

The Steamship Mutual Underwriting
Association (Bermuda) Limited

Annual Report
and Accounts 2019

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The Steamship Mutual Underwriting Association (Bermuda) Limited

(Incorporated under the laws of Bermuda)
and its subsidiary companies

Managers

Steamship Mutual Management (Bermuda) Limited

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PO Box HM 601
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Bermuda
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Managers' representatives

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London E1 7LU
Telephone: +44 (0)20 7247 5490 & +44 (0)20 7895 8490

Steamship Mutual Management (Hong Kong) Limited

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Telephone: +852 2838 2722 & +852 2838 2873

Representative office in Brazil

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Website: www.steamshipmutual.com

Notice of Meeting

Notice is hereby given that the Forty Fifth Annual General Meeting of the Members of The Steamship Mutual Underwriting Association (Bermuda) Limited ("Association") will be held at the Fairmont Southampton Hotel, Southampton, Bermuda, on Tuesday, 22 October 2019 at 09:00 hours for the following purposes:

- 1 The Secretary to confirm that Notice of the Meeting has been given.
- 2 To approve the Minutes of the last Meeting of the Members.
- 3 To receive the Directors' Report and Accounts for the year ended 20 February 2019.
- 4 To fix the number of Directors for the ensuing year.
- 5 To elect Directors retiring in rotation.

Under the Bye-laws of the Company, one-third of the Directors are required to retire annually by rotation.

The Directors retiring by rotation are Mr C J Ahrenkiel, Mr A Albertini, Mr M W Bayley, Ms I Grimaldi, Mr E Ide, Mr C J Madinabeitia, Mr A Pohan, Mr B K Sheth and Mr A L Tung. Being eligible all these Directors offer themselves for re-election.

- 6 To appoint the Auditor and to authorise the Directors to agree their remuneration.
- 7 Confirmation of acts.
- 8 To transact any other ordinary business of the Company.

By Order of the Board

K L McCullough
Secretary

14 May 2019

N.B. A Member who is entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend, speak and vote in his or her place. The instrument appointing a proxy may be in the form enclosed and must be deposited with the Secretary at Clarendon House, Church Street West, PO Box HM 666, Hamilton HM CX, Bermuda, not less than 48 hours before the time specified for the holding of the Meeting.

Directors

Directors

S-M Edey, Sloman Neptun Schiffahrts AG (Chairman)
C B Adams, Steamship P&I Management LLP (appointed 20 February 2019)
C J Ahrenkiel, C J Ahrenkiel Consulting Switzerland
A Albertini, Marfin Management SAM
M W Bayley, Royal Caribbean International
C Bouch
D S Farkas, Norwegian Cruise Line
M Frith, Conyers, Dill & Pearman
I Grimaldi, Grimaldi Holdings SpA
D M Ho, Magsaysay Maritime Corp
E Ide, Naviera Ultrana Ltd
W J Kim, Polaris Shipping Co. Ltd
C J Madinabeitia, Tradewind Tankers SL
S J Martin, Steamship P&I Management LLP
B A McAllister, McAllister Towing
S Mehta, Essar Global (resigned 23 July 2018)
C K Ong, U-Ming Marine Transport Corp
A Pohan, NY Waterway
G W F Rynsard, Steamship P&I Management LLP (resigned 20 February 2019)
B K Sheth, The Great Eastern Shipping Co Ltd
M Sloan, Carnival Corporation & plc
C Sommerhage, Columbia Shipmanagement (Germany) GmbH
Song, Chunfeng, China Shipowners Mutual Assurance Association
A L Tung, Island Navigation Corp International Ltd
E Veniamis, Golden Union Shipping Co SA
E Yao, Orient Overseas Container Line Ltd (appointed 4 March 2019)
A Zacchello, Sealand Shipping Management BV
R Zagari, Augustea Group
S Zagury, Vale

Secretary

C Murphy, Conyers, Dill & Pearman
(resigned 7 December 2018)

K L McCullough, Conyers, Dill & Pearman
(appointed 7 December 2018)

Managers

Steamship Mutual Management (Bermuda) Ltd

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Administrative office

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Hamilton HM CX
Bermuda
Telephone: +1 441 295 4502
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Report of the Directors

The Directors have pleasure in presenting their Report and Audited Accounts of The Steamship Mutual Underwriting Association (Bermuda) Limited ("Association") for the year ended 20 February 2019.

Principal activities

The principal activity of the Association during the year was the reinsurance of Protection and Indemnity ("P&I") risks, and of Freight, Demurrage and Defence ("FD&D") risks written by Steamship Mutual Underwriting Association Limited ("SMUA").

The Association is a member of the International Group of Protection and Indemnity Associations ("Group").

Directors

The Directors of the Association are as shown on page 3.

In accordance with the Act of Incorporation, as amended on 18 April 1984, and the Bye-laws, the under mentioned Directors of the Association hold office until the Annual General Meeting to be held in Southampton, Bermuda, on 22 October 2019:

Mr C J Ahrenkiel, Mr A Albertini, Mr M W Bayley, Ms I Grimaldi, Mr E Ide, Mr C J Madinabeitia, Mr A Pohan, Mr B K Sheth and Mr A L Tung.

Being eligible all these Directors offer themselves for re-election.

Free reserves

The balance on the Technical Account was a surplus of US\$8.2 million for the financial year.

The overall surplus for the financial year of US\$8.6 million reflects predominantly a surplus in the Hydra cell of US\$10.0 million offset by an exchange loss on the revaluation of property of US\$1.5 million.

