



— With you at all times —

Annual Report 2017

for the year ended 31 December



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The year in brief

The Swedish Club has been run by shipowners for shipowners since 1872. This requires both in-house expertise and excellence. As a result our staff have a diverse range of backgrounds and skills.

**Record year
for entered
tonnage**

**Solid operating
results**

**Focus on
Loss Prevention &
Maritime Resource
Management
continues**

**Combined
ratio 104 %**

**Balanced
underwriting
performance**

**4 % P&I
discount**

Financial highlights

The financial year January through December:

USD thousands	2017	2016	2015	Average
Calls and premiums	153,315	167,265	180,402	166,994
Reinsurance premiums	-35,799	-36,734	-37,453	-36,662
Net claims incurred	-98,114	-102,961	-115,187	-105,421
Financial result	27,657	9,707	-5,080	10,761
Actual result	18,810	11,838	-3,069	9,193
Loss ratio	83 %	79 %	81 %	81 %
Expense ratio	21 %	19 %	18 %	20 %
Combined ratio	104.6 %	98.4 %	98.6 %	100.5 %
Free reserves	213,472	194,880	183,074	197,142

1,257
**Number of
vessels**
(P&I insurance)

51.1
**Gross tonnage
million**
(P&I insurance)

Insurance facts and call history

Insurance facts	2018	2017	2016	2015	2014
P&I insurance, 20 February					
Number of vessels	1,257	1,155	1,117	1,076	1,040
Gross tonnage (Million)	51.1	46.8	43.6	41.5	37.1
FD&D insurance, 20 February					
Number of vessels	1,140	841	895	868	724
Gross tonnage (Million)	42.1	32.7	35.5	36.5	29.6
Marine H&M insurance incl, OSV's, 1 January					
Number of vessels	2,606	2,996	3,034	2,653	2,061
Gross tonnage (Million)	105.5	119.3	113.2	92.6	71.7
Insurance value (USD Million)	76,460	92,960	97,575	82,183	66,306
of which the Club has insured (USD Million)	8,227	10,495	11,094	10,350	10,512
Call history, policy year	2018/19	2017/18	2016/17	2015/16	2014/15
P&I insurance					
General increase	0 %	0 %	0 %	2.5 %	7.5 %
Additional call/Estimated additional call	0 %	0 %	0 %	0 %	0 %
Open/Closed	Open	Open	Open	Closed	Closed
FD&D insurance					
General increase	0 %	0 %	0 %	5 %	5 %
Additional call/Estimated additional call	0 %	0 %	0 %	0 %	0 %
Open/Closed	Open	Open	Open	Closed	Closed

1,140

**Number of
vessels**
(FD&D insurance)



Insurance facts & call history

2,606

**Number of
vessels**
(Marine H&M
insurance)

0 %

**General
increase**
(P&I insurance)

The Swedish Club 145 years milestones



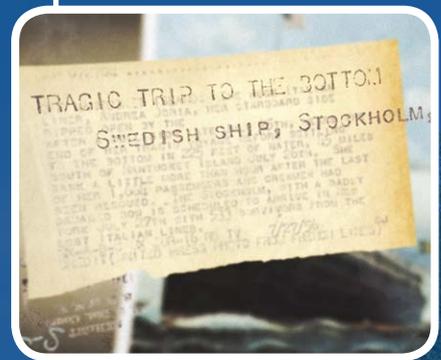
1872

On 22 January 1872 Swedish steamship owners publish an invitation in leading Swedish newspapers for Swedish shipowners to form a mutual organisation, providing Hull insurance for steamships. Almost a year later, on 7 December 1872 "Sveriges Ångfartygs Assurans Förening" (later known as The Swedish Club) is officially formed with 26 steamers.



1956

On 25 July, the Swedish American Line passenger vessel Stockholm collides with the ship Andrea Doria outside the coast of New York with tragic consequences. The Club's exceptional handling of the claim is recognised throughout the shipping community.



1910

In December of this year the Club writes its first P&I business. Forty years later, the P&I Club is amalgamated with the Hull Club, in a first step towards creating the total service concept offered by the Club today.



1990

The Club launches the precursor to Maritime Resource Management (MRM), one of the first industry initiatives aimed at preventing incidents in maritime operations that are caused by human and organisational errors.



1971

In early 1971 the Flowergate owned by UK-based Turnbull Scott Ltd, becomes the first non-Swedish vessel entered in the Club for Hull and Machinery cover. This marks the start of a comprehensive internationalisation of the Club. Two overseas offices are opened in quick succession, the first in Piraeus (1980) and the second in Hong Kong (1982).



2000

The Club strengthens its position on the international shipping scene by opening offices in Oslo and London. As Lars Rhodin, The Club's current Managing Director says: "It's all about trust. There is no finish line in the endeavour to continue to do things better and to serve our members at all times."



The Swedish Club **145 years**

*What would the Club's predecessors think about **The Swedish Club** today?*



Lennart Simonsson,
Chairman of The Swedish Club

"I think our predecessors would actually be very proud of the developments we have seen at the Club. And they would be doing the same as we are – looking forward to the next 145 years."

"They would be pleased to see how the Club has adapted and changed with the times – technological changes, expansion, the internationalisation of the Club – but more importantly, they would be pleased to see the Club's continued focus on supporting our members so they are protected if they have an accident – and there has been no changes in that."





Lars Rhodin,
Managing Director

"I think our founders would be proud. We have adapted to the changing times, to new technology and to political change. We are also a global underwriter today, with a presence in all of the industry's strategic markets."



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There is a distinct shift from being a shipowner to being a market-oriented shipping company and from the Club's point of view that can only be positive.

Letter from the Chairman

Lennart Simonsson, Chairman of The Swedish Club

During 2017, we saw improved rates in container shipping and the economic data appears to favour a recovery in this segment –

although the big question is how the number of newbuildings due for delivery in 2018 will influence the market.

We saw improvement in the bulk carrier market and this is probably the most solid segment of the shipping industry, with next year offering a positive outlook.

In the tanker sector, global oil production is stagnating but demand for crude is expected to rise overall for 2017-18. This appears to be a tough, but more positive market. Offshore has been struggling for many years now, but may at last be helped to some sort of recovery as oil prices rise.

Political changes

Throughout 2017 we saw some historic political changes, from the election of Donald Trump to the UK's continued move towards 'Brexit'. While it is difficult to judge the market impact so far of such changes, in the global shipping business these are very much 'local' events and, I believe, will not have the same impact as they might have done in the past in a more localised business.

Interest rates

Interest rates will have the biggest impact on the market. The ongoing low interest rates have been a major help for shipowners in coping with the challenges of the market. If these go up then doing business will be more challenging for everyone.

Adapt and survive

We are, perhaps, getting back to more 'normal' conditions, if there is such a thing. I am pleased to say that the majority of the Club's members have

been able to adapt to the changes and survive. Overall, those who broaden their interests can benefit; the players in the market with their own logistics staff and wider range of services have always led the market, and it is encouraging that quite a number of our members can be counted among them.

There is a distinct shift from being a shipowner to being a market-oriented shipping company and from the Club's point of view that can only be positive; such expansion requires a better understanding of what makes a reliable business, based on improved control, discipline and performance.

Last year I described the Club's members as being in 'pretty good shape' and I have been pleased to see them continue to position themselves strongly in what I call the 'new shipping market' – they are quality focused, in touch with their markets, and they will get results.

Regulation

2017 also saw further environmental regulations. Without doubt, the shipping industry, and our members, have demonstrated their ability to cope with such regulation over the years. Of course, more is to follow and the industry will continue to adapt. High-quality shipowners take the view that if you handle this right, it could deliver competitive advantage.

Quality members

Just as our members have adapted to the new market conditions, so – I am proud to say – has The Swedish Club. Once again, we have taken the decision to set the general increase at zero. This decision should be seen in the light of the depressed shipping market we have around us, in combination with the financial strength we have in the Club. That, in turn, comes back to the performance

Focus on the future

For the Club and the Board, our focus for the coming year is to continue to support our members so they are well protected.

We will keep working hard to ensure we have the right infrastructure in place to support our members, with the key priorities being a cost-efficient organisation, excellence in responding to accidents, and continued feedback to members to avoid further accidents. That focus is essential to the stability of the Club, to our results, and to our relationships with our members.

of our members and the Club's Loss Prevention programme too plays a huge important role in this, particularly as we pass on the lessons learned from the incidents we have been involved with.

Long term relationships

In a challenging market, our members share our view that business is all about long-term relationships. We work to maintain a high-quality Club with high-quality members, supporting each other. We are all in this for the long-term – and a focus on quality always pays off. Our members have the mind-set that business is long term - things may cost more in the beginning but come good in the long run. A case in point is the Club's zero increase – this decision was only made possible by the focus of our members on doing good business.



When The Swedish Club was set up, many Board members served on a duty system acting as members of the management team. In 1982 The Swedish Club invited the first non-Swedish members to join its Board. Today the Club's Board members represent shipowners around the world.



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We continuously follow developments very carefully to find the right combination and pricing. Our strategy is always to strive for higher quality.

Strategic business review

Lars Rhodin, The Swedish Club's Managing Director

The Swedish Club has emerged from 2017 prepared and in the right position to take advantage of a stabilising market.

For the third consecutive year, the Club has set a zero per cent general increase in P&I – a decision that recognises the challenges faced by shipowners, demonstrates our long-term commitment to our members, and is also a notable reflection of the quality of those members. Similarly, our welcome decision to discount P&I premiums by 4 % was possible as a result of a strong financial position.

The Club finished 2017 with a result of USD 22.7 million and finally USD 19 million after the P&I discount. The combined ratio ended at 104 %. This result, balanced by excellent investment returns of 7.7 % was acceptable considering the squeeze in price levels across the industry. Looking forward, a continued good performance on the underwriting side will be important in a market that is steady.

Our available capital places us over and above the requirements of Solvency II, and in the top three among the International Group Clubs. Our capital plan is to find a balance between the respective interests of Club and members, and that encompasses both short-term and long-term perspectives. In parallel, we must focus on our underlying performance.

In 2017, The Swedish Club celebrated 145 years in business, and we also celebrated 35 years since opening our Hong Kong office.

This was a year that matched our plans and expectations, with continued organic growth and new, quality members joining the Club. There was steady growth in our P&I volume, which rose by 7 % over the

year. Our H&M book remained stable – in challenging market conditions, we remain very selective. We increased our activities in the Asian and Greek markets in particular.

We continued to focus on our Loss Prevention programme; our Emergency Response Training (ERT) initiative has proved very successful and there is widespread recognition for our regular, specialist publications that alert and advise members on key areas of risk.

Financial performance

After a modest year for investments in 2016, we benefited from a much stronger 2017, delivering a return on investment of 7.7 %. Driving this result were the favourable equity markets. Emerging markets performed well, and the long-term interest rate remained relatively stable.

We are delighted that Standard & Poor's has modified The Swedish Club's rating to BBB+ (positive outlook), citing in particular the stronger financial management of the Club, supporting an underlying trend of improvement in the operating performance. Meanwhile, A.M. Best confirmed our financial strength rating of A- (Excellent).

Combined ratio

Our delivery of a 104 % combined ratio was the result of good risk management. As well as our focus on top quality members, an important strength of the Club is our wide range of products and mix of exposures.

We constantly measure the quality of our fleet and carry out analysis into the correlation between expected claims and outcome. We constantly follow developments very carefully in order to find the right combination and pricing. Our strategy is always to strive for higher quality.

Focus on the future

As we move forward into 2018 our priorities are clear:

The Swedish Club will continue to develop, adapt and serve in a changing, dynamic market.

The positive outlook from the rating agencies directs the Club's focus towards maintaining its current level of operating and underwriting performance, and strengthening the capital base.

We will continue to grow the P&I side of the business and on the marine side carefully manage risk in view of the unsupportive market conditions.

Member feedback

Our recent member and business partner survey brought some really positive feedback, with 98 % of respondents 'satisfied' or 'very satisfied' with the Club as their insurance partner.

The survey also showed a 98 % 'excellent' and 'good' rating for our underwriting department, 95 % 'excellent' and 'good' for P&I claims handling, 91 % 'excellent' and 'good' for H&M claims handling, amongst other pleasing results.

Naturally we are happy to see this strong approval rating – but we must never be complacent and we work hard to continue to deliver first-class quality.



145 years

The AGM was a man's world until June 1971 when, for the first time in the Club's history, women were invited to the dinner. Today, over 50 % of the Club's employees are female.

Maritime Resource Management (MRM) training

We continue to develop our MRM training and promote its effectiveness in addressing human behaviour and thereby reducing claims. In today's challenging climate, MRM training might be seen by some shipowners as a 'luxury'; but, bearing in mind that the largest claims are almost inevitably the result of human error, the value of addressing attitude and behaviour is obvious.

MRM is a mind-set; those who adopt this approach truly take it to heart and subscribe to the reasons for its success. Moving forward, the Club is waiving the start-up fees for MRM training for members, in order to encourage take-up of the programme. There is clear correlation between MRM and the frequency of claims; in other words, this is an investment worth making.

Elsewhere in our Loss Prevention programme, we have produced a range of publications focusing on specific issues, from auxiliary engine damage to fire risks. The programme essentials are that we feedback information and advice as a direct result of what we see when handling accidents. Loss Prevention moves in parallel with our claims experience.

Technology

Without doubt, every industry is preoccupied with the rapid move to digitalisation and The Swedish Club is no exception. We are focusing closely on the ways in which digitalisation can



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We are focusing closely on the ways in which digitalisation can enhance our operation and the services we provide, both in relation to our members and to our internal processes.

enhance our operation and the services we provide, both in relation to our members and to internal processes. Information sharing will be very important and this year we have launched the 'Bridge', an internal intelligence sharing platform which allows real time collaboration across the Club, online.

Of course, we have a long tradition of adapting and changing with the times and the area of technology is no different. Automation of vessels will come – but it will take time. We must be prepared and have the competence in place to make assessments and provide relevant cover when that time arrives.

Environment

Environmental regulations are nothing new for the shipping industry, and we are preparing for more. New emissions limits will require major investment by shipowners, and could well accelerate the phasing out of some ships. However, shipowners with the right mind-set can create a competitive advantage out of these new limits. Speaking to our members and hearing what they have to say, they are ready to face the challenges ahead.

Our brand

What does The Swedish Club brand stand for? It stands for financial stability, delivery of a top-class casualty response and claims service, for supporting our members, and for providing relevant, timely Loss Prevention advice.

We strive to be the preferred choice in our field. The Club has strong brand recognition and clear values – people are proud to work here to continuously serve our members.

We are lucky to benefit from a conscientious board focused on striking a balance between the interests of both the Club and its members, and always understanding the challenging market conditions for our shipowners.



Lars Rhodin, meeting members at the Club's London Reception 2017



Club briefing: **Management Team**



Management Team



Lars A. Malm

Director, Strategic Business Development & Client Relations

Born: 1969

In management group since 2007

Master of Law from University of Gothenburg and Oslo. Joined The Swedish Club in 2000 from the Swedish insurance company Skandia, as a Hull Claims Adjuster. Appointed Area Manager in 2003. Became Director of Risk & Operations in 2008 and Director of Strategic Business Development & Client Relations in 2014.

Mikael Kromli

Director, Finance, Risk Management & IT

Born: 1962

In management group since 2015

Bachelor of Science from the School of Business and Accountancy at Wake Forest University in Winston-Salem, North Carolina. Before joining The Swedish Club in his current position, Mikael was CFO of TitanX following a long career within the Volvo Group where he held numerous executive positions, including CFO of Volvo Powertrain and CFO of Volvo Parts. He has also served as CFO of Nobel Biocare, at the time listed on the Stockholm Stock Exchange.

Lars Rhodin

Managing Director

Born: 1959

In management group since 1997

Master of Law from University of Lund and Master of Business Administration from University of Gothenburg. Worked as a lawyer in private practice before joining The Swedish Club. Served at the Hong Kong office 1988–1991. Deputy Managing Director 2003–2008, before his appointment as Managing Director in July 2008. Member of the International Group of P&I Clubs' Committees and Working Groups, and Det Norske Veritas (DNV). He also serves as member of the IUMI Executive Committee and is on the Board of Directors of the Swedish Sea Rescue Society.



