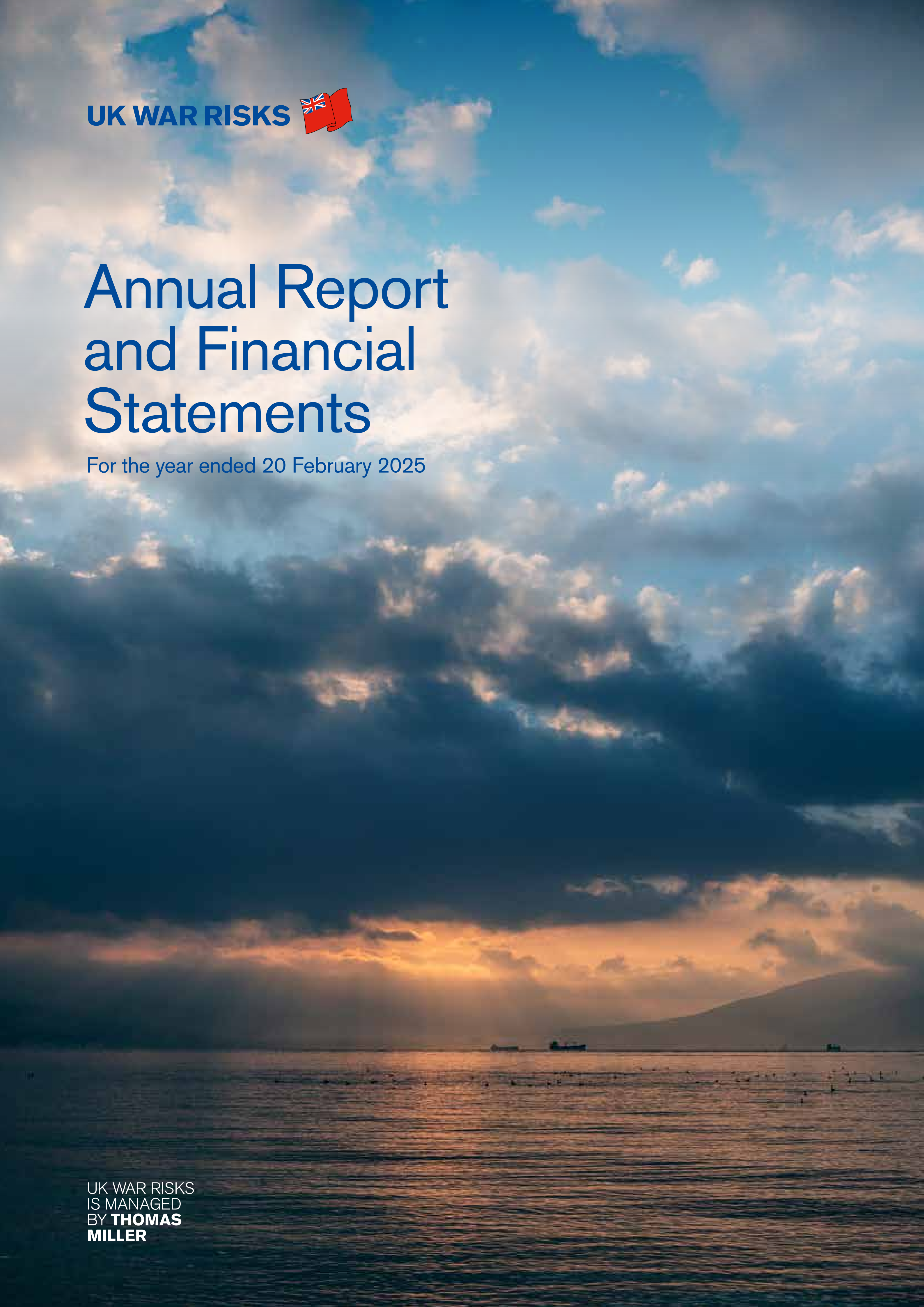


UK WAR RISKS

# Annual Report and Financial Statements

For the year ended 20 February 2025

UK WAR RISKS IS MANAGED BY **THOMAS MILLER**

# Contents


| | |
|---|---|
| Directors | 4 |
| Chairman's Statement | 5 |
| Strategic Report | 6 |
| Notice of Meeting | 10 |
| Directors' Report | 11 |
| Independent Auditors' Report | 14 |
| Income and Expenditure Account and Movement in Reserves | 20 |
| Balance Sheet | 22 |
| The Statement of Cash Flows | 23 |
| Notes to the Financial Statements | 24 |
| Managers and Officers | 40 |

# UK War Risks at a glance

**Total Entered Value**

$26.77bn

**Surplus for the Year**

$3.7m

**Total Number of Ships Entered**

878

**Investment Return**

9.88%

**Pirate Activity**

**Piracy and armed robbery against ships January - June 2025**

**Types of vessels targeted**

34 bulk carriers
23 tankers
20 other
13 container ships

**Types of violence to crew**

40 taken hostage
16 kidnapped
5 threatened
3 injured
3 assaulted

**Types of attacks**

79 vessels boarded
6 attempted attacks
4 hijacked
1 fired upon

(Source: ICC International Maritime Bureau)

A- Stable

**A- Rating**

Awarded a financial strength rating of “A-(Stable)” by AM Best

**End of Year Reserves**

$56m

| | |
|---|---|
| 2021 | $48m |
| 2022 | $49.4m |
| 2023 | $50.0m |
| 2024 | $52m |

We aim to be different –
the first international war risks mutual.

# Directors

## Directors

| | |
|---|---|
| E. Verbeeck (Chair)<br>Independent Non-Executive Director | Appointed 9 October 2024 |
| E. F. Andre (Chair)<br>Suisse-Atlantique<br>Société de Navigation Maritime SA, Renens | Retired 14 November 2024 |
| C. Ackerley<br>Taylor Maritime Investments Limited | Appointed 22 October 2024 |
| C. Brown (Chief Executive Officer)<br>Thomas Miller War Risks Services Limited | Appointed 2 January 2025 |
| P. Declerck<br>Euronav & CMB Tech | Appointed 9 January 2025 |
| A. Wingfield Digby<br>Giles W Pritchard-Gordon &Co Limited | |
| R.A.A. Harnal (Chief Financial Officer)<br>Thomas Miller War Risks Services Limited | |
| P. Knight (Chief Executive Officer)<br>Thomas Miller War Risks Services Limited | Deceased 10 December 2024 |
| J. Miles<br>Independent Non- Executive Director | |
| N.H.H. Smith<br>Independent Non- Executive Director | |

# Chairman's Statement

## Whilst the Association remains in a very positive position one of the key aims is one of growth.

As I write my first letter as Chair of the UK War Risk Association, I would like to begin by expressing my sincere gratitude to Eric André for his outstanding contribution to the Association for many years. Under his leadership we have seen the Association strengthening both in terms of membership as well as financially. On behalf of the Board and our membership, I extend our heartfelt thanks and best wishes for the future.

Reflecting on the past year, I am pleased to report that the UK War Risks Association has continued to grow with Total Entered Value (TEV) now reaching US$26.77bn with 878 vessels insured as at 20 February 2025. Whilst the Association has grown in size, the premium volume whilst increased is at a slightly lower percentage which is due to declining rates and fewer Red Sea transits due to the Houthi campaign. I am pleased however to report that the Association did not report any major claims despite areas such as the Red Sea remaining volatile.

Financially, the Association remains well capitalised with its Solvency Capital Ratio at 328%. It has also maintained its A- (Stable) rating from AM BEST. During the year, the Directors were able to decide a Discretionary Continuity Credit of US$2.9m for Members renewing ships in the 2025 Policy Year.

At the 2025 renewal we are pleased to advise that the reduced limit for vessels calling to Russia or Ukraine has been increased to US$150m and the removal of the aggregate of three vessels in the region at any one time. This increase is very pleasing and ensures that the Association still enjoys some of the highest limits available in the War market. The Association's War Cover remains one of the best in the market and gives our Members significant scope of coverage, with added benefits such as Detention, War Loss of Hire and Cyber cover which has limited availability elsewhere.

Whilst the Association remains in a very positive position one of the key aims is one of growth. The Association has many members entered via brokers and appreciate the support they provide. We are undertaking measures going forward to enable us to support this area and to grow our broker led entries.

