

Standard Reinsurance (Bermuda) Limited

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**Condensed Consolidated  
General Purpose Financial  
Statements**

**2020**



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## **INDEPENDENT AUDITORS' REPORT**

### **To the Board of Directors of Standard Reinsurance (Bermuda) Limited and its subsidiaries**

#### **Our opinion**

In our opinion, the condensed consolidated financial statements of Standard Reinsurance (Bermuda) Limited and its subsidiaries (“the Group”) are prepared, in all material respects, in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the “Legislation”).

#### **What we have audited**

The Group’s condensed consolidated financial statements comprise:

- the condensed consolidated balance sheet as of February 20, 2020;
- the condensed consolidated statement of income for the year then ended;
- the condensed consolidated statement of capital and surplus as of February 20, 2020;
- the notes to the condensed consolidated financial statements, which include a summary of significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the condensed consolidated financial statements section of our report.

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

#### **Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the condensed consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

## **Emphasis of matter – basis of accounting**

Without modifying our opinion, we note that the condensed consolidated financial statements have been prepared in accordance with the financial reporting provisions of the Legislation. The accounting policies used and the disclosures made are not intended to, and do not, comply with all of the requirements of accounting principles generally accepted in the United Kingdom.

## **Responsibilities of management and those charged with governance for the condensed consolidated financial statements**

Management is responsible for the preparation of the condensed consolidated financial statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's responsibilities for the audit of the condensed consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the condensed consolidated 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 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 condensed consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Mosae Stephens & Butterfield*

Chartered Professional Accountants  
Hamilton, Bermuda  
July 17, 2020

## CONDENSED CONSOLIDATED BALANCE SHEET

## STANDARD REINSURANCE (BERMUDA) LIMITED

As at  
expressed in  
['000s]

February 20, 2020

United States Dollars

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	21,561	57,866
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	357,772	376,790
(b)	Total Bonds and Debentures	357,772	376,790
(c)	Equities		
	i. Common stocks	124,207	124,959
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	124,207	124,959
(e)	Other quoted investments	-	-
(f)	Total quoted investments	481,979	501,749
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other	63,519	42,809
(b)	Total Bonds and Debentures	63,519	42,809
(c)	Equities		
	i. Common stocks	71,559	57,358
	ii. Preferred stocks	-	-
	iii. Mutual funds	-	-
(d)	Total equities	71,559	57,358
(e)	Other unquoted investments	-	-
(f)	Total unquoted investments	135,078	100,167
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates		
(g)	Advances to affiliates		
(h)	Total investments in and advances to affiliates		
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate		
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate		

**STANDARD REINSURANCE (BERMUDA) LIMITED**

As at  
expressed in  
['000s]

**February 20, 2020**

**United States Dollars**

<b>LINE No.</b>		<b>2020</b>	<b>2019</b>
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED	6,101	11,736
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	52,504	103,172
(b)	Deferred - not yet due	24,385	35,271
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	76,889	138,443
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable		
12.	FUNDS HELD BY CEDING REINSURERS		
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	597
(b)	Segregated accounts companies - long-term business - variable annuities		
(c)	Segregated accounts companies - long-term business - other		
(d)	Segregated accounts companies - general business		
(e)	Deposit assets		
(f)	Deferred acquisition costs		
(g)	Net receivables for investments sold		
(h)	Fixtures, fittings and software		
(i)	Goods sales tax	164	-
(j)	Member fund accounts	4,944	3,640
(k)	Total sundry assets	5,108	4,237
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	<b>TOTAL</b>	<b>726,716</b>	<b>814,198</b>

**STANDARD REINSURANCE (BERMUDA) LIMITED**

As at  
expressed in  
['000s]

**February 20, 2020**

**United States Dollars**

LINE No.		2020	2019
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	-	17,266
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers	-	330
(c)	Total ceded unearned premium reserve	-	330
(d)	Net unearned premium reserve	-	16,936
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	522,005	500,990
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	87,288	89,311
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers	12,550	7,659
(c)	Total reinsurance recoverable balance	99,838	96,970
(d)	Net loss and loss expense provisions	422,167	404,020
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	422,167	420,956
	<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves		-
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		
	(ii) Domestic Affiliates		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance		-
(d)	<b>Total Net Long-Term Business Insurance Reserves</b>		-



