscheuer, L-1821 Luxembourg.

The Club has over 8,700 Members, utilising a controlled distribution model through owners' brokers. These brokers introduce a strong majority of the Club's premium income and as such are key partners of the Club. The diverse nature of the Club's Membership base helps to deliver stability to its operations.

The Club has over 35,000 entered vessels from nine main vessel types, representing more than 31m of Gross Tonnage (GT), with a focus on providing P&I coverage to small, regionally trading vessels and other specialist craft.

Its Members operate in a variety of specialist sectors across the globe, providing a spread of risk and low exposure to individual catastrophic events.

The Shipowners' Protection Limited ("SPL") fulfils the role of Club Manager. Business is underwritten from the Club's London office, its branches in Singapore and Hong Kong, and through a small number of delegated underwriting authority agreements.

A full list of the Group's undertakings, related branches, structure and governance is included in Appendix A.

The Club is interactively rated by credit rating agency Standard & Poor's. The A (stable) rating was reaffirmed following the most recent rating review conducted in January 2024 and the subsequent Standard & Poor's credit review meeting in February 2024.

Spandilux is a wholly-owned subsidiary of the Club. Under the terms of a quota share reinsurance treaty between Spandilux and the Club, Spandilux reinsures a fixed proportion of risks written by the Club, and in return is liable for the same proportion of claims in respect of the reinsurance ceded. Spandilux did not write any other business during the reporting period.



## BUSINESS AND PERFORMANCE CONTINUED

### BUSINESS OVERVIEW

The Chair's statement updates our Members and our wider stakeholders on how the Club has performed over the past year. Suffice to say that our excellent underwriting result and our excellent investment return sees the Club in very good health. On top of this, our enviable Member retention and our sure and steady growth (in Members, in vessels, in tonnage) reflects the care we take to deliver the very best service.

That service might be delivered by any one of our many teams and by any of our five offices around the world. Whichever team it is, and whichever service is being provided, we are safe in the knowledge that our colleagues are seeking to do the very best they can to ensure peace of mind for our Members. By extension, our expert and responsive correspondents, many of whom have been serving the Club's Members for numerous years, are equally a part of our service.

The Shipowners' Club was formed in 1855 – approaching 170 years ago. The Club has seen huge amounts of change in that time,

and we continue to see change, sometimes at a rapid pace. At the Club we will always seek to serve our Members and their brokers in the best possible way and hence it is very pleasing to note the progress that has been made with our P&I Online broker portal over the past year. We have all seen increasing levels of digitalisation in recent years. Increasingly, people want instant access and to have self-service options. Our P&I Online facility gives 24/7 access to our Members' brokers for them to access policy documentation, review loss reports and, for tonnage where a bespoke underwriting approach is not required, to bind quotes online. We have seen very strong take-up, with some 1,300 brokers around the world having used the facility and some excellent feedback received from them.

We expect to see further growth in take-up as our broking partners see the benefits that this system brings to them and to their clients, our Members.

Another area of significant ongoing change is in regard to ESG (Environmental, Social and Governance). There are so many different facets to this, for the world as a whole, for the shipping industry and for us and hence this report cannot do them all justice. However, just to take one example, the part that offshore wind farms can play in creating clean energy is well recognised. Such wind farms rely on ships that fall squarely in the smaller and specialist niche that the Shipowners' Club is known for.


As shown above, change can be a force for good. However, one area of change that has caused the shipping community new challenges in the recent past has been ongoing geo-political turmoil in certain parts of the world. Such turmoil results in suffering to those directly involved but the knock-on consequences to marine insurance are also significant. We are grateful for the support of the International Group (IG) secretariat who have helped to find a collective response to the challenges posed by, for example, ever-changing sanctions regimes, the emergence of the shadow fleet, and changes to reinsurance programmes.

The Shipowners' Club continues to benefit from the protection afforded by our reinsurance programmes, whether that be through the IG's general excess of loss contract, or through our own bespoke programmes.

It is because of all this that we look ahead, confident that we will provide that all important peace of mind to our Members, to their brokers, to our reinsurers, and to our regulators throughout 2024 and beyond.



The Club's recently released Annual Report provides further information on the Club's operations over the past 12 months and can be found on the Club's website.

 [Read more online](#)  
Our Annual Report 2023



## BUSINESS AND PERFORMANCE CONTINUED

### UNDERWRITING PERFORMANCE

The Club writes a single line of business, marine P&I insurance. The Club also writes incidental amounts of legal costs and personal accident cover for Members purchasing P&I cover. For reporting purposes, all business is categorised as Marine, Aviation and Transport.

Business is underwritten from the Club's London office, its branches in Singapore and Hong Kong, and through a small number of delegated underwriting authority agreements. In the year to 31 December 2023, the Club produced an underwriting surplus of US\$ 4.1m. Table 2 provides a summary of the Club's technical underwriting account for the period ending 31 December 2023 together with a comparison to the prior period information.

The Club is a member of the IG and thus party to the IG Pooling Agreement. In addition, the Club purchases market excess of loss treaty reinsurance for claims within the IG retention of US\$ 10m each and every claim. These reinsurance covers are subject to annual aggregate deductibles but have the effect of reducing the impact of individual large losses on the Club.

These arrangements have proved to be effective in a claims environment that in recent years has experienced declining claims frequency but increasing claims severity, particularly in respect of larger claims.

### INVESTMENT PERFORMANCE

The Club's Board of Directors is responsible for setting and monitoring the Club's investment strategy in accordance with its investment risk appetite. The investment strategy is codified in the Club's investment policy statement which specifies the Club's strategic asset allocation, performance benchmarks and key risk metrics.

The Club's investment strategy complies with the 'prudent person principle' and provides for appropriate matching of assets and liabilities by currency at the level of the Group balance sheet. Consideration is also given to the matching of assets and liabilities by duration. The investment strategy specifies the parameters within which the investment managers can work, including tactical asset allocation, individual security concentration limits and credit quality limits. The Club does not invest in securitised products.

The Club's investment portfolio had a market value of US\$ 745.0m (2022: US\$ 614.1m) inclusive of accrued interest as at 31 December 2023. The composition of the Club's investment portfolio as at 31 December 2023 is shown in Table 3. The market value of each asset type is expressed as a proportion of the total market value. The performance of this portfolio for the period ending 31 December 2022 is also shown in Table 3. The composition of the full investment portfolio is shown later in this report (Table 12). The performance and composition of the Spandilux investment portfolio is similar to that of the Group and had a market value of US\$ 63.5m (2022: US\$ 57.6m) as at 31 December 2023.

**TABLE 2: 2023 GROUP TECHNICAL ACCOUNT**

	2023	2022
Net Earned Premium	<b>248.9</b>	236.4
Claims Incurred	<b>(173.8)</b>	(167.3)
Net Operating Expenses	<b>(71.0)</b>	(63.0)
<b>Technical Account Balance</b>	<b>4.1</b>	6.2

**TABLE 3: GROUP INVESTMENT PORTFOLIO COMPOSITION AND PERFORMANCE FOR THE PERIOD ENDING 31 DECEMBER 2023**

	Weight	Actual Performance	Benchmark Performance	Relative Performance
Fixed Income (Main Bonds)	66.7%	5.47%	4.60%	0.87%
Fixed Income (Collateral Bonds)	3.9%	4.01%	4.97%	(0.96)%
Equities (Consolidated)	24.9%	25.06%	22.20%	2.86%
Convertibles <sup>4</sup>	4.2%	6.36%	5.64%	0.72%
Cash	0.3%	–	–	–
<b>Total</b>	<b>100.0%</b>	<b>9.94%</b>	<b>8.95%</b>	<b>0.99%</b>

<sup>4</sup> Convertibles held for the period 01 June 2023 to 31 December 2023.

**TABLE 4: 2023 GROUP INVESTMENT RETURNS**

	2023	2022
Investment Income	<b>19.4</b>	14.5
<i>Fixed Income</i>	<b>15.1</b>	13.3
<i>Equities</i>	<b>0.7</b>	0.6
<i>Collective Investment Vehicles</i>	<b>0.3</b>	0.3
<i>Cash</i>	<b>3.3</b>	0.3
Investment Management Charges	<b>(3.6)</b>	(3.8)
Realised and unrealised gains on investments	<b>50.0</b>	(76.2)
<b>Result</b>	<b>65.7</b>	(65.6)



## BUSINESS AND PERFORMANCE CONTINUED

On a mid-market basis, the investment gain for the period was US\$ 65.7m (2022: US\$ (65.6)m) driven by both the bond and equity portfolio performance during 2023. No gains or losses were recognised directly in equity during the period.

Table 4 on page 9, provides the components of the Group investment result on a mid-market basis, together with a comparison to the prior period information.

### OVERALL PERFORMANCE

Taken together, the underwriting surplus and investment gain along with other items produces an overall surplus for the period of US\$ 69.5m on a mid-market investment valuation basis. Table 5 provides a summary of the Club's overall performance for the period, with a comparison to the prior period information.

Details of the Solo entity and Spandilux technical, investment and overall performance for the period ending 31 December 2023 (and prior period) are given in Appendix B.

The solvency positions of the Group, Solo entity and Spandilux are considered in more detail in the Capital Management section of this report.

**TABLE 5: 2023 GROUP INCOME AND EXPENDITURE RESULT**

	2023	2022
Technical Account Balance	<b>4.1</b>	6.2
Investment Return	<b>65.7</b>	(65.6)
Taxation	<b>(0.4)</b>	(0.3)
Other Income/(Charges)	<b>0.1</b>	0.6
<b>Result</b>	<b>69.5</b>	(59.1)



## SYSTEM OF GOVERNANCE

The Club is governed in accordance with its governance charter and subject to its constitution by a Board of 15 independent non-executive Directors (“iNEDs”) who meet on an at a least quarterly basis. The role of the Board is to direct the high level strategy of the Club in consultation with the Club’s Managers where applicable.



The Board does so by receiving regular reports from the Managers at the quarterly Board meetings on the development of the Club’s business and finances, on the basis of which it is able to make informed decisions.

Board activities are supported by three Board committees covering Finance, Remuneration and Audit & Risk, with each committee reporting back to the Board. Spandilux is governed by a separate Board of non-executive Directors while the three Board committees meet on behalf of both the Club and its subsidiary companies.

The agendas of the Board itself, and those of its Committees which report back to the Board, cover a full range of governance and compliance issues during the course of a year in accordance with a specified matrix of activities. This ensures that the key risks associated with the management of the Club are regularly monitored and reviewed and that appropriate steps are taken to address them.

There have been no material changes to the system of governance and no material transactions with persons who exercise significant influence over the Club or its subsidiaries during the reporting period.

The Club considers its system of governance to be appropriate to the nature, scale and complexity of its operations given the risks it faces in the course of doing business.

### BOARD COMPOSITION

Twelve of the non-executive Directors have been drawn from the Club’s Membership and/or have expertise in the area of shipping and seafaring, and they provide broad representation by geographical region and vessel type, as well as specific functional and operational expertise. One non-executive

Director brings specific skills, experience and expertise to the Board in the area of investments and two non-executive Directors brings specific skills, experience and expertise to the Board in the area of insurance and reinsurance.

The Spandilux Board is comprised of three iNEDs including one iNED who brings specific skills, experience and expertise to the Board in respect of investments.

The Club’s Luxembourg office is (amongst other areas) responsible for the corporate secretariat functions of the Club under the direction of the Club’s general manager.

### CLUB MANAGEMENT

The Club is managed on a day-to-day basis by SPL, which in similar fashion to a number of other IG clubs is a wholly owned subsidiary of the Club, under a management services agreement which describes the responsibilities of each party. SPL is governed by its own board of executive Directors who meet on at least a quarterly basis.

SPL provides day-to-day insurance company management services including supporting the required key Solvency II functions, namely Actuarial, Compliance, Internal Audit and Risk Management. Under the management services agreement, the key functions have the necessary authority, resources and operational independence to carry out their tasks and report on them to each of the SPL, Club and subsidiary Boards. The Actuarial function is led by the Club’s Chief Actuary, whilst the Compliance and Risk Management functions are led by the Club’s Chief Financial Officer and the Internal Audit function is led by the Audit & Risk Committee Chair. Responsibility for the Club’s investments is retained by the Club Board.



## SYSTEM OF GOVERNANCE CONTINUED

The Club's governance map and organisational chart provide a pictorial representation of the information described above (See Appendix A). The Club's key functions and their roles and responsibilities are described later in this report.

### REMUNERATION

Remuneration and reward is overseen by the Remuneration Committee of the Board. Non-executive Directors are remunerated on a fixed fee basis for responsibilities undertaken and Board, Committee and ad-hoc meetings attended. The level of fees payable is reviewed annually by the Remuneration Committee and is subject to review at Club General Meetings.

The Club's remuneration policy is underpinned by ten core remuneration principles which are set out in its remuneration policy. The approach to remuneration is consistent with the Club's risk appetite and includes appropriate governance and controls. The Club's remuneration practices discourage any conflicts of interest, potential misconduct or risk taking that is excessive in view of the management strategy.

### FIT AND PROPER REQUIREMENTS

#### Club Board

In order to ensure that it can discharge its collective responsibility, the Board has an established training and competency framework that seeks to develop the contribution that Directors individually make to the Board's collective responsibility for the good governance of the Club. This framework covers general and specific expectations that iNEDs are expected to

meet in a range of areas that include governance, oversight, controls, risk management, regulatory requirements, financial analysis and control, business strategy and the broader market and business environment.

Directors are elected to the Board for a term of three-years, after which they must be re-elected to serve a subsequent term. The Board has an agreed process whereby Directors self-assess their own contribution and understanding against an agreed set of competencies.

Over the term of their three-year appointment, each iNED meets with the Club Chair to consider the self-assessment results and identify any areas for specific individual development.

The training and competency framework encourages the development of expertise at Board level. It is also relevant to the re-election process for Directors and to the appointment of new Directors.

In addition to training and competency requirements, iNEDs are subject to the obligations set out in the Club's Governance Charter which covers conflicts of interest and business ethics rules. Notwithstanding that iNEDs are drawn principally from the Membership and may have individual interests as Members, in their role as iNEDs they represent the Members as a whole and are required to make decisions solely in the Club's interest and independently of any personal or Membership interest. There are no iNEDs who represent more than 1% of the Club's premium income.

**TABLE 6: GROUP AND SOLO SOLVENCY II KEY FUNCTION HOLDERS**

Key function	Responsible role	Qualifications
Actuarial	Chief Actuary	FIA
Compliance	Chief Financial Officer	FIA, FCAS
Internal Audit	Audit & Risk Committee Chair	FCA
Risk Management	Chief Financial Officer	FIA, FCAS



## SYSTEM OF GOVERNANCE CONTINUED

### Club managers

As Club manager, SPL has procedures in place to ensure that individuals in key positions of influence and responsibility are fit and proper and competent to execute their assigned responsibilities. Assessments of fitness and propriety are made as part of the recruitment process and on an annual basis as part of the performance review process.