The Sanctions environment remains complex and fast moving. In order to ensure that the Association was receiving market leading expertise and advice a sanctions tender was undertaken last year. It was decided to ensure a breadth of knowledge and assistance that two firms would be appointed and I am pleased to confirm that Reed Smith and Hill Dickinson started providing such advice for the Association in November.

On a more sombre note, the Association sadly suffered the passing of Paul Knight in December. Paul joined Thomas Miller in 2003 after having served in the Royal Navy for six years, including two and a half years as a Submariner. He moved to the War Risks Associations in 2020, as Club Manager for both UK War Risks Association and the Hellenic War Risks Association. Undoubtedly, Paul's contribution to Thomas Miller and the War Associations was significant. He was considerate, supportive, and a very kind colleague and friend to many and he will be missed enormously.

War insurance continues to be of significance to many Members with the political landscape remaining in a fluid state. The UK War Risks Association is constantly monitoring the situation and are here to assist members wherever possible, and most importantly offer market leading coverage and service to our members.

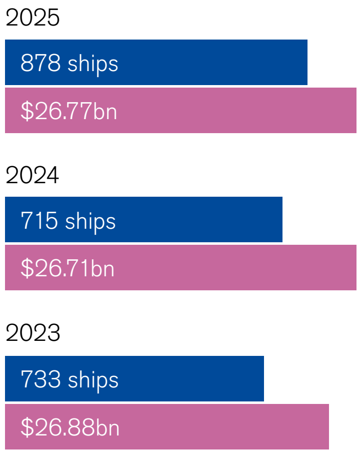
I would like to thank all the Directors for their support and diligence and the Managers for their time and effort in ensuring that the Association's success continues. And most importantly I would like to thank you, our members, for your trust and commitment to the Association. I look forward to working together to build an even stronger future for our Association and our members. I hope you find our 2025 annual report insightful and informative.

**E. Verbeeck**
Chairman
28 May 2025

# Strategic Report

## The Directors present their Strategic Report on the Association's activities for the year ended 20 February 2025.

Year ended 20 February, 2025




### International

In 1913, when the Association was founded, the membership was exclusively UK flagged. Over time, insurance and shipping became global businesses and the membership developed to include ships that were UK owned but not UK flagged. Since 2009, membership has been open to international ship owners with no connection to the UK.

The table to the left compares the number of ships entered in the Association and the total entered value over the last three years.

The Association has increased its overall number of ships in the 2024 policy year. This is made up of 10 new members with a total of 173 vessels with a Total Entered Value (TEV) of US$6.185bn, and a small number of removals from the Association combined with some organic growth from current members.

The TEV has not grown in line with the increase in the number of ships. This is due to a decision being taken at the 2025 renewal to not renew the cruise fleet. This decision was taken due to the additional strain the new larger vessel would have put on the capital resources of the Association. In order to obtain coverage elsewhere the whole fleet was removed from the Association. This was a decision that was expected and planned for. The TEV value of cruise vessels (6) was US$6.072bn and this is reflected in the figures above.

The Association will continue diversifying membership, welcoming more Members from outside the UK, and making membership more international.

### War Risks

War risks cover continues to be at the forefront of people's minds due to the current ongoing escalations. In particular the Red Sea and the Israel/Iran situations.

The Red Sea remains volatile with the Houthi campaign beginning in November 2023. The Houthi are to date still continuing to target vessels where they deem there is a link to Israel and also now UK and US. What is unclear is what criteria they are using to determine such links and as such, analysis is difficult on this matter.

Military support with the aim of protecting commercial shipping has been conducted by the US and UK supported by Australia, Bahrain, Canada, Denmark, the Netherlands, and New Zealand, under Operation Prosperity Guardian. Whilst fairly successful the Houthi forces are continuing to select specific targets and the area remains uncertain.

### Mutuality

While the last century has seen considerable change in the insurance and shipping industries, the Association continues to maintain a strong mutual ethos for its Members. The benefits of mutuality include a greater focus on Members' needs, provision of insurance at competitive rates and more stable cost over time.

Members have also benefitted from the Association's healthy financial position (detailed in the "Finances" section of this review), enjoying extremely competitive rates of Advance Contributions which were maintained at 2023 levels for the 2024 Policy Year. This is the seventh year Advance Contributions have remained unchanged.

The Association has always been committed to providing first class service. During the year, most day-to-day activity related to issuing of insurance documents and providing quotes for Additional Premium cover, both being done as matters of priority.

Service to Members includes assistance with managing incidents and guidance on claims presentation.

# Strategic Report (continued)

The Association welcomes feedback from Members and brokers as to the level of cover and service it provides. Feedback gives us the opportunity to respond to Members' specific needs and further improve the service provided by the Association.

## Principal Risks and Uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures, and internal controls. All policies are subject to Board approval and ongoing review by management, and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Association and the compliance team and finance department take on an important oversight role in this regard.

The Association operates a risk transfer strategy to provide protection against claims and so safeguard its reserves. During the year ended 20 February 2025, 53% (2024: 54%) of the reinsurance contract was placed at Lloyd's, with the balance being placed with insurance companies in the UK and overseas. The Notes to the Financial Statements include details of the Association's reinsurance programme.

The principal risks of the Association is its reliance on reinsurance as the Association cedes almost all of its underwriting risk to third-party reinsurers, retaining only a small deductible on one part of its reinsurance programme, this has the advantage of protecting its capital base against adverse loss experience, but exposes it to counterparty credit risk and to potentially disruptive upward movement in the cost of reinsurance.

This is mitigated by the Association's excellent loss record, as well as the diversity and strong credit quality of its reinsurers.

## Finances

The figures in the table below are taken from the Financial Statements for the year ended 20 February 2025, which will be submitted to the membership for approval at the Annual General Meeting, which will be held on 21 October 2025.

The table compares the key financial information from the 2025 financial year with the corresponding figures from the 2024 financial year.

| Year ended 20 February | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Gross premium written | 15,911 | 15,576 |
| Discretionary Continuity Credit* | (2,457) | (2,830) |
| Outward reinsurance premium | (6,266) | (7,433) |
| Change in net provision for unearned premium | 40 | (265) |
| Other technical income | 1,832 | 2,092 |
| Acquisition and administration costs | (9,142) | (8,359) |
| Operating deficit on the technical account | (82) | (1,219) |
| Investment income after tax | 3,781 | 3,935 |
| Surplus for the year after tax | 3,699 | 2,716 |
| Reserves brought forward | 52,752 | 50,036 |
| **Reserves carried forward** | **56,451** | **52,752** |

*The Discretionary Continuity Credit takes into account adjustment made in respect of members who did not renew in the previous policy year.

# Strategic Report (continued)

### The Key Performance Indicators that the Association pays particular consideration to are:

#### Premiums

The Association considers growth one of its key objectives and is tracked by increases in gross premium, which reflect entered values of ships as well as the number of ships. Gross premium has increased from last year primarily due to increased rates charged for voyages in the additional premium areas and addition of new Members and increased ship values.

The Association is a war risk insurer and climate change has no immediate effects on its claims and on its premiums.

This year the Directors decided to return US$2.457m by a way of Discretionary Continuity Credit to Members renewing their entries to reward their loyalty as the Association continues to benefit from having strong capital reserves.

#### Reserves

The Association's objective is to maintain its regulatory capital resources (own funds) in line with its risk appetite statement over the cycle and with regulatory requirements.

The table below compares regulatory capital resources against its capital requirements.

#### Investments

The Association's primary investment objective is to conserve and accumulate capital in order to cover future obligations and support the business objectives. The secondary objective is to earn greater returns than the benchmarks set out in the Investment Mandate.

The overall return for the year ended 20 February 2025 was 9.88% (2024: 10.65%)

The positive return for the year was primarily driven by increases in its equity and fixed Income portfolio offset by a small decrease in its alternatives portfolio.

| | **2025 US$ '000** |
|---|---|
| SCR ratio | 328% |
| SCR | 18,255 |
| Eligible capital | 59,839 |
| Excess / (shortfall) | 41,584 |
| | |
| MCR Ratio | 1311% |
| MCR | 4,564 |
| Eligible capital | 59,839 |
| Excess / (shortfall) | 55,275 |
| **Tier 1 Basic own funds** | **59,839** |

# Strategic Report (continued)

## Companies Act Section 172(1)

Section 172(1) of the Companies Act 2006 provides that a Director of a Company must act in a way that is considered to be in good faith, would most likely promote the success of the Association and benefit the Members as a whole, and in doing so have regard to various other stakeholder interests, including the Managers, regulators, brokers and reinsurers.