After considering the strong current and projected capital position of the Association and the Steamship group, the Directors declared a capital distribution to its Members who renewed at 20 February 2019, equivalent to 10% of mutual premium paid for the 2018/19 policy year (Class 1 – P&I). Accordingly US\$21.9 million has been credited to Members since year end.

Total capital and reserves amount to US\$102.7 million.

Underwriting

Gross premium written was US\$175.5 million compared to US\$171.3 million last year.

Steamship Mutual Underwriting Association Limited ("SMUA")

For the 2015/16 and subsequent policy years the Association entered into a reinsurance contract with SMUA under which, in return for a percentage of written premium ceded to the Association, SMUA is indemnified for 90% of its net underlying liabilities.

All Members of SMUA are automatically Members of the Association and thus beneficiaries of the Trust.

The Steamship Mutual Trust ("Trust")

The Association entered into a reinsurance contract with The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited as Corporate Trustee of The Trust, a duly authorised insurer under the Insurance Act 1978 of Bermuda, to cover all its liabilities in respect of the 2015/16 and subsequent policy years. The Chairman of the Association is an ex-officio Director of the Corporate Trustee which administers the Trust.

The beneficiaries under the Trust are the Members of the Association.

Claims

During the year the Association reviewed with SMUA the development of claims and the terms of its inward reinsurance contract. The Association is satisfied that SMUA is taking appropriate steps to ensure that a prudent underwriting policy is maintained.

Investments

The total amount of cash and investments held by the Association, including land and buildings, decreased by 18.7% to US\$113.6 million.

Audit and Risk Committee ("Committee")

The Committee acts on behalf of the Board in considering the Association's financial statements, its external and internal audit activities and its risk management. In so doing the Committee liaises with the Managers and external auditor in monitoring the quality of all reporting which contains material financial information, assess the Association's internal control systems, and advising the Board on the effectiveness and objectivity of the internal and external auditors.

The Committee meets three times a year and is currently comprised of the following Directors: Mr C J Madinabeitia

(Chairman), Mr M W Bayley, Mr C Bouch, Mr A Pohan, Mr B B A McAllister, Mr R Zagari and Ms S Zagury. Mr S-M Edye is invited to attend the meeting in his capacity as Chairman of the Association and two representatives of the Managers, who are also Directors of the Association, namely Mr S J Martin and Mr C B Adams, are also invited to attend.

In discharging its responsibilities, the Committee receives financial and management reports from the Managers including reports from the internal auditor. The Committee establishes the scope of the reporting, both to itself and the Board, and continually assesses the quality and adequacy of this information. The Committee monitors the effectiveness of the Managers' activities with respect to their regulatory, audit and control responsibilities with a specific focus on any issues of enhanced strategic importance or which present a significant risk to the Association. Within the past year the Committee's work has included a review of the following matters:

- Development and consideration of stress and reverse stress tests in support of the Group Solvency Self-Assessment ("GSSA");
- Development of the GSSA for submission to the BMA;
- Bermuda Economic Substance Act 2018 and its potential impact on the Steamship group.

Directors' responsibilities statement

The Directors have prepared financial statements for each financial year in accordance with European Commission Insurance Accounts Directive (91/674/EEC) as adopted in the United Kingdom through Section 396 of the Companies Act 2006 and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and United Kingdom accounting principles applicable to insurers.

In preparing those financial statements the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are also responsible for the system of internal control, for safeguarding the assets of the Association and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

S-M Edye
Chairman

Amsterdam, Netherlands
14 May 2019

Appendix I – Policy Year Statement (unaudited)

All Classes

| Open Policy Years – All Classes | 2018/19 US\$000 | 2017/18 US\$000 | 2016/17 US\$000 | Total US\$000 |
|--|--------------------|--------------------|--------------------|--------------------------|
| Gross premium | 188,445 | 198,152 | 186,621 | 573,218 |
| Less: | | | | |
| External reinsurance premium | (3,191) | (3,165) | (3,223) | (9,579) |
| The Trust reinsurance premium | (156,421) | (182,330) | (156,398) | (495,149) |
| Net premium | 28,833 | 12,657 | 27,000 | 68,490 |
| Allocated investment return transferred from the non-technical account | (52) | 85 | (86) | (53) |
| Gross claims paid | | | | |
| Own claims paid | (23,594) | (104,492) | (112,466) | (240,552) |
| Claims administration expenses | (997) | (575) | (1,172) | (2,744) |
| | (24,591) | (105,067) | (113,638) | (243,296) |
| Less: | | | | |
| External reinsurance recoveries | – | – | – | – |
| The Trust reinsurance recoveries | 23,594 | 95,915 | 112,073 | 231,582 |
| Net claims paid | (997) | (9,152) | (1,565) | (11,714) |
| Claims outstanding including IBNR | (206,932) | (107,607) | (64,376) | (378,915) |
| Less: | | | | |
| Other reinsurance recoveries | – | – | – | – |
| The Trust reinsurance recoveries | 174,055 | 92,284 | 61,556 | 327,895 |
| Net provision for claims outstanding | (32,877) | (15,323) | (2,820) | (51,020) |
| Brokerage | – | – | – | – |
| Underwriting administration expenses | (18) | 49 | (110) | (79) |
| Other expenses | (1,391) | (1,222) | (1,073) | (3,686) |
| Balance on the technical account | (6,502) | (12,906) | 21,346 | 1,938 |
| Investment income (including realised and unrealised) | 446 | 9,388 | (1,339) | 8,495 |
| Other income | – | – | – | – |
| Open policy years funds available | (6,056) | (3,518) | 20,007 | 10,433 |

| | Total US\$000 |
|--|------------------|
| Closed Policy Years – All Classes | |
| Available balance as at 20 February 2018 | 127,310 |
| Add: | |
| Balance of 2015/16 year as at 20 February 2018 | 6,868 |
| Movements during financial year: | |
| Net premium | – |
| Net claims paid | (3,227) |
| Capital distribution | (21,917) |
| Available balance as at 20 February 2019 | 109,034 |
| Claims outstanding | (62,397) |
| Less: | |
| Other reinsurance recoveries | 1,264 |
| The Trust reinsurance recoveries | 44,394 |
| Net provision for claims outstanding | (16,739) |
| Closed policy years funds available | 92,295 |
| Summary | |
| Total open and closed years funds available | 102,728 |