Helena Wallerius Dahlsten

Director, Human Resources

Born: 1955

In management group since 2003

Master of Law from University of Lund and Gothenburg. From 1982-2003 held various positions in claims handling including Deputy Director of P&I Claims 1989-1997 and Deputy Director of Claims & Legal Support 1997-2003. From 2003 she has been Director of Human Resources.

Anders Leissner

Director, Corporate Legal & FD&D

Born: 1969

In management group since 2011

Master of Law from University of Lund. Traineeships at the United Nations in New York and a law firm in Washington DC. Joined The Swedish Club in 1998 as a P&I and FD&D claims handler and worked at the London office from 2001–2003. Appointed FD&D Manager in 2003 and Director, Corporate Legal & FD&D in 2011. Serves on various International Group Committees and the BIMCO Documentary Committee.

Tord Nilsson

Director, Underwriting, Reinsurance & Risk Control

Born: 1965

In management group since 2014

Master's degree in Finance from University of New Mexico. Marine insurance broker at Arvid Bergvall from 1993 and joined The Swedish Club as an underwriter in 1996. Appointed Managing Director of the Hong Kong office in 2000, Area Manager and Senior Underwriter for Team Gothenburg In 2005 and Area & General Manager at Piraeus in 2009. Since 2014 he has been Director of Underwriting, Reinsurance & Risk Control.



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And we intend to continue to deliver competitive value to our members and business partners.

Mikael Kromli

Director, Finance, Risk Management & IT

Building on an already strong capital position, 2017 saw further advances in The Swedish Club's financial strength. Members can be as comfortable as ever with the financial support of the Club, and we are poised for growth when the time is right.

The Swedish Club achieved a return on its investment portfolio of 7.7 %, which was ahead of the internal benchmark, reflecting a long-term strategic allocation of 20 % equities and 80 % interest-bearing instruments. We benefited from steep rises in equity markets around the world, particularly in emerging markets and in the US; we worked with the volatility in interest rates and we achieved gains from currency movements between the Euro and the US Dollar.

These results came out of proactivity. Bearing in mind the volatility of the financial markets and the difficulty of forecasting developments, the Club set out to create a more robust investment portfolio management framework, and from mid-2017 we have collaborated with the global financial advisor Mercer to achieve our aims.

This ongoing collaboration is delivering a more robust, structured and scientific approach to decision making based on continuous monitoring and monthly, detailed analysis of funds. Also, this advance has enabled us to become more agile and allows us to react more proactively to movements in the market.

Our short-term excellent result from investments should not detract, however, from our long-term strategic focus on the need to maintain a balance between premium income and claims costs.

Claims

Costs for claims incurred in 2017 were broadly in line with our predictions and expectations. We continually fine-tune

our risk and claims cost calculation models, enabling us to forecast likely outcomes with a good level of confidence. Our total claims cost was positively influenced by revaluation reductions of previous years' claims. However, across the whole industry premiums are being squeezed, as reflected in our 104.6 % combined ratio result.

At the International Group level, there were 12 claims – of which one was from The Swedish Club. Our share of all pool claims, net of retention, was 3 %, which is in line with our share of the business.

Financial stability

Europe's P&I Clubs issued their first Solvency and Financial Condition Reports (SFCR) towards the end of 2017. Comparing clubs, The Swedish Club delivered an excellent set of results, ranking third among the clubs in terms of eligible capital compared to the Solvency II requirement, with cover of 232 % as per end of 2016. The Swedish Club further improved this ratio to 266 % at the end of 2017.

The SFCR provides a greater insight into the risks of insurance providers' operations and their financial strength to handle these risks than was previously available. The Solvency II regulations further add value by providing a common set of rules for presentation and calculation of risks and financial strength. Our result confirms that The Swedish Club has run, and continues to run, diligent operations.

Our strong financial position was further underlined by Standard & Poor's decision to revise The Swedish Club's rating of BBB+ with stable outlook to BBB+ with positive outlook, and A.M. Best's confirmation of our financial strength rating of A- (Excellent).

Looking ahead

Our investment management priority is to protect and add value to our investment portfolio by ensuring that we can respond quickly to any trend shifts or important events.

The mutual business model maintains its resilience towards future unpredictability. However, pricing is a challenge across the industry as a whole and no doubt will continue to affect business outcomes. Even the most sophisticated risk modelling cannot predict the occurrence of a major casualty. Yet in all challenges there are opportunities. Technology will support us in this, as we develop new innovative tools and models to share information, support symmetrical price-risk selection and deliver consistently strong results.

Last year we faced the challenge of Solvency II and the result was a positive outcome for the Club, demonstrating to the market the Club's strength and financial stability. There will be more challenges to come. And we intend to continue to deliver competitive value to our members.



Why choose The Swedish Club?

We are dependable and consistently focus on what we are good at: diligent risk selection, insightful risk prevention, efficient handling of claims, and prudent investment portfolio management.



145 years

In the early 1870s, The Swedish Club had approximately 50 entered ships. Today, the Club has over 2,600 ships worldwide. The first non-Swedish ship entered by the Club was the British owned Flowergate in 1971.

Ensuring compliance with an ever-growing list of rules, regulations and directives requires constant monitoring and attention to detail. But that is not all; as well as keeping up to date with new and evolving legislation, we must step back, take stock and draw the right conclusions.

During 2017, our members, management and colleagues required advice and support on a very diverse range of topics – including sanctions, complex cover issues, chartering issues, the MLC, cyber risks and the requirements of the General Data Protection Regulation (GDPR). We also continued to handle a small residue of cases relating to the demise of OW Bunker.

New regulations do not necessarily deliver a level playing field; there is a growing tendency for individual states to interpret and implement the rules more strictly or perhaps with a lack of clarity.

An example is the way in which flag states have chosen to interpret the MLC amendments and the involvement of P&I clubs regarding outstanding wages for seafarers in cases of insolvency.

Some states have issued notices requiring the insurance contract to name all of the seafarers with such entitlement under MLC; that is, of course, impossible. The insurance industry has done its part – it is up to the flag state and port state control to apply the rules in the proper manner, and it is important to keep in mind that international conventions involve two parties, and both with rights and duties.

Two decades ago, what happened outside Sweden – although essential to the Club's growth strategy - was not of huge concern to the Club in terms of compliance and legislation.

Globalisation has, however, delivered an entirely different environment in which governance,

compliance and reporting requirements are increasingly complex and time-consuming. Everything that happens everywhere can now concern us.

This Annual Report contains the Club's first Sustainability Report (page 30). Although fundamentally a legal requirement, it is well worth reading for a deeper understanding of the Club's core values.

Data protection

The GDPR comes into force in May 2018 and has huge implications for all businesses. The regulation requires companies to identify what types of personal data they store, where it is stored and in what context, and ensure they have processes in place for deleting information or seeking the necessary consent to store it.

The Swedish Club has established an internal working group bringing together HR, IT and PR teams in order to map all the areas where we store personal information, establish where we need to gain consent, and draw up policy documents to demonstrate our compliance.

Cyber risks

High-profile cyber attacks in recent months have ensured that this risk is high on the agenda at most companies. Cyber risks are not consistently treated in the various insured conditions, but as a Club we need to consider if this needs to change.

FD&D

Our FD&D cover continues to be a strong and very popular insurance product and we saw an excellent performance in this sector during 2017.

This is a risk management issue and, in an increasingly litigious world, members are turning to The Swedish Club for FD&D cover. We are well suited to provide this service, thanks to our unique combination of expertise and our ability to provide a full range of cover.

Our FD&D teams have access to the expertise of our P&I and H&M teams; we provide a holistic approach, which I believe makes us rather unique.



Why choose The Swedish Club?

The Swedish Club is an easy organisation to understand; we are extremely transparent and the combination of products that we offer, across P&I, H&M, FD&D and other marine products, gives us a distinct edge over many of our competitors.



145 years

The Swedish Club is recognised by the Swedish Government as one of the organisations to which Bills proposed in relation to shipping, safety or liability, should be referred for comments before being presented in Parliament for adoption.



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We have a long tradition
of adapting and changing
with the times.

Anders Leissner

Director, Corporate Legal & FD&D



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The Swedish Club brand is all about delivering a first-class casualty response and claims service, for supporting our members, and for providing relevant timely Loss Prevention advice.

Lars Malm

Director, Strategic Business Development & Client Relations

Throughout 2017, our strategy and focus remained constant – to continue to deliver high value to our members. This encompasses excellence in claims handling, effective loss prevention activities and - the bottom line in whatever we do - safeguarding our combined ratio results. Consistent and prudent underwriting is at the heart of it all.

As well as properly priced insurance products, we believe strongly in helping our members to reduce claims through Loss Prevention. Our Emergency Response Training (ERT) initiative has proved to be a significant and rewarding part of this. ERT relates directly to our focus on good claims handling and delivering good value as far as loss prevention is concerned. But it is also designed to protect results – the better we are at sharing our knowledge about claims handling, the better prepared our members will be if or when they have a claim.

These sessions are also important for building relationships and for fine-tuning our own internal expertise. What do firefighters do when there isn't a fire? They are constantly training in order to improve their response when they are needed. As claims handlers, we recognise that we must constantly train in order to improve.

ERT is a fantastic way of delivering value to our members and also to allow non-members to 'test drive' The Swedish Club and the services we offer. We have run nearly 40 ERT sessions to date, spread across our main geographical areas of business, and the format is now well-structured, flexible and ready to adapt to any new developments or regulations. Feedback has been overwhelmingly positive - not only from members but also from our own personnel, who value the training it offers.

Meanwhile, our unique Maritime Resource Management (MRM) programme complements our loss

prevention initiatives. Encouraging members to examine their own working practices and response structure and focus on the behavioural aspects of any potential incident, we see MRM very much as a mutual commitment, offering benefits to both sides.

New products

Two notable new products were established and well received in 2017.

First, we launched our new charterers' all-in-one cover, which is proving very successful.

Second, we launched our Collision Recovery Insurance, a product which can support our members in the current depressed market by easing cashflow in the event of a collision.

Activating this cover enables us to pay a sum upfront – bridging the gap where otherwise the owner may face a long wait to recover that sum from the opponent in the collision.

Reducing claims

Stricter regulation across the industry, from the IMO, classification societies, flag states and others, has clearly delivered a positive impact in terms of fewer claims.

Enforcing compliance is one thing – as a Club, we are also passionate about the impact of Loss Prevention activities.

We believe if we can avoid one serious grounding or collision, with the associated damage to the environment, lives and property, then every dollar we spend is money well spent.

While lower claims frequency is an indicator of a higher level of professionalism and higher quality, continued education and training helps seafarers and others to manage situations better and, hopefully, avoid them earlier.

As insurers, careful risk management is even more important in the context of the current pressure on premiums.

The all-in-one Club

In providing a comprehensive portfolio of services encompassing P&I, H&M, FD&D and Energy, The Swedish Club also has the advantage of an unrivalled range of knowledge and expertise. We pride ourselves in avoiding 'silos' – we are able to take a broad overview which gives us a better understanding of the overall picture in the event of an incident. The *TS Taipei* case offered an example of this, our holistic approach enabling us to save a great deal of time and money in handling the claim to the satisfaction of all the stakeholders involved.



Why choose The Swedish Club?

Thanks to our combination of experience and competence, we are skilful in our risk assessments and confident in the way we target and price our business.

Our members have the reassurance that the Club can provide additional support wherever and whenever it is needed, translating into a unique ability to deal with insurance related activities that might rely upon more than one class of business, offering a unique perspective in any claim. It's easy to do business with The Swedish Club.



145 years

The Swedish Club has always been in the forefront of Loss Prevention. When established, the Club regulations required all ships entered to send their deck and engine log books to the Club for examination. Masters who failed to show good seamanship were named and harshly condemned by the Board.

Risk is all about insuring the right shipowners with the right vessels at the right price – there's no secret about it. As a Club, we seek members who share our approach in terms of high-quality, safe management and operation of vessels; members who take a long-term view of insurance; members who like our offering and our services.

As a Club, we are scientific about how we look at underwriting and risk, modelling expected outcomes by drawing on historic data and combining this with our predictions on claims costs for the coming year.

Frequency and average claims costs vary over time and what we saw ten years ago is not what we are seeing today. Therefore, historic data must be adjusted according to today's market conditions, repair prices and so on. However, to manage risk over time it is important to understand where you have been – and then to have a realistic idea of where you are today - that is is even more important. Knowing where claims are going is, of course, essential, but it's not always easy to predict.

Our roots were with Swedish shipowners – since most of these melted away in the late 1970s, the Club has worked hard to attract members elsewhere, setting up our offices in Greece, Hong Kong, Japan, Oslo and now London. We face a lot of competition from local markets – which is always the easy choice for the shipowner – so we have always had to have a better offer, whether that is a better premium, better service, more loss prevention, skilled claims handlers, or a combination of all of these.

We are in a somewhat volatile line of business where long periods of calm can be cut short by three or four large claims that turn everything

upside down. Our job is to ensure we have adequate resources to handle large claims as well as finances and reinsurance to make sure that we keep service levels high and that individual large claims do not put too much of a dent in our finances.

New business

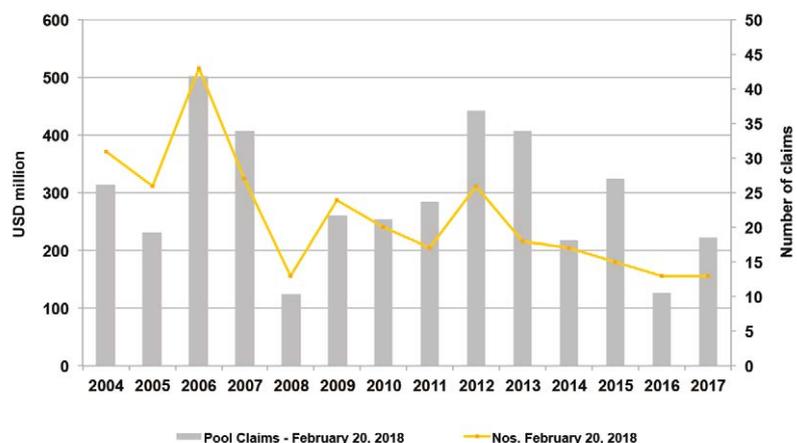
Throughout 2017 we saw continued growth in the P&I, Charterers and FD&D sectors, while H&M has remained stable.

After several slow years, there have been some positive developments in the energy sector at last, as drilling activity picked up in response to higher oil prices. Many mobile offshore units and OSVs have been in lay-up for some time, but most of the active units now have contracts.

Reinsurance

The reinsurance story in 2017 was all about hurricanes Harvey, Irma and Maria, as well as fires in California and Mexico's earthquake. The reinsurance market has hardened but not to the extent that many people anticipated.

Pool claims – claims excess Pool retention, excluding Group reinsurance



Why choose The Swedish Club?

What gives The Swedish Club the edge over others? I would say it's the fact that we are really dedicated to what we do.

We have a tradition of being there for shipowners when things go wrong and our casualty response is what matters the most. Underwriting discipline and a long-term view are also distinct features of the Club.



The Swedish Club was the first marine insurer to offer Hull and P&I insurance under the same roof, in 1910. Today, the Club offers a full range of marine insurance such as P&I, Hull & Machinery, FD&D and a broad range of additional insurances which can be customised to members' requirements.



“

Looking forward, a continued good performance on the underwriting side will be important in a market that is stabilising.

Tord Nilsson

Director, Underwriting, Reinsurance & Risk Control

145 years of developing people



*On the occasion of her retirement, we asked outgoing **Director of Human Resources, Helena Wallerius Dahlsten**, to reflect on the Club's history of HR management, and the important role she has played over the last fifteen years.*



The Economist, John R. Commons, is said to have been the first to use the term 'human resource', in his book *The Distribution of Wealth* in 1893. The concept didn't catch on quickly in our industry - The Swedish Club's first dedicated HR department was created 110 years later, and even then we were somewhat at the forefront of the trend.