As a mutual insurer, the Association exists for the benefit of its Members, who are also the insureds of the Association. The key factors under section 172(1) are further considered below:

### 1. The likely consequences of any long term decision

The decision taken by the Directors to enter into a fronting agreement with UK P & I NV in Rotterdam was made so that the Association could continue to write business to European Members from 1 January 2021 when the Transition Period ended. This decision was taken to maintain business earnings, which are in the best interests of the Members.

### 2. The interests of the Association's employees

The Association has no employees. It has outsourced its day-to-day operation to Thomas Miller War Risks Services Limited, who have appointed two of their Directors to the main Board.

### 3. The need to foster the Association's business relationships with suppliers, customers and others

In terms of the wider community impacted by the Association, as a mutual insurer, the Association exists for the benefit of its Members, who are also insureds of the Association. To this end, the Association's Board aims to provide a high quality service for a competitive price. The Association has in the past years reduced premium rates, and for the last six years have distributed excess funds back to Members by way of Discretionary Continuity Credits.

The Association outsources management of the day-to-day operations to Thomas Miller War Risks Services Limited. In this regard, the Board ensures that any business conducted with Thomas Miller War Risks Services Limited is done so on appropriate terms.

The Association has strong relationships with its brokers and reinsurers, and through its Managers, the Association maintains contact and high-level engagement with the management of its key brokers and reinsurers. The Board receive updates on the Association's key broker and reinsurer relationships.

### 4. The impact of the Association's operations on the community and the environment

As a service based organisation, the Association does not have a material impact on the environment. The Board has established a policy on climate change that is owned by the Association's Risk Officer, which considers the risk of climate change associated with the Association.

The Directors have determined that the Association is a low energy user, using less than 40,000 kwh per year. As noted earlier, the Association's core management and business activities are outsourced to Thomas Miller.

The Association considers the best interests of its Members as a priority. This includes returning excess funds to its Members by way of discretionary continuity credits, and acting as a sounding board for industry issues by participating and presenting in conferences on the benefits of having the appropriate War Risks insurance cover.

### 5. The desirability of the Association maintaining a reputation for high standards of business conduct

The Board has a conduct risk policy that applies to both the Board and the Managers and ensures that the Association does the right things for its customers whilst keeping them, and the integrity of the markets in which they operate at the heart of everything that the Association does.

### 6. The need to act fairly between Members of the Association

The conduct risk policy as referred to above ensures that customers are treated fairly. In addition, the Board has established a conflicts of interest policy, which ensures that any conflict of interest around Member issues are appropriately disclosed and dealt with at Board level.

The Directors therefore consider that the requirements of Section 172(1) are appropriately addressed within the Association's policies and procedures.

# Notice of Meeting

The Annual General Meeting of the Members of United Kingdom Mutual War Risks Association Limited will be held in the offices of the Association, 90 Fenchurch Street, London on Tuesday 21 October 2025 at 09.30am for the following purposes:

To receive the Report of the Annual Financial Statements for the year ended 20 February 2025, and if they are approved, to adopt them.

To elect Directors.

To re-appoint the auditors and authorise the Directors to fix their remuneration.

To consider, and if thought appropriate, adopt amendments to the Association's Rules and Articles of Association.

By Order of the Board.

**K. Halpenny**
Company Secretary
28 May 2025

# Directors’ Report

The Directors are pleased to present their Report and the Association’s Financial Statements for the year ended 20 February 2025. The Directors of the Association are shown on page 4.

### Principal activity

During the year, the Association’s principal activity was the insurance of merchant ships against war risks. Since February 2009, membership of the Association has been open not only to UK owned and UK flagged ships, but also to ships with no connection to the UK. At noon on 20 February 2025, 878 ships, with a total value of US$26.77bn were entered in the Association.

Entry of ships in the Association is recorded in several currencies, which have been converted into US Dollars at exchange rates applicable for the year and agreed with the Association’s reinsuring underwriters. In the year under review, as in previous years, the Association’s reinsurance was not subject to a deductible, except for claims arising in the Indian Ocean/Arabian Sea /Gulf of Aden / Gulf of Oman and Southern Red Additional Premium areas, when a deductible of US$250,000 on each and every loss is applicable.

The reinsurance contract includes the market automatic termination of cover clause, which states that “Whether or not such notice of cancellation has been given cover hereunder in respect of the risks of war etc. shall TERMINATE AUTOMATICALLY upon the outbreak of war (whether there be a declaration of war or not) between any of the following:

United Kingdom, United States of America, France, the Russian Federation, the People’s Republic of China;”.

### Future developments

The future development of the Association is as follows:

- The Association aims to sustain its financial position by maintaining its capital resources and free reserves in line with its risk appetite policy and to satisfy regulatory and solvency requirements as well as maintenance of the Association’s financial strength rating of A- (AM Best).
- The Association expects its membership growth to be drawn primarily from non-UK domiciled Members who now provide the greater part of its entered fleet.
- The Association’s aim is to differentiate its service offering from the (commercial) market.

This will be achieved by a sound underwriting policy and its continued financial strength. The Association can confidently aim for a high rate of retention among the existing membership and growth of new and organic business year on year, developing the quality and breadth of its membership without materially eroding its financial position or overall loss ratio.

The Association also aims to enhance its market share through being the leading provider of claims expertise in the war risks insurance market and being recognised for defending Members’ interests fairly, consistently and robustly including its crisis response capabilities.

Service is a core value to the Association’s growth plan and is founded on providing sound and proactive advice, finding resolution to disputes/claims in a cost effective and customer focused way, giving strong industry leadership and visibility on major issues affecting its Members.

### The Association’s aim is to establish a distinctive identity

Historically, the Association has had a relatively low profile compared to its competitors amongst the broking community and target Members. Enhanced marketing efforts have been made in recent years to address this shortcoming, which has resulted in the Association’s profile increasing in a highly competitive marketplace.

# Directors' Report (continued)

### Financial instruments and risk management

Information on the use of financial instruments and its management of financial risk is disclosed in Note 2 and Note 4 to the financial statements.

The Association's exposures to Insurance risk and Operation risk are separately disclosed in Note 4 to the financial statements. The Association's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk' and 'Market risk' also disclosed in Note 2 and 4 to the financial statements.

The Association's Risk Management is governed by the Board of Directors, which drives decision making within the Association from Board level through to operational decision making within the Managers. The Board considers the type and scale of risk that the Association is prepared to accept in its ordinary course of activity and this is used to develop strategy and decision-making. Information on how these risks are managed is disclosed in Note 4 to the Financial Statements.

### Directors

The Directors of the Association are shown on page 4.

### Directors' Meetings

During the 2024 Policy Year, the Directors held three formal meetings: one in May 2024, one in October 2024 and one in January 2025.

They also maintained contact with the Managers between meetings, in order to fulfil the general and specific responsibilities entrusted to them by the Members under the Association's Articles and Rules. The items considered and reported at the meetings included:

**SFCR and Financial Statements:** Received the Independent Auditors' review regarding the Annual Statutory Audit for the year ended 20 February 2024, approved the year-end Report and Financial Statements, approved the SFCR to the Prudential Regulatory Authority (PRA) for the year ended 20 February 2024.

**Internal Audit and Risk:** Received reports on internal audits conducted on UK War Risks and on Thomas Miller (Managers of UK War Risks), received and approved the Business Risk Assessment document, noted operational risk losses, near misses and emerging risks, as well as any breaches reported by the Risk Officer.

**Finances:** Received management accounts, financial forecasts and A.M. Best rating report (A-).

**Investments:** Received investment reports on fund performance, received reports on custodian performance, approved portfolio benchmarks, and investment mandates.

**Underwriting:** Approved closure of the 2024 Policy Year, received renewal report, approved reinsurance arrangements for the 2025 Policy Year; and rates and terms to Members for the 2025 Policy Year.

**Compliance and Regulatory:** Received reports on Senior Insurance Managers Regime (SIMR), reviewed risk monitoring, the investment policy and mandate, agreed Directors' terms of reference and approved various of the Association's policies. Approved the Own Risk Solvency Assessment (ORSA) report to be sent to the regulators.

**Business Development:** The Company's rolling business plans and new business opportunities and achievements were discussed and approved.