**STANDARD REINSURANCE (BERMUDA) LIMITED**

As at  
expressed in  
['000s]

**February 20, 2020**

**United States Dollars**

LINE No.		2020	2019
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	23,770	17,622
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE		
30.	LOANS AND NOTES PAYABLE		
31.	(a) INCOME TAXES PAYABLE		
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES		
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	5,583	3,692
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:		
35.	DIVIDENDS PAYABLE		
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	134	-
(b)	Segregated accounts companies		
(c)	Deposit liabilities		
(d)	Net payable for investments purchased		
(e)	Other sundry liabilities (specify)		
(f)	Other sundry liabilities (specify)		
(g)	Other sundry liabilities (specify)		
(h)	Total sundry liabilities	134	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit		
(b)	Guarantees		
(c)	Other instruments		
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	29,487	21,314
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	451,654	442,270
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	275,062	371,928
41.	TOTAL	<b>726,716</b>	<b>814,198</b>

**CONDENSED CONSOLIDATED STATEMENT OF INCOME****STANDARD REINSURANCE (BERMUDA) LIMITED**For the year  
ended  
expressed in  
['000s]

February 20, 2020

United States Dollars

LINE No.		2020	2019
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	41,743	59,983
	(b) Assumed gross premiums written	149,963	152,663
	(c) Total gross premiums written	191,706	212,646
2.	REINSURANCE PREMIUMS CEDED	38,304	33,186
3.	NET PREMIUMS WRITTEN	153,402	179,460
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	16,936	(15,905)
5.	NET PREMIUMS EARNED	170,338	163,555
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	170,338	163,555
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	220,934	159,946
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	220,934	159,946
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	(50,596)	3,609
	<b>LONG-TERM BUSINESS INCOME</b>		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations		
	(b) Assumed gross premiums and other considerations		
	(c) Total gross premiums and other considerations	-	-
13.	PREMIUMS CEDED		
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total net premiums and other considerations	-	-
15.	OTHER INSURANCE INCOME		
16.	TOTAL LONG-TERM BUSINESS INCOME	-	-

**STANDARD REINSURANCE (BERMUDA) LIMITED**

**STANDARD REINSURANCE (BERMUDA) LIMITED**

For the year  
ended  
expressed in  
[‘000s]

**February 20, 2020**

**United States Dollars**

LINE No.		2020	2019
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
17.	CLAIMS - LIFE		
18.	POLICYHOLDERS' DIVIDENDS		
19.	SURRENDERS		
20.	MATURITIES		
21.	ANNUITIES		
22.	ACCIDENT AND HEALTH BENEFITS		
23.	COMMISSIONS		
24.	OTHER		
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		-
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life		
	(b) Annuities		
	(c) Accident and health		
	(d) Total increase (decrease) in policy reserves		-
27.	TOTAL LONG-TERM BUSINESS EXPENSES		-
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS		-
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	(50,596)	3,609
	<b>UNDERNOTED ITEMS</b>		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	27,094	4,488
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	27,094	4,488
31.	COMBINED INVESTMENT INCOME - NET	35,413	443
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(5,112)	(228)
33.	COMBINED INCOME BEFORE TAXES	(47,389)	(664)
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	(219)	(139)
	(b) Deferred	-	(144)
	(c) Total	(219)	(283)
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(47,170)	(381)
36.	COMBINED REALIZED GAINS (LOSSES)	32,954	11,402
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	(14,216)	11,021

## CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

## STANDARD REINSURANCE (BERMUDA) LIMITED

As at February 20, 2020  
expressed in United States Dollars  
[‘000s]