When I joined The Swedish Club as a trainee claims handler in the 1980s, the CFO was responsible for salaries and vacation dates – and that, essentially, was HR. There was no centralised or structured process for recruitment, or staff development, and personnel issues were dealt with by the managers directly.

Having said that, we have a long tradition of empowering our people, helping them to learn at the sharp end and giving them responsibility. I like to think that the Club also benefited over the decades from the Scandinavian approach to handling staff – a little more progressive than in many other countries.

New location

An important turning point for the Club was moving to our present office in 1987. Our previous office, in the former Swedish American Line building, was fragmented to say the least; we couldn't keep departments together, we didn't meet that much and my memory is of working in the attic, very cold in the winter and very hot in the summer.

Our brand-new offices were a revelation and enabled far more teamwork and coordination.

The advent of HR

There had long been a system of sending staff on training courses, together with other staff development activities. But in 2003, a major reorganisation finally led to the creation of a new post of HR and Corporate Legal Director, which I was offered. With a starting point of zero, my brief was to create an HR structure and draw all of the strands together.

Early tasks were to create a staff handbook and set up a programme of annual reviews, competence assessments and salary reviews.

Today, as with so many companies, HR is at the centre of what we do. HR adds value and supports the management team in both strategic and day-to-day work. Over the years, our culture has become more open and more team-oriented; we are more transparent, and that has helped promote cooperation and teamwork, because we are so dependent on each other.

Knowledge sharing

Our members need the experience and knowledge of our specialists – the question is, how do we make sure that a member can gain access to knowledge across the Club with one call? That is where our newly upgraded intranet, the Bridge, comes in. Information can swiftly be shared within the Club across department and country borders. Yes, our culture is that we talk to each other, but the intranet is a very efficient tool for supporting our knowledge sharing.

Trust

Looking back to the 1980s, we have always had a high degree of delegated authority and quick decision-making. Today, of course, we have a need for more control because of regulations such as Solvency II. However, our ethos of trusting our employees and not seeing the need for close control of everything remains a healthy approach.

To be in HR means to be curious about people – and to ask questions. It's important to find out if there is a problem before you make quick judgments. First understand, then act – that is a very important leadership rule. You can be tempted to jump to conclusions before you know the full picture.

An international business

As a Club, we have become much more international in the past few decades, not only in the way we write our business but also in our employees. We are proud that we are able to attract people from around the world to come to Sweden to work at our head office and enjoy the lifestyle alongside. We are also



proud that surveys consistently demonstrate that we have a high level of staff involvement and engagement.

Training

In recent years we have introduced a number of leadership seminars and discussions to support the management team; we have developed and refined our one-year claims traineeship, which has proved an excellent recruitment source for us; and we have continued to deliver our Marine Insurance Course both internally and externally.

A particular focus now is on the General Data Protection Regulation (GDPR), which comes into force this year and has significant implications for all HR operations. We have carried out an extensive survey of and categorised all the personal data we hold, and identified why we keep it; the regulation requires us to have a purpose for keeping that data, and a schedule for deleting information.

Of other initiatives, I would highlight our very successful Emergency Response Training (ERT), which enhances the knowledge of our members but also provides excellent training for our teams. Through ERT we can really add value for our members; hopefully they will never see a major casualty but if they do and they have had this training, they will be better prepared – and that could save them a lot of money.



The future

And what of the future? As in society generally, people are largely more qualified than years ago – most young people have a good clutch of academic exams behind them. We have more lawyers than in the past, particularly on the claims side where there is often a need for a more legalistic approach. Seagoing experience remains a very important competence in-house, whether it's dealing with a collision or a machinery breakdown, or giving advice to members. And finally, the small things are important too. This means taking care of our staff, making them feel valued and remembering the nice gestures. A piece of cake or a bowl of fruit can make all the difference!



Sustainability report

The Swedish Club business model

The Swedish Club (hereinafter the Club) is an independent, self-managed, mutual insurance company headquartered in Gothenburg, Sweden, with offices in Hong Kong, Oslo, London and Piraeus. It has been in existence since 1872. As of February 2018 it had 116 staff. Mutuality means that the Club is owned and controlled directly by the policy holders (hereinafter members). The interests of the Club's management and Board of Directors are therefore identical to the collective interests of the members.

The Club's purpose is to provide marine insurance to shipowners and other ship operators worldwide. The liability insurance (P&I) provided by the Club, and through the Club's reinsurance arrangements, is a key factor in enabling world seaborne trade, the protection of the marine environment and the interests of both public and private victims of maritime accidents. The Club's core business is therefore a vital component for a well-functioning and sustainable society.

As an insurance company, the Club is subject to stringent regulatory requirements which prompt equally stringent regulatory compliance in all areas.

Sound business decisions and stability in its operations are safeguarded by robust processes for internal control and a holistic enterprise risk management system. This system is executed through a control cycle which involves the systematic identification, valuation, monitoring and reporting of all existing and emerging risks. The Club's assessment of its risks and how the risks are managed are regularly

reported to the Swedish Financial Supervisory Authority as well as other stakeholders.

The Club's core values are enshrined in the statement 'Committed, Reliable and Proactive'. These keywords shall apply for everything that the Club and the Club's staff do.

Environment and social relationships

In its day to day work, the Club makes significant efforts to safeguard environmental interests. Within the auspices of its loss prevention activities, the Club regularly issues publications and holds workshops on how to avoid marine casualties, reduce maritime risks and consider environmental impacts generally e.g. fuel consumption. The Club also participates in a comprehensive risk mitigating training programme through The Swedish Club Academy. The programme was developed following the industry realisation that the majority of marine casualties are due to human factors, its aim being to establish safe and sound attitudes and behaviours within organisations. The training is conducted through 100 facilities in 35 countries. The Club subsidises its members' costs for this training.

Furthermore, the Club seeks to apply high standards in operating in an environmentally friendly manner where possible, e.g. by recycling waste, minimising the use of paper and using videoconferencing instead of travelling. However, the Club believes physical presence is necessary to maintain a close relationship with the members as well as to properly manage marine casualties. It is therefore to some extent unavoidable for the Club's employees to travel by aeroplane.

Social responsibility is a central feature in the Club's operations. An ethical code of conduct is discussed with and signed by all employees, and application of the ethical guidelines is followed up at regular employee/manager meetings, as well as through interactive questionnaires on the intranet.

The Club's membership stretches from local bunker barge operators to the world's largest state owned shipowners. Further, some of the Club's members are based in countries that have a tense political relationship with each other, and, as a result, little or no business relationships. The Club therefore serves as a rather unique platform for creating a community and building relationships beyond political and geographical boundaries – an important social dimension.

Personnel and human rights

The Club is a true knowledge hub and as such fully dependent on the expertise and wellbeing of its employees. Every second year, the Club measures employee satisfaction by way of an engagement survey performed by a third party. Following the 2017 survey, the KPI for the employees' work satisfaction was significantly higher than the industry benchmark and a majority of other KPIs came out better than or on par with benchmark. The survey includes the areas of discrimination and bullying where the Club has zero tolerance. The Club has a policy to combat discriminatory behaviour.

The Club's gender apportionment is 49% women and 51% men. According to the Club's written policy on equal treatment the Club shall safeguard equal possibilities of employment, education, promotion, and development in the work role. The Club shall strive towards an equal apportionment between men and women in the Club's different functions and organisational levels and the Club shall facilitate the possibility of combining work with raising children. Annual mapping of salaries is conducted in order to detect undue differences between men and women. During 2017, 11 employees took advantage of this policy to take paternity and maternity leave.

Sound business behaviour and compliance with internal and external regulations is ultimately dependent on the acts of the individual employee. This includes safeguarding the values mentioned in this sustainability report. The Club has several channels through which employees can alert management about any abuses or wrongdoing. Annual risk workshops are held within the auspices of the risk management function. These workshops aim to target operational risks which include fraud, malicious damage, employment practices, business practices, workplace safety and public safety. In addition, the Club has two web based applications where risks as well as incidents – 'near misses' - in the line organisation are registered.

The findings are compiled and communicated to management and the Club's Board on an annual basis. Furthermore, the Club has a whistle blower policy which encourages the employees to submit complaints on a confidential basis regarding non-compliance any kind of illegal or unethical activity or any other abusive or erroneous behaviour that has an adverse impact on any individual, the Club or the environment.

As can be seen above, the Club's work in identifying and mitigating risks includes several tools that are used to safeguard respect for human rights regarding both the Club's employees and the Club's business associates. In addition, the P&I insurance provided by the Club contains elements to safeguard the human rights of an otherwise exposed group of people – seafarers. In case of injury or illness on board an insured vessel the Club will ensure that the crew member receives proper medical assistance and, if necessary, is repatriated back home. Notably, in response to a recommendation put forward by the International Labour Organisation (ILO), the Club's Board recently decided to extend the P&I insurance to include financial security for repatriating seafarers (other than due to illness), as well as four months of wages, should the shipowner fail to pay this cost due to insolvency.

Combatting corruption

The Club has zero tolerance towards corruption and bribes. The Club applies the UK Bribery act as a benchmark for its employee policy which is more stringent than the equivalent Swedish legislation that otherwise would have applied (in general). As to corruption, the Club uses a market leading screening tool provided by World-Check whereby all the Club's members and insured vessels are screened once a month. The screening includes global sanctions' lists, global enforcement and warning lists, global politically exposed (PEP) lists and global state owned entity lists (SOE). The screening also includes corporate managers who are directly or indirectly connected to or associated with an embargoed country or entity which carries related or other risk relevant information. World-Check also draws on hundreds of thousands of credible media sources to monitor all of the categories above. It is also used to identify and maintain a large number of profiles related to individuals convicted of one or more of the predicate offences as defined by FATF (Financial Action Task Force).

The purpose of the screening is to avoid the Club doing business with inappropriate companies or individuals. In addition, all the Club's Board members, members of the management group and personnel responsible for the Club's central functions (actuary, risk management and compliance) are subject to an equivalent screening process in order to ensure that regulatory fit and proper standards for these individuals are met.

Financial Statements

These financial statements, based on the Swedish statutory financial statements with few editorial changes, have been translated from Swedish into English by professional translators and from SEK into USD in accordance with the principles laid out in Note 1 to these statements.

The auditor's report presented on page 67 refers to the audit of the statutory accounts.

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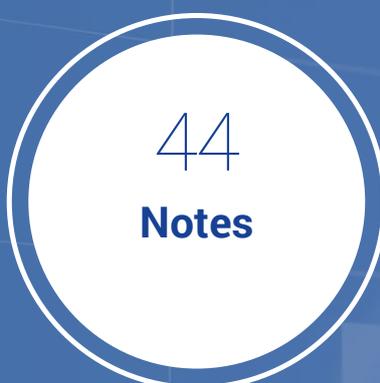
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Board of Directors' report

The Board and the Managing Director of The Swedish Club (Sveriges Ångfartygs Assurans Förening) hereby present their annual report for the year 2017, its 145th year of operation.

Principal activities and structure

The Swedish Club (also referred to in this report as "the Club") is a marine mutual insurer, headquartered in Gothenburg, Sweden, with service offices in Piraeus and London, and branch offices in Oslo and Hong Kong. The Club also has a subsidiary in Hong Kong. The Swedish Club is both owned and directly controlled by its members.

The Club's activities concern marine insurance, in the following classes of non-life insurance: Ship (Marine & Energy), Ship liability (Protection and Indemnity, P&I) and Defence (Freight Demurrage & Defence, FD&D). Reinsurance acceptances are in run-off, with a remaining provision for outstanding claims of USD 0.6 million.

In accordance with the Swedish Annual Accounts Act, the Club's subsidiary in Hong Kong has not been consolidated as it is of lesser importance with regard to true and fair view requirements.

Significant events during the year

During the year, the Club extended a rebate corresponding to 4 % of the premiums for P&I. This was motivated on the basis of the Club's strong financial position.

Financial overview

The following is a brief commentary on the income statement and balance sheet. For more detailed information, please see Performance analysis per insurance class and the Notes.

Result for the period

For 2017, the result before appropriations and tax was a profit of USD 18.8 (11.8) million. The Club's assets in foreign currency

are larger than its liabilities resulting in exchange rate gains of USD 4.0 (-0.7) million.

The relationship between the result expressed in USD and SEK is shown in the table below as a change in free reserves:

Free reserves	USD m	USD/SEK	SEK m
31 December 2016	194.9	9.0971	1,772.8
31 December 2017	213.5	8.2322	1,757.4
Other taxes	0.2		1.7
Result 2017	18.8		-13.7

Insurance activities

Gross premiums written in 2017 amounted to USD 151 (163) million. Following the deduction of outgoing reinsurance premiums totalling USD 35 (36) million, premiums written amounted to USD 116 (127) million. Earned premiums, net of reinsurance, amounted to USD 118 (131) million.

Part of investment income is reallocated to insurance activities. The amount is based on the expected return on the investment portfolio and the current year's average technical provisions for own account. The amount of transferred investment income was USD 5.1 (4.7) million.

Claims incurred, net of reinsurance, amounted to USD 100 (100) million. In relation to earned premiums, net of reinsurance, this corresponds to 85 (76) %.



Change in other technical provisions amounted to USD 2 (-3) million.

During the year, there were 22 claims reported in excess of USD 0.5 million. In 2016, there were 18 such claims. For 5 (2) of the claims, the cost before reinsurers' share amounted to more than USD 2 million.

Net operating expenses for insurance activities amounted to USD 25 (25) million. In relation to earned premiums, net of reinsurance, this corresponds to 21 (19) %.

The balance on the technical account amounted to USD -4 (7) million.

Result by class of insurance

The combined ratio for P&I was 102 (99) %. Earned premiums, net of reinsurance, amounted to USD 73 (79) million. The claims cost for other clubs' pool claims decreased compared to the prior insurance year, from USD 16 million in 2016 to USD 14 million in 2017. Claims incurred, net of reinsurance, amounted to USD 59 (64). The loss ratio for the year was 81 (81) %. As of 31 December 2017, the P&I portfolio, including Charterer's liability, consisted of 1,973 (1,661) vessels with gross tonnage of 83 (71) million. The Club extended a rebate of USD 3.4 million to its members.

The combined ratio for FD&D was 58 (55) %. As of 31 December 2017, the FD&D portfolio consisted of 1,046 (901) vessels with gross tonnage of 39 (34) million. Earned premiums, net of reinsurance, amounted to USD 6 (6) million. Claims incurred, net of reinsurance, remained at USD 3 million in 2017. The loss ratio for the year was 47 (45) %.

The combined ratio for Marine & Energy was 116 (102) %. Earned premiums for Marine & Energy, net of reinsurance,

amounted to USD 39 (45) million. Claims incurred, net of reinsurance, amounted to USD 36 (36) million in 2017. The loss ratio for the year was 93 (80) %.

At the end 2017 the Marine & Energy portfolio consisted of 2,752 (3,165) vessels, with gross tonnage of 109 (126) million and covered insured value of USD 10 (12) billion. The number of vessels insured for Loss of Hire was 1,184 (1,395) with a gross tonnage of 32 (44) million.

The result in 2017 for reinsurance acceptances, which are in run-off, was USD 0 (0) million.

Investments

The financial result, including exchange rate differences amounted to USD 27.7 (9.7) million. The result from interest-bearing securities was USD 6.5 (8.2) million. The result for quoted shares amounted to USD 17.8 (2.7) million and the result for other financial income and expenses amounted to USD 0.6 (-0.5) million.

The conversion of investment assets into USD resulted in exchange rate gains of USD 3.3 (-0.6) million. Other exchange differences amounted to USD 0.7 (-0.1) million. At the end of 2017, the value of the Club's investments amounted to USD 376 (352) million, of which 84 (78) % consists of interest-bearing securities and 16 (22) % is equity related.

Balance sheet

For 2017, the provision for claims outstanding was USD 258 (260) million.

The value of the Club's investments amounted to USD 376 (352) million.