**Other Matters:** Market reports on Additional Premium Areas, Directors' Fees, and Board composition.

*Any additional requirements of the Directors' report have been disclosed in the strategic report.*

# Directors' Report (continued)

## Statement Of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period.

## In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the Association's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**E. Verbeeck**
Chairman
28 May 2025

# Independent Auditors' Report

## Independent Auditors' Report to the Members of United Kingdom Mutual War Risks Association Limited.

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 20 February 2025 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of United Kingdom Mutual War Risks Association Limited ("the Association") for the year ended 20 February 2025 which comprise Income and Expenditure Account and Movement in Reserves, Balance Sheet, The Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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 and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors in July 2008 to audit the financial statements for the year ending 20 February 2009 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 17 years, covering the year ended 20 February 2009 to 20 February 2025.

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Association's ability to continue to adopt the going concern basis of accounting included:

- Review and challenge of the Association's current plans and budget forecasts, challenging growth assertions and checking that movements were in line with justifiable assumptions and movements. This was done through review of historic budgets against actual performance and knowledge of the Association and insurance sector;
- Checked the basis of solvency projections for the next 12 months based on accounting principles, considering an appropriate mechanism for calculating solvency had been applied and there is sufficiency of assets to meet liabilities; and
- Challenge and discussion around the latest Own risk and Solvency Assessment provided by the Association. In addition, we have reviewed the solvency projections, reconciling current positions to the financial statements and challenged the directors as to the future assumptions embedded within the model, through discussion and our knowledge of relevant factors affecting the industry and economy.

# Independent Auditors' Report (continued)

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

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

### Overview

| Key audit matters | 2025 | 2024 |
|---|---|---|
| Additional Premiums and Reinsurance | ✓ | ✓ |
| Additional Premiums | | |

*Reinsurance Additional Premium is no longer considered to be a Key Audit Matter because we can trace this to reinsurance policies.

**Materiality**

*Financial Statements as a whole:* $1,120k (2024: $1,055k) based on 2.0% of net assets (2024: 2.0% of net assets).

### An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Association and its environment, including the Association's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

### Key audit matters

**(see table 1, page 16)**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Our application of materiality

**(see table 2 opposite)**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as per the table on page 16.

### Reporting threshold

We agreed with the Board of Directors that we would report to them all individual audit differences in excess of $56,000 (2024: $52,700). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

# Independent Auditors’ Report (continued)

**Table 1**

| | Key audit matter | How the scope of our audit addressed the key audit matter |
|---|---|---|
| **Existence, cut off and completeness of Additional Premiums**<br><br>See note 5 and accounting policy in note 2.2 | The Association charges members additional premiums based on the location of members’ vessels. Members notify the Association when they are in additional premium areas and the managers process and recognise additional premiums accordingly.<br><br>Due to the potential time difference between:<br>▪ the receipt of notification from members of additional premiums;<br>▪ the date that the vessel travels through the war risk zone; and<br>▪ the recording of those premiums in the nominal ledger and underwriting system,<br><br>there is a risk that the additional premium income has not been recorded in the correct period | We performed the following procedures:<br>▪ On a sample basis, tested additional premiums and additional reinsurance premiums recorded in the year, agreeing the additional premium period and premium to the debit notes as proof of the final voyage taken by the insured.<br>▪ On a sample basis, tested additional premiums recorded after the year end to check they were recognised in the correct period, agreeing the additional premium period and premium recognised to debit notes as proof of the final voyage taken by the insured.<br>▪ Where additional premium income related to voyages spanning the year end, we determined whether additional premium that relates to a period of cover after the year has been appropriately treated as unearned.<br>▪ We did this by recalculating the unearned portion of the premium based on the dates in the debit notes.<br>▪ On a sample basis, we have selected additional premiums paid during the year ended 20 February 2025 and agreed this to the additional premium report provided from the underwriting system, in order to review the completeness of the data provided.<br><br>Key observations:<br>▪ As a result of the procedures performed, we did not identify any matters to suggest that the additional premiums have not been recognised appropriately as part of our audit of the financial statements as a whole. |

**Table 2**

| | Association’s financial statements | |
|---|---|---|
| | **2025 $000’s** | **2024 $000’s** |
| Materiality | 1,120 | 1,055 |
| Basis for determining materiality | 2.0% of Net Assets | 2.0% of Net assets |
| Rationale for the benchmark applied | Net assets is considered to be an appropriate measure as it demonstrates the Association’s financial strength which we consider to be the most relevant benchmark for a mutual insurer. | |
| Performance materiality | 728 | 685 |
| Basis for determining performance materiality<br><br>Rationale for the percentage applied for performance materiality | 65% of materiality<br>65% was reflective of our assessed risk of the financial statements containing misstatements after our assessment of the entity’s overall control environment, and the likelihood and magnitude of misstatements based on past experience. | 65% of materiality<br>65% was reflective of our assessed risk of the financial statements containing misstatements after our assessment of the entity’s overall control environment, and the likelihood and magnitude of misstatements based on past experience. |

# Independent Auditors' Report (continued)

## Other information

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

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

We have nothing to report in this regard.

## Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

### Strategic report and Directors' report

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

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

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Association, or returns adequate for our audit have not been received from branches not visited by us; or
- the Association's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Association'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 Association or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

# Independent Auditors' Report (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Extent to which the audit was capable of detecting irregularities, including fraud

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

### Non compliance with laws and regulations

- Our understanding of the Association and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Association's policies and procedures regarding compliance with laws and regulations; and
- Inspecting Board minutes.

We considered the significant laws and regulations to be Prudential Regulatory Authority ('PRA') regulations, Financial Conduct Authority ('FCA') regulations, Financial Reporting Standards 102 and 103 applicable in the UK and Republic of Ireland and Company Law.

The Association is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines and litigations.

Our procedures in response to the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Review of minutes of board meetings throughout the period for any instances of non-compliance with laws and regulations;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the PRA and FCA to identify any instances of non-compliance by the Association; and
- Review of the Own Risk and Solvency Assessment for compliance with the regulatory capital requirements.

### Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Association's policies and procedures relating to:
- Detecting and responding to the risks of fraud; and
- Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

# Independent Auditors' Report (continued)

Based on our risk assessment, we considered the areas most susceptible to fraud to be the recognition of additional premium income (refer to the key audit matters section above) and management override of controls;

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Substantive testing over additional premium and agreeing the additional premium period and premium debit notes as proof of the final voyage taken by the insured.

We also communicated relevant identified laws and regulations and identified fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Alexander Barnes**
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, UK
28 May 2025

BDO LLP is a limited liability partnership registered in England and Wales (with the registered number OC305127)

# Accounts

## Income and Expenditure account and movement in reserves for the year ended 20 February 2025

| **Technical Account** | **Notes** | **2025 US$ '000** | **2024 US$ '000** |
|---|---|---|---|
| Gross premium written | 5 | 15,911 | 15,576 |
| Discretionary Continuity Credit | | (2,457) | (2,830) |
| | | **13,454** | **12,746** |
| Outward reinsurance premium | 6 | (6,266) | (7,433) |
| | | 7,188 | 5,313 |
| Change in gross provision for unearned premium | 5 | 749 | (1,288) |
| Change in deferred acquisition costs for unearned premium | 8 | (247) | 449 |
| Change in provision for unearned premium, reinsurers share | 6 | (462) | 574 |
| Change in net provision for unearned premium | | 40 | (265) |
| Earned premium net of reinsurance | | 7,228 | 5,048 |
| Other technical income | 7 | 1,832 | 2,092 |
| Gross claims paid | | (35) | (15) |
| Reinsurers' share of claims paid | | 35 | 15 |
| Acquisition costs | 8 | (6,659) | (6,022) |
| Administration costs | 9 | (2,483) | (2,337) |
| **Balance of the technical account** | | **(82)** | **(1,219)** |

# Accounts
(continued)

## Income and Expenditure account and movement in reserves for the year ended 20 February 2025

| **Non Technical Account** | **Notes** | **2025 US$ '000** | **2024 US$ '000** |
|---|---|---|---|
| Balance of the technical account | | (82) | (1,219) |
| Investment and other income | 10 | 1,111 | 1,035 |
| Gains on the realisation of investments | | 1,834 | 1,158 |
| Unrealised gains / (losses) on investments | | 2,072 | 2,901 |
| | | 5,017 | 5,094 |
| Surplus on ordinary activities before tax | | 4,935 | 3,875 |
| Tax on ordinary activities | 11 | (1,236) | (1,159) |
| **Surplus on ordinary activities after tax** | | 3,699 | 2,716 |
| Reserves brought forward | | 52,752 | 50,036 |
| Reserves carried forward | | 56,451 | 52,752 |

All activities represent continuing activities. There is no other comprehensive income.
The notes on pages 24 to 39 form an integral part of these Financial Statements.