LINE No.		2020	2019
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares		
	Authorized shares	120	120
	par value	120,000	
	issued and fully paid	\$1.00	
		120,000	
	(ii)		
	(A) Preferred shares:		
	Authorized shares		
	par value		
	Issues and fully paid		
	aggregate liquidation value for —		
	2020		
	2019		
	(B) Preferred shares issued by a subsidiary:		
	Authorized shares		
	par value		
	Issued and fully paid		
	aggregate liquidation value for —		
	2020		
	2019		
	(iii) Treasury Shares		
	repurchased		
	value	shares of par	
		each issued	
(b)	Contributed surplus		
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others	1,000	1,000
	(iii) Total any other fixed capital	1,000	1,000
(d)	Total Capital	1,120	1,120
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	363,327	335,900
(b)	Add: Income for the year	(14,216)	11,021
(c)	Less: Dividends paid and payable	(83,000)	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments		
(e)	Add (Deduct) change in any other surplus	175	16,406
(f)	Surplus - End of Year	266,286	363,327
3.	<b>MINORITY INTEREST</b>	7,656	7,481
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	275,062	371,928

## NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL STATEMENTS

### General Notes to the Financial Statements

#### 1. Organisation

Standard Reinsurance (Bermuda) Limited ("the Company") was incorporated under the laws of Bermuda on 9<sup>th</sup> January, 1991. The Company is a wholly owned subsidiary of The Standard Club Ltd ("the Parent") and is licensed as a Class 3A insurer under the Bermuda Insurance Act 1978. The Parent is a company limited by guarantee and beneficially owned by its members. The address of its registered office is Swan Building, 2nd Floor, 26 Victoria Street, Hamilton HM 12, Bermuda.

The Company's subsidiaries consolidated in these financial statements are as below:

Affiliates	Classes of Shares Held	Principal Business	% Holding
The Standard Club (Asia) Limited, incorporated in Singapore	Ordinary	Marine mutual	80
Standard House Limited, incorporated in Bermuda	Ordinary	Property investment	100
The Shipowners' Mutual Strike Association Europe, incorporated in Luxembourg	Ordinary	Marine mutual	99
The Strike Club Europe Limited	Limited by guarantee	Marine mutual	100

On 1 February 2019, following approval by Strike Club members in general meetings, The Shipowners' Mutual Strike Insurance Association Europe ('Strike Insurance Europe') and The Shipowners' Mutual Strike Insurance Association (Bermuda) Limited ('Strike Association Bermuda') merged into the group for nil consideration. The group now has 99% of the voting rights in Strike Insurance Europe, 100% of the voting rights in Strike Association Bermuda and 100% of voting rights of The Strike Club Europe Limited. The Strike Club Europe Limited is a dormant company and has \$nil net assets.

#### 2. Nature of risks underwritten

The Company's operations are principally reinsurance of the protection and indemnity ("P&I") risks underwritten by its affiliates. During the year ended 20 February 2020, the Company provided quota share reinsurance ("QSR") of 90% of the underwriting results of The Standard Club (Asia) Limited ("Standard Asia"), The Standard Club UK Limited ("Standard UK"), and The Standard Club Ireland DAC ("Standard Ireland").

#### 3. Basis of preparation

The condensed consolidated general purpose financial statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). The condensed consolidated general purpose financial statements are based upon accounting principles generally accepted in the United Kingdom ("UK GAAP") but are in accordance with the reporting requirements of the Legislation, which varies in certain respects from UK GAAP. The more significant variances are as follows:

- A consolidated statement of cash flows is not included;
- A consolidated statement of comprehensive income is not included;
- The presentation and classification of financial statement line items is in accordance with Schedules IX and XI of the Insurance Account Rules 2017 and differ from the expected presentation and classification under UK GAAP; and

- The notes included in the condensed consolidated general purpose financial statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2017 and exclude certain information required under UK GAAP.

The condensed consolidated general purpose financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

## 4. Accounting policies

### Financial assets at fair value through income

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

The Company classifies its investments as financial assets at fair value through income. As a result, gains and losses are taken to the statement of income, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors.

### Derivative financial investments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The Company does not engage in hedge accounting and changes in the fair value of all derivative investments are recognised immediately in the statement of income.

### Premiums

Premiums are credited to the statement of income as and when charged to members and when reported to the Company by the ceding companies. Premiums for periods after the balance sheet date are treated as prepaid and are not included in the statement of income.