At year-end, Hydra receivables (see Note 2, in the section on counterparty risks) had an estimated value equivalent to USD 9 million. These are reported in the balance sheet under the heading "Other assets".

Environment

The Club's Sustainability Report, in accordance with EU Directive 2014/95 (included in the Chapter 6, Section 12 of the Swedish Annual Accounts Act, 1995:1554 (ÅRL)), has been published on the Club's website, www.swedishclub.com/about-us/corporate-governance.

Significant events after the balance sheet date

Since the balance sheet date, the business has developed in line with the established goals and expectations. The Club does not have any significant events after the balance sheet date to report.

Employees

The Swedish Club is a knowledge-intensive organisation. The commitment, competence and performance of employees are decisive factors for the organisation's success and competitiveness. The Swedish Club intends to remain an

attractive employer by having a progressive human resources policy, a healthy organisational culture and well-established core values.

The Swedish Club's core values are as follows:

Proactive

- We are proactive in our approach.
- We respond in a forward-thinking and proactive manner and
- focus on cost-efficient solutions.

Reliable

- We are reliable in our values and we stand behind them.
- Through honesty and fair treatment, we are able to gain
- confidence and ensure continuity.

Committed

- We are committed in everything we do.
- We build and develop relationships of mutual benefit.
- Our service is based on respect and professionalism.

The average number of employees during the year was 114 (see Note 27 for more information). A bonus program for employees was introduced in 2011. The maximum total cost of the bonus program has been set at 10 % of the Club's salary costs including social security expenses. A provision of USD 0.4 million has been made for bonuses in 2017.

Note 27 also contains information on the principles for establishing salaries and benefits for senior management.

Risks and uncertainties

The Swedish Club's operations give rise to various types of risks that could have an effect on its result and financial position.

There are four main categories of risk:

- Insurance risk
- Counterparty risk
- Financial risk
- Operational risk

During 2012, an internal capital model (ICM) designed as a control mechanism for the Club's management process was implemented. The model is an important tool for calibrating capital needs, as well as a dynamic tool that is helpful in the decision-making process.

Additionally, ICM is an essential component of The Swedish Club's preparations for meeting the requirements of the EU Solvency II Directive, which came into force during 2016.

Note 2 contains an overview of how these risks affect operations and how the Club manages them.

Credit Ratings

The Swedish Club's credit valuation, which is carried out by Standard & Poor's, remained at the level of BBB+, yet with a change from "stable outlook" to "positive outlook". The Club has

also obtained a credit rating from A.M. Best, which gave The Swedish Club a credit rating of A-. Both the current credit ratings were made public on 27 January 2018 via a press release.

Prospects for 2018

In 2018, we expect the premium volumes for all our insurance areas to remain at approximately the same levels as in 2017. We further anticipate that claims incurred in 2017, given the underlying stable claims frequency, are at the level expected to occur in 2018 as well.

In the finance market, we expect interest rates to continue rising in 2018. We also anticipate volatility in the stock market due to political and economic uncertainty.

Financial strength

The losses carried forward below need to be understood in the perspective of Swedish regulations allowing the Club to build an untaxed Safety Reserve by appropriation of income. Since inception, the Club has grown its untaxed reserves to USD 226.8 million. The "Free Reserves" of the Club – i.e. results carried forward plus untaxed reserves and deferred taxes – amounted to a strong USD 213.5 million at year end 2017. According to the methodology of Solvency II regulations, the Club's Basic Own Funds amount to USD 234.1 million. This amount is 216 % of the Solvency Capital Requirement of the Club, which shows that the Club's capitalisation is very sound.

Appropriation of earnings

The following earnings are at the disposal of the AGM:

Accumulated loss	-10,309
Loss for the year	-5,376
Translation difference capital	621
Total	-15,064

The Board and the Managing Director propose that the accumulated loss be distributed as follows:

Carried forward	-15,064
------------------------	----------------

Five-year summary

Amounts in USD million.	2017	2016	2015	2014	2013
Income statement					
Earned premiums, gross	153.3	167.3	180.4	180.7	172.3
Earned premiums, f.o.a.	117.5	130.5	142.9	139.4	125.8
Investment income, allocated from the non-technical account	5.1	4.7	4.8	3.8	3.7
Claims, f.o.a.	-98.1	-103.0	-115.2	-93.2	-90.4
Refunds and discounts	-3.4	-	-	-	-
Net operating expenses	-24.8	-25.4	-25.8	-27.6	-27.3
Balance on technical account	-3.7	6.8	6.8	22.5	11.8
Balance on non-technical account	22.6	5.0	-9.9	-4.1	5.2
Result before appropriations and tax	18.8	11.8	-3.1	18.4	17.0
Financial position					
Investment assets at fair value	375.8	351.5	349.4	353.4	285.0
Technical provisions, f.o.a.	214.4	220.1	227.8	219.7	166.7
Free reserves	213.5	194.9	183.1	186.3	168.0
Deferred tax liability included in free reserves	51.5	45.6	43.0	43.5	39.9
Eligible Own Funds, in accordance with Solvency 2	288.2	¹⁾ 215.6	-	-	-
Basic Own Funds	234.1	215.6	-	-	-
Ancillary Own Funds	54.1	¹⁾ 59.3	-	-	-
Minimum Capital Requirement (MCR)	33.6	35.4	-	-	-
Solvency Capital Requirement (SCR)	108.2	118.5	-	-	-
Basic Own Funds / SCR	216 %	182 %	-	-	-
Eligible Own Funds / SCR	266 %	¹⁾ 232 %	-	-	-
<i>¹⁾ proforma as regulatory approval was received in March 2017</i>					
Key data insurance business					
Loss ratio	83 %	79 %	81 %	67 %	72 %
Expense ratio	21 %	19 %	18 %	20 %	22 %
Combined ratio	104.6 %	98.4 %	98.6 %	86.6 %	93.6 %
Average Expense Ratio (AER)	13.4 %	13.3 %	13.3 %	13.0 %	12.1 %
Key data asset management					
Total return	6.2 %	2.8 %	-0.6 %	3.2 %	2.9 %
Other key figures					
Free reserves ratio, claims	116 %	104 %	95 %	103 %	123 %
Average number of employees	114	109	109	109	103

Definitions are provided on pages 76-78

Income statement

For the financial year January through December 2017.

Amounts in USD thousands.

	Note	2017	2016
Technical account			
Earned premiums, net of reinsurance			
Premiums written, gross	3	151,020	163,181
Outward reinsurance premiums		-35,475	-36,401
Change in provision for unearned premiums		2,295	4,084
Reinsurers' share of change in provision for unearned premiums		-324	-333
		117,516	130,530
Investment income transferred from the non-technical account	4	5,100	4,700
Claims incurred, net of reinsurance			
Claims paid	5		
Before outgoing reinsurance		-120,731	-154,794
Reinsurers' share		16,678	51,273
		-104,053	-103,522
Change in provision for claims outstanding			
Before outgoing reinsurance		1,696	-21,882
Reinsurers' share		2,034	25,820
		3,730	3,938
		-100,323	-99,584
Change in other technical provisions	6	2,209	-3,377
Refunds and discounts		-3,418	-
Net operating expenses	7 & 27	-24,831	-25,439
Balance on technical account		-3,747	6,830
Non-technical account			
Balance on the technical account		-3,747	6,830
Financial result			
Financial income	8	24,267	7,383
Unrealised gains on investments	9	3,985	3,532
Financial costs	10	-595	-1,207
		27,657	9,707
Allocated investment income transferred to the technical account	4	-5,100	-4,700
Result before appropriations and tax		18,810	11,838
Appropriations: change in safety reserve		-23,091	-8,291
Result before tax		-4,281	3,547
Tax on result for the year	20	-1,095	-797
Profit/loss for the financial year		-5,376	2,750

Balance sheet

Assets

As of 31 December. Amounts in USD thousands.

Note 2017 2016

As of 31 December. Amounts in USD thousands.	Note	2017	2016
Intangible assets			
Intangible assets	11	94	123
		94	123
Investment assets			
Investments in group and associated companies			
Shares in group and associated companies	12	11	11
Other financial investment assets			
Quoted shares	13	59,918	77,798
Bonds and other interest-bearing securities	14	315,822	273,698
		375,751	351,506
Reinsurers' share of technical provisions			
Provisions for unearned premiums	15	3,700	4,024
Provision for claims outstanding	15	73,610	71,575
		77,310	75,600
Receivables			
Receivables related to direct insurance operations	16	38,707	42,859
Receivables related to reinsurance operations		1,299	2,478
Other receivables		1,587	806
		41,593	46,143
Other assets			
Tangible assets	17	564	547
Cash and bank balances		25,118	31,580
Other assets	18	9,432	7,156
		35,114	39,283
Prepaid expenses and accrued income			
Prepaid acquisition costs		3,189	3,400
Other prepaid expenses and accrued income		531	655
		3,720	4,056
Total assets		533,582	516,710

Equity, provisions and liabilities

As of 31 December. Amounts in USD thousands.	Note	2017	2016
Equity			
Statutory reserve		61	55
Accumulated loss		-10,309	-13,060
Profit/Loss for the financial year		-5,376	2,750
Translation difference capital		621	751
	A	-15,003	-9,503
Untaxed reserves			
Safety reserve		225,526	202,435
Equalisation reserve		1,307	1,183
	B	226,833	203,618
Technical provisions before reinsurers' share			
Provision for unearned premiums	15	33,634	35,929
Provision for claims outstanding	15	258,123	259,819
		291,757	295,748
Provision for other risks and charges			
Pensions and similar obligations	19	900	1,045
Deferred tax	C 20	1,642	765
		2,542	1,810
Liabilities			
Liabilities related to direct insurance operations	21	8,157	8,624
Liabilities related to reinsurance operations		5,757	5,200
Other liabilities	22	11,567	9,683
		25,481	23,507
Accrued expenses and deferred income			
Accrued expenses		1,972	1,529
		1,972	1,529
Total equity, provisions and liabilities		533,582	516,710
Free reserves (A+B+C)		213,472	194,880

Change in equity

Amounts in USD thousands.	Statutory reserve	Accumulated profit or loss	Translation difference capital	Profit/loss for the financial year	Total equity
Balance brought forward 2016-01-01	60	-4,316	641	-8,744	-12,358
Carried forward	-	-8,744	-	8,744	-
Profit for the year	-	-	-	2,750	2,750
Change in translation difference capital	-5	-	110	-	105
Balance carried forward 2016-12-31	55	-13,060	751	2,750	-9,503
Balance brought forward 2017-01-01	55	-13,060	751	2,750	-9,503
Carried forward	-	2,750	-	-2,750	-
Profit for the year	-	-	-	-5,376	-5,376
Change in translation difference capital	6	-	-130	-	-124
Balance carried forward 2017-12-31	61	-10,309	621	-5,376	-15,003

Profit/loss for the year includes unrealised gains/losses on investments. Deferred tax has been calculated on that portion. See Note 20.

Cash flow statement

As of 31 December. Amounts in USD thousands.	2017	2016
Paid premiums	154,705	162,853
Paid reinsurance premiums	-33,739	-34,274
Claims paid	-120,731	-154,794
Claims paid, reinsurers' share	16,678	51,273
Cash flow from insurance operations	16,913	25,057
Other expenses	-23,610	-45,245
Paid interest	-1	-5
Interest received	85	15
Dividends received	325	352
Paid tax	-218	-32
Refunds and discounts	-3,418	-
Cash flow from other operations	-26,837	-44,915
Acquisitions of tangible assets	-135	-7
Sales of tangible assets	-	-
Net investments in intangible assets	-	-
Investments in financial investment assets	-406,540	-25,552
Sale of financial investment assets	409,600	33,166
Net result financial investments	-135	798
Exchange rate difference	-940	1,661
Cash flow from investments operations	1,850	10,066
Cash flow for the year	-8,074	-9,792
Cash and bank balances at the beginning of the year	31,580	44,146
Cash flow for the year	-8,074	-9,792
Exchange rate difference on cash and bank balances	1,612	-2,774
Cash and bank balances at year-end	25,118	31,580

Performance analysis per class of insurance

According to Swedish regulations, there is only one class of insurance. However, the Club voluntarily reports on other subclasses. Please see pages 76-78 for an explanation of the classes of insurance.

For the financial year January through December 2017. Amounts in USD thousands.

	Total	P&I	FD&D	Marine & Energy
Technical account				
Earned premiums, net of reinsurance				
Premiums written, gross	151,020	98,689	6,001	46,331
Outward reinsurance premiums	-35,475	-26,989	7	-8,493
Change in provision for unearned premiums	2,295	1,192	-58	1,162
Reinsurers' share of change in provision for unearned premiums	-324	-120	-7	-197
A	117,516	72,771	5,942	38,803
Investment income transferred from the non-technical account				
B	5,100	4,000	200	900
Claims incurred, net of reinsurance				
Claims paid				
Before outgoing reinsurance	-120,583	-74,078	-3,779	-42,726
Reinsurers' share	16,678	15,099	-	1,580
Change in provision for claims outstanding				
Before outgoing reinsurance	1,548	-712	996	1,265
Reinsurers' share	2,034	-1,571	-	3,605
C	-100,323	-61,262	-2,783	-36,278
Change in other technical provisions				
C	2,209	2,209	-	-
Refunds and discounts				
D	-3,418	-3,418	-	-
Net operating expenses				
External acquisition costs	-11,383	-6,308	-416	-4,659
Operating expenses for renewal of insurance contracts	-6,088	-4,138	-114	-1,836
Administrative expenses	-7,360	-4,901	-147	-2,311
E	-24,831	-15,348	-677	-8,806
Balance on technical account				
A+B+C+D+E	-3,747	-1,047	2,682	-5,381
Run-off result (according 5 Chapter 4§ 3 ÅFRL)	13,945	10,205	2,532	1,208
Result outward reinsurance	-17,087	-13,581	-	-3,505
Result accepted reinsurance	0	-	-	-
Key figures				
Loss ratio [C/A]	83 %	81 %	47 %	93 %
Expense ratio [E/A]	21 %	21 %	11 %	23 %
Combined ratio [(C+E)/A]	104.6 %	102.2 %	58.2 %	116.2 %
Three-year average combined ratio	100 %	96 %	71 %	110 %
Insurance portfolio¹⁾				
Number of insured vessels		1,973	1,046	2,752
Gross tonnage (millions)		83	39	109
Average share covered (per cent of gross tonnage)		100 %	100 %	12 %
Average age (years)		9	8	10

¹⁾ Marine & Energy including H&M and Energy only. P&I including Charterers' Liability

As of 31 December 2017.
Amounts in USD thousands.

	Total	P&I	FD&D	Marine & Energy
Technical provisions				
Before reinsurers' share				
Provision for unearned premiums	33,634	12,927	791	19,916
Provision for claims outstanding ¹⁾	257,502	206,849	7,718	42,935
	291,135	219,777	8,508	62,851
Reinsurers' share				
Provision for unearned premiums	3,700	3,473	5	222
Provision for claims outstanding ¹⁾	73,610	58,875	-	14,734
	77,310	62,348	5	14,956
For own account				
Provision for unearned premiums	29,934	9,454	785	19,694
Provision for claims outstanding ¹⁾	183,892	147,974	7,718	28,200
	213,826	157,429	8,503	47,895

¹⁾The provision is reported excluding accepted reinsurance USD 621 thousands (see Note 15).

Notes

Note 1. Accounting principles

Statement of compliance with regulations applied

The annual report has been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL) and The Swedish Financial Supervisory Authority's rules, and regulations regarding annual reports for insurance companies (FFFS 2015:12) and the Swedish Financial Reporting Board's recommendation RFR 2. Law-limited IFRS have been applied, which are international accounting standards that have been adopted for use with the limitations that follow from RFR 2 and FFFS 2015:12. This means that all of the EU approved IFRS and statements have been applied, to the extent possible given Swedish law and the relationship between accounting and taxation.

Unless otherwise stated, all amounts in the financial statements are in USD thousands.

The Club has a subsidiary in Hong Kong which, in accordance with Chapter 7, Section 3a of the Swedish Annual Accounts Act, ÅRL, has not been consolidated, since the subsidiary is considered to be of lesser importance with regard to true and fair view requirements.