Company No. 127262

# Accounts (continued)

## Balance Sheet
## As at 20 February 2025

| | Notes | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|---|
| **Assets** | | | |
| Other Financial Investments | 12 | 56,974 | 53,353 |
| Reinsurers share of technical provisions | 6 | 1,367 | 1,829 |
| Reinsurance share of claims outstanding | | - | 35 |
| **Debtors** | | | |
| Debtors arising out of direct insurance operations | | | |
| - Policy holders | | 3,830 | 3,942 |
| Debtors arising out of reinsurance operations | | 1,728 | 1,864 |
| | | 5,558 | 5,806 |
| **Cash at bank and in hand** | | 3,488 | 1,666 |
| **Prepayments** | 13 | 74 | 71 |
| **Accrued Interest** | | 46 | 177 |
| **Deferred acquisition cost for unearned premium** | 8 | 947 | 1,194 |
| | | 68,454 | 64,131 |
| **Reserves and Liabilities** | | | |
| **Reserves** | | 56,451 | 52,752 |
| Unearned premium | 5 | 2,666 | 3,415 |
| Claims outstanding | | - | 35 |
| **Creditors** | | | |
| Creditors arising out of direct insurance operations | | 1,730 | 884 |
| Creditors arising out of reinsurance operations | | 2,629 | 2,775 |
| Other creditors including taxation | 14 | 2,292 | 1,188 |
| | | 6,651 | 4,847 |
| **Accruals** | 14 | 229 | 182 |
| **Discretionary Continuity Credit** | | 2,457 | 2,900 |
| | | **68,454** | **64,131** |

These Financial Statements were approved by the Board of Directors on 28 May 2025..
Signed on behalf of the Board of Directors:
Chairman: **E. Verbeeck**
Chief Financial Officer: **R.A.A. Harnal**
The notes on pages 24 to 39 form an integral part of these Financial Statements..

# Accounts (continued)

## Cash Flow Statement
## For the year ended 20 February 2025

| | Notes | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|---|
| **Operating activities** | | | |
| Premiums received (net of brokerage) | | 10,070 | 9,594 |
| Reinsurance premium received / (paid) | | (6,413) | (6,957) |
| Other operating income received / (paid) | | 1,968 | 2,793 |
| Acquisition costs received / (paid) | | (276) | (235) |
| Administration costs | | (2,025) | (2,941) |
| Discretionary Continuity Credit | | (2,900) | (2,543) |
| Taxation received / (paid) | | (131) | (62) |
| **Net cash provided / (used) by operating activities** | | **293** | **(351)** |
| **Cash flows from investment activities** | | | |
| Purchase of investments | | (25,905) | (21,637) |
| Sale of investments | | 26,192 | 20,778 |
| Interest received / (paid) | | 794 | 382 |
| Dividends on investments in equities | | 359 | 405 |
| **Net cash flow from investment activities** | | **1,440** | **(72)** |
| **Net increase / (decrease) in cash and cash equivalents** | | 1,733 | (423) |
| Cash and cash equivalents at the beginning of the year | | 1,666 | 1,991 |
| Foreign exchange movement on cash and cash equivalents | | 89 | 98 |
| **Cash and cash equivalents at the end of the year** | | **3,488** | **1,666** |

The notes on pages 24 to 39 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1. Constitution and ownership
The Association is incorporated in England and Wales as a private Company limited by guarantee and does not have share capital. The address of the registered office is given on page 40.

In the event of liquidation, any net assets of the Association are to be distributed amongst such Members and former Members in such proportions and amounts as the Directors shall decide.

The nature of the Association's operation and principal activities have been outlined in the Strategic and Directors' Report sections of the financial statements.

## 2. Accounting policies
### 2.1 Statement of compliance and basis of preparation
The Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006. These policies have been consistently applied to each of the years presented, unless otherwise stated.

The Financial Statements have been prepared under the provisions of the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance groups.

The Financial Statements have been prepared on the historical cost basis, except for other financial investments and derivative financial instruments which are presented at fair value.

The functional currency of the Association is US dollars because that is the currency of the primary economic environment in which the Association operates. The Financial Statements are also presented in US dollars.

**Going Concern**
After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue operations for at least twelve months from the date the financial statements are signed. For this reason, the going concern basis has been adopted in preparing the accounts.

### 2.2 Contributions and premiums
Contributions and premiums less returns are included in the Income and Expenditure Account when the policies incept; provisions are made for the return of contributions and Premiums to Members.

Advance Contributions are the amounts payable in each policy year by the insured owners calculated on a percentage basis of the total sums insured.

Additional Premiums are those amounts payable as a result of certain areas being specified as Additional Premium Areas in accordance with the Rules of the Association and are charged if the insured ships should enter those Areas. Premiums for a period of cover after the year-end are treated as unearned.

### 2.3 Discretionary Continuity Credit
Discretionary Continuity Credit is a mechanism that the Directors have as to return any surplus it deems fit back to its members. This power is given in the Articles of Association. Discretionary Continuity Premiums are recognised in the financial statements on the date they are approved by the Directors. They are based on the current policy year.

### 2.4 Claims
Where claims are incurred, legal costs and expenses covered by the Association are included. Claims incurred during the year are included whether paid, estimated or unreported.

The estimates for known outstanding claims are based on the best estimates and judgment of the Managers of the likely final cost of individual cases based on current information. The individual estimates are reviewed regularly.

### 2.5 Reinsurance recoveries
The Directors are satisfied that the Insurance risks of the Association are adequately protected by reinsurance.

Reinsurance recoveries, including receipts and amounts due under these contracts on claims already paid and claims outstanding are included in the Income and Expenditure Account.

### 2.6 Reinsurance premiums

Reinsurance premiums payable by the Association are charged to the Technical Account on an accruals basis and, to the Policy Year to which they apply.

Income is received from the reinsurers as commission for placing business with them, and is recognised in line with the reinsurer premium to which it relates.

### 2.7 Financial instruments

Financial instruments are recognised on the Association's balance sheet when the Association becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price and are classified as either 'basic' or 'other' in accordance with Chapter 11 and Chapter 12 of FRS 102. Subsequent to initial recognition, they are measured as set out below.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Association has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Financial Assets being debtors, cash and prepayments are measured each year at amortised cost. The valuation of other financial assets are discussed in Note 2.8 below.

### 2.8 Other financial Investments

The Association classifies its financial investments at fair value through profit or loss because they are managed and their performance is evaluated on a fair value basis.

Financial investments are recognised at trade date and subsequently measured at fair value. Fair values of financial 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 such as independent valuation reports.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The costs of financial investments denominated in currencies other than US dollars are translated into US dollars on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the Income and Expenditure Account in the period in which they occur.

Net gains or losses arising from changes in fair value of financial investments at fair value through profit or loss are presented in the Income and Expenditure Account within 'Unrealised gains/ (losses) on investments' in the period in which they arise.

### 2.9 Investment income

Investment return comprises dividend income from equities, income on fixed interest securities, interest on deposits and cash.

Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income is recognised on an accruals basis.

### 2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balance with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less. Cash and cash equivalents in foreign currency are translated based on the relevant exchange rates at the reporting date.

### 2.11 Foreign currencies

Items included in the Financial Statements are measured in US dollars. Transactions in foreign currencies have been translated into US dollars at the rate applicable for the month in which the transaction took place. At each reporting date monetary assets and liabilities that are denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the end of the reporting period. All exchange gains and losses, whether realised or unrealised, are included in foreign exchange gains and losses in the income and expenditure account.

### 2.12 Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

# Notes to the Financial Statements (continued)

### 2.12 Taxation (continued)
Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. The rates used in these calculations are those which are expected to apply when the timing differences crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

### 2.13 Deferred acquisition costs
Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date.

### 2.14 Derivative financial instruments
The Association uses forward currency contracts to hedge the foreign exchange risks that it is exposed to as a result of future operating expenses being payable in Sterling. The forward currency contracts taken out to hedge against the future management fee payments have been designated as fair Value hedges. As a result, both the fair value of the contracts and the corresponding change in the value of the hedged item are shown on the Statement of Financial Position, with the gain or loss shown in the Statement of Income and Expenditure. The fair values of various derivative instruments used for hedging purposes, and their associated unrecognised firm commitments, are disclosed in note 19. They are classified as Level 2 assets in the fair value hierarchy described in note 2.8.