### Claims incurred

Claims incurred are recorded when advised by the members and ceding companies. Claims incurred comprise new and adjustments to previously reported case reserves and related expenses, claims settlements and expenses paid in the year, and changes in the provision for claims incurred but not reported and related expenses.

### Claims provisions and related reinsurance recoveries

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimation of the cost of settling the underlying claims already notified to the Company. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. An allowance for future claims handling costs is included in the provision.

Liability and marine claims are 'long tail', i.e. with potential liabilities several years after the end of the policy year. Consequently, a large element of the claims provision relates to IBNR. Claims estimates for the Company are derived from a combination of loss ratio based estimates and a variety of estimation techniques. These are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. However, allowance is made for changes or uncertainties that may create distortions in the underlying statistics or that may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in the cedants processes that might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business

- the impact of large losses
- movements in industry benchmarks.

The variety of estimation techniques assists in giving greater understanding of the trends inherent in the data being projected and in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each policy year.

Large claims impacting each relevant business class are generally assessed separately, being measured and/or projected on a case-by-case basis in order to allow for the possible distortive effect of the development and incidence of these large claims.

Pollution and asbestosis claims can have a very long delay between the occurrence and notification. In estimating the cost of these claims, the Company considers the type of underlying risks written historically that may give rise to exposure to these liabilities, notifications received from policyholders, the nature and extent of the cover provided, the current legal environment, changes in the effectiveness of clean-up techniques and industry benchmarks of the typical cost of such claims.

Claims reserves are estimated on an undiscounted basis apart from asbestos-related claims. Due to the very long delay between the notification and the final settlement of a claim which has arisen due an exposure to asbestos, such asbestos-related claims provisions and IBNR thereon are discounted to take account of the expected investment income receivable between the balance sheet date and settlement on the assets held to cover these provisions.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from the Company's affiliate reinsurer based upon the gross provisions and having due regard to collectability.

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, and are adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time.

An assessment is also made of the recoverability of reinsurance with regard to market data on the financial strength of the reinsurance affiliate.

#### **Investment return**

Investment return comprises all investment income, realised investment gains and losses (including rental income on investment property), and movements in unrealised gains and losses, net of investment expenses, charges and interest. Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis. Realised gains and losses on investments carried at market value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

## **5. Premium**

Premium income consists of calls and premiums from members, and QSR reinsurance premiums reported to the Company by the ceding insurers. Premium income is recorded on an earned basis and are stated before deductions for taxes. Premium income for periods after the balance sheet date is treated as prepaid and is not included in the statement of income.

#### **Investment income**

Investment income is recognised on an accrual basis.

### **Commission income**

The Company does not receive commission income.

## **6. Foreign currency**

The Company's condensed consolidated financial statements are presented in US dollars and rounded to thousands.

The functional currency of the consolidated group and company is the US dollar, with the exception of the subsidiary Standard House Limited whose functional currency is British pounds.

The results and financial position of the subsidiary whose functional currency is pound sterling are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date
- income and expenses are translated at the average rate of exchange during the year
- all resulting exchange differences are recognised in combined other income (deductions).

Monetary assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the balance sheet date with the resulting difference treated as an exchange gain or loss in combined other income (deductions).

Revenue transactions in foreign currencies are translated into US dollars at the rate applicable for the week in which the transaction takes place. Exchange differences are reported in the statement of income.

Foreign currency contracts are entered into in order to hedge the currency exposure of the investment portfolio. The contracts are for the forward sale of currencies, which are matched by holdings of those currencies. The open contracts have been revalued at year-end rates of exchange and the potential profit or loss included in the statement of income.

**7.** None (2019: None).

## **8. Commitments**

The Company provide commitments on behalf of affiliated companies and subsidiaries to facilitate regulatory capital requirements of those companies. As such, \$0.1m (2019: \$1.1m) of cash and \$73.7m (2019: \$155.0m) of investments have been recognised as encumbered assets guaranteeing these commitments.

**9.** None (2019: None).

**10.** None (2019: None).

**11.** None (2019: None).

**12.** None (2019: None).



### 13. Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Listed quoted prices in active markets and external broker quotes which are publicly, readily and regularly available on an active market

Level 2 – Inputs other than quoted prices included within level 1 that are observable, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Company's assets and liabilities measured at fair value at 20 February 2020 and at 20 February 2019.