The Club also has holdings in the associated company, The Swedish Club Academy.

Assumptions when preparing the insurance company's financial statements

USD is the Club's functional currency, since most of the Club's income and costs are in USD. It is also the most significant currency used when estimating technical provisions and therefore, the primary environment in which the Club runs the business.

The Club converts transactions in foreign currency to the currency rate applicable on the transaction day, both to SEK and to USD. This financial statement

is reported in USD while SEK is used in the official Swedish regulatory reporting in accordance with law-limited IFRS. All amounts, unless stated otherwise, have been rounded off to the nearest thousand.

Assets and liabilities are reported at cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities that are measured at fair value consist of financial assets classified as financial assets measured at fair value through profit or loss.

Assessments and estimates made when preparing the financial statements

statements in accordance with law-limited IFRS, senior management must make assessments, estimates and assumptions that affect the application of accounting principles and the carrying amounts of assets, liabilities, income and expenses.

Estimates and assumptions are based on past experience and a number of other factors that under current circumstances seem to be feasible. The result of these estimates and assumptions are then used when assessing the carrying amounts of assets and liabilities for which the values are not clearly evident from other sources. Actual outcomes can differ from these estimates and assessments. Estimates and assumptions are regularly reviewed. Changes in estimates are reported in the same period that the change occurred, provided that the change only has an effect on that period. Otherwise, changes are reported in the same period that the change occurred and future periods, if the change affects both current and future periods.

Important estimates and assessments regarding technical provisions are based on assumptions about future claims payments, which means that the

estimates are always associated with uncertainty. Estimates are based on the Club's own historical statistics on prior claims losses available on the reporting date. The following are examples of items considered when estimating technical provisions: unpaid claims, claims development, changes in legislation, judicial decisions and general economic development. See also Note 2 (Risk management and risk analysis).

The accounting principles stated below have been applied consistently to all periods presented in the financial statements.

Principles applied

New and revised standards applied by the company

None of the standards that have come into force, or that must be applied for the first time for the financial year starting on 1 January 2017, have had a significant impact on the accounting principles or disclosures for the current financial year or the prior financial year, nor are they expected to have a significant impact on future periods.

New standards, amendments and interpretations to existing standards that have not yet entered into force and have not been early adopted.

In 2018, the Club will report and measure financial instruments in accordance with IFRS 9 Financial Instruments. The Club has concluded that its investments will continue to be measured at fair value through profit or loss. Furthermore, its bank deposits and other receivables will continue to be measured at amortised cost. Accordingly, the transition will not result in any changes in reported amounts in the balance sheet, nor how income will be recognised going forward. Because the Club's deposits are held at bank's with a high rating (at least A) and they are repayable upon demand, the anticipated amount of credit losses

on this exposure is insignificant. Other receivables amount to an insignificant amount in the balance sheet (USD 0.3 million as of 31 December 2017) and they have a short maturity, which means that the anticipated credit losses are negligible.

IFRS 17 enters into force in 2021. The standard introduces new principles on how to report and measure insurance contracts. FI (the Swedish Financial Supervisory Authority) has not yet decided whether or not it will require Swedish insurance companies to apply the new standard. The Club has started evaluating how implementation of IFRS 17 would impact its financial statements, processes and systems.

None of the IFRS or IFRIC interpretations that are obligatory for the fiscal year that started on 1 January 2017 have had a significant impact on The Swedish Club's income statement or balance sheet.

Insurance contracts

All of the Club's insurance contracts are defined as insurance contracts in accordance with IFRS 4. Insurance contracts are reported and measured in the income statement and balance sheet in accordance with their financial substance rather than their legal form whenever there is a difference between the two. Items reported as insurance contracts must transfer substantial insurance risk from the policyholder to the Club. They must also obligate the Club to compensate the policyholder, or another beneficiary, if a predetermined insured event were to occur.

Income tax

Income taxes are comprised of current tax and deferred tax. Income taxes are reported in the income statement. Current tax is tax that is payable or refunded for the current year, applying tax rates that have been decided or effectively adopted as of the reporting date. This also includes adjustments of current tax related to prior periods.

Deferred tax is measured according to the balance sheet method. The starting point is thus temporary differences

between the carrying amount of an asset or liability and its tax base. The valuation of deferred tax is based on the extent to which the underlying assets and liabilities are expected to be realised or settled.

Deferred tax is calculated by applying the tax rates and tax rules that have been decided or effectively adopted as of the reporting date. Untaxed reserves are reported including deferred tax liability.

Premiums written, gross f.o.a.

Gross premium written is normally reported according to the maturity principle. This means that the gross premium written is reported in the income statement when the annual premium or - in cases where the contractual insurance period's premiums have been divided into several partial premiums - when the first partial premium are due for payment. Furthermore, in order for the gross premium written to be included, the term of the underlying insurance contract must start during the current accounting period. The method described above is used also for premium written, reinsurers' share.

Premiums earned f.o.a.

Premiums earned reflect the proportion of the gross premium written that is attributable to the accounting period. The share of the premium income from insurance contracts pertaining to periods after the closing date is allocated to the premium reserve in the balance sheet. Calculation of the provision to the premium reserve is done by allocating the premium income to the proper period based on the underlying duration of the insurance contract. The method described above is also used for earned premiums, reinsurers' share.

Investment income transferred from the non-technical account

Investment income is reported in the non-technical result. The Club uses a model for the calculation of investment income transferred from the financial business to the technical account. The model compensates the insurance business with interest for

the float generated during the period between premium payment and claim payment. The interest rate that was used corresponds to the expected return on investments for the current year.

Net claims incurred

The total net claims incurred for the accounting period includes claims paid during the period and changes in the provision for claims outstanding. Besides claims, net claims incurred also includes claims handling costs. The provision for claims outstanding is calculated using expected nominal cash flows.

The provision for claims outstanding net of reinsurance is revalued using the closing day rate of exchange. Historical data on claims payments provides the basis for allocation of the provision to each relevant currency. Based on these statistics, the Club has chosen to make the assessment that the reserves are fully comprised of USD.

Net operating expenses

The proportion of the total operating expenses related to claims handling is reported under the heading "Net claims incurred". A portion of net operating expenses is also related to investment administration and this portion is reported as "Internal asset management costs". These costs include both direct costs and indirect allocated costs. Operating expenses in the insurance business include, besides administrative costs, also acquisition costs. Internal acquisition costs and internal investment administration costs are allocated in accordance with a model (see Note 7 and Note 10).

Investment income - realised and unrealised profit on investments

Realised profit/loss on sale of investments is equivalent to the difference between the sales price and acquisition cost. The Club's investments are reported at fair value. Unrealised changes in values are reported in the income statement and can be defined as the annual change in the difference between fair value and acquisition cost.

Financial instruments

Financial instruments reported in the balance sheet as assets:

- Accounts receivable (reported under the heading, "Receivables").
- Shares and participating interests
- Bonds and other interest-bearing securities

Items reported as liabilities or equity include:

- Trade creditors (reported under the heading, "Liabilities")

Acquisition and disposal of financial assets are reported on the trading day, which is the day the Club is obliged to acquire or dispose of the asset.

Financial instruments that are not derivatives are initially reported at cost, which is equal to the instrument's fair value plus transaction costs. This applies to all financial instruments, except those that belong to the category, "Financial assets measured at fair value through profit or loss". Those are reported at fair value excluding transaction costs.

Initial recognition of a financial instrument is based on the purpose for which the instrument was acquired. The initial classification also determines how the financial instrument shall be measured going forward, as described below. Derivative instruments are reported both initially and afterwards at fair value. Derivatives are held throughout the reporting year. There were no holdings at the end of the reporting year.

The Club does not apply hedge accounting. The Club has classified financial instruments in the following categories, in accordance with IAS 39:

The category, "Financial assets measured at fair value through profit or loss" consists of two subcategories:

- Financial assets that are held for trading.
- Other financial assets that the Club initially chose to recognise in this category (according to the fair value option).

Financial instruments in this category are valued at fair value with changes in value reported in the income statement under the heading, "Unrealised gains on investments" or "Unrealised losses on investments".

Derivatives with a positive fair value are included in the first subcategory.

Derivatives consist of forward exchange contracts that hedge against currency risk exposure.

The other subcategory contains the Club's investment assets (except for derivatives and loan receivables). The Club has chosen to apply the fair value option on assets, since key personnel in the Club evaluate all investment assets on the basis of fair value in accordance with documented risk and investment strategies.

The Club classifies such investment assets (i.e. assets that are financial instruments and not shares in subsidiaries) as "Financial assets measured at fair value through profit or loss". This is due to the fact that the Club evaluates its asset management activities on the basis of fair values.

The category, "Loan receivables" and "accounts receivable" are financial assets that are not derivatives, that have determined or determinable payments and that are not listed on an active market. These are valued at amortised cost.

Amortised cost is determined based on the effective rate of interest calculated at the time of the acquisition. Accounts receivable and loan receivables are reported at net realisable value, i.e. after the deduction for doubtful debts.

Borrowings and other financial liabilities, such as trade creditors, are included in the category, "Other financial liabilities". These are valued at amortised cost.

Description of fair value

For a description of the methods and assumptions used by the Club to establish the fair value of financial instruments, please see Note 2.

At each reporting occasion, the Club assesses whether there is any objective evidence that a financial asset or group of assets has become impaired as the result of the occurrence of one or more events (loss events) having taken place after the asset was reported for the first time. Furthermore, the loss event(s) must have an impact on the forecasted cash flows for the asset or group of assets.

Intangible assets

Intangible assets are capitalised

expenses for the development of computer systems. They are valued at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over a useful life of five years starting from the time when the system is put into operation.

Property, plant and equipment

Machinery and equipment are reported at cost less accumulated depreciation according to plan, which is based on the useful life of the assets plus any write-downs. Depreciation is calculated on a linear basis over a useful life of three or five years. For improvements made on property owned by others, depreciation is calculated on a linear basis over a 20-year period.

Subsidiaries and associated companies

A subsidiary is a company that is subject to a controlling influence by the parent company. Controlling influence is the right to, directly or indirectly, formulate a company's financial or operating strategies in order to obtain economic benefits.

Associates are companies in which the company has a significant (but not controlling) influence over the operating and financial management, usually through holdings corresponding to 20-50 % of the votes. Shares in subsidiaries and participations in associated companies are reported in accordance with the cost method. Any dividends received are reported as income.

Cash and bank balances

Cash and bank (with the exception of minor cash amounts) consists of bank accounts and funds that have been transferred to asset management that will not be invested in assets.

Prepaid acquisition costs

The item includes allocated commissions associated with the signing of insurance contracts. These costs are allocated in the same way as the allocation of unearned premiums.

Provision for unearned premiums

The provision for unearned premiums is calculated strictly pro rata (pro rata temporis). In accordance with technical guidelines pertaining to insurance, testing is performed on a regular basis to determine whether a provision needs to be made for remaining risks.

Provision for claims outstanding

The provision for incurred and reported claims is based on individual, realistic assessments of individual claims using information that is available on the reporting date. Incurred but not reported claims, IBNR, is calculated using statistical methods that are based on past experience of the number and extent of claims reported for prior accounting years. The provision for outstanding claims also includes a reserve for operating costs associated with settling outstanding claims. The provision for outstanding claims has been reported using undiscounted values.

Pensions costs and pensions commitments

The pension obligations are comprised of pension plans that are regulated through collective agreements and national insurance laws. The obligations consist of both defined contribution and defined benefit plans.

Retirement through insurance

The Club's pension plans for collective pension agreements are secured through insurance agreements with SPP. The pension plan for the Club's employees has been assessed as a defined benefit plan covering multiple employers. However, the Club has assessed that UFR 10, Reporting of Pension Plans in ITP 2 that are financed through insurance with Alecta is also appropriate for the Club. The Club lacks sufficient information for reporting in accordance with IAS 19. Therefore, in accordance with UFR 10, it reports these pension plans as defined contribution plans. The Club's obligations concerning contributions to defined contribution plans have been reported as an expense in the income statement at the rate they are earned by employees performing services during the period.

Retirement through own management

Besides the collective pension agreements guaranteed through insurance agreements, the Club also has special agreements with certain employees allowing them to retire earlier than 65 years' of age and obtain further compensation in addition to the collective pensions benefits. The majority of the provision originates from the 2006 change of terms in the collective agreement for the insurance sector, which gives employees born before 1956 the right to early retirement from the age of 62. The calculated provision is based on anticipated future pension payments and it includes assumptions regarding mortality, employee turnover, salary growth and price inflation.

Leasing contracts

The Club has signed contracts in which assets such as cars and office equipment are leased for a contracted period of time. Leasing fees are expensed over the contracted period of time based on utilisation.

Assets and liabilities in foreign currency

Assets and liabilities in foreign currency are translated to USD at the closing day rates of exchange. However, shares in subsidiaries are valued using the rate of exchange prevailing on the acquisition date. For translation from a foreign currency to USD, the difference is reported in the income statement under the heading, "Financial income" or "Financial costs".

For the Club's most important currencies, the following rates (prevailing on 31 December) have been used:

Currency (equals 1 USD)	2017	2016
Swedish kronor (SEK)	8.2322	9.0971
British pound (GBP)	0.7413	0.8138
Euro (EUR)	0.8358	0.9509
Hong Kong dollar (HKD)	7.8149	7.7548
Norwegian kroner (NOK)	8.2232	8.6310

Note 2. Risk management and risk analysis

Risk management

The Swedish Club's risk management is carried out with the help of the company's risk management system, which is an integral part operations. Its goal is to create and maintain a good ability to identify, measure, manage, control, monitor and report risks that the Club is, or could become, exposed to. The risk management system is in line with the risk management directive adopted by the Board.

The Swedish Club has developed an Internal Capital Model (ICM) for quantifying its risks. The model is used as a control mechanism

for the management process, the ORSA process and in conjunction with efforts to evaluate and optimize the Club's reinsurance programme. It is also used in the creation of new products. The Club believes that having a strong Enterprise Risk Management process provides a competitive advantage. ICM is an important tool that enables calculation of the risk-adjusted returns for alternative decisions. Successful risk management lowers the likelihood of undesirable operational and financial results. As such, it is a critical component of the Club's ability to achieve its business goals.

Risk culture

The Club strives to have an open risk culture that creates risk awareness and encourages all levels of the organisation to participate in discussions about risk as a natural part of their daily work. All employees contribute to identifying and quantifying both current and future operational risks. As part of its risk management efforts, The Swedish Club encourages all departments to discuss (during meetings and while carrying out their work) the risks that they are aware of and also propose suggestions on how to eliminate or manage them.

Capital requirements

The Swedish Club applies the standard model for calculating the regulatory capital requirement and it uses an Internal Capital Model (ICM) for its Own Risk and Solvency Assessment (ORSA). Reporting is based on the quantitative reporting templates that have been adopted by the EU supervisory authority, EIOPA.

The calculation of capital requirement in accordance with the standard model and ORSA is supplemented with Standard & Poor's and A.M. Best's rating models. Analytical stress tests and sensitivity analyses are also performed and disclosed in the ORSA report.

A Solvency and Financial Condition Report (SFCR) is available on the Club's website. It describes the regulatory solvency and capital requirements stipulated in the directive.

Structure of corporate governance and allocation of responsibilities

Annual General Meeting (AGM)

The AGM is the highest decision-making body and it consists of all members. The AGM elects the Board of Directors and members of the Nomination Committee. It also adopts the income statement and balance sheet contained in the annual report, elects the external auditors and addresses other matters that fall within its realm of responsibility.

Board of Directors

The Board has ultimate responsibility for ensuring that the Club complies with the prevailing laws and regulations. It also creates the strategic guidelines and instructions for the Club. Furthermore, the Board ensures that suitable internal instructions for risk management and risk control exist.

The Board continually monitors the Club's operations, financial result and asset management. The Board maintains regular contact with all of the committees that have been set up, as well as with the senior management team and key functions. The Board must pro actively request information and challenge it, as required. The work, obligations and responsibilities of the Board are described in its rules of procedure. The Board consists of 23 members, including the Managing Director and two employee representatives.