Appendix II – Policy Year Statement – P&I Class (unaudited)

P&I Class

| Open Policy Years – P&I Class | 2018/19 US\$000 | 2017/18 US\$000 | 2016/17 US\$000 | Total US\$000 |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| Gross premium | 176,790 | 184,825 | 170,450 | 532,065 |
| Less: | | | | |
| External reinsurance premium | (3,191) | (3,165) | (3,223) | (9,579) |
| The Trust reinsurance premium | (144,963) | (169,150) | (140,457) | (454,570) |
| Net premium | 28,636 | 12,510 | 26,770 | 67,916 |
| Allocated investment return transferred from the non-technical account | (48) | 78 | (78) | (48) |
| Gross claims paid | | | | |
| Own claims paid | (22,051) | (97,493) | (105,868) | (225,412) |
| Claims administration expenses | (916) | (526) | (1,058) | (2,500) |
| | (22,967) | (98,019) | (106,926) | (227,912) |
| Less: | | | | |
| External reinsurance recoveries | – | – | – | – |
| The Trust reinsurance recoveries | 22,052 | 88,915 | 105,476 | 216,443 |
| Net claims paid | (915) | (9,104) | (1,450) | (11,469) |
| Claims outstanding including IBNR | (194,384) | (101,983) | (61,828) | (358,195) |
| Less: | | | | |
| Other reinsurance recoveries | – | – | – | – |
| The Trust reinsurance recoveries | 161,507 | 86,660 | 59,008 | 307,125 |
| Net provision for claims outstanding | (32,877) | (15,323) | (2,820) | (51,020) |
| Underwriting administration expenses | (17) | 45 | (99) | (71) |
| Other expenses | (1,276) | (1,119) | (969) | (3,364) |
| Balance on the technical account | (6,497) | (12,913) | 21,354 | 1,944 |
| Investment income (including realised and unrealised) | 410 | 8,598 | (1,208) | 7,800 |
| Open policy years funds available | (6,087) | (4,315) | 20,146 | 9,744 |

Closed Policy Years – P&I Class

| | Total US\$000 |
|---|------------------|
| Available balance as at 20 February 2018 | 124,022 |
| Add: | |
| Balance of 2015/16 year as at 20 February 2018 | 6,993 |
| Movements during financial year: | |
| Net premium | – |
| Net claims paid | (3,226) |
| Capital distribution | (21,917) |
| Available balance as at 20 February 2019 | 105,872 |
| Claims outstanding including IBNRs | (59,529) |
| Less: | |
| Other reinsurance recoveries | 1,264 |
| The Trust reinsurance recoveries | 41,526 |
| Net provision for claims outstanding | (16,739) |
| Closed policy years funds available | 89,133 |

Summary

| | All Classes | FD&D | Others | P&I |
|--|----------------|----------------|---------------|---------------|
| Total open and closed years funds available | 102,728 | (8,193) | 12,044 | 98,877 |

Consolidated Income and Expenditure Account

for the year ended 20 February 2019

| | Note | 2019 US\$000 | 2018 US\$000 |
|--|------|-----------------|-----------------|
| Technical Account | | | |
| Earned premium, net of reinsurance | | | |
| Gross premium written | | 175,511 | 171,321 |
| Outward reinsurance premium | | | |
| The Trust | 2 | (143,641) | (155,738) |
| Other reinsurers | | (3,173) | (3,135) |
| Earned premium, net of reinsurance | | 28,697 | 12,448 |
| Allocated investment return transferred from the non-technical account | | (52) | 104 |
| Claims incurred, net of reinsurance | | | |
| Claims paid | | | |
| Gross amount | 3 | 157,110 | 131,968 |
| Reinsurers' share | 3 | (143,916) | (123,735) |
| Net claims paid | | 13,194 | 8,233 |
| Change in the provision for claims | | | |
| Gross amount | 4 | 56,807 | 89,334 |
| Reinsurers' share | 4 | (50,955) | (76,873) |
| Change in the net provision for claims | | 5,852 | 12,461 |
| Claims incurred, net of reinsurance | | 19,046 | 20,694 |
| Net operating expenses | 5 | 1,409 | 1,173 |
| Balance on the technical account for general business | | 8,190 | (9,315) |
| Non-Technical Account | | | |
| Balance on the general business technical account | | 8,190 | (9,315) |
| Investment income | 6 | 1,486 | 1,523 |
| Unrealised (losses)/gains on investments | 7 | 442 | (716) |
| Investment management expenses | | (61) | (72) |
| Allocated investment return transferred to the technical account | | 52 | (104) |
| Other income | 8 | — | 4,265 |
| Surplus/(deficit) for the financial year | | 10,109 | (4,419) |
| Other comprehensive (loss)/income | | | |
| Movement above cost on revaluation of property | 10 | (1,473) | 4,472 |
| Total comprehensive income | | 8,636 | 53 |

The results for both years are in respect of continuing operations.

The accompanying notes to these accounts form an integral part of this income and expenditure account.