SPL Directors are required to certify on an annual basis that they meet the Club's requirements with respect to honesty, integrity, reputation and financial soundness. Table 6 on page 12, shows the individuals responsible for each of the Solvency II key functions from both a Group and Solo perspective.

### RISK MANAGEMENT

Risk is the potential for loss or failure to meet the Club's corporate objectives as a consequence of internal or external events. Effective risk management is fundamental to the operation of the business, and is embedded through Board-level commitment, management buy-in, understanding and defining what is required of the managers and staff, continuous improvement through effective monitoring and risk reporting, and cross-process communication.

The Club's risk management framework is designed with the aim of ensuring compliance with the risk management requirements of the Solvency II regulatory regime.

The Club adopts a 'three lines of defence' approach to risk management as part of its internal control environment and this is



explained further in the Internal Control section below. The Club's risk management policy is necessary to support its business strategy and is aligned with the Club's commitment to best practice. Oversight of the Club's risk management framework lies with the Board of Directors, through its Audit & Risk Committee.

The Club's policy is to identify all realistic significant risks faced in implementing the business strategy and record them in its risk register. Risks are analysed by reference to likelihood of occurrence and potential severity of impact. The level of acceptable risk ('risk appetite') is identified for each risk and controls are established with the aim of ensuring that this level is not exceeded.

To assist the Club with remaining within its stated risk appetite, which is expressed through the Club's Board-approved strategic targets, process level risk tolerances have been defined in key areas.

The risk management function coordinates a quarterly review and sign-off of all risks and controls in the Club's risk register with the Club's risk owners. The results of this exercise are used to assess the level of residual risk relative to the Club's risk appetite in each of its key risk areas.

In addition to the identification, measurement, mitigation, monitoring, management and reporting of the existing risks logged in the Club's risk register, the Club's emerging risk working group meets on a quarterly basis to consider emerging risks and their potential impact on the Club.

The work of the risk management function is subject to periodic review by the internal audit function. The risk management function formally reports to the Club's Audit & Risk Committee twice a year. This is in addition to reporting to the Club Board on specific risk-related matters, including the results of the Club's Own Risk and Solvency Assessment ("ORSA") process.

### KEY AREAS OF PROCESS LEVEL RISK

CAPITAL MANAGEMENT



TREASURY MANAGEMENT



INVESTMENTS



OPERATIONAL RISK



REGULATORY RISK



UNDERWRITING RISK



REINSURANCE RISK



CLAIMS RESERVING RISK



## SYSTEM OF GOVERNANCE CONTINUED

### ORSA

The Club conducts a single Group ORSA on an annual basis in accordance with its ORSA policy which is reviewed and approved by the Club's Audit & Risk Committee and in turn the Club Board. The stable nature of the Club and its capital requirements make conducting the ORSA on an annual basis appropriate. The ORSA policy also makes provision for more frequent execution of the process if circumstances require this.

The ORSA process is coordinated by the actuarial and risk management functions with oversight and input from the Club Board and the Board of Spandilux, together with input from the SPL Directors and SPL functional managers. The ORSA process provides linkage between the Club's risk profile and capital requirement and is designed to assess the Club's material risks and the capital required to support them. The Club's risk profile is driven by its risk appetite.

The ORSA process (Table 7) assesses the capital required to support the risk-taking the Club engages in and compares it to the free reserves available to meet this need. This assessment is primarily achieved through calculation of the Club's core capital requirement which is assessed based on the Solvency II standard formula which the Club has determined appropriately reflects the Club's risk profile. Core capital requirements are also calculated and analysed for the Club's key risk carrier entities.

Sensitivity and scenario testing of the capital requirement is performed and consideration given to the Club's controls and procedures, particularly with respect to risk management.

The results of the single Group ORSA process provide the landscape against which the Club's strategic decisions are made and provide a mechanism to assess the capital impact of decisions under consideration.

### INTERNAL CONTROL SYSTEM

The Club has a system of internal controls in place through its 'three lines of defence' model and this system is used to manage the risks faced by the Club within its risk appetite. This includes first line of defence activities which are primarily documented in the functional procedure manuals, second line activities conducted by the actuarial, compliance and risk management functions, and third line activities performed by the internal and external auditors, as well as the Board and its committees.

### COMPLIANCE FUNCTION

The activities of the compliance function are performed in accordance with the Club's compliance monitoring programme and have been designed to address the requirements of Article 46(2) of the Solvency II Directive and Article 270 of the Commission Delegated Regulation.

The Club's approach to compliance protects the interests of Members, employees and other stakeholders, including correspondents, surveyors and third-party claimants, and aims to ensure adherence to relevant regulatory and legal requirements. This approach fosters a culture that achieves compliance with these requirements by establishing and overseeing appropriate organisational and technical measures, including relevant processes, policies, procedures and practices, management, controls, training, and reporting.

**TABLE 7: ORSA PROCESS**

<b>Review of Strategy</b>	Club business strategy, targets and risk appetite
<b>Club risk profile</b>	Current risk profile, risk management framework and significant risks
<b>SCR calculation</b>	Solvency Capital Requirement calculated using Standard Formula
<b>Linkage of SCR and key risks</b>	Assessment of whether all key risks are covered by the SCR
<b>Strategic business plan</b>	Strategic business plan forms basis of 'forward-looking' capital assessment
<b>'Forward-Looking' capital assessment</b>	Calculation of SCR at each future year-end over the business planning horizon
<b>Scenario testing</b>	Assessing impact of specific scenario tests on future SCR requirements
<b>Mitigation procedures</b>	Assessing processes and controls in place to reduce risk of key risks crystallising together with plans in place to manage such events should they occur
<b>Results &amp; conclusions</b>	Key results of the ORSA process, conclusions reached and recommendations for the Club's Board and managers to consider in taking the business forward

## SYSTEM OF GOVERNANCE CONTINUED



As well as compliance with the requirements of the Club's lead regulator, the CAA, the requirements of the Monetary Authority of Singapore (MAS), the Insurance Authority (IA) in Hong Kong, the Prudential Regulatory Authority (PRA) in the UK and the Financial Conduct Authority (FCA) in the UK are also adhered to wherever they apply.

Consideration is always given to the requirements of all relevant regulatory bodies, with particular reference to the requirements of Solvency II.

The compliance function conducts a programme of compliance monitoring which is a process that validates the controls in place and provides evidence that they are functioning as required.

The aim of the compliance monitoring programme is to evidence, monitor and provide assurance to the Board and its committees, senior management and other internal and external key business stakeholders that the Club is acting in accordance with legislative and regulatory requirements.

The compliance monitoring plan schedule covers all applicable regulatory risks. It is regularly reviewed to ensure that it represents a fair assessment of risks to be monitored, in order that verification that operational and reporting issues within the business are conducted in accordance with the regulatory and legal requirements can be made to the managers, the Audit & Risk Committee and the Board.

The compliance monitoring plan provides assurance to key business stakeholders, both internal and external, that the business is adhering to legislative and regulatory requirements, identifying and monitoring key risks, particularly regulatory and conduct risks, and supporting the business in finding and implementing solutions including those that have a commercial impact.

### RISK FUNCTION

The risk function is responsible for advising, enabling, monitoring and reporting on risk and risk-related activities within the Club. The risk function supports management and the Board in the effective operation of the risk management framework through a series of activities which include:

- Maintaining and developing the Club's risk register.
- Monitoring compliance with the quarterly review and certification by risk owners of their risks within the risk register and any resulting actions.
- Monitoring risk in relation to strategic considerations and major initiatives the Club may be undertaking.
- Conducting a rolling programme of detailed review of the completeness and accuracy of the risks facing the Club and their assessment within the risk register.
- Maintaining a Club-wide perspective and aggregated view of the risk profile, including potential risk aggregations and interdependency between the risks included within the risk register.
- Measuring and managing potential risk aggregations through stress and scenario and reverse stress testing.
- Assessing the Club's regulatory capital requirements at least annually.
- On an annual basis, completing the ORSA in accordance with the ORSA policy and presenting the results in the ORSA report.

- Reviewing any significant risk events and material near misses which may have resulted in the Club's risk tolerances being exceeded.
- Reporting to the SPL Board, Audit & Risk Committee, Club Board and Subsidiary Boards on the outcome of the risk function's activities, together with any recommendations based on the outcomes.
- Ongoing development and implementation of the risk management framework.

### INTERNAL AUDIT FUNCTION

The Club conducts a risk-based programme of internal audits in accordance with its Internal Audit Policy and Internal Audit Charter. Internal audits are scheduled using a three-year rolling plan that is reviewed on an annual basis to respond to changes in risk. Internal audit is outsourced to third party professional advisors for the purpose of providing a greater level of subject matter expertise to these audits and this function than would be available within a single individual or small team directly employed by an organisation of the size of SPL. This arrangement also ensures the independence of the internal audit function from the activities it reviews. It is currently provided by BDO LLP.

The internal audit function is accountable to the Audit & Risk Committee and for day-to-day matters liaises with the Chief Financial Officer of SPL. The Audit & Risk Committee Chair is the key function holder who retains responsibility for the performance of the internal audit function under its contractual agreement with the Club.



## SYSTEM OF GOVERNANCE CONTINUED

### ACTUARIAL FUNCTION

The Chief Actuary is responsible for ensuring that the responsibilities of the actuarial function are dispensed in accordance with its terms of reference and reports to the Chief Financial Officer. The Chief Actuary is a Fellow of the Institute of Actuaries, with over seven years of experience as a qualified actuary. He also has extensive experience in actuarial reserving, capital modelling and risk management.

The SPL board has satisfied itself that the Chief Actuary has the relevant knowledge and experience to fulfil the regulatory requirements.

The Chief Actuary is supported by an Actuarial Analyst who is a UK qualified actuary. The presence of two qualified actuaries enables separation of production and review.

The actuarial function conducts a range of activities in each of the areas required by Article 48 of the Solvency II Directive. These activities are described in the annual actuarial function report to the Club Board.

### OUTSOURCING

The Club uses a range of service providers in the course of doing business. A number of these fall within the Solvency II definition of outsourcing (Table 8) and must comply with the Club's outsourcing and procurement policy to ensure risk is managed and agreed service standards are maintained.

The Club manages its outsourcing arrangements and ensures agreed service standards are maintained in accordance with its outsourcing and procurement policy. The policy includes the requirement to conduct a risk and materiality assessment before entering into a new outsourcing agreement and to ensure that a written agreement is in place covering the arrangement.

### Delegated underwriting authorities

The Club has issued a small number of delegated underwriting authorities to third parties who underwrite business on behalf of the Club.

Such arrangements bring together the underwriting and claims expertise of the Club with the clients of these trusted third parties. These arrangements are conducted in accordance with strict written agreements which are subject to regular formal reviews.

Delegated underwriting authorities account for approximately 5% of the Club's premium income and would not be considered material in accordance with the Club's outsourcing policy materiality criteria, but for the requirements of Guideline 61 of the EIOPA Guidelines on System of Governance covering underwriting. These guidelines stipulate that delegated underwriting authorities must comply with the Club's outsourcing policy irrespective of size. Delegated authority arrangements are subject to periodic audit.



**DANIEL FRYETT**  
Chief Actuary

Daniel joined the Shipowners' Club in 2016 as an Actuarial Analyst before being promoted to Actuarial Manager in 2019 and Chief Actuary in 2023. As Chief Actuary, Daniel is focused on maintaining the Club's financial stability and is responsible for the Club's Actuarial Function.

Prior to joining the Club, Daniel worked in actuarial roles at consulting firms and at a managing general agent.

Daniel is a graduate of the University of York and a Fellow of the Institute and Faculty of Actuaries in the UK.

**TABLE 8: OUTSOURCED ACTIVITIES**

Activity	Service Provider	Description	Region
Internal Audit	BDO	Internal audit plan and all internal audits conducted	UK
Delegated Underwriting Authorities	Various	5% of premium income written through delegated underwriting authority agreements	European Union
Inter-Group Outsourcing	SPL	Management services outsourced to SPL	UK



## SYSTEM OF GOVERNANCE CONTINUED

### Inter-Group outsourcing

Whilst SPL is a wholly owned and controlled subsidiary of the Club, the functions fulfilled by SPL are akin to an outsourced service, whereby the Club has charged SPL with the fulfilment of certain of its objectives and responsibilities. By virtue of the Club's ownership and control of SPL, the Club has ultimate control over appointments to the SPL board.

Given the material nature of the responsibilities undertaken by SPL on behalf of the Club, the Club has a contingency plan in the event of SPL failure to discharge its duties. This is important to the Club but also to the regulators of the Club and its subsidiaries and branches.





## RISK PROFILE

The Club is exposed to risk through its principal activity of providing insurance cover to its Members. In addition, it is exposed to financial and operational risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities.

There have been no material changes in the Group, Solo entity or Spandilux risk profile over the reporting period. Risk is managed and mitigated through a combination of appropriate processes and controls and holding capital in accordance with the information described in the capital management section of this report.

The Club has developed a range of stress and scenario tests, including reverse stress tests, to assess the robustness of the Club's capital position and further understand the sensitivity of the capital position to specific stresses and scenarios. These stress and scenario tests are reviewed on a periodic basis to confirm their ongoing relevance and appropriateness.

The work performed provides comfort to the Club with respect to the robustness of its processes and procedures and the level of capital held. The Club does not anticipate any additional material risk exposures to those considered as part of the ORSA process.

### UNDERWRITING RISK

This is the risk inherent in any underwriting contract, represented by the unpredictability of the insured event occurring and uncertainty about the quantum of any resulting claim.