## 3. Critical accounting estimates
The Association makes no key estimations of uncertainty and assumptions that affect the reported amounts of assets and liabilities.

## 4. Management of Risk
The Association is governed by the Board of Directors which drives decision making within the Association from Board level through to operational decision making within the Managers. The Board considers the type and scale of risk that the Association is prepared to accept in its ordinary course of activity and this is used to develop strategy and decision making.

The Association is focussed on the identification and management of potential risks. This covers all aspects of risk management including that to which the Association is exposed through its core activity as a provider of insurance services, and the broader range of risks. The key areas of risk impairing the Association can be classified as follows:

**Insurance risk** – incorporating underwriting and reinsurance risk
**Market risk** – incorporating investment risk, interest rate risk and currency rate risk
**Credit risk** – being the risk that a counterparty is unable to pay amounts in full when due
**Liquidity risk** – being the risk that cash may not be available to pay obligations as they fall due
**Operational risk** – being the risk of failure of internal processes or controls

### 4.1 Insurance Risk
The Association's exposure to insurance risk is initiated by the underwriting process and incorporates the possibility that an insured event occurs, leading to a claim on the Association from a Member. The risk is managed by the underwriting process, acquisition of reinsurance cover, and the management of claims costs.

**Underwriting process**
The Association has an underwriting policy which is approved by the Board annually which manages the underwriting risk. The policy sets out the processes of how the risk is managed.

Underwriting authority is delegated to specific individuals who operate under set underwriting parameters and the on-going guidance and review of senior management. These parameters cover areas such as screening of potential new Members and risks to ensure that they fall within the Association's guidelines for acceptable risk.

**Reinsurance**
The Association operates a risk transfer strategy to provide protection against claims and so safeguard its insurance risks through acquisition of reinsurance cover for 100% of risks committed.

During the year ended 20 February 2025, 53% of the reinsurance contract was insured at Lloyd's, with the balance being reinsured by insurance companies in the UK and overseas.

The risk of the Association's reinsurers being unable to meet their obligations is presented in section 4.3 Credit Risk.

The Association considers that the liability for insurance claims recognised is adequate as all claims are fully reinsured.

# Notes to the Financial Statements (continued)

## 4.2 Market Risk

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

The investment mandate is formally reviewed every three years but informally reviewed at every Board meeting by the Board of Directors. The mandate reflects the risk appetite of the Association and is designed to holding the risk to a level deemed acceptable while maximising return.

The mandate sets the guidelines for the investment manager to invest the portfolio in order to meet the investment objectives set by the Board.

**Foreign currency risk management**

The Association is exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US dollars. The most significant currencies to which the Association is exposed are Sterling and the Euro.

The majority of the Association's administration costs are in Sterling and it may use forward currency contracts to protect its currency exposures. The Association does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes.

The profile of the Association's assets, categorised by settlement currency, at their translated carrying amount, is set out below.

| As at 20 February 2025 | US Dollar US$ '000 | Sterling US$ '000 | Euro US$ '000 | Total US$ '000 |
|---|---|---|---|---|
| Fixed interest-Government | 9,606 | - | - | 9,606 |
| Fixed interest-Corporate | 13,708 | - | - | 13,708 |
| Equity & Alternatives | 19,978 | - | - | 19,978 |
| UCITS | 13,682 | - | - | 13,682 |
| Reinsurance share of unearned premium | 1,367 | - | - | 1,367 |
| Deferred acquisition cost of unearned premium | 947 | - | - | 947 |
| Debtors | 5,558 | - | - | 5,558 |
| Cash and cash equivalents | 3,369 | 33 | 86 | 3,488 |
| Other | 120 | - | - | 120 |
| | **68,335** | **33** | **86** | **68,454** |

| As at 20 February 2024 | US Dollar US$ '000 | Sterling US$ '000 | Euro US$ '000 | Total US$ '000 |
|---|---|---|---|---|
| Fixed interest-Government | 12,119 | - | - | 12,119 |
| Fixed interest-Corporate | 2,258 | - | - | 2,258 |
| Equity & Alternatives | 23,574 | - | - | 23,574 |
| UCITS | 15,402 | - | - | 15,402 |
| Settlement account | 1,829 | - | - | 1,829 |
| Reinsurance share of unearned premium | 1,194 | - | - | 1,194 |
| Deferred acquisition cost of unearned premium | 5,806 | - | - | 5,806 |
| Debtors | 1,616 | - | - | 1,666 |
| Cash and cash equivalents | 283 | 10 | 40 | 283 |
| Other | | - | - | |
| | **64,081** | **10** | **40** | **64,131** |

# Notes to the Financial Statements (continued)

4.2 Market Risk (continued)

**Foreign currency sensitivity analysis**

As at 20 February 2025 if the US dollar weakened/strengthened by 5% against the Euro and Sterling ,with all other factors remaining unchanged free reserves for the year would have increased /decreased by US$0.006m (2024: US$0.002m) .

**Interest rate risk management**

Interest rate risk arises primarily from investments in fixed interest securities the value of which is inversely correlated to movements in market interest rates.

Interest rate risk is managed through the investment strategy and accordingly debt and fixed interest securities are predominantly invested in high quality corporate and government backed bonds.

**Interest rate sensitivity analysis**

An increase of 100 basis points in interest rates at the year-end date, with all other factors unchanged, would result in a US$0.348m fall in the value of the Association's investments (2024: US$0.144m).

**Equity price risk**

The Association is exposed to price risk through its holding of equities and alternatives as financial investments at fair value through profit and loss. At the year end the holding in equity and alternative instruments amounted to 35% of the investment portfolio (2024: 44%).

A 10% increase in equity values would be estimated to have increased the surplus before tax at the year-end by US$1.998m (2024: US$2.354m). A 10% fall in equity values would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

In accordance with section 34 of FRS 102, as a financial institution, the Association applies the requirements of FRS 102 Appendix 2 section 2 Fair Value Measurement. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value hierarchy:

The Financial Statements present an analysis of the level in the fair value hierarchy into which the fair value measurements are categorised.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)

The below table presents the Association's assets measured at fair value by level of the fair value hierarchy:

| As at 20 February 2025 | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **US$ '000** | **US$ '000** | **US$ '000** | **US$ '000** |
| **Assets** | | | | |
| Government Fixed interest securities | 9,606 | - | - | 9,606 |
| Fixed income corporate bonds | 11,413 | 2,295 | - | 13,708 |
| Equity & Alternatives | 19,978 | - | - | 19,978 |
| UCITS | 13,677 | 5 | - | 13,682 |
| | **54,674** | **2,300** | **-** | **56,974** |

# Notes to the Financial Statements (continued)

4.2 Market Risk (continued)

| As at 20 February 2024 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | US$ '000 | US$ '000 | US$ '000 | US$ '000 |
| **Assets** | | | | |
| Government Fixed interest securities | 12,119 | - | - | 12,119 |
| Fixed income corporate bonds | - | 2,258 | - | 2,258 |
| Equity & Alternatives | 23,574 | - | - | 23,574 |
| UCITS | 15,052 | 350 | - | 15,402 |
| | **50,745** | **2,608** | **-** | **53,353** |

## 4.3 Credit Risk

**Counterparty risk**

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

The key areas where the Association is exposed to credit risk are:
- Amounts recoverable from reinsurance contracts;
- Amounts due from Members; and
- Counterparty risk with respect to cash and investments

**Amounts recoverable on reinsurance contracts**

The Association is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. In order to manage this risk the Board considers the financial position of significant counterparties. The Association has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A" at the time the contract is made and no single reinsurer carries more than a 10% line. The terms of the reinsurance contract give the Association the right to remove any reinsurer whose rating falls below A- at any time during the year. The Board reviews reinsurance annually before renewal.

**Amounts due from Members**

Amounts due from Members represents premium owing to the Association in respect of insurance business written. The Association manages the risk of Member default through a screening process to ensure the quality of new entrants to the Association and the ability to cancel cover and outstanding claims to Members that fail to settle amounts payable. In addition, the Directors reserve the right to offset outstanding claims payments with outstanding debt unless there is a contractual arrangement that prevents such offsetting. Amounts written off as bad debt have been minimal over recent years.