Consolidated Statement of Changes in Equity

for the year ended 20 February 2019

| | Profit and loss account US\$000 | Revaluation reserve US\$000 | Total US\$000 |
|--------------------------------|---------------------------------------|-----------------------------------|------------------|
| As at 20 February 2017 | 115,956 | – | 115,956 |
| Deficit for the financial year | (4,419) | – | (4,419) |
| Other comprehensive income | – | 4,472 | 4,472 |
| As at 20 February 2018 | 111,537 | 4,472 | 116,009 |
| Surplus for the financial year | 10,109 | – | 10,109 |
| Other comprehensive loss | – | (1,473) | (1,473) |
| Capital distribution | (21,917) | – | (21,917) |
| As at 20 February 2019 | 99,729 | 2,999 | 102,728 |

The accompanying notes to these accounts form an integral part of this statement of changes in equity.

Consolidated Balance Sheet

as at 20 February 2019

| | Note | 2019 US\$000 | 2018 US\$000 |
|---|------|-----------------|-----------------|
| Assets | | | |
| Investments | | | |
| Land and buildings | 10 | 19,951 | 21,424 |
| Other financial investments | 11 | 92,902 | 116,019 |
| Reinsurers' share of technical provisions | | | |
| Claims outstanding | 4 | 373,552 | 322,597 |
| Debtors | | | |
| Debtors arising out of reinsurance operations | 12 | 76,387 | 40,575 |
| Other debtors | | 2,440 | 2,551 |
| Other assets | | | |
| Cash at bank and in hand | | 766 | 2,285 |
| Other prepayments and accrued income | | 294 | 265 |
| Total assets | | 566,292 | 505,716 |
| Liabilities | | | |
| Capital and reserves | | | |
| Free reserves | | 99,729 | 111,537 |
| Revaluation reserve | 10 | 2,999 | 4,472 |
| Technical provisions | | | |
| Claims outstanding | 4 | 441,312 | 384,505 |
| Creditors | | | |
| Creditors arising out of reinsurance operations | 13 | — | 5,054 |
| Other creditors | 14 | 22,252 | 148 |
| Total liabilities | | 566,292 | 505,716 |

The accompanying notes to these accounts form an integral part of this balance sheet.

These financial statements were approved by the Board of Directors on 14 May 2019.

S-M Edge
Chairman

C J Ahrenkiel
Director

Managers:
Steamship Mutual Management (Bermuda) Limited

Consolidated Cash Flow Statement

for the year ended 20 February 2019

| | 2019 US\$000 | 2018 US\$000 |
|--|-----------------|-----------------|
| Surplus/(deficit) on ordinary activities before tax | | |
| Operating surplus/(deficit) before taxation after interest | 10,109 | (4,419) |
| Increase in general insurance technical provisions | 5,852 | 12,461 |
| Unrealised gains on revaluation of property | – | (4,265) |
| Unrealised (gains)/losses on investments | (442) | 716 |
| Increase in debtors | (35,730) | (19,611) |
| (Decrease)/increase in creditors | (4,867) | 3,485 |
| | (35,187) | (7,214) |
| Net cash outflow from operating activities | (25,078) | (11,633) |
| Cash flows were invested as follows: | | |
| Decrease in cash holdings | (1,519) | (1,239) |
| Net portfolio investment | | |
| (Sale)/purchase of bonds and loans | (4,977) | 866 |
| Purchase/(sale) of money market instruments | 11,072 | (14,109) |
| (Decrease)/increase in cash on short term deposit | (29,654) | 2,849 |
| | (23,559) | (10,394) |
| Net investment of cash flows | (25,078) | (11,633) |
| Movement in opening and closing portfolio investments net of financing | | |
| Net cash outflow for the year | (1,519) | (1,239) |
| Portfolio investments | (23,559) | (10,394) |
| | (25,078) | (11,633) |
| Movement arising from cash flows | 442 | (716) |
| Changes in market values and exchange rate effects | | |
| Total movement in portfolio investments net of financing | (24,636) | (12,349) |
| Portfolio investments net of financing at 20 February 2018 | 118,304 | 130,653 |
| Portfolio investments net of financing at 20 February 2019 | 93,668 | 118,304 |

1. Accounting policies

(a) Accounting convention

The consolidated accounts have been prepared in accordance with the European Commission Insurance Accounts Directive (91 /674/EEC) as adopted in the United Kingdom through Section 396 of the Companies Act 2006 and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and applicable United Kingdom Financial Reporting Standards ("FRS") 102 and 103.

After making enquiries, the Directors have a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

(b) Basis of consolidation

The accounts consolidate the accounts of The Steamship Mutual Underwriting Association (Bermuda) Limited ("SMUAB") and its subsidiary undertaking Steamship Mutual Property Holdings Limited ("SMPH") and its share of Hydra Insurance Company Limited ("Hydra") at 20 February 2019.

(c) Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key accounting estimate is the calculation of claims outstanding which is described in further detail under note 18.

(d) Calls and premiums written

Calls and premiums, less returns, comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year. All premiums are shown gross of commission payable to intermediaries.

(e) Claims and related expenses

Claims and related expenses are charged to the income and expenditure account when they have been settled. A provision is made on a claim by claim basis for the estimated cost of claims notified but not settled by the balance sheet date. A provision for claims incurred but not reported is established on a statistical basis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates. The reinsurers' share of technical provisions is calculated consistently with the amounts associated with the underlying insurance contract and the terms of the reinsurance contract.

(f) Reinsurance premiums and recoveries

Other reinsurance premiums are recognised on an accruals basis.