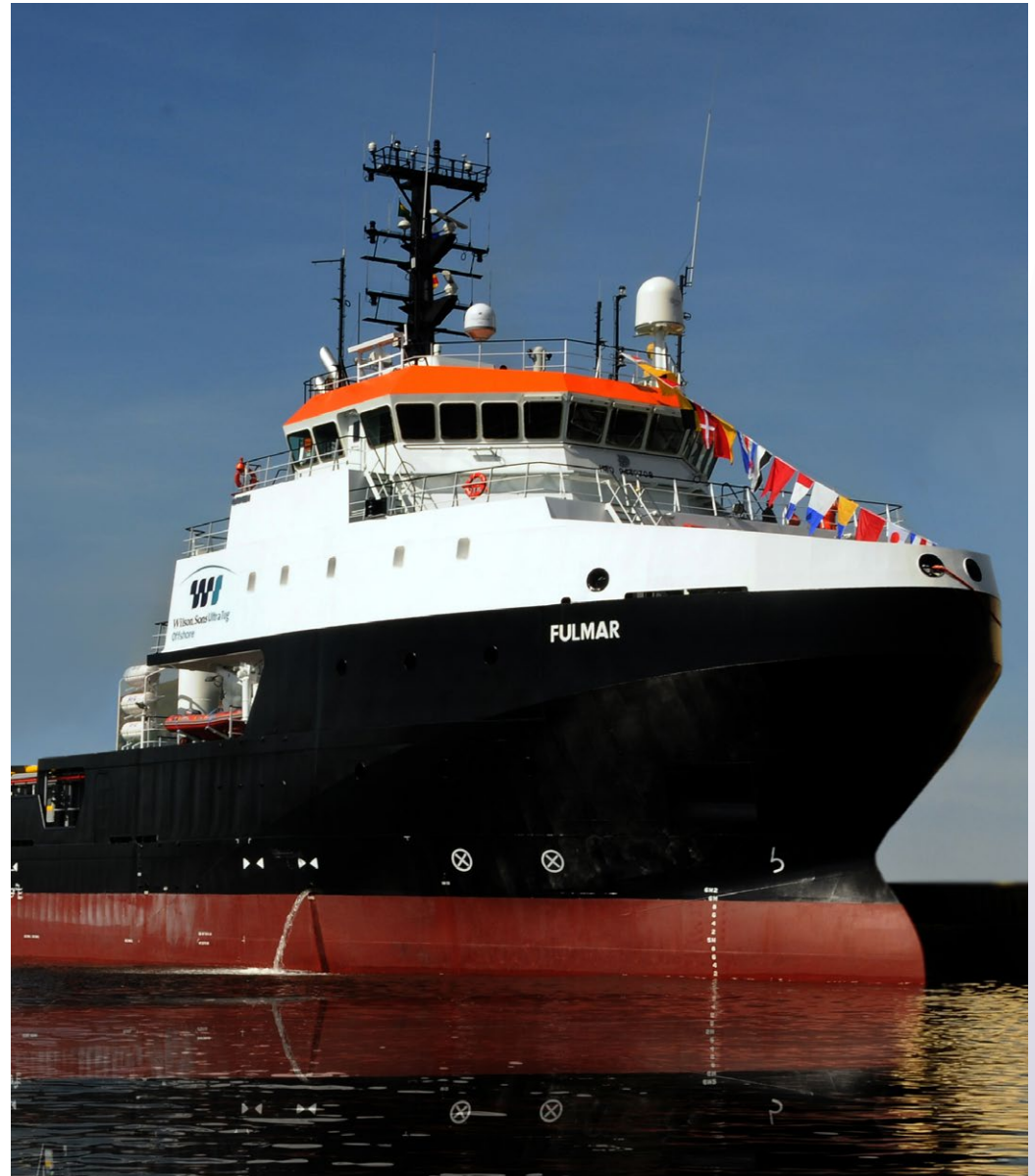
The potential risk to the Club is that business is written for insufficient premium or provides inappropriate cover, or that the frequency or severity of the insured events is higher than expected.

The Club's underwriting strategy documents its appetite for risk, as well as its pricing and reinsurance policy. The pricing policy reflects the loss experience and quality and management of vessels entered, and aims to be commensurate with the cover provided. The underwriting risk is further mitigated by maintaining a well-balanced and diverse insurance portfolio, in terms of vessel type, trading pattern and geographical spread.

The Club offers high limits P&I insurance, supported through an extensive market reinsurance programme placed by the IG on behalf of the Group clubs.

In addition, the Club offers coverage to Members on a fixed premium basis with limits of up to US\$ 1bn supported by the Club's own reinsurance programme.

Reinsurance is a key tool used to reduce the underwriting risk exposure and to stabilise underwriting results.



## RISK PROFILE CONTINUED

The Club's reinsurance programme is subject to annual review and agreement by the Board of Directors to ensure that it continues to be an effective tool for achieving these objectives. The Club utilises the services of professional reinsurance brokers in the purchase of its fundamental reinsurance programme and benefits from their expertise and experience when considering the ongoing appropriateness, structure, and pricing of the programme.

The Club expects to purchase a similar programme to that currently in place over the Club's business planning horizon.

In addition to its own reinsurance programme, the Club is party to the IG Pooling Agreement, whereby for the 2023 policy year individual claims of between US\$ 10m and US\$ 100m are pooled. Above this level, the IG purchases reinsurance protection up to US\$ 3.1bn on behalf of all members of the Group.

As a measure of underwriting risk exposure, the premium amounts that were written for the year ending 31 December 2023 are shown in Table 9.

### RESERVING RISK

This represents the risk that reserves established in the balance sheet are insufficient to meet the cost of outstanding claims, as a result of inadequate case reserves or inadequate reserves for claims that have been incurred but not reported.

The Club has an established conservative estimating policy in place, based on always estimating the cost of the claim in the appropriate currency, always reflecting the most up-to-date information available and not deviating from a pessimistic basis (worst reasonable likely

outcome) for estimating a claim. The reserving process uses a variety of statistical and actuarial techniques, with the level of reserves calculated using internal actuarial resources and maintained on a conservative basis.

On an annual basis the outstanding claims reserves are subject to audit by the Club's external auditors, as part of their overall audit. The unqualified audit opinion that was confirmed at the most recent meeting of the Club's Audit & Risk Committee provides comfort as to the level of the Club's claims reserves as at 31 December 2023.

As a measure of reserving risk exposure, the Solvency II technical provisions for the year ending 31 December 2023 were as shown in Table 10. Solvency II technical provisions are comprised of premium provisions, claims provisions and a risk margin, with the claims provisions forming the largest component.

### REGULATORY RISK

This represents the risk to the Club of a loss or reputational damage resulting from a failure to respond to and comply with a changing regulatory landscape. The Club actively adheres to regulatory requirements in worldwide jurisdictions where it operates, and in addition monitors all entities within the insurance and accounting systems against relevant sanction lists on a daily basis.

### CREDIT RISK

This is the risk to the Club of a loss resulting from a counterparty being unable to meet its contractual obligations.

The main credit risk arises from the potential for reinsurers to default on their obligations under the terms of the reinsurance policy. The Club

manages this risk by ensuring that the reinsurance security used is both strong and diverse. The financial standing of reinsurers is kept under regular review.

The Club is also exposed to its Members not paying premiums when due. Credit control procedures are in place to mitigate this risk. In addition, the Rules of the Club allow it to terminate an entry from inception in case of non-payment of premiums. Furthermore, the payment of claims in respect of a policy is suspended if premiums associated with that policy are outstanding.

The Club also holds cash balances with a number of banks and this provides a further credit risk exposure to the Club.

As a measure of credit risk exposure, for the year ending 31 December 2023, the reinsurance recoverables, reinsurance receivables, insurance and intermediaries receivables and cash and cash equivalents were as shown in Table 11.

### MARKET RISK

This represents the risk associated with fluctuation in the value or income generated from investments, including the impact of fluctuations in interest and exchange rates.

The Club has an investment strategy in place which is aligned to its business plan, and which is designed to preserve its capital, so that its liabilities can always be met as and when they fall due. The investment policy is regularly reviewed by the Board and the portfolio is well diversified to reduce the impact of fluctuations in interest rates, market prices and foreign currency exchange rates.

**TABLE 9: GROSS AND NET WRITTEN PREMIUM BY ENTITY**

Entity	Gross Written Premium	Net Written Premium
Group	286.6	253.5
Solo	286.6	111.7
Spandilux	7.5	7.5

**TABLE 10: GROSS AND NET TECHNICAL PROVISIONS BY ENTITY**

Entity	Gross Technical Provisions	Net Technical Provisions
Group	520.6	443.3
Solo	518.4	317.8
Spandilux	16.6	16.6

**TABLE 11: CREDIT RISK EXPOSURES BY ENTITY**

Exposure	Group	Solo	Spandilux
Reinsurance Recoverables	77.2	200.6	–
Reinsurance Receivables	1.0	37.2	2.1
Insurance and Intermediaries Receivables	25.4	25.4	–
Cash and Cash Equivalents	105.9	94.8	0.2



## RISK PROFILE CONTINUED

The investment management and custodian functions are provided by third party experts, and are regularly monitored by the Finance Committee of the Board, as well as by the internal audit function.

The Club's assets are invested in accordance with the 'prudent person principle' as described in the Business and Performance section of this report. The Club does not participate in securities lending or borrowing transactions, repurchase or reverse repurchase agreements. The Club's investment portfolio had a market value of US\$ 745.0m inclusive of accrued interest as at 31 December 2023 and was composed of the asset classes shown in Table 12.

### CURRENCY RISK

The Club has worldwide insurance operations and undertakes financial transactions in various currencies. As a consequence, it is exposed to foreign currency exchange rate fluctuations.

For the year ending 31 December 2023, the Group wrote US\$ 286.6m of premium of which US\$ 201.6m was receivable in US\$.

The Club has a process for materially matching assets and liabilities in the appropriate currencies.

### LIQUIDITY RISK

This represents the risk that the Club could fail to meet its financial obligations due to some difficulty or inability to liquidate investments at short notice, or through unanticipated cash flow requirements.

Cash flow requirements are forecast and monitored. The Club maintains a high concentration of liquid assets, including within its investment portfolio and in terms of cash

and cash equivalents, to ensure that adequate funds are always in place to meet its financial obligations. The investment portfolio has a mix of short, medium and long-term investments to satisfy the Club's cash flow requirements.

The Club does not have any borrowings, but it does have credit and guarantee facilities in place with major banks. In practice, these facilities are rarely utilised to meet short-term financial obligations.

The Club calculates the value of expected profit in future premiums by comparing the present value of expected future cash inflows with the present value of expected future cash outflows in respect of the same business. These cashflows are evaluated in accordance with the technical provisions calculation basis requirements set out in the Solvency II Directive and Commission Delegated Regulation.

As at 31 December 2023, the Club's expected profit in future premium is US\$ 9.0m.

### CONCENTRATION RISK

The Club is not exposed to material risk concentrations in terms of its Members, investments or external reinsurers. The large and diverse nature of the Club's Membership, both in terms of vessel sector and geographical diversification, means that no individual Member is significant to the Club's operations.

The map on page 21 helps to demonstrate this diversification.

The Club places limits on investment in individual securities to manage its market concentration risk.

A broad panel of reinsurers is utilised as part of the Club's external reinsurance programme

to limit exposure to any single reinsurer and minimum credit rating requirements are in place.

### OPERATIONAL RISK

The major sources of operational risk for the Club are those associated with process reliability, information security (including cyber risk considerations) and financial crime.

The Club has a number of key performance indicators in place to identify and manage operational risk, and systems are under regular review to ensure that they are streamlined and responsive to the needs of the business.

The Club also seeks to mitigate operational risk through the recruitment and retention of appropriately skilled staff. Appropriate recruitment, training and performance review processes are in place to support this objective.

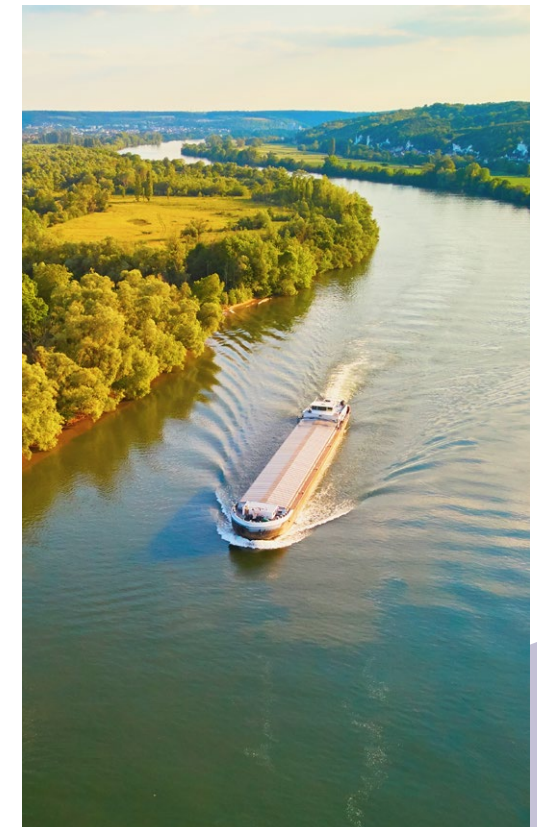
### GROUP RISK

On a day-to-day basis the Club manages itself as a Group and all business is written through the Club's parent company. Under the terms of a quota share reinsurance treaty between the Club and its reinsurance subsidiaries, the Club cedes a fixed proportion of the risks it writes, and in return cedes the same proportion of claims in respect of the business ceded. No other business was written by these reinsurance subsidiaries during the reporting period.

This intercompany reinsurance arrangement facilitates the spreading of jurisdictional risk. It also provides the Club with an insurance risk carrier in a second well developed and regulated insurance market which provides the Club with operational flexibility.

**TABLE 12: GROUP INVESTMENT PORTFOLIO COMPOSITION AS AT 31 DECEMBER 2023**

Entity	Weight
Fixed Income	63.02%
Equities	7.24%
Funds	16.82%
Cash	12.92%
<b>Total</b>	<b>100.00%</b>



RISK PROFILE CONTINUED

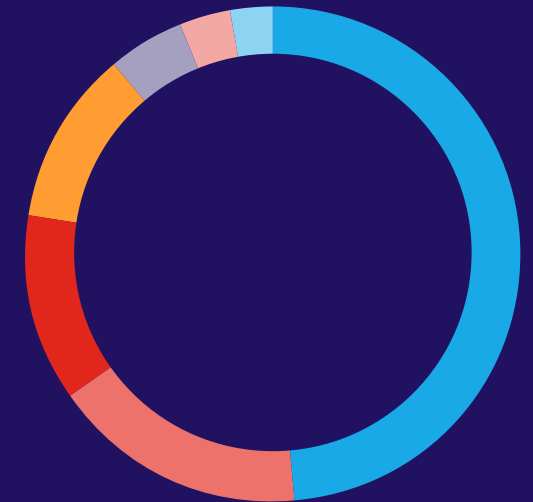
WHERE WE OPERATE



TOTAL MEMBERS BY REGION

48.8%

of Members are based in Europe



TOTAL MEMBERS

8,762

↑ 2022: 8,527



MEMBERSHIP RETENTION

99.0%

— 2022: 99.0%

● Europe	4,274
● Australia, New Zealand & the South Pacific	1,457
● Southeast Asia & the Far East	1,081
● Central & South America	980
● North America	452
● Middle East & India	294
● Africa	224



## VALUATION FOR SOLVENCY PURPOSES

Assets and liabilities are evaluated for solvency purposes in accordance with the Solvency II requirements. For statutory reporting purposes the Club values its assets in accordance with Luxembourg financial reporting requirements ("Lux GAAP"). This, in particular, results in investments being reported under Lux GAAP at the lower of cost and market value. No changes were made to the statutory recognition and valuation bases used during the reporting period.