Nomination Committee

The Club's nomination committee is responsible for suggesting

new Board members and members of the nomination committee, which are then considered by the AGM. The committee also proposes the level of remuneration to Board members. In total, the committee consists of three members, of which, one is a Board member.

Finance & Audit Committee

The Finance & Audit Committee is a sub-committee of the Board of Directors. It serves as a link between the Board of Directors, senior management and the auditors on financial issues. It also prepares issues to be considered by the Board, so that the Board can make well-informed decisions.

The committee also reviews recommendations and gives feedback to the senior management team on key areas including changes in investment allocation, audit, compliance with regulations and collection of premiums. It monitors the results of investment activities and makes decisions concerning investment allocation within the limits stated in the Club's investment directive. The Finance & Audit Committee consists of seven members, including the Managing Director and CFO.

Managing Director

The Managing Director is appointed by the Board and is responsible for the daily management activities of the Club.

Organisation and internal control

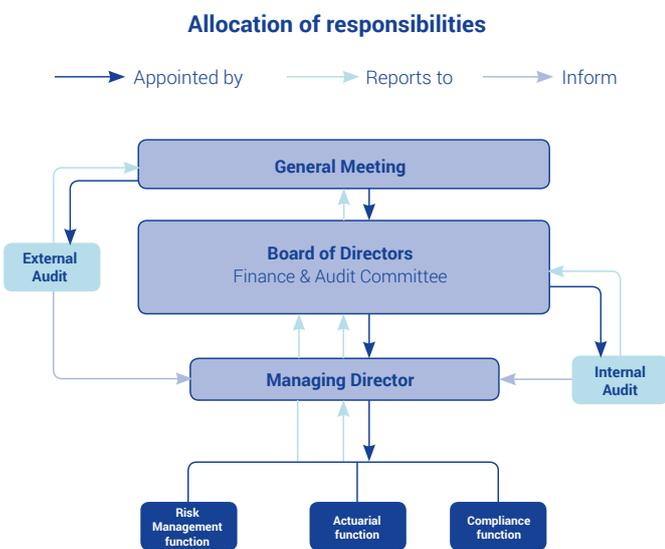
The Club's organisation consists of the managing director, a senior management team with six members and four geographical teams. The geographical teams are mostly independent in terms of daily operations. However, many of the organisation's functions have been centralised, as illustrated in the figure, below.



The work and responsibilities for each component of the organisational structure must be well-defined, allocated and coordinated. Relevant processes are described and documented in the Club's management system.

Internal control

There are three levels of internal control applied to the organisation. The first level of internal control occurs through the operational functions, as illustrated in the figure, below. The second and third levels are independent of the operational functions. The second level consists of risk management, the actuarial function and regulatory compliance. The third level, which is completely independent of all other functions, is internal audit, with an internal auditor that has been appointed by the Board.



The figure above illustrates important information flows and allocation of responsibilities.

Operational functions

Managers of the operational functions or geographic teams are responsible for the internal controls and regulatory compliance within their area of responsibility. They must ensure that the employees in their department are well acquainted with the guidelines and instructions in the management system, as well as all rules and regulations. The managers must control and monitor compliance within their area of responsibility. They must also implement corrective measures whenever a lack of compliance has been detected. The managers of functions and teams are also responsible for informing the risk management, actuarial, compliance and internal audit entities about any circumstances that may be relevant to the performance of their respective areas of responsibility.

Risk management function

The risk management function is an independent central function responsible for ensuring that risks are identified, measured, managed, controlled, monitored and reported. The risk management function has overall responsibility for

quantifying and modelling risks, along with developing and maintaining the Club's Internal Capital Model (ICM). The risk management function uses adequate methods and techniques for that purpose, including stochastic models, sensitivity analysis and scenario tests.

The risk management function has overall responsibility for implementing an effectively functioning risk management system. The function is independent of the operational activities. The risk management function is responsible for compliance with the Board's directive on risk tolerance and solvency. It also coordinates and is responsible for the Club's Own Risk and Solvency Assessment (ORSA). Twice per year, the function must prepare and submit a risk control report to the Board.

Actuarial function

The actuarial function is responsible for coordinating the calculations of technical provisions, participating in implementation of the ORSA process and strengthening the Club's risk management system. The function is required to state an opinion on the overall underwriting policy and suitability of the reinsurance programme. Once per year, it must also prepare and submit a report to the Board on the work it has done, noting any deficiencies in compliance and providing recommendations on corrective measures.

Compliance function

The compliance function consists of a Compliance Manager (CM), Compliance Control Officer (CCO) and Compliance Coordinators (CC). The CM is responsible for identifying, evaluating and reducing the risks in connection with deficiencies in compliance; monitoring relevant legislation and changes in existing rules and regulations; providing support and guidance to the organisation regarding regulatory compliance; as required, providing information and training on rules and regulations; obtaining confirmation of regulatory compliance from the managers in charge; and providing support to the organization whenever new policies, routines and instructions are need to be created.

The CCO is responsible for designing methods and routines for control of regulatory compliance, along with identifying significant risks in operations if any deficiencies in compliance are detected. The risk analysis is continually updated and control of regulatory compliance is carried out in accordance with the audit plan adopted by the Board. All implemented control activities must be reported to the Board, or, if the Board has decided such, to the Finance & Audit Committee. The CC is responsible for assisting the regulatory compliance efforts of the various operational functions.

Internal audit function

Internal audit is an entirely independent function that has been delegated to an external party (KPMG). It is responsible for evaluating the system for internal control, other parts of the corporate governance system, independence of the actuarial function and the remuneration policy for employees. The

function must report its findings to the Board or, if the Board has decided such, to the Finance & Audit Committee. The internal audit function is subordinate to the Board.

Internal audit is to be carried out in accordance with the audit plan adopted by the Board.

Risk analysis

The Club's risk exposure is primarily associated with variations in the outcome of claims for the Marine and P&I insurance classes, as well as variations in investment income. However, the Club is also exposed to a number of other risks.

The components of insurance, counterparty, operational and financial risks are presented below:

Insurance risks

Insurance risks consist of underwriting risks and reserving risks. Effective management of underwriting risks is fundamental to The Club's operations. Potential member's vessels and management team are thoroughly reviewed prior to acceptance. Rating systems and premium models are used to ensure that correct premium levels have been selected. The Club's comprehensive reinsurance arrangements level out fluctuations in claims results. This helps protect the Club from incurring losses that are associated with very large claims, including the aggregation of losses from multiple insured interests.

The accuracy of current claims models is monitored on a monthly basis, by comparing the actual outcome per insurance class to the expected result that was generated by the models.

The claims model is also used to simulate claims costs in the Club's ICM, which enables a consistent treatment of underwriting risk based on the capital requirements at all levels, i.e. from the company level down to the underwriting of an individual risk.

Concentration of insurance risk

The table below shows concentration measures for the two largest individual classes of insurance as of December 2017. The weighted average duration for outstanding claims is approximately 3.2 years.

	Number of vessels	Average age	Gross tonnage (millions)	Average claim duration
P&I ¹⁾	1,180	10.8	50.6	3
H&M ²⁾	2,775	9.7	116.4	2

¹⁾P&I Owners ²⁾100 % basis including Energy risks

It is not uncommon for a vessel to be insured in more than one of the Club's business areas. In these cases, the same incident can lead to claims in more than one business area (Clash). Based on how the different reinsurance protections have been set up, this could affect the allocation of claims costs between reinsurers and the Club. Clash primarily concerns the insurance classes shown in the table below.

Exposure	Vessels	H&M ¹⁾	P&I ²⁾	Loss of Hire ¹⁾	Hull ¹⁾ Interest
Four classes	125	X	X	X	X
Three classes	12	X	X	X	
	359	X	X		X
	621	X		X	X
	9		X	X	X
Two classes	71	X	X		
	55	X		X	
	1,094	X			X
	35		X	X	
	4		X		X
	36			X	X
Vessels by class of insurance		2,775	1,180	1,203	2,278
Total number of vessels			3,764		

¹⁾Including Energy risks ²⁾P&I Owners

The table shows the concentration of insurance classes per vessel as of 31 December 2017: 3.3 % of vessels were exposed to four insurance classes, 26.6 % to three classes and 34.4 % to two classes.

Reserving risk

Reserving risk is associated with the provision for claims outstanding and the provision for unearned premiums. When calculating the provision for unearned premiums, consideration must be given to differences in risk exposure during the policy period. For example, there are seasonal variations in the frequency/severity of claims between quarters or other periods of time that must be considered.

The provision for incurred and reported claims is based on individual assessments of claims using the latest information available. Claims reserves must reflect the total liability, which includes claims

handling costs, expected claims inflation and currency considerations.

Incurred but not reported claims, IBNR, is calculated using statistical methods that are based on past experience of the number and extent of claims reported for prior accounting years.

Sensitivity of provisions made

The table, Insurance Year, shows the development of claims, net, i.e. how the originally determined claim amount at the end of each insurance year has developed over time (from the end of each respective accounting year through 31 December 2017). Variations in the provisions that were made have had a

positive impact on the provision currency (USD) over the past five years.

The table, Insurance Year, shows the development of claims in USD thousands. Since the end of the 2014 financial year, the composition of the technical provision has been 100 % USD. Prior to that, it had been assessed that a certain percentage of it was EUR. Accordingly, when comparing figures in the table, it is important to keep in mind that there is a currency effect associated with these currencies. However, this effect is compensated by an opposite trend in exchange rates for investments. See the section on currency exposure for more information.

Insurance Year	2012	2013	2014	2015	2016	2017
Estimated final claims cost (net) at the end of:						
Claim year (net)	103,837	81,932	103,649	130,969	108,087	112,058
one year later	94,945	89,301	101,862	139,055	110,709	
two years later	88,887	89,414	97,360	133,715		
three years later	83,973	84,376	92,322			
four years later	82,007	78,354				
five years later	81,479					

Counterparty risk (reinsurance)

Reinsurance protection is essential for the successful operation of the Club. Risks can arise due to insufficient or incorrect reinsurance protection. Reinsurance purchasing activities are centralised and they are the responsibility of the Reinsurance Department. Documented routines are followed in order to ensure correct wording and consistency of reinsurance contracts. The department prepares an annual "Reinsurance Risk Assessment Report". This provides the basis for ensuring that reinsurance protection is set at an appropriate level. Thorough knowledge of probabilities and expected outcomes of claims are important components in assessing the risks associated with reinsurance.

The Club has had a consistent reinsurance strategy for many years. For Marine & Energy, the Club purchases its

own protection. This is based on a long relationship with some of the world's leading reinsurance companies — a collaboration that has been productive for all of the parties involved. For P&I, the reinsurance is based on the cooperation within the International Group of P&I Clubs, where claim costs between USD 10 million and USD 80 million are pooled (the Pooling Agreement). To supplement this, the Group purchases reinsurance protection up to USD 3,100 million (Excess reinsurance programme). The International Group's joint reinsurance company is Hydra Insurance Group Ltd (Bermuda). It reinsures the Group's P&I pool claims for USD 50 million in excess of USD 30 million and also part of the layer USD 1,000 million in excess of USD 80 million.

Parts of the pool, as well as parts of the reinsurance protection are covered by the captive company, Hydra Insurance

Company Limited (Bermuda), which is owned by the Group's 13 members. Hydra is a protected cell company, which means that the assets and liabilities in each cell are legally separate from the other cells. Each of the 13 clubs owns one of the protected cells and from it, claims are paid and premiums received. Hydra writes three reinsurance contracts for the clubs:

- 100 % of the coverage between USD 30 and 80 million.
- 100 % of the coverage between USD 80 and 100 million.
- 30 % of the coverage between USD 100 and 600 million.

Our share of the business in Hydra is approximately 5 %. For more information on International Group see www.igpandi.org/.

Since 2010, The Swedish Club has had a reinsurance solution for the level USD 8 million in excess of USD 2 million, which

covers the insurance classes, Marine and P&I. The thought behind this structure is to combine the protection for the different classes and only retain the first USD 2 million per combined claim. With this structure, the Club retains all claims in the layer USD 8 million in excess of USD 2 million during a normal claims year by means of an annual aggregated deductible of USD 30 million. The reinsurance is only settled in a poor claims year, when the claims in this layer exceed the annual aggregated deductible.

Operational risks

The Club is exposed to many types of operational risk. Different parts of the organisation participate in self-assessment activities to identify and analyse operational risks. They also provide the input that makes modelling possible.

Operational risks might arise as a result of inadequate processes, human factors

or ambiguous management practices. The Club has a history of adequate documentation of critical activities via its quality systems. This helps ensure that many undesired operational events are avoided.

Important operational risks also include risks that can arise in conjunction with a catastrophe scenario, such as an office fire, IT systems breakdown, a lengthy power failure, and so on. The Club has an established contingency plan for such situations, which is evaluated annually.

Financial risks

Market, credit and liquidity risks are classified as financial risks. Here, the Club's primary objective is to identify an acceptable risk level from which it can maximize long-term investment income. The investment portfolio's currency mix also play an important role when matching the Club's assets and liabilities. The investment philosophy is based

on risk diversification and investing primarily in assets with a high level of creditworthiness. In order to minimise and control risks, the Board of Directors establishes an investment policy (Investment Directive), which governs the composition, control and authority over asset management. A model has been developed in order to stress the investments and measure the total value at risk. It measures exposure in equities, currencies, interest rates and maturities. According to the model, risk exposure has decreased from USD 25 million at the beginning of the year to USD 22 million at the end of 2017.

Performance and other factors are measured and reported to the Managing Director on a monthly basis. Monitoring of the priority register, outcomes and risks is handled by the Finance & Audit Committee. Follow-up, which includes sensitivity analysis, is performed and reported on a quarterly basis to the Board.

2017	Financial assets measured at fair value through the income statement	Loans receivables	Total carrying amount	Fair value
Assets chosen to be recognised in category				
Financial assets				
Shares	59,918	-	59,918	59,918
Bonds and other interest-bearing securities	315,822	-	315,822	315,822
Other Receivables	-	321	321	- ¹⁾
Cash and bank balances	-	25,118	25,118	- ¹⁾
Other assets	-	709	709	- ¹⁾
Total Financial assets	375,740	26,148	401,888	375,740

2017	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	-11,074	-11,074	- ¹⁾
Total Financial liabilities	-11,074	-11,074	-

¹⁾ Disclosure on fair value has not been provided because the carrying amount is deemed as being a reasonable approximation of fair value.

2016	Financial assets at fair value through the income statement	Loans receivables	Total carrying amount	Fair value
Assets chosen to be recognised in category				
Financial assets				
Shares	77,798	-	77,798	77,798
Bonds and other interest-bearing securities	273,698	-	273,698	273,698
Other receivables	-	146	146	- ¹⁾
Cash and bank balances	-	31,580	31,580	- ¹⁾
Other assets	-	642	642	- ¹⁾
Total Financial assets	351,496	32,368	383,864	351,496

2016	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	-9,593	-9,593	- ¹⁾
Total Financial liabilities	-9,593	-9,593	-

¹⁾ Disclosure on fair value has not been provided because the carrying amount is deemed as being a reasonable approximation of fair value.

Calculation of fair value

The following is a summary of the primary methods and assumptions that have been used to determine the fair value of financial instruments, which are reported at fair value in the balance sheet:

Level 1

For financial instruments listed on an active market (investment assets) the fair value is determined on the basis of the

asset's listed buying rate on the reporting date, not including transaction costs (e.g. brokerage fees) at the time of acquisition. Any future transaction costs related to disposal are not taken into account.

Level 2

In those few instances where prices are not available in an active market, valuation has been made by an independent nominee, who, by own

account, has used price components that can be observed on the market and which therefore are included in level 2.

In the table below, data is provided on how fair value is decided based on the description of the levels provided above for the financial instruments that are measured at fair value in the balance sheet.