(g) Land and buildings

Land and buildings are revalued in UK sterling every three years on an existing use basis, revalued to the current US dollar exchange rate each year end and held at the revalued amount. Any dollar losses or reversal of dollar losses arising upon revaluation are recognised in the income and expenditure account; any dollar surplus is recognised in other comprehensive income and credited to a revaluation reserve.

(h) Other financial investments

Quoted investments at their bid value and cash at bank have been valued as at the close of business on 19 February 2019. Investment income consists of interest, dividends and realised gains and losses on fair value assets. Unrealised gains and losses reflect the movement in the market value of investments compared to their cost.

The allocated investment return transferred from the non-technical account to the technical account is comprised of realised and unrealised exchange differences arising on the conversion of transactions on non-dollar denominated assets.

(i) Debtors

Receivables arising from reinsurance operations are reviewed for impairment throughout the financial year and as at the balance sheet date.

(j) Foreign currencies

The functional currency is US dollars. All assets and liabilities, including land and buildings, are converted to US dollars at the rate of exchange ruling at the balance sheet date. Income and expenditure items are translated to US dollars at the rate of exchange ruling at the relevant month end. All exchange differences are included in the income and expenditure account.

The rates of exchange ruling on the balance sheet date and used for the purpose of preparing the accounts were as follows:

| | | 2019 | 2018 |
|-------------|---|--------------|-------|
| Euro | € | 0.882 | 0.807 |
| UK sterling | £ | 0.767 | 0.715 |

(k) Allocation to policy years and classes

Premium, reinsurance premium payable, claims and reinsurance recoveries are allocated to the policy years and classes to which they relate. Administration expenses, investment income and exchange gains or losses are allocated to the current policy year in line with total premium income.

2. Reinsurance contracts

- (a) From the commencement of the 2015/16 policy year the Association entered into a reinsurance contract with SMUA under which, in return for a percentage of written premium, SMUA is indemnified for 90% of its net underlying liabilities.
- (b) Under a contract dated 27 January 2015, the Association reinsured with the Trust all of its liabilities for the 2015/16 and future policy years.

Notes on the Accounts

continued

3. Claims paid – gross amount

Claims and related expenses
Claims administration expenses

Less reinsurers' share
Other reinsurers
The Trust

Net claims paid

4. Change in net provision for claims

Gross outstanding claims

Provision brought forward
Provision carried forward

The Trust's share of outstanding claims

Provision brought forward
Provision carried forward

Other reinsurers' share of outstanding claims

Provision brought forward
Provision carried forward

Change in net provision for claims

| | 2019 US\$000 | 2018 US\$000 |
|--|-------------------------|-------------------------|
| | 156,112 | 131,393 |
| | 998 | 575 |
| | 157,110 | 131,968 |
| | 103 | (188) |
| | 143,813 | 123,923 |
| | 143,916 | 123,735 |
| | 13,194 | 8,233 |
| | 2019 US\$000 | 2018 US\$000 |
| | (384,505) | (295,171) |
| | 441,312 | 384,505 |
| | 56,807 | 89,334 |
| | 315,905 | 243,785 |
| | (372,288) | (315,905) |
| | (56,383) | (72,120) |
| | 6,692 | 1,939 |
| | (1,264) | (6,692) |
| | 5,428 | (4,753) |
| | 5,852 | 12,461 |

The estimates for known outstanding claims are based on the best estimates and judgement of the Managers of the final cost of individual cases based on current information. Provision is also made for claims incurred but not reported by the balance sheet date using detailed statistical analysis having regard to past experience as to the frequency and average cost of claims reported after previous balance sheet dates.

5. Net operating expenses**Acquisition costs**

Underwriting administration expenses

Administrative expenses

Other administration expenses

Directors' remuneration

Auditor's remuneration

| | 2019 US\$000 | 2018 US\$000 |
|--|-----------------|-----------------|
| | 18 | (49) |
| | 18 | (49) |
| | 913 | 736 |
| | 364 | 375 |
| | 114 | 111 |
| | 1,391 | 1,222 |
| | 1,409 | 1,173 |

Transactions with related parties

Steamship Mutual Management (Bermuda) Limited ("SMM(B)") provides management and administrative services to the Association. Under the terms of its management contract SMM(B) receives as remuneration for its services, reimbursement of its office and administration expenses and those of its worldwide representatives from SMUA. At 20 February 2019 the Association owed SMM(B) US\$0.3 million (2018: US\$0.3 million).

Since 21 February 2000 the Association has provided SMM(B) with an unsecured, indefinite, long term loan amounting to US\$2.0 million. This loan was increased to US\$5.3 million during the year ending 20 February 2014, for which as at 20 February 2019 a provision of US\$2.6 million (2018: US\$2.5 million) has been made. There were no other related party transactions requiring disclosure under FRS 102 s33.

6. Investment income

Dividends and interest

Realised (losses)/gains

Investments

Foreign exchange

| | 2019 US\$000 | 2018 US\$000 |
|--|-----------------|-----------------|
| | 1,526 | 1,438 |
| | – | – |
| | (40) | 85 |
| | (40) | 85 |
| | 1,486 | 1,523 |

Notes on the Accounts

continued

7. Unrealised gains/(losses) on investments

Investments
Foreign exchange

| 2019 US\$000 | 2018 US\$000 |
|-----------------|-----------------|
| 454 | (735) |
| (12) | 19 |
| 442 | (716) |

8. Other income

Surplus on revaluation of property (see note 11)

| 2019 US\$000 | 2018 US\$000 |
|-----------------|-----------------|
| — | 4,265 |

9. Taxation

At the present time, no income, profit, capital or capital gains taxes are levied in Bermuda. Accordingly no provision for such taxes has been recorded by the Association. In the event that such taxes are levied, the Association has received an undertaking from the Bermuda government exempting it from all such taxes until 31 March 2035.