**TABLE 13: GROUP ASSETS ON A SOLVENCY II AND LUX GAAP BASIS**

Assets	Solvency II	Lux GAAP	Difference
Equities	54.0	48.8	5.2
Bonds	469.8	462.0	7.8
Collective Investment Vehicles	125.4	121.2	4.1
Property, plant & equipment held for own use	12.4	10.2	2.2
Intangible Assets	–	33.4	(33.4)
Deferred Acquisition Costs	–	13.7	(13.7)
Reinsurance Recoverable	77.2	97.7	(20.5)
Insurance and intermediaries receivables	25.4	63.0	(37.6)
Pension benefit surplus	0.7	–	0.7
Other Assets	205.9	210.0	(4.1)
<b>Total</b>	<b>970.8</b>	<b>1,060.1</b>	<b>(89.3)</b>

Assets and liabilities for solvency purposes are prepared using the Accounting Consolidation Method (Method 1) in accordance with the Club's processes and procedures and are subject to the usual review and approval mechanisms prior to use.

The Club does not make use of the matching adjustment, volatility adjustment, transitional risk-free interest rate term structure or any of the other Solvency II transitional arrangements in its valuation basis.

### GROUP ASSETS

Table 13 below shows the differences in the statutory and solvency value of the Club's assets as at 31 December 2023.

Differences in the value of investments reflect the increase in the market value of equities, bonds and collective investment vehicles between the time of purchase and 31 December 2023.

Quoted market prices are available on a daily basis for the Club's investments through software which aggregates information from the Club's investment manager, custodian and broader market information.

A local branch of an international real estate agent has provided an updated market valuation of the Club's property in Singapore as at 31 December 2023, as opposed to the depreciated value shown on a statutory basis.

Intangible assets and deferred acquisition costs are recognised on a statutory basis but not a solvency basis. Differences in the reinsurance recoverable are attributable to the solvency valuation basis employed for technical provisions which is explained in the liabilities section below.

Differences in insurance and intermediaries receivables are due to the reclassification of the component of the receivables not yet due into technical provisions.

The difference in the value of pension benefit surplus results from the recognition on a solvency basis of the value of the pension benefit surplus that is not recognised on a statutory basis in accordance with Lux GAAP.

All other assets are valued for solvency purposes on the same basis as they are for statutory purposes.



## VALUATION FOR SOLVENCY PURPOSES CONTINUED

### GROUP LIABILITIES

Table 14 shows the differences in the statutory and solvency value of the Club's liabilities as at 31 December 2023.

Differences in the value of technical provisions reflect the different valuation rules on a solvency and statutory basis (described within the Technical Provisions Methodology section on page 24).

The difference in the value of deferred tax liabilities is attributable to the additional tax that would be payable on the Club's investments on a mid-market valuation basis and on the funds held within the Spandilux claims equalisation provision to make them available at Group level.

Differences in insurance and intermediaries payables and reinsurance payables are due to the reclassification of the component of the payables not yet due into technical provisions.

The excess of assets over liabilities decreases from its statutory value as a result of the valuation differences in respect of the Club's assets and liabilities already described.

All other liabilities are valued for solvency purposes on the same basis as they are for statutory purposes.



### SOLO ASSETS

Table 15 shows the differences in the statutory and solvency value of the Club's assets on a Solo entity basis as at 31 December 2023.

The difference in the value of holdings in related undertakings is attributable to the difference in the book and solvency values of the Club's participations in its subsidiary entities. Solvency value has been determined as the net asset value of each participation. Here, net asset value is calculated in accordance with the Solvency II requirements, using a balance sheet evaluated at the reporting period end.

The difference in receivables (trade, not insurance) relates to the classification of the pension benefit surplus.

Differences in property held for own use, intangible assets, deferred acquisition costs, reinsurance recoveries, insurance and intermediaries payables, and the pension benefit surplus are for the same reasons described for the Group.

**TABLE 14: GROUP LIABILITIES ON A SOLVENCY II AND LUX GAAP BASIS**

Liabilities	Solvency II	Lux GAAP	Difference
Technical Provisions	520.6	620.7	(100.1)
<i>Best Estimate</i>	496.5	–	–
<i>Risk Margin</i>	24.0	–	–
Deferred Tax Liabilities	9.0	–	9.0
Insurance and intermediaries payables	–	19.6	(19.6)
Reinsurance payables	1.4	17.6	(16.3)
Other Liabilities	8.3	8.3	–
<b>Total</b>	<b>539.2</b>	<b>666.2</b>	<b>(127.1)</b>
<b>Excess of assets over liabilities</b>	<b>431.6</b>	<b>393.8</b>	<b>37.8</b>

**TABLE 15: SOLO ASSETS ON A SOLVENCY II AND LUX GAAP BASIS**

Liabilities	Solvency II	Lux GAAP	Difference
Holdings in Related Undertakings	528.1	9.4	518.7
Property, plant & equipment held for own use	11.6	9.4	2.2
Intangible Assets	–	17.6	(17.6)
Deferred Acquisition Costs	–	13.7	(13.7)
Reinsurance Recoverable	200.6	470.4	(269.8)
Insurance and intermediaries receivables	25.4	63.0	(37.6)
Pension benefit surplus	0.7	–	0.7
Receivables (trade, not insurance)	16.7	17.5	(0.7)
Other Assets	227.1	227.1	–
<b>Total</b>	<b>1,010.3</b>	<b>828.1</b>	<b>182.2</b>



## VALUATION FOR SOLVENCY PURPOSES CONTINUED

### SOLO LIABILITIES

Table 16 shows the differences in the statutory and solvency value of the Club's liabilities on a Solo entity basis as at 31 December 2023.

Differences in the value of technical provisions reflect the different valuation rules on a solvency and statutory basis (described below). The difference in the value of deferred tax liabilities, insurance and intermediaries payables and reinsurance payables is as described above for the Club. The excess of assets over liabilities increases from its statutory value as a result of the valuation differences in respect of the Club's assets and liabilities already described.

### SPANDILUX ASSETS

Table 17 shows the differences in the statutory and solvency value of the Spandilux assets as at 31 December 2023. Differences in investments are for the same reasons described for the Group.

### SPANDILUX LIABILITIES

Table 18 shows the differences in the statutory and solvency value of the Spandilux liabilities as at 31 December 2023.

Differences in the value of technical provisions reflect the different valuation rules on a solvency and statutory basis (described below). In particular, the claims equalisation provisions which forms part of other technical provisions is a feature of the Lux GAAP basis but not Solvency II.

The difference in the value of deferred tax liabilities is attributable to the additional tax that would be payable on Spandilux assets on a mid-market valuation basis.

The excess of assets over liabilities increases from its statutory value as a result of the valuation differences in respect of Spandilux assets and liabilities already described.

### TECHNICAL PROVISIONS METHODOLOGY

The Club's principal activity is the insurance of marine protection and indemnity risks on behalf of its Membership. All of the Club's business falls within the Marine, Aviation and Transport Solvency II line of business classification.

On a Lux GAAP basis the Club's technical provisions are calculated on an undiscounted basis and there is no requirement for the carried reserves to be set on a best estimate basis. In practice the carried reserves include an element of prudence to ensure a sufficient degree of certainty that the reserves will be sufficient to meet the future claim liabilities. This is consistent with the Board's reserving philosophy.

For solvency purposes the Club's technical provisions are calculated in accordance with the Solvency II regulations. These regulations require calculation of best estimate future claim, expense and premium cash flows, all discounted for the time value of money using the relevant risk-free yield curve specified by the European Insurance and Occupational Pensions Authority ("EIOPA"), and the addition of a risk margin.

A range of actuarial methodologies and assumptions are employed in the calculation of the claims provision, premium provision and risk margin which together comprise the Club's technical provisions.

**TABLE 16: SOLO LIABILITIES ON A SOLVENCY II AND LUX GAAP BASIS**

Liabilities	Solvency II	Lux GAAP	Difference
Technical Provisions	518.4	620.7	(102.3)
<i>Best Estimate</i>	496.5	–	–
<i>Risk Margin</i>	21.8	–	–
Deferred Tax Liabilities	0.4	–	0.4
Insurance and intermediaries payables	–	19.6	(19.6)
Reinsurance payables	1.4	220.3	(219.0)
Other Liabilities	3.6	3.6	–
<b>Total</b>	<b>523.8</b>	<b>864.3</b>	<b>(340.5)</b>
<b>Excess of assets over liabilities</b>	<b>486.5</b>	<b>(36.1)</b>	<b>522.7</b>

**TABLE 17: SPANDILUX ASSETS ON A SOLVENCY II AND LUX GAAP BASIS**

Assets	Solvency II	Lux GAAP	Difference
Equities	5.7	5.2	0.6
Bonds	43.7	43.0	0.7
Collective Investment Vehicles	13.7	13.2	0.5
Other Assets	2.7	3.0	(0.4)
<b>Total</b>	<b>65.8</b>	<b>64.4</b>	<b>1.3</b>

**TABLE 18: SPANDILUX LIABILITIES ON A SOLVENCY II AND LUX GAAP BASIS**

Liabilities	Solvency II	Lux GAAP	Difference
Technical Provisions	16.6	19.4	(2.8)
<i>Best Estimate</i>	15.8	–	–
<i>Risk Margin</i>	0.8	–	–
Other Technical Provisions	–	34.6	(34.6)
Deferred Tax Liabilities	8.7	–	8.7
Other Liabilities	0.2	0.2	–
<b>Total</b>	<b>25.5</b>	<b>54.1</b>	<b>(28.6)</b>
<b>Excess of assets over liabilities</b>	<b>40.3</b>	<b>10.3</b>	<b>30.0</b>

## VALUATION FOR SOLVENCY PURPOSES CONTINUED



The Club does not write any business where technical provisions are estimated as a whole. There are no embedded options or guarantees provided within the Club's business. The Club does not make use of simplified methods in its calculation of technical provisions. The technical provisions calculation methodology described below is applicable on a Group and Solo basis and also to Spandilux.

### Uncertainty

Actuarial methods contain implicit assumptions and limitations that users of actuarial information should be aware of. For example, when projecting the ultimate cost of claims, certain actuarial methods assume that the trends and patterns observed within the historical claims data will continue into the future. Actual loss emergence, and hence the ultimate cost of claims, may differ, perhaps significantly, to the extent that these historic trends and patterns do not continue in the future or do not capture events or exposures that the Club is exposed to in more recent periods.

A key source of uncertainty within the Club's technical provisions is the outcome of its circa 100 largest claims in a given policy year and how they develop to their ultimate value.

Unless explicitly allowed for, actuarial methods may not anticipate or make any allowance for extraordinary changes in the legal, social, regulatory or economic environment that could affect the frequency or severity of claims or development of claims to their ultimate amounts.

### Claims provision

The best estimate claims provision calculations use a range of standard actuarial methods including the Chain Ladder, Bornhuetter-Ferguson and Expected Loss Ratio methods. These methods are applied separately to the homogeneous groupings into which the Club segments its business for the purpose of actuarial analysis, namely own Member claims segmented by claim size and the Club's share of other IG club pool claims. The claims provision also makes allowance for claims handling expenses.

These methods are applied to the gross of reinsurance data to produce gross of reinsurance best estimates. The net of reinsurance best estimate is calculated by applying the Club's reinsurance structure to estimated gross of reinsurance ultimate individual claims.

### Premium provision

The ultimate loss ratios and payment patterns for the most recent accident year derived in the claims provision analysis are utilised in the estimate of the premium provision. Acquisition, administrative and claims handling expenses are considered as part of the future cash outflows.

The premium provision calculations are performed gross and net of reinsurance and take account of the period end unearned premium reserve and the volume of bound but not incepted business.



## VALUATION FOR SOLVENCY PURPOSES CONTINUED

### Receivables and payables

Consistent with market practice, the components of insurance and intermediaries receivables, insurance and intermediaries payables and reinsurance payables not yet due are reclassified into technical provisions.

### Contract boundaries

Under the 'legal obligation' basis of Solvency II<sup>5</sup>, all existing contracts must be valued as part of technical provisions, whether the contracts have incepted or not. The Club's technical provisions therefore take account of business that has incepted prior to the end of the reporting period, as well as business to which the Club is legally obligated but which has not incepted prior to the end of the reporting period.

### Events not in data

Technical provisions must reflect the possibility of losses to the Club that are of a type or scale not reflected in the Club's historic claims data. Such events are referred to as 'events not in data'. This could be due to changes in the exposures faced by the Club based on the business written or changes in the legal, social, regulatory or economic environment.

The Club has made separate additional provisions for events not in data within both its claims and premium provisions based on considerations of a hypothetical latent claim exposure and large loss incident respectively.



### Investment management expenses

Provision must be made for investment management expenses in respect of the assets supporting the technical provisions. The Club pays annual investment management and custodian expenses based on the value of assets under management. An investment management expense reserve has been calculated in respect of the assets supporting the full run-off of the undiscounted technical provisions.

### Profit in future premium

The Club has considered the profit in future premium by assessing the sufficiency of the future cash inflows to be received relative to the related cash outflows on business to which the Club is legally obligated.

### Discounting

The undiscounted technical provisions, including both the claims provision and premium provision, are discounted for the time value of money using the relevant currency yield curve published by EIOPA and the claim payment patterns derived in the Club's actuarial analysis.

### Credit risk adjustment

Projected reinsurance recoveries are adjusted to reflect the risk of default taking account of the credit standing of the Club's reinsurers.

### Risk margin

The risk margin is calculated as part of the SCR calculation process using the cost of capital approach as specified in Article 77 of the Solvency II Directive. The method adopted within the SCR calculation is a simplification that the SCR in future years is proportional to the run-off of the technical provisions. The Club believes that this approach is proportionate to the nature, scale and complexity of its business and is consistent with the approach taken by many market participants including those of a similar nature, scale and complexity.

### Data quality

The Club continues to develop its information technology infrastructure and this continues to enhance the availability, quality and granularity of the data available for actuarial analysis. The Club also continues to develop its information reporting capabilities and this supports the technical provisions calculation process.

The Club makes numerous assumptions in the calculation of its technical provisions and these are documented in the Club's expert judgement log. However, none of these adjustments are the result of significant deficiencies in the Club's data.

### Assumptions

In respect of ceded reinsurance, the Club assumes that its market reinsurance program will respond as intended and that reinsurers will pay valid claims. Consideration of the associated credit risk is made through the Club's regulatory capital calculation. For the purpose of assessing solvency, the Club assumes that its reinsurance program will be renewed on similar terms using a similar structure for the future year of new business incorporated into the assessment.

### TECHNICAL PROVISIONS RESULTS

Application of the methodology described above results in two key differences between the statutory and solvency technical provisions. These relate to the best estimate and risk margin respectively.

Differences in the best estimate are primarily attributable to the scope of what must be included in technical provisions (as described above) and the application of discounting.