2017	Level 1	Level 2	Total
Shares	59,918	-	59,918
Bonds and other interest-bearing securities	301,272	14,550	315,822
Total	361,190	14,550	375,741

Market risks

Market risks include fluctuations in interest rates, exchange rates and share prices. The Club operates in an international environment, with revenue, expenditures and investments in various currencies.

As of 31 December 2017 the duration of fixed income securities was 2.7 (4.3) years. A change in interest rates of 1 % would result in a change in the value of the bond portfolio of approximately USD 8 (11) million.

Currency exposure for the Club's most important currencies (see the table Currency exposure) was, as of 31 December 2017 USD 31 (28) million. As all decisions regarding currency positions are based on a US dollar perspective, the Club has chosen to regard free reserves as consisting entirely of US dollars. However, operating costs arise in a variety of currencies.

Currency exposure	EUR	GBP	SEK
Investment assets	26,974	-	10
Receivables	5,569	1,598	1,324
Other assets	8,784	604	2,306
Total assets	41,327	2,202	3,641
Equity and untaxed reserves	-	-	-
Technical provisions, net	-3,229	-3	-125
Other liabilities and provisions	-8,911	-348	-3,140
Total liabilities and provisions	-12,140	-352	-3,265
Net exposure	29,188	1,850	376

Approximately 16 % of the Club's investments are shares. All equity exposure is in well-diversified funds or in indexed-linked securities with a high rating. Decisions concerning investments and reallocations of equity investments are the responsibility of the Board of Directors through the Finance & Audit Committee.

The Club's main credit risks are associated with the following items: risk of bond failures, reinsurance

compensations, receivables from members and guarantees from counterparties.

The likelihood that the Club's result would be significantly impacted by fixed income portfolio defaults has been assessed as quite small. At year-end, the Club had USD 316 (274) million invested in fixed income products.

Creditworthiness for classes of financial assets at fair value¹⁾

	AAA	AA	A	BBB	Other
Bonds and other interest-bearing securities					
Foreign governments	137,510	3,794	2,049	3,844	4,639
Other foreign issuers	2,653	11,602	31,964	47,750	45,529
	140,163	15,396	34,013	51,594	50,169

¹⁾ Ratings by Standard & Poor's and Moody's

Reinsurance purchasing has been centralised to one department in order to minimise counterparty risk for losses relating to payments from reinsurers. Furthermore, in accordance with documented procedures, minimum rating limits apply to the participating reinsurers, which means that no reinsurer may have a rating lower than BBB (Standard & Poor's) or Baa2 (Moody's). However, 90 percent of the reinsurers have a rating of at least A- (Standard & Poor's) or A3 (Moody's).

During 2017, no participating reinsurer was rated below A by Standard & Poor's.

In connection with claims handling, the Club occasionally accepts guarantees from counterparties. In general, the Club only accepts guarantees issued by other P&I Clubs, major insurance companies, banks or cash deposits. The number of

guarantees is limited and the associated risks are relatively small. In December 2017, outstanding premiums older than 3 months were 0.9 (0.8) % of the 2017 gross premium.

There is little liquidity risk in the short term of the Club becoming short of cash funds, since the majority of the investment portfolio can be converted to cash within a few days. In addition, the Club is not dependent on financing from capital markets.

Capital requirements

FI's (the Swedish Financial Supervisory Authority) oversight of insurance companies includes a quarterly reporting requirement on Solvency Capital Requirement (SCR) and own funds. SCR at the end of 2017 was USD 108 million and eligible own funds were USD 288 million.

Note 3. Premiums written, gross by geographic area (direct insurance)	2017	2016
China	30,906	30,086
Greece	29,745	30,514
Germany	22,161	28,611
Singapore	12,331	11,239
Norway	10,724	10,374
Sweden	8,380	9,621
Other countries	36,774	42,736
	151,020	163,181

Note 4. Investment income transferred from the non-technical account	2017	2016
Allocated investment income transferred to the technical account	5,100	4,700

Investment income is reported in the non-technical result. From 2006, a model is used for the calculation of investment income transferred from the financial business to the technical account. The model compensates the insurance business with interest for the float generated during the period between premium payment and claim payment. The interest rate used corresponds to the expected yield on the investment portfolio. For 2017 the expected yield was 2.7 % (the actual yield was 7.7 %).

	2017	2016
Average interest rate	2.7 %	2.5 %

Note 5. Claims paid	2017			2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Current year:						
Claims paid	-36,556	-	-36,556	-45,687	11,480	-34,207
Claims handling costs	-9,646	-	-9,646	-9,589	-	-9,589
Previous years:						
Claims paid	-74,529	16,678	-57,852	-99,518	39,793	-59,726
	-120,731	16,678	-104,053	-154,794	51,273	-103,522

Note 6. Change in other technical provisions	2017	2016
Value change, Hydra	2,209	-3,337
	2,209	-3,337

This income item reflects the change in value of receivables on Hydra. See Note 18.

Note 7. Net operating expenses**2017****2016****Specification of net operating expenses reported in the income statement**

Acquisition costs	-11,171	-12,780
Change in prepaid acquisition costs	-212	-506
Internal operating expenses for acquisition of insurance contracts	-6,088	-5,812
Acquisition costs	-17,471	-19,098
Administrative expenses	-7,360	-6,341
Net operating expenses	-24,831	-25,439

Allocation of other operating expenses in the income statement:

Claims handling expenses reported as claims paid	-9,646	-10
Finance administrative expenses reported as Financial costs, Note 10	-487	-452
	-34,964	-35,480

Total operating expenses analysed under the following categories:

Advertising and selling expenses	-935	-854
Personnel costs	-15,491	-13,589
Travel expenses	-913	-830
Cost of premises	-1,493	-1,370
Office expenses	-1,451	-1,577
External services and fees ¹⁾	-3,573	-3,285
Depreciation	-211	-200
Charged claims handling cost	3,385	2,404
Other revenue	98	82
External acquisition costs	-11,383	-13,285
Costs for The Swedish Club Hong Kong Limited	-2,997	-2,976
	-34,964	-35,480

Total operating expenses analysed under the following categories, including The Swedish Club Hong Kong Limited:

Advertising and selling expenses	-1,050	-1,023
Personnel costs	-17,468	-15,510
Travel expenses	-1,072	-967
Cost of premises	-1,968	-1,845
Office expenses	-1,601	-1,679
External services and fees	-3,694	-3,457
Depreciation	-211	-200
Charged claims handling cost	3,385	2,404
Other revenue	98	82
External acquisition costs	-11,383	-13,285
	-34,964	-35,480

¹⁾ Operating expenses include remuneration to PwC for the audit assignment of USD -142 thousand (the comparable number 2016 for audit including all engaged firms was USD -128 thousand), of which USD -112 thousand concerns PwC Sweden.

Further, PwC's audit consulting amounted to SEK - (-); its taxation services amounted to USD - (-6 comparable including all firms); its other services amounted to USD -5 (-16 comparable including all firms), of which nothing concerns PwC Sweden.

KPMG charges for taxation services amounted to USD -19 thousand and other services amounted to USD -112 thousand.

Note: Numbers in brackets refer to 2016 figures

Note 8. Financial income	2017	2016
Dividends on quoted shares	325	352
Interest income		
Bonds and other interest-bearing securities	2,496	4,036
Other interest income	90	17
	2,586	4,052
Gains on foreign exchange, net	3,988	-
Gains on the realisation of investments, net:		
Quoted shares	16,903	417
Bonds and other interest-bearing securities	465	2,561
	21,356	2,978
	24,267	7,383

Note 9. Unrealised gains on investments	2017	2016
Quoted shares	579	1,924
Bonds and other interest-bearing securities	3,407	1,608
	3,986	3,532

Note 10. Financial costs	2017	2016
Internal management expenses	-487	-452
External management expenses	-107	-54
Interest costs	-1	-8
Losses on foreign exchange, net	-	-693
	-595	-1,207

Note 11. Intangible assets	2017	2016
Capitalised expenditure on computer software system		
Opening accumulated costs	4,822	5,252
Acquisitions	-	-
Revaluation of accumulated acquisition costs	507	-430
Closing accumulated costs	5,329	4,822
Opening accumulated depreciation	-4,700	-5,078
Depreciation for the year	-40	-40
Revaluation of depreciation	-495	418
Closing accumulated depreciation	-5,235	-4,700

Depreciation is accounted for in the income statement under 'Net operating expenses'.

94	123
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Note 12. Shares in group and associated companies**2017****2016****Non-quoted shares in subsidiaries:**

The Swedish Club Hong Kong Limited

1 share nominal value HKD 1

0

0

Non-quoted shares in associated companies:

The Swedish Club Academy

750 shares nominal value SEK 100

11

11

11**11**

The Club has a subsidiary company which, in accordance with the Swedish Annual Accounts Act, has not been consolidated since the subsidiary company is of lesser importance with regard to true and fair view requirements.

The Club's ownership share of The Swedish Club Hong Kong limited and The Swedish Club Academy is 50 %.

Information about The Swedish Club Academy AB:

CIN: 556798-1435

Registered office: Göteborg

Country: Sweden

Information about The Swedish Club Hong Kong Limited:

CIN: F21394

Registered office: Hong Kong

Country: China

Note 13. Quoted shares**2017****2016**

Quoted shares at fair value

59,918

77,798

59,918**77,798**

Costs of quoted shares USD -54,486 (2016: -72,945) thousands.

Quoted shares are specified in the table below:

Name	Number	Cost	Fair value
Mercer Passive Global Equity UCITS Fund	488,439	49,118	53,875
MGI Emerging Markets Equity Fund	49,347	5,368	6,044
		54,486	59,918

Note 14. Bonds and other interest-bearing securities

2017	Nominal value	Cost	Fair value	Carrying amount
Other foreign issuers	-	-	-	-
Total quoted securities	-	-	-	-
Bond funds		313,792	315,822	315,822
		313,792	315,822	315,822
2016	Nominal value	Cost	Fair value	Carrying amount
Other foreign issuers	10,000	10,000	9,815	9,815
Total quoted securities	10,000	10,000	9,815	9,815
Bond funds		265,074	263,882	263,882
		275,074	273,698	273,698

Note 15. Technical provisions	2017			2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for claims outstanding						
Opening balance, provision for reported claims	225,836	-71,175	154,661	204,893	-44,795	160,098
Opening balance, provision for incurred not reported (IBNR)	33,983	-400	33,583	33,043	-960	32,083
Opening balance	259,819	-71,575	188,244	237,936	-45,755	192,181
Claims occurred during the current year	117,198	-12,576	104,622	125,619	-30,498	95,121
Claims paid current year	-111,085	16,677	-94,408	-145,205	51,272	-93,933
Change in expected cost for claims occurred previous years (run-off result)	-7,809	-6,136	-13,945	41,469	-46,594	-5,125
Closing balance	258,123	-73,610	184,513	259,819	-71,575	188,244
Closing balance, reported claims	221,306	-69,610	151,696	225,836	-71,175	154,661
Closing balance, provision for incurred not reported (IBNR)	36,817	-4,000	32,817	33,983	-400	33,583
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unearned premiums						
Opening balance	35,929	-4,024	31,905	40,013	-4,357	35,656
Insurance contracts signed during the period	33,634	3,700	37,334	35,929	-4,024	31,905
Premiums earned during the period	-35,929	4,024	-31,905	-40,013	4,357	-35,656
Closing balance	33,634	3,700	37,334	35,929	-4,024	31,905

The provision is treated as USD. No exchange differences therefore arises. Provision for claims handling included in provision for claims outstanding amounts to USD 8,107 (8,107) thousands. The provision for incurred and reported claims is reported including incoming reinsurance amounting to USD 621 (769) thousands.

Note 16. Receivables related to direct insurance operations

	2017	2016
Policyholders (members)	35,625	39,106
Insurance brokers	25	15
Insurance companies	3,057	3,737
	38,707	42,859

Note 17. Tangible assets	2017	2016
Machinery and equipment		
Opening accumulated cost	2,525	2,618
Acquisitions	135	8
Sales and disposals	-36	123
Revaluation of accumulated purchase prices	272	-223
Closing accumulated cost	2,896	2,525
Opening accumulated depreciation	-1,979	-1,989
Reversed depreciation on tangible assets sold	28	0
Depreciation for the year	-171	-160
Revaluation of depreciation	-211	170
Closing accumulated depreciation	-2,332	-1,979
	564	547

Depreciations are accounted for in the income statement under 'Net operating expenses'.

Note 18. Other assets	2017	2016
Receivables, Hydra	8,723	6,514
Other assets	709	642
	9,432	7,156

Note 19. Pensions and similar obligations	2017	2016
Provision pensions	349	331
Provisions for deferred non-vested pension	551	714
	900	1,045

The pension obligations are comprised of pension plans that are regulated through collective agreements and national insurance laws. The obligations consist of both defined contribution and defined benefit plans. For defined contribution plans, pension costs consist of the premium paid for securing the pension obligations in life insurance companies. The total premium paid during the year amounted to USD 2,589 thousands.

The Club's pension plans for collective pension agreements are guaranteed through insurance agreements. The pension plan for the Club's employees has been assessed as a defined benefit plan covering multiple employers. However, the Club has determined UFR10 Accounting for pension plans in ITP 2, which is financed through insurance with Alecta, is also applicable to the Club. The Club lacks sufficient information for reporting in accordance with IAS 19. Therefore, in accordance with UFR 10, it reports these pension plans as defined contribution plans. The Club's obligations concerning contributions to defined contribution plans have been reported as a cost in the income statement at the rate they are earned by employees performing services during the period. Premiums paid to SPP Liv and SKANDIKON amounted to USD 1,235 thousands.

As per the collective agreement, employees born before 1956 are entitled to retire at the age of 62. The provision is based on anticipated future pension payments and it includes assumptions regarding mortality, employee turnover, salary growth and price inflation. Pension payments for the year amounted to USD 282 thousands.

Note 20. Taxes	2017	2016
Tax on result for the year		
Deferred tax ¹⁾	-877	-765
Other taxes	-219	-32
	-1,096	-797

¹⁾Tax rate 22 %. Current years deferred tax is assignable to unrealised value changes in investment assets.

Change in provision for deferred tax		
Opening balance	765	-
Change recognised in income statement	877	765
Closing balance	1,642	765

Change in provision for deferred tax reported in untaxed reserves		
Opening balance	44,797	42,996
Change reported in untaxed reserves	5,107	1,801
Closing balance	49,904	44,797

Note 21. Liabilities related to direct insurance operations	2017	2016
Policyholders (members)	1,673	3,214
Insurance brokers	4,148	4,334
Insurance companies	2,336	1,076
	8,157	8,624

Note 22. Other liabilities	2017	2016
Trade creditors	1,033	868
Other creditors	10,534	8,815
	11,567	9,683

Note 23. Expected settlement of assets and liabilities

Approximately 40 % of the provision for claims outstanding is expected to be paid more than 12 months in the future. Reinsurers' share of the provision for claims outstanding typically takes somewhat more time. For other balance sheet items that are expected to be settled more than 12 months in the future, 50 % of the receivables and liabilities are associated with other insurance companies. There is little risk in the short term of the Club becoming short of cash funds since most of the investment portfolio can be converted to cash within a few days. For more information on liquidity risk, please see Note 2 and the cash flow statement.

Note 24. Memorandum items**2017****2016**

The listed assets below, are held in the priority register for coverage of technical provisions. In case of insolvency the members have a priority right to the registered assets. The company has the right that in going concern add or delete assets in the priority register as long as the requirements are met in accordance with Swedish Insurance Act.

Government/municipal bonds, etc.	150,925	137,788
Bonds other	150,347	130,561
Quoted shares	59,918	77,797
Investment fund	14,550	5,349
Cash and bank balances	16,716	23,438
Receivables related to direct insurance operations	22,240	23,588
	414,696	398,521
Technical provisions, net	214,447	220,148
Surplus of registered assets	200,249	178,373
	414,696	398,521

Bank guarantees

In connection with commitments to other members of the International Group and to members of The Swedish Club, the Association has provided bank guarantees of USD 1.9 (2016: 5.6) million.