10. Land and buildings

The freehold property consists of office premises in London. It is occupied under licence, free of rent, by the London representatives of the Managers. The property was last valued by CBRE Limited at £15.3 million (US\$21.4 million) reflecting the market value at 20 February 2018. The other comprehensive loss shown in the consolidated statement of changes in equity reflects the movement in the US dollar equivalent of £15.3 million (US\$20.0 million) at the balance sheet date. The original costs incurred when the property was purchased in 1987 amounted to US\$17.0 million. The surplus of US\$3.0 million has been credited to the revaluation reserve.

11. Other financial investments**Market value**

| | 2019 US\$000 | 2018 US\$000 |
|-----------------------------------|-------------------------|-------------------------|
| Bonds and loans | 55,269 | 59,792 |
| Equities | 126 | 138 |
| Money market instruments | 37,116 | 26,044 |
| Deposits with credit institutions | – | 30,026 |
| Cash accounts | 391 | 19 |
| | 92,902 | 116,019 |

Cost

| | | |
|-----------------------------------|---------------|---------|
| Bonds and loans | 55,255 | 60,232 |
| Equities | 485 | 485 |
| Money market instruments | 37,116 | 26,044 |
| Deposits with credit institutions | – | 30,026 |
| Cash accounts | 391 | 19 |
| | 93,247 | 116,806 |

Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1 The unadjusted quoted price for an identical asset in an active market at the reporting date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Market data is unavailable for the asset.

The Association's investment assets have been fair valued using the above hierarchy categories as follows:

As at 20 February 2019

| | Level 1 US\$000 | Level 2 US\$000 | Level 3 US\$000 | Total US\$000 |
|-----------------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| Bonds and loans | 55,269 | – | – | 55,269 |
| Equities | – | – | 126 | 126 |
| Money market instruments | 37,116 | – | – | 37,116 |
| Deposits with credit institutions | – | – | – | – |
| Cash accounts | 391 | – | – | 391 |
| | 92,776 | – | 126 | 92,902 |

Notes on the Accounts

continued

11. Other financial investments continued

As at 20 February 2018

| | Level 1 US\$000 | Level 2 US\$000 | Level 3 US\$000 | Total US\$000 |
|-----------------------------------|--------------------|--------------------|--------------------|------------------|
| Bonds and loans | 59,792 | – | – | 59,792 |
| Equities | – | – | 138 | 138 |
| Money market instruments | 26,044 | – | – | 26,044 |
| Deposits with credit institutions | 30,026 | – | – | 30,026 |
| Cash accounts | 19 | – | – | 19 |
| | 115,881 | – | 138 | 116,019 |

12. Debtors arising out of reinsurance operations

| | 2019 US\$000 | 2018 US\$000 |
|------------------------|-----------------|-----------------|
| The Trust | 66,879 | 40,527 |
| SMUA | 9,508 | – |
| Excess Loss reinsurers | – | 48 |
| | 76,387 | 40,575 |

13. Creditors arising out of reinsurance operations

| | 2019 US\$000 | 2018 US\$000 |
|------|-----------------|-----------------|
| SMUA | – | 5,054 |
| | – | 5,054 |

14. Other creditors

| | 2019 US\$000 | 2018 US\$000 |
|---|-----------------|-----------------|
| Capital distribution payable to members | 21,917 | – |
| Accruals and other payables | 335 | 148 |
| | 22,252 | 148 |

15. Wholly-owned subsidiary companies

SMPH is a wholly-owned subsidiary of the Association.

16. Hydra Insurance Company Limited (“Hydra”)

Hydra is a reinsurance captive created by the members of the International Group. Each member has its own cell which is legally separate from the liabilities of the other cells. Under the provisions of FRS 102 and 103 Steamship’s cell has been classified as a quasi-subsiidiary and has been consolidated.

17. Capital management

The Association aims to maintain capital resources at a level which provides a comfortable margin above the requirement of the Bermuda Monetary Authority (BMA). Capital resources for regulatory purposes consist of free reserves.

The Association was in compliance with the applicable regulatory capital requirements throughout the financial year.

18. Risk management

The Association monitors and manages the risks relating to its operations through its risk management programme which analyses exposures by degree and magnitude of risks.

The Group Solvency Self-Assessment ("GSSA") documents the Association's risk and capital management processes employed to identify, assess, manage and report the risks it may face and to determine the funds necessary to ensure that its overall solvency needs are met at all times. The GSSA considers the business strategy, how the strategy aligns to risk appetite and the current risk profile.

The principal risks faced by the Association are insurance risk, credit risk, market risk and operational risk.

Insurance risk

Insurance risk is comprised of two elements; premium risk and reserving risk. Premium risk refers to the risk that insurance premium received from SMUA in the current policy year is insufficient to cover claims and other costs arising in that year. The Association's premium risk is calculated on net premiums written and is purely in relation to its exposure to Hydra claims as it bears no net liability on SMUA claims, as described under note 3 on the accounts.

Reserving risk is the risk that, over the next year, existing technical provisions are insufficient to cover claims arising in previous policy years. The Association is exposed to the uncertainty surrounding the timing, frequency and severity of claims under its net claims exposure through Hydra. Premium and reserving risk are calculated by reference to risk factors prescribed by the BMA and then combined taking account of dependencies and diversification effects.

The key methods used by SMUA for the ceded claims to the Association and by the Hydra actuaries to estimate claims liabilities are Bornhuetter-Ferguson for the most recent policy year reported and the development factor method for all other policy years. Reserves for both reported and unreported claims are calculated using detailed statistical analysis of the past experience as to frequency and average cost of claims having regard to variations in the nature of current business accepted and its underlying terms and conditions. The Audit and Risk Committee compares the proposed claim reserves with an independent calculation performed by qualified actuaries at year end.