The risk margin is required on a solvency basis but not on a statutory basis. It is designed to reflect the cost of capital (i.e. the additional funds) that another insurer would require in an arms-length transaction to take on the best estimate liabilities, given the uncertainties involved.

<sup>5</sup> Articles 17 & 18 of Commission Delegated Regulation 2015/35.

## CAPITAL MANAGEMENT

The Club manages the risks it faces through a series of processes and controls, which are reviewed on a quarterly basis. In addition, it holds capital to cover unexpected losses arising from the risks it faces and to meet its regulatory obligations.

As a result of its most recent review, credit rating agency Standard & Poor's has confirmed that the Club's capital adequacy is above their 99.99% confidence level (previously referred to as the 'AAA-rated' confidence level).

The Club operates a capital management policy with the aim of ensuring that the Group, subsidiaries and branches can continuously meet their regulatory and internally set capital requirements. The policy aims to ensure that own funds of sufficient magnitude and quality exist to meet the capital requirements on a continuous basis.

The Club determines its expected capital requirement over its rolling three-year business planning horizon. This forward-looking assessment takes account of planned changes to the Club's risk profile and the expected development in the external environment in which it operates.

The Club's medium-term capital management plan is monitored by the Club Board and seeks to take account of all relevant factors to ensure that the Club's capital position is accurate and develops in an expected and controlled manner over its forward-looking time horizon.

### GROUP OWN FUNDS

The Club has a simple capital structure with no external capital providers – all capital is attributable to the Club's Members. As a mutual insurance association the Club does not have share capital. Own funds are comprised of the items shown in Table 19 and do not include any items that are subject to transitional arrangements.

The Club's eligible own funds have increased by US\$ 92.2m since the prior year-end. Table 20 shows the movements by own fund item which are further explained in the sections below.

### Reconciliation reserve

The reconciliation reserve accounts for the majority of the Club's own funds and is comprised of retained surpluses generated by the Club through its principal activity of providing insurance of marine protection and indemnity risks on behalf of its Membership and investment of the associated assets.

These amounts have been directly calculated from the Club's consolidated Group data. The components of the Group reconciliation reserve are shown in Table 21.

TABLE 19: GROUP OWN FUNDS

Own Fund Item	Tier	Total Available Amount	SCR Eligible Amount	Minimum SCR Eligible Amount
Reconciliation Reserve	One	431.6	431.6	431.6
Ancillary Own Funds	Two	170.2	120.0	–
<b>Total</b>		<b>601.8</b>	<b>551.6</b>	<b>431.6</b>

TABLE 20: CHANGE IN GROUP OWN FUNDS SINCE LAST YEAR-END

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	Minimum SCR Eligible Amount
Reconciliation Reserve	One	75.6	75.6	75.6
Ancillary Own Funds	Two	9.3	16.6	–
<b>Total</b>		<b>84.9</b>	<b>92.2</b>	<b>75.6</b>

TABLE 21: GROUP RECONCILIATION RESERVE

Own Fund Item	Amount
Statutory Available Capital	393.8
Solvency II Reconciliation Reserve	37.8
<i>Investments</i>	15.2
<i>Intangible Assets</i>	(33.4)
<i>Deferred Acquisition Costs</i>	(13.7)
<i>Pension Benefit Surplus</i>	0.7
<i>Technical Provisions</i>	79.7
<i>Deferred Tax Liabilities</i>	(9.0)
<i>Receivables and Payables</i>	(1.8)
<b>Total</b>	<b>431.6</b>



## CAPITAL MANAGEMENT CONTINUED

### Ancillary own funds

Ancillary own funds ("AOF") are comprised of unbudgeted supplementary calls in respect of open policy years which can be levied on mutual Members of the Club by the Board. In estimating its available own funds as at 31 December 2023, the Club has made allowance for the AOF that would be available to it as a result of additional premiums received from an unbudgeted supplementary call levied on the mutual Members of the Club.

The total amount of AOF included in the Club's own funds is based on the approval of the Club's calculation methodology that was received from the CAA in November 2020 and is valid through 31 December 2023. In July 2023 the Club received approval to continue to recognise AOF after 31 December 2023 until 31 December 2026. This methodology considers the additional premium that might be called on the three open policy years and the Club's ability to collect these amounts. The amount of eligible AOF to meet the SCR is limited by the regulatory limit of 50% of the SCR.

Ancillary own funds have increased by US\$ 9.3m from the prior period due to a higher level of mutual premium on the three open policy years compared to the prior period. The Group SCR has increased to US\$ 239.8m (2022: US\$ 206.8m) which increases the amount of eligible ancillary own funds due to the regulatory eligibility limit of 50% of the SCR.

### Governance

The Club does not expect to repay or redeem any own fund item or raise additional own funds over its business planning horizon and no capital distributions to Members have been made in the period ending 31 December 2023. There are no material terms and conditions attached to the Club's own funds items. However, Board approval is required to levy an unbudgeted supplementary call in respect of open policy years to raise the AOF amounts described.

The Club ensures that own-fund items, both at issue and subsequently, are correctly classified in accordance with the Solvency II regulations. In practice, as a mutual organisation, issuance of own fund items occurs infrequently and does not tend to form part of the Club's medium-term capital management plan.

The Club also ensures that own-funds items are not encumbered by the existence of any agreements or connected transactions, or as a consequence of a Group structure.

The Club ensures that AOF items can be called in a timely manner when necessary. The Club has identified and documented any arrangements, legislation or products that give rise to ring-fenced funds, and ensures that appropriate calculations and adjustments in the determination of the SCR and own funds are made. The contractual terms governing own fund items are clear and unambiguous in relation to the criteria for classification into tiers.

The Club expects the value of its own funds to increase over its business planning horizon. This reflects the expectation that the Club will consistently produce a small underwriting surplus and generate positive investment returns over the period which will contribute to increasing own funds in the form of growth in the reconciliation reserve. The SCR is also projected to increase over the business planning horizon and this in turn will lead to growth in the eligible AOF amounts that can be included in the Club's solvency ratio calculation.

### GROUP CAPITAL REQUIREMENTS

The Group SCR is calculated in accordance with the Solvency II standard formula and does not make use of simplified calculations, transitional measures or duration-based equity risk calculations. The Club has complied with all of its Solvency II regulatory capital requirements at all times during the reporting period.

The Club expects its SCR to increase over its business planning horizon. Based on the stress and scenario testing work conducted as part of the Club's ORSA as at 31 December 2023, the Club does not foresee a reasonable risk of non-compliance with its SCR over its business planning horizon. Ongoing monitoring of the Club's risk and capital position will assist in ensuring that compliance is maintained.

Table 22 shows the key components of the Group capital requirement together with an explanation of the key driver of the amounts in each case. The Group solvency ratio is shown both including and excluding ancillary own funds as it is important to understand the difference in the solvency ratio based on the Club's current actual financial position and the solvency ratio based on the position if the contingent capital amounts were called and realised.

**TABLE 22: GROUP SOLVENCY RATIO**

Component	Amount	Key Driver
SCR (see below)	239.9	
Eligible Own Funds (incl. AOF)	551.6	Retained underwriting and investment surpluses
Eligible Own Funds (excl. AOF)	431.6	Retained underwriting and investment surpluses
<b>Solvency Ratio (incl. AOF)</b>	<b>230%</b>	
<b>Solvency Ratio (excl. AOF)</b>	<b>180%</b>	
<b>SCR</b>	<b>239.9</b>	
LACDT Adjustment	(6.2)	Additional tax payable on solvency basis
Operational Risk	14.9	Calculated as proportion of technical provisions
<b>Basic SCR<sup>6</sup></b>	<b>231.2</b>	
Market Risk	97.8	Investment risk
Credit Risk	25.5	Reinsurance recovery, cash balance default risk
Non-Life Underwriting Risk	171.1	Net technical provisions, future plan premium

<sup>6</sup> The Basic SCR is less than the sum of its constituent components as the Standard Formula makes allowance for diversification between component risk types by assuming they are only partially correlated i.e. it is unlikely all components will deteriorate together.

## CAPITAL MANAGEMENT CONTINUED



The Club's capital position is robust on both bases and is commensurate with the risks undertaken in the course of doing business.

The Club's minimum Group SCR (Table 23) is calculated in accordance with the formula specified in the Solvency II regulations and is therefore based on the net of reinsurance technical provisions excluding the risk margin and the last 12 months of net written premium.

It also takes account of the proportional share of the MCR of the Club's related reinsurance companies.

Expected growth in premium and reserve volumes over the business planning horizon and no material expected changes to the Club's investment policy, which is set in accordance with the prudent person principle, creates the expectation that the minimum SCR will also increase over this period.

Based on the stress and scenario testing work conducted as part of the single Group ORSA as at 31 December 2023, the Club does not

foresee a reasonable risk of non-compliance with its minimum SCR over its business planning horizon. Ongoing monitoring of the Club's risk and capital position continues to ensure that compliance is maintained at each of the Group, Solo and Spandilux level.

### SOLO OWN FUNDS

Club own funds on a Solo entity basis are comprised of the items in Table 24 and do not include any items that are subject to transitional arrangements.

On a Solo entity basis, own funds eligible to meet the SCR have increased by \$85.5m since the prior period. Table 25 shows the movement by own fund item.

The reconciliation reserve accounts for the majority of the Club's own funds and is comprised of retained surpluses generated by the Club through its principal activity of providing insurance of marine protection and indemnity risks on behalf of its Membership and investment of the associated assets (Table 26).

As described in the valuation for solvency purposes section above, the difference in the value of holdings in related undertakings is attributable to the difference in the book and solvency values of the Club's participations in its subsidiary entities.

Solvency value has been determined as the net asset value of each participation where net asset value is calculated using a balance sheet evaluated at the reporting period end in accordance with the Solvency II requirements.

**TABLE 23: GROUP MINIMUM SCR SOLVENCY RATIO**

Component	Amount
Minimum SCR	126.8
Eligible Own Funds	431.6
Minimum SCR Solvency Ratio	341%

**TABLE 24: SOLO OWN FUNDS**

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	MCR Eligible Amount
Reconciliation Reserve	One	486.5	486.5	486.5
Ancillary Own Funds	Two	170.2	114.2	–
<b>Total</b>		<b>656.7</b>	<b>600.7</b>	<b>486.5</b>

**TABLE 25: CHANGE IN SOLO OWN FUNDS SINCE LAST YEAR-END**

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	MCR Eligible Amount
Reconciliation Reserve	One	70.3	70.3	70.3
Ancillary Own Funds	Two	9.3	15.1	–
<b>Total</b>		<b>79.6</b>	<b>85.5</b>	<b>70.3</b>

**TABLE 26: SOLO RECONCILIATION RESERVE**

Reconciliation Reserve Item	Amount
Statutory Available Capital	(36.1)
Solvency II Reconciliation Reserve	522.7
<i>Holdings in Related Undertakings</i>	520.9
<i>Intangible Assets</i>	(17.6)
<i>Deferred Acquisition Costs</i>	(13.7)
<i>Technical Provisions</i>	0.7
<i>Pension Benefit Surplus</i>	(167.4)
<i>Deferred Tax Liabilities</i>	(0.4)
<i>Receivables and Payables</i>	200.2
<b>Total</b>	<b>486.5</b>



## CAPITAL MANAGEMENT CONTINUED



### SOLO CAPITAL REQUIREMENTS

The Club's Solo SCR is calculated in accordance with the Solvency II standard formula and does not make use of simplified calculations, transitional measures or the duration-based equity risk calculations. The Club has complied with its regulatory capital requirements on a Solo basis at all times during the reporting period.

Table 27 shows the key components of the Club's Solo capital requirement together with an explanation of the key driver of the amounts in each case. The Club's Solo solvency ratio is shown both including and excluding ancillary own funds as it is important to understand

the difference in the solvency ratio based on the Club's current actual financial position and the solvency ratio based on the position if the contingent capital amounts were called and realised.

The Club's Solo capital position is robust on both bases and is commensurate with the risks undertaken in the course of doing business. The Club's Solo MCR is calculated in accordance with the formula specified in the Solvency II regulations and is therefore based on the net of reinsurance technical provisions excluding the risk margin and the last 12 months of net written premium (Table 28).

**TABLE 27: SOLO SOLVENCY RATIO**

Component	Amount	Key Driver
SCR	228.4	
Eligible Own Funds (incl. AOF)	600.7	Retained underwriting and investment surpluses
Eligible Own Funds (excl. AOF)	486.5	Retained underwriting and investment surpluses
<b>Solvency Ratio (incl. AOF)</b>	<b>263%</b>	
<b>Solvency Ratio (excl. AOF)</b>	<b>213%</b>	
<b>SCR</b>	<b>228.4</b>	
LACDT Adjustment	(0.4)	Additional tax payable on solvency basis
Operational Risk	14.9	Calculated as proportion of technical provisions
<b>Basic SCR<sup>7</sup></b>	<b>213.9</b>	
Market Risk	141.1	Equity participation risk
Credit Risk	37.9	Reinsurance recovery, cash balance default risk
Non-Life Underwriting Risk	103.0	Net technical provisions, future plan premium

<sup>7</sup> The Basic SCR is less than the sum of its constituent components as the Standard Formula makes allowance for diversification between component risk types by assuming they are only partially correlated i.e. it is unlikely all components will deteriorate together.

**TABLE 28: SOLO MINIMUM CAPITAL REQUIREMENT**

Component	Amount
MCR	57.1
Eligible Own Funds	486.5
MCR Solvency Ratio	852%

**TABLE 29: SPANDILUX OWN FUNDS**

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	MCR Eligible Amount
Ordinary Share Capital	One	3.0	3.0	3.0
Share Premium Account	One	7.0	7.0	7.0
Reconciliation Reserve	One	30.3	30.3	30.3
<b>Total</b>		<b>40.3</b>	<b>40.3</b>	<b>40.3</b>

**TABLE 30: CHANGE IN SPANDILUX OWN FUNDS SINCE LAST YEAR-END**

Own Fund Item	Tier	Total Amount	SCR Eligible Amount	MCR Eligible Amount
Ordinary Share Capital	One	–	–	–
Share Premium Account	One	–	–	–
Reconciliation Reserve	One	4.5	4.5	4.5
<b>Total</b>		<b>4.5</b>	<b>4.5</b>	<b>4.5</b>

## CAPITAL MANAGEMENT CONTINUED

### SPANDILUX OWN FUNDS

Spandilux own funds are comprised of the items shown in Table 29, page 30, and do not include any items that are subject to transitional arrangements.

Spandilux own funds eligible to meet the SCR have increased by US\$ 4.5m since last year-end. Table 30, page 30, shows the movement by own fund item.

The reconciliation reserve (Table 31) accounts for the majority of the Spandilux own funds and is comprised of retained surpluses generated by the company through its principal activity of providing reinsurance of marine protection and indemnity risks of certain risks written by the Club and investment of the associated assets.