**Counterparty risk with respect to cash and investments**

The Investment Mandate sets out the investment limits to which the fund manager has to adhere to. All fixed interest and floating rate investments have to be A-rated, with the exception of its holding of a perpetual subordinated capital bond which is not A-rated. No rating is required for Equity and alternative holdings.

4.3 Credit Risk (continued)

# Notes to the Financial Statements (continued)

**Counterparty risk with respect to cash and investments (continued)**

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

| As at 20 February 2025 | **AAA/AA**<br>**US$ '000** | **A**<br>**US$ '000** | **BBB or less or not rated**<br>**US$ '000** | **Total**<br>**US$ '000** |
|---|---|---|---|---|
| Fixed interest-Government | 9,606 | - | - | 9,606 |
| Fixed interest-Corporate | 2,294 | - | 11,414 | 13,708 |
| Equity & Alternatives | - | - | 19,978 | 19,978 |
| UCITS | 13,682 | - | - | 13,682 |
| Reinsurance share of unearned premium | - | - | 1,367 | 1,367 |
| Deferred acquisition cost of unearned premium | - | - | 947 | 947 |
| Debtors | - | - | 5,558 | 5,558 |
| Cash and cash equivalents | 3,488 | - | - | 3,488 |
| Other | - | - | 120 | 120 |
| | **29,070** | **-** | **39,384** | **68,454** |

| As at 20 February 2024 | **AAA/AA**<br>**US$ '000** | **A**<br>**US$ '000** | **BBB or less or not rated**<br>**US$ '000** | **Total**<br>**US$ '000** |
|---|---|---|---|---|
| Fixed interest-Government | 12,119 | - | - | 12,119 |
| Fixed interest-Corporate | 2,258 | - | - | 2,258 |
| Equity & Alternatives | - | - | 23,574 | 23,574 |
| UCITS | 15,402 | - | - | 15,402 |
| Reinsurance share of unearned premium | - | - | 1,829 | 1,829 |
| Deferred acquisition cost of unearned premium | - | - | 1,194 | 1,194 |
| Debtors | - | - | 5,806 | 5,806 |
| Cash and cash equivalents | - | - | 1,666 | 1,666 |
| Other | - | - | 283 | 283 |
| | **29,779** | **-** | **34,352** | **64,131** |

There were no past due or impaired assets at 20 February 2025 (2023: Nil).

# Notes to the Financial Statements (continued)

## 4.4 Liquidity Risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Association maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 20 February 2025, the Association's short term deposits (including cash and UCITs) amounted to US$17.171m (2024: US$17.068m).

The Association's total liabilities excluding the unearned premium at 20 February 2025, were US$9.098m (2024: US$7.964m) all due within 12 months (2024: all due within 12 months) from the balance sheet date. The Association has sufficient liquid assets to meet its liabilities as they fall due.

The tables below provide a maturity analysis of the Association's financial assets:

| As at 20 February 2025 | Short term assets US$ '000 | Within 1 year US$ '000 | 2-5 years US$ '000 | Over 5 years US$ '000 | Total US$ '000 |
|---|---|---|---|---|---|
| Fixed interest-Government | - | - | 9,399 | 207 | 9,606 |
| Fixed interest-Corporate | 11,413 | - | 2,295 | - | 13,708 |
| Equity & Alternatives | 19,978 | - | - | - | 19,978 |
| UCITS | 13,682 | - | - | - | 13,682 |
| Reinsurance share of unearned premium | 1,367 | - | - | - | 1,367 |
| Deferred acquisition cost of unearned premium | 947 | - | - | - | 947 |
| Debtors | 5,558 | - | - | - | 5,558 |
| Cash and cash equivalents | 3,488 | - | - | - | 3,488 |
| Other | 120 | - | - | - | 120 |
| | **56,553** | **-** | **11,694** | **207** | **68,454** |

| As at 20 February 2024 | Short term assets US$ '000 | Within 1 year US$ '000 | 2-5 years US$ '000 | Over 5 years US$ '000 | Total US$ '000 |
|---|---|---|---|---|---|
| Fixed interest-Government | - | 1,014 | 10,898 | 207 | 12,119 |
| Fixed interest-Corporate | - | - | 2,258 | - | 2,258 |
| Equity & Alternatives | 23,574 | - | - | - | 23,574 |
| UCITS | 15,402 | - | - | - | 15,402 |
| Reinsurance share of unearned premium | 1,829 | - | - | - | 1,829 |
| Deferred acquisition cost of unearned premium | 1,194 | - | - | - | 1,194 |
| Debtors | 5,806 | - | - | - | 5,806 |
| Cash and cash equivalents | 1,666 | - | - | - | 1,666 |
| Other | 283 | - | - | - | 283 |
| | **49,754** | **1,014** | **13,156** | **207** | **64,131** |

# Notes to the Financial Statements (continued)

### 4.5 Operational risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks the Association has engaged Thomas Miller War Risks Services Limited as Manager to document all key processes and controls in a procedural manual. This manual is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Board of Directors. A human resource manual including all key policies has also been documented.

### 4.6 Limitation of the sensitivity analysis

The sensitivity analyses in section 4.2 shows the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effect noted above.

### 4.7 Capital management

The Association's objective is to maintain its regulatory capital resources (own funds) in line with its risk appetite statement over the cycle and with regulatory requirements.

The table below compares regulatory capital resources against its capital requirements.

| | **2025 US$ '000** | **2024 US$ '000** |
|---|---|---|
| SCR ratio | 328% | 212% |
| SCR | 18,255 | 26,488 |
| Eligible capital | 59,839 | 56,092 |
| Excess / (shortfall) | **41,584** | **29,604** |
| | | |
| MCR ratio | 1311% | 847% |
| MCR | 4,564 | 6,622 |
| Eligible capital | 59,839 | 56,092 |
| Excess / (shortfall) | **55,275** | **49,470** |
| **Tier 1 Basic own funds** | **59,839** | **56,092** |

The Capital Management Policy is reviewed annually.

The Association's objective to have such limits is to ensure that it is able to continue as a going concern, meet its regulatory requirements and maintain its A- rating with A.M. BEST.

At the year end the Association's Regulatory Capital Reserves were US$59.839m (2024: US$56.092m). This exceeded the Solvency Capital Requirement (SCR) of US$18.255m by US$41.584m.

The Association continues to be regulated in the United Kingdom by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA"). Under the Solvency II regime the Association is obliged to assess and maintain the amount of capital required to meet the risks that it faces based on a 99.5 per cent confidence level of solvency. Throughout the period the Association complied with the regulators' capital requirements and the requirements in the other countries in which it operates.

# Notes to the Financial Statements (continued)

## 5. Contributions and premiums

Contributions and premium have been charged as follows:

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Advance contributions | 1,545 | 1,342 |
| Additional premiums | 14,366 | 14,234 |
| **Total net contributions and premiums** | **15,911** | **15,576** |

Additional Premiums are charged for cover in designated Additional Premium Areas, and, similarly, are charged to the Association by its reinsurers.

Unearned premium reserve:

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Unearned provision brought forward | 3,415 | 2,120 |
| Movement in the year | (749) | 1,295 |
| **Unearned provision carried forward** | **2,666** | **3,415** |

## 6. Reinsurance premiums

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Advance contributions | 583 | 495 |
| Total reinsurance for advance contributions | 583 | 495 |
| Additional premiums | 5,683 | 6,938 |
| Total reinsurance for additional premiums | 5,683 | 6,938 |
| **Total reinsurance premium** | **6,266** | **7,433** |

Reinsurers' share of unearned Premium

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Reinsurers' share of unearned provision brought forward | 1,829 | 1,255 |
| Movement in the year | (462) | 574 |
| **Reinsurers' share of unearned provision carried forward** | **1,367** | **1,829** |

# Notes to the Financial Statements (continued)

### 6. Reinsurance premiums (continued)

a) The Association is protected against the incidence of claims by reinsurance contracts and the Association is, for the 2024 Policy Year, fully reinsured (except as described below) without deductible up to US$ 1 billion each vessel. In addition, the separate limit provided to Members in respect of Rule 2C risks or US$500 million is also fully reinsured on the same contract. (The "main reinsurance contract"). The sums insured in other currencies (excluding Special Drawing Rights ("SDR")) are determined by reference to the rates of exchange published in the Financial Times on 20 February 2025.