SMUA aims to reduce reserving risk by setting claims reserves at a prudent level that provides between 70% and 80% confidence that they will be sufficient to cover potential settlement costs. Actual experience will differ from the expected outcome but this prudent basis is expected to result in there being releases of prior year claim reserves.

The sensitivity of the overall surplus to two factors, other assumptions being unchanged, is shown below.

| | | 2019 US\$000 | 2018 US\$000 |
|--|----------------------|-----------------|-----------------|
| 5% increase in claims incurred on current policy year | | | |
| Overall surplus | gross of reinsurance | (10,242) | (10,146) |
| | net of reinsurance | (553) | (40) |
| Single claim in SMUA of US\$2billion in current policy year | | | |
| Overall surplus | gross of reinsurance | (31,539) | (36,439) |
| | net of reinsurance | (17,583) | (17,788) |

Notes on the Accounts

continued

18. Risk management continued

Insurance risk continued

The following tables show the development of claims over eight years on both a gross and net of reinsurance basis. The top half of each table shows how the estimates of total claims for each policy year develop over time. The lower half of each table reconciles the cumulative claims to the amount appearing in the balance sheet.

Insurance claims – gross

| Policy year | 2011/12 US\$000 | 2012/13 US\$000 | 2013/14 US\$000 | 2014/15 US\$000 | 2015/16 US\$000 | 2016/17 US\$000 | 2017/18 US\$000 | 2018/19 US\$000 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| End of reporting year | 475,728 | 420,741 | 322,326 | 59,072 | 211,207 | 181,109 | 227,965 | 231,523 |
| One year later | 754,806 | 345,219 | 114,298 | 54,804 | 199,620 | 172,409 | 212,674 | |
| Two years later | 940,327 | 205,177 | 113,487 | 54,419 | 203,148 | 178,014 | | |
| Three years later | 802,274 | 203,896 | 113,705 | 54,286 | 200,372 | | | |
| Four years later | 802,745 | 203,197 | 115,611 | 53,110 | | | | |
| Five years later | 803,434 | 201,219 | 113,429 | | | | | |
| Six years later | 803,037 | 200,978 | | | | | | |
| Seven years later | 802,872 | | | | | | | |
| Current estimate of ultimate claims | 802,872 | 200,978 | 113,429 | 53,110 | 200,372 | 178,014 | 212,674 | 231,523 |
| Cumulative payments to date | 802,408 | 199,958 | 106,574 | 51,005 | 149,298 | 113,638 | 105,067 | 24,591 |
| Claims outstanding | 464 | 1,020 | 6,855 | 2,105 | 51,074 | 64,376 | 107,607 | 206,932 |
| Claims outstanding relating to last eight reporting years | | | | | | | | 440,433 |
| Other claims liabilities | | | | | | | | 879 |
| Total gross claims outstanding | | | | | | | | 441,312 |

Insurance claims – net

| Policy year | 2011/12 US\$000 | 2012/13 US\$000 | 2013/14 US\$000 | 2014/15 US\$000 | 2015/16 US\$000 | 2016/17 US\$000 | 2017/18 US\$000 | 2018/19 US\$000 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| End of reporting year | 42,466 | 49,814 | 54,802 | 36,326 | 19,892 | 15,344 | 29,562 | 33,874 |
| One year later | 34,048 | 41,376 | 41,687 | 32,058 | 25,881 | 7,891 | 24,475 | |
| Two years later | 31,537 | 36,170 | 40,876 | 31,673 | 25,630 | 4,385 | | |
| Three years later | 29,769 | 34,889 | 41,094 | 31,540 | 24,105 | | | |
| Four years later | 30,394 | 34,190 | 43,000 | 30,364 | | | | |
| Five years later | 30,394 | 32,212 | 40,818 | | | | | |
| Six years later | 29,997 | 31,971 | | | | | | |
| Seven years later | 29,832 | | | | | | | |
| Current estimate of ultimate claims | 29,832 | 31,971 | 40,818 | 30,364 | 24,105 | 4,385 | 24,475 | 33,874 |
| Cumulative payments to date | 29,753 | 30,951 | 33,963 | 28,259 | 17,424 | 1,565 | 9,152 | 997 |
| Claims outstanding | 79 | 1,020 | 6,855 | 2,105 | 6,681 | 2,820 | 15,323 | 32,877 |
| Claims outstanding relating to last eight reporting years | | | | | | | | 67,760 |
| Other claims liabilities | | | | | | | | - |
| Total net claims outstanding | | | | | | | | 67,760 |

The Association has elected to disclose only eight years of its experience in its claims development tables as permitted under the transitional provisions of FRS 103. One year will be added in each subsequent financial year until the disclosure covers ten years.

18. Risk management continued

Credit risk

Credit risk is the risk that a counterparty owing money to the Association may default and the debt has to be written off. The extensive reinsurance protection arranged by the Association effectively transforms a large proportion of insurance risk into credit risk as the risk exposure becomes reinsurer default. The credit risk arising from the reinsurance contract with The Trust is mitigated through the operation of a collateral agreement. External reinsurers are generally only used if their financial strength rating is higher or equal to an A- rating from Standard & Poor's or an equivalent from another rating agency.

Credit risk arises on operational balances and deposits held with banks. This is controlled by using a variety of banks aiming to limit individual exposures to US\$15 million for banks rated AA by S&P, or an equivalent rating from another agency, and US\$10 million for banks rated A by S&P, or an equivalent rating from another agency.