The difference in the value of technical provisions is attributable to the claims equalisation provision which forms part of other technical provisions on a Lux GAAP basis but is not a feature of the Solvency II basis. The difference in the value of deferred tax liabilities is attributable to the additional tax that would be payable on the Spandilux assets on a mid-market valuation basis.

### SPANDILUX CAPITAL REQUIREMENTS

The Spandilux SCR is calculated in accordance with the Solvency II standard formula and does not make use of simplified calculations, transitional measures or the duration-based equity risk calculations. The company has complied with its regulatory capital requirements at all times during the reporting period. (Table 32).

The Spandilux capital position is robust and commensurate with the risks undertaken in the course of doing business. The loss absorbing capacity of deferred tax adjustment of US\$ 3.3m applied to the SCR is lower than the balance sheet deferred tax liability amount of US\$ 8.7m shown in Table 31.

This is because the adjustment applied to the SCR is calculated as the lower of the solvency balance sheet amount and the Spandilux tax rate applied to the sum of the basic SCR and operational risk SCR.

The Spandilux MCR is calculated in accordance with the formula specified in the Solvency II regulations and is therefore based on the net of reinsurance technical provisions excluding the risk margin and the last 12 months of net written premium.

**TABLE 31: SPANDILUX RECONCILIATION RESERVE**

Reconciliation Reserve Item	Amount
Statutory Available Capital	10.3
Solvency II Reconciliation Reserve	30.0
<i>Investments</i>	1.3
<i>Technical Provisions</i>	37.3
<i>Deferred Tax Liability</i>	(8.7)
<b>Total</b>	<b>40.3</b>

**TABLE 32: SPANDILUX SOLVENCY RATIO**

Component	Amount	Key Driver
SCR	10.1	
Eligible Own Funds	40.3	Retained underwriting and investment surpluses
<b>Solvency Ratio</b>	<b>401%</b>	
<b>SCR</b>	<b>10.1</b>	
LACDT Adjustment	(3.3)	Additional tax payable on solvency basis
Operational Risk	0.5	Calculated as proportion of technical provisions
<b>Basic SCR<sup>8</sup></b>	<b>12.9</b>	
Market Risk	9.9	Investment risk
Credit Risk	0.3	Cash balance default risk
Non-Life Underwriting Risk	6.0	Net technical provisions, future plan premium

<sup>8</sup> The Basic SCR is less than the sum of its constituent components as the Standard Formula makes allowance for diversification between component risk types by assuming they are only partially correlated i.e. it is unlikely all components will deteriorate together.

**TABLE 33: SPANDILUX MINIMUM CAPITAL REQUIREMENT**

Component	Amount
MCR	4.1
Eligible Own Funds	40.3
MCR Solvency Ratio	973%



# Appendices





## APPENDIX A: STRUCTURE AND GOVERNANCE

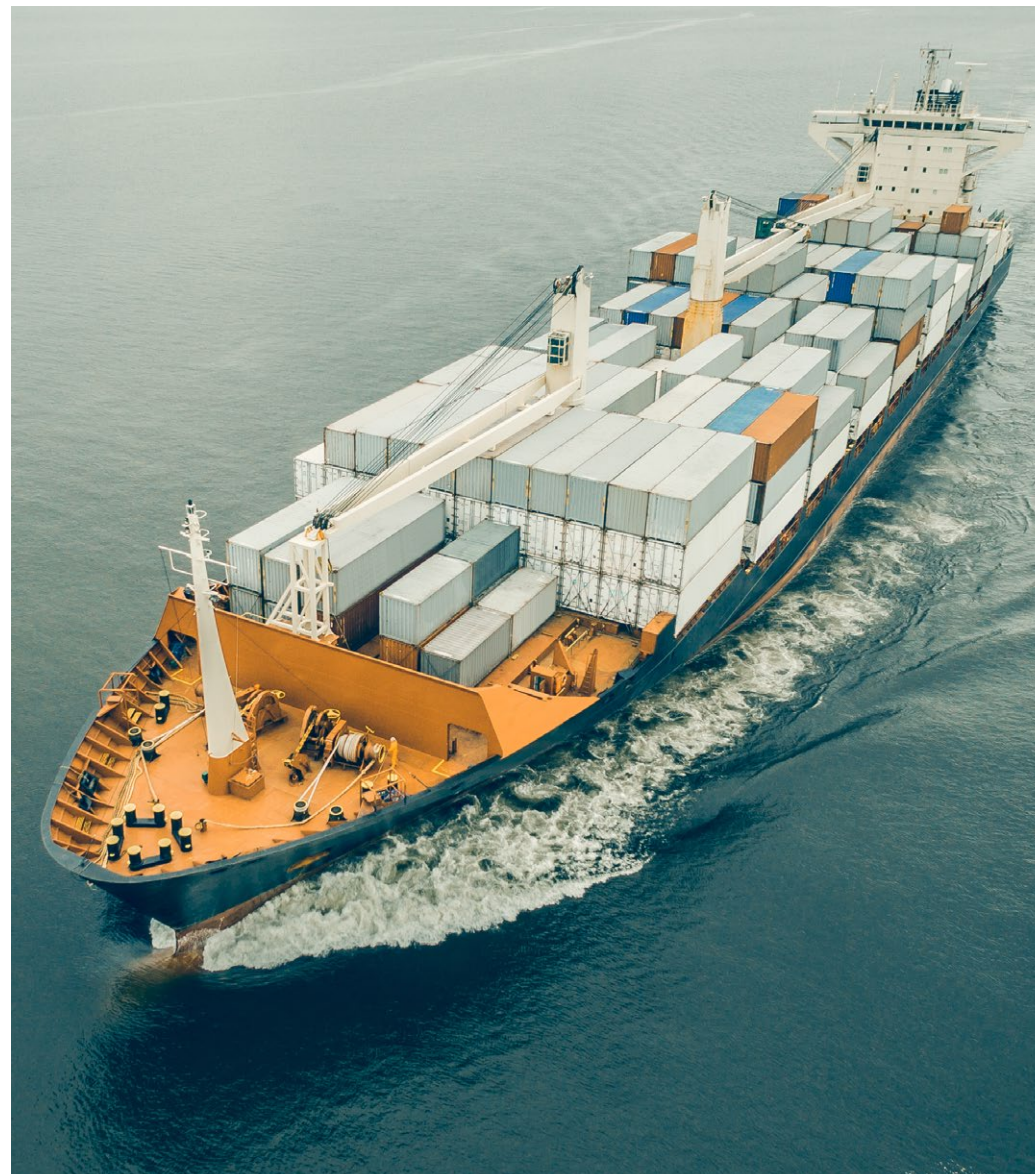
The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) Group is comprised of a number of undertakings and related branches over which it has control. A list of these undertakings and branches is shown below.

Undertaking	Registered Office	Legal Form	Proportion of Capital Held
The Shipowners' Mutual Protection and Indemnity Association (Luxembourg)	Luxembourg	Mutual	100%
The Shipowners' Protection Limited	United Kingdom	Non-Mutual	100%
SOP (Bermuda) Limited	Bermuda	Non-Mutual	100%
Spandilux S.A.	Luxembourg	Non-Mutual	100%
Hydra Insurance Company Limited – Shipowners Cell	Bermuda	Non-Mutual	100%
The Shipowners' Protection Hellas LLC	Greece	Non-Mutual	100%
Shipowners' Management Limited	United Kingdom	Non-Mutual	100%

There is no material difference between the scope of the Group used for the consolidated financial statements and the scope used for determining the consolidated data on which the Group's solvency position is calculated in accordance with Article 335 of the Delegated Regulation.

In addition to the undertakings shown above, the Club operates the following branches:

- The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) – Singapore branch
- The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) – Hong Kong branch
- The Shipowners' Mutual Protection and Indemnity Association (Luxembourg) – UK branch







APPENDIX A: STRUCTURE AND GOVERNANCE CONTINUED

GOVERNANCE FRAMEWORK



EXECUTIVE MANAGEMENT AND LEADERSHIP TEAM





APPENDIX A: STRUCTURE AND GOVERNANCE CONTINUED

OUR BOARD



The Shipowners' Club Board is drawn largely from a cross-section of the Club's Membership in terms of vessel sector and geography.

COMMITTEE RESPONSIBILITIES

**THE BOARD**  
**DONALD A. MACLEOD KC**  
(CHAIR)

- Determining strategic objectives, acceptable level of risk and key policies.
- Effective discharge of its obligations and meeting at least once a quarter in order to monitor the development of the Club's activities.
- Delegation to the Club Managers, The Shipowners' Protection Limited, a wholly owned subsidiary of the Club, of operational management of the Club while maintaining ultimate oversight of, and responsibility for the management.
- Providing oversight through scrutiny at every quarterly meeting of the Club's business operation on the basis of reports prepared by the Managers.
- Engaging in constructive and critical discussion of the strategy and key policies put forward by the Managers and contributing to their development.

**AUDIT AND RISK COMMITTEE**  
**KATHY MEADS**  
(CHAIR)

- Monitoring the integrity of the financial reporting process and the financial statements and any formal announcements relating to financial performance.
- Reporting to the Board on the statutory audit outcome and its contribution to the integrity of financial reporting.
- Reviewing the Club's significant accounting policies and any changes to them.
- Making recommendations to the Board and its subsidiaries as to the terms of engagement, including the remuneration, of the external auditors.
- Reviewing the external auditors' independence and objectivity, including with respect to any non-audit services.
- Reviewing with the external auditors the findings of their work.
- Reviewing the effectiveness of the corporate governance framework and other operational matters required under Solvency II.
- Reviewing the effectiveness of the internal control and risk management systems.
- Maintaining oversight of the Club's risk and regulatory compliance processes and procedures and monitoring their effectiveness.
- Monitoring significant risk and regulatory matters affecting the Club and resolution of any material compliance or regulatory breaches or other matters arising.

**FINANCE COMMITTEE**  
**PHILIP D. ORME**  
(CHAIR)

- Monitoring and reporting to the Board the quarterly financial position of the Club, including the annual financial result.
- Monitoring key Solvency II financial and solvency measures.
- Making recommendations to the Board and its subsidiaries on annual expense plans and budgets, specific capital projects, acquisitions, joint ventures and divestitures, financial structure, initiatives and regulatory matters.
- Investment strategy, including plans and strategies for hedging and mitigating risk, foreign currency exchange, interest rate exposure and other risk exposures.
- Appointment and terms of engagement, including remuneration, of the external investment managers.
- Monitoring and reporting to the Board on the performance of the external investment managers.
- Liaising with the subsidiary companies as applicable on implementation of the above matters.

**REMUNERATION COMMITTEE**  
**MARK WHITAKER**  
(CHAIR)

- Determining and agreeing employment, termination and retirement conditions, and remuneration and benefit packages of senior employees.
- Reviewing the overall annual percentage increase in management company staff salaries and the structure and application of the discretionary bonus scheme.
- Monitoring and reviewing succession planning for senior management including prospective senior appointments.
- Agreeing appropriate levels of remuneration for Directors of the Club and its subsidiary companies.

## APPENDIX B: SOLO ENTITY PERFORMANCE

The following tables show the underwriting, investment and overall performance on a Solo entity basis and complements the information shown for the Group in the Business and Performance section of this report.



Solo entity financial statements are produced on a statutory basis only and therefore the investment information shown on a Solo entity basis is at the lower of cost and market value and is not on a mid- market investment valuation basis.

**TABLE 34: SOLO ENTITY TECHNICAL ACCOUNT**

	2023	2022
Net Earned Premium	<b>108.4</b>	102.5
Claims Incurred	<b>(44.8)</b>	(36.4)
Net Operating Expenses	<b>(70.4)</b>	(61.7)
<b>Technical Account Balance</b>	<b>(6.7)</b>	4.4

**TABLE 35: SOLO ENTITY INVESTMENT RESULT**

	2023	2022
Investment Income	<b>2.9</b>	0.1
<i>Fixed Income</i>	–	–
<i>Equities</i>	–	–
<i>Collective Investment Vehicles</i>	–	–
Investment Management Charges	<b>(1.0)</b>	(1.0)
Realised and unrealised gains on investments	<b>6.4</b>	(8.3)
<b>Result</b>	<b>8.3</b>	(9.2)

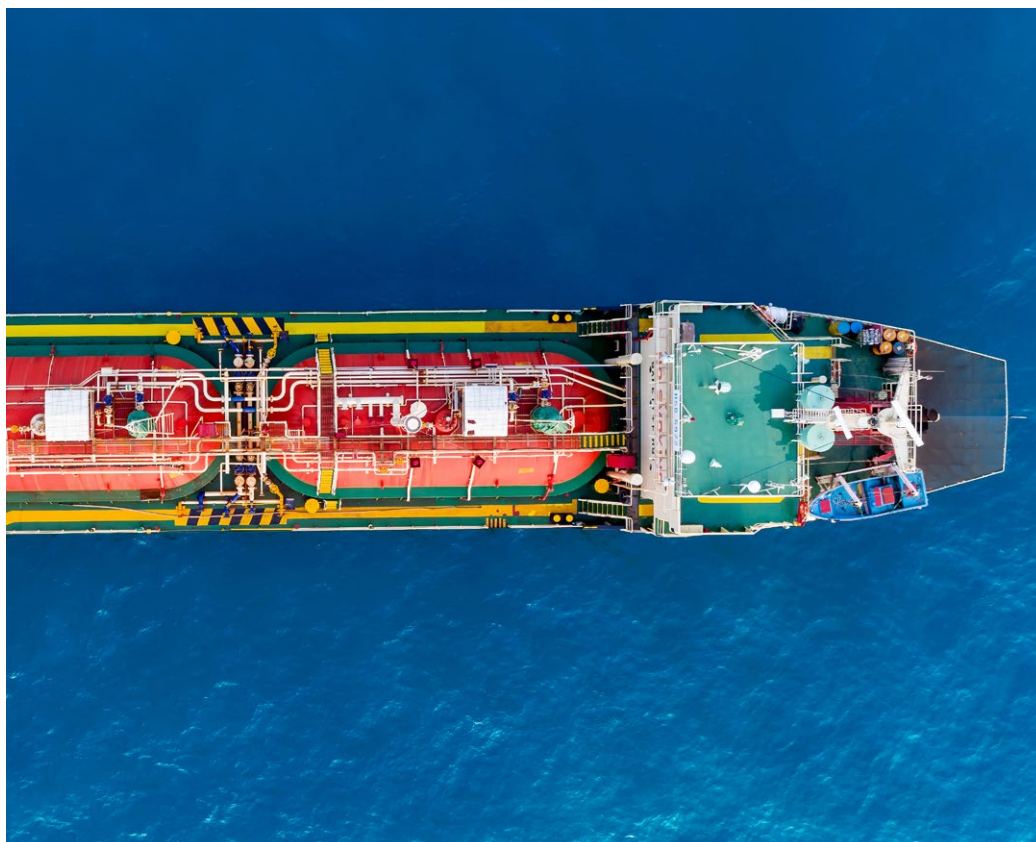
**TABLE 36: SOLO ENTITY INCOME AND EXPENDITURE RESULT**

	2023	2022
Technical Account Balance	<b>(6.7)</b>	4.4
Investment Return	<b>8.3</b>	(9.2)
Taxation	<b>(0.4)</b>	(0.2)
Other Income/(Charges)	<b>0.8</b>	0.6
<b>Result</b>	<b>2.0</b>	(4.3)



## APPENDIX B: SPANDILUX PERFORMANCE

The following tables show the Spandilux underwriting, investment and overall performance and complements the information shown for the Group in the Business and Performance section of this report.