There is a provision in the main reinsurance contract which, should the Association issue them to Members, will fully reinsure the exposure resulting from "Blue Cards" as required by the 2002 Protocol to the Athens Convention and/or the EU Passenger Liability Regulation (EC) No. 392/2009. This exposure is SDR US$340 million any one accident or occurrence.

b) For claims arising in the Indian Ocean/Arabian Sea /Gulf of Aden / Gulf of Oman and Southern Red Additional Premium areas in 2024, a deductible of US$250,000 on each and every loss is applicable on the main reinsurance contract.

### 7. Other technical income

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Commission income | 1,832 | 2,092 |

Commission income comprises commission earned on reinsurance rates for transits of calls to Additional Premium Areas and continuity credits payable by reinsurers to the Association on renewal of the reinsurance contract.

### 8. Acquisition costs

Acquisition costs are those costs incurred by the Association and the Managers in underwriting the risks insured. These include the costs of processing proposals through to the issuing of policies.

| | | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|---|
| Brokerage on premiums | | 6,227 | 5,596 |
| Management fee allocated to acquisition costs | 15 | 432 | 426 |
| | | **6,659** | **6,022** |

Deferred acquisition costs

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Deferred acquisition costs brought forward | 1,194 | 745 |
| Movement in the year | (247) | 449 |
| **Deferred acquisition costs carried forward** | **947** | **1,194** |

# Notes to the Financial Statements (continued)

## 9. Administration costs

| | | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|---|
| Managers' costs | 15 | 1,729 | 1,704 |
| Directors' fees | | 130 | 132 |
| Directors' travel and meeting expenses | | 17 | 31 |
| Directors' and Officers' insurance | | 34 | 37 |
| Managers' travel and meeting expenses | | 35 | 26 |
| Professional fees | | 415 | 312 |
| Printing and Stationery | | 9 | 7 |
| Communications – telephones and postage | | 4 | 2 |
| Bank charges | | 3 | 3 |
| Charity Donations | | 75 | 50 |
| Sundry Expenses | | 26 | 27 |
| | | 2,477 | 2,331 |
| Investment Management Fees | | 6 | 6 |
| | | 2,483 | 2,337 |

Included in professional fees are fees paid for the statutory audit and the solvency II audit. The breakdown is shown below and it excludes VAT:

| | 2025 GBP' 000 | 2024 GBP' 000 |
|---|---|---|
| Statutory audit | 62 | 53 |
| Solvency II audit | 17 | 17 |
| | **79** | **70** |

The Managers' costs cover the provision of staff and offices, other than the costs of processing proposals and the issuing of policies, which have been disclosed under acquisition costs.

No loans have been made to the Directors and none are contemplated.

The Association has no employees.

# Notes to the Financial Statements (continued)

### 10. Investments and other income

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Dividends from equities | 358 | 405 |
| Interest on bonds and government stocks | 636 | 510 |
| Interest on bank deposits | 28 | 22 |
| | 1,022 | 937 |
| Exchange gain / (loss) arising during the year | 89 | 98 |
| | **1,111** | **1,035** |

The year-end rates of exchange equivalent to US$1 was:

| | 2025 | 2024 |
|---|---|---|
| US Dollar | 1.0000 | 1.0000 |
| Euro | 0.9547 | 0.9239 |
| Sterling | 0.7911 | 0.7898 |
| Chinese Yuan Renminbi | 7.2631 | 7.1987 |
| Japanese Yen | 149.4849 | 149.7801 |
| Australian Dollar | 1.5638 | 1.5225 |
| Norwegian Krone | 11.1194 | 10.4715 |

### 11. Taxation

a) The charge in the Income and Expenditure Account represents:

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Corporation tax at 25% (2024: 24.36%) | | |
| Current year | 805 | 132 |
| Deferred Tax | 431 | 1,027 |
| **Actual tax per profit and loss** | **1,236** | **1,159** |

# Notes to the Financial Statements (continued)

### 11. Taxation (continued)

The current taxation charge for the year is detailed below.

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Surplus / (deficit) on ordinary activities before taxation | 4,934 | 3,875 |
| Theoretical tax at UK Corporation Tax rate of 25% (2024: 24.36%) | 1,234 | 944 |
| Effects of: | | |
| - Balance on the technical account not taxable | (9) | 265 |
| - Expenses not deductible / (taxable) | 10 | (75) |
| - UK dividends not taxable | - | - |
| Re-measurement of deferred tax for changes in the tax rates | | 26 |
| Adjustment to prior period | 1 | (1) |
| | **1,236** | **1,159** |

### 12. Other financial investments

| | Market Value 2025 US$ '000 | Market Value 2024 US$ '000 | Cost 2025 US$ '000 | Cost 2024 US$ '000 |
|---|---|---|---|---|
| Government Fixed interest securities | 9,606 | 12,119 | 9,738 | 12,570 |
| Fixed Income Corporate bonds | 13,708 | 2,258 | 13,740 | 2,334 |
| Equity & Alternatives | 19,978 | 23,574 | 13,994 | 19,317 |
| UCITS | 13,682 | 15,402 | 13,776 | 15,425 |
| | **56,974** | **53,353** | **51,249** | **49,646** |

All investment in unit trusts is in authorised unit trusts. Debt securities and other fixed income securities are all listed on a recognised stock exchange.

### 13. Prepayments

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Prepayments | 74 | 71 |

This relates to payments made for regulatory fees and D&O insurance.

### 14. Other Creditors including taxation and accruals

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Cash settlement Investment portfolio | (8) | (8) |
| Repayment of Brokerage Expenses | (1) | - |
| Corporation Tax | 805 | 132 |
| Deferred Tax | 1,496 | 1,064 |
| | 2,292 | 1,188 |
| Audit, accountancy and taxation | 131 | 112 |
| Accrued expenses | 98 | 70 |
| | 229 | 182 |

Accrued expenses relate to estimated expenses

| Deferred tax reconciliation | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Deferred tax brought forward | 1,064 | 37 |
| Charge/ (release) to I&E | 432 | 1,027 |
| Deferred tax (asset) / liability carried forward | 1,496 | 1,064 |

The deferred tax liability is in relation to unrealised gain on equity gain on equity investments.

### 15. Managers' remuneration

The Managers' remuneration has been allocated to the appropriate expense headings. The total comprises:

| | 2025 US$ '000 | 2024 US$ '000 |
|---|---|---|
| Acquisition costs | 432 | 426 |
| Administration | 1,729 | 1,704 |
| | 2,161 | 2,130 |

## 16. Related party disclosures

The Association has no share capital and is controlled by the Members, who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties but these are the only transactions between the Association and the Members.

The majority of Directors are former or current representatives or agents of Member companies and, other than the insurance and Member interests of the Directors' companies, the Directors have no financial interests in the Association.

All the Directors are members of the Company other than the Chief Executive Officer and Chief Financial Officer who are employed by Thomas Miller War Risks Services Limited ("the Managers"). The Managers received US$2.161m (2024: US$2.130m) from the Company in respect of management fees for the year which included the salaries of these Executive Directors. The salaries of the Executive Directors are not separately identifiable from the total management fees. The management fees have been fully settled in the year.

## 17. Location and nature of business

All operations are direct war risks insurance written within the United Kingdom. All business is classified as marine, aviation and transport.

## 18. Post Balance Sheet Events

There were no post balance sheet events requiring disclosure.

## 19. Derivative Financial Instruments

There were no post balance sheet events requiring disclosure.

| | Contract notional amount US$'000 2025 | Fair Value US$'000 2025 | Fair value liability US$'000 2025 | Contract notional amount US$'000 2024 | Fair Value US$'000 2024 | Fair value liability US$'000 2024 |
|---|---|---|---|---|---|---|
| Non –hedge contracts | 8,354 | - | 132 | 10,014 | - | 82 |

# Managers and Officers

## Managers

Thomas Miller War Risks Services Limited

## Directors Of Thomas Miller War Risks Services Limited

K. Halpenny
R.A.A. Harnal
P. Knight Deceased 10 December 2024

## Secretary

K. Halpenny

## Registered Office

90 Fenchurch Street
London EC3M 4ST
Telephone: +44 (0) 207 283 4646
Facsimile: +44 (0) 207 929 3918

## Registered Number

01901415 ENGLAND Thomas Miller & Co Ltd

ukwarrisks.com