The following tables show the aggregated credit risk exposure for those assets with external credit ratings.

As at 20 February 2019

| | AAA US\$000 | AA US\$000 | A US\$000 | NR US\$000 | Total US\$000 |
|---|----------------|---------------|----------------|---------------|------------------|
| Bonds and loans | 1,440 | 52,959 | 870 | – | 55,269 |
| Money market instruments | 8,128 | 28,988 | – | – | 37,116 |
| Deposits with credit institutions | – | – | – | – | – |
| Cash accounts | – | 391 | – | – | 391 |
| Cash at bank and in hand | – | 373 | 393 | – | 766 |
| Reinsurers' share of technical provisions | – | 238 | 373,314 | – | 373,552 |
| Debtors arising out of reinsurance operations | – | – | 76,387 | – | 76,387 |
| Accrued interest | – | 149 | – | – | 149 |
| Total assets with credit ratings | 9,568 | 83,098 | 450,964 | – | 543,630 |
| Other assets | – | – | – | 22,662 | 22,662 |
| Total assets | 9,568 | 83,098 | 450,964 | 22,662 | 566,292 |

Notes on the Accounts

continued

18. Risk management continued

Credit risk continued

As at 20 February 2018

| | AAA US\$000 | AA US\$000 | A US\$000 | NR US\$000 | Total US\$000 |
|---|----------------|---------------|----------------|---------------|------------------|
| Bonds and loans | 4,219 | 53,717 | 1,856 | – | 59,792 |
| Money market instruments | 26,044 | – | – | – | 26,044 |
| Deposits with credit institutions | – | 30,026 | – | – | 30,026 |
| Cash accounts | – | 19 | – | – | 19 |
| Cash at bank and in hand | – | 1,871 | 414 | – | 2,285 |
| Reinsurers' share of technical provisions | – | 967 | 321,630 | – | 322,597 |
| Debtors arising out of reinsurance operations | – | – | 40,575 | – | 40,575 |
| Accrued interest | – | 155 | – | – | 155 |
| Total assets with credit ratings | 30,263 | 86,755 | 364,475 | – | 481,493 |
| Other assets | – | – | – | 24,223 | 24,223 |
| Total assets | 30,263 | 86,755 | 364,475 | 24,223 | 505,716 |

The Association's exposure to liquidity risk is minimal given that the majority of its investments are cash, money market instruments and short term US government bonds and the terms of its reinsurance agreements provide for prompt payment.

Market risk

Market risk is the risk of financial loss as a consequence of movements in prices of equities and bonds, interest rates and currency exchange rates. Market risk arises primarily from investment activities.

The majority of the Association's investments are in short term cash deposits, money market instruments and US government bonds and therefore has limited exposure to interest rate risk.

The Association is exposed to currency risk in its freehold property in the UK (see note 11) otherwise its exposure is minimal since any currency exposure in claims from SMUA is passed on to the Trust.

18. Risk management continued

Market risk continued

The following tables show the Association's foreign currency denominated assets and liabilities:

As at 20 February 2019

| | US dollar US\$000 | UK sterling US\$000 | Euro US\$000 | Other US\$000 | Total US\$000 |
|-------------|----------------------|------------------------|-----------------|------------------|------------------|
| Assets | 499,977 | 40,388 | 17,913 | 8,014 | 566,292 |
| Liabilities | (417,058) | (20,180) | (17,938) | (8,388) | (463,564) |
| | 82,919 | 20,208 | (25) | (374) | 102,728 |

As at 20 February 2018

| | US dollar US\$000 | UK sterling US\$000 | Euro US\$000 | Other US\$000 | Total US\$000 |
|-------------|----------------------|------------------------|-----------------|------------------|------------------|
| Assets | 439,062 | 41,211 | 14,329 | 11,114 | 505,716 |
| Liabilities | (345,341) | (19,112) | (14,148) | (11,106) | (389,707) |
| | 93,721 | 22,099 | 181 | 8 | 116,009 |

IBNR and reinsurers' share of IBNR are classified as US dollar.

Operational risk

Operational risk includes fraud, interruptions in service due to external or internal disruption and procedural or systems errors. The Association has identified its operational risks in a risk register and has in place appropriate controls to manage and mitigate such risks, consistent with good practice, regulatory guidance and legislation relating to human resources, financial crime, business continuity and information security. Appropriate controls are also in place to monitor the outsourcing of operations to the Managers and, through them, other service providers.

Independent Auditor's Report

Report on the audit of the non-statutory financial statements

Opinion

In our opinion the non-statutory financial statements of Steamship Mutual Underwriting Association (Bermuda) Limited (the 'company')

- give a true and fair view of the state of the company's affairs as at 20th February 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts"; and
- have been prepared in accordance with the requirements of the Bermuda Companies Act 1981.

We have audited the non-statutory financial statements of the company which comprise:

- the consolidated income and expenditure account;
- the consolidated statement of changes in equity;
- the consolidated balance sheet;
- the consolidated cash flow statement; and
- the related notes 1 to 18.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the non-statutory financial statements is not appropriate; or
- the directors have not disclosed in the non-statutory financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the non-statutory financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the non-statutory financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent Auditor's Report

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the non-statutory financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Bermuda Companies Act 1981

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

- the information given in the Report of the Directors for the financial year for which the non-statutory financial statements are prepared is consistent with the non-statutory financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Report of the Directors.

Matters on which we are required to report by exception

Under the Bermuda Companies Act 1981 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with section 90 of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Adam Addis.

Adam Addis (Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Statutory Auditor

London
United Kingdom
14 May 2019