**TABLE 37: SPANDILUX TECHNICAL ACCOUNT**

	2023	2022
Net Earned Premium	7.4	7.0
Claims Incurred	(6.6)	(6.4)
Net Operating Expenses	(0.7)	(0.6)
<b>Technical Account Balance</b>	<b>0.1</b>	0.1

**TABLE 38: SPANDILUX INVESTMENT RESULT**

	2023	2022
Investment Income	1.6	1.4
<i>Fixed Income</i>	1.4	1.3
<i>Equities</i>	0.1	0.1
<i>Collective Investment Vehicles</i>	0.0	0.1
Investment Management Charges	(0.6)	(0.5)
Realised and unrealised gains on investments	4.6	(7.0)
<b>Result</b>	<b>5.5</b>	(6.1)

**TABLE 39: SPANDILUX INCOME AND EXPENDITURE RESULT**

	2023	2022
Technical Account Balance	0.1	0.1
Investment Return	5.5	(6.1)
Taxation	(0.0)	(0.1)
Other Income/(Charges)	–	–
Change in equalisation provision	5.6	(6.2)
<b>Result</b>	<b>–</b>	–

## APPENDIX C: QUANTITATIVE REPORTING TEMPLATES

- Group Disclosures at 31 December 2023
- Solo Disclosures at 31 December 2023
- Spandilux Disclosures at 31 December 2023

(Monetary amounts in USD thousands)





APPENDIX C: QUANTITATIVE REPORTING TEMPLATES CONTINUED

# Group disclosures

## General information

Participating undertaking name	Shipowners' Mutual Protection and Indemnity Association Limited (Luxembourg)
Group identification code	529900T071SPNQ00DF14
Type of code of group	LEI
Country of the group supervisor	LU
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.05.02.04 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.23.01.22 - Own Funds
- S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
- S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

Solvency II value	
C0010	
	719
	12,404
	744,971
	0
	0
	53,953
	53,177
	775
	469,825
	216,648
	253,177
	0
	0
	125,358
	95,835
	0
	0
	0
	77,238
	77,238
	77,238
	0
	0
	0
	25,398
	969
	1,317
	0
	105,893
	1,872
	970,780

**Assets**

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











S.23.01.22

Own Funds

Basic own funds before deduction for participations in other financial sector

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

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0				
0	0		0	
0	0		0	
0		0	0	0
0				
0	0			
0				
0		0	0	0
0				
0		0	0	0
0				
431,606	431,606			
0		0	0	0
0				
0				0
0				
0	0	0	0	0
0				
0				
0				
0				
431,606	431,606	0	0	0
0				
0				
0				
0				
0				
170,200			170,200	
0				
0				
0				
0				
170,200			170,200	0
0				
0				
0				
0	0	0	0	0

S.23.01.22  
Own Funds

Basic own funds before deduction for participations in other financial sector

Own funds when using the D&A, exclusively or in combination with method 1

R0450	Own funds aggregated when using the D&A and combination of method
R0460	Own funds aggregated when using the D&A and combination of method net of IGT
R0520	Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)
R0530	Total available own funds to meet the minimum consolidated group SCR
R0560	Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)
R0610	<b>Minimum consolidated Group SCR</b>
R0650	<b>Ratio of Eligible own funds to Minimum Consolidated Group SCR</b>
R0660	<b>Total eligible own funds to meet the total group SCR (including own funds from other financial sector and from the undertakings included via D&amp;A)</b>
R0680	<b>Total Group SCR</b>
R0690	<b>Ratio of Total Eligible own funds to Total group SCR - ratio including other financial sectors and the undertakings included via D&amp;A</b>

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Forseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0750	Other non available own funds
R0760	<b>Reconciliation reserve</b>

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0				
0				
601,806	431,606	0	170,200	0
431,606	431,606	0	0	
551,571	431,606	0	119,966	0
431,606	431,606	0	0	
126,957				
339.96%				
551,571	431,606	0	119,966	0
239,931				
229.89%				
C0060				
431,606				
0				
0				
431,606				
8,981				
8,981				

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	97,770		
R0020 Counterparty default risk	25,537		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	171,050		
R0060 Diversification	-63,170		
R0070 Intangible asset risk	0		
R0100 <b>Basic Solvency Capital Requirement</b>	231,187		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	14,896		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	-6,152		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 <b>Solvency Capital Requirement calculated on the basis of Art. 336 (a) of Delegated Regulation (EU) 2015/35, excluding capital add-on</b>	239,931		
R0210 Capital add-ons already set	0		
R0211 <i>of which, capital add-ons already set - Article 37 (1) Type a</i>	0		
R0212 <i>of which, capital add-ons already set - Article 37 (1) Type b</i>	0		
R0213 <i>of which, capital add-ons already set - Article 37 (1) Type c</i>	0		
R0214 <i>of which, capital add-ons already set - Article 37 (1) Type d</i>	0		
R0220 <b>Consolidated Group SCR</b>	239,931		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
R0470 Minimum consolidated group solvency capital requirement	126,957		
<b>Information on other entities</b>			
R0500 Capital requirement for other financial sectors (Non-insurance capital requirements)	0		
R0510 <i>Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies</i>	0		
R0520 <i>Institutions for occupational retirement provisions</i>	0		
R0530 <i>Capital requirement for non-regulated entities carrying out financial activities</i>	0		
R0540 Capital requirement for non-controlled participation requirements	0		
R0550 Capital requirement for residual undertakings	0		
R0555 Capital requirement for collective investment undertakings or investments packaged as funds	0		
<b>Overall SCR</b>			
R0560 SCR for undertakings included via D&A method	0		
R0570 <b>Total group solvency capital requirement</b>	239,931		

**USP Key**

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

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

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



## S.32.01.22

## Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	
1	LU	529900T071SPNQ00DF14	LEI	The Shipowners' Protection and Indemnity Association (Luxembourg)	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Mutual	Commissariat Aux Assurances
2	GB	529900T071SPNQ00DF14GB00001	Specific code	The Shipowners' Protection Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Commissariat Aux Assurances
3	BM	529900XXKSG7S9D1W317	LEI	SOP (Bermuda) Limited	Reinsurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Bermuda Monetary Authority
4	LU	529900OKG1Q90KLJ3745	LEI	Spandilux S.A.	Reinsurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Commissariat Aux Assurances
5	BM	529900T071SPNQ00DF14BM00001	Specific code	Hydra Insurance Company Limited - Shipowners Cell	Reinsurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Bermuda Monetary Authority
6	GB	529900T071SPNQ00DF14GB00003	Specific code	Shipowners' Management Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	
7	GR	529900T071SPNQ00DF14GR00001	Specific code	The Shipowners' Protection Hellas LLC	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	

## S.32.01.22

## Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation	
				% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking	
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	LU	529900T071SPNQ00DF14	LEI	The Shipowners' Protection and Indemnity Association (Luxembourg)					Dominant		Included in the scope		Method 1: Full consolidation
2	GB	529900T071SPNQ00DF14GB00001	Specific code	The Shipowners' Protection Limited	100.00%		100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	BM	529900XXKSG759D1W317	LEI	SOP (Bermuda) Limited	100.00%		100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	LU	529900OKG1Q90KLJ3745	LEI	Spandilux S.A.	100.00%		100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
5	BM	529900T071SPNQ00DF14BM00001	Specific code	Hydra Insurance Company Limited - Shipowners Cell	100.00%		100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
6	GB	529900T071SPNQ00DF14GB00003	Specific code	Shipowners' Management Limited	100.00%		100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
7	GR	529900T071SPNQ00DF14GR00001	Specific code	The Shipowners' Protection Hellas LLC	95.00%		95.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

APPENDIX C: QUANTITATIVE REPORTING TEMPLATES CONTINUED

# Solo disclosures



## General information

Undertaking name	The Shipowners' Mutual Protection and Indemnity Association Limited (Luxembourg)
Undertaking identification code	529900T071SPNQ00DF14
Type of code of undertaking	LEI
Type of undertaking	Non-Life insurance undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.04.05.21 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	719
R0060	Property, plant & equipment held for own use	11,623
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	622,656
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	528,127
R0100	<i>Equities</i>	775
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	775
R0130	<i>Bonds</i>	0
R0140	<i>Government Bonds</i>	0
R0150	<i>Corporate Bonds</i>	0
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	93,754
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	200,608
R0280	<i>Non-life and health similar to non-life</i>	200,608
R0290	<i>Non-life excluding health</i>	200,608
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	25,398
R0370	Reinsurance receivables	37,249
R0380	Receivables (trade, not insurance)	16,736
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	94,769
R0420	Any other assets, not elsewhere shown	579
R0500	<b>Total assets</b>	<b>1,010,335</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	518,379
R0520	<i>Technical provisions - non-life (excluding health)</i>	518,379
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	496,538
R0550	<i>Risk margin</i>	21,841
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	140
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	439
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	10
R0830	Reinsurance payables	1,381
R0840	Payables (trade, not insurance)	932
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	2,542
R0900	<b>Total liabilities</b>	523,824
R1000	<b>Excess of assets over liabilities</b>	486,512



S.04.05.21

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

R0010

Home Country	Top 5 countries (by amount of gross premiums written): non-life					
	ID	MY	SG	PA	AU	
	C0010	C0020	C0021	C0022	C0023	C0024
<b>Premiums written (gross)</b>						
R0020 Gross Written Premium (direct)	1,100	31,772	18,885	18,267	14,798	13,502
R0021 Gross Written Premium (proportional reinsurance)						
R0022 Gross Written Premium (non-proportional reinsurance)						
<b>Premiums earned (gross)</b>						
R0030 Gross Earned Premium (direct)	1,092	32,724	18,639	18,090	14,647	12,743
R0031 Gross Earned Premium (proportional reinsurance)						
R0032 Gross Earned Premium (non-proportional reinsurance)						
<b>Claims incurred (gross)</b>						
R0040 Claims incurred (direct)	1,030	5,832	16,428	6,937	-374	6,333
R0041 Claims incurred (proportional reinsurance)						
R0042 Claims incurred (non-proportional reinsurance)						
<b>Expenses incurred (gross)</b>						
R0050 Gross Expenses Incurred (direct)	358	10,850	6,101	5,820	4,781	4,566
R0051 Gross Expenses Incurred (proportional reinsurance)						
R0052 Gross Expenses Incurred (non-proportional reinsurance)						



S.17.01.02

Non-Life Technical Provisions

Direct business and accepted proportional reinsurance													Accepted non-proportional reinsurance				Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
R0010 Technical provisions calculated as a whole																	0
R0050 Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
R0060 Premium provisions																	53,696
R0140 Gross Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	41,978
R0150 Net Best Estimate of Premium Provisions																	11,718
Claims provisions																	
R0160 Gross																	442,842
R0240 Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	158,631
R0250 Net Best Estimate of Claims Provisions																	284,212
R0260 Total best estimate - gross																	496,538
R0270 Total best estimate - net																	295,930
R0280 Risk margin																	21,841
R0320 Technical provisions - total																	518,379
R0330 Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total																	200,608
R0340 Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total																	317,771



S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)(absolute amount)

Year	Development year											C0170 In Current year	C0180 Sum of years (cumulative)
	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +		
R0100	Prior											1,664	1,664
R0160	-9	56,688	49,793	38,081	12,759	19,898	8,274	2,973	3,027	3,774	2,145	2,145	197,413
R0170	-8	21,678	50,207	22,502	14,631	10,952	5,427	2,651	3,983	1,264		1,264	133,295
R0180	-7	18,955	50,207	19,216	13,868	5,779	5,125	8,545	2,539			2,539	124,234
R0190	-6	18,028	40,016	15,992	8,665	7,299	2,555	1,478				1,478	94,033
R0200	-5	24,699	61,127	14,155	15,830	14,573	-15,799					-15,799	114,585
R0210	-4	25,990	57,046	30,770	18,546	7,024						7,024	139,376
R0220	-3	22,803	38,286	12,560	14,370							14,370	88,019
R0230	-2	34,123	52,096	30,275								30,275	116,495
R0240	-1	23,363	38,128									38,128	61,491
R0250	0	55,801										55,801	55,801
R0260													
											<b>Total</b>	138,890	1,126,406

Gross Undiscounted Best Estimate Claims Provisions (absolute amount)

Year	Development year											C0360 Year end (discounted data)	
	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +		
R0100	Prior											23,762	23,080
R0160	-9	0	0	70,085	57,550	37,154	29,955	27,522	23,548	17,146	14,790	13,592	
R0170	-8	0	108,264	75,329	50,428	39,711	27,857	21,527	13,145	8,436		7,836	
R0180	-7	135,567	95,223	68,942	46,666	35,783	27,192	13,451	10,101			9,344	
R0190	-6	115,410	81,224	52,991	34,646	22,956	16,500	11,514				10,623	
R0200	-5	127,509	95,807	76,520	54,912	28,012	22,884					21,259	
R0210	-4	149,596	126,119	94,422	59,823	48,898						45,189	
R0220	-3	143,473	86,691	60,802	47,663							43,967	
R0230	-2	128,141	102,916	62,164								57,245	
R0240	-1	126,992	87,206									80,766	
R0250	0	140,470										129,942	
R0260													
											<b>Total</b>	442,842	

**S.23.01.01  
Own Funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

- R0010 Ordinary share capital (gross of own shares)
- R0030 Share premium account related to ordinary share capital
- R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
- R0050 Subordinated mutual member accounts
- R0070 Surplus funds
- R0090 Preference shares
- R0110 Share premium account related to preference shares
- R0130 Reconciliation reserve
- R0140 Subordinated liabilities
- R0160 An amount equal to the value of net deferred tax assets
- R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above

**R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

**R0230 Deductions for participations in financial and credit institutions**

**R0290 Total basic own funds after deductions**

**Ancillary own funds**

- R0300 Unpaid and uncalled ordinary share capital callable on demand
- R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
- R0320 Unpaid and uncalled preference shares callable on demand
- R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand
- R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
- R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
- R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- R0390 Other ancillary own funds
- R0400 **Total ancillary own funds**

**Available and eligible own funds**

- R0500 Total available own funds to meet the SCR
- R0510 Total available own funds to meet the MCR
- R0540 Total eligible own funds to meet the SCR
- R0550 Total eligible own funds to meet the MCR