Note 25. Related party transactions

With the exception of what is required by insurance contracts, there are no related party transactions with Board members. Neither are there any related party transactions with senior executives of the Club. During the year, the Club reimbursed the equivalent of USD 3 million to its subsidiary in Hong Kong. This was for operating costs in 2017. In addition, a receivable is reported in the balance sheet for USD 0.4 million.

Note 26. Significant events after the balance sheet date

Subsequent to the balance sheet date, the business has developed in line with the established goals and expectations. The Club does not have any significant events to report that occurred after the balance sheet date.

Note 27. Personnel

	2017	2016
Average number of employees:		
Sweden	77	74
Greece	17	15
Norway	6	6
Hong Kong	14	13
	114	109
Of which women	54	51
Women in management team	(17 %)	(17 %)
Salaries and remuneration		
in Sweden		
Chairman of the Board	22	19
of which variable portion	(9)	(7)
Other Board members (19 persons)	224	151
of which variable portion	(161)	(107)
Managing Director	358	331
of which variable portion	(19)	-
Management team excluding the Managing Director (5 persons)	851	816
of which variable portion	(48)	-
Other employees	3,808	3,779
in Greece	1,461	1,345
in Norway	634	667
	7,358	7,108
Social security costs:		
in Sweden	5,059	4,473
in Greece	422	273
in Norway	180	207
	5,661	4,953
of which pension costs	3,450	3,027
Management team including MD (6)	(651)	(416)

The parent company's Managing Director's employment contract states that the Club is required to give notice of termination two years in advance. Included under the heading Provision for pensions in Note 19 is the capital value of pension obligations for prior senior executives, which amounts to USD 231 (2016: 240) thousands.

Fees have been paid to Board members during the year in accordance with the AGM decision. The AGM decides on how remuneration to the Board shall be allocated between the Chairman of the Board and the other members. The variable portion is based on the number of meetings attended. Remuneration to the Managing Director is decided by the Chairman of the Board. Remuneration to other senior executives is decided by the Managing Director. Remuneration to the Managing Director and other senior executives is comprised of basic salary, other benefits and pension. Other senior executives are individuals who, together with the Managing Director, form the senior management team. There are limited variable components of salary for these individuals. Please see Note 19 for information about pensions. No fees are paid to Board members who are also employees of the Club.

Note 28. Proposed appropriation of earnings

The following earnings is at the disposal of the AGM:

Accumulated loss	-10,309
Profit for the year	-5,376
Translation difference capital	621
Total	-15,064

The Board and the Managing Director propose that the loss be distributed as follows:

Carried forward	-15,064
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Auditor's report

This auditor's report relates to the audit of the Swedish statutory financial statements, which have been produced in SEK and filed with Swedish authorities. These statements can be retrieved at the home page of the Swedish Club, swedishclub.com. The auditor's report has been translated from its original Swedish into English by professional translators.

To the general meeting of Sveriges Ångfartygs Assurans Förening, corporate identity number 557206-5265

Report on the annual accounts

Opinions

We have audited the annual accounts of Sveriges Ångfartygs Assurans Förening for the year 2017.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act in insurance companies and present fairly, in all material respects, the financial position of Sveriges Ångfartygs Assurans Förening as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act in insurance companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting adopts the income statement and balance sheet.

Our opinions in this report on the the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of provisions for claims outstanding

Provisions for claims outstanding constitute a significant balance sheet item based on calculations and estimates of future outcomes of the cost of claims. Factors taken into account in the assessment include time of settlement and patterns of claims.

The company uses established actuarial methods for calculating provisions for claims outstanding. The company's provisions consist of a number of different products where the characteristics of the products affect the calculation models.

For further description, see the Annual Report note 1, 2 and 15.

Our audit has included, but not exclusively, consisted of:

- Assessment of design and testing of the effectiveness of controls in the processes for calculating the provision for claims outstanding.
- Our audit has also included assessments of used actuarial methods and models. We have also challenged and assessed the management's assumptions.
- In addition, we have conducted our own calculations to ensure that the provision for claims outstanding are reasonable. PwC's own actuaries assisted the audit.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act in insurance companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation. We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified. Report on other legal and regulatory requirements. We must also provide the Board of Directors with a statement that we have followed relevant professional ethical requirements regarding independence, and address all relationships and other conditions that can reasonably affect our independence and, where applicable, countermeasures.

Of the areas communicated with the Board, we determine which of these areas were the most important for the audit of the annual report, including the most important risks identified for significant errors, and therefore constitute key audit matters. We describe these areas in the audit report unless laws or other regulations prevent disclosure of the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sveriges Ångfartygs Assurans Förening for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Insurance Companies Act, the Annual Accounts Act in insurance companies or the Articles of Association.

Our objective concerning the audit of the proposed

appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Insurance Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Insurance Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Insurance Companies Act.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, was appointed auditor of Sveriges Ångfartygs Assurans Förening by the general meeting on the 15 June 2017 and has been the company's auditor since the 15 June 2016.

Stockholm 2018
Öhrlings PricewaterhouseCoopers AB

Morgan Sandström
Authorised Public Accountant

Meet your crew



With you at all times

With 145 years of marine insurance experience, we understand the issues our members are facing and offer top levels of specialist knowledge and expertise to meet their needs.

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www.swedishclub.com

P&I Income Statements

The financial year of The Swedish Club runs from January through December. However, as the policy year ends 20 February, the P&I statements reflecting this period are presented here.

P&I financial year statement (unaudited)

The P&I financial year statement shows the estimated result for each respective twelve-month period ending 20 February regardless of policy year. This statement shows revenues and expenses matched to the financial year in which these have been accounted for.

For the year ended 20 February. Amounts in USD thousands.	2017/18	2016/17	2015/16
Calls and premiums	98,780	104,133	109,958
Mutual premium discount	-3,418	-	-
	95,362	104,133	109,958
Reinsurance premiums	-27,390	-25,096	-26,755
Claims paid	-68,648	-95,902	-103,369
to Pool	-13,136	-15,268	-16,719
on own business	-55,512	-80,634	-86,649
Change in provision claims	23,645	-23,350	33,196
to Pool	-8,789	56	6,509
on own business	32,434	-23,406	26,687
Reinsurance recoveries	15,983	40,857	56,495
from Pool	10,035	11,200	21,260
from Group	2,021	9,253	23,246
from other reinsurers	3,927	20,404	11,989
Change in provision claims	-25,255	25,903	-40,653
from Pool	-28,281	15,511	-15,398
from Group	-2,022	14,416	-24,246
from other reinsurers	5,048	-4,024	-1,009
Claims handling costs	-6,287	-8,234	-6,151
Technical result	7,410	18,311	22,722
Investment income ¹⁾	22,180	7,514	-3,848
Administrative expenses	-15,303	-14,854	-14,523
Result	14,287	10,971	4,350

¹⁾ The Investment income has been allocated to the different classes of business in accordance with a formula that has been consistently applied from year to year.

P&I policy year statement (unaudited)

The P&I policy year statement shows the development of the individual open policy years at 20 February 2018. This statement matches revenues and expenses related to policies belonging to a specific policy year.

At 20 February 2018 Amounts in USD thousands.		2017/18	2016/17	2015/16
Calls and premiums accounting year		98,780	104,133	109,958
Mutual premium discount		-3,418	-	-
		95,362	104,133	109,958
Reinsurance premiums		-27,390	-25,096	-26,755
Investment income transferred from non-technical account		4,000	3,700	3,800
Claims paid accounting year 2015				-26,736
Claims paid accounting year 2016			-26,424	-36,565
Claims paid accounting year 2017		-18,619	-16,520	-9,945
Claims handling costs		-6,287	-8,234	-6,151
Reinsurers share paid accounting year 2015				6,483
Reinsurers share paid accounting year 2016			8,245	18,583
Reinsurers share paid accounting year 2017		-	4,866	2,831
Administrative expenses		-15,303	-14,854	-14,523
Technical balance available to meet claims	A	31,763	29,816	20,980
Net outstanding claims ¹⁾				
Pool		5,717	4,270	9,314
Members' claims		38,634	31,894	13,516
	B	44,351	36,164	22,830
Technical result insurance year	A-B	-12,588	-6,348	-1,850
Total investment income P&I ²⁾		22,180	7,514	-3,848
Investment income transferred to technical account		-4,000	-3,700	-3,800
	C	18,180	3,814	-7,648
Balance available to meet outstanding claims	A-B+C	5,592	-2,534	-9,498

¹⁾ All reserves for outstanding claims are uplifted to include IBNR.

²⁾ P&I business part of investment income is accounted for in the policy year in which it arises. All figures are shown net of taxation.

Board of Directors



Lennart Simonsson
Chairman
Gothenburg, Sweden



Lars Rhodin
Managing Director
Gothenburg, Sweden



John Coustas
Deputy Chairman
Danaos Shipping Co. Ltd.
Piraeus, Greece



Khalid Hashim
Deputy Chairman
Precious Shipping Public Co. Ltd.
Bangkok, Thailand



Idil Baran Sualp
CerBa Group of Companies
Istanbul, Turkey



Michael Bodouoglou
Allseas Marine S.A.
Voula, Greece



Peter Claesson
Stena AB
Gothenburg, Sweden



Jude Correa
Seaspan Ship Management,
Vancouver, Canada



Demetri Dragazis
Latsco (London) Ltd.
London, United Kingdom



Rob Groot
Vroon B.V.
Breskens, The Netherlands



Gustaf Grönberg
Star Cruises Management Ltd.
Kuala Lumpur, Malaysia



Lars Höglund

Furetank Rederi AB
Donsö, Sweden



Anders Källsson

Erik Thun AB
Lidköping, Sweden



Andonis Lemos

Enesel S.A.
Athens, Greece



Li Zhen

Sinotrans Shipping Ltd.
Beijing, The People's Republic of China



Lim Sim Keat

IMC Industrial Group
Singapore



Lu Jian

Winning Shipping, Singapore



Diamantis Manos

Costamare Shipping Co. S.A.
Athens, Greece



Sumate Tanthuanit

Regional Container Lines Co. Ltd.
Bangkok, Thailand



Michael Vinnen

F.A Vinnen & Co.
Bremen, Germany



Weng Yi

China Shipping Company
Shanghai, The People's Republic
of China



Jakob Osvald

Elected by the employees



Elisabeth Rydén

Elected by the employees



Definitions & glossary



Actual result for the year:	change in free reserves during the year.
AER, Average expense ratio:	all members of the International Group of P&I Clubs are subject to the EU Commission requirement to report the AER for P&I business. This is a measure of cost-effectiveness. AER is measured in US dollars and calculated for the latest five-year period by relating operating costs, excluding claim handling costs, connected with P&I activity to premiums plus investment income concerning P&I activity.
Ancillary own funds:	consists of items in addition to those included in basic own funds and which may be required for covering losses. For items in Level 2 and 3 of the hierarchy, the maximum amount of ancillary own funds that may be included here is 50% of the SCR.
Basic own funds:	the core of eligible own funds according to Solvency II. Calculated as the difference between assets and liabilities, including technical provisions measured at fair value.
Claims frequency:	the observed relationship during a specific period between the number of claims arising within a certain category of insurance and the number of insurance policies within the same category. Does not include major claims.
Combined ratio:	claims for own account and net operating expenses in the insurance business, as a percentage of earned premium f.o.a.
CTL, Constructive Total Loss:	is when the vessel is beyond any reasonable cost for repairs. The damage or damages to the ship will cost more to repair than the insured value.
Direct yield:	direct yield on investments (dividends received and interest income) as a percentage of the average fair value of investments and cash/bank balances.
Eligible own-funds:	own funds consist of basic own funds and ancillary own funds, established according to the Solvency II requirements. Own-fund items are classified in three tiers, depending on their value. Only basic own funds classified as Tier 1 and Tier 2 are eligible for covering the MCR.
Energy:	insurance that is comprised of Hull & Machinery, Increased Value, Hull Interest, War, Loss of Hire for Mobile Offshore Units and FPSO. For more information see: Insurance Products at www.swedishclub.com .
Expense ratio:	net operating expenses in the insurance business, as a percentage of earned premium f.o.a.
FD&D, Freight, Demurrage & Defence (legal protection):	a main class of insurance that convey advice and cover the legal costs incurred in pursuing or defending claims covered by this class of insurance pursuant to its terms and conditions. There is no cover under FD&D, however, for the claim itself.
For own account, f.o.a:	net of reinsurance.
Free reserves:	equity less deferred tax assets plus untaxed reserves and deferred tax liability.
H&M, Hull & Machinery:	a cover that protects the insured against damage to, or loss of, his vessel or machinery.
IBNR, Incurred but not reported:	a term used to describe an estimate of claims which may have occurred, but of which the Club is not yet aware, or is only partially aware and for which provisions must be made when calculating the Club's liabilities.
International Group of P&I Clubs:	this organisation arranges collective insurance and reinsurance for P&I clubs and represents the views of the P&I community.

Loss ratio:	claims incurred, net of reinsurance, as a percentage of earned premiums f.o.a.
Marine & Energy (vessels):	a main class of insurance which includes Hull & Machinery (H&M), Hull Interest, War, Loss of Hire and Energy. For more information: see Insurance at www.swedishclub.com
MCR, Minimum Capital Requirement:	insurers subject to Solvency II must at all times have eligible basic own funds of at least the level of the MCR. The authorisation of an insurer is withdrawn when the undertaking's amount of eligible basic own funds falls below the MCR and the undertaking is unable to re-establish the amount of eligible basic own funds at the level of the MCR within a short period of time.
MRM, Maritime Resource Management:	is a training course intended for seagoing staff, pilots and shore-based personnel. The overall objective is to minimise casualties and losses caused by human and organisational errors. The Swedish Club Academy AB is the owner of the MRM course and has licensed a large number of training providers world-wide for delivery of training. For more information see: www.swedishclub.com/academy .
Overspill:	claims exceeding the International Group of P&I Clubs' reinsurance are pooled amongst the members up to the overall limit set by the P&I Rules. The estimate is currently USD 3.5 billion in excess of reinsurance.
Own funds:	equity and untaxed reserves, minus intangible assets in the balance sheet.
P&I, Protection & Indemnity (ship liability):	a main class of insurance that indemnifies or covers the insured in respect of the discharge of legal liabilities incurred during the operation or employment of the vessel.
Pool:	the P&I clubs in the International Group share claims made in excess of the retention of USD 10 million. In the excess of the pool limit, the Group has jointly purchased Excess of Loss reinsurance.
Regulatory capital base divided by solvency margin:	own funds in relation to the regulatory solvency margin (through 2015).
Regulatory solvency margin:	calculated in accordance with the regulations of the Swedish Financial Supervisory Authority and the Swedish Insurance Business Act (through 2015).
Retention:	the highest insured or claims amount relating to the same risk that an insurer retains for its own account, without reinsurance.
Solvency ratio, claims:	free reserves, as a percentage of provision for claims outstanding f.o.a.
Solvency ratio, premiums:	free reserves, as a percentage of earned premium f.o.a.
SCR, Solvency Capital Requirement:	capital requirement in accordance with the Solvency II Directive. It corresponds to the level where the probability that the company is unable to meet its obligations does not exceed 1 in 200. The requirement is calculated using a standard model. The capital requirement is affected by insurance, market, credit and operational risks.
Total return:	direct yield on investments (dividends received and interest income), unrealised profits and losses and capital gains or losses from the sale of investment assets, in relation to the average fair value of the investments and cash/bank.
Underwriting:	includes the risk assessment and pricing that occurs when insurance contracts are drawn up. In accounting contexts, the term is also used more broadly to designate the operations of an insurance company that do not have the character of asset management.



Långe Jan Lighthouse

Långe Jan ("Tall John") is a Swedish lighthouse located at the south cape of Öland in the Baltic Sea, Sweden's second largest island. It is one of Sweden's most famous lighthouses along with Kullen, Vinga and Landsort, and also the tallest lighthouse in Sweden.

The lighthouse was built in 1785 and the tower was built of stone from an old chapel. Originally the light was an open fire, and the tower was unpainted. It was painted white in 1845, and the same year the tower's lantern was installed to house a colza oil lamp. A couple of years later a black band was added to the tower.



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