Financial assets at fair value through profit or loss:

	Level 1 US\$m	Level 2 US\$m	Level 3 US\$m	Total US\$m
As at 20 February 2020				
Shares and other variable-yield securities and units in unit trusts	162,122	-	33,644	195,766
Debt securities and other fixed-income securities	285,642	135,649	-	421,291
Forward currency contracts	(134)	-	-	(134)
	<b>447,630</b>	<b>135,649</b>	<b>33,644</b>	<b>616,923</b>

	Level 1 US\$m	Level 2 US\$m	Level 3 US\$m	Total US\$m
As at 20 February 2019				
Shares and other variable-yield securities and units in unit trusts	150,801	-	31,545	182,346
Debt securities and other fixed-income securities	280,117	139,453	-	419,570
Forward currency contracts	597	-	-	597
	<b>431,515</b>	<b>139,453</b>	<b>31,545</b>	<b>602,513</b>

### 14. Maturity profile of investments

The following table provides a maturity analysis of the Company's investments representing the dates that contracts will mature, amounts are due for payment, or assets could be realised without significant additional cost:

	Within 1 year US\$m	1-5 years US\$m	5-10 years US\$m	Over 10 years US\$m	Total US\$m
As at 20 February 2020					
Shares and other variable-yield securities and units in unit trusts	124,041	-	-	71,725	195,766
Debt securities and other fixed-income securities	344,950	18,079	13,740	44,522	421,291
Forward currency contracts	(134)	-	-	-	(134)
	<b>468,857</b>	<b>18,079</b>	<b>13,740</b>	<b>116,247</b>	<b>616,923</b>

	Within 1 year US\$m	1-5 years US\$m	5-10 years US\$m	Over 10 years US\$m	Total US\$m
As at 20 February 2019					
Shares and other variable-yield securities and units in unit trusts	123,218	-	-	59,127	182,345
Debt securities and other fixed-income securities	227,008	17,166	51,557	123,840	419,571
Forward currency contracts	597	-	-	-	597
	<b>350,823</b>	<b>17,166</b>	<b>51,557</b>	<b>182,967</b>	<b>602,513</b>

**15. Related party transactions**

The Company is related through common control with Standard Ireland, Standard UK, Standard Asia, Strike Insurance Europe and Strike Association Bermuda, the only sources of insurance business written by the Company during the year. The Company has no shareholding in Standard UK, 80% shareholding in Standard Asia, 99% in Strike Insurance Europe and 100% in Strike Association Bermuda.

The Company received no dividends during the year from Standard Asia, Strike Insurance Europe and Strike Association Bermuda (2019: None).

The Company paid a dividend of \$83m (2019: None) during the financial year to the Parent.

The Company has reinsurance transactions with its affiliate, the Hydra Standard Cell, and these transactions are recorded in the primary statements.

**16.** None (2019: None).

**17.** None (2019: None).

## NOTES TO THE CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

- 1(a)** The Company has authorised and issued share capital of 120,000 ordinary shares of \$1.00 par value each. All of the authorised and issued shares are held by The Standard Club Ltd.

Following the Company's merger with Strike Insurance Europe and Strike Association Bermuda, \$1,000k were added to the total capital of the Company. This capital relates to statutory reserve held within Strike Association Bermuda as a statutory requirement.

- 1(b)** N/a – no contributed surplus.

### **2(c) Dividends paid and payable**

A dividend of \$83m was paid to the Parent, The Standard Club Ltd during the year (2019: None).

Other than the item noted in 1(a) above no other transactions occurred during the year.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### **1. Cash and cash equivalents**

Encumbrance on cash amounts to \$0.1m (2019: \$1.1m) consist of amounts held as collateral by financial institutions against letter of credits ("LOC") and guarantee facilities provided to related companies in the parent's group.

### **2. Quoted investments**

Fair value of quoted investments are derived from active markets and are measured at bid price.

Encumbrance on quoted investments consist of amounts held as collateral by financial institutions against letter of credits ("LOC") and guarantee facilities provided to related companies in the parent's group:

Form of encumbrance	Encumbered amount	Encumbered amount
	2020	2019
	\$ m	\$ m
BARCLAYS Guarantee and LOC facilities for Standard UK and Standard Asia	27.5	30.3
HSBC Guarantee facility for Standard UK and Standard Asia	9.0	9.0
NORDEA Guarantee and LOC facilities for Standard UK and Standard Asia	37.3	38.2
NORDEA LOC facilities for Standard Club Corporate Name	-	77.8

### **3. Unquoted investments**

Fair value is based on prices provided by the managers of the unquoted investments and are reviewed by Charles Taylor Investment Management ("CTIM"), the investment management affiliate of the managers of the Company.

- 4.** None (2019: None).

- 5.** None (2019: None).

- 6.** None (2019: None).

7. None (2019: None).

8. None (2019: None).

9. Investment income due and accrued is \$6,101k (2019: \$11,736k).

**10. Accounts and premiums receivable**

Accounts and premiums receivable consist of amounts receivable from:

- Direct insurance operations \$24,385k (2019: \$35,271k)
- Affiliated companies \$52,504k (2019: \$103,172k).

11. None (2019: None).

12. None (2019: None).

**13. Sundry assets**

(a) Derivative instruments none (2019: \$597k).

Derivative instruments are open forward currency contracts which represent potential losses or gains on forward contracts, which have been entered into to protect the assets of the Company. The total of the open forward contracts at any one time is limited by guidelines set by the board of directors and matched against currency and asset holdings in excess of the amount of the contracts.

(i) Goods Sales Tax (GST) \$164k (2019: None)

Amount represents GST receivable balance in Standard Asia.

(j) Member fund accounts \$4,944k (2019: \$3,640k)

The purpose of the member fund accounts is to hold monies on behalf of members as cash security for a specific transaction usually against future claim deductibles, release calls or as counter security against non-covered risks.

14. None (2019: None).

**16. Unearned premium reserve**

None (2019: \$16,936k).

Unearned premiums represent the proportion of underlying premiums written in the year that relate to unexpired terms of underlying policies in force at the balance sheet date, calculated on a time apportionment basis. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the underlying policies on a time apportionment basis, having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

**17. Loss and loss expense provisions**

## (a) Movement in the year

<b>General Business</b>	<b>2020</b>	<b>2019</b>
Gross loss and loss expense provision at beginning of year	500,990	505,960
Less: Reinsurance recoverable at beginning of year	96,970	81,025
Net loss and loss expense provision at beginning of year	404,020	424,935
Acquisition / Sale of loss reserves (net)	8,364	13,134
Net losses incurred and net loss expenses incurred related to:		
Current year	101,652	169,764
Prior years	119,282	(10,410)
Total net incurred losses & loss expenses	220,934	159,354
Net losses and loss expenses paid or payable related to:		
Current year	(51,110)	(80,814)
Prior years	(150,394)	(111,380)
Total losses and loss expenses paid or payable	(201,504)	(192,194)
Foreign exchange and other	(9,647)	1,209
Net loss and loss expense provisions at end of year	422,167	404,020
Add: Reinsurance recoverable at end of year	99,838	96,970
Gross loss and loss expense provision at end of year	<u>522,005</u>	<u>500,990</u>

(b) Movement in net losses incurred and net loss expenses incurred on prior years relate mainly to payment of the QSR recoveries on prior year contracts to Standard UK. No additional premiums or return premiums have been accrued as a result of the movement in prior years.

(c)(i) There are no restricted assets that are held for security or collateral against a liability or contingent liability

(c)(ii) No policyholder obligations are secured by assets or collateral.

**20.** N/a – no long-term business.

**21.** N/a – no long-term business.

**22.** N/a – no life business.

**23.** N/a – no accident and health business.

**24.** N/a – no policyholders' funds on deposit.

**25.** N/a – no liability for future policyholders' dividends.

**26.** N/a – no long-term business.

**27.** N/a – no long-term business.

**28. Insurance and reinsurance balances payable**

Insurance and reinsurance balances payables consist of amounts payable to:

- Creditors arising out of direct insurance operations \$5,113k (2019: \$5,126k)
- Affiliated companies \$18,657K (2019: \$12,496k).

**29.** None (2019: None).

**30.** None (2019: None).

**31. Taxes**

(b) Deferred income taxes None (2019: None)

**32.** None (2019: None).

**33. Accounts payable and accrued liabilities**

- Accounts payable \$4,864k (2019: \$2,394k)
- Accrued liabilities \$7,613k (2019: \$1,298k)

**34.** None (2019: None).

**35.** None (2019: None).

**36. Sundry liabilities**

(a) Derivative instruments \$134k (2019: None)

Derivative instruments are open forward currency contracts which represent potential losses or gains on forward contracts, which have been entered into to protect the assets of the Company. These have been revalued at 20 February 2020 using exchange rates prevailing at that date. The total of the open forward contracts at any one time is limited by guidelines set by the board of directors and matched against currency and asset holdings in excess of the amount of the contracts.

**37.** None (2019: None).

## NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

6. None (2019: None).

15. None (2019: None).

### 32. Combined other income (deductions)

(a) Exchange losses \$(4,814)k (2019: \$839k)

(b) Minority interest \$(176)k (2019: \$(447)k)

(c) Other income \$(122)k (2019: \$(620)k)

36. None (2019: None).

## COVID-19 and events after the reporting date

### COVID-19

Both before and after the balance sheet date, the directors have been monitoring the development of the impact of COVID-19, directly on the Company's business, and indirectly through the development of government policy and advice. Standard Club has carried out a detailed risk assessment which confirms that COVID-19 does not threaten the group's going concern. The main issues are as follows.

#### Operational

The Company's managers have activated full business continuity contingency plans and shown the Company can continue to operate in the event of a serious prolonged incident, such as the present pandemic. Business records and documentation are stored electronically, are regularly backed-up and are accessible remotely from anywhere in the world. Personnel in each of the managers' global offices have successfully transitioned to working from home and the Company has been able to continue to provide the same level of service to its members.

#### Risks underwritten

The Company insures only limited aspects of the effects of COVID-19. The marine protection and indemnity (P&I) policies which form the majority of the Company's book provide cover for crew illness and death, crew repatriation and substitution, passenger illness and death, broader liabilities to passengers arising out threats to life, health or safety on board, third-party illness and death and additional quarantine expenses. The Company also provides legal expenses cover for members (Defence), and cover for COVID-19 related delays. The net aggregate of COVID-19 claims notified up to 30 June 2020 across all classes of business amounted to \$5.5m.

#### Investment portfolio

Since the year end the Company has removed some of its equity exposure in an effort to de-risk the portfolio. This has mitigated the impact of the volatile investment market on the Company's investment return. The Company's investment portfolio returned -0.11% for the period from 20 February 2020 to 8 July 2020.

#### Policyholders

In the event of a major downturn in economic conditions, there will be members and business partners of the Company who will be affected. The impact on the Company in the short term is likely to be pressure on cash flow and debt recovery, and in addition in the medium term, pressure on premium, but there are also likely to be reduced levels of claims due to diminished levels of activity. For most members, P&I insurance is effectively compulsory, but laid-up ships will pay reduced premiums. The managers maintain close links directly with members and via their brokers and will respond as necessary as the position develops.

**Regulators and forecasts**

The managers continue to model stressed future scenarios to assess the Company's compliance with regulatory capital requirements in the context of the risk appetite determined by the Board. The directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the Company's activity and the level of capital maintained to support that activity.

**Going concern**

At the date of signing these financial statements, the directors' forecasts up to 20 February 2023 indicate that the Company will be able to maintain liquidity and a surplus over its Solvency Capital requirement, and will be able to continue to trade as a going concern. Even in severely stressed scenarios the conservative investment portfolio held by the Company and the comprehensive reinsurance arrangements in place, will limit the extent of any downside risk. The directors are constantly monitoring the position in case any such stressed scenarios become more likely than is judged to be the case currently, however none would cause any going concern issues.

**Other matters**

Other than COVID-19, there are no events that are material to the operation of the Company that have occurred since the reporting date.