- R0580 **SCR**
- R0600 **MCR**
- R0620 **Ratio of Eligible own funds to SCR**
- R0640 **Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

- R0700 Excess of assets over liabilities
- R0710 Own shares (held directly and indirectly)
- R0720 Foreseeable dividends, distributions and charges
- R0730 Other basic own fund items
- R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- R0760 **Reconciliation reserve**

**Expected profits**

- R0770 Expected profits included in future premiums (EPIFP) - Life business
- R0780 Expected profits included in future premiums (EPIFP) - Non- life business
- R0790 **Total Expected profits included in future premiums (EPIFP)**

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
0	0		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
486,512	486,512			
0		0	0	0
0				0
0	0	0	0	0
0				
0	0	0	0	0
0	0	0	0	0
486,512	486,512	0	0	0

0				
0				
0				
0				
0				
0				
170,200			170,200	
0				
0				
170,200			170,200	0

656,712	486,512	0	170,200	0
486,512	486,512	0	0	
600,710	486,512	0	114,198	0
486,512	486,512	0	0	

228,397
57,099
263.01%
852.05%

C0060
486,512
0
0
0
486,512

0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

- R0010 Market risk
- R0020 Counterparty default risk
- R0030 Life underwriting risk
- R0040 Health underwriting risk
- R0050 Non-life underwriting risk
- R0060 Diversification

R0070 Intangible asset risk

R0100 **Basic Solvency Capital Requirement**

**Calculation of Solvency Capital Requirement**

- R0130 Operational risk
- R0140 Loss-absorbing capacity of technical provisions
- R0150 Loss-absorbing capacity of deferred taxes
- R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
- R0200 **Solvency Capital Requirement excluding capital add-on**
- R0210 Capital add-ons already set
- R0211 *of which, capital add-ons already set - Article 37 (1) Type a*
- R0212 *of which, capital add-ons already set - Article 37 (1) Type b*
- R0213 *of which, capital add-ons already set - Article 37 (1) Type c*
- R0214 *of which, capital add-ons already set - Article 37 (1) Type d*
- R0220 **Solvency capital requirement**

**Other information on SCR**

- R0400 Capital requirement for duration-based equity risk sub-module
- R0410 Total amount of Notional Solvency Capital Requirements for remaining part
- R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
- R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
- R0440 Diversification effects due to RFF nSCR aggregation for article 304

**Approach to tax rate**

- R0590 Approach based on average tax rate

**Calculation of loss absorbing capacity of deferred taxes**

- R0640 LAC DT
- R0650 LAC DT justified by reversion of deferred tax liabilities
- R0660 LAC DT justified by reference to probable future taxable economic profit
- R0670 LAC DT justified by carry back, current year
- R0680 LAC DT justified by carry back, future years
- R0690 Maximum LAC DT

Gross solvency capital requirement	USP	Simplifications
------------------------------------	-----	-----------------

C0110	C0090	C0120
141,055		
37,872		
0		
0		
102,982		
-67,969		

0
213,940

C0100
14,896
0
-439
0
228,397
0
0
0
0
228,397

0
0
0
0
0

Yes/No
--------

C0109
No

LAC DT
--------

C0130
-439
-439
0
0
0
0

USP Key

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

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

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

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

C0010

R0010	MCR <sub>NL</sub> Result	46,115
-------	--------------------------	--------

Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
0	
0	
0	
0	
0	
295,930	111,674
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	
0	

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

C0040

R0200	MCR <sub>L</sub> Result	0
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Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance /SPV) total capital at risk
C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

C0070

R0300	Linear MCR	46,115
R0310	SCR	228,397
R0320	MCR cap	102,779
R0330	MCR floor	57,099
R0340	Combined MCR	57,099
R0350	Absolute floor of the MCR	2,867
R0400	Minimum Capital Requirement	57,099



APPENDIX C: QUANTITATIVE REPORTING TEMPLATES CONTINUED

# Spandilux disclosures

## General information

Undertaking name	Spandilux S.A
Undertaking identification code	529900OKG1Q90KLJ3745
Type of code of undertaking	LEI
Type of undertaking	Reinsurance undertakings
Country of authorisation	LU
Language of reporting	en
Reporting reference date	31 December 2023
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

## List of reported templates

- S.02.01.02 - Balance sheet
- S.04.05.21 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.05.01.02 - Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	63,492
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	1
R0100	<i>Equities</i>	5,712
R0110	<i>Equities - listed</i>	5,712
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	43,748
R0140	<i>Government Bonds</i>	20,255
R0150	<i>Corporate Bonds</i>	23,493
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	13,678
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	354
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	0
R0280	<i>Non-life and health similar to non-life</i>	0
R0290	<i>Non-life excluding health</i>	0
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	2,069
R0380	Receivables (trade, not insurance)	8
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	222
R0420	Any other assets, not elsewhere shown	
R0500	<b>Total assets</b>	<b>65,791</b>

## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	16,600
R0520	<i>Technical provisions - non-life (excluding health)</i>	16,600
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	15,754
R0550	<i>Risk margin</i>	846
R0560	<i>Technical provisions - health (similar to non-life)</i>	0
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	0
R0590	<i>Risk margin</i>	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	8,695
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	214
R0900	<b>Total liabilities</b>	25,510
R1000	<b>Excess of assets over liabilities</b>	40,281



S.04.05.21

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

R0010

**Premiums written (gross)**

R0020 Gross Written Premium (direct)

R0021 Gross Written Premium (proportional reinsurance)

R0022 Gross Written Premium (non-proportional reinsurance)

**Premiums earned (gross)**

R0030 Gross Earned Premium (direct)

R0031 Gross Earned Premium (proportional reinsurance)

R0032 Gross Earned Premium (non-proportional reinsurance)

**Claims incurred (gross)**

R0040 Claims incurred (direct)

R0041 Claims incurred (proportional reinsurance)

R0042 Claims incurred (non-proportional reinsurance)

**Expenses incurred (gross)**

R0050 Gross Expenses Incurred (direct)

R0051 Gross Expenses Incurred (proportional reinsurance)

R0052 Gross Expenses Incurred (non-proportional reinsurance)

Home Country	Top 5 countries (by amount of gross premiums written): non-life					
	C0010	C0020	C0021	C0022	C0023	C0024
	7,464					
	7,390					
	6,584					
	1,249					

S.05.01.02

Premiums, claims and expenses by line of business: Non-life insurance and reinsurance obligations

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
<b>Premiums written</b>																
R0110	Gross - Direct Business															0
R0120	Gross - Proportional reinsurance accepted															7,464
R0130	Gross - Non-proportional reinsurance accepted															0
R0140	Reinsurers' share															0
R0200	Net															7,464
<b>Premiums earned</b>																
R0210	Gross - Direct Business															0
R0220	Gross - Proportional reinsurance accepted															7,390
R0230	Gross - Non-proportional reinsurance accepted															0
R0240	Reinsurers' share															0
R0300	Net															7,390
<b>Claims incurred</b>																
R0310	Gross - Direct Business															0
R0320	Gross - Proportional reinsurance accepted															6,584
R0330	Gross - Non-proportional reinsurance accepted															0
R0340	Reinsurers' share															0
R0400	Net															6,584
R0550	Expenses incurred															1,249
R1210	Balance - other technical expenses/income															
R1300	Total technical expenses															1,249

S.17.01.02

Non-Life Technical Provisions

Direct business and accepted proportional reinsurance													Accepted non-proportional reinsurance				Total Non-Life obligation
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance		
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180	
<b>Technical provisions calculated as a whole</b>																	
R0010																0	
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole															0	
<b>Technical provisions calculated as a sum of BE and RM</b>																	
<b>Best estimate</b>																	
<b>Premium provisions</b>																	
R0060	Gross															766	
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																0
R0150	<b>Net Best Estimate of Premium Provisions</b>															766	
<b>Claims provisions</b>																	
R0160	Gross															14,988	
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																0
R0250	<b>Net Best Estimate of Claims Provisions</b>															14,988	
R0260	<b>Total best estimate - gross</b>															15,754	
R0270	<b>Total best estimate - net</b>															15,754	
R0280	<b>Risk margin</b>															846	
R0320	<b>Technical provisions - total</b>															16,600	
R0330	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>															0	
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>															16,600	

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)(absolute amount)

Year	Development year										C0170 In Current year	C0180 Sum of years (cumulative)	
	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9			C0110 10 & +
R0100	Prior											131	131
R0160	-9	1,708	2,125	928	517	914	29	84	105	101	63	63	6,572
R0170	-8	1,047	2,125	1,035	674	466	213	84	168	55		55	5,868
R0180	-7	917	1,843	823	660	271	255	302	124			124	5,194
R0190	-6	879	1,728	673	377	341	100	54				54	4,152
R0200	-5	1,201	2,375	567	593	353	-231					-231	4,858
R0210	-4	1,275	2,593	1,458	780	210						210	6,316
R0220	-3	1,080	1,586	574	436							436	3,675
R0230	-2	1,566	2,370	1,040								1,040	4,975
R0240	-1	1,136	1,797									1,797	2,933
R0250	0	1,912										1,912	1,912
R0260													
<b>Total</b>											5,590	46,585	

Gross Undiscounted Best Estimate Claims Provisions (absolute amount)

Year	Development year										C0360 Year end (discounted data)		
	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9		C0300 10 & +	
R0100	Prior											1,571	1,528
R0160	-9	0	0	2,004	1,569	592	532	426	356	240	164	151	
R0170	-8	0	3,551	3,011	1,505	1,190	951	658	311	189		175	
R0180	-7	4,991	3,225	2,845	1,856	1,494	1,121	643	486			447	
R0190	-6	4,544	3,274	2,177	1,392	891	624	408				373	
R0200	-5	4,702	3,003	2,345	1,627	1,134	917					839	
R0210	-4	4,816	2,842	1,392	495	291						268	
R0220	-3	4,504	3,050	2,093	1,749							1,613	
R0230	-2	4,681	3,129	1,819								1,674	
R0240	-1	5,090	3,624									3,348	
R0250	0	4,919										4,572	
R0260													
<b>Total</b>											14,988		



**S.23.01.01  
Own Funds**

**Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

- R0010 Ordinary share capital (gross of own shares)
- R0030 Share premium account related to ordinary share capital
- R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
- R0050 Subordinated mutual member accounts
- R0070 Surplus funds
- R0090 Preference shares
- R0110 Share premium account related to preference shares
- R0130 Reconciliation reserve
- R0140 Subordinated liabilities
- R0160 An amount equal to the value of net deferred tax assets
- R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above

**R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**

**R0230 Deductions for participations in financial and credit institutions**

**R0290 Total basic own funds after deductions**

**Ancillary own funds**

- R0300 Unpaid and uncalled ordinary share capital callable on demand
- R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
- R0320 Unpaid and uncalled preference shares callable on demand
- R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand
- R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
- R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
- R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
- R0390 Other ancillary own funds

**R0400 Total ancillary own funds**

**Available and eligible own funds**

- R0500 Total available own funds to meet the SCR
- R0510 Total available own funds to meet the MCR
- R0540 Total eligible own funds to meet the SCR
- R0550 Total eligible own funds to meet the MCR

- R0580 **SCR**
- R0600 **MCR**
- R0620 **Ratio of Eligible own funds to SCR**
- R0640 **Ratio of Eligible own funds to MCR**

**Reconciliation reserve**

- R0700 Excess of assets over liabilities
- R0710 Own shares (held directly and indirectly)
- R0720 Foreseeable dividends, distributions and charges
- R0730 Other basic own fund items
- R0740 Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

**R0760 Reconciliation reserve**

**Expected profits**

- R0770 Expected profits included in future premiums (EPIFP) - Life business
- R0780 Expected profits included in future premiums (EPIFP) - Non- life business
- R0790 **Total Expected profits included in future premiums (EPIFP)**

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
3,000	3,000		0	
7,000	7,000		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
30,281	30,281			
0		0	0	0
0				0
0	0	0	0	0
0				
0	0	0	0	0
0				
0	0	0	0	0
0				
0	0	0	0	0

0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0

40,281	40,281	0	0	0
40,281	40,281	0	0	
40,281	40,281	0	0	0
40,281	40,281	0	0	

10,055
4,141
400.62%
972.65%

C0060
40,281
0
10,000
0
30,281

0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

- R0010 Market risk
- R0020 Counterparty default risk
- R0030 Life underwriting risk
- R0040 Health underwriting risk
- R0050 Non-life underwriting risk
- R0060 Diversification

R0070 Intangible asset risk

R0100 **Basic Solvency Capital Requirement**

**Calculation of Solvency Capital Requirement**

- R0130 Operational risk
- R0140 Loss-absorbing capacity of technical provisions
- R0150 Loss-absorbing capacity of deferred taxes
- R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC
- R0200 **Solvency Capital Requirement excluding capital add-on**
- R0210 Capital add-ons already set
- R0211 *of which, capital add-ons already set - Article 37 (1) Type a*
- R0212 *of which, capital add-ons already set - Article 37 (1) Type b*
- R0213 *of which, capital add-ons already set - Article 37 (1) Type c*
- R0214 *of which, capital add-ons already set - Article 37 (1) Type d*
- R0220 **Solvency capital requirement**

**Other information on SCR**

- R0400 Capital requirement for duration-based equity risk sub-module
- R0410 Total amount of Notional Solvency Capital Requirements for remaining part
- R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds
- R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios
- R0440 Diversification effects due to RFF nSCR aggregation for article 304

**Approach to tax rate**

- R0590 Approach based on average tax rate

**Calculation of loss absorbing capacity of deferred taxes**

- R0640 LAC DT
- R0650 LAC DT justified by reversion of deferred tax liabilities
- R0660 LAC DT justified by reference to probable future taxable economic profit
- R0670 LAC DT justified by carry back, current year
- R0680 LAC DT justified by carry back, future years
- R0690 Maximum LAC DT

Gross solvency capital requirement	USP	Simplifications
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C0110	C0090	C0120
9,880		
344		
0		
0		
5,993		
-3,294		

0
12,923

C0100
473
0
-3,341
0
10,055
0
0
0
0
10,055

0
0
0
0
0

Yes/No
--------

C0109
No

LAC DT
--------

C0130
-3,341
-3,341
0
0
0
0

USP Key

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

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

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

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

C0010

R0010	MCR <sub>NL</sub> Result	2,668
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	Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
	0	
	0	
	0	
	0	
	0	
	15,754	7,464
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	
	0	

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

C0040

R0200	MCR <sub>L</sub> Result	0
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	Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance /SPV) total capital at risk
	C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

C0070

R0300	Linear MCR	2,668
R0310	SCR	10,055
R0320	MCR cap	4,525
R0330	MCR floor	2,514
R0340	Combined MCR	2,668
R0350	Absolute floor of the MCR	4,141
R0400	Minimum Capital Requirement	4